PIPA ADVISER

ISSUE #7

For members of the Property Investment Professionals of Australia

We need to talk about

NEGATIVE GEARING

PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA

PIPA

PIPA *mission:*

PIPA (Property Investment Professionals of Australia) has been formed by industry practitioners with the objective of representing and raising the professional standards of all operators involved in property investment.

The *PIPA ADVISER* is a bi-monthly title published six times a year by PIPA (Property Investment Professionals of Australia) www.pipa.asn.au

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PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA PIPA

PIPA and the year ahead...

Welcome to the seventh edition of the *PIPA Adviser* – your bi-monthly member e-magazine – and the first issue of 2018.

This year, the PIPA Board will be focusing on a number of strategies to improve brand awareness of the Association as well as lobbying activities to promote and protect our profession.

Firstly, at the end of last year, the PIPA Board welcomed a new director in Paul Glossop, from Pure Property Investment in Sydney.

Paul has many years' experience in the profession and also has qualifications in architecture and education.

And the board will be tapping into Paul's education background sooner rather than later as we undertake a content review of our QPIA course.

As well as updating the content, the board is currently investigating ways to transfer the course from being paper-based to online, which will not only increase its reach but also allow students to study anywhere and anytime.

This year, the board will focus on lobbying the Federal Government on retaining negative gearing and Capital Gains Tax provisions.

As is outlined in this issue of the Adviser, as PIPA members we all need to be aware of the consequences of any proposed changes to negative gearing specifically as this will not only have an impact on property investors but it will also have ramifications for the wider community.

As an association, PIPA has, and will, continue to make our views on this matter public as well as lobby government now and in the lead-up to the Federal Election.

However, I would encourage you to personally engage with the policy and decision-makers to make them aware of the consequences of their actions.

Finally, PIPA takes complaints seriously and our board spends many hours mediating between complainants and members to secure a satisfactory outcome for all.

For serious breaches of our Code of Conduct, we have cancelled memberships in the past.

One of the most common complaints from consumers is non-disclosure of commissions, so please keep an eye out for a refresher on this important topic in the next issue of the Adviser.

PETER KOULIZOS
PIPA CHAIRMAN

PIPA *media*kit

The Property Investment Professionals of Australia (PIPA) is the peak national property investment industry association. Our members subscribe to a Code of Conduct which considers all consumers and commits to disclosure and a high standard of best practice.

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 thousands of property investment professionals across Australia.

As the only e-magazine dedicated to the property investment advice sector, the ***PIPA Adviser*** offers advertisers the unique opportunity to reach a dedicated and sophisticated audience of property investment professionals.

Membership of PIPA is open to all professionals working within the field of property investment advice and can include:

- Qualified Property Investment Advisers (QPIAs)
- Mortgage brokers
- Tax accountants
- Buyers' agents
- Financial planners
- Conveyancers, solicitors and lawyers
- Education and research providers
- Property managers
- Building and/or pest inspectors
- Licensed builders
- Developers
- Quantity surveyors
- Real estate sales agents
- Licensed valuers.

ADVERTISING DEADLINES AND PUBLICATION DATES:

ISSUE	ADVERTISING DUE	DISTRIBUTION
April 2018	6 April 2018	27 April 2018
June 2018	1 June 2018	29 June 2018
August 2018	3 August 2018	31 August 2018
October 2018	5 October 2018	31 October 2018
December 2018	2 November 2018	27 December 2018

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NICOLA MCDOUGALL
Editor, PIPA Adviser

Sydney market on go-slow

Sydney has started the year with prices softening, but the Harbour City isn't representative of all markets in New South Wales.

According to the CoreLogic January Hedonic Home Value Index, Sydney's dwelling values are continuing to soften.

The Sydney housing market has now retracted by 3.1 per cent after dwelling values surged 75 per cent between February 2012 and the recent peak in July last year, according to CoreLogic.

CoreLogic believes there are a variety of factors contributing to the slide in Sydney dwelling values. The most significant source of recent housing demand has been from investors, who are now incurring higher mortgage rates. Credit rationing is also limiting the availability of interest-only mortgages.

According to CoreLogic, interstate migration out of New South Wales is accelerating, which is detracting from housing demand.

As a result it is expected that dwelling values are likely to continue to fall over coming months.

Strong overseas migration and jobs growth, as well as low mortgage rates and higher first homebuyer activity should help to keep a floor under Sydney housing prices though, CoreLogic said.

A TALE OF MANY MARKETS

Sydney-based PIPA member Steve Waters of Right Property Group said the latest data was a continuation of the softening prices that had been occurring

> The Sydney housing market has now retracted by 3.1 per cent.

ANNUAL CHANGE IN DWELLING VALUES

over the past 18 months.

"It's not a big surprise at all. Probably for the past 18 months you've seen a slide in some areas. That's just how it is and especially in those south-western and western corridors," he said.

"It's really a tale of three or four markets – western corridor prices have been supported by the new house and land numbers. If it was all about second-hand stock you would have seen some pretty astounding falls in numbers over the past 18 months.

"The eastern suburbs and northern beaches have continued to kick goals because everyone has a very confident space between their ears at the moment. Job security at that end of the market is also good."

However, Mr Waters said that the softening in Sydney prices would not do much to help first homebuyers.

While interstate migration was an option, some would likely choose to head to regional NSW instead, he said.

"There are still areas that are continuing to do well, such as the south coast around the Wollongong area. It's affordable and its infrastructure into Sydney is very good," he said.

"We all know that Sydney has gone really well, but if you go back and look at the data on what north and south of Sydney has done, it's phenomenal and it's still in that affordability bracket.

"If you go to areas like Wagga Wagga – or all of those affordable regional corridors that also offer jobs – they will be a temptation for those people who want to get out of Sydney but who don't want to leave New South Wales."

While Sydney's market was in the correction phase of the cycle, that didn't mean it would not be a solid investment option again in the future, Mr Waters said.

In fact, he said, anyone betting against Sydney was presuming that it wouldn't exist in the decades ahead.

"That's the only reason that you wouldn't invest there at some point in time," he said.

"The reason investors have left the market is that they don't see value and they're certainly not seeing the return.

"If rates do up and they continue to buy into the Sydney market now, well, then they're really rolling the dice in terms of their cash flow and that's not good.

"I'm not sure that investors who are making sophisticated decisions would be buying in Sydney at the moment because there are better opportunities elsewhere. Your dollar can work harder elsewhere."

VACANCY RATES HOLDING FIRM

Residential vacancy rates across Sydney continued to stand firm during the holiday period, according to the Real Estate Institute of New South Wales (REINSW) President Leanne Pilkington.

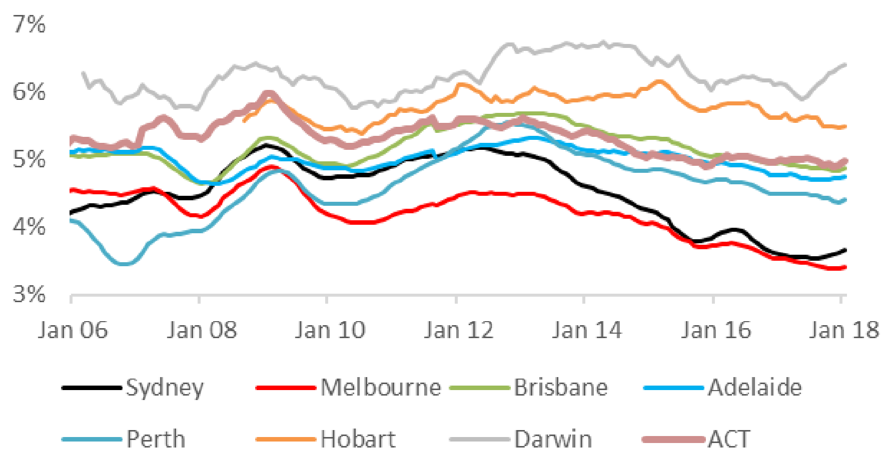
The December 2017 REINSW Vacancy Rate Survey saw availability in the Sydney metropolitan area up 0.1 percentage points at 2.2 per cent.

"During 2017 we saw a slight decline in rental availability in Sydney, which bottomed out in March and April before rising again as the year progressed to see supply meeting demand," Ms Pilkington said.

"Vacancy rates in Inner Sydney were down 0.1 percentage points in December at 2.0 per cent, while Outer Sydney rose 0.2 percentage points at 2.3 per cent and Middle Sydney was up 0.4 percentage points at 2.6 per cent."

The Hunter fell 0.3 percentage points at 1.7 per cent with Newcastle down 0.6 percentage points at 1.7 per cent, while in the Illawarra, vacancy rates fell 0.1 percentage points to 1.7 per cent. Wollongong was up 0.1 percentage points at 1.7 per cent.

GROSS RENTAL YIELDS, DWELLINGS



CORELOGIC HOME VALUE INDEX TABLES

		Capitals								Aggregate indices		
		Sydney	Melbourne	Brisbane	Adelaide	Perth	Hobart	Darwin	Canberra	Combined capitals	Combined regional	National
Dwellings	Month	-0.9%	-0.2%	0.0%	-0.2%	-0.4%	1.0%	-0.2%	-0.1%	-0.5%	0.2%	-0.3%
	Quarter	-2.5%	0.1%	0.1%	0.1%	-0.3%	3.1%	-1.6%	1.0%	-1.0%	0.7%	-0.7%
	YTD	-0.9%	-0.2%	0.0%	-0.2%	-0.4%	1.0%	-0.2%	-0.1%	-0.5%	0.2%	-0.3%
	Annual	1.3%	8.0%	2.1%	2.4%	-2.6%	12.4%	-6.4%	4.5%	3.2%	3.3%	3.2%
	Total return	4.4%	11.2%	6.3%	6.8%	1.3%	18.0%	-1.1%	9.2%	6.7%	8.6%	7.0%
	Yield	3.2%	2.9%	4.4%	4.3%	3.9%	5.0%	5.9%	4.5%	3.4%	4.9%	3.7%
	Median value	$884,442	$721,128	$491,536	$432,641	$462,646	$409,160	$423,926	$590,898	$655,236	$357,480	$549,838
Houses	Month	-0.8%	-0.2%	-0.1%	-0.2%	-0.3%	1.2%	0.1%	0.0%	-0.4%	0.3%	-0.3%
	Quarter	-3.0%	-0.1%	0.3%	0.1%	-0.1%	3.4%	-0.5%	1.6%	-1.1%	0.8%	-0.7%
	YTD	-0.8%	-0.2%	-0.1%	-0.2%	-0.3%	1.2%	0.1%	0.0%	-0.4%	0.3%	-0.3%
	Annual	0.1%	8.0%	2.7%	2.6%	-2.8%	13.2%	-5.8%	5.4%	2.8%	3.4%	3.0%
	Total return	3.0%	10.8%	6.8%	7.0%	1.1%	18.8%	-0.6%	9.8%	6.1%	8.7%	6.6%
	Yield	2.9%	2.6%	4.2%	4.2%	3.8%	5.0%	5.8%	4.2%	3.1%	4.9%	3.5%
	Median value	$1,048,371	$832,972	$532,395	$458,454	$483,791	$432,035	$472,802	$671,691	$694,683	$363,523	$564,891
Units	Month	-1.0%	-0.2%	0.1%	0.3%	-0.8%	0.1%	-0.9%	-0.2%	-0.6%	-0.1%	-0.5%
	Quarter	-1.3%	1.0%	-0.9%	-0.3%	-1.0%	1.8%	-3.5%	-0.8%	-0.5%	-0.1%	-0.5%
	YTD	-1.0%	-0.2%	0.1%	0.3%	-0.8%	0.1%	-0.9%	-0.2%	-0.6%	-0.1%	-0.5%
	Annual	4.0%	8.2%	-0.7%	0.4%	-1.5%	8.6%	-7.6%	1.7%	4.3%	2.8%	4.1%
	Total return	7.8%	12.4%	4.1%	5.4%	2.3%	14.2%	-2.2%	7.1%	8.4%	8.3%	8.4%
	Yield	3.7%	3.9%	5.3%	5.0%	4.3%	5.2%	6.2%	5.4%	4.0%	5.2%	4.2%
	Median value	$762,509	$572,115	$384,551	$333,669	$404,121	$336,263	$344,565	$431,218	$577,278	$336,192	$514,478

Across regional areas, Albury fell 0.7 percentage points at 2.3 per cent, Coffs Harbour was down 0.2 percentage points at 1.8 per cent, Northern Rivers rose 0.1 percentage points at 0.9 per cent and New England added 0.2 percentage points to 2.5 per cent.

HOUSING AFFORDABILITY IMPROVING

Housing affordability in NSW is on the improve, courtesy of softer market conditions.

According to the Real Estate Institute of Australia (REIA), over the September quarter, housing affordability in NSW improved with the proportion of income required to meet loan repayments decreasing to 36.1 per cent, a fall of 1.9 percentage points over the quarter and a decrease of 1.0 percentage points compared with the corresponding quarter 2016.

However, with the proportion of income required to meet loan repayments 5.8 percentage points higher than the nation's average, NSW remained the least affordable state or territory in which to buy a home.

In NSW, the number of loans to first home buyers increased to 6,775, an increase of 57.7 per cent over the quarter and a rise of 70.9 per cent compared to the September quarter 2016.

According to the REIA, the average loan to first homebuyers decreased to $361,333, a decrease of 1.2 per cent over the quarter and a decrease of 1.0 per cent compared to the same quarter last year.

> ***Affordable regional corridors… will be a temptation.***

We need to talk about

NEGATIVE GEARING

There has been much talk lately in relation to changing the negative gearing rules and restricting property investors from claiming their property losses against their personal income.

PETER KOULIZOS
Chairman, PIPA

The conversation started about a year ago as the Federal Labor Party proposed these changes but the discussion continues. I am sure that this topic will be in the headlines until at least the next Federal Election.

POLICY CHANGE IMPLICATIONS

There are a number of implications if the negative gearing rules are changed as proposed by the Federal Labor Party.

The main reason politicians want to change the rules is they want to save money. They don't want the government to continue to pay tax benefits to property investors as they see this is a drain on the budget. However, when you look closely at the data, it seems that their thinking is all wrong.

While residential property investors wrote $3.719 billion off their taxable income in the 13/14 financial year, CoreLogic estimated that investors paid Capital Gains Tax on $51.2 billion of profits made from dwelling resales over the 2015 calendar year. In addition to this, they contributed to the $45 billion in property-related tax revenue collected by the state and local governments.

If the negative gearing benefits are changed for property investors, that means they are less likely to buy property. Doesn't that mean that the government would miss out on collecting taxes from would-be property investors for 20-plus years, once the property eventually became positively geared?

Why would the government be willing to miss out on collecting tax for two decades or more just so that they can avoid paying tax benefits for the first few years?

If these negative gearing changes are introduced, there will be more implications than just tax benefits. We also need to consider affordable and social rental housing.

NEW PROPERTY ONLY

One of the proposed changes is to restrict negative gearing benefits to investors who buy new property. This will be great for the construction and development industry as this will create extra demand for new dwellings but what about the tenants living in established housing? Where will they live? In particular, where will tenants on a low income or social security benefits live?

If property investors only buy new dwellings because the tax advantages (including depreciation benefits) only apply to new housing, there will just not be enough rental accommodation for tenants because most tenants currently live in established housing.

According to the 2016 Census, there were about 2.5 million dwellings rented in Australia. We produce approximately 100,000 new dwellings every year but our population is growing must faster than the supply.

As you can see from the figures above, there is just not enough new property built on an annual basis for investors to buy and make available for rent. As demand for new property will outstrip supply, this will cause rents to increase substantially.

Obviously not all property investors will sell their established properties as the proposed rules will only apply to new investors, but the future trend will be for them to only buy new, rather than established, property.

If the negative gearing changes are brought in, the Federal Government must provide rental assistance for those on low incomes. Alternatively, state and federal governments will have to do as they did in the 1950s and 60s and provide much more public housing to accommodate the tenants who won't be able to pay the higher rents in the private housing market.

In addition to the implications for tax revenue and affordable housing, negative gearing changes will also affect people's retirement plans.

Most property investors buy property to help secure their retirement. They don't want to rely on living on the age pension because they understand that their superannuation may not be enough to sustain their lifestyle in retirement.

If these negative gearing changes make it less attractive for people to buy property, they are less likely to build an asset base for their retirement, which means some are more likely to depend on the age pension, further impacting on the budget bottom line.

WHAT CAN PIPA DO?

There are many more implications if the proposed negative gearing changes for property investors are introduced; the above are an outline on just a few.

> ***Not all property investors will sell their established properties as the proposed rules will only apply to new investors.***

> ***Most property investors buy property to help secure their retirement.***

As PIPA members we all need to be aware of the consequences of any proposed changes to negative gearing as this will not only have an impact on property investors but it will also have ramifications for the wider community.

As an association, PIPA has and will continue to make their views on this matter public and lobby government. However, I would encourage you to personally engage with the policy and decision-makers to make them aware of the consequences of their actions.

You could speak with, or make a time to meet with, your local Member of Parliament. You could also simply forward this article and highlight some of the implications, especially the negative effect on government revenue through a decrease in tax income and an increase in welfare payments in rent assistance and age pensions.

NUMBER OF PEOPLE EMPLOYED IN HOUSING SECTOR

INDUSTRY	NUMBER OF EMPLOYEES	ANNUAL REVENUE (2016)
House construction	67,000	$41 billion
Multi-Unit apartment and townhouse construction	25,000	$19 billion
Land development and subdivision	22,500	$12 billion
Site preparation services	58,000	$25 billion
Plastering and ceiling services	33,600	$6 billion
Carpentry services	92,000	$11 billion
Bricklaying services	30,000	$3 billion
Plumbing services	48,000	$13 billion
Concreting services	27,600	$8 billion
Electrical services	80,000	$19 billion
Roofing services	13,400	$3 billion
Tiling and carpeting services	26,000	$4 billion
Painting and decorating services	47,000	$6 billion
Landscaping services	49, 000	$5 billion
Mortgage brokers	17,700	$2 billion
Financial planning and investment advice	26,000	$5 billion
Legal services	107,000	$23 billion
Accounting services	115,000	$20 billion
Surveying and mapping services	14,800	$4 billion
Real estate services	110,000	$14 billion
Residential property operators	73,700	$44 billion
Architecture services	35,000	$7 billion
Building pest control services	10,400	$1 billion
Sewerage and drainage services	11,600	$9 billion
Furniture retailing	26,000	$7 billion
Hardware and building supplies retailing	72,000	$22 billion

Source: IBISWorld

How co-owners can accelerate their depreciation deductions

BRADLEY BEER
CEO, BMT Tax Depreciation

There are many benefits to co-owning property. Most obviously, owning a property with one or several other parties can provide improved purchasing power.

This can be particularly useful in capital cities where it can be difficult to break into the property market.

It can also balance out the expenses of owning an investment property including ongoing repairs, maintenance and fees.

Additionally, co-ownership can provide improved depreciation deductions, allowing more items to be depreciated at a higher rate. This is where a BMT Tax Depreciation split report can assist.

How does a split report work?

A split report calculates depreciation deductions based on each owner's percentage of ownership for each asset*.

This involves splitting the value of the assets based upon each owner's interest in the assets before applying depreciation rules.

BMT's split reports simplify the process for both investors and accountants and allow owners to receive a maximised return on their investment.

There is an option for owners who prefer a depreciation schedule without any split applied should this be required.

* Under new legislation outlined in the Treasury Laws Amendment (Housing Tax Integrity) Bill 2017 passed by Parliament on 15th November 2017, 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 previously used plant and equipment assets. Investors can claim deductions on plant and equipment assets they purchase and directly incur the expense for. Investors who purchased prior to this date and those who purchase a brand-new property will still be able to claim depreciation as they were previously. To learn more visit www.bmtqs.com.au/budget-2017 or read BMT's comprehensive White Paper document at www.bmtqs.com.au/2017-budget-whitepaper.
Visit www.bmtqs.com.au/co-ownership-example to see how a split report increases deductions for two owners.

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.

Sydney's Lacklustre Long-Term Capital Growth

While Sydney has recorded strong capital growth over the past five years, its long-term performance pales in comparison to smaller capitals, according to the latest analysis by PIPA.

http://bit.ly/PIPA-007-15A

Sydney sees vacancy rates rise while property growth slows

Vacancy rates in one of Australia's most popular property markets are at a five-year high with reports that it is also the last capital city in terms of property growth.

http://bit.ly/PIPA-007-15B

Hobart beat Sydney, Melbourne, Brisbane and Perth for price growth over the past 15 years

A REVIEW of 15 years of home sales has revealed Sydney prices grew at the slowest rate of all capitals, despite the recent boom — with one city trumping even Melbourne and Brisbane for capital growth.

http://bit.ly/PIPA-007-15C

new members

***PIPA** welcomes our newest members and QPIAs...*

CORPORATE MEMBERS

- ALEX MINTER
  Astute Property Network
- MICHAEL HEASMA
  Northgate Real Estate

INDIVIDUAL MEMBERS

- LUKE BAILEY
  Fourtier
- KEVIN QUACH
  Kevin Quach Property Group

QPIA

- JUAN FRANCISCO GALLARDO
  Performance Property

BY THE AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION

Conflicted financial advice common at big banks: ASIC

An Australian Securities and Investments Commission (ASIC) review of financial advice provided by the five biggest vertically-integrated financial institutions has identified areas where improvements are needed to the management of conflicts of interest.

The review looked at the products that ANZ, CBA, NAB, Westpac and AMP financial advice licensees were recommending and at the quality of the advice provided on in-house products.

The review was part of a broader set of regulatory reviews of the wealth management and financial advice businesses of the largest banking and financial services institutions as part of ASIC's Wealth Management Project.

The review found that, overall, 79 per cent of the financial products on the firms' approved products lists (APL) were external products and 21 per cent were internal or 'in-house' products. However, 68 per cent of clients' funds were invested in in-house products.

The split between internal and external product sales varied across different licensees and across different types of financial products. For example, it was more pronounced for platforms compared to direct investments. However, in most cases there was a clear weighting in the products recommended by advisers towards in-house products.

ASIC noted that vertical integration can provide economies of scale and other benefits to both the customer and the financial institution.

Consumers might choose advice from large vertically-integrated firms because they seek that firm's products due to factors such as convenience and access, and recommendations of "in-house" products may be appropriate.

Nonetheless, conflicts of interest are inherent in vertically integrated firms, and these firms still need to properly manage conflicts of interest in their advisory arms and ensure good quality advice.

ASIC will consult with the financial advice industry (and other relevant groups) on a proposal to introduce more transparent public reporting on approved product lists, including where client funds are invested, for advice licensees that are part of a vertically integrated business.

ASIC noted that any such requirement is likely to cover vertically-integrated firms beyond those included in this review. The introduction of reporting requirements would improve transparency around management of the conflicts of interests that are inherent in these businesses.

ASIC also examined a sample of files to test whether advice to switch to in-house products satisfied the "best interests" requirements.

ASIC found that in 75 per cent of the advice files reviewed, the

68 per cent of clients' funds were invested in in-house products.

advisers did not demonstrate compliance with the duty to act in the best interests of their clients. Further, 10 per cent of the advice reviewed was likely to leave the customer in a significantly worse financial position.

ASIC will ensure that appropriate customer remediation takes place.

Acting ASIC Chair Peter Kell said that ASIC is already working with the major financial institutions to address the issues that have been identified in the report on quality of advice and management of conflicts of interest.

"There is ongoing work focusing on remediation where advice-related failures have led to poor customer outcomes, and the results of this review will feed into that work", Mr Kell said.

ASIC is already working with the institutions to improve compliance and advice quality through action such as:

- Improvements to monitoring and supervision processes for financial advisers; and
- Improvements to adviser recruitment processes and checks.

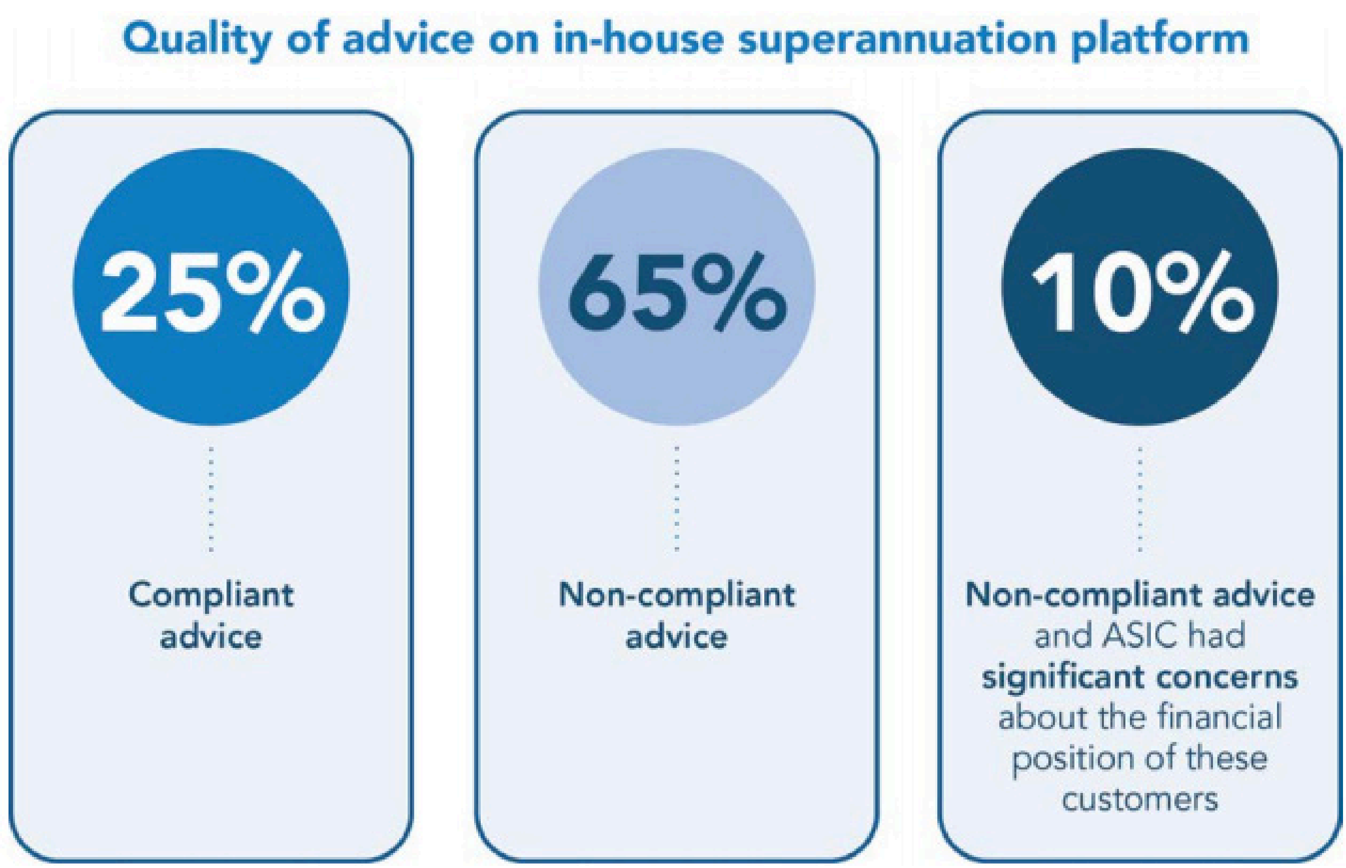
ASIC will continue to ban advisers with serious compliance failings.

ASIC highlighted that the findings from this review should be carefully examined by other vertically-integrated firms.

"While this review focused on five major financial services firms, the lessons should be considered by all vertically-integrated firms in the financial services sector."

DOWNLOAD

To download a full copy of the report, click here.



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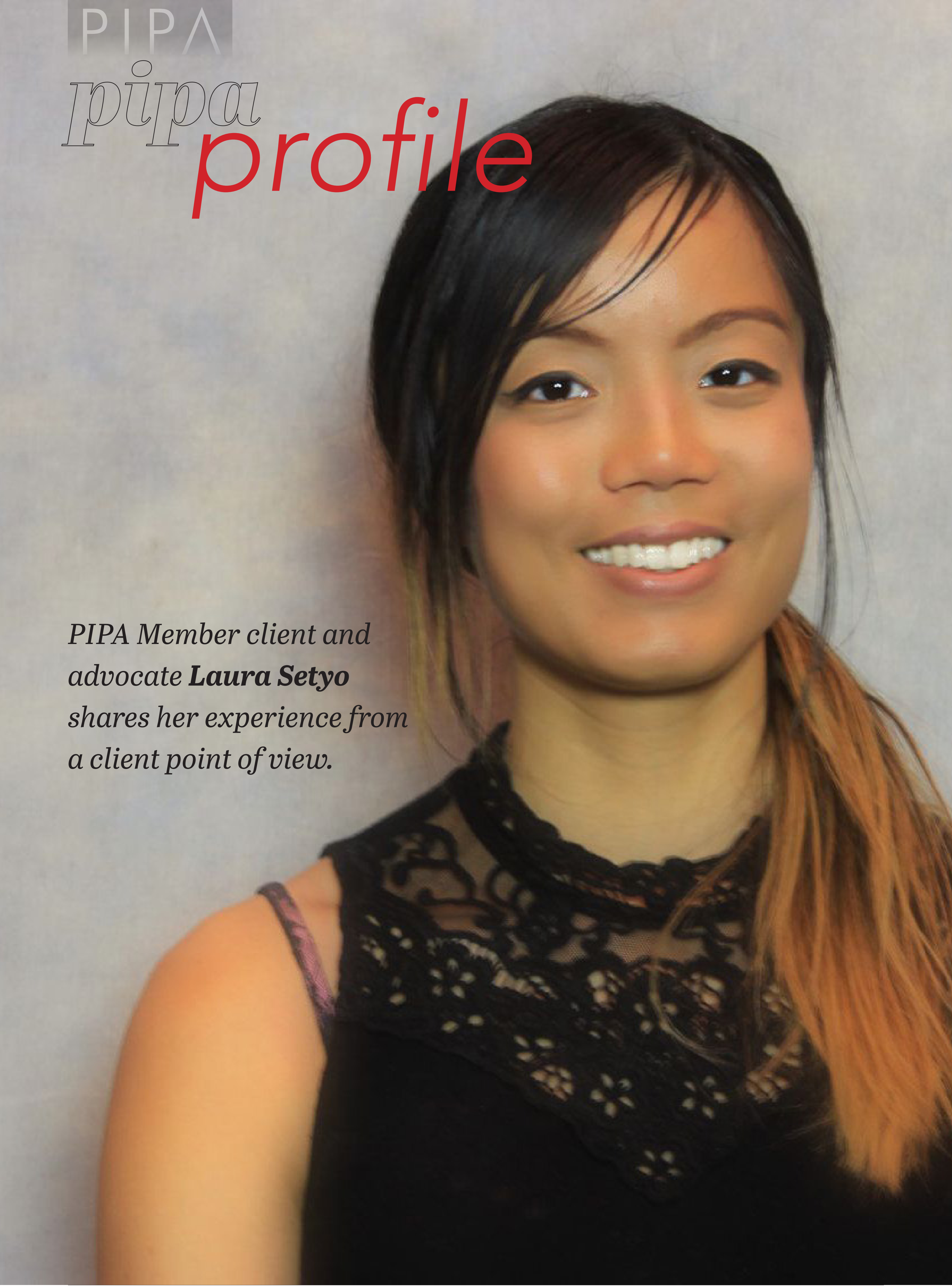

*PIPA Member client and advocate **Laura Setyo** shares her experience from a client point of view.*

> *I had peace of mind knowing my team were working in my best interests.*

WHAT IS YOUR BACKGROUND AS A PROPERTY INVESTOR?

I was lucky to have property investment in the back of my mind from my teens, having grown up with parents who migrated to Australia and who have slowly but surely forged their financial security using property as their vehicle.

I read many investment books, attended seminars and expos and went on online forums to try and educate myself as much as possible. My journey into property officially started at the age of 23 when I bought my first investment. At 26, I purchased my second investment property and am now focussing on my career development and personal growth before I buy my next property in two years' time.

HOW DID YOU LEARN ABOUT PIPA?

My research online and at property expos lead me to PIPA as the peak association where I could access a team of trusted and reputable professionals to help me along my property investment journey.

PLEASE TELL US ABOUT YOUR EXPERIENCE WORKING WITH THEM?

To get an idea of what was out there, I spoke with many mortgage brokers before I decided to go with one I found through the PIPA website.

Working with Glenn was highly rewarding – he was with me every step of my first property purchase and it was invaluable having his insight, guidance and expertise.

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

corporateaffairs@pipa.asn.au

WHAT DO YOU LIKE THE MOST ABOUT WORKING WITH PIPA MEMBERS?

Working with PIPA members meant I had peace of mind knowing my team were working in my best interests and acting professionally.

GIVEN YOUR RECENT EXPERIENCE, WOULD YOU RECOMMENDED PIPA TO OTHER PROPERTY INVESTORS? WHY?

Yes. I recommend PIPA to anyone I know who is interested in investing.

Knowing that members of PIPA have a minimum level of expertise and conduct regular professional development gives me confidence that the recommendations they give me and other property investors are well-considered and balanced.

Annual overseas migration hits new record

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The number of overseas migrants is soaring, with interstate migration also making waves in Queensland.

At the end of the June 2017 quarter, Australia's estimated resident population reached 24,598,933 persons – an increase of 1.6 per cent over the year.

Looking at components of national population growth, natural increase was recorded at 142,716 persons and net overseas migration was recorded at 245,408 persons.

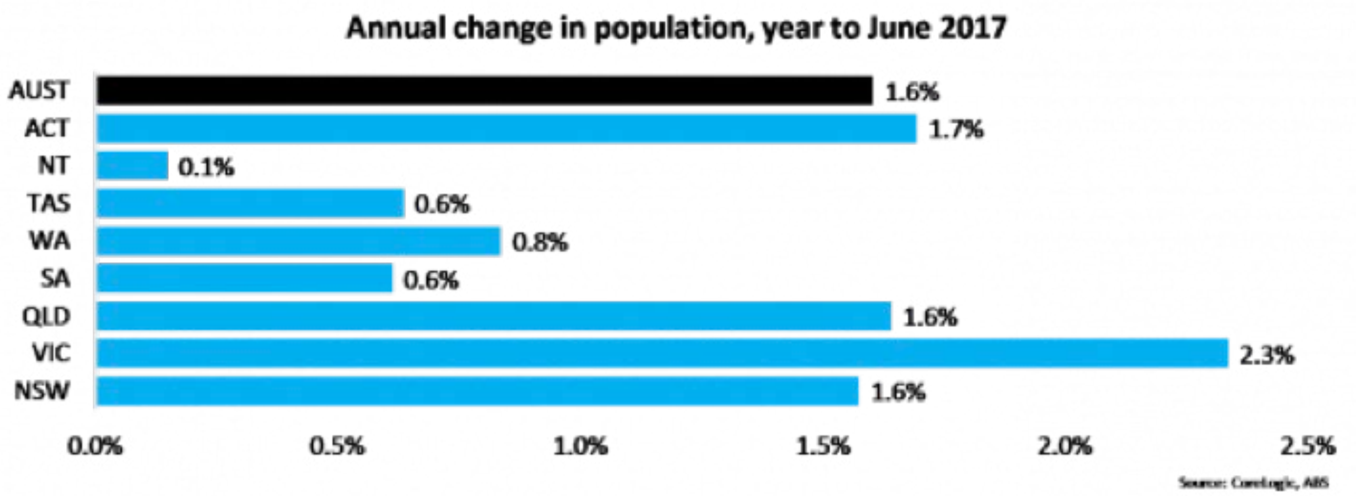
The 245,408 person increase due to net overseas migration was the highest rate since December 2009.

Looking at population change between the states and territories shows the rate of population growth remains strongest in Victoria with the population increasing 2.3 per cent over the past year.

The next fastest growing region was the Australian Capital Territory (1.7 per cent) followed by New South Wales and Queensland (1.6 per cent), Western Australia (0.8 per cent), South Australia and Tasmania (0.6 per cent) and the Northern Territory (0.1 per cent).

In terms of the raw number of population increase, Victoria and New South Wales remain well in front with increases over the past year of 144,357 persons and 121,794 persons respectively.

The population increase in Queensland (79,580) was also quite strong while it was more moderate in South Australia (10,494), Western Australia (21,403),



> *Population growth remains strongest in Victoria.*

Tasmania (3,289), Northern Territory (365) and Australian Capital Territory (6,833).

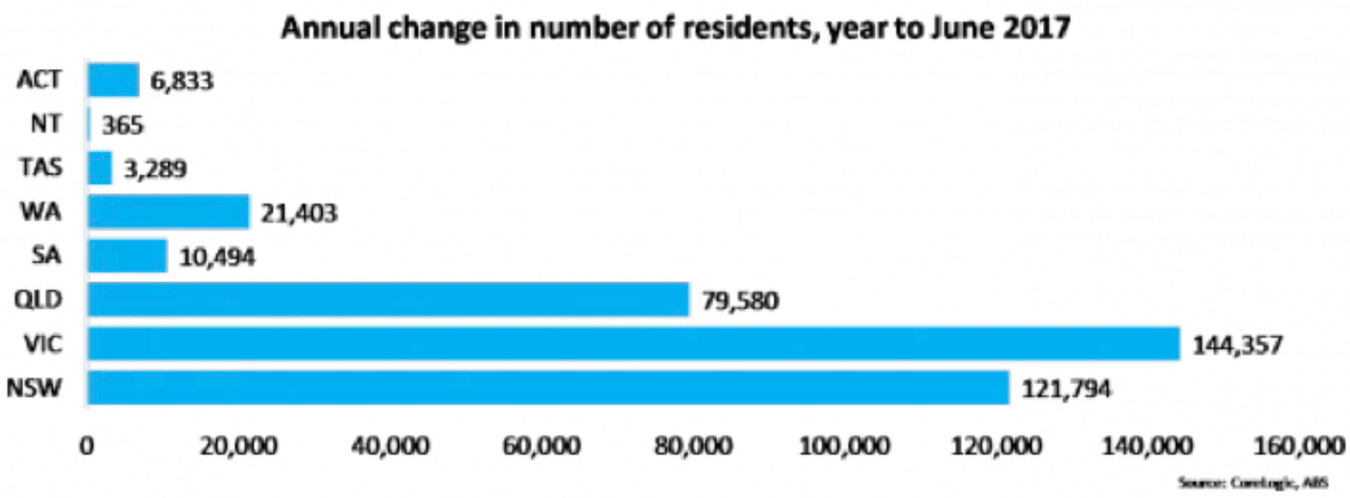
New South Wales and Victoria accounted for 68.6 per cent of the total increase in national population over the past year.

In terms of net overseas migration by state and territory, over the past year it has been at its highest ever level in New South Wales (98,570) and Victoria (86,901).

In fact those two states have accounted for 75.6 per cent of national net overseas migration. Elsewhere, the annual increase from net overseas migration was recorded at: 31,148 in Queensland, 10,497 in South Australia, 13,101 in Western Australia, 1,461 in Tasmania, 923 in Northern Territory and 2,801 in the Australian Capital Territory.

Queensland's annual rate of net overseas migration was the highest since March 2014, in South Australia it was the highest since December 2015. Western Australia's net overseas migration was the highest since September 2015, in Tasmania it was the highest since June 2010 and in Australian Capital Territory it was the highest since December 2012.

Looking at net interstate migration, there seems to be a shift away from New South Wales and Victoria. Over the past year,



> *Queensland now has the greatest annual inflow of residents from interstate.*

the population changes due to net interstate migration were:

- -14,859 in New South Wales
- +17,182 in Victoria
- +17,426 in Queensland
- -5,941 in South Australia
- -11,722 in Western Australia
- +741 in Tasmania
- -3,490 in Northern Territory
- +663 in Australian Capital Territory.

The outflow of residents from New South Wales has accelerated and is at its highest annual rate since March 2013 while the annual inflow to Victoria is lower than over the previous two quarters.

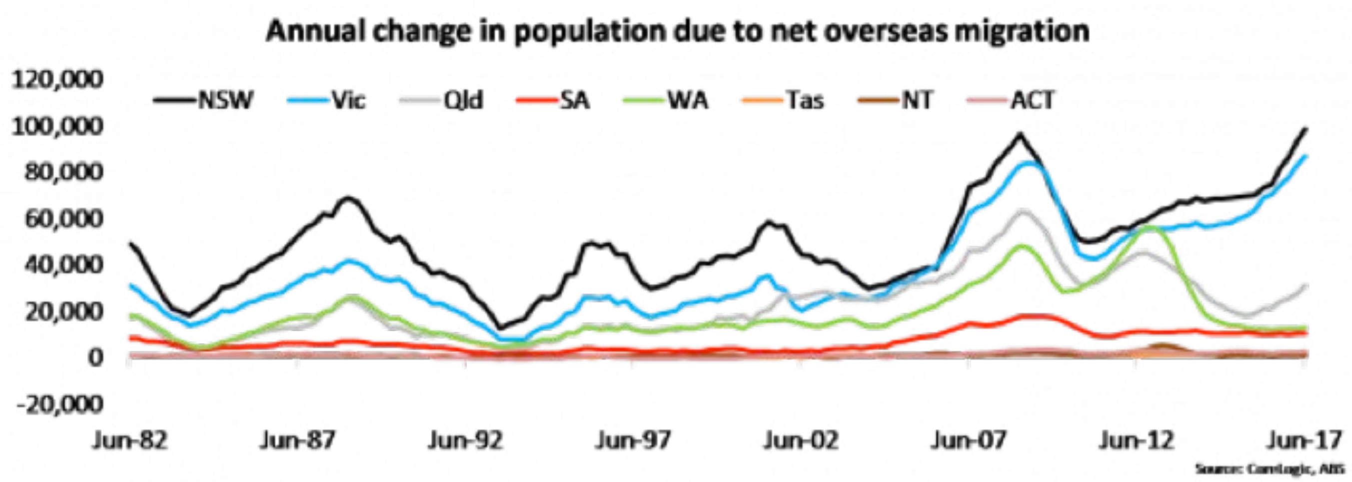
Queensland now has the greatest annual inflow of residents from interstate of all states and territories and is at its highest level since December 2008.

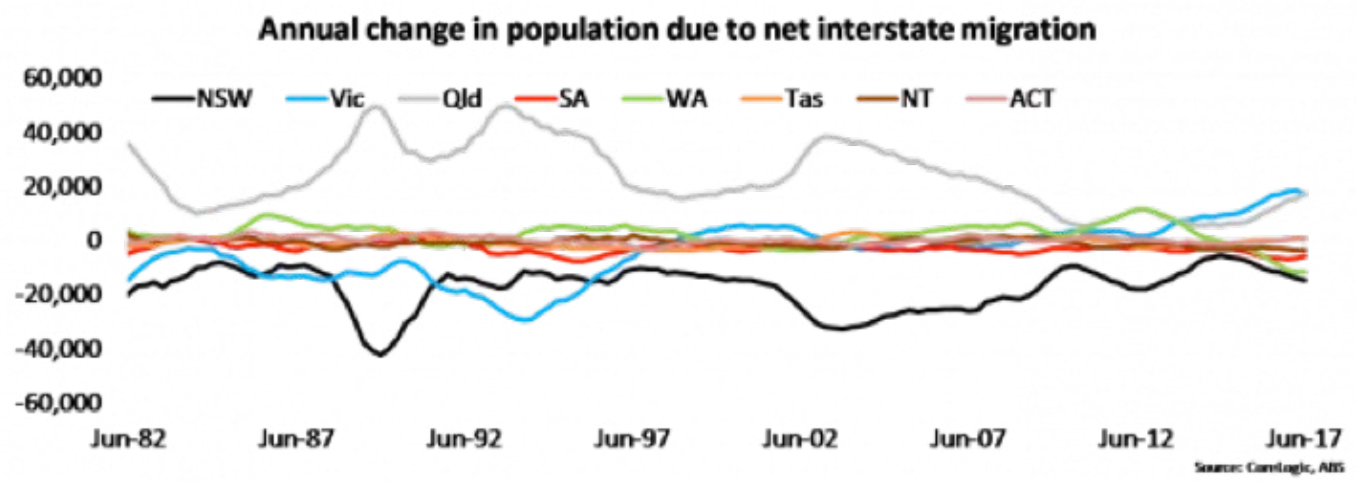
In South Australia and Western Australia the outflow of residents has slowed moderately while in the Northern Territory the outflow is continuing to climb.

Tasmania's rate of net interstate migration is the highest since September 2009 and Australian Capital Territory's inflow remains positive but has eased a little.

With Sydney and Melbourne having seen strong economic conditions, there has been an increasing number of people migrating to these two cities over recent years, both from elsewhere in Australia and overseas.

With housing affordability now stretched and employment growth accelerating elsewhere in the





country it is interesting to see how Queensland in particular is now seeing an increase in its share of overseas and interstate migration.

Overall migration to Tasmania and Australian Capital Territory is also accelerating. It will be interesting to see over the coming quarters whether these trends continue especially as dwelling values have started to fall recently in Sydney and the pace of growth in dwelling values in Melbourne has also slowed.

Furthermore, the two most populous cities are now much larger than the other capital cities and infrastructure investment has failed to keep pace leading to poorer outcomes for residents.

This could be another factor driving increased interstate migration to other parts of the country.

Australia's ongoing rate of high population growth, particularly within Sydney and Melbourne, is helping to create demand for housing, which is likely to help to support a controlled landing in the Sydney and Melbourne housing markets as dwelling value growth slows and/or falls.

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> ***The two most populous cities are now much larger than the other capital cities and infrastructure investment has failed to keep pace.***