PIPA ADVISER

ISSUE #23

For members of the Property Investment Professionals of Australia

Why the market is not done with us yet

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.

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PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA PIPA

Investors make a return to the market

This year has so far been one for the history books when it comes to property price performance, hasn't it?

Price growth has been significant in most parts of the nation, with few signs that will materially change anytime soon.

According to CoreLogic, the combined value of residential real estate climbed to $8.4 trillion over the month of May.

Plus, in the three months to May, national home values rose seven per cent, which is the highest quarterly growth rate since November 1988.

Regional dwelling values are also 15.2 per cent higher over the year, compared with a 9.4 per cent lift in the combined capital cities dwelling market, according to CoreLogic.

Investors have been increasingly active in markets since late last year, however, they remain below historical averages.

New data from the ABS and APRA has shown a sharp uptick in investment lending, but the dominant buyer type remains owner-occupiers, who accounted for 52.5 per cent of housing finance in April.

First home buyer finance comprised 21.5 per cent of total borrowings for the purchase of property in April, marking the fifth month of consecutive decline in the share of the value of borrowings for first-time buyers, but remains above the decade average of 15.7 per cent.

The share of investor finance secured for the purchase of property was 25.9 per cent and remains well below the 35.3 per cent decade average.

Of course, the restrictions on investment lending four years ago kept many investors unnecessarily on the sidelines, which is the part of the reason why we now have such an undersupply of rental properties in many locations.

However, despite new record highs in housing finance, recently released data from APRA suggests that there has not been a material increase in risk across the housing lending space, according to CoreLogic.

At board level, we are gearing up for the rescheduled 2021 PIPA Queensland breakfast seminar on Thursday 15 July in Brisbane.

There is still time to register for the breakfast, which you can do here.

As well as hearing from two expert speakers, a cooked breakfast will be served, and there will be time to network with your peers as well.

At this stage, we are also hoping to host a breakfast seminar in Sydney later this year, so please do keep an eye out for details about that in coming months.

Yours in optimism.

PETER KOULIZOS
PIPA CHAIRMAN

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 recent months. For more articles [visit the PIPA website.]

Daily Telegraph+

How property investments can deliver a tax time bonus

Soaring house prices have given most of Australia's 2.2 million property investors a financial boost this year, and some clever tax moves in the next two weeks can make them even more money.

Read the article

MERCURY

Buy without regret

Home seekers will need to ask vital questions before buying in the hot current market, writes Aidan Devine. PERFORMING basic property checks and due diligence has become critical for househunters in the booming market, experts warn.

Read the article

Daily Telegraph+

How to cook a nest egg

The recipe for investing in a healthy retirement is best served three ways. Saving for retirement seems complex but the truth is, there are really just three simple ingredients to help create a sizeable nest egg.

Read the article

new members

***PIPA** welcomes our newest members...*

PROPERTY INVESTMENT PROFESSIONALS OF AUSTRALIA PIPA

INDIVIDUAL MEMBERS

- JORDAN DE JONG, *Game Plans*
- SUNIL RAMPAL, *Titan Property Advisers*

CORPORATE MEMBERS

- ARASH JAFARI, *Elite AJ Buyer's Advocates*
- ANUBHAV AGGARWAL, *Find My Real Estate*

QPIAS

- JAY ANDERSON, *Jay Anderson Property*
- ARASH JAFARI, *Elite AJ Buyer's Advocate*
- JORDAN DE JONG, *Game Plans*

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CALL (02) 4302 1624

Story courtesy of Herron Todd White's Month in Review

How new design will shape future offices

Even without unexpected global issues, change is constant in real estate, but the pace of transformation has increased markedly since February last year. This is especially true in the office property sector.

Offices emptied overnight when stay-at-home orders were issued early last year. Then, in the months that followed, workplaces found ways to reopen under new protocols.

The result has been a rethink in the way office space is designed and used.

Tom Crossland is a construction director at commercial fitout company, Valmont.

Tom Crossland

He said office space had been becoming more egalitarian before the pandemic.

Management-level staff were watching their private corner offices become collaborative workspaces surrounding a central open-plan area accommodating all employees.

Mr Crossland said this already established shift in design evolved further under COVID protocols.

"It allows more collaboration to take place in the office and recognises that an increasing number of staff members are working from home."

He said there have been additional enhancements helping facilitate the hybrid work week, too.

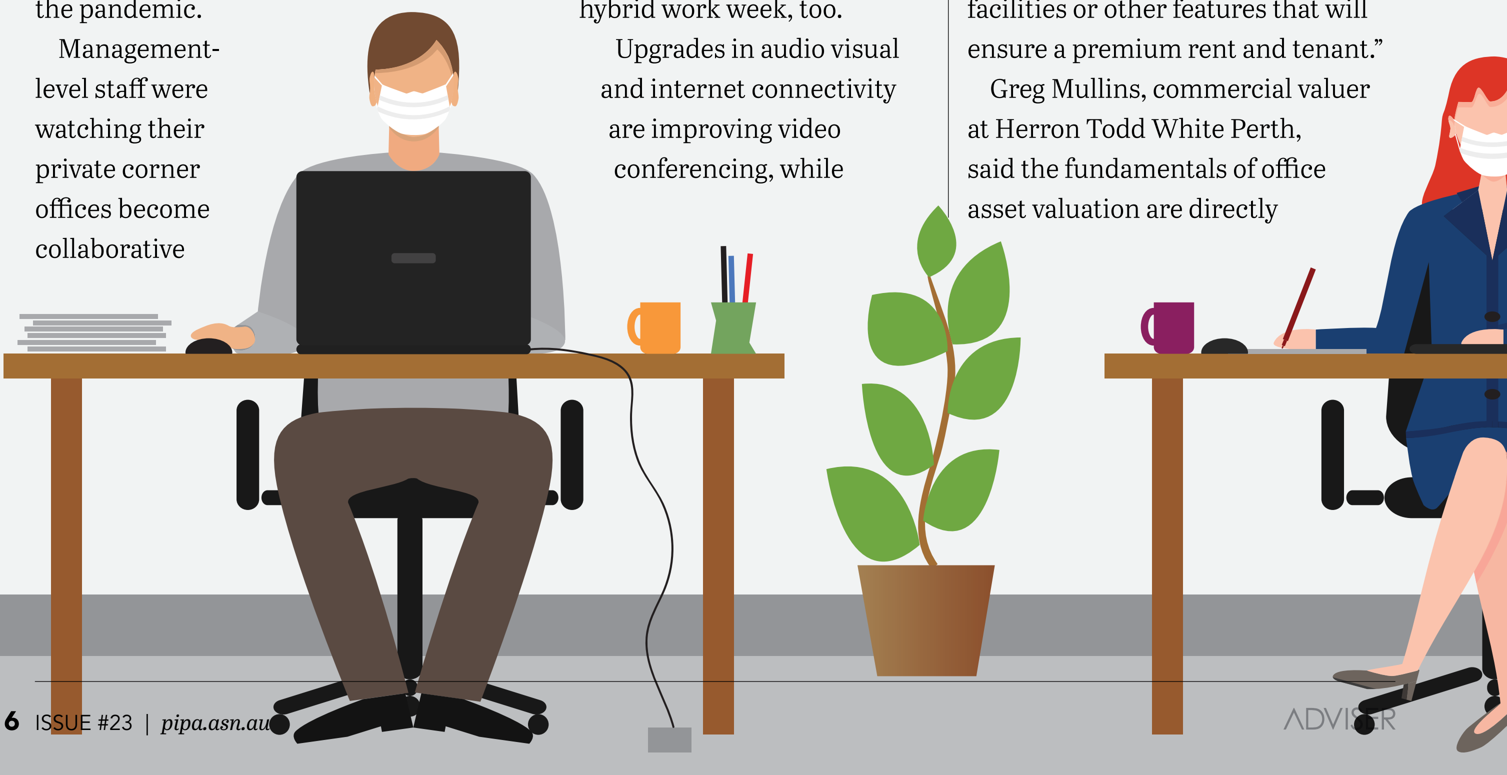
Upgrades in audio visual and internet connectivity are improving video conferencing, while practical elements, such as individual employee lockers that allow secure storage of personal at-work items, are must-have features.

"It's these tools and additional design measures that we're implementing in office space now."

Mr Crossland said landlords had changed the way they think about both new builds and refurbishments, with a fresh focus on employee wellness and hygiene.

"Tenants want to feel comfortable and safe within their buildings. Landlords are in a low-interest rate environment but the market for tenants is competitive, so owners are spending more and more capital on their assets with end-of-trip facilities or other features that will ensure a premium rent and tenant."

Greg Mullins, commercial valuer at Herron Todd White Perth, said the fundamentals of office asset valuation are directly



influenced by design.

"When you bring it down to brass tacks, the questions are, "What is the rental income, is it being paid regularly and how long will the lease run?"

"If an office design is modern, with collaborative workspaces and premium common facilities, it will attract tenants such as the big four banks, accounting firms, and other premium consultancies. They're looking for space that reflects whatever the current workspace trend is – and they're your premium tenants."

To improve the chance of securing a first-class tenant, landlords are investing more to help 'sell' the space.

Mr Mullins said attractive reception areas, open plan design and plenty of meeting rooms and collaborative workspaces are among the mix.

"Many landlords are providing speculative fit-outs, not a bare shell office. By providing a spec fit out, a landlord who might usually need to allow incentives of 50 per cent to attract tenants will say the fitout is 30 per cent of the total incentive, with the balance 20 per cent to be taken as a rent abatement, a cash payment or rent-free period."

Mr Mullins said building facilities have improved beyond simple end-of-trip and other attractions as well.

"Some of the bigger buildings have bike repair workshops, so there's someone there to service your bike during your lunch break. It's just those value-add propositions that landlords are having to do in depressed markets.

the end of hotdesking for many workplaces.

"Woodside's building in Perth has a 25-metre lap pool as part of that building and a full gym. And there's a restaurant there that does à la carte breakfast and lunch for the staff. It's incredible."

Mr Mullins said that while hybrid work weeks are more recognised nowadays, he suspects the gloss of working from home may tarnish over time for many employees.

"A lot of people like the definition between home and work. They don't want to blur the lines. If you've got the home office set up and you're always working from home, there's that temptation at seven or eight o'clock at night to get in there and do a couple of things. And in terms of work-life balance, that's not ideal.

"I think there's a desire from employers to keep an eye on what their employees are doing, and a desire from employees to go back to the office and interact with others."

And Mr Mullins also believes COVID may have finally signalled the end of hotdesking for many workplaces.

"No one really enjoyed it. People like their little part of the world where they can put their photo of their family. Also, there was the frustration when everyone decides that they want to work in the office at the same time and there's no desk space available."

Office design, and the way we utilise workspace, is everchanging. While the pandemic may have increased the pace of transition, landlords have shown once more that they're ready to adapt to the challenges that come their way.

KIERAN CLAIR
Co-Editor, PIPA Adviser

Why the market is not done with us yet

Back in 2002, I was a Brisbane-based property valuer still sporting long hair, and a dishevelled post-grunge attitude.

My workmates and I were sharing some end-of-year drinks in the boardroom, and conversation turned to the state of the market.

The past 12 months had seen an almighty pick up in prices and activity, and the general consensus was that the pace of growth couldn't be sustained too much longer.

It was getting crazy for inner-city property with double digital capital gains.

We were a group of well informed, educated professionals who had just been through an extraordinarily hot run of sales activity, but historical evidence and market conditions suggested it was time to plateau.

Then, as March 2003 rolled through, it became obvious – we were just at the start of the price gains, not the end.

The market wasn't done with us yet.

I recount this tale because over recent weeks things have felt somewhat similar.

A rapid rise in values with demand outstripping supply has resulted in listings being snapped up at an extraordinary rate across the nation.

No sooner was one new price record set than another came up to bump it off the perch.

CoreLogic numbers tell the tale.

Index results as at May 31, 2021

	Change in dwelling values				
	Month	Quarter	Annual	Total return	Median value
Sydney	3.0%	9.3%	11.2%	13.9%	$970,355
Melbourne	1.8%	5.5%	5.0%	8.0%	$740,562
Brisbane	2.0%	6.2%	10.6%	15.1%	$574,572
Adelaide	1.9%	5.4%	11.8%	16.3%	$500,881
Perth	1.1%	3.8%	8.5%	13.3%	$521,688
Hobart	3.2%	7.7%	16.5%	22.1%	$574,543
Darwin	2.7%	7.9%	20.3%	26.9%	$478,072
Canberra	1.7%	6.5%	15.6%	20.0%	$746,573
Combined capitals	2.3%	7.1%	9.4%	12.8%	$715,100
Combined regional	2.0%	6.5%	15.2%	20.5%	$468,980
National	2.2%	7.0%	10.6%	14.3%	$634,355

Source: CoreLogic

The data house's Home Value Index to 31st May recorded an annual rise across the combined capital of 9.4 per cent, and an increase of 15.2 per cent across the combines regionals.

That's an extraordinary outcome by any standard... but for how long can it be sustained.

Have we peaked or is there more to come?

This question shouldn't really matter to investors seeking great assets for the long-term, despite current market conditions.

But, by the same measure, none of us want to purchase a property at today's price only to discover we could have bought it for the same figure – or worse still, less – in six months' time.

The best we can do without an operational time machine is give our best estimates.

Interest rates aren't likely to shoot up anytime soon – despite

> ***Have we peaked or is there more to come?***

some fixed-rate increases recently.

In addition, demand for quality housing remains strong. Also, while there are pockets where vacancy rates are on the increase, they aren't in the majority.

Tenants want decent quality shelter and investors who know their patch will continue to secure long-term renters.

Another source of information that's, again, anecdotal but comes from a reliable source is our own confidence in our markets based on experience.

Just ask around your associates and fellow PIPA members. Most feel we are sitting somewhere between eight and 11 on the property clock.

This means the majority are expecting prices to continue rising in the near term – just not at the same clip.

In short, again, the market isn't done with us yet.

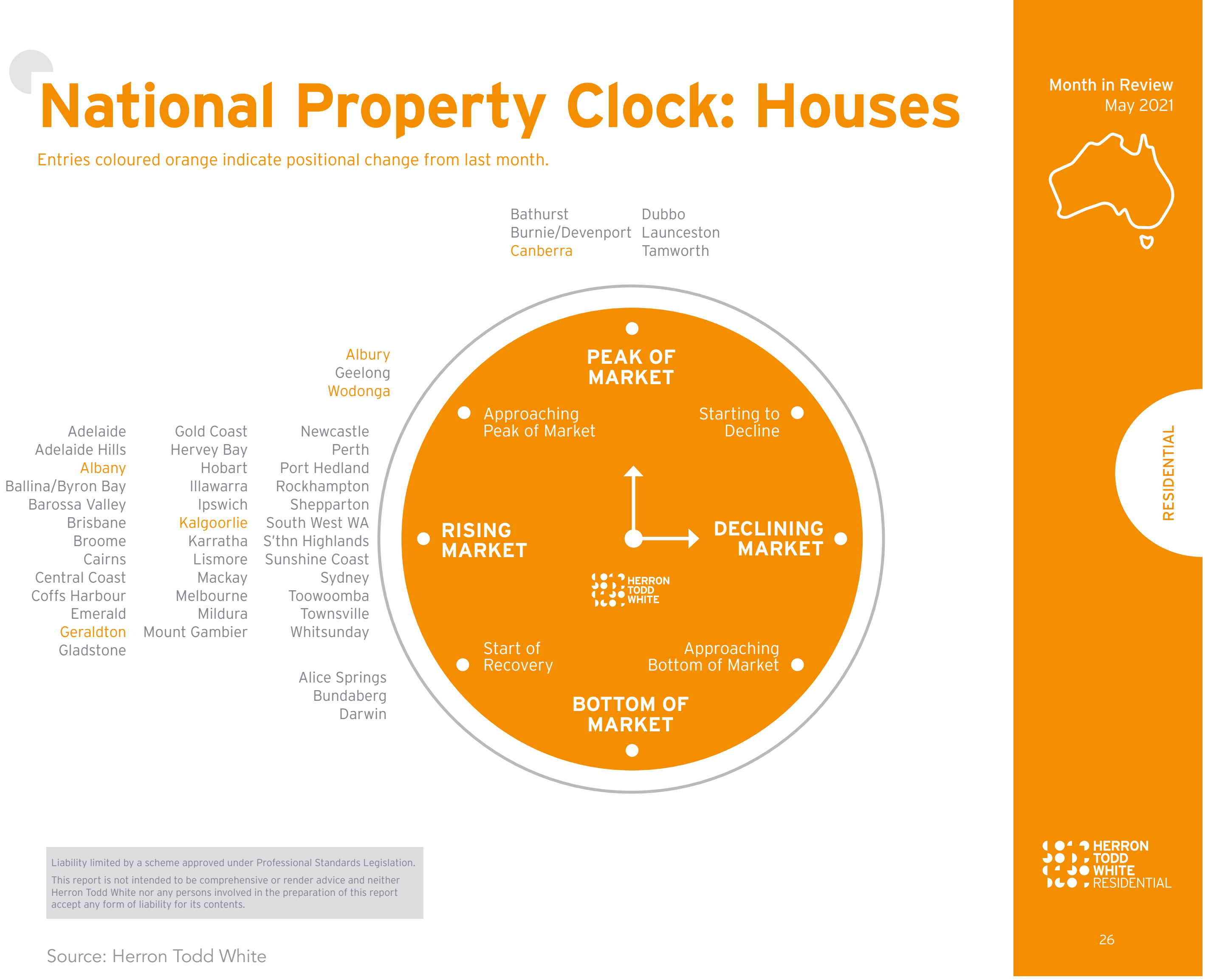
Another sage piece of advice a valuation mentor once delivered me in relation to both travel and property markets was, "When you think you've gone too far,

> ***the majority are expecting prices to continue rising***

It's a position supported by Herron Todd White's latest property clock:

you probably haven't really gone far enough."

That observation could well ring true in 2021.



Source: Herron Todd White

NSW

Over the past three months Sydney has had very strong price rises across all price segments and suburbs.

CoreLogic figures reveal the capital has seen a quarterly rise of 9.1% rise in median prices compared to Melbourne at 5.5%, Brisbane 6.0%, Adelaide 5.3% and Perth 3.7%.

The upper end of the market has shown particularly strong price growth as wealthy upgraders seek to reinvest in housing.

Each week we are seeing new price records broken

in most suburbs with purchasers engaging in very aggressive buying behaviour.

We will look back and see that April was the peak rate of price growth – we are now observing small signs of moderation in the market, by way of slightly reduced numbers at open houses and fractionally less bidders at auction.

This is not to say the market is dramatically slowing down – not by any account – just a natural, moderating correction.

Regardless, we expect the market will continue to perform strongly both in Sydney and the key regional NSW areas for the next 18 months.

Auction clearance rates have been hovering around 80% or higher in most key Sydney regions.

The depth of buyers at auction has been quite remarkable – with many auctions seeing registered bidders in the double digits.

We're hearing some comments at auction from frustrated and unsuccessful buyers that they're just "over this market" – but the reality is that the sheer volume of buyers is creating strong competition.

Price guides have been severely underquoted, which is creating confusion for unsuspecting buyers.

In my own business we have seen a meaningfully increase in demand for buyers' agents as the public look for every possible source of assistance.

We are also noticing a slight uptick in the volume of new listings that are coming to the market, which will also help to moderate the rate of price increases over the next six months.

Rich Harvey

Founder & CEO, Propertybuyer

VIC

Victoria bolted out of the post-COVID v.3 late last year and our previous state recap spoke of heightened selling activity, exhausted selling agents who hadn't seen an airline boarding pass in a year, and buyer enthusiasm to rival past Januarys.

At the time,

the sheer energy of the market surprised us all

and little did we know that the lofty price records set in February would become yesterday's bargains.

The months of March, April, and May continued to shock us all, in both regional and metro markets, with auction clearance rates ratcheting up and displaying a confidence not seen in Melbourne for over a decade.

Checking in with our interstate colleagues reminded us that this was not restricted to Victoria.

It seems that the combination of cheap money, palpable buyer competition, and limited stock supply gives way to a perfect storm for FOMO (fear of missing out).

Now that Melbourne's initial "circuit breaker" lockdown has morphed into "one more week" (and potentially more at the time of writing), we are observing an interesting series of events that can only be described as "different to last time".

Vendors who need to sell are justifiably nervous, and their agents are happy enough to capitalise on the buyer/seller imbalance, hence selling auction properties prior and displaying their virtual auctioneer skills aptly on zoom.

The significant thing that differentiates v.3 from v.4 is buyer sentiment. Buyers are now briefed with the confidence of a resilient market, and unlike v.3, they aren't losing confidence or stepping down.

Buyers are pushing ahead, full-throttle and buying now, as opposed to waiting for State leaders to let us back into freedom.

FOMO is here to stay for a while, it seems. Agents have never been busier… from their lounge rooms.

Cate Bakos

Buyers advocate, Cate Bakos Property

QLD

Brisbane property values have continued to climb in both the housing and unit markets throughout the greater metropolitan areas.

There has been a divergence between the rate of price growth at the upper end of the market, which is growing at a much faster pace than the lower end of the market throughout the city.

House prices saw annual growth of 11.9% up to 31 May 2021, according to CoreLogic data, with 9.5% of that growth occurring since January.

Demand for larger family homes surged in recent months, mostly from home buyers looking to capitalise on the low interest rate environment.

Rents are also on the rise with a 7.3% annual change in rents for houses.

This is not surprising given the extremely tight vacancy rates throughout Greater Brisbane.

Brisbane, as a whole, has current vacancy sitting at 1.4%, according to SQM Research, however there are many suburbs that are sitting below 0.5%

> *there really is a tenancy crisis looming*

Units in Brisbane have experienced annual growth of 4.2% over the past 12 months, which suggests this market is in the recovery stage after many years of flat or negative growth.

Unit rents have increased a more modest 2.6% over the past year.

We note a rapid upturn in the inner-city, high-density unit market in terms of vacancy risk, with Brisbane City recovering from a vacancy rate of 14% in June 2020, during the worst of the pandemic, to 7.3% today.

Clearly things are improving, but some product types and locations have much lower demand from tenants compared to others.

The reduction in federal fiscal support has not softened demand for quality housing in Brisbane.

Interstate migration to our region has supported strong demand from both buyers and renters throughout the city.

Whilst demand to date has been driven predominantly by home buyers, we are now starting to see a higher level of investor activity in Brisbane.

Private treaty sales campaigns continue to attract multiple offers from buyers after the first open home and auction clearance rates are stronger than they've historically been in Brisbane.

We expect growth to continue into the months ahead in areas dominated by owner-occupiers with strong demand drivers, based on our on-the-ground observations.

Melinda Jennison

Managing Director,
Streamline Property Buyers

SA

Adelaide's property market has performed very well over the past year.

According to CoreLogic, Adelaide's median house price increased by just over 11 % in the 12 months to April 2021. This increase in house prices was the highest of all the major Australian capital cities.

One of the reasons property prices have increased significantly is due to COVID-19.

Firstly, we have ex-South Australians who have been working in the large metropolises of Sydney and Melbourne that have decided to relocate back home.

They have earned big money in their corporate jobs and are now using this money to buy, what seems to them, quite cheap property in Adelaide.

Added to this is the move towards working from home. While not everyone will work from home every day, many will for part of their week.

If people are going to spend more time in their home, they will spend more money on that home.

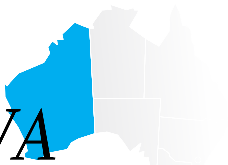
This is happening all over Australia and many parts of the world, but your dollar goes further in what is one of Australia's cheapest capital cities.

It seems Adelaide is where the lifestyle is to be had and the money is to be made!

Is this the beginning of a new Adelaide property boom? Only time will tell!

Peter Koulizos

PIPA chair, (Program Director of the Master of Property, The University of Adelaide)



WA

Perth's residential values have continued to climb in both the housing and unit markets throughout the greater metropolitan areas. property market continues to strengthen, with the overall median price exceeding $500,000 for the first time since 2018.

The rental market remains tight and the number of properties for rent continues to hold steady below 3000 – 39 % below the same period a year ago.

Sales stock remains 18 % below the same period in 2020, although some areas are beginning to notice a gradual increase in listings.

With sales activity at levels 66 % higher than 12 months prior, listing absorption is strong in many locations.

We don't expect the heat to come out of the overall market anytime soon and solid growth is still expected for at least the remainder of 2021.

The Perth market continues to offer investors good opportunities, with high affordability and robust rental growth and yields compared to other Australian locations.

for achieving above-market capital growth and rental returns, as these market indicators are not uniform across the Perth market.

Astute suburb selection remains critical

Individual sub-markets and suburbs are showing varying performance in metrics such as sales activity, available stock, days on market, and buyer competition, with some locations and property types demonstrating price growth and rental growth ahead of others.

Damian Collins

Managing director, [Momentum Wealth]

TAS

Property prices have increased by 20 per cent over the past 12 months in each of Tasmania's three largest cities – Hobart, Launceston and Burnie.

Housing demand continues to be driven through high consumer confidence, Australia's strongest state economy, very strong owner-occupier activity, and the cost of credit being so cheap.

Meanwhile, supply of resale housing stock continues to break new record lows.

Several years of low participation rates by investors (consistently below 25 per cent of all buyers) means that rental supply is at crisis levels and

rent prices are seeing significant upward pressure.

Simon Pressley

Head of Research, [Propertyology]

If you're a real estate professional, it pays to learn what you can claim at tax time

To claim a deduction for work-related expenses

- you must have spent the money yourself and weren't reimbursed
- it must be directly related to earning your income
- you must have a record to prove it.*

You can only claim the work-related part of expenses. You can't claim a deduction for any part of the expense that relates to personal use.

* You can use the ATO app myDeductions tool to keep track of your expenses and receipts throughout the year.

Car expenses

✔ **You can claim** a deduction when you:

- drive between separate jobs on the same day – eg travelling from your real estate agency to your second job as a waiter
- drive to and from an alternate workplace for the same employer on the same day – eg travelling between two different residential open homes.

✘ **You generally can't claim** the cost of trips between home and work, even if you live a long way from your usual workplace or have to work outside normal business hours – eg to attend a weekend auction.

In limited circumstances **you can claim** the cost of trips between home and work, where:

- you had shifting places of employment (that is, you regularly worked at more than one site each day before returning home)
- you were required to carry bulky tools or equipment for work and all of the following conditions were met
  - > The tools or equipment were essential for you to perform your employment duties and you didn't carry them merely as a matter of choice.
  - > The tools or equipment were bulky – meaning that because of their size and weight they were awkward to transport and could only be transported conveniently by the use of a motor vehicle.
  - > There was no secure storage for the items at the workplace.

If you claim car expenses, you need to keep a logbook to determine the work-related percentage, or be able to demonstrate to the ATO a reasonable calculation if you use the cents per kilometre method to claim.

Travel expenses

✔ **You can claim** a deduction for travel expenses if you have to travel overnight from your usual work location – eg traveling to a remote area to inspect a property – provided the cost was incurred while carrying out your work duties. Travel expenses may include meals and accommodation, fares, petrol and incidentals such as parking fees and tolls.

✘ Receiving a travel allowance from your employer does not automatically entitle you to a deduction. You still need to show that you were away overnight, you spent the money yourself, and the travel was directly related to earning your income – eg it was not a personal expense.

Clothing and grooming expenses

✔ **You can claim** a deduction for the cost of buying, hiring, mending or cleaning certain uniforms that are unique and distinctive to your job eg clothing items you're required to wear which have a logo that is unique and distinctive to your employer.

✘ **You can't claim** a deduction for the cost of buying or cleaning plain clothing worn at work, even if your employer tells you to wear it and even if you only wear it for work, eg black pants and a white shirt.

✘ **You can't claim** a deduction for hairdressing, cosmetics, hair and skin care products, even if your employer tells you to use them, or you are required to be well-groomed.

Home office expenses

✔ **You can claim** a percentage of the running costs of your home office if you have to work from home, including depreciation of office equipment, work-related phone calls and internet access charges, and electricity for heating, cooling and lighting costs.

If you are required to purchase equipment for your work and it costs more than $300, you can claim a deduction for this cost spread over a number of years (depreciation).

✘ **You generally can't claim** the cost of rates, mortgage interest, rent and insurance.

Other common deductible work-related expenses

✔ Other expenses you can claim a deduction for include:

- marketing equipment – eg the work-related portion of cameras used for property photos
- decorating properties – eg flowers
- renewing your annual Certificate of Registration
- union and professional association fees
- technical or professional publications.

Gifts

✔ **You can claim** a deduction for the cost of gifts – eg alcohol, flowers – bought for work purposes if you are a salesperson or property manager entitled to receive your income from commission or both commission and retainer.

✘ **You can't claim** a deduction if you earn a fixed income and you are not entitled to earn a commission.

✘ **You can't claim** a deduction for gifts that are in the form of entertainment – eg a live sporting event.

This is a general summary only.
For more information, go to **ato.gov.au/occupations**

Australian Government
Australian Taxation Office
NAT 75032-06.2020 DE-20626

pipa profile

***Kylie Davis** has been a PIPA board member for three years and is a former national real estate editor who is now at the forefront of proptech.*

CAN YOU PLEASE TELL US MORE ABOUT YOUR BUSINESS?

I have several hats but essentially am a marketing and research consultant to the proptech and property industries.

I help real estate agents and property owners better understand the power of innovation and technology to improve their businesses while equally, I work with proptechs to help them articulate clearly what their tech does and the problems they solve.

So, I'm kind of a translator between the two worlds.

> ***I'm kind of a translator between the two worlds.***

I do this primarily through my roles as president of the Proptech Association of Australia and host of the Proptech Podcast. I also have a thriving research and marketing consultancy.

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

I've been a property investor for the past 20 years, although I am not a property investment professional.

I got into property through my husband, who bought a second property when we first moved in together. His criteria were always a bit haphazard – he loves going on holidays, checking out the property market, and buying a property.

I pointed out to him that most normal people buy snow globes in this scenario and maybe we needed a different strategy!

I became national editor for real estate across News Corp publications back in 2013. As part of that, we did a deal with RP Data and Tim Lawless and I taught my journalists how to interrogate and understand the data and explain what the market was doing at a local level.

It's where my love affair with property data began. I met Peter Koulizos at this time and Andrew Winter became one of my regular writers, so I had access to some awesome tutors and mentors.

From there, I joined CoreLogic as head of real estate solutions and got even deeper into the market data and emerging proptech market.

HOW DID YOU FIND OUT ABOUT PIPA?

I learned about PIPA through Peter and during my CoreLogic days.

The idea that we need a professional standards for property investment advisors really resonated with me because from my time at News and CoreLogic I could see there was a massive trust gap between the public and real estate professions.

WHAT ARE SOME OF THE REASONS WHY YOU NOMINATED TO BE ON THE PIPA BOARD OF DIRECTORS A FEW YEARS AGO?

I joined the board in 2018 and wanted to add my expertise and understanding of property data, what it can do and make that less of a black box.

I also wanted to help the board be future-facing by understanding the technology that is coming down the pipe that is helping investors make better decisions with or without an adviser, so that we can engage around the conversation of what our job as advisers entails and ensure property investment advisers have a viable future.

WHAT ARE SOME OF THE MAIN REASONS WHY PEOPLE SHOULD BE MEMBERS OF PIPA AND BECOME QUALIFIED PROPERTY INVESTMENT ADVISERS AS WELL?

You can't drive a car without an appropriate amount of training and a licence.

It's so ridiculous that you can hang up your shingle as someone who advises on property which is often people's single biggest investment without at least those two things.

But as an industry we fall in between the gaps of state and federal legislation, which means that there are loopholes.

Good operators need to be able to differentiate themselves from the broader pool of advisers by demonstrating their skills and expertise and that they adhere to a code of conduct.

PROPTECH IS A FAST-GROWING PART OF THE REAL ESTATE INDUSTRY. WHAT ARE SOME OF THE MOST EXCITING INNOVATIONS THAT ARE BEING DEVELOPED AT PRESENT AND WHAT IMPACT MAY THEY HAVE?

In the next five years, we will see buying and selling property become easier and less painful.

At the moment, there are so many points in the transaction which involve a manual handoff to a human who often drops the ball.

There's so much to coordinate, so we will see a lot more of the admin automated, so it becomes easier and more transparent to understand where you are in the process and what you need to do next.

Owning a property will become easier, too, as our homes become smarter with devices monitoring and reporting errors and keeping records of their own data – which in turn will make it easier at sale time.

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

The Proptech Association has just added its 100th member – not bad for our first year!

We look forward to growing that to more than 250 tech businesses and holding our first Proptech Forum.

In my consulting business, I'm looking forward to doing more research on buyer and seller experiences to see if they have improved over the past five years since I first undertook the research.

> ***Good operators need to be able to differentiate themselves***

PETER MARTIN
Visiting Fellow, Crawford School of Public Policy, Australian National University

Economy roared out of recession pre-lockdown

Back in the first three months of this year when we had JobKeeper, enhanced unemployment benefits and no lockdowns, Australia roared out of recession.

The GDP figures released on Wednesday tell us that in the months leading up to the end of JobKeeper and the coronavirus supplement at the end of March Australians spent, earned and produced an impressive 1.8% more than in three months to December, which was itself 3.2% more than the three months to September, which was itself 3.5% more than the three months before that.

It's growth of more than 8%, described by Treasurer Josh Frydenberg as the most over three quarters since 1968.

But it followed a collapse in gross domestic product of 7% – by far the worst since the Bureau of Statistics began compiling records in 1959. The net result over the year to March growth of 1.1%, an extraordinary result which means that, at least until Victoria's (just extended) lockdown, we were producing, earning and spending more than before the COVID recession.

On the graph it's not much more, not the two or so per cent of normal growth the Reserve Bank had been expecting before the recession, but it means that almost alone among developed nations (along with South Korea and probably New Zealand whose figures aren't yet out) we are better off after the COVID recession than before it.

And we are better off than that bald GDP figures suggest.

In accordance with what is normally good statistical practice those figures are adjusted down for upward movements in prices.

We've had a monster upward movement in the price of iron ore over the past year which has enriched Australians through channels including company profits, tax revenue and a higher dollar that aren't fully reflected in gross domestic product.

That's why the bureau publishes a separate measure that measures buying power called real national disposable income per capita.

The graph shows it has climbed well above where it was to a new record high.

We ended the recession with 5.8% more buying power than before it began. But we've been reluctant to fully use that buying power.

While consumer spending has bounced back to where it was before the recession, in terms of what it buys it is no higher.

In March 2021 we were buying no more than we were in March 2020 — more goods, less services, and more essential items, fewer discretionary items, but no more than we did a year earlier.

Zero growth in buying at a time of substantial growth in buying power can be seen as either disturbing, a sign of understandable caution, or a sign that the best is yet to come. At his press conference Frydenberg painted the caution to date as something that would support economic growth in the months to come as we unwind our record-high household saving rate.

But the unwinding slowed in the three months to March.

In the December quarter the saving rate plunged from 18.6% of after tax income to 12.2%. Before that it had plunged from the record-high 22% to 18.6%.

But in the March quarter it barely fell, inching down from 12.2% to 11.6%, perhaps reflecting the imminent end of JobSeeker and the coronavirus supplement. The subsequent spread of coronavirus in Victoria, and the reluctance to date of the federal government to reinstate JobKeeper in Victoria will give Australians reasons to keep saving rather than spending their money for some time to come.

Frydenberg told the national accounts press conference he was open to further assistance of another kind and would speak to Victoria's Treasurer as soon as he could. Business investment in

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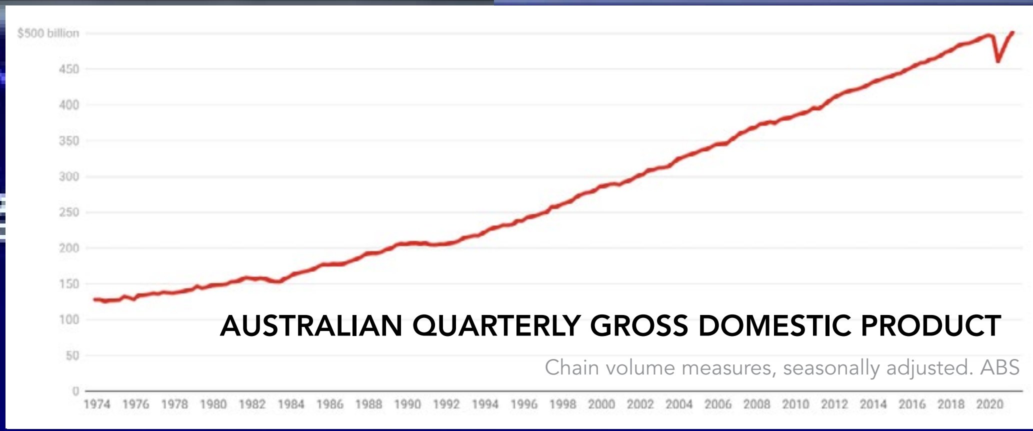
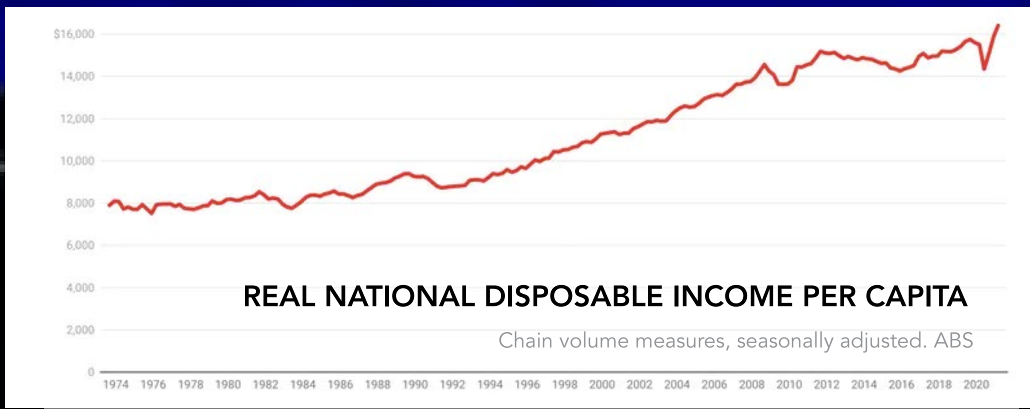
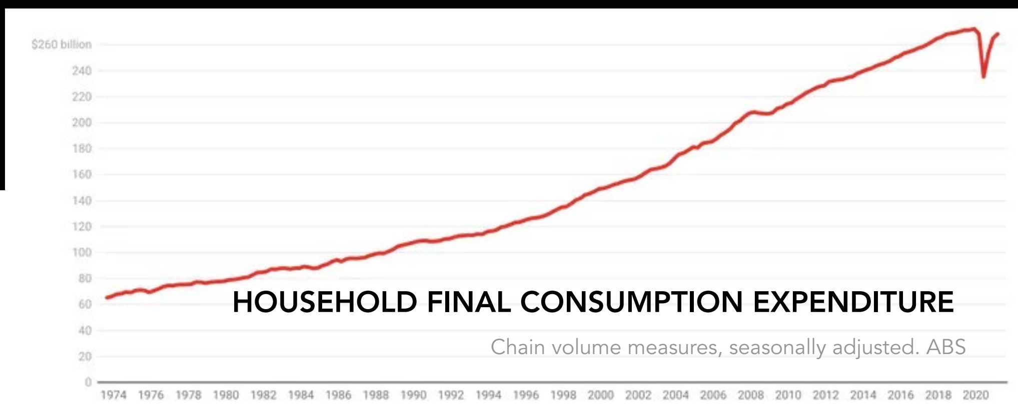




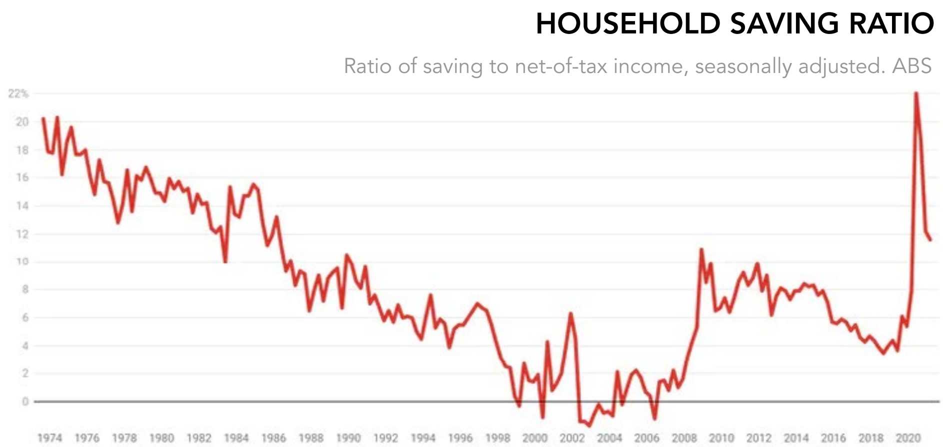


buildings and equipment surged 5.3% in the March quarter (enough to account for nearly all of the economic growth over the past year) aided by investment incentives which were renewed in the May budget.

Australia's rigorous approach to compiling the national accounts means the ones released Wednesday are out of date.

Although much will have improved since then, the spread of coronavirus and the lockdown in Victoria means much is suddenly worse.

Our future is about as uncertain as it has ever been.



Australian Government
Australian Taxation Office

Claiming car expenses at tax-time?

To claim a deduction for work-related expenses:

- **You must have** spent the money yourself and weren't reimbursed
- **It must directly relate** to earning your income
- **You must have** a record to prove it*.

* Use the myDeductions tool in the **ATO app** to keep a record of your expenses throughout the year.

What's under the bonnet?

If you use your own car for work purposes (this may be a car you own, lease or hire under a hire-purchase agreement), you can claim a deduction using either the cents per kilometre method or logbook method.

You can claim a deduction for car expenses if you use your car to:

- perform your work duties
- attend work-related conferences or meetings away from your normal workplace
- travel directly between two separate places of employment if neither of the places is your home
- travel from your normal workplace to an alternative workplace and back to your normal workplace
- travel from your home to an alternative workplace and then to your normal workplace.

Remember

You generally can't claim the cost of trips between home and work under any of the methods, even if you live a long way from your usual workplace or work outside normal business hours.

In limited circumstances, you can claim the cost of trips between home and work, where:

- your home was a base of employment (that is, you were required to start your work at home and travel to a workplace to continue your work for the same employer)
- you had shifting places of employment (that is, you regularly worked at more than one site each day before returning home)
- you carry bulky tools or equipment for work and all of the following apply:
  - the tools or equipment are essential to perform your employment duties and you don't carry them merely as a matter of choice
  - the tools or equipment are bulky – meaning that because of their size and weight they are awkward to transport and can only be transported conveniently by the use of a motor vehicle
  - there is no secure storage for such items at the workplace.

If your travel is partly private, you can only claim the work-related part.

You can't claim a deduction for a car expense that has been reimbursed. You can only use one of the methods to calculate your deduction for car expenses.

If you claim car expenses for more than one car, you can choose to use a different method to calculate your expenses for each car.

If you claim a work-related car expense using the cents per kilometre or logbook method, **you can't claim** any further deductions in the same tax return for the same car.

If you use someone else's car for work-related purposes, you can only claim a deduction for actual expenses, such as fuel, in the work-related travel expense section of your tax return. Cars owned or leased by someone else may include a spouse, family member or employer.

However, if you can show there is a family or private arrangement that made you the owner or lessee (even if you are not the registered owner) you can calculate your car expenses using either the logbook or cents per kilometre method.

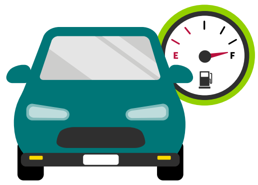
If you have access to the car under a salary sacrifice arrangement or a novated lease, it is usually your employer who is leasing the vehicle from the financing company and making it available for your use. As you do not own or lease the car yourself, you cannot claim any deductions for using the car, but can claim additional expenses, like parking and tolls associated with your work use of the car.

A vehicle is not considered a car if it is a motorcycle or a vehicle that:

- has a carrying capacity of one tonne or more, such as a ute, truck or van
- can transport nine passengers or more, such as a people mover.

For these vehicles, you can claim the actual expenses related to your work travel. This includes costs such as fuel, oil, insurance and loan interest along with the decline in value of the vehicle. You must keep receipts for all your expenses and records to show your work-related use of the vehicle.

The easiest way to show your work-related use of the vehicle is to keep a logbook or documents that provide similar details to a logbook.



You can calculate your car expenses in two ways

Cents per kilometre method

You can claim a maximum of 5,000 work-related kilometres per car using this method.

You can claim 72 cents per kilometre for the 2020–21 financial year.

The cents per kilometre rate incorporates decline in value, registration and insurance as well as maintenance, repairs and fuel costs. You can't add these expenses on top of the rate when calculating your deduction.

You need to be able to show how you worked out your work-related kilometres (for example, by producing diary records of work-related trips or using the ATO app to track your work trips).

You will also need to have evidence that you own the car.

Logbook method

The logbook method allows you to claim the work-related portion of your actual car expenses.

Expenses you can claim include running costs such as fuel, oil and servicing, registration, insurance and the decline in value.

✖ **You can't claim** capital costs, such as the purchase price of your car, the principal of a loan (i.e. any money borrowed) to buy it and any improvement costs (for example, adding paint protection and tinted windows).

To work out your work-related percentage, you need a valid logbook and the odometer readings for the start and end of the logbook period. Your logbook period needs to show a continuous, representative 12-week period.

✔ **You can claim** fuel and oil costs, based on either your:

- actual receipts
- an estimate of the expenses based on odometer records that show readings from the start and the end of the period you used the car during the year.

You need written evidence for all other car expenses, including evidence that you own the car and odometer readings at the start and end the period you used the car during the year.

Keeping a valid logbook

Your logbook must cover at a minimum 12 continuous weeks. If you started using your car for work-related purposes less than 12 weeks before the end of the year, you can extend the 12-week period into the next financial year.

Your 12-week logbook record is valid for five years. However, if your circumstances change (for example, if you change jobs or move to a new house) and the logbook is no longer representative, you will need to complete a new 12-week logbook.

You can keep an electronic logbook by using the myDeductions tool in the ATO app or keep a paper logbook. Below is an example of the details you need to keep.

If you are using the logbook method for two or more cars, keep a logbook for each car and make sure they cover the same period.

Below is an example of the details you need to keep.

Example: Logbook

Car details	Make: **Holden**	Model: **Barina**	Engine capacity: **2.4L**	Registration number: **ABC 123**
Odometer reading for the start of the logbook period:	**10,200kms**			
Odometer reading for the end of the logbook period:	**10,280kms**			

Start date	Odometer reading at start of journey	End date	Odometer reading at end of journey	Reason for the journey	Total km travelled
27 Aug 2020	10,200km	27 Aug 2020	10,210km	Private – take kids to school	10km
27 Aug 2020	10,210km	27 Aug 2020	10,230km	Private – travel to work	20km
27 Aug 2020	10,230km	27 Aug 2020	10,245km	Business – travel to offsite client meeting	15km
27 Aug 2020	10,245km	27 Aug 2020	10,260km	Business – return to office	15km
27Aug 2020	10,260km	27 Aug 2020	10,280km	Private – travel from office to home	20km

Calculate your work-related car use

(Complete this section after 12 continuous weeks of logbook use)

Logbook period (dd/mm/yy to dd/mm/yy)

a. Calculate the total number of kilometres travelled during the logbook period

b. Calculate the number of kilometres you travelled for allowable work-related trips during the logbook period

c. Calculate the work-related use by dividing the amount at **b** by the amount at **a**. Multiply this figure by 100.

This is your work-related use percentage.

Once you've calculated your work-related use percentage, multiply it by your car expenses to figure out your claim.

You can use the myDeductions tool in the ATO app to record work-related car trips as well as any car expenses. You can share your myDeductions records directly with your agent at tax time.

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