# REIANEWS

ISSUE 50: OCTOBER 2015

# REAL ESTATE & THE ECONOMY

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Mr Neville Sanders
REIA President

# PRESIDENT'S REPORT

## WELCOME
### FROM REIA'S PRESIDENT

Since the last edition of REIA News there has been a change of Prime Minister and a subsequent change of Ministerial responsibilities. The changes cover the major portfolio interests of the REIA including budgetary measures, taxation, housing affordability, education and small business – we have a new Treasurer, a new Assistant Treasurer, a new Minister for Small Business, a new Minister for Social Services (covering aspects of housing), a new Minister for Vocational Education and Skills and a new portfolio and Minister for Cities and Built Environment.

Whilst the changes are large and will require the REIA to establish new relationships with Ministers and their staff in advocating for outcomes that consider the interests and policy priorities of the real estate profession, there are a number of welcome positives from the announced changes.

The establishment of the portfolio of Cities and the Built Environment which will include housing affordability and is tasked with examining issues across the three tiers of government is particularly welcome. The core of the housing affordability problems as supply is well known, and has been articulated by the REIA on many occasions, but the missing piece has always been a positive national agenda and leadership to address it – again something that the REIA has long advocated.

The creation of the portfolio highlights the recognition of the importance of our cities, and as part of that the property sector, as centres of economic growth.

Equally heartening is the restated commitment to taxation reform and the inclusion of GST in these considerations. Australia's economy cannot grow without meaningful changes to the current tax structure. A myriad of reports including the Intergenerational Report in late March of this year have shown that current policy settings are not sustainable in meeting increasing education and health and outlays of an ageing population.

We urgently need to reform the current taxation arrangements including the abolition of inefficient state taxes that can adversely impact the economy such as stamp duties, which discourage population mobility and impede economic growth.

We are pleased that the Government has included GST in the debate as GST is not only an efficient tax but it is the third largest source of Government revenue after income tax and corporate tax and to have excluded it would have constrained the debate as well as the possible solutions.

The debate needs to be based on robust economics and address the myths and one-liners that have crept into recent media and public discussions. Examples of the latter are found in commentary on negative gearing. For example, many say that the abolition of the current arrangements would lead to improved housing affordability when the reality is quite the opposite. The Government has shown that it recognises this in its discussion paper on taxation, Rethink, where it dispels common misunderstandings about negative gearing. The report states that 'negative gearing does not in itself, cause a tax distortion' and that 'contrary to popular perception, negative gearing is not a specific tax concession for taxpayers with investment properties'.

The REIA will work constructively with the Government on these important issues and encourages the Government to leave a lasting legacy of strong economic reform.

***Mr Neville Sanders***

REIA PRESIDENT

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This article is brought to you by REIA Acting Chief Executive Officer, Jock Kreitals
Jock can be contacted at jock.kreitals@reia.com.au

# REAL ESTATE & THE ECONOMY

**With the Australian economy at a juncture, following the peak in mining investment reached in 2013, and as the sector transitions from a construction to production phase, it is worth considering just what state the economy is in and what this means for real estate.**

Activity in the real estate market is driven by many factors, chief amongst these on the demand side are: economic factors such as GDP growth, employment levels and income; confidence, and; interest rates. Whilst the supply side and its impact on affordability is also important this has been addressed previously by REIA.

While mining investment has waned, importantly, dwelling investment supported by historically low interest rates has been the second largest contributor to growth in the Australian economy. Australia's property industry is emerging as the main driver of economic growth and increased employment. ABS building activity figures show that residential construction activity is up substantially and will continue to provide both economic and jobs growth over the medium term future. Apartment building activity expanded at its strongest rate in the past 13 months while house building achieved an 11 month high in its rate of expansion. A further impetus to growth in services, agriculture and manufacturing can be expected as these sectors respond to the weakening Australian dollar.

The International Monetary Fund (IMF) in its latest report has projected Australia's growth at 2.4 per cent in 2015 – slightly lower than projected by the IMF in April – reflecting the impact of lower commodity prices and resource-related investment and offset by a supportive monetary policy and a weaker exchange rate.

The Reserve Bank of Australia (RBA) concurs with the IMF's assessment. The RBA Governor in his opening statement to the House of Representatives Standing Committee on Economics in September said that "what is pretty clear is that the economy is growing, albeit not as fast as we would like, the adjustment to the decline in the terms of trade is well advanced, and non-mining activity is improving rather than deteriorating. If the latter trend continues, it is credible to think that we can achieve better output growth, particularly as we reach the later phases of the decline in mining investment."

In regard to employment, the Governor said at the time that "the overall number of job vacancies in the economy has been increasing, even as employment opportunities in mining and some other areas diminish. The increase has not been rapid, but nonetheless the trend has clearly been upward for about two years. Since this time last year, moreover, we have seen a rise of about 200 000, or about 2 per cent, in employment. The labour force participation rate and the ratio of employment to population have both started to increase. The rate of unemployment, though variable from month to month, seems to have stopped rising."

The services sector is already showing signs of responding to the depreciating Australian dollar. The Australian Industry Group Australian Performance of Services Index expanded for a fourth consecutive month in September, achieving its longest period of continuous expansion since March 2008. The expansion of the services sector has been marked by growth in six of the nine services sub-sectors – the finance & insurance, property & business services, health & community services, hospitality, retail trade and personal & recreation services.

Improving business confidence is demonstrated in Dun & Bradstreet's October Business Expectations Survey with the percentage of businesses with a positive outlook increasing to its highest level since January this year, with 66 per cent of survey respondents feeling more optimistic about growing their business in the year ahead with profit, sales and employment activity all expected to rise.

The economic outlook coupled with interest rates at historically low levels and a stable interest rate outlook provide the factors required for an active real estate market.

This article is brought to you by
Jack Quigley, Managing Director,
crowdfundUP Pty Ltd

# PROPERTY CROWDFUNDING

Property crowdfunding is revolutionising the way we invest in property and is fast gaining widespread acceptance across the globe. Crowdfunding provides online access to investment opportunities to more people – but what exactly is it and how does it work?

Broadly speaking, crowdfunding is the raising of funds for a property development or acquisition from a group of individuals, with contributions combined as the 'crowd' for a common collective project proposed by a property group. The utilisation of crowdfunding to finance property is innovating the way capital is raised across all property classes and is changing the way we invest by bringing the fundraising process entirely online. In 2014, property crowdfunding was a $1bn industry and in 2015, is expected to grow to more than $2.7bn. The rate of growth of crowdfunding is accelerating quickly, the World Bank estimates global market size could reach $96bn by 2025, with predictions property crowdfunded investments will have a market size of $250bn by the end of 2020. Australia has a long history of property investment as a means of wealth creation and as such, the crowdfunding model is ideally suited to the Australian market.

While property crowdfunding platforms across the globe operate in slightly different ways, there is one commonality; increased access to online property investment opportunities. With the entire investment process completed online, property crowdfunding platforms connect investors and property groups directly, allowing unprecedented access to investment opportunities and markets and the facilitation of capital raising. CrowdfundUP, Australia's first property crowdfunding platform does just that and provides an insight into how property crowdfunding actually works in the Australian market. Investors and property groups alike register for the platform and once relevant checks and due diligence is completed, are approved and access to the platform's investments becomes available. Investors then have the ability to browse property groups and opportunities, viewing detailed information on financials, relevant documentation and market statistics in a streamlined, online format. Investors can then invest their preferred investment amounts to build a customised and diverse portfolio, all while communicating with property groups in real time via the platform. Unique and custom built crowdfunding technology include digital signature software and automated online offer and acceptance processes, which facilitate legally binding contracts between investors and property groups that once required face to face consultation. Investors have the ability to monitor their investments via a personalised, automated investment centre and can communicate with property groups through real time reporting and social investing capabilities.

There are a number of key factors driving the success of property crowdfunding worldwide and why it is poised for success in Australia as it continues to grow. Not only does property crowdfunding eliminate the barriers associated with traditional property investing, but it provides unprecedented levels of access and transparency to property investment opportunities. Investment amounts dictated by the individual investor increases the ability to diversify an investment portfolio and opens the door to a wider investor pool. Online technology, ranging from documentation through to legally binding offer and acceptance, allows for the facilitation of a completely web based investment, meaning time and costs are reduced and face to face communication is no longer a necessity. For property groups, crowdfunding platforms provides the ability to attract qualified investors outside usual networks, gain significant exposure, reduce cost and time expenditure and raise capital in a faster manner.

As property crowdfunding platforms attract more investors and property groups and continue to shake up the traditional market, it is an exciting time to be an Australian investor.

This article is brought to you by David Crombie, Chief Executive Officer of Estate Agents Co-operative Ltd

# UNDERQUOTING REFORMS SET FOR EARLY 2016

Victor Dominello, the Minister for Better Regulation, has said that reforms to rules surrounding underquoting would provide "clarity" for agents, vendors and buyers.

NSW Fair Trading defines under-quoting as making "a statement in the course of advertising a residential property for sale that is less than the agent's true estimated selling price as recorded on the agency agreement". Currently penalties for engaging in underquoting are fines of up to $22,000.

Estate Agents Co-operative (EAC) has been working with and provided advice to the Real Estate and Property division of NSW Fair Trading on the new reforms.

The new reforms, which have been introduced to Parliament and are expected to commence in early 2016, will see stricter rules for agents in regards to the estimated selling price in their agency agreements. Agents who do not adhere to this estimated price in advertising will face losing fees and commissions. Further to this, phrases such as "offers over" or "offers above" or any similar phrase will also be prohibited in advertising.

The proposed underquoting reforms will ensure any estimated price communicated to vendors and prospective buyers represents what an agent actually expects a property to sell for.

Under the proposed reforms, an agent must:

- Include their true estimate of a property's likely selling price in the agency agreement (also called the sales agreement).
- Record the evidence that informed this estimate and provide it to the vendor in writing.
- Ensure a price range is no greater than 10% of the bottom figure (e.g. $500,000-$550,000).
- Record all price estimates (quotes) provided while a property is marketed.
- Ensure their price estimate remains realistic by updating it and advising the vendor in a timely manner if they are aware – or should reasonably be aware – of evidence or circumstances that changes it. The agent must advise the vendor of their revised selling price estimate and the evidence on which it is based in writing (e.g. email) and amend the agency agreement. They must also update, as soon as feasible or practical, any marketing of the property that reflected the old estimate with the new selling price estimate.

Agents will not be able to:

- Provide any price estimate less than what they have assessed a property is worth (as recorded in their agency agreement with the vendor). This applies whether the agent is advertising the property or in any communication with prospective buyers about the property's likely selling price.
- Advertise vague price information, including any statements such as "offers above" or "offers over" an amount, or "plus" a particular price (e.g. $500,000+), which could misrepresent or obscure a property's estimated value. Also, an agent must never indicate a selling price estimate that does not match the agent's true estimate.
- The reforms will introduce stronger penalties to deter underquoting. This includes fining agents up to $22,000 if they breach the new requirements. Agents could also have to forfeit their commission and fees if found guilty of underquoting. These commissions and fee payments will go towards the Property Services Compensation Fund, which supports consumers who have experienced financial loss as a result of property agent misconduct.

Mr Dominello's office has also made clear that there have been 263 complaints about underquoting in the past two financial years. With 63 of these complaints being made in March 2015.

"In light of a volatile market, agents should be reviewing their estimates and any marketing to reflect any change to the price estimate as a result of market or vendor feedback. We welcome the reforms announced by the Minster and feel they will make clear to agents as well as to consumers, the responsibilities when making these estimates," said Mr David Crombie, CEO of EAC. "However, EAC is also of the view that there are only a small number of agents who engage in fraudulent behaviour and whilst some do so maliciously, we also believe that many are doing so due to poor education on the subject."

EAC has been working with NSW Fair Trading on a range of items around underquoting, including the Underquoting Guidelines which were released in May this year.


REIA

2016
NATIONAL AWARDS
FOR EXCELLENCE

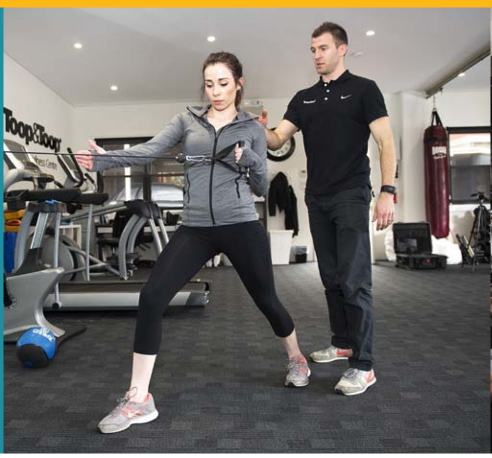
6.30 pm THURSDAY 10 MARCH 2016
CROWN MELBOURNE

SAVE THE DATE

10 03 2016

This article is brought to you by Genevieve Toop, Head of Sales and Marketing, Toop&Toop

# IMPROVING THE WORK LIFE BALANCE




*Toop&Toop Wellness Centre*

Like many businesses in today's world, our industry has created a 24/7 culture. Irregular meetings, hours spent driving, meals on the run and attending inspection opens at all times, can compromise any New Year's resolution, healthy eating plan or gym membership. Our work can frequently come before our families and our health.

Here at Toop&Toop, we were able to recognise this trend amongst our own 140 staff members.

Often we found ourselves working back to catch up and deliver on promises we had made to customers and colleagues and to meet deadlines. Staying back often meant skipping a gym class or seeing staff rushing against the clock to collect their children from day care.

Determined to help preserve the family culture of the business and demonstrate a genuine commitment to staff welfare, we announced two industry firsts.

One was the establishment of the Wellness Centre, located at our Norwood Parade Head Office in 2014. The second and most recent addition is the Toop&Toop Crèche, located at the Kensington Road HQ office. Both facilities are for the exclusive use of staff and the cost is free.

We wanted to create a Wellness Centre, which was much more than just a gym which is why we decided to invest in a full time Wellness Centre manager, to focus on all facets of our staff's health.

The centre also hosts regular gym classes covering circuit training, boxing, boot camp, Pilates and yoga as well as one on one consulting with our team to establish their personal health goals.

The Wellness Centre is accessible 24 hours a day including weekends. Our staff come here searching for vitality and being fit helps them achieve that.

Having a gym and on site Wellness Centre Manager has meant that a number of our team have been able to give up their gym memberships, have a more personalised experience and also save money. This is a great outcome.

Many are noticing a big change in energy levels, feeling fitter and not getting fatigued late in the day like they used to.

In addition to gym classes our coach is also tasked with sourcing and preparing healthy lunches and snacks for staff in business meetings.

» *article continues*

# IMPROVING THE WORK LIFE BALANCE

» *continued*


*Toop&Toop Crèche*

With the opening of the Wellness Centre, our team can now sustain a busy work schedule, feel fresh and energised during the week and also deliver the customer service levels we as a business expect.

Spurred on by the success of the Wellness Centre, we embarked on another significant staff investment this year with the Toop&Toop Crèche.

Our goal is to help our working mums and also our dads in the business take some pressure off their home life and spend more quality time with their children. This is something that is a common problem and which provides a big burden of guilt for some real estate agents.

Running a business from a female perspective, we can see how the business world can get hard for career driven women who want to raise a family and keep kicking goals in their business life.

We have also seen, first hand growing up in the real estate world how hard this has been traditionally to juggle. For women in real estate in particular, this leads to making a choice between having a career or starting a family.

But with the way business is going, with all of the innovation, technology, communication and ease of accessibility, here at Toop&Toop we can't see why women can't have both.

Our crèche is managed by a full time professional manager to not only look after pre-schoolers but create a nurturing and stimulating environment.

We offer children bright and cheerful play areas but also the right tools and equipment to make, create and have fun.

We believe that in providing care for both mums and dads who need some support will help recruit and retain our team and allow them to perform at their best and see their children more.

The Toop&Toop team have completely embraced both the Wellness Centre and the Crèche. Whether it's giving staff more vitality or peace of mind, our aim is simple. By creating a better environment for staff, we passionately believe this will lead to a more motivated team with improved productivity and service for our clients.

A healthy and more wealthy team is a win/win for everyone!

This article is brought to you by
Graham Young, Executive Director,
Australian Institute for Progress

# FRAMING NEGATIVE GEARING

Nothing illustrates the shallowness and hypocrisy of the current debate around taxation policy than the negative gearing debate.

Yet it is a debate with potential to damage the property industry, an industry that contributes 11.5% of GDP and employs 1.1 million Australians.

Negative gearers are typically, and falsely, characterised as rich professionals, such as doctors and lawyers, so they are an easy target for the politics of envy.

It is asserted that they simultaneously cost the taxpayer money and push up the price of housing. So not only are they depriving the treasury of funds, they are depriving the young of housing.

Yet when you examine these assertions they turn out to be mostly wrong, or exaggerated.

The only reason a rational person buys an asset to incur a loss is because they expect that loss, and more, to be recouped from future cash flows, and/or asset appreciation. And when that happens, they will pay a tax on those profits.

So the "cost" to treasury of negative gearing isn't the amount in any one year of deductions, but the time value of those payments.

If negative gearing were abolished, the deduction would still be made, but against the future sale price, or future rentals. If the property is sold after seven years, then the time value would be something like a quarter of the amount of interest deduction currently claimed.

So the cost isn't the $12bn pa figure often cited, but more like $2 to $3bn pa.

But there's more. It's not as though the cash flow from the property is only taxed in the hands of the owner. The deduction they claim for interest is an expense in their hands, but income in the hands of the lender.

So the government gets the tax revenue from the financial institution and its depositors to compensate for its "loss" for the tax deduction.

It's likely that the contribution to the tax take from lenders equals, or goes close to equalling, the deduction claimed by the borrower. (And if it doesn't, that will be because the government has given the lenders specific tax breaks, such as through the superannuation system).

Abolish negative gearing and the transaction is tilted in the government's favour.

Good news for the government doesn't stop there. Inasmuch as investors buy new properties, then the government also collects GST revenue, and when the property is sold there is the capital gains tax.

Negative gearing should also be good for house supply. It makes the initial cost of bearing the loss on a low-yielding asset more bearable, so it increases the willingness of investors to buy. There is no shortage of land in Australia, so all other things being equal, the market should expand to meet that demand.

While shortages and gluts will occur, over time demand and supply should even out.

To the extent that this doesn't happen we should look at other factors such as restrictive planning legislation which make it time-consuming and expensive to bring on new supply.

And transactional costs like stamp duty, which make the housing market relatively illiquid.

It is true that Australian housing costs are higher than in a lot of other countries, but it would be wrong to attribute this to negative gearing.

The USA certainly has lower housing prices in most areas than we do, but the US allows owner-occupiers to negatively gear their own properties.

In Canada, where negatively gearing against wages is not allowed, prices are not dissimilar to Australia, with the average price of a house in Vancouver $974,000 at current exchange rates.

The real reasons for high house prices are a long unbroken period of economic growth, which has made purchasers increasingly wealthy and confident; and record low interest rates.

This makes repayments at 4% interest comparable to what they were as a percentage of average weekly earnings 30 years ago at upwards of 17%, despite the fact house prices have escalated around 500%.

It's clear that negative gearing has been framed, by many. Even the RBA suggests the practice needs to be considered

Abolishing negative gearing will be painful for investors, renters, owner-occupiers and real estate professionals. And also for the economy and politicians that may seek to change current arrangements.

# A slip that could cost your business.

## The importance of professional indemnity in the property sector.

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

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

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

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

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

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

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

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

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

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

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

So make sure you have adequate Professional Indemnity Insurance, and confidence and certainty in your policy coverage. And empower your staff to provide sound duty of care.

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This article is brought to you by David Airey, Outgoing President, REIWA

# KEVIN SULLIVAN AWARD WINNERS

## REIWA PRESIDENTS' AWARD 2015

The Kevin Sullivan Award is the REIWA's highest accolade and for the purposes of the National Awards for Excellence it represents the President's Award.


*L-R: Paul Sullivan (son of the late Kevin Sullivan), Alan Bourke, John Percudani and REIWA President David Airey*

The late Kevin Sullivan was well known and very well regarded by all the WA industry through the 1960's, 70's and 80's. His reputation was hard to beat and he strived to instill trust in the profession and lift the standards of training, experience and accountability.

Aside from his personal and company success, Kevin Sullivan was a tremendous mentor, philanthropist and hands-on real estate agent who gave as much back to the industry and he gained from it.

This award carries his ethos and celebrates his legacy. It is often highly contested and the judges usually have a very difficult time choosing a winner. In fact, the benchmark required for winning the Kevin Sullivan Award is so demanding it is not unusual for the judges to decline nominations and to leave the award on the shelf until the following year, when a fresh round of aspirants can be considered.

This year we had the unusual situation where the judges deliberated on two finalists for several hours, before finally calling it a tie. So, for only the second time in the history of the award there were joint winners.

**Alan Bourke** has been working in the industry for 35 years and gained his real estate license in 1980. With a strong presence through Victoria Park, South Perth and Applecross, Alan finally establish himself as "Bourkes" and has been a principal for 27 years. Currently the office has 35 staff members, including sales representatives, office staff and property managers.

Over more than three decades, Alan has shown his commitment to personal development and industry engagement with such positions as REIWA President, Chairman on the Professionals Board, First National Board Member, Ausnet Board member and current Chairman of the Prominent Agents network.

Having been a REIWA member since 1982, Alan has served on many committees including: Training Committee, Homebuyers Committee, Arbitration Panel, Annual Conference, Finance and Risk Committee, REIWA information line and the Nigerian Scam Committee with the Department of Commerce, as well being a REIWA Councillor between 2003 and 2009, and of course as President in between 2010 and 2011.

Always with an eye to the future, Alan acts as a mentor to his younger members of staff and employs a sales partner on a training basis. Often new to the industry, these people are able to learn under his expert guidance.

**John Percudani**, with his wife Anita, opened Realmark in 1989, rejecting many of the standard industry practices of the day and embarking on what they saw as new and better ones. With a passion for innovation and a keen desire to adopt new tools, John has gone on to build a very successful marketing group now with 15 offices and in receipt of multiple awards. This includes 8 national awards and 20 REIWA Awards for Excellence since 2006.

Having built a successful business model and career, John has not been one to keep to himself and makes an effort to educate and mentor others. He believes strongly that information should be disseminated, even to competitors and across other industries. John has supported many real estate agents and business professionals with developing their skills, and while such mentoring takes up a lot of his valuable time, John regards it as a duty and responsibility.

This includes an 'open house' policy for local and interstate real estate professionals to visit him, and he shares his consumer guidance and market insights with the public through his blog, media comments and public speaking.

A strong advocate of auctions, John has also developed some award winning selling methods and introduced Set Date Sale, and Select Date Lease into the WA marketplace.

# INDUSTRY UPDATE

Industry news from around Australia

## REIWA president retires – new Councillors elected

On Thursday 24 September at the Annual General Meeting of the Real Estate Institute of Western Australia President David Airey retired, Councillor Ian Cornell stepped down, and Rory Trotter and Suzanne Brown were elected to the Institute's governing board.

Mr Airey's 12 year term on the council included four as Institute president. "This has been a wonderful and rewarding experience for me and I leave the Council and Presidency in the hands of talented and experienced people, supported by CEO Neville Pozzi and the excellent REIWA staff," Mr Airey said.

"Not only has REIWA's financial positon strengthened, but it has developed a new smarter, stronger web site for members, increased and improved the range of services provided to members and runs the biggest and best real estate conferences in the country."

"My passion for promoting REIWA in the media is sure to be continued by my successor. It's through this medium that REIWA's public perception has improved so markedly."

"This has not gone unnoticed by the state Government and Opposition with whom we now enjoy a very strong working relationship which includes positions for REIWA on the Property Industry Advisory Board and ongoing dialogue with our industry regulator the Department of Commerce," Mr Airey said.

Mr Airey said that while these achievements happened under his watch it had been a collaborative effort with an excellent Council team.

The REIWA Council will now include:

- Suzanne Brown (Rentwest) *[Newly elected]*
- Damian Collins (Momentum Wealth)
- Hayden Groves (Dethridge Groves)
- Sarah Kinsey (Ray White UXCEL)
- Peter Lawrance (Avanti Residential) *[Re-elected]*
- Brett Thorp (Thorp Realty)
- Rory Trotter (Force Real Estate) *[Newly elected]*
- Krys Tully (Tully First National) *[Re-elected]*
- Joe White (JMW Real Estate)

## First National Real Estate Co-founder Charles Heath OAM dies aged 80

Charles Heath OAM, co-founder of Australia's largest cooperative real estate network, passed away yesterday at the age of 80 in Bairnsdale Victoria.

Mr Heath, along with Bill Wood, jointly founded the First National Real Estate network in 1981, which has grown to become the largest cooperative real estate network in Australasia today. It has more than 400 offices represented in all states and territories of the Commonwealth of Australia, New Zealand, and neighbouring South Pacific countries.

"Mr Heath was a major proponent of change, a man who set a standard for others to follow, and he remained very interested in First National Real Estate's progress all his life. He was awarded an Order of Australia in 2013 for his dedication and commitment to excellence in Australian real estate."

Mr Heath was a leading advocate within the real estate industry for more than 50 years and set the benchmark for ecological sustainable development, well before the concept achieved popular acclaim.

He was instrumental in the development of Paynesville's canals, the Kings Cove Residential Development in Metung, and real estate development throughout the Gippsland and Gippsland East region. His real estate initiatives became hugely successful and emulated by many.

Mr Heath's late wife Kaye Heath was also instrumental in the foundation of the network, with the network's highest award, the Kaye Heath Memorial Award named in her honour.

First National chief executive Ray Ellis said that he had valued the opportunity to seek guidance from Mr Heath's invaluable experience as well as to embrace his foresight on many occasions.

On receipt of his OAM in 2013, Mr Heath said "I have always had a strong belief that you should lead, not follow, and this is the philosophy that the First National Real Estate network was built on. It is gratifying to have seen it become such an influential force and the third largest network by market share in the industry today."

# MAKING NEWS

General national news

## Lending figures point to a steady housing market

The latest housing finance figures released today by the Australian Bureau of Statistics (ABS) reflect stable lending activity.

The Real Estate Institute of Australia (REIA) says the figures for August 2015 show, in trend terms, that the number of owner-occupied finance commitments increased by 0.5 per cent. This increase is slightly down on the increase of the previous month of 0.6 per cent. If refinancing is excluded, in trend terms for August, the number of owner-occupied finance commitments increased by 1.0 per cent.

REIA President, Neville Sanders says, "increases were recorded in New South Wales, Victoria, South Australia and Tasmania with New South Wales having the largest increase 1.6 per cent. The largest decrease was recorded in the Northern Territory – down 3.7 per cent."

"In trend terms, the number of new dwellings purchase commitments increased by 0.6 per cent while new dwelling construction decreased by 0.5 per cent and the purchase of established dwellings increased by 0.6 per cent."

"The value of investment housing commitments decreased by 0.2 per cent showing that the macro prudential measures introduced are having an impact on investor activity."

"The proportion of first home buyers, as part of the total owner-occupied housing finance commitments, increased marginally to 15.7 per cent compared to 15.4 per cent in July.

"The lending figures indicate a market that is steady. With investor activity abating any concerns of an over heating property market should be laid to rest," concluded Mr Sanders.

## Building activity

The Australian Industry Group/Housing Industry Association Australian Performance of Construction Index expanded for a second month in September, with a slight easing in the rate of growth. Strong residential building activity was the main contributor to the growth overshadowing a fall in commercial construction and further contraction in the engineering construction sub-sector. Apartment building activity expanded at its strongest rate in the past 13 months while house building achieved an 11-month high in its rate of expansion.

## Real estate advertising in ACT

Access Canberra (Community, Business and Transport Regulation) has recently written to all licensed agents in the ACT reminding them of their obligations under Australian Consumer Law (ACL), more specifically in relation to Subsection 18(1) which provides that a person must not, in trade or commerce, engage in misleading or deceptive conduct or conduct that is likely to mislead or deceive. A business can be in breach of the ACL by failing to disclose relevant facts to a customer. Silence can be misleading or deceptive when important details a person should know are not conveyed to them.

The communique was in response to representations made to Access Canberra about a common advertising tool used by many agents:

"It is a common practice among real estate agents to letter box drop market updates, quarterly market reports or a single sale of an exclusive house that sold in the suburb."

"Access Canberra is concerned that some of the advertisements and flyers being distributed are silent as to who sold the properties in the suburb. The reader might assume that all properties shown as sold in the material being distributed were sold by the agent who has produced and distributed the flyer."

"Agents are reminded that any market reports, flyers or brochures distributed should acknowledge the selling agent/s or alternatively, change the headings on the material to read Recent Sales by all Canberra Agencies."

## Recall of Infinity cabling

In August 2014, Infinity electrical cables were recalled by 18 electrical retailers and wholesalers due to safety concerns. Time is running out before the cables become a fire or electrocution risk. Act now before it's too late—get your cable checked.

The cables were supplied in:

- NSW – 2010-2013
- ACT – 2011-2013
- Victoria, Queensland, South Australia and Western Australia – 2012-2013
- Tasmania – 2013.

It is estimated that up to 40,000 homes, commercial and residential buildings in Australia could be affected.

Infinity and Olsent-branded Infinity cables failed to meet electrical safety standards due to poor quality insulation (plastic coating). Testing found the insulation on the 'TPS' and 'orange round' range of cables will become brittle prematurely, which may present a safety hazard if the cables are disturbed and the insulation breaks. Cables exposed to prolonged high temperatures will degrade at a faster rate.

Once the insulation is brittle, physical contact with the cables could dislodge the insulation and lead to electric shock or possibly fires.

The taskforce found there is **no immediate danger**; however, careful steps need to be taken to stop electric shock or fires from occurring in coming years—as early as 2016 for New South Wales.

Click here to read full article.

# POLITICAL WATCH

Information and news from government

## Taxation Reform

Prime Minister, Malcolm Turnbull recently hosted a summit in Canberra on the subject of economic reform. Mr Turnbull and his economics team met with leaders of business, unions and civil society to discuss the economic challenges currently facing the country and to ask them to "help chart changes in taxes, spending and policy aimed at productivity growth."

Mr Turnbull's opening comments reiterated his commitment to a consultative style of government: "So I want to thank you all for coming, and from our part we are here to listen which is what politicians possibly don't do enough of but we're very committed to listen to you and in the discussion that follows to tease out some of the proposals you have and some of the discussions you have."

Mr Turnbull has indicated everything is on the table including the GST, superannuation for high income earners and negative gearing. He asked the members of the National Reform Summit to "come up with policies to make the country more innovative, competitive and productive."

## Housing Policy

The new Treasurer has indicated he will be addressing the supply side considerations in housing affordability including the planning, development and approval process of state and local governments. At his suggestion, it was added to the agenda for the last meeting of COAG. At the time, as Minister for Social Services, he placed it on the agenda because of the effect on social housing, affordable housing and homelessness. Now, as Treasurer, he intends to push the issue as an economic reform.

## Foreign Investment

REIA made a submission to the Senate Economics Legislation Committee Inquiry into the Provisions of the *Foreign Acquisitions and Takeovers Legislation Amendment Bill 2015* and Related Bills. REIA recommended that the Senate pass the Bills and that provision be made for approved foreign buyers to seek an extension of time to purchase a property without incurring an additional fee.

The ATO has indicated that it is investigating 500 cases totalling $1 billion worth of real estate allegedly bought in breach of Australia's foreign property investment laws. The highest purchase price ranged from $8.1 million down to $265,000.

Read REIA submission and other submissions here.

## Monetary Policy

The RBA released the Minutes of its September meeting when it left interest rates unchanged. The Board noted that international economic developments had increased the downside risks to the outlook, but it was too early to assess the extent to which this would materially alter the forecast for GDP growth. The national accounts were expected to show that output growth had been weak in the June quarter, following a strong outcome in the March quarter. Members noted that very low interest rates would continue to support growth in dwelling investment and household consumption. There were indications that the measures implemented by APRA had slowed the growth in lending for investment housing. Dwelling prices continued to rise strongly in Sydney, though trends had been more varied across other cities. The RBA was continuing to work with other regulators to assess and contain risks that may arise from the housing market.

## NBN

REIA attended a briefing by nbn Co on its progress and its targets for the next five years. Recent developments have included the commencement of Fibre to Node services and the launch of Skymuster (the first of the nbn's dedicated broadband satellites) into orbit. By 2018 three-quarters of all households will be connected. The entire nbn network was scheduled to be completed by 2020, with eight million homes and businesses due to be connected. Nbn claims that three million more jobs are expected to be created by 2030 in both existing occupations as well as work connected to connectivity and innovation.

# THE WORLD

Property news from around the world

### Buyers from Gulf region showing increased interest in property in Turkey

According to data released by the Turkish Statistical Institute (Turkstat) residential real estate sales in Turkey increased in August by 6.5% on the previous year. At the same time, the number of purchases made by international buyers leapt by 15.2 % year on year.

According to one of the country's real estate agencies that deals with foreign buyers, Universal 21, the market is proving particularly popular with buyers from Gulf States.

According to the firm's director Adil Yaman the annual Cityscape Global Real Estate Expo in Dubai saw increased interest from buyers in the region. Some 50 Turkish exhibitors showcased their latest developments at the event which is the Middle East's largest and most influential property expo.

"Whilst buyers from Gulf States have long been the top nationality purchasing properties within our Istanbul projects, there has been a noticeable uplift in enquiry levels in recent months from such buyers."

"With a focus on newly built projects that offer a good mix of properties and onsite facilities, there certainly seems to be a trend towards the upmarket district of Beylikdüzü and schemes that offer a rent guarantee, maximising the ROI for purchasers," explained Mr Yaman.

Indeed, the official statistics from Turkstat show that Iraqis were the most prevalent nationality buying in Turkey, accounting for 19.6% of foreign property sales, followed by Saudi Arabian buyers with 13.3% and purchasers from Kuwait at 11.1%. Article courtesy of propertywire.com, read full article here.

### Spain and Germany popular with investors

Knight Frank recently released the results of the European poll they conducted in order to establish the most popular European countries being targeted by investors. After interviewing 150 active investors, Spain emerged as the most popular having been nominated by 27% of those canvassed.

"The fundamental rationale behind investing in Spain is even stronger than this time last year. Prime CBD office rents have risen by 20% over the past 12 months, but remain nearly 40% below the 2008 peak, and both footfall and sales have been increasing in dominant shopping centres for six consecutive quarters," commented Humphrey White, Head of Capital Markets at Knight Frank Spain.

Germany came in a close second after being nominated by 25.4% of those polled. This result was not unexpected as Germany saw $AU47.21 billion invested in property during the first half of 2015 (an increase of 35% compared to the same period the previous year).

Read full article here.

### US employment numbers causing concern for housing industry

The US housing industry has expressed concern over the September US employment figures released earlier this month.

"The September employment situation report was a blow to confidence in the strength of the US economy as it reflected recent weakness in job creation. Employment growth over the last two years has been a key driver of this year's robust housing demand," commented Realtor.com Chief Economist Jonathon Smoke.

Mr Smoke went on to say "Job creation is a very important leading indicator of strong demand for housing. The strong employment results for the last two years created an uptick in household formation, which drives demand for home purchases and rentals. If this softening sticks, we could see less robust growth in the year ahead."

Mr Smoke went on to explain how these figures would impact on mortgage rates. Read full article here.

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