

REIA NEWS

ISSUE 57: JUNE 2016



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PRESIDENT'S REPORT

Mr Neville Sanders
REIA President



WELCOME FROM REIA'S PRESIDENT

Welcome to the June edition of REIA News. As foreshadowed last month an election has been called and housing affordability and taxation arrangements for housing are key issues.

Both the Government and the Opposition have announced their positions on these crucial issues. The Government's position is that there will be no changes to negative gearing and capital gains tax for investments in housing. The Opposition has announced that

should they win Government they will grandfather existing investments and from 1 July 2017 they will limit negative gearing to newly constructed investment properties and increase capital gains tax by 50%.

REIA has long advocated for no change to current arrangements as they treat property no differently to other forms of investment, increases supply of housing for our growing population, keep rents affordable and eases the burden on social housing.

It is unfortunate that with large increases in house prices in Australia's two largest capital cities, there have been many claims that the current tax treatment of negative gearing and capital gains of residential property is exacerbating housing affordability issues. This is simply not the case. Indeed the public interest is being

served and advanced through the current taxation arrangements.

It is supply that is the critical factor in resolving the affordability problem. Changes to current taxation arrangements will exacerbate the problem. The Opposition's policy will not achieve the claimed objectives of improving both the supply of housing and housing affordability accordingly. Supply is constrained by a number of longstanding challenges including regulatory and zoning constraints and cost structures including taxing on dwelling construction. These factors are not addressed in Labor's policy.

As REIA has strong views on these issues it is campaigning for no change to the current arrangements. The lead article in this month's REIA News outlines REIA's campaign.

Mr Neville Sanders

REIA PRESIDENT

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REIA'S ELECTION CAMPAIGN ON NEGATIVE GEARING

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



REIA News has over time carried many articles on taxation as it applies to housing including negative gearing and capital gains tax. The most recent was in March this year when we reported on the economic assessment on the impact of any change to the current arrangements for negative gearing and the CGT treatment of property investment undertaken by economic consultants ACIL Allen with the aim of bringing some objectivity and robust analysis to the debate on negative gearing.

It was noted 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 shares, other 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.

The ACIL report dispelled the myths that have gained currency and showed 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

» *article continues*

» *continued*

of entering the property market which in many cases supplements savings for retirement purposes.

It is for the reasons of addressing the popular arguments and the hope that the debate during the election campaign will be based on rational thinking and not perpetuating myths that simply do not hold up to analysis that REIA has become involved during this election.

REIA has employed digital methodologies to dispel the myths surrounding negative gearing and drawing attention to the potential economic impacts of changes to negative gearing. Daily Facebook messaging and Tweets started the week beginning 9 May, just after the election was called, utilising REIA's contact base together with boosting the posts by targeting customised audiences including marginal seats.

Over the duration of the campaign the numbers reached has increased some thirty fold. The numbers registering likes and engaging in the content by posting comments or sharing the posts to their own pages has also

increased markedly. The largest audiences are women between 35 and 44 years old and men 25 to 34. Whilst there have been some negative responses the overwhelming response has been positive. Despite the increased volumes in recent weeks the negative responses have all but disappeared. Perhaps unexpectedly, much of the negative response has come from men in older age groups. You can view REIA's messaging at [REIA's Facebook page](#).

REIA has also joined with all the Real Estate Institutes in Australia and 19 of the major agency groups in Australia to launch a [website](#). The website addresses the issue from the perspective of a home buyer, a renter, an investor and an economic impact.

Since the website was launched all the groups involved have used their own data bases and publications to share the material. Again, not dissimilar to REIA's findings, the response has generally been positive. The negative response has been largely from renters and first home buyers and has generally been on a political alignment.

To complement the website material an electronic campaign is also being undertaken in the last four weeks of the election campaign with a different principal message each week:

Week 1 – affordability for first home buyers;

Week 2 – existing investors;

Week 3 – affordability for tenants; and

Week 4 – the broader economy and the link to the property industry.

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NEGATIVE GEARING CHANGES: FRIEND OR FOE?

This article is brought to you by Adelaide Bank

A change of Government could see negative gearing limited to investors who purchase newly-constructed homes as of July 2017. Existing investors would be exempt. The current discount on capital gains tax would also be reduced from 50% to 25% for new investors.

Labor estimates that the policy changes could save around \$32 billion over 10 years and improve housing affordability, ultimately levelling the playing field for first homebuyers.

While there's no denying the potential savings for the Government, the jury is out on whether the changes will have the desired effect on the Australian property market.

David McGargill, Managing Director of specialist financial brokerage company Private Client Services Australia, strongly opposes the changes. He believes that Labor's policy is "not well thought out" because it wouldn't benefit first homebuyers and has the potential to place extra burden on the Government in the long run.

"The majority of first homebuyers could service a loan, they just don't have the money for a deposit," said Mr McGargill. "Even if the [revised] negative gearing policy did happen to bring house prices down, and I'm not sure that it would, this wouldn't help first home buyers because it wouldn't help them save for a deposit.

"The changes would also lead to more Australians relying [more heavily] on the Government in retirement. [Today's] mum and dad investors depend on negative gearing to help them invest in property and [ultimately] benefit from capital gains to fund their retirement."

Mortgage broker Simon Birch from Sandridge Financial Solutions, is also against the proposed changes.

He sees no sense in targeting negative gearing to combat housing affordability, when low interest rates are the culprit.

"While money's so cheap, that's the biggest thing driving the investment market, not negative gearing," he said.

Mr Birch also believes that Labor's negative gearing policy will create a "2-speed market" for investors, where established property versus new property. And this will have significant adverse effects.

"I expect that with a 2-speed marketplace established properties will drop in value, and valuations on new properties will be lower because new property will eventually become established property. This will create a lot of negativity and [eventually] lead to a downturn in the construction industry.

"The downward spiral in prices [overall] won't be good for property owners. And it won't help first homebuyers either, as their biggest problem is raising a deposit in the first place. Housing prices would have to come down \$200 - \$300 000 to change that. The policy simply doesn't look at all the implications for the broader market."

While Damian Percy, General Manager, Adelaide Bank accepts that there are a range of reasonable and alternative

arguments around the changes, he says that his view sways in a "relatively unfashionable" direction to other people involved in the property sector.

"My long-held view is that it is a bad thing for house prices to increase faster than wages," he said. "House price inflation should not be cheered on any more than we should high five each other because the price of electricity, public transport, water, health care, or education is accelerating faster than our incomes.

"Now, there are a number of factors that drive up the price of housing in Australia, restrictions on supply being the most obvious, but I think there is little doubt that the combination of an extremely generous capital gains treatment and the ability to offset losses against PAYG income encourages excessive speculation in house prices and is, on balance and in its current form, bad policy.

"My only question to those for whom any change to current arrangements is an anathema is, 'If there was a change to policy – tax or otherwise – that would guarantee flat houses prices for the next five years, would you be supportive?' If your answer is anything other than a quick and unequivocal, 'Absolutely', then it might be worth considering if your concerns around changes to tax policy are not so much that they won't reduce pressure on house prices, but that they might."

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Slowest annual house price growth in three years

The March quarter 2016 recorded a decrease in median prices for the Australian residential property market. The weighted average capital city median price decreased by 1.3% for houses and 1.1% for other dwellings.

Over the March quarter 2016, the weighted average median house price for the eight capital cities was \$684,601. Over the quarter Sydney, Brisbane, Perth, Canberra, Hobart and Darwin recorded increases. Melbourne and Adelaide recorded decreases. Queensland was the only state to record a decrease in house prices.

Hobart's 5.9% decrease was the largest across the capital cities while Darwin recorded a 2.0% rise.

When compared to the same time last year, the weighted average eight capital cities median price for other dwellings increased by 3.3%.

Increases were recorded in Sydney, Melbourne, Brisbane and Hobart while Brisbane, Perth and Canberra had decreases and no change. In the weighted price for other dwellings, no state recorded a decrease.

Fast Facts:

March quarter 2016

Quarterly Australian weighted average median house price is \$684,601

Quarterly Australian weighted average median other dwelling price is \$537,591

Median house prices up 0.7% on quarter
www.reia.com.au



Affordability Back to 2013 Levels

The March quarter of 2016 showed an improvement in housing affordability nationally with the proportion of income required to meet loan repayments decreasing by 2.4 percentage points to 30.0%. Compared to the corresponding quarter of 2015, the figure decreased by 0.6 percentage points.

When compared to the previous quarter, all states and territories saw improvements in housing affordability with the exception of the Northern Territory where the proportion of income required to meet loan repayments increased by 0.5 percentage points. New South Wales showed the greatest improvement in housing affordability with the proportion of income required to meet loan repayments dropping from 32.4% to 30.8%.

The average loan size to first home buyers decreased by 6.0% over the March quarter – a 2.6% rise compared to the March quarter of 2015, to \$331,467.

Over the quarter, the average loan size to first home buyers decreased in all states and territories except for Tasmania where an 8.1% increase was recorded. New South Wales recorded the largest quarterly decrease in the average loan size to first home buyers.

Compared to the March quarter of 2015, the average loan size to first home buyers increased in New South Wales, Victoria, South Queensland, Tasmania and the Australian Capital Territory.



NATIONAL MARKET SNAPSHOT

EXTRACTED FROM REAL ESTATE MARKET FACTS
 MARCH QUARTER 2016

- ▶ Quarterly Australian weighted average median house price is \$684,601
- ▶ Quarterly Australian weighted average median other dwelling price is \$537,591

Median house prices up:

Melbourne 0.7% to \$713,000
 Adelaide 0.2% to \$445,000

Median house prices down:

Sydney 1.3% to \$999,557
 Brisbane 4.0% to \$480,000
 Perth 3.7% to \$520,000
 Canberra 6.1% to \$570,000
 Hobart 1.8% to \$385,000
 Darwin 4.3% to \$582,500

Median other dwelling prices up:

Darwin 2.0% to \$500,000

Median other dwelling prices down:

Sydney 0.4% to \$660,234
 Melbourne 1.8% to \$525,500
 Brisbane 1.3% to \$395,000
 Perth 1.8% to \$428,023
 Canberra 0.2% to \$414,000
 Hobart 5.9% to \$278,000
 Adelaide 3.0% to \$325,000

Vacancy rates

Sydney 1.7%
 Melbourne 3.1%
 Brisbane 3.0%
 Adelaide n/a
 Perth 5.6%
 Hobart 2.7%
 Darwin 8.7%
 Canberra 1.8%



NATIONAL AFFORDABILITY SNAPSHOT

EXTRACTED FROM ADELAIDE BANK/REIA HOUSING AFFORDABILITY REPORT, MARCH QUARTER 2016

	Mar 2016	Dec 2015	Mar 2015
Proportion of family income required to meet:			
Home loan repayments	30.0%	32.4%	30.8%
Rent payments	25.1%	24.6%	25.1%

NSW is the least affordable state or territory in which to buy or rent.

Victoria recorded the biggest annual increase in the number of new loans across the nation.

Queensland of all Australian first home buyers, 20.8% were from Queensland.

South Australia of all Australian first home buyers, 6.6% were from South Australia.

Western Australia has the highest proportion of first home buyers on the owner-occupier market nationally.

Tasmania recorded the only quarterly increase in the number of loans to first home buyers across the country.

Northern Territory recorded the only quarterly decline in housing affordability across all jurisdictions.

Australian Capital Territory remains the most affordable state or territory in which to buy a home or rent.



REMAINING FEE SUPPORT SCHOLARSHIPS TO BE AWARDED PRIOR TO 30 JUNE 2016



On behalf of Women & Leadership Australia (WLA), we are pleased to provide you with information pertaining to leadership development scholarships currently available to our female members.

In line with WLA's aim to increase the accessibility of high quality leadership development to a greater percentage of female leaders, fee support scholarships are selectively provided to assist current and aspiring female leaders in their career development journey.

Fee support scholarships for women, remains unallocated and must be awarded prior to the end of this financial year. Fee support is available under two distinct streams.

Stream 1: \$6,000 Fee Support for Senior Female Leaders

Senior and executive level managers are invited to apply for fee support of up to \$6,000 to support their participation in Australia's most prestigious executive women's program, the Advanced Leadership Program. View the Prospectus [here](#).

Stream 2: \$3,000 Fee Support for High Potential and Mid-Level Female Leaders

High potential and mid-level managers are invited to apply for fee support of up to \$3,000 to support their participation in the Accelerated Leadership Performance Program, a unique 18 week program designed to fast track leadership capacity and accelerate career potential. View the Prospectus [here](#).

EXPRESSIONS OF INTEREST

Should you wish to make an expression of interest in either stream, you must complete an EOI form and return it by June 30th. View the Expression of Interest Form [here](#).

Should you wish to discuss this opportunity prior to submitting an EOI please contact Women and Leadership Australia on (03) 9270 9016 or via admissions@wla.edu.au

Foreign resident capital gains withholding payments

Important: From 1 July 2016 Australian residents selling real estate with a market value of \$2 million or more will need to apply for a clearance certificate from the Australian Taxation Office (ATO) to ensure amounts are not withheld from the sale proceeds.

Where a valid clearance certificate is not provided by settlement, the purchaser is required to withhold 10% of the purchase price and pay this to the ATO.

Background

In May 2013 the government of the day announced that it would introduce a 10% non-final withholding tax on payments made to foreign residents who dispose of certain taxable Australian property with a market value above a specified threshold. The new legislation for this measure became law in February 2016.

The types of taxable Australian property this applies to include vacant land, buildings, residential and commercial property, leaseholds and strata title schemes.

What this means for purchases

Where a foreign resident disposes of Australian real property with a market value of \$2 million or above, **the purchaser** will be required to withhold 10% of the purchase price* and pay it to the Australian Taxation Office (ATO) unless the seller provides you with a variation. Australian residents will need to provide a clearance certificate otherwise a withhold of 10% of the purchase price will apply.

What this means for sellers

Australian resident vendors who dispose of Australian real property with a market value of \$2 million or above will need to apply for a clearance certificate from the ATO to ensure amounts are not withheld from their sale proceeds.

All transactions involving real property with a market value of \$2 million or above will need the vendor and purchaser to consider if a clearance certificate is required.

If a purchase price negotiated between a purchaser and vendor is on an 'arm's length basis', then the purchase price may be used as a proxy for market value.

* Note: The legislation specifies that the 10% withholding is on the 'first element of the cost base'. However, as purchase price is understood by vendors and purchasers, and in many instances will be equal to the 'first element of the cost base', we have used the term purchase price for simplicity.

When will this apply?

The new withholding regime will apply to contracts entered into on or after 1 July 2016 for the sale of property with a market value of \$2 million or above.

What if there are multiple purchasers?

The market value of all purchasers' interests in the transaction must be aggregated in examining whether the \$2 million market value threshold has been reached. If the aggregated purchase price is \$2 million or above, each purchaser must withhold in proportion to their percentage of the total purchase price.



What if there are multiple vendors?

If there are multiple vendors disposing of the property, it is the total market value of the property that determines whether withholding is required by the purchaser.

That is, if the market value is \$2 million or above then the purchaser must withhold 10% of this (remembering that the purchase price may be able to be used as a proxy for market value).

If the purchaser has not been provided with a clearance certificate or a notice of variation from any of the vendors, the purchaser must withhold 10% of the purchase price.

The amount of withholding will be in proportion to each vendor's interest in the property, with the total withholding equal to 10% of the property's market value.

If any of the vendors provide a clearance certificate or a notice of variation then the amount withheld by the purchaser on that vendor's proportional interest in the property must reflect this. The purchaser must consider each vendor's circumstances separately in determining the amount to withhold from each vendor.

Clearance certificates

All real property transactions with a market value of \$2 million or above will need the vendor and purchaser to consider if a clearance certificate is required.

Where a clearance certificate is provided, the purchaser is not required to withhold an amount from the purchase price.

Vendors need to provide a clearance certificate to the purchaser on or before the settlement of the transaction. A clearance certificate must be valid at the time it is provided to the purchaser.

Clearance certificates are valid for 12 months, and can be used by the same vendor for the sale of multiple properties while valid.

Who can obtain a clearance certificate?

Only a vendor who is an Australian resident* can be granted a clearance certificate by the ATO.

* Note: Residency status for tax purposes is not the same as that for immigration purposes, or for the Foreign Investment Review Board (FIRB). If you are unsure, seek professional advice.

What if the vendor does not provide a clearance certificate?

If the vendor fails to provide the clearance certificate by settlement, the purchaser is required to withhold 10% of the purchase price and pay this to the ATO.

This means Australian resident vendors of real property with a market value of \$2 million or above must apply for a clearance certificate to ensure no funds are withheld from their sale proceeds.

When can an Australian resident vendor obtain a clearance certificate?

An Australian resident vendor may apply to the ATO for a clearance certificate at any time when considering the disposal of real property. This can be before the property is listed for sale.

How can an Australian resident vendor obtain a clearance certificate?

To obtain a clearance certificate, a vendor who is an Australian resident (or their representative) must complete an online '*Clearance certificate application for Australian residents*' form. This form will be available on ato.gov.au/FRCGW from 27 June 2016.

A PDF version of the clearance certificate application will be available for contracts that are to be signed and settled within the first two weeks of July 2016. Otherwise, vendors should be encouraged to wait and use the online form from 27 June 2016.

If the vendor is automatically assessed as an Australian resident, a clearance certificate will be issued electronically within days of the application being submitted.

If there are data irregularities or exceptions, some manual processing may be required and the clearance certificate will be provided within 14–28 days.

Higher risk and unusual cases may require greater manual intervention and could take longer to process.

Variation applications

Where the vendor is not entitled to a clearance certificate, but believes a withholding of 10% is inappropriate, they can apply to the ATO for a variation. Reasons for a variation could include:

- a foreign resident not making a capital gain on the transaction (for example, because they will make a capital loss or a CGT rollover applies)
- a foreign resident not otherwise having an income tax liability (for example, because of carried-forward capital losses or tax losses)
- a scenario where there are multiple vendors, only one of which is a foreign resident.

A variation application can be made using the '*Variation application for foreign residents and other parties*' form. This form will be available on ato.gov.au/FRCGW from 27 June 2016.

A PDF version of the variation application will be available for contracts that are to be signed and settled within the first two weeks of July 2016. Otherwise, vendors should be encouraged to wait and use the online form from 27 June 2016.

In the majority of cases (where the ATO has all the required information and the application is successful), the notice of variation will be provided within 28 days.

The notice of variation should be shown to the purchaser before settlement to ensure the reduced withholding rate applies.

Does the withholding need to be provided prior to settlement?

No. The withholding does not need to be provided until settlement, and it is provided by the purchaser out of the purchase price, not in addition to the purchase price.

Is the transfer of ownership affected?

No, the withholding does not affect the transfer of ownership between the vendor and the purchaser.

In some cases the vendor may wish to postpone settlement if they have not yet obtained a clearance certificate or notice of variation, to avoid the purchaser withholding 10% of the purchase price and paying it to the ATO. In this scenario, the terms of the contract will apply as normal with respect to delays at settlement.

What do I need to consider when selling a property?

Where you are engaged by a vendor you need to know what the purchase price will be to determine whether this measure applies. If the purchase price is below \$2 million, and it has been negotiated on an arm's length basis, then no action is required.

If the purchase price is \$2 million or above and the vendor is an Australian resident vendor, you should let them know they will need to obtain a clearance certificate from the ATO to avoid 10% of the purchase price being withheld at settlement.

If you are unsure about the purchase price because the property is going to auction, you should let the Australian resident vendor know they will need a clearance certificate if the purchase price reaches \$2 million.

If the purchase price is \$2 million or above and the vendor is a foreign resident, you should let them know that 10% of the purchase price will be withheld at settlement by the purchaser and provided to the ATO. You should advise them they may be able to vary the amount that is withheld at settlement in certain circumstances, and direct them to the Variation application for foreign residents and other parties form.

What if there is a short settlement period?

The same rules apply irrespective of the length of the settlement period. However, if there is a short settlement period you should advise the vendor they will need to obtain a clearance certificate or notice of variation (as appropriate) as soon as possible if they wish to avoid 10% of the purchase price being withheld at settlement.

More information

The Australian Institute of Conveyancers was extensively involved in the consultation process for this measure. As such, the ATO is not aware of any inconsistency with the terms of each state's Conveyancing Act.

This fact sheet contains general information. More detailed information about foreign resident capital gains withholding payments is available at ato.gov.au/FRCGW

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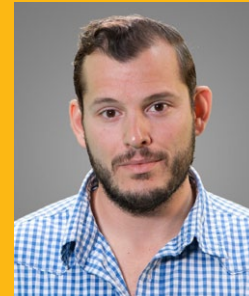
Australian Taxation Office
Canberra
May 2016

JS 36800



IS YOUR REAL ESTATE BUSINESS READY FOR ONLINE REVIEWS?

This article is brought to you by **Nick Lembo** Manager, Local Business Outreach, Yelp



Word-of-mouth is a powerful marketing tool for all businesses and this is especially true for real estate professionals. More than 78% of people now turn to review sites like Yelp to find local businesses and with the ever-growing popularity of review sites, word-of-mouth has moved online.

But if you're thinking that review sites are just for restaurants, you might be surprised that home and local services represent 12% of reviewed businesses on Yelp. With 90 million visitors coming to Yelp every month on mobile devices and another 77 million visitors checking our website every month, a large amount of consumers are coming to evaluate real estate agents.

Many review sites, including Yelp, offer real estate professionals free tools to market your business online and effectively reach potential buyers and sellers, so we put together five tips on how to get your business prepared for online reviews.

1. Ensure basic info is accurate.

It may sound obvious, but make sure potential clients can find basic information about your business on review sites – like your location, phone numbers and website.

2. Get your photos up and make them count!

Customers on Yelp stay 2.5 times longer on pages with photos so make sure to upload high quality images that show off yourself, your staff and your business. There's no need to add a photo of your logo as it's not a great help to consumers. If you want to show off your listings,

upload your current and recently sold or leased properties and add captions to let customers know what they're looking at.

3. Tell your story.

Buying or selling a property is a hugely personal journey for most people and commercial property transactions are a big deal for businesses. Clients want to know about you so they can rest assured they are in good hands. Put their minds at ease by telling them about yourself, your business, its history and specialties. Businesses with complete profiles also get 4.5 times as many views per month and rank better in search results, so make sure to fill out all elements of your free business page.

4. Get mobile ready.

Over 80% of Australians own a smartphone, 70% of all searches on Yelp come from mobile devices, and the two most popular real estate apps in the country have been downloaded over 7.5 million times. Consumers are clearly looking at properties on mobile and are also searching for real estate professionals. You can download a specific app for business owners to respond to potential customers on the go and see who is viewing your Yelp Business Page.

5. Let people know where to find you online.

Instead of soliciting reviews, you should encourage clients to engage with you online by including references to your digital presence in your marketing materials. Simply letting people know where to find you online will organically grow your business's reputation and ensure that your reviews are ones that potential clients can trust.

Ready to get started?

Head to biz.yelp.com.au to claim your free Yelp Business Page.

Yelp is an app and website that connects people with local businesses in 32 countries around the world. Founded in 2004 in San Francisco and launched in Australia in 2011, Yelp now has over 100 million views and is the leading source for real word of mouth online.

Nick Lembo is Yelp's Manager of Local Business Outreach. He works with a wide variety of business owners across Australia and New Zealand to help them navigate the world of online reviews. He regularly speaks at conferences and writes about how business owners can use review sites, social media and Yelp's free tools to reach customers online. He is @nicholaslembo.

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2016 REALTORS® Conference & Expo - Overview

Over 20,000 real estate professionals from around the world attend this event, with two goals in mind: networking and education. This year's agenda includes:

- Over 100 education sessions – sort them by topic (international, sales & marketing, hot topics, business technology, etc.) to easily navigate the **schedule**.
- Trade Expo – get hands-on experience with over 400 exhibitors that will demonstrate the latest and greatest real estate resources and technology.

Country Networking Hours – each country (over 60 represented at the conference) receives a one-hour dedicated networking session in the Global Networking Center on the Expo floor.

At the 2016 REALTORS® Conference & Expo, you'll find all the professional education and personal empowerment needed to take your real estate career to the next level. You'll hear from industry experts at 100 education sessions, get hands-on experience with the latest technologies from 400 exhibitors and learn about the future of the real estate industry from the very people who are helping to shape it. [Register now!](#)

[Click here](#) to visit the 2016 REALTORS® Conference & Expo website for more information.



WHAT SMALL BUSINESSES SHOULD KNOW ABOUT TAX DEDUCTIONS



What are the tax concessions?

The ATO has a [what's new for small business page](#) that keeps an up-to-date list of available tax concessions and eligibility requirements. This is a great resource to make sure small businesses are making the most of available tax concessions.

What can businesses claim?

You've probably heard of the \$20,000 instant asset write-off, which lets small businesses immediately deduct assets instead of claiming the deductions over a number of years. This is just one of the tax concessions small businesses might be eligible for. [ATO webpage](#)

Has plenty of information to help people understand if they're eligible for this, or the other concessions.

How do businesses find out if they're eligible?

Check out the [ATO website](#).

The instant asset write-off is just one of the concessions small businesses might be eligible for. It's always good to double check the criteria. For example, the accelerated depreciation for primary producers applies regardless of turnover.

Further links

There's a useful article on our [Small business newsroom](#) And an article in [ATO media centre](#) about what small businesses can claim, which you can link to or republish. There is also a tweet about it [here](#) that you might like to share.

Check if you're eligible for the following small business concessions:

- Instant tax write-off for each asset costing less than \$20,000 for small businesses
- Accelerated depreciation for primary producers
- Immediate deduction of professional expenses for small business start-ups
- 1.5 per cent small business company tax cut
- No fringe benefits tax for providing multiple electronic devices to small business employees
- No income tax liability for asset rollovers when a small business is restructured.

NEW 24/7 ATO HELP FOR SMALL BUSINESS

The ATO have created a new virtual assistant – Alex – to help with your general tax and super enquiries.

Alex has been introduced as a result of feedback the ATO received, telling them people across Australia wanted easier access to support when using their website.

The plan is that Alex will continuously learn; the questions posed will drive the growth and direction of the issues she will be able to address.

Alex can answer general tax and super questions on common topics such as:

- BAS
- GST
- PAYG instalments
- PAYG withholding
- The ATO'S online services and their Business Portal
- depreciation and deductions
- the superannuation clearing house.

Simply type in your question and Alex will supply the answer. She is available 24 hours a day, 7 days a week. If Alex can't answer your question, she'll direct you to the best way to get the information you need.

Alex can't access your personal or business tax information, so if you have a question about your specific tax circumstances you'll need to use the ATO's [Small Business Assist web chat](#) service or telephone them on 13 28 66.

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INDUSTRY UPDATE

Industry news from around Australia



Property and real estate industry shines in latest ABS data

The real estate and property industries had a stellar 2015 financial year, according to statistics released from the Australian Bureau of Statistics (ABS).

Each year the ABS releases data highlighting the size, importance and performance of Australian industries. While data is regularly produced on the top-level 19 industry sectors, greater insights are possible when you drill down through the 96 sub-sectors (for 80 of which there is regular data available).

The sub-industry “Property operators and real estate services” was the fourth biggest sector in 2014-15 in terms of Industry value added; second highest in profitability; second highest on the investment rate; and 85 per cent of businesses in the sector made a profit in 2014-15.

This data showed that ‘property operators and real estate services’ recorded a profit margin for the year of 49.8%, the highest profit margin of all sub-sectors. The category includes real estate agents and managers of [residential](#), [commercial](#), and agricultural property, according to the ABS.

While oil and gas extraction recorded the highest capital expenditure for the year at \$59.3 billion, property operators and real estate services recorded the next highest capital expenditure with \$36.0 billion.

Real estate can be seen as having greater flow-on benefits to the economy than mining.

Facebook auction one of the first for Australia

In May, a Sydney apartment was auctioned live on Facebook and video app Periscope in one of the first auctions of its kind in Australia.

Buyers were able to watch the apartment being auctioned on the Facebook page of Jason Ballo, Principal of Raine & Horne Surry Hills, and on the live video streaming app Periscope.

All you needed to do to watch the auction online was visit www.facebook.com/ballo23 where you saw a video of the property which you could click on to enlarge. Or after downloading the Periscope app to your phone, you could search for ‘jasonballo’ to view it on there instead.

Bidders who chose to watch the auction online needed to be registered on the day at the property, so they would need someone to be at the house to place the bids on their behalf.

Jason, who conceived the idea, said: “This historic auction is a preview of where real estate technology in Australia is headed.

“It will help make auctions accessible to everyone, from those who may not be able to attend because they have a young child, are going on holiday to Bali, or are on business in Hong Kong.”

Investor groups collaborate for Australian Launch of new action framework on sustainable real estate

A unique coalition of global investor and property groups will launch the Sustainable Real Estate Investment – Implementing the Paris Climate Agreement: An Action Framework in Australia for the first time.

Five of the world’s largest investor networks and RICS have come together, supported by the Global Alliance for Building and Construction, to publish a concise, actionable framework for Real Estate investors to help them make sense of existing Environment, Social and Governance (ESG) guidance and to accelerate their integration of ESG and climate risks and opportunities into investment decisions. The guide sets out a range of measures to improve returns or better protect the future value of real estate investments through application of an ESG and climate change management approach.

For the full press release click [here](#).

MAKING NEWS

General national news



Has your business signed up for advertising or promotional services that weren't provided?

Last month, Multimedia International Services Pty Ltd, trading as The Community Network was ordered to pay penalties totalling \$230,000 for breaches of the Australian Consumer Law in its dealings with small business.

The Community Network sells digital advertising services to small businesses throughout Australia. The advertising is presented on branded LCD screens at various sites such as fitness centres, newsagencies and shopping centres.

Following proceedings brought by the ACCC, the Federal Court declared that The Community Network engaged in unconscionable conduct in its dealings with one small business, including by refusing to release it from its contract for advertising services when TCN was not providing those services, then pursuing it for non-payment, threatening legal action and engaging debt collectors. The Court also declared that the Community Network made false or misleading representations to two other small businesses and wrongly accepted payments from them.

'Unconscionable conduct is a priority area for the ACCC, particularly where it affects small businesses,' ACCC Deputy Chair Dr Michael Schaper said. 'We want to acknowledge the State and Federal Small Business Commissioners, who assisted the ACCC in identifying the impact of this conduct on small businesses. The ACCC will continue to take appropriate enforcement action to protect small businesses.'

This is an important case, because it makes it clear that businesses like The Community Network must comply

with the Australian Consumer Law in their dealings with small businesses.'

If you pay for advertising services that you don't receive, and are unable to resolve the dispute with the other firm, consider contacting your local Small Business Commissioner or the ACCC Small Business Helpline (1300 302 021) for more information about your rights.

A simpler BAS for small businesses

The ATO is making GST record-keeping simpler for small businesses by removing several GST labels from the business activity statement (BAS).

This will provide small business owners with significant time and cost savings by simplifying account set up, ongoing book-keeping and BAS preparation and lodgement.

The ATO's Deputy Commissioner Steve Vesperman says a simpler BAS will make record keeping an easier process for small businesses.

"Small business owners and tax professionals have expressed concerns about the cost of GST record-keeping due to the complexity of the BAS. We are introducing these changes to reduce this frustration," Mr Vesperman said.

From 1 July 2017, small businesses with a turnover of less than \$10 million will only be required to report GST on sales, GST on purchases and total sales. Information will no longer be required on labels (G2) export sales, (G3) GST free sales, (G10) capital purchases and (G11) non-capital purchases, making record-keeping much simpler.

The ATO has been working closely with small business owners, industry associations, intermediaries, and software developers and will be conducting user

testing with 2000 small businesses from 1 July 2016. The simpler BAS will be available to all small businesses from 1 July 2017. More information about the simpler BAS is available [here](#).

ASIC launches new corporate governance resource

ASIC recently launched significantly enhanced corporate governance content on its website, to improve accessibility of ASIC's corporate governance messages.

ASIC recognises the importance of Australian companies adopting good corporate governance practices. A key component of ASIC fulfilling its strategic priorities is acting to positively influence corporate governance practices in Australia.

ASIC Commissioner John Price said, 'Good corporate governance is the foundation upon which investor trust and confidence in companies is built. It is only through good governance that fair, orderly, transparent and efficient markets can be achieved'.

To provide support for companies and their officers seeking to understand their obligations and also improve their practices, ASIC is making its public messages about corporate governance more easily accessible.

ASIC regularly comments on corporate governance issues in speeches and published articles, as well as through its more traditional avenues of Regulatory Guides and Information Sheets. The new corporate governance webpage conveniently includes all of these published corporate governance messages in the one location.

The new webpage is located [here](#).

POLITICAL WATCH

Information and news from government



WA State Budget supports home ownership

The State Government has listened to the concerns of the WA property industry and has not meddled with property taxes in the 2016-17 State Budget.

REIWA President Hayden Groves said given the State's challenging fiscal position it was reassuring to see support for first home buyers.

"Retaining the first home buyer transfer duty exemption is a key driver of activity in the established first home buyer market.

First home buyers looking to build have also benefited in this Budget with the retention of the \$10,000 First Home Owner Grant.

"First home buyers are a crucial part of the market as they give trade-up buyers the opportunity to upgrade and to generate much needed transfer duty for the State Government," Mr Groves said.

NT Budget does First Home Buyers a favour

In a boost for first time property buyers, the 50% stamp duty discount announced in last week's Northern Territory Budget has commenced, and the phones at agencies are already running hot with enquiries from entry-level buyers.

The discount will apply to established properties valued up to \$450,000 and is capped at \$10,000 for more expensive properties, and it will make housing more affordable for first-home buyers in Darwin and Palmerston.

The concession will apply until 30 June 2017 and it will be reviewed to determine if it should be extended. The \$26,000 first-home buyer grant for the purchase of new homes remains in place.

This announcement will create the perfect storm for first home buyers who will enjoy the benefits of less stamp duty, at a time where we've had easing house prices in Darwin and historic low interest rates.

This will get more first home buyers into the market, which is excellent policy making in light of the low volumes we've experienced over the last two years.

NSW Budget 2016: Foreign property buyers in NSW to be hit with stamp duty and land tax hikes

Foreign buyers of property in NSW will be slugged with a 4 per cent stamp duty surcharge from this month and will pay an extra 0.75 per cent land tax from 2017.

The measures are set to be announced by NSW Treasurer Gladys Berejiklian in her second budget on June 21.

In May, the NSW government announced buyers and sellers of real estate would have to prove their residency and citizenship status to the NSW government before a sale is completed.

Ms Berejiklian said the NSW stamp duty and land tax measures are expected to raise \$1 billion for the government over the next four years.

However, she said it is expected the surcharges would not deter foreign investors, placing a question over whether

they will improve housing affordability, particularly in Sydney.

"These new measures will ensure NSW's property market continues to be an attractive destination for international investors while making sure that we are able to fund vital services into the future," Ms Berejiklian said.

"The Victorian experience has demonstrated the measures have not had an adverse impact on the property market."

The stamp duty surcharge will apply from the June 21 budget, while the land tax surcharge will take effect from 1 January 2017.

They will not apply to Australian citizens, permanent residents of Australia or New Zealanders who have stayed in Australia at least 200 days in the last 12 months.

Unlike Victoria, in NSW the surcharges will only apply to residential property.

Epping MP Damien Tudehope had suggested last year a 20 per cent flat rate of stamp duty and higher land tax for foreign investors could improve housing affordability and benefit local buyers, many of whom were "not playing on a level playing field."

The property industry is unlikely to welcome the announcement.

After Victoria's announcement last year, Real Estate Institute of NSW President Malcolm Gunning urged NSW not to follow suit as "foreign investors would simply decide to invest somewhere else."

THE WORLD

Property news from around the world



Research reveals UK house hunters like a more personal service from estate agents

Some 58% of UK house hunters want life long, personal relationships with estate agents with an accumulative understanding of their property needs, new research suggests.

The study from cloud based estate agency software provider Dezrez, looks at the attitudes, perceptions and expectations that UK home buyers have towards estate agents and online tools.

It found that the majority of respondents, 93%, search for properties online, while 54% said that they would use a mixture of online tools and estate agents to deal with the entire property buying process. Some of home buyers said they would actually prefer to have a personal agent who can deal with the whole management of the home buying process.

Those surveyed also admitted to relying heavily on estate agents' expertise for key parts of the home buying process including with 72% for conveyancing, 62% to arrange viewings and inspect properties, 53% to make an offer and 42% for financial negotiations.

'What we are experiencing in the property market is some interesting trends that are mirroring consumer activity on the high street. Whilst many people like to be able to search online, they clearly value the customer experience and human touch of face to face interactions. However, without the

personal touch online only services aren't necessarily going to be in the position to replace traditional agents,' he explained.

Monaco has the second most expensive ultra prime property in the world

Ahead of the Formula One annual Grand Prix in Monaco new research shows that the price of ultra prime property per square metre is the second most expensive in the world with only Hong Kong more costly.

Last year was a strong one for Monaco with a total of €2.25 billion sales with new builds making up just 7% of total sales but 20% of total sales value.

The data from Savills World Research also shows that prime two bedroom apartments on the Grand Prix track are nearly nine times the cost of comparable properties on the Singapore race track and if the track was measured as dwelling floor space, it would be worth €3 billion.

The report points out that Monaco is a small market and average prices are prone to fluctuation depending on the sample of properties sold in any one year. In 2015 the average resale price in Monaco stood at €3.5 million, down 4.8% on the previous year, while the median price at €2.1 million was up 5%. The long term median price trend shows consistent growth, averaging 5.8% per annum since 2010.

'This means that Monaco remains one of the most expensive destinations for ultra prime property in the world

only Hong Kong tops it at €109,800 per square meter compared to Monaco's €90,900 per square meter.

The report points out that while Monaco's residential property market may be very valuable it is also very small. Transaction numbers topped only 547 in 2015, but even then this represented less than 4% of private housing stock numbers in Monaco.

2016 Incheon International REALTORS® Conference (IRC)

The 2nd annual Realtor Conference & Expo is to be held 31 August 2016 – 3 September 2016 in Songdo (Convention Centre), Incheon, South Korea.

John Reits Investment is the main organiser of the event, in collaboration with the Incheon Investment Society and the Incheon Metropolitan City Government. The National Association of REALTORS® is a strategic partner.

The purpose of the International REALTOR® Conference is to facilitate direct interaction between real estate practitioners, allowing REALTORS® to build and cultivate an active network within Asia-Pacific.

IRC attendees will learn best practices, gain intelligence on regional and global real estate trends, and how to leverage the information to grow their business.

For further details are available [here](#).

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