

Auction Sales on the Rise

Chris Baguley of Auction Finance Limited and David Sandeman of the Essential Information Group report on the growth in auction room activity during the first quarter of 2009...

For those involved in the world of property auctions the first quarter of 2009 has brought some very welcome relief from the ongoing reports of impending economic meltdown in the mainstream press. In fact, rising success rates mean that property auctions are amongst the few sectors that are actually providing the UK media with some good news stories! The current economic climate is creating strong arguments in favour of investing in bricks and mortar, and competitively priced properties are helping to stimulate activity in the auction room.

David Sandeman, Managing Director of the Essential Information Group takes us through the statistics that illustrate the current upsurge in sales performance:

"There were several months in mid 2008 when the majority of serious investors were sitting on their hands watching the movements in the property market and vendors were setting reserves at unattainable levels. During this period success rates at auction lapsed, fluctuating between 50-59%. In September 2008 they broke through the 60% barrier once more, and in the past few months they have risen to over 70%. The graph illustrates this trend.

"The overall results for Q1 2009 appear on the reverse of this

newsletter as part of my regular monthly statistics, and we have seen some excellent performances from individual auction houses during March. Several have sold over 90% of the catalogue at their most recent



Chris Baguley,
Director

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sale, and good proportions are achieving figures of around 70% or 80%. These results demonstrate that the auction market is putting keenly priced property in front of people who are ready and willing to buy."

Chris Baguley, Director of Auction Finance Limited explains the improved performance as follows:

"There is no doubt that experienced investors are wise to what is happening in the residential property market and are returning to the auction room in significant numbers. Thanks to the publicity generated by David's statistics and the launch of several major new auctions we are also beginning to see new investors dipping their toes in the water for the first time, drawn in by the prospect of picking up repossessed properties at competitive prices.

"Ongoing rate cuts mean that traditional savings are not performing to the level many would like, but the same cuts also mean that long term mortgage finance has become more affordable for those that can secure it. This makes it much easier to service the mortgage repayments on an investment property out of the rental yield, and those with sufficient capital of their own to invest may well be able to pocket a decent proportion of the rental return for themselves, thereby benefiting from a modest income. Of course, the biggest attraction of the current

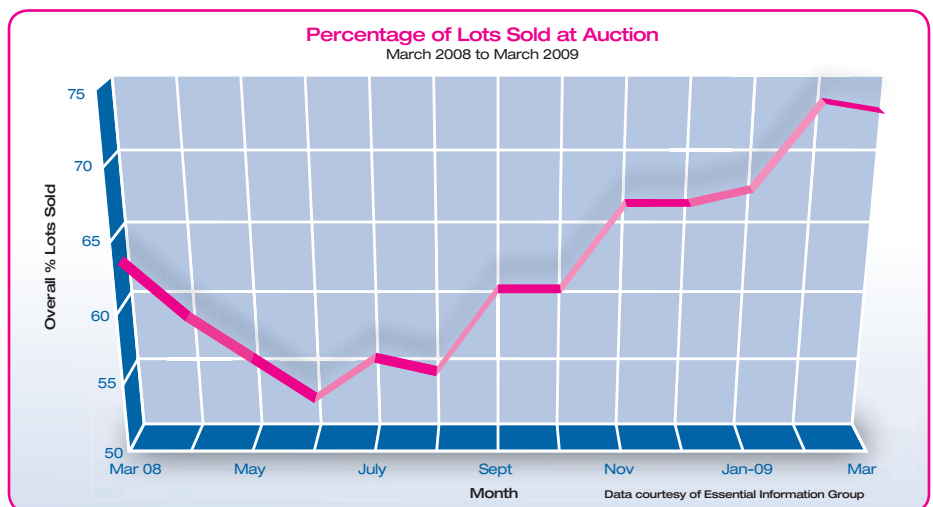
market is that anyone buying now can look forward to the capital gains that will result when property prices begin to recover, and if predictions that the residential market will reach bottom in 2009 are correct then the

optimum moment to buy could be just around the corner."

John Fearnough is a Director at London auction house mustbesold.com, a newcomer to the market that lived up to its name by selling 91% of the stock at its March sale. He gives us his account of auction activity during the past three months:

"There is always a degree of uncertainty in the market during January so we were pleased with the 80% success rate we achieved as one of the few auction houses holding a sale that month, but the 91% achieved in March is simply outstanding. The sale room was buzzing with activity and we are now seeing bids not only from seasoned investors but from first-timers too – often they are supported by their parents or the parents are investing their cash by buying the property for their children. There is also a significant amount of foreign money in the room as the weak pound makes the UK market an enticing prospect for overseas investors. We expect this to be a growing trend during 2009.

"As predicted, an increasing volume of the stock coming through auctions is distressed, but there is a good balance between primary, secondary and tertiary stock which means that the varying requirements of different buyers are very well catered for; this is another factor that is aiding sales performance at the moment. The biggest barrier to sales remains the availability of finance for those who don't have ready capital, but for anyone who can access funds the current market is ripe with opportunities, and we expect the strong performance we have seen in the last few months to continue into Q2 and beyond."



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Essential Stats

By *David Sandeman*

Welcome to April's Essential Auction statistics, which report on sales in the month of March. Despite strong performances from many major auction houses the overall sale rate slipped slightly by 1%, but it is still up on March 2008. Let's hope that these figures represent a temporary blip in what has so far been a positive year for auctions!



Total

	Last Month			Last Quarter			Last Year		
	Mar 2009	Mar 2008	Increase	Jan 2009 - Mar 2009	Jan 2008 - Mar 2008	Increase	Apr 2008 - Mar 2009	Apr 2007 - Mar 2008	Increase
Lots Offered	2,538	3,273	-22.5%	6,506	7,939	-18.1%	36,395	37,873	-3.9%
Lots Sold	1,843	2,179	-15.4%	4,808	5,595	-14.1%	23,743	26,599	-10.7%
Percent Sold	73%	67%	9.1%	74%	70%	4.9%	65%	70%	-7.1%
Total Raised	£246,894,110	£400,561,156	-38.4%	£645,111,495	£1,043,444,076	-38.2%	£3,444,867,554	£5,419,099,660	-36.4%

Residential

	Last Month			Last Quarter			Last Year		
	Mar 2009	Mar 2008	Increase	Jan 2009 - Mar 2009	Jan 2008 - Mar 2008	Increase	Apr 2008 - Mar 2009	Apr 2007 - Mar 2008	Increase
Lots Offered	2,101	2,708	-22.4%	5,462	6,392	-14.5%	30,182	30,559	-1.2%
Lots Sold	1,516	1,747	-13.2%	4,040	4,382	-7.8%	19,525	21,009	-7.1%
Percent Sold	72%	65%	11.8%	74%	69%	7.9%	65%	69%	-5.9%
Total Raised	£162,888,260	£259,280,656	-37.2%	£458,036,485	£682,846,907	-32.9%	£2,425,247,171	£3,510,018,676	-30.9%

Commercial

	Last Month			Last Quarter			Last Year		
	Mar 2009	Mar 2008	Increase	Jan 2009 - Mar 2009	Jan 2008 - Mar 2008	Increase	Apr 2008 - Mar 2009	Apr 2007 - Mar 2008	Increase
Lots Offered	437	565	-22.7%	1,044	1,547	-32.5%	6,213	7,305	-14.9%
Lots Sold	327	432	-24.3%	768	1,213	-36.7%	4,218	5,582	-24.4%
Percent Sold	75%	76%	-2.1%	74%	78%	-6.2%	68%	76%	-11.2%
Total Raised	£84,005,850	£141,280,500	-40.5%	£187,075,010	£360,597,169	-48.1%	£1,019,620,383	£1,902,665,984	-46.4%

Focus On...



Six months ago we wrote an article stating that nobody would ring a bell to say it was time to start buying when property prices hit rock bottom. Edward Mellor has been watching closely and quietly ringing the proverbial bell for a couple of months now, but with the high levels of sales we have experienced in February and March and the interest levels for our April auction being outstanding, the secret is out and the buyers are back. Making the most of your cash is what investment is all about, and with some properties selling with an expected - rental yield of 7.5%, there is not a bank or building society anywhere that can offer a comparable return plus the potential for capital gains. No wonder the bells are ringing.

Visit us at www.edwardmellor.co.uk or call 0161 443 4740.

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