

Essential auction Update

A news update from EI Group and Auction Finance Limited



January 2012

Positive outlook for residential investment market

Strong 2011 figures from the auction rooms signal hope for the residential investment market, say Chris Baguley, Director at specialist lender Auction Finance Limited and National Development Manager, Scott Hendry.

2011 started out subdued but stable in the auction rooms. The property sector generally experienced a disastrous year, but the auction industry weathered the storm very well. Lots offered and sold were more encouraging than they have been for a long time.



“The auctions presented investors with some great opportunities to acquire good quality stock”

Chris Baguley, Director,
Auction Finance Limited

The auctions presented investors with some great opportunities to acquire good quality stock at significantly reduced prices. Attendance figures were strong and some great sales and purchases were being made.

In the first half of 2011, three quarters of all properties offered at auction sold, meanwhile, the papers were overflowing with negative stories that seven out of ten properties up for sale remained unsold. It was clear – the property sector in general, although picking up, was not replicating the success of the auction rooms.

The benefit of auction rooms is that in tough times they were presenting resilient investors and homebuyers with solutions. There's plenty of well-priced stock for the taking and sales can happen fast, especially for those with the right finance in place.

Now we've reached the close of the year the market in general is starting to follow, it has just been a matter of time. This suggests figures from the auction rooms are a great indicator of the overall mood of the market – we can use them to predict how the industry is shaping up.

Who are the investors?

For property investors that were in the position to buy, the auction market in 2011 continued to be strong, largely as a result of the property rental market. People are finding it difficult to get on the property ladder and for landlords the resultant falling house prices and rising rental yields are creating big opportunities to buy.

We've seen our cash-rich clients keen to spread their money across a number of investments by utilising finance and we're seeing investors entering the room with one property in mind and leaving with several. The deals have been too good to miss.

What are they buying?

Both residential and commercial properties have sold well. Our lending has seen a split over 20 per cent on commercial and 80 per cent on residential – with the majority of these being on traditional property types. Government proposals in The Budget undoubtedly had a knock on effect. We saw investors grasp properties following the announcements to relax planning permission rules. In fact, we saw many investors snapping up commercial properties, planning to convert them for residential use.

A large portion of the stock coming into auctions has been repossessions. In terms of residential properties more than 20 per cent of all lots offered at property auctions are repossessions. The banks want speedy sales and investors want to grab a bargain – the auction rooms are perfect for this type of property.

It's likely that more repossessed properties will be sold in the auction room well into the start of 2012 especially as interest rates creep up and many of the high street banks have yet to release into the market. Buy-to-let investors who do their research can find properties that achieve strong yields and make excellent long term investments. Especially those in city locations where rental values have increased quicker than out of town

properties, with monthly rents climbing by a total of £524 over the last decade.

Two property types that have been favoured by the auction room investors are new-build flats and terraced properties. New-build flats saw their prices slashed in auction rooms with average reductions the highest seen in five years.

People who associate auctions with older properties are mistaken; it's a shame because auction rooms are where you will find former new-builds at ridiculously low prices, sometimes at half of their original asking price. This year investors have started to catch on to this and are reaping the rewards.

The same goes for terraced properties, we've lent more than £8M for the purchase of terraced properties in 2011, an increase of 22 per cent, proving them to be a popular choice.



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Scott Hendry, National Development Manager,
Auction Finance Limited

2012

All in all, we bid farewell to 2011. The year has treated the auction sector kindly. Hopefully, the success will continue in 2012. There's certainly plenty of stock for the taking and we're here to help if you or your clients are looking to invest.

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Essential Stats

By David Sandeman

Welcome to the January newsletter giving information on auctions held in December 2011, as well as rolling yearly and quarterly figures. It is pleasing to see that the overall sales rate has increased from last December's figure as well as an increase in figures from the last quarter compared to the previous year. These figures show that demand in the auction room is continuing to grow, in particular the residential market.



Total

	Last Month			Last Quarter			Last Year		
	Dec 2011	Dec 2010	Increase	Oct 2011 - Dec 2011	Oct 2010 - Dec 2010	Increase	Jan 2011 - Dec 2011	Jan 2010 - Dec 2010	Increase
Lots Offered	3,391	3,270	3.7%	8,841	8,890	-0.6%	32,646	31,457	3.8%
Lots Sold	2,448	2,265	8.1%	6,397	5,927	7.9%	24,125	22,015	9.6%
Percent Sold	72.2%	69.3%	4.2%	72.4%	66.7%	8.5%	73.9%	70%	5.6%
Total Raised	£341,255,671	£393,650,687	-13.3%	£928,218,126	£962,381,754	-3.5%	£3,425,149,984	£3,350,664,429	2.2%

Residential

	Last Month			Last Quarter			Last Year		
	Dec 2011	Dec 2010	Increase	Oct 2011 - Dec 2011	Oct 2010 - Dec 2010	Increase	Jan 2011 - Dec 2011	Jan 2010 - Dec 2010	Increase
Lots Offered	2,744	2,614	5.0%	6,832	7,152	-4.5%	26,105	25,269	3.3%
Lots Sold	1,996	1,787	11.7%	4,959	4,707	5.4%	19,312	17,550	10.0%
Percent Sold	72.7%	68.4%	6.3%	72.6%	65.8%	10.3%	74%	69.5%	6.5%
Total Raised	£234,674,502	£224,756,905	4.4%	£587,638,696	£606,939,472	-3.2%	£2,306,652,313	£2,223,594,385	3.7%

Commercial

	Last Month			Last Quarter			Last Year		
	Dec 2011	Dec 2010	Increase	Oct 2011 - Dec 2011	Oct 2010 - Dec 2010	Increase	Jan 2011 - Dec 2011	Jan 2010 - Dec 2010	Increase
Lots Offered	634	656	-3.4%	1,988	1,738	14.4%	6,541	6,185	5.8%
Lots Sold	444	478	-7.1%	1,429	1,220	17.1%	4,813	4,465	7.8%
Percent Sold	70%	72.9%	-4.0%	71.9%	70.2%	2.4%	73.6%	72.2%	1.9%
Total Raised	£105,863,669	£168,893,782	-37.3%	£339,831,430	£355,442,282	-4.4%	£1,118,497,671	£1,127,070,044	-0.8%

Graham Penny Auctions Launches New Nottingham Office

After enjoying the *most successful year* in its five year history, leading East Midlands property auctioneers and Auction Finance Limited partners, *Graham Penny Auctions* have announced plans to *launch a Nottingham operation* in March.



Graham Penny Auctions has held the title of East Midlands Auctioneer of the Year for five successive years and was named the best performing auction house outside of London in 2010. A second office on Wheeler Gate in Nottingham city centre will be opened in January 2012 and its first sale is set to take place in March at Nottingham Racecourse, with fourteen further sales to take place throughout the year.

This news comes after they announced record-breaking sales of £44.3 million in 2011 from its seven auctions held at Pride Park in Derby. The new Nottingham office will be headed up by director Andrew Parker, a well known face in the East Midlands property scene and Abigail Selwood, recent winner of the 2011 Auctioneer of the Year competition.

Commenting on the launch of the Nottingham office, director Graham Penny said: "I am delighted to be expanding our auction division outside of Derby with the opening of our new Nottingham office.

"It is an exciting time for the company; our continued success, especially in the current

climate, is particularly gratifying and reflects our unrivalled market knowledge and marketing expertise."

Andrew added: "I am delighted to be heading-up the new Nottingham operation. We will be working hard to expand the scope of the company's operation outside of Derby and to repeat the success of our Derby office."

Graham Penny Auctions was founded five years ago and acts on behalf of private individuals, charities and local authorities. The company's auctions regularly feature on the BBC1 show Homes under the Hammer.

Earlier this year, Graham Penny Auctions retained the title of East Midlands Auctioneer of the Year, topping the Essential Information Group's (EI Group) league table for the highest sales during 2010 for the fifth successive year. It was also named as the best performing auction house outside of London in terms of revenue by the EI Group.

The first Nottingham property auction is taking place at The Racecourse on the 20th of March.

For further information

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