REIANEWS

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ALSO IN THIS ISSUE

Mr Malcolm Gunning
REIA President

PRESIDENT'S REPORT

WELCOME
FROM REIA'S PRESIDENT

Welcome to the May edition of REIA News, hot on the heels of the Government's Federal Budget announcements for 2017-18.

The article by Jock Kreitals, CEO of REIA, provides details and commentary on the Budget.

It is pleasing that the Budget has recognised the need to address housing supply and affordability through a number of complementary measures.

The boost to infrastructure spending, measures to improve housing supply, the extension of small business concessions, and the retention of the current negative gearing as well as CGT arrangements for taxation of property investments will help ensure that the property sector remains an important contributor to economic growth.

Whilst investment in dwellings has peaked and growth is forecast to decrease to 4.5 per cent in 2017-18, compared to 8.0 per cent in 2016-17, it is still a major driver of economic growth.

Whilst the measure announced to only allow deductions for plant and equipment to those expenses directly incurred by property investors needs clarification to avoid any unintended consequences, we are pleased that the Government reiterated that it will not remove or limit negative gearing or change the capital gains tax as this would increase the tax burden on Australians trying to provide a future for their families. This recognises that the current arrangements increase the supply of housing for our growing population, keep rents affordable and ease the burden on social housing.

With home ownership in Australia declining and first homebuyers finding it increasingly difficult to enter the housing market, allowing first homebuyers to build deposits with superannuation through voluntary contributions is most welcome. Whilst REIA has advocated for a more aggressive approach to bridging the deposit gap by allowing first homebuyers access to existing balances in superannuation accounts the Government's initiative will reduce the time taken to save for a deposit by around 25 per cent.

The change in the threshold for foreign resident capital gains tax withholding to $750,000 from the current $2 million is not welcome and could be considered misguided as most foreign investors buy higher valued properties in Sydney and Melbourne and to a lesser extent in Brisbane. The latest Foreign Investment Board Annual Report, 2015-16, shows that 76 per cent of foreign purchasers bought in NSW and VIC and that the overall average price was $1.8 m. With the median house price of $743,776 across Australia this will mean most properties will be unnecessarily subject to this requirement and results in more work for sales agents and conveyancers. Further, depending on the workload this presents for the ATO may even delay settlements. This is more red tape and not necessary and the REIA will be taking this up with the Government.

With forecasts of moderate growth, an improvement in the unemployment rate, inflation well within the RBA's target zone, the Budget is welcome news for home owners, prospective buyers and renters.

Next month the feature article will be on the REIA's strategic direction. The REIA Board and the CEO's of all the state and territory REI's have been hard at work over the last couple of months on a strategic plan for how we can all best work together and achieve outcomes that benefit all agents around the country.

Mr Malcolm Gunning
REIA PRESIDENT

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This article is brought to you by REIA Chief Executive Officer Jock Kreitals
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BUDGET 2017-2018 OVERVIEW

There was much speculation surrounding this year's Budget and what it would deliver in addressing housing affordability.

Together with infrastructure spending, a suite of complementary measures addressing housing supply and affordability where central elements of the Budget.

Improved supply of social housing, saving incentives for first home buyers, and superannuation incentives for downsizers when combined with a benign interest rate outlook and maintenance of current taxation arrangements for property investment will assist in moderating what appears to be a pending cyclical downturn in Sydney and Melbourne markets and will provide a modest boost in demand for property in other markets.

Budgetary Outlook

Across the four years of the forward estimates there will be a reduction in the size of the deficit from $29.4 bn in 2017-18 to $ 2.5 billion in 2019-20 and a surplus thereafter.

Real GDP growth for 2017-18 is forecast at 2.75%, up from 1.75% for the current financial year and unemployment is forecast to remain unchanged at 5.75%.

Dwelling investment reduces from 2015-16 level of 10.6% growth to 4.5% in 2016-17.

FIGURE 1

	2016-17	2017-18	2018-19
Underlying cash balance ($b) % of GDP	-37.6 -2.1	-29.4 -1.6	-21.4 -1.1
GDP growth (%)	1.75	2.75	3.0
Unemployment rate (%)	5.75	5.75	5.5
Consumer Price Index (%)	2.0	2.0	2.25
Private investment, dwellings (% change)	4.5	1.5	-4.0

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Housing

- No changes to negative gearing (other than some deductions) nor CGT.

  Deductions for travel expenses associated with investment property to be disallowed and deductions for plant and equipment deductions limited to only those expenses directly incurred by investors.

- A number of measures to address housing affordability including first home buyers.
- First-home buyers will be allowed to salary-sacrifice contributions for a home deposit from pre-tax pay through the First Home Savers Scheme. Contributions limited to $30,000 per person and $15,000 per year. Contributions taxed at 15%, rather than marginal rates, and withdrawals taxed at marginal rates less 30 percentage points. This provides for a boost to home savings by at least 30%.
- “Ghost house tax” of at least $5,000 imposed on foreign investors who leave Australian properties vacant for over six months.
- Over 65 downsizers selling the family home are able to make a non-concessional contribution to superannuation of up to $300,000 from the sale of their principal home from 1 July 2018.
- Replace the National Affordable Housing Agreement with new agreements ($1.3bn) to deliver housing supply targets and reform planning systems.
- National Housing Infrastructure Fund ($1bn) based on UK model to remove infrastructure impediments to developing new homes.
- Establish National Housing Finance and Investment Corporation to provide long term, low cost finance to provide affordable rental housing.
- Increasing CGT discount to 60% for investments in affordable housing.
- Restore requirements that prevent developers from selling more than 50% of developments to foreign investors.
- Promoting rent-to-buy and shared equity systems.
- Tightening foreign investor rules. Government to stop foreign and temporary residents from claiming the main residence capital gains tax exemption on the sale of their Australian property. Further, the Government is increasing the rate and threshold for foreign resident capital gains tax withholding tax from the current 10% to 12.5% and from over $2 million to $750,000 or above.
- Government Decentralisation Program is prioritising the decentralisation of non-policy Commonwealth entities to regional areas to promote job creation, economic diversification and broaden the diversity of public sector personnel to better reflect the distribution and make up of Australia’s population. No specific entities identified but business cases for entities being considered for relocation are expected to be completed by December 2017.

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BUDGET 2017-2018 OVERVIEW

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Small to Medium Business

- Small-business owners are winners from policies that keep tax burdens lower for longer.
- The "instant asset write-off" due to expire on June 30, has been extended for at least one year to encourage investment and jobs growth. This allows owners with a turnover of less than $10m to claim an "instant" tax deduction on capital expenses worth up to $20,000.

Infrastructure Spending

- Record infrastructure spending – funded by "good" debt – to build Sydney's second airport at Badgery's Creek, ($5.3 bn over 10 years), a national rail program including the Melbourne to Brisbane link ($8.4bn), $1.6 bn jobs and infrastructure package for WA and the Snowy Mountains Scheme, a total of $75bn over 10 years.
- A Regional Growth Fund of $472m.

Training and Education

- After cutting funding under the Skills and Workforce Development program by $247m or more than half over five years or around $50m per annum through "improved efficiencies" in last year's Budget, minor reductions in spending continue over the budget forecast period.

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

- Government takes a leadership role in taking a coordinated and holistic approach of all levels of government in objectively addressing all property taxes. Until all property taxes are addressed negative gearing and capital gains tax on property investments are retained in its current form.

  Negative gearing (other than some deductions) and CGT remain unchanged.

- Government establishes a scheme to encourage young Australians to have access to their superannuation for the purpose of raising a deposit for a first home.

  A scheme using pre tax salary-sacrifice contributions to save for a home deposit is being introduced.

- Government takes a leadership role in urging all states and territories to take the same approach to the provision of assistance to first home buyers regardless of whether the dwelling is new or established.

  Unchanged. However new savings scheme applies to both new and established dwellings.

- The Federal Government take a leadership role in urging all states and territories to take the same approach to the provision of assistance to first home buyers regardless of whether the dwelling is new or established.

  Unchanged.

- Improve the supply of housing for social housing tenants transitioning to private rental by utilising private investment.

  Whilst not the scheme advocated by REIA a scheme utilising private investment to improve the supply of affordable social housing has been introduced.

- The appointment of a Minister for Property Services.

  Not done. However the importance of addressing affordability has been recognised and forms a central element of the Budget.

- Ensure the availability of reliable data on housing demand and supply in order to formulate appropriate policies and to monitor their effectiveness.

  Unchanged.

Concluding Observation

The overall economic impact of the Budget will be expansionary, particularly for regional economies. A boost to infrastructure spending, improvements in household income, continued tax write offs for small to medium business and expected growth in employment can be expected.

Whilst this may put pressure on interest rates in the year ahead the forecasts of moderate growth, a slight decrease in unemployment and inflation well within the RBA's target zone, the Budget should not adversely impact on the RBA's decisions.

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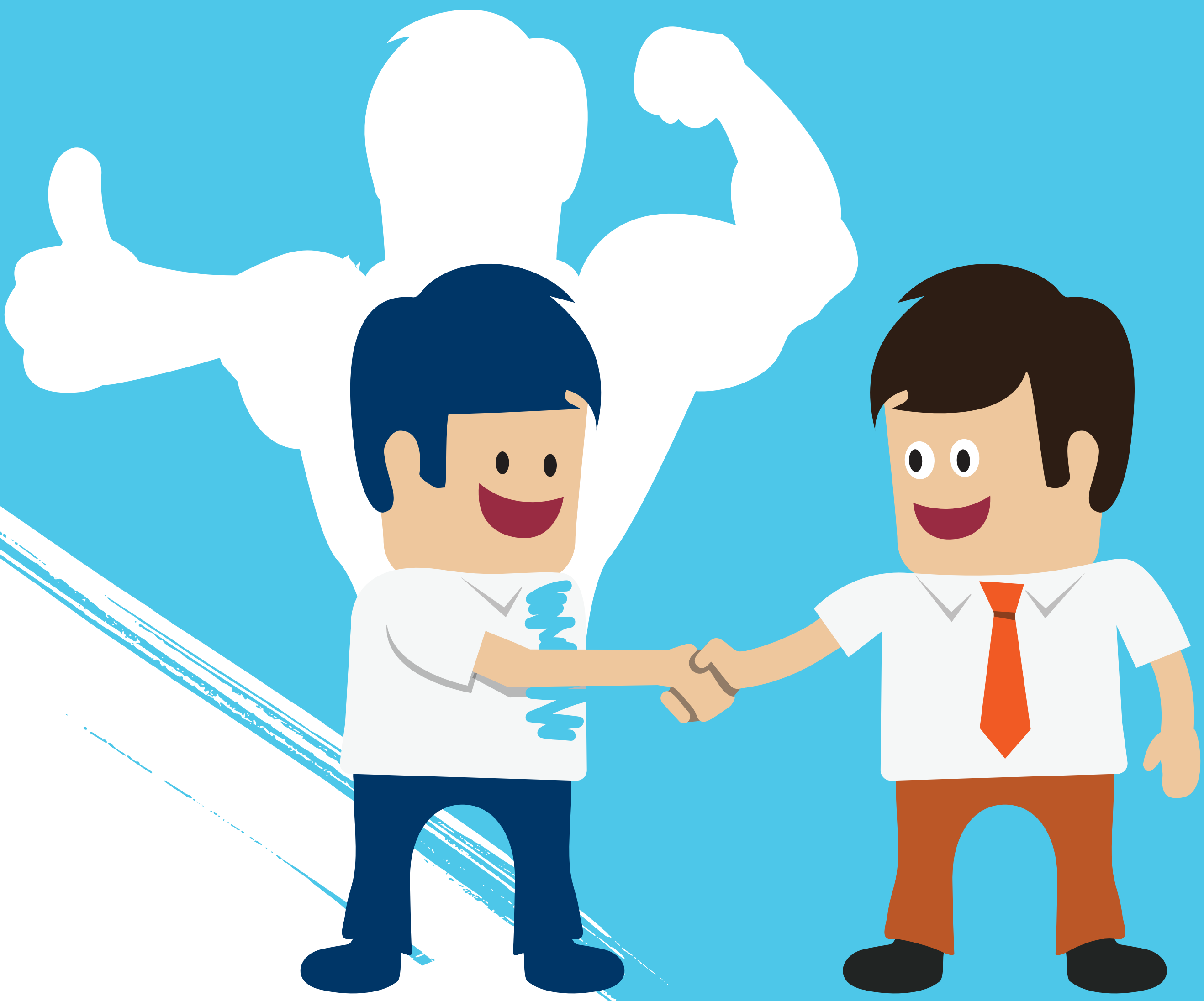

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BUDGET 2017-2018 WHAT THE POLLIES ARE SAYING

AUSTRALIAN LABOUR PARTY

Budget housing grab-bag a sham and homebuyers will pay

The Government's so called housing package is a complete joke.

Malcolm Turnbull and Scott Morrison had a chance to reform negative gearing and capital gains and they have failed – worse still, this undermines the retirement incomes of young Australians.

The package is a complete sham. The measures in the Budget tinker at the edges but will do nothing to put first home buyers back on to a level playing field with investors or take the heat out of the housing market.

The housing affordability measures announced in the Budget fail the fairness test and don't come close to the Budget centrepiece the Treasurer has been promising for months.

It is a grab-bag of unrelated measures that will not address key drivers of housing unaffordability that are in the Commonwealth's control like winding back negative gearing and capital gains tax discount.

There is not a housing expert in the country who thinks the Government should have left unchanged Australia's housing tax concessions, the most generous housing tax concessions in the developed world. Yet this is what the Government has done.

Despite many public policy experts warning the Government not to stimulate new demand and open up superannuation for housing deposits, and in Malcolm Turnbull's own words calling it "a thoroughly bad idea", the Government has done just that and Labor will oppose this in the Parliament.

Slo-mo, hands off Australians' super

This budget confirms what we knew to be true – that Liberals can't be trusted to protect superannuation.

The First Home Super Saver Scheme will do nothing to address housing affordability but will work to undermine Australia's world class superannuation system and Labor will not support it.

Rather than encouraging a raid on superannuation savings the Government should be supporting first home buyers by introducing policies that will actually work – reforming negative gearing and capital gains tax concessions. Malcolm Turnbull and Scott Morrison are also planning to water down consumer protections in super through this budget.

The proposed new Australian Financial Complaints Authority will actually deliver lower protections for people who have a dispute with their superannuation fund than under the current arrangements. This is something we will be looking at very closely.

It's disappointing that this budget didn't do anything to stand up for the thousands of people who are not getting paid their super by their employers, which is costing around one in three Australians up to $1500 a year.

With more than $2 trillion in superannuation assets under management its vital that we get the policy settings right. This budget doesn't do that.

The Liberals cannot be trusted on superannuation. Labor created super

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and we will always work to protect it. This will only serve to undermine retirement incomes and further drive up the price of housing. Malcolm Turnbull and Scott Morrison have walked away from doing anything serious on housing affordability in the Budget – he is so out of touch, he doesn't understand what it's like for young families not able to buy their own home. Labor welcomes the Government's commitment to introduce a bond aggregator and we will look at some of the other measures the Government has introduced. But none of these measures will account for the damage they are inflicting on first home buyers who now account for just 1 in 8 of every home purchase.

The Government has effectively waved the white flag on housing affordability.

Labor is the only party with a plan to increase affordable housing supply and tackle demand issues associated with the most generous tax concessions in the world.

AUSTRALIAN GREENS

Leader of the Australian Greens **Dr Richard Di Natale** said:

On Housing Affordability:

"We know what we need to do to make it possible for young people to buy a home in our capital cities- get rid of negative gearing and the capital gains tax discount. Unfortunately, this budget proves that the Government is too beholden to its billionaire mates to do anything more than nibble around the edges.

"These fresh tax breaks to first-home buyers and baby boomers are going to further overheat the market and make housing less affordable, not more. The Government and the ALP need to stop taking donations that make it impossible for them to write policies that are in your interest, not the interests of wealthy developers".

BUDGET 2017-2018 INDUSTRY STAKEHOLDERS VIEW ON THE BUDGET

AUSTRALIAN INDUSTRY GROUP

Budget 2017: Clearing the decks for new tilt at growth

"The 2017 Federal Budget represents a fresh start to fuel future growth. While there is unfinished business, there is a welcome and more inclusive approach that invests more directly in the community as well as indirectly by promoting growth," Australian Industry Group Chief Executive, Innes Willox, said today.

"Critically, the Budget provides a substantial boost for smaller businesses by lowering tax burdens, extending asset write-off eligibility and cutting red tape. It gives welcome support for apprenticeships and traineeships through the new Skilling Australians Fund. And the heavy emphasis on infrastructure investment will serve as a foundation for longer-term improvements in transport in our cities and regions."

"We welcome the retention of the timetable for the return to a budget surplus. This has been achieved in the context of a realistic assessment of gradually improving economic growth, employment and business investment while taking a range of savings measures off the table and maintaining the commitment to a uniform 25 per cent company tax rate. The Budget makes new savings and introduces new revenue measures that will add to the credibility of the path to budget repair.

"A number of the revenue measures – a further lift in personal income tax through the Medicare Levy increase; the new bank levy; and the steep hike in skilled visa charges – highlight the very limited range of revenue options available under existing tax arrangements and underline the importance of a substantial remodelling of Australia's taxation arrangements.

"In addition to the focus on smaller businesses, infrastructure and skills, industry will welcome:

- The retention of the Research & Development Tax Incentive;
- The $100 million Industry Innovation Fund with its focus on automotive transition and advanced manufacturing;
- The acceleration of defence spending to 2 per cent of GDP by 2020-21;
- The measures to improve housing affordability – particularly the land release measures which will help boost housing supply; and
- Maintaining permanent immigration at 190,000 for 2017-18.

"There are, however, significant new imposts on businesses who need to sponsor skilled migrants to bolster and train their workforces. This will add to costs, prices and will put pressure on business margins. The new levy on banks is unfortunate. It is likely to see financing costs rise across the economy and it could open the way to arbitrary imposts on other sectors.

"Many businesses will be disappointed that the Government did not build on its response to the east coast energy crisis by introducing more immediate cost-relief measures. The Government's response to the Finkel Review will provide another opportunity to introduce such measures. There is also unfinished business to support business innovation and attention will now turn to the next tranche of the National Innovation and Science Agenda due in coming months," Mr Willox said.

BUSINESS COUNCIL OF AUSTRALIA (BCA)

"Treasurer Scott Morrison has delivered a practical and workable Budget in the face of sustained political gridlock in Canberra that

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has stifled much-needed, wider reform," said Business Council Chief Executive Jennifer Westacott.

"This Budget lays the foundation for better living standards and greater opportunities for Australians. But achieving its projected outcomes will rely on the economy and particularly the business community doing the heavy lifting. "We welcome the Government's discipline in restricting real spending growth to 1.9% over the forward estimates.

"But make no mistake. There are still big vulnerabilities in Australia's fiscal position. After almost a decade of deficits, the projected surplus is fragile and reliant on revenue measures, with the structural work necessary to slow the rate of spending yet to be done. "With the Budget still reliant on economic growth over the medium term, our business community, which employs 10 million of the 12 million working Australians, now sits squarely at the foundation of future prosperity. "If business activity falters, we may be left with a house of cards. "That is why we commend the Government's re-commitment in this Budget to delivering the remainder of its Enterprise Tax Plan, to help Australia remain competitive in the global race for investment. We know this is the most effective way to increase productivity, drive jobs growth and increase incomes for Australian workers. "However, the banking levy effectively represents double-taxation of some of Australia's most successful companies, which already pay $11 billion in company tax each year, employ about 130,000 Australians and contribute to the superannuation of millions more.

"We recognise the impossible position in which this Government finds itself, with a Senate and Opposition that have raised Australians' expectations of big spending measures with no means to pay for them. "But imposing a tax on some of the institutions that helped Australia weather the Global Financial Crisis creates a worrying policy precedent. We cannot afford to drift towards Mining Tax 2.0. "On balance, this Budget and the Turnbull Government's broader economic policies remain the only credible plan to drive economic growth and ensure that Australia can continue to afford the quality of services we expect. "The Business Council now calls on all members of Parliament to break the gridlock of recent times. Australia's political representatives cannot continue to peddle false hope and insist on greater spending measures, while resisting sensible steps to make our economy grow faster," Ms Westacott said.

COUNCIL OF SMALL BUSINESS AUSTRALIA (COSBOA)

Small business applauds the 2017 Federal Budget

COSBOA welcomes the continued commitment of the Australian Government to supporting small businesses in Australia, via the extension of small business tax concessions, investment in regional infrastructure and the establishment of a fairer banking system.

"For the third year in a row, the Federal Government has demonstrated a genuine commitment to small business, said COSBOA CEO Peter Strong.

"By setting aside almost $1B for the $20,000 instant expenditure write-off during the next financial year– in addition to the expansion of tax cuts and instant asset write-offs for businesses with annual revenue of up to $10M – the Australian Government is clearly walking the talk when it comes to supporting Australia's 2.5 Million small businesses", continued Peter.

BUDGET 2017-2018 INDUSTRY STAKEHOLDERS VIEW ON THE BUDGET

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"Our clear hope is that the new $300 Million announced for the new National Partnership on Regulatory Reform announced by the Treasurer will see State and Territory Governments follow the Australian Government's lead on genuinely supporting small business – reducing or abolishing Payroll Tax should be the key goal of this Partnership", continued Peter.

In addition to the tax and depreciation benefits being offered to small business, there are two other Budget announcements that are expected to deliver real benefits to the owners of the nation's 2.5M small businesses (employing more than 5 million Australians), namely: a) Increased investment in transport infrastructure in Regional Australia b) The establishment of the Australian Financial Complaints Authority as part of measures designed to make Australia's banking system fairer.

"Investment in regional infrastructure, such as the Melbourne to Brisbane inland rail project provides regional businesses with improved access to potential customers in large capital city markets, as well as making it easier to connect with international markets", said Peter.

COSBOA is very supportive of the Federal Government's proposal to take controlling interests in the new Western Sydney Airport Corporation and Snowy Hydro.

"Privatisation of crucial energy and transport assets has gone too far in this Country – as shown by the challenges now being faced by all Australian businesses in respect of energy prices", said Peter.

"The Budget announcement that the Australian Government intends to operate the new Western Sydney Airport and take a controlling interest (or outright ownership) of Snowy Hydro, are a very welcome first step to redressing the imbalance of infrastructure privatisation of the past", said Peter.

The establishment of the Australian Financial Complaints Authority is also a very welcome move by small business.

"Too often, small business owners are shafted by the actions of big banks and these business owners have little option but to take their medicine in the face of the overwhelming power of the big banks", said Peter.

"But this new Authority will provide business owners with a clear mechanism to seek redress where they have been unfairly done by", said Peter.

"This new Authority – together with a raft of other measures including ACCC oversight and a system to make banking executives publicly accountable for their decisions – shows that the Australian Government has really thought about this one properly and fully", continued Peter.

"What we welcome most about the 2017 Budget is that, for the first time in a while, we have an Australian Government that is talking up the economy with positive actions – as opposed to continued economic doom and gloom", said Peter.

"When I travel overseas, as I have done just recently, everyone talks about how lucky we are in Australia to have an economy that has continued to grow with low unemployment rates over the past 20 years", said Peter.

"But when you come back into the country, politicians and political commentators are talking about how bad things are – the result is that consumer sentiment is negative and people stop buying goods and services from small business", said Peter.

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Negative consumer sentiment is a killer for small business growth and it is about time we saw some positive sentiment such as that reflected in this Budget.

"I am sure that somebody will trot out an economist with a view that is contrary to the positive economic outlook presented in this latest budget – that is their choice", said Peter.

"But economists are a bit like weather forecasters – no one truly knows the future – and if you get two economists in a room, one will tell you that the glass is 'half full' while the other will tell you it is 'half empty'", continued Peter.

"At COSBOA, we choose to see the near term economic future of Australia as one that is 'half full', said Peter.

"We welcome the positive economic commentary contained in this budget and hope that it makes all Australians feel positive about the future – so that they spend more with small business", quipped Peter.

HOUSING INDUSTRY ASSOCIATION (HIA)

Budget is a Step to Housing Affordability

The focus on housing in Tuesday's Budget is an important step in addressing the complex housing affordability challenge that Australia faces according to Housing Industry Association.

Graham Wolfe, HIA Deputy Managing Director said "the Budget's housing focus will send important signals to state and local governments and the community that the Government is serious about meet the challenge of delivering more affordable housing.

"There are no simple solutions but providing well targeted assistance to help first home buyers save for their first home and to providers of community housing through the 'National Housing Finance and Investment Corporation' will make a difference.

"Although not an affordability measure, the incentives for 'downsizers' will also help stimulate the supply of new housing more appropriate to the needs of our seniors. "Much of the work to improve housing affordability rests with state and local governments and the Budget has made significant commitments to encourage action. The National Housing Infrastructure Facility has $1billion behind it is more than just window dressing.

"Linking the National Housing and Homelessness Agreement's $1.8 billion to the states and local governments delivering improved housing supply and better planning systems is a significant and welcome reform.

"The 'city deals' expansion into smaller scale projects is also a welcome development: the big ticket projects are important but much can be achieved by removing obstacles to more efficient delivery of homes. "However HIA is concerned about the negative impacts on residential building from the Budget's measures on foreign investment.

"Plans to tax vacant homes, limit the share of foreign investment in new projects and increase foreign investor duties all send exactly the wrong signal to potential investors in Australia. Barriers to investment are not productive for the building industry or the economy more broadly; investment needs to be encouraged.

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INDUSTRY STAKEHOLDERS VIEW ON THE BUDGET

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"HIA would urge the Government to build on the Budget's initial steps towards more affordable housing by making this a standing item on the COAG agenda. "In the meantime HIA will continue to urge the Government to undertake a thorough national inquiry into housing affordability and establish a mechanism for the regular monitoring of the crucial supply of land for the residential building industry", Mr Wolfe concluded.

INDUSTRY SUPER AUSTRALIA (ISA)

First home saver plan thin end of the wedge for super savings

Industry Super Australia expressed serious concern over the government's proposal to allow younger Australians to save for a housing deposit through their super fund. "The proposal is deeply flawed and the thin end of the wedge for super savings - threatening workers future retirement", said David Whiteley Chief Executive, ISA.

"The plan is contrary to the sole purpose test for superannuation by allowing withdrawals from super other than retirement. "If implemented, the policy is likely to be expensive to administer and will impact the ability of fund trustees to invest contributions over the long term.

"Funds will need to maintain more liquid asset allocations to deal with unpredictable withdrawals. "There is merit in assisting first home buyers, but this is not the way.

Whiteley welcomed the establishment of a new Housing Finance and Investment Corporation and tax incentives to drive funding for low-cost housing projects. Whiteley also questioned the initiative that would allow downsizers aged 65-plus to put $300,000 from the sale of their family home into super. "Older Australians are unlikely to take this up in great measure as the proceeds will be counted in the pension assets test," he said.

Whiteley identified the merging of the Superannuation Complaints Tribunal with the Financial Ombudsman Service and the Credit and Investment Ombudsman into a single Financial Complaints Authority as a concern. "Superannuation is highly complex, not just another financial product to be lumped in with credit cards and mortgages. This new body will be overseen by ASIC with significantly less funding than the current Tribunal which today struggles to properly service consumers," he said.

New infrastructure spending while welcome has not quite lived up to pre-budget hype.

"Industry super funds are great proponents of long term, nation-building projects to create jobs, boost economic growth and provide strong member returns. "Industry super funds look forward to working with the Government to explore opportunities for future investment", said Whiteley.

PROPERTY COUNCIL OF AUSTRALIA (PCA)

Budget Tackles the Fundamentals of Housing Affordability

The 2017-18 Federal Budget has lived up to the hype of being a Budget that makes substantial progress on tackling housing affordability.

"The Budget is a serious attempt at tackling Australia's housing affordability problems", said Ken Morrison, Chief Executive of the Property Council of Australia.

"The Budget offers substantive policy solutions to many of the challenges facing home buyers and renters on low incomes.

"The focus on improving housing supply, keeping rental growth low

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and closing the deposit gap are all welcome, but the initiatives targeting foreigners will damage Australia's reputation and will do nothing to help housing affordability.

"We have consistently said that you can't change the trajectory of house prices in our cities without making progress on housing supply – and that means tackling blockages and providing non-distortionary incentives to invest in new supply.

"This Budget has a good mix of initiatives to unleash significant new housing supply in our cities, although implementation will take a lot of work.

"Central to removing these blockages is a new National Affordable Housing Agreement and the use of City Deals to ensure that we deliver real progress on new housing supply. These measures will bring state and local governments to the table using financial incentives to drive new housing supply. It is right that future City Deals include housing supply targets.

"The Budget is not just about home buyers, it also provides significant incentives for new investment in affordable rental accommodation. We want to work with the government and non-government sectors to ensure these measures work.

"Addressing the deposit gap for first home buyers is a critical part of addressing our housing challenge. Our fear was that a scheme that used superannuation would be inflationary. However, the architecture of the First Home Super Scheme appears to be a non-inflationary measure that will help hundreds of thousands of Australians save for a deposit for their first home.

"Our only disappointment with the Budget is that the Government has announced a range of measures aimed at punishing foreign investors. These seem designed to provide the government with a few good headlines but these measures will do nothing to improve housing affordability and potentially send a message about Australia's openness to investment.

"Getting our cities working better is also fundamental to the productivity of our cities. That is why the decision of the Commonwealth to back-in metro rail lines in our cities is the right one, but we note that most of the promised $10 billion funding falls outside of the forward estimates."

URBAN DEVELOPMENT INDUSTRY OF AUSTRALIA (UDIA)

Turnbull Budget Putting Australians' Housing Needs First

The Urban Development Industry of Australia (UDIA), the leading body representing the urban development industry throughout Australia, has welcomed the Federal Budget.

UDIA National President, Michael Corcoran, said that "The Turnbull Government has delivered a comprehensive housing affordability package in this budget. No stone has been left unturned as the package targets all sectors of the housing continuum from crisis housing through to social, affordable rental, private rental, assisted home ownership and home ownership."

The Federal Government is limited with the policy levers it is able to pull to improve housing affordability, however it has pulled almost every one of those levers in this Budget, whilst at the same time undertaking significant Budget repair.

"This is a coordinated and targeted approach to improving housing affordability for Australians, the most comprehensive we've seen since

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Menzies. The Turnbull Government has provided strong leadership and direction to State and local governments to play their part in addressing the housing affordability crisis by linking funding to housing targets and the facilitation of planning and zoning reform."

UDIA welcomes the Government taking up its recommendation in creating a $1 billion National Housing Infrastructure Facility to address infrastructure chokepoints and unlock housing supply. The creation of an online Commonwealth land registry to identify redundant or underutilised land for changing the land use with a focus on housing development and $75 billion committed to infrastructure projects from 2017-18 to 2026-27.

"The Government has acknowledged in this Budget the importance the development industry plays in the economy as well as its role in providing housing, a basic human need."

This Budget aims to address housing affordability in a holistic manner, which is the only way the problem can be tackled.

Supply will continue to be the dominant factor in addressing housing affordability concerns and it is a positive move by the Government to tie State and local governments to housing targets through funding agreements.

"This Budget has laid the foundations to prevent a generation of Australians missing out on the great Australian dream of home ownership."

URBAN TASKFORCE

Federal budget a good balance for housing supply and affordability

The Federal Government has achieved a good balance between encouraging more housing supply as well as policies that make housing more affordable, says the urban Taskforce.

"Federal Treasurer, Scott Morrison, has carefully balanced the need to boost housing supply with policy levers that make housing more affordable in this year's budget," says Urban Taskforce CEO, Chris Johnson. "To unlock housing supply the budget allocates $1 billion for critical infrastructure along with $70 billion for transport infrastructure while working with the states to reform planning systems to speed up development."

"To encourage more affordable housing the budget has lifted the Capital Gains tax discount to 60% where private investment is made in affordable housing. This will be a real incentive for the development industry to invest in this area particularly if the bond aggregator through the National Housing Finance and Investment Corporation is available to the private sector."

"The proposal to have Managed Investment Trusts to develop affordable housing to hold for rent for more than ten years is another positive move."

"The proposal to encourage older people to downsize from large houses through allowing up to $300,000 from the sale of a house to be invested in a superannuation fund is a good way to facilitate this process."

"By not overacting in the areas of negative gearing and the potential to reduce capital gains tax reductions on property, the Government has clearly understood the sensitivities in the role of investors in maintaining a viable rental housing market. To pull policy levers in an aggressive manor could lead to a devaluation in the main asset that many families rely on in their own home."

"The establishment of the Western Sydney Airport Corporation with funding of $5.3 billion to drive this

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important game changer project for Sydney is important in maintaining the momentum for this giant project."

"The allocation of $1.7 billion through the Asset Recycling Fund to the Sydney Metro project will help progress this important infrastructure that will underpin where new urban development can be located in metropolitan Sydney."

SMSF ASSOCIATION

SMSF Association welcomes downsizing initiative to let people top up super

The Federal Government's decision to allow people aged 65 and over to downsize their homes and make a non-concessional contribution (NCC) of up to $300,000 to their super fund has been welcomed by the SMSF Association.

The NCC will be in addition to existing contribution caps and will be exempt from the existing age test, work test and the $1.6 million total superannuation balance test for making NCCs.

Association Chief Executive Officer John Maroney says: "This measure will apply from 1 July 2018 to sales of a principal residence owned for the past 10 or more years and both members of a couple will be able to take advantage of this measure for the same home. "This will allow a couple to contribute up to $600,000 from the sale of their home to superannuation outside of the existing caps and balance restrictions.

"This means people can make a significant top-up contribution to their super funds, allowing them to fund a dignified and secure retirement. While the measure may not be a significant trigger to encourage downsizing, we welcome the ability for older Australians to top up their superannuation where downsizing their home provides them with funds to do so."

The other Government initiative linking housing and superannuation encourages individuals saving for their first home the opportunity to make voluntary contributions to superannuation from 1 July 2017; up to $30,000 of those extra contributions being eligible for withdrawal from 1 July 2018 to fund a first home deposit.

Maroney says: "Under the new rule, up to $15,000 a year and $30,000 in total can be contributed within existing contribution caps to fund a deposit for a first home. It is important to note that only the extra voluntary contributions and associated earnings can be withdrawn, not a person's compulsory super contributions made by their employer. Both members of a couple can take advantage of this measure to buy their first home together. "This scheme offers superannuation funds, including the SMSF sector, an excellent opportunity to engage younger fund members in their superannuation.

"The first home buyers' proposal strikes the right balance between encouraging young people to save for a first home deposit in a concessional tax environment, but also protecting their retirement savings for the longer-term." Maroney says.

This article is brought to you by Ray Ellis, CEO of First National Australia

MAJOR REAL ESTATE NETWORK WELCOMES BUDGET

first national REAL ESTATE

We put you first

One of Australia's largest real estate networks has welcomed the Federal Government's budget, saying it gives the appearance of leaving negative gearing largely unchanged, while focusing its efforts on boosting supply and creating opportunities for young people to enter the market, but that changes to depreciation could have consequences.

'Negative gearing is the backbone of Australia's property market and provides countless middle-income earners the opportunity to build wealth for the future' said First National Real Estate chief executive, Ray Ellis.

'The fact that the Government has not significantly changed negative gearing policy demonstrates it understands the potential for adverse impacts, on both the economy and housing market, if it were restricted in some form. However, more detail is needed on changes to tax depreciation to understand the full impact of the budget.'

Incentives in the budget aimed at increasing supply by unlocking Baby Boomer housing are seen as a positive move, with couples aged 65 and over – who have lived in their home for 10 years – being able to take proceeds from the sale of their home and make non-concessional superannuation contributions of up to $300,000 per person, or $600,000 per couple.

'For many years, Australia's Baby Boomers have benefited from asset growth but selling costs have discouraged them from moving to smaller, more manageable housing' said Mr Ellis.

'Although concessions to stamp duty have been overlooked, the proposed superannuation contributions changes will enable them to access capital locked up in the home and downsize to smaller, easier to manage properties, while creating opportunities for young people to enter the market and families to upsize.'

» *Issued by: First National Real Estate*
For further information contact:
Stewart Bunn, National Communications Manager, First National Real Estate on 1800 032 332 or 0413 624 317

This article is brought to you by Jet Xavier

JET XAVIER TACKLES WELLNESS AND WELLBEING

Agents, property managers and principals/directors face a unique set of threats to wellbeing. Stress, long hours, protracted negotiations, and even conflict.

Jet Xavier is one of Australia's prominent mindset coaches, and he specialises in helping those in the real estate industry deal with and thrive with these challenges. After thousands of consults and coaching sessions, Jet is keen to get the connected issues of agent wellness and wellbeing on the agenda.

"The competitive nature of the business drives people to work longer hours and the goal financial success isn't always balanced with concerns of wellness and wellbeing. I've seen some cases where people are really hurting and so I want us to round out the success narrative with some better insight about the cost to wellness and wellbeing – and gather some learning about how to lead better lives with success across all areas – that is really the cornerstone of the concept of balance," says Jet.

The first step of the project is to gain an understanding of the extent of the issue on a national level and to identify priorities for the industry to attack.

"We have constructed a national survey and we are urging all agents, property managers and principal/directors to take 5-10 minutes to add their experience to the results so that we can get a good understanding of how the issues is impacting the people of this industry," says Jet.

The survey is completely anonymous and is aiming to collect a sample of 1,000 responses from across the country and throughout the various sectors and roles of the industry.

You can access the survey via this link: https://www.surveymonkey.com/r/rewellnesswellbeing

The results of the survey will be published before a series of four round table meetings across the country that will bring together heads of industry and wellness professionals to discuss the results and recommend action items to address the issues throughout the industry.

The recommendations will be made public as we work together across brands and state lines to devise some meaningful and impactful solutions.

Finally the project culminates in a wellness and wellbeing in real estate summit, called Revive 2017, to be held on 30 and 31 July 2017. This is the first of its kind in the real estate industry. It is being held at the Sheraton Mirage, Surfers Paradise, Queensland. Find out more here www.revive2017.com.au

Jet added: "Working in the real estate industry can be very stressful. There is a lot of pressure and expectation.

"Most people are time poor and not managing their health right, have no balance, happiness levels are low and don't have the success or freedom that they desire or want.

"Revive 2017 will bring together some of the best agents, and experts in positive psychology and performance management.

"They will teach you to create more balance in your life, so you become a master of your time not a slave, help energy management and happiness levels, and be more free and successful in your life and business."

With the introduction of data breach reporting legislation in February 2017, it is now essential that you are aware of how Cyber Crime can affect you, your business and your customers.

Do you have actions in place to minimise your cyber risk?

Do you know what you would do if your business fell victim to a cyber-breach and are you adequately insured?

Do you know how the Data Breach Reporting legislation affects you?

Speak with one of our Real Estate Cyber Specialists to get the answers you need:

1300 734 274

Au.propertymanagers@aon.com.au

Aon.com.au/cyberagent

AON
Empower Results®

This article is brought to you by Martin Grunstein

WHY REAL ESTATE AGENTS COMMISSIONS ARE FALLING AND WHAT TO DO ABOUT IT!

There have been few industries that have suffered the erosion of margin suffered by the real estate industry.

Agents' commission has fallen from around 3% fifteen years ago to around 2% today. That's a fall in income of a third! The increase in property values has compensated for some of that but it's a radical decline that shows no sign of stopping. At this rate, agents' commission may be around 1% in fifteen years time. "One percenters" have already entered some markets and while many went out of business, they brought the average commission down in those markets as a response.

The answer of why this has happened is very simple but the majority of agents have been blind to it. The industry has been commoditised by the very agents that represent it!

Other industries have been commoditised and suffered similar margin erosion. The motor vehicle industry produced many millionaires in the seventies and eighties. Being a car dealer was a licence to print money back then. Today, the sons of those car dealers struggle to service their mortgages because all the profit has gone out of the industry. I was at a conference of a national car manufacturer where it was revealed that dealer profitability on new cars was half of one percent!

Why did this happen? Purely because of the discounting mentality and lack of sales skills of the industry. Almost every car dealership says "we'll beat all our competitors on price" to the point where the car is sold at a loss and hopefully some profit is made on service and insurance.

It used to be that a Toyota dealer's major competition was Ford or Holden. Today its major competition is another Toyota dealer offering the identical car at a discount. And the customer goes from one dealer to another until the cheapest price is obtained.

The travel industry used to be about romance and excitement and experiences. Today it's all about cheapest point to point fares on the internet and tripadvisor.com has replaced the travel agent as a source of information.

Back to the real estate industry.

Like the car industry, the real estate agents discount their fees at the drop of a hat and the vendor plays one against another until the cheapest fee is obtained. Like the travel industry, the vendor doesn't believe the claims of the agent and places more credibility in past vendor experiences with that agent, with those testimonials obtained via word of mouth or social media.

How does an intelligent real estate agent make this change?

Simple. Stop doing the crap that doesn't work and start doing what resonates with the vendor of today. Here's what doesn't work. The following are ***not*** points of difference.

"I'll get the best price for your property". Almost everyone knows that the market decides what a property is worth, not a real estate agent. "I'll get the best price for your property" is a lie that people will not tolerate any more.

» *article continues*

» *continued*

"I have a unique marketing programme that will get more buyers coming to your property than anyone else". Again, rubbish! If there was a "***unique***" marketing programme that attracted more buyers than any other programme, it would have been copied ***by everybody!***

And my personal favourite, *"I am an expert negotiator and my skills will be invaluable to you throughout the sales process"*. In most cases, under pressure, these "expert negotiators" will discount their fee to get the listing. If these ***expert negotiators*** can't get a listing without discounting their own fee, how can they claim expert negotiation on the vendor's behalf as a reason to hire their services!

These lies and many others told by agents in an attempt to get a listing are the reason that most vendors don't believe ***anything*** an agent promises and make their decision of who to hire on who gives them the lowest fee.

So what does resonate with the consumer of today (in your case, the prospective vendor)?

Stress management!

Vendors appreciate that selling a property has hassles associated with it but they want the agent to experience the stress during the process, not them. That's what they are paying for.

The number one criticism of agents by vendors, and this hasn't changed in 30 years, is lack of communication during the sales process. Un-returned phone calls, un-returned emails, un-returned texts that cause the vendor to worry at a time that is enormously stressful for them. Some vendors worry irrationally and those are the vendors that ***need*** instant response to their questions and concerns and reassurance that everything is going to be all right. The good agent needs to be a psychologist as much as he/she needs to be an agent.

How do you sell stress management as a point of difference rather than the lies that vendors don't believe? How about this?

Mr Vendor, while other agents promise to communicate and be accessible during the sales process, I ***guarantee*** it. If I fail to return your phone call, text or email within three business hours or fail to turn up to a meeting on time, please deduct $200 from my fees every time I let you down. I will do everything within my power to make this sale as stress free as it can be for you and if I ever let you down, I will suffer, not you.

Go ask any of my competitors if they will pay you $200 if they don't return your phone call. And if they won't put their money where their mouth is, why would you believe anything else they say? The key to selling stress management is having strategies and points of difference that show that ***you*** are taking on the stress for the vendor so ***they*** don't have to worry.

Another key way of selling stress management is ***not*** saying things about yourself that are subjective e.g. I am reliable; I am friendly; I am enthusiastic; I am great with people; I go the extra mile etc. These motherhood statements traditionally dominate agents' profiles in their

» *article continues*

listing kits. And they have ***zero*** credibility with vendors who have never met you. Guess what? Even the agents who ***aren't*** reliable, say they are so why should I believe you and not your competitor? Here is where you need to use testimonials rather than your own rhetoric.

Past vendors will tell me whether you go the extra mile, not you. And ***their*** words should be the centrepiece of your listing proposal, not your profile which, in most cases, looks like it has been written by your mother and is more applicable to a dating site than a listing proposal.

Agents don't need profiles! They need a list of benefits and points of difference that will give the vendor reasons to give them the listing (e.g return phone calls guarantee).

Anything subjective needs to be communicated through client testimonials ***or not at all***. If a past vendor says you are great with people, I am more likely to believe it than if you say it about yourself. Does that make sense? If it doesn't make sense, I am making no headway here and welcome to the future world of 1% commissions.

I was playing golf with a client in real estate after speaking at their conference about 20 years ago and in the locker room of the golf course a client of his came up to him and said "Macka, I've got another property for you to sell. 5% like always?" Macka said "Fine. Leave it to me." I asked Macka "Do you get 5% commission on all the properties you sell for that guy?" He said "Yes. And the reason is that he never has to worry about a thing. And guess what? All the people he refers pay 5% too and as long as they never have to worry about a thing I can charge whatever I like."

I learned a lot that day. It's time the real estate industry learned as well. If this makes sense to you, change your marketing to reflect what resonates with the consumer, not what the industry has always done.

» *Martin Grunstein's outstanding results with over 500 Australasian companies across over 100 industries has made him this country's most in-demand speaker on customer service. He is contactable on 0414 933 249 or through his website* www.martingrunstein.com.au

This article is brought to you by Mal SMith, CEO, REI Super

FEDERAL BUDGET: YOUR HOUSE AND YOUR SUPER

The family home holds a long enshrined place in Australian society. In measures designed to help address housing affordability, this year's federal budget moved to position the family home in a different light, in some ways blurring the line between a person's home and their investments.

Under the proposed budget measures, retirees will benefit from downsizing, while first home buyers will be able to use superannuation as a saving account towards their first home.

Will these measures help with housing affordability? And what will their impact be on superannuation accounts?

Using super as a saving account

Superannuation was designed to provide for a person's retirement and to substitute or supplement the government Age Pension.

It is very much a long-term savings and investment vehicle.

Super works well as a long-term investment vehicle because it provides investment returns at a lower tax rate than other investments (up to 15%) and because it enforces 'preservation' of a member's savings until they reach their retirement age.

When you hold investments for the long-term you benefit from the amazing power of compound interest, which is when you earn returns on returns over time. Time is everything in making super an effective investment.

Under the government's first home super saver scheme, however, from 1July 2017, first home buyers would be able to make voluntary contributions of up to A$15,000 per annum and A$30,000 in total (per person if in a couple) to their superannuation. The idea is that they will withdraw it again after at least 12 months to help fund a house deposit.

Using super as a short-term savings vehicle to partially save for a house is quite contrary to superannuation's purpose and design.

We are concerned that promotion of the first home super save scheme will not only erode individual home buyers' superannuation accounts, it will have an impact on how people perceive superannuation. We think it risks contributing to an erosion of their confidence in and their understanding of superannuation as the place to 'set and forget' their long term savings and investments until they reach retirement.

Also, the investment profile suitable for such amounts which are 'parked' in the short term in super is also contrary to the accepted 'balanced' fund strategy that builds long term retirement wealth through the power of exposure to growth assets through the economic cycle.

Both residential housing and super are currently 'fit for purpose'. We question whether blurring the two is good public policy.

How might this affect housing affordability?

This potential tax break for these savings we think will have virtually no positive effect on housing affordability for first home buyers.

It represents at best a marginal tax break for deposit savers. However, supply side issues are in our view more pressing – transport infrastructure development to open up regional centres and other urban planning initiatives to reduce population pressures in the major metropolitan centres would be more important for example. Some further limitations around foreign ownership announced in the budget are likely to assist in this regard.

Superannuation tax breaks for downsizers

Under the other Federal Budget measure about superannuation and housing, and in a move to increase housing affordability by encouraging downsizing, Australians over 65 years of age will be able to contribute $300,000 of the proceeds of a sale of their main residence into superannuation – above the $1.6 million cap announced last year.

This budget measure is quite generous to people from the upper level of the wealth distribution, but it remains to be seen if it will be effective in addressing the housing affordability problem, and will only be relevant to a small group of retirees. It is interesting to see that the budget estimates this tax break to cost only $30 million over the forward estimates, indicating its usage will be limited.

Our concern is also that not many first home-buyers are going to be able to afford the homes that the wealthy few, on an extra tax concession will be selling, to add to the housing supply.

LODGING AN FBT RETURN THIS YEAR?

If you provide fringe benefits to your employees, you need to lodge your fringe benefits tax return by 22 May.

Different lodgment arrangements may apply if your tax agent is preparing your return.

You can lodge your FBT return:

- electronically using Standard Business Reporting (SBR)-enabled software
- through your tax agent
- by post.

If you are lodging your own return and need more time, phone us on 13 28 66 (between 8.00am and 6.00pm, Monday to Friday) before the due date.

Next steps:

- Completing your 2017 FBT return

Australian Government
Australian Taxation Office

FIABCI UPCOMING EVENTS

68th World Congress FIABCI Andorra
23-28 May 2017 • Andorra La Vella

http://www.fiabciandorra.com/

FIABCI 2017 APREC, Busan
22-24 September 2017 • Lotte Hotel Busan, Korea

http://www.aprec2017.com/

THEME *Climate Change and Sustainable Real Estate Development and Global Opportunities/Investments*

DO YOU KNOW THE INDICATING SIGNS OF A CLANDESTINE DRUG LAB AT YOUR PROPERTY?

- Is there evidence of pre-paid cash long-term rental agreements?
- Are the windows blacked out?
- Is there evidence of chemical containers lying around?
- Is there a toxic smell?
- Are there always issues upon site inspection times?
- Are there areas you are excluded from inspecting?
- Tennants departed from site leaving a trail of rubbish?

These indicators may point to the presence of a clandestine drug lab or 'cook house'.

You may be exposed to the harmful residual bio film left behind after a 'cook up' and it can be a serious health issue if you make contact with it.

If you are unsure, please call us at ASB Environmental Pty Ltd, as we can offer, testing, training and decontamination Australia wide.

INDUSTRY UPDATE

Industry news from around Australia

The new Residential Tenancies Act NSW is progressing

NSW Fair Trading are pushing forward with their review of the Residential Tenancies Act. They have recently taken REINSW into their confidence, sharing the likely policy directions of the new Act.

REINSW has, at Fair Trading's request, responded to these policy directions, and will be meeting with Fair Trading during May to exchange views on the various issues.

REINSW understand that a draft Residential Tenancies Bill will be released for public consultation in the next few months. REINSW will make a public submission on that Bill at that time.

Perfect storm delivers strongest quarterly increase in four years in Victoria

Melbourne's median house price has recorded its strongest quarterly price growth since 2013 to smash the $800,000 barrier for the first time, new data from the REIV shows.

The citywide median increased 7.6 per cent in the first three months of 2017 to a record high $826,000 – up more than $55,000 on December figures.

REIV President Joseph Walton said a range of factors had contributed to significant price growth across the city. "Melbourne's property market is experiencing a perfect storm with price increases driven by strong buyer demand, solid population growth, record low interest rates and low stock on market. "Competition for homes, particularly in Melbourne's inner and middle rings, has encouraged more vendors to take their home to market with multiple auction records falling this year. "The city's buoyant auction market, combined with the strongest private sale market in seven years, has undoubtedly boosted Melbourne's median house price."

Solid price growth was also recorded in the apartment sector with the metropolitan Melbourne median up 3.8 per cent to $583,000. Regional Victoria also performed strongly in the March quarter, with the median house price up 4.1 per cent to $377,000.

Tasmanian real estate market running hot with a 13-year sales high recorded last quarter

The Tasmanian real estate market recorded its highest number of sales for the first quarter of the year since 2004, the Real Estate Institute of Tasmania March quarterly report has revealed.

Over the first three months of the year, the state had 2886 property sales for a total value of more than $955 million, which was just under 30 per cent more than the same time last year.

The strong growth was bolstered by a pick up in sales in Launceston, which recorded 440 sales – an increase of 34.6 per cent on last year. Hobart sales increased 20.2 per cent, the North-West by 20.9 per cent and unit sales across the state also reached an eight-year high.

The report said the median house price for Hobart was $410,000. There were 25 sales recorded during the quarter for properties priced more than $1 million. First homebuyer numbers continued to decrease and represented 11 per cent of sales for the quarter – a decrease of 15.4 per cent on the same period last year.

Interstate buyers snapped up 465 rental properties during the quarter, with 21 per cent of sales going to investors.

REIT president Tony Collidge said he believed the market still had a way to run.

"What is pleasing is that increased levels of activity appear to be finally spreading statewide, with all regions participating in the improved market conditions," he said.

'Acute crisis' in affordable NT rentals

A lack of affordable housing stock has created an "acute crisis" in the Northern Territory, according to a new survey.

In April, Anglicare NT surveyed 1287 properties in the NT and found zero properties that were both affordable and appropriate for people who received Centrelink benefits.

"However the only people who could afford these were a couple on the Age pension, or a couple earning minimum wage," Mr Pugh said.

"Unsafe, inadequate and expensive housing is a real concern across the NT.

He said figures from the national Anglicare Australia Rental Affordability Snapshot showed there was "an acute and immediate housing crisis for people on income support in the NT".

"While rental prices as a whole may have fallen recently in the Northern Territory, it is important to note that median rent price for all dwellings in Darwin was still higher than every other capital city except Sydney and Canberra," he said.

Courtesy Darwin Sun

MAKING NEWS

General national news

Damien Cooley and Father Chris Riley for Agents Sleep Out on the Sand

Agents Sleep Out on the Sand

500 agents. $500,000

That's Damien Cooley's goal for the second annual *Real Estate Sleep Out*. To be held on 24 July 2017 at Bondi Beach, the Director of Cooley Auctions is urging the real estate industry to get behind the cause which raises money for Father Chris Riley's Youth Off the Streets.

"Youth Off the Streets is an incredible organisation that takes kids of the streets and gives them a brighter future, "Damien said. "We have an opportunity to make a huge difference and we're asking all real estate agencies to get behind and support this event by promoting it within their networks."

On the night of the event, the Youth Off The Streets food an will come down to the beach and serve dinner to participants. Father Chris Riley will also be in attendance.

A total of 104 real estate agents participate in last year's inaugural *Real Estate Sleep Out*. Sleeping on cardboard and wet sand in the middle of winter with the wind blowing and a sprinkling of rain, the event raised more than $134,000.

To find out more about the *Real Estate Sleep Out* and register, go to everydayhero.com.au/event/realestatesleepout2017

CPD audit results alarming

REINSW CEO Tim McKibbin has labelled an audit on CPD compliance "alarming". The audit showed over 20 per cent of agents are not complying with legislation requiring them to undertake ongoing CPD training.

The random audit by NSW Fair Trading of 314 people working in the real estate industry found 68 individuals had failed to properly undertake mandatory Continuing Professional Development (CPD).

NSW Fair Trading also randomly selected and audited CPD evidence supplied on 112 recently renewed licence or certificate of registration applications. This audit found 23 individuals were non-compliant.

A further 202 people audited at these individuals' workplaces also found another 45 instances of non-compliance. To see REINSW's CPD courses, click here.

REINSW CEO Tim McKibbin said: "I'm aware of instances where the four-hour training has been provided in under 10 minutes and they issue a piece of paper.

"That a further 20 per cent can't even be bothered getting this piece of paper to give to Fair Trading is alarming.

"Agents who don't undertake training are unaware of their obligations and it's a waste of government time if the message is not communicated to those at the coalface of the industry."

Failure to undertake mandatory CPD training can attract a maximum penalty of $5,500 for individuals. A total of 60 Penalty Infringement Notices were issued during this audit, with a total value of $35,750.

NSW Fair Trading Commissioner Rod Stowe said consumers expected the real estate industry's licence and certificate holders to be properly qualified.

He added: "Failing to properly undertake further professional development demonstrates these individuals' lack of knowledge of their obligations under the industry's regulations.

"Renewal of a licence or certificate of registration under the *Property, Stock and Business Agents Act 2002* is conditional on licence and certificate holders undertaking CPD every year."

In addition to fines for individuals, a licensee in charge who fails to supervise an employee by ensuring their CPD is completed may contravene the legislation, resulting in further fines for the business.

NSW Fair Trading says it will continue to assess compliance levels within the real estate industry to ensure licence and certificate holders are meeting their obligations under the Act and Regulations.

POLITICAL WATCH

Information and news from government

Victorian Underquoting Laws take effect 1 May 2017

For every property they are marketing, Victorian agents must now provide a fact sheet with comparable sales, median prices, and estimated sale price, under new underquoting laws that come in 1 May 2017.

The new legislation, The Estate Agents Amendment (Underquoting) Act 2016, was developed in conjunction with the Real Estate Institute of Victoria (REIV), and is designed to be effective in a range of market conditions.

The legislation only applies to residential property, whether it be sold at auction or by private sale.

The main changes are:

- An information fact sheet must be provided to buyers. This fact sheet is known as a Statement of Information.
- The SOI must contain three comparable sales, median house or unit price for a comparable property, and the indicative selling price.
- The three comparable sales must have sold within the past six months and be located within a 2km radius of the property for sale (for properties in metropolitcan Melbourne).
- In regional Victoria, the three comparable sales must have sold within the preceding 18 months and within a 5km radius of the property for sale.
- Indicative selling price is limited to either a single price or a price range not greater than 10 per cent – no 'offers over' or 'price-plus' advertising is allowed.
- Agents are required to update the indicative selling price throughout the campaign if the vendor rejects a higher written offer on the basis of price.
- Propertydata.com.au has developed a SOI to ensure agents are compliant with the new requirements.
- Agents who are not currently subscribers of propertydata.com.au are able to trial the service for free.
- REIV Vendor Authorisation & Price Representation form, as well as other collateral, is available for members on the REIV website.

Gil King, CEO of the REIV, advised the REIV supports the changes, and will work to ensure its members are compliant.

"This legislation will provide greater consistency and transparency in the marketplace for both buyers and sellers," he said.

"The REIV is working alongside Consumer Affairs Victoria in ensuring our members will be compliant with the new legislation."

King said the changes will improve transparency, particularly in the requirement to change the expected selling price.

"The revision of a property's indicative selling price during a sales campaign will significantly improve transparency in the sale process," he said.

King said Victoria's regulations are now the most rigorous in Australia.

"Victoria is leading the way in price quoting and marketing regulation in Australia with the new legislation amongst the most comprehensive."

King said recent strong prices gains in the property market could have contributed to the perception of underquoting.

"A buoyant property market can often be confused by buyers as underquoting. Strong buyer demand – as we have seen in Melbourne since 2015 – means that it is not uncommon for a house to sell above its advertised price."

The seller is still able to set the reserve price on the day of the auction, said King, and this can still be higher than the previously quoted price.

"Under the new legislation it remains the vendor's prerogative to set the reserve price the morning of the auction, and this may be significantly higher than the agent's estimated or quoted selling price."

This article is brought to you by Enzo Raimondo, CEO, realestateVIEW

INDUSTRY PORTAL HELP AGENTS COMPLY WITH NEW UNDERQUOTING LEGISLATION

realestateVIEW.com.au, one of Australia's largest real estate portals, has developed a tool to help real estate agents comply with the new underquoting laws being introduced on 1 May by Consumer Affairs Victoria.

As part of the *Estate Agents Act 1980*, real estate agents in Victoria will soon be required to provide a Statement of Information (SOI) and three comparable property sales to prospective buyers across all residential listings.

The legislative change has come off the back of some high-profile underquoting cases to ensure property advertising is not misleading nor deceptive.

realestateVIEW.com.au, has developed a new 3Comps tool to help both real estate agents and prospective buyers, obtain a realistic value of a home based on three comparable sales in the area.

realestateVIEW.com.au's CEO, Enzo Raimondo has stated "We welcome the legislative change as it will improve transparency."

"Whilst the SOI ensures compliance, 3Comps not only compliments and exceeds this compliance, it does it in a way that is responsive, intuitive and in a language, that will improve the user experience for those searching for property.

"This tool, which has been released today, allows agents to display three comparable properties dynamically on their listing, while creating a personalised, branded SOI for agents, improving the online user-experience for property seekers, further enhancing the industry's credibility," Mr Raimondo concluded.

Agents from across Victoria have been overwhelmingly positive about the changes, including Philip Webb from Philip Webb agency who said, "I think anything that adds transparency, anything that gives the real estate industry and the profession more integrity, is a good thing.

"We have to keep complying with what is needed and I see this as just an extension of that. I think it will turn out to be a very positive thing."

For more information on the 3Comps tool, the legislation and how it affects both real estate agents and consumers, please click here.

» *About realestateVIEW.com.au realestateVIEW.com.au is owned and operated by the Real Estate Institute's across Australia. realestateVIEW.com.au is the third-largest portal in Australia with over 300,000 listings in residential, businesses rural and holiday rentals categories.*

THE WORLD

Property news from around the world

Ontario becomes second province in Canada to impose extra tax on foreign buyers

Ontario has become the second province in Canada to impose an extra tax on overseas property buyers in a bid to cool its residential real estate market.

Last year the British Columbia Government introduced an additional 15% tax on international buyers purchasing in parts of Vancouver but it was watered down after sales fell to allow foreign citizens with work permits living in the city to pay the normal rate of property tax.

Now Ontario has introduced a 15% Non-Residential Speculation Tax (NRST) covering purchases in the Greater Golden Horseshoe, an area encompassing the Greater Toronto Area and its surrounding municipalities.

It is payable by both individuals and corporations and is part of a wider set of real estate regulations, including controls which limit rent increases to 1.5% above inflation. There will also be an extra tax on owners of empty homes and plans to use surplus land for affordable housing.

Both Toronto and Vancouver have seen property prices rise substantially compared to the rest of the country. In the Greater Vancouver area the price of a home increases by 12.3% year on year to $1,179,482 while in the Greater Toronto Area the average price of houses rose to $1.21 million last month, up 33.4% year on year.

Under the change home buyers are required to give information about their residency and citizenship status and how they intend to use the property. Rules for real estate agents will also be reviewed, in particular practices such as double ending, where the agent represents both the buyer and the seller.

Home sales in Hong Kong continue to rise with buyers and sellers active

Residential real estate sales in Hong Kong increased month on month in March, with the return of both sellers and buyers, the latest property market review shows.

It means that the market has now absorbed the negative impact of the rise in the stamp duty rate that was introduced in November 2016, according to the report from international property firm Knight Frank.

The report explains that despite another interest rate rise in the United States, residential sales rose another 44% month on month in March 2017, with a comeback even although an abundance of new flats were launched during the month.

Developers in Hong Kong continue to offer various sweeteners to boost sales and while the secondary market remained relatively quiet, a number of record breaking deals were recorded, resulting in further growth in home prices.

Official data show that home prices went up in the 11 months ending February 2017, gaining an accumulated 15%. The stamp duty levy on first time buyers purchasing multiple flats in one go is not expected to drag down home prices, as these transactions make up less than 5% of total sales.

The report suggests that some developers could offer further sweeteners to counter the impact of the levy and the number of new homes coming to the market is unlikely to fall as the latest figures from the Rating and Valuation Department confirm increasing housing completions in the coming years.

‘While abundant supply and interest-rate rises will help suppress price growth, high land prices and strong housing demand will lend support to home prices, which are expected to rise a mild 5% in 2017,’ the report says.

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