

Welcome to our winter newsletter of 2012 and as we retreat to the sanctuary of our homes and stay warm over the next few months I anticipate the property market is preparing itself to see improvements towards the latter part of the year. As we understand the full consequences of the global markets of Europe & China, which will continue to impact on our interest rates, I will continue to bring you up to speed with local news. *Charlie Mellino MD*

welcome to our *Winter* newsletter!

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- Coming Soon Investment Opportunities

Current Market Conditions

Preliminary Australian Bureau of Statistics figures released 30 May 2012 provide a disappointing update for residential construction in the March 2012 quarter, according to the said Housing Industry Association (HIA).

HIA Senior Economist Andrew Harvey said the total value of residential building work done fell by 2.0 per cent in the March quarter with new dwellings down by 1.4 per cent and renovations down by a sizeable 5.3 per cent.

“The result is a concern as it suggests not only that dwelling investment will again detract from GDP growth in the March 2012 quarter, but also that the renovations side of the residential building industry is now also facing headwinds.

Master Builders Australia Chief Economist Peter Jones said another decline in building work done provides a backdrop to recent collapses of long term construction companies that will only have negative consequences for the supply chain and the wider economy.

“The commercial building industry is caught on the wrong side of the two speed economy and the aftermath of the global financial crisis.”



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He said the industry is concerned that future prospects remain poor, with few projects in the pipeline. This does not augur well for employment going forward.

"It is imperative that the Government and the Reserve Bank set the policy levers to arrest the severe decline and to help rebuild confidence in such a crucial sector of the economy.

"The Government and the Reserve Bank cannot simply rely on the mining sector to underpin economic activity and jobs."

In annual terms, major renovations (alterations and additions) activity is down by 5.1 per cent over the year, while new housing is down by 8.8 per cent. HIA's Harvey said renovations have been the positive news story for the residential building industry with the value of total work holding up relatively well, but there are now mounting signs that this side of the industry is slowing.

"The data is just another piece of evidence that current policy settings need to be amended. The official GDP growth forecasts remain too optimistic, interest rates need to be cut again next week and governments need to quickly support the domestic non-resources industry, including residential building and manufacturing so that the nation is well-placed to grow in the longer-term."

Asbestos Commercial Property

New legislation means new responsibilities for you regarding how asbestos is dealt with at properties that you manage. As you are aware, from 1 January 2012 the new *Work Health and Safety Act 2011* (WHS Act) and the *Work Health and Safety Regulation 2011* (WHS Regulation) came into effect. These replace the *Occupational Health and Safety Act 2000* and the *Occupational Health and Safety Regulation 2001*. A number of changes are now taking place as a result of this new legislation, including the way asbestos is identified and treated, and who is responsible for ensuring the Codes of Practice are followed.

You always have a common law duty of care to anyone who visits a property that you manage. However, the new WHS Act and WHS Regulation have increased your responsibilities to anyone who carries out work or visits a site that you manage.

What are the duties for property managers and strata managers?

As a property manager or strata manager, it is your duty to ensure that the workplace is safe and free from hazards including asbestos dangers. You should obtain a Work Health and Safety Report (previously known as an OH&S Report) and an Asbestos Report to ensure that any hazards at the workplace are identified.”

How do I comply with the new legislation?

- Obtain an Asbestos Report for each property that you manage.
- Obtain a WHS Report for each property that you manage.
- Ensure that your contractors are aware of their WHS obligations.
- Ongoing Risk Management including reviewing and monitoring.

All buildings constructed prior to 31 December 2003 must obtain an Asbestos Register and an Asbestos Management Plan from a “competent person” — this is someone who has the training, study or experience to identify and advice on the presence asbestos. It is recommended that the register and management plan be obtained from a reputable, established company.

The Asbestos Register is a record of any asbestos or asbestos containing material (ACM) present or likely to be present. Among other things, it includes the location, type and condition of asbestos and the date of identification. The Asbestos Register can also state that no asbestos has been identified or is likely to be present in a building if that is the case. Only one Asbestos Register is required for each site. It must be prepared and kept at the workplace, and be readily available to all workers.

If asbestos is identified you must prepare an Asbestos Management Plan, which includes the identification of asbestos or ACM. You also need a plan to deal with the asbestos at the work site (including control measures) and reasons for decisions relating to the management of the asbestos.

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The Asbestos Register and Asbestos Management Plan must be reviewed at least every five years.

The Asbestos Management Plan should also include, among other things, the procedure for dealing with emergencies relating to asbestos contamination and information for workers who may come into contact with the asbestos.

The presence and location of asbestos must be clearly indicated and, if reasonably practicable, labelled.

The above information is not legal advice and has been provided for general information as a guide only. Legal advice should be obtained to confirm and clarify the best approach for each particular and specific circumstance.

Visit www.AsbestosReports.com.au.

Safe Work Australia has developed model codes of practice under the Act to assist in understanding the changes. Visit www.safeworkaustralia.gov.au.

What are the maximum penalties for non-compliance?

If the person has "a health and safety duty" and they fail to comply with that duty the penalties range from \$50,000 for an individual for a category three offence, to \$3,000,000 for a Body Corporate (company) for a category one offence. The defined penalties include a possible five years imprisonment.

Additionally, the WHS Regulation lists many penalties relating to non-compliance with Asbestos requirements, which range from \$1,250 for an individual to \$30,000 for a Body Corporate (company).

Interest Rates & Trends

The Reserve Bank of Australia (RBA) has cut official interest rates for the second month in a row at 5 June board meeting.

The cut of 0.25 per cent sees rates fall to 3.50 per cent.

RBA Governor Glenn Stevens said in a statement the outlook for inflation afforded scope for a more accommodative stance of monetary policy. This combined with modest domestic growth and a weaker and more uncertain international environment directly contributed to the decision.

"Financial market sentiment has deteriorated over the past month," Stevens noted.

He said both households and businesses continue to exhibit a degree of precautionary behaviour, which

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may continue in the near term.

"As a result of earlier changes to monetary policy, interest rates for borrowers have declined to be a little below their medium-term averages."

Stevens also observed that housing prices had shown some signs of stabilising around the turn of the year, but have recently declined again.

"Generally, the housing market remains subdued."

The decision follows a cut of 50 basis points at the RBA's May meeting.

Coming Soon Residential Property Investment Opportunities

Sneak Peak:

1. Granville: modern apartment approximately 7-8 years old in small quiet complex.

2 bedrooms

1 bath

Double LUG

Rent: \$365pw

Price: \$340-350K

2. Guildford: only 5 years old approximately great location & complex

2 Bedroom

1 bath

1 Parking

Rent: \$345pw

Price: Over \$300K

Call me if you would like further information.