AustralianBroker

DECEMBER 2019 ISSUE 16.24

LOOKING AHEAD

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DATES TO WATCH

Upcoming can't-miss events

16-18 DECEMBER

Australasian Finance and Banking Conference

To be held at the Shangri-La Hotel in Sydney, this three-day business conference is organised by the Australia International Business School and covers the current news, products and services across the banking and finance industry.

16-18 JANUARY

Finance, Business and Banking Symposium

This risks, business and management symposium is an international academic conference dedicated to the promotion and publication of peer-reviewed research. Its aim is to encourage businesses to respond to current finance and banking issues and interact with practitioners. It will be held at Sofitel Melbourne.

FEBRUARY 12-26

MFAA PD Days

The MFAA has confirmed its 2020 calendar, kicking off the year with a round of PD events across the country. First up is Sydney (12 February), followed by Perth (14 February), Melbourne (19 February), Adelaide (20 February), Launceston (25 February), Darwin (26 February) and Brisbane (26 February).

FEBRUARY 24-27

Women in Banking & Financial Services Leadership Summit

The ninth iteration of the summit will take place in Sydney at the Radisson Blu Plaza Hotel. The event will address how to lead effectively when faced with change and adversity, with a particular emphasis on how to position oneself for success in the wake of the royal commission.

26-27 FEBRUARY

Australian Mortgage Innovation Summit 2020

RFi Group will be hosting the 11th annual summit in Sydney, covering everything from the aftermath of the royal commission to the "visibly turning" credit cycle. In addition to the two days focused on innovation and efficiency, the group will be holding its Australian Lending Awards.

2-3 MARCH

Responsible Lending and Borrowing Summit

To be held at the Radisson Blu Plaza in Sydney, Informa's fourth responsible lending summit includes addresses from ASIC exec Tim Gough and Mortgage Choice CEO Susan Mitchell. Along with the other speakers, they will shed light on open banking's impact on financial services and the industry's recalibration following the royal commission.

18-19 MARCH

Financial Inclusion Conference

The fourth edition of this event, dubbed 'Roads to Resilience', will be held in Sydney and aims to engage the community sector, government and peak organisations in working towards a more financially inclusive future for Australians. Conference content will cover the building blocks of financial resilience for consumers.

30-31 MARCH

AFR Banking and Wealth Summit

Banking and wealth leaders, regulators, policymakers and stakeholder groups will gather to debate the future of financial services at the Sofitel Wentworth in Sydney. The 2020 summit will provide the opportunity to hear from "key industry leaders" during the implementation stages of many royal commission recommendations.

7 MAY

Banking Summit Sydney

This event will be held at Doltone House, Hyde Park, and will bring together over 100 chiefs and divisional heads from Australia's largest banks and financial services organisations to share insights on industry trends and emerging technologies that will change the face of the industry in the coming years.

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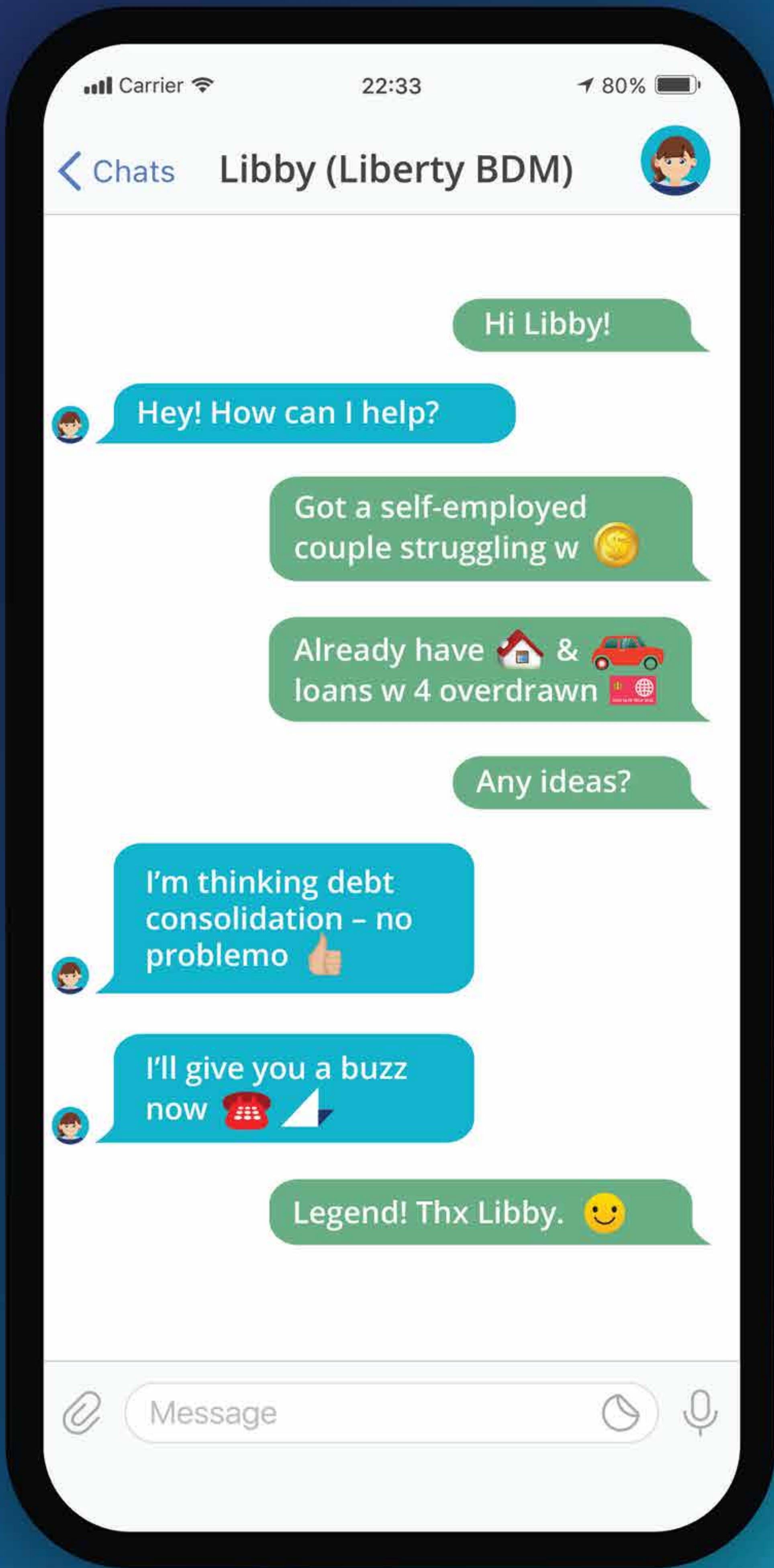
Liberty



Let's chat. **13 11 33**

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LENDERS

RATESETTER JOINS FAST LENDER PANEL

RATESETTER has joined the panel at FAST, following a string of aggregator partnerships over the course of 2019. According to the lender, the partnership "illustrates an industry transition is underway", with aggregators "swiftly embracing" new fintech offerings over those of traditional lenders. RateSetter CEO Daniel Foggo added, "Under this partnership, clients of FAST brokers gain access to RateSetter's fast, low-rate personal finance offering, combined with the tailored support of a broker they know and trust."

MAJOR BANK SELECTED FOR FHB SCHEME

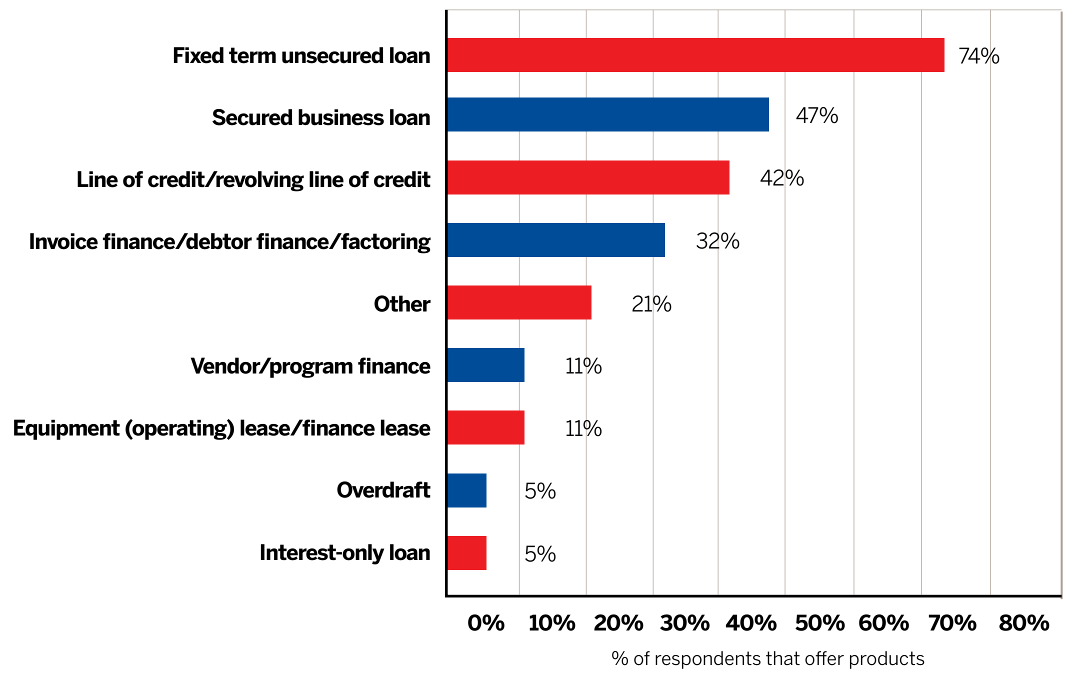
NAB has announced that it will be taking part in the government's First Home Loan Deposit Scheme, which becomes operational on 1 January 2020. The bank was selected by the National Housing Finance and Investment Corporation (NHFIC) to offer mortgages under the scheme. "We are proud to be chosen to partner with the federal government and NHFIC," said Mike Baird, NAB's chief customer officer of consumer banking.

"Brokers shouldn't see fintech as anything other than a natural complement to their operations"

Daniel Foggo
CEO,
RateSetter

LOAN PRODUCTS OFFERED BY FINTECH LENDERS TO SMEs

Source: Australian Small Business and Family Enterprise Ombudsman



FINTECH CONTINUES TO GROW AT ACCELERATED PACE

A fintech lender has reached a key milestone in written loans following a sharp increase in the current quarter

A fintech lender has written $150m in loans thanks to its fast uptake of technology.

Wisr COO Matthew Lu said, "Wisr's ongoing technology investment and daily focus on our customers has driven this sharp increase in originations. Our operational excellence and scalable technology have allowed us to increase the productivity of our team while delivering a 105% increase in daily settlements for the quarter to date when compared to the prior year.

"The tailwinds of momentum are in our favour, with the business now tracking towards a $150m originations per annum run rate."

Wisr had also announced that its new funding facility is operational, approximately tripling the average margin on each loan written for Wisr compared to previous loan unit economics.

Andrew Goodwin, Wisr's CFO, said the funding facility would allow for a scale-up of the business and support the development of new lending products going forward.

"The warehouse program further enhances Wisr's strategy to redefine and reinvent what a consumer lending company can be," he said.

The $150m mark was achieved, with the initial $50m taking 45 months to originate, the second $50m taking more than eight months, and the most recent $50m written in less than six months.

Goodwin said, "The demand from Australian consumers for fairer, smarter lending is only increasing. Our ability to offer loans through a purpose-led model is proving to be a real differentiator in the market. We see a long runway of growth, and the loan book numbers Wisr is achieving certainly support this."

Separately, another fintech company has seen an expansion within its business model, this time into auto lending. Developed by fintech company AusLoans Finance, an automotive finance broker group, a new 'three-click' car loan enables dealerships to green-light applications within two minutes. The 'Zink' technology has tripled productivity for its in-house brokers since it was introduced in October.

The company spent two years developing the technology and plans to offer it to 1,100 dealerships across Australia in the coming months.

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AGGREGATORS

AGGREGATOR WELCOMES BESTS INTERESTS LEGISLATION

Loan Market sees the tabling of the bill in Parliament as a positive for brokers, anticipating that it will serve as a catalyst for further growth in the channel

BROKERS should not be worried about the new best interests legislation and should take the opportunity to improve transparency within the industry, according to Loan Market.

"We believe the 1 July change will spur the next wave of growth for our industry, taking broker market share up to 70% as customers seek out brokers who act in their best interest, rather than a branch manager who works in the interest of the bank," explained executive chairman Sam White.

"We know that the large majority of brokers are already working in the best interest of their clients; however, we see that the shift for brokers will be centred around having access to the right technology that supports a broker's process, and how a broker can prove they've met their BID [best interests duty] for each and every client, each and every time.

"Loan Market is well underway in building a process for our brokers to keep them safe during this time of change and look forward to sharing the prototype and gaining valuable feedback from our brokers before we go live on July 1."

The group plans to continue working with ASIC, the MFAA and other industry leaders before the legislation is finalised.

"For now, I think that brokers should have a very well-deserved break over the holidays, knowing that their aggregator is working to make the transition more accessible for them, with system changes and training," he said.

AGGREGATOR CONTINUES TO DIVERSIFY

LOAN MARKET has further diversified its panel with the addition of a low or no-deposit, no-LMI specialist lender, Granite Home Loans, targeting a niche market overlooked by mainstream lenders: tertiary-educated professionals with relevant industry experience and strong incomes but limited savings. The lender offers 90–100% LVR to engineers, lawyers, doctors and accountants, as well as finance, IT and other high-earning professionals.

MARKETING AN 'ESSENTIAL COMPONENT' FOR BROKERS

THE managing director of an award-winning aggregator has encouraged brokers to fully embrace marketing as an "essential component" of running a successful business. Brendan O'Donnell of Liberty Network Services, the 2019 Australian Mortgage Awards Aggregator of the Year (under 500 brokers), said it was crucial for brokers to not only understand the importance of marketing but take advantage of the many resources readily available at a minimal cost.

"We believe the 1 July change [to a best interests duty] will spur the next wave of growth for our industry, taking broker market share up to 70%"

Sam White
Executive chairman,
Loan Market


New bank criteria
left you high & dry?

MARKET

HIA WELCOMES $3.8BN HOUSING PLAN

THE Housing Industry Association is celebrating government's plans to invest $3.8bn in infrastructure in the next four years, with a commitment to improving Australian housing. "Supporting the housing industry to deliver homes in a timely and affordable way is essential to address the home ownership aspirations of first home buyers, to create jobs and to support a healthy Australian economy," said Kristin Brookfield, HIA chief executive of industry policy.

NEW NON-BANK LENDER TARGETS SME MARKET

A group of Australian finance industry veterans have joined forces to launch into the non-bank SME lending space, with plans to expand into residential lending in the first quarter of 2020. The team at Azora Finance, boasting over 100 years of combined industry experience, comprises Pepper Money's former co-group CEO Patrick Tuttle, former COO David Holmes and former head of credit Andrew Paterson, as well as Virgin Australia former group treasurer Philip Sullivan.

"Households in Sydney, Melbourne and Hobart are generally dedicating a larger proportion of their incomes towards servicing a new mortgage than they were in 2009"

Tim Lawless
Research director, CoreLogic

AVERAGE HOME COSTS SIX AND A HALF TIMES ANNUAL INCOME

While housing affordability has improved slightly, over the past decade it has been dragged down by slow wage growth, according to CoreLogic data

WHILE national dwelling values have risen at around the same rate as household incomes over the past 10 years, mortgage rates have fallen to generational lows, leading to improved loan serviceability, with households spending less of their income on their home loans.

Nationally, the ratio of dwelling values to household incomes over the past decade has swung from a low of 6.1 in late 2012 to a high of 7.0 in early 2018. However, in June 2019, the ratio settled at 6.5 – equivalent to where it was 10 years ago.

This means the average Australian household is spending six and a half times their gross annual income to purchase a typical dwelling.

Five of the eight capital cities and four of the seven non-capital city regions have seen an improvement in the ratio of dwelling values to household incomes.

The lowest ratio is in Darwin, where the typical household only spends 3.4 times their gross annual income to purchase a dwelling, down from 5.6 a decade ago.

"While most areas have seen housing values become more affordable relative to incomes, some areas have seen affordability worsen," explained CoreLogic research director Tim Lawless.

"Sydney, Melbourne and Hobart have seen housing values rise at a faster rate than household incomes, which has eroded affordability."

Sydney is at 8.2, up from 6.6 a decade ago. Melbourne is at 7.2, up from 6.4 in 2009. Hobart is at 6.5, up from 5.9.

"Despite mortgage rates falling to the lowest level since at least the 1950s, households in Sydney, Melbourne and Hobart are generally dedicating a larger proportion of their incomes towards servicing a new mortgage than they were in 2009," said Lawless.

Based on the proportion of income required to service a new 80% LVR mortgage, Sydney households are spending 43.7% of their gross annual household income on mortgage repayments, compared to 37.7% a decade ago.

"Although housing affordability has worsened relative to 10 years ago in Sydney and Melbourne, the decline in home values together with a subtle rise in household incomes and lower mortgage rates has seen affordability and serviceability record a temporary improvement in these areas," said Lawless.

ASSOCIATIONS

INDUSTRY REACTS TO BEST INTERESTS LEGISLATION

While the regulations to accompany the legislation have yet to be finalised, key industry players have weighed in with their views

THE Financial Sector Reform (Hayne Royal Commission Response–Protecting Consumers (2019 Measures)) Bill 2019 has been introduced into Parliament, implementing recommendations 1.2 and 1.3 of the royal commission, including a best interests duty (BID) for mortgage brokers.

While the MFAA has welcomed some of the changes, it "remains concerned" that certain areas of the draft regulations won't serve consumers' interests.

The association has identified many issues that remain, and topping the list is that the current legislation extends BID beyond residential mortgage finance to include all credit assistance provided by mortgage brokers.

The MFAA said this "unnecessarily complicates" the broker's primary function and that brokers didn't have the same level of systems, support or control over these products that they did with residential mortgages.

According to the MFAA, this could likely incentivise brokers to stop providing additional assistance beyond home loans in order to avoid regulations they aren't able to reasonably meet, "which is not a good outcome for consumers".

FBAA managing director Peter White pointed out that numerous steps remained before the legislation could be finalised, saying "the journey isn't over yet" and confirming that the FBAA was also pushing for further amendments.

He added: "Mortgage brokers should be embracing this, as we've known it has been coming for some time, and make sure to let their clients and the marketplace know: 'You should only ever deal with a mortgage broker. We're the only ones who must act in your best interest by law'."

PLAN Australia has welcomed the introduction of the legislation, saying it seems "largely in line" with what it has reviewed to date.

"We are taking time over the next few days to better understand the detail. How best interests duty and remuneration changes will operate will be better understood once we receive regulations," said CEO Anja Pannek.

"We will continue to work closely with brokers to understand updated responsible lending guidance and navigate through any changes."

AFCA NAMES FIRST GENERAL COUNSEL

AFCA has created a new role to help round out its executive team, with Anna Campbell welcomed to the position of general counsel. Campbell previously served as general manager of enterprise compliance at the Australian Securities Exchange (ASX), where she was responsible for the group's regulatory assurance function, involving Corporations Act licence obligations, privacy, competition and other statutory obligations. She previously also acted as deputy general counsel at the ASX for nine years and acting general counsel at Allianz.

MFAA: BROKERS HAVE KEY ROLE IN FHB SCHEME

THE MFAA has been lobbying on behalf of brokers, highlighting the assistance they provide to first home buyers and stressing the importance of broker involvement in the government's First Home Loan Deposit Scheme. According to CEO Mike Felton, the association has been "actively involved" in the consultation process, sitting on the Treasury Reference Group for the scheme, as well as making a submission to both Treasury and the National Housing Finance and Investment Corporation regarding the scheme, which is set to be operational from 1 January 2020.

"Mortgage brokers should be embracing this [regulation] and make sure to let their clients and the marketplace know: 'You should only ever deal with a mortgage broker"

Peter White
Managing director, FBAA

REGULATORS

ASIC: CLARITY OF LENDING GUIDANCE NEEDED

ASIC Commissioner Sean Hughes has sought to make clear why the regulator is updating its responsible lending guidelines by addressing the "myths that need busting" and "exaggerated and inaccurate criticisms" that have been circulating. Speaking at the ARCA National Conference on the Gold Coast, Hughes explained that the changes to the responsible lending framework were intended to both clarify the existing lending guidance as well as provide additional guidance.

LEGISLATION INTRODUCED FOR BEST INTERESTS DUTY

THE government has introduced legislation to implement the best interests duty recommended by the royal commission. Brokers can now take steps to not only safeguard their businesses but thrive in the new era of heightened compliance, said Aaron Milburn, Pepper Money GM of mortgages and commercial lending. "Under the duty, brokers will be expected to understand and articulate their customers' objectives, consider a range of lending solutions, and recommend the products that match the need," he explained.

WESTPAC RESPONDS TO ACCUSATIONS BY AUSTRAC

Westpac has issued a response plan following the launch of civil proceedings by AUSTRAC alleging the bank breached anti-money laundering regulations

IN his response to the Australian Transaction Reports and Analysis Centre's (AUSTRAC) claim that Westpac violated anti-money laundering and terrorism regulation on over 23 million occasions, the bank's chairman, Lindsay Maxsted, has highlighted that over the past two years Westpac has taken a number of steps to substantially improve its monitoring of financial crime.

Maxsted said these included consolidating different financial crime systems into a single, group-wide technology system, doubling the resourcing dedicated to financial crime to around 750 people, and developing a 'Financial Crime Strategic Plan', which was shared with AUSTRAC.

Maxsted said the past week's events had been "deeply distressing".

"The issue raised by AUSTRAC that weaknesses in our systems failed to detect criminal actions by customers is incredibly serious and unacceptable. This is not the company we aspire to be and I again apologise unreservedly," he said.

"We are determined to urgently fix these issues and lift our standards to ensure our anti-money laundering and other financial crime processes are industry-leading."

Westpac released a Response Plan covering three areas: immediate fixes, such as closing LitePay; lifting its standards. including priority screening and improving cross-industry data sharing; and protecting people by investing in reducing the human impact of financial crime.

"When we introduced our LitePay product in 2016, transaction monitoring was put in place to identify suspicious transactions. However, more advanced monitoring, including updated "typologies" from AUSTRAC regarding child exploitation, were not put in place for LitePay payments to the Philippines until June 2018," said Maxsted.

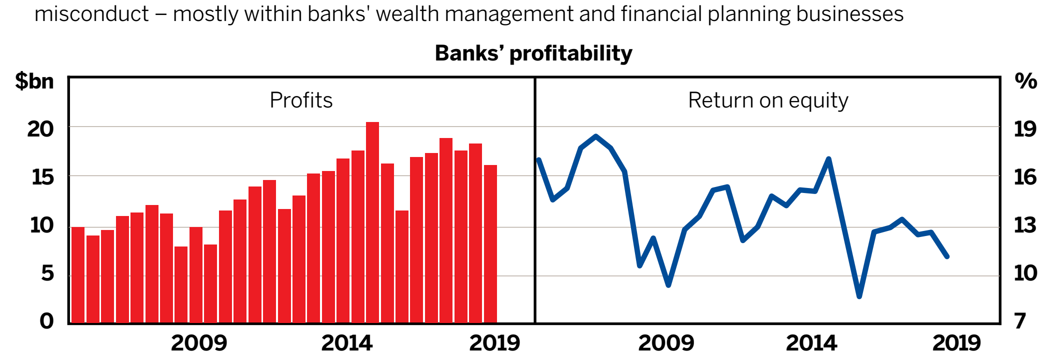
"We accept this should have occurred earlier and was not handled appropriately. Where Westpac flags transactions that suggest potential child exploitation in high-risk locations, these transactions are now prioritised for action and reported to AUSTRAC within 24 hours. This is faster than regulatory standards require."

Earlier, Westpac CEO Brian Hartzer had stepped down from his role, and current CFO Peter King took over as acting CEO effective 2 December.

AUSTRALIAN BANKS' PROFITS STILL HIGH BUT LIKELY TO DECLINE

Source: APRA, RBA

The recent decline in bank profits was primarily driven by customer remediation costs arising from misconduct – mostly within banks' wealth management and financial planning businesses



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one TEAM. one LENDER. one GOAL.

SPECIAL REPORT

LOOKING BACK AT 2019

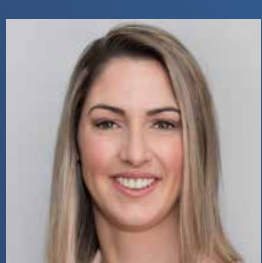
This year has been challenging for the average mortgage broker as they've moved through a period of unprecedented focus on the industry. With the year ahead set to be just as turbulent, *Australian Broker* examines what 2020 could bring












2019 IN REVIEW

Regulation and compliance
The biggest news this year was the release of the final report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

While not specifically a change to lending, the final report did put a spotlight on the lending industry as a whole and highlighted a need for change, according to Daniel Carde, general manager of third party distribution at Resimac.

There were a number of key releases from APRA, ASIC and Treasury, for example ASIC's consultation paper requesting feedback on proposed updates to the responsible lending guidelines.

"These proposed changes were twofold," Carde explains. "Firstly, ASIC are proposing to update the regulations to better align them with recent advancements in technology (for example, recognising bank-statement scraping for data collection), and secondly they are looking to provide additional guidance around some of the existing regulations (for example, what level of enquiry should be made into verifying living expenses)."

APRA also released updated guidance on mortgage serviceability assessments for authorised deposit-taking institutions (ADIs), which had been in place since December 2014. This effectively allowed lenders to set their own assessment rates.

Carde continues: "Many lenders, Resimac included, took the opportunity to review their assessment rates, with the majority lowering the assessment rate to be more in line with the current low interest rate environment."

Treasury also released the first bill to be introduced as a direct result of the royal commission: the Financial Sector Reform (Hayne Royal Commission Response – Stronger Regulators (2019 Measures)) Bill 2019.

The bill was introduced into Parliament earlier this month, implementing recommendations 1.2 and 1.3 of the royal commission, including a best interests duty (BID) for mortgage brokers.

Sourcing appropriate loans for customers' needs also became more demanding over 2019, as was the requirement to document and articulate the 'why', according to Aaron Milburn, general manager of mortgages and commercial lending at Pepper Money.

"Across the industry, whether it was a family looking to refinance their mortgage or a small business owner seeking a loan to support their business, lending conditions were difficult and ever-changing," he says.

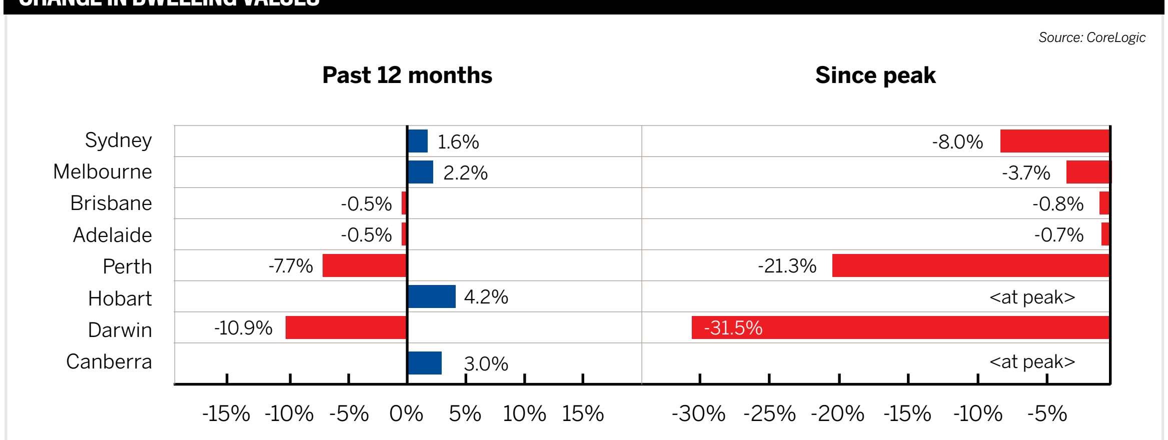
Interestingly, Milburn suggests it was actually the threat of more regulation hanging over the lending industry rather than actual legislative changes that created such an impact in 2019.

"But perhaps the biggest change stemming from the royal commission was how swiftly some lenders altered their appetites in 2019, particularly around the assessment of living expenses, which in turn affected turnaround times for those lenders," he continues.

"Customers relying solely on the big four suddenly found themselves with fewer options, and it fell to the mortgage broking industry to help

> "The cost for brokers to deliver great outcomes for clients has gone up tenfold" Holly Bundy, director, Bundy Financial Services

CHANGE IN DWELLING VALUES



MOST READ ONLINE IN 2019

APRA FINALISES SERVICEABILITY CHANGES

- APRA finalised its proposed changes to the serviceability assessments performed on residential mortgage applications, with immediate effect.

ROYAL COMMISSION REPORT RELEASED

- The royal commission's final report was released to the public, outlining recommendations from Commissioner Hayne, with the most widely anticipated recommendation for brokers being to abolish the current remuneration structure.

TRAIL BAN SPARKS ANGER AND QUESTIONS

- The government's proposed ban on trail commissions as a result of Commissioner Hayne's final report will have huge consequences for competition and the future of the broking industry.

LEGISLATION INTRODUCED FOR FIRST HOME BUYER SCHEME

- The government introduced legislation to implement the First Home Loan Deposit Scheme, providing 10,000 eligible Australians per year with access to a home loan with a deposit of as little as 5%.

CBA ADDRESSES RUMOURED PLAN FOR 10,000 JOB CUTS

- Following widespread reports of dramatic downsizing of both its workforce and branch system, Commonwealth Bank released an official response deeming the reports "misleading" and "unnecessarily alarming".

Holly Bundy, director, Bundy Financial Services

Aaron Milburn, director of sales and distribution, Pepper Money

them find an alternative.

"Luckily, the non-bank sector proved to be more flexible, and better equipped to offer solutions based on the customer's own unique needs whilst still adhering to the strict regulatory frameworks we all operate under."

Another by-product of the royal commission was brokers being forced to justify their role in the financial ecosystem, explains Sarah Thomson, senior lending manager at Loan Market, who ranked seventh on this year's Top 100 Brokers list compiled by *Australian Broker*'s sister publication *Mortgage Professional Australia* (*MPA*).

"Brokers had to show the public what we do, how we do it, our no-cost offering and the ongoing service we provide during the life of our customers' journey … our value proposition is clearer than ever, now," says Thomson.

Biggest changes

According to John Mohnacheff, national sales manager at Liberty Financial, there's no denying that 2019 started on shaky ground, and the Hayne Commission's recommendations in its final report left many brokers reeling.

"But despite an uncertain beginning, the industry has displayed unrelenting resilience this year and is now stronger than ever before. With businesses and individuals from all walks of life speaking up in the defence of the broker value proposition, we saw resounding support from the Australian community," he says.

"What started as a threat quickly turned into a triumph as increased media attention, along with the MFAA's Broker Behind You campaign, highlighted the many benefits that brokers bring to the table."

For Holly Bundy, director of Bundy Financial Services and another *MPA* Top 100 Broker this year, a big impact on brokers' work following the royal commission has been the treatment and assessment of customers' living expenses.

"Gone are the days of only using the household expenditure measure [HEM] to mitigate the client's living expenses; we are now knee-deep, wading through our customers' statements trying to assess what is and isn't a recurring expense," she says.

While the cost to deliver a great outcome has gone up for brokers, Bundy says brokers' commissions have remained the same.

"The cost for brokers to deliver great outcomes for clients has gone up tenfold, with more time spent reviewing every transaction and statement for accuracy and missing information," she explains.

But perhaps the biggest change resulting from the royal commission was the decrease in clients' borrowing capacity, stemming from changes to lenders' servicing calculators, Bundy says.

"This is also due to how living expenses are now assessed and what are considered voluntary and ongoing living expenses and how the banks assess these varying greatly between lenders and resulting in confusion among brokers," she says.

Indeed, APRA's amendments to interest floors for serviceability assessments marked "a significant regulatory change" that "many lenders across the market took advantage of" says James Angus, chief customer officer at Bluestone.

He explains: "Coupled with lowering Reserve Bank of Australia cash rates, these changes effectively raised borrowing capacity … While a large range of factors plays into the recent recovery of property prices, lower interest rates and higher borrowing capacity should certainly be counted among them."

Culture shift

The biggest change resulting from the banking royal commission according to Angus has been the dramatic "shift in culture" within financial services.

"The commission identified culture as a 'root cause' of misconduct in the financial services industry, describing culture as something which can both drive misconduct and discourage it," Angus says.

"Commissioner Hayne pointed out that, until very recently, there has been scant overt attention given in Australia to the importance of culture, whether by entities or regulators, but that there are signs of change looking ahead," he continues.

"As a result, the majority of participants in our industry, if not all, have taken steps to ensure they have effective leadership in place."

He concludes that an effective leader is someone who drives a culture of embracing oversight, compliance and reports of wrongdoing, rather than ignoring or punishing those who raise concerns.

Ian Rahkit, general manager of third party at Bankwest, says brokers have done a "fantastic job helping people" find the right home loan for their needs and also giving ongoing service and support to their customers.

However, he adds that the question of 'what does responsible lending look like?' has become "a key focus for the financial services industry" and, looking back over the past 12 months, "serviceability and assessment has been a key topic of conversation".

Rise of non-banks and alt lenders

Changes in floor rates, plus a general lowering of interest rates, improved housing affordability over the year.

Nevertheless, ensuring the accurate assessment of a customer's ability to service a loan is still of paramount importance, Rahkit points out.

"As well as keeping across a number of updates to the HEM tables and ongoing interpretations of expenses, at Bankwest we're constantly refining how to best assess the borrowing and repayment capabilities of our customers," he says.

As the big banks have tightened and restricted their lending criteria, this has led to another big change: non-bank lenders providing niche solutions for

customers, says Bundy.

"Even something as simple as how income is annualised or how self-employed income is viewed can make a big impact on our customers' borrowing capacity, and this is why the non-bank lenders have played an essential part this year," she explains.

Angus agrees that non-bank lenders are certainly taking a larger market share.

"Consumers are tired of the same customer-first rhetoric from banks, and there is clear regulatory intent to constrain banks' home loan growth over the medium term," he says.

"Brokers' recent experiences with non-banks have been generally more positive compared to other lenders."

Australia currently holds a 32% share of the alternative finance market in the Asia-Pacific region – after its share grew 88% year-on-year – and the total market is worth $1bn, according to recent figures from KPMG.

So non-bank lenders offered more competitive pricing, more reliable processes and more consistently applied policy than the majors, explains Susan Mitchell, chief executive of Mortgage Choice.

"The intense scrutiny of home loan applicant living expenses was one of the biggest changes to lending in recent memory. The depth of information brokers are required to submit when lodging a home loan application saw loan processing times dragged out to an unprecedented level," she says.

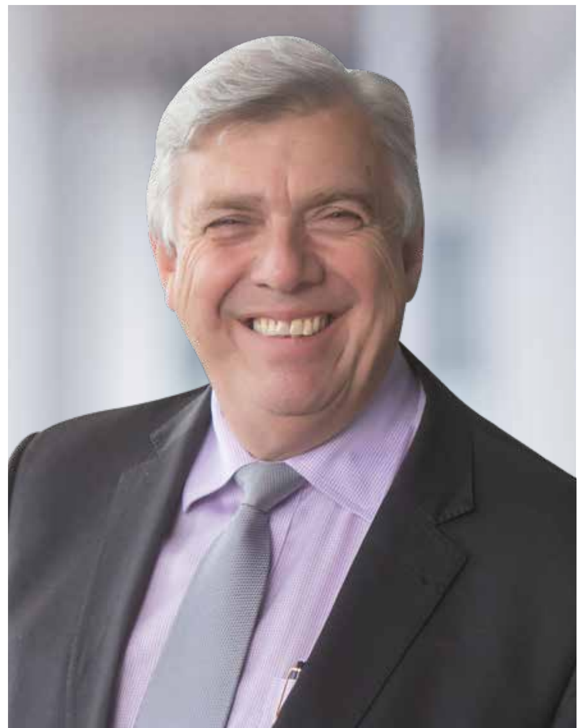
Bundy adds, "We are finding that lending through normal channels has become increasingly difficult for our SME clients. This has opened the door for a range of non-bank lenders and specialised fintechs who have capitalised on where the big banks cannot assist."

Alex Brgudac, head of partnerships at Prospa, says, "We expect to see more growth and consolidation in the market in 2020, and more companies scaling across geographies and products.

"The rollout of open banking will increase competition and innovation and make it easier for customers to compare and switch from traditional lenders. This will drive increased awareness and consideration of alternative lenders like Prospa."

Indeed, brokers should make sure they're on top of open banking and understand privacy regulations, particularly in relation to moving customer information around.

Sarah Thomson, senior lending manager, Loan Market



John Mohnacheff, national sales manager, Liberty

"Trust and customer experience will be more important than ever, and every one of us will need to work hard to keep delivering those 'wow' moments for customers," Brgudac adds.

Meanwhile, Cory Bannister, vice president and chief lending officer at La Trobe Financial, says, "We expect to see continued growth in non-bank volumes over the coming year and beyond, as the current economic and regulatory conditions are accelerating the shift in the near term and, in our view, this is likely to be the catalyst for longer-term growth in the sector.

"In our view, monoline businesses will get left behind in the wake of full-service, diversified operations. The key for brokers is to diversify or risk being left exposed."

SME lending

Awareness of online lenders as a source of finance has grown significantly over the past year, especially among businesses that have had a poor experience with mainstream banks, according to Cameron Poolman, chief executive at OnDeck Australia.

A recent survey by OnDeck found that one in five (22% of) SME owners would consider an online lender in the future, compared to one in 10 (11%) who have considered them in the past. Interest in online lenders also rose significantly, to 42%, for those who have previously had an application for finance rejected by a bank.

But a large number of SMEs may not be reaching their full potential because they can't secure bank finance, or because an inefficient and lengthy lending process is adding to the cost burden, Poolman admits.

He says it is therefore important for small business owners and brokers to realise that more efficient funding options are available through online lenders.

"And with around 50% of SMEs turning to a finance broker to access their capital requirements, brokers shouldn't underestimate the opportunity presented by this market," he adds.

"The growth of online small business lending is a win-win for brokers and their clients. It's not just about brokers broadening their revenue streams, though of course that's a key benefit."

My Home Loan's Darren Liu, first on this year's *MPA* Top 100 list, agrees the SME space has seen great growth, but that may not be the case for every broker.

"It's good for brokers' clients with business requirements to be able to extend their business to SME lending, but for brokers focusing mainly on residential loans, they will need to spend more time on education and marketing as it is a completely new journey for them. We've found that challenging," he says.

Jean-Pierre Gortan, MD of Marketplace.finance, points out that SMEs make up a substantial percentage of GDP, supporting the health of Australia's economy, so it's important that they continue to have access to capital.

"Growth in this sector has been steady thanks to the assistance of new fintech entry players like OnDeck, Prospa and now new bank competitors like Judo," he says.

Nevertheless, while there have been plenty of enquiries about SME lending, it's been harder to secure, especially for start-ups, Thomson says.

"The federal election result in May was unexpected, and that created a bump in confidence at the start of the new financial year. But again, banks were acting with caution when assessing applicants. More lenders are coming into this space, which will add healthy competition," she says.

LOOKING AHEAD TO 2020

Best interests duty

The broker industry has had a challenging year, but it has also adapted to many of the changes in order to continue providing the services many customers value so highly, according to Rahkit.

Looking ahead, he says three pieces of legislation will be paramount: the best interests duty, net of offset commission, and broker information sharing – all currently signposted to be live from 1 July 2020.

“These pieces of legislation will undoubtedly strengthen the sustainability of the industry but will also require a tremendous effort from all. I look forward to seeing the industry come together to support their implementation,” says Rahkit.

But many brokers are already trying to get ahead of the curve and implement things they believe will be necessary and required as part of the BID, suggests Bundy.

“Having the right processes to record and document your conversation with the customer and ensure that all the essentials are not only discussed with your customer but also communicated to them in writing and documented in the BID will be essential in 2020, giving customers more ownership and control of their information and how it is communicated to the banks,” Bundy says.

She believes that “an amortised clawback of commissions to brokers would be more appropriate, instead of 100% in the first year and 50% in the second”.

Over the past few months the industry has been busy providing input on the National Consumer Credit Protection Amendment (Mortgage Brokers) Bill 2019 and preparing for the introduction of BID, says Anja Pannek, CEO of PLAN Australia.

Importantly, she predicts this will be a key focus as the industry heads towards the legislation’s July implementation.

“We’ve already been engaging with members on this and will continue to work closely with them to understand updated responsible lending guidance and navigate through any changes,” Pannek says.

“The introduction of a best interest duty is likely to be a game changer for the industry. Borrowers will be able to go to a broker and know they are bound by law to act in their best interests – a change we believe will help to build even greater trust in our industry.

> “A continuing trend for brokers in 2020 will be their ability to diversify”
>
> Renee Blethyn, national partnerships manager, Suncorp

“This aligns closely with what we have been talking to members about and how we know our members operate their businesses, understanding the importance of placing customers at the centre of everything broking businesses do. We encourage brokers to analyse their customer base, process and team and look for ways to make their businesses as customer-centric as possible. We see this as a crucial ingredient for long-term broker success.”

Technology

Pannek also predicts that technology will have a key role to play in customer-obsessed broker businesses, with the CRM “providing opportunities to surprise and delight the customer” by “enabling better communication between broker, lender and customer, and facilitating longer-term relationships with customers”.

Gortan says technology will be the “next biggest disruptor for the broking industry”, and that brokers who do not embrace it will be “left behind fighting” for scraps.

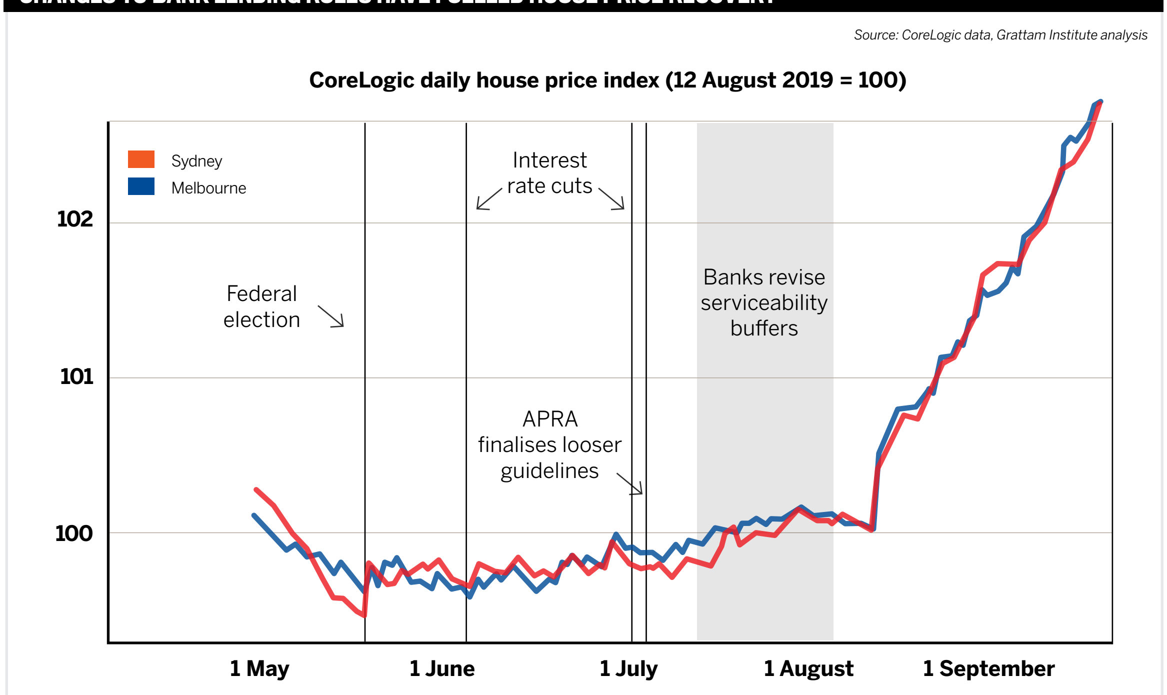
“There is a current industry demand for greater business diversification that I don’t think we will see go away any time soon, so it’s important for residential brokers to develop their skills and market share in the commercial space, and embrace new technology and platforms that will enable them to fulfil the current gap so that they are not left behind,” he reiterates.

“Brokers and referrers who draw most effectively on these new ways of working to upskill and create a new service proposition will be best placed to sustain and scale their businesses and remain relevant.”

As technology advances and Australian SMEs have to increasingly compete in a global marketplace, technology will enable brokers to save time and resources – a valuable competitive advantage.

Liu adds, “We understand the importance of transforming from a transaction-based relationship into a relationship-based transaction, where brokers do need to have more understanding of clients’ needs and requirements, finding solutions

CHANGES TO BANK LENDING RULES HAVE FUELLED HOUSE PRICE RECOVERY



Renee Blethyn, national partnerships manager, Suncorp

Ian Rahkit, general manager third party, Bankwest

Anja Pannek, chief executive officer, PLAN Australia

Cory Bannister, vice president and chief lending officer, La Trobe Financial

and giving advice on achieving their objectives."

"With the competition from fintechs, the skill of utilising technology will be key, and how we apply technology to better create the customer experience and maintain the relationship is going to drive future transactions," he explains.

"This will also empower brokers to explore more opportunities, not only for the finance transaction but by also providing more add-on services around the transaction from industry partners to comprehensively take care of all their related needs."

Key skills

All of the above means there could be a significant amount of consolidation in the broking industry, suggests Gortan.

"Single operators will find it more difficult to compete against large players, especially with the compliance costs, processing times and economies of scale," he says.

In such a competitive environment, brokers will need to have the right tools and support in place to adapt to the changes looming ahead.

Mitchell reiterates, "Brokers will need the right tech tools to allow them to implement a smooth operational process in order to save time and deliver a consistent, high level of customer service.

"They will also need these tools in order to demonstrate that they have met BID. We can expect to see a gradual lift in dwelling values, but we are unlikely to see values return to peak levels," she adds.

Professional standards are already increasing and will continue to do so; therefore the pressure on brokers to adapt, take market share and drive competition will likewise grow, according to Renee Blethyn, national partnerships manager at Suncorp.

"A continuing trend for brokers in 2020 will be their ability to diversify," she says.

Indeed, the broker who can build upon their skills, knowledge and capability in SME and commercial lending will be rewarded by more customers and increased opportunities.

"Brokers who can take their business to the next level and take themselves out of their traditional comfort zones stand to benefit the most," says Blethyn.

There is no question that the next year presents a real opportunity for brokers – and the industry as a whole – to genuinely assist Australians with their biggest financial investments and commitments.

"It's our collective duty to do this professionally and with honesty, underpinned by a genuine desire to deliver the best customer outcomes," adds Blethyn.

Housing outlook

How the industry responds to BID regulations will shape many outcomes in 2020 – for the broker, the lender and the customer, says Milburn.

"Essentially, a good broker has nothing to fear from the implementation of BID, but they will need to adapt. Brokers who stay on top of the changes in the industry will surely benefit from adopting early," he says.

However, when it comes to predicting the outlook for housing, things get a little tricky. But Milburn says there are many reasons to be optimistic about the outlook for housing in 2020.

"Many key markets appear to have bottomed out and are now set to increase in the next few years. A decrease in official interest rates has driven this trend, with people now more willing to re-enter the market," he says.

Angus adds that "the trough in our housing market appears to be behind us, as evidenced by improving auction clearance rates in Sydney and Melbourne, alongside the return of monthly home value growth".

"Fundamentals like these support the outlook for ongoing improvement: the housing market has responded well to the RBA's cash rate cuts and the corresponding reduction in borrower interest rates," he says. "Also significant is the easing of macro-prudential measures that were at the time designed to constrain the growth in investor lending."

Overall, Angus says the fundamentals of the housing sector remain sound.

Mitchell concludes: "With the worst now behind us, we should see the last 12 months as a wake-up call: we have been forced to reassess how we operate as an industry, improve our businesses and practices.

According to Bannister, population growth will be the main driver in the market, with an underlying demand for 180,000 new dwellings per annum.

"In recent years, a surge in construction activity in Sydney, Melbourne and Brisbane, in particular, has met that demand and even produced a small excess supply, which has enabled a reduction in dwelling prices over the last two years," says Bannister.

"As developers progressively complete and then sell existing construction works, there will be no new works coming online, and therefore it is likely we will start to see a structural supply shortfall re-emerging in 12 to 18 months.

"The challenge we face is to ensure that we don't let these learnings go to waste, and implement the changes we know will enable this industry to continue thriving into the future."

Finally, first home buyers will benefit from the assistance of the First Home Loan Deposit Scheme commencing on 1 January, Liu points out.

"We'll see steady growth in existing dwellings, however, the apartment market – especially off-the-plan projects – might still face challenges selling, with concerns surrounding build quality and valuation issues remaining," he says.

"The main drivers of the housing market will be the accessibility of credit and the demand for properties." AB

OPINION

PLAYING TO YOUR STRENGTHS

Mortgage brokers are great at writing home loans, but what about creating business strategies? **Otto Dargan**, founder of Home Loan Experts, Brokerage of the Year at this year's AMAs, explains how playing to your strengths can help you execute a winning plan

MOST mortgage brokers are small businesses, and while they might be great at writing a home loan without expensive consultants or an MBA, the task of creating a strategy can seem daunting and can result in many brokers missing the mark.

The first thing to know about creating a successful business strategy is that you should be selective.

Newer brokers are happy to have a client, any client, but as their business grows they may become overwhelmed with too many opportunities.

While this might seem like a good thing, it often ends up with a small business owner working too hard on too many things.

A much better approach is to take the time to develop a formal written strategy that helps you focus on what gives you the best results and also the best quality of life.

If you miss the mark with your strategy, then you can waste years barking up the wrong tree, so pick a business idea carefully, making sure it is right for you. A good strategy is about focus.

Be specific

Entrepreneurs are opportunistic by nature and it isn't uncommon for a mortgage broker to start several businesses or take on developing properties on the side. However, this lack of focus can take a significant toll on your core business.

This is why it is extremely important to make a decision about what business you are in and why, and then stick to it.

Learn to say no to good opportunities so you can say yes to great ones.

A great place to start is by looking at what has worked for you in the past. Think about what customer types you have attracted and where they came from.

Otto Dargan
Founder, Home Loan Experts

Decide what not to do

To give a few examples, IKEA has totally missed out on the baby boomer market, despite these buyers having larger budgets than the millennials who are happy to purchase flat-pack furniture. Apple is the most expensive phone on the market, so has missed out on the people looking for budget phones, and Pizza Hut has missed out on the burger market.

But that's OK. A great strategy is about focus, so it's important to include what you won't do as well as what you will do. This is often harder than deciding what you will do: you only need to be successful at one thing to have a great business.

A one-page strategic plan

We are a larger business of 150 staff, so we have a one-page plan for mortgage broking, our outsourcing business in Nepal, as well as for technology and marketing.

A smaller broking business would just need one plan and should answer the following questions in as few words as possible:

- Vision: Your picture of the future
- Mission: Why does your company exist?
- Objectives: Measurable goals you want to achieve this year
- Our business: What business are you in?
- Our target customers: Who will you work with?
- Our value proposition: Why would they use us?
- Our core competencies: What are you going to be the best at?
- Our focus for this year: What are we going to do?
- What we won't do: List the distractions that you're going to avoid

Ideally, you should have one vision, one mission, and a maximum of three points for each of the other questions.

Get your team on board

Your strategy should be created by you and one or two other staff; however, you'll need feedback from your team to make sure you haven't missed anything.

Once your strategy is decided, then your team can work out collaboratively how they'll work to make it happen.

It's a daily discussion, not an annual event; your strategy should be printed and put on the wall and referred to throughout the year.

As the year goes on, you'll need to make tweaks to your strategy to make sure it's on point. AB

It's a daily discussion, not an annual event; your strategy should be printed and put on the wall and referred to throughout the year

KNOW YOUR CUSTOMERS

Great brokers aren't all things to all people; they tend to focus on a particular market or niche. Here are some examples of focus points that we've seen work well for our brokers in the past:

- Referrer types such as accountants, solicitors, real estate agents or financial planners
- Ethnic groups and communities
- Borrower types, including investors or first home buyers
- Transaction types, such as construction
- Specific marketing methods, such as social media, events or networking
- Product types, including SMSF loans or low-doc home loans (for potential borrowers who are self-employed or small business owners who have limited access to documentation)

The key is to remember to play to your strengths.

Have an interesting deal?

Had a particularly difficult or interesting deal? Why not share it with us? Email: **victoria.ticha@keymedia.com**

BIG DEAL

Jenel McClelland, senior mortgage broker and founder of Green Apples Finance Australia, explains how working with her client to understand the worth of a deal was key to getting it over the line with the lender

THE FACTS

Loan size	Loan term	Goal	Location	Lender	Aggregator
$1.98m	2 years at 70% LVR	To purchase land and construct units	Hunter Valley, NSW	Global Capital	Finsure

MY client approached me to finance an investment development build of eight units, specifically tailored to the disabled community.

The client was purchasing the land and had a builder's contract in place to construct specialty housing.

They were then approached by Compassion Australia to purchase these units after the building was completed, under a NSW Government housing scheme initiative put in place to build 300 specialty houses in the area in the next 12 months.

The problem was that the on-sale of the properties was to be exchanged with a $1 deposit only, as is common practice for government organisations.

I approached several lenders, but they said they couldn't help fund the deal with a $1 exchange and needed the normal 10% deposit exchange; most even said they had not seen this before.

So I asked the lenders what they needed in order to accept the $1 exchange – what did they need to see?

This is where it became quite interesting: some lenders said it was not a deal they would be able to look at, while others had no idea what they needed and had to check with their head of credit and get back to me.

Many calls were made that week, between me and a lot of credit officers with the various lenders, and some even said the contract seemed "dodgy".

However, upon investigating further, I realised that it was, in fact, an acceptable form of exchange, particularly when it came to non-profit organisations working with the government, as it protects the purchaser, particularly when construction is involved. This is because they can outlay very little cash, and if the process is not followed carefully – as disabled housing is very specific with respect to their needs and rules for housing – they have very little risk.

As the lender would have been relying heavily on the ongoing sale, I understood their hesitation over this deal. Therefore my clients and I had to work together to gather more information, because asking the local government for a letter explaining the incentive for this form of housing was never going to work; they would have needed to go through at least eight departments and then have the letter vetted by the prime minister himself.

So we had to prove the government incentive by researching announcements and government policies, then confirm that Compassion Australia was qualified under this incentive.

We also had to prove that the Hunter Valley region qualified for this incentive, as the government wanted to establish 300 homes in the overall area, so it even came down to postcode acceptance.

Additionally, we had to explain every detail of the conditions of the contract of sale, page by page, at each stage of the build, and how it would be monitored and passed by all parties, not just my clients.

We had to guarantee that the contract was watertight and that these conditions were acceptable to the lender and the time frames were realistic, as everything had to happen in sequence.

My client had previously built other small projects for Compassion Australia and had to obtain letters confirming the organisation had dealt with my client in the past and so were basing their guarantee to purchase on the quality of work previously completed.

We also had to confirm that this project would be using the same builder as before and obtain guarantees in writing that work would be carried out to the same standards.

After several days of explaining Compassion Australia's commitment under the contract, with many calls and emails between all parties, I was able to fund the deal at the eleventh hour.

It just shows that knowing your client and understanding the worth of a deal is very important to your communications with potential lenders. It's great when you have the same enthusiasm as your client to make it work.

I think my days of working with the Spastic Centre of NSW when I was an entrant in the Miss Australia Quest many, many years ago made me even more determined with this client. These people are screaming out for housing, the incentive is there, so why not help them?

Lenders should step up and look at how they can help get such initiatives across the line and not shy away from them because "it's not the traditional way".

My client was very happy and appreciative. I explained that we were a good team, "working together and not giving up".

Every deal is 'a big deal' to me, and I hate not being able to help. We at Green Apples Finance Australia have become known as the 'bulldogs' because we get our teeth into the deal and won't let go until we have exhausted everything.

Mind you, we celebrate our wins too… sometimes too much! AB

It just shows that knowing your client and understanding the worth of a deal is very important to your communications with potential lenders

Jenel McClelland
Mortgage broker and founder, Green Apples Finance Australia

CAUGHT ON CAMERA

NextGen.Net recently hosted its annual cocktail party at the landmark Museum of Contemporary Art in The Rocks. Attended by lenders, aggregator groups, brokers and other industry collaborators from across the country, the event thanked customers and industry partners and celebrated a successful 2019. NextGen.Net CEO **Adrian Macleod** spoke of the company's achievements and the software solutions they delivered in 2019 to make lending easier, and **Vince Sorrenti**, one of Australia's best stand-up comedians, shared his amazing insights into world leaders and recent events as he sees them.

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QUEENSLAND

Brisbane takes a back seat to emerging superstars in its regional pockets

Queensland investors have found greater success beyond the metro, with the Bundaberg region producing some strong rental markets.

CoreLogic's recent *Top Rental Performers Report* named four Bundaberg suburbs in its list of best-performing suburbs in Australia: Kepnock and Thabeban, each with a 6.6% average yield; Avenell Heights with a 6.9% yield; and Svensson Heights with a 7.2% yield. Scott Mackey, principal at RE/MAX Precision Bundaberg, credits Bundaberg's improved performance to the area's diverse economy and job prospects.

"Rents are still rising in our market, but vacancy rates are at record lows. Combine this with a slowdown of new stock construction and tough lending requirements for borrowers ... we have strong demand for clean and maintained properties," he says.

First home buyer activity also increased over the June 2019 quarter, with the number of loans to such buyers rising by 1.6%.

Area	Type	Median value	Quarterly growth	12-month growth
Brisbane	H	$535,000	0.0%	1.3%
QLD Country	H	$434,000	0.0%	-1.7%
Brisbane	U	$390,000	0.0%	-1.3%
QLD Country	U	$362,000	0.0%	-1.3%

SOUTH AUSTRALIA

Adelaide's affordability and rental potential boost its appeal to investors

Adelaide's low property prices and growth potential are bringing in investors from all over.

"Investors are currently flocking to Adelaide ... due to lower buy-in price points and higher rental yield opportunities. Combining this with the high-growth pockets within the metropolitan area, you really cannot go wrong if you make the right educated purchase," explains Katherine Skinner, director of National Property Buyers SA.

The slow growth in the supply of properties has also contributed to heavy competition among homebuyers.

"Supply hasn't been rapidly increasing as we were all expecting; while we have seen a steady increase in stock, it is lower than normal for the spring season within many areas," Skinner says.

"Due to high demand for quality stock, we are seeing many runaway results come auction day ... down to competitive homebuyers, especially owner-occupiers, looking to get their foot in the door."

Area	Type	Median value	Quarterly growth	12-month growth
Adelaide	H	$464,000	0.7%	2.7%
SA Country	H	$270,000	0.0%	3.8%
Adelaide	U	$342,000	0.0%	1.5%
SA Country	U	$220,000	2.4%	10.5%

WA SPOTLIGHT

WEAKNESS PERSISTS IN WA

Despite some economic recovery, the Perth property market remains weak as supply continues to outpace demand

PERTH is improving in many respects, but not in the property market.

"2018 saw the lowest number of dwellings constructed in WA since 2008, and [Perth] is the only capital city to show an improvement in the unemployment rate (seasonally adjusted) over the last 12 months. Moreover, it is showing signs of increasing population growth," says Matthew Lewison, director of OpenCorp.

"The Australian Bureau of Statistics data released in September 2019 showed that the March 2019 quarter had the best population growth WA had seen in five years. Things may be finally turning the corner, with the rate of people leaving the state slowing down and more jobs being created."

As the resources sector has bounced back following the mining downturn, Perth's ranking as the weakest capital city property market in CoreLogic's Home Value Index for September 2019 has surprised some.

"We've been surprised that Perth produced yet another poor last 12 months. What we've seen over the last 18 months is a significant reduction in vacancy rates and an improvement in interstate migration," says Simon Pressley, managing director at Propertyology.

But he suggests the volume of supply is still too high to absorb new demand.

These conditions have played a part in properties in many WA suburbs continuing to resell at a loss, according to CoreLogic's *Pain and Gain Report* for the June 2019 quarter.

"Sellers in the major mining areas may still be finding it challenging to generate a profit. Half of all properties sold in the North and South Outback areas of WA generated a loss for the seller over the June quarter," says CoreLogic head of research Tim Lawless.

However, the continued decline in prices has resulted in housing affordability improving in the state, with first home buyer numbers increasing by 4.8% over the quarter. AB

HIGHEST-YIELD SUBURBS IN WESTERN AUSTRALIA

Suburb	Type	Median price	Quarterly growth	12-month growth	Weekly median advertised rent	Gross rental yield
South Hedland	U	$114,000	2%	27%	$300	14%
Bulgarra	U	$123,000	3%	31%	$300	13%
Kambalda East	H	$61,500	2%	4%	$150	13%
Pegs Creek	U	$195,000	-1%	30%	$465	12%
Cable Beach	U	$170,000	-24%	-24%	$390	12%
Derby	H	$150,000	15%	-14%	$340	12%
Newman	H	$190,000	2%	23%	$425	12%
Wagin	H	$132,500	-5%	-20%	$275	11%
Rangeway	H	$99,000	2%	10%	$200	11%
Kalbarri	U	$130,000	-7%	1%	$245	10%
Port Hedland	U	$199,000	-7%	-15%	$375	10%
Spalding	H	$122,500	-1%	-4%	$225	10%

OPPORTUNITIES AND KEY INFRASTRUCTURE

2.72 million
Population of WA as at June 2019

>34 million
Number of domestic and international visitors last year

12,000km
WA's long coastline means it has more beaches than any other state

>$12bn
Value of tourism's contribution to WA's economy

SUBURB TO WATCH: EAST FREMANTLE

Median price (houses)	12-month growth	3-year growth	5-year growth	Indicative gross rental yield
$979,545	-12.1%	-11.1%	-14.3%	2.6%

Median price (units)	12-month growth	3-year growth	5-year growth	Indicative gross rental yield
$460,611	-2.0%	-19.5%	-17.2%	4.4%

AUSTRALIAN CAPITAL TERRITORY

Australia's capital is on solid ground, recording low vacancies and steady price growth – but its fortunes could shift quickly

Canberra is one of the few consistent property markets in Australia, recording gentle but persistent growth throughout the years. CoreLogic's Home Value Index for September 2019 indicated that over the August–September period Canberra was among the capital cities that saw positive increases in dwelling values, averaging 1% growth, alongside price rises Brisbane, Sydney and Melbourne.

Auction activity has risen in Canberra as well, another indicator that buyers are on the move. CoreLogic's *Quarterly Auction Review* noted that the city's average clearance rate has jumped to 62.3%, an improvement on the last quarter and a boost compared to 12 months ago. "The number of listings across the capital cities is 10% lower than a year ago, and fresh listings being added to the market are 15% lower than a year ago," says CoreLogic's head of research, Tim Lawless.

Area	Type	Median value	Quarterly growth	12-month growth
Canberra	H	$675,000	0.8%	2.3%
Canberra	U	$420,000	-0.7%	0.1%

VICTORIA

Competition for housing is heating up again in Melbourne as demand increases

Melbourne's down period appears to be behind it as buyers bid hard for a limited supply of quality stock.

"Auction clearance rates are now consistently hovering around the mid–high 70% range. Big crowds and multiple bidders are forming on a regular basis at auctions, and with depleted supply, bidding battles are erupting, pushing prices north," says Antony Bucello, director of National Property Buyers Victoria.

"Even if vendors have realistic price expectations, strong competition is starting to take prices beyond what comparable sales evidence in the last six months is suggesting would be fair and reasonable."

While property supply is set to increase, as is usual during springtime, this is expected to be accompanied by rising demand and consumer confidence.

"Investor enquiries have increased considerably over the last four to six weeks to October 2019 – they are back in the market," Bucello says.

Area	Type	Median value	Quarterly growth	12-month growth
Melbourne	H	$690,000	-1.0%	-4.8%
VIC Country	H	$371,000	1.4%	4.3%
Melbourne	U	$545,000	1.9%	1.5%
VIC Country	U	$283,250	2.3%	1.9%

NEW SOUTH WALES

Sydney is clawing towards the top of the pack again, but consumers are sceptical

When it comes to capital city market performance, Sydney has retaken the throne from Hobart, but this has not necessarily translated to confidence among consumers.

The findings of the latest ANZ/Property Council Survey indicate that property industry confidence in NSW fell in the last quarter from 126 to 116.

The report suggests that this decline has been primarily driven by weakening macroeconomic conditions and a drop in forward work expectations.

Consumers are anticipating slow growth in the national economy and GDP. Nonetheless, there is positivity to be observed in the findings – NSW houses are expected to see strong growth as the outlook for the state government is rosy.

"It is great to see an improvement in the residential sector, with strong housing supply integral to our state's economic future," says Jane Fitzgerald, the executive director of Property Council NSW.

Area	Type	Median value	Quarterly growth	12-month growth
Sydney	H	$870,000	-1.7%	-7.2%
NSW country	H	$470,000	-0.2%	-0.9%
Sydney	U	$682,000	-1.1%	-4.1%
NSW country	U	$410,000	0.0%	1.9%

CAPITAL CITY AUCTION CLEARANCE RATES

WEEK ENDING 1 DECEMBER 2019

Over 3,000 capital city homes were taken to auction this week, making it the busiest week for auctions that we've seen this year; in fact it's the largest number since March last year. Of the 3,058 homes auctioned, according to preliminary figures, 78.9% returned a successful result, coming in higher than last week's final clearance rate of 68.5% across a lower 2,612 auctions and significantly higher than results from one year ago (41.3% from 2,749 auctions). Results across the individual property types saw houses outperform units with a success rate of 79.9%, while 76.6% of units sold at auction.

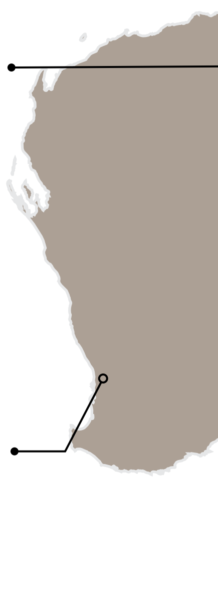
Melbourne was host to 1,497 auctions this week, with preliminary results showing a clearance rate of 78.3%, increasing from last week when the final clearance rate fell to 70.1% across 1,221 auctions. There were 1,131 auctions held in Sydney last week, making it the busiest week of the year for the city, with preliminary results showing an 84.7% clearance rate.

ADELAIDE

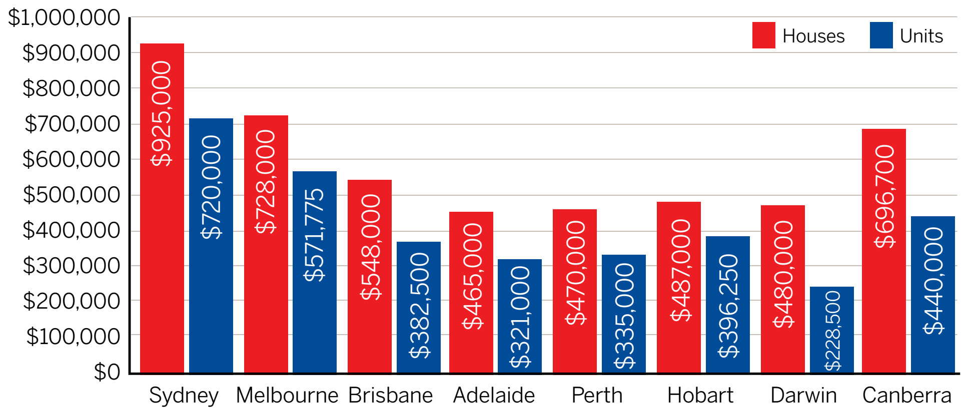
Total auctions	136
Cleared	48
Uncleared	13
Clearance rate	**78.7%**

PERTH

Total auctions	61
Cleared	13
Uncleared	13
Clearance rate	**50.0%**



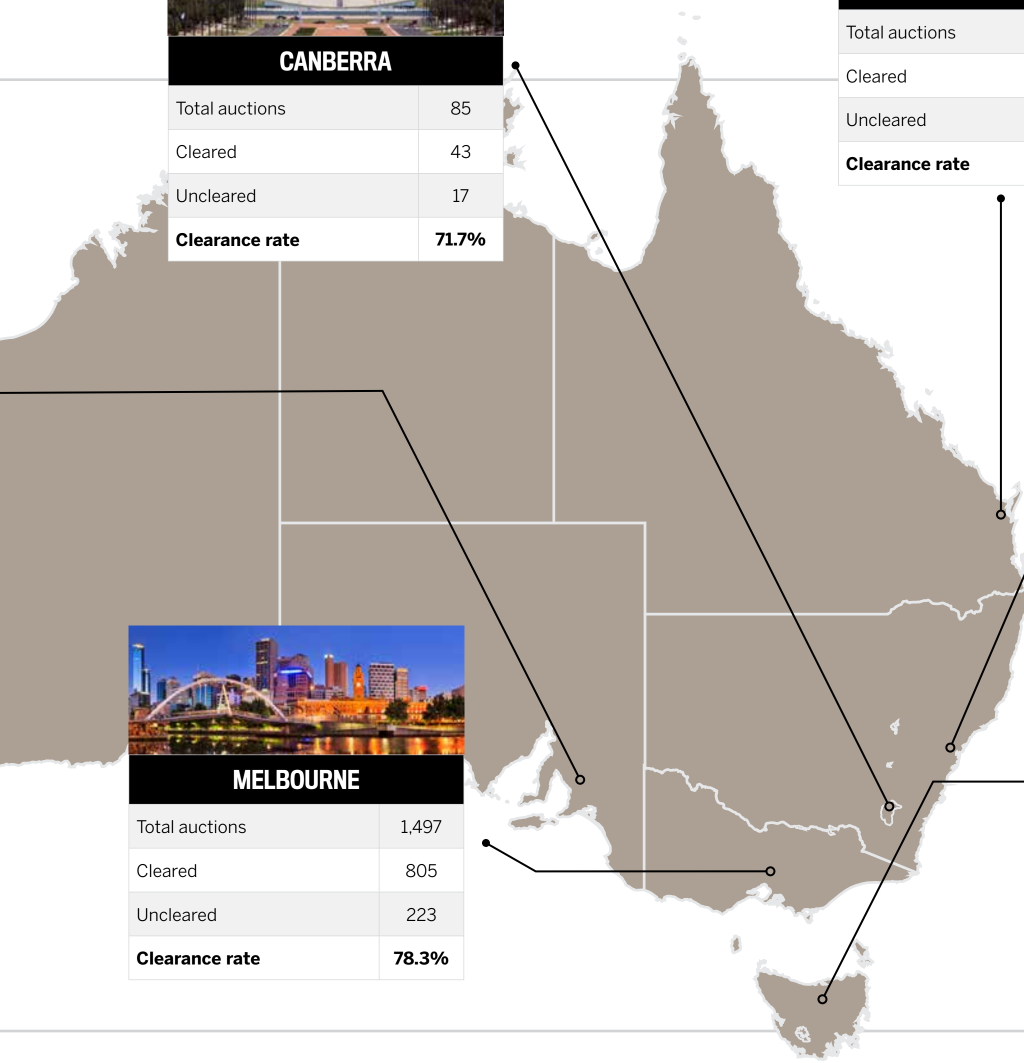
MEDIAN HOUSE AND UNIT PRICES



CAPITAL CITY HOME VALUE CHANGES

Capital city	Weekly change	Monthly change	Year-to-date change	12-month change
Sydney	0.6%	2.6%	3.6%	1.7%
Melbourne	0.7%	2.2%	3.8%	2.4%
Brisbane	0.1%	0.8%	-0.3%	-0.5%
Adelaide	0.2%	0.5%	-0.7%	-0.5%
Perth	0.1%	0.4%	-6.7%	-7.7%
Combined 5 capitals	**0.5%**	**1.9%**	**1.8%**	**0.5%**

*The monthly change is the change over the past 28 days



CANBERRA

Total auctions	85
Cleared	43
Uncleared	17
Clearance rate	**71.7%**

BRISBANE

Total auctions	138
Cleared	40
Uncleared	33
Clearance rate	**54.8%**

SYDNEY

Total auctions	1,131
Cleared	659
Uncleared	119
Clearance rate	**84.7%**

MELBOURNE

Total auctions	1,497
Cleared	805
Uncleared	223
Clearance rate	**78.3%**

TASMANIA

Total auctions	10
Cleared	4
Uncleared	1
Clearance rate	**80%**

TASMANIA

Hobart's rents are among the priciest in the country, but dwelling values are slipping

Property prices in Hobart fell once again as the capital failed to recapture from Sydney the distinction of being the best-performing capital city market. This continues a trend seen in recent months since Sydney and Melbourne began recovering from the downturn. Vacancy rates are tight in Hobart and the median rent hit $464, according to CoreLogic's *Quarterly Rental Review* for September 2019. This surpasses even Melbourne's, making Hobart the third-most-expensive capital for rent after Sydney and Canberra.

But for Propertyology managing director Simon Pressley, Hobart could still be in the game."Tasmania's remarkable economic turnaround has become the driving force that produced – officially – Australia's best-performing property market over the last five years," he explains.

Area	Type	Median value	Quarterly growth	12-month growth
Hobart	H	$472,000	1.1%	6.8%
TAS Country	H	$310,000	1.6%	6.9%
Hobart	U	$360,000	1.9%	7.9%
TAS Country	U	$258,000	0.0%	0.4%

All data sourced from CoreLogic.com.au

IN THE HOT SEAT

Anthony Zveglic, national learning and development manager at Finsure, emphasises the importance of good mentoring strategies, and shares his favourite annual learning and educational events for mortgage brokers

Q You recently won the FBAA 2019 Mentor of the Year award. What do you think defines a good mentor?

A I think a good mentor gives their mentees structure and practical resources to assist them on their learning journey. The practical resources I use include templates, process charts and guides. From my perspective, a good mentor cares about the mentee and their business and doesn't hold back on asking challenging questions that encourage the mentee to think about options when it comes to problem-solving. Communication is also important. I would rather know what the person is thinking and feeling so that we are both on the same page.

Q How important is it for new brokers entering the finance industry to have a mentor?

A This is incredibly important. New-to-industry brokers have many questions and generally need a lot of guidance. They also don't know what they don't know, so I try to provide a framework for them to work within that teaches good behaviours from the very beginning. From an industry perspective, it's a requirement that new-to-industry brokers have a formal mentor for their first 24 months. During this time I reinforce key learnings from the Certificate IV in Finance and Mortgage Broking and diploma, from a very functional perspective; for example the '7 C's of credit' when completing the lender cover sheet for a new loan scenario submission to a lender assessor.

Q Who or what inspired you to become a mentor?

A I was a lender for many years at two of the big five banks in Australia. I loved the lending role so much that I wanted to help others new to the finance industry find their feet and build themselves and their brand so they were then able to assist their own portfolio of customers.

Q Is continuous development important for brokers throughout their careers?

A Continuous development is very important for both brokers and mentors. My favourite learning and educational events for our brokers are our Finsure quarterly professional development days. At these events brokers receive a company update, a session on compliance, and a session on a relevant subject that's topical in the industry at that point in time. Our brokers at these events also have the opportunity to meet with key lenders that attend, and to network with other Finsure brokers to build up their contacts in the industry and form friendships and alliances.

Q What's one thing, personal or professional, that you hope to achieve in 2020?

A From a professional perspective, I want to grow the Finsure Broker Academy team to support more brokers who are entering the industry, as well as the existing Finsure brokers, with key areas of education as required. From a personal perspective, my eldest son is starting high school in January 2020, and I want to be on hand, present and available, to support him and make his transition as smooth as possible. AB