

The dream of a Queensland holiday rental can turn ugly

Flat chat



Jimmy Thomson

Despite the travel restrictions, the idea of buying a flat in Noosa, Brisbane or the Gold Coast and letting it to holidaymakers for most of the year while having it available when you want it, has increasing appeal.

But don't be surprised if the numbers don't stack up. As many migratory southerners have discovered, inflated management fees and letting commissions can make it more of an indulgence than an investment.

In short, it's a mess. In Queensland, apartment owners are a commodity rather than a community. There is so much money invested in the "legalised corruption" around body corporate caretaker management in Queensland, and it is so embedded in the system, that state governments, regardless of their political hue, can't bear to look at it.

This is how it works. A developer puts up a new building and then sells the rights to manage that building to an individual or a company. The prospective owners of the apartments have no say in its terms. By the way, this is illegal in NSW.

Why does it happen in Queensland? It means developers can get more money and retain an element of control over their blocks to, for instance, head off issues like defect claims. FYI, the developers might also sell off other rights, and con owners into approving them, but good luck finding those details in a 600-page prospectus.

The caretaker then buys the management contract and sets the fees to cover their services plus, you'd assume, a premium to pay off the initial loan.

The people paying for this, apartment owners, have no say in the terms of the contract and have little chance of redress if the caretaker turns out to be a dud. According to the long-suffering members of the Unit Owners Of Queensland, the main basis on which contracts can be rescinded – failure of caretakers to perform their duties – rarely, if ever, flies in the Queensland Civil Administrative Tribunal.

It gets worse. Caretakers can buy and sell their contracts and the apartment owners



have no say in this, although the incumbent might try to "persuade" them to extend the length of the contract to make it more attractive to potential purchasers.

Some ask their body corporate to convert their 10-year "standard" (mostly residential) contract into a 25-year "accommodation" (mostly holiday rental) contract.

Why would sane people go along with that? Imagine if the person running your building, whom you can't get rid of, was angry with you – the stories of harassment and neglect are legion. There is big money in all of this. Eight years ago, the last time the Queensland government seriously looked at this issue, its discussion document said individual management rights businesses sold for between \$200,000 and \$6 million.

"The total value of management rights arrangements in Queensland ranges from around \$2.5 billion to \$6 billion," said the document, adding: "Conservatively, business transfers may involve outlays of \$600 million or more each year."

Clearly, that kind of turnover isn't just from management fees. Caretakers can run the rental roll for the block, taking a commission from every let. And they can provide extra services for additional fees.

So what reforms were brought in after the 2012 review? Caretakers no longer had the monopoly on rentals in their block, but they continued to be the only people allowed to have a rental office on the premises.

Well, that fixed everything. ■

Jimmy Thomson edits the strata living advice website flat-chat.com.au and hosts the Flat Chat Wrap podcast. States have different strata laws.

Apartment owners in the Sunshine State have no say in contracts that can last 25 years. PHOTO: PAUL SMITH