EBM | RentCover

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The RentCover Report

INDUSTRY NEWS & VIEWS FROM EBM

Welcome

Is it just me, or is this year simply flying by? No sooner than we celebrate calendar New Year, we are ushering in the Lunar New Year. We thought we'd take the opportunity to have some fun by looking at the prospects for property investment according to your Chinese zodiac. It's looking auspicious for Horses but not so great for Pigs and Oxen! Spoiler alert: this is not actual financial advice!

The New Year also saw us reluctantly increasing our premiums – and we kept it to an absolute minimum. For most policies the increase was $10 – or in the great Aussie tradition of equating prices to coffees: about 3 long blacks in Sydney, 2.5 flat whites in Melbourne or 2.5 cappuccinos in Canberra, 2 lattes in Brisbane or 2 mochas in Adelaide and less than 2 iced coffees in Perth or 2 chais in Darwin! While no-one likes price increases, landlord insurance is a wise investment – and we highlight why in this report.

In light of the recent natural disasters that have occurred around the country, we provide some information on what you need to do to make a claim on a landlord policy. We also explain just what it means when the Insurance Council of Australia declares an event a 'catastrophe'.

On another note, we are thrilled to share the news that our Executive Chairman, Alan Bishop, received an Order of Australia on Australia Day. Alan was recognised for his significant service to the insurance industry and to the community. And of course, if not for his foresight, RentCover would not be the essential protection it is today.

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

Sharon Fox-Slater
Managing Director, RentCover

Dealing with disasters

The image of an Aussie summer may be all sun, surf and sand, but the reality is this time of year is the height of disaster season. And, 2019 has been no exception, with the fury of Mother Nature impacting the lives of many across the country. But, when a natural disaster strikes and you need to make an insurance claim, what exactly should you do?

Disaster season, from November to April, has been devastating so far, with many Australians impacted by catastrophic events around the nation. More than 100,000 insurance claims, worth more than $900 million, have been lodged following the hailstorms that battered Sydney and parts of New South Wales in December. Canberra was also savaged by storms and hail in January. Flooding in Melbourne wreaked havoc in December. Bushfires have ravaged parts of Tasmania. While North Queensland was hit first by Tropical Cyclone Owen in December and then most recently by a 'once-in-a-century' flood, which has affected more than 20 suburbs and 20,000 households in the Townsville region.

EBM RentCover has policyholders across the country who have been affected by the spate of natural disasters. Our thoughts are with those who have suffered losses and our claims team are working hard to help restore some sense of normality.

If your property*, or one you manage, is damaged due to a natural disaster, it's important to understand what you need to do to make an insurance claim. If you are impacted, you need to:

- **Act to prevent further loss or damage**
  Once the emergency services advise it is safe, the landlord or agent should attend the property and take 'reasonable' steps to prevent further loss or damage (this may include boarding windows or placing tarps on roofs). You may need to contact the appropriate emergency services, such as the SES or fire brigade, to secure the property. Other 'make safe' work may also need to be undertaken, such as engaging an electrician or plumber, and you should arrange all emergency repairs necessary to minimise loss. Make sure you keep the original tax invoices for emergency repairs for the claim.

- **Contact our claims team**
  It's important to contact us (1800 661 662) as soon as possible so we can determine your coverage and discuss the process for lodging claims. You will also be advised whether or not a loss adjustor will be assigned to your claim, or if you should seek quotes for the repair of damages. Don't worry if you don't know the policy number, we just need the policyholder's details to help initiate the claim.

- **Document loss or damage**
  It's the policyholder's duty, when they submit an insurance claim, to establish a loss has occurred. Take photos or video of the damage and store them in a safe place to be shown to the insurance assessor. If you need to dispose of an item, because it poses a health risk (such as saturated carpet), keep samples of the damaged material. Keep any items that could be repaired as it is up to the insurance company whether damaged items are repaired or replaced. For contents claims, make a list of damaged items with a detailed description, such as brand, model and serial number.

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* Agents who have OfficeCover and have been affected by natural disasters should contact their EBM account manager for advice and claims assistance.

- **Keep receipts**
  Keep receipts for any work you do yourself or materials you purchase as you may be able to claim those expenses. But please note, our insurance policies do not cover repair work undertaken by tenants.

- **Submit a claim**
  You can contact one of our claims specialists, download a claim form from our website or use our online claims portal to submit the claim with supporting documents, including ledger and tenancy agreements. Please note, there is no need to obtain any quotes prior to lodgement.

During a natural disaster it is also normal for loss adjustors to be assigned to a damage event and a claims specialist will advise if this is the case for your properties involved. Loss adjustors are typically on standby and enter affected areas once the authorities say it is safe to do so.

In addition, disasters involving a large number of claims or complex issues and multiple insurers may be declared a catastrophe[†] by the Insurance Council of Australia (ICA). A catastrophe is most commonly declared after an extreme weather event such as a severe cyclone, bushfire, flood or storm. Both the NSW hailstorms and recent Townsville floods were categorised as catastrophes.[‡]

When the ICA declares an event to be catastrophic, it has implications for policyholders and insurers. Once the declaration is made, insurers are authorised to prioritise any claims made in the catastrophic zone and address the claims in a timely manner.

Under the ICA's declaration:

- claims from affected policyholders are given priority by insurers
- claims are triaged to direct urgent assistance to the worst-affected property owners
- insurers coordinate their response through an industry taskforce
- insurance companies work closely with all levels of government, government agencies, emergency services and community organisations to identify and resolve issues
- a disaster hotline is activated – 1800 734 621 – to assist policyholders if they are uncertain about their insurance details or have general enquiries about the claims process (this is not a claims lodgement line)
- representatives are mobilised to work with local agencies and services and affected policyholders
- the ICA effectively extends the time period in which affected parties can make or determine an insurance claim

Being caught up in a natural disaster can be frightening and confusing for landlords, agents and tenants. During these times, EBM RentCover works hard to provide peace of mind and financial security to families affected and ultimately aims to simplify the claims process.
If you have been caught up in a natural disaster and need to lodge a claim through EBM RentCover, call 1800 661 662 or use the link https://claims.rentcover.com.au and follow the simple steps.

† As defined by the ICA's *General Insurance Code of Practice*.
‡ Since March 2018, the ICA has declared six catastrophes: In March, bushfires in NSW and Victoria resulted in $82.5 million in insured losses. In the same month, Cyclone Marcus caused $62 million in claims, with $16.8 million from floods in Queensland. In May, storm and flood damage around Hobart resulted in $99.6 million in insured losses. In December 2019 the NSW hail storms were declared catastrophic and the Townville flood became the sixth in February.

Year of the Pig – Year for Investment?

Will the Lunar New Year see you filling your piggie bank from property investment?[§]

On 5 February 2019, the Lunar New Year was ushered in. Depending on when you were born, the Year of the Earth Pig could prove prosperous! In Chinese folklore, pigs are the symbol of wealth and their chubby faces and big ears are signs of fortune.

To paraphrase a nursery rhyme, this year some little piggies will benefit from heading into the property market (potentially add to portfolio), while others should stay home (concentrate on making the most from existing rentals by looking after them).

According to Feng Shui master Dato' Joey Yap, this is what you can expect in terms of investment in the Year of the Pig based on your Chinese zodiac:

Year of the Dog (those born in 1934, 1946, 1958, 1970, 1982, 1994, 2006, 2018): "good opportunities to increase your wealth and financial well-being", but you should "not be tempted to take shortcuts" and "be diligent in your research when it comes to your investments".

Year of the Pig (1923, 1935, 1947, 1959, 1971, 1983, 1995, 2007): "expect slower growth in wealth this year", curb the expensive habits that are actually reducing your wealth and learn to invest.

Year of the Rat (1924, 1936, 1948, 1960, 1972, 1984, 1996, 2008): "good opportunities to grow your wealth", but you need to keep your appetite for risk in check and "avoid risky and speculative investments".

Year of the Ox (1925, 1937, 1949, 1961, 1973, 1985, 1997, 2009): "refrain from making unwise and hasty financial decisions", aim to improve your saving habits and "balance your finances".

Year of the Tiger (1926, 1938, 1950, 1962, 1974, 1986, 1998, 2010): "wealth stars are in your favour", "sharpen up your skills in investments" but seek others' advice before deciding on investments (you can always chat to an EBM Financial Planner!).

Year of the Rabbit (1927, 1939, 1951, 1963, 1975, 1987, 1999, 2011): an auspicious year in terms of wealth, you should "take charge" of your finances and wealth pursuits but "seek counsel from financial advisors before making any investment decision" (see above!).

Year of the Dragon (1928, 1940, 1952, 1964, 1976, 1988, 2000, 2012): "the stars are in place for new beginnings" and the prognosis looks positive for wealth.

Year of the Snake (1929, 1941, 1953, 1965, 1977, 1989, 2001, 2013): "avoid risky investment decisions" as "there's a chance of monetary losses", but look to "spending wisely on things that may become more valuable and profitable over time" (sounds like property!).

[§] This article is provided as a bit of fun only, it is not intended as actual financial advice! Readers looking for investment advice should do their research and consult with licensed professionals.

Year of the Horse (1930, 1942, 1954, 1966, 1978, 1990, 2002, 2014): "keep an eye out for lucrative investment opportunities in property or shares", but "don't be overly impulsive when making these decisions" and "pay attention to your cash flow and avoid excessive spending".

Year of the Goat (1931, 1943, 1955, 1967, 1979, 1991, 2003, 2015): a favourable year in terms of wealth so look towards "previously side-lined deals or projects" which may come to fruition this year.

Year of the Monkey (1932, 1944, 1956, 1968, 1980, 1992, 2004, 2016): with two "auspicious stars" expect financial success as wealth-building opportunities abound, so keep your eyes open for bold new investments but "avoid risky setups like venture capitals and high-yielding bonds".

Year of the Rooster (1933, 1945, 1957, 1969, 1981, 1993, 2005, 2017): "may be a challenging year for you to grow your wealth", so "spend wisely and manage your finances diligently".

Feng Shui in the Year of the Earth Pig:

- Lucky numbers: 4, 6, 8
- Lucky colours: yellow, gray, brown, gold
- Lucky days: 2nd, 7th, 10th, 11th day of every month of the Chinese calendar
- Lucky directions: south-east, north-east

It is also said that real estate is an ideal profession for those born in the Year of the Pig!

Whether the Year of the Pig is a good one for you to bolster your wealth or not, no-one wants to be the little piggie that cries all the way home when misfortune (like income losses or property damage) strikes. A sure-fire way to protect your piggy bank is to safeguard your investment property, your business and yourself with the right insurances.

新年快乐 (xīn nián kuài lè)!

Chinese invest in Oz
According to Juwai.com's *Australia 2019 Outlook for Chinese Residential Real Estate Buying*, Chinese investment in Australian property will remain buoyant. Citing strong Chinese wealth growth, desire to get a bargain while the market is soft, the yuan sitting favourably against the Oz dollar, and a lack of investment opportunities in China and other regions such as the US due to the trade war as key reasons why Oz resi real estate is an appealing investment. In 2018, Chinese buyers spent US129.3billion on foreign property and within Australian property Chinese accounted for 22 per cent of all foreign investment.

If only…

"It'll never happen" and "she'll be right" were more than wishful thinking. But frequently 'it' can and does happen and the only thing holding financial ruin at bay is an insurance policy.

Landlord insurance. You know it's necessary. But how often do you stop and consider how it works and what determines its cost?

In 2018, we settled more than 5,000 claims – with a total value in excess of $16.5 million. For the mathematically inclined, around $3,300 paid out per claim.

Of course, that's an average and many claims were of lesser value while others were substantially more. And while many landlords would be able to 'find' the $1,175 one policyholder was paid to fix a broken window and other minor reparations, few could foot the $746,000 bill another landlord faced after a fire.

Owning an investment property comes with a unique set of risks – not only is there the risk the rental could be damaged due to fire, flood, storm or any number of other insured events, there are specific risks, like tenant-related damage (accidental, malicious and deliberate) and loss of rent, that also need to be factored in.

Last year alone, more than 1,300 (or 26 per cent) of paid claims were for tenant damage. This covered everything from wine spilled on carpets to homes having to be decontaminated.

A rental property is an investment from which the owner expects to derive an income. So, when a landlord suffers rental losses, it can have a devastating effect on their cash flow and personal finances – banks generally insist on mortgages being repaid, regardless of whether the landlord actually received any rent.

Almost 3,000 claims (or 58 per cent) for loss of rent were settled in 2018. Sometimes the result of bad tenant behaviour (absconding, rent default, breaking leases and denial of access), other times the non-payment was the result of circumstances beyond the control of tenant, landlord or agent – such as relationship breakdowns, domestic violence, job loss, serious illness, or tenant death.

While prudent landlords often factor in a few weeks each year when the property will not generate an income, unexpected damage or loss of rent frequently derails even the best plans. This is when the financial security blanket that is landlord insurance comes into its own.

Of course, it isn't only damage and rental losses landlord insurance covers. There are a range of insured events for which cover is provided, along with the all-important matter of liability. The financial ramifications of a tenant or guest being injured or worse at the rental can be crippling. Society is becoming increasingly litigious and those injured as a result of an act or omission on behalf of the landlord are far less likely to 'let it slide' and instead sue for damages. Plaintiffs can be awarded eye-watering sums if they make a successful claim and without legal liability cover stretching into the millions, landlord or agent could face financial ruin.

Comprehensive landlord insurance policies provide cover for a range of insurable events – the obvious (like damage, loss of rent and liability) and also the less obvious. And it isn't until a situation arises and the landlord needs to make a claim that having that cover proves to be a prudent investment. It's those oft-overlooked policy inclusions in the PDS that can sometimes be invaluable. This includes cover for things like legal fees, costs to remove debris, fees incurred directly in relation to repairing or replacing the premises and extra costs of reinstatement necessary to meet the requirements of any statutory authority when doing so, or professional fees if you are subject to a tax audit.

At EBM RentCover we understand the property sector is constantly evolving and we ensure our landlord policies evolve along with the needs of policyholders. Over the years (and we've been providing landlord insurance for almost 30 of them!) we have introduced new policy types like RentCover*ShortTerm* which takes into consideration Airbnb landlords, added cover for pet damage and floods, and upped coverage for insured events.

We also have a commitment to our policyholders, ensuring best-practice claims handling (we introduced a new claims portal last year and still provide that personal touch by making sure there is an actual person available to assist with your claims, one who is both empathetic and empowered to make judgement calls), delivering personalised service and providing education. And we do this while ensuring our products are not only the most comprehensive and responsive to landlord needs on the market, but also competitively priced.

In order to maintain our standards and quality services – and to make sure there are funds available to pay claims – we occasionally need to review our premium pricing. Increasing premiums is not something we do as a matter of course (there's no 1 April auto increase like there is for health insurance) and when we do find there is a need for a review, we keep any increase to an absolute minimum.

From 1 January 2019, a $10[**] premium increase for our RentCover*Ultra, TenantCover* and RentCover*ShortTerm* (contents only) policies came into effect. For policyholders with cover which includes a building component, there was also a small premium increase, with the actual increase dependent on postcode, building type, building age and the sum insured.

While no-one likes price increases, we strived to ensure it would be minimal while enabling us to continue to offer the service and support our clients have come to expect from us.

Pop quiz: How are landlord insurance premiums calculated?

Question: What do insurers use to calculate premiums? Is it:

a) a crystal ball;
b) comprehensive algorithms/mathematical calculations, statistics and probabilities, historical claims data and risk assessments;
c) a dartboard and a blindfold; or
d) all of the above?

Answer: b)

Determining landlord insurance premiums is a highly complex endeavour taking into account many factors and using statistics and probabilities to determine the risk a particular property and owner poses. (Cast your mind back to Year 8 maths, anyone who didn't glaze over may now be an insurance actuary – or a bookie!) The likelihood of claiming is analysed and a commercially viable fee determined for the insurer to assume those risks.

[**] The equivalent of about 3 long blacks in Sydney, 2.5 flat whites in Melbourne or less than 2 ice coffees in Perth!

Basically it's all about risk. And an insurer will set the premium to reflect the risks posed. When the risk of accident, loss, theft or catastrophe is higher, so too are the premiums.

Among the multitude of factors considered in determining landlord insurance premiums, some of the more common ones are:

- Property address
- Area (postcode) crime rate
- Natural disaster risk (e.g. cyclone, floods, bushfire)
- Type of insurance (building, contents or both)
- Policy type (how the property will be used e.g. fixed-term lease, corporate lease, holiday let, Airbnb etc.)
- Sum insured
- Type of building (and property size)
- Replacement costs (building and contents)
- Age and condition of the structure
- Construction material and other characteristics of the property
- Risk mitigation measures in place such as security
- Level of cover (including any optional extras)
- Excess payable
- Price of rent
- Number of rental properties
- Area claim history
- Personal and individual property claim history (previous claims and incident history)
- Discounts the policyholder may qualify for

Premiums are also impacted by other factors including:

- Inflation
- Changes in government taxes and any state or territory duties or levies
- New and updated data used to calculate premiums/changes in premium calculations
- Automatic adjustments to the sum insured
- Changes a policyholder makes that reduces their risk, such as installing security
- Value or quantity of what the policyholder is insuring changes
- The cost of claims the insurer (and underwriter) have paid to other customers and claims they expect to pay in the future
- Number of claims experienced in the landlord sector of the insurance industry
- Large-scale claims due to natural disasters such as floods and cyclones
- Regional or global changes that affect the price and availability of reinsurance
- Investment returns. Insurers invest premiums to help ensure they have sufficient capital to pay future claims. Poor investment returns may result in a premium increase
- Insurer's cost of doing business
- Other commercial factors

At the end of the day, determining landlord insurance premiums is a complex exercise, but at RentCover we make sure our premiums are competitive and work hard to deliver reliable insurance solutions to give property managers, landlords and tenants the cover they need.

Staff profile: Malcolm Harvey

In fine voice

As a teenager, Malcolm Harvey may have sung with the Welsh National Opera but today he moves to a different tempo – as our new Marketing Manager.

Growing up in Knowle, a village south of Birmingham, the lure of the big city and a career in marketing captured Malcolm's imagination and after studying at the University of Liverpool he made his first foray into the industry at NatWest.

"I then went to the 'dark side' and worked with a couple of agencies," he laughed.

It was during his time with agencies that Malcolm worked with a number of blue chip clients including Lloyds TSB, ANZ Bank and Australian Unity and honed his skills in financial marketing – which would make him a perfect fit with EBM RentCover some 20 years later.

While working for Rapp Collins London Malcolm transferred to Rapp Melbourne as Group Business Director/Director Marketing Strategy in 2001.

"I liked the variety of working across different sectors, developing strategy and campaign planning," Malcolm said when asked why he was drawn to working in marketing.

The opportunity to take up the new post at RentCover was one he couldn't resist and Malcolm joined the team in December 2018.

"I am responsible for all RentCover marketing strategy and delivery including web, comms, print and digital marketing," he explained.

"I enjoy the challenge RentCover presents to shape and implement a new marketing strategy. I also like that EBM is prepared to embrace change."

Juggling projects and priorities in the office won't be a problem for Malcolm – he's nothing if not agile: "I do most of the cooking at home – I can cook most types of food and enjoy experimenting with my family" and he is also trying to learn to play his prized Fender Telecaster guitar and has started writing about a dozen novels (though only managed the first 10 pages of each!).

RentCover News & Events

National honour for EBM's Executive Chairman.

Alan Bishop AM

On Australia Day 2019, EBM's Executive Chairman, Alan Bishop, was made a Member of the Order of Australia, in honour of his significant service to the insurance industry and to the community.

The award was announced by the Governor General, His Excellency General the Honourable Sir Peter Cosgrove AK MC (Retd).

A leader in the Australian insurance industry for more than 40 years, Alan formed Elkington Bishop and Associates with Neville Elkington in 1975.

Alan had a few years' experience under his belt as an underwriter at Prudential Assurance Co Ltd and then with international brokerage Stewart Wrightson, where he met Neville. The move to establish his own brokerage was a bold one for the then-22-year-old.

Two years later, John Molineaux joined what became Elkington Bishop Molineaux (EBM Insurance Brokers) and the business really took off. In the same year, EBM became representative brokers of Lloyd's of London and went on to develop new insurance products to meet the needs of their clients (including creating one of Australia's first, and now leading, landlord insurance product – RentCover).

In the decades that followed, EBM charted a steady course with Alan at the helm to become a leading general insurance broking firm, with the business offering expanded to include premium funding, legal counsel and claims advocacy, injury management, financial planning and finance services.

And Alan cemented his position as an industry leader.

As President of the National Insurance Brokers' Association (NIBA), Director of its National Board and as Chair and Committee Member of the Western Australian division, Alan helped guide the development of the Association and elevate the standing of its members. He was the recipient of NIBA's highest individual recognition, the Lex McKeown Trophy, and made an Honorary Fellow of the organisation in 2004. EBM won the NIBA Award for Business Excellence in 1987.

More than an insurance professional of the highest calibre, Alan's community spirit shines through. Alan's philanthropic endeavours and charitable works have focused on education and child/young adult health and well-being. This personal commitment also ensures that EBM considers support for the community as a priority. He has made an ongoing contribution to his former school as Deputy Chair of the Churchlands Senior High School Foundation, and during his role as Director and Deputy Chair of Teen Challenge (faith-based addiction support). He is a donor and was a Taskforce Member of Ronald McDonald House, and a significant donor to the So They Can Charity, which provides education for children and adults in Kenya and Tanzania.

Alan has also committed time and incredible enthusiasm to sports as President, committee member and supporter of the Wembley Amateur Football Club and the Wembley Athletic Club, of which he is a life member. His passion for the West Coast Eagles is legendary!

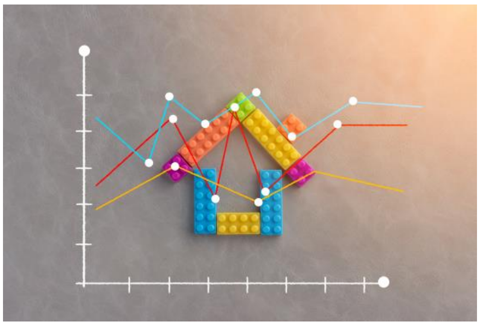
The Order of Australia awards were established in 1975 to recognise Australians who go above and beyond to make a significant and positive difference in their field and wider community.

In the Australian honours system, the Order of Australia confers the highest recognition for outstanding achievement and service across a wide range of endeavours.

From everyone at EBM RentCover, our congratulations to Alan!

Investment Property Market Snapshot

Latest industry statistics and analysis.



Asking rents up
Capital city asking rents rose 0.7 per cent in January to $559 p/w for houses and $439 p/w for units, according to SQM Research. Across the capitals: Canberra $635 p/w houses / $468 p/w units; Sydney $705 / $508; Darwin $506 / $391; Brisbane $457 / $376; Adelaide $395 / $302; Hobart $421 / $341; Melbourne $541 / $409; and Perth $439 / $326.

Vacancies up
SQM Research also showed the national vacancy rate rose 0.2 per cent to 2.5 per cent in December 2018. The total number of vacancies Australia-wide sat at 82,558, up 7,968 on November. Darwin had the highest vacancy rate at 4.3 per cent (up 0.3 per cent), followed by Sydney at 3.6 per cent (up 0.4 per cent), Perth at 3.4 per cent (steady), Brisbane at 3.2 per cent (up 0.2 per cent), Melbourne at 2.2 per cent (up 0.3 per cent), and Adelaide (up 0.1 per cent) and Canberra (up 0.4 per cent) both at 1.3 per cent. Hobart continued to have the lowest vacancy rate at 0.4 per cent (steady) with just 121 properties available for rent.

Lowest rent movement since records began
CoreLogic's *December 2018 Quarterly Rental Review* report revealed the national and combined capital city rent movement was the lowest since data began being collected in 2005. Over the quarter, weekly rents declined 0.1 per cent across Australia to a median of $433 per week (combined capitals were down 0.2 per cent to $462 p/w while combined regionals rose 0.2 per cent to $373 p/w). Across the capitals, Sydney recorded the largest decline at 0.7 per cent to a median of $583 p/w, followed by Darwin (-0.6 per cent to $463) and Canberra (-0.2 per cent to $539). Hobart recorded the largest weekly rent rise at 0.7 per cent to $433 p/w, followed by Perth (+0.3 per cent to $378), Brisbane (+0.2 per cent to $432) and Adelaide (+0.1 per cent to $381). Melbourne remained steady at $451 p/w.

Investor loans fall
ABS Housing Finance figures for November 2018 revealed the value of investor commitments dropped 4.5 per cent month-on-month and 23.4 per cent year-on-year (seasonally adjusted). Overall, the value of home lending fell 2.5 per cent in November (owner-occupier lending fell 1.4 per cent).

Investors look to non-majors for loans
AFG lodged $13 billion in home lending applications in the December 2018 quarter, down 8 per cent on the prior quarter. They noted credit tightening was having an impact on volumes in every state and that borrowers were increasingly using the services of a mortgage broker to secure loans, with three out of every five mortgages in Australia now generated through brokers. It was also revealed that the non-major lenders' market share was at a record high of 42.1 per cent, with 43.4 per cent of investor loans written by non-majors.

House prices stabilise
Realestate.com.au's *January 2019 Property Outlook* report revealed conditions remained highly variable across the country, with most capital cities either stabilising or recording moderate growth in 2018. Sydney had the largest median price fall year-on-year for December, with an annual change of -5.9 per cent (median price $840,000), followed by Darwin and Perth (both -3.6 per cent and $440,000 and $475,000 respectively) and Melbourne (-1.5 per cent, $665,000). Annual median house price growth was recorded in Hobart (+8.4 per cent, $420,000), Canberra (+1.4 per cent, $591,000), Adelaide (+1.1 per cent, $437,511) and Brisbane (+0.4 per cent, $490,000).

Based on the number of views per listing on the site, the top 10 most in-demand areas for the December 2018 quarter were: Middle Park, VIC; Battery Point, TAS; Aldgate, SA; Crafers West, SA; Collaroy Plateau, NSW; South Hobart, TAS; Belair, SA; East Geelong, VIC; Killarney Heights, NSW; and Red Hill, VIC.

Building activity slows
Figures released by the ABS for the September 18 quarter revealed a total of 54,803 dwellings commenced construction, which was down by 5.7 per cent in the quarter and down by 2.2 per cent against the same period a year ago. Detached house starts were down by 4.5 per cent in the quarter but were comparable with the level of starts during the September quarter a year earlier. Starts of 'other dwellings', primarily apartments, were down by 7.1 per cent in the quarter and down by 5.3 per cent on the year-ago level. The HIA noted that total housing starts increased in Queensland (+8.3 per cent), WA (+2.9 per cent) and in the ACT (+41.5 per cent), but declined in SA (-18.6 per cent), Victoria (-16.0 per cent), Tasmania (-6.0 per cent), NSW (-5.5 per cent) and the NT (-2.9 per cent).

Listings down, asking prices mixed in December
National listings declined 9.2 per cent in December 2018, according to SQM Research figures. Declines were pronounced in Sydney (-17.7 per cent), Melbourne (-17.2 per cent) and Canberra (15.5 per cent) – a complete reversal of fortunes on the year prior when listings were up 2.8 per cent with Sydney (16.5 per cent), Melbourne (25.4 per cent) and Canberra (19.3 per cent) leading the charge. Asking prices in December 2018 rose 0.4 per cent to $571,600 for units, but declined 0.9 per cent for houses to sit at an average of $924,500.

Credit access top barrier to price growth
CoreLogic has stated that access to credit will remain the most significant barrier to price house growth in 2019. Median house prices across all capitals fell 4.7 per cent in 2018, with access to credit providing the primary negative impact (IO lending had tracked well below the recently-discarded 30 per cent limit, credit growth for investment had flatlined and owner-occupier loan growth had slowed sharply in the final six months of 2018). Sydney was the worst performing capital, with median house prices falling 8.9 per cent, followed by Melbourne at 7 per cent. Hobart was the best performing capital in 2018, experiencing an 8.7 per cent lift in median values.

Building boom aiding affordability
According to the HIA's *Affordability Index* for the last quarter of 2018, Australia's capital cities experienced a rise in housing affordability with the index sitting at 75.4 (increasing 1.5 per cent over the quarter and 3.3 per cent higher than the same time the year prior). For the quarter, most capitals saw improvement in affordability, with Sydney's index up by 11.3 per cent, followed by Melbourne (+5.9 per cent), Perth (+5.7 per cent), Darwin (+3.2 per cent) and Brisbane (+0.8 per cent). Affordability declined in Hobart (-9.3 per cent), Canberra (-3.6 per cent) and Adelaide (-3.3 per cent). Data also showed 2018 was the fifth year in a row with over 200,000 home starts and it was a record year for new home completions, with the HIA stating that the strong flow of new housing supply was one of the key factors behind moderation in price pressures, which has ultimately improved affordability.

Australia 2nd least affordable

According to the *15th Annual Demographia International Housing Affordability Survey*, Australia is the second most unaffordable market for housing. Hong Kong ranked as the least affordable overall with a median multiple of 20.9 (determined by dividing the median house price by gross annual median household income). Australia's figure was 5.9, closely followed by NZ at 5.8. The top 10 least affordable countries were rounded out by Singapore (4.8), the UK (4.5), Japan (4.2), Canada (3.9), the US (3.7) and Ireland (3.7). Sydney (12.9, 3rd worst city worldwide after HK and Vancouver), Melbourne (9.9, 5th), Adelaide (6.6), Brisbane (6.2) and Perth (5.9) were all ranked as severely unaffordable.

Major bank's tips for suburbs growth

NAB's *Residential Property Survey Q4–2018* found sentiment among over 300 property experts had fallen to "a new survey low". The bank also predicted prices will decline in some markets (namely Sydney and Melbourne) and hold steady in others, with further tightening of credit and weaker price expectations from investors likely to impact prices further. Despite this, the bank predicted above average growth over 2019 for a number of suburbs: Bondi, Newcastle, Penrith, Surry Hills, Sydney (NSW), Ballarat, Frankston, Melton, Seaford, Werribee (VIC), Brisbane, Coolangatta, Gold Coast, Sunshine Coast (QLD), Armadale, Scarborough (WA) and Hobart (TAS).

News in brief

New tax reporting regime for Airbnb

Almost 11 million Aussies who earn money from sharing economy platforms such as Airbnb and Uber will be subject to a new reporting regime to ensure tax is paid on income (estimated at $15bn per year). The platforms will be required to report data to the ATO so earnings of those participating in them can be properly assessed for potential tax liabilities. It would also enable those using digital platforms to have their tax form pre-filled rather than having to meet the self-reporting obligations.

Dodgy property spruikers in regulator's sights

Property spruikers using tax advice as a bargaining tool are on the government's radar. The Tax Practitioners Board urges investors to be wary of dodgy sales tactics and to only use the services of registered tax practitioners and quantity surveyors (being engaged to provide depreciation advice). Investors who use unregistered tax practitioners are not afforded the protections under the *Tax Administration Act 1953*.

NSW defers fire services levy reform

The NSW State Government has announced that, based on recommendations from the NSW Parliament Legislative Council report, it has "no plans to introduce a revised Fire and Emergency Services Levy in the next term of government". The levy will continue to be added to property insurance premiums in the State for the foreseeable future.

Victoria spends least on social housing

According to the Productivity Commission's *Report on Government Spending*, Victoria spent $530 million on social housing in FY18. This equated to $92.94 per person, compared to the national average of $166.93 per person. In 2017-18, NSW spent $1.37 billion, WA $829 million and Queensland $629 million on social housing. The Federal Government spent a total of $2 billion, which was half that of the states and territories ($4 billion). National Shelter noted that even with Commonwealth Rent Assistance, some 43 per cent of renters were in housing stress.

ICA warns over storm scammers

The Insurance Council of Australia has issued a warning to property owners affected by the hail storms in NSW in December 2018 to be aware of scammers posing as builders, roof inspectors or insurance company assessors. The ICA has received many reports of fake tradespeople door-knocking and offering to conduct building inspections and repairs, particularly to damaged roofs. There have also been reports of unscrupulous builders and tradies pretending to be insurance assessors and pressuring owners to sign agreements for unnecessary or exaggerated repairs at highly inflated prices, with the false promise that the insurer will pay. RentCover policyholders affected by these storms or other recent weather events should contact our claims team.

Lawyers caution on popular loan structure

Family law specialists have raised concerns about cross-collateralised loans, which could be financially devastating for property investors should they suffer a future relationship breakdown. One lawyer noted that the tough credit environment is seeing more investors using the family home as collateral to secure a loan to buy a rental. In the event of a relationship break-up, people could face losing both the investment property and their primary residence due to cross-collateralisation arrangements.

End of NRAS may trigger wave of selling

BIS Oxford Economics has advised investors to watch properties coming to the end of their term under the National Rental Affordability Scheme over the coming months, as many current landlords involved in the scheme are predicted to sell over facing lower rental yields and lacklustre capital growth.

Out of cycle mortgage increases begin
In mid-January, the Bank of Queensland became the first bank to officially hike home loan rates out of cycle in 2019. BOQ raised rates between 0.11 per cent and 0.18 per cent. Ratecity.com.au noted that financial institutions were facing cost of funding pressures and expects other banks will follow suit and raise mortgage rates outside of RBA cash rate decisions. NAB lifted its rates 16 basis points later in the month.

Borrowers tap non-banks
According to Standard & Poor's *Structured Finance Outlook 2019*, the non-bank sector issued 60 per cent of home loans in 2018, up from 31 per cent in 2017. The ratings agency also stated it expected alternative lenders to continue to "dominate" the home loan sector in 2019 as APRA's strong lending standards continue to take a toll on ADIs.

Cyclone risk assessment program to commence
The $12.5 million, three-year, North Queensland Strata Title Inspection Program will commence in April. Developed by James Cook University, administered by the Queensland Government and funded by the Federal Government, the new engineering inspection program could push down the cost of insurance for apartments, units and other strata buildings in northern Queensland. The program will enable body corporates to engage independent inspectors to assess their property and provide an inspection report on its resilience and vulnerability to damage from cyclones, storms and other wild weather – potentially enabling insurers to set premiums that more accurately reflect the property's risk profile.

Disaster assistance for Tropical Cyclone Owen
The Queensland State Government has made disaster assistance available for communities in North and Far North Queensland impacted by severe weather and flooding brought on by TC Owen which hit in December 2018. Through Disaster Recovery Funding Arrangements, councils in the affected areas will receive assistance to restore damaged public assets.

NSW Govt combats mortgage stress
The NSW Government has launched the LawAccess NSW website, which is designed to offer free legal services to help borrowers overcome mortgage stress and settle rates debts with local councils without being drawn into court proceedings.

'Safety blitz' for NSW new-builds
Following the Opal Tower fiasco in late December (building faults resulted in the mass evacuation of residents), the NSW Government has instigated an audit of private building certifiers. The State Government is also looking at a 'name and shame' register of dodgy certifiers. Property investors concerned their building may have defects, should visit Fair Trading NSW for information.

New laws for combustible cladding
The NSW Government has introduced new requirements for residential and other buildings that have external combustible cladding. Owners of certain buildings with combustible cladding are now required to register their building through the NSW Cladding Registration portal. Owners of existing buildings have until 22 February to register on the portal, while owners of new buildings will be required to register within four months of the building first being occupied.

Cyber research
The Australian Government has given researchers at the Swinburne University of Technology a $360,000 grant to use new technology to find previously unknown vulnerabilities in everyday smart devices. The threat of cyberattack and data breach is very real for the real estate industry, talk to EBM about Cyber Liability insurance.

Legal corner: adviser in court, an investor jailed
ASIC alleges that Richard Gardner and Advanced Wealth Financial Services provided advice to clients about establishing a SMSF for the purchase of a newly-built investment property; specific properties for development; and specific developers or builders to build the investment property. This was despite Mr Gardner and AWFS only being licensed to provide credit services and not financial services. In light of the case before the Brisbane Supreme Court, PIPA noted that there is no regulation for property investment advice and the group continues to advocate for legislation and regulation about the provision of property investment advice.

NSW-based luxury property developer Benjamin Ensor has been sentenced to six years' jail and ordered to pay reparations of more than $1.8 million after it was found he caused a $3.4 million loss to the Commonwealth. He had structured his companies to fraudulently obtain GST credits and failed to report property sales in order to avoid paying GST during the course of developing five beachfront luxury apartments in Manly – lodging false BAS statements and using the money to pay for luxury items like a catamaran, unit to live in and a marina at Lake Macquarie.