

Auctions Barometer

> JUNE 2023

PRESIDENT'S COMMENT



Trevor Palethorpe
President and Chair
NAVA Propertymark

“ Our latest report has revealed that online auctions, particularly non-live formats, have gained popularity and surpassed traditional ballroom auctions, indicating a potential long-term shift away from in-person auctions.

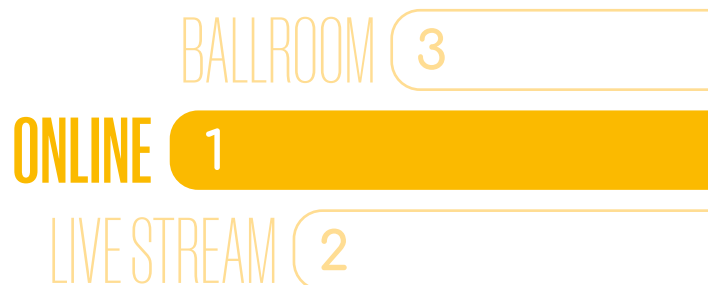
Our auctioneers reported challenges with obtaining payment from buyers post-auction being a significant concern. Non-payment not only increases administrative burdens but also exposes purchasers to potential lawsuits.

In the property auction sector, it is interesting to see that a significant minority of auctioneers are using the new conditional auction practices, with varying reservation periods and fees. Our property auctioneers also highlighted the need for an awareness campaign to dispel misconceptions about sale by auction among the public, and strongly emphasized their duty of care to both vendors and purchasers.

Auction Practices

We asked NAVA Propertymark members how they conduct their auctions and facilitate the viewing of lots for sale. Top of the list when it comes to modes of auction is online (not-live).

This quarter, live stream overtook ballroom to take second place in popularity. Though numbers are tight, this suggests that a more permanent move away from ballroom may be imbedding. The rise in popularity of online can be linked to the pandemic and the advantages in terms of cost and inclusivity.



In-person viewing of lots remained the most widespread method used by auctioneers. Still imagery overtook video this quarter in popularity. Again, numbers are tight, and it will be interesting to see how this changes over the coming quarters.

With 97 per cent of auctioneers reporting they use in-person viewings where possible, it seems imagery and video have no prospect of replacing the chance to see the lot with your own eyes.

VIDEO 3

IN PERSON 1

STILL IMAGERY 2

The **biggest** issues facing auctioneers

When it comes to the biggest issues currently facing professionals in the auctioneering industry, several responses related to obtaining payment from buyers post-auction. Non-payment for purchases not only increases the administrative burden on auctioneers and vendors in preparing for sale again, but purchasers, who do not pay what they promised, can be sued. Settlements can end up being even more than the original cost. Purchasers should be aware of all the costs involved in buying at auction – the final hammer price is not the total price paid.

Further responses continued to highlight a diversity of issues. These include:

The ivory ban

Red tape

Guide and reserve price differentials

Traders

Economic conditions

Business rates on storage space

Rising costs

Public understanding of auction process and fees

Anti-money laundering requirements

Client accounts

Lack of regulation

Collection and Packaging *

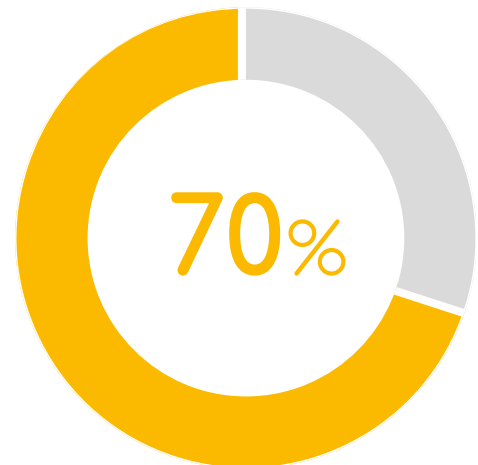
In our last survey, our members reported that they would like to know more about the practices of their peers when it comes to collection and packaging. In response, we asked several questions in the latest round.

We first asked about post-sale storage practices. Our auctioneers noted several time limits on post-sale collection of goods. These ranged from four to 14 days, and even up to 60 days if paid for. The average was eight days excluding the 60-day report and 14 days including the 60-day report.

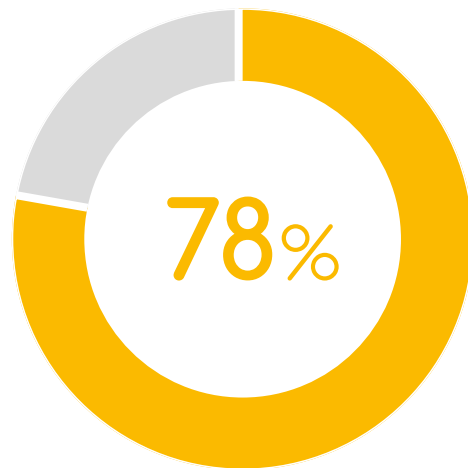
30 per cent of respondents use additional storage beyond their auction house. Storage was highlighted as an issue above when it came to business rates. As rates are based on rental charges, which are in turn based on square footage, retaining space for sold lots can be a costly concern.

At the same time, 78 per cent of auctioneers charge for non-collection of lots. These charges can help to cover storage costs.

It seems that the majority of auctioneers manage the packaging of items for delivery themselves. A smaller group mix internal packaging processes with outsourcing, especially for larger packages, while it appears the smallest proportion of auctioneers outsource all packaging.



- Use additional storage
- Do not use additional storage



- Charge for non-collection
- No charge for non-collection



* Results in this section are based on a small sample of 10 responses. Caution is advised when interpreting proportions as fully representative of the industry.

Property supplement

We asked our property auctioneers some additional questions covering the most common customers bringing lots to market in the last quarter, the use of the modern method of auction/conditional auctions, dispelling sale-by-auction misconceptions, and the auctioneer's duty of care. As with last report, our property auctioneers also had some unique insights into the biggest issues facing their sector.

THREE PRIMARY CUSTOMERS

The three primary customer types that our members saw bringing property to auction this quarter were those with property in need of modernisation, sellers in need of a quick sale, and investment properties sold with tenants in situ. This last category is a new entrant into the top three this quarter, replacing probate. The trend will be interesting to watch, especially as Renters' Reform legislation progresses through Parliament.

THE MODERN METHOD OF AUCTION/CONDITIONAL AUCTIONS

30 per cent of property auctioneers responding to our survey reported that they run conditional auctions. We further asked these auctioneers about their fees and reservations periods, with varied responses. Reservation periods ranged from four to eight weeks, while fees ranged from 0.01 per cent of sale price to '3.5 per cent or £5,000, whichever is the greater'.

DISPELLING COMMON MISCONCEPTIONS

We asked our property auctioneers about the best ways to dispel common misconceptions about sale by auction among the public.

Overwhelmingly, our auctioneers recommended an awareness campaign to highlight the advantages of sale by auction (70% of respondents). Several respondents also noted the need to specifically debunk common misconceptions, such as those portrayed on popular TV shows.

A DUTY OF CARE

NAVA auctioneers strongly agree that they have a duty of care to both the vendor and the purchaser of property sold at auction. 76 per cent said the most important way that they fulfil this duty to vendors is through providing honest and transparent advice when fully understanding the vendor's position.

One auctioneer said: "It goes without saying, the most important thing which applies to any method of property sales is give clients an honest opinion, be transparent, and give assistance at all times". While another responded: "Giving best advice on whether auction is the correct method of sale for them each and every time. I would estimate that I turn down over 50% of instruction opportunities because it's not the right advice for the client to go to auction based on their individual circumstances and price expectation."

Similarly, 83 per cent of respondents agreed that the most important way in which they fulfil their duty of care to the purchaser is through being honest and transparent at all times. One auctioneer stated: "Ensuring that they have read the legal pack and advising them to take legal advice on the content prior to offering/bidding".

THE BIG ISSUE

The most commonly experienced issue currently facing property auctioneers remains a lack of lots/stock. In the last few months, PropertyMark has seen a rise supply of new properties being placed on the market for sale through its estate agents.¹ This trend should diffuse across into auctions in the coming months.

ABOUT THIS REPORT

This report is based on responses to a survey of NAVA Propertymark members conducted between 5–23 May 2023.

ABOUT PROPERTYMARK



Propertymark is the leading professional body for auctioneers, valuers,

estate and letting agents, commercial agents, and inventory providers comprising over 17,500 members.

We are member-led and 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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¹ www.propertymark.co.uk/resource/housing-insight-report-april-2023.html