REIANEWS

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Mr Neville Sanders
REIA President

PRESIDENT'S REPORT

WELCOME
FROM REIA'S PRESIDENT

In the first quarter of 2015, housing affordability in Australia improved, however affordability worsened compared to the same time last year.

The latest Adelaide Bank/REIA Housing Affordability Report shows that the proportion of median family income required to meet average loan repayments was 30.8%. The figure decreased 0.7 percentage points during the quarter largely supported by declining interest rates.

New South Wales again was the most unaffordable state or territory for home buyers while the Australian Capital Territory had the smallest proportion of median income required to meet average loan repayment across the country. South Australia recorded the only decline in housing affordability across the states and territories during the quarter.

The report shows the number of loans to first home buyers decreasing throughout Australia with Tasmania being the only state or territory to record a rise during the March quarter. Western Australia continues to retain the highest proportion of first home buyers on the state's owner-occupier market while 29.2% of Australian first home buyers are from Victoria.

Despite housing affordability easing, the report shows rental affordability worsened over the quarter with 25.1% of median income now required to pay median rents. The Northern Territory was again the most unaffordable state or territory to rent despite the best improvement across the nation. In Queensland, rental affordability went down over the quarter and when compared to twelve months ago.

With the report showing declines in rental affordability, ensuring stability within the sector is imperative to help stimulate housing investment in Australia. In this regard, we were pleased the 2015-16 Federal Budget introduced no change to the current arrangements for negative gearing and capital gains tax.

Mr Neville Sanders
REIA PRESIDENT

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

VICTORY FOR SMALL BUSINESS ON TWO FRONTS

The Prime Minister has labelled the recent Federal Budget as "the best budget ever for the small businesses of Australia."

"The $5.5 billion of small business tax cuts, the biggest tax cuts ever in this year's budget," Mr Abbott said. There is a 1.5 per cent cut in the company tax rate for incorporated small business. There is a five per cent tax discount for unincorporated small businesses and, best of all, there is the instant asset write-off of $20,000 again and again for all small businesses. These are important because small business is the engine room of the economy. It is the locomotive of jobs growth.

"People mortgage their homes to invest, to employ and to serve their communities. When small business does well, every single business does well.

"Ninety-six per cent of all Australian businesses are small businesses. They employ some 4.5 million people. They create almost 50 per cent of all new jobs."

Small Business Minister Bruce Billson, speaking at the National Press Club, urged Parliament to support the legislation – the Tax Laws Amendment (Small Business Measures No.1) Bill 2015 which will reduce the corporate tax rates from 30 per cent to 28.5 per cent for small businesses with annual turnover under $2 million.

It is estimated that up to 780,000 companies could benefit from this measure.

Small business companies will pay less tax for income years that commence on or after 1 July 2015. The Tax Laws Amendment (Small Business Measures No. 2) Bill 2015 will provide accelerated depreciation arrangements to small businesses and primary producers. This change is the centrepiece of the Budget's small business package. The Bill will amend the small business simplified depreciation rules in the tax law, to increase the threshold for immediate deductibility from $1,000 to $20,000.

"This is a significant increase in the threshold and a massive gain to cash flow for small business," Mr Billson said.

"The accelerated depreciation arrangements for farmers and small business can be claimed for expenditure since Budget night."

In another win for small business, The REIV has welcomed the announcement from the Victorian Government that planned regulatory changes to commercial licensing in Victoria would be repealed.

The previous Government had announced that regulatory changes, to take effect on 1 July this year, would remove the need to involve an agent in large commercial transactions.

REIV CEO Enzo Raimondo said that the decision is a commonsense one by the Andrews Government.

"This provides security for thousands of consumers and small business owners in this state.

"The changes would have opened up the commercial sector to a range of unlicensed and untrained operators," Mr Raimondo said.

Mr Raimondo said that the repeal of key sections of the Estate Agents Exemption Regulations 2014 is vital.

He said that commercial agent licensing is in place for a reason – and the changes would have shut licensed estate agents out of sales of $15million or more, or where the floor area was greater than 10,000 square metres.

"Agents undertaking these complex transactions are bound by a range of legislative measures, including the Estate Agents Act and Sale of Land Act.

"These agents are covered by codes of conduct and are bound by stringent probity checks.

"This delivers security to those buying and selling commercial real estate in Victoria.

"The decision is a win for small business and consumers in this state."

METH LABS:
THE LATEST THREAT TO RENTAL HOUSING

Cleaning up meth labs set up in public housing has cost the Queensland Government more than $600,000 in the past three years.

Queensland has the dubious honour of leading the nation in methamphetamine production, with more clandestine drug laboratories uncovered each year than anywhere else in Australia, police say.

The state's Housing Minister Leanne Enoch said 51 drug labs had been uncovered in Government-managed public or community homes since January 2013.

Over the last three years, the State Government spent $649,000 cleaning labs discovered in Queensland.

"It's a concern to the whole community, and I know the police service is also concerned about it – we take it very seriously," she said.

Drug facts in 2013-14

- Queensland recorded three times the number of clandestine laboratory detections than any other state or territory, with 340 labs found
- Almost 60 per cent of illicit drugs seized nationally were seized in Victoria
- The Northern Territory recorded the highest street price for ice, with users willing to pay up to $1,600 for one gram.

Read a snapshot of all the states and territories

"Fortunately this year we are seeing a decrease [in labs] and I'm hoping that is a trend."

She said while most public housing tenants did the right thing, a minority ruined it for others.

"This year so far, our Government has spent somewhere in the vicinity of $59,000 [cleaning up labs]," she said.

"It's a rare thing to find these drug labs, but when you do find them there are certain things you need to do to make sure the environment is safe to live in."

But Opposition housing spokesman Rob Molhoek said taxpayers should not have to pay for tenants' bad behaviour.

"Public housing is a privilege and I think the broader community want to know if people are getting help and they're being provided with low-cost or free housing, then they've got a responsibility to look after it and treat it with respect," he said.

Under current legislation, a public tenant deemed responsible for a drug lab or found to be aware of its existence can be evicted by the Department of Housing.

But Mr Molhoek said the laws were under review.

"Under the three strikes legislation introduced when we were in government, the departmental staff actually have the powers to deal with offenders over a period of time, which weren't there before," he said.

"Sadly the new Labor Government are actually wanting to move those laws and go back to the good old days where you could virtually never evict someone from public housing, regardless of how badly they behaved or regardless of how much damage they did to the property."

However, Ms Enoch said the Government's review was about making

» *article continues*

METH LABS:
THE LATEST THREAT TO RENTAL HOUSING

» *continued*

sure all social housing policies were fair.

"Ultimately we're talking about people who need roofs over their heads," she said.

"However, in terms of the three strikes and you're out policy, I'm not saying in any way that that's not the right thing to do.

"If someone is caught with a meth lab and police are able to prove that to us, we pursue eviction immediately."

National guidelines specify buildings that contained drug labs must be properly cleaned before new tenants move in.

Concern former meth lab houses not properly cleaned up

Jenny Boymal, from cleaning education company Jena Dyco, said without effective remediation, methamphetamine contamination could linger for years.

"There's not a lot known about the toxins in the property, but they get into the walls, they get into the ceilings – they get into everything and then they just keep leaching out of plasterboards," she said.

Ms Boymal said it cost about $5,000 to clean up a house that had been a meth lab.

Queensland Health also recommends a $1,300 swab test after cleaning to guarantee the property is safe, but there is evidence this is not happening.

While more than 260 labs were detected by Queensland police last year, only 50 swab tests were submitted.

Superintendent Jim Keogh said police did not have powers to enforce proper cleaning.

"When we do remove the lab or the product from the house, we do service notice on the occupier to indicate that dangerous chemicals have been removed from the premises, and we provide the advice that they should get the premises professionally cleaned," he said.

"We don't have the capacity where we go back and re-enforce the document that we left behind for the occupier to clean the premises.

"It's generally left for the occupier or the owner to make sure that does take place.

"I don't think they do follow the advice of the document in all occasions.

"There can be a situation there where we execute a search warrant, we arrest a tenant for production of amphetamine, they do go to the watch house or go before the courts and they're granted bail, and in fact they're released back into the very same premises where they were cooking or making the amphetamine."

"Certainly the Government are to be commended for spending the money in relation to the public housing, but I'm not sure that the same happens in all private housing."

SOURCE: ABC NEWS

BRINGING THE LOAN HOME

AMANDA LYNCH

REIA CEO

FONS CAMINITI

Adelaide Bank head of broker distribution

Adelaide Bank's Senior Manager of Broker Distribution, Fons Caminiti, talks to Amanda Lynch about the things to look out for to help ensure a smooth finance experience for your customers.

Adelaide Bank is all about relationships – working in partnership with brokers, valuers and real estate agents to ensure the best outcomes for our mutual clients. Just as we would always advise our customers to deal with real estate agents who are members of their state or territory Real Estate Institutes, there are a few tips that agents can use to check that the finance path for their customers is a smooth one.

AMANDA LYNCH ***What are the most common finance/lending related issues that might cause a settlement to be delayed or fall over all together:***

FONS CAMINITI Having confidence in the lender of choice is important to real estate agents, but it's nearly always incomplete or insufficient documentation that gets a borrower 'wrapped around the axles' and bogged down in the process. Having the settlements and approvals running smoothly lessens the stress all round. Adelaide Bank has a really good record in terms of fast turnaround, but only on the basis that we have all the information that we need.

AL ***Any advice you may have for borrowers?***

FC Make sure you always sign the contract 'subject to Adelaide Bank finance'! Seriously though, a common problem that can occur, is where a borrower's employer will not confirm their income details to the Bank due to privacy legislation – unless they have received the borrower's permission to disclose. Where possible, when they start house-hunting, borrowers should inform their employer that they will be contacted and asked to verify employment details.

» *article continues*

A L ***What length will a good lender go to so as to ensure a settlement doesn't fall over?***

F C Settlements can and do fall over – and I'm sure there are cases of houses under offer accidently burning down or washing away in floods – but we did have one instance where a staff member came into work on her day off to ensure that a customer's settlement proceeded. Her children had to come in with her because she didn't have anyone to look after them that day. Settlement proceeded and we had one very happy customer and our staff member was also happy that she was able to ensure that our customer got into their new home on time. If you're a real estate agent and the buyers are with Adelaide Bank, subject to all the above, relax. It'll all go smoothly and our people will go the extra mile when they have to.

FONS'S TOP TIPS

Make sure the customer is aware of their cooling off and finance clause dates

While Adelaide Bank is renowned for our fast turnaround times and great customer service, loans can take longer to approve if they rely on LMI, valuations or more complex arrangements such as family guarantee. You may be surprised how many deals we see where the customer has nonchalantly wandered into the broker's office a day or two before finance is due! If you have a serious buyer, put this number in your phone. Get them to give us a call on 1300 652 220. We'll find them a reputable broker in their area and we work on Saturdays too. We're here for you till 6:00pm Adelaide time.

Use a mortgage broker who is a member of a recognised industry association

A knowledgeable mortgage broker is a great customer advocate, can head issues off at the pass and help to ensure a smooth finance passage through the bank.

Encourage the customer to take insurance over the property once the contract is signed

Adequate property insurance is a requirement for settlement across all lenders. A lack of evidence for insurance over the property is a surprisingly common reason for delayed settlement. Adelaide Bank offers insurance for the period between contracting and settlement for free when a home insurance policy is purchased, you don't even need to be taking your loan through us, simply call our Adelaide based contact centre on 1300 652 220 to arrange.

Choose the right product

Of course this is one where the customer's mortgage broker can be invaluable but also look at independent ratings houses such as CANSTAR who review products based on pricing and features. A 5-Star Rated product such as Adelaide Bank's SmartFix product may be a smart choice.

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.

For more information on how to get your customers moving, go to www.depositpower.com.au or call the Deposit Power Helpline on 1800 678 979

DEPOSIT POWER®

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INTERNATIONAL REALTOR CONFERENCE 2015

As you all know, the first International REALTOR (brand) conference (IRC) will be held on 27-30 July 2015 in Manila Philippines to be hosted and presented by the Chamber of Real Estate Builders' Association (CREBA), NARs bilateral partner in the Philippines, and supported by NAR as its strategic partner.

One of the highlights of the conference is the gathering of all NARs bilateral partners in the region for a Regional Leadership Summit (a closed door meeting) and engage in talks with regards to the upcoming implementation of the AEC at the end of the year including ways and means for everyone to coalesce in this ever changing global market. NAR strongly values our partnership with your organization. We strongly encourage our partners to take the opportunity to form an alliance amongst themselves for betterment of the real estate industry in this highly competitive real estate market.

The complete information package on the conference listed below is attached. Visit the website at www.ircasia.org; all of NARs bilateral partners' logos in the Asian region including Dubai has been included in the website that also gives everyone access to your websites; thus promoting your association to the rest of the bilateral partners.

1. IRC Event Flyer
2. NAR Letter to Bilateral partners
3. Letter from CREBA on IRC
4. Regional Leadership Summit Agenda
5. 2015 IRC Speaker Invite. A Closer Look Session
6. Sponsorship Form
7. IRC Souvenir Magazine Ad form
8. Conference Hotel Rates
9. Exhibitor Entitlement
10. IRC Conference Schedule for all LEADERS.

Let us know if you have any additional questions and we look forward to your participation!

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INTERNATIONAL REALTOR CONFERENCE 2015

We are pleased to announce the launch of the first ever International REALTORS® Conference (IRC) and Regional Leadership Summit to be held July 27-30 2015 at the City of Dreams, Manila, Philippines. This conference is designed to build and cultivate a professional network across the Asia-Pacific Region and the globe to promote best practices in the real estate industry, and provide forums to share business and technical insights. The event will be hosted by the Chamber of Real Estate and Builders Association (CREBA), the National Association of REALTORS® (NAR) bilateral partner in the Philippines, with NAR's support as its strategic partner.

As a bilateral partner of the National Association of REALTORS®, your organisation shall be provided with two (2) complimentary registrations to the conference, VIP reception at the Philippines' Vice President's mansion (Coconut Palace) in appreciation of your participation. The conference will also be the venue of the closed door regional leadership summit on July 28, a meeting of NAR's cooperating association leadership designed to build a regional community and partnership of real estate professionals. NAR leaders, including 2017 NAR President Bill Brown and NAR Treas-urer Mike McGrew will be present both at the regional summit and the conference.

Your members are all encouraged to attend the NAR annual conference in San Diego, but we know that travel to the U.S. is not always feasible for those in the Asia region. The conference in Manila can be a great start for your members to listen, learn, and position themselves as international experts while building a network of global real estate professionals.

For additional information, please contact Shonee Henry or Zach Benjamin via email listed below. We look forward to your active participation.

Shonee Henry

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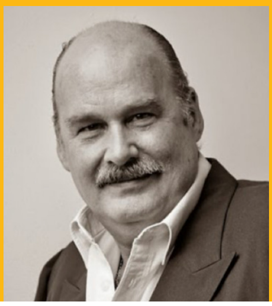
This article is brought to you by REINT Chief Executive Officer, Quentin Kilian

TURBULENT TIMES SHOULD SIGNAL BUYING OPPORTUNITIES



The quarterly data for the March 2015 Quarter shows what many had already known in that the market has been a lot quieter in the last quarter for sales and rental vacancy have risen in almost every jurisdiction. But there is some interesting data contained within this quarter, in particular the sizeable rise in the median price of houses in the Greater Darwin area which moved up by 6.8 per cent this past quarter to $625,000 – almost on par with the same time last year.

However this is a bit of an anomaly that can occur with median pricing. What people should note is that the house sales volume has fallen by 19.4 per cent to 275 sales for the quarter and of those 153 were above the $600,000 mark with a further 105 between $450,000 and $600,000. So the bulk of the house sales that occurred in the March Quarter were predominantly in the higher dollar bracket, thereby artificially pushing up the median.

Unit and Townhouse sales were less affected by this with a rise in the median of just 1.0 per cent to take the median price in Greater Darwin to $500,000. However, after three very strong preceding sales quarters, the sales volume in the March 2015 Quarter fell by 35.6 per cent.

Both landlords and tenants would have noticed some changes in the rental market over the last two quarters. The overall vacancy rate, which measures a combination of house and unit vacancy for the Darwin area taking in the Northern Suburbs, has moved up to 6.4 per cent which is an increase of 1.0 percent from the last quarter but up 2.6 per cent on the same time last year. The highest overall rate in recent years was 6.9 percent in March 2004. Breaking that down, house vacancies have increased in Darwin and Northern Suburbs by 2.3 per cent to 6.7 per cent and unit vacancies in the same area are up just 0.5 per cent from the last quarter to 6.3 per cent.

What is interesting with this statistic is that the vacancy rate for houses is the same as it was in June 2014, but most people have forgotten that and are looking at this current rate as abnormal. The highest vacancy rate that the REINT has on record for houses in Darwin and Northern Suburbs was 10 per cent in September 1999.

Where we are seeing some quite high vacancy rates is in Palmerston. The house vacancy rate has moved up to 7.9 per cent, which is the highest since March 2011 when it was 10 per cent, but certainly not the highest on record which was December 2001 at 15.7 per cent. Rental prices have fallen pretty much across the board with the exception of the Palmerston market where we saw a small increase in rent prices. The largest drop in rents is evident in the Inner Darwin market with one bedroom units dropping by 5.6 per cent and three bedroom houses dropping by 12.5 per cent.

Katherine rents also took a sizeable drop with 1 bedroom units falling by 14.8 per cent but otherwise it was a mixed bag in Katherine. Alice Springs was the same with rents falling on two bedroom units but rising across the rest of the unit market, and falling substantially on three and four bedroom houses, as much as 6 per cent on four bedroom houses.

The volume of house sales has decreased in Palmerston but the median price of houses has risen to $565,000. The inverse was evident in the unit market in Palmerston where the volume rose by 9.4 per cent with the median reducing to $430,000.

In Alice Springs there have been sizeable drops in house and unit sales with both dropping by over 40 per cent. Interestingly while the volume of house sales dropped by 40 per cent this quarter, that is still nearly 30 per cent higher than at the same time last year.

The median house price has also fallen in Alice Springs, coming off by 3.4 per cent to $443,750 and the unit median dropped a sizeable 11.3 per cent for the quarter to list at $330,000. House vacancy rates in Alice Springs are almost unchanged from the last quarter moving up by just 0.6 per cent to 6.4 per cent. And the unit vacancy actually fell by 1.1 per cent to 7.8 per cent.

FEDERAL BUDGET CHANGES TO FRINGE BENEFITS TAX

Cap for salary sacrificed meal entertainment and entertainment facility leasing expenses.

The government will introduce a separate single grossed up cap of $5,000 salary sacrificed meal entertainment facility leasing expenses (meal entertainment benefits) for employee. Meal entertainment benefits exceeding the separate grossed up cap of $5,000 can also be counted in calculating whether an employee exceeds their existing FBT exemption or rebate cap. All use of meal entertainment benefits will become reportable.

Currently, employees of public benevolent institutions and health promotion charities have a standard salary sacrifice meal entertainment benefits with no FBT payable by the employer and without it being reported. Employees of rebatable not for profit organisations can also salary sacrifice meal entertainment benefits, but the employers only receive a partial FBT rebate, up to a standard $30,000 cap ($31,177 for the first year). This measure will apply from 1 April 2016.

FEDERAL GOVERNMENT FUNDS WA $500m

Treasurer Hockey has announced that the Federal Government will provide the WA Government with $500M in funding for roads. The funding was announced in tandem with Treasurer Hockey accepting the Commonwealth Grants Commission (CGC) recommendations on the GST revenue split across the States and Territories for 2015-16.

The one-off revenue boost is $100m short of the $600M that WA Treasurer Mike Nahan hoped to secure to offset the Sate's low GST relativity of 30 cents in the dollar and fall in iron ore royalties.

The Federal funding will be used to deliver infrastructure projects including the Mitchell Freeway extension, NorthLink WA project and the Reid Highway upgrade.

The one off payment will be exempt from the GST distribution system and will not have any future bearing on WA's GST rate. Treasurer Hockey encouraged his State and Territory counterparts to engage in the Federation White Paper process to discuss ways to improve the GST distribution system. More information is available here.

This article is brought to you by First National Real Estate Chief Executive Officer, Ray Ellis

INVESTORS SHOULD CRUNCH THE NUMBERS CORRECTLY

First National Real Estate's chief executive Ray Ellis says before investors walk away from purchasing a first or next investment property, they should crunch the numbers correctly by considering property depreciation.

'Your next investment property may actually be more affordable than you think if property depreciation is correctly claimed,' said Mr Ellis.

Astute investors will usually consider the potential rental return of the property, the property's location in proximity to local services and facilities, local employment drivers and historical growth of properties within the area.

'They should also work out the tax deductible costs and other deductions involved in owning the property such as property management fees, rates, interest, repairs, maintenance and property depreciation,' said Mr Ellis.

'These deductions add to the investor's net cash return and every deductible dollar comes back to the owner at their marginal tax rate'.

More often than not, investors fail to consider the financial benefit of claiming depreciation prior to making their purchase. The following example shows how one property investor identified an additional yearly cash flow of $4,992 from property depreciation.

The property investor was considering purchasing a ten-year-old house priced at $560,000. They did some preliminary research and asked their Property Manager for a rental appraisal of the property, which resulted in an expected rental income of $530 per week, or $27,560 per year.

The investor was also able to work out an estimate of the costs involved in owning the property. Expenses including interest rates, property management fees, rates, repairs and maintenance costs came to a total of $36,060 per annum.

After contacting a Quantity Surveyor specialising in property depreciation for a free assessment of the likely depreciation deductions they could expect from the property, they found they would be able to claim approximately $13,500 in depreciation in the first full year.

Without claiming depreciation, the property investor would experience a loss of $103 per week during the first year of owning the property. By claiming depreciation, the weekly cost is reduced to $7, saving them $96 per week or $4,992 in the first year of ownership.

'An investor who crunches their numbers prior to making a purchase will gain a better perspective on the affordability of the property and their future cash flow position. Once they purchase the property, a specialist Quantity Surveyor such as BMT Tax Depreciation can be engaged to prepare a property depreciation schedule to ensure depreciation deductions are accurate and maximised,' said Mr Ellis.

Australian Government | Infrastructure Australia

MEDIA RELEASE: AUSTRALIA'S INFRASTRUCTURE MUST FACE THE CHALLENGES OF GROWTH

Australia's productivity and quality of life will be tested, with population and economic growth set to cause increasing congestion and bottlenecks, according to the nation's first-ever comprehensive infrastructure audit.

Releasing the landmark Australian Infrastructure Audit Report today, Infrastructure Australia Chairman Mark Birrell said Australia must act now before these demand pressures affect our living standards and economic competitiveness.

"Experiences of transport networks failing to keep pace with demand, water quality standards being uneven, energy costs being too high, telecommunication services being outdated, or freight corridors being neglected are now so common that they necessitate a strategic response," Mr Birrell said.

The Audit strategically identifies the drivers of infrastructure demand and the impact they are having. It also outlines the policy, funding and delivery challenges Australia must face.

"Australia has handled growth and demands like this before and I am optimistic that we can do so again. The challenge is managing our success so that infrastructure delivers the economic benefits and living standards Australians expect."

The report makes 81 findings including that:

- Australia's population is expected to grow from 22.3 million in 2011 to 30.5 million in 2031—with the majority of the growth occurring in our capital cities.
- The expected population growth reinforces the economic importance of our capital cities. They contributed $854 billion to our economy in 2011 and are projected to contribute $1,621 billion in 2031.
- Congestion threatens economic growth and living standards and could cost Australia $53 billion by 2031.
- Without action, road travel times in Perth, Melbourne, Sydney, Adelaide, Brisbane and Canberra are expected to increase by at least 20 per cent in the most congested corridors by 2031.
- On average, demand for public transport in our capital cities is set to almost double over the next 20 years.
- Hot spots such as the Pilbara and Gladstone also merit close attention. Today they contribute $44 billion to the national economy. By 2031 this is projected to more than double to $110 billion.
- The national land freight task is expected to grow by 80 per cent between by 2031, with a large component expected to be handled by road freight vehicles.
- Maintaining and maximising the efficiency of existing infrastructure will be critical, and in many cases will be of equal or greater importance as developing new infrastructure projects.

The report also finds that institutional arrangements in the transport sector don't provide sufficient funding to address the current gaps.

"Without a total increase in both public and private funding of infrastructure, and market reforms to strengthen the transport and water sectors, we won't have the infrastructure that a growing population and our globally-focussed economy deserve."

"The telecommunications and energy sectors highlight how well-structured reforms can lead to positive outcomes for consumers. However, these reforms need to be deepened and applied across other sectors, as markets can drive higher standards of service delivery."

The Audit proposes a number of major changes to the way we plan and deliver new infrastructure, especially:

- improving governance and modernising regulatory settings so we get the best out of our infrastructure;
- boosting transparency and project assessment processes to enable informed choices; and
- greater sharing of information on infrastructure performance and outcomes to improve long-term decision making.

Infrastructure Australia will be consulting with the public, governments, business and peak bodies on the Audit as it prepares the Australian Infrastructure Plan.

The 15 year Plan will make recommendations on project investment priorities, with a reinvigorated Infrastructure Priority List, and specific areas for policy reform.

The Plan will be submitted to government in late 2015. Public submissions are welcomed. The report and information on the submission process is available at www.infrastructureaustralia.gov.au

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

TREASURY BOSS WARNS OF HOUSING BUBBLE

There has been talk of a real estate bubble in Sydney and Melbourne at least since 2001. However, recent comments by the head of Treasury Head John Fraser that both these states are in the grip of a housing bubble has set the hares running. This no doubt is his intention: to use rhetoric as a lever to hose down the market. Many agents agree that these markets are peaking and REIA has for some time reminded buyers that interest rates can go up as well as down and that it is important not to overcommit with excessive borrowings. Australians have a great love affair with property and it is in our sector's interest for confidence in housing to continue.

However talk of a bubble is premature, particularly with an undersupply of housing in Australia and demand exceeding supply. REIA is a strong advocate for the barriers to supply being tackled such as land release, removal of stamp duties, developer charges, and excessive regulation. More housing will ease the stress on Sydney.

We need to get a perspective on this. The most recent REIA statistics show prices are falling in other parts of Australia – Perth, Brisbane – and segments of the market in Adelaide and the ACT remain flat. Mr Fraser himself said that regional parts of NSW were on a different page to the capital city market.

He said the major drivers of the housing bubble were low interest rates and easy access to finance, and he was concerned about the amount of money being poured into the housing market with rates so low. But the evidence of a housing bubble in the rest of Australia was not strong, he said.

Mr Fraser says it is "rightly" getting a lot of attention and is occupying the interest of the Reserve Bank and the Australian Prudential Regulation Authority.

The Chair of APRA, Wayne Byres gave a recent speech on the importance of reinforcing sound lending standards.

The current economic environment for housing lenders is characterised by heightened levels of risk, reflecting a combination of historically low interest rates, high household debt, subdued income growth, unemployment that has drifted higher, significant house price growth, and strong competitive pressures. Many of these features have been emerging over a number of years, and APRA's supervision has been intensifying in response. In addition to a heightened level of supervisory activity at individual *Authorised Deposit-taking Institutions* (ADIs), APRA has, for example:

- increased the level of analysis of mortgage portfolios, including regular review of detailed data on *Authorised Deposit-taking Institutions* underwriting policies and key risk indicators, to identify outliers;
- written to boards of the larger lenders, seeking their written assurances with respect to their oversight of the evolving risks in residential mortgage lending;
- issued a prudential practice guide (APG 223) on sound risk management practices for residential mortgage lending; and
- completed a stress test of the largest Authorised Deposit-taking Institutions with two scenarios focused on a severe downturn in the housing market.

"Up to this point, we have opted to stick with traditional micro-prudential tools targeted at individual Auth*orised Deposit-taking Institutions* and their specific practices, albeit with an eye to financial stability risks as well as the safety and soundness of individual entities," he said. We are not seeking to determine an appropriate level of house prices, or a particular level of household debt. That is beyond our mandate. Our goal is simpler: reinforcing sound lending standards, which is the 'bread and butter' work of a banking supervisor.

"Lending standards are important for the stability of the Australian banking system, and given the importance of housing-related lending, it should not be surprising that APRA supervisors are increasingly vigilant on the risks this lending presents. Put simply, if all our eggs are increasingly being placed in one basket, we need to make sure the basket isn't dropped. ADIs that have continued to adopt sensible practices and prudent credit assessments should welcome this approach, as it strengthens their capacity to compete without being reckless. On the other hand, ADIs with more aggressive practices should fully expect to find APRA increasingly at their doorstep."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INDUSTRY UPDATE

Industry news from around Australia

New industry and skills committee to strengthen VET

The Government has established a new industry and skills committee for the vocational education and training (VET) sector. This Committee replaces a complex framework of 13 different committees and advisory bodies, simplifying governance of the vocational education sector and, importantly, putting industry at the centre of the system. This will ensure that employers are central to the advice provided to governments on strategies to lift the quality and relevance of training needed across the Australian economy. The industry-led body will also play the critical role of overseeing qualifications and training product development – ensuring the system is focused squarely on industry needs and that Australian workers are highly skilled and job-ready. John Pollaers has been appointed to lead the committee. As current Chair of the Australian Advanced Manufacturing Council and with extensive industry experience, including as previous Chief Executive Officer of Pacific Brands Limited and Foster's Group Limited, John is well placed to lead this key part of the VET system and I very much welcome his involvement. The Committee will comprise twelve members from industry, including a member nominated by each state and territory. The Committee will also have one industry peak body representative rotating annually. The Australian Chamber of Commerce and Industry has nominated the first member while the Business Council of Australia and the Australian Industry Group will participate in future rotations.

Members are as follows:

- Mr John Pollaers (Chair)
- Mr Mick McMahon (Commonwealth)
- Ms Tara Diamond (Commonwealth VET Advisory Board member)
- Ms Patricia Neden (VIC)
- Mr Brett Schimming (QLD)
- Mr Adrian Smith (SA)
- Mr Ian Hill (WA)
- Mr Darren Mathewson (TAS)
- Mr Andrew Bruyn AM (NT)
- Ms Michelle Melbourne (ACT)
- Ms Jenny Lambert (Australian Chamber of Commerce and Industry).

In addition, New South Wales will nominate a member to join the Committee. Brief biographies for members of the Committee can be viewed via – http://docs.education.gov.au/node/37817

Senate housing report released

The Senate Economics References Committee released its report *Out of Reach? The Australian housing affordability challenge*. The report contains 40 recommendations including:

- Appoint a Minister for Housing & Homelessness and establish a Ministerial Council on housing and homelessness within COAG
- Develop a long term national affordable housing plan through the above Council – including performance indicators and base funding
- Federal, State and Territory governments commit to retaining an adequate supply of public housing with a goal to increase the proportion of public housing as a percentage of housing stock.
- Establish leadership in national urban planning policy and regeneration – by reinstating the National Urban Policy and Major Cities Unit
- Develop a long term strategy for regeneration of urban centres and transport corridors, aiming for intergovernmental approach for infrastructure delivery – and re-establishing the Urban Policy Forum
- Request the Productivity Commission undertake an inquiry into the merits of transferring public housing to the community housing sector
- Commit to ensuring adequate funding be made available to women and children escaping domestic violence.

The full report is available to download here.

MAKING NEWS

General national news

Calling all women in business

New categories including Start-Up and Entrepreneur have been added to the line-up for the 21st year of the Telstra Business Women's Awards, to highlight the many inspiring women who've backed themselves and taken the risks to turn their passion into businesses. Other Award categories include Corporate and Private, For Purpose and Social Enterprise, Government and Academia and Young Business Women 29 years and under. Mia Klitsas, Co-founder and Director at Millie and More and 2014 Victorian Telstra Young Business Women's Award winner, said of her Awards experience: *"I learnt a lot about myself throughout the process. The initial submission allowed me to reflect on my career to date and in a way forced me to acknowledge some of my achievements which sometimes, we ourselves fail to recognise, or, be recognised for. "The opportunities and possibilities that result from participating in the Awards are endless; you never know who you will meet and where opportunities will take you. Whether or not you are successful, each stage of the Awards offers new learnings and experiences. I never expected to win the state Award – it was incredibly humbling and rewarding, not only for myself, but for my entire team and all those who have supported my journey over the years."* Nominations are now open for the Telstra Business Women's Awards, with entries open from 11 May to 29 June. Go to www.womensawards.com for more info.

Do you have a tax complaint?

On 1 May 2015, the handling of tax complaints moved from the Commonwealth Ombudsman to the Inspector-General for Taxation. The Inspector-General will consider all complaints, including those arising from audits, objections and litigation. Visit www.igt.gov.au for more information. Remember the first step is to try to resolve the issue directly with the ATO.

City of Sydney Housing Issues Paper

The City of Sydney conducted a Housing Summit which led to development of a Housing Issues Paper to stimulate debate and propose solutions to housing affordability and diversity issues, which will inform the City's development of a Housing Policy.

The event confirmed that housing affordability and diversity issues are threatening Sydney's social and economic sustainability and success as a global city. The need for collaborative action and leadership across all levels of government, the not-for-profit and private sectors is widely recognised. The Housing Issues Paper and a report on the Summit is available here. Submissions to Sydney's paper close on 31 July.

CSIRO: Climate predictions

At the last meeting of the Lord Mayors, the CSIRO presented their climate modelling of cities, produced in conjunction with the Bureau of Meteorology.

As highlighted during their presentation, the CSIRO has now released the web based tool which creates projections of climate for Australian cities and towns. The project uses 40 climate models, to create the projections for Australia's climate, out to year 2090.

The website is available here http://bit.ly/1EbsOpT and further information on its release is available here.

UN framework convention on climate change

On Monday 4 May 2015, Premier Weatherill hosted representatives from local, state and territory and federal governments for a climate change meeting in Adelaide. The meeting was held to coincide with the visit to Australia by Executive Secretary of the United Nations Framework Convention on Climate Change, Christiana Figueres. Ms Figueres speech is available on YouTube here.

POLITICAL WATCH

Information and news from government

Commonwealth Property Review

Following the Federal Government's decision to commissioned a scoping study into the potential divestment of six Commonwealth properties in Canberra, the Government has decided to approach the market to test investor interest in four of these properties:

- East Block;
- West Block;
- Anzac Park East; and
- Anzac Park West (including the adjoining restaurant building).

These properties will require varying degrees of improvement works. Anzac Park East is in a particular state of disrepair. The Government is reportedly open to considering other potential uses for these properties taking into account what could be appropriate for these areas. Divestment will not impact in any way on heritage protections and planning controls for properties in the parliamentary triangle. The Government has decided it will retain ownership of the John Gorton Building and the Treasury Building at this time. The Government is also working to maximise value from Commonwealth property leases in the ACT by ensuring surplus vacant office space is promptly filled by agencies with similar requirements and upcoming lease expiry dates. Previously individual agencies were responsible for managing their own large vacant leases. These leases will now be considered at a whole-of-Government level to maximise the efficient use of leases across Government. This approach has the potential to reportedly save an estimated $200 million over ten years, according to the Government's own assessments. The long-term accommodation needs of the Department of Immigration and Border Protection and local impacts will be considered as part of this review.

Inquiry into Home Ownership

The House of Representatives Economics Committee has announced a new inquiry into home ownership. The Chair of the Committee, John Alexander, said that 'home ownership is an issue that lies at the core of the Australian dream and represents the largest investment that most taxpayers will make during their lifetime. The importance of this issue throughout our nation makes it worthy of a detailed inquiry.' The committee will inquire into and report on:

- current rates of home ownership;
- demand and supply drivers in the housing market;
- the proportion of investment housing relative to owner-occupied housing;
- the impact of current tax policy at all levels; and
- opportunities for reform.

The committee invites submissions to the inquiry by Friday 26 June 2015. For further information on the inquiry or advice on making submissions see the committee's website at www.aph.gov.au/HomeOwnership or contact the committee secretariat on (02) 6277 4587.

Greens launch #StillWaiting campaign

The Federal Greens launched a #StillWaiting public transport campaign enabling members of the public to voice their position on Federal funding of public transport. Launching the campaign, Greens spokesperson for transport and infrastructure Senator Janet Rice said "Solving congestion in our cities means investing in city-transforming public transport as a priority." More details on the campaign is available here.

National Stronger Regions Fund

The Deputy Prime Minister Truss this week announced the funding of 51 projects to the tune of $212.2m under round one of the National Stronger Regions Fund.

The application period for Round Two of the National Stronger Regions Fund opens today and closes 31 July. Further information on projects funding and the application process is available here.

THE WORLD

Property news from around the world

Global investor survey puts London on top

According to CBRE's Global Investor Intentions Survey 2015, global real estate investors remain confident and their intentions are expansionary, with more than half planning to increase their acquisitions in 2015. Globally, 53 per cent of investors plan to increase their purchases this year. Investor appetite for cross-regional acquisitions has increased significantly with 38 per cent of respondents intending to invest outside their own region this year – up from 28 per cent in 2014. Among these investors, 31 per cent identified Western Europe as the top destination. Despite the slowdown in China, 27 per cent of investors regarded Asia as their preferred investment destination, with economic growth there still outpacing other regions and continuing to offer significant long-term growth potential. London retained its position as the top city for investment, while other gateway cities such as Tokyo, Sydney, New York and Paris remained in the top ten. Second-tier cities saw an increase in investor interest in 2015, with Madrid, Dallas and Seattle all making the top ten. This reflects investors' search for more attractive yields, as well as greater knowledge and comfort with a larger number of global cities. There is also a marked increase in appetite among investors from Europe, Middle East and Africa (EMEA) and North America for value-add and opportunistic investments. In contrast, Asia Pacific saw a significant jump in investors preferring prime core assets at 43 per cent in 2015, compared to 29 per cent last year. "The appetite for global real estate investment is increasing as more investors intend to deploy capital outside of their own region this year. Competition for assets is intensifying and many investors plan to move out the risk curve in search of higher yields – a trend that will result in a stronger focus on value-add and opportunistic investments. We believe that a low interest rate environment, economic expansion in an increasing number of markets, and corresponding improvement in real estate fundamentals will attract capital to commercial real estate," said Chris Ludeman, Global President, CBRE Capital Markets.

US delinquency rate falling

The U.S. mortgage delinquency rate fell to the lowest in almost eight years as the job market strengthened and rising home values gave struggling borrowers a chance to sell. Loans that were at least 30 days late dropped to 5.54 per cent in the first quarter from 6.11 per cent a year earlier, the Mortgage Bankers Association said in a report Wednesday. The share was the lowest since the second quarter of 2007. Newer loans are benefiting from rising property prices, tighter underwriting requirements and the lowest jobless rate in seven years, while mortgages originated before the real estate bust are still moving through foreclosure. The share of loans on which foreclosure actions were started in the first quarter was 0.45 per cent, the same as a year earlier, and the historical average, according to Joel Kan, vice president of surveys and forecasting for the Washington-based bankers group. Of the loans that were 90 days or more delinquent or in foreclosure, 73 per cent were originated in 2007 or earlier. About 40 per cent of the loans serviced were in states that require court approval for home seizures, such as Florida, New York and New Jersey. Those states had 3.64 per cent of loans serviced in the foreclosure process, almost three times the share in non-judicial states. Nationally, the percentage of loans in foreclosure is at 2.22 per cent, down from more than 4.5 per cent at the worst point of the crisis.

Chinese buyers flock to Australia

Chinese investors and immigrants purchased more than $8 billion in Australian residential property in the space of 12 months, with growing demand forecast to pump another $60 billion into the market over the next six years. A Credit Suisse analysis released on Thursday shows Chinese purchased $8.7 billion in 2013-14, up 60 per cent in the previous 12 months. The Chinese money pumped into Australian housing was the equivalent of 15 per cent of national housing supply, according to the report by analyst Hasan Tevfik.

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