

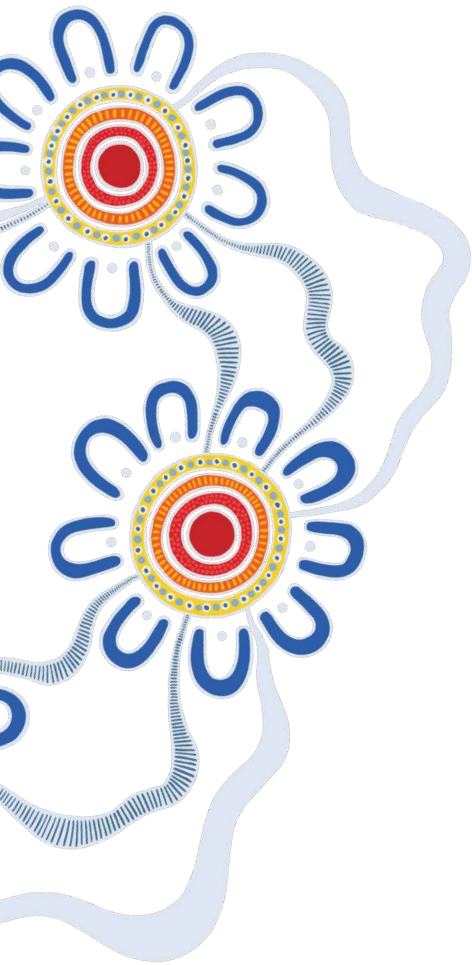


Underquoting guidelines for residential property

June 2025

nsw.gov.au/fair-trading

Acknowledgement of Country



The NSW Department of Customer Service acknowledges, respects and values Aboriginal peoples as the Traditional Custodians of the lands on which we live, walk and work. We pay our respects to Elders past and present. We recognise and remain committed to honouring Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships, and continuing connection to their lands, waters and seas.

We acknowledge their history here on these lands and their rich contribution to our society. We also acknowledge Aboriginal and Torres Strait Islander employees who are an integral part of our diverse workforce, and recognise the knowledge embedded forever in their custodianship of Country and culture.

'Connecting Communities' original artwork by Alison Williams.

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Introduction

Buying a property is the biggest financial investment most people will ever make. When dealing in the residential property market, sellers (vendors) and potential buyers (purchasers) should be able to expect a real estate agent to market property ethically and professionally.

Potential buyers can spend money and time investigating properties based on the advertised or stated value. There can be significant consumer detriment if that value was not a reasonable estimate of its likely selling price. To help protect consumers from underquoting, the law requires agents to do the following:

- make reasonable estimates of selling prices and never make a statement or publish a price *lower* than these estimates
- advise the seller of the evidence the agent relied on to make an estimate or revised estimate
- revise the estimated selling price if an agent becomes aware it has ceased to be a reasonable estimate, notify the seller in writing, amend the agency agreement and take steps to ensure they do not communicate any price information lower than their revised estimated selling price.

All agents should familiarise themselves with the requirements of the law, including the additional underquoting rules required under the Secretary's Guidelines for the Proper Supervision of the Business of a Licensee (the 'Supervision Guidelines').

To help agents carry out their duties and avoid conduct that breaches these laws, this document gives guidance on the laws that apply.

This document also provides further guidance on what could be considered to be best practice and should be referred to by agents as they develop their own procedures to comply with the laws and guidelines.

Agents are required to regularly review their operational procedures to ensure they are sufficiently robust and comply with the law.

Which laws apply to property marketed for sale?

Property and Stock Agents Act 2002

The *Property and Stock Agents Act 2002* (the Act) is the primary law regulating the property industry in NSW. Under the Act, it is an offence to underquote the price of a property being marketed, whether in advertising or in any verbal or written representation (statement) made to a potential buyer.

The underquoting requirements do not apply to rural land, commercial property or other types of property.

An agent is underquoting the selling price of a residential property by making or publishing a statement about its price that is less than their reasonable estimate of the property's likely selling price.

Other requirements – Property and Stock Agents Act 2002

Agents should also be familiar with licensing requirements, rules of conduct, the Supervision Guidelines and obligations for licensees-in-charge that come under the Act and the Property and Stock Agents Regulation 2019 (the Regulation). Agents can consult the NSW Fair Trading website for further details.

The Australian Consumer Law

There are also requirements under the Australian Consumer Law (ACL) that an agent must follow. These requirements prohibit unfair practices and misleading or deceptive conduct. The ACL also makes it an offence to provide false or misleading representations about the price, quality or standard of a property.

These may include representations about the price or price range at which:

- an agent believed the property would sell
- the market valued the property
- a seller was prepared to sell
- a seller had instructed the agent to sell
- a seller has rejected an offer.

To comply with the ACL, agents must follow the seller's instructions on price and then ensure any selling price in advertising, print or a statement accurately reflects the seller's price instructions.

Agents must not publish or state a selling price that is less than their reasonable estimate of the likely selling price (estimated selling price) or the seller's price instructions, whichever is higher.

Agents can also refer to the Australian Consumer and Competition Commission's (ACCC) webpages on false or misleading statements, setting prices, and real estate for more details on false or misleading pricing under the ACL at accg.gov.au.

The full ACL is available on the Comlaw website at comlaw.gov.au.

The *Property and Stock Agents Act 2002* and Regulation are available on the NSW Legislation website at legislation.nsw.gov.au

A photograph of a residential property with a 'FOR SALE' sign. The sign is rectangular, with a white top half and a dark blue bottom half. The words 'FOR SALE' are printed in large, white, bold, sans-serif capital letters on the dark blue background. The sign is mounted on two black metal posts. To the left of the sign is a white picket fence. To the right is a brick wall and a white garage door. The house has a light-colored corrugated metal roof and beige horizontal siding. The foreground shows a gravel driveway and a concrete sidewalk. The scene is brightly lit, suggesting a sunny day.

FOR SALE

What is a representation and what is an advertisement?

Representations

A representation is a statement or claim that a person relies on in deciding to act in a certain way. For example, a potential buyer may rely on an agent's statement or claim that a property is likely to sell for a certain price when deciding to purchase property reports or make an offer on the property.

The representation can be made by an agent or the agent's employee during the course of marketing the residential property for sale. Further guidance on advertising and making representations can be found on the NSW Fair Trading website.

If an agent is found guilty of underquoting in representations about the selling price by a court of law, the agent may also lose their fees and commissions earned from the sale of an underquoted property. These fee and commission payments will go into the Property Services Compensation Fund.

Advertisements

The laws banning underquoting in advertisements or marketing material apply whether published:

- in print (in any publication) or electronically (for example email or on a website)
- on public display, or
- in a broadcast.

Marketing multi-unit residential property and multi-lot subdivisions

You must also comply with underquoting laws when acting as an agent for the collective sale of:

- multiple residential units (such as in a new development)
- multi-lot residential subdivisions.

The advertising options below can be used in these situations.

Providing a price indication

If any price indication is given, this must include the estimated selling prices for the lowest and highest priced properties in each property category (eg. studio, one bedroom, two bedroom etc.). This can be expressed in two ways, either:

- giving the price ranges for each category, with the low end of the range being the estimated selling price of the lowest priced unit in the category and the higher end of the range being the most expensive property in that category. For example: one bedroom units available - price range: \$550K-\$700K. In this example, \$550K represents the estimated selling price of the lowest priced one bedroom unit and \$700K is the estimated selling price of the highest priced one bedroom unit. This would need to be done for each category

- stating the estimated selling price in the agency agreement of the lowest and highest priced units for each property category (instead of using the 'range method' above). For example: one bedroom units available - the lowest priced unit is \$550K, the highest priced unit is \$700K; two bedroom units available - the lowest priced unit is \$700K, the highest priced unit is \$900K.

This does not contravene the requirement related to estimated selling prices expressed as a range, which is for single properties not properties being marketed collectively. See: *'The relevant law on the estimated selling price'* in these guidelines.

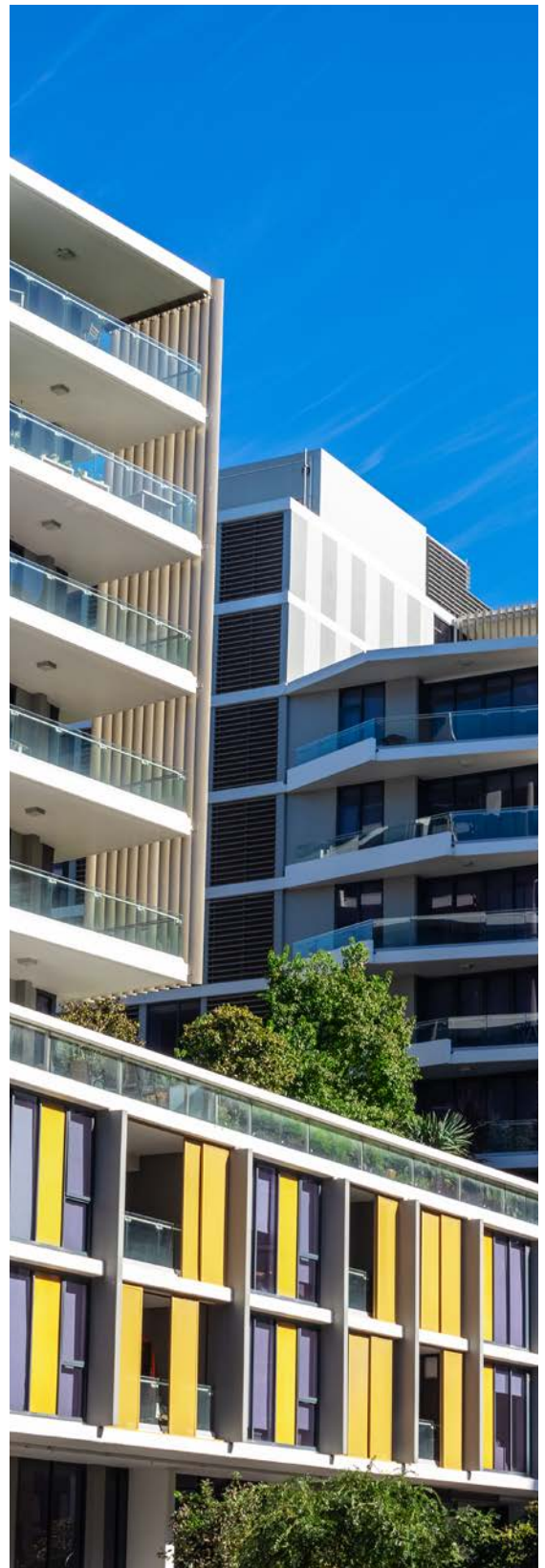
Price indications for multi-lot residential subdivisions must include the lowest priced lot and the highest priced lot.

Any collective marketing of residential units/lots that includes a price indication should also advise prospective buyers that there are multiple properties within each category, of varying prices within that range.

To make sure underquoting does not occur, when the lowest priced unit/lot is sold, or the last of the lowest priced units in a particular category is sold, all advertising and marketing must be updated to reflect the value of the new lowest priced unit/lot available.

Not revealing any price indication

Agents also have the option not to include any price information at all (in writing, verbally or in advertising) when marketing residential property or multi-lot subdivisions. Potential buyers can be advised to contact the agent for further information. When contacted, any indication of price that the agent gives must not be less than the estimated selling price in the agency agreement.



Agents can refer to our website for more guidance on publishing advertisements for residential properties.

Estimated selling price

The relevant law on the estimated selling price

Under the *Property and Stock Agents Act 2002*, agents must follow these requirements when setting or revising an estimated selling price:

- The **estimated selling price for a residential property** means the price or price range specified in the agency agreement for the sale of the property as the agent's estimate of the likely selling price of the property (section 72(1)).
- A real estate agent must not enter into an agency agreement with a person for the sale of residential property unless the agreement includes the estimated selling price (section 72A(1))*.
- The estimated selling price may be expressed as a **price range** but only if the highest price in the price range exceeds the lowest price by not more than 10% of the lowest price (section 72A(2)).
- A real estate agent must **not publish** or cause to be published an **advertisement** in relation to the sale of residential property that includes the **phrase 'offers above' or 'offers over' (or similar symbols or words in any language)** a specified selling price or price range (section 73(2))*.
- A real estate agent must ensure that the estimated selling price of a residential property is, and remains, a **reasonable** estimate of the likely selling price of the property (section 72A(3))*.
- A real estate agent must ensure that the estimated selling price is **revised** if it ceases to be a reasonable estimate of the likely selling price of a property by:
 - notifying the other party in the agency agreement, in writing, of the revised estimated selling price, and
 - amending the agency agreement (section 72A(4))*.
- A real estate agent must, as soon as practicable after revising the estimated selling price, take all reasonable steps to **amend or retract any advertisement** published in relation to the property that includes an advertised selling price for the property that is less than the revised estimated selling price (section 73(3))*.
- A real estate agent must, before or when specifying an estimated selling price or revising an estimated selling price, provide the seller or potential seller of the property with **evidence of the reasonableness** of the estimated selling price (section 72A(5))*.
- The NSW Fair Trading Commissioner may by written notice to an agent require the agent to provide evidence of the reasonableness of any estimate of the selling price of residential property made by the agent in a statement:
 - verbally or in writing to a seller or potential seller of the property, or – in an advertisement in respect of the property that is published or caused to be published by the agent, or
 - verbally or in writing to a person as a potential buyer of the property (section 74(1)).

An agent who fails to comply with a notice under section 74(1) within the period for compliance specified in the notice is guilty of an offence (section 74(2))*.

* A maximum penalty of 200 penalty units (currently \$22,000) applies for breaching this law.

What is an 'estimated selling price'?

The Act requires real estate agents to include an 'estimated selling price' in agency agreements. The estimated selling price is the agent's **reasonable estimate of the likely selling price** for the property. This is expressed either as a single price or a price range, but only if the highest price in the price range exceeds the lowest price by not more than 10%.

For example, expressing a price range of '\$800,000 to \$880,000' is allowed. However, '\$800,000 to \$900,000' is **not allowed** as the higher figure of \$900,000 exceeds the lower figure of \$800,000 by more than 10%. If an agent publishes or states the selling price as a price range, then it is an underquoting offence if the published or stated price is lower than the lowest price in the agent's estimated price range.

The Act also now **bans the use of phrases, terms or symbols like 'offers above', 'offers over' or '+'** with a price or price range. For example, it is **not allowed** to advertise a property as being '\$800,000 plus' or, 'offers over \$800,000' or, '\$800,000 +'. However, using phrases or terms like 'price guide', 'guide', 'auction guide', 'bidding guide', 'estimate' or 'price estimate' **are allowed** if the published or stated price figure or price range complies with the Act's other requirements.

Sometimes an agency agreement will relate to the sale of either multi-lot subdivisions or a new development where there are multiple properties available of varying size and price within the development. In such cases, the agent may include an attached schedule of the lots with their individual prices, or the properties available with their features (primarily bedroom numbers) and a price for each. Any prices included in the schedule cannot be less than the estimated selling price for each unit/lot.

What is a reasonable estimate?

A reasonable estimate will ultimately depend on the particular circumstances of each property.

The estimated selling price that an agent determines should be made following a careful consideration of factors that will affect the selling price.

Agents should exercise professional skill, care and diligence in determining the estimated selling price as NSW Fair Trading can require an agent to provide evidence that supports their estimated selling price.

How might an agent make a reasonable estimate?

When determining a reasonable estimate of the selling price of a property, an agent must ensure they consider the following factors:

- any sales of comparable properties
- feedback from potential purchasers
- any current or relevant valuations provided in respect of the property
- the characteristics and features of the property, such as its size and location, including the existence of any 'material facts'
- the methods used to market the property
- any other available factor that may affect the estimated selling price

This list is provided as general guidance only and is not exhaustive.



Evidence for determining an estimated selling price

Agents must provide the seller with the evidence of how they reached an estimated selling price for the residential property.

Agents must record relevant information that would allow them to show how they determined a particular selling price estimate to be a reasonable estimate.

Agents must keep file notes and all information relied upon to determine a property's estimated selling price. For example, agents should keep file notes on:

Comparable sales

This may include how such sales compare, any variations between the properties and how that may affect the estimate, and any changes in the market since the comparable properties were sold.

Market conditions

This may include interest rates, the general state of the economy and the general state of the real estate market in the area where the property is located.

The property's features

This may include how close it is to services, the property's general condition and location, its views, size and features of the land and any other feature likely to inform the estimated price.

Other relevant information

This may include any restrictions on the land, rezoning or other uses for the land, length of settlement and any other factors which may affect the estimated price.

This list is provided as general guidance only and is not exhaustive. For example, notes should be made and kept on file of further discussions with the seller, if there is a relevant change in local market factors, or if the response to the marketing campaign suggests a need to revise the estimated selling price from the one originally set out in the agency agreement.

File notes on how an agent determined a reasonable estimated selling price may also be used if the NSW Fair Trading Commissioner writes to an agent requiring them to substantiate any statements they make about an estimated selling price of a residential property.

Revising the estimated selling price

While a property is being marketed, changes in the residential property market or feedback from potential buyers may indicate that the advertised selling price is no longer a reasonable estimate of the likely selling price. In such circumstances, real estate agents must **revise** the estimated selling price.

An agent does not need the seller's permission before revising the estimated selling price to ensure it remains a reasonable estimate.

In line with changing market conditions, offers made and other relevant factors, real estate agencies must ensure that estimated selling prices are reviewed in a timely manner to confirm it remains reasonable. This will be weekly or daily for some properties and less often for others. This is a requirement under the Supervision Guidelines.

If the estimated selling price is revised, then the agent must:

- notify the seller in writing about the new single price or price range that is the revised estimated selling price
- provide the seller with evidence of how they estimated the revised price
- amend the agency agreement.

Once the estimated selling price is revised an agent must take all reasonable steps, as soon as is practical, to change or withdraw any advertisement displaying a selling price that is less than the revised estimated selling price.

In the case of hard copy advertising material, such as newspapers or posted flyers that are in public circulation, or information emailed to potential buyers before the estimated selling price was revised, it would not be reasonable to expect agents to try to recover all of that material.

However, agents should ensure that any new advertisements contain a selling price or price range that complies with the Act.

Unlike traditional hardcopy advertisements, online advertisements are published on an ongoing basis. Agents should therefore ensure any online price statement remains consistent with their reasonable estimate of the selling price throughout the period it is available to the public.

What if the seller wants a price different to the agent's estimated selling price?

The estimated selling price does not need to reflect the seller's expectations on price. What the law requires is an agent to determine an estimated selling price using their professional skills and market knowledge.

Agents should make the seller aware that they cannot quote a price that is less than the estimated selling price when marketing the property in advertisements or through representations.

Does an agent have to disclose any selling price to a potential buyer?

If a seller instructs an agent not to reveal any price, then an agent must not disclose the estimated selling price or any price to potential buyers, be it in advertising, in writing or verbally.

However, if a statement about the selling price is made or published, it must not be less than the estimated selling price in the agency agreement.

What if the eventual sale price is higher than the estimated selling price?

Agents are expected to provide a reasonable estimate of the likely selling price and in many property sales this estimate will be close to the final sale price. However, variations can occur due to factors which may be unknown to the agent; for example, interest rate movements, unusually high levels of buyer interest, or factors outside of their control (such as for unique properties which can be difficult to value).

Regardless of the type of property, or what occurs during the marketing period, agents and their employees must act fairly and responsibly in their dealings with buyers and sellers.

This means that, if requested, agents must be able to demonstrate to NSW Fair Trading that the difference between the estimated selling price and the eventual sale price was reasonable in the circumstances. Also, agents must be able to demonstrate that any changes to the estimated sale price were communicated to all parties (seller and potential buyers) as they occurred.

Written records of selling price statements

The relevant law on written records

The requirements for written records on selling price statements under the *Property and Stock Agents Act 2002* are as follows:

- A real estate agent who makes a statement in the course of marketing a residential property to a buyer, potential buyer, seller or potential seller that the property is likely to be sold for a specified price or within a specified price range must make a written record of the statement (section 73B(1))*.
- The record of the statement must contain:
 - the address of the property concerned
 - the price or price range
 - the date and time of the representation
- any other information that is prescribed by the regulations (section 73B(2)(a)).
- The record of the statement must be kept at a real estate agent's principal place of business for at least 3 years (section 73B(2)(b)).

Having accessible and accurate records allows agents to demonstrate they have not provided a price which is less than their estimated selling price. Keeping written records also enhances accountability and transparency and will assist NSW Fair Trading in investigating and resolving underquoting claims.

The requirements to keep written records could mean that real estate agencies need to change business practices.

While not currently required by the Regulation, agents should consider including the names of the people who they communicated with about a property's likely selling price or price range, as this may help if agents are investigated.

* A maximum penalty of 200 penalty units (currently \$22,000) applies for breaching this law.

When should an agent make a written record?

At an open house, an agent is likely to speak to several potential buyers. If the agent is providing the same information to everyone attending the inspection, the agent may simply make a single record of information provided on the occasion.

If an agent just speaks to one or two individuals, either over the telephone or face-to-face, then they should make an individual record of the information they provided to those individuals.

Checklist to avoid underquoting

This checklist is a general guide and represents the steps NSW Fair Trading inspectors will carry out, as a minimum, when they visit your agency.

The agency agreement includes the agent's estimated selling price for the property.

Where a property is offered for sale by private treaty, the agency agreement specifies the price at which the property is to be offered.

The estimated selling price is either a single price (such as \$800,000) or in a price range where the highest number does not exceed the lowest number by more than 10% (such as \$800,000 to \$880,000).

The estimated selling price is a reasonable estimate of the likely selling price for the property.

The agent has evidence of how the selling price was estimated, for example comparable sales, market conditions, the property's features, and other relevant information.

All marketing material shows the selling price as a single price or a price range that is not lower than the estimated selling price and that matches the agent's estimated selling price recorded in the agency agreement.

Advertisements published by the agent do not include prohibited terms such as "offers above" or "offers over" (or similar symbols or words in any language) a specified selling price or price range.

The agent has made written records of any statements made to potential buyers about the likely selling price of the property.

The agent has undertaken regular reviews of the estimated selling price to ensure it remains reasonable, for example where offers above the estimated selling price have not been accepted by the vendor.

The agent has revised their estimated selling price if it no longer reflects a reasonable estimate of the likely selling price.

The agent has notified the seller about the revised price in writing and the agency agreement has been amended with the revised estimated selling price.

All representations by the agent about the expected selling price are not lower than the initial or the revised estimated selling price at the time the representations were made.

Advertisements have been withdrawn or changed (where possible) as soon as practicable after the estimated selling price has been revised.

The difference between the actual selling price and the estimated selling price is reasonable given the circumstances of the sale.

The real estate agency maintains operational procedures in accordance with Supervision Requirement 2 of the Supervision Guidelines.

The real estate agency's operational procedures comply with the *Property and Stock Agents Act 2002* and the Supervision Guidelines in terms of representations about selling price.

Each individual agent's conduct complies with the requirements of the operational procedures in force in the agency in relation to price representations in residential property sales.

The licensee in charge of the real estate agency monitors the conduct of agents under their supervision to ensure compliance and the avoidance of underquoting.

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