

Submission to Parliamentary Inquiry

To: Inquiry into Strata Titled Insurance

From: Ramon and Linda Tuck

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Property:

[REDACTED]

[REDACTED]

[REDACTED]

Number of Units: 39 units in total

15 being bedsit units 40 & 43 square metres in size – one lot entitlement

24 being two bedroom units 74 & 83 square metres in size – two lot entitlements

Constuction Date: Completed in 1989 to current cyclone rating code

Three Storey, Besser block with tin roof

Levies 2007/08: Administration Fund \$30,240 or \$480.00 per lot entitlement

Sinking Fund \$13,860 or \$220.00 per lot entitlement

Total: \$44,100 or \$700.00 per lot entitlement

Insurance: Premium to April 2007 - \$5,545.00

Building Valuation - [REDACTED]

Levies 2011/12: Administration Fund \$54,780 or \$869.52 per lot entitlement

Sinking Fund \$13,860 or \$220 per lot entitlement

Total: \$68,640 or \$1089.52 per lot entitlement

Insurance: Premium to April 2012 - \$24,792.13

Building Valuation - [REDACTED]

Increase in Levies: Levies 2007/08 - Total: \$44,100 or \$700.00 per lot entitlement

Levies 2011/12 – Total: \$68,640 or \$1089.52 per lot entitlement

Increase in 4 years - \$389.52 per lot entitlement.

Insurance Increases:

To highlight the effect the increases in insurance have had on this complex, I will break down what the insurance component in 2007/08

Total Premium \$5,545.00

Bedsit \$88.01 per annum

Two Bedroom Unit \$176.03 per annum

The same equation using the premium received for 2011/12

Total Premium \$24,792.13

Bedsit \$393.52 per annum

Two Bedroom Unit \$787.05 per annum

Analysis of Increases:

In the four year period, the actual cost increases per lot entitlement for just the insurance has increased by \$305.51 per lot entitlement.

In the four year period, the actual cost has increased to the owners per lot entitlement has been \$389.52.

As we are very mindful of these increases, the committee chose to lower the budget on other maintenance items for the complex, rather than pass on the entire insurance increase. In four years we have only increase the remaining budget by \$84.01.

History of Claims:

This property has made very few claims since construction was completed. Any claims have been of a minimal nature such as broken glass. There have been no claims of a significant nature. No claims were lodged due to damage from TC Yasi.

Resale Values:

At the peak of the market, prior to the GFC units of a similar size, design and finish in the Manunda area were selling for

Bedsit Units \$115,000

Two Bedroom Units \$240,000

The Cairns economy has been hit very hard, with unemployment rates being the highest in Australia at over 13%. All our major builders collapsed and the economy is still struggling to recover. Currently there are units of similar, size, design and finish in the Manunda area that have sold recently for the following:-

Bedsit Units \$82,000

Two Bedroom Units \$140,000

Rental Returns:

Manunda is located approximately 4 kilometres from the Cairns City area. The unit block is located within easy walking distance to Raintrees Shopping Centre and TAFE. There was a large building boom that occurred between 1989 and 1995 in this area. [REDACTED] is one of the larger ones constructed with 39 units in it. The surrounding complexes are of a similar design and number between 20 and 44 units in each. This area is popular with people looking for a clean, safe environment that is close to amenities, close to the City but still affordable.

Prior to the GFC rentals for a fully furnished bedsit unit that was well presented, fully furnished, air conditioned and security screens were renting for \$150 per week. It was possible to achieve slightly higher, but at \$150 per week we had no issues with reletting the properties and more importantly to investors no vacancies.

The bedsits have struggled to find tenants, with the rents dropping as low as \$135. They have regained slightly at \$145 but are still below the rents achieved prior to 2007.

With the two bedroom units, the rent achievable for a fully furnished, well presented, air conditioned and security screened unit was \$210 - \$220 realistically. There were units in this complex that did rent for \$250 per week.

The demand for these dropped off as it has for the bedsit units. Rents dipped down as low as \$190 per week, but have recovered slightly to \$195 - 200 per week.

Insurance Renewals:

The insurance premium for the 2007/08 year was \$5545.00

The insurance premium for 2008/09 year was \$7966.36

The insurance premium for the 2009/10 year was \$7570.37

The insurance premium for the 2010/11 year was \$12,882.08

The insurance premium for the 2011/12 year was \$24,792.

The renewal from [REDACTED] came in at \$48,730.71

We received a quote from [REDACTED] at \$26,784.00. At this stage they were looking at properties with values over \$5 million.

We took the quote from [REDACTED] at \$24,792.13 which is close enough double to the previous years premium.

It should be noted that the excess for a named cyclone has increased from \$100 to \$5900. I believe this will increase again with the quote due in April

2012.

I also believe that we will see a further doubling of insurance premiums with the 2012/12 premium. If this does go up to \$45,000 this effectively will add a further \$317 for a bedsit and \$634 for a two bedroom unit per annum. I say this is possible as this is the figure paid for by Palm Trees and Scotsdale which are nearly identical.

Financial Impact:

████████████████████ has not been financially affected as some of the other complexes I am involved in. I do not believe this will be the case when the renewals arrive in April 2012.

The owners are still faced with increases ranging from \$389 to \$778 per annum, which the rental income has actually come down between \$500 to \$1000 per annum.

The combination of these two items has financially affected many owners. As the chairperson I now have more owners that are nearing the time where I have no choice but to start legal action for non payment of levies.

Summary:

Most owners I deal with are not local Cairns investors. This insurance issue is affecting a broad range of people from many communities. Many that have bought since 2006 will be lucky to recoup their money if they were to sell today. I personally know of at least ten people in the complex that have negative equity between \$50 to \$100K.

Some can say it is the GFC and economic climate in general, I believe this has a small part. However most investors will not go further than the general enquiry after they hear how high the body corporate levies are. Although ██████████ is reasonable compared to some other complexes, investors in general are simply not buying any strata titled units in Cairns currently.