

The property owners association of NSW

poa-nsw the property owners'
association of nsw



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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.



Table of Contents

Your Association Contacts _____	2
Presidents Report _____	3
POA of NSW Presents National POA of Australia Annual Dinner _____	4
Where is the Private Hotels & Boarding House industry heading in the future? _____	5
What is the Current State of Affordable Housing & Boarding Houses in NSW? _____	6
Private Hotel & Boarding House Division of POA NSW _____	7
Asbestos _____	8
Avoiding Property Management Pitfalls _____	9
Landlord's Checklist for Selecting a Property Manager _____	11
To fix, or not to fix _____	12
Property Gains on Tax Man's Hit List _____	13
Property Owners Association of NSW _____	16



Your Association Contacts

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Committee of management

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Honorary accountant	Mr. Alex Whitehead		02 9966 4499

POA Meetings for 2007:

(At the Hughenden Hotel, 14 Queen St Woollahra)

POA Committee: THURS 11 October 2007

Boarding House Sub Committee N/A-to be replaced by a seminar (details inside)

Meetings commence 7:30 p.m. (optional dinner at Quaffs Restaurant at 6:30 p.m.)



Presidents Report

This issue of POANSW Journal has several upcoming events.

Firstly the Private Hotel/Boarding House Divisions Seminar on the 9th October 2007. Guest Speaker is Angela D'Amore (State Member of Parliament, Chairperson on the Committee for the Minister For Housing). This is your opportunity to hear first hand government POLICY on Housing Affordability and Low Cost Models that the Government supports. A not to be missed session for any NSW property owner.

Secondly on the 14th of November 2007, our Seminar and dinner - an up market event for us to show case our association to several guests from leading property groups & government departments.

This represents excellent value for members as our head Speakers are of considerable expertise in Property Law & Town Planning. Your attendance will give you a great Dinner (2 courses) & table wine as well as access to our highly regarded guest speakers:

- Mary Lynn Taylor – Lawyer at Bartier Perry (a top gun property expert). Mary Lynn also lectures in Law at a Sydney University.
- Mr Porter (Town Planner) also highly regarded in property circles for his expertise.

Property Owners Association of Australia (Meeting & AGM)

Our Association is holding the meeting for the POAA to elect office holders and a general meeting it is envisaged this will be from 11 am on the 14th November 2007 at the Hughenden Hotel, 14 Queen St Woollahra. NSW and several current office bearers from other states will be attending e.g. QLD, WA, ACT and possibly VIC & SA.

This is a great opportunity for the POA of NSW to take a forward step to use the combined strength of all states to tackle the Land Tax issue jointly.

Our friends from the other states will be joining us for our dinner and speakers in the evening this will give POANSW members the ability to meet and greet these representatives.

The committee of management will attend the AGM but any financial POANSW member can attend if you wish to participate at a national level. Please feel free to contact me directly if you would like to attend the AGM at 11am. Also, I hope our interstate friends can stay a day or two so our Association can host some social lunches or the like.

Regards

Chris Young
0414-799-864.



POA of NSW Presents National POA of Australia Annual Dinner

Wednesday 14th November 2007

One of Australia's leading property lawyers Mary Lynn Taylor and leading town planners Mr Porter will give the key address on

Making Property a Winning Investment

- Land Tax
- Dealing with Councils
- The law & Property

Date: Wednesday 14th November 2007

Time: 6.30 p.m.

Place: The Hughenden Boutique Hotel
14 Queen St, Woollahra NSW 2025

Cost: \$55 for POA, REI members, students.
\$65 for non members

- Payment by Visa or MasterCard to The Hughenden Hotel: ph.9363-4863 or fax 9362 0398
- Send cheques to P.O.A. NSW Inc. at P.O. Box 329 Bondi Junction, NSW 1355
- RSVP BY 7/11/07



Where is the Private Hotels & Boarding House industry heading in the future?

Boarding houses are such a varied and divergent form of accommodation ranging from short term guest houses, student hostels, long term affordable accommodation to boutique bed and breakfast.

The exciting aspect of boarding houses is the flexibility for owners to create a unique form of accommodation service. However boarding houses are affected strongly by government legislation, taxes and attitudes.

The land tax exemption has encouraged many boarding house owners to veer towards the affordable long term housing market, at the expense of short term and more varied housing. However for owners to remain in this affordable long term sector, even with land tax exemptions there needs to be a positive attitude by the government. This attitude needs to be reflected in financial concessions and a guarantee that boarding houses do not fall under the residential tenancy act or a quasi residential tenancy act.

The seminar on 9th October at The Hughenden Boutique Hotel invites the Chair of Committee for the Minister for Housing to speak about boarding houses and affordable housing. It is an opportunity for members to ask the questions they need answered. The Seminar is also an opportunity for members to network, exchange cards and establish and/or reinforce relationships with other operators.

Chair



What is the Current State of Affordable Housing & Boarding Houses in NSW?

- Why this is a growth area?
- What do you want from the State Government?
- What do you need to know?

Special Guest Speaker:

The Chair of the Committee for the Minister for Housing, Angelo D' Amore Member of Parliament

Date: Tuesday 9th October 2007

Time: 7.30 p.m.

Place: The Hughenden Boutique Hotel
14 Queen St, Woollahra NSW 2025

Cost: \$10 on entry for POA members (\$20 for non-members)

Tickets available at door or you can pre book by:

Email: peter@poansw.com.au or Fax: 02 9389-5912

An optional Dinner menu is available before the seminar at The Hughenden.



Private Hotel & Boarding House Division of POA NSW

SEMINAR PRESENTATION: What is the Current State of Affordable Housing & Boarding Houses in NSW ?

- Why this is a growth area?
- What do you want from the State Government?
- What do you need to know?

TUESDAY 9th October 2007, 7.30pm

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Asbestos

Asbestos is a naturally occurring mineral found in the surface of the earth. It contained strong fibres that have excellent durability, fire resistance and insulation properties. Asbestos fibres are 50 to 200 times thinner than a human hair, can float in the air for a long time, can be invisible to the naked eye and can be breathed into the lungs. In the past, asbestos was mined from the ground and manufactured into many different materials. Materials containing asbestos were very common in the Australian residential building industry between the 1940's and late 1980 before their production stopped. The use of all forms of asbestos has been banned nationally since 31st December 2003. The ban does not apply to asbestos installed prior to this date.



What are the possible health effects of asbestos?

Asbestos can cause health effects if fibres are breathed into the lungs. The possible health effects of asbestos are:

- Asbestosis (progressive and irreversible scarring of lung tissue that impairs breathing).
- Lung cancer
- Mesothelioma is a cancer of the linings around the lungs and abdomen.
- Non-cancerous diseases that affect the linings around the lungs and abdomen (commonly called "benign pleural diseases").

Is it dangerous?

Current scientific and medical evidence supports the fact that simply living or working in a building that contains asbestos is not dangerous so long as the asbestos is in good condition. It is when asbestos fibres are released that the risk of developing an asbestos related disease is increased. While most cases of asbestos related diseases result from sustained workplace exposure, some asbestos related diseases, particularly mesothelioma, can result from brief periods of breathing in asbestos fibres. Asbestos can only be removed by a licensed person and 95% of tips will not accept it. It is one step below nuclear waste as far as disposal is concerned because people don't want to get cancer from it.

What should you do if you find it at home?

Paint it and seal it so the fibres do not break of and end up in some body's lung. It should be safe if it is not loosing fibres. However if you are selling your property the purchaser may refuse to proceed with the sale if asbestos is discovered. Just like you are not allowed to sell a home without smoke alarms because it is not safe. Most buyers are too ignorant but it could become an issue with some buyers. If you are renovating you will have to hire a special person to remove it in plastic bags. The council won't be very co-operative with emptying bins full of asbestos. You will probably receive a fine.



Avoiding Property Management Pitfalls

Most experienced investors understand that even a few weeks' annual vacancy usually means a lower net income than if the property had been rented at 95 percent of market value for the whole year. So if maximising income from rental property investment comes from keeping their properties occupied, why do some landlords expect to rent their properties for 110% of market value?

The answer to this question no doubt varies but such landlords sacrifice weeks of rent and create dissatisfied tenants who move on when they find a better value option, thereby creating a cycle of higher turnover and greater vacancy.

Furthermore, investors whose properties are good value get more enquiry and can afford to be more selective when deciding who will rent their property. Being selective means checking references (these days references are even available for pets!) but beware of taking into account irrelevant criteria such as dress style, marital arrangements and other personal choice issues. The bottom line criterion is: Does their history indicate that they would be able to pay \$x per week for y weeks?

If a property stays empty because the rent is too high, owners can get desperate enough to overlook a tenant's patchy references; in the effort to get the highest income, they make themselves more likely to get less because poor references could mean greater likelihood of getting behind with the rent.

Most experienced investors ask their agent to provide a monthly statement of all income and expenses with cheques banked directly into the owner's account. Most also ask for an annual written report of state of repair (internal and external) and cleanliness as well as a mid-year written kerbside report of state of repair and cleanliness. They should also receive a six-monthly written report of the current rental value and the local area vacancy rate and an annual written report of the current reasonable selling price of the property. Owners should carry out an internal inspection of the property themselves once every two years so that they can visualise its state of wear and tear when maintenance and repairs are discussed.

Most investors say it takes three to six months to get to know a managing agent and their way of working. Until then it is best to require all expense items to be referred to the owner (other than emergencies) prior to the agent spending any money. After the initial period, set a limit on the amount the agent can spend (usually about the equivalent of one week's rent) without reference to the owner.

Naturally, as with any contractual arrangement, investors should always have their agreement with their agent evidenced in writing.

New investors can avoid a lot of common errors by making use of the expertise of their managing agent. Many novice investors don't think of asking their managing agent's advice until something goes wrong. Investors who do their homework and tell their agent up front what their needs are find it much easier to keep abreast of what's happening and avoid confusion.



Every property investor wants “perfect” tenants. But how do you go about finding long-term renters who’ll treat your property with respect?

Selecting a good tenant is the first step in a comprehensive risk management strategy for property investments, according to a leading insurance broker. The following are five tips for how to find the right tenant:

1. Ensure the property is in good condition

- You need to ‘sell’ your property to potential applicants. This includes paying attention to the appearance of the home and making sure it’s clean, tidy and low maintenance. The easier it is for the tenant to maintain, the better condition they’re likely to keep it in.

2. Choose a realistic asking rent

- Keep an eye on other properties in your area and the level of rent they’re asking for. If you set your rent too high you may deter quality tenants and reduce the pool of applicants to choose from.

3. Appoint a property manager

- Professional property managers can prove invaluable during the tenant screening process. Property managers know what’s required for a thorough background check and have exclusive access to tenant default databases that list tenants who have absconded without paying rent.

4. Stay patient

- Landlords shouldn’t pressure their property managers to find a tenant quickly. While most landlords want tenants in their property as soon as possible, it may be worth waiting a bit longer to find the right tenant. This will help you to attract a wider pool of applicants and will give your property manager sufficient time to screen them.

5. Get insured

- There are no guarantees that a well-screened tenant will turn out to be a perfect tenant, landlords insurance is a must.

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"We know you have a cat."



Landlord's Checklist for Selecting a Property Manager



In order that you make an informed decision, ask the following questions of the agency you are considering for the job of managing your property.

Property Leasing	
On average, how many properties does the agency lease each month?	
What human resources has the agency allocated to leasing properties?	
Do the agency staff members personally show prospective tenants through properties?	Yes/No
How does the agency market available properties for lease?	
How much information is obtained from applicants for properties and what information is verified?	

Property Management	
What documented systems are in place for property management?	
What is your process for dealing with rent arrears?	
What is your process for dealing with repairs and maintenance?	
What steps do you take to ensure that all contractors working on my property are properly licensed and insured?	
What steps do you take to ensure that all maintenance work on my property is competitively priced?	
How frequently will you inspect my property?	
What is the experience level of the staff members who will be leasing and managing my property?	
How much training have they had?	
How frequently will you account to me for rent monies collected on by behalf?	
Can you send me rent statements by email and deposit my money in my bank account electronically?	Yes/No

Customer Service	
What references do you have from satisfied clients?	
Do you provide a service guarantee?	Yes/No
Does the agency have documented service standards?	Yes/No
What back up staff are there in the event my property manager is sick or on holidays?	
How frequently will you communicate with me and what form will it take?	



To fix, or not to fix



As the fall-out from the US housing crisis continues to affect global economies, more and more Australians are looking to fix their home loans.

In fact, according to industry research, over 25 per cent of all Australian residential home loans are now fixed, compared to only 17 per cent prior to January last year.

But, before you rush out and fix your home loan, it is important to consider any additional factors which may affect the cost of your loan.

Factors that will affect the cost of switching to fixed rates include:

- Will your home loan lose the flexibility that you need?
- Will you lose any of the home loan features you use regularly?
- Will you have to pay a fee to switch to a fixed rate? If so how much would rates have to rise before you recover this outlay?
- If you decide to pay out the loan will you have to pay additional fees?
- Would it suit your situation to fix only part of your home loan?

Australia is one of only a few countries which favour variable rates over fixed. This is due largely to the fact fixed rate home loans traditionally offer less competitive rates than variable rate home loans. However, as the trend toward fixed rates continues, experts are predicting this will change, as lenders vie for more market share of fixed loan business.



Property Gains on Tax Man's Hit List

Property investors are on the Australian Tax Office's (ATO) radar for 2007-08, with the correct payment of capital gains tax (CGT) on property sales named as a top priority for the year ahead.



- The ATO says it will closely monitor capital gains arising from the sale of property and shares, and will cross-reference data on millions of property transactions across the country to ensure investors are meeting their obligations.
- “We continue to expand the use of data matching to identify under-reporting of capital gains,” the ATO’s Compliance Program report says. “We obtain information on asset transactions from state title and revenue offices.”
- The Commissioner of Taxation, Michael D’Ascenzo, says the ATO is focused on educating people about their obligations.
- “Capital gains can be a complex area for people so while we will take a firm approach with those who have not tried to meet their obligations, we want to help people get over the line,” he says.
- The ATO will write to people who appear to have made capital gains from property transactions, alerting them to their reporting obligations. It plans to examine 6000 at-risk CGT cases this financial year, “including taxpayers who made a gain from disposing of assets to invest in superannuation”.
- D’Ascenzo says data matching and information sharing are helping the ATO to form more sophisticated tax risk profiles of individuals and companies.
- “This year we will identity match over 220 million records,” he says. “At the same time, we are expanding our network of collaborative arrangements with third parties including government, regulatory bodies, private-sector organisations, law enforcement bodies and financial institutions.
- “The message must be clear: our capacity to identify tax risk is being progressively enhanced.”
- The main residence exemption will continue to receive scrutiny, D’Ascenzo says.
- “Take the taxpayer who tried to claim a vacant warehouse as his main residence,” he says. “We found the warehouse had no electricity, water or telephone connected and there was no heating or cooling, and indeed the family did not live there.”

This article was adapted from The S.M.H. 4/9/07



Where is the Population Growth?

Long-term demand for residential and retail property is underpinned by population growth, both in terms of the growth of the total national or regional population, and where that population is distributed.

So where has population growth been greatest across Australia? The figures show the average annual percentage growth in population between 2001 and 2006 for Australia, along with each state and territory's average annual rate of population growth and the top 5 performing local government areas. The figures are sourced from the Australian Bureau of Statistics (cat. no. 3218.0).

Australia: 1.2%

NSW/ACT: 0.8%

Sydney*	3.2%
Camden	2.9%
Murray	2.6%
Auburn	2.5%
Queanbeyan	2.3%

* Sydney refers to Sydney Council, which is the amalgamation of Sydney and South Sydney Councils

Victoria: 1.2%

Melton	9.5%
Wyndham	7.1%
Melbourne	5.8%
Cardinia	5.1%
Casey	4.2%

Queensland: 2.2%

Miriam Vale	5.1%
Crow's Nest	4.8%
Hervey Bay	4.7%
Pine Rivers	4.0%
Caloundra	3.9%

South Australia: 0.6%

Light	3.1%
Adelaide	2.9%
Alexandrina	2.9%
Victor Harbor	2.4%
Mount Barker	2.3%



Western Australia: 1.5%

Perth	11.5%
Capel	8.2%
Wanneroo	6.5%
Mandurah	6.0%
Chittering	4.5%

Tasmania: 0.7%

Latrobe	2.0%
Break O'Day	1.8%
Glamorgan/Spring Bay	1.8%
Kingborough	1.8%
Brighton	1.7%

Northern Territory: 0.9%

Palmerston	2.7%
Litchfield	1.7%
Tiwi Islands	0.8%
Darwin	0.7%
Alice Springs	0.4%

There are a couple of things to note here.

- Firstly, while all states and territories™ populations grew, some grew more than others, with Queensland and Western Australia outperforming Australia as a whole, and Victoria growing at the same rate.
- Secondly, a high population growth rate for a given local government area doesn't necessarily equate to greater pressure on housing prices in the short-run. An area's population could increase because there are less vacant houses or flats, or it could increase because new houses have been built and more people have moved in to the area.
- In the first case, there would be upward pressure on housing prices. In the second case, there wouldn't necessarily be that upward pressure if the new housing is filled at the same rate as the already existing housing. So population growth doesn't equate one-for-one with house price growth.
- Nonetheless, population movements are useful indicators of long-term trends, since where the people go the housing must go too, with prices eventually following suit.