# REIANEWS

ISSUE 43: MARCH 2015


## ALSO IN THIS ISSUE

# PRESIDENT'S REPORT

Mr Neville Sanders
REIA President

## WELCOME
### FROM REIA'S PRESIDENT

Hello and welcome to the March edition of REIA News.

It has been a busy month so far with the Prime Minister announcing the release of an Options Paper into foreign investment in Australian residential real estate. The paper proposes a series of new application fees for foreign investors in addition to increased penalties for breaches. REIA has strongly argued to the Government that the current regulations are set at the right level but that much stronger attention and resources need to be put behind compliance and enforcement.
So it is pleasing to see the Government listening to the sector's recommendations. We are however slightly concerned by the proposed fee structure for applications. While we believe that there should be a fee, it is important that it is not so high that it deters foreign investment and that it is in line with application fees in other countries. Canada, the UK and the USA do not have any application fees and we do not want Australia to lose any market share as it has been proven that foreign investment helps increase new housing supply at a time of a chronic under-supply of homes.

REIA will be making a submission to the Options Paper, due at the end of this month, and will ensure that the sector's voice is heard.

On a lighter note, next week, many in the real estate profession will be in Perth for the 2015 REIA National Awards for Excellence. This year will see 116 entrants compete for 16 awards and the judges tell me that the competition is exceptionally tight. It is also particularly pleasing to see the return of entrants from New South Wales following the establishment of REIA's Affiliate Council. REIA wishes all of the finalists the best of luck at the awards in what should be an incredible night that showcases the beautiful city of Perth.

REIA is strongly committed to these awards, which recognise excellence in the profession and the outstanding contributions of all of those within the sector. While there can only be one winner for each category, we hope all of the finalists continue to excellence in your profession and encourage your colleagues to strive to an equally high standard.

I would also like to thank the 31 award judges for volunteering their time and commitment amid their own busy personal and professional lives. And finally, I'd like to thank the awards sponsors for their incredibly generous support that helps ensure that the awards can continue. This year's sponsors include: Terri Scheer, Direct Connect, Deposit Power, Rockend, Printforce and Top Snap photography. Your commitment to excellence in the profession is deeply appreciated.

***Mr Neville Sanders***
REIA PRESIDENT

*Follow us on Twitter @REIANational*

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

# DOES TRANSPORT MATTER TO REAL ESTATE?

REIA is a proud founding member of the Parliamentary Friendship Group for Better Cities. The group features a diverse membership from the Bus Industry Confederation to the Council of Capital City Lord City Mayors. All of its member organisations collectively believe that the design of better cities is vitally important to our nation. Since the group was established we have held several highly successful functions at Parliament House with keynote guest speakers (such as urban specialist, Lucy Turnbull), who have passionately spoken about the importance of offering multiple transport options to residents as well as the important of transport connectivity for both residents and commerce. These functions have attracted many Senators and Members of Parliament interested in learning more about how the Commonwealth Government can help ensure the liveability of our cities into the future.

REIA believes in the importance of this group in highlighting issues that effect real estate but may not be traditionally perceived as associated with the housing market. Active transport is a great example as a transport system has the potential to make a considerable contribution to boosting physical activity levels through active travel, which in turn reduces the burden on our federal and state/territory health budgets while increasing the efficiency of the road network.

The *Move It* report, released by the National Heart Foundation and the Cycling Promotion Fund, both founding members of the parliamentary group, demonstrates that it is becoming more and more recognised that the transport system affects the health and wellbeing of the whole population, both directly and indirectly. The report provides the example that it has been estimated that the Australian healthcare system could save $1.5 billion each year if more people were physically active for 30 minutes a day.

Further, the report highlights that a comprehensive literature review looking at the relationship between population health and built environment has identified the following as significant domains of the built environment that support human health:

- physical activity—getting people active for travel and recreation.
- social interaction—connecting and strengthening communities through incidental interaction, planning and building community spaces, and designing for crime prevention.

Both factors are strongly linked to transport and access.

Walking, cycling and taking public transport all involve significant amounts of physical activity and so are good for people's health. However, ensuring that our transport network also improves access to low and no-cost modes, which is a significant benefit to disadvantaged and low socio-economic groups.

These issues may seem removed from the real estate sector but consider how well entrenched the concept of home is in the Australian mindset. Australia has high home ownership levels and people often consider their home to be the foundation of their lifestyles. Given this, access to multiple transport options including active transport is a very real factor considered by potential home buyers and any real estate agent will tell you, that transport access is frequently raised in home inspections. For this reason, REIA will continue to be an active member of this group and encourage the Commonwealth Government to help ensure the liveability of our cities.

*Celebrating excellence in the real estate profession*

# REIA
## NATIONAL AWARDS FOR EXCELLENCE 2015

**6.30 pm THURSDAY 12 MARCH 2015**
PERTH WA

**CONGRATULATIONS TO ALL THE FINALISTS AND GOOD LUCK!**

This article is brought to you by REIA Research Officer, Evgeniya Hawthorne
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# INCREASED INVESTOR ACTIVITY LOWERING RENTS

Compared to the end of the previous decade when almost a third of the owner occupier housing finance commitment were made by first home buyers, the current market shows an ever growing presence of investors who in 2014 made up 40.0% of the total value of new housing loans.

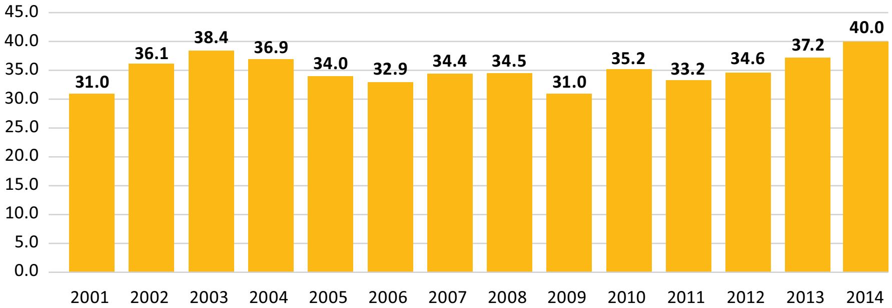
Elevated activity of property investors in the post-GFC environment is not surprising. The Australian property market delivers solid returns to investors with agents reporting that even many young home buyers are delaying a purchase of their own place and instead are becoming first time investors.

The Australian Housing and Urban Research Institute (AHURI) found that most commonly, investors consider residential property a low-risk investment with guaranteed returns when compared to other options. According to AHURI, investors' considerations are fed by feelings that property is 'safe', 'stable' and not subject to fluctuating markets. Investors feel 'comfortable' and familiar with property, reporting they have more experience and a better understanding of the property market compared with other investment markets. Seemingly, property is widely regarded as easy to invest in and without the complexities of other investment options.

The value of investment housing has been gradually rising in recent years and in December 2014 was 91.0% higher compared to April 2011 (Figure 1).

In 2014, the proportion of investment housing as a total value of housing finance commitments was at its highest since the end of the 20th century with two states, New South Wales and Victoria, contributing to the growth. These two states saw a remarkable uprise of investors. Figure 2, over the page, shows the steady increase in the value of investment housing in New South Wales and Victoria which combined made up 69.2% of the national figure in 2014.

*Figure 1 Share of investment housing in the total value of housing finance commitments, % (trend)*

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# INCREASED INVESTOR ACTIVITY LOWERING RENTS

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*Figure 2* *Monthly investment housing finance commitments, $000*

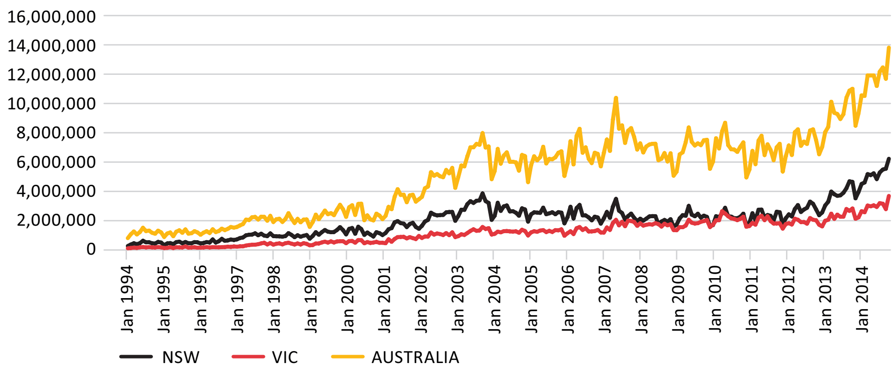



*Figure 3*

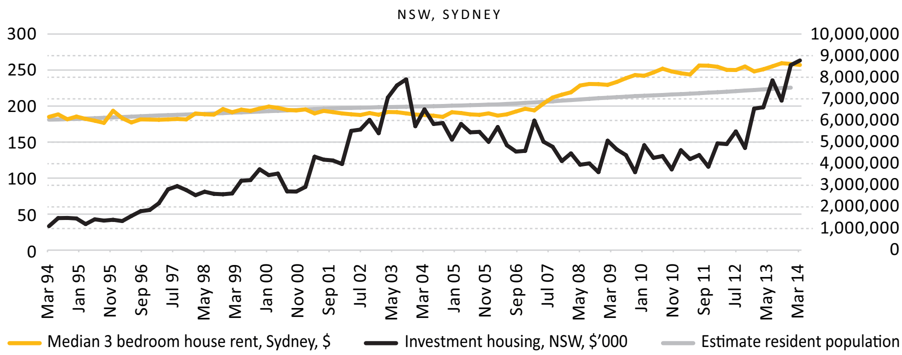
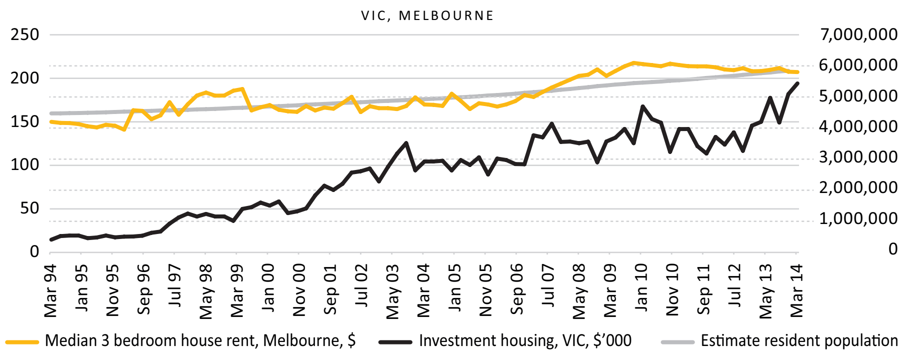



*Figure 4*




Figures 3 and 4 below show the impact that the increase in investment in property in Sydney and Melbourne has had on the levels of rents over the last few years. From the end of 2011, when investment in housing started to pick up, rents, in real terms, have decreased in Melbourne and have remained relatively flat in Sydney. At the same time there has been a steady increase in population in both cities.

Despite the concerns from the Reserve Bank of Australia about an 'unbalanced' housing market and the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission about increased growth in lending to property investors and the provision of interest-only loans, the analysis of the historical data shows that the recent increases in housing investment has resulted in stronger competition amongst investors, higher rental vacancy rate and stalled increases in rental prices in real terms.

# NEGATIVE GEARING NOT A PERK FOR THE RICH

***By Ray Ellis, REIA Independent Director and First National CEO***

The chief executive of First National Real Estate, Ray Ellis believes suggestions that negative gearing is a perk for the rich are misguided and, if eliminated in the next budget, the most vulnerable in our communities could soon see unaffordable rental prices.

'The great Australian dream is to own your own home and it is important we remember just about every Australian begins his or her journey to property ownership as a tenant in a rental property, said Mr Ellis.


*CEO of First National, Ray Ellis with REIA CEO, Amanda Lynch*

'Australia has one of the fastest growing populations in the OECD so keeping rents affordable depends entirely on maintaining an adequate supply of rental properties. This can only be done if Australians continue invest in properties they are prepared to rent to others. The main thing that keeps that attractive is negative gearing'.

Current taxation arrangements offer Australians the opportunity to invest in real estate as a way of saving for independence in retirement. However, with the average property investor owning just one rental property and having an income no higher than $80,000, suggestions that the rich are exploiting negative gearing are an exaggeration.

'If negative gearing were removed in an environment of the lowest interest rates since the 1950s, Australians would be unlikely to continue to invest in rental properties at current rates. They would seek better returns elsewhere and, with population growth near record highs, the supply of rental properties would fall short of demand, thereby forcing up rents', said Mr Ellis.

'This would place unacceptable pressure on the most vulnerable citizens in our community. It would also lengthen the amount of time it takes for first home buyers who are renting to save a deposit to buy their first home'.

Currently, the rate at which rents are rising is slowing down. In fact, rents had an annual growth rate averaging 1.8 per cent in 2014, which means they were rising more slowly than inflation in 2014. If negative gearing were dropped, that situation could change rapidly.

'Negative gearing plays a vital role in balancing supply against the demand for rental properties and this helps keep housing affordable for everybody', concluded Mr Ellis.

This article is brought to you by REIA Manager Policy, Jock Kreitals
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# FOREIGN INVESTMENT SHAKE UP

## GOVERNMENT'S POSITION ON FOREIGN INVESTMENT IN RESIDENTIAL REAL ESTATE

The topic of foreign investors pricing out Australian buyers has continued to receive a lot of media coverage since the Government called an inquiry to examine whether foreign investment in real estate is being administered properly by the Foreign Investment Review Board (FIRB) last year. The inquiry conducted by the Parliamentary Standing Committee on Economics reported last year and the Government has now responded to the Committee's recommendations.

The Government's response is contained in an Options Paper *Strengthening Australia's Foreign Investment Framework* and concludes that the foreign investment policy remains appropriate, however, a lack of compliance and enforcement of the rules is threatening the integrity of the framework. The Paper sets out a number of reforms that the Government proposes to implement: improve the compliance and enforcement of the rules for foreign investment in residential real estate by establishing a specialised unit within the compliance and enforcement area within the Australian Taxation Office to identify and investigate breaches; introduce new penalties for breaches of the foreign investment rules, and introduce an application fee on all foreign investment proposals with the funds used for increased enforcement activity.

Amongst a range of penalties, breaches where a foreign person acquires new property without approval or where a temporary resident acquires established property without approval are proposed to carry a maximum penalty of the larger of 10% of purchase price or 10% of market value. Breaches where a non-resident acquires established property, a temporary resident acquires more than one established property, a temporary resident fails to sell established property when it ceases to be their principal residence or a temporary resident rents out an established property are proposed to carry a maximum penalty of the largest of the capital gain made on divestment of the property, 25% of purchase price, or 25% of market value of the property.

» *article continues*

# FOREIGN INVESTMENT SHAKE UP

» *continued*

The proposals are broadly consistent with the position REIA took in its submission to last year's Inquiry when it recommended that the powers of enforcement, the penalties and the compliance and monitoring activities of the FIRB be reviewed as to their effectiveness and appropriateness; and that the penalties applicable are also reviewed with consideration being given to an ad valorem rate and suggested that this rate is set at 10%. Whilst in REIA's view a review of the compliance and monitoring activities and their effectiveness was much needed it also believed that the system works well and is consistent with addressing an undersupply of housing nationally at around 200,000-300,000. Without foreign investment, many building projects would simply not be viable.

Accordingly, REIA welcomed the Government's resolve to strengthen compliance and enforcement of foreign investment in Australian residential real estate as outlined in its Options Paper.

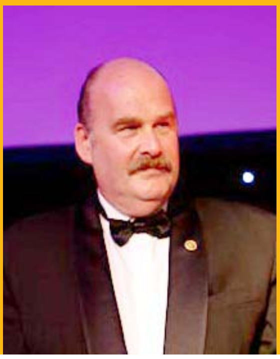
The Options Paper also proposes an application fee of $5,000 for properties under $1M, $10,000 for properties valued between $1-2M and $10,000 increments for each additional $1M in value. These fees will be used to finance the increased compliance. Foreign investors would be required to pay the application fee before their foreign investment application is processed.

The Government is aware that there are situations where some applicants may be required to submit multiple applications. For example, bidders at auctions need prior foreign investment approval because bids normally have to be unconditional. This would require applicants submitting a number of applications to enable them to bid at several auctions during a weekend. The Government has undertaken to consider ways of minimising the impact on these applicants.

While the proposed fee is less than that applicable in Hong Kong or Singapore, it is higher than that in other countries such as Switzerland and Austria. The UK, the USA, and Canada do not have any residential property application fees. In setting the fee level for Australia, REIA will be encouraging the Government to consider the equivalent global rates and not discourage foreign investment that has been proven to increase the supply of new housing.

The REIA has been invited by the Government to meet with Treasury officials to discuss the proposals prior to making any decisions and will do so to ensure that the interests of the real estate profession are represented.

# TREND TOWARDS AUSTRALIANS BUYING OVERSEAS



*Quentin Kilian*

**The REIA and the National Association of Realtors® (NAR) are pleased to be able to offer to its members new online courses that will enable them to reach a broader customer base with Australians increasingly purchasing properties in LA, New York, Detroit, Las Vegas and Houston.**

Estate agents who are Certified International Property Specialists (CIPS) are licensed to sell properties overseas. Chief Executive Officer of the Real Estate Institute of the Northern Territory, Quentin Kilian recently completed the CIPS course through the National Association of Realtors in the US.

"It was a very interesting course as it taught me a lot about how real estate is transacted in different countries and the rules that govern real estate ownership," Mr Kilian said.

"The other great thing about being a CIPS graduate is that I now have contact with other CIPS graduates around the globe and I'm starting to build a big network of contacts," Mr Kilian continued.

The 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


# REIA PUBLICATIONS

**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.

INDUSTRY ARTICLE

Bendigo Bank

# BOOT CAMP FOR DEPOSIT BUILDING

**The skewing of First Home Owners grants toward new housing stock in most jurisdictions has made it harder for people to get into residential property, especially given that there is a shortage of new housing – and a backlog that will take several years to clear at current construction rates. But when the going gets tough, the tough re-evaluate their strategy.**

It is no news that short term interest rates are at all-time lows. After adjusting for inflation, the Reserve Bank of Australia's cash rate is close to zero. Everyone with a mortgage welcomes low interest rates, but low interest rates are not such good news for people saving to build a home deposit.

After taxes are taken into account, savers are almost paying for the privilege of holding cash in a bank. Inflation and time then potentially delivers a knock-out blow to their home ownership ambition, particularly in the East Coast capital city property markets.

Solid increases in median house prices means the required deposit is increasing by around 10% each year. The gap between what you have and what you need is fast widening.

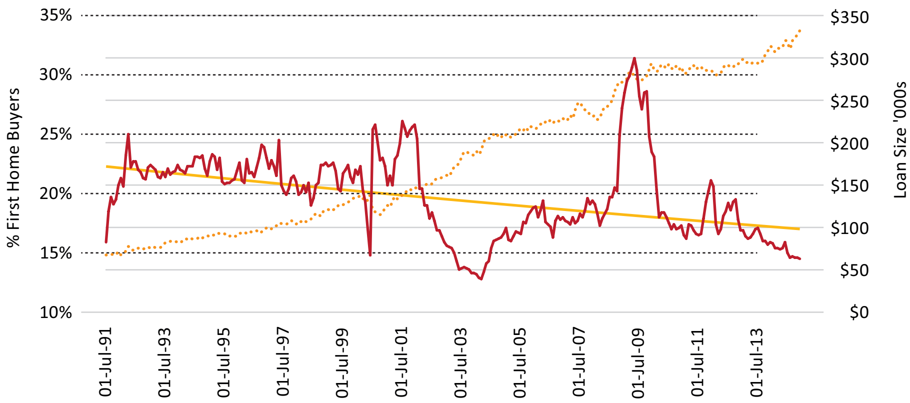
To close the gap, savers can pull four basic levers:

1. **Save more**. Most home deposit savers will already be putting aside a considerable proportion of their income. Finding additional savings may be difficult.
2. **Lower the goal**. Those aspiring to home ownership usually do their research and have a realistic understanding of what they can afford and how much they can borrow. They can aim to buy a home well below the median price but even a fairly modest home in Australia now requires starting capital of close to $30,000. Substantially reducing the deposit required will therefore probably be impractical.


*Julie McKay*

HEAD OF TECHNICAL AND RESEARCH, BENDIGO BANK


**FIGURE 1** *First Home Buyers (national)*




Source: ABS Housing Finance Dec 14

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3 **Extend the time to achieve the goal.** Delaying home ownership is a possibility but this can also mean that house price inflation will shift the goal even further away.

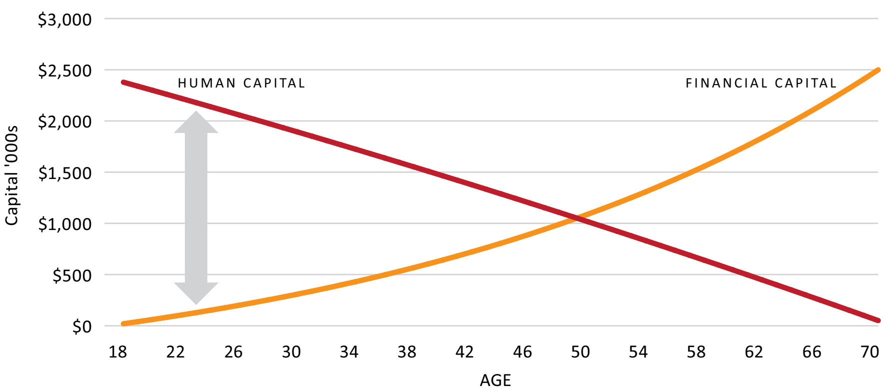
4 **Boost returns on savings**. This means considering other investments such as shares and managed funds. There are risks. But risk is the price paid for accessing the potential to reach financial goals when pushing the other three levers is not enough.

Investing in riskier assets still may not be sufficient. Very broadly, the long run average return on Australian equities is around 8% p.a. and after tax it's more like 6% p.a. If the required deposit is increasing at a faster rate, the gap between savings and the end goal will still be widening.

**Aspiring first home buyers often ignore the two largest assets they already have: time and earning potential**. The value of our potential to earn future income is called human capital. Someone aged 50 may earn a higher salary than someone aged 20. But the 50 year old has smaller human capital simply because of time – the 50 year only has another 15 or so years working while the 20 year old has a further 45 years. With prudent savings, over time we can convert human capital into financial wealth.

People with human capital can seek to bring forward this conversion of human capital to financial wealth by borrowing to acquire financial assets. This is exactly what home buyers are doing when they take out a mortgage.

FIGURE 2 *Human capital*




Assumptions: inflation = 3.0% p.a, discount = 2.50%, starting wage at 18 = $60,000

Savers can also borrow to invest in shares, property trusts, and managed funds. This strategy may be suitable for anyone with an ambitious financial goal and reasonable prospects of future income from other sources such as employment.

The two key differences with borrowing to buy a home are the nature of the asset and the features of the loan facility.

1 Investments such as shares and managed funds are 'divisible'. Divisible means you can buy and sell small parcels which means you can start with as little as $2,000. A home is not divisible – it is not possible to buy half a room or just sell the laundry.

2 Loan facilities, such as a margin loan, allow borrowers to progressively build their investment portfolio. For example, each month you can arrange to *contribute* a set amount and *borrow* a set amount (as little at $250 per month, plus interest) and use this money to invest in a managed fund of your choice.

**No investment is without risk**. A house can be destroyed in a fire and share markets can fall. There are ways to protect yourself from complete disaster. First and foremost you need a plan that is based on some knowledge about financial markets. The resources of the Australian Securities Exchange (ASX.com.au) are an excellent starting point.

» *article continues*

Secondly, recognise that borrowing to invest is NOT about borrowing to the maximum allowed. Banks will typically lend up to $75 for each $100 invested (called a 75% loan-to-value ratio or LVR) leaving $25 for you to contribute. The amount you actually borrow depends on your ability to recover any losses and your view of the share market.

Borrowing to acquire any asset, including a home, only makes sense if you believe it will increase in value. Your ability to recover from losses will depend on your personal circumstances but without some financial risk you need to ask yourself if a bigger risk is in fact not achieving your goals at all. All the modelling that tells you how much income you'll need for a comfortable retirement does so based on the assumption that you own your own home.

A good starting point is to borrow no more half the amount invested and not allow the total amount borrowed to incur interest above what you can afford to pay each month. When it comes to margin lending or gearing, many people don't realise that it is simply a line of credit. If you don't fully draw down on a $50,000 facility and only buy $10,000 of blue-chip shares or invest in a property trust, you will only pay interest on the $10,000 that you use to buy the shares or your investment in the property trust.

Finally, set up a 'goldilocks' schedule for monitoring your strategy. If you monitor too frequently you are more likely to overact to small market gyrations. If you monitor too infrequently you are more likely to miss important market signals. Once a month is a good starting point and possibly less frequently as you gain experience.

But don't just monitor. If there are clear signals – for example a prolonged and sustained drop in investment value – you must also act. This may mean cutting your losses before it becomes irrecoverable. What makes a signal clear will depend on your own circumstances. If you plan to only borrow half of the investment portfolio, then not allowing the ratio of loan to portfolio value to drift above 60% may be a good starting point.

A low interest rate environment adds new challenges to the already difficult task of getting into your own home. Traditional strategies such as saving more or delaying entry into the market may not keep you ahead of the particular property market you want to buy into.

Aspiring first home buyers may need to broaden their horizons to include investments such as shares, property trusts, and managed funds - and consider borrowing to invest. With sensible strategies, borrowing to invest in shares, property trusts and managed funds can be 'boot camp' training for a future home mortgage. Taking out a modest loan to build an investment portfolio will also build the discipline to make regular repayments which is something else that's valuable when the time comes to take out a mortgage for your first home - credit worthiness with a lender, along with your other assets.


Our lowest home loan rates in decades.
But it's bigger than that.
Bendigo Bank
Bigger than a bank.
bendigobank.com.au
Fees and charges may apply. Rates are subject to change. All lending is subject to the bank's normal lending criteria. Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL/Australian Credit Licence 237879. BEN50MP620 (S49375_A4) (08/14)

INDUSTRY ARTICLE

# NEW RESEARCH INTO ASBESTOS:
## AUSTRALIANS UNDERSTAND THE DANGERS BUT CAN'T IDENTIFY THE RISKY

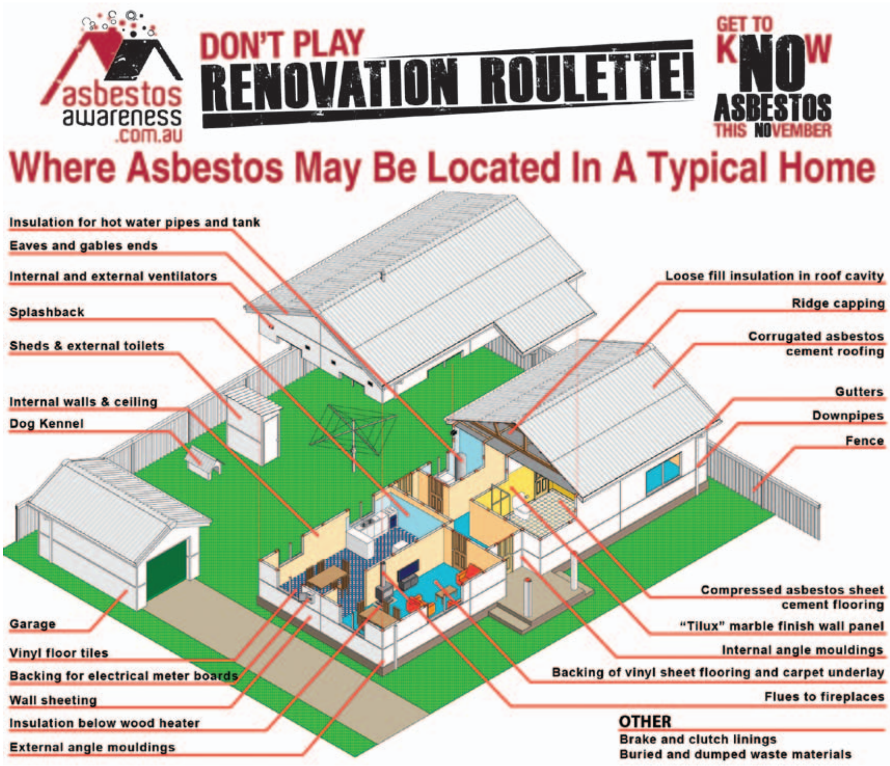
A large-scale research project examining the knowledge of Australians at risk of potential exposure to asbestos fibres has found that while most understand the danger, few have the practical skills to identify asbestos products and handle them safely.

Commissioned by the Australian Government's Asbestos Safety and Eradication Agency, Colmar Brunton surveyed 2362 tradespeople, DIY renovators, real estate agents, landlords and members of the public to uncover their awareness, attitudes and behaviours towards asbestos.

The quantitative research was released at the International Conference on Asbestos Awareness and Management at the Crown Conference Centre, Melbourne.

The research revealed only moderate community understanding exists of how prevalent asbestos is in the built environment, with few people confident in their ability to identify asbestos containing materials or situations that could put them at risk of exposure.

While tradespeople generally performed better, the research found that many DIY home renovators have carried out work in a potentially dangerous manner, with about half of recent renovations not involving an assessment of asbestos materials that may be present, despite one in five projects subsequently requiring asbestos to be removed.




Worryingly, 36 per cent of DIY renovators reported undertaking the removal of asbestos themselves, rather than using a professional.

While all groups believed it was important to be informed about asbestos and its potential dangers, just 61 per cent of DIY renovators and 53 per cent of the general public felt they were appropriately informed about the risks.

Almost one in five tradespeople also described their knowledge of the dangers of asbestos as moderate or below, with only 64 per cent saying they were confident in their ability to identify materials likely to contain asbestos.

Australia was among the highest per capita user of asbestos for many decades, with a rising death toll from asbestos related diseases that is not expected to peak until at least 2022.

For further information, including access to fact sheets, go to the Australia Government's Asbestos Eradication Agency or click here.

# GROUND BREAKING TRAINING PROGRAM TAKES OUT PRESTIGIOUS AWARD

LJ Hooker

REIA Affiliate Council Member, LJ Hooker has taken out the top education award at the annual Banksia Sustainability Awards.

Now in its 26th year, the Banksia Foundation is considered Australia's leading organisation in recognising and promoting innovative sustainable development and practice.

At the awards ceremony late last year, LJ Hooker was awarded the Education for Sustainability title for the networks Liveability Real Estate Framework "Training and Tools for the Next Generation of Real Estate".

The award recognises leadership and achievement in raising awareness and understanding of sustainability issues and promoting tangible change in values and behaviour in support of sustainability.

LJ Hooker's Head of Liveability Real Estate, Cecille Weldon accepted the award on behalf of the network saying the success of the LJ Hooker Liveability Real Estate Framework could be put down to its simple but concentrated nature.

"Sustainability in relation to property is complex and it needs to be simple and robust," she said.

"We have created a new professional pathway for existing sales agents and property managers to effectively identify these new 17 features and understand why they are important. This really is the future of real estate.

"The framework's focus is to empower consumers to create and find their best home; healthy, efficient, comfortable and connected to community."

According to Ms Weldon, the Liveability Real Estate Framework was developed in collaboration with the sustainable design, construction and assessment industries in order to address a significant shortfall of training and knowledge in the marketing, selling and renting of environmentally sustainable homes within the residential real estate industry.

"The Liveability Real Estate Framework aims at long-term affordability benefits as consumers are empowered to invest in liveability features in new and existing properties knowing that these will now be recognised at the point of sale or lease," she said.

"It empowers the property marketing industry to move confidently from being a barrier, to a catalyst, in supporting this new market in homes that can deliver on reduced running costs and increased comfort."

The 17 Things™ is a major part of the LJ Hooker Liveability Real Estate Framework and includes what to look for when buying, what to plan for when renovating and what will be recognised when selling.

"The 17 liveability features™ are now being identified at point of sale or rent by trained specialist agents," Ms Weldon said.

The framework, which includes the specialist real estate training, was developed over a four year period by the Liveability Real Estate division of LJ Hooker Corporate and now the team plans to share its work with the industry.

# NEW FRANCHISING CODE IS HERE AND WILL BE ENFORCED

**The arrival of a new year ushered in a new Franchising Code, which came into effect on 1 January 2015.**

The new code can be found online at the CommLaw website and applies to all franchise agreements executed after 1 October 1998. The Australian Competition and Consumer Commission (ACCC) 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 with the new code now featuring some important differences including:

- the introduction of a statutory obligation on franchisors and franchisees to act in good faith in their dealings with each other;
- a streamlined disclosure process that removes unnecessary information and makes the disclosure document clearer and easier to understand;
- improved transparency in how marketing funds are used and administered;
- more flexible and stronger enforcement options for the ACCC, including the introduction of civil penalties for serious breaches of the new Code and the ability to issue an infringement notice where appropriate;
- an information statement that will give prospective franchisees essential information about the nature of franchising before they make a commitment to sign an agreement; and
- a reasonable and balanced limitation to the enforceability of restraint of trade clauses, that still recognises the intellectual property of franchisors.

To assist in the smooth transition to the new Code, franchisors can continue to use their existing disclosure documents until 31 October 2015. Parties to a franchise agreement must still discharge any obligations and rights that they had on 31 December 2014 under the 'old' code after 1 January 2015.

Penalties will apply to conduct that occurs after 1 January 2015 that breaches the new Code.

# INDUSTRY UPDATE

Industry news from around Australia

## Asbestos health study

The Australian National University (ANU) will conduct an important study into the long-term effects of living in a house with loose-fill amosite asbestos in the ACT. The ACT Asbestos Health Study is part of the ACT Government's on-going management of 1,021 residential Canberra properties known to contain Mr Fluffy loose-fill asbestos. Loose fill asbestos poses a health risk when inhaled and may lead to conditions such as mesothelioma, a rare and potentially fatal form of cancer. Chief Investigator, Associate Professor Martyn Kirk, said the study will be undertaken by the ANU National Centre for Epidemiology and Population Health (NCEPH) over the next two years.

## Research shows GST debate needed

The Australian Chamber of Commerce and Industry has welcomed research by CPA Australia that shows Australia could abolish a range of productivity-damaging taxes if it broadens the base and increases the rate of the GST. The CPA Australia research shows Australia's GDP would be up to $27.5 billion higher in 15 years if we increased the rate of GST to 15 per cent and removed exemptions on fresh food, health and education. This change to the GST would generate an additional $42.9 billion in revenue, enough to fund the abolition of insurance taxes, stamp duty on motor vehicles and all conveyancing stamp duty, the research said. The funds raised would also allow for cuts to income taxes and targeted increases in welfare payments, meaning all sectors of the community would be better off. This proposal would boost the budgets of lowest-income households by $273 each year, and benefit households at all levels of income.

## Oz Post reforms

The Commonwealth Government recently announced significant proposed changes to Australia Post, which it believes are necessary as Australians are now sending one billion fewer letters a year than they were in 2008, with letters losses rising to more than $300 million a year. While Australia Post has been able to offset these losses by growing its parcels business, losses in letters are now so large that they are overwhelming all profitable areas of the business. The Government contents that without reform total projected company losses could reach $6.6 billion over the next 10 years, with letters losses of $12.1 billion. Australia Post does not receive funding from taxpayers and Australians must not be forced to subsidise business and government mail, which accounts for 95 per cent of total letters volume. The reforms seek approval to introduce a two-speed letters service – a Priority and Regular service that will be introduced for consumers no earlier than September 2015. The Regular service will be delivered two days slower than the current timetable. The prices changes include raising the regular stamp price from $0.70 to $1.00. Concession card holders will continue to be offered a concession rate stamp, which will be frozen at $0.60, and all Australians will continue to have access to a $0.65 Christmas rate stamp.

## Targeted audits by ASQA

The Australian Skills Quality Authority (ASQA) will undertake a total of 23 audits of RTOs including of providers who had been identified through complaints made to the authority. Any training providers found to be engaged in practices that are contrary to the required national Standards could face regulatory sanctions, including the cancellation or suspension of their registration. Under the new national Standards, RTOs are required to provide students with information including any VET FEE-HELP, government funded subsidy or other financial support arrangements and any obligations to repay any debt incurred. Since it was established on 1 July 2011, ASQA has refused 15.6% of applications received to set up new RTOs and 6.1% of applications received to re-register existing RTOs because they did not meet the required standards.

## ACCC releases Small business in focus report

The ACCC has today released its latest Small business in focus report. The report highlights the ACCC's work in the small business sector between 1 July and 31 December 2014.

Information covered in the report includes:

- Over 7,000 people contacted the ACCC in last six months with a small business or franchising related complaint or enquiry.
- Misleading conduct and false representations remained the most widely reported small business issue over the six-month period.
- False billing scams continue to be the most common scam targeting small businesses, with losses of $105,000 reported to the ACCC.

For more information, see the [Small business in focus report.]

# MAKING NEWS

General national news

## ACCC issues an invoice email scam warning

The ACCC is warning Australian businesses to beware of an invoice email scam. The scam involves scammers pretending to be legitimate suppliers advising changes to payment arrangements. Scammers hack into vendor and/or supplier email accounts and obtain information such as customer lists, bank details and previous invoices. Your business then receives an email, supposedly from a vendor, requesting a wire transfer to a new or different bank account. The email may look to be from a genuine supplier and often copies a business's logo and message format. It may also contain links to websites that are convincing fakes of the real company's homepage or links to the real homepage itself. For tips on how to protect your business, visit the SCAMwatch website and read our SCAMwatch radar.

## Rental payments refunded

Following ASIC action, Goldhype Pty Ltd (trading as Smart Link Rentals) and the following businesses have agreed to refund consumers for rental payments made to them when they were not licensed to provide consumer leases:

- Innova Enterprise Pty Ltd (trading as Ezi Keep Rentals)
- ATM Ventures Pty Ltd (trading as Rent To Keep and Rent2Keep)
- Karma USSB Pty Ltd (trading as Rent Ezi Appliance Rentals), and
- Gattcorp Holdings Pty Limited (trading as Want It Rent It).

As a result of ASIC's actions, over $230,000 has been refunded to 115 consumers, the majority of whom were in receipt of Centrelink benefits, who entered into contracts with these lease providers. These businesses offered leases to consumers for household items and consumer electronics such as mobile phones, computers and televisions.

Under the outcome agreed with ASIC, the businesses have agreed to collect only the cost price of the rented goods, and refund any amounts already received from consumers over that amount. They have also agreed to transfer ownership of the goods to the consumers once the cost price had been paid, and to stop offering regulated consumer leases. ASIC has also imposed an additional condition on Smart Link Rentals' Australian credit licence. Smart Link Rentals is required to engage an independent consultant to review its compliance with its obligations under the credit legislation over a 12 month period.

## New tool to help detect financial abuse of Australians

A simple online education and assessment tool has been developed to help bank staff combat rising financial abuse of vulnerable people. Some estimates show that around 150,000 Australians over the age of 65 are subject to some form of financial abuse from family members or other people in their lives. Financial abuse of people with cognitive impairment is reported to be growing, as is the rate of dementia in Australia.

The new learning tool will help bank staff understand the signs of those who are vulnerable as well as become familiar with signs and symptoms of dementia so they can spot customers who might be struggling with their banking transactions, or are being stood over by others and may need support.

The online learning tool was developed by Capacity Australia in collaboration with Australian online adaptive learning company, Smart Sparrow, using $50,000 in seed funding provided by UNSW's Dementia Collaborative Research Centre.

## ACCC takes action against We Buy Houses and Rick Otton regarding property strategies

Following a coordinated investigation with the New South Wales Fair Trading (NSW Fair Trading), the Australian Competition and Consumer Commission has instituted proceedings in the Federal Court against We Buy Houses Pty Ltd and Rick Otton for alleged contraventions of the Australian Consumer Law. The alleged conduct includes several representations made to consumers that, by attending seminars and boot camps, consumers will be taught strategies to enable them to, for example:

- buy a house for $1
- buy a house using little or none of their own money
- build property portfolios without their own money invested and without new bank loans.

The ACCC alleges that the strategies do not enable consumers to buy a house for $1 but rather involve consumers acting as middlemen to facilitate property transactions between third party sellers and third party buyers. For example, in the context of the 'rent to buy' strategy, the ACCC alleges that this strategy only allows a consumer to secure an option for $1 to purchase a house at a later date, subject to payment of the full purchase price in order to exercise the option.

# POLITICAL WATCH

Information and news from government

## Update on the ASIC financial advisers register

The corporate regulator, ASIC, is well advanced with work on an industry-wide public register of financial advisers to be up and running at the end of March.

The register will contain details of all persons employed or authorised – directly or indirectly – by Australian financial services (AFS) licensees who are authorised to provide personal financial advice to retail clients on Tier 1 (investment) products. Tier 1 products are financial products other than basic banking products, general insurance products or consumer credit insurance products or a combination of any of those products.

It is intended the register will be accessible online from ASIC's MoneySmart website from 31 March 2015. ASIC has a dedicated webpage www.asic.gov.au/far and encourages all licensees to subscribe via this webpage to receive email correspondence about the register. Licensees can also send questions about the register to far@asic.gov.au

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## Productivity lift needed to protect living standards

Lifting productivity must become a priority in 2015 or gains in our standard of living could be significantly eroded as the terms of trade continue to decline and our population ages, according to CEDA's 2015 Economic and Political Overview. The overview shows that there were positive signs the business community was taking action to lift productivity but there needed to be greater focus on innovation and investment in people. Other key economic forecasts within the report include that:

- GDP growth will remain below average in 2015 before returning to around average in 2016;
- The rate of decline in resources investment is expected to increase this year;
- Housing construction's contribution to growth will fade in 2015 without further rises in building approvals; and
- A sustained pick-up in household spending growth is needed this year to support the non-mining sectors.

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## Apprenticeships increasing

Latest trend estimates show the number of people starting trade and non-trade apprenticeships and traineeships has increased, suggesting an end to the recent series of declines. Published by the National Centre for Vocational Education Research (NCVER), *Apprentices and trainees 2014 – early trend estimates, December quarter*, provides seasonally adjusted and smoothed data at the national level for trade and non-trade apprentice and trainee commencements. Estimates show non-trade commencements increased from 26 400 in the September 2014 quarter to 31 700 in the December 2014 quarter. Trade commencements also increased from 19 900 in the September 2014 quarter to 21 500 in the December 2014 quarter. Copies of *Apprentices and trainees 2014 – early trend estimates, December quarter*, are available from www.ncver.edu.au/publications/2779.html

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## Property Divestment program update

The Federal Government has announced it is undertaking a scoping study into the divestment options of six Commonwealth properties in Canberra. These buildings are the John Gorton and Treasury Buildings, East and West Block and Anzac Park East and West, all located in the Parliamentary Triangle. The scoping study will consider alternative uses for the properties, particularly noting their location, cultural and heritage significance. The scoping study will also consider the future ownership of these buildings, taking into account significant ongoing maintenance and refurbishment requirements. Following a competitive procurement process, PricewaterhouseCoopers has been appointed as commercial adviser and Ashurst has been appointed as legal adviser to assist with the scoping study. The advisers will provide independent advice to allow the Government to make fully informed decisions on all relevant aspects of the potential divestment of these properties. Ownership options will be considered in the context of the 2015-16 Budget. Importantly, the Government has not yet made any decisions regarding the timing and structure of any potential sale.

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# THE WORLD

Property news from around the world

## Foreign Investment in Japan is up

Foreign direct investment into Japan more than doubled last year as a cheaper yen made real-estate and other assets more attractive to buyers from Asia and the U.S.

Inbound investment rose 181 percent to 1 trillion yen ($8.4 billion), the highest since 2009, according to finance ministry data released Monday in Tokyo. Asia accounted for 54 percent of the inflow, and the U.S. 47 percent. There was a net outflow of investment from Europe.

It is reported that the the yen's tumble on Prime Minister Shinzo Abe's reflation policies is breathing life into inward investment even as it boosts import and energy costs. Abe aims to double the stock of foreign direct investment in the nation by 2020, and plans to lower a tax on corporate income to make Japan more attractive for business.

## London prices drop

Further evidence is emerging that the central London housing market bubble has burst and price falls are spreading throughout the rest of Greater London, the latest index suggests. Prime central London prices are still falling as the supply of properties rises and confidence in property as an investment ebbs away, according to the data from Home.co.uk.

Central London locations dominate the latest list of biggest house price falls across the UK, with Walworth in the London Borough of Southwark seeing a 15% fall in average house prices between January 2014 and January 2015. House prices in Belgravia fell by 10.3% over the same period and Cromwell Road in Kensington saw a slump of 8.3%. Of the 20 UK areas with the biggest annual fall in sales prices, 11 are in London.

Landlords' return on investment on central London properties is also falling. Of the 15 UK locations recording negative real % yield, which occurs when the value of the property depreciates by more than the annual rent, 12 are in central London. The index shows that in January 2015, landlords with a property in Walworth recorded a negative real % yield of 11.3%, while in Belgravia the negative real % yield stood at 7.1%.

## USA the domain of renters

Renters made up the majority of the population in cities at the core of nine of America's 11 largest metro areas in 2013, a sharp change from 2006, when renters were the majority in just five of those cities, according to a new report.

Cities have always had a larger number of renters when compared with suburban areas, in part because the cost of owning a home within a city's limits is out of reach for many residents, especially in high-cost places such as New York, San Francisco and Washington, D.C.

But the report, scheduled to be released Monday by New York University's Furman Center and Capital One Financial Corp., found a significant shift in the proportion of renters in all major cities—even in lower-density, relatively inexpensive places such as Houston and Dallas.

A resulting demand for apartments is rising so fast that it is starting to overwhelm supply in many cities, which is pushing up housing costs nationwide. "As the number of renters grow, if the supply of rental housing does not keep up—as it has not in most of these cities—then vacancy rates will fall, rents will rise, and more renters will struggle with the costs of housing," said Ingrid Gould Ellen, the Furman Center's faculty director.

In some cases, the rise in the number of renters reflects a reversion to levels before the housing boom, when easy credit and no-down-payment mortgages allowed many renters to become homeowners. Once the boom turned to bust, people went back to renting, either because they lost their homes to foreclosure or they became skittish about owning. In Chicago, renters made up 53% of the population in 1990, then dropped to 46% at the height of the housing boom in 2006 and returned to 52% in 2013.

In other cases, long-term demographic trends and changing attitudes have diminished the appeal of the traditional American dream of homeownership. In Houston, just 41% of the population were renters in 1970. The rate rose to 51% by 2000 then declined slightly during the housing boom before starting to rise again, hitting 54% in 2013.

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