AUCTION CLEARANCE RATES EXPLAINED

The much-reported auction clearance rates are often taken as an indication of the health, or lack thereof, of the property market, with many (incorrectly) assuming that a low auction clearance rate indicates a weak market and a high clearance rate means the market is galloping away.

Firstly, what *is* an auction clearance rate? Well, it's a number that indicates how many properties were successfully sold at auction, expressed as a percentage of the whole. So for example, 60 per cent means that six out of every 10 auctions sold under the hammer, or just prior to auction or just after auction, and four did not sell. Those four were either passed in or withdrawn from sale.

A common criticism of the auction clearance rates as a measurement is that it's not scientific and the method of calculation varies between each reporting agency. Usually, it's collected by phone banks – hundreds of people call the real estate agents every Saturday afternoon and Sunday morning and ask them how many of their auctions sold under the hammer and how many were passed in. Or it's collected by self-reporting, with agents and auctioneers emailing the data collectors what their auction results were for the weekend.

Naturally, sometimes an auctioneer doesn't always want to reveal that they had four auctions fail to sell because they may feel it is a reflection of their auctioneering skills. And sometimes if an agent doesn't have enough registered bidders for an auction, they may advise the vendor to withdraw the property from auction. Depending on the reporting agency, this may not get reported and so may result in an inaccurate reflection of the auction market.

Sometimes the media may report on a high auction rate and declare that the market is steaming ahead. But what is a high clearance rate? Is it 60 per cent? 70 per cent? And where does the threshold for 'low' begin? Is it 50 per cent? 40 per cent?

It actually varies from market to market. To really understand auction clearance rates, it is important to understand the market you're considering buying in. What are the long-term average clearance rates for that market? That's the only way to know whether the market is going up, going down or holding steady.

In Brisbane, our long-term average is among the lowest of the three eastern capital cities.

Our clearance rates tend to hover between 45 per cent and 55 per cent, with the occasional 60 per cent thrown in.

Compare that with Sydney's market, which hovers around 75 per cent to 80 per cent, or Melbourne which usually bounces around 80 per cent.

The Real Estate Institute of Queensland Ltd
Level 1, 50 Southgate Avenue, Cannon Hill
PO Box 3447, Tingalpa Qld 4137
P | 07 3249 7300 **F** | 07 3249 6200
reiq.com

However, a glance at our housing median price data over the past two years will reveal steady and sustainable growth of around 2-2.5 per cent, quarter on quarter. This indicates a healthy market and one that is performing well, overall.

The important thing to remember when looking at auction clearance rates is that this is just one metric used to measure the market and, in Brisbane, (and Queensland-wide) it is simply not as popular as it is in the southern states. Queenslanders have long preferred to buy by private treaty and that historical preference is a big part of our smaller auction market.

-ENDS-

The Real Estate Institute of Queensland Ltd
Level 1, 50 Southgate Avenue, Cannon Hill
PO Box 3447, Tingalpa Qld 4137
P | 07 3249 7300 **F** | 07 3249 6200
reiq.com