

DEBATE

Property selling agents have come under fire recently over allegations they are purposefully underquoting the price a house is expected to sell for at auction. Here are both sides of the argument.

NOT UNDERQUOTING

Robert Larocca is spokesman for the Real Estate Institute of Victoria.

PEOPLE are seeing houses go for more than the amount they were quoted. But that is a factor of the market as opposed to any wrong action of the agent.

In order to understand this argument, we need to discuss what the rules are. The legislation that agents are required to follow requires that they neither under nor overquote houses they sell. Under law they are able to justify their estimated selling price based on their knowledge, experience and comparable sales.

This criticism is about trying to capitalise on the fact that in a hot market properties are going for more than some people expect them to.

Buyers need to ask: how much money do I have to spend and how much is that property worth to me? And then that amount is what you spend. Sometimes you lose at auction because somebody else is willing to pay more because the property is worth more to them.

That does not mean the property was overquoted, it means the other person had more money and it meant more to them. And that is the function of a free market.

I'm not sure what would be in it for an agent that went out there and purposefully underquoted.

At the end of the day, the government has had inspectors out on this case for over three years and no agent has been prosecuted. Some have been investigated, but in a quarter we saw 50 complaints over 7000 auctions. So while some people are concerned about the price properties are going for, it is not the agents' fault and they are not underquoting to achieve that.

In terms of the argument that selling agents who underquote should be fined, I don't agree.

The government - the minister of Consumer Affairs and the director of Consumer Affairs Victoria - have said they don't believe the law is being broken in the state. And their compliance records show that is not the case, so I do not see why there is the need for greater regulation when the current one is not being broken.

The Real Estate Institute of Victoria has, however, raised some guidelines for its members. This will make it easier for consumers to understand the market. These guidelines were developed because over the past couple of years we have seen a wide range of pricing advertising practices develop.

People are using terminology such as "in excess of" and "starting bid". REIV believes that if there is some simple consistency, it will make it easier for consumers to make their own assessment and understand how the market works.



UNDERQUOTING

Patrick Bright is a real estate buyers' agent, a property author and director of EPS Property Search.

IN my opinion, underquoting is nothing short of misleading and deceptive conduct. It is a cruel and nasty practice that unethical selling agents partake in. Dozens of people waste thousands of dollars on the same property with pest and building inspections and solicitors reviewing contracts because they believe what the selling agents tell them.

In most cases it's not the market - as many will say - paying above their or the vendors expectation for a property. Either the selling agent is incompetent and doesn't know what they are selling or they are misleading buyers.

There are cases where a property gets to 20 per cent above the quoted price, and it still has not hit the reserve. If the selling agent knows a property is likely to sell for \$1.5m and knows the vendor wants that, why do they advertise it with interest from \$1.2m?

They are more likely to undersell such a property than achieve a great price for their vendor as most of the buyers that look at it won't have \$1.5m. So if they do sell for \$1.5m it will be more down to good luck than good management and marketing by the selling agent.

I would - as no doubt the public would also - like to see the Office of Fair Trading take more action in regards to underquoting. If

they monitored the advertised price versus the sale prices I am quite sure it would red flag the worst and most consistent underquotes.

There have not been any fines handed out in Victoria that I am aware of and only a few in NSW since the laws changed in 2003. Selling agents caught doing this should be hit with much higher fines, as obviously the present ones aren't deterring them.

The Real Estate Institute and Office of Fair Trading should also name and shame each selling agent that is caught underquoting.

Surely if you looked for properties within the \$1.1m - \$1.2m price range, it would be fair for you to expect that those properties are going to have vendor and selling agent expectations in that range. To claim that the public should not be "naive" about selling prices and should factor in an extra 10 to 20 per cent on top of the quoted price is wrong. This can only lead to further problems for the buying public especially if they are representing themselves. How are they to know which selling agents are underquoting by 10 per cent, which ones are doing it by 20 per cent and who is doing it by 30 per cent or more? Even as a full time professional buyers agent I struggle to keep up.

At the end of the day it comes back to the phrase 'caveat emptor' - buyer beware - and when buying and selling real estate it would be wise to keep reminding yourself of that every time you come into contact with a selling agent.