



## Welcome

Can you believe we are almost three-quarters through the year already?

Time has certainly flown by. And speaking of time, did you know that it was 90 years ago that a decomposing snail in a bottle of ginger beer led to the establishment of modern day principles of duty of care? We look at the principle and its application to rentals.

September heralds the arrival of spring – and for many tenants it will signal a move. Moving home is a stressful activity, so we've gathered together a few moving 'hacks' to pass on to your tenants to hopefully make the process a little bit less trying.

Australia's population reached a milestone last month – hitting 25 million. And with 30.9 per cent of the population renters, that equates to almost eight million people needing rental accommodation, making the rental sector and those who provide and support it a vital aspect of our economy. According to the ABS, the overall total population increase is estimated to be one person every 1 minute and 23 seconds. Interestingly, much of the population increase over 2017 (62 per cent) is attributed to migration and not a baby boom, meaning that the need for rental accommodation is now, not just in twenty years' time. Overall, our 1.6 per cent growth rate is outstripping the world's 1.2 per cent, so it would seem that the need for rentals will continue apace.

Our population has increased six-fold since Federation in 1901, when there were just 3.8 million Australians. There has also been a shift in where we live. Back in 1901, 36 per cent of the population lived in capital cities and 64 per cent in other urban and rural areas. By 2017, there had been a reversal, with 67 per cent residing in the capitals and just 33 per cent outside. But that's still one-third of the population living outside of the capitals – with many in bushfire-prone areas. So with the bushfire season starting in parts of the country already, we provide a timely reminder about protecting investment properties against the risk.

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

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



## Who cares? And more to the point, who has a duty to care?

It was 90 years ago when a ginger beer contaminated by a snail would ultimately lead to the establishment of a legal principle that landlords and PMs alike must adhere to.



Little did Mrs Donoghue know when she went for an icecream float in late August 1928, that her experience would lead to what is considered to be the most important case in the 800 years of common law. The ruling by Lord Atkin, the Chief Justice of the House of Lords, in the *Donoghue v Stevenson* (1932) case would lay the foundation for the modern law of negligence and establish the general principles of duty of care.

The case in a snail shell: Mrs Donoghue drank a bottle of ginger beer in a café. A dead snail was in the bottle. Mrs Donoghue fell ill and sued Mr Stephenson, the ginger beer manufacturer. The House of Lords held that Mr Stevenson owed a duty of care to Mrs Donoghue, which was breached, because it was reasonably foreseeable that failure to ensure the product's safety would lead to harm of consumers. Prior to this case, liability for personal injury in tort\* usually depended on showing physical damage inflicted directly or indirectly. Being made ill by consuming a noxious substance did not qualify as either. The decision created a new type of liability in law – a fault-based system (negligence) which only required injury. Prior to this case, there was also no general duty of care and therefore no general liability for negligent behaviour.

“In English law there must be, and is, some general conception of relations giving rise to a duty of care... You must take reasonable care to avoid acts or omissions which you can reasonably foresee would be likely to injure your neighbour...,” stated Lord Atkin.

Today, ‘duty of care’ is the obligation to avoid acts or omissions which are reasonably foreseeable to cause damage to another. And when it comes to rental properties, both the landlord and the property manager have a duty of care.

### Landlord Duty of Care

‘Duty of care’ is defined by the Australian government as “an obligation to take reasonable care to avoid foreseeable harm to another person on their property”.

Landlords must take reasonable care to avoid foreseeable risk of harm to their tenants and other entrants at the property. Common law dictates that landlords must guarantee the safety of their rental properties, including:

- ensuring installations such as gas, electricity and heating are working;
- ensuring appliances provided are installed and maintained safely;
- treating potentially health-threatening issues such as rising damp;
- maintaining the structure and exterior of the house; plus
- any other matter that is detailed in the tenancy agreement.

In addition, each state and territory has other safety requirements that must be met including building standards and fire safety standards.

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\* ‘Tort’ from the Latin meaning crooked or wrong. A tort is a civil wrong, otherwise known as ‘negligence’. Put simply, a tort is a wrong that is based on a breach of duty of care. The breach gives a person a civil right of action for a remedy, i.e. compensation.

The primary duty of the landlord is normally limited to:

- defects that existed at the time the tenancy commenced or was renewed; and
- defects of which the landlord knows or ought to have known that arose during the term of the tenancy.

A landlord or their agent can be found liable for tenant injury sustained at the rental property if the injury is the result of a dangerous condition or state of disrepair at the premises:

- which had not been identified because the landlord or agent failed to conduct regular inspections; or
- which they were warned of but failed to properly rectify within a reasonable time.

In order to meet their legal obligation to ensure that the property leased out by them is safe and habitable, a landlord or their PM should:

- at the commencement of each tenancy or lease renewal, undertake an inspection to ensure that the premises are in a safe condition;
- arrange for regular inspections to be conducted throughout the tenancy;
- identify any repair or maintenance obligations which may be the responsibility of the tenant and request the tenant attend to these, and conduct a follow-up inspection to confirm they have been appropriately attended to;
- perform/arrange for repairs promptly when required; and
- ensure any works they undertake are done in a competent and professional manner/hire appropriately qualified tradies to perform the work.

It should be noted that the landlord will not generally be held liable for injuries that are caused by a defect, hazard or condition that they did not know about and could not have reasonably known about (*see break-out*).

Landlords should check their liability cover, and particularly any exclusions, in their [Landlord Insurance](#) policy.

### **Property Manager Duty of Care**

PMs manage their client's obligations as a landlord. The main role is managing the landlord obligation under tenancy law and ensuring the client is aware of their rights and obligations. When managing a property on behalf of an owner, it is important for the managing agent (as part of its obligation) to assume the responsibility for inspections and to notify the landlord of any repairs which are the landlord's responsibility.

Although there is generally no contract between agent and lessee (there is a contractual relationship between agent and lessor, i.e. the management agency agreement, and a contractual relationship between lessor and lessee, i.e. the lease), the PM still has a duty of care to tenants. The law of tort is concerned with breaches of duties and those duties are not established by any agreement or contract between persons but rather by the law itself. Negligence in respect to tenants refers to the agency's failure to take reasonable care to avoid a reasonable foreseeability of harm to a tenant.

Whenever a PM is engaged in an act which he or she can reasonably foresee would be likely to injure another person, the PM has a duty of care to that other person – and if the PM is negligent in their duty, the tenant can sue the agent for compensation.

In this respect, PMs need to be cautious about encouraging tenants to engage in activities where there is a foreseeable risk of injury. For example, providing tenants with a vacating cleaning checklist that recommends cleaning drains with caustic soda. Or allowing special clauses to be inserted into leases that require the tenants to undertake activities such as cleaning out gutters.

Agents should also ensure they are adequately covered for liability with appropriate [Professional Indemnity](#) insurance.

### **Tenant Duty of Care**

Tenants also have a duty of care when it comes to safety at the property. If their action or inaction leads to damage or another person being injured on the premises, they can be held liable. Tenants should therefore ensure they have legal liability cover. [TenantCover](#) provides up to \$10 million in legal liability if the policyholder is found to be legally responsible for damage or personal injury to a third party or their property.

Tenants should also advise the PM or landlord if there is a defect at the property that they feel is unsafe or could cause an injury. If the tenant fails to give notice of a hazard, and it does cause an injury, they may not be able to claim compensation (*see break-out*).

Remember, landlords and their agents are legally responsible for ensuring that the property they rent out is safe. Property owners and PMs need to know what their legal obligations are in their state/territory and ensure they comply with their duty of care, as failure to do so could void insurance policies.

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### **Getting into a lather over duty of care**

A recent case before the Supreme Court, where the ruling about who was responsible for maintaining the shower recess, has implications for landlords, agents, tenants and insurers.

*Taylor vs Fisher* involved a \$1,700 per week three-bedroom house in South Hedland (WA). The tenant (Taylor) suffered a deep laceration and severed the ulnar nerve in her left elbow on the sharp edges of a damaged ceramic soap dish.

Proceedings in the District Court were started by the tenant who claimed damages of \$200,000 plus \$23,060 special damages from the landlord (Fisher). Counsel for the tenant asserted that the soap dish posed a reasonably foreseeable risk of harm and that the landlord had failed to take reasonable steps to avert that foreseeable risk.

Taylor's claim was rejected and she took the matter to the Court of Appeal.

Three Supreme Court judges confirmed that the landlord was not at fault – as he had no knowledge of any problem with the soap dish.

The Court of Appeal found a reasonable person in his position would reasonably expect that if any problem did arise, the tenants in the house would notice it and ask him to repair the soap dish.

The trial judge found that the soap dish became dangerous to users of the shower no earlier than about a week before Ms Taylor suffered her injury and that no users of the shower were aware of the deterioration of the soap dish until Taylor was injured. As a result, none of the tenants notified the landlord of the issue.

The decision highlights that the duty of a landlord is limited to taking reasonable care to avoid foreseeable risk of injury from defects, of which they are on notice.

## Movin' on up

**As the weather starts to warm up, many will move home. Help your tenants make moving day a little less stressful by passing on these 'hacks'.**

Moving home has been acknowledged as one of the most stressful experiences in life (ranking up there with death of a loved one, divorce, a major illness, and job loss). Yet, as almost a third of our nation are renters, it means a lot of people are likely to experience 'moving day mania' on more than one occasion.



And it seems the cost of getting the professionals in to help is skyrocketing. According to data from ServiceSeeking.com.au, removalists charged the highest hourly fees in the country for all trades and household service professionals in FY18. With an average hourly rate of \$93.24 (up 3.04 per cent on FY17), removalists charged even more than electricians and plumbers. Of course, the charges reflect the fact that removalists need to be fully insured (i.e. public liability plus cover in the event of a client's possessions being lost or damaged, and cover for the vehicle) and that it isn't just one person on the truck.

So chances are many of your tenants will be organising the move to their new rental themselves. Why not pass on these 18 'moving hacks' to help ease the stress?

1. Label/colour code all boxes based on the room in which they belong (bedroom, kitchen, bathroom etc.), marking them on the top and the sides – then prioritise the boxes with numbers based on the ones you will need immediately. Write the contents of each box on the box, or on an inventory list.
2. Put all the essentials you'll need as soon as you move in in a 'first night' box or kits, think –
  - o Weekend kit: Include all the things you would need if you left town for a few days such as clothing, toiletries and medications.
  - o Bed and bath kit: Basics like toilet paper, towels, and sheets.
  - o First aid kit: A small stock of band-aids, painkillers etc.
  - o Toolkit: Pack what you'll need to open boxes and assemble furniture, e.g. a Stanley knife, Allen/hex key (for all the Ikea furniture!), screwdriver, scissors etc.
  - o Munchie kit: Pack snacks, bottled water, and a few pantry items for the next morning like coffee.
  - o Cleaning kit: Have a few rubbish bags, paper towels, and multipurpose spray cleaner on hand.
3. Put essential appliances (kettle, toaster etc.) in a laundry basket so you can put them in the kitchen as soon as you arrive.
4. Put fitted sheets on both sides of mattresses when carrying and transporting.
5. Unpack bedding first and make the beds so you have somewhere to sleep as soon as you call it a day.
6. Leave clothes on hangers and cover with rubbish bags so they can be transported flat and simply re-hung in closets.
7. Roll clothes instead of folding. Stuff shoes with small items to maximise space.
8. Instead of emptying drawers, cling wrap them to transport them full and simply put them back into the unit.
9. Take a photo of the set-up of electronic equipment (TV entertainment systems, sound system, computers etc.) to use as a reference when putting it all back together – and store all the cables in toilet rolls to stop them getting tangled.

10. Prevent breaks by covering stemware with socks and put paper plates, coffee filters or tea towels between ceramic plates, bowls etc. Pack them into boxes vertically instead of on top of one another.
11. Wrap breakables in clothes, towels and sheets. Don't forget to mark the boxes 'fragile'.
12. Fill up pots and pans with spice containers, dish towels, and other kitchen items to save space. Use rubber bands to keep pots and lids together. Put knives inside an old oven mitt and secure with a rubber band.
13. Prevent scratches or scuffs on your kitchen dining set by draping sheets and pillowcases over the table and chairs. Secure them with rubber bands if you can.
14. Cover all bottles of liquid with plastic wrap before screwing on the lids. Keep them in a separate box when transporting.
15. Use suitcases with wheels to transport heavy items like books or kitchenware.
16. Snap-lock sandwich bags in varying sizes are useful for keeping small items – like the screws to put back into furniture – together.
17. Cut handles into boxes to make them easier to carry.
18. Put all of your important documents in plastic bags to protect them, then separate them in file folders or boxes so you know where they are at all times.

And finally, with the arrival of new tenants the time is ripe to remind them about renter's insurance. Many renters don't realise that their landlord's contents insurance does not extend to their possessions, so help them safeguard their worldly goods with [TenantCover](#).

## 8 in 10 uninsured for bushfire

**With bushfire season starting across much of the nation, landlords and tenants are urged to ensure they are adequately insured.**

Drought conditions, unseasonably warm weather, below-average and above-average rainfall in parts of the nation have heightened the risk of bushfires. The season has started in southern Queensland, northern WA and in the north and west of NSW, and as spring moves into summer many other parts of the country will also brace for fires.



Despite the risk facing much of the country, the Insurance Council of Australia has revealed that it is likely that eight in 10 households are uninsured against bushfires.

Once a bushfire is approaching, it is too late for property owners to take out insurance or update their existing policies – making sure the property and its contents are adequately covered before a disaster strikes is imperative.

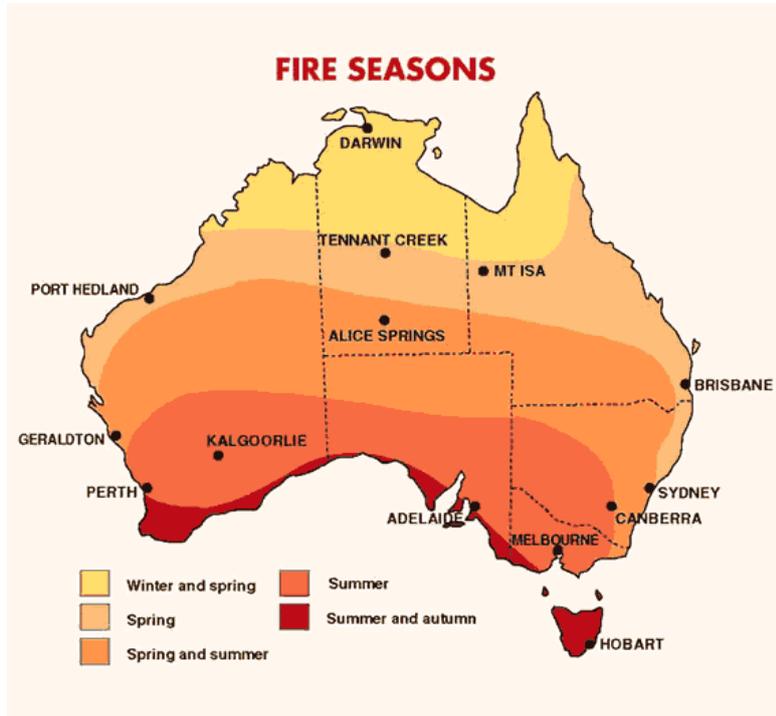
Landlords and tenants (contents cover) should ask these questions about their insurance policies:

- Does the policy actually cover losses stemming from bushfires?
- Are your most valuable assets adequately protected? Does the sum insured match the value of these assets?
- For building cover: Is the sum insured based on the current building replacement cost? This value needs to reflect the costs associated with restoring the property to its existing level (including any outbuildings – check if there is cover for a burning building within a specified distance of the property), taking into account current building standards and codes, and also factoring in rising costs due to inflation, labour etc. It is particularly important to make sure that costs to restore buildings constructed after 2009, when the national building code was amended to ensure homes are built to better withstand natural disasters, take into account current requirements.
  - A Legal Aid NSW survey of residents who lost homes in the 2013 Blue Mountains fires found buildings were underinsured by \$100,000 to \$500,000 and contents by \$40,000 to \$200,000 – lack of awareness of rebuild and replacement costs, along with lack of knowledge about the new building codes, were identified as contributing factors to underinsurance.
- Do you understand what coverage is provided, as well as any exclusions or limits that may be a part of the policy? For example, most policies do not provide cover for loss or damage where no flame damage has occurred, such as scorching, melting, heat, smoke, ash or soot.
- Do you understand what your obligations are in respect to the loss mitigation clauses in the policy? These usually include taking all reasonable precautions:
  - for the safety and protection of the building and the site
  - to prevent injury or damage to the building or property
  - to ensure compliance with all statutory obligations, by-laws or regulations imposed by any public authority relating to the safety of persons or property.

In addition to being adequately insured, if the investment property is in a bushfire-prone area it is wise for landlords, PMs and tenants to be prepared:

- Know the bushfire risks in the area.
- Speak with the local authority and emergency services about the community's emergency plans, warning signals, evacuation routes and locations of emergency shelters.
- Inspect the property and eliminate any potential hazards – [your state/territory fire emergency service](#) will have a comprehensive checklist of what should be done, but at a minimum clean out the gutters and roof gullies, mow the grass regularly, prune trees that overhang the property, remove excess ground fuel and any combustible materials or flammable liquids.
- Regularly check safety devices on the property, such as smoke alarms and fire extinguishers.
- Ensure the tenants know how to disconnect the property's gas, water and electricity.
- Prepare a disaster plan – include the location of a safe place to go; talk to everyone at the property about what to do if there's an emergency; compile a comprehensive contact list including emergency services, family/friends, medical services and vet.
- Have an evacuation plan – everyone at the property should know the plan including how to leave quickly, all escape routes in case the preferred route is not passable, what to take (treasured possessions and pets), what to do at the property before leaving (disconnect services, turn on the sprinklers), safe places to go etc.

Bushfires are devastating – don't risk compounding the misery by being un- or under-insured. Check your [RentCover](#) or [TenantCover](#) policy to ensure your sum insured is adequate and you understand what is and isn't covered in the event of a bushfire.



Map courtesy Bureau of Meteorology

## Staff profile: Vedrana Dekich

### EBM's legal eagle loves a challenge

Vedrana Dekich is just the kind of legal eagle you want to have on your side. As EBM's in-house legal counsel, Vedrana provides an invaluable service to our company and our clients.



Vedrana's 20-year legal career has taken her from practising civil and criminal law in Croatia to Melbourne, where she has become a well-respected lawyer specialising in insurance law, joining EBM in 2015.

No stranger to overcoming challenges, Vedrana left her small practice in Zadar in 1993 and headed to Australia where she not only needed to re-qualify as a lawyer while working full-time as a paralegal, but also learn a new language.

"The legal environment in Croatia is completely different. When I arrived in Australia, not only was I unable to practise law, but I didn't speak much English. So I had to learn the language and then attend university all over again in order to gain an Australian law degree – all this whilst raising two children. But it was worthwhile as it has given us a better life than we would otherwise have," Vedrana explained.

And it's this kind of determination that makes Vedrana the perfect legal counsel. Not only does she love a challenge, but she likes nothing better than a positive outcome for clients.

"Working in the insurance industry gives me enormous satisfaction. The industry is highly regulated, and the legal issues which arise can be complex and challenging. It is rewarding indeed to be able to find solutions to difficult problems for the company, brokers and their clients," she said.

"EBM operates in a highly regulated environment which contains strong consumer law protections. This creates a high level of risk. When I become aware of risk issues which need to be addressed, I pro-actively deal with them."

Vedrana is often called upon to assist our RentCover and real estate clients.

"I manage real estate agent's PI claims and provide guidance to the agents on an ad hoc basis. When required, I assist with contentious claims and liaise and negotiate with the underwriter in order to achieve the best possible outcomes. It is day-to-day property management issues that present the biggest risk exposures and challenges for real estate agents, and when I become aware of risk issues affecting a particular agent I provide suggestions on how those risks can be better managed," Vedrana explained.

"It is a real plus that EBM is able to provide this kind of value-add. In terms of landlord's insurance policies, the RentCover claims team are really professional and proactive. I step in on purely legal issues, if and when they arise, and generally oversee management of liability claims."

Vedrana provided an example of how she was able to step in to assist one of our agents: "It was the first day of her job and the agent's assistant advised the tenant that the property would not be rented to them because the landlord refuses families with children. The tenant threatened discrimination proceedings in the Tribunal. I advised the agent to find an appropriate property (the same suburb, similar size and description) for this family ASAP and

reassured the tenant that they will be taken care of as a matter of priority. As a result, further problems were averted.”

It is little wonder Vedrana is often the calm voice of reason, she is a passionate yoga practitioner.

“I enjoy and practise yoga daily. I attend yoga retreats several times a year. On my trip to a yoga retreat in Italy a year-and-a-half ago, I was travelling alone and fell at the train station in Cesenatico and broke my leg,” Vedrana recalled.

“Travel insurance was handy!” she quipped.

And while Vedrana may regularly swim with ‘sharks’ of the legal kind, the ones in the water are another matter altogether.

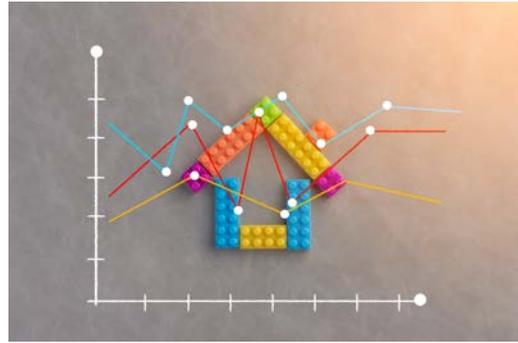
“What my colleagues do not know is that when I was younger and living in the Croatian coastal town of Zadar, I swam a marathon from the town of Zadar across to the island of Ugljan. My preferred swimming technique was butterfly. I love the ocean but I am petrified of sharks!”

## Investment Property Market Snapshot

### Latest industry statistics and analysis.

#### Asking rents fall

Data from SQM Research revealed capital city asking rents for August fell by 0.2 per cent to \$548 p/w for houses and 0.9 per cent to \$440 p/w for units. Capitals: Canberra (\$625 p/w for houses / \$437 p/w for units), Sydney (\$706 / \$515), Darwin (\$518 / \$405), Brisbane (\$452 / \$370), Adelaide (\$383 / \$299), Hobart (\$400 / \$360), Melbourne (\$522 / \$411), and Perth (\$423 / \$323).



#### Vacancies dip

The national vacancy rate dipped to 2.2 per cent in July from 2.3 per cent in June, with 72,458 properties nation-wide vacant, according to figures released by SQM Research. Falls were recorded in Adelaide (from 1.5 per cent in June to 1.3 per cent in July), Perth (4.1 / 4.0), Brisbane (3.0 / 2.9), Canberra (0.9 / 0.8) and Darwin (3.5 / 3.4). Vacancy rates remained unchanged in Melbourne (1.6 per cent), Sydney (2.8) and Hobart (0.7).

#### Investor loan values rise

APRA's monthly banking stats to June 2018 have revealed the total balance of loans rose in the month by \$9.2 billion to \$1.64 trillion. Investor loans rose 0.38 per cent to \$558 billion, accounting for 34 per cent of all loans. Owner-occupier lending rose 0.68 per cent, or \$7.1 billion, to \$1.08 trillion.

#### Investor lending declines

According to ABS figures, loan approvals fell by 1.6 per cent to \$31.2 billion in June (seasonally adjusted). Loans to investors fell 2.7 per cent to \$10.382 billion. The proportion of loans for investment purposes, excluding refinance, was 41.4 per cent, down from 53 per cent in 2015. In month-on-month trend estimates, investment construction lending rose 1.3 per cent (or \$14 million), borrowing for investment purposes by individuals fell 1.8 per cent (down \$154 million) and investment by other entities fell 5.1 per cent to \$45.7 million.

#### Investors unable to refinance

Surveys by Digital Finance Analytics have revealed the number of loan rejections rose significantly in July. Rejections were prevalent amongst those seeking to refinance an existing loan, including interest-only loans, with 30,986 rejections recorded, up from 18,926 in June. The number of investor loans rejected in July was 16,076, up from 11,383 in June, while portfolio investor rejections were up from 5,195 in June to 5,764 in July.

#### Dwelling prices fall

CoreLogic's home value results for July confirmed that national dwelling values have trended lower over the last three months – dropping 0.6 per cent over the month to be down 0.9 per cent over the rolling quarter and 1.6 per cent lower over the past 12 months. Nationally, the median value was \$554,263 (\$650,165 for the combined capitals and \$367,067 for combined regional). Over the quarter, values dipped in all capitals except Brisbane, Adelaide and Hobart.

#### Office vacancies decline

The latest Property Council of Australia's *Office Market Report* found vacancy rates across Australia fell from 9.6 per cent to 9.1 per cent over the six months to July 2018. Melbourne CBD recorded the lowest vacancy in a decade at 3.6 per cent. The Sydney CBD market tightened further with a vacancy rate of 4.6 per cent (down from 4.8 per cent six months ago). In Brisbane vacancy across the CBD dropped from 16.1 per cent to

14.6 per cent. Perth's rate dropped from 19.8 per cent to 19.4 per cent. Adelaide's CBD office vacancy rate dropped for the third consecutive period to 14.7 per cent, while Canberra was the only capital city to record a vacancy increase over the six months, increasing to 13.2 per cent from 12.5 per cent.

#### **New loans forecast to decline 8 per cent**

Research from Morgan Stanley has indicated the average new mortgage will be 8 per cent lower – from \$379,000 to \$349,000 – as banks target high-risk loans amid a crackdown by APRA and the scrutiny of the Royal Commission. Morgan Stanley estimates the median loan-to-income (LTI) ratio is 3.5 times, with about 40 per cent of mortgage holders having a LTI ratio over four times and 18 per cent having an LTI over six times.

#### **Price growth expected to be capped**

Realestate.com.au's *Property Outlook – July 2018* is expecting price growth to be capped within the next six months. The report cites fewer foreign investors (with applications to the FIRB declining "dramatically" and new taxes being introduced), fewer local investors (noting investor lending has fallen 15 per cent during the last year and sentiment is on the wane), the Royal Commission (resulting in banks restricting lending, particularly interest-only) and rising mortgage rates in the US (with Australian banks impacted by international wholesale lending markets) as contributing factors. Also noting that if there was a change in Federal Government, Labor's proposed changes to negative gearing could also have an impact (with RiskWise and Wargent Consulting predicting it could result in a 10 per cent fall).

## News in brief

### **Vic Airbnb legislation for apartments**

New legislation has passed both houses of the Victorian Parliament that places responsibility for the actions of unruly guests on the owner of the property. The passing of the *Owners Corporations Amendment (Short-Stay Accommodation) Act 2018* can greatly affect owners who let their property on short-term platforms like Airbnb. The legislation enables the owner of one apartment to make a complaint about short-term letting guests in another apartment and if the owners' corporation agrees to act on the complaint then VCAT can get involved.

### **Combustible cladding banned across NSW**

On 15 August, NSW Fair Trading imposed a ban on the use of cladding with a core of more than 30 per cent polyethylene for external cladding, external walls, external insulation, façades and rendered finishes for certain multi-storey residential buildings. The ban applies to past, present and future buildings. Property owners and strata bodies can be charged with a rectification order under the *Building Products (Safety) Act*, which requires them to change out the now-illegal cladding. Failure to do so can result in fines of up to \$1.1 million plus \$110,000 per day the cladding is not changed for corporations, and up to \$220,000, two years in jail and \$44,000 per day the cladding is not changed for individuals.

### **ACCC warning to property investors**

The ACCC has warned consumers about 'investment' scammers, noting that 430 people lost almost \$6 million in May alone to real estate, investment and stock scams. There has been an average month-on-month increase in losses of 117 per cent compared to last year. To date this year, \$26 million (or \$4.3 million per month) had been lost to scams and if the trend continues, combined losses could top \$100 million.

### **APRA red tape costs investors \$500m**

The Productivity Commission report, *Competition in the Australian Financial System*, has estimated that the cost of APRA's actions to restrict lending to investors has resulted in borrowers and taxpayers paying out up to \$500 million per year (in increased rates for new and existing interest-only loans). It was also noted that the removal of the 10 per cent investor loan growth cap would be unlikely to result in lower interest rates.

### **Melbourne loses crown as most liveable**

For the first time in seven years, Melbourne has not topped The Economist Intelligence Unit's *Global Liveability Index*. First place went to Vienna this year, with the Victorian capital ranking 2<sup>nd</sup>. Sydney rose from 11<sup>th</sup> spot last year to 5<sup>th</sup> this year, while Adelaide came in 10<sup>th</sup> and Perth dropped from 7<sup>th</sup> to 14<sup>th</sup>. The least liveable city of the 140 ranked was Damascus in Syria.

### **Interest-only mortgagees set to struggle**

As interest-only (IO) loans end and repayments become more expensive, the number of Australians falling behind on their mortgages will rise in the next two years, predicts Moody's. The ratings agency noted delinquencies on loans that have converted from IO to P&I are running at double the rate of those still on IO (with repayments jumping by around 30 per cent when the mortgages convert to P&I).

### **Latest CPI figures good news for renters**

REIA has said the latest CPI figures from the ABS were good news for renters, as the numbers showed that investment in housing (up) would keep growth in rents lower than they have been historically. In real terms, the index figures represented an unchanged rent increase for the quarter and a rise of 0.6 per cent over the year. REIA noted that over the last 10 quarters the average annual change has been less than 1 per cent.

### **Renters' financial stress lessens**

ME Bank's 14<sup>th</sup> *Household Financial Comfort Report* revealed financial stress for renters had eased in the past six months, thanks largely to a cooling housing market and falling rents. The report noted that while 72 per cent of renters were previously contributing over 30 per cent of their disposable income towards rent, the number had dropped to 67 per cent in the most recent survey.

### **Insights from HILDA**

The latest HILDA survey has revealed that the overall proportion of people living in rental accommodation has increased 23 per cent since 2001 to 31.3 per cent in 2016. Due to the number of 15 to 24-year-olds returning home, their rental numbers have dropped to 34.5 per cent, from 36.6 per cent. The number of renters aged 18 to 24 transitioning into home ownership has dropped considerably – from 13.5 per cent to just 7.5 per cent. It was also found that housing stress (where housing costs take up more than 30 per cent of income) had increased considerably among renters, particularly for those in social housing.

### **Off-the-Plan not off the boil**

Investorist's *The Australian Off The Plan Sentiment Report* has revealed Sydney, Melbourne and Brisbane represented 90 per cent of OTP sales in FY18; sellers still expect China to represent 60 per cent of their foreign sales in FY19; 69 per cent of agents expect to increase total sales in FY19; most mid-sized developers are planning larger projects in FY19; the 'sweet spot' for both apartment and house & land is \$400-\$600k; and 87 per cent of sellers do not believe the market is over-saturated.

### **Government removes foreign investment tax loophole**

The Government has revised draft legislation in a bid to remove the unintended "tax loophole" in managed investment trusts targeting foreign investors – now stating foreign investor MITs will be able to invest in residential housing that is primarily available for rent, but access to conventional tax rates will only be allowed on income from investing in affordable housing. The draft legislation also neutralises tax benefits of certain stapled structures and tightens concessions available to foreign investors, like foreign sovereign wealth funds and pension funds.

### **ACCC warning to business**

The ACCC has warned it will be cracking down on businesses that attempt to manipulate feedback on third-party review websites. The warning follows the \$3 million fine imposed on serviced apartment developer Meritum after it 'masked emails' with negative reviews from guests on TripAdvisor.

### **Tech watch: new apps and platforms**

Rent.com.au has launched a mobile app for IOS and Android which will include a new way for users to search for property based on lifestyle criteria. It is also intended that the app will integrate with RentPay (the rental payments system). The company revealed 60 per cent of the platform's users accessed it from a mobile device.

Palace is a new cloud-based property management platform with functions including faster bank reconciliation, custom reporting, in-built bar code scanning and insights into portfolios.

### **Legal corner: agent jailed for theft**

An agent in Sydney's Inner West has been convicted of stealing \$210,000 worth of clients' rental bonds by dishonestly claiming the refund of 42 rental bonds from the NSW Rental Bond Board. Matthew Williams was sentenced to two 15-month jail terms (suspended) and disqualified from holding a real estate licence for 10 years.