

Owners take

Home truths
Ask the REIV
Delay on rates hit

HOW long does it take for a rate increase to have an impact on the market?
The earliest the REIV expects to see any substantial effect from the latest interest-rate increase is a month to a month and a half.

This is because there is generally a gap between a change in economic conditions and its direct impact on the property market.

The reason for this is simple. From a vendor's perspective it takes four to six weeks to market and sell a property, and from a purchaser's perspective it can take one to six months to buy and sometimes longer as owner/occupiers search for their ideal house.

Three months after the May rate increase, the general perception is that it has not had an impact on sales activity or prices. It also appears that the income-tax cuts last month largely negated the effects of this increase.

The perception that the market is firm and that prices are generally appreciating was confirmed by the REIV June quarterly medians, the auction clearance rates and in the Reserve Bank's latest statement on monetary policy.

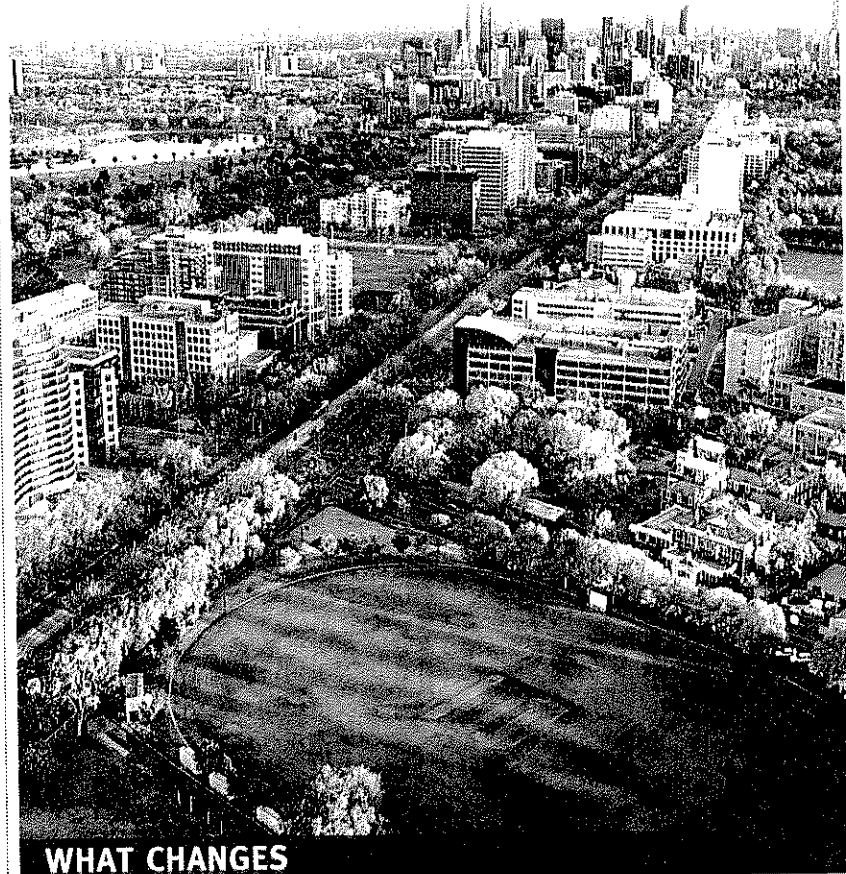
This strength is apparent when you look at two fundamental indicators. The clearance rate of properties sold as a result of an auction is 71 per cent this year compared with 65 per cent this time last year, and the level of transactions in the market is the same.

With this in mind, I expect the earliest we'll see the impact of the latest rise will be the start of the spring selling season.

I also expect the effect will be more apparent with first-home buyers and in the more affordable end of the market.

REIV chief executive
ENZO RAIMONDO

REIV
Email your property question to realestate@heraldsun.com.au or post it to Real estate, PO Box 14999, Melbourne, Vic 8001



WHAT CHANGES

BODY corporates become owners' corporations.
OWNERS' role and responsibilities clearly set out.
ROLE and powers of committee defined.
RULES for meeting conduct and voter eligibility.
RECORD-KEEPING standards laid down.
REGISTER of owners available for inspection, free of charge, to existing and new owners.

A MAINTENANCE plan and fund (known as a sinking fund) may be established.
A THREE-TIER dispute-resolution procedure spelled out, starting with talks between the affected owners, followed by mediation or conciliation through Consumer Affairs. If the problem is still not resolved, referral to the Victorian Civil and Administrative Tribunal (VCAT).

Body-corporate legislation has been updated, writes Anna Kurnuszko, but some say it is an example of heavy-handed bureaucracy

BODY corporate. Two words sure to strike fear into the hearts of many people who live in or own an apartment.

Perhaps it's just the long meetings. Maybe it's an expensive paint job demanded by an affluent owner, or even the discovery of a secretly kept cat or dog.

With the shift to medium-density and apartment housing in the past 10 years, a swag of new problems has emerged in the world of bodies corporate.

To manage problems and reduce disputes, the State Government is introducing changes to the legislation, starting with the name.

Under the changes, the body corporate will become the owners' corporation, or OC.

The body corporate oversees the operation of and rules for living in apartments, flats and units as well as the often bitterly contested use of common grounds.

In many cases, BCs are managed by full-time managers, though some are still run by residents.

Until now, the legislation overseeing bodies corporate has been the Subdivision Act 1988 and the Subdivision (Body Corporate) regulations 2001.

But this has been outpaced by the increased number of large developments, such as the 500-apartment projects at Eureka Tower and Freshwater Place, and the expensive maintenance they require.

In 2003, then Consumer Affairs Minister John Lenders announced a review of body-corporate law.

The present minister, Marsha Thomson, says new legislation was needed because the body-corporate landscape had changed.

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New landscape: Marsha Thomson.

Under the legislation, there will be three tiers of obligations, depending on how big a project the OC will govern.

At the bottom of the scale, two-lot subdivisions will be exempt from the more onerous duties.

The biggest OCs will have to prepare maintenance plans, have a sinking fund to pay for maintenance, prepare audited financial statements and have the building valued for insurance purposes every five years.

"We believe the legislation is a light-handed approach and we are not trying to over-regulate the industry but trying to get the right balance," Thomson says.

"We are actually going to help body-corporate members make sure they have the proper rules and practices in place — who is responsible for what, template agendas — and we are hoping we will cut down disputes.

"We will try to help them by giving them a mechanism and methodology to resolve their own disputes.

"The second stage is to get some conciliation to help them work through the problem using a cheaper process, and then they can go to VCAT if necessary."

Julie Van Dort, an expert on body-corporate law and member of the Property Law Committee of the Law Institute, doesn't believe the aims of the legislation have been achieved.

Van Dort says the aim was to help multiple owners manage their

THE NUMBERS

ABOUT 65,000 bodies corporate are in Victoria, covering nearly 485,000 units.

THE number is increasing at 2000 each year.

ABOUT 95 per cent cover fewer than 20 units.

ONE per cent, or 650, cover more than 100 units.

IN 1988, 200,000 people were in bodies corporate. Now there are more than a million.

property, minimise disputes and make things as efficient as possible to reduce costs to the community.

But what has been created is a compliance regimen, she says.

"I am concerned about the day-to-day running of the body corporate, and the way the committees operate has become overly complex," she says.

"And if you do fall over on a technicality it will be an invalid meeting and that is not what it should be."

Van Dort thinks the legislation is too onerous for the smaller bodies corporate and will discourage people from becoming involved.

"Now there will have to be a register and the secretary of the committee will have to keep the minutes and make them available."

In some situations, the new laws may create difficulties.

"If a third party is damaging your property, the body corporate can't take legal action against them because it requires a 75 per cent vote before any action can be taken."

She says a 75 per cent vote is almost impossible to get, and having to give 14 days' notice of a meeting is too long in an emergency.

"I think Consumer Affairs should focus on training independent facilitators to go out and assist or train bodies corporate and provide guidance to committees on how they should function," Van Dort says.

"The legislation has added another layer of bureaucracy."



BATTLE LINES DRAWN

Residents raging at Hinch, Hunt

THE new wave of apartments in the city and inner suburbs have brought with them a new round of high-profile disputes.

Last year, residents in Derryn Hinch's apartment tower complained about his smoky barbecue.

The body corporate at one of the Beacon Cove apartment buildings is constantly warring with Rex Hunt's D'Lish Fish in Port Melbourne.

In 1999, there were complaints about the shop's smell. In 2003, it attracted seagulls. By this year, body-corporate minutes revealed allegations of a faulty exhaust system.

Hunt has batted off all complaints and continues to sell his fish and chips there.

The body corporate of the Republic Tower (above) in the CBD is trying to stop the construction of another tower costing \$100 million behind it.

Body-corporate disputes generally fall into four main categories — children, renters, animals and parking — with the acronym CRAP.

Noisy children, children playing on common property and crying babies have all received attention.

Resident owners resent the renters and judge them harshly, no matter how well behaved they are.

Though animals are often forbidden, residents still try to sneak in a beloved pet. If they are allowed, they create a nuisance — barking dogs and twittering budgies — and leave their droppings on the common lawn.

Car parking causes great ructions with people parking in the wrong space or, worse, visitors using residents' spots.

In extreme cases, tyres have been punctured.

Washing drying on balconies is also a common dispute. Residents have been asked to remove washing because it lowers the tone of the building.



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