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API celebrates its 80th Anniversary

I'm proud to present this commemorative edition of the Australian Property Journal, celebrating the 80th anniversary of the Australian Property Institute.

The API has undoubtedly evolved into one of the leading property associations in Australia. This can solely be attributed to the guidance, commitment and support of generations of dedicated Members. The integrity of the API has also been driven by a vision to establish and maintain a high level of professional standards, education, ethics and professional conduct. This edition features leading industry articles from each decade, commencing from the early beginnings of *The Valuer* in 1930, and reflects the practices in the property industry of each particular period. A number of the Divisional offices have also contributed a feature article

reflecting a history of key developments in their Division.

I would like to commend the editorial team for their efforts in the production of this commemorative edition, in particular the editors Dr Richard Reed and Dr David Higgins. Readers will obtain an interesting perspective of past practices in the property industry with the assistance of the editorial comment.

Joint API/PINZ publication

At the Annual General Meeting in May, the API and PINZ signed a strategic alliance strengthening international relations between both Institutes' and utilising key synergies to develop joint initiatives.

As part of this strategic alliance, the API and PINZ are pleased to announce that as of March 2007, they will be producing a joint quarterly property Journal.

The joint publication, the Australian and New Zealand Property Journal will incorporate leading articles from both Australia and New Zealand. It will also expose Members to a diverse range of local and international papers. This publication will effectively take the place of the existing Australian Property Journal; however the same style as the current Journal will be maintained.

This edition features leading industry articles from each decade, commencing from the early beginnings of *The Valuer*

During the last few months I have continued my visits to Institute Divisions where I have attended Divisional Council meetings, awards ceremonies and industry events. I have also had the pleasure of attending the Annual State conferences held by the South Australian Division on 8 September, the Queensland Division from the 27 to 28 October and the Victorian Division on the 24 November. These conferences were very well attended and all Divisions should



API National President
Marcia Bowden

be congratulated on the diverse range and quality of presenters.

On 13 November, I also attended a function in Sydney to welcome 14 new Property Leaders to the Institute as Fellow members.

From the 16 to 19 September I attended the 23rd Annual Pan Pacific Congress in San Francisco, USA. Hosted by the Appraisal Institute, this event attracted leading valuers from across the Pacific Rim region including the United States, Korea, Japan, Taiwan, Malaysia, Singapore,

Indonesia, Mexico, Canada, New Zealand and Australia. This event included an interesting array of presentations from leading International property professionals. For a copy of the papers please visit the API National website www.api.org.au. I would like to thank all members for their continuous support throughout the year. I hope you enjoy this commemorative issue of the Journal and I'm sure that the New Year will bring many interesting challenges.

Principles of Valuation

Slum Reclamation and Housing Acts of the State of Victoria

Author: W.O. Burt

An address delivered at a Meeting of the Victorian Division by W. O. BURT, Esq., Solicitor, Melbourne; a part-time Member of Housing Commission of Victoria, a Member of the Housing Investigation and Slum Abolition Board (Victoria), and Honorary Solicitor to the Victorian Division of the Commonwealth Institute of Valuers (Inc).

I have to confess to an irresistible impulse to apologise for my presence here this evening. It does seem so much like presumption on my part-bringing "coals to Newcastle." Ordinarily I would not take upon myself the burden of expounding to members of your profession the ordinary and well-known principles of valuation.

At the outset, however, I propose to justify my presence by telling you that in the Slum Reclamation and Housing Acts (Victoria), principles of valuation new to this State have been introduced, and old but almost forgotten principles have been given a new emphasis.

Shortly, many of you, if not all of you, will be called upon in the ordinary course of your professional duties to apply those principles. Later this evening I propose to deal shortly with these principles in some detail.

Digression

Before doing so, however, I desire to digress a little from the subject of my lecture. I propose to adopt the role of mentor, and even at the risk of treading upon dangerous ground, offer you words of advice.

As a lawyer, I have observed certain tendencies which, if not checked, must inevitably bring your profession some measure of disrepute. I will frankly admit that, after all, my own profession may have aided, if not created the tendencies to which I refer. When making valuations for loan and other similar purposes, every Valuer realises that he has been employed as a professional expert and



Editor's Comment

The theme of this paper is focused on the seemingly distant past in the life of Melbourne and other highly urbanised cities, namely the relatively large proportion of uninhabitable residences of the period and the challenges faced when valuing these properties. It must be remembered that this period was between two World Wars and following the Great Depression, which for many of us would be difficult to imagine. As we enjoy today's relatively strong levels of economic growth and security. However, in this article it is clear the principles supporting the valuation process were just

as relevant over 75 years ago as they are today. Issues surrounding negligence were of high importance, which in part have been addressed by the implementation of the API's Risk Management Module (RMM). Other seemingly unchanged issues discussed included the use of expert witnesses, the amount of jargon used throughout the valuation/property industry and the circumstances surrounding a compensation claim. Whilst the article emphasises the need to fully consider all factors in the assessment of value, there is little evidence of slums in Australian cities. This is an excellent reminder of the dual benefits of effective legislation and an efficient property market.

Expert evidence of this kind is evidence of persons who sometimes live by their business, but in all cases are remunerated for their evidence.

that if his valuation be negligently made, then he, like every other professional man, is liable in damages to his client. The circumstances attending such a valuation do not ordinarily bring the Valuer into conflict with the views of other valuers. It is in the realm of litigation arising usually in connection with disputed valuations for probate duty purposes and in connection with the compulsory resumption of land, that individual members of your profession unwittingly are apt to bring the profession in general into disrepute. The role of expert witness under the most favourable circumstances is not a happy one. It is common belief that he has been retained and paid to uphold his client's contentions; that he is a paid advocate who will sacrifice his own conscientious opinions in his client's interests. The ordinary rule of law is that a witness may only testify as to facts which are within his own knowledge. The principal exception to that rule is that persons who are skilled in a subject may give "opinion" evidence. A Valuer or other expert witness so testifying as to opinion knows that he cannot be indicted for perjury, and therein lies the temptation to strain matters in the client's interests. It was this tendency which provoked a celebrated judge to divide witnesses into "Liars, damned liars and expert witnesses." Far be it from me to suggest that any member of this Institute has at any time, on oath or otherwise, wilfully misrepresented his opinion in the cause of his client.

At the same time, I am conscious that during recent years, in case after case of compulsory resumption before our Courts, there has been such a measure of disparity in estimates of value as almost to warrant the allegation that the pure stream of conscientious opinion has been defiled by the basic considerations of a

doubtful form of advocacy. The position was put plainly by an eminent English judge (Sir George Jessell). He said:

"...in matters of opinion I very much distrust expert evidence for several reasons. In the first place, even though the evidence is given on oath, in point of fact the person knows he cannot be indicted for perjury because it is only evidence as to a matter of opinion. So that you have not the authority of legal sanction. A dishonest man, knowing he could not be punished, might be inclined to indulge in extravagant assertions on an occasion that required it. But that is not all. Expert evidence of this kind is evidence of persons who sometimes live by their business, but in all cases are remunerated for their evidence. An expert witness is not like an ordinary witness, who hopes to get his expenses, but he is employed and paid in the sense of gain, being employed by the person who calls him. Now, it is natural that his mind, however honest he may be, should be biased in favour of the person employing him, and accordingly we do find such bias....Undoubtedly there is a natural bias to do something serviceable for those who employ you and adequately remunerate you. It is very natural, and it is so effectual that we constantly see persons, instead of considering themselves witnesses, rather consider themselves as the paid agents of the persons who employ them. Accordingly we find in doubtful cases the most remarkable results."

I am prepared to admit that, it may be, some members of your profession have been encouraged by members of my own profession mistakenly to assume the role of paid advocate rather than that of expert witness.

Having delivered my thrust, I ask you individually, gentlemen, and also your Institute, to find some means by which

your profession will no longer be open to the charge that its members are prepared to become paid advocates while under the solemn obligation of an oath.

I may mention that during recent years a sister profession was greatly agitated following evidence given by certain of its members in a case where a fellow member was being sued for negligence. That profession has, I understand, established machinery within its own institute to deal with the situation.

I have stated the problem. No doubt your Executive will give the matter some consideration. To me, one or both of two solutions appear open:

Firstly, your Institute might establish a consultative committee, with which members who are called to give evidence might confer. I appreciate that there are some very real difficulties in the way of this suggestion. Without endeavouring to influence a member as to his evidence, such committee could afford him a means of testing the evidence he proposed to give. If your Institute also had a bureau of information concerning values, sales, etc., all members would have equal opportunity of testing their valuations by reference to authentic data.

Secondly, your Institute might consider the desirability of advocating and bringing about a change in court procedure. The ordinary method of swearing an expert witness and submitting - his testimony to the ordinary process of cross-examination, with many of the limitations imposed by that process, would not seem to be the best means. "Opinion" evidence is different to ordinary evidence in so many respects that other means should be considered. If our courts relied more on assessors, or more often referred the "expert" section of a case to an expert arbitrator, the community and the legal profession might be induced to change its methods.

However, I am not supplying a solution of the problem I have set you. I set out to administer some health - provocation, and having done so, hope I have sufficiently stimulated your Board to take up the questions I have raised.

Slum Reclamation and Housing Acts (Victoria)

General Comments

It is time I proceeded to tell you something of the new principles of valuation in these Acts. In case you, are prompted to think that those provisions (or some of them) are revolutionary or un-British, then I should now remind you that most, if not all of them, have for years found a place in the Housing Legislation of England. Many have reposed unused in the pages of our own health and Local Government legislation.

Every profession in the course of time develops its own jargon. Cowper referred to "the sounding jargon of the schools." I propose to introduce your profession to a new jargon—at least, to certain words and phrases as "unfit for human habitation," "site value," "owner occupier," ex gratia "compensation," "domestic amenities," and the like.

If these Acts have not actually introduced these words and phrases for the first time, they have at least given those words and phrases a new importance.

Unfit for Human Habitation

If sufficient funds are provided by the people of this State to enable the Housing Commission of Victoria to carry out both its short range and long range policies of slum abolition and reclamation of unsanitary areas, then the members of this Institute are likely to be called as experts to testify as to:

- (a) whether a house is "unfit for human habitation"; and
- (b) having regard in most cases to (a) as to the amount of compensation (if any) to be paid by the Commission to the owner whose property has been compulsorily taken by the Commission as part of its reclamation policy.

It will be seen, therefore, that Valuers are called on to give particular and special attention to questions affecting the habitability of a house. A "house" means any building (including any tent, edifice, structure or erection whether temporary or permanent), or any part thereof, which, or any part of which, is used or is intended to be used as a dwelling, and includes outbuildings, fences, walls, provision for lighting, heating, water supply, drainage,

and sewerage, and other appurtenances of a house. This extended meaning of "house" should not be overlooked by the Valuer. When, then, is a house "unfit for human habitation?" We naturally look for guidance to the decisions of the Courts of England. It must be remembered, however, that there are material differences in this connection in forms of legislation. In England, non-compliance with a housing regulation does not necessarily render a house unfit, and the local authority forms its own opinion, subject to appeal to the Court. In Victoria, the Commission (see Section 8) may declare a house unfit for human habitation where the Commission is satisfied that the house does not comply with prescribed standards fixed by the Commission. It should be noted that in Victoria where a house is unfit for habitation the fact that it is "possible" to render it fit by alteration, repairs, etc., does not save it from demolition by the Commission. The Act provides that if it is impracticable to make such house or land comply with the regulations fixing standards, then demolition will follow. The Ministry of Health (England) in 1919 recommended the following standards:

A fit house should be:

- (1) free from serious dampness;
- (2) satisfactorily lighted and ventilated;



- (3) properly drained and provided with adequate conveniences and with a sink and suitable arrangements for disposing of slop water; and
- (4) in good general repair; and should have
- (5) a satisfactory water supply;
- (6) adequate washing accommodation;
- (7) adequate facilities for preparing and cooking food;
- (8) a well ventilated food store.

(It is worth noting that in English Legislation there is a provision to the effect that every tenancy implies an undertaking on the part of the landlord during the tenancy to keep the house "in all respects reasonably fit for human habitation." On a breach of this undertaking the tenant may sue the landlord for damages as well as abandon the tenancy. That provision has not been copied here.)

English Courts have held that whether a dwelling house is unfit for human habitation or not is a question of fact to be

determined by the Housing Authority in a judicial spirit-the standard to be applied being that of the ordinary reasonable man. It can, therefore, be readily appreciated why so much litigation has taken place in England as to whether a house is unfit, and why it is practically impossible to reconcile many English decisions. The Victorian Legislation is more specific in that noncompliance with the standards set by the regulations will suffice. The Housing Commission of Victoria has drafted regulations in this connection, and it is anticipated that those regulations will shortly be adopted by the Governor-in Council, and come into operation. Members should make themselves familiar with these regulations. Therein lies a further danger in the application of your professional skill. If in future you should make valuations without reference to them, you may find disgruntled clients consulting their lawyers. The man in the street is expected to know the law. His ignorance will not relieve him from its consequences. Lawyers have at least a

means, through the Courts, of finding out what the law is. Valuers will now have to make themselves familiar with a huge volume of "minimum standards" regulations, building regulations, not only of the Commission, but also of the councils, and with the intricate implications of zoning systems. Neglect to acquire that knowledge, or inability to act upon it, may have serious consequences to the Valuer.

At the present it is sufficient for me to say that those regulations, in the words of the Act, will deal with

- (a) drainage, sanitation, ventilation, lighting, cleanliness and repair of houses.

It should be noted that the Commission now has power to deal with questions of "repair." It is submitted that the Commission may insist on repairs, such as painting, etc., which ordinarily did not fall within the province of the health authorities.

- (b) the construction, condition and situation of houses.

Situation

Much controversy has arisen concerning a projected regulation of the Commission which is to the effect that a house situate facing a street less than thirty feet wide may be declared unfit for human habitation. A great deal of ink has been spilt by some of our civic fathers who have read the draft regulations without taking the trouble to read the Act itself. It is feared that the Commission will proceed to condemn thousands of houses which at present face streets of less than thirty feet in width. Our friends at Prahran have had a nightmare. They can see some of the mansions of Toorak being condemned on this ground. The proposed regulation, however, should be read together with Section 42 of the Act, which provides that where the Commission declares any house unfit for human habitation by

reason only of non-compliance with the provisions of the regulations relating to the situation of such house compensation for demolition shall be payable by the Commission to the owner.

It must be conceded that much of our sub-standard housing is situate in narrow streets and lanes of less than thirty feet in width. It must also be assumed that for many years to come the Commission

Lack of Bathing and Washing Facilities in Houses - Census - 6,390 Houses.

Suburb	Houses without Bathrooms	Houses without Wash-houses	Houses without Kitchen sinks
Port Melbourne	30%	34%	85%
South Melbourne	31%	58%	86%
Collingwood	40%	60%	99%
Richmond	20%	32%	80%
Fitzroy	25%	41%	76%
Carlton	31%	61%	84%
North Melbourne	49%	69%	96%
Average	32%	51%	87%

Much controversy has arisen concerning a projected regulation of the Commission which is to the effect that a house situate facing a street less than thirty feet wide may be declared unfit for human habitation.

will be occupied in condemning houses for reasons unassociated with situation.

- (a) Dimensions, cubical content and height of rooms of houses (including cellars, basements and attic rooms).
- (b) The protection of houses from damp.
- (c) The provision in houses of adequate water supply, bathing, laundry, cooking and food storage facilities, and sanitary conveniences.

In case it may be thought that few houses lack these "domestic amenities." I take the liberty of quoting the following from the report of the Housing Investigation and Slum Abolition Board (1936-37) of Victoria condition.

- (d) Freedom of houses from infestation by vermin and rats.

Quoting from the same report:

Vermin and Rat Infestation.- Owing to the proximity of stables and industrial premises, a very high percentage of houses were found to be vermin and rat infested. Of the total number of 7,330 houses visited, 38.9 per cent (2,849) were found to be overrun by rats, and 17.6 per cent (1,289) were vermin infested.

In the majority of cases the conditions were not due to neglect or carelessness on the part of the occupants, but to the dilapidated condition of the structures which rendered eradication impossible. Practically every house which was either vermin or rat infested (or both) had fallen below standard to such an extent as to be fit only for demolition. Under present conditions occupants are fighting a losing battle in their endeavours to eradicate vermin and rats.

- (e) Generally, standards of sanitation and hygiene for houses.

Suburb	Rat Infested	Vermin Infested
Port Melbourne	36.9%	12.9%
South Melbourne	33.0%	25.6%
Collingwood	34.8%	18.8%
Richmond	42.4%	12.3%
Fitzroy	47.4%	21.6%
Carlton	34.9%	13.4%
North Melbourne	40.0%	17.1%
Average Percentage for all suburbs	38.9%	17.6%

"Site Value"

The Royal Commission of 1936-1937, Housing Investigation and Slum Abolition Board (Victoria), of which I was a member, delivered the following findings:

Paragraph 116-"Where a building has reached the end of its life of habitability, there should be neither legal nor moral right to receive rent from it. It is submitted, therefore, that in all such instances no injustice will be done when in due course the owner bears the loss on demolition."

Paragraph 209-(Quoting Sir Hilton Long, Minister of Health, England): "A house

which is unfit for habitation has no value and no compensation should be paid for it other than the value of the site."

It had been the law of this State for many years that no compensation was payable where a house was condemned and demolished. The position, however, appears to have been different in the case where the Crown or a statutory authority compulsorily acquired land on which a house, unfit for human habitation, was erected. In that case it was competent for an arbitrator and a valuer to have regard not only to the value of the site, but also to the rental received for the slum house.

Valuations made for our Royal Commission of 1936 - 37 by one of your members, of land with houses, unfit for human habitation erected thereon, when valued at site value only, showed gross rental returns ranging from a humble 38 per cent to 130 per cent per annum. Consequently you now find in our Slum Reclamation and Housing Acts a provision (Section 41(b)):

"In the case of a house which the Commission has directed to be demolished as unfit for human habitation, the value of such house has been declared unfit for human habitation by reason only of non-compliance with the provisions of the regulations relating to the situation of such house or the drainage, sanitation, ventilation, lighting or cleanliness of the land on which such house is situate."

Owner-Occupier

The Royal Commission, 1936-37, found:

Paragraph 211-Owners of slum and sub-standard tenements fall, broadly, into two classes:

(1) Renters-those owners (91.5 per cent.) who have acquired by purchase or devise and now hold the slum property as a rental investment;

(2) Owner-occupiers - those persons (8.5 per cent), in many cases widows, invalids and others who are the owners of their own dwellings.

It is with regard to the second class mentioned that this Board recommends that legislative sanction be given to the proposal that an arbitrator should be entitled to treat such persons com-

passionately so far as compensation is concerned.

Parliament, in Section 43 (3) Slum Reclamation and Housing Act, met this recommendation by providing that the Commission, with the consent of the Governor-in-Council, may make such ex gratia payment to owner-occupiers as it thinks fit.

Ex Gratia "Compensation"

The Housing Commission has power to make ex gratia payments under Section 43 in the following cases:

- (a) Persons Displaced - a reasonable allowance towards expense in removing to another house.
- (b) Disturbance or Loss of Business - a reasonable allowance.

Elaborate procedure is provided for the appointment of arbitrators and umpires.

Valuers should always keep before them the consequences of an unduly conservative valuation and also of a generous valuation. Either may have most serious consequences to your client, be he the claimant or the Housing Commission. It is provided:

Costs

- (a) If compensation awarded is greater by one-fourth than the sum offered by the Commission, all costs of arbitration are to be paid by the Commission;
- (b) if compensation awarded is one-fourth less than the sum claimed, and the sum awarded is the same or less than the sum offered by the Commission, all costs are to be borne by claimant; and
- (c) in every other case, each party bears his own costs, and one-half of the award.

Compensation is calculated:

- (a) according to what is found to be the value of such lands at the time notice is given of lands being required; and
- (b) taking into account enhancement of adjoining lands of the owner in reduction of compensation.

The Slum Reclamation and Housing Acts provide further principles affecting the measure of compensation. Those are:

- (a) Section 41-Remote, indirect or speculative damage is not to be taken into account;
- (b) that land forms part of a reclamation area is not to be taken into account. This is an application of the well-known principle that compensation must be the value of the land to the owner and not the value of the land to the Commission;
- (c) rent which is excessive or affected by any illegal or immoral purpose for which building is used will be disregarded in assessing compensation; and
- (d) amounts expended for the purpose of increasing compensation are to be disallowed; compensation is payable to the owner of a street which is closed; also to any owner of property who, in the opinion of the Commission, is likely to be substantially affected by the closing of a street. In this connection, however, it should be noted that the injury must be one affecting the land and not a merely personal one.

Zoning

The new and somewhat novel zoning provisions (Sections 31-37) of the Acts impose further responsibilities on the Valuer. When making a valuation you will now be obliged to enquire from either the local council or from the Housing Commission whether the house and land or the factory or shop to be valued is affected in any way by the adoption

General Principles of Valuation

The machinery and principles of the Lands Compensation Act, 1928, of the State of Victoria governing compulsory resumptions are available to the Housing Commission. That Act provides machinery enabling the Housing Commission to enter, take possession of and appropriate land for housing purposes. The Commission may agree with the owner as to the purchase price to be paid for the land. If the owner and the Commission do not "come to terms" following a notice to treat from the Commission, the question of compensation is referred for determination.

- (a) by a police magistrate, where the compensation does not exceed £200; and
- (b) by arbitrators, where compensation exceeds £200.

of a zoning scheme “for the future development of the municipal district.”

When such a scheme has been adopted by the Governor-in-Council the council of such municipality shall observe and carry into effect such scheme and shall not permit or authorise the erection of any building or the erection of any works or the use of any lands for any purpose not in conformity with such scheme. A zoning scheme contemplates the division of a municipality into residential areas (according to materials used in construction), open spaces and areas used for the purposes of such trades, industries, manufacturers, businesses or public amusements.

As the scheme may provide that upon the demolition of a factory, the land on which it is erected may not again be used, except for residential purposes, values may be greatly affected. If, for example, in such an area the normal life of a factory building is only ten years, the land at the end of that period may revert to residential. Accordingly, values will be influenced according to the ultimate zoned use of the land.

The Royal Commission (1936-37) inspected 7,000 houses and found:

Fit for human habitation	1,000
Unfit for human habitation without extensive repairs	3,000
Unfit and incapable of being made fit for human habitation	3,000
	7,000
CHILDREN in unfit houses needing repairs numbered	6,000
CHILDREN in unfit houses incapable of further repair	5,000
	11,000

Conclusion

It may be that some of my audience have concluded that Parliament, in passing the Slum Reclamation and Housing Act, has not afforded to the owners of sub-standard housing a fair deal in the matter of compensation. I do not agree.

Touching death, disease and delinquency among children, a child born in the inner areas of this city, where substandard housing predominates, has;

- 2 times the chance of dying before 12 months of age,
- 3 times the chance of catching infectious diseases,
- 4 times the chance of getting infantile paralysis, and
- 5 times the chance of becoming a juvenile delinquent compared with a child born in the outer areas where better housing conditions exist.

When, therefore, you hear that some respectable member of this community, accustomed to live in comfort upon the rents of slum property, has been deprived of his income, then I hope you will bear those facts in mind.

I cannot conclude this somewhat disjointed lecture without informing the members of your Institute that at all times the Housing Commission of Victoria will be happy to co-operate with you.

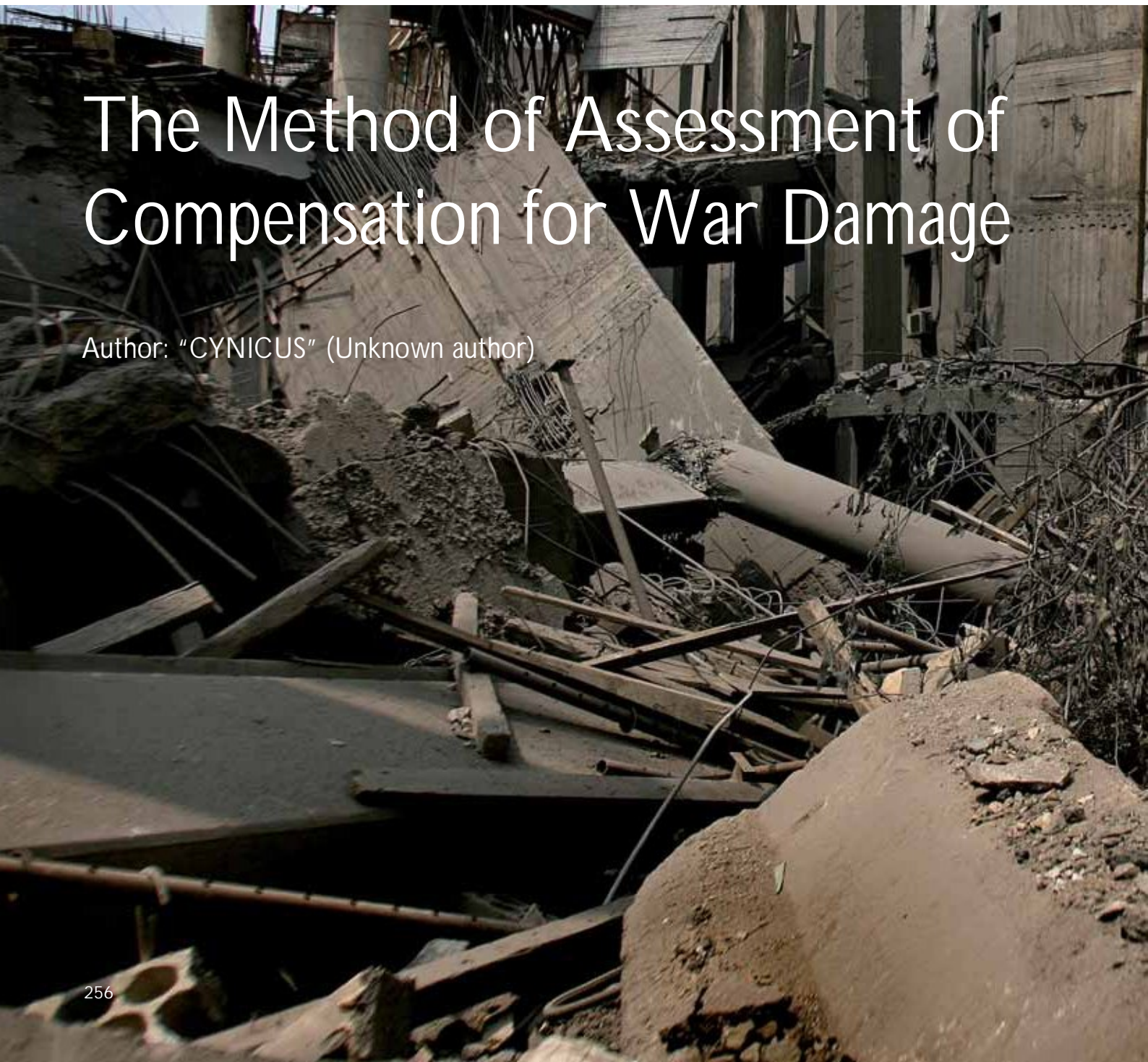
If you have any problems arising-out of the Acts we want to hear of them. If you have any suggestions which will help the cause of better houses for the poor, then let us have them. I am sure you have among your members many who can help us.



“Mixed-Up and Splendid”

The Method of Assessment of Compensation for War Damage

Author: “CYNICUS” (Unknown author)



I have just finished reading the Institute of Valuers' brochure on "Methods of Determining Compensation for Damage to Fixed Property," and the judgment in the appeal of Union Theatres (Vic.) Ltd. v. The War Damage Commission. As I studied both, I had a feeling I had read something similar before, and at last it dawned on me. Strange as it may seem, it was Mark Twain's "Huckleberry Finn".

Those who have read it will remember how Tom Sawyer and Huck Finn

wanted to release the runaway, Jim, who had been recaptured and locked up in a cabin. Huck wanted to do the simple and obvious thing and pull a slab off the cabin and raft him down the river. But did that suit Tom Shucks, no! And when Huck asked Tom if that plan wouldn't work, Tom replied: "Work? Why, certainly it would work. But it's too simple; there's nothing to it."

So a plan was evolved for releasing Jim which included digging a tunnel with knives, introducing snakes into the cabin and many other embellishments. Eventually, after weeks of mysterious effort, the harassed Jim was released, and in his delight he expressed his admiration: "En a mighty good job it wuz, too, Huck. It wuz planned beautiful, en it wuz done beautiful; en dry ain't nobody kin get up a plan dat's mo' mixed up and splendid den what dat one wuz."

Added or Addled Value

To the ordinary mind, the obvious way to assess compensation would be to measure the damage and estimate the cost of restoring the building to its original state; or, if entirely destroyed, to estimate the cost of replacing it, allowing a deduction for depreciation according to condition and age. But the powers that

be have discarded this method and plumbed for the "added value" method-unkindly

referred to at times as the "addled value" method. This scheme involves the ascertainment of the improved value before damage, the improved value after damage, the unimproved land value, the improved value after reconstruction and other, embellishments. It's all mixed-up and splendid, and very diverting to valuers, but most inexplicable to everyone else.

In an article, "Added Value" (The Valuer, 1st April, 1943), "Principia" seeks to justify it and to show that the direct method, which we will call the depreciated replacement cost basis, would be wrong. He states: "I have heard doubts expressed as to whether the definition in the Regulation produces just results." The definition referred to defines the value of fixed property, which, in the main, means buildings, as "the added value which the fixed property gives to the land irrespective of the cost of that fixed property."

Well, I am one who has, from the beginning, expressed such doubts, and having read carefully the last issue of The Valuer, and studied the brochure, those doubts have become certainties. I am now fully convinced that the assessment of compensation for war damage on this basis is not what the legislature intended, nor what the unsuspecting public believes it to be, namely, an insurance scheme to indemnify those

Editor's Comments



In the 1940's, the measure of compensation for war damage provided an engaging debate as to the different assessment methods. The contrasting techniques provided distinct and debatable outcomes.

In today's environment, with natural disasters, the replacement value is clearly defined as "the estimated cost to construct, as of the effective valuation date, a building with utility equivalent to the building being valued, using contemporary materials, standards, design, and layout. When this cost basis is used some existing obsolescence in the property is assumed to be cured" (API Valuation of Real Estate, 2007). The notion of the compensation assessments of the 1940's required five separate valuations per report. The reported fee of one guinea per £1,000 on improved value, where in current money this is \$1,050 per \$1million. Many would suggest like now, the fees do not reflect a realistic return for the valuer.

unfortunate enough to have their buildings damaged or destroyed by enemy action. I agree entirely with Mr. J. D. Holmes in his lecture on the subject (The Valuer, 1st October, 1942), in which he deplored the use of the words "insurance" and "cover" as calculated to give an entirely false conception of the nature of the provisions in the Regulations. "The measure of compensation," states Mr. Holmes, "is not complete indemnity, nor may it, indeed, be even partial indemnity."

It may be in the event of heavy damage that the accumulated fund would be hopelessly inadequate to indemnify sufferers except in a partial degree. With that one can have no quarrel. But what I do quarrel with is the method of assessment - a method complicated and precarious, which is dependent on sales in all their vagaries, and the ability and the patience of assessors to investigate and analyse them. One owner will be compensated in full for the damage sustained; another with a building just as useful and valuable to him, although not so marketable, will receive little or nothing. The yard-stick by which damage is measured is not what the cost will be to make good that damage. It is the effect on the estimated market value of the property as a whole in which the dominant factor is the unimproved value of the land, that elusive, theoretical figure, which, in a large city, nobody is quite sure about.

The A.P.A. Building

Just how precarious the assessment can be is illustrated by some cases published in The Valuer. One of them is the Australian Provincial Assurance Company's Melbourne Office, which, strangely enough, "Principia" uses in justification of the added value method. This building is a substantial and well-designed edifice, which, with its imposing tower, effectively advertises the Company's business. Recently the Company appealed to the High Court against an assessment of £81,902 on the unimproved value of the land on which the buildings stands, a small block at the corner of Collins and Queen Streets. It took the High Court of Australia with two Kings Counsel, two Junior Counsel, solicitors, five valuers, two architects and a quantity surveyor four and a half days to find that the land value was really £76,154.

Now, Mr. Edward Haughton, F.C.I.V., in an article in The Valuer, of 1st April, 1943, makes an erudite and exhaustive analysis of the potentialities of the site, and proves that the land is worth £102,000! Mr. Haughton, it must be borne in mind, is a member of the Melbourne Land Valuation Board, which deals with appeals in connection with War Damage assessments.

Let us now assume that A.P.A. building was destroyed by enemy action. How do we assess the compensation? There are a lot of figures we can play with:

(a) On the basis of the High Court's Judgment.

Improved value of property prior to damage	£93,777
Value of land prior to damage	£76,154
Compensation payable	£17,623

(b) Assuming the Company had not appealed.

Improved value prior to damage	£93,777
Value of land prior to damage	£81,902
Compensation payable	£11,875

(c) Assuming Mr. Haughton was the Assessor.

Improved value prior to damage	£105,000 (Net return of (£4,202, capitalised at 4 %)
Value of land prior to damage	£102,000
Compensation payable	£3,000



Excess Contributions

This brings up another point. In the A.P.A. case, evidence was given that the estimated value of the building was £52,000. It is assumed that the Company paid its War Damage contribution on this basis. Most owners are apparently paying on the fire insurance basis—that is, something near replacement cost. As the majority of buildings in any city are similar to the A.P.A., in so much as they

are not the fullest development of the sites they are on, it is obvious that the Commission is obtaining revenue far in excess of what it would receive if all owners fully understood the regulations and paid their contributions on the added value basis. In fairness to contributors, the Commission should write to each one and explain the odds against him receiving anything like the cost of replacement in the event of damage.

These are values arrived at for taxation purposes and are based on a legal fiction, which assumes the particular block being valued is vacant, while all the surrounding properties remain as they are.

There you are! You can take your pick - £17,623, £11,875 or £3,000! And I am going to suggest that in the most likely circumstances even the first would not give justice to the owner, while the last would be an absurdity.

The Regulations provide that values shall be calculated as at 1st January, 1942. As sales of vacant land at that time do not exist, assessors will probably fall back on official valuations.

These are values arrived at for taxation purposes and are based on a legal fiction, which assumes the particular block being valued is vacant, while all the surrounding properties remain as they are. Each block of land is, therefore, given a value commensurate with its being developed to the fullest extent and also taking advantage of the under-development and obsolescence of the surrounding properties. This, of course, conforms to peace-time conditions, when only an occasional city site comes on the market. But what would be the position if severe bombing took place? A few blockbusters dropped in Melbourne or Sydney could destroy the whole office section and there would be 200 or 300 office sites on the market. Would there be 200 or 300 buyers desiring to build to the limit and paying pre-war values? It is quite feasible that the new building would not differ very materially from the present one, except in finish, and it would

cost, say, £80,000 to erect. Yet it is on the basis of the new building, replacing the destroyed one, being the fullest development of the site, that compensation is assessed.

Or again, if the building in question were the only one hit and it was half destroyed, what would the position be? With the disbandment of the war-time Government Departments after the war, there will surely be a surplus of office accommodation. The company, in its wisdom, may decide that it is advisable to re-construct, rather than scrap the remaining half and erect an entirely new building. Point is given to this when we realise that in 1934 the Company modernised the building and erected the tower. The cost of reconstruction of the damaged half may be £140,000, and the Company will receive £17,623 - or maybe £3,000! It is admitted that this argument loses some force in the case of an insurance company with ample funds for building and the resources to enable it to wait until a new office can be filled with tenants. With the majority of owners, without such advantages, the scrapping of the damaged structure and rebuilding to the limit will neither be practical nor possible. To these owners, where the damage exceeds the theoretical difference between the improved and unimproved values, the compensation received will be only partial; it may even be negligible.

The Sydney Arcade Case

Another example which will demonstrate the precariousness of assessment more emphatically is provided in the judgment of the appeal of *Dymock's Book Arcade v. The Federal Commissioner of Taxation* ("The Valuer," 1st July, 1937). This was an appeal against the value assessed on an irregular piece of land forming an arcade between King and George Streets, Sydney. This engaged the attentions of some of the most experienced valuers in Sydney, and the highest estimate of the land value was £70,600, the lowest was £30,640. The judge found the value to be £50,870 as at 30th June, 1933. He also found the improved value to be £64,615, which made the added value of the building £13,745, being the difference between £50,870 and £64,615. Now, if the building had been destroyed by enemy action, Valuer A, with his estimate of £70,600 for the land, would have assessed compensation at nil, while Valuer B, with his estimate of £30,640 for the land, would have assessed compensation at £33,975. This is 50 per cent more than it would have cost to replace the building new!

Multiplicity of Factors

In the two cases quoted it is shown what vagaries can occur in the assessment of compensation by reason of the difficulty in arriving at a decision on one of the factors, namely, the value of the land. But in an assessment, the brochure shows that five separate valuations are required, all of them bristling with difficulties. These are:

- (1) Cost of Reconstruction.
- (2) Improved value of property prior to damage.
- (3) Value of land prior to damage.
- (4) Value of building in damaged condition.
- (5) Improved value after reconstruction.

What a task! And all to be done for one guinea per £1,000 on the improved value! I doubt if there is an assessor in Australia capable of doing all these for a city building, that is, if the figures submitted are to be anything better than guesses disguised as opinions.

Valuations 1 and 4 will require to be the work of a technical man, such as an architect, engineer, quantity surveyor or builder. In fact, in a city building of any size, it may require all four of them. Valuations 2, 3 and 5 are to be the work of the land valuer. These will be based on a consideration of a large number of factors, such as sales, rentals, outgoing, capitalisation, etc., which, with slight variation, can produce very divergent results. Another example from "The Valuer," of 1st April, 1943, will better show this.

The State Theatre, Melbourne

If any reader should as yet be in doubt as to the complications of this method of assessment, let him read the judgment of the Union Theatre (Vic.) Ltd. v. The War Damage Commission. In their struggles and mental perturbations to try and understand this added value basis, witnesses gave values of the Theatre ranging from £43,418 to £265,569! Whoopee! And this is the method by which compensation for war damage is to be assessed!

In a long and complex judgment, which I must confess I do not yet fully understand on its actuarial side, the Board, after full consideration of a multiplicity of figures and assertions, finds a value of £153,000. Even then the Board took for granted two vital matters, namely, the land value and the rent. Now what a simple thing this assessment would be to calculate under the depreciated replacement cost basis. The most qualified witness to give the replacement cost of the Theatre would appear to be Mr. Gordon Murphy,

the theatre architect, and his figure, after adding interest, costs, etc., was £221,000.

Estimated replacement cost	£221,000
Less depreciation, 14 years' life at 1.5% per annum = 21%	£46,400
Estimated value	£174,600

This is not a criticism of the Board's judgment - fearsome though it is - as it had to deal with the Regulations as they are and the figures given in evidence.

The Board's verdict was £153,000, and while I do not quarrel with it, I will show how tremendously it could be altered by the variation of some of the factors on which it is found. The Board assumed that the present rental of £400 per week is truly relative to the depreciated value of the building and equipment. A picture theatre is like a hotel; it is difficult to arrive at a fair rental without knowing the operational profit. If we assume another £100 per week rental - and this would not be out of the way with competition for the lease - then the value of the building would jump from £153,000 to £255,000. At one time the theatre was let at £800 per week, and if the value of the building had to be assessed while this was current, the result would have been £590,000. That is over two and a half times what it would cost to replace. This, of course, is where the assessor would find it necessary to revise his idea of the capitalisation rate!

Again, if instead of being owned by a company, which pays 6/- in the pound on the sinking fund contribution, it was held by an individual paying 15/- in the pound, then the value would be reduced by £4,000 to £149,000. And this is saying nothing about the variations that can be produced by slight alteration of the capitalisation rate of 4.5 per cent.

Truly, as a method of determining compensation for war damage, it is about as reliable as finding the date of the laying of the foundation stone and consulting an astrologer.

The Home-Owner

So far it is only the city building that has been considered, but if severe bombing comes to our cities, the suburban home-owner will suffer severely. In Great Britain, it is stated, 3,000,000 homes have been damaged or destroyed. How does the home-owner fare under the added value basis of assessment of damage? I am definitely of the opinion that if his house is not a new one and he has a mortgage on it, his equity will disappear, or be sadly lessened. In most suburbs of Sydney and Melbourne, except the outlying ones, flats have made their appearance and builders or investors pay anything from £120 to £40 per foot for sites to erect them on. In a built-up suburb, where there is no vacant land, an older house is bought and demolished and the price paid can only be considered as the land value. This means the builder is paying £1,000 to £2,000 for the site.

In the event of destruction, an owner with a cottage worth £1,500 on a 50-foot block can only receive £250 if there has been a sale or two at £25 per foot. Nothing at all if sales have gone to £30 per foot. It will be argued that he will lose nothing, as he can sell his land after the war for £25 or £30 per foot. But can he? In the event of extensive damage, destroying a large number of houses in a locality, there would not be the demand for a lot of flat sites and the market would revert to purely cottage values of £8 to £12 per foot. Yet if the method of the valuation as laid down is truly carried out, the land must be valued as at 1st January, 1942, and the basis would be the latest sales made to the flat builders at the high figures.

In the case of partial damage, if the cost of reconstruction exceeds the theoretical difference between the land value and the improved value, he has to pay the excess himself, and he will have to increase his mortgage debt, although his asset is of no more value than before the

war. But wait! The asset may be considered by some zealous assessor to be increased in value by the repairing of the damage. This is to be estimated and the amount of the increase is to be deducted from the compensation payable. It is not known whether the improvement in the market value through the new paint is to be taken into consideration.

The Regulations have been framed so that there is no possible chance of an owner getting a new house, or even part of a new house, for an old one, or, perhaps, not so old a one. I suggest, however, that if an owner, who has lost his home-and perhaps other things much more precious, for which there is no compensation-should get a new cottage for his old one at the end of the war, justice would not be so terribly violated.

Defects of Added Value Method

Having reviewed the application of the method in some city buildings, and generally how it would affect the home-owner, the defects are summarised as follows:

- (a) It takes no account of the special value that the building may have to the owner.
- (b) The result of assessment is uncertain and unpredictable, depending largely, as it does, on the vagaries of sales in the locality.
- (c) It is academic and difficult and depends on a large number of intermediate factors, which, unless fully investigated, will tend to error, and which, being variable, lend themselves to manipulation to produce a desired result.
- (d) It is likely to deprive home-owners in suburbs where flats are in evidence of adequate compensation.
- (e) It is not understood by the general public which believes it to be based on fire insurance practice and is paying contributions on that basis.

Depreciated Replacement Cost Method

Like Huck Finn, I think the better way to get the Jim out of the cabin is to pull a slab off the wall rather than the tunnel and snakes method. Compensation should be based on the cost of restoring the fixed property to substantially the form and condition in which it existed prior to damage. In the case of total loss, an appropriate reduction to be made for depreciation, having regard to the physical condition prior to damage and to the average life of the class of building to which it belongs. True, this depreciation allowance presents difficulties, but trifling to those in the added value method. This is nothing more or less than the "depreciated replacement cost basis." In it compensation is assessed by men qualified to measure physical damage and estimate reconstruction, and is not dependent on estimates of a theoretical land value as at 1st January, 1942, (which may have no relation to the value when rebuilding is done) and an uncertain improved value.

The White Elephant Building

It will be loudly declaimed that you cannot estimate obsolescence by the depreciated replacement cost method. For normal buildings, the depreciation allowance takes care of obsolescence, but it is admitted that the "white elephant" building is difficult. Surely, however, to get over this case it was not necessary to devise such a cumbersome and unreliable method, which can only create far more anomalies than it cures. I offer a suggestion that compensation for the damage or destroyed building might only be made in progress payments as the building is reconstructed. If it be not intended, or is obviously absurd, to rebuild to substantially the same form as previously, then the Commission to reserve the right to assess on the added value basis, taking into account, however, not the value of the land at 1st January, 1942, but at the date when rebuilding is possible. However, a better alternative may be devised.

The Valuers' Institute is to be commended for bringing into light in its brochure what the assessment of war damage really means in all its hidden implications.

Action of Institute

The Valuers' Institute is to be commended for bringing into light in its brochure what the assessment of war damage really means in all its hidden implications. But the Institute should go further and press for an alteration of the method of valuation, not only in the interests of the people as a whole, but to preserve the good repute of valuers generally.

It has been said in architectural and building circles that, in order to make the assessment of war damage, a land valuer's preserve, an incomprehensible method has been devised which only land valuers - and then, not all of them - can understand. I hope I have made it clear in this article that this is only one of its defects.



The Architect and Good Design

- Their Value in Contemporary Building and Living

Author: John P. Mockridge

Mockridge, Stahle and Mitchell, Architects

Since World War 2 the term Architect and the profession of Architecture seem to have become increasingly popular.

One now sees films in which the hero is a young architect living in a sumptuous apartment, driving to a luxurious if tasteless office in a smart convertible and escorting beautifully gowned blondes to expensive night clubs. This, of course, is pure Hollywood because from experience I can assure you the architect has a very uphill struggle and it would be more realistic if the carpenter or the plumber were shown enjoying these luxuries.

One also reads of some famous personage as being the "Architect of Victory" or another as being "The Author of the Blue Print of Peace." I even heard on the radio the other night a well known firm of sweetmakers advertising themselves as "The Master Architects of delicious confectionery."





Editor's Comments

In providing an elegant review of 1950's planning, design and construction issues, the reader becomes aware of the challenges that face the Architectural profession. In identifying the issues and offering solutions, it is pleasing to see some have been adopted - pavement cafes and Melbourne Festival Square.

The discussion on new 1950's building materials, highlight how far construction products have evolved, where steel lattice beams and precast concrete provided the great advances of that decade, glazed curtain walling and sophisticated building services - air condition systems are now a pre-requisite of the modern office building.



Whilst we architects are rather jealous of the term Architect which surely means "The science of designing and constructing buildings" this new interest is indeed a healthy one for us and one which has become very much more apparent and alive, particularly to the younger people. As a member of the Institute of Valuers you are naturally most interested in how we can be of value and add value to the building trade and property generally. I am going to divide my talk roughly into three headings in order to discuss the Architect and Good Design and I will skirt the actual mathematics of values for I feel that in such a conclave of Valuers and Mathematicians I am very much out of my depth. My headings will be;

- (1) Design: in which field I am most strongly interested-and this will include some new materials and methods.
- (2) Our City and Suburbs.
- (3) Some overseas developments.

Design

Designing is indeed a serious business. "The lines on the paper are the bars of the cell in which perhaps generations of human beings may be condemned to live, play or work. It is serious, but if the designer has lost his sense of gaiety and has no underlying enthusiasm, his buildings cannot be Architecture."

The serious architect must eliminate pre-conceived ideas and his building must grow from the increasingly detailed analysis of its needs and particularly a study of the way people are expected to use it and hence by the gradual elimination of unsuitable materials and methods of construction. It is the simple, clean structure, piece of furniture, fountain pen or motor car which is the well designed object that will not date or lose its value.

We are perhaps more fortunate here in Australia than most in that whilst we can

"The science of designing and constructing buildings" this new interest is indeed a healthy one for us

We now can use pre-cast and prestressed columns, flooring and roofing units, stair treads and wall panels.

take advantage of it we are not bogged down with centuries of architectural tradition which is very difficult to shake off. For example when I worked in London in 1950-51 it was very apparent to me what a difficult road the English architect had to hoe. Apart from the restrictions on materials, Ministry of Works, Ministry of Transport and local authorities, the unfortunate man usually had to contend with a stodgy client who wanted a mediocre modernised version of the type of Building John Nash so superbly made famous in the reign of George III. At that time he was not able to take advantage of modern methods of construction of structure and materials which have so changed planning and building of recent years.

Of these a new building unit which was developed in England, I believe, during the war or early post-war years is the lattice beam or open web joist.

You see it a lot now in factories, canteens, public halls-it was used for the two big arches for the Royal Visit. I used it at the Melbourne Grammar School Boat House and on many other jobs. It's that very decorative open beam with a squiggle of reinforcing rod running down the middle. It's really not new - you'll see a Victorian edition of it down at the Spencer Street railway station. Its introduction was due to the great shortage of timber in England. Locally it is about the same cost as, an Oregon beam of comparative strength up to a length of 12ft, but above that length it becomes increasingly cheaper than the Oregon. However its great advantage is its weight which makes for much greater ease of handling and consequent saving in cost.

In the field of concrete great advances have been made. Probably precasting and prestressing which is now allowed

and recognised locally are the most important aids to building technique of recent years in this form of construction. We now can use pre-cast and prestressed columns, flooring and roofing units, stair treads and wall panels. The pre-casting saves wet construction on the job involving expensive forming, mixing, carting, and pouring the concrete and the time saved is very considerable. The prestressing adds greatly to the strength of a section which can therefore be cut down, saving in material and weight and consequently cost.

For the new Bromby Street Building at Melbourne Grammar School we used precast concrete stair treads of triangular section which had bolts built in and were merely bolted to steel strings. This technique which I devised in conjunction with our engineer enabled us to put in this stair serving 4 floors in a day and a half, using 2 men which, in the normal course of events would have taken 4 or 5 men, 4 to 5 weeks to construct. The saving in time and cost here was very considerable. We also use pre-cast units as the deflectors on the Rifle Range which is situated on the roof of the building and pre-cast wall panels under the windows on the North elevation. These were later coloured Royal Blue, Yellow and Acid Green to form a definite pattern to the facade which you have probably seen and which I understand has caused a great deal of comment, both for and against.

Incidentally, a strange anomaly which exists in our regulations was discovered here. It was my original intention to make up the whole infill to the bays as a large timber frame having windows from 2

foot 6 inches to the ceiling and sheeting below the window sills to the floor with timber or sheet metal or some such light material. However the regulations say that the material used must be of a 2-hour fire rating (although the nearest timber building is situated on the other side of the oval) and therefore I could choose between 11 inch of brickwork, 6 inch of concrete or the 1.5 inch precast panels backed with 6inch of terra cotta lumber. The strange thing is that glass would have been allowed but of course this would not have been practical as the rooms are class rooms.

We had had previous experience of these precast panels which we used the year before for cladding the ground floor walls of the new Boat House also for Melbourne Grammar School. Here the problem was to find an attractive material to resist arson minded gentlemen who frequent this part of the river and who, the previous year had managed to burn down the old boat shed by lighting a small bonfire adjacent to its timber walls. A further problem was that the whole structure was to be demountable as the City Council were rumoured to be contemplating resuming the land at some future date. These panels were the answer and an aggregate finish applied just as the concrete was setting in the mould gave them an attractive finish for the outside face. They were simply clipped to the steel structure and if the building has to be moved, can be just as easily unclipped and re-used. Because of teething troubles often experienced in experimental work the cost was only slightly less than an 11 inch brick wall but now this would be greatly reduced.



Incidentally, a strange anomaly which exists in our regulations was discovered here.



A new board recently introduced in Australia is "Stramit" which is made of straw compressed with great pressure

Stramit

A new board recently introduced in Australia is "Stramit" which is made of straw compressed with great pressure under great heat to a board 2 inch thick 4 foot wide and practically any length. Because of its high insulation value, its resistance to combustion, and its ability to span 4 foot unsupported, it is particularly valuable for roof decking and can be successfully used for partitioning and external cladding. Being composed entirely of straw with a heavy brown paper surface on both sides it is a cheap and useful material which was invented in Sweden and has been used extensively in that country for about 15 years where it is used in varying numbers of layers according to the proximity to the North Pole.

Man-made timber or chip boards have also been recently introduced to this country. These boards are made of sawdust, shavings and chips highly compressed under heat and have their uses for decking, partitioning, etc., and for all purposes which timber could be used. The main advantages of chipboard is its strength and in the large sizes in which it can be obtained.

One could continue for too long describing the new materials—the new heat resisting glasses, the laminated coloured glasses, aluminium foil roofing, plastic underlays for waterproofing concrete slabs on the ground, etc., etc., but before leaving materials and methods

we should not forget the Ramset gun which has revolutionised "fixing" - and that's not Chicago talk. With this gun, plugging walls is a thing of the past. A nail or spike of varying length and carrying a charge depending in strength

upon the surface to which attachment is required, is loaded into the Ramset gun which then "fires" the frame to the wall, floor or ceiling. As a time-saver this gun is terrific and the attachment is very positive, even penetrating steel. A near tragedy occurred in London in 1951 when the Ramset man was demonstrating to my colleague and I, his brand new invention from America. Apparently, mistaking the breeze partition wall for concrete he loaded with one of his more powerful charges and the nail penetrated the wall narrowly missing a very stately Mayfair dowager who occupied the adjoining flat. This gun therefore has also possibilities for "Fixing" hard-to-get-on-with architects but so far I've heard of no tragedies.

The introduction of strong colour to building both externally and internally has had a most stimulating effect. This is particularly noticeable in older buildings which, with intelligent use of colour and pruning of redundant bric-a-brac receive a new lease of life and a great increase of value particularly if a modern kitchen and plumbing installation have also been affected.

A drive around the inner suburbs will reveal a number of unforgivable alterations where verandahs have been ripped off, new features added and louvre windows inserted without any consideration of the original building. In their new

paint they look fresh and different but I feel sure when this has worn off the value will have decreased, not increased. In contemporary building of course, colour plays a very important part in the overall design and in designing one not only thinks in terms of plan, elevation, structure, services, etc., but also in terms of colour and texture of materials. The danger is the indiscriminate use of colour and texture materials, for many not sufficiently trained are now trying their hand and colour badly used can be as bad or worse than the cream and green of yesteryear.

With these new materials and methods, together with advances in structure, the architect has a new freedom to express his ideas. Climate plays an important part, where it is possible for instance for the English architect to build with clipped eaves and walls of glass it is most important that we should have an overhang of at least 2 foot 9 inches to protect us from the summer sun and awnings or sun breakers of some kind. However we do not have to worry about double glazing and other such luxuries to fight the cold although some form of cheap-to-install and cheap-to-run central heating unit is long overdue. Many new types of units have been introduced in the past few years but they are all costly to maintain even if not so costly to install.

With these new materials and methods, together with advances in structure, the architect has a new freedom to express his ideas.

Our City and Suburbs

In the city of Melbourne our forefathers have left us a great heritage which I often feel we do not appreciate. Our beautiful parklands and tree lined streets are comparable with most of the big cities of the world. The continual slaughter of trees, particularly on the streets, fills me with amazement and anger. This peculiarly Australian pastime seems to be a hang-over from the pioneering days when the country had to be tamed and cleared but I can see no sense in denuding streets of beautiful trees which have taken 50 or 60 years to grow thus exposing in most cases, rows of very dreary houses set in very dull gardens. Two recent sub-divisions in Toorak have also puzzled me. In both cases the bulldozers have gone in and completely razed a ready made garden suburb to the ground. Americans, and I feel too, that the sort of people wanting land on these estates, would pay hundreds of pounds more for the trees which surely could have been used intelligently in planning the sub-division.

In the city proper I feel our greatest need is at least one square or piazza. It is, therefore, very gratifying to read that following the raising of the height limit a proposal has been put to the City Council by the prize winning architects to scrap the idea of a building to cover this Western market and in its place build a slab type building-in the popular style of the U.N. building in New York fronted on both sides with a large garden or square. This I consider to be a very forward step as it would "open up" this end of the city, provide an excellent place for office workers to relax and add a point of interest to our rather dull street grid. I understand the City Council are reported to be interested in the idea and I feel everything should be done to encourage them to bring such a worthy project into being.

With the introduction of a city square and the popularity of Espresso Coffee it may then be possible to introduce a pavement cafe or two which those of you who have travelled abroad will doubtless agree contribute greatly to the charm of continental cities. This idea has been stopped so far I believe, because of the disruption to pedestrian traffic but it is a pity it has not been allowed at the top of Collins Street to add a little more charm to that very lovely boulevard.

Apart from flats, Melbourne's other great need is good statuary. I found endless delight in Scandinavia and Switzerland on constantly finding little sculptures in most unexpected places-police station courtyards, shopping centres, all the parks and public buildings and so on.

Regarding flats, the time must come very shortly when large multi-storey flats are built in our inner suburbs in park like settings to accommodate bachelor men and women, young married couples and old people. The "point" flats and "star" flats built around Stockholm by Co-operative Societies, the Government and private enterprise have greatly eased the city's housing problem which was extremely bad 15 or 20 years ago.

This is doubtless a more expensive way of building living units but it must come soon as Melbourne's sprawl is becoming untenable.

Apart from the new Olympic Pool (which incidentally is going to be World Class and will add immeasurably to Melbourne's architectural reputation) the most interesting development of the last 12 months is the breaking through the height barrier by Imperial Chemical Industries, with the relaxation by the City Council of the 132ft. height limit. One can now see the possibilities of simple, clean buildings unscarred by dirty dingy light courts rising out of garden squares built possibly over their tenant's car parks, very much in the manner advocated nearly 20 years ago by the visionary Le Corbusier.

Some Overseas Developments

Overseas, a great deal of interest has gone on since the war. England, always slow to try anything too new or daring has experienced a minor renaissance since the Festival of Britain in 1951, judging from the magazines and comments from returning travellers. Unpopular in many quarters and slated as being a great waste of money which could have been used for much-needed housing the Festival was designed to present to the world, British genius in all fields. The Exhibition occupied a badly bombed slum area of 27 acres on the curve of the river Thames between the bridges of Waterloo and Westminster and in a clean "Scandinavian" way using great spidery staircases, wide-striped awnings, large attractively shaped concrete flower tubs and well-designed outdoor furniture, together with simple cleanly-designed buildings, presented a most rewarding spectacle to the millions of Britons and foreigners who visited it. For his efforts the Director of Architecture for the Festival of Britain, Sir Hugh Cassen received his Knighthood and it can be said that the Exhibition has greatly contributed to breaking down the barriers and reluctance to use new materials and shapes in building in Britain.

With the exception of the Royal Festival Hall all the buildings were temporary. Unattractive in its external appearance



the Festival Hall is a most exciting building inside. With its great soaring staircases, enormous glass walls and clever use of indoor planting it presents endless views of London and the Thames from its many Foyers, restaurants and bars situated on different levels. The hall itself is acoustically perfect and has been designed so that it can be tuned rather in the manner of

a radio set. It is pleasing architecturally, its walls being panelled almost completely with timber with a leather padded dado and wavy ceiling-all important elements in the acoustical treatment.

Sydney is at present holding an international competition for an Opera House of a similar nature. They seem to lead us in these matters, having had Sir Eugene Goossens permanently conducting an orchestra of world standard for many years now. Let us hope we will not be too slow to follow their lead as a first-class Concert Hall or Opera House is an urgent need in our city of Melbourne.

In England, great strides have been made in school building and in this field they probably lead the world. It all started in the County of Hertfordshire where a great influx of population completely overloaded the existing school accommodation. A particularly bright team of younger architects under the County architect devised a system of pre-fabricated pre-cast concrete building elements which could be arranged in any number of plan fortes, depending on the site, orientation and so on. Two great advantages, and of course selling

On the Continent many fine buildings have arisen in recent years

points, were their economy in building and the speed with which they were built. Because of their simple, functional design they are also good architecture.

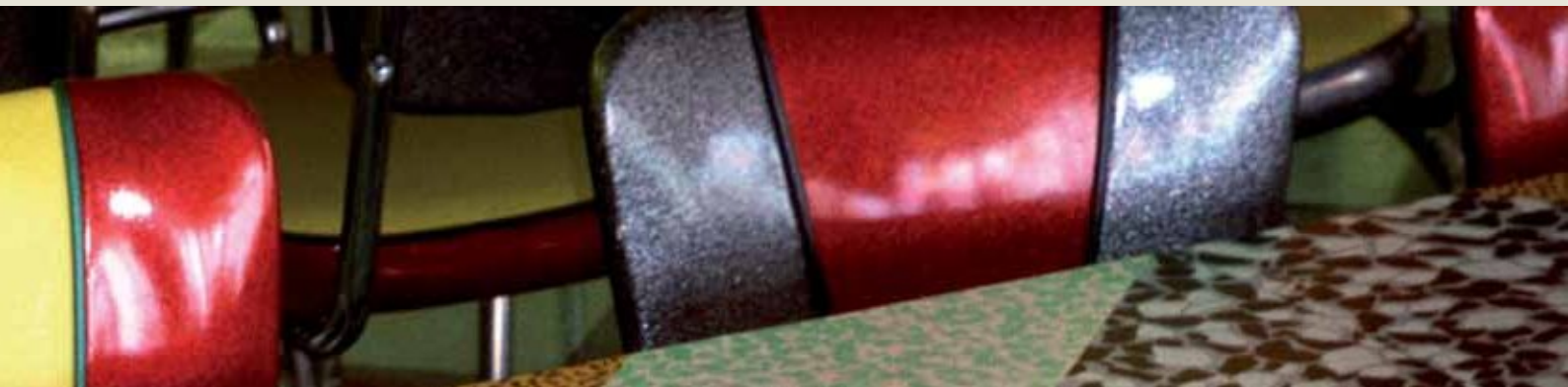
On the Continent many fine buildings have arisen in recent years. The new Radio House in Copenhagen which is the prototype of the Royal Festival Hall - but better; the new Concert Hall at Malma in Sweden and the new Town Hall at Aarhus in Northern Denmark were among the most important I saw in Scandinavia. The Italians who have been building superbly for so many centuries are still ahead for inventiveness, grandeur and pure good taste. The new Central Railway Station at Rome is probably the finest contemporary building in Europe.

In Marseilles, Unite d' Habitation designed by the famed Le Corbusier was nearing completion when I was there in 1950. This is indeed an interesting experiment in real estate being a complete town in one building. It contains approximately 300 flats, mostly 3-bedroom units with access from wide corridors called "streets" running down the centre of the building. There is a shopping arcade and on the roof a nursery and playground for the children which has been carefully landscaped. I understand there is even a small cinema. The building is set in parklands and because it is jacked up on

pylons to a height of about 20ft. the gardens run under the building, forming a large covered area for children to play. The Government partly subsidised the block which was actually erected by a building society. At first, great difficulty was experienced letting the flats due to high rents and various other causes but the building is now fully occupied I believe and the Society are encouraged enough to be building a similar structure at Nantes under the same architect.

We are told building in America is booming. Great supermarkets with parks for hundreds of cars are being developed near every major city and multi-storey car parks are being erected in all the big cities; great new city buildings for Insurance companies and commercial organisations; T.V. Studios; and Motels are to be found throughout the country. But perhaps the most important building to be erected in the U.S. in recent years is the Headquarters for United Nations in New York which was designed by a panel of international architects and which has set the pattern for slab type buildings throughout the world.

It can be said that building and design are on the move to-day but it is on you our clients that we architects depend, for although we can guide you along the path to good building, it is you who have the final say.



Valuation of Motels

Author: S.F Hickson

Lecture delivered at the Real Estate Seminar at Port Macquarie on 27, 28 and 29 July, 1962, conducted by the University New England, and the Real Estate Institute of New South Wales:"

Mr. Hickson, who is a Vice-President of the Real Estate Institute New South Wales, is a Director of Wade-Hickson Pty. Ltd., and Realtors and Estate Developers Pty. Ltd., Motel Brokers. This article is reprinted with the kind permission of the Editor the "Real Estate Journal."

When we speak of motels, we refer to establishments offering to the motorist and others, overnight accommodation of modern construction with rooms or suites, having self-contained toilet and bathing facilities, and providing offstreet parking within the motel site- in short, accommodation units such as are classified in the N.R.M.A. Directory as "Modern Type Motels."

Converted houses, Guest Houses, etc., hoping to attract business by displaying the magic word, "Motel", are specifically excluded from our treatment of this subject. We also exclude Hotel/Motels, which are a separate study in themselves, involving additionally, as they do, many of the valuation factors applicable to licensed Hotels. As a digression, it may be of interest to note that in Western Australia, the

display of the sign, "MOTEL", is restricted by statute to establishments of a standard

generally similar to that required by the M.F.A. as a qualification for membership; and in respect of Hotel/Motels, that amendments to New South Wales licensing legislation, recently approved by Cabinet, will almost certainly lead to substantial changes in the design of future licensed Motels.

Introduction

Many of the principles of valuation practice are expressed in time worn, perhaps even hackneyed, phrases and definitions. In valuing a motel, one of these must always be kept to the forefront. It is that "Value expresses the present worth of future returns", or, as Dr. Murray puts it, "Every valuation is, in effect, a forecast of the future-the past is important as a basis for forecasting the future."

To observe this fundamental and essential precept, the valuer must have, or acquire, an understanding and background knowledge of the motel industry. You accept the task of valuing real estate because you are competent to compare the utility of one property with that of another; or the investment value of one with another. I propose, therefore, to deal at some length with various aspects of the industry, at least to an extent, which I hope will be sufficient to give an introductory background to this ever growing business, and to indicate some of the pitfalls confronting the uninformed or unwary valuer.

The Motel Industry in Australia: History

In 1954, the Motel industry had its birth in Australia at Bathurst, when Mr. E. T. (Rex) Bray built some motel type units, and called them "Cosy Cabins"-later extended to become the A.M.C. Motel. This venture was followed by Mr. Lew Pemblett with the Olympic Motel at Gosford in 1955, and then by the "Club Motel" at Wagga in December of that year.

I won't bore you with statistics of the construction of new motels, which reached its peak in 1960/61. However, 1961 (as a calendar year) showed a slowing down in the number of com-

Editor's Comment

The long term fundamental aspects of valuation are embedded throughout this article with the emphasis placed on the motel industry. Included is an insight into the unique history of motels in Australia, as well as identifying the drivers behind the varying levels of demand e.g. 'strength of the town'. The year of this publication signified the approximate end of the 'baby boomer' generation where the average family included 3 or 4 children, overseas holidays were a luxury that few could afford and therefore local driving holidays were popular. Of keen interest is the analysis of the number of motels and where their respective costs of accommodation are examined. The discussion of valuation principles emphasises many of the fundamental considerations that remain current today, including highest and

best use as well as the importance of location. This article provides an informative insight into the booming motel era and in many respects still remains relevant for many country motels.



mencements, and this was at least one result of the credit squeeze which was beneficial, in that it gave the industry time for a critical look at past mistakes, and an opportunity for a better assessment for future investment.

One current survey shows that we have recorded a total of 408 motels and Hotel/Motels in New South Wales, Victoria and Queensland, alone, and have noted a further 35 in the other States-an Australian total of 443. When one realises that all these have been built since 1954, one appreciates the speed at which this industry has developed-and speed usually involves risk.

While in this rapid development motellers have undoubtedly profited from experience in the United States where the Motel had its origin; nevertheless, many grave and costly errors have been committed-these we shall mention later.

The Motel Federation of Australia

No history of the industry would be complete without reference to this fine organisation, analogous in its objectives, in relation to the motel industry, to the Real Estate Institute in our own. Founded in 1957 with 26 members, it has set the standards for the industry, both as to the quality of construction and service, and of ethics between its members, and in their relations with the travelling public. It is no overstatement to say that its name is a by-word with the public, and the letters, "M.F.A", accepted as signifying an establishment where a welcome and a comfortable night's rest await the traveller. A very excellent Directory of member motels is published and freely available.

It is perhaps appropriate here to say that, while M.F.A. membership has value in that it establishes the standard of a

motel, membership is not saleable, in that it is not automatically transferred to a purchaser-in the same way that membership of our Institute is not transferrable on sale of a Real Estate business.

The N.R.M.A.

The accommodation Directory issued by the N.R.M.A., particularly with its 'star' ratings, is of considerable assistance to the public, and a publication to which any 'would be' valuer of motels should make reference. Any such 'rating' must, of course, influence the future business prospects of any motel.

The Distribution of Motels

For reasons apparent to any valuer, it will be wise to look at the pattern of distribution of motels, and also of the spread of ownership as between chain and privately operated motels.

The purpose of the exercise is served if we take the New South Wales total figure given earlier, of 243, and break this down by highways, etc., as follows:

Metropolitan area	30
Pacific Highway	88
New England Highway	15
Princess Highway	20
Hume Highway	24
Other Highways	66
Total N.S.W	243

Of this total of 243, 78 are chain owned and operated while in Victoria, of 75 motels, 17 are chain motels, and in Queensland of 90 motels, only 14 are in chain ownership. In a complete analysis, the number of motels should be translated into the number of beds available sufficient for our purpose here to say that the average number of units per motel is approximately 20, and the average number of beds per unit is approximately 2.5.

The Tariff

The tariff which the traffic will bear is, of course, one of the prime factors in the value of a motel, and the average tariffs which we extracted some little time ago, will demonstrate the significance of this aspect. The averages (double room per person, including breakfast) at that time were as follows:

Metropolitan area	41/-
Pacific Highway	34/-
New England Highway	38/6
Princess Highway	36/-
Hume Highway	36/-
Other Highways	38/-

It is significant that the Pacific Highway with the greatest number of motels (88), has the lowest average tariff (34/-).

Types of Construction

Taking a sample of 235 motels, an analysis showed:

132 (approx. 57%) constructed of brick or masonry including brick veneer.

71 (approx. 30%) weatherboard.

32 (approx. 13%) asbestos cement (fibro).

Classification of Motels

From time to time, one hears motels described as being transit, resort or terminal motels, and more recently 'Down Town' Motels. As a generalisation, it can be said that most terminal motels have in their overall patronage, a transit element and some resort content. Transit motels on the other hand, frequently have a resort or at least a 'stop-over' factor in their occupancy.

By 'stop-over' we mean when guests extend their stay because of the provision of some amenity, i.e., a golf course, bowling rink, good fishing, etc., either at or near the motel. The pure resort motel is, of course, subject to fluctuations in its occupancy, influenced by economic and seasonal factors to a greater extent than will be found with the transit or terminal motel.

A close definition of this terminology is probably not important, but it is important that a valuer looks closely at the type of patronage which a motel enjoys, and considers carefully its vulnerability to the many and varied factors which will affect the stability of its occupancy.

Economics of the Industry

Having dealt somewhat sketchily with the background to the subject, we should now examine more closely, against this background, the factors which affect the economy and, therefore, the value of motels.

A motel is a business, and its success depends on the return it yields on the capital employed.

The ingredients in this return are Gross Revenue, Operating Costs and Capital Outlaid (the total of equity and loan funds).

The Gross Revenue is varied by the tariff obtainable and occupancy.

Operating Costs are varied by the actual running expenses, depreciation (not only that allowable for taxation, but also for sinking fund provision for later upgrading of the motel by adding further improvements) and cost of borrowed capital.

Capital costs are affected by the type of construction; the balance between revenue, and non-revenue producing building; the standard of furnishings and fittings, plant and equipment and last, but by no means least, the cost of occupancy inducements (from swimming pools to tea making equipment).

A motel is a business, and its success depends on the return it yields on the capital employed.

It is necessary to elaborate on 'occupancy inducements' or 'fringe benefits' for which, being 'free', the public display an insatiable appetite. However, nothing is "free", and the costs of providing these benefits must be viewed very critically - competition between operators in this field is but a short step to tariff cutting and loss of profitability.

It is difficult to analyse these headings in the sequence in which they have been stated, because in many respects they are inter-related capital to revenue, e.g., a cheap site while reducing the amount of capital invested may, and most likely will increase the vulnerability of the investment (depreciation), and at the same time reduce the revenue.

It seems preferable, therefore, to deal with the various practical elements to be considered when a motel project is being examined-these are:

- (i) Siting
- (ii) Design and Construction
- (iii) Cost of Finance
- (iv) Operating Expenses.

(i) Siting

The selection of a site (or a Valuer's need to satisfy himself as to the suitability of an existing site) involves two questions:

- (a) The choice of the geographic location; and
- (b) The selection of the best site at the chosen location.

The solution to the first question, is to find the town where the maximum tariff and occupancy can be achieved for the minimum outlay. In this context, one has to look at the tariff rates established on the relevant highway, in the town or in

competing and/or similar centres; and next, at the motel distribution pattern. At the same time, full regard must be paid to the relative strength of the highways and of the towns (e.g. their population and situation) on the chosen highway.

In determining the strength of a town, one must have due consideration for 'occupancy generators' such as large boarding schools, district hospitals, and the business traffic attracted to the town because of its commercial importance as a district or other centre.

The weight given to these factors will, of course, largely influence the selection of the site itself-that is the second question. For example, where the town is an important centre, it is obviously desirable that the site should be "in town", or as close as possible (on balance) to the centre of the town without loss of visibility to highway traffic. If, on the other hand, the locality is chosen because of the strength of the Highway, then it is evident that considerations of highway visibility should predominate.

It should be said here that the concept of desirable motel siting has undergone several changes-the now generally accepted theory is that unless the motorist has already decided where he is to stay, when approaching a centre of any size, he adopts the following procedure:

He drives into the town centre, surveying the motels on the way in, and providing it is up to standard, will choose the motel nearest the town centre. If he does not

find (or cannot get accommodation at) a centrally located motel, he either returns to a preferred motel, surveyed on the way in, or decides to carry on to the next town, and may be enticed to stay at a perimeter motel on the outgoing side of the town.

A motelier selecting a site, or a valuer, must weigh all of these factors and consider the possibility of the motel being out built (i.e. outsided) by a later motel. Where it can be seen that existing motels are showing reasonable occupancies (say 70-75%), but have vacancies under all except peak conditions, this situation can be regarded as a measure of insurance against an intrusion by all but the fool-hardy. No one can afford to build a motel or units to cater for a seasonal peak or occupancy, which will only be available for, say, three months of the year.

It may be wise to interpose, here, a note in definition of "occupancy rates".

There are, in our experience, almost as many bases of expressing occupancy percentages as there are motels. To carry any conviction, and to serve any real purpose, this percentage must be related to the maximum capacity in adult sleeping places of the motel (bed occupancy). From this, the number of people through and the gross revenue for any given period, can be reliably calculated. This is more accurate than the basis frequently adopted of calculating the rate as if each unit had only two beds.

The obvious is often overlooked, and highway deviations and by-passing of towns is the order of the day (as those in Port Macquarie well know). Careful and diligent inquiry from both local council and the Department of Main Roads is essential to assess the value of any given site.

In determining the strength of a town, one must have due consideration for 'occupancy generators'

(ii) Design and Construction

Under this heading, there are many aspects which a valuer (or a prospective motelier) must consider very critically in his preliminary survey. Among the more important are:

(a) Excessive Cost

Is the design extravagant? That is, has it given rise to cost which will not increase revenue? If the optimum is exceeded, neither occupancy nor tariff factors will be favourably affected in anything like proportion to the extravagance.

(b) Balance of Revenue to Non-Revenue Producing Construction

A large Manager's residence does not add one penny to the motel's income, but it can severely increase the capital which has to be serviced. It is not unusual to find a motel of, say, 10-12 units with a Manager's residence, restaurant and administrative section large enough to service 24 units obviously out of proportion for so long as it remains a 12 unit motel.

A Manager's residence, though, unnecessarily large by usual standards may, if attractively designed, nevertheless appeal to a particular purchaser, but a large; restaurant for which there is no patronage would clearly add little or no value to the property.

(c) The Size of Units

Are the units of a size and bed capacity best suited to its pattern of patronage, and to, allow flexibility? To illustrate-where a motel caters for commercial travellers for, say, the first four nights of the week, and provides single units, these units are virtually useless at other times, and even allowing for single tariff rates, are uneconomic when compared with a unit large enough to accommodate a double bed (or twin beds). Such units cost little more to build and furnish, and while acceptable to the commercial traveller, can be let when he is off the road to two people. It is generally accepted, now, that a unit should be large enough to take at least a double (or twin beds) and a day bed.

(d) Functional Efficiency

Design and materials used in construction can have a significant effect on the efficiency of a motel. Bad layout and use of materials difficult to clean, for example, can cause increased labour costs, cold breakfasts and dissatisfied guests.

(e) Depreciation

Last, but perhaps most important, is an examination of the design and construction from the point of view of depreciation both by physical deterioration and by obsolescence. A fibro motel in a favourable location may be showing

excellent returns - but for how long can this be expected to continue, and at what cost in maintenance? With regard to obsolescence, it can be said that the design of units acceptable to the Australian travelling public has, with minor variations, been fairly clearly established - any unit which is below this standard is already obsolete.

(iii) Cost of Finance

Unfortunately many of the motels built in the boom, were built with an unusually high proportion of money borrowed at even more unusually high interest rates. On an average, it takes twelve months for a motel to establish a reasonable rate of consistent earnings, which means it is getting repeat business; so, a badly capitalised venture has virtually no chance to "get off the ground". Bad financing clearly imposes a crippling burden on the young business; if coupled with extravagant construction, the results are disastrous. This does not so much affect the valuer appraising an existing motel, except that he should watch for the side effects of economies, usually false economies, introduced in a vain attempt to correct the situation. It is, however, an aspect of major concern, where one is retained to advise on the feasibility of a project when capital and revenue budgeting have to be most critically and conservatively investigated.

(iv) Operating Costs

Since by now we hope it has been demonstrated that the value of a motel is a reflection of its earning capacity, it will be obvious that a valuer must have reliable trading figures, and be competent to correctly evaluate the story they tell.

Usually one starts with accounts, supporting the client's taxation return. The first step is to correct for items of income and expenditure, which are peculiar to the present owner, but which would not recur in the hands of the

It has been demonstrated that the value of a motel is a reflection of its earning capacity.

ordinary purchaser. For example, one finds a non-resident owner properly charging travelling expenses from his interstate home to supervise the business, or conversely, the owner-operator not charging the business with his own and/or his family's wages.

Essentially, one should have typical cost percentages against which to measure

the operating costs of a particular motel. Without this aid, it is difficult, if not impossible to:

- (i) Gauge the efficiency and business ability of the present management, and thus the scope for better management.
- (ii) Pinpoint any cost peculiarities inherent in the particular locality.

“Cost does not necessarily represent value” - never more true than when applied to the valuation of a motel.

(iii) Ensure that all items of expenditure have been included, and that there is a proper provision for depreciation and administration charges.

In short, one must have this standard of comparison to be able to assess, with any reliable degree of accuracy, the earning capacity of the operation.

The Valuation Approach

In our introduction, we stated the well accepted view that “Value expresses the present worth of future returns”. At this point, it would be wise to restate another old Valuer’s principle, which is that “Cost does not necessarily represent value” - never more true than when applied to the valuation of a motel. We have seen a number of valuations which at very great length, listed the items of cost in the establishment of a motel, and were complete with a laborious inventory with a cost ascribed to every item of furnishing, furniture, plant and equipment; the sum total of all of which was expressed as being the value of the motel. How wrong might you be?

This you can answer very completely for yourselves, when we remind you of the very beautiful motels you have, no doubt, seen built miles away from any place anybody would normally seek to go-motels which will never earn a “Cracker”- add to them only a large pair of ears, a tail and at the other end, a trunk, and you would have the proverbial “white elephant” in all its glory.

Where, as a valuer, you find yourself confronted with such a “white elephant”, then obviously you must look for an alternative use, i.e., the highest and best alternative use, e.g. could it be used as a convalescent home or boarding establishment?

On the other hand, it would be just as dangerous for the valuer to be carried away by the earning rate of a motel of substandard construction; for example, a fibro motel on the fringe of a moderate country highway town, where it is at present the only motel, charging £3/17/- per night double tariff, and running at, say, 85% bed occupancy; to reach a toilet in this motel, the guest has to walk half the length of the motel, and down a passageway to a bank of four conveniences. One new brick motel of orthodox design in that town, would leave our motel stranded ‘high and dry’.

From these illustrations I hope to have suggested that no single approach to the valuation of a motel is necessarily safe-and, in fact, that to arrive at your conclusion, you should adopt and reconcile both the summation and capitalisation methods.

At this point, we are faced with the necessity of obtaining, and analysing information on sales of comparable motels. Capitalisation rates in our experience have varied between 15% and 25%, depending on vulnerability, construction and unearned potential of the selected motels.

Conclusion

The valuation of a motel involves no new principles. It does, however, require a careful study of the industry, and of the motel to be valued. In this talk I hope that I may have been able to point the way at least to some of the things one has to consider, and to indicate the methods and approach which, in our experience, seem best calculated to reach a reasoned valuation. When you have done all these things, you still have to ask yourself, “What can it be sold for?”

The answer to this question must reflect the future profitability of the undertaking as a going concern.

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Impact of Petroleum Shortages on Value Patterns

Author: J. N. Shonk

The author is a member of the Valuer-General's Staff at Queanbeyan in New South Wales.



As Australians gradually are phased out of their artificially maintained low petroleum cost environment towards parity with world prices, one would reasonably look to see some impact on the presently established patterns of value distribution in both the rural and urban market places.

Further, as the fuel situation is exacerbated by the foreshadowed and inevitable depletion of the world's oil deposits, it probably behoves this profession to try and anticipate the likely results in terms of altered levels of demand and supply in the various component parts of the overall real estate market.

I do not tender this article in a prematurely alarmist vein, and indeed would emphasise that the thoughts contained in this article can only be conjecture until such time as the petroleum Armageddon of whose imminence we are constantly reminded in the media, becomes a factual situation. Again, it may well be that

man's technology is equal to the situation and will produce the new alternative fuel before that black day arrives. Be that as it may, there seems such a groundswell of apprehension amongst those sections of the scientific community whose business it is to attend to the communities energy needs, that the notional prudent man would be justified in assuming that there is cause for his concern.

So let us examine the situation, then, from the "worst possible prognosis point of view, and assume that no new fuel appears to replace petrol, and that as an inevitable consequence the private ownership of the motor vehicle becomes a thing of the golden past".

There will, of course, be no "black day" when the average motorist will bound



Editor's Comments

This is a topical paper for the present-day, where the nightly news regularly reports on the volatile oil price. The oil shock of the 1970's provided the stimulus to think about our reliance on oil although between then and now, very little appears to have been done about alternative sources of fuel. The paper provides an interesting insight on the impact of a diminishing petrol supply.

In identifying the serious issues for motorists, the possible consequences in the demise of the private automobile provides the Valuer with challenges to

embrace historical settlement patterns where proximity becomes a central key consideration.



out of bed to be greeted with the news in his breakfast paper (which wouldn't be there because the delivery van is out of petrol) that the world is 100% out of petrol. But there probably will evolve a situation where that same motorist becomes gradually aware that the fuelling of his vehicle is consuming an ever larger chunk of his weekly wage, which is only to say that as petrol becomes scarcer, the tyranny of demand and supply alone would see prices escalate. Superimpose on those market forces deliberate governmental policy to eke out diminishing reserves by pricing fuel gradually out of the reach of the average motorist and the end result seems fairly clear. While it is doubtful that the world will ever run completely out of petrol, it is reasonable to assume a situation where use of that fuel in casual daily social and commercial intercourse is denied to 99% of current users, on cost criteria alone.

When we have reached that point, and as we approach it, there will be far reaching effects in the real estate marketplace, which are probably best appreciated in historical and demographic context by looking at settlement patterns before the motor car grabbed us in its tinny embrace.

If we go back to perhaps 1925, we are in a world where ownership and use of a motor vehicle, even in its then primitive form, was denied 95% of the population because of cost. The pattern of settlement in being over the face of NSW and for that matter the rest of the Western World had evolved over centuries having regard to the then available means of transport. In the period 1850-1925 the big new factor introduced into calculation was probably the railway.

This had the effect of permitting settlement in areas where, before the rail, the local area could not produce all the commodities needed to sustain a community within a radius dictated largely by the speed of a horse and cart.

Similarly, it permitted the dramatic growth of the industrialising cities of the period, as by means of the rail their growth was no longer circumscribed by the requirement that they be able to sustain their population from the immediate countryside. They could draw from a radius of hundreds of miles.

This must have had an effect on the value of rural holdings hitherto beyond the supply radius - in effect their highest and best use had been increased - so Sydney could eat oranges grown in Deniliquin instead of Epping.

Dispersed between the railway infrastructure at intervals, again dictated by the speed of a horse and cart, existed the forgotten villages of the 1870's. They were the local centres where Farmer Jim could buy his nails and wire, molasses and beer, and post a letter. They generally ran to a couple of stores, a blacksmith, a pub and so forth and were the hub

of social life and commercial intercourse for 20 miles in any direction.

Within this small world all the market forces interacted to produce a pattern of values governed by productivity and distance from town as the most important criteria of value. In the small village itself, nobody was prepared to walk 2 miles to the bakers to get bread in order to enjoy the view from the hill overlooking the town from their front porch. The commercial hub grew up cheek by jowl with residential areas.

In the cities the new suburbs followed the railway lines out, because people had to be able to get to work. Between the rail line ribbon developments were semi rural belts, with orchards, poultry farms, dairies and so on.

Now I would not suggest that even in a world devoid of oil fuels we would go back to pre-railway days, so if we

are seeking a possible level of regression of settlement pattern in the absence of the motor car, perhaps we should limit our thinking to the circumstances of life about 1925, rather than earlier.

So, in our theoretical time frame, we have available to us for transport the railway, the bicycle, the horse and cart and, of course, coastal and river shipping and probably limited public road transport. Examination of possible consequences in the market place flowing from the demise of the automobile could possibly be looked at in these component markets:

- (a) The bona fide rural market - for blocks out of commuter range of city or country town - minus the motor car perhaps anything over two miles out.
- (b) The farmlet.
- (c) The country town.
- (d) The rural village.
- (e) The city.

(a) The bona fide rural market

Most of rural NSW is serviced by rail. The South Coast beyond Nowra has coastal and river shipping as a substitute. Of recent years, however, there has been an almost universal downgrading in both the frequency and standard of service by the railways, as people en masse evinced a preference for travel in the family Holden, and began sending produce to market by semi-trailer. Many rural lines are now not used or maintained as a consequence. Take away 95% of road transport and once again distance from a railhead or siding will become crucial to farm economies and reflected in the market place. Value patterns will alter to restore a premium to those holdings abutting on the rail. Likewise distance from the rural centre will again emerge as a prime ingredient of value. Probably more so as the lifestyle of the 20th

Century Farm Dweller has expanded to an expectation of access to most of the modern amenities of life.

It could well be said that the most radical change wrought in the value base of rural properties by the car was the introduction of amenity as a pure market consideration - in some areas, becoming more important than productivity. The question of "Is it a nice place to live?", "Does it have a view or river frontage?", "Does it offer interesting and varied topography with nice timbered areas?" Rural folk, having been freed of the tyranny of distance by the motor car, have retreated to the larger rural towns in droves, from which they commute to work in the same fashion as a city worker.

Thereby they may enjoy all the amenities of life. Now, in the absence of the car, we may see the re-emergence of productivity and distance from town as prime value factors and a relative decline in amenity as an ingredient of value.

(b) The market

A significant proportion of the NSW rural market is underpinned by the city dweller seeking his rural retreat. Five hours drive of a Friday evening takes you 300 miles in any direction and you can be home again Monday to start work. This market will evaporate and the market for rough or retreat blocks will again regress to a lower level derived from their poor productive capacity.

The rural commuter block now generally defined as within 30 miles of the centre, be it Canberra or Coffs Harbour or Albury, will become a drag on the market and the splendid homes erected on them in most cases will become examples of massive over capitalisation. "Mum" quite likes living in the bush as long as she can commute in three times a week to shop and see friends, but take away her magic carpet and watch the charm of rural life evaporate.

The market may gradually enter a period of re-consolidation of rural holdings, as sweeping in its scope, as the trend to fragmentation has been in the last five to ten years, as the surviving hobby farmers try to accrete a viable economic unit. The criteria of value must, to allow this to happen, revert basically to productive capacity and ability to generate income.

In the more immediate future, trends to watch out for, would be a growing selectivity in the demand for rural farmlets. Perhaps with increased emphasis on proximity to town, and a move away from the more remote and marginal type of rural retreat. Quality of country may also become a more major consideration than amenity as greater self sufficiency is demanded of the "blocky" in providing basic staples, simply perforce of the fact that he can only afford to go to town once a week or fortnight: the keeping of a house cow may re-emerge as a general practise.

(c) The country town

A common trend in large country towns over the past few years has been the trend away from buying close to the commercial hub. Freed of the necessity to walk, the country suburbanite has deserted the nodal residential blocks, with their mixed bag of 1850-1950 vintage development and smaller frontages and migrated in droves to live in the new residential estates overlooking the town, or overlooking the lake, or out neat the river, or just simply out in the new area. There, he has faithfully re-created the model executive middle class suburbs of the big city fringes, with "Mum" comfortably installed in brick veneered splendour in her Woman's Weekly dream home.

This exodus has sapped the vitality of the existing older residential areas and in a lot of cases mitigated against ongoing renovation and site redevelopment to the point where, in some cases, the older residential areas have become shabby and run down. There are signs in some towns that this trend even

now is slowing, with the increasing awareness of factors such as "old world charm" and "atmosphere" in the market place, coupled perhaps with the desire to get back into homes with decent sized rooms.

As the convenience of being able to walk to town or with young Johnny to the preschool, and so forth, becomes once again a major consideration in determining the overall desirability of a residential area, it seems reasonable to anticipate a resurgence of interest and a rise in prices in the older areas.

The current trend to decentralise supermarket operations from the main street to the town fringe may also prove to be false economy over a distance, based as it is on the premise that every suburban wife has at least one car at her disposal for shopping.

(d) The rural village

The implications of all of the above for the rural village are obvious. If Farmer Jim can't get to Goulburn to buy his beer and groceries, he might have to buy them at Reid's Flat or Gumm's Gully. All those derelict and slightly pathetic Mechanics' Institutes and Schools of Art might again become the social centres of small and self-sufficient little communities. The small town General Store will re-surface in some format to satisfy local needs and it seems reasonable to expect some of the empty shops to fill.

A general stimulus to rental levels and currently depressed real estate values does not seem an unreasonable expectation, related, not to some form of retreat value for Big City Dwellers ("Buy your piece of Australia"), but to the general level of prosperity in the small world the village will once again serve. I would expect to see re-emergence of small localised markets with individual peculiarities - something that has really gone by the board in this global market that we automobile owners can operate in.

(e) The City

There will probably be a move back to the dead heart of the city - the Paddingtons and Glebes and Balmain have become arty and now the Bondis and Burwoods might become more desirable than the Wacktowns and satellite "executive estates". We should, perhaps, watch carefully for an increase in demand for city apartments and signs that the \$45,000 brick veneer at Liverpool is getting hard to sell.

What of the massive suburban retail outlets. The Bankstown Squares and Warringah Malls - are they sustainable in their present format by a reservoir of customers: reduced perhaps 50% by the demise of the automobile. Should there be a trend in retailing back towards the "first generation" supermarket servicing perhaps one suburb. The answers will probably emerge in rental levels over the next 20 years.

What of the residential and industrial areas serviced entirely by a road infrastructure. They might become less desirable than one with rail access or perhaps Parramatta River frontage suitable for wharfage.

The possibilities, in both the rural and metropolitan sphere, are endless and can only be predicted on a series of ifs. As I stated at the beginning of this article, I don't offer it as a prognosis of ills to come, but simply in the hope that it might provide some stimulus to consideration within our profession of the broad social and economic changes that might embrace us in the next 20 years or so.

At the very least, I think we need to be aware that if the privately owned automobile goes to join the dinosaur then the ground rules are going to change, and that our profession will be vitally affected by that change.



Regional Shopping Centres

Author: F. Lowy

The author who is Joint Managing Director of Westfield Development Corporation Ltd, delivered this address at the Quarterly Meeting of the NSW Division as the AMP Theatre in Sydney on 21st July 1971.

I am pleased to be given the opportunity by the President of your Institute to speak about shopping centres. Being directly involved in the industry, I shall centre my talk around practical rather than theoretical matters and I hope I shall live up to your expectations.

You will probably hear a lot about developments by Westfield, but these are the developments I know best and if the speech is Westfield slanted, you will understand why.

Initially however, I would like to illustrate the background of the shopping centre as we know it, and its relation to a variety of predecessors, also to place the shopping centre in its appropriate historical context and to explain our conception of its nature and future.

Shopping centres are essentially market places and their origins are entwined with the beginnings of commerce. No one knows when the first man went into the retail business, but by the dawn of recorded history, it had become obvious that commerce was here to stay. Africans were dealing in gold and slaves, Chinese and Arabian traders were meeting to exchange spices and cloth in Ceylon and Burma while caravans painfully negotiated the "silk" route from China to the Near



Editor's Comments

With the benefit of hindsight, this article represents a landmark occasion in shopping centre development in Australia. Following his address and subsequent publication of the paper, Frank Lowry has evolved Westfield into a truly global retail shopping centre force. His fascinating insight was written over 35 years ago clearly and identifies the simple strategies that shopping centres are founded upon, including reference to the early beginnings of shopping centres and commencement of commerce. Further on, consideration is given to the influence of mobility and motor vehicles, which have obviously since become a major consideration for shopping centre owners. The article is enriched by reference to three types of shopping centres via four case studies, as well as reference to the costs of sales of these four shopping centres. In his conclusion Frank Lowry discusses the key factors

affecting shopping centres, with many still remaining extremely relevant in today's retail market. Special reference must be made to a comment in the body of the paper, stating that in the future shopping centres can be developed FOREVER.



East. The Middle East became the highway between Mesopotamia and Egypt - the birthplace of smart traders such as the Phoenicians, Carthaginians and Greeks who provided trade in the Mediterranean.

Of special note were the Greeks who distributed their goods under the Colonnades of Stoa, a commercial building which stood in the heart of the city square beside temples and public meeting houses where politicians, poets and philosophers strolled the streets, discussed the issues of the day and made their purchases. The Persians established one of the first shopping centres as we like to know them today, near Isfahan, then Mesopotamia, where the inside of a hill was carved out to give an enclosed bazaar with all its traders and artisans clustered around a central focal point.

Under the Romans, commerce continued to thrive and the fall of the Empire signalled a period of greatly diminished activity which was to be awakened by the growth of the cities during the early Renaissance. As stable government and the rule of law returned to Europe, trade grew up along the roads and great fairs were founded along the crossroads at convenient centres, or near monasteries, and these became the city centre and the local market. In northern Europe, the great Guilds protected and regulated the trade of thriving cities, while in the south, the Italians fostered trade with the east. It may be of interest to you that the theory behind the chain store is hardly modern. Historians tell of chain stores operating in China 200 years before Christ and also they know of chain stores in Japan which were founded in 1643.

Slowly but surely trade and commerce grew and the evolution of shopping centres as we know, was made possible by a host of economic and sociological developments.

Progress was very slow, tedious and frustrating, but the 19th century with its inventions, the result of political and social upheavals, provided the final push for commerce and mobility and this period created demands to be fulfilled in every facet of life.

During the 20th century, the two great world wars again diminished commerce and trade, yet compelling reasons improved distribution methods, and added literally thousands of items to an already vast array of merchandise.

Mobility became the key word and the shopping centre itself is the answer to a need created by one of the most signifi-



Photo: Richard Gunlion

In order for a suburb to prosper and develop, it has to have a hard core from which to draw its strength

cant movements in the 20th century, the shift of population from the cities to the suburbs. Of course suburban development, and with it the shopping centre would not have risen to its present ranks of recognition and acceptance quite so speedily had it not been for the advent of the motor car.

Although not quite as automated as America. Australia's affluence and approach to mechanisation has nevertheless made it possible for us to be ahead of most other countries in that respect Suburban living is made much more comfortable when it is supplemented by private transport. Such transport is within the means of the average Australian family, and has acted as the impetus for the gradual, and now growing move toward suburban areas.

In order for a suburb to prosper and develop, it has to have a hard core from

which to draw its strength, and in these new suburbs the shopping centre is such a core. It is the focal point of cultural, social, medical, professional and retail activity. Of late there is a movement back to the city or close to it, brought about by the high-rise residential buildings, but not to the extent that it would impede the suburban movement.

The success of the shopping centre revolves around many intangible and tangible factors and a people's temperament plays an important role here. It must be remembered that Australia is to a large extent a country of migrants, and it was the desire for change which first propelled many of us, or our forefathers to come here. Because we are receptive to change, we are also receptive to new ideas - and the modern Australian shopping centre complex is a new idea.

In addition, we are a young nation, and, in furthering our development, we have

naturally looked towards those already established countries whose development, climatic conditions and terrain most closely identifies with ours. That is why, over the years, we have gradually absorbed a similar style of living as that found on the western coast of the United States, where of course, the suburban shopping centre complex is an essential part of everyday life.

Although the shopping centre industry is a fairly young one, it has involved a great deal of concentrated effort. In the last 10 years our company alone would have spent \$65 million in this field, 80% of it in the last 6 years, and I would estimate that in Sydney, Melbourne and Brisbane alone, about \$300 million has been invested. Because of the size of the centres that are being planned now, this will probably double in the next five years.

A different approach to that used in other types of development is called for in the design and construction of a shopping centre. With most development undertakings, the owner can determine exactly what he wants to build, but this is not the case with the shopping centre - it is not quite so cut and dried. Before the developer's plan of the completed whole can be realised, much time and effort must be spent in arranging the pieces of the internal jigsaw.

The requirements of some 60 to 100 stores to be housed within the complex must be satisfied.

Agreement has to be reached in regard to area and location, with consideration first being given to the major stores and then to the smaller specialty stores. Only then can the final plan for the shopping centre be compiled. However, even during the construction period, one must be capable of making major design alterations to accommodate the additional needs and requirements of individual retailers.

A specific example of this is the redevelopment of Miranda Fair. Some 9 months after construction commenced, and of course plans had been finalised, an opportunity presented itself for us to include another major department store. Fortunately, the plans were flexible enough and

construction was at a stage where after some demolition and modification was made, the inclusion was possible. This really brings home the point how important it is for plans to be flexible enough for modification, even at a late stage, as, had they not been so, the opportunity to include another large department store in Miranda Fair would have been lost. I might say with pride, even though this large extension to the shopping centre is being added, the completion of the project will not be delayed. This is due to a large extent because Westfield embraces its own design and building services within the company, thus giving management a very efficient tool with which to work.

Complete co-operation between the developer and the prospective retailer is absolutely essential, and this co-operation must follow through to completion and thereafter must extend in all phases of trading.

The shopping centre in its completed form is ideally a structure which combines the aesthetic with the practical. Its atmosphere is warm and friendly, its decor appealing. It is a place where the chore of shopping for mundane requirements is transformed into a pleasurable experience for the busy and often harassed housewife. The shopping centre makes it possible for all who enter its exciting atmosphere to participate . . . to share an experience . . . through the visual, aural and touch senses, and in so doing it helps to generate an ever-increasing amount of trade potential and also helps to stimulate national economic development.

The shopping centres I am talking about are the kind which have recently been established. They house one or two major department stores, a supermarket, a hardware store, a junior department store, restaurants and specialty shops of all descriptions. In addition, they have community facilities such as real estate offices, professional offices, doctors and dentists. All these stores and facilities are under the one roof and the entire structure is air-conditioned and provided with adequate parking facilities. The stores

they contain vigorously compete with each other, but, at the same time, project an outward image of one complete unit.

The centre involves people of all ages - it makes provision for all age groups. A shopping expedition is no longer a bore to children for the shopping centre touches their imagination as well. There are nurseries, playgrounds and all kinds of entertainment. Teenagers make it their gathering point, their tastes in clothes, music and food are catered to. It is the hub of their suburban life.

Australia is often accused of not being up to date but in this instance I can safely say that although we initially learned the development of shopping centres from our friends in America, we have with Australian ingenuity compressed their experience of 20 years into a few short years and in many respects our shopping centres are better than their counterparts in the U.S.A.

I am often asked how long is it possible to go on developing new shopping centres? The answer is a definite - FOREVER - there is room for various sizes and types of shopping centres in new areas and there is the development, rebuilding and enlarging of existing centres. There may be a locality where only a dozen shops are needed today, but in time, the same locality will need a supermarket, a department store and so on. Then the dozen or so shops that were built some years previously become antiquated and need remodelling and additional facilities provided - as you can see - this is an endless chain and I would like to quote relevant examples in this respect.

Firstly, there is Hornsby, which may represent the endless chain. Secondly, I shall discuss Burwood which is another type of development and fulfils a different need, and thirdly, I shall mention as examples two centres which we built recently, one being in Victoria - Doncaster Shoppingtown, and the other in Queensland-Indooroopilly Shoppingtown. Although these two centres are in different States and differ in many respects, nevertheless, they fulfil the same need.

Type 1-Hornsby

For many years, despite considerable growth in the population of Hornsby and district, the shopping area had not expanded to any great extent - it was serving 50,000 to 70,000 people. This lack of growth had been mainly due to the limiting effects of a railway bridge at one end and a park and public offices at the other.

The shopping area itself lacked progress due to a number of factors which included congestion, lack of parking and an insufficient number of shops to handle a full range of products, with the result that many people whose place of residence would normally dictate their choice of Hornsby for shopping had been forced to go elsewhere.

Many shopkeepers, though endeavouring to meet the ever-increasing demand found it impossible through lack of space to effectively widen their range of merchandise - others did not consider that any change was warranted. The continued expansion of the district, accelerated over the past few years had made the provision of additional shopping facilities a matter of urgency. Hornsby's geographical location demanded that it become a regional centre and this could only be achieved by the development of new, additional shopping areas. To meet this demand, we built a shopping centre in 1961, consisting of 70,000 square feet and it included a department store of 20,000 square feet, a supermarket of 5,000 square feet, some 20 odd shops and parking for 50 cars. For the first time in many years, Hornsby became a shopping centre of some consequence. Ten years have since passed and what has happened?

We have extended our centre twice and large tracts of land adjoining the centre have been fully developed. There is now a population of approximately 100,000 and I would say that the local shopping area of Hornsby would have multiplied four times. During this period, Hornsby took on a new image - the concept did not necessarily change, but it became bigger and more sophisticated,

competition was keener and it attracted more people. I am sure that Hornsby is not yet finished with development.

Type 2-Burwood

In the Western Suburbs in 1965, demolition workers began clearing a 6.5 acre site in the heart of Burwood.

Down went shops, offices, factories, warehouses, old houses and a church - 40 in number altogether-up went a new shopping centre.

If you have seen this shopping centre, you will probably agree that the interior is one of the finest to be seen. What made it so attractive was the tremendous amount of thought and work that went in to the various types of shopfronts in the centre and it was the first time in Australia that so many different kinds of shopfronts could be seen in the one complex-yet they blend and create a gay, colourful atmosphere.

We took advantage of the sloping topography and the main feature of the building is its "inclined mall" - we aimed at eliminating all unnecessary walking by introducing this approach in shopping centre design and the result was a worthwhile achievement. It is estimated that with the inclined malls and the proximity of all car parks to the shopping area, the average shopper would only have to walk half the distance compared with other modern shopping centres of similar size. Burwood Shoppingtown is approximately 265,000 square feet of retail space consisting of a department store, junior department store, supermarket, variety store and 60 specialty shops, parking facilities for 1000 cars and also includes a five floor office tower.

Uniquely located, a few yards from the railway station and very close to the bus terminal, together with its parking facilities made this location an ideal site for redevelopment. Burwood was a busy shopping centre before the establishment of the Shoppingtown, but it lacked parking and modern shopping facilities. In establishing the Shoppingtown, Burwood was revitalised, new life was injected and the area was saved from diminishing into a minor shopping district.

What made it so attractive was the tremendous amount of thought and work that went in to the various types of shopfronts in the centre

Type 3-Doncaster (Melbourne) and Indooroopilly (Brisbane)

These centres are more in the pattern of American developments and they are very largely dependent on the motor car. It could be said that they are pioneering to some extent, and need the skills of the specialist developer in this field even more than the previous examples I mentioned. They involve establishing a shopping centre in a residential area, or just on vacant land with no connection to any existing shopping area whatsoever. It is necessary in these locations to break the population's existing habits and create new patterns. Although the land cost is relatively low, it is necessary to include many other community amenities, as well as additional parking, which do not necessarily produce revenue. These can make the overall costs comparable with shopping centres built in more established areas. Also, in many instances, it is necessary to spend a great deal of money on road widening, building bridges over, or tunnels under, existing roads, and to divert bus routes which may be some distance from the shopping centre in order to attract the population that one expects.

There are many other associated costs which are too numerous to mention. Altogether, costs of these extra items amount to many, many hundreds of thousands of dollars. The shops themselves must provide a complete range of services as there are no other shops "just down the street" and this type of development must necessarily be fairly large. A small scale development where

a large one is needed would have a limited life. However, once established and successful, this type of Shoppingtown dominates the area it serves and is less likely to suffer the nibbling away of trade from minor shops here and there. It will grow upon itself and it would need a major comparable development to bring about any competitive effect on trade.

It is also true that the owner now has greater civic responsibility as the Shoppingtown in many ways influences community life.

With respect to Doncaster in particular-it was built in 1969 on the edge of a fairly high density area-but east of the centre was relatively undeveloped at the time, now two years later, it is obvious that the area has developed quite considerably.

In this regional type of development, it is advisable to go in to an area which is not only reasonably populated but where growth is expected in the not too distant future. Indooroopilly Shoppingtown also follows a similar pattern in its surrounding and both developments can be regarded as true regional shopping centres.

These examples I hope reinforce my earlier statement that shopping centre development in its various forms can go on forever.

I would like to highlight the changes in shopping centres in relation to size, that have occurred in the last 10 years. You will recall that Hornsby in '61 consisted of 70,000 square feet of lettable area, Burwood in '65, 265,000 square feet, Doncaster and Indooroopilly in '69 and '70 respectively, around 400,000 square feet and now Miranda when completed will be close to 700,000 square feet of lettable area.

Costs and Sales

At this stage, I would like to quote some statistics of costs and sales from four shopping centres. They do not necessarily reflect the figures of the shopping centres I have just mentioned. It is interesting to see that out of 100% expenditure, only 40% approximately is spent on the area that actually produces revenue. Taking into consideration all the costs involved, it costs about \$30 to \$35 per square foot of lettable area to produce a shopping centre-for example, a shopping centre that has 300,000 square feet of lettable area should cost \$101 million.

Sales figures from shopping centres are also very interesting. A shopping centre is considered to be successful if it produces approximately \$55 to \$70 per square foot of lettable area. Out of total sales in a shopping centre, 40% of the turnover is done by the department store, 15% by the supermarket and the rest by the specialty shops.

A successful shopping centre increases its turnover by at least 10% per annum, but can be expected to be closer to 15%. Rental incomes in shopping centres have increased over the last few years at an approximate compounding rate of 4% per annum. There is no need for me to say that the building and land cost increases are tremendous and of course rent must increase accordingly. When interest rates were lower a few years ago, if the centre earned 9% on capital it was considered quite good. Today, it must return more than 10% before it could be considered an economic proposal. Having regard to the interest rates which have risen quite sharply over the last few years - I do not think that interest rates will or can increase beyond the present levels.

The cornerstone of the shopping centre is the major department store

Land Cost	14%	18%	19%	20%
Carparks and Roadworks	12	13	13	12
Design Fees	6	6	6	5
Mechanical Services	11	7	11	7
Holding Charges	5	6	5	7
Leasing and Promotion	2	2	1	2
Malls, Docks and Common Areas	11	7	9	10
Lettable Areas	39	41	36	37

which signs a lease for about 40 years. This lease, in conjunction with the lease signed by other major stores, such as the supermarket, junior department store, hardware store, etc., provides the owner/developer with a minimum guaranteed rent which should be sufficient for him to service his borrowing commitments and running expenses. In addition to the minimum guaranteed rent, these major retail stores also pay the owner additional rent in the form of a percentage of their turnover. Although the rent which these stores pay per square foot is relatively low, when coupled with the percentage payment on their turnover, it ultimately results in a very substantial rent per square foot per annum.

Insofar as the specialty stores are concerned, which usually number 60 to 100, the rent yield per square foot is quite high - this constitutes the cream. Some of these specialty stores also pay a percentage on their turnover, this percentage figure varies greatly from 2% to 10%. It all depends on the type of store and the type of merchandise they sell. These percentages will even vary within the store in respect of various commodities sold, because the profit margin of the respective goods itself varies.

However, because a large number of them are individually owned, and cannot be relied on to give exact turnover figures, their leases are tied to the wage structure or a predetermined increase in rent during the period of their leases, which

range from 3 to 7 years. The result is an investment where the commitments are substantially underwritten, also where growth in income is provided by the very nature of the leasing arrangements.

Another safety feature is the fact that it is very difficult to establish an opposing shopping centre in close proximity to an existing one, because the authorities who govern zoning take into consideration economic as well as planning factors before they grant approvals for shopping centres.

While providing essential services to the public, the shopping centre also provides the owner with a safe and excellent investment. Safe because it is based on a firm foundation, and excellent because the reward in growth and profit is better than that gained in other forms of real estate investment.

As I mentioned previously, the success of shopping centre development is dependent on various factors, not the least of which is the management of the centre. If a shopping centre is not properly managed, it will not return the yield on investment that it should. This has given rise to a new profession-the shopping centre manager. He is like the mayor of a town-he must have a knowledge of civic duty-also have sound knowledge of the retail industry and it is essential that he knows real estate management. On top of all this, he must be a diplomat and a promotions and advertising expert. There are intensive courses in the United States run by the International Council of Shopping Centres (to which we belong) to train suitable managers.

A successful shopping centre increases its turnover by at least 10% per annum

Photo: Scott Behnson

Future of the Housing Industry

It is generally accepted that activity in the housing industry is more volatile than in most other sectors of the economy. This volatility is exhibited in both the short and the longer term. It makes forecasting activity very difficult.

Author: David R Deans

This paper was delivered to the Valuers Seminar held at the Surfair International Hotel, Sunshine Coast, Queensland, on 3 April, 1982. The speaker is Queensland Chairman of the Indicative Planning Council.

The purpose of this paper is not to

present specific forecasts of industry activity, but rather to examine some of the factors influencing activity in the short, medium and longer-term. An understanding of these factors is important in assessing the future of the housing industry. Within this context the role and work of the Indicative Planning Council is also discussed.

Industry prospects are examined at both the National and Queensland levels.

Housing Industry Activity and the IPC

One of the characteristics of the housing industry which differentiates it from other sectors of the Australian economy is the large fluctuations in the level of its activity. Cyclical movements in housing activity have had average short-term cycles of four to five years and major swings every two decades or so.

Editor's Comment

The housing industry is an important component of the property market, and considering the long term boom for housing in Queensland this paper is extremely relevant. With the benefit of hindsight, the author argues that Queensland received a 17% increase in housing activity the year before and this trend should continue. Of course the housing market has endured many up and down cycles since 1982, although it is interesting to note the timing of such cycles could not be anticipated 24 years ago. With reference to the national perspective, many of the government initiatives (e.g. Federal Government Housing Finance Package) have long since disappeared or been replaced. This article precedes negative gearing, capital gains tax and GST which collectively influenced the housing market. Comments about the Queensland market and medium/long term prospects were relevant at the time, and give us a rare opportunity to reflect the correctness of forecasting. This article remains of interest to housing analysts and valuers, where even today most of the emphasis is placed on short term forecasts rather than over the medium and long term.



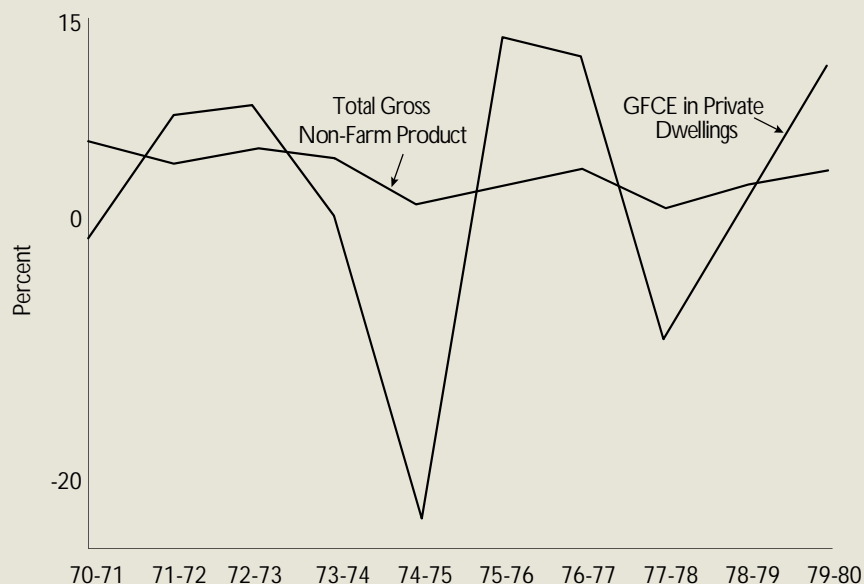
On the whole, the housing industry has been less stable than other non-farm sectors of the economy with the exception of mining, which is heavily influenced by movements in international demand and the lumpiness induced by the scale

of projects and the discovery of new deposits. This instability is illustrated by Graph 1, which compares the annual percentage movements in Gross Fixed Capital Expenditure in private dwellings with total Expenditure in Gross Non-Farm Product. The graph shows that peaks and troughs in housing industry activity have tended to parallel - in a highly exaggerated way - those in the economy as a whole.

Government concern about instability in the industry was an important factor leading to the establishment of the Indicative Planning Council for the Housing Industry (IPC) in 1975. Under its terms of reference the IPC is required to advise the Commonwealth Minister responsible for housing on factors relevant to current and prospective housing industry activity levels. Advice is provided on demand for and supply of dwellings over a variety of time frames in annual reports and regular assessments of short-term industry prospects. This information is also used for forward planning by builders, land developers, financiers, and institutions responsible for the training of labour. In order to provide comprehensive advice the membership of the Council is drawn from builders and industry organisations, organisations in the housing finance sector, trade unions, the real estate industry, materials suppliers and government departments.

Consistent with the IPC's desire to improve the quality of its state and regional reporting the Council also operates a network of Committees in all States and Territories.

Graph 1 : Percentage movements in GFCE in Private Dwellings and Total Gross Non-Farm Product (Change on a year earlier)



Factors Influencing Industry Activity

The future of the housing industry is a reflection of the demand for housing. Dwellings are demanded for purposes of current consumption of the services it provides (that is a place to live) and as an investment (either as a store of wealth or to produce income as a rental property). Overall demand for dwellings is influenced by broader economic parameters such as real income levels, the cost of finance levels of unemployment, dwelling costs and prices and the returns available from dwellings relative to other investments, and demographic factors such as changes in the level and age distribution of the population, marital status and household formation.

The relative influences of those factors also varies according to the time horizon being considered. Within the industry itself these factors will also have different impacts on the type of dwellings demanded.

It is useful in considering factors influencing activity levels in the short term (say the next twelve to eighteen months) to identify three distinct sectors of the housing industry. These are:

- private houses (detached cottages)
- private "other" dwellings (flats, townhouses. etc.)
- government dwellings (that is, dwellings whose construction is directly funded by the government).

The prospective availability of finance for owner occupation (especially from the savings and trading banks and permanent building societies) is generally accepted as a guide to private house commencements in the short term. This is the main approach used by the IPC. The forecasts of housing finance are of course sensitive to assumptions on overall monetary conditions and government policy.

Private "other" dwelling activity in the short term is influenced by factors such as the returns from rental properties, demand for holiday accommodation, and the locational advantages such dwellings offer in the larger cities.

Recent Activity Levels

Before considering the future of the industry, it is useful to review recent activity levels.

Last financial year total dwelling commencements in Australia were 149,160, a strong growth of 11 per cent on the 1979-80 figure and the highest level since 1973-74. The increase in 1980-81 was concentrated in the private "other" dwellings sector, with a rise of 44 per cent on the 1979-80 level. The total number of approvals and commencements for the last decade are shown in Tables 1 and 2. Recent data and market information points to a decline in activity in 1981-82 although, it is likely to be higher than in 1979-80. Most of the decline is expected to occur in the private house sector with private "other" commencements at a similar level to 1980-81. Government commencements are expected to fall slightly. By States the decline is expected to be concentrated in New South Wales.

While there was a strong growth in industry activity for Australia as a whole in 1980-81, the rise was even greater in Queensland. Commencements in 1980-81 totalled 35,290, a rise of 17 per cent on the previous year. As with Australia, much of the increase was in the private "other" dwelling sector, where commencements rose by 50 per cent to 11,028.

A fall in activity in Queensland is forecast for 1981-82, although not of the same percentage magnitude as for Australia. Activity is expected to decline in both the private and government sectors.

Government dwelling construction reflects the funds allocated by governments for this purpose and use of those funds.

Of course there are other factors affecting private sector activity also, such as the level of unsold stocks, the cost and availability of builder's operating capital and movement in construction costs relative to prices of established dwellings.

In the medium and longer term, demographic factors become more important.

These cost pressures reinforce the need for the industry and governments at all levels to continue efforts to reduce costs through follow-up action on the Reports of the Committee of inquiry into Housing Costs and the Commonwealth-State Ministerial Council on Housing Costs.

Work undertaken for the Ministerial Council on Housing Costs pointed to potential cost savings from the rationalisation of the land subdivision approval process to make it more efficient. The time taken for consideration of applications for land subdivision varies substantially between States. As you know both development costs and holding costs are sensitive to delays caused by the process of land subdivision approval. The Ministerial Council also pointed to evidence of variability in subdivision standards both within and between States and the potential economies from the rationalisation of land subdivision standards.

An important factor bearing on short term prospects is the Federal Government's Housing Finance Package announced by the Treasurer on 18 March 1982. This package came out of a lengthy review of housing policies undertaken by the Government after consultation with industry groups. A summary of the package is in an attachment.

The main components of the package were;

- a new deposits assistance scheme to supersede the Home Savings Grant
- income tax rebates for people who have bought their home in the past five years and who are about to buy or build their home in the next three years.
- arrangements with the nationally operating savings banks whereby the banks will provide funds for housing loans \$400 million higher than the previously planned levels. Related measures include a one per cent increase in savings bank interest rates and replacement of the 40% prescribed asset ratio with a new 15% minimum liquidity ratio.

Issues Relevant to the Industry in the Short to Medium Term

In considering future activity levels in the industry there are a number of relevant issues. As well as those affecting the industry nationally there are also issues which are of particular concern to Queensland.

(1) National Issues

At the broadest level any assessment of the housing industry's future must consider the outlook for the Australian economy. The Prime Minister, in his "State of the Nation" address to Parliament in early March pointed to the unfavourable economic conditions overseas. He

stressed that the slower growth in world demand and the high cost of funds will have important implications for the Australian economy.

Cost pressures and their influence on activity are also of prime importance to the industry, especially when interest rates are at historically high levels. There has been a build up in cost pressures in the industry which are likely to flow through to the prices of new houses in 1982-83. Wage rises awarded to building tradesmen in January 1982 can be expected to eventually flow on to subcontract rates in the housing industry. Material prices are now rising at a faster rate and in a number of States the prices of serviced allotments are also expected to show strong increases over the next few years.

In assessing the package's effect on housing activity there is a need to consider implications for lending by permanent building societies, the effect on stock builders confidence, and the impact on demand for loans by home buyers, particularly first home buyers. Increased demand by first home buyers would, in the short-term, probably lead to a net addition to demand for owner-occupied dwellings.

Government decisions arising from the Report of the Committee of Inquiry into the Australian Financial System are also likely to have significant implications for the housing industry. The Committee's main concern was to promote a financial system that is "efficient, competitive and stable". Major recommendations affecting housing finance, and therefore the housing industry, included deregulation of deposit and loan interest rates, removal of asset controls on banks and building societies, improving the prudential regulation of non-bank deposit taking institutions, and removing the impediments to the development of a secondary market in housing mortgages.

Much of the discussion on the Report to date has been limited to the impact of the recommendations on the cost and availability of housing finance. However, little attention has been focused on the impact of the Recommendations on the level of activity.

Because of the inter-relatedness of the various recommendations, the possible effects on housing finance of implementing any one recommendation would depend on which of the other recommendations are also implemented, timing of implementation and the effects of changes already occurring in finance markets.

(ii) Queensland Issues

Over recent years the industry in Queensland has enjoyed strong growth in activity. This has been assisted by a high rate of population growth. Indeed, the 1981 preliminary Census results confirm Queensland has had the highest rate of population growth of all States

of 2.31 per cent per annum between 1976 and 1981. This compares with the national average of 1.24 per cent. This increase is due mainly to net inflows from both overseas and interstate migration in response to the expansion of the State economy and the resort developments that have been occurring.

Resource development projects have contributed to a large increase in housing activity. Several towns have been constructed just for these developments, while others have grown considerably.

The construction of "other" dwellings on the Gold Coast and in other resort areas has been an important component

of activity in Queensland over the last few years. What has happened over the last month or so raises serious doubts about continuation of the boom in this sector, in the short term at least.

Causes of the recent downturn include high interest rates which are deterring investment in this sector and sluggish sales of established houses in southern cities which are reducing the ability of buyers to purchase other dwellings.

Abolition of death duties in other States and greater competition from the North Coast of New South Wales may act to constrain such activity in Queensland.

Table 1: Number of Dwellings Approved: States

Period	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Australia
1970-71	50551	34350	20819	13914	13718	3191	1370	3891	141804
1971-72	50469	38721	25850	13025	14060	3393	1571	4170	151259
1972-73	61103	50002	33949	14760	18141	3826	1412	5191	188384
1973-74	59453	44526	31681	16633	16621	4173	1993	4640	179720
1974-75	38125	30611	18109	12680	12802	3222	1521	4153	121223
1975-76	32133	39398	24609	16815	21387	4436	2793	4542	146113
1976-77	36798	36626	25673	14392	19062	4402	1579	2842	141374
1977-78	37735	28551	25001	9533	15982	3689	1338	2045	123874
1978-79	41927	26642	28281	8144	15428	3644	1330	2037	127433
1979-80	55046	26844	31268	8678	16636	3315	1693	1684	145164
1980-81	58471	27259	39047	7821	16381	3200	2072	2489	156740
1980									
Mar Qtr	12944	6215	7638	1936	3991	845	541	468	34578
June Qtr	15094	7185	8808	1992	4149	832	414	516	38990
Sept Qtr	15402	6742	8961	1872	4172	931	414	581	39075
Dec Qtr	14987	7246	9607	1984	3853	798	606	576	39657
1981									
Mar Qtr	13775	6215	9459	1585	3815	638	474	626	36587
June Qtr	14307	7056	11020	2380	4541	833	578	706	41421
Sept Qtr	13023	6881	11182	2010	4430	835	511	675	39547
Dec Qtr	11907	6315	10773	2070	4141	739	474	683	37102
1982									
Mar Qtr	9913	5591	8253	1901	3854	651	503	346	31012

Source: ABS Catalogue No 8702.0

Table 2: Number of Dwellings Approved: States (a)

Period	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Australia
1970-71	49169	35083	19125	13051	13802	3293	1506	3983	139012
1971-72	50190	37935	23586	13289	13918	3091	2006	4132	148147
1972-73	53812	45546	29632	14431	17234	3560	1528	4767	170510
1973-74	51515	42592	29666	14162	16057	3892	1773	4765	164422
1974-75	36838	31656	17389	11953	12022	3227	1182	3842	118109
1975-76	32156	36493	22355	14890	19570	4121	2852	4621	137058
1976-77	36958	37907	23687	14262	19439	3959	2412	3093	141717
1977-78	33930	29360	23812	9439	14901	3613	1218	2423	118696
1978-79	38745	25628	25370	7430	15115	3679	1206	2090	119263
1979-80	47484	25944	30205	8103	15693	3231	1563	1632	133855
1980-81	56610	26630	35290	7560	15390	3400	1930	2360	149170
1980									
Mar Qtr	13444	6232	7121	1993	3804	873	557	310	34334
June Qtr	12146	6603	8606	1980	3972	709	282	546	34844
Sept Qtr	15420	7130	8810	1950	3980	920	370	550	39130
Dec Qtr	15330	6700	8560	2150	3470	940	530	600	38280
1981									
Mar Qtr	13380	6140	8120	1720	3710	700	520	580	34870
June Qtr	12480	6660	9800	1740	4230	840	510	630	36890
Sept Qtr	13680	6820	10490	1820	4210	780	510	600	38910
Dec Qtr	10310	6170	9680	2180	3490	670	480	740	33720

Medium and Longer Term Prospects

Although there are a number of short term uncertainties which face the industry in the longer term, prospects may be viewed with some optimism.

In compiling its annual report the IPC prepares estimates of the number of additional dwelling units which could be required by the Australian community over the period 1984-85 to 2000. Obviously, these projections are dependent on assumptions relating to household formation rates, levels of population gain from overseas and interstate migration, demand for holiday homes, etc. On the

basis of previous IPC estimates, prospects for the Queensland housing industry are bright. This will especially be so if the level of overseas migration remains at or above recent high levels and Queensland can continue to grow and offer attractions to people from other States.

Summary of Housing Package

The main components of the package are measures involving the Commonwealth Budget, an income tax rebate on housing loan interest, not subject to means test, for borrowers who will take out a housing loan over the next three years, and

borrowers who have taken out their loan in the past five years, the limit to the rebate will be \$500, or \$700 for taxpayers with children, in the first year of utilisation declining over the subsequent four years, and the rebate may be taken through P.A.Y.E. reduction, replacement of the H.S.G. Scheme with a new, means-tested deposit assistance scheme, with a larger basic payment of \$2,500, elimination of the 9-month waiting period, removal of the dwelling value limit, and easier savings requirements

- a new joint Commonwealth-State mortgage and rental crisis relief scheme to which the Commonwealth is prepared to contribute \$20m initiatives agreed with financial institutions
- the nationally operating savings banks, over the twelve months from April 1982, will provide housing loans \$400m higher than the previously planned levels, and it is expected that State owned banks will also raise lending for housing related measures conducive to higher lending are an increase in savings bank loan interest rates by 1% to 13.5 %, virtual abolition of maturity controls on savings bank deposits (especially for one-month notice investment accounts), and abolition of the 40% prescribed asset ratio in favour of a new minimum liquidity ratio of 15%
- to cushion the impact on borrowers of higher housing loan interest rates the banks have undertaken to give the estimated 160,000 borrowers who have taken out loans in the last two years the option of having the impact of the 1% increase in repayments deferred for two years to develop special arrangements such as "low start" mortgages to assist prospective first time and lower income home buyers
- the Treasurer added that, in respect of permanent building societies and State banks, moves by the States to achieve additional lending or cushion the impact on borrowers of higher rates would be welcome.

NATIVE TITLE: How do Valuers and Land Economists recognise and deal with Native Title

Author: Graeme Addicott

Editor's Comment

The profile of native title was raised substantially in the 1990s following the Mabo decision. This was followed soon after with the Native Title Act (1993) and forms the focus of this paper. During this decade the circumstances surrounding native title were uncertain and the topic received a substantial amount of discussion, and rightly so. Since this period native title has received less attention in the written press, however it remains just as important on every level. This article carefully dissects the concept of native title, where it occurs and what the implications are. Most importantly, the attention is focused on how the native title must be incorporated into property-related decisions. Consideration is given to three different scenarios that may occur and therefore when the valuer or property analyst

must factor this into their analysis. Overall this article remains extremely relevant and provides a good background to native title, although the reader must keep abreast with legislation which is subject to change.



In this paper the author discusses the Native Title Act, 1993 and the implications of the Act for Valuers and Land Economists.

The basic assertion of all Aboriginal groups is that they belong to the land with which they are associated and their relationship to that land is inalienable. People belong to the land, and have duties as its custodians.

Within the Native Title legislation we can recognise an attempt to come to grips with the diverging perceptions and attitudes of two cultures to that basic resource - land.

The decision by the High Court in *Western Australia v. The Commonwealth* has validated the Native Title Act 1993, and with it the concept of native title as stated in *Mabo v Queensland No. (2)*. We have a responsibility, not only for our own professional development, but also to our clients, to be able to give the best advice possible on all the relevant factors affecting the usage of their land.

What is Native Title?

Native title has existed for many thousands of years, where Aborigines and Torres Strait Islanders have maintained a traditional connection with the land. It is now recognised by Common Law, and is protected by the Native Title Act, 1993 and complementary legislation in several states.

As with the familiar tenures - freehold and leasehold, it comprises rights and interests. Native title is a communal title, and the rights under it are communal rights.

The form that native title takes; the bundle of rights that it represents, however, will vary according to circumstances and from place to place.

These rights can only be ascertained with certainty by a Determination of the National Native Title Tribunal, by the Federal Court or ultimately, the High Court.

They might include the right:

- to live on the land;
- to go anywhere on the land or waters;
- to hunt and fish on or from the land or in the waters;
- to collect food from the land or waters;
- to collect such items as timber, stones, ochre, resin, grass or shell from the land or waters to make weapons, tools or such;
- to conduct ceremonies on the land or waters; and
- to prevent other people doing these things.

What a determination of native title involves is set out at Section 225:

- (a) whether native title exists in relation to a particular area of land and waters;
- (b) if it exists:
 - (i) who holds it;
 - (ii) whether the native title rights and interests confer possession, occu-

- (iii) those native title rights and interests that the maker of the determination considers to be of importance; and
- (iv) in any case - the nature and extent of any other interest in relation to the land or waters that may affect the native title rights or interests.

The rights recognised by a determination that native title exists will thus, be a matter of fact, in each instance.

In addition, the Act provides that in respect of certain permissible future acts native title holders and registered claimants will also have a right to negotiate before such an act can be taken.

These rights apply in respect of certain acts of government indicated at Section 26, compulsory acquisition for a grant to a third party, or the granting of a mining lease.

This is not a right of veto, but it has been a means by which some Aboriginal communities have been able to negotiate significant benefits under the legislation.

How can I ascertain whether Native Title exists?

We do know that native title has been extinguished over land which is:

- freehold; (it has been held by the Federal Court that the grant of land to an Aboriginal Land Trust under the Aboriginal Land Rights (Northern Territory) Act does not extinguish, and is not inconsistent with the continued existence of native title.)
- subject to certain classes of Crown leasehold; (a recent judgement of the

Native Title is extinguished by the granting of a pastoral lease with a right of exclusive possession

Federal Court in the *Waanyi* case ruled that Native Title is extinguished by the granting of a pastoral lease with a right of exclusive possession; however, the legal situation where the pastoral lease contains a clause or Reservation permitting Aboriginal access remains yet to be resolved); or

- put to a public purpose.

These past acts have been validated by the Native Title Act, 1993.

If none of the circumstances apply, it will be necessary to apply in writing for a search of the Register of Native Title Claims held at the offices of the National Native Title Tribunal which are located in Perth and Sydney (Enquiries may be made by phoning 008 640 501).

This will indicate:

- the date of the application;
- the name and address of the claimant;

- the area of land and waters covered by the claim; and
- a description of the people who are claiming native title.

Material which is regarded as sensitive and confidential will be held on a Confidential File.

Where the existence of native title has been established by the Determination process, this information will be recorded on the National Native Title Register. This Register will contain the following information:

- the Court or Tribunal which made the determination;
- date of determination;
- the area of land or waters covered by the determination;
- what was determined, including:
 - (i) who the common law holders of native title are; and
 - (ii) the name and address of any prescribed body corporate holding the native title rights and interests.

The Registers and the Open File may be examined for a fee, and material may be photocopied.

Non-Claimant Applications

It is not possible to pose a hypothetical case for the existence, or otherwise of native title to the Registrar or a staff member of the Tribunal. In the same way that 'What if ...?' enquiries might be directed to say, a town planner or other municipal officer.

The only way that a property professional can establish with certainty whether native title exists over a particular piece of land, where no Tribunal Determination has yet been obtained, is to request the instructing party to initiate a Non-Claimant Application to obtain such a Determination under Section 67 of the Act. (Only parties having an interest in the subject land may initiate such an Application.)

Suggested Valuation Procedures

There are three circumstances in which the valuer may need to make provision within the valuation for the effect of a native title application. They are:

1. Where No Determination has been made

Where it is possible that native title exists; or when an application has been lodged, but no determination has been made, the valuer cannot assume that the application, or a possible application, will or will not be successful.

In such circumstances, the valuer should search the relevant Registers, and having ascertained the current native title status at the date of valuation, should include within the valuation report a proviso, along the following lines:

A search of the Register of Native Title Claims at the National Native Title Tribunal, Sydney reveals that, as at 1 February, 1996, no application for a determination as to the existence of native title has been lodged in respect of this property. This valuation has been prepared on the basis that, as at the date of valuation, no potential for a successful claim exists. Should there be a material change in these circumstances, this valuation should be referred back to the valuer for review.

Should an Application be currently under consideration, but it is not feasible for the valuer to wait until a Determination is made; it would be prudent for the valuer to provide an explanation of the basis of the claim, together with details extracted from the Register entry within the body of the report. The following proviso/disclaimer should be adopted:

A search of the Register of Native Title Claims at the National Native Title Tribunal, Perth reveals that, as at 1 February, 1996, an application for a determination as to the existence of native title has been lodged in respect of this property. This valuation has been

prepared on the basis that, as at the date of valuation, there is no basis on which to assume that the potential for a successful claim exists. Should there be a material change in these circumstances, this valuation should be referred back to the valuer for review.

If, however, it is necessary to provide an indication of value before it is possible to obtain a Determination from the National Native Title Tribunal, then a valuation under specific instructions may be attempted.

Instructions should be sought which specifically request the valuation to relate to those particular interests which are being claimed.

The 'valuation' of these hypothetical rights should be qualified to indicate that it does not represent a valuation of a proven native title interest, and is, in fact, based upon specific instructions.

2. Where there has been a Determination confirming the Existence of Native Title

The valuer will be dependant on the Determination of the Tribunal to identify the rights and interests which the existence of native title confers in respect of the subject property. The Tribunal will ascertain whether native title exists in relation to a particular area of land and waters; and, if it exists:

- who holds it; and whether the native title rights and interests confer possession, occupation, use and enjoyment of the land or waters on its holders to the exclusion of all others; and
- the nature and extent of any other interest ..., that may affect the native title rights or interests.

Those rights might imply exclusive occupation, or they might comprise simply the right to traverse the land; to conduct ceremonies or to hunt and fish. By analogy these may equate roughly to freehold in the case of exclusive possession; or to other subsidiary interests such as easements,

rights of way, licences or to the hunting and fishing rights familiar in the United Kingdom.

It should be noted, however, that there are distinctions between native title and other forms of tenure.

- Native title is held communally. It is not an individual interest.
- It is inalienable. It cannot be transferred, or used as security for a loan. (In these ways, the legislation recognises the customary attitudes to land.)
- Native title interests can be surrendered to the Crown, and converted to freehold. In such instances, of course, the limitations on sale and ownership would cease to apply.

When it is understood just what rights and interests make up the native title in the case under consideration, then the appropriate valuation procedures and methodologies can be applied, with any necessary adjustments.

Obviously, the highest right will be that which grants 'exclusive possession'.

Because native title holders do not enjoy rights to sell or deal in the land, as do freeholders, it would appear inconsistent with the concept of native title to adopt a basis of valuation which assumes the right to develop and exploit a potential higher use.

The basis of valuation adopted should have regard to the existing use of the property, or an activity consistent with that use. No potential for a 'higher and better use' should be recognised.

Native title, at its highest expression, probably represents a right demonstrably less than freehold.

(The above comments are, of course, qualified to the extent that significant benefits have been, and can be negotiated with mining companies and others under this legislation.)

Compensation for the validation of past acts will be based on Commonwealth rights even though the validation may relate to State or Territory past acts

3. Where native title has been extinguished or impaired, and compensation for this extinguishment or impairment is to be assessed

The test as to whether compensation is payable in respect of a past act which impaired native title is known as the Similar Compensable Interest Test and may be found at Section 240 of the Commonwealth Act. It provides that compensation will be payable if:

- the Act relates to an onshore place; and
- the compensation would have been payable in respect to the Act, if the native title holders had instead held freehold title to the land, or if they held freehold title to the land surrounding or adjoining any waters concerned.

Compensation for the validation of past Acts will be based on Commonwealth rights even though the validation may relate to State or Territory past acts.

Future Acts - legislation after 1 July, 1993 and other acts after 1 January, 1994 will fall into the future regime. A future permissible Act will not extinguish native title. In the future, native title will only be able to be extinguished by agreement with the native title holders, or in giving effect to an acquisition of native title. The basis of compensation for any loss, diminution, impairment or other effect of the act on the rights of native title

holders is just Terms. This concept, which is not unfamiliar to most valuers, relates to Section 51 of the Australian Constitution.

Just terms has been interpreted by the High Court as requiring the payment of compensation on the basis of special value to the owner, not the value to the acquiring authority. This will include the payment of compensation, if applicable, for damage to the remaining land due to severance, injurious affection, consequential losses, and disturbance, in addition to the value of the land or interest taken. The measure of special value to the owner was stated in *Pastoral Finance Association Ltd. v The Minister (1934)* as being:

...that which a prudent man in [the owner's] position would have been willing to give for the land rather than fail to obtain it.

No provision is made in Australian land acquisition laws for the payment of compensation for sentimental value. This is consistent with the Privy Council's 1939 decision in the *Raja Viricherla* case:

... it is often said that it is the value of the land to the vendor that has to be estimated. This, however, is not in strictness accurate. The land, for instance, may have for the vendor a sentimental value far in excess of its market value. But the compensation must not be increased by reason of any such consideration.

Special Attachment

As yet there appears to be no Australian court decision which allows the payment of compensation for elements of cultural, or spiritual value; however, if the intention is to pay compensation for 'special attachment', this will indeed break new ground for both the courts and the property professions.

In his Second Reading Speech to the Native Title Bill, the Prime Minister (Mr Paul Keating) said:

Just terms will be payable for the extinguishment of native title. We take the view that any special attachment to the land will be taken into account in determining just terms

Other indigenous peoples experience a similar attachment or association with the land. The Maori people of New Zealand, and the native people of North America use similar terms and expressions to describe their relationship to the land.

It would be fair to say that this element of compensation for special attachment has not been satisfactorily addressed in any of the Common Law countries.

The Act does provide for compensation to take a non-monetary form, if the claimant so requests. All, or part of that compensation may take the provision of facilities and services.

The assessment of compensation for special attachment under the Native Title Act will raise some interesting points of law, and valuation practice. Ultimately, we will be dependent on the decisions of the courts to establish the necessary precedents

Conclusion

The Mabo decisions were specific to a particular island community. They did, however, introduce a great deal of uncertainty into Australian land management and usage. The Native Title Act is an attempt to remove that uncertainty.

It is intended to protect the rights and interests of both indigenous, and non-indigenous Australians.

As valuers we should acquaint ourselves with the legislation, the legal precedents and professional papers.

Until we become familiar with the legislation, and it is illuminated by test cases within our courts, valuers will not be able to proceed with any great degree of confidence.

The implications of native title will vary from case to case.

Having established the parcel of rights represented by native title, the valuer can proceed with confidence on the basis of our traditional methodologies, and the judicious application of common-sense.

Perhaps the application of common-sense can be the major contribution of this profession to the native title debate.

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Valuing Internet Domain Names: Considerations and Market Factors

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In today's global business environment, the ability to communicate information and provide services have not escaped many of the established or emerging economies. Information and services continue to be offered via the Internet medium of communication.

As a result, Internet domain names have proliferated and a growing market exists for the purchase and sale of such names.

In the course of American Appraisal's recent (2001) business in China, such an assignment crossed my desk. Sufficient aspects of this assignment have been disguised in the interest of client confidentiality.

Background

A Hong Kong-based company, PRC Internet Corporation (PIC) the owner of a registered Internet domain name, plans to sell this registered name to PRC dotcom, Inc. (PRCDC). As a part of the planning process, the PIC board of directors has asked for guidance in

determining a reasonable sale price - an opinion of the fair market value of the domain name.

The specific registered name to be sold is www.china.com. The name has been registered for about two years, but has not been used by the owner, PIC, to derive any direct revenue or income from licensing. The board of PIC has determined that the value of this asset, relative to their business interests, can best be

realised through sale to PRCDC. Though PRCDC has not set forth its business intentions in specific detail, it is assumed that their intended use is for broad-based revenue generation.

For the purposes of this valuation, fair market value is defined as the amount

at which an asset would change hands between a willing buyer and a willing seller, neither being under compulsion to buy or sell and each having reasonable knowledge of all relevant facts.

Valuation introduction

The methods used in determining the fair market value of the subject domain name included consideration of the three traditional approaches to valuation of property cost, market (sales comparison) and income.

The cost approach, as applied to the valuation of assets, establishes value based on the cost of reproducing or replacing the assets, less depreciation from all causes, including functional and economic obsolescence.

The market (sales comparison) approach considers prices recently paid for either similar assets or property with adjustments made to the indicated market prices to reflect the condition and utility of the analysed assets or property relative to market comparatives.

In an income approach, value is dependent on the present value of future economic benefits to be derived from ownership of an asset. Central to this method is an analysis of the earnings potential represented by the appraised asset and of the underlying risks associated with obtaining those earnings. Value indications are developed by discounting future net cash flows available for distribution to their present value at market-based rates of return.

In this analysis, we considered the three traditional approaches to value. In the application of the cost approach, consideration must be given to the costs required to reproduce the asset: however, dollars spent may not be representative of the value of the asset. Because of the start-up nature and uniqueness of companies in the Internet-related industry, it was determined that the cost approach would not lend itself

Domain names do change hands, on a stand alone basis, on the open market.

well to valuing an Internet business marketing intangible asset such as a domain name.

PRCdotcom had a very limited operating history, and had generated negligible revenue and no profit. Furthermore, there had been no licensing agreements executed which produced positive and predictable income. As well, the Internet industry is highly volatile and regarded as speculative, from an investment viewpoint. For these reasons, the income approach was not employed to value the domain name.

Domain names do change hands, on a stand alone basis, on the open market. Prices recently paid for similar property, or market comparatives, and asking prices for marketing comparatives, were identified. Therefore, the market approach seemed to have the most reliable set of facts and circumstance with which to estimate a credible value for the domain name.

Valuation of domain name

In applying the market approach to value the domain name, www.china.com, consideration was given to prices paid for similar property. The process involved analysing domain names that had been sold in the marketplace and comparing those names to the domain name being valued.

The domain name industry is still in its infancy. Although there are no well established methodologies for comparing domain names, industry experts do agree that the analysis of several basic criteria is required in order to make realistic evaluations. Seven criteria developed by domain name evaluation consultant solutionhome.com were considered to evaluate the relative value of the subject domain name. The criteria considered were:

Editor's Comments

The valuation professionals are regularly challenged with new asset classes which clients request their services to determine a fair market value. Domain names may not be high on a valuers' current preferred work list although this paper provides a robust approach to valuing an intangible asset. This can provide a useful platform for valuing alternative emerging asset classes.

A sound methodology to determine fair market value has to take into consideration the nature and uniqueness of the asset class, where speculation may distort prospective investment returns. Here, the paper proposes several basic criteria in order to make a realistic evaluation. The steps are clear and

although in places subjective, the eventual fair market value can be achieved for a specific point in time.



- marketability;
- name length;
- recognition;
- development value;
- dot. value;
- site traffic; and
- revenue generation.

Marketability

The marketability of a name is among the most important features of the domain name due to the perceived use of the name in the market. Companies look to brand themselves using their Internet addresses and therefore look primarily to the names that will give them a competitive advantage.

Ultimately, the overall market potential for the name and its ability to drive traffic and revenue to the business entity using it drives the value of a domain name.

If the domain name is well defined and the targeted market segment is easily identified by the name alone, and/or the name is readily recognised and remembered, the property may be very marketable and, thus, highly valuable.

Name length

Generally, shorter names are best. Single, recognisable words are considered better than multiple words. Shorter is considered better, as fewer letters mean it is easier to type and remember. An increase in the number of words may well reduce the perceived value of the name.

Solutionhome.com has suggested that a subjective analysis is sufficient, and from market transaction data has developed the following observations.

Number of letters Subjective rating

1-5	Excellent
6-10	Good
11-15	Fair
over 15	Poor

Brand recognition

Brand recognition is key to the evaluation process. Simple, familiar words are generally more attractive than complicated, hard-to-spell words and short, catchy names in attractive industry segments are also very valuable.

In the current environment; industry ranking for desirable domain name is:

1. Business services
2. Telecommunications
3. Financial services
4. Entertainment/media
5. Software
6. Retail
7. Healthcare services
8. Medical devices
9. Consumer services
10. Biotechnology

Development value

The value of a domain name is also based on the ability to use the name. When looking at the development value of a domain name, a determination is made as to whether this name can be built into an instantly recognisable site, whose name describes its content.

Dot. value

The market gives far greater valuations to Dot.com's than Dot.net's, Dot.org's and any one of several other major extensions. At this point, the Dot.com extension is clearly the most desirable and easily commands much higher market prices and thus much higher valuations, all other factors being equal.

The basis for any successful operating website is its ability to generate business

Site traffic and revenue generation

The basis for any successful operating website is its ability to generate business. Websites that are receiving traffic are certainly preferred over those without traffic. Sites producing revenue are even more attractive. The bottom line of the number of visitors a site generates in a given period is a major factor in determining a domain name's value. Revenue generating ability is measured in absolute terms. Site traffic measurement is mostly subjective as follows:

Views/day	Subjective rating
Over 5,000	Excellent
500-4,999	Good
1-499	Fair
0	Poor

Our research uncovered several sources

for domain name market transaction data, one of which SUBMERGEDideas.com was particularly useful. Of particular note to this valuation were:

Korea.com: \$5,000,000 sale in 2000

Britain.com: \$1,000,000 sale in April, 2000

Also, our Internet search uncovered an asking price for America.com of \$30,000,000 as of December 2000, raised from a previous site posting of only \$10,000,000.

From the above data, we observe a market range of data suggesting that China.com may have a value from \$1,000,000 to \$30,000,000 or more. We must then reflect upon the seven criteria regarded by one domain name industry practitioner as being pertinent to the valuation of any name. Using the previously set forth pertinent factors, we reflect as follows or China.com.

However, there remain many political uncertainties and monetary uncertainties which could influence the eventual achievement of such value, if nothing else at least from a timing point of view

Marketability: certainly an easy name to remember; market potential among a population of 1.4 billion people is enormous; throughout the world, companies are seeking to do business with China; thus an excellent rating.

Name Length: shorter is stated to be better, and at five letters a rating of excellent seems reasonable.

Brand recognition: The name may not be catchy, but it is readily used and recognised globally in most any business sector. Its application, though not specifically known, certainly has high economic return potential in most all of the top preferred industry sectors, and most likely in the best "business services." Thus brand recognition would also deserve an excellent rating.

Development value: certainly the site is recognisable and carries with it broad applications for diverse uses. The name carries with it social, economic, and political mystery that will likely draw people to the site. Again, a subjective rating of excellent seems reasonable.

Dot. value: Dot.com is statistically more valuable than other Internet extensions, thus the subject domain name again is accorded an excellent rating.

Site traffic: As this domain name has not been actively marketed, there was no viewing history to analyse, thus a rating in this category is not warranted. It was felt, however, that curiosity alone will eventually produce a high viewing rating. (The site has now been established and viewing has occurred).

Revenue generation: This domain name has not been placed in a revenue generating service, thus no rating is warranted.

On five of seven factors indicative of relative value, China.com ranks at the excellent level. There is no reason to expect any lesser ratings for the other two factors, once active business interests have been pursued with this domain name.

Market transactions considered comprise two sales, Korea.com and Britain.com, and one asking, American.com. Certainly the size of the country, consumer spending potential, and the expectation of China being accepted into the World Trade Organisation suggests that this domain name may more likely develop a value closer to the asking for America.com than that indicated by Korea.com and Britain.com.

However, there remain many political uncertainties and monetary uncertainties which could influence the eventual achievement of such value, if nothing else at least from a timing point of view.

The subject domain name site currently has an information scope similar to Korea.com. However, with the population of China, 1.4 billion, versus Korea, of 50 million, market size is clearly dominant in China. However, financial transfer, investment risk, and political risk are more favourable in Korea, and clearly more favourable in the United States and North America.

Therefore, a reasonable range of value for the China.com domain name might be from 1.5x Korea.com or \$7,500,000 to .5x America.com or \$15,000,000, or a reasonable point estimate of fair market value of \$10,000,000.

While valuation of a domain name requires much subjective judgment, there are market indicators and sources for transaction data that provide the valuer with a basis for reasoned judgment.



NSW API Commemorative News

Kiparra Spans 42 Years

Kiparra Day is a major event on the property industry calendar in NSW with attendances reaching 500 delegates. The 42nd Kiparra Day was held on Friday, 11 August when it returned to the refurbished Sydney Hilton.

Kiparra was started by the Council of the Valuers' Division of the Real Estate Institute of New South Wales (REI) in 1964 and the one day conference was held at Kiparra, a wedding reception and function centre, at Hurstville. It was during the Presidency of Phil Paul LFAPI from 1978-1980 that Kiparra became a Commonwealth Institute of Valuers (CIV) event. During that time and after much discussion between the two bodies, the Real Estate Institute's Valuers' Division was brought into the membership of the CIV. As a result, Hugh Taylor who was later to become a Life Fellow of our Institute was one of the three REI members to join the CIV Divisional Council. Since then, Kiparra has continued to grow in popularity and prestige.

Many dignitaries over the years have opened the event including the Deputy Prime Minister, State Governors and the Lord Mayor of Sydney. Kiparra is a promotional day for the API, a networking event for members and offers professional development sessions by leading speakers on a wide variety of property topics. Members come from around the state and interstate to attend the event.

Over the years, many Life Fellowships, Meritorious Service Awards and Best Academic Performance Awards have been presented at Kiparra as well the Excellence in Property Awards in their early years.



42nd Kiparra Day 2006 - Phil Fague, Phil Paul LFAPI, former API NSW President and Tom Webster, API NSW President



41st Kiparra Day 2005 - Tom Webster, API NSW Senior Vice President, Barry Brakey, API National President, Lord Mayor The Hon. Clover Moore MP and Matthew Davis, API NSW President



30th Kiparra Day - 1994 - Graeme Jones, AIVLE NSW Vice President, Mrs Sinclair, His Excellency Rear Admiral Peter Sinclair, AC, Governor of NSW and Mark Hopcraft, AIVLE NSW President



29th Kiparra Day - 1993 - Don Smith, API NSW Executive Officer and Alan Hyam LFAPI, AIVLE National President congratulate Albert Hugh (Hughie) Taylor on receiving his Life Fellowship

Rural and Regional Conferences

The API NSW Rural Conference commenced over 40 years ago as the Country Conference of the NSW Division of the Commonwealth Institute of Valuers. There are legendary stories about the camaraderie and fun had by members at these events. It is likely that Nick Lucas holds the record for the most attendances at the Rural Conference.

Over the years, the conference was held in many locations around the state including inland and coastal towns and only left NSW once in 1985 to be held in Coolangatta.

In addition to the NSW Country Conference, the Albury Wodonga Group has held a very successful one day seminar in July each year attracting members from NSW, ACT and VIC since 1978.

In 1992, in response to feedback from members, the Division introduced a

Convention and re-badged the Country Conference as the Rural Conference with the first of these events being held in Bowral and Tamworth respectively. While the Conventions were great events, only three were held and these were interspersed with a National Biennial Conference held in Sydney in 1994 and the Pan Pacific Congress of Real Estate Appraisers, Valuers and Counsellors in Sydney in 1996. The wide range of additional CPD events offered by the Division saw the demand for the Convention diminish and the event disappear.

The Rural Conference continues to be conducted and was held at Manly in 2004 as regional members had indicated they wanted to come to the city. It is again planned to conduct the Rural Conference at Manly in 2007 but after that, members will again determine the next location.



Country Conference - 1977



Rural Conference - 1993 - Visit and presentation at local winery in Mudgee



Rural Conference - 2003 - Tamworth - John Sheehan, API NSW President, Stuart Prowse and Chris Egan, Divisional Councillors, congratulate Nick Lucas on his Meritorious Service Award and years on Divisional Council

Institute's First Practice Standard

"Out of the trauma associated with the collapse of commercial property markets and the irresponsible lending and corporate reporting practices in the late 1980s, a greater role and responsibility has evolved for this Institute. Regulatory authorities, banks and other professions and property bodies are now looking to the AIVLE to show the way in valuation practice and reporting", wrote Bob Connolly LFAPI, the President of the NSW Division of the then Australian Institute of Valuers and Land Economists (AIVLE) in the Division's 1992 Annual Report. Thus the concept of practice standards was developed in the NSW Division under Bob's Presidency and with the NSW AIVLE Valuers' Professional Board chaired by Peter Dempsey.

The concept of practice standards was developed in the NSW Division

In 1992, a draft Residential Mortgage Valuation Standard was produced with the object of continuing to advance the professional standards of the valuer's role and relevance in the lending process. The draft Standard was released at the AIVLE NSW Convention held at the Heritage Park Resort, Bowral in October, 1992. The release featured a humorous role play with outstanding and memorable performances by Lindsay Joyce, Bruce Noble, Bob Connolly, Alison Rook and Mark Hopcraft. The video of the role play was a useful and valuable aide at later CPD events informing members about the draft Standard.

From this first draft Standard has come the Institute's Professional Practice manual.

Excellence in Property Awards

1998 saw the introduction of the API NSW Excellence in Property Awards which recognise outstanding achievement in the property profession or the built or natural environment. Four awards were presented at Kiparra Day on 7 August that year - a Public Sector Award was presented to the then Minister of Urban Affairs and Planning, The Hon. Craig Knowles, a Private Sector Award went to Dr Tom Forgan, Chief Executive Officer of Australian Technology Park, a Community Award went to Judy and Peter Howarth, Nundle and a Property Development Award went to the Olympic Co-ordination Authority and the Royal Agricultural Society of NSW for the Sydney Showground, Homebush Bay. Since 1998, the Awards have evolved and grown in prestige and in 2006, there are 8 Award categories including Property Valuation, Property Industry, Property Development, Environmental Development, Heritage, Local Government, Property Trust Industry Innovation and the Young Achiever.

The Awards, originally presented at Kiparra Day, are now presented at a formal dinner and 400 people attended the 2006 Award dinner held on 5 October at the Four Seasons Hotel, Sydney. From 2003, sponsors have supported the Awards contributing to their growing success and the Awards publication distributed widely throughout the property industry has also contributed to the ongoing success of the Awards.

Over the nine years of the Awards, many people have been recognised for their outstanding contributions to property and the community in NSW. Projects recognised have been diverse including the Wagga Wagga Civic Centre; the ABC Landline Program; the Tweed Shire Council's Smart House; the Wellington-Osawano Japanese Gardens; No. 1 Martin Place, Sydney; St Mary's Cathedral, Sydney; Oasis Youth Centre, Wuyong; Sydney Conservatorium of Music; Bluehaven Sub-surface Wetland; Walsh Bay; Macquarie Office Trust; Riverside Corporate Park; Victoria Park, Zetland; Lane Cove Aquatic Centre; 30 The Bond, Millers Point; Commonwealth Property Hotel Fund; Pittwater Council's On-line Development Enquiry & Assessment Project; Broken Hill Regional Art Gallery and Norwest Business Park.





API Property Directions Survey

In 1998, the NSW Division sought to conduct research which had a different approach to that already available in the marketplace. The research was to provide a contribution to the property industry while at the same time providing a vehicle to raise the Institute's profile.

The API Property Directions Survey was unique in that it sought the views of three groups - valuers, property analysts and fund managers. The survey measured sentiment and expectations on a range of topics affecting property. The survey respondents were selected on the basis of the type of work undertaken, Australia wide coverage and size.

The inaugural survey was undertaken in September, 1998 and has been conducted on a six monthly basis since that time. In April 2003, leasing incentives for all Australian capital cities were included in the survey and in April, 2004, property financiers were included as a fourth group of respondents. From April 2005, enough data had been gathered by the survey to graph the property cycles as predicted by the respondents for commercial, retail and industrial property in Sydney, Melbourne and Brisbane. September, 2005 saw residential property included in the survey.

The survey is recognised by the media and the property industry for its independence. Results receive wide coverage in the press, radio and in more recent years on television across various networks.

Phil Bennett has chaired the Research Committee since its inception and Associate Professor John MacFarlane from the University of Western Sydney, another member of the Research Committee from the beginning, has undertaken the analysis. Also contributing to the survey from its inception are Graeme Jones, a former Divisional President, Gail Sanders, the API NSW Executive Officer and Georgina Turner, API NSW Staff member.

The 17th API Property Directions Survey was conducted in September this year and the next survey will be the April, 2007 edition.

History of the Victorian Division

The Victorian Division was founded at the inaugural meeting on the 20th October 1930.

This Division was the third to be established following South Australian and Queensland Divisions. Representatives of the Institute in South Australia visited Melbourne that year and had discussions with the members concerning the formation of the Division. There was strong opposition to their proposal from other professional Institutes that had previously been established in Victoria. However, despite this opposition, members resolved to establish the Division and the inaugural Divisional Board meeting was held on the 20th September 1930. A.E. Haughton who was largely responsible for the establishment of the Division, was elected the first President and E.H. Young was appointed as the first Divisional Registrar.

In 1962, the Institute pushed for some form of valuer registration to be introduced, however the first full registration was not until 1965 in Queensland. Victoria had already passed partial registration in 1960 however it was not until 1973 that Victorian valuers were required to become fully registered after the Valuation of Land (Valuers) Act was passed. The Valuation profession, as it operates in Victoria was deregistered on 31st December 1994, with amendments to the Valuation of Land Act 1960 deleting the provisions for the formal registration of valuers working in Victoria. This deregulation has forced a tougher admission process as the Institute seeks to be a regulating body within this changing industry.

Many members have fond memories of becoming a valuer. Adrian Jones: "I recall an error I made early in my career as a cadet valuer. I'm sure I was not alone. In the 1960's part of my traineeship involved doing house inspections for the CML Company who in those days was a major lender to first home buyers. Consequently I had

to travel to all the outer suburbs where the new subdivisions were. It was stressed to

me that I MUST always correctly identify that the land being mortgaged was the same as that shown on title. In 99.9% of inspections this was the case as they were all recent subdivisions. However at a property in Chelsea (now Patterson Lakes) I met my match. The title was a bit blurred but the starting point was shown as 960 north of the nearest roadway. Using my newfangled wheel to measure long distances I could only measure about 630 ft and if I went out to 960 ft then I ended up in a swamp.

There were no mobile phones in those days so I just had to check and re-check. Using my trusty old leather bound 100 ft tape I laboriously measured and marked the footpath over six hundred feet to reach the starting point. In exasperation I dropped the tape and it landed the other side facing up. To my great relief I saw that I had just measured 960 links (1 link = 0.66 ft)!"

The Municipal Group of Valuers (MGV) is celebrating its 75th year in 2006. The MGV was founded in 1931 and was known as the Victorian Institute of Municipal Valuers (VIMV). In 1958 its members were admitted to the Victorian Division and the group became known as the Municipal Group of Valuers. The MGV represents both staff and contract valuers involved in Council Rating Valuations for the 79 Municipal Councils in Victoria. The Group plays a major role in keeping its members informed on local government topics specifically related to valuations and furthering the education of both qualified and trainee valuation

staff. In an act of 1853, the Victorian Parliament established a Central Roads Board to construct and repair Victoria's main roads and bridges. Owners and occupiers of land in a district could elect their own road boards (local governments) to manage the minor roads and

to press their claims for main roads before the central authority. These district boards had power to raise money by erecting turnpikes on the roads and by levying rates on property. These early rates generally took the form of acreage levies on rural lands and a tax based upon the actual rental or valued annual rental on other properties. The district boards appointed officers to determine these rental values. This was the forerunner for the person now known as the municipal valuer.

During the 1930's and early 1940's the Victorian Institute of Municipal Valuers co-existed with the Commonwealth Institute of Valuers (later to become the API). Towards the latter part of 1957 the Commonwealth Institute of Valuers approached the Municipal Institute with a view to effecting a merger. By September 1958 the Municipal Valuers Institute was wound up and its funds transferred to the CIV.

It appears that the name CIV may have caused some confusion, as Adrian Jones recounts: "In the mid 1960's when I was a cadet Valuer at Abercromby & Beatty in the city, my employer/mentor was the late Geoff Pelton who was an expert on hypothetical subdivisions and was heavily involved with the CIV. He regularly was seen rushing out of the office to a committee meeting or arbitration, and as he flew out the door to the lifts he invariably said to the receptionist "I'm off to the CIV".

Many members have fond memories of becoming a valuer.

The Whittington Memorial Award is the most prestigious award of its kind made by the Victorian Division of the API

A new receptionist one day was quite distressed because she couldn't locate Geoff to pass on some urgent personal message. The office manager called her in and said "didn't he say where he was going?" She replied that she'd been calling the CIB (Criminal Investigation Bureau) for ages and they had never heard of him, what was she to do? Shortly thereafter the office manager introduced a day book where everyone had to write down their out of office appointments."

In 1962, Leslie Bennet was the first woman Associate admitted into the Institute as a member of the Victorian Division. Leslie may well have been ahead of her time, considering the Address at the Opening Ceremony of the 1969 Pan Pacific Congress of Real Estate Appraisers, Valuers and Counsellors in Sydney. Sir Leslie Herron said "I am pleased to see the ladies present. I used to believe that ladies in legal conventions were nature's most agreeable blunder, but today I reject this idea. For their presence here, their beauty, pulchritude and charm will help to make a pleasant social background to otherwise technical discussions".

The Victorian Division has been instrumental in shaping the educational requirements for the API. Prior to the mid 1960's the Victorian Division had been providing a valuation course in conjunction with the Royal Melbourne Institute of Technology which could be taken either on-campus or via correspondence. Volunteer staff at the Victorian Division offices would write the curriculum for the RMIT valuation courses, and any exams would always be returned to the API for marking.

The Victorian Division used to share offices with the REIV and everyone who worked there was a volunteer. The offices were then moved to Wellington Street in East Melbourne around 1980, before

relocating to the current building in Port Melbourne in 1990.

The Whittington Memorial Award is the most prestigious award of its kind made by the Victorian Division of the API. It is an award for professional excellence and takes into account the professionalism of the recipient, the contribution made by the recipient to the professions of property valuations, land economy and plant and machinery valuations. This award is made in honour of the late S.F. (Dick) Whittington, a founding member of the CIV. This was an annual national award from 1984 - 1986 instated after the death of SF (Dick) Whittington in 1979. Peter Lambden was the 2005 recipient. He served as President in 2000 and 2001 and has continued as a member of Divisional Council, and as Chairman of the Complaints Committee since 2002.

The Excellence In Property Awards have been an annual event since 2001. The Awards recognise innovation and outstanding achievement across the entire property industry with individuals, group and sector projects being eligible to enter one or more categories. This broad, industry wide recognition program, culminates in a Gala Awards Presentation Dinner. The seven categories of awards are the Young Achiever of the Year, the Environmental Development Award, the Local Government Property Award, the Property Development Award, the Heritage Property Award, the Property Industry Award and the Joe Curlewis Property Trust Industry Award.

The Victorian Division currently has seven Life Fellows: Doug Cummins (1935), Alan D'Arcy (1958), Brian Ellerbeck (1984), Peter Meeking (1959), Frank Sheehan (1971), Maurice Squirrell (1959) and Paul Wheeler (1971). With a membership of some 1660 members, the Victorian Division is going from strength to strength.

Major Dates for the Australian Property Institute - Victorian Division

- Commonwealth Institute of Valuers founded
- 1930 Victorian Division is formed
- 1931 Municipal Group of Valuers is formed (known as the Victorian Institute of Municipal Valuers)
- 1958 MGV became affiliated with Commonwealth Institute of Valuers
- 1960 Partial registration of Victorian valuers
- 1960 Valuation of Land (Valuers) Act passed
- 1962 First woman Associate of the Institute is admitted into the Victorian Division
- 1965 All members of the Valuers' Division of the Real Estate and Stock Institute of Victoria were admitted to the Institute
- 1973 Victorian valuers required to become fully registered
- 1980 Victorian Division relocates from the REIV offices to East Melbourne
- 1984 SF (Dick) Whittington Award commences
CIV Renamed Australian Institute of Valuers and Land Administrators (AIVLA)
- 1990 Victorian Division relocates to Port Melbourne Offices
AIVLA renamed Australian Institute of Valuers and Land Economists
- 1994 De-registration of valuation industry in Victoria
AIVLE renamed the Australian Property Institute
- 2001 Excellence in Property Awards commence

The first meeting of the WA Division

Although the Commonwealth Institute of Valuers was established in Adelaide in 1926, it was not until 1931 that the Western Australian Division was established.

The Divisions archives reveal that the then National and Victorian Presidents and the National Registrar made a special visit to WA to encourage the formation of a Division in Western Australia.

Minutes of first meeting

Minutes of the meeting of those interested in the formation of a Western Australian Division of the Commonwealth Institute of Valuers held at A C Kirby's office, fourth floor, AMP Chambers, William Street, Perth on Wednesday 11 November 1931 at 8pm.

Present

Mr H Sando (President of the Commonwealth Institute of Valuers), Mr Edward Haughton (President of the Victorian Division of the Institute), Mr C W L Muecke (Registrar of the Institute), and Messrs J W Armstrong, H J Carmichael, D L Davidson, J S Duffy, V Fyfe, E Grundy, W Chas. Hodd, A C Kirby, J P Learmonth, L C Lovegrove, J G Milner, W Robertson and V Steffanoni

Apologies

Apologies for non-attendance were received from Messrs Geo. Clark, J Charles, C Dent, Devitt, W Tate, Taylor, Trotman and Watt.

Business

Mr J P Learmonth was voted to the Chair and after referring to the objectives of calling the meeting, he called on Mr Sando, President of the Institute, to explain the aims and objectives of the Institute.

In his opening remarks Mr Sando outlined the history of the formation and the scope of its activities.

Mr Edward Haughton, President of the Victorian Division, also addressed the meeting, and further explained the aims of the Institute.

Mr Fyfe apologised for the absence of a number of gentlemen from the Taxation Department who were unable to attend. He stated that the outcome of the formation, which would be recognised throughout the Commonwealth, would be the stabilisation of values. It would be of great service to valuers themselves, and uplift their status. He extended a

hearty welcome to the representatives from the Institute.

Mr W Robertson added his appreciation of the visit of the officials of the Institute and thought it was high time that the status of valuers was more defined.

Mr C W L Muecke, Registrar of the Institute, read an account of the steps that were taken in Queensland to form a Division.

Mr Milner spoke in favour of the formation of an Institute on the proposed lines. He moved:

“That those present pledge themselves to apply for membership of the Commonwealth Institute of Valuers forthwith, and that when the necessary number of members have been accepted, an inaugural meeting be held for the purpose of forming a Western Australian Division of the Institute, and the formation of a State Board.”

Seconded by Mr Duffy. The motion was carried unanimously.

Mr A C Kirby was appointed Acting State Registrar pending the appointment of a State Board.

Footnote

The WA Division was formally constituted on 9 December 1931.

That those present pledge themselves to apply for membership of Commonwealth Institute of Valuers forthwith, and that when the necessary number of members have been accepted

API Divisional News

NSW DIVISION

Inaugural Plant and Machinery Conference

The first plant and machinery valuation conference was held on Wednesday 9 August at the York St Conference Centre, Sydney. Neil Schiller, Manager Commercial Services, GE Capital, presented a clear and concise first session on orderly liquidation value from a financier's perspective. The delegates were then treated to an entertaining session on the valuation of aircraft from Les Miles Jr., President, American Society of Appraisers.

Ross Henderson, Principal - Valuation Advisory Services, Ernst & Young addressed the use of Excel and the issue of market and cost approaches in the valuation process. Valuations for accounting

purposes as applied to plant & machinery was then comprehensively covered by Roy Farthing, Partner-Valuation Advisory Services, Ernst & Young.

Two interesting case studies followed, the first by Cameron Dunsford, Director, RHAS on the valuation of 200 concrete batching plants. The second case study presented by Tony Hannah, Director, Anthony Hannah Pty Limited was on the underground long wall and under utilised open mine assets. The final session of the conference was a well worded address by John Webster, Senior Counsel on the issues of preparing and providing expert evidence for the court.



Les Miles Jr, President, American Society of Appraisers presenting Valuation of Aircraft

Networking by Student Members



The Establishment was a great place to be on Thursday, 17 August with 150 Student Members meeting many new people also studying property. There was an unmistakable vibe in the room where Students from the University of Western Sydney, the University of Technology, the University of NSW and Sydney Institute TAFE NSW gathered to congratulate the winners of the API Semester 1 Awards, to meet other students and the sponsors. DJ, Paul's choice of music found a cord with everyone.

Semester 1 Award Winners were:

Bachelor of Business (Property Economics), University of Western Sydney

- Year 1 - Belinda Allen
- Year 2 - Benjamin Masters
- Year 3 - Priyaanka Jacob

Bachelor of Property Economics, from the University of Technology

- Year 1 - Anthony-Charbe El-Hazouri
- Year 2 - Glenn Crooks
- Year 3 - Penelope Lloyd
- Year 4 - Bill Kassaras

Advanced Diploma of Property (Valuation), Sydney Institute TAFE NSW

- Year 1 - Chris Brophy
- Year 2 - Gus Faith

Bachelor of Building and Construction Management, University of NSW

Alex Demetoriou

Meritorious Service Award Presented to David Shuter

David was presented with a Meritorious Service Award by Tom Webster, API NSW President, during the opening of Kiparra Day on Friday, 11 August at the Hilton, Sydney. David received the Award in recognition of his contribution to the Albury Wodonga Valuers' Group and for his contribution to the professional development of API members and students. David's efforts assisted the API in gaining in December 2005, ASIC a Class Exemption Order for valuers undertaking valuations of Company Title properties.



Peter Debnam, Leader of the NSW Opposition, Tom Webster, API NSW President, David Shuter, Award recipient and Marcia Bowden, API National President

42nd Kippara Day

The impressively refurbished Hilton Sydney was the meeting place for over 400 delegates at the 42nd Kippara Day on 11 August, 2006. The day began with Peter Debnam MP, Leader of the Opposition, addressing the audience to be followed by the President of the American Society of Appraisers, Les Miles Jr. who spoke on Global Trends in Property Valuation.

Richard Gibbs, Head of Economics at Macquarie Bank gave a timely address on the Economic Outlook for Property in Australia. Michael Lonie from the Australian Retailers Association gave an insightful presentation on Globalisation & Implications of Retail Development

which was followed by a discussion on the changing nature of listed and unlisted property trust investments by Hamish Roth of National Australia Bank.

The concluding presentations on Residential Property and Housing Affordability were delivered by Dr Garrick Small of the University of Technology, Sydney and Will Roden of the Centre for Affordable Housing respectively. API members and guests appreciated the research, time and knowledge that went into each of the presentations as well as the fun injected into the day by MC, James O'Loghlin.



Members greatly enjoyed Kiparra

Property Careers' Forum

Over 50 students from all API accredited courses attended the API's Property Careers' Forum held at the University of Technology, Sydney on Thursday, 12 October. Rick Marston of CRI Australia represented the Divisional Council and gave an enthusiastic welcoming address. Dianne Cassen of Talent 2 once again had the students undivided attention as she spoke about getting that job in property. The API's young members from a wide variety of areas in property manned a series of information booths and answered many questions from the students. The Division greatly appreciates the support of all who contributed to the event.



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2006 Excellence in Property Awards

Congratulations to the 2006 Winners

400 guests congratulated the 2006 Excellence in Property Award winners on Thursday, 5 October at a dinner at the Four Seasons Hotel. Well known comedian, Jean Kittson, made the Awards fun and Stolen Moments had the dance floor full.

National Australia Bank Property Development

Winner: Award is Mulpha FKP Trading as Norwest Land for Norwest Business Park



Tom Webster, API NSW President, Alan Zammit, MD and CEO Norwest Business Park and Martin Smethills, National Australia Bank

Highly Commended: Bovis Lend Lease and Investa Property Group for Deutsche Bank Place, 126 Phillip Street, Sydney



Tom Webster, API NSW President, Vince Albanese, Bovis Lend Lease, Peter Malpass, Investa Property Group and Martin Smethills, National Australia Bank



Tom Webster, API NSW President, Matthew Fisher, Greengate Partnership, Jim Eager, Kemp Strang Lawyers and Andrew Sweeney, Greengate Partnership

Kemp Strang Property Industry Award

Winner: Greengate Partnership for the Modern Property Course, University of NSW

Highly Commended: UDIA Central Coast Chapter and Andrews Neil for the UDIA Central Coast Structure Plan



Tom Webster, API NSW President, Peter Andrews, Andrews Neil, Jim Eager, Kemp Strang Lawyers and Andrew Cox, Central Coast UDIA.

Local Government Award

Winner: Gosford City Council and Tompkins MDA Architects for the Peninsula Leisure Centre, Woy Woy

Highly Commended: Blacktown City Council for the Restoration of Alroy as Alroy Tavern

Highly Commended: City of Sydney for Customs House Library



Michael Davies and Councillor Chris Holstein and Tom Webster, API NSW President



John Barbeler Director Corporate Services, Phillip Black, Councillor City of Sydney and Tom Webster, API NSW President

Heritage Award

Winner: W Property for the Cooperage, Pyrmont

Highly Commended: Australand Holdings, Godden Mackay Logan and SJB Architects for the Glebe Harbour Development



Michael Davies, TompkinsMDA Architects, Cr Chris Holstein, Gosford City Council and Tom Webster, API NSW President



Howard Tanner, Tanner Architects, Michael Williams, W Property and Tom Webster, API NSW President



Bruce Wigger, Lesa Wilson, Department of Commerce - State Property and Tom Webster, API NSW President



Richard Mackay, Jannene Smith, Godden Mackay Logan and Tom Webster, API NSW President

Highly Commended: Department of Commerce - State Property for the Chief Secretary's Building Refurbishment Project

m3property Trust Innovation Award

Winner: Macquarie Goodman Group



David van Aanholt - Chief Executive Officer - Asia Pacific, Andrew Duguid, Director, m3property (TBC) and Tom Webster, API NSW President

Thakral Holdings Environmental Development Award

Winner: Mirvac Group for Magenta Shores, Magenta

Highly Commended: Stockland Residential Communities NSW and Hughes Trueman for Waterside, Lakes District, Penrith Valley



John Adamson, Thakral Holdings, Kathy Pagden and Graham Cooper of Mirvac Group and Tom Webster, API NSW President



John Adamson, Thakral Holdings, Phil McBride, Tom Webster, API NSW President and Paul Jones

Macquarie Real Estate Young Achiever of the Year Award

Winner: Jason Murdoch



Jason Murdoch, AMP Capital Investors, Young Property Achiever of the Year, Tom Webster, API NSW President and Chris Breach, Macquarie Real Estate

Ashe MorganWinthrop Property Valuation Award

Winner: Richard Lawrie of Jones Lang Lasalle for his Valuation of 130 George St, Parramatta

API Golf

The 2006 API Golf Day, held at Concord Golf Club on 13 July, was a resounding success again. Following the golf, the Club served a fine dinner and the presentation was hosted by Tom Phelan of Knight Frank and Alan Prudames of Whelans Land Information Consultants, with Phil Lyons, Divisional Councillor, representing the API Divisional Council. The Handicap Winners were A Martin, R Lawrie, B Schofield and A Carpenter and the Handicap Runners-Up were P Tunks, R Lees, T Lenord and B Styles.



Young Achiever - Phillip Peel

QLD DIVISION

API Excellence in Property Awards

The fourth API Queensland Division Excellence in Property Awards were held at Customs House on Thursday 5 October 2006.

The Master of Ceremonies for the evening was Steve Haddan from Channel Nine.

Awards were presented for the following categories:

- Environmental Development •
- Heritage
- Young Achiever
- Local Government
- Property Industry
- Property Development
- Property Trust

Landmatters Pty Ltd, through Chris Walton, Kerry Shepherd and their team, was the recipient of the Environmental Development Award for its completion of Stages 1 and 2 of the Ecovillage at



Environmental Development Award - Chris Walton, Kerry Shepherd and Colin Bear of Landmatters Pty Ltd



Local Government Award - Karin Hartog



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Property Industry - Dr Terry Boyd

Currumbin which is located on a magnificent 110ha site on the Gold Coast.

Phillip Peel of Macquarie Asset Services Limited was the winner of the Young Achiever of the Year Award.

The Thuringowa City Council was the winner of the Local Government Property Award for the Riverway Stage 1 - Pioneer Park project. This project has seen under-utilised resources being developed to provide the residents and visitors with quality cultural and recreational facilities which will further the vibrant North Queensland tropical city.

Dr Terry Boyd, currently an Adjunct Professor at the Central Queensland University, was the recipient of the Property Industry Award in recognition of his role in property education. Terry continues to shape the property leaders of the future and as an API member continues to contribute to the property industry.

The Sunland Group, through its development of the iconic Q1 residential tower at Surfers Paradise is the winner of the Property Development Award for 2006. Q1 is an 80 storey residential tower, comprising of 526 apartments, rooftop observation deck, retail precinct and associated recreational facilities. As the Judges said "Q1 is testament to the vision, commitment and in many ways the sheer determination of the Sunland Group and all those involved in its design and construction."



Property Development Award - Brian Prendergast

The recipient of the Queensland Property Trust Industry Award, for the second year running, went to Property Funds Australia Limited for the PFA Diversified Property Trust. PFA is one of Queensland's leading funds with a portfolio that is diversified by property sector, geographic location, tenant profile and lease expiry.

In the Heritage Award category Ian and Anne Russell were the recipients of a High Commendation for the restoration of Baddow House, Maryborough.

The API QLD Division congratulates the 2006 winners and looks forward to the continued growth and recognition of the Awards in Queensland.



Property Trust Award - Chris Morton and Bronwyn Risk of Property Funds Australia Limited

SA DIVISION

University Field Trip

Property students at the University of South Australia recently boarded a bus and enjoyed a half day field trip to examine the Industrial real estate market. Students were delighted with the field trip and have benefited enormously from the experience.

Arranged by Philip Beaton at the University, he took 52 of his second year valuation students on the trip in order to assist them in an assignment which included valuing an industrial property in Naweena Rd, Regency Park.

The student's spent an hour or so at the subject property, where Brenton Pankhurst of Colliers International kindly provided a run down of the current industrial market in addition to a brief overview of the subject property. Matters such as access, land to building ratios, power supply and building qualities and styles were all discussed.

After inspecting several comparable properties in Regency Park the group ventured down to Port Adelaide. Daniel DeConno of Jones Lang LaSalle met the group at a property at Ocean Steamers

Broad Vision and Balanced Judgment

An excellent line up of speakers addressed a diverse range of topics ranging from residential development to hotels, from the over supply of grapes to chicken meat and eggs and restoring the balance in the land through natural sequence farming to feng shui in building design.

During lunch the National President Marcia Bowden presented 4 Associates Member Certificates. Jim Bell conducted the now traditional auction. This year it was of the of the first of the photo series of brochure covers.

The conference would not be a success without the generous support of the sponsors and supporters and appreciation is offered to the following companies: RP Data, as principal sponsor, Coverforce Professional Risks, McGees

Property, Megaw & Hogg National Valuers and Stanley Thompson Valuers as major sponsors. Egan National Valuers, Savills and Fudali Waterhouse PRP provided assistance as session sponsors and Maloney Field Services, Urban Pacific and Southwick Goodyear assisted with sponsorship of lunch, tea breaks and the happy hour respectively. Finally we appreciate the continued support from Knight Frank Valuations, State Valuation Office, MacKenzie Coultas, Matters and Co and Valuation Chambers.

The organising committee comprising Kevin Brogan, Leane Spain, Selina Howson, Glen Goodyear, Peta Mantzarapis, Tanya Parker, Amanda Bulgya, Paul Sargent, Judy McAdam are to be congratulated on another successful.

Rd and gave a very informative overview of the importance of local infrastructure and how it can and does influence rents and demand for industrial properties.

The students were then dropped off at the World's End Hotel in Hindley Street for a "de-briefing" where they were very pleased to be provided with a few well earned ales and nibbles.

The whole day was sponsored and supported by the property industry;

made possible by great work from Kelly Wooding and Andrew Stagg. Both are recent property graduates and API members and they arranged all sponsorship together with market data which the students could work with. Many thanks from Philip and the students.

Sponsors were Colliers International, CB Richard Ellis, Egan NationalValuers, Jones Lang LaSalle, Knight Frank, Southwick Goodyear and the API.



2006 Property Conference

A crowd of 233 members attended the 2006 property conference at the Adelaide Convention Centre on the 8th September. As it is the 80th anniversary of the Institute the committee chose as the theme the motto of the Institute that was first adopted in 1927.

WA DIVISION

2006 Commercial Property Outlook Breakfast

This annual event co-convened with Finsia, drew wide support with over 280 delegates in attendance. The event was attended by representatives from nearly 100 Australian, mostly blue chip companies, including major banks, construction firms, finance corporations and government departments.

Ben Laurance of the Pivot Group and David Cresp of Colliers International, both of whom presented knowledge of the commercial property market that is current and relevant, reviewed the Perth commercial and industrial scene under the heading: "Is the Bull Run Over?"

The consensus is that... for the foreseeable future, it feels like this bull is still snorting."



2006 State Conference

"Peeling back the Layers"

The Peel region is an Australian success story. Population growth is attracted by its coastal lifestyle and vibrant industrial development, supported by a robust West Australian economy. The WA Division held its annual State Conference at the Mandurah Performing Arts Centre in the coastal city of Mandurah, approximately 75km south of Perth.

The keynote address was given by the Hon. David Malcolm AC QC who spoke on "Ethics in professional and personal life".

Marcia Bowden, National President was a special guest and elaborated on her vision for the year ahead.



The Mayor of the City of Mandurah, Paddi Creevey, described Mandurah as a "hyper-growth city" with 35 new families moving to the city every week. It is Australia's fastest growing city and its population growth is outstripping its revenue-raising capacity and ability to fund infrastructure provision.

A well-rounded suite of presentations provided a broad vision of the region. A highlight of Saturday evening's Conference Dinner was the presentation by Marcia Bowden of a Life Fellowship to John Persse.

On Sunday, delegates took to the water and saw first-hand the development that is taking place in Mandurah's waterways, travelling through the Mandurah Ocean Marine and into the Peel inlet. Presenters with invaluable knowledge of property development along the oceanfront, canals and inland estuary accompanied the delegates.



Website Upgrades

The Division recently launched a new web service for its members - "Search for a Practitioner". Members can log onto the Division's site to update and maintain all their contact and practice details and ensures that all queries from public, financial institutions etc. can be responded to with relevant, accurate and current information.



2006 Rural Ramble

Yet another annual event that is eagerly awaited by Members with a keen interest in all things "non-Metropolitan".

This year the ramble travelled north to study a broad range of issues including corporate cattle operations, wind farming, property development, mango production and sand improvement.

Watch this space for news of the 2007 Ramble which promises to appeal to an Australia-wide audience.

