

# The Key

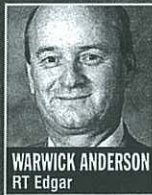
BIGGEST ADDRESS IN PROPERTY

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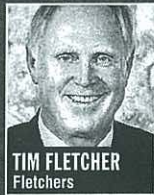


Six estate agents take the hot-seat

## UNDER the MICROSCOPE



**WARWICK ANDERSON**  
RT Edgar



**TIM FLETCHER**  
Fletchers



**JOHN KEATING**  
Keatings RE



**NIGEL O'NEIL**  
Hocking Stuart



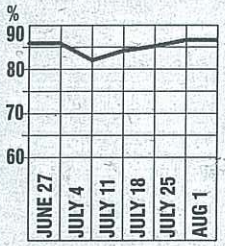
**BARRY PLANT**  
Barry Plant Group



**ENZO RAIMONDO**  
REIV

### KEY FIGURES

Private sales	809
Auctions this week	361
Sold	249
Sold before	66
Sold after	1
Passed in	46
On vendor's bid	34
Auctions last week	371
Auctions last year	426
<b>CLEARANCE RATES</b>	<b>%</b>
Overall yesterday	87
Overall last week	87.1
Houses yesterday	91
Houses last week	86
Flats/apts yesterday	82
Flats/apts last week	87



### CAROLINE JAMES

Key editor

IT IS almost a daily event to open a newspaper and find a headline about agents underquoting, misleading buyers with deceptive advertising.

Some news has taken Victoria's real estate industry by surprise, notably the *Sunday Herald Sun's* breaking story that the Australian Competition and Consumer Commission and the Federal Government are reforming consumer laws ("Home Cheat Fines", July 19, 2008).

Misbehaving agents will be fined up to \$1.1 million from January 1 next year. Vendors who underquote will be fined \$220,000.

Buyers let out a collective cheer. But what do leading agents think?

We asked some of the industry's big names to answer important questions our readers want answered.

Here's what they had to say:

#### Q: Do agents deliberately underquote?

**Enzo Raimondo:** Consumer Affairs Victoria has prosecuted a handful of agents for underquoting in the past two years. Most agents do not deliberately underquote.

**Tim Fletcher:** The majority are responsible and professional. **Warwick Anderson:** When an auction campaign starts before the agents "get a handle" on buyer reaction, it is commonplace to quote the lower end of the price range. **Barry Plant:** Not many, and not well-known reputable agents. **John Keating:** Yes. Systemic and deliberate underquoting is an entrenched industry practice engaged in by many agents. **Nigel O'Neil:** It would be shortsighted to do. Consumers (future clients) would be angry at agents for wasting their time.

**Is it OK/part of the industry to underquote?**

**ER:** No. It is incumbent on all

licensed estate agents to comply with the law.

**TF:** Clearly not. **WA:** It is fair to quote prices based on comparable sales. If that is unattainable, it should be possible to quote a greater than 10 per cent range.

**BP:** Underquoting is subjective. Auction the same property two weeks in a row and see if you get the same result.

**JK:** No. **NO:** No.

#### How should agents be penalised if found underquoting?

**ER:** The penalty provisions in the Estate Agents Act and subsequent public naming are adequate penalties.

**TF:** If agents consistently have a pattern of underquoting and misleading people, they should be fined. This should not be the case if they err once or twice.

**WA:** The market is self-regulating in this respect. Buyers can get sales statistics off the internet far easier than five or 10 years ago. There should be no penalties, as it is the market that dictates the price.

**BP:** Exactly as the rules apply today... as Terry McCrann's article ("Home auction system just fine", *Herald Sun*, July 21) stated, you are chasing a crime that does not exist.

**JK:** By publicly recorded appropriate financial penalties, as necessary to stop the agent from underquoting.

**NO:** Laws already exist to protect consumers from misleading and deceptive conduct. These should be enforced by relevant bodies.

#### How should quotes for properties going to auction be advertised?

**ER:** In one of three ways: no price, a single price or a range.

**TF:** In accordance with the guidelines set down by the REIV, which is approximately a range of 10 per cent, except for homes that are very special with limited or no sales evidence where a much broader range should be acceptable at the start

of the campaign until feedback is established and the range can be fine-tuned and condensed.

**WA:** It should not be legally necessary to advertise quote prices at all, the choice should be up to the vendor or the agent. **BP:** Preferably in a range.

**JK:** The reserve price should be agreed between the vendor and the agent at the time of listing the property for sale, it should be recorded on the agent's auction authority and it should be published in all auction advertisements. **NO:** Agents should be able to provide an estimated range of the likely sale price of a property.

#### What is your opinion on the proposal that reserve prices are disclosed before auctions?

**ER:** The REIV would welcome the idea being reviewed, but we do not believe it is feasible.

**TF:** An absolute nonsense, (a vendor) should have the right to adjust their reserve and not share it with anyone other than their agent. **WA:** This will destroy the auction system, as it effectively becomes a private sale with an asking price. There are many factors that go into a reserve, not least of which is buyer

reaction on the day, which could affect the reserve dramatically. **BP:** The media attention to this issue is a kneejerk reaction to a situation that will go away when the market settles down in spring.

**JK:** As the proponent of the proposal, this would be the best way to eliminate underquoting. Almost all issues of overquoting to vendors, underquoting to purchasers, dummy bidding and other dubious price practices would be eliminated.

**NO:** It would not be an auction. An auction by definition suggests that a property is sold to the highest bidder. Disclosing

already one of the most over-regulated.

**WA:** Too much regulation! **BP:** Quote ranges need to be at least 15 per cent, not 10 per cent. **JK:** Its provisions are not adequately self-enforcing to elevate estate agency practice to a respected professional status. **NO:** No comment.

**ER:** Change the Act. **TF:** No comment. **WA:** Before the quoting legislation was introduced, the system worked perfectly, until

we experienced a sudden rise in the market earlier this decade and uneducated buyers became upset by auctions achieving 30 to 40 per cent more than the agent quote. This was the product of a boom market... not the case currently and probably won't be for the next few years. We should revert to the self-regulating model.

**BP:** Change it (the Act). **JK:** Enforce with zero tolerance and publish breaches of the Estate Agents Act. **NO:** No comment.

**If a television/car was advertised with a price-plus quote there would be public outcry — why is the practice prevalent in real estate and, in some eyes, acceptable?**

**ER:** We wrote to the Minister (of Consumer Affairs) on July 17, asking him to ban the practice. **TF:** It should not be.

**WA:** Because Melbourne is, quite possibly, the (real estate) auction capital of the world. **BP:** Because many of the sales are auctions. **JK:** Because the Estate Agents Regulations have not been enforced against agents who have developed very sophisticated practices to dupe vendors and buyers. **NO:** Retail items often have fixed prices as there is no scope for consumers to negotiate.

**What are the biggest problems with the Estate Agents Act?**

**ER:** Make the (CAV) Guidelines for real estate salespeople — price advertising and underquoting enforceable. **TF:** The real estate industry is

**'The media attention to this issue is a kneejerk reaction to a situation that will go away'**

**BARRY PLANT**

**Should buyers be forced to register their interest pre-auction, as is the case in some states?**

**ER:** It would serve no purpose. **TF:** It would be totally unfair to the purchaser to have to show their hand in this way. **WA:** It does not serve a purpose. What about the impulsive buyer who turns up on the day? **BP:** Definitely not. I have seen this in Queensland and it puts a stop to the impulse buyer. **JK:** No. **NO:** This could hinder consumers as purchasing at auction can be spontaneous.

**MARKET REPORT**

**YESTERDAY: THE PRICE LAID BARE**

JUST when you thought you had seen it all in the world of four walls... Barry Plant wrote his vendor's asking price on a whiteboard and the property fetched an extra \$93,000 yesterday. The Barry Plant Group boss said he was a "pioneer" by disclosing the reserve price pre-auction, at 24 Maldon Cres, Doncaster East, following calls for the practice to be adopted. He wrote the vendor's price — \$620,000 — on a board in view of spectators. Understated, keen bidders took the price up to \$713,000. "This is a hot potato issue — no one else has been brave enough to pioneer it yet (in Melbourne). I would do it again," Mr Plant said. The agency had been advertising the four-bedroom home for "more than \$570,000". Jellis Craig agent Scott Patterson's group sold all 14 properties they took to auction including a townhouse at 1/82 Charles St, Prahran. Three bidders took the sale price to \$990,000 — \$60,000 beyond its reserve. "This week is the 12th running (that auction) clearance rates have stayed above 80 per cent," Mr Patterson said. "It will stay like this until interest rates start to move up, or the football season ends, because that is the earliest I can see us getting more stock. "Buyers will have to wait until October for more choice this year." Stockdale & Leggo's Nick Petrovski said the lower end of the market continued to fly. A three-bedroom house at 1 Trotting Place, Epping, sold for \$330,000. Its owner sought \$300,000.