

propertymark

Auctions Barometer

Q3
2023



For the third quarter of 2023 in the property auction sector, catalogue numbers have continued to grow substantially, although high numbers of properties continue to be withdrawn prior to auction. Strong bidding continues to be commonplace on properties that require refurbishment/offer development potential, and flats with tenants in situ continue to see prices squeezed. These are themes that have been prevalent throughout the year. It is also encouraging to see the increasing number of purchasers who are buying properties at auction to live in themselves.



Richard Worrall
NAVA Propertymark
President

In the commercial auction sector sales and instructions are experiencing a notable surge propelled by corporate insolvencies spanning various sectors. In Q3 2023 the registered company insolvencies reached were 10% higher than in Q3 the previous year. This surpasses the levels observed during the period of government support measures in response to the COVID-19 pandemic and even exceeds the pre-pandemic figures.

In the goods, chattels and fine art sector there continues to be a plentiful supply of buyers to create competitive open market bidding in all sectors.

Despite inflation moving in the right direction, economic uncertainty continues to affect auction markets and beyond with a number of our members expressing concerns around costs and prospects.

On a lighter note, it is always interesting to view the broad range of auction sectors our members operate within and to understand more about their practices. The shift toward online auctions appears to have become entrenched with 72% of this month's sample offering auctions in this format.

It is reassuring to see that our agents remain committed to regulation, viewing it as a key tool for differentiating their businesses, for building upon the reputation of the sector and for protecting members of the public.



Nathan Emerson
Propertymark CEO

Economic outlook

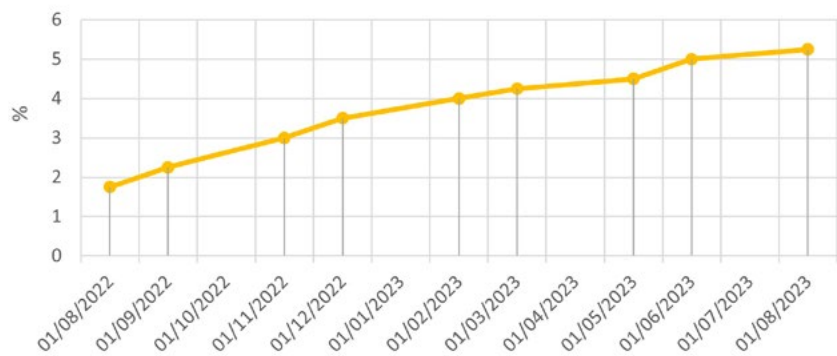
The autumn budget delivered a range of relatively upbeat news including a reduction in National Insurance rates from 12% to 10% and an increase in the National Minimum wage from £10.42 to £11.44 per hour.

Further good news is apparent in the continued downward pressure on inflation making it tempting to conclude that the economic outlook is largely positive. However, it should be noted that the glut of household savings amassed during the pandemic has been largely spent, the cost-of-living crisis continues to loom large and UK productivity remains anaemic. Clearly, the UK economy is not out of the woods yet.

BASE RATE REMAINS STATIC BUT CHALLENGING

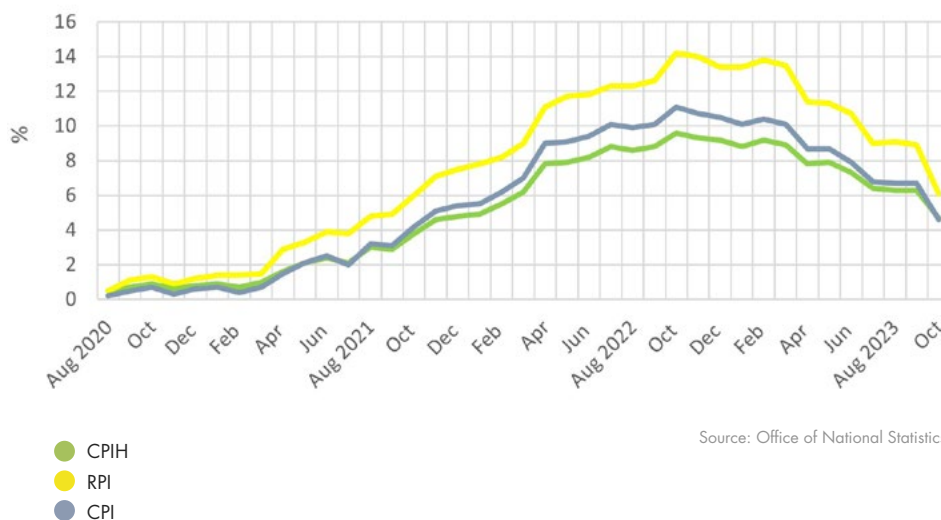
The base rate remains firm at 5.25%, higher than many would prefer. The rapid rise in the base rate over the last year is illustrated in Figure 1.

Figure 1: Bank of England base rate



Source: Bank of England

Figure 2: Inflation percentage change over 12-month period



Source: Office of National Statistics

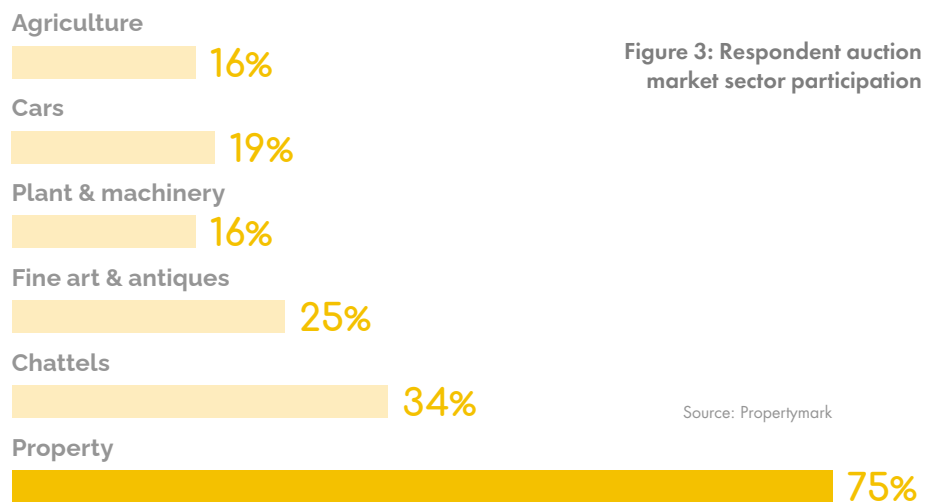
INFLATION GOING IN IN THE RIGHT DIRECTION

Inflation continues its recent downward trend but remains high when compared with August 2020 and is still some way off the Bank of England's 2% target (Figure 2).

Insights into our members' activities

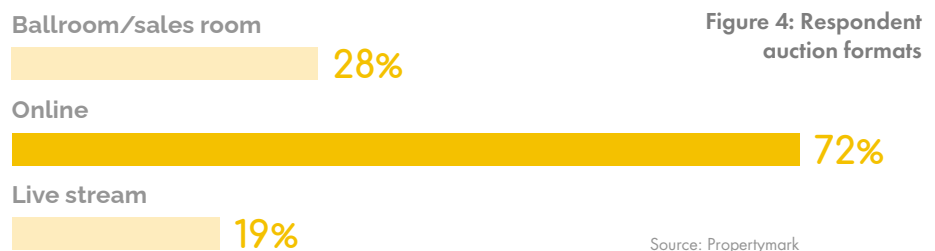
SECTORS OUR MEMBERS OPERATE WITHIN

This quarter we asked our auctioneers what sectors of the auction market they operate within. Figure 3 shows the breadth of activities of our members and highlights that many operate in multiple sectors.



AUCTION FORMATS UTILISED BY OUR MEMBERS

We also asked our agents how they conduct their auctions. The findings (presented in Figure 4) reveal the popularity of auctions powered by ICT systems and in particular the importance of online auctions. However, traditional ballroom/sales room auctions continue to play an important role and are sometimes run concurrently with online/livestream events.



Member views on regulation

All Propertymark members comply with our rules and code of conduct, and our Principal, Partner, or Director (PPD) member businesses are fully regulated.

Last quarter, our auctioneers reported that lack of regulation was one of the biggest concerns facing the sector. This quarter we asked our members why auctioneers should be regulated. Many pointed to concerning practices and behaviours in some parts of the sector, which cause issues for sellers and impact upon the reputation of the sector overall. Most felt that some form of regulation was required to address these issues.

> **“Until the industry is tightly regulated and licenced it will still allow the public to be exposed to fraud, bad practice and financial loss by unscrupulous traders.”**

Our members highlighted the high levels of knowledge and skill required by an auctioneer and drew parallels between auctioneering and other professions.

“Auctioneering is a profession that requires a high degree of knowledge and skill, as such to offer a client the proper care and advice an auctioneer should have minimum basic qualifications.”

“Auctioneers should be regulated in the same way other professionals such as chartered surveyors, solicitors and accountants are regulated. The same goes for estate agents.”

Overall members associated regulation with professionalism, ensuring that standards are maintained to protect members of the public.

Regulation is required...

“...to maintain standards, ensure culpability and enhance public confidence.”

“...to promote confidence in the profession and enable redress in the event of trouble. The public should expect and receive high standards of service and financial honesty.”


“...so that the general public can be assured of a minimum level of competency and honesty.”


Auction practices

As part of a regular series, we asked our auctioneers about specific aspects of auction practices. This quarter we asked about their terms and conditions and payments.

TERMS AND CONDITIONS

We asked our members, which clauses in their Terms and Conditions get challenged most often and why. The vast majority reported that they rarely received any challenges. However, some noted that they sometimes received pre-listing/pre-purchase enquiries from buyers and sellers who tended to be 'new to the auction world'. Of those who had received challenges, these tended to relate to 'withdrawal fees' and 'buyers' premiums':

 We are only asked about buyers premium, mostly by clients new to the auction world.


 Buyers admin and premium charges, because people don't see why they should bear some of the sellers costs.


 Our fee being payable if the property is withdrawn (not postponed).


PAYMENTS


We also asked our members what plans/procedures they have in place to reduce the likelihood that a customer fails to pay for their item(s).

The responses varied by market served and customer type served. However, many viewed the fact that goods are not released without payment as a key risk mitigation measure. Deposits were also seen as being effective. In addition, several members had a policy of banning non-payers from future sales and actively pursuing debts.

 Very difficult with foreign purchasers. Normally the only sanction is 'a platform ban.

 We send two chasing emails post auction, a bidder failing to pay would be blocked and their deposit forfeited

 Non-payment results in the cancellation of the sale and if online, a banning request

 'We try where possible to come to sensible amicable conclusion, but use the small claims court online process as a last resort.

Member views on Brexit

Brexit occurred some time ago and in many respects the news cycle has moved on. In the main, our members appear to have adjusted to the changes it wrought:



"80% of our business is international. It proved extremely challenging to import items because even professional freight forwarding companies didn't seem to understand the concept of temporary import in a post Brexit UK. We got there eventually through trial and error."

However, for some the impacts continue to have an effect. For example, auctioneers working in the chattels, fine art and antiques, plant and machinery and car markets all reported ongoing challenges:



We have stopped any inhouse posting to all EU countries. Some payments are taking longer and costing more in bank fees.'



Continental buyers (particularly wine) find extra paperwork prohibitive, some choosing to stop buying in the UK.



Shipping fees are now more expensive, along with stricter regulations with international customs.

The **biggest** issues facing auctioneers

We asked our members what the biggest issues they currently face.

Several pointed to the 'economic climate', 'market uncertainty' and 'rising costs' as key issues. A number of members also reported a mismatch between seller pricing expectations and market expectations:

“Clients expectations in regards to price aren't exactly reflected in where the market is; often proving difficult to manage.”

“Agreeing a realistic reserve price with vendors who have high expectations.”

“Making sure clients listen to advice regarding guide prices.”

At a more granular level, members specialising in the fine art and antiques sector pointed to changing trends continuing to impact prices and sales volumes.

“The biggest issue at present is trying to find people to purchase the “antique furniture” (which has dropped dramatically in value over the last few years to the point where some of the items are only fit for recycling purposes) a sad statement but true as people would rather buy flat pack chipboard furniture from Ikea rather than buy solid cheap antiques.”



In addition, a number of new themes emerged including the availability of appropriately qualified staff, the scale of business rates and compliance with the Ivory Act 2018. These will be explored in more depth in future issues.

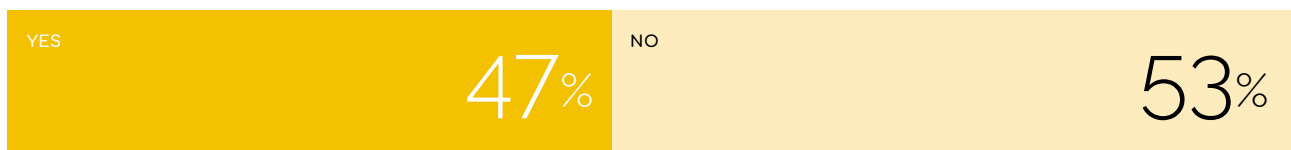
Property supplement

We asked our property auctioneers what type of sellers and what type of properties were coming to the market in Q3. We also asked our members if they were advising clients to sell potential development sites with or without planning permission.

PROPERTY SUPPLY

A large percentage of members (47%) reported that instructions were generated via probate (Figure 5).

Figure 5: Percentage of members reporting probate as a source of instructions in Q3



PROPERTY TYPE

The type of properties coming to market in Q3 varied although properties sold with 'tenants in-situ' and properties 'in need of modernisation' were common (Figure 6).

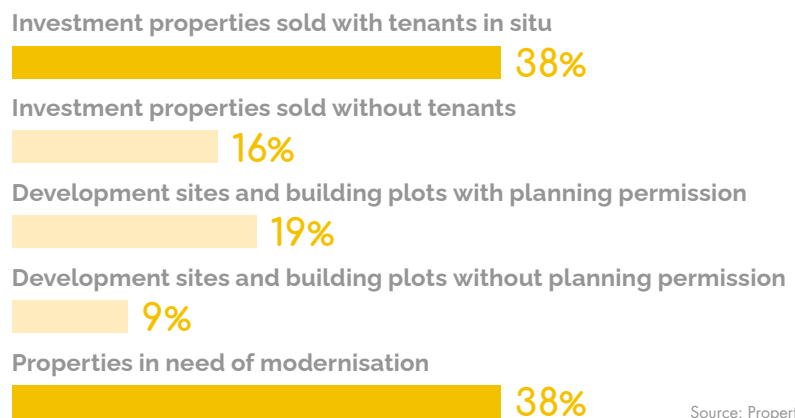


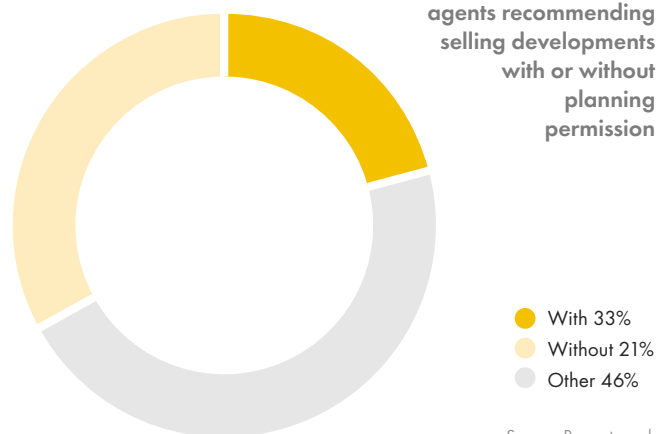
Figure 6: Types of properties coming to market in Q3

Source: Propertymark

SELLING DEVELOPMENT SITES WITH OR WITHOUT PLANNING PERMISSION

One third (33%) of members noted that they were advising their clients to sell sites with planning permission and around a fifth (21%) were advising to sell without. A large percentage (46%) selected 'other' and subsequently noted that it depended on a range of factors including the client's needs, budget, capabilities, timescale, and the nature of the site, amongst others.

Figure 7: Percentage of agents recommending selling developments with or without planning permission



Source: Propertymark

ABOUT THIS REPORT

This report is based on responses to a survey of Propertymark member agents conducted in Q3 2023. Analysis is based on data provided by around 30 agents across the UK. The reports also contain a variety of third-party data including data from the Bank of England and the Office for National Statistics, which are referenced where used. The report also includes HM Land Registry data, which is licensed under the Open Government Licence v3.0.

EDITOR NOTES

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ABOUT PROPERTYMARK






Propertymark is the leading professional body for estate and letting agents, commercial agents, auctioneers, valuers, and inventory providers comprising over 17,500 members. We are member-led with a board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry leading training programme and mandatory Continuing Professional Development.

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