The RentCover Report

INDUSTRY NEWS & VIEWS FROM EBM

Welcome

May is a big month for all Australians as we come to grips with the impacts of the 2019-20 Federal Budget handed down last month, and await the outcome of the Federal Election in the next few days.

As anticipated by many in the real estate sector, there was no direct mention of property in the Budget (other than acknowledging the significant role it plays in the country's economic well-being, noting a 10 per cent drop in housing prices reduces real GDP by about 0.5 per cent) – and no plans to amend the existing negative gearing and capital gains tax regimes. There were also no programs designed to directly stimulate the sector, though $100 billion in infrastructure projects (predominantly benefiting Victoria and Queensland) could provide an impetus for property investment in areas opened up by new transport links or otherwise improved.

The announcement the Government would invest $525 million in apprenticeships and vocational training could ultimately see more tradies available across the nation – a boon for landlords and agents needing skilled trades for maintenance and repair works.

As most RE businesses are small businesses and local employers, the plan to reduce company tax to 25 per cent is also welcomed. The proposal to increase the instant asset write-off for small business from $25,000 to $30,000 per asset (for which the Opposition indicated its support) and to potentially extend the scheme to medium-sized businesses - those with an annual turnover of less than $50 million - is also supported by the industry. For many agents and landlords, the proposed personal tax cuts for low-middle income earners would see many benefit from immediate tax relief of up to $1,080 for singles or up to $2,160 for dual-income families.

All Budget proposals will need to pass through Parliament before they come into effect – and, with the Federal Election on 18 May and the possibility of a change in government, we could yet have a Budget with a different focus. Labor is keen to significantly change the existing tax regimes, limiting negative gearing to new housing from 1 January 2020 and halving the capital gains tax discount to 25 per cent. So, it's a case of wait and see.

In the meantime, in this edition we take a look at the respective responsibilities for insurance cover when the rental is part of a strata complex, detail some key considerations for 'accidental landlords' and provide a crash course in deciphering insurance jargon.

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

Sharon Fox-Slater
Managing Director, EBM RentCover

Get smarter about strata

There's often confusion among landlords with investment properties housed in strata complexes about who is responsible for what when it comes to insurance. Here's what landlords and their agents need to know.

It goes without saying that financially protecting an investment property with good insurance cover is a no-brainer. But sometimes knowing who is responsible for protecting what can be confusing.

For those who invest in a detached property, like a house, the responsibility for protecting property is often quite straightforward. As the investor/landlord owns the actual structure (i.e. the house itself and any outbuildings), they need to protect the building, which usually also covers fixtures and fittings. They will also need to insure any contents they own within the premises. EBM RentCover*Platinum* is designed for landlords who own both the building and contents, and also covers landlord legal liability and tenant-related risks like damage or rental losses.

It can be more complex when it comes to rentals within strata complexes such as apartments, flats, units or townhouses. Because the building structures are owned collectively and managed through the body-corporate or owners' corporation, responsibility for insuring the building/complex does not fall to the landlord. It is the responsibility of the body-corporate to take out strata insurance. This insurance covers the building, common property and common area contents of a strata scheme.

Strata insurance typically covers common area contents, the building and shared property in the event of loss or damage. Generally, events like theft of common area contents, repairs to damaged property managed by the owners' corporation and the cost of recovery, if disaster strikes, are also covered. The insurance also provides liability cover in the event that people are injured on common property.

As the building is covered through strata insurance, many landlords assume they do not need to purchase insurance themselves, but this is not the case. Strata insurance may only cover the actual building structure and the shared or common areas within it (such as pools, gyms or recreational areas), shared area contents and property (such as carpets in the hallways or shared appliances in common areas like washing machines in the communal laundry) and permanent fixtures within each unit (such as doors, built-in stoves and tiling). This means that unit contents like non-fitted appliances, carpets, furniture, electronics and other personally-owned items are not covered.

Importantly, strata insurance does not cover the owner's (or the tenant's) liability to others for personal injury or property damage within the unit. Nor does it cover the landlord for any tenant-related risks. EBM RentCover*Ultra* is designed for landlords with investment properties within strata complexes and covers landlord contents against insured events such as fire, storm, flood and water damage, their legal liability and tenant-related risks.

At EBM RentCover we want to empower our clients by providing the tools and knowledge needed to confidently apply for, and manage, policies. Landlords and agents with queries about the right cover for their investment property, including those properties rented short-term or through platforms like Airbnb, are encouraged to contact our team for advice – 1800 661 662.

Who’s responsible when something goes wrong?

The below example illustrates the relationship between the different types of insurance needed to cover damage to a rental within a strata complex:

During a recent storm, water entered the top-level rented apartment causing damage to the ceilings, walls, carpets, blinds and the tenant’s possessions in the lounge room and bedroom.

The owners’ corporation contacted the strata insurer, which investigated the cause of the water entry and found a fault in the roof that allowed water to enter the property during the downpour. The strata insurer arranged for the damage to the roof to be repaired, along with the damage to the walls, ceiling and skirtings within the landlord’s apartment (as these are part of the building).

As the carpets and blinds were also damaged (these are not permanent fixtures and, as such, belong to the owner), the landlord contacted EBM RentCover to claim on their *Ultra* policy for water-damage to these items.

As some of the tenant’s possessions were also damaged by water getting into the apartment, the tenant could claim losses from their contents insurer.

This example shows if the landlord had solely relied on strata insurance, they would have been left out of pocket replacing the damaged carpet and blinds.

The ‘accidental’ landlord

Almost one-quarter of all landlords fall into the role by accident, not by design. With so many ‘accidental’ landlords, there’s a good chance they are putting their financial security at risk by not being prepared.

For many Australians, property is a considered investment. But others find themselves in the role of landlord by accident. There are numerous circumstances that can lead to an owner finding themselves renting out a property – including inheriting all or part of a property, having to let their home due to divorce or separation, relocating for a new job, moving in with a partner, or having to rent their home if they weren’t able to sell it.

Research by MCG Quantity Surveyors found 23 per cent of those with an investment property lived in it initially as owner-occupiers. Through circumstance, they then find themselves with an investment property.

Unlike those who have made a conscious decision to invest in property to rent from the outset, ‘accidental’ landlords are less likely to have considered all the aspects of leasing property and less likely to understand the risks, their rights and obligations. EBM RentCover recommends all landlords engage the services of an agent (PM) to manage the investment property.

Some considerations that need to be explored when it comes to being a landlord include:

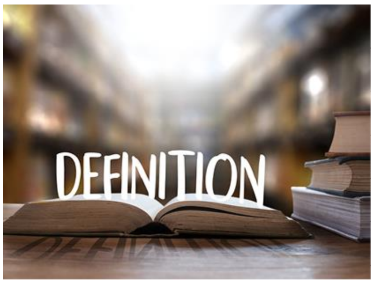
- **Tenancy legislation** – the landlord/tenant relationship is governed by the *Residential Tenancy Act* of each state/territory and landlords need to make sure they are familiar with their rights and responsibilities under law.
- **Mortgages** – the lender must be advised that the property is no longer owner-occupied. Lenders may require the loan to switch to an investment mortgage as rented premises pose more risks for the lender with borrowers frequently relying on rental payments to cover the mortgage.
- **Tax implications** – including rental income and expenses, depreciation, negative gearing, capital gains and stamp duty. Landlords would be wise to engage a tax agent to understand the financial implications of leasing property.
- **Tenant selection** – tenant interviews and checks (references, income and employment)are crucial for ensuring a suitable tenant is chosen. Such checks must comply with state/territory laws, including privacy.
- **Tenancy agreements/leases** – need to document responsibilities, terms and conditions for the lease and take into account legislative requirements.
- **Rental bonds** – requirements for calculating, collecting, lodging and reimbursing bonds/deposits vary by state/territory.
- **Carrying costs –** these include being able to finance repairs and maintenance, keep up mortgage repayments during periods of vacancy, and pay PM fees or fees associated with self-managing such as advertising costs.
- **All things rent** – rental appraisal, setting rents, rental yields, collecting rent, increasing rent, dealing with arrears…
- **Inspections** – need to be carried out within legislated parameters.
- **Repairs and maintenance** – it is important to understand tenant rights in respect to repairs and maintenance (urgent repair timeframes are generally legislated), as is ensuring the property is adequately maintained (failure to do so can potentially void insurance cover).

Last, but by no means least, is the matter of insurance. Protecting an investment property is a financial imperative, which is why it's important to choose the right insurance.

Many 'accidental' landlords are under the false impression their building insurance covers them in the case of damage or loss of rent during a tenancy. Comprehensive landlord insurance is generally the only cover that will provide protection for the building structure (if applicable), the contents and for tenant-related issues such as damage or loss of rent. And while it's important to secure specific landlord insurance to cover the unique risks posed by renting a property, it's also important to make sure the right type of policy is selected. There are different policies for different types of property (e.g. house, apartment/unit/townhouse, furnished or unfurnished) and also for how it is rented (on a fixed-term/periodic lease or on a short-term basis such as a holiday let, serviced apartment or through a platform like Airbnb).

EBM RentCover is one of few specialist landlord insurers which offer a full suite of comprehensive landlord covers to meet the different lease arrangements and protection against a range of risks. We offer more than landlord insurance – we offer certainty by providing reliable insurance solutions to help landlords and their property managers feel confident their investment is well protected.

Jargon buster: Your guide to common insurance terms



Like most industries, insurance has a language all of its own. There are good reasons for it, but it's handy to know a bit of the lingo.

It's not uncommon for people to glaze over when an insurance guru starts waxing lyrical about subrogation[*] clauses, ab initio[†] provisions and the principle of uberrima fidei[‡] or for policyholders to think "what the?" by a PDS written in legalese. That's why at EBM RentCover we are committed to helping navigate you through the maze of insurance jargon.

So, while we are here to answer any queries you might have about the policy wording, here's a 'cheat sheet' outlining the meaning of a few commonly used and misunderstood insurance terms:

- **Actuary -** a person who uses mathematics and statistics to evaluate the risk of something happening, how much it costs to finance that risk, and how much your premium should cost.
- **Accidental damage -** an unintentional one-off incident that causes damage to your property or its contents.
- **Actual total loss -** where the property insured is completely destroyed or so badly damaged that it is beyond economic repair.
- **Arbitration -** a system of deciding legal disputes between an insured and an insurer by use of a private tribunal outside of the court system.
- **Assessor (aka loss adjuster) -** a representative of the insurer who seeks to determine the extent of the insurer's liability for loss when a claim is submitted by checking the details to see if the claim is valid and meets the terms and conditions of your policy.
- **Consequential loss -** a loss of property may also result in a "loss of profits" and/or additional expenses. This is a loss which is a consequence of the property loss.
- **Cooling-off period -** a period (min. 14 days) during which you may cancel your policy if you change your mind and receive a full refund of the premium unless a claim has been made.
- **Depreciation -** the loss in value that your property and most of its contents loses over time due to factors such as age and wear and tear.
- **Duty of disclosure -** as the insured, when you apply for an insurance policy or renew or extend an existing policy, you have a duty to tell the insurer everything about you and your situation that is relevant or could reasonably be expected to be relevant to the insurer's decision to insure you.
- **Defined events (aka insured events) -** occurrences that cause loss and damage which are listed in your policy.
- **Embargo -** a restriction applied by an insurer on accepting new policies in certain areas or under some circumstances. An embargo prevents insurance being purchased when an event is known to be extremely likely or is already having an impact (e.g. during a natural disaster).

[*] An insurer's rights at law to take over the insured's rights, following a claim payment to recover the payment from a third party responsible for the loss.
[†] An insurer is able to avoid a policy *ab initio* ("from the beginning" of the contract) in situations where an insured fraudulently non-disclosed or fraudulently misrepresented information when applying for insurance.
[‡] The doctrine of Utmost Good Faith. This is implied in all contracts of insurance.

- **Insurable interest -** when making a claim you must be able to demonstrate at the time of the loss you suffered a pecuniary (money) or economic (includes loss of use) loss.
- **Malicious damage -** damage that has been caused by 'malicious intent' (carried out with vindictiveness or spite); that is, the tenant must have been motivated by malice and intended to cause damage.
- **Mitigation -** what you might be able to do to lessen the impact of something happening to you or your property.
- **Negligent (or negligence**) **-** when you don't use reasonable care in a situation where you have an obligation to another person.
- **Non-disclosure -** where you have not told your insurer all of the information that should have been given and not complied with your duty of disclosure when you applied for an insurance policy. This may result in your insurer not being obliged to pay all or a portion of a claim.
- **Peril -** something or a situation that might cause harm or loss, such as a cyclone.
- **Reinsurance -** is insurance for insurance companies. In exchange for the premium paid, the reinsurer agrees to indemnify the reinsured for part or all of the liability assumed by the reinsured under a policy of insurance.
- **Risk -** the likelihood of something happening that might cause injury or financial loss; the exposure to a specific threat, hazard or peril.
- **Sum insured -** the maximum amount that your insurer will pay for a claim under the policy.
- **Third party -** a person apart from those that are parties to a contract.
- **Underwriting -** the way an insurance company works out how much risk exposure it has and then calculates the premiums it will need to charge to insure that risk.
- **Utmost Good Faith -** all parties to an insurance contract are required to act with fairness and honesty in their dealings with each other.

Straight Talk with Sharon Fox-Slater

From a single-person operation to a national business employing more than 80 staff – EBM RentCover has stamped its mark on the insurance industry. However, Managing Director Sharon Fox-Slater states there is still more to come…

Insurance can be confusing and complicated, but delivering exceptional service is pretty simple, says EBM RentCover Managing Director Sharon Fox-Slater.

"The truth is, insurance means different things to different people," she says.

"For clients, it's a way to recoup costs if something bad happens. For insurers, there is a perception it is a way to make money from people who are lucky enough to avoid disaster.

"But, for EBM RentCover, insurance is about providing certainty in times of uncertainty, by educating and empowering our property partners and landlords to understand the true value of properly protecting their investment properties."

This philosophy has been ingrained in the culture of EBM RentCover for close to 30 years, and has forged the business ahead as a leader in specialised landlord insurance. It has transformed from a small start-up into a national operation of more than 80 employees who work hard to educate property professionals and protect more than 145,000 policyholders.

A key driver of the company's success is Sharon Fox-Slater, who has worked in the insurance industry for more than 30 years. She joined EBM back in 1993 and was part of the core team that helped launch one of Australia's first landlord insurance policies into the market.

Sharon says EBM RentCover is built upon a foundation of integrity and honesty – values a client does not typically associate with insurers or broking houses.

"At EBM RentCover, we offer more than landlord insurance – we offer proactive service and support so our property partners and clients feel confident they are well protected," she says.

"Our team is also passionate about education. Insurance is an industry constantly misunderstood – people don't comprehend how far-reaching and influential it really is. However, without insurance the world wouldn't operate as we know it – planes wouldn't fly, ships wouldn't sail, buildings wouldn't be built – because no one would be prepared to take any risks.

"To combat misconceptions, we work to promote the value of insurance and our service."

While Sharon admits she didn't necessarily see a future in insurance when she first started out, she says she couldn't see her career panning out any other way. Now, she is keen to get more and more young people interested in the profession.

This is no easy feat, with Sharon noting there are some challenges when it comes to recruiting the next generation of insurance professionals.

"It is clear the majority of young people don't know what insurance is, how it works and the value it adds to society," she says. "And, those who do understand the world of insurance oftentimes have a negative view of the industry.

“However, insurance is an exciting industry and a long-term career opportunity for those who are prepared to work hard. Most excitingly, it is an industry for everyone – it has roles for those with varying backgrounds and differing education levels, and is a perfect opportunity for school leavers wanting to kick-start their careers.

“I started in the industry in an entry-level position and now work as the managing director of EBM RentCover – that scope for development is not available in a lot of industries.”

In addition to the accomplishments Sharon has achieved at EBM RentCover, she was the first woman in Australia to complete the Advanced Diploma in Insurance Broking, and as a result, was the first woman to become a Fellow of the National Insurance Brokers' Association.

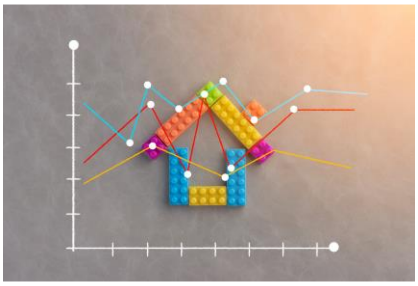
Quick Q&A

What has been your biggest career highlight?
Growing EBM RentCover from a one-person operation to a business employing more than 80 staff is a definite highlight. When I was first asked to manage EBM RentCover, it had a few hundred clients. Now, the business protects more than 145,000 properties across Australia. The growth has been both staggering and unexpected.

What do you attribute the growth to?
The growth is because of our people. We wouldn't be where we are today without a team of superstars who are dedicated to delivering the best customer support to clients. Our staff genuinely care about relationships with clients and educating property professionals about the value of landlord insurance.

What does the future of EBM RentCover look like?
EBM RentCover will continue to grow on the back of its reputation as leaders in landlord insurance. In addition, we are investing considerable money in our brand and finding new ways to provide a greater service to our property partners and clients. We are ultimately investing in ourselves, so we can invest in our clients.

Looking at the insurance industry as a whole, how do you see it changing and evolving over the next five to 10 years?
They Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry will affect the future of the insurance industry. Recommendations relating to the sector are set to bring it in line with the more heavily regulated areas of financial services, in turn weeding out those who give insurance a bad name, and ultimately boosting the professionalism of the industry.



Investment Property Market Snapshot

Latest industry statistics and analysis.

Asking rents down
In April, capital city asking rents declined 0.7 per cent to $555 p/w for houses and declined 0.2 per cent to $441 p/w for units, according to SQM Research. Average rents declined in Sydney, Adelaide, Canberra and Darwin, and increased in Melbourne, Brisbane and Perth. Across the capitals: Canberra $630 p/w houses / $456 p/w units; Sydney $695 / $506; Darwin $488 / $375; Brisbane $457 / $371; Adelaide $391 / $300; Hobart $427 / $368; Melbourne $544 / $422; and Perth $446 / $336.

Vacancies decline
SQM Research showed the national vacancy rate declined marginally to 2.1 per cent in March. Across the capitals: Canberra 0.9 per cent; Sydney 3.1 per cent; Darwin 3.7 per cent; Brisbane 2.5 per cent; Adelaide 1.1 per cent; Hobart 0.4 per cent; Melbourne 1.6 per cent; and Perth 2.9 per cent.

Yields up
According to CoreLogic's *Quarterly Rental Review*, there was an increase in national rental yields in the March 2019 quarter. Gross national yields increased across the combined capitals to 4.10 per cent, compared to 3.95 per cent in the previous quarter.

Hobart: reported the strongest growth in weekly rents (up 3.6 per cent over the past quarter and 5.4 per cent over the past year to $453) and the second highest rental yield at 5.1 per cent.

Sydney: remained Australia's most expensive capital city market, with a median weekly rent of $582 (up 0.5 per cent over the past quarter, but -3.1 per cent over the past 12 months). Sydney also had the lowest rental yields out of all capital cities, at 3.5 per cent, over the past quarter.

Canberra: recorded a median rental cost of $550 per week (up 1.5 per cent over the past quarter and 3.6 per cent over the past 12 months).

Melbourne: weekly rents were up 1 per cent over the quarter and 2.1 per cent over the past 12 months to $454 a week. Melbourne reported the greatest increase in rental yields out of all capital cities, with current rental yields at 3.6 per cent, compared to 3.1 per cent a year ago.

Brisbane: weekly rents were up 0.8 per cent over the quarter and 1.4 per cent over the past 12 months to sit at $436.

Perth: was the most affordable capital city to rent in, with a median weekly rent of $385. However, it is showing signs of growth, achieving 1.8 per cent growth over the quarter and 2.1 per cent over the year.

Adelaide: was the second most affordable capital city, with a median weekly rent of $386 (up 0.8 per cent over the quarter and 1.2 per cent over the year). Gross rental yields remained static over the year at 4.4 per cent.

Darwin: experienced the most significant decline in rent (-0.3 per cent over the quarter and -5.7 per cent over the year) to achieve a median weekly rent of $458. However, at 6 per cent, Darwin had the highest gross rental yield out of all the capital cities (up 0.1 per cent on the past 12 months).

Investment loans rise
February 2019 saw a 0.9 per cent increase in lending commitments to households for investment dwellings, according to figures released by the ABS. In seasonally adjusted terms, the value of new lending commitments for investment dwellings was down 29.1 per cent from February 2018. Overall, the value of lending to households rose 2.6 per cent in February. Finance approvals to build new houses were up 2.5 per cent and up 0.7 per cent for established homes, while approvals to buy newly-built dwellings fell 2.4 per cent.

Building approvals up
ABS figures showed approvals to build or renovate houses and apartments rose by 19.1 per cent in February (but were down 12.5 from a year prior). Permits to build private houses fell 3.6 per cent, while approvals to build apartments surged 64.6 per cent in February. Across the states and territories, approvals for detached houses were strongest in Victoria (+37.3 per cent), NSW (+25.2 per cent), SA (+6.8 per cent) and Queensland (+3.4 per cent). Approval declines were recorded in the ACT (-6.3 per cent), the NT (-6.5 per cent), WA (-10.9 per cent) and Tasmania (-13.6 per cent). Multi-unit approvals were strongest in Victoria (+134.1 per cent) and NSW (+69.5 per cent).

Housing values set to decline
According to the latest CoreLogic-Moody's Analytics *Australian Home Value Index*, national housing values have recorded sharper declines than apartment values, with housing recording a 9 per cent drop from its 2017 peak, compared to a 6 per cent drop for apartments. Housing values are also forecast to drop 7.7 per cent through 2019, with declines expected in Melbourne (-11.4 per cent), Sydney (-9.3 per cent), Brisbane (-0.6 per cent), Perth (-7.6 per cent) and Darwin (-0.6 per cent). House prices are forecast to improve in Adelaide (+1.0 per cent), Canberra (+3.2 per cent) and Hobart (+4.0 per cent).

Rents on the rise
Data from rent.com.au showed rent prices were rising in some cities despite the downturn in the property market. The national median rent for an apartment in February rose 2.2 per cent to $460 p/w, while house prices declined 2.2 per cent to $440 p/w. Apartment prices were up in all capitals except Perth (-0.7 per cent), while house prices were steady in Sydney, Melbourne, Perth, Adelaide and Hobart, down -2.2 per cent in Brisbane and up 2 per cent in Darwin and 1.8 per cent in Canberra. The national median price per room rose 3.9 per cent to $197 p/w.

Highs and lows for rents
According to the *Domain Rental Report* for the March 2019 quarter, Canberra ($30 p/w more) beat out Sydney (where rental stock hit record highs) to have the highest rents across the capitals. Both Brisbane and Adelaide saw rents hit record highs, while Perth had the most affordable rents. Yields in Melbourne saw their strongest annual improvement for seven years. In Hobart, rent rises are set to ease a little despite vacancy rates tightening, while Darwin has the highest vacancy rate though rents are stabilising.

Auction clearance rates rise
According to CoreLogic's *Quarterly Auction Market Review*, 49.9 per cent of all homes up for auction across the capitals sold during the March 2019 quarter. This represents an increase of 6.6 per cent on the December 2018 quarter results. Quarterly clearance rates increased across all capitals except Hobart (-5.2 per cent) and Canberra (-1.6 per cent).

New home sales continue to wane
The HIA's *New Home Sales* report revealed new home sales rose by just 1 per cent nationwide in February. Rises were recorded in Victoria (+2.5 per cent), WA (+5.1 per cent) and SA (+7.5 per cent), while falls were recorded in Queensland (-5.5 per cent) and NSW (-1.7 per cent). The HIA noted that sales for the three months to February were 18.1 per cent lower than at the same time last year while approvals for new homes showed the market was 8.1 per cent lower than in the same three-month period a year earlier.

Home loan activity falls to lowest level in 6 years
According to Australian Finance Group's *Mortgage Index and Competition Index*, lending volumes across Australia in the March 2019 quarter fell 10 per cent, compared to the previous quarter. The 23,049 loans lodged during the quarter represented the lowest number in six years, while the $11.6 billion volume was the lowest quarterly figure since 2014.

Housing affordability rises
Ratings agency Moody's found housing affordability improved 2.2 per cent in the March 2019 quarter. It was also found that the proportion of household income needed to meet repayments on new mortgages dropped 2.2 percentage points in the last 12 months, to sit at 26.5 per cent.

Investor confidence dips as renters' rise
Digital Finance Analytics' *March 2019 Household Financial Confidence Index* revealed renters were the only market segment to show a rise in confidence (attributed to rents in some centres, particularly Sydney, on the decline). In contrast, property investors remained the most concerned, with falling home prices, the switch from IO lending, lower net rental yields and the risks from changes to negative gearing and CGT impacting confidence.

News in brief

ATO targets property investors

The ATO has announced it is doubling the number of audits on "dodgy" rental deductions, noting that the vast majority are submitted incorrectly. According to Assistant Commissioner Gavin Siebert, rental deductions will be made a top priority at the ATO due to the number of mistakes being identified. "A random sample of returns with rental deductions found that nine out of 10 contained an error," said the Assistant Commissioner. "We are concerned about the extent of non-compliance in this area and will be looking very closely at claims this year. We expect to more than double the number of in-depth audits we conduct this year to 4,500, with a specific focus on over-claimed interest, capital works claimed as repairs, incorrect apportionment of expenses for holiday homes let out to others, and omitted income from accommodation sharing." According to the ATO, investors who deliberately over-claim can see penalties of up to 75 per cent of the claim. In FY18, more than 1,500 audits of rental claims were made and a total of $1.3 million in penalties were handed out.

Fewer negative gearing

Statistics released by the ATO revealed just 9.4 per cent of individuals recorded a rental loss in FY17, the lowest number since FY10. A record 15.5 per cent of individuals claimed a gross rental income.

Airbnb putting pressure on rent prices

Modelling from the RBA has showed Airbnb is having an effect on rental prices, with vacancy rates being the "strongest predictor" of rents. A separate study from AHURI found up to one in seven rental homes in popular inner city and beachside cities had been converted from long-term rental properties into short-term accommodation.

Renters don't prepare for storms

A survey by motoring association, the NRMA, found renters and those living in apartments are the most susceptible to storm damage and potential costs. Despite storms costing NSW $1.56 billion every year, the study revealed that only 44 per cent of renters are likely to take steps to prepare their home for severe weather (compared to 55 per cent of owner-occupiers), and only 35 per cent worry about the damage a storm could cause to their house or apartment (compared to 48 per cent of owner-occupiers). The research also found only 39 per cent of people who live in apartments prepare their homes for storms, compared to 54 per cent living in houses.

More people, fewer bids

A study by economists from the University of Sydney and the University of Technology Sydney (UTS) has revealed that the more bidders there are in an auction, the less each bidder thinks they have a chance of winning. This in turn has a demotivating effect on the bidders' desire to win the auction and results in fewer people actually bidding.

"Keeping up appearances" trumps home ownership

Research by Mortgage Choice found 35 per cent of Australians are feeling pressured to keep up appearances and maintain their lifestyle. As a result, 38 per cent of Australians are choosing to give up purchasing property.

Capital-raising capabilities of mutuals increased

On 4 April 2019, the *Treasury Laws Amendment (Mutual Reforms) Bill 2019*, which amends the *Corporations Act 2001* to allow mutually owned institutions to issue capital instruments, was passed. Moody's noted the development is "credit positive" for mutuals because it will enhance their ability to support growth, invest in technology innovation and, over time, will also strengthen their competitiveness.

Investors more confident
Results from Westpac's *Consumer Sentiment Survey* for January revealed investors score higher on all metrics (household finances, big-ticket spending, how the economy will fare) than non-investors. "Housing investors are markedly more optimistic than non-investors with an average sentiment read over December and January of 114.7 vs 101 for non-investors and 103.7 for all consumers", Westpac noted.

Digital refinancing on offer
Gateway Bank is trialling digital refinancing home loan documents in NSW, Victoria and SA. The trial will see loan documents digitised and enable them to be delivered, signed and sent virtually. The bank says that this will allow for quicker settlement and reduce the chance of errors in signing.

Home for survivors of family violence opened
The Victorian State Government partnered with the Women's Property Initiative to open Brian O'Donnell House which provides long-term affordable accommodation for vulnerable Victorians fleeing family violence.

Value of a view
Independent property analyst Michael Matusik has crunched the numbers to find out the value of a view to a dwelling. He found a ground level unobstructed view increased the value 3-5 per cent, a rooftop partially obstructed view 6-8 per cent, an unobstructed view from a medium elevation 9-12 per cent, and an unobstructed view from a high elevation 15-25 per cent, while an unobstructed water view could increase the value by a whopping 30-80 per cent.

Aussies still fixated by property
Research from HSBC has found Aussies spend an average of 2.5 hours a week focussed on property, with 23 per cent of owners reporting that they check the value of their property every three months. Those in the UAE are the most property obsessed (Aussies were 7th), spending an average of 6.6 hours a week on property, while globally people spend an average of 3.5 hours a week window shopping for homes, reading property mags and trawling online listings – even when they aren't in the market for a property.

Negative gearing reform
A report by JWS Research, commissioned by the HIA, has found 66 per cent of Australians surveyed do not understand Labor's proposed reforms to negative gearing and capital gains tax (34 per cent are aware and understand the policy at some level). It was also found 52 per cent believe rents will rise and 74 per cent believe there needs to be a review of the policy.

A survey of current and potential investors commissioned by the Property Council of Australia revealed 49 per cent would be discouraged from investing in property if Labor's policy was to be implemented – the appetite for any property investment among potential investors fell from 50 per cent under existing arrangements to 20 per cent if Labor's policy was to come into effect, and from 47 per cent to 25 per cent among current investors. A further 42 per cent would reconsider the type of property they would purchase.

New tool helps lenders determine investor risk
CoreLogics's new Home Loan Portfolio Analysis service will enable lenders to analyse the portfolios of borrowers by matching a lender's existing portfolio data to property-specific data in order to provide customer-level data and assist lenders identify portfolio blind-spots. The credit and risk tools can also provide borrowers with a benchmark for rental income calculations, while helping lenders to identify risky borrowers and potentially inaccurate or even fake information about rental incomes on loan applications.

Rental affordability worsens for low-income earners
Anglicare's annual *Rental Affordability Snapshot* has revealed less than 0.5 per cent of rental properties were affordable for singles on the disability pension and only 0.8 per cent were affordable for a single person on the age pension, while virtually no properties were affordable for a single person on Newstart.

Tech watch: latest apps and platforms
LIDA has developed the Landlord Report Card to give PMs insight into landlords before they take them on as clients. The report card is set to provide info on a landlord including their communication, response times, maintenance, and tenant applications. LIDA plans to develop a tenant report database also.

Part of the Market Buy online sales system, the Click2Offier web portal is a system that allows buyers to purchase property online via private treaty, auction and tender.

Bendigo Bank has launched a fully digital home loan platform. Bendigo Express offers customers a streamlined digital fulfilment process and uses inbuilt digital validation of income and expenses, ensuring compliance with higher lending standards.

RE auction platform Gavl has launched new features on its apps, enabling buyers and vendors to sign contracts electronically and complete deposit transfers direct to the nominated trust account.

Realestate.com.au has launched the Tenant Verification tool. Available through the 1form platform, the tool is designed to help prospective tenants submit a more complete application by verifying identity documents and rental history.

Legal corner: Landlord fined over bonds & NRAS housing group in trouble with ACCC
A Western Australian landlord has been fined $10,000 ($5k for each offence) and ordered to pay costs of $3,775.10 after he breached the *Residential Tenancies Act* by failing to lodge $3,200 in bond money with the Bond Administrator. The landlord also kept the bonds at the conclusion of the two tenancies without the tenants' agreement or without a court order.

Property investors have been caught up in a battle between Quantum Housing Group and the ACCC. The watchdog has accused the housing provider of unconscionable conduct and false, misleading or deceptive conduct relating to the National Rental Affordability Scheme. It is alleged that the group pressured property investors participating in the NRAS to terminate the arrangements with their existing PMs and to retain PMs recommended, approved or with commercial links to Quantum. In addition, the ACCC alleges the company made misleading representations to investors and PMs about its own rights on top of potential losses investors would face if they did not use Quantum's approved PMs. It is alleged the company also issued guidelines to PMs about how to become approved by Quantum by paying a $10k deposit to the company for each NRAS property they managed.