PIPA ADVISER

ISSUE #26

For members of the Property Investment Professionals of Australia

PIPA elects new board chair

What will the floods mean for property prices?

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 quarterly title published four times a year by PIPA (Property Investment Professionals of Australia)
www.pipa.asn.au

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PIPA chair

A challenging start to the year

Welcome to the 26th edition of the PIPA Adviser – your industry e-magazine.

The first quarter of this year is nearly done already, and it's been another challenging period for many of us.

While the start of the year began with such promise, with state and international borders reopening and high vaccination rates nationally, Mother Nature soon unleashed on New South Wales and Queensland.

The flooding has impacted tens of thousands of people and homes, including the tragic loss of many lives, while the effect on the property market won't truly be known for some time yet.

However, it is likely to be the rental market that will be the most negatively impacted, given many locations were already struggling with a woeful undersupply of rental properties prior to the floods.

From Hervey Bay in Queensland to the Central Coast of New South Wales, there was already far more demand from tenants than supply of rental properties available, which unfortunately is a situation that has now hit crisis levels in many areas. Our thoughts and best wishes are with everyone impacted by the floods.

I'm pleased to announce that there has been significant work undertaken over recent months on the creation of a new PIPA website. The new-look site should be launching in coming weeks.

Over the holiday period, PIPA also ran two public awareness campaigns for consumers and professionals to promote the association and our members, which heralded excellent results.

We have also been busy updating the QPIA training program and will soon start work on the process of upgrading it to a Certificate IV qualification.

Now that lockdowns are thankfully a thing of the past, PIPA is also restarting its popular breakfast seminars this year, with the first one happening in Sydney from 7am to 10am on Thursday 2 June at the Sofitel Sydney Wentworth.

We are still finalising speakers for the event, so please keep an eye out for the email calling for registrations from about mid-April.

This year, the seminars will also include a plated breakfast for attendees as well as more time to network with your peers from 9am to 10am after presentations are completed.

I would like to take this opportunity to thank the former chair Peter Koulizos for his steady hand guiding the association over the past four years.

He has set an aspirational benchmark that I will do my utmost to meet over the months and years ahead.

NICOLA MCDOUGALL
PIPA CHAIR

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.

realestate.com.au

Qld floods: Where to now for the property market?

Buyers agents have weighed in on the impact on the booming Brisbane and Queensland property market after flood inundation of thousands of properties.

Read the article

Smart Property Investment

5 Steps to achieving your 2022 property goals

An investment expert gives his tips on staying on course and kicking goals over the coming year.

Read the article

your mortgage

Optimism still high among homebuyers despite rising prices

There remains substantial positivity among homebuyers towards the housing market this year despite a sense of being priced out.

Read the article

new members

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

INDIVIDUAL MEMBERS

- MICHAEL EDWARDS, *McGrath Real Estate Agent*
- JOANNA BOYD, *Joanna Boyd Buyers Advocate*
- YONG ZHANG, *Mortgage Broker*

QPIAS

- AMANDA JACHOWSKI, *Empower Wealth*
- PAUL DAVIS, *Education IQ*
- QIN (STARLA) WANG, *Winspro*
- BRENDAN CLARK, *The Property Curator*
- JAMES DOUGLASS, *Fig Tree Property*

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marketupdate

Markets moderating at start of year

KIERAN CLAIR
Co-Editor, PIPA Adviser

Feels like dodgeball. The first quarter of each year is normally when the property market slowly recovers from its post-Christmas-lunch coma. Buyers and sellers gently re-enter the market, finding their feet and discovering what may lay head.

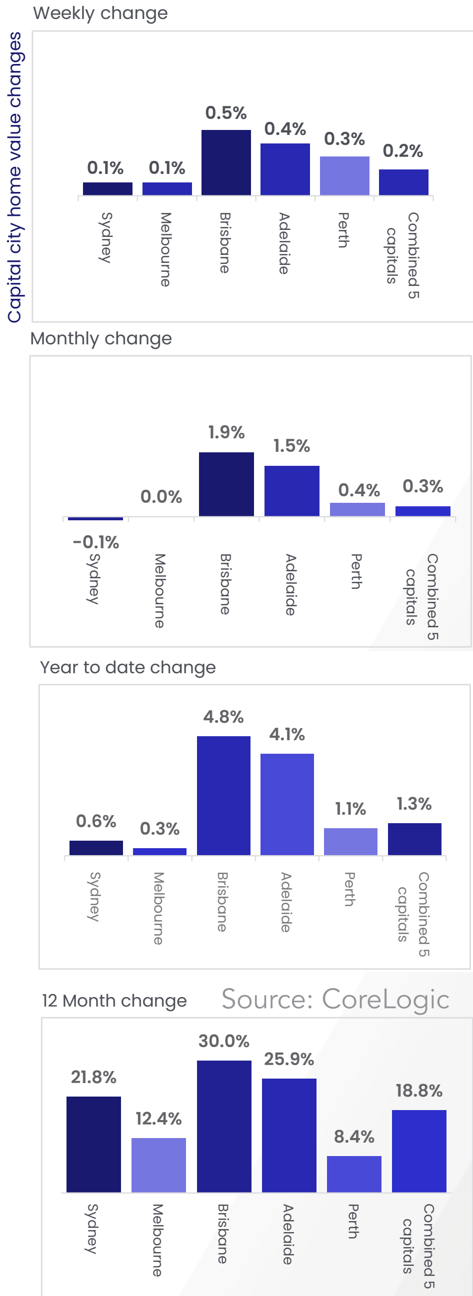
This year it feels a touch different. Almost like it was best to keep a low profile and wait for the bad news to fly over.

We went out of 2021 with plenty of momentum propelling most markets forward. While there were early signs growth rates were slowing, the general direction was expected to be positive. Given how substantial and widespread the gains had been, more than a few investors were probably convinced this would be the status quo for some time yet. Still, many of the more experienced among us knew – bull runs don't last forever. A slowdown felt possible, depending on what the new year delivered.

I won't waste time delving deeply into the long list of brick walls we now face, suffice it to say that war, weather, politics, and sentiment are coming to bare on markets. Economists are now making more with solemn predictions about mid-term property market performance.

But the more sensible among them know what's happening now is really a return to normalcy. While some markets will continue to strengthen, while others are running out of puff and settling back towards long-term averages.

CoreLogic analysis to the 6 March tells the story:



The data house maintains a positive bent but comparing these figures to the ones we reported in The Adviser three months ago reflect a market taking stock.

Brisbane remained a standout performer with a 12 month change of 30 per cent – that's up around five per cent on the stats from November 2021. Adelaide and Perth also saw their growth rates increase.

In contrast, Sydney and Melbourne experienced a slight growth retreat on the 12-month measure. Still, at 21.8 per cent and 12.4 per cent respectively they shouldn't be too disappointed.

While regional market results continue to shine, the commentary from CoreLogic suggests these centres are also facing a slowdown.

In their Property Market Indicators report from 6 March, analysts found:

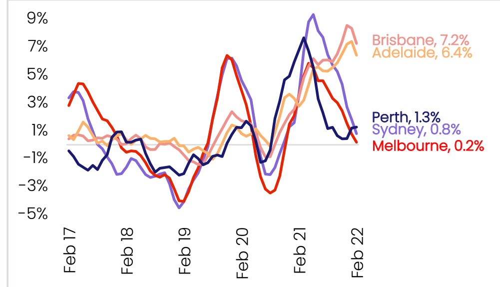
- "Regional Australia continues to record a substantially higher rate of growth than the capital cities. Over the past three months, housing values across the combined rest-of–state regions increased at more than three times the speed of housing values across the combined capital cities; 5.7% and 1.8% respectively.
- "Although the rolling quarterly rate of value growth remains rapid across regional Australia, conditions have eased from a recent peak of 6.4% over the December quarter and is down from a cyclical peak of 6.6% recorded in April last year."

In other words, things are good, but signs are emerging that we are passing through a peak growth period.

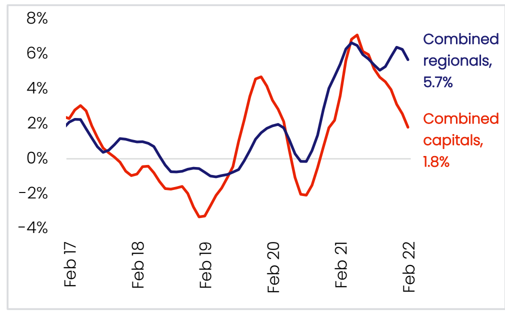
Finally, the Herron Todd White Property Clock for housing remained mostly unchanged in March.

Most observes seem to concur on this one point – 2022 will be less forgiving of speculative buyers than 2021. Buying will be about choosing the right fundamentals. Smart investors will dodge the dud spots, look for assets with broad market appeal to both owners and tenants, and rely on information from trusted and experienced professionals.

Rolling three month change in dwelling values
State capitals



Rolling three month change in dwelling values
Combined capitals v Combined regionals



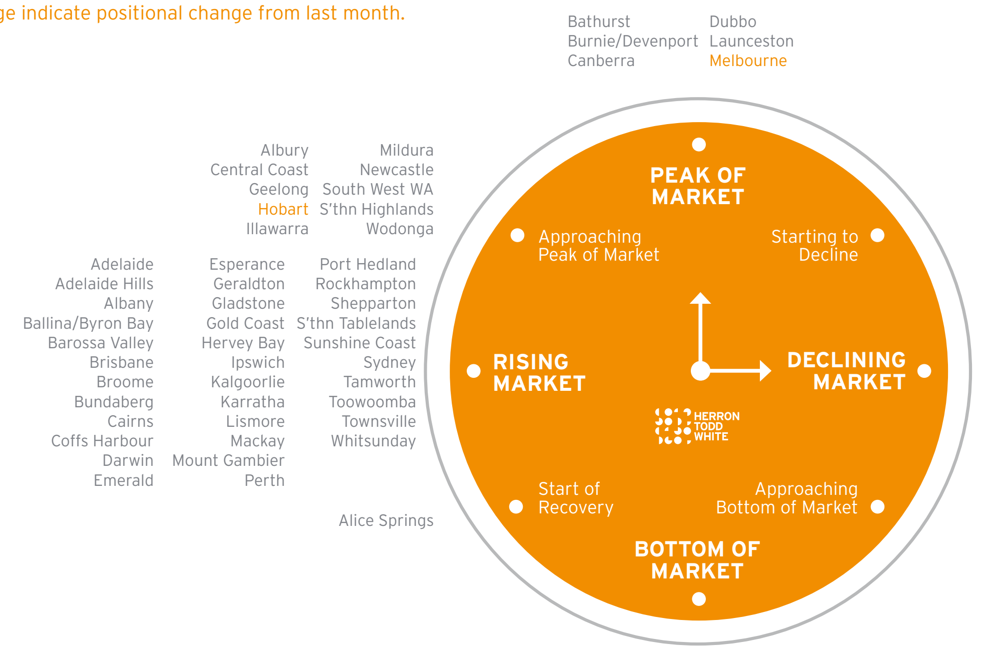
Multi-speed conditions, but every capital city and regional market has seen a reduction in the trend rate of growth

Region	3 months to Feb '22	Peak rate of growth (3 month)	Month of peak
Sydney	0.8%	9.3%	May 21
Melbourne	0.2%	5.8%	Apr 21
Brisbane	7.2%	8.5%	Dec 21
Adelaide	6.4%	7.4%	Jan 22
Perth	1.3%	7.7%	Mar 21
Hobart	3.5%	8.2%	Jul 21
Darwin	1.5%	7.9%	May 21
ACT	3.1%	7.3%	Aug 21
Regional NSW	5.7%	7.8%	May 21
Regional Vic	4.7%	7.1%	Apr 21
Regional Qld	6.4%	6.7%	Jan 22
Regional SA	6.8%	6.8%	Jan 22
Regional WA	2.9%	7.9%	Jan 21
Regional Tas	5.7%	7.7%	Aug 21
Combined capitals	1.8%	7.1%	May 21
Combined regionals	5.7%	6.6%	Apr 21
Australia	2.7%	7.0%	May 21

> ***Signs are emerging that we are passing through a peak growth period.***

National Property Clock: *Houses*

Entries coloured orange indicate positional change from last month.



Source: Herron Todd White

marketupdate

NSW

Rich Harvey

Founder & CEO, Propertybuyer

We're starting to see a momentum shift in the NSW property market. The market was fairly quiet in January and didn't really kick-start until after the Australia Day holiday. The first couple of weeks of February started off strongly and auction clearance rates were still in the high 70 per cent range in Sydney. We've noticing a drop off in the volume of bidders at auction and overall numbers attending open homes is lower than boom times last year. Rather than having FOMO, buyers seem more cautious and are taking their time in searching and making offers. SQM Research has shown total listing volumes in Sydney are up 19 per cent month-on-month and up 3.3 per cent compared with the same time last year. In addition, new listing volumes in Sydney are up 8.9 per cent compared to last year.

Corelogic reported a 0.1 per cent decline in median price for the month of February. This is a clear sign the boom conditions are behind us, and the market is slowing – as a natural part of the property cycle.

At long last, price guides are becoming more realistic

compared to last year where the sale results were often 15 to 20 per cent above the guide in premium suburbs. This is also the first time we have seen any reported decline in house pricing since Sept 2020 – and Sydney house prices are still up 22.36 per cent year-on-year.

However – the market is patchy and hard to summarise in one statistic. Prestige property is still trading at luxury price levels. High quality property in preferred suburbs and nicer streets is still trading well. Lifestyle areas like Newcastle, Port Macquarie and other coastal locations are still seeing very high levels of buyer demand. Many regional areas are experiencing very low vacancy rates which bodes well for investors but challenging for local families wanting affordable accommodation. In Sydney suburbs where there's an increasing level of listings coming online, we'll see prices moderating more rapidly.

The time it takes to sell a property (days on market) in Sydney was 28 days in February 2022 and vendor discounting was approximately three per cent, but I expect these measures to increase as the market cools further.

Consumer sentiment has also taken a hit with the negative news of the Russian/Ukrainian conflict and natural disasters due to flooding in Brisbane and northern NSW.

The good news for buyers is that as the market slows, there will be more opportunities to find the ideal property for their next home or investment.

VIC

Cate Bakos

Buyers advocate, Cate Bakos Property

Victoria has been flying under the radar a bit in 2022 thus far, and for all of the right reasons. With COVID lockdowns behind us, limited natural disasters in the news and a State Government focusing on issues other than housing for now, our state is enjoying being out of the spotlight.
Melbourne's capital growth has been finely balanced at negligible levels, and while the auction city has posted record auction listings, price volatility hasn't been front and centre at all. Even the holiday hotspots and regions have continued to plod along, albeit with a bit less heat and buyer competition than this time last year.

Our most notable elements are that of rents and capital city interest. Rental increases are now featuring on the charts for both houses and units in Melbourne and our collective regions are exhibiting ultra-tight vacancy rates also. Our city is bouncing back, with live gigs, government incentives for diners to spend their money in town, and sporting venues are selling seats once again.

We can anticipate continued investor interest as our rental yields show signs of an increase, and second home (aka city pad) buyers explore options in the CBD or inner-ring suburbs to complement their sea-change or tree-change home.

QLD

Melinda Jennison

Managing Director, Streamline Property Buyers

The Brisbane property market has been the fastest growing capital city market throughout all of Australia up to the end of February 2022 with quarterly growth of 7.2 per cent across all dwellings. Of course, the recent significant flood event may dampen demand for impacted properties, however the effect on the overall market is yet to be determined.

Total listing volumes in Brisbane remain low. According to CoreLogic we are still down 30.2 per cent compared to 12 months ago, and more than 40 per cent below the previous five-year average.

After the 2011 floods, we saw a large drop in listing volumes so this is perhaps a trend that we might see in the weeks ahead, further compressing supply. Demand has remained elevated across the city with multiple buyers for most properties still the norm in Brisbane.

It is too early to tell if the flood event will change buyer sentiment.

Across the quarter, Brisbane house prices increased 7.7 per cent compared to unit price growth of 4.5 per cent. This confirms that houses are continuing to outperform units – a trend that has been in place since September 2020. The median house price in Brisbane is now $828,175 and the median unit price is $468,393, both at historic highs for our city.

Vacancy rates are at record lows throughout Brisbane, and the flood event will put further pressure on the rental market as people need to temporarily relocate whilst properties are repaired. Vacancy rates currently sit at 1.1 for Greater Brisbane. We have not seen vacancy rates this low in Brisbane since 2006. Gross Rental Yields are now at 3.6 per cent across the city.

We expect the rate of price growth to slow across Brisbane and buyers may even become more concentrated in flood-free locations. At this stage it is too early to tell.

We may see some price falls in flood impacted locations. Many buyers were willing to accept the risk after the 2011 floods, not expecting a similar event to unfold again, especially so soon after, but perhaps it will be harder to forget after two floods in 11 years.

SA

Peter Koulizos

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

The Adelaide and South Australian property markets continue to go from strength to strength. Whether you are looking at price growth over the last month, quarter, or year, Adelaide (and Brisbane) have outperformed the other major capital cities by the proverbial country mile.

Landlords are also very happy as rents have risen significantly in Adelaide. According to CoreLogic, Adelaide has the lowest vacancy rates of all the major capital cities and the second highest rise in rents in the last 12 months.

Why is this so? I am glad you asked! It's all about supply and demand. Regarding prices, supply is very low. Adelaide has 20 per cent less listings now than it did 12 months ago. Only Brisbane has fewer listings compared to one year ago. The story is very similar with rents. Adelaide has the lowest vacancy rate of all the major capital cities.

In addition to supply being low, demand is high. People from the eastern states are seeking to relocate to South Australia and investors are keenly looking to buy in Adelaide as it is a lot cheaper and the market is very buoyant, in contrast to Sydney and Melbourne where it is currently flat lining.

What about the future? Due to ongoing demand from interstate buyers and the influx of overseas migrants and students, property prices and rents will continue to rise at a significant rate. I wouldn't be surprised if by the end of this financial year, Adelaide is the best performing major capital city in the country.

WA

Damian Collins

Managing director, Momentum Wealth

Perth's residential property market has continued to demonstrate strong growth conditions in the opening months of 2022, driven by a combination of tight supply levels and rising buyer activity.

Figures from the Real Estate Institute of Western Australia show the number of properties listed for sale remains well below the historical average, with sub-8000 listings in early March 2022.

We can expect to see further upwards pressure on property prices in the year ahead as increased migration also brings more demand from buyers off the back of WA's border re-opening. REIWA is predicting a further 10 per cent rise in Perth property prices in 2022 alone.

Looking ahead, Perth's relative affordability continues to present a key drawcard for both local and interstate investors

While offering a lower point of entry into the property market, this comparative affordability has also supported strong rental yields across the western capital, with gross rental yields of 4.4 per cent in February (CoreLogic) – significantly above the combined capital average of 3.0 per cent. Rental vacancy rates remain very low, with REIWA reporting vacancy rates below 1.0 per cent in Perth and across most of the WA residential markets.

TAS

Simon Pressley

Head of Research, Propertyology

Records keep getting broken in Tasmania. Without question, real estate in Australia's smallest state has become so incredibly treasured; it's as precious as Byron.

Hobart, Launceston, and Burnie have all produced 80 per cent capital growth across the last five years, streets ahead of all capital cities. Propertyology's current reading of the market is that Hobart is still running at an annual growth pace of 20 per cent while Launceston and Burnie is closer to a 30 per cent pace.

The state economy right now is as strong as what it has been at any stage throughout this spectacular boom era. The biggest challenge for the state is unavailability of skilled labour to fill all of the jobs, plus very little housing for everyone who wants to move there.

For perspective of the dire undersupply of housing, Hobart has a population of 247,000 people but only 1150 dwellings currently advertised for sale and 90 advertised for rent. The previous record low was 12-years ago when there was 3000 for sale, 200 for rent and 27,000 fewer people living there. The upward pressure on real estate values and rents is next-level insane.

In addition to the already strong economy, the state government is currently bidding to host the Commonwealth Games, plus they appear likely to receive confirmation of hosting a team in the national AFL. Future investment in world-class stadiums, hotels, major events and tourism in general is incredibly exciting for this truly unique part of the world.

What's ahead for office markets this year?

ANGELINE MANN,
Commercial Director
Herron Todd White

The office market nationally continues to suffer the impacts of the pandemic. Around the country we have seen significant increases in vacancy rates, and sadly many CBDs continue to be substantially unoccupied.

Generally speaking, a reluctance to return to office environments remains, with many employees across our capital cities preferring to remain working from home, and businesses facing ongoing concerns about multiple staff simultaneously contracting Covid-19 in the workplace.

As we emerge from the Omicron lockdown of 2021, it is clear that working from home will remain for many businesses. Many employee engagement surveys throughout the pandemic reported a strong preference from employees to continue to work from home, at least a few days a week.

The combined impact of new work from home arrangements and a reluctance to bring large groups of employees together, has culminated in significant increases in vacancy as businesses rationalise the space they require going forward.

This may mean reconfiguring existing space to better suit their needs with fewer staff working from an office, reducing overall space requirements or, in some instances, relinquishing their office space altogether.

The Property Council of Australia reported a total vacancy rate for the country in January 2022 of 12.1 per cent. This is a significant increase on the pre-pandemic vacancy rate which was reported by the PCA in January 2020 at 8.4 per cent.

So, what does this mean for the market?

We anticipate the office market to remain generally volatile and uncertain through 2022. We are reasonably confident that a slow return to the workplace around the country is probable, however we do not consider this likely to result in a significant increase in market demand, more a gradual increase.

We anticipate that it will take some time for the market to adjust and for confidence to return. There are already signs in some markets that this has started to happen. The low interest rate environment has seen, in some instances, owner-occupiers investing in smaller, mostly strata offices. Purchasers tend to be favouring well-located, well-presented suites that offer longer term positive growth. In the Sydney CBD, in particular, this has resulted in a continued increase in values though the pandemic period.

Looking ahead, many predict that Australia, and our major cities in particular, will see strong growth in office employment and therefore a good supply of office space is required in the not-so-distant future. This should lead to a growth in values and a reduction in the vacancy rates.

For the time being, rents remain flat, and incentives are high with some cities reporting up to 40 per cent incentives being offered to attract tenants at this time. We do anticipate some tenants will look to upgrade while the market is flat and there have been some businesses that have deferred leasing, both of these things should lead to some increase in demand.

Overall, it has been a trying few years for the national office market, however, it is not all doom and gloom. In fact, there are signs of light with some confidence returning to the market.

We are optimistic that a slow but gradual increase in demand across most of the major markets will result in an improvement to market conditions and hopefully see growth in values. There are many positive projects under way in most of the major cities which will also help drive demand in the coming years.

PDF You can download the latest copy of Herron Todd White's Month In Review here.

pipa profile

***Lachlan Vidler** is a former naval officer who was recently elected to the PIPA board – the youngest director in the association's history.*

PIPA profile

CAN YOU PLEASE TELL US MORE ABOUT YOUR BUSINESS?

Atlas Property Group is an investment focused buyer's agency that takes on a national purchasing approach. We love helping clients of all backgrounds and stages of their journey, and we particularly enjoy helping people build out significant long-term portfolios. that is inline with their values and objectives. Property investment is not a one size fits all business, so there needs to be a high level of understanding about your client before an investment vehicle is considered.

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

I've been working as a property investment professional for about two years now. I started my working life as an Officer in the Royal Australian Navy, working in both the Warfare and Logistics streams. After this, I moved into management consulting, where I was fortunate to work for a couple of global consulting firms in their Strategy and Operations teams.

HOW DID YOU FIND OUT ABOUT PIPA?

When I was looking to start my own company that focused on property investment, I made sure to do my research so that I understood how best to position myself to give the best service to my clients. This led me to PIPA and seeing the phenomenal work they do in improving and professionalising the industry.

WHAT ARE SOME OF THE REASONS WHY YOU JOINED PIPA?

Joining PIPA was just a common sense move for me. I loved seeing a professional body that was actually driving real change and trust in the real estate sector. I also like the fact that they drive public awareness and education campaigns, but they also provide education to professionals so that they can become better at what they do.

> ***Joining PIPA was just a common sense move for me.***

YOU WERE RECENTLY APPOINTED TO THE PIPA BOARD AND ARE THE YOUNGEST DIRECTOR IN THE ASSOCIATION'S HISTORY. WHAT ARE SOME OF THE REASONS WHY YOU WANTED TO NOMINATE FOR THE BOARD?

I've always been a big believer in the idea that if you aren't helping, you're probably hindering. For me, this meant that if I wanted to see the property investment industry continue to improve and grow, I would need to tangibly contribute to that. I also wanted to bring the voice of younger industry professionals to ensure that PIPA is best placed to provide long-term, strategic guidance to the industry, consumers, and government.

WHAT ARE SOME OF THE MAIN REASONS WHY PEOPLE, ESPECIALLY NEW ENTRANTS TO THE INDUSTRY, SHOULD BECOME MEMBERS OF PIPA?

To me, PIPA is the ultimate demonstration of an ethical professional. By joining PIPA, you are showing consumers and other professionals that you want to be held to a higher standard and that you want the property investment industry to be considered amongst other professional industries.

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

For us, it's all about growth. We have had such an incredible time over the last two years, and we are excited to continue that this year. We published a book at the end of 2021, and this gave us an incredible opportunity to reach more Australians than we ever have. We are looking to take this momentum to continue helping everyday Australians grow their property portfolios and move towards their version of financial freedom.

► Interested in being a PIPA Member Profile in the PIPA dviser? ► Email us... *nicola@bricksandmortarmedia.com.au*

ANTONIA SETTLE
Academic (McKenzie Postdoctoral Research Fellow), The University of Melbourne

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

After the floods comes the disaster of underinsurance: we need a better plan

The floods affecting Australia's eastern seaboard are a "1 in 1,000-year event", according to New South Wales Premier Dominic Perrottet. But that's not what science, or the insurance industry, suggests.

Throughout Australia in areas prone to fires, cyclones and floods, home owners and businesses are facing escalating insurance costs as the frequency and severity of extreme weather events increase with the warming climate.

Premiums have risen sharply over the past decade as insurers count the cost of insurance claims and factor in future risks. The latest report from the Intergovernmental Panel on Climate Change, published this week, predicts global warming of 1.5°c will lead to a fourfold increase in natural disasters.

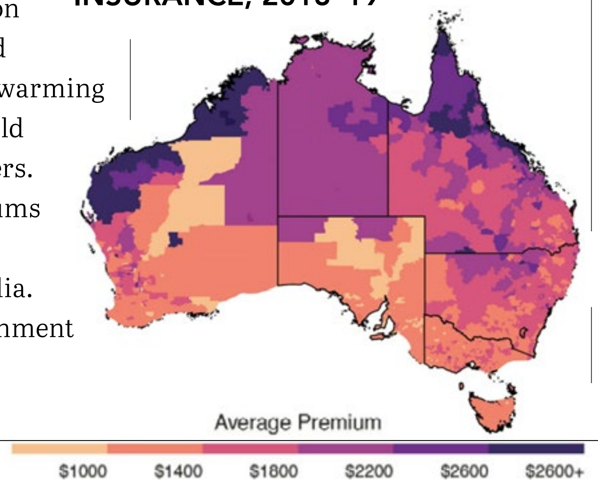
Rising insurance premiums are creating a crisis of underinsurance in Australia.

In 2017 the federal government tasked the Australian Competition and Consumer Commission to investigate insurance affordability in northern Australia, where destructive storms and floods are most common. The commission delivered its final report in 2020. It found the average cost of home and contents insurance in northern Australia was almost double the rest of Australia – $2,500 compared with $1,400. The rate of non-insurance was almost double – 20% compared with 11%. While the areas now experiencing their worst flooding in recorded history aren't part of the riskiest areas identified by the insurance inquiry, the dynamics are the same.

Those not insured or underinsured will be financially devastated. Insurance premiums will rise. As a result, more people will underinsure or drop their insurance completely, compounding the social disaster that will come with the next natural disaster.

So, what do about it?

AVERAGE PREMIUMS FOR COMBINED HOME & CONTENTS INSURANCE, 2018–19



TACKLING INSURANCE AFFORDABILITY

There are two main ways to reduce insurance premiums.

One is to reduce global warming. Obviously this is not something Australia can achieve on its own, but it can be part of the solution.

The other is to reduce the damage caused by extreme events, by constructing more disaster-resistant buildings, or not rebuilding in high-risk areas.

The federal government, however, has put most of its eggs in a different basket, with a plan to subsidise to insurance premiums in northern Australia.

This won't do much for those affected by the current floods. It won't even do much to solve the insurance crisis in northern Australia.

THE REINSURANCE POOL, A BLUNT TOOL

In the 2021 budget the federal government committed A$10 billion to a cyclone and flood damage reinsurance pool, "to ensure Australians in cyclone-prone areas have access to affordable insurance". The legislation to establish this pool is now before parliament.

The ostensible rationale is that the government can drive down insurance costs for consumers by stepping in and acting as wholesaler in the reinsurance market, in which insurers insure themselves against the risk of crippling insurance payouts.

The idea is that discounted reinsurance will lead insurers to lower their premiums.

Read more: A national insurance crisis looms.

There is no guarantee, however, that insurers will pass on their cheaper costs to customers. This means the benefits of the pool are unclear.

So are its costs. Effectively, the government is shifting risk from insurers to itself, subsidising insurance premiums for those in some parts the country from the public purse.

The ACCC inquiry gave considerable attention to the idea of a reinsurance pool. While acknowledging there could be some benefits, it concluded the risks outweigh the rewards:

- We do not consider that a reinsurance pool is necessary to address availability issues in northern Australia.

TARGETING AND MITIGATING

Above and beyond the aforementioned problems, there are two telling failures of the reinsurance pool plan.

First, subsidising insurance companies doesn't target help to those who need it most: low-income households.

There is a growing body of research showing that natural disasters, and the ways governments respond to them, is contributing to greater inequality.

As the South Australian Council of Social Service makes clear in a report published this week, improving insurance access for people on low incomes at risk from natural disaster requires targeted support, such as promoting non-profit "mutual" insurance schemes.

Second, only mitigation can bring

Read more: Natural disasters increase inequality.

the overall cost of natural disasters down. Ways to do this include public works (building levees, upgrading stormwater systems, conducting planned burns) and improving buildings (reinforcing garage doors, shuttering windows, managing vegetation around homes, and so on).

The ACCC's insurance report identifies a range of ways mitigation strategies can be tied into insurance pricing. Yet none of these has been incorporated into the Morrison government's response to the insurance crisis.

There is little support for the reinsurance pool outside of the federal government. Neither the ACCC, the insurance industry nor community sector advocacy organisations support reinsurance as a meaningful solution.

A REINSURANCE POOL FOR THE WHOLE OF AUSTRALIA?

For the areas of NSW and Queensland now flooded, as well as the rest of the country outside the ambit of the reinsurance pool, the relentless rise in insurance costs will continue, tipping ever more homes out of the insurance safety net.

We must find better solutions to the insurance crisis than what is being offered to northern Australia. A reinsurance pool cannot be a national solution because it isn't the solution for northern Australia.

There are no cheap and easy solutions, but the terrain is clearly mapped out across an array of inquiries and reports into insurance and climate vulnerability. More than a blanket subsidy for the insurance industry, the time has come for climate vulnerability to be taken seriously by the federal government.

This article was originally published on CoreLogic

[Read the original article]

What will the floods mean for property prices?

ELIZA OWENS
Head of Residential Research, CoreLogic

Property market performance across Australia's east coast, particularly South East Queensland and Northern New South Wales over the past year, could be summarised as having leading price growth, increased auction activity, and favourable internal migration trends. However, the end of February was a sobering reminder of the impact of extreme weather events and climate change.

Numerous enquiries from the industry and media have reached CoreLogic regarding how current floods will impact property values, rents and the availability of dwellings.

Following the Brisbane floods in 2011, the city's dwelling values sustained a decline from January 2011 to January 2012, which bottomed out at -6.1% (figure 1). This decline kicked into recovery mode off the back of several cash rate reductions from November 2011. However, it was not until March 2014 that the dwelling market fully recovered the value recorded in December 2010.

FLOOD IMPACT ON PROPERTY VALUES

It is difficult to isolate the impact of flooding on property values, as Brisbane dwelling values were already trending lower from mid-2010. This decline was triggered by a tightening in monetary policy amid a resources boom, and Australia's recovery from the GFC.

Figure 2 summarises the Greater Brisbane Home Value Index against a selection of eight suburbs that were inundated with flooding in January 2011, showing the change in dwelling values for each market. Figure 3 shows the depth of the downturn in values from 2011 and the time taken for each market to recover. Across the select suburbs it took an average of 5.1 years for values to recover to January 2011 levels, with flood-affected areas recording a sharper decline in dwelling values than greater Brisbane.

VALUE RECOVERY PERIOD

Although the 2011 floods saw inundated suburbs recording a larger downturn relative to the Brisbane average in the year following the flood, most suburbs saw a recovery in prices within three to five years with riverside precincts still attracting premium values over areas located further from the river prior to the latest flooding event. Australians have historically placed a high value on housing within close proximity to the water; whether this trend changes based on forecasts of more frequent severe weather events is yet to be seen.

Another notable impact on the Brisbane market through this period was a decline in transaction activity. Through January 2011, monthly sales volumes reached their lowest level over the past 20 years, at 2,115 transactions across Greater Brisbane. New listings added to the market were also notably lower through January 2011 compared to the previous year (down -27.8%), but increased remarkably in the following month (jumping 46.8%). A similar decline in new listings, followed by a rebound in February was similarly evident in the suburbs presented in Figures 2 and 3, suggesting sales and listings did start to pick up after the event.

Rental values across the eight suburbs analysed from 2011 did not show a decline in the hedonic rental value index. Instead, rent values increased an average of 4.3% over the year to January 2012. This may be due to more subdued rental stock levels available at the time, which could have put upward pressure on advertised rents.

THEN VS NOW

Perhaps one of the biggest differences between the market in 2011 and 2022 is the length of time between these devastating extreme weather events. In 2011, major flooding had not affected the region since 1974, and flooding of this nature was considered a 'once in a 100-year event.' For current homeowners, it has been just over 11 years.

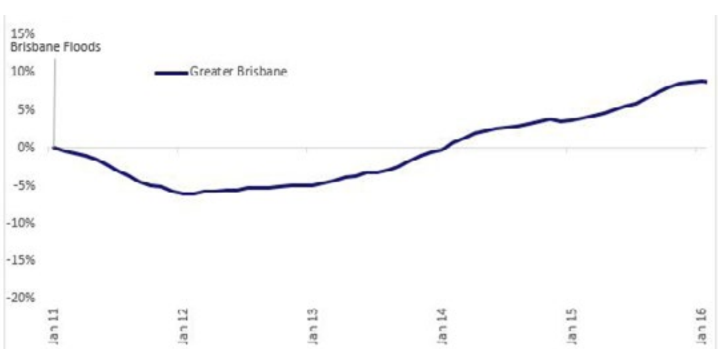
This short time frame between significant flooding events could:

- shift buyer attitudes around housing in low lying areas
- see markets with low flood risk attract greater demand over time
- result in higher insurance premiums, which may dissuade buyers from areas vulnerable to flooding
- elevate repair/renovation costs at a time when the building industry is already experiencing high demand, and labour and material shortages

FINANCIAL IMPACT OF FLOODS

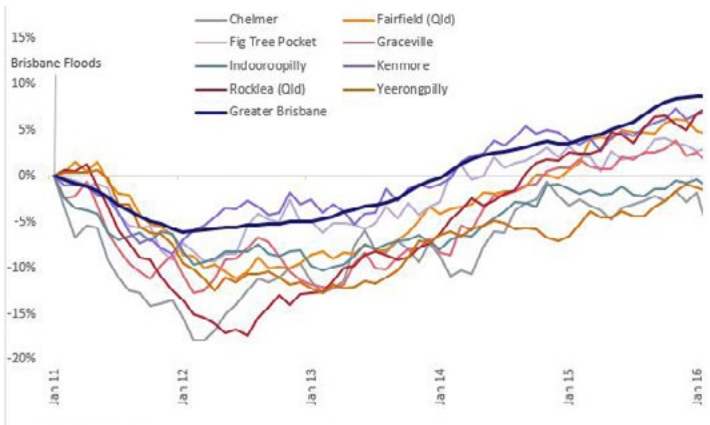
The cost and implications for the housing market of the current floods is difficult to evaluate, given that for many coastal areas, clean up and damage assessment is yet to commence. Additionally, the operational environment is very different, with monetary policy more likely to tighten in the next 12 months, as opposed to 2011, when the market was supported by a fall in the cash rate within a year of the flooding event. Ultimately, this event reinforces the consequences of climate change, which poses a great challenge to the real estate and finance sectors now and in the future.

FIGURE 1. CHANGE IN DWELLING VALUES FROM JANUARY 2011 - GREATER BRISBANE



Source: CoreLogic

FIGURE 2. CHANGE IN DWELLING VALUES FROM JANUARY 2011 - SELECT SUBURBS DWELLING MARKETS



Source: CoreLogic

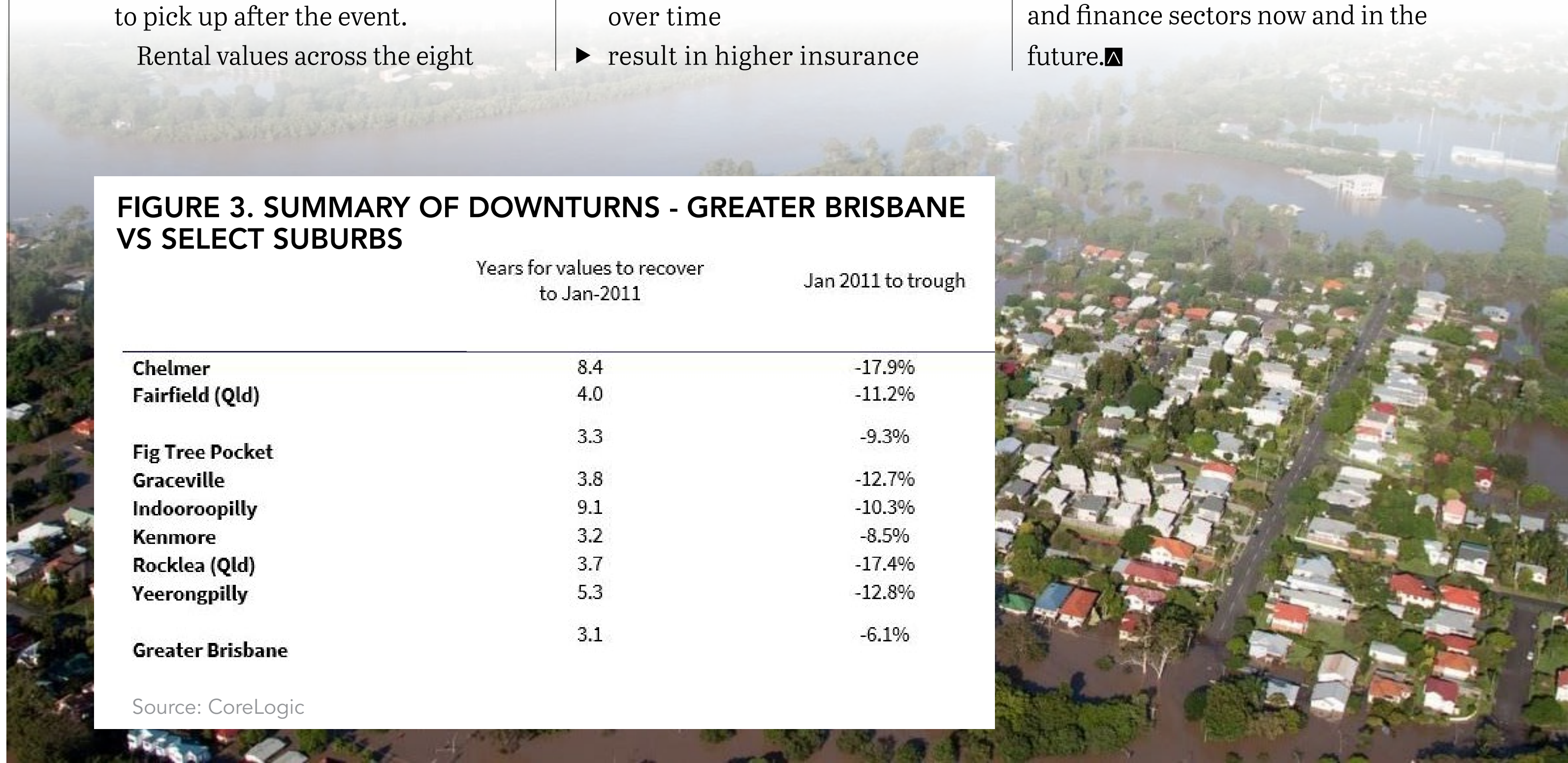


FIGURE 3. SUMMARY OF DOWNTURNS - GREATER BRISBANE VS SELECT SUBURBS

	Years for values to recover to Jan-2011	Jan 2011 to trough
Chelmer	8.4	-17.9%
Fairfield (Qld)	4.0	-11.2%
Fig Tree Pocket	3.3	-9.3%
Graceville	3.8	-12.7%
Indooroopilly	9.1	-10.3%
Kenmore	3.2	-8.5%
Rocklea (Qld)	3.7	-17.4%
Yeerongpilly	5.3	-12.8%
Greater Brisbane	3.1	-6.1%

Source: CoreLogic

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