



Welcome

Is that a slight chill in the air? Autumn has arrived and with it comes the need for landlords and PMs to ensure rentals are ready for the onslaught of wet weather. In this edition we highlight what should be checked and provide a round-up of the latest tradie hourly rates to help you get on top of maintenance.

We also take a look at the New Payments Platform that many banks are currently rolling out. With almost instant money transfers now possible, we discuss the need for the real estate industry to be vigilant about the threat of cyber fraud.



Have you noticed how many drones are flying around these days? It's not just families taking to the skies on the weekends, capturing footage of beaches, menacing seagulls and, quite frequently, watching their new toy falling from the sky! The technology is now well ensconced in the RE industry with the devices being used to help market property and conduct inspections. And while there are many possible uses for drones in the industry, there are also some risks that need to be considered. Read on to find out about those risks and how you can now mitigate them with dedicated drone insurance.

We hope you enjoy this edition of *The RentCover Report*.

On behalf of everyone at RentCover, I wish you a happy and safe Easter.

Sharon Fox-Slater
Managing Director, RentCover

“One a penny, two a penny...”

Whether you go traditional and slather your hot cross bun with lashings of butter or embark on a culinary discovery to find new ways to eat yours (like as an icecream sandwich), it is always handy to have a few tit-bits to share with fellow scoffers:

- Hot cross buns date back to pagan times and the worship of the goddess Eastore (whom Easter was named after). The cross on the bun represented the four phases of the moon.
- Christian-era buns have been traced back to 1361 when Brother Thomas Roccliffe made small spiced cakes stamped with the sign of the cross to be distributed to the poor visiting the monastery at St Albans on Good Friday.
- The buns are traditionally eaten from the evening of Shrove Tuesday to midday Good Friday.
- The cross on the top of the bun is supposed to ward off evil spirits.
- If you hang a bun in your kitchen it will protect you against fire and make all your breads rise perfectly – so long as you replace the bun each year.
- Buns were taken aboard ships to protect against shipwreck.
- It was also thought that eating them would cure all sorts of maladies.
- A decree was issued in 1592 by ‘The London Clerk of the Markets’ that forbid the sale of spiced buns except at burials, Christmas and Good Friday.
- The world’s oldest bun is believed to be more than 200 years old. A couple from Essex (UK) have a bun that is accompanied by a letter that states it was made in 1807. The bun isn’t mouldy! Which means it must have been baked on Good Friday... folklore has it that buns baked and served on Good Friday will not become mouldy during the subsequent year.
- If you share a bun with someone you’re supposed to be friends for the year, especially if you say “Half for you, half for me. Between us two shall goodwill be”.

Is it a bird? Is it a plane? No, it's a drone!

It may not be long before drones are as important to agents as their smart phone and car keys. But before you 'release the drones', there are a few insurance matters to consider.

The real estate industry has been one of the first to embrace new technology. So, when drones hit the market, many agents began tapping into the technology by hiring professional drone operators to produce impressive fly-overs and fly-throughs to help sell property.



In 2016, the Civil Aviation Safety Authority relaxed regulations around commercial drone use which has meant that agents (or their contractors) have been able to operate certain types of drones themselves. The result has been more agents taking to the skies, especially as the cost has gone down. You can pick up a remotely piloted aircraft system (RPAS), or drone, for under a hundred dollars and produce some cost-effective imagery.

Drone technology is changing the face of many industries and it may not be long before flocks of drones in the sky are commonplace. A report by PwC says that the global drone technology industry will be worth US\$127 billion by 2020 and Australians will spend an estimated US\$3.1 billion on drone-related tech by 2021.

Based on figures from the Australian Association for Unmanned Systems, there are more than 1,200 [commercial operators](#) in Australia who hold a remote operator's certificate. In addition, there are 7,700 individuals or companies that provide drone services under the ['excluded category'](#) (which includes any RPAS device under 2kg and flown for commercial reasons). And according to the Australian Transport Safety Bureau (ATSB) the number of drones in Australia doubled between 2016 and the close of 2017.

'Commercial usage' can extend to any drone flown for purposes other than sport or recreation, which means that even if the drone is not being flown directly for income or is not the core service of a business, it can still be classified as a commercial operation. For example, a PM may use a drone to conduct a roof inspection and, although the drone isn't being used to sell the PM's service, this type of operation would be considered commercial.

Currently the most popular RE use for drones is in marketing property. As they say, a picture is worth a thousand words and aerial photography and video is adding an edge to property sales and marketing. Agents and owners are using drones to offer potential buyers/tenants new angles on properties and the surrounding areas to better tell the 'lifestyle' story. Instead of relying on clichéd descriptions like 'stunning views' or 'close to everything', the opportunity is there to actually prove the claims with quality footage shot from drones. Drones can also capture footage inside the property, allowing potential buyers/tenants to actually see the layout of the home or commercial premises and its condition.

There is also growing use of drones to conduct inspections. Drones can get a close-up look at aspects of a property that may otherwise be inaccessible or expensive to survey (for example, requires scaffolding or a cherry picker). Sending a drone to inspect a roof, chimney or trees overhanging a home is far safer than scrambling up a ladder and dangling precariously from the guttering trying to get a look. Particularly useful if the property is more than one storey. A visual record of the state of a property can also help a PM explain the need for repairs and maintenance to an owner or body corporate.

In the future there may be even more opportunities to use drones to help streamline operations. Imagine being able to send out a drone with the spare keys to a property on your rent roll instead of getting in your car and driving there. Or sending in the drones to conduct rent inspections – the drone filming and photographing all aspects of the condition of the rental. Or even open houses: the drone arrives with the keys, the potential buyer/renter lets themselves in and takes a tour under the watchful eyes of the drone (with commentary being broadcast or interactive discussions with the agent), locks the home again and returns the keys to the drone to bring back to base – great for after-hours show throughs or for properties away from the agent's base.

What happens after “we have lift off” and it becomes more a case of “Houston, we have a problem”?

As with all technology, launching a commercial drone into the skies comes with its own set of risks. First and foremost is the risk of accident and third party liability. If a drone is operated for any purpose other than sport or recreation, it may attract the risk of ‘strict liability’ implications under Section 10 of the *Damage by Aircraft Act*. In a nutshell this means that the drone operator or owner can be held legally responsible for damage or loss caused by their acts or omissions with no requirement for a third party to prove fault or negligence.

What goes up must come down. The problem is when the drone doesn't come down as it should. According to a report from QBE, one in 50 drones crash. This equates to one crash occurring for approximately every 2,000 hours of operation. Concerningly, QBE claims data shows crash rates are currently doubling every year (21 per cent compound annual growth rate). With each crash comes the risk of causing bodily injury or property damage. Another risk is that of ‘near encounters’ with other aircraft – a particular problem in our capital cities – and the ATSB is forecasting the number will continue to rise exponentially as more drones share airspace.

Another factor that drone operators need to take into consideration is privacy. As drones are used for surveillance or data collection, they are generally fitted with cameras and/or video recorders and sensors (referred to as the payload). Drone operators should check if they need permission from owners for flying over private property or require council approval for flying over parks and public streets.

The collection of footage could result in a privacy violation if that footage is used in an ad, broadcast or telecast – and there have been some prime examples of this happening in the RE industry. A couple of years back, a woman from Mt Martha was snapped sunbaking topless in her backyard by a drone and the picture appeared on the sales board of the million-dollar property next door. Awkward... and potentially costly. FYI: For those who take their privacy very seriously (and for those agents who are more protective of their listings than a lioness with a new cub), there are also anti-drone guns on the market that disable incoming drones when the gun is pointed at the unwanted aerial intruder. We kid you not, but the guns are really designed for military purposes not to ward off competition!

A less obvious risk for piloting drones is that of cyberattack. Drones collect data which may be of value to a cybercriminal, making them a target for hacking. There is also the possibility that control of the drones could be taken and the machines used for unlawful purposes.

The takeaway? If you are going to use drones in your RE business, you should make sure that you have insurance that specifically covers their use. There is dedicated insurance that EBM can offer our RE clients and their contractors who operate drones. So [ask your account manager](#) about RPAS Cover. Armed with the right cover, you can ‘release the drones!’ and take your RE business to new heights.

Gone in 15 seconds

As the New Payments Platform launches, real estate agents and landlords should be on the alert for cyber fraud.

Financial institutions across Australia have begun rolling out the New Payments Platform (NPP), which will see people sending each other money in 'real time'. With the introduction of NPP, Australia joins 19 other countries around the globe that offer real-time payments, with the UK, Switzerland, Denmark, Singapore and India leading the way.



Customers of 13 financial institutions – including the big four banks and a number of smaller credit unions and mutual associated with those banks – can create a 'PayID' using their phone number, email or an ABN to quickly transfer money to any bank account in Australia.

But while the \$1 billion RBA-managed NPP promises greater convenience for customers and businesses – with transactions between banks and bank accounts to happen almost instantaneously instead of taking up to three days for money to transfer – switching to real-time payments could also see a rise in cyber fraud. The Bank of International Settlements has warned that real-time payments “may be a more attractive target for fraud than traditional retail payments”.

With the instant payment platform (where funds settle instantly), banks will have less time to check for fraudulent transactions and stop those payments that appear suspicious. Instead of taking up to three days to settle, money will move from one bank account to another within 15 seconds, so it can easily be moved into dummy accounts and disappear before victims even know they've been taken for a ride.

This was the experience in the UK when the real-time payments platform, Faster Payments, was introduced in 2008. What followed was a series of frauds, with Financial Fraud Action UK reporting online banking fraud jumped 132 per cent the year faster payments was introduced. In the first half of 2017 alone, 19,000 victims lost £100 million in scams using the 'authorised push payments' (APP) platform.

Under the terms and conditions issued by one of the NPP-participating financial institutions, banks are not liable for losses that are a result of you giving the wrong account information and once you have given a transfer instruction and it is accepted by your bank, the transfer is irrevocable. This also applies if you were fraudulently induced to make a transfer via the NPP and while your bank might be able to help you recover the monies, the recipient of the funds will have to consent to repay your money – highly unlikely if the account belongs to a fraudster.

Like their counterparts in the UK, the Australian real estate industry may be a target for fraudsters. Given the high value of transactions, a successful fraud is likely to offer a very big pay day.

This was the case for a home buyer in the UK who lost almost £300,000 through an APP scam when she thought she was transferring money to the right account but it was in fact an account controlled by a fraudster.

“Everything had gone very smoothly,” Kate Blakely told the *BBC*. “Our conveyancing solicitor provided details by email of the bank accounts to make money transfers on the day of completion. We transferred just under £300,000 on the day and within about three hours we

realised the money had gone missing. The moment of realising the money hadn't arrived as intended with the bank account we sent it to, or thought we'd sent it to, was just sheer terror." Ms Blakely did get all of the money back eventually, but lost thousands in solicitors' fees.

The NPP has learned from the real-time payment experiences in other countries and has introduced a number of safeguards in the system to lower the risk of fraudulent or accidental payments (such as enabling the sender to confirm the name of the recipient before finalising payment) but it warns that most fraud is the result of "old-fashioned trickery to deceive people into parting with their money".

The security risks to the NPP are concentrated around the ability of fraudsters to steal login details and break into accounts (as the payments come from an actual bank account, the fraudster would need to obtain the customer's login credentials so they can log in to internet banking and authorise a payment to a third party) – so look out for emails, texts and phone calls trying to wrangle online banking login credentials out of you or trick you into making a payment.

The best way to protect your business is to watch out for scams (particularly phishing emails) and focus on login and password security.

Depending on the circumstances surrounding a loss from fraud or an incorrect transfer of funds (including the extent to which you or an employee were culpable), you may have some protection through a [Cyber Liability](#) or [Professional Indemnity](#) policy. But the best course of action is to be vigilant when it comes to money transfers.

Time to call in the tradies

As the leaves begin to turn so do the thoughts of landlords and PMs – to maintenance. Before the bad weather sets in, get out your little black book of trades.

The last of the long summer days has passed and before the wintery conditions set in it's a good idea to inspect rental properties and make a list of repairs and maintenance needed.



In particular with the cold and wet fast-approaching these areas should be given the once-over:

- Roof tiles, ridge capping and flashing around skylights, pipes and chimneys, joins on Colorbond or tin roofs
- Gutters and drainpipes
- Stormwater drains and run-off areas
- Hot water systems
- Gas appliances such as ovens
- Heating systems (gas, electric, oil or ceramic) including reverse cycle air-cons
- Ventilation systems including exhaust/extractor fans
- Insulation including cracks and gaps around windows and doors
- Water pipes, particularly in any areas where the pipes can freeze
- Fireplaces and chimneys
- Smoke alarms (test hard-wired systems, replace batteries)

Maintenance works are best carried out by experienced tradies – and in the case of plumbing or electrical anyone undertaking the work must be licensed. So whether the list of repairs is long or short, chances are you'll need to provide estimates, or budget, for the work.

To get an idea on the hourly rates to expect, the latest Tradie Price Index from ServiceSeeking might help. The rates, accumulated from 52,000 nation-wide quotes, reveal the average hourly rates for a range of trades: plumbers (\$85.57), electricians (\$77.59), builders (\$67.83), carpenters (\$61.28), tilers (\$55.85), landscapers (\$54.16), plasterers (\$48.58) and painters (\$44.42).

Those looking for tradies in Victoria enjoy the lowest rates – with four of the 10 most affordable tradie rates available in the State. The most affordable tradies are painters at \$39.79 p/h, followed by plasterers (\$46.83), landscapers (\$50.35) and tilers (\$50.72). Painters in WA were the cheapest at \$52.38 p/h, then landscapers (\$53.90). Plasterers in NSW came in next at \$54.22 p/h while landscapers offered the best rates in Queensland (\$54.47). The final two trades in the top 10 most affordable were both in WA – carpenters (\$54.56) and plasterers (\$54.96).

At the other end of the cost scale, landscapers in NSW commanded the highest hourly rate in the country at \$102.05. Plumbers were the most expensive tradies in both Victoria and Queensland (\$95.28 p/h and \$84.00 p/h, respectively). In WA, those seeking an electrician will need to dip into their wallets the furthest, with an hourly rate of \$90.96.

Regardless of the hourly rate you'll need to pay, the final price for the job will pale in comparison to the potential cost if maintenance and repairs are ignored. Aside from the possibility of a small maintenance issue turning into a major repair, there is also the risk that the policyholder's insurance will be void. There's a clause in most building policies including landlord policies that requires the property to be adequately maintained in order for cover to be provided. Don't risk it, repair it.

Staff profile: Nick Maddox

“It’s been a surreal journey”

Nick Maddox may be a “newbie” in our Perth office, but he’s no stranger to the insurance industry.

“I started out in insurance almost straight from school and was successful in obtaining an apprenticeship role back in 1998 which gave me a solid foundation in all forms of general insurance, underwriting and claims,” explained the Executive Relationship Manager, who joined our team in February.



“The insurance industry has provided me with some amazing experiences, opportunities and relationships and I can’t believe it’s almost 20 years since I was an apprentice – it’s been a surreal journey.”

Following stints with Thomas Miller (in the UK) and JLT, Nick took up a decade-long position with a competitor landlord insurer. Until the lure of RentCover beckoned.

“After my initial meeting with Sharon, I knew immediately that this is where I wanted to be. Having worked within the landlord insurance industry for some time, I was already familiar and impressed with the RentCover policy offerings, but what really made a lasting impression was the passion, the vision and support displayed,” Nick said.

Nick has hit the ground running and spends his days sourcing and qualifying distributors and potential partners. He also provides a point of support for our real estate clients – getting involved in educating and training PM teams and “ensuring that our relationships are both productive and fulfilled”. And it’s the relationships with industry that Nick had been missing.

“Coming from an environment where the focus on relationships with real estate agents and industry had shifted to a more direct market, it’s been refreshing to see so much energy and value given to the real estate agent and industry networks,” he said.

“RentCover has built a strong reputation as a market innovator and leader, but the support provided through the claims, client services and the relationship management teams really does set RentCover far apart.”

Despite being an experienced player in the insurance game, Nick loves the fact that he still learns something new every day and relishes the challenges he faces.

“The economic factor is an issue and the WA real estate market has, for a while now, been going through a rough patch. Add to this the increased competition in the landlord insurance market and it represents a real challenge, but EBM is very well equipped with the products, the processes and the talent to tackle this and I’m really looking forward to getting stuck in.”

And speaking of getting stuck in... “My wife has started to make and sell cakes, which has made me an official cake/icing tester on weekends,” said Nick. “To burn off those calories I enjoy taking our dog for walks.”

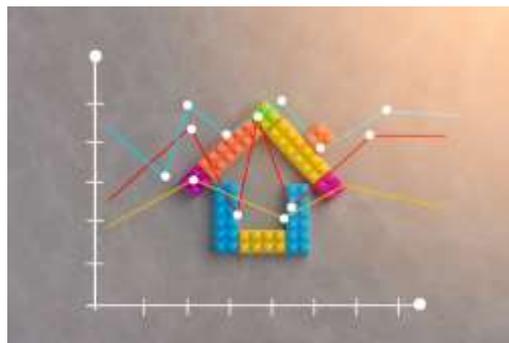
When he isn’t channelling his inner *Bake-Off* judge, Nick can be found “annoying the neighbours with my poor guitar skills” or watching “West Ham United lose almost every weekend!”

Investment Property Market Snapshot

Latest industry statistics and analysis.

Yields flat, rates on the rise

According to CoreLogic's *Rental Report*, during the December quarter all capital cities (except Canberra) and regional markets recorded stronger annual rental returns. Nationally, rents rose 0.3 per cent over the quarter, with increases recorded in Melbourne (+0.3 per cent), Adelaide (+0.9), Hobart (+2.1) and Canberra (+1.6), while rental rates were lower in Sydney (-0.3 per cent), Brisbane (-0.1), Perth (-0.7) and Darwin (-0.5). Median weekly rents increased 0.1 per cent over the final quarter and 2.7 per cent over the calendar year to \$420 for houses and \$425 for units.



Vacancy rates drop

The national residential vacancy rate fell 2.3 per cent in January to 74,113, down from 2.5 per cent in December 2017, according to SQM Research. Vacancy rates fell in Melbourne (from 2.1 per cent to 1.8), Sydney (2.6 to 2.3), Canberra (1.3 to 0.9), Brisbane (3.8 to 3.6), Perth (4.6 to 4.4) and Darwin (3.5 to 3.1). Hobart recorded a rate of 0.4 per cent, up from 0.3 per cent, while the rate remained steady in Adelaide at 1.5 per cent.

Asking rents up

SQM Research revealed capital city asking rents in February rose 0.2 per cent to \$562 p/w for houses and 0.5 per cent to \$443 p/w for units: Canberra (\$615 p/w houses / \$436 p/w units), Sydney (\$744 / \$525), Darwin (\$554 / \$413), Brisbane (\$449 / \$368), Adelaide (\$382 / \$296), Hobart (\$405 / \$358), Melbourne (\$528 / \$402) and Perth (\$426 / \$325).

RBA warns about interest-only loans

With many interest-only loans set to expire between 2018 and 2022, the Reserve Bank says many investors will struggle to meet more conservative lending standards when their current agreements expire. The RBA notes that currently 40 per cent of mortgages don't require any repayment of the loan principal and if investors cannot afford to move to principal and interest repayments or qualify to extend the interest-only period, they could find themselves in financial stress.

More women are investors

Westpac's *Home Ownership Report* has found that 16 per cent of women have purchased an investment property, compared to 13 per cent of men. It was also found that 22 per cent of women are likely to consider adding to their investment portfolio with property, compared to 11 per cent of men. The investment potential of a property was considered a necessity by 35 per cent of women, compared to 10 per cent of men.

Airbnb listings soar

According to independent monitoring website Inside Airbnb, there has been an 87 per cent rise in total listings on Airbnb across Australia in the last 12 months. There has also been a big jump in the number of entire homes available (making up 70 per cent of all listings) and commercial listings, such as serviced apartments run by PMs, on the platform.

Chinese investment plummets

Chinese investment into Australian commercial property fell 60 per cent in 2017, according to Cushman & Wakefield's annual China Outbound Investor Intentions Survey. The data revealed total investment fell from \$6.97 billion in 2016 to \$2.83 billion last year.

Sydney ranked amongst top cities for foreign investment

Sydney has ranked 9th in a survey of the top cities for foreign real estate investment. London ranked as the number one city in the Association of Foreign Investors in Real Estate (AFIRE) 26th annual survey, edging out New York. Berlin (3rd), LA (4th), Frankfurt (5th), Paris (6th), Seattle (7th), Shanghai (8th) and Toronto (10th) rounded out the top 10. Australia dropped from 4th to 5th ranking as the country considered the most stable for real estate investment (US was 1st, Germany 2nd, Canada 3rd and the UK 4th).

News in brief

New strata and bond requirements

As of 13 March, owners' corporations in all multi-storey strata buildings throughout NSW must ensure that [safety window locks are fitted](#) to all openable windows or face possible fines. The requirement applies to both individual apartments and the common areas of buildings including stair landings. The Strata Building Bond and Inspections Scheme, which requires developers to lodge a building bond equal to two per cent of the contract price with NSW Fair Trading, has also come into effect. The building bond can be provided to owners' corporations to rectify any defects – protecting consumers from developers walking away from poor or unfinished work.

Smoke alarm reminder for landlords

Research by the Queensland Fire and Emergency Service has revealed 15 per cent of Queensland households do not have an operational smoke alarm. It also found only 20 per cent of Queensland residential properties have smoke alarms installed in main bedrooms, despite new legislation being implemented which requires all rental properties to have interconnected photoelectric smoke alarms in every bedroom by 1 January 2022.

Rent bidding apps to be outlawed

Consumer groups in NSW are calling on the State Government to follow Victoria and Queensland's lead and commit to banning rent bidding apps such as Rentberry and RentWolf based on fears the apps will drive rental prices higher.

Landlords rent out properties at sub-market prices

A growing number of landlords are renting out their properties at sub-market rates to lend a helping hand to those in need. NFP real estate agency HomeGuard has 326 properties listed, of which 38 are privately owned and 14 landlords have offered their rentals with no expectation of a rental return. One landlord is calling on state and territory governments to offer land tax exemptions as an incentive for landlords to offer their properties at lower rental prices. Allowing landlords to claim the difference between the market rental price and the reduced rate as a charitable donation was also suggested.

Renters underinsured

Research from rent.com.au has found only 45 per cent of all renters have contents insurance and amongst those aged under 40 just 27 per cent are covered. [TenantCover](#) provides up to \$25,000 for renters whose property is stolen or damaged by fire, explosion, storm or flood, and up to \$10 million in legal liability cover.

New real estate industry award

Although the Fair Work Commission is yet to finalise its review into the Real Estate Industry Award, a number of changes come into effect on 2 April 2018. These changes relate to employee classification and minimum wages; commission-only arrangements; entitlements to commission, incentive payments or bonuses after employment ends; and allowances. Employers who fail to make the necessary changes to their employment practices from 2 April may face prosecution for breaching the award and/or the Fair Work Act.

Tech watch: latest apps

BnbGuard monitors properties for unauthorised use on popular long- and short-stay accommodation sites such as Airbnb, Stayz and Flatmates. The app is designed to protect landlords and agents being put at risk by tenants illegally subletting their rental and provides weekly reporting and instant notification when a listing is found online.

Rentvesting remains popular choice

Research from State Custodians Home Loans has found one in five people who are house hunting or already own a home say they'd rather rentvest to satisfy their lifestyle and location wishes. The study also found 54 per cent of Australians who own or are buying their own home say they're prepared to live in a more affordable or cheaper location to obtain the house they need or want. Just 26 per cent said they were not prepared to sacrifice location or their ideal home.

Agents call for dedicated property minister

In its pre-Budget submission, REIA has proposed the Government introduce a dedicated 'property services minister' to tackle all forms of property policy including law, taxation, housing affordability and the governance of real estate agents – stating that bringing property policy under the one roof would be “better for the public” and the industry would be “given the importance and administration that it requires”.

Selling property stressful

The LocalAgentFinder Seller Sentiment Survey has found 57 per cent of respondents believed that selling a property felt like one of the most stressful experiences to deal with. Finding an agent that was right for them was cited by 51 per cent as one of the most stressful aspects. Agents were considered an important part of selling, with 70 per cent saying agents assist them in making informed decisions, 66 per cent said they help reduce stress and 63 per cent said agents were beneficial to sellers.

Loyalty doesn't pay

Research by uno Home Loans has found that buyers who take out mortgages with the first bank they opened an account with or choose the same bank as their parents, pay higher interest rates. The report found the mean interest rate on owner-occupier properties is 4.5 per cent among mortgage holders who have a home loan with their childhood bank or parents' bank, compared to 4.3 per cent for those who opted for a different lender. For investor mortgages, the mean interest rate for the loyal bank customer was 4.8 per cent, compared to 4.6 per cent.