

Journal

JUN 2011
VOL 62/05



the numbers game

Getting your figures
right for the end of
the financial year

Winning strategies

How to plan for property
management success

Mandate for change

High hopes for the new
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ON THE COVER
Drummoyne agent Warwick
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he gears his business for
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The use of multimedia – whether it be video, virtual tours or moving photo slides – will bolster the profile of both the property and the agency.



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A taxing time of year

Welcome to the June edition of the *Journal*. While some sectors of the market remain a little frail overall, the past 12 months has been positive across NSW. But in noting this, it is also that time of the year when all the paperwork must be put into order, books balanced, accountants employed and taxation responsibilities finalised. This month we have some helpful tips on getting your business organised. Don't leave it too late!

We continue our focus on business with several articles that will interest agency Principals.

Richardson & Wrench's Robert Simeon discusses the success of his *Virtual Realty News* blog

and tells us why no agency should be without its own blog.

Have you been considering selling your rent roll or agency business and wonder just what it is worth? This month, we show you what buyers are looking for and how you can maximise your business' assets.

Now that the O'Farrell Government has settled in, just what changes can we expect to see for the property sector and what is still needed? We bring you up to date with issues that are on our radar and may well be on theirs.

Camera rolling

When I completed my tertiary education in real estate, cinematography was not one

of the subjects – but today's technology allows us to create professional videos for promoting both the property, and you and your business. Just what is the best way of going about creating videos to supplement your online presence? This is a must read in today's changing market.

Chapter news

I must take this opportunity to congratulate all of our Chapters who are at the forefront of industry change and education. Well done to all.

This month we talk to our Holiday & Short Term Rental Chapter regarding special tips for long weekend rentals, while property managers are given some valuable tips about the best ways

to grow their business. While on property management, we also bring you up to date with how the *Residential Tenancies Act 2010* is working out in the marketplace.

Finally, I am sure most agents have a funny story regarding their own experiences in agency practice. We feature such an anecdote each month in *The Lighter Side of Real Estate* and if you would like to share a story with other members, drop the editor a line at brett@mahlabmedia.com.au



Wayne Stewart
REINSW President



Inadequate national educational requirements will damage the profession

The new National Occupational Licensing System (NOLS), which captures the property industry, is due to commence on 1 July 2012. There are some concerning issues that have begun to emerge from NOLS which I believe will have an adverse effect on consumer confidence and the profession generally.

I believe NOLS will dilute the aggregate skills, knowledge and experience of the profession and, as a consequence, the profession will find it increasingly difficult to respond to consumer expectations and the complex legislative environment in which property is transacted.

A real estate agent is a provider of professional services to consumers in the property industry. Those consumers

have a legitimate expectation that their service provider has undergone adequate training to appropriately equip them to respond to the various and complicated issues associated with a property transaction.

Insufficient tuition

Specifically, I refer to the current educational requirements for people aspiring to enter the profession. At present, in NSW a person can be trained (Certificate of Registration) and declared competent with as little as two days' tuition. It is rumoured that NOLS will adopt a model that closely resembles this current NSW model.

This is a joke – however no one is laughing! Does anyone seriously believe that a two-day course can adequately educate

a person to deal with complex property issues and advise consumers on matters affecting their most valuable asset?

NOLS is setting the agent and consumer up for failure.

CPD is essential

NOLS also plans to dispense with the need to maintain your professional skills through mandatory Continuing Professional Development (CPD).

A good tradesman maintains their tools and keeps them sharp, because they know they are only as good as their experience and tools. The agent's tools of trade are his/her experience, skills and knowledge. If the agent does not maintain them, then their ability to provide a quality

service is clearly inhibited. The abandonment of mandatory CPD will lead to a further erosion of the profession's collective wisdom.

REINSW and many other Real Estate Institutes collectively hold the view that property professionals must undergo significantly more education than is currently required and what is rumoured to be required under NOLS.

The property professional must be cognisant of their obligations under a complex regulatory environment.

Under the NOLS proposal, we will have people coming into the industry with two days' training, no obligation to undertake CPD and no insurance. What could possibly go wrong?

Tim McKibbin
REINSW CEO



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Sydney CBD set to boom

Sydney's famous George Street retail and office precinct is to benefit from nearly \$1 billion in redevelopment as renewed tenant demand for CBD space takes hold.

A report in *The Sydney Morning Herald* said the tenants included fashion and service-based retailers as well as financial services, with George Street the main focus as shopkeepers look to take advantage of the revamped Pitt Street Mall.

Retailers unwilling to pay the high rents demanded in the

Pitt Street Mall were looking at sites in George Street as well as nearby King and Market Streets.

Brett Henson, NSW Retail Leasing Director for Jones Lang LaSalle, told the paper that demand now outstripped supply in the tightly held CBD core.

He said retailers were keen to have representation along George Street, particularly following the opening of the new Burberry store at No. 343 and the high number of pedestrians flowing to Wynyard Station.

Hold the phone

Searching for that dream home or rental property used to mean hours spent poring over newspaper real estate lift-outs or the internet. But now a new app has taken the search into the iPhone age.

Laing+Simmons has become one of the first major residential networks to make use of iPhone technology, which will enable customers to use their phones to search for properties anywhere in NSW.

Users can also access full property details, take virtual tours, research inspection times, take photos, add their own notes, rate properties and create a favourites list for easy retrieval. Laing+Simmons General Manager Leanne Pilkington said the app resulted from extensive research and was a significant investment for the company.

"It places the search for properties in the palm of the customer's hand," she said. "In times like these when people are time poor and it's a struggle to achieve a work-life balance, ensuring your customers can access services in ways convenient to them is a necessity."



Car free living in Chatswood



A model of how the three new Chatswood residential towers will look upon completion.

The residents of a major new residential development in the Sydney suburb of Chatswood are being urged to take advantage of the area's position as a transportation and shopping hub by getting rid of their cars.

The three residential towers are being constructed above Chatswood's Transport Interchange and will have access to a huge range of retail shops, restaurants and bars situated underneath.

"Socially, the exciting thing about this development is that it offers residents a real

opportunity of never having to get into a car to travel to work, shop or meet friends for dinner or a drink," said Nick Tyrrell, Director of Cox Richardson Architects.

"Not only does it reduce the stress of urban life for residents, it also reduces stress on the environment and represents a real change in thinking on how we live in the more dense parts of Australian cities."

The first two towers (Metro View and Metro Spire) sold out in one weekend and the third tower (Metro Grand) is still selling well.



Government urged to go green

The NSW State Government has been encouraged to undertake an environmental audit of every building it owns and occupies in order to demonstrate some environmental leadership.

The Green Building Council of Australia (GBCA) said the audit would give the O'Farrell Government the opportunity to make cost savings and improve the performance of its

building stock. The GBCA said the audit should be completed using the eight categories of the Green Star environmental rating system as a guide.

"By assessing such environmental impacts as energy and water use, waste management and indoor environment quality, the Liberal Government will gain a complete picture of the current levels of

building efficiency and identify potential cost savings and opportunities for improvement," said GBCA Chief Executive Romilly Madew.

"Infrastructure NSW has been charged with developing a strategic plan for improving infrastructure across the state, and this would be an opportunity to integrate our buildings into such a plan."

Another blow for Sydney housing

Australian Bureau of Statistics (ABS) figures released in late April have painted a grim picture for housing supply in Sydney, with an 8800 home shortfall likely in 2011.

Urban Taskforce Australia said the official ABS figures show that housing construction in Sydney was falling well short of predictions made by the former NSW Government.

"The Keneally Government had claimed that Sydney's weak supply of housing had 'turned the corner'," said Aaron Gadiel, Urban Taskforce Chief Executive.

"This was based on their prediction that Sydney's supply of new housing would reach 24,900 homes in 2010/11, and soar to 27,000 homes soon after.

"Yet [the ABS figures] tell us that – even with a massive one-off 14.9 per cent public housing boost – just 16,100 new homes are likely to be completed. This is 8800 fewer homes than projected by the former government."

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A cloud burst for commercial property

The increasing popularity of cloud computing is set to revolutionise the way many companies – both large and small – look at their real estate assets, according to new research by Colliers International.

The research is contained in a new white paper titled *Workplace Technology – Cloud Computing & Real Estate* from Colliers International Advisory Services.

Cloud computing, which allows both individuals and enterprises to use internet-based software and data storage rather than a hard drive, is causing significant re-evaluations of operations and infrastructure costs which will impact the real estate needs of many companies.

“In the face of this computing shift, a new breed of real estate services is now required,” said Nerida Cornisbee, National Director of Research, Colliers International.

“We’re seeing changes in flexibility, space and cost requirements in property portfolios as businesses re-evaluate their approach.”

Frank McGowan, International Managing Director of Project Services, Colliers International, said office space needed to be flexible to handle rapid growth or contraction and, at the same time, there was less of a need for single office locations, leading to more diverse portfolios.

Loan competition to lure first homebuyers



A significant slump in the number of home loan applications in the first half of 2011 is expected to lead to an influx of first homebuyers in the next two years as competition among loan providers becomes more intense.

Financial comparison website RateCity believes homebuyers and refinancers will benefit from

the deals that competition will generate and first homebuyers will be further spurred by flat property prices and greater levels of household savings.

“Some of these savings will be held by people who will enter the housing market for the first time in the coming two years,” said Damian Smith, RateCity CEO.

“They will be in a much better position because of this – if a first homebuyer can get as much as 15 per cent deposit under their belt they will have more home loans open to them, and they’re much less exposed to movements in interest rates.”

Figures from the Australian Bureau of Statistics’ latest Housing Finance Report showed the number of loans written in February was the lowest in a decade at 45,393.

Rent crisis worsens for those on benefits

A survey by Anglicare Sydney has revealed the troubling depth of Sydney’s rental crisis for prospective tenants on government benefits.

The survey, which was conducted over a weekend in April, found that of the 9400 properties advertised for rent only 72 were affordable for people receiving the age or disability pension or the single-parent payment.

Anglicare defines ‘affordable’ as a property that takes up less than 30 per cent of a household’s income.

Peter Kell, Anglicare Chief Executive, said not enough public housing had been built in the past 15 years and that undersupply was plunging families reliant on government benefits into serious rental stress. This was in a city that already had the highest living costs in Australia.

“Moving to a cheaper area sounds like a solution, but these families often can’t afford the relocation costs and where rent is cheaper, unemployment is often higher,” said Mr Kell.

REINSW IN THE MEDIA

REINSW views on the rental crisis, property investment advice and a smoke-free apartment complex were all recent topics in the media.

Print

- REINSW President Wayne Stewart told the *Sunday Telegraph* that fees charged by some property investment companies were “abhorrent and ridiculous”.
- In *The Sydney Morning Herald*, REINSW CEO Tim McKibbin commented on a move to ban the residents of a Sydney apartment block from smoking inside their own units.
- In the *Bankstown-Canterbury Torch*, REINSW welcomed comments by the NSW Police and Emergency Services Minister that the high cost of living was forcing essential services personnel out of Sydney.
- Wayne Stewart told the *Newcastle Herald* that Newcastle deserved its spot on a list of Australia’s most attractive property investment regions.
- Tim McKibbin told the *North Shore Times* that the rental crisis was a vacant area for Government policy.

APRIL MEDIA ROUND-UP

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CY Wong, Director, Inconsult

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Global retailers target Sydney

The revitalisation of the mid-city shopping precinct has generated renewed international retail interest in Sydney.



Getty Images

Excited shoppers queue to be the first to sample Sydney's new Zara fashion store.

Sydney and Melbourne have emerged as preferred destinations for North American retail chains seeking to expand their businesses, according to interesting new research by CB Richard Ellis (CBRE).

The company's 2011 *How Global is the Business of Retail?* report covered 73 countries and 323 retailers and found that Australia's two biggest cities ranked equal ninth out of 209 international cities examined for the highest US retail presence. London was the top target for

American retailers, just ahead of Dubai. However, Sydney and Melbourne were positioned ahead of global shopping meccas such as Paris, Shanghai, Beijing and Madrid.

"Global retailers were impressed by how well Australia weathered the Global Financial Crisis and this has generated a new wave of interest from global retailers, especially out of America," said Kevin Stanley, CBRE Executive Director, Global Research and Consulting.

Joshua Loudoun, CBRE Regional Director, Retail Services, added: "New state-of-the-art shopping centres such as Myer Emporium in Melbourne and Westfield in Sydney have created additional opportunity for international retailers to enter the market. The best quality locations in Australian cities are actually very limited in number and area. These new developments expand the opportunity for new leases to high profile international brands."

But the news from the CBRE report wasn't all good for

Australia. Despite the publicity surrounding high profile new retail operations from Zara and Gap, Australia ranked only 31st out of the 73 countries surveyed for global retail presence.

In total, Australia attracted just 26 per cent of all retailers included in the study, down two spots from the same survey completed in 2009. Melbourne finished ahead of Sydney as the Australian city with the highest presence of international retailers, ranking 65th compared to Sydney's 75th.

"Despite the recent focus of international retailers on the Pacific region, there appears to be a long way to go before Australia can be considered a major player in the expansion of global retail brands," said Mr Stanley.

Overall, the report found that although the global economy pulled out of recession in 2010, it remains a testing time for retailers, with consumer spending subdued in many markets and fewer new shopping centres meaning there was less access to prime space.

Emerging markets and cities were becoming the most attractive destinations and are competing with established global retail centres, as shown by Dubai's rise in the rankings. ♦



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the numbers game

The end of the financial year doesn't have to be a taxing time if you follow a few simple financial principles.

BY RICHARD CANN

The temperature's dropping and winter's closing in, which for small to medium sized businesses means it's tax time. But it doesn't have to be a time of fear.

Paul Simeoni, Director at Simeoni, which provides accountancy, financial planning and auditing to real estate agencies, says real estate agents don't need complicated tax minimisation schemes to reduce their tax headache post-June. Instead, focusing on a

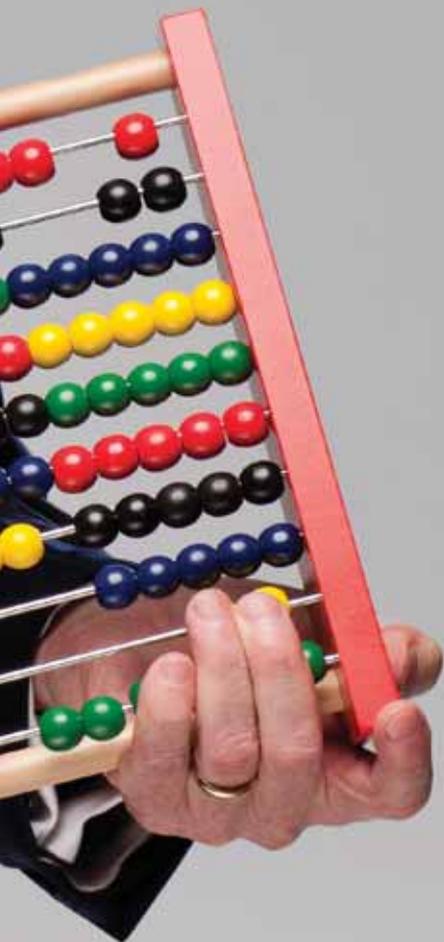
few sound and simple business principles will give their business the best opportunity to thrive.

"You can get involved in a million different schemes to reduce taxes but that's not necessarily going to increase your wealth," he warns. "The first thing a business needs is to have its financials up to date.

"Unfortunately, a lot of businesses might do their BAS quarterly but they don't

necessarily know how much profit they have made."

Paul says tax strategies must fit with the particular needs of the business in the short and long term. In the short term, it is vital to know the state of the balance sheets because, if cash flow allows, it might make sense to bring forward business expenses by paying for rent, repairs, office stationery, subscriptions, donations or interest by 30 June to claim a tax deduction. ►



“

I've always got one part of my market working. If you're in one of those new areas where it's a one-dimensional market you're far more vulnerable.”

Other short-term tactics to reduce a company's tax bill could include paying June quarter employee super contributions before 30 June, or declaring directors' fees and bonuses.

“You could also look at contributing into superannuation. You can make maximum contributions or get involved with things like transition to retirement phase if you're over 55,” Paul suggests. “There are massive benefits where you can potentially go from a 46.5 per cent marginal tax rate to 15 per cent or less.”

While life insurance payments are not tax deductible, if the payments are made through a super fund, the fund will enjoy a tax deduction for the contributions, while their payments into the fund are also tax deductible.

“However, if you're in your late 20s or 30s with a massive mortgage and you're paying off loans left, right and centre, super might not be the best avenue for you,” Paul warns.

A longer-term tax reduction strategy often involves using debt to purchase rent rolls, the backbone of a stable, secure

real estate agency. The negative gearing on the interest on the loan taken to buy a rent roll allows agents to use debt to maintain a certain level of tax planning, Paul says.

What makes this strategy all the more valuable though is that it potentially builds wealth at the same time, as long as the agent can grow the value of the rent roll as he or she pays it off.

“It's one thing to reduce your taxes, it's another thing to actually see the money,” Paul says. “You can be involved in a lot of tax schemes but if you're spending a dollar to get 30 cents back, that doesn't make sense.”

Besides having potential tax benefits, building a healthy and stable rent roll is crucial for creating value in a real estate agency. When banks lend to real estate agencies, they generally lend on rent rolls, and rarely on an agency's sales record, Paul says.

“Sales go up and down depending on economic conditions. Property management is much more stable. You pretty much know what you're going to get month-in, month-out. If you can develop a decent base from property management, you can secure your future.



Numbers man:
Drummoyne agent
Warwick Williams has
a diverse cash flow.

“Cash flow is where the majority of small businesses get into problems, and real estate agents need to fork out a lot of money up front,” Paul adds. “You could get a sale, but the vendor and purchaser might agree to a 12-month delayed settlement. That's outside your control. If you're focusing purely on sales, that's fine, but you have to adopt a much leaner approach

without the massive overheads, or else you can be caught out.” Paul recommends that real estate agencies aim to cover 70 per cent of their outgoings with property management revenue to protect them against a downturn.

Diversified assets

Warwick Williams has spent 34 years building his

PAUL SIMEONI'S TOP TAX TIPS

Claim this year

- If cash flow allows, pay for repairs, consumables such as office stationery, trade gifts, subscriptions and donations by 30 June and claim the tax deduction this year
- Pay June quarter employee super contributions
- Declare any Directors' fees and bonuses

Write off what you don't need

- Review your asset register and scrap any obsolete plant and equipment sitting on your depreciation schedule

Manage the administration

- Help neutralise any capital gains you made during the year by realising any capital losses
- Where you are operating a discretionary trust, the trustee should resolve how the income of the trust will be distributed and minute the decision
- Where management fees are being charged between related entities, make sure that the charges have been raised by 30 June.

with revenue from investment properties," Williams says. "The most risky side of our business is the ebb and flow of sales. But I'm now two-thirds bulletproof, so the sales equation can swing and it'll have minimal impact on the overall company."

Warwick estimates that while sales can fall by up to 30 per cent "in a crook year", if it equates to only half your company's revenue, lean times can be endured. "That would only be a 15 per cent drop overall. That's a huge number for normal businesses, but real estate's not a normal business."

Organic growth can be difficult to come by in the real estate game, Warwick says, making it necessary to grow by acquisition.

However, rent rolls are not cheap and Warwick has been keen to pay off his loans quickly. "It's not like buying a

piece of real estate – things can go wrong in business so I like to get that debt down as quickly as I can."

While the two sides of the business are very different, Warwick says it's important to maintain both property management and sales. "Two and two equals five – property management nourishes the sales side of the business, and vice-versa."

One of the keys to running a successful sales operation, Warwick says, is having a diversity of property types to sell, so that if one side of the market slows you're not too exposed.

"Where I am, I sell bedsitters from \$300,000 to units for \$5 million, and I sell houses from \$500,000 to \$6 million. I've always got one part of my market working. If you're in one of these newer areas where

it's a one-dimensional market you're far more vulnerable. When things are good you make a lot of money, but when the music stops and you're not sitting down you're wiped out."

With property management size is important. Profitability increases with scale once costs such as accounting systems and clerical staff are in place. "As long as you manage your rent rolls well, you don't go backwards," Warwick says.

"You've just got to grow it as fast as you can to get the balance right between rent rolls and sales, and then you've got to withstand time," he muses. "It took me 10 years of working very, very hard before I had some sense of security. You've just got to put brick on brick." ♦

Disclaimer: the information contained in this story is general in nature and should not be taken as financial advice.

Drummoynes-based agency into a business that employs 40 staff, using property management to deliver the reliable income stream it needed to grow.

"When I started in the business, 80 per cent of my income came from sales and 20 per cent from property management. Now the two are split evenly, along



In blog we trust

The online revolution has changed the way real estate agencies do business. And you can be even more effective and successful by creating a specialised blog.

At 11.30am every Friday, Robert Simeon's words of wisdom are despatched to a waiting audience of real estate enthusiasts, not only across his local area in Sydney's lower north shore, but also to expats scattered throughout the world.

Robert's *Virtual Realty News*, which comes from his offices at Richardson & Wrench Mosman and Neutral Bay, is the longest running and most successful real estate blog in Australia.

A mixture of local real estate news, information, statistics and astutely directed political comment, *Virtual Realty News* has generated not only a solid and consistent fan base, but has

also brought the agency some very tangible benefits.

When Robert first began utilising the power of the online world 11 years ago, *Virtual Realty News* was distributed to just 37 people – now, that invaluable database has increased to close to 10,000. At the same time, sales attributed to members of his subscriber base have topped the \$1 billion mark.

"After the recession of the early 1990s, real estate agents were all going broke because we couldn't communicate," says Robert. "I thought there must be some way to harness the power of the internet and so we became the first agency to

start a database and to send out email alerts."

Growth was slow to begin with, but soon the benefits started to become obvious.

"You become a voice," says Robert. "The fact is, people are becoming increasingly busy and they don't have the time to chew the fat over the phone anymore and find out what's going on in the real estate market. That's why a blog works."

Robert's blog, which usually takes around 20 hours per week to create, doesn't shy away from sometimes controversial topics. "I've upset a lot of politicians," he laughs. "But the fact is real

estate is dominated by politics and the decisions that are made."

The tangible benefits of the blog include Robert's agency being number one on Google real estate searches in the area because of the volume of traffic it receives and the even more impressive sales figures that have been compiled from the subscriber base.

"We passed the billion dollar mark in December," Robert says. "So there are a billion reasons why you should blog."

Peter Ricci, who is the founder of Business2.com.au, a site dedicated to helping real estate agents understand the internet,



BLOGGING ESSENTIALS

Peter Ricci, founder of Business2.com.au, says there are three main things agencies should consider when establishing a blog:

remove negative comments and only keep the nice ones you miss the opportunity of getting a conversation going.

1 The blog should be a part of your existing website. Integrate it rather than keep it separate.

3 Make sure it's relevant. Talk about local issues, or about something in which you specialise. You'll end up losing your focus and your audience otherwise.

2 Don't sanitise the responses. If you

“
We passed the billion dollar mark in December. So there are a billion reasons why you should blog.”

says that any agency that doesn't have a blog as part of its online offerings is immediately behind the game.

“If you look at Robert's example, his database has thousands of people,” says Peter. “A large percentage of those people will be interested in what he's writing about and will follow the link to the website. If they're thinking of listing a property, who is the first agent they're going to think of? It's Robert.”

Peter says there's a difference between agency blogs and more personalised blogs in which an

agent tries to impart the secret of his or her success.

“You have to be very careful with those,” he says. “I do talks at seminars and there are a number of real estate agents who just talk about how great they are and how you can be successful just like them. But they are always trying to sell something.

“If you're going to talk about being successful, then you have to be completely honest, don't sell yourself as something else. You have to get to the bare-bones honesty about how tough it is to start with.” ♦

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A mandate for change

The repeal of an unpopular property tax is being seen as a positive sign that the new State Government may tackle some big issues.

NSW Premier Barry O'Farrell has given some hope to the property industry since coming to power.



NewsPix, Craig Greenhill

When it was elected with an overwhelming mandate on 26 March, there was much hope surrounding the new State Government led by Barry O'Farrell. And that hope extended to the property industry, where there has been tireless advocacy for urgently needed changes to taxation,

planning, affordability and supply.

REINSW has been particularly vocal in seeking remedies to these major issues and, in early May, its lobbying paid off when the O'Farrell Government announced it would repeal the Torrens Assurance Levy, a

contentious and unpopular ad valorem tax applied to the transfer of NSW property valued at more than \$500,000.

Under the levy, the tax applied ranged from \$204 on a property sold for \$600,000 and increased to \$1,004 for a property at \$1 million, and \$6,004 for a

property at \$3 million. The tax was introduced on 1 July 2010 and REINSW immediately sought, and received, an undertaking from the then Opposition Leader Mr O'Farrell that it would be repealed if the NSW Liberals & Nationals took power after the March State Election.

The *Real Property Amendment (Torrens Assurance Levy Repeal) Bill 2011* was introduced into NSW Parliament on 9 May and is proposed to come into effect on 1 July 2011.

"While the Bill is not yet law, we are pleased to see the new Government taking steps to honour its undertaking to REINSW," said Tim McKibbin, REINSW Chief Executive Officer. "We will monitor the progress of the Bill as it makes its way through Parliament and keep members informed of further developments."

Election promises

The O'Farrell Government's 100 Day Action Plan, unveiled on 4 April, also confirmed pre-election promises to extend the 'empty nester's' two-year stamp duty extension for over 55s until 30 June 2012. The original exemption, which was introduced by the former Labor Government to encourage retirees to downsize and to spark new home construction,

was only available to over 65s. More controversial was the government's decision to axe the Part 3A planning provision that gave the NSW Planning Minister consent authority for major projects deemed to be of state or regional significance. The system put the Government at odds with local councils and communities, but its scrapping has upset those in the property industry already frustrated by the lengthy delays in pushing development applications through log jammed councils.

Tim McKibbin says the major areas the new government needs to concentrate on are planning and taxation.

"In planning, the answer is not yes, and it's not no – it's maybe," he says. "A property developer can buy land and 12 years later it may still be sitting on the shelf because of bureaucracy.

"In my view, the government needs to focus its energies on the effective processing of

development applications so they can be dealt with more quickly and efficiently. The other aspect that needs attention is our dependency on property taxes. And it's the property consumer – mum and dad investors, the first homebuyer – who ultimately pays all of these taxes. We're pricing our citizens out of the state, people are saying it is more cost effective to live elsewhere."

Reforms needed

Aaron Gadiel, Chief Executive, Urban Taskforce Australia, agrees with the REINSW stance on planning and taxes and is cautiously optimistic about the changes that may come about with a new State Government.

"It's still very much early days," he says. "They're looking at reform of the planning system which is good, but it will be many years before we reap any benefits." Aaron adds that there needs to be a major increase in housing starts if NSW hopes to compete economically with

other states. "Sydney hasn't had the same population growth as places like Melbourne and Brisbane and that's because of [a lack of] housing.

"We should have had tens of thousands of more jobs but for most of the past decade we've been at half the level of economic growth as Melbourne."

Andrew Harvey, Senior Economist with Housing Industry Australia joined the chorus calling for reforms of planning and taxation as a way of revitalising the property industry.

"We're very keen on stamp duty reduction," he says. "It's happening in other states and we'd like to see it in NSW. And a real focus on speeding up planning and development would also be helpful.

"We have to look at other revenue streams. Housing is so easy to tax – we think they see us as a golden goose." ♦



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keep learning



Traineeships offer great benefits

There are some great government funded traineeships available for real estate professionals that are well worth a look.

In May, Christopher Evans, the Minister for Tertiary Education, Skill, Jobs and Workplace Relations, launched the Skills Australia report in Vocational Education Training (VET) entitled *Skills for Prosperity: a road map for Vocational Education and Training*.

Skills for Prosperity will set an exciting platform of opportunity for Australian individuals and employers to obtain nationally recognised qualifications through government-funded assistance.

During the speech, the Minister said: "put simply – skills determine access to jobs.

"You only need to look at the data to see that education and training is the passport to secure employment. Research tells us that 83 per cent of all Australians with a Certificate III qualification or higher have a job at any given time."

As NSW's peak industry body and Registered Training Organisation, REINSW Education & Training believes

that it is our role to ensure we communicate funding opportunities available and relevant to our industry.

While developments within the VET space are something to keep your eye on, did you know that you can already access government funded traineeships through REINSW in:

- Certificate III in Property Services (Agency)
- Certificate IV in Property Services (Real Estate)

Traineeships provide a cost effective, flexible, focused and nationally recognised mode of learning, which is relevant to the workplace and offers many benefits to individuals and employers.

Benefits for the employer:

- Up-skill employees to meet business needs
- Receive government incentives
- Promote employee loyalty
- Provide opportunity for employees to mentor others
- Increase workplace productivity



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Benefits for the trainee:

- Achieve a nationally accredited qualification
- Learn valuable workplace skills
- Receive comprehensive training
- Flexible study options to suit learning needs
- Increase career opportunities

Traineeships are a learning opportunity well worth considering not only to promote skills development of the individual, but they can provide employers with

government funding up to \$4,000 subject to specific funding criteria being met.

Traineeships are a learning opportunity well worth considering. For more information on government funded Traineeships offered via REINSW Education & Training call our Traineeship Co-ordinator on (02) 8267 0510.

To read the Minister's full speech on *Skills for Prosperity*, please go to: www.deewr.gov.au

REINSW Training Calendar

JULY/AUGUST 2011

JULY 2011

MON	TUE	WED	THU	FRI	SAT	SUN
<p>■ CPD workshops – go to www.reinsw.com.au for course descriptions and prices</p> <p>■ Course in Property Practice (full and part time as indicated). Price includes REINSW Student Membership</p> <p>■ Licensing Course (full and part time as indicated)</p> <p>■ Forums and Divisional meetings</p> <p>■ Free industry sessions</p> <p>■ Novice Auctioneers Competitions</p>				1	2	3
				TERM 2 ENDS	ORANA Novice Auctioneers Competition	
4	5	6	7	8	9	10
		<p>SYDNEY Real Estate Licensing Course (part time) commences</p>	<p>SYDNEY Real Estate Licensing Course (part time) continues</p>			
	<p>SYDNEY CPD The ABC of compliance (9.30am-1.30pm)</p>	<p>COFFS HARBOUR Free industry session (9.00am-11.00am)</p>	<p>WOLLONGONG CPD Prepare for selling like never before (9.00am-1.00pm)</p>			
	<p>BALLINA Free industry session (9.00am-11.00am)</p>		<p>PORT MACQUARIE Free industry session (9.00am-11.00am)</p>			
11	12	13	14	15	16	17
		<p>SYDNEY Real Estate Licensing Course (part time) continues</p>	<p>SYDNEY Real Estate Licensing Course (part time) continues</p>	<p>BANKSTOWN Free industry session (9.00am-11.00am)</p>		
<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)</p>	<p>CENTRAL COAST Free industry session (9.00am-11.00am)</p>	<p>PENRITH CPD Creating impact and influence (9.00am-1.00pm)</p>			
	<p>NEWCASTLE Free industry session (9.00am-11.00am)</p>		<p>NORTHERN BEACHES Free industry session (9.00am-11.00am)</p>			
18	19	20	21	22	23	24
TERM 3 STARTS	<p>SUTHERLAND Free industry session (9.00am-11.00am)</p>	<p>SYDNEY Real Estate Licensing Course (part time) continues</p>	<p>SYDNEY Real Estate Licensing Course (part time) continues</p>			
<p>SYDNEY Course in Property Practice (full time) – 4 days (9.00am-5.00pm)</p>						
<p>CAMPBELLTOWN Free industry session (9.00am-11.00am)</p>	<p>SYDNEY CPD An agent's guide to tax and property investment (9.30am-1.30pm)</p>	<p>FORBES CPD The ABC of compliance (9.00am-1.00pm)</p>	<p>BATHURST CPD The ABC of compliance (9.00am-1.00pm)</p>			
	<p>DUBBO CPD The ABC of compliance (9.00am-1.00pm)</p>	<p>SYDNEY Property Management Forum (3.00pm-5.00pm)</p>	<p>PARRAMATTA Property Management Forum (3.00pm-5.00pm)</p>			
25	26	27	28	29	30	31
		<p>SYDNEY Real Estate Licensing Course (part time) continues</p>	<p>SYDNEY Real Estate Licensing Course (part time) continues</p>			
<p>SYDNEY Course in Property Practice (full time) – 4 days (9.00am-5.00pm)</p>						
	<p>SYDNEY CPD Property management (9.30am-1.30pm)</p>	<p>NORTHERN BEACHES Novice Auctioneers Competition</p>	<p>BATHURST Free industry session (9.00am-11.00am)</p>			
	<p>TAMWORTH Free industry session (9.00am-11.00am)</p>	<p>DUBBO Free industry session (9.00am-11.00am)</p>				

AUGUST 2011

MON	TUE	WED	THU	FRI	SAT	SUN
1	2	3	4	5	6	7
	SYDNEY CPD The ABC of compliance (9.30am-1.30pm) WAGGA WAGGA Free industry session (9.00am-11.00am)	SYDNEY Real Estate Licensing Course (part time) continues BATEMANS BAY Free industry session (9.00am-11.00am)	TAMWORTH CPD Rural Day (9.00am-1.00pm) SYDNEY Real Estate Licensing Course (part time) continues WOLLONGONG Free industry session (9.00am-11.00am)	ARMIDALE CPD Rural Day (9.00am-1.00pm)	SYDNEY Course in Property Practice (part time) commences (9.00am-5.00pm)	
8	9	10	11	12	13	14
SYDNEY Course in Property Practice (full time) – 4 days (9.00am-5.00pm)					SYDNEY Course in Property Practice (part time) continues (9.00am-5.00pm)	
	SYDNEY CPD Creating impact and influence (9.30am-1.30pm)	SYDNEY Breakfast Club (7.30am-9.30am) CENTRAL COAST Novice Auctioneers Competition SYDNEY Real Estate Licensing Course (part time) continues	SYDNEY Real Estate Licensing Course (part time) continues			
15	16	17	18	19	20	21
SYDNEY Real Estate Licensing Course (full time) – week 1 Market Property, Agency and Self – 5 days					SYDNEY Course in Property Practice (part time) continues (9.00am-5.00pm)	
		SYDNEY Real Estate Licensing Course (part time) continues 	SYDNEY Real Estate Licensing Course (part time) continues RIVERINA Novice Auctioneers Competition			
22	23	24	25	26	27	28
SYDNEY Real Estate Licensing Course (full time) – week 2 Real Estate Sales – 5 days					SYDNEY Course in Property Practice (part time) concludes (9.00am-5.00pm)	
SYDNEY Course in Property Practice (full time) – 4 days (9.00am-5.00pm)						
	SYDNEY CPD Prepare for selling like never before (9.30am-1.30pm)	NEW ENGLAND Novice Auctioneers Competition SYDNEY Real Estate Licensing Course (part time) continues	ORANGE CPD Rural Day (9.00am-1.00pm) SYDNEY Real Estate Licensing Course (part time) continues			
29	30	31	1	2		
SYDNEY Real Estate Licensing Course (full time) – week 3 Managing Agency Finances – 5 days						
EAST Novice Auctioneers Competition	SYDNEY CPD Essential OH&S for property managers (9.30am-1.30pm)	SYDNEY Real Estate Licensing Course (part time) continues WAGGA WAGGA CPD Rural Day (9.00am-1.00pm)	SYDNEY Real Estate Licensing Course (part time) continues			

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East Division 29 August 2011
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Inner West Division 8 September 2011
Albury Division 16 September 2011
St George & Sutherland Shire Division 20 September 2011
Nepean, Hawkesbury, Blue Mountains and Parramatta & Hills Divisions 25 October 2011
Murrumbidgee Division to be confirmed
Newcastle & Hunter Division to be confirmed
North West Division to be confirmed

Don't see your Division? You can still enter by participating in the competition in another Division. To find out how to enter a Divisional competition, email divisions@reinsw.com.au

FREE INDUSTRY SESSION

Underquoting and national licensing update

REINSW CEO Tim McKibbin will address the issue of underquoting within the industry and highlight an agent's obligation to ensure compliance with the *Property, Stock & Business Agents Act 2002*.

Avoiding employment bruises – the wish of every agency

REEF Executive Director Greg Paterson will examine the areas where agents are primarily exposed to the dangers of employment-based claims. He will also discuss strategies to help best protect your business from receiving that dreaded letter of demand.

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Sydney 20 July 2011
Parramatta 21 July 2011

CPD 2 points (Learning Category 1)



TRAINER OF THE MONTH KATE LUMBY

As a specialist property auctioneer to selected independent and boutique agents, Kate has worked in all regions of NSW over the past decade.

Growing up around the family real estate business in Kellyville, Kate was exposed to all facets of the industry from an early age. Before entering the profession at a senior level, she gained an Associate Diploma in Speech and Drama – Teaching, and ran a studio training adults and children in personal and business communication.

As well as an accredited auctioneer and certified trainer, Kate is also a licensed real estate agent and a member of the National Speakers Association of Australia.

A past Chairperson of the REINSW Auctioneers Chapter, Kate is a regular speaker at industry events. She has stayed fully informed and equipped with the latest legislative requirements and strategies so those she trains are always up-to-date and ahead of an ever-changing marketplace.

As a judge, Kate has adjudicated a number of big awards, including REIA Australasian Auctioneer's Championship and the REINSW Novice Auctioneers Competition.

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* Based on statistics from Nielsen Net Ratings in October 2010

When it's time to sell

BY FRAN MOLLOY

The investment you have made in your real estate business has lots of potential value. Find out how to maximise your profit when it's time to move on.

There comes a time in any career when it's time to move on – and nearly all real estate owners will eventually leave their business.

But leaving your agency is far more complicated than leaving your job. Fortunately, if you have built your business well, it also has the potential to be far more lucrative.

It's also possible to sell part of your business separately. Whether you keep your sales agency or not, a well-run property management portfolio is a valuable asset and can attract a good resale value if marketed correctly.

Stephen Francis is the former Principal and Managing Director of West Ryde-based agency Summons and First and now works as a real estate broker for management consulting and broking company BDH Solutions.

Stephen says that the value of the rent roll (or property management portfolio) represents by far the greatest proportion of the value of a real estate business. "In some cases it would be between 90 and 95 per cent of the value of the sale of the business." That's why



most brokers who sell agencies, focus primarily on the rent roll. To maximise the value of your business asset, the time to think about selling your agency is the time when you first start to feel you don't want to go to work, Stephen says.

"People often put off selling, but really if you do that you'll probably earn less on the sale process because you're not putting the same enthusiasm into growing the business," he says. "You can't make long-term

plans for your business if you've got a short-term goal of selling it."

Agency values

Gary Adamson chairs the REINSW Strata Management Chapter and is Principal of LJ Hooker Cronulla. He's also a qualified chartered accountant and says that valuing an agency is one of the more contentious issues in real estate.

According to Gary, an agency owner's price expectations are often completely unrealistic and

based on 'what the bloke down the road sold his rent roll for'.

"As with any small business, the buyer has to factor in as part of the price the fact that they are foregoing the opportunity of working elsewhere. They either replace the existing management structure themselves – or pay the salary of someone else to manage it." Gary has purchased several rent rolls from other agents in his time and says it's important not to treat the value of the rent roll

“

You can't make long-term plans for your business if you've got a short-term goal of selling it.”

”

and the agency any differently to any other business value.

He says it is all about the return on investment. Given the large failure rate and the requirement for hands-on management, a small business should return at least 20 per cent a year on your investment.

There are other considerations, he adds. “If you are buying a rent roll to merge into your agency, you need to consider distance of the properties as your first criterion. If the properties you're managing are more than 8-10 kilometres from your office, you'll lose out.”

A rent roll with a lot of properties distributed between just a few owners is a riskier proposition, he adds. “You can lose a huge part of the value in one hit, if one owner pulls out.”

Going to market

Selling an agency is a sensitive business. When your staff and customers discover that your agency is for sale, there's usually an immediate crisis in confidence and a good chance that both will start looking for a new agent – someone of their own choice – before the business is transferred to a new owner

who is as yet unknown. “A broker can market your business while maintaining confidentiality,”

Stephen Francis says. “You need to be able to go to the market without putting your name out there.”

Before listing your agency, it's important that the owner passes on all possible information on the agency to the broker, rather than a vague number such as earnings over the last year.

“Rent rolls are assessed on a fully-let collection commission basis, so you need to also understand what makes up that figure,” Stephen says. “If you're in a situation where rents are rising, then how that translates in a sale might be above the past year's earnings, for example.”

Stephen says that most enquiries he receives come through his website, where agencies and rent rolls are listed without identifiable details. Confidentiality is a very important part of the sales process, he says. “I believe you should tell as few people as possible prior to the exchange of contracts.

But the first people to be told after the exchange of contracts are your staff. You'll need their

WHAT BUYERS ARE LOOKING FOR

Most serious buyers are looking for a well-run business, says Stephen Francis from BDH Solutions. “It's important that your rent records are in top shape, that all the paperwork is in really good order.”

Without all the appropriate management authorities, inspection and condition reports and tenancy agreements in place, buyers are reluctant to take on a business and bank valuers will lower their lending ratio.

Location is another key point. “An area with good turnover of tenancy is desirable. And properties should be relatively close to the agency office – you don't want to have a geographical spread out of an agency.”

Stephen says that if you're selling a rent roll separately, transferring the property manager and other staff along with the rent roll is the ideal scenario.

“The owners are used to dealing with your staff, so if you can sell the concept that, really, the only thing that's going to change is the name on the letterhead, then that's a lot simpler.”

assistance – but also, to be fair to them. No employee should hear from an outside source that the Principal has sold the business.”

Maximising profit

When selling your agency, your brand, goodwill and all the management agreements transfer to the new owner, and if the name doesn't change, the sale will be relatively straightforward.

If you are selling your rent roll separately, however, it's important to find the right buyer, Stephen says. “When you sell a rent roll, you need each of your property owners to sign a new management agency agreement with the new agent.”

At this time, some property owners may decide to take their business to a different agency – particularly if you are selling to an agent in the area who does not enjoy a good reputation.

The vendor takes on the responsibility of getting all the new agency agreements out and signed and then returned within the six to eight weeks between contract exchange and settlement, Stephen explains. “The purchaser will only pay for those agency agreements which have been transferred.”

He says that on average, around five per cent of properties are lost during the transfer. ♦

Moving pictures

Agencies are embracing high-tech visual tools, including the creation of mini feature films, to help sell their properties.



Agents and vendors are increasingly combining traditional print media guides with new and evolving digital platforms and exploring the option of online multimedia to market their properties.

Gone are the days of simply listing a property in the classifieds: potential buyers are demanding more than a black

and white thumbnail image in a newspaper. Virtual tours, motion photo slides and video features are cropping up all over the internet, including the websites of leading agency chains.

There are now a number of corporate production houses that specialise in providing real estate video content, offering all manner of services to enhance

your agency's all-important online presence.

Quiet on set!

Producing a one or two-minute feature film takes no longer than 48 hours – a fairly typical turn-around period for the corporate production industry.

The high quality of the finished product, alongside the multitude

of marketing benefits, is one of the key reasons agencies choose to produce a corporate video.

Morgan Touvron is the Creative Content Producer of LightsCameraSold: a small corporate production house on Sydney's Northern Beaches. With a client base of 10 agencies and a wealth of experience, he has witnessed the growing power of

video content to sell property. "Unlike a series of photographs, a video provides a much richer feel for the property and surrounding community," says Morgan. "Buyers are often deceived by still images, as they can be photoshopped or captured in such a way that makes the spaces appear larger." A video, on the other hand, can emulate the spatial dimensions of the house with greater immediacy than stills.

Morgan's clients are familiar with the format: a quick introduction, a voiceover and a summary; but managing client expectations can sometimes prove difficult. "It's a fine line between making the video about the agent rather than the property," explains Morgan.

"Some agents would like to spend 15 or 20 seconds on

the introduction, but it's so important to keep the focus on the property itself."

Think big

One of the stronger benefits of corporate video content is the legitimacy and weight it lends to smaller, less established businesses. Utilising video content aids in lifting the profile of not only your listing, but also your business overall.

Leading property marketing company Industrie Media represents a diverse mix of franchise and independent agencies, and therefore has something of a panoramic view of the industry. Brett Humby, Industrie Business Development Manager, reports a significant shift towards digital and online content within his client base. Up until as recently as 2008,

"The use of multimedia – whether it be video, virtual tours or moving photo slides – will bolster the profile of both the property and agency."

FRAME BY FRAME

The cost of producing a video can start from around the \$400-\$500 mark, moving up closer to \$1000 for a video that showcases the agent and the local area surrounding the property.

Agents are typically required to supply their own script for property videos, which follows the style and structure of a property description. Longer features are often a bit more collaborative, as agents' wealth of experience provides a sounding board for testing out new ways of presenting information.

"First-timers tend to need a bit more direction, but on the whole, most agents are confident by nature and don't mind being in front of the camera," explains Morgan. The depth of your involvement in the creative process really depends on you.

his clients were primarily ordering still property images for print. Over the past two years, however, orders for online multimedia marketing have increased from 10 per cent to 85 per cent.

In addition to still-shot images, agencies are investing in a broader variety of digital formats to convey information. "The use of online multimedia – whether it

be video, virtual tours or digital photo slideshows – will bolster the profile of both the property and agency," explains Brett.

There is no doubt that integrating videos and multimedia is the way of the future for real estate marketing, however, it serves to do your research before diving head-first into a complex digital media strategy. ♦

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Up in flames

Two recent legal actions affecting agents have shown there is a wrong way and a right way to deal with professional indemnity claims.

When a private investigator walked through the front door of a Sydney real estate agency last year wanting to ask questions about a recent house fire, the property manager in charge of the rental home in question made a major mistake.

By simply agreeing to be interviewed, the property manager was suddenly placed centre stage in a legal drama from which the agency eventually faced a damages claim of more than \$300,000.

The investigator was representing the property owner's insurance company and based on information given during the fateful interview, the insurance company declined to pay a claim on damages caused by the fire. Instead, the property owner was armed with enough information to start proceedings against the agency for breach of professional duty.

Because the property manager made a number of damaging admissions to the private investigator, the agency's insurer, Realcover, will be in a more difficult position defending the claim.

"From an insurance point of view, the property manager had absolutely no obligation to give the statement to the investigator,"



says Nancy Rainbird, Realcover Claims Manager.

"Why was it given? Why give such damning information? The insurance lesson is: don't give a statement when you are under no obligation to do so!"

Now, on to a lesson in handling a claim the right way.

Early this year, the property manager responsible for another rental home in regional NSW was contacted by the tenants and advised that a flight of stairs had collapsed, trapping an occupant upstairs.

The property manager checked on the condition of the tenants, offered to call the SES to remove

the person who was trapped upstairs, and immediately organised emergency accommodation.

The following morning, the property manager attended the property and took photographs. At a subsequent meeting with the tenants, it was noticed one of them was limping and the property manager arranged for her to see a doctor.

The owner of the damaged home was contacted and advised to speak to his insurance company. The property manager also organised for a builder to check on the condition of the staircase and to quote for repairs.

"This is an example of what to do in property management," says Nancy. "The agent appears to have done everything right to minimise the chance of a future claim. The agent kept detailed notes, attended the property to take photos, contacted the owner and relevant parties and most importantly notified Realcover so we could assist in giving the right advice early on." ♦

Obtain a no-obligation quote from Realcover by calling 1800 988 396. REINSW members receive a 25% discount of Realcover's standard professional indemnity insurance rates in NSW. For more information go to www.realcover.com.au

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BY SAM KREMER
REINSW LEGAL COUNSEL

Questions over new tenancy laws

As it enters its fifth month as law, we look at how the *Residential Tenancies Act 2010* is working in the real world.

The *Residential Tenancies Act 2010* (the Act) and the *Residential Tenancies Regulation 2010* (the Regulation) commenced operation on 31 January 2011.

Since commencement, a number of questions and issues have arisen for property managers. Here is some guidance on some of the more common questions.

Water efficiency

Premises subject to tenancy agreements signed after 31 January 2011 must have the prescribed water efficiency measures installed before tenants can be required to pay water usage.

But this is proving to be problematic because there is no compliance certificate under the Act or Regulation that a plumber can issue to certify that a property contains the prescribed measures.

How your agency chooses to deal with this issue will vary. Some agencies are engaging plumbers to inspect properties at each change of tenancy; some are installing special flow restrictors for each tap and are

relying upon the manufacturer's rating to demonstrate compliance; other agencies have stopped charging water usage for their tenants.

How the Consumer, Trader and Tenancy Tribunal (CTTT) will deal with the issue of documenting compliance with these new requirements remains to be seen. REINSW is also receiving feedback from property managers that many tenants are unhappy about these enforced requirements.

What is clear is that the warnings that REINSW gave the NSW government that these provisions would be unpopular, and would cause confusion in the market, were correct.

Break fee

Under the old *Residential Tenancies Act 1987*, landlords had an obligation to mitigate their loss when a tenant abandoned the premises. That obligation remains under the new Act unless the parties agree to replace it with an optional break fee.

If the parties agree to a break fee, then a landlord's loss is limited to the amount of the

break fee, regardless of what the actual loss might end up being.

When executing a tenancy agreement under the new Act, agents should seek their landlord's instructions about whether the landlord wishes to have a break fee clause or not.

What is clear is that the warnings that REINSW gave the NSW Government that these provisions would be unpopular, and would cause confusion in the market, were correct.

Tenancy changeover

Some agents appear to be exposing both themselves and their landlords to unnecessary risk when signing up new tenants. Where a property is subject to an existing tenancy, agents should be very careful

about taking a holding fee (which constitutes approval of a tenancy application) or signing a new residential tenancy agreement when they do not actually have vacant possession.

If an existing tenant does not vacate on time, the landlord's only recourse to remove them is to seek an order for possession through the CTTT. If a new tenant cannot enter into vacant possession of the premises on the date stipulated in the residential agreement, the tenant may well seek to terminate the tenancy agreement and/or seek compensation for the inconvenience. Listing the availability of a rental property on a portal without being guaranteed vacant possession on that date is certainly inadvisable.

It will be interesting to see how firmly the CTTT deals with the current practice of some agents to include a disclaimer about the commencement date of the tenancy agreement where there is an existing tenant.

Termination notices

The Act provides several new methods for serving notices, all of which are useful. What



can't be stressed enough is the need for agents to properly document the service of a termination notice.

A file note, photo, entry in a mail book, an email to another office member (which is date and time stamped by your email program), a fax transmission record, or even a statutory declaration by you and/or a witness are all valuable methods of evidencing how a termination notice was served. If you do not keep adequate documents to prove how you served a termination notice, don't expect them to be enforceable! Wherever possible, consider using more than one

method of service, but ensure you use a consistent date for vacant possession in all of the notices.

Rental bonds

A landlord or agent cannot receive a rental bond before the residential tenancy agreement is signed. To do so is an offence for which the maximum penalty is \$2,200.

Material fact

Where an agent is aware of a material fact that applies to a property, it should be disclosed (preferably in writing) to the prospective tenant. A penalty applies for knowingly concealing

a material fact prescribed by the Regulation.

A property manager should always make enquiries of their landlord when it comes time to re-let a property. Doing so is simply good agency practice. Ideally, agents should use a proforma letter seeking instructions about any matters (such as a potential sale of the property) or material facts that may be relevant to the property.

At the very least, any conversation with a landlord should be documented and a note placed on the file.

Tenant's details

An agent should obtain details of the tenant's place of business and of their business fax number. This information may be useful to the agent if a termination notice needs to be served on the tenant later in the tenancy. You should also try to keep this information current during the course of the tenancy. ♦

For more information on the Residential Tenancies Act 2010, visit www.reinsw.com.au/RTlegislation. For more specific questions call the REINSW Member Helpline on (02) 9264 2343.

Working holiday

While most of us look forward to relaxing on a long weekend, they can be among the busiest times of the year for the managers and staff of holiday rental businesses.



The eerie, slow moving trail of red taillights on our main highways is a familiar sight on the Friday evening before a long weekend as holidaymakers snake their way out of the state's cities and towns for a much-anticipated getaway.

But while the upcoming Queen's Birthday long weekend provides an opportunity for some R&R for those temporarily escaping the rat race, it can be a hectic and stressful time for the managers of holiday and short-term rental properties.

Given the numbers of holidaymakers flocking to coastal, mountain and alpine destinations and the intense, short-term turnaround as they make use of that extra day's break, long weekends can be one of the busiest periods of the year.

"Managers should be prepared for the incoming bookings, letting people know how to collect keys, and the money should be sorted out too," says Dirk Hertford, from Park Beachside Real Estate

at Coogee and Chair of the REINSW Holiday & Short Term Rentals Chapter.

"And they have to make sure all the cleaning has been done correctly and they've checked things like whether all the light bulbs work. The welcome packs and brochures also have to be ready and waiting.

"We normally have a team briefing before those busy periods start and we run through all of the incoming and outgoing guests, and the preparations

that need to be made. You've got a lot more happening during these weekends. There's a huge turnover of people who are checking out only days after arriving so it's very important to coordinate everything properly."

One of the most important procedures is to ensure that after-hours contacts are in place.

"You need to have people available after hours," says Dirk. "You will most likely have a number of staff on holidays



as well – your open hours aren't quite as open as usual, so after hours is going to be longer. You need to make sure you have people manning the phones at all times.

"It's also important to provide information to the guests, both before they arrive and when

they check in. And you have to have someone who can go and visit the property beforehand, to make sure everything is ready and in order."

Dirk says that most of the holiday rental market for a long weekend will be within two or three hours' drive from Sydney.

"You have your alpine market at this time of year, plus the coastal, river and mountain markets," he explains.

"But you'll find it's not that busy if you're working in Sydney. It's a slightly different market there – people don't usually come into the city for long weekends."

Despite some unfortunate natural events, Dirk says that 2011 has so far been a good year for the holiday rental business.

"Far north NSW was affected by the floods during the early part of the year, but the rest of the market has been very good," he says.

"Summer wasn't very hot, but it seemed to last a lot longer which was a bonus. Certainly, in terms of our business we've been very pleased with how things are going." ♦

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BY FIONA BLAYNEY

Winning strategies for winning business

Planning your strategy is the first – and most important – stage of gearing your business for growth and success.

The principles of business growth are not difficult to understand. In fact, it is relatively basic common sense. But the challenge is in the implementation.

Many businesses struggle with attacking growth from a holistic perspective and simply “don’t find the time” to implement the methods to do it.

When you have a growth strategy, sitting in a client’s lounge room and securing a new property is the easy part, but how do you get there? There are, in essence, seven steps to winning business and the most vital of them all is step one – planning. Without a plan you are on the road to ‘destination unknown’. Here is an outline of what is needed to get your planning right.

Consider your brand

Visualise these brands: Qantas, Virgin and Tiger. At the mere sighting of these brands, there is an immediate perception of what these companies stand for, the service you will receive as a customer and an expectation of the price.

As a consumer visualising your brand, what do I perceive you stand for? What service will you provide and how much will I pay?

Brand clarity is a minimal requirement for growth; everything you do must be consistent.

You’re unique ... aren’t you?

In working with agencies of all shapes and sizes, the general trend within the business is a lack of identification as to how they really are different from their competition.

Everyone in the business must be clear on the unique offering, be able to provide evidence to support this, and demonstrate to the customer the benefits these unique features will bring to them.

Targeted growth

In growth mode, you will be proactively marketing

your business to potential customers, but who/what is your target market? Consider the geographical location, the type of property, property value, and the customer demographic of your brand.

Without targeted growth, you will be like a fisherman casting a net into the ocean and taking pot luck on what fish you catch – and you may not want many of these fish. With a landlord net, catching the wrong landlords and properties can be dire.

Your channels

Leveraging relationships makes building a business easier. It is simple mathematics – build a relationship with key influencers of owners of investment properties and have them

channelling their clients through to you.

How do you do this and who should be your channel partners? Compile a list of businesses and individuals in your area connected to your target, identify those already in some way connected to your business, and leverage these relationships to gain access to the investors.

These channels work best with formal arrangements, including personalised communication plans.

The database

Other than people, your database is a crucial element for business growth. Unfortunately in the average real estate business we



find this to be the most poorly managed resource. Create a company database that houses the data of every person who has ever come into contact with your business. From here you can segment data, maintain communication logs and implement your communication plan.

Communication plan

With your newly created database, you have captured information from thousands to tens of thousands of people, all consumers of property services. These contacts in your database are worthless if you don't

communicate with them, and you may even damage your relationships and brand if you communicate poorly.

A communication plan across your business provides an outline of who will be communicated to, when they will be communicated with, the method that will be used and the message that will be sent.

Your tool box

Every professional has a toolbox. As property managers we have an array of tools that we work with daily in the management of property,

so when it comes to winning business what are the tools that you need?

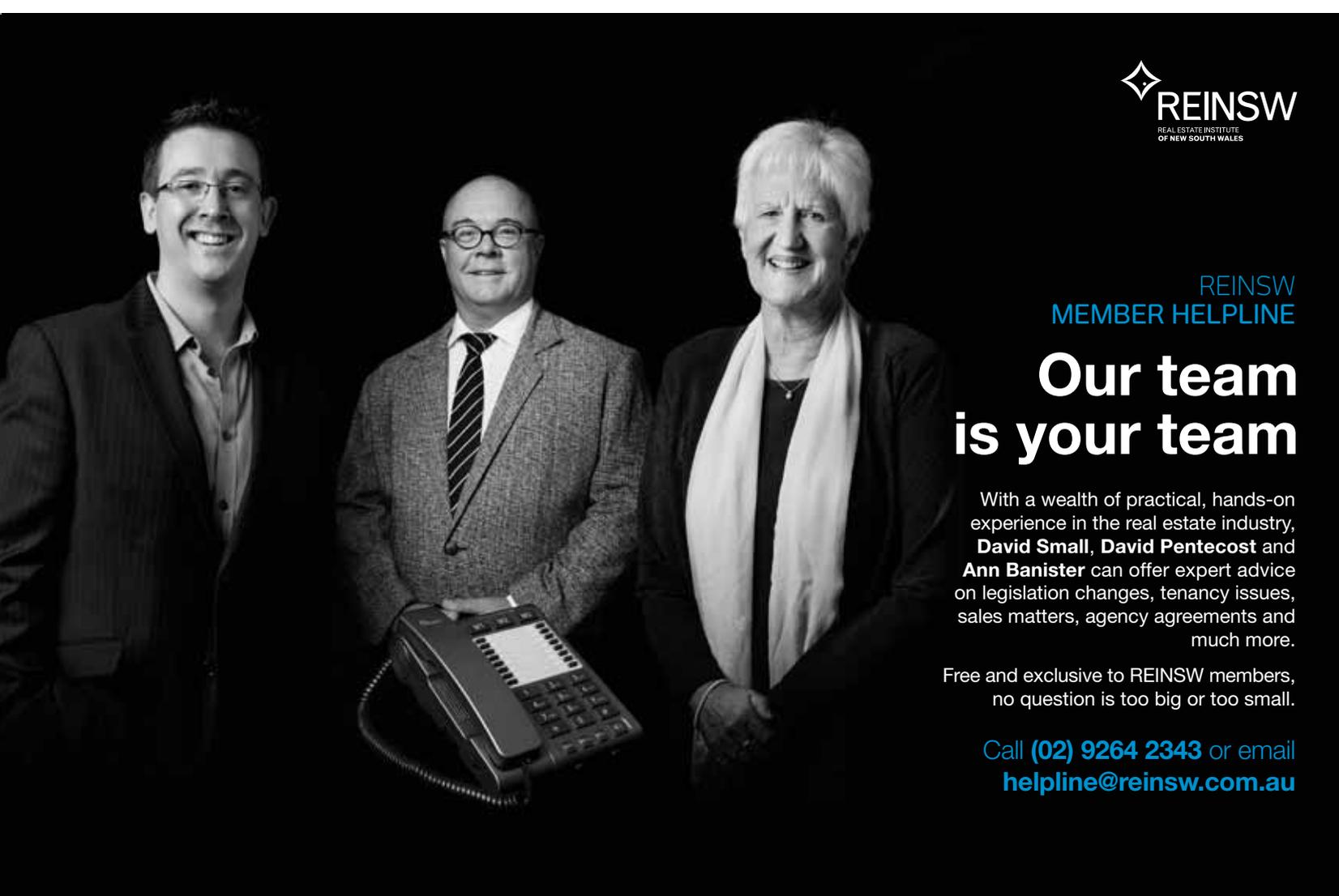
While the list of tools is endless, you would be well served to review some of these to start:

- Print marketing for display opportunities, such as Open Houses and auctions
- Pre-listing information
- Channel partner kits
- Your website – what is it saying about you?
- Educational tools as giveaways for investors.

Now that you have created your plan, you are on your

way to winning business. The next stages are all about the presentation. Part of your winning strategy will be having one! Winning new business is as much about preparation as it is about delivery. ♦

Fiona Blayney is the Director of Blayney Potential Plus, a consultancy and training business offering services to estate agents across Australasia and the UK. As an author and regular keynote speaker, Fiona understands property management from the grass roots up. To find out about steps two to seven, contact Fiona at www.blaynepotentialplus.com



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MEMBER PROFILE: GENEVIEVE TAYLOR



“It’s really helpful for the property management department to receive advice and feedback from REINSW.”

With a reputation built on personally tailored service and attention to detail, Sydney Boutique Property has joined REINSW to enjoy the myriad benefits of that old adage: strength in numbers.

Nestled in Sydney’s picturesque lower north shore among cafes and restaurants, the agency opened in 2002 and has enjoyed enormous success, primarily by word of mouth.

Founding Director Genevieve Taylor is the daughter of a property manager, starting her career as a receptionist in her father’s real estate agency on the northern beaches. “I guess real estate has always been in my blood,” she laughs. Her own success, however, is entirely grounded in years of hard work and an eye for business detail.

Genevieve opted to start her own business from scratch so she could tailor things to the exact demands of her clientele. Due to the specialist nature of the agency, REINSW membership was necessary to establish a link to the broader picture of Sydney real estate.

Genevieve and her team of eight originally started out leasing short-term furnished rentals. Their portfolio has expanded gradually in the last two years, and with it has come the need for stronger industry support.

“One of the most useful features of membership with REINSW has been the REINSW Member Helpline,” explains Genevieve.

“When negotiating a new lease, it’s really helpful for the property management department to receive advice and feedback from REINSW before resorting to the tribunal.”

Additionally, the Sydney Boutique Property team has also found the REI Forms Live online forms for tenancy application an effective way of managing the ample paperwork.

The core incentive that drew Genevieve to REINSW, however, was business credibility: the recognition of an important link to an institution founded on upholding industry standards.

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Having spent over 35 years in the property industry, Chesterton International NSW Managing Director, Andrew Hunter, is recognised as one of Australia's most experienced commercial real estate professionals.

At Chesterton International, he directs a multi-disciplined property group, whose expertise and service extends to all sectors of the commercial real estate industry, including sales and leasing, advisory services, asset management and outsourced management of property portfolios for State Government.

"We manage thousands of properties on behalf of owners that include private investors, institutional investors, syndicates, REITs and state-owned corporations," says Andrew. "Typically, our customers fall into the \$20 million to \$100 million category."

For Andrew, success in property management lies in combining committed, professional people with scalable, process-driven technology. Also, he emphasises the need to grasp the potential of technology to automate manual, day-to-day, processes.

For property management, Andrew's team uses software from Sydney-based Adept



Andrew Hunter has found Adept to be the perfect choice for software solutions.

Business Systems. "We were one of the first users of Adept's software," he says. From the beginning, the product was built around the processes central to property management across the full gamut of commercial real estate ownership."

Automating core processes is critical to Chesterton's ability to manage large commercial portfolios. "Automated exacting process management saves a lot of time and eradicates errors.

"Once you've accurately uploaded your data, lease re-negotiations, rent reviews, renewals and almost every stage of the process can then

be run automatically. This frees up substantial time to ensure the balance of property management activities are successfully completed to our clients' satisfaction."

Chesterton's portfolio under management includes the commercial properties of RailCorp – the state-owned corporation of the NSW Government.

The decision to outsource its vast portfolio to Chesterton was largely due to quality senior staff and consistent, well-audited management processes that, in Andrew's view, are key to attracting government contracts. "If it's not your core business, I think it's a sensible trend

for Government to outsource these operations to commercial enterprises. Good systems and procedures are vital and accuracy is paramount, particularly as we constantly get audited, not only regarding financials, but also procedures."

According to Andrew, the benefits to RailCorp are compelling. "The day-to-day dealings of the portfolio by the client are eliminated, allowing RailCorp to focus on monitoring overall performance.

In addition, the portfolio benefits from our deep understanding of trends in the property market through our multi-faceted agency practice." ♦



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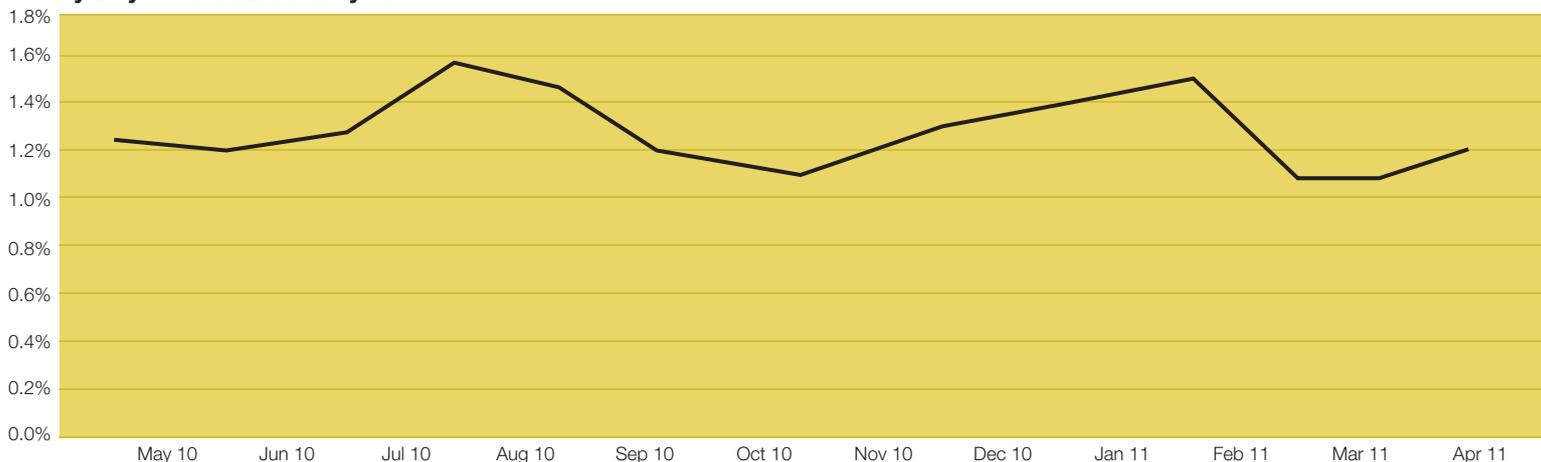


Check out the latest rate for your area. You can use it in your newsletters, information packs and discussions with potential investors.

Residential vacancy rate – Compiled by Inshgtrix on behalf of REINSW

SYDNEY	Apr-11 (%)	Mar-11 (%)	Feb-11 (%)	Jan-11 (%)		Apr-11 (%)	Mar-11 (%)	Feb-11 (%)	Jan-11 (%)
Inner	0.9	1.1	1.2	1.2	ALBURY	2.4	2.5	2.5	3.1
Middle	1.4	1.1	1.2	1.9	CENTRAL WEST	2.3	2.0	2.1	1.5
Outer	1.4	1.2	1.1	1.4	COFFS HARBOUR	2.8	2.1	2.3	1.7
Total	1.2	1.1	1.1	1.5	FAR WEST	-	-	-	-
HUNTER					MID-NORTH COAST	1.5	1.7	2.1	2.2
Newcastle	1.5	1.3	1.4	2.0	MURRUMBIDGEE	2.7	2.2	2.2	2.1
Other	1.5	1.3	1.1	2.3	NEW ENGLAND	2.3	2.0	1.6	2.1
Total	1.5	1.3	1.2	2.2	NORTHERN RIVERS	2.5	1.6	1.5	2.0
ILLAWARRA					ORANA	1.4	1.6	1.9	1.5
Wollongong	1.3	1.0	1.3	1.3	RIVERINA	3.0	2.8	3.1	3.5
Other	1.2	1.5	1.4	2.0	SOUTH COAST	1.9	2.1	1.7	1.5
Total	1.3	1.3	1.4	1.7	SOUTH EASTERN	1.3	1.5	1.6	1.3
CENTRAL COAST									
	1.6	1.6	1.5	1.5					

Sydney residential vacancy rate



Source: REINSW Vacancy Rate Survey

Did you know 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								
1/05/11	54	64.1%	14	80.0%	55	75.0%	22	67.9%	322	56.6%
24/04/11	58	65.1%	1	snr	22	50.0%	61	45.8%	192	49.6%
17/04/11	121	64.9%	47	57.5%	96	54.8%	126	67.2%	754	56.6%
10/04/11	125	63.0%	42	57.8%	96	67.6%	127	54.5%	709	53.0%
3/04/11	105	68.9%	49	70.0%	111	53.8%	121	67.7%	684	56.9%
27/03/11	87	68.1%	24	84.0%	55	63.8%	113	51.9%	493	57.3%
20/03/11	128	75.7%	45	63.0%	105	65.9%	89	56.2%	615	59.0%
13/03/11	103	67.0%	45	88.9%	73	50.0%	106	60.0%	599	57.4%
6/03/11	81	60.2%	42	65.9%	61	54.4%	86	62.0%	547	55.7%
27/2/11	153	70.5%	51	76.9%	126	66.7%	208	65.9%	883	61.6%
20/2/11	92	65.0%	31	71.8%	86	69.4%	74	58.9%	511	59.4%
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The lighter side of real estate

Newcastle agent Carolyn Beckwith found out the hard way that there are some naked truths involved in the property management business. But she survived with modesty intact!



BY CAROLYN BECKWITH, PROPERTY MANAGER, BORELLI-QUIRK NEWCASTLE REAL ESTATE

YOUR STORY

We want to hear your stories! If you have a humorous or interesting story you'd like to share with REINSW members in 'The lighter side of real estate', email the editor at brett@mahlabmedia.com.au

We all know routine inspections are a necessary part of property management and one never knows what one will find on the other side of the door

Here are just a few of my experiences.

- Knock, knock, and knock – no answer. I opened the door and upon entry to the property, I could hear a voice. I peered around the corner to see the tenant seated on the lounge and speaking on the phone.

I was waved in by hand gesture while the tenant continued the conversation – albeit with a lapse in concentration. I checked the bedrooms, the en suite, and the main bathroom. As I approached the kitchen, I glanced at the tenant to gesture acknowledgement only to find to my shock and horror that all he was wearing was a laptop!

- A large furnished property was due for inspection and I was aware the tenants were shift workers. After entering the property, I ventured upstairs to find all the bedroom doors shut. I knocked on the first door and all was good, neat and tidy. The second and third bedrooms were the same. By this stage I was confident that no one was home. I then knocked on

the door of the fourth bedroom and, as before, there was no answer. But as I opened the door, a large, hairy, naked man leapt out of bed – and invited me in. Not likely!

- A tenant with some questionable habits would not allow the office access for the routine inspection. Amongst the excuses, he stated that he only checked the mailbox once a month.

I verbally rescheduled the inspection and confirmed via post and email. I arrived on the scheduled day and knocked. There was no answer, but I could hear voices inside. Eventually the tenant opened the door wearing nothing but a short T-shirt. He said he was not ready, but invited me in. I declined on the grounds of self-preservation.

We again rescheduled. On my next attempt, he casually came to the door whilst pulling up his drawstring shorts, which soon dropped to the floor. He stood there. At my request he pulled them up again and they fell down just as quickly. Needless to say, he is no longer my tenant.

So, the other side of the door can sometimes reveal more than you bargained for – but that's what makes property management such an interesting occupation! ♦

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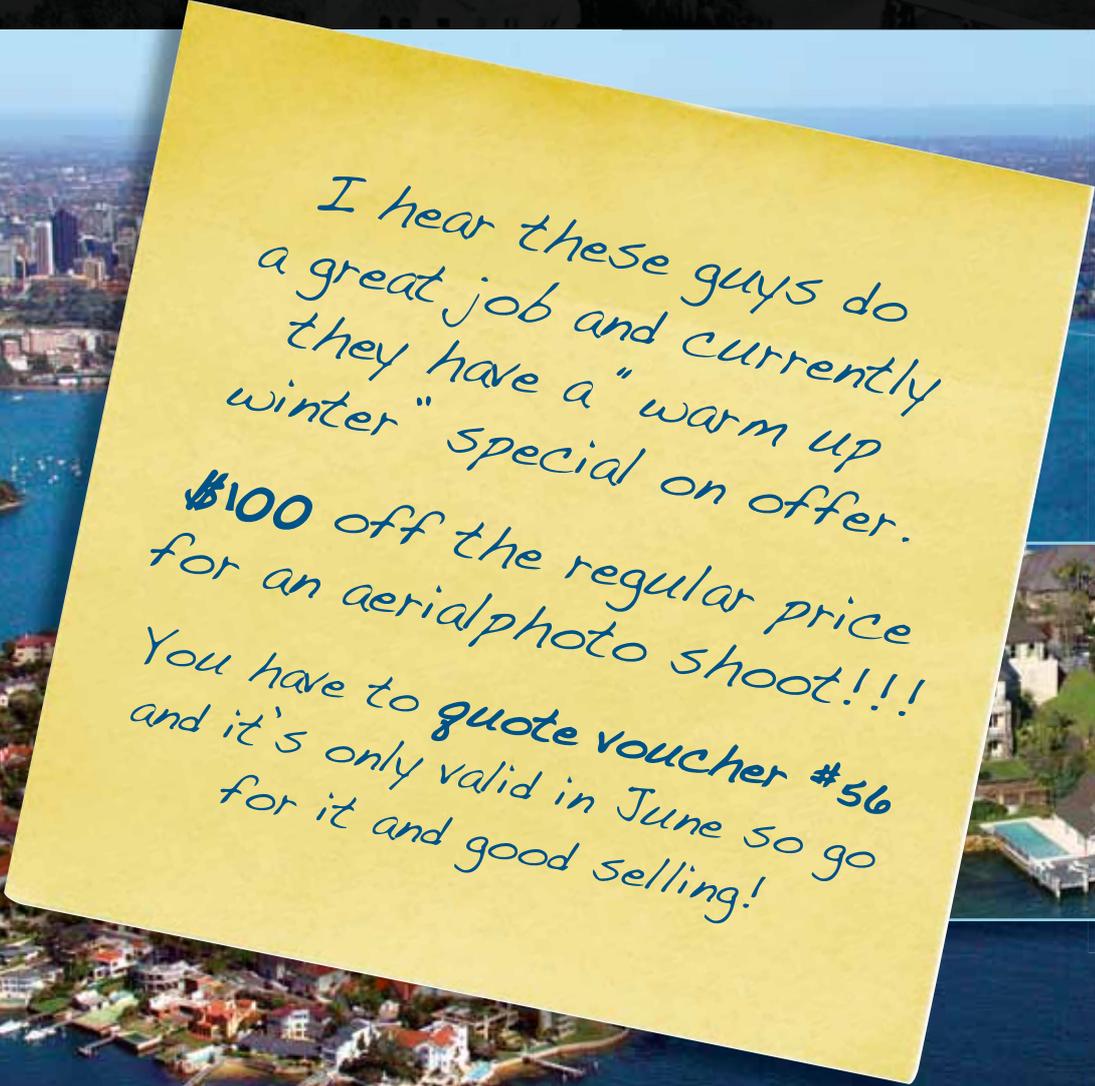
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