



Quarterly Journal June 2007

www.poansw.com.au

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.



Your Association Contacts

Landline/paging service ph 02 9363 3949

Mailing address: P.O. Box 329 Bondi Junction NSW 1355

Committee of management

President	Chris Young	chris@poansw.com.au	0414 799 864
Vice President	John Gilmovich	john@poansw.com.au	0418 600 806
Vice President	Susan Gervay	susanne@poansw.com.au	02 9388 1045
Treasurer	Mark Szozda	mark@poansw.com.au	0413 744 586
Secretary	Peter Dormia	peter@poansw.com.au	0417 065 798

Honorary Solicitor Mr. Paul Egisto paul@poansw.com.au 02 9713 2000

Honorary accountant Mr. Alex Whitehead 02 9966 4499

POA MEETINGS FOR 2007: (At the Hughenden Hotel, 14 Queen St Woollahra)

POA Committee: THURS 9 August 2007

THURS 11 October 2007

Boarding House Sub Committee THURS 6 September 2007

Meetings commence 7:30 p.m. (optional dinner at Quaife's Restaurant at 6:30 p.m.)



President's Message

Welcome to all POA members with a special welcome to new members.

Many changes have come about in the last 12 months with our committee structure and personnel.

I am happy to report to members that the hard working committee has many new faces... these are POA property owners who volunteer their time to run the POA.

For 2007 the POA will be running several evening talks and information sessions, so please keep an eye out for the dates and flyers, and come along to these very interesting presentations.

Our annual general meeting was conducted several months ago and a cocktail function followed the night, mixing the duties of office bearing with a good social interaction. Many thanks to the Hughenden Hotel staff and management Susanne and Elizabeth Gervay, as they are all so helpful.

The committee has a vision for its works which will include lobbying and representations to advisory groups and the like with government to put property owners' views clearly on the agenda.

We are again pushing for Land Tax reform and we have a sub-committee that will drive that issue forward with several new ideas including Australia wide Property Owner Associations representation to the Federal government for residential property relief from the crippling land tax systems in each state.

Please visit our website as this site has been a great step forward for our association and is an instant contactable reference spot with many media groups contacting our committee members for comment on hot topics involving property in New South Wales.

In closing, the association notes the stepping down of John O'Conner, our past president for 2006. John provided for many years professional leadership and knowledge. The POA will be formerly acknowledging his past efforts later in the year.

Regards,

Chris Young.



Private Hotel & Boarding House Division

JOHN O'CONNOR RESIGNS AS CHAIRMAN

John O'Connor has represented Private Hotel and Boarding House owners with professionalism and commitment for over twenty years. In his role as Chairman of this division, he has represented members on vital issues impacting on this important accommodation service. These issues included relief on land tax, the battle against restrictive legislation, input into council LEPs on boarding houses, management of these accommodation services.

While John O'Connor resigned as the Chair of the Private Hotel & Boarding House Division, he continues to support this Division and is committed to the POA. Susan Gervay has accepted the position of Chair for 2007.

The Private Hotel & Boarding House Division thanks John O'Connor for his invaluable services.

BUSINESS REGULATIONS REVIEW

The Private Hotel & Boarding House Division prepared a submission for the Small Business Regulation Review Taskforce Secretariat, NSW Department of State and Regional Development on the accommodation, food and beverage services sector.

The objectives of the Department are to secure sustainable economic growth in regional and metropolitan areas through:

- securing investment
- boosting exports
- developing enterprises
- increasing the size of the domestic market
- Promoting innovation and
- shaping the business environment.

Through the Small Business Development Division, the NSW Department of State and Regional Development delivers support to small to medium enterprises in NSW.

Twenty-four recommendations were made, one of which relates to boarding houses. There was a strong recommendation to streamline council requirements when there is development in order that boarding houses can remain competitive and offer accommodation services suited to the current market.



The full report and a summary of the recommendation are available on the Small Business Website at www.smallbiz.nsw.gov.au in the section on Government Programs. For more information contact: -

Small Business Regulation Review Taskforce Secretariat
NSW Department of State and Regional Development
GPO Box 5477
Sydney NSW 2001
Email: sbregreview@business.nsw.gov.au
Fax: 02 9338 6705

PRESSURE FOR BOARDING HOUSE LEGISLATION in NSW

The Tenants' Union is currently lobbying heavily the Minister for Fair Trading, Linda Burney, for Occupancy Agreements for boarders and lodgers. The Tenants' Union are using inflammatory, anti-property owner rhetoric to support their case.

The Tenant's Union is seeking boarding house legislation on the model used in the ACT for 'occupancy agreements.' These agreements apply in the main to student accommodation and emergency accommodation in the ACT. Investigations carried out by the Private Hotel & boarding house Division found that there are no known boarding houses in the ACT and the legislation was developed for a unique accommodation service within the ACT and has not been tested with boarding houses.

In Victoria, the 'Rooming House' Act was introduced in 2000. It is a complex act with the Residential Tenancies Tribunal hearing disputes. Increased procedures and compliances were introduced in 2005. The private boarding house market has dramatically declined in Victoria since the introduction of this Act, with the development of heavily subsidized community housing. For details of the development of this type of community housing, see Yarra Community Housing Ltd web site www.ych.org.au

These community-housing cooperatives have substantial administration, government subsidy of tariff and provide accommodation to one unique group within the boarding house accommodation service. They deny this style of accommodation from a variety of lodgers/boarders such as travellers, students, working people and others. The Victorian State Government has currently called for tenders for an additional \$50 million for new Community Housing Programmes. Boarding houses are becoming a quasi government type of service providing an adjunct to Social Services.



In 2004, Reba Maher the then NSW Minister for Fair Trading personally visited a number of Sydney boarding houses, looking at the need for regulation and legislation. She stated that 'any specific regulation in this sector (boarding houses) may in fact backfire and hurt the people it is intended to help.' As a consequence she recommended that no legislation for boarding houses be introduced in NSW.

'Boarding houses' are as varied as the management and the specific area and community they cater for. Occupants enter a managed premise and are part of a community where individuals have no exclusive control over any specific area.

Although boarding houses cover less than 3% of the accommodation market, they meet the accommodation needs of a diverse groups of residents requiring low to moderate cost accommodation ranging from students, guest house residents, single people, older men, lodgers who seek onsite management services, contract workers, those who want a community, those requiring flexibility.

It is a unique form of accommodation, usually managed by an owner and his/her family. Despite low returns, the hands-on nature of the management and the unique history of each accommodation premise, owners work towards maintaining this style of low cost to moderate cost boarding houses.

The Private Hotel & boarding house Division supports Reba Maher and the continuation of this valuable accommodation service which benefits lodgers and boarders and encourages owners to continue running boarding houses.

Chair

Private Hotel & boarding house Division

POA AGM at The Hughenden Hotel on 3rd May 2007

Date: Friday, May 11 @ 05:58:32 CDT

Topic: POA Activities

POA AGM and Cocktail Party at The Hughenden Hotel on 3rd May 2007

POA AGM at The Hughenden Hotel on 3rd May 2007

**PRESIDENTS REPORT, presented by
Chris Young and John Gilmovich**



Susan Gervay Speaks at the meeting





Members at the meeting



Cocktail Party for Members





Private Hotels & Boarding House Division

Property Owners Association of NSW

PRESENTS

An evening talk

TOPIC:

LEGAL ESPECTS: for (Boarding/house, private hotel, guest houses & low cost rooms).

- ADDING ROOMS & UPGRADING ROOMS
- CHANGING THE USE RIGHTS OF YOUR BUILDING
 - DEVELOPING YOUR BUILDING
- SELLING YOUR BUILDING FOR ITS HIGHEST RETURN

PRESENTED BY:

A PROPERTY SPECIALIST LEGAL FIRM + A SPECIALIST TOWN
PLANNER

WHEN: August 14th 2007

TIME: 7.30pm-9pm.

WHERE: HUGENDEN HOTEL QUEEN STEET WOOLLAHRA

HOW MUCH: Members \$10.00 /person Non members \$20.00 /person

Why not come early 6pm and join POA members and there guests for dinner at the restaurant

Please contact the Hotel and let them know if you are having dinner

TEL: 9363-4863 or 1800-642-432 (mention the property owner's associations table).



State of the Property Market

Land tax rate has been reduced from 1.7% to 1.6% but higher valuations will wipe out any savings for property owners. Auction clearance rates are up and so are prices by about 10% due to very low levels of building and a shortage of properties. New properties have to be environmentally friendly with rainwater tanks and more insulation to save on electricity so the new building is much more expensive than the old ones. The eastern suburb and lower north shore prestige home market are really booming.

There was a rush to sell up property to avoid land tax and put the capital into tax-free super. Most people with such intentions have already moved. The movement of money to Queensland and Western Australia is slowing down because they are no longer that cheap. Also the government there is concerned that it doesn't have the infrastructure (water, road & electricity) to provide for all these new suburbs without sharp increase in its own taxes. Queensland has the lowest dam levels and public transport is a joke so they are going to have to really increase the taxes.

The Queensland government is proposing to force all new developments to set 15% of units aside for affordable housing (like Clover Moore proposed as well in city of Sydney). If this legislation goes through it will reduce development because it is the same as a 15% tax on the Gross realisation of the project. Making it unprofitable to build and creating a bigger housing crisis. Many developers would just write a cheque to the council as a contribution then allow a development to be ruined by housing commission like tenants. Many developments sell on prestige and the gated community snob mentality.

South east Queensland now has a low cost housing crisis because so many tenants are leaving Melbourne and Sydney as their respective rental markets become too expensive.



THE RENTAL MARKET ACCORDING TO GABRIEL KELENY

The newspapers are claiming that there is a shortage of rental accommodation in NSW and that as a consequence rents for accommodation are rising. I do not know who is spreading this propaganda, but it is my opinion and personal experience that the facts are quite different. The real position is that the developers overstretched themselves, having built too many large apartment buildings and now have difficulty in finding buyers. So, articles are appearing in newspapers claiming that there is a shortage of rental accommodation, in order to induce inexperienced persons to buy these vacant flats. Undertake heavy mortgage obligations in the expectation that these flats will be readily rented by anxious tenants ready to pay high rents. In the meantime flats which cannot be sold are rented to tenants at fairly high rents and these give the impression that the rents for average rental properties are increasing.

If you think that this explanation is exaggerated, remember what happened before the Olympic Games. Then tenant organizations launched a newspaper and political campaign claiming that tenants were being evicted from their accommodation to make way to rent the premises at high rents to visitors to the games. A Bill was even presented to parliament to create rent control and protected tenancies for months before and after the games. This being the real objective of the Bill, to reintroduce rent control and protected tenancies. There was, of course, no factual basis for the campaign. No property owner would evict satisfactory tenants, and then go to the trouble and expense to refurbish the premises to bring them to the standard expected by the Games organizers, on the chance of obtaining a visiting person for a month period. Then afterwards undergo a vacancy and problems in finding another tenant. The Redfern Legal Centre even financed a trip to Geneva by a tenancy agitator to protest at some UN meeting about the alleged tenant evictions in preparation of the Games. Fortunately, the Department's response to these agitations was to commission a survey by consultants. Their report proved that there were no evictions and the claims were groundless. The Bill was not even debated in Parliament, it was allowed to lapse.

The same applies to the current propaganda concerning the alleged shortage of rental accommodation and rising rents. I had a vacancy (flat) for 4 months, which was let only recently, after gradually reducing the already reasonable rent. Not long before that, I had a vacancy that lasted 7 weeks. I know of another person who had a similar problem in renting. He could not wait for a tenant because of mortgage obligations, so he had to sell the unit. A well known POA member told me he cannot rent or sell some terrace houses. Another person who occasionally phones me with her problems also has difficulties in finding tenants for what are described as excellent flats.



SOCIAL HOUSING BY GABRIEL KELENY

In my opinion “Social Housing” is another term for public housing. The difference is that they wish to transfer some or most of the cost from government to private owners and investors. Regarding public housing, my opinion and I think it is also POA policy that we are not opposed to it, but consider that it should be a safety net for certain sections of the community in need for such support (age pensioners, disabled persons) but it should not be regarded as a way of life for large sections of society. Regarding accommodation generally, it is considered that it can be provided cheaper and better by private enterprise.

Social housing as promoted at the present seems to be aimed at developers of flats to set aside a percentage of units as social housing. Which are brought by department of housing at a discount. It is said that some local councils are already trying to enforce such provisions as a price for granting development applications. What is overlooked is that if developers are forced to sell at a lower cost to department of housing they have to charge private buyers more. So, in effect other members of the community needing accommodation will be paying for the “social housing” sector.

What is overlooked by social planners is that the facilities in modern high rise buildings and their maintenance cost money (lifts, swimming pool, sauna & gymnasium). Hence quarterly strata levies often amount to several thousand dollars. Will social housing occupants be able to pay these compulsory levies on Centrelink pensions.

If social housing occupants are introduced into multiunit developments, it is possible they would refuse to pay ever increasing strata fees. This could result in the rapid deterioration of the building and its facilities, declining the value of the asset. Most suburbs with large portions of social housing have low real estate values because high income earners avoid them.



MINISTER FOR FAIR TRADING

Following the elections for N.S.W Parliament in March 2007 Ms Linda Burney was appointed as the Minister for Fair Trading (Department of Commerce).

She is the member for Canterbury in the NSW Parliament (first elected in 2003). Ms Burney was awarded the Centenary Medal to honour her contribution to the Australian Society and government. She was the Director General of the NSW Department of Aboriginal Affairs between 2000-2003 and prior to that was the President of the NSW Aboriginal Education Consultative Group.

In 2001 Ms Burney was named as one of 10 "True Leaders" of Australia by the Australian Financial Review's inaugural "Boss" magazine. She is a former member of the National Social Justice Task Force and in 1998

Facilitated the National indigenous constitutional convention. In 1995 and again in 1998 Ms Burney represented Aboriginal issues at the United Nations.

Ms Burney was also chair of the Juvenile Justice Advisory Council, member of the council of Aboriginal Reconciliation, member of the board of Vocational Education and Training, member of the Board of SBS and also of the Historic Houses Trust and of the Anti-Discrimination Board (NSW). Probably also a big fan of the Tenants Union that is funded by the department.

TENANT'S RIGHTS MANUAL- NSW by Gabriel Keleny

The third edition of the Tenant's Rights Manual by Phillipa Bellemore (in association with the Tenants Union of NSW) was launched recently. Publication was financed by Law and Justice Foundation and the Office of Fair Trading. It was published by Federation Press Pty Ltd. It is said that the contents of the previous editions were supplemented and updated by a chapter on social housing and the latest amendments concerning public tenants. (Example Dept of Housing tenants). Also by a chapter on residential parks and the regulations on the installation of smoke detectors. The publishers comment is; "The manual is a must for tenants and people who assist in any aspect of tenancy matters." Ms Lyn Baker, the Commissioner of the Office of Fair Trading, launched the book.



Commissioner Baker referred to the work of the Tenants' Union and its associates in assisting tenants and providing advocacy services. She also mentioned that the government subsidies to the T.U and allied organizations amounted to \$8 million per year.

Commissioner Baker also mentioned that the publication of the third edition of the Manual was held up because it was hoped to include the proposed amendments to the Residential Tenancies Act. The Department's proposed amendments were with successive ministers for some time. The latest delays were caused by the decision to dissolve the NSW Parliament and to hold new elections. The proposals now need to be approved by the minister and cabinet. After this the Department can draft the Bill for submission to Parliament. The Office of Fair Trading hopes that these steps can be completed soon. (Whether the proposed amendments will include some that were proposed by POA remains to be seen).



Is it really ‘bricks and mortar’?

Investors need to learn to spot investment schemes that may be marketed as ‘property’ investments but are in fact loans to developers, the Australian Direct Property Investment Association (ADPIA) says.

Three major property groups have collapsed in recent times, the latest being Australian Capital Reserves, which reportedly left 7000 investors out of pocket to the tune of \$300 million. The WestPoint and Fincorp collapses also hit some investors hard.

ADPIA spokesman Richard Cutler says investors need to check that their property investment will mean they take ownership of bricks and mortar.

“Debentures, unsecured notes, promissory notes and similar instruments are not property investments,” Cutler says. “Investors need to carefully scrutinise exactly what they are investing (in) and make sure they are an owner of a property asset – and not just a lender to an investment scheme.

“This is why so many investors have been caught out in recent times – they do not fully understand the terminology and wrongly believe they are investing in bricks and mortar when in fact they are not.”

Heightened building activity has resulted in an increase in mezzanine and unsecured investment markets, which Cutler says don’t always offer returns commensurate with their risks.

“Unfortunately what we are seeing is investors putting their life savings into products promising an income return of 9.5 per cent but carrying the level of risk for which developers expect returns of 15 per cent or more,” he says. The products are being marketed to small investors, who may not realise the level of risk involved.

ADPIA has outlined a number of steps investors should take before committing money to an investment scheme. The most critical is to make sure you know whether you’re investing in property assets or simply lending money.

“This means looking behind the headline return numbers and really understanding where the income is coming from,” an ADPIA statement says. “And if you don’t understand it, then be wise and speak with someone (independent) who does.”

ADPIA also advises investors to:

- Check out the track record of the investment scheme’s owner and managers;
- Find out who the fund is lending money to (if applicable) and whether the two parties



are related;

- Read the product disclosure statement and ask yourself whether it is too simple and not backed by strong financial information;
- Get the opinion of an independent, trusted third party, such as an investment report from a credible research house or a discussion with a licensed financial adviser.
- Diversify – don't put all your funds in one investment vehicle, no matter what it promises.

Buyers' confidence rising

Homebuyers are steadily regaining confidence in the wake of last year's interest rate rises, according to the Mortgage and Finance Association (MFAA).

Australian Bureau of Statistics figures showing an increase in housing finance for three consecutive months to April 2007 are a good sign for the market, MFAA chief executive Phil Naylor says.

"The fact that we have seen three months of upward movement is a positive indication that homebuyers are overcoming the 2006 interest rate rises and other economic events that have affected the housing market in recent times," Naylor says.

"The market is clearly strengthening, with rising involvement by first homebuyers and investors."

Lending for investment climbed 1.5 per cent between March and April, while the trend estimate figures for owner-occupied commitments rose 1.2 per cent, Naylor says.

The number of first homebuyers as a percentage of total borrowers climbed to 17.2 per cent following a drop to 16.6 per cent in March.

The percentage of owner-occupiers opting for fixed rate loans instead of variable rates bounced back to 20 per cent, following a slide to 18.2 per cent in March.

Home loans leap to \$318,000

The average home loan size has reached \$318,000 after rising steadily during the early months of 2007, data from mortgage broker AFG (Australian Finance Group) shows.

The average loan jumped 3.6 per cent from \$307,000 in April to \$318,000 in May; a rise that Mark Hewitt, AFG's general manager of sales and operations, admits was a surprise despite increasing confidence in the eastern states.



“The contrast could not be sharper between the second half of last year, when property was in the doldrums in several states and home loan sizes were shrinking, and the first half of this year,” Hewitt says.

Between July and December last year, the average home loan taken out through AFG fell from \$306,000 to \$300,000.

January to May 2007 has seen a distinct swing in the opposite direction, climbing from a base of \$301,000 in January and capped off with the latest swing of 3.6 per cent, the largest monthly jump in the past three years.

The popularity of fixed home loans has also fallen, with AFG figures showing they represented 20 per cent of loans in May, down from 25 per cent in November 2006.

First-time buyers back in numbers

The number of first homebuyers has hit a two-year high in Victoria, with the highest number concentrated in the metropolitan growth corridors.

There were 3924 Victorian applications for the First Home Owner Grant (FHOG) in May and 3613 for the state-based First Home Bonus (FHB), Department of Treasury and Finance figures show.

“That’s the highest number of applications in a month since June 2005,” Victorian Treasurer John Brumby says.

There have been 35,571 FHOG applications and 33,228 FHB applications so far in 2006-07, Brumby says.

A breakdown of the FHB data by postcode reveals where first homeowners are choosing to buy.

“Applications for the FHB are mostly from homebuyers in and around the metropolitan growth corridors, with Weribee recording the highest number of applications (830), followed by the Cranbourne area (793),” Brumby says.

The Caroline Spings/Deer Park region had the third highest number of applicants (683), followed by the Hoppers Crossing area (679) and the Craigieburn region (571).



City rental markets booming

Residential rental vacancies in Australia's capital cities ranged from 0.8 per cent in Perth to 2.3 per cent in Hobart during the March quarter, the Real Estate Institute of Australia (REIA) says.

All capitals are below the 3 per cent mark considered to be a balanced rental market, with Adelaide at 0.9 per cent, Darwin and Melbourne 1.2 per cent, Canberra 1.3 per cent, Sydney 1.4 per cent and Brisbane at 1.7 per cent.

Those low vacancy rates are driving rent increases across the country and highlight the need to stimulate investment in residential property, according to REIA president Graham Joyce.

Rent increases for three-bedroom houses over the year to March were in double digits in Perth, Canberra and Darwin, and for units and townhouses in Melbourne, Brisbane, Perth and Darwin, the REIA says.

For three-bed houses, increases ranged from 1.8 per cent over the March quarter and 5.7 per cent over the year in Sydney up to 7.9 per cent for the quarter and 13.3 per cent for the year in Darwin.

Canberra is the most expensive capital city for rental accommodation, with a median weekly rent of \$342.50 for three-bed houses and \$325 for two-bed units.

“Rent increases are resulting in rises in rental yields and returns, providing renewed opportunity for investors in many areas,” Joyce says.

“To attract larger numbers of investors back to the property market, governments must give consideration to providing more equitable taxation treatment for property.

“The advantageous taxation treatment of other asset classes is keeping investors away from property despite improving yields and returns. This will prove to have social and economic costs – we already have a shortfall in property supply, and the situation will continue to get worse without increased construction and participation by investors.”