

21 July 2009

Mr Graham Samuels
Chairman
Australian Competition and Consumer Commission
GPO Box 520
Melbourne VIC 3001

Dear Mr Samuels,

The Australian Property Institute (Victorian Division) (the API) is the representative body for property valuers in Victoria. For some time we have been concerned at the apparent discrepancies between the prices quoted by real estate agents for residential properties listed for auction and the eventual sale price.

Although it is acknowledged that market forces can result in inconsistencies between advertised and actual selling prices, despite ethical and professional conduct by agents, a significant disconnect prevails which can not be reconciled against market outperformance.

The API supports the ACCC announcement proposing the introduction of legislation aimed at preventing underquoting. Imposing fines on both real estate agents and vendors gives strength to the existing CAV and REIV Guidelines which are designed to prevent false and misleading estimated selling prices.

The API is in a unique position to assist the ACCC in this matter as API valuer members:

- are tertiary qualified
- are qualified certified practicing valuers,
- have undergone rigorous admission processes
- have to adhere to the institutes codes of ethics and practices
- are required to maintain significant professional development each year, and
- very importantly, are independent.

We further note that consideration is being given to the possibility of including a vendor's reserve price as part of the marketing process for a property. Whilst this approach appears to alleviate the current concerns about underquoting by some agents, it does not rule out the possibility of the vendor and agent setting a low reserve which, from one interpretation, puts the process in the same situation it currently faces.

Accordingly, the API recommends that every auction authority be accompanied by an independent valuation by a qualified Certified Practising Valuer. This proposal provides a practical way to combat instances of poor practice by real estate agents and will go a long way to protecting the public. It also acknowledges and supports the real estate agents that are acting professionally.

By requiring professional and independent valuers to make these assessments of selling price, agents and vendors are engaging those best qualified to interpret the market. The valuation could then form the basis of quoted prices (eg a quote price range) giving independence to the process and protection to the vendor, purchaser and public.

The API are prepared to commission and co-ordinate a panel of appropriately experienced and qualified valuers to establish a "pool" of professionals from which real estate agents and/or vendors can select to undertake these valuations.

Valuations could be in a short report format, such as PropertyPro. The average turn around time for reports of this nature is three days and an indicative fee range is \$250 - \$400 depending on the volume of work generated.

As President of the API (Victorian Division), I would be happy to discuss this proposal with you and look forward to your response.

Yours sincerely,



Chris Plant
President
API - Vic

Cc:

Mr Tony Robinson
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