



# Property Operators and Real Estate Services

*This industry supports individuals and business with property sales, purchases, leasing, valuation, auctioning and brokerage services.*

## Industry Developments and Workforce Challenges

**Economic Climate.** The last slowdown in the mining industry has had significant flow on effect on the property operators and real estate services sector. Although, the WA property market remains a challenging environment for real estate professionals, signs of recovery are starting to emerge. Despite business confidence in the State being down 13% since December 2018 (impacted by WA's high payroll tax), a recent survey points to a growing appetite from institutional investors for Perth's commercial property due to high yields and less expensive acquisition costs. House prices are starting to stabilise presenting opportunities to secure housing at affordable prices. The market is seeing increased first home buyer activity with a growing preference towards purchasing established properties.<sup>1</sup> Reportedly, Western Australia remains the most affordable state for resident and tenant housing in the country.<sup>2</sup> It is anticipated house prices will improve in 2020, partly stimulated by the latest interest rate cuts, the Federal Government's proposed first home loan guarantee scheme to enable buyers to purchase their first home with a 5% deposit,<sup>3</sup> the McGowan Government's changes to the Keystart lending eligibility<sup>4</sup> and the Australian Prudential Regulation Authority's plans to reduce the 7% floor on serviceability calculations for residential mortgages, allowing banks to assess loans at 2.5 per cent above current rates.<sup>5</sup> Other initiatives which should have a flow on effect and stimulate the subdued property market include: the Infrastructure WA Bill 2019 and the development of a 20-year plan to prioritise major projects and residential developments<sup>6</sup>; and the recent launch of Our Priorities: Sharing Prosperity<sup>7</sup> and the program's emphasis on building Metronet and increasing the number of homes built in the Perth and Peel region within one kilometre of public transport.<sup>8</sup> National property tax policies and the decision not to change current negative gearing and capital gains tax should also assist recovery.<sup>9</sup>

**Advocating Change.** In a bid to improve market conditions, the Real Estate Institute of WA (REIWA) would like to see Perth put back on the Regional Migration Scheme to help attract skilled workers to WA and fill the current oversupply of housing. They are advocating for a minimum 15% infrastructure budget based on WA's contribution to Australia's GSP<sup>10</sup> and a push for a Perth City Deal.<sup>11</sup> With more first home buyers choosing to buy established properties rather than build new (20% growth between the December 2017 and 2018 quarters), REIWA proposes reintroduction of a First Home Owner Grant for eligible first home buyers who purchase an established residential dwelling<sup>12</sup> and has recommended a number of tax reforms to improve housing affordability, including the introduction of a broad-based land tax regime to replace current stamp duty arrangements seen as the greatest barrier to housing

<sup>1</sup> REIWA, [Established property purchases increase 20 per cent in WA first home buyer market](#), 25 February 2019.

<sup>2</sup> REIWA, [Western Australia is still the most affordable state for housing in the country](#), 07 June 2019.

<sup>3</sup> REIWA, [Morrison Government election victory a win for housing market](#), 20 May 2019.

<sup>4</sup> Government of Western Australia, Media Statement, [Keystart gets \\$421 million boost to assist housing sector](#), 6 December 2018.

<sup>5</sup> REIWA, [Changes to APRA's mortgage servicing regulations a big win for home buyers](#), 21 May 2019.

<sup>6</sup> REIWA, [Infrastructure WA Bill 2019 to boost state economy](#), 14 June 2019.

<sup>7</sup> Government of Western Australia, Our Priorities: Sharing Prosperity, [Whole-of-government targets to deliver better outcomes for all Western Australians](#).

<sup>8</sup> REIWA, [West Australians to benefit from Our Priorities: Sharing Prosperity program for generations](#), 21 February 2019.

<sup>9</sup> REIWA, [Morrison Government election victory a win for housing market](#), 20 May 2019.

<sup>10</sup> Ibid.

<sup>11</sup> REIWA, [Perth City Deal must be a priority for next Federal Government](#), 29 April 2019.

<sup>12</sup> REIWA, [Established property purchases increase 20 per cent in WA first home buyer market](#), 25 February 2019.



affordability. Reportedly, Treasurer Ben Wyatt told industry groups that a stamp duty concession for seniors was on the Government's radar and would be considered as WA's economy improves.<sup>13</sup>

**Strata Reform.** Recent reforms will make strata better for owners and residents, introduce new land development options to drive economic growth and support the Government's delivery of Metronet station precincts and affordable housing.<sup>14</sup> The new legislation (Strata Titles Acts Amendment Bill 2018 and Community Titles Bill 2018) will bring strata owners, residents, developers and managers a clear, transparent and accountable framework for creating and managing strata in WA. The introduction of Community Titles for mixed-use precincts and Leasehold Strata (when the owner retains the block but people own a 100 year lease) will support mixed-use developments and increase housing choice, affordability and public amenity.<sup>15</sup> The full suite of changes are set to come into effect in late 2019 once Landgate develops regulations for the new reforms. Changes to the Act impose extensive statutory duties on strata managers to make them more accountable and lift the standards of professional service delivered to strata companies, including the introduction of specified educational qualifications.<sup>16</sup>

**Anticipated Tighter Lending.** Recent government reforms, regulatory changes and heightened scrutiny on banking and finance are set to increase regulatory oversight and have substantial implications for these industry sectors.<sup>17</sup> Report findings following the Banking Royal Commission focus on governance, compliance, leadership, culture, service delivery and remuneration. These will likely lead to further tightening of lending criteria which could adversely impact the first home buyer and the real estate market. While the proposed 5% deposit first home loan guarantee scheme will support buyer entry, the effects of these reforms are still unknown.<sup>18</sup> Hay's recommendations for mortgage broker commissions to be replaced by up-front user fees has the potential to deter people from accessing broker expertise. REIWA have expressed concerns that changes to the fee structure may limit competition in lending and result in higher interest rates for borrowers. They argue brokers have been critical to consumer choice and informed decision making, enabling them to navigate a multitude of lending options resulting in an increase in competition leading to lower interest rates for borrowers.<sup>19</sup>

**Housing Diversity.** Western Australia's population is expected to double by 2050. The State Planning Strategy 2050<sup>20</sup> forecasts that up to 550,000 new dwellings will need to be built in Perth alone to cater for this increase in population. Local government planning schemes must evolve to cater for population growth, a changing household composition and an ageing population. Housing diversity is essential to WA's long-term prosperity, infill targets and improved liveability. Collaboration between communities, state and local governments will be paramount to enable greater supply of housing. An ageing population will see an increased demand for retirement community housing as well as buildings offering apartment services such as in-house doctors and other medical staff. These types of services are also expected to increase in demand in other age groups as young professionals come to expect greater services available in medium-high density living.

**Density Housing.** Density housing is fuelling current local planning debates with local governments hesitant to update their local planning scheme wanting to preserve the character, charm and heritage of these areas. The City of Fremantle are introducing amendments to its Local Planning Scheme to incorporate medium density housing in well-established suburbs without negatively impacting on its appeal.<sup>21</sup> The WA Government is implementing a staged approach to higher density development and infill throughout Perth. It has released a set of guidelines for developers and local governments to ensure apartments are built to a higher standard, focusing on design for the built environment, new residential design codes for apartments and a design review guide.<sup>22</sup> Similarly, the State Government is directing its focus on compact housing for more affordable and diverse housing options for a range of buyers, including first home buyers and seniors. The Western Australian Planning Commission

<sup>13</sup> REIWA, [Bold reforms lacking in WA Budget](#), 09 May 2019.

<sup>14</sup> Landgate, [Strata Reform](#).

<sup>15</sup> REIWA, [Strata title reform](#).

<sup>16</sup> Parliament of Western Australia, [Strata Titles Amendment Bill 2018, Explanatory Memorandum](#).

<sup>17</sup> PwC Skills for Australia, [Industry Skills Forecast and Proposed Schedule of Work Draft for consultation, Financial Services](#), April 2019.

<sup>18</sup> REIWA, [Boost to Keystart a win for WA home buyers](#), 07 December 2018.

<sup>19</sup> REIWA, [Competition key to safeguarding property market from Royal Commission fall out](#), 22 February 2019.

<sup>20</sup> Government of Western Australia, Department of Planning, Lands and Heritage, [State Planning Strategy 2050](#).

<sup>21</sup> REIWA, [Housing diversity essential to WA's long-term prosperity](#), 05 March 2019.

<sup>22</sup> REIWA, [Design WA guidelines to raise the bar for apartment buildings](#), 19 February 2019.



released a new policy to guide subdivision, building design and development of small lots in new residential areas and transit precincts.<sup>23</sup>

**Technology.** The real estate fintech business increased by 18.8% per year from 246 in 2008 to 1,372 in 2017. Reportedly, fintech investment is expected to lead growth in online lending to more than \$1 trillion by 2021. This has significant implications for the real estate industry. Advancements in real estate technology, social media marketing, research methods and customer tools can increase efficiency and value for clients while automating administrative functions enabling agents to focus on non-routine tasks.<sup>24</sup> Industry has seen an increase in the automation of valuations, appraisals, auctions, signing of leases and contracts, title transfer and loan approvals. PropTech start-ups continue to transform industry, client experiences, capability and capacity. Advancements in technology such as robotic learning, automation and online retail are changing the way real estate is being operated. Software and web-based applications continue to inform and empower users, connect relevant stakeholders, drive efficiencies, enhance business capability and provide market transparency.<sup>25</sup> Tools such as AgentFinder target end users: they simplify and localise property searches, generate real-time notifications and provide transparency on property price and status.<sup>26</sup> Others are designed to improve agent-buyer interaction, communication and end-to end processes. REBid centralises all information including conditions, and automates contract creation and delivery, keeping buyers constantly up to date.<sup>27</sup> Virtual reality technology continues to shape change. Emerging property management software such as inspector360, incorporate 360-degree imagery, video, voice-to-text and hotspot mapping of floor plans to document property condition reports.<sup>28</sup>

**Demand for Advisory Roles.** With increased diversity in the types of properties available and services required by owners and tenants, many are looking for professional advice from the industry on how to best meet their needs. This has seen an increase in the provision of adjunct advisory services, including buyer advice, particularly from overseas and commercial tenants.

**Marketing Focus.** Developing relationships and trust continue to be critical for real estate businesses. In line with this, a greater focus is being placed on marketing due to increased competition, depreciated growth and challenging economic conditions. Coupled with growing consumer expectations and push for interactive experiential consumption, a more holistic and targeted approach is emerging among agents. Digital and mobile-friendly strategies are increasingly important with emerging products, such as ActivePipe, automating campaigns and simplifying email marketing. Virtual home staging and drone photography are other strategies being used to ensure companies remain competitive.

**Regulatory Requirements.** The real estate industry is highly regulated. Business operators must be licensed and representatives working under a licensed operator must be either licensed or registered through the Department of Mines, Industry Regulation and Safety (DMIRS). Recent changes to strata legislation will have licensing implications for strata managers and industry at large with current discussions exploring a move towards national licensing. The Department of Mines, Industry Regulation and Safety have determined compulsory training will be required for operators and strata managers to meet the requirements of the Strata Titles Acts Amendment Bill 2018. Current discussions point to a likely Certificate IV level qualification with a grandfathering period of 4 years. This will have significant ramifications for operators and strata managers in industry who, until now, have not had any educational requirements. While the move will lift accountability and standards for industry, it has significant up-skilling cost implications for individuals and industry, raising concerns about the adverse effect this may have on employees wishing to return to work, particularly those looking for part-time arrangements, many of whom are women. These new training arrangements have sparked debate between the Strata Community Association (peak industry body for Body Corporate and Community Title Management) and REIWA on the introduction of qualifications for other occupations across the sector.

---

<sup>23</sup> Government of Western Australia, Media Statements, [Small lots policy big on innovation and affordability](#), 4 June 2019.

<sup>24</sup> Bankwest, [Bankwest Future of Business: Focus on Real Estate 2019](#).

<sup>25</sup> Proply, [5 Australian PropTech startups to watch](#).

<sup>26</sup> REIWA, [Finding your new home is now even easier with the reiwa.com app](#), 24 June 2019.

<sup>27</sup> REIWA, [How to make buyer excellence easy in real estate](#), 15 March 2019.

<sup>28</sup> Business News, [Assetowl shares soar 225% on The Agency deal](#), 16 April 2019.



*Quality Training.* Industry has expressed concern about the depth, breadth and duration of training provided by some organisations, in particular online training offered interstate by providers who may not even cover the WA legislation as part of their course curriculum. With some courses being offered in as little as a day, industry questions the quality, rigour and breadth of information covered. Delivery of quality training and quality assurance is fundamental to maintaining industry integrity and high levels of service delivery. It is critical graduates have the knowledge and competencies to successfully start selling or renting a property and meet their obligations. The recent review and endorsement of vocational qualifications in real estate and property services has addressed prior industry concerns around content currency. New qualifications better represent occupational outcomes. Training providers will need to continue to consult with industry and the regulator to ensure their training is relevant.

---

## *Industry Workforce Priorities*

---

*Supply.* Regulatory restrictions, falling house purchases and lower house prices have had a negative effect on the number of people entering the industry in recent years. Changes to the Real Estate Industry Award saw changes to commission-only arrangements and the introduction of a minimum wage for sales representatives continues to impact the real estate market. This has seen a decrease in the number of people being employed in the sector as well as an exodus of current staff as companies are unable to afford these wages in a slow market. The cyclical nature of the real estate industry is reflected in employment levels. When the market is slow, industry struggles to employ new and maintain existing staff. However, signs of economic recovery are on the horizon partly due to the flow-on effect of greater mining activity. Real estate revenue anticipated to grow by 16% in the 5 years to June 2024.<sup>29</sup> While automation of business processes will reduce the reliance on employees to some extent, addressing the decreasing intake of new entrants and the high number of people leaving the industry remains a focus to ensure adequate supply into the future.

*Strata and Housing Reform.* Increasing the skills of those working in strata management roles will be vital to the industry. Changes to the Strata Titles Act and Community Titles Bill mean the sector is becoming more complex. The new legislation will provide a more streamlined and transparent system for everybody involved in strata living. This includes, better dispute resolution, clearer obligations for strata managers and a fairer and more robust system for the termination of schemes. Housing agenda priorities of the state and local governments will see strata communities become more prevalent. It is essential that professionals in industry such as property and strata managers have the skills and knowledge to effectively manage both residential and commercial assets, as well as provide owners, residents and developers with correct and reliable advice and information. REIWA's long standing position is that, like real estate agents, strata managers should be licensed.

*Skilling Needs.* Innovation of new technologies will need to be balanced with individual skills to meet rapidly changing consumer demand. It essential those in the industry embrace technology and have the capability to apply emerging tools and systems into their daily operations. Technology has disrupted the industry from applications and transfers to wholly online and VR tours allowing agents to show multiple houses in one place. Development of functional technical and knowledge will be integral to navigating a changing landscape and remaining competitive. Similarly, use of social media platforms is change marketing and advertising and it is important agents are able to maximise these. Introduction of *self-service* capability for consumers is changing buyer and seller behaviour and expectations. These are driving a need for greater levels of communication and transparency between agents and external parties. Agents need to be able to adopt systems which can help with response times and help deliver a better service. They need to have a working knowledge to apply system automation and continually improve their knowledge and skills to remain relevant to customers. Building long-lasting relationships and improving client value is critical and relies on the ability to engage and have a problem solving mindset.

---

<sup>29</sup> Bankwest, [Bankwest Future of Business: Focus on Real Estate 2019](#).



*Industry to Professionalism.* The Real Estate Institute of WA (REIWA) support the national industry association's application to have real estate recognised as a profession in Australia. This move would see a huge focus on skills development and raise the standards for education and training across all sectors of the industry. The *industry* to a *profession* push would improve knowledge, competency and customer experience, ensuring people who hire real estate agents receive a first-class service experience.

*Training Package Changes.* Artibus Innovation have identified a number of projects in their review of the CPP Property Services Training Package and their initial scoping of industry needs. Proposed work will include the development of a new Certificate II in Property Pathways to attract and support new entrants to the property industry by providing a streamed training pathway to its sub-sectors and enhance articulation into high level vocational qualifications. Real estate offers many career paths in property sales and management (residential, commercial and rural) and opportunities in strata, marketing, business broking, property development and auctioneering.<sup>30</sup> Similarly, Artibus has identified an increased need to up-skill all levels of strata managers due to increased consumer expectations, changing legislation and regulations, volume of properties managed, and changing risk, safety and compliance requirements. A separate project will review current Strata Community Management qualifications to ensure they align to regulatory changes, align with occupational outcomes and are fit for industry needs and assist in the attraction and retention of people into the industry.<sup>31</sup>

---

<sup>30</sup> REIWA, [Start your career in real estate before 30 June and save up to \\$480!](#), 28 May 2019.

<sup>31</sup> Artibus Innovation, [Property Services IRC Skills Forecast and Proposed Schedule of Work](#), 12 March 2019.