

**INSIDE: Underinsured by \$50 MILLION & The \$20 Million Dollar Man... And Apartment
HUMOUR: Murphy Has a Hand in These...**

The \$20 Million Dollar Man... ... And Apartment

Do you remember when living in a unit was what Australians who couldn't afford houses used to do? How times have changed.

Earlier this month an unnamed Sydney-sider forked out \$20 million for an off-the-plan residential apartment in Potts Point.

The apartment occupies the whole 10th floor of a unit block and has 270 degree views of the city skyline, Sydney Harbour and the Opera House. Facing north it has 151m² of balcony to enjoy the outdoors, 531m² of internal space and 4 car spaces.

Definitely not your average "lot"!

Expected to cost \$70 million the Wylde Street project has just won development approval and is expected to be finished late 2009. The development was designed by leading architect Alex Tzannes with interiors by fashion designer Alex Perry and includes sustainability initiatives that will reduce the carbon footprint of the building.

For a detailed account of the real estate records that were broken please...

Continue to page 2

Could You be Underinsured by \$50 MILLION?

In the last year building construction prices have gone up almost 5% according to the Australian Bureau of Statistics and the Housing Industry Association. At a rate higher than the annual rate of inflation a strata manager could be looking at a portfolio of buildings underinsured by anything between \$50,000 to \$50,000,000.

Some Owners Corporations don't think that being underinsured by a small amount will have that much of an effect on them; but the averaging clause in Strata insurance policies means that insurance claims get paid in proportion to the insured replacement value against the actual replacement cost of the entire building.

For an example of the ramifications please...

Continue to page 3

***The \$20 Million Dollar Man...
...And Apartment
Continued from Page 1***

The newly purchased apartment's high-flying "prominent Sydney-based businessman" smashed the previous \$18.2 million Australian apartment sale record. He left a Melbourne apartment spanning a floor of the redevelopment of the Melbourne Mercy Hospital as a firm runner-up.

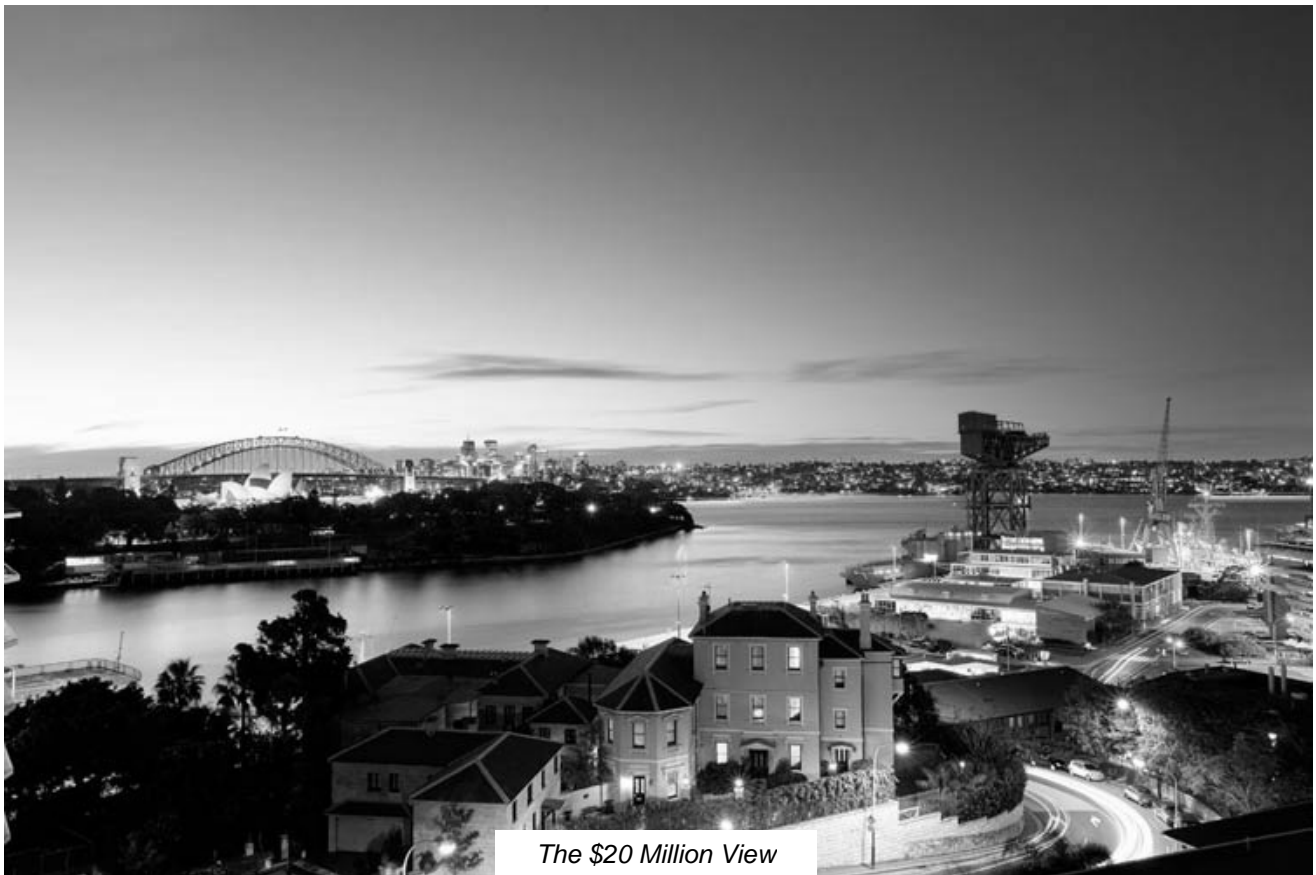
This Potts Point, Ashington Group sale also breaks the local Sydney record that was set earlier this year; a \$16.75 million purchase by the Moran family in Bennelong at Circular Quay.

At \$40,000 per square meter the unit only fell short on breaking the price paid per square meter for a residential apartment. The current record is set at a huge \$44,000 per square meter for the sale of a Bondi apartment which has views of the southern break of the famous beach.

A rival Gold Coast unit sale of \$20 million has been mooted but unconfirmed at this stage.

Ashington Apartments executive director Craig Minahan commented that potential occupants could include; "Affluent professionals seeking proximity to the city, empty-nesters looking to down-size from larger family homes, local residents looking to upgrade and expatriates looking for a Sydney base".

No longer are units poor cousins of houses. Increasingly the security, often superior views and the benefit of having the financial and other affairs managed by a Strata Manager are being highly valued. Some day in the near future the benefits of unit living will be seen as a luxury, certainly prices are supporting this trend.



**Could You be Underinsured by
\$50 MILLION
Continued from Page 1**

For example;

Say one of the buildings you manage was insured for \$2,000,000 but in the event of a total replacement it would cost \$3,000,000 to re-build. Due to the averaging clause you would only receive a payout two-thirds of any claim. So even if the claim was under \$2,000,000; say \$100,000 for flood damage, you would only receive a payout of \$66,666, with a shortfall of \$33,334. For an Owners Corporation to cover these costs would be a second blow to owners that may have already lost personal belongings in the disaster.

Why are these clauses in Strata insurance policies?

These clauses were designed by the insurance company to stop people insuring part of the value of their building asset, under the premise that if a fire or other event happened then some of the structure would be salvageable.

As the insurance company actuaries already take this into account when calculating their risk and setting their premiums, the insurance companies decided to act. They chose the vehicle of the averaging clause to penalise these people who underinsure their buildings.

It is essential that Insurance Valuations are constantly updated in order to ensure that these shortfalls do not eventuate. The NSW Strata Schemes Management Act 1996 recommends that this is done every 5 years but this is too long as even a 5% change in construction costs can have massive financial implications.

It is recommended that an Insurance Valuation be conducted at least every 24 to 36 months; if not annually.

What has changed since my last Insurance Valuation?

The construction industry is constantly under the pump due to the skills shortage with demand for developments and renovations outrunning supply. Coupled with rising interest rates and mounting petrol prices labor costs are continually increasing at a rate above inflation.

Apart from this an Owners Corporation also needs to look at whether their current valuation would cover the building adequately in the case of a natural disaster. If a cyclone or bushfire was to destroy your building costs could increase by 30%.

The economy is constantly changing but by keeping up to date with Insurance Valuations an Owners Corporation can feel secure that under-insurance is much less likely.

With 24 years in the strata industry Solutions ie can help you with up to date, quality Insurance Valuations that take into consideration changing economic factors and limit the risk of being caught by the averaging clause.

**Ordering a report is simple and inexpensive;
Phone on 1300 136 036
Fax on 1300 136 037
email enquiry@solutionsie.com.au**

**Services provided by Solutions IE are
supplied on the basis of 'Supply Terms
and Conditions which are available from
our Office or website:
www.solutionsie.com**

HUMOUR

Murphy Has a Hand in These...

📖 Law of Probability

The probability of being watched is directly proportional to the stupidity of your act.

📖 Law of the Telephone

If you dial a wrong number, you never get a busy signal.

📖 Law of Rugs/Carpets

The chances of an open-faced jelly sandwich landing face down on a floor covering are directly correlated to the newness and cost of the carpet/rug.

📖 Variation Law

If you change lines in grocery store (or traffic lanes), the one you were in will start to move faster than the one you are in now (works every time).

📖 Law of Mechanical Repair

After your hands become coated with grease, your nose will begin to itch.

📖 Law of the Bath

When the body is fully immersed in water, the telephone will be sure to ring.

📖 Law of Close Encounters

The probability of meeting someone you know increases dramatically when you are with someone you don't want to be seen with.

📖 Law of the Result

When you try to prove to someone that a machine won't work, it will.

📖 Law of Biomechanics

The severity of the itch is inversely proportional to the reach.

📖 Law of the Workshop

Any tool, when dropped, will roll to the least accessible corner.

📖 Law of the Theatre

At any event, the people whose seats are furthest from the aisle arrive last.

📖 Law of Coffee

As soon as you sit down to a cup of hot coffee, your boss will ask you to do something which will last until the coffee is cold.

📖 Law of Lockers

If there are only two people in a locker room, they will have adjacent lockers.

📖 Law of Logical Argument

Anything is possible if you don't know what you are talking about.

📖 Brown's Law

If the shoe fits, it's ugly.

📖 Wilson 's Law

As soon as you find a product that you really like, they will stop making it. (this one is true every time!)

📖 Doctors' Law

If you don't feel well, make an appointment to go to the doctor, by the time you get there you'll feel better. Don't make an appointment and you'll stay sick.

📖 Law of the Alibi

If you tell the boss you were late for work because you had a flat tire, the very next morning you will have a flat tire.

**WE TRUST YOU ENJOYED YOUR
NEWSLETTER, HAVE A NICE DAY!!**

**Solutions ie
Level 2, 50 York Street
Sydney 2000**

**Tel: 1300 136 036
Fax: 1300 136 037**

Specialists in: Sinking Funds,
Insurance Valuations, Safety Reports,
Balustrade Testing, Asbestos Reports

All services provided by Solutions IE are supplied on the basis of 'Supply Terms and Conditions' which are available from our office and from our website www.solutionsie.com.au