PINNACLE CHOICE

NEWSLETTER JULY 2020

HOW THE REST OF 2020 WILL PLAY OUT FOR PROPERTY

Domain economist Trent Wiltshire has examined trends within the market, concluding that there are two likely scenarios to occur by the end of the 2020 calendar year.

The first being modest price falls, and the second: a slow pick-up in property sales.

"The most likely outlook for property is for prices to fall modestly in some areas and be broadly steady in others, combined with a slow increase in transactions from weak levels," Mr Wiltshire said.

"The key factor supporting prices so far is that few people have been forced to sell their homes due to losing their jobs or having their incomes cut. This has been enabled by the government's financial support packages assisting households whose income has fallen, in combination with banks allowing people in financial difficulties to defer mortgage repayments.

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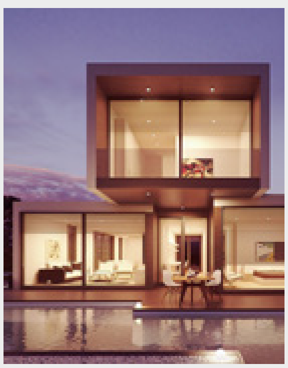
* Emma Ryan - Smart Property Investment 2020



STRICTER RESTRICTIONS REIMPOSED IN VIC

The Victorian government has reimposed stricter restrictions for public gatherings to prevent a spike in COVID-19 cases. Will this make a significant impact on the recovering sales market?

Leah Calnan, president of the Real Estate Institute of Victoria (REIV), said the real estate sector will continue to do its part to maintain safety amongst potential sellers and buyers.

"Crowds at auctions and open house inspections will continue to be limited to 20 people. The expected increase to 50 people has been put on hold for now. Auctions and open-for-inspections will continue to operate under strict regulations," Calnan said.

The stricter restrictions in Victoria are expected to remain until July 12.

Calnan said property transactions remain vital to Victoria's economy, making it a must for the housing market to continue to operate.

"Victorian real estate is incredibly resilient. Virtual inspections, online auctions and video calls will continue to keep clients and investors engaged," she said.

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* Gerv Tacadena - Your Investment Property Magazine 2020

AUCTION CLEARANCE RATES JUNE 2020

VIC - Melbourne	57.25%	65.75% (LY)
NSW - Sydney	62.75%	63.75% (LY)
QLD - Brisbane	45.75%	32% (LY)
SA - Adelaide	63.33%	43.5% (LY)

The impact of COVID-19 is reflected in the numbers above for all cities in Australia. Adelaide showing nearly 20% increase in clearance rates compared to last year. Sydney down 1% in comparison to LY. Melbourne is showing lower clearance rates.

*Domain Auction Results 2020

TAX GUIDE FOR LANDLORDS

The Australian Taxation Office (ATO) has released a set of guidelines to help all rental property owners whose incomes are affected due to recent events in the country, which include the bushfires, the flooding, and the ongoing COVID-19 pandemic.

The most important thing landlords need to keep in mind as they prepare to file their tax returns is keeping a record of all expenses. Without good records, the ATO said landlords will find it difficult to declare all their rental-related income and work out what expenses they can claim as deductions.

In addition to the moratorium on evictions, landlords are requested by the federal and state governments to negotiate with their tenants about rental deductions or waivers.

The ATO said in cases where there is an agreement to reduce rent payments, landlords only need to declare the rent they have received as income. This means that they do not need to include deferred payments in their declared income until they receive them.

"While rental income may be reduced, owners will continue to incur normal expenses on their rental property and will still be able to claim these expenses in their tax return as long as the reduced rent charged is determined at arms' length, having regard to the current market conditions," the ATO said.

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PRIME MARKETS EXPOSED TO BIGGER DROPS

Australia's most expensive housing markets have experienced the biggest decline in prices since the onset of the COVID-19 outbreak, according to a recent market analysis by CoreLogic.

Eliza Owen, head of residential research at CoreLogic, said the response to contain the COVID-19 outbreak has resulted in unintended consequences in the housing market, which, at the start of the year, has been showing signs of an uptrend.

The CoreLogic Home Value Index posted a 0.4% decline in May. The performance, however, varied by region.

"As per historic cycles, the most expensive parts of Sydney and Melbourne seem to be leading the current downswing. The more expensive parts of the Sydney and Melbourne dwelling markets have higher levels of volatility, and are at times a 'first mover' when it comes to the direction of price change," Owen said.

Melbourne's inner-city and eastern suburbs have recorded the largest decline across the metropolitan region. In the New South Wales capital, Northern Beaches, North Sydney, and Inner West recorded drops in values over the past two months.

Owen said continued declines are likely to persist in inner-city markets that rely on international migration for housing demand.

"However, as the wider economic downturn drags on housing demand, mild price declines are likely to spread, resulting in a more broad-based downturn in the next 12 months," she said.

Citing a study from the Reserve Bank of Australia, Owen said expensive markets are the most reactive and volatile in response to the changes in cash rate.

"The performance of property markets amid COVID-19 suggest the high end of the market may also be more responsive to negative economic shocks," she said.

What's surprising with the CoreLogic data, however, is that one of the regions that recorded the most significant decline in values was not from Sydney or Melbourne but from Perth.

Mandurah, a city on the southwest coast of Western Australia, registered a 2.2% value drop over the period from 31 March to 31 May. Current values in the region were 38% below their peak in 20016.

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*Gerv Tacadena - Your Investment Property Mag 2020

HOW LARGE SHOULD YOUR PROPERTY DEPOSIT BE?

There's a few numbers being thrown around when it comes to working out how much cash savings you will need in order to secure your first or next home.

While the 20% deposit is the general rule of thumb for most lenders, Graeme Salt, managing partner at Chan & Naylor Finance, shares that it comes down to each borrower's circumstances and where they are in their wealth-building timeline.

"If you're a first-time buyer and you've only got a 5% deposit, that's okay. The banks understand that. If you're in your early 20s, it's [also] okay," shares Salt, as he sits down with Yourinvestmentproperty.com.au editor Sarah Megginson to discuss how lenders will respond when assessing your borrowing capacity and ability to service a loan.

"If you're in your mid-50s and you've only got 5%, then the banks will really start to be concerned."

If you can show evidence of being able to budget and put aside capital in the lead up to the application stage, then it will act as an indication of how you will behave financially when you are tied to a loan, he adds.

"What you tend to find is that the banks look at the whole picture of a borrower and they say, 'Is this someone who when times are tough, will keep paying their home loan repayments?'" Salt explains.

Watch the Video Here

*Graeme Salt - Your Property Investment Mag Video 2020

EOFY: PROPERTY TAX TIPS FOR 2020 - PLUS WHEN TO AVOID THE 'LAZY' WORK FROM HOME SHORTCUT

Unprecedented numbers of us have had to work from home this year and for many, navigating what to claim as allowable tax deductions is perplexing. Moreover, any resultant tax refund is especially important for those who have had their hours reduced, pay rate slashed or lost their jobs altogether and need this money now more than ever.

Start with the basics

Being able to justify anything you claim is essential, so the best place to start at tax time is to keep all your receipts and make sure your diary is as detailed as possible to support your movements, particularly if you are going to meetings and claiming travel expenses, advises Coco Hou, chief executive of Platinum Accounting.

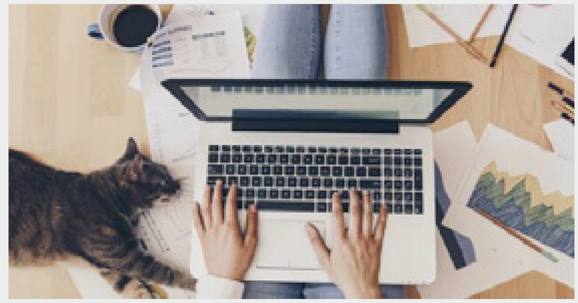
"Do a review or audit of all your expenses that could be claimable if you've been working from home," she says. The ATO has developed a new method for people to claim their expenses this year, which is designed for households where there is more than one person working from home.

Known as the shortcut method, from March 1, 2020 to June 30, 2020 people can claim their expenses at a rate of 80 cents an hour. "You don't even need a dedicated work area to apply the shortcut method," Hou says. Before March 1, 2020, you can use the fixed rate method of claiming costs at 52 cents an hour or use the actual cost method. The idea is to use the method that gives you the highest amount when claiming work-related costs.

"You can claim computer consumables like printer ink, as well as protective items like gloves, masks and sanitisers if they are connected to earning your income," Hou adds.

The lazy way is simply using the shortcut method, says Alex Jamieson, founder of AJ Financial Planning. "You work out the number of hours you've worked at home and multiply this by 80 cents to figure out the deduction. The propeller-head method is looking at the actual expenses. These are things like additional electricity, phone costs and internet costs directly incurred as a result of working from home.

"But, just like with chips and salsa, double-dipping is also a no-no with deductions. You can't also make a deduction if work is reimbursing you for an expense," he adds. "Mr Tax Man" Adrian Raftery notes the shortcut method has limitations. "You could be short-changing yourself with the shortcut method if you're spending more than $32 per week on



work-related expenses, based on working a 40-hour week, when you take into account all your costs."

While it seems so long ago now, don't forget there is also substantial tax reporting relief available for those affected by bushfires and other disasters, with more time to lodge your return and pay your tax. "If you can't commit to tax deadlines, it's really important to communicate with the tax office as soon as you can. They will be surprisingly sympathetic. The ATO's empathy has changed from a few decades ago," he adds.

Raftery says people affected by the fires may also have an issue with damaged or destroyed tax records. "Try to reconstruct them as best you can. Technology makes this easier. But if substantiation is impossible, the ATO may waive its motto of 'no receipt, no deduction' if it is not reasonably possible to obtain the original."

Property perspective

There's every chance you will claim a loss this year if you're a landlord with a short-term rental. This is because your income may be less than your expenses. Says Hou: "We're likely to see higher rental property losses this year given overseas students can't enter Australia, working holiday visa holders have gone back to their home country and short-term rental properties are vacant due to the travel ban."

Plus, a lot of landlords are offering rental reductions or rental holidays, which has reduced their income. You can still claim a deduction if the tenants are paying part of the rent. "You can also claim interest on your bank loan even if the bank has deferred your loan repayments for a period," she adds.

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* Alexandra Cain - Domain.Com.Au 2020

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