

15 Mendi Drive


16th January, 2012

House Standing Committee on Social Policy & Legal Affairs

Dear Committee,

Re – Enquiry Into Residential Strata Title Insurance

I am writing to express my concern at the increases that have taken place with the building cover on our townhouse complex in Townsville and where it's going to lead us.

We have a small complex of 6 x two storey townhouses and as far as I know one is owner occupied and five are rented out and the complex is approx 17 yrs old and constructed of concrete block and conforms to Townsville's cyclone rating requirements.

Some Facts

* Building Insurance Premium	August 2008	\$ 2,127
	August 2019	\$ 2,210
	August 2010	\$ 4,595
	August 2011	\$ 10,477

- * Insurance now costs each property owner 12% of the annual rental return
Coupled with the Body Corp costs totals 37% of the annual rental return
Add in the council & water rates totals 54% of the annual rental return

* Our property was not damaged in the recent cyclone, is not in a flood prone area, is outside the council's recent Tsunami & King Tide warning area and we have not had a building insurance claim for at least the last 5 years.

The Sad Part

- We have been struggling to get our owners to pay their Body Corp Fees on time as it is and some are paying them off as and when they can. This will get worse.
- Insurance, Body Corp Fees, Council/Water Rates now total a massive \$7,560 p.a. per townhouse leaving a rental return of 3% assuming property is owned unencumbered.
- Any associated borrowing cost on each property would reduce the return even further.

Where do we go from here?

- * Shop around for a better deal?

Anna Bligh had advised in recent media that we should 'shop around for a better deal from insurers'. At the recent Insurance Strata Forum in Townsville we were informed that there is only one strata insurer left that insures in North Queensland, so that won't help us

- * Sell the property?

We could try selling our properties and getting out now. No, that won't work as you have to tell an investor or potential buyer that their expenses before borrowing costs are 54% of any potential rental return, without considering any borrowing costs! End result would be a substantial drop in sale price if anyone was even interested in buying a unit/townhouse compared to buying a stand alone house.

- * Raise the rent to cover the costs?

In reality what tenants would want to pay an extra \$50 per week when they can rent a new house a few suburbs away for the same rent.

- * Let our insurance lapse?

Apparently illegal to not insure when in a Body Corporate.

End Result

- * We are stuck with properties that can't be sold for any sort of profit as they would be a bad investment for any investor or we have to take a loss on what we paid for them initially.
- * Keep putting up with this mess until something is done about it.

I trust this information will demonstrate what affect the hike in premiums is doing to the average unit block in Townsville and hope you can do something about the situation to save our investments.

Kind Regards,

Ross Barlow
Chairman of the Body Corporate

