



Friday 13th January, 2012

To Whom It May Concern,

My name is Clint Smith and I work as a real estate sales agent in Cairns specializing in apartments and townhouses in the area. Over the past 10 months since the Brisbane Floods and Cyclone Yasi I have been at the forefront of significant changes in the Cairns real estate market. Unfortunately these are not changes for the better.

After accessing the sales prices throughout the year. I have compared properties that have sold within complexes that have not had their insurance renewals come through versus properties that have.

Example A – 2 Identical Apartments

Property	Sale Price	Sale Date	Body Corp Fees
[REDACTED], Cairns North	[REDACTED]	17/1/11	\$3,082 per year
[REDACTED] Cairns North	[REDACTED]	29/10/11	\$3,285 per year
Capital Loss	[REDACTED]	Increase	\$203.00 (Policy Exp. Jan 2012)

Example B – 2 Identical Apartments

Property	Sale Price	Sale Date	Body Corp Fees
[REDACTED] Cairns North	[REDACTED]	17/1/11	\$1,975 per year
[REDACTED] Cairns North	[REDACTED]	29/10/11	\$4,675 per year
Capital Loss (Difference)	[REDACTED]		\$2,700.00 (Policy Renewed)

Taking market conditions into consideration, one may think that this is somewhat normal. However, the reason the apartment market has taken such a dive in the last 10 months is caused completely by the insurance increase. This is only one example of the difference made by sudden increases in body corporate levies. I understand that the admin/sinking levies do not relate to insurance. However, taking into consideration that a lot of other owners/managers/residents will give plenty of evidence to suggest the insurance levies contribute to at least 70% of the increase in the last 10 months. It is apparent that it has a massive effect on the sales market in Cairns.

The main concern is more so related to properties that are currently on the market. While the GFC has contributed to massive capital losses across the board, the extent at which the insurance levies were increased throughout 2011 has made this issue quite easy to measure. Properties that were originally purchased after the 2008 crash for \$295,000 cannot even get a nibble at \$230,000. You can do the math on that one.

If you choose any 10 sales examples like the one shown above you will find the average to be:

\$1,500 increase in fees = \$15,000 - \$20,000 capital loss (minimum)

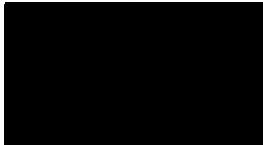
Investors are now choosing to invest elsewhere in the country or simply making offers that the owners cannot accept (as the bank won't release their mortgage at that level).

We are seeing more and more "mortgagee in possession" sales due to owners not being able to afford to pay these fees plus their mortgage. These "mortgagee in possession" sales then attract bargain hunters and due to the holding costs the banks are letting them go at prices that the other owners cannot compete with.

Something needs to be done before this vicious cycle kills the real estate market in Cairns.

Thank you for your consideration and I hope something can be done.

Regards,



Clint Smith
POWE PROPERTY