REIANEWS
ISSUE 45: MAY 2015

BUDGET 2015

ALSO IN THIS ISSUE

Mr Neville Sanders
REIA President

PRESIDENT'S REPORT

WELCOME
FROM REIA'S PRESIDENT

Hello and welcome to the May edition of REIA News. With the budget released only two days ago, this issue includes a detailed analysis of how various budget measures will benefit the sector.

The centrepiece of the budget was of course the $5.5 billion package for small business. With the real estate profession largely made up of small businesses, this package is obviously very good news for the sector.

Many agents will in particular welcome the changes to the Fringe Tax Benefit (FTB) arrangements. As part of Tuesday's budget, the Government will allow a FBT exemption from 1 April 2016 for small businesses to provide employees with more than one qualifying work-related portable electronic device, such as a phone, tablet or laptop, even where the items have substantially similar functions. This measure will apply to businesses with an aggregated annual turnover of less than $2 million.

The budget also includes tax cuts for small businesses with the Government set to reduce the company tax rate to 28.5 per cent for companies with an aggregated annual turnover less than $2 million. Companies with an aggregated annual turnover of $2 million or above will continue to be subject to the current 30 per cent rate on all their taxable income.

Pleasingly, there were no changes to the current negative gearing or capital gains tax arrangements. REIA had strongly advocated to Government that both of these measures should be retained in their current form and we welcome the Government's decision to listen to the sector on this important issue.

Foreign investment also featured prominently in this year's budget although there were no surprises with the new fees for foreign investment applications set at the same rate as proposed earlier this year. The budget papers did however include the projections for the revenue raised from this measure, which is estimated to be $735 million over four years. REIA had also strongly advocated for increased funding to strengthen compliance and enforcement and so we welcome the decision to allocate $66 million to the Department of Treasury and the Australian Tax Office to carry out this function.

More broadly, a return to surplus is projected within the budget before 2018-19 although the Government has projected a significant reduction in the deficit by 2019. This significant reduction in the underlying cash balance without any significant expenditure cuts appears ambitious.

Mr Neville Sanders

REIA PRESIDENT

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

NEW RULES GOVERNING FOREIGN INVESTMENT

Following consultation with REIA, the Government has announced its position on foreign investment fees and penalties which will be introduced into the Spring session of Parliament and if passed (as is most likely) will come into effect on 1 December.

REIA will be asked to comment on the exposure draft of legislation so we will have the opportunity to ensure that it is workable and that the heavy fines for agents, developers and other parties who 'knowingly assist' foreign investors to break the law are clear and do not net agents who are provided the wrong information by buyers. We will contact member REIs for feedback on this.

REIA has had several wins so far:

- The compliance burden will not fall on agents. Conveyancers and lawyers will have to fill in the paperwork which will be used to populate the Foreign Investment Database managed by Treasury. Agents (as is the case currently) will have to advise foreign buyers that they need FIRB approval before purchasing a property and that unless they are citizens, temporary or permanent residents, they are not eligible to buy existing property; only new properties with FIRB approval.
- There has been an adjustment to commercial property which has lessened the upfront fees for off the plan certificates so that cash flow is not adversely affected. Developers will be charged fees for five properties out of 100 upfront.
- The penalties will be for those who 'knowingly assist' those breaking the law such as lodging false documents relating to company ownership and attempting to circumvent the rules. They won't affect agents who are given the wrong information by foreign buyers.
- Foreign investors bidding at multiple auctions will pay a fee of $5000 which will cover a 6-month period. This covers REIA's concern that those attending auctions will have to pay fees for each bidding scenario.

The ATO will be issuing letters to individuals and companies suspected to be involved in breaches of the foreign investment framework. It will also conduct investigations of property sales reported to them by the public, along with random audits of properties that have been sold over the past 10 years.

Those in breach of the foreign investment framework will have from now until 30 November 2015 to self-report their breach and be given a longer period of time to divest the illegally purchased property before the new rules come into effect from 1 December 2015. The ATO will pursue breaches against foreign investors who do not voluntarily come forward.

For information about the Government's position on foreign investment click here.

Deposit Power is Australia's leading provider of Deposit Guarantees and has assisted more than 750,000 Australians purchase their home or investment property.

Deposit Power Guarantees substitute the cash deposit and are ideal for asset rich cash poor buyers. Deposit Power is suitable for both auction and private treaty transactions, first homebuyers, investors and anyone needing to sell and buy simultaneously.

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

$ BUDGET 2015

BUDGET 2015-16 OVERVIEW

The Government describes the Budget as one that is designed to boost jobs, growth and opportunity. It is further described by the Government as one focused on small business, better child care and measures that improve fairness. At the heart of this budget are several measures totalling $5.5 billion designed to benefit small business. This package is largely comprised of $5 billion in estimated tax relief. Further details of this package are included within this document.

Notably there has also been a $52 billion write-down in tax receipts over the four years to 2017-18 since the 2014-15 Budget. This has been driven by a near halving of the iron ore price since the 2014 Budget and persistently low wage growth. The fall in commodity prices has contributed to the largest fall in the terms of trade in over 50 years. Across the four years of the forward estimates, the underlying cash deficit is projected to narrow from $35.1 billion (2.1 per cent of GDP) in 2015-16 to $6.9 billion in 2018-19 (0.4 per cent of GDP) – see table 1.

Pleasingly, there are no changes to the current negative gearing or capital gains tax arrangements.

TABLE 1 ***Budget Aggregates***

	Actuals	Estimates	Projections		
	2013-14	2014-15	2015-16	2016-17	2017-18
Underlying cash balance ($b)	-48.5	-41.1	-35.1	-25.8	-14.4
% of GDP	-3.1	-2.6	-2.1	-0.8	-0.4
GDP growth	2.5	2.5	2.75	3.25	3.5
Unemployment rate (%)	5.9	6.25	6.5	6.25	6
Consumer Price Index (%)	3.0	2.5	2.5	2.75	2.75

Main Budget Points

- Families Package of $4.4 billion designed to give parents more choice and opportunity to work.
- An investment of $3.5 billion over five years for child care subsidies.
- Universal Access to Preschool Package of $843 million in the 2016 and 2017 calendar years to preschool programs across Australia.
- The provision of $265.5 million to the Australian Tax Office over three years to extend the GST compliance program.
- The budget outlines changes to the welfare payment system with these measures estimated to result in a net saving of around $3.5 billion over the forward estimates.
- The Government is investing $1.2 billion in new funding for national security including $450 million in new intelligence measures.

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- The budget includes $50 billion in infrastructure commitments (both new and existing) including the Asset Recycling Initiative, which is estimated to generate more than $15 billion of additional infrastructure activity.
- The Government has pledged to establish a $5 billion Northern Australia Infrastructure Facility that will be available for major infrastructure projects such as ports and railways.
- The budget outlines various changes to the pension system that effect the asset free threshold but the Government will not proceed with the 2014 Budget measure to index the pension to CPI.

Small Business

IMMEDIATE DEDUCTIBILITY FOR PROFESSIONAL EXPENSES

- The Government will allow businesses to immediately deduct a range of professional expenses associated with starting a new business, such as professional, legal and accounting advice. This measure will be available to businesses from the 2015-16 income year. This measure is estimated to have a cost to revenue of $30.0 million over the forward estimates period.
- Currently, some professional costs associated with a new business start-up are deducted over a five year period. Allowing start-ups to immediately deduct these expenses will provide much needed cash flow for these new businesses.

CAPITAL GAINS TAX ROLL-OVER CHANGES

- The Government will allow small businesses with an aggregated annual turnover of less than $2 million to change their legal structure without attracting a capital gains tax (CGT) liability at that point. This measure will be available for businesses that change entity type from the 2016-17 income year. This measure is estimated to have a cost to revenue of $40.0 million over the forward estimates period.
- CGT roll-over relief is currently available for individuals who incorporate but all other entity type changes have the potential to trigger a CGT liability. This measure recognises that new small businesses might choose an initial legal structure that they later find does not suit them when the business is more established.

FBT CHANGES FOR WORK-RELATED ELECTRONIC DEVICES

- The Government will allow a fringe benefits tax (FBT) exemption from 1 April 2016 for small businesses with an aggregated annual turnover of less than $2 million that provide employees with more than one qualifying work-related portable electronic device, even where the items have substantially similar functions. This measure is estimated to have a small but unquantifiable cost to revenue over the forward estimates period.
- Currently, an FBT exemption can apply to more than one portable electronic device used primarily for work purposes, but only where the devices perform substantially different functions.
- Removing the restriction that a tax exemption is only provided for one work-related portable electronic device of each type will remove confusion where there is a function overlap between different products (such as between a tablet and a laptop).

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ACCELERATED DEPRECIATION

- The Government will significantly expand accelerated depreciation for small businesses by allowing small businesses with aggregate annual turnover of less than $2 million to immediately deduct assets they start to use or install ready for use, provided the asset costs less than $20,000. This will apply for assets acquired and installed ready for use between 7.30pm (AEST) 12 May 2015 and 30 June 2017. Assets valued at $20,000 or more (which cannot be immediately deducted) can continue to be placed in the small business simplified depreciation pool (the pool) and depreciated at 15 per cent in the first income year and 30 per cent each income year thereafter. The pool can also be immediately deducted if the balance is less than $20,000 over this period (including existing pools).
- The Government will also suspend the current ‘lock out’ laws for the simplified depreciation rules (these prevent small businesses from re-entering the simplified depreciation regime for five years if they opt out) until 30 June 2017.
- These changes will improve cash flow for small businesses and provide a boost to small business activity and investment.
- Small businesses can access accelerated depreciation for the majority of capital asset types. Only a small number of assets are not eligible (such as horticultural plants and in-house software). In most cases specific depreciation rules apply to these assets.
- From 1 July 2017, the thresholds for the immediate depreciation of assets and the value of the pool will revert back to existing arrangements.
- The measure is estimated to have a cost to revenue of $1.8 billion over the forward estimates period.

TAX CUTS

- The Government will reduce the company tax rate to 28.5 per cent for companies with aggregated annual turnover less than $2 million. Companies with an aggregated annual turnover of $2 million or above will continue to be subject to the current 30 per cent rate on all their taxable income.
- The current maximum franking credit rate for a distribution will remain unchanged at 30 per cent for all companies, maintaining the existing arrangements for investors, such as self-funded retirees.
- Individual taxpayers with business income from an unincorporated business that has an aggregated annual turnover of less than $2 million will be eligible for a small business tax discount. The discount will be five per cent of the income tax payable on the business income received from an unincorporated small business entity. The discount will be capped at $1,000 per individual for each income year, and delivered as a tax offset.

National Affordable Housing Agreement

- In 2015-16, the Commonwealth will provide funding of $1.9 billion to support state affordable housing services, including $1.3 billion through the National Affordable Housing SPP and $534.1 million through National Partnerships.
  - This also includes $600,000 for the First Home Owner Boost, which ceased in December 2009. The continuation of the First Home Owners Boost payment in 2014-15 reflects extensions granted to applicants in exceptional circumstances by the states and territories.
  - A new National Partnership for 2015-16 and 2016-17 is being negotiated with the states. This agreement will ensure critical frontline services are maintained. Longer-term funding arrangements and the respective

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roles of the Commonwealth, state and territory governments will be considered in the context of the Government's Reform of the Federation White Paper.

Foreign Investment

- Following the House of Representatives Foreign Investment inquiry, the budget outlines the Government's commitments to improved compliance and enforcement, stricter penalties, the introduction of application fees, and more scrutiny and greater transparency for agricultural investment.
- The budget includes a commitment to establish a comprehensive land register will provide for greater scrutiny and transparency around the level of foreign ownership in Australian agricultural land and real estate. The ATO will commence collecting data for the agricultural land register on 1 July 2015, with negotiation underway for the inclusion of state and territory land titles data to expand the register to all land by 1 July 2016.
- The Budget papers also indicate that the Government is consulting on options to ensure Australia has a modern, streamlined foreign investment system although there are no specified details.
- The introduction of application fees on all real estate, business and agricultural foreign investment proposals from 1 December 2015 is estimated to raise $735.0 million in revenue over the forward estimates period.
- The Government will provide $19.7 million over four years from 2015-16 to the Department of the Treasury and $47.5 million to the Australian Taxation Office to improve compliance and strengthen the enforcement of Australia's foreign investment framework. The Government will also provide $0.6 million to the Department of Agriculture to advise on specific agricultural foreign investment proposals.
  - The estimated expenditure and revenue is summarised in table 2.
- Under the new arrangements, increased criminal penalties and a new civil pecuniary penalties regime will be introduced for breaches of the *Foreign Acquisitions and Takeovers Act 1975*. A reduced penalty period for foreign investors that have previously breached the foreign investment rules in relation to residential real estate has been provided until 30 November 2015. These investors may avoid prosecution, but will be required to divest the property.
  - Table 3 (over the page) is a summary of the application fees and penalties.

TABLE 2 ***Strengthening Australia's foreign investment framework***

Revenue ($m)	2014-15	2015-16	2016-17	2017-18	2018-19
Australian Taxation Office	-	115.0	185.0	215.0	220.0
Related expense ($m)					
Australian Taxation Office	-	11.8	9.6	8.2	7.6
Department of the Treasury	-	10.9	7.7	7.5	7.6
Department of Agriculture	-	0.2	0.2	0.2	0.2
Total – Expense	-	22.9	17.5	15.8	15.3
Related capital ($m)					
Australian Taxation Office	-	9.2	1.1	-	-
Department of the Treasury	-	1.7	-	-	-
Total – Capital	-	10.9	1.1	-	-

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TABLE 3 ***Application fees and penalties from 1 December 2015***

Investment Type	Fees	Penalties*
Residential real estate	Property valued under $1 million – $5,000 Property valued over $1 million – $10,000 then $10,000 incremental fee increase per additional $1 million in property value	Maximum criminal penalty increased to $135,000 or 3 years imprisonment New maximum civil penalty of the greater of capital gain or 25 per cent of the value of the property
Business	$10,000 – $100,000	Maximum criminal penalty increased to $135,000 or 3 years imprisonment New maximum civil penalty of $45,000
Agriculture	$5,000 – $100,000	Maximum criminal penalty increased to $135,000 or 3 years imprisonment New maximum civil penalty of $45,000

*Penalty rates for individuals, a multiple of 5 applies for company penalties

Defence Housing Australia

REFORM OF DHA

- The Government will provide $4.0 million over two years from 2015-16 to undertake a reform of Defence Housing Australia (DHA). This will include a review of DHA's accounting, information technology and business reporting systems to improve transparency of the cost of providing DHA's services, as well as a review of DHA's business plans to support the sustainable delivery of quality and accessible housing and accommodation services.

APARTMENT AVAILABILITY

- The Sale and Leaseback program is expected to be critical to the success of DHA and it is expected that the number of apartments available to investors will increase as the demand for single units for personnel located off-base also grows.

APARTMENT TYPE

- DHA is expected to reduce the number of members based in the private rental market and provide additional housing choices for single member personnel.

Streamlined car work-related expenses

- Currently there are four different methods available to taxpayers to claim their tax deduction for work-related car expenses. In the 2015-16 income year, there will now only be two options available; the cents per km and logbook method.
- The other two options (the 12% of original value method and one-third of actual expenses) will be discounted to streamline the system.
- The Budget is also proposing to cap the cents per km rate at 66 c/km for large cars, down from 77 c/km. The

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average impact of this proposed measure for those driving medium and larger cars would be a loss of $85 a year.

- The measure is expected to result in a budget saving of $845m over the forward estimates.

REIA's Pre-Budget Submission and responses as contained in the Budget statements:

- That conveyance stamp duties be abolished and replaced by an efficient source of revenue for states and territories.
  - ***No – the budget did not include this proposal***
- That negative gearing be retained in its current form to encourage property investment.
  - ***Yes – in a win for the real estate sector***
- That capital gains tax on property investments is not increased.
  - ***Yes – in a win for the real estate sector***
- That the Government take a leadership role in introducing a uniformed approach to the provision of assistance to first home buyers for both new and established homes.
  - ***No – the budget did not address this issue***
- That the Government establish a scheme to encourage young Australians to have access to their superannuation for the purpose of raising a deposit for a first home.
  - ***No – the budget did not include this proposal***
- That the Government establish a mechanism to ensure the availability of reliable data on housing demand and supply to assist in formulating effective policies.
  - ***No – the budget did not include this proposal***
- The Government better utilize private investment to improve the supply of housing for social housing tenants transitioning to private rental.
  - ***No – the budget did not include this proposal***

COMMENTARY

The Budget contains little in adverse spending cuts that have not been canvassed in the media in recent weeks. As anticipated, there were no major announcements impacting on the housing sector with the retention of negative gearing and the introduction of fees for foreign investments in residential real estate. A return to surplus is projected within this budget before 2018-19 although the Government has projected a significant reduction in the deficit by 2019. This significant reduction in the underlying cash balance without any significant expenditure cuts appears ambitious.

This article is brought to you by REIA Research Officer, Evgeniya Hawthorne
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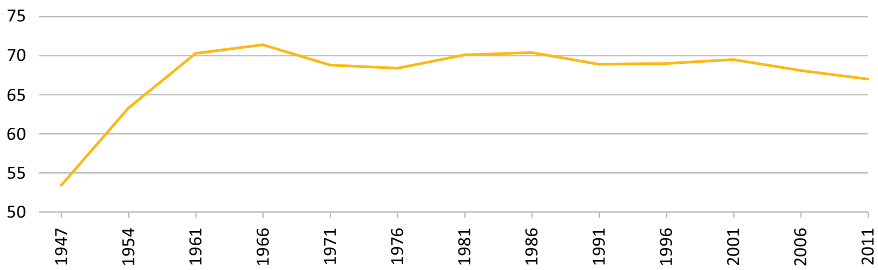
IS THE TREND OF FALLING HOME OWNERSHIP RATES IRREVERSIBLE?

Over the five years to 2011, home ownership declined by 1.1 percentage points to 67% of occupied private dwellings. The drop was evident across all states and territories prompting a question on whether this was the beginning of an irreversible trend. The National Housing Supply Council, in its 2012-13 report, shows that it seems certain that the rate of home ownership will drop further.

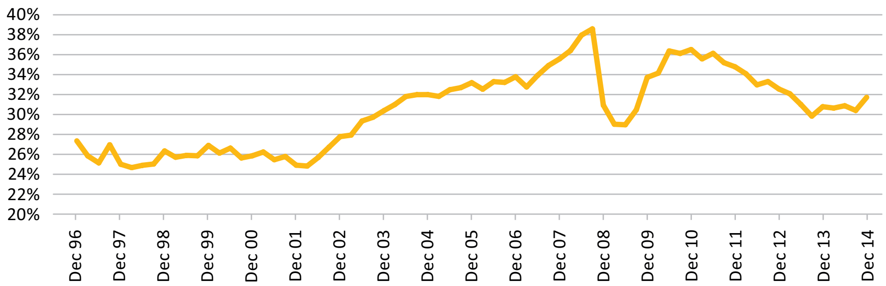
The Australian Bureau of Statistics' (ABS) Census data shows that the rate of home ownership in Australia was at its highest at 71.4% in 1966 and since then lost 4.4 percentage points. The gradual decline, however, was accompanied by slight rises and falls along the way. Figure 1 shows the rate of home ownership in Australia since 1947.

FIGURE 1 *Home ownership in Australia, ABS Census data, %*



Source: Tony Kryger, Home Ownership in Australia – data and trends; Census 2006, Census 2011

FIGURE 2 *Proportion of family income required to meet average loan repayments, Australia*



Source: REIA

A comparison of the Census findings with the Real Estate Institute of Australia's (REIA) data shows direct links between changes in the rate of homeownership and the level of housing affordability between 1996 and 2011. The 2001 Census recorded over the five years to the Census night, the rate of home ownership increased from 69.0% to 69.5%. The REIA data shows that over the same period, the proportion of the median family income required to meet average loan repayments decreased from 26.6% to 25.8% – and indicator of the better housing affordability. The Censuses for 2006 and 2011, however, showed the home ownership rate since then declined to 68.1% in 2006 and further to 67.0% in 2011. During that period, housing affordability worsened with the proportion of median family income required to meet average loan repayments going up to 33.2% in 2006 and further to 35.2% in 2011. Figure 2 shows the proportion of the median family income required to meet average monthly loan repayments.

In 2015, despite historically lowest interest rates, housing affordability remains low in Australia. With the most affordable housing being available on the outskirts of cities despite most jobs located in the cities' CBDs. As a result, many potential buyers turn to renting.

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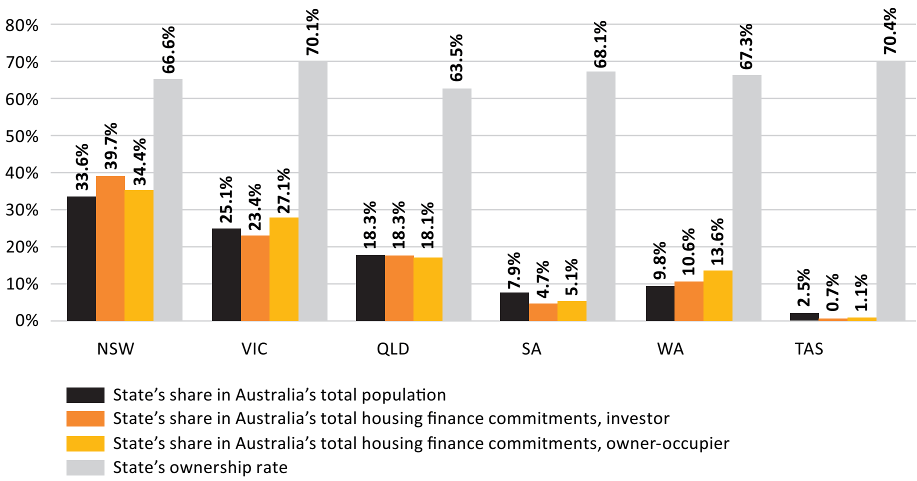
ABS' data shows that over the last thirty years, around one-third of Australians lived in New South Wales; a quarter resided in Victoria and Queensland accounted for 18% of the national population. Eight per cent of Australians lived in South Australia and one in every ten Australians resided in WA. An analysis of the distribution of investment housing finance commitments shows that New South Wales and Queensland accounted for larger proportions of investment housing finance commitments compared to the share of the population residing in these states and also compared to the share of housing finance commitments by owner-occupiers. This is shown in figure 3.

The Census shows that that New South Wales and Queensland have the lowest home ownership rates, 66.6% and 63.5% respectively. The rates are below the overall rate for Australia of 67%.

With investment housing finance commitments currently increasing – making up forty per cent of the total housing finance commitments in Australia – the further drop in the rate of homeownership as anticipated by the National Housing Supply Council seems to be likely.

FIGURE 3 *States' shares in Australia's population, total housing finance commitments by investors and owner-occupiers; States' home ownership rates*



Source: ABS publications 3101, 5609, 5671; 2011 Census

PEOPLE POWER, NETWORKING AND HOW TO GENERATE REFERRALS

Amanda Lynch, REIA CEO talks to Fons Caminiti, Adelaide Bank's Head of Broker Distribution, about third party lending, the power of networking and the importance of developing successful referral networks.

AMANDA LYNCH
REIA CEO

FONS CAMINITI
Adelaide Bank head of broker distribution

AMANDA LYNCH ***Adelaide Bank is the specialist third-party lending division of Bendigo and Adelaide Bank. What does a third party lender do, how long have you been working in the industry, and what makes your business stand out from other lenders?***

FONS CAMINITI A third party lender essentially services mortgage brokers and mortgage managers who arrange finance for people seeking to buy property. I've been an employee with Adelaide Bank for over fifteen years and my 'riding instructions' are to enact significant changes to the way the business assists our brokers and their customers. Our home loans and commercial loans are available through our network of over 7,000 mortgage broking partners across Australia. We are a true 'broker only' bank who pride ourselves on great turnaround times which are a key feature of our value proposition and greatly appreciated by busy brokers, particularly when capital city property markets are running hot.

AL ***Is the third-party space a sector positioned for growth?***

FC It certainly is and that's what we're planning for. The landscape is constantly changing. The Bendigo and Adelaide group have a philosophy of dealing with customers according to their own preferences – and they're changing too. A total of 50% of Australian property buyers now choose to use a broker when seeking a mortgage. Bank managers at the big four are continually shuffled around and coming and going... you never know if you're going to be speaking to the same people month on month, whereas mortgage brokers are accessible, provide independent advice and know the ropes. They also know which lenders will deliver the best customer experience and least stress during what is a particularly tense time for many people.

AL ***So an ability to build relationships and networking seem to be important attributes that***

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the best brokers and the best real estate agents have in common?

FC Indeed. I have a very healthy respect for finance brokers and real estate agents. The most effective brokers and real estate agents operate along very similar lines and fully understand the power of relationship building and the genuine trust required to build successful, meaningful long lasting client relationships. Both are in the 'people businesses.' They're not just selling a home or home loan, more often than not they're improving someone's lifestyle – making a dream come true, facilitating the purchase of a new residence for their kids to play, to entertain family and friends or a comfortable refuge after a hard day's work.

AL ***When you say Adelaide is a 'broker only' bank, presumably that means your customers need to be introduced to you. Is this why there is so much emphasis on relationship building?***

FC It certainly is … relationship building is a 'contact sport.' A good broker develops and strengthens meaningful relationships and creates reciprocal opportunities for their business and their clients. These encounters enhance your 'brand', your 'profile' and create business and personal ambassadors who will readily promote you and hook you up with the right prospects. In my experience, the more influential people you can successfully connect with where reciprocal information and business opportunities are exchanged, the more opportunities will emerge for you and your business. But make these connections meaningful.

AL ***When it comes to making meaningful connections, getting the balance right upon introduction to a new prospect can be tricky until you develop enough experience. How do you start?***

FC Define your ideal prospect. Understand your customers. Understand and respect your competitors and find common (non business) ground in conversations. Be bold and make commitments. When your customer finally 'commits', the processes involved in property purchase can all be a bit of a blur, with a flurry of paper signing and deep conversations they may not fully comprehend. It's a trust thing. You are effectively their 'good shepherd', taking them safely through the maze ahead. People may forget what you said, people may forget what you did at the time when you went the extra mile for them in negotiations- but people will never forget the way you make them feel.

AL ***Thanks Fons.***

FONS' GOLDEN RULES FOR MEMORABLE NETWORKING AND BUSINESS ENCOUNTERS

- Ask meaningful, genuine questions
- Intense listening is the driver of your conversations
- Remember and acknowledge personal details
- Your phone has a 'Notes' section in 'Contacts', use it to help you remember
- Use empathy to make it more personal
- Be relaxed and attentive
- Share helpful resources/ information where relevant
- Honesty is the best policy
- Genuine intent gathers positive outcomes
- Don't over-commit
- Seek to drive emotive compliments
- Think long term when building relationships, not short term
- Take action as soon as practical
- Add value at every opportunity
- Be admirable and memorable
- Believe you can make a difference

A slip that could cost your business.

The importance of professional indemnity in the property sector.

Did you know that a defect in a property your agency manages could put your business at risk? At Aon, we're seeing allegations of agency negligence as a result of 'slip and fall' claims in rental properties. If the claimant can prove a property manager failed to act after being told about a loose balcony balustrade for example, and it causes an accident, you could be deemed at fault.

A claim could even arise if your property manager fails to notice a defect during a regular property inspection – a loose stair tread or an electrical fault for example.

"In one tragic case, a toddler fell from a staircase and suffered a fractured skull," explains Peter Lynch, Client Relationship Manager with Aon Risk Solutions.

"She developed serious complications and is unlikely to recover. During an inspection just two weeks prior, the property manager had noted an issue with the rear staircase – which was rectified. But the front staircase had the same design, with no balustrades below the handrail, and that was not fixed at the same time. The child fell from the front stairs."

A negligence claim was brought against agency, on the basis that its property manager had failed to prevent a foreseeable risk of harm. Damages were awarded in excess of $600,000. Fortunately, the agency was covered by Aon's Real Estate Professional Indemnity Insurance.

"This Professional Indemnity policy is designed specifically for real estate agents, and covers the five main areas of mismanagement exposure for property managers," explains Peter:

- Mismanagement causing loss of rent and property damage/theft
- Mismanagement causing injury
- Fidelity for theft by employees
- Defamation in relation to tenants
- Discrimination to tenants on the basis of race, sex or religion.

Peter says the main area of exposure is bodily injury claims.

You can protect yourself from mismanagement claims by ensuring your regular property inspections are thorough and documented in writing, that you properly identify defects and maintenance and repair items where they exist and arrange to have them fixed quickly and efficiently by appropriately qualified contractors.

It's also important to keep landlords updated on these issues, and get their authorisation for any repairs quickly. And to be fully prepared for any unexpected events, fully document the whole process so you can prove your inspections and your systems and procedures are not at fault.

"The consequence of mismanagement claims extends beyond financial remuneration to the loss of good reputation in the community and damage to your real estate brand," says Peter.

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OPINION PIECE

LEVELLING THE SUPER FIELD FOR RICH AND POOR

This article is brought to you by Graham Young, Executive Director, Australian Institute for Progress, www.aip.asn.au

Superannuation is about security in retirement, and has to be seen in that context, not as an end in itself.

When you consider that the average Australian house is worth $571,500, but the average superannuation account balance for males aged 60-65 is only $114,000, you understand that the family home is more likely to provide security in old age than the superannuation account.

Which is why Joe Hockey's suggestion that potential first home buyers should be able to access their super to fund a deposit on that house makes a lot of sense.

Far from sabotaging Australia's retirement incomes, it could be the single best idea this decade for making retirement more secure for millions of Australians.

Owning your own home outright eliminates rent and reduces occupancy costs to maintenance and rates. It provides an asset that can be parlayed against a nursing home place, or even sold in an emergency.

Indeed, anyone who reaches retirement age without their own house, but with a decent superannuation balance, ought to take it and buy one.

The issue isn't whether superannuation finds its way into housing, but when.

From an investment perspective housing has been a good performing asset class, and it is one to which most large superannuation funds are under-exposed.

However self-funded superannuation funds are able to invest in geared real estate.

So, not only does Hockey's scheme diversify retirement investment risk for those who can't self-manage, it also provides horizontal equity between the two types of schemes.

Housing investment also performs well because of gearing.

A gearing of 80% magnifies the gain on the whole property, turning say a 5% gross return into a 25% return on equity. How many super funds boast that level of return?

In a normal situation this level of gearing would be considered dangerous, but at current borrowing rates, and even only a 10% deposit, the interest on a starter house in most states would actually be less than the rent on a comparable dwelling.

Owning your own house is very tax effective, more so than superannuation. Not only are there no capital gains, but the rent saved over time is after tax and is potentially available for tax advantaged investments, like topping up superannuation at a later stage, at its pre-tax value.

The share of the market of owner-occupied housing is dropping, and while this may partly reflect lifestyle choice, it also reflects the fact that while repayments are relatively speaking low, asset prices are high.

» *article continues*

Repaying a loan isn't a problem, but getting into the market is. It takes longer to save a deposit than ever before, which is why conversations amongst parents in wealthy suburbs often turn to how much they've lent their kids money to buy their first house.

Not much comfort for the less affluent there.

Critics worry that Australian housing is in a bubble. But current house prices are a rational reaction to low interest rates, constrained demand, available rents and a long uninterrupted expansion in gross GDP since 1993.

There is no natural value of an asset, and while current prices are historically high, they appear to have reached an equilibrium which has held for 10 or so years. Without a drop in rentals or a sharp increase in interest rates, it is hard to see this changing.

Besides, we are talking a long game here with a house purchaser in their 30s probably working for another 40 or more years. Could the market go sideways that long?

Critics also charge that this will increase house prices because of supply constraints. But balanced supply is a function of population and number of occupants per dwelling, not who owns those dwellings.

Unless the number of occupants per household decreases substantially as a result in the change of the type of owner it should have no long-term effect at all.

There may be a temporary increase in prices, but this should be quickly cured by a corresponding drop in rents with fewer renters in the market, and an increase in supply in response to higher prices.

If planning laws are the problem, then the laws need to be changed, rather than punishing potential home owners.

And if the issue is high migration levels, then the solution is even easier to implement.

And while it's a good idea, it's not original. Other countries, such as Canada and New Zealand have similar schemes, which ought to give comfort to the treasurer that this is one argument he should be able to win.

IN THE COMPANY OF STRANGERS: SHOULD YOUR BUSINESS BRING IN INVESTORS?

» *Edited extract from the Cleland McFarlane Selth Beans and Business Newsletter*
Cleland McFarlane Selth – Charter Accountant/Business Advisers Ph: (08) 8407 1300

Sometimes the difference between a good business and a great business is simply having sufficient capital to execute your business plan. For many businesses, the owners have put everything they have into growing the business but there is still a gap. Investors offer an opportunity to close that gap but at what cost?

HOW DO YOU KNOW YOU NEED INVESTORS?

Unfortunately, most businesses seek investment funding at the point it is most critical or for the wrong reasons – seeking funding for a business when it is in financial distress is always going to be hard. Neediness is never a good negotiating position or very attractive. And, few will be prepared to invest to save you.

Funding from investors is used to fund growth where a major investment is required – where the business cannot service its growth or capital requirements and these requirements are greater than what the business can fund on its own.

On most occasions, investment is needed to build out scale and take advantage of the potential of the business. In many cases the owners can only afford to fund a portion of what is required but the scale they need will make the difference between an okay business and a great business.

WHAT WILL INVESTORS EXPECT?

Before seeking investors you need to get your house in order. Every business operator knows that they should have a business plan in place. Most don't. With a strategic business plan, you can track performance and growth, departures from the plan, etc., and this management information will tell you the point at which you need investment – either debt or another form. A strategic business plan will also inject reality into blue sky entrepreneurialism and flush out many of the issues that investors will inevitably question. It will shore up the business case and demonstrate that the growth path anticipated has been sufficiently thought through – a big issue for many entrepreneurs. This planning stage is important because there are more ideas chasing capital than there are capital chasing ideas. You have one chance to pitch to investors and often you are competing with a range of unrelated or different opportunities.

INVESTMENT TYPES

Investment can be debt or equity investment. A debt investment is paid back in some form. There are many ways to structure debt investment from traditional interest payments to profit sharing. Equity investment however is what most people think of when they think of investors. Equity investment is where the injection of capital buys equity in the business and often a degree of management participation or control. There are many ways of structuring these arrangements depending on the motivation of the parties involved – everything from a direct injection of cash to the provision of essential infrastructure and knowledge.

INVESTOR TYPES

The most common investor for SMEs is family or friends investing out of loyalty and often a belief in the skill set of the business operators. The key problem with family and friends as investors is that often the details

» *article continues*

of the investment are loose. Trust is high and everyone has a belief, at the beginning, that the other party will act in their best interest. If family and friends are investing, you must put in place the same level of formality to the arrangement as if strangers were investing. It prevents confusion and upset.

Another reason for a high degree of formality is that on some occasions, the person looking to unwind or exit the arrangement in the future will not be the person who entered into it. It's important to ensure that the exit provisions are clear in case someone dies. Commercial investors come in many forms – angel investors, venture capitalists, private equity, or investment by associated parties. At the SME end of the market, angel and venture capitalists dominate. Angel investors tend to operate at investment levels between $100k and $500k. Angels are generally individuals looking to for a great idea from a start up that they can capitalise on.

Private equity investors are at the other end of the scale and look to invest tens of millions – generally with established businesses reaching for another level and expectations of high growth. Private equity generally look for a compound internal rate of return on capital in excess of 30%. They look for high returns and an identified exit time-line. They want confidence in return on capital and ultimately, return of capital.

In general, commercial investors will seek a regimented approach – shareholders agreement, restrictions around what can be done without their consent, and a clear exit path. This is not an area you should approach without expert advice.

SOME THINGS TO LOOK OUT FOR

- ***Insufficient formality around the agreement*** – misunderstandings and boardroom battles over direction take the focus off achieving growth.
- ***The wrong structure at the beginning*** – a bad deal won't get better.
- ***Exit clauses*** – look at what the deal looks like at the end of the investment not just at the beginning.
- ***Not being able to fulfil the stated plan*** – be certain about what you're offering.

ATO SEEKS PROPERTY DEVELOPERS' ADVICE ON GOODS AND SERVICES TAX (GST)

If you're a property developer or you provide tax advice to the industry, the ATO wants to hear from you.

GST obligations for property transactions can be a concern and as part of the ATO's ongoing GST and Property work, outlined on the Building Confidence site, a discussion board has been set up to help you better understand your GST obligations for property.

The ATO is particularly interested in your views on meeting GST obligations, and new or emerging tax issues affecting the property industry, and they're looking for feedback on things you find confusing and/or in need of improvement.

The ATO's Graeme Mayne says it's an opportunity to talk to ATO property experts as well as listen to and discuss the views of others in the industry and their tax advisers.

"It doesn't matter if you're an individual subdividing your property or buying property to renovate and sell, or someone with extensive business dealings in residential or commercial property, or a tax professional providing advice to the sector, you can help us make the system better."

"You can access the online property discussion board from 7 April, by logging onto the Let's Talk site, where you'll have the opportunity to post questions, discuss your views with the ATO and with other property developers or their advisers and join other forums.

"It's also a great opportunity to talk to us about how we can streamline processes, cut red tape and provide a more client-focused service."

Let's Talk allows the ATO to engage with the community through surveys, live chats, webinars and discussions while allowing the community to connect directly with them.

The discussion board will be followed by other forums of consultation which will be announced on Let's Talk.

For more information, go to http://lets-talk.ato.gov.au/propertydiscussion

This article is brought to you by Ray Ellis
CEO of First National Real Estate and
REIA Affiliate Council Member

FORCED REVERSE MORTGAGES THREATEN AUSTRALIA'S SOCIAL FABRIC

A proposal to force pensioners into a national reverse mortgage scheme threatens to fundamentally change Australia's social fabric and the relationship we have with the family home, potentially also leading to a collapse in house prices.

To solve the problem of funding retirement pensions into the future, the Centre for Independent Studies has proposed Government incorporate the family home in a pension assets test and legislate for a default national reverse mortgage scheme, the income from which would be counted in the income test.

Millions of Australians have worked hard to achieve home ownership. In fact, over 80 per cent of retirees own their own home and the vast majority have paid off their mortgage.

Along the way, these same retirees have paid income tax as well as significant amounts of Stamp Duty on property purchases, thereby helping Government fund community infrastructure and services that benefit everyone. Their reward is the security of being unencumbered in retirement and having an asset to leave their children.

This proposal could see equity in family homes hollowed out over time, so that there's little or nothing left for children to inherit, making it even harder for young people to get a foot on the property ladder and own their own home.

Some have likened the proposal to 'strip mining' the young in order to solve a budgetary problem. Concerns have also been raised about reverse mortgages rendering an increasing number of illness or dementia-affected retirees unable to afford a nursing home, when it is most needed.

Ultimately, one has to ask what the incentive will be for young people to buy their own home and aim for financial independence, if Government then proposes to take that away in retirement.

There's also the question of who will have the money to buy a house if there is not some form of inter-generational wealth accumulation within families. If average Australians cannot afford to buy a home, a collapse in property values could follow, bringing with it a massive, long-term, negative impact on the economy and the end of the ethos of a 'fair go'.

Amanda Lynch, CEO of REIA and FIABCI Australian President, Chris McGregor

MALAYSIAN INSTITUTE VISITS REIV

In early April, the Real Estate Institute of Victoria hosted a delegation of 14 people from the Malaysian Institute of Estate Agents (MIEA), who were visiting Australia as part of a tour of the region. Four speakers welcomed the delegation as part of the tour designed to foster stronger international relations between the two organisations. Ian McDonald, the President REIV, Robyn Waters, World President of FIABCI; Neville Sanders from REIA and Enzo Raimondo, CEO of REIV all spoke in welcoming the delegation. Enzo Raimondo also provided a power point presentation on Australian real estate sector. Upon conclusion of the tour, a Memorandum of Understanding was signed between the REIV and MIEA to foster on-going co-operation.

FIABCI ASIA PACIFIC SUMMIT

In mid April FIABCI hosted its Asian Pacific summit in Manila in the Philippines with the summit focusing on Cities of the Future in the Asia Pacific. The summit was attended by 250 delegates with speakers from eight countries. The focus of the summit was understandably on the Philippines with some highly regarded and respected speakers from both Government and private industry. Former REIA president, Graham Joyce attended as part of the Australian delegation and presented on the topic of best practices as they relate to urban development, real estate and the cities of the future. Graham, who was also the President of the Real Estate Institute of Western Australia (REIWA) from 2000-2002, where he remained as a Councillor until 2007, has a comprehensive understanding of the local property market and strong depth of industry knowledge and was well to contribute to the summit. His presentation was very well received and he received numerous follow up questions.

Former REIA president, Graham Joyce with FIABCI World President, Robyn Waters at the FIABCI Asia Pacific summit in Manila

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

TIME FOR ACTION ON HOUSING AFFORDABILITY

The long awaited Senate Affordable Housing Report has finally be released and it is a weighty tome spanning 496 pages. The report underscores the importance of affordable, secure and suitable housing as a vital determinant of wellbeing. But, based on the evidence, the committee finds that a significant number of Australians are not enjoying the security and comfort of affordable and appropriate housing – that currently Australia's housing market is not meeting the needs of all Australians.

Sustained growth in median housing costs above the rate of median household income growth in recent decades has made it increasingly difficult for a growing proportion of Australians to afford housing that is safe, secure and appropriate to their needs. Added to the general decline in housing affordability, and indeed compounding the trend, the stock of affordable housing – that is, housing appropriate to the needs of low- to moderate-income households—has failed to keep pace with demand in recent decades.

The committee does not believe the issue of housing affordability in Australia is rightly categorised as either a 'supply-side problem' or a 'demand-side problem'. With this in mind, it is clearly evident that supply is currently not keeping pace with demand in the housing market; a position long argued by REIA.

Worsening housing affordability is reflected in declining home ownership rates. This decline is troubling for a number of reasons, not least because home ownership can be an important means for people to achieve financial and social wellbeing. Moreover, high rates of home ownership also provide broader economic and social benefits to the community. As such, while the committee believes governments should work to improve affordability outcomes for all types of housing tenure, it considers it appropriate for governments to promote home ownership.

The committee makes a range of recommendations directed primarily toward improving home purchase affordability. They include state governments phasing out conveyancing stamp duties - an issued REIA advocated for – and that this be achieved through a transition to more efficient taxes, potentially including land taxation levied on a broader base than is currently the case. Other recommendations are directed at improving the efficiency, effectiveness and equity of infrastructure funding arrangements, which can have a strong influence on the cost of new housing. Similarly, a number of recommendations are made with the intention of ensuring land supply, urban planning and zoning processes have a positive effect on housing affordability.

Evidence indicated that direct grants to home owners, including First Home Owner Grants, need to be targeted carefully in order to be effective. While the committee suggests that First Home Owner Grants might need to be more tightly targeted, it also believes that shared equity programs are a promising means of helping more Australians become home owners, and consideration should be given to expanding such programs. Equally important, the committee recommends that programs designed to help older Australians 'age in place' when they want to, or downsize to meet their needs, should be explored.

Following the report's release, REIA issued a media statement commending some of the recommendations while expressing concern over others including the suggestion that negative gearing should be reviewed.

INDUSTRY UPDATE

Industry news from around Australia

6-star award for green development

The Green Building Council of Australia (GBCA) has awarded Stockland a 6 Star Green Star – Communities rating for its Caloundra South development in Queensland. Caloundra South is the largest mixed-use development ever undertaken under single ownership in Australia. Over the next three decades, Caloundra South will grow to a similar size and scale to Maroochydore, Hervey Bay or Gladstone and will be home to around 50,000 people.

This accreditation is important because it considers the social and economic sustainability and environmental performance of communities, not just during construction but in perpetuity. Stockland has gone to great lengths to ensure the community will become a model for social inclusion and environmentally sensitive urban design and development, with a range of initiatives:

- More than 700 hectares, nearly one-third of the site, will be rehabilitated from decades of use as a former pine plantation and designated as a conservation area
- New habitats for rare and endangered flora and fauna species will be created with fauna underpasses at every major creek crossing
- Installation of the most advanced water reticulation, filtration, storage and treatment system ever installed in any Australian city, which will recycle water, minimise run-off and ensure the protection of the nearby Pumicestone Passage
- Annual environmental reporting will assess the development of the project against stringent water quality and biodiversity measures
- Stockland will establish an environmental education facility and run sustainability awareness programs to promote life-long learning amongst residents and local school children
- A dedicated Caloundra South economic development strategy will target the creation of 19,500 direct jobs, creating long-term local employment opportunities.

Peak body call for urgent building inspections

Hundreds of apartment buildings in Australia's $500 Billion strata industry could be at risk due to the possible use of unsafe products in Australian construction. The peak industry body for Strata and Community Title Management in Australia, Strata Community Australia is urging owners corporations nationwide to immediately carry out building inspections as fears rise concerning the widespread use of unsafe, imported building materials. Following an investigation into a fire at the Lacrosse apartment block in Docklands, Melbourne, there are concerns that a commonly used external aluminium cladding product poses a very serious fire risk to the Australian construction and strata sectors. The product at the centre of these warnings is Alucobest, a significantly cheaper, Chinese imported substitute for the more fire-retardant and non-combustible Australian made, Alucobond. After reports that this product has been a popular choice for high-rise apartment builders over the past 10 years, Strata Community Australia CEO, Kim Henshaw, says it is imperative that owners corporations take immediate steps to assess building safety and strata managers communicate the importance of this practice to their clients. More than 100 residents and owners of the Lacrosse building in Docklands are now reportedly considering a class action against the builders.

First home grant guide for WA

The WA Office of State Revenue has released a one-stop resource of accurate information on the first home owner grant (FHOG) and which is available to real estate so they an in turn accurately advise their clients. This guide is a comprehensive information resource about all aspects of the first home owner grant, including:

- Who is eligible for FHOG?
- What are the ownership tests?
- How does someone fulfil the residence requirement?
- What variations and exemptions are available?
- What is the application process?
- What is the first home owner rate of duty and who is eligible?
- Where can further information be found?

To access the guide, go to: www.finance.wa.gov.au or click here.

MAKING NEWS

General national news

Mental health and housing stress concerns

Mental Health Australia is concerned that low income Australians are under pressure from housing affordability stress resulting in negative impacts on mental health, following the release of Anglicare Australia's Rental Affordability Snapshot. "Poor housing and housing stress, together with other life stresses, reduces psychological wellbeing and exacerbates mental illness," CEO of Mental Health Australia Frank Quinlan said. "Affordable housing for low income earners is extremely important – safe, stable and secure accommodation is vital to the mental health and wellbeing of people and families living with mental illness. The Anglicare Australia report confirms the findings of the 2012 National Report Card on Mental Health and Suicide Prevention that housing stress along with financial stress, and the stress of unemployment or living with poor health, can be contributing factors to mental illness. "We know that for many people who are living with mental illness, owning and keeping their home can be harder to achieve compared to the general community – fewer own a home, or are paying off a mortgage, with more people renting or needing housing support." Anglicare's Snapshot describes a severe housing crisis for people on low incomes, and calls on governments to put a national plan in place to resolve it as a matter of urgency.

iRentWA app for WA tenants

Western Australian tenants will be able to manage their tenancy at the click of a button thanks to a new smartphone app launched by the WA Department of Commerce. The free app can help tenants easily calculate the maximum amount they might have to pay a landlord before moving in and save photos of the mandatory property condition reports, rental receipts and items that needed repair. The app can also set reminders for paying rent, routine inspections and giving proper notice before moving out. So far the app has been downloaded by 4,175 iPhone and Android phone users, giving them essential information on tenancy laws and handy tools to help them manage their tenancy. The app features a range of pre-set reminders that synchronise with users' calendars, and reminds tenants about:

- taking photos at the start and end of a tenancy
- returning the property condition report
- paying rent on time
- date of proposed rent increases
- day and time of routine inspections
- end date of a periodic or fixed-term tenancy
- home open dates and times for prospective buyers or tenants.

The app can be downloaded for free from the App Store or Google Play. For more information go to: www.commerce.wa.gov.au/iRentWA

First home buyers expanding their housing options

Interest in property remains high, with a wider variety of property types now being considered by those purchasing their first home, according to QBE's fifth annual report into mortgage and property market sentiment and behaviour, released today.

The 2015 QBE Barometer report, prepared for QBE by GfK Australia, presents current trends in mortgages and property and Australians' perceptions of the market, tracking year-on-year changes while also considering topical influences on market sentiment. The 2015 Barometer survey results support housing economic indicators that interest in property remains high, with 14.5% of adult Australians intending to buy property in the next 12 months; almost level with mid-2014 levels (14.8%) and greater than in mid-2013 (13.2%). While property demand has remained strong, so too has First Home Buyers (FHBs) and Mortgagors' interest in buying new developments. Compared with June 2014, FHBs are more likely to be interested in looking to buy new properties (67%, up from 60%) and First Home Mortgagors are increasingly likely to have bought a new dwelling (41%, up from 35%).

Frustrations with car hire

More than half of Australians who have rented a car in the past year say advertised prices are misleading, with many admitting to disputing extra charges, new research shows. A survey by consumer research firm Canstar Blue found 57 per cent of consumers have been confronted with an additional charges upon returning a hire car. A quarter of those surveyed disputed the final cost, which was usually higher because of damage. "Some drivers claim to have been charged up to double the original quoted price, while others have been left waiting months for security deposits to be returned," said Canstar Blue's general manager Megan Doyle.

POLITICAL WATCH

Information and news from government

Time is up for shonky VET spruikers

The next major step in a series of rolling reforms to vocational education and training (VET) commenced on April 1 and is designed to stamp out unethical behaviour by training providers and their agents. The changes to the VET FEE-HELP scheme guidelines mean unethical inducements to prospective students to sign up for a training course and take out a substantial loan are now banned. In addition to the ban on inducements, reforms empower the Australian Skills Quality Authority (ASQA) to take legal action against a Registered Training Organisation (RTO) where the RTO or its marketing agent fails to provide clear information to a prospective student about:

- the qualification they are signing up for
- where the training will be undertaken
- how long the course will take
- support services available
- costs associated with the course
- any debt that may be incurred including when repayment is required and under what conditions.

For less serious breaches, ASQA will be able to issue fines and infringement notices as an alternative to prosecution or civil penalty proceedings.

Xenophon calls for stress testing on loans

Independent Senator for South Australia, Nick Xenophon, has called on the Australian Prudential Regulation Authority (APRA) to act to avoid a housing bust by requiring banks to further 'stress test' housing loans, particularly in the overheated Sydney and Melbourne markets. "Currently APRA requires the banks to have aggregate stress testing of housing loans to minimise the risks of a housing bust. Given the lopsided property market, there's a real argument for APRA to require additional 'sensitivity analysis' for the Sydney and Melbourne markets," said Nick. "For instance, there ought to be a requirement to have benchmarks for individual loans that take into account the ability to service loans if interest rates rise by 2-3 per cent in the medium term." Senator Xenophon said adopting a New Zealand approach, with across the board cuts to loan-to-valuation ratios (LVRs), would be "too much of a blunt instrument that could cause a collapse in more fragile housing markets such as Adelaide, Brisbane and Hobart". Senator Xenophon will propose a Senate Economics Committee inquiry to look at the issue later this year.

Vic renters app gets an upgrade

Consumer Affairs Victoria has released a new version of its popular RentRight app, with features designed to help property managers and landlords manage rental homes. The latest version of RentRight is designed to make it easier for landlords to communicate with their tenants. The latest version of RentRight provides:

- email templates to enable landlords and property managers to contact tenants about upcoming inspections, goods left behind and general property-related issues
- tools enabling them to generate and fill in condition reports, exit condition reports and inspection reports, which can be customised
- helpful information about managing a rental property.

The original version of RentRight, which was targeted towards tenants, was launched in November 2013. Since its launch, RentRight has been downloaded more than 19,600 times. Visit consumer.vic.gov.au/rentright to find out more or download RentRight from Google Play or the iTunes store.

ASIC introduces format for improved communication of financial information

ASIC has introduced an improved way of communicating financial information to investors and other users of financial reports. Companies can now prepare and lodge human readable digital financial reports with ASIC using inline XBRL (iXBRL), removing the need for separate lodgement of a PDF-format or paper financial report. The new form of digital financial reporting is designed to assist companies in dealing with the complexity of financial reporting and allow users to better navigate financial reports. Digital financial reports using iXBRL will be human readable, using most popular web browsers and will appear similar to PDF or paper financial reports and also allow the use of hyperlinks to better structure the information and allow users to more easily navigate financial reports. The new reports also allow users to tag financial information with a common set of identifiers to facilitate analysis by computers and ready comparison across companies and over time. Further guidance on digital financial reporting is available from the Standard Business Reporting website.

THE WORLD

Property news from around the world

Orlando is top Florida city for Chinese property investor activity

According to Juwai.com, Florida is already the fourth most popular state in the country for home buyers from China. Only California, New York, and Michigan received more interest. Chinese buyers have the highest average transaction price of all foreign buyers, spending $590,826 - more than double the national average of $247,417 for all buyers. The leading Florida cities for Chinese investment are led by Orlando and followed by Miami. These two have a large lead over other destinations. The Florida destinations that have gained the most new interest from Chinese real estate buyers over the past 12 months are Miami and Jacksonville. Chinese buyers are attracted by the relatively low prices, the lifestyle, prospects of earning yields and capital gains, tax advantages, and the quality building stock - especially in new construction. Among Florida cities, Miami ranks seventh among the global cities most important to the world's ultra-wealthy – making it the only US city besides New York in the top 10.2 There are currently 47 condo projects under construction in Miami-Dade, just in the area east of I-95.

Distressed home sales up in the US

According to recent data, distressed sales – real estate-owned (REO) and short sales – accounted for 13.5 percent of total home sales nationally in February 2015, a 3 percentage point drop from February 2014 and a 0.8 percentage point decrease from January 2015. Distressed sales shares typically decrease month over month in February due to seasonal factors. The February 2015 distressed sales share was the lowest for any February since 2008. Within the distressed category, REO sales accounted for 9.7 percent of total home sales in February and short sales made up 3.8 percent. At its peak, distressed sales totaled 32.4 percent of all sales in January 2009, with REO sales representing 27.9 percent of that share. The ongoing shift away from REO sales is a driver of improving home prices, as bank-owned properties typically sell at a larger discount than short sales. There will always be some amount of distress in the housing market, and by comparison, the pre-crisis share of distressed sales was traditionally about 2 percent. If the current year-over-year decrease in distressed sales share is maintained, the distressed sales share would reach that "normal" 2 per cent mark in mid-2017. Michigan had the largest share of distressed sales of any state at 22.6 percent in February 2015, followed by Florida (22.2 percent), Illinois (20.4 percent), Maryland (19.1 percent) and Connecticut (19 percent). Nevada had an 8.4 percentage point drop in its distressed sales share from a year earlier, the largest decline of any state. California had the largest improvement of any state from its peak distressed sales share, falling 57.3 percentage points from its January 2009 peak of 67.5 percent. While some states stand out as having high distressed sales shares, very few states are even close to their pre-crisis distressed sales share. North Dakota, the District of Columbia and Hawaii are the only states within one percentage point of their respective pre-crisis distressed sales shares.

Housing boom peters out

London's luxury-housing boon is running out of steam, with price gains in the city's best neighbourhoods trailing poorer districts and other large UK cities. Central London home prices soared to records after the financial crisis as a cheap pound and political stability attracted foreign buyers. In that time, the average British house price rose by more than 20 per cent since the 2009 trough to £186,878. However home values in the Kensington and Chelsea boroughs rose the least in the city in the 12 months through March, while Newham, one of the least-expensive boroughs climbed the most according property researcher, Hometrack.

Big property investors hunt for bargains in Brazil

Global real-estate investors such as Blackstone Group LP, Brookfield Property Partners LP and Global Logistic Properties are taking advantage of the political upheaval and economic decline in Brazil by bargain hunting in the country. Most investors have moved to the sidelines as rents and occupancy levels have fallen. With Brazil's growth rate plunging and protests mounting, the volume of reported office property sales hit only $584 million last year, compared with $698.6 million in 2013 and $1.92 billion in 2012, according to Real Capital Analytics Inc. But Blackstone's real-estate group has made two acquisitions in recent months: stakes in a Brazilian home builder and a portfolio of four office buildings in Rio de Janeiro. Blackstone's real-estate group also is opening its own office in the country for the first time, to be led by Marcelo Fedak, formerly head of real estate for Brazilian financial-services firm BTG Pactual. Meanwhile, Singapore-based Global Logistic, which last year bought a portfolio of 34 industrial properties in Brazil for $1.36 billion, this year is buying development sites from small owners "who are finding it hard to raise capital," according to Mauro Dias, president of the company's business in Brazil.

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