

Journal

JUN 2009
VOL 60/05



Family business
Success through
the generations

Commercial property
Opportunities in the
current market

Discrimination
Know the law when
choosing tenants

Bondi blast
How Dynamic Property
handled the crisis

**reflecting
on the journey**

**Century 21's Charles Tarbey
shares advice from his
career path**

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CHARLES TARBEBY, CHAIRMAN
OF CENTURY 21 AUSTRALIA

The *Real Estate Journal* is a member only publication from the Real Estate Institute of New South Wales.

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 The *Real Estate Journal* is printed on paper that is totally derived from resources which are managed to ensure their renewability for generations to come.

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To find out more, visit www.reinsw.com.au and click on the link to Real Business First.



REINSW President Steve Martin received widespread media coverage with REINSW's response to the Federal Budget in May.

Steve told reporters that the extension of the First Home Owner's Grant beyond the current June 30 deadline was welcomed, however it was disappointing that we have not seen a commitment to continue the enhanced initiatives for a full financial year.

"We are only starting to see the beginnings of recovery in the property sector and the best is yet to happen," Steve said.

"It is short-sighted of the Federal Government to think this will happen before Christmas. We need to continue to encourage first home buyers into the market as a means of rebuilding the NSW economy."

Media hits

The latest figures available at the time of writing showed that REINSW received a total of 98 media hits in April, including print, TV and radio, with a total cumulative audience/readership was 3.8 million.

To read REINSW's media releases, visit www.reinsw.com.au

PRESIDENT'S MESSAGE



A valuable resource

Along the journey of a real estate professional's career, REINSW is a valuable resource at every step of the way.

I personally have found that membership of our professional association has been very beneficial on many occasions over the years.

For me, the most significant benefit has been the opportunity to share ideas and gain from the knowledge of other agents across the state.

I have attended REINSW events, forums and training, and have served on committees. These have been excellent networking opportunities. It's impossible to put a dollar figure on the free advice and experience I have gained from other REINSW members.

Just recently, our office faced a property management issue. My wife Tracey called the REINSW Member Helpline and received prompt, practical and reliable advice. I have no doubt that we saved a lot of heartache and downtime in sorting out a problem that we would never have found the answer for in any textbook, and at much less cost than seeking advice from our lawyer.

REINSW also provides a valuable resource in our forms. I can have great peace of mind knowing how much legal preparation has been put into ensuring that REINSW's forms will stand up in court.

Another fantastic member benefit is the *Journal*. I read this magazine every month and it never fails to inspire me.

This edition is the last for our editor, Roslyn Alderton. Over the past three years I have seen the *Journal* grow to become an outstanding publication. This has been attributed single-handedly to Roz and her loyal team. We wish Roz all the best in her UK working holiday and I would like to personally thank Roz for her great co-operation during my time as President.

Whilst it is great to think that Roz is fulfilling a dream of going to work in the UK, she will be sadly missed. She has left huge shoes to be filled by incoming editor Rebecca Ryan, who will have all the support of REINSW to ensure that the *Journal* maintains such a high standard.

Steve Martin
REINSW President



REINSW MAJOR PARTNERS





Sydney's trendiest new building

Surry Hills is transforming into Sydney's design Mecca with the completion of a trendy new addition to the inner-city suburb.

This seven-storey building, owned and developed by Rommark Corp, has been specifically designed to house creative businesses.

Colliers International are marketing the property with Metro Commercial.

Sinking funds

As of 1 July 2009, all strata schemes are obligated to prepare 10-year plans of anticipated sinking fund expenditure. This requirement has been gradually introduced starting in 2005, and from this year will apply to all NSW schemes.

The final stage introduces the requirement for the oldest schemes – those with strata plan numbers from 1 to 9,999. Strata managers are urged to check that the schemes they manage have already developed sinking fund plans, or in the case of these older schemes, are getting ready to develop sinking fund plans.

The sinking fund plan will assist owners' corporations to ensure that they have planned ahead to meet required expenditure, and avoid the need to raise funds by imposing large, special levies. The sinking fund plan can be prepared by an owner's corporation itself, or by outside experts. There are businesses that specialise in the preparation of sinking fund estimations, but owners' corporations are not obliged to use such services.

For more information, visit the Fair Trading website: www.fairtrading.nsw.gov.au

Swine flu alert

Colliers International is preparing tenants of commercial buildings in the event of an outbreak of swine flu.

An internal email has been sent to senior managers and staff at Colliers International's 28 offices across Australia confirming their own process for dealing with the issue.

The recommendations include:

- maintaining stricter cleaning regimes within public areas, particularly to commonly contacted surfaces;
- upgrading various cleaning materials and soaps to hospital disinfectant grade; and
- keeping tenants informed of any new building policies and latest notices from health authorities.

Milestone for Gateway

Property software provider Console has celebrated a milestone, signing up the 3,000th active subscriber to its Gateway real estate software.

The lucky subscriber was Robert Paridis, Principal of Paridis and Partners Real Estate, located at Bondi Junction. He has received a gift of a year's free subscription to Gateway.





PHOTO COURTESY OF TOURISM NSW

Heritage holiday ideas

Want to check out a heritage collection of farm machinery, learn more about cricketer legend Sir Donald Bradman or try gold-panning at Hill End?

The new NSW Heritage Tourism Online website provides holiday ideas for over 500 places across NSW on the State Heritage Register.

Visit the website at www.visit.heritage.nsw.gov.au

Smaller blocks, bigger houses

It now costs four times as much to build a house as it did 20 years ago, according to a new report from the Australian Bureau of Statistics.

The increase is partly due to the fact that houses are nearly 33% bigger than they used to be.

The average cost of building a house in Australia has risen to \$236,000 in 2007/08, compared to \$65,000 in 1987/88.

At the same time, the size of house blocks has decreased.

Research from RP Data has found that NSW has the smallest average lot size of all Australian states and territories, at just 662sqm.



Spring sale

Byron Bay luxury residence 'Cedar Springs' is up for sale again.

Current owners Duncan and Sally Mount bought the property in 2006 at a price of \$8.1 million from previous owners Paul and Linda Hogan.

The primary residence offers five bedroom suites, a resort pool with gazebo and spacious entertaining areas. There is also a separate guest cottage.



New IKEA store

Planning approval has been granted for the biggest IKEA store in Australia to be developed at Tempe, in Sydney's west.

The home furnishing retailer expects approximately two to three million people to visit the store each year, once it opens in 2011.

Coldwell Banker Australia goes public

Coldwell Banker Australia has listed on the Australian Small Scale Offerings Board after a public offering of shares to expand its current business model.

The Coldwell Banker Real Estate Franchise commenced operation in Australia in January 2002 and now has 22 offices in four states.



Are these your competitors?

Agents learned a traditional Maori haka on a rousing opening day of the First National Australasian convention in Christchurch, New Zealand.

More than 350 First National members attended the convention to hear keynote speakers discuss real estate tips and the state of the market.

Real co-operation



THE JOURNEY OF REALCOVER SHOWS WHAT CAN BE ACHIEVED WHEN REAL ESTATE PROFESSIONALS COME TOGETHER FOR THE GOOD OF THE INDUSTRY AS A WHOLE.

Professional indemnity insurer Realcover has recently embarked on one its biggest transformations as it expands from NSW into other states across Australia.

"The expansion means that Realcover will have the ability to spread its insurance risk and will help to keep policy premiums at competitive rates," said John Hill, Chairman of Realcover.

Realcover has already sold policies in Victoria and Tasmania, with plans to roll out to other states in due course.

The expansion is a significant step on the journey of the insurance company, which has grown in size and influence since its launch on 11 March 2004.

Realcover is an industry success story. REINSW members should feel proud of what can be achieved when real estate professionals work together.

"Realcover only exists to provide insurance cover for our industry," John said. "It is peace of mind that agents can't afford to be without."

The company provides policies to cover for professional indemnity claims, which are essentially related to mistakes (or alleged mistakes) in the way an agent has carried out (or failed to carry out) their professional duties.

Many agents would be surprised to discover that litigation can drag on for years, costing huge amounts of money and causing significant

pain and frustration for the agents involved – depending upon which insurer the agents are with.

John knows firsthand what it can be like to go through a claims experience: his highly-respected commercial property agency once suffered much time and expense in dealing with what he initially believed was just a 'frivolous' claim.

It was this experience that spurred John to help ensure other agents would not have to go through the same rigmarole.

The collapse of HIH had also left a huge whole in the market, giving agents little choice for professional indemnity policies. Agents were also faced with the prospect of skyrocketing premiums. Some premiums increased by 600%!

REINSW set up a Board committee to look at long-term solutions. John and his group learned that other industries – such as the legal and dental professions – had started their own insurers, so why couldn't our industry do the same?

With the backing of global insurance brokers Aon, the Board of REINSW set up Realcover as a 100% owned subsidiary. The establishment of Realcover, and the competition it provided, has seen premiums plummet in NSW over the past five years.

"It is important that all REINSW members support the Realcover initiative as without it we would return to the high premium environment that prevailed shortly after the HIH collapse," John said.

Most captive insurers are based overseas and initially Realcover was domiciled in New Zealand, to avoid what they believed to be an excessive requirement by Australian

"REALCOVER ONLY EXISTS TO PROVIDE INSURANCE COVER FOR OUR INDUSTRY. IT IS PEACE OF MIND THAT AGENTS CAN'T AFFORD TO BE WITHOUT."

financial laws to have many millions of dollars in capital. Realcover and Aon were both confident that the reinsurance policies in place would be more than sufficient to cover any potential large claims. Realcover is still supported by large London reinsurers to cover extraordinary claims.

Australian laws changed in 2007, sparking 12 months of negotiations between Realcover and the Australian Prudential Regulation Authority (APRA). This culminated in APRA's approval for Realcover to come onshore at the end of last year. It was a major achievement for Realcover, which became the first small industry insurer to meet APRA's strict requirements.

The APRA approval also provides confidence to real estate agents that Realcover is financially-sound. To help meet the capital requirements, Realcover issued additional shares to respected financial company Risk Advisory Services Pty Ltd.

The APRA ruling also shows the dedication of the Realcover Board to making sure that the insurer is here to stay, for the benefit of the real estate profession.

"When agents are faced with a claim, they know they can depend on Realcover for timely legal advice," John said.

"The claim will be dealt with as quickly as possible. Agents won't

be left in the dark – they will be informed at every step of the way.

"You might not think much about professional indemnity insurance during your day-to-day activities. You might even view it as an unnecessary expense. Although you may be found entirely innocent at the end of the process, anyone can sue and a court hearing is a horrendously costly and stressful experience.

"If you are insured by Realcover, you can trust that your claim will be handled with your best interests in mind."

In addition, the majority of profits from Realcover's operation stay within the industry; they are not paid to shareholders or repatriated overseas.

John said he was extremely proud of Realcover's achievements in assisting agents over the past five years.

"I'm looking forward to bringing our experience to other states to continue to help agents not just in NSW, but across Australia," he said.

If you would like to find out more about Realcover, call 1800 803 636.

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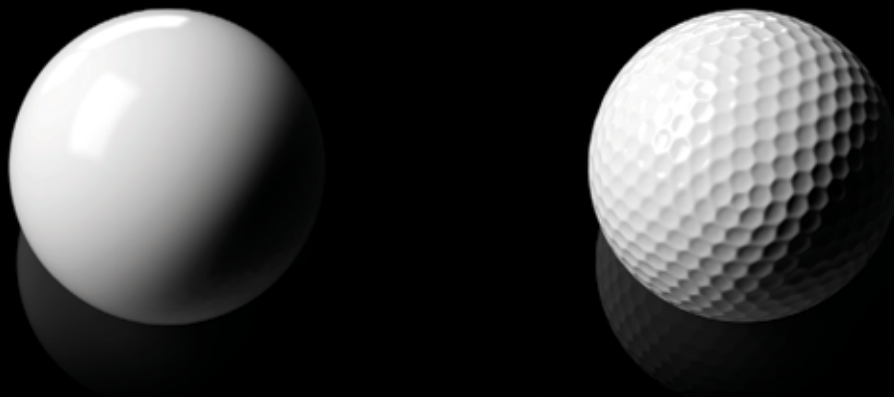
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FORWARD thinking

Crisis management



BY ROSLYN ALDERTON

AN EXPLOSION ON THE TOP FLOOR OF AN APARTMENT BUILDING IN BONDI HAS CAUSED ABOUT 300 RESIDENTS TO BE LOCKED OUT OF THEIR HOMES FOR MONTHS. THE BUILDING'S STRATA MANAGER, DYNAMIC PROPERTY SERVICES, SPOKE TO THE JOURNAL ABOUT HOW THEY HAVE HANDLED THE CRISIS.

The first that Dynamic Property Services knew of the explosion on Monday, 30 March at Ocean Court – one of two Eastgate Towers apartment blocks in Bondi Junction – was when a staff member saw live footage of the building on television.

What followed was a frustrating and exhausting crisis management situation for Dynamic, the strata managers representing Ocean Court's owners' corporation, as well as related parties including facilities managers and insurers.

The explosion occurred in the plant room on the top floor of the 29-storey building, causing serious injuries to two plumbers.

Most residents of the 111 apartments were not at home at the time, and those who were inside were evacuated, believing that they would probably return in a few hours.

It has now become clear that residents will be unable to return to

living in their homes for a minimum of six months. The explosion severely damaged the plant and lift motor rooms and required cutting off the building's electricity, water and gas. With no power, the lifts do not operate, nor do the fire services, making access to the building unsafe and the individual apartments uninhabitable. Furniture cannot be moved out of the apartments as the only access is via the fire stairs.

With approximately 300 residents suddenly homeless, Dynamic has taken on the role of channelling all inquiries about the situation. Dynamic's staff members have worked day and night to handle the crisis, including working through Easter.

"Once we realised the size of it and also the number of unknowns still, we basically set up an incident team," said Pamela Pearce, Director of Dynamic.

"We had two to three people full-time on the phone answering queries."

The team fielded about 100 phone calls a day, in addition to making calls to track down contact details for residents.

Wally Patterson, Dynamic's Managing Director, said that real

WITH NO POWER, THE LIFTS DO NOT OPERATE, NOR DO THE FIRE SERVICES, MAKING ACCESS TO THE BUILDING UNSAFE AND THE INDIVIDUAL APARTMENTS UNINHABITABLE.

estate agents were responsible for providing contact information for tenants to strata schemes. In this instance, many of the contact details were missing or incomplete.

"We only had two email addresses for tenants," Mr Patterson said. "It's an area that agents may want to address in their practices."

Working with the limited information available, Dynamic collected contact details from residents who rang in, organised a bulk distribution of text messages, emailed people, dropped letters in the building's letter boxes and created a special page on their website to provide updated information as it came to hand.

Since nearly all the apartments are undamaged, it has been difficult to explain to residents why they can't go into the building to fetch their possessions. Arrangements were made for resident entry at specific allocated times, and then only under strict conditions. Residents had to sign an indemnity form and could only collect what they could carry down the stairs. This access was only available before the area became a controlled building site.

As residents had not expected to be locked out for so long, they had left important possessions in their apartments, including items such as passports and medication.

"It was quite distressing for the staff," Mr Patterson said.

Residents were also asked to empty fridges, cupboards and rubbish bins to prevent health hazards, and remove rubbish to the garbage room on each level for removal by cleaners.

The other major concern from residents was where they would live and who would pay to cover their living expenses. Owner-occupiers are able to claim reasonable expenses incurred for emergency accommodation, as this is covered by the owners' corporation's insurance. The policy also covers loss of rent for landlords. However tenants' expenses are not covered.

Mr Patterson said some tenants expected Dynamic to pay for furnished accommodation until they could return home – something that was not included in the insurance and Dynamic had no authority to do.

"People were really angry because we couldn't give tenants money," he said. "That was one of the real challenges for us."

Dynamic has tried to keep tenants informed of the situation and has provided them with a list of real estate agents where they could seek short-term accommodation.

CONTINUED ON PAGE 10



Lessons learned from the 'Bondi blast' crisis

- **Ensure your company culture is strong and positive** so that staff are dependable when you really need them. "The cultural aspect of your organisation is really important. We have really committed and supportive staff, not staff whose attitude is 'I'm only here 9 to 5 so I don't need to do this'," Ms Pearce said.
- **Encourage landlords to take up landlord's insurance and tenants to take up contents insurance.** "Those who have got it have a much wider range of options available to them," Mr Patterson said. "I know of one tenant who has moved out into furnished accommodation. The landlord's insurance covers things like carpet. The contents picks up the difference. She is now living at the same standard as she was before."
- **Ensure your relationships with suppliers are strong.** In Dynamic's case, the company's web designers created a new web page on Good Friday, while the IT provider organised a bulk SMS distribution over the Easter long weekend. "You need those relationships with your suppliers," Ms Pearce said. "If you have an attitude that you are always trying to pay your suppliers late and as little as possible, when the crunch comes, where are they?"
- **Ensure real estate agents provide all relevant contact details to strata schemes.** "It's a requirement of the law that they provide this information," said Mr Patterson. "This is not just good database management. It's a legal requirement for a licensee."
- **Keep building valuations up to date.** "For buildings, make sure that their valuations and insurance policies are absolutely up-to-date and reviewed regularly," Mr Patterson said. "This building was and that has stood them in extremely good stead. There was no argument with the insurers about whether they are underinsured or not. It made it much easier to keep getting 'yes' all the way through."

“WITH FIRES OR FLOODS OR HAIL STORMS, PEOPLE CAN SEE VISUALLY 100 DAMAGED HOUSES. HERE YOU HAVE 111 HOMES THAT ARE UNINHABITABLE AND PEOPLE CAN’T GET TO THEM.”

Despite their efforts, Dynamic have received criticism from the media, including a headline: “Bondi blast tenants ‘left high and dry’.”

“It was hurtful to people in the organisation,” said Ms Pearce, who believes that part of the reason for the criticism is a lack of understanding of the reasons why the building is uninhabitable.

“With fires or floods or hail storms, people can see visually 100

damaged houses. Here you have 111 homes that are uninhabitable and people can’t get to them. Because the main damage is so far up, people can’t see it. For those poor owners and real estate agents, the response from the community is not nearly as strong.”

Media interest in the situation was so intense that Dynamic engaged public relations firm Jackson Wells for advice and to field inquiries.

“We appointed Jackson Wells with the support of the insurers and the owner’s corporation when media interest was so huge that it was actually starting to distract from operational things that had to be done here,” said Mr Patterson.

Dynamic was conscious that there were many unknowns, such as the cause of the accident, which remains the subject of a WorkCover investigation. Any comments needed to be carefully worded to avoid spreading misinformation or conjecture.

“We have always had a policy here that any media inquiries must come to the directors,” Mr Patterson said.

“We were really proud that when this broke, customer service people at reception understood straight away and just directed inquiries to the directors.

“Policies that were long-standing and in place meant that no unauthorised media crew could bluff their way in here. It’s an example of how you really need your policies in place beforehand. When a crisis hits, that’s not the time to go ‘how do we handle the fact that there’s a lot of media?’.”

He said the company’s culture also played a significant part in handling the crisis by ensuring that staff were willing to go above and beyond their call of duty.

One staff member who lived two hours away on the Central Coast temporarily moved to Sydney and lived with friends

so that she could work longer hours. Another staff member worked 14 days in a row.

While some staff were dedicated to answering inquiries, other staff had to cover extra duties.

Despite the burden of extra work during the crisis, Dynamic ranked fifth in the *BRW Great Places to Work* list in April, as voted by the company’s staff. It was the top-rating small to medium enterprise on the list.

Ms Pearce said that ranking so highly on the list was a pleasant surprise.

“A lot of the time, strata is not what you would call ‘fun’,” Ms Pearce said. “But everyone is very proud of how we handled this situation.” ♦



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DESIGN:

Kids' rooms that grow with them



IT'S EASY TO CHANGE THE LOOK AND FEEL OF A KID'S BEDROOM WITH PAINT AND A BIT OF IMAGINATION.

Preparing the nursery for a new baby is one of the most enjoyable tasks for parents. But how do you create a colour scheme that integrates with the rest of your home?

According to Kim Chadwick, principal of Blend Colour Marketing and Design, traditional baby pinks or blues don't mix with today's greys and browns.

"Kid's rooms should be fun places where your child's interests are on display and change as they grow but they need to fit into your home's overall look," Kim said.

"One useful design tip is to dedicate one wall to your children and the rest to your overall colour scheme."

Kim has developed some great painting ideas for the Rohm and Haas Paint Quality Institute that you

can share with your kids as they grow and change.

Baby's nursery

Walls in deep off whites and neutrals are soothing, not too bright and enable you to introduce various themes and colours as your child's personality begins to shine through.

Kim created an ocean environment theme for her little boy with a base colour of pale turquoise, a sub palette of lighter and darker shades, and highlight colours.

Then she used sample paint pots to colour cardboard cut out fish, sea horses and dolphins and attached them to the walls using Velcro dots.

Superheroes' room for toddlers

As your child goes through stages of fixation with dinosaurs, superheroes or fairy princesses, you can involve them in repainting the wall or simply change the stick-on artwork.

"ONE USEFUL DESIGN TIP IS TO DEDICATE ONE WALL TO YOUR CHILDREN AND THE REST TO YOUR OVERALL COLOUR SCHEME."

As they start to draw and create, paint a blackboard on the feature wall or use specialty finishes like pearlescent paints to add a different dimension.

Together tweens

Tweens know what is cool yet still love to work with mum and dad on projects. Discuss their ideal bedroom and create projects to help them achieve it. Their involvement in selecting colours and themes will give them enormous satisfaction.

Painting frames of all sizes directly onto walls is a great way

of displaying pin up posters of their idols, photos and school achievement awards.

A stylish makeover for teenagers

For the stylish teenager, new bedroom furniture might be the trigger for a room makeover involving new paint colours and textures.

There is something about dark colours and teenagers that seems to gel, so be ready to see those baby blue walls transform into a charcoal backdrop for the ipod speakers and laptop.

Kim said that water-based 100% acrylic interior paint is ideal for kids' rooms because it is durable and washable and, by using the same colours for walls and furniture, it will all co-ordinate perfectly.

This article first appeared in the Paint Now! Newsletter from the Rohm and Haas Paint Quality Institute. ♦

Through the generations



BY REBECCA RYAN

RUNNING A FAMILY BUSINESS HAS ITS OWN SET OF UNIQUE CHALLENGES, INCLUDING THE SKILFUL MANAGEMENT OF FAMILY RELATIONSHIPS IN LINE WITH SOUND BUSINESS PRACTICES.

WHAT ARE SOME OF THE SECRETS TO SUCCESSFULLY GROWING A FAMILY BUSINESS?

A large number of real estate businesses in NSW are family owned and run. The most successful family businesses have embraced growth and change to ensure their longevity and success. Despite having to contend with internal family tensions on top of the usual work stresses, these successful owners have recognised that their business has its own unique dynamics compared to non-family operated businesses.

"Unlike non-family business, a family business has three dimensions faced by the owner: operating the business, ownership of the business and the family involvement in the business," said Valerie Redman, a specialist family business advisor and CEO of Redman Enterprises.

"IN DETERMINING THE RIGHT BALANCE BETWEEN FAMILY AND WORK, ESTABLISHING A CLEAR BOUNDARY BETWEEN WHAT IS FAMILY AND WHAT IS WORK IS ESSENTIAL."

"The journey to success is unique for family business as these dimensions create challenges and advantages not necessarily faced by non-family run businesses."

Family business challenges

Areas of potential downfall include the balancing of family and work life, inter-family conflict, cross-generational differences and getting the fit right when bringing a non-family staff member into the business.

"In determining the right balance between family and work, establishing a clear boundary



between what is family and what is work is essential," Valerie said.

"For example, a stipulation could be made where work is not to be discussed between 6pm Saturday and 9am Monday, making Sunday a dedicated family day."

In addressing conflict, regular family meetings can be a communication channel that can help to prevent or deal effectively with any potential or occurring conflict within the family.

It is also important for the family business owner to consider succession planning and cross-generational differences if they want their business to survive through the generations. Valerie explains: "It is important to look at what we have termed 'the next generation of family businesses'. In short, this is a process of how to best manage the transition from 'founder' to 'next generation' effectively."

Succession planning includes:

- how to best address cross-generational differences;
- ensuring the successor is qualified for the role;

- encouraging the child who is taking over to gain work experience outside the family; and
- how best to execute the hand over of the business.

It is important for the current owner to act as a custodian for the future of the business, in order to ensure the next generation carries it on. Without planning, the longevity and growth of the business could be at risk.

"It is vital for family business to address generational differences in order to ensure the vision of the business is kept alive and well and matches the family values," Valerie said.

"Values and vision give a common way for all to move the business forward. Clarity on values helps you stay on track as to where the business is going and how."

Family business advantages

Despite the challenges, there are also many advantages that a family-run business can leverage.

Advantages include:

- strong family values;



- the honesty associated with family-run business;
- the passion and dedication of its employees;
- the flexibility to respond appropriately and quickly to change in the market;
- genuine caring for customers and excellent customer service;
- a strong, consistent working culture; and
- an ability to market to their niche effectively.

Most successful family businesses at some stage also commission or refer to outside help to assist with keeping things on track and further refining the business. Honing current structures and business systems will help to take a family-run business to the next level.

Overall, for real estate agents, playing a role in the buying and selling of people's homes can be a very personal task. A home is a big part of someone's life and the real

PERHAPS IT IS THE TRANSPARENCY AND BENEVOLENCE THAT A FAMILY-RUN AGENCY RADIATES THAT IS THEIR KEY TO SUCCESS.

estate agent is involved in a very emotional process. Perhaps it is the transparency and benevolence that a family-run agency radiates that is their key to success.

Leveraging a family business's unique attributes to differentiate the business from competitors and create a unique selling proposition in a competitive and crowded market may just put the business on the right path to success.

For more information about family businesses, visit Family Business Australia at www.fambiz.org.au or www.valerieredman.com ♦

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THE TEAM AT G. HUNTER & CO IN PARKES.

Family matters: A tale of business success

BY REBECCA RYAN

"IF YOU CAN'T SELL SOMEONE SOMETHING TODAY AND LOOK THEM IN THE FACE TOMORROW, THEN DON'T SELL IT TO THEM."

This is the philosophy that Jim Hunter, of real estate agency G. Hunter & Co, lives his life and runs his business by. It is the first thing his father taught him about conducting business, back in 1953, when Jim first joined the agency at age 14.

G. Hunter & Co. was founded in 1932 by Gordon and Connie Hunter and in 2007 celebrated 75 years in business. The agency is located in Parkes in country NSW and is still going strong, now owned and run by Jim Hunter and his brother Terry.

When I called the agency's switchboard to first make an appointment with Jim for this interview, it was, to my surprise Jim who actually answered the phone. Now, you may see this as a minor gesture, but it is indeed reflective of what the business prides itself on: good, old-fashioned, honest service.

It certainly shows to some degree the importance of customer service and makes good on what Jim identified as one key to his business success, and that is to treat everybody the same. There is no evidence of hierarchy here.

Jim has seen many family-run real estate agencies in Parkes come and go over the years.

"I think the reason we are still here and going strong is that we have a good name and so people have stuck with us," Jim said.

"You must be honest with people or you won't survive. We really care for our customers and we pride ourselves on that."

Establishing and maintaining relationships is key, he said.

"I feel the big businesses are a big threat to pushing out the family businesses both in the real estate industry and other industries too," he said. "We really need to lean on our established relationships and reputation [for the business to survive]."

Jim knows his market and customers well. He was encouraged by his father, in his early years of joining the work force, to take some time working in the wool shed as a wool classer.

"Dad made me work as a wool classer as well as working in the agency. He thought it would give me a well-rounded experience as well as get me talking with the people in the community."

The business is run as a community – a team effort in the true sense of the word.

"If someone calls and wants to go down and look at a farm [the agency is selling], whoever was available

"YOU MUST BE HONEST WITH PEOPLE OR YOU WON'T SURVIVE. WE REALLY CARE FOR OUR CUSTOMERS AND WE PRIDE OURSELVES ON THAT."

would take that call and show the place to the customer, regardless of who was actually managing the property, otherwise that person may leave and not bother to come back."

Planning, structure and processes are important to the business. Jim explains that there are so many regulations compared to when he started in the industry that you would not be an effective business without some form of structure and planning.

"Deals used to be made with the shake of a hand," he said. "The honour system is no longer viable today. You must do things by the book."

Jim heavily relies on ethics and his values to keep the vision and mission of the business alive. When employing non-family members into the business, it was always and will remain extremely important that the

hired staff share these values and work ethic.

When I bring up the subject of family conflict, which would seem inevitable with such a long-running and heavily family-staffed agency, Jim dismisses the idea.

"We communicate so well, and are always honest and open with each other and we have had no trouble," he said.

"This seems to be the key to preventing conflict: open, honest communication, a similar work ethic and solid vision, mission and goals in place."

The only time there ever seemed to be a disagreement was when Jim insisted to his father to develop their rent collection activities.

"Dad was not keen for me to do this, but I insisted," Jim said. It has proved to be their savior when times got tough over the years due to drought and economic conditions, as the agency's rent roll has provided an income when sales were down.

I ask Jim for a few parting words of wisdom that may help other agencies in their journey.

"Always keep your nose clean by not doing anything shonky, don't neglect your rent roll, and treat everybody the same," Jim said. ♦



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Century 21

a business adventure

BY ROSLYN ALDERTON CHARLES TARBEBY LEARNED TO OVERCOME SELF-DOUBT AS THIS COUNTRY KID GREW TO BECOME CHAIRMAN OF CENTURY 21 AUSTRALIA, BUILDING UP A NETWORK OF MORE THAN 400 OFFICES THROUGHOUT AUSTRALASIA.

It's true of most real estate agents that their greatest passion is property. Yet for Charles Tarbey, it is truer to say that his passion is business.

The fact that he happens to be in the real estate industry is mainly chance. He could have started out selling ice creams or lawn mowers or cars and he believes he still would have achieved the same success.

"It wouldn't have mattered for me," Charles told the *Journal*. "I have always seen myself doing certain things. I have always been able to look ahead and that's where my mind will drive me."

His career hasn't followed a carefully-planned roadmap; it has been more of an adventure, driven by a desire to prove himself.

"The greatest challenge for me has always been overcoming self-doubt," he said. "When you are in the midst of it all, when you have to gather all of your thoughts, you sit there and find yourself thinking: 'What the f... am I doing here?' Then the dust settles and you look around and you just get started."

Charles grew up in a Lebanese family in the country town of Crookwell – the same place as Aussie Home Loan's John Symond, who was also the son of Lebanese immigrants. In fact, Charles and John attended the same boarding school and have remained good friends.

At school, Charles was more interested in sport than studies, and broke several Australian weightlifting records. He wanted to be a musician, but his parents thought it was better for him to have a 'real job', so he started working for his sister, a property manager, while waiting for his HSC results, which he said "I shouldn't have waited for".

"My parents were a bit disappointed, with all the money

they spent [on my schooling]," Charles said.

"I didn't have a choice then. I was in real estate – in property management. I stumbled through that for a few months."

As an ambitious teenager, Charles felt "restricted" in property management.

"The sales people would turn up for meetings in cars that were so fancy that I couldn't even pronounce their names," he said.

"At that age I was motivated by greed. You don't really understand at that age that there's more to it than just money. You don't have your foundations in place."

At just 18 years old he set out to become a sales agent and couldn't understand why so many offices turned him down.

"Then I found a sales job out Penrith way. It was the only place I could get at that age in sales," Charles said.

"I didn't see myself as the young kid that other people may have seen me as. Starting off in an area that was a first home buyer area meant that the people talking to me were probably not much older than I was. I felt very comfortable."

After a few years, he had the chance to buy the office where he was working.

"I think negative thinking is a very important part of growth. I know a lot of people that think positively and when they get smacked, they get smacked big time. They think they have failed. You never fail. You just think differently."

"At the tender age of 21 I bought my first real estate office in Penrith," Charles said. "I lived by the philosophy of 'anything is possible when you don't know what you are doing'. Sometimes when you are too educated and streetwise you calculate the risk and you don't take it. You have a tendency to be so smart that you [miss] the opportunity."

Charles was absolutely determined not to fail, and so he built up the business by progressively buying new offices.

"By my mid-20s I had five offices and 40 employees," he said. "It was at that time I decided to create a franchise. I re-branded the five offices and started Combined Real Estate. I grew that to 56 offices by the early 90s, 10 years later."

Throughout this time, Charles was developing a reputation as one of the real estate profession's brightest business minds. He conducted training sessions, spoke at industry events and published two books, *Profit Driven Real Estate* and *Listing Rich*. He also attended seminars, read books and networked with as many people as possible.

"I wrote everything down, that was the key," he said. "I sat down each night and wrote a short list of things I wanted to do each day: long-term dreams and short-term objectives. If you get a mental picture of where you might want to be, you do things and when you turn around you find you are already well down the path."

Charles stresses that he wasn't fixated on particular goals, nor does he define himself as being an especially positive thinker.

"These long-term goals and strategies, sure they will help you get where you want to go, but I think you miss out on a lot on the

way through if it's too regimented," he said.

"People who are positive all the time are just not living in the real world. Positive and negative go hand in hand. I think negative thinking is a very important part of growth. I know a lot of people that think positively and when they get smacked, they get smacked big time. They think they have failed. You never fail. You just think differently."

Century 21

It was Charles' open-minded approach to business that led him to Century 21 Australia.

"In 1993 the American parent came to one of my book launches and approached me about buying my business out," he said.

"I had gone and had a look at them [Century 21] in the early 80s in the US. They appealed to me, the fact that everybody was talking about the global economy. You could see that starting to emerge in the 90s."

However his contemporaries in the industry were advising him against joining the Century 21 brand.

"Century 21 had gone into liquidation in 1990. The US parent took control of the Australian operation. It had a bit of a stigma attached to it. A lot of people advised me against doing it," Charles said.

"But my daughter said to me she thought I should do it. She was only

11 or 12 at the time. She said: 'You should do it because Combined Real Estate is like Australia's Wonderland but Century 21 is like Disneyland. Everybody knows it.'

"She saw it from a consumers' point of view. All of my friends were in the industry. That was an interesting lesson."

Charles decided to test his daughter's theory one day when he pulled into a service station. He asked the attendant if he had ever heard of Combined Real Estate – he hadn't. Then Charles asked if he had ever heard of Century 21 and the attendant's reply was: "They are huge".

Based on Charles' instinct to join a global real estate brand, he merged with Century 21 Australia in 1994 and bought the business outright on 29 September 1995.

"It became profitable from day one, from a company that had lost significant millions of dollars between the previous owners and the US parent," he said.

Century 21 Australia has now grown to more than 400 offices throughout Australia and New Zealand.

More recently, the business has grown with the addition last year of Wentworth Real Estate, which manages approximately 12,000 properties in Australia. Wentworth is a publicly-listed company, with Charles appointed as Managing

"It's not that I'm constantly looking for opportunities, but I just know that if I don't take up opportunities I might as well sell out and retire."

Director. He has worked 14-hour days throughout the merger process and as he seeks to improve the business.

"It's been hard work – I have never felt so tired," he said.

Like many in the real estate profession, Charles still struggles to maintain a work/life balance.

"You do make personal sacrifices," he said. "Most of my personal sacrifices have not been ones of pain and suffering. My personal sacrifices have been the enormous amount of time that I have put into this business – the number of one-on-one meetings that I have had to continue to build and maintain relationships, the extra hours

related to keeping in touch, to learn and study, to grow my business. Each of the above I have been in the position to enormously enjoy."

The journey continues ...

Charles is now focused on where to take Century 21 Australia next. He owns the business outright, without any partners or shareholders, with the exception of Wentworth. His children have not followed his footsteps into real estate, instead pursuing their own passions. Charles is now working on creating a succession plan so that the senior managers at Century 21 Australia can be "more involved in the business" and he has not ruled out the possibility of a public listing.

"It's not that I'm constantly looking for opportunities, but I just know that if I don't take up opportunities, I might as well sell out and retire," he said. "I just think you have got to keep growing."

He believes the future for the real estate industry in Australia lies in what he calls "the commercialisation" of real estate into major brands that are tied to services including conveyancing, finance and insurance.

"Agents would be very surprised at how many people in the public arena have got the microscope out on the real estate industry," he said.

"When a real estate agent makes a sale, to this date I have found

over 27 different government bodies, public companies, private companies, and individuals that are forged into action.

"Real estate agents control the flow of so many other important business activities when we make a sale. We hold the power. We should not underestimate that."

For those just starting their adventure

Despite his financial success, Charles still lives in the same house in Sydney's lower Blue Mountains that he bought 25 years ago.

"If you think that being the owner of Century 21 is all about money and fast cars and dinners, it can be, but that's not what it is," he said.

"It's all the relationships that you can build over the years that are far more important and far more fulfilling than dollars and cents.

"How many houses can you live in? I buy real estate investment properties. I own an 18 hole golf course. I could have a big home. But it's all about making sure it's more than dollars."

For young agents starting out with the same ambitious streak as himself, he gave some sage advice.

"Focus on the relationships," he said. "Even if there isn't a deal in it, remember that there will be something in it. You won't know where and when and how it comes to you, but it will." ♦



ANNETTE FERRARI
REINSW TRAINER

Training to succeed

ANNETTE FERRARI BELIEVES THAT TRAINING IS VITAL TO ENRICH A REAL ESTATE SALES CAREER AND IMPROVE THE PUBLIC'S PERCEPTION OF OUR INDUSTRY.

Annette is an inspiring role model for women in the real estate profession. She has achieved three university degrees while raising three children and working full-time as a real estate sales agent and later as a trainer herself.

Looking back on her career journey, Annette finds it intriguing that she ended up in real estate and that she pursued as much education as she did. Although she had a strong competitive streak and played a lot of sport, she had never considered real estate as a career.

Annette had worked in many different jobs, including as a restaurant manager and an executive PA. Her entry into real estate presented itself when she was selling her property.

"The agent that was handling the sale suggested that I would be good in real estate," she said. "I really didn't think much more of it. The next year my youngest was starting school. My plan was to go back to do some study, when I got a call from this agent. He said he was really short-staffed and would I like the job opportunity?"

Annette started as a receptionist, but before long she was doing most of the tasks in the small agency, eventually ending up in sales.

"When I first started, there were not a lot of women in the industry," she said. "The women were the receptionists. Of course there were the put downs – you would hear bits of gossip about you from your male competitors, all the jokes about 'what do you girls think you are doing?' If nothing else, that just spurred me on to rise above all that."

A turning point in Annette's life occurred when she decided to pursue her real estate licence at REINSW.

"I hadn't done formal study since I had left school, so it was a big step for me," she said. "I found that the staff and trainers were really inspiring, the way they were mentoring people. That really spurred me on to continued study from there. I enrolled at the end of the year into a uni course and I did 10 years' straight of study."

She completed a Bachelor of Arts in Communications Studies, a Bachelor of Adult Education and a Masters in Behavioural Science.

How did Annette manage to balance all the demands of family, work and study?

"At the time, for me, I just kept moving forward," she said. "There have been times when I have looked back and thought 'how did I manage all that?'"

On the other hand, Annette firmly believes that study assisted her to achieve a greater work/life balance.

"I think the study made me look at everything in perspective," she said. "I felt that it made me a more rounded person. Knowing that [real estate] is a job that can call on you 24/7, I think you can be quite narrow in your approach and your perspective. If you have other interests, you are mixing with different people, you are learning about different concepts and different coping mechanisms.

"You yourself become a more interesting person. As a sales person, you have to be interesting. People have to want to be around you."

She believes her studies also had a positive influence on her family life.

"I think it's a very positive role model for children to have – in particular for girls – to have a mother study," she said. "To show them that it's possible and that education is vital, no matter what age you are.

"Education shouldn't just end the day you walk out from year 12. It

"I think the study made me look at everything in perspective, I felt that it made me a more rounded person."

needs to be ongoing, no matter what you are doing. You have to continually improve and educate yourself."

Annette's passion is evident in the classroom as a trainer for REINSW, where she encourages agents to achieve the highest standards of professionalism and integrity.

"The perception of the public of real estate agents, that we are 'one step up from a car salesman', that always bothered me greatly," Annette said.

"One way we can improve that perception is through education. The better educated the industry is, the more likely we are to improve the public's perception of our profession." ♦

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REINSW Training Calendar

JULY/AUGUST 2009

JULY

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	WEEKEND
		1 GRAFTON Protect Your Business	2	3	4/5
6 SYDNEY Experienced Agents Licensing Course	7 SYDNEY Business Relationship Intelligence	8	9	10	11/12
13 SYDNEY Course in Property Practice F/T (starts)	14 SYDNEY Best Practice CPD 1 COFFS HARBOUR Best Practice CPD 1 COFFS HARBOUR Experienced Agents Licensing Course	15 PORT MACQUARIE Best Practice CPD 1 PORT MACQUARIE Experienced Agents Licensing Course	16 SUTHERLAND Property Management Forum	17	18/19
20 SYDNEY Licensing Course (Real Estate) F/T	21	22 LEADERSHIP AND BEST PRACTICE CPD Conference	23 MANLY Best Practice CPD 1 MANLY Experienced Agents Licensing Course	24	25/26
27 SYDNEY Course in Property Practice F/T (starts)	28 SYDNEY Under-performing Staff	29 CASTLE HILL Auctioneers Forum	30 ORANGE Rural CPD Day	31	

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AUGUST

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	WEEKEND
3	4	5	6	7	8/9
SYDNEY Experienced Agents Licensing Course	SYDNEY Setting up your agency	SYDNEY The Keys to Successful Property Management	TAREE Best Practice CPD 2		
			TAREE Experienced Agents Licensing Course		
10	11	12	13	14	15/16
SYDNEY Course in Property Practice F/T (starts)	SYDNEY Best Practice CPD 2	DUBBO Rural CPD Day			
		SPRING CLEAN CPD Conference			
17	18	19	20	21	22/23
			SYDNEY Property Management Forum		
			BYRON BAY Holiday and Short Term Rentals Conference		
24	25	26	27	28	29/30
SYDNEY Course in Property Practice F/T (starts)	SYDNEY Talent Management		BATEMANS BAY Holiday and Short Term Rentals Conference		
	NORTHERN BEACHES Auctioneers Forum				
<ul style="list-style-type: none"> CPD Workshops (Sydney metro) \$199/\$245 CPD Workshops (Regional) \$199/\$245 Course in Property Practice start dates (full and part time as noted) \$510/\$645 Experienced Agents Licensing Course (available in business \$999/\$1499, real estate \$1499/\$1999 and stock & station \$2499/\$2999 categories) Forums \$25/\$50 Licensing Course (Real Estate) full time \$3370/\$4225 			<p>Prices are indicated as member/non-member and GST inclusive</p> <p>All CPD workshops are delivered under the broad learning categories outlined in the Commissioners Guidelines for CPD and will entitle the user to 12 points.</p> <ul style="list-style-type: none"> • 4 hour workshops are delivered under Learning Category 3 with assessment • 6 hour workshops are delivered under Learning Category 2 		

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'Goods' time ahead for warehouses

COMMERICAL

SKILLED LEASING AGENTS KNOW THERE IS ALWAYS A SILVER LINING TO THE DARK CLOUDS, AND THOSE THAT HAVE WEATHERED THE STORM OF THE PAST 12 MONTHS IN THE INDUSTRIAL PROPERTY MARKET CAN NOW LOOK TO NEW OPPORTUNITIES ON THE HORIZON.

After a drop in demand near the end of 2008, there are signs that conditions in the industrial leasing market are starting to improve.

"Definitely there was a slump in inquiry for eight months in 2008," said Joshua Charles, Regional Director of Industrial Services for CB Richard Ellis. "Since February 2009 there has been a noticeable increase in inquiry from third-party logistics groups across the Eastern seaboard."

He said large importers were taking their warehouse inquiries off their own books and outsourcing it to third-party groups such as Toll, TNT or DHL, who combine smaller areas of space into large warehouses.

"[Importers] are getting economies of scale without taking much bigger warehouses," Joshua said.

This could, in part, be attributed to a trend of consolidation by importers who have a reduced need for larger spaces due to the fall in demand and also because of greater efficiency in transporting and storing goods.

Nick Crowthers, National Industrial Statistics Analyst from Jones Lang LaSalle, said advances in logistics meant that goods could be transported more quickly from the factory to the consumer, so importers had less need to keep inventories in warehouses.

Figures from the Australian Bureau of Statistics confirm this. Since the last downturn in the early 1990s, the stock-to-sales ratio has declined from around 1.0 to 0.65, which implies a reduction in the average inventory holding period from three months to two months.

This also makes the industrial warehouse sector more sensitive to changes in consumer spending

habits. As soon as the global economic crisis hit and demand for some consumer goods fell, some types of warehouse space quickly emptied, especially for the worst-hit sectors such as automotive parts and electronics.

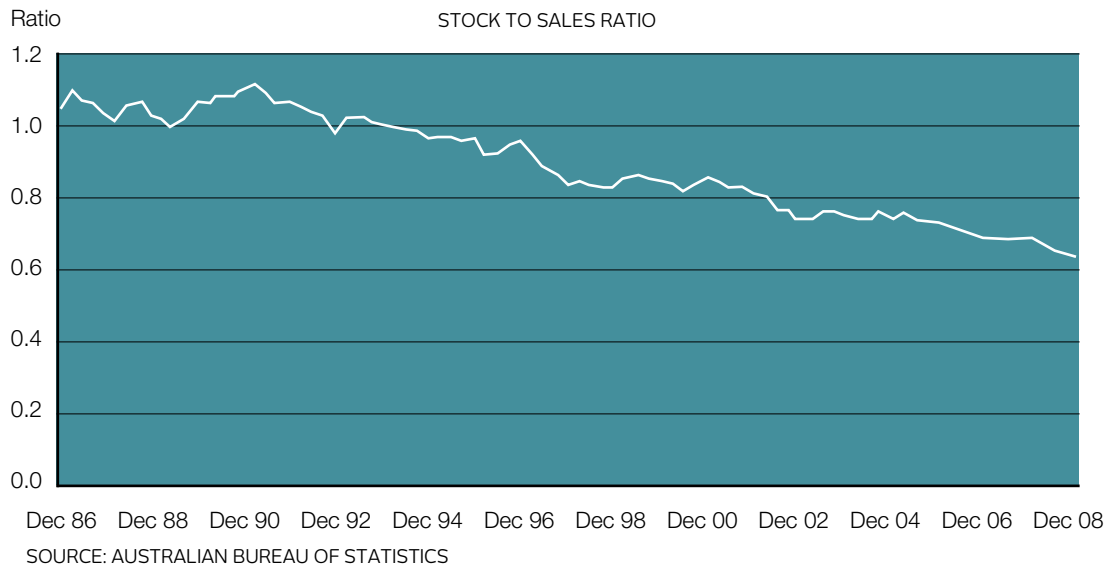
"There has been a very sharp pull-back in container trade," Nick said.

Occupier demand for new space declined markedly in 2008 as many occupiers opted to remain at their existing premises rather than relocate, limiting the level of leasing activity. Figures from Knight Frank show that the number of lease deals fell by 12.32% in 2008 while the total space leased fell by over 50%.

Rents have also been impacted. At the start of the year, CBRE forecast that net face rents for Sydney metro grade A warehouses would lift from \$127 per sq m in 2008 to \$130 in 2009. However those forecasts have since been revised, with rents now expected to dip marginally to \$126 per sq m this year before lifting to \$128 next year and only reaching \$130 in 2011.

However there are signs that the market may fare better than anticipated.

China – the world's powerhouse of manufacturing and the origin of 17% of Australia's merchandise imports – is starting to recover from a pull-back in exports.



“WHEN THE MARKET DOES TURN AND DEMAND FOR GOODS INCREASES, THERE WILL BE A VERY SHARP TICK-UP IN THE NUMBER OF PEOPLE LOOKING TO BUILD THEIR INVENTORIES TO MEET THAT DEMAND.”

The country's key indicator of manufacturing activity, the Purchasing Managers Index, had remained below 50 for five months from October to March, where a reading below 50 indicates contraction in activity. However the index has since recorded two consecutive results above 50, indicating growth.

Retail spending has also surprised economists with better-than-expected results, lifting by 2.2% across Australia in March, while department store spending jumped a huge 13.2% to an all-time record high, according to ABS figures.

“There's a close alignment between retail spending and the industrial warehouse sector, but it's not the only major factor,” said Joshua Charles.

“We should not put all of our eggs in the retail spend basket. So many other factors effect the usage of warehouses.”

One factor is population growth. Even though NSW has a slower rate of growth than other states, the population grew by 1.3% in the September quarter of 2008 compared to a year earlier, at just over 7 million people, 4.3 million of whom live in Sydney.

“Sydney is a consumer economy. Our population is growing and

there's a lot of demand for goods,” Nick Crowthers said.

Another factor is the availability of new space. Just as the global economic crisis hit last year, a record level of new supply entered Sydney's industrial markets, predominantly in the west and south areas. Now with banks reluctant to lend for new development projects, few new developments are expected in the immediate future.

“If you are a warehouse or a logistics user, if you are in the market for a 10,000 sqm warehouse, you are looking for existing buildings,” said Joshua.

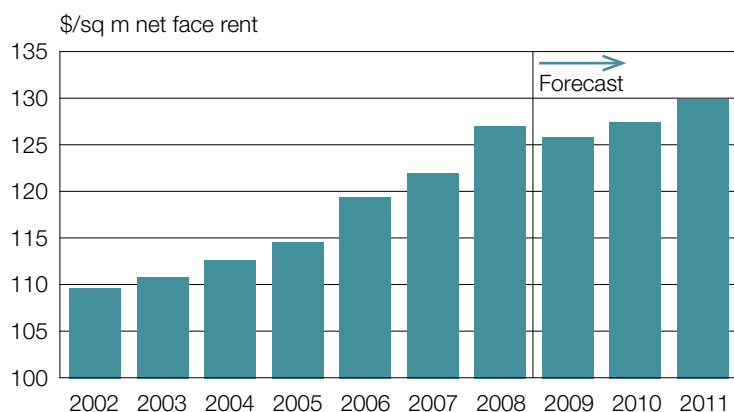
“Fast forward 12 to 18 months, with the slowdown in construction, it could put some upward pressure on rents, downward pressure on incentives for tenants.”

Nick said that the pick-up in demand could happen very quickly.

“When the market does turn and demand for goods increases, there will be a very sharp tick-up in the number of people looking to build their inventories to meet that demand,” he said.

“It will move with the economic cycle. It's not easy to pick the economic cycle, but we're a fair way into the downturn and the demand for goods – container trade – moves ahead of the economic cycle.” ♦

SYDNEY METROPOLITAN GRADE A WAREHOUSE RENTS



SOURCE: CB RICHARD ELLIS (APRIL 2009)





Window of opportunity



BY ROSLYN ALDERTON

SKILLED COMMERCIAL PROPERTY AGENTS CAN ASSIST THEIR CLIENTS TO TAKE ADVANTAGE OF OPPORTUNITIES IN THE CURRENT MARKET.

Vacancies are rising and rents are falling in the commercial property market, making it tougher for agents to find tenants to fill available space, especially in the Sydney CBD.

However the current market cycle also represents a window of opportunity for savvy owners and investors. Two experienced agents, who are also members of the REINSW Commercial Property Chapter Committee, shared their tips with the *Journal*.

Refurbishments

Kymbal Dunne, Director of m² Office Leasing in North Sydney, said the current market represented an ideal opportunity for owners of older buildings to refurbish.

One reason is to attract tenants who may not be able to afford their current A-Grade space.

For example, a company that has suffered financial difficulty and shed staff might decide to save money on rent by downsizing and relocating – but only on the condition that the new space appears to be better and more contemporary than their existing space.

“My theory on tenants is that no company wants to step back on

its quality,” Kymbal said. “If it’s occupying an A-grade space but it can’t afford to stay in that location, it will step away from that location but it will not lower its standard of space.”

He said companies viewed a relocation as an opportunity to enhance their culture, particularly if the company has suffered redundancies and wants a fresh start for the remaining employees.

“Cultural change within a company is difficult to see; a physical change of the premises is immediately evident,” he said. “That physical change has got to help make the change from the old style of company to what the company wants to become. It’s like making a break and then having a fresh start.”

Kymbal has been encouraging clients to fully fit-out vacant space with modern amenities to give it the appearance of being ‘new’, to help tenants see the potential for enhancing their company’s culture with their relocation. A ‘plug and play’ office space also makes the relocation faster, cheaper and easier for tenants. “Our job is to solve problems by creating easy solutions,” he said.

Another incentive for refurbishment is that the building services may need replacing anyway.

“If you look at the markets and the age of the stock, a lot was built in

the 60s and 70s,” Kymbal said. “The building services were only ever intended to last 25 years. If they are going to be replaced, it’s expensive. You may as well do up the rest of the building [at the same time] so you can achieve a higher rate of rental, otherwise it’s not a long term solution.”

Kymbal believes that refurbished buildings will be in greater demand over the next few years due to a lack of new supply coming onto the market.

“You have got the banks unwilling to lend on a new development project unless near impossible levels of pre-commitment up to 80% is made,” Kymbal said.

“Projects have been put on hold. Institutions have shut down their development teams and ‘development potential’ is now an unfashionable phrase.

“We are going to see a period where there’s no real movement (in new developments), which means that the stock in existence will become stale as time progresses. The opportunity must come from owners that have properties that are getting old, to refurbish those properties. This will provide a supply of space to meet future demand and it will provide it faster than a new development or redevelopment would.

“When the business community starts to settle and grow again,

companies will start to require more space. They will not want that space in a lower quality offering. You will have to upgrade your spaces to meet demand.”

Strata offices

Another opportunity in the current office market is for investment in strata offices, according to Rod de la Harpe, Manager of Sales and Leasing at developer and fund manager Ashington, who develop high quality, design-focused developments that frequently incorporate premium strata offices within a mixed use format that combines office with hotel, retail and residential.

Rod said he had received an increase in enquiry from self-managed super funds for strata offices.

“A lot of DIY super funds have been stung with having their money in equities,” he said. “There’s still not enough of a rebound in the share market to give those investors the confidence to stay in it. They are looking for the security and reliability of a ‘bricks and mortar’ investment that’s offering much higher returns.”

In 2008, tax laws were changed to enable super funds to invest in commercial property. For example, a small business owner can use their super fund to purchase a property and then lease it back from their fund, providing a tax-effective way to own the asset.

CONTINUED ON PAGE 29



141 WALKER STREET NORTH SYDNEY PROVIDES AN IMMEDIATE SOLUTION. IF THE SPACE WERE EMPTY IT WOULD TAKE THREE OR FOUR MONTHS TO DESIGN AND FIT OUT. AN EFFICIENT CONTEMPORARY FIT OUT STIMULATES INTEREST, SAVES LEASING TIME AND MAKES A TENANT'S TASK OF MOVING EASIER.

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162 BLUES POINT ROAD MCMAHONS POINT OFFERS LARGE FLOOR PLANS INTERCONNECTED BY OPEN STAIRS WITH GOOD NATURAL LIGHT. THE FIT OUT IS LIVELY AND COLOURFUL WITH DRAMATIC COMMON AREAS THAT WELCOME ITS OCCUPANTS. EVERY TENANT THAT INSPECTS LOVES THE SPACE BECAUSE IT'S FUN.

"They are creating equity and providing for their future," Rod said.

He said strata offices will most often provide higher returns than residential property.

"There are some good opportunities with interest rates being so low," he said. "The return some properties are now experiencing is above the cost of borrowing the funds, which is a double-upside."

In addition, strata offices have proven to be more resilient than the larger office blocks, which are mainly owned by listed real estate investment trusts. Many super funds have been burned by investing in these trusts only to watch their stock prices plummet over the past two years.

He said that in the small scale strata office market, demand hasn't suffered to the same extent, and that with the level of redundancies occurring in large firms there are a lot of skilled people coming into the market who require smaller space

to set up consultancy and start up businesses.

"These often include architects, bankers and development professionals that were previously employed with large finance or development companies who are now establishing their own boutique, professional services firms within smaller strata offices," Rod said.

The strata market is also approaching a situation of undersupply as the market cycle turns, Rod said.

"The savvy investor will recognise that," he said. "The prospect for future capital growth is a big factor in purchasing commercial strata today."

The challenges

Despite the opportunities, owners and investors remain cautious in the current market.

"People are investing but the level of sophistication has increased," Rod said. "They are being a bit more cautious ... It's more of a fear factor, driven by the media."

Kymbal Dunne said he was experiencing the same caution in his market.

"At the moment, we are finding that the tenant and the owner will have done a deal and both parties are unhappy," he said. "This is unusual in the market. Normally most parties are happy to do a deal. Because no one knows where the market should be or could be in 12 months' time, there's a feeling, particularly with the tenant, that the deal tomorrow will be better."

"What can a leasing agent do? A leasing agent needs to provide information on transactions and availability of stock to tenants so that a tenant can be certain they have seen the market."

"Our feeling about tenants is that they are not looking to make profits out of a lease deal. What they want is to move into space that is fitted out with a contemporary location and an efficient use of space."

Rod agreed that it was critical for agents to know their markets

and be well-researched. He also suggested that networking could assist agents to be more informed and he encouraged agents to contact members of the REINSW Commercial Property Chapter to share ideas and discuss their challenges.

Another challenge is that credit is more difficult to come by, so investors need to have enough cash to make a purchase and owners will need to make a capital investment to carry out refurbishments or fit-outs.

Despite the challenges, both Kymbal and Rod believe that now is the time to take advantage of the opportunities of this current market, in order to reap the rewards when demand improves.

"I have been through four booms and busts now," Rod said. "In each one, people say you will never make as much as you did during the last cycle, yet the switched-on investors always seem to make more money the next cycle." ♦

Beware of balconies and balustrades



BY TORQUIL MURRAY AND CANDICE JUPP

AGENTS COULD BE SUED FOR HUNDREDS OF THOUSANDS OF DOLLARS IF SOMEONE IS INJURED DUE TO A FAULTY BALUSTRADE. HERE ARE SOME RECENT REAL-LIFE EXAMPLES AS WELL AS SOME TIPS FOR PROPERTY MANAGERS.

There has been a noticeable increase in the number of claims made against real estate agents for injuries sustained at rental properties where tenants or visitors have fallen from balconies and porches or indeed balconies have fallen and collapsed.

It is important that agents are aware of this increase, as many of these claims are in excess of \$500,000.

The most common type of claim involves a person falling through the balustrade of a balcony, followed by a person falling from a balcony or porch where there is no balustrade. This article examines three such examples which are presently before the courts. (Note that liability has not yet been determined in any of these cases.)

Example one

The first example involves a claim against the managing agent of a property. The tenant allegedly fell from a balcony at the front of the premises when he leant against the balcony's timber handrail, which collapsed outwards.

It is claimed that he fell approximately one metre to the

ground sustaining injury to his ankle. The tenant sued both the owners of the property and the agent for negligence.

He submitted that the owners and the agent failed to maintain and adequately repair the premises; failed to inspect the premises; failed to warn the tenant; failed to ensure the front porch had a secure balustrade and failed to see that the timber on the front porch balustrade was rotting and dangerous.

The tenant has alleged that he is unable to perform his pre-injury work and has difficulty in performing daily activities of living, particularly navigating stairs and standing for long periods. His claim for past and future economic loss is in excess of \$600,000.

Example two

The second example is a similar claim against the managing agent of a property by the tenant of the property. The tenant alleges that he sustained injuries to his right leg, right shoulder, right side and spine when he fell from a 0.69m high verandah at the property which did not have a balustrade.

It was dark at the time as the globe in the outdoor light had blown. Similar to the first example above, he has sued the agent and the owners of the property for negligence claiming that they failed to adequately inspect the premises; failed to provide a safe verandah; failed to maintain

IF THE AGENCIES DID NOT HAVE PROFESSIONAL INDEMNITY INSURANCE, THEY WOULD BE RESPONSIBLE FOR THEIR OWN LEGAL COSTS.

adequate fencing along the verandah boundary; failed to adequately repair the verandah and failed to repair lighting in the vicinity of the verandah.

The amount claimed is in excess of \$850,000. This figure is based on the claimant's estimated past and future medical expenses, past and future domestic assistance, equipment required and past and future economic loss including loss of earning capacity.

Example three

The final example involves a claim for personal injury by a visitor at a rental property.

The visitor claims to have been assisting his friend to move a gas barbeque up a flight of stairs from the downstairs level of the premises to the upstairs verandah. They stopped midway to rest. It is alleged that the visitor then took hold of the balustrade of the stairs and the balustrade gave way. He claims to have fallen approximately

two metres to the ground, sustaining injuries to his back, neck and head.

The agent and the owner have been sued for negligence for: exposing the visitor to a risk of injury which could have been avoided by reasonable care; failing to warn the visitor of the dangers to which he was exposed; failing to observe that a person such as the visitor was in a position of peril; failing to install in a proper and workmanlike manner railings on the stairs; failing to inspect the premises in order to ensure that the stairs were repaired; and failing to take any or adequate precautions for the safety of the visitor. This claim has not yet been quantified, however, it is likely to be in the same region as to the previous two examples.

The difficulty that presents with balconies, porches and balustrades

THE DIFFICULTY THAT PRESENTS WITH BALCONIES, PORCHES AND BALUSTRADES IS THAT DEFECTS MAY NOT ALWAYS BE OBVIOUS.

is that defects may not always be obvious. Often, it is not until an accident occurs when a balcony or balustrade either breaks or is disassembled following an accident that defects become obvious, for example timber rot or rusted screws.

During an inspection it would be reasonable to expect an agent to walk out onto a balcony and briefly survey it. Agents cannot be expected to have expertise in timber rot or timber fastenings or a thorough knowledge of Australian Standards which regulate, for example, the height of balustrades.

Nevertheless, extra measures can be taken by agents to ensure the stability and safety of balconies or porches. Below are some recommendations:

- Ensure that inspections of the rental property are conducted at least once a year.
- Prepare detailed condition reports during or following each inspection.
- Balconies and balustrades should be examined for any signs of weakness, rotting or loose or rusted fastenings. Balustrades can be gently shaken to determine stability, whilst not putting the inspector at risk by leaning on structures.
- If there is any concern that a balcony or balustrade may be a risk, that concern should be reported to the owner of the property in writing.
- If a balcony is more than 20 years old, it may be worthwhile recommending, in writing, to the owner that an expert examine the balcony. If recommendations are made verbally then the conversation should be recorded in a file note.
- All complaints made or requests for repairs or maintenance should be recorded.
- Ensure that any requests for repairs or maintenance are attended to as soon as possible.
- Keep a record of quotes, invoices and receipts for payment for repairs and maintenance work.

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not have professional indemnity insurance, they would be responsible for their own legal costs.

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Torquil Murray is a Partner and Candice Jupp is a Solicitor at TressCox Lawyers. For more information, contact TressCox on (02) 9228 9200.

Realcover can be contacted on 1800 559 450. ♦

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Avoiding discrimination pitfalls



BY INDRAN SINNADURAI
AND RACHEL HIBBARD

SELECTING A TENANT FOR A PROPERTY CAN BE FRAUGHT WITH PITFALLS UNLESS A PROPERTY MANAGER HAS A STRONG UNDERSTANDING OF DISCRIMINATION LAW.

Everyone has the right to equal opportunity when it comes to housing. This includes finding and keeping accommodation, and these rights are protected by both federal and state laws.

Discrimination is usually defined as when one person (A):

- treats another person (B) less favourably than someone else (C) in the same or similar circumstances; or
- requires B to comply with a condition which a substantially higher proportion of people like B are unable to comply, is not reasonable in the circumstances, and with which B does or is not able to comply –

based on a particular trait of B.

The trait can be one that B actually has, or which A thinks B has. The same applies to a trait which B's relative or associate either has or is thought to have. This is direct discrimination.

Discrimination can also be indirect, such as when A places a requirement or condition across the board which B (or B's relative or associate) is less able to comply with than other people, and which is not reasonable in the circumstances.

Both federal and state legislation prohibit discrimination in a variety

of areas, known as prohibited areas of conduct. Many prohibited areas relate most frequently to discrimination in the workplace, which is a huge area in itself.

Relevant to landlords and real estate agents, however, are the prohibitions on discriminating against clients or potential clients when dealing with:

- potential buyers or renters of residential properties;
- the provision of services; and
- the provision of accommodation itself.

"Services" includes the services of any profession or trade (such as real estate agents) as well as access to and use of any facilities in any place or vehicle that the public, or a section of the public, is entitled or allowed to enter or use, whether for payment or not.

"Accommodation" includes residential and business accommodation, which can mean houses or flats, boarding houses, hostels, camping sites, caravans and caravan sites, hotels, motels, mobile homes and mobile home sites.

Anti-discrimination legislation also specifies prohibited grounds on which it is illegal to discriminate.

In NSW, it is prohibited to refuse to serve, to deny access to, or to harass someone in relation to their search for, access to, or enjoyment of accommodation based on their or their relative's actual or presumed characteristics.



Prohibited grounds include:

- Age, whether old or young – this includes children.
- Breastfeeding, including breastfeeding a baby, expressing milk, or making arrangements to breastfeed or express milk.
- Disability – for instance, you may not refuse someone accommodation because other tenants or neighbours might be offended or troubled by the disability. Accommodation can only be refused to a person with a disability if it would cause unjustifiable hardship to the landlord to provide access to the accommodation, the landlord is unable to provide the special services or facilities required, or the other standard exceptions (see below).
- Sexuality.
- Infectious disease, even if there are no symptoms or the disease has not yet been contracted.

Although some infectious diseases are 'notifiable', meaning a health care practitioner may have to notify a Public Health Unit about someone's infectious disease, it is not permissible to refuse to provide someone with a service or accommodation; or to isolate, dismiss or segregate them; or to breach their confidentiality or privacy in the belief that others have a right to know, for their own safety, that a person has hepatitis or some other infectious disease; or to treat someone badly because they use, or it is thought they use, drugs and that they therefore are assumed to have an infectious disease.

- Marital or domestic status, whether a person is single, married, in a heterosexual de facto relationship, separated, divorced, or widowed.
- Political beliefs or activity, including trade union activity.



SELECTING TENANTS CAN BE A RISKY TASK WHEN IT COMES TO DISCRIMINATION LAWS

- Pregnancy.
- Race, including discrimination based on a person's colour, nationality, descent, ethnic origin, ethno-religious origin or national origin.
- Sex.
- Transgender, regardless of whether a person currently lives, has lived, or wants to live as a member of the opposite gender or sex to their birth sex; the person has had a sex change or other surgery; or the person has, is, or wants to take hormones in relation to changing their sex or gender.

Exceptions

There are a few instances in which it is permissible to treat someone differently despite the above grounds. Applicants for accommodation may be lawfully refused if the accommodation is:

- provided by a charitable or other not-for-profit body which caters

to persons of a specific type that is different to the applicant (for example, a religious group or a single sex or aged home); or

- in someone's private household where the tenant would need to share amenities with the person living there and the accommodation is for no more than six people.

Other issues

There are several other issues related to discrimination that are relevant for real estate agents and landlords:

- It is illegal to sexually harass anyone in the course of obtaining or enjoying accommodation or to victimise or vilify a person who has made a complaint of discrimination in relation to accommodation.
- Asking tenants for guarantors is illegal.
- There are specific and limited circumstances under which an

AN AGENT MUST NOT ACCEPT, AND MIGHT BE LIABLE FOR, ANY DISCRIMINATORY DIRECTIONS FROM A LANDLORD.

agent can list someone on a tenant database. These are set out in the Rules of Conduct for real estate agents under the *Property, Stock and Business Agents Act 2002* (the rules do not apply to private landlords).

- While not specifically prohibited in NSW, other States have proposed prohibiting discrimination on the basis of religious dress and appearance. Discrimination based on religion is prohibited under the auspices of "race" in NSW.
- Public housing landlords might

not provide rental references for former tenants.

Liability – who is affected?

An agent will be liable for any discriminatory acts they make. An agent might also, as an employer, be liable for the discriminatory actions of their staff (vicarious liability).

In addition, an agent must not accept, and might be liable for, any discriminatory directions from a landlord. An agent should not make any assumptions of a discriminatory nature on behalf of a landlord. For example, an agent should not assume, and take action on, a landlord's desire not to rent to a family with children.

A landlord has a right to assume that an agent will do their job professionally and lawfully; therefore, the agent might be liable for any complaints made in those circumstances.

Tips

When selecting tenants, the requirements that can legally be addressed are:

- the number of people suitable to reside in the property;
- proof that the prospective tenant is able to:
- maintain the rent; and
- keep the property in a clean and tidy condition.

Cases have occurred where discrimination has not been found, but where clients' perceptions have led to complaints and, therefore, litigation – which entails heartache and expense.

Agents should consider the following:

1. Ensure both you and your staff are clear about what constitutes discrimination in providing real estate services or accommodation. One of the best ways for your staff to learn about

these issues is for you to provide examples.

2. Ensure you have standard practices for evaluating applicants, and that these do not discriminate against any particular group of people. For example,
 - (a) If your regular practice is not to follow up with applicants whose applications are incomplete or incorrect, make sure you inform potential applicants at the time they make their application (eg, inform the applicant it is their responsibility to follow up with you).
 - (b) Explain the entire application process to each applicant, including whether and when the applicant can expect to hear from you; whether you will follow up if the application requires additional information, etc. You may wish to provide a checklist to applicants explaining the procedure (which illustrates it is standardised) and which includes a follow-up

contact reference and phone number.

- (c) When requesting references, you may need to allow the applicant to provide a different type of reference (for example, a personal reference or a points system) so as not to disadvantage applicants who have formerly been public housing tenants. A similar exception may be required for those who are young or who, for other reasons, do not have a rental history.
3. So far as possible, conduct work in view of the client. Run all property searches on a computer that is visible to the client to minimise any perception that there are properties about which the client is not told. The client should also understand the search – for example, '2-bedroom properties under \$130 per week' versus 'all 2-bedroom properties'.
 4. Remain professional at all times, regardless of the venue or the

REMAIN PROFESSIONAL AT ALL TIMES. AN AGENT SHOULD NOT BE DRAWN INTO ANY DISCRIMINATORY COMMENT, EVEN IF SUCH COMMENTS ARE MADE TO THE AGENT.

topic. An agent should not be drawn into any discriminatory comment, even if such comments are made to the agent.

Indran Sinnadurai and Rachel Hibbard are solicitors at AR Conolly & Company Lawyers. They can be contacted on (02) 9333 3608.

REINSW members can also call the Member Helpline on (02) 9264 2343 or email helpline@reinsw.com.au ♦

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BY BRUCE WILLIAMS

EMPLOYERS CAN MORE EASILY REDUCE THE AMOUNT OF PAYROLL TAX THEY PAY FOR EMPLOYEES WITH CAR ALLOWANCES THANKS TO A CHANGE IN TAX RULES.

The Office of State Revenue in NSW issued a revenue ruling on 30 June 2008 (PTA025) regarding car allowances paid to employees within the real estate industry and how they are to be treated for payroll tax purposes.

The ruling is effective from 1 July 2007. It therefore affects the payroll tax for the year ended 30 June 2008 and the current and future years.

The current payroll tax threshold for the year ending 30 June 2009 in NSW is \$623,000 with rates of 6% applying from 1 July 2008 to 31 December 2008 and 5.75% from 1 January 2009 to 30 June 2009 for taxable wages in excess of the threshold.

Taxable wages for payroll tax purposes contain many items including wages, motor vehicle allowances, commissions, payments to contractors, bonuses and superannuation, to name just a few.

In the past, employers had the ability to reduce these taxable wages by an exemption based upon the number of business kilometres that each recipient of the motor vehicle allowance traveled each year.

To collect this information was a cumbersome and thankless task as many employees did not keep their motor vehicle records very well or they were just simply reluctant to pass on the information to their employer.

The basis of the Revenue Ruling is that employees who receive a car allowance no longer need to provide their employer with the number of business kilometres that they travel each year in order for the employer to claim an exemption and reduce taxable wages subject to payroll tax.

The ruling provides that if the motor vehicle allowance is being paid as a fixed amount as opposed to a motor vehicle allowance being paid on a per kilometre basis, a general exemption can be claimed which makes the calculation of the exemption very simple.

The ruling states that an employer can claim an exemption (reduce taxable wages) by 250 kilometres per week times the cents per kilometre rate for taxation purposes for a large car in the year immediately preceding the year in which the allowance was paid.

For 2006/07 and 2007/08 the rate is \$0.70 per kilometre resulting in a weekly exempt amount of \$175 per allowance paid to an employee, which on a 52-week paid basis is \$9,100 per annum per employee receiving the allowance.

EMPLOYEES WHO RECEIVE A CAR ALLOWANCE NO LONGER NEED TO PROVIDE THEIR EMPLOYER WITH THE NUMBER OF BUSINESS KILOMETRES THAT THEY TRAVEL EACH YEAR IN ORDER FOR THE EMPLOYER TO CLAIM AN EXEMPTION.



Example: An employee is paid a lump sum motor vehicle allowance of \$195 per week. In this case the amount to be included as taxable wages for payroll tax would be \$20 per week (\$195 less \$175)

If employees are paid an allowance of less than \$175 per week, the employer is able to claim the total allowance paid as being exempt wages.

The beauty of the ruling is that it is effective from the 1 July 2007.

Therefore if employers have not asked for an amendment to their payroll tax liability for the year ended 30 June 2008 they should consider doing so.

If employers have not been claiming this exemption for the current year ending June 2009 they should consider doing so and adjusting their next payroll tax return.

We trust that the above is helpful and results in a benefit to agents.

IF EMPLOYEES ARE PAID AN ALLOWANCE OF LESS THAN \$175 PER WEEK, THE EMPLOYER IS ABLE TO CLAIM THE TOTAL ALLOWANCE PAID AS BEING EXEMPT WAGES.

As we are not privy to your current payroll tax payments for 2007/2008 and 2009 you need to ensure that this ruling applies to your current payroll tax arrangements.

Bruce Williams is a Chartered Accountant at Williams Courtman Kelly, which provides accounting, taxation and agency management services to the real estate industry. He can be contacted on (02) 4721 7433 or visit www.mwilliamscourtmenkelly.com.au. ♦

What did the tax man bring you this year?



BY JOHN GREIG

IF YOU ARE STILL WORKING AND CONTRIBUTING TO SUPER, HERE ARE TWO SIGNIFICANT CHANGES THAT MAY CHANGE HOW YOU CONTRIBUTE TO SUPERANNUATION:

Concessional contribution limits have been reduced from 09/10

This means: you can contribute less to super via salary sacrifice.

Concessional contributions are those that are contributed directly to your super fund from your income before you pay income tax, generally via salary sacrifice. These are then taxed a 15% contribution tax at the super fund. As 15% is lower than many income earners' marginal rate of tax, these are termed concessional contributions.

From 09/10 all workers are able to contribute no more than \$25,000 p.a. to their super fund pre-tax. If you are 50 now or turn 50 in any financial year until 2012, that cap is \$50,000. Previously workers had been able to contribute up to \$50,000 p.a. pre-tax to their super and up to \$100,000 if they were 50 or over. Note – the capped amount includes employer contributions; so if you earn \$80,000 p.a. and your employer is contributing \$7,200 to

IF YOU ARE ELIGIBLE FOR THE GOVERNMENT CO-CONTRIBUTION IT MAKES SENSE TO TAKE ADVANTAGE OF IT BEFORE 30 JUNE 2009 TO LOCK IN THE HIGHER CO-CONTRIBUTION.

your super each year, that means you can contribute up to another \$17,800 pre-tax to your super fund each year.

If you were to exceed your cap, the excess will be taxed at 31.5% which when added to the 15% contribution tax equates to top marginal rates. The contribution will then be considered to be an after tax contribution. As a consequence, investing higher amounts in superannuation will be less tax effective after the current financial year. If you have been planning to take advantage of the current high contribution limits, you will need to do so by 30 June 2009.



Reduction in the Government Co-contribution

This means: the government will still match eligible contributions but with a lower amount.

In recent years lower income earners have been able to have their personal after tax contributions to their super fund 'matched' by a contribution from the government. The maximum government contribution has been \$1.50 per \$1 contributed up to a maximum co-contribution of \$1,500 p.a.

As a temporary measure, the Government Co-contribution will reduce from 09/10 until 2014/15. Initially the maximum co-contribution will be \$1,000 or \$1 per \$1. This will increase to a maximum co-contribution of \$1,250 from 2012/13 for two financial years before returning to the current \$1,500 maximum in 2014.

If you are eligible for the Government Co-contribution it makes sense to take advantage of it before 30 June 2009 to lock in the higher co-contribution. To be eligible for a co-contribution your income will need to be lower than \$60,342 this financial year.

John Greig is a Trustee of REI Super. For more information, contact REI Super on 1300 13 44 33, email admin@reisuper.com.au or speak to your financial adviser. ♦

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WISE INVESTMENT: The journey to successful investing



BY CHRIS GRAY



TO BE A PROFESSIONAL INVESTOR AND MAKE SERIOUS MONEY IS A JOURNEY THAT REQUIRES A SHIFT IN THINKING.

I started at 22, but it wasn't until I was in my thirties that I realised the potential of how investing could change my life.

The result of embarking on this journey is that investing can give you what you really want and it allows you to choose how much you work and play. Here are some learnings I've developed along the way:

1. 'Don't fear the gear' is one of my mantras. Most people are afraid of debt and leverage, as they perceive it as dangerous. However, debt can increase your return and shorten the time it takes to get the return. I do agree it does increase your risk in a downturn. What every investor needs to do is develop their

mind and skills, and know their boundaries.

2. Go against the grain. Investors buy when everyone else sells. If 95% of the population retires poor, you need to do the opposite of what everyone else is doing to grow wealthy. It's difficult to be confident when everyone else tells you you're doing the wrong thing. You need to develop your mind to block negative comments from friends, relatives and the media.

3. Stick to your strategy. Every investor requires their own strategy, as circumstances vary and everyone is risk adverse to a different level. Work out what works for you. Once you find the strategy, stick to it. You need to be aware of other opportunities and get other advice, but often these can be distractions. A good strategy doesn't have

INVESTORS BUY WHEN EVERYONE ELSE SELLS. IF 95% OF THE POPULATION RETIRES POOR, YOU NEED TO DO THE OPPOSITE OF WHAT EVERYONE ELSE IS DOING TO GROW WEALTHY.

to be complicated – it's often the simple things that work.

4. Compounding is the real secret to wealth. It's time in the market, not timing the market that counts. You need to change your mindset from trying to be a millionaire overnight, to going for consistency. The start of the

journey can be very frustrating, as your wealth won't increase much. But once you've got critical mass, your investments will start compounding.

5. Don't retire on property rents. Most people think you've got to pay property off as quickly as possible and then retire on rents. But often it's the capital growth that makes the real money. Change your mindset and be less emotional about it – look at the numbers and make your decisions based on the facts.

Chris Gray is CEO of property portfolio company Empire. He is a leading property expert who provides opinion and commentary regularly in the news media. For a FREE copy of his latest book, The Effortless Empire: The Time-Poor Professional's Guide to Building Wealth from Property, visit www.yourempire.com.au. ♦

Avoid rental property mistakes

WITH TAX TIME APPROACHING, HERE ARE SOME OF THE COMMON MISTAKES THAT THE TAX OFFICE FINDS THAT RENTAL PROPERTY OWNERS MAKE IN THEIR TAX RETURNS.

Common mistakes

- Claiming land as part of the cost of constructing a rental property. The land is part of the cost for capital gains tax purposes.
- Claiming construction costs as a decline in value of depreciating assets deduction. Certain types of construction can be claimed as capital works deductions.
- Claiming initial repairs or capital improvements as immediate

deductions. Initial repairs may be claimed as capital works deductions.

- Claiming a deduction for interest on the private portion of a loan used for both investing and private purposes. The interest on the private portion is not deductible.
- Claiming a deduction for conveyancing costs. Conveyancing is part of the cost for capital gains tax purposes.
- Claiming a deduction for the cost of travel when inspection of the property is incidental to the main purpose of the trip. If travel related to your rental property is combined with a holiday or other

IF TRAVEL RELATED TO YOUR RENTAL PROPERTY IS COMBINED WITH A HOLIDAY OR OTHER PRIVATE ACTIVITIES, YOU MAY NEED TO APPORTION THE EXPENSES.

private activities, you may need to apportion the expenses.

- Claiming all deductible borrowing expenses in the first year they are incurred. If they are more than \$100 you spread the deduction over five years or over the term of the loan, whichever is less.
- Not splitting income and expenses when a property is purchased by a number

of people, e.g. a couple. If you co-own a rental property and are not carrying on a rental property business, you must divide the income and expenses in line with your legal interest in the property.

Always keep records of your claims. One way is an asset register. See *Guide to capital gains tax* and *Guide to depreciating assets* - available at www.ato.gov.au or by calling 1300 720 092.

For more information see *Investment essentials* at www.ato.gov.au, phone on 13 28 61, visit a Tax Office shopfront, or talk to a registered tax professional. ♦

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The RealCover logo features the word "realcover" in a bold, blue, lowercase sans-serif font. A yellow curved line arches over the letters "o" and "v".

Keeping your insurance up-to-date



IT'S NOT OFTEN THAT YOU GET TO SIT DOWN AND CONTEMPLATE, BUT AS WE'RE LOOKING AT JOURNEYS IN THIS ISSUE OF THE *JOURNAL*, WE SUGGEST YOU TAKE A MOMENT TO REFLECT ON YOUR AGENCY AND HOW THINGS HAVE CHANGED OVER A PERIOD OF TIME.

Think back two, five or even 10 years and consider how dramatically different your business was then to what it has evolved into now. You may have more staff, offer more services, have more locations or you may have sold down or exited parts of your business.

All these changes could have a material impact on the level of insurable risk for your business. Whether it is an increased exposure to potential litigation for professional negligence or simply a variation in the values of assets your business owns, it is of critical importance that your insurance policies correctly reflect and therefore protect your business' exposure.

Professional indemnity limits of liability are not for life

At a very basic level, a professional indemnity policy

A CLAIM MIGHT BE BROUGHT AGAINST YOU THAT RELATES TO SOMETHING THAT OCCURRED ONE OR MORE YEARS AGO AND IT MIGHT BE RELATED TO A SERVICE YOU NO LONGER PERFORM.

aims to protect your assets in the event of a claim for professional negligence, therefore ensuring that your business can continue to operate.

As such, when arriving at the sum insured on a professional indemnity policy you need to think about the activities of your business and what kind of mistakes could be made in the course of carrying out your business. You must also take into account what it might cost to defend and then settle a successful claim for professional negligence.

When considering your policy limits you should not just think about current activities. Because of the 'claim made' nature of your professional indemnity policy, claims are assessed under the terms and conditions of the policy in force at the time the claim is notified. Therefore, a claim might be brought against you that relates to something that occurred one or more years ago and it might be related to a service you no longer perform.

Other factors you should consider are the rising legal costs involved in defending an allegation against your professionalism and the size of penalties awarded in such cases.

Remember that if a claim is awarded against you, once your insurance funds are exhausted, you will be left out-of-pocket.

Be mindful of asset appreciation and depreciation

In terms of your office, the key is insuring all assets for their replacement cost, that is, what it would cost you to buy the asset today.

In particular, computer and telecommunications equipment is constantly being updated, so whether you're adding more equipment or streamlining your assets, it's important to review the values you declare every year to keep up with current costs.

Get professional advice

While we provide you with these general considerations, when you're hard at work running your business, the last thing you want to be thinking about are the particulars of your insurance policies.

As your broker, Aon is here to provide you with professional guidance and assistance, and to liaise with the insurer on your behalf. Visit our website at www.aon.com.au/realestate for more information or call your local Aon representative on 1300 734 274. ♦

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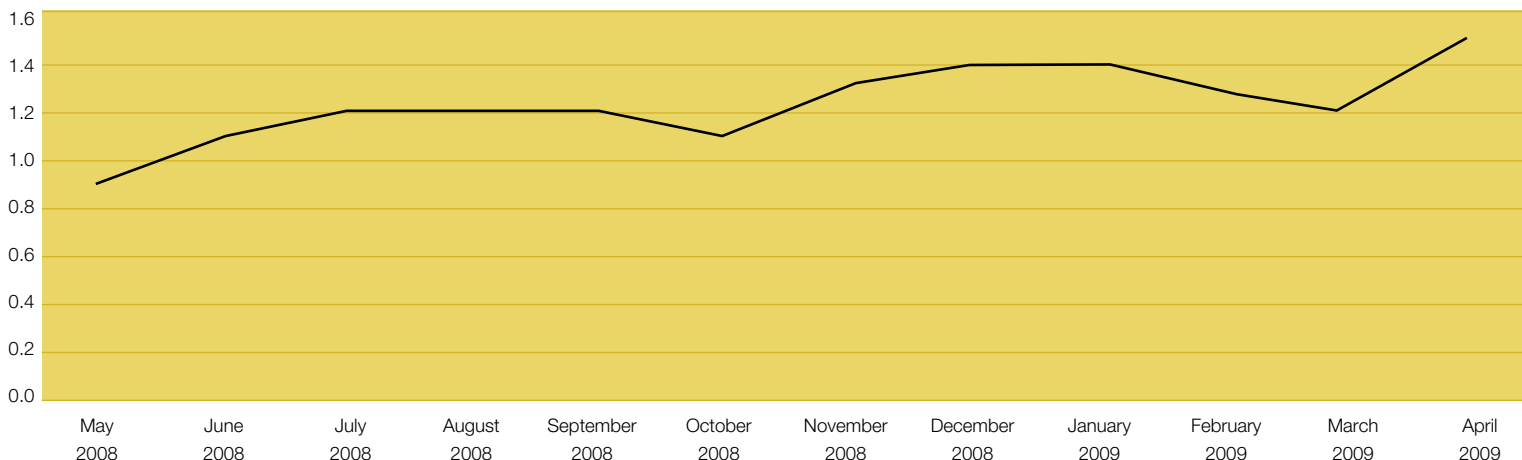
Research

Check out the latest rate for your area. You can use it in your newsletters, information packs and discussions with potential investors!

Residential vacancy rate – Compiled by REINSW

SYDNEY	Apr-09	Mar-09	Feb-09	Jan-09		Apr-09	Mar-09	Feb-09	Jan-09
Inner	1.4%	1.2%	1.3%	1.3%	ALBURY	2.1%	1.7%	3.4%	2.7%
Middle	1.7	1.5	1.3	1.3	CENTRAL WEST	2.9	3.1	3.1	2.5
Outer	1.4	0.9	1.1	1.7	COFFS HARBOUR	1.8	3.6	2.7	2.5
Total	1.5	1.2	1.3	1.4	FAR WEST				
HUNTER					MID-NORTH COAST	2.1	1.4	2.0	1.8
Newcastle	1.7	2.2	1.3	2.2	NEW ENGLAND	1.8	2.0	2.1	2.4
Other	2.1	1.6	2.2	1.8	NORTHERN RIVERS	2.7	2.2	2.1	2.3
Total	1.9	1.9	1.7	2.0	ORANA	1.6	1.6	2.9	3.3
ILLAWARRA					RIVERINA	2.3	2.2	3.0	2.6
Wollongong	2.2	1.6	1.5	2.4	SOUTH COAST	3.7	2.3	3.3	2.6
Other	1.4	2.7	2.7	3.0	SOUTH EASTERN	1.5	3.5	2.6	2.4
Total	1.9	2.0	1.9	2.6					
CENTRAL COAST	1.7	2.2	2.6	2.3					

Sydney vacancy rate



Source: REINSW Vacancy Rate Survey

Did you realise that your rent roll information is used by the Reserve Bank of Australia when making its interest rate decisions? REINSW Vacancy Rates are a significant source of property information for economists, so make sure you contribute by sending us your vacancy rate figures each month.

Sydney weekly auction clearance rates – provided by Australian Property Monitors

Week Ending	Inner Sydney		Inner West		Lower North		Inner East		Sydney	
	Number Auctioned	Auction Clearance Rate	Number Auctioned	Auction Clearance Rate	Number Auctioned	Auction Clearance Rate	Number Auctioned	Auction Clearance Rate	Number Auctioned	Auction Clearance Rate
3/5/2009	37	62.8%	21	68.2%	14	73.3%	21	85.7%	127	74.83%
26/4/2009	26	65.5%	7	87.5%	11	78.6%	37	62.5%	183	84.24%
19/4/2009	45	66.0%	37	75.7%	28	54.3%	33	63.9%	456	79.06%
12/4/2009	23	76.9%	2	100.0%	30	63.9%	63	65.2%	44	83.67%
5/4/2009	77	66.7%	27	56.7%	56	57.1%	91	61.2%	566	80.24%
29/3/2009	72	63.6%	31	77.4%	60	57.4%	60	61.6%	463	74.95%
22/3/2009	57	65.1%	26	67.9%	25	59.3%	68	53.1%	368	78.51%
15/3/2009	33	81.1%	27	64.5%	48	54.7%	57	67.7%	483	79.01%
8/3/2009	39	72.7%	21	68.2%	32	55.8%	47	58.0%	159	79.63%
1/3/2009	55	71.0%	33	80.6%	65	55.8%	88	53.3%	634	71.95%
22/2/2009	63	71.0%	24	70.8%	31	67.6%	78	58.8%	487	77.00%
15/2/2009	25	76.0%	16	81.2%	18	56.5%	10	45.5%	270	66.79%

*snr = sample not reliable

The Journey of the *Journal*

WITH THIS EDITION OF THE REAL ESTATE JOURNAL, WE FAREWELL OUR EDITOR OF THE PAST THREE YEARS, ROSLYN ALDERTON, AND WELCOME NEW EDITOR REBECCA RYAN.

After 34 editions of the *Journal*, Roslyn is taking off to London for a working holiday.

In her time at REINSW, Roslyn has transformed this much-loved publication into a must-read for all member agents.

The transformation has involved a number of major projects that have taken place 'behind the scenes', including a complete re-design of the magazine in conjunction with the re-branding of REINSW at the start of 2008.

The *Journal* has also changed printers to use a more eco-friendly paper stock and printing methods, right down to the types of inks that are used.

Above all, Roslyn has put her time and energy into making the articles in the *Journal* more interesting and relevant. She has a passion for connecting with her readers and ensuring that every REINSW member – no matter what age, where they live or their real estate specialty – can find something inspiring in every edition to improve their professionalism and integrity.

For most REINSW members, the *Journal* is the most tangible member benefit. There is a great

deal of pressure on the Journal Editor to ensure the magazine consistently reflects REINSW's values and stays at the cutting edge of industry trends.

Despite the stresses of monthly deadlines, Roslyn has always remained an enthusiastic and positive influence at REINSW and she will be greatly missed by everyone who has read or contributed to the *Journal* in her time at the helm.

New editor

The *Journal* will be in safe hands with our new Editor, Rebecca Ryan.

Rebecca has extensive experience in communications, including most recently in the role of National Communications Executive at Knight Frank.

While she will ensure a smooth transition for the magazine, Rebecca also has some new ideas and will bring some fresh energy to the *Journal*.

She also has a particular interest in building relationships with advertisers and sponsors, who are vital for the long-term success of the magazine.

As always, the Journal is open to contributions from members, so if you have any story ideas, please let Rebecca know! You can contact her by calling (02) 9264 2343 or email rryan@reinsw.com.au ♦

THERE IS A GREAT DEAL OF PRESSURE ON THE *JOURNAL* EDITOR TO ENSURE THE MAGAZINE CONSISTENTLY REFLECTS REINSW'S VALUES AND STAYS AT THE CUTTING EDGE OF INDUSTRY TRENDS.

EXAMPLES OF *JOURNAL* COVERS OVER THE PAST THREE YEARS



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EXAMPLES OF LOGOS AVAILABLE TO MEMBERS

NEW MEMBER PROFILE: Ray White Orange

Ray White Orange is under new ownership with Principals David Blunt and Libby Seaman. David is a life resident of Orange and Libby has lived there for 30 years. The agency covers all aspects of real estate sales and management.



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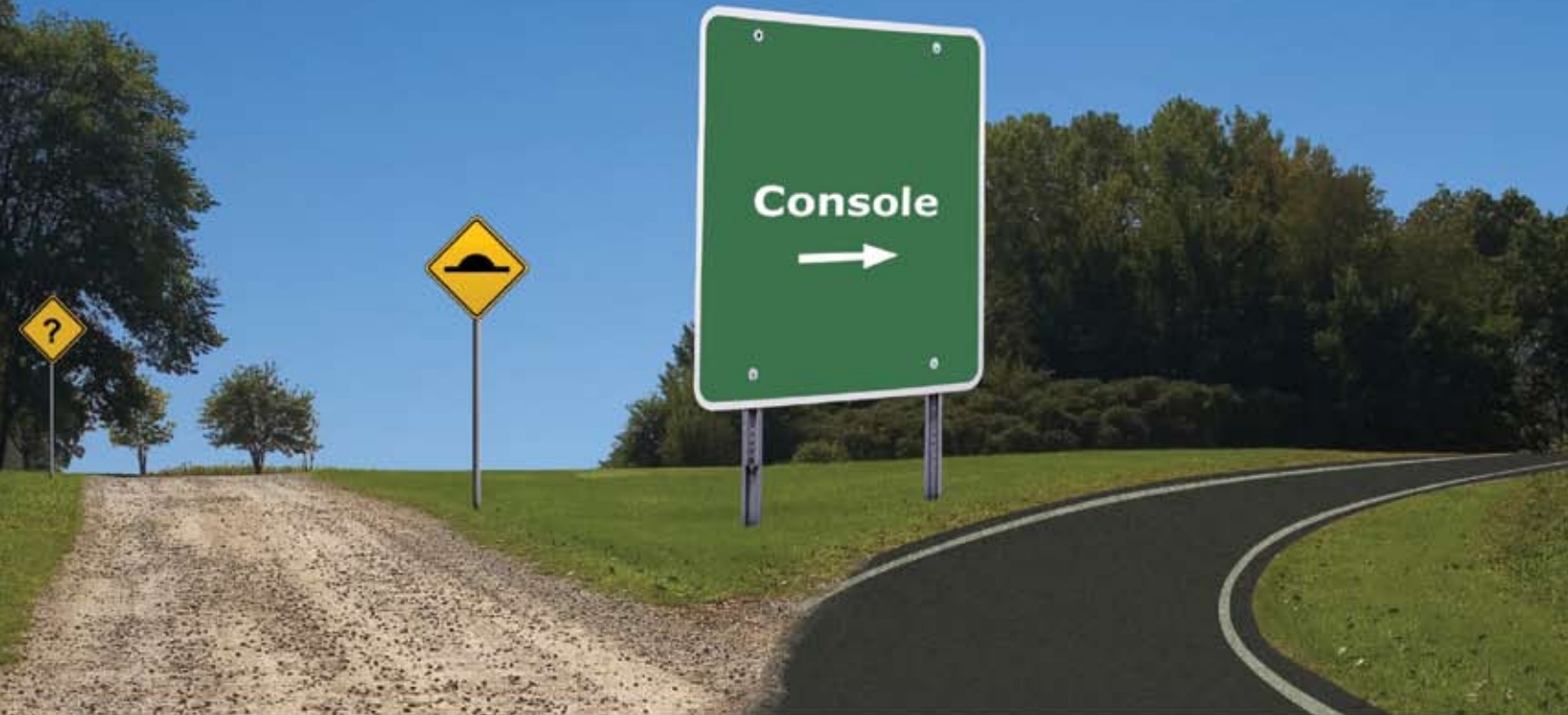
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