

PIPA ADVISER

ISSUE #3

For members of the Property Investment Professionals of Australia

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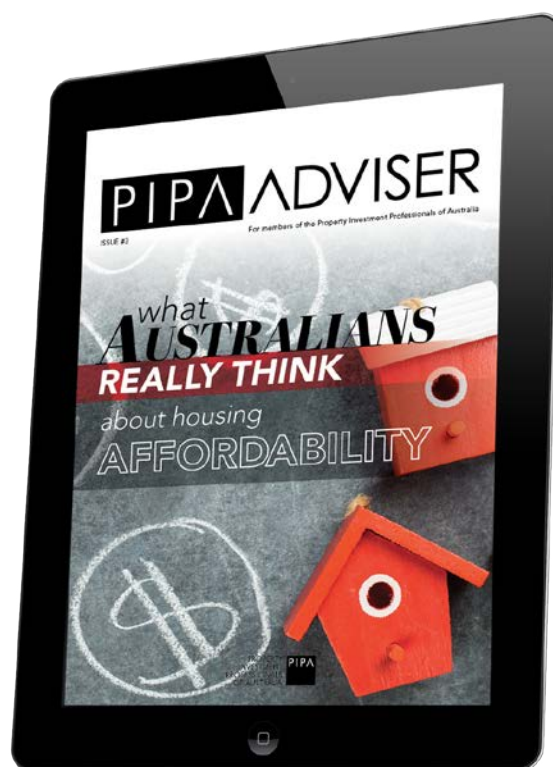
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RESEARCH

Residential real estate is the country's largest asset class but by every measure, housing affordability has worsened over the past 15 years.



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PIPA now represents everyone in property

Welcome to the third edition of the *PIPA Adviser* – your bi-monthly member e-magazine. Over the past two months, the association has been busy growing our national profile as well as working to create the Property Investors Council of Australia (PICA).

The release of the Federal Budget in early May was much anticipated and I believe we can be reasonably satisfied with the results.

In the lead-up to the Budget – amidst much media noise and negativity about property investors – PIPA embarked on an ambitious round of lobbying to ensure that the Federal Government understood the economic benefits of property investment.

Upon the release of the Budget, PIPA publicly welcomed the government's well-considered measures to addressing housing supply and demand side issues and received solid media coverage from

our position.

The association also supported the government's decision to continue the sensible approach to negative gearing and retain Capital Gains Tax discounts for Australians.

PIPA was not completely happy with all aspects of the Budget, however, specifically relating to travel costs and depreciation deduction changes, which we believe require urgent clarification.

Given the hype and hyperbole leading up to the Budget, I feel the association should be satisfied with the outcome as well as our lobbying efforts at a national level.

Housing affordability remains a hot topic so I am pleased to be a keynote speaker at the 2017 Australia Affordable Housing Conference in Sydney mid-July where I will discuss the wide-ranging economic benefits of property investment.

The conference, which is run by an international events company, is mainly designed for industry leaders and key decision- and policy-makers so it's another sign that PIPA's profile is growing in stature.

PIPA will also be a part of the Sydney Property Buyer Expo in Sydney in late October.

The formation of PICA is taking shape with its constitution drafted as well as its logo designed. It is hoped that it will be launched in the months ahead.

The inaugural PIPA Webinar in late April with CoreLogic was well-received by members and will now become a quarterly free member benefit. The second webinar with the "Property Professor" was held in mid-June on the topic of how to identify the best investment suburbs. You can watch a live recording of it [here](#) [🔗](#).

With the series of property shows and expos about to start, as well as the formation of PICA, PIPA has a busy period ahead of us.

I look forward to keeping you updated on our progress. ▀

BEN KINGSLEY
PIPA CHAIRMAN

PIPA media kit

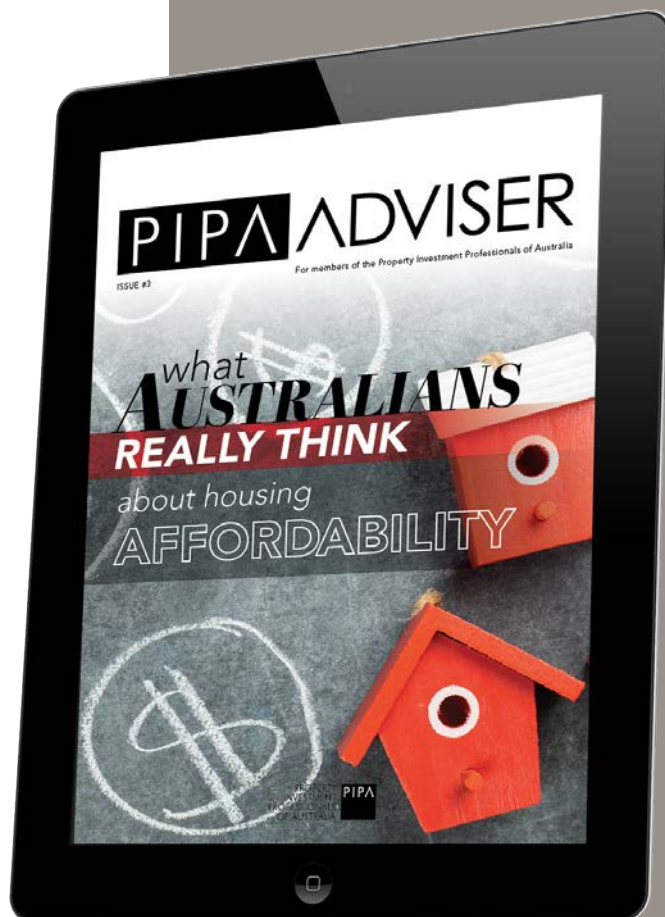
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The **PIPA Adviser** is a bi-monthly industry e-magazine that features the latest industry news, research and state market analysis as well as PIPA happenings including upcoming events and media mentions.

Delivered to hundreds of PIPA members every two months, the **PIPA Adviser** has a potential reach of

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NICOLA MCDUGALL
Editor, PIPA Adviser

Queensland's time to shine?

The market in Queensland, and in the southeast in particular, has been diligently racking up three to four per cent annual growth over recent years, but will that growth ramp up when Sydney and Melbourne cools down?

According to the CoreLogic May Home Value Index, Brisbane-Gold Coast recorded an increase in dwelling values of 2.0 per cent over the quarter.

The result usurped both Sydney and Melbourne which posted price changes of nil and 0.7 per cent respectively.

Unit growth was more subdued with Brisbane-Gold Coast recording growth of 0.6 per cent over the quarter – no doubt with the Gold Coast balancing out the oversupply situation in parts of inner Brisbane.

CoreLogic head of research Australia Cameron Kusher says the Brisbane market was a mixed bag.

"The market is generally quite soft across the city, however, you do find pockets of strength such as the inner-city suburbs and the Redland council area," he says.

"Another feature we are seeing in the market is falls in values across the unit market while values for houses are continuing to see growth.

"We are already seeing values of units fall and rental markets ease and I would anticipate that we are

set to see these conditions persist for at least the next 12 months."

Queensland has been long used to playing "third fiddle" to New South Wales and Victoria, but the Sunshine State historically comes into its own when southern property prices are deemed too high. Its weather has also always attracted the lion's share of interstate migration.

And while the numbers of interstate migrants is growing, it appears they're not heading to Brisbane.

"We are seeing that (interstate

“Values for houses are continuing to see growth.”

migration) demand driving greater value growth on the Gold and Sunshine coasts than in Brisbane and I suspect that those conditions will continue,” Kusher says.

“It is pretty clear that in southeast Queensland there appears to be greater interstate demand for lifestyle property than that for properties in Brisbane.”

The PIPA member survey earlier this year found that Brisbane was the preferred destination among property market professionals with around 44 per cent of respondents selecting the Queensland capital for the best investment prospects this year.

Likewise, the 2016 PIPA Investor Sentiment Survey in October last year found that the number of investors who believed Brisbane offered the best investment prospects had fallen slightly – from 58 to 50 per cent over the past year – but the city remained far ahead of any other capital cities (Melbourne 20 per cent, Sydney 11

per cent, Adelaide nine per cent and Perth four per cent).

“Property investors are becoming more savvy. Many of them continue to look outside of our biggest property markets – Sydney and Melbourne – which are coming close to the peak of their cycles,” PIPA chairman Ben Kingsley says.

“The two key reasons that Brisbane still attracts investors, in spite of concerns around over-supply, are affordability and the potential for attractive yields. Brisbane is investing in infrastructure to make the city more liveable and investors are clued on to this.”

When it comes to the recent Federal Budget, Real Estate Institute of Queensland (REIQ) CEO Antonia Mercorella believes the Queensland housing market will not be significantly impacted by its housing affordability announcements.

However, she says, the REIQ was

disappointed in measures that limited investor activity because the Queensland housing market urgently needed investors.

“As a State that does not face a significant housing affordability issue, most of the measures were designed to tackle problems that are faced by Sydney and Melbourne markets,” Mercorella says.

“We have 93 suburbs in Greater Brisbane that are priced at or below \$500,000. Sydney has just four suburbs and Melbourne has 11. The issues that are faced by those markets simply do not exist here in Queensland.”

Mercorella says the REIQ supports the first homebuyer super saver scheme, but even in Brisbane – which is much more affordable than Sydney and Melbourne, the caps would not allow a first homebuyer to save a big enough deposit.

“The super-saver scheme... would not be as effective as the State Government broadening the first homebuyer grant to include established homes, which is how the Federal Government originally intended this grant to be used,” she says.

“The annual median sale price for houses and units in Brisbane LGA was \$643,000 and \$445,000. The \$30,000 deposit only represents 4.6 per cent and 6.7 per



PIPA marketupdate



***This market
needs a stable,
consistent
supply of rental
properties.***

cent of the value of a house and a unit in Brisbane."

While generally supportive of the measures, Mercorella has concerns about the impact of the removal of travel-associated tax deductions for Queensland property investors.

"For a vast array of reasons, this market needs a stable, consistent supply of rental properties to the private rental market," she says.

"By removing deductions such as travel associated with the property, we fear that this will discourage Brisbane-based or interstate investors from considering a purchase in regional Queensland.

"Removing depreciation benefits on certain items (ovens, dishwashers, etc.) mean the

cost of owning an investment property will rise. We are currently assessing the likely impact on the average investor, however, our first-draft analysis suggests most investors will face a rise of around \$2,000 a year."

But with more than 50,000 Queenslanders are employed by a real estate small-to-medium business, Mercorella says the profession will benefit from the continuation of upfront tax deductions for plant and equipment up to \$20,000.

According to CoreLogic's Regional Market Update for the December quarter 2016, the Gold Coast saw the biggest increase in home values over the year, up 6.9 per cent for houses and 5.5 per cent for units, followed by the Sunshine Coast, up 4.5 per cent for houses and 3.0 per cent for units.

House and unit values across Townsville fell -3.2 per cent and -3.8 per cent respectively, while values across Cairns rose moderately for houses (up 0.9 per cent) and were unchanged for units. The Wide Bay region saw





house values increase slightly (0.6 per cent) while unit values fell -2.0 per cent over the same period.

Kusher says market conditions in regional Queensland remain patchy.

"The regions seeing the strongest value growth are the southeast Queensland lifestyle markets of the Gold and Sunshine coasts," he says.

"Once you move out of the southeast corner most regions of the state are actually experiencing value falls, however, recent data suggests that the rate of decline in many of these regions is slowing as sales volumes show a moderate uptick."

Queensland's mining regions have borne the brutal brunt of the



Brisbane is investing in infrastructure.

resources downturn with property prices in freefall for a number of years.

But it appears the price plummet might be nearing its end.

"The mining regions have continued to see values decline over the past year, however, in most regions the rate of decline has slowed," Kusher says.

"Values remain well down on previous peaks as do sales volumes but transactions have increased

over the past six to 12 months in many of these regions, potentially pointing to a further slowing of declines across these markets."

The rest of the 2017 is likely to see a continuation of current trends, including moderate growth in the southeast and a slowdown declines elsewhere, Kusher says, with the housing market likely to continue its stronger performance compared to units. ▀





BEN KINGSLEY
Chairman, PIPA



What the Federal Budget means for investors

After much debate about what may or may not be included in the Federal Budget, the so-called "housing affordability" reforms were finally unveiled in May.

Generally speaking, PIPA welcomed the Federal Government's well-considered measures to addressing housing supply and demand side issues.

The association also supported the government's decision to continue the sensible approach to negative gearing and retain Capital Gains Tax discounts for Australians.

In fact, the measures represented an improving and sensible approach to stabilise the housing market and also gave confidence to people who invest in property to provide rental housing and to their family in terms of future financial wellbeing.

NEGATIVE GEARING AND DEPRECIATION TINKERING

While the government avoided any wholesale changes to negative gearing, the decision to tighten some negative gearing deductions has the potential to create confusion among property investors.

PIPA is not completely happy with all aspects of this budget, specifically in regards to travel costs and depreciation deduction changes.

Investors factor in wear and tear costs at the time of purchase to cover the replacement of these plant and equipment items. Given each item claimed is annualised

based on age, we don't understand the government's concerns around possible additional deductions and double-dipping in the property which is later sold.

The Australian Tax Office (ATO) allows owners of income-producing property to claim depreciation deductions for the wear and tear that occurs to a building's structure and the plant and equipment assets within.

According to PIPA corporate member, BMT Tax Depreciation, the proposed Federal Budget changes relate to the depreciation of plant and equipment assets and the eligibility to claim this deduction.

Currently, investors are eligible to claim qualifying plant and equipment depreciation on assets found in an investment property they purchase, even if they were installed by a previous owner.

“Under the new rules which are yet to be legislated by Parliament, investors will be able to depreciate new plant and equipment assets and items they add to their property, however subsequent owners will not be able to claim depreciation on existing plant and equipment assets,” BMT Tax Depreciation CEO Bradley Beer says.

write off, including any additional capital works carried out by a previous owner.

Also, Mr Beer says that the budget notes were clear that existing investments will be grandfathered, which means that anyone who has purchased a property up until the 9th of May 2017 will be able to claim depreciation as per normal.

If a property investor exchanged contracts to purchase a second-hand property after 7:30pm on the 9th May, there could be different depreciation rules applicable to their scenario.

The fast-train concept could help affordability for generations to come given public transport remains the best way to improve the accessibility of satellite cities to major centres.

Of course, property investment advice should also be regulated to tackle housing affordability issues and this would remove spruikers and speculators from the market.

Educating investors about the real and current risks of property investment and ensuring they are not pressured into poor investments would help to moderate demand and avoid



More investment is needed in transport to encourage affordable housing supply.

“This change will have a major impact on investors, essentially reducing the annual deductions they can claim and therefore reducing their cash return each year.

“This could lead to investors being in a tighter financial position and may discourage future investors from purchasing a second hand residential property.”

It is BMT's understanding that if the property is new, investors will be able to continue to depreciate plant and equipment as they were previously, but it is seeking further clarification on this.

According to BMT, investors will still be able to claim capital works deductions also known as building

“We are currently speaking with government to further understand the intricacies relating to the budget notes and the proposed changes to depreciation of plant and equipment assets,” Mr Beer says.

■ MORE INFRASTRUCTURE NEEDED

While the budget unveiled measures to continually support infrastructure across the country, more investment is needed in transport to encourage affordable housing supply.

That's because you will never be able to make inner-city value less expensive due to strong demand versus limited supply.

budding investors getting their hands burned.

That's why the formation of the Property Investors Council of Australia (PICA) could not be happening at a better time, given the continual fascination in the media, as well in the corridors of parliament, about the role of property investors in the wider housing market.

PICA will be on the front-foot from the very beginning to ensure that the economic benefits of the property investment community are not only recognised but also understood by all levels of government as well as the general public. ■

PIPA depreciation

Top tips for tax time



BRADLEY BEER
CEO, BMT Tax Depreciation

With the new financial year just around the corner, here are eight tips to help your clients get the most from their investment properties this tax time.

1. CLAIM DEPRECIATION TO MAXIMISE RETURNS

Any investment property that generates income may be eligible for thousands of dollars in depreciation deductions. Most investors can claim an average of \$5,000 to \$10,000 in deductions in the first full financial year alone.

2. ORDER A TAX DEPRECIATION SCHEDULE

A BMT Tax Depreciation Schedule outlines all the deductions an investor can claim for their property. It lasts for 40 years and the fee for preparing it is 100 per cent tax deductible.

3. AMMEND PREVIOUS TAX RETURNS

Investors can amend two previous tax returns to recoup any missed deductions.

4. MAXIMISE DEDUCTIONS

To ensure that clients who co-own investment properties are maximising deductions, it is important that property professionals recommend they obtain a split report. A split report calculates each owner's percentage of ownership of the assets within a property before applying depreciation deductions. This

usually qualifies more assets for accelerated depreciation and gives the owners greater returns sooner.

5. PARTIAL YEAR DEDUCTIONS

Property investors can make a make a partial year claim for depreciation if they only lease out their property for a portion of the year. The Australian Taxation Office (ATO) allows investors to make a claim for depreciation based on the amount of days a property was available for lease.

6. EARLY DEDUCTIONS

Make use of techniques that maximise deductions early, including low value pooling and instant asset write off. This will put more money back into your clients' pockets sooner.

7. CLAIM FOR RENOVATIONS AND IMPROVEMENTS

If your client has made any renovations or improvements to a property in the last financial year, they should seek the advice of a specialist quantity surveyor to ensure they have claimed this correctly.

8. USE SPECIALISTS

Ensure your clients use a specialist quantity surveyor to

prepare their tax depreciation schedules [🔗](#). Quantity surveyors are one of the few professionals recognised by the ATO to have the appropriate construction costing skills to estimate building costs for depreciation, and only a tax depreciation specialist such as BMT can be relied on to maintain detailed knowledge of all current ATO Tax Rulings relating to depreciation.

* Under proposed changes to legislation, investors who exchange contracts on a second hand residential property after 7:30pm on 9th May 2017 will no longer be able to claim depreciation on plant and equipment assets. Investors who purchase a new property will be able to continue to claim these items as they were previously.

We are currently speaking with government to further understand the intricacies relating to the proposed changes. **■**

Avoid these five common property investor pitfalls

With the new financial year upon us, the ATO shares five common investor pitfalls with *The PIPA Adviser*.

1. NOT REPORTING ALL OF YOUR RENTAL INCOME

Any income you receive from your rental property must be included on your tax return. This includes any bond payments you are entitled to keep and some insurance payouts.

2. FAIL TO KEEP RECORDS

Keep records of your expenses for five years after you claim them on your tax return. If you're audited you'll need to provide proof of expense, otherwise you won't be able to claim the expense as a deduction.

3. CONFUSE IMPROVEMENTS WITH REPAIRS

Get your expense claims right by understanding the difference between initial repairs,

improvements and repairs.

- Initial repairs, such as repairing the water pipes before any tenant can move in are not deductible as repairs for tax purposes. They are considered capital.
- Structural improvements, even if made after starting to rent, such as adding a pergola, are not deductible as repairs and are treated as capital works.
- Ongoing repairs, such as fixing a fence damaged by a storm, are classed as a repair for tax purposes and are immediately deductible.

4. DIVIDE INCOME AND EXPENSES INCORRECTLY ON CO-OWNED PROPERTIES

If you co-own your investment property, you need to divide the

income and expenses according to your ownership share, based on your legal interest (tenants in common or joint ownership) in the property, not based on a verbal or written agreement that sets out a different proportion.

5. COST YOURSELF TOO MUCH CAPITAL GAINS TAX

If you decide to turn your private residence into a rental property you should get a property valuation before you do so. This will ensure that if you make a profit when you sell, you are only paying capital gains on the property limited to the extent of any increase in value from when it became an investment property. ▀

 [Australian Taxation Office](https://www.ato.gov.au)

Introduce property depreciation to your clients this tax time and reap the benefits

BMT Tax Depreciation can help you increase client satisfaction by saving them thousands of dollars each year, simply through maximising the depreciation deductions from their investment property.

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BMT Tax Depreciation
QUANTITY SURVEYORS

Households under the mortgage gun



MARTIN NORTH

Principal, Digital Finance Analytics

More households than ever are finding rising living costs, falling real wages, underemployment and higher mortgage interest rates are combining in a diabolical manner to create significant financial stress.

As a result, mortgage stress is rising and the monthly mortgage repayment is now for many a risk. Worse, it seems there is no easy way out and more households will likely get caught.

MORTGAGE STRESS NUMBERS

Research by Digital Financial Analytics (DFA), based on a large sample of households across Australia, has really brought this issue to life.

Fresh data to the end of May 2017 shows that out of the 3.2 million households with a mortgage, more than 750,000 households, or 23.4 per cent, are judged to be in mortgage stress.

It is important to understand the basis of this assessment, because whilst many use a rule of thumb that more than 30 per cent of income going on mortgage repayments denotes mortgage stress, DFA looks at the net cash flow of individual households, comparing total income against outgoings and loan repayments.

If households are paying out more each month than they receive, they are designated in mortgage stress – filling the gap by putting more on credit cards or cutting back on spending. Those with a severe

deficit are designated as in severe mortgage stress.

Unfortunately, once in severe stress, households will try to restructure their finances, refinance, or decided to sell. Some will default or be foreclosed. The DFA data shows that of the 750,000 households in stress, 52,000 are likely to default in the next year.

Those in mortgage stress will be spending less, and hunker down, which is one reason why retail spending growth is pretty anaemic. Latest public figures showed trend growth last month was just 0.1 per cent. So mortgage stress does not just impact individual households, there is a knock-on effect on the broader economy.

This is happening not just in the hot Sydney and Melbourne markets, but even in some regional markets, too. As a result, household debt, relative to income, and also to GDP, are higher than they have ever been. So households are more highly leveraged than ever.

Next, we have been lulled into a false sense of security thanks to the current low interest rates, as a result of the Reserve Bank's monetary policy. After the mining boom fizzled out, the RBA used the housing sector as a growth lever, burdening households with high debt, and inflating home prices and the banks' balance sheets.

But in recent times mortgage rates have been rising, thanks

“**52,000 are likely to default in the next year.**”

A PERFECT STORM

A perfect storm of events has created the problem we face. First, home prices are astronomically high compared with incomes, and as a result we need bigger mortgages than ever to purchase somewhere to live.

to increased funding costs from regulatory changes to capital weights, which have lifted the banks funding costs.

Now more direct intervention is in play to slow the growth of interest-only loans. All up, households have seen their mortgage rates rise by

somewhere between a quarter and one percentage point. This means monthly repayments are higher than expected and this is made worse by the size of mortgages we have.

Rising rates on large mortgages means we have little headroom. More rate increases are expected.

DEFAULT DEMOGRAPHICS

Next, income, in real terms after allowing for inflation, is falling. Many households working in the private sector have not had a pay rise for years and this is also compounded by not getting the hours of work they want.

The combination means that real take-home pay is falling. Yet on the other hand, the real costs of living are rising. There is a litany of rising costs, from child care through school fees to electricity bills, council rates and gas bills. The net effect is household budgets are under ever greater pressure.

The combination of low wage growth, rising costs, lifting mortgage rates and large mortgages are a recipe for disaster.

Risk hotspots include Meadow Springs and Canning Vale in Western Australia, Derrimut and Cranbourne in Victoria, and Mackay and Pacific Pines in Queensland. But it is touching households you might not expect.

Overall, New South Wales and Victoria, whose capital cities have seen a recent surge in home prices, accounted for more than half the probable defaults.

But the surprising thing is that people in Bondi in NSW, for example, or even young affluents who have bought down in Toorak in

Victoria are on the list.

The reason is they've got significantly large mortgages to buy a unit, modified or brand new. They've got bigger incomes than average but they are highly leveraged so they have little wiggle room and of course any incremental rate rise, because they've got such big mortgages, slugs them pretty heavily.

Semi-retirees, who moved to central coast NSW but are still exposed to large mortgages while their incomes were falling away, were another atypical snapshot of those in financial distress. And the people at the top, the most affluent households, the ones who've got really big properties, have the lifestyles to match. So again, their spare cash is not huge.



The real answer is to control your spending.

And that's the point – it isn't just the mortgage belt, it isn't just the typical battlers who are actually exposed here. It's a much broader, more significant problem.

The recent rises in home prices mean that currently many households in difficulty have equity in their property. This means, in the worst case, they could sell and retain sufficient equity to repay the bank. But that scenario may change if, as some suggest, prices are on the turn.

We have already seen prices in Western Australia fall by around 10 per cent and in some areas of the

mining belt in Queensland by 20 per cent or more. If prices were to fall more widely, households could find themselves stranded.

So what should households do? First, the DFA surveys show under half of borrowing households keep a formal budget and know where they stand. So, first, do some budgeting so you know what money is coming in and what is being spent. Then prioritise.

Next resist the temptation to put more on credit cards, which can be expensive and may lead to more problems later as interest accrues. Best to stop using the card and pay off the balances over time.

If you are considering a refinance deal, think carefully, as with rising interest rates and tightening underwriting standards this may be

more difficult. Those in severe stress are most likely to try and refinance, but the evidence suggests this does not solve the problem.

Finally, if you are in difficulty, talk to your lender and do it soon. Banks have an obligation to assist in cases of hardship, and the sooner you reach out, the more likely a way can be found to ease the pressure.

But in the current environment, the real answer is to control your spending and be alert to the risk of mortgage stress. Do not overcommit and budget carefully. ▀

PIPA member profile

David Johnston is the founder and managing director of Property Planning Australia and is nearing two decades in the sector.

CAN YOU PLEASE TELL US MORE ABOUT YOUR BUSINESS?

I am the founder and managing director at Property Planning Australia (PPA) and started my career at a major bank.

At my next role, I had an opportunity to establish and grow a mortgage advisory arm of an insurance company. I spent five years there but realised that although I could help my clients make better mortgage decisions, many were actually looking for guidance on making better property decisions.

In 2004, I started my own business, with a focus on combining independent property planning advice with mortgage strategy, which was a unique business model at that time.

PPA is one of the first businesses to provide independent property advice and genuine fee-for-service investment advice. Our core service is to help people develop property plans to accommodate for their short-, middle- and long-term goals. We also have an award-winning mortgage broking service, which is part of our “complimentary property planning service”.

HOW LONG HAVE YOU BEEN A FINANCIAL ADVISER/ MORTGAGE BROKER?

More than 17 years.

HOW LONG HAVE YOU BEEN A QPIA?

I’ve been a member for PIPA for one year. At this time, my QPIA status was also attained.

HOW DID YOU FIND OUT ABOUT PIPA?

I think PIPA is at the forefront of the independent property advice space. I’ve been aware of PIPA for a long time, likely for as long as it has existed. I was just a bit slow in becoming a member!

WHAT WERE YOUR MAIN REASONS FOR BECOMING A QPIA?

I believe in the need to regulate property advice and for advisers to have a standard level of qualification. PIPA is the most reputable association within the space, so I believe it’s worthwhile to support a quality organisation and formalise the title of property advisers, which is the QPIA.

The materials in the QPIA course are very useful, particularly for the new entrants.

WHAT WERE THE MAIN CHALLENGES OF BECOMING A PROPERTY INVESTMENT ADVISER?

One major challenge I think is sorting through the media hype and marketing around property investment.

Education remains key in the property advice space. At PPA, our mission is to educate and empower our customers to create their desired lifestyle.

It is also important for property investors to differentiate clearly between who is selling property and who is providing independent property advice.

DO YOU CHARGE FOR YOUR PROPERTY INVESTMENT ADVISORY WORK?

Yes.

HOW DOES THE QPIA SUPPORT YOUR FINANCIAL ADVISING/MORTGAGE BROKING BUSINESS AND ITS GROWTH?

The more financial advisers understand the importance of independent property advice and what drives property returns, the better outcomes will be delivered to consumers. That’s the benefit



“Education remains key in the property advice space.”

for a mortgage broker or financial adviser to become a member of PIPA or QPIA.

Property advice and mortgage broking businesses go hand in hand. Advice around mortgage strategy, money management and cash flow management form the foundation of property planning and ultimately decision making.

To help someone make a property decision, understanding their short-term and long-term goals, as well as their financial position, is key. If you solely help them to buy an asset without considering their long-term goals and aspirations, you may not actually help them buy an asset that fits in with future plans and could actually impede their success.

■ **HOW DOES THE QPIA QUALIFICATION HELP YOU TO ATTRACT NEW CLIENTS OR DEEPEN EXISTING CLIENT RELATIONSHIPS?**

QPIA provides a level of credibility. It's important to have a qualification and be a member of a recognised association.

■ **WOULD YOU RECOMMEND OTHER FINANCIAL ADVISERS/MORTGAGE BROKERS TO BECOME QPIAS? WHY?**

Absolutely. As I mentioned before, QPIA provides a good opportunity for people who would like better education around property advice. It also helps increase your business' credibility.

■ **WHAT'S NEXT FOR YOUR BUSINESS IN THE NEXT 12 MONTHS AND BEYOND?**

Over the past decade, Property Planning Australia's operations

have expanded throughout Victoria, New South Wales and South Australia.

We have gained a strong client base of first homebuyers, investors, upgraders, and those transitioning into retirement. We continuously look to improve and evolve our service at Property Planning Australia. ^

■ **INTERESTED IN BEING A PIPA MEMBER PROFILE IN THE PIPA ADVISER? EMAIL US...**

✉ corporateaffairs@pipa.asn.au

PIPA in the news

PIPA is a regular commentator and expert source in property-related stories across the nation. Below are a selection of articles from the past two months.



Brokers are 'elite money managers', says PIPA chair

Speaking to The Adviser's Elite Broker podcast, PIPA chair Ben Kingsley would like to see more brokers take up property advice and financial planning.

<http://bit.ly/PIPA-003-18A>



BrickX offers a way to buy property one brick at a time, at just \$57 each

Soaring property prices in Sydney and Melbourne have left many feeling priced out of home ownership.

<http://bit.ly/PIPA-003-18B>



Almost all tenancy complaints in Victoria and NSW come from landlords, not renters

In the last financial year, more than eight in every 10 official tenancy complaints in Victoria and NSW were not from tenants, but from landlords.

<http://bit.ly/PIPA-003-18C>



Victoria axes stamp duty for first home buyers

Victoria has introduced a range of measures to help with the growing challenges around property price growth.

<http://bit.ly/PIPA-003-18D>



Buying an investment property overseas

You might think there's nothing noteworthy given Australia's turbo-charged property market. But Dunne's property is half a world away from Australia's booming capital cities.

<http://bit.ly/PIPA-003-18E>

new members

PIPA welcomes our newest members and QPIAs...

CORPORATE MEMBERS

- ▶ **MICHAEL OSSITT**
Strand Property Group
- ▶ **SCOTT KAY**
Integrity Plus Accounting
- ▶ **DAREN CHAN**
Strategic Property Buyers
- ▶ **SZE CHUAH**
MLS Finance
- ▶ **CRAIG HOGG**
The Edge Property Buyers
- ▶ **DREW EVANS**
Caifu Property

INDIVIDUAL MEMBERS

- ▶ **JASBHINDER SINGH**
Josh Financial Services
- ▶ **ADAM KHOURY**
Wealthbridge Property Advisors

QPIA

- ▶ **MANDY GLADWIN**
Real Estate Buyer Services

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The Adviser magazine



The Adviser: Elite Broker podcast



Selfmanagedsuper magazine

What Australians really think about housing affordability



KYLIE DAVIS

Head of Marketing for
Property Services, CoreLogic



CoreLogic®

CORPORATE MEMBER OF PIPA

Residential real estate is the country's largest asset class at \$7.0 trillion – far outstripping superannuation at \$2.2 trillion and listed stocks at \$1.8 trillion but by every measure, housing affordability has worsened over the past 15 years.

New research from CoreLogic shows that 53 per cent of Australians aged 18 to 64 own their own home with 35 per cent of that number having a mortgage on a property and 19 per cent fully owning their home mortgage free.

While more than a third of Australians have never owned property, this number is significantly higher for young people aged 18 to 34 at 60 per cent.

The cost of buying a house in 2017 takes 7.2 times the annual income of a typical household – up from 4.2 times income 15 years ago. It now takes 1.5 years of household income to save for a 20 per cent deposit on a home and servicing a typical loan of 80 per cent of the value of a house now requires 38.8 per cent of household income,

compared with 25.2 in 2001.

The CoreLogic Perceptions of Housing Affordability Report, based on Galaxy Research, identifies how buying a home is becoming the privilege of high income earners who are being expected to assign ever increasing proportions of income towards servicing a mortgage.

And it reveals how older Australians are deeply fearful of the costs of moving or downgrading, which in turn is affecting supply and contributing to raising housing costs even further especially in inner cities.

The report reveals 62 per cent of Australians believe housing affordability is worse now than it was a year ago, and 58 per cent believe next year will be even

worse with nearly nine out of 10 non property owners concerned about their ability to afford a home.

The greatest impediments to housing affordability are perceived as having the deposit, stamp duty, and the impact of foreign buyers. And nationally, to make housing more affordable, Australians would like governments to reduce or remove stamp duty (73 per cent), grant concessions to first home buyers (71 per cent) and create more jobs in areas with lower prices (65 per cent).

Being close to work and the city is important to most Australians who are more likely to consider buying a property that does not meet all of their criteria (42 per cent) than move interstate (14 per cent) or even choose a less desirable suburb (21 per cent).

But while property prices differ city to city, so too do the perceptions of affordability in each state. Here is a summary of how each state feels.

“**Older Australians are deeply fearful of the costs of moving.**”

NEW SOUTH WALES



Price to
Income ratio



Years of Household
income required to pay a
20% deposit



% of household income
required to service an
80% LVR mortgage



% of household
income required
to rent



Household
income

SYDNEY
REGIONAL
NSW

8.4

1.7

44.4%

28.5%

\$1,826

6.6

1.3

35.2%

29.5%

\$1,188

- ▶ **65%** of NSW residents live in a house, 22% live in an apartment, 13% live in a townhouse. NSW has the highest level of apartment living.
- ▶ **28%** of NSW residents believe it is a good time to sell while 27% believe it is balanced.
- ▶ **68%** of NSW residents think housing affordability is worse than last year and 63% believe it will be worse next year.
- ▶ **The biggest impediments** to housing affordability in NSW are stamp duty (48%), foreign buyers in the market (46%) and investors in the market/having the deposit (42%).
- ▶ **19%** of NSW residents own an investment property.
- ▶ **5%** of NSW residents are currently struggling to pay their mortgage and a further 25% would struggle if interest rates increased by up to one percentage point.

VICTORIA



Price to
Income ratio



Years of Household
income required to pay a
20% deposit



% of household income
required to service an
80% LVR mortgage



% of household
income required
to rent



Household
income

MELBOURNE
REGIONAL
VIC

7.1

1.4

37.9%

25.7%

\$1535

5.6

1.1

29.8%

26.9%

\$1043

- ▶ **73%** of Victorians live in a house, 15% live in an apartment and 12% live in a townhouse.
- ▶ **30%** of Victorians believe it is a good time to sell, while a further 30% believe the market is balanced.
- ▶ **66%** of Victorians believe housing affordability is worse than last year and 58% believe next year will be even worse.
- ▶ **The biggest impediments** to housing affordability in Victoria are having the deposit and foreign buyers (44% each) and certainty of employment (40%).
- ▶ **19%** of Victorian residents own an investment property.
- ▶ **6%** of Vic residents are currently struggling to pay their mortgage and a further 31% would struggle if interest rates increased by up to one percentage point.

QUEENSLAND



Price to
Income ratio



Years of Household
income required to pay a
20% deposit



% of household income
required to service an
80% LVR mortgage



% of household
income required
to rent



Household
income

BRISBANE
REGIONAL
QLD

5.9

1.2

31.3%

26.1%

\$1531

7.0

1.4

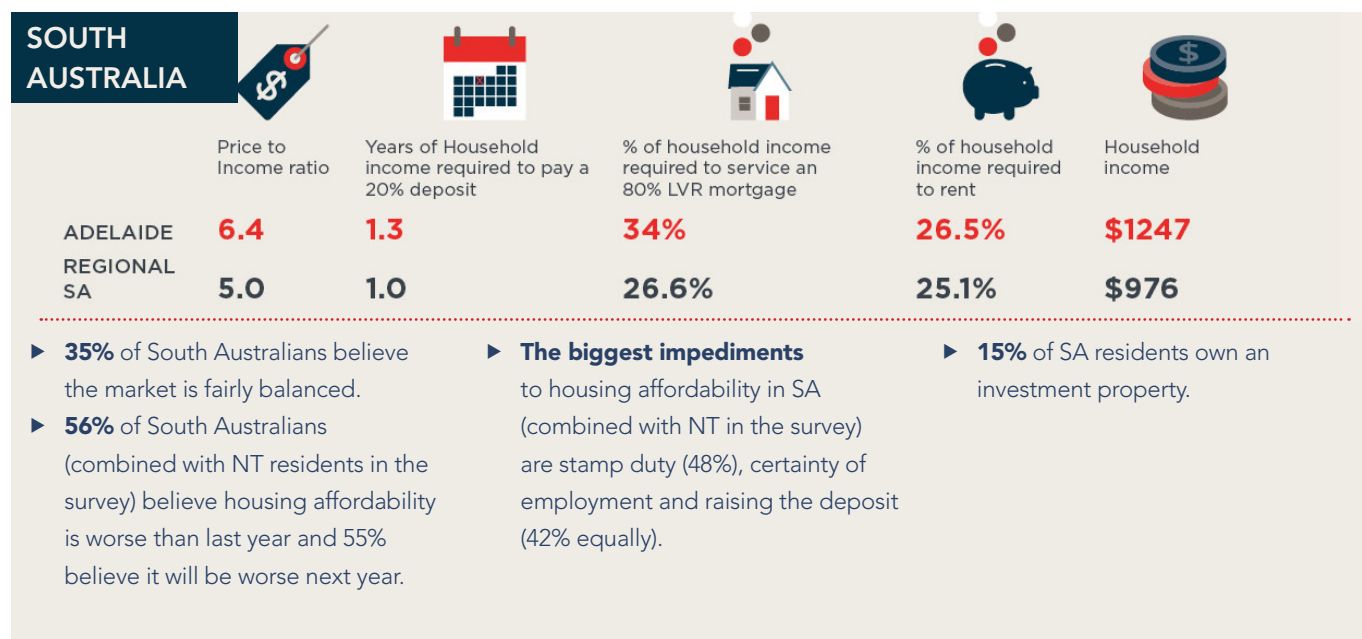
37.2%

31.5%

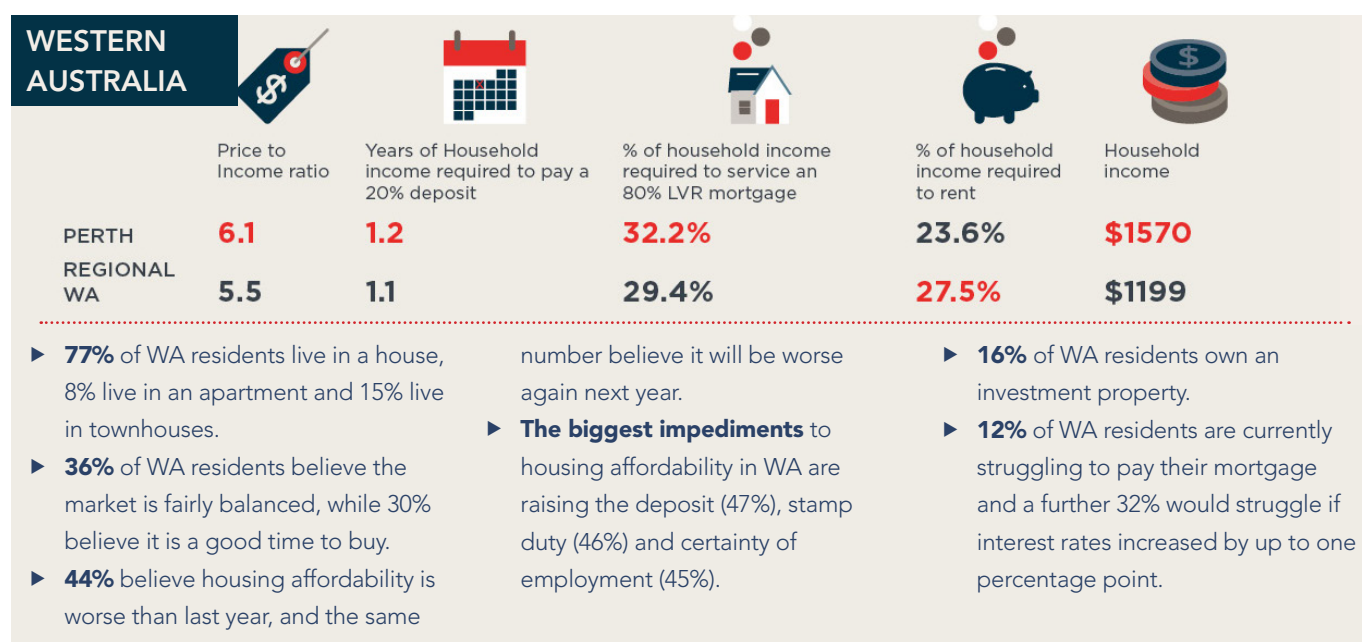
\$1,111

- ▶ **72%** of Queenslanders live in a house, 17% live in an apartment, 11% live in a townhouse.
- ▶ **32%** of Queenslanders believe the market is fairly balanced.
- ▶ **60%** of Queenslanders believe housing affordability is worse than last year and 61% believe next year will be even worse.
- ▶ **The biggest impediments** to housing affordability in Queensland are saving for the deposit (48%), getting loan approval and interest rates (43% each), then stamp duty (42%).
- ▶ **11%** of Qld residents own an investment property.
- ▶ **12%** of Qld residents are currently struggling to pay their mortgage and a further 28% would struggle if interest rates increased by up to one percentage point.

“15% of SA residents own an investment property.”



“12% of WA residents are currently struggling to pay their mortgage.”



TASMANIA



Price to
Income ratio



Years of Household
income required to pay a
20% deposit



% of household income
required to service an
80% LVR mortgage



% of household
income required
to rent



Household
income

HOBART
REGIONAL
TAS

5.8

1.2

30.6%

28.3%

\$1167

5.1

1.0

26.9%

27.2%

\$957

- ▶ **80%** live in a house, 7% live in an apartment and 13% live in a townhouse.
- ▶ **33%** of Tasmanians believe the market is balanced while 23% believe it is a good time to sell.
- ▶ **63%** of Tasmanians believe housing affordability is worse than last year

and 58% believe it will be worse next year.

- ▶ **The impediments** to housing affordability in Tasmania are saving for the deposit (46%), interest rates (44%) and certainty of employment and stamp duty equal at 43%.

- ▶ **9%** of Tas residents own an investment property.
- ▶ **13%** of Tas residents are currently struggling to pay their mortgage and an additional 21% would struggle if interest rates increased by up to one percentage point.

63% of Tasmanians believe housing affordability is worse than last year.

ACT



Price to
Income ratio



Years of Household
income required to pay a
20% deposit



% of household income
required to service an
80% LVR mortgage



% of household
income required
to rent



Household
income

CANBERRA

5.3

1.1

28.4%

22.4%

\$1960

- ▶ **70%** of ACT residents live in a house, 13% live in an apartment and 17% live in a townhouse. The ACT has the highest proportion of townhouse living.
- ▶ **35%** of ACT residents say the market is balanced while 26% say it is a good time to sell.

- ▶ **71%** of ACT residents say housing affordability is worse now than last year and 64% believe next year will be worse.
- ▶ The impediments to stamp duty in the ACT are stamp duty (46%), investors in the market (39%) and foreign investors (38%).

- ▶ **20%** of ACT residents own an investment property.
- ▶ **4%** of ACT residents are currently struggling to pay their mortgage and a further 18% would struggle if interest rates increased by up to one percentage point.

NORTHERN TERRITORY



Price to
Income ratio



Years of Household
income required to pay a
20% deposit



% of household income
required to service an
80% LVR mortgage



% of household
income required
to rent



Household
income

DARWIN
REGIONAL
NT

4.5

0.9

23.9%

22.5%

\$2091

5.0

1.0

26.3%

29.1%

\$1476



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