

REIANEWS

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PRESIDENT'S REPORT

Mr Adrian Kelly
REIA President



WELCOME FROM REIA'S PRESIDENT

Welcome to the June edition of REIA News.

Following on from last month's article on REIA's campaign during the 2019 election this month's REIA News features an article by Stewart Bunn who assisted REIA in that campaign.

There is no doubt that the REIA campaign, supported by REIs and franchise networks, played a major role in the election outcome. The wins, however, are greater than just the election outcome and the

retention of the current property tax arrangements and include: the appointment of a Minister for Housing which is something REIA has long advocated for; the very real possibility that the Opposition will drop the policies it took to the election on negative gearing and CGT, and; a welcome return of some confidence to the housing market.

This month's edition also contains an article by the ATO completing your tax return and work related expenses.

Mr Adrian Kelly
REIA PRESIDENT



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NEGATIVE GEARING

This article is brought to you
by **Stewart Bunn**, First National
Real Estate, National
Communications Manager



First National Real Estate's national communications manager, Stewart Bunn, assisted the Real Estate Institute of Australia to articulate the industry's concerns about the economic impacts of the proposal to limit negative gearing and double capital gains tax.

One of the most extraordinary moments of the 2019 federal election campaign came early, when Bill Shorten claimed the industry's negative gearing campaign was simply about real estate agents trying to achieve higher commissions. This gross oversimplification of the concerns articulated by the industry shone a spotlight on Labor's sensitivity to criticism of one of its key election platforms, and its desperation to shift the focus away from its economic management credentials.

With Shadow Treasurer Chris Bowen on the back foot, after revelations Labor had miscalculated the anticipated savings to be made by restricting negative gearing, 100 paragraphs of housing tax policy were reduced to 10, literally overnight.

Negative gearing is a taxation principle that has existed in Australia since the 1930s and it's not just available for property investments. Other asset

classes such as share investments can also be negatively geared. That's where the 'top end of town' truly comes into the picture and this is why Labor's characterisation of negative gearing as something used by 'greedy property investors buying their fifth or sixth property' was so wilfully misleading – albeit an effective 'class warfare' call to action.

As was stated during the REIA's campaign, 75% of Australian investors (2.2 million people) who are using negative gearing own just one investment property and earn less than \$80,000 per annum. In reality, less than 1% of the population is negative gearing their 5th or 6th property, which means that if Labor's policy was meant to hit the top end of town, it missed its target terribly.

Analysis by the Property Investors Council of Australia (PICA) has revealed that the typical Australian investor benefits from negative gearing initially,

» *article continues*

NEGATIVE GEARING

» *continued*

but will be taxed \$167,000 over the 30-year life of their investment property. Their initial tax benefit in such a scenario is around \$30,000.

The facts are that economic modelling overwhelmingly indicates that if Labor had won the election and introduced its negative gearing and CGT policy during a housing downturn, house price falls would have been exacerbated – leading to potentially another 15% being wiped off home values. The ‘wealth effect’ of falling prices and negative equity would then certainly wash through the economy with further impacts on employment. Investors were also predicted to look to other asset classes, reducing the supply of available rental properties, so rents would inevitably have risen.

Private investment is the best way to supply public housing and First National Real Estate saw no policy – prior to the election – ready to

resolve the shortfall that would inevitably have lie ahead. As Peter Switzer said in an article just prior to the election, ‘Anyone who has seen the social abominations in public housing buildings in Sydney and Melbourne wouldn’t hold out much hope for public sector developers.’

The REIA’s federal election campaign as well as industry coordination kept the potentially adverse impacts of the ALP’s policies in the media spotlight right up until election day. More than 11 million Australians were reached with the industry’s message to tenants, homeowners, landlords and buyers; and it is clear that the electorate was engaged by the message.

Without doubt, millions of Australians were unaware of the proposal to restrict negative gearing and to double capital gains tax before the election was called, or what the impacts of such a change could have meant for

the economy. The communication of the industry’s concerns could not have been executed as effectively as it was without the funding and participation of agents nationally, and this has better positioned the industry for ongoing consultation with all parties concerning housing taxation policy in the future.

This article is brought to you by Carolyn Parrella, Terri Scheer Insurance Executive Manager

SAVE OUR PETS: KEEPING RENTERS OUT OF DOGHOUSE



Australia's leading landlord insurer wants to save our pets.

Terri Scheer Insurance has market-leading inclusions in its landlord insurance policies to encourage landlords to accept tenants with pets and help reduce the number of animals needlessly euthanised or surrendered due to a lack of suitable accommodation.

"We met with the Animal Welfare League and were shocked to learn how many pets in the shelter were surrendered because their owners couldn't find a pet-friendly rental property," said Terri Scheer Insurance executive manager Carolyn Parrella.

"While legislation has been introduced in some states to prevent landlords refusing tenants on the basis of pet ownership, our policy supports landlords in managing the risk of pet damage."

Approximately 25 percent of all animals surrendered to the Animal Welfare League Queensland last financial year was due to the inability of their owners to find pet-friendly homes.

The RSPCA reports the same issue, with between 15–30 percent of the 45,000 dogs and 54,000 cats surrendered to them last year given up because their owners couldn't take them into their new rental property. Of those, sadly 6,000 dogs and 14,000 cats were euthanised.

To help combat this issue, Terri Scheer increased the limit for pet damage

five-fold to \$2,500 per claim in all of its landlord insurance policies.

Additionally, pets are no longer required to be named on the lease agreement for properties insured by Terri Scheer in order for the landlord to make a pet damage claim.

"Pets are important members of many families and we empathise with both pet owning renters and landlords," Ms Parrella said.

"Like many Australians, lots of our team members own pets and understand the physical and mental health benefits they bring, and some of us are also property investors who own valuable assets that we want to protect.

"We worked closely with the Animal Welfare League before making industry-first changes to our policy to help encourage more landlords to accept pets.

"We hope this will help to reduce the number of pets in animal shelters across the country."

Ms Parrella said allowing pets to be housed in a rental property was a major decision for landlords and their property managers.

"The feedback we are getting from real estate agents and property managers is that the response to our changes has been very positive," she said.

"Landlords recognise that there are inherent risks associated with having pets in their properties, but we're starting to see increasing numbers that are willing to open their doors to renters and their pets.

"By increasing the claim limit five-fold, landlords can be assured they will be well-protected should the pet damage the property."

Ms Parrella said not all landlord insurance policies across the industry were equal.

"Many policies don't include cover for pet damage or are very restrictive in what can be insured, which is why it is so important to read the policy's product disclosure statement," she said.

For further information, visit www.terrischeer.com.au or call 1800 804 016.

Carolyn Parrella is an experienced rentvestor, Airbnb host and the executive manager of Australia's leading landlord insurer Terri Scheer Insurance. Under Carolyn's guidance, Terri Scheer Insurance supports landlords and gives them the confidence to invest in real estate. Carolyn is a nationally-respected real estate media commentator, a finalist in the 2019 Telstra South Australian Business Women's Awards, and a former Real Estate Institute Awards judge.

» **About Terri Scheer Insurance** Terri Scheer Insurance Pty Ltd ABN 76 070 874 798 (Terri Scheer) provides insurance cover for landlords, helping to protect them against the risks associated with owning a rental property. These include malicious damage by tenants, accidental damage, landlord's legal liability and loss of rental income. Terri Scheer acts on behalf of AAI Limited ABN 48 005 297 807 AFSL 230859 trading as 'Vero Insurance', the insurer which issues the insurance cover. Terri Scheer has not taken into account the reader's objectives, financial situation or needs. If you are interested in any of Terri Scheer's insurance products, the relevant Product Disclosure Statement should be considered first. It can be viewed online at www.terrischeer.com.au or obtained by calling 1800 804 016. Based in Adelaide, Terri Scheer services all states, territories and capital cities.

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FIVE THINGS TO CONSIDER BEFORE STARTING YOUR OWN AGENCY



There is no question that life as a real estate agent can be deeply rewarding.

Helping people sell their home or buy a new one can be very satisfying and there is a certain joy in perfecting your craft. But could it be even better if you were working for yourself? If you have been working for a larger business – or indeed just someone else – for some time, the thought of creating a business of your own may have crossed your mind. Flexibility with hours, a space you can design and a business you can call your own – running your own business is a highly appealing destination!

However, as all business owners know, there are also a breadth of challenges that come along with running your own business. But with appropriate resources, advice and preparation, you could be on your way to running a successful agency. Here are our five top items to consider before you open your own business.

Finances

Perhaps the biggest consideration when starting a business is how you will finance your venture. This could involve the lease on the perfect premises, fit-out and equipment, marketing and advertising costs, and so on. Start by listing out all the possible requirements that you may need

to budget for, and then add a sizeable buffer for anything that doesn't go to plan. Then you'll be well on your way to ensuring you have a financially viable venture.

A Business Plan

If owning your own business is what keeps you up at night with dreams and visions – chances are, you've already mapped out a rough business plan. Now it's time to put pen to paper. When you create a solid business plan, you ensure your i's are dotted and t's are crossed. How will your business work? How will you ensure you have the right location? How will you attract customers? Leave as little as possible to chance for your greatest opportunity for success.

Insurance

As a real estate agent, you likely already have professional indemnity insurance. Now, you'll need to consider business insurance to help protect your property and contents, and to help cover any business interruption losses if an unforeseen circumstance should arise. Unfortunately, your requirements don't stop there. You should also look into cyber liability insurance, public liability insurance (which is often included as part of your professional indemnity – just ensure you have this confirmed), and key person insurance if you plan to hire staff. Working with an expert in this regard will help to reduce the risk of financial loss.

Local Government Requirements

If only starting a business were as simple as opening your doors to the sound of popping champagne. Depending on where your business is located, you'll also need to run through some registration procedures with your local government. This may be as simple as getting an ABN and registering for GST – just make sure you work with a good accountant to minimise any hassles or roadblocks.

Staff


We don't need to tell you the importance of finding the right staff to look after those clients you've worked so hard to attract. But remember that your staff extend beyond those having day-to-day interactions with your clients. So when it comes to finding providers to help with your technical, purchasing or business needs – do your due diligence to find the right people for the job.

If you are ready to make the leap and have any questions regarding insurance, Aon would be pleased to assist you. Simply call our friendly team on 1800 734 274 or email au.realestate@aon.com

» Aon has taken care in the production of this article and the information contained in it has been obtained from sources that Aon believes to be reliable. Aon does not make any representation as to the accuracy of the information received from third parties and is unable to accept liability for any loss incurred by anyone who relies on it.

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Have your glass windows ever been broken?

As a real estate agent, running your own agency can be an exciting and rewarding experience, however it's important to consider the risks that come with it.

Ask yourself:

- Have you ever lost or damaged your work phone or laptop?
- Have you ever had water damage to your premises?
- Has a client ever injured themselves at your business premises?

Accidents and mistakes can happen, so it's helpful to have business insurance cover in place to help foot the bill, so you can continue to run your business and reduce financial loss.

Contact Aon today for a quote

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Australasian Real Estate Institutes'

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For more details visit auctionchampionships.com.au



Australian Government
Australian Taxation Office

ATO WORK RELATED EXPENSES & TAX TIME TIPS FOR SMALL BUSINESS

It's tax time! It pays to learn what work-related expenses you can claim

Lodging your tax return is easy when you have everything ready that you will need.

When completing your tax return, you may be able to claim deductions for work-related expenses.

To claim a work-related deduction:

- you must have spent the money yourself and weren't reimbursed
- it must be directly related to earning your income
- you must have a record to prove it.

If the expense was for both work and private purposes, you can only claim a deduction for the work-related portion. Deductions for real estate agents may include:

- travel expenses
- car expenses
- phone expenses
- home office expenses
- other expenses.

You are accountable for the claims you make in your tax return, even if you use a registered tax agent to prepare and lodge it on your behalf.

There's no such thing as a standard deduction – this is a myth. There's

no 'safe' level to claim a deduction where you haven't spent the money or it's not related to earning your income. Make sure you have records to prove your claims.

The best time to lodge your tax return is mid-August, when all financial information the ATO receives from employers, banks, government agencies and more, will be pre-filled. You must also remember to declare all income when lodging your tax return.

For more information or to download the real estate professional guide go to www.ato.gov.au/RE19.

Tax time tips for small business

The Australian Taxation Office (ATO) is lending a helping hand to nearly four million small businesses to get their tax right this tax time.

Assistant Commissioner Peter Holt said the ATO understands that small businesses have a lot on their plate with the day-to-day running of their business. "That's why we're focusing on addressing common issues we see when small businesses lodge their returns so that we can support them to get it right," he said.

ATO focus areas

The top three issues that we see when small businesses lodge their tax returns are:

1. Failing to report all of their income
2. Not having the necessary records to prove small business expenses claims
3. Claiming private expenses as business expenses.

"For example, you're a sole trader landscape gardener who usually works in Perth but took on a job in Broome. While you're up in Broome, you do some sightseeing. That's a private expense and you can't claim the cost of that in your tax return," Mr Holt said.

He said there are three golden rules to remember about claiming deductions.

"One, the expense must have been for your business not yourself. Two if you use something for business and private purposes, you can only claim the portion that is related to your business, and three, you need a record to prove it."

New factsheets to address common claims

This year the ATO has developed fact sheets to help small businesses claiming three of the most common expenses:



Australian Government
Australian Taxation Office

ATO WORK RELATED EXPENSES & TAX TIME TIPS FOR SMALL BUSINESS

- [motor vehicle expenses](#)
- [business travel expenses](#)
- [home-based business expenses](#)

Mr Holt encouraged small businesses and tax practitioners with small business clients to use the fact sheets to find out more about what can be claimed. “They have practical examples of how these rules apply to everyday small businesses – from home-based photography studios to someone who needs to travel quite a bit for their business. Our priority is to make it as easy as possible for small businesses to get it right,” he said.

Keep accurate records

The top tip for small business operators is to ensure that your records are kept up-to-date. Good record keeping will help you complete and lodge your tax returns, manage cash flow, meet your tax obligations and understand how your business is doing.

Mr Holt said when we see businesses operating well, we see that they get the basics right. “They keep good records, they run their business with the help of technology (such as point of sale software and accounting systems), and they seek advice from a tax professional when they need it.”

“Our tools also help small businesses keep accurate records. For example,

sole traders can use the myDeductions tool in the ATO app to keep records of their income and expenses. Then, at tax time, they can send a copy to their registered tax agent or upload their data into their tax return.” Mr Holt said.

“In addition to making it easier to meet tax, super and salary obligations, good records mean that businesses can measure their performance against the ATO’s small business benchmarks,” Mr Holt said.

Benchmark data for more than 100 industries is available by using the business performance check tool in the ATO app.

For more information on what records are needed for tax returns visit ato.gov.au/taxreturnrecords or use our [record keeping evaluation tool](#) to evaluate how well a small business is keeping business records.

The instant asset write-off has been increased and extended

Small businesses are also entitled to a range of tax concessions at tax time. One of these is the instant asset write-off, which allows eligible small businesses to claim an immediate deduction for the business portion of assets that cost under a certain threshold. More information about the instant asset write-off and other

small business concessions is available at ato.gov.au/concessionsataglance

Know where to get help and support

Most small businesses use a registered tax agent for tax advice and to lodge their tax return. We also offer a range of learning resources for small business operators to understand their tax and super obligations and get it right, including small business [webinars](#) and [workshops](#).

Small businesses can chat with us one on one through our [Live chat](#) and [After-hours call back service](#). We can also answer general questions via [social media](#) or you can join the discussion in our peer-to-peer forum, [ATO Community](#).

Visit ato.gov.au/sbsupport for an overview of our tools, services and assistance.

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* Consider a fund's PDS and your objectives, financial situation and needs, which are not accounted for in this information before making an investment decision. Assumes initial salary of \$50,000 and starting account balance of \$50,000. Comparison modelled by SuperRatings, commissioned by ISA Pty Ltd. Modelled outcome shows average difference in the net benefit of REI Super and the retail super funds (Retail super funds include bank owned and other) tracked by SuperRatings with a 3 (144 funds), 5 (117 funds), 10 (73 funds) & 15 (45 funds) year performance history to 30 June 2018, taking into account historical earnings and fees of main balanced options. This excludes contribution, exit, insurance fees and additional adviser fees. No adjustments have been made to the figures to take into account the effect of inflation on purchasing power since this time. Past performance is not a reliable indicator of future performance and should never be the sole factor considered when selecting a fund. March 2019

REIS 55108



Real Estate Market Facts

A QUARTERLY REVIEW OF MAJOR PROPERTY MARKETS IN AUSTRALIA
MARCH QUARTER 2019

HOUSE PRICES DOWN AND INVESTOR FINANCE PLUMMETS

In the March quarter 2019, the weighted median price of houses and other dwellings decreased in the Australian residential property market.

Over the March quarter, the median rent for three-bedroom houses increased in Australia.

Fast facts

March quarter 2019

\$722,028

Quarterly Australian weighted



NATIONAL MARKET SNAPSHOT

EXTRACTED FROM REAL ESTATE MARKET FACTS MARCH QUARTER 2019

- ▶ *Quarterly Australian weighted median house price is \$722,028*
- ▶ *Quarterly Australian weighted median other dwellings price is \$568,584*

Median house prices up:

Darwin 1.8% to \$502,500
Adelaide 0.7% to \$481,500

Median house prices down:

Melbourne -1.4% to \$793,000
Brisbane -1.9% to \$525,000
Perth -2.6% to \$495,000
Sydney -3.1% to \$1,027,962
Hobart -3.8% to \$483,750
Canberra -5.8% to \$645,000

Median other dwelling prices up:

Hobart 4.2% to \$381,000
Adelaide 3.1% to \$369,000

Median other dwelling prices down:

Melbourne -0.5% to \$586,500
Canberra -1.1% to \$450,000
Perth -1.3% to \$380,000
Sydney -2.0% to \$696,935
Brisbane -4.2% to \$392,800
Darwin -10.2% to \$314,255



Housing Affordability Report



AdelaideBank
it's personal

March quarter 2019

Housing affordability improves while rental affordability declines in March quarter 2019

State of the nation

Housing affordability improved nationally in the March quarter 2019, with the proportion of income required to meet loan repayments decreasing to 30.3%, a decrease of 0.8 percentage points over the quarter and a decrease of 1.0 percentage points over the past year.

Lending trends

Nationally, the total number of loans (excluding refinancing) decreased to 86,900, a decrease of 20.0% over the March quarter and a decrease of 13.7% over the same quarter last year. Over the quarter, the total number of loans (including refinancing) decreased to 101,000 and 101,000. The average loan size



NATIONAL AFFORDABILITY SNAPSHOT

EXTRACTED FROM ADELAIDE BANK/REIA HOUSING AFFORDABILITY REPORT, MARCH QUARTER 2019

	Mar 2019	Dec 2018	Mar 2018
Proportion of family income to meet:			
Home loan repayments	30.3%	31.2%	31.3%
Rent payments	25.0%	24.0%	24.8%

- NSW** New South Wales had the largest decrease in proportion of income to meet home loans
- VIC** Victoria had the largest number of first home buyers (24,566)
- QLD** Family income to meet rental payments is at 22.0%
- SA** Family income to meet loan repayments decreased by 0.3 percentage points to 26.9% in South Australia
- WA** Western Australia had the highest annual decrease in average loan amount (4.1%)
- TAS** Tasmania had the largest annual rise in monthly loan repayments (6.6%)
- NT** The Northern Territory had the highest increase of family income required to meet loan repayments increasing 0.8% percentage points
- ACT** Median rent in the Australian Capital Territory increased to 19.0% of family income



REIA PUBLICATIONS

REIA has published property market data and analysis for several decades. It has an excellent reputation as a highly credible source of information and considered opinion on the residential and commercial property markets in Australia.



REIA publications use information collated from a wide variety of sources including real estate agencies, industry and government. Both raw data and analysis are published in REIA reports.

The Adelaide Bank/REIA Housing Affordability Report and the REIA Real Estate Market Facts may be purchased as a 6 or 12 month subscription. For more about the Adelaide Bank/REIA Housing Affordability Report, [click here](#). For more about the REIA Real Estate Market Facts publication, [click here](#).

Also, “datacube” spreadsheets provide key information on quarterly median values, dating from the beginning of REIA data collection through to the current quarter, for all capital cities where data is available. For more information on REIA datacubes, please call 02 6282 4277.



INDUSTRY UPDATE

Industry news from around Australia



Luke Banitsiotis and Paul Tzamalīs

Luke has the gift of the gavel

Luke Banitsiotis of Woodards Blackburn has taken out the title of 2019 REIV Senior Auctioneer of the Year for the second consecutive year while Paul Tzamalīs of The Auction Company was Runner Up.

The two were declared the top performers from a field of nine contenders, which was narrowed to five finalists over a two-day competition on 21 and 22 May at REIV Headquarters in Camberwell.

The Senior Auctioneer of the Year Competition tests contenders on their knowledge of best practice and legislation as well as their performance in a simulated auction situation, complete with complex bidding sequences and challenging questions.

Luke was adjudged as being technically superior while Paul put on an engaging performance incorporating great interaction with the crowd.

Luke and Paul will go on to represent Victoria at the [Australasian Auctioneering Championships](#) in October, which we are pleased to be hosting in Melbourne in association with the Real Estate Institute of Tasmania.

We last hosted the Australasian competition in 2015 when our own Harry Li took out the title, which was the first time in 10 years that a Victorian won so this a good omen for Luke and Paul who will have plenty of grassroots support.

For more information on the Australasian Auctioneering Championships, please go to: auctionchampionships.com.au.

Luke and Paul will be presented with their accolades at the REIV's Awards for Excellence on 24 October 2019. Nominations for all other categories open on 1 July 2019. There are more categories than ever before in 2019 to recognise all facets of the real estate industry.

Gil King, CEO, The Real Estate Institute of Victoria

Commission only employment

On the 1 May 2019 the Fair Work Commission handed down a decision to change the Real Estate Award. The decision changes how commission-only payments for salespeople apply and who they apply to.

The changes apply in two stages. The first from the first full pay period on or after 30 April 2019 and the second from the first full pay period on or after 30 June 2019.

30 April 2019 changes

The phrase "was an active licensed real estate agent" in clause 16.3 has been replaced with "has operated his or her own real estate business".

A definition of a real estate business has been included to mean "a business involved in the sale of real property or businesses".

30 June 2019 changes

Employers will no longer be able to employ part-time employees as commission-only salespeople from the first pay period on or after 30 June.

There will be no 'grandfathering' of the clause, which means the payment method for all current part-time commission-only employees will need to change to the hourly rates provided in the award.

Source: The Real Estate Institute of Victoria

INDUSTRY UPDATE

Industry news from around Australia



» continued

Online rental bond transactions to be mandatory from December 2019

From 9 December 2019, the Residential Tenancies Bond Authority (RTBA) will require all licensed estate agents to complete most transactions electronically using RTBA Online. This includes lodging bonds, claiming repayments, and transferring tenants on a bond.

Licensed Estate Agents can register to use RTBA Online from June 2019 and start to adjust their processes and systems with the coming changes.

RTBA Online offers property managers many benefits, including:

- Faster return of bond repayments
- No need to collect tenant signatures
- No transactions rejected due to mismatched signatures
- No postal delays
- Reduced administration costs
- Simpler tenant transfer
- Clearer bank details on claims compared to handwritten submissions.

Licensed Estate Agents can register an organisation account on RTBA online at <https://rentalbonds.vic.gov.au/PropertyManager/Account/Register>.

Support materials and how to guides & videos can be found on Consumer Affairs Victoria's website at <https://www.consumer.vic.gov.au/RTBAOnlineHowTo>.

Exceptions will be allowed for tenants without email access or who are otherwise unable to access the online

system, as well as transactions that require supporting paper-based information such as VCAT orders or proof of death. Also, transfers from one agent/landlord to another must still be completed through the paper-based process.

Source: *The Real Estate Institute of Victoria*

Trust account audits moving online

As of 1 July 2019, real estate agent and conveyancer's trust account audits must be lodged online via NSW Fair Trading's new Auditors Report Online portal.

The portal, which will be accessible via [NSW Fair Trading's website](#) from 1 July 2019, requires auditors to complete and lodge trust account audits online, rather than in paper form.

Auditors will be required to lodge all trust account audits online, not just qualified audits (audits that reveal a breach).

NSW Fair Trading advises that licensees will receive an email seeking permission for their auditor to lodge their trust account audit. Licensees must respond before the auditor can proceed.

Licensees will receive a copy of the audit report via email when it is lodged online.

NSW Fair Trading states the changes to trust accounts audits are part of reforms being rolled out across NSW to improve the skills of real estate and property professionals, and raise the sector's professional and education standards.

These changes reflect the upcoming legislative trust account reforms to the

PSBA Act, which are expected to commence 1 July 2019 – although no proclamation date has as yet been announced. The reforms are set out in the *Fair Trading Legislation Amendment (Reform) Act 2018* (NSW).

Such changes have been a long time coming, noting that they were also caught up in the *Property, Stock and Business Agents Amendment (Property Industry Reform) Act 2018* (NSW), which is also yet to commence.

NSW Fair Trading has produced an Auditors Report Online guide, [available on its website from 1 July 2019](#), that will assist agents and auditors using the new portal. It has also extended the deadline for audits for the year ending 30 June 2019 from 30 September 2019 to 31 December 2019.

"Four years ago, NSW Fair Trading made the decision to remove the obligation for real estate agents to lodge their annual trust account audits in what it claimed removed 'red tape'," says Tim McKibbin, REINSW CEO.

"Upon becoming aware of the decision, we opposed it, pointing out that this procedure is a consumer protection mechanism which is applied in all industries where providers of goods and services hold clients' money in trust.

"REINSW hopes in requiring all trust account audits to be lodged online – not just qualified audits – consumer protection will once again be the primary motive for change, rather than the lessening of the regulators administrative burden."

Source: *The Real Estate Institute of New South Wales*

» article continues

INDUSTRY UPDATE

Industry news from around Australia



» continued

Western Australia is still the most affordable state for housing in the country

REIWA welcomes the latest Adelaide Bank and [Real Estate Institute of Australia's Housing Affordability Report](#) which reveals that Perth is one of the most affordable cities compared to other capital cities in Australia, with housing affordability in Western Australia improving by one per cent compared to the March 2018 quarter.

REIWA President Damian Collins said the WA property market was favourable for both buyers and tenants, presenting excellent opportunities to secure housing at affordable prices.

"This is an exciting time for potential and current home buyers. Not only is WA currently the most affordable state in the country, but this combined with the latest RBA cuts as well as the proposed APRA changes to servicing rates, recent Keystart changes and the Federal Government's proposed first home loan guarantee scheme, housing will become even more affordable" Mr Collins said.

The report found that the proportion of income required to meet loan repayments in WA improved to 22.6 per cent in the March 2019 quarter, a decrease from 23.1 per cent compared to the December 2018 quarter and the average loan size reduced 4.1 per cent to \$336,186.

"By comparison, in New South Wales, the proportion of income required to meet loan repayments is 35.4 per cent, while the average loan amount is \$453,101 – significantly higher than WA," Mr Collins said.

"Although the Sydney market has started to cool, the dream of home ownership

remains unattainable for many Australians on the East Coast. We're lucky that this dream is very much alive in WA, which is evident by the large proportion of first home buyers WA has retained, despite the challenging market conditions experienced over the last couple of years."

The report showed that rental affordability has improved in WA with the proportion of income required to meet the median rent decreasing to 16.5 per cent.

"While this isn't the largest improvement in the country, according to the report WA is still ranked number one for rental affordability in the March 2019 quarter out of all states and territories, with Perth's median rent having held at \$350 per week," Mr Collins said.

With housing affordability in WA continuing to improve, West Australians who are looking to buy or rent property have the best market conditions in many years in which to make a decision.

Source: The Real Estate Institute of Western Australia

REIWA calls for WA to take action and abolish stamp duty

REIWA welcomes the Productivity Commission Chairman, Michael Brennan's recommendation for state governments to abolish stamp duty and strongly urges the Western Australian government to take action.

REIWA President Damian Collins said stamp duty was an inefficient tax and one of the biggest imposts to home ownership.

"Despite WA currently being the most affordable state in the nation, many

still find themselves priced out of the market or unable to move homes due to the heavy tax burden. It is imperative that the single greatest barrier to housing affordability is removed.

"REIWA has been a vocal advocate for the abolishment of stamp duty and supports long term tax reform that aims to eliminate this tax and move to a broad-based land tax regime.

"There are a number of flow-on benefits from a land-based tax regime. It would allow for greater housing mobility across the community. Households could locate closer to employment and activity centres, thus reducing congestion. Housing mobility is presently stymied by the current stamp duty regime," Mr Collins said.

Transactional activity has declined significantly over recent years in WA, with the number of annual property sales falling from over 71,000 in 2013 to less than 40,000 in 2018 – the lowest level of transactions since 1990.

"Significantly fewer property sale transactions has meant significantly less stamp duty revenue for the WA Government. By abolishing stamp duty altogether, the cost of property taxes would be spread across many years creating a steady stream of reliable income for state and territory governments," Mr Collins said.

Source: The Real Estate Institute of Western Australia

POLITICAL WATCH

Information and news from government



Private house approvals fall in April

The number of dwellings approved in Australia fell by 0.6 per cent in April, in trend terms, according to data released by the Australian Bureau of Statistics (ABS) recently.

“The overall decrease was led by private sector houses, which declined 1.9 per cent in trend terms,” said Justin Lokhorst, Director of Construction Statistics at the ABS. “Meanwhile, private dwellings excluding houses rose by 1.2 per cent.”

Among the states and territories, total dwelling approvals fell in Victoria (2.8 per cent), Tasmania (2.2 per cent), the Northern Territory (2.0 per cent) and New South Wales (0.4 per cent), in trend terms. Increases were recorded in the Australian Capital Territory (7.7 per cent), South Australia (1.8 per cent) and Western Australia (1.3 per cent), while Queensland was flat.

Approvals for private sector houses fell 1.9 per cent in trend terms, largely driven by falls in the eastern states. Declines were recorded in New South Wales (3.8 per cent), Victoria (2.7 per cent), Queensland (0.8 per cent) and South Australia (0.1 per cent), while Western Australia recorded a 0.5 per cent increase.

In seasonally adjusted terms, total dwellings declined by 4.7 per cent in April, driven by falls in Tasmania (19.1 per cent), Victoria (16.1 per cent), Western Australia (6.7 per cent) and South Australia (3.3 per cent). Private dwellings excluding houses fell 6.5 per cent, while private house approvals decreased 2.6 per cent.

The value of total building approved fell 0.2 per cent in April, in trend

terms. The value of residential building declined 0.9 per cent, while non-residential building rose 1.0 per cent.

Source: Australian Bureau of Statistics

New lending to households rises 0.6 per cent

The value of new lending commitments to households rose 0.6 per cent in April 2019, seasonally adjusted, according to the latest Australian Bureau of Statistics (ABS) figures on new lending to households and businesses.

The rise in new lending to households in April follows a 3.3 per cent fall in March 2019. Despite increases in the value of some components of household lending in April, including a 4.3 per cent rise in lending for personal finance, total new lending to households remained lower than a year ago (down 15.6 per cent).

ABS Chief Economist, Bruce Hockman said: “New lending commitments for dwellings edged up a modest 0.2 per cent from March to April, with a rise in lending for owner occupier dwellings (1.0 per cent) mostly offset by another fall in lending for investment dwellings (down 2.2 per cent).”

“The steep decline in owner occupier lending commitments seen since late 2017 appears to be slowing, with lending for owner occupier dwellings recording the smallest monthly fall in trend terms (down 0.5 per cent) since April 2018”, he said.

Stronger lending for owner occupier dwellings in April was driven by a 2.2 per cent rise in New South Wales and a 1.3

per cent rise in South Australia. Weaker investment lending was most evident in New South Wales (-4.7 per cent) with only Tasmania, the Northern Territory and Australian Capital Territory recording rises in investment dwelling lending.

In April, there was a small rise in the number of loans to owner occupier first home buyers (0.1 per cent). In contrast, there was a 2.0 per cent fall in the number of loans to owner occupier non-first home buyers.

In trend terms, the value of new lending commitments to businesses rose 0.8 per cent in April and is up 3.5 per cent since April 2018.

Source: The Australian Bureau of Statistics

BuildBonus drives strong residential sales

The Territory Labor Government’s BuildBonus Scheme is driving a rebound in the residential construction market.

Master Builders NT attributes the renewed demand to BuildBonus.

Recent Fidelity Fund figures show very strong growth in the number of residential building approvals in the Territory for April and May.

There were 48 new home building contracts signed in May – more than double or 31 new homes since the effects of BuildBonus began in March.

There were equally strong figures for April, with 50 contracts signed that month.

BuildBonus was introduced as an economic stimulus package for the building sector while providing a leg-up for Territorians to get into their own homes.

POLITICAL WATCH

Information and news from government



» continued

The scheme provides a \$20,000 grant for Territorians buying or building a new home in the NT to live in.

The grant is limited to the first 600 applications with 75 grants approved or pending.

BuildBonus is expected to support 1000 jobs and inject more than \$380m into the NT economy.

The scheme is part of a suite of Territory Government housing incentives that are some of the most generous in the country:

- The Territory Home Owner Discount, which provides a stamp duty concession of up to \$18,601 (the equivalent of no stamp duty on the first \$430,000 of a home's value). It is targeted at people purchasing or building their first new or established home in the Territory, not just limited to first homebuyers. Since February, 124 Territory Home Owner Discounts have been approved or are pending.
- The First Home Owner Grant, which provides a \$10,000 grant to first home buyers buying or building a new home, and is accompanied by a \$2,000 Household Goods Grant to purchase household furniture and electrical goods. 203 First Home Owner Grants have so far been paid this financial year.

Builders benefit from the Territory Government's housing incentives with up to 78 subcontractors, suppliers and ancillary businesses such as landscapers and fencing companies supported by just one new home build.

One home build also supports up to 385 jobs.

Source: Michael Gunner, Chief Minister of the Northern Territory, Northern Territory Government

Landlord and Tenant (Amendment) Act to be repealed

The *Landlord and Tenant (Amendment) Act 1948* (NSW) (LTA Act) will be repealed on 1 July 2019, as part of the NSW Government's Better Business Reforms package.

This relates to rent controlled properties only and relevant savings provisions from the LTA Act will be inserted into Schedule 2 of the *Residential Tenancies Act 2010* (NSW).

The LTA Act was originally introduced to provide post-war housing, enabling rent control and security of tenure for tenants, particularly servicemen and their families. Because the provisions of the LTA Act are now only relevant to a small group of tenancies, maintenance of the entire Act is unnecessary.

Succession rights to be removed

As part of the change, existing tenants and their spouses will remain protected. However, succession rights for dependent children will be removed.

The NSW Government has informed REINSW that the protection afforded by the LTA Act will continue to apply as if it had not been repealed until the relevant tenant passes away. A spouse or de-facto partner is also covered if they lived with the tenant immediately before the death.

"As a supporter – in principle – of measures to simplify, repeal and reform existing legislation, REINSW did not oppose the repeal of the LTA Act," says REINSW CEO, Tim McKibbin.

"We maintain the view that there is no merit in upholding the current LTA Act, but recognise the need for

the NSW Government to deal fairly and immediately with the protected individuals affected by the repeal."

Immediate action for affected individuals

McKibbin says before the LTA Act is repealed, the NSW Government should not only be aware of the number of properties protected under the LTA Act, but must also be prepared to provide re-housing for dependent children living in the protected properties following the death of the tenant or their partner.

"The Government must be conscious of the fact that some of the affected individuals depend on protected rent in order to survive – being unlikely to be able to afford the rent charged by private landlords," he says.

McKibbin says REINSW is concerned that, once the LTA Act is repealed, these individuals may be without housing.

"In this case, immediate intervention from the NSW Government will be required," he says.

"REINSW has suggested to the NSW Government that this may be in the form of prequalifying for immediate social housing or assistance with relocating to housing that is affordable based on their individual financial circumstances.

"In any event, REINSW is of the opinion that this is a matter for the NSW Government and not private landlords."

Source: The Real Estate Institute of New South Wales

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THE WORLD

Property news from around the world



Property sales in Spain up 14% in first quarter of 2019

Residential property sales across Spain increased by 14% in the first quarter of 2019 compared to the same period in 2018, the latest official figures show.

As a proportion of total sales, they increased from 17.7% to 19.5%, according to the data from the National Institute of Statistics. However, this is still a long way from that of the first quarter of 2007, when new homes represented 41% of total sales.

The biggest growth in sales was in Madrid with a rise of 34%, followed by Valencia, up 24% and then Barcelona with a rise of 12%.

The improvement in sales is also reflected in the latest report from estate agency Lucas Fox which shows that sales of new homes in the prime market more than tripled between January and April 2019.

It says that the upsurge in new homes transactions is largely due to a significant increase in sales by Lucas Fox's Barcelona office with the number of transactions completed during the first four months of 2019 almost eight times more than in the same period in 2018.

The firm adds that this is mainly down to the fact that a number of projects that were in the construction phase during 2017 and 2018 have now been completed. The average price of a new home sold by Lucas Fox rose from €868,909 during January to April 2018 to €1,068,992 in the same period this year, up by 23%.

'Scores of sales in Barcelona that had been in the offer stage finally completed in the year's first quarter and regions such as Girona, Sitges and Marbella will also see a good end to the year where many deals will finally be signed off. We are currently commercialising around €1 billion worth of new development product across Spain,' said Joanna Papis, head of new developments.

The agency also reports a surge in the numbers of buyers from the Middle East and the United States, who tend to prefer contemporary 'lock and leave' homes. Interest from the British is still high and the number of Spanish buyers is on the up, reflecting growing confidence in the market from locals.

The motivation of buyers is also changing from secondary residences to investment, as they take advantage of Spain's steadily growing property prices and good rental returns. This, combined with Spain's high quality of life, has assured that the trend of the 'lifestyle investor' will continue to grow.

As well as a change in nationality and motivation, buyers of new homes are being more demanding about features and amenities in 2019. 'Buyers are looking for secure neighbourhoods with plenty of high class services. The type of product is changing as the expectations of clients becomes higher. They want home automation systems, porterage, a gym, a spa and a heated pool, all of which is now becoming the norm in new projects. Energy efficient and sustainable homes are also very much in demand,' Papis explained.

Source: PropertyWire.com

UK set to become a nation of renters in next 20 years

If people renting a home continue to do so and not move onto the housing ladder at present rates then the UK will see more renting than owning a home by 2039, according to new research.

Currently home owners account for 65% of the housing market, a fall of 5% since 2010. If there is no change in tenures then that is set to become 50.7% renting and 49.3% owning within 20 years.

The analysis from letting compliance firm VeriSmart also says that by 2045

this will have grown to 55% of the nation living in the rental sector and 45% owning their own home.

It suggests that this is not a trend driven out of necessity but rather people choosing to rent within the private sector, as during this time the number in social rental accommodation has also dropped.

'We are currently seeing a shifting mentality in the way we choose to live our lives and for Generation Rent, in particular, there is no longer that urgency to make it out of the rental sector and secure their own 'piece' of bricks and mortar,' said Jonathan Senior, chief executive officer of VeriSmart.

'This was initially driven by consistently buoyant house price growth coupled with stagnant wage growth providing no other option but to rent, however, social rental numbers are falling, Build to Rent is growing in prominence, and there has been a number of tenant friendly changes to the sector,' he explained.

'All of these changes are making the rental sector a more attractive place to be and as a result, we are seeing more of us opt for it and stay there for much longer than we may have traditionally,' he added.

The firm also points out that while the UK is a nation of aspirational home owners, but the high cost of property has seen many remain in the rental sector. Indeed, the UK currently ranks as the 24th lowest of all 28 European Union nations.

In contrast, the UK is home to the fifth highest percentage of tenant occupiers of all EU nations, behind just Germany, Austria, Denmark and France.

Source: PropertyWire.com

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