



Real Estate Institute of Australia

REAL ESTATE National Update

Fast Facts

Building activity: value of work done
As at March qtr 2006
(ABS #8752.0, seasonally adjusted)

New residential building: \$13,154.8m, down 1.5% over quarter, up 0.2% over year

Up over quarter:

NSW 1.6%

SA 5.6%

WA 0.1%

Tas 13.7%

NT 8.0%

ACT 7.6%

Down over quarter:

Vic -10.5%

Qld - 4.1%

Non-residential building: \$4,941.9m, up 2.1% over quarter, up 12.0% over year

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28 July 2006

Issue 15

Our homes are our biggest assets

Australians live longer, work harder and their biggest assets are their homes, according to data released by the Australian Bureau of Statistics in its publication, Australian Social Trends 2006. In capital cities, the family home accounted for 49% of household assets in 2003-04. Outside capital cities, it accounted for 40% of assets.

A separate house is still

preferred, with 80% of Australians living in separate houses in 2004, compared with 8.3% living in semi-detached housing and 11.2% in flats. More than 40% of Australian homes had two or more bedrooms additional to the requirements of their family in 2004, with 3 bedroom homes being the average.

Compared with 1995, the

number of Australians owning their home without a mortgage has fallen dramatically, from 41.8% in 1995 to 34.9% in 2004. There were also more private sector renters in 2004, up from 18.4% in 1995 to 21.2% in 2004.

For more information, see Australian Social Trends 2006 (cat no 4102.0) available free of charge at www.abs.gov.au

Empty nesters stay at home

When the kids leave home, it's time to downsize, right? Not according to research conducted by the Victorian Department of Sustainability and Environment's Spatial Analysis and Research Branch.

In a recent report aimed at better understanding the housing decisions of empty nesters in Victoria, it was found that many empty nesters prefer to remain in the family home, mainly for emotional attachment, security and financial reasons.

Those who choose to sell up the family home usually want to stay in the same area, unless there are strong reasons for moving to another area, such as family ties.

Most empty nesters agree that a new home should be as maintenance free as possible, in a modern style, on one level, with a small rear garden, three bedrooms, two bathrooms, a main open-plan living area, plus a second smaller living area and good security.

Apartments and retirement villages are not preferred options for most. Nor is the much-discussed 'sea change' an option for most empty nesters – it is simply too expensive, because most people want to retain a 'town' home as well as having a coastal property.

The Housing Decisions of Empty Nesters Report is available at: www.dse.vic.gov.au/research/urbanandregional

Florida to host FIABCI Congress of Americas

Real estate professionals with an interest in doing business in the Americas are invited to join FIABCI at its annual Congress of Americas, to be held in Palm Beach, Florida, USA from 7 to 10 December.

The Congress is a business networking event, with marketing sessions, a professional program including study tours in the Congress's host state of Florida, and a trade show.

To register, see: www.fiabci-usa.com/palmbeach2006

For information on how to join FIABCI, see <http://www.reia.com.au/institute/fiabci.asp>

REAL ESTATE National Update

Staff changes at REIA

Karen Lindsay has recently joined the REIA as its Research Manager. Karen has moved to the REIA from the Department of Industry, Tourism and Resources, where she worked on a range of policy and program issues. Most recently, Karen had re-

sponsibility for business R&D policy, which included researching and analysing industry's investment in research and development, as well as its impact on both the firm and the economy. She also had responsibility for developing programs to support in-

creased industry investment in R&D, including the 2004 Backing Australia's Ability innovation package. Karen also spent several years working as an Adviser to the Hon Geoff Prosser, MP looking after housing, small business, consumer affairs and industry issues.

European property: outlook to 2010

Sofia, capital of Bulgaria, will host FIABCI's European Conference from 12 to 14 October 2006. The conference will be a joint event with the 12th annual conference of CE-REAN (Central European Real Estate Associations Network).

The program will include sessions on real property markets in South East Europe with a spotlight on the Balkans; financing in Central and

South Eastern Europe; REITs; tax and legal issues including property rights in South East Europe; and sustainable growth before and after EU accession.

Sofia is one of the oldest cities in Europe. It is situated in a beautiful valley, surrounded by mountains, at the crossroad between the Orient and the West. Bulgaria's capital for 125 years, Sofia has

recently developed its role as a centre for tourism and congresses. There are numerous interesting places of leisure, culture and history surrounding Sofia.

To register, see: www.fiabcisofia2006.com

NAR 2006 Realtors Conference registration now open

Real estate professionals from the United States and more than 50 countries around the world will meet at the 2006 Realtors Conference and Expo, to be held in New Orleans from November 10 - 13.

The Conference includes more than 100 events providing profitable insights into US markets, international trends and issues, emerging global opportunities, commercial investment, sales and marketing. International guests will

be able to 'test drive' the latest products and services for their businesses.

Second home and resort developments will be featured in the SIMA Showcase.

For more information on the conference and how to register, see: <http://www.realtor.org/convention.nsf/>



INVITATION TO SPONSOR

Following on the success of the 2006 REIA National Awards for Excellence, the REIA will present its 2007 Awards at a gala black tie dinner in Sydney in March 2007. The Awards, now in their second year, salute Australia's real estate leaders. For information, on how you can be involved in sponsoring the 2007 REIA National Awards for Excellence, see:

<http://www.reia.com.au/nationalawards/sponsorship.asp>

Liability insurance – should you be sleeping easy?

The end of financial year has passed. At this time most real estate agents have negotiated the renewal of their professional indemnity insurance and are going about their business as normal, restful in the knowledge that they have protected themselves should a law suit arrive on their desk.

The question is, should you be sleeping easy? Have you really ensured that if you are sued you have the correct policy? The majority of agents, whilst giving due consideration to the need to have an appropriate professional indemnity policy, do not give consideration to the fact that a breach of professional duty is but one thing that can land you in court.

A real estate agent's day to day activities are wide and varied, including attending to customer enquiries, conducting open houses or meeting clients at their homes. Have you ever considered the possible liability claims that can come about during the course of your normal day?

Many say "it could never happen to me". The likelihood of a large claim occurring through anything other than breach of professional duty is not existent.

Unfortunately, in today's litigation conscious society, nothing could be further from the truth. As an operator of a business, some of whom have household names as their brand, you are perceived by the majority as being someone with deep pockets. For that reason even the most insignificant of events can give rise to not only costly but protracted legal disputes and see you having to defend your name, and for that matter your livelihood, in a court of law.

Professional indemnity policies will generally cover breaches of professional duty and the associated costs, however for full protection, consideration must be given to public liability insurance. Any

business that operates without public liability insurance is taking on an enormous risk, sometimes oblivious to the sort of events that can occur when you least expect it.

Just imagine these scenarios:

- ⇒ A young family walks into your office. It has been raining outside and someone slips on the welcome mat as they enter the door injuring themselves.
- ⇒ You visit a house to get a contract signed and leave your briefcase on the floor open whilst you rustle around for papers. Someone trips over it and injures their neck.
- ⇒ You are conducting an open house. It is a wet day and you have neglected to ensure that those lovely wooden stairs are dry and safe for people to negotiate as they move around viewing the property. Someone slips over.

Whilst the likelihood of this can be considered low, claims of this nature are made to insurance companies every day. Unlike professional indemnity policies which require you to have a policy the date that you are notified of the loss, a liability policy operates on what is called an "occurrence basis".

In layman's terms, this means that the policy that will end up indemnifying the loss is the one that is in place at the time the incident occurs. For that reason, and because it can take many years (decades in the case of a child) for a claim to end up in the courts, what may seem a relatively small loss today can be a substantial loss by the time an award is given. That is why the legal costs and awards of today are but a minor consid-

eration in the setting of a liability limit, given that a judgement may not be given for many years, and in the case of a child – not for 20 years or so.

There is very little need to focus on some of the awards that have come out of the United States. In some cases they are the stuff of legends, however Australia is not far behind.

There are also other issues to consider. When setting a liability limit don't think of how much something would be worth in court today. Think at least 5, 10 or even 15 years away. Ten years ago \$200,000 was the average liability insurance policy, today it's \$10,000,000 – and those who can afford it and are prudent enough are even purchasing more. A \$1,000,000 limit of indemnity on a major personal injury claim will barely cover the legal costs.

Policies are often taken out in the name of the business but contractors representing the organisation may not be covered. Do they have their own policies in place? Regardless of whether you are at fault or not, you can be joined in an action.

Quite simply, public liability insurance is not too dissimilar to the majority of products in the insurance market place, in that complexity is somewhat overstated. Yes, it is true – an insurance policy is not worth the paper it is written on if it is not appropriate for your industry, however one that has been written specifically with your industry in mind and is not just utilising generic policy wordings will more often than not be appropriate. When selecting an insurance provider you need to ask yourself these key questions:

Continued overleaf



Liability insurance – should you be sleeping easy?

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- ⇒ Do they really understand my business?
- ⇒ Has this company developed a policy which acknowledges that they understand the way I operate?
- ⇒ Do they understand that I can work from home sometimes, operate an office and have clients visiting and conduct open houses?
- ⇒ Do they understand my employees?
- ⇒ Do they understand that I employ contractors?
- ⇒ Have they adjusted the definition of insured on the policy to read “me and my contractors”?

Article provided by Peter Lynch, Aon Risk Services.



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www.worldproperties.com



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What's On

August

13-14
ARPM 2006
The Sofitel Hotel, Melbourne
Info: www.totalrealestatetraining.com.au

26
REIWA Awards and Ball
Info: www.reiwa.com.au

September

4 - 5
REIA Board Meeting
Hobart

13
REINSW Commercial Property Forum
Info: www.reinsw.com.au/training

16 - 20
REINZ Conference and AGM; Australasian Real Estate Institutes Auctioneering Championship
Auckland, New Zealand
Info: www.reinz.co.nz

24-27
ARELLO (property regulators) conference
San Antonio, Texas USA
Info: www.arello.org

26
NAR Asia-Pacific Leadership Summit at MIDEM-Asia Real Estate Expo
Hong Kong Convention Center
Info: cweinrich@realtors.org

October

12 - 14
FIABCI European Conference
Sofia, Bulgaria
Info: www.fiabcisofia2006.com

13
REISA Awards
Info: www.reisa.com.au

17-18
REIT AGM and Mini Muster
Launceston TAS
Info: www.reit.com.au

19
REIV Industry Awards for Excellence
Info: www.reiv.com.au

REIACT Awards for Excellence
Info: www.reiact.com.au

21
REINSW Annual Dinner and Awards
Info: www.reinsw.com.au

24 - 27
Australasian Agency Principals' Workshop
Palazzo Versace, Gold Coast
Info: www.totalrealestatetraining.com.au

November

1 - 3
Global Real Estate and China Strategy 2006 Conference
Shanghai, China
Info: www.ChinaCRE.com

7 - 15
National Association of Realtors Conference
New Orleans, USA
Info: www.realtor.org

20 - 21
REIA Board Meeting and AGM
Canberra

22
REINSW State Conference
Info: www.reinsw.com.au

December
7 - 10
FIABCI Congress of Americas
Palm Beach, Florida USA
Info: www.fiabci-usa.com/palmbeach2006

2007

March
22
REIA National Awards for Excellence