

# AVI

AUSTRALIAN VALUERS INSTITUTE

# The Valuers' Newsletter

November 2008

## INSTITUTE CERTIFICATES

The Australian Valuers Institute has a commitment to the ongoing advancement of our members and the recognition of excellence in your field. With this in mind, we wish to ensure that your academic achievements along with your professional experience and competence are recognised. As such, we introduced a further level of membership to existing 'Associate' and 'Fellow' memberships that incorporates the title of CPV into your professional qualifications. The Institute also issues a Certified Practising Valuer Certificate to members who make application. Some members may not be aware that the Institute also issues a yearly Continuing Professional Development Certificate to members who make application.

The Institutes website is in the process of being redesigned and updated and these applications will be available on the website. During this website update, the application forms can be obtained from the secretary of the AVI if you require.

Some corporate clients or professional indemnity insurers request a copy of the ongoing professional development certificate to know that valuers are part of a continuing professional development programme. Some clients prefer valuers who have a Certified Practising Valuer (CPV) classification. These certificates are printed in an A4 format for framing, should the member choose to display this certificate with other certificates.

### CPV Certified Practising Valuer

Within the Institute, a CPV is recognised as a professional Valuer who is of good character and repute, who satisfies the educational requirements of the relevant state licensing authority and has the appropriate level of professional experience to meet the standards associated with this title. Member valuers seeking CPV accreditation and certificate must be a current practicing registered Valuer with a minimum of 3 years experience.

### CPD Continuing Professional Development

A minimum 20 hours of structured industry

related professional development and 20 hours of non structured industry related professional development (e.g. reading, listening to recordings and networking) is required to comply with Institutes CPD criteria.

CPD certificates can be sent to members electronically at no charge. As with all Institute fees, the cost of \$35.00 for each certificate covers the cost of processing. If you would like to make application, the Institute processes all applications on a monthly basis when the board meets.

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*Below is an extract from the Heron Todd White 'Month in Review' article for October 2008 from the 'Residential Market Overview' section. To view the full edition please visit; [www.htw.com.au](http://www.htw.com.au), you may also subscribe for free online to the 'Month in Review' through the Herron Todd White website.*

## RESIDENTIAL OVERVIEW

Statistics are an effective and important tool for those gauging the market. They help take the emotion out of the individual transaction and define a line of progress in property's capital values. That said they cannot be relied upon in isolation. To get the best out of the crunched data, it is best to interpret the figures with some real life experience under the belt.

This month we are pleased to be able to provide

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## Have Your Say

We are always seeking new material for inclusion in the newsletter. All submissions for the newsletter will be considered and could include a technical paper on a pertinent property issue, an experience that you would like to share with the membership or even a funny story that we all may relate to. Any time spent in preparing articles will count towards CPD points.

Submissions should be forwarded to Therese Hockings by e-mail to [scubafairy@gmail.com](mailto:scubafairy@gmail.com)



a marriage of numeric results and daily anecdotal research to help explain the state of today's residential market. To highlight points in the discussion we have also provided a few examples of re-sales within our service areas. These components combine to provide a well positioned take on the performance of the residential real estate market across Australia.

### Sydney

As mentioned in previous issues, Sydney's western suburbs continue to struggle due to various factors within the market. Some recent re-sales noted by our office in the suburb of Liverpool have provided hard evidence on the trend.

A two bedroom, two bathroom unit in a multi-storey development on Bathurst Street Liverpool, was purchased on the 30th of August 2006 for \$356,000 and was recently re-sold for \$300,000. This shows a 15% decrease in value in just over a year. This re-sale and other examples noted in Sydney's west paint a picture of what is occurring with the weakening market conditions being experienced. It also shows a trend toward investors purchasing units brand new off the development plan without analysing how the values will hold up in an established area.



A recent re-sale from a development in Liverpool Shows a 15% decrease in value.

Another area showing weakening market conditions in the unit sector is Homebush West. With an oversupply of units and a weak market, re-sale evidence shows declining values. Because owners are being forced to sell due to high interest rates and decreasing affordability, they are not able to choose to wait and sell in a more positive market. Recently, a two bedroom, two bathroom residential unit in Courallie Avenue Homebush Bay, was sold for \$312,000 after it had been purchased in June 2007 for \$350,000 illustrating a decrease of 10.9%. This type of resale is not a one off occurrence with more and more decreasing re-sales being witnessed.

Suburbs within Sydney's inner geographical area have continued to remain fairly resilient with market conditions generally being described as steady. There has certainly been a drop in the number of sales occurring but for the most part values are holding. The following is an example of steady values with two sales in Sydney's inner-south suburb of Kingsford. Two identical 1920's, single storey, freestanding residences located side by side, sold within a year. Both were in similar condition with identical allotments. The first sold in June 2007 for \$1.176M with the neighboring property selling in March of this year for \$1.231M. Although this is not an example of the same address being re-sold, it does show that over the past year values have continued to remain strong and have not shown the decreased values evident in the outer Sydney markets.

The majority of suburbs in the Sydney region have experienced increased rentals and very low vacancy rates. It was written in the news this week that Sydney leasing agents are complaining of what is called 'rental rage'. A number of agents have been attacked after having denied giving out applications to prospective tenants due to the property renting immediately to somebody else. This goes to show how tight the rental market has become. This is evident across all Sydney suburbs and is displayed in the table following:

## SYDNEY MEDIAN RENTAL PRICES

Sydney		Median rent/week	Change over quarter %	Change over year %
Sydney Inner	2 bed	510	8.8	15.1
	3 bed	638	6.3	18.1
Sydney Middle	2 bed	350	2.9	16.7
	3 bed	410	2.5	13.9
Sydney Outer	2 bed	250	4.2	13.6
	3 bed	300	3.4	13.2

Source Data: REIA Mortgage Choice, Real estate market facts

Sydney's western suburbs have been hit extra hard with property values decreasing and rentals increasing. Investors are making the most of the tight rental market by being able to purchase reduced value property and then increasing rents for a very strong yield. We look forward to seeing the effect current economic conditions will have on both rentals and property values in the weeks ahead.

## INDUSTRIAL RENTS ON THE RISE IN SOUTH SYDNEY DESPITE WEAKER ECONOMIC CONDITIONS

**Sydney, NSW (30th September 2008)**

**P R E S S R E L E A S E**

**CB Richard Ellis Pty Ltd**

**www.cbre.com.au**

**FOR IMMEDIATE RELEASE 3/4 30 September 2008**

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Achieving rent growth has been the Holy Grail for many South Sydney landlords in recent times, as they compete against cheaper alternatives in the west and deal with the impact increased land tax has on gross rentals.

But a shift is occurring according to new CB Richard Ellis research, which shows that midsized properties in South Sydney are recording rental growth for the first time in years, despite the current economic climate.

CBRE Industrial & Logistics Services Manager Michael Bovill said a series of recent mid-sized lease deals between 1,000 square metres and 5,000 square metres had highlighted rental growth in key South Sydney markets such as Botany and Alexandria.

"Rents have been kept down over the last three years due to a number of influences including cheaper alternatives out west and a strong owner occupier market in South Sydney increasing the value of land which has pushed up land tax and therefore outgoings," Mr Bovill said.

"Now, with the ever increasing cost of fuel and increased freight costs, midsized tenants who can move back to South Sydney relatively easily are shifting back. "

At the same time, Mr Bovill said the current economic climate was leading an increasing number of companies to shift from purchasing to leasing in order to ride out the uncertain times.

"As company's shift back to leasing, it's the old story of supply and demand which is leading to increased rentals."

Rental hikes were already evident across a number of major South Sydney estates owned by groups such as Develco, Goodman, Arcadia, BlackRock and ING.

At Develco's 44-48 O'Dea Avenue facility units six and seven (2,009 square metres in total) had been rented in early 2006 for \$160 a square metre net. Develco was now asking - and expected to achieve \$179 a square metre for unit four in the estate which comprises a lettable area of 1,100 square metres.

Goodman is expecting similar growth at its Alexandria Industrial Estate. While units at the 35-39 Bourke Road estate were last year achieving rates of \$125 a square metre, asking rents have now increased to between \$130 a square metre and \$150 a square metre.

The ability to achieve these increased rents has been borne out by Arcadia at its City Close Estate in Alexandria. While rents in the O'Riordan Street estate were last year averaging around \$140 a square metre net, Mr Bovill said a 1,230 square metre unit had been leased by him last month for \$160 a square metre net.

While units in the Maddox Street estate were last year leased for \$140 a square metre, BlackRock is now seeking \$170 a square metre for one available unit.

Mr Bovill said ING was also achieving rent growth at PortAir at Botany and Harcourt Estates at Rosebery in South Sydney.

At PortAir, ING last year leased a unit to Harvey International for \$120 per square metre net - \$10 a square metre less than the rent achieved last month on a lease to Business Print Australia negotiated by Michael Bovill.

Even higher rates of \$165 a square metre were being sought for ING's Harcourt Estate on Botany Road, Rosebery.

Further upward pressure is expected on South Sydney rents as a result of falling supply and the constant demand for space in this location.

CBRE's latest Industrial Market View report shows that land in the South continues to be the most expensive in Sydney as a result of the scarcity of stock combined with the area's proximity to local and international transport systems.

These factors are expected to continue to be the biggest positive drivers of rents in the South. Increased tenant activity will also drive rent increases with a considerable pick up in leasing activity in the 1,000 square metre to 5,000 square metre range.

Mr Bovill said deals he had recently negotiated included a 1,135 square metre lease to RPO Pty Ltd at 1/444 Gardeners Road, Alexandria (\$147 a square metre net); a 1,035 square metre lease to Actrol at 1/100 O'Riordan Street, Alexandria (\$145 a square metre net); a 2,700 square metre lease to M2000 Car Rental at 200 O'Riordan Street, Mascot (\$110 a square metre net); a 1,230 square metre lease to Display & Storage at 1/37 O'Riordan Street, Alexandria (\$160 a square metre net); a 4,729 square metre lease to Business Print Australia at 6A & 6B/1A Hale Street, Botany (\$130 a square metre net) and a 1,046 square metre lease to Cosmax at 19-21/61-71 Beauchamp Road (\$145 a square metre gross).

Other deals negotiated through CBRE included the lease to MCM House of 1,370 square metres of space at 2-14 Amelia Street, Waterloo (\$95 a square metre net); the 5,170 square metre lease to Napoleon Perdus of 90 Euston Road, Alexandria (\$163 a square metre net) and the 2,288 square metre lease to JMI Aerospace of 5/1801 Botany Road, Banksmeadow (\$135 a square metre net).

## GROWING POPULATION, SLOWING ACTIVITY

*By Ernest Chan, ninemsn  
October 1 2008*

**According to the HIA, a general weakness in leading housing indicators is persisting into the second half of 2008, with building approval figures confirming a continuing downward trend over the last nine months.**

HIA chief economist Harley Dale said that the situation is concerning given that the record population growth (from immigration) is met by declining building activity.

"Falling building activity will put even further pressure on Australia's private rental market," Mr Dale said.

"Unless building activity increases to meet rising demand get ready for 15% plus growth in private rents and a growth in the number on public housing waiting lists (current at 170,000)."

On a seasonally adjusted basis, total building approvals decreased by 3.7% in August to be down by 8.6% on the same month last year.

The number of detached house approvals fell by 1.7% whilst approvals for the multi-unit sector slid by 7.8%.

"Unfortunately this update does nothing to change a weak profile for new home building activity," Mr Dale said.

"The overall signal from all leading indicators of housing is that new residential construction activity will be weak well into 2009."

On a state by state basis the number of seasonally adjusted building approvals in August decreased by 8.5% in New South Wales, 7.9% in Victoria, 1.9% in South Australia and by 28.2% in Tasmania.

Building approvals increased by 6.2% in Queensland and by 2.3% in Western Australia.

The trend number of building approvals was down by 16.7% in the Northern Territory but increased by 2% in the Australian Capital Territory.

## STRATA CHANGES TAKE EFFECT, 1ST AUGUST 2008

By Colin Biggers and Paisley

Recent amendments to the *Strata Schemes Management Act 1996* are due to come into effect on 1 August 2008. The major changes are as follows:

1. Developers of strata lots will **no longer be able to use the contract of sale to obtain a proxy voting appointment from purchasers**. Any contractual provision obliging a purchaser to make such an appointment will be unenforceable. Existing proxies will only be valid for their current term, not any renewal or extension.
2. Any person "connected" with the developer or caretaker is ineligible to be appointed to the executive committee unless they disclose their connection beforehand. Relevantly connected people include family, employers, employees and executives of developer companies.
3. **By-laws** relating to exclusive **parking rights** on common property can no longer be made during the initial period (the period when the developer still owns property comprising more than two thirds of the scheme's unit entitlements).
4. **Caretakers** can no longer avoid the Act's regulation of caretaker contracts by calling themselves "building managers", "residential managers" or any other title.
5. Lot owners will also have express rights under the *Home Building Act 1989* to notify the Office of Fair Trading about a **building dispute relating to common property**. The owners corporation is obliged to cooperate with any inspector from the OFT who seeks access in relation to such a notification.

The amendments will have implications well beyond those summarised here. For more information or assistance contact the Property and Development Group at CBP. Please find a more detailed article at **Changes to Strata Schemes Management Act**.

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## STAMP-DUTY LOBBYING BEGINS

Date: September 10, 2008

Publication: Sydney Morning Herald



The State Government's mini-budget due in November is expected to address the steep fall in stamp duty revenues from property transactions in the residential and commercial property sectors.

The property industry estimates it costs up to \$120,000 more to buy a house and land package in suburban Sydney than to buy an equivalent property in Melbourne, due to the higher level of taxes and levies.

"In better times these problems haven't been resolved, so it is hard to expect much progress now," a Housing Industry Association economist, Harley Dale, said. "A new home built in NSW remains heavily taxed when compared with other states. In addition, you have the continuing problem of planning delays, which increases holding costs and other business costs."

The focus of the cuts in the mini-budget is expected to be on capital projects, while recurrent outlays are kept in balance.

The property industry says it is at the centre of the storm engulfing the State Government's finances. It says cutting stamp duties would stimulate the economy, adding to Government coffers in other areas.

Ken Morrison, from the Property Council of NSW, said an increase in demand for new houses would spark spending on home fittings, furniture and white goods, which would have a positive effect on the state's economy. To avoid cuts to capital works spending, the Government should look to the private sector for funding, through public-private partnerships.

While unpopular in the wake of the Cross City Tunnel, such partnerships had worked in areas such as education and also increasingly, in

public housing.

"You could find savings in the form of [alternative] ways to fund infrastructure," Nigel Blunden, of the NSW Business Chamber, said.

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## HOME BUILDING PRICES UP AND AWAY

**Author: Eli Greenblat and Natalie Craig**

**Date: September 11, 2008**

**Publication: The Age**

For a new house worth \$250,000, price increases for steel — one of the key materials — and other metals added 0.67%, or \$1678, to construction costs.

HIA Victorian director Robert Harding said builders were already bracing for another round of increases, but there was "no way around" using steel in a new house and consumers were wearing the added costs.

"On the (construction) price aspect there's not much joy that we can offer," he said.

"Commodity goods are in high demand throughout the world and Australia is no exception. We're also seeing surcharges added for fuel, and the fact that our dollar has dipped against the U.S. dollar doesn't help."

Hot competition for materials and labour has put a rocket under construction prices since the start of the year. A note sent recently to industry players from OneSteel warned that steel prices would most likely rise in the second half of this year.

Steel prices have already risen more than 60% since January. In August, there was about a \$200 a tonne increase in the price of specialty steel used in concrete structures, which includes columns, slabs and walls.

The global rally in oil has helped generate a 72% lift in the cost of plastic. Materials make up half the total cost of residential construction, with labour accounting for the rest.

Building unions are in the midst of enterprise bargaining agreement negotiations, and experts believe wages will probably increase between 3.5% and 4% nationally.

Rider Levett Bucknall national director Mark Lochran said this would help soften the impact of double-digit bounces in the cost of materials,

but the forces of demand and supply could push up prices beyond that base.

"The underlying cost increases, including materials and labour, could be 4% to 5% per annum but when the market comes on board and people put up their margins, that is where 5% can become a larger number for subcontractors," he said.

He said subcontractors would then pass the higher margins on to the head contractor and the cost would flow to consumers. But some commercial contractors were shrinking margins and tender prices to buy business and fatten their long-term pipeline of work.

Mr Harding said government must step in to offset these increases for house buyers by reducing planning delays and cutting taxes, particularly stamp duty.

He said Victoria was falling behind the other eastern states in stamp duty relief.

Queensland this week abolished the land transfer duty for first-home buyers on properties worth less than \$500,000. Victorian first-home buyers are entitled to concessions but still face duty of about 5% of the purchase price.

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## SUSTAINABILITY BEGINS AT HOME

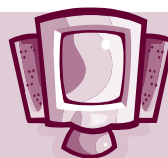
**Date: September 10, 2008**

**Publication: Sydney Morning Herald**

When Joanne Mourney started researching how to improve her home using green principles, she contacted every kitchen renovation business on the lower North Shore but was

**AVI website**

**[www.valuersinstitute.com.au](http://www.valuersinstitute.com.au)**



Please advise the Institute if you have recently changed your email address.

Please e-mail the Institute to confirm we have your correct email address.

Send your details to Marelle at the AVI on: [avi@melrosepartners.com.au](mailto:avi@melrosepartners.com.au)

unable to get help. One woman responded: "I have never been asked that question."

But three years is a long time in sustainability and people embarking on the same journey today should find information more readily available.



To help show the way, the Mournays' house in Northbridge, along with about 100 other homes Australia-wide, will be open to the public this weekend for Sustainable House Day.

Surveys show four out of five Australians are concerned about the environment, yet many people do not know where to start. The answer, however, could be close to home.

Residential and commercial buildings are a large consumer of energy; use in buildings accounts for 23 per cent of Australia's greenhouse gas emissions, according to a report released by the Australian Sustainable Built Environment Council's Climate Change Task Group last year.

In 2006 it took three months of research before Mournay stumbled across the website of the renowned green architect David Baggs, who advised her on sustainable products for her kitchen as well as for the floor. The family has been able to halve energy consumption.

"We were surprised at the effect of being more efficient and how easy it was," Mournay says.

Two energy guzzlers - the under-floor heating in two bathrooms and the second fridge - have been switched off. Other improvements include a skylight, insulation in the roof and replacing warped glass sliding doors, using glass with enhanced insulation properties.

The Mournays also installed two 3000-litre rainwater tanks which supply water for the toilets, showers and laundry.

A grid-connected solar system generates excess electricity in the warmer months - including the energy needed to charge an electric motorbike for the 10-minute ride to work. But in winter, two large trees, an unhelpful aspect and heating needs have prevented complete self-sufficiency for the

family of four. However, the Mournays plan a few more energy-efficiency measures.

The revamp has not come cheap but the Mournays had some savings when Russell Mournay resigned from his position as a Macquarie Bank director and joined Solar Shop Australia, then in Adelaide. Fortunately, some green options are not expensive - such as the relatively eco-friendly laminate in the Mournays' kitchen. And some improvements can be easy - like turning off appliances at the switch.

Mournay says that because the green industry is young, people should beware of shonky installers or people touting products that come from an unreliable supplier.

For people building their own home, it is important to find a block that runs east-west so the living areas benefit from northern sunlight, says Wayne Lever, who consults on sustainable practices: "That's the critical design feature of any sustainable home." Lever's purpose-built, five-star NatHERS-rated home in Glenhaven features 100 sustainable design and building principles. These range from an internal double-brick wall which acts as a thermal mass, to use of natural paints, solar hot water, pelmets to retain heat, reversible ceiling fans, recycled tiles and doormats made from tyres. Outside, Lever keeps the lawn trim using an Enviromower, which is powered by rechargeable batteries.

As well as ample natural lighting, Lever says a big advantage of the clever design is that the house is 20 degrees inside in winter and in summer the temperature does not get above 26 degrees, so air conditioning and heating are never used.

When Lever and his wife, Avril, started looking into building their sustainable home, the approach was somewhat revolutionary. But they could have built even more sustainably using products on the market today.

Lever says they generally paid 5 to 10 per cent more for the green products but today it should be cheaper. And for all things sustainable, Lever consults his green "bible": Green Pages.

"Every product that's out there on the marketplace is now available in a sustainable product," Lever says.

The Levers' house will be open on Saturday. Information on open homes can be found at <http://www.sustainablehouseday.com> or by phoning 0410 362 509.



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AUSTRALIAN VALUERS INSTITUTE

## INSTITUTES PROGRESS

### By Chairman— David Viarella

This year the Institute celebrates 70 years of service to the property valuation industry. Our continual Risk Management Plans, Code of Ethics & practice requirements, Quality Assurance & yearly audit makes sure our valuers are maintaining their continuing professional development. Very rarely is it necessary for our Complaints and Disciplinary Committee to be involved with an issue.

A number of our valuers have advised that there appears to be a greater marketing of other related institutional bodies, rather than the AVI, in order to be allowed to be on the valuation panel of various lending institutions. Whilst this may have been the result over the last few years, we would like to reaffirm our relationship with the major Mortgage Insurers and the Lending Institutions to confirm our Institute's industry acceptability and role to play in the valuation industry which we have done for 70 years.

**Life should always be about choice and property Valuers should always have a number of alternatives when it comes to being part of an industry body. Industry bodies like the AVI, API, REI and RICS serve the industry in this regard. Valuers should never be controlled by one property institution.**

In my 20 year career in valuation I have seen many instances where it is very important not to be controlled by one industry body and I believe all long serving valuers would agree. We have an important role to play and your support of the AVI will ensure we continue to provide this industry support and representation. The AVI has always remained as an Institute for property Valuers and will continue to do so.

Our Institute was originally called the Institute of Building Society Valuers and as the membership grew we became the Institute of Consulting Mortgage Valuers. We believed that there was a real need to solely serve the best interests of property valuers in NSW. With requests from the other states to take the Institute national we

changed our name to the Australian Valuation Institute and after 12 months of preparation we are moving forward to hopefully take the Institute national next year.

In considering the decision for the Institute to go National we determined: -

- Valuers have specific practising requirements, government regulations and Acts that govern this industry. The AVI maintained its core responsibility to solely represent the best interests of valuers;
- Valuers are constantly faced with industry issues and change that requires focused representation solely on valuation issues. All education bodies that provide qualifications for valuers to practice need an industry body that will recognise, accept and understand the changing face of the valuation industry, the demand for valuers and their ability to practice;
- There is a demand for a property valuation body that solely represents the best interests of property valuers and their employers Australia wide;
- There is a demand for a valuation body that provides high professional standards through our existing relationship with the Professional Standards Council through the provision limited liability protection for property valuers and
- Representing the valuation industry nationally, we can achieve greater recognition with major valuation providers, mortgage insurers and key valuation stakeholders who request valuation services and this will allow a greater valuation industry focus.

If we believe in the above, I would ask that you support the Institute that serves you and forward the details of our Institute to other valuers for membership consideration.

The Board and I take this opportunity to wish all our members and their families a safe festive season.

**David Viarella**

This newsletter is general in nature and should not be taken as being definitive statements on the subjects covered. Readers should seek professional advice before acting on any of the contents.