

REINSW STATE ELECTION POLICY

3 DECEMBER 2018

ELECTION 2019 ADVOCACY AGENDA

The Real Estate Institute of NSW (REINSW) is the peak professional association for the real estate industry in NSW.

Our members specialise in all facets of real estate, including residential sales and leasing, commercial and industrial sales and leasing, auctions, business broking, buyers' agency, property management, strata management and valuations.

REINSW represents more than 2000 real estate agencies, employing more than 20,000 individual members across NSW. Real estate is a \$107 billion industry annually in NSW¹, making property bigger than the mining industry (\$21 billion²), the retail industry (\$22.8 billion³) and tourism industry (\$38.1 billion⁴) combined.

Our members were integral in the majority of the 220,313 residential transactions that occurred across the State over the past 12 months.⁵ And real estate businesses in NSW work with nearly two million landlords and tenants every week.

The industry's contribution to the NSW economy is significant; property transfer duties contributed \$8.4 billion to the NSW economy in the 2018 financial year.

Yet despite this, the industry is ridiculed by our current minister, the Member for Hornsby and the Minister for Innovation and Better Regulation, Matt Kean, who would rather throw insults and hide behind stereotypes of agents that even his own data does not support, than address real reform.

This document outlines the policy agenda of the REINSW to support a more transparent real estate industry that offers higher standards of service and better levels of protection for consumers.

We want a better outcome for consumers and a fair go for agents in NSW. We seek a better quality legislative and regulatory environment that raises standards and recognises the important contribution property makes every day to the lives of residents and the economy of NSW. We want to work with future governments on real reform within the property services industry that will make housing more affordable.

1. CoreLogic 12 months to August 2018

2. <http://www.nswmining.com.au/industry/fast-facts>

3. <https://www.planning.nsw.gov.au/policy-and-legislation/retail-planning/retail>

4. <https://www.destinationnsw.com.au/wp-content/uploads/2012/04/Economic-Contribution-of-Tourism-to-NSW-2015-16.pdf>

5. www.statetax.com.au

MESSAGE FROM THE PRESIDENT: LEANNE PILKINGTON

The REINSW is committed to supporting the economic growth of NSW, the State's competitive advantage, and our reputation as Australia's leading State.

Property underpins the economy of NSW and NSW property underpins the Australian economy.

Residential property sales alone total more than \$107 billion annually and contribute \$8.4 billion to government coffers in the form of stamp duty. This does not include commercial and industrial sales or building and construction, which contribute billions of dollars more. NSW property makes up 38.5 per cent of all residential sales across the country.

The industry requires a sound legislative policy, infrastructure, supply and funding if we want this to continue. Sadly, the quality of support we have received from the NSW Government to date has been grossly inadequate. It has frequently impeded progress for the industry and exposed consumers to unnecessary costs, stress and risk.

Therefore, the REINSW will lobby all sides of politics – including independent parties – to seek changes to the regulatory environment for property services in NSW in the lead up to the State election on 23 March 2019, and afterwards for as long as is necessary to affect positive change.

In addition to our traditional focus on legislative improvements, professional standards and consumer protections, REINSW is lobbying politicians across the political landscape to address member concerns about the burden of increasing taxation, the cost of red tape to housing affordability and supply, infrastructure and improving planning regulations.

Our priorities are to change the regulatory approach to property services so that it offers better consumer protections, transparency and less red tape by:

1. Moving property services out of NSW Fair Trading
2. Creating a new Commissioner for Property Services who sits under the Department of Premier and Cabinet
3. Changes to the Property Transfer Duty tiers (stamp duty)
4. Depoliticising the planning system
5. Improving infrastructure, housing affordability and land release across NSW
6. Improving the quality of qualifications and professionalism of real estate agents



Leanne Pilkington
President REINSW
2019

1. MOVING PROPERTY SERVICES OUT OF FAIR TRADING

The property services industry is one of several industries primarily regulated by NSW Fair Trading. NSW Fair Trading has supervisory responsibility of more than 40 industries, including car dealers and repairers, conveyancers, fitness industry operators, funeral services providers, second-hand dealers, tow-truck drivers, tattoo parlour operators and travel agents.

NSW Fair Trading is a successful regulator of high frequency, low value and low complexity transactions. Real estate, however, is a high value transaction of significant complexity that occurs infrequently. Clearly these transactions require an experienced and dedicated specialist.

It is the position of REINSW that NSW Fair Trading is a poor fit for the property services industry because:

1. The department is too broad and generalised with most consumer protections focused around small dollar value and high-volume transactions. Consumers making home purchases in the hundreds of thousands and even millions of dollars require better and more specialised protections than those buying toasters or getting a haircut.
2. The property services industry – and in particular, real estate transactions – have more legislation regulating behaviour than the other industries covered by NSW Fair Trading combined. The department is stretched, and unable and unwilling to support its largest stakeholder group.
3. NSW Fair Trading has a history of poor legislative decision-making resulting in adverse outcomes for consumers, especially in the area of education and licensing. For example, NSW Fair Trading removed the need for auctioneer licences in 1993, reinstated them in 2002 and has recommended their removal again in 2018. Equally, it changed legislation so that only non-compliant trust accounts needed to be reported to NSW Fair

Trading, ensuring it is now simple to conceal inappropriate behaviour by not having an audit. Despite several efforts to rectify this, consumers remain unprotected today.

4. The positioning of the property services industry within NSW Fair Trading plays to the fragmentation of housing policy and planning in NSW.

Our homes are one of the most valuable assets we own. The legislation that governs property and the way this is managed by government is crying out for higher standards than those offered by the mismatch of operations that is NSW Fair Trading.

REINSW asks all political parties to commit to moving the property services industry out of NSW Fair Trading and into an authority that has experience and expertise within property services.

2. CREATING A NEW COMMISSIONER OF PROPERTY SERVICES WHO SITS UNDER THE DEPARTMENT OF PREMIER AND CABINET

Given the significance of property transactions to consumers of real estate services, the profession needs to be strongly regulated.

REINSW is not seeking self-regulation – we seek a constructive and cooperative relationship with a competent commissioner experienced in the industry. The commissioner will be responsible for raising standards and championing the overwhelming need across NSW Government to address professional standards, housing affordability, housing supply and stamp duty reform.

One of the key failings of the current legislative and regulatory framework governing property and construction in NSW is its lack of vision and leadership to resolve the key critical issues of housing supply, housing affordability, consumer service expectations and stamp duty. This is because legislation and decision making is siloed and broken up across different departments, many of which have no expertise or experience in the sector.

This results in poor quality outcomes for residents of NSW who are asked to pay for this inefficiency with more expensive than needed housing, inferior planning and infrastructure and poor-quality service.



REINSW calls for the establishment of a dedicated Commissioner for Property Services (CPS). This would enable the formulation of a common strategy to:

- Understand the key issues affecting real estate, property construction and planning in NSW from a position of industry experience and knowledge
- Provide a single, centralised overview of legislation and regulation that impacts residential, commercial, strata and rural property as it affects upon property owners, tenants and the businesses that operate in the industry

- Provide a consistent strategy to address housing affordability in NSW
- Provide a consistent, coordinated framework to deliver better quality planning outcomes in NSW
- Supporting the drive to increase education, service delivery standards and consumer satisfaction through the property services industry
- Advise government on best outcomes to remove legislative red tape and improve consumer protection across the property services industry

Reflecting its key importance to the NSW economy, the CPS would sit under the auspices of the Department of Premier and Cabinet and administer legislation that includes regulation of the following sectors and industries:

- Occupational licensing for conveyancers, property and stock agents and auctioneers
- Residential tenancies, agricultural tenancies, landlord and tenants, boarding houses, strata and community schemes, retirement villages, residential land lease communities and holiday parks
- Commercial, industrial, retail and rural property

3. CALLING FOR CHANGES TO THE PROPERTY TRANSFER DUTY (STAMP DUTY)

REINSW believes transfer duty requires urgent reform to support more affordable housing by both reducing the up-front costs of buying a home and encouraging more sellers to enter the market.

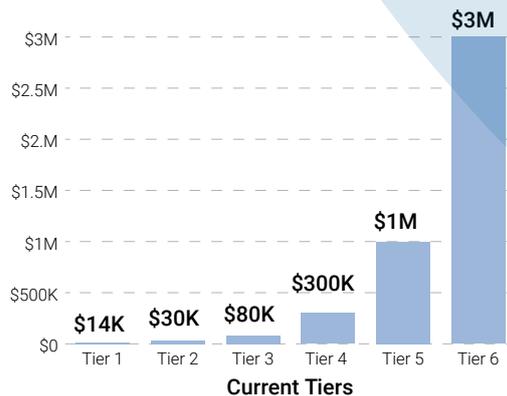
Residential property transfer duties alone – previously known as stamp duty - contributed \$8.4 billion to the NSW economy across the 12 months to October 2018.⁶ The stamp duty payable on a house sold at the Sydney median sales price of \$985,000 attracts duties of \$40,093 which is 4 per cent of the purchase price.

However, the real cost of stamp duty is significantly higher for most Sydney-siders as the majority of suburbs have a median house sales price above \$1 million.⁷

There is also an additional insult in the stamp duty regime for new property owners where GST must be paid on top of the final purchase price, then transfer duty is payable, so this creates a tax on a tax.

The NSW Government’s own figures show that revenue from property transfer taxes are currently on the decline due to lowering volumes of transactions.⁸ Evidence shows that reducing transfer duty rates increases transactions which maintains, if not **increases** Property Transfer Duty revenue. It has consistently ignored its own data, such as the IPART report, that have identified transfer duty as an inefficient and unfair tax.

Figure 1: Current NSW Stamp Duty Tiers



While the NSW Government announced in November that they would make changes to stamp duty, their intention is to index the current tiers. REINSW supports indexation, however to correct the injustice of the current stamp duty rates, these tiers must be indexed from 1986 when they were first introduced.

Figure 2: Stamp duty on median sales prices in Sydney⁹

SYDNEY November 2018	House	Unit
Median Price	\$970,000	\$720,000
Stamp Duty	\$39,140	\$28,173
SD% of Median Price	4%	4%

Inappropriate levels of duty create a significant up-front barrier and takes home ownership out of reach for many NSW residents. Research also shows it plays an important role in deterring many home owners from moving.

On this basis, properties that achieve a median price, fit under tier 4 of the current stamp duty regime while 50% fit into categories 5 and 6.

6. www.statetax.com.au
 7. CoreLogic Market Trends August 2018
 8. www.statetax.com.au
 9. CoreLogic Market Trends November 2018

3. CALLING FOR CHANGES TO THE PROPERTY TRANSFER DUTY (STAMP DUTY)

i. RETIREES STAMP DUTY REFORM

Many retirees (“empty nesters”) live in large family homes with three or more bedrooms and a big backyard. The upkeep on these properties can become difficult for them as they become older and the extra bedrooms are rendered unused and unnecessary. Extensive research reveals that stamp duty is a significant disincentive for retirees making the decision to sell their property and downsize into something that better responds to their needs^{10,11,12} and that this has an additional cost of failing to free up equity for their needs as they age.

REINSW calls on the NSW Government to provide transfer duty relief for people aged over 65 when they downsize into accommodation more suitable to their changing needs, such as a townhouse, apartment or retirement village.

Such a move will recycle housing stock into the market for younger families and remove a serious impediment to older Australians accessing the equity in their homes to finance their retirement.

REINSW calls for the political parties to commit to stamp duty reform including:

- A review of property transfer duties in NSW with a view to reducing stamp duty, freeing up the market and increasing transactions, which will drive up transfer duty revenue for the Government
- Seriously addressing stamp duty bracket creep and aligning stamp duty tiers to pricing that is more in line with current property prices in NSW

10. Perceptions of Housing Affordability 2017, CoreLogic

11. LJ Hooker 2016

12. Menzies Research Centre, 2007

4. DEPOLITICISING THE PLANNING SYSTEM

Compared to our international counterparts, our cities are characterised by fragmented planning controls which limit NSW's capacity for development.

The principal statute governing the planning system in NSW is the Environmental Planning and Assessment Act 1979 (NSW). The Act is the most complex planning legislation in Australia. It has been amended with alarming regularity.

NSW's significant population growth, combined with urbanisation and future global competitiveness means issues such as housing supply, planning, infrastructure and affordability can no longer afford to be managed in silos.

Planning decisions need to be made within a transparent and technical approval process. Local politics influences planning decisions. This must be addressed.

REINSW calls for the complex, cumbersome and counter-productive Environmental, Planning and Assessment Act 1979 to be completely reviewed and rewritten to ensure:

- It is clear who the consent authority is for development and the types of developments that are permitted
- Development applications are assessed for their specific needs of the community rather than political considerations
- A reduction in the referral of cases to the Land and Environment Court with the additional costs these add to developments, and ultimately to the end consumer
- A reduction in delays in dwellings coming to market which will also improve affordability

Figure 3: Taxation on new homes in NSW



Includes:
 Developer purchases land with stamp duty
 Section 7.11 (formerly Section 94) levy
 Builder pays payroll tax
 Developer pays land tax
 Developer pays council rates
 Purchaser pays stamp duty

5. IMPROVING INFRASTRUCTURE, HOUSING AFFORDABILITY AND LAND RELEASE ACROSS NSW

Despite record construction levels, there remains a critical shortage of housing stock in NSW. The level of new homes being built is unable to sustain the State's growing population, which is forecast to increase by 1.7 million people by 2036.¹³

The NSW Government's most recent city plan, the draft Greater Sydney Region Plan from 2016 suggested a minimum of 725,000 extra dwellings would be needed between 2016 and 2036 to cater for the increasing population and an annual production shortfall of more than 10,000 houses has been estimated.

Yet NSW is one of the only jurisdictions in the world where new home owners pay for all community infrastructure "upfront" and this, combined with the politicising of development decisions, has a significant impact on housing supply and affordability.

In Sydney's growth areas, the Housing Industry Association estimates the cost of taxes and charges adds 40 per cent to the cost of a new home, including developer charges, GST, infrastructure levies and stamp duties, while also creating significant delays in the building process.

REINSW calls upon the political parties to create new mechanisms that allow homebuyers to contribute to the cost of community infrastructure over time by:

- Establishing a new system where the State Government pays for the open space land required for riparian corridors and drainage
- Restructuring council rating powers to allow for recoupment of its upfront costs through special rates that only apply to release areas

REINSW further calls on the political parties to:

- Empower the Sydney Metropolitan Development Authority to take all necessary steps to facilitate development in key strategic locations, including:
 - » A comprehensive audit of all Government-owned land to evaluate its effective utilisation for urban renewal, including developing airspace over existing and future railway infrastructure
 - » Implementing a deliberate policy of acquiring and disposing of land with high strategic value for redevelopment.
 - » Effective partnerships with public and private developers to deliver affordable housing outcomes.
- Producing an effective, coordinated strategy to drive new land releases and increasing the commitment from all levels of government to infrastructure investment
- Adapting Government housing policy to reflect the greater choice for consumers seeking high quality, higher density dwellings
- Encouraging high-quality development in existing suburban areas with incentives for two-lot subdivisions on existing residential parcels
- Creating a streamlined 'small-scale strata' subdivision regime as a new division of the existing strata legislation to remove the complexities associated with existing strata subdivision and management
- Reviewing community title legislation to encourage infill development
- Recognising the needs of regional centres individually, the 'one size fits all' current policy for planning does not provide for the future dwelling needs and associated infrastructure requirements

13. <https://www.news.com.au/finance/real-estate/buying/construction-of-new-housing-is-not-making-a-huge-difference-to-housing-prices/news-story/65f08fe38a7f2dfd363a309c3fc4ff96>

6. IMPROVING THE QUALITY OF QUALIFICATIONS AND PROFESSIONALISM OF THE PROPERTY SERVICES INDUSTRY

A real estate acquisition is the largest financial transaction most NSW residents ever undertake. Even rent is estimated at being 30 per cent of average income.¹⁴ As a high value transaction of significant complexity that occurs infrequently, it requires an experienced and dedicated specialist who is professional and reliable.

REINSW believes it is essential that buyers, sellers, landlords and tenants are protected by quality legislation that promotes continuous improvement of standards for the property services industry.



To this end, REINSW fully supports raising the bar on ethics and practice standards for real estate agents in NSW by increasing the entry level education and experience requirements to become an agent and quality and relevant on-going professional development training.

We also call on the political parties to support moves for the real estate industry to become a profession through its application to the Professional Standards Authority in addition to state regulation that will support agents to:

- Raise the bar on ethical behaviour and practice standards for the benefit of consumers
- Create a robust and transparent consumer protection regime
- Transform the customer service experience and exceed expectations
- Become more valuable and relevant in a rapidly changing digital world while retaining the critical human element

- Set new education standards to meet the skill levels required to meet clients' needs
- Provide professional agents with a readily identifiable consumer "mark" for personal and community credibility
- Create an environment where professional agents are recognised as trusted advisors
- Hold professional agents accountable to standards of professional conduct
- Create the blueprint for a thriving career as a professional agent

Such a move would continue to be monitored and regulated under state legislation. REINSW is NOT seeking self-regulation, but to create an additional qualification that meets the strict standards of professionalism as a way for dedicated agents to prove their merit, and for consumers to easily distinguish excellence.

¹⁴. CoreLogic Housing Affordability 2018



REINSW

for members
since 1910

 02 9262 2343

 INFO@REINSW.COM.AU

 WWW.REINSW.COM.AU

 @REINSWNEWS

 REINSW

 REAL-ESTATE-INSTITUTE-OF-NEW-SOUTH-WALES-REINSW

 REINSW_AU