

Auction clearances surge

By **CHRIS VEDELAGO**

MELBOURNE'S auction clearance rate has surged to a six-month high as buyers continue to return to the market following the recent interest rate cut.

The Real Estate Institute of Victoria says the number of properties that sold at auction at the weekend rose to 68%, up four percentage points on last week and nine percentage points in a fortnight.

Just two weeks ago the clearance rate had dropped to 59% — its lowest point in more than three years.

REIV chief executive Enzo Raimondo said the rebound was the result of renewed interest in the market with the start of the spring property season, and growing buyer confidence after the Reserve Bank this month

cut the official interest rate for the first time in nearly seven years.

But some analysts caution that these kinds of rapid, short-term movements in sales are often driven more by emotional reactions than a careful reading of the market.

"Sentiment is fairly clear from the RBA about the interest rate and that's got to be having some influence, but I don't know whether it translates into a nine percentage point difference," the director of strategic research with analyst group Charter Keck Cramer, Robert Papaleo, said.

"The market tends to over-react on the upside as well as the downside, and with (the interest rate cut) being the first bit of positive news in a while, people may have gotten a little too confident.

"The surging clearance rate has also come at a time when supply levels have been historically low, suggesting the improvement may have more to do with competition for a smaller pool of stock than across-the-board growth in demand."

There were 539 properties put up for auction at the weekend, 29.54% below the level for the same time last year (when the clearance rate was 82%) and 10.3% lower than in 2006 (when sales were at 70%).

The last time supply levels were lower for this weekend in September was during the market downturn of 2004 and 2005.

Buyers' advocate Peter Rogozik said this year's tougher market conditions had led many vendors to keep second-tier properties out of the market for fear they would not sell.