SUBMISSION NO. 141

Submission to Parliamentary Inquiry

To: Inquiry into Strata Titled Insurance

From: Ramon and Linda Tuck

[redacted]

Property: [redacted]

Number of Units: 10 units in total

All are two bedroom, one bathroom units approximately 75 square metres in size. There are two buildings that are two stories high. The front building has a total of 6 units, whilst the rear has 4 units.

Construction Date: Completed approximately 1994 to current cyclone requirements

Besser block with tin roof

Levies 2007/08: Administration Fund $13,801 or $1,380 per lot entitlement

Sinking Fund $1,750 or $175.00 per lot entitlement

Total: $15,551 or $1555.10 per lot entitlement

Insurance:	Premium to October 2008 - $3,424.34
	Building Valuation - [redacted]
Levies 2012/13:	Administration Fund $23,201 or $2,320.10 per lot entitlement
	Sinking Fund $3,000 or $300.00 per lot entitlement
	Total: $26,201 or $2,620.10 per lot entitlement
Insurance:	Premium to October 2012 - $9986.05
	Building Valuation - [redacted]
Increase in Levies:	Levies 2007/08 - Total: $15,551 or $1555.10 per lot entitlement
	Levies 2011/12 – Total: $26,201 or $2,620.10 per lot entitlement
	Increase in 4 years - $1065.00 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	$3,424.34
Cost to Each Unit	$342.43 per annum

The same equation using the premium received for 2011/12

Total Premium	$9986.05
Cost to Each Unit	$998.60 per annum

Analysis of Increases:

In the four year period, the actual cost increases per lot entitlement for just the insurance has increased by $998.60 per lot entitlement.

In the four year period, the actual cost increases to the owners per lot entitlement has been $1065.00.

In this complexes case, we have increased the sinking from $1750 to $3000 which increased the levies to each owner by $125. To compensate this and the increases in the insurance, we have actually cut the budget for regular maintenance. The over effect is the levies were only increased by $66.40 over the insurance increases.

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. No cyclone claims have been made to my knowledge. There was no claim made for damage via TC Yasi.

Resale Values:

At the peak of the market, prior to the GFC units of a similar size, design and finish in the Earlville, Manunda and Whitfield area were selling for up to $240,000.

The sales market has essentially collapsed and the selling values range from $120,000 to $160,000.

Rental Returns:

This unit block is located within easy walking distance to Stockland Shopping Centre, which is the second largest centre in Cairns City. There is a school very close by, and transport links to the city. This is an ideal location for some one wanting a nice property but still within a budget. A well presented, fully furnished two bedroom unit was renting for up to $240 per week, with most around the $210 - $220 mark.

With the collapse of the building industry, slow tourism and the Cairns economy general suffering, the vacancy rates have increased and the rents dropped. They did drop as low as $180 per week, but seem to have recovered to the $200 per week mark.

It is not just the drop in rents that owners have had to take into consideration it is the time it is vacant which can be up to 6 weeks.

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Financial Impact:

When assisting the committee to prepare the budgets, we had to bear in mind that any increases in this current economic climate can hurt owners. The increases essentially have been limited to the insurance increase.

The last premium was $5094 and this years is $9986 or an increase this year alone of $4892 or $489.20 for each unit owner. This is on top of all the other increases that have been passed on.

The reality is that their units are worth up to $80,000 less than what they were just four years ago, but the running costs have increased by $1065. To complicate it further the achievable rents have actually lowered by at least $1000 per annum.

Summary:

This complex in some ways is fortunate that the insurable value is under the $5 million cut off mark for [redacted] As [redacted] seems to be the cheapest option available for those complexes under $5 million, the concern we have is that when they take up a large part of the market share, they will be able to increase premiums as they wish. The same scenario as with [redacted].

Although this complex does have $27,000 in the sinking fund, I believe we should be setting more aside for future works. The building is now over 20 years old and we need to start having money ready for new gutters and new roofing. The building also needs to be repainted and the cost of this has increase substantially due to the change in Workplace Health and Safety laws. To repaint the building alone will be $20,000 and this will leave very little left for other maintenance work.