REIANEWS

ISSUE 47: JULY 2015

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Mr Neville Sanders
REIA President

PRESIDENT'S REPORT

WELCOME
FROM REIA'S PRESIDENT

The REIA and Adelaide Bank's Housing Affordability Report is a credible source of data according to Treasury. At hearings of the House of Representatives Economics Committee inquiry on home ownership, Treasury defended the robustness of the data. In response to a suggestion, by Pat Conroy (Labor, NSW), that it may not be "apolitical" a Treasury official responded, "I do not think so" ... "we use different data sources. We try to think about what are the most sensible data sources available. The home loan affordability data, which is created by the Real Estate Institute of Australia, we certainly think is a very credible data source."

Housing affordability improves on the back of falling interest rates as loan sizes rise and incomes fall. The first quarter of 2015 showed an improvement in housing affordability nationally with the proportion of income required to meet loan repayments decreasing by 0.7 percentage points to 30.8%. Compared to the corresponding quarter of 2014, the figure increased by 0.2 percentage points. When compared to the last quarter, all states and territories saw housing affordability improving with the exception of South Australia. The Northern Territory showed the greatest improvement with the proportion of income required to meet loan repayments going down.

There was continued growth in dwelling prices in the March quarter with and increase in median prices for the Australian residential property market. The weighted average capital city median price increased by 2.4% for houses and 1.5% for other dwellings. The weighted median house price for eight capital cities is now $658,608. Over the quarter, the median house price went up by 8.9% with the exception of Perth and Hobart. With interest rates continuing to remain low and international pressures emanating from the Greek crisis, we expect that the Sydney and Melbourne markets are close to their peak prices. Throughout the rest of Australia it is a different story with softening in Perth and Brisbane.

It is important that Government policy and macro-prudential tools reflect the fact that we have different markets and a one size fits all approach to regulation is not the answer.

Mr Neville Sanders
REIA PRESIDENT

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FIRST TIME HOME BUYERS: TIPS FOR NEW PLAYERS

AMANDA LYNCH

REIA CEO

FONS CAMINITI

Adelaide Bank head of broker distribution

With the Adelaide Bank/REIA Housing Affordability Report showing first home buyers at historic lows as a proportion of purchasers, average loan sizes increasing and restrictions placed on access to first home owner assistance schemes, times are undoubtedly tough for this demographic.

While the political debate continues to rage about the implementation of policies to improve housing affordability, REIA CEO Amanda Lynch talked to Adelaide Bank's Senior Manager Broker Distribution about what first home buyers should consider from a finance perspective when purchasing their first home.

AMANDA LYNCH ***What's the first thing that a first time borrower should be thinking about, other than of course finding the right property?***

FONS CAMINITI It sounds obvious, but prospective borrowers should take the opportunity to get their finances in order before making an application for their first home loan. As well as saving for a deposit, borrowers may want to assess other items that will impact their borrowing or credit worthiness. For example be sure to close or reduce the balance of any unwanted credit facilities – even with a zero balance they impact a customer's borrowing capacity.

If the borrower has any concerns about their credit history they can get a free copy of their credit report from mycreditfile.com.au; they should also ensure any minor defaults are paid and arrange to have any errors fixed.

AL ***Just how much will a first time borrower need to get a foothold in the market?***

FC While it varies from state to state and with the type of home being purchased, borrowers should expect to stump up 10-15% of the value of the property in available funds to cover the deposit, government fees and LMI. Banks tend to require 5%

» *article continues*

of the deposit as genuine savings, so first time borrowers need to be able to demonstrate their capacity to save and an element of discipline. If they are going to rely on a gift as part of the deposit, then the funds normally need to be held for 3 to 6 months prior to application in order to be counted as genuine savings.

Borrowers should also research what level of government support is available in their state for first home buyers – while more restrictive than in the past, this could still provide an important boost.

AL ***Are there any other alternative finance methods?***

FC There are a range of alternatives that first time borrowers can consider – although anything a bit different might also be worth some extra research to ensure borrowers really understand the risks and benefits. These could include non-mainstream lenders, parental guarantees, government lenders, buying as tenants in common with friends or family, or borrowing to invest first.

My colleagues over at www.leveraged.com.au tell me that they are seeing younger people borrowing relatively small amounts to build a blue chip share portfolio and build credit worthiness, then using their investments to get into property further down the track. I can see this strategy growing in popularity, particularly in Sydney and Melbourne.

AL ***Any other advice?***

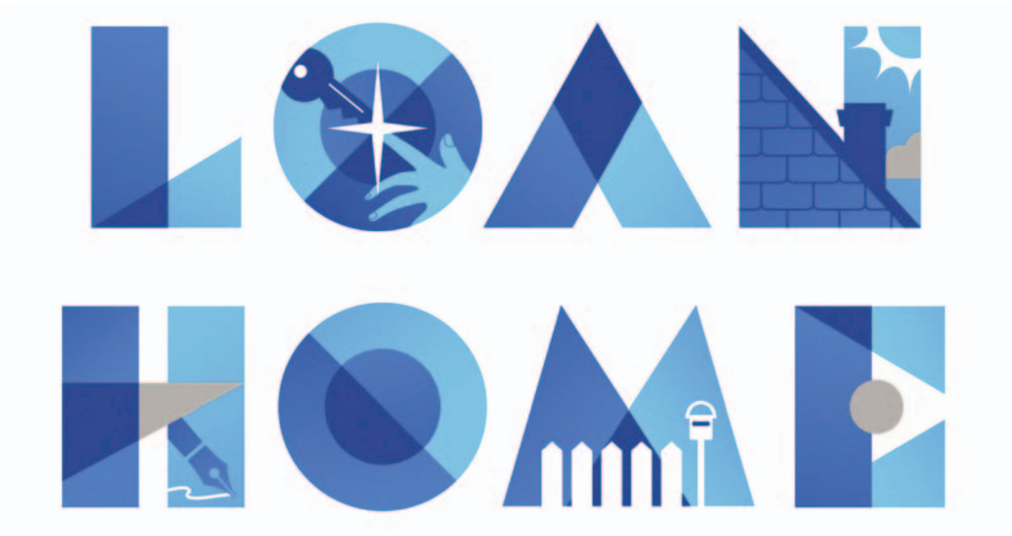
FC A mortgage broker with plenty of experience with first home buyers in your area can guide a borrower through the many decisions that need to be made. If your clients need a recommendation then they can call the Adelaide Bank contact centre on 1300 652 220 and we can put you in touch with a licenced and accredited mortgage broker.

PURCHASE COSTS FOR A A$500,000 PROPERTY AT 90% LVR IN NSW

Costs/Subsidies	Build owner occupier	Buy owner occupier	Buy investment
Stamp duty	328.50	18318.50	18318.50
5% deposit	50,000	50,000	50,000
LMI	8,507	8,507	8,507
Grants	(15,000)	0	0
Total	**$43,836**	**$76,826**	**$76,826**

Disclaimers: Information sourced at adelaidebank.com.au and cba.com.au 6 July 2015.

Bringing the



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AdelaideBank

It's personal.

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

TAXTIME 2015

The new financial year means tax returns and the preparation of these can cause headaches. It also provides you with opportunities to fine-tune your financial position and tax outcome. Here are some hints to minimise the stress:

- Deductions for asset purchases up to $20,000 for eligible small business entities. Combined with the historically low interest rates on offer, this will make a big difference.
- Is it time to formally write off those debtors unlikely to be recovered? You can then claim a deduction for the amount, (net of GST) written off. You will need to able to demonstrate that reasonable steps have been taken to recover the debt, which may include engaging a debt collection service. If you are registered for GST using the accruals, (non-cash) method, you will also be able to claim an adjustment credit for GST remitted when the original sale was made.
- Similarly, there may be items of trading stock that have lost value relative to their carrying value, (usually the amount paid for the stock). A tax deduction is available for the difference between the carrying value and the lower of market value or replacement price.
- Claiming deductions for obsolete or unused items of plant and equipment that have been scrapped or sold. The balance of unclaimed depreciation, (subject to any non-business or work related usage) can be claimed. This is particularly the case for employee taxpayers with out of date computers or similar electronic devices that have been replaced. Bear in mind if you are a GST registered taxpayer, that disposal of business assets will usually attract GST to the disposal proceeds.
- Rental property owners can deduct 2.5% of the building cost of the property for forty years from the date of construction, provided it was constructed after 18 July 1985. The building cost is not what was paid for the property, so the simplest solution is to obtain a quantity surveyor's report, which will detail the available deductions. These reports are usually less than $1,000 for a residential property report, and the fee is in itself tax deductible.

» *article continues*

- Employers making superannuation contributions for their employees can only claim a deduction for contributions actually paid during the financial year. It is also critical to make the payments during the year by the due date to avoid a superannuation guarantee charge assessment being raised, as these amounts are not deductible. Compulsory superannuation guarantee payments must be received by the fund by the 28th day of the month following the end of the quarter, to avoid the application of the punitive superannuation guarantee charge rules.
- If you are considering adjustments to your share portfolio, take into account that a contract for sale made on or before 30 June 2015 will be assessable in the 2015 year. A sale on 1 July 2015 will not be assessable until the financial year ending 30 June 2016, giving you an additional 12 months before a potential capital gains tax bill.

Small business legislation passes both Houses

Small businesses will now officially get a 1.5% tax cut and access to a $20,000 tax write-off to purchase items relating to their business after legislation passed the Senate. The former write off threshold was just $1,000.

Any small business or sole trader with an Australian Business Number is eligible for the tax deduction as long as their business has an annual turnover of less than $2 million. Items to be claimed must be physical items. Marketing costs are not permitted. You also aren't able to claim stock or software for your business. You can claim as many products under $20,000 as you desire. There is no limit.

The tax cut is valid from budget night through to 30 June 2017, though the Prime Minister has left open the option of extending it.

Information from CMS InFocus Winter 2015
http://www.cmsca.com.au

This article is brought to you by
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DEMOLISHING NEGATIVE GEARING NAYSAYERS

There has been considerable public debate about negative gearing in recent times. The current booming residential property market in Sydney and Melbourne has put the spotlight onto negative gearing and the so called 50 per cent discount on capital gains for residential property investment with commentators blaming a number of the consequences of the current property boom on the tax treatment.

It seems everyone has a "solution" with many commentators advocating changes of one sort or another to the current taxation arrangements.

It is against this background that the Real Estate Institute of Australia (REIA) wanted to bring some objectivity and robust analysis to the both the public debate and the many dinner conversations across Australia and so, together with the Property Council of Australia, engaged economic consultants ACIL Allen Consulting were to undertake an economic assessment on the impact of any change to the current arrangements for negative gearing and the CGT treatment.

The first thing to note is that negative gearing is not a special concession for property. It is a legitimate deduction of expenses in the course of earning income from investments in all asset classes (including share investments and business ventures) until the investment generates a positive income stream in the future. The ability of investors to gear and use debt is a crucial part of investing and fostering economic growth. The ability to deduct the cost of debt and losses against income is necessary to ensure that investments are not taxed punitively.

Similarly the 50 per cent discount on capital gains replaces the previous indexation of capital gains which was put in place to ensure that only real capital gains are taxed – the change being made for administrative ease – and is also applicable to ***all*** asset classes.

Dispelling the myths that have gained currency the ACIL report shows that negative gearing and the capital gains arrangements are helping to boost the supply of new homes, put downward pressure on prices, keep rents lower and give ordinary Australians a better chance of entering the property market which in many cases supplements savings for retirement purposes.

ACIL found that the provision of negative gearing in conjunction with the CGT arrangements promote investment in rental properties and increases the supply of new housing. Total dwelling commencements have been on a growth trend since the 1950s with a significant proportion of these new dwellings being financed by investors. Around a third of all new dwellings construction is financed by investors every year and the absolute amount of investor loans committed to new housing has increased by more than seven-fold since 1986.

Thus refuting the arguments that that negative gearing makes rental less affordable and does little to improve the supply of housing.

ACIL added that an increase in rental supply means higher rental vacancies and lower rents than would otherwise be the case. The benefit to renters from improved rental affordability was directly recognised by the Henry Tax Review (2010) which noted that

» *article continues*

'the current tax advantages available to highly geared investment can operate as a subsidy to renters by placing downward pressure on rents.'

The report found that negative gearing provides all individuals with an opportunity to invest in property, not just those in higher income brackets. Seven out of ten property investors who benefit from negative gearing earn a taxable income of less than $80,001 a year. Furthermore, while individuals with incomes higher than $80,001 claim around 40 per cent of losses on investment property, those earning less than $80,001 a year claim the majority of rental losses (above 60 per cent of all losses). The data also shows that the majority of investors own only one property and this has not significantly changed over time.

Further, the report shows that property is not the investment class that benefits the most from the CGT arrangements. The majority (around 60 per cent) of the capital gains are sourced from shares, while capital gains from real estate investments (which include residential and other types of property) represent approximately 26 per cent of the total capital gains of taxable individuals.

ACIL also analyse some of the "solutions" that have been proposed by various commentators including quarantining of expense deductions from other income such as wages, removing negative gearing and the CGT arrangements for investment in existing residential property and having it apply to only newly constructed housing and limiting negative gearing to a maximum number of properties per taxpayer.

On these the report concludes that:

- Quarantining of expense deductions against corresponding income would primarily only affect the timing of tax payments, and as such would not result in a large tax collection increase for the Government
- A policy of removing negative gearing and the 50 per cent discount on CGT for investment in existing residential property would probably increase investor demand for new dwellings, displace owner occupier buyers and induce capital flight from investment in established dwellings
- Limiting negative gearing to a maximum number of properties per taxpayer would be highly distortionary, notwithstanding the practicality of determining an acceptable upper limit.

It is fortunate that the Prime Minister in an interview on 16 April 2015 ruled out any changes to negative gearing.

The ACIL report, *Australian Housing Investment: Analysis of Negative Gearing and CGT Discount for Residential Property*, is available here.

This article is brought to you by
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HAVE YOUR SAY ON NATIONAL QUALIFICATIONS FOR THE PROPERTY PROFESSION

The real estate training package has just been reviewed after some seven years.

The project was undertaken by the Construction and Property Services Industry Skills Council (CPSISC), which represents the workforce training and skill development needs of the Australian construction and property services industries, and has included representatives of the Real Estate Institute of Australia and its state based member Real Estate Institutes who have provided considerable input through their expertise in training and work in the profession.

In addition to meeting the structural and format requirements defined in national standards, the process has proposed, up-to-date and more robust qualifications and units of competency for our real estate, business broking, strata communities management and stock and station agency industry sectors.

For real estate it is proposed to provide a pathway from entry level through to managing an agency by: a Cert III for admin/support staff; Cert IV for sales and or lease, and; Diploma for those managing an agency.

It is now time for all interested stakeholders to have a say on what has been proposed for the national qualifications before they are finalised.

For further information on this important national project and to view and provide feedback on the first draft qualification framework visit the CPSISC website here. If you would like to be provided with ongoing updates on this project, you are also encouraged to register your details on the CPSISC Training Packages Re-design stakeholder database. You can do this by visiting here.

DEBUNKING THE SEVEN YEAR MOVING MYTH

REIWA data shows it is a myth that WA homes change hands once every seven years.

Updated analysis of REIWA's State Budget submission covering the period from 1990-91 to 2013-14 indicates that as the dwelling stock in WA increased from 586,000 to 992,000, the average turnover time increased from around 14 years to 21 years.

This indicates that owners and investors are holding property longer and debunks the long-held myth that households move on average every seven years.

HIGHS AND LOWS

The peak turnover rate of 11 years occurred in 2005-06 during the height of the property boom and record turnover.

Conversely, the longest turnover period of 25 years occurred in 2010-11 as markets across WA recorded turnover levels not seen since the 1990-91 recession.

Subsequent regional and sub-regional analysis has been undertaken and reveals some interesting, surprising and not so surprising trends around WA.

PERTH

In the Perth metropolitan region, the general shift in turnover is not as significant as the overall state figure, with the average turnover rate easing from 14 to 19 years.

Disaggregating the turnover by dwelling type indicates that owners of multi-residential property (of which nearly 50% are investors) have traditionally held and continued to hold property longer with elevated turnover periods compared to the detached housing stock which represents 78% of Perth dwellings.

Disaggregating the analysis into Perth's sub-regions also highlights a number of variances in turnover periods.

PERTH SUB-REGIONS

The Central Sub-region, with a longer hold period in the early 1990s part of the analysis, reflects the dominance of this area in terms of Perth's dwelling stock.

In the early 1990s, the Central Sub-region had 59% of the dwelling stock and this progressively fell to 47% by 2013-14, having passed through the 50% mark in the 2006-08 period.

In the Outer Sub-regions, the higher turnover period in the north-east most probably reflects the more tightly held nature of property in the hills.

The more rapid turnover in the south-east during the early 1990s most probably reflects both the higher turnover associated with the strong presence of first homebuyers and investors, and also the effects of the possible forced sales due to negative equity that accompanied the recession in the early 1990s – which also may have influenced the lower figure in the north-west.

REGIONAL WA

The change in turnover times in regional WA is highly variable and reflects changing economic fortunes, population growth, investment trends and lifestyle choices.

» *article continues*

DEBUNKING THE SEVEN YEAR MOVING MYTH

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Key observation related to the various regions are:

Peel – high turnover of discretionary holiday dwellings has given way to a growing population base and turnover rate more akin to Perth.

South-West and Great Southern – reflecting the general upward trend in turnover time associated with lifestyle living choices and holiday homes.

Goldfields – high investor activity in Kalgoorlie-Boulder likely to be influencing the general turnover times.

Wheatbelt – starting from a higher base, the increase in the holding period reflects the well documented decline of rural communities.

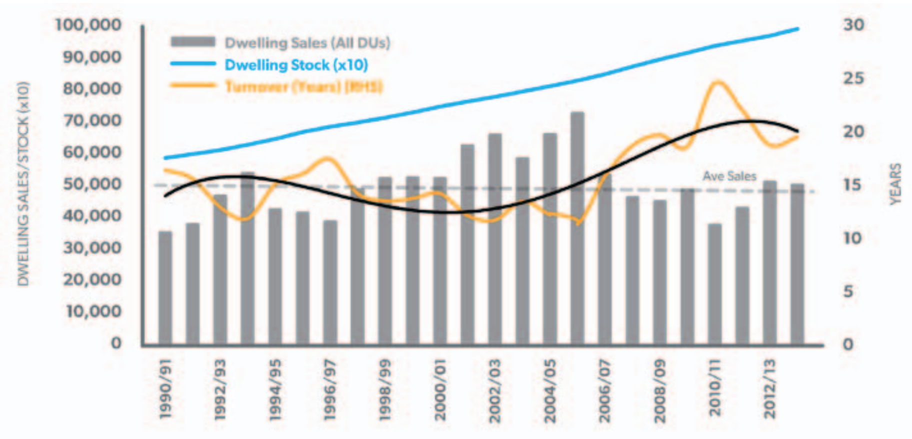
Mid West – the mix of rural and holiday settlements beyond Geraldton-Greenough (13 to 25 years) is influencing the recent turnover rate.

Gascoyne – lower sales activity in the post GFC period has blown out the turnover rate which is heavily reliant on Carnarvon, Exmouth and Denham.

Pilbara – little change across the analysis period masks an extended period when the turnover period averaged some 20 years from the mid 1990s to 2010.

Kimberley – low turnover in sparsely populated small communities has generated turnover times not dissimilar to the Wheatbelt.

FIGURE 1 *Dwelling stock turnover in WA, 1990-91 to 2013-14*



NATIONAL ASSOCIATION OF REALTORS COMES TO TOWN

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2

1 L to R: Neville Sanders REIA President and Gary Thomas Presidential Liaison Officer NAR

2 L to R: Mark Whitrow, Gary Thomas and Quentin Killian

Gary Thomas, Presidential Liaison Officer for the National Association of Realtors, recently attended the REIA Board Meeting in Adelaide. He took the opportunity to present REISA member Mark Whitrow of Adelaide with his Accredited Buyers' Representative Certificate and REINT CEO Quentin Killian with his Certified International Property Specialist (CIPS) Designation Certificate.

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Photo courtesy "Guocoland, Singapore"

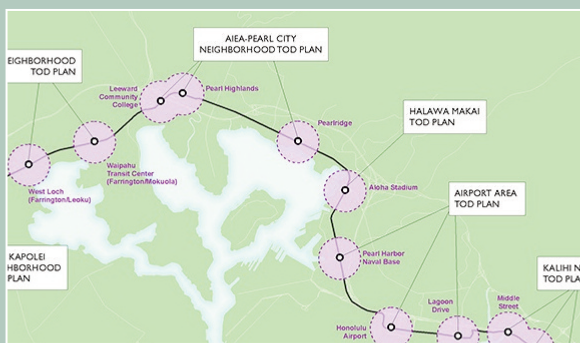

Photo courtesy the City and County of Honolulu

The FIABCI Asia Pacific Real Estate Congress will feature prominent speakers from around the Pacific Rim and focus on cutting edge topics including **Transit Oriented Development (TOD), Sustainable Design, Public/Private Partnerships and New Resort & Luxury Property Development** and the effects of the growth of indirect real estate investment on the profession.

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Opening Ceremony
TOD Plenary & Developer Workshops
Asia Pacific Panorama & International Reception

SATURDAY SEPTEMBER 12
Residential Workshops & Closing Plenary
Commercial & Luxury Property Tours
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Photos courtesy of the Hawaii Tourism Authority and Hilton Hotels

For more information • www.fiabci-usa.com/hawaii • info@fiabci-usa.com

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

INFRASTRUCTURE FUNDING NEEDS MORE THOUGHT

How do you finance new infrastructure when you have taken the pledge not to use debt or increased taxes? That is the issue facing not just the federal government, but even more so the states.

There is no doubt that Australia needs new infrastructure, with population growth amongst the highest in the OECD, but the cost of that infrastructure is in the hundreds of billions.

Funding it is not going to be easy.

The Commonwealth government thinks asset recycling, more generally known as privatisation, is the solution, and is offering incentive payments to the states if they use this method.

New South Wales is the only state to buy that idea in a significant way.

After the last state election Premier Mike Baird has the go ahead from electors to spend $20 bn on new state infrastructure. The effect of that is already apparent in state economic data as businesses lift in confidence, and investment in anticipation.

Further north the new Queensland state government was elected on a promise not to recycle assets. With explosive and decentralised population growth.

It will be a test bed for alternative approaches and as a result the government has already started market testing some of them with the electorate.

First up was a suggestion of levies or betterment taxes, where developers in areas associated with new public transport infrastructure would pay increased taxes and charges for the presumed benefits.

This was disowned, about the same time that the local Murdoch daily was hitting the front lawns, and attributed to the opposition party.

Later that day the government floated the idea that if there were government assets in the collocated with public transport infrastructure, the increase in the value of the assets might pay for the infrastructure.

Flogging off government land to pay for infrastructure is not a new concept. (It also looks and smells like privatisation, but doesn't attract the Abbott government's privatisation subsidy).

In 1882 the Queensland government financed railways by granting government land to the builder paying a rate of 100 acres per one mile of track.

The railway created the value in the land, which in turn paid the rail entrepreneur.

But these situations are rare and probably require a lot of poorly serviced *englobo* land married to the doctrine of *terra nullius*.

When retrofitting cities most of the land is owned by someone already, and high value add activities that might be driven by transport hubs, like retailing, are already occurring somewhere else. Opportunities for exchanging government land for development are limited.

A developer levy applied to all projects in an area, or a betterment levy applied to all landowners, is more likely to raise significant funds, but has issues (which the government appears to have quickly realised).

» *article continues*

INFRASTRUCTURE FUNDING NEEDS MORE THOUGHT

» *continued*

Levying developers within a particular radius of the infrastructure would impair the value of sites at best, unless the developers were able to add the costs on to the sale price, in which case the product becomes less affordable.

In fact, with a properly constructed taxation system there is little justification for a developer levy of this sort as well-designed infrastructure will lift the value of the real estate because it will become more productive, meaning that the state will experience an enhanced tax take through land tax and stamp duty.

One of the problems with housing affordability in Australia is that governments have actually been at this lurk for a while.

In 2011 it was calculated that all taxes added 44 per cent to the cost of a new house in Sydney, 38 per cent in Melbourne and 36 per cent in Brisbane.

Governments have gotten used to sticking the cost of all sorts of hard infrastructure, like roads, and even soft infrastructure, things like libraries, to new developments.

This is a tempting honey pot. Large sums are changing hands, and banks are prepared to lend most of it. The government can levy a large tax, and the tax payer will be happy to spend the next 20 years of their life paying it off because it puts a roof over their head.

And it is inequitable. While the new home owner pays the tax, all residents get the benefit. Most are free-riders.

What looks like a magic pudding will come around to give us indigestion, because most of these schemes give the baby boomers yet another free ride, and blight the standard of living of Gens X, Y, Z, AA and beyond.

Another problem is that a lot of the benefits of infrastructure development don’t accrue to the states, but to the commonwealth, through enhanced personal, company, capital gains, and goods and services taxes.

Recognition of this is part of the reason the federal government has had to offer incentives for privatisation-financed infrastructure to the states.

But the problem needs more than a bribe to solve it. With the states responsible for most of the infrastructure construction in Australia, the tax system needs to be arranged so that they view it as an investment, and can see a direct path that better infrastructure will fill state coffers.

Until they do developers and the next generation are likely to be stiffed to fund the benefits for all of us.

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

THE TRUTH BEHIND AFFORDABILITY TALK

Claims of a looming 'housing market bloodbath' in the Parliamentary submission of two economists are overly technical and fail to appreciate the realities of Australian Real Estate, where the bulk of our population wants to live in a fraction of our available space, and where home ownership is deeply embedded in the psyche of the nation.

The submission suggests that house prices must fall to once again reflect economic fundamentals. However, it depends entirely on what fundamentals you consider and with all the talk of affordability issues in the media, it's easy for consumers to be blinded to the truths that underpin Australian real estate.

Economists generally measure affordability using a comparison of middle-market house prices against average incomes, as measured by the Australian Bureau of Statistics (ABS). Based on average household incomes of $75,000 to $85,000, that makes a house in Sydney about 9.7 times average income; a house in Melbourne about 7.3 times, and a house in Brisbane about 6 times average income.

The problem with the ABS income figures is that they disguise the real picture. They include a range of people not actually in the housing market and research from Barclays argues average household incomes are actually significantly higher in Australia – in the region of $122,000.

This explains why many Australians can afford homes in the region of $650,000 to $800,000 on loan to value ratios of 70 per cent. Also, 10 to 15 years ago, ABS statistics indicated only 250,000 households earned over $156,000 per annum. That figure has now increased to more than a million Australian households and the number of households earning in excess of $260,000 has tripled.

By contrast, housing stocks in fashionable capital city areas have not increased by anywhere near that magnitude and, when people don't want to consider suburbs where homes are cheaper, the impression is created that housing is unaffordable. Yet, throughout Australia's suburbs and regions there are many affordable alternatives available.

Our local and Federal Governments need to maintain focus on much needed public transport infrastructure that facilitates easy access to employment centres, release more land for housing construction, and consider incentives that help people relocate to regional centres where businesses are struggling to find talented employees.

INDUSTRY ARTICLE

This article is brought to you by Rockend Education Services Manager, Leesa Sinn

THE IMPORTANCE OF LEARNING AND DEVELOPMENT

Training and development is great opportunity to not only expand the knowledgebase of your employees, but to increase the offering of your business. Many businesses undervalue the importance of learning and development, when in actual fact, providing staff with training opportunities will deliver both the individual and the company with an array of long term benefits that make the monetary and time costs worthwhile.

CONSISTENCY

Implementing a structured learning and development program ensures your employees have a consistent level of experience to perform their roles. Providing all staff with this level of training aligns all employees' expectations and procedures within the company. Consistency in customer service within the Real Estate industry can make or break a business. Ensuring all employees offer a consistent service to your clients can significantly increase your overall business performance.

IMPROVED PERFORMANCE

All employees wish to perform their role to the best of their abilities, but we are only human after all, and everyone has their weaknesses. Addressing an individual's weaker areas and investing in them will not only benefit your business but will also improve the employee's confidence and skill set. This confidence may push the individual to excel and invest more energy into their role. Do you want to maintain the high performing standards of your business? Continuous training keeps your employees at the cutting edge of industry developments. Employees who are competent and on top of changing industry standards can help your business to maintain the position as the industry leader.

EMPLOYEE ENGAGEMENT

If an individual feels their personal development goals align with those of the business, they are more likely to productively engage with the business. Staff are the backbone of any business and without them your business would simply cease to exist. Investing in the training of your staff demonstrates that your business values your employees, which in turn will increase your employee's engagement. Employees who feel appreciated within their workplace will not only feel more satisfaction towards their jobs but are likely to invest themselves into the company.

Your employees are you most valuable business asset so take the time to implement a learning and development program and see the long term benefits this can bring to your business.

"PropertyTree is not just PropertyTree, its backed by Rockend and that's a solid backing. It's always improving; we get the best updates every month and there's always value being added to the system."

Lynne Hayden, **Torquay Links Property**

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INDUSTRY UPDATE

Industry news from around Australia

Asbestos announcement

The NSW Government has announced a voluntary purchase and demolition program for all NSW residential property owners with positive results for loose-fill asbestos insulation.

The move is in response to the findings of the Loose Fill Asbestos Insulation Taskforce, headed by former Deputy Commissioner Dave Owens, which has submitted its Final Report to the NSW Government.

Minister for Finance, Services and Property, Dominic Perrottet said the Government had considered the report and accepted all of the Taskforce's 13 recommendations.

The program follows on from the Make Safe Assistance package announced in December last year.

Mr Perrottet said the Government would now establish a new Loose-Fill Asbestos Implementation Taskforce (LFAI) to oversee and implement the program, supported by a number of legislative changes. These will include establishing a public register of affected properties, introducing mandatory hazard labeling and identifying affected properties on planning certificates.

"NSW Fair Trading will establish and oversee the (LFAI) Taskforce, which will be able to scale up or down dependent on the number properties identified in NSW," said Mr Perrottet. "At this stage, 66 properties have been positively identified in NSW - 57 from historical records and 9 from sample testing."

Mr Perrottet said the NSW Government would be extending the free sample testing program across the 26 Local Government Areas until 1 August 2016.

The free testing is only available initially to the listed 26 Local Government Areas but it would be expanded if there are positive results in LGAs outside the original list.

The LFAI Taskforce will be in place until all properties registered by 1 August 2016 have been demolished and the soil remediated under the scheme.

Full media release available here.

Electrical 'time bomb'

The Strata Community Australia says that another construction material was causing serious concern for property stakeholders off the back of the aluminium cladding issue.

A recall issued last year regarding Infinity Cable Co.'s imported electrical cabling, has reportedly receive a dangerously low consumer response, with over 40,000 homes at risk to the estimated 3,400 kilometers of cable still unaccounted for.

The peak body for the strata sector in Australia says Federal Government action is needed immediately to ensure the owners of tens of thousands of apartments and homes that may have had the cabling installed are aware of the potential risks.

More information is available here.

First National – best culture

First National Real Estate has been voted number one for culture in a national survey that indicated the network has the happiest agency principals, real estate agents, property managers and staff in the country.

Sterling Publishing revealed the strengths and weaknesses of all the major Australian real estate brands through its 'Employer of Choice' survey, which incorporated interviews with Top 100 agents; high profile industry figures, recruitment and coaching executives, and real estate agents.

'I'm pleased that First National Real Estate has been judged by its members and industry peers to have achieved the right mix of member consultation and strategic leadership. This is the foundation of a good culture, brand management, and confirms the effective business support provided by our team. It's vital that sales agents and property managers operate within an inspirational, forward thinking culture when the goal is peak performance' said First National Real Estate chief executive, Ray Ellis.

'Our model of local, state and national member consultation has created the most innovative, customer focused, property marketing brand in Australasia. By leveraging the enthusiasm and ideas of our agents; listening, refreshing our brand, and developing our own exclusive digital marketing tools, we have created an environment where people understand they are part of the process and are free to achieve their goals'.

Court backs agency in commission dispute

A legal tribunal has given heart to agents who want to chase fees, even if they get sacked during the sale process. The Queensland Civil and Administrative Tribunal has ruled that Century 21 West Property Group should be paid a commission for a sale, even though it was dismissed before the contract was signed.

See full report here.

MAKING NEWS

General national news

Older women in financial stress: experts

The peak body for older Australians, COTA Australia is calling on governments to address factors that are forcing more and more older Australian women into poverty and homelessness.

COTA Australia Chief Executive, Ian Yates, said the financial security and wellbeing of people as they age is related to policies around income and wealth, housing, health and caring. It is more acute in a generation where, historically, fewer women worked, or had broken careers.

'In general, women live longer and have better mental and physical health but they are often much less well prepared financially – particularly if they are single." he said. "39% of women who live alone are over 70.

"Men tend to be better off financially but are often in poorer health and are more likely to experience social isolation and mental health issues. As well, people's experiences are influenced by culture, language and where they live.

"With 14% of the Australian population now older than 65 – a 19%increase in just five years and growing rapidly – as a country we need to address the issues impacting seriously on the quality of life for a very large and growing section of our society."

COTA Australia is the peak policy development, advocacy and representation organisation for older Australians representing over 500,000 older Australians across every State and Territory.

Darwin bike plan

City of Darwin in partnership with the Northern Territory Government has developed a Bike Plan for the Darwin municipality to facilitate and encourage bike riding in Darwin.

The Darwin Bike Plan investigates the different purposes, intensities and people who use the bike network and considers the four major riding functions: commuting, fitness, local trips and recreation.

The Darwin Bike Plan concentrates on network infrastructure in addition to end of trip facilities, ongoing maintenance and strategies to encourage behavioural change to increase participation in bike riding.

The development of the Darwin Bike Plan involved an extensive and ongoing community engagement process.

Start-ups to get a major boost with new laws passed

Small Business Minister Bruce Bilson says he was pleased to see the Senate pass new laws to improve employee share schemes and provide the start-up sector with a massive boost.

"These changes to the employee share scheme framework build on our Growing Jobs and Small Business package to support innovation and to create the right conditions for Australian entrepreneurs," he said.

"We need to be able to compete with other countries such as the UK and the USA to land new enterprise and livelihood opportunities here – and these latest changes will help us do that."

"They will allow innovative Australian firms to attract and retain high quality employees in a globally competitive labour market."

"These changes unwind the harm caused by the former Labor Government's amendments to the taxation of options issued under an employee share scheme."

As well as this, the Government has introduced a new incentive that will allow further deferral of the taxing point where eligible star-up companies issue shares or options to their employees at a small discount.

Tasmania – local government

The majority of Tasmanian councils have indicated they will consider voluntary amalgamations and strategic resource sharing, according to Minister Peter Gutwein.

Victoria – affordable housing

The Victorian Government announced a three-year review of the Residential Tenancies Act, as part of the 'Plan for Fairer, Safer Housing' initiative.

Preparing for growth in Australia's cities and regions (Fed)

Investment in urban and regional infrastructure will be better informed with the release of the Progress in Australian Regions – State of Regional Australia 2015 and State of Australian Cities 2014-15 publications today. The publications provide an understanding of the nation's overall economic and social wellbeing. The economic output of our major cities has grown and their national importance remains extremely high, although mining activity in regional Australia has seen the overall percentage contribution by major cities to Gross Domestic Product (GDP) dip slightly.

The full report can be found here.

POLITICAL WATCH

Information and news from government

ACT public housing program

As part of the public housing renewal program, the ACT Government is building and acquiring new homes across Canberra. Proposals are sought from builders, developers and property owners with:

- eligible land or development packages
- yet to be developed multi unit properties
- completed or near completed unsold multi unit properties
- other property solutions, including design and construct models.

Eligible properties need to comply with design and liveability criteria, and be available for occupation no later than 31 December 2018.

Further information can be found here.

Land Tax Amendment Bill

The Land Tax Amendment Bill 2015 was second read into the WA Legislative Assembly on 17 June 2015 and is expected to be debated in August. The Bill seeks to amend the Land Tax Act 2002 to provide for increases in land tax from and including the 2015-16 assessment year, and includes a flat minimum land tax rate of $300 for taxpayers who hold land with a taxable value between $300,000 and $420,000. There are also changes to the thresholds at which rates change, and increases of all rates except the top marginal rate of land tax.

More information is available here.

Super more accountable

The Government has announced reforms that will strengthen governance, accountability and transparency in Australia's $2 trillion superannuation sector.

The government's proposal is to enshrine in law that APRA regulated superannuation fund boards be led by an independent chair and comprise at a minimum one-third independent directors. By definition, these changes will not apply to Self-Managed Superannuation Funds (SMSFs).

Such a change is sensible, as it increases the range of expertise and experience on the board. It is also consistent with the standards applied by APRA to the boards of other regulated entities such as banks and insurance companies and more broadly to ASX-listed companies which must comprise a majority of independent directors.

The proposed definition of an independent director has been adapted from that specified in the ASX Corporate Governance Council principles that apply to listed companies. An independent director in the superannuation board context should be one that is not a substantial shareholder of the trustee, does not have a material relationship with the trustee and has not been, in the past three years, an executive or director of a body that has had a material relationship with the trustee.

Under current arrangements, directors on superannuation boards are typically appointed for a three-year period. In light of this, the government understands that for the new arrangements to be implemented, an appropriate transition period will need to apply.

Accordingly, boards will have three years from the date of Royal Assent of the legislation to implement the new rules with the proviso that any new funds established after 1 July 2016 will need to apply the one-third rule from day one.

These governance changes will also be supported by strong disclosure requirements regarding directors fees, non-monetary benefits and a director's other board positions. This will ensure accountability and transparency.

More information is available here.

Real estate agents and lawyers vulnerable to money laundering risk

AUSTRAC has released a new report to help Australian businesses identify money laundering methodologies used through real estate agents and lawyers.

AUSTRAC's strategic analysis briefs Money Laundering Through Real Estate and Money Laundering Through Legal Practitioners provide information about money laundering methods, business vulnerabilities and indicators that a person is laundering the proceeds of crime.

Laundering of illicit funds through real estate is an established money laundering method in Australia. Criminals are drawn to real estate investment in Australia because it is possible to purchase in cash, it offers reliable financial returns and it is possible to disguise ownership.

Methods of laundering money include mixing illicit funds with loan funds, manipulating the value of properties, use of third parties to present as the official owner, purchasing properties to facilitate criminal activity, generating rental income to seem legitimate and using front companies and trusts to hide the identity of ownership.

Criminals also use professional facilitators such as lawyers to help them seem legitimate.

Money laundering methods include using lawyers and other professional services to conduct transactions of their behalf, establishing trusts and other structures to hide identity, recovering fictitious debts, making payments through lawyer's trust accounts.

More information is available here.

THE WORLD

Property news from around the world

The top five locations searched by Chinese buyers

United States is in the top position, followed by Australia, Canada, the UK, and New Zealand. It's about lifestyle according to Juwei.com. The locations listed in the top five, give investors access to top schools, urban and modern lifestyles in some of the world's top cities, proximity to established Chinese communities, and attractive climates.

What's more, luxury means different things to different buyers. Surveys of luxury consumers' interests show that waterfront properties, vineyards and wineries, among other features and property types, are scoring high in in popularity stakes

Here are three reasons why Chinese demand for overseas luxury – and particularly property – has a strong outlook for the coming years:

- ***China has a fast-growing pool of mobile UHNWIs*** Knight Frank's Wealth Report estimates there would be a total of 21,196 UHNWIs in China by 2024 – almost double the 11,340 estimated for 2014. With visa rules being relaxed in a number of countries, these individuals will increasingly look to overseas markets to build up property portfolios.
- ***Luxury overseas properties are revered as an ultimate emblem of wealth*** Widespread coverage of internationally-minded Chinese entrepreneurs and their property investments is raising the cachet of having a luxury overseas pad. This is particularly important to wealthy Chinese, who value face and status as a powerful measure of success.
- ***Policy loosening will open the floodgates of investment capital*** China's government recently agreed to once again, scale back controls on overseas investment. Make no mistake, this is a landmark change that will juice international property markets and allow all investors to freely buy properties abroad.

More information is available here.

Home buyers taking on bigger mortgages

The Bank of England is concerned that home buyers are taking on bigger mortgages because house prices are rising too fast in the UK, but it is first time buyers who are not offered enough, experts warn.

The Bank says that with prices rising faster than mortgages there could be rising debt levels and the economy could be at risk if interest rates rise and home owners struggle to keep up with their mortgage payments.

The Bank's deputy governor, Sir Jon Cunliffe, said he is prepared to step in if the debt mountain gets out of hand in the bank's latest financial stability report.

'Our concern is not so much about house prices, it is the chain between high house prices, prices growing faster than people's incomes, and people having to take out bigger and bigger mortgages and the debt that families then have relative to their income growth,' he explained.

Bank took action a year ago amid similar concerns and put a debt to income limit on mortgage lending. While the market cooled in the second half of the year it is now rising again on a steady basis.

More information is available here.

Property tax rules changing in New Zealand

The Taxation (Land Information and Offshore Persons Information) Bill contains proposed amendments to the Land Transfer Act and the Tax Administration Act.

Buyers and sellers of property will be required to provide their IRD numbers at the time of property transfer. Those who are tax residents in another country will also have to provide their Tax Identification Number from their home jurisdiction. However, there will be an exemption for New Zealand residents' main home.

And to ensure our anti-money laundering rules apply, there will be a requirement for overseas people to have a New Zealand bank account to get a New Zealand IRD number. This will also apply to New Zealanders who have been out of the country for three or more years.

The bill is expected to be reported back to the Parliament House in time to be passed in late September and it will take effect from 1 October 2015.

More information is available here.

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