

REIA NEWS

ISSUE 41: DECEMBER 2014



2014 PAST PRESIDENTS' DINNER

90th ANNIVERSARY

MERRY CHRISTMAS AND A HAPPY NEW YEAR
FROM ALL AT THE REAL ESTATE INSTITUTE
OF AUSTRALIA.

REIA NEWS WILL BE BACK IN FEBRUARY 2015.

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NEW FRANCHISING CODE

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OUTGOING PRESIDENT'S REPORT

Mr Peter Bushby
REIA Outgoing President



WELCOME FROM REIA'S OUTGOING PRESIDENT

Hello and welcome to the December/January edition of REIA News.

This will be my final message as President of REIA as I will be stepping down at this week's AGM. It certainly has been a wonderful privilege to serve as the 42nd president for the peak body representing the Australian real estate sector and I feel much has been achieved over the last two years. During 2014 we recognised 90 years of service to the industry and the year has certainly been another busy one with REIA in our policy and advocacy role making submissions to The Harper Review into Competition and The Murray Review into the Financial Services sector as well the Industry Skills Fund and the Inquiry into Foreign Investment in Australian real estate.

Housing affordability has been a ongoing concern for REIA in 2014 with the year commencing with the Housing Affordability Roundtable, convened by REIA, with leaders from industry, government and the community coming together in Canberra to discuss how we can ensure housing remains affordable for first home buyers. There is still much work to be done in this

space with the most recent Housing Affordability report, by the Adelaide Bank and REIA, showing that first home buyers now make up only 12% of the owner occupier market. This is well below the long term trend of 19%.

It was also great this year to further strengthen our relationship with the Estate Agents Cooperative with REIA and EAC again jointly hosting the NSW Auction Championships and also the inaugural NSW Awards for Excellence. This is a very important new development as it enables NSW to once again compete in the National Awards for Excellence. During 2014 we were also pleased to welcome Defence Housing Australia (DHA) to our Affiliates Member Council.

I'd also like to congratulate Michael Wellsmore for receiving the NAR Global Outreach Award, which is a very prestigious awards given out annually to an individual who has gone above and beyond to promote the real estate brand, network and product/service outside the US. Recipients have a track record of establishing lasting relationships that help to build bridges between NAR and the association's cooperating partners overseas. Over the last couple of years, Michael has done a tremendous job bridging our two associations and creating opportunities for collaboration.

Looking forward, next year will be another critically important one for the real estate sector with the Federal Government scheduled to release its taxation white paper. I leave the role of President knowing that REIA is well placed to advocate on behalf of the industry.

I would particularly like to thank our small but dedicated and hard working team at REIA led by CEO, Amanda Lynch, the REIA board for their continued commitment and our institute and affiliate members who have all contributed to advancing our collective interests on the national scene.

Finally I would like to recognise those board members who are retiring this year. I thank Ted Piteo (REISA), Adrian Kelly (REIT), David Airey (REIWA) and Morgan Shearer (REINT) for their outstanding service and contribution to the REIA. A special mention on a personal level in particular to Morgan who has been on our board for nine years and has been for this past two years my very loyal and supportive Vice President and capable Chair of our finance committee.

I also take this final opportunity to wish everyone a happy and safe Christmas and a very successful 2015.

Mr Peter Bushby

REIA OUTGOING PRESIDENT



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

KICKING GOALS: 2014 WAS A BUSY BUT PRODUCTIVE YEAR



It's hard to imagine that the year 2014 is already drawing to a close – it certainly has been a busy one for the real estate sector.

As always, REIA has been very active in giving the sector a strong voice nationally. We started the year by convening a Housing Affordability Roundtable which drew together Government, industry and community leaders from a wide range of sectors.

Access to affordable housing is a goal that is shared by the Government and all sectors of the community and a lack of affordable housing impacts on the economy as well as the wellbeing of individuals and the cohesiveness of communities and society.

REIA has been very concerned all year by the continuing decline in first home buyers, which has hit an all time low of 12% of the owner-occupied market. Earlier this year, I spoke at the Senate Inquiry into Affordable Housing where I reinforced the key recommendations of our submission to the inquiry that all states and territories recommit to first home grants for both new and established homes. REIA also strongly advocated

for an improved supply of housing for social housing tenants transitioning to private rental by utilising individual private investors and that conveyance stamp duties be abolished and replaced by an efficient source of revenue for states and territories.

We believe that lessons can be learnt from experiences overseas and we have repeatedly advocated to Government that first home buyers should have the option of potentially unlocking their superannuation, as is the case in Canada, New Zealand and Singapore. Survey after survey of first home buyers has found that an adequate deposit was the biggest barrier to purchasing a property and allowing access to superannuation with the amount withdrawn repaid over a set period provides a very workable solution.

It is very disappointing to see the removal of first home buyer grants for established dwellings in many states and territories, especially

when new research suggests that first home buyers are becoming more burdened with debt and increasingly using personal loans and credit cards to finance their deposit.

This year has also seen REIA take a strong stance backing small business against trademark grabs by big business that not only have a major adverse impact on competition but are deliberately used to reduce competition.

In our submission to the Harper Review into competition, we strongly support the recommendation for an overarching review of intellectual property, undertaken by an independent body such as the Productivity Commission and we believe the review should focus on competition issues arising from new technology developments.

Earlier this year, REA group (which owns realestate.com) attempted to broaden its trademark application

» *article continues*

KICKING GOALS: 2014 WAS A BUSY BUT PRODUCTIVE YEAR

» *continued*

to include 'real estate', which we vigorously opposed and have asked the application be withdrawn as it could potentially jeopardise the use of generic terms by other businesses, competitor web portals and professional bodies.

We will continue to fight what we feel is an unfair play by big business against their small competitors.

On a more positive note, the House of Representatives Standing Committee on Economics, which oversaw the Inquiry into Foreign Investment in Australian residential real estate released its positive report in November. The committee, which was chaired by Kelly O'Dwyer MP, delivered on key recommendations including the establishment of a national database for property purchases, an alert system with the Department of Immigration, capital gains benefits forfeited to Government for breaches along with increased and a beefed up Foreign

Investment Review Board with a greater focus on audit and compliance.

Many of the main recommendations were in fact initiatives lobbied for by REIA with REIA Affiliate Council member, Ray Ellis and Stewart Bunn, appearing before the public hearings in September.

Foreign investment in Australian real estate has been proven to increase housing supply but is also a highly charged and emotive issue and it was very pleasing to see the committee take on board the suggestions of business and produce a series of recommendations that will ensure foreign investment delivers on its intent and is not flouted.

The system, particularly for established housing, needs to be transparent and instil confidence in the Australian community that it is fair and equitable. These report recommendations, when implemented will go a long way to providing this confidence.

To view REIA's submission to the Inquiry, which was heavily quoted in the report – [click here](#).

We now ask the Government to implement the report recommendations as a matter of priority – an issue that REIA will advocate for in 2015 on behalf of our members. Next year is shaping up to be another busy one with the Government due to release its long awaited taxation green paper. REIA is following this issue very closely and has already commenced conversations with key Government figures regarding the retention of negative gearing and changes to stamp duty levels.

I hope you and your families have a wonderful and safe Christmas break and we look forward to working with you again in 2015.

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INDUSTRY ARTICLE



DISASTER RECOVERY

Everyday countless documents are accessed, created and stored in your business but what if your office had a catastrophic server crash, a fire or a flood? Would you be able to replicate the data or do you have a backup plan? It is important all real estate agencies have a regular backup procedure in place to avoid any form of disaster. Electronically storing documents will not only save you physical storage space but save your business if disaster strikes. What are the best practices to have in place?

All data should be backed up at least once per day. As a part of Australian law, you are required to store backups of your data. Your business must also store the most recent backup in a place separate to your business office, in case of incidents such as fire, power or disk failure. Backing up should be a priority, especially around mid-month or end of month.

Backups can take place in the form of a hard drive or alternatively you can store your data in the cloud. Automatic backups come as a part of most cloud based software, meaning your data will be stored in data centres and updated as frequently

as every 15 minutes. Automation in this software eliminates the need for servers, backup disks, or drives, freeing up time to run your business.

These cloud systems provide offsite storage. To ensure this is an effective backup system it is important all paper documents are scanned and stored electronically. Researching and selecting a reputable cloud provider is highly recommended to ensure your sensitive data is stored with a trustworthy service provider.

To maintain a clean and structured backup system it is a good idea to implement a data plan and schedule. Having a schedule will ensure regular backups occur. Having a dedicated person to complete the backups will eliminate duplicates of information and ensure the backups are completed. It is important to ensure the entirety of your businesses data is backed up.

Although backups can seem like a tedious task, it is imperative your business does them. There is the common misconception it will consume too much time and cost too much, but when weighing up

the time and monetary costs, the downtime your business would face if you lost all your data is immeasurable. Costs aside, the negative impacts of losing valuable client data, data that they trusted you to store, can be detrimental to a business.

Check your business's backup operations and see how you can either improve them or implement them. Instigating these systems and procedures today will save you and your business stress and money in case of disaster.



REIA WELCOMES NEW PRESIDENT

REIA has welcomed the election of the new President, Neville Sanders from Victoria.

Mr Sanders was elected to the presidency at the Annual General Meeting held in Canberra on Thursday. Mr Sanders is a third-generation estate agent and has been actively involved in real estate for over 48 years. He became a Member of the Real Estate Institute of Victoria in 1971 and joined the REIV Board in 2006.

Currently, Neville is the general manager of Whittles Australia, is an REIA Fellow, an REIV-accredited owners' corporation manager, vice chairperson of the REIV Owners Corporation Chapter committee and a qualified valuer.

In accepting the role, Mr Sanders thanked outgoing President Peter Bushby from Tasmania who has served in the position for two years.

"Peter has provided excellent stewardship of the organisation since 2012 and during that time he has achieved much in ensuring that our members have a strong national voice," Mr Sanders said.

"On behalf of the board and staff, we extend our sincere thanks to Peter for

his professionalism and commitment to the role during an important chapter in REIA's history."

"Next year will be an equally important one for the sector with the release of the much anticipated Government white paper into taxation. I see it as an absolute priority that agents have a national voice at the table on tax reform in advocating for the abolition of stamp duty funded by an increase in GST and the retention of negative gearing."

"I am also resolved to ensure that professional standards are not diluted and consumers are protected when they make the biggest and often the most important purchase of their lifetime," Mr Sanders concluded.

Thursday's AGM also saw the election of Hayden Groves as Deputy President from WA. Mr Groves owns real estate business, Dethridge & GROVES, after having worked as a successful sales representative for the firm for many years. Mr Groves is REIWA Deputy President, President of the Real Estate Employers' Federation and Deputy Chair of REIWA's Fremantle Branch.



Incoming deputy president, Hayden Groves from Western Australia

A man with curly hair, wearing a blue shirt, is sitting at a desk in a home office. He is looking towards the right. A young child with blonde hair is sitting next to him, looking towards the left. The desk has a computer monitor, a globe, a fruit basket, and some papers. The background shows a wooden cabinet and a framed picture on the wall.

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TRADEMARKS OVER WEBSITE DOMAIN NAMES RESTRICT COMPETITION

This article is brought to you by
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The Real Estate Institute of Australia has made a strong case in support of small business in lodging its submission to the Harper Competition Policy Review Draft Report.

In its submission, which is publicly available at <http://reia.asn.au/government/submissions/> REIA highlights how intellectual property can be dominated by large corporations in a bid to stifle competition and uses the specific example of trademarks for website domain names.

The experience of REIA and others is that big business trademark grabs not only have a major adverse impact on competition, particularly for small business, but they are deliberately used to reduce competition.

In REIA's submission to the Harper Review reference is made to the REA group which has applied for a trademark for 'realestate.com.au'. REIA has asked that REA Group withdraw its trademark application as, if granted, the trademark could jeopardise the use of the term 'real estate' by other businesses and professional bodies in the sector.

There are concerns for the potential for REA once it owns the term 'real estate' to oppose a number of other businesses that have the term real estate and .com.au in their name.

These concerns extend to the domain name being used to increase the market power of the REA Group – which is already a dominant player. Any increase in the holder's already substantial market power raises the scope for it to eliminate or substantially damage a competitor or prevent the entry of another competitor.

The REIA believes that to allow a single company to claim trademark rights to a generic term would unfairly hamper competition and that allowing a trademark on a generic term is contrary to the Australian Consumer Law.

A case study from the USA provides a valuable pointer as to how other jurisdictions view the matter. An attempt to register the trademark "hotels.com" was lost when the U.S. Court of Appeals for the Federal Circuit ruled the trademark was a too generic

term for its services (Law360, New York, July 23, 2009). The decision by a three-judge panel of the Appeals Court affirmed the Trademark Trial and Appeal Board's refusal of the registration on the ground that "hotels.com" was a generic term for hotel information and reservations. The Appeals Court further noted that adding the "dot-com" indicated internet commerce and did not convert the generic term.

A related concern is that even where an initial application may be refused the applicant continues to reapply and those opposed to it have to continue to appeal against the granting of the trade mark. This is costly for small business.

This is why our submission supports the Harper Review recommendation that an overarching review of intellectual property be undertaken by an independent body, such as the Productivity Commission and that the review should focus on competition issues arising from new technology developments.

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This article is brought to you by REIA
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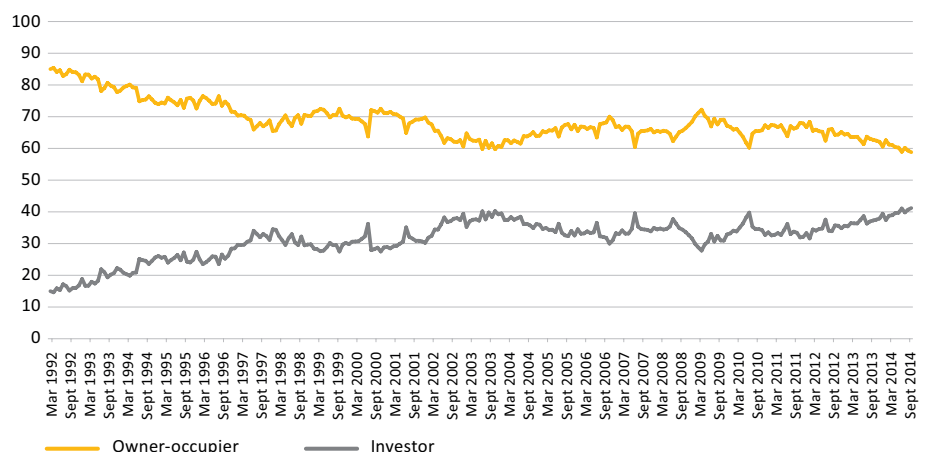
A PROFILE OF AUSTRALIAN PROPERTY INVESTORS

The Real Estate Institute of Australia has long argued that the majority of investors in residential real estate are ordinary mums and dads who have only one investment property, and it often forms an important part of a self funded retirement plan. Of all loss-making properties, 80% are owned by people who have an annual income of less than \$80k. Property investors are by no means more privileged compared to investors in other asset classes with the same rules applying to negative gearing, i.e. shares.

Historically, the rate of home ownership in Australia has been hovering at around 70% with the

most recent Census showing that in 2011, of all dwellings, two thirds were occupied by their owners and the one third were rented out. The figure is likely to change at the time of the next census, with the Australian Bureau of Statistics' (ABS) data showing that in mid-2014 the proportion of investment commitments in the total value of housing finance reached its highest level yet of 41.2% in September 2014 (Figure 1). With the number of first home buyers falling to its historically lowest level since the ABS started to track the group's activity, it appears that some aspiring Australians opt for becoming investors prior to purchasing their first home.

FIGURE 1 *Proportion of owner-occupier and investor commitments in the total value of housing finances, %*



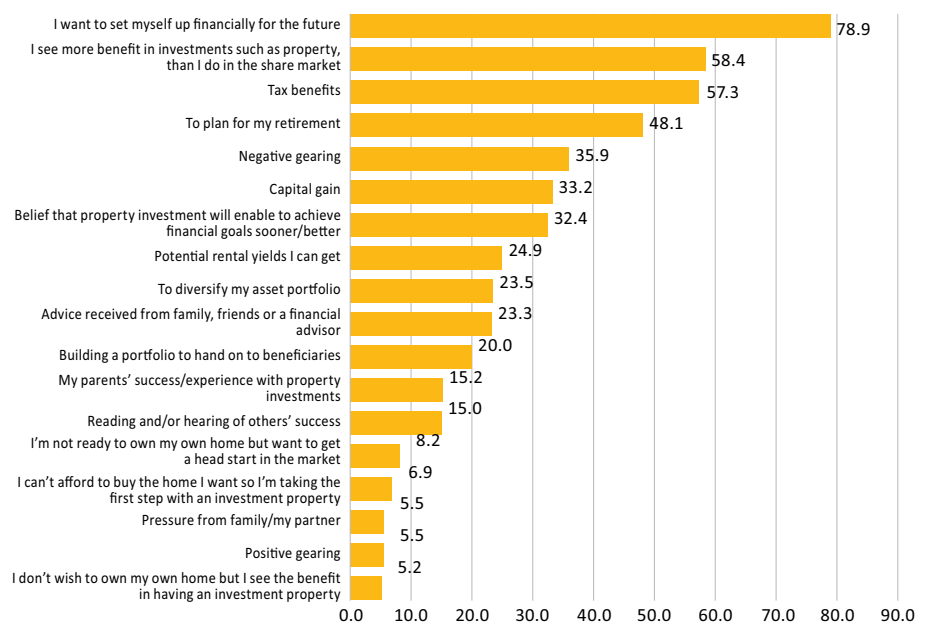
» *article continues*

The 2014 *Mortgage Choice First Time Investor Survey* conducted earlier this year provides an interesting insight on the demographics, as well as the behavior of, investors in Australia's private rental market.

Of about 1,000 respondents surveyed by Mortgage Choice, 16.9% have bought or were planning to buy their first investment property before they purchased their own home. Those who have purchased an investment property before becoming an owner occupier said that investing in property allowed them to get foot on the property ladder with many saying that investment properties were more affordable compared to owning a home.

Figure 2 adjacent, shows key motivational factors behind an individual's decision to invest in properties. Markedly, the majority of investors invested wanting to set themselves up financially for the future. Of the survey respondents, six out of ten believe that investing in properties brings more benefits compared to the volatile equity market. It is interesting to note that negative gearing as a motivator for buying property was ranked similarly to capital gains and achieving financial goals.

FIGURE 2 Key motivators behind investment property purchase, %



Importantly, Australian investors realise that property is a long-run game with half of the respondents planning to hold onto their investment properties for 10 years or longer.

Whilst finding the right property is the greatest challenge Australian property investors face, saving for a deposit is the second biggest barrier and only 3.7% of investors having enough funds to purchase the property outright without taking any debt. Two thirds of property investors buy with their partner/spouse and a quarter of respondents do not plan

to create an investment portfolio – often having just one investment property – the majority of investors are mum-and-dad households planning for their retirement.

Mortgage Choice findings dispel the myth that negative gearing is the primary motivator for investors buying property. Instead the motivation is to help secure their future financially and negative gearing plays an important role for those planning for their retirement through property rather than the equity market.



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REIA has published property market data and analysis for several decades. It has an excellent reputation as a highly credible source of information and considered opinion on the residential and commercial property markets in Australia.



REIA publications use information collated from a wide variety of sources including real estate agencies, industry and government. Both raw data and analysis are published in REIA reports.

The Adelaide Bank/REIA Housing Affordability Report and the Bendigo Bank/REIA Real Estate Market Facts may be purchased as single copies or by subscription. For more about the Adelaide Bank/REIA Housing Affordability Report, [click here](#). For more about the Bendigo Bank/REIA Real Estate Market Facts publication, [click here](#).

Also, "datacube" spreadsheets provide key information on quarterly median values, dating from the beginning of REIA data collection through to the current quarter, for all capital cities where data is available. For more information on REIA datacubes, please call 02 6282 4277.

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

REIA AND TAX COALITION SEEKS ACCORD



REIA has joined representatives from business and community sectors in an on-going dialogue about the very topical issues of tax reform – ahead of the Government’s tax review next year.

The group, the Business Community for Tax Reform (BCTR), aims to generate a common voice that can negotiate jointly with the government over what is likely to be an overhaul of the Australian taxation system that will have far-reaching impacts right across the economy.

The BCTR acts as an umbrella group to bring together the views of Australia’s most important and influential business groups. Its members represent both large and small enterprises on tax reform issues.

The group will meet on 15 December in Sydney with around 70 executives, including REIA’s CEO and Policy Manager, attending from the mining, property, financial services and retail sectors as well as leaders from community and charity groups.

There is currently enormous opportunity for significant tax reform with the Murray Review of the banking industry finalised last week and the Harper Competition Review presently underway as well as the Federal Government’s taxation white paper (of which the first terms of reference are expected to be released within weeks).

“If we are to effect meaningful tax reform in Australia and encourage inclusive growth that benefits both business and the community, we need to present a case for change,” said Amanda Lynch, CEO of REIA, which is an executive member of BCTR.

“The current tax system is stagnating and is not reflective of current social trends for a more mobile population with taxes such as stamp duty restricting both labour and population mobility. REIA also wants to ensure that we present a strong case to broader business community on the importance of negative gearing in allowing mum and dad investors the opportunity to help safeguard their retirement.

The principles underlying the BCTR’s vision for tax reform in Australia are simplicity, transparency and certainty, all of which underpin competitiveness. A successful tax system should also drive productivity, workforce participation, and balance economic efficiency with fairness and equity.

Ms Lynch said: “A more efficient tax system that supports economic growth, employment creation, investment and productivity will help strengthen the tax base for the future.”

“While we may not be able to agree on all elements of reform, it is clear that tax reform is needed to address the key challenges facing Australia’s competitiveness, barriers to participation, employment creation and investment; complexity and reliance on inefficient taxes.”

The meeting will also attempt to find common agreement on far-reaching issues such as sustainable growth and affordable housing.

2014 PAST PRESIDENTS' DINNER

90th ANNIVERSARY

This is an edited extract of a speech delivered by outgoing President Peter Bushby at the REIA Past Presidents' Dinner at the National Portrait Gallery on 10 December.

It is my great pleasure to welcome everyone here tonight as we celebrate 90 years of service to the Australian real estate profession. It is testimony to our organisation that 17 of the 21 living Past Presidents are here tonight!

Over the last 90 years there have been 44 Australian Cricket test team captains, 26 Governor Generals, 28 Australian Prime Ministers since federation, and similarly only a small number of people have had the honour of being the President of the Real Estate Institute of Australia since our origins way back in 1924.

Until you have been President it is hard to fully comprehend the inner workings and complexities of this organisation, the respect it carries in the corridors of power and how it needs to exist in the almost mystical Canberra environment.

Over the years, the organisation has had many challenges and has reliably and effectively met them. My personal view is that the industry needs a strong national voice as much now as it ever has done. A great example of the effectiveness of REIA is the National Licensing campaign of late last year. This collaborative effort led by REIA, working closely with our state and territory members, ensured the dismantling of a flawed and dysfunctional system.

To have a meaningful say and make a difference at the national level you have to have a constant, connected and committed presence and you need to build relationships, trust and respect.

I believe the biggest element to success and the longevity over the past 90 years has been the willingness, vision, abilities and commitment of those who have served the organisation. Looking to the future we must remain united.

There are so many challenges ahead of us with probably the biggest on the horizon that of tax reform – the potential outcomes may see significant changes to negative gearing which may have many unintended consequences for our industry and the country more broadly.

I am a practising agent, a proud and longstanding member of the REIT, which in turn is a vital member of REIA. I know that when REIA is doing its job you have few issues of a national nature to worry about. So much of this gets dealt with behind the scenes before it happens or threats modified before they had a major effect.

In closing, I would like to recognise the work our current board. I pay tribute to retiring directors, Ted Piteo from SA, Adrian Kelly from Tasmania, Past President David Airey from WA after a second stint and in particular our long serving NT director, Morgan Shearer who has skilfully served this board for the past nine years. He has been my loyal deputy and finance committee chair for this past two years. I cannot thank you enough for your rock solid support and guidance. I wish you all well for the future.



Outgoing President, Peter Bushby recalls REIA's 90 year history at the Past Presidents' Dinner

PAST PRESIDENTS WHO ATTENDED THE DINNER

- Malcolm Gray AM, 1982-84
- Bill Woolcock, 1988-1990
- John Greig AM, 1993-94 (John was later a FIABCI World President)
- Gary Taplin, 1994-95
- Phillip Bushby, 1995-96
- Donald Brindley, 1996-97
- John Franklyn, 1997-99
- Stephen Francis, 1999-2000
- Kevin Sheehan, 2000-01
- Michael Davoren, 2001-02
- John Hill, 2002-03
- Kareena Ballard AM, 2003-04
- Ian Wells, 2004-05
- Graham Joyce, 2006-07
- Noel Dyett, 2007-09
- David Airey, 2009-2011
- Pamela Bennett, 2011-12

Apologies were received from Tony Brazier and Tom Nugent

CERTIFIED INTERNATIONAL PROPERTY SPECIALIST (CIPS) ONLINE COURSE



The REIA and the National Association of Realtors® (NAR) are offering special online courses to REIA's members.

The Certified International property Specialist (CIPS) designation will provide Australian agents with an opportunity to become part of the CIPS network comprising of 2,800 real estate professionals from 45 countries.

There are six international courses developed by Global Business and Alliances of the National Association of Realtors® (NAR). These courses are designed to introduce real estate professionals to the skills and knowledge necessary to facilitate international real estate transactions with the Basic Skills as the prerequisite required to earn the Certified International Property Specialist (CIPS) designation.

The courses are designed to benefit experienced international professionals, and individuals with real estate experience who are considering international specialisation, and NAR general membership.

The CIPS Designation is the only designation of its kind in the real estate community. It's synonymous with advanced expertise, a global perspective and distinct understanding of a global buyer, and comes with powerful brand recognition with designees in 45 countries.

By earning your CIPS Designation, you instantly align yourself with the best in the business, and join our influential network of international professionals. Don't just give your business a global spin; take your business to the global level.

[Click here for more information](#)

→ NEW FRANCHISING CODE

From 1 January 2015, the current Franchising Code of Conduct will be repealed and replaced with a new Code. This will apply to all franchise systems operating in Australia.

REIA made submissions on the proposed contents of the Code and was successful in ensuring the exclusion of provisions:

- providing a franchisee with a right to terminate a franchise agreement if the franchisor fails and a buyer is not found within a reasonable time; and
- deeming a franchisee to be an unsecured creditor through allowing the creditor to claim as a debt an unexpired portion of a franchise agreement in the event of a franchisor failure.

However, other substantial changes were made, including:

- alterations to the prior disclosure process;
- substantial changes to the form of the disclosure document;,
- new disclosure obligations in relation to issues such as on-line sales, end of term arrangements and master franchise arrangements;
- new requirements in relation to the operation of marketing funds, including a requirement to establish a separate bank account into which all contributions are to be made as well as a requirement for franchisors to contribute to the fund in respect of any corporate stores or outlets they operate, on the same basis as franchisees – **this particular requirement may have particular impact in the way some franchises in this sector may operate;**
- strengthened requirements in relation to franchisee capital expenditure during the term of the franchise; and
- codification of the common law duty of good faith, such that franchisors and franchisees must act in good faith in relation to any matter arising under or relating to the franchise agreement and the Code.

The new code can be found at:

<http://www.comlaw.gov.au/Details/F2014L01472>

The new Code will apply to all franchise agreements executed after 1 October 1998, not just those executed on or after 1 January 2015. The Australian Competition and Consumer Commission is developing materials to help franchisors, franchisees and prospective franchisees understand their rights and obligations under the new code, including:

- guidance on what the duty of good faith is likely to entail; and
- guidance on how the ACCC will enforce compliance with the code.

REIA believes it is timely for all franchises to review their agreements.

THE LONG-AWAITED MURRAY REPORT COULD CONSTRAIN REAL ESTATE

This article is brought to you by REIA Manager Policy, Jock Kreitals
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The Financial System Inquiry's Final Report, more commonly known as the Murray Report was released this week. The Report made 44 recommendations to the Commonwealth Government affecting the financial systems sector. The recommendations focus on two general themes: funding Australia's economy and boosting competition; and five specific areas: resilience; superannuation and retirement incomes; innovation; consumer outcomes and the regulatory system.

It should be noted that these are recommendations to Government at this stage and it will not be taking any action until the middle of next year. Indeed the Treasurer has emphasised that "this is a report to the Government; it is not a Government report".

A further round of submissions will be accepted until the end of March 2015.

In responding to the Draft Report in August REIA made the following recommendations

- That the risk weights for insured loans be reduced
- That the current arrangements regarding negative gearing remain unchanged
- That a data base be developed to reduce information asymmetries between lenders and borrowers
- That the current arrangements regarding leveraging by superannuation funds remain unchanged.

TREATMENT OF REIA ISSUES IN FINAL REPORT

Risk Weights for Insured Loans

Despite the discussion in the Draft Report the matter of risk weights for insured loans is not directly addressed in the Final. Instead recommendations have been made, which have been opposed by the major banks, to lift their funding requirements. On APRA's figures, the major financial institutions have to set aside capital provisions to cover an average of 18 per cent of their mortgage lending, versus an average of 39 per cent for regional banks, mutual banks and credit unions. This gives the majors a significant cost advantage over smaller players.

The Current Arrangements Regarding Negative Gearing Remain Unchanged

The Final Report reiterates the earlier view that the tax treatment of borrowing costs incurred in purchasing assets (and other expenses) and capital gains, can result in a tax subsidy by raising the after-tax return above the pre-tax return. The tax treatment of investor housing, in particular, tends to encourage leveraged and speculative investment.

A Data Base be Developed to Reduce Information Asymmetries Between Lenders and Borrowers

Having raised the issue of relatively insufficient information being available by small business borrowers the Final Report says that as technology evolves, greater access to data and innovations in data use are likely to benefit all businesses, particularly SMEs and then recommends that the Productivity Commission review how data could be used more effectively.

The Current Arrangements Regarding Leveraging by Superannuation Funds Remain Unchanged

The Final Report has recommended reintroducing the ban on borrowing by super funds (ie SMSFs), including self-managed super funds, however the prohibition would not apply retrospectively, meaning those funds that have already borrowed will be able to see out those loans. The Report argues that although the level of borrowing is currently relatively small, if direct borrowing by funds continues to grow at high rates, it could, over time, pose a risk to the financial system.

If this recommendation was adopted and implemented by Government it would most likely have a negative impact on real estate activity. Whilst some investors would no doubt continue to buy negatively geared property outside an SMSF those that currently have such an arrangement are unlikely to sell their properties. Somewhat perversely and against the rationale of the Report, if there was a prospect that the recommendation would be implemented there could be rush to buy property under such arrangements to beat the implementation date.

The Report also makes a recommendation on unfair contract term provisions supporting the Government's process to extend unfair contract term protections to small businesses. Although such protections would not prevent unfair terms in non-standard contracts, the Inquiry believes this approach may improve broader contracting practices and the fair exercise of rights pursuant to non-monetary default covenants. REIA will continue to work with the Government as it considers the recommendations of this review.

LOOKING
BACK

ON
2014

HIGHLIGHTS OF STATE/TERRITORY
2014 AWARDS FOR EXCELLENCE

ACT
NSW
NT
SA
TAS
VIC
WA



AUSTRALIAN CAPITAL TERRITORY

- 1 REIACT Small Residential Agency of the Year Winner Cream Residential. Attorney General Simon Corbell MLA presents to Chris Wilson Principal Cream Residential
- 2 REIACT Community Service Award. Sandra Forrest Branch Manager Velocity Conveyancing Belconnen presents award to Andrew Steward CBRE Canberra
- 3 REIACT Achievement Award. Stan Platis Deputy President REIACT presents award to Renee Bink Independent Property Management
- 4 REIACT Corporate Support Person of the Year. Michael Kumm President REIACT presents award to Josephine Jankovic Independent Property Management



- 1 EAC CEO David Crombie presents the award for the Commercial Salesperson of the Year Award to Viktor Desovski from Colliers International
- 2 Jordan's Crossing Real Estate took out the award for Small Residential Agency of the Year
- 3 Darin Butcher from Wiseberry Heritage, Charmhaven and Wyong received two awards – the Communications Award and Large Residential Agency of the Year. He is seen here with Drew Ferns from major sponsor Oamps
- 4 REIA President, Peter Bushby presents the Business Broker of the Year Award to LJ Hooker's Gautam Jain
- 5 Kerry Johnson from First National Manly Vale receives the Corporate Support Person of the Year award, presented by REIA President Peter Bushby

★
NORTHERN
TERRITORY



- 1 REINT CEO Quentin Kilian
- 2 Phil Doyle of Sterling Management Services, winner of the Body Corporate Manager of the Year 2014 with his wife Yus (right), and office manager Julie Strauss (left)
- 3 CEO Quentin Kilian and his wife Connie
- 4 Lisa Hewlett of O'Donoghues First National, winner of the Achievement Award for 2014 and presenter/sponsor Robert Ingram, QS Services
- 5 The crew from Darwin Digital Channel 10 enjoying themselves
- 6 Morgan and Leanne Shearer. Morgan is the recipient of the Ken Waters Award which is the ultimate recognition for services to the real estate profession



SOUTH AUSTRALIA



- 1 *Opening Entertainment by Ding Productions*
- 2 *Debbie Mundy, Penny Erskine and Emma Basso*
- 3 *Suzannah Toop, Glenn Wilson and Brett Maher*
- 4 *Bill Dimou, Matt Smith and Daniel Lauterio*
- 5 *Alex Ouwens, Paula Ouwens, Rachel Cooper-Casserly and Nathan Casserly*



★
TASMANIA



- 1 The Business Broker Award was won by Candice Gillies from NAI Harcourts.
Sponsored by Terri Scheer
- 2 Commercial Agency of the Year was won by Shepherd and Heap (Blake Shepherd).
Sponsored by National Australia Bank
- 3 REIT President Tony Collidge
- 4 The Community Service Award was won by First National McGregor Real Estate.
Sponsored by St Lukes
- 5 MC Max Walker

★
VICTORIA



1



2



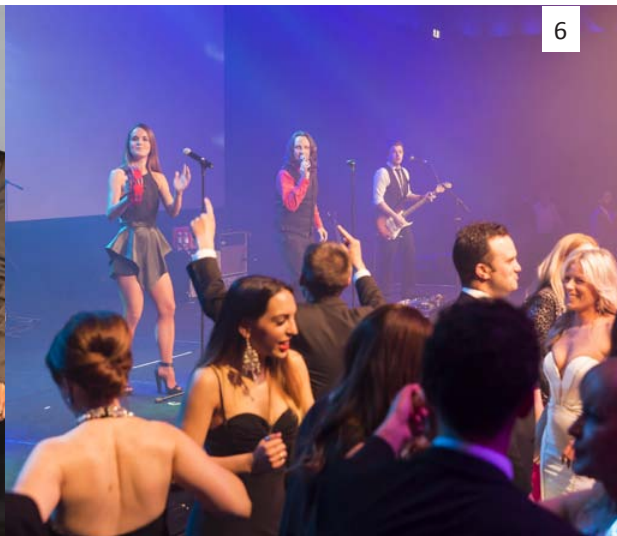
3



4



5



6



7

- 1-3 The night provided a fantastic opportunity for agents to network among colleagues
- 4 Paul Tzamalís won the Outstanding Young Agent of the Year Award
- 5 Nelson Alexander took out the coveted award for Large Residential Agency of the Year
- 6 Band Popcorn provide some great entertainment for what was a simply fantastic night
- 7 Jeremy Rosens won the Residential Salesperson of the Year (Principals) Award



1

2



3

4



WESTERN
AUSTRALIA

- 1 Community Service Award winner Greg Gardiner, Summit Realty South West, presented by Glen Jacobsen, Landgate
- 2 Commercial Agency of the Year Award winner Peter Agostino, CBRE presented by the Hon Michael Mischin, Minister for Commerce
- 3 Commercial Sales person of the Year Award winner Ryan McGinnity, CBRE presented by the Hon Michael Mischin, Minister for Commerce
- 4 Kevin Sullivan Award (President's Award) winner Rob DrUITT, DrUITT & Shead First National, presented by Paul Sullivan

HIGHLIGHTS OF STATE/TERRITORY
2014 AWARDS FOR EXCELLENCE

APRA AND ASIC TAKE A SLEDGEHAMMER TO THE MARKET

FROM HERE TO UNCERTAINTY: THE QUIET REVOLUTION IN AUSTRALIAN HOUSING



Senator Fierravanti-Wells speaks at the AHURI half-day seminar at Parliament House

On 4 December, the Australian Housing and Urban Research Institute held an event at the Parliament House discussing how new housing developments will help shape the future of our cities.

During the half day event, a number of speakers presented research evidence on the revolutionary change to the traditional Australian housing pathway and its influence on national housing policy development. All of the speakers focused on the theme of the future of Australian housing and the housing and welfare policy reforms that would be required.

A number of topical issues were covered including:

- the risks and uncertainties associated with contemporary home ownership
- how the welfare role of home ownership is changing to that of a 'piggy bank'
- why home ownership is an aspiration unlikely to be met by many into the future
- why the boundary between formal housing and homelessness is being crossed by a wider range of people in contemporary Australia.

The presentations, audio and video recordings from the event will be available at http://www.ahuri.edu.au/events/event_downloads

REIA has publicly slammed moves by the Australian Prudential Regulation Authority to clamp down on home lending and the Australian Securities and Investment Commission's review of interest-only loans.

In multiple media interviews following the announcement by APRA, REIA CEO Amanda Lynch described the regulatory body's attempts to introduce tighter controls on housing loans and target property investors as totally unnecessary and a blunt instrument that adversely affects the entire market and not just one or two hotspots.

The trend for this latest quarter, as seen in Real Estate Market Facts, which was released on 10 December, there is presently a cooling off of the market nationally with even Sydney coming off a high in the September quarter.

Amanda Lynch said, "You only have to look at the minutes of the Reserve Bank Board meetings to know that concerns about a rise in property prices relates primarily to Sydney and to a lesser extent Melbourne."

"In reality, this is the first step towards macro prudential tools and there is good reason why the sector resists any attempt to artificially control the market."

"We know from the New Zealand experience that moves such as these disproportionately affect first home buyers and APRA's decision comes at a time when first home buyer levels in Australia have hit a record low."

For the September quarter, first home buyers stood at only 12% against a long term trend of 19%.

"It was only last month that the Reserve Bank of New Zealand announced that it would be winding back its macro-prudential measures after it became clear that it was shutting first home buyers out of the market."

"We need to learn from these overseas experiences and not jump to knee-jerk reactions."

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INDUSTRY UPDATE

Industry news from around Australia



Warning over holiday e-leasing

Home owners should contact their insurer before renting out part of their home to holidaymakers through online peer-to-peer sharing services. With Christmas holidays fast approaching, many home owners and tenants are considering renting out a room or part of their home to holidaymakers using online booking services. Though the idea of meeting new people and earning extra revenue might be appealing, it might also leave some with unintended financial consequences with homeowners and renters potentially exposed to significant financial loss if things were to go wrong.

Insurance policies may not cover online peer-to-peer house sharing services, leaving home owners, tenants and holidaymakers exposed to risks and this could impact their home and contents insurance, strata or renter's insurance policies.

Further, strata title agreements, tenancy agreements and local government laws might not allow short-term holiday letting.

Importantly, home owners or renters may not be covered for public liability should a paying guest be injured on the premises.

Many insurers regard online holiday rentals as a business activity. Policyholders should check whether their insurance covers these activities and whether a more appropriate form of policy, such as landlord's insurance, is required. Some insurers offer policies designed for short-term holiday letting.

Holidaymakers who rent a home or room using these services might also be surprised to learn their travel insurance policies might not cover them if they are unexpectedly forced to cancel their trip and claim accommodation costs, or if their possessions are stolen or damaged while in the rental property.

ASIC strikes deal over real estate/financial advice

The corporate regulator has accepted an enforceable undertaking from a Gold Coast-based "financial planning and property management company". Equanimity Concepts Pty Ltd has entered into an EU after an investigation found potentially misleading advertising regarding financing options for home loans. "From January 2012 to July 2014, Equanimity advertised on its website, YouTube and in numerous in-flight magazines and police journals that consumers could pay off their home loan in a very short amount of time," said a statement from ASIC. "For example, one line read, 'Pay off your 25 year home loan in less than 5 years.'" Equanimity must now appoint an external compliance consultant to review its processes and procedures. The ads in question have now been removed.

New CEO for FSC

Sally Loane has been appointed CEO of the Financial Services Council effective 8 December. She replaces John Brogden who will assume the role of CEO of the Australian Institute of Company Directors in January 2015. Sally was a broadcaster and journalist before entering the corporate sector. For the past eight years she has been director of media and public affairs for top 50 ASX Listed company, Coca-Cola Amatil. Greg Cooper, FSC chairman, said: Sally brings a strong background in media and corporate reputation to the FSC. Her skills and experience will be critical as financial services moves from an era of the most

significant changes in regulation and legislation in its history to its next phase of being an export and growth industry for Australia. Ms Loane said: Financial services is the engine room of the Australian economy.

High Court win good news for real estate

The High Court has unanimously confirmed landlords will not be forced to pay GST on leases once they sell a property. The original Federal Court decision in MBI Properties inadvertently turned the property world upside down by implying that landlords had to pay GST on leases even after they sold the property and no longer received the rent. This is considered a major win for the property industry.

Strata energy solutions

A Canberra-based business that provides leading energy solutions for strata and community title owners and managers has been awarded a top prize for sustainability at the prestigious Melbourne Awards. Smart Blocks has been recognised for helping apartment owners and managers improve the energy efficiency of common property in apartment buildings. On average, residents of high and medium density blocks use 25 per cent more energy than those in detached dwellings with up to 50% of this energy use coming from common areas like hallways, car parks and swimming pools. Smart Blocks provides a ground breaking online tool kit that equips owners and managers with tools to work collaboratively to implement projects in the common areas of their building.

MAKING NEWS

General national news



ASIC cracks down on brokerage fees

Fast Easy Loans has agreed to refund more than 2000 consumers a total of \$477,900 following ASIC's concerns that it charged consumers a brokerage fee where it was prohibited from doing so. From September 2010 to June 2013, Fast Easy Loans acted as the broker for a related lender, Easy Finance Loans and unlawfully charged consumers a brokerage fee in excess of certain state and territory interest rate caps. In charging a brokerage fee, Fast Easy engaged in credit activities without a credit licence. Fast Easy and Easy Finance operated under a previously commonly promoted business model where consumers dealt with both a broker and a payday lender at the same time, with the entities having the same directors and owners and operating out of the same premises.

Financial services growth

It's official: New South Wales is now the fastest growing state in Australia. This is in part due to a booming growth in financial services which accounts for 11.5 per cent of the NSW Gross State Product (GSP).

The same applies in Victoria where financial services accounts for 10.4 per cent of GSP. These statistics have been revealed in a new report on the state of the financial services industry in Australia commissioned by the Financial Services Council and UBS Global Asset Management – *State of*

the Industry: Financial Services and SMSFs in Australia. According to the FSC-UBS report, exports of financial services increased by 43 per cent in 2012-13 – from \$2 billion to \$2.9 billion.

My Tax – a success

More than 2.7 million Australians have used myGov to lodge their tax returns this year.

This was the first year people used their myGov account to lodge their income tax returns via e-tax or the new myTax service. myTax was developed for taxpayers with straightforward tax affairs. Over one million Australians used this new service. myGov links people to a range of Government online services using a single username and password, making it even easier for people to lodge their income tax returns online. Through myGov, people can link their online accounts for Centrelink, Medicare and Child Support, the Australian Taxation Office, the Personally Controlled e-Health Record, the Department of Veterans' Affairs and the National Disability Insurance Scheme.

Australians have created more than 3.4 million new myGov accounts since e-tax and myTax became available, bringing the total number of active accounts to 5.8 million. myGov launched YouTube and Twitter accounts in September 2014. You can now follow myGov on Twitter @mygovau

Information about myGov can be found online at my.gov.au and details on e-tax and myTax at ato.gov.au

Counting the costs of crime in Australia

The Australian Institute of Criminology (AIC) has released a comprehensive snapshot from 2011 that estimates the total cost of crime to the community was \$47.6 billion. The majority of the costs related to operating criminal justice agencies such as police, courts and corrections, as well as assisting victims and crime prevention measures. In 2011, the most costly crimes to the community were:

- fraud \$6 billion
- drug abuse \$3 billion
- assault \$3 billion
- criminal damage (vandalism and graffiti) \$2.7 billion; and
- arson \$2.3 billion

In 2011 there was:

- A total estimated cost of robbery of \$372.4 million, on average representing approximately \$5,118 per victim.
- An estimated 1.3 million incidents of shop theft nationally in Australia. Victoria Police estimates an average cost per incident of shop theft of \$70, which results in an estimated property loss of \$90.9m.
- An estimated total cost of arson to be \$2.3 billion, of which the largest component was property loss estimated to be \$971 million.

POLITICAL WATCH

Information and news from government



Mortgage House rebuked over 'MoneySmart' loan offer

ASIC has censured Mortgage House after it inappropriately used an ASIC trademark to sell one of its products. The non-bank lender named and promoted a loan product 'MoneySmart'. MoneySmart is a registered trademark of ASIC and appears in the name of ASIC's MoneySmart, which is ASIC's dedicated website for consumers and retail investors. Using ASIC's brand could have misled borrowers to believe the company was in some way endorsed or approved by ASIC or ASIC's MoneySmart. Mortgage House, which admitted it did not check if 'MoneySmart' was trademarked, have renamed the loan product, undertaken corrective advertising on its website and have provided ASIC with an undertaking to rectify its advertising compliance processes.

New appointments to Infrastructure Australia

Mr John Ellice-Flint and Ms Gabrielle Trainor have been appointed to the Infrastructure Australia (IA) Board. Deputy Prime Minister and Minister for Infrastructure and Regional Development Warren Truss said Mr Ellice-Flint and Ms Trainor bring a mix of public and private sector experience to their new roles, commencing their three-year terms on the IA Board immediately. Both new Board members already serve on several Boards. Mr Ellice-Flint has been Executive Chairman on the Blue Energy Ltd Board since 2012 and brings with him significant

experience from his career in the resources and mining sector. Ms Trainor has served as Chair on the Victorian Urban Development Authority, Director at the NSW Rail Access Corporation and was appointed to the Infrastructure Partnerships Investment Fund earlier this year. Over the next six months, IA will be completing a full audit of Australia's infrastructure asset base and identifying a 15-year forward plan for infrastructure that can increase national productivity and support economic growth. For more information about members of the Infrastructure Australia Board, visit [here](#).

ATO afterhours web chat

Small business owners can now get extra help from the ATO after-hours through a new live web chat service. The web chat option is another way the ATO is improving services and cutting red tape for small business. This new web chat service allows small business owners to have real-time, online conversations with the ATO on a range of topics. The web chat service will be available through the ATO's small business assist online service at www.sba.ato.gov.au. Initially, small businesses will be able to access the web chat from 6pm-9pm Monday to Thursday (AEDST). Topics covered include ABN/AUSkey, payment arrangements, BAS and GST. The web chat service is for general information without the need to disclose any personal details.

Incentives for employers to hire over 50yrs

The Commonwealth Government offers support to employers who employ and retain eligible job seekers who are 50 years of age or older, and who have been unemployed and on income support for six months or more. An employer will receive up to \$10 000 (GST inclusive) in assistance for a full-time employee over two years.

The Restart wage subsidy is paid in four six-monthly payments:

- \$3000 after 6 months employment;
- \$3000 after 12 months employment;
- \$2000 after 18 months employment; and
- \$2000 after 24 months employment.

Mature age job seekers employed for at least 30 hours per week will attract the full rate of the Restart wage subsidy. Eligible job seekers employed between 15-29 hours per week will attract a pro-rata Restart subsidy.

Government has introduced the program in light of Australia's ageing population and the need to increase productivity which has seen the contribution of older workers become more crucial to the workplace. When older Australians lose their jobs, they remain unemployed for a much longer period than younger job seekers often because they face significant barriers to finding work.

For further information about the program, visit [here](#).

THE WORLD

Property news from around the world



Liberalisation of the Chinese renminbi

The Westpac Institutional Bank recently launched a report into the liberalisation of China's financial system and the benefits for customers across Asia, Australia and New Zealand as economic ties with China grow closer. The Chinese Government is rolling out a sequence of reforms designed to increase the use of its currency, the renminbi (RMB) in international trade and investment. Establishing RMB settlement hubs in major financial centres outside of China and reducing restrictions on cross boarder capital flows are focal points of this initiative. The report states that China's economic size, diversified trade and high growth economy mean the RMB has the potential to become one of the world's most widely used currencies by 2020. The RMB is the second most used currency in trade finance, but at present very few Australian businesses actually invoice and settle trades in RMB.

Japanese investors flock to Viet Nam

An increasing number of Japanese investors are moving into Vietnam where high-end projects have made a comeback after heavy focus on low-end projects in recent years. Although Singaporean, South Korean and Taiwanese investors have traditionally invested in Vietnam, according to recent reports by Vietnamnet.vn and AsiaOne Business, Japanese companies of late have begun pouring money into some key projects. Moreover, Japanese construction company Kondo Kensetsu Kogyo will soon start coaching employees of Vietnam Posts and Telecommunications

Group's real estate management unit Property & Management Company to orient the real estate agents on Japanese-style service with trainers to be sent to Japan by the end of this year. That high-end projects have started to perform well in the Vietnamese market was underscored by 70 percent of the Hanoi-based VinHomes project, which comprises more than 250 units, being sold during the launch at the beginning of this month. The unit prices ranged from VND3 billion (USD141,000) to VND30 billion (USD1.41 million), AsiaOne Business reported. Units of Little Viet Nam were also sold out within three hours of the launch last September.

Mortgage borrowers would struggle if rates rise

A third of mortgage borrowers in the UK say they will struggle to meet their repayments if interest rates rise by two percentage points, according to research by the Institute of Credit Management (ICM). In November, the Bank of England voted again to keep the base rate on hold at 0.5%, the historic low it has now been at for more than five-and-a-half years. Although it is looking increasingly unlikely that it will approve an increase before next year's general election, the governor of the Bank, Mark Carney, has indicated that at some point rates will have to rise, and that they will continue to do so until they reach around 3%. The ICM survey asked mortgage borrowers how far, on a five-point scale, they agreed that a two-point rise in interest rates would mean that they would "struggle" to pay their mortgage. Across Britain as a whole, 14% answered with a 5, indicating they "strongly agreed" that they would

struggle, while another 18% gave a 4, indicating that they too could struggle considerably. Taken together, this means that 32% of borrowers, a third of the total, are worried about such a rise, even though it would still leave interest at rates that are low by historical standards. A third of mortgage borrowers say they will struggle to meet their repayments if interest rates rise by two percentage points, with those in the south-east most concerned about coping with an increase in their monthly loan bills, according to ICM research.

Canadian property sales set to rise

Residential property sales in Canada are forecast to increase by 3.8% this year compared to 2013, according to revised figures from the Canadian Real Estate Association (CREA). The data reflects stronger than expected sales in recent months. Even so, sales activity is expected to peak in the third quarter as the impact of a deferred spring dissipates and continuing home price increases erode housing affordability. This would place activity in 2014 slightly above but still broadly in line with its 10 year average. Despite periods of monthly volatility since the recession of 2008/2009, annual activity has remained stable within a fairly narrow range around its 10 year average. This stability contrasts sharply to the rapid growth in sales in the early 2000s prior to the recession. British Columbia is forecast to post the largest year on year increase in activity at 11.9% followed closely by Alberta at 7.7%. Demand in both of these provinces is currently running at multi year highs.

REIA NEWS

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