Off-Market Sales Performance

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Executive Summary

As Australia’s property market recovers, sellers risk tens of thousands of dollars selling off-market

A detailed analysis of sale prices for homes sold off-market, compared to those listed on realestate.com.au, has found that homeowners who choose to sell their homes off-market achieve lower selling prices.

On average, houses sell for 4.3% less off-market nationally. In Sydney, the difference in price is estimated to equate to more than $60,000, on average. In Melbourne, homeowners risk close to $30,000 selling off-market, on average.*

Units sell for 1.2% less off-market, on average. However, in Sydney, they sell for 2.8% less. This is a significant difference for many sellers.

These results are based on sales in 2022, when home price growth slowed rapidly and fell in many regions. They may represent a conservative estimate of the costs of selling off-market in current market conditions where strong buyer demand on realestate.com.au relative to available supply is pushing prices up in most markets.

* Based on the average price difference between off-market house sales and those sold on realestate.com.au in 2022, in each greater capital city region. Price differences do not include marketing costs.

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 off-market sales in 2022.

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

In regions with prices above the national median house price in 2022, houses sold off-market missed out on more than 5.0% on average. However, losses for sellers in lower-priced regions still exceeded 3% on average and amounts to significant dollar figures foregone for sellers.

Sellers in New South Wales saw some of the biggest losses, with houses sold off-market selling for more than 4% less across the state, on average. In Queensland and Western Australia, off-market house sellers recorded average losses of 3% or more.

This research highlights the potential significant financial impact to vendor sale prices when selling off-market and the benefits of reaching the largest buyer audience with online listings.
Sellers in New South Wales, Queensland and Western Australia take the biggest hit to returns selling off-market

Sellers of houses in New South Wales missed out on more than 4% of the average selling price by going off-market, and in Queensland and Western Australia the difference was 3% or more.

House sales off-market, relative to those listed on realestate.com.au in 2022, achieved prices:

- 4.3% lower in Sydney and 10.3% lower in regional New South Wales
- 2.6% lower in Melbourne and 6.3% lower in regional Victoria
- 3.6% lower in Brisbane and 4.2% lower in regional Queensland
- 4.9% lower in Perth and 5.8% lower in regional Western Australia

This study analyses sales over 2022, when home price growth slowed rapidly. These results may represent a conservative estimate of the costs of selling off-market in current market conditions where strong buyer demand on realestate.com.au relative to available supply is pushing prices up in most markets.
Over the period of slowing property price growth in 2022, off-market sales in locations with median prices above the national median price of around $725,000 performed the worst. In these areas, the prices of off-market sales were more than 5% lower than those listed on realestate.com.au.

The dollar costs for sellers in higher-priced regions is also likely to be higher, given transaction values tend to be larger in these regions.

Regions with median prices at or below the median house price over 2022 saw smaller losses for off-market sales, but they are still estimated to have exceeded 3%. This represents significant dollars foregone by sellers.
Sellers in Sydney miss out on over $60,000

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, Melbourne and Brisbane, this is likely to exceed $25,000, with high prices in Sydney contributing to the potential for much larger losses for sellers.

In all regions, the average price differential from selling off-market 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 are duplicated in this 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 are identified as off-market transactions in this analysis.
This analysis uses data from sales occurring in 2022 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 homes (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 transactions more than 1.6 standard deviations from the mean in each Australian Bureau Statistics Greater Capital City Statistical Region, in each calendar year, separately for houses and units.

### Sale transactions 2022

<table>
<thead>
<tr>
<th>GCCSA Region</th>
<th>House</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1GSYD</td>
<td>40,190</td>
<td>25,357</td>
</tr>
<tr>
<td>1RNSW</td>
<td>34,668</td>
<td>5,192</td>
</tr>
<tr>
<td>2GMEL</td>
<td>51,869</td>
<td>25,589</td>
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<tr>
<td>2RVIC</td>
<td>21,792</td>
<td>2,603</td>
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<td>3GBRI</td>
<td>28,871</td>
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<tr>
<td>3RQLD</td>
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<td>12,695</td>
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<td>4GADE</td>
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<td>4,281</td>
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<tr>
<td>4RSAU</td>
<td>7,323</td>
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<tr>
<td>5GPER</td>
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<tr>
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<tr>
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<tr>
<td>6RTAS</td>
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<td>7RNTE</td>
<td>458</td>
<td>151</td>
</tr>
<tr>
<td>8ACTE</td>
<td>4,435</td>
<td>3,310</td>
</tr>
</tbody>
</table>
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.
Empirical specification

This research uses hedonic regression analysis to estimate the average sale price of off-market sales relative to other sales that occurred in 2022.

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 $\delta$, 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 this report.

\[
\ln P_i = \delta_{\text{off market}} + \sum_{k=1}^{K} \sum_{j=1}^{J} \beta_{kj}.SA3_k.\text{bedrooms}_j + \sum_{k=1}^{K} \sum_{l=1}^{L} \beta_{kl}.SA3_k.\text{bathrooms}_l \\
+ \sum_{k=1}^{K} \sum_{t=1}^{T} \beta_{kt}.SA3_k.\text{Month}_t + \sum_{k=1}^{K} \alpha_k.SA3_k.\ln(\text{land size}_i) + \epsilon
\]

- $\ln P_i$ is the log of the sale price of transaction $i$
- $\text{off market}_i$ 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;
- $\text{bedrooms}_j$ 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)
- $\text{bathrooms}_l$ are a set of dummy variables for the number of bathrooms in the property, from 0 to 3 or more (which are grouped together)
- $\text{Month}_t$ is a set of dummy variables for each calendar month covered by the analysis
- $\ln(\text{land size}_i)$ 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)
Off-Market Sales Performance 2023

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