

Journal

MAY 2010
VOL 61/04



INDEPENDENT VS FRANCHISE

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is right for you?

Turning green to gold
The selling power of environmental ratings

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How to promote your agency

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To find out more about membership, call (02) 9264 2343, email membership@reinsw.com.au or visit www.reinsw.com.au ABN 51 000 012 457

 Average monthly distribution 5,217 copies (CAB audited)

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Reception: (02) 9264 2343
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Journal

Editor:
Leanne Mezrani (02) 9818 8896
Email: leanne@mahlabmedia.com.au
Advertising:
Mark Lewis 0414 881 300
Email: mark@mahlabmedia.com.au
Rates: www.reinsw.com.au
Publisher:
Mahlab Media (02) 9818 8896
www.mahlabmedia.com.au
REINSW Managing Editor
Cathie Dickinson (02) 9264 2343
Email: cdickinson@reinsw.com.au

Production

Design, art direction and production:
Torch 0414 318 552
www.torchsydney.com

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Taking member businesses to the next level



I can't believe how quickly 2010 is flying by. What I am most excited about is the ground we've covered since January and the positive outcomes that have come from REINSW lobbying and internal programs that will soon filter into the marketplace.

One initiative that has been particularly well received is the recent free industry sessions that REINSW has been conducting in conjunction with the Real Estate Employers Federation (REEF). We've covered many hundreds of kilometres around the state, speaking directly with members about the new national awards, proposed changes to the *Residential Tenancies Act* and some of REINSW's new business initiatives. Most pleasing is the wonderful level of attendance, which has allowed us to inform and get to know a large cross-section of our membership. We look forward to speaking with you all again very soon.

Business management focus

The marketplace has continued to grow in strength throughout the year, threatened only by the acute shortage of stock. Strata unit sales have been particularly strong as buyers clamour to gain

residence close to CBDs of major metropolitan areas and major transport links. This month we take a closer look at strata sales and their appeal in the marketplace (page 8).

With a focus on business management, this edition also looks at the benefits and challenges of owning a franchise compared to an independent business, and outlines important factors agents should consider (page 16).

To help business owners further, REINSW has a number of offerings to help you run a successful agency. Real Business First, for example, is one of our exciting new business initiatives. It gives you greater control of your profitability by providing an overview of key financial factors influencing your business – and through some simple financial adjustments it can improve your bottom line. For more of REINSW's offerings, see page 12.

Going green

Our May issue looks at how Federal Government environmental guidelines are impacting the value of commercial properties.

Major tenancies across Australia are now demanding more energy efficient buildings, which means as agents we need to be able to advise our landlords and vendors how to best renovate and re-equip their respective buildings to attract the best returns (page 26).

Your stories

Finally I want to remind you all that this is our centenary year, and we are most proud of REINSW and its 100 years of servicing the needs of the NSW real estate profession. We are seeking real estate stories and photos from the past century, so if you have anything of interest please email centenary@reinsw.com.au

There is a diverse collection of property stories in this month's edition, which I hope will inform and help members in their professional life. We wish you all a happy and most successful month ahead.



Wayne Stewart
REINSW President

"WE'VE COVERED MANY HUNDREDS OF KILOMETRES AROUND THE STATE, SPEAKING DIRECTLY WITH MEMBERS ABOUT THE NEW NATIONAL AWARDS, PROPOSED CHANGES TO THE *RESIDENTIAL TENANCIES ACT* AND SOME OF REINSW'S NEW BUSINESS INITIATIVES."

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The call to scrap stamp duty



"REINSW HAS CALLED ON THE KENEALLY GOVERNMENT TO FOLLOW THE ADVICE OF TREASURY SECRETARY KEN HENRY AND ABOLISH STAMP DUTY."

The recent release of the Henry Tax Review has brought property and land taxes, specifically stamp duty, to the forefront of discussion among real estate agents.

REINSW has called on the Keneally Government to follow the advice of Treasury Secretary Ken Henry and abolish stamp duty.

REINSW has long argued that stamp duty is a disincentive to the property market. This view has now been echoed by the Henry Tax Review, which has described stamp duty as an 'inefficient' tax.

It's now up to the Keneally Government to act on the recommendation.

REINSW has been telling the NSW Government for years that stamp duty is crippling to investment in

property. A key consequence of this is the rental crisis gripping NSW – a crisis that seems to be obvious to everyone except the Keneally Government.

Hopefully now that one of Australia's leading economists is calling for the abolition of stamp duty, the message might finally get through.

However, there are recommendations in the Henry Tax Review that REINSW is opposed to, including moves to broaden land tax in NSW, which would capture property investors who currently don't pay this unpopular tax.

Any move to increase the land tax net to include assets such as the family home will be viewed as unacceptable by voters and families across NSW.

It is essential that Premier Keneally provides certainty to the people of NSW and rule out any expansion of the land tax system.

Protecting member interests

REINSW is lobbying vigorously on this and other issues affecting real estate agents in NSW. One of our key areas of focus is the proposed amendments to the *Residential Tenancies Act*. We have been out in the field informing members and the wider community about the impact of these changes on both real estate agents and landlords.

Member feedback from these educational sessions has been overwhelming, with agents deeply concerned about how the changes will affect their day-to-day activities. Many have also relayed the anxiety felt by landlords.

REINSW is collecting these member comments and using them to support our arguments to government. We also encourage members to independently voice their concerns and those of their landlords directly to the relevant members of parliament. You can provide your feedback at www.reinsw.com.au/rtasubmission

To support members through these and other developments in our industry, REINSW offers a range of tools and resources to help owners run successful businesses. Learn more about some of the products and W offers on page 12.

Tim McKibbin



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Chris Curtain and Lauren Mai receiving the 2009 REIV Commercial and Industrial Gold award

Chris Curtain
Director - Lemon Baxter

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Rudd to pressure State Governments on stamp duty

In a speech to the NSW Business Chamber, Prime Minister Kevin Rudd said he would push for an overhaul of state taxes, including stamp duties.

According to Rudd, many existing taxes – such as State Government stamp duties on real estate sales – make the economy less efficient.

“A strong tax system should raise revenue in the most efficient and simplest way possible. Many of our existing taxes reduce productivity and detract from the overall efficiency of the system,” says Rudd.

The Henry Tax Review, released 2 May 2010, also recommends stamp duty be reduced and eventually abolished. REINSW has called on the Keneally Government to follow the advice of Treasury Secretary Ken Henry.

REINSW President Wayne Stewart says: “Stamp duty is a disincentive to investment in the property market so it is welcome that the Henry Tax Review has recognised this and urged its abolition. It is now up to the Keneally Government to act on that recommendation.”



Australia's wealthiest suburbs revealed

The Sydney suburb of Edgecliff is Australia's richest suburb, according to ATO figures. Tax Office data that measures taxable income revealed the country's wealthiest and poorest areas for the 2007–08 tax year.

Residents of Sydney's 2027 postcode (Darling Point, Edgecliff, HMAS Rushcutters and Point Piper) earn an average of \$159,000 more than the country's poorest area, which the ATO names as Callaghan, just west of Newcastle.

Top five wealthiest postcodes in NSW

1. 2027 Darling Point, Edgecliff, HMAS Rushcutters, Point Piper
2. 2088 Mosman, Spit Junction
3. 2030 Dover Heights, HMAS Watson, Rose Bay North, Vaucluse, Watsons Bay
4. 2023 Bellevue Hill
5. 2063 Northbridge

Super changes impact property investment

Federal Government changes to superannuation are prompting Australians to turn to investment properties for their retirement savings, according to John Brogden, Chief Executive of the Investment and Financial Services Association.

In the 2009 budget, the Government halved the voluntary amounts that could be contributed to superannuation in addition to the 9% superannuation guarantee levy from \$100,000 to \$50,000 for those over 50 and from \$50,000 to \$25,000 for those under 50.

Brogden says reducing the cap on superannuation contributions means “people who want to top up their super before retirement will look to other form of tax-effective investment ... like property”.



Tallest private home for sale in NSW

A high-rise apartment block on the NSW mid-North Coast is on the market. While the 10-storey building in Girvan near Stroud could house several families, it has been home to just one for the past decade.

Believed to be Australia's tallest private home, Girvan Estate has an internal lift, seven bathrooms, two additional toilets, balconies on every floor, three bedrooms, a tennis court, swimming pool and an observation deck that boasts 360-degree views.

Owner Peter Grey says he has always been fascinated by high-rises so he built the \$3 million, 30m-high, 26m-wide building to live in with his wife Jean and son Colin.

Real estate agent John Miles from R & R Rural and Residential Property says that although it is currently a family home, subject to council approval it could be turned into a business such as a resort, health spa, motel or company office.

Major developer in talks to acquire Westpac Office Trust

Property developer Mirvac Group has revealed it is in exclusive talks with Westpac to buy the bank's office trust, which has \$1.14 billion in assets.

If the deal proceeds, it will be one of the largest takeovers for the listed property sector this year. This comes as Westpac is expected to sell more of its property assets in the months ahead after announcing a strategic review of its \$3.1 billion funds management platform.

Mirvac says it is raising equity to strengthen its balance sheet in preparation for future acquisitions and development projects.



Negative gearing top tax break

The latest data from the Australian Tax Office (ATO) show landlords claimed \$12.75 billion of net losses in 2007–08 to reduce their tax. Negative gearing by rental investors has consequently become Australia's biggest tax break.

ATO figures show a record 1.2 million investors claimed they spent more money on their rental properties than they earned from rental income in 2007–08, while nearly 530,000 investors were positively geared.

Unlike those buying their own home, investors can use their mortgage bills to reduce tax paid on other income. One in every 10 taxpayers is now a negatively geared property investor.

Labor restored the tax breaks in 1987, saying their removal had hurt rental investment and driven up rents. Since then, the number of landlords has more than trebled from 538,000 to 1.73 million, with many owning two or more homes.

Rise in demand for rental properties

The supply of housing is tightening as vacancy rates for rental properties in major NSW cities continue to fall, says REINSW President Wayne Stewart. "Unfortunately, the rental market in our major metropolitan centres has worsened," he says.

According to Stewart, housing supply is a key election issue and the State Government must intervene. "Unless there is dramatic and urgent intervention by the State Government to reduce property taxes, simplify planning laws and better utilise our land resources, then NSW will remain in the grip of a rental crisis," he adds.

Agents liable under foreign investment rules

REIA has requested a meeting with Assistant Federal Treasurer Nick Sherry to clarify the role of real estate agents under the new foreign investment rules.

The restrictions, which prevent non-residents buying established Australian homes, reinstate foreign investment rules dumped in 2008. New penalties that apply to real estate agents have also been introduced.

REIA President David Airey believes it isn't appropriate for agents to "police" foreign investment guidelines.

Spotlight: Sydney strata sales

1. OFFICE SUITES IN THE JONES BAY WHARF COMPLEX, SYDNEY, WERE RECENTLY SOLD AT AUCTION.

2. PORT CENTRAL BUSINESS PARK, MATRAVILLE. MARKETED BY COLLIERS INTERNATIONAL.



THE STRATA OFFICE MARKET IS GROWING DESPITE RISING INTEREST RATES AND A TOUGH LENDING ENVIRONMENT.

Investment in the strata office market in Sydney's CBD recorded its strongest first-quarter performance in years. According to market analysis by CB Richard Ellis, there were \$30.6 million worth of strata office and retail sales in the first quarter of 2010. These sales have occurred across the CBD as well as in fringe areas such as Pyrmont.

In the same period last year, just \$16.2 million in sales were recorded. The total volume of strata sales had dropped to \$128 million, the lowest level in almost a decade and 23% down on the previous year.

"The strata market suffered considerably during the global financial crisis," says REINSW President Wayne Stewart. "Buyers found it difficult to secure financing and many businesses looking for a premises found it was cheaper to rent than endure rising interest rates."

CBRE Research Analyst Luke Nixon says the fall was particularly evident in the 'over \$1 million' category, where sales fell by 29%. The average sale price of strata space also dropped back below the \$1 million mark to \$830,000 after peaking in 2008 at \$1.04 million.

Suite deals in CBD

Renewed interest from investors in 2010 can be seen in a string of high profile sales. In Sydney, CBRE recently sold \$8 million worth of strata properties at auction. The portfolio featured three suites at the heritage-listed Jones Bay Wharf complex. Other significant strata



sales by CBRE in 2010 include whole office floors at Hunter Street and Pitt Street, Sydney, totalling \$7.5 million.

Suburban surge

Demand for industrial property is high in the South Sydney sector, according to CBRE's market review. Older warehouses are being converted to business parks and strata sites, prompting smaller businesses to buy space near the ports and airport.

Port Central Business Park at Matraville, in the lower eastern suburbs of Sydney, has struck a chord with business owners. Marketed by Colliers International, the site has chalked up almost \$28 million in sales since construction finished last year. The \$37 million Leighton Properties project includes six freehold factory-warehouse facilities and 23 strata title units. ♦

10 BRIDGE STREET, SYDNEY



The right image

REINSW member and National Director of Office Leasing at Colliers International, Cameron Williams, says buyers need to keep in mind that prospective tenants are looking at premises from the perspective of their clients: "They're mindful of what's going to position them appropriately."

Upmarket sites, such as the new 10 Bridge Street property being managed by Colliers, are in demand because they convey a strong business image, Williams says.

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Record numbers at Division meeting

REINSW MEMBERS WITHIN THE SAME REGION ARE SUPPORTING EACH OTHER BY DISCUSSING AND TAKING ACTION ON THE ISSUES THAT AFFECT THEM. RECENTLY, MORE THAN 80 MEMBERS ATTENDED THE NEPEAN/HAWKESBURY/BLUE MOUNTAINS DIVISION MEETING.

The REINSW Nepean/Hawkesbury/Blue Mountains Division met on 30 March 2010 at Penrith Golf Club to discuss the proposed changes to the *Residential Tenancies Act* and other issues affecting real estate agents in the region.

The meeting was commenced by Immediate Past Chairperson Greg Taylor, who introduced Peter Prouzos, the new Chairperson. Peter thanked the gathering of more

"THE DISCUSSION WAS MOST INTERESTING WITH MANY MEMBERS HAVING A SAY ON THE MATTER."

than 80 members for their support and attendance. He spoke briefly about the history of the REINSW, proposing a toast in celebration of the Institute's 100 years of service in the industry.

"This was the biggest meeting of the Division in years," says Peter. "I think it's because the topics we presented were close to heart for a lot of Principals."



PENRITH GOLF CLUB

Secretary/Treasurer Reg Murray then addressed members, presenting the Treasurer's Report and Political Action Report. This was followed by a banquet dinner after which REINSW Legal Counsel Sam Kremer ignited discussion on the proposed changes to the *Residential Tenancy Act*. Both Sam and REINSW Advisor Tim Anderson then answered member questions.

"The discussion was most interesting with many members having a say on the matter," says Peter. "As a result of our meeting,

our committee will be approaching local members of parliament to voice our concerns and to give our suggestions for the proposed changes to the Act."

The REINSW Nepean/Hawkesbury/Blue Mountains Division is also committed to organising a Novice Auctioneers Competition, which will be led by Secretary Jo Hamilton and Committee Members Sharon Mudiman and Angela Elliott.

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11–12 October 2010

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property trends, predictions as well as up-to-the-minute corporate advice and contemporary business practices.

A Q&A panel of experienced real estate professionals including Richard Jellis, Anthony Toop, Damien Hackett and Craig Marshall will relay their experiences and offer members tips on how to increase their market share.

Attendees will also hear from motivational speakers Robert Bevan, Paul Cave and Kevin Sheedy. There are also practical workshops with Michael Sheargold, Chris Gray and Bob Walters, who will equip you with the skills to succeed in real estate. ♦

Stay tuned

For conference program updates continue to watch www.t1events.com.au and www.reinsw.com.au. There will be more information in the June edition of the *Real Estate Journal*.



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Flexible payment options include a subscription fee that allows you to create as many forms as you like during the subscription period. Alternatively, members can pay per agreement or form, with prices starting at 35 cents.

To find out more or to register, visit www.reinsw.com.au/reiformslive

2

Advice from industry experts

Member Helpline

This free service, exclusive to REINSW members, gives agents access to advice from experienced, licensed real estate agents. Helpline advisors have extensive industry knowledge on a range of everyday real estate matters specific to agency practice and compliance, property management, sales and industry ethics.

The Helpline is available Monday to Friday from 9am to 5pm.

To speak to a REINSW Helpline advisor, call (02) 9264 2343 or email helpline@reinsw.com.au

3

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REINSW Real Accreditation gives agents and agencies official recognition for a verified level of expertise. This sets members apart and reassures potential and existing clients they are credible and competent real estate professionals.

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To find out whether you fit the selection criteria for Real Accreditation or for more information about learning options visit www.reinsw.com.au/accreditation

4

Benchmarking service

Real Business First

REINSW members can compare their business performance with other agencies of the same size in the same area using Real Business First. By uploading financial data once a month, subscribers gain access to financial figures that provide a point of reference and best-practice examples. Armed with this information, you can clearly identify problem areas, improve your bottom line and subsequently grow your business.

A valuable resource for real estate agents, you can try Real Business First for free for three months. After that it costs just \$49.50 per month to subscribe for REINSW members and \$69.50 for non-members (incl GST).

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5

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Tenant database

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Trading Reference Australia (TRA) offers one of the most comprehensive tenant databases in Australia. The service assists in areas of property management such as litigation, insurance claims and audit trail reports.

REINSW members can take advantage of a free three-month trial of the Trading Reference Australia.

Users gain access to features such as an alert system for tracking absconded tenants, a facility to view driver's licences or other photo identification of tenants as well as pictures of damaged property, and 'Certificates of proof' to protect property managers and Principals against litigation.

For more information about TRA, visit www.tradingreference.com or call (02) 9363 9244.

8

Phone bill rebates

M2 Telecom

REINSW members who use M2 Telecom for all their business communications needs can earn a monthly rebate of up to \$98 (excl GST) off their bill. This could translate into savings of more than \$1000 over a 12-month period – that's approximately the same as a full year's Firm Membership with REINSW.

M2 Telecom also offers REINSW members competitive call rates and the convenience of having all M2 Telecom telecommunications services included on one itemised bill.

Contact Aaron Dodds on 0408 481 048 or email aarond@phoneandfly.com to receive a no-obligation proposal demonstrating the savings you can make on your existing telecommunications services.

9

Online tools

realestateVIEW.com.au and propertydata.com.au

The third largest property portal in Australia, realestateVIEW.com.au provides a cost effective way to drive sales and rent enquiries. There are more than 50,000 current property listings, which provides consumers with a high level of content and detail. The site also offers free multi-loading to Real Estate Australia and Domain to agents.

A subscription to realestateVIEW.com.au also includes access to propertydata.com.au, a data product. Members can access the latest sales data, as well as mapping features and customisable Comparative Market Analysis (CMA) reports.

Check out the website www.realestateview.com.au to find out more or join the 1000+ agents from across Australia who subscribe to the website.

10

Other member discounts

realestate.com.au, MBF, Mercedes-Benz, PowerBuy REINSW members receive discounts on other products and services including:

- 10% off standard subscriptions, platinum subscriptions and selected advertising products at realestate.com.au
- 11% off MBF health insurance if you join the REIA Corporate Health Plan
- Preferential pricing and benefits, such as reduced dealer delivery, if you buy a Mercedes-Benz
- Discount coupons on IT products and services through PowerBuy

REINSW celebrates 100 years

OVER THE PAST 100 YEARS, REINSW HAS WITNESSED MANY HISTORICAL MILESTONES, INCLUDING WORLD WARS. IN THIS EDITION, REINSW LOOKS AT THE TURBULENT 1940s.

The early years of World War II were prosperous for REINSW and

its members. The property market, which had gathered strength and increased turnover during the late 1930s, continued its strong growth.

In this thriving period, the real estate industry was also active in patriotic

causes. REINSW contributions included the donation of an ambulance to the Army Medical Corps in 1941. But when the government introduced Land Sales Controls which restricted property transactions to assist the diversion of manpower and materials to the

war effort, REINSW mobilised to protect real estate agents.

In the next edition of the Real Estate Journal we look at REINSW from 1950–1959. Please email your ideas to centenary@reinsw.com.au.

The information on this page has been drawn from *The Sign of the Waratah – a history of the Real Estate Institute of New South Wales* by Terry Kass.

100 years

The fourth decade 1940 to 1949



THIS PHOTOGRAPH APPEARED IN THE *REAL ESTATE JOURNAL* (JAN-FEB 1948) AND HIGHLIGHTS THE DIFFICULTY OF OPERATING UNDER LAND SALES CONTROL.

1940

- REINSW draft of the Registration Bill is sent to the Minister for Justice.
- REINSW draws up a voluntary scheme to allow members who enlist to have their businesses minded in their absence.

1941

- REINSW donates an ambulance to the Army Medical Corps at Victoria Barracks.
- Registration Bill for Real Estate agents is passed.

1942

- The Parliamentary Committee is formed within REINSW to watch all legislation affecting the real estate industry.

1943

- REINSW is informed that promises made about exempting key members of the real estate industry from military service were no longer held by the Federal Government.
- A handbook outlining wartime regulations affecting real estate agents is published by REINSW.

Registration Bill passed

PRESSURE TO PASS THE REGISTRATION BILL WAS TOP OF REINSW'S AGENDA IN THE EARLY WAR YEARS.

REINSW continued to keep the issue of a Registration Bill alive through its lobbying efforts in the early 1940s. In February 1940, REINSW forwarded a copy of its draft Bill along with suggested amendments to the Minister for Justice, Vernon Treat.

Lobbying efforts by REINSW had the desired effect. A number of REINSW's suggestions were accepted as amendments to the Bill.

On 15 May 1941, President George Clubb congratulated REINSW on the passing of the Bill and commended it to members at the REINSW Quarterly General Meeting. However, he did this with reservations, stating the main omission was the absence of registration on an educational basis.

We need your help. If you have photos of members, details or memories of festive events, or information about interesting REINSW happenings or milestones, we'd

Land Sales Controls cripple real estate

REGULATIONS SEVERELY CONTROLLING THE TRANSFER OF LAND AND PROPERTY AFFECTED THE LIVELIHOOD OF REAL ESTATE AGENTS, WHICH PROMPTED VIGOROUS LOBBYING BY REINSW.

On 31 January 1942, the National Economic Plan was actuated in Australia. It was "a policy of economic control that will, at one and the same time, place the full resources of the country in men and materials at the disposal of the Government".

The plan immediately affected real estate agents as profits on any new investment were limited to four per cent; sales and transactions of land and shares were severely restricted; and interest rates were controlled by the Commonwealth Bank.

In February 1942, one of the regulations issued as part of the National Economic Plan totally

prohibited the sale of land. The severity of the Land Sales Controls was swiftly eased to cater for the genuine need for some transfer of land and property to continue. The sale of houses was permitted but only if the increase in value was no more than 10 per cent above the last valuation or last selling price.

As a result of the regulations, there was a sharp drop in land transactions across Australia from 1942–1943, an experience repeated locally in NSW and Sydney.

REINSW lobbied vigorously for the end of strict control of real estate transactions. Continual pressure was placed on Federal Government ministers. Slight easing of the regulations was achieved in the mid-1940s, but it wasn't until 1949 that the controls were completely abolished.

1944

- REINSW publishes a housing report, which is heavily relied upon at a conference of interstate real estate representatives.

1945

- The Federal Government passes the *Federal-State Housing Agreement Act*, which allocates funds for the construction of new dwellings, 50 per cent of which to go to ex-Defence Force personnel.

1946

- REINSW formulates a policy on the sale of Housing Commission homes.

1947

- 39.7% of houses in Sydney are owner occupied.

1948

- The *Landlord and Tenant Act* is passed, which extends wartime legislation protecting tenants.
- A publicity campaign specifically aimed against Land Sales Control is initiated by REINSW.
- Vacant land is removed from Land Sales Control largely due to REINSW lobbying.

1949

- Land Sales Control is abolished in NSW.

Presidents

G Clubb
1941

A Gorman
1942

D O'Brien
1943–1944

LH Moore
1945–1949

Agent numbers fluctuate – but only slightly

THE NUMBER OF REAL ESTATE AGENTS AND PROPERTY PROFESSIONALS DURING THE LATTER WAR YEARS, AS MEASURED BY THE LICENCES ISSUED ANNUALLY, REMAINED RELATIVELY STABLE.

From over 5100 licences issued in 1941, the number had fallen to 4444 in 1943, plus 109 salesman licences. In 1944, 4560 were issued along with 86 salesmen's licences. This reveals a decline in numbers but hardly the influx of real estate agents into vital war work which the REINSW had feared.

With the end of the war in 1945, many new practitioners entered real estate. Prominent among them were ex-servicemen. The number of agents steadily climbed over the next few years.

REINSW responds to unprofessional valuation practices

UNDER THE STRESS OF WAR, MANY IMPERFECTIONS THAT HAD PLAGUED VALUATION PRACTICE FOR DECADES BECAME THE CAUSE OF OPEN SCANDAL.

Respected valuers had many difficulties to contend with in wartime, including unprofessional counterparts. The absence of solid principles of practice of valuation became clear as many incompetent and inexperienced valuers were publicly scrutinised.

REINSW responded by forming the Valuers' Division in 1944. It's objectives included providing an organisation for competent valuers, improving professional standards through the exchange of information, promoting a uniform method of valuation and maintaining the integrity of members.

Join the Waratah Network

IF YOU HAVE BEEN WORKING IN THE INDUSTRY FOR MORE THAN 20 YEARS, REINSW BELIEVES YOU DESERVE RECOGNITION. THE WARATAH NETWORK ACKNOWLEDGES AND CELEBRATES THE EXPERIENCE OF OUR INDUSTRY'S LONG-TERM MEMBERS.

Membership to the Waratah Network is free. To be eligible to join, you must be a current REINSW member and you need to attest that you have been working in the real estate industry for 20 years or more. Two REINSW members will then have to verify your experience.

As a member of the Waratah Network, you will:

- receive a certificate and special memento to celebrate your contribution to our industry

- have your name listed on the REINSW website acknowledging your membership of the Waratah Network
- be invited to attend half-yearly networking events, where you can rub shoulders with 'the good and the great' of our industry
- have the opportunity to take part in the Young Agents Mentoring Program and use your vast experience to aid the development of some of our industry's best and brightest.

To apply for membership to the Waratah Network, simply go to www.reinsw.com.au and find The Waratah Network under Member Centre. Then download the application form, fill it in and return to REINSW.

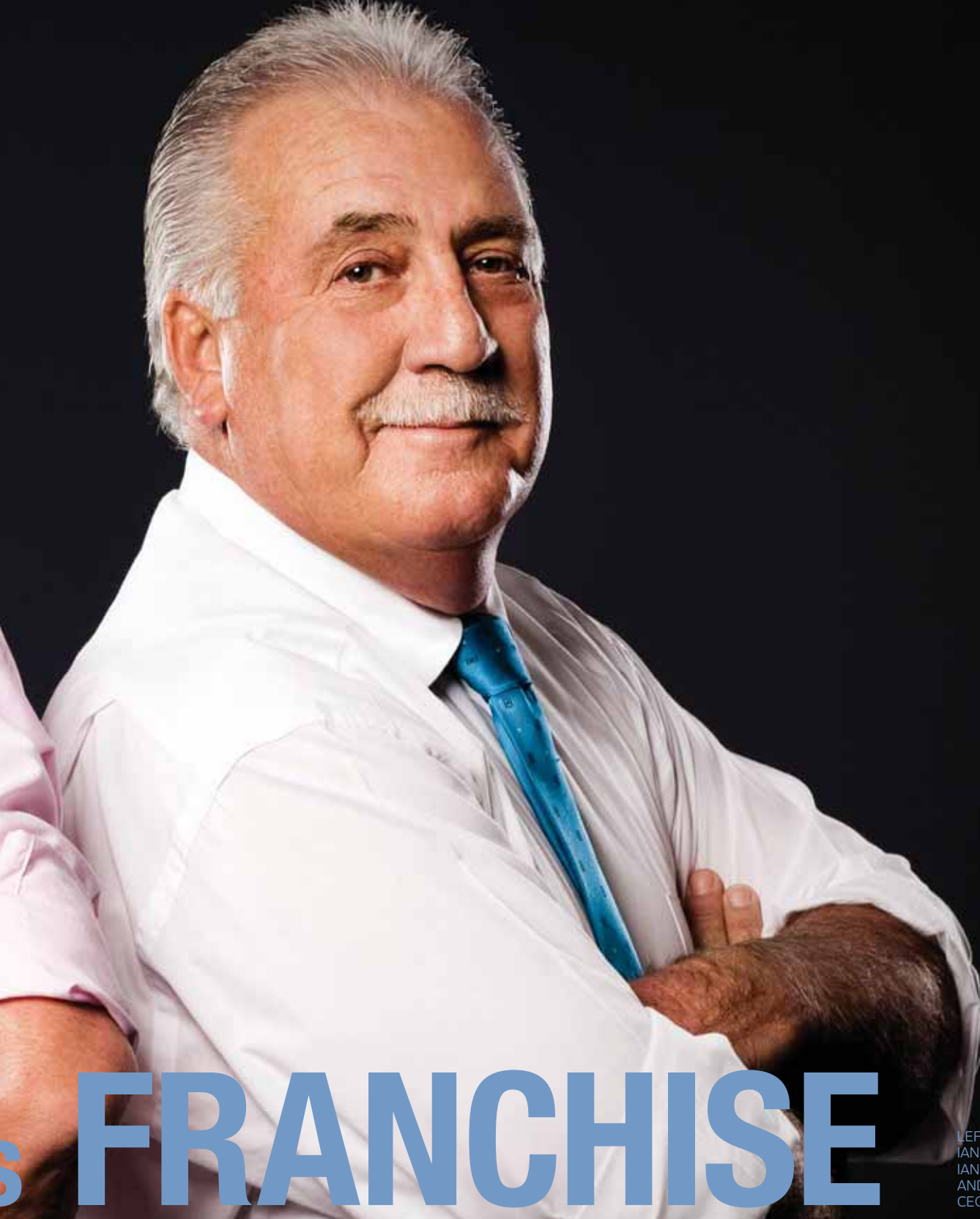


INDEPENDENT vs



BY LEANNE MEZRANI

Do you want to open your own agency? Or are you an independent business considering a move to franchise? To help you decide which business model is right for you, the *Real Estate Journal* looks at the pros and cons of joining a franchise versus trading on your own name.



LEFT TO RIGHT:
IAN MCNAMEE, FOUNDER OF
IAN MCNAMEE & PARTNERS
AND JOHN MCCORMACK,
CEO OF STARR PARTNERS.

FRANCHISE

Many real estate agents who want to go into business consider whether a franchise or independent agency is right for them. Each path has its advantages, as well as challenges.

John McCormack, CEO of Starr Partners – the largest and longest-running real estate franchise in Greater Western Sydney – believes the major benefit of joining a franchise is instant brand awareness.

“When you join a franchise, you enter into an existing support network and brand that has an established presence in the market,” he says.

Having a brand’s multi-million-dollar marketing and advertising campaign behind you comes at a price, generally in the form of a regular franchise fee. But what you gain is worth the cost, John says.

“Starting a business on your own requires a great deal of work – it takes time, as well as money. Or you can sign up with a franchisor who’s done it hundreds of times and be handed a list of exactly what you need, allowing you to open for business more quickly than if you had to research it all on your own,” he says.

John adds that independent agencies face start-up costs, such

as developing and maintaining a company logo, which also needs to be taken into account.

“New franchisees stand to benefit greatly from group purchasing power for signage, stationery and office fit out, as well as services that will complement the business such as PR, marketing and web development,” he says. ►

“THE RIGHT CHOICE FOR YOU WILL DEPEND ON WHERE YOU’RE LOCATED AND YOUR LONG-TERM GOALS.”

Choosing a business model

Weighing up the pros and cons of a franchise against an independent business should begin with a self-assessment, says Ian McNamee, founder of Ian McNamee & Partners – an independent real estate agency servicing the Queanbeyan, Canberra and Jerrabomberra regions since 1976.

“When you start an independent business, you’re in control of every detail, large and small. With a franchise, you sign an agreement to follow the rules laid out by the franchisor. The right choice for you will depend on your long-term goals and where you’re located,” says Ian.

Ian believes the reputation of a family name can be powerful in regional areas. The McNamee family, he explains, is well known in the local community, which meant Ian felt confident branching out on his own in 1976 after several years with an established franchise.

“We moved across the road and the business followed. Today, we’re dealing with fourth and fifth generations of clients,” he says. “In regional areas where the population base is smaller, people tend to talk to each other more and you’re more likely to get referrals through word of mouth.”

Reputation is also an important consideration for franchisees. “Not all franchises are created equal so it’s important to do your research,” says John. “Make sure any sister franchises are well-regarded in your wider area as any negative feedback could reflect badly on you.”

Taking stock

While trading on the family name has certainly benefited Ian McNamee & Partners, Ian admits that the most important asset for a real estate business is not your name but the

volume and variety of properties in your portfolio.

“At one stage we thought we were doing well because people liked us. While service is important, the truth is people buy where they want to buy. That’s why you need to have the stock on the shelf, which is becoming increasingly difficult to get,” he says. “For someone starting out who hasn’t got contacts, getting listings can be very hard.”

John agrees that first-time business owners can struggle in their first years and would benefit from the support of an established franchise.

“WHEN YOU JOIN A FRANCHISE, YOU ENTER INTO AN EXISTING SUPPORT NETWORK AND BRAND THAT HAS AN ESTABLISHED PRESENCE IN THE MARKET.”

“Opening an independent agency means building a business from the ground up.

Franchisees are at an advantage here, as all these tasks have been taken care of in advance by the franchisor,” he says.

Support comes in the form of experienced mentors who provide guidance, says John. “There are also training programs for new franchise owners and ongoing support in the form of meetings, networking opportunities, research and development etc.”

John adds that franchisees enjoy access to tried and tested business management systems. “It can

take years to develop a profitable business on your own and there is potential to suffer huge losses if you don’t get it right,” he says.

Being proactive

Franchising may reduce the risks involved with business ownership, but it does not eliminate them, says Ian. He believes that the success of a real estate agency – regardless of whether it’s a franchise or independent – depends largely on the efforts and determination of the business owner.

“Running a business is hard work and you have to be proactive rather than reactive and search out business opportunities,” he says. “You have to keep going forward if you want to retain and build your place in the market.”

Ian encourages business owners to think creatively about how to take their business to the next level. He gives the example of how his experience as Cricket ACT President has ensured Ian McNamee & Partners is a recognised and trusted name in the community.

“It’s important for business owners and staff members to be involved in the community, particularly for regional agents,” he says. “You’ll find that business soon flows from it.”

John agrees that good business sense and enthusiasm are key ingredients for success. “You must have a passion for the industry, a proven ability to manage your staff – or another employee who can do this for you – and the drive and desire to implement business growth and development strategies,” he says.

Having motivated employees is equally important, adds John. Regardless of whether you’re based in regional or metropolitan NSW,

hiring successful, passionate people is essential, he says. “These are the people other staff will be looking to for direction, training and inspiration.”

At Ian McNamee & Partners, Ian believes his staff members are driven because they feel valued within the business. “We have a photograph of all our employees in our conference room with the words ‘Our greatest asset’. We pride ourselves on the quality of our staff and the high level of service they provide,” he says.

So while some will tout the benefits of choosing a franchise over an independent business, and vice versa, both Ian and John agree that the business models rely on the same elements for success – a strong property portfolio, a recognised name, a proactive owner and motivated staff members. ♦

The rise of McDonald’s

The book *The Economics of Franchising* by Roger Blair and Francine Lafontaine says the strength of a franchise hinges on making customers feel secure that their expectations will be met at any franchise location each and every time. This could mean providing a uniform product or, in the case of real estate agencies, the same level of service across all franchises.

The authors give the example of the McDonald’s chain of restaurants. They explain that if you walk into any of the 30,000 McDonald’s restaurants around the world, your meal will be the same (or nearly) no matter where you are. This draws customers who are looking for the reliability and familiarity of a particular brand.

Top 5 gadgets for real estate agents



1



2



3



4



5

1. APPLE'S TABLET PC - THE IPAD
2. NOKIA N97 SMART PHONE
3. USB DEVICE
4. THE FLIP MINOHD CAMCORDER
5. TOMTOM GO 720

There's only one thing a real estate agent loves more than closing a deal or signing a new client - getting their hands on the latest gadget.

1 Tablet PC

A Tablet PC is a handheld device that allows you to use the same programs available on your desktop computer. Real estate agents can play virtual tours or take prospective clients through an agency agreement on the large screen while at appointments or open houses. And now that wireless broadband is available in more places, agents who spend much of their time on the road can access their office from anywhere.

2 Smart phones

Smart phones are becoming so smart that most have all the capabilities of a PC with a phone built in. The Blackberry, which features a full keyboard, is ideal for agents whose preferred form of communication is email, while video, photo and web users will enjoy Apple's iPhone. Nokia's high-end smart phones have similar multimedia capabilities with the option of a touch screen or keyboard.

3 USB flash drives

The cost of USB flash drives has dropped dramatically in recent years, while their memory capacity is increasing. An eight gigabyte product, for example, costs around \$70 or less. The device allows real estate agents to carry documents, high-resolution digital photos for advertising, marketing collateral and even video tours in their pocket or on a keychain. It is also a convenient way to back up important data.

4 Flip camcorder

Dubbed the "world's simplest video camera" by Yahoo, the Flip Video is gaining popularity among real estate agents. You can shoot your own video tour of a property or use the device to communicate with existing and potential clients in a more personal way. There are also easy-to-use functions that allow you to upload the finished product to social networking sites like YouTube.

5 Sat nav system

You might know your way around your local area, but often your buyers and new tenants don't. You can use your GPS to show potential clients nearby services, schools and businesses. High-end products, like the TomTom Go 720, have a bluetooth speakerphone so you can answer your phone without risking a fine.

Technology review

Find out how software and other online tools can improve the way real estate agents run their business.

HR systems for agencies



A NEW HR SYSTEM IS HELPING REAL ESTATE AGENTS COMPLY WITH THE FEDERAL GOVERNMENT'S NEW EMPLOYMENT FRAMEWORK.

The introduction of the *Fair Work Act* and Modern Award framework on 1 January 2010 has changed the compliance landscape for real estate agents nationally. Agencies must re-learn the laws of employment or risk up to \$30,000 in penalties for failure to comply.

To provide guidance in this area, FCB Technology launched 'enableHR - Real Estate', the first *Fair Work Act* and Modern Award compliant HR system for Australian real estate agents.

Developed by legal and industry specialists, enableHR – Real Estate provides agencies with state-by-state real estate modern award wage rate information.

It also outlines modern award and clerical award, clause by clause, with practical FAQs to assist in interpretation.

Other features include 70 best-practice template contracts, policies, letters and guides linked to workflows; interactive HR processes for hiring, employee management and termination (all *Fair Work Act* compliant); candidate and employee profiles to store all employee documentation; and email alerts and reminders for critical diary dates.

enableHR – Real Estate is currently being used by over 1000 small businesses nationally.

For more information on how enableHR can benefit your agency or to trial the system for free, visit www.enableHR.com.au/realestate ♦

Online information exchange

Software provider Console has launched Real Estate Community forum – a free online platform where real estate agents can discuss issues that affect them. By subscribing, members can participate in online discussions, post questions and answers and join in conversations about property management, sales, small business matters and trust accounting, to name a few.

According to Console CEO Craig Thwaites, Real Estate Community forum "brings people together to interact and participate in discussions and conversations that are pertinent to their success in the industry".

"This is an opportunity to ask questions of peers and industry experts and get answers that will help real estate professionals – including property managers, principals and sales agents – address the challenges they and their companies are experiencing today," he adds.

Console says the purpose of the forum is to further its service offering by promoting the exchange of information among real estate professionals.

To join the forum visit the Console website at www.console.com.au ♦

Are your commercial properties compliant?

Adept Business Solutions, a software provider, has released a sales and leasing application called ASL. The solution offers an energy efficiency disclosure module compliant with the needs of the Federal Government's commercial building energy efficiency regulations.

ASL will allow commercial property owners and agents to capture a NABERS energy rating (a performance-based system that rates an existing building on the basis of its measured operational impacts on the environment). This can then be displayed on property listing sheets when an office is made available for lease or sale. ASL also allows real estate agents to disclose a Building Energy Efficiency Certificate (BEEC) to interested parties and to track that the BEEC has been sent to specific contacts.

"With the threat of civil penalties of up to \$110,000 for non-compliance, commercial agencies in Australia need a viable solution to record and disclose energy efficiency information," says Steve Clark, Adept CEO. "In addition, the sharp rise of electricity costs has made energy efficiency an important consideration when leasing and buying commercial property. ASL gives commercial agents ready access to the required energy information."

More information is available at www.adept.com.au/energy or by calling (02) 9330 5555. ♦

Keep learning



News

Update on National Licensing

After meetings held in Canberra at the end of April, it looks likely that there will only be two full licences in the future – a general real estate licence and a strata management licence. It appears that there will also be endorsements for the sale of livestock, auctioneering and commercial/business.

We will keep you posted with all new developments.

New-look training team

We have expanded our training team and have some great new trainers on board who are helping develop an excellent range of CPD courses for the 2010/2011 financial period. This has also enabled us to create a much more flexible training schedule that includes evening and weekend courses for Licensing and Certificate of Registration as well as CPD and skills training. Check out the June calendar for new times and days for all courses.

Watch this space

Our partnership with the Property Council of Australia means there will soon be a range of new commercial and property development courses available online. Watch this space for further developments.

Strategic partnership



BY SUSAN HULL
REINSW EDUCATION & TRAINING
MANAGER

REINSW is moving ahead with its commitment to work with other organisations to bring more scope to both our training courses and networking events. I am pleased to announce that a strategic partnership has been formed between REINSW and the Property Council of Australia with the aim of improving industry standards. This will be immensely valuable to members of both organisations – particularly in the training field where we can share learning programs, trainers and speakers who are specialists in their field. The partnership will allow the sharing of existing courses and will bring the expertise of the Property

Council together with that of REINSW to set a solid foundation for the future.

Learning in regional areas

We have been working on a way to provide access to quality training in regional areas for some time now, especially in school-based and existing worker traineeships as well as funded licensing programs. We can now offer the Productivity Placement Program (PPP) to the rural sector and regional areas. If you are interested in receiving information on this government-subsidised program contact Stephen Howell at the training centre on showell@reinsw.com.au. (For more on the PPP, see page 42.)

Experience Advantage!

REINSW has reviewed and amended our experienced agents program to make it more user-friendly for those seeking recognition of their current skills and knowledge. We have evidenced-based Recognition of Prior Learning (RPL) kits to help those who have been working in the industry, or have experience selling or leasing real estate, to gain their Certificate of Registration or Licence. The Experience Advantage program is also suitable for existing licensees who wish to add or change their class of licence. For more information please contact sdem@reinsw.com.au.

[tp:// www.](http://www.reinsw.com.au)



Convenient learning options

REINSW eLearning

Discover the flexibility of online learning

www.reinsw.com.au

REINSW Training Calendar

JUNE/JULY 2010

JUNE

MON	TUE	WED	THU	FRI	SAT	SUN
	1	2	3	4	5	6
	SYDNEY CPD An agent's guide to tax and property investment (9.30am-1.30pm)	SYDNEY Real Estate Licensing Course (part time) continues				
SYDNEY Course in Property Practice (full time) - 5 days (9.00am-5.00pm)						
7	8	9	10	11	12	13
SYDNEY Real Estate Licensing Course (full time) - Week 1 Market Property, Agency and Self - 5 days						
	SYDNEY CPD Prepare for selling like never before (9.30am-1.30pm)	SYDNEY Forums@4 (4.00pm-6.00pm)				
		TWEED HEADS CPD Prepare for selling like never before (9.00am-1.00pm)				
		SYDNEY Real Estate Licensing Course (part time) continues				
14	15	16	17	18	19	20
QUEEN'S BIRTHDAY PUBLIC HOLIDAY	SYDNEY CPD How to have a compliant agency (9.30am-1.30pm or 5.00pm-9.00pm)	SYDNEY Real Estate Licensing Course (part time) continues	MANLY CPD Prepare for selling like never before (9.00am-1.00pm)		SYDNEY Course in Property Practice (part time) commences (9.00am-5.00pm)	
SYDNEY Real Estate Licensing Course (full time) - Week 2 Real Estate Sales - 4 days						
	SYDNEY Course in Property Practice (part time) Session 1 (5.30pm-8.30pm)	SYDNEY Course in Property Practice (part time) Session 2 (5.30pm-8.30pm)				
SYDNEY Course in Property Practice (full time) - 4 days (9.00am-5.00pm)						
21	22	23	24	25	26	27
	BATHURST CPD The Lease and the Law (9.00am-1.00pm)					
	ST GEORGE AND SUTHERLAND SHIRE Divisional Meeting	ORANGE CPD The Lease and the Law (9.00am-1.00pm)	FORBES CPD The Lease and the Law (9.00am-1.00pm)	DUBBO CPD The Lease and the Law (9.00am-1.00pm)	SYDNEY Course in Property Practice (part time) continues (9.00am-5.00pm)	
SYDNEY Real Estate Licensing Course (full time) - Week 3 Managing Agency Finances - 5 days						
SYDNEY Real Estate Licensing Course (part time) continues						
SYDNEY Course in Property Practice (full time) - 5 days (9.00am-5.00pm)	SYDNEY Course in Property Practice (part time) Session 3 (5.30pm-8.30pm)	SYDNEY Course in Property Practice (part time) Session 4 (5.30pm-8.30pm)				
	SYDNEY CPD The Lease and the Law (9.30am-1.30pm or 5.00pm-9.00pm)	NEWCASTLE CPD Win the business (9.00am-1.00pm)				
28	29	30				
SYDNEY Real Estate Licensing Course (full time) - Week 4 Residential Property Management - 5 days						
	SYDNEY CPD Creating impact and influence (9.30am-1.30pm or 5.00pm-9.00pm)	SYDNEY Real Estate Licensing Course (part time) continues				
	SYDNEY Course in Property Practice (part time) Session 5 (5.30pm-8.30pm)	SYDNEY Course in Property Practice (part time) Session 6 (5.30pm-8.30pm)				

CPD workshops – go to www.reinsw.com.au for course descriptions and prices

Course in Property Practice (full and part time as indicated)
Price includes REINSW Student Membership

Licensing Course (full and part time as indicated) flexible enrolment options available

Forums and Divisional Meetings

Consumer Course

JULY

MON	TUE	WED	THU	FRI	SAT	SUN
<p>WANT TO KNOW MORE?</p> <p>You can find out more about all of our courses by going to www.reinsw.com.au – simply click on Course Schedule in the Training menu.</p>				1	2	3
				<p>SYDNEY Real Estate Licensing Course (full time) - Week 4 Residential Property Management - 5 days</p>		<p>SYDNEY Course in Property Practice (part time) continues (9.00am-5.00pm)</p>
5	<p>CANBERRA CPD Prepare for selling like never before (9.00am-4.00pm)</p>	6	7	8	9	10
<p>SYDNEY Real Estate Licensing Course (full time) – Week 5 Agency administration and recruitment – 5 days</p>					<p>SYDNEY Course in Property Practice (part time) continues (9.00am-5.00pm)</p>	
<p>SYDNEY Course in Property Practice (full time) – 4 days (9.00am-5.00pm)</p>						
	<p>SYDNEY CPD An agents guide to tax and property investment (9.30am-1.30pm)</p>	<p>SYDNEY Real Estate Licensing Course (part time) continues</p>	<p>CANBERRA CPD Prepare for selling like never before (9.00am-4.00pm)</p>			
	<p>SYDNEY Course in Property Practice (part time) Session 7 (5.30pm-8.30pm)</p>	<p>SYDNEY Course in Property Practice (part time) Session 8 (5.30pm-8.30pm)</p>				
12	13	14	15	16	17	18
<p>SYDNEY Real Estate Licensing Course (full time) – Week 6 (optional) Auctioneers Accreditation – 3 days</p>			<p>PENRITH CPD Prepare for selling like never before (9.00am-1.00pm)</p>		<p>SYDNEY Course in Property Practice (part time) concludes (9.00am-5.00pm)</p>	
<p>SYDNEY Strata Management Course in Property Practice (full time) – 3 days (9.00am-5.00pm)</p>						
	<p>SYDNEY CPD Mastering Retail Leases (9.30am-1.30pm)</p>	<p>SYDNEY Real Estate Licensing Course (part time) continues</p>				
19	20	21	22	23	24	25
<p>SYDNEY Course in Property Practice (full time) – 4 days (9.00am-5.00pm)</p>						
	<p>SYDNEY CPD Prepare for selling like never before (9.30am-1.30pm or 5.00pm-9.00pm)</p>	<p>SYDNEY Real Estate Licensing Course (part time) continues</p>				
	<p>PORT MACQUARIE CPD Creating impact and influence (9.00am-1.00pm)</p>	<p>TAMWORTH CPD Rural CPD (9.00am-1.00pm)</p>				
26	27	28	29	30	31	
<p>CANBERRA CPD Prepare for selling like never before (9.00am-4.00pm)</p>		<p>SYDNEY Real Estate Licensing Course (part time) continues</p>	<p>GRIFFITH CPD The Lease and the Law (9.00am-1.00pm)</p>			
<p>SYDNEY Strata Bridging Course (Licensing) – 4 days</p>						
<p>ALBURY CPD The Lease and the Law (9.00am-1.00pm)</p>		<p>WAGGA WAGGA CPD The Lease and the Law (9.00am-1.00pm)</p>	<p>SYDNEY Consumer Course – Participating in an Owners Corporation</p>			
<p>SYDNEY CPD Creating impact and influence (9.30am-1.30pm or 5.00pm-9.00pm)</p>						

PREPARE FOR SELLING LIKE NEVER BEFORE

The successful conversion of a sale is largely dependent upon whether a potential buyer's experience with both the agent and the property is a positive one. Learn valuable skills to ensure that you present a professional, seamless and enjoyable service encounter.

Sydney 8 June 2010 Penrith 15 July 2010
Tweed Heads 9 June 2010 Sydney 20 July 2010
Manly 17 June 2010 Canberra 6 and 27 July 2010

Cost \$199 REINSW members / \$245 Non-members

RURAL CPD

This course will examine the contemporary challenges facing rural agents including the animal welfare and OH&S issues associated with preparing livestock for sale at saleyards. It will provide information on the National Livestock Identification System (NLIS), National Vendor Declarations (NVD) and other relevant legislation.

Dubbo 16 June 2010
Tamworth 21 July 2010

Cost \$199 REINSW members / \$245 Non-members

THE LEASE AND THE LAW

Ensure you understand the respective rights of all parties to the Residential Tenancy Agreement. Gain an understanding of how to apply the *Residential Tenancies Act*.

Bathurst 22 June 2010 Dubbo 25 June 2010
Sydney 22 June 2010 Albury 27 July 2010
Orange 23 June 2010 Wagga Wagga 28 July 2010
Forbes 24 June 2010 Griffith 29 July 2010

Cost \$199 REINSW members / \$245 Non-members

FORUMS @ 4 THE FACTS ABOUT GREEN LEASES

Mandatory Disclosure legislation currently before Federal Parliament may soon make it necessary to provide energy efficiency information for the sale or lease of commercial space. **John Goddard** will explain how the proposed changes will affect the property industry.

Sydney 9 June 2010

Cost Book for one Forums @ 4 event:
\$80 REINSW members / \$110 Non-members
Book for four Forums @ 4 events and save:

CREATING IMPACT AND INFLUENCE

Real estate practice is about winning the business. Vital to securing new business is the ability to create impact and only then will you gain the ability to influence decisions, ensuring your success.

Sydney 29 June 2010
Port Macquarie 20 July 2010
Sydney 27 July 2010

Cost \$199 REINSW members / \$245 Non-members

MASTERING RETAIL LEASES

This course will explain the intricacies, legal requirements, and potential pitfalls of retail leases. Ensure that you are a reliable source of information and advice for your landlords and tenants, increasing your business and therefore your market share.

Sydney 13 July 2010

Cost \$199 REINSW members / \$245 Non-members

PARTICIPATING IN AN OWNERS CORPORATION (CONSUMER COURSE)

This course provides important information for any agent wishing to enter the strata management sector. Consumers will also benefit from learning the rights and responsibilities of both managing agents and Owners Corporations.

Sydney 29 July 2010

Cost \$65 REINSW members / \$85 Non-members

STRATA BRIDGING COURSE (LICENSING)

Specifically designed for agents who already hold a licence in real estate and are interested in extending their licence to include strata management. Save time and money by receiving recognition for your prior learning and experience.

Sydney 27-30 July 2010

Cost \$999 REINSW members / \$1499 Non-members



Trainer of the month

JO-ANNE HAMILTON

Jo-Anne Hamilton's career in real estate spans 30 years. She has been a licensed real estate agent since 1986 and a real estate industry trainer for the past 16 years. She specialises in the field of residential property management, having managed the property management portfolio and team of a successful agency in Ryde for over 20 years.

Having spent a total of 14 years herself as a part time student whilst pursuing her career, Jo-Anne sees great value in education and also understands the challenges of learning new knowledge and skills as an adult, whilst combining studying with full time work and family life. This personal experience makes her an empathetic and effective trainer, always looking for ways to make the learning experience relevant to real life practice.

Besides property management, Jo-Anne also specialises in communication, a vital ingredient for success in real estate. She regularly consults to agency Principals in finetuning their property management department, teaches at university and is regularly invited by franchise groups to provide ongoing staff training and speak at conferences. Jo-Anne has a Certificate IV in Training and Assessment, TAFE Diploma in Real Estate Practice, a Bachelor of Arts Degree in Literature and Psychology, and a Masters of Arts Degree in Organisational Communication.

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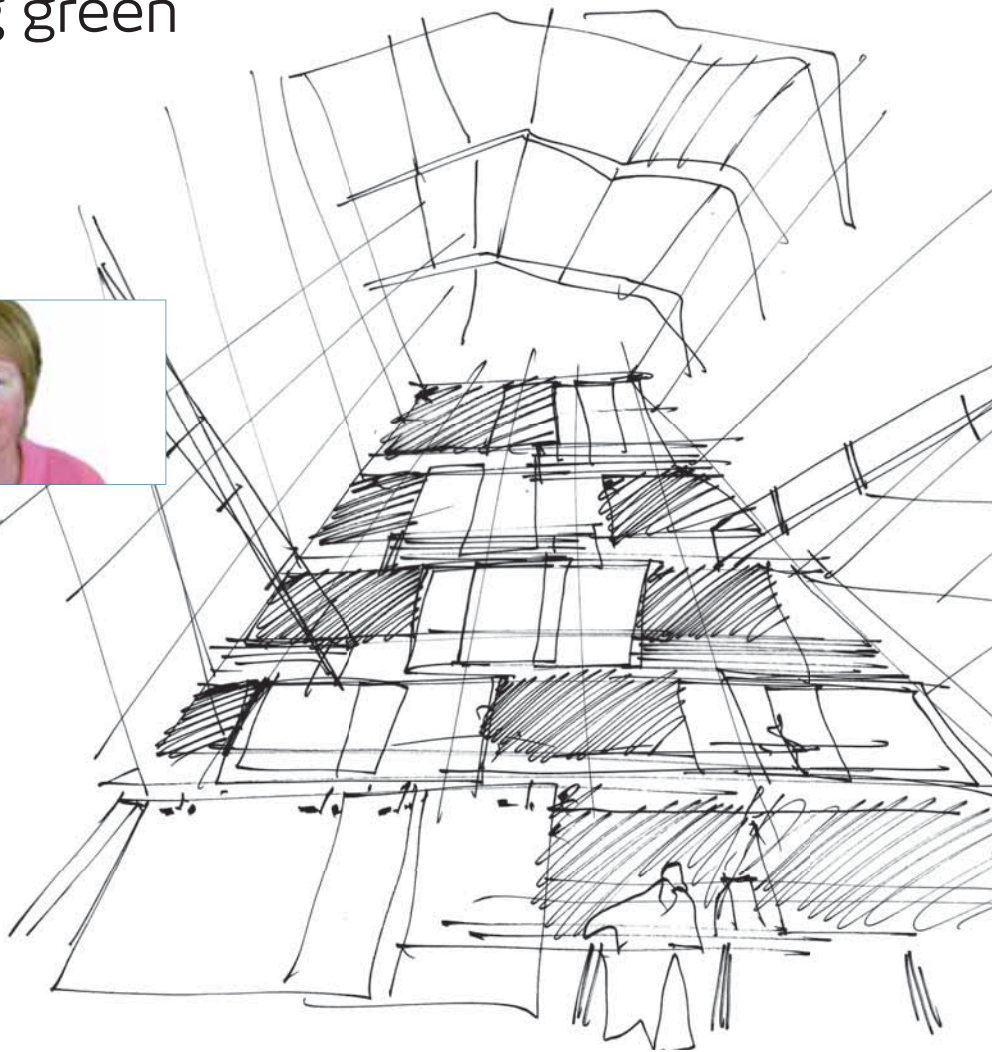


Turning green to gold

COMMERCIAL



BY DEBRA TAYLOR



COMMERCIAL AGENTS PLAY A CRITICAL ROLE IN DETERMINING WHETHER 'GREEN' BUILDINGS ACHIEVE HIGHER LEASING RATES.

"The pointy end" is where Robin Mellon, Executive Director of the Green Building Council, says real estate agents stand when it comes to initiatives to make commercial buildings environmentally sound.

When the architects have delivered their vision for the office spaces of the future, the civil engineers and construction companies have built them, and bodies such as Mellon's have rated their 'greenness', it is the agent who has to bring in the deal at a good price.

And that pointy end may be about to get sharper. In July, the Federal Government's Mandatory Disclosure regulations will mean the owners of all commercial spaces over 2000 square meters must make their efficiency ratings available when leasing or selling.

"EVEN THROUGH THE GFC IT WAS GREEN BUILDINGS THAT WERE CONTINUING TO BE BUILT. MORE AND MORE ORGANISATIONS ARE LOOKING FOR GREEN OFFICE SPACE."

That will throw emphasis on NABERS, the National Australian Built Environment Rating System, which is the government-backed system to measure an existing building's environmental impact during operation, taking into account factors such as energy, water and waste. Other schemes, such as the Green Building Council's Green Star project, which focuses on the efficiency and sustainability of a building, will also become increasingly important as methods of judging a property's value.

Mellon believes, however, that Mandatory Disclosure will give agents another set of tools with which to market properties. "There is an environmental impact but it also all makes good business and financial sense," he explains. "Green buildings mean an increase in rental value and asset value."

In fact, already highly rated NABERS or Green Star buildings can reach 10% to 15% more asset value than their environmentally unfriendly equivalents.

"Even through the GFC it was green buildings that were continuing to be built. More and more organisations are looking for green office space because they can see they will have lower energy bills, get recognition in the market for 'going green' plus they won't be in a building that is obsolete in a few years time."

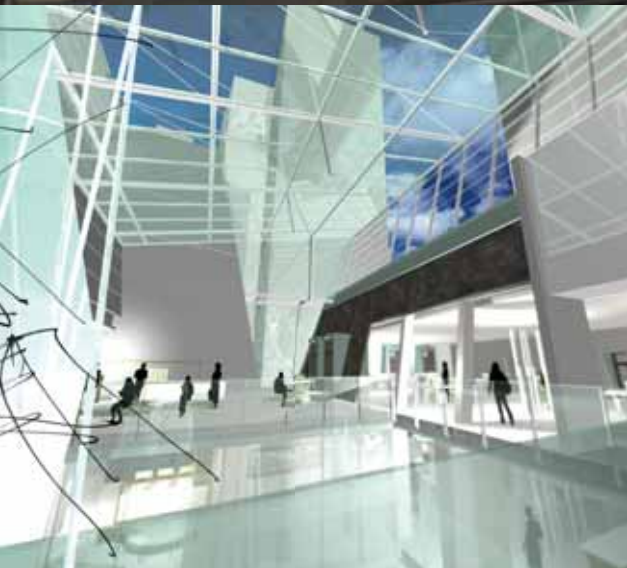
Plus, case studies show the positive impact of a well-designed, environmentally friendly working space can have on any company's most valued asset – people. "If you

could get 11% more productivity out of your work force, wouldn't you do it?" Mellon asks. "One company I know of moved to a green office space and increased productivity by 11.9% in the first year – plus they reduced bills and increased staff retention."

These are compelling reasons for organisations to take the green option and Denys Bizinger, Commercial Property Specialist from Jones Lang LaSalle agrees that more and more companies are taking them on board.

"It is definitely becoming increasingly important, and companies are showing the desire to do it. Plus many corporations have governance or mandates over environmental issues that they must stick to," he says.

Expectations versus reality
Willingness to be environmentally responsible can start to be tested when the reality of a green alternative hits the pocket or doesn't tick every box.



<<<

39 Hunter Street in the Sydney CBD was the first heritage building in Australia to achieve a 6 Star Green Star rating.

The awarding of this accreditation was the culmination of an extensive collaboration between the building owner, Kador Group, project manager JCK Consulting, architects Jackson Teece, and engineers and ESD consultants Arup.

Initiatives include use of fire sprinkler tanks for thermal storage, peak electrical load reduction, displacement air-conditioning system, lighting controls, rainwater collection and re-use, waste reduction, bicycle storage, and recycling and re-use of the existing fitout and furnishings.

CB Richard Ellis is leasing manager for the building.

"Companies will want to do it, but then they find out what it means," adds Bizinger. "A company will want to move into a green building but will also want heaps of car parking. And there are examples of buildings constructed with all the energy efficiencies they can have that just haven't been a standout sell – they've lost the wow factor because they don't use full, high glass on the western front to save power on heat load."

It is a commercial reality, Bizinger says, that you can have a great, environmentally friendly building that tenants just don't want to pay for.

"Companies want the highest green rating, but want to pay the lowest price."

Equally, older buildings that score low green ratings need to be upgraded or they will end up being heavily discounted or empty. "It's the only way to combat the situation with old buildings," Bizinger adds.

A ClimateWorks survey recently found that around three-quarters of the emissions reduction possibilities found in retrofitting commercial buildings – such as offices replacing inefficient equipment, heating, ventilation and air conditioning, appliances, lighting, water heating and insulation – were profitable to investors.

Building the business case

Whatever the age of the building, Mandatory Disclosure will help match the client with the space that meets their own company's sustainability governance, their sense of social responsibility and their financial resources.

"There is definitely confusion now from companies about what they want so you really have to use all the positives about environmentally green buildings and ratings," Bizinger says. "Green buildings have cheaper outgoings and cheaper running costs. If they are more expensive, companies will get that back in cost savings in the long run."

It is the 'good business sense' that Mellon expounds, but he admits there is a huge task ahead in educating businesses about ratings and the need to not just be seen to be green, but to understand the impact of doing so.

"The market is changing," he says. "Awareness will step up but we need to make sure people get more familiar with the metrics behind the ratings. We know there is understandable resistance to the rating schemes being expensive to run or difficult to document. We have a lot of work to do."

The positive impact on the environment of that work being done cannot be ignored. "If you look at Australian commercial and residential properties together, just the base buildings are responsible for 20% of carbon emissions," Mellon points out. "Green Star building projects are reducing energy demands by 60% to 70%. If you think of the number of buildings in every CBD across the country ... well, the opportunity is massive." ♦

Taking green to the market

Specialist property marketer Lauren Mai from the LM Advertising agency gives her tips for turning green to gold:

1. Be progressive in your marketing. Think and market for the future of business.
2. Deliver consistent, credible and meaningful information about building energy efficiency.
3. Demonstrate the building's commitment to the environment.
4. Think like a consumer – from the outside looking in. What do they care about? What do they want to hear?
5. Be clear about the offer – keep it simple.
6. Relate the offer back to the consumer. What does it mean for them? Healthy working environment, savings in bills, happier staff?

Look at me



BY BRENT HEATLEY

GET YOUR AGENCY SELF-PROMOTION ADVERTISING RIGHT, OR DON'T DO IT AT ALL.

The real estate business, like banking or the airline business, is just another service industry. And selling the services you provide – as opposed to the products (property) you're selling – is called self-promotion or sometimes brand advertising.

Airlines, for example, use brand advertising to sell you on the experience of traveling with them, and use product advertising to sell the anticipated thrill of the destination.

Selling your agency's services to property owners isn't a lot different. How you promote your brand is critical to attracting new listings, your income and livelihood, your brand values, your ability to attract and retain good staff, and the long-term prosperity of your business.

Take a look around at how some agencies use advertising to promote themselves. What you'll see mostly is a nice group shot of smiley faces, or pics of principals and sales staff proudly proclaiming their outstanding recent sales performance figures.

True, it seems like the natural thing to do. Who wouldn't want to share the excitement of great results? After all, you're in a people business,

"ARE YOU REALLY STANDING OUT FROM THE CROWD WHEN THE ONLY THINGS THAT MAKE YOUR AGENCY ADS ANY DIFFERENT FROM YOUR COMPETITORS' ARE JUST THE PEOPLE IN IT AND THE LOGO AT THE BOTTOM?"

so why not show off the people who made these achievements possible?

But has any real thinking gone into this kind of advertising? Or is it just well-intentioned enthusiasm that passes for smart marketing?

The extent of the creativity seems to be: "Well, selling ourselves to get new listings is just like selling a property – a great picture and some nice words will get the phones ringing."

And the level of logic goes something like: "Hey, other agencies do it, so it must be okay."

There are a few problems with this line of thinking.

The first is, most agency self-promotion ads that just focus on

Thinking of selling your home? Our exceptional track record in residential sales is your guarantee of really getting the results you want. Call us now for a free consultation.

THE REALLY FABULOUS
REAL ESTATE AGENCY

their people all seem to be to be doing pretty much the same thing.

So in a service industry where choices of agency are often won or lost on points of difference, are you really standing out from the crowd when the only things that make your agency ads any different from your competitors' are just the people in it and the logo at the bottom?

Second, while there will always be some people happy to forego any real understanding of the policies and issues, and will simply register the faces of the people making the promises, most people want a bit more substance. Or they at least want to have their interest stimulated in a way that engages with them and doesn't insult their intelligence.

But the real killer is: if the ads that are selling your service are all about you, they suck up all the oxygen and turn off anyone interested in having a relationship with you.

Self-promotion ads are like conversation starters with strangers: if you fill up all the space with what you have to say, pretty soon people start to walk away.

Agency ads that are all 'Hey, look at us!' somehow don't sit right with any claims you might be making about listening, understanding and putting the client's needs first.

So if you're determined to use agency promotional advertising to build the kind of trust that leads to new listings and referrals from satisfied clients, take a few minutes to think through the process.

Who is your advertising talking to?

Define your target market. Not just where they live and their socio-economic profiles, but what their circumstances are and what's in it for them if they do business with you and not the next agency up the road.

From the cool rational investor looking for capital gain, to the young couple wanting to trade up

from their first apartment, to the empty nesters seeking the best price for the family home, every potential property vendor evaluates agencies in terms of what you can give them that nobody else can.

Don't forget your secondary markets either. Bear in mind that with any agency promotional advertising, you're also talking to past clients. They may sound like a passive audience – or cool prospects – but by reminding satisfied ex-clients of your service, you'll be capitalising on the trust they originally invested in you, and you'll be leveraging the power of their referrals.

Other groups who may not be on your radar will be people who may one day want to work for you, or partner with you, or purchase your business.

"IF YOUR AGENCY PROMOTIONAL ADS CAN MAKE PEOPLE STOP, THINK AND SMILE, YOU'RE HALFWAY TO ESTABLISHING THE KIND OF RELATIONSHIP THAT LEADS TO A LISTING AGREEMENT."

What are your advertising objectives?

Get your priorities clear. Do you want your promotional advertising to help you build a unique agency profile? Or is it just a way of dumping otherwise taxable surplus income?

Do you really want to engage with how people think and feel about selling their properties? Or are you just hoping to make your friends and family and the people in the ad feel good?

Are you building your business's public perception in a sustainable way? Or is this just a quick stab at getting in the face of your competitors?

What are your brand values?

This has less to do with how you see yourselves; it's more about how your agency is perceived by everyone else out there.

Is it cool, fresh and energetic?

Assertive, confident and responsible? Established, respected, well-connected?

Getting clear about the perception and the reality may require some assistance. Do a little market research among ex-clients, call your contacts in real estate sections of the media, talk with business owners or café customers in your area, or start a conversation on an online social networking site.

What's your point of difference?

Getting the attention and capturing the interest of new vendors starts with what makes your real estate agency unique.

But if what you're offering isn't all that different from anyone else, your attraction to people who have never done business with you before will then only come down to simple things like your location, word-of-mouth, maybe your property ads, or the accumulated ►

REINSW FORUMS @4

Wednesday, 9 June 2010

Focused and informative, the REINSW Forums @ 4 series shines the spotlight on specific areas of agency practice and addresses issues relevant to current market conditions.

Wednesday, 9 June 2010

The facts about green leases

With Mandatory Disclosure legislation currently before Federal Parliament, it will soon be necessary to provide energy efficiency information for the sale and lease of commercial space.

John Goddard – from J Goddard & Co – Will explain how the proposed changes will affect the property industry and what you will need to know about selling or leasing a property under the new laws.

Venue Rydges World Square, 389 Pitt Street, Sydney
Time Registration from 3.30pm
Event 4.00pm – 6.00pm
CPD 3 points

Mark your diaries

Don't miss the rest of the Forums @ 4 series – put these dates in your diaries today and satisfy your CPD requirements for the year.

- Wednesday, 8 September 2010
- Wednesday, 24 November 2010
- Wednesday, 9 March 2011

More information about speakers and topics for each of these dates will be available soon.

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"IF THE ADS THAT ARE SELLING YOUR SERVICE ARE ALL ABOUT YOU, THEY SUCK UP ALL THE OXYGEN AND TURN OFF ANYONE INTERESTED IN HAVING A RELATIONSHIP WITH YOU."

effect of your franchisor's generic branding promotions.

Your point of difference could be in something as simple as how you say what you say: how well your ads engage and resonate with people, and how they use interesting ways to catch attention, generate interest and establish top-of-mind awareness.

What is the emotive tone of your ads?

Get inside the heads of your target audience. What's the one feeling they all have in common when they sign up to hand over the marketing of their biggest asset?

They want to feel that the promise of putting their trust in you will be well founded, well recognised and well rewarded.

They don't want to be shouted at. Ads that are boastful or self-congratulatory may pull in a few lost souls seeking to be led out of the wilderness of selling their properties, but most reasonably sensitive people will run for cover.

They want engagement, to be made to feel like a partner in



UNDERSTANDING YOUR AUDIENCE IS ESSENTIAL FOR ON-TARGET SELF-PROMOTION.

the sale process, even if their involvement may stop at signing the exclusive agency agreement, the contract for sale, and the disbursements cheques.

What's the big idea?

Constructing a creative way to connect with people to get the results you want is not about flashy graphics, loud headlines or unrealistic imagery.

It's about presenting your agency's unique benefits and your brand in a way that sends a message like: "Hey, if these real estate people are going out of their way to sell

themselves to me, there's a good chance they'll make a special effort to sell my property."

If your agency promotional ads can make people stop, think and smile, you're halfway to establishing the kind of relationship that leads to a listing agreement.

If you need some professional help, talk to a few creative marketing communications people about how they would promote your agency's services.

Good luck, and remember: if the agency promotion ad that

you're about to run doesn't tick all the right strategic and creative boxes, save your money and do nothing at all.

Brent Heatley is a freelance brand development and creative marketing communications consultant. He has held senior creative and management positions with major advertising agencies, and has won several advertising creative awards. He is an REINSW member. Brent can be contacted at yescom@ozemail.com.au or on 0412 512 855. ♦



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Commercial savvy

BY CYNDI TEBBEL

KRISTEN MARSH SHARES HER APPROACH TO RUNNING A SUCCESSFUL COMMERCIAL PROPERTY BUSINESS.

It wasn't Kristen Marsh's intention to shake up the commercial/industrial real estate sector when she launched Billicorp in 2003.

Back then it was a one-woman show, opened four weeks after the birth of Marsh's first child. Today, the Alexandria-based Billicorp has grown into a 10-strong, all-female force to be reckoned with.

Marsh began her real estate career at 18 and was promoted to director with Chesterton International, handling industrial properties for all of Sydney. In between, market fluctuations saw her hold positions in fields as disparate as hospitality sales and marketing and currency trading.

Marsh jokes the latter is to blame for her deep voice: "We screamed all day." And she recognises that her time as Associate Director for Ritz Carlton Hotels in Double Bay and Sydney's CBD was "the best training I could have had for the property industry".

It taught her the value of a systems-oriented workplace, which she quickly put in place at Billicorp. "A major priority is staying on top of technology. I spent a fortune getting the right information systems and databases, and I think that's why we win all of our business," says Marsh.

Another key to the company's success was Marsh's canny

"A MAJOR PRIORITY IS STAYING ON TOP OF TECHNOLOGY. I SPENT A FORTUNE GETTING THE RIGHT INFORMATION SYSTEMS AND DATABASES, AND I THINK THAT'S WHY WE WIN ALL OF OUR BUSINESS."

decision to focus on project-based marketing in the strata market, a sector neglected by other large agencies. "They're not interested in mum and dad buyers and smaller companies, but going in and doing entire developments is very lucrative. If you're selling 27 properties at \$500,000 it soon adds up," she says.

The fact that many people who bulk purchase such properties are also owner-operator businesses in which "the wife is an integral part of the decision-making process" may also benefit Billicorp's all-female team.

However, Marsh says her interest has always been redefining the way agents deal with clients. For her, real estate isn't about property, it's about people. "If your company is founded on respect for clients and other employees, it's always going to be successful," she says.

Billicorp's open-plan office, designed to facilitate free exchange of information, is another asset. Marsh

KRISTIN MARSH



"IN TERMS OF THE MARKET, WE KNOW OUR STUFF. WE'RE ALSO VERY INTUITIVE, EXTREMELY GOOD AT NETWORKING AND WE ALL GO OUT TOGETHER AND HAVE FUN."

says it's unheard of in the industry but it gives Billicorp an edge. "In terms of the market, we know our stuff. We're also very intuitive,

extremely good at networking and we all go out together and have fun."

Training is also a high priority. Marsh recalls her first six months under Andrew Hunter at Chesterton's, where she wasn't allowed to pick up the phone. Instead, she spent that time alone in her car, driving around South Sydney, researching.

"It was lonely, but when I was finally set free I knew what I was talking about," she says. As a result, everyone who joins Billicorp spends a minimum of 12 months in the research department so they're up to speed with how the agency works by the time they start selling

and leasing.

"You only get one chance to prove yourself – man or woman," says Marsh, whose philosophy is "service-oriented rather than women-based".

Marsh has never referred to Billicorp as 'boutique' or 'niche'. "I don't see us as not being one of the big four. We compete on all levels and I've never come across anyone who didn't want to work with us because we're women."

If anything, Marsh says the fact Billicorp isn't governed by corporate guidelines has been a huge advantage. "Sometimes we don't

even market under Billicorp; we go under the client's name," she says.

The future looks bright: expansion into property management is underway, along with a maintenance division to offer clients a one-stop shop in terms of service, from changing light bulbs to full office fitouts.

Billicorp will also move into residential to build on the project marketing that has brought the company such success, and open an office in Brisbane later this year.

"This has been a very fun ride," says Marsh. "I've told everyone that the day I come in and don't



THE ALL-FEMALE BILLICORP TEAM

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PROPERTY MANAGEMENT: Is your tenant a lodger?

BY ALLAN ANFORTH

FIND OUT WHAT DIFFERENTIATES TENANTS FROM OCCUPANTS, BOARDERS, LODGERS AND SQUATTERS IN THIS LEGAL OVERVIEW.

To understand the difference between tenants, occupants, boarders, lodgers and squatters, it is necessary to review some basic concepts of contract law.

Hierarchy of interests in land

There is a hierarchy of interests in land recognised by common law. At the top is the government, which possesses the ultimate or 'radical title' to all land. This means the Crown can make laws that affect the ownership and use of land.

The next interest beneath the Crown is commonly referred to as ownership. It gives the owner the right to control who occupies the land, who goes upon the land, the use of the land and the transmission of the land. Below the owner is the tenant, who derives their interest under a contract, or lease.

Tenant rights

Under a lease, the owner transfers to the tenant the sole right to possession of the land (i.e. the right to occupy the land and to decide who goes upon the land) in return for consideration, usually rent. Therefore, for the duration of the lease, the tenant may exercise this right against the world at large, including the owner*.

Contractual licenses

The next interest down in the hierarchy is a contractual license – a contract between the person with the right to possession (which may be the owner, but if a tenancy exists over the land then it is the tenant) and an occupant. The owner/tenant gives permission to the occupant to go upon the land or to occupy the land on agreed terms but does not transfer the sole right to possession to the occupant. An example is a person living in commercial residential premises such as university colleges or long-term motel accommodation.



UNDER A LEASE, THE OWNER TRANSFERS TO THE TENANT THE SOLE RIGHT TO POSSESSION OF THE LAND... THE TENANT MAY EXERCISE THIS RIGHT AGAINST THE THE OWNER.

The important difference between a tenancy and a contractual license is that under a contractual license the owner/tenant could enter the land or premises.

Boarders and lodgers

A boarder or lodger agreement is generally a revocable contractual license. Boarders and lodgers don't have the right to exclusive use of their room or common facilities and the owner/tenant may enter the boarder's or lodger's bedroom in

accordance with their contractual agreement.

The distinction between boarders and lodgers is largely historical and not that relevant today. A lodger is a person who occupies a room in the house of the owner/tenant on a fee-paying basis, usually under a set of house rules, but otherwise provides for themselves. A boarder is a lodger who is also provided meals, cleaning, linen and other domestic services.

Bare licenses

A non-contractual license, sometimes called a bare license, is the next interest down in the hierarchy. It is permission from the owner/tenant for a person to go upon the land for as long as the owner/tenant is prepared to tolerate it and to leave when asked to. An example is an invitation to be taken in for the night as a guest.

Squatters

At the bottom of the hierarchy is the squatter, who is a person with no right to be upon the land



DISPUTES BETWEEN OWNERS/TENANTS AND OCCUPANTS ARE CONTRACTUALLY BASED AND FALL WITHIN THE SCOPE OF THE *CONSUMER CLAIMS ACT 1998*.

and is therefore a trespasser. The only right a squatter has is for reasonable force only to be used in their eviction. Trespass is a crime and so it is a matter for the police to evict squatters.

When a dispute arises

Disputes arising from tenancies are resolved by different bodies depending on the nature of the tenancy:

- Residential tenancies are within the jurisdiction of the Consumer Trader and Tenancy Tribunal (CTTT). Purely monetary disputes arising from residential tenancies can be taken to the Local Court but will generally be sent back to the CTTT.
- Retail and commercial tenancies up to a prescribed monetary limit are within the jurisdiction of the Administrative Decision Tribunal (ADT). Again, purely monetary disputes can be taken to the Local Court, District Court or

Supreme Court, but generally the courts will return the matter to the ADT.

- Agricultural tenancies are dealt with by the Director General of the Department of Agriculture, who may refer the matter to a relevant court.

Disputes between owners/tenants and occupants (including boarders and lodgers) are contractually based and fall within the scope of the *Consumer Claims Act 1998*. They would therefore come within the jurisdiction of the General Division of the CTTT, while disputes between tenants or between occupants have to be taken to the Local Court. Squatting, on the other hand, is a crime and is therefore a matter for the police.

Allan Anforth is part-time President of the Consumer and Trader Tribunal of the ACT and co-author of Residential Tenancies Law and Practice in NSW Anforth and Christensen 4th Ed, Fed Press.♦

In brief

- A **tenant** is a person who has the sole or exclusive right to possession even to the exclusion of the owner.
- An **occupant** is a contractual licensee, being a person who has a non-exclusive right to occupy or go upon the land determined by the terms of the contract with the owner/tenant.
- A **lodger** is a revocable contractual licensee who is provided with a bedroom only and may be permitted to use the common facilities.
- A **boarder** is also a revocable contractual licensee who is provided with a bedroom but also with food and domestic services with the permitted use of common facilities.
- A **guest** is bare licensee who permission to be on the land is revocable at the will of the owner/tenant.
- A **squatter** is a trespasser without rights.

* The *Residential Tenancies Act 1987* (NSW) does create a form of statutory tenant which differs in some respects from tenancies at common law.

Start me up



BY NICK DOWLING

THINKING OF STARTING UP YOUR OWN REAL ESTATE BUSINESS? HERE ARE SOME TIPS FOR GETTING A BUSINESS LOAN.

Financing growth in the early stages of any business can be a challenge. Most likely you will need to contribute an amount of personal capital and, if borrowing is required, security is generally needed in order for a bank to lend money. The decisions you then make in formulating and executing your business can impact your ability to borrow money to grow your business down the track.

For start-ups and real estate businesses in their early stages, it is important to have a clear picture of how you plan to grow your business, including what role you envisage property management will play.

Banks usually treat rent rolls and residential and commercial properties as security. Some banks will look at the rent roll only. Despite the fact that the sales component of your business might initially generate the majority of your

IT IS IMPORTANT TO HAVE A CLEAR PICTURE OF HOW YOU PLAN TO GROW YOUR BUSINESS, INCLUDING WHAT ROLE YOU ENVISAGE PROPERTY MANAGEMENT WILL PLAY.

revenue, it's rare for banks to lend against this stream of income as it's generally less predictable and more susceptible to downturns than property management.

However, that doesn't mean the bank isn't interested in your ability to attract and make sales. Banks want to feel comfortable with the debt serviceability of their borrowers and in most real estate businesses a sizeable proportion of monthly net income comes from sales. Finding the right balance between sales and property management is important for your own peace of mind and

will help make the business more attractive to a potential lender.

Once you are in a position to demonstrate sufficient serviceability and security, the steps you need to take when thinking about borrowing for the first time are:

1. Think about going into business with your bank

It's useful to keep in mind that when asking a bank to lend you money, you are effectively asking the bank to go into business with you. Just like you, your bank is looking to make a return on their investment so it's important that you can give them confidence in your business strategy and plan. A good strategy is not simply a good idea; it is a sound strategic and financial proposition.

2. Run the numbers, then write your business strategy

When putting together your business strategy it's often tempting to focus on writing the strategy first. Instead, it can be a good idea to start with the numbers as they will tell your

story best.

Your bank will want to see the actual and projected financials broken down on a month-by-month basis and will expect you to be able to talk in detail about your financial position. Your bank will also be keen to see how you articulate your business strategy and to see a comprehensive plan of how you will execute your strategy throughout the next six to 12 months, and then over the next three and five years. Be prepared to highlight and discuss the risks involved. This shows you have an appreciation of what is involved.

3. Work with trusted advisers

It's important that you work with good advisers who can help you define your business strategy and articulate your financial position. You will need to work closely with your accountant in order to be able to present the type of financial information your bank will expect to see. Your accountant will be able to advise you on a suitable corporate structure and the right accounting software. Both will be essential

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investments for your future.

4. Understand your fixed cost coverage

From a financial perspective, probably the single most important area for you to understand is your business's fixed costs. Basically this is all costs incurred excluding salespersons' commissions. Work out what your fixed costs will be on a monthly basis and compare this to your expected income; this gives you a feel for the level of coverage. Beyond this you'll also need to understand how any future loan repayments will impact your cash flow and your break-even point.

5. Find out what the lender can offer you

Your bank should be a wealth of information not just a debt provider. You should ask the lender what kind of help they can provide beyond the loan facility itself. This may include information, tools or advice.

A bank that really understands the business you are in will be able to share information and tools with you that will help you to better manage and grow your business.

FROM A FINANCIAL PERSPECTIVE, PROBABLY THE SINGLE MOST IMPORTANT AREA FOR YOU TO UNDERSTAND IS YOUR BUSINESS'S FIXED COSTS.

You should ask your lender how the relationship will work and if they will play a role in helping to advise your business. Look for a bank or lender who specialises in your industry, as understanding the nuances of the real estate industry can be important to the success of your loan application. Ongoing, they'll also be in a better position to provide you with relevant industry insight to help manage your business more effectively, including providing industry specific products and services.

6. Understand what kind of loan facility works best for you

A Bank Bill Facility often requires interest to be paid up front, so an important consideration for first-time borrowers will be whether you should use a Bank Bill Facility or a Fully Drawn Advance (interest is paid in arrears). You should also ask your bank if your loan repayments will be principal and interest, or interest only. Another important consideration will be whether you decide to fix your interest payments or stay variable.

7. Seek feedback from your lender

It's important to seek feedback from your lender. There may be steps that you can take that would help strengthen your business to meet lending requirements.

In summary, when starting out with a new real estate business, the focus is often on sales and building your brand in order to keep the business afloat day to day. But it is also necessary to give consideration to your longer-term growth strategy

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- » Matthew Gross : Prominent national property researcher will arm you with the right ammunition.
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WISE INVESTMENT:

10 tips for finding an investment property



BY CHRIS GRAY

IF YOU'RE LOOKING TO BUY AN INVESTMENT PROPERTY, HERE ARE SOME TIPS TO ENSURE YOU RECEIVE THE BEST LONG-TERM RETURNS.

1. Choose property that's attractive to tenants.

It should be clean, have good-sized bedrooms, off-street parking, and good positioning away from noise and main roads. Look for something that suits the majority of tenants in the area. This will ensure your property continues to attract tenants. A tenanted property means a reliable income stream.

2. Choose property that will grow in value.

Well-located properties close to the CBD, beaches, schools, public transport and leisure facilities are more likely to grow in value in a good market and to hold their value in a down market.

3. Buy blue chip.

Cheap properties are cheap for a reason – there is little demand and plenty of supply. Generally, it's worth paying market value for a good property in a top suburb rather than a property that is priced low because nobody really wants it.

4. Create instant equity.

Quick, low-cost renovations such as a paint job, recarpeting, tidying the garden, painting the fence, installing new

curtains or blinds and replacing kitchen cupboard doors can have a significant impact on the value of your home. For every dollar you spend on renovating you should be aiming to get at least \$1–2 back in the value of your property.

5. Refinance your property to create a buffer.

When your property grows in value, refinance to create an emergency 'buffer' zone. This will ensure you can continue to make mortgage repayments even if you lose your job. Don't find yourself in a forced-sale position as you won't get the best price and it may trigger capital gains taxes and other expenses.

6. Re-sign your tenants.

Hire a professional property manager to ensure you get reliable tenants and that they pay a good market rent. Consider tying your existing tenant down to a new 12-month agreement. This will help guarantee your rental income.

7. Get an independent valuation before you buy.

Most buyers get emotionally involved when buying property and often pay more than the property is worth. By investing a few hundred dollars in an independent valuation, you can almost guarantee you will never overpay.

8. You don't have to sell to profit.

Many investors think they need to sell to realise capital growth they've gained in a property but that incurs selling costs, taxes and often re-buying costs. Refinancing allows you to access the profits whilst still keeping the appreciating asset. It works similar to a reverse mortgage.

9. It's all about time in the market.

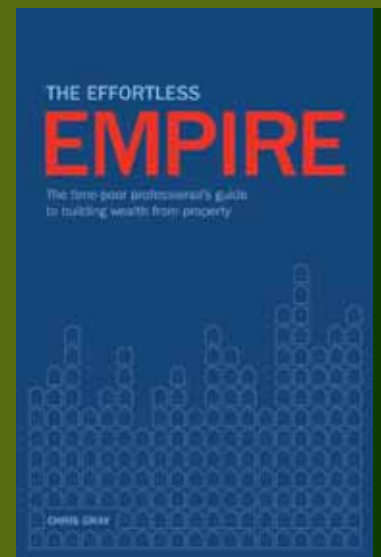
Many people try to wait until the market is at a low before buying. Long-term investors know that timing the market is for speculators not investors. If you can afford to buy and hold on to your asset, now is always the right time to buy.

10. Build a team of professional advisors.

You've got to spend money to make money, so rather than trying to find the cheapest advisors, choose the ones that give you the best advice. Spending a bit more upfront can make a difference of tens of thousands of dollars in the long term. To start with, every investor needs a good accountant, mortgage broker, financial advisor, valuer, building inspector and buyer's agent.

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. ♦

IT'S WORTH PAYING MARKET VALUE FOR A GOOD PROPERTY IN A TOP SUBURB RATHER THAN A PROPERTY THAT IS PRICED LOW BECAUSE NOBODY REALLY WANTS IT.



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REINSW members have the chance to win a copy of Chris Gray's latest book, *The Effortless Empire: The Time-Poor Professional's Guide to Building Wealth from Property*. Simply tell us, in 20 words or less, what you think is the most important consideration when buying an investment property?

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Or mail them to:
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Balmain NSW 2041

Competition closes 7 July 2010

Superannuation for business owners

THOSE WHO RUN THEIR OWN BUSINESS HAVE TWO CORE OBLIGATIONS AROUND EMPLOYEE SUPER.

1. Making regular contributions

Employers are required to pay nine per cent of employees' ordinary times earnings to a complying superannuation fund within 28 days of the end of each financial quarter. Therefore, any earnings accrued from March to June 2010 must be banked by a complying super fund by 28 July 2010 if you are to meet your obligations.

Late payments can incur fines and are no longer tax deductible. Frequently, the Principal is unaware that a deadline is missed until the event of an audit. The most common reason for late payments is lack of awareness of the expense of delay and/or because the person responsible for payroll is waiting on the details of a staff member's chosen super fund.

Many offices choose to pay super monthly for cash flow reasons. If you choose to pay office super quarterly, we suggest you remit contributions no later than the 15th of end of quarter, and preferably electronically to avoid postal delays.

2. Giving employees the right to choose

Employers are now generally required to offer staff the right to choose their own super fund. However, there are strict guidelines around how this offer is to be made, recorded and responded to.

The ATO has provided a standard choice form which each employer must complete with details of their default fund and provide to new staff within a month of commencement. Employees who do not make a superannuation choice are added to the default fund (if you do not have one already, the Federal Award lists your options).

If a staff member prefers a super fund that is not the default, they must provide documentation that includes membership number, payment method and proof of compliance (full details of the requirements are on the standard choice form). If the employee does not provide all the required information, the request can be rejected and contributions paid to the default super fund.

Common omissions are failure to file a copy of the standard choice form and failure to complete the default fund on the form. Accepting a choice of fund verbally is also common, which leaves no audit trail should the ATO visit.

Store your ATO standard choice forms with your tax file number advice documentation and make sure they are pre-completed with your default fund. Check all personnel files to ensure that

there is a copy of the choice form including the date it was provided and, where relevant, a copy of the instructions to pay to a chosen fund.

Please note that the above is general information only. If you have any questions regarding how this applies to your circumstances please contact REI Super at admin@reisuper.com.au ♦

Disclaimer

The information contained in this article does not constitute financial product advice. However, to the extent that the information may be considered to be general financial product advice, REI Super warns that REI Super has not considered any individual person's objectives, financial situation or particular needs. Individuals need to consider whether the advice is appropriate in light of their goals, objectives and current situation. Members should obtain and read the Product Disclosure Statement for REI Super before making any decisions. REI Superannuation Fund Pty Ltd ABN 68 056 044 770 AFSL 240569. RSE L 0000314

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- Chris Gray
- Bob Walters.

Advisor, trend predictor and senior economist:

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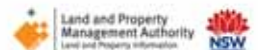
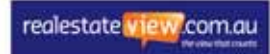
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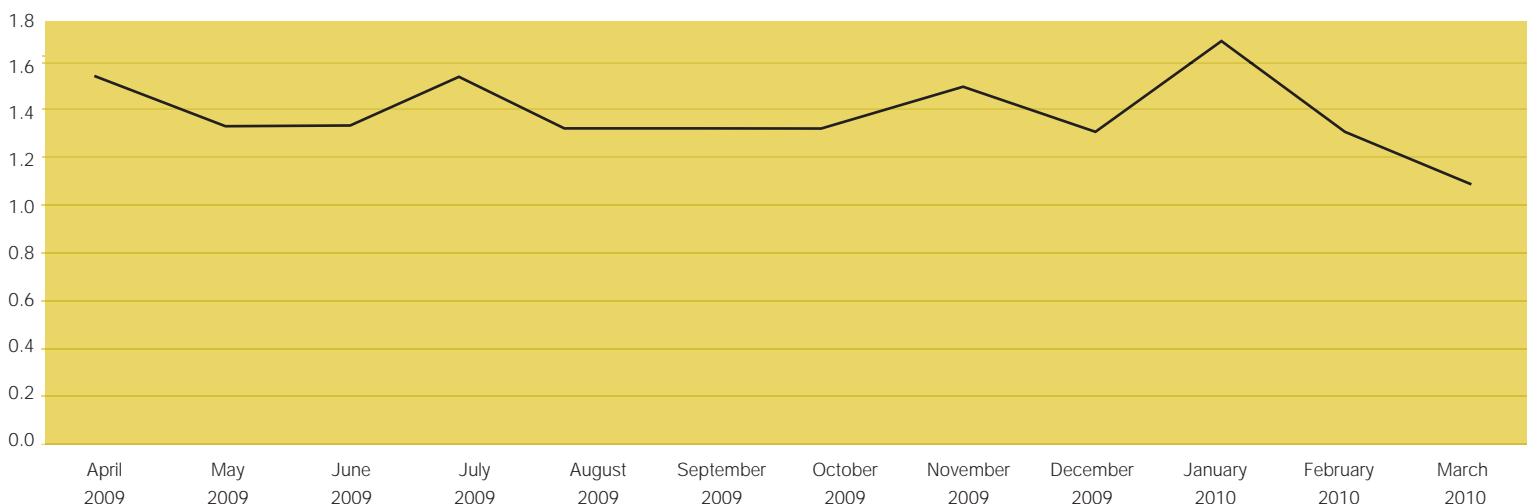


Research

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 Inshtrix on behalf of REINSW

SYDNEY	Mar-10 (%)	Feb-10 (%)	Jan-10 (%)	Dec-09 (%)		Mar-10 (%)	Feb-10 (%)	Jan-10 (%)	Dec-09 (%)
Inner	1.1	1.1	1.7	1.3	ALBURY	1.6	1.6	1.8	2.7
Middle	1.1	1.8	1.9	1.5	CENTRAL WEST	1.4	1.9	2.5	1.9
Outer	1.0	1.3	1.4	1.2	COFFS HARBOUR	2.7	2.5	1.9	2.6
Total	1.1	1.3	1.7	1.3	FAR WEST	-	-	-	0.4
HUNTER					MID-NORTH COAST	1.9	1.9	1.1	1.3
Newcastle	1.5	1.9	3.4	1.8	MURRUMBIDGEE	3.4	2.6	3.7	3.2
Other	1.4	1.5	1.5	1.4	NEW ENGLAND	2.1	1.8	1.7	1.7
Total	1.4	1.7	2.5	1.6	NORTHERN RIVERS	2.3	1.8	2.3	1.9
ILLAWARRA					ORANA	1.9	1.5	3.0	2.3
Wollongong	1.1	1.7	2.0	2.7	RIVERINA	2.8	4.2	4.1	4.2
Other	1.2	1.5	0.8	1.1	SOUTH COAST	1.7	1.1	2.0	2.5
Total	1.1	1.6	1.5	1.8	SOUTH EASTERN	0.9	1.4	2.3	2.5
CENTRAL COAST									
	1.6	1.4	1.8	1.5					



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

	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
2/5/10	142	82.9%	44	77.3%	70	81.1%	105	71.6%	599	73.0%
25/4/10	78	84.1%	46	89.4%	58	75.8%	74	79.5%	470	73.9%
18/4/10	113	84.2%	47	87.2%	49	73.6%	64	80.9%	570	73.3%
11/4/10	75	91.0%	36	89.2%	40	77.8%	34	72.5%	442	74.6%
4/4/10	56	91.5%	12	71.4%	25	75.9%	82	74.7%	282	81.9%
28/3/10	153	87.3%	71	79.7%	145	74.7%	195	77.6%	1008	74.0%
21/3/10	96	81.0%	56	82.1%	114	82.4%	111	81.8%	682	78.2%
14/3/10	69	71.8%	36	76.9%	105	83.9%	120	71.0%	583	67.9%
7/3/10	86	82.4%	25	84.0%	101	80.4%	83	81.8%	553	73.1%
28/2/10	125	84.6%	45	87.2%	131	84.1%	147	78.7%	769	77.8%
21/2/10	77	88.9%	24	91.7%	84	84.9%	107	87.4%	536	77.3%
14/2/10	50	85.2%	20	71.4%	45	87.5%	28	89.3%	342	76.4%

Keep learning

REINSW MEMBERS CAN COMPLETE THEIR LICENSING QUALIFICATION AT A FRACTION OF THE REGULAR COST THROUGH THE GOVERNMENT-SUBSIDISED PRODUCTIVITY PLACEMENT PROGRAM.

REINSW has received funding under the Productivity Placement Program (PPP), part of the Australian Government's Skilling for the Future Initiative. This means REINSW can offer members a 12-month real estate licensing program at a significantly reduced rate of \$414.

PPP places are available in the following licence categories:

- Real Estate Agent
- Business Agent
- Stock & Station Agent
- Strata Managing Agent.

Are you eligible?

To be eligible for a PPP place you must be:

- a NSW resident currently working in the real estate industry in NSW or be currently working in a real estate agency in NSW
- over 20 years of age and working in the real estate industry in paid employment for at least one hour in the week prior to starting the program or be aged 15–19 years of age, not formally enrolled in school, and have completed at least 15 hours of paid employment in the week prior to starting the program
- not currently enrolled in any other tertiary education programs
- an Australian citizen or permanent

Australian resident.

Flexible learning

REINSW's flexible learning options allow you to complete your training in a manner that best suits you and your employer. The formal course of study includes classroom training, on the job training, e-learning and correspondence.

How quickly you obtain your licensing qualification is up to you – the study requirements can be completed at any time over a 12-month period.

Recognition of skills

Members who have worked in the industry for some time may have already achieved some of the competencies required to become a licensed real estate agent. A qualified trainer will work with you to develop

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and knowledge that can be counted towards your licensing qualification.

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G4, 16–20 Edgeworth David Avenue
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Vue Property Hunters Hill
39 Alexandra Street
HUNTERS HILL NSW 2110

NEW MEMBER PROFILE



Perrie Croshaw, Director, www.SouthCoastHolidays.com.au

Eight years ago, Perrie Croshaw saw the potential for a niche business in short-term holiday rental in the coastal area where she lives, so she founded www.SouthCoastHolidays.com.au based in Gerringong, NSW.

"I noticed that investment property owners of holiday rental homes needed guidance to attract tenants, while holidaymakers were crying out for quality properties in which to stay," says Perrie.

Perrie decided to join REINSW to grow her business further. She says the organisation provides agents with opportunities to share and benchmark knowledge.

"As a fully licenced real estate and property management agent, I joined REINSW to tap into a professional association that has the support network ideal for business owners," she says.

"I JOINED REINSW TO TAP INTO A PROFESSIONAL ASSOCIATION THAT HAS THE SUPPORT NETWORK IDEAL FOR BUSINESS OWNERS."

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