



Making a reasonable estimate of selling price when listing a property for sale

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Nine years ago, the NSW Government passed changes to underquoting laws.

As of 1 January 2016, the changes were implemented to provide clarity for buyers, agents and vendors to address the issue of underquoting in the real estate industry.

Simply because a property sells for higher than a buyer expects it to, does not mean underquoting has occurred. Sometimes competitive buyer behaviour can result in a much higher sale price than what an agent could have reasonably estimated the property to sell for. Agents are required to be able to demonstrate that their estimate was reasonable, up-to-date and evidence-based. Agents are required to represent to vendors and prospective buyers, what they actually expect a property to sell for.

When determining a reasonable estimate of the selling price of a property, an agent should take into account:

- the specific factors that will influence the expected sale price
- 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

Evidence for determining an estimated selling price

Agents must provide the seller with the evidence of how they reached an estimated selling price and should record relevant information that would allow them to show how they determined a particular selling price estimate to be a reasonable estimate. This evidence is often referred to as "good reason". This means that agents can consider a broad range of properties that have sold recently in the area local to the property that they are currently listing. They can consider the features of the 'comparable' property and compare that with the property that they are listing. The agent needs to consider what features are 'better' or 'worse' than the property they are listing and then use these comparisons to determine an estimate of selling price.

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 the property 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.
- Notes should be made and kept on file (either electronic or paper) 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.

Agents should remember that their file notes on how they determined a reasonable estimated selling price may also be used if the NSW Fair Trading contacts an agent requiring them to substantiate any statements that have made about an estimated selling price of a residential property.

Always consider “good reason” when looking at comparable properties, and ensure that you include a few dot points in relation to the differences and similarities between the property you are listing and those that have recently sold in the area.

Stay compliant and keep selling.

Rosy Sullivan
Director | College Principal

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Contact us

1300 88 48 10
(02) 9264 5505
enquiries@acop.edu.au

Visit us

Level 2, St Andrews House
464 Kent St, Sydney NSW 2000

Mail us

PO Box Q289
QVB Sydney NSW 1230

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