
Strategic Overview and Workplan

2022 and 2023





Property Services Commissioner Strategic Overview and Workplan 2022-23

Ministerial foreword



It is my pleasure to endorse the Property Services Commissioner's Strategic Overview and Workplan for 2022-23, which lays out a program of work to build a truly trusted, empowered and accountable NSW property services sector.

All residents of NSW have a profound interest in the way property services are regulated and serviced by Government, whether they be owners of a strata apartment, tenants living in private rental, licensed property services professionals or the myriad other ways in which every one of us interacts with the property services sector each day.

Since 2018, the NSW Government has driven transformational change in response to concerns about the quality and safety of new residential apartment buildings through the Construct NSW program of work under Building Commissioner David Chandler.

In 2019, we created the world's first Department of Customer Service to put the customer at the centre of everything we do, including through unprecedented investment in digital government and leading edge approaches to regulation and customer experience.

The appointment of John Minns in December 2021 as the state's first Property Services Commissioner sits within that framework of customer-centric regulation. It responds to community expectations that we need to find ways to uplift performance both by industry

professionals and the regulator overseeing them. Regulation must be well targeted and avoid unnecessarily burdening the over 90% of property agencies that are small businesses.

Mr Minns is a highly respected property industry leader and his collaborative and innovative approach to problem solving will give us the best chance of meeting the community's expectations of this vital work.

The leading elements of Mr Minns' Property Services Strategic Overview and Workplan already have a substantial number of people invested in and collaborating on shared goals.

I encourage everyone affected by this journey to engage with the Property Services Commissioner's initiatives, embrace transformational change, and ultimately help us make NSW a better place for all our citizens to call home.

The Hon Victor Dominello MP
Minister for Customer Service and Digital Government
Minister for Small Business
Minister for Fair Trading
October 2022

A message from the Property Services Commissioner



Property in NSW is central to the social, economic, and personal well-being of every resident in the state. Leadership from government and industry is more important than ever to get ahead of emerging challenges and deliver the opportunities and confidence demanded by stakeholders.

Structural changes and risks are occurring across international property markets, and NSW is not immune. Diminishing housing affordability at a time of historically low interest rates has meant that the buying potential for many millennials is primarily influenced by whether their parents own a home. Demographic, lifestyle and economic factors are driving a rapid migration to strata living. Customer expectations of industry and government are increasing, while trust in institutions diminishes. And the rate of digital transformation accelerating across the property sector brings with it increased transparency, lower friction transactions, consumer risk and regulatory challenges all at the same time.

The property services sector is multi-faceted and increasingly complex. The needs of residents who are buying or selling a property, renting their home, or living in the rapidly expanding strata sector are as diverse as the population of NSW. From south to north, we have major metropolitan centres, expanding regional hubs and rural environments.

In developing this strategy, I have engaged with industry leaders, practitioners, regulators and consumer groups across the state to understand their diverse views and needs. While this has highlighted the risks and challenges ahead, there is also great cause for optimism due to the goodwill and desire for transformational change among each of these groups.

At the heart of the Property Services strategy is the principle on which we most stakeholders agree. A Trusted, Empowered and Accountable industry is vital to ensure the customer remains at the centre and their needs are met.

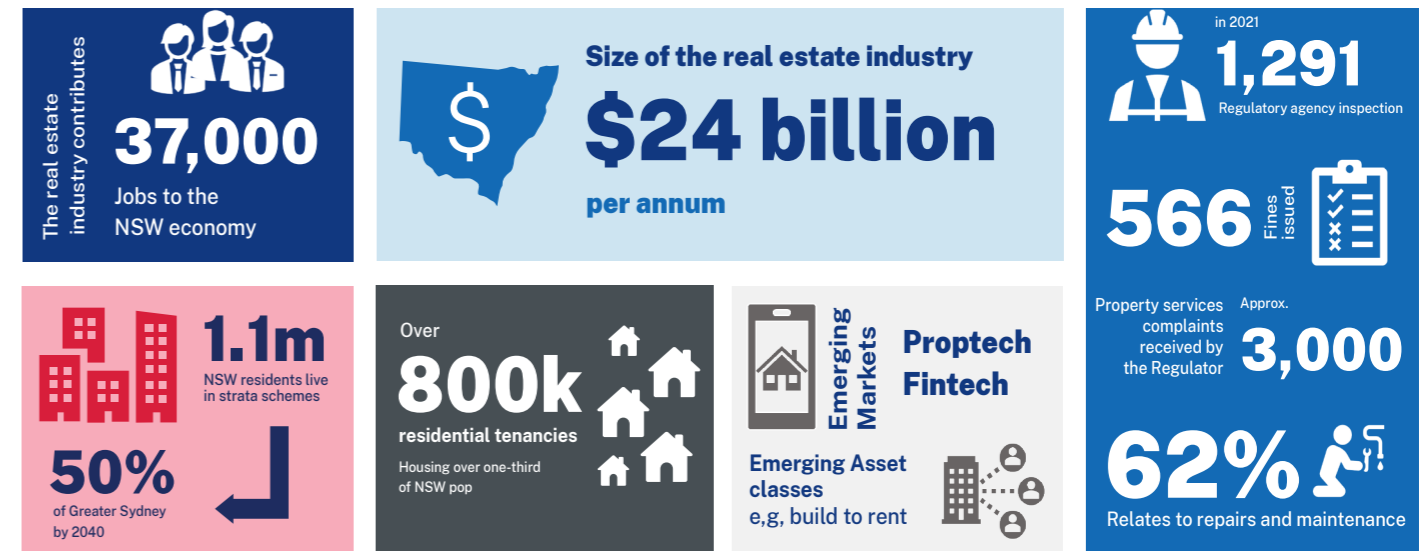
We are embarking on five strategic projects to deliver that vision:

1. Project Transform
2. Project Engage
3. Project Elevate
4. Project Connect
5. Project Beyond

Together, these five projects will guide the property services sector through this period of change, building a new era of collaboration between industry and government.

John Minns
Property Services Commissioner
October 2022

Snapshot of the Property Services Sector



Extensive consultation with the property, training and technology industries, as well as consumer groups and regulators over four months has identified a common desire for change. All believe there are multiple friction points preventing true collaboration between industry and government.

This friction, coupled with a property market experiencing fundamental changes in structure and consumer expectations, has led to increasingly poor experiences for NSW customers and fluctuating levels of animosity between industry and regulator.

Enforcement and disciplinary action against industry participants are clearly only part of the equation. Genuine sector-wide leadership, championing high performance and great consumer experiences, is most important. This will increase accountability, drive up minimum standards, and increase trust in property services in NSW.

But there are significant obstacles preventing sustainable sector-wide success being delivered.

The Office of the Property Service Commissioner's work will focus on five strategic projects over the next 12 months that are designed to overcome these obstacles and restore confidence in consumers of property services, industry practitioners and regulators in NSW.

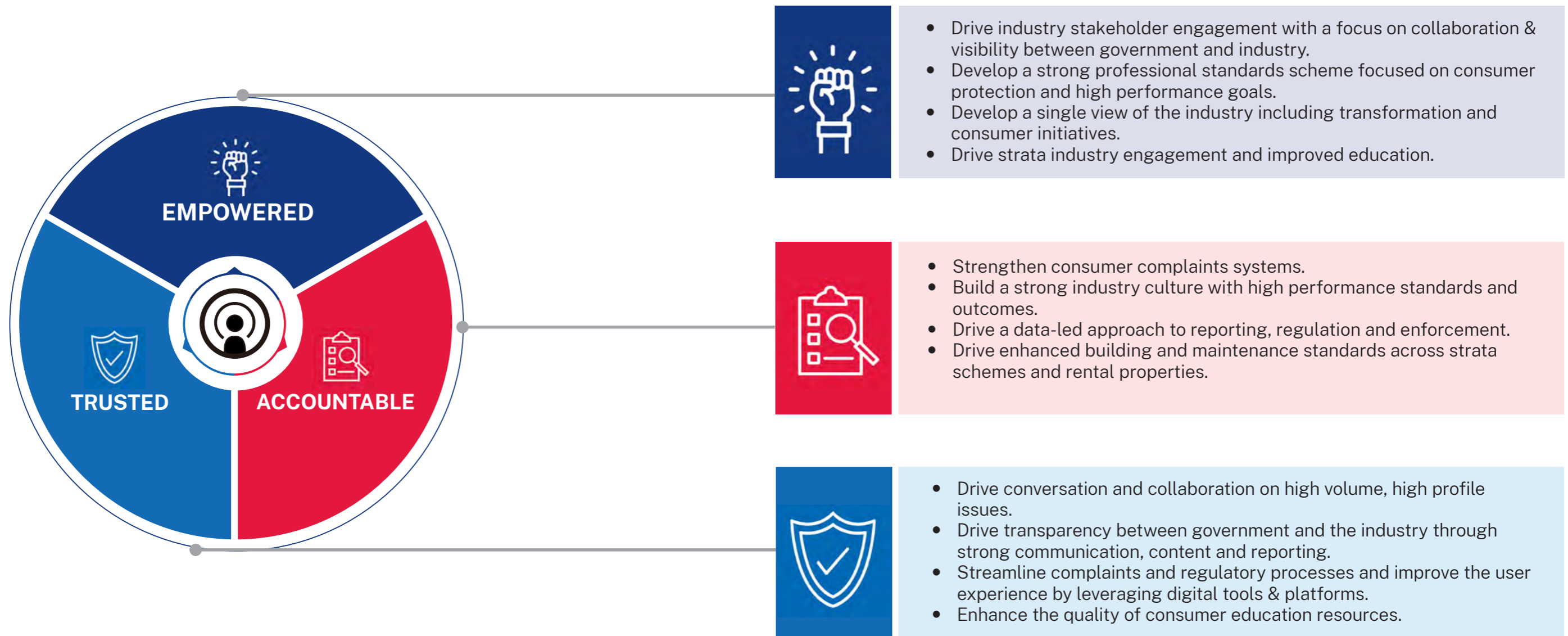
Our approach is designed to address emerging risks of consumer harm or market failure, while promoting confidence and economic certainty for industry and consumers.

Strategic Overview

The Property Services Commissioner strategy is built on three key principles, driven by the common needs of Government, industry and consumers.

Together we can build a property services sector that is:

- **Empowered** – high professional standards linked to strong outcome focused regulation will deliver great customer experiences.
- **Accountable** – industry and government delivering beyond minimum prescribed standards improving consumer outcomes.
- **Trusted** – transparency in operations and communications across the sector.



Project Transform

Transform & future-proof the strata sector

Project Transform

Over half of Greater Sydney's residents are expected to live in strata developments by 2040. Risks and challenges for government and consumers are emerging and increasing rapidly including:

- deficiencies in regulation in relation to off-the-plan sales
- adequacy of licensing to address the increasing complexity and sophistication of strata developments, representations made at point of sale, especially off the plan,
- strata disclosures in contracts for sale
- inadequate industry and consumer education about strata.

Insurance is emerging as a major risk with escalating premiums, increasing risks of developments being unable to obtain insurance and potentially dangerous and historical defects appearing.

Restoring confidence in the strata sector is essential. Consequences of failure here include further deterioration in affordability and supply of accommodation and significant economic and financial consequences for all involved.

Project Transform provides the foundation to address each of these areas and deliver increased confidence and certainty in this complex market segment.



Project Transform timeline



1. Driving consumer and industry value through the Strata Hub

- multi-stakeholder Launch Strategy
- industry engagement connecting obligations, accountability, and value
- consumer communication addressing major benefits and concerns.

2. Champion improved educational content to empower consumers and industry

- strata committee education and support
- maintenance - with focus on investment, preventative & reactive strategies
- living in strata – owners' responsibilities & strata knowledge base.

3. Risk identification & management for proactive consumer protection

- build on Construct NSW experience in using sophisticated data analytics to identify risk more effectively in strata schemes and predict future outcomes.



4. Collaborate with industry to deliver and enforce optimal consumer outcomes

- compliant & consumer focused strata management
- developer & builder commitments to delivering quality and defect obligations
- positive owner and resident outcomes in building and facility management services.

5. Comprehensive strategy to address significant consumer risk in

- insurability
- insurance costs and commissions
- defect management
- embedded networks
- voting rights
- maintenance and repair.



6. Regulatory gap analysis and Action Plan addressing entire strata scheme life cycle for all participants including

- point of sale representations and responsibilities
- pre-settlement rights and communication
- settlement process
- first AGM
- occupation and management phase
- future development potential or adaptive re-use.

2

Project Engage

Drive great consumer outcomes through stakeholder engagement and collaboration

Project Engage

In several major industry sectors, particularly residential property sales and renting, industry confidence and trust in government is low. Consumers also broadly don't trust industry participants and often have inconsistent or poor experiences as buyers and tenants in residential property. Bringing government and industry together to focus on delivering high customer value is vital.

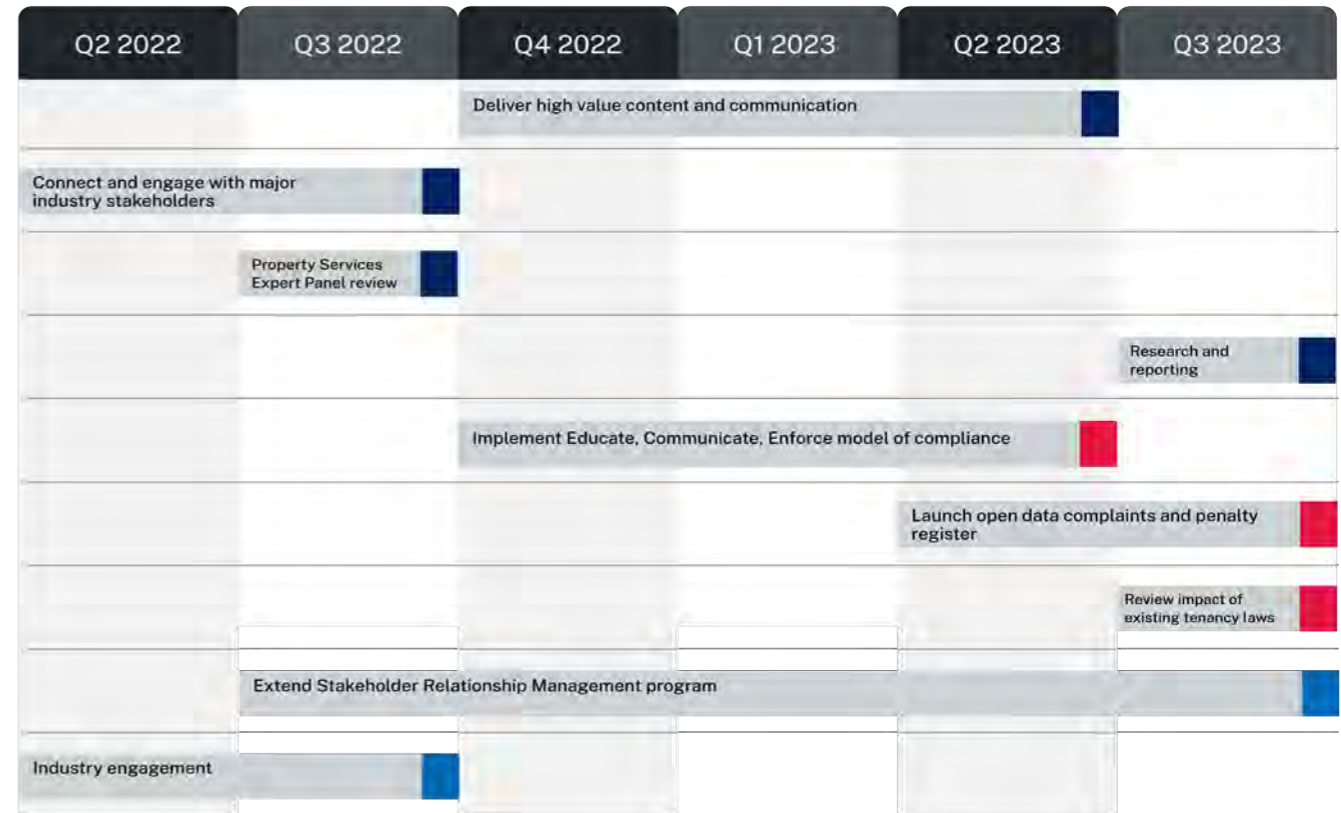
It is more than simply industry and government. Across the spectrum of property services, key stakeholders include

- property industry – practitioners, industry associations and brands
- educations and training industry – accredited and non-accredited providers

- technology sector – property technology (PropTech) and financial technology (FinTech) businesses, major portals and industry associations
- banking industry
- insurance industry
- consumer advocates

Engaging successfully with stakeholders requires a focus on collaboration, communication and education. Regulatory compliance activities must be focused on delivering improved performance and consumer experiences, bringing industry on board as an advocate for strong accountability and empowerment as a result.

Project Engage timeline





1. Deliver high value content and communication

- a. communicate Property Services Transformation Strategy, timelines and metrics to industry and consumers
- b. develop consumer content library including buying guides, selling property landlord responsibilities, tenants' rights and responsibilities and others reflecting high volume enquiries and complaints
- c. enhance consumer digital assets in the Department of Customer Service to improve user experience, value and accessibility
- d. develop multi-channel communication strategy for key stakeholders including CRM and marketing automation function.

2. Connect and engage with major industry stakeholders

3. Property Services Expert Panel

- a. governance, memberships, terms of reference
- b. coordinate feedback to the Minister for Fair Trading from industry on future Independent Property Services Commission.

4. Research and reporting

- a. research project on customer experience, including disempowered stakeholders (tenants, buyers and strata owners) across regulator and industry
- b. publish reports on the 'state of the industry', with key statistics and commentary on industry transformation and customer-centric initiatives.



5. Implement Educate, Communicate, Enforce model of compliance

- a. develop government and industry endorsed strategies to resolve high profile and high-volume consumer issues including underquoting, trust account defalcation and residential management obligations
- b. extend strategy to training and compliance obligations including agent, CPD and training providers.

6. Launch open data complaints and penalty register that excludes low harm complaints, improves transparency and delivers equity for industry

7. Review impact of existing tenancy laws on rental property standards to ensure objectives are being met and tenants are protected.



8. Extend Stakeholder Relationship Management program to include

- a. ongoing engagement program with major stakeholder groups – industry, associations, consumer advocates, training providers and property technology groups
- b. multi-stakeholder industry roundtables – collaboration on high priority consumer experiences and friction points in
 - residential sales
 - residential tenancy
 - strata management
 - professional standards.

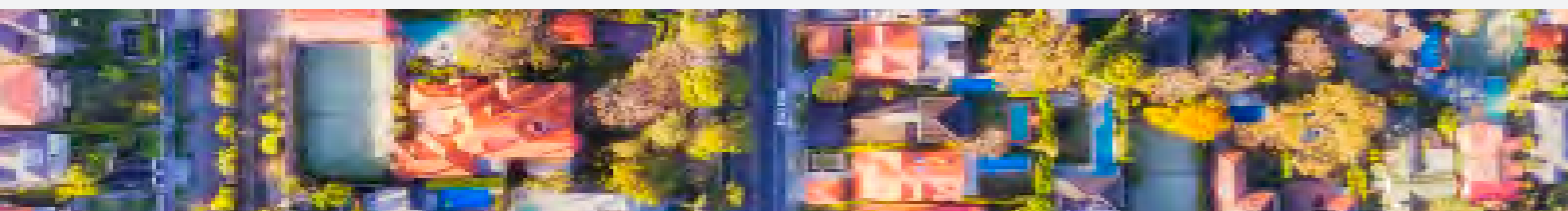
9. Industry engagement

- a. enable whole of sector voice to government through Regional Listening Tours with Minister for Fair Trading and Small Business and Property Services Commissioner.

3

Project Connect

Build connected and synergised Government service delivery



Project Connect

Regulatory activity across the Fair Trading business units is separated into silos, undermining the efforts of quality people and leadership to deliver strong consumer protection and improved experiences.

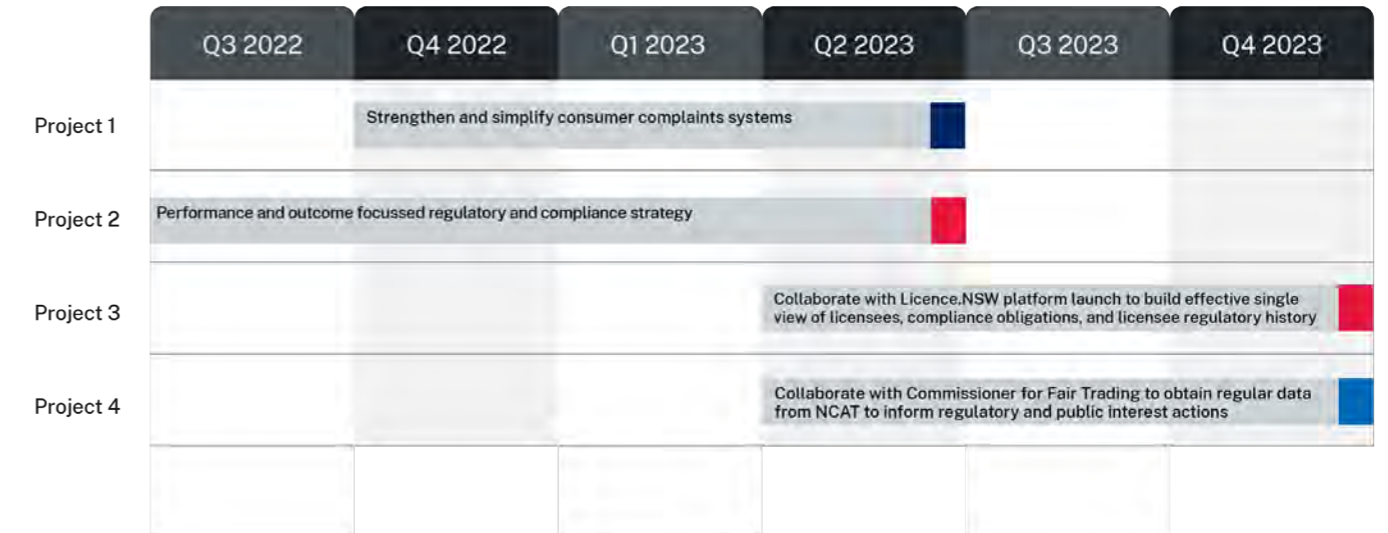
Information and data sharing is limited between business units in relation to complaints volume, compliance outcomes and high-risk practitioners. In turn, this leads to a focus on regulatory outputs rather than positive outcomes in the marketplace.

Success is too often measured by the number and value of penalties and warnings issued, reforms to legislation and volume of customer inquiries and complaints handled. There is little systematic attempt to measure changing outcomes for consumers and

connect them as successes or failures of regulatory activities.

Project Connect must deliver outcomes-focused regulation that minimises or eradicates consumer harms, transforming consumer and industry experiences. Initiatives include building a strong data analytics capability, a deliberate focus on higher consumer risks and targeting of high-risk operators. This will be backed by improved consumer complaint handling systems, increased transparency of end-to-end regulatory activity and exploitation of single-view technology through the Licence NSW platform. More than \$20 billion per annum is being invested in emerging global PropTech (property technology), which is rapidly converging with the maturing FinTech (financial technology) sector.

Project Connect timeline



1. Strengthen consumers complaints system including
 - a. end-to-end visibility and communication in Fair Trading business units
 - b. transparency and communication of complaints progress updates and resolution
 - c. connect measurable consumer outcomes with compliance activity and feed into Educate, Communicate, Enforce compliance model



2. Performance and outcome focussed regulatory and compliance strategy
 - a. collaborate with Commissioner for Fair Trading on Customer Centric Regulator strategy
 - b. compliance activity optimised to target high risks and repeat offenders through data driven harm identification strategy.
 - c. develop and launch Educate, Communicate, Enforce strategy in targeted areas of industry practise and consumer risk.
 - d. build whole of Fair Trading dashboards to measure and visualise real time compliance updates, and changes in consumer outcomes and industry practise over time.



3. Collaborate with Licence.NSW platform launch to build effective single view of licensees, compliance obligations, and licensee regulatory history

4. Collaborate with Commissioner for Fair Trading to obtain regular data from NCAT to inform regulatory and public interest actions

4

Project Elevate

Empower high professional standards through fit for purpose education and licensing

Project Elevate

Consumers, regulators and industry leaders expect property sales, property management and strata services to be delivered by trusted professionals.

Integrity of the licensing scheme is crucial to meet the needs of a complex modern marketplace. An occupational licence should serve as a guarantee of the qualifications and experience of the professional who holds it and provide adequate avenues of redress for consumers.

The NSW Government recognised those goals were not being met and collaborated closely with industry on major changes to the regulatory framework that commenced March 2020. Higher standards of education and training, coupled with prerequisite experience were introduced to the licensing scheme after five-year reform journey.

Despite the reforms, concerns remain about poor quality and corrosive competition in the training sector and this creates significant pushback from

industry bodies and major property service brands. NSW and regulators in other Australian jurisdictions share these concerns, with varied attempts to address them.

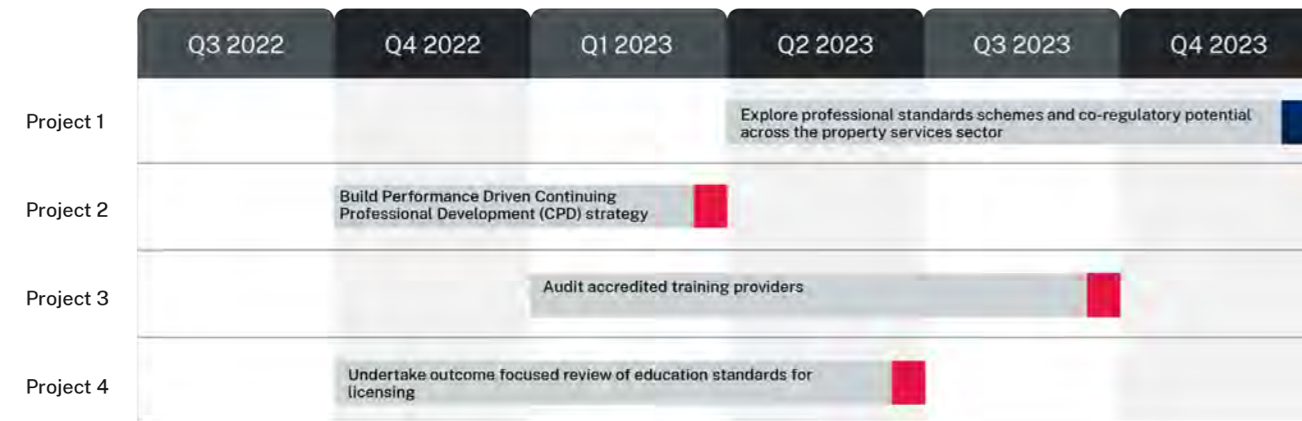
However, risks are now escalating in terms of agents' competency after completing national recognised qualifications, which in some cases fail to fundamentally connect to compliance and performance outcomes. Examples include operation of trust accounts, record keeping, sales representations and consumer protection.

Attraction and retention of high-quality recruits to the property services sector is a major industry concern which should demand this attention of Government as it magnifies consumer risks and poor experiences.

Transforming this sector required new thinking and a common commitment to higher standards, a focus on performance and a strong accountability regime.



Project Elevate timeline



1. Explore professional standards schemes and co-regulatory potential across the property services sector



2. Build Performance Driven Continuing Professional Development (CPD) strategy
 - a. 2023 topics identified, approved and communicated to industry
 - b. participate in NSW Treasury review of NSW Productivity Commission white paper in relation to mandatory CPD for the property services sector and future CPD framework.



3. Audit accredited training providers to determine
 - a. capability and suitability for CPD delivery
 - b. performance outcomes for agents and licensees.
4. Undertake outcome focused review of education standards for licensing
 - a. identify learning gaps or training deficiencies
 - b. overcome deficiencies and inconsistencies in nationally regulated vocational training quality
 - c. re-build industry pride and quality consumer outcomes from compliance-based training
 - d. consider implementation of licensing exams in conjunction with TAFE NSW.

5

Project Beyond

Engage with emerging digital and industry transformation to champion great consumer experiences and protection

Project Beyond

This is accelerating the digital transformation and disruption of the property sector. As digitally powered new asset classes emerge, and consumers continue to demand low friction and self-serve platforms, there are both significant risks and high levels of opportunity for stakeholders.

Property is transacted in a high value, high emotion but low volume environment where individual harms can be devastating. Where technology platforms fail and lead to consumer loss, redress for consumers and industry accountability will be difficult because PropTech operates outside the regulatory framework. These losses will in turn lead to erosion of trust and confidence in the market.

NSW can lead Australia in implementing regulatory strategies to empower innovation while delivering consumer protection in an environment that is often unregulated. Government must understand the marketplace better, increase our visibility of trends and review the regulatory framework to ensure it is flexible enough to embrace emerging technology for the benefit of government, industry and consumers.

Data is the final piece of the puzzle. Government and technology industry partnerships will enable real-time monitoring of market trends and use of predictive analytics for early identification of risks.

Project Beyond timeline

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Project 1			Establish Innovation Panel to engage technology leadership in industry and government			
Project 2		Build a framework to enable government, industry and consumers to assess innovation, harms and opportunities				
Project 3		Champion innovation opportunities where significant consumer risk, cost, or friction can be addressed.				
Project 4				Review impact of emerging asset classes such as Build-to-Rent, co-living, student accommodation and fractional ownership, and potential regulatory responses.		
Project 5					Monitor and report on key market metrics	
Project 6						Create clear and reportable view of NSW rental market



1. Establish Innovation Panel to engage technology leadership in industry and government to empower the property services sector to embrace innovation, anticipate consumer risks and provide high level advice to government on emerging trends and opportunities
 - a. delegates from Proptech, Digital NSW and property industry to advise government on rapidly emerging sector digital transformation, industry trends and regulatory responses.
2. Build a framework to enable government, industry and consumers to assess innovation platforms, potential harms and opportunities for consumer and business empowerment.
3. Champion innovation opportunities where significant consumer risk, cost or friction can be addressed. Key areas include but are not limited to
 - a. transactional transparency
 - b. payment platforms
 - c. rental bonds
 - d. Buy Now Pay Later
 - e. automation, AI & data analytics.



4. Review impact of emerging asset classes such as Build-to-Rent, co-living, student accommodation and fractional ownership, and potential regulatory responses.



5. Monitor and report on key market metrics on supply, median prices and rents, turnover rates and other key data.
6. Create clear and reportable view of NSW rental market through provision of digital API-driven end-to-end lease information in a friction free environment.



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