BUSINESS & TAXATION BULLETIN

SPRING 2022

REPORTS NEWS ANALYSIS

WWW.DFKLV.COM.AU

+61 02 9264 5400

SYDNEY, NSW

DFK LAURENCE VARNAY DIRECTOR GROUP

COLIN Grady
Director CA
Trusted Auditor & Accountant

TONY Nguyen
Director CA
Business Services & Taxation

FAIZAL Ajmat
Director CA
Trusted Auditor & Accountant

STEVE Heller
Consultant

RAPHAEL Mendels
Consultant

IN THIS ISSUE

Tax Updates

NSW STATE BUDGET

There are a number of state tax changes announced in the NSW State Budget released in June 2022. They are briefly outlined as follows:

First Home Buyer Choice –

This scheme allows first home buyers purchasing a property up to $1.5 million to have the choice of paying stamp duty or an annual property tax. The existing stamp duty concessions will remain for first home buyers of a property up to $800,000. It is planned that the scheme will commence for contracts signed on or after 16 January 2023, subject to legislation being enacted.

Shared Equity Scheme –

The NSW government will loan up to 40% of the purchase price for a residential dwelling for first home buyers if they are an eligible single parent with dependent children under 18 years old, singles over 50 years old and key essential workers who are nurses, teachers or police. The property price must be less than $950,000 for Greater Sydney and major regional areas and less than $600,000 for other regional areas. The household's gross income must be no more than $90,000 for singles or $120,000 for couples. The government loans will be subject to annual review to determine if eligibility criteria is still satisfied, otherwise, loan repayments may be required to commence.

Land Tax –

From 2023 land tax year, the surcharge tax payable on residential land owned by foreign persons is increased from 2% to 4% for land owned as of midnight on 31 December 2022. For Australian residents, the discount for early payment of land tax is reduced from 1.5% to 0.5% if paid within 30 days after service of the notice of assessment.

SINGLE TOUCH PAYROLL PHASE 2

Phase 2 of Single Touch Payroll (STP) commenced on 1 January 2022, however, most digital service providers (DSP) such as Xero and MYOB have obtained a deferral notice from the ATO, which automatically covers all users of the software. Please read the updates and newsletters provided by the respective DSPs on when STP Phase 2 will be enabled in their software and when transition can commence. STP Phase 2 reporting requires greater detail of payroll information to the ATO, including allowances, salary sacrifice amounts and income types. Other information, such as identifying closely held employees, is also important to ensure correct reporting and compliance with reported wage amounts.

SUPERANNUATION GUARANTEE IS CHANGING

From 1 July 2022, there are two major changes for employers in respect of the Superannuation Guarantee (SG) paid for employees.

Firstly, the superannuation rate will increase from 10% to 10.5% from 1 July 2022. Secondly, the $450 wages threshold to receive SG amounts will be removed. All other eligibility conditions for SG remain the same, including the exemption from SG requirement for employees under 18 years old who work less than 30 hours per week. Cents per km rate for motor vehicle use The cents per kilometre rate for work-related use of motor vehicles for the year commencing 1 July 2022 has been determined by the ATO to be 78 cents, which is an increase from 72 cents from the previous two income years.

It is important to note that an individual is limited to claiming 5,000 km under the cents per km method. If the work-related kilometres travelled are likely to exceed 5,000, then a 12-week logbook and a record of all expenses incurred are required.

FUEL TAX CREDITS - SIGNIFICANT CHANGES

The calculation of fuel tax credits changed significantly from 30 March 2022 due to the halving of the fuel tax excise for 6 months to 28 September 2022. During these six months, heavy vehicle users on public roads will not be entitled to any tax credit as the road user charge exceeds the excise paid.

The ATO has a fuel tax credit calculator on their website to ensure the correct fuel tax credits are claimed in your BAS.

TIME TO GET YOUR DIRECTOR ID

A reminder that all existing directors of an Australian company are required to obtain a Director ID by 30 November 2022. If you intend to become a director, you must apply for a Director ID prior to appointment.

The process is quick and easy for Australian residents but is a little more time-consuming for overseas residents. If you require assistance in your application for a Director ID, ask your DFK ANZ contact for our guides.

STRUGGLING TO PAY YOUR TAX DEBT?

If you are experiencing cashflow issues and are unable to pay a tax debt, we can organise a payment arrangement with the ATO. The payment plan will require the following features to be acceptable to the ATO:

- An upfront payment at the start of the plan to show commitment to payment
- Scheduled payments on a weekly, fortnightly or monthly basis
- Payments will be a fixed amount each period
- Payments are made via a direct debit facility set up with the ATO
- On-time lodgement and payment of any subsequent tax obligations for the duration of the payment plan, otherwise, the full amount owing will become immediately due.
- For eligible small businesses with overdue activity statement amounts, the payment plan may be interest-free if the debt is settled within 12 months.

For eligible small businesses with overdue activity statement amounts, the payment plan may be interest-free if the debt is settled within 12 months.

PROFESSIONAL FIRMS PROFIT ALLOCATION ARRANGEMENTS

In December 2017, the ATO suspended its guidance on the taxation of professional profits for individual professional practitioners (IPP). This covers individual professionals such as doctors, lawyers, accountants and architects who earn income through their personal exertion but the profits of these efforts may have been taxed in an associated individual or entity.

The updated ATO Practical Compliance Guidance PCG 2021/4 was issued late in 2021 and detailed a more rigid application of the law. Under PCG 2021/4, an IPP is required to pass the conditions of commercial rationale and have no 'high risk' features of the tax arrangements.
The application of new ATO guidance will apply from 1 July 2022. However, if an IPP tax arrangement satisfies the previously suspended guidelines, individuals have until 1 July 2024 to satisfy the new guidelines.

This ATO practical compliance guidance will require all professional individuals who receive some of their income through company or trust arrangements or profit share with other related individuals, to undertake a detailed review of such arrangements to determine if alternative tax strategies should be adopted.

GIC AND SIC RATES

The ATO has published General Interest Charge (GIC) and Shortfall Interest Charge (SIC) rates for the first quarter of the 2022-23 income year.

The GIC annual rate for July – September 2022 is 8.00%, and the SIC rate is 4.00%.

Upcoming Key Dates and Deadlines

14 July 2022	Single Touch Payroll finalisation declaration due
21 July 2022	June 2022 Monthly Activity Statement due for lodgement and payment
21 July 2022	June 2022 Quarterly PAYG Instalment Activity statement due for lodgement and payment for head companies of a consolidated group
28 July 2022	NSW Payroll Tax Annual Reconciliation due for lodgement and payment
28 July 2022	Superannuation Guarantee Contributions due for payment for April – June 2022 quarter
31 July 2022	TFN Report for closely held trust for TFNs quoted by beneficiaries of the trust
14 Aug 2022	PAYG Withholding Payment Summary Annual Report due for lodgement
21 Aug 2022	July 2022 Monthly Activity Statement due for lodgement and payment
25 Aug 2022	Apr – June 2022 Business Activity Statement due for electronic lodgement and payment
28 Aug 2022	Taxable Payments Report for lodgement with ATO for Building and Construction Industry, Cleaning Services, Couriers, Road Freight, IT and Security services
21 Sept 2022	August 2022 Monthly Activity Statement due for lodgement and payment
21 Oct 2022	September 2022 Monthly Activity Statement due for lodgement and payment
21 Oct 2022	Annual PAYG Instalment Notice due for lodgement and payment
28 Oct 2022	Final date for election to use GST instalments for 2023 year
28 Oct 2022	Final date for election to pay PAYG instalments annually for eligible taxpayers
28 Oct 2022	Superannuation Guarantee Contributions due for payment for July – Sept 2022 quarter
31 Oct 2022	Lodgement and payment for 2022 income tax return for all entities with any prior year returns not lodged

How to negotiate in a softer housing market

Vendor/seller expectations are still high, but buyers want low prices in a slowing market.

After years of rising house prices in the Sydney market, the recent property slowdown will have taken people by surprise - not least those with a home to sell. Whatever the state of the market, every negotiation is based on the same premise; vendors want to receive the highest possible price, while buyers want to pay as little as possible. However, both parties need to consider how they approach a negotiation when the market is in decline.

BE REALISTIC

From a vendor's point of view, it's crucial that you price your property correctly from the start. The best homes won't sell if they're overpriced; therefore, vendors need to be realistic.

Some potential buyers are waiting for prices to fall further, so fewer people are actively looking. Buyers have more properties to choose from, so it's harder to convince them to pay a premium price. Plus, the longer a property stays on the market, the less likely it is to sell at a higher price. Buyers can easily determine how long the property has been on the market and will use that against the vendor.

Unless a vendor bought in the last couple of years, they will probably receive a higher amount for their property than the original purchase price. If they are selling to buy another property, the vendor will be paying a reduced purchase price. It can be more helpful to consider the changeover price rather than fixate on the price you may have achieved 6-9 months ago. A bit like the way we think about car changeover prices.

TAKE OFFERS SERIOUSLY

If a property is on the market, it's there for a reason. This isn't a time to test the market or sell a property if you are in a hurry. If you need to sell, you should be prepared to take offers seriously, even if it's not at the level you were hoping for. At least enter into negotiations to see how far you can get your potential buyer to increase their offer.

When buyers have the upper hand, presentation is particularly important. You need to be clear about the attributes of your home; the unique selling points that make it desirable. It may also be worth spending some time and money minimising anything that would cause concern. You don't want potential buyers to go away with the impression that there are another five homes they'd be equally happy with.

A good Real Estate Agent can help you identify your property's strengths and weaknesses and then demonstrate and sell its strengths.

In a softer market, it's vital that you start by getting good advice on everything from pricing to presentation. The right Agent will also help you market the property effectively. This needs to be considered case-by-case; for example, advertising in print media may work well for some but for others, it would be a waste of money.

BE READY TO ACT

As a buyer today, you're well placed - but you shouldn't be too complacent.

If you see a property that appeals to you, it's also likely to appeal to others, so you can't afford to sit back and wait in the hope that the price will fall. You may wish to throw your cap into the ring and start the negotiation process.

SOME TIPS TO HELP GET THE BEST RESULTS FROM YOUR NEGOTIATION

If you're selling

- Set a realistic price from the outset
- Find a good Real Estate Agent you can trust
- Take extra care with presentation – you want potential buyers to fall in love with your property

If you're buying

- Do your research - be clear about a realistic market price
- Let the Agent know if you're interested in a property
- Don't wait too long for a bargain

Market Update - July 2022

This update provides an update on inflation trends and outlines the outlook for the year ahead.

HOW MUCH WILL INTEREST RATES RISE?

As expected, the Reserve Bank of Australia lifted the Cash Rate target by 50bps to 1.35% this month. The latest increase brings the cumulative rate hikes since the beginning of the tightening cycle in May to 1.25%.

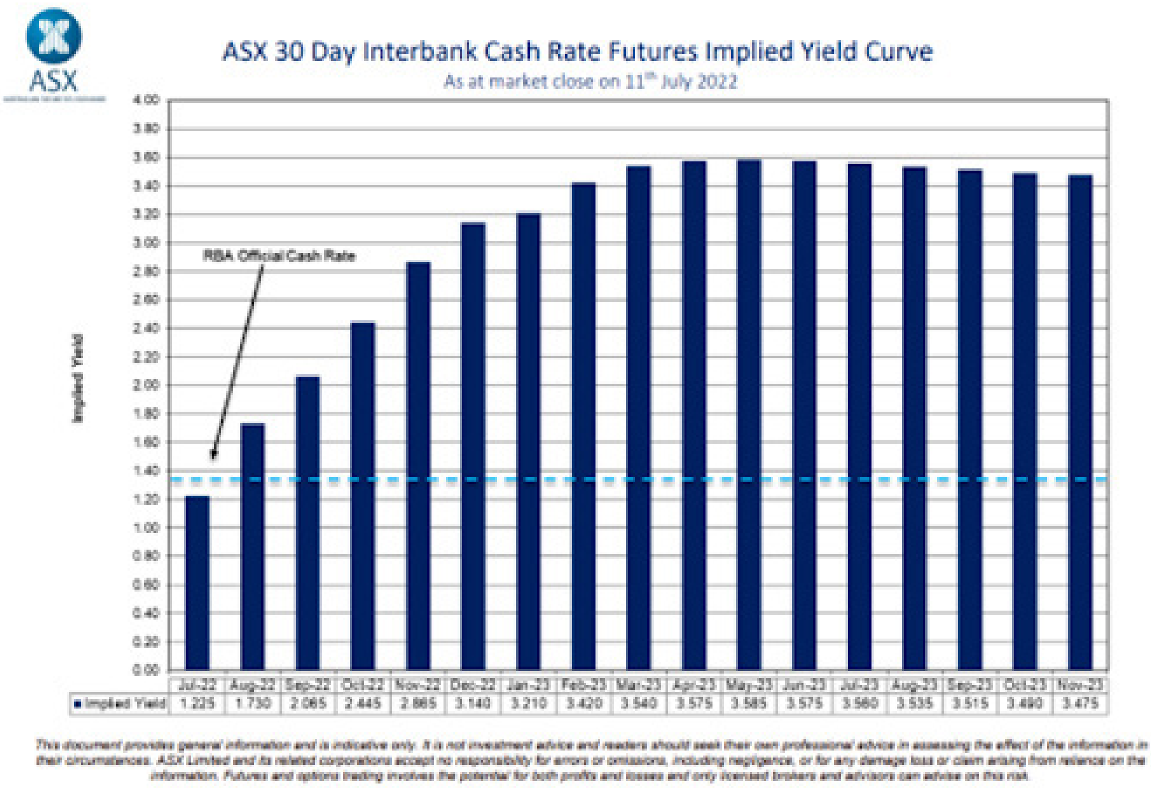
As is the case in most other parts of the world, elevated inflation (at 5.1% in Q1) and consumer inflation expectations (which increased from 5.0% to 6.7% in June) warrant tighter monetary policy. RBA Governor Philip Lowe noted that policymakers will do whatever it takes to ensure that inflation returns to the central bank's 2%-3% target.

Consumption has been resilient so far with household spending growing by 2.9% m/m and retail sales up by 0.9% in May. However, consumer sentiment is collapsing and is approaching historic lows reached during periods of major economic distress such as the initial COVID-19 shock, GFC and the early 1990s. CoreLogic's index of capital city home values declined by 0.8% m/m in June, reflecting the impact of higher interest rates.

Elevated debt levels imply that households are vulnerable to rising interest rates, which will ultimately limit how high the RBA can push up the Cash Rate. It is worth noting that generally, Australia has had strong lending standards since 2015, with banks having to assess each new borrower's ability to pay mortgage rates 2.5% above the borrowing rate up to October last year and 3% since then.

Markets are currently pricing in a peak Cash Rate in Australia of 3.45% in early 2023. Many economists think this is excessive with Westpac, Goldman Sachs, UBS forecasting the cash rate will peak at 2.6%. UBS forecast they will peak by November 2022 and are looking for a 0.50% of rate cuts by the second half of 2023. The average of the last 4 rate cycles since 1994 has seen rates rise by just 2.25%. The average time it has taken from the last rate hike to the first-rate cut is 8 months. This is important to keep in mind because markets will typically rally 9 to 11 months before this occurs. If the first-rate cut is in October 2023, then this is a potential positive catalyst for markets later this year.

Chart 1 – In mid-June, Markets were pricing in a peak Cash Rate 1% above the RBA guidance range of 2-3%. In recent weeks interest rate expectations have been declining.



Source: CoreLogic, RBA, ASX

WHEN WILL INFLATION PEAK?

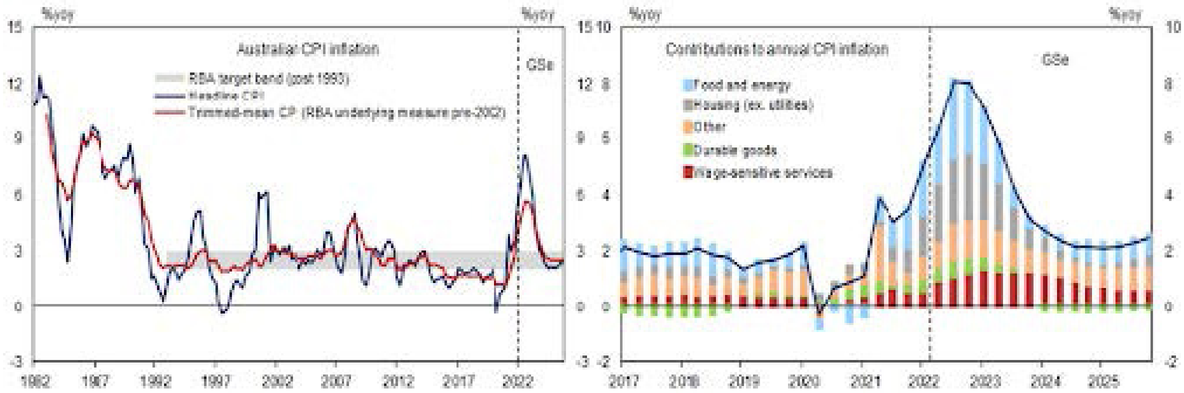
The rapid and earlier-than-expected lift in interest rates is mostly about fighting surging inflation. As shown in chart 2 on the right, inflation is mostly being driven by higher prices for Petrol, Food and Rent (housing).

Chart 2 - Food and energy prices continue to drive near-term inflation, with services likely to drive inflation in 2023

Shifting US consumption patterns are showing demand for services continues to rise at the expense of goods. US personal spending in May revealed that spending for goods fell by $43.5 billion, while spending for services increased by $76.2 billion to a new record high.

Receding goods spending supports expectations that inflationary pressures will moderate. Chart 3 breaks down the changes in consumer spending by category. It reveals that energy and food are the only two goods categories where spending increased in May.

All other goods categories experienced a decline in spending. The rate of increase in the Goods sector is moderating from the high levels experienced through the COVID period, reflecting normalisation in supply chains. The larger Service sector is making a larger contribution to growth but experiencing modest levels of inflation.

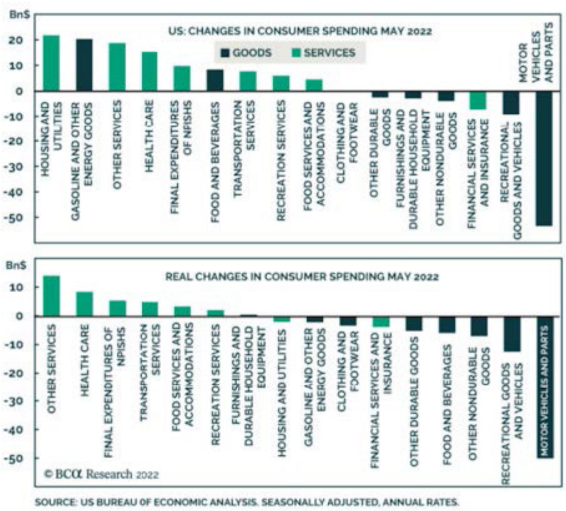


Source: Goldman Sachs Global Investment Research, ABS

Chart 3 – US Changes in consumer spending

If inflation falls in the coming months, the recent bounce in equity prices could be extended. This outcome is possible if oil and food prices continue to decline in the US. It should be noted that oil (WTI) is already 30% off its recent highs. US food prices have also fallen sharply in recent weeks, with corn, wheat and soybean prices dropping 20%, 25% and 18%, respectively.

Source: US Bureau of Economic Analysis season-adjusted annual rates



OUTLOOK - INFLATION TRENDS AND REPORTING SEASON SET TO SHAPE SECOND HALF OUTCOME

In an increasingly uncertain world, the only clear signpost we have regarding Central Banks is that they will continue to increase interest rates to get inflation back under control. While clearly not wanting to create economic instability, the fight to get inflation under control is the number one priority. The second priority is to get interest rates back to a more normal level. In the case of Australia, the RBA are targeting cash rates in the 2-2.5% range (now 1.35%). For the Fed in the US that is 3-3.5% (now 1.6%).

As Central Banks have become more aggressive with rate increases, the possibility of a slowdown turning into a recession has been elevated. We make the following observations:

- Any slowdown is likely to be Cyclical in nature (i.e. curtail demand), not Structural (i.e. a GFC event). As a cyclical slowdown, it is likely to be shorter in duration, not deep in nature. Risk of recession is seen as greatest in Europe, the UK and less so in the US.
- Households and corporates are exiting COVID in a sound financial position. Savings rates are high.
- Labour markets are tight, unemployment levels historically low, and wages are growing. This suggests that any economic downturn could be relatively mild for workers.
- In Australia, we see recession risk as low at this stage. Households are in good shape, although face the challenge of higher mortgage repayments, particularly so if the RBA will need to keep rising rates to slow inflation.

Technically, the ASX200 index was deeply oversold by mid-June and has recovered over recent weeks, with several stocks, including Realestate.com, James Hardie, and Dominos-rising more than 15% from H1 lows. For Australia to avoid a
Bear market, the upcoming reporting season will need to be constructive, and the RBA will need to find success in reining in inflation such that rates don't rise above current targets. During the balance of 2022 and into 2023, we expect share prices to be more closely related to earnings growth prospects and less to do with interest rate trends.

According to Goldman Sachs analysts, earnings in the US are expected to grow 10% in CY 2022 and 9% in 2023. In Australia, Macquarie Research are expecting companies to report 12% growth in earnings for FY22 followed by 14% in FY23, excluding resources. In the context of the above discussion on further significant increases in interest rates and slowing growth, we see something of a disconnect between current earnings forecasts and likely outcomes.

Some sectors are at a greater risk than others. In Australia, sectors exposed to the consumer will be at the greatest risk. As mortgage rates are ramped up by banks, an increasing proportion of household budgets will be directed away from consumption to mortgage repayments. Discretionary spending, especially on big-ticket items, becomes vulnerable. Similarly, after a short recovery, international travel may be deferred and local travel a potential beneficiary. Lower earnings risk sectors include healthcare, consumer staples, logistics and waste management.

INVESTMENT STRATEGY - STAY POSITIVE LONGER-TERM THEMATICS

From an investment perspective, we believe it prudent to have portfolios structured to withstand a slowdown or recession. In practice, that means maintaining a balanced portfolio across Defensive (infrastructure, consumer staples, logistics, and healthcare), Growth (secular, predictable) & Cyclical (select commodities & banks).

Long-term wealth is generated by successfully identifying longterm trends and stocks that benefit from them. While some of these will ebb and flow in the short term, we are confident in their long-term prospects.

Please let us know if we can be of any assistance or if you would like to discuss this.

Best regards,

Paul Israel
Investment Manager

Wash Sales: Don’t get hung out to dry

The ATO warned taxpayers not to engage in ‘asset wash sales’, a form of tax avoidance designed to artificially increase taxpayer losses and reduce gains or expected gains. Most commonly, wash sales involve the disposal of assets such as crypto and shares just before the end of the financial year, where then after a short period of time, the taxpayer re purchases the same or substantially similar assets in an effort to offset against a gain already derived, or expected to be derived, in certain circumstances, in a tax return.

The ATO explains, “a wash sale is different from normal buying and selling of assets because it is undertaken for the artificial purpose of generating a tax benefit for the current financial year. The taxpayer disposes of and reacquires the asset for the deliberate purpose of realising a capital gains loss and obtaining an unfair tax benefit.”

The ATO’s sophisticated data analytics can identify wash sales through access to data from share registries and crypto asset exchanges.

When the ATO identifies this behaviour, the capital loss is rejected, resulting in an even bigger loss to the taxpayer.

Assistant Commissioner Tim Loh urges taxpayers not to engage in this behaviour. “Don’t hang yourself out to dry by engaging in a wash sale. We want you to count your losses, not have them removed by the ATO.”

The ATO is warning taxpayers who may be engaging in wash sales are at risk of facing swift compliance action, and additional tax, interest and penalties may apply. Taxpayers are urged to ignore any advice encouraging a wash sale of any asset.

The clear advice from the ATO is to check the ATO website or check with an independent registered tax professional and not to rely on advice you may receive through media, social media, or advertisements.

If something seems too good to be true, it probably is.

Why you should have a business continuity plan

Keeping your business operational is a full-time job. It's a balancing act that requires you to keep a multitude of plates spinning while your executive team and employees support you at every stage of the operational journey. But what happens if these plates stop spinning?

Sudden unexpected threats can catch you on the hop. What if an unexpected circumstance comes up that derails your usual operational procedures? How will you cope? What will you do to overcome the issue? And how will you get the business back on target?

The answer lies in having a thorough business continuity plan.

WHAT'S A BUSINESS CONTINUITY PLAN?

A business continuity plan is an executive plan that describes the risks that exist in the business, your strategy for dealing with these known and unknown risks, and how you will mobilise your team to overcome any issues, emergencies or gaps in trading etc.

None of us truly knows what lies around the corner. Most businesses were not expecting the 2008 economic crash or the 2020 Covid-19 pandemic. If you can plan ahead and put contingency plans in place, you'll be better prepared when a worst-case scenario does appear.

How do you formulate your plan?

Every organisation's business continuity plan will be different. We all have different business models, different company hierarchies and different risks that are peculiar to our own sectors. But the fundamental basis on which you create your business continuity plan will be the same however your company works.

For example:

Identify the critical areas of your business – look at your operational business model and think about where it's most likely to break down under pressure. Are you reliant on a specific supplier to operate? Which are the fundamental departments in your model and what do they bring to the business? Who are your core heads of department and staff, and who could deputise for them in their absence? In short, look for anything that could break down and how this could affect the whole business.

Create backup continuity plans for each critical area – you obviously need your main continuity plan to cover the entire business. But it's also important to look at the risks, essential personnel and key operational activities for each separate department in the company. Your finance team will need a very different continuity plan to your logistics and delivery team, for example. So, tailor each continuity plan to fit the needs of your main business areas and make sure they're all fit for purpose.

Assign a continuity lead and department leads – it's a good idea to assign a main business continuity lead role or champion, so the responsibility for reviewing and updating the plan sits under someone's remit. You'll also need to have a lead person for each critical department, so every cog in the wider machine is represented.

Make sure everyone knows the continuity plan – a business continuity plan is useless unless the whole company is aware of the plan and knows what to do. Have a central phone number, WhatsApp group and email address set up for any business continuity emergency. And use your internal communications team to provide regular messaging, training and updates on changes to the ongoing continuity plan.

Keep the business operating – ultimately, your continuity plan exists to keep the company operating in challenging times. It could be that your HQ is flooded out and has to be closed down and moved to an alternative location. It may be that significant employee sickness hits you, leaving only a skeleton staff to run each department. Whatever the circumstances, your plan needs a contingency in place, so you and your remaining staff can continue to trade, make sales and bring in revenues.

Talk to us about building a business continuity plan

No plan can completely remove the threat of the unknown - that's an impossibility. But with a continuity plan that's well conceived and ready to implement, you reduce the potential risks and give you and your team a practical strategy and tactics to work with.

Need to get a plan in place?

We'll help you analyse your business model, look for the critical areas and assess the potential risks. We'll also help you put together a watertight business continuity plan that's ready to implement if (and when) specific threats hit the business.

Is your business attracting the right talent?

When people talk about ‘brand’, they often think solely from a customer perspective. However, a strong ‘employer brand’ is also critical in order to attract the right talent to your business. With a shift in skill-set requirements across most industries, it’s more important than ever to attract the right potential employees.

So how do you go about attracting great talent to your business?

Give prospects the full picture

When you have a role to fill, make sure you:

- Describe the great working environment in your job description and publish this on your website and on social media
- Add a careers page with details on the company culture as well as the job
- Provide some insight into company life or why people would want to work for you.

Establish your Employer Value Proposition

This is your unique set of offerings, associations, and values that positively influence target candidates and employees. This gives prospective employees a sense of what you stand for. Without a set of values, it’s harder to attract the right potential employees and even harder to hire someone who is the right fit for your company.

A strong employer brand therefore not only increases consideration, it is also a smart business investment. When your culture and values resonate with current employees, it can significantly lower your staff turnover rate. Companies with a stronger employer brand have a 28 percent lower turnover rate than companies with a weaker employer brand.

Attracting the right candidates

Build personas of the types of talent you’d like to hire. And from here you can build your profile of your ideal candidate. These can include:

- Education
- Work experience
- Personal activities
- Aspirations and goals
- Values
- Personal life and family situation.

Once you have that profile, build your questions to ask in order to ascertain whether potential employees fit your ideal profile. You can tailor the advert and medium to speak to that profile.

Succession Planning

What positions will you need to hire in six to twelve months and what skills are required so you can build an internal talent pipeline?

Work ahead of that point and build a relationship with your ideal candidate. Additionally, with a lot of ideal candidates already happy in their current roles, you will require the time to build that relationship.

Investing to strengthen your employer’s brand, including culture, environment, values and strategic vision will help increase consideration of your company, lower recruiting costs, and decrease voluntary turnover.

Prices Up Yields Down - An on the ground snapshot into commercial property

Gone are the days commercial property was reserved for a few highly skilled investors. It is now in extremely high demand across most of the capitals and not just Sydney and Melbourne.

According to Anna Porter, Suburbanite Principal, valuer and market commentator, commercial property has been a whirlwind with an ever-changing accessibility landscape and increased buy-in difficulty.

“We are seeing far greater demand than there is supply for commercial property, which is driving pricing up but unfortunately, on the ground, the rents aren’t keeping at pace with the pricing movement, so yields are retracting,” Porter shares.

“The increase in buyers is actually chasing prices up while they are chasing yields down – that’s the relationship between the two.” Porter reveals it is difficult to secure a good commercial property as good quality commercial properties are selling within days of hitting the market.

So, what type of commercial property should buyers be looking for?

“Commercial is actually a broad term and there’s different types of commercial assets,” she says. “When we look at the types of commercial property that are lacking in supply but high in demand, we’re talking about commercial and industrial warehouse style, bulky goods and medical style properties,”

“These types of commercial assets are performing really well and there is not prediction of their performance retracting.”

The continuous push for half weeks and working from home style arrangements is continuing to impact the office and retail sector.

“For the office and retail sector, especially the inner-city locations, performance is poor because there is still a lack of people coming back into the cities, their behaviors have changed and a lot of big organisations are collapsing their space,” says Porter.

“It’s also common now for organisations to put clauses into their lease where they can go from 3 or 4 floors to 1 at any time during their rental agreement without being penalised.”

Big companies are thinking ahead in terms of their workforce and tenants have more power than ever before in these types of situations.

“Tenants have taken the power back which we saw during the pandemic through the renegotiation of leases where legislative movements by the government shifted the power to tenants,” Ms Porter reveals.

“The market is in fact still recovering from this and it appears to be hanging around in this sector.”

The good news for these asset classes in that suburban retail and office space is still thriving. “Suburban retail shops are more valuable than ever especially as more people take advantage of their local as they continue to work from home,” reveals Porter.

“The value however comes through the low vacancy rates which pushes up the rent in line with the higher demand - if businesses are thriving more businesses want to go in and in turn will pay more rent,”

“It’s important to keep in mind though that rent when you are in a commercial space doesn’t go up instantly as tenants will be locked into a one-to-two-year lease, so it takes a little while for that to filter through and come out the other end,”

“It is through the increase in yields which has a real effect on values, but this is certainly where things are heading.”

The other asset class that has performed well is co-working spaces which are in high demand so there are some sectors that have really had a positive outcome from this suburban change.

For further information or enquiries about any of the latest business and taxation topics discussed in this newsletter, please contact the Directors and team at DFK Laurence Varnay

Colin Grady - Director cgrady@dfklv.com.au
Faizal Ajmat - Director fajmat@dfklv.com.au
Tony Nguyen - Director tnguyen@dfklv.com.au
Steve Heller - Consultant sheller@dfklv.com.au
Raphael Mendels - Consultant rmendels@dfklv.com.au

A Level 12, 222 Pitt Street, Sydney NSW, 2000
P PO Box Q819, QVB NSW 1230
T +61 02 9264 5400

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EMAIL office@dfklv.com.au WEB dfklv.com.au