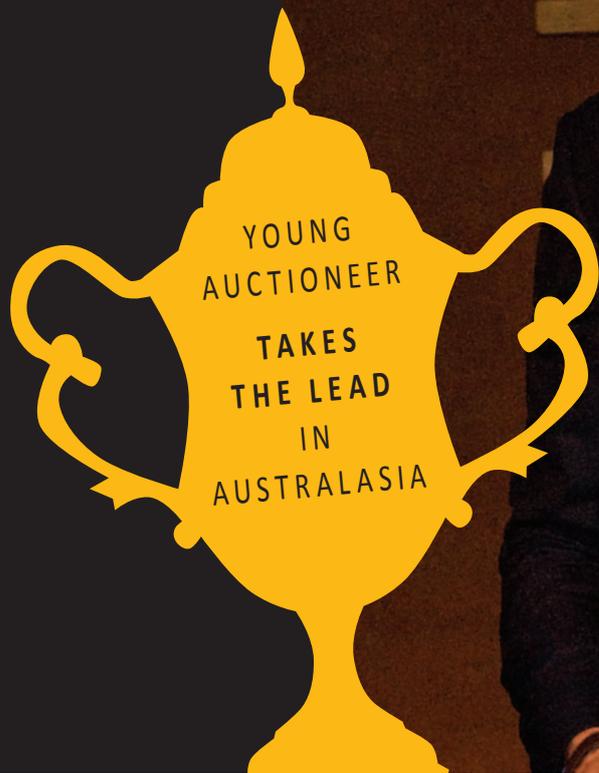


# REIANEWS

ISSUE SEVENTEEN: OCTOBER 2012



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LICENSING RIGHT

NATIONAL LICENSING AND  
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INFORMATION.



Ms Pamela Bennett  
REIA President

# PRESIDENT'S REPORT



## WELCOME FROM REIA'S PRESIDENT

Congratulations Daniel Coulson from New Zealand!

What a bright future this young man has in front of him. At only 22 years of age, Daniel has taken out the Australasian Real Estate Institutes' Auctioneering Championships for 2012.

From beautiful Adelaide, the City of Churches, the Championships have come to an end for another year after a few days of fierce competition between the Aussies and the Kiwis.

Young gun Ben Brady made Queensland proud, reaching the finals in his first attempt and South Australia's Michael Fenn made the finals for the second year running. Rob Mason from Western Australia competed in the Australasian Championships for the first time last year and was thrilled to make the finals this year.

New Zealand's Andrew North, a finalist over the last few years, made up the Kiwi numbers.

This year also saw the Championships' first female auctioneer in a number of years, Janie Finlay from Tasmania, compete and I'm particularly heartened to see more women getting involved at such a high level in this area of the real estate profession.

The bidding processes in the Championships tested the auctioneers' aptitude, attention and ability to think on their feet and competitors had to deal with a wide range of testing questions and unpredictable bids.

Auctioneering is a very important craft in our profession with a great number of homes bought and sold through this process. Auctioneers possess personal skills such as charisma, presence and confidence and have a great tradition of supporting and mentoring others in the field.

This is why the 'dumbing down' of our profession to a recommended 3 units for auctioneers is astounding and must be resisted at all costs. I am also angry that comments have been made in the Occupational Licensing Advisory Committee (OLAC) context this week, that auctioneers are but 'trained actors'. This insulting view, also reflected in the Regulation Impact Statement, ignores the level of skill and expertise required to fulfil an auctioneer's legal obligations.

Thank you to REISA for a sensational event and I look forward to heading west next year for the 2013 Australasian Auctioneering Championships in Perth, where we'll try and make up some ground on our REINZ neighbours.

On a more sober note, the debate on national licensing continues and there was overwhelming support from the auctioneers when it came to maintaining high standards.

REIA's stance is gaining traction both from within the media and from consumers and the REIA Board has just met to discuss the ongoing strategy.

UMR Research, an independent company, undertook a nation-wide survey of 1000 consumers, asking a series of questions pertaining to COAG's national licensing proposals.

You can see the entire survey and all results, including state/territory breakdowns via the REIA [website](#).

We've been heartened by the strong responses from consumers and we know we are on the right track with our demands regarding education standards, compulsory professional development and the licensing of commercial property transactions.

REIA will continue to fight for what's best for consumers and our profession.

REIA's full RIS Response Submission can be found [here](#).

**Ms Pamela Bennett**  
REIA PRESIDENT

 Follow us on Twitter [@REIANational](#)

By Real Estate Institute of South Australia (REISA) CEO, Greg Troughton

COVER STORY

## YOUNG AUCTIONEER TAKES THE LEAD IN AUSTRALASIA



### DANIEL'S QUOTES

**On the property:** "The grass is synthetic, plants are low maintenance because let's face it, nobody in Norwood has ever been a fan of labour".

"I would walk barefoot for as long as I need to have a place in this home".

**To the bidders:** "I did not bring boxing gloves so you're going to have to sort it out yourselves".

**To the people who missed out:** "You'll still go away with good memories – I'm sure of it".



The Australasian Real Estate Institutes' Auctioneering Championships has been awarded to its youngest ever winner, Daniel Coulson, after a tough competition between Australia's and New Zealand's best auctioneers.

The Australasian Real Estate Institutes' Auctioneering Championships (AAC) test an auctioneer's skill and ability

to command a crowd, manage any issues that crop up and call complex bidding offers.

Twenty-two year old Coulson from New Zealand took out the title after a tight contest between five outstanding auctioneers. The other finalists were Michael Fenn (SA), Ben Brady (QLD), Andrew North (NZ) and Rob Mason (WA).

» *article continues*



L TO R Daniel Coulson NZ, Ben Brady QJd, Rob Mason WA, Andrew North NZ and Michael Fenn SA



2011 Champion Mark Sumich NZ and 2012 Champion Daniel Coulson NZ

Fifteen contestants competed in the heats before the five finalists were announced. The finalists were briefed on a property to mock-sell under the hammer. The property selected was mixed commercial and residential land, the bidding was fast and furious and there was an even a medical emergency to contend with during each auctioneer's frantic 15 minutes on stage. By the end of the 15 minutes, the property was to be "sold" for \$7.1m.

Real Estate Institutes around Australia host this elite competition annually and in 2012, South Australia (REISA) had the honour. We were able to show visitors to the region our beautiful capital Adelaide and the stunning surrounds of the Barossa Valley.

All agreed it was fantastic to see the spirit and professionalism that the auctioneers displayed. They are an inspiration to those working in real estate and with Daniel at just

22 years of age, what a show of focus and determination!

REISA acknowledges the support of realestate.com.au as the major sponsor of this important real estate event and we look forward to heading west next year for the 2013 Championships in Perth.

This article is brought to you by REIA  
Chief Executive Officer, Amanda Lynch



## LET'S GET NATIONAL LICENSING RIGHT

The concept of a seamless economy through national licensing of the real estate profession is a good one and if implemented properly, will be beneficial to consumers and industry alike. However, it's crucial that any new scheme be rigorously tested. We have the chance to get it right and if we waste this opportunity by hastily agreeing to ill-conceived proposals, it will be a disaster.

The consultation process for national licensing has been terrible. REIA representatives were involved in the Property Occupations Interim Advisory Committee (POIAC), prior to the release of the Regulation Impact Statement (RIS) and vocally put forward REIA's position. The COAG Steering Committee, comprised of State and Commonwealth regulators, not POIAC, made the final decisions. So much for industry consultation!

Some of the figures in the RIS are simply wrong, others almost nonsensical eg the 0.0001 benefit (\$100) to Tasmania out of removing commercial agent licensing.

The RIS indicates that Queensland currently requires a 'skill set comprising three or four units' for an agent's

representative. In fact, Queensland requires seven units. It also states that Queensland requires a Certificate IV for an agent's representative. Incorrect and very confusing!

The figures for time associated with CDP requirements for NSW and WA are wrong. RIS suggests that it is 7.5 hours in NSW when it is 4 hours. This reduces the estimate of cost savings in NSW by 47% from \$25.6 m to \$13.7 m. Similarly the WA estimate of cost savings is out by a similar factor. These two errors in themselves remove nearly \$12m from the \$79m savings in the RIS proposal.

However, the most blatant mistake is that no impact on consumers has been considered. A reduction in standards in four jurisdictions and the removal of mandated CPD has considerable consumer costs which cannot be ignored. This cost needs to include the likelihood that Professional Indemnity insurance will no longer be available to many industry participants, particularly those in the commercial and industrial sectors. The higher costs of dispute resolution also need to be included.

When the RIS was released, complete with REIA views insultingly being labelled as "divergent", industry input was again called for. This time,

the input was to come via a survey monkey – nothing more than push-polling with the intent to coach responses. The survey monkey did not allow for any alternative under national licensing to what the RIS set forward and once again, showed a total lack of understanding of the real estate profession. Submissions were sought but as a secondary option.

A series of COAG "road-show" consultations around the country have also proven to be disappointing with REI members reporting back that the views of industry have not been taken into account and that it is apparent a pre-determined outcome is being pursued by Government representatives. An online magazine straw-poll shows 84.8% of respondents felt the government wasn't listening to the industry's concerns.

The proposal in the RIS differs considerably from the position of the REIA and its members. Our position is as follows: the agent's qualification should be at diploma level; compulsory professional development should be maintained; there should be a licence for sales and leasing of commercial property; the agent's representative skill set should be 18

units of competency, and; property managers be required to undertake training specific to their role rather than that of an agent's representative.

The REIA believes that the RIS has embraced the lowest common denominator which will lead to an erosion of standards right across Australia and, in doing so, an increase in consumer risk with their biggest purchase, their home.

Real estate agents are professionals that must apply both:

- technical expertise (that is, expertise in relation to the delivery of professional services utilising the skills of negotiation, communication and analysis of the property market);
- with the theoretical knowledge (i.e. understanding of the legislative requirements for each type of transaction in the sale, lease and rental of residential, rural, commercial, retail and industrial property) to achieve an outcome that provides maximum return to clients and minimum risk to consumers, and to ensure that all staff within the agency are performing to the same standard of professionalism.

Of enormous concern is COAG's proposal that commercial work does not require any regulation. The argument is that commercial vendors

and purchasers are 'sophisticated consumers' and so therefore do not need 'consumer protection'.

However, the fact is that across Australia, 70% of commercial property sales are under \$1m. Hardly at the top end of the market, these 'mum and dad' investors who invest in commercial property, either directly or through superannuation funds are not 'sophisticated' and should receive the advantage of services from a licensed agent.

The idea that just because some commercial property market participants are as big as Westfield means that therefore all consumer protection laws currently in existence should be removed is a dangerous precedent.

REIA is fighting for real estate agents to achieve a diploma level for licensing, benefit from compulsory continuing professional development (CPD) and maintain licensing for commercial property sales.

The removal of probity requirements and the 18-year age limit puts consumers at risk and means that fraudsters and convicted drug dealers could sell commercial property.

Without these safeguards, the consumer is at risk, complaints will rise and consumer costs will skyrocket.

Public opinion is also on our side. Privately conducted opinion surveys

indicate that the overwhelming majority of people surveyed are concerned about the erosion of standards in the training of those who handle the sale and leasing of their most important assets – their homes and their investments.

A survey by REIWA to its members showed that 50% of respondents agreed with national licensing. However over 90% of respondents disagreed with the proposals to delete CPD, to decrease qualifications and to delete the requirement to hold a licence to conduct non-residential transactions.

Of further concern is the lack of consideration of the work being undertaken in the Conduct Harmonisation for Occupations in the National Occupational Licensing System project. Surely, this project should be concluded and considered before national licensing is introduced to ensure consistency between licenses and the conduct required in each state/territory.

Under the current proposal, there'll be national licensing and eight different versions of conduct requirements, dealing with complex areas such as trust funds, auctions and much more.

REIA wants to see national licensing implemented but we need to get the details right and the current proposal fails well short of this.



**The Hon Kevin Andrews MP**  
Shadow Minister for Families, Housing and Human Services  
Federal Member for Menzies



Dear Ms Bennett,

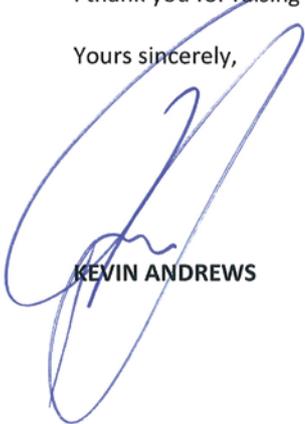
Thank you for your letter of 31 August 2012 regarding the national licensing of real estate agents, under the Council of Australian Governments' (COAG) national tradesperson licensing framework. The proposed changes under this reform have been raised with a number of members of the Coalition, reflecting the concerns of a number of stakeholders that this reform will undermine the professional standards expected of real estate agents in some jurisdictions.

The Coalition supports the efforts by Australian governments, under the auspices of COAG, to implement a range of national deregulation reforms. These reforms will help to minimise the negative impacts on Australian businesses of regulations in our federal system. However, the Coalition understands that well-targeted reforms still rely on competent government to succeed, and the nature of federal/state relations is such that implementation of these reforms must be monitored closely to ensure the positive effects are not diminished through the COAG processes.

The Coalition recognises the importance of ensuring that real estate agents are properly qualified under any national licensing system. While negotiations around these licensing reforms are a matter for Australian Governments, my colleagues and I will keep a close eye on the progress of these negotiations and engage with representatives at the state/territory and federal level to help ensure that the benefits of these reforms are delivered without negative effects on the real estate profession.

I thank you for raising your concerns about this issue.

Yours sincerely,



**KEVIN ANDREWS**

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## NATIONAL LICENSING AND COMMERCIAL PROPERTY

**The last edition of REIA News outlined the proposed changes to licensing for real estate as part of wide-ranging regulatory reform proposed by the Council of Australian Governments (COAG).**

**As part of the process towards national licensing, a Consultation Regulation Impact Statement (RIS) was released seeking comment from stakeholders. The RIS proposes that non-residential property work would be deregulated and there would no longer be a requirement to have a licence for undertaking commercial property work.**

This article explores the implications of this, if it was implemented, as well as an outline of the case REIA has made to prevent this occurring. The full response to the RIS is available at [www.reia.com.au](http://www.reia.com.au).

The view taken in the RIS is that commercial work is undertaken by vendors and purchasers who are 'sophisticated consumers' and did not need consumer protection. This fails to recognise that the majority

of sales of commercial property are often at no more than the median house price and are undertaken by a myriad of small business operators who lease or buy their premises – 'mum and dad' investors.

The following national statistics for commercial sales for the 12 month period ending 30 June 2012 show that just under 70% of sales for commercial property are for less than \$1m and that 45% are for less than \$500,000.

Percentage in each price category	AUSTRALIA	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Less than \$500k	44.9	46.0	31.1	28.7	47.8	44.1	50.0	56.0	45.0
\$500k-\$1m	23.9	23.4	28.6	28.4	27.4	23.9	16.7	24.0	20.1
Over \$1m	31.2	30.6	40.3	42.9	24.8	32.0	33.3	20.0	34.9
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

» *article continues*

Under the RIS proposal, properties for the purpose of primary production, or commercial farms, would also be deregulated. The majority of farm sales are also for less than \$500,000 (in Victoria 76% and in Western Australia 75%).

The actual use of a property presents a further problem and possibly total confusion. The Bill proposes to define 'residential real property' for licensing purposes as meaning: *Real property that is used, or is intended to be used, for residential purposes and does not include real property that is used primarily for the purposes of industry, commerce or primary production.* The 'primary purpose' test can be a very difficult one to determine. Consider the sale of a 'farm'. The sale of a property primarily used for residential purposes requires involvement of a licensed agent. However a farm primarily used for 'primary production' does not.

Establishing as a threshold for whether someone needs a licence on the basis of whether something is 'primarily' used for a particular

purpose is poor statutory design. People shouldn't need a lawyer to determine whether a sale should be in the hands of a qualified real estate agent or an unqualified person.

Another issue that was not considered in the RIS is the availability of Professional Indemnity Insurance for those undertaking commercial property transactions. There is a genuine concern that insurers could withdraw from offering non-residential professional indemnity insurance (carried as a matter of course by real estate agents) if non-licensed people were able to assist in the sale of commercial property. This is because of the inherent risk involved in allowing non-qualified people become involved in such sales. Aon Australia, a provider of professional indemnity insurance, told *The Courier Mail* that leaving the commercial sector unlicensed risked agents' ability to obtain professional indemnity insurance, creating significant financial exposure for consumers and businesses. The failure to consider this weakens the ability of the RIS to be used as

the basis to fundamentally change Australian real estate licensing laws.

It is worth revisiting the claimed annual benefits set out in the RIS flowing from the removal of commercial property from the scope of an agent's licence. These were: NSW - \$0.91m; Victoria - \$0.62m; Queensland - \$0.66m; WA - \$0.03m; SA - \$0.06m; Tasmania - \$0.0001m; ACT - \$0.08m and; NT - \$0.02m. It should be noted these are expressed as benefits to licensees and not the consumer – there has been no attempt by the RIS to consider the latter. This limited benefit is insufficient for any reasonable person to argue that the removal of commercial property from the scope of real estate licensing offers a net benefit to the community.

For these reasons REIA in its response to the RIS has recommended that commercial property work should be licensed at a Diploma level with commercial agents able to select electives related to commercial property.



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# INDUSTRY ARTICLE

By Carolyn Majda, Manager,  
Terri Scheer Insurance

## ENSURING PERSONAL SAFETY WHEN UNDERTAKING PROPERTY INSPECTIONS

Many property managers will only ever have positive experiences when dealing with tenants. However, the interactive nature of the profession and the requirement to conduct regular property inspections can present an element of risk, either from potential conflict or onsite property hazards.

The following tips can minimise these risks and help to ensure your safety while on the job:

### **Don't get the tenant off side before you arrive**

When proposing an inspection time and date, property managers should be willing to offer some level of flexibility. For example, if your tenant is a night shift worker, a late afternoon inspection would be better than an early morning visit as it would cause them less disruption.

While tenants are not required to be present during inspections, many will make special arrangements so they can be. Being late or not showing up at all may not be well received, so schedule appointments that you can stick to. If you find that you may be delayed, let the tenants know as soon as possible as a courtesy.

### **Be prepared**

Before you inspect the property, check the lease agreement to see if the tenants have a dog. If so, it can be a good idea to request it to be restrained prior to your arrival.

In case of emergencies, let your colleagues know where you are going and when you expect to return, and make sure your mobile phone is fully charged and with you at all times.

When onsite, look out for hazards or any unsafe building structures. Take care in these areas and report them when you get back – if they are a potential hazard to you, they are a hazard to the tenant and should be reported to the owner so they can be addressed.

### **Be respectful when you are on their property**

Property inspections can be an anxious time for tenants.

Property managers should take care to avoid creating situations that could lead to conflict as it may put their safety at risk.

Let tenants know if you are planning to take photos within the property and ask for their permission to do so, particularly if the images may

contain personal possessions. Provide copies of the photos if requested.

Once you are in the property, be as quick and as unobtrusive as you can and remind yourself that you are in the tenants' home.

If you do note issues of concern, carefully document them and look to address them formally via a letter. This avoids creating a potential situation on site and provides documentation if a tenancy dispute arises.

**For further information, visit [www.terrischeer.com.au](http://www.terrischeer.com.au) or call 1800 804 016.**

**Media contact: Corporate Conversation, 08 8224 3535**

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has not taken into account the reader's or their client's objectives, financial situation or needs. If you or your client is interested in any of Terri Scheer's insurance products, the relevant Product Disclosure Statement should be considered first. It can be viewed online at [www.terrischeer.com.au](http://www.terrischeer.com.au) or obtained by calling 1800 804 016. Based in Adelaide, Terri Scheer services all states, territories and capital cities.



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Image: Australian Capital Tourism

This article is brought to you by REIA  
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## SELF MANAGEMENT VS AGENTS

When it comes to managing an investment property, an investor has two options: either manage the property themselves or use the services of a real estate agent.

Although investors who choose to self manage their properties avoid paying management fees, the amount of work involved should not be underestimated.

Agents are highly trained professionals who have great knowledge and experience in choosing a good tenant and in property management and who can remain a neutral third party if a dispute between landlord and tenant arises.

Property managers have a well-established network of reliable tradespeople to undertake maintenance work – this is invaluable, particularly in cases of emergency or out of hours needs.

As a result, the majority of Australian property investors prefer to use the services of a property manager with 54.3% occupied rented properties being managed by real estate agents.

However, property self-management is not uncommon practice. Of all occupied

rented properties in Australia, 22.7% are self-managed by landlords. The main reason investors choose to manage their properties is to avoid paying property management commissions.

Macquarie Relationship Banking 2012 Residential Real Estate Benchmarking Report says that in the 2010-11 financial year, the national average property management commission rate was 7.6%. Western Australia recorded the highest rate at 10.8% while 6.3% in Victoria was the country's lowest. Property management commission rates for New South Wales, Queensland and South Australia are 6.5%, 8.1% and 8.4% respectively. It is worth bearing in mind that management fees are tax deductible.

However there is a cost to managing your own property as investors have to keep themselves up-to-date with relevant legislation and regulations – something which a professional property manager does under their continuing professional development. Education, ongoing training programs and seminars are important and helpful tools in order for a property manager to keep abreast of changing legislation and market conditions.

When deciding whether to use the services of a property manager, it is worth remembering that there are options where an investor may use an agent to find tenants and handle the bond details and then manage the property themselves. In this case, investors pay the agent a letting fee. A letting fee is charged only for finding a new tenant while the management fee is charged for on-going management of the property. The fee is calculated based on the use of certain services such as advertising the property, running an open house for potential tenants, tenant screening, preparing contracts, dealing with bond collecting authorities, collecting rent, running routine inspections and dealing with maintenance.

The management of an investment property is a business which requires a substantial amount of time and effort. Weighing the pros and cons and knowing your options are crucial in making the right decision. Using the services of a real estate agent to manage the property can help maximise returns and bring peace of mind.

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# The Advanced Leadership Program

## Supporting High Potential Female Leaders in the Real Estate Industry



Women & Leadership Australia is currently working alongside a number of respected national networks and industry associations to offer scholarships to high potential female leaders to undertake the Advanced Leadership Program.

### What is the Advanced Leadership Program?

The Advanced Leadership Program, backed by a consortium of educational bodies and industry experts, is part of a multifaceted initiative to increase Australia's pool of executive level female leaders.

Designed to support the rapid advancement of high potential women from all sectors and industries, the program focuses on interpersonal and behavioural dynamics central to the successful leadership of others. During a career-defining 12 month journey, participants accelerate their own career progression and become part of an exclusive national leadership network.

*"This is real time learning at its best using a 'train, transfer and sustain' model. During the workshops participants undergo training by exploring models and applying these to real time challenges. Back in the workplace students capture 'on the job' insights as they utilise the training and this is then harvested through coaching. The knowledge is thereby transferred to on-the-job competence and sustainability is created."*

**Suzi Finkelstein, Executive Convenor - Women & Leadership Australia**

### Why are individuals undertaking the program?

Over the past 18 months, over 120 senior women from a broad range of industries have commenced their journey on the Advanced Leadership Program. In a time when the Australian workforce is defined by skills shortages the ALP is assisting Australian employers to unlock the potential of their female leaders.

*"The Advanced Leadership Program provides an important opportunity for women to come together and reflect on practice and outcomes in a safe and informative environment. This is critical as we are facing many changes and restructuring in the public and private sectors. The importance of developing and supporting our future leaders does not diminish and in fact becomes more important at these times."*

**Dr Helen Szoke, Race Discrimination Commissioner – Advanced Leadership Program National Advisory Board Member**

### What is the ALP scholarship program?

As part of Women & Leadership Australia's long-term commitment to strengthening the quality of management in Australia, a scholarship program has been established to provide partial coverage of fees for the Advanced Leadership Program. Presided over by a National Scholarship Committee, the primary purpose of the scholarship is to attract a diverse mix of participants leading to an enriched student experience.

In line with this initiative a number of scholarships will be awarded to members of the Real Estate Institute of Australia. For more information contact Nicole Miran-Khan at WLA on 1300 138 037 or [nmk@wtaa.edu.au](mailto:nmk@wtaa.edu.au).





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Julie McKay

## HOME OWNERSHIP IN THE SOCIAL AGE

There's a lot of doom and gloom out there; whether it be claims that the resources boom is over, China's slowing growth, struggling retailers or slow job growth. But the Reserve Bank of Australia suggests economic growth is running close to trend; that inflation is low and consumer consumption remains encouraging.

**Many of us feel as though we're stuck in the middle of a financial planning highway, not knowing which way to jump to avoid the oncoming headlights.**

Yet we must make a decision which way to jump if we are to make the most of our financial potential, because long-term financial wellbeing means starting early, particularly in property. Perhaps post-boomer generations will break with the Australian dream of home ownership. There are no crystal balls for predicting house prices, but there are a few financial certainties that might allow the dream to live on.

For a generation who will have the majority of their working life covered by the Superannuation Guarantee, the 'first home buyer' generation is unlikely to consider home ownership as a bedrock for retirement.

**But most retirement planning estimates, even for a modest lifestyle, assume you own your home and don't have to spend up to a quarter of your income on rent.**

According to the Australian Bureau of Statistics, young people are now more likely to be living with their parents than they used to be. Even for those who've left the family home for the first time, almost one in two will return before turning 35.<sup>1</sup> Most stay in the family home for financial reasons, although many also enjoy the convenience of home life.

The 'kipper' (kids in parents' pocket) generation may expect to enter the property market by inheriting the family home, but this might be an

unrealistic expectation. Of people who reach age 65, a third of men and half of women will go into permanent residential care some time later in life.<sup>2</sup> There is a good chance that paying for a place in a permanent residential care facility will mean selling the family home.

**Even if your parents are frugal retirees, expecting to inherit the family home may be overly optimistic.**

Finally, successful savings means harnessing the power of compounding early on. Putting a little bit away regularly and early will achieve more in savings than saving the same amount in a lump sum later on in life (all other things being equal). One chain dragging on the effect of compounding is the requirement for people to periodically pay their taxes.

You can't avoid tax, but you may be able to invest in a way that shifts tax from being paid periodically to being paid at the end of the

1 Australian Bureau of Statistics

2 Department of Health and Ageing

term (hopefully in the form of a discounted capital gains tax liability). This way your total savings effort benefits from compounding for a longer term. An owner-occupied home is often an effective way to shift your tax obligations and still enjoy a significant capital gains tax advantage over other investments.

Resisting the financial case for home ownership may be futile, but this doesn't help someone get started. According to the REIA, the average loan for a first home buyer is edging toward \$300,000. Based on a typical home loan, that currently equates to monthly mortgage repayments of around \$1,900. The average family pays just over 30% of their income on the mortgage. This implies that an average first home buyer will need to earn around \$6,000 per month after tax or \$115,000 before tax, annually, to limit mortgage stress.

Those are big numbers in almost anyone's budget, let alone someone in their early 30s. It looks more achievable with two incomes and we may not need to wait for a lifetime partner to show up and commit. With the right people and formal agreements in place, a shared home doesn't have to be a rented home.

**We live in a social age. Connections between friends or family may, with the right advice, be a foundation for successful entry into the property market.**

There are a plethora of useful tools and resources to explain the ins and outs of a mortgage but the starting point is always a deposit. That means a budget. But a budget alone may be insufficient. Your savings will need to outpace house price inflation. A simple savings account may be like standing still on a moving treadmill; you'll start to go backwards.

With a clear strategy and sound advice, you may be able to boost your savings by borrowing to invest in the share market. Most margin loans offer a regular investment plan. Each month you contribute an amount, potentially as small as \$250, as well as borrowing a set amount. This is invested in a share or managed fund portfolio of your choice.

Let's assume that you progressively contribute \$2,000 and borrow \$2,000 each month. You decide to invest this in a portfolio of blue chip shares that earn 6% p.a. In a year, you will have earned \$240 (ignoring taxes and fees). If you invested only \$2,000

without borrowing you will have earned \$120 (ignoring taxes and fees). A larger investment portfolio means a larger dollar return if markets go up. However, if markets go down, a gearing strategy will magnify your losses.

The biggest concern most people raise with a gearing strategy is the margin call. If the value of your investment portfolio falls to an unacceptable level you will need to quickly repay some of the loan. In the example above, assume that you have a \$4,000 share portfolio and a \$2,000 loan. Depending on the type of shares, a margin call in this example will likely occur if the share portfolio falls to a value of \$2,500, which equates to a drop of 38%. From share market highs before the global financial crisis, to its low in early 2009, was a fall of over 50%.<sup>3</sup> But this occurred over the period of a year, meaning there was time to adjust a gearing strategy to avoid unexpected calls to repay the loan.

How much you borrow depends on your personal circumstances, preferences and risk 'comfort zone', but a conservative level of borrowing, relative to the value of the share portfolio, is one way to manage the risk of a margin call.



**No loan is a ‘set and forget’ strategy. By monitoring the portfolio and sticking to a sensible strategy, you can minimise the chance of margin call shock.**

Beyond potentially boosting returns, a regular investment and borrowing strategy gives you a financial discipline track record. It is effectively ‘training wheels’ for a larger home mortgage. Regularly investing also means you smooth the ups and down of the share market. Let’s say you invest \$500 each month for a year, giving a total investment of \$6,000. The price of your chosen investment starts at \$10, reaches a low of \$6, and then moves back up to end the year at \$12.

With perfect hindsight, you’d invest at \$6, but even the professions aren’t lucky enough to always pick the bottom price. In this simple example, you will still make a gain if you were able to invest the full \$6,000 at \$10 at the start of the year. By regularly investing, you will sometimes hit a low price, and sometimes a high price. In this simple example, you will achieve an average purchase price lower than \$10, meaning a larger gain when the price reaches \$12.

The second hurdle for many people is deciding what shares to put into their investment portfolio. There are ample financial resources and information about most of the different industry sectors available on the Australian share market. And don’t forget about the dividends paid by most companies. A portfolio of shares in the four main Australian banks is currently yielding close to 7% in dividends, for example. Just as two people together can make entering the property market more achievable, a few people can form an investment club and set a strategy to help reach the required goal.

**As with all investment decisions, invest with your head, not your emotions.**

For many people, property ownership is still a core part of their long-term financial wellbeing. The dream hasn’t changed but we may need to reassess how to achieve that goal and tap into our broader social networks. The first step out of the path of the oncoming headlights is to talk to a financial planner who can help you explore ways to save that elusive deposit.

**Julie McKay**

TECHNICAL AND RESEARCH,  
BENDIGO WEALTH

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# INDUSTRY UPDATE

Industry news from around Australia



## Investors Can Help!

The Real Estate Institute of the ACT (REIACT) and the ACT & Region Chamber of Commerce have joined forces with the Migrant and Refugee Settlement Services Inc. (MARSS) on a community education project called *Investors Can Help!*

The project, launched on 25 September 2012, aims to increase the number of accommodations from the private rental market available to Canberra's migrant and refugee community and to educate the Canberra investment community about the need for housing and ways to be involved.

MARSS will ensure that suitable tenants are sourced for the property and will provide assistance to tenants regarding relevant documentation. Rent will be guaranteed by MARSS and four weeks bond will be guaranteed by the ACT Government's bond lodgement assistance scheme. MARSS representatives will carry out on-site support visits and inspections to ensure the property is being well maintained and will act as guarantors on behalf of the tenants, providing interpreting services where required.

## WA First Home Owners

Home buyer activity in Western Australia increased strongly in August to its highest level in 34 months as buyers take advantage of low mortgage rates.

The leading indicator of potential first home buyers, the number of First Home Owner Grant (FHOG) applications, increased 5.1 per cent in August to 1,728 applications, levels not seen since November 2009, the second last month of the FHOG Boost.

"Young buyers particularly are feeling the impact of high rental costs and are seeing that the cost gap to service

a mortgage is quickly decreasing," said UDIA CEO Debra Goostrey.

According to REIWA figures, the rental vacancy rate in the Perth metro area fell from 1.9 per cent in June to 1.8 per cent in August, significantly below the 3.4 per cent vacancy rate recorded in June 2011. The median rent in the three months to August was \$450 per week in the Perth metro area, up from \$430 in the June quarter.

A 125 basis point reduction in the cash rate has brought the average standard variable mortgage rate down by nearly 1 per cent since October last year, and mortgage lenders are expecting further rate cuts with the average three-year fixed mortgage rate sitting at 5.9 per cent at the end of August.

Ms Goostrey said that potential buyers can lock in repayments of \$500 per week for the next three years on a \$340,000 loan.

"After five years of relatively subdued property activity, there are a range of affordable properties to suit the needs of young buyers and families," said Ms Goostrey.

UDIA

## NFC Property Viewing

Prospective buyers will gain quick access to online-based inspections by 'tapping' a property signboard with their smartphone, thanks to a new innovation introduced by a Sydney-based real estate group.

The innovation, introduced to the real estate industry by Starr Partners, utilises Near Field Communication (NFC) - or 'tap it' - technology.

Douglas Driscoll, CEO of Starr Partners, expects the innovation, which is easier to use than QR codes, to transform property sales.

"In my opinion, NFC represents the future of delivering information to real estate consumers and will be commonplace within a few years," he said.

When a consumer waves a smartphone at an NFC-enabled for sale board, it will instantaneously take them to the relevant Starr Partners' created web page, providing the all-access interior view.

More details available [here](#).

## Direct equities, property lure SMSFs

Direct property and direct overseas equities are the two growing areas of interest for self-managed superannuation funds (SMSF), according to a boutique investment manager.

Instreet Investment managing director George Lucas said that five years ago, only about 5 per cent of financial planners asked about direct investment in residential property, whereas now about 20 per cent of planners were inquiring.

"Five years ago, one in 20 independent financial advisers asked about direct property investment via an SMSF," Lucas said.

He said five years ago, "direct investment in residential property via an SMSF was seen as 'shonky'".

"It wasn't a mainstream asset class such as government bonds or cash," he said.

"Now, it's one in five. This is the biggest shift I've seen. One reason is that it's not valued as often, so it's not subject to the same fluctuations as other assets."

In the global financial crisis (GFC), property was talked down 30 per cent, he said.

"Yes, it may have gone down in some parts of Australia, but in the overall Sydney market, rental vacancies have only gone down by 1 to 1.5 per cent," he said.

More details available [here](#).

# MAKING NEWS

## General national news



### Help develop the E-Scan

The Construction and Property Services Industry Skills Council is encouraging industry stakeholders to help recognize the key industry skills and training needs and to inform the development of the 2013-14 Environmental Scan (E-Scan).

You can provide input into the 2013 E-Scan by completing the Stakeholder (5 minute) Survey with responses being brief at: <https://www.surveymonkey.com/s/H2Q9NYV>

You can also send your key submissions regarding your Industry Issues, Workforce Development needs or Training Package needs to: [info@cpsisc.com.au](mailto:info@cpsisc.com.au)

Survey responses and submissions are due no later than **26 October 2012**.

### Franchising sector complaints remain static

The Australian Competition and Consumer Commission Deputy Chair Dr Michael Schaper noted a steady number of franchising complaints while addressing the Franchising Council of Australia annual national conference.

"The number of franchising complaints has remained relatively static over the last few years despite the growth of the sector. This is a testament to the successful education, engagement and outreach programme for franchisors, franchisees and potential franchisees, but there is more to do," Dr Schaper said.

"And whilst complaints have remained about the same, education is increasing. Over 3,000 potential franchisees have completed the ACCC's free online education programme run by Griffith University."

The ACCC's bi-annual report into the sector shows that in the last financial year the ACCC received more than 630

franchising complaints and over 220 enquiries relating to the Franchising Code of Conduct, general competition matters and consumer-related issues.

[www.accc.gov.au](http://www.accc.gov.au)

### Aussies using 25% more electricity

The Australian Bureau of Statistics (ABS) released the September Australian Social Trends which revealed Australian households are using 25 per cent more electricity and 22 per cent more gas, than they were ten years ago.

The Australian Social Trends is released quarterly and draws on a range of data to present a picture of Australian society. It covers social issues of current and ongoing concern, population groups of interest, and changes over time.

ABS Director of Social and Progress Reporting Sue Taylor said "Households generally account for a quarter of Australia's overall energy consumption, with industry responsible for the remainder".

"We found that the types of energy most commonly used by households were petrol and electricity, followed by natural gas," she said.

The ABS found that cost price and energy star rating were almost equally important to householders when they were purchasing new appliances.

The publication shows that in 2011 around 1.1 million students were enrolled in higher education with over half of the students being women (57 per cent).

An additional 1.9 million students were undertaking Vocational Education and Training with slightly more men (52 per cent) than women (48 per cent) enrolled.

[www.abs.gov.au](http://www.abs.gov.au)

### Creating 'Livable Homes'

A front door you can easily wheel a pram through; living spaces that are safer to move around in; a step-free shower; a handrail on your stairs; and a toilet on the ground floor.

Livable Housing Australia (LHA) will target the housing industry to achieve the Livable Housing Design Quality Mark as part of a national campaign to ensure all new homes are safer, more comfortable and easier to get around by 2020.

LHA will work with industry leaders to adopt seven critical design features to help make homes not only easier to access and live in, but more cost-effective to adapt when life's circumstances change, LHA Chair Peter Verwer said.

"Livable Housing Australia champions the adoption of seven critical 'livable' design features that help make homes easier to access, navigate and live in, as well more cost-effective to adapt when life's circumstances change," Mr Verwer said.

"Livable homes work for pregnant mums, young families with kids, as well and those with disability and Australians with sporting or traumatic injuries. 'Livability' also caters for the needs of an ageing society by promoting homes better suited to seniors. "Livable homes will also reduce stress on Australia's 2.6 million strong army of unpaid carers."

The Livable Housing Design Quality Mark is set to become a trusted measure of livability for consumers and the housing industry.

"The LHA's Silver, Gold and Platinum performance ratings are based on practical, common sense guidelines to livability," Mr Verwer said.

More details available [here](#).

# POLITICAL WATCH

Information and news from government



## SCAMwatch

With time running out to lodge tax returns, the ACCC and Australian Taxation Office (ATO) have issued a joint SCAMwatch radar alerting small businesses and consumers about the types of 'tax time' scams that are prevalent.

Small businesses should be extra vigilant as scammers are known to target you at this particularly busy time of the year.

Look out for scammers calling you claiming to be from the ATO and pretending that you are eligible to receive a business grant.

Read the radar in full [on the SCAMwatch website](#).

## New Real Estate Fraud Prevention Guidelines Announced

NSW Minister for Fair Trading Anthony Roberts announced the release of new real estate fraud prevention guidelines to combat an increase in identity fraud and scams. The Minister said Fair Trading had developed the guidelines following two highly publicised incidents in 2010 and 2011 that resulted in properties being sold in Western Australia without the knowledge and consent of the lawful property owners. These sales were undertaken by real estate agents who were contacted by criminals masquerading as the true owners, he said. Financial institutions have stringent security measures in place to combat identity fraud and property agents need to be on high alert for potential fraudulent real estate transactions,

particularly where there is no mortgagee and the property is wholly owned.

[www.nsw.gov.au](http://www.nsw.gov.au)

## National Small Business Commissioner appointed

Council of Small Business of Australia (COSBOA) congratulates the government and Mark Brennan on his appointment to the position of Small Business Commissioner from 1 January 2013.

Peter Strong, Executive Director of COSBOA says "Not only is this historic for the small business community it is also an excellent choice of commissioner. Mr Brennan is a trail blazer as the first small business commissioner in Australia with his time as the Victorian Small Business Commissioner and he is also past winner of COSBOA's Small Business Champion Award. Mr Brennan will join the four small business commissioners in NSW, Victoria, South Australia and Western Australia which is a powerful team focusing on the needs of 2.5 million people."

COSBOA notes that recently there has been a greater focus on small business people and our needs. We expect that this momentum will continue unabated and that in particular the health of small business people will be considered as an issue. The impact of red tape on our health must become part of any new policy impact assessments.

Mr Strong added "we seem to have bipartisan support for the appointment of small business commissioners and the only area of debate is what power and role the commissioners should be given. They all

need real power as we do not want them to be hidden away in the bureaucracy but rather be seen and heard and to cause trepidation among bureaucrats who forget that we are people."

Mr Strong also added "we need action. We need to remove the protection afforded the big landlords, franchisors and retailers through poor competition policy and contract law and we need to get the workplace relations system to reflect the needs of small workplaces. There are many more issues that I hope to discuss with Mr Brennan once he has taken up his role. This appointment doesn't mean we let up on our fight for equality but it does hopefully mean we have another powerful ally."

[www.cosboa.org.au](http://www.cosboa.org.au)

## RentConnect

More and more people are securing a spot in Cairns' private rental market thanks to the Queensland Government's RentConnect initiative. Minister for Housing and Public Works Dr Bruce Flegg said the RentConnect Advisory Service could help get people into the private rental market for the first time. "Due to any number of non-financial barriers such as limited rental history, lack of understanding of how the private market works or lack of documentation, it can be really difficult for some people to secure a property," Dr Flegg said. "RentConnect makes that initial transition a lot easier, helping them get a 'foot in the door' which is the first step for tenants in finding a place they can call home."

# THE WORLD

Property news from around the world



## Malaysian investment

During 2010-2011, Malaysia was fourth in the rank of countries that have invested most in Australia, with \$58 million spent on properties, according to figures from the Foreign Investment Review Board.

Those above Malaysia were Britain, China and the US, said Jalin Realty International chief executive officer Ian Chen.

Jalin was set up in Malaysia 30 years ago, and specialises in promoting Australian properties, particularly in Melbourne and Sydney.

These are mainly targeted at buyers in countries such as China, Jakarta, Singapore, Brunei and Malaysia.

"Most of our clients are from Singapore and Malaysia. In Singapore, most of our clients are professionals while in Malaysia, they are mostly businessmen," Chen said.

He went on to explain that many Malaysians buy properties in Australia for investment. The returns are very good and command a yield of between 4-5% a year.

Such an interest in Australian property looks likely to continue, according to Chen. "The demand is expected to remain higher than the supply," he said.

OPPCconnect

## Canadian market

Home sales across the country have dropped since the introduction of new mortgage rules in July. The Conference Board of Canada is reporting the numbers are down in 21 of 28 regions across the country.

In July, the maximum term for a mortgage was reduced from 30 years to 25 years. At the same time, the maximum amount of that mortgage was reduced from 85 per cent of the value of the property down to 80 per cent.

"So, that has reduced the pool of potential buyers in the market, and therefore, a certain amount of demand for houses," says Robin Wiebe with the Conference Board.

In Vancouver, home sales dropped more than nine per cent in August compared to July, while the number of new listings in that market dropped more than 1.5 per cent during the same time period.

Year-to-year, sales are down nearly 25 per cent in Vancouver in August, while the number of new listings has dipped nearly 8.5 per cent.

The average price for a home in Vancouver in August actually gained three per cent (\$715,593), but Wiebe says that statistic has been volatile and home values are expected to decline. Home values are down nearly nine per cent in Vancouver in August compared to the same month last year.

More details available [here](#).

## Prime central London prices

Property prices in the prime central London residential market saw further increases this month and are now 51% up since the low points of March 2008, the latest index shows.

However tax changes have affected some sectors of the market with the number of sales in the £2 million to £5 million segment falling 20% in the

three months to September compared with the same period last year.

The Knight Frank index for September 2012 also shows that average prime property values in central London now stand at a new record high, some 15% above their pre crisis peak of March 2008.

This growth in prices has taken place despite the impact of the March budget's 40% rise in the top rate of stamp duty together, said Knight Frank's head of residential research Liam Bailey.

He also pointed out that new, and still undefined, rules for an annual charge on £2 million plus properties held in certain ownership structures and the reform of non-resident capital gains tax rules are also on the cards.

'But the budget tax changes have had an undeniable impact on activity levels in the market, with the volume of sales in the £2 million to £5 million sector falling 20% in the three months to September compared to the same period in 2011,' said Bailey.

'Sales volumes above this bracket have been more robust, and there has also been a strong 23% rise in sales volumes for homes worth up to £2 million. The sub £2 million bracket is also where price growth has been strongest, with an annual increase of 11.6%,' he added.

Despite the weaker transaction volumes in the £2 million to £5 million bracket, the number of prospective buyers has been fairly evenly matched with available properties across all price bands, the index also shows.

More details available [here](#).

# REIA NEWS

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