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The pitfalls of rear vision reporting in a shifting property market

by Paul Foster

Just like a loaf of bread, property sales data has a tendency to go stale. If you want to get an accurate understanding of the state of the property market, put down the reports and put on your walking shoes.

Things move pretty quickly in the real estate industry. So, it's easy to see how a potential buyer or seller may struggle to get a gauge on where things are at. Take a look at the headlines and you'll see the story can differ vastly from one day to the next.

Today's headline may shout about rising house prices, citing data based on medians, averages, year-on-year figures, adjusted inflation figures or simply comparing one agency's figures to another.

And yet tomorrow's headlines may report on rising interest rates, credit tightening and a softening in the marketing due to an absence of foreign buyers in the market. Two days, and two completely different stories.

Yes, there's plenty of information and data out there. But is it helpful? Not if it's looking in the rear view mirror.

Rear vision reporting

Let me explain:

- Sales data from the Real Institute is normally released around the beginning of the month
- So, by the time we get to the end of the month, that data can be up to four weeks out of date

Now, if you're currently in the process of buying or selling a house, you'll know that things change week to week, let alone month to month.

Getting your feet on the ground

We saw a prime example of this just last week. An Iron Bridge team member attended the auction rooms on the North Shore, in Auckland, where 44 properties were up for auction. A whopping 36 of those properties were passed in, with the majority of those 36 receiving no bids at all.

Yet, if we look at the industry data, the reporting tells us of 50 percent clearance rates and steady house prices. What our staff member witnessed by attending the auction in person told a very different (and far more current) story.

Even with this rather shocking auction statistic, we don't get a complete picture. The only thing that will give you a true indication of the state of property in the Auckland market is to actively participate in the process and get a feel for the mood of buyers and sellers.

Find fresh data

In my opinion, buyer behaviour is the most accurate indicator of the market. Studies show that buyers spend on average 88 days in the market before they buy. Talk to any buyer at the tail end of 88 days and they're sure to have a better grasp on the market than any reporter, economist or humble real estate agent!

With confusion or conflicting data in the market place, it's no surprise that we sometimes see buyers and sellers reaching an impasse. Based on what they are reading in the news, buyers may aim to pick up properties for less than the vendor is asking, feeling confident in the knowledge that there is more on the market. Sellers are still holding onto yesterday's prices as they hold onto yesterday's news (slow consents, historically low interest rates, high immigration) and hoping that buyers will eventually come up to their asking price.

As the property market shifts and fluctuates, it's not uncommon to see swings of 5 percent in either direction in a relatively short period of time. It is a moving feast and whilst we have a current softening in the marketing, it could all take off again very quickly.

The best way to ensure your intel is accurate and not have to rely on the rear view mirror is to get active in the market or have a chat to an real estate agent who's up to date with the state of today's market.

Like some honest and helpful advice on what's happening with the market? Get in touch **with our team.**