# The RentCover Report

INDUSTRY NEWS & VIEWS FROM EBM

## Welcome

I can hardly believe we are into the last month of winter already. While it's been cold outside, it's been hotting up in the legal compliance realm.

When it comes to landlord insurance, your agent may be authorised to act on RentCover's behalf and arrange cover. Regardless of that level of authority, should you have any questions about your policy, contact our team for expert advice on our range of products.

Real estate transactions represent rich pickings for cybercriminals and fraudsters are becoming increasingly sophisticated in the ways they exploit both online platform vulnerabilities and also the trust we put in email communications. Following on from the issues with the e-conveyancing platform experienced of late, we look at how agents and consumers can guard against online fraud and protect their financial wellbeing.

And speaking of wellbeing, most of us are guilty of taking our health for granted. Yet, every day thousands of people suffer illness, accidents and lose loved ones. So often, we realise too late that we are ill-prepared for misfortune. That's why EBM has teamed up with leading life insurer AIA Australia to offer the MaxLife life insurance suite of personal insurances to help safeguard your most important asset – yourself and your ability to earn for your family. Having income protection, life and accident cover in place helps you prepare for tomorrow – and for the here and now, when you take out a MaxLife policy, you get access to the AIA Vitality program. This award-winning health and wellbeing program provides you with online tools and assessments to help you live a healthier and more active life – and rewards you for doing just that!

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

**Sharon Fox-Slater**
Managing Director, RentCover

## GO PHISH

**With a number of states moving to e-conveyancing, recent incidents of fraud are putting a spotlight on cyber security for settlement agents.**


With state governments in Western Australia, Victoria and New South Wales all moving to mandatory e-conveyancing and Australia converting from the Torrens title paper system to electronic certificates, the recent hacking of the PEXA platform set alarm bells ringing.

The fact is, organisations which act as agents for people and businesses in large financial transactions, such as solicitors, conveyancers and accountants, are lucrative targets for cybercriminals.

When former MasterChef contestant Danni Venn lost $250,000 from the proceeds of the sale of her home, as funds were misdirected into a hacker's account, the story made national headlines – and called into question the security of the Property Exchange Australia (PEXA) platform, making property owners and conveyancers very nervous.

PEXA is Australia's first e-conveyancing platform, allowing lawyers, conveyancers and financial institutions to lodge documents with land registries and complete financial settlements online. Owners of PEXA include the governments of New South Wales, Victoria, Queensland and Western Australia, the big four banks and Macquarie Group.

The breach occurred when hackers were able to access the email account of the conveyancer used by Ms Venn and use that account to reset the PEXA security information and add themselves to the PEXA account.

"The party intercepted a change-in-password email sent from the PEXA platform to the subscriber, which in turn allowed this person to access the subscriber's PEXA account", said PEXA's Acting CEO James Ruddock.

Ms Venn's funds were only misdirected because her conveyancer confirmed false bank account details on the PEXA system, using his digital key and password, advised PEXA.

"The PEXA platform was not compromised – practitioners' email accounts were compromised," explained Mr Ruddock, noting that PEXA was not responsible for the loss of funds and saying it was up to conveyancers to check that settlement details were correct before digitally signing an electronic transaction.

"Any payment instruction requires you to digitally sign (or re-sign) the financial settlement schedule confirming the account details that you have entered, allowing settlement to proceed," he advised users. (The bank involved also denied any liability for the loss.)

Just a few weeks after the Venn incident, a Sydney couple in their 90s saw the $672,000 in proceeds from the sale of their home diverted into three different bank accounts by fraudsters who hacked the emails of their estate agent and conveyancers.

While PEXA has introduced further security to protect against this type of fraud happening again (there have been other incidents where unknown parties have gained access to practitioner email accounts, and settlement agents/conveyancers in several states have raised concerns about 'near misses'), it serves as a reminder about the need for good cyber security processes amongst real estate professionals.

These cyber frauds took place because the email accounts of the businesses were hijacked. Conveyancing is susceptible to email fraud and intercepted payments, and most cases of this type of fraud appears to rely on compromising an email account. Deloitte Australia has noted that there have been "a number of fraud cases [in recent years] where scammers have intercepted emails between conveyancers and vendors in order to redirect sale funds or sell a property without the vendor being aware".

Business email compromise (BEC) is a form of email fraud that uses a variety of ways to trick people into sending money or valuable information. One form of BEC is 'phishing', where hackers craft specially designed emails with hyperlinks pointing to a password-stealing fake log-in page or which opens a malicious file attachment allowing the cybercriminals to gain access to the system.

So what can you do to limit the risk of falling victim to BEC attacks?

- Use multifactor authentication for any release of sensitive data or funds. PEXA has undertaken to introduce two-factor authentication. If the conveyancer had enabled this level of security on his email it would have been much harder for the criminals to use the password reset trick.
- Install anti-spam, anti-virus, anti-phishing, DNS-based web browsing protection and malware detection. Implement software that detects advanced and evasive keylogging and other BEC malware.
- Confirm any request for payments, transfers etc. directly with the requester and double-check bank account details. Ruddock said "verbally confirming bank account details with clients" was one way that PEXA users could reduce their risk.
- Use email authentication such as Domain-based Message Authentication, Reporting and Conformance (DMARC) which ensures legitimate emails are properly authenticated against established DomainKeys Identified Mail (DKIM) and Sender Policy Framework (SPF) standards, and that fraudulent activity spoofing domains under your business's control are blocked.
- Use an email security solution that can flag certain keywords that are commonly used in BEC attacks, such as "payment" (found in 30 per cent of BEC attacks), "urgent" (21 per cent) or "request" (21 per cent).
- Analyse the content and context of email messages – subject lines, body copy, sender and receiver reputations and relationship history – to validate the message.
- Train employees to recognise phishing emails and scams. Remind those paying accounts or transferring money that account credentials and passwords should never be provided by email and should always be entered directly inside bank apps or internet banking websites. Make sure your employees regularly change their passwords and use best-practice for strong passwords.
- Increase security. Ensure those handling money do not use wireless keyboards or transact using public wireless networks ("free Wi-Fi"). Secure your wireless network (change the default password on your Wi-Fi router and hide the Service Set Identifier). Always install the security updates/patches on all devices. Encrypt all inbound and outbound data.

*From an insurance perspective*
Real estate transfers are high-value transactions and significant monetary losses can result from cyber breaches.

Settlement agents and solicitors acting as conveyancers may not be able to rely on their Professional Indemnity insurance to cover losses stemming from cyber-crimes. The best course of action is to speak to your broker about Cyber Liability insurance and business continuity planning. Download a copy of our Data Breach Response Guide; A step-by-step guide to ensuring you're prepared.

**You wouldn't dream of not insuring your investment property, but are you protecting your great asset – yourself?**


Landlords play a key role in the Australian economy. Some 2.03 million private property investors hold 2.6 million properties worth $1.37 trillion, according to CoreLogic's Investor Report (2016).

Almost one-third (26.9 per cent) of all housing is owned by investors who provide the bulk of rental accommodation in the country. The report also noted that investors account for nearly 47 per cent of the value of housing finance.

The Australian residential investment market is dominated by people who, having bought their own home, have moved onto buying an investment property. These 'Mum and Dad' investors own around 83 per cent of all investment properties. While those aged 50 to 64 and those earning between $60,000 and $80,000 are most likely to own a rental property, people of all ages and incomes are landlords. A lot of people have a lot of money tied up in their investment.

As a landlord your financial commitment is ongoing and can be a significant impost. In addition to mortgage repayments, there are also council and water rates, insurance, body corporate fees, land tax, property management fees, repairs and maintenance costs.

Have you thought about how you would manage financially if something were to happen to you?

People often see the value in insuring their investments and personal assets in case of misfortune, and wouldn't dream of failing to protect their rental property, home and contents, car, boat, caravan etc. However, they often neglect to protect themselves with personal insurances like life, accident cover or income protection.

"When talking about their assets, few Australians cite their income or their capacity to generate it. But our incomes are crucial, without it we can't pay our mortgages, cover school fees, repay credit cards, invest, pay for holidays or run a car," said Steve Sparkes, EBM Managing Director – Broking.

"And when we fail to see something as an asset, we have a tendency not to protect it."

Statistics show 95 per cent of Australians may not have adequate levels of personal insurance[*] – leaving themselves and their loved ones financially vulnerable should disaster strike.

The sad reality is that if a partner or parent passes away, the financial burdens can be overwhelming:

- $500,400 – average home loan size[†]
- $4,200 – average credit card debt[‡]
- $297,000 – average cost of raising one child[§]

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[*] Lifewise/NATSEM Underinsurance Report – *Understanding the social and economic cost of underinsurance*, February 2010
[†] Report from comparethemarket.com.au, 2018
[‡] ASIC, Money Smart website

“These are just some of the key expenses many people have that would need to be covered if they were not earning. There are other fixed expenses too, such as car repayments, insurance premiums, children’s school fees, and household expenditure including food, utility bills, and anything else you can think of that you pay on a regular basis,” said Steve.

“Too often people pluck a random round figure out of the air – say $500,000 or $1 million – without really taking into account all of their personal circumstances and finances. But calculating your life insurance figure is not that tricky, you just need to factor in four variables – age, life events, financial obligations and financial dependents.”

**1. Age**

As you grow older, build your wealth and begin securing your retirement, the need for personal covers like life, accident and income protection grows, along with the value of cover you need.

**2. Life Events**

Personal insurances and the level of cover you choose should align with key life events such as:

- Buying a house
- Getting married
- Having children
- Investing in property
- Saving for a retirement fund

**3. Financial Obligations**

As you live life, your financial obligations are bound to pile up over time including living expenses, loans and investments. The more financial obligations you’re tied to, the more insurance you’ll need to ensure the financial security of you and your family.

**4. Financial Dependents**

The most common reason people take out personal insurances is because they have dependants, such as a partner or children, who rely on them financially. The bigger your house and the more children you have, the higher the level of cover you are likely to need to cover expenses and ensure your loved ones continue to enjoy their usual standard of living.

EBM has partnered with AIA Australia, one of Australia’s leading life insurers, to offer MaxLife life insurance – a new personal insurance product which delivers a range of cover options to help ensure your lifestyle, assets and loved ones are protected. Visit maxlife.ebminsurance.com or call 1800 660 137 to find out more.

*The MaxLife suite of products is issued by AIA Australia Limited (ABN 79 004 837 861 AFSL 230043) trading as MaxLife and distributed by Elkington Bishop Molineaux Insurance Brokers Pty Ltd (ABN 31 009 179 640, AFSL 246986) and its representatives. You should consider factors like your objectives, financial situation and needs and read the relevant MaxLife Product Disclosure Statement available at maxlife.ebminsurance.com before deciding to acquire or continue to hold a financial product. This information does not take such factors into account, so you should consider the appropriateness of this information in the context of such factors before acting on it. Cover is subject to terms, conditions, limitations and exclusions. AIA Australia has adopted the Life Insurance Code of Practice, which contains minimum standards of service that customers can expect from insurers. The Code can be found at www.fsc.org.au.*

[§] Suncorp Bank *Cost of Kids Report*, 2016

## RentCover News & Events

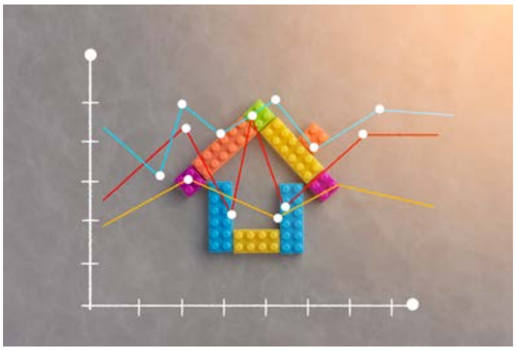
**Award finalists**

RentCover has been announced as a finalist in the inaugural Property Investor Awards!

The awards, run by *Your Investment Property Magazine*, “seek to establish a benchmark for excellence in the industry, allowing investors to reference Australia’s top performers and what they’re doing right”.

RentCover was named a finalist in the Landlord Insurance category and the winners will be announced at the end of the month.

## Investment Property Market Snapshot



**Latest industry statistics and analysis.**

**Rents decline**
SQM Research has revealed capital city asking rents for July fell 0.4 per cent to $549 p/w for houses, while unit prices remained steady at $444 p/w. Across the capitals: Canberra $630 p/w for houses / $439 for units; Sydney $709 / $521; Darwin $540 / $405; Brisbane $451 / $370; Adelaide $383 / $299; Hobart $398 / $347; Melbourne $522 / $411; and Perth $424 / $326.

**Vacancy rates rise**
Nationally, the residential vacancy rate rose to 2.3 per cent in June, up from 2.1 per cent in May, according to SQM Research. In June there were 75,757 vacant properties Australia-wide. Rates were up in Adelaide (1.5 per cent, from 1.3 per cent), Melbourne (1.6 from 1.4), Brisbane (3.0 from 2.9), Canberra (0.9 from 0.8) and Sydney (2.8 from 2.5). Rental vacancies remained steady in Perth (4.1 per cent), Darwin (3.5) and Hobart (0.7).

**Rental yields continue to recover**
FY18 saw dwelling values fall 1.6 per cent, but rental yields rose 1.4 per cent, according to CoreLogic. With rents rising and dwelling values falling, gross rental yields are trending higher. Melbourne (3.0 per cent) and Sydney (3.21 per cent) continue to have the lowest yields.

**Rental demand up**
The realestate.com.au *Property Outlook* for 2018 showed demand for all properties including rentals had risen by 5.2 per cent over the year. Demand for housing rose in Hobart (+38.6 per cent), Brisbane (+5.9), Adelaide (+2.7), Darwin (+4.7), Canberra (+16.2) and Perth (+6.4). Both Sydney (-22.5 per cent) and Melbourne (-6.1) recorded decreases in demand.

**Asking rents remain flat over quarter**
The *Domain Rental Report* has found asking rents in most capitals remained flat over the quarter and year-on-year. However, unprecedented demand in Hobart has led to house prices rising 17.3 per cent, and rents for apartments rising 12.5 per cent over the year (2.9 per cent over the quarter) to $360 p/w and rents for houses up 13.9 per cent year-on-year. Asking prices in Canberra also rose 10 per cent for houses year-on-year to $550 p/w and apartment asking rents were also up 7.1 per cent. The biggest drop in asking rents was recorded in Darwin – down 6.5 per cent for houses over the quarter and down 2.4 per cent for apartments. Perth was the cheapest capital in which to rent a house, with the average asking rent sitting at $350 p/w.

**Investor loans decline**
ABS housing finance figures for May 2018 have shown investor loans were down 1.9 per cent to $10.743 billion (trend terms). Owner-occupier housing commitments also fell 0.2 per cent to $21.089 billion. Commitments for construction of dwellings fell 1.5 per cent, commitments for the purchase of new dwellings fell 0.9 per cent and the number of commitments for the purchase of established dwellings fell 0.6 per cent.

**National property prices decline**
The March quarter saw national property prices fall 0.7 per cent, according to the latest ABS data. With the exception of Hobart (with a rate of 14.1 per cent), all capital cities recorded declines in annual growth rates since September 2017. The median price of Australian dwellings is now $687,700 and the total value of Australia's 10 million residential dwellings decreased $22.5 billion to $6.9 trillion.

**Average time on market rises**
CoreLogic has noted that the average time properties are on the market rose in most capitals in July, with houses remaining more popular than units. For houses, Hobart performed best at 30 days, followed by Melbourne (34 days) and Canberra (36 days). The longest wait was in Darwin at 93 days, followed by Perth (83) and Brisbane (63). For units, Hobart (28 days) and Melbourne (34) performed best. Vendor discounting across most capitals was between 4 per cent and 8 per cent for houses, and between 4.9 per cent and 8.8 per cent for units.

**Dwelling values continue to fall**
Dwelling values were down 0.2 per cent over the month of June to be 0.8 per cent lower over the year, according to Corelogic's June *Hedonic Home Value Index*. A 0.8 per cent drop in values across the combined capital cities was slightly offset by a 0.6 per cent rise in values across the combined regional markets. Melbourne recorded to largest decline amongst capitals over the June quarter by falling 1.4 per cent, followed by Sydney (-0.9 per cent), Darwin (-0.8) and Perth (-0.7). Hobart recorded the largest rise at 2.3 per cent, followed by Adelaide (+0.9), Brisbane (+0.3) and Canberra (+0.2). It was the ninth consecutive month that values fell, taking national dwelling values 1.3 per cent below their September 2017 peak. Despite the recent falls, national dwelling values are 32.4 per cent higher than five years ago.

**Investment continues**
The quarterly AFG Mortgage Index Figures revealed total mortgage lodgements for the last quarter were up on the previous quarter to end FY18 at 28,896. Lodgement volume for the quarter was also up, to $14.59 billion, with the average loan at $504,901. Investors accounted for 28 per cent of the lodgements and 19 per cent of all lodgements were for interest-only loans.

**Sentiment down**
The latest NAB Residential Property Index (which measures current market sentiment among property professionals) fell sharply in the June quarter – down 17 points to +6 to sit at its lowest level since mid-2016 and below the long-term average of +14. Sentiment was weaker in all states, with confidence levels falling to a survey low. While housing prices are expected to fall in both NSW and Victoria, the housing markets in Queensland and WA are expected to lead the country for capital growth over the next 1-2 years. The outlook for rents remains positive in all states and is likely placing upward pressure on yields (with income returns expected to be strongest in Victoria due to the rapid population growth contributing to low vacancy rates), the report notes.

**Settled transactions losing ground**
CoreLogic's latest *Property Pulse* has found the number of settled transactions in the last year to May 2018 was down by 7.7 per cent to 465,788 houses and units. Settled transactions over the last year to May 2018: Sydney -13.5 per cent, Melbourne -12.9, Brisbane -12.1, Adelaide +2.5, Perth +1.4, Hobart -7.4, Darwin -5.8 and Canberra -10 per cent.

**Growing capital city divide**
Property prices across Australia rose 0.9 per cent on average in June, according to realestate.com.au's *Property* Outlook. While Sydney recorded a fall of 7.4 per cent year-on-year to June 2018, Melbourne (+0.5 per cent), Brisbane (+1.0), Adelaide (+3.0), Canberra (+7.7) and Hobart (+16.1) fared better. Prices in Darwin and Perth also fell, but demand rose.

## News in brief

### Aussies set to 'rent for life'

Data from finder.com.au has found more than three million renters – 18 per cent – believe that they may be renting for the rest of their lives. Renters in Queensland were most likely to consider renting for life, with 22 per cent saying they would consider it. In NSW 19 per cent would consider renting for life, 18 per cent in WA, and 13 per cent in both SA and Tasmania. The survey also found 5 per cent of respondents were currently rentvesting, with the highest proportion in Victoria (6 per cent), followed by Queensland (5 per cent), NSW and WA (4 per cent), SA (3 per cent) and then Tasmania (2 per cent).

### Build-to-Rent sector rising

The Knight Frank *Multihousing: Tenant & Investor Survey 2018* has found 41 per cent of renters rent by choice and 61 per cent expect to still be renting in three years. The report highlighted that the rental sector had soared by $770 billion over the past five years and the total value of residential rental accommodation was $2.1 trillion. Noting a trend towards more people renting, Knight Frank predicts the build-to-rent sector would rise over the next decade as more investors were finding it harder to purchase residential investment properties. Australian investors believe net yields for build-to-rent type rental accommodation could settle around 4 per cent by 2021.

### Mortgage stress on the rise

According to Digital Finance Analytics' *Mortgage Stress Report*, across Australia, more than 970,000 households are estimated to be in mortgage stress. This equates to 30.3 per cent of owner-occupied borrowing households. DFA predict that if the banks increase their rates by as little as 0.10 per cent to 0.15 per cent, it would cause one million households to be in mortgage stress, and tens of thousands to be on the edge of defaulting. The RBA has also flagged concerns about household debt levels.

### Westpac pulls out of financing SMSFs

Westpac, and its subsidiaries Bank of Melbourne, St George Bank and BankSA, is withdrawing new loan offers to self-managed superannuation funds looking to invest in property (both residential and business). The banks will continue to service customers with existing loans through switching loans and extending loan maturity.

### Investors warned on SMSFs

ASIC has warned property investors looking to set up self-managed superannuation funds as a vehicle to enter the property market to watch out for one-stop shops offering bad advice which could leave them "significantly worse off" come retirement. In its reports *Improving the Quality of Advice and Member Experiences* and *Member Experiences with Self-managed Superannuation Funds*, ASIC randomly selected and analysed 250 client files and found 91 per cent did not align with the *Corporations Act's* "best interests" duty and related obligations. Poor record-keeping and process failures were found in 10 per cent of the files, while an additional 10 per cent would have been "significantly worse off" off when retiring with the advice provided.

### Global cities record weakest price growth since 2015

The latest *Global Residential Cities Index* from Knight Frank has found property price growth is at its lowest rate since Q3 2015, with the median growth rate at only 4 per cent in the year to March 2018. Last year, 12 cities recorded price growth in excess of 20 per cent, this year only Surat in India fell into that category. Locally, Hobart was the city with the highest growth at 14.1 per cent, putting it 8$^{th}$ on the global list. Melbourne recorded 6.2 per cent growth (46$^{th}$), Canberra with 3.8 per cent (76$^{th}$), Adelaide at 2.6 per cent (89$^{th}$) and Brisbane at 1.6 per cent (98$^{th}$). With -0.5 per cent growth, Sydney ranked 123$^{rd}$, while Perth at -1.5 per cent came in at 130 and Darwin was 147$^{th}$ with -6.5 per cent growth. Australia ranked second in the countries with the highest gap between the top performing and lowest performing cities, with the gap between Darwin and Hobart being 20.6 per cent.

**Residents head to regions**
Analysis of ABS data by Propertyology has revealed 33 regional locations where population growth was outstripping the capitals: Albury, Armidale, Augusta-Margaret River, Ballarat,
Ballina, Bass Coast, Bathurst, Baw Baw, Bendigo, Byron, Cairns, East Gippsland, Fraser Coast, Gold Coast, Gold Plains, Griffith, Huon Valley, Lockyer Valley, Lower Eyre Peninsula, Macedon Ranges, Maitland, Mildura, Mount Barker, Port Macquarie, Queanbeyan, Scenic Rim, Shepparton, Sunshine Coast, Surf Coast, Tamworth, Warrnambool, West Tamar, and Wodonga.

**Tech watch: latest apps and platforms**
Twillis is a global online platform that aims to bring agents together and enable transactions to take place in real-time with transparency across Australia and S-E Asia. The platform is designed to allow agents to sell any type of property anywhere in the world.

**Cost of tradies increases**
ServiceSeeking's *Trade Cost Guide 2018* has revealed the average hourly rate for tradies across the country rose in FY18. Each state recorded a rise in costs for all services: NSW +11.6 per cent, Victoria +9.8 per cent, WA +8.8 per cent and Queensland +6.7 per cent.