

# REIQ JOURNAL

FOR MEMBERS OF THE REAL ESTATE INSTITUTE OF QUEENSLAND

## Awards for Excellence

SEE THE WINNERS FROM  
OUR NIGHT OF NIGHTS

HOW TO WIN THE LISTING:  
THE NEW 'SCRIPTS AND DIALOGUES'  
WITH LEE WOODWARD

COMMON WEBSITE FAILS  
BY TARA BRADBURY

ALL YOUR NEGATIVE GEARING QUESTIONS  
ANSWERED BY EDDIE CHUNG

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GOLD COAST STUNNER!

MARCH 2017



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## In this edition:

### 2017 REIQ Awards for Excellence Winners

16



### Common PM website fails by Tara Bradbury

28

### Research

36

Brisbane house and unit middle ring boom in 2017

What you want to know about negative gearing... but are too afraid to ask

### Risk Management

41

Unenforceable promise or binding contractual term?

*Davis v NSW Land and Housing Corporation* [2016] NSWCA 325

## Regular:

Industry News	3
Social Media Update	8
Training	24
What's New What's Hot	31
How to Win The Listing	32
Advice from an Award Winner	33
Zone Focus	34
What's On	40
Done Deal	46
Supplier Directory	47
New Accredited Agencies	48
Who's Who at the REIQ?	49



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## REIQ Mission Statement

*To remain the State's peak real estate organisation, universally recognised for its leadership of the profession and its relevance to real estate practitioners, governments and the community.*

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# REIQ to introduce digital signatures to Realworks forms

*The REIQ has met with all stakeholders over recent weeks to discuss the introduction of the digital signatures feature to our forms software Realworks.*

Key areas of negotiation include protecting the security of forms that can be edited and satisfying issues of legal compliance.

REIQ CEO Antonia Mercorella said

the meetings had been productive as all parties moved towards this goal.

“We have met with the RTA and our platform designer Dynamic Methods and together we are all working through the issues, which are complicated,” she said.

“We are confident that we are close to a resolution and look forward to being able to make an announcement soon.”

Ms Mercorella said DocuSign will be the digital signature provider of choice for the REIQ.

Realworks celebrated its second birthday recently, and confirmed that more than 11 million forms had been created. It is the market leading software and the REIQ continues to find ways to innovate and maintain its dominance.

REIQ members receive significant discounts on Realworks subscriptions. To sign up to Realworks, or to receive a virtual tour, contact our Realworks helpdesk: 3249 7350

## QMM MARKET

## OUTLOOK BREAKFAST

Date claimer!

**Looking for the latest news and data on your real estate market?**

The REIQ is hosting a Queensland Market Monitor breakfast, launching the March quarter report.

Guest speakers will talk about the data in the report, median house price movements, rental markets and the outlook for the rest of 2017.

**Don't miss this important breakfast.  
Know what your market is doing right now.**

**Date:** June 14 | Victoria Park Golf Complex, Herston.

**Find out more:** E: [events@reiq.com.au](mailto:events@reiq.com.au) –  
**subject line:** Market Outlook Breakfast.

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# Real estate underpins our every move

A WORD FROM THE CHAIRMAN

*It won't surprise you to learn that the REIQ invests in real estate! Recent years have been tough for the property market in many parts of Queensland, so your Institute has had to work hard to stay financially sustainable now and into the future. And making wise decisions on investing your membership funds is critical.*

For many years the REIQ (that's you and me as members) has owned an investment property in Townsville (Hugh Street in Currajong for the locals – get down and join the Plus Fitness gym to support your tenants!), and of course we've owned our "home" at Coorparoo since the mid 1980s.

Late last year we sold this inner-Brisbane property, capitalising on a heightened market for our 6800m<sup>2</sup> site in a fast-developing neighbourhood. And I'm really excited to announce our purchase of 50 Southgate Ave in Cannon Hill, soon to be the new home of the REIQ!

As I write the architects have finished their brief and builders are furiously working on our fitout. This will be a home for the real estate profession's peak body that all of us can be incredibly proud of. It'll have fresh, cutting-edge accommodation for our team, first-class training facilities, and a vibrant and stylish venue available to all members.

Importantly REIQ will take up less than half our current floor space,



allowing us to secure tenants and an income stream from the ground floor. We've purchased an adjacent

104 bay carpark to support our needs and provide a further investment income. Local commercial agents will confirm this is an office market full of opportunity, and we're delighted we were able to buy an excellent property in this sought-after office park.

There won't be gold-plated fittings and while the property will undoubtedly be classy and modern, there's high caution in the spending. Overall, it's great real estate. A long-needed change for your Institute and an important move for our future.

Next year the REIQ marks 100 years of serving you and the real estate profession in Queensland. It's a heck of a milestone. Incredible evidence of the support you've provided your Institute, and of the importance of us all coming together for one voice. To achieve more and greater things, together.

We look forward to welcoming you to the REIQ's new home in coming months. And to sharing in the fruits of a great investment in real estate and the real estate profession!

**#ProudToBeARealEstateProfessional**

# Young Guns

*Call for entries*

HAVE YOU HAD A GREAT YEAR IN YOUR CAREER? LOOKING TO BUILD YOUR PROFILE AND SHARE YOUR SUCCESSES WITH YOUR PEERS?

Consider putting your name forward for the **REIQ Young Guns** edition of the Journal!

We showcase some of our best and brightest young professionals across all areas of the real estate profession.

If you've had a strong year, this is an opportunity to celebrate and prepare for the next level.

Email Jordan for the criteria: [jtindal@reiq.com.au](mailto:jtindal@reiq.com.au)





# Make next year your year to shine

A WORD FROM THE CEO

*So far 2017 is off to a really positive start. We've just held our Awards for Excellence and this year we had an unprecedented number of finalists. We also introduced three new award categories – Regional Salesperson and Regional Agency of the year and Business Development Manager of the year. It was wonderful to see greater regional participation and many first-time entrants having a go.*

**C**ongratulations to all of our finalists and of course to our worthy winners. Turn to page 16 for the full list of winners.

Anyone who is thinking about having a go, my advice is simple – just do it. Many of our award winners, including the current REIQ Auctioneer of the Year and Australasian Auctioneer of the Year Justin Nickerson, report a couple of unsuccessful years before they finally entered the winners' circle, but they agree that it's worth it when they finally made it. Winning such a prestigious and highly sought-after award presents a great career opportunity and is a great profile-building tool.

If you'd like to talk about entering our next Awards and discuss your eligibility, please don't hesitate to contact our team for a chat. **Email Lauren: [events@reiq.com.au](mailto:events@reiq.com.au)**. We're here to help.

I have just recently returned from the INMAN Conference in New York, one of the largest real estate conferences in the world. It's funny to travel to the other side of the world and discover so many similarities. US real estate practitioners are facing all the same challenges we are facing here and it was interesting to see some of those responses that we have not yet tested here. More on this later.

This year's conference had a strong focus on technology. I've been working within the real estate sector for around 14 years now and if I had a dollar for every time someone told me they had invented the 'next big thing' that was going to disrupt real



estate and eliminate the need for a real estate professional, I'd be very wealthy! I'm sure you all feel the same way.

While I was in the US learning about technology in the real estate sector, the ABC aired its Four Corners story "Future Proof" about the future of the employment and labour markets as robots and apps take over more tasks. The program listed real estate agents as one of the jobs that will cease to exist in the future.

In stark contrast to this, the Inman conference showcased how technology can complement the role of the real estate professional rather than take its place.

I have been so inspired by this that we are going to walk the walk and

host a Tech Day later this year. The REIQ has a role to play in guiding real estate professionals through this sometimes scary territory.

We'd love your feedback and ideas on what you'd like to see on stage at this event. Keep an eye out for dates and details.

Finally, I'm thrilled to announce the return of the "I love PM" event, a stand-alone conference for property managers on March 17. Visit [REIQ.com](http://REIQ.com) to check out the awesome line-up of speakers and to get your tickets to this must-attend day.

See you there!

Best wishes,

**Antonia**



# Social Snapshot for February

## facebook



**The REIQ:** Demand for Queensland property – measured at 4.8% higher than last month – is rising higher than the national average, according to REA Group's Property Demand Index.



**The REIQ:** RBA keeps cash rate at 1.5%



**The REIQ:** The REIQ responds to the Treasurer's rejection of our proposal to broaden the first home buyers scheme to include established houses.



## twitter



**The REIQ** @TheREIQ - Feb 4

Chairman [@rob\\_honeycombe](#) reminds the Hon Mick Di Brenni that it's been two years since the Labor Govt promised CPD. [#awardsforexcellence](#)



## REIQblog.com



### Latest posts:

#### Harden up and succeed in your real estate sales career

The early years of a sales career can be gruelling – prospecting is hard; learning how to cold call and door-knock is exhausting and all that rejection is brutal on your ego.

#### Social media tips for real estate agents from CoreLogic

As we run headlong into 2017, ask yourself, will your social media content be any different this year? There is no shortage of people preaching at you that you need to find the time to engage your audience on social media.

## Instagram



Very strong auction activity for the week ending 12 February 2017 with about \$93 million worth of property sold under the hammer. This level of activity significantly exceeds the average auction property transactions in the second half of 2016 (of about \$56 million).



Celebrating Valentine's Day with REIQ chocolates!

# REIQ moves house after 30 years

*The Real Estate Institute of Queensland is moving house!*

The peak body for real estate professionals in Queensland has bought new premises, which are currently being renovated, and the entire organisation will move in by late May, 2017.

REIQ Chairman Rob Honeycombe said the business was moving for two main reasons. The market was growing strongly in Coorparoo and it was a prudent decision to seize upon the market conditions with developers seeking parcels of land. And secondly, new premises fit with the REIQ's current ongoing strategy to modernise all elements of the business.

"Like most home owners, we bought the Coorparoo building because it suited our needs. However, as the business has modernised and streamlined its activities, this building has outgrown its usefulness," he said.

"As we approach our centenary celebrations next year we are ensuring the business is modern, fresh and

responsive to its environment.

"We've been in Coorparoo for 30 years and now it's time to move on, so we're thrilled to be moving to 50 Southgate at Cannon Hill. This building is an investment in the next chapter of the Real Estate Institute of Queensland.

"We're renovating before we move in to create a truly state-of-the-art training facility and a modern, attractive premises for our dedicated team," he said.

The facility will offer training rooms for the business's training and professional development arm, along with modern function rooms for our professional networking and educational member events.

The REIQ has also purchased the two-storey parking station next to 50 Southgate and this will accommodate students and other visitors to the building.

50 Southgate was formerly owned by the Endeavour Foundation and the transaction settled on January 30.

The REIQ plans to occupy the top floor of the building and is seeking a tenant for the bottom floor.

"We are real estate specialists and we believe strongly in the power of property to build wealth so it is a natural fit for us to be the landlord of our own building and lease part of it to a tenant," he said.



## Ray White exceeds \$70m at auction

*Ray White offices across the Gold Coast collectively auctioned nearly 200 properties and sold \$72 million worth of real estate in one week.*

Dubbed "the grand final of auctions", Ray White Surfers Paradise Group's annual auction extravaganza, The Event, showcased 130 homes. Selling over \$40 million in one day, 2,000 people were in attendance with 300 registered bidders and an even split of local and interstate buyers. The highest price achieved was \$3.5 million for 76 Admiralty Drive, Paradise Waters, a luxury waterfront

home located on the main river.

On Saturday, 28 January, Ray White Broadbeach, Mermaid Beach and Robina came together for their Summer '17 auctions. With 23 properties up for grabs, the three offices achieved a combined total of just shy of \$15 million in sales.

The week prior, on 22 January, The Ray White Gold Coast South Network conducted 38 auctions in a day with sales totalling more than \$12 million.

The most recent auction evening was hosted by Ray White Runaway Bay, which achieved \$5 million in sales last night.

Ray White Queensland CEO, Tony Warland, said the results

were gratifying.

"How blessed we are to have members who are prepared to do the hard yards and take properties to auction. It's not an easy task and it takes huge ability to successfully run these auction initiatives."

Ray White Queensland expect auctions to take centre stage on the Gold Coast in 2017, with the region shaping up to be a key market for interstate buyers from the southern states seeking greater value.

"Gold Coast real estate is rising in popularity and we'll see more properties auctioned as we move further into 2017," Mr Warland said.

# RBA urges negative gearing change

WORDS BY FELICITY MOORE

*The Reserve Bank of Australia Governor Philip Lowe fired a broadside at negative gearing in his address to the Standing Committee on Economics, last month.*

In a stunning move, Dr Lowe said cutting negative gearing benefits and CGT benefits would “take the heat out of the housing market” and make home prices more affordable.

The REIQ has stated that negative gearing is a vital part of the housing market, ensuring a consistent supply to the rental market is maintained, which is key to affordability.

Queensland would be hit hardest negative gearing limits were introduced, with many towns that are still reeling from the resources downturn taking an additional hit to housing affordability and supply.

Mackay leads the country for negatively geared properties, with 5,755 property owners who negatively gear their investment. Gladstone and Cairns each have about 4,000 investors who negatively gear their property, according to ATO figures.

“Mackay and Gladstone are still struggling, years later, to regain their equilibrium. Another hit, such as axing negative gearing – would be absolutely disastrous for these communities,” Ms Mercorella said.

“Without negative gearing and CGT benefits, investors will desert these towns,” she said.

Negative gearing allows an owner to offset the cost associated with the investment against the income that investment brings in. A negatively geared property means that the costs each year are greater than the rent it attracts. Similar offsets are available



for investment in shares and these offsets would remain intact, thus making shares more attractive than property for an investor looking to offset their personal tax rate.

Ms Mercorella said investors made up about a third of all property owners in Queensland and only seven per cent of those owners access negative gearing in new-builds. She warned that if investors abandoned property in significant numbers it would be disastrous for the state budget.

“Stamp duty is the cash cow of the Queensland state budget, and if investors are driven away from established property ownership it

would leave a huge hole in the State’s budget,” she said.

ATO figures have revealed about 70% of property investors accessing negative gearing own just one property and earn around \$80,000.

“These measures target mum-and-dad investors who are simply trying to get ahead and create a reasonable retirement package,” she said.

“The property investor is tired of being the ATM for the government – whenever they want to fund something they go to the property sector for a cash injection.”

**To read more about negative gearing see page 38.**

# Real estate and the robots: What are we afraid of?

WORDS BY KYLIE DAVIS

*If real estate is all about relationships, empathy and connecting with people, is there any room in the industry for robots?*

The overwhelming evidence from the *INMAN Connect* conference in New York is yes. But we're not talking bots that look like Rosie from the *Jetsons* or the Robot from *Lost in Space* to replace the end to end experience of being served by an agent.

It seems counter intuitive that bots can improve the level of human service, especially when we think of how much technology fatigue is out there. And you can insert your own Skynet conspiracy theory here.

But the new generation of bots will do single tasks quickly and efficiently, making delivering excellent service less frantic for agents and give you time back to focus on relationships and strategy.

## Here's what to look out for:

**Chatbots** – Chatbots sit on your website and pop up whenever someone does something on your website that identifies them as being interested in a property or making an inquiry. They pop onto the screen as a message and introduce themselves and offer to help you.

Chatbots are programmed with artificial intelligence and keyword recognition to identify addresses and words such as 'looking', 'buy', 'sell' and they seek to assist the online user in the early stages of their inquiry and capture their email address to go into your database.

Good chatbots identify themselves as bots – they don't try and pretend to be human but if you're a buyer with insomnia perusing properties at 3am, they can provide you with answers and assistance immediately rather than you needing to wait for a reply many hours – or days – later.

From the agent point of view, you've delivered a helpful service experience immediately and the bot has helped you identify the real leads from the tyre kickers and provides you with an action to follow up when you're awake. Check out *Holmes from Structurally*. You can also quickly build a chatbot for your Facebook page at [www.chatfuel.com](http://www.chatfuel.com).

**Virtual assistants or taskbots** – If your day is full of tasks that keep you busy and suck up your time, you probably need a taskbot.

The new generation of virtual assistants are being connected to your CRM and other data sources (such as your property data) and are able to quickly carry out automated tasks. For example, you could train your taskbot to create a CMA based on the address you give it, and email that report out to a prospective client. Or you could automate the sending out of marketing material to all buyers in your database interested in four bedroom homes near a suitable property where you're holding an open house.

This doesn't mean it has to be bot language – you can program your bot to automate as much or as little as you wish. Tell the bot you want to craft the message and then instruct him or her to send it to everyone who fits the criteria on the database. Or tell the bot to extract all the people in your database who have a property anniversary, create a property valuation for those properties, and then create a list for you to call them for a personal touch.

To create a killer impression, when you meet a new prospect, instruct your bot to send out pre-listing information and a property valuation to their email before they've even gotten back into their car with a quick text to your assistant.

Check out *Aiva* which is still in beta but has been tested on the developer's real estate mother (who was technophobic but now automates her marketing like a boss).

**Voice activated bots** – Voicebots are the next generation of virtual assistants. They can carry out any of the tasks of the taskbots but do this using speech recognition. This means you can ask them to do a task rather than a text and they 'understand' your commands and speak back to you.

Siri is a voice activated bot. And in the US, Amazon have a *new bot called Alexa* (not available in Australia yet) which is a home service bot that turns on the lights, turns music or the television on and off, tells you the weather etc. (She sounds glamorous, but really she's a tube that sits in the middle or corner of the room.)

There are some beta prototypes being built for real estate that do everything the virtual assistants do. The attraction for voice activated VAs is that you don't need to learn any new tech – you just ask the bot to do the task – and as we become more comfortable with devices such as Siri and Alexa in our lives, having them engaged with us in a business sense becomes normalised.

Check out *ROOF*. (ROOF stands for Real Estate Office of Future).

**Kylie Davis is the head of marketing for property services, at CoreLogic in Australia. Together with Nathan Krisanski, she is the working on an automated report builder called Journobot.**

## LJ Hooker ditches float

LJ Hooker's decision to stay private has prompted the resignation of another senior executive, with chief financial officer Thomas Wallace to exit. The group abandoned plans for a \$400 million float due to tough market conditions and its desire to focus on long-term growth. LJ Hooker has grown its national market share from 6 per cent to 7 per cent over the past three years. *The Australian* (7.2.17)

## Rent360 app launches

The Fin Review reported on a new "proptech" business entering the property management space, called Rent360. The app is reportedly "Australia's first online marketplace for property investors to access and hire independent property managers". The app was founded by former McGrath, Ray White and LJ Hooker staffer, Penelope Valentine. The app is only available in Sydney but plans to launch nationally. *AFR* (27.2.17)

## Centuria and 360 Capital

At the smaller end, Centuria Capital's ambitions for the newly acquired 360 Capital's real estate platform will be in focus. The group is expected to provide an update about its intentions for the renamed Centuria Urban REIT. Centuria Urban's portfolio comprises three office assets in Brisbane and Melbourne valued at \$207.9 million. They are seen as a potential fit with the Centuria Metropolitan REIT, which has a portfolio of 10 office and three industrial entities in several cities worth about \$396.7m. *The Australian* (7.2.17)

# State Government is not listening

*The REIQ is disappointed in the announcement from the State Treasurer that the Government would not broaden the first home buyer grant to include established homes.*

REIQ CEO Antonia Mercorella said the Government was not listening to the needs of regional Queenslanders.

"We always welcome measures that help first home buyers get into the market," she said.

"However, our concern is for the long-term impact and the bigger picture in regional Queensland, where new construction will exacerbate the oversupply issues that these markets are facing.

"House values are falling, with some markets as much as 30 per cent below levels five years ago. Continuously adding supply of housing to oversupplied markets is irresponsible and will slow down any future recovery.

"The Treasurer wants us to believe the only way to economic stability is through residential housing construction, but that's simply not true.

"Real estate is one of the State's largest employers, with some 50,000 people

working in real estate, and the sector provides the State with the single largest source of revenue through stamp duty and associated taxes.

"Regional Queensland is facing unique challenges and the Government must tailor its response to those challenges.

"A recent CoreLogic report into affordability identified that regional Queensland's housing affordability was nearing similar levels to Melbourne. Wages are flat or are going backwards, the cost of living is higher and it's harder to save for a deposit. Bankruptcies in regional Queensland are rising, with more than 80 reported last quarter in Mackay alone.

"First home buyers in regional Queensland need more help than their southeast Queensland counterparts – and letting them use

the grant to buy an established home would be a good start. And it would help the real estate sector in regional Queensland stabilise. It would help slow or stop the fall of median values and it would help first home buyers get a foot on the ladder," she said.

"The Government should offer first-home buyers the choice between new builds or established homes. Bring buyers to the market where there is ample supply – don't keep adding to the supply.

"Real estate has long been this State's golden goose, but this Government is in danger of killing off the goose.

"Twenty-five regional mayors have given us their full-throated support for broadening the grant to established homes and this State Government simply isn't listening."



## Bouris saves job

Yellow Brick Road entrepreneur Mark Bouris announced a half-year profit of \$393,000 for six months to December 2016, saving himself from the embarrassing situation of having to fire himself, something he said he'd do if YBR failed to turn a profit. *AFR (27.2.17)*



**YellowBrickRoad**  
Wealth Management

## Domain “misled” consumers

Federal Court judge Bernard Murphy found that Fairfax Media, owners of the Domain property listings app, engaged in misleading or deceptive conduct by claiming the app had the most property listings in Sydney. According to *The Australian* (owned by News Corp Australia, who owns a 60% stake in REA, the leading competitor to Domain) Judge Murphy said three claims in the Domain marketing campaign were misleading, including that Domain had the “most property listings in Sydney”, and that it was “#1 property app in Australia”. *The Australian (13.2.17)*

## Queen's Wharf bridge bust

Operators behind Queen's Wharf were sent back to the drawing board after a much-vaunted bridge connecting the development to family-friendly South Bank led straight to the gaming level of the casino. The joint venture of The Star and Hong Kong developers Chow Tai Fook and Far East Consortium have to change plans for a pedestrian bridge that originally was to stretch from South Bank across the Brisbane River to land near an entrance into the casino's big gaming floor, four levels above the ground. *The Australian (21.2.17)*

# Checked a licence? Check again

BY BRIAN BAUER, EXECUTIVE DIRECTOR, OFFICE OF FAIR TRADING

*The Office of Fair Trading (OFT) is reminding businesses operating in the real estate industry to ensure their employees are appropriately licensed or registered.*

There have been recent incidents of real estate businesses employing staff that are not properly licensed or registered, including where employees have falsified documents or lied to employers to secure employment.

Irrespective of this behaviour, it remains the responsibility of the employer to hire licensed or registered staff and to double-check the licence credentials of potential hires and existing staff.

Agencies should also make a habit of regularly re-checking existing staff, to ensure they remain licensed or registered to perform the duties they are employed to carry out.

Unlicensed agents put the integrity of the real estate industry at risk and

encroach on the business of legitimate agents, especially if they are not appropriately trained, or have been deemed unsuitable to a hold a licence.

A person employing an unlicensed real estate agent, even unknowingly, may be prosecuted for breaching their legal obligations under the Property Occupations Act 2014.

Business owners are encouraged to check the OFT's online register,

containing up-to-date information on whether or not a real estate agent or salesperson is licensed or registered.

To complete an online check, go to the OFT website at [www.qld.gov.au/fairtrading](http://www.qld.gov.au/fairtrading).

Members of the real estate industry are encouraged to report unlicensed trading to the OFT by contacting 13 QGOV (13 74 68) or online at [www.qld.gov.au/fairtrading](http://www.qld.gov.au/fairtrading).



# When online agent reviews are negative – what next?

*It's so unfair – you've gone out of your way to build a strong relationship with that challenging client. You've helped them find removalists, taken them on a tour of the local schools, heck, even picked up their dry cleaning! And then they wrote a crappy review online! The unfairness of it all!*

For the overwhelming majority of working real estate agents, there is genuine blood, sweat and tears poured into building good, trusting, positive relationships with clients. You work hard to accommodate their needs, making sure you go above and beyond what other agents would do. So it can be devastating to find out that you've received a savage review online.

It's hard to read a negative review and it can trigger some strong responses, such as anger, tears, frustration and a vindictive desire for revenge. It can feel as though everyone you know is going to read it, the whole world is going to read it, and it will ruin your prospecting chances, thus ending your career.

## **Breathe**

Before you tear up your licence and throw away all your business cards, there might be a way to salvage your real estate career.

After you've read the review, take a few deep breaths. Don't take action immediately. Put the issue aside for an hour or two and come back to it when cooler heads prevail.

## **Does it matter?**

When dealing with negative online reviews it might be helpful to know that Nielsen has been measuring consumer trust in online reviews for many years and levels have been falling, from more than 80 per cent in 2012 to just 66 per cent in 2015.

It's possible, in this era of 'fake news' and 'post truth' that the trust levels

will continue to fall as consumers recognise the inherent fallibility of the online review system.

But for now we have a slew of online websites that publish any comment from anyone and we, as real estate professionals, are often part of the system.

So, what's to be done when an online review shows up on a popular real estate agent-finder website?

## **What does the manual say?**

It's important before you even publish your first Facebook post that you have a procedures manual ready for all eventualities.

This manual should include things like prepared responses that you can issue on your own social media sites when catastrophes happen, such as your website is hacked or your email system is hacked.

It should also include tips for dealing with all kinds of comments, such as negative online reviews, grudge trolling comments, helpful feedback, and so on.

A good example of a standard response should be: "Thank-you for your feedback. We appreciate your time. We're sorry that on this occasion you have had a negative experience. We would like to investigate this matter further so that if possible, we can make amends. We will contact you within the next few days to learn more. Thanks."

## **Delete! Delete!**

Most review sites don't allow the agent to delete negative reviews. If the review is on your professional Facebook page you do have the option of deleting the comment. But should you?

Part of the contract of trust between readers and publishers in the online space is that there will be no trickery involved. Readers won't trust the good reviews if they think you have simply deleted all the bad reviews.

Most social media experts agree that it's best to leave the reviews online – good and bad. This creates trust.

The Queensland State Government guidelines suggest making an assessment on whether the comment is even worth responding to. Frequent complainers who use irrational arguments, explicit language or a general lack of coherence may not be worth a response.

## **It's worth a response, now what?**

**Step 1:** Read the comments and decide if the person has any merit to their point of view. If the matter didn't involve you directly, talk to those who were there and ask their side of the story.

**Step 2:** Once you have a clear picture of the situation, decide your course of action. Is the complainant out of pocket or have they lost significant time or other intangible? What lengths would you like to go to in order to rectify this? Can you gift them some of your time or your agency's time to make this right?

**Step 3:** Craft a response. Thank the person for their feedback and let them know you are investigating the matter fully. Ask them to contact you offline so you can get to the bottom of the matter and make amends.

**Step 4:** Maintain perspective. Online reviews are just one way for people to do research and form opinions. No single site has the power to derail all of your outstanding work. Chalk it up to a learning experience and move on.

## **Conclusion**

A final point to remember is that all feedback, positive and negative, is an opportunity to look at your practices and your team. It's possible a staff member needs some additional support in an area of customer service. Perhaps you sometimes sound abrupt or rude? Take a step back and look objectively at the feedback. There are always opportunities to learn and improve, we just have to recognise them when they appear.



# Sunshine Coast commercial market poised to boom

WORDS BY DANIEL BIGNOLD, CEO COMMERCIALVIEW.COM.AU

*We expect to see big things from the Sunshine Coast commercial market in 2017.*

The economy of the Sunshine Coast which includes the key cities of Caloundra, Kawana Waters, Maroochydore and Noosa Heads is supported by the healthcare, tourism, retail and construction industries and is home to a population in excess of 300,000.

The area has been dubbed a hotspot for industry and innovation, with the University of the Sunshine Coast's Innovation Centre at Sippy Downs designated as a 'Knowledge Hub' as part of the Queensland Government's South East Queensland Regional Infrastructure Plan.

The Sunshine Coast recorded the lowest vacancy rate in Queensland in the latest Australian Property Council's Office Market report, falling from 9.2 per cent to 6.9 per cent, in 2016. This compared to Brisbane CBD at 15.3 per cent and Gold Coast market at 12.2 per cent.

Its status as a centre for start-ups is

helping to support the commercial property market in the area with some 140 start-up businesses created through the University of the Sunshine Coast's Innovation Centre.

The Sunshine Coast University Hospital (SCUH) which is due to open in April 2017, is a giant boost for the area which will see 10,000 patients able to be treated locally. Some 450 beds will be available and numbers will grow to more than 738 beds. The 20-hectare campus incorporates the hospital's Sunshine Coast Health Institute (SCHI), the Sunshine Coast University Private Hospital and opportunities for health-related commercial developments and will employ 2,500 new staff by the end of 2017, growing to a total of 5,000 new staff by 2021.

A \$347 million upgrade to the Sunshine Coast Airport at Maroochydore will also give a significant boost to the area. Due for completion in 2020, the economic benefits of the upgrade due

to commence in early 2017 is touted at some \$4.1 billion in the 20 years after it opens.

The airport expansion will increase tourists from overseas with Boeing 787 Dreamliners to fly in from Asia. International hotel chains are said to be exploring opportunities in the area and additional tourism attractions are being scoped.

The new runway and associated facilities are also expected to open up commercial export opportunities for local seafood and produce into Asian markets.

Opportunities for commercial investors are in high demand with several sales in excess of \$4 million early in January.

Construction has also begun on the The Point, an 8000sqm development by Pellicano Group in Buddina, due for completion later this year. It is situated opposite Mirvac's major neighbourhood shopping centre Kawana Shoppingworld.

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Apollo Auctions



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**Matthew Hartley,**  
Benchmark Business  
Sales & Valuations



*Business Development  
Manager of the Year*

**Lisa Perruzza,**  
Place Estate Agents Bulimba



*Congratulations to this year's winners!*



*Buyers' Agency  
of the Year*  
Property Pursuit



*Buyers' Agent  
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Tony Coughran,  
Gold Coast Property Advisors



*Commercial Agency  
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Colliers International Brisbane

# 2017 REIQ Awards for Excellence Winners

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CBRE**



*Commercial Salesperson  
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Savills**



*Community  
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**Laguna Real Estate**



Congratulations to this year's winners!



Corporate Support  
Person of the Year

Rebecca Sully,  
Colliers International Brisbane



Large Residential  
Agency of the Year  
Amber Werchon Property



Medium Residential  
Agency of the Year  
Denovans Real Estate

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Property Shop Cairns



*Regional Salesperson  
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Damian Raxach,  
ONE Agency Damian Raxach



*Residential Property  
Manager of the Year*  
Rachael Byrne,  
Jean Brown Properties



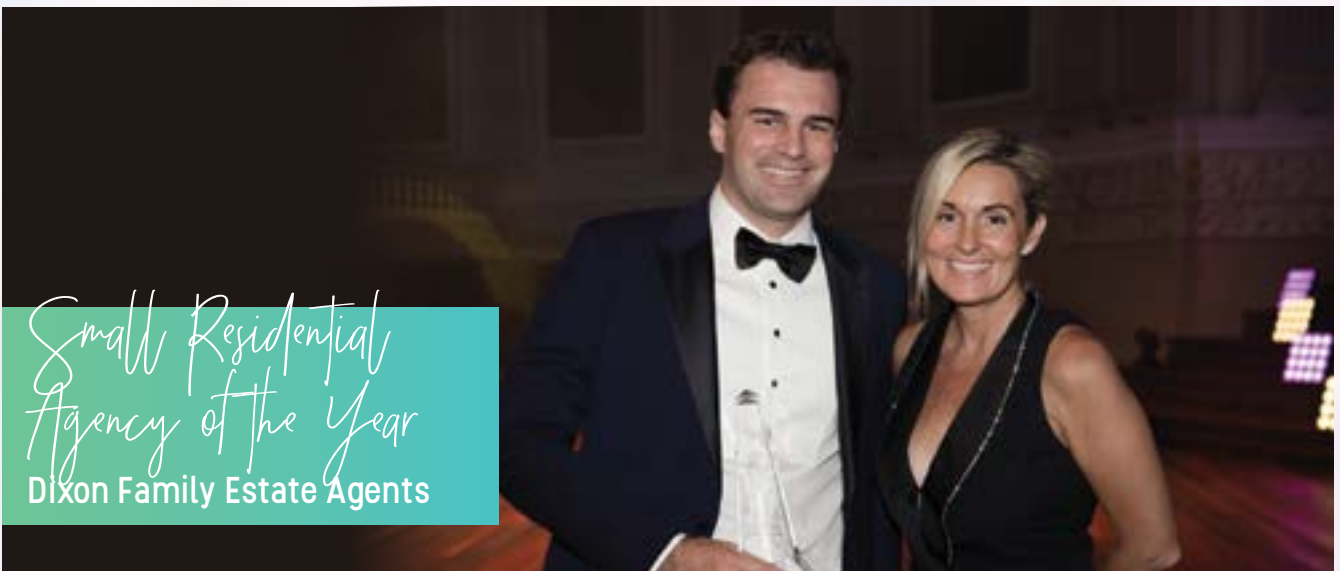
*Congratulations to this year's winners!*



*Residential Salesperson  
of the Year*  
**Anne Fidler,**  
Belle Property Paddington



*Rookie of the Year*  
**Eoghan Murphy,**  
M-MOTION Real Estate



*Small Residential  
Agency of the Year*  
**Dixon Family Estate Agents**

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2017 AWARDS



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### PROPERTY MANAGEMENT DOCUMENTATION AND LEGISLATION REFRESHER

This workshop is designed to give participants a solid understanding of the provisions of the Property Occupations Act and associated legislation impacting on everyday property management practices, completing the Form 6 and protecting the agency commission and asset, completing RTA forms and complying with notice periods, and how to research and understand relevant provisions of the RTRA Act and Regulations (a full copy of the legislation provided to all participants). The session will also focus on risk avoidance, including case study examples

**Townsville 15 March, Sunshine Coast 3 April (all morning sessions)**

### QCAT KNOW HOW FOR RESIDENTIAL PROPERTY MANAGEMENT

This workshop will give participants a solid understanding of where QCAT sits in the legal system and understanding QCAT forms, published orders and precedents, how to prepare and present professionally for a hearing, and how agency documents impact on QCAT hearings. The session will include a case study review with hands on referencing to the RTRA Act and Regulations and will address regional QCAT hearings with magistrates.

**Townsville 15 March, Sunshine Coast 3 April (all afternoon sessions)**

### CREATING CULTURAL CHANGE IN YOUR ORGANISATION

- Adopting effective leadership strategies that deliver outstanding results from your team
- Becoming an employer of choice
- Creating brand ambassadors
- Team engagement
- Learn how to identify disengaged employees
- The pre-recruitment process
- New employee induction programs
- Performance management
- How to hold successful career nights

**Brisbane 21 March**

### PROPERTY MANAGEMENT PLATINUM SERIES

This series takes attendees through the full property management life cycle – from securing the listing through to finalising the tenancy. Attend one session for a targeted approach, or all four to really boost your property management skills.

- Day 1 – Sourcing the business: Prospecting, winning the appraisals, business development strategies and the listing process | **8 March**
- Day 2 – Renting the property: Preparing the property to achieve the highest price for your client, reducing vacancies and establishing the tenancy | **12 April**
- Day 3 – During the tenancy: Managing the tenancy, including maintenance systems, inspections, managing arrears and the tenant relationship | **24 May**
- Day 4 – Ending the tenancy: Minimise stress through understanding serving notices, how to communicate with landlords and tenants, QCAT appearances and dealing with abandoned goods | **14 June**

**Each day: 10am – 3pm  
All sessions in Brisbane**

### LISTING AND SELLING BUSINESSES

This full day session will address:

- Guidelines on gaining a good listing and ensuring that the Appointment of Agent is properly completed
- How to interview and deal with the Seller on the phone and in person
- How to complete an on-site or on the phone 'Quick Price' Assessment - special guidelines supplied to make the pricing a bit easier and more accurate.
- Guideline to understanding the financial statements supplied by a Seller
- In-depth training as to 'the legal details' you need to know and 'how to properly complete' the Property Occupations Form 6 and REIQ Schedule and Essential Terms and Conditions
- The sales process

**Brisbane 5 April**

### SELLING LOTS IN A COMMUNITY TITLE SCHEME

Do you sell units or townhouses? Learn about the crucial disclosure documentation when selling strata titled properties, information about bodies corporate, preparing community title contracts and all important information to collect when marketing the property.

**Brisbane 29 March**

### HOW TO EARN MORE MONEY BY PROSPECTING LESS – TAKE YOUR BUSINESS TO THE NEXT LEVEL IN 6 EASY STEPS

In this session we'll cover the following:

- Discover the key profit centres to focus on for 'immediate' financial gain – Pay-rise BOOM!
- Learn the easiest ways to prospect without formally prospecting
- Get results FAST - Increase your Return on Effort (ROE) and reduce the heavy lifting with your prospecting activities
- Learn how to dominate the digital space with the greatest effect
- How to attract the right audience at the right time in the right way
- Working the heat and converting opportunities with ease

**Brisbane 12 April, Sunshine Coast 28 March, Gold Coast 10 May**

### HOW TO WRITE ATTENTION GRABBING, HIGHLY EFFECTIVE AD COPY THAT SELLS

In this session we'll cover the following:

- Discover what is now the single biggest asset in your online advertising arsenal
- The key components you need to consider when writing a compelling advertisement
- Appealing to the purchasers' hierarchy of needs
- Optimal key words and phrases that sell
- Learn how to write action generating copy in a fraction of the time it now takes you

This session includes an advertising workshop and a whole lot more, including a blueprint / cheat sheet for future success.

**Gold Coast 13 March, Brisbane 23 May**

**Registration and Licensing Courses**  
March - April 2017

**FAST 2 DAY REGISTRATION TUTORIAL**

BRISBANE	
8 - 9 Mar	9.00am - 4.30pm
22 - 23 Mar	9.00am - 4.30pm
27 - 28 Mar	9.00am - 4.30pm
11 - 12 Apr	9.00am - 4.30pm
27 - 28 Apr	9.00am - 4.30pm

GOLD COAST	
14 - 15 Mar	9.00am - 4.30pm
27 - 28 Mar	9.00am - 4.30pm
26 - 27 Apr	9.00am - 4.30pm

SUNSHINE COAST	
20 - 21 Mar	9.00am - 4.30pm
11 - 12 Apr	9.00am - 4.30pm

TOOWOOMBA	
13 - 14 Mar	9.00am - 4.30pm
26 - 27 Apr	9.00am - 4.30pm

CAIRNS	
3 - 4 Apr	9.00am - 4.30pm

TOWNSVILLE	
16 - 17 Mar	9.00am - 4.30pm

HERVEY BAY	
6 - 7 Apr	9.00am - 4.30pm

MACKAY	
30 - 31 Mar	9.00am - 4.30pm

**COMPREHENSIVE 4 DAY REGISTRATION CLASS**

BRISBANE	
14 - 17 Mar	9.00am - 4.30pm
28 - 31 Mar	9.00am - 4.30pm
3 - 6 Apr	9.00am - 4.30pm

GOLD COAST	
20 - 23 Mar	9.00am - 4.30pm
10 - 13 Apr	9.00am - 4.30pm

SUNSHINE COAST	
4 - 7 Apr	9.00am - 4.30pm

CAIRNS	
28 - 31 Mar	9.00am - 4.30pm

TOWNSVILLE	
10 - 13 Apr	9.00am - 4.30pm

**Specialised Courses**  
March - April 2017

**PROPERTY MANAGEMENT**

I Love PM - Feature Day	BRISBANE: 17 Mar (9.00am - 5.00pm)
QCAT Know How for Residential Property Management	TOWNSVILLE: 15 Mar (1pm - 4.30pm) SUNSHINE COAST: 3 Apr (1pm - 4.30pm)
Property Management Documentation and Legislation Refresher	TOWNSVILLE: 15 Mar (9am -12.30pm) SUNSHINE COAST: 3 Apr (9am -12.30pm)
Property Management Platinum Series: Day 2	BRISBANE: 12 Apr (10am - 3pm)

**SALES AND AUCTION**

Selling Lots in a Community Title Scheme	BRISBANE: 29 Mar (9.00am - 12.30pm)
Selling Investment Property	TOOWOOMBA: 21 Mar (1pm - 4.30pm) TOWNSVILLE: 14 Mar (1pm - 4.30pm)
Defending Your Fee and How to Effectively Compete with Discount Commission Agents	BRISBANE: 15 Mar (9am -12.30pm)
Sales Success Series 2017	BRISBANE: 12 Apr (6.30pm-8pm)
How to Earn More Money by Prospecting Less - Take Your Business to the Next Level in 6 Easy Steps	BRISBANE: 12 Apr (9am -12.30pm) SUNSHINE COAST: 28 Mar (9am -12.30pm)
How to Write Attention Grabbing, Highly Effective Ad Copy that Sells	GOLD COAST: 13 Mar (9am -12.30pm)

**BUSINESS OWNERSHIP SERIES**

BOS 1 Creating Cultural Change in your Organisation	BRISBANE: 21 Mar (9am -12.30pm)
BOS 2 Structuring your Business for Growth and Profitability	BRISBANE: 28 Apr (9am -12.30pm)

**COMMERCIAL & BUSINESS BROKING**

Commercial sales series - Part 1	BRISBANE: 14 - 15 Mar (9.00am - 4.30pm)
Commercial sales series - Part 2	BRISBANE: 10 - 11 Apr (9.00am - 4.30pm)
Listing and Selling Businesses	BRISBANE: 5 Apr (9.00am - 4.30pm)

**TECHNOLOGY AND DIGITAL MEDIA**

Digital Media Marketing Masterclass	GOLD COAST: 13 Mar (1.30pm - 5pm)
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**Career Networking Events**

BRISBANE	
23 Mar	12.30pm - 1.30pm
GOLD COAST	
11 Apr	12.30pm - 1.30pm
SUNSHINE COAST	
28 Mar	5.30pm - 7.00pm

**Resident Letting Agents Block Course**

BRISBANE	
27 - 31 Mar	12.30pm - 1.30pm
GOLD COAST	
6 - 10 Mar	12.30pm - 1.30pm

# What sort of information should I be obtaining from a new client?

WORDS BY SAMARA BEDWELL, PROPERTY MANAGEMENT SUPPORT SERVICE

*Most agents are moving towards electronic storage because it's so much more efficient both in terms of space required, and retrieving records when you need them.*

We all know that we must have the Property Occupations Form 6 completed and signed before we can commence any actions on the listing. The PO Form 6 (statutory form from the Office of Fair Trading) is minimal in terms of information required, but it does allow annexures to be added. Therefore REIQ, through its Realworks program, developed and supply the Residential Property Management Schedule to be attached to the PO Form 6.

But not all listings are equal, so it's a great idea for us, as the property management professional, to ascertain the client's full instructions and requirements and understand the details of the property we are about to manage by ensuring we obtain clear written instructions from the client before we proceed to the next step.

Some commonly overlooked specifics include:

- **Safety Switches and Smoke Alarms** – Are you talking to the client about their obligations under the legislation and seeking not just their acknowledgement that both are installed but seeking evidence that both are compliant?
- **Power** – Don't assume that the power will be as simple as the lessor disconnecting their services and that it will be the tenant's responsibility to connect their own. Discuss with the client their expectations. For instance, if the property has a solar electricity system does the lessor expect the tenant to pay for full charges or will the lessor be passing on the rebate. If there is no benefit to the tenant, it should be clear to the tenants upfront that solar is not an incentive.
- **Phone connections** – What are the lessor's expectations? Will they require the tenant to pay for all connection costs associated or will they reimburse a line connection cost? Again finding this out upfront will result in the information being passed on to the tenant and thus saving any disputes later on.
- **Appliance manuals and warranties** – Checking if there are any warranties on fixtures and fittings in the house is an important question - the last thing you want is to take on the management and have an item require attention, only to send out your normal tradesperson when direction to the warranty provider would save the client money. Also asking the lessor to provide user manuals will mean that you can assist the tenants by trouble shooting some of the simpler issues. As we know not all appliances work the same and a call out cost for an electrician, to simply set a clock on an oven for example, can be something the client will remember as a negative.
- **Water Services** – Is the property connected to town water and if not what are the expectations of the client. Will water tanks be full, how is water delivered or obtained for the tenants? If town water is connected discuss if the property meets the WELS rating criteria and what does the lessor expect in terms of the tenants paying for consumption.
- **TV Reception** – Does the lessor know what the TV reception is like? Is it clear or do they use a Pay TV facility? Finding this out upfront means you can explain to the lessor the requirements of having the property in a working condition for the tenants to rent
- **Keys to the property** – Discuss at the time of appointment what keys the lessor can provide to you and the tenants. Many owners are not aware of their requirements of section 210 of the RTRA Act and as we know keys are a property manager's worst nightmare so having them sorted out upfront is one less hassle later on.
- **Lofts, Attics and Ceiling Space** – Due to risk we wouldn't climb up and investigate a ceiling space but ask the lessor upfront:
  - Is there anything up in the ceiling space you are leaving behind?
  - Can a tenant use the space to store items (best practice would suggest not to recommend this)?
  - Is there insulation in the ceiling?
  - If the property has down lights – is the insulation away from the down lights or are there covers protecting the down lights?
- **Gardens and Lawns** – Whilst commonly it is the requirement of the tenant to maintain the lawns and gardens, some clients might in fact want to have this included in the rent. If a property has large trees or high shrubs, it would be a good point to discuss risk for a tenant maintaining these. Does the client expect the tenant to keep the trees away from gutters and eaves, will the lessor take care of high plants or will they accept the risk if the tenant tries and has an injury?

*An appointment meeting isn't just about accepting the business but educating the client and getting clear, written instruction.*

- **New Builds** – Is there a certificate of occupation and a gas compliance certificate? Don't assume because it is a newly built property that it has passed the building codes and has been signed off on.
- **Granny Flats** – If a property has 2 dwellings, are both dwellings council certified? Are there individual meters for utilities or shared arrangements?

It is understandable that at the time of being appointed we generally want to keep the appointment as brief as possible, therefore you need to quickly identify the particulars of the property and ensure that you seek the clients instruction relating to them. Brushing over and making assumptions are poor business practices and can leave you, your agency and your lessor at risk of a future dispute with a tenant or worse still possible liability claims.

We are deemed the professional – an appointment meeting isn't just about accepting the business but educating the client and getting clear, written instruction.

Do this well and the management should be seamless and relatively hassle free.





# Common PM website fails

WORDS BY TARA BRADBURY, BDM ACADEMY

*Over the past four years I have spent a lot of time visiting agency websites and contacting BDMs and it's surprising how many websites are out of date, listing contacts who no longer work in the business.*

Why is it that so many businesses build a fantastic website which in the first few months draws a lot of business then, after that, they forget to update the information?

If you are in "build and forget" mode with your website, you are just wasting your time. If you don't have the time to update your site delegate the task to one of your Property Management Department members. Set yourself the task to follow up.

Website information requiring regular updates:

- staff changes
- office structure updates
- testimonials
- address changes if the office moves
- updates about about your products/services, and,
- the BDMs should write a few blogs that will provide information to investors

No matter what industry you are in, if you have a website make sure you have a plan in place to ensure it is maintained. Too many agents build fantastic websites and leave it for months, even years before making improvements. Here are the five crucial areas I believe are neglected when maintaining (or not) the agency website.

## Promote your PM Department

One of the most common issues I address with agency principals is the lack of property management information on the website. It is important your website has investor information to encourage landlords to call you first.

Landlords and investors are very educated and if they don't find what they're looking for on your website they likely won't pick up the phone or email you to ask about your services.

Use your website as an area to share your knowledge and expertise. Have a section where your landlords and tenants can access helpful material. This area can also include frequently asked questions or documents such as tenancy application forms so potential tenants can apply immediately, no matter the time of day.

## Staff Changes and Updates

This is where the landlord can get a feel for your agency and team members before meeting you face-to-face. Remember, a lot of investors will never step foot in your agency, so make sure your staff profiles have the information necessary to get them to pick up the phone.

Many agencies will have an 'About Us' or 'Meet Our Team' section. These are great places to introduce staff. Make sure the photos are recent and the content is up to date. If the staff member has just started, a photo should be taken and 100-word profile posted within the first week.

If you are going to post a new staff member on your website, do it properly or not at all. One of my pet hates is 'Meet The Team' sections with missing photos or missing profiles.

## Agency Changes and Updates

Ever Googled an address and arrived to discover the place has moved? This has happened to me more than once. How do you expect to be found if you don't update your address when you move?

## Collect Testimonials

Testimonials enhance you and your team's credibility along with promoting the products and services you provide. Landlords are bombarded with advertising messages every day. You will have a much better chance of winning the business if you can convince prospective landlords that you're credible.

Testimonials are like references on a resume and are most powerful when they are recent. This is why it is so important to always ask for them and update them on your website. Featuring testimonials that are over 12 months old or from landlords who are no longer clients is not recommended.

## Write Blogs

Writing a blog has many advantages for your agency. Whether you write every day or once a week, something is better than nothing and it gives you the opportunity to provide valuable information about the industry to your investor.

A well-written blog will help you stand out from the crowd of competitors online and is very powerful when consistently updated. A blog can give your agency a much-needed boost in effective branding when the power of the blog is harnessed and structured well.

Your website can be a very persuasive tool which allows you to brand your business like you never have before. It's the most popular way to engage with your prospective landlords and showcase why they should choose you.

With a user-friendly website, you make it easy for clients to share your business. With a simple link, they can instantly access all your business information. With social media platforms such as Twitter and Facebook, it's now even easier for people to share material they love or would like to recommend. When you have a website, you give these recommendations a place to go.

Your website is a central place for potential clients to learn more about why your property management department is the agency of choice in your area.

**Tara Bradbury was a speaker at the REIQ Summit 2016.**

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\*Google Analytics for realestateVIEW.com.au Jan 2016 - Jan 2017.





### VIDEO: Matterport

Forget Facebook Live open homes, Matterport offers potential buyers virtual, 3D access to any home, 24 hours a day, seven days a week from the comfort of the couch, via their phone, tablet or desktop. The software also allows 3D visualisation of the entire structure, along with 2D floor plans. Agents who are using Matterport in Queensland claim it is a prospecting tool that wins the presentation every time. Visit [Matterport.com](http://Matterport.com) to see it in action.



### APP: Canva

If you haven't yet jumped on the Canva bandwagon, then you'd better get your hurry up. This powerful tool lets you create awesome social media images in easy steps right from your phone or tablet. The app was launched in July last year, so technically it's not new, but it is definitely hot. As real estate professionals get more active on Instagram and Facebook, this amazing tool will help sort the heroes from the zeroes. You'll be making professional images in just a few easy steps. Download from iTunes for free.



### BOOK: The Only Money Guide You'll Ever Need

The Barefoot Investor, Scott Pape, is back with his new book, The Only Money Guide You'll Ever Need. Booktopia reports this is the fastest selling book they've ever shipped and the book confidently tops multiple Australian bestseller lists. Pape's advice includes how to save for a 20 per cent house deposit (and why lender's insurance is a waste of money), why you shouldn't wait for the next real estate crash, why buying an investment property first is not a sound strategy, and why the golden rule of real estate is not, 'location, location, location' but rather, 'safety, safety, safety'. Pape promises that his "no b-s" guide to financial freedom will have even the most inexperienced investor making decisions with confidence.



### PHONE: LuMee Case

The new LuMee iPhone 7 case solves so many lighting issues it's not funny. The case has built in warm LED lights that can be dimmed or brightened on both sides of the case, which makes it suitable for selfies and those all-important restaurant shots of dimly lit plates of food. Never take a badly lit photo again! And the best bit – the case is shock proof! RRP: \$109. See video: <http://apple.co/2mNyaXN> Available only through Apple.



### EAT: Matt Moran

Celebrity chef Matt Moran is opening a new pub! Yup, the king of fine dining is headed down market, sort of. Scheduled to open in June this year, the "modern Queensland pub" will be in Collins Place, the heritage-listed Queenslander at the top of Grey Street, South Bank as part of the enormous Southpoint development. According to reports in The Courier-Mail the idea is to keep the existing floor plan and have guests feel as though they're eating and being entertained in a rambling private residence.

# How to win the listing: What's new with scripts and dialogues?

## With Lee Woodward

*Continuing our series "How to win the listing" offering tips and advice for sales agents on how to win more listings, REIQ Journal spoke with undisputed king of scripts and dialogues, Lee Woodward.*



Tristan Rowland, Principal Place Aspley,  
REIQ Salesperson of the Year Finalist 2017



Peter Brewer, REIQ Board Director, Trainer  
and Inman Connect Ambassador



Lee Woodward, The Real Estate Academy

One of the first things we learn as rookie agents is the importance of scripts and dialogues as a prospecting tool.

Learning the scripts, practising the responses to every objection, helps agents convince potential clients to become actual clients.

But if you've been in the field for a few years do you need to update your skills?

Real Estate Academy founder Lee Woodward said the industry was moving away from rote learning.

"While scripts and dialogues are as important for sales professionals today as they've always been, the way I recommend you use them has changed," he said.

"Today the focus is on the words and concepts behind the scripts and dialogues rather than memorising them verbatim. In today's digital world, people are increasingly looking for genuineness and naturalness. They can spot a robotic, scripted sales spiel from a mile away," he told the Journal.

"The key is to understand the concept and message behind the script and dialogue and use your own words in your own way to get that message across.

"Sometimes you will need to alter the message and the way it is conveyed. It all depends on who you are speaking with, whether it be a prospect, a seller or a buyer, and what stage of life they are in."

REIQ Salesperson of the Year finalist Tristan Rowland said he fell into a rookie trap when he started out.

"When I started out, in Paddington, I was working on my scripts and made 200 calls before I got my first listing. Then at call 207 I got another one and figured out what was working.

"Unfortunately, I promptly stopped using my scripts and when the properties sold I had nothing in the pipeline!" he said.

Mr Rowland agreed that understanding the "why" behind your scripts was the most important of all.

"Understand the key message, understand what you need to get across and you can repackage it in your own style and your own vocabulary," he said.

REIQ Board Director, trainer, and Inman Connect Ambassador Peter Brewer said good scripts helped young rookies avoid brain freeze.

"(With a script) they have a purpose for the call, a goal to achieve and a structure or a road map to get them there," Mr Brewer said.

He also said it was important to update your knowledge regularly.

"The scripts I used 30 years ago wouldn't work now! People have moved on and it's important that you keep learning what's working now, in today's marketplace," he said.

Lee Woodward also said it was important to keep authenticity at the forefront of customer engagement.

"The salesperson who comes across as raw and real can have far greater success in connecting with a homeowner than the one who comes across as totally polished and professional but sounds scripted, rehearsed and lacking in genuineness," Mr Woodward said.

**Ready to brush up on your training? Improve your skills in overcoming objections? REIQ is running a Scripts and Dialogues short course Brisbane, June 20. Members: \$150 Non-Members: \$200. Visit [REIQ.com](http://REIQ.com) and click on the Training tab for more information.**



*It is important to document significant tasks and levels of service that you provide throughout the year.*

# If at first you don't succeed, try and try again!



**Name:** Lisa Perruzza

**Award:** Business Development Manager of the Year

**Agency:** Place Estate Agents Bulimba

## Why did you enter the Awards?

I have been working in the industry for 10 years. I love my job and the long-term career prospects it provides me. It was a personal goal to have the huge achievement of the REIQ recognition to my role with in our industry

## How many times have you entered?

I have entered a total of four times.

## How many times have you been named a finalist or a winner?

I was a three-time finalist, being named in 2014, 2016 and 2017, and first-time winner in 2017!

## What did you learn from the process? How can others improve their chance for success?

Having been a finalist three times, comes down to being prepared and to plan ahead. It is important to document significant tasks and levels of service that you provide throughout the year. Having all of this handy makes the application process less stressful.

## What are your three tips to someone who has entered and not yet succeeded?

- Be persistent, don't give up on applying each year.
- Keep being an industry leader and be professional to your clients and company, and
- Always believe in yourself

## For those who have not yet entered, why should they do it?

If you're achieving great results for your company and clients it's an honour to be a nominated finalist for your state. You should apply for the experience.

## Share some of your thoughts about the Awards gala dinner. What does it mean to be in a room of your peers?

It's a fun night to network with your peers and be surrounded with the top industry professionals in our state. Everyone is having a good time and is there to celebrate what is great about real estate.



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# Waiting for the fall – Brisbane’s unit market

WORDS BY REIQ RESEARCH ANALYST, KARINA SALAS

*Brisbane’s apartment market has been the talk of the town (and city, and country) for a few years – ever since the first cranes started to populate the skyline. Property watchers obsessively focus on the looming oversupply, predicting it will crash settlements, prices, rents and the market generally in the 5km ring.*

However, even though the forces of supply and demand have been heading in opposite directions, the Brisbane apartment market has contracted at a remarkably sedate pace and so far to a stubbornly small degree. No collapse in sight. To be sure, the short-to-medium term outlook of this market is uncertain. Supply is slowing and a surge of demand would doubtless benefit the market.

A close look at the data reveals the anticipated sharp fall in prices has not yet arrived. The annual median sale has nudged downwards by about 1.1 per cent for the 12 months to September 2016. Compare this with a growth rate of 8.3 per cent over the past five years and a whopping 40.3 per cent over 10 years. A dip of 1.1 per cent over the past 12 months is not alarming.

Does this mean the unit market in Brisbane is remarkably resilient or does it mean that the fall is still coming?

Affordability and an enviable position have been the key drivers behind the performance of the unit market in Brisbane over the medium-to-long term.

Over the past 12 months, local real estate agents have described the Brisbane apartment market as patchy. Most of those investing in prestige riverfront apartments are achieving successful investment outcomes. However, other market pockets, such as the affordable two-bedroom apartment in Brisbane’s middle-ring, are, in some instances, not performing up to the investor or owner’s expectations.

The September 2016 Queensland Market Monitor (members visit

REIQ.com for your free copy) reveals that roughly half of Brisbane LGA suburbs have grown their annual median sale price of units, houses and townhouses, (with the other half generally recording a fall in the annual median house and unit prices). Very few suburbs held steady, which is another indicator of the market’s overall patchiness and inconsistency.

## **Increasing Supply**

The supply of new units in Brisbane has been on the rise over the past decade. The number of listings has showed an upward trend, increasing by 94 per cent (or the equivalent to 6.8 per cent per year), from 5749 listings for September 2006 to 11,149 for September 2016.

Similarly, the number of building approvals increased by 230 per cent, from 4860 approvals in financial year 2013 to 16,046 approvals for financial year 2016 or the equivalent of 49 per cent per year. Brisbane inner city represented about 47 per cent of building approvals in financial year 2016 followed by Brisbane North and Brisbane South which represented each about 19 per cent of building approvals for the same period.

The top 10 suburbs expecting to concentrate a large number of medium-to-high density dwellings over the coming 12-36 months are South Brisbane, Brisbane city, Newstead/Bowen Hills, West End, Chermside, Coorparoo, Woolloowin/Lutwyche, Woolloongabba, Upper Mount Gravatt and Hamilton.

The indisputable upward trend in

supply compared to the estimated 10-year average population growth (to June 2015) in Brisbane of about 1.8 per cent per year may trigger a contraction in prices over the next 12 to 24 months. The magnitude and timing of the contraction is still uncertain and will most likely show a lag effect. The lag effect will be heavily dependent on the interest rate environment, building cost trend, timing of project completion, housing policy for foreign and local investors and volume of first-home buyers, amongst others.

Building approvals are the only safety brake that could slow supply down over the coming year. Assuming the trend of falling approvals will continue for the rest of financial year 2017 (and disregarding seasonality of the data), the expectations are that the total approvals for financial year 2017 will sit around 12,500. This would represent about 77 per cent of approvals for the past financial year 2016.

Developers are also conscious of the power they hold on their hands to manage medium-term supply and support the implementation of a market self-correction strategy.

## **Contraction in Demand**

The demand for units and townhouses in Brisbane has been volatile over the past decade. The annual number of sales peaked at about 15,500 transactions in the second half of 2014. Since then, the number of annual sales has reduced to about 10,350 in September 2016. This represents a contraction in demand of about 33 per cent since mid-2014.

One of the main reasons Brisbane

is an attractive investment is its affordability compared with Sydney and Melbourne. For the 12 months to November 2016, Sydney apartments were about 69 per cent more expensive than Brisbane apartments, while Melbourne apartments were priced about 20 per cent higher than Brisbane apartments.

Brisbane is a city mid-transformation with large investment being delivered in quality infrastructure. However, the Brisbane economy has underperformed since the mining downturn. Brisbane's GDP grew at 1.1 per cent (for financial year 2016) compared to Australia's GDP growth of 2.8 per cent. The residential property market, particularly medium-to-high density properties, has mirrored the economic underperformance.

It is unlikely that demand will lift significantly in the short-to-medium term unless market conditions shift significantly. As a result, if the market is to reach equilibrium, the driving force must be reduced levels of supply.

### Is market equilibrium achievable?

Over the past two years, supply and demand levels have been heading in different directions, with the gap between increasing supply and dwindling demand widening. The question remains as to the impact – will prices fall and if so, by how much and when?

Buyer confidence, a contracting rental market and tougher lending conditions are probably the biggest issues stifling demand for units in Brisbane. However, affordability is also a key issue for both owner-occupiers and investors.

There are early signs that the market is starting to self-regulate itself with the number of building approvals apparently slowing down.

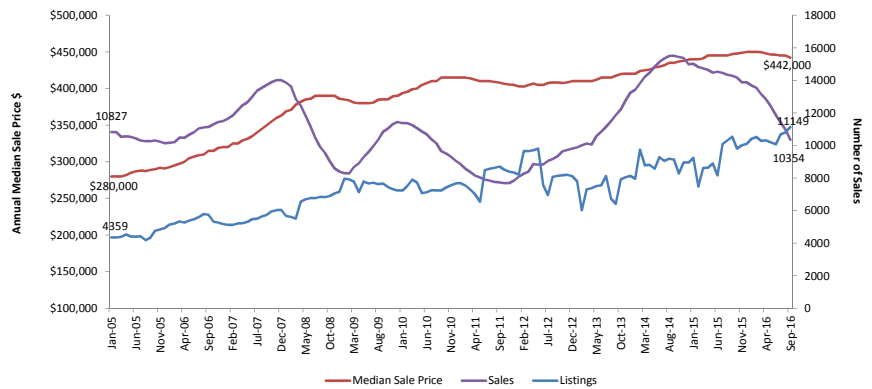
As Brisbane's dramatic transformation continues, its future will be shaped by how well interstate immigration and also employment figures rebound. The city is taking a giant step towards world-city status, and its appeal to southern investors and interstate owner-occupiers seeking a lifestyle change should rise. Sophisticated entertainment precincts are taking shape, such as the Queen's Wharf development, and these projects will

offer a vibrant and entertaining inner-city lifestyle. Ambitious projects such as the joint project between QUT, PwC and Brisbane Marketing which is turning Brisbane into a start-up capital, will attract new business and workers to the city.

It is likely that while there may be some short-term softening of the unit sales and unit rental markets

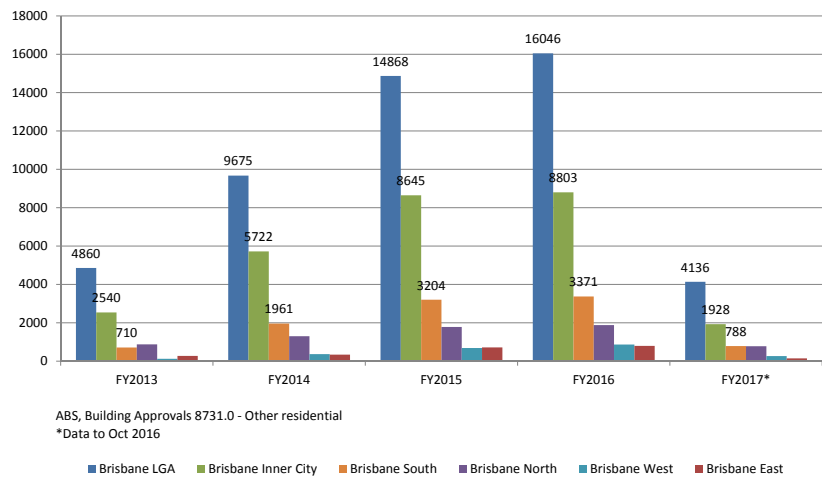
in Brisbane, these will form part of the bigger property cycle and the future for the medium-to-long term is positive. The dire predictions declaring an economic Armageddon is on the horizon are unlikely to come to fruition. The current trends are within the normal property cycle and there is so far no data to suggest the Brisbane apartment market is operating outside of that trend.

**Brisbane Unit Market  
Trend of Key Indicators**



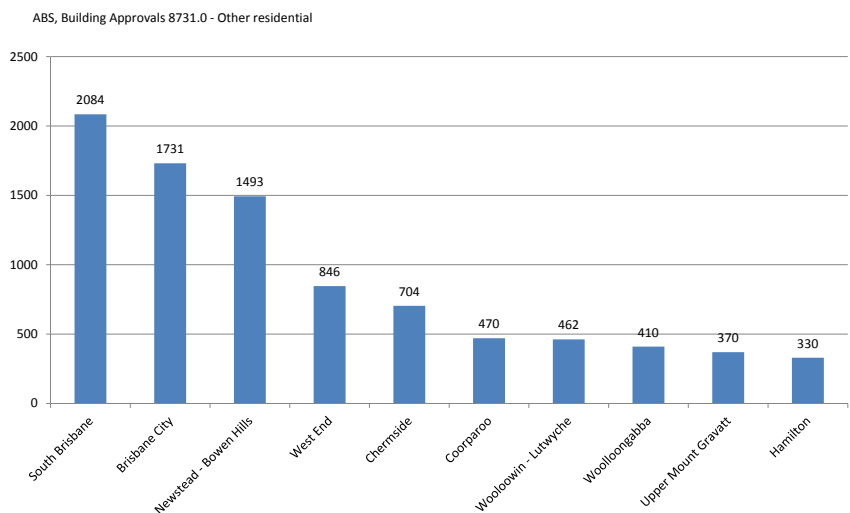
Source: Corelogic RP Data, 12-months rolling data.

### Brisbane Building Approvals Trend for Medium to High Density Dwellings



ABS, Building Approvals 8731.0 - Other residential  
\*Data to Oct 2016

### Top 10 Suburbs with High Concentration of Building Approvals Financial Year 2016





# Brisbane house and unit middle ring boom in 2017

HERRON TODD WHITE 2017 BRISBANE PROPERTY FORECAST

*Brisbane property has been a bit of a heartbreaker over the past few years, offering so much promise, but failing to live up to the hype – and anyone hoping 2017 would prove to be “The Year of the Brissie” will probably be disappointed again.*

The hoodoo continues to be employment-fuelled interstate migration and, truth be told, we can't see anything on the economic horizon to suggest southern buyers will start heading here in droves.

That's not to say we should be

ignored – on the contrary, Brisbane is one of the country's most forgiving capital city markets. There are very few disappointed long-term buyers in our sunshine state's big city, provided they stuck with the fundamentals and bought the right property in the right

position at the right price.

With this historic performance as a foundation, there are opportunities to get into Brisbane and hold tight that will leave you feeling very satisfied with your decision come a market cycle or two.

Inner-city property continues to be our strongest performer. Agents report a reasonable start to the year and if you're hoping to get into some of our really cool café suburbs such as Paddington, Bulimba, or Woolloongabba, don't expect to find much under \$700,000 as a low buy-in for a modest detached house.

While these areas will continue to offer great potential, make sure you seek good quality property with strong tenant appeal for the best long-term results.

Middle ring addresses are experiencing some capital gains fuelled by the affordability wave, and steady growth over 2017 is likely in locations such as Kedron and Wavell Heights. You're still in the \$600,000-plus price points in order to buy something decent, but as long as the land size and position are appealing, then there's solid real estate to be had.

One of the surprise performers over the past few months has been fringe suburbs. There is a continued shift towards house-and-land packages – particularly from investors scared off by the threat of a looming unit oversupply. While no-one is calling a boom for this once very sleepy sector, activity has been strong.

Our team are also noting gains in the western corridor towards the Ipswich region as facilities and infrastructure continue to attract business and residents. Some of the bigger estates in this patch are seeing 30 to 40 land sales per month – and most developers would call this a roaring success.

Prestige property has seen a bit more media attention of late too. In many ways, this sector operated outside the constraints impacting other price points due to many high-end buyers being cashed up and immune from interest rate variations. When the right buyer meets the perfect

property, record prices can result. We will probably see a few more of these benchmark sales occur in 2017.

At the risk of saying “more of the same from 2016 into 2017”... it really is more of the same from 2016 into 2017. There is one area where we’ll vary our opinion from previous years. Herron Todd White Brisbane has always been keen on well located second hand units as a strategy for those trying to get a foot on the market. They usually offer an affordable option in a great location, and while capital gains aren’t always mind blowing, good tenant demand ensures you can continue to service the mortgage without too much stress.

There is, however, a very real oversupply risk looming for investor units in our city as new stock struggles to find demand. This is having a negative flow on to our traditionally solid second-hand unit market. If you buy investor-grade unit stock in particular – new or old – please tread with caution in 2017.

Despite these modest predictions, we still say, “Come on up you Sydneysiders and give Brisbane a go!” because we could use the help. Oh, and by the way – the old excuse that summer is too hot here in Queensland just doesn’t hold up any longer. While we’ve been complaining about temperatures hitting the low 30 degrees, most other capital cities have been touching into the 40 degrees this summer, so you might as well head north for our more temperate climate and successful football team.

*Despite these modest predictions, we still say, “Come on up you Sydneysiders and give Brisbane a go!” because we could use the help.*

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# What you want to know about negative gearing... but are too afraid to ask

WORDS BY BDO PARTNER, EDDIE CHUNG

*Many people, especially accountants and financial advisers, tend to kick around the term 'negative gearing' and take it for granted that everyone knows what it really means.*

Terminology like this sometimes makes information inaccessible to those who need to understand it the most. For those who want to understand negative gearing in plain English but are afraid to ask, this is hopefully a useful guide.

## The underlying causes

### Tax rates

Before we define what is meant by the term 'negative gearing', consider the current marginal tax rates applicable to an individual:

Taxable income	Tax on taxable income
0 – \$18,200	Nil
\$18,201 – \$37,000	19c for each \$1 over \$18,200
\$37,001 – \$87,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$87,001 – \$180,000	\$19,822 plus 37c for each \$1 over \$87,000
\$180,001 and over	\$54,232 plus 45c for each \$1 over \$180,000

The above does not include the Medicare Levy of 2% of taxable income, nor does it include the Temporary Budget Repair Levy of 2% for every dollar of taxable income exceeding \$180,000 (this levy will cease on 1 July 2017).

Further, if you do not have private health insurance but your income exceeds a certain threshold, you may be slugged with an additional Medicare Levy Surcharge of up to 1.5%.

In other words, if you are subject to all these surcharges and levies and your taxable income is more than \$180,000, you are effectively paying half of every dollar of your taxable income exceeding \$180,000 you earn in tax!

### Bias in the tax system

In addition to the arguably draconian tax rates, the tax system also has an inherent bias, which generally imposes less tax on a capital gain than income.

In the context of property investment, the relevant type of income is normally rent derived from the property. The full amount of gross rent is then reduced by rental deductions and the resulting net income (or loss) is included in your taxable income.

On the other hand, if you sell your investment property and make a capital gain, that capital gain is also included in your taxable income. However, if you, as an individual, have owned the property for at least 12 months before it is sold, you will be entitled to the '50% CGT discount', which will reduce the capital gain by half before the gain is included in your taxable income.

### Negative gearing

Negative gearing is really just a fancy term to describe the situation where the total tax deductions you claim on your investment property exceed the total rental income you derived from it.

For most people, the largest tax deduction by far is interest on the loan that was drawn down to buy the property. Other expenses include body corporate fees, council rates, cleaning, property management fees, repairs and maintenance costs, etc.

In addition to the tax deductions on these 'real' expenses (they are real because you have to pay for them), you are also allowed to claim tax deductions on capital works and depreciation. As the capital works deduction is essentially depreciation on buildings and improvements, it is not a cash outgoing – yes, you can claim a tax deduction for it without having to spend any money! Depreciation is similar but you would have paid for the depreciating asset (eg, stove, furniture and fittings) at some stage and the expenditure is spread over the effective life of the asset and claimed as a tax deduction over time.

If the total tax deductions you claim exceed the rental income you derive from the property, you will make a net loss, which is numerically expressed as a **negative** amount; coupled with the fact that the loss is generally and mainly attributable to the interest expense from the borrowings you took out to buy the property (borrowing is also known as **gearing**), the term 'negative gearing' was conceived.

What makes negative gearing particularly tax-attractive is that the net loss can be offset against other income that would otherwise be included in your assessable income. Therefore, if a dollar of income you earn would have been taxed at 50.5%, every dollar of negative gearing loss that offsets your assessable income will effectively save you 50.5 cents in tax!



Meanwhile, if the investment property goes up in value but you do not sell the property, no capital gains tax will be payable. Even if you do sell the property after 12 months, the capital gain will be discounted by 50%.

Accordingly, provided that the total after-tax capital gain on your property and the total tax you have saved from negative gearing exceed the total cash outgoings you incurred during your ownership of the property, you will be financially in front.

### Example

To illustrate the above, consider the following example:

- You purchased a property for \$500,000 (ignoring incidental costs on purchase, eg, stamp duty, legal costs, etc) by putting in \$100,000 of your own money and \$400,000 from the bank.
- The interest rate on the loan is 4.5% per annum. The loan is an interest-only loan, ie, none of the principal is paid down each year. Therefore, the annual interest expense on the loan is  $\$500,000 \times 4.5\% = \$22,500$ .
- The annual rent on the property in the first year is \$15,000, which increases by 3% per year.
- The annual expense on the property in the first year, excluding interest expense, is \$10,000, which increases by 3% per year.
- Based on a depreciation report prepared by a qualified quantity surveyor, you can also claim depreciation and capital works deductions of \$4,000 per year.
- You own the property for 3 years before it is sold for \$600,000.
- You pay tax at the highest marginal tax rate of 50.5% inclusive of all levies and surcharges.

Your total after-tax net cash loss over the 3 years will look like this:

	Year 1	Year 2	Year 3	Total
<b>Rent</b>	15,000	15,450	15,914	46,364
<b>Less: Interest</b>	(22,500)	(22,500)	(22,500)	(67,500)
<b>Less: Other expenses</b>	(10,000)	(10,300)	(10,609)	(30,909)
<b>Less: Depreciation &amp; capital works deductions</b>	(4,000)	(4,000)	(4,000)	(12,000)
<b>Net loss</b>	(21,500)	(21,350)	(21,196)	(64,046)
<b>Tax savings @50.5%</b>	10,858	10,782	10,704	32,343
<b>After-tax net loss</b>	(10,643)	(10,568)	(10,492)	(31,703)
<b>Add back: Depreciation &amp; capital works deductions*</b>	4,000	4,000	4,000	12,000
<b>After-tax net cash loss</b>	(6,643)	(6,568)	(6,492)	(19,703)

\*Depreciation and capital works deductions are added back because they are not cash expenses

Ignoring any incidental costs on sale, if you sell the property after 3 years, you will make a capital gain, after tax, as follows:

<b>Capital proceeds on property sale</b>	600,000
<b>Less: Cost base</b>	(500,000)
<b>Capital gain</b>	100,000
<b>Less: 50% CGT discount</b>	(50,000)
<b>Taxable capital gain</b>	50,000
<b>Tax on taxable capital gain @50.5%</b>	(25,250)
<b>After-tax capital gain</b>	74,750

In summary, a comparison of your return on capital from the property investment, with or without negative gearing, will be as follows:

	With negative gearing	Without negative gearing
<b>After-tax net cash loss</b>	(19,703)	*(52,045)
<b>After-tax capital gain</b>	74,750	74,750
<b>Total after-tax return</b>	55,047	22,705
<b>Total capital invested</b>	100,000	100,000
<b>Return on capital</b>	55%	23%

\*\$46,364 (total rent) - \$67,500 (total interest) - \$30,909 (total other expenses) = -\$52,045

As illustrated, negative gearing could potentially provide significant tax savings that may turbo-charge the return on capital on your investment property, which is why it is a hugely popular strategy especially for high income earners.

Having said that, most investments come with a degree of risk and gearing investments may have the potential of amplifying that risk. For negative gearing to work, there needs to be sufficient capital growth and/or net rental profit in the future to offset the cumulative net rental losses you incurred during your ownership of the property.

### The future

Despite the usefulness of negative gearing for those who are motivated enough to have a wealth accumulation strategy to provide for their own future, it has been a hotly debated topic in the public arena for some time and is often caught up in the housing affordability debate. However, until there is a clear change in policy, negative gearing is still a legitimate and tax-effective strategy to give investors a leg up in their wealth accumulation plan.

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Don't miss an event! Purchase all tickets for REIQ events at [REIQ.com](http://REIQ.com), by visiting the events tab and selecting the event you want to attend. Registration can be completed online. Contact [events@reiq.com](mailto:events@reiq.com) if you have any issues.



**Date:** March 17

**Event: I LOVE PM Conference**

**About:** If you love PM, you are going to love this event! Learn how:

- to navigate through everyday property management situations
- PM practitioners influence positive client and customer relationships
- Minimise conflict

I love PM Conference celebrates positive property management strategies and you will be joined by Dylan Alcott, 2017 Gold Medal Paralympian, who will share his love for what he does.

**Details:**

**Date:** Friday 17 March, 2017.

**Location:** Gardens Theatre, QUT

**Time:** 8.45am - 5.30pm

**Cost:** \$249 members | \$299 non-members



**Date:** March 22

**Event: Cars & Careers**

**About:** Hosted by our friends at Gold Coast BMW, you're invited to enjoy a night of networking, drinks and canapés.

It's your exclusive opportunity to peruse the newly released BMW 5 Series and MINI Countryman and hear about how you can build a successful future in real estate.

Your career in the profession today is about taking the lead and understanding your personal brand.

Book at [REIQ.com](http://REIQ.com)

**Details:**

**Date:** Wednesday 22 March, 2017.

**Location:** Gold Coast BMW, Southport

**Time:** 6.00pm – 7.30pm

**Cost:** Free | Bookings essential



**Date:** May 26

**Event: AON/REIQ Real Estate Luncheon**

**About:** Tom Piotrowski, an expert in the economy and all things financial, will give you an insight into gaining an edge in today's economic climate over a luncheon held at the stunning Victoria Park Golf Complex. Tom is a market analyst with Commonwealth Securities and also has regular media commitments, where he updates the general public on issues influencing local and global markets. This popular event will prep you with all you need to know about the economy. Tickets to this popular event will sell fast, register on [REIQ.com](http://REIQ.com) now!

**Details:**

**Date:** Friday 26 May 2017

**Location:** Victoria Park Golf Complex | Marquee


**Time:** 11.30am | Registration and networking drinks

12.00pm – 2.00pm | Lunch and presentations

**Cost:** \$125 members | \$150 non-members (inc GST) | \$1,200 Table of 10 (inc GST)

**RSVP:** By Friday 12 May 2017

*Due to the number of holidays in April ie. Easter, Anzac Day and school holidays there are no CPD/Zone Events scheduled for April.*



# Unenforceable promise or binding contractual term?

Don't fall into this trap during commercial lease negotiations

WORDS BY CARTER NEWELL PARTNER, MICHAEL GAPES

*Court Case: Crown Melbourne Ltd v Cosmopolitan Hotel (Vic) Pty Ltd*

The High Court of Australia recently allowed a landlord's appeal of the Supreme Court of Victoria Court of Appeal's (**VSCA**) decision concerning statements made by the landlord to tenants in the course of negotiations for their leases. In determining whether such statements were enforceable against the landlord, issues of collateral contract and estoppel arose on the facts.

This decision, which is of significance to all real estate agents, underlies the importance of not making any representations which cannot be fulfilled during lease or sale negotiations.

## **Background**

Cosmopolitan Hotel (Vic) Pty Ltd (**tenants**) operated a restaurant at the Melbourne Casino and Entertainment Complex (**complex**), which was owned by the appellants, Crown Melbourne Ltd (**Crown**). At the beginning of 2005, negotiations began between a representative of the tenants, Mr Zampelis, and Crown in respect of their leases which were due to expire in May 2005.

The new leases offered to the tenants were limited to a term of five years with no option for renewal, and contained a condition that a major refurbishment of the premises be undertaken by the tenants. In view of the substantial cost of the refurbishments, Mr Zampelis sought to extend the term of the lease to ten years, or alternatively, include an option to renew for a further five year period to allow for sufficient time for the tenants to recover their capital expenditure on the refurbishments. The conduct and outcome of these negotiations was in dispute and was the key focus of the proceedings.

The tenants signed leases in the terms offered by Crown in November 2005, but these were not delivered to Crown until March 2006. The refurbishment works were completed by the tenants by that time. In October 2008, Crown commenced a tender process for new leases of the restaurant premises to which the tenants responded by submitting a proposal. However, in December 2009, Crown informed the tenants that their tender was unsuccessful and provided notice under the terms of the lease to vacate the premises at the expiration of the lease on 31 August 2010.

### The issues

The tenants alleged that a series of representations had been made by representatives of Crown to Mr Zampelis, to the effect that the tenants would be *'looked after at renewal time'*. The tenants claimed to have been induced by the alleged representations to execute the leases and to carry out the refurbishments. Two issues arose in respect of the alleged promise:

- 1) Did Crown's statement give rise to a collateral contract, such that Crown was obliged to offer the tenants a further five year lease?
- 2) Alternatively, was Crown estopped from denying the obligation to offer the tenants a further five year lease?

### Litigation history

The Victorian Civil and Administrative Tribunal (**VCAT**) found in favour of the tenants and determined the statement that the tenants would be *'looked after at renewal time'* gave rise to a collateral contract.

VCAT relied on evidence of a handwritten note of Mr Zampeli's bank manager of conversations occurring in a December 2005 meeting. This stated that if the tenants spent the money on a major refurbishment to a high standard, Mr Zampelis would be looked after at renewal time. VCAT concluded that the statement was promissory in character and that it gave rise to an enforceable collateral contract, despite the phrase *'looked after'* being considered *'vague'*. VCAT held that the representation gave rise to a collateral contract obliging Crown to renew the leases, and that the tenants entered into the leases in reliance upon that promise.<sup>1</sup>

Crown appealed to the Supreme Court of Victoria, where the primary judge found that VCAT erred in finding a collateral contract had arisen. The Supreme Court concluded that a reasonable person in the position of the tenants would not have understood the representation found by VCAT to be a promise by Crown to take any particular action.

Hargrave J found the representation to be too vague and not sufficiently certain to be enforceable.<sup>2</sup> On the estoppel issue, his Honour concluded there was a *'disconformity'* between Mr Zampeli's evidence of his understanding of the statements and the meaning which VCAT attributed to those statements. Essentially, the estoppel case failed at the first step in examining the sense in which the representee understood the representation and relied upon it.<sup>3</sup>

On further appeal by the tenants, the Victorian Court of Appeal accepted the trial judge's conclusion as to the collateral contract being illusory and unenforceable for want of certainty, with the phrase *'looked after'* having many possible meanings.



As to the estoppel issue, Warren CJ found that Crown had induced the tenants to adopt the assumption that they would therefore be offered a further term and it was not unreasonable for the tenants to adopt and rely upon that assumption, and that it would be unconscionable for Crown to benefit from the representation.

Accordingly, Crown was estopped from doing so. It is noted that, though Whelan JA and Santamaria JA found the estoppel issue needed to be considered *'more widely'* than the primary judge's analysis, given that VCAT and Hargrave J did not analyse the tenants' claim by reference to the *'lower limit'* of what was meant by *'looked after'*.<sup>4</sup> The Court of Appeal remitted the matter to VCAT for determination of any equitable relief to be granted to the tenants.



### The High Court's decision

By a 5:2 majority, the High Court found that Crown's statement did not give rise to a collateral contract. It was held that a reasonable person in the parties' position could not have understood the statement to amount to a binding contractual promise to renew the 2005 leases for a further five years, and the statement was no more than 'vaguely encouraging'.<sup>5</sup>

Keane J held that even if the assurance that the tenants would be 'looked after' by Crown had been incorporated as a term of the leases, it would lack sufficient certainty to be enforceable.<sup>6</sup>

Gordon and Gageler JJ in dissent found the collateral contract was not illusory as it was an agreement to make an offer, and the terms of the collateral contract were not incomplete in that the contract would have been concluded had Crown made the offer it was obliged to make.<sup>7</sup>

On the second issue, the High Court found that no estoppel had arisen on the facts. In a joint judgement, French CJ, Kiefel and Bell JJ found the statement was not capable of conveying to a reasonable person that the tenants would be offered a further lease, and the tenants did not act upon the basis of any such an expectation.<sup>8</sup>

It was also unanimously held that the Victorian Court of Appeal erred in remitting the estoppel matter back to VCAT as this prolonged the litigation and essentially allowed the tenants a second proceeding to make a wholly different damages case. The appeal was therefore allowed and Crown was successful.

### Conclusion

The decision demonstrates that a lack of certainty and specificity during commercial lease negotiations can lead to long and protracted disputes after the contract is entered into, where one party makes an ambiguous representation and the other an assumption on that basis.

Significantly, the case also highlights the need for essential terms to be incorporated into the lease prior to signing, in language that makes certain what the parties are contracting to, as discussions during negotiations often cannot be enforced against the other party.

The decision should also serve as a reminder to real agents not to make assurances outside the lease terms, particularly where such comments may be seen to encourage a party to enter into a transaction and to incur significant expenses in reliance on such assurances.

<sup>1</sup> *Cosmopolitan Hotel (Vic) Pty Ltd v Crown Melbourne Ltd* [2012] VCAT 225 at [133], [135], [139], [142] and [168].

<sup>2</sup> *Crown Melbourne Ltd v Cosmopolitan Hotel (Vic) Pty Ltd* [2013] VSC 614 at [42] and [73].

<sup>3</sup> *Ibid*, at [89], [93]-[94].

<sup>4</sup> *Cosmopolitan Hotel (Vic) Pty Ltd v Crown Melbourne Ltd* (2014) 45 VR 771 at 812 [198].

<sup>5</sup> *Crown Melbourne Ltd v Cosmopolitan Hotel (Vic) Pty Ltd* [2016] HCA 26 at [23].

<sup>6</sup> *Ibid*, at [130].

<sup>7</sup> *Ibid*, at [265]-[266].

<sup>8</sup> *Crown Melbourne Ltd v Cosmopolitan Hotel (Vic) Pty Ltd* [2016] HCA 26 at [35], [40].

# Davis v NSW Land and Housing Corporation [2016] NSWCA 325

WORDS BY CARTER NEWELL SENIOR ASSOCIATE, ANDREW PERSIJN

*The New South Wales Court of Appeal has dismissed an appeal brought by the tenant of a residential property with respect to an order terminating her tenancy agreement.*

## The facts

Justine Davis (**applicant**) and the NSW Land and Housing Corporation (**respondent**) were tenant and landlord respectively of an apartment (**property**), pursuant to a residential tenancy agreement (**agreement**) under the *Residential Tenancies Act 2010* (NSW) (**RTA**). The applicant's husband was in joint occupation of the property, despite the agreement stating that not more than one person might ordinarily live in the property.

On 28 May 2013, the New South Wales Police executed a search warrant at the property in the course of an investigation into the suspected drug activities of the applicant's husband. After reading the search warrant, the applicant stated, *'I have nothing to do with my husband's business' and 'if I show you where it all is you'll make my life easier and just go away after youse find it all'*. The applicant added, *'I don't have anything to do with what my husband does, I have made sure of that'*.<sup>1</sup>

The police found items commonly associated with the supply of drugs in the property and encountered a locked reinforced steel door with bars positioned closely behind the door of the property. No drugs were found at the property. The applicant's husband was subsequently charged with supplying heroin in contravention of section 25 of the *Drug Misuse and Trafficking Act 1985* (NSW) (**DMTA**).

## Tribunal proceedings

On 25 July 2013, the respondent applied to the New South Wales Civil and Administrative Tribunal (**Tribunal**) for an order terminating the agreement pursuant to section 91(1) of the RTA together with an order for possession of the property. Section 91(1)(a) provides that the Tribunal may, on application by a landlord, make a termination order if it is satisfied that the tenant, or any person occupying or jointly occupying the residential premises, has intentionally or recklessly caused or permitted the use of the residential premises or any property adjoining or adjacent to the premises, for the purposes of the manufacture, sale, cultivation or supply of any prohibited drug within the meaning of the DMTA.

The respondent submitted that the applicant had intentionally or recklessly allowed her husband to use the property and a laundry room in the apartment complex for the sale and supply of a prohibited drug within the meaning of the DMTA. The respondent submitted evidence to the Tribunal that upon receiving a phone call from a customer, the applicant's husband would fill a balloon with heroin and catch a lift to the laundry where the heroin was exchanged with the customer.

The respondent contended that the property was being used to store the drugs and weigh them and that the applicant's husband placed the heroin within balloons and stored the proceeds of the drug sales within the property.

It was also part of the respondent's case that the installation of the steel door was intended to facilitate the use of the property for the supply of drugs. Further, it was contended that the laundry used by the applicant's husband adjoined or was adjacent to the property within the meaning of section 91(1).

The Tribunal concluded that it was reasonably satisfied that a termination order should be issued and granted the application.

## Decision of the Appeal Panel

The applicant appealed to the Appeal Panel of the Tribunal on the ground that the Tribunal wrongly conflated the use of the property for unlawful purposes and the use of the laundry. The applicant contended that there was no evidence that the applicant herself used the premises for the sale of illegal drugs and that there was no evidence as to any conduct within the premises to justify a finding that they were used for an unlawful purpose.

The Appeal Panel dismissed the appeal, stating that it was open to the Tribunal to conclude that:

- (a) the balloons and scales were intended for that purpose even though no heroin was located at the time of the search; and
- (b) the applicant, although having no part in the supply herself, permitted the premises to be used for that purpose by reason of her own admissions.

*'I have nothing to do with my husband's business' and 'if I show you where it all is you'll make my life easier and just go away after youse find it all'.*

Despite upholding the termination order, the Appeal Panel held that the Tribunal erred in law in finding that the laundry fell within the definition in section 91(1)(a) because 'it would do undue violence to the language to interpret 'property adjoining or adjacent to the premises' as apt to include a room three storeys above the premises'.<sup>2</sup> Further, the Tribunal's finding that the steel door meant the property was used for the supply of drugs was deemed an error in law because the door was equally indicative of a desire for self-protection.

### Decision in the Supreme Court

The applicant filed a further appeal in the Supreme Court of New South Wales on the basis that the Appeal Panel erroneously construed section 91(1). The applicant directly contested the Appeal Panel's findings at (a) and (b) above, submitting that it was not open for the Tribunal and Appeal Panel to find that the drugs that had been or were to be supplied to end users in the laundry or elsewhere, were in fact weighed and packaged in the leased premises, as distinct from that being the place where the equipment was stored.

However, Fullerton J was not persuaded by the applicant's contention, concluding that she was satisfied that it is at least implicit in the reasoning of the Appeal Panel that the finding of the equipment in the property, and the applicant's statement about it at the execution of the search warrant, was consistent with the premises themselves being the place where the drugs were weighed and packaged before being supplied to customers in the laundry (and elsewhere) despite no drugs being found on that occasion.

Her Honour commended the Appeal Panel's construction of section 91(1) and the conclusion reached that the laundry did not fall within the definition of section 91(1)(a).

### Decision in the Court of Appeal

The applicant appealed Fullerton J's decision to the New South Wales Court of Appeal on the grounds that:

- (a) Fullerton J erred in not rejecting the Appeal Panel's construction of section 91(1)(a) to the effect that a use of premises can be for an illegal purpose although no illegal act is committed on the premises; and
- (b) it was not open for the primary judge to draw the inference.

McColl JA, with whom Meagher and Leeming JJA agreed, found that if the applicant's second ground of appeal was rejected, the statutory construction point raised by the first ground would fall away because the effect of Fullerton J's finding was that the Tribunal held that the residential premises themselves were being used for an unlawful purpose.

In regards to the second ground of appeal, McColl JA concluded that it was open to Fullerton J to conclude, as her Honour did, that the applicant intentionally or recklessly permitted her husband to use the property for the supply of heroin and further to find that it was implicit in the Appeal Panel's decision and, in turn, the Tribunal's reasons, that the property was being used by the applicant's husband, to her knowledge, for the purposes of weighing and packaging the drugs.

The appeal was dismissed and the termination order was upheld, albeit over two years after it was initially handed down by the Tribunal. The applicant was also ordered to pay the respondent's costs of the appeal.

### Conclusion

Whilst section 290A of the *Residential Tenancies and Rooming Accommodation Act 2008* (Qld) (**RTRAA**) is similar to section 91(1) of the RTA in New South Wales, it is important that readers note that section 290A only applies in circumstances where the lessor is the Department of Housing or a community housing provider.<sup>3</sup>

In most circumstances, the appropriate section for a lessor and/or property manager to consider if there is suspected illegal activity in a rental property will be section 184 of the RTRAA, which provides that a tenant must not use the premises for an illegal purpose. This section of the RTRAA is also incorporated in the Standard Terms attached to the Form 18a General Tenancy Agreement at clause 21.

<sup>1</sup> *Davis v NSW Land and Housing Corporation* [2016] NSWSC 1025 at [4].

<sup>2</sup> *Davis v NSW Land and Housing Corporation* [2015] NSWCATAP 271 at [15].

<sup>3</sup> Section 290A(4) of the RTRAA.



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**Sale Type:**

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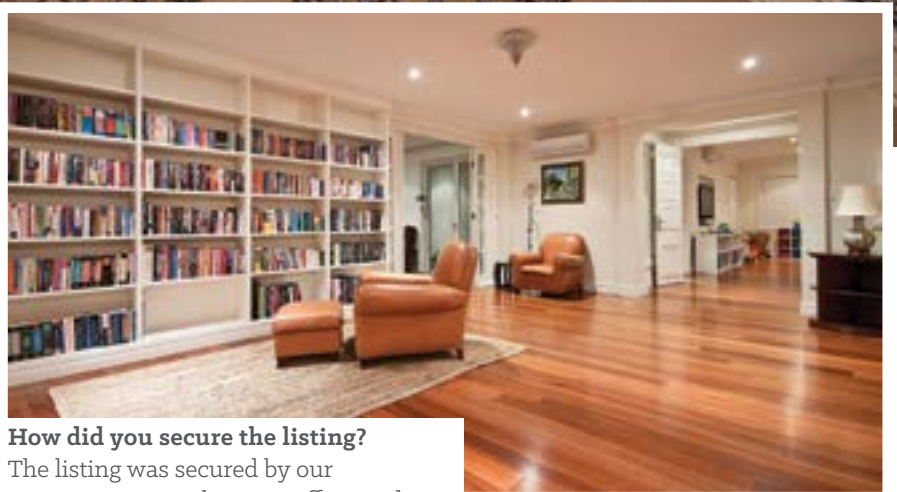
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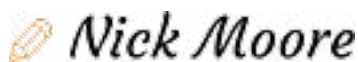
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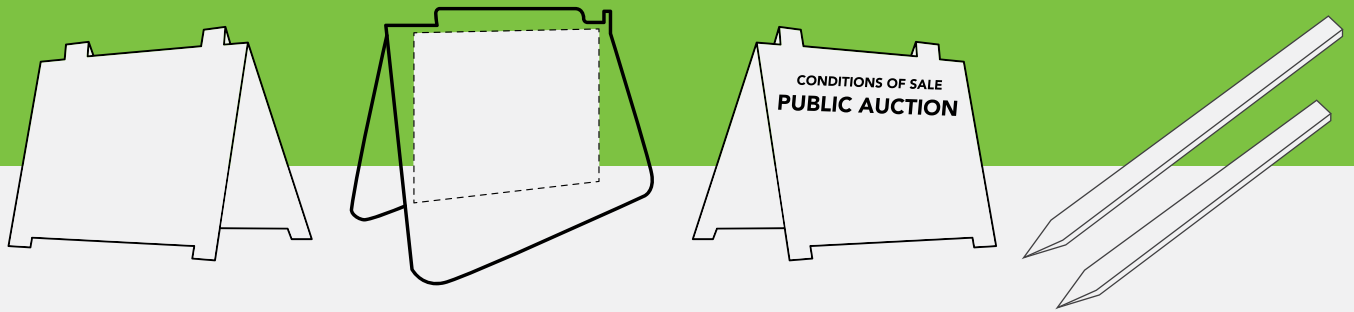
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