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REIA
REAL ESTATE INSTITUTE OF AUSTRALIA

Ms Pamela Bennett
REIA President

PRESIDENT'S REPORT

WELCOME
FROM REIA'S PRESIDENT

As it is with all the organisations that represent various interests to the Australian Government, the release of the Federal Budget is a very busy time for the Real Estate Institute of Australia. Making the timing of this Budget even more interesting is the announcement on 1 May of the largest cut in official interest rates by the RBA since the height of the Global Financial Crisis in February 2009.

At 3.75%, the cash rate is now the lowest it's been since March 2010. But whereas, once upon a time we could reliably expect a change in the official cash rate to be matched by a change in the home loan rates offered by commercial lenders, today that is no longer the case. In fact all lenders have chosen to keep a portion of this latest cut for themselves, while some have deducted the full amount from the interest they pay on deposits.

Ultimately, the market will decide what, if any, punishment should be meted out on the commercial banks. Our concern is the watering down of the intended effect of the original RBA decision at a time when there is almost universal agreement that a strong intervention is needed.

The Governor of the RBA, Glenn Stevens, noted in his statement that despite recent signs of stabilising, the housing market remained subdued. He also referred to weaker than expected economic conditions and observed that inflation had moderated.

You can add to that our own observations that first home buyer activity is only half of what it was in 2009 and that affordability has plateaued.

This is why we argued strongly that the full rate cut should be passed on, and why we continue to argue that further cuts are necessary.

The decision of the RBA Board to cut official rates by 50 basis points last week was almost certainly made with the expectation that commercial lenders would fail to pass on the full amount to borrowers. The response of the big four has even prompted some to call for the cash rate to be reduced to only 2%.

While cuts of this magnitude are unlikely anytime soon, it is clear there is still room to reduce rates further. In announcing the Budget, the Treasurer has again emphasised that his determination to produce a surplus is, at least in part, to give the Reserve Bank the flexibility to cut rates in the future.

In this edition of REIA News, our Policy Manager, Jock Kreitals has analysed the Budget looking for signs of a commitment by the Government to address serious affordability concerns and to restore confidence in the housing market. Unfortunately, what he found has left us underwhelmed.

On the positive side, there has been no change to negative gearing or capital gains tax. But neither has there been any significant new initiative to help first home buyers enter the market.

Our pre-Budget submission clearly identified additional measures the Government could have taken. We don't believe it should be left to the RBA to do all the heavy lifting when it comes to affordability. But for the time being, at least, it appears the ball has been left in the RBA's court.

Ms Pamela Bennett
REIA PRESIDENT

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Budget 2012
How we fared

There was much media speculation that this was going to be a "horror Budget" that was being pursued for political objectives. Not only was it not the horror anticipated but there was little in the Budget Papers that had not been leaked prior to Budget night. It is not one that will have an adverse effect on housing and real estate agents will benefit from the tax write-offs for small businesses.

This Budget returns the economy to a surplus of $1.5bn in 2012-13 from an expected deficit of $44bn in 2011-12 as shown in the table on the right. The underlying assumptions are for real GDP growth of 3.25% and an increase in the unemployment rate to 5.5%. The forecast of GDP growth is consistent with the RBA's statement of monetary policy the week before the Budget.

	2011-12	2012-13
Underlying cash balance ($b)	-44.4	1.5
Per cent of GDP	-3.0	0.1
GDP Growth (%)		
Budget Papers	3.0	3.25
RBA	3	3-3.5
Unemployment Rate (%)		
Budget Papers	5.25	5.5
Consumer Price Index (%)		
Budget Papers	3.25	2.5
RBA	1.25	2.5-3.5

The turnaround from deficit to surplus represents 3.1% of GDP.

The major savings in the budget amount to $4.4bn. The main areas are: not proceeding with the cut to the company tax rate ($0.3bn); deferral of higher concessional superannuation contributions cap ($0.6bn); deferring the growth target for overseas development assistance ($0.45bn); cuts to defence spending ($0.97bn), and: not proceeding with standard deduction for work-related expenses (whilst a saving of only $2.5m in 2013 this saving increases to $1.4bn in 2015-16).

Other savings include not proceeding with the 50% discount for interest income.

The main areas of increased spending are replacing the Education Tax Refund with a Schoolkids Bonus ($0.43bn) and the introduction of a new income support supplement ($0.15bn).

In addition, the tax-free threshold has been increased from $6,000 to $18,200.

Housing Initiatives

The Budget made no changes to current arrangements for housing. This includes arrangements for negative gearing of property investments, no increase in capital gains tax on property investments and no capital gains taxes on the family home. Disappointingly there were no additional initiatives to address housing affordability or to support first home buyers.

With no surprises in the Budget regarding housing it will not, of itself, affect market conditions to any great degree.

The Budget does increase the likelihood of further interest rate cuts by the RBA which will have a positive impact on affordability and the market.

Small Business Initiatives

Real estate agents will benefit from a number of small business initiatives.

As has been previously announced by the Government, all small businesses will be able to immediately write-off each eligible business asset they buy costing less than $6,500 per asset. Small business will also be able to claim up to $5,000 as an immediate deduction for new or used motor vehicles acquired from the 2012-13 income year. The remainder of the motor vehicle's cost will be pooled in the general small business pool (depreciated at 15% in the purchase year and then 30% in other years).

The Government will also introduce loss carryback to support incorporated small businesses to return to profit. This is something the REIA called for in its comments to Treasury in a consultation paper. In 2012-13, companies will be able to carry back tax losses of up to $1 million so they get a refund against tax previously paid. From 2013-14 companies will be able to carry back tax losses for two years. This provides a tax benefit of up to $300,000 per year. For example, a small business makes a profit in 2011-12 and pays $300,000 tax. The next year they make a loss due to depreciation on new investments. They qualify for loss carryback and are able to get up to $300,000 back.

Business will be disappointed that the promised cuts to company tax won't be delivered.

The government will provide four year funding to establish an office of the Australian Small Business Commissioner to provide advocacy and representation of small business interests. Again, this is something the REIA has previously called for.

BUDGET 2012

WHAT WE SAID

Taken from the REIA media release on Budget night

REIA
REAL ESTATE INSTITUTE OF AUSTRALIA

MEDIA RELEASE

Tuesday 08 May 2012

Government shifts responsibility for housing affordability to RBA

Real Estate Institute of Australia (REIA) CEO, Ms Amanda Lynch says the Government has failed to introduce any new initiatives to address housing affordability in this year's Budget and has instead passed all responsibility onto the Reserve Bank.

"The good news is the Budget retains conditions where further rate cuts are possible. But as we have seen last week, there is no guarantee cuts will find their way to borrowers," Ms Lynch said.

The Government has said returning the budget to surplus sends a very clear signal to the world about our strong economic fundamentals, and gives the Reserve Bank flexibility to cut interest rates further if it thinks that is needed.

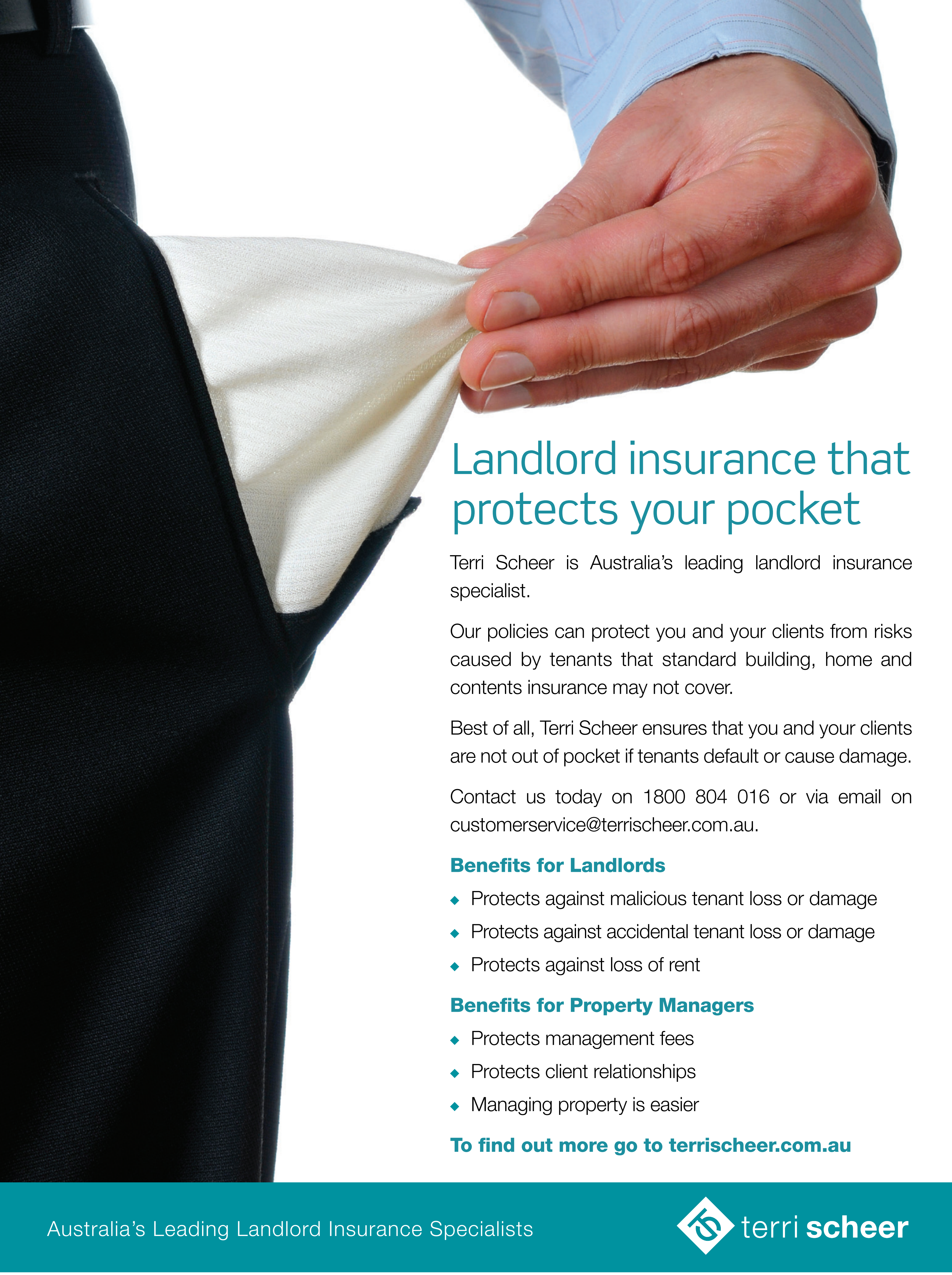
Since peaking in the early nineties, home loan affordability has been trending downwards to alarming levels. Ms Lynch says first home buyers have been very cautious in early 2012, with the number of first home buyers as a percentage of total owner occupied housing commitments decreasing to 17.2 per cent in February, down considerably from the long-term average of 20.2 per cent.

"We had hoped the Government would recognise the need to directly intervene and not leave housing affordability dependent solely on the whim of the banks," Ms Lynch said.

"One of the most effective housing policy instruments in assisting first home buyers is the First Home Owners Grant, but it has been allowed to lose more than half its value relative to purchase prices since it was introduced in 2000," Ms Lynch added.

"The Budget might fund new cost of living relief for Australian families but it fails to address what most Australians see as a priority – housing affordability," Ms Lynch concluded.

REIA media releases are available to download here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BUDGET 2012

WHAT THEY ARE SAYING

THE POLLIES' PERSPECTIVE

There were a plethora of media releases and press conferences by politicians on Budget day. Here is a small sample of what was being said.

AUSTRALIAN LABOR PARTY

Wayne Swan, Treasurer

A stronger economy for a fair Australia

The 2012-13 Budget will keep the Australian economy among the strongest in the world. It will deliver four years of growing surpluses, real relief for cost of living pressures and major social reforms to deliver a fair go for more Australians.

This Budget deals with today's challenges and builds the foundations for the future.

Australia's economy is the standout performer in the developed world. We have avoided recession, kept Australians in jobs and are now bringing the budget back to surplus, ahead of every single major advanced economy.

Returning the budget to surplus is central to our plan to build an even stronger economy. It sends a very clear signal to the world about our strong economic fundamentals, and gives the Reserve Bank flexibility to cut interest rates further if it thinks that is needed.

While uncertainties remain in the global economy, Australia is also in the right place at the right time, as the weight of global economic activity shifts towards our region.

This is creating vast opportunities for Australian businesses, and driving a huge pipeline of investment that will support economic growth into the future, however it is also creating challenging conditions for parts of our patchwork economy.

But our success in supporting the economy and jobs during the global financial crisis means the economy faces the future from a position of strength.

More details available here

LIBERAL PARTY OF AUSTRALIA

Joe Hockey, Shadow Treasurer

Budget 2012: cooked books, carbon tax, more debt

This Budget again confirms that Julia Gillard and Wayne Swan have no plan to build a stronger economy, repay debt or create secure jobs.

This is a confused Budget with no coherent economic strategy to deliver stronger growth and higher productivity.

Julia Gillard and Wayne Swan only have a plan for more borrowing, more taxes and record debt.

Budget 2012 delivers:

- the world's biggest carbon tax;
- record net debt of $145 billion;
- a record new debt ceiling of $300 billion;
- a $26 billion deterioration in the Budget over the past year;
- Labor's fourth massive deficit in four years; and
- higher unemployment.

This is a deceitful Budget – spending this financial year is around $100 billion more than it was just four years ago.

It is a "cook the books" Budget – the forecast surplus in 2012-13 is based on fiddled figures and money shuffles.

And the Budget provides no buffer against future economic shocks as the economic storm clouds gather in Europe.

More details available here

THE GREENS

Christine Milne, Australian Greens Leader

Good for teeth, bad for brains: a fairer budget but no plan for the future

Tonight's Federal Budget includes some major reforms that will benefit many Australians but the political surplus target has led to substantial under-investment in education and patently insufficient support for the most vulnerable Australians, the Australian Greens said today.

"This Budget is good for teeth but bad for brains," Australian Greens Leader, Senator Christine Milne, said.

"It is great news that the Greens have helped stop the big business tax cuts, but we'd prefer to see this revenue spent on supporting the most vulnerable people and to drive systemic change and funding of services, for example funding the Gonski reforms for school education.

"While the government says a surplus is our best defence against global change, we say that healthy, well-educated and confident Australians, trained and working in the new, clean economy are our best preparation for the challenges of the 21st century.

More details available here

BUDGET 2012

WHAT THEY ARE SAYING

A SUMMARY OF SOME OF THE EARLY RESPONSES TO THE FEDERAL BUDGET

BUSINESS COUNCIL OF AUSTRALIA

Budget a start but a comprehensive strategy must follow

The federal government's 2012–13 Budget has taken some steps to strengthen Australia's economy and fiscal foundations but has not fully grasped the opportunity to set a clear direction for the future that will build business and community confidence.

The opportunity was for a Budget that delivered a meaningful and sustainable surplus, a coherent medium-term economic and fiscal strategy, measures to lock in responsible government spending, reforms that will lift our competitiveness and an improved focus on supporting investment certainty.

Tonight's Budget goes some of the way to achieving the key fiscal goals but more hard yards lie ahead. While a return to surplus will be welcome, the test will be in the delivery and this remains a challenge.

More details available here

AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

A Budget of short term appeal, but bigger missed opportunities and a failure on company tax

Tonight's federal budget is ambitious for Commonwealth finances but lacks vision for the broader economy.

It is strong in its ambition to repair government finances, limited in its support for the economy and spoilt by its intention to proceed with the carbon tax and failure to deliver the promised company tax cut.

In key areas, social policy has usurped the drive to a stronger economy.

Returning the budget to a $1.5 billion surplus over the next year is an ambitious goal, but one that should be supported by the business sector so long as economic conditions improve as forecast. The proposed fiscal contraction of over 3% of GDP in such a short period borders on the high risk, but can be justified so long as growth does not dip below the forecast 3.25%.

More details available here

URBAN DEVELOPMENT INSTITUTE OF AUSTRALIA

Tough Budget offers little for housing

Amid a tight fiscal environment, the 2012/13 Federal Budget offers little for Australia's development industry. However, the Government has refrained from cutting key housing funding commitments such as the National Rental Affordability Scheme (NRAS), the Housing Affordability Fund (HAF) and the Building Better Regional Cities (BBRC) program.

Urban Development Institute of Australia (UDIA) Chief Executive Officer Richard Lindsay said: "We have been anticipating a tough budget, but are equally relieved that the Treasurer has resisted the urge to cancel key funding programs".

"We are mindful that this Budget was characterised by difficult decisions, but the Government should consider the importance of the development industry to Australia's economy. The property development industry is one of the major drivers of the Australian economy, directly accounting for 7.3% of Australia's GDP and employing 975,700 Australians," said Mr Lindsay.

More details available here

HOUSING INDUSTRY ASSOCIATION

Federal Budget misses the mark on housing

The Housing Industry Association, the voice of the residential building industry, is disappointed that tonight's Federal Budget represents a missed opportunity to reinvigorate new home building activity and alleviate the nation's housing affordability pressures.

HIA's Senior Economist, Andrew Harvey, said that while the Federal Budget provides a handful of useful measures more broadly, it contains nothing to address the ongoing weakness in residential building, nor anything to help the nation's chronic housing shortage and poor levels of housing affordability.

"At a time when new home building is in decline in virtually every state and territory, the Budget has failed to deliver any new measure to reinvigorate the home building sector, despite the sector's health being absolutely crucial to a healthy domestic economy," said Andrew Harvey.

More details available here

PROPERTY COUNCIL OF AUSTRALIA

Federal Budget scraps green building incentive, doubles tax on international investors

The Gillard Government has relegated productivity growth, a greener built environment and a world class funds management industry to the policy knackery.

"It's a budget of missed opportunities and misdirected priorities", said Property Council of Australia Chief Executive Peter Verwer.

"The Government has broken its regularly repeated promise to seed the retro-greening of commercial buildings."

"The billion dollar Tax Breaks for Green Buildings incentive, which was announced during the last election, would have leveraged up to $7 of private sector spending for every dollar of Government funding."

More details available here

RESIDENTIAL DEVELOPMENT COUNCIL OF AUSTRALIA

No home for housing in Budget

There were slim pickings for the residential sector in the 2012 Federal Budget according to the Residential Development Council (RDC). Tonight's budget failed to deliver a plan to improve housing affordability, said Residential Development Council Executive Director, Caryn Kakas.

"The Government must stop behaving like an absent parent. It cannot choose to stump up child support payments on a whim once in a blue moon. Funding for roofs over families heads must be paid every month and every year on year.

"Housing cannot be delivered on a stop-start basis."

"It is crucial the Government implements a long-term housing strategy," said Ms Kakas.

More details available here

AUSTRALIANS FOR AFFORDABLE HOUSING

No 'fair go' for housing in Budget

Tonight's budget is full of disappointment for households struggling to get into the housing market and those trying to keep a roof over their heads said Australians for Affordable Housing.

"Wayne Swan's budget might be back in black, but with no new spending on housing initiatives, the one in ten families who are in housing stress will remain in the red as they try to make the rent or mortgage each week" said Australians for Affordable Housing Campaign Manager Sarah Toohey.

"With no new money invested in social housing in this budget, the system will continue to decline, leaving almost 250,000 households languishing on public housing waiting lists".

More details available here

MASTER BUILDERS AUSTRALIA

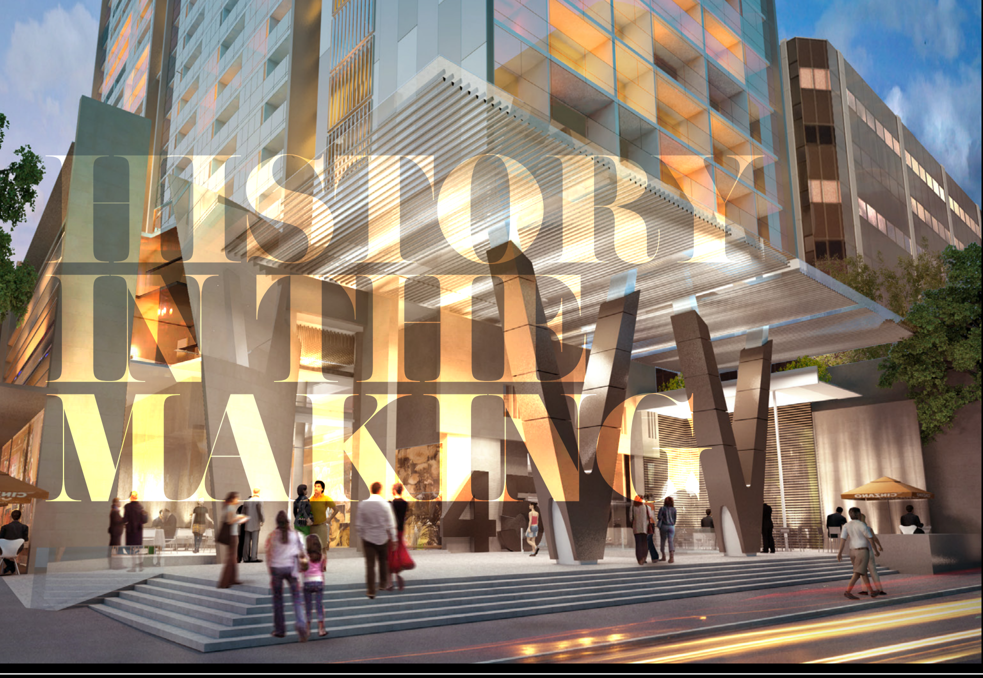
Budget faces many challenges

The 2012 Federal Budget contains measures that will be appreciated by small and medium sized businesses particularly in the building and construction industry, but the real test of how the budget will be seen is the degree to which it will boost business and consumer confidence, according to Master Builders Australia, the peak body for the building and construction industry.

Mr Wilhelm Harnisch, CEO of Master Builders Australia said: "Business is looking for a positive economic story over the next budget year.

Mr Harnisch said, "Business confidence is severely lacking in the building and construction industry. The industry faces a stalled housing recovery and commercial builders are experiencing a severe slow down following the BER Program.

More details available here



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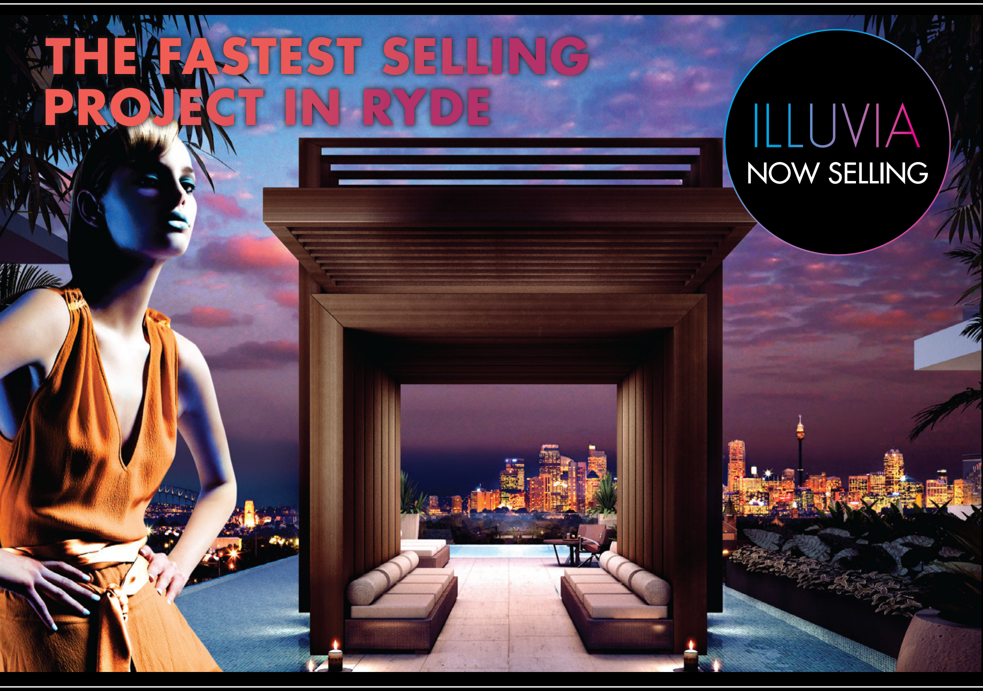

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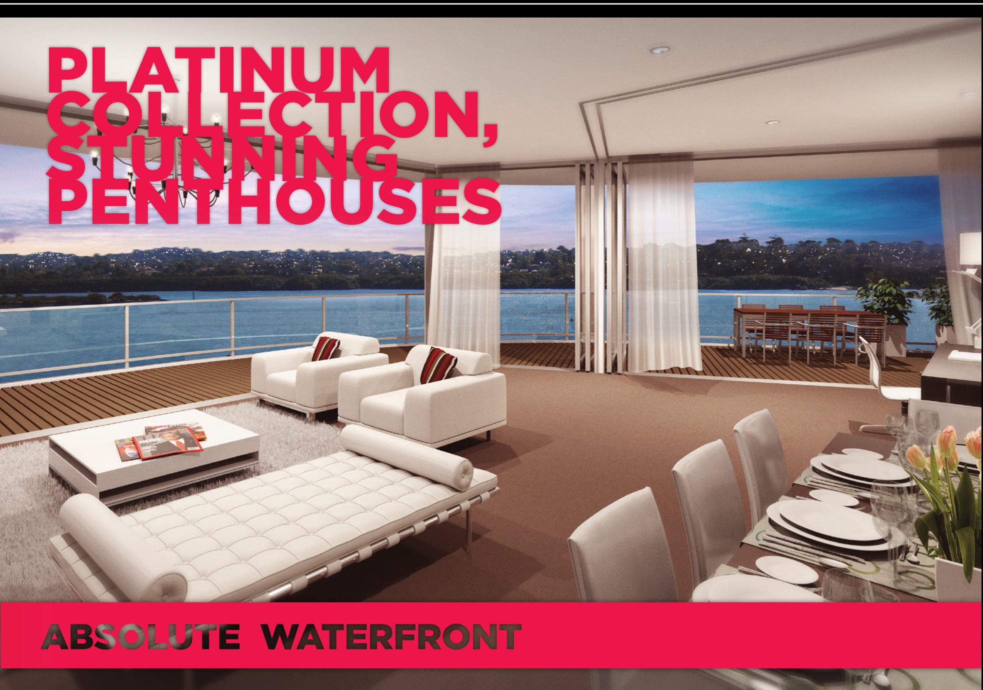

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IN SEARCH OF A NEW DEAL

PHOTO Mr Verwer (left) with the CEO of Master Builders Australia, Wilhelm Harnish (right), and the CEO of the REIA, Amanda Lynch (centre).

"Investing in our cities is the number one pathway to prosperity," said the Property Council of Australia (PCA) Chief Executive Peter Verwer during the recent launch of the Make My City Work campaign at the National Press Club in Canberra.

Four out of five Australians want the Federal Government to take a more interventionist role in making our cities more productive and liveable, according to PCA research.

Mr Verwer said that the housing shortage was the greatest urban policy failure with the Housing Supply Council estimating the shortage of homes at 210,000 by the end of the year. He urged all three spheres of government to commit to a 'new deal' for Australia's cities by coming up with a national strategy with quantifiable targets and incentives for the states and territories to meet agreed goals.

Also released was the Our Nation: Australia on the Move app – an online tool which models demographic, infrastructure and fiscal scenarios facing the country to 2050 – designed to lift the public debate about Australia's future.

The Our Nation app, based on Treasury data, indicates Australia will grow by around 6.2 million people by 2030 (assuming annual net migration of around 180,000).

"Clearly Australians will need more community services and the infrastructure to deliver them," Mr Verwer said.

"Put another way, by 2030 we need:

- more **homes** – 2.7 million
- more **childcare places** – 104 thousand
- more **retirement living places** – 125 thousand
- more **aged care places** – 133 thousand
- more **class rooms** – 29 thousand
- more **hospital beds** – 24 thousand
- more **office space** – 23 million square metres
- more **retail space** – 13 million square metres."

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BUDGET 2012

INSIDE THE LOCKUP

If there's a better way to spend a Canberra Autumn afternoon/evening than in Treasury lockup for the Budget, I can't think of it. They've taken my phone, I have no contact with the outside world and I'm holed up in a room full of dour economists and rabid lobbyists pouring over mountains of Budget documents. What could be more fun?

This year doesn't have the usual sense of anticipation as previous years. The general consensus is all the major announcements have been leaked and many are questioning the need for a lockup at all. Besides the hot water urn and assorted biscuits on offer, it's not really the festive occasion I was expecting. Ten minutes in and I'm already suffering withdrawal without my phone.

But tonight is the Treasurer's night. It's the one time in the whole year that a fair portion of the public who aren't political junkies actually care what he has to say. Or more accurately, what he intends to take and what he has to offer in return.

For most of us, the ten minutes or so of wrap-up analysis by trusted news sources is all we need. These in turn are fed by the various interest groups deemed to be winners or losers on the night. And that's how we find ourselves here at Treasury with four hours to go before the phones start ringing to work out which camp we fall in.

The task looks daunting.

The mountain of books and papers they're handing out must have been delivered by forklift. Fortunately, I'm with experienced hand Jock Kreitals who immediately begins identifying the key documents we need. Now the pile is more manageable but still contains hundreds of pages of charts and tables and seemingly indecipherable jargon mixed with a healthy dose of political spin.

Lurking in there somewhere is an explanation of how the Government will achieve its much publicised modest surplus. There must be billions of dollars worth of cuts that haven't yet been accounted for and we all know someone is going to get stung. The mood inside is solemn as we go about the grim task of discovering who amongst us will be sacrificed.

By the time you read this the answer will have been all over the media. Chances are lobby groups have been rallied, the Opposition will be screaming blue murder and the Government will be endlessly repeating some pre-scripted mantra in response to the barrage of questions.

The good news is we aren't directly involved in the fracas. There are a few measures that will have some impact on some of our members, but by and large we've survived what many had thought could have been much worse. We aren't thrilled by the Budget but neither are we shocked. Looking around the room, it seems the majority have a similar opinion. That, and slight annoyance at having to be locked up for so long when pretty much everything had already been leaked.

So now we're done. We've prepared our response and it's time to tell the world. Outside it's turned dark and very cold as we make our way back to the office.

Somehow, I've managed to survive four hours without my phone on little more than a cup of tea and a handful of biscuits. On the telly, Wayne Swan is telling the public what I already know. For a moment, it feels special. Then it's back to work.

For more information on employer super obligations including choice of fund and modern award, please visit

www.reisuper.com.au

INDUSTRY ARTICLE

DIRECTORS AND PRINCIPALS

LOSING THOUSANDS IN PAYROLL ERRORS

Every year Directors of real estate practices lose thousands of dollars through mistakes in calculating superannuation contributions

Superannuation forms an important part in small business administration including taxation and workplace relations. Legislation and rules change frequently and annual limits and thresholds are indexed, which translates into a number of errors commonly made by real estate practices.

Remembering that as a Real Estate Principal you are the person liable for errors made- both in relation to Fair Work Australia and ATO reviews and any complaints investigations, it is therefore important to have management oversight of your superannuation payments and process.

What are the top mistakes?

Miscalculating the amount of super to deduct on bonuses and commissions

Where commission is paid *inclusive* of super, it is intuitively appealing to simply calculate 9% of the commission and pay that to super, however the correct formula is to divide the commission payment by 109, pay 9 parts to the super fund and 100 parts as income.

For example: a commission of $10,000 is due to a member of staff.

INCORRECT	$10,000 x 9%	=	$900 to super, $9,100 as taxable income
CORRECT	$10,000/109 x 9	=	$826 to super, $9,174 as taxable income

An employment contract for employees should clearly state whether superannuation is inclusive or in addition to commission earned to avoid confusion.

Ignoring the maximum contribution limit

Each year the ATO sets the maximum earnings base on which employers are required to pay superannuation guarantee. This is a quarterly figure – meaning that any earnings an employee makes above the maximum do not incur any superannuation guarantee liability. In 2011-12 the maximum earnings base is $ $43,820 per quarter (i.e. $175,280 pa, assessed quarterly). If you make excess contributions over this threshold for high performing staff you cannot get that money returned.

Paying on car allowances and lump sum entitlements

There are a number of exemptions when calculating 'Ordinary Times Earnings' (OTE) for superannuation purposes. Those that most commonly apply in the Real Estate industry are:

- Car and phone
- Discretionary bonuses – i.e. not related to specific performance criteria
- Maternity leave
- Accrued annual leave, long service leave and sick leave paid as a lump sum on termination
- Payments in lieu of notice
- Income salary sacrificed to super

Please note that circumstances surrounding these payments are critical to whether they are considered as OTE, therefore we encourage you to seek clarification about your own circumstances before reducing superannuation payments.

Late payments leading to loss of tax deduction

This is one of the most common mistakes! The deadlines for super are to have the funds banked by a complying superannuation Fund within 28 days of the end of each financial quarter.

Every quarter REI Super has millions of dollars paid in on the 29th, 30th and 31st days after the end of the quarter. These payments are no longer tax deductible and potentially incur penalties.

Late payment is avoidable – if you are running close to the deadline, consider using a bank transfer or other online payment method to ensure you meet your obligations to the ATO on time.

Employers with less than 20 staff have access to the free Medicare Superannuation Clearing House, and for those with over 20 staff REI Super offers both Employer Online and a free clearing house to assist with making super contributions to multiple super funds. Contact REI Super on 1300 13 44 33 for more information.

In addition late payments can mean that staff members miss out on key taxation concessions for their superannuation contributions or face penalties for exceeding contribution thresholds. Insurance cover can also be affected for employees if contributions are late or not received at all by their super fund.

In 2012 the ATO will be focusing employer reviews on Superannuation Guarantee compliance, meaning that real estate businesses need to ensure that they are meeting their obligations.

» *For further information on the topics raised in this article visit reisuper.com.au or ato.gov.au*

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This article is brought to you by REIA Research Officer, Evgeniya Hawthorne
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THE AUSTRALIAN PRIVATE RENTAL MARKET

A real estate agent is a person authorised to act for another in the selling, buying, renting or management of a property. But some might say property management is often undervalued by traditional real estate agencies which are predominantly focused on sales. However, with the increasing number and enormous value of rental properties managed by real estate agents, this should not be the case.

The private rental market is the second largest source of housing in Australia after home ownership. According to the 2006 Census data, privately rented dwellings made up 27.2 per cent of the total number of occupied private dwellings and provide housing for 23.7 per cent of Australian households.

Only 4.5 per cent of rental accommodation is provided by public housing, leaving the private rental market to play an important role in providing housing to those who either cannot afford to enter home ownership or who otherwise choose to stay in a landlord/tenant relationship.

The Australian Bureau of Statistics figures show that over two million dwellings were rented out by private landlords in 2006. This is the most recent data on the private rental stock in Australia until the release of the 2011 Census data on 21 June 2012.

The table below shows dwellings characteristics by states and territories:

Dwellings Characteristics (2006 Census, ABS)

State / Territory	Rented Occupied Private Dwellings, No	Detached Houses of Housing Stock, %	Other Dwellings of Housing Stock, %
NSW	700,654	69.7	30.3
VIC	477,074	76.4	23.6
QLD	452,596	76.5	23.5
SA	156,288	79.1	20.9
WA	196,980	79.0	21.0
TAS	46,488	86.2	13.8
NT	28,283	64.1	35.9
ACT	35,139	75.0	25.0
Australia	2,063,947	74.8	25.2

Nationally, around $27.5 billion is collected every year in rent and over three billion dollars is collected by real estate agents in the form of fees or commissions.

Despite the importance of the private rental market and its role of providing housing for wide variety of households in Australia, limited data on the value of properties managed by real estate agents is readily available and figures have to be constructed from several sources.

According to the Australian Taxation Office, over two thirds of the total number of rental properties in Australia were managed by real estate agents in 2009-10 financial year.

The table below shows the number of rented properties managed by real estate agents by states and territories.

Rented Properties Managed by Real Estate Agents

State / Territory	Rented Properties Managed by Real Estate Agents, %	Rented Properties Managed by Real Estate Agents, No
NSW	70.9	496,764
VIC	69.3	309,822
QLD	71.2	322,248
SA	55.4	86,584
WA	56.0	110,309
TAS	49.8	23,151
NT	60.4	17,083
ACT	59.1	20,767
Australia	67.2	1,386,728

The median house price in Australia in the December quarter 2011 was $522,696 and the median price of other dwellings was $424,960. We can therefore estimate the total current market value of the 1.4 million rented properties managed by real estate agents in Australia at over $690 billion.

With numbers like these, it's perhaps about time some of us paid a little more attention to our colleagues in property management.

INDUSTRY UPDATE

Industry news from around Australia

Perth dwelling sales highest in two years

New data from the Real Estate Institute of Western Australia show that overall sales in the March quarter reached its highest level since March 2010, just after the Rudd government's FHOG Boost ended.

REIWA President, David Airey, also said the latest WA data on First Home Owner Grants (FHOG) from the Office of State Revenue show that first time buyers have been a key part of this recent market recovery.

"The latest FHOG data on grants paid for established dwellings surged in the March quarter reaching 2,933, just short of the quarterly average since the grant was first introduced 12 years ago. The number of grants paid for new dwellings in the March quarter turned down marginally to 938," Mr Airey said.

More details available here

Growth in housing credits remains low in financial aggregates for March

The Reserve Bank of Australia Financial Aggregates for March 2012 showed growth in housing credits remains steady at historically low levels.

Housing credit increased by 0.4 per cent over March, following an increase of 0.4 per cent over February. Over the year to March, housing credit rose by 5.3 per cent.

Annual growth in housing credit has been steady at 5.3 per cent for the last three months, but remains at its lowest point on record. At the same time last year, annual growth was 6.5 per cent and in 2010 it was 8.3 per cent. It has been as high as 13.6 per cent in the last five years.

More details available here

Demand for rental properties increases in Queensland

Demand for rental properties continues to strengthen with vacancy rates tightening across the State, according to the Real Estate Institute of Queensland (REIQ).

The REIQ March residential vacancy rates show the majority of regions experiencing strong demand from tenants with vacancy rates in many areas now below 3 per cent.

REIQ CEO Anton Kardash said the tightening rental market was a result of the slower sales market over the past 12 months in particular.

"Until very recently, we had many potential first home buyers and investors sitting on the sidelines while our market and economy recovered from the natural disasters last year, which has put pressure on our rental market," Mr Kardash said.

More details available here

Victorian property market in period of stability

The Real Estate Institute of Victoria (REIV) 2012 March quarter median prices show that property prices have remained flat over the quarter and year. The median house price in metropolitan Melbourne was $535,000, representing a minor increase of 0.9 per cent from a revised December quarter median of $530,000.

REIV CEO Enzo Raimondo said that demand for residential property over the past year reflected the broader state of the economy and that buyers would continue to find that prices will maintain their current levels in the short term.

"The property market moves in cycles and now we are in one of stability, with overall median house prices showing no real growth. The median house price has increased $5000 since March 2011, confirming a very stable market in relation to prices.

More details available here

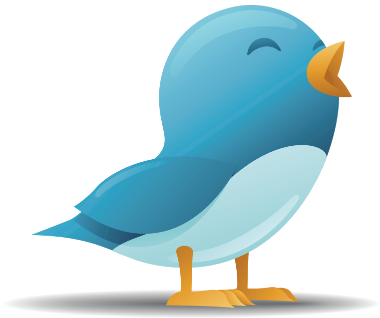
New home sales fall to their lowest level in over a decade

The HIA - JELD-WEN New Home Sales report, based on a survey of Australia's 100 largest builders, showed a sharp decline of 9.4 per cent in total seasonally adjusted new home sales in March 2012.

Detached house sales dropped by 9.7 per cent while multi-unit sales fell by 6.9 per cent. In March 2012 the number of seasonally adjusted new detached house sales fell by 9.7 per cent in New South Wales, 4.6 per cent in Victoria, 15.3 per cent in Queensland, 4.7 per cent in South Australia, and 12.0 per cent in Western Australia.

More details available here

MAKING NEWS
General national news



Private rental market failure

Anglicare Australia says their annual Rental Affordability Snapshot shows the private rental market has failed Australians living on low incomes.

Anglicare agencies from every State and Territory in Australia conducted a snapshot of advertised private rental properties to test their affordability for two groups of people – households who rely entirely on Government payments, and households that rely on the minimum wage. Affordability is classed as spending up to 30% of a low household income on rent.

"What the Snapshot shows is that people on the minimum wage need two incomes to rent a house. In many places even that is not enough," Ms Chambers said.

More details available here

SME confidence sags to two and a half year low

The March 2012 MYOB Business Monitor report found less than one fifth (19%) of the 1,043 small to medium business owners and managers (SMEs) surveyed nationally expected the domestic economy to improve within 12 months. It was the lowest percentage recorded since the March 2009 report found 16% expected the domestic economy to be 'better than now' over the next 12 months. In the July 2009 report 45% expected an improvement within 12 months.

MYOB CEO Tim Reed said, "These results paint a stark picture of the financial and emotional challenge facing small to medium business owners, their families and their staff over the next year. They will need significant support from their networks and the government in order to swim strongly through these challenging times."

More details available here

Rate cut due to 'somewhat weaker than expected' economic conditions

In his statement following the Reserve Bank's surprise decision to cut the cash rate by 50 basis points, Governor Glenn Stevens said information received over the past few months suggests economic conditions have been somewhat weaker than expected, while inflation has moderated.

As a result of changes to monetary policy late last year, interest rates for borrowers have been close to their medium-term averages over recent months, albeit tending to increase a little as lenders passed on the higher costs of funding their books. Credit growth remains modest overall. Housing prices have shown some signs of stabilising recently, after having declined for most of 2011, but generally the housing market remains subdued.

More details available here

POLITICAL WATCH

Information and news from government

Swan welcomes the cut we were hanging out for

In his press conference following the Reserve Bank's announcement of a cut to the official cash rate by 50 basis points, Treasurer Wayne Swan has described the decision as the interest rate cut that households and small businesses have been hanging out for.

"It's something they've waited a while for. It's very welcome. It is well deserved and it is certainly much needed by households under financial pressure," Mr Swan said.

Mr Swan also said the cut announced on May 1 and the two before it, were made possible by disciplined fiscal policy delivered by the Government.

"A responsible approach to the budget and disciplined fiscal policy is very, very important given the economic circumstances in which Australia finds itself and given global uncertainty. So obviously it would not have happened if we didn't have the right economic strategy and contained inflation," Mr Swan said.

More details available here

Hockey says rate cut no thanks to Government

Shadow Treasurer, Joe Hockey says the Reserve Bank clearly identifies the weaker economy as the main reason for its unexpectedly large cut to the cash rate.

In a statement, Mr Hockey accused Wayne Swan of wanting to take credit for the rate cut by claiming it had been made possible by disciplined fiscal policy, but argued the Reserve Bank does not link its decision to the Government's budgetary policy.

"Promising a surplus is not the same as achieving a surplus. This government has never delivered a surplus and we won't know if they can until the Final Budget Outcome comes out in roughly 16 months time," Mr Hockey said.

More details available here

One million downloads from business.gov.au

The Australian Government's business website, business.gov.au, is celebrating one million downloads of its business tools.

Minister for Small Business Brendan O'Connor, in a joint statement with Member for Page Janelle Saffin, said the major milestone highlighted the helping hand that business.gov.au team is giving to business in Australia.

"At whatever the stage of business, business.gov.au gives businesses control and helps them reach their goals," Mr O'Connor said.

"This service is particularly valuable for businesses in regional areas to get access to helpful business tools from wherever their workplace is," Ms Saffin said.

More details available here

THE WORLD

Property news from around the world

The world's hottest real estate markets

CNBC has put together a list of the world's 10 hottest property markets based on research by global real estate consultancy Knight Frank, which ranks countries according to highest average growth in housing prices from the fourth quarter of 2006 to the same period in 2011. They find China tops the list with 5-year price growth of a whopping 110.9 per cent.

The top ten also includes Switzerland, Malaysia, Norway, Canada, Taiwan, Columbia, Singapore, Israel and Hong Kong.

Fears of a developing asset bubble in China have led the government to spend much of the last two years reining in red-hot house prices by limiting multiple home purchases, raising interest rates and hiking bank reserve requirements. The years of tightening measures started showing results in the second half of last year with home prices marking a fifth straight month-on-month drop to 0.1 per cent in February.

More details available here

Real estate investment trusts target Indonesia five years after rules

The Jakarta Globe reports Al-'Aqar Healthcare Real Estate Investment Trust, Malaysia's oldest Islamic REIT, is considering opening a trust in Indonesia as the nation reviews its first application five years after legalizing such property companies.

Kuala Lumpur-based Al-'Aqar, which already owns two hospitals in Indonesia, would look at registering a trust in the Southeast Asian country provided it gets tax incentives and clearer rules on foreigners owning land are implemented, Executive Director Yusaini Sidek said by e-mail yesterday.

The average value of industrial land in greater Jakarta surged 76 per cent last year, while the cost of apartments increased 11 per cent, according to a Bank Indonesia survey. The total net asset value of REITs in Malaysia and Singapore may rise 20 per cent in the next two years, Amanah Capital's Abas predicts. The biggest impediment to growth is the finite amount of sizable assets, which may be solved by Indonesia's entry into the market, he said.

More details available here

Property asking prices in Auckland hit new high, data shows

Property Wire is reporting that asking prices for Auckland homes hit a new all time high in April as the New Zealand city's real estate market experiences a severe shortage of supply.

Data released in the NZ Property Report, a monthly report of housing market activity compiled by Realestate.co.nz, showed that the average asking price for Auckland homes for sale increased 2% from March taking them to an all time high of $568,820, the third high in eight months.

Alistair Helm, chief executive officer of Realestate.co.nz, said that the surge was understandable due to the increased pressure that has been placed on that market by strong sales that have not been matched by numbers of new listings.

'The number of new listings is virtually identical to April last year, but what is different this year is that demand has remained high, with year on year sales up more than 20%,' said Helm, adding that the Auckland market is still massively undersupplied resulting in a 'chronic shortage'.

More details available here

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