

# The property owners association of NSW

Quarterly Journal  
February 2008

— poa-nsw — the property owners'  
association of nsw



[www.poansw.com.au](http://www.poansw.com.au)

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**Disclaimer:**

Views expressed by the various authors are not necessarily the views of the Property owners Association and the association does not take any legal responsibility for any offending articles. All care is taken not to offend and to be accurate but this is not always possible.



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## Meetings for 2008

### Property Owners Association

At the **Hughenden Hotel**

14 Queen Street

Woollahra

### Meetings commence 7:30 pm

(optional dinner at Quaife's Restaurant at 6:00 pm)

### Thursday, 7 February 2008

POA NSW Committee Meeting

### Thursday, 6 March 2008

POA NSW AGM function plus Seminar

### Thursday, 3 April 2008

POA NSW Committee Meeting

### Thursday 5 June 2008

POA NSW Committee Meeting plus Seminar

### Thursday 7 August 2008

POA NSW Committee Meeting plus Seminar

### Thursday 2 October 2008

POA NSW Committee Meeting plus Seminar

### Thursday 4 December 2008

POA NSW Committee Function

### Private Hotel & Boarding house

### meetings for 2008:

At the **Hughenden Hotel**

14 Queen Street

Woollahra

### Meetings commence 7:30 pm

(optional dinner at Quaife's Restaurant at 6:00 pm)

### Thursday, 1 May 2008

### Thursday, 4 September 2008



## President's report

To all our members the executive committee hopes you had an enjoyable Christmas and wonderful start to the new year.

### Tenancy legislation review

The end of 2007 was a very busy time for the executive as the NSW Government called upon us to provide comment/input to the Fair Trading Departments Tenancy Legislation Review.

Many thanks to Gabriel Keleny who provided a very detailed paper as our response and many thanks to Susanne Gervay and Peter Dormia who made their time available to be part of the executive meeting with minister Linda Burnie (Fair Trading Minister).

This issue is not finalized and the executive is monitoring the Governments moves in regards to this review.

The POA acknowledges Angela D'Amore MP who is working with us to raise issues to the state government in regards to property in NSW.

Angela is a hard working MP and we will continue to liaison with to gain direct access to NSW Government Ministers and senior public servants.

### Official functions

Late in 2007 I was invited as the POANSW representative to attend the Department Of fair Trading (celebration of 20+ years of protection for consumers in NSW)

Held at the museum of Sydney this cocktail evening was very interesting with guest speakers including Bob Carr and a representation from senior public servants + a representative from the ACCC.

### National Body (POAA) AGM

This association hosted the AGM of the Property Owners Association Of Australia.

Held in November 2007 it was attended by the Qld & Victorian presidents with the Western Australian & ACT & South Australian groups endorsing the meeting and its outcomes.

This has commenced a successful merging of all states to work towards issues that concern property owners throughout the country

Some examples will include lobbying the Federal Government to amend Capital Gains Tax rules for non company residential property owners for better benefits and the possible Commonwealth participation in land tax concessions for residential property.

Many thanks to the Hughenden Hotel for providing a venue for this AGM and special thanks to Susanne and Elizabeth Gervay plus their staff for a job well done.

### Local government association meeting

The POA was invited as the peak organisation to sit on a working group which is looking at ways that various Government bodies affect boarding houses this group met in the middle of January 2008 and Susanne Gervay is our representative we where lucky as Susanne is already sitting on the Ministerial group looking into low cost housing.

Members who have boarding houses need to stay active in the POA'S Boarding House and private hotel division and this journal will show you the dates so come along.

### NSW Fire Brigade

The POA has been contacted by the Chief Superintendent to offer his or any of his business unit's services to our organization for education and information sessions for property owners

Specifically this information would be directed towards Home Safety, **requirements of tenants and landlords in regards to smoke alarm legislation and preferred / recommended** smoke alarms essential safety services required as per the BCA etc.

This information would be pertinent to owners of Class 1 buildings (**residential homes) boarding houses and home units.**

The POA will be running a seminar this year on these issues.



### Youth & Community Services Act 1973

This bit of NSW Government legislation covers most accommodation in this state with a few exemptions

It broadly states that if two or more persons with a handicapped live in the same accommodation place and are not related and pay a fee / rent for a property then the person may or may not have to hold a licence under this act.

There are a few other provisions in this act which give the Government the right to determine who is handicapped and who is not but generally this act is very unworkable and does not provide the protections and outcomes it was drafted for.

The **Department of Ageing Disability & Home Care** administrate this and may from time to time call at your property to ascertain if your tenants/lodgers fall within there jurisdiction.

If you are contacted by this department the POA will offer its assistance to mediate the issue please contact Chris Young directly.

### Seminars and socials

2007 saw the POA run two seminars.

- 1 The boarding house & private hotel division group meet at a cocktail party and guest speaker Angela D,Amore MP discussed options and brought along a senior public servant from the Department of Housing his talk outlined the Departments new 200 million dollar low cost accommodation scheme.
- 2 Our November seminar dinner + guest speakers Mary-Lyn Taylor (Property Lawyer) & Mr Porter (Social Town Planner) was a sell out event with over 20 people arriving on the night without booking leaving the hotel management having to bring in more tables .

Clearly this is the sort of event that our members wish to attend, thus 2008 will see several new topic seminars provided by the POA.

### Acknowledgment of deeds done

At the November seminar the POA awarded the highly regarded past president and committee member Mr John O'Conner life membership of the POA NSW.

His tireless efforts & professionalism have laid a very easy trail to follow for our current office bearers.

He received a gift in appreciation of all his past efforts and the warm wishes of the Association. John thanked the association and since we have received a letter from John and his wife expressing their thanks again.

We all hope to catch up with them at seminars and socials

### Welcome

The POA wishes all new members a fond welcome and we wait to catch up with you at our regular meetings (On the website) or at our functions.

Please feel free to contact any person on the executive list (on the web site) if you have a serious problem with your property.

### NSW REI

It was a pleasure to contact meet and invite the REI of NSW to our function in November we look forward to lobbying on issues with common ground.

### The Committee

Many thanks to all committee members who throughout 2007 attended meetings and to all who assisted in the day to day operation of the POANSW.

2008, is already half full of issues to attended to as we are the peak association in NSW representing landlords of rental property.

Regards  
Chris Young (President)

Property Owners Association of NSW

## ANNUAL GENERAL MEETING AND FUNCTION (members only)

### Guest speaker – David Singer

(land tax specialist & advocate for land tax reform)

Will be discussing his thoughts for tackling change to the current system and will answer your questions

### Guest speaker – Michael Inglis (tax barrister)

will be discussing "how to minimise capital gains tax"

When: 6 March 2008

AGM: 6:30 – 7:30 p.m.

Guest Speakers: 7:45 pm - 9:00pm. Following that we will have finger food and drinks

(wine & soft drinks) to end the night (roughly around 10:00 pm)

where: HUGHENDEN HOTEL  
14 Queen Street WOOLLAHRA

Cost: Complimentary to our members



Property Seminar and POA of Australia Annual Dinner on 14th November 2007



Leading property lawyers Mary Lynn Taylor and leading town planner Mr Porter



Leading property lawyer Mary Lynn Taylor



Susan Gervay and John O'Connor



Members at the Annual Dinner



Members at the Annual Dinner



Members at the Annual Dinner



Members at the Annual Dinner



Members at the Annual Dinner

Facts & Figures in the OFFICE OF FAIR TRADING

A Year in Review 2007

Office of Fair Trading Overview:

- Requests for service 6,555,000
- Rental bond transactions 546,000
- Fair Trading Centre through NSW 24
- Budget to run Office \$160.2 million

For full report call  
Office of Fair Trading  
t. (02) 9895 0111  
or outside Sydney t. 12 32 30

[www.fairtrading.nsw.gov.au](http://www.fairtrading.nsw.gov.au)



## Review of the *Property Stock and Business Agents Act*

### On-line survey and comment

The *Property Stock and Business Agents Act 2002* regulates the whole of the property agency industry in New South Wales. By law the Act must be reviewed to ensure it continues to provide the appropriate level of regulation required to protect consumers and maintain the viability of the sector – but without placing undue burdens on businesses operating in the industry.

Community consultation is a critical part of the review process. You can help by contributing your views.

By visiting The Office of Fair Trading website on [www.fairtrading.nsw.gov.au](http://www.fairtrading.nsw.gov.au) you interested parties can complete online surveys for the following topics:

- Renting a home
- Renting a commercial property
- Buying a residential or rural property
- Buying a commercial property
- Selling a residential or rural property
- Selling a commercial property
- Using an agent to manage a residential or rural property
- Using a business agent to buy or sell a business
- Operating as a licensed agent
- Being employed as a registered person

Closing date for this survey is **15 February 2008**.

## The Private Hotel & Boarding House Division fights for boarding houses to continue operating as managed accommodation

Private property owners provide 85% of the residential rental accommodation services in NSW, housing 615,000 households. The NSW Government and Not-For-Profit (NFP) organisation provide welfare housing services to approximately 15% of rental housing market. These are two separate and distinct housing providers with different roles and skills providing invaluable housing services to NSW.

Boarding houses are a third, but very small, distinct housing provider. They provide a privately managed 'community' style housing service. Studies into boarding houses have revealed that introduction of legislation of this fragile and unique housing for low to moderate housing, will lead to the demise of boarding houses. Victoria introduced the Rooming Houses Act 1990. The result has been that private providers of this affordable and flexible style of housing have all but disappeared. This has been replaced by costly Government funded community housing projects and quasi welfare housing, student and welfare hostels which do not cater for private boarding house occupants.

There has been a flight of corporate, institutional and large private residential property owners over the past 30 years as property owners struggle with tenancy laws, the Residential Tenancies Act 1987 with its significant rate of Tribunal hearings and disputes; SEPP 10 and its escalating restrictions; increasing delays, charges, compliances and processes by local councils; punitive land taxes; the increasing bias towards transferring welfare responsibility of housing

## NEW LAND TAX ONLINE SERVICES

A new online service has been introduced where you can update your contact & property details.

- You can use this service to:-
- view the properties you own
  - view your land value
  - advise if you have purchased or sold a property
  - request an exemption
  - update your postal address or contact details

Contact **Office of State Revenue** for an assistance t. 1300 139 816 Visit [www.osr.nsw.gov.au](http://www.osr.nsw.gov.au) Select **online services**



tenants to individual property owners through 'hardship' considerations; loss of control of owners' property, management difficulties, adversarial funded tenancy organisations and the many other variables of property ownership. These challenges coupled with low to negative returns have led to the loss of major dedicated residential rental providers. This vacuum has been filled by small, individual property owners. These small owners generally are employed, often allocating their income to assist with their residential rental mortgages and represent grass roots, 'middle' Australia. They have one or two properties that form part of their investment strategy for retirement, superannuation, security and personal goals.

The reliance on small residential rental landlords creates a precarious situation for tenants as these property owners are not the dedicated, experienced industry suppliers of major residential rental stock as in the past. When small property owners are faced with adversarial decisions and loss of control of their property, it is at a significant human cost to them and often the result is withdrawal from the market. The impact has been a substantial factor in the .08% residential rental accommodation vacancy rate which is at crisis point; reduction in affordable rental housing; and the lack of growth in supply of residential rental property. Today there is a developing trend to transfer existing rental property to owner occupiers or redevelop it into alternative usages. Traditionally property, due to its high capital base and associated costs for acquisition, take a long time to reflect trends. It has taken 30 years for the 'New Direction' Reform report to recognise that the change of property owners from major rental suppliers to small investors.

A fair and equitable private residential housing rental market for lodgers, tenants and property owners exists where there is an adequate supply of rental accommodation.

It is also where property owners do not feel disempowered. It is where there is a non-adversarial ethos in which lodgers, tenants and property owners are partners in this housing service. When this breaks down, there are serious consequences in the provision of rental housing for the Government, tenants, property owners and the community.

The State Government's 'RESIDENTIAL TENANCY LAW REFORM: A NEW DIRECTION' is reviewing the Residential Tenancy Act (RTA). The Private Hotel & Boarding House Division of the POA have made clear representation advocating that BOARDING HOUSES must be specifically exempted from the New Direction of the RTA if this invaluable form of accommodation service is to remain. The Minister of Fair Trading, Linda Birney has given an undertaking that Boarding Houses will not be included in the New Direction of the RTA. However she has given the Association notice that The Department of Fair Trading are looking into Boarding Houses.

### Report of Private Hotel & Boarding Houses Division

The Australian property market should see strong demand and increasing returns in some sectors during 2008, according to the Real Estate Institute of Australia.

The institute's 2008 Real Estate Market Outlook says 2007 was a vintage year for homeowners, with prices climbing in most parts of Australia. Investors also benefited from improving yields thanks to tight rental markets, the report notes.

On the other hand, would-be homebuyers and those who have over capitalised found 2007 a difficult year given access and affordability issues and rising interest rates.

The report from the Real Estate Institute of Australia (REIA) suggests a mixed outlook for 2008.

*"In 2008, the main challenges facing the residential real estate market will be low home loan affordability, the possibility of more interest rate rises, the ongoing fallout from the US subprime problems and an extremely tight rental market driving rents up," the report says.*

*"Balancing this are positive signals for the market, including the resources boom continuing to drive prosperity in some states and solid consumer and business confidence."*

*"These factors will also contribute to ongoing strong demand and increasing returns for investors in the office and retail property markets."*



The report notes the weighted average median house price across Australia was \$442,758 in the September 2007 quarter, up 7.5 per cent from the same quarter in 2006.

The weighted average median 'other dwelling' price was \$350,059, up 8.9 per cent on a year before.

*"The REIA expects price rises to continue in 2008 in all states except New South Wales, where the market is more subdued, and WA, where prices are settling after a period of large increases," the report says.*

*"Well-located property close to employment opportunities and infrastructure will continue to perform well."*

The report says the factors driving prices higher include:

- population growth
- demand for newer and more environmentally sustainable housing in areas close to employment and essential services
- a shortfall in the supply of new dwellings
- the transfer of infrastructure costs into the prices of new homes, therefore also pushing up prices of established homes.

Sydney is the 13th most expensive apartment market in the world for buyers and the 8th most expensive for renters, according to a report that has found London, New York and Moscow are home to the world's most exclusive apartments.

Residential apartments in prime central London sell for \$27,500 per sqm, the *Global Property Guide* report says.

Prices in New York's Upper Manhattan sit at \$18,000 per sqm, while central Moscow apartments fetch \$17,600 per sqm.

Central Sydney prices (\$8000 per sqm) sit below Paris, Hong Kong, Tokyo and Geneva but above Madrid, Toronto and Auckland, the report says.

Renters in Sydney can expect to pay \$4700 per month for a 120-sqm apartment, with only prime London apartments, Moscow, New York's Upper Manhattan, London (other luxury), Tokyo, Paris and Hong Kong proving more expensive.

Please note: All values converted to Australian dollars as of January 30, 2008.

## How did 2007 pan out?

Houses – Growth					Units – Growth			
City	Median Value	Growth PA 1997-2007	Last year	Dec 2007 qtr	Median Value	Growth PA 1997-2007	Last Year	Dec 2007 qtr
Canberra	\$452,500	11.65%	13.62%	4.91%	\$351,000	11.42%	11.38%	5.01%
Adelaide	\$353,000	10.97%	17.84%	5.45%	\$268,000	11.32%	19.58%	6.42%
Brisbane	\$432,500	11.90%	18.96%	5.10%	\$323,500	9.61%	15.19%	5.41%
Darwin	\$398,500	9.63%	13.71%	3.07%	\$299,000	8.41%	11.75%	2.31%
Hobart	\$344,500	12.29%	11.20%	2.77%	\$237,500	11.14%	3.06%	-2.82%
Melbourne	\$480,000	11.13%	23.54%	9.24%	\$355,500	10.80%	19.58%	6.80%
Perth	\$502,000	14.09%	2.15%	-1.80%	\$382,500	12.46%	3.05%	-1.07%
Sydney	\$584,500	8.16%	9.01%	2.25%	\$400,000	6.95%	6.04%	2.75%

Source: Residex

The fall out from the stock market crashes around the world will affect everyone in the short term in lots of

different ways, but the common question I'm asked is, "What happens to the property markets now?"



To help answer this question it is worth learning lessons from the past. In particular from the crash of 1987 when a similar fall occurred on the stock market. At that time prices plummeted by 23% but all on the one day. At the time of writing this article, Australian stock values have dropped 24%, but they have done this over almost three months.

It is interesting to note that Australia's biggest property boom occurred in the late 80's following the stock market crash of 1987. In fact every time there has been a stock market crash in the last 50 years, Australian residential properties increased in value, but there was always a lag before this happened.

#### Why this crash is different from the past?

As we try and learn from the past, we should try to compare this stock market fallout with previous ones.

At the time of writing the Australian S&P index had fallen 24%. Interesting in America the S&P index had only fallen 12%. This suggests that the Australian stock market may have over reacted.

Looking back, previous major share crashes were at the end of speculative booms.

In 1987 when stocks were driven to unrealistic levels and again in the dotcom crash early this decade, people were buying internet based stocks based on future potential earnings. They paid inflated prices for shares in companies that were never going to make any money.

I remember as a teenager a similar thing happening in the speculative mining boom which ended in the spectacular Poseidon crash. People were paying hundreds of dollars a share for mining companies that were never going to make any money.

Sure this time around some shares were a little overpriced. But in general our financial fundamentals are strong and our economy is sound. Share prices were not in a "speculative bubble" like they were in previous share crashes.

It is important to remember that our markets and particularly the share markets are driven by fear and greed. Currently investors are exiting the market in fear of what "may" happen in America.

Investors have lost confidence in the future.

Of course there is another group of speculative investors who are exiting the markets because they borrowed against their shares and have to either sell these shares or pay for margin calls now that the value of their portfolio has dropped dramatically.

Another difference is that this time around Australia's economy is more insulated from the United States economy. But as the USA economy does slow down it will affect our main trading partners China and Japan. This in turn may decrease the demand for some of our resource and products.

#### What will happen to interest rates?

The Reserve Bank has a difficult path of reining in inflation (which is still rising) and at the same time sustaining our economic growth. It does this by controlling interest rates.

There will almost certainly be one or two further interest rate increases in the coming months to bring inflation back into the RBA's 2 to 3 per cent target range.

At the beginning of this year most economists suggested that the next interest rate rise was going to occur in February. This prediction has now been down graded and maybe the next rise will occur in March.

While there is a case for tightening interest rates, considering our inflation rate has jumped again in the December quarter, there is also a strong case for doing nothing at present as there has been a major downshift in global "prospects".

Another interesting factor to watch with regard to interest rates is that the banks recently made some commercial decisions and increased interest rates independently, claiming their costs of borrowing in overseas funds increased. Now that interest rates have dropped in America (the US Fed had lowered its interest rates by three quarters of a point from 4.25% to 3.5%) it will be interesting to see if these same banks now lower their interest rates.



### What does all this mean for the property market?

It is important to remember that house prices are not as volatile as the share prices.

The property market is the only investment market where the majority of players are not investors. This means that as a home owner or a property investor, we are underpinned by the fact that 70% of properties are owned by owner/occupiers. And they don't sell their houses just because share prices are falling or because of the problems overseas.

Having said that, it is likely that for a short time demand for homes and investments will drop. People just don't like making important buying decisions at times of uncertainty.

The properties that outperformed over the last year or so were premium properties - homes in our more exclusive suburbs. Many of these increased in value by 30 to 40% last year. These sales are closely linked to the state of our economy and to business sentiment and it are likely that high end sales will suffer this year.

All this means that if you have "money in the bank" or your line of credit ready to draw down on, the property markets will provide opportunities not seen in the last decade.

As a home owner or property investor you should be in the market for the long term - property is a long term play and Australia's economic and property market fundamentals are still sound. This means that any slow downs in the property market will offer great opportunities for those with a long term view to buy their new home or investment property.

The fundamentals that will push our property markets forward have not changed from the beginning of the year. Let's look at them briefly:

#### 1 Supply and demand

There is still strong demand for properties from our growing population, our increasing immigration and our demographic changes. Yet there is a severe undersupply of dwellings around Australia. The ANZ Bank predicts that by 2010 we will have an undersupply of 200,000 dwellings.

Currently the cost of construction is too high to allow new development to take place and this has created a marked undersupply of dwellings.

To bring a new medium density development out of the ground today costs 25% to 30% more than the market will pay. New development will not take place until the market values increase closer to this level. Of course the fact that new apartments will cost more in the future means that the prices of existing houses and apartments will also increase.

#### 2 Rising rents

Rents are rising due to our very low vacancy rates. This means yields are rising for investors. This will draw new players back to property and will underpin our property markets.

#### 3 Our economy

Our Australian economy is basically sound and will continue to remain so, which will underpin our property markets.

#### In summary

We have not seen the end of the crash – there are always aftershocks as new information surfaces. Once the fall out is over investors will put their money into the property market as they will see it as safer and less volatile than the share market.

This means that our property markets will continue to perform well in the long term.

In the meantime we won't see a continuation of the mini boom conditions that occurred in many east coast capitals last year. And this is good for our markets – growth rates of over 20%, as was seen in many affluent suburbs last year, is unsustainable.

As a property investor or home owner take a long term view and remember the big picture. Australia's fundamentals are sound and the price of well located property has doubled every 7-10 years since 1920.

Give it a few years and the stock market crash of 2008 will be a distant memory.