# KEEPINGIT REAL ESTATE

#### Market Review:

MACROECONOMIC FACTORS CREATE FAVOURABLE CONDITIONS

#### Finance:

WHAT ON EARTH IS A PIVOT LOAN? AND SHOULD YOU GET ONE? Renovating:

THE 9 PRINCIPLES
TO FOLLOW
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SHOULD YOU DEFINITELY NOT RELY ON?

# **MEET MARC WILKINSON**

Penfold Property Group's Managing Director is building a legacy based on integrity

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# LETTER FROM THE EDITOR

Welcome to our fourth edition of Keeping It Real Estate magazine - Australia's first advertising-free real estate magazine.

This is our largest edition yet and some of the information being shared by the experts I know and trust in this edition is extremely valuable.

We start with an interview of Marc Wilkinson, Managing Director of Penfold Property Group. In my other job, I run a company called Airlisting, which was established largely out of my frustration with the lack of integrity and transparency in the real estate industry. Well I am very happy to say that Marc and his team are definitely NOT part of the problem. You'll see from his story that Marc leans into whats hard and stays involved, in control and accountable for every single aspect of his business. He has an interesting story and an inspiring story for anyone thinking of starting their own business.

When I review the remainder of the articles in this edition of KIRE, it gives me butterflies and goosebumps. There's positivity coming from extremely informed professionals via a variety of metrics and observations they have written about. There's well researched data, tips and insights from experts on topics from renovations to purchasing to lending. And we also have opinion and information pieces from people who are truly at the top of their game and giving advice that can really help readers make great decisions while staying away from real estate decisions that could leave them in a world of pain.

The September 2019 edition has everything in it that I was hoping this magazine would be about. Think of the KIRE contributors as your advisors and friends who you can trust. I do not govern what our experts contribute to the magazine, however I am extremely picky with who I invite to contribute and will only ever publish information that comes from a expert in the field they are speaking about and backs up their article with research, real experience or data from reputable sources.

If there's a topic you would like covered in this magazine, have a question or want to reach out to me for some other reason, please don't hesitate to do so - veronica@ keepingitrealestate.com.au

#### **VERONICA ROYAL**

Editor, Keeping It Real Estate veronica@keepingitrealestate.com.au



Meet Marc Wilkinson, Director of Penfold Property Group. When I asked the Marketing Manager at Penfold Property Group if I could interview Marc for the September issue of Keeping It Real Estate, I didn't expect him to say yes. But you'll never know if you don't ask, and in this case I got lucky.

I've long admired Penfold Property Group's work. I feel like, when you're looking at many projects where you can buy new, they are often in very remote locations, getting sold through long lines of "channel partners", houses are getting delivered without a driveway or a fence and when a buyer has a question or concern they might find it difficult to get in touch with someone who can actually assist. This is 100% the opposite with everything Penfold.

Projects are in exceptional locations, all homes are complete turnkey, if you call Penfold you're talking to a real person who will sort everything out and everyone who buys in a Penfold estate LOVES Penfold.

Why is this? What is the difference between Penfold Property Group and many others? To be honest, after spending some time with Marc Wilkinson and his team, I know that the difference is coming from the top-down. It's a chain of integrity, quality and the desire to build house-proud communities that starts with Marc and stays consistent throughout the whole Penfold Property Group team.

So before I take up this whole article writing about why I like Penfold so much, I'll cut it off there and share my interview with the man himself...

#### Marc, what is your background and what led to you founding Penfold Property Group?

I've had a passion for the building industry for over 30 years. I've worked in building development and in manufacturing. I had the opportunity to learn a lot from my time with some of Australia's largest public development companies. I was with Lendlease for 7 years as the National Development Manager and also spent 7 years with Stockland as the project Director before founding Penfold Property Group in 2013.

# You transitioned from working with major institutional property developers to starting your own business. Why did you make that move and what lessons could you give others considering something similar?

I started my working life running my own business (it was a bricklaying business) and have always been keen to go back to being self employed. I learned so much from my time with these exceptional companies and I wanted to take the lessons I had learnt and put them into practice through my own business.

If someone was considering starting their own company in development and in subdivisions, my advice would be that getting the right team of employees around you is imperative. Find exceptional people and know how to mentor and motivate them. We are creating homes and communities where there was once paddocks and in that business, people are everything and it goes two ways. The team need to understand the goals of the business and the business goals need to align with the aspirations of the team. For us, every single person on the Penfold team genuinely cares for our customers and we share in the joy of getting them into a brand new home.

# You are undeniably an expert at what you do, what would you say are the really key items needed for a successful project?

I would say that I have very good knowledge and experience that comes with age and opportunity. I feel very confident to meet the constantly changing challenges of the residential market. However, the property industry is very diverse and there are so many aspects that I cannot claim to be an expert.









In terms of the success of our projects, I am persistent and passionate about getting outcomes that make sense for creating new places. We are building communities rather than just subdividing land, so we look very carefully at what that community will need in order for our development to be an exceptional place for people to live. Whether that be another local street, or town centre, or extra greenspace and parks, we push hard for the outcomes needed because they are important to the people that live with the outcome. I think keeping the end in mind, the long term and the legacy of the project is extremely important to long term sustainable success.

# What would you say are the advantages that a smaller private development company has over a larger institutional developer?

I would say two significant differences are how well we know every single customer and also how quickly Penfold can act as necessary in order to deliver an outcome. We get to know our customers so well and offer them a service that extends from land choice to the design of their dream home and to finance.

We get to know our customers so well and offer them a service that extends from land choice to the design of their dream home and to finance. And then, if a customer has any concerns, our chain of command is short and I know about everything that goes on, so we can make quick decisions and address concerns very fast.

#### What advice would you give to a first home buyer looking to buy new and build a house and land in Brisbane?

The key message I always deliver is that if you don't own a home then you are going to pay a landlord over \$1.0m over the next 30 years factoring in a base rate ogf \$450/ week. For people who own a home I advise them not to hold it too long. Sell it and use the tax free capital gain to buy a brand new one. Like cars, houses have a point where the maintenance cost is not worth maintaining. The benefit of Penfold is that you don't have to move out of Brisbane to build your new home.

# Your current projects are quite close to one-another. What is it about the Doolandella, Pallara, Ellen Grove area that is particularly special at the moment?

This is a pocket of Brisbane that is so well serviced and within the Brisbane ring. There is such a shortage of land in Brisbane for subdivision that we feel our offering is very good value. We are passionate about not only providing exceptional product but also in providing an exceptional location. We are really proud of our projects in this area. They are selling very fast and our buyers are almost all owner-occupiers - which are good indications that we are delivering homes that meet the requirements of our customers. House buyers are gereally very informed and have many options to choose from, so it's a great compliment when they choose Penfold.

#### What are your plans for Penfold Property Group?

We plan to grow slowly and stay in business for a long time to come, sticking to our knitting and selling houses to people that they can be proud of. I'm a big advocate of constant improvement (I'm even studying at university now!) and Penfold Property Group will continue to constantly create exceptional communities that meet the needs and desires of our customers as they change.

#### What inspired the name Penfold Property Group?

I grew up on Penfold Road in the winery district and I felt it gave me a strong connection to my roots.

What are the values of Penfold Property Group and what do you hope to achieve with the developments the company delivers?

Our values are strongly tied to integrity and providing value and quality for our customer. We very much stand behind our product. We have an office in the area where our current projects are and invite anyone to visit us there any time.

Is there anything else you would like to add / have included so that our readers feel like they know more about you?

Our team are very dedicated here at Penfold Property Group and they will go a long way to satisfy our customers' needs. The feedback we get from our customer surveys, even from those that don't end up buying is extremely positive. Don't feel that you will be pressured into something that isn't what you want. We really are here to help. Happy customers are our focus and we help our customers through the process of building their dream home.

Marc Wilkinson
Managing Director
Penfold Property Group



Interviewed by Veronica Royal





# MARKET OPTIMISM RISES AS MACROECONOMIC FACTORS CREATE FAVOURABLE CONDITIONS

Overthe past 18 months, Australian property developers have been seeking new growth opportunities in a market that has only offered tougher regulations and financial fallout. But, as we move into the back end of 2019, optimism and buyer confidence is returning to the residential market.

In the domestic market throughout late 2018 and early 2019, a rapid deceleration in house prices hit the country's two largest property hubs, Melbourne and Sydney, and began to spread to regional centres. Significant asset value declines continued to make buyers cautious of spending and developers reluctant to begin new construction projects.

But, just as the residential market seemed to head lower than it has been in 12 years, optimism began slowly creeping back in, due in a large part to a number of events that had a striking impact on the market at a macro level.

Macroeconomic factors such as tax and cash rate cuts, a Liberal Government win and APRA's amended guidance on mortgage lenders have all had the biggest impact on confidence. These changes have influenced buyers - particularly owner-occupiers and first home buyers - to come back into the market and transform the doom and gloom into market optimism.

Property investors, developers and buyers have all seen the positives in these factors as they worked to make difficult market conditions favourable again. Reports of a rise in buyer enquiry were almost immediate and auction clearance rates rose to 57.7% following the Federal Election, their highest level in over a year.

"All of these factors have seen confidence come back to the market and, most importantly, have impacted household income, whether through tax cuts or mortgage payment reductions," said Development Finance Partners Founder and Director. Baxter Gamble.

"APRA providing a more lenient lending environment for everyone involved in the residential market has also contributed to this new found optimism, and contributed to the resurgence of buyers into the market."

Since the performance of the property market is intrinsically linked to the state of the economy, any macroeconomic factors introduced through government policy or natural events can have complex and long-lasting effects on the real estate sector. This is why positive changes that foster prosperity typically improve the market's standing.

The economics of optimism also demonstrate that when people are more optimistic, economic expansion is stronger and recovery is faster. We're seeing this first hand at the moment, and here is a recap of the macroeconomic factors that have contributed to market optimism for buyers and developers so far in 2019.

#### The Morrison Government remains in power

The Liberal Government winning the 2019 Federal Election was a memorable event, especially in the minds for property developers, who were facing implications from the Opposition's controversial negative gearing approach.

National Residential Director of independent property valuation and services group LMW, Mike Henderson, said that compared to pre-election market conditions, optimism has surged following the Federal Election.

"It wasn't that the values changed, it was that the whole confidence of the market completely changed post-election. I don't think I've ever seen an election with so many policies on the table that would affect the property market [and] investors," he said.

"I honestly think that the market just didn't know what the impact of it was going to be. So, post-election when the [Labor policies]



On top of Labor's negative gearing reforms, which would have limited tax concessions to new housing investments only, the party also suggested scrapping refundable franking credits on dividends from shares, to raise revenue.

For investors, this would have meant paying tax twice on dividend income. Both of these policies would have inevitably impacted cash flow benefits to household income, which is a direct growth driver for Australia's property market.

However, with the Morrison Government remaining in power these policies were put aside, and a \$158 million tax cut package was passed through parliament in July, which will offer immediate tax relief for more than 10 million Australians.

#### The RBA cut interest rates, twice

At the start of July, the Reserve Bank made a significant move to open up the housing market for new buyers, dropping interest rates to a historic low of 1.00 per cent. Only one month before, the central bank had cut the cash rate from 1.5 per cent to 1.25 per cent.

Recent RBA research found that a one percentage point reduction in interest rates boosts property prices by about 8 per cent over the following two years. Lower interest rates have been a major contributor to property price increases in Australia over the past two decades and are expected to help restore the current market to its former strength.

#### **APRA** amends serviceability assessments

In May, APRA began considering possible revisions to its guidance on serviceability assessments that ADIs perform on residential mortgage loan applications. The original guidance specified that ADIs assess loan serviceability using the higher of either an interest rate floor of at least 7 per cent, or a 2 per cent buffer over the loan's interest rate.

By July, the APRA had announced it would change assessment requirements to allow ADIs to set their own minimum interest rate floor. The changes are likely to increase the maximum borrowing capacity for borrowers and encourage more people to seek out loans.





#### What does the future hold for Australia's property market?

Combined, these macroeconomic factors have created a more lenient lending environment and improved cash flow to household incomes. New suburb heat mapping data shows an increase in confidence in a variety of Australian suburbs.

"You could see the colours change in Sydney from green to red over the past 18 months, and this is supported by data that shows activity has picked up mostly in areas with mid-price ranges. One example is Ryde with properties within the \$1 million - \$1.5 million range," said Mr Henderson.

"In Melbourne we're seeing optimism come back for detached houses in the inner North of the city, and properties within the \$1 million - \$1.5 million range are showing strong demand and moving in a positive direction.

"I think with most locations the consensus is that we've probably hit the bottom of the market in terms of values falling. Buyers have the confidence to come back in now but I don't think we'll be seeing a sudden upswing in prices.

"It will be a steady market going into the end of the year. It's a lot better than where we were sitting pre-election and the back half of last year where there was a distinct lack of buyers to vendors," he said.

"[The] policies they've got in at the moment are fine for moving forward. I think investors will get a certain amount of confidence coming back as they see the market stabilising, which is definitely happening."

The future of Australia's residential property market looks good as the government, main regulators and lenders work together to rebuild the confidence of buyers, investors and developers. Indications show that this optimism will continue on for the remainder of 2019, as buyers continue to get back into the market in middlering, mid-price locations.





# THE 9 PRINCIPLES TO FOLLOW TO ENSURE RENOVATION SUCCESS

The success of any renovation project largely comes down to comprehensive and careful planning. Where you start the journey and the approach you take are key factors in its ultimate success.

Things go wrong when homeowners ignore critical steps and base their decisions on assumption, or bad advice, not on fact. Renovation can be a relatively easy and straightforward process if approached the right way. The old adage 'If you fail to plan, then you plan to fail' perfectly sums up it up.

Based on our experience and research, we've identified the 9 key principles for a successful renovation project. These principles are often ignored or overlooked, but it's critical to address them to ensure a successful project.



These principles apply regardless of the size of your renovation - albeit a full house renovation and extension or simply a kitchen makeover, and regardless of the reason you choose to renovate in the first place whether you intend to renovate your current home, buy a home to renovate or even renovate for profit.

With that in mind, here are the 9 key principles to renovation success:

#### 1. DEFINE YOUR PROJECT VISION

Having a defined high-level project goal (your project vision) right at the start gives you focus and clarity throughout your project, making it easier to stay on track and in control. If you don't know what you want to achieve, then how can you expect anyone else to. This is the step many renovators miss entirely.

So understand what you want to achieve and why. Is it that you want more useable space, a defined indoor outdoor connection, flexibility or increased street appeal? Its easy to get distracted during a renovation, there are so many decisions to be made. So make sure this 'vision' statement is at the forefront throughout your project - write it down, stick it on your fridge, keep it front and centre, It will help you get through a lot of challenging times and help you make the difficult decisions during your project. The clarity is gives, will not only ensure efficiency in the design process, it will also save you from possible cost blowouts that typically occur when changes are made during the building phase.

#### 2. FORMULATE A PLAN OF ACTION

Once you have defined your project vision, it's important to explore and identify the best strategy to take to achieve it. Your Strategy is the plan of action that defines the path toward your vision. It should also identify the specific steps that need to occur along the way. This strategy should directly respond to the unique opportunities and constraints of the project, and the specific needs and circumstances of the homeowner. There's no one size fits all solution.

For example, a property with poor rear access might require the swimming pool is installed first when the access is still available rather than at the end of the project when it would otherwise occur, or the materials the house is constructed from could dictate the way the project is approached. Because of this, it's critical to find and follow the best pathway for your project. It's a fact, renovation . like life. can be so much easier if you have a clear strategy in place. Staying on track and in control comes from understanding what you are doing and why and what's coming next so you are always informed and aware, and have the time to prepare so your not making reactive hasty decisions.

#### 3. THERE WILL BE RULES AND RESTRICTIONS

Long gone are the days where you could do whatever you want on your property.

There are rules and restrictions that apply to every property some more restrictive than others. So before you start down the road of renovation, it's critical to understand what you can (and can't do on your property). What rules apply and what do they mean for your project. Explore and understand what is actually possible and the reality of your renovation options. Are their any site specific obstacles - like slope, views, drainage, access, underground pipes or even neighbouring uses for example that might impact or restrict your renovation options?

#### 4. VIEW RENOVATION HOLISTICALLY

A strong renovation strategy is a great starting point but to ensure success, the renovation process should always be viewed holistically. Renovation is made up of many different, often isolated parts which can lead to things being missed or ignored, or even addressed multiple times, costing you time and money. Inexperincedhownowners cant always see the big picture and how all the bits fit together. A holistic approach gives the homeowner a clear idea of how the parts fit together and the implications that choice made at each stage may affect the overall outcome. This gives a more efficient and cost effective outcome, with the flexibility a renovation project needs, as surprises will inevitably occur along the way.

#### 5. MONEY MATTERS

It's a fact, money is an unavoidable part of the renovation journey, because let's face it, it always comes back to money. It's the enabler (and sometimes the inhibitor) of your dreams.

There are two parts to the money equation: you need to work out how you are going to pay for it (your funding options), and you need to work out what you can realistically afford to spend.

Calculate the total amount of money you are prepared to spend and then work backwards as this figure needs to cover upfront costs (often missed), the cost of the construction and the cost of any extra items or your WOW factor.

Money can't be ignored and ideally should be addressed early and carefully monitored throughout your project. So set your budget early and track it, test it and adjust it throughout the project - be accountable and make the difficult decisions when necessary.

It's also important to cross check that your goals and budget are in alignment at multiple times during the planning stage of your renovation journey, Don't wait until you are getting a builders quote to know.

#### 6. BE DECISIVE

Renovation is all about decisions - big ones, small ones and everything in between. Having a clear project vision and a robust project strategy will help make decision making far easier by keeping you focused on the end goal. It's really easy to be distracted by the little things when renovating, like the 'look' of your kitech or that light fitting you just have to have.

Renovation is a sequential process, so it's vital to understand the necessary steps and to undertake them in the right order to ensure success. Understand that the decisions you make early can affect your choices later on both positively and negatively.

Do your research to keep your finger on the pulse and the decision making will be easier. Be decisive, know what decisions need to be made and by when. When renovating, time is money - and indecision costs.

#### 7. CHOOSE YOU PROJECT TEAM WISELY & VALUE THEIR ADVICE

Renovation isn't something most homeowners do everyday, you will maybe only do it once or twice in your lifetime. So it is important for you to understand that you don't know what you don't know ... and don't need too.

It is so important for renovators to understand the role their project team will play and their importance to its ultimate success. Acknowledge that the designer for example recommended by your friend (who built a new modern house) for your own renovation (of a character workers cottage) project might not be a good fit for your project. Leverage off the knowledge your team has from years of experience in projects similar to yours, and benefit from it.

A project team that understands your wants needs and vision, aesthetic and one you can relate to and trust are worth more than the initial monetary outlay.

#### 8. IT'S ALL ABOUT COMMUNICATION

Many a renovation project has gone awry through lack of, or miscommunication between the parties. To get the best outcome from your renovation, it's critical to have a good relationship with your project team particularly your architect/designer, or builder. Aim to be clear, honest and consistent with your communication at all times.

Your team will give you better advice if they are informed and can base their decisions on the latest and most accurate information.

It's important to establish clear channels of communication right at the start of the relationship, and clearly lay out what those channels are and how they will work. Communication happens in many ways, it can be verbal, visual (photographs and drawings), written ( your project brief, email, text). For communication to be effective, it needs to be a two way street.

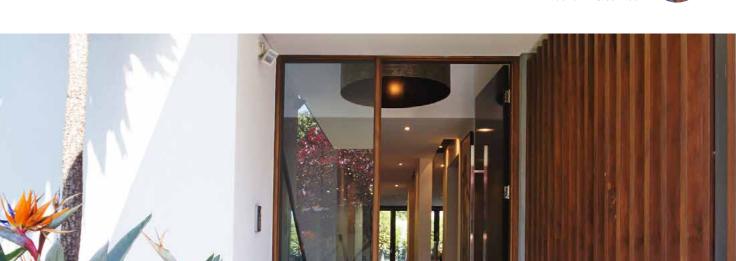
#### 9. GET ORGANISED

Renovation inevitable goes hand and hand with enormous amounts of paperwork. So having an organisational strategy with tools to help you stay organised and on track for the duration of your renovation project is critical.

Setting up systems right at the start helps keeping track of the paperwork, research, communication, etc.

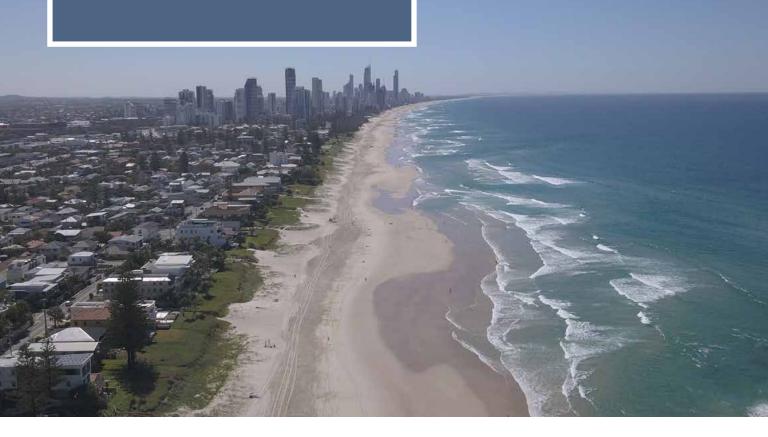
Tracking systems are also critical, budget and time tracking are two of the key ingredients to project success. Consistent monitoring will allow you to always have a handle on where your project is at, allowing you to recalibrate if and when needed.

Phil Purcell
Principal, Masterplanner & Coach
Buildit123
www.buildit123.com.au



### STRONG AUCTION RESULTS & LOW LISTING VOLUMES MEAN SELLERS HOLD THE POWER

Low listing volumes are putting sellers in an extremely comfortable position and we are seeing very clear and consistent signs of recovery in the market.



It's this turnaround, as well as further improvements in auction clearance results, that is likely to lead to an increase in volume. However, at this stage it appears, generally, sellers do not feel the rush to list their properties with the high clearance rates putting them in control of the market.

Auction clearance rates in Sydney and Melbourne are now trending, for interim results, in the 70s and 80s over the past four weeks and final clearance rates in the 70s for that period.

This is significantly higher than the clearance rate in the mid 50s a year ago in those capital cities.

We are also seeing, from the independent source of the Westpac-Melbourne Institute, significant improvements in consumer sentiment in relation to house price expectations and time to buy a dwelling indices.

#### **AUCTION CLEARANCE RATE**

#### **Sydney and Melbourne**



A combination of the election results, RBA interest rate cuts with at least one further cut on the horizon and possibly another next year, APRA's changes to the floor assessment and tax cuts delivering more funds to households, all contribute to the confidence in the market and, consequently, for higher clearance rates that were also well connected with higher prices.

The recent auction clearance rates and improved consumer confidence are creating a very clear trend, that will consequently lead to price increases and a rise in volumes, as sellers expect stronger demand for their properties and, therefore, are more confident to put them on the market.

# HOUSE PRICE EXPECTATION & TIME TO BUY A DWELLING INDICES



Basically, what we are seeing is improving confidence, improving clearance rates and improving prices. In fact, according to CoreLogic data, in July 2019, dwelling values increased across all capital cities except for Adelaide, Perth and Canberra.

This shows that sellers are in a good position, they see improvement in the market, and they are in control of what happens next. Generally, both Sydney and Melbourne are performing really well, especially Sydney in recent weeks.

The key thing we are seeing is very consistent and strong results, particularly, but not only, in the high end of market.

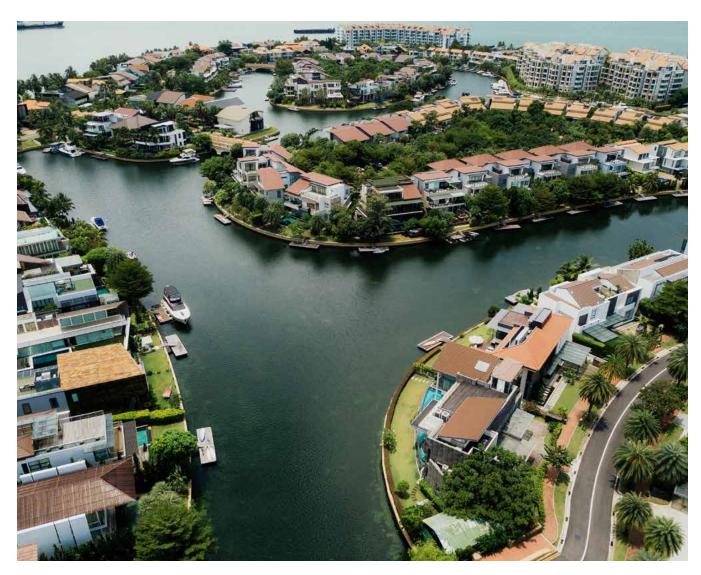
This is a good trend and with the recent rate cuts by the RBA, the high likelihood of another this year, and potentially one in first half of 2020, this are looking extremely positive.

Demand for housing and housing finance are also showing very clear signs of improvement.

With the interest rate falls and recent changes in the floor assessment, combined with serious competition between banks and non-banks making it easier for borrowers, particularly owner-occupiers to refinance and reduce mortgage repayments, there's negative pressure to sell because vendors see the market recovering.

Often people think if there is low volume, the market it poor and high volume means it's strong, but that's not necessarily the case. It really depends on the context.

> **Doron Peleg** CEO / Founder RiskWise Property Research www.riskwiseproperty.com.au





# Land valuation objection appeals what you need to know NOW

The time for Queensland property owners to lodge an objection against their Annual Freehold Land Valuations from the Valuer-General has now passed, but there may still be grounds for those who lodged unsuccessful objections to take further action by appealing any decision of the Valuer General.

The Annual Freehold Land Valuations are issued by the Valuer-General's office each year. Property owners have 60 days from the date of issue to lodge an objection if they disagree with the value placed on their property.

Once an objection has been lodged and a decision made by the Valuer General on that objection, landowners may still have recourse to appeal an unfavourable decision on the value of their property. The key matters which property owners should take into consideration include:

- •Whether the objection was based on reasonable grounds and supported by good evidence;
- •A recent Land Appeal Court of Queensland decision where Dalton J claimed the Valuer-General "places too much emphasis on its systems and pays too little heed to the provision of the (LVA) Act" (Land Appeal Court of Queensland Valuer-General -v- Suncorp Metway Insurance Pty Limited [2018] QLAC 6); and
- •The recent introduction of another new system (computer-based) by the Valuer-General, which attempts to achieve relativity for valuations of properties in certain areas.



Over the past few months, I have spoken with a number of valuers about the new computerised system, which was designed to create parity in property valuations and yet it is, in fact, creating significant anomalies.

These anomalies are, in some cases, creating stark differences between values of comparable properties without explanation or reason.

This increases the scope for property valuations to potentially not be truly reflective of the individual property and the area it is located in. This is not to suggest that every valuation is incorrect. It is those which are not that are cause for concern for the property owner.

Excessive site valuations issued by the Valuer General based upon faulty data means the property owner may well incur significant increases in rates and land tax being assessed in respect to your property.

For this reason, we encourage property owners in Queensland who have received a decision on any objection that they have made to consider whether that decision should be appealed.

If your objection has been dismissed by the Valuer-General, especially on the ground of relativity and your objection was based on reasonable grounds and supported by good evidence, there is a chance you have grounds to appeal the decision of the Valuer General.

Strict timeframes apply to Appeals, which must be lodged within 60 days of the Valuer-General's decision. If you fail to Appeal within this timeframe, you won't get another opportunity to object until 2020.











In today's article I would like to blow the lid on an under-utilised loan available to investors who also have an owner occupied (or principle place of residence - PPor) home loan. It's not for everyone, but it does have the seal of approval from the Australian Tax Office (ATO). In a nutshell you can get your PPor home loan interest rate down to as low as 1.9% (and possibly lower) and claim a higher tax deduction for the interest owing on your investment property loan.

The ATO approved scheme originally started in 2015 for a 2-year period and rolled over into another term, see tax ruling TR2017/13. Why you ask? Well simply put the Government wants you to realise the dream of owning your own home earlier, but without being a tax cheat. You may remember the loan capitalising scheme of the 1990's where the banks allowed all in one loans and interest on investment loans to capitalise whilst the PPor owner occupied home loan was paid out first. A topic of discussion for another time!!

So, what is this set up called - it's a PIVOT LOAN. Sound too good to be true? Well it might be. Not everyone qualifies for it.

#### So what exactly is a Pivot Loan?

I won't give you the technical definition from the tax ruling, but in its simplistic form it's a loyalty bonus or a customer loyalty rebate that allows some of the PPor (owner occupied) home loan interest rate to shift to the investment loan rate.

Therefore, a PPor home loan rate circa approximately 3.40% may reduce to 1.90%, with the balance rate (i.e. 1.50%) shifted onto the investment loan rate, from circa approximately 4.00% to 5.50%. Essentially since interest on a home loan is non-deductible (high cost of ownership), and interest on an investment loan is tax deductible (an income producing asset that in theory builds your wealth), the ATO is simply offering you a legitimate tax dodge. Provided you stay within the rules.

The technical term is a Pivot Portfolio Loan Facility OR Synergy Pivot Portfolio Loan. Switzer Home Loans, Synergy Home Loans Australia Pty Ltd, some lenders and very few brokers can offer these loans.

#### Here are the rules according to Tax Ruling TR 2017/13

- There must be a PPor home loan and investment loan with the same lender
- The loans are usually secured by both securities (owner occupied home and investment property)
- The total loan exposure if the investment property is also a residential property is 80% of the total value of all securities (e.g. if the value of both properties combined is, say \$1.2 mill, then the total loans cannot exceed 80% or \$960,000).
- Each discounted rate period is locked in for 12 months and it may be reviewed annually.
- The owner occupied home discounted rate is subject to a floor rate of 0.40% above the RBA cash rate. If the rate drops lower than this any further discount will be applied to lower the investment loan rate
- The investment loan will be based on the stand rate subject to a maximum ceiling rate not exceeding the highest interest only investment loan rate offering by any of the four major Australian Banks.
- The Pivot Loan cannot be part of a linked or loan split facility as per ATO Ruling TR98/22. This ruling sets out the rules to prevent owner occupied loans and investment loans set up in a way that allows borrowers to obtain unfavourable tax advantages e.g. those 1990's loans mentioned above:
- The Pivot loan term commenced on the 27th September 2017 and will expire on 30th June 2020. It may roll over again to another 3-year term but this will be at the discretion of the ATO:

• Once the transaction structure has been entered into to it cannot be changed; and

 Only Australian residents for tax purposes can utilise this arrangement.

So if the ATO says its legit should we all just jump right in. Well that depends on what type of investor you are, your financial profile and what is your ultimate purpose for investing. You may be thinking that a low PPOR home loan of 1.90% sounds great but a 5.50% investment loan sounds too high given the current low interest rate environment. However, the rate averages out to approximately 3.7%. Which is guite competitive in the scheme of things. The benefit really is that you may be leveraging the interest payable on the loans in a tax effective way. I would also like to add that sophisticated investors do not focus on the rates for investment property loans. They focus on their overall wealth strategies.

There are two types of investors: single property investors or the sophisticated (multi property) investors. Which one are you? Neither is right or wrong. It's your personal journey that matters. Not all investors are comfortable with being highly geared or managing complex strategies.

#### The Single Property Investor

Typically your mum and dad investors who start with their principle place of residence (under finance usually), build equity in this home, some years down the track they leverage this equity to buy their first investment property, see their bank or broker, get another loan and





Too often these investors don't consider obtaining any advice before investing. They go it alone and without a clear purpose in mind. Is this you?

Have you ever asked yourself what your "Why" is? Is it to fund the quintessential Australian dream - to own your own home or to leverage to grow an investment property portfolio or both? Why do you want to own your own home or build an investment portfolio - Is it for financial freedom - what does that look like for you? Is it so you can live your life on your own terms and do what you want whenever you want, like travel, eat out more often, help your kids etc?

Two things can happen with this strategy:

One - the loan structure is usually incorrect and doesn't consider the ultimate Why (or the investment goal) - this is fundamentally important especially if you are using the equity in your owner-occupied home to fund entry into your investment property. Either the loan is structured as an all in loan (where the two properties are cross securitised) or equity is drawn against the owner occupied home (so the home loan is increased, by say 20% deposit plus costs and used to buy the investment property) and another new loan is set up for the investment property on a standalone basis. The transaction is only considered for that moment in time without the flexibility to consider changes in borrower circumstances or other investing opportunity. In other words, this is not a strategy but a transaction.

Two - the ownership structure is equally not considered for tax effectiveness or asset protection. For example, let's assume mum and dad are buying an investment property. Let's also assume mum has a stay at home status and dad is out working. Finally, the property investment is negatively geared. Dad being the higher income earner should consider owning the property to reduce his tax bill. Conversely if the property is positively geared and mum is not working - then she should consider owning the property as she may pay little or no tax on any profits. (This is a simplistic example and there are may factors that affect the ultimate ownership strategy). Similarly putting the property in both mum and dads name is typical of single property investors and is not a strategy.

#### The Sophisticated (multi property) Investor

Whilst all investors start somewhere and usually their transactions may begin much like a typical investor, there is one distinguishing characteristic. The sophisticated investor seeks advise from many professionals and investigates all options before making their move. Their aim is to build a property portfolio that will provide a passive income stream and asset wealth at retirement.

So who might make up their team of specialists:

- Accountants and/or Financial Planners to understand the figures, tax implications (and/or ownership structure), risk insurance;
- Solicitors to understand contract implications, asset protection issues (and/or ownership structure), implications to their Wills and businesses if they have them;
- Real estate agents or property investment agents
   to get the best advice on locations and property trends; and
- Experience bankers or brokers to obtain the best possible lending options to suit their ultimate strategy and goals usually brokers who are specialists with investors.

So why all this fuss. Well sophisticated investors know their true "why" and the purpose of investing. They focus on a carefully engineered strategy.

Now I am not advocating for anyone professional here at all, but I simply wish to reiterate that you should consider investing time into establishing what your ultimate goal is before investing. Spend a little now to save you from being burnt down the track. Not every property purchase will deliver the ultimate return.

You only need to look at the impacts of the GFC and our current economic market conditions to know that certain locations have plummeting house prices whilst others are on the up and up. Equally not being aware of your financial position and how that impacts your lifestyle, where you want to be in the financial freedom spectrum and anchoring this to your investment strategy are all important considerations.



Sophisticated investors have leveraged Pivot Loans as a strategy to own their homes earlier and build their wealth through investment. According to an article written by news.com.au on the 23rd May 2018 one borrower shaved 15 years off his home loan by using a Pivot Loan strategy. Of course, individual results may differ, and everyone's financial profile is not the same.

The results and impact of a Pivot Loan are variable and for that reason no financial examples are provided. Complex financial modelling is required to assess individual circumstances to establish if this is the right loan structure to support your investment strategies.

I encourage you to hop onto www.switzerhomeloans. com.au and have a play with the pivot home loan calculator, speak to the right professionals to investigate all your options and most importantly decide on what your "why" is to ensure you reach your ultimate financial goals now and in the future. Happy investing!!

> Sylvia Macfarlaine CPA/Accredited Coach & Mentor in Financial Services my virtual mentor/FAB Solutions





#### 5 THINGS YOU NEED TO KNOW WHEN YOU BUY A PROPERTY WITH ANOTHER PERSON

Buying a property is exciting but when you are buying with another person, there are some important things to consider that can impact your estate planning and investment strategy.



#### 1. The difference between joint tenants v tenants in common

There are 2 types of ownership when buying a property with another person: joint tenancy and tenancy in common.

When you own property as a joint tenant, you own the whole of the property together with the other joint tenant and a right of survivorship applies. This means that when a joint tenant dies, the property automatically passes to the surviving joint tenant and the property does not form part of the deceased's estate. This is a common form of ownership between spouses.

When you own property as a tenant in common, it means you own defined shares in the property which can be equal or unequal. The shares of a tenant in common can be dealt with separately. There is no right of survivorship meaning the shares can form part of the owner's estate and will pass according to the owner's will or succession laws. This is a common form of ownership for investors.

#### 2. Investors should get tax advice about the ownership percentages

Investors buying property together should get tax advice before they sign a contract. It is often the case that one of the investors has contributed more than the other or has a higher taxable income and may want to benefit from taxable deductions associated with the investment property.

In these cases, it may be beneficial for the investors to own the property as tenants in common in unequal shares. For example a higher income earner may be advised to own 99% of the shares and the other owner 1% of the shares for a negatively geared investment property. The ownership percentage may be different for positively geared properties. Property investors should speak to their accountant or financial advisor to get advice relevant to their particular situation.

#### 3. Getting it wrong can be costly

If you don't get tax advice and later realise you need to change the ownership percentage between coowners on title, it can be a costly mistake to fix.

Transfer duty (aka stamp duty) is usually charged on the transfer of any interest in the property between co-owners. For example, if investor co-owners purchased the property as tenants in common in equal shares and later realised they should have purchased in unequal shares of 99% and 1%, then they will need to transfer 49% of the property to the other co-owner and transfer duty will be charged and calculated based on 49% of the value of the property.

#### 4. Foreign co-owners

Foreign buyers usually need to apply for Foreign Investment Review Board approval to buy property in Australia and in NSW, VIC, QLD and WA they will also usually be charged foreign surcharge duty (up to 8% extra).

If foreign buyers are intending to purchase property with their Australian spouse then they may be able to structure their purchase to obtain a more favorable outcome.

Foreign persons do not need to apply for FIRB approval (and would save at least \$5500 in FIRB application fees) if they purchase a residential property as a joint tenant with a spouse who is an Australian or New Zealand citizen or who has permanent residency. This exemption does not apply if they purchase the property as a tenant in common. Foreign surcharge duty would be payable on the foreign person's interest in the property (i.e. 50%).

If a foreign person purchased a property as a tenant in common in equal or unequal shares then they would need to apply for FIRB approval (which would only usually be approved for new residential properties) but would only pay the foreign surcharge duty on their share of the property (which could be as little as 1%).

Another alternative to reduce the acquisition costs is for the non foreign person to be the only owner on the property title and for an interest in the property to be transferred at a later date to the foreign person once they became a permanent resident. Such a transfer may also be exempt for transfer duty in most states if the transfer was for a principal place of residence and the transfer results in the co-owner spouses holding the property in equal shares.

#### 5. Co-owners agreement

Co-owners should consider and document what they want to happen in the event of a dispute about what to do with the property, for example if one of the co-owners wants to sell the other doesn't. There are some laws dealing with this type of situation but it can be costly to appoint a statutory trustee for sale. Co-owners should consider entering into a co-owners agreement which is a legal document setting out the rights and obligations of each person (other than in the event of a marriage or defacto relationship breakdown for which a binding financial agreement would be required). This should be signed at the start of the ownership whilst the co-owners are friends and not left until there is a dispute which will be too late.







5 SOURCES YOU SHOULD NOT RELY ON FOR PROPERTY INVESTMENT ADVICE

As a Qualified Property Investment Advisor, it always amazes me how much information people think they know and understand about property. Yet time and time again when I'm speaking with people, I realise that it is everthing that they don't know that is the biggest problem. The sources that a lot of property investors rely on for information is also a big surprise. Let's take a look at the 5 most dangerous sources of information that people are relying on today for property investment advice.

#### 1. Online Forums and Facebook Groups

Whilst I do sometimes read through information on some of the largest online property related forums and facebook groups, I often cringe with what I read. Every participant has their own opinion and often the opinions of some participants are taken as gospel. When this happens, the Mum and Dad investors are often buying in locations recommended by others, or applying strategies learnt from others that may be completely unsuitable for their own personal investment circumstances.

I speak to a lot of people who are interstate and who are looking to buy in Brisbane. It is a function of my role as a Buyer's agent. But what truly surprises me is the number of Clients that tell me they would have bought in this suburb, or that suburb, based on what they have read about the area. When I seek further information, I often find out that their information source is online property forums! This is very dangerous, and my advice is to proceed with caution and verify your facts before relying solely on this source of property investment advice.

#### 2. Family and Friends

Relatives and friends have always got our back ... or have they? It seems that our family and friends are experts in many areas - and especially when it comes to property. Who hasn't been to a BBQ and talked about the house around the corner which would make a great investment?



The truth is, that unless your family and friends have built a successful property portfolio themselves, how do you know that their advice is going to be right for you? And even if they have built their own portfolio, are their goals and circumstances the same as yours? It is wonderful to feel supported by those closest to us, but when it comes to receiving advice around property investments, it might be better left to the professionals in most cases.

#### 3. Real Estate Sales Agents

When searching for properties, I often see listings which describe a property as a "perfect investment opportunity" for the astute buyer. Says who? Sales Agents are there to sell a property on behalf of a vendor, so they are certainly not in a position to determine if a property is going to be a good investment for a buyer. In fact, it is highly unlikely that a Sales Agent would be asking enough questions to understand what a buyer's property investment objectives area, what their risk profile may be or what property investment strategy they are utilising.

Just because a property is well maintained, or low maintenance, does not automatically qualify it as a good investment. There is far more that goes into the selection of a suitable investment opportunity than what a Sales Agent is likely to provide, so avoid falling into the trap of relying on information from Sales Agents.

#### 4. Property Marketers

The role of a property marketer is to sell properties on behalf of a developer. Many Property Marketers do provide a lot of information about property investment metrics, so it can quite often be difficult to determine if they are acting in your best interests or not. The best way to determine if you are being "sold" to by a property marketer is that they will most likely not be charging you anything for the advice.

Now I don't know if there are many people who actually work for free, and I can guarantee that these people don't work for free either. They are being paid by the developers and their commissions are built in to the price you pay for the brand new property they will be recommending for you to buy.

Property marketers are often referred to as "property spruikers" because they tend to attract large crowds to attend free "property investment" seminars. Then during the sales presentation they provide all the reasons why the product that they have to offer it the best investment for everyone in the room - without much consideration for their personal circumstances. Often, the person providing the investment advice is just a sales person working through a script, and is not in fact someone who has a lot of experience in providing investment advice.





Tread with caution if you are caught in this situation ... and never sign up for anything instantly. Take yourself away and use time to your advantage to determine if the strategy they are recommending is in fact the best strategy for your investment needs before diving in.

#### 5. Mortgage Brokers, Accountants and Financial Planners

Mortgage Brokers, Accountants and Financial Planners are all licenced or qualified in their own field of expertise, however most are not qualified to provide property investment advice or most don't understand the intricacies of the real estate markets to know how to find properties that are best suited to a Client's long term goals and risk profile. This is because Property Investment is not considered a "financial service" and therefore it falls outside of the legislation in relation to how it is regulated.

I've heard of accountants that recommend their clients purchase property for the tax depreciation benefits. I've also heard of some financial planners taking commissions from developers to recommend their excess development stock. It is unfortunate that this happens. Thankfully this does not happen with the majority of operators, and by no means am I implying that it does. But consumers should always be aware of the recommendations they are receiving, regardless of who is making the recommendation, and seek an alternative opinion if they are not 100% certain that the investment advice is right for them.

In summary, these are just a few sources of information where property investment advice can be shared with the every day property investor. But it is very important that you understand if the advice you are receiving is going to be right for you. The world is full of unscrupulous advice and when it comes to property investment in Australia, things are no different. Tread with caution, never make rushed decisions, and seek out professional assistance if you are unsure. Property investment involves a lot of money, so if you really don't want to make a costly mistake.





# **WHY SOME BRANDS** AND AGENCIES ARE STRUGGLING TO RETAIN AGENTS AND OFFICES



There is no doubt in saying that there are shifting waters in real estate. 15 years ago, not many people rebranded or left agencies and simply put their head down and did their job. Times are changing now, it is evident to say that some brands and agencies are struggling to keep agents and offices on. I decided to outlay this article to help breakdown some of the evidential problems.

Please note: This is not an attack on any particular brand or agency but rather a general article on the real estate industry.

#### Flexibility in branding

Even though the brand/agency is still relevant in branding, it's not as relevant as it used to be. Brands and agencies need to give their agents more flexibility in promoting themselves and find a middle ground where both the agent and brand are equally promoted.

#### **Technology**

There is no doubt in saying that technology frees up agents time and streamlines some tasks. Agents & Brands need to be able to provide great technology to allow it's agents to their job and no, I'm not just talking about having the pretty looking CRM.

There are many platforms out there that are providing value to agents and providing points of difference to clients (Marketing platforms, Online Auction/Private Treaty platforms, Advertising platforms and data platforms). The other big conversation now is around AI & Data, these tools (even though unknown to some) can not only streamline your business, but drive up your leads and free up your time to be able to earn you more money.

#### **Training**

There's no doubt in saying that you can't be the best without some amount oftraining/mentorship. The question is, are you providing your agents and offices the right resources around training and support? Now I'm not talking about an open door policy and a training session every two months. Are your team and offices receiving ongoing and valuable training to help them grow?

#### Flexibility to grow

There's no doubt in saying that 99% of agents in the real estate industry have ambitions for the future. Are you giving your agents and team members that flexibility to be able to grow to their ambitions?

#### **Culture/Support**

Many offices say they have a great culture and great support, do you really? Does your team feel supported and appreciated? Are you an approachable boss to feedback? Can you have a laugh with your team? Are your team happy?

Many agents and staff members are simply put into a new office, given some business cards and a few signs and are told to get out there and start listing. Can you say that you're giving your team the proper support they need to succeed?

#### Flexibility to innovate

We're in a time that agents now need to innovate, or risk losing relevance in the market. There's many opportunities for agents to do that and provide points of difference. Some agencies and brands struggle to be able to innovate because "we have this" or "we're unable to work that in" or "we don't allow that".

#### Access to resources & Quality of marketing

Have you reviewed your marketing recently? Is it of quality?

Agents want access to the best quality marketing resources. If they're walking into the living room showing an appraisal, they want access to the best quality pre listing kit and the best marketing platforms. What about the best quality prospecting flyers? Some might feel that it's not a big thing, I can tell you though, it does matter.

#### Fees, Fees, Fees

Let's face it, real estate is about money, and agents want to earn as much as they can. Simply though, agents and offices get dragged down by the amount of fees charged by the office and brand. Even though some of it is needed (subscriptions etc). Certain fees are seen aren't seen as needed.

#### How we get the conversation around commission splits wrong.

I feel that the conversations around commission splits are wrong. The real estate industry tends to look at things very black and white and ask the question "What's my c ommission split?" and if they don't like their split, they will find somewhere that offers a larger split. I think the question should be "What am I getting for my commission split?". If you're getting offered the best training, support, marketing, culture, technology & flexibility, isn't it worth the 50/50 commission split? If you find something that's better for you with a higher commission split, maybe it is time to up and leave.

#### **Conclusion**

If you're wanting to have the best and biggest brand in your area and are able to attract the best agents, it's important that your the best option for them. (As mentioned at the start of the story, this is not an attack on one single brand or agency, but rather a general observation on the industry).



# **AUSTRALIA'S POPULATION GROWTH AND**

**HOUSING SUPPLY** 

## [1984-2018]

During the time it will take me to write this blog, Australia's population would have grown by about 100 people.

Australia's net population grows by one person every one minute and 13 seconds.

Today, according to the Australian Bureau of Statistics, our population is 25,432,000 people.

While the figures might seem staggering, they are not new. In fact, our population has been skyrocketing for decades, especially the past 25 years.

Back in 1984, Australia's population was about 15.5 million. That's right, about 10 million fewer people than we have living here today.

From that moment on, we have had continuously strong population growth - courtesy of robust overseas migration mainly - with about 30 per cent of our residents now being born overseas.

That said, our booming population is correspondingly producing more children, plus everyone is living longer, too, which is why Australia is growing so rapidly.

Let's be honest, a country the size of Australia certainly is big enough to support a significantly bigger population.

Since 1984, our population has, on average, grown by an astonishing 300,000 annually!

To put this into perspective, this big country effectively 'gives birth' to the equivalent of a new Sunshine Coast, Geelong or Wollongong every single year.

DARWIN

Denmark

UX

Netherlands

Region Germany

Poland

Czech
Republic

France

Switzerland

Austria
Slovakia
Sunshine Coast
BRISBANE

Gold Coast
BRISBANE

Gold Coast
BRISBANE

Syron Bay

Servia

FRYON

Albanka

Albanka

AUSTRIA

Syron Bay

MELBOURNE

Ditto, if we consider that our population has grown by 10 million people in 25 years, that is the equivalent of nearly two New Zealand's!

Now that I have mesmerised you with all of these numbers, the question, naturally, is what does it mean for Australian real estate?

Well, it's all to do with the fact that humans need shelter and, over that same period of time, it has fallen to private investors - the everyday Aussie mum and dad - to provide roofs over the heads of our growing population.

Since 1984, our population has, on average, grown by an astonishing 300,000 annually!

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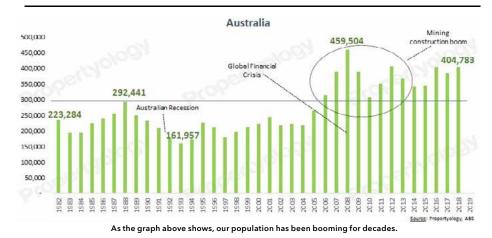
Well, it's all to do with the fact that humans need shelter and, over that same period of time, it has fallen to private investors - the everyday Aussie mum and dad - to provide roofs over the heads of our growing population.

Opening the front door to more immigrants has been important for skilled labour shortages across various parts of Australia, recruiting new ideas, cultural diversity, and increased taxation revenue.

But, whilst both federal Labor and Liberal have supported increased immigration, government funding for new housing supply has continually reduced.

Construction of new publiclyfunded dwellings has consistently fallen for 40 years. Our three levels of government collectively now only fund 1.2 per cent of new housing stock.

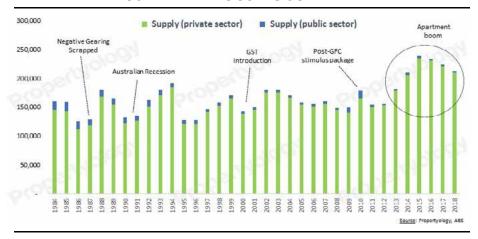
#### **POPULATION - ANNUAL GROWTH**



**Related article:** Population tricks for young players

**Related article:** Australia's mixed bag of housing supply

#### AUSTRALIAN HOUSING SUPPLY



Over the last 30 years, there's been a series of major events which have had a significant influence on housing supply in Australia:

•1987: Negative gearing was temporarily scrapped but reinstated when rents started to soar, and supply fell off a cliff.

•1991: The Australian recession saw the government fund more housing to stimulate the economy.

•2000: The introduction of the GST resulted in the establishment of a super-sized First Home Owner's Grant. The scheme did more than smooth out the transition of major tax reform, it played a role in driving the biggest property boom in Australian history.

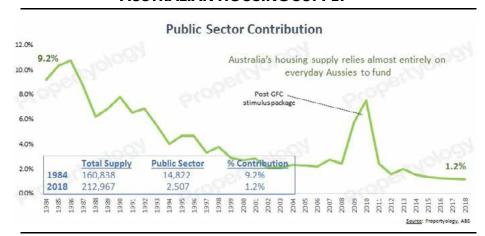
•2008: The GFC. Australia responded by slashing interest rates and a \$42 billion stimulus package which included a one-off increase in government-funded housing supply.

•2013: The winding back of the mining construction boom was followed the commencement of a five-year apartment boom, primarily in Australia's biggest cities.

So, while there's been a variety of stimulatory housing supply programs, this country's ability to fund the construction of sufficient new housing for our growing population would be totally screwed without mum-and-dad property investors.



#### **AUSTRALIAN HOUSING SUPPLY**



As shown in this chart, the proportion of housing supply funded by governments is the tiniest freckle. The private sector now is responsible for 98.8 per cent of Australia's housing supply!

Frankly, aside from shelter for the homeless and others in genuine need, I don't believe it's the role of governments to fund Australia's housing needs.

Taxation revenue can only spread so far. It's already abundantly clear that such revenue is well short of what's required to fund essential infrastructure like hospitals, schools and transport projects for our growing population.

What this means for property investors is that Australia's future growth and success as a nation will forever be reliant on everyday Aussie's who want to invest in real estate.

Simon Pressley

Head of Research

Propertyology
www.propertyology.com.au



## **A VALUATION UNDERTAKEN BY A** HIGHLY EDUCATED, **ACCREDITED AND REGULATED PROPERTY PROFESSIONAL IS** THE BEST CONSUMER **PROTECTION FOR PROPERTY BUYERS AND SELLERS**

(AND, BY EXTENSION, THEIR LENDERS).



The residential property market is often vulnerable to sales pricing evidence based on emotive, external, self-interested and non factually, nor risk based considerations. It can also involve pre-sale negotiation processes that may be opaque thereby creating confusion for buyers.

With such large amounts of personal capital and mortgage commitments at stake, one of the easiest ways for consumers to protect themselves against property risk decisions, whether buying or selling, is to obtain an independent professionally accredited valuation. Property is 'the biggest game in town' . The octopus (so to speak) that incorporates property professionals, valuations, financial services providers, professional indemnity insurers and LMI providers extends across the largest employer, asset and shareholder class in Australia.

This sounds fairly obvious, but surprisingly few Australians understand the difference between a professional valuation and a general, nonevidence based, often conflicted market value or appraisal given by a real estate agent or similar sales agents- with the latter being all too prevalent.

Within Australia, the leading authority/industry association for property professionals is the Australian Property Institute (API) and API members operate regionally, nationally and internationally.

To be certified as an API Valuer who is able to complete a Valuation (just 1 membership category), one must be degree qualified and have completed a rigorous period of professional training, post professional interview with reports. In addition, our members certified valuation professionals must complete 20 CPD points of professional development per year.

The Valuer's role when undertaking a valuation of real property is to provide their professional opinion on what the most likely sale price will be if the property was offered to the market - for sale - as at the day of valuation.

A professional valuation conducted by an API member, considers a multitude of factors. including but not limited to:

- Location
- The structure and condition of a property, including defects and faults
- Amenities and features
- Specific legal considerations, and
- Council zoning.

An API Valuer is accountable for the professional opinion given, which is particularly important for consumers who find themselves managing situations that end in litigation and recovery.

The benefits of a professional valuation are:

- for buyers an accurate valuation will provide detailed, independent, risk weighted and transparent decision making certainty and;
- for sellers an accurate valuation will support selling decisions.

You can recognise an API Valuer by looking for certain membership letters combined with certification post nominals. For example look for:

- <name> LFAPI with CPV:
- <name> FAPI with CPV:
- <name> AAPI with CPV, or
- <name> PMAPI with RPV.

As for the fee for a professional valuation, this is based on an agreement between the Valuer and client.

Given the level of accountability that a professional valuation provides, I hope it is now obvious to the reader the very clear benefits of utilising the services of an API Valuer.





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