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Real estate chief angers with 'naive buyers' claim

Consumers up protests on low quotes

By **BEN SCHNEIDERS**
and **CHANTAL RUMBLE**

THE head of Victoria's real estate industry has inflamed the row over agents who underquote house prices, saying only "naive" property buyers would rely on advertised prices in areas of high demand.

"You've got to look at why you're missing out," said Enzo Raimondo, head of the Real Estate Institute of Victoria.

"It is not because you thought the property was going to go for the price advertised, because you'd have to be naive to think that."

The comments were seized on last night by consumer advocates, who claim agents had been wilfully ignoring the ban on underquoting and who have been urging the Government to enforce its laws. Gordon Renouf, policy manager for the consumer watchdog Choice, said Mr Raimondo's comments implied that it was still acceptable for real estate agents to deliberately misquote house prices despite the law.

Nicole Rich, of the Consumer Action Law Centre, said the remarks suggested everyone knew agents were "deliberately and knowingly" underquoting.

Last month *The Age* published evidence of widespread underquoting of Melbourne house prices before auctions. The trend continued last weekend, with many properties sold at auction for much more than their advertised prices.

Data compiled by *The Age* shows that agents underestimated auction prices by an average of 19.4 per cent on the 140 properties surveyed — slightly less than for the previous two weekends.

Last weekend, six properties sold for more than 40 per cent

above their advertised prices, including a property in Brighton that sold for \$1.5 million, 58 per cent more than its quote.

Since April 14, *The Age* has surveyed 370 properties where both an advertised and a sale price were publicly available, and found the average difference was 20.1 per cent.

Misquoting occurs despite the introduction of state laws three years ago to clamp down on the practice. The laws require estimates to be based on what "a willing but not anxious buyer" would pay, and forbid agents from advertising for less than their own estimate.

Consumer Affairs Minister Daniel Andrews has declined repeated requests for an interview with *The Age*, but in a written statement yesterday said the Government was taking the issue "very seriously".

He said Consumer Affairs Victoria was investigating five allegations of underquoting, and had issued 29 warning letters to real estate agents.

Opposition consumer affairs spokeswoman Wendy Lovell said the Government had no desire to solve the problem.

Mr Raimondo said it was "very simplistic and not correct" just to compare the advertised and final sale prices. Agents argue that the difference between the quote and sale prices is the result of a rapidly moving market. "We have unprecedented demand in certain pockets of Melbourne," Mr Raimondo said.

But the REIV's data shows that prices — for auctions and private sales — in the first three months of the year fell across all price segments. In the top 15 per cent of the market, the median price dipped 3 per cent, while for

the top 5 per cent, prices dropped 4.3 per cent.

Ms Rich of the Consumer Action Law Centre rejected the industry's "hot market" defence.

"While there's no doubt there are individual cases where the agent has genuinely not anticipated that a property is going to go for a lot more on the day, the fact that it is happening so consistently and across all of Melbourne shows that the hot market can't be the explanation as a general rule," she said.

Ms Rich called for tougher enforcement of consumer protection laws to safeguard homebuyers.

"It's unacceptable in any other case to be advertising prices that are just plain wrong — it's called misleading advertising," she said.

Mr Renouf said it was unreasonable to expect consumers to be aware of differences between quotes and sale prices.

Paul Harrison, a consumer behaviour specialist at Deakin University, said underquoting caused significant additional stress for would-be buyers and pushed them to make irrational decisions.

It raised buyers' expectations about what they could afford and engaged them in auctions for properties beyond their budget.

Low quotes also drew more people to auctions, creating a sense of high demand and limited supply of properties in a certain price range. This "scarcity effect" became more acute as buyers repeatedly watched properties sell for much more than quoted prices.

OPINION

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