

17 November 2003

Review of Rental for Domestic
Waterfront Tenancies in NSW
Independent Pricing and Regulatory Tribunal
PO Box Q 290
QVB Post Office NSW 1230

Dear Sir/Madam,

I wish to make the following submission to the Tribunal in regard to the setting of rentals aligned with market values.

The suggested formula for calculating the new rental is entirely inappropriate for waterfront land in Sydney. To link the rental value of sea-bed areas covered by licences to the Valuer General's Statutory Land Value for the adjoining freehold land is flawed for all of the following reasons:

- Licence is at the sole discretion of the Minister
- Public allowed to traverse licensed area – no exclusivity
- Conditions on Licence (about 86) are numerous, burdensome and not normal residential conditions
- Licensed area has restrictive use – no habitable structures
- Licensed area is not Freehold
- Structures on licensed areas are paid for by licensee
- Structures are maintained by licensee
- Licensees do not have access to the Dept of Fair Trading as do normal residential tenants
- The landlord of the licensed area has a monopoly
- There is no depth consideration on berthing area – those berths that are affected by tidal access pay same rent as those unaffected
- Those properties that need extremely long jetties to access water deep enough for a berthing area are penalised severely
- Most waterfront facilities do not have vehicular access like the properties to which the valuation is being equated

Whilst it may be argued that there has been a reduction factor of 50% introduced into the formula to compensate for these deficiencies in the comparison, to suggest that a rental return of 6% is equitable cannot be sustained.

I am the owner of a number of properties in Mosman, an area which has seen substantial growth in values in recent years, similar to waterfront properties. In 1998, these properties showed a nett rental yield of 5% across the board. Because of rising property prices and FALLING rents (10% lower than in 1998), the nett rental yield is now between 1.9% and 2.9%. Enquiry reveals waterfront property earning returns within the same range. Therefore, if there is a determination to use the formula, a MAXIMUM figure of 3% should be used in lieu of 6%.

The Department and the Authority (ie. the state government) cannot have it both ways. It is only fair and equitable for them to use a 6% rate of return based on residential properties across NSW if they also use a square metre rate for land value based on residential properties across NSW as well. Alternatively, if they use the higher rate per square metre for waterfront properties as proposed, then surely they are obliged to use the rate of rental return for those same properties.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'R J Sturrock', with a stylized flourish at the end.

Mr R J Sturrock