

Journal

AUG 2013
VOL 64/07



agents on the frontline

**CBRE agents discuss the changing
face of the commercial sector**

Holiday rentals hitlist
Preparing properties for
the holiday rental season

Perfect match
Could property speed
dating help you retain
good tenants?

Vetting your tenants
The essential guide
for property managers

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CBRE agents discuss the challenges of the industrial, retail and office sectors in New South Wales.

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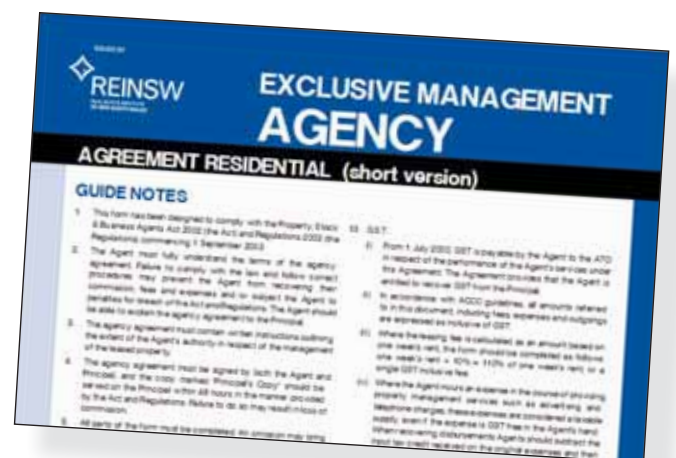
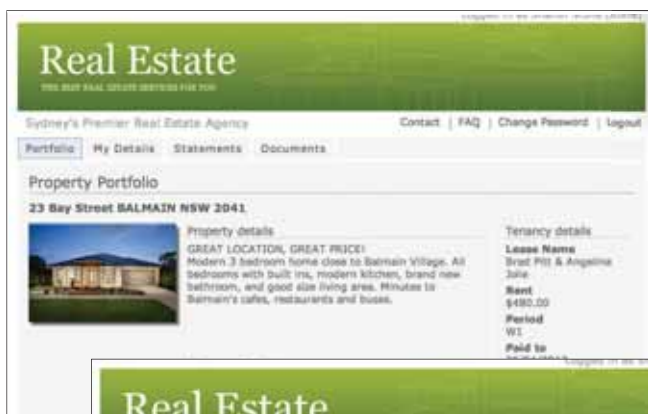
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PRESIDENT



A commercial interest

This month it's interesting to hear from our agents in the commercial real estate sector as they report on trends within the retail, business and office spaces. I know myself that the excitement of a new development can quickly be tempered by a slow uptake of contracts and the possibility of empty shopfronts.

Heartening though are the success stories we are hearing, and there is plenty to be optimistic about as demand is positive, with investors looking for well-leased stock. This is an added motivator for our leasing teams.

Divisional spotlight

We shine the spotlight on the Central Coast Division this month and examine current trends in the property market in this region. It was predicted that first homebuyers and investors would sustain the market in Australia's ninth largest urban area in 2012, so now is the time to see if this has proven true in the first half of 2013.

Holiday rentals

With Summer fast approaching, it's time again to start communicating with landlords and working with them in preparing their holiday rental properties for the upcoming letting season.

Remember, a picture says a thousand words. Well photographed, impeccably styled houses, showcased on websites, blogs and

social media pages, form the cornerstone of any marketing strategy.

Thanks to you

I'd like to offer a big thank you to everyone who came along to the Roadshow 2013 events we held around the state this past June and July, where you heard from CEO Tim McKibbin and I, along with representatives from REEF, NSW Fair Trading and the Office of the NSW Small Business Commissioner.

We also spoke about the Government's proposal to lower entry levels and education requirements within our profession nationally, and heard your input on this issue.

The Minister for Fair Trading and your local politicians will certainly have received the message from the hundreds of letters outlining your views about REINSW's proposed model for self-regulation, including the element on increasing educational requirements.

To have your say on the issue, please email me at president@reinsw.com.au to get a copy of the letter so you can have your say too.

Christian Payne
REINSW President

CEO



Prescribing a standard retail lease

For some time, REINSW has advocated for a standard prescribed retail lease. We believe that this would be in the best interest of the NSW economy, the retail property market and the profession.

The *Retail Leases Act 1994* already heavily prescribes many retail lease provisions in an attempt to address a perceived inequity in the respective bargaining powers of the landlord and the tenant. Moving from this current position to a standard retail lease is not a quantum policy leap. In fact, it could be argued that a standard lease would better capture and reflect Parliament's intent.

There is existing precedent for a standard lease within the residential rental environment. The Residential Tenancies Regulation 2010 prescribes a Residential Tenancy Agreement that must be used for all residential rental leases in NSW.

Residential and retail

While the issues within the residential rental and retail environments are not always the same, there are more similarities than differences. With appropriate consideration and stakeholder input, I believe it should be possible to draft a standard retail lease that will better capture Parliament's intent and address the market's requirements and expectations.

There are of course unique circumstances that cannot be captured within a standard

lease. On these occasions, and as currently occurs in the Residential Tenancy Agreement, 'special conditions' can be added to address these circumstances.

When disputes arise

It is inevitable that disputes will arise, and when they do timely and cost-effective dispute resolution procedures are essential. A standard lease will alleviate the need for protracted argument and will provide a bank of precedent decisions.

It is proposed that under a new super tribunal, the Consumer, Traders and Tenancy Tribunal (CTTT) and the retail Administrative Decisions Tribunal will be consolidated into a single tribunal. Importantly, it is further proposed that parties to a retail lease dispute in this new super tribunal will be required to represent themselves, as is currently the case before the CTTT. If this eventuates, then it adds further weight to the argument for a standard lease.

As this is an ongoing lobbying campaign, your comments and feedback are greatly appreciated. We will update you with any new developments as they come about.

Tim McKibbin
REINSW CEO

THE MONTH IN NUMBERS

\$1.4bn

Retail sector investment activity in Australia lifted 39 per cent, in comparison to the same period last year — reaching \$1.4bn over the quarter, according to **CBRE's Australia Retail Marketplace Q1, 2013 Report.**

\$1.9m

The amount paid for an **1880s terrace in McMahons' Point, Sydney**, marketed as 'The Dump' by Blues Point Real Estate.

\$14.7m

is to be invested in the revitalisation of central Maitland. **The Levee project** will include the refurbishment of the High Street precinct and construction of the River Link building.

Upgrade to Parkes airport



number of destinations people can fly to from Parkes," said Minister for Infrastructure and Transport Anthony Albanese.

"This means more tourists and economic growth for the area."

Richardson & Wrench Parkes Sales Representative Tony Dwyer said that the airport upgrade is one of many investments being made in the area. He cited upgrades to the town water supply, a new treatment works, a new hospital, a new police station and investment in high-speed rail links between Melbourne and Brisbane via Parkes.

"It all makes Parkes a little bit more attractive as an investment place," he said.

"We've been getting some pretty good write-ups."

The Federal Government has confirmed funding worth \$1.5m for the development of Parkes Regional Airport.

for an expected increase in yearly passenger movements to 40,000 by 2018.

The Regional Development Australia Fund will provide half of the funding for the \$3m airport upgrade that will include a terminal extension to cater

The project is expected to be complete by mid-2016.

"The upgrade has the potential to increase the number of flights per day and increase the

The project will support 42 local jobs during construction, provide ongoing employment for 41 local residents as well as improve accessibility for residents of the area.

VOX

Q. How important is training to the real estate industry?



ANDREW MANSON
Licensee/
Director at
Manson Property

"Experience is vital in real estate to be able to foresee problems that could arise in a transaction, be it buying a house or leasing a factory. Training is fundamental in keeping agents up to date with the latest legislation, such as the new pool fencing compliance laws, so that they can provide knowledgeable advice to clients. This ensures that consumers are ultimately happy with the service provided by agencies."



STEPHEN NELL
CEO at Ray
White NSW

"Training is an integral part of our business and we pride ourselves on training and development. We attract the right people, train them and keep them within the Ray White family. However, I have watched so many agents travel the nation for training; they attend conferences to listen to the industry experts, yet when back in their workplace, do nothing to integrate it. So, yes, training is important, but if someone doesn't want to integrate it, it's a waste of time."



CILLA GREEN
Property
Specialist
at Breakfast
Point Realty

"Given the increased complexity of the real estate market, it is paramount to be informed and educated in all aspects of the industry. Property seekers and sellers are becoming better informed through a variety of initiatives in the real estate industry and in particular social media. Both vendors and purchasers alike are savvier and are able to more easily find and share information, which makes people involved in real estate more accountable."

REINSW slams NSW Budget for failing to deliver for first-time homebuyers



The NSW Budget delivered a mixed bag for first homebuyers in the state. The \$15,000 First Home Owners Grant on new homes was extended to 1 January 2016. However, the Budget failed to reintroduce the First Home Owners Grant for existing properties.

“The Budget was an opportunity for the NSW Government to reinvigorate the property market with a reduction in stamp duty rates and the reinstatement of first homebuyer incentives on existing properties,” said REINSW CEO Tim McKibbin.

“We are very disappointed NSW first homebuyers continue to be disadvantaged by the decision not to reinstate the First Home Owners Grant for existing properties,” he said.

“We are not satisfied with the grants being limited to new properties and neither are first homebuyers, who instead of purchasing new properties are choosing to purchase no

property at all. The most recent data from the Australian Bureau of Statistics clearly shows the first homebuyer market is in crisis,” Mr McKibbin said.

The number of first homebuyer commitments as a percentage of total owner occupied housing finance commitments was 14.6 per cent in May 2013.

Percentage of first homebuyers in the market

MARCH 2004

12.5%

MAY 2009

29.5%

MAY 2013

14.6%

* Australian Bureau of Statistics

“The percentage of first homebuyers in the marketplace is getting very close to the record low of 12.5 per cent

seen in March 2004, and is well off the all-time high of 29.5 per cent recorded in May 2009.

“It is very disappointing that the government has not recognised the failure of this policy and amended it to include existing properties.

“Many first homebuyers are not interested in purchasing new properties. The scheme introduced last year has failed to date because it assumes that supply is being hindered by demand from first homebuyers for existing properties. It implies that by redirecting first homebuyers to new properties it will solve the supply problem. The truth is, supply is hindered not by first homebuyer demand but by a convoluted, inefficient planning system and a tax system that is overly dependent on property.

“It is time for the government to recognise the critical role first homebuyers play in the property market and implement

Have you completed your trust account audit yet?

Trust account audits and statutory declarations will soon be due for lodgement following the end of the 2012/13 financial year.

REINSW members should have received a letter from NSW Fair Trading detailing the licensee’s responsibilities for having trust accounts audited.

If you are a licensee, former licensee or personal representative of a licensee and have held trust money during the financial year ending 30 June 2013, you are required to have your trust accounts audited.

The qualified audit must be lodged within three months of the end of the audit period. The qualified audit for most agents must be lodged with the Director-General no later than 30 September 2013.

If a qualified trust account audit is not lodged by the due date, licensees could be disqualified from holding, or prevented from renewing, a licence.

Download the *Auditor’s Guide* and the 2013 *Auditor’s Report* at fairtrading.nsw.gov.au.

what really needs to be done to help them – reinstate the first homebuyers scheme for existing properties,” Mr McKibbin said.

The First Home Owners Grant was due to be reduced to \$10,000 on 1 January 2014 and will now remain at \$15,000 until 1 January 2016. ♦

REINSW election notices

Notice to all REINSW Division members

In accordance with clause 126 of the REINSW Constitution, all Division members are invited, should they wish to do so, to lodge a request for a Divisional election to be held in their respective Division.

Any Division member who wishes to lodge a request should complete the appropriate form and return it to REINSW by 5.00pm on 30 August 2013. To be valid, such a request must be made by a REINSW member (as defined in section 9 of the REINSW Constitution).

Forms can be downloaded at www.reinsw.com.au/elections or can be obtained by emailing elections@reinsw.com.au



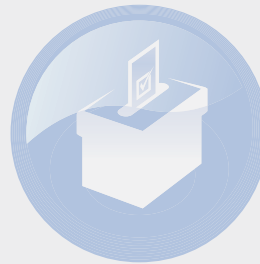
Tim McKibbin
Chief Executive Officer

Notice to all REINSW Chapter members

All Chapter members engaged in the discipline of real estate practice specific to a REINSW Chapter are hereby invited to submit nominations to serve on one or more of the Chapter Committees for the duration of the 2013-2015 Board term.

The REINSW Chapters are:

- Auctioneers
- Business Agents
- Buyers' Agents
- Commercial
- Country
- Holiday & Short Term Rentals
- International
- Property Management
- Residential Sales
- Strata Management
- Valuers
- Young Agents



Nominations must be made on the approved form and be received at REINSW by 5.00pm on 30 August 2013. If more than twelve (12) nominations are received for any one Chapter Committee, a postal ballot for that Committee will be held in accordance with clause 165 of the REINSW Constitution.

A nomination form can be downloaded online at reinsw.com.au/elections or can be obtained by emailing elections@reinsw.com.au



Tim McKibbin
Chief Executive Officer

TOP TIPS OF THE MONTH

How can you get involved in your association?

This month we've announced the upcoming Division and Chapter elections, but how else can members get involved with REINSW? Read on to find out some of the many ways you can get involved in REINSW.

1. Journal

We would like to hear from you. Contact the editor, Jill Park, at jill@mahlabmedia.com.au and tell her all your company news. We also want to hear how you interact with your local community and support charities for our regular 'Last word' feature.

2. Social media

Have you checked out the REINSW Twitter (@REINSWnews) and REINSW Facebook pages? Why not join other members and discuss the hot topics of the day.

3. Awards for Excellence Gala Dinner

Bring your team and network with your peers at our annual Awards night on Thursday, 10 October 2013 at Doltone House, Sydney. Tickets are now on sale. Go to reinsw.com.au to book your place before tickets sell out. We look forward to seeing you there.



Slash power bills smartly

Apartment owners and their property managers can now access an online toolkit to help them discover efficiency improvements to common property in their buildings.

It is estimated that high-rise buildings use approximately 25 per cent more energy per person than free-standing homes, according to the City of Sydney, which led the project.

The Smart Blocks online toolkit provides users with a step-by-step guide to reducing the amount of money used to fund common facilities including lighting, swimming pools, hot water systems and heating and cooling plants.

The system has been developed by the City of Sydney, Strata Community Australia, the City of Melbourne, the Owners' Corporation Network of Australia and Green Strata.

"With more and more residents living in apartments, we need to explain how using energy more efficiently can make it easier on their wallets and on the environment," Sydney Lord Mayor Clover Moore said.

"Smart Blocks does just that, explaining the large savings that can be made from replacing old assets with more efficient products and how equipment can be used in different ways to slash energy consumption."



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BY ROD STOWE, NSW FAIR TRADING COMMISSIONER

Managing strata management

A new regulatory framework for strata and community schemes is set to meet the challenges of the growing industry sector.

By this time next year it is expected that New South Wales will have a new regulatory framework for strata and community schemes.

There are now more than 70,000 schemes worth an estimated \$350 billion in total assets operating across our state.

Today more than one quarter of the NSW population owns, lives or works in strata and community schemes, and that figure is set to grow rapidly over the coming decades.

The laws governing strata must therefore keep pace with the times.

Government consultation

Last year the NSW Government embarked on a series of public consultations following the release of a discussion paper, looking at ways to reform these laws.

Our policy team is assisting the government in ensuring that the new regulatory framework will adequately protect consumers, provide fair and practical democratic processes, and make the schemes as easy to run as possible.

The reforms are expected to take effect from 1 July 2014.

The real estate industry has recognised the opportunities this growth market presents, and an increasing number of agents are adding strata management services to their business portfolios.

People wishing to work in the strata industry as strata managing agents must hold an appropriate Licence or Certificate of Registration under the *Property, Stock and Business Agents Act 2002*.

Common complaints

At NSW Fair Trading, we field

many complaints involving the property industry. Last year 14 per cent of those complaints involved strata and community schemes.

The most common complaints involved Owners' Corporations attempting to terminate management agreements for alleged non-performance or poor performance by a strata managing agent.

“
The reforms are expected to take effect from 1 July 2014.”

Agents failing to convene AGMs within the prescribed time are cause for another common complaint, as are incorrectly recorded minutes

of meetings and also failing to include motions on a meeting's agenda.

Fund misappropriation

On a more serious note, Fair Trading is responsible for investigating strata managing agents facing allegations of misappropriating scheme funds.

Many of the more minor complaints are invariably the end product of miscommunication between the strata managing agent and the Owners' Corporation, made worse by poor record keeping.

I strongly recommend that all real estate agents working in the strata management area read the government's discussion paper *Making NSW No.1 Again: Shaping Future Communities – Strata and Community Title Law Reform* available on our website at fairtrading.nsw.gov.au. ♦





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Harcourts New South Wales CEO Rob Forde believes motivation is the key to rising through the ranks of the real estate industry.

BY ROB FORDE, CEO OF HARCOURTS NEW SOUTH WALES

Try and you will succeed



HARCOURTS' CORE VALUES

Harcourts has four values and these are known by everyone in the organisation.

The values are quite simple:

People first – Everything we do has to be about customers, no matter who you are or what your role is within the organisation.

Doing the right thing – There is never a right time to do the wrong thing.

Being courageous – There are times that we have to stand up for what we believe in. We all know of these conversations, which we often put off if they are uncomfortable. But deep down we know we must have them.

Fun and laughter – We spend a lot of time at work. We need to make sure we can celebrate our successes and find fulfilment to ensure we have a long and successful career.

For anyone new coming into the industry, training is essential.

Making sure that you are working in the right office with the right management is often critical to your success. Having a support network and an office that invests in continual training and development of staff is very important.

People who enter into real estate need to appreciate that the first 12 months will not be easy. To be successful you must put in the work. If you do, the rewards are there, but they will not come without that commitment and work.

Management in real estate is a difficult task for many people. Quite often real estate business owners were top achieving salespeople who transitioned into the role of a business owner as it seems like an expected progression, not necessarily because they were showing signs of being a great manager.

The majority of real estate businesses are classified as small businesses. This naturally makes the position challenging for the business owner as often they are wearing many hats. They're a motivator, a trainer, a manager, a property manager and a salesperson – all while running the business. This places a lot of pressure on the manager.

Motivation, in my mind, is the most important factor when

determining the success of someone in real estate. As long as you have someone who has the right attitude, the skills can be taught.

Making sure you associate yourself with the right people is key. You all know the people in your office or clients who have an upbeat and positive mindset. If you associate yourself with these people it will make a huge difference.

“
Motivation, in my mind, is the most important factor when determining the success of someone in real estate.”

One of the biggest lessons that I have learned in my career is simply to have a go.

If you are willing to work hard in this industry, opportunities will arise. You just need to make sure you are committed to the outcome of the goals you have set. Listen and learn from others who have achieved, and focus on what you need to do on a daily basis. If you concentrate on taking small steps towards your goal every day, you will see your progress. Be proud of what you have achieved. ♦



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Agents on the frontline

CBRE agents discuss the changing face of the commercial sectors.



INDUSTRIAL
MATTHEW LEE
Senior Director, Industrial
and Office Parks, CBRE

OFFICE
OLIVIA SKINNER
Capital Markets,
Commercial Sales
and Leasing Associate
Director, CBRE

RETAIL
DANIEL O'BRIEN
Capital Markets
Director, CBRE

Matthew Lee believes it will be important to the industry for contamination tests to be sped up in the future.

INDUSTRIAL

Logistics is the main driving force in the industrial world today. Traditionally logistics was grouped together with other commercial sales. However, in recent times logistics has grown into its own sector, driven by the demands of companies such as Toll, DHL and TNT requiring bigger and bigger 'sheds'.

"Ten years ago, 10,000sqm was a big shed, but now companies are requesting up to 40,000sqm," CBRE Senior Director, Industrial & Office Parks, Matthew Lee said.

"The beauty of industrial properties is that generally the buildings allow for a range of uses for the owners."



The food market in Australia is the next mining boom.



Rise of refrigerated warehouses

Historically, disposable IT goods have dominated industrial warehousing. However, CBRE has identified the food sector as a key growth market in Australia. The company is encouraging their clients to invest in refrigerated properties to meet the needs of the larger food retailers.

The capital investment to create refrigerated premises capable of dealing with food produce on an industrial scale can be significant. However, once the asset has been fitted out to cater for cold storage goods, it is deemed to be a safe investment.

Historically Coles and Woolworths would have made the investment in these types of properties themselves, but logistics companies are now moving into the space.

"I think that the food market in Australia is the next mining boom," Matthew said.

"We encourage our clients to immerse themselves in the food market."

Environmental challenges

Unlike the office sector, industrial has the benefit of fewer incentives. However, it faces other challenges. Sales of secondary industrial sites, for instance, can be delayed by the prerequisite contamination tests, which can often take environmental science contractors some time to process.

"Contamination is a key issue for secondary industrial sites," Matthew said.

"We've got a fair way to go as an industry to speed up the testing of contamination, but I think as you see industrial real estate become more prominent in the marketplace, you will see technology react quicker."

Due diligence

Matthew said that there is a strong case for the allocation of more data in the industrial sector. The GFC has led banks to become more stringent in their due diligence when lending money, which has had a knock-on effect on the industrial sector where all investments are of a significant scale. Data collation could be one way to provide confidence to lenders.

"I think that information is still quite guarded and not as transparent as it could be," he said.





OFFICE

Office space has undergone something of a makeover during the past decade. First there was open-plan working. Next there was the introduction of Activity-Based Working or ABW (where employees have no allotted desk and pack everything away into lockers at the end of the working day). And now? Employers are seeking properties that have access to cafés, gyms and recreational facilities.

CBRE itself underwent a move to ABW at the beginning of the year in its Sydney office. CBRE Capital Markets, Commercial Sales and Leasing Associate Director Olivia Skinner credits technology for facilitating the evolution of today's office.

Work, rest and play

"The concept of the 'lifestyle office' has been enabled by great advancements in technology," Olivia said.

"People have the ability to work from home, while travelling ... anywhere."

The Australian office property market has retained an average cap rate (market value) of 7.5 per cent for the past four years, which has compressed to 7.4 per cent in 2013, according to CBRE data. Weakening demand, competition from sublease and fitted-out spaces have all challenged the market.

"With companies looking to cost save, another challenge is a decrease in demand for premium stock. This, however, is a real positive for owners of B-grade commercial assets and the creative space option," Olivia said.

Yet B-grade space will not suit all tenants, as these spaces often do not meet the NABERS requirements that government and many companies require.

Therefore, it is not surprising that a multi-incentive approach is being adopted by many landlords in an effort to maintain an acceptable face rent. Landlords have become more aggressive in their pursuit of new tenants, and agents are increasingly becoming more creative with incentive options.



People have the ability to work from home, while travelling ... anywhere. ”

The power of incentives

"Many hidden incentives are offered, such as early access provisions, no make goods and limits on market reviews at an uptake of an option," Olivia said.

"Most commonly, incentives are taken as a rent-free period, but we are also starting to see many owners agreeing to provide fitted-out or partially fitted-out office space to compete with the rise of sublease space availability."

Institutional owners have driven the increase in incentives, but it is questionable whether the continued rise in incentives could further squeeze private owners out of the market.

Education is key

Market conditions mean that tenants are now taking longer to reach decisions. Therefore, it is increasingly important to educate your clients on the market to ensure they have the tools they require to make decisions on a deal – whether it be a sublease, re-fit or new premises.

According to Olivia Skinner, the next development in office space is lifestyle-based offices.

RETAIL

As of December 2012, Woolworths and Coles controlled more than 70 per cent of the retail market share in Australia. Their dominance is put into context when you consider that the three major supermarket chains in the UK (Tesco, ASDA and Sainsbury's) share a mere 50 per cent of the UK market.

Their reach has extended across different sectors of the Australian market as they have moved into new areas of retail, including petrol stations, bottle shops, hardware and even car insurance, often at the expense of the old-fashioned suburban milk bar.

Food and drink demand

"The demand for retail, especially food and liquor, is extremely competitive. The market is the most competitive many of us can ever recall," CBRE Capital Markets Director Daniel O'Brien said. He cited the ever-increasing population as a key driving factor.



The market is the most competitive many of us can ever recall.



"So while we have seen considerable pain over the past few years at the discretionary end of the market, in areas such as fashion retailing, the convenience end of the market and non-discretionary retailing has been very resilient — even during the Global Financial Crisis," Daniel said.

"This has helped underpin continued investor interest in convenience retail assets and

maintained pricing and yields at this end of the market."

"Traditionally a 4000sqm supermarket with 200 cars [parking spaces] was the only requirement for a new supermarket site. However, with the relatively inflexible planning controls governing most Sydney councils now, the retailers have been looking to pre-commit to new residential developments and have adapted to much smaller-format stores," Daniel said.

An increasing number of retailers are committing to the ground floor of commercial or residential developments, which a decade ago was uncommon.

"Let's be clear," Daniel explained, "it's only due to the increased competition from the likes of IGA and Aldi that they [retailers] are now being so flexible."

Moving online

According to the NAB Online Sales Index, online sales rose 27 per cent to \$13bn in the 12 months to January 2013. Retailers in Australia are adopting a 'click and brick' approach.

"Shopping online is all about trust and there is no better way to build trust than by also having a physical store presence," Daniel said.

Hardware retailers, meanwhile, have aggressively acquired new locations and established new flagship stores in recent years. Masters and Bunnings dominated retail construction in 2012, accounting for 34 per cent of acquisitions.

It seems agents are meeting the changing needs of the retail market aided by the increasing flexibility of the retailers. ♦



Large retailers are becoming more flexible as the market for new properties becomes increasingly competitive in NSW, said Daniel O'Brien.

Perfect match

BY JILL PARK

Could property speed dating help you retain good tenants and win some more along the way?

Speed dating is a simple concept. Two minutes of chit-chat with a prospective suitor then the bell goes and everyone switches seats. As the evening progresses, you work your way around the room in the hope of finding your perfect match.

Overseas, the concept has been adopted by property websites as a way to give back to their customers and build their brands. Leading the charge in the UK is website sparerroom.co.uk, which launched its SpeedFlatmating events in the London area in 2004.

“Originally the events followed a strict speed dating format – two minutes with someone then the bell rings and you move on,” Matt Hutchinson, Communications Director at sparerroom.co.uk, explained.

Chat over a drink

The format relaxed in 2007 so that everyone gets a sticker (one colour if you have a room and another if you are looking for a room). Attendees write their names on the stickers, as well as their budget and the areas in which they are looking for or offering a room, then mix and chat over a drink or two.

“The first few minutes of the events are always the hardest for people attending,” Matt said.

“We have staff on hand to book them in, but also to explain how



Gumtree Singapore held a property speed dating event to launch its new property section. The MC roved around the event with a camera crew interviewing participants and the video was streamed live for attendees to watch.

the events work and make sure people know what to expect.

“We generally encourage people to get a drink before they start chatting to people,” he added.

“It’s important for organisers to create a fun-filled environment for participants to interact with each other.”

Gumtree Singapore followed in their footsteps last year when it organised a property speed dating event to celebrate the

launch of its new interface and property section. The event attracted more than 200 property owners and hunters.

Shy participants

Prudence Lau, Senior Regional Marketing and PR Manager APAC, eBay Classified Group explained that their organisation team worked hard to get participants mingling.

“Speaking to a group of strangers can be difficult for shy participants,” said Prudence.

“It’s important for organisers to create a fun-filled environment for participants to interact with each other. Also, if organisers can provide clear indications of what property owners are offering, it will certainly help property hunters to find what they really need more easily.”

[Sparerroom.co.uk](http://sparerroom.co.uk) now holds regular events across the UK and in New York. Smaller events attract 40 people on average, while the central London dates can draw anywhere from 100 to 150 attendees, and sometimes even more. More than 10,000 people a year attend events.

Local opportunity

Young Agents Chapter Chair Eddy Piddington believes the format could work in the Australian market, especially in sought-after areas like Manly, Bondi and Surry Hills.

“I think it is a great concept where you can meet other people in a similar situation. The high rent in Sydney is another driving factor that means many people need to find a flatmate or share set up,” he said. ♦

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BY CHRIS RUMORE, SENIOR PARTNER AT COLIN BIGGERS & PAISLEY

How GST affects real estate transactions

The *Journal's* second article in our two-part GST series explores how GST may impact different property transactions in the real estate industry.

As an agent, you are not expected to be a GST expert. However, when negotiating transactions that affect property, you do need to know some GST fundamentals so that the liabilities of the relevant parties can be clearly identified and agreed upon as part of the negotiation process. If you are not aware of these fundamentals, adverse GST consequences may result.

In addition to the fundamentals, there is also a range of GST issues that can arise in relation to particular types of property transactions, and it is important that you are aware of these. Having a basic understanding of GST will help you to provide a better quality of service for your clients, though you should ensure they are aware that they should seek the advice of a taxation expert if necessary.

Selling a property as part of a business concern

If you sell property as part of a business and the business is registered for GST, the margin scheme may be applicable to reduce the amount of GST payable.

The amount of GST normally payable on a property sale is equal to one-eleventh of the total sale price. When the

margin scheme is used, the amount of GST payable is equal to one-eleventh of the margin. The margin is the difference between the sale price and either the amount paid for the property or the value of the property as at 1 July 2000.

Whether the margin scheme can be used depends on how and when the property was first purchased.

The margin scheme can be used if the property was purchased before 1 July 2000. It can also be used if the property was purchased after 1 July 2000 from someone who:

- was not registered or required to be registered for GST;
- sold an existing residential premises;
- sold the property as part of a GST-free going concern; or
- sold the property using the margin scheme.

Selling an existing residential property

If you are selling an existing residential property, GST will generally not apply as the transaction is input taxed (i.e. GST free). This is the case even in circumstances where the buyer intends to redevelop the property.



GST FUNDAMENTALS

The fundamentals of GST are as follows:

- There must be a taxable supply.
- The supplier (usually the vendor or landlord) must be registered or required to be registered for GST purposes.
- The supplying entity is required to have an annual turnover above the GST threshold (presently \$75,000, except for charities where it is \$150,000).
- The supply must be 'connected with Australia'.
- There must be consideration.
- The supply must be in the course of, or furtherance of, an enterprise (and this includes one-off transactions).
- One of the exemptions (for example, the sale or rental of residential premises) must not apply.

However, where an existing residential property has been substantially refurbished prior to sale, the exemption does not apply. Nor does the exemption apply where an existing non-residential property, such as a commercial building, factory or warehouse, has been converted for residential use.

Selling a farm

If you are dealing with the sale

of a farm, it may be subject to an exemption. However, it's important to be aware that there are very strict rules relating to this exemption.

First, the seller or their predecessors must have used the premises for farming purposes for five continuous years (although this does not have to be the five years immediately preceding the sale).

Second, the buyer must intend to use the premises for farming purposes. This is the only instance where the intention of the buyer is relevant for GST purposes.

Finally, the activity to be conducted on the property must be a 'farming' activity — agistment of livestock does not fit within this category.

Selling a business as a going concern

You have most likely heard of the going concern exemption. This exemption applies where the person selling the business transmits everything that is necessary to enable the continued operation of the business by the buyer. The sale

of a property subject to a lease is a common example.

There can be complications with the going concern exemption where the sale of a business and the sale of the real estate are separated. However, the ATO is of the view that even if they are separated, provided one buyer is purchasing both, the going concern exemption will apply.

It is sometimes stated that the sale of a site subject to development consent, on which some work has commenced, is a sale of a going concern. It is doubtful that this will be the case where work has actually stopped on the site. However, if work has

continued until completion of the sale, then this exemption would apply.

Selling leasehold properties

Incentives allowed under leases (the most common circumstances being where there is a cash payment or a contribution towards fit-out) will attract GST.

Other payments made pursuant to the lease, such as a payment by either the landlord or the tenant for a lease surrender, will also attract GST.

A final note

It is worth noting that GST is payable not just on the

purchase price of a property, but also on adjustments (for example, rates, land tax, rental and the like).

As an agent, you need to be familiar with the basic concepts of GST to facilitate negotiating commercial transactions that involve GST.

However, you must make it clear that you are not giving advice with respect to GST and that the parties must rely upon their own independent professional advice. ♦

To read the first in our two-part GST series – 'GST basics for your agency' – go to page 22 of the July 2013 edition of the Journal.

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Holiday rentals hitlist

The *Journal* speaks to Tea Gardens' Real Estate Principal Rick Wright about preparing properties for peak holiday rental periods.



The season for holiday and short-term rentals differs depending on which part of NSW you are in. However, the procedures you need to follow to ensure your properties are ready for holiday rental do not.

Tea Gardens Real Estate Principal Rick Wright believes holiday and short-term rental property managers need to understand that they are unique in the property management market.

"Firstly, the holiday rentals property manager needs to appreciate they are within the hospitality industry and need to adopt hospitality principles, practices and protocols," Rick said.

"They must educate owners that they are also within the accommodation industry and must be prepared to comply with appropriate regulatory standards.

"Ultimately, owners must ensure that a holiday property is providing for its holiday guests' expectations."

Read on to find out Rick's advice on how to prepare for the new season before the rush begins.



What should you consider before the season starts?

Property maintenance – Assess the property and ensure all potential risks are removed prior to occupation. This includes checking appliances, smoke alarms, hot water temperatures, swimming pool gates and fences etc. It is important to create an ongoing regular inspections procedure.

Cleaning – Owners and agents may have different standards of cleanliness. Ensure you check a property has been cleaned properly before guests arrive. If a property has not been occupied for more than 30 days, visit it to ensure the power is still connected and everything is clean and tidy.

Spare parts – Have all the appliances in the properties been checked and do you have spares available? Kettles, toasters and refrigerators are common breakdown culprits.

Repairs – Maintain an excellent relationship with your repairmen and check if they are available to work during gazetted holiday periods.

Style property – Assess each property's target market and style the property accordingly.

Risk management – Create a risk-management procedures manual. For example, what would you do if guests hold a party at a property and the neighbours complain or if a guest falls ill or is injured on the property?

Online marketing – Build a dynamic holiday website that includes accommodation. Remember, Google struggles to index holiday properties buried inside a conventional real estate website. Provide real-time availability plus online booking within the website. Consider feeding properties plus live availability to holiday

accommodation portals. Don't forget to take amazing photographs.

Timeline – With the correct procedures in place, a holiday property can be prepared for holiday rental within 14 days. ♦

NSW HOLIDAY SEASON

- Snowy Mountains: June long weekend to September, then December/January and Easter.
- NSW South Coast: September school holidays then December/January through to Easter.
- NSW Central Coast: August through to May and weekends all year.
- NSW North Coast: All year.

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BY SUZIE REID, PRINCIPAL OF LAING+SIMMONS DOUBLE BAY

Vetting your tenants

The essential guide for property managers when taking on new tenants.

A good property management office starts with the rule of vetting tenants properly. The aim of the leasing staff is not just to find a tenant – it is to find a good tenant who is right for the property.

Turning down the wrong applicant is the most important thing that you can do to create a happy and successful property management office. This can be hard to do, especially when times are quiet, but you will be rewarded with happy landlords, less visits to the CTTT and happier property managers who don't have to deal with bad tenants.

If the application process is thorough, in most instances you are able to confidently advise a landlord that you believe the tenant will be good. If you cannot confidently present the tenant to the landlord, then there is a good chance that you are selling the tenant not only to the landlord, but also to yourself.

Challenging properties

There are some properties that are, of course, difficult to lease to the perfect tenant as they have failings of their own. In this case, it is still the property manager's role to diligently research the prospective tenant's application and discuss with the landlord the risks of accepting a tenant who may not be perfect. However, consider

whether you want to manage a property that can only be leased to tenants who carry potential risks.

At all times you need to look for the problems and not try to hide from them. Once the tenant is in the property, believe me, the problems will find you.

There is another aspect to tenant selection and this is the potential liability that your agency has when a poorly selected tenant rents a property and this results in the landlord suffering a loss. When this loss occurs, the vetting of the tenant is the first aspect of your management that will go under the microscope.

Tenant databases

Tenant database services provide another two levels of protection. First, they can assist in identifying a previously defaulting tenant and, second, they may provide an additional layer of legal liability protection, as you can show your landlord that you checked the database that you use for any record of the tenant and there was none. Keep a record of this search. Good tenancy databases have requirements for information that can alert you to a tenant using an alias or one who has a poor tenancy record in a slightly different name, as they can cross-reference dates of birth and identity documents, such as driver's licence and mobile

telephone numbers.

Today's cyber world has brought us an additional tool – the Google search. This simple search can also help validate a prospective tenant and provide an additional level of comfort.

Competing agents

Encourage good relationships with your local agents, even those that may be your strongest competition. Be honest when you give references for tenants who are leaving your office to rent from another agent if you wouldn't recommend them. You will more than likely be repaid in kind.

Despite the most careful searches and all the due diligence that you can utilise, it is still possible that you will end up with a bad tenant who is going to be the cause of a loss to the landlord. When this happens, advise the landlord immediately when you become aware that there is a problem or potential problem.

Flaw finding

If you have done everything possible to find flaws in the tenancy application when it was vetted and you can show that you were diligent in checking the application, then you should be able to confidently defend your performance. On the other hand, if you chose to ignore a potential problem (big or small), then it is this that will be your



potential undoing. The most important thing in checking a tenancy reference is a genuine desire to find the bad news. If you try hard to find it and can't, then there is a very good chance that it just isn't there, and you have a tenant you would be happy to put in a property you own yourself. ♦

“

At all times you need to look for the problems and not try to hide from them. Once the tenant is in the property, believe me, the problems will find you.

”



Conducting thorough tenant checks before renting a property can ensure properties are well-maintained.

NEW TENANT CHECKLIST

When taking on new tenants, it is essential to have thorough procedures in place to ensure the correct tenant is chosen. Here are some key points to consider working into your tenant checks:

- If the rent has been paid promptly, but the referring agent can't speak to the condition of the property, then this is what the landlord must be told.
- Make a note on the application of what was said by referees and by whom.
- Any reference checking with another agent should also include them providing a copy of the potential tenants' rent ledger. Inability to provide this ledger is something you should be very sceptical about.
- Have you collated and filed all your research with the tenancy agreement? It is important to keep your research so you can refer to it in the future if an issue should arise.
- Did you check the applicant's history on a tenancy database and did you keep a record of the search?



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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".

Training calendar

SEPTEMBER 2013

2 - 5 Sep • SYDNEY

Certificate of Registration Course
(9.00am–5.00pm)

3 Sep • SYDNEY CPD

The Nuts and Bolts of the Residential Tenancies Act
(9.30am–1.30pm)

4 Sep • CAMMERAY

North Division Novice Auctioneers Competition
(6.30pm–8.30pm)

7 Sep • SYDNEY CPD

Creating Impact and Influence
(9.30am–1.30pm)

7 - 28 Sep • SYDNEY

Certificate of Registration Course (part-time)
(4 consecutive Saturdays)
(9.00am–5.00pm)

9 - 12 Sep • SYDNEY

Certificate of Registration Course
(9.00am–5.00pm)

10 Sep • SYDNEY CPD

The A-B-C of Compliance
(9.30am–1.30pm)

10 Sep • PENRITH

Nepean, Hawkesbury, Blue Mountains Division Novice Auctioneers Competition
(6.30pm–8.30pm)

16 Sep • SYDNEY CPD

An Agent's Guide to Tax and Property Investment
(9.30am–1.30pm)

16 - 19 Sep • SYDNEY

Certificate of Registration Course
(9.00am–5.00pm)

17 Sep • SYDNEY CPD

WHS for Property Managers – Legislation Overview
(9.30am–1.30pm)

20 Sep • WEBINAR

Auction Day
(2.30pm–3.30pm)

23 - 26 Sep • SYDNEY

Certificate of Registration Course
(9.00am–5.00pm)

27 Sep • DUBBO

Orana Division Novice Auctioneers Competition
(6.30pm–8.30pm)

27 Sep • SYDNEY CPD

The D-E-F of Compliance
(9.30am–1.30pm)

30 Sep - 3 Oct • SYDNEY

Certificate of Registration Course
(9.00am–5.00pm)



Women in Real Estate Conference – 22 Oct

Sydney Paint the town pink at the Women in Real Estate Conference on Tuesday, 22 October 2013. Held this year at Sydney's Luna Park, it will be a day full of inspiration, motivation, networking and fun. Be sure to book your place!

OCTOBER 2013

4 Oct • SYDNEY CPD

Managing Your Property Management Workplace
(9.30am–1.30pm)

8 Oct • SYDNEY CPD

Creating Impact and Influence
(9.30am–1.30pm)

8 - 11 Oct • SYDNEY

Certificate of Registration Course
(9.00am–5.00pm)

10 Oct • SYDNEY

2013 REINSW Awards for Excellence Gala Dinner
(6.30pm–11.30pm)

11 Oct • SYDNEY CPD

WHS for Strata Managers – Legislation Overview
(9.30am–1.30pm)

14 - 17 Oct • SYDNEY

Certificate of Registration Course
(9.00am–5.00pm)

15 Oct • SYDNEY CPD

Prepare for Selling Like Never Before
(9.30am–1.30pm)

21 Oct • SYDNEY CPD

An Agent's Guide to Tax and Property Investment
(9.30am–1.30pm)

21 - 24 Oct • SYDNEY

Certificate of Registration Course
(9.00am–5.00pm)

22 Oct • SYDNEY CPD

Women in Real Estate Conference
(9.00am–4.30pm)
(Followed by networking drinks)

28 - 31 Oct • SYDNEY

Certificate of Registration Course
(9.00am–5.00pm)

29 Oct • SYDNEY CPD

Maximise Your New Management Success Rate
(9.30am–1.30pm)

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Coastal surge

Young families are driving a return in confidence to the Terrigal property market.

European settler John Gray arrived in Terrigal in 1826. He named his property Tarrygal, an Indigenous name meaning 'place of little birds'.

Terrigal offers access to numerous pristine surf beaches, a great cosmopolitan café culture and local shops, schools and other amenities on your doorstep. Strong surf clubs and sporting clubs in the area are also popular attractions for families.

"Traditionally a significant portion of Central Coast residents commute to the city for greater employment opportunity in most business sectors," said Lachlan Macdonald, General Manager at Ray White Terrigal and Central Coast Division Chair.

"Trades are also a key source of employment, with jobs often combining work in the area with work in Sydney or Newcastle. Also, some key commercial areas provide factory and manufacturing work to a large

number of residents. Small business, though, appears to be the key employer on the Central Coast, with many family businesses having operated here for generations."

Significant growth in the area followed on from post-war prosperity and business growth in Sydney and its suburbs. As a result, major housing subdivisions occurred from the 1960s to mid 1970s to meet increased demand.

"Terrigal built on its foundations as a tourism destination and holiday properties have been an ever-increasing component of the local marketplace until recent economic issues caused many wealthy individuals to seek liquidity, resulting in an increased number of holiday-style properties on the market in the past few years," Lachlan said.

The higher end of the property market is still experiencing some pressure in the area, but there are positive signs

that buyers have regained confidence since last year, when only bargains could entice buyers in the luxury market.

"There is still a challenge faced with retiring baby boomers looking to downsize, as the homes they are selling are generally in the higher price brackets, and continued pressure on pricing in these brackets is making the move difficult for many whose retirement plan heavily relied on the capital gains from their primary place of residence," Lachlan said.

"Now the market is mainly composed of young families, resilient holiday makers or those who have owned their holiday properties for many decades, and retirees coming out of Sydney."

According to Lachlan, high auction clearance rates and stronger buyer confidence are resulting in faster sales and good levels of buyer interest



for properties priced either side of Terrigal's median sale price of \$560,000. In particular, young families are driving the middle range of the marketplace.

"The overwhelming majority of my properties have sold prior to auction, with buyers happy to pay a premium in order to secure a property, having missed out on others already due to competition," he said.

"Lack of stock on the market is the overwhelming hurdle at the current time." ♦

AROUND TERRIGAL



The Skillion is one of Terrigal's local landmarks. The headland area provides a fantastic view over the ocean.



Dairying was historically important to the local economy with lush coastal acreage in abundance, but it wasn't until the late 19th Century when tourism began to flourish.



The development of roads and completion of the railway line from Sydney to Newcastle in 1889 greatly increased tourism and investment in the area.



In most areas the largest residential developments took place in the 1970s and 1980s, so there is a mixture of original condition brick and tile.



Holiday and short-term rentals are popular in the Terrigal area.
Photo credit: Rod Amos.

Q&A



LACHLAN MACDONALD
Managing Director at
Ray White Terrigal

Lachlan is a third-generation agent, and his family has had a very long involvement with REINSW. He was a member some time before he began working in the industry full time. However, it was upon winning the Central Coast Division Novice Auctioneers Competition in 2009 that he became more heavily involved through the Young Agents Chapter.

Q. Tell us about your Division.

A. The Central Coast offers families a great combination of lifestyle and value. The area allows them to remain within striking distance of Sydney while enjoying the lifestyle our bayside and beachside suburbs can provide.

Q. What are the key issues in your area at the moment?

A. In terms of the area as a whole, I would say the key issues are the drastic need for further redevelopment and growth of our town centres, especially Gosford CBD. What was once a thriving hub in the area has suffered from lack of incentives and council support for new development, which has resulted in businesses moving elsewhere, such as significant new business parks in the West Gosford and Erina areas.

In terms of issues for the real estate industry, the recent legal decisions in relation to short-term lettings and the pending response from Gosford City Council is certainly a major concern for those who operate significant holiday letting departments in their businesses. This is a key area for real estate businesses and a key area of investment in our region, with the beaches and other attractions being popular holiday destinations and weekend escapes for many in Sydney and rural NSW.

Q. How are you addressing these issues in your Division?

A. Liberal candidate for Robertson Lucy Wicks greatly assisted in arranging an exclusive roundtable discussion between a few key industry professionals in the area, alongside NSW Minister for Fair Trading Anthony Roberts, Chairman of the CTTT Stuart Westgarth and Member for Gosford Chris Holstein, to discuss a few key concerns such as the legality of short-term lettings, national licensing and other industry-specific concerns. The overwhelming opinion of those who attended was that it was clear that our thoughts had fallen on cooperative ears and that more industry involvement was required. ♦

Interested in getting involved in your Division?

For more information, email REINSW at divisions@reinsw.com.au.

“

Terrigal offers access to numerous pristine surf beaches, a great cosmopolitan café culture and local shops, schools and other amenities on your doorstep.

”

TERRIGAL KEY STATS

People	10,614
Private dwellings	5016
Median weekly household income	\$1323
Median monthly mortgage repayment	\$2167
Median weekly rent	\$360
Median house price *	\$560,000
Median unit price *	\$495,000
Vacancy rate ^	3.2%

Source:

Unless otherwise specified, statistics are sourced from 2011 Census.

* REINSW Property Profile – March 2013; median price refers to Local Government Area

^ Central Coast figure from REINSW Vacancy Rate Survey – June 2013

Tackling the issues

Former Wallabies players joined key industry leaders for an informal lunch hosted by REINSW and Direct Connect.



REINSW partnered with Direct Connect to host a networking event in Sydney, bringing together more than 40 leading agents, franchise heads, real estate IT providers and stakeholders with rugby union greats Rod Kafer and Justin Harrison, and special guest, South Sydney Rabbitoh's coach Michael Maguire.

Rugby and real estate were the topics of the day when more than 40 leading agents, franchise heads, real estate IT providers and stakeholders, came together on Wednesday, 3 July 2013.

The informal lunch event, held at The Waterfront harbourside restaurant in Sydney's Rocks precinct, was hosted by REINSW in conjunction with long-term major partner Direct Connect.

Fox Sports commentator and former Wallabies player Rod Kafer played host for the day as MC and was joined by his former team-mate and guest speaker Justin Harrison, who

was in Sydney for the third Wallabies v Lions test match.

The pair shared stories of past tours, which kept attendees entertained, as did the healthy dose of good-natured ribbing between the long-time friends and sporting comrades.

As a surprise bonus, South Sydney Rabbitoh's coach Michael Maguire, named in 2013 as the 'most wanted man in league', was on hand for a quick Q&A about his team's impressive performance in this year's NRL competition.

Sports aside, the event gave attendees the opportunity to connect with colleagues and

friends, according to Jim Swan, General Manager NSW for Direct Connect.

"These days, the business of real estate is so fast-paced for all of us," he said.

"Today was a great chance just to take some time out, talk about what's happening in the market and strengthen business relationships."

REINSW CEO Tim McKibbin agreed.

"These events are an opportunity for major industry players to come together to discuss the issues impacting our profession," Tim said.

"From what's currently in the technology pipeline to opinions about the direction of the market and the challenges of daily agency practice, a whole range of topics were discussed over the course of the afternoon," he added.

"And today we had the added benefit of having some of Australia's rugby union luminaries in the room to give us an insight into the importance of teamwork and how it can contribute to exceptional results.

"I'd like to thank our friends at Direct Connect for helping us put this hugely successful networking event together." ♦

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