



Off-Market Sales Performance

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Executive Summary

Houses sell for less off-market

A detailed analysis of sale prices for houses sold off-market, compared to those listed on realestate.com.au, has found that consumers who choose to sell their house off-market achieve lower selling prices. On average, they sell for 2.6% less. In each of Sydney, Melbourne and Canberra, the difference equates to a loss of more than \$30,000 on average.*

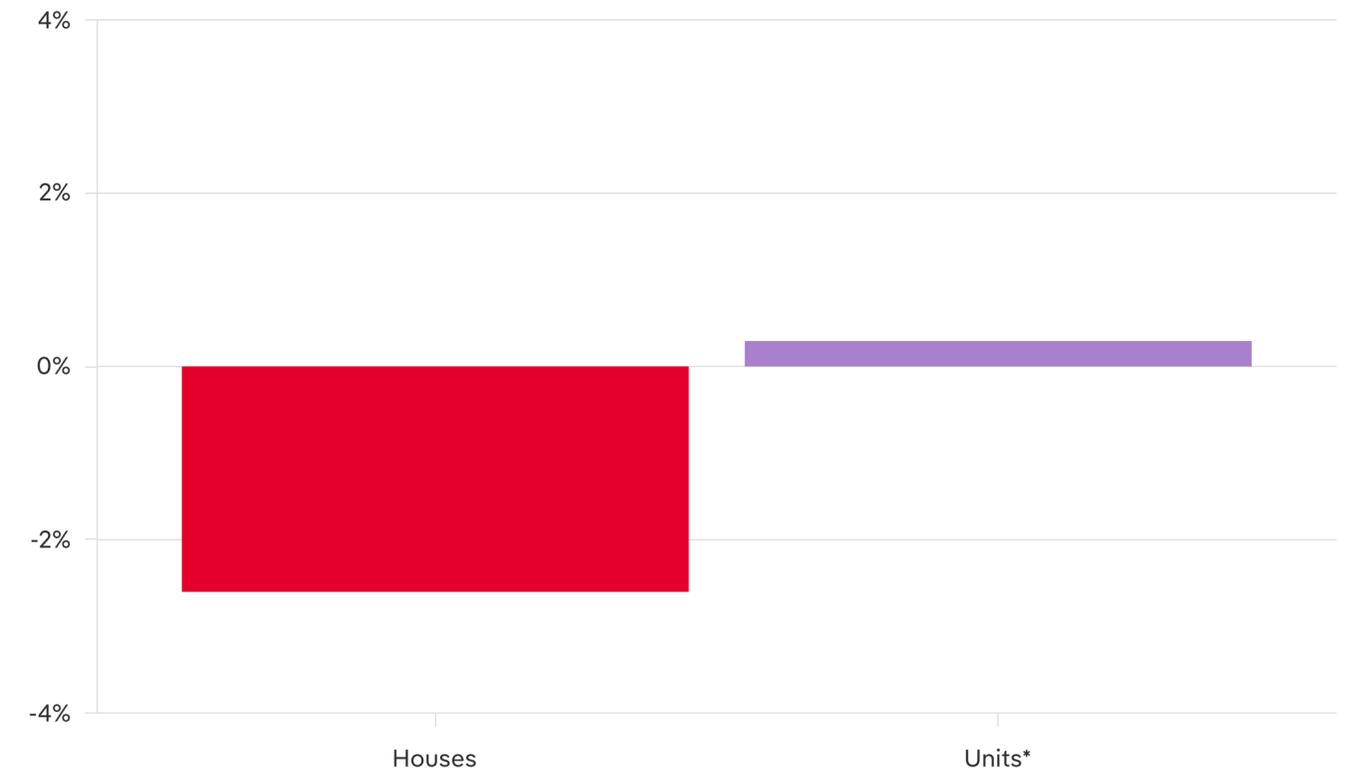
Deciding to sell off-market may come at a significant cost. While some sellers might be trying to save money by not advertising online, this analysis shows the potential earnings lost in the final sale price far outweighs the initial cost of advertising.

In areas where the median house price is between \$250,000 and \$500,000, the sale price for houses sold off-market missed out on 3.7% on average. Regional NSW and regional Victoria saw some of the biggest losses, with houses sold off-market, selling for 5.5% less on average.

This research highlights the potential significant financial impact to vendor sale prices when selling off-market.

*Based on the average price difference between off-market house sales and those sold on realestate.com.au from 2019 to 2020, in each greater capital city region.

Off-market sale outcomes
Average difference in price (2019-2020)



Source: realestate.com.au

* Estimate for Units not statistically significant



Analytical Approach

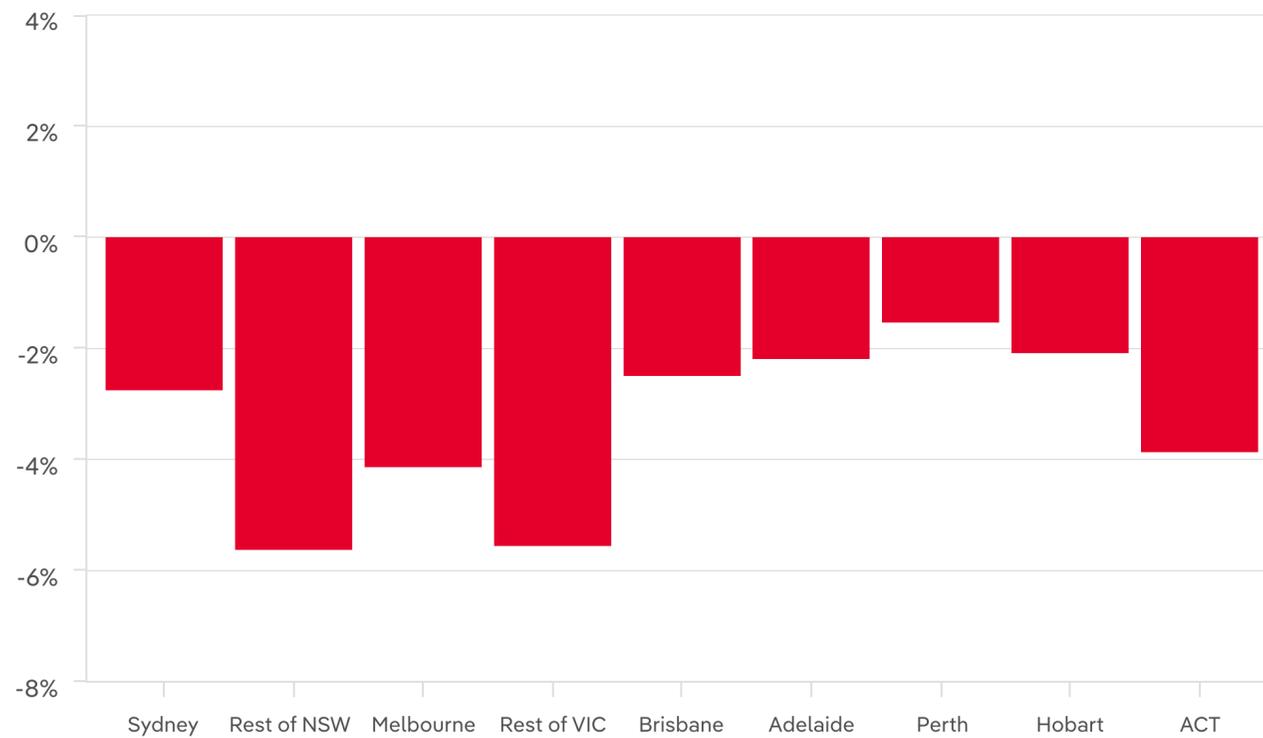
This analysis uses a hedonic regression model to estimate the average selling price difference between house and unit listings on realestate.com.au against those off-market sales over 2019 and 2020.

Definition of 'off-market'

We define 'off-market' for the purpose of this analysis as all sales not matched to listings on realestate.com.au. This will include a wide variety of sale methods, including exclusive listings on alternative platforms.

House off-market sale outcomes

Average difference in price (2019-2020)*



Source: realestate.com.au * Statistically significant results



Sellers of houses in NSW, Victoria and the ACT are worst off from off-market sales

Sellers of houses in New South Wales, Victoria and the ACT are seeing the weakest returns on off-market sales, relative to other states.

House sales off-market, relative to those listed on realestate.com.au achieved prices:

- 2.7% lower in Sydney
- 5.5% lower in regional New South Wales and Victoria
- 4% lower in Melbourne and the ACT

Off-market performance is the worst for moderately priced houses

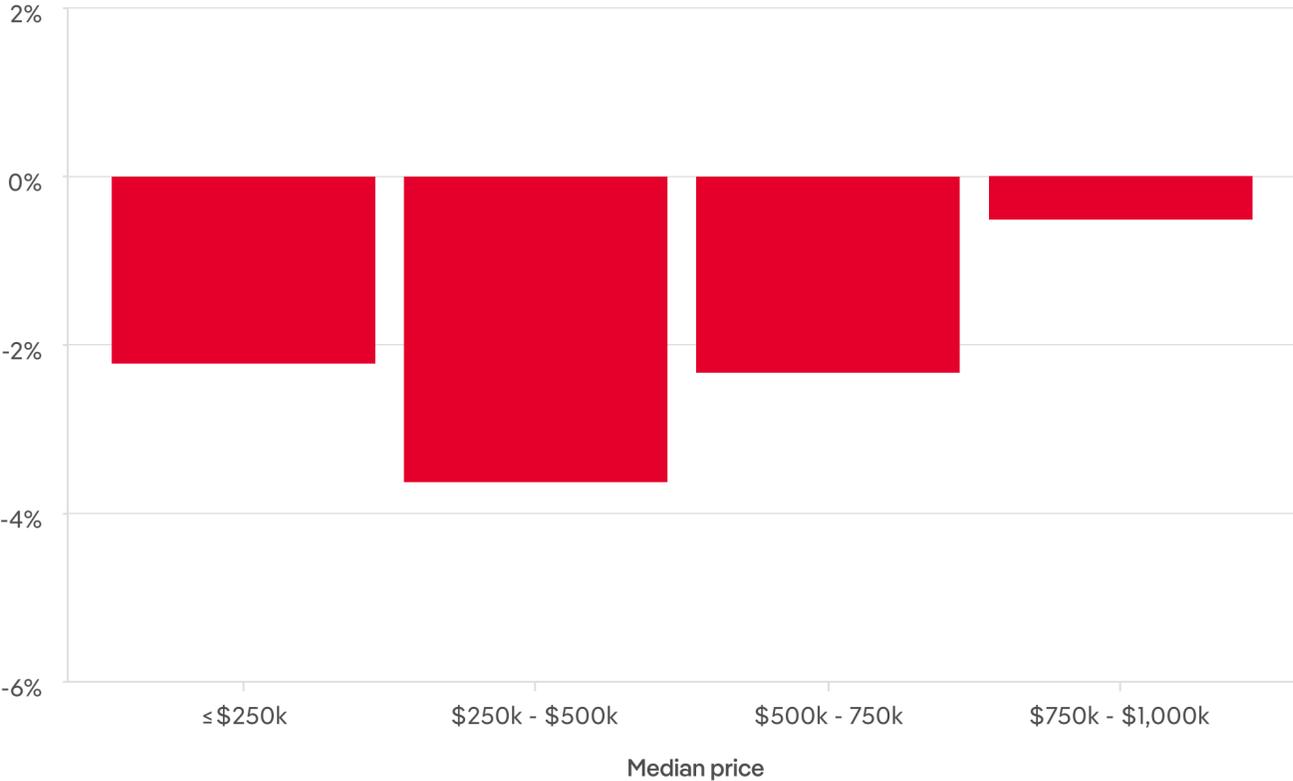
Off-market sales in locations with median prices between \$250,000 and \$500,000 perform the worst. In these areas, the sales prices of off-market sales are 3.7% lower than listings on realestate.com.au. These regions have median prices just below the national median price over this study period of \$550,000.

While higher-priced regions saw smaller price differences between on and off-market transactions in percentage terms, the potential cost in dollars for sellers is likely to be larger because the transaction value tends to be significantly larger.

More than half of filtered searches on realestate.com.au had a maximum price of \$750,000 in September 2021, showing that these price effects are likely to have a significant impact on many sellers in the market.

Price difference for off-market transactions

Average difference in price (2019-2020)*



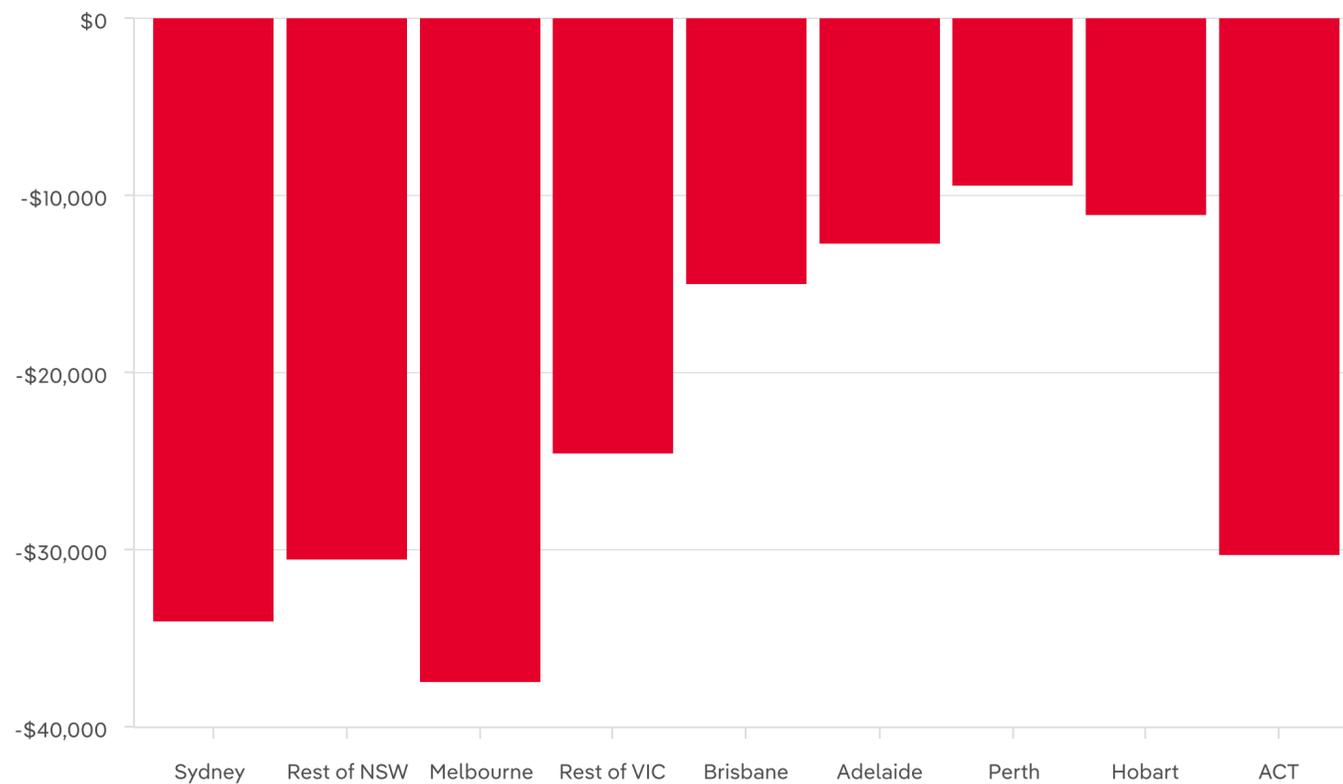
Source: realestate.com.au

* Statistically insignificant results omitted, price segments based on SA3 regions from 2016-2018



Off-market price differentials

Using average off market house price (2019-2020)*



Source: realestate.com.au

* Statistically significant results



Losses from selling off-market far exceed listing costs

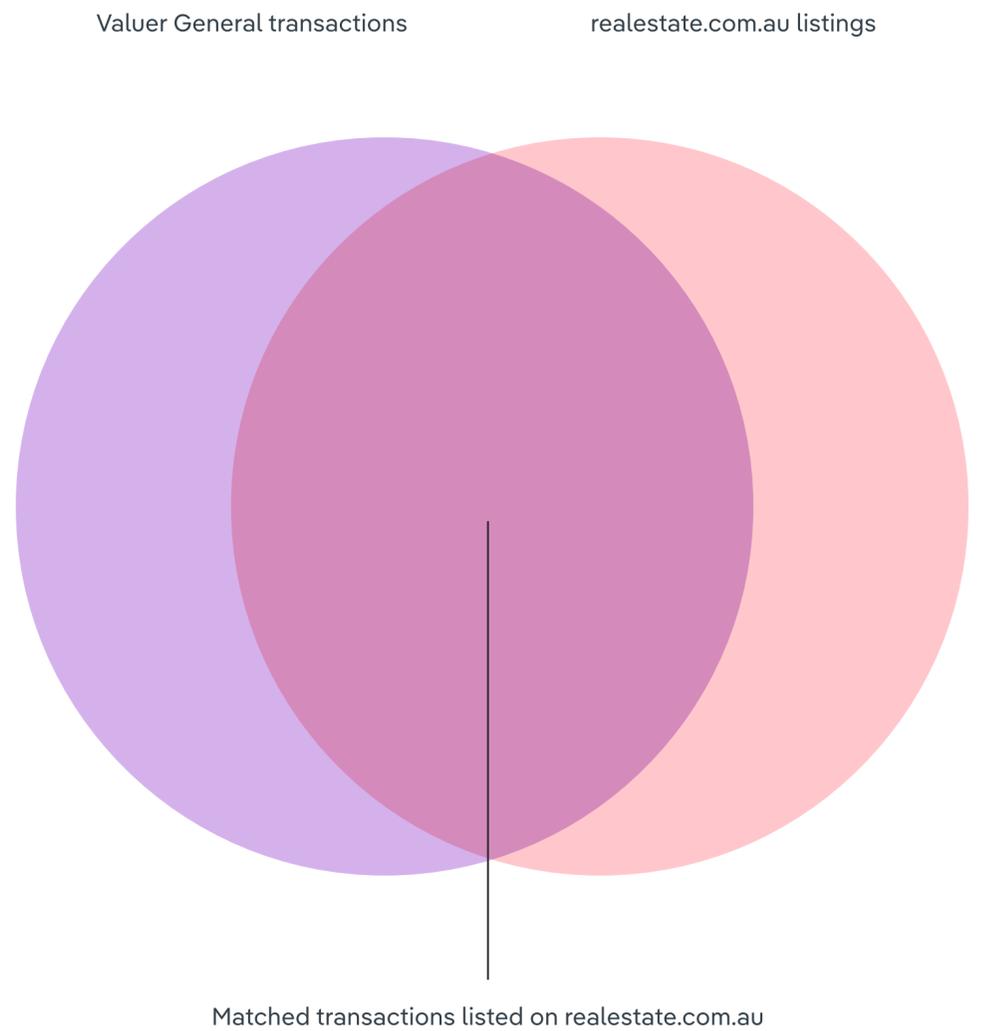
The results of this research suggest that sellers, on average, will achieve better total outcomes by listing their property online with a public selling campaign.

The average potential losses from selling off-market are often many tens of thousands of dollars. In Sydney and Melbourne, this is likely to exceed \$30,000. In all regions, this is far more than typical listing costs, suggesting most sellers will still make a bigger return despite the cost of listing by selling through on market campaigns.

Identification of off-market transactions

This research identifies off-market transactions by matching the census of sales from State and Territory Valuer General offices to those listed on realestate.com.au using the address of each sold property.

Address matching is not precise, so some listings are not able to be matched to sales. These transactions will be duplicated in our data as both an off-market sale based on the Valuer General record and an agent advised, on market sale. Similarly, properties advertised exclusively on different portals will be identified as off-market transactions in this analysis.



- Unmatched Valuer General sales (identified as "off-market" in this analysis)
- Matched on-portal transactions
- Unmatched transactions listed on realestate.com.au

GCCSA region	House	Unit
1GSYD	86148	56278
1RNSW	85116	16321
2GMEL	102736	50595
2RVIC	61007	7197
3GBRI	85585	25486
3RQLD	100653	33523
4GADE	47463	9891
4RSAU	15081	729
5GPER	71022	17009
5RWAU	22602	2056
6GHOB	7365	1999
6RTAS	14245	1799
7GDAR	2631	1407
7RNTE	890	299
8ACTE	9593	5663

Data

This analysis uses data from sales occurring in 2019 and 2020 across Australia.

Transaction information from State and Territory Valuer Generals is matched with listing information about properties and advised sale information. Transactions are excluded if sufficient hedonic characteristic information is not available, and if they are not existing houses (that is, we exclude new dwelling sales).

The analysis removes transaction values that are either incorrectly recorded or not likely to have been made at arm's length. These transactions are not likely to be useful in identifying differences in the sale prices of off-market transactions. We first remove transactions below \$10,000 or above \$100M, and then remove the 2.5% lowest and highest priced transactions in each ABS Statistical Area Level 3 region in each calendar year.

Controlling for property features

Sellers choose to sell off-market based either on their personal circumstances or the features of the property, and are often steered by agents in how best to conduct a selling campaign.

This means that the features of properties sold off-market may differ from those sold on market, which may bias the results if these features are not controlled for.

This analysis has minimised these effects by explicitly controlling for the important property features that we can observe.

Some features that affect the value of properties, such as the quality of finishes, have not been accounted for. If these are systematically more or less common in off-market transactions, it may affect the results.



$$\ln P_i = \delta \text{off market}_i + \sum_{j=1}^J \sum_{k=1}^K \sum_{l=1}^L \beta_{kjl} \cdot SA3_k \cdot \text{bedrooms}_j \cdot \text{bathrooms}_l + \sum_{m=1}^M \sum_{t=1}^T \gamma_{mt} SA2_m \cdot \text{Month}_t + \sum_{k=1}^K \alpha_k \cdot SA3_k \cdot \ln(\text{land size}_i) + \epsilon$$

- $\ln P_i$ is the log of the sale price of transaction i
- off market_i is a dummy variable if the transaction was not matched with a listing on realestate.com.au
- $SA3_k$ is a set of dummy variables for each ABS Statistical Area Level 3 region;
- $SA2_m$ are a set of dummy variables for each ABS Statistical Area Level 2 region
- bedrooms_j are a set of dummy variables for the number of bedrooms in the property, from 0 (for units only) to 5 or more (which are grouped together)
- bathrooms_l are a set of dummy variables for the number of bathrooms in the property, from 0 to 3 or more (which are grouped together)
- Month_t is a set of dummy variables for each calendar month covered by the analysis
- land size_i is the log of the size of the block of land in square meters; for units this term is replaced by a set of dummy variables for ABS meshblocks (to proxy for the quality of each specific apartment block)

Empirical specification

This research uses hedonic regression analysis to estimate the average sale price of off-market sales relative to other sales over the 2019-2020 period.

It uses the identification of off-market transactions to separate the prices of these different transactions, after accounting for all of the observable hedonic characteristics of sold properties.

The coefficient of interest is δ , the average difference in price of properties sold off-market, relative to those listed on realestate.com.au. This estimate is in log points and is converted to percentage points for all results displayed in the report.