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Working out what to expect

THE DAYS OF AUTOMATIC AUCTION SUCCESS ARE GOING, GOING, GONE. . .

Putting a property up for auction is always a bit of a gamble but, until recently, the odds of making a sale were heavily in favour of vendors. Judging by the number of properties now passing in after little or no bidding—and the sky-high price expectations revealed during later negotiations — many vendors are struggling to come to grips with just how much the game has changed.



PICTURE:
GARY MEDLICOTT

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About one in three vendors are not making a sale on auction day.

The number of properties passing in on vendor bids has also doubled since Anzac Day— which is when the market is generally agreed to have “turned”— with about 20 per cent of all auctions now ending this way.

The Real Estate Institute of Victoria says that 67 per cent of the 521 properties up for auction lastweek sold.

Before Anzac Day, competition was so consistently strong that vendors had a better than 80 per cent chance that a property put up for auction would sell under the hammer or through pre or post-auction negotiations.

Since then, buyer demand has slipped under the combined weight of six near sequential interest rate rises, a year-long run of record-setting but unsustainable price rises, and a flood of stock hitting the market as vendors sought to capitalise on the soaring price growth.

While it sounds pretty grim— to vendors, at least— it's worth remembering that, historically, Melbourne's auction market is considered balanced when the clearance rate is between 65 and 75 per cent.

Agents say that many properties are eventually sold later through private sale negotiations but it's impossible to know how many do, how long it takes or how often a compromise on price has to be made.

What is clear, however, is that many vendors are having a hard time understanding why they aren't seeing the intense competition and huge prices today that their properties would have commanded just a couple of months ago.

Back then, vendors could expect to get away with setting their reserve well above the quote range. Today, many are lucky to see genuine bidding within the quoted range. Not only are buyers more cautious about bidding, they are also increasingly likely to simply walk away rather than deal with an unrealistic or obstinate vendor.

This does not necessarily mean prices are falling, only that buyers know they no longer have to pay a premium.

"Realistic vendors with a moderate reserve seem to be still exceeding some of their expectations," said buyer advocate Michael Ramsay. "Those who are being unrealistic are seeing their properties pass in on a vendor bid or still passing in despite getting genuine bids." A case in point was yesterday's auction of the two-bedroom unit at 3/23 Edgar Street in Glen Iris, which was quoted at \$440,000 to \$480,000. Advantage Property Consulting, which placed the only genuine bid at \$441,000, negotiated a later sale at \$460,000 although the reserve was \$480,000.

Two bidders generated enough competition to push 405 Albert Street in Brunswick over the line, with buyer advocates Real Estate Angel reporting the single-fronted Victorian sold for \$610,000 after being declared on the market at \$600,000. The property was quoted at \$530,000 to \$580,000.

Out in Boronia, a two-bedroom villa unit at 2/13 Cypress Avenue attracted four bidders and sold for \$345,000 after being declared on the market at \$330,000. JPP Buyer Advocates said it had been quoted in the high \$200,000 range.

As always, there were some real stand out sales yesterday.

In Middle Park, a small one-bedroom unit at 7/18 Patterson Street was put on the market at \$420,000 but eventually sold for \$505,500, according to McRae Property. It was quoted at \$380,000 to \$410,000.

At the top end, a modern three-bedroom house at 20a Ann Street in Prahran opened with a vendor bid of \$1.2 million and then another at \$1,225,000, but two bidders took the price up to \$1,375,000 before it passed in. The property, which had been quoted by Marshall White at in excess of \$1.2 million, later sold for \$1.43 million.

There are 550 auctions scheduled next weekend.



YESTERDAY'S auction was the first time this new Docklands townhouse was put up for sale since it was bought off the plan for \$2,272,800 in December 2007. The four-bedroom property, just metres from the Yarra's edge in the South Wharf precinct, was opened on a vendor bid of \$2.2 million. RT Edgar auctioneer Gerald Betts called for a \$25,000 genuine rise but no one in the 30-person crowd could be enticed to bid. After failing to draw interest with the offer of rises of \$20,000 or \$10,000, the property was passed in. Quoted at more than \$2.2 million, the reserve is \$2,475,000. The Real Estate Institute of Victoria reports the median unit/apartment price for Docklands rose 32.6 per cent to \$630,000 in the year to March.

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