

Journal

MAR 2011
VOL 62/02



team players

**How employee engagement
is driving success at
The Novak Agency**

**Residential
tenancies reform**
Essential guide for
property managers

Ways to motivate
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Flood crisis impacts
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at The Novak Agency.

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Employees: your best investment

After more than 30 years working in the real estate industry, I have learnt that employees are a business' most important investment. I do not mean employing countless staff members – rather, spending time and resources on people to improve employee engagement.

Employee engagement

Engaging staff will not only improve the general mood within the office, it can also increase individual productivity. For this reason, many industry leaders consider employee engagement to be a strategic business initiative.

There are other benefits to getting to know your staff. The knowledge you gain will allow you to tailor

training to suit their needs.

This investment in people creates a positive work culture, increases the productivity of employees and attracts quality candidates to your agency as you become an 'employer of choice'.

This month's cover story provides key insights on how managers can show leadership in the workplace by developing a strong long-lasting bond with their employees (page 12).

Continuing the theme of employee productivity is an article on how to conduct performance reviews. This exercise not only assists in setting individual objectives and tracking them, it also gives the employee guidance in advancing their career.

These reviews become an exercise where strengths and weaknesses are discovered and worked upon. This is another must read story for Principals and managers (page 20).

Legislative reform

After many years of discussion, intense consultation and debate, the new *Residential Tenancies Act 2010* has commenced. We have been busy holding events around the state, with training and advice about implementing the new legislation. I urge all REINSW members to attend a training session. Check out the Training Calendar (page 21) or the REINSW website and reserve a place.

Managers should also speak to their property management staff to make sure they understand

the new Act and Regulation. In a special feature, we outline some key items every agent should be aware of (page 30).

Disaster prevention

Finally it has been devastating watching one natural disaster after another unfold around the country. From floods, which have left billions of dollars of damage along our eastern states, to the bushfires in Perth.

Find out what government initiatives are in place to pre-empt such disasters, like flood-risk mapping (page 10). I know only too well from the Newcastle floods of 2007 how these disasters can affect a real estate business and my best wishes go out to all those affected.

Wayne Stewart
REINSW President

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Dream on

A place to call home has always been the Australian dream. But this dream is fast becoming an expensive nightmare.

The median house price in Sydney is tipped to exceed \$650,000 this year, which begs the question – who can afford to buy a home?

State election

It's a recurring theme: when the State Government needs to raise revenue it taxes the property sector – the solution to every shortfall in the budget.

But with house prices hitting record highs, it is time for government to address housing supply and affordability.

Interestingly, the NSW Government acknowledges the inefficiencies of existing property taxes. A report by the Independent Pricing and Regulatory Tribunal to the NSW Treasurer states:

When the State Government needs to raise revenue it taxes the property sector – the solution to every shortfall in the budget.

“Purchaser transfer duty – which is the second largest contributor to the State's own-source tax revenue – ranks among the least efficient NSW taxes. It scores poorly for efficiency because it adds to the cost of real estate transactions and so can distort investment decisions, and because it applies to a narrow base (only those properties sold during the tax year). It also scores poorly for equity and has an average score for simplicity.”

Despite being put on notice that its tax regime is

inequitable and inefficient, the NSW Government has made no attempt to address this issue.

A human rights issue

According to the United Nations, affordable housing is a fundamental human right. However, recent decisions by the NSW Government make this right feel more like a privilege.

These include:

- The introduction of the *ad valorem* tax on property transactions in May 2010. This tax impacts homebuyers and also acts as a disincentive to property investment.
- The new *Residential Tenancies Act 2010*, which has created a complex and expensive regulatory environment for landlords. In our view, the new regime will deter investment at a time when NSW needs to attract investors

back to the residential sector. While REINSW lobbying was successful in preventing many of the inequitable sections of the initial draft, there are still many areas of concern.

Under investigation

NSW Shadow Minister for Fair Trading Greg Aplin plans to collect evidence on the way the *Residential Tenancies Act 2010* and Regulation work in the real world of people's homes and investments.

“Unfortunately the reform process was driven by an ideological push to benefit tenants at the very real expense of mum and dad landlords,” he says.

REINSW will be working with Mr Aplin, providing him with information highlighting the adverse impact of various aspects of the Act and the Regulation.

Tim McKibbin
REINSW CEO



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Capital ideas



Residents of Australia's capital cities are dissatisfied with their quality of life, according to a national survey by the Property Council of Australia.

More than 4000 city dwellers took part in the online survey last September and October, which ranked the livability of cities and solicited opinions about government performance on urban policy.

The survey found that 69 per cent of respondents wanted the Gillard Government to take a much greater role in planning and investing in Australia's cities. Some of the issues of concern include affordable housing, congestion, safety, public transport and access to jobs, education and healthcare.

Only half of participants rated their state or territory government as doing an excellent, good or fair job. In NSW, 59 per cent of residents surveyed thought the State Government was doing a poor job managing growth, and 70 per cent of Sydney residents rated the State Government as poor or very poor when it came to affordable housing.



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Builders "cautiously optimistic"

The latest survey from Master Builders Australia reports that despite business conditions remaining essentially unchanged during the December quarter, its members were "cautiously optimistic" about the near-term future of the building and construction industry.

Master Builders Australia Chief Economist Peter Jones says

builders expect activity to improve. "The results of this survey indicate that builders are now less likely to reduce their workforce in the period ahead."

He adds: "Both residential and non-residential sectors remained below par in the December quarter, although builders may be becoming slightly more ambivalent than

first thought about the prospect of losing schools and social housing projects over the next six months."

Based on the survey results, Peter says Master Builders Australia will urge the Reserve Bank to keep interest rates on hold "until a private sector recovery in the building industry can regain momentum".

Wollongong land value \$20 billion

NSW Valuer General Philip Western has revealed that the total land value of the Wollongong local government area (LGA) is now more than \$20 billion.

Wollongong City Council will use the valuations as a guide for setting ordinary rates for the next three financial years and land valuation notices are being issued for more than 66,600 properties.

Mr Western says that residential land values in the southern areas of the Wollongong LGA generally remained steady, while areas in the north "showed a slight increase".

Wollongong Council's Acting General Manager Peter Kofod says that based on the value of their property compared to values across the city as a whole, there will be a

redistribution of the amount each ratepayer has to pay.

"Within any one suburb there may be substantial variations between rates payable on properties," he says.

Council has offered a \$250 rates rebate for pensioners and may assist residents who face financial hardship due to a rates rise.

A flood of support

McGrath real estate agencies in Sydney's northern beaches suburbs of Avalon, Palm Beach, Mona Vale, Collaroy and Manly acted as collection points for donations to assist Queenslanders inundated by recent flooding.

Donations of clothing, furniture and electrical goods by local residents have already been boxed up and shipped out.

Marjan Schokker from McGrath's Avalon office organised the donations, fielding more than 100 calls in a single day from people wanting to help. She says the office's meeting room was "full to the ceiling".

Among the donations were new and used clothing, manchester, toiletries, food, small electrical appliances and gumboots.

They have now been trucked to the Care Outreach warehouse on the Sunshine Coast for distribution to rural communities in the Lockyer Valley, Chinchilla and Condamine.



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Back to the beach

Almost 60 per cent of 2000 people polled by PRDnationwide in January said they would choose to have a second home at the beach. Only 22 per cent of respondents preferred an apartment in the CBD, 16 per cent would choose a property in a location close to ski fields, and only one per cent would consider a rural property.

Aaron Maskrey, Research Director for PRDnationwide, says most respondents also wanted a second property in their own state, with only four per cent willing to travel interstate.

Aaron adds that while the current economic environment might make a second property elusive for some, a lot of coastal properties have seen price discounts. "So owning a beach house might become a reality for more people in 2011."

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The team at YONG Real Estate master franchise in Allawah, Sydney

YONG takes on NSW market

Queensland-based YONG Real Estate has laid the foundation for expansion into NSW by opening its first Sydney agency. The grand opening, attended by YONG CEO Peter Huang and Chief Operations Officer Rod White, was held on 8 February at the premises of the new YONG Real Estate master franchise in Allawah. A number of other local identities, such as council members, were also in attendance.

Maggie Diu, Principal of YONG Real Estate Allawah, says that existing clients of the former Raine & Horne franchise have reacted positively to the changeover.

"We have excellent relationships with our clients and members of the local community. Everyone has been extremely supportive during this exciting transition period for the business."

Maggie explains that YONG was an attractive choice of franchise as the company's mission statement aligns with her team's own ambitions – to be viewed as a hard-working and reliable real estate agency that gives back to the local community.

"That's what will set you apart from the competitors," she says.

"In suburban areas like the St George region, where

most of your business comes through word of mouth, it's so important to be seen as the most trusted real estate professionals."

CHARITABLE EFFORTS

YONG Real Estate has its own registered charity called YONG Foundation, which raised more than \$20,000 in 2010. This year the organisation has been concentrating on raising funds for the flood-relief effort in Queensland and has so far donated \$10,000 to support flood victims.

REINSW IN THE MEDIA

In regional areas, REINSW spoke out about the Murray-Darling Basin Plan. While in the city, REINSW presented its views on government policy relating to housing and development in the lead-up to the state election.

Print

- In the *Illawarra Mercury*, REINSW CEO Tim McKibbin warned of accommodation shortages in flood-affected areas of NSW.
- REINSW President Wayne Stewart said in *ABC Online* that the government needs to deliver additional water infrastructure in regional communities.
- The *Campbelltown Macarthur Advertiser* featured comments by REINSW member Leanne Pilkington regarding the impact of the *Residential Tenancies Act 2010*.

TV

- REINSW Board Member Brett Hunter commented on NBN (Central Coast) about holiday rentals on the Central Coast.
- On Channel 7, Wayne Stewart said it has been a slow start to the year for the property market.

Radio

- On 2SM (Sydney), Wayne Stewart called on the NSW Government and Opposition to reveal its housing policies.
- During another 2SM (Sydney) program, Wayne Stewart stated that a lack of government incentives is to blame for current pressure on rental vacancies.

Last drinks for distressed pub sector

It is estimated that up to 90 per cent of pubs currently on the market are facing financial pressure, according to a report in *The Australian*. A senior industry figure told the newspaper, under anonymity,

that the vast majority of pub sales are "distressed sales".

Forecasts for 2011 indicate that the debt-laden sector will incur a further softening of yields, which have already resulted in

a 40 per cent fall in pub values. NSW has taken the brunt of the receiverships, with 35 since 2008. The most recent was the Icon Hospitality Group – the largest tenant of the troubled ING Entertainment Fund.

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Moves to flood-proof NSW

The flood crisis in Queensland has prompted local councils in NSW to invest in flood prevention.

Buying up flood-risk properties, proposing levees and banning major development in flood plains are some preventative measures being fast-tracked by councils across NSW.

The flurry of activity has been prompted by the Queensland flood crisis and is being aided by new mapping technology that shows the flood risks for low-lying areas.

Some councils are hiring drainage experts and urging local communities to prepare for the risk of flood, while others are exhibiting flood studies that include proposals for dams, basins, channel works and flood-proofing of buildings.

Hornsby Mayor Nick Berman says his council wouldn't

be "going down the path in Queensland where the tough decisions were ducked".

He says there had been "hostility from landowners" concerned that their properties would be devalued. However, he added that local government "cannot shy away from responsibility".

Tony McNamara, President of the Planning Institute of Australia NSW, says that many council areas were in a bad position with regard to floods because early settlers had designed so many towns around rivers.

Building on riverfronts, he adds, will affect property values. Sea walls and levees can help, but Tony says the best practice "is to map the flood-affected areas and build away from them".

Over the past 10 years, \$240m has been invested in numerous floodplain risk management projects across the state, according to NSW Floodplain Management Authorities.

Around two-thirds of this funding comes from the State Government (the Commonwealth may provide one-third for some projects), with local councils providing the remaining one-third. ♦

MAPS POINT TO FLOOD RISKS IN SYDNEY

Rising sea levels are likely to cause serious and regular flooding in Australian coastal cities by the end of the century, according to maps released by the Federal Government.

The Department of Climate Change, Environment and Water also predicts that a high tide event could be expected to occur in low-lying areas of Sydney and the NSW central coast at least once a year, but possibly more frequently, around the year 2100.

Climate Change Minister Greg Combet says the maps will help communities prepare for the effects of climate change. "The government recognises that coastal areas of Australia are a priority for adaptation action, with many communities vulnerable to impacts such as erosion and sea inundation."



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team p

REINSW members Mark and Lisa Novak with their team at The Novak Agency in Dee Why, Sydney.



layers



Many sales-based businesses tend to have high staff turnover and real estate agencies are no exception. But taking steps to engage your staff in order to retain them can pay huge dividends, including to your bottom line.

BY GAYLE BRYANT

Photography by Studio Commercial

Mark Novak is Principal of The Novak Agency based in Dee Why on Sydney's northern beaches. His agency has been operating for nine years and now has 26 staff. According to Mark, employee engagement helps ensure his staff are motivated.

One method he uses is a physical one – the office is laid out on one floor plate. "There are no cubicles or separate offices," says Mark. "We have experienced agents sitting next to juniors – and being so close together means they share information and juniors learn so much more."

Mark feels that Principals can get it wrong when they don't treat their staff as the priority. "Landlords and vendors should come second to your employees, who need to know that they are your number one customer," he says.

Ian Hutchinson, Chief Engagement Officer of Life By Design and author of *People Glue*, regularly speaks on the topic of employee engagement and believes people don't leave organisations, they leave leaders. He says good leadership is the key to keeping employees engaged and motivated, especially in times of change.

According to Ian, almost 90 per cent of managers believe that employees resign because they are after more money, whereas in reality 90 per cent of employees leave for other reasons.

"This disconnect between awareness and reality shows that most leaders are out of touch with what motivates and engages their staff," he says. "This can stop leaders from taking full responsibility for preventing the causes of low motivation and employee disengagement."

Engagement drivers

Engagement is a crucial issue for businesses because of the skills shortage Australia is experiencing, says Ian. He also claims there are seven key drivers that engage and motivate staff to become advocates of the organisation they work for: leadership, purpose, reward, opportunity, relationships, job fulfilment and work-life balance.

Ian stresses that managers should not assume that they know what motivates their employees, as everyone is different. Rather, leaders need to spend time communicating with employees and working out what their three top drivers are.

"In a business, such as a small real estate agency, leadership can be a problem area," he says. "You may find that a boss of an agency is good at running a business operationally or by leading sales, but not good at being a people leader as he or she has come up through the ranks by being a great salesperson rather than a manager."

Problems also arise when managers feel that paying staff should be motivation enough, adds Ian. "Being financially ►

rewarded for their work may be important, especially for real estate agents who work on commission. But what are individual employees' other key drivers that engage and motivate them in their work?"

Mark Novak agrees that it takes more than money to engage employees. At The Novak Agency, engagement levels have improved since Mark employed a staff trainer who comes in for half a day each fortnight and works closely with eight to 10 agents at a time.

"The trainer works on the business with the staff, as well as on aligning their personal goals with their work life," he says. "Often employees are able to have a conversation with the trainer that they may not feel they can have with a manager."

There are also informal engagement activities at The Novak Agency, such as birthday parties, monthly social gatherings that employees take turns organising, and Christmas parties that last three days and two nights.

Employee retention

Mark says the focus on employee engagement has had a positive effect on staff retention. For the first three years of its existence, the company had a high turnover. But now most staff stay for years. "I had to change my focus from working in the business to working on the business," he explains. "Because the office is open plan, I'm now aware of any issues early on and can take appropriate action."



Mark's wife Lisa also works in the agency, focusing on public relations activities. And recently there has been plenty of good news to promote. The company's success is highlighted by the number of awards it has received: 16 in the past three years including Real Estate Agency of the Year in the 2010 Manly Daily Business Achiever Awards and the 2008 REINSW Award for Excellence – Website. "The awards are like a stamp of approval from people outside our office," Mark says. "And they also make staff feel good about themselves."

The right environment

Making the office pleasant to work in is another way The Novak Agency is engaging staff. Mark has designed the premises to resemble a hotel lobby. "We also spent \$20,000 building a cafe area, which is

nice for staff and customers," he says. "My staff are proud of their environment."

He has also invested heavily in top-of-the-line equipment such as the latest computers and production printers to assist staff in developing industry-leading presentation packs. "There is nothing worse than having a printer break down when you're trying to get something together for a client," he says. "Since investing in technology, productivity has improved dramatically."

Rentals Manager at The Novak Agency, Stevan Bubalo, agrees. "Other Principals I've worked for used to put me down in front of a desk and telephone and tell me to get to work – they were only interested in the numbers," he says. "Here I have the latest systems, a great environment

that is always being improved and all the tools I need to do a better job."

Investing in training

Ongoing learning has also been cited as a motivator in the workplace. Experts say training is important for a number of reasons including staff loyalty, engagement and retention. But a recent survey found real estate agents were not doing enough in this area. The survey, Future of Agents Commissions 2010, found only 36.2 per cent of agents surveyed spent more than \$2000 a year on training.

Bucking this trend is Laing+Simmons. General Manager Leanne Pilkington is actively involved with the 45 business owners in the group and believes having six-weekly training sessions for both Principals and sales

staff is essential to maintaining employee engagement.

"We encourage Principals to communicate more with their employees," she says.

Leanne believes employees often want appreciation and recognition from their boss. She encourages franchisees to hold formal performance reviews to better understand the needs of their staff.

"They need to have a good conversation about direction and find out what their hot buttons are," she says. "Many businesses are run on a

commission basis so managers assume the priority for staff is money. But what we are finding is that recognition is more important, especially receiving rewards."

The Laing+Simmons group offers incentives to its franchisees to keep them engaged, Leanne explains. The scheme asks owners to set goals – either personal or business – and, after six months, those who reach their goals are rewarded.

"Last year we took a group jet boating; another time we took them to Café Sydney, a well-known restaurant in the city,"

"There is a high turnover in this industry and often this comes down to not having a very good career path in place for employees – an issue that can be rectified by regular and constructive communication."

Leanne explains. "While it isn't a hugely expensive exercise, it has many benefits in helping people

become more accountable and involved in their business."

She adds that some business owners are very engaged with their own staff and have their own award nights and team building exercises.

"When it comes to staff engagement, it is all a matter of understanding what staff want," she says. "There is a high turnover in this industry and often this comes down to not having a very good career path in place for employees – an issue that can be rectified by regular and constructive communication." ♦

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BY CHRIS GRAY

Investing in investors

Why having property investor clients pays dividends in the long term.



If you want a client who has the finances, motivation and market knowledge to buy from you time and again, will make a quick decision and is a potential future vendor or landlord, it would be a great idea to get more property

investors on your books. As in any other industry, the better your relationships, the more successful you are likely to be. Building a relationship with an investor involves open communication and trust. Keep investors informed throughout

the sales process, and give them your honest opinion about the property. Investors are savvy; they know when they are not getting the full picture or if you are trying to sell for an inflated price.

An investor who feels they were treated fairly is very likely to give repeat business, whether as a buyer or when they decide to sell one of their properties. Burn an investor and not only will you miss out on their continuing business but they could tell their network of industry contacts about it. All

agents know negative feedback is detrimental to their business and can cause you to lose many potential clients.

What are their motives?

Some agents shy away from investors believing they are so fixated on buying low and selling high they will not give you the best price. However, it's a rare vendor who is motivated solely by price. Some people need to sell because they want to secure their dream house elsewhere; others need to sell quickly to reduce their overheads. In all

“

An investor who feels they were treated fairly is very likely to give repeat business, whether as a buyer or when they decide to sell one of their properties.

”

these occasions, your sellers could be happy to get a quick, guaranteed sale compared to the risk and uncertainty of going to auction or a lengthy campaign period.

So while you think investors may not offer the highest price, they can often offer a quick guaranteed sale in a fraction of the time. In some cases, investors may be less concerned about cost than other buyers as they can see the potential for capital gain down the track.

Getting in their head

Getting inside a property investor's head should be relatively simple as they have a similar approach to the market as you do. Investors focus on values and rarely get emotional about a property. They want you to give a good rundown of the numbers: it's important to explain rental returns, renovation potential and a breakdown of the demographics.

Investors are busy people who are keen for fast transactions and they expect access to all the latest facts and figures before they buy. If possible, organise all necessary information on rental yields and capital growth and have a strata check ready before the first open house. This will give investors the information they need to make a quick decision and speed up the sale process.

Investors love having all the background facts and research but, like any buyer, mostly want to see the property.

TOP TIPS FOR WORKING WITH PROPERTY INVESTORS

1 Know your clients
Physically looking at properties is the last thing a property investor does. You need to have a list of market statistics at the ready so investors know what they are up for before they go to Open For Inspections.

2 Maintain regular, open communication
Even if an investor hasn't bought for several years, keep letting them know about good opportunities you have. Investors like to keep an eye on the market, and you never know when they might be ready to pounce. When they do, you want them to think of your listings.

3 Have thorough research at the ready
Investors do their own research, but they don't know it all. Make sure you have the latest facts and figures and strata reports ready for investors so they can decide if

a property is worth buying. Give investors inside knowledge on what rents well and what could be a good buy. Even if they buy from your competition, they'll still be looking to sell or rent property, and you need to make sure they consider you next time.

4 Present the facts and figures
Investors are motivated by finances. They will make a rational decision so give them up-to-date market statistics, rental yields and information on the number of working professionals in the area who can rent the property.

5 Build trust
It's rare that an agent will deliberately try to rip a buyer off, but there is always the risk of getting caught up in chasing a high price and not giving buyers all the information. Bear in mind that all investors are potential future clients and be open and honest with them.

Help investors by making appointment times around their schedules. If it's an investor with a nine-to-five job in a different industry and busy weekends, you will most likely need after-hours inspections.

Keep investors up to date with new listings as they come onto the market. If the investor has bought more than one property from you it would be a very good idea to give them access to listings before they go to the general market. You will be rewarded with more sales as the investor returns to you next time they are looking to buy, or considers listing a property with you.

Another good practice is to keep investors informed about where properties stand. A property that attracts strong interest and multiple contracts ahead of auction is likely to sell for an inflated price. Investors don't want to waste their time on something that will sell well beyond market value, and don't want to waste their time attending an auction if the price will be too high. Just as you should let investors know about good opportunities, you should inform them when they might be wasting their time.

This works the other way, too. If interested parties drop off as campaigns progress, due to

interest in other properties or issues with finance, you could go from a position of achieving a massive premium to a potential pass-in. This is when you should call the investor, who may well jump at the opportunity to purchase with very little competition – a win for both of you. ♦

Chris Gray is CEO of Empire which builds property portfolios for other people. Chris buys around one property per week, providing a unique insight into market conditions and buyer and seller sentiment. Chris is a qualified accountant, buyers' agent and mortgage broker.



BY JASON ROACH

In control of cash flow

Avoid cash flow shortfalls and make more confident business decisions with these tips from a financial expert.

For every business, managing cash flow is essential. It seems simple – ensuring that enough money is coming in to pay what needs to go out, but many profitable businesses still go under due to a lack of cash. For real estate agencies the issue can be more pronounced. If a property takes longer to sell than anticipated or a vendor agrees to a long settlement period, the delayed commission can have a serious knock-on effect to your cash flow.

“To estimate your cash flow for a coming month, take your actual cash at hand, add your expected income and subtract your expected expenditure.”

Cash flow forecasting

Cash flow forecasting is particularly important. It helps you identify the cash you will need to cover your operating expenses. According to Sinclair Taylor, Head of Westpac Financial Education, “the better you are at forecasting your cash position, the better placed you will be to make informed

and confident decisions at challenging times.”

The cash flow budget helps to map out your monthly cash flow and will identify potential surpluses and shortfalls, enabling you to plan ahead for large payments. Part of your forecast should include an up-to-date record of expected and confirmed sale completion dates. If a completion date changes, you need to adjust your forecasted cash inflows.

When it comes to cash shortfalls, forewarned is definitely forearmed. If you know your agency is likely to face a shortfall, the more notice you have, the better position you'll be in to secure alternative funding. Approaching your bank for help in covering a temporary cash shortfall is more likely to have a positive outcome if you can present a detailed cash flow forecast in advance.

Preparing a cash flow forecast

To estimate your cash flow for a coming month, take your actual cash at hand, add your expected income and subtract your expected expenditure. The estimated amount at the end of the month will form the closing cash balance and will become the opening cash balance for the next month.



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The most useful source of information in preparing a cash flow forecast is last year's sales and expenditure over the same period. This information will give you a good idea of what to expect this year. At the end of each month compare your cash flow forecast with your actual cash flow. This will highlight any variances and provide information on why your cash flow did not meet your expectations.

Managing cash inflows

Even if the timing of sales commission payments is out of your control, other methods

of managing your cash inflow include:

- For a long-term strategy, consider opportunities to strengthen your cash flow by growing your rent roll – either by buying a rent roll or organically using a dedicated sales resource or incentives for your property management team to find new business.
- Understand your 'days on market' and the cash impact. This is critical to managing a business with a healthy cash flow.
- Know the cash impact of prolonged days on market.

You must first calculate your cost of sale (i.e. what does it cost you to make a sale?). This includes items such as fixed wages, rent, utilities, insurances and subscriptions. How much of this are you paying out prior to being paid from sales commissions or property management income?

- A simple way to determine the cash impact to your business is to calculate your break-even point between sales and property management (i.e. to what extent does your property management income cover

all of the fixed costs of your business?)

- As a business owner, the income you draw from the business should be aligned to the cash inflow of your business.

Managing cash outflows

There are a number of strategies to help keep the costs of your Accounts Payable down. "You may be able to negotiate trade credit from your suppliers, or take advantage of the interest-free period on your credit card," suggests Sinclair Taylor. Collecting vendor paid advertising upfront is still a vital method of

"You may be able to negotiate trade credit from your suppliers, or take advantage of the interest-free period on your credit card."

managing cash outflow – it will assist with gaining further vendor commitment to the sales process too. If you are unable to collect the whole campaign cost upfront, consider offering your clients an instalment plan over a period of say four weeks. ♦

Jason Roach is the National Industry Leader for Real Estate at Westpac in Retail and Business Banking. As REINSW's Major Banking Partner, Westpac understands the unique circumstances real estate agencies face with cash flow.

Interactive 'Financial Management 101' short courses are a great way to improve your cash flow forecasting skills and financial knowledge. For more information and to register for a course, visit www.westpac.com.au/businessworkshops or contact Jason directly on 0448 455 556 or realestate@westpac.com.au

In tune. Banking that understands the real estate business.



In Westpac, you have a bank with the tools to keep your business in the best of health. As Australia's first bank, we've been backing Australian businesses for almost 200 years.

We're industry experts. Our Real Estate Specialists work closely within the industry, they're familiar with the challenges and opportunities facing the sector and know what works. And what doesn't.

We're Focused. On delivering business strategies and solutions tailored to the real estate sector including:

- A specific real estate rent roll policy to help you invest in your business.
- Trust accounts to help you meet your regulatory obligations.
- An easy way to collect rents and make payments to your landlords and other suppliers.
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We're local. Your Westpac Real Estate Specialist is a local, single point of contact who knows your industry and will connect you with the expert team and resources available at your local Business Banking Centre.

To find out how we can help;

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www.westpac.com.au/business



BY DR ALBERT P HADDAD

Performance enhancers

The best performance reviews encourage managers and employees to communicate and share ideas.

Managing staff performance is a key method of improving business results. Unfortunately, many attempts at a performance review have resulted in managers and staff resenting the process. It's viewed as too complicated or too bureaucratic or a tool to beat poor performers with. However, there are a number of ways in which performance can be monitored while providing motivation for individuals and teams.

Case study

Caroline is the Principal of a real estate agency that has four staff members. The team includes:

- **Robert** who is driven, action oriented and a great socialiser
- **Toni** who is very personable and is always trying to make sure that everyone is comfortable and happy
- **John** who is very competent but likes to work at his own pace and does not interact easily with the rest of the team
- **Amanda** who has an eye for detail, is usually quiet and does not say much unless to point out what needs to be corrected.

Caroline wanted the team to increase their performance, activities, outcomes and efficiency levels by at least 20 per cent in six months. Caroline was able to use performance reviews as an opportunity to engage her team



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and achieve her business goals. These principles and practices are outlined below.

1. Respect your team

Get to know your employees and acknowledge that they have different behavioural styles and personalities, particularly between the sales and property management departments.

2. Communicate according to personal styles

Take note of the behaviours property managers and salespeople are likely to respond to and adopt them when conducting a performance review. For example, a casual, impromptu chat that focuses on outcomes would best suit Robert, while

Amanda would respond to a more structured meeting about processes that need to be put in place to achieve certain targets.

3. Communicate often

Talk to employees on a regular basis, asking them what they are doing to achieve their goals.

4. Be fair

Each team member has different strengths, capacities and capabilities. Get the team to agree to targets and give each an assignment that will help achieve those goals.

5. Give regular feedback

Individual feedback (positive and negative) will help improve performance.

6. Ask for regular feedback

Encourage your team to give you honest and regular feedback regarding the business and your role.

7. Be focused on outcomes

In every performance conversation with staff you should touch on the goals, individual assignments and how they will be assessed.

8. Be inclusive

Determine what you can give your team to lift their performance. Also, protect team members from external negative influences: this is particularly important for property managers who are already dealing with a variety of problematic situations on a daily basis.

9. Follow up on commitment

Fulfilling promises you've made to your employees builds trust, credibility and a strong work ethic.

Recognising, valuing and developing individual input encourages strong performance. This leads to profitability for the business when implemented effectively, and can address both the needs of the organisation and those of the employee. ♦

Dr Albert P Haddad provides expert advice on leadership, management and communication for Leadwise Consulting and MaST Australia Pty Ltd.

keep learning



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Making plans

The Education & Training team is helping REINSW members plan their professional development.

Planning is a critical element for every business. When planning isn't as effective and successful as we would like it to be, work can be challenging. When it comes to training the same applies – we need to plan and there is no time like the present!

The REINSW training schedule is currently published on a two-month rolling basis. To help you plan your professional development needs, REINSW will be moving to a 12-month public schedule in the new financial year. This will give you the flexibility and opportunity to plan your education needs further out and see what is on the training horizon.

From a distance





The number of hours in a day will never change, and yet we all try and fit more into our day, week and month. Classroom-based training is an invaluable means of professional development and offers numerous benefits, but sometimes taking time out of your busy day isn't a practical option – whether it be due to commitments or location. Rather than miss out on yet another opportunity to learn, REINSW has a solution.

REINSW already offers courses via eLearning and we are moving towards providing CPD sessions via webinars. That's right, live interactive CPD while you sit in front of your computer at the office or at home. We are excited about bringing another flexible mode of training delivery to REINSW members and will keep you informed as this initiative unfolds and becomes part of our core offering.


REINSW Training Calendar

APRIL/MAY 2011

APRIL 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>				1	2	3
4	5	6	7	8 TERM 1 ENDS	9	10
	<p>SYDNEY CPD Creating impact and influence (9.30am-1.30pm)</p> <p>TAREE CPD Residential tenancies reform in practice (9.30am-1.30pm)</p>	<p>PARRAMATTA CPD Residential tenancies reform in practice (9.30am-1.30pm)</p>	<p>NEWCASTLE CPD Prepare for selling like never before (9.00am-1.00pm)</p>	<p>PENRITH CPD Residential tenancies reform in practice (9.30am-1.30pm)</p> <p>SYDNEY CPD Grow your sales in 100 days (9.00am-4.30pm)</p>		
11	12	13	14	15	16	17
<p>SYDNEY Course in Property Practice (full time) – 4 days (9.00am-5.00pm)</p>				<p>BURWOOD CPD Residential tenancies reform in practice (9.30am-1.30pm)</p>		
	<p>SYDNEY CPD Steps to listing success for property managers (9.30am-1.30pm)</p> <p>BOWRAL CPD The ABC of compliance (9.00am-1.00pm)</p>	<p>YASS CPD The ABC of compliance (9.00am-1.00pm)</p>	<p>QUEANBEYAN CPD Residential tenancies reform in practice (9.30am-1.30pm)</p>			
18	19	20	21	22	23	24
<p>SYDNEY Course in Property Practice (full time) – 4 days (9.00am-5.00pm)</p>				PUBLIC HOLIDAY	PUBLIC HOLIDAY	
	<p>SYDNEY CPD An agent's guide to tax & property investment (9.30am-1.30pm)</p> <p>NEWCASTLE CPD Residential tenancies reform in practice (9.30am-1.30pm)</p>	<p>DEE WHY CPD Residential tenancies reform in practice (9.30am-1.30pm)</p>				
25	26	27	28	<p>WANT TO KNOW MORE? 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>		
PUBLIC HOLIDAY	PUBLIC HOLIDAY	TERM 2 STARTS	<p>PARRAMATTA CPD Prepare for selling like never before (9.00am-1.00pm)</p>			

MAY 2011

MON	TUE	WED	THU	FRI	SAT	SUN
2	3	4	5	6	7	8
SYDNEY Course in Property Practice (full time) – 4 days (9.00am-5.00pm)					SYDNEY (part time) Course in Property Practice commences (9.00am-5.00pm)	
	SYDNEY CPD Commercial CPD (9.30am-1.30pm)	COFFS HARBOUR CPD An agent's guide to tax & property investment (9.00am-1.00pm)				
9	10	11	12	13	14	15
SYDNEY Real Estate Licensing Course (full time) – Week 1 Market, Property, Agency and Self – 5 days					SYDNEY (part time) Course in Property Practice continues (9.00am-5.00pm)	
	SYDNEY CPD An agent's guide to tax & property investment (9.30am-1.30pm)	SYDNEY Breakfast Club (7.30am-9.30am)	GYMEA CPD Prepare for selling like never before (9.00am-1.00pm)			
16	17	18	19	20	21	22
SYDNEY Real Estate Licensing Course (full time) – Week 2 Real Estate Sales – 5 days					SYDNEY (part time) Course in Property Practice continues (9.00am-5.00pm)	
SYDNEY Course in Property Practice (full time) – 4 days (9.00am-5.00pm)						
	TAMWORTH CPD The ABC of compliance (9.00am-1.00pm)	ARMIDALE CPD The ABC of compliance (9.00am-1.00pm)	MOREE CPD The ABC of compliance (9.00am-1.00pm)			
23	24	25	26	27	28	29
SYDNEY Real Estate Licensing Course (full time) – Week 3 Managing Agency Finances – 5 days					SYDNEY (part time) Course in Property Practice concludes (9.00am-5.00pm)	
	SYDNEY CPD Prepare for selling like never before (9.30am-1.30pm)					
30	31	JUN 1	2	3		
SYDNEY Real Estate Licensing Course (full time) – Week 4 Residential Property Management – 5 days						
SYDNEY Course in Property Practice (full time) – 4 days (9.00am-5.00pm)						
	SYDNEY CPD Creating impact and influence (9.30am-1.30pm)					

STRATA MANAGEMENT CONFERENCE

Population growth and rising property prices have made strata living more popular.

Today, savvy owners expect more from their strata managers than ever before – so it's essential for agents to stay on top of industry trends and provide an outstanding level of service and knowledge.

Build your strata knowledge so you will thrive in this dynamic area of real estate practice.

Speakers and topics will be announced soon.

To inquire about the Strata Management Conference, please call (02) 9264 2343.

Sydney 20 May 2011

EARLY BIRD SPECIAL

Book by 20 April 2011 and save

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

Standard price after 20 April 2011

\$245 REINSW members / \$299 Non-members

CPD 12 points (Learning Category 2)

RESIDENTIAL TENANCIES REFORM IN PRACTICE

Change is here – find out what it means for you!

When the new *Residential Tenancies Act 2010* came into effect on **31 January 2011**, property management practice in NSW changed significantly.

Learn more about the impact of the changes on all parties and what your obligations are as an agent, including:

- the structure of the new prescribed Residential Tenancy Agreement and each of its new clauses
- the structure and content of the new Condition Report
- the new material fact regime applying to residential tenancies
- termination of tenancies and service of notices

... and much more.

Find out what the new residential tenancies regime means for you in practice.

REINSW is coming to a location near you! Refer to the Training Calendar for locations.

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

CPD 12 points (Learning Category 3)



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 residential property management, having managed the property management portfolio and team of a successful agency in Ryde for over 20 years.

Jo-Anne understands the challenges of studying with a full-time job and family life. She spent 14 years as a part-time student while pursuing her career. This experience has made her an empathetic and effective trainer.

Jo-Anne also specialises in communication, a vital ingredient for success in real estate. She regularly consults with agency Principals to fine-tune their property management department and is regularly invited by franchise groups to speak at conferences and provide ongoing staff training.

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.

GROW YOUR SALES IN 100 DAYS

This one-day workshop will show you the practical steps needed to significantly grow your sales over the next 100 days – and to keep growing! You'll walk away with practical tools, worksheets and progress forms that will enable you to achieve greater sales success.

Sydney 8 April 2011

Cost \$245 REINSW members / \$299 Non-members

CPD 12 points (Learning Category 2)

THE ABC OF COMPLIANCE

Would your agency pass a compliance audit by NSW Fair Trading? This course offers comprehensive and practical guidelines for agency success. Learn how to set up and conduct a compliant agency, ensuring your commission and reputation are protected.

Bowral 12 April 2011

Yass 13 April 2011

Tamworth 17 May 2011

Armidale 18 May 2011

Moree 19 May 2011

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

CPD 12 points (Learning Category 3)

2011 REINSW CONFERENCE CALENDAR

With inspiring speakers and topics to motivate you to business success, REINSW's full-day Conferences are not-to-be-missed events. Be sure to mark these dates in your diary today!

Keep an eye on the REINSW website at www.reinsw.com.au for details of topics and speakers.

Property Management Conference

Wednesday, 23 March 2011

Strata Management Conference

Friday, 20 May 2011

Holiday & Short-Term Rentals Conference

Wednesday, 17 August 2011

Commercial Conference

Wednesday, 14 September 2011



Women in Real Estate Conference

Wednesday, 9 November 2011

Young Agents Conference

Wednesday, 7 December 2011

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All agents lose listings now and then – it is sometimes better to cut your losses and concentrate on your next listing than pursue a claim for commission.

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convinced the purchaser to abandon their interest in a competing property to buy the property in question?

- Have the circumstances of the purchaser and/or vendor changed since they dealt with your agency?

Suggested action on change of agent

Prior to launching an unprofessional campaign of letter writing to all and sundry, sit down and examine your agency agreement to determine whether it is enforceable. Then objectively determine whether you are able to adequately qualify any prospective purchasers you believe you have effectively introduced if they become the ultimate purchaser.

List the offers you submitted to the vendor in writing – include details of the purchaser, the amount of the offer, any special conditions requested by the purchaser and the vendor's response).

List the calls you made, correspondence sent and received, and the meetings or other negotiations held to evidence your work and support your claim that you are the effective cause of the sale.

Who should I write to?

Some agents immediately fire off a volley of letters to the vendor, the vendor's solicitor and Agent 2 annexing pages of Open For Inspection sign-in sheets, and finishing with threats of caveats or other legal action to

enforce a perceived claim for commission.

One of the more bizarre examples of such a letter seen by REINSW included a statement that Agent 2 was prohibited from dealing with any of the buyers listed in Agent 1's correspondence.

If you do feel the need to write to someone, write to your vendor and qualify those purchasers with whom you have worked closely in an attempt to negotiate the sale.

Another commonly adopted solution is to contact Agent 2 and attempt to negotiate a conjunction arrangement. Maintaining a good professional working relationship with your competitors means that you are more likely to be able to negotiate a conjunction when there is a change of agents – and this will often place you in a position of getting part of your commission when you lose a listing, rather than none of it.

Also, note that a contractual entitlement to commission, if valid, is as enforceable in a year's time as it is in a month's time, so you can also wait for the sale to complete before taking any further action.

How can I enforce my commission?

Remember that a commission dispute is between you and the vendor, not between you and Agent 2 or the purchaser – so if you believe you have a valid

WHAT TO DO IF YOU LOSE A LISTING

- **Stay professional.** Being aggressive or vindictive will get you nowhere.
- **Check your paperwork.** You must have a valid agency agreement at the time you introduce a purchaser. If you are a conjunction agent, your claim is against the listing agent. Therefore, you must have a valid written conjunction agreement and the listing agent must also have a valid agency agreement.
- **Examine what part you actually played in the process.** Mere introduction of a purchaser is not always enough.

THINGS *NOT* TO DO

- Do not make hollow threats of legal action.
- Don't just photocopy the sign-in sheets from your Open For Inspections and send them to the vendor. In most cases, the lists by themselves are of little use and may do nothing to advance your claim.
- A dispute over commission is not usually a caveatable interest in land. If you lodge a caveat without justification and cause a transaction to fall over, you may get sued.
- Even if you are the effective cause of sale, your agency agreement will almost certainly provide that you get paid on completion. Don't make demands for commission before that date.
- Do not threaten or harass purchasers, other agents, vendors or solicitors – it is unprofessional and will usually result (at the very least) in a complaint to NSW Fair Trading.

and substantiated claim, you will need to sue the vendor. Seek legal advice in relation to preparing and lodging your claim and remember that there are inherent risks involved in commencing litigation.

In closing, remember that all agents lose listings now and then – it is sometimes better to cut your losses and concentrate on your next listing than pursue a claim for commission that you may never win. ♦

Effective cause of sale

BY SAM KREMER, REINSW LEGAL COUNSEL

When is a sales agent entitled to commission? If you introduce a client to a property or get the deal over the line?

As a sales agent, there is nothing more frustrating than losing a listing, particularly when you have spent considerable time working with buyers to get them over the line.

It often goes like this: a vendor, frustrated that their property hasn't been sold by Agent 1, switches agents in the hope that Agent 2 will have more success. Sometimes it works – Agent 2 sells the property, but to someone who had first seen the property when the listing was with Agent 1.

Agent 1 is unhappy. They believe they introduced the purchaser to the property in the first place. Agent 2 now gets all the credit for the sale – and the commission! Agent 1 feels that they deserve some, or all, of the commission.

What is the legal position?

It all comes down to who was the effective cause of the sale.

The concept is quite simple – an agent must be able to show that there is a connection between the actions of the agent and the sale of the property.

Accordingly, where other factors have been the effective cause of the sale, an agent will not succeed in a claim for commission.

Even if Agent 1 physically introduces a purchaser to a property, if Agent 2 is subsequently able to successfully negotiate the final



List the calls you made, correspondence sent and received, and the meetings or other negotiations held to evidence your work and support your claim that you are the effective cause of the sale.

purchase, obtain a higher sale price or arrange finance, then Agent 2 will usually be the one entitled to commission.

Whether an agent has been the effective cause of the sale is ultimately a question of fact based on a commonsense view. This is why it is often very difficult to give any assurance about an agent's prospects of success on a claim for commission as there may be factors or circumstances about which the agent does not know.

For an agent to be entitled to commission there must be:

- an enforceable contract between the agent and the vendor (e.g. a valid agency agreement)
- an enforceable contract for the sale of land
- an introduction of the eventual purchaser by the agent
- a sale
- a causal link between the actions of the agent claiming commission and the ultimate sale.

Other circumstances, which may occur after the involvement of Agent 1, and of which Agent 1 may be unaware, may be relevant when adjudicating a claim for commission. Consider the following:

- Did Agent 2 make recommendations for changes or improvements to the property that made the property easier, or harder, to sell?
- Has Agent 2 been able to convince the vendor to alter any conditions of the sale? (e.g. an increase or decrease in asking price, an extended or reduced settlement period, an increased or decreased deposit etc)
- Has the vendor or Agent 2 been able to assist a purchaser in obtaining finance, development consent or anything else?
- Has there been any delay since Agent 1's involvement and the sale of the property?
- Has Agent 2 successfully

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- Don't just photocopy the sign-in sheets from your Open For Inspections and send them to the vendor. In most cases, the lists by themselves are of little use and may do nothing to advance your claim.
- A dispute over commission is not usually a caveatable interest in land. If you lodge a caveat without justification and cause a transaction to fall over, you may get sued.
- Even if you are the effective cause of sale, your agency agreement will almost certainly provide that you get paid on completion. Don't make demands for commission before that date.
- Do not threaten or harass purchasers, other agents, vendors or solicitors – it is unprofessional and will usually result (at the very least) in a complaint to NSW Fair Trading.

and substantiated claim, you will need to sue the vendor. Seek legal advice in relation to preparing and lodging your claim and remember that there are inherent risks involved in commencing litigation.

In closing, remember that all agents lose listings now and then – it is sometimes better to cut your losses and concentrate on your next listing than pursue a claim for commission that you may never win. ♦

Product news

The latest market offerings for real estate professionals.

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FIND THE VIEW THAT'S RIGHT FOR YOU!

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the view that counts

The industry-owned portal realestateVIEW.com.au launched its latest brand campaign nationally on 1 March 2011, with a strong emphasis on the NSW market.

The autumn campaign, which combines brand advertising with a 'Find & Win' promotion, aims to grow awareness of the realestateVIEW.com.au brand and drive consumers to act by visiting the website.

The campaign theme is based on the concept of "finding the VIEW that's right for you". As

realestateVIEW.com.au boasts over 300,000 listings, it is now one of the leading portals in terms of content. The campaign therefore aims to educate consumers that no matter how different their criteria, they are likely to find what they are looking for in a new home on realestateVIEW.com.au

In addition, the Find & Win element of the campaign provides an extra incentive for consumers to visit the realestateVIEW.com.au portal to search for property. Users are given the chance to win one of

seven \$1000 Freedom Furniture vouchers.

The NSW campaign is being promoted via:

- Billboard advertising – prominent billboards will be placed in city stations including Wynyard, Martin Place, Town Hall and Central, as well as some stations in the suburbs.
- Bus advertising – ads will feature on buses across several key routes within Sydney CBD and surrounding suburbs.
- Online advertising – the campaign will feature

prominently across major online networks such as Ninemsn, Yahoo!7 and across the Sensis network.

- Email marketing – more than one million consumers will be emailed as part of this promotion.
- Flyers and posters – these will be provided to selected agencies to assist to promote the campaign.

realestateVIEW.com.au has a range of exclusive packages for REINSW members. Email sales@realestateVIEW.com.au or call 1300 695 645.

REI Master

W: www.reimaster.com.au P: 02 9011 6800

REI Master has announced the release of its new Version 5 of its Real Estate Industry Software. "Version 5 is the culmination of over two years' worth of product development," says Product Manager Scott Arthur.

A powerful, highly functional property management and trust accounting package, REI Master is flexible and user friendly, allowing agents to deliver a quality service to landlords and tenants.

The timing of the release coincides with the recent

changes to the *Residential Tenancies Act 2010*.

"Last year was a record year for us with large numbers of offices converting to our software in anticipation of the new legislation," explains Scott. "It's our service that sets us apart from our competition."

REI Master enjoys an enviable reputation built on professional support and continued product development. The organisation has serviced clients throughout Australia and New Zealand for more than eleven years.



REI Super

W: www.reisuper.com.au P: 1300 13 44 33

REI Super has been providing retirement savings solutions to the real estate industry for 35 years.

As a member of REI Super, agents benefit from a comprehensive package of financial services including consistent, highly competitive investment returns; affordable insurance designed specifically for real estate professionals; and exclusive access to mortgages and business loans through ME Bank at rates generally below the major banks.

Tailored solutions

REI Super Board members understand the needs of real estate professionals because they work in the industry. They also collaborate with the Real Estate Institutes across Australia, franchises, and employer bodies to provide members with access to important information and assistance.

The organisation's 32,000 members have a combined \$750 million in retirement savings. That makes REI Super big enough to keep costs down, and nimble enough to pursue the best investment opportunities. And because REI Super doesn't pay commissions to financial advisers, profits are returned to members.

Additional benefits

REI Super understands that many of its members operate their own businesses, earning commission as well as salary, and need income protection solutions for themselves and their families.

Members of REI Super benefit from salary continuance insurance as well as comprehensive death and total and permanent disability cover. Premiums are competitive (starting from a dollar per week) and paid out of the superannuation account, saving time and cash flow.

REI Superannuation Fund Pty Ltd ABN 68 056 044 770
AFSL 240569. RSE L 0000314 REI Super ABN 76 641 658 449
RSE R1000412.



BY SAM KREMER, REINSW LEGAL COUNSEL

New tenancy laws explained

Some of the things property managers need to know about the *Residential Tenancies Act 2010*, which has now taken effect.

With the commencement of the *Residential Tenancies Act 2010* (the Act) and the Residential Tenancies Regulation 2010 (the Regulation) on 31 January 2011, there are a number of things that all agents should be aware of.

While this is not a comprehensive list of all the changes, it does outline the key changes that property managers need to be aware of. REINSW has prepared detailed fact sheets in relation to these and other changes. You can download them from the REINSW website at www.reinsw.com.au/RTlegislation

TERMINATION OF TENANCY

Periodic tenancy – no grounds notice

The period of notice that a landlord must give a tenant to terminate a periodic tenancy has increased from 60 to 90 days.

Section 110(2) of the Act provides that where a landlord initiates termination of the periodic agreement by serving a termination notice, the tenant can give vacant possession at any time thereafter and pay rent only to the date that vacant possession is given.

The former requirement for the tenant to give 21 days'

'counter notice' (if they wish to leave earlier than the date specified in the landlord's notice) has been abolished. However, where the tenant initiates the termination of a periodic tenancy, the tenant must still give 21 days' notice.

Fixed-term tenancy

A landlord must now give a tenant 30 days' notice to end a fixed term tenancy (previously 14 days).

Non-payment termination notice

When issuing a termination notice for non-payment of

rent, a landlord can also apply, before the termination date listed in the notice, to the Consumer, Trader & Tenancy Tribunal (CTTT) for a hearing date. This may reduce the time the landlord has to wait to obtain a CTTT hearing.

Payment of arrears will 'save' tenancies, regardless of whether the landlord has obtained a possession order or a warrant for possession has been issued. The landlord will not be able to recover any of their costs 'thrown away' in the attempt to enforce payment of rent.

CONDITION REPORT

The new prescribed Condition Report now contains sections requiring 'yes/no' answers about:

- health issues (mould and dampness, pests and vermin, and rubbish)
- communication facilities (telephone and internet lines)
- water efficiency devices.

Completing these sections will allow the landlord to clearly evidence the absence of health issues, specify clearly whether any communication facilities are provided with the premises, and demonstrate compliance with the requirement to install water efficiency devices (where appropriate).

CARPET CLEANING

Any term in a tenancy agreement requiring a tenant to have carpets professionally cleaned is now a prohibited term – and a \$2200 penalty applies.

However, tenants can (and should) still be required to

attend to their own cleaning when vacating.

If a tenant has been permitted to keep an animal on the residential premises, then they can be required to have the carpets professionally cleaned or pay the cost of cleaning.

RECOVERING WATER USAGE

Section 39 of the Act provides that a tenant must pay the water usage charges for the residential premises, but only if:

- the premises are separately metered or the premises are not connected to a water supply service but water is delivered to the premises by vehicle; and
- the premises contain water efficiency measures prescribed by the Regulation; and
- the charges do not exceed the amount payable by the landlord for water used by the tenant.

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

Where a landlord has premises that were tenanted prior to 31 January 2011, they have 12 months to install the prescribed water efficiency measures, but can continue to recover water usage charges in the meantime.

It is important to note the following:

- A tenant is not required to pay the water usage charge if the landlord fails to request payment from the tenant within three (3)

months of the issue of the bill by the water supply authority.

- A tenant is not required to pay the water usage charge unless the landlord gives the tenant a copy of the part of the water supply authority's bill that sets out the water usage charge.
- The tenant must be given not less than 21 days to pay the water usage charge.

Provided that the tenant has been given a copy of a water bill within three (3) months of the issue of the bill by the water supply authority, the landlord will be able to enforce payment of the water usage charges at a later time – such as towards the end of the tenancy.

The Regulation prescribes the following water efficiency measures:

- All showerheads on the premises must have a maximum flow rate of nine (9) litres per minute (3-star water efficiency rating).
- All internal cold water taps and single mixer taps for kitchen sinks or bathroom hand basins on the premises must have a maximum flow rate of nine (9) litres per minute.
- There must be no leaking taps on the premises at the commencement of the residential tenancy agreement or when the water efficiency measures are installed, whichever is the later.



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BY SHANE FOLEY

Fund for the future

Ten-year sinking fund plans are up for review in 2011. Find out what this means for real estate professionals.

A sinking fund plan is a 10-year money management roadmap for strata title buildings in NSW. Usually carried out by a professional adviser, the plan recommends an annual contribution for the replacement, renewal and repair of the common property.

Good sinking fund plans will have a smooth escalation in contributions over that period, and will show the first year contributions for each owner. The plan should never allow the sinking fund balance to be negative.

"Sinking fund plans make it easier for strata managers to ensure that owners comply with their legal duty to repair and maintain common property."

The legislation

Section 62(1) *Strata Schemes Management Act 1996* stipulates that an owners corporation:

- must properly maintain and keep in a state of good and serviceable repair the common property and any personal property vested in the owners corporation.



Thinkstock

Section 75A of the Act stipulates that an owners corporation must:

- prepare 10-year sinking fund plans
- review the plan and (if necessary) adjust it no later than at the fifth annual general meeting of the owners corporation.

The regulation

The Strata Schemes Management Regulation 2010 stipulates that a sinking fund plan must be implemented prior to 1 July 2006 for a strata scheme with a strata plan number equal to or greater than 50,000. These are due for a five-year review in 2011. A sinking fund plan review

SINKING VERSUS ADMINISTRATION FUNDS

Section 75 of the *Strata Schemes Management Act 1996* provides a distinction between sinking funds and administration funds.

The Act explains that the administrative fund is generally used to meet recurrent expenses, such as expenses involved in maintaining the common property day to day in good condition and insuring the property.

The sinking fund, on the other hand, is generally used to meet expenses of a capital nature, such as painting buildings or replacing fixtures or fittings.

enables the owners to see if they are on track financially to meet possible common property repairs and capital maintenance requirements.

Benefits to agents

Sinking fund plans are beneficial to the following agents:

- Strata managers – Sinking fund plans make it easier for strata managers to ensure that owners comply with their legal duty to repair and maintain common

Are your agreements compliant?

Have you updated your agreements and forms now that the new residential tenancies regime has commenced?

As a consequence of the commencement of the *Residential Tenancies Act 2010* and the Regulation, a number of commonly used property management agreements and forms have changed.

The following REINSW agreements and forms have been substantially rewritten to incorporate the changes and, where appropriate, go beyond the minimum prescribed clauses to give you and your landlords maximum protection:

- **FM00401 – Residential Tenancy Agreement**
This agreement now

incorporates the former FM00402 – Residential Tenancy Agreement pages 2-9.

- **FM00404 – Termination Notice of Residential Tenancy Agreement**
- **FM00409 – Condition Report – Residential Tenancy Agreement**
The old short-form Condition Report (FM00405) is now obsolete and has been replaced with this longer prescribed form of Condition Report.
- **FM00700 – Application for Tenancy**

Earlier versions of the aforementioned agreements and forms should no longer be used.

In addition, consequential changes have also been made to the following REINSW agreements and forms:

- **FM00100 – Exclusive Management Agency Agreement (Residential – long version)**
- **FM00150 – Exclusive Management Agency Agreement (Residential – short version)**
- **FM00200 – Exclusive Leasing Agency Agreement (Residential)**

- **FM00250 – Leasing Agency Agreement (Residential)**

All of these updated agreements and forms are now available in paper format through the REINSW Store. You can download an order form at www.reinsw.com.au. These updated agreements and forms are also available online via REI Forms Live.

If you have any questions regarding the changed content of the above agreements and forms, or anything else to do with the new residential tenancies regime, please call the REINSW Member Helpline on (02) 9264 2343.

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Step 2

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Step 3

Save the agreement or form, and then print or email



Residential Tenancy Agreement
new combined form now available



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“

Sinking fund plans are a great tool to empower owners corporations and improve our living environments, while also protecting people and property.

”

property and maximise the quality and lifespan of that property.

- **Sales agents** – A unit with a well-presented strata plan is usually easier to sell. Buyers are more informed than ever and realise that a healthy sinking fund balance is partly their asset too.
- **Property managers** – If it looks like the owners care

for the property, it is likely that the tenants will too. Properties with good sinking fund plans may lease more quickly and maintain longer tenancies.

NSW property law encourages owners and consumers to protect their strata title units by using a sinking fund plan system. There are also

significant penalties if the common property is not properly maintained. It is the intent of the legislation to remove the need for special levies and ensure that there is cash available for necessary repairs and maintenance of capital items. Another key consideration is that a properly maintained property is likely to have fewer OH&S issues.

Sinking fund plans are a great tool to empower owners corporations and improve our living environments, while also protecting people and property. ♦

Shane Foley is the Director of Sinking Fund Plans (Aust) Pty Limited and a Committee Member of the REINSW Strata Management Chapter. Contact Shane on 1300 107 280.

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OF NEW SOUTH WALES

NEW MEMBER, SCOTT ROBERTSON



Scott Robertson from Realty International began working for his father's agency in 1999. He was straight out of university and keen to help build a thriving family business, which now has offices in Balmain and Parramatta. For this new REINSW member, a successful career in real estate was simply a matter of biological destiny.

Specialising in house and apartment sales and leasing in the inner west, Scott joined REINSW to strengthen his company's reputation in the local community.

"Being part of a bigger institution like REINSW instils a greater sense of stability and trust in our clientele," he explains. In this regard, membership serves a marketing purpose, making a business more attractive to potential clients.

Scott also saw membership of REINSW as a way of staying informed of the latest legislative changes in the real estate industry. "With the recent

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residential tenancies legislation reform, we decided it was time to join up."

Membership entitles Scott and his associates to discounts on conferences and training. REINSW also provides a strong core network of contacts across the industry.

Access to the REI Forms Live facility was also a key selling point for Scott. Rather than tediously filling out paperwork by hand and battling with the photocopier, Scott can now complete agreements and forms online. "Not only does this provide a far more cost-efficient way of conducting your business, but it's also far less taxing on the environment," he says.

NEW MEMBERS

FULL FIRM

Allan Kelso
PARRAMATTA

Australasian Property Auctioneers
GUILDFORD

De Dona Property Management
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I Rate Real Estate
WAHROONGA

Greenwich Domain Realty
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QUEENS PARK

Mrs Patricia Ford
QUEENS PARK

RECIPROCAL MEMBER

Beachside Properties (Coolangatta) Pty Ltd
COOLANGATTA



“Exclusive buyers’ agents promise to employ the highest possible standards of integrity and professionalism.”

- not disclose any confidential information about their Principal without instructions to do so, unless in accordance with law
- always represent the Principal in accordance with their instructions
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- buyers’ agent on behalf of a Principal
- not undertake specialised services for which the exclusive buyers’ agent is not qualified or licensed for and make it clear to the Principal that the exclusive buyers’ agent is acting only in the capacity of a buyers’ agent

and not as a financial, legal or other adviser.

5. Insurance

Exclusive buyers’ agents must hold professional indemnity insurance to a minimum value of \$2 million, whether operating as a corporation, partnership or sole trader. ♦

The Best Practice Guidelines for Exclusive Buyers’ Agents were compiled by the REINSW Buyers’ Agents Chapter Committee in February 2011. Richard Harvey is the Chair of the REINSW Buyers’ Agent Chapter Committee and Managing Director of propertybuyer buyers agency.



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- TRA has a 60 page document on every aspect of our business showing compliance to the new privacy principles, completed by our barrister and solicitors.
- TRA abides by “Property, Stock and Business Agents Amendments (Tenant Databases) Regulation 2004”.

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Chris Goodway
CEO

p. 0403 090 522

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Saša Jovanović
NSW Representative

p. 0414 011 000

e. Sasha@TheRentRollBroker.com.au



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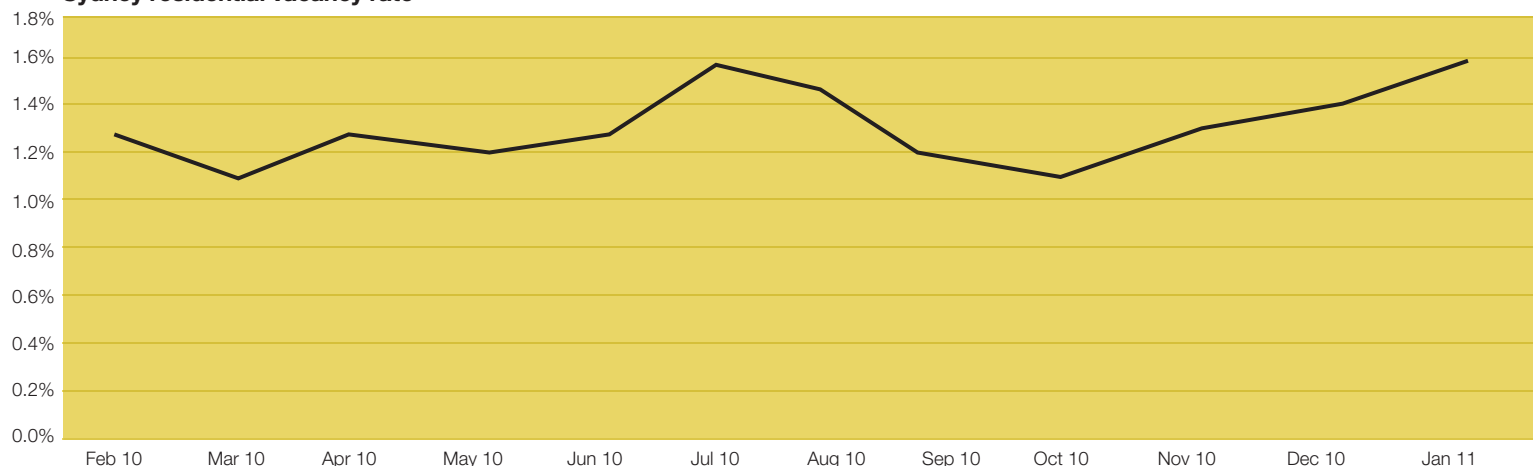
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Residential vacancy rate – Compiled by Insightrix on behalf of REINSW

SYDNEY	Jan-11 (%)	Dec-10 (%)	Nov-10 (%)	Oct-10 (%)		Jan-11 (%)	Dec-10 (%)	Nov-10 (%)	Oct-10 (%)
Inner	1.2	1.1	1.2	1.1	ALBURY	3.1	2.4	1.9	1.7
Middle	1.9	1.7	1.4	1.2	CENTRAL WEST	1.5	1.6	1.7	1.5
Outer	1.4	1.4	1.3	1.2	COFFS HARBOUR	1.7	1.6	1.9	1.6
Total	1.5	1.4	1.3	1.1	FAR WEST	-	-	-	-
HUNTER					MID-NORTH COAST	2.2	1.6	1.2	1.6
Newcastle	2.0	1.7	1.8	1.4	MURRUMBIDGEE	2.1	2.9	2.4	3.9
Other	2.3	1.9	1.4	1.5	NEW ENGLAND	2.1	1.7	1.9	1.6
Total	2.2	1.8	1.6	1.4	NORTHERN RIVERS	2.0	1.9	1.7	2.5
ILLAWARRA					ORANA	1.5	1.8	1.6	2.1
Wollongong	1.3	1.3	1.6	1.7	RIVERINA	3.5	3.1	2.7	4.0
Other	2.0	1.9	1.8	1.6	SOUTH COAST	1.5	1.6	1.7	1.4
Total	1.7	1.6	1.7	1.6	SOUTH EASTERN	1.3	1.1	1.0	0.9
CENTRAL COAST	1.5	2.4	2.6	2.3					

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	Number Auctioned	Auction Clearance Rate	Number Auctioned	Auction Clearance Rate	Number Auctioned	Auction Clearance Rate	Number Auctioned	Auction Clearance Rate
30/01/11	12	84.6%	4	snr	2	snr	0	snr	40	47.5%
23/01/11	4	snr	1	snr	4	snr	4	snr	33	76.3%
16/01/11	6	snr	0	snr	1	snr	0	snr	17	61.9%
9/01/11	2	snr	0	snr	1	snr	0	snr	5	snr
2/01/11	1	snr	0	snr	1	snr	0	snr	6	snr
26/12/10	1	snr	3	snr	6	snr	0	snr	22	48.5%
19/12/10	65	63.6%	50	57.7%	64	73.2%	57	57.1%	565	55.0%
12/12/10	100	65.2%	48	62.3%	73	57.0%	75	58.8%	635	52.0%
5/12/10	137	70.6%	50	57.7%	88	59.5%	87	60.8%	680	57.2%
28/11/10	123	63.0%	54	83.6%	111	56.8%	126	61.0%	827	58.6%
21/11/10	118	75.4%	46	61.2%	96	59.5%	103	66.1%	735	58.1%
14/11/10	110	72.6%	34	55.6%	119	62.9%	102	66.1%	755	60.2%

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Social marketing gives small businesses many low-cost opportunities to reach out to millions of potential clients.



Top 5 social media tips

Learn how social media, like Facebook and Twitter, can boost the profile of your real estate agency.

Real estate professionals, like other small business owners, can struggle when it comes to effective marketing. For one thing, you're busy matching people up with properties, which means you probably don't have time to generate a traditional marketing strategy.

The good news is that social marketing gives small businesses many low-cost opportunities to reach out to millions of potential clients. Here's how easy it is to get started.

1 Facebook

More than just a platform for catching up with friends and family, Facebook gives you the potential to connect with more than 300 million users.

Start by searching for other real estate agents so you can check out their page and see whether what they're doing suits your aims. If you already have a personal Facebook account (and who doesn't?), register a business account or a business fan page.

The latter gives your clients the opportunity to become 'fans' of



your practice, thus expanding your presence. Another option is to run ads for your business on Facebook.

2 Blog

The first thing to do is reserve your domain name. You can then set up your blog. For novices, you'll find lots of helpful advice online, and hosting providers generally offer easy tutorials to help you get started.

Once you're set up, you can start posting daily updates about your agency as well as relevant photos, MP3s and videos. Rich, focused content helps build an audience of potential clients. You can also

extend the blog's reach by installing plug-ins that allow visitors to 'retweet' your posts on Twitter.

3 Twitter

Register your business name. Then familiarise yourself with some basic searches using terms like 'real estate' or the names of your competitors to see what comes up. Then it's time to think about how Twitter can boost your profile.

Advanced tools such as TweetDeck, Seesmic and Tweetie for desktop and mobile platforms offer even more flexibility than a standard Twitter account. That means

you can do things like monitor key words, set up groups for people you follow and focus on content.

4 LinkedIn

This business-oriented social network reaches more than 50 million professionals in over 200 countries. Proceed as with Facebook and Twitter by registering your business name, then do a search to find out what your competitors are up to and 'link up' with your existing clients.

Clients can 'link' to your profile just like becoming 'fans' on Facebook, recommending your services to potential clients. LinkedIn also has groups that cover specific professions, which allows you to connect and share with like-minded professionals.

5 Maintenance

You'll have to put in a bit of effort to build and maintain your social network presence. But because all provide the option to connect with each other, there's enormous potential to reach millions of new clients. ♦

The lighter side of real estate

There are plenty of perks when you're a commercial real estate professional working in some of Sydney's trendiest suburbs, says REINSW member Tom Speakman.



BY TOM SPEAKMAN,
GUNNING COMMERCIAL
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 leanne@mahlabmedia.com.au

I love commercial real estate! Working in Paddington, Surry Hills, Darlinghurst and Potts Point has given me a bird's eye view of the grittiest, most interesting parts of Sydney.

While I have achieved a great deal professionally in these suburbs, I find myself telling friends and family about the more unusual facets of my role – like conducting inspections of fashion houses while fitting sessions with Sydney's top models were taking place. It was a little distracting – especially for a bachelor like myself! But I soldiered on. Here are some other highlights.

Hospitality leasing

Leasing to some of Sydney's most popular bars, such as Pocket Bar and Peroni Pop-up Bar in Darlinghurst means that you end up conducting a great deal of business over a nice cold beer.

The infamous Kings Cross

By day it's full of young professionals; by night it turns into a human zoo. Being a part of the Kings Cross sales and leasing team means you come across, and often do business

with, some of the most colourful personalities in the city.

Free lunches

Working with some of Australia's most popular fast food chains, such as Grill'd Healthy Burgers, Sabbaba and Sumo Salad to name a few, means that you often get a number of food vouchers if you play your cards right.

Leasing to some of Sydney's most popular bars ... you end up conducting a great deal of business over a nice cold beer.

A day at the beach

One of my preferred locations to do business is Bondi Beach. If I conduct inspections near the end of the day, I often take an early mark and go for a dip in the ocean, followed by dinner at Beach Barito Company. Gotta love Bondi in the summer!

All in all I have to say that conducting business in these areas and with like-minded individuals makes it exciting to come to work each day. ♦

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February 2011

Flood-prone landlords suffer with no tenants and no liveable property to rent

Natural disasters are becoming more prevalent around the world and this can be seen with the devastation caused by the Queensland floods. They are the worst floods that Queensland has seen in decades and many have lost their lives or are still missing, have damaged/destroyed homes, watched cars float away, lost their furniture and irreplaceable items that money can't replace and are living in areas where the infrastructure has been completely destroyed.

This type of disaster is non-discriminatory; it affects both landlord and tenant alike, leaving the landlord with no rentable property and the tenant with no home. Surprisingly, a tenancy agreement does not end just because of a natural disaster, even if the property has been totally destroyed. The tenant is still legally obliged to continue paying rent on the damaged property.

No tenant will wish to continue paying rent on a property that is either destroyed or uninhabitable and once they have signed a "notice of intention to leave" they can cease paying rent from the day the notice is served. Notice must be given within one month of the disaster occurring.

This obviously leaves the landlord in a sticky situation with no rental income and in many cases a mortgage to continue paying. Landlord insurance will not cover you for this type of disruption.

"If you own rental property in one of the flood affected areas, the first thing you should do is make sure your tenants are safe and are following instructions from emergency services relating to their return to the property", said Terri Scheer Insurance General Manager, Carolyn Majda.

"Landlord insurance is designed primarily to cover landlords against actions by tenants rather than weather event.

"Events such as flood damage generally fall under building insurance... Landlords should check the product disclosure statements of their insurance policies and contact their insurer to confirm their level of coverage". Reading the fine print will help you understand what the insurer defines as a flood as there are various definitions around. The Australian Securities and Investments Commission defines a flood as:

In general terms, the inundation of a property by water which overflows from a natural watercourse, while storm and tempest damage refers to the inundation of a property by water as the result of a storm.

Therefore, not all risks are covered by the term "flood". If you are unsure contact your insurance company for clarification.

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on the homefront
February 2011

Self managed super funds making an impact in the property market

Self managed super funds (SMSFs) have become an increasingly prominent player on the Australian property landscape since 2007, when the Federal Government changed the rules for do-it-yourself super funds, allowing them to borrow to buy an asset.

Since this time, a growing number of Australians have begun setting up SMSFs and using them to acquire property, to the point where the Australian Tax Office (ATO) now describes SMSFs as the largest and fastest growing segment of the superannuation industry.

Prior to 2007, SMSFs needed sufficient capital to buy a property outright, but the new rules permit these funds to borrow between 60% and 75% of a property's value (depending on the lender). This has seen SMSFs turn to the strong Australian property market in droves, thanks largely to its ongoing reputation as a good, long-term investment. SMSFs are now invested right across the real estate spectrum, from residential property, to retail and commercial premises.

SMSFs are also responding to the tax benefits that come from purchasing property through their fund. For instance, the fund only pays a maximum of 15% tax on rental income, while interest costs for loan repayments are tax deductible. Also, should a fund hold a property asset for more than 12 months before selling, capital gains tax (CGT) drops from 15% to 10%. This figure falls to zero if the property is sold when the super fund has moved into the pension phase.

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