

**INSIDE: All of Your Buildings Must Have an IV by 30/8/09...  
Asbestos Register Updates Now Required Every 12 Months...  
and... Unit Sales Continue to Soar...**

## **All of Your Buildings Must Have an Insurance Valuation by 30 August 2009**

The Body Corporate and Community Management Regulation 2008 came into effect in late August and between now and the 30<sup>th</sup> of August, 2009 you need to ensure that all of your buildings have up-to-date Insurance Valuations.

The Regulation states that, "The body corporate must, at least every 5 years, obtain an independent valuation stating the full replacement value of the building or buildings". This means that if any of your buildings haven't had an insurance valuation completed in the past five years they need to have one completed by the 30<sup>th</sup> August 2009.

### **Why the sudden need for Insurance Valuations?**

Many Body Corporate Managers already get their Insurance Valuations updated every 2-3 years due to the costs that go into the maintenance of a building. The architecture, labour, building materials and time costs combined with the current uncertain economic state demonstrate the need for Insurance Valuations to cover the costs of building replacement in the event of a disaster.

Recent research shows that some Body Corporate Managers could be looking at a portfolio of buildings underinsured by anything from \$50,000 to \$50,000,000.

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## **Asbestos Register Updates Now Required Every 12 Months**

**Compliance with the Workplace Health and Safety Regulation and NOHSC Code of Practice of Asbestos in the Workplace requires your common property's Asbestos Containing Materials (ACM) register to be updated at least every twelve months. Many managers have already updated their registers with a new report to ensure their common property remains compliant.**

The Queensland Workplace Health and Safety Regulation 2008 states that An Owner (The Body Corporate) of a building must comply with the asbestos management code (the NOHSC Code) and has an obligation to identify and maintain asbestos materials.

The NOHSC Code of practice states that your registers need to be updated every 12 months in order to assess any changes that have been made to the building which may have affected the Asbestos Containing Materials (ACM).

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## All of Your Buildings Must Have an Insurance Valuation by 30 August 2009... Continued from Page 1

### What has changed since my last Insurance Valuation?

#### *The Cost of Commodities*

Australian commodities continue to sell at record prices. The insatiable appetite of markets like China who are building the equivalent of the whole of Australia's building assets every 18 months keep pressure on the supply side. Basic economic theory dictates that high demand combined with limited supply (constrained by the massive infrastructure needed to increase capacity) inevitably leads to price pressure.

The recent negotiation of supply contractors by Australia's mining companies again led to massive price rises. Domestically the price of steel, which is used to reinforce concrete and steel beams and posts, has been increasing monthly. This means the maintenance and reconstruction costs of every building in Australia has also increased per month.

And who could forget oil prices! Since doubling in the last two years oil has affected every aspect of supply chain costs from trades people travelling to building sites and steel foundries to the truck that delivers the steel and other supplies to a building.

#### *Trade Skills Shortage*

Finding good people in the construction industry is particularly difficult and it has been like this for years now, just talk to anyone in the sector. With the slowdown in new home starts you might expect an easing in demand but activity in other parts of the construction sector has eaten up any unused residential construction capacity. Add together the demands of massive infrastructure projects, a renovation boom, mining boom, all the Aussies in Dubai and dwindling apprenticeship numbers in previous years and you end up with a construction skills crisis.

Not surprisingly demand for trades continues to outrun supply. The result of a skills shortage is higher maintenance and construction costs as contractors are charging higher rates for their services.

#### *Natural Disaster Risk*

Apart from this, a Body Corporate also needs to look at whether their current valuation would cover the building adequately in the case of a natural disaster. In the event of a cyclone or bushfire, building costs could increase by anything up to 30%.

#### **So how does this affect my Insurance Valuations?**

Some Bodies Corporate don't think that being underinsured by a small figure will have that much of an effect on their insurance payouts; but the averaging clause in 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 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. For a Body Corporate to have to pay the remaining costs of \$33,334 would be a second blow to owners who may have already had to replace their personal belongings after a disaster.

It is essential that Insurance Valuations are constantly updated to ensure that these shortfalls do not eventuate. The new regulations require a valuation to be performed every 5 years. It is widely recommended that they are updated more frequently – at least every 2-3 years if not annually - as even a 5% change in construction costs can have massive financial implications if a total building loss was to occur.

#### **Summary**

The economy is constantly changing and construction costs are increasing at well over the rate of inflation. By keeping up to date with Insurance Valuations your Bodies Corporate can feel secure that if a disaster was to occur they would be thoroughly covered.

Regardless all Bodies Corporate need an up to date Insurance Valuation for their next AGM to meet with legislative requirements.

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## Asbestos Register Updates Now Required Every 12 Months...

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Recent discussion with various managers has found that many have employed contractors, conducted renovations and cleaned ACM without considering the affect on the fibre and their register's validity.

#### When do I have to have to have my register updated?

Section 9.3.1 of the National Occupational Health and Safety Commission (NOHSC) Standard states that the Register of ACM should be reviewed every 12 months or earlier where:

- A risk assessment indicates the need for reassessment; or
- Any ACM has been disturbed or removed.

### The Register of ACM should be reviewed at least every 12 months...

#### Is my common property still included in this regulation?

'A structure used for domestic residential purposes' is not required to comply with the asbestos management code, but an Owner/Controller (The Body Corporate) of a building also has obligations in relation to a building or part of a building that is a workplace and therefore must comply with the legislation as contractors and volunteers often visit the site. Bodies Corporate also have a duty of care under common law to remain responsible for their onsite ACM due to the very real potential threat asbestos poses.

#### What changes need to have occurred for an update to be required?

The person with control (the Body Corporate or Body Corporate Manager), in consultation with workers and/or their representatives, should review the risk assessment, and any measures adopted to control the risks, whenever:

- There is evidence that the risk assessment is no longer valid (ie. It is clear that ACM has been disturbed);
- There is evidence that any control measures are not effective;
- A significant change is proposed for the workplace or for work practices or procedures relevant to the risk assessment;
- There is a change in the condition of the ACM; or
- The ACM have been removed, enclosed or sealed.

#### How can the condition of the ACM change?

The following are recent examples of when an asbestos register has needed to be updated;

- An electrician drilled a hole in an asbestos sheet installing a new cable
- A renovation of the common property in an area known to contain asbestos
- ACM had been removed by a novice builder
- A gardener had cleaned a sheet of ACM using a high pressure hose
- General weathering or corrosion of asbestos Super 66 roofing

In all of these situations asbestos fibres were disturbed, meaning that the common property was unsafe and thus putting workers, owners and the general public at risk of inhalation of deadly asbestos fibres.

#### What do I need to do in order to comply with regulations?

The NOHSC Standard outlines an approach to periodically monitor and review the content of the Register to ensure that the Management Plan you have for the complex is effective.

These reviews should reassess all Asbestos Management Processes and their effectiveness in:

- Continued prevention of exposure to airborne asbestos fibres;
- Continuing to control maintenance workers and contractors;
- Highlighting the need for action to maintain or remove ACM;
- Raising awareness among all workers; and
- Maintaining the accuracy of the register of ACM.

#### How is this done?

An onsite inspection of your common property can determine the risks associated with any changes made to ACM and provide you with a report that can be easily added to your current asbestos register.



# Unit Sales Continue to Soar...

Do you remember when living in a unit was what Australians who couldn't afford houses used to do? How times have changed. The recent sale of \$14.25 million for a riverfront penthouse in Newstead smashed the previous record for the sale of a Brisbane unit by over \$3 million.

The apartment is part of Mirvac's billion dollar Waterfront development at Newstead where the first 60 apartments have sold for a combined \$201 million with three other penthouses selling between \$5.95 million and \$8.75 million each.

Some of the perks of the apartments include climate controlled wine cellars, private pools, home theatres and heated stone floors.

Colliers International research analyst Alison Timchur said that "Buyers are typically cashed up baby boomers or younger professional couples in their 30s and 40s" and have mostly been Brisbane locals with the occasional Gold Coast buyer.

Yet it seems that the beach still reigns superior over river views with the Queensland record of \$16.85 million for a four-level, 987 square meter penthouse in Soul Tower at the Gold Coast standing since 2006. There were rumours earlier this year that another Gold Coast unit had sold for \$20 million but nothing has been confirmed at this stage.

Sales have also remained healthy further south with the \$20 million sale of a penthouse in Potts Point, Sydney earlier this year and a penthouse in East Melbourne fetching \$18.2 million in 2007.

Times are still looking fairly positive for the Body Corporate industry at a time when new home sales are dropping (7.2 per cent in July and 1.3 per cent in August) as multi-unit sales continue to rise this year with a 5.8 per cent increase in August alone.

It seems that units are no longer poor cousins of houses. Increased security, often superior views and the benefit of having the financial and other affairs managed by a Body Corporate 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.

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