

## ***Beware of auction clearance rates***

by Paul Foster Selling property, Sales

You've probably heard the media gauging the state of the real estate market by quoting the current auction clearance rates, which is the percentage of how many properties actually sell at auction.

Agents then put their own spin on this clearance rate by telling us that the market is booming and their auctioneers are highly skilled when the clearance rates get above 70%. When these clearance rates drop to the rate of what has recently been quoted – 30-50% – agents still stick with the same auction method for selling property. They claim this is just a 'part of the process' and the property should then likely sell after the auction.



Over the past four weeks we conducted our own survey of clearance rates, by attending some public auctions. So far in 2016 we have witnessed 82 auctions. Of the 82 auctions, surprisingly only 35 have sold 'under the hammer', giving a clearance rate of 42.68%. A mediocre clearance rate like this is not something you hear agents shouting from the roof tops (which is not surprising considering agents continue to push for auctions as their preferred method for selling property).

Of the 35 properties that sold under the hammer only 16 met their reserve. The remaining 19 vendors all had to drop their reserve to get their property sold! Essentially the minimum price they were willing to accept was not reached and after 'taking instructions from the vendor' it is sold i.e. the vendor is put under extreme pressure to drop their reserve to get it sold.

As Peter O'Malley states in his book '[Real Estate Uncovered](#)', this "auction deadline day (which was meant to pressure the dozens of buyers into acting quickly) now hangs over the sellers, pressuring the one party it wasn't meant to."

One solution to avoid this scenario is to avoid disclosing a reserve price in a public auction. Instead, as Peter suggests "if you can get your agent to focus on the best possible price every buyer will pay, without disclosing your minimum acceptable price to either the buyer or your agent, then all of the pressure is put back onto the buyers and the agent – which is where it should be". This is where a silent auction comes in.

To find out more about the benefits of silent auctions over public auctions, [the team at Iron Bridge Real Estate](#) and [I would be happy to show you](#).