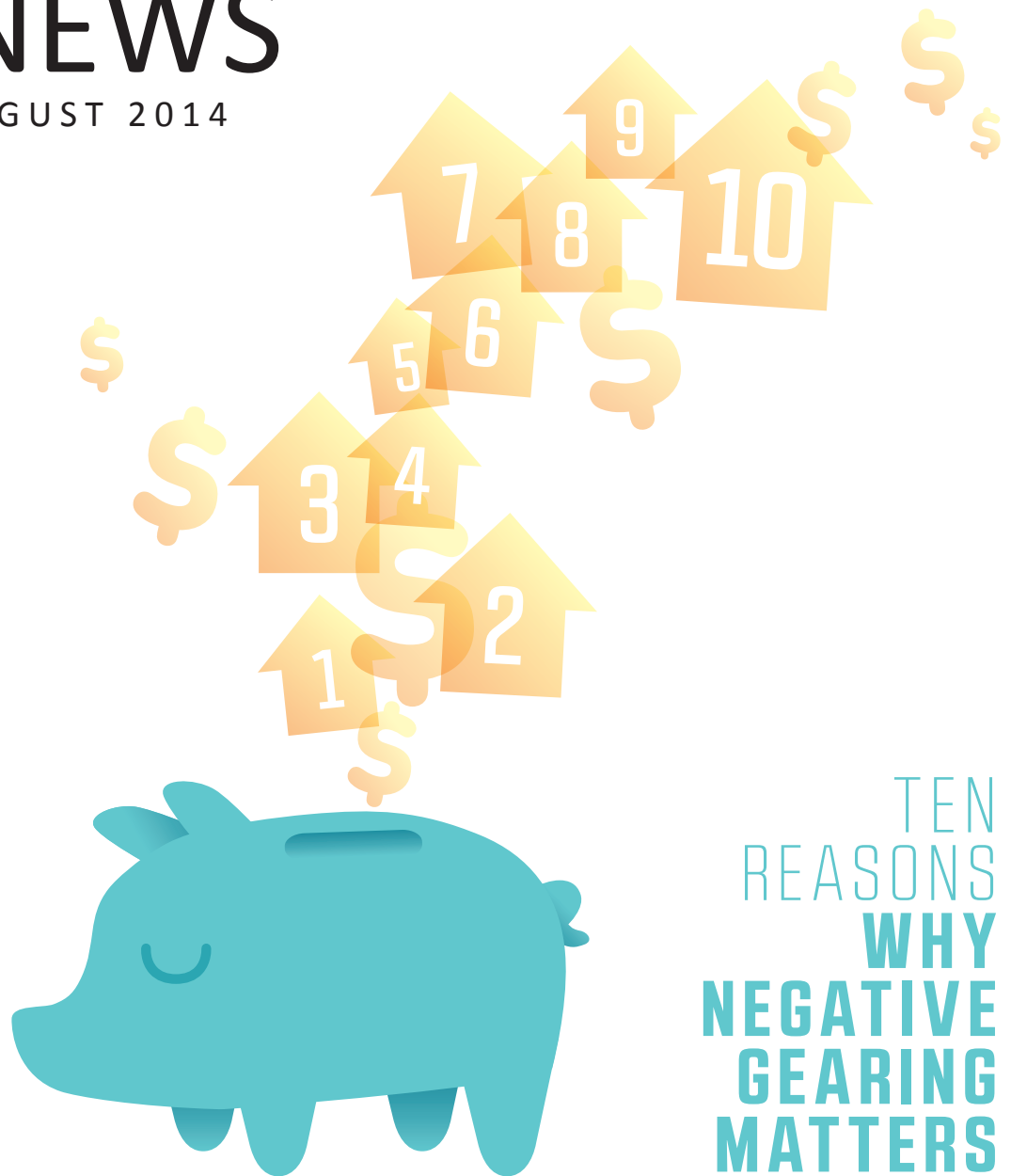


REIANEWS

ISSUE 37: AUGUST 2014



TEN REASONS WHY NEGATIVE GEARING MATTERS

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INFORMATION.



PRESIDENT'S REPORT



While on holidays in Broome recently I took time to catch up with the local agent. Here is my wife Debbie and I with Tony Hutchinson who is a long time real estate agent in Broome and the area representative for the REIWA council.

WELCOME FROM REIA'S PRESIDENT

Hello and welcome to the August edition of REIA News. This month, we tackle some hot topics of great interest to our members.

Federal Treasury is again pushing for the removal of negative gearing and the rumour is that modelling will be done on retaining it for new housing only. This is a serious threat not only for our profession and geared investors but potentially for all property owners.

In fact, if adopted it could easily trigger the property market equivalent of a stock market crash.

We have time to act on this with the Government not making a decision until the White Paper on Taxation is released at the end of 2015. REIA is poised to escalate its position, take the lead and step up its response.

In the meantime, there will be more discussion in the media. This is a very difficult issue to cut through on as industry groups are routinely seen as self-interested but that is why we exist – to look after the interests of our members and consumers and improve public debate.

Another REIA backed initiative that has made the media recently is access to superannuation for first home buyers. REIA has been lobbying the Commonwealth over this issue for some time and it's satisfying to see Senator Xenophon tabling it as a Private Member's Bill.

See more on these two issues in REIA's Submission on Housing Affordability [here](#).

Mr Peter Bushby

REIA PRESIDENT



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TEN REASONS WHY NEGATIVE GEARING MATTERS

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



TOP 10 TALKING POINTS

- 1 Negative gearing increases investment supply with almost 1.9 million of Australians investing in the residential property market (Attachment A). The arrangement keeps rents lower than they would otherwise be.
- 2 Negative gearing in its current form for the purpose of property investment is complementary to the goals of the Government in addressing the supply of rental accommodation.
- 3 The majority of investors are ordinary mums and dads who have only one investment property which is often part of a self funded retirement plan.
 - Taxpayers who earn an annual income of \$80,000 own 80% of all loss-making properties;
 - Almost three quarters, (73%) of investors have only one investment property;
 - Less than 10% of investors have three or more investment properties (Attachment B).
- 4 Negative gearing of property is equitable across all asset classes. These same rules apply for other types of geared investment, i.e. shares. To amend the current negative gearing provisions for housing would be treating real estate differently to other asset classes and create a distortion on the investment landscape and result in a resource misallocation.
- 5 The Hawke Government abolished negative gearing for property in 1985 only to have it reinstated in 1987. During that period, rents increased by 57.5% in Sydney, by 38.2% in Perth and by 32.0% in Brisbane, highlighting the importance of upholding the arrangement. The Henry Review – released in 2010 and led by then Treasury Secretary Ken Henry – acknowledged that negative gearing applies downward pressure on rents.
- 6 Abolishing negative gearing may not make housing more affordable to owner occupiers as there will be a supply side response as well as a demand side response. Indeed some commentators say that it is unlikely to make housing more affordable.
- 7 Similar to home buyers, demand from property investors is usually met through existing housing rather than new construction. Estimates show that up to 90% of investors have purchased existing property. Only 18.6% of first home buyers and 18.9% of changeover buyers purchase new housing. Australia has a severe undersupply problem, with annual dwelling completions averaging 2% of the housing stock. What should be addressed is the housing supply issue.
- 8 The Real Estate Institute of Australia estimates the impact of implementation of the Henry Review recommendation to replace the current negative gearing arrangement with the introduction of a 40% discount for income from rental properties would lead to an increase in the weighted average capital city median house rent by 2.4% (Attachment C). In the current tight rental market expectations are for outcomes similar to the mid-1980s.
- 9 The Henry Review warns that because of the constraints on the supply of housing, amendments to the taxation of rental housing should only be adopted following reforms to the supply of housing.
- 10 The removal of negative gearing would increase demand on social housing – an area that governments have been struggling to address.

TEN REASONS WHY NEGATIVE GEARING MATTERS

ATTACHMENT A

According to the Taxation Statistics, in 2011-12, there were 2,714,430 rental property schedules in Australia:

- of the total number of rental property schedules, 76.9% paid a total amount of \$24,102 million interest on loans
- this represents 58.0% of total rental property expenses
- the average interest expense was \$11,546 per rental property schedule
- the average loss across all the schedules, not just negatively geared property, was \$2,979.

According to the Taxation Statistics, there were 12,736,030 individual taxpayers in Australia in 2011-12:

- of them, 14.9% were rental property owners declaring a total of \$7,860 million in losses
- there were 626,230 individuals reporting a net profit of a combined \$5,939 million
- there were 1,266,540 individuals with the total net loss of \$13,799 million
- on average, the net rent profit was \$9,438
- the net rent loss was \$10,895
- the average income loss for both negatively and positively geared property investors was \$4,146.

ATTACHMENT B

Individuals with an interest in a rental property, 2010–11, ATO:

No of properties	Number of Individuals	Percentage of Total Individuals
1	1,284,852	73
2	318,295	18
3	96,991	5
4	34,967	2
5	14,555	1
6 or more	15,264	1
TOTAL	1,764,924	100

ATTACHMENT C

Based on the information on rental property schedules by state and territory, REIA estimates the following increase in median rents as the result of the Henry Review recommendation:

- 0.8% for NSW
- 1.9% for Victoria
- 3.3% for Queensland
- 2.3% for South Australia
- 1.9% for Western Australia
- 1.1% for Tasmania
- 1.2% for NT
- 2.4% for ACT





HOUSING AFFORDABILITY AND FIRST HOME BUYERS

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



Senator the Hon Jan McLucas, REIA CEO Amanda Lynch and Senator Sean Edwards at the Senate Inquiry into Housing Affordability

REIA appeared before the Senate Economics References Committee Inquiry into Affordable Housing on 30 July.

At the Inquiry, REIA CEO Amanda Lynch and Policy Manager Jock Kreitals focused on first home buyers and what can be done to stem the exodus of this group from the housing market.

In the March quarter 2014 of the Adelaide Bank/REIA Housing Affordability Report, the proportion of income required to meet loan repayments was 30.6% – slightly worse than in 2009 but still one of the best affordability levels for the last decade.

Despite this, first home buyers do not appear to be active, with their number as the proportion of the

owner-occupied finance commitments sitting at 12.6% in May 2014.

This is a marginal rise from the figure of 12.3% for November 2013 and April 2014, where the level was the lowest since the Australian Bureau of Statistics started collecting data on first home buyers' activity.

The Australian Bureau of Statistics (ABS) says that an investigation is underway to evaluate the robustness of estimates of loans to first home buyers. The investigation is believed to be a result of concerns that under-reporting could occur if lenders are only able to identify first home buyers if those buyers are receiving a first home buyer grant. REIA was amongst those who expressed concerns. In January, REIA wrote a letter to the Australian Prudential Regulation

Authority (APRA) saying that reporting entities might not be filling out the reporting form correctly and according to the APRA instructions. APRA is contacting lenders on behalf of the ABS to investigate whether lenders experience any difficulties reporting on loans to first home buyers. The outcomes from the investigation will be published on the ABS website.

According to Genworth, market confidence among first home buyers has also fallen with the First Home Buyer Confidence Index slipping from 85.0 in September 2013 to 82.3 in March 2014, driven by fears around unemployment.

Housing supply is an important part of the affordability story. This was identified as the main factor that needed to be addressed urgently at

» *article continues*

a recent roundtable REIA convened with industry leaders at Parliament House. There it was discussed that the cumulative housing shortage is likely to increase from 100,000 dwellings in 2006 to 375,000 in 2015. REIA believes that a national approach is needed to reduce building constraints such as planning delays, land release bottlenecks and excessive developer fees and charges.

The housing market in Australia is a patchwork quilt of affordability. You can purchase a three bedroom family house in Broken Hill for \$39,000 whilst the median price in Sydney has pushed through the \$800,000 mark and now is \$811,837.

There is a direct correlation between employment and ability to meet mortgage payments. A strong economy, healthy labor market and low interest rates coupled with adequate supply are factors that create the ideal climate for first home buyers to enter the housing market.

With declining affordability, we have seen home ownership in Australia fall to 67% from 71.4% in 1966. Why is this a problem?

Analysis of ABS data shows the importance of home ownership as Australians age. Due to high rates of

home ownership, older households spend a lower proportion of their gross income on housing costs compared with younger households. By contrast, older households living in rental accommodation face real housing affordability problems and spend almost a third of their gross income on housing – the largest proportion compared to households of any age group or tenure type.

Additionally, a number of international studies found that associated benefits of home ownership may contribute to positive social outcomes including improved education levels for children, better mental and physical health, and greater social connectedness and participation in local community and voluntary organisations.

REIA believes that in the short-term, first home buyers need signals to return to the market. These provide a green light and boost confidence until the longer-term supply side issues are addressed. The key is providing access to superannuation and ensuring that the First Home Owner Grant is available for existing housing purchases – the clear preference of first home buyers. Currently, the FHOG is available only to first home buyers of existing homes in Western Australia and the

Northern Territory. Other incentives are stamp duty reductions which are in place in Victoria, Queensland and Western Australia for existing houses.

Taxes are one of the important factors determining housing supply and influencing housing affordability. Stamp duties represent additional costs to property transactions, thereby discouraging turnover of housing and distorting choices between renting and buying, and between moving house and renovating. At the October 2011 Tax Forum, it was discussed that state taxes harm labour mobility and housing affordability. We propose conveyancing stamp duties be abolished and replaced by an efficient source of revenue for states and territories, i.e. the revenue forgone from the abolition of stamp duty should be replaced by an adjusted GST.

This is not an easy problem to fix. If it was easy it would have been solved. There is no single magic bullet. But we need to alleviate the pressures on our young people and to ensure that home ownership is not an unattainable dream.

This article is brought to you by
REIA Manager Policy, Jock Kreitals
Jock can be contacted at
jock.kreitals@reia.com.au



UPDATE ON TRAINING MATTERS

Following an extensive campaign by REIA and its member state and territory Real Estate Institutes (REIs), the Council of Australian Governments, at its meeting in December 2013, decided not to pursue the proposed National Occupational Licensing Scheme (NOLS) reform as most jurisdictions identified a number of concerns with the proposed NOLS model. Instead it was decided to work together through the Council for the Australian Federation (CAF) to develop alternative options for minimising licensing impediments to improving labour mobility and to disestablish the National Occupation Licensing Authority.

REIA's strong opposition to the NOLS model was that it was proposing the 'dumbing down' of the real estate profession and the accompanying increase in consumer risk.

Since that time REIA has been actively pursuing the quality of training standards for the real estate profession.

CAF acknowledged that REIA is the national representative body for real

estate and a protocol for engagement was established. CAF indicated that it will take a common sense approach and will cooperate with business and industry. CAF did not consider the real estate profession as a priority and as such it will not be considered until 2015 at the very earliest. Instead CAF has prioritised electrical, plumbing and gas-fitting and is making good progress with these occupation groups.

Since then, REIA has met with the Construction and Property Services Industries Skills Council (CPSISC) to discuss the review of the real estate training packages. The review will examine course content and competencies and will take up to 12 months to complete. REIA will be guiding the process as well as providing input from the state and territory REIs.

REIA has also met with the Australian Skills Quality Authority (ASQA) to discuss the variable quality of training, a topic often raised during the public debate on national licensing. The discussions noted that some short

courses and self-paced e-learning courses were of poor quality and that improving education quality was long overdue. It was recognised that there are some providers whose approach to content delivery is to provide the 'bare bones' of knowledge, rather than a best practice approach designed to provide a student with the ability to perform tasks in the workplace. As well as poor training practices, weaknesses in the training system, in the lack of rigour in the methods of assessing Recognised Prior Learning (RPL) and in the assessment of student competency were raised.

Following the announcement in the 2014-15 Federal Budget of the establishment of the new Industry Training Fund (ITF) which will commence in early 2015, REIA with input from the REIs has provided advice to the Australian Government's Department of Industry on various aspects of the scheme.

REIA has also responded to a request by the Minister for Industry for

» *article continues*

feedback on draft training provider and regulator standards. The overriding objectives of the proposed standards are to be flexible and responsive to industry, less onerous, reducing costs for Registered Training Organisations and less of a regulatory burden. As such, REIA supports the overall direction of the proposals relating to improving standards and feels that the proposals should be welcomed by those RTOs that provide quality training. There were, however, a number of areas that

REIA feels present some practical difficulties which if addressed, would improve the workability of the current proposals. REIA's response to the Minister outlined these.

Following attention in the media about increased interest in buying property as part of an SMSF and concerns expressed by regulators, including those about unscrupulous operators aggressively marketing geared property investment strategies to SMSFs, REIA has been proactive in

its response. As part of REIA's strategy on this matter it is investigating what educational tools would assist in dealing with the issue. These could include formal guidelines that are published by REIA and the development of information capable of incorporation into training courses. As this develops, further updates will be provided in REIA News.

REIA will continue to have quality of training and professionalism front of mind as one of our highest priorities.



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HOUSING AUSTRALIA: NOT IN MY STREET



Peter Howman
Managing Director of Defence Housing Australia

AFFILIATES' COUNCIL NEW MEMBER

REIA is delighted to welcome the Managing Director of Defence Housing Australia, Peter Howman, to our Affiliates' Council. DHA works with many of REIA's real estate members to provide quality housing and related services to Defence members and families. To meet Defence housing obligations, DHA is active in Australian residential housing markets, acquiring and developing land, and constructing and purchasing houses. DHA is involved in State and Federal Government forums as well as having a research facility and the relationship will deliver mutual benefits for DHA and REIA and its members.

The Housing Industry Association's (HIA) 5th Building Better Cities Summit, *Housing Australia: Not in my Street* convened Australian and overseas industry experts in late July to examine issues of new housing availability and affordability. It addressed the issue of NIMBYsm (Not In My Back Yard) – the reluctance from many in the community to accept housing development in their neighbourhood. The Summit looked into the causes behind the issue and the consequences of avoiding taking action. It also tried to find out how to balance the community's expectations of providing affordable and appropriate housing while preserving a decent standard of living for a growing nation.

A panel of experts shared their extensive knowledge and expertise, presenting the facts of undersupply in Australian cities and providing insight on the demographic of NIMBYs. HIA Chief Economist Harley Dale outlined the facts noting that in Australia,

we are not building enough homes, that the cost structure imposed upon the new home building sector is inhibiting the nation's productivity growth and that without a solution, the rate of growth in Australia's standard of living will inevitably slow.

The issue of NIMBYsm as an international problem was highlighted by Executive Director for the Non-Profit Housing Association of Northern California, Dianne Spaulding and Canadian Bob Ransford, a 14 year specialist in navigating the complex public processes surrounding urban development and land use.

The speakers shared their experience in overcoming NIMBYsm in the US and Canada and provided valuable tips for collaborative community planning, e.g. bring everyone to the table, build capacity and fill the knowledge gaps, spend the time necessary but move at a steady pace, plan for what people will need and value now and into the future.

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REA TRADEMARK GRAB THREATENS REAL ESTATE PROFESSION

The Real Estate Institute of Australia has asked REA Group to withdraw their trademark application for “realestate.com.au” which, if granted, could jeopardise the use of the term “real estate” by other businesses and professional bodies.

“Given recent media reports about REA Group, their timing with this latest move to register realestate.com.au could hardly have been worse,” REIA President, Peter Bushby said today.

“REIA encourages competition through quality service delivery. REA once again appears to be making a technical grab for control of those things that belong to the industry at large. It has in the past tried to prohibit others from using the words “real estate” in their domain names.”

“Our members already feel they are being squeezed by this company’s tactics. You really have to question their corporate strategy.”

Mr Bushby said that there are concerns for the potential for REA, once they own the term “real estate” to oppose a number of other trade mark applications or signs of competitor businesses.

“This is a plausible scenario when we know that REA Group brought legal proceeding against Real Estate 1 Ltd in October 2010 against their use of the domain and trading name realestate1.com.au.”

Mr Bushby said because the term realestate.com.au was so generic and descriptive of the entire profession, its lack of distinctiveness was the primary ground of opposition by REIA and others in 2008, and the trademark application was subsequently withdrawn in June 2009.

“This is true particularly given the size of the real estate industry and the number of businesses operating with the term realestate.com.au either in their business or domain name.”

“Data from the Australian Bureau of Statistics shows that as at June 2013 there were 35,019 real estate services businesses operating in Australia. A substantial proportion of those businesses use the phrase “real estate” as part of their branding to assist consumers identify the industry and range of services that those businesses provide. Many also use a phrase that includes or is similar to realestate.com.au as part of their URL for the online delivery of their services,” he said.

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EXTENDED TO
15 AUGUST**
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 **REINZ**

This article is brought to you by REIA
Research Officer, Evgeniya Hawthorne
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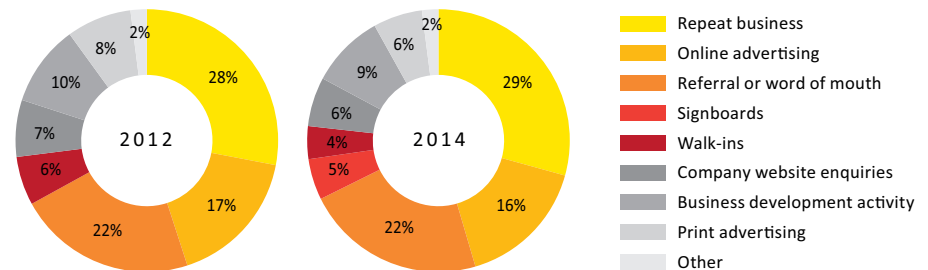
MARKETING AND ADVERTISING IN REAL ESTATE



The way agencies market real estate today is very different from how it once was. The digital world has changed the way people search for property. Now, most buyers and sellers familiarise themselves with the market and the properties advertised prior to contacting an agent. To stay ahead of the game, it is vital that agencies take advantage of all available tools and create a balanced mix of new and traditional marketing of their client's property.

Despite the increased use of the internet, this will not replace the role agents undertake. Evidence to support this can be found in the 2014 Residential Real Estate Benchmarking Report, released by Macquarie in May. The report found that despite increased usage of social media and online channels, repeat business (29%) and referrals (22%) are the main source of new business opportunities. While social media is a tool used by 64% of agents, for the majority of businesses it is word of mouth that generates sales enquiries. Figure 1 following shows sources of new business enquiries.

FIGURE 1 Source of new business enquiries



Source: Macquarie

Similar results can be found in the US. The 2014 National Association of REALTORS® *Home Buyer and Seller Generational Trends* report found that 42% of all buyers and 39% of sellers find real estate agents through a referral by a friend, neighbour or relative. Notably, only 9% of the surveyed buyers and 4% of sellers said that a website helped them find their agent. Importantly, the personal approach is the most appraised with 78% of home buyers saying that personal calls with regular updates are the most important aspects in communication with their real estate agent, while an agent having a website, mobile site or their activity on social media is significantly less important to American buyers.

Nevertheless, when it comes to searching for properties, the significance of the internet should not be underestimated. The REALTORS® report found that looking online for

properties for sale is the first step in the home buying process among American home buyers and many Gen X and Gen Y use mobile devices to find the home they ultimately purchase.

In Australia, a survey conducted by J.P. Morgan, in partnership with the Real Estate Institute of Victoria (REIV), in 2012 found that 74% of agents had increased spending on online marketing over the last 12 months and 33% were expecting print spend to be down by over 30% in three years. According to Macquarie, many businesses still devote considerable time and energy to online and print advertising, even though they increasingly believe that advertising is relatively unlikely to attract new clients. Figure 2 following shows the performance of different forms of advertising used by Australian real estate businesses.

TABLE 1 Information sources used in home search

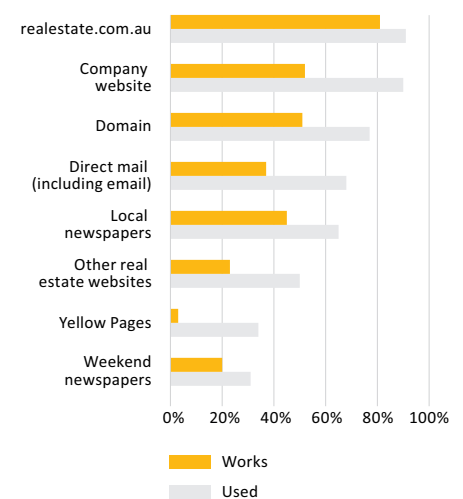
	Age of home buyer					
	All buyers	33 and younger	34 to 48	49 to 58	59 to 67	68 to 88
Online website	89%	94%	92%	89%	82%	73%
Real estate agent	89%	90%	88%	89%	86%	89%
Yard sign	51%	50%	51%	56%	49%	52%
Open house	45%	42%	48%	49%	45%	41%
Mobile or tablet website or application	45%	58%	53%	34%	20%	16%
Mobile or tablet search engine	42%	55%	50%	31%	20%	15%
Online video site	27%	20%	28%	34%	32%	30%
Print newspaper advertisement	23%	18%	21%	27%	30%	32%
Home builder	17%	14%	19%	18%	18%	5%
Home book or magazine	15%	14%	15%	14%	17%	17%
Billboard	5%	3%	6%	5%	3%	5%
Television	4%	4%	5%	4%	4%	3%
Relocation company	3%	2%	4%	3%	2%	2%

TABLE 2 Where buyer found the home they purchased

	Age of home buyer					
	All buyers	33 and younger	34 to 48	49 to 58	59 to 67	68 to 88
Internet	43%	52%	48%	39%	33%	24%
Real estate agent	33%	31%	29%	36%	36%	44%
Yard sign/ open house sign	9%	7%	8%	11%	13%	13%
Friend, relative or neighbour	6%	4%	6%	6%	6%	9%
Home builder or their agent	5%	4%	6%	6%	7%	4%
Directly from sellers/ Knew the sellers	2%	2%	2%	1%	2%	3%
Print newspaper advertisement	1%	<1%	1%	1%	2%	2%
Home book or magazine	<1%	<1%	<1%	<1%	<1%	<1%
Other	1%	<1%	1%	1%	1%	1%

Source: REALTORS®

FIGURE 2 Forms of advertising used and what works well to generate sales enquiries



Another development in marketing has been a shift towards payment of advertising upfront by vendors. Macquarie found a significant increase in the proportion of agencies billing vendors for advertising upfront – from 34% in 2009 to 63% in 2014. According to the J.P.Morgan/REIV survey, around 53% of vendors in Victoria contribute to over 80% of property advertising costs. This practice helps improve cash flow and mitigates the risk for an agency of the expense not being covered after the sale.

A GUIDE TO QUALITY LEDs



Bryan Douglas



Solid state lighting is a rapidly developing technology offering a useful alternative to traditional light sources. LEDs (a form of solid state lighting) can provide excellent illumination in a wide range of applications. They are highly energy efficient. They have a long life – lasting up to 50 times longer than incandescent lamps and two to five times longer than fluorescent lamps, making them ideal for hard-to-access locations. LEDs are durable and can withstand vibration and shocks. They are not affected by regular on-off switching, which is good for areas such as bathrooms. In addition, they are at full brightness as soon as they are switched on and many are fully dimmable.

However tests on some LED products found in the marketplace indicate a wide variation in product quality and how effectively they may light a space. Some lower quality LEDs sold

may not provide sufficient light, may flicker when dimmed, change colour through life or fail prematurely.

LED products are still in a comparatively early stage of development, and few have undergone rigorous testing in real-life settings over a prolonged period of time. Accordingly users need to be aware before investing in the technology.

Common LED performance indicators

- Lamp equivalence claims
- Light output
- Lamp lifetime (hours)
- Lamp warranty period (years)
- Colour temperature
- Colour Rendering Index
- Energy Efficiency
- Safety rating
- Other label or website information

An Australian certification scheme for LEDs

In response to many poor quality LEDs in the marketplace and exaggerated claims from some suppliers about their product's performance, Lighting Council Australia, a not-for-profit organisation representing Australia's lighting industry, has developed a labelling-based certification program to assist purchasers of LED products. The Solid State Lighting Quality Scheme is a voluntary industry program that provides confidence to the market that an LED product carrying the Scheme's label matches certain critical performance claims made by the supplier (energy efficiency, light output, colour temperature and CRI). See [here](#) for more details.

Bryan Douglas

CHIEF EXECUTIVE OFFICER
LIGHTING COUNCIL AUSTRALIA



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RETAIN STAFF WHILE CONTROLLING COSTS

Keeping highly skilled staff is a big challenge for all businesses within the professional services sector. For example, in the engineering, design and consultancy sub-sectors the inadequate supply of skilled local labour has seen the demand for engineers met by skilled overseas migrants¹. Managing salary budgets is the reciprocal challenge: in law firms wages represent 43.4 per cent of revenue.²

“I’ve got a desktop, a laptop, an iPad and an iPhone, and now I can use any one of those to access an up-to-date [version] of what I need. They are all synced – which means we’ve really improved our productivity.”

Martin Nally, HR Anywhere

AVOID TECHNOLOGY GROWING PAINS

When adding more staff quickly, technology must keep pace or workers will become frustrated and lose productivity.

WHAT TO CONSIDER

- Cloud technologies – many firms are looking at Cloud-based solutions as they make it easier for teams to collaborate online. For example, in the accounting sub-sector 23 per cent of accountants currently use Cloud-based accounting solutions, with 60 per cent not currently using it intending to do so in the future³
- VoIP phone systems – Voice over Internet Protocol systems use data connections to deliver communications, so you can scale your business faster without having to wait for extra lines
- Technologies which put data connections to clever use can offer cost savings that allow you to deliver better services to more clients.

MAKE IT EASY TO MOBILISE YOUR WORKERS

A flexible workplace is attractive to many professionals in this sector as they often need to work onsite with clients. Providing them with the tools to work away from the office will help ensure an engaged, productive workforce.

WHAT TO CONSIDER

- Have a Bring Your Own Device (BYOD) policy. BYOD can reduce costs and boost productivity, but it can also put IT systems at risk, so best-practice security measures are essential
- Get access to files through the Cloud. Mobile working also offers the potential to reduce rent costs
- Quality video conference technology will cut travel time and make multisite collaboration easier.

¹Source Engineers Australia: Inquiry into the Shortage of Engineering and Related Employment Skills (March 2012)

²Source IBISWorld Report M6931 (2012)

³Source CCH national research study (April 2013) Cloud Computing – a matter of survival for the accounting industry?



AUSTRALIA POST HAS INTRODUCED BUSINESS LETTER CHANGES

Australia Post has introduced a system of first and second class mail termed “priority service” and “regular service” respectively. The two timetables apply across a wide range of business letter products. The regular delivery timetable will cost less than the Priority but deliver one to two days later.

Businesses have been advised that they may need to change their envelopes and the way they present mail.

If you use Postage Paid imprint envelopes and you choose the Priority timetable then you will need to change envelopes. If you choose the Regular timetable then no changes are needed to envelopes.

If you use a postage meter you won’t need to change envelopes. However, make sure you get a software update from your meter supplier as this will print the correct indicia for the timetable you choose.

The Priority and Regular timetables

	From 2 June 2014 Priority	From 2 June 2014 Regular
Metro to metro Same state	1 day	2–3 days
Metro to country Same state	2 days	3–4 days
Country to country Same state	2 days	3–4 days
Metro to metro Interstate	2 days	3–4 days
Metro to country Interstate	3 days	4–5 days
Country to country Interstate	4 days	5–6 days

The above timetable is based on business days.

Imprint mail

Priority delivery timetable

Regular delivery timetable



Metered mail

Priority delivery timetable

Regular delivery timetable



For more information on changes and pricing visit www.auspost.com.au/businessletterchanges



THE APARTMENT RE-EVOLUTION

High density living has evolved a long way from the small, single room, box shaped, two and three storey walk up 'flats' of the 1940's, 50's and 60's. These properties were predominantly designed and used as a low cost option for housing commission tenants.

They were then rolled out on a larger, higher density scale which in-time created its own social problems. These problems occurred due to the tenant mix combined with a lack of facilities and amenities which are needed to help create a sense of belonging and community.

If we fast forward to today's developments, they are rarely done as single residential apartment buildings. The majority are now mixed use properties that form part of a 'precinct' with ground floor retail outlets close to parks, childcare facilities and shopping centres. The majority of new apartment buildings now also include communal facilities such as concierge services, gyms, pools

and roof top entertaining areas. These integrated developments have increased interaction between neighbours and enhanced the sense of community living.

Australian Bureau of Statistics data backs this notion, showing the percentage of time that we dedicate to 'free time' has been slowly declining. This is especially true for those parents in a family household with children who on average only dedicate 15% of time to 'free time'.

The scarcity of free time and the higher importance placed on 'winding down' has seen more people willing to sacrifice a 'backyard' and the associated upkeep for the low maintenance lifestyle of an apartment. Apartment living close to employment hubs also frees up time by reducing commuting times. Time spent, before or after work, traveling to and from shops, or the gym, has also been greatly reduced due to apartments being located close to these facilities.

In addition to these two key drivers there are three underlying attributes driving this evolution:

- **Location** – Apartment developments are predominantly located close to existing employment precincts, transport hubs, retail centres and entertainment.
- **Affordability** – The lower cost and price point of purchasing an apartment compared to a detached house, in the same area, is a key driver behind the appeal of apartments to many buyers.
- **Choice** – There are many apartment types, sizes, and ages with a variety of facilities, services and amenities to choose from. This ensures apartments appeal to a wide range of buyer types.

The full report can be found [here](#).

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WANT TO USE YOUR PROFESSIONAL SKILLS TO SUPPORT SOCIAL ENTREPRENEURS IN AUSTRALIA?

The School for Social Entrepreneurs (SSE) Australia's Talent Pool provides an exciting opportunity for business professionals to be a mentor to a social entrepreneur, to support the development of Australia's emerging changemakers and their social enterprises.

If you have skills in financial management, legal structures, governance, marketing and IT and/or are familiar with start-ups and community based organisations, SSE's Talent Pool can connect you with social entrepreneurs who are passionate, committed and trailblazing innovative solutions to challenges in their communities.



National Head of Education and Social Sector at Westpac, Barry Thatcher with his mentee, Jamie Moore

MENTOR CASE STUDY: BARRY THATCHER

As the National Head of Education and Social Sector at Westpac, Barry Thatcher is a mentor who truly understands how to develop a market-ready business towards financial growth, and with over eight years experience building education and not-for-profit enterprises Barry is often the go to guy for advice.

Venturing along to a SSE Australia info session aimed at recruiting mentors, Barry was so impressed by the student presentations he quickly signed up to join SSE Australia's growing Talent Pool.

"One of the stand-outs on the evening was a program for graffiti artists, Street Art Murals Australia (SAMA) – repurposing street spray painting from a fringe, illegal activity into cool, colourful murals commissioned to decorate corporate offices. They transform commercial spaces while tackling a contentious public issue, by creating a viable business enterprise which nurtures artistic talent."

Barry also connected with Jamie Moore, the General Manager of online initiative Hello Sunday Morning. The enterprise encourages people to regulate and limit their consumption of alcohol, a concept Barry found refreshing.

"It resonated with me personally as I'd recently gone on a period of non-drinking for a sporting event. I had found this quite challenging due to the peer expectation to drink at corporate

functions. So I began to rethink this culture and what I could give to support Jamie's strategic vision," said Barry.

Barry's professional experience around building sales distribution networks and taking new products to market helped take Hello Sunday Morning to the next level. His approach was also towards facilitating problem solving through open-ended brainstorming, rather than providing answers.

"Jamie is a high energy guy who just needed someone to bounce ideas off to validate whether he was on the right path. I connected with the person, the content, the plot and what the business was needing in terms of development assistance."

ABOUT SSE AUSTRALIA

The School for Social Entrepreneurs (SSE) Australia inspires and equips changemakers and social entrepreneurs to establish, scale and sustain social ventures that foster social and economic participation, and create a lasting impact within disadvantaged communities.

It is based on the highly successful SSE UK founded in 1997 by serial social entrepreneur Michael Young, and in addition to the Australian schools in Sydney, Melbourne, Brisbane and Perth, there are 12 Schools in the UK and one in Canada with a global network of over 1,200 Fellows, including over 300 in Australia.

Visit www.sse.org.au to find out more and to become a mentor.



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FIABCI AUSTRALIA REPORT



Chris McGregor

What a terrific experience to see so many Australian's attending the Luxembourg Congress and the great support from the REIs for Australia's Robyn Waters as the new World FIABCI President, who has hit the ground running and has already spent considerable time meeting our global colleagues.

It was also an honour to share a dinner with Major General the Honourable Michael Jeffery hosted by Carlo Hein from Luxembourg at his parent's private home. The property was amazing with some of the most beautiful gardens I have seen at a private residence. Former Governor General Jeffery thoroughly enjoyed the experience and has now invited Carlo to visit him in Canberra when he arrives in Australia in October.

Next year's Congress is to be hosted by the Malaysians in Kuala Lumpur.

The big news Downunder is the World FIABCI Board will be arriving in Melbourne in October for its next Board meeting, kindly hosted by the Real Estate Institute of Victoria.

They'll meet with the REIV Board and REIV CEO Enzo Raimondo will give a presentation on the history of Realestateview and the current market in Victoria.

The FIABCI Board will also take part in a cocktail function, field trips, including to the Yarra Valley, and see some open for inspections and auctions, Aussie style. It would be great to see our local FIABCI members in Victoria and interstate join in at the cocktail function too.

There is a student's Real Estate FIABCI Conference from the 26-28 of September 2014 at the EBZ Business School – University of Applied Sciences, Bochum Germany if you have any young members in your offices that you would like to reward or advance their careers.

On another positive note, FIABCI Australia has increased its membership by 50% in the past 12 months. Let's keep going!

Chris McGregor

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INDUSTRY UPDATE

Industry news from around Australia



Real estate fraud

ACT Policing is investigating a real estate fraud in which a Canberra property has been sold without the consent of the home owner, who resides overseas. After consultation with the Royal South African Police (RSA), ACT Policing has taken carriage of the investigation which will determine how the home owner, who resides in South Africa, was defrauded of the Macgregor home.

Police will investigate a series of exchanges which led to the sale of the property without the owner's knowledge or consent, and the disbursement of the funds generated by the deception. ACT Policing has joined with the ACT Office of Regulatory Services and ACT Attorney General Simon Corbell in warning home owners to be vigilant of scammers, particularly if an owner is residing or travelling overseas.

Is it livable?

Established in 2011, Livable Housing Australia (LHA) is a partnership between industry, the consumer sector and governments, committed to ensuring that new Australian homes are designed and built to be safer, more comfortable and easier to access.

Now, LHA has designed an online assessment tool to help Australians find out just how livable a dwelling is.

CEO of Australian Institute of Architects, David Parken said, "This new assessment tool will make it easier and simpler for industry to achieve an LHA livability certification for a home or project."

"Importantly, it provides a central entry point for industry, governments and everyday Australians who are interested

in achieving one of LHA's Silver, Gold and Platinum Livability ratings," he concludes.

Chief Executive of Master Builders Australia, Wilhelm Harnisch, praised the new initiative, saying, "The online assessment tool takes the guess work out of the certification pathway and builds in key efficiencies which means gaining a livability certification is simple and fast."

More information available [here](#).

ATO warns property developers

Property developers are being warned against using trusts to return the proceeds from property developments as capital gains instead of income.

"We have begun auditing property developers who are carrying out activities which conflict with their stated purpose of capital investment," Deputy Commissioner Tim Dyce said.

"A growing number of property developers are using trusts to suggest a development is a capital asset to generate rental income and claim the 50% capital gains discount.

"Our enquiries indicate that these arrangements are contrived and some property developers are inappropriately claiming capital gains tax concessions. Property developers should return the income from developments to ensure they are complying with the law," Mr Dyce said.

Penalties of up to 75% of the tax avoided can apply to those found to be deliberately using special purpose trusts to mischaracterise the proceeds of property developments.

Information on amending a tax return or activity statement can be found on at ato.gov.au or by phone on 13 28 61.

The Taxpayer Alert, [Trust mischaracterising property development receipts as capital gains](#), provides further context on the warning.

Pets and renting

With two out of every three Australian homes owning a pet why are pet-friendly rentals so thin on the ground?

The Australian Companion Animal Council (ACAC) brochures, Renting with Pets and Tenants with Pets, provide simple steps and helpful hints to help prospective tenants secure pet-friendly rental accommodation and offer an informative resource to landlords considering renting to pet owners.

Copies of these brochures are available by contacting info@acac.org.au

Baby boomers

A survey report on the housing and lifestyle preferences of baby boomers has been released by Realestateview.com.au

Contrary to the belief that baby boomers will retire on property wealth and superannuation, their choice in property tells a different story:

- The majority are looking for property in the lower to mid price ranges and are concerned about current house prices; only a minority (8.6%) are searching for property in the million dollar range.
- Two thirds of baby boomers (66.8%) nationally are looking to buy for under \$600,000, with over half of these looking for property under \$400,000.
- Victorian baby boomers appear to be the most affluent. While NSW was on par with the national average, there were more Victorian baby boomers looking for property in the higher price ranges of \$800,000–\$1million and over \$1million.

The full report can be found [here](#).

MAKING NEWS

General national news



Business checks

A new smartphone application developed by ASIC will help small business owners undertake important checks before they enter into business transactions with other organisations.

ASIC Commissioner Greg Tanzer said, “What you see on the surface isn’t always what you get.”

“Due diligence needs to start the moment you’re thinking about starting a relationship with a business, not after you find out you’re chasing money from a business that doesn’t exist.”

“There will always be an element of risk when you enter into business transactions, but you can help protect your interests by doing your homework and checking for warning signs.”

Available for smartphones and tablets, ASIC Business Checks encourages business owners to:

- ask the right questions about the company, business and individuals they’re dealing with
- check ASIC’s registers and verify that the information they’ve been given is accurate
- seek ASIC’s help if they need more information or the support of a professional business adviser, and
- report suspected misconduct to ASIC if they believe a company, business or individual is acting unlawfully.

Tree change

- Nearly 4 out of 5 Australians (78%) would prefer to live in a home with many natural elements, such as trees, plants, and a garden, over one that does not have these features.
- Assuming a base house cost of \$500,000, Australians would be willing to pay an average of \$35,000 more (about 7%

of base cost) for a home in a green neighbourhood than for the same kind of home in an area with little surrounding nature. Around one third of Australians (34%) would pay an extra \$100,000 (20% of base cost), while 15% of people would pay an extra \$120,000 or more.

- Three-quarters of Australians (73%) report that a backyard is an important feature of their ideal home. Out of 14 different natural and non-natural home features, a backyard is the one considered by Australians to be the most important.
- When asked to consider their ideal home and rank the importance of 14 natural and non-natural features to them, Australians rated having a home with a backyard and living in a “green” neighbourhood with many trees, parks, and gardens even higher than: being close to work; having easy access to public transport; and having good shops or a shopping centre nearby.

Planet Ark

Oz economies

Western Australia remains the top-performing economy in the nation with no slippage in the ranking over the past three months. The Northern Territory has leapfrogged the ACT to become the second-best performing economy and there is now little to separate the ACT and Queensland. NSW and Victoria follow and are closely grouped together. There is then a gap to South Australia and another gap to Tasmania with both states clearly underperforming other economies at present.

Western Australia comes out on top on only one of the eight criteria – retail spending. Western Australia is now second on six of the eight indicators, and fourth on dwelling starts.

Spending on hold

Australians are dipping into their savings, delaying purchases and using their credit cards to bridge the gap between pay days, according to a new consumer survey.

The Choice Consumer Pulse Report has highlighted a range of cost-of-living pressures facing Australians with one third of people surveyed saying they find it difficult to get by on their current income, and two-thirds saying they have cut back spending on non-essential items.

Less than a quarter of people say they are feeling comfortable on their current income, and the price of electricity, fuel and food are the biggest concerns. Choice CEO Alan Kirkland says it shows households are doing it tough. “The people that are struggling the most are certainly people on low incomes.”

“And when we look into that further, renters are really struggling a lot more than people that are trying to buy their own home – but also families with young children, which is not surprising because they’re households that face the biggest burden when it comes to things like electricity, fuel, food and groceries and health and medical costs.”

“Some of these findings reflect what’s actually happening, we’ve seen electricity costs go up massively in the last five years, way beyond the rate of inflation and it’s no surprise that people are saying that they are the biggest cost-of-living concern.”

“There are a lot of people doing it tough, but also a lot of people who aren’t living comfortably but they’re certainly concerned about how well they can get through to each pay day based on their current income.”

ABC

POLITICAL WATCH

Information and news from government



Fair work learning

The Fair Work Ombudsman has released two new online learning courses. Both courses are now available to the public and can be accessed via the FWO's online learning centre at: www.fairwork.gov.au/learning

The *Managing performance* course is designed to assist small business owners implement a simple and straightforward performance management system in their workplace to promote good performance and address underperformance when it occurs.

Learners are introduced to performance review systems and are guided through the process of implementing a performance review cycle for their employees. They are also provided guidance on how to deliver feedback effectively and manage performance discussions.

Interactive scenarios are used to guide learners through the initial steps of managing underperformance through to the steps involved in formal performance management and taking further action should sustained underperformance not improve. Learners are introduced to key performance management tools including performance improvement plans as well as different approaches to dealing with underperformance and the consequences of not implementing an effective performance management system.

The *Starting a new job* course is designed to assist young workers to get off to the best start in their first job. In addition to helping young workers understand their rights and responsibilities in the workplace, the course guides the learner through common workplace scenarios, dispels workplace myths and reinforces appropriate workplace behaviours to help improve their job readiness.

The FWO conducted focus groups with young workers to determine the type of information that they need when starting a new job and what would help them make a comfortable transition into the workforce. Based on the feedback received, the course was tailored to include information on:

- minimum entitlements, including superannuation, breaks and pay and hours of work
- questions to ask before starting a new job, such as what to do if they can't attend work or are running late
- the importance of knowing their obligations and adhering to any workplace policies and procedures, like social media
- what bullying & discrimination is and what can be done about it if it occurs.

New suburb

Victorian Planning Minister Matthew Guy has approved the final master plan for the development of a new inner city suburb that will more than double the size of Melbourne's central city. Mr Guy said completion of the Fishermans Bend Strategic Framework Plan (SFP) would guide the development of a 250 hectare precinct on the doorstep to Melbourne's CBD.

"Fishermans Bend is Australia's most significant urban renewal project and this plan provides a long term framework for a precinct that will transform Melbourne by linking the CBD to Port Phillip Bay, supporting 40,000 new jobs and providing homes for at least 80,000 residents," Mr Guy said.

Easy access info

All Australian businesses can now access simplified and streamlined information and services via the Department of Industry's Single Business Service.

Single Business Service is made up of a consolidated online presence accessible anytime and anywhere, a contact centre and a face-to-face business facilitation network to link interested businesses with relevant programmes and services.

Support includes:

- information for businesses that is easy to find and understand
- tailored advice for businesses when they choose to access it
- direct links to Australian Government programmes and services, including the new Entrepreneurs' Infrastructure Programme, Growth Fund, Industry Skills Fund and Manufacturing Transition Programme.

Find out more at www.business.gov.au or contact the Single Business Service on 13 28 46.

Balancing rights of tenants/landlords

A review into the Residential Tenancy Act by ACT Attorney-General, Simon Corbell, will ensure the Act operates effectively and fairly. "This is an important review that will ensure we have an appropriate balance between the rights of tenants and landlords," Mr Corbell said. "It gives everyone an opportunity to have their say about whether the law is operating fairly and effectively."

The review will also examine issues relating to share housing, sustainability in rental homes and the standard of rental accommodation. "I invite all members of the community who are interested in residential tenancy issues and the operation of the Act to look at the discussions papers on Justice and Community Safety website at www.justice.act.gov.au and to make a submission by 12 September 2014."

THE WORLD

Property news from around the world



New York, New York

Chinese investors are the biggest buyers of high-end luxury real estate in New York. Beijing no longer permits individuals to own more than two properties, even as an investment. So a growing number are going abroad as cash buyers.

For the last 12 months ending in March, China accounted for \$22 billion of what is now a \$92 billion market. Moreover, Chinese purchasing power moved them from a 19% share of the market last year, to a 24% share so far this year.

"It used to be that they would just appear out of the woodwork, but now everyone in the real estate market is going to the Chinese and marketing their product directly to them in China," says the agent, who advertises on Juwai, a popular real estate website. "Some of these guys are buying property sight unseen," he adds.

Keeping prices in check

Take a look at the world's dizzying surges in the price of housing for 12 months at the end of June: London up 20 %, Manhattan 18 % and Sydney 15 %. Then there are Singapore and Hong Kong: down 3.7 % and 0.6 %.

Prompted by concerns over potential property bubbles and affordability for the middle class, the governments of the two Asian cities have been reining in home prices by imposing measures including mortgage caps, taxes on property flippers, and levies on foreign buyers as high as 15 %.

So could New York, London and other global cities facing soaring housing prices pull off the same act? Not really. Hong Kong and Singapore's island geographies, preponderance of public housing resulting in two-tier housing markets and citizens willing to tolerate government directives make the cities unique, according to academics and researchers.

London and New York have nowhere near the same level of control over their economies and the behaviour of their residents. The Asian cities control the land supply and are the biggest landlords. That allows them to implement decisive policy measures.

Malay Online

Gherkin for sale

London's Gherkin skyscraper has been put up for sale, with interest expected from Chinese, other Asian, and US buyers, estate agency Savills has said.

The City of London tower is expected to fetch offers in the region of £650m.

30 St Mary Axe, which is the building's formal title, was placed in receivership in April after one of its owners was placed in insolvency.

"I suspect there will be an iconic element to this [sale]," the Savills representative added.

The 40 storey skyscraper, which was designed by Lord Foster, opened in 2004. It is currently let to around 20 tenants, including Swiss Re.

Perfect Portugal

After three years of falling values, Statistics Portugal has revealed that property prices increased by 1.22% in the year to the first quarter of 2014, though prices are still well below their 2007 peak.

The result is a market packed with affordable properties – so much so that the third edition of the Deloitte Property Index Report has revealed Portugal to be among the top three most affordable residential property markets in Europe (along with Germany and Denmark).

Many foreign buyers are drawn to Portugal by the weather, the stunning beaches and the low cost of living. The Portuguese government has put a number of incentives in place to encourage foreign investment in the country's market.

In terms of prices, €105,000 (\$190,000) is enough to purchase a one bedroom, one bathroom apartment just 1,500m from the idyllic Falesia beach and the famous Pine Cliff Golf Resort.

Where is Canada heading?

A dearth of concrete data on the financial position of Canadian homeowners has left those who study the mortgage market operating in a near void.

Some industry observers have warned for years that the market is headed for a big drop, that the levels of borrowing and sky-high pricing are unsustainable. But so far they have been wrong. Prices continue to rise while incomes stagnate. With no end in sight, conflicting views of the health of the market abound.

In Canada's post-recession era of ultra-low interest rates, some buyers have been taking on much larger mortgages than they would be able to afford if rates were even a little higher. When rates reset, overextended buyers could sink into insolvency, but just how many would be affected, and the extent to which this could impact the market, are unknowns.

In the vacuum of official government data on everything from the average down payment to the average monthly mortgage payment to the number of condos owned by foreigners, the country's top real estate researchers – and even the federal government – must draw conclusions from partial information, surveys and anecdotal evidence.

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