

SIR WILLIAM TYREE, O.B.E

2 December 2003

Independent Pricing and Regulatory Tribunal of NSW
PO Box Q290
Queen Victoria Building Post Office
SYDNEY NSW 1230

Dear Sir,

**REVIEW OF RENTALS FOR DOMESTIC WATERFRONT TENANCIES
3 LINDSAY AVENUE, DARLING POINT, NSW 2027**

I write this letter somewhat hastily after the Independent Pricing and Regulatory Tribunal of NSW imposed an unreasonable deadline of 5 December 2003 for submissions to its review of rentals for domestic waterfront tenancies.

There has been virtually no consultation on this proposal. **As** a leaseholder who would be severely affected by this huge increase in rental, I feel that at the very least all leaseholders should have been informed individually by mail and given more time to consider the matter more carefully to enable a thoughtful submission to be made.

I am 82 years of age and semi-retired. I have lived at my address since 1967 and have leased the waterfront land since 1972. I have spent large sums of money on improvements and maintain the area in the best possible condition, again at considerable personal cost. In these latter years of my life, I would like to enjoy these amenities for which I continue to pay a high price.

Waterways is now proposing a rental increase of 595% on my leasehold property (if the calculation is to be based on the proposed 6% residential rental return). This increase is not only totally unreasonable, but it also goes against all policies espoused by departments such as Fair Trading or a Rental Tribunal.

I would have no objection to an increase in annual rental by CPI from the next payment, but to expect someone to pay a six-fold increase on an already very substantial annual rental is not very realistic. Particularly, when the lease does contain any right of assignment. Therefore, the proposed methodology for calculating future rentals cannot be considered very commercial under today's property market conditions.

If fact, the use of 6% NSW wide rental returns as a basis for calculating the leasehold rents is also unrealistic. Residential rental yields in the Darling Point and nearby suburbs on average would more likely be in the lower end of a 1% – 2% range. The larger the house property the smaller the pool of potential tenants, which tends to put pressure on rents. Recent Press reports suggest that rental yields in Sydney are more in the 1% - 3% range.

In addition, I have no long term tenure to the leasehold property, with it currently being on an annual holdover basis. If there was a lease with **say** 50 years left to run, and the lease contained a right to transfer the lease upon the sale of the adjacent home, I am sure that an acceptable rental arrangement could be reached to the satisfaction of both parties.

At present, if I were to sell my house, I do not have any automatic right of assignment of my interests in the leasehold land to the new owner of my house property. I need to seek the approval of the lessor to such an assignment/sale and this consent may not be forthcoming. This may then trigger a clause under the lease which requires the removal **of** all structures and other improvements to the leasehold property as directed by Waterways and at my cost.

The current rental calculation proposal by Waterways is not reasonable given:

- my lack of long tenure of the property,
- there is no automatic right of assignment **of** my interest in the leasehold property should I wish to sell my house property,
- the only access to the property is available by water or through my house property (no road access),
- the fact that “market rent” cannot be assessed as the lease does not allow sub-leasing (and therefore there is no “market”), and
- the use of a **NSW** wide rental yield of **6%** is not very commercial as residential rental returns generally in Sydney are more in the **1%–3%** range (but more at the lower end of the range in Darling Point and nearby suburbs).

I would urge you strongly to consider this letter as well as the many others you will no doubt have received regarding this unjust proposal.

Yours faithfully,



Sir William Tyree

