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BUYER BEWARE!

“Spruikers” are increasingly active in Australia’s property investment industry. Hundreds of property investment promoters such as property marketers, real estate agents and so-called property educators are offering “too good to be true” property investment opportunities and you could ultimately pay the price, in terms of a poor investment choice as well as tens of thousands of dollars in hidden commissions. This is known as “spruiking”.

A spruiker is someone who attempts to persuade people to buy something or use a service in a possibly dishonest or exaggerated way. It is not uncommon to see spruikers conducting large, well-marketed seminars, masquerading as educators and mentors.

Unfortunately, what often happens is that these presentations only provide you with carefully selected facts and figures, to arouse sufficient emotion in you to encourage a rash, unsound investment decision.

It is not uncommon to see spruikers conducting large, well-marketed seminars, masquerading as educators and mentors.



(LACK OF) REGULATION IN THE PROPERTY INDUSTRY

The Australian property investment industry is valued in excess of \$1 trillion, yet unbelievably it remains unregulated – effectively allowing hundreds of rogue operators to market their services to unsuspecting consumers.

Providing property investment advice can be a very lucrative business. Property investment advisers can earn anywhere between \$30,000 to \$40,000 commission on one average-priced property transaction, like a new apartment or house-and-land package. The scary part of this is that they do not need any qualifications in order to do so.

That's right, you can advise someone on buying a million-dollar property and make tens of thousands of dollars in commission in this one transaction, yet you are not obligated to have any educational qualifications; not even to have completed Year 12!

A life insurance salesperson needs to be licensed. A real estate agent needs to be licensed. You would think that someone who is advising you on making one of the biggest decisions in your life would also be licensed. Sadly, this is not the case.

Here's a quick question for you:

The regulatory body that oversees the property investment advice industry is:

- a) Real Estate Institute of Australia
- b) The Financial Advisers Commission
- c) Australian Securities and Investments Commission (ASIC)
- d) A and C

Answer: None of the above.

You would hope that a large and powerful organisation such as ASIC would be keeping an eye on investment advisers who are involved in some of the most important and expensive life decisions people will make. Unfortunately, this is not the case.

Why is this so?

The simple answer is property is not considered a “financial product” under the Corporations Act. Anyone can give advice on property and is not obligated to abide by the Corporations Act nor do they come under the scrutiny of ASIC.

The good news.

Thankfully, Consumer Protection, ASIC and the media have started the process of identifying property spruikers for what they really are.

In one recent example, Australian corporate regulators highlighted a property investment scheme that breached financial advice laws and was found to be ‘misleading and deceptive’.

The pitch was luring investors with a promise of buying property with “no money down”. The scheme falsely claimed to be ‘risk free’ with no fees. The entities involved were eventually shut down; however, not until after many hundreds of Australian families were left out of pocket.

Another recent story highlighted a possible ‘unlawful Ponzi scheme’. It was alleged that a fraudulent operation existed where the operator was paying returns to its previous investors from new capital paid to the operator by new investors, rather than profit earned through legitimate sources. As is usually the case in these situations, the operator was enticing investors in by offering higher than average or ‘guaranteed’ returns.

Other simpler examples of spruikers in action have seen real estate agents and marketers disciplined for providing unlawful financial advice without a financial services license or for pushing unsuspecting buyers into inappropriate investments without a clear understanding of their goals or circumstances.

WHAT PROPERTY SPRUIKERS DON'T WANT YOU TO KNOW

1. Commissions paid to spruikers by developers can often be in excess of \$30,000. This figure is built into their costs and you are paying for it. These huge commissions often result in property valuations falling short of the purchase price and buyers having issues with finance.
2. Many property spruikers are not qualified to give advice and some are not even licensed real estate agents. It's important to understand who you are dealing with.
3. While spruikers represent themselves as advisers, mentors or educators, be aware that they are sales people, employed by the seller of property to achieve the best possible outcome for the seller.
4. Offers of guaranteed returns or above market returns are great methods to entice fearful buyers into the market. However, once again this will be built into costs and you will end up paying for this in another way. The old adage applies: if it sounds 'too good to be true', it probably is. It's important to consider the offer as a whole and not just focus on the headline being pitched by the spruiker.
5. Buyer's agents exist and their fees are often negated through their superior property selection and negotiation skills. A typical buyer's agent will likely charge you less than half of the fee paid to a selling agent (which you are paying anyway), but now you have someone working to achieve the best outcome for you, not for the seller or any other third party.

Knowing all this now, what should you do?

Understanding the pitfalls of engaging with the wrong company or individual makes many people fearful of property investment altogether. However, not all real estate selling agents are spruikers – some are very reputable.

Like any other major life decision, it's important to undertake sufficient due

diligence on the company you choose to partner with. This includes deciding whether you want to deal with a selling agent (who works for the seller or developer) or an adviser, who is fee-for-service and works solely in your best interest.

For many successful investors today, partnering with a trained professional working to achieve the optimal outcome for you and you alone, is the answer.

But who should you choose?

PIPA and QPIA®

You can start your property investment journey with peace of mind by partnering with a Property Investment Professionals of Australia (PIPA) member organisation which employs a Qualified Property Investment Adviser (QPIA®).

PROPERTY
INVESTMENT
PROFESSIONALS
OF AUSTRALIA

PIPA

PIPA has been formed by property industry practitioners with the objective of representing and raising the professional standards of all operators involved in property investment.

By developing codes of ethics and conduct, and professional standards of accreditation and education, PIPA members demonstrate to the investing public, government, regulators, the media and other stakeholders within the property investment industry their commitment to excellence.

QUALIFIED
PROPERTY
INVESTMENT
ADVISER

QPIA

PIPA has developed a property adviser accreditation course, designed to be industry relevant for today's property advisers. To be acknowledged as a QPIA®, one must be a member of PIPA, complete the accreditation course and adhere to a strict code of conduct.

“ Always remember that if you are not paying for your advice, someone else is paying for it to be provided to you. ”

CHOOSING AN ADVISER OR BUYER'S AGENT

While real estate agents are often simply called agents, they are also known as seller's agents or listing agents. This means they represent and are paid by the seller, and are legally required to always act in the seller's best interests.

In some cases, the seller may be an individual selling their home or investment property, or they could be a builder or developer.

Where a prospective buyer engages a real estate agent to help them locate and buy a suitable property, these agents are known as buyer's agents, or buyer's advocates. The buyer's agent will act on the buyer's behalf and may search, evaluate and negotiate while acting only in the buyer's best interest.

By using a licensed/registered buyer's agent, you have the benefit of your own advocate in property negotiation, as well as recourse to the Fidelity Guarantee Account (under the REBA Act).

A person will engage a buyer's agent when they require professional advice in some or all of the following areas:

- Professional market research to identify and acquire a property or properties that will outperform the market
- Expert negotiation of not just price but also terms, to ensure you minimise your purchase price and your risk
- Advice on future subdivision and/or development potential of a particular property
- Detailed due diligence to conduct enquiries and searches with relevant authorities to determine if any unforeseen issues may affect your investment

- Facilitate a range of inspections, beyond your standard building, pest and electrical
- Monitor and guide you through the sometimes stressful settlement process.



[Click here](#) to read the Buyer's Agent Fact Sheet compiled by Western Australia's Department of Commerce (Consumer Protection)

CAPITAL PROPERTY ADVISORY

As a licensed real estate and business agent, Real Estate Institute of Western Australia (REIWA) member and corporate member of the Property Investment Professionals of Australia, Capital Property Advisory employs only Qualified Property Investment Advisers (QPIA®) to guide a valued client's investment path.

An independent property adviser should always be fee-for-service, never try to sell any particular property or property type, and should take into account each client's unique personal circumstances and desired outcomes. This is our approach with every client.

Our team is expertly trained to analyse your personal situation, risk profile and goals prior to making any recommendations on future action. We have specialists available to discuss all of your needs, including:

- Independent property investment advice and strategic planning services
- Buyer's agent/advocacy services
- Mortgage broking and finance solutions
- Property management
- Ongoing portfolio and finance management with regular reviews.

Whether you are about to break into the market as a first time investor or home owner, or you already own multiple properties, our proven and tailored investment strategies will ensure you manage your risk levels effectively whilst achieving optimal outcomes every step of the way.

See the next page for an exclusive offer from the Capital Property Advisory team.



BOOK A COMPLIMENTARY INITIAL INTERVIEW WITH A QUALIFIED PROPERTY INVESTMENT ADVISER (QPIA®) TODAY.

Be one of the first 10 clients to schedule their complimentary appointment will you receive a \$1000 credit towards your strategic planning fees.

Click here to schedule your complimentary initial interview now! In this meeting we will discuss:



Your current situation and any existing assets



Your future plans and goals (financial, lifestyle, education, family & retirement)



How to create equity or improve cash flow in a subdued market



Strategies to minimise tax while also achieving capital growth



How to effectively manage risk and cash flow whilst building your portfolio

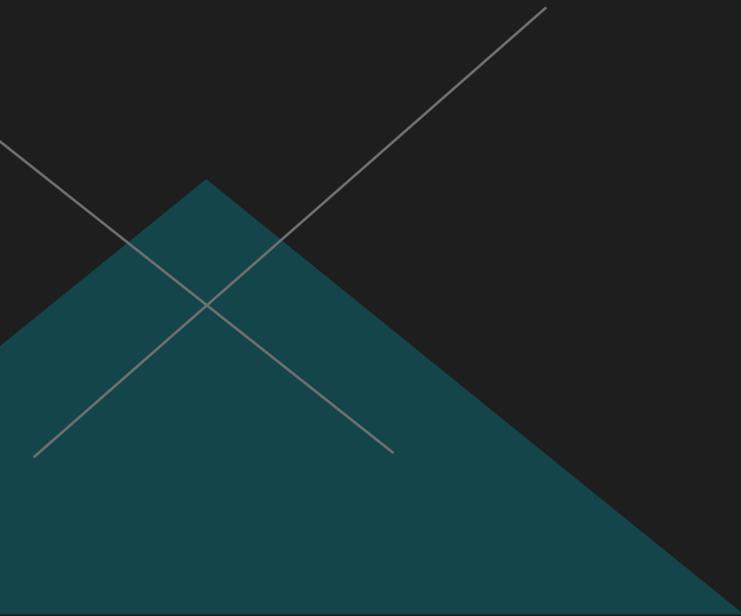


How to identify properties that will outperform the market



The benefit of engaging a QPIA® and Buyer's Agent to represent your interests.

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