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Weekly Property Pulse Professional Edition

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Industry Market Wrap

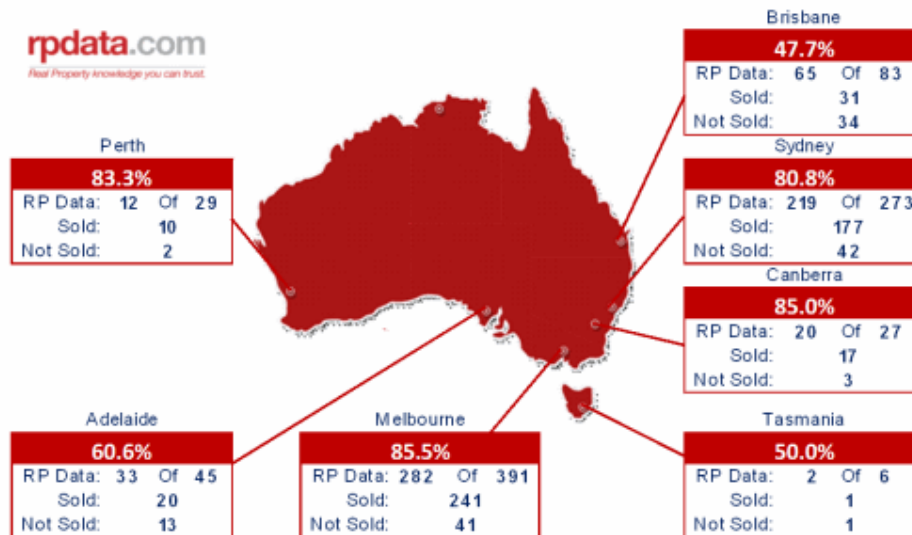
The Reserve Bank this week released the minutes from their most recent board meeting which revealed an upbeat assessment of the national economy. The RBA have speculated that Australia's economy will start to improve later in the year and that downside risks to a recovery have diminished. The minutes from the RBA suggests that, if necessary, there is scope to cut the official cash rate if there is a further need to stimulate demand.

The release of CPI figures on Wednesday, the lowest in ten years, are likely to reinforce the Reserve Bank's assessment of the economy. Based on the headline figures, consumer prices increased by just 1.5 percent over the year which is well below the Reserve's target range of between 2 and 3 percent. The RBA's preferred measure of inflation is underlying inflation, which removes volatile items such as fuel, fruit and vegetables, is much more stubborn, remaining outside the target range at 3.9 percent. Based on the high underlying inflation figure, it is unlikely that official interest rates will fall any further until the core inflation numbers fall within the target range.

There are currently 113,000 residential homes for sale across Australia with an estimated market value of just over \$40 billion. The total number of properties being advertised for sale around Australia has moderated over the last year, with current market stock about 13 percent lower than the same time last year. Auction clearance rates last week remained robust with Sydney and Melbourne both recording clearances above 80 percent. This week's feature article provides an overview of auction markets around Australia over the last year, highlighting the improvement in clearance rates particularly in the key auction markets of Sydney and Melbourne.

In other news, the Australian Competition and Consumer Commission (ACCC) are proposing new national regulations that will impose heavy fines on real estate agents and vendors who consciously mislead buyers. The proposal from the ACCC is largely aimed at stamping out under quoting practices in the industry. RP Data has long been an advocate of transparency in the industry and supports a national framework that will assist in boosting the credibility and consistency of the real estate industry as a whole. Real estate agencies need to be transparent and adopt best practice models such as using Comparative Market Analysis (CMA) reports when setting the listing or reserve price with a vendor. More than 60,000 CMA reports are produced on rpdata.com every month, highlighting the fact that most agents are already engaged in best practice processes.

Auction clearance rates – week ending July 19th



Each week RP Data collects the most comprehensive set of auction results available in Australia. Thank you to our vast network of real estate professionals who assist us with aggregating these results. The statistics show how many auctions were reported by RP Data as well as the total number of auctions that were scheduled over the last week (due to the large number of auctions we are unable to report 100 percent of the results). 'Sold' properties indicate those properties that were either successfully auctioned on the day, sold before the auction or sold after the auction. Properties 'Not Sold' were either passed in at auction or withdrawn.

Advertised stock on the market

State	New advertised listings	Total advertised listings	State	Approximate value of total listed stock (\$m)	Approx agents commission available (based on 2.5% commission rate) (\$m)
Qld	2,880	32,018	Qld	\$11,804.9	\$295.1
NSW	2,737	35,485	NSW	\$12,019.4	\$300.5
Vic	2,237	21,201	Vic	\$6,938.1	\$173.5
WA	1,058	13,251	WA	\$5,290.2	\$132.3
SA	744	8,142	SA	\$2,573.6	\$64.3
NT	39	319	NT	\$122.9	\$3.1
ACT	48	466	ACT	\$196.6	\$4.9
Tas	292	4,479	Tas	\$1,591.6	\$39.8
Aust	10,084	113,910	Aust	\$40,267.2	\$1,006.7

RP Data monitors advertised properties closely. Each week we update our databases with new properties that have been added to the market. Of course we also update the current stock listed for sale: what is the marketing history, have there been changes to the price or selling method, how long has a particular property been advertised for sale and who is selling it. Want to know what is happening in your local patch? Check out RP Data's 'On the Market' service.

Click [here](#) or phone **1300 789 303** for a free 2 week trial to find out how you can see what listings are available in your area with On the Market®.

Auctions back on the radar

With conditions in Australia's real estate market improving, so too have auction clearance rates. On average, 70 percent of auctions over the last month have recorded a successful outcome, compared with just 46 percent at the end of last year.

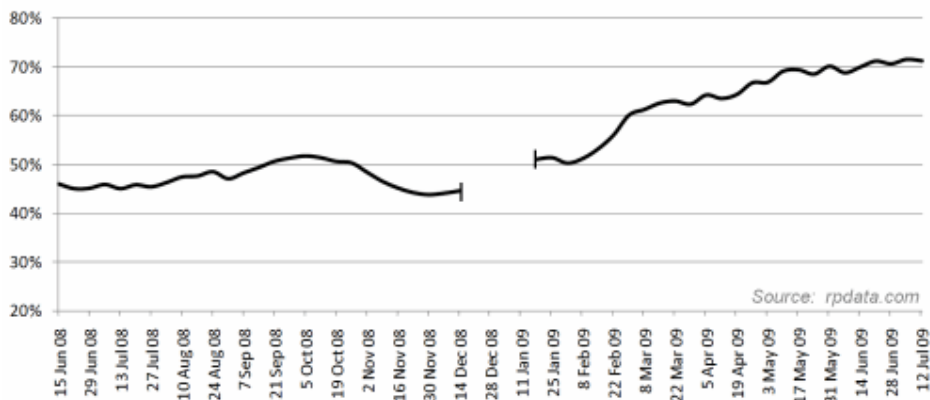
Auction clearance rates are generally considered to be a reasonable measure of real estate market sentiment. When market conditions are subdued, auction clearance rates

tend to be poor; and when market conditions are buoyant, clearance rates are generally high.

This was certainly demonstrated through most of 2008. As the Global Financial Crisis unravelled, clearance rates averaged about 45 percent meaning that less than half of the properties put up for auction sold at, before or after auction.

Since the start of the new calendar year, auction clearance rates have improved consistently, now averaging about 70 percent across all auctions based on a weighted average across each market.

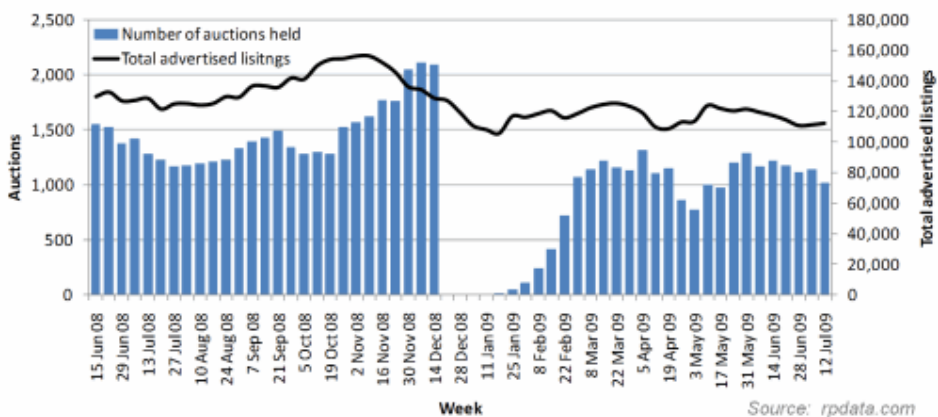
Weighted average of capital city clearance rates



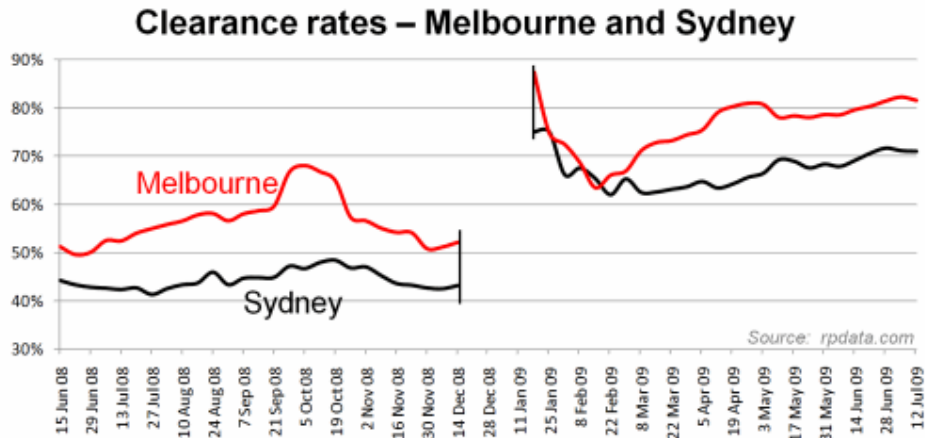
The improvement in clearance rates can be attributed to a number of factors. Most importantly, market conditions have improved with property prices showing modest growth, consumers are more optimistic about the economy and vendors have become more realistic in their price expectations.

Additionally we may be seeing a case of quality as opposed to quantity in the auction market. Total auctions are down 22 percent compared to last year; a much larger drop than the 13 percent fall in total advertised housing stock. This may suggest that real estate agents and vendors are preferring other selling methods over auctions. Also, with auction sales generally associated with high end and unique properties, many vendors of these homes are preferring to hold off selling until market conditions in this segment improve further.

Number of auctions and number of advertised listings



The two largest markets for auctions (by far) are Melbourne and Sydney. These two markets typically account for 80 percent of all auctions nationally, so national clearance rates are largely dictated by what transpires in these two auction markets. Outside of Melbourne and Sydney, Brisbane is the only other market to record a significant number of auctions, averaging about 90 each week or roughly 10 percent of the national auction market.



There needs to be some care in how auction results are interpreted outside of the core auction markets of Melbourne, Sydney and to a lesser extent Brisbane.

For regions such as Perth, Adelaide, Canberra and Hobart, auction results are much less meaningful because auctions as a selling method are not as popular in these regions. Over the year to date Adelaide has averaged just 47 auctions each week, Perth has averaged 26, Canberra has averaged 22 and the whole of Tasmania has averaged only 8 auctions each week.

Clearance rates – June 09 v Dec 08

Capital City	Jun qtr 09	Dec qtr 08
Adelaide	54.2%	40.9%
Brisbane	44.6%	25.3%
Canberra	66.8%	43.4%
Melbourne	80.2%	54.9%
Perth	39.3%	19.5%
Sydney	68.5%	44.7%
Tasmania (state)	40.4%	na
Weighted average	69.0%	46.6%

Source: rpdata.com

With such small auction numbers, clearance rates are less indicative of consumer sentiment in the market. What is more important is an analysis of market volumes, price movements, the level of vendor discounting and the length of time it takes to sell a property. All this information is available through RP Data.



The RP Data Research Team have just released a National Suburb Scorecard for Houses and Units on myrpdata.com.

This report allows investors to build their own market analysis reports with high quality raw property market data in excel format. This ready reference tool allows users to sort, filter, graph and compare suburbs and States.

As a special introductory offer, the [National Houses](#) or [National Units](#) Suburb Scorecard are available for only \$150 (RRP \$220). To find out more about the [National Houses](#) or [National Units](#) Suburb Suburb Scorecards click [here](#) or go to the [Research section](#) of myrpdata.com. In the coming months, individual states will be available at a discounted price.

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