



# REI ACT

REAL ESTATE INSTITUTE  
OF THE AUSTRALIAN CAPITAL TERRITORY  
ABN: 67 008 553 277

30<sup>th</sup> October 2018

Mr Andrew Barr MLA  
Chief Minister  
ACT Legislative Assembly  
By email: [budgetconsultation@act.gov.au](mailto:budgetconsultation@act.gov.au)

Dear Chief Minister

The REI ACT is pleased to submit this funding submission for your review.

Our proposal in summary is that the ACT Government partner with REI ACT to deliver three key projects over a period of 12 months to improve consumer education and industry compliance. In light of the ACT Government's recently released housing strategy, REI ACT believes these projects align with the Government's objectives to provide targeted advice and support to tenants and landlords – as well as to home buyers.

The projects we seek to work with ACT Government on are:

- |  |          |
|--|----------|
| 1. Consumer education  | \$63,000 |
| 2. Industry standards and legislation compliance                 | \$30,000 |
| 3. Australasian Auctioneering Schools Competition representation | \$5,000  |

The REI ACT is committed to ensuring that the industry remains flourishing and professional and believes this can only be achieved by delivering quality education and information services to both industry professionals and consumers on all aspects of real estate transactions. We have included proposed budgets for each proposal.

We look forward to our partnership to establish a collaborative approach to consumer education and the continued professional development of our industry.

Kind regards

Michelle Tynan  
**Chief Executive Officer**

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# **2019-2020 Funding submission to ACT Government**

***Key projects to assist consumer education related to the  
real estate industry in the ACT***

## **Contact information**

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## About REIACT

The Real Estate Institute of the Australian Capital Territory (REIACT) is the leading professional body for the real estate industry in the ACT – operating since 1974. Its mission is to enhance the standard of education, knowledge, professional development and business practice for members and the wider community.

REIACT represents the views and professional needs of the real estate industry. Some of these activities include:

- Representation to government
- Setting and maintaining ethical standards
- Promoting the real estate industry and its services to the wider community

In doing this we work closely with other organisations in the ACT who are generally aligned with our broader objectives – such as the Australian Property Institute, the Property Council, the Housing Industry Association and the Master Builders Association, to name a few. We are a wholly self-funded body and our main sources of income derive from membership fees, commercial activities, sponsorship and partnership arrangements. We receive no funding from government.

The objects of REIACT are to ensure that our members enjoy the reputation as highly professional and ethical real estate and business agency practitioners operating in a sustainable business environment. Ultimately our advocacy work with government is to ensure our members are able to achieve outcomes that improve consumers' real estate experience.

Currently there are 1,061 practising agents in the ACT who work in 134 agency businesses. REIACT membership is represented by 59 Institute (agency) members, 16 Associate members, 22 individual members, and 7 Life members. We have 600 individual agency staff members on our mailing lists. Board Directors are drawn from the industry as well as broader community sectors – with many having over 30 years' experience working in the real estate space.

The Institute is currently seeking formal professional recognition through the Professional Standards Council as part of a national move by all institutes across Australia. This process is the biggest undertaking our industry has seen in the last 100 years and is expected to be completed in 2019. This recognition will show others that the industry has come of age and that we are willing to adapt and evolve to meet the changing world we work in. Most importantly, it will show that we are willing to put our clients at the forefront of everything we do.

## **Executive summary**

The Real Estate Institute of the Australian Capital Territory (REIACT) represents the views and needs of the ACT real estate industry through representation to the government, setting and maintaining ethical standards, promoting the real estate industry to the wider community and liaising with organisations within the industry.

To continue to achieve each of these objectives at the highest possible level of quality, REIACT is seeking ACT Government support for delivery of a number of key projects.

The three projects being pursued by REIACT are designed to increase consumer protection through education for home buyers, sellers and agents (including those who are not members of REIACT) and by ensuring compliance with legislation and professional standards.

With over 13,000 residential properties sold in the ACT each year, and home ownership being most individuals' single largest investment, it is vital to ensure consumers are active and informed players in the market. It is clear that the ACT Government is committed to consumer education and establishing a robust real estate sector with high professional standards. This is evidenced by the information guides it currently makes available to home buyers, renters, sellers and landlords and its licensing of real estate agents – not to mention various elements of its recently released Housing Strategy (October 2018).

In this regard, REIACT is proposing to deliver three new projects to increase consumer knowledge and sector regulatory compliance to effectively assist ACCESS Canberra maintain the highest possible standards of practice amongst landlords, real estate agents and consumer protection.

We are also strong proponents of the development of affordable housing options in the ACT and believe that a savvy, well-informed consumer is a key element in an overall Territory strategy.

With the support of the ACT Government, REIACT is confident that the annual program of activities outlined in this submission will enhance the residential property sector in the ACT for the benefit of all.

## RECOMMENDATION

That the ACT Government partner with REIACT to deliver three key projects over a period of 12 months to improve consumer education and industry compliance. REIACT is seeking a funding commitment for the following key Projects:

Consumer education	\$63,000
Industry standards and legislation compliance	\$30,000
Australasian Auctioneering Schools Competition representation	\$5,000

## BACKGROUND AND CONTEXT

### Real Estate Sector in the ACT

The Real Estate Institute of the ACT (REIACT) represents the views and professional needs of the real estate industry. Through its membership, it advocates directly for approximately 75 per cent of all registered real estate agents in the ACT.

Under ACT legislation, a person carries on business as a real estate agent if the person provides, or offers to provide, a real estate agent service for a principal agent or for reward.

A real estate agent service consists of the following:

- buying, selling, exchanging, leasing, assigning or otherwise disposing of land;
- negotiating with, or inducing or attempting to induce, a person to: buy, sell, exchange, lease, assign or otherwise dispose of land; or enter into, or make or accept an offer to enter into, a contract to buy, sell, exchange, lease, assign or otherwise dispose of land;
- collecting payments under a lease;
- collecting payments under a mortgage of land or payments under a terms contract for land;
- acting as manager of an owners' corporation for a units plan;
- any other service prescribed by regulation for this section.

Unfortunately, due to the smaller population base of the ACT, the Institute is not as resourced as other states and territories, impacting heavily on the amount we can achieve. Despite this, we punch well above our weight and provide a range of critical services to local agents such as training, professional recognition, advice, and specialised agent services.

### Changing face of Canberra

The ACT's population is forecast to reach 500,000 by 2033. In the next four years alone, Canberra will see a six per cent increase in population.

Latest Census data tells us that the median age of the typical Canberran is 35 and they live in a three-bedroom private dwelling which they own with a mortgage.

REIA figures\* show that in June 2018, a total of 1,545 residential properties were sold, of which 45 per cent were units and 55 per cent were detached houses. The median price for all residential property was \$627,000.

The average loan size for a first home buyer in Canberra is over \$320,000.

According to the latest CommSec State of the States report, the ACT remains the third ranked economy and ranked second on housing finance. The CommSec report states: “Housing finance is not just a leading indicator for real estate activity and housing construction but it is also a useful indicator of activity in the financial sector.”

The housing sector is a major economic driver and has become Australia’s largest industry. It is a significant contributor to the ACT’s budget bottom line with 51.7% of all ACT revenue being a direct result of real estate activity.

*\*Real Estate Market Facts, A quarterly review of major property markets in Australia, June Quarter 2018.*

## **POLICY CHALLENGES**

The significant increase in the number of people living in the ACT will continue to put pressure on the city’s housing stock to keep pace and create competition for available homes.

As the Chief Minister Andrew Barr stated in relation to population growth: “We need to shape that growth so that we can hold onto the best of our past as we grasp the opportunities of our future.”

The ACT Government has committed to establishing the Suburban Land Agency to deliver new greenfield residential estates and more affordable housing, and most recently released its ACT Housing Strategy: our submission directly supports those objectives.

### **Consumer education**

While governments around the country are focused on affordability and ensuring housing supply keeps up with demand, little is being done to ensure property buyers understand the changing landscape in which they find themselves.

Without education, potential buyers are more likely to find themselves locked out of home ownership, unaware of assistance available to them, and at a disadvantage when dealing with more informed agents, sellers and other potential buyers.

For many Australians buying a home will be one of the biggest financial transactions they will ever make. According to ASIC’s Moneysmart guidance, buying a home is a major decision that takes planning, research and careful budgeting.

The question that must be asked is whether the majority of home buyers are equipped to undertake the required research, planning and budgeting? Are they informed enough to comprehensively prepare for this significant investment, including to understand and be able

to access those measures by ACT Government designed to deliver more affordable outcomes?

Research out of the United States, found home buyer education was associated with 42 per cent lower odds of foreclosure and is likely to promote sustainable home ownership by influencing borrowers' help-seeking behaviour and strategies for resolving default. (Source: Journal of Policy Analysis and Management, The Influence of Homebuyer Education on Default and Foreclosure Risk: A Natural Experiment, S. Brown 2015).

Home buyer education can help consumers. The ACT Government has recognised the benefits of home buyer education and this is demonstrated through its provision of 'Reality Check – A real estate guide for buyers and sellers in the ACT'. The Industry is eagerly awaiting the updated version of this publication.

The introduction of this guide says that when it comes to buying or selling a home: "There are many important decisions to make. The aim of this guide is to help you make the right ones. This guide describes the basic steps involved in a real estate transaction and offers tips on how to avoid some of the common pitfalls. You should also seek specialist advice and assistance from as many sources as possible, to ensure you are fully informed before making any legally binding decisions."

REIACT is proposing that the ACT needs a dedicated resource for home buyers and sellers through which they can educate themselves and fulfil the ACT Government's recommendation regarding accessing specialist assistance.

## **Industry Standards and Compliance with Legislation**

As we strive to make sure home buyers and sellers become savvy consumers, it is equally important to ensure they can be confident they are supported by a professional real estate industry that is abreast of current legislation and requirements.

If a real estate agent were to make a mistake due to lack of knowledge or clarity regarding rules, the parties most likely to be impacted are the buyer, seller, landlord or tenant.

While there are laws in the ACT that govern the licensing and conduct of real estate agents to ensure they provide professional services and behave in an ethical manner, when laws change there can be a lapse in time before the new requirements become standard practice.

Work by the Australian Public Service Commission looking at how governments can influence behaviours in our modern times, concludes that traditional approaches – such as legislating for change – may be limited and additional tools such as community engagement and education would be more effective.

While the image of the real estate industry has improved significantly in recent years, REIACT and its national body are seeking to go even further by making its members real estate professionals.

An application has been made to the Professional Standards Councils for a professional standards scheme for the real estate industry which is expected to be finalised by early 2020.

Professional Standards Schemes are legal instruments that bind associations to monitor, enforce and improve the professional standards of their members, and protect consumers of professional services.

The proposed reforms include significantly increasing the certificate of registration educational requirements, introducing legislated Compulsory Professional Development (CPD) for agents and licensees, and regulating a pathway to a higher qualification for anyone who enters the sector. An outcome will be that anyone who enters the profession must commit to constantly improving their standards and education.

## **PROPOSED PROGRAMS**

### **1. Consumer education**

REIACT has experienced a significant increase in public enquiry as a result of the current market conditions in the ACT. This level of enquiry shows that members of the community are seeking new avenues for real estate information.

Working with its highly-experienced members, REIACT is proposing to develop and deliver a series of public education sessions related to the purchase and sale of residential property in the ACT.

Feedback received by REIACT indicates that many Canberrans feel uncertain about the process involved in buying a first home, purchasing a home at auction, selling property and investing in property. Failure to fully comprehend costs involved with sales and purchases and an individual's roles and responsibilities, can leave people unexpectedly out of pocket – or in the worst case, unable to purchase the home of their dreams or sell a property in the necessary timeframe.

Therefore, REIACT believes there would be value in offering community members access to education from an independent and trusted source.

REIACT is proposing to offer a public education program over a six-seminar series covering the following topics:

- Buying a home – grants and concessions ie ACT Government affordable housing options such as the Land Rent Scheme
- Buying a home – Lawyers, contracts, property reports and the auction process
- Buying a home – Funding, deposits, bank guarantees and deposit bonds
- Getting your home ready for sale
- Investing in property
- How to select and engage an agent or property manager and understanding professional fees

The series would run from July to November 2019. Professional speakers with subject matter expertise would be engaged as required.

Each session would be 1.5 hours long and run outside of business hours to ensure maximum take-up.

Allhomes (REIACT's Corporate Partner) has offered to promote the sessions directly to the marketplace. This will also solidify the potential of strong participation from home buyers and sellers.

REIACT would like to offer these courses to the public free of charge and based on experience believes around 50 to 100 people would attend each session.

While it may be possible for people to seek similar information as that provided through these courses from their real estate agent, government service, or bank, they can be reluctant to admit their lack of knowledge and prefer to remain uninformed than admit there are things they do not know. Becoming fully informed also requires accessing multiple sources, which can deter people.

## **2. Industry standards and legislation compliance**

With new federal legislative changes in place governing contracts, REIACT is seeking to check that documentation used by local real estate agents and private landlords, in both the residential and commercial sectors, is compliant, especially in regard to current proposed changes to the Residential Tenancies Act.

Therefore, REIACT will engage legal counsel to:

- undertake a full review of all residential and commercial real estate documentation to determine where this is now in breach of the Unfair Contract Terms legislation;
- amend any non-compliant documentation; and
- review all real estate documentation provided to the industry and public for compliance and currency of language in relation to all other Territory and Federal legislation.

## **3. Australasian Auctioneering Schools Competition representation**

REIACT will hold the inaugural REIACT Auctioneering Schools Competition in August 2019. This program has been running in Tasmania, South Australia and Victoria since 2015. The winning students from each state compete at the Australasian Auctioneering Schools Competition held in conjunction with the Australasian Auctioneering Competition which has been running since 1997. We are seeking funding for the costs of the winning student and their chaperone to attend the 2019 Australasian Auctioneering Schools Competition to be held in Brisbane in September 2019.

The most critical outcome of this project will be to ensure that students and schools involved will gain a greater understanding of the real estate industry as a potential career path.

Students participating will also gain a broad range of skills that they can take with them for life, into any career they choose – including:

- Public speaking skills
- Self confidence
- Social relationships
- A deeper understanding of real estate
- Sales techniques
- Presentation skills

Other wide-ranging benefits include:

**Benefits to school**

- Student winner will compete in the Australasian Auctioneering Schools Championships to be held in Brisbane, September 2019.
- Nationally accredited training – Certificate IV in Property Services available to students, if they wish to undertake the course.

**Benefits to students**

- All students that participate in the REIACT Auctioneering Schools Championship competition will receive a scholarship for Certificate IV in Property Services (Real Estate) valued at
- \$1690-00 (Conditions apply).
- Twelve x 1.5hour weekly training sessions run from 1st May – 31st July 2018.
- Students will compete in competition to be held in August 2019.
- Winning student will compete in the Australasian Auctioneering Schools Championship being held Brisbane in September 2019, with flights and accommodation included (also for their accompanying chaperone).

## **COSTINGS**

REIACT is exceptionally confident that each of these projects can add value to the local real estate industry, community and ACT economy. As these projects fall outside the traditional sphere of REIACT's operations, it is seeking support from the ACT Government to deliver these beneficial programs.

REIACT can deliver each of the three projects outlined in this submission with funding of \$98,000. (see attached detailed breakdown of costs).

REIACT has a history of delivering successful projects in partnership with the ACT Government, as demonstrated by the REIACT Allhomes ACT Housing Kiosk.

## **CONCLUSION**

Each of the projects outlined in this submission have been assessed by REIACT's Board of real estate professionals as priorities and the most effective investment to improve consumer knowledge and industry compliance.

Roll-out of these programs would help remind the community and real estate sector of the ACT Government's long-standing commitment to development of our city yet at the same time helping Canberrans move up the home ownership ladder while minimising the risks they face.

## **ATTACHMENTS**

Attachment A: Proposed project budgets

# Real Estate Institute of the ACT

## 2019-2020 Estimated Project Budgets

<b>1. Consumer education</b>	
Administration - 120 hours (2 employees)	\$ 12,000.00
Marketing - Print \$17500 Radio \$6500	\$ 24,000.00
Audit	\$ 1,000.00
Catering	\$ 5,000.00
Room Hire (Including AV Equipment)	\$ 3,000.00
Speakers	\$ 18,000.00
<b>Cost for project</b>	<b>\$ 63,000.00</b>
<b>Industry standards and legislation compliance</b>	
Administration & Marketing	\$ 5,000.00
Professional Costs - BAL Lawyers	\$ 25,000.00
<b>Total</b>	<b>\$ 30,000.00</b>
<b>Australasian Auctioneering Schools Competition representation</b>	
Administration - 10 hours (1 employee)	\$ 600.00
Audit	\$ 300.00
Air Fares for Winner and Chaperone	\$ 1,500.00
Accommodation for Winner and Chaperone	\$ 1,600.00
Event Ticketing	\$ 1,000.00
<b>Total</b>	<b>\$ 5,000.00</b>

**TOTAL**

**\$98,000**