

March 2010

## RentCover Report – we’ve got you covered

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Welcome to the March edition of *RentCover Report*.

As was widely expected, the Reserve Bank of Australia raised official interest rates by 0.25% to 4.0% at its March 2010 meeting.

Although its news that most Australian households will not welcome, the Bank’s actions are a result of strengthening conditions in the Australian economy – something we should all welcome.

According to Reserve Bank Governor Glenn Stevens, economic conditions in 2009 were stronger than expected and this growth is expected to continue throughout this year, with unemployment likely to drop and lenders expected to relax lending conditions to borrowers



With improving conditions, many of us are starting to look at investment opportunities. Property remains a highly attractive option for investors but in a sobering insight, in this month’s edition we look at alarming statistics of the rate of damage to our homes and what can be done to prevent it happening to you.

We also look at suggested changes to laws governing holiday homes in WA and plans that could see individual apartment owners forced to sell their units to a developer if three-quarters of the other owners in their building want to do so.

I hope you enjoy this edition of *RentCover Report* and look forward to updating you again next month!

**Sharon Fox-Slater**  
General Manager, RentCover

## What's making news around the country...

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### **Western Australia**

A recent survey on property ownership in Western Australia has found that 77% of people aged 18 to 30 are concerned about getting into debt when buying their first home and close to 50% of those not currently buying did not see themselves doing so in the next five years.



### **Queensland**

Debate is continuing in Queensland about the State Government's proposed legislation that will change the way land tax is calculated. Full-page advertisements have been placed in Brisbane's Courier Mail criticising the changes and calling on the Government to rethink its proposal.

### **New South Wales**

According to the Real Estate Institute of New South Wales, rental vacancy rates in Sydney and Newcastle improved significantly in January 2010 with the rental vacancy rate in Sydney increasing 0.4% to 1.7% whilst in Newcastle the vacancy rate jumped 1.6% to 3.4%.

### **Victoria**

And in Victoria, where the State Government and Opposition are divided on proposed changes to planning laws, the Property Council of Australia's Victorian Executive Director, Jennifer Cunich, has urged the Government to establish a single planning authority to bring certainty back into the planning scheme.

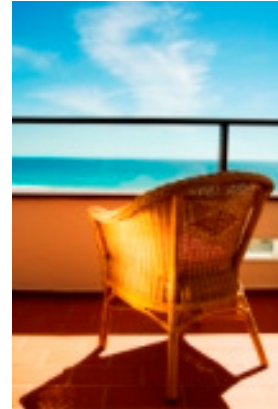
## New fee plan for holiday homes

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The idyllic South Western towns of Busselton and Dunsborough are holiday havens for many Australians looking for a relaxing break but changes to holiday home rules could be about to upset the peace.

In February 2010, the Busselton Shire Council agreed to consult with the community on proposed changes to introduce new rules and regulations that would govern the holiday home market in the popular region south of Perth.

The proposed new rules include annual registration and inspections, zoning restrictions and the establishment of basic management standards aimed at ensuring tenant safety and minimal disruption to local residents.<sup>1</sup>



The changes come after Western Australian Planning Minister John Day instructed local councils to establish approved holiday home registers last year in an attempt to promote voluntary accreditation of such properties.

At the time, Minister Day said the new planning guidelines would provide greater certainty for the local government and the growing holiday home sector and “had been developed in response to the growing number of holiday homes - particularly in popular tourism destinations - over the past decade.”<sup>2</sup>

However critics of the new changes say that it will see holiday home owners forced to pay annual fees, register with their local council and be on call 24-hours a day to renters of their homes.

RentCover General Manager Sharon Fox-Slater said any changes to planning guidelines relating to holiday homes should safeguard the interests of homeowners.

“Holiday homes often represent a significant investment for their owners and many place great importance on the rental income they generate,” Ms Fox-Slater said.

“While it is important to regulate the holiday home market, we need to preserve the interests of owners to ensure current property owners are not forced from the market and future operators are not discouraged from joining it.”

The Shire of Busselton will shortly open a public consultation process on the proposed new guidelines which will provide owners a chance to voice their opinion about the new changes.

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<sup>1</sup> The Shire of Busselton, Proposed Amendment to Holiday Home Management - 26 February, 2010.

<sup>2</sup> Minister John Day, New guidelines provide certainty for growing holiday homes sector, 10 September, 2009.

## Alarming rate of household property damage

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As the classic Australian film *The Castle* told us, a man's home is his castle, but it seems our homes are increasingly coming under attack.

According to new research from the Australian Bureau of Statistics, Australian households experienced approximately 1.6 million incidents of malicious property damage in the last 12 months.

The ABS *Crime Victimization Survey* asked people aged 15 and above whether they experienced a crime for a selected range of personal and household offences (physical assault, threatened assault, robbery, break-in, attempted break-in, motor vehicle theft, theft from a motor vehicle, malicious property damage and other theft).



And the results were alarming.

Of Australia's 8.2 million households, it is estimated that in the 12 months prior to survey:

- 267,800 households were victims of at least one break-in to their home, garage or shed;
- 251,300 households were victims of at least one attempted break-in to their home, garage or shed;
- 91,000 households had at least one motor vehicle stolen;
- 369,200 households were victims of at least one theft from a motor vehicle; and
- 912,500 households were victims of at least one incident of malicious property damage.<sup>3</sup>

Behind these numbers of course is a story of loss and often heartbreak. That is why EBM Insurance Brokers developed RentCover which provides comprehensive yet affordable protection for landlords.

RentCover's range of products can help landlords recover from damage sustained to their properties but also assist them recover any loss of rent incurred due to the damage.

Where many policies are limited in the type of damage they will cover to a landlord's contents, RentCover pays valid claims for both accidental and malicious damage, as well as the associated loss of rent.

Importantly, with RentCover there is also no excess on loss of rent claims whereas many policies have excesses up to the equivalent of four weeks rent.

For more information about the RentCover range including RentCover*Ultra* and RentCover*Platinum*, call 1800 661 662 or visit [www.rentcover.com.au](http://www.rentcover.com.au).

### **Breakout: Tips to securing your home**

Here are some simple ways you can help secure your home or rental property:

1. Install security lighting, particularly in outdoor areas. These can act as a visual deterrent to would-be thieves.
2. Fit strong and reliable locks to all external doors and windows. Investing in good-quality locks could save you a fortune.
3. Always keep keys and security codes out of sight and in a safe place when not in use.
4. Consider electronic tag protection, such as micro dots which can help identify your property if it's been stolen.
5. Never leave a spare key in an obvious place such as under the doormat, - thieves know to look there first!

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<sup>3</sup> Australian Bureau of Statistics, over a million cases of household property damage: 18/02/2010.

## Majority rules under new strata plans

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Under a new proposal put forward by the Australian Property Council, individual apartment owners could be forced to sell their units to a developer if three-quarters of the other owners in their building want to do so.

Put forward in January 2010, the New South Wales Division of the Australian Property Council says the new changes would address a power imbalance in current strata title laws that it says give too much power to individual owners.

The PCA say the new rules would prevent one owner from blocking redevelopment even if every other owner wants to take up the redevelopment.



Releasing its position on the issue, NSW Acting Executive Director Glenn Byres said without such reform, the State's rental market risks "... being caught in a strata title straightjacket."<sup>4</sup>

"Approval is needed from effectively 100% of owners to dissolve a strata scheme, making it virtually impossible to achieve change and renewal. We need a simpler and fairer system that will allow ageing buildings to be replaced with new housing and office stock that meets the demands of our growing population.

"The centrepiece of any reform needs to be movement on the threshold for terminating strata schemes. Instead of just one person stalling sensible transformation, the threshold needs to be changed so that renewal can proceed if no more than 25% disagree."<sup>5</sup>

Within its policy paper, the PCA proposes a range of measures to 'safeguard' the rights of owners. These include:

- independent valuations for owners not wanting to participate in the redevelopment; and
- the establishment of a strata schemes commissioner to oversee the process.

While the issue is gaining much currency in New South Wales, individual state governments would be required to adopt such changes into existing legislation. It remains to be seen how much traction the issue gets around the country.



All enquiries: 1800 661 662 | [admin@rentcover.com.au](mailto:admin@rentcover.com.au) | [www.rentcover.com.au](http://www.rentcover.com.au)  
Sydney | Melbourne | Brisbane | Perth | Gold Coast | Bunbury | Kalgoorlie | Geraldton | Margaret River  
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<sup>4</sup> Property Council of Australia, Strata title renewal essential for Sydney's growth, 16 Jan 2010.

<sup>5</sup> Property Council of Australia, Strata title renewal essential for Sydney's growth, 16 Jan 2010.