PIPA ADVISER

ISSUE #11

For members of the Property Investment Professionals of Australia

FINANCE ISSUES
A GROWING CONCERN

BUT NOT A DETERRENT FOR INVESTORS

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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contents

PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA PIPA

Investors shrugging off finance issues

Welcome to the latest issue of the PIPA Adviser! Results from the 2018 PIPA Investor Sentiment Survey are now available, which I discuss in greater detail in this edition's cover story.

However, it appears that property investors are shrugging off finance issues, concerns about taxation policy changes, and the market slowdown in Sydney and Melbourne with a growing majority believing this year is a better time to invest than last.

Our survey found that more than 77 per cent of respondents think now is a good time to invest in property, with 52 per cent looking to purchase a property in the next six to 12 months.

However, more investors than last year (48 per cent in 2018 versus 43 per cent in 2017) say that changes to investor lending policies have impacted their ability to secure finance for an investment property.

Potential changes to negative gearing and Capital Gains Tax policies are also a growing concern, the survey found, with 45 per cent of respondents indicating they would reconsider their future investment plans as a result of proposed changes.

It certainly appears that the financial services crackdown on investors is having an impact on sentiment.

Turmoil in government ranks that saw a change in the prime ministership has translated into increased opinion poll support for the opposition, so investors face the very real prospect of seeing tax deductions cut, and this is playing into their purchasing decisions.

About 60 per cent of investors say their portfolio will be positively geared within five years and 71 per cent believe changing negative gearing and Capital Gains Tax policy will not improve housing affordability.

While a majority of investors (64 per cent) believe it's unfair to charge investors higher interest rates compared to owner occupiers, most (61 per cent) also indicate they will have no problem meeting higher interest rates when their loans switch to principal and interest repayments.

In other news, the 2018 PIPA Melbourne breakfast seminar is on Thursday 22 November at the Sofitel Melbourne on Collins.

Don't miss your chance to hear a capital city market update from yours truly, learn about the benefits of property investment advice models from Ben Kingsley, as well as a special presentation on how to use the media to grow your profile.

Plus, it's free for PIPA members and earns five CPD points! You can register here.

I hope to see plenty of members at the Melbourne event, where I will also provide an update on PIPA directions and achievements for 2018.

Until next time, then, I hope the tail end of the year is treating you and your clients well.

PETER KOULIZOS
PIPA CHAIRMAN

Investors shrugging off finance issues

PETER KOULIZOS
Chairman, PIPA

The 2018 PIPA Investor Sentiment Survey shows property investors are shrugging off finance issues, concerns about taxation policy changes, and the market slowdown in Sydney and Melbourne with a growing majority believing this year is a better time to invest than last.

INVESTORS REMAIN BULLISH ON REAL ESTATE AND TAKE A LONG-TERM APPROACH TO INVESTING

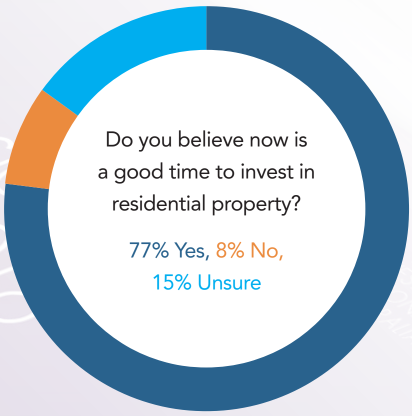
A significant majority (77%) of investors believe that now is a good time to invest in residential property. That's up compared to last year, when 71% thought it was a good time to invest.

52% of investors are looking to purchase a property in the next six to 12 months, down from 61% last year, and 43% purchased a property over the past year, down from 47% in the prior survey.

The optimism is consistent with the fact that investors are focusing on the long-term wealth benefits of real estate. They continue to seek long-term capital gains above all other drivers when choosing an investment. Long-term capital growth beat out cash flow – both long- and short-term – as the most important driver when choosing an investment. Short-term tax benefits were seen as the least important driver when choosing an investment.

Long-term capital growth and rental growth are the two biggest reasons for investing in property by those surveyed. Reflecting the focus on the long-term plan, the largest group of investors (49% this year, up from 47% last year) continue to have a "hold and never sell" approach.

Investors are also thinking beyond the big market downturns. Almost 90% said concerns around Sydney and Melbourne price falls will not slow down their investment plans.



THE TIGHTER INVESTOR LENDING ENVIRONMENT IS AFFECTING A GROWING GROUP OF INVESTORS

The two leading concerns of investors surveyed were further tightening of investor lending and banks raising interest rates on investment properties, with a majority (64%) believing it's unfair to charge investors higher interest rates compared to owner occupiers.

More investors than last year (48% in 2018 versus 43% in 2017) said changes to investor lending policies have impacted their ability to secure finance for an investment property.

Given tighter lending conditions and the financial sector response to the Banking Royal Commission, 26% of respondents have found themselves in a position where they were unable to refinance an amount they were able to borrow previously. 35% said they were able to refinance, while 27% were unsure.

While a majority (61%) of investors with interest only loans said they won't struggle to meet the new principal and interest repayments once the current interest-only

> *Investors are also thinking beyond the big market downturns.*

period expires, 12% said they would struggle and 13% weren't sure.

Of those that will struggle to meet P+I repayments, just 5.5% said they have sold, or will have to sell, an investment property to meet lending commitments.

INVESTORS ARE INCREASINGLY LOOKING TO MORTGAGE BROKERS AS THEY HUNT FOR A BETTER DEAL

As borrowing costs rise, lenders are on the hunt for a better deal. Given lenders are raising interest rates out of cycle with the Reserve Bank of Australia's cash rate, close to half (44%) said they are considering fixing their interest rate for some or all their loans compared to 49% in 2017.

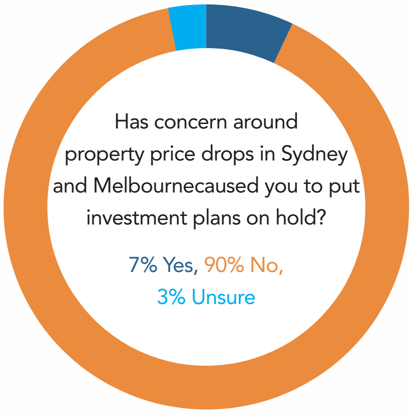
Almost 27% (up from 23% in 2017) said they would consider refinancing their loan for an interest rate differential of just 0.5 percentage points, while more than 17% said they would consider refinancing for one percentage point (up from 23% in 2017).

Given lenders are charging higher interest rates for interest-only loans, 35% (up from 30% in 2017) of investors said they either have switched or intend to switch to principal and interest repayments, however an even bigger proportion (36%) said they have no plans to switch.

In this environment, investors are increasingly looking to mortgage brokers to secure finance. Over 75% of investors secured their last investment loan through a broker, up slightly from last year's result of 73% and dramatically more than the 2015 number of 65%.

Only 20% secured their last loan directly from a bank while 2.8% directly from a credit union, building society or specialist lender.

86% intend to finance their next investment loan through a broker, up from 83% last year.

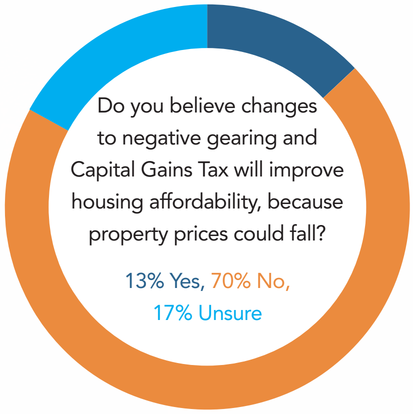


INVESTORS HAVE GROWN MORE CONCERNED ABOUT POTENTIAL NEGATIVE GEARING AND CAPITAL GAINS TAX CHANGES

Some 45% of respondents said they would reconsider their future investment plans as a result of proposed changes under proposals of the ALP and the Greens in relation to negative gearing and Capital Gains Tax exemptions. In 2017, only 14% of investors put investment plans on hold due to these proposals.

While 47% of investors are negatively geared, the vast majority (59%) expect to become positively geared within five years, and almost none (1.6%) of the negatively geared investors are having trouble covering the cash flow shortfall at the moment.

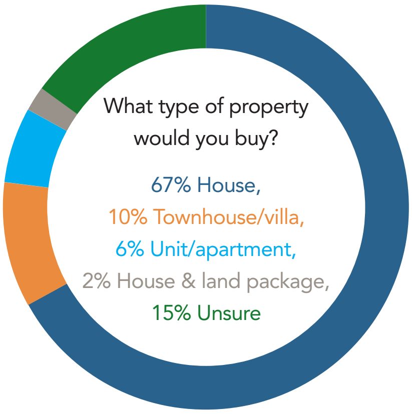
In addition, the majority of those surveyed (71%) believe changing negative gearing and Capital Gains Tax policy will not improve housing affordability.



INVESTORS INCREASINGLY FAVOUR ESTABLISHED HOUSES AS AN INVESTMENT OPTION

Of respondents planning to invest in property in the next six to 12 months, those looking to buy a house has remained flat 67% – the same as in 2017, though the proportion of people looking to buy units or apartments has fallen to 6.5% from 9.3% in 2017. There's been an increase in the number of investors who are unsure about what sort of property to buy, rising from 11% in 2017 to record 15% this year.

The number of investors looking to buy existing stock continues to be high at 93% – a rise of just 1% on last year's result. The number of investors looking at off-the-plan units or house and land packages sits at 6.4% – just slightly higher than the 2017 result of 5%.

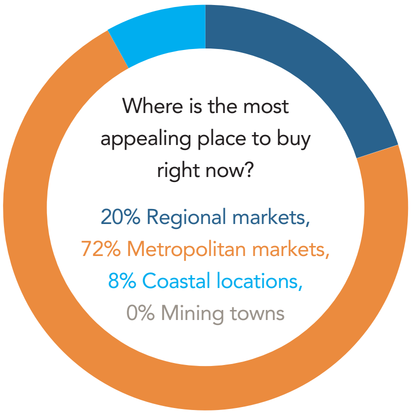


AS METRO LOCATIONS RETAIN THEIR POPULARITY, BRISBANE TIGHTENED ITS GRIP AS INVESTORS' FAVOURITE DESTINATION

About 72% of investors remain keen on opportunities to invest in metropolitan markets (down insignificantly from 73% in 2017) while coastal locations have lost favour somewhat (down to 8% from 12% in 2017).

Meanwhile the proportion of investors that say regional markets are the most appealing has risen to 20% from 15% in 2017.

The number of investors who see Brisbane as the state capital with the best investment prospects has risen slightly to 44% from 43% last year. Brisbane continues to be seen more positively than Melbourne (26% vs 32% last year), Sydney (9% vs 8%) and Adelaide (8% vs 7%). Perth has risen slightly from (6.6% vs 6%), while Canberra sits at just 1%, down only fractionally from 2% last year, and Darwin remains in the doldrums at 0.5%, (up from 0.3% last year).

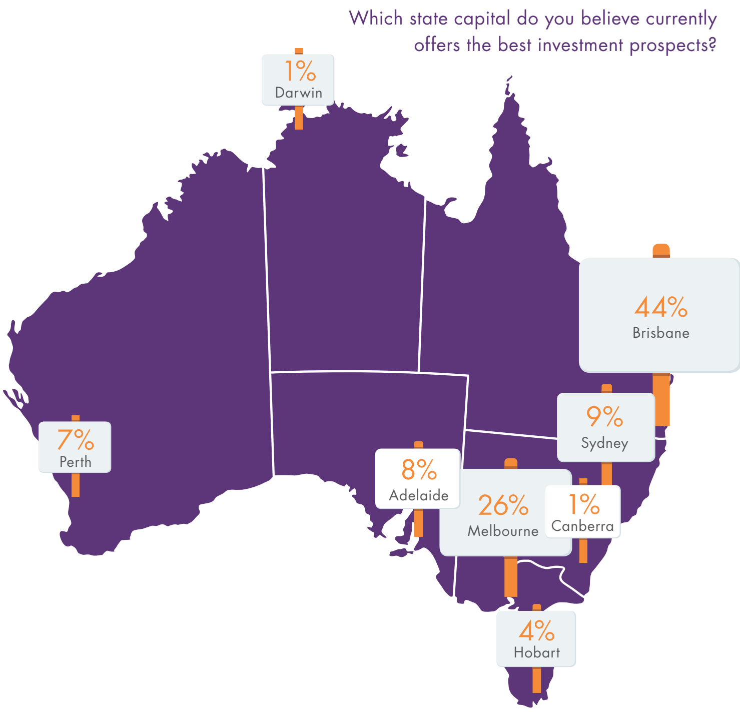


RENTVESTING RESONATES AS A PROPERTY INVESTMENT STRATEGY, PARTICULARLY WITH FIRST-TIME INVESTORS

63% of survey respondents said they would consider rentvesting – where instead of buying a home to live in, people rent in one location and invest in another – as a property investment strategy.

There was good representation from first-time investors in the survey. Of all respondents who purchased in the past 12 months, 20% (104) purchased their first investment property in the year. Of these first-time purchasers, 83% purchased an existing property while 14% purchased new or off-the-plan. The remainder purchased vacant land.

Among this first-time cohort, the rise of the rentvestor is well and truly established. Among these first-time investors, more than a third (36%) identified as renting elsewhere while the remaining 64% owned the home they lived in.



PROPERTY INVESTORS ARE SOPHISTICATED IN THEIR APPROACH

This survey paints a picture of an investment community that is highly sophisticated, with investors doing a lot of planning and research before they buy.

The overwhelming majority of respondents are investment veterans who have purchased several properties in the past. 45% hold two to four properties in their portfolio, while another 21% hold five to 10. This was up on the 2017 numbers showing 42% and 18% respectively.

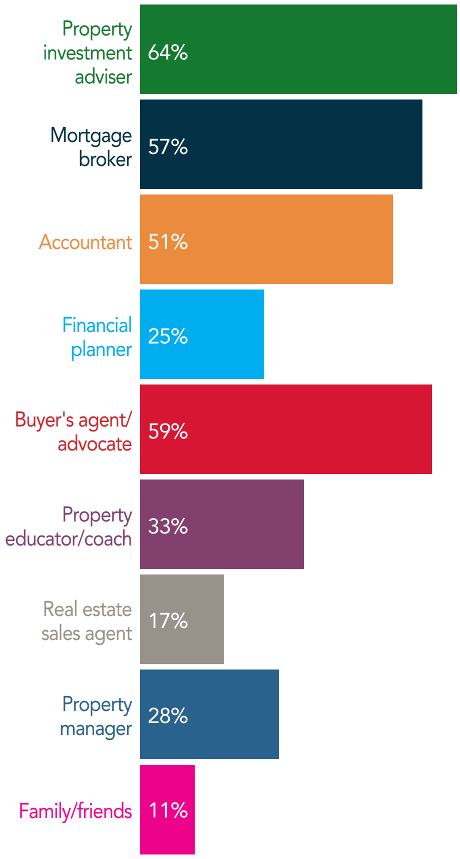
Over 98% of property investors have some form of plan or strategy, with almost 28% having a detailed and modelled plan designed to match long-term investment goals.

Investors continue to seek advice and services from a large variety of licensed and regulated professionals. Mortgage brokers are the most commonly used service providers, with 87% of investors (up from 85% last year) saying they have sought the services of a broker.

Over the past year there has been a slight change among those professions from which investors have sought/are planning to seek property investment advice. This year, 64% of investors chose a property investment advisor (up from 57% last year) while buyers' agents/advocates, which were the most popular choice in 2017 at 60%, recorded an insignificant drop to 59%. Mortgage brokers (57%) and accountants (51%) were the next most popular.

Perhaps reflecting the complexities of using a self-managed super fund (SMSF), 86% of investors continue to invest overwhelmingly outside their SMSFs. In fact, the same percentage say they have no plans to invest via their SMSF in the next 12 months either.

Where have you sought/where do you plan to seek property investment advice from?



87%
OF INVESTORS USE MORTGAGE BROKERS

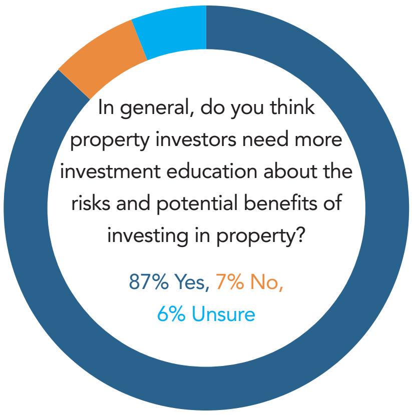
INVESTORS WANT TO SEE GREATER PROFESSIONAL STANDARDS FOR THE INDUSTRY

Despite their sophistication, a large majority (87%) of survey respondents think property investors need more education about the risks and potential benefits of investing in property.

Virtually all (95%) continue to think that any provider of advice should have formal training and be regulated/licensed.

90% of investors believe the property investment industry should be regulated and licensed the same way financial planners, mortgage brokers and real estate agents are.

In addition, 90% of those surveyed were aware that PIPA exists, which is up from the two-thirds recorded in 2017.



RESPONDENTS PROFILE

Almost 74% of all respondents reside in NSW or Victoria. 33% were aged 36 to 45 years-old, while 31% were aged 26 to 35-years-old. 26% of respondents had a household income of $150,001 to $200,000 while 21% had a household income of $100,001 to $150,000.

To download a full copy of the results, visit www.pipa.asn.au.

NICOLA MCDOUGALL
Editor, PIPA Adviser

Has Perth's market turned a corner?

The West Australian capital's property market has been in the doldrums for some time but is the slide finally stopping?

There's no doubt that it's still a buyer's market in Perth but there are small signs that its market woe might be on the turn.

CoreLogic's Head of Research Tim Lawless said the Perth housing market has been doing it tough since values peaked in June 2014.

"Since that time dwelling values have fallen by 12.6 per cent. Transaction numbers have been holding steady since 2015, averaging just under 30,000 sales per annum which is around 16 per cent below the decade annual average," he said.

"Buyers still hold a lot of leverage in this market – although listing numbers are reducing, overall stock levels remain high and homes are taking a long time to sell (73 days on average). Discounting rates remain elevated, averaging 8.8%, which is a little bit higher than the same time last year."

The Perth unit market has also been on Struggle Street, with values down 4.4 per cent over the past year compared to 1.1 per for house values, according to CoreLogic.

HAS THE BOTTOM BEEN REACHED?

Some commentators have been calling the bottom of the market in Perth, but it seems that belief is not borne out by the most recent data and research.

Mr Lawless said prices are still falling – albeit a little more slowly.

"The annual rate of decline has

The outlook for capital gains remained subdued.

been easing, indicating that Perth housing values aren't falling as fast as they were previously, however values are still drifting lower month to month," he said.

"Considering that values continue to trend lower, the market hasn't quite reached the bottom of its downturn."

The market is clearly an indicator of the continued fragile economic conditions in Perth and WA generally, however, it was improving with commodity prices

> North Fremantle had the strongest rebound in price

higher and consumer sentiment repairing, he said.

And, although state demand is now rising, the performance is well below the other states.

"Consumer spending remains weak, dwelling approvals are trending lower and population growth remains well below average – although the outflow of residents to other states has reversed its downwards trend through the second half of 2017," Mr Lawless said.

The Perth and regional WA market is likely to bottom out over the next 12 months, however the outlook for capital gains remained subdued with only a gradual recovery in housing values forecast, he said.

"A recent forecast from Moodys Analytics suggest Perth house values will be 0.9 per cent higher over the 2019 calendar year and unit values will show a firmer recovery, with unit values forecast to be 2.2 per cent higher over the 2019 calendar year," he said.

PRICES ON THE RISE

However, according to the Real Estate Institute of Western Australia (REIWA), a number of Perth suburbs have started to experience price increases after suffering declines last year.

REIWA President Hayden Groves said 12 suburbs across the metro area had defied the declining trends experienced in the 12 months to June 2017, to record strong house price growth in the 12 months to June 2018.

"It's really pleasing house prices in these suburbs have recovered so well in just 12 months," he said.

"All of the suburbs on the list have higher median house price values now than they did in 2016 just prior to the decline, which is positive news for sellers in these areas.

"North Fremantle had the strongest rebound in price, with its median increasing 28.1 per cent to $1.23 million in 2018, after declining 0.8 per cent to $960,000 in 2017."

Bicton came in second, with a 17.6 per cent median house price increase this year after declining 6.5 per cent last year, while Nedlands, Kallaroo and West Leederville saw house prices lift by 15.5 per cent, 14.6 per cent and 13.4 per cent respectively in the 12 months to June 2018, Mr Groves said.

Helena Valley, City Beach, Claremont, Mosman Park, Winthrop, White Gum Valley and Leeming rounded out the 12.

Analysis from reiwa.com shows all suburbs on the list had a median house price above the Perth Metro median of $515,000 and seven of those suburbs had median house prices above $1 million.

"Perth's aspirational suburbs are really leading the way in the property market's recovery," Mr Groves said.

"Last quarter there were more houses sales recorded in the $800,000 and above price range, which is a trend that also occurred during the December 2017 quarter.

"In addition, recent reiwa.com data also shows 11 per cent of houses sales in Perth now sell above $1 million, which is the highest proportion of million-dollar sales Perth has seen."

Nine of the 12 suburbs had faster average selling days than the Perth Metro region average of 66 days, with Nedlands (28 days), Claremont (40 days) and West Leederville (47 days) the standouts.

"There is genuine competition amongst buyers in the luxury end of the Perth market, forcing buyers to act fast in these areas and pay a premium to secure the property. Home owners in these suburbs who are thinking of selling would be wise to take advantage of these favourable market conditions."

TOP ANNUAL CHANGE VS JUNE 2017

SUBURB	MEDIAN PRICE (JUNE 2017)	ANNUAL CHANGE VS JUNE 2016	MEDIAN PRICE (JUNE 2018)	ANNUAL CHANGE VS JUNE 2017
1. North Fremantle	$960,000	↓ 0.8%	$1.23 million	↑ 28.1%
2. Bicton	$892,500	↓ 6.5%	$1.05 million	↑ 17.6%
3. Nedlands	$1.45 million	↓ 3.7%	$1.675 million	↑ 15.5%
4. Kallaroo	$700,000	↓ 9.4%	$802,500	↑ 14.6%
5. West Leederville	$1.1 million	↓ 1.6%	$1.247 million	↑ 13.4%
6. Helena Valley	$530,000	↓ 9.6%	$600,000	↑ 13.2%
7. City Beach	$1.627 million	↓ 4.9%	$1.835 million	↑ 12.8%
8. Claremont	$1.3 million	↓ 3.7%	$1.455 million	↑ 11.9%
9. Mosman Park	$1.285 million	↓ 1.2%	$1.38 million	↑ 7.4%
10. Winthrop	$840,000	↓ 1.2%	$899,000	↑ 7.0%
11. White Gum Valley	$682,500	↓ 3.2%	$730,000	↑ 7.0%
12. Leeming	$660,000	↓ 5.7%	$705,000	↑ 6.8%
Perth Metro	$520,000	↓ 2.8%	$515,000	↓ 1.0%

Median house price data is for the 12 months to June 2018 versus the 12 months to June 2017. Filtered for suburbs with more than 28 sales.

PIPA

pipa profile

***Rachel Cole** wears two quite different hats as it turns out. She is a Qualified Property Investment Adviser at Empower Wealth as well as a professional singer and dancer with her latest show being Evita at the Sydney Opera House.*

HOW LONG HAVE YOU BEEN A PROPERTY INVESTMENT PROFESSIONAL AND WHAT WAS YOUR PATHWAY INTO THE PROFESSION (INCL. OTHER CAREERS)?

I have been working in the property sector professionally now for two and a half years.

Prior to entering this world professionally, I was a serious investor, buying and renovating property, as a side hobby.

I have two parallel careers. I'm also a professional singer/dancer. I tour with major commercial musicals around Australia. At the moment, I'm working at The Opera House on Evita with Tina Arena.

In Australia, when a show moves cities, the entire cast moves with it, too!

Touring for the past seven years gave me intimate knowledge of market variances across the country, as I have lived in every Australian capital city, and had opportunities to buy property across three States.

My educational background is a bachelor's degree majoring in Psychology and Statistics from The University of Sydney, so the numerical analysis, projections, performance and modelling work, which is all part of the job, was already there.

HOW LONG HAVE YOU BEEN A QPIA?

12 months now.

HOW DID YOU FIND OUT ABOUT PIPA & QPIA?

Whilst originally working for Empower Wealth part-time, I felt I needed to formalise my practical experience as an investor with some theoretical knowledge as to what I was doing to pass onto clients.

Empower Wealth require all property investment advisors to be QPIAs. I discovered PIPA, as Ben Kingsley, the former chair, is my direct boss.

WHAT WERE YOUR MAIN REASONS FOR BECOMING A QPIA?

If clients are paying me for my professional opinion, I felt it necessary to formalise my qualification, to give some weight to my expertise, which otherwise was just experience and "time on the tools" so to speak.

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

There was none – it's quite straightforward.

HOW DOES THE QPIA SUPPORT YOUR CAREER?

It gives clients (and myself) confidence in my professionalism and experience.

In an industry full of sharks, it is great to ease a client's mind that a QPIA will always work with the client's best interests at heart

> *In an industry full of sharks, it is great to ease a client's mind.*

WOULD YOU RECOMMEND OTHER PROPERTY INVESTMENT PROFESSIONALS TO BECOME MEMBERS OF PIPA? WHY?

Absolutely. It gives you a qualification, legitimacy, educational knowledge and a network.

WHAT'S NEXT FOR YOUR CAREER IN THE NEXT 12 MONTHS AND BEYOND?

Continue at Empower Wealth as a Property Wealth Planner; helping our clients to solidify their retirements through property investment; purchase my fourth investment property in inner North Melbourne and do another renovation; continue the tour of Evita and see what other shows might be on the horizon.

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

nicola@bricksandmortarmedia.com.au

MARK CREEDON
Director, Red Monkey Coaching

Why you must understand your "why" in business

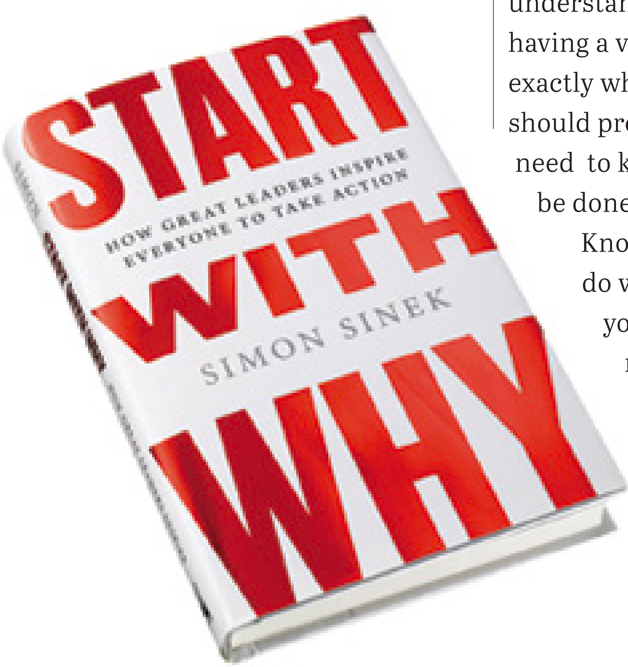
You have probably read Simon Sinek's excellent book "Start with Why" but if you haven't then I'm sure that you have at least heard about the concept and how it helps business owners and leaders create success.

The clients that I work with are shown how to take that concept to the next level.

It's really a bit like understanding your "why" on steroids!

The concept is that while understanding your why is essential, there are some additional aspects to address in order to truly drive your business to its ultimate level of success.

It is what I call taking you from "why to now".



Let's take a look at the four steps involved in that process.

STEP ONE

Understanding your why is really about your internal brand.

It's about what motivates you and is the "why" you do what you do.

It's answering the question of what gets you out of bed every day and motivates you to continue to drive your business.

So, in other words, understanding your why and having a very clear picture on exactly what your internal brand is should provide the motivation you need to keep doing what needs to be done.

Knowing exactly why you do what you do will help you to stay focused, drive motivation when it is needed the most, and ensure that you continue to make the necessary commitments to your business.

Of course, if this is what it will do for you, then the same can be said for the impact it will have on your team.

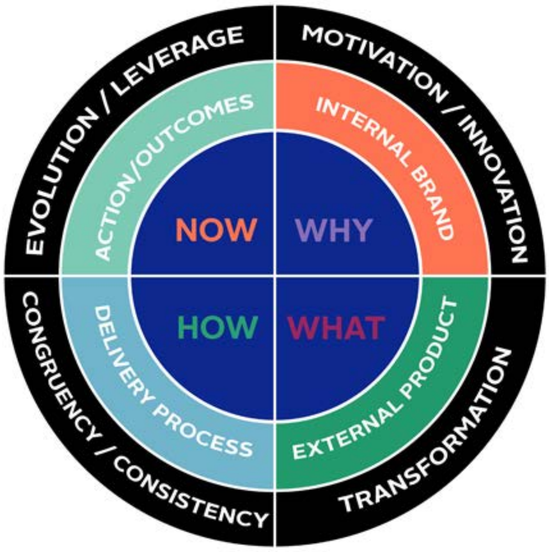
It will help them to understand why your business exists and will serve to maintain motivation for them as well.

The other aspect of understanding your why is that it will help you to stay innovative.

Having a solid grasp on the real purpose of the business will help you to constantly review how you deliver your service, the message your brand portrays, and the reception you get in the marketplace.

Standing out from all the white noise constantly bombarding your prospective clients will become much easier if you are true to your purpose.

> *The true value of your service lies in the transformation it brings to your clients.*



STEP TWO

Understanding your why will determine your internal brand and how you run your business internally.

The trick, though, is how to take that very discovery to the marketplace and translate it across to your external brand.

This is the "what" you do.

One of the greatest discoveries my clients make that propels their business success is to understand what it truly is that their business offers – that is, their true product.

Too many times, I see business owners focussing on the logistical or practical aspects of the service they offer, without ever mentioning the emotionally intelligent connection they make with their clients.

You see, the true value of your service lies in the transformation it brings to your clients.

It's the old, "Am I buying the hammer and nail to hang the picture or the satisfaction of the picture looking great on my wall?"

Let me give you some real-world examples from the clients we coach.

Let's say you're a mortgage broker (you wouldn't be calling yourself that if you were being coached by me, but that's for another article), how many of your prospective clients wake up in the morning, stretch their arms, dangle their toes over the edge of the beds and as they rub their eyes turn to their partner and say, "Good morning. I've got a cracking idea. Let's go out today and sign up to borrow $800,000 so we can stay in debt to a bank for the next 30 years".

Of course, they wouldn't!

And yet most mortgage brokers spend their days telling anyone who'll listen just how they can help them do exactly that, but they are missing the point.

The real secret lies in understanding the transformation which your product or service brings to the person you want to buy it from you.

In the above scenario, you'd talk about their dream home, their financial future or perhaps the legacy they want to leave their children and grandchildren.

Tapping into the true product you offer and setting your brand strategy and your marketing narrative accordingly will help you to stand out from the crowd and propel you towards industry leadership.

Now you understand the why and the what of your business, including how to think internally and how to deliver externally, the next step is to examine how you deliver these messages into the marketplace.

STEP THREE

There are two very simple words to live by when devising your delivery strategy – consistency and congruency.

In other words, if you have gone to all the trouble of determining exactly why you run your business, what motivates you and helps you to stay innovative, and you've come to understand the true nature of your product and the transformation it brings to your clients, wouldn't it be a shame to then deliver a marketing message that failed in the consistency and congruency test?

Let me give you an example.

I was driving down the freeway one day and I saw a huge billboard with the words "$99 Vasectomies" in letters a metre tall.

Now, I don't know about you, but if I am looking for someone to operate on my genitals I'm certainly not about to shop around solely on price!

You see, if that business had instead focused on the transformation the service provided, then they could have moved away from selling on price.

Imagine instead, a billboard that read "Worry-free sex", which one would you be more likely to act on?

Maintaining congruency between your purpose, your why, your transformation and your external branding will help you to maintain consistency in your message so that the message you send your team, your prospects, your clients and the general population are all exactly the same.

Doesn't that sound a whole lot simpler?

Of course, this isn't just about your marketing message, it's also how you deliver your service and the entire client experience.

STEP FOUR

Finally, as with everything in business, the fortune is in the follow through.

You have an internal and external message now.

You know how to stay motivated and innovative and how to consistently deliver a message which helps you to stand out from the crowd.

The next trick and step four of this process is to take action.

Having clarity around your purpose as an integral part of your annual business planning is essential.

I have a theory that any business plan that's longer than a page is too long and is probably not going to be utilised to the best advantage of the business.

Our one-page Mastermind plan was designed exactly for that reason and to ensure that the "why" is included in the planning process.

Next, simply document the transformation you discovered in step two and create projects on how to implement that message internally and as part of your marketing strategy.

Whether you use a specialised tool or a simple pen and paper, it doesn't really matter, as long as you document the delivery and marketing projects.

Then all that's left is to implement, review, and continue to implement each step of the way.

Following these simple four steps will help you leverage off the very best aspects of your business and to continue to evolve.

That way you can stay ahead of the competition and never get left behind.

DOWNLOAD YOUR FREE CHEATS FOR BETTER BUSINESS PLANNING HERE!

> ***"Having clarity around your purpose as an integral part of your annual business planning is essential.***

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.

SMART PROPERTY INVESTMENT
By investors for investors

Expert reveals the best-performing capital city market on the mainland

As a property investor, you only want to consider best properties, so naturally you would invest in the best-performing capital city market.

http://bit.ly/PIPA-011-19A

PROPERTYobserver

Mining property prices have dramatically dropped over past decade

New research has found that property prices halved in many mining regions over the past decade.

http://bit.ly/PIPA-011-19B

new members

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

INDIVIDUAL MEMBERS

- PAUL BIEG

CORPORATE MEMBERS

- SEBASTIAN JAMES
  Hunter James Buyers Agents & Property Advisors
- NATHAN VECCHIO
  Hunter Galloway: Mortgage Broker Business

QPIA

- ANDREW WEGENER
  Aquila Property

Which deductions are commonly missed?

BRADLEY BEER
CEO, BMT Tax Depreciation

Depreciation is a complex area, so unless you're a specialist quantity surveyor or a qualified tax accountant, it can be hard to wrap your head around it.

As such, investors miss deductions all the time, meaning they could be losing out on thousands of dollars.

Research shows that 80 per cent of property investors are failing to maximise the deductions claimed from property depreciation.

So why are so many investors missing out and what deductions commonly go missed?

WHY ARE DEDUCTIONS MISSED?

There are a few reasons why deductions may be missed or not maximised.

The first is that many investors remain unaware of depreciation and that it's even a valid claim.

This is possibly because it is a non-cash deduction, meaning the investor does not need to spend any money in order to make a claim.

Furthermore, they may not realise the significant deductions available and may falsely consider it a minor claim not worth their time.

They may not be getting a specialist to prepare a tax depreciation schedule.

Quantity surveyors are one of a few professionals recognised by legislation (Tax Ruling 97/25) to have the appropriate construction costing skills to calculate building costs for capital allowance claims.

You should ensure you seek the services of a quantity surveyor who specialises in property depreciation to ensure claims are maximised.

A specialist will have up-to-date knowledge of legalisation and the tools and tricks available to maximise deductions in a legally compliant manner.

They will also ensure that no asset goes unaccounted for.

Many investors are unaware that they can make a claim for renovations completed by a previous owner.

So long as they fall within the qualifying date for capital works, these previously completed renovations are a valid claim and can provide significant deductions for current owners.

Unusual or small items often go overlooked.

Even if they're aware of depreciation, many investors don't realise that things as simple as door stoppers, shower curtains and spa bath pumps can attract a depreciation claim.

While they may seem small, these items can really add up in a depreciation claim.

Some investors will choose to make a self-assessed claim, but this is risky for a variety of reasons.

Many investors do not have the technical knowledge of a trained professional and as such, they can overlook important items or make an incorrect claim, which may mean it is not compliant and puts them at risk in the event of an ATO audit.

It's always best to get an expert on board to prepare your tax depreciation schedule.

WHAT ASSETS ARE COMMONLY MISSED?

As previously mentioned, renovations made by previous owners are commonly missed.

Speaking of renovations, if an investor is currently completing a renovation, they may be eligible to scrap any assets they're getting rid of in the renovation.

This means they can claim the remaining depreciable value for certain assets.

This can be commonly missed if a specialist quantity surveyor has not provided assistance.

Furthermore, a quantity surveyor will know how to make use of different strategies and tools to maximise deductions sooner, such as the low value pool.

If this is overlooked, it can result in valuable deductions going unclaimed.

Finally, small or unusual items are often overlooked, deemed too insignificant by investors to warrant making a claim.

These deductions may seem small, but they do add up for property investors and should not be overlooked.

WHAT'S THE SOLUTION?

When it comes to property depreciation, it's always best to employ the services of a quantity surveyor that specialises in tax depreciation, such as BMT, to prepare a tax depreciation schedule for your investment property.

This will not only ensure that these deductions are not missed, but that deductions for all qualifying assets are maximised and compliant with ATO legislation.

This schedule will cover the life of the property, can be easily used by your accountant when preparing your tax returns and will ensure that these commonly missed deductions will not go unnoticed.

EXAMPLES OF COMMONLY MISSED ASSETS	
Garbage bins	Tennis court nets
Door closers	Automatic window shutters
Rugs	Freestanding garden sheds
Smoke alarms	Intercom system
Exhaust fans	Electric water filters
Electric clocks	Ceiling fans
Freestanding bathroom accessories	Solar garden lights
Shower curtains	CCTV systems
Spa bath pumps	Water feature pumps
Garbage disposal units	...just to name a few

* 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.

Three simple steps to fix our banks

ELISE BANT
Professor of Law,
University of Melbourne

Here are three simple steps to address the widespread misconduct revealed in the interim report of the banking royal commission, arising out of research I have undertaken with my colleague Associate Professor Jeannie Paterson.

While not exhaustive, they are good places to start:

STEP 1: BACK TO BASICS

Commissioner Hayne is spot on when he says that simply adding more regulation is not going to do the job.

In fact, more regulation can be more damaging than helpful.

There are literally dozens of overlapping state and federal statutes that prohibit misleading or deceptive conduct, and they often use subtly but significantly different language and impose different penalties.

This "legislative porridge" splits the regulation of financial services and products in ways that defy rational justification.

The result is protracted and cripplingly expensive litigation to determine who is covered by what prohibition.

This plays perfectly into the hands of well-funded corporations who know that delaying tactics and the limited resources of regulators and commercial and consumer are likely to produce soft settlements, "agreed penalties" and no real pressure to change behaviour – all while profits continue to flow in.

So we need to get back to basics. Simple, overarching prohibitions contained in one or two pieces of key legislation, which apply to every trader and corporation who engages in trade or commerce. No exceptions. No carve outs. No special treatment. The same penalties and remedies. Simple, powerful and unavoidable.

STEP 2: CALLING OUT DECEPTIVE CONDUCT

For many years, the Australian Securities and Investments Commission has concentrated its relatively meagre litigation efforts on proving "misleading" conduct by corporations. This is probably because it is notoriously difficult to prove the personal dishonesty traditionally required to prove fraud (the "deceptive" part of the prohibition on "misleading or deceptive" conduct).

Part of the problem has been that corporations are artificial persons and so need to operate through directors, managers, employees and agents.

Nailing down instances of individual personal dishonesty, intention and responsibility is often impossible.

Misleading conduct, by contract, is relatively easy to prove, because it focuses on the objective meaning of conduct, does not require proof of fault – and does not require ASIC to identify the personal intentions of individuals behind the conduct.

But, focusing on misleading conduct comes at the cost to effective regulation.

The reputational damage

This article was originally published on THE CONVERSATION [Read the original article]

> ***A change in focus from personal intention to objective standards of honest conduct is needed.***

flowing from a finding of misleading conduct is very low.

As Commissioner Hayne has noted, corporations are quick to characterise this sort of conduct as involving "mistakes", to apologise and to promise reform.

It is time to face the reality that what matters is the behaviour of corporations rather than what is in their (artificial) minds.

It isn't brain surgery.

As the commissioner himself as noted, you don't need legal advice to know that "charging for doing what you do not do is dishonest". Much of the reported conduct "ignores basic standards of honesty".

A change in focus from personal intention to objective standards of honest conduct is needed to address what the commissioner identifies as "the root causes of conduct, which often lie within the systems, processes and culture cultivated by an entity".

STEP 3: GENUINE PUNISHMENT

The final piece of the puzzle (missing from the otherwise incisive discussion in the interim report) is to bring courts on board.

Australian courts have been very cautious in awarding penalties for misleading conduct, and give substantial weight to mitigating factors such as expressions of remorse and cooperation with regulators.

They have said repeatedly that the focus of penalties should be on deterrence rather than punishment.

Their approach may be entirely appropriate in cases where courts are dealing with human defendants facing personal ruin. But when applied to corporations, it can undermine the legitimate role of punishment in changing repeated and longstanding corporate misbehaviour.

Again, there are some simple changes to the law that could address this problem.

One is to clarify that punishment is an important aim of the civil penalties regime, required for "public denunciation" of bad behaviour and to provide effective deterrence.

Another is for courts to frame penalties with a strong eye to the profits amassed as a result of the breach. Often the profit earned will be larger than the damage to consumers. Misconduct cannot be allowed to make good financial sense.

Yet another (also not yet on the commission's radar) is to seriously consider expanding private rights of redress to include additional, punitive damages in cases of serious misconduct.

Not only would this make private claims more feasible for commercial victims. The recent launch of group proceedings by Slater & Gordon shows that, when brought together, private litigants are capable of sharing the regulatory burden of keeping banks on the straight and narrow: it needn't all be done by the Australian Securities and Investments Commission.

There are important issues to consider about the strengths and dangers of group litigation, currently the subject of review by the Australian Law Reform Commission.

But if it can be done properly, the deep pockets of banks might well meet their match in well organised teams of lawyers and litigation funders, aggressively seeking justice both in the interests of their clients and for their own financial reward.

TIM LAWLESS
Head of Research, CoreLogic

From boom to doom – but is it really that bad?

Without a doubt, housing risks are heightened relative to a year ago.

Dwelling values are slipping lower nationally (down two per cent since peaking in September last year), mortgage rates are edging higher (up by around 15 basis points from three of the four major banks announcing a rate rise in September) and mortgage arrears have moved off their record lows (but still only around 0.6 per cent of all mortgages are 90+ days in arrears).

All this against a backdrop of record high levels of household debt (the ratio of disposable income to household debt reached 190 per cent in March this year), increasing levels of housing supply and rising domestic and global uncertainty.

UNREMARKABLE DECLINE

It should come as no surprise that some commentators are forecasting a substantial reduction in dwelling values.

We saw similar forecasts during previous downturns from the likes of Steven Keen, Harry Dent and Jeremy Grantham as well as many others.

The most recent dire prediction to get mainstream airplay was predicting a 40 to 45 per cent fall in dwelling values – albeit with only a 20 per cent chance of this occurring.

Since airing on 60 Minutes, the segment titled "Bricks and Slaughter" has seen the two primary experts featured clarifying their televised comments, which were apparently presented in an unbalanced context: a presentation of the worst-case scenario with no regard for the most likely outcome.

If we look at the current downturn in Australian housing, the trajectory of decline is

> ***Some commentators are forecasting a substantial reduction in dwelling values.***

> ***The trajectory of decline is actually quite unremarkable.***

actually quite unremarkable.

Australia's largest housing market, Sydney, has seen values fall by 5.6 per cent since peaking in July last year; a trajectory that is straight down the middle of previous downturns.

During the GFC, Sydney dwelling values fell by seven per cent in the space of 12 months, and the downturn before that (2003 to 2006) saw values fall 7.1 per cent over the same number of months.

Australia's second largest city, Melbourne, has seen values falling since November last year.

Since that time, the market is down a cumulative 3.5 per cent and the descent has generally been milder relative to previous downturns.

NO BIG FALLS

Even in markets where values have been falling consistently for more than four years, on the back of a material weakening in economic and demographic conditions, we haven't seen values fall by anywhere near 40 per cent.

Perth dwelling values peaked in 2014 and have fallen by 12.6 per cent and in Darwin, where conditions have been even tougher, dwelling values are down 21.8 per cent.

Recently released housing value forecasts from Moody's Analytics certainly paints a less gloomy picture of housing markets over the coming years.

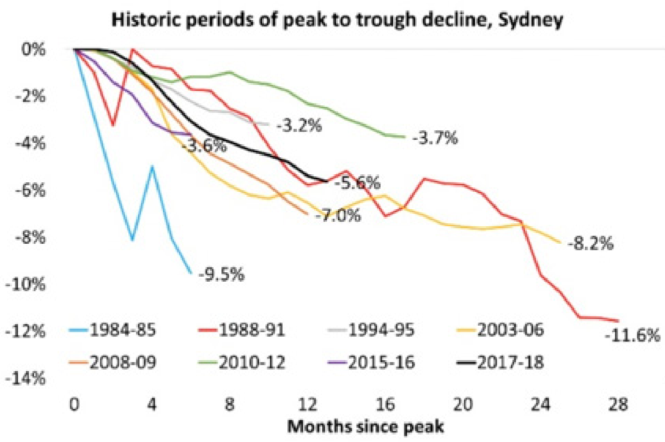
While growth is forecast to be subdued relative to previous years, the forecast is for a relatively mild downturn, with national house and unit values returning to mild positive annual growth by the middle of 2019.

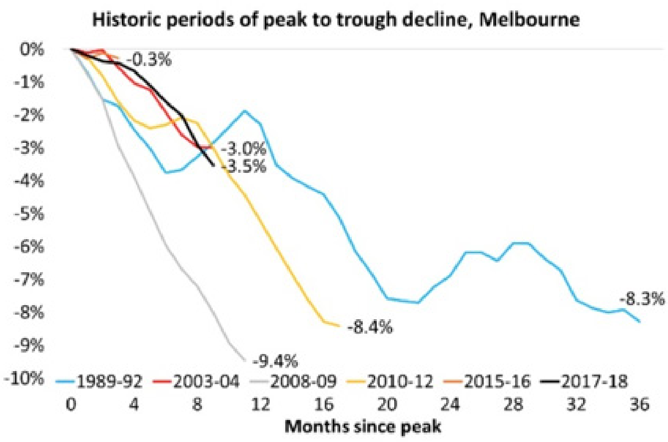
The Moody's Analytics forecasts are based on an econometric model which uses CoreLogic's Hedonic Index data as a base to forecast from.

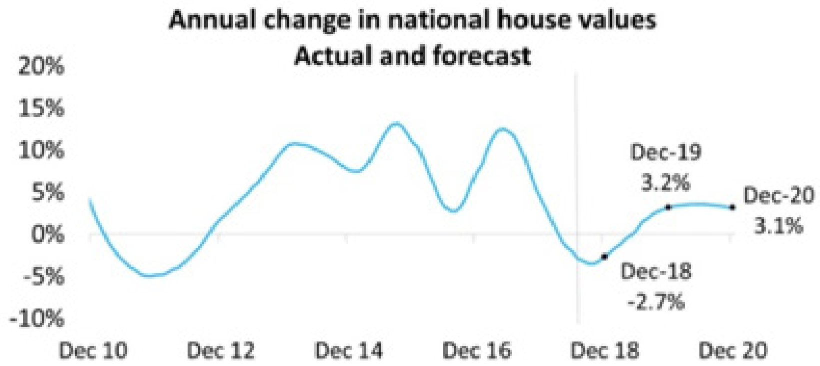
Their upbeat assessment of dwelling values is based on rising business investment, particularly in the non-mining sector, a rise in infrastructure spending, above trend jobs growth, and ongoing low interest rates.

Of course, the outlook for housing conditions is varied across the regions.

By the end of 2019, Moody's is expecting every capital city except Hobart (-2.4 per cent) to







record a positive annual change in house values, with year on year rises ranging from 4.5 per cent in Canberra and Adelaide to a 0.9 per cent rise in Perth dwelling values.

Forecasting the movement in asset values is challenging at the best of times and with so much uncertainty at the moment it's even harder.

Several wildcards remain that could have a negative impact on the direction of housing values.

Households are more sensitive than ever to interest rate movements due to the record level of household debt.

Roughly 70 per cent of household debt is housing related, which implies small changes to mortgage rates could have an amplified impact on household balance sheets.

Further, out of cycle movements in mortgage interest rates could have a negative impact on the market.

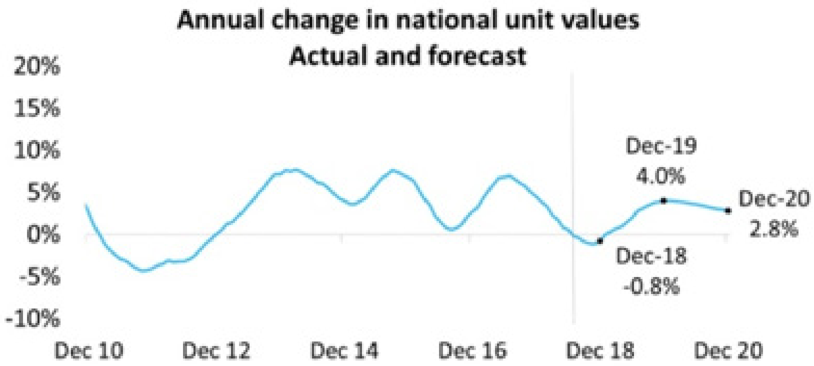
On the flipside, if the RBA decides to cut the cash rate further (a possible scenario of economic conditions weakened, and housing price falls accelerated), this would likely see a rise in housing activity and help to place a floor under housing prices.

There is also the potential for changes to property taxation policies that could have a further dampening effect on investment demand.

Based on the value of new housing finance commitments, investors still comprise around 41 per cent of mortgage demand, down from 55 per cent in mid-2015.

Investor concentrations remain

> ***It's hard to see a scenario where Australian housing values could fall off a cliff.***



well above their long-term averages across New South Wales (49 per cent of housing finance commitments) and Victoria (41 per cent of housing finance commitments), implying Sydney and Melbourne would have more to lose if investor activity were to drop more substantially.

Investors are already being disincentivised by falling prices, mortgage rate premiums and low rental yields – additional disincentives from tax reform could see demand reduce further, creating some slack in the overall demand composition for Australian housing.

REALISTIC OUTLOOK

On balance, even with mortgage rates edging higher, we are still in the lowest mortgage rate environment since the 1960s.

Population growth remains strong and maintaining a consistent migration policy seems to have support from both sides of politics, which will continue to support demand for housing.

Labour markets are reasonably healthy with unemployment holding at 5.3 per cent and likely to trend lower, underemployment is at the lowest rate since May 2014 and jobs growth above the long-term trend.

Overall, it's hard to see a scenario where Australian housing values could fall off a cliff.

For this to happen we would need to see a material about face in labour market conditions, a global shock or a material rise in interest rates – none of which seems to be a likely outcome at the moment.