poa-nsw

JOURNAL

January-March 2015 Edition

SPECIAL STATE ELECTION EDITION

FEAT: NO LAND TAX PARTY

IN THIS EDITION

PRESIDENT & TREASURER
John Gilmovich
john@poansw.com.au | 02 9363 3949

1ST VICE PRESIDENT
James Ruben
james@poansw.com.au | 02 9363 3949

2ND VICE PRESIDENT
Simon Ruben
simon@poansw.com.au | 02 9363 3949

SECRETARY
Peter Dormia
peter@poansw.com.au | 02 9363 3949

COMMITTEE OF MANAGEMENT

Rick Banyard
rick@poansw.com.au

Mark Dodgson
mark@poansw.com.au

John O'Connor Jnr
john-oconnor@poansw.com.au

Thomas Petrovski
thomas@poansw.com.au

Susanne Gervay
susanne@poansw.com.au

HONORARY SOLICITOR
Paul Egisto
egistosolicitors@bigpond.com
02 9713 2000

HONORARY ACCOUNTANT
Alex Whitehead
alex@alexwhitehead.com.au
02 9966 4499

CONTACT US

02 9363 3949 poansw.com.au

PO Box 329, Bondi Junction, NSW 1355

The Property Owners' Association of NSW Inc.

PRESIDENT'S REPORT : JANUARY - MARCH 2015

Happy New Year readers.

So, here we are only weeks away from our state elections set down for Saturday 28th March 2015. Many wait in anticipation for the result, so we can just get on with it.

Those of you who attended our Xmas function in 2014 have already heard the surprise announcement by our very own James Ruben that he is running as a candidate and will appear on our ballot papers.

MR RUBEN IS REPRESENTING "THE NO LAND TAX PARTY", A POLITICAL CAMPAIGN AIMED AT NOT PARTICULARLY REMOVING LAND TAX ALTOGETHER, BUT INSTALLING PROPERTY TAX REFORM IN NSW FOR A FAIRER DEAL TO PROPERTY OWNERS.

There are about 150,000 land taxpayers in NSW. Naturally, The POANSW is VERY excited about the prospects of having potential representation in parliament by such a party, to influence and persuade government to get this contentious subject on their agenda.

This political action is important and certainly an opportunity like this has not come along in a very long while. It is why The POANSW, on behalf of its members, has decided to make a donation to The No Land Tax Party campaign as a "campaign booster" donor (highest donation pledge).

Our support of The No Land Tax Party has and will continue to see The POANSW name attract some attention in the media.

This is good for us; awareness boosts membership and highlights the importance of property tax reform in NSW.

Our AGM is set down for 4th May. Your invitation and ballot nomination paper is enclosed and I look forward to seeing you in the newly renovated atrium function room at The Hughenden Hotel, where the 2015 POANSW Committee will be chosen.

Many things are also happening on the property front. New legislation passed on 15th January with regards to a New Home Warranty regime.

Off the plan property buying has now become a higher risk. Swimming Pool and Spa compliance, deadline 29th April 2015, effects property owners who rent or want to sell their property. Are you or your strata managers ready?

Many thanks to our Journal Designer, Anna La Grassa, for the revamp. It's not easy juggling a newborn in one hand and typing with another. Great job Anna!

- JOHN GILMOVICH

WELCOME TO OUR NEW MEMBERS:

Camila Plan-Heydon
Tanya Sargeant
John Georgas
Michael Rosen
Jack Brightwell
Kevin Gallagher
Jeanne Strachan
Gordon Holley

COVER PHOTO CREDIT:
Coogee Beach // Rock Pool by Winnie Liu
https://flic.kr/p/ee1aS8

PROPERTY OWNERS ASSOCIATION OF NSW INC.

NOTICE OF ANNUAL GENERAL MEETING 2015

(Members only)

Guest Speaker to be announced

6th May 2015, 5:30pm - 9pm
The Hughenden Hotel
14 Queen Street Woollahra

AGM - 5:30pm - 6:15pm
Guest Speaker - 6:30pm -7:30pm
Following on, we will have finger food and drinks to end the night (roughly around 9pm)

COST: Complimentary to our members.

RSVP: Please phone The Hughenden Hotel to advise your attendance
Ph: 02 9363 4863 or email reservations@thehughenden.com.au

A.G.M. AGENDA

1. Apologies
2. Minutes of previous meeting
3. Treasurers Report/financials (year ending 31st Dec 2014)
4. Review of the POANSW activity over the past year & works in progress
5. Nominations for and election of Office Bearers and Committee of Management
6. General Business (Q & A)

NOMINATIONS FOR COMMITTEE OF MANAGEMENT

- Nominations for Committee of Management will be accepted in written form (post or email) to the secretary prior to the election.
- A nominations form is enclosed in this journal.
- Financial members only are eligible for nominations which close on 23/4/15.
- Executive Positions open: President, Vice President, 2nd Vice President, Treasurer, Secretary plus five spaces for committee of management.

RUBEN STANDING FOR NO LAND TAX

Source: The Australian Financial Review, 29th January, 2015.

JAMES RUBEN IS A VALUER, AND THE EXECUTIVE DIRECTOR OF ONE OF SYDNEY'S BEST KNOWN BOUTIQUE HOTELS, BUT COME MARCH HE WILL HEAD THE NO LAND TAX TICKET IN THE ELECTION.

His platform is not just about land tax. Mr Ruben says all property taxes should be reviewed. And he would like to change other imposts on owners, like the latest NSW building legislation. "We are here to represent the property owners of NSW."

Mr Ruben eased into politics through his role as vice-president of the Property Owners' Association of NSW and an owners' representative on a number of real estate related reviews.

"I have been quite disillusioned with the system," he says. "As an owners' representative, you get a pat on the head, thanks for coming, and they say they have consulted with the industry."

NSW has around 150,000 land tax payers but Mr Ruben says fewer and fewer people are paying more and more. Of course, in many cases the tax is passed on to tenants.

The tax distorts investment. In Sydney's east, an investor who owned a free-standing house would pay at least $5000 in tax. Mr Ruben says, but an investor who owned an apartment would pay nothing.

"Everyone has to pay taxes. We all accept that the GST should go to 12 per cent. We would use that money to restructure all property taxes and get rid of land tax."

He acknowledges that other property lobby groups see removal of stamp duty as the top priority.

"Both of them are administered badly," he says.

Should he wait for the federal government's review of taxation?

"There have been a hundred reviews; all that happens is that state property taxes have become more punitive."

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Should he wait for the federal government's review of taxation? "There have been a hundred reviews; all that happens is that state property taxes have become more punitive."

The foundation of land tax, the so-called value of unimproved land, determined by the Valuer General, also needs to be reformed.

"The valuation of land legislation was not designed to produce millions in tax," he says.

"We would like to see it totally revisited. The accuracy is not enough when you are charging people thousands of dollars on the basis of the valuation."

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"There is less warranty on a new apartment in NSW than on a toaster," he says, warning that the level of warranty will ultimately affect that state's ability to attract apartment buyers.

Mr Ruben says the more he becomes involved in politics, "the more issues I see". His latest issue is electoral funding.

The four major parties gain millions in public funding up front. But No Land Tax has to raise its money in lots of no more than $5000 and not from developers, as defined by the government, and not from publicans. "We have enough to buy the T-shirts," he says. "But I am confident that if we can get our message out we can get in."

NSW ACCOUNTS FOR HALF OF AUSTRALIA'S PROPERTY INVESTMENT LOANS

Source: www.domain.com.au

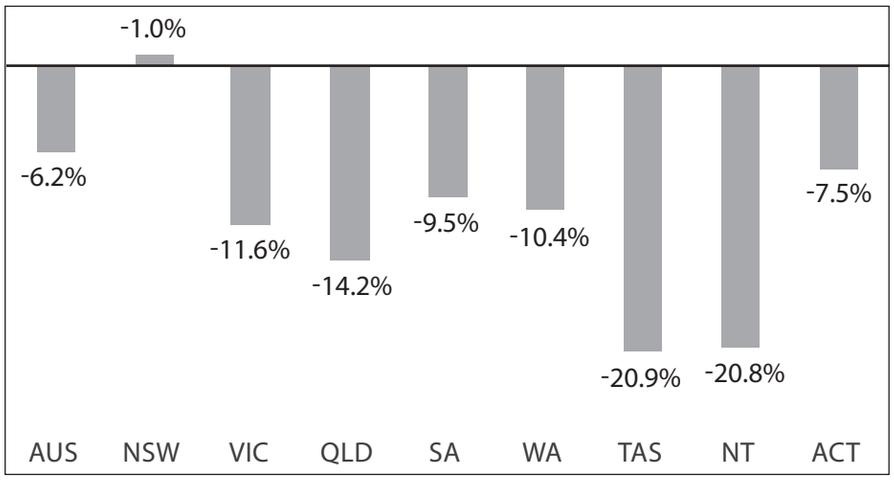
NSW accounts for half of Australia's property investment loans

Sydney is Australia's property speculation heartland, new data shows, with NSW accounting for half of the country's investment loans.

The Australian Bureau of Statistics said on Wednesday that all states recorded falls of home investor finance during November, except for NSW.

The Domain Group senior economist, Dr Andrew Wilson, said $5.5 billion worth of loans were taken out in November - the highest amount ever - up 1 per cent over the month.

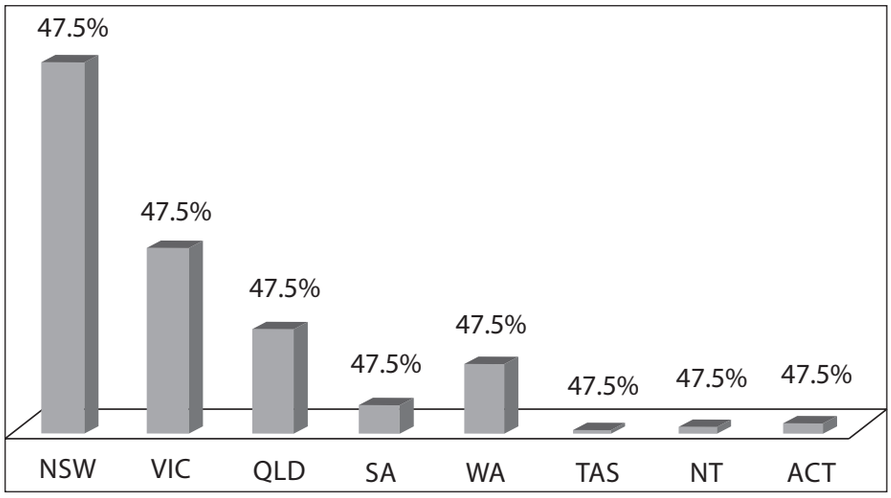
ABS November home investor finance monthly change



NSW accounted for 48 per cent of all investor lending in Australia over November.

"NSW accounted for 48 per cent of all investor lending in Australia over November, indicating the continued dominance of the Sydney housing market as an investor target," Dr Wilson said.

ABS November home investor loan share



Sydney bucked the national slowdown in investor finance.

INVESTORS CONTINUED TO BE ACTIVE IN DECEMBER. "WE HAD A BIG MONTH CONTINUING ALL THE WAY UP TO THE 20TH OF DECEMBER... AS LONG AS RATES STAY LOW, YOU WILL SEE PEOPLE WANTING TO BUY, PARTICULARLY INVESTORS."

According to the data, Victoria accounted for 23.9 per cent of investor loans followed by Queensland with 13.4 per cent, Western Australia (9.2 per cent), South Australia (3.5 per cent), Australian Capital Territory (1.3 per cent), Northern Territory (0.7 per cent) and Tasmania (0.5 per cent).

LAND VALUE ROCKETS TO $1.12 TRILLION

The average land value in NSW rose a staggering 11 per cent to $1.12 trillion in 2014, with one suburb overtaking Mosman to become the state's most expensive.

Woollahra, in the eastern suburbs, boasts the highest median residential land value of $1.4 million – a 13.8 per cent increase from 2013.

Over the Bridge, Mosman's median land value stands at $1.39 million (a seven-per-cent increase). Waverley was next with $1.12m, followed by Hunters Hill ($1.09m), Willoughby ($1.08m) and Manly ($1.05m).

Willoughby recorded the biggest median increase, with average land values up a whopping 37 per cent from $788,000 to $1.08 million in the last year.

Residential land in Bankstown shot up 29 per cent to a median price of $519,000, while Hornsby, the Hills Shire and Canterbury all recorded rises of 21 per cent or more.

Many of the rises have been linked to new infrastructure projects, including the North West Rail Link, due for completion in 2019.

"In the last 12 months or so, the NSW property market has kicked on pretty strongly," said NSW Valuer General Simon Gilkes.

"Seeing places like the Hills Shire in the list, that is at least partly due to the development of the rail link, which will make that area much more accessible."

There were also big increases, for the first time in years, in the value of coastal land — including a 9.6 per cent rise in Wyong, an 8.2 per cent rise in Shellharbour and an 8.1 per cent rise in Gosford.

Newcastle recorded the biggest rise in land values outside of Sydney, rocketing 10.3 per cent to $255,000.

NEW HOME WARRANTY LAWS MEAN INVESTORS MUST TAKE 'EXTRA CARE'

New laws have come into effect this week that reduce apartment owners' rights in the event of building defects.

This follows the High Court's recent ruling that the owners corporation of a Chatswood apartment building could not sue a major developer for alleged defects.

Aviate Group's Neil Smoli said the landscape for off-the-plan investors is changing and it has never been more important to seek expert advice before signing on the dotted line.

Under the NSW *Home Building Amendment Act*, which has taken effect already, changes to the warranty a builder must provide for a new development are redefined and the distinction between structural and non-structural defects has been abolished.

A six-year warranty period now applies to new buildings in the event of a major defect; otherwise, only a two-year period applies. A major defect is defined as a threat of collapse, an issue with structural performance or something that makes the building uninhabitable.

Aviate Group said this means that unless the defect is major, as defined by the new legislation, after two years the builder is able to wash their hands of any issues with the development.

Mr Smoli said this obviously leaves purchasers in a potentially precarious position.

"INVESTING IN PROPERTY IS TYPICALLY SEEN AS LOW RISK BUT IT'S ONLY LOW RISK IF YOU TAKE ALL THE NECESSARY PRECAUTIONS AND UNDERTAKE THE PROPER DUE DILIGENCE PRIOR TO INVESTING," MR SMOLI SAID.

"Limiting the ability of purchasers to take action against builders for defects means the need to work only with builders and developers with a proven track record is vital. The company responsible for delivering a project must take pride in their work and be able to demonstrate that their other projects have been an enduring success."

SCRAP NEGATIVE GEARING AT YOUR PERIL, REIA WARNS.

Tony Abbott will harm the cause of rental affordability if he eliminates negative gearing in the next Budget, the industry's peak body has warned.

The Real Estate Institute of Australia has made a pre-Budget submission that calls for negative gearing to be retained in its current form.

The submission said negative gearing was helping the cause of rental and housing affordability by enhancing supply.

It also denied claims that it was responsible for driving up prices in Sydney and Melbourne.

"The current taxation arrangements provide many Australians with the opportunity to invest in property and augment their savings… and at the same time improve rental affordability through an increased supply of rental housing," the submission said.

"Further, to amend the current negative gearing provisions for housing [would] treat real estate differently to other asset classes and create a distortion on the investment landscape and result in a resource misallocation."

The submission said it is wrong to portray negative gearing as a perk for the rich.

It pointed to statistics, showing that 70 per cent of property investors who benefit from negative gearing earn a taxable income no higher than $80,000, and that 73 per cent of investors have just one investment property.

"Evidence shows that negative gearing and the capital gains tax discount are not driving excessive, unproductive and speculative investment in housing but instead they are adding to housing supply with currently $7 billion a year invested in new dwellings," the submission said.

"Conversely, the repeal of the current arrangements would shrink savings and investment and see increases in rents and the need for greater government investment in social housing."

"EVIDENCE SHOWS THAT NEGATIVE GEARING A THE CAPITAL GAINS T DISCOUNT ARE NOT DRI EXCESSIVE, UNPRODUC AND SPECULATIVE INVES IN HOUSING BUT INST THEY ARE ADDING T HOUSING SUPPLY..."

POOL SAFETY DEADLINE NEARS

New regulations around pools and spas will commence on 29 April 2015. What you need to know?

Drowning is one of the leading causes of child deaths in New South Wales. On average, 10 children under the age of five drown each year and many more suffer brain damage and life-threatening injuries. With more than 300,000 backyard swimming pools and spas across NSW, pool safety is imperative. That's why the government has introduced new laws around swimming pool safety, commencing on 29 April 2015.

Prior amendments

According to the Swimming Pools Act 1992 Review Discussion Paper, "The Government takes the view that every death or injury to a child in a swimming pool accident is significant and that most, if not all, are preventable." Also according to the paper, approximately 60-80 per cent of barriers in the lead-up to the 2011 amendments were suspected of being non-compliant, a major factor in drowning deaths.

In 2011, the Swimming Pools Act 1992 went under review in order to implement more stringent regulations concerning swimming pools. The review was underscored by the NSW Coroner's findings. According to the discussion paper, "The Deputy Coroner found that the breakdown of supervision and the failure to ensure the barrier was properly constructed and maintained were significant contributing factors to the deaths of several children."

Amendments to the Act remove automatic exemptions from the requirement of a four-sided child resistant barrier to be present around new private swimming pools in NSW on very small properties (less than 230 square metres), large properties (two hectares or more) and waterfront properties.

According to Michael Ilinsky from Royal Life Saving Society, "the child-resistant barrier must be installed and maintained in accordance with the relevant Australian standard." Mr Ilinsky said that this requirement is also applicable to spas. "A swimming pool includes a spa. However a spa may be secured by a lockable lid and still meet the requirements of the law."

What are the changes?

From 29 April 2015, all pools and spas must be completely compliant in terms of barriers, repairs and upgrades.

All properties with a swimming pool or spa must have a valid swimming pool certificate of compliance and the pool or spa must be registered on the Swimming Pool Register.

According to Mr Ilinsky, a key focus of the Swimming Pool Register is council inspections, especially when it comes to multi-occupancy dwellings. "Once every three years, councils must inspect any swimming pool that is associated with tourist and visitor accommodation or with a multi-occupancy dwelling – premises with two or more dwellings."

If selling a property with a swimming pool or spa pool, the valid certificate of registration and valid certificate of compliance (or relevant certificate of occupation issued within the past three years) must be attached to the Contract for Sale and Purchase of Land, before the property is listed for sale. Failure to attach the documents may allow the purchaser to rescind the contract within 14 days of exchange (if exchanged after 29 April 2015), unless settlement has occurred. According to a spokesperson from the Office of Local Government, "Properties with a swimming pool or spa pool cannot be advertised for sale if it does not have a valid certificate of compliance or a relevant occupancy certificate."

If leasing a property with a swimming pool or spa pool, it must be registered and a valid compliance certificate (or relevant occupation certificate issued within the past three years) must be obtained before the Residential Tenancy Agreement is entered into. A copy of the certificate must be provided to the tenant at the time the Residential Tenancy Agreement is entered into.

When it comes to strata schemes, all unit owners jointly own the swimming pool or spa, therefore the Owners Corporation is responsible for ensuring there is a valid certificate of compliance or occupation certificate.

What To do?

Get in early! Register all swimming pools and spa pools and obtain a compliance certificate (or relevant occupation certificate) for all properties with a swimming pool or spa pool that will be sold or leased. This can take at least three months and around 95 per cent of pools fail the first inspection and are non-compliant.

All properties with swimming pools and spa pools that are on the market on 29 April 2015 need to have a valid certificate of registration and valid certificate of compliance (or relevant certificate of occupation issued within the past 3 years). Those certificates should be obtained prior to listing the property and, therefore, prior to 29 April 2015.

Prescribed documents (such as a certificate of compliance or occupation and evidence that the pool is registered) must be annexed to the contract for sale before a property can be advertised for sale. Fines can, and will, be issued to pool owners who have not registered their swimming pool or spa pool and who have not obtained valid compliance certificates or valid relevant occupation certificates.

"FROM 29 APRIL 2015, ALL POOLS AND SPAS MUST BE COMPLETELY COMPLIANT IN TERMS OF BARRIERS, REPAIRS AND UPGRADES... AND THE POOL OR SPA MUST BE REGISTERED ON THE SWIMMING POOL REGISTER."

"THIS IS THE FIRST TIME IN 11 YEARS OF THE DEMOGRAPHIA INTERNATIONAL HOUSING AFFORDABILITY SURVEY THAT AUSTRALIA HAD MARKETS THAT WERE RATED AS AFFORDABLE."

SYDNEY PROPERTY PRICES ALMOST 10 TIMES INCOME

Source: Smart Property Investor.

Sydney property prices almost 10 times income Australia's five major metropolitan areas have been "severely unaffordable" for 11 consecutive years, according to a new report.

The 11th Annual Demographia International Housing Affordability Survey used the 'median multiple' – a price-to-income multiple method for calculating housing affordability – to assess housing affordability in 378 metropolitan markets in nine countries including Australia, Canada, China, Ireland, Japan, New Zealand, Singapore, the United Kingdom and the United States.

Historically, the median multiple has been remarkably similar in Australia, Canada, Ireland, New Zealand, the United Kingdom and the United States, with median house prices from 2.0 to 3.0 times median household incomes, according to the report.

However, in recent decades, house prices have been decoupled from this relationship in a number of markets, such as Vancouver, Sydney, San Francisco, London, Auckland and others, it said.

"Without exception, these markets have severe land use restrictions (typically 'urban containment' policies) that have been associated with higher land prices and in consequence higher house prices (as basic economics would indicate, other things being equal)."

The report found all of Australia's five major metropolitan areas were severely unaffordable.

"This is in significant contrast to broad housing affordability that existed before implementation of urban containment (urban consolidation) policies," it said.

"Before urban consolidation was adopted, each of Australia's major markets had housing that was affordable."

Urban containment policy has been implemented to stop 'urban sprawl', yet cities cover comparatively little land area, the report argued.

"Moreover, cities are not expanding at a rate that would threaten agricultural production," it said.

According to the report, the antisprawl justification is being challenged by the increasing awareness that strong restrictions on land supply drive up the cost of housing, which reduces the standard of living.

"Urban containment policy is also justified as a means to reduce greenhouse gas (GHG) emissions. Yet, urban containment policy is not among the most cost effective strategies. In requiring higher expenditures per tonne than necessary, urban containment policy is likely to reduce employment growth and economic growth, other things being equal."

Paul Cheshire of the London School of Economics refers to a "fatal mismatch between the operational concepts of demand and supply in markets and the parallel concepts with which the planning system works."

"As noted above, younger households are among the most significantly victimised by the housing affordability losses," he said.

"The lucky ones will inherit homes from their parents – which is a big step away from legendary urbanologist Sir Peter Hall's 'ideal of a property-owning democracy'," he said.

Among Australia's major metropolitan area markets the overall median multiple was 6.5.

The least affordable market was Sydney, with a median Multiple of 9.8, a substantial increase from last year's 9.0.

"This makes Sydney the third least affordable out of the 86 major markets rated in this survey," the report found.

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Housing affordability also deteriorated in Melbourne, rising to a median multiple of 8.7 in 2014 from 8.3 in 2013.

Melbourne ranked 6th least affordable of the 86 major markets.

Housing affordability deteriorated slightly in Adelaide (from 6.3 to 6.4), Perth (from 6.0 to 6.1) and Brisbane (from 5.8 to 6.0).

Among all markets, Australia's median multiple remained severely unaffordable, at 5.5. However, there were signs of considerable improvement among the smaller markets of Australia.

Gladstone (Qld) achieved a moderately unaffordable rating, with a median multiple of 3.9.

Townsville (Qld) and Latrobe (Vic) tied for fourth most affordable market, with a seriously unaffordable median multiple of 4.3.

This is the first time in 11 years of the Demographia International Housing Affordability Survey that Australia had markets that were rated as affordable.

The most affordable market was Karratha, in Western Australia's Pilbara, with a median multiple of 2.6. Kalgoorlie, also in Western Australia was the second most affordable market, with a median multiple of 2.8.

These improvements appear related to resource industry-related demand decreases, the report found.

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"SYDNEY'S MEDIAN HOUSE PRICE IS NOW $825,000, AFTER RISING 14.3 PER CENT DURING THE 12 MONTHS TO 30 NOVEMBER 2014."

RENTAL GROWTH REMAINS AT DECADE LOW

Although annual growth rates in rentals remain at decade lows, recent weaker capital growth conditions have seen rental yields pushed slightly higher, says a property analyst.

CoreLogic RP Data's research analyst Cameron Kusher said based on slow value growth rates, a significant response to market supply over the past two years is likely to result in fairly sluggish levels of rental growth over the coming year.

"With just one month left in 2014 it is looking as if this year will see a lower level of capital growth than last year," he said.

According to Corelogic RP Data, Sydney's median house price is now $825,000, after rising 14.3 per cent during the 12 months to 30 November 2014.

Melbourne grew 9.0 per cent over the year to $633,000, although house prices actually declined 1.7 per cent over the quarter.

House values also increased in Brisbane by 6.2 per cent and Hobart by 5.9 per cent, with median prices of $475,000 and $335,000 respectively.

Adelaide house values rose 3.0 per cent with a median price of $421,000, while Darwin grew 2 per cent with a median price of $564,000.

Canberra's house prices grew 1.8 per cent with a median of $560,500, and Perth's prices rose 1.5 per cent with a median of $530,000.

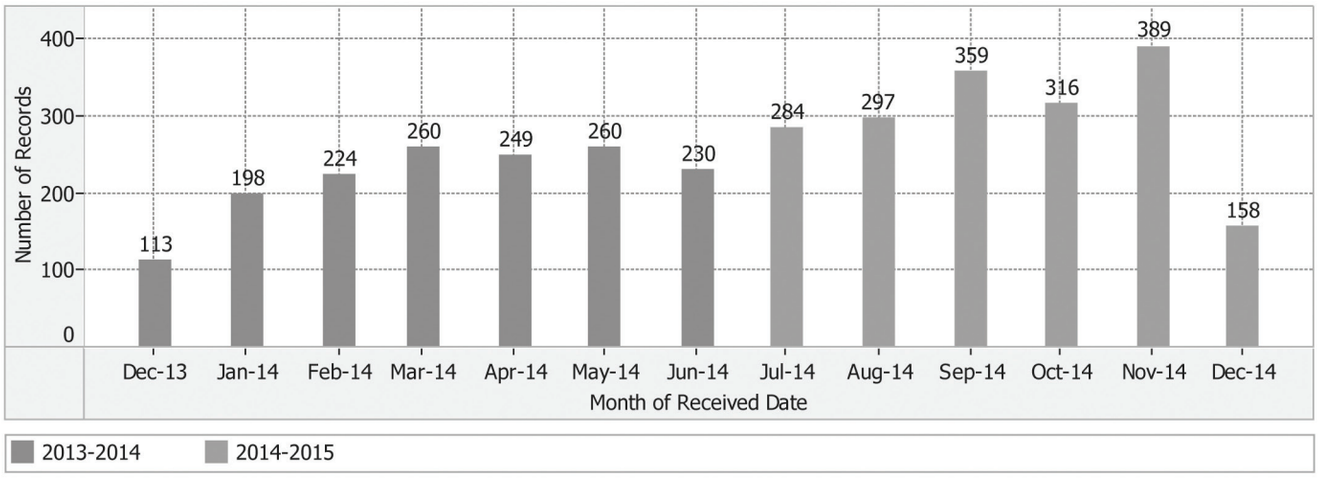
Mr Kusher said that although home values have increased, most cities have now moved past their peak in annual growth.

"Importantly, this has become apparent in the two largest capital cities – Sydney and Melbourne – where annual value growth peaked at 16.7 per cent in April 2014 and 11.9 per cent in January 2014," he said.

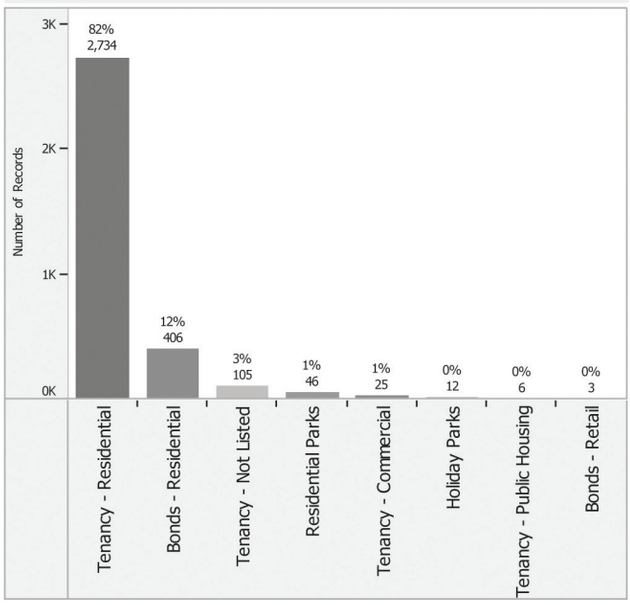
"Although Sydney and Melbourne appear to have moved through their peak periods, capital growth conditions have consistently been the main drivers of value growth over the past 12 months."

TENANCY PRODUCT COMPLAINTS (RECEIVED BY CUSTOMER SERVICES)

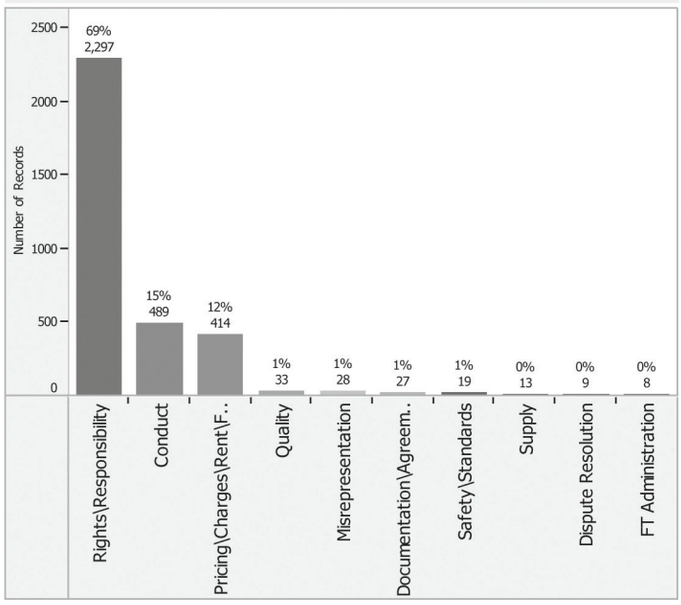
REPORTING PERIOD 1 DEC 2013 TO 11 DEC 2014



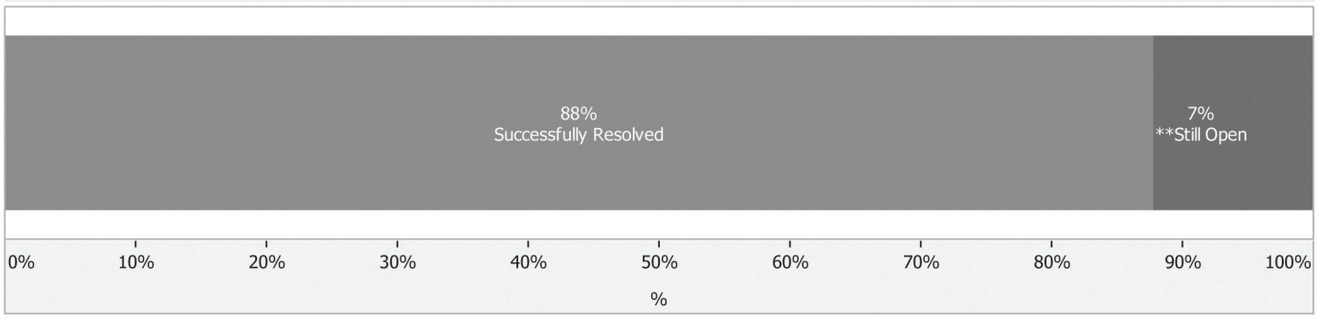
Product



Practice



Outcome category



Outcome C.. Successfully Resolved **Still Open Unsuccessful

Complaints with Value	Average Complaint Value	Total Complaint Value
242	$6,606.78	**$1,598,841.38**

Product refers to;

- Tenancy - Residential (highest volume of complaints addressed)
- Bonds - Residential (second highest volume of complaints addressed)
- Tenancy - not listed (third highest volume of complaints addressed)
- Residential Parks
- Tenancy - Commercial
- Holiday Parks
- Tenancy - Public Housing
- Bonds - Retail

Practice refers to;

- Rights/Responsibility (highest volume of complaints addressed in day to day practice)
- Conduct (second highest volume of complaints addressed in day to day practice)
- Pricing/Charges/Rent/etc (third highest volume of complaints addressed in day to day practice)
- Quality
- Misrepresentation
- Documentation/ Agreements
- Safety/Standards
- Supply
- Dispute Resolution
- FT Administration

NSW RENOVATORS FACE NEW HOME BUILDING LAWS

From 15 January 2015, DIY renovators and building professionals in New South Wales will be obliged to abide by new regulations.

The changes come under the Home Building Amendment Act 2014 and Home Building Regulation 2014. Most changes commence on 15 January 2015, with further amendments concerning contract requirements taking effect on 1 March 2015.

Fair Trading NSW said the new laws will "help to modernise industry practices, reduce red tape and support consumer confidence and building activity across NSW".

The changes affecting licensing, owner-builders, the Home Building Compensation Fund and disputes, defects and statutory warranties come into effect in January. Changes relating to contracts commence in March.

One significant change that could impact renovators in NSW is the raising of the licensing requirement threshold for building and general work, from over $1,000 to over $5,000 (including labour and materials). Specialist work (such as plumbing, electrical and air conditioning) will still require a licence, regardless of the cost of the work.

Owner-builders will also be affected, as they are now required to name all other owners of the land on an application for an owner-builder permit. According to Fair Trading NSW, "This will be recorded on the permit to prevent people using this system to carry out commercial unlicensed building work".

In addition, "Any owners named cannot apply for another owner-builder permit for a different property for five years".

Owner-builders will also be prohibited from getting a permit for a dual occupancy "except in special circumstances".

The threshold for requiring an owner-builder permit has also increased, and will now apply to work valued over $10,000. All owner-builders must provide evidence of having done basic work health and safety training. For work over $20,000, Fair Trading will require the completion of an owner-builder course.

Consumers will also shortly be able to check their builder's or tradesperson's insurance and previous claims on a property through a new public register. Fair Trading will provide an update on how to access the register by mid-January 2015.

From 1 March, the threshold for more detailed contract requirements will rise from $5,000 to $20,000. Home building work under $20,000 will still need a written 'minor works' contract.

In addition, a cap on deposits for work over $20,000 will be increased from five per cent to 10 per cent. Builders will only be able to request a maximum of 10 per cent for a deposit on all projects – regardless of the value.

Contracts over $20,000 will need a progress payment schedule and a termination clause.

A full summary of the changes can be found at Fair Trading NSW.

2015 WILL BE GOOD - BUT IT'S NO 2014

Source: Tim Lawless researcher for RP Data.

The housing market is moving into the 2015 calendar year with some substantial momentum, with dwelling values 8.5 per cent higher compared with a year ago across the combined capitals.

The growth comes against a backdrop of slowing conditions, though, with the annual rate of capital gain peaking early in 2014 at 11.5 per cent over the 12 months ending April.

While values are still rising at a healthy rate – at least at a high level and in trend terms – we anticipate that 2015 will see the housing market dynamic shift geographically.

Sydney
Housing market conditions have been nation-leading over the current cycle, with dwelling values up by 31 per cent over the cycle to date. The rate of capital gain is slowing down, though, after the annual rate of growth peaked in April 2013 at 16.7 per cent.

By the end of 2014, we expect the annual rate of growth will have slowed to approximately 12.5 per cent. We expect the trend towards a more sustainable rate of capital gain to continue over 2015 due to natural affordability constraints that are becoming increasingly evident in the market, as well as a reduction in investor demand, likely attributable to the low yield environment as well as tougher investment lending requirements from the banking sector.

Melbourne
The Melbourne housing market has played second fiddle to Sydney's rate of capital gain over the current growth cycle, with values moving a cumulative 17.6 per cent higher by the end of November 2014. The rate of annual growth across the Melbourne housing market has been slowing since January, when dwelling values had moved 11.9 per cent higher over the 12-month period. By the end of 2014, we expect the annual rate of capital gain to have drifted back to approximately eight per cent. This slowing trend is likely to continue through 2014 as investor demand is dampened by the low rental yield scenario as well as tighter finance controls around investment lending from banks. New housing supply across the inner-city and outer fringes has been sufficient when compared with population growth, which is also likely to soften the level of capital gains over the year.

Brisbane
Brisbane – along with Adelaide and Hobart – is one of only three capital cities where the annual rate of capital gain is likely to be higher in 2014 than it was in 2013. We expect the annual rate of capital gain to finish the year around the seven per cent mark, compared with a 5.1 per cent capital gain over the 2013 calendar year. With the rate of capital gain holding relatively firm over the second half of 2014, fewer affordability pressures and better rental yields than Sydney or Melbourne, we are expecting growth in Brisbane dwelling values to outperform the capital city average over the coming year.

Adelaide
Despite uncertainty in the local economy, the Adelaide housing market is likely to finish the 2014 calendar year with a higher rate of capital gain compared with the 2013 calendar year. We are expecting Adelaide values will have increased by approximately 3.5 per cent in 2014 compared with a growth rate of 2.8 per cent over 2013. Transaction numbers have been rising over the second half of the year, indicating a rise in buyer demand. Affordability pressures are relatively tame and rental yields are higher than what can typically be found in Sydney and Melbourne. While we aren't expecting values to surge across Adelaide in 2015, a steady market with values continuing to show a modest rise is the likely outcome.

Perth
The Perth housing market moved through the peak of its growth cycle in December 2013, when the annual rate of growth was recorded at 9.9 per cent. Since then, the annual rate of growth has drifted substantially lower, and we expect by the end of 2014 the annual rate of growth will be closer to one per cent. Population growth in WA has slowed sharply, which is reducing demand for housing at a time when there is a large amount of new detached housing approved for construction. Additionally, the previously strong WA economy is progressively weakening as the pipeline of large infrastructure projects winds down. Dwelling values are likely to continue their weak trend and may potentially end 2015 lower.

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Hobart
The Hobart housing market has been the weakest of any capital city post-GFC. In fact, Hobart dwelling values remain 3.9 per cent lower than what they were at the beginning of 2009. More recently, housing market conditions have started to improve across Hobart. Transaction numbers have recorded a sharp rise from a low base; dwellings show a remarkable level of affordability compared to other capital cities; and gross rental yields are the second highest of any capital city after Darwin. Dwelling values are likely to finish the 2014 calendar year about six per cent higher, and as demand from lifestyle buyers continues to rise, we expect Hobart home values to continue their moderate trend higher during 2015.

"WHILE VALUES STILL RISING AT A Y RATE – AT LEAST GH LEVEL AND IN ND TERMS – WE IPATE THAT 2015 EE THE HOUSING RKET DYNAMIC EOGRAPHICALLY."

Darwin
The Darwin housing market has been a solid long-term performer, recording the highest rate of capital gain over the past decade across the capital cities. Dwelling values have increased by 17.5 per cent over the length of the current growth cycle, however, growth in dwelling values has been trending lower over the second half of 2014. The 2014 calendar year is likely to see Darwin dwelling values increase by approximately 1.5 per cent. Prospects for further growth over 2015 are diminishing due to a wind-down in the major infrastructure projects that are currently underway in Darwin. The Darwin housing market is still providing the highest gross rental yields of any capital city market, however, it is likely investor demand will taper in line with capital growth.

Canberra
The national capital's housing market saw a material slowdown over the second half of 2014, with dwelling values likely to finish the second half the calendar year approximately one per cent lower. Uncertainty surrounding the local labour market, federal government job cuts and potentially an oversupply of housing are all factors that are likely to contribute to falling housing values during 2015.

Regionally
We are expecting 'lifestyle' markets to continue their bounce back in buyer demand and values. At the same time, the downturn in commodity prices and mining-related infrastructure spending is likely to continue to dampen housing markets across resource-intensive regions.

Central to housing market performance will be the direction of interest rates. There is growing debate that the next rates movement may be down rather than up. A further reduction in the cash rate will bring mortgage rates even lower than their current record-low settings. Theoretically, lower rates should provide a boost to housing market conditions. However, if this stimulus does transpire, it is likely to be balanced by pervasively low consumer confidence and softer labour markets, which show unemployment is already at its highest level in a decade and forecast by Treasury to move higher over the coming months.

Additionally, the impact of the recent APRA announcement around investment lending may act to restrict the availability of finance to investors. The banking sector will be under scrutiny to keep growth in investor loans at less than 10 per cent, which is likely to have some downwards pressure on investor-related housing demand.

Overall, we are expecting another solid year of housing market conditions and further capital gains, albeit at a more sustainable rate that what we have seen over 2014.

"THE NATIONAL CAPITAL'S HOUSING MARKET SAW A MATERIAL SLOWDOWN OVER THE SECOND HALF OF 2014... APPROXIMATELY ONE PER CENT LOWER."

CITY FUTURES RESEARCH CENTRE STRATA SCHEMES RENEWAL WORKSHOP

HELD ON TUESDAY 10TH FEBRUARY

The POANSW was represented at this workshop, together with numerous other professional organisations; the workshop was chaired by Professor Bill Randolph.

Their research aim is to develop equitable, viable solutions to effectively, efficiently and inclusively redevelop older areas of multi-unit strata titled housing, particularly in Sydney.

In 2014 the research group assessed the location, scale, and market value of the Sydney strata redevelopment potential and also held key stake holder interviews.

The purpose of this workshop was to explore mechanisms to achieve "value share" on both the supply and demand side and to ensure fair outcomes for owners and tenants.

The City Futures Research Centre surveyed 15,000 pre-1990 strata schemes and received 1261 responses to a range of related question put to investor owners, owner occupiers and tenants.

The questions canvassed a number of issues including awareness of the current legislative review (currently delayed), the desire to remain in close proximity to their current strata unit, concerns of fairness and oversight, and acceptance of market value for their current unit. (The most reluctant of owners, if pushed to sell, could be persuaded by a 25% premium).

Discussion at the workshop centred on developer led versus owner led redevelopment, and issues relating to value sharing arrangements.

In the developer led model the developer purchases all units in an existing scheme, undertakes a redevelopment, and existing owners cease to play any role in the redevelopment once they have been properly compensated for their existing unit.

Contrasted to this is the owner led model in which existing owners collectively undertake a redevelopment themselves, which may include hiring a project manager and builder. In the middle of both these models is the value share approach whereby existing owners enter into an agreement with a third party to receive some component of the uplift in value as a result of the redevelopment.

This could be in the form of a new unit as payment for their old unit, or a share in the profit at the end of the redevelopment period.

Questions worked through were:

1. How can decision-making regarding renewal be managed in a way that is fair and equitable to all participants (including owners and tenants)?
Discussion included: basis of voting – unit entitlement versus one owner one vote; availability of affordable housing; independent advisors & review; risk of developer becoming insolvent; continuity of strata & property managers' roles.

"THE CITY FUTURES RESEARCH CENTRE SURVEYED 15,000 PRE-1990 STRATA SCHEMES AND RECEIVED 1261 RESPONSES TO A RANGE OF RELATED QUESTION PUT TO INVESTOR OWNERS, OWNER OCCUPIERS AND TENANTS."

2. How can the concerns of the minority owners be appropriately addressed and how can they be protected? Discussion covered a variety of aspects but the democratic principal of the majority rules seemed to be widely accepted.

3. How can tenants be protected? Discussion covered compensation for vulnerable groups, affordable housing and precinct planning.

A case study involving a 1982 registered 4 lot strata scheme sitting on a 1000 square metre allotment in an R3 zone with a maximum FSR of 0.9 was considered, analysed and discussed.

A variety of scenarios were considered in the case study, these included:-

- A range of purchase prices depending on the size, state and quality of the units
- Three quality levels of the proposed redevelopment and their associated construction costs

- Redevelopment to varying levels of the available FSR

From these various permutations and combinations a range of profit levels result from the proposed redevelopment. The following issues were assessed by the group:-

1. Legal issues, and how to deal with them
2. Development feasibility with profit/risk share
3. Managing the process

Discussion covered the need for education, the high level of risk associated with the process, the impact of offshore investors distorting the market, the displacement factor and the potential need for deal managers to negotiate and arrange deals between owners and developers. It was generally thought that it would be too difficult and too much exposure to a variety of risks including, but not limited to, financial risk for owners and developers to enter into joint development in any profit sharing arrangements. Issues such as the level of involvement (down to the level of choosing finishes and colours, etc), resolution of disputes between owners and large developers such as Meriton, Multplex, etc and similar issues advanced the argument for a clear cut situation where owners sell to a developer at an agreed market price and have no further involvement in the redevelopment process. This would not exclude the possibility of an owner taking an option to purchase a unit in the redevelopment.

A Department of Fair Trading representative at the workshop indicated that some of the discussion may be considered when drafting this difficult piece of legislation.

POLITICAL PARTY REVEALS PLAN TO STOP RISING RENTAL PRICES

A political party candidate has proposed significant changes to protect tenants against "getting a raw deal in an overstressed housing market".

A NSW Greens candidate for the newly drawn seat of Newtown, Jenny Leong, has announced a plan to take power away from landlords and place it in the hands of renters.

Some of the changes to renters' rights Ms Leong has proposed include:

- Allowing landlords to impose only one increase in rent per year
- Cap rent rises at the rate of inflation (or the consumer price index, which usually increases 2-3 per cent each year)
- Not allowing landlords to evict renters without a valid reason

"I think it's pretty clear to everyone that Sydney is becoming one of the most expensive places to live," Ms Leong told news.com.au.

"There's been a real shift to where long-term renting is the norm."

Ms Leong said it is "pretty clear" there is an affordability crisis for people living in Sydney.

"We need to look at ways to fix this that reflect community needs, not necessarily what's going to protect profits or interests," she said.

MS LEONG SAID THE PROPOSED CHANGES WOULD ENSURE SECURITY OF TENURE FOR RENTERS BY ENDING "NO GROUNDS" EVICTIONS.

"There's the occasional dodgy landlord who would kick out a tenant just so they can put the rent up," she said.

The plan would also prevent more than one rental increase a year, unless there were significant improvements made to the property.

"It puts the requirement on the idea that there's a justified reason for the rent increase," Ms Leong said.

John Gilmovich president of POANSW who is an expert in tenancy matters was interviewed by The Sydney Morning Herald and 2GB Radio on the brink of the announcement by The Greens stating that this is not a contentious issue and that rental prices are dictated by market forces rather than tied into CPI indexes. John further commented that appeal avenues were already available to tenants who wanted to dispute a rent hike."If they feel the rent increase is unjust there's a tribunal… There are already systems and parameters in place."

Mr Gilmovich said residential landlords based rent increases on market value, rather than inflation, saying "it comes back to supply and demand. If you remove the financial control of your investment, this would yet again be a disappointment to landlords of which majority play fair when it comes to reviewing rents."

ROOMING HOUSE FUTURES: GOVERNING FOR GROWTH, TRANSPARENCY AND FAIRNESS

Source: NSW Discussion paper authored by Hal Pawson, Tony Dalton, Kath Hulse for the Australian Housing and Urban Research Institute.

Summary:
Their aim is to understand the current situation in the boarding house market in terms of changing supply (eg: "New Generation" Boarding Houses) and determine if this is what is needed over the medium to long term. They defined four general boarding house categories:

1. Traditional un-modernised,
2. Traditional modernized,
3. Student housing and
4. "New Generation" boarding houses.

In all categories (other than in assisted boarding houses) residents are perceived to be shifting towards a younger demographic. Note the figures were taken exclusively from the Fair Trading Boarding House register which is estimated to only capture some 50% of all boarding houses in NSW. From the register there are 774 boarding houses in NSW as at August 2014 with most registered boarding houses have an average size of 10 rooms, and are concentrated in only a few suburbs, with primary locations being City of Sydney, Marrickville, Randwick, Newcastle and Ashfield. Over fifty percent of "regional" boarding houses are in Newcastle and Wollongong.

There was an interesting discussion around several areas from 'a tenants point of view', but in their draft report they have missed the key point of economic viability (especially for traditional boarding houses). Compliance requirements have increased since the reforms, while financial incentives have decreased, and most importantly other financial incentives promised by the government have not been delivered. This has a major impact on ongoing supply of traditional boarding houses.

Some key elements of interest to POANSW members:

Prosecution of illegal boarding houses will be mitigated, as local councils (the only body empowered to act) are not adequately funded to cover the costs of compliance and policing, further any fines applied go to the NSW state government, not the local authority, affecting their incentive to act. A report of a fire hazard is the only thing that will force Councils to act.

"New Generation" boarding house residents are seen to house key workers or young professionals. This is an essential category that needs to be catered to, however for some members of the panel "essential workers and students" are not seen as their key constituents. So they were against them having the planning benefits offered to New generation BH.

But "New Generation" boarding houses offer affordable and flexible furnished accommodation in otherwise unaffordable locations.

Enabling temporary skilled workers to take short term, out of area, contract work because reasonable accommodation is available. Some also cater for low paying workers such as hospital orderlies, cleaners and café waiters who would otherwise have to endure long daily commutes.

The researchers appear to wish to create regulations "to control physical and management standards" for boarding houses. These could include replacing mattresses every two years, and possibly needing a report from a qualified social worker certifying specifically that no tenant has "assisted needs".

"NEW GENERATION BOARDING HOUSE RESIDENTS ARE SEEN TO HOUSE KEY WORKERS OR YOUNG PROFESSIONALS... BUT [THEY] OFFER AFFORDABLE AND FLEXIBLE FURNISHED ACCOMMODATION IN OTHERWISE UNAFFORDABLE LOCATIONS".

FOREIGN INVESTORS TO BE TARGETED

The federal government has promised to make life easier for young buyers by making life harder for foreign investors.

Prime Minister Tony Abbott has revealed that the government will announce details of reforms to foreign investment in residential real estate "in coming weeks".

"There does need to be better enforcement of the rules for foreign purchases of existing homes so that young people are not priced out of the market," the prime minister said.

"The government is currently considering the recommendations of the parliamentary committee inquiry led by Kelly O'Dwyer MP regarding foreign investment in residential real estate."

Mr Abbott said the rules on foreign investment were never legally enforced by the previous Labor government.

It comes after the prime minister announced increased scrutiny of foreign purchases of agricultural land.

"To improve the scrutiny of foreign purchases of agricultural land, the government will reduce the screening threshold from $252 million to $15 million from 1 March 2015," Mr Abbott said.

"The government will also establish a foreign ownership register of agricultural land to strengthen reporting requirements and provide a clear picture of foreign investment in Australia's agricultural sector."

GOVERNMENT TO PROVIDE FREE PROPERTY DATA

Source: Smart Investor Magazine.

A government plan to provide free property data has been hailed as a way to fight underquoting, but also criticised as potentially misleading. The NSW Coalition government has announced that it will provide free property sales data by October if it wins the 28 March election.

Finance minister Dominic Perrottet said government websites will publish the recent sales history of individual properties as well as a summary of all recent sales by street and suburb.

Mr Perrottet said the government receives more than four million requests for land and property information each year.

"If elected, our commitment is to make it available for free and make the process of buying a house or land much easier and more efficient," he said.

Real Estate Institute of NSW president Malcolm Gunning welcomed the government plan, which he said would provide greater transparency and reduce underquoting and overquoting.

"Open data will go a long way to taking the speculation out of price and equip all involved in property transactions with the historical information to make an informed decision," he said.

However, Andrew Bell, chief executive of Ray White Surfers Paradise, said he would not welcome a similar system being introduced to Queensland.

Mr Bell told Smart Property Investment's sister publication Real Estate Business that property data could mislead buyers into make false comparisons between very different properties.

A proper comparative market analysis requires the sort of expertise that agents possess but most consumers don't, he said.

Mr Bell said free government data would probably be most useful with apartment blocks, but even then buyers might be comparing a rundown unit with something refurbished.

Property data providers could potentially lose business under the NSW government plan, especially if it is replicated in other states.

However, CoreLogic RP Data's commercial executive general manager, Craig MacKenzie, said he didn't expect agents to stop paying for CoreLogic RP Data services. Mr MacKenzie told Real Estate Business that CoreLogic RP Data doesn't just regurgitate government statistics, but also offers a faster and broader service that includes analysis.

"The information we get from government is an important data source because it's an official record. But it's one of 500-600 sources of data that drive our products and services," he said

"Typically, state governments take 60-90 days to get us property sales records. In a market that's changing every day, market professionals can't wait that long, so we go to great lengths to collect sales data prior to the government providing it to us."

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