

Residential Property Sales in March 2020

The real estate industry adapts to the
changing landscape

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The Victorian real estate sector, like most of the economy, saw a significant change in working conditions from late March 2020. The Government announced a series of restrictions on social gatherings including a ban on public auctions, restrictions on inspections and more. The sector quickly adapted to the new environment to ensure that people are still able to make informed choices about their homes.

How was the auction market tracking until March 2020

Victorian property started 2020 with a strong outlook. February 2020 recorded the highest number of auctions ever for the month at 3,590 and 2,791 of those selling – surpassing previous record held by February 2017.

The State’s monthly clearance rate remained over 70 per cent since July last year. The volume of reported auctions started picking up in October 2019, due to growing market confidence incentivized by low interest rates. Victoria recorded some of the highest ever median prices for the 2019 December quarter.

The momentum continued into March 2020 as the State cleared 72.7 per cent from 3,079 auctions, a solid result especially when compared to same month last year.

March Auction Results

	Clearance Rate	Reported Auctions
Mar, 2020	 72.7%	3,079
Mar, 2019	 55.8%	3,325
Mar, 2018	 67.0%	5,085

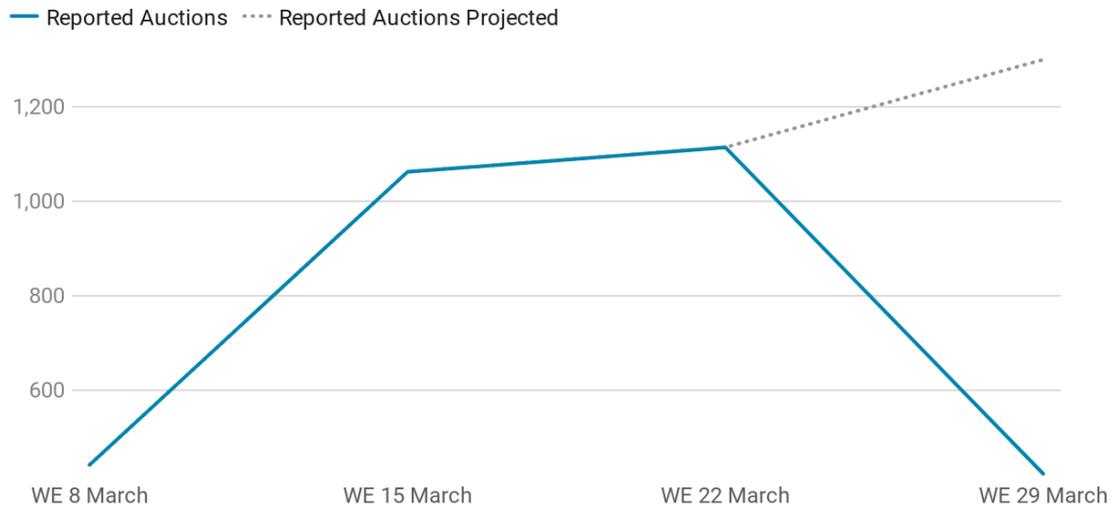
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However, the volume of auctions could not match previous years due to the restrictions implemented in late March.

A projection of an alternative auction result, had the coronavirus pandemic not occurred, shows that the week ending 29th March would have been “a Super Saturday” with 1,300 auctions expected to be reported (based on the previous three weeks). However, only 422 auctions were reported. The volume of auctions in March could have outperformed last year’s figures.

An alternative scenario to March results, weekly.

Note: Lower volume of reported auctions in week ending March 8 (Labour day weekend) and week ending March 29 (ban started)



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Market Response to the Restrictions

Vendors and Agents had to make prompt decisions about properties already on the market. There were different approaches adopted depending on the vendor's requirements and buyer interest in the particular property.

Some vendors responded by changing their method of sale from auction to a private sale while some chose to postpone the sale to a later date. Many chose to convert to online auctions.

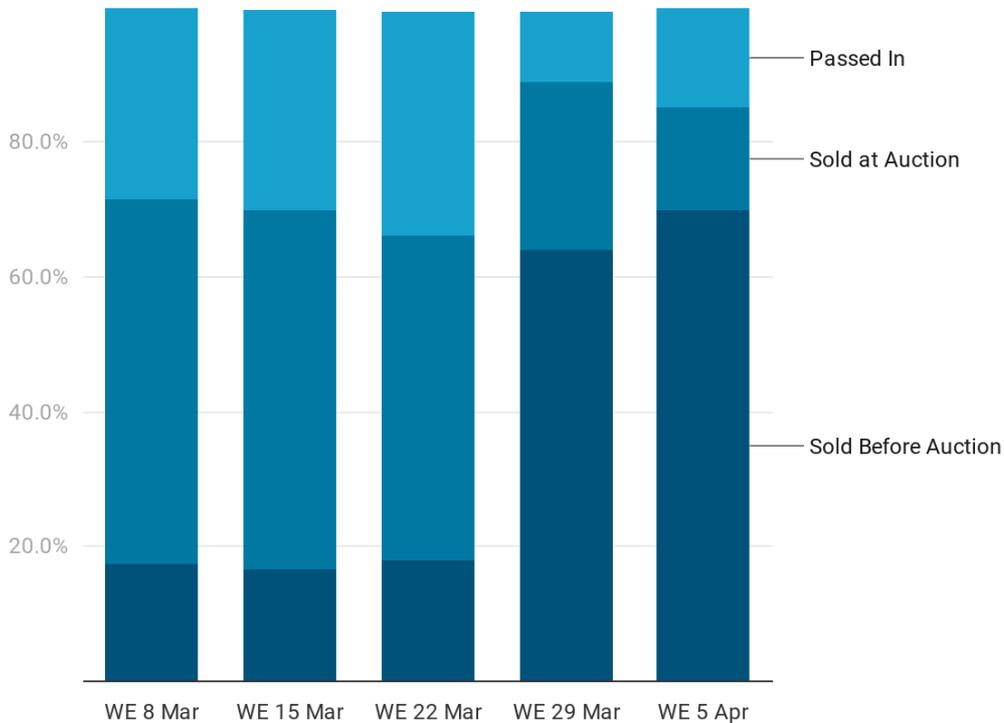
Reported Auctions

Typically around half of the auctions reported to the REIV are from a listing that "sold at auction," i.e. a home that was sold at scheduled time of the auction. This pattern was also seen in the first three weeks of March.

However, as the pandemic became a reality closer to home and restrictions on public auctions were announced (week ending 29th March and 5th April), there was a greater proportion of homes that sold before auction, 64% and 70% respectively of reported auctions.

A closer look at the outcome of reported auctions in March.

Note: sold after auction made up <1% of reported auctions.



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Clearance Rates

Looming escalation of restrictions probably influenced serious buyers and sellers to make quick decisions that led to sales. Many Agencies used technology to hold virtual auctions successfully. Auctions reported for the week ending 29th March sold 89.5% from 423 auctions.

For the week ending 5th April, online auctions cleared 85% from 246 reported auctions. Although auction volumes were low, serious buyers and sellers made their property dreams a reality.

Weekly Auction Results

Once the ban began, clearance rates shot up in Victoria.

	Clearance Rate	Reported Auctions
Week ending 8 March	75.5%	441
Week ending 15 March	69.4%	1,062
Week ending 22 March	67.5%	1,114
Week ending 29 March	89.5%	423
Week ending 5 April	85.0%	246

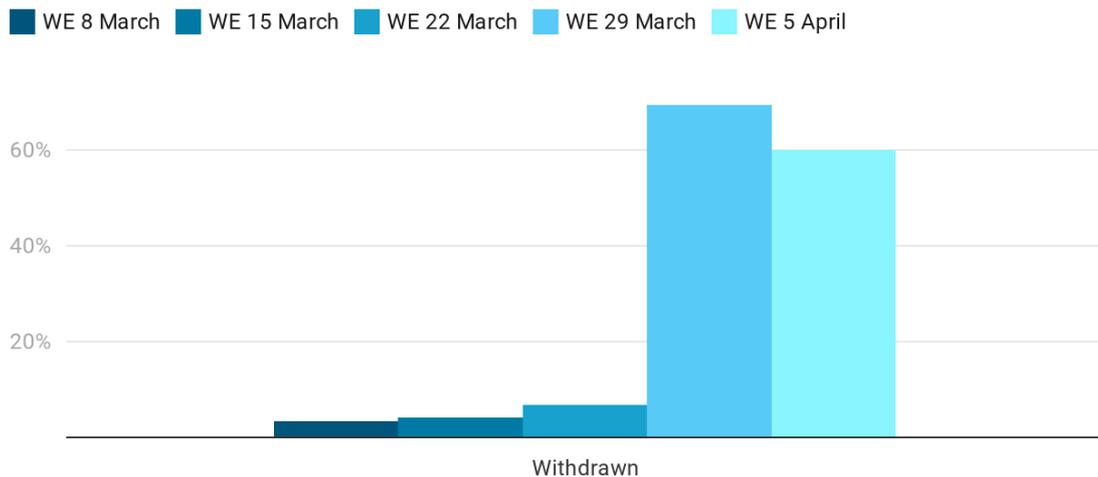
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Withdrawn from auction

From the auction results collected by the REIV, an average of 5.1% listings had been withdrawn from auction in the first three weeks of March; increasing to 69.5% in the week the ban began.

An upsurge in withdrawn listings after the ban was announced.

Proportion of withdrawn listings from total auction results collected by the REIV.



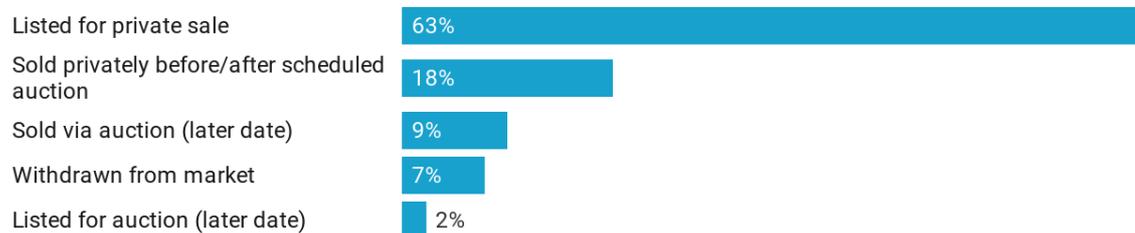
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The REIV tracked a sample of over 660 withdrawn auctions from the week ending 29th March, when the ban started.

Over half of withdrawn listings are currently listed for private sale (63%), almost one in five listings has been sold privately and 9% of listings were sold through auction at a later date. From the sample, 7% of homes had been pulled out of the market and 2% are re-listed to go under the hammer at a future date.

What became of the withdrawn listings?

For auctions scheduled on the week ending March 29, but were reported as withdrawn.



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Definitions

What is defined as Sold by Auction?

The sale of a property sold under an Auction Authority and under Auction Conditions.

It includes:

Sold Before: Sold prior to the commencement of a scheduled auction.

Auction Sale: Sold on the day of the Auction at or after the scheduled time of the Auction.

Sold After Auction: Sold on the day following the day of Auction

All calculations are based on results reported to the REIV. No assumptions are made on whether a property was sold or not.

How is Clearance Rate calculated?

The Clearance rate for the week is calculated based on number of auctions reported to the REIV. It refers to all properties Sold by auction (defined above) as a percentage of total reported auctions.

Properties withdrawn from auction or postponed, are not considered as these properties never went up for auction on the previously scheduled date.

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