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## TCRC *Property Update*

Happy New Year!

We look forward to working with you all in 2007.

*Kylie Charlton*  
*Licensed Estate Agent*



### Interest Rates May Be On the Rise Again

Inflation is not only high but accelerating, according to a report that strengthens the case for the Reserve Bank to raise interest rates next month for the fourth time in a year.

The TD Securities-Melbourne Institute Monthly Inflation Gauge showed prices increased by 0.3 per cent last month.

The rise was the third consecutive month of accelerating inflation and came despite the RBA's 0.25 per cent increase in official interest rates in November to 6.25 per cent. Inflation was 3.8 per cent last year, the survey found.

"My reading is that they will look at this and they will look at some of the signals of the underlying strength in the economy — the jobs numbers, the job ads numbers, that kind of stuff — and they are probably going to say 'it's time to go now'," said Don Harding, an economist at the University of Melbourne.

Economists are split over the prospect of another imminent rise. ANZ chief economist Saul Eslake said housing figures for November, also released yesterday, showed a market that was slowing even before that month's rate increase. Commitments, or offers for mortgages that either have been or are expected to be accepted, fell by 1.2 per cent over the year to November 30.

As recently as January 5, futures markets had priced a 28 per cent chance of an interest rate rise into the 30-day bank bill futures for March delivery. That market had yesterday priced in *a better than 50 per cent chance*.

Westpac senior economist Andrew Hanlan said the housing figures added to the case for another rate rise, while Commonwealth Bank senior economist Michael Workman said the housing figures for November showed no impact from that month's rate rise, so they would be of little help to the RBA when it next considered raising rates. "We believe that December (and) January numbers will also show this gradual moderation as the interest rate effects work their way through the system," Mr Workman said.

"It's a pretty finely judged situation about whether there is going to be another rate rise."

*Source: Marc Moncrief, The Age Banking Reporter, The Age*



### Repairs and Maintenance vs. Capital Expense

Expecting Tenants to manage the maintenance of a leased building not only interferes with the day to day running of the Tenant's business, it also allows for the worst possible scenario; nothing gets done or the Tenant may choose less than satisfactory or un-insured contractors to carry out works.

Julie Kearns, Group Property Manager of Larkfield Estate, a commercial property owner, says "If Landlords assume the responsibility to arrange and monitor building services contracts such as routine gutter and drain cleans, roof inspections etc, there is an opportunity for the Landlord to maintain its structure and regularly recover expenses from Tenants as repairs and maintenance under the Lease therefore minimizing the likelihood of capital expenditure in years to come". Not to mention using reputable and insured contractors.

Ensuring maintenance is undertaken minimizes the risk of insurance claims both Public Liability (injury) and property damage for Owners and reduces business interruption for Tenants. A win for everyone.



### Condition Reports... Why Bother?

- **Make-good/reinstatement at lease end**  
To determine the original condition of a premises to eliminate make-good disputes at lease end
- **Repair obligations under Section 52 of the Retail Leases Act**  
Under the new Retail Leases Act 2003 Amendments landlords are now only required to maintain a premises in the same state that it was originally leased. Tenants cannot demand repairs be carried out if the property was originally leased in a sub-standard condition.
- **Prior to accepting an Assignment of Lease**  
To ensure the assignee and assignor both understand make-good obligations and to eliminate disputes at lease end. The cost of which can be passed onto the tenant under Retail Leases Act 2003 and both commercial and industrial tenants.
- **Market review and rent determination purposes**  
Many tenants undertake considerable fit-outs at their own cost. At market review Landlords may carry out the review based on a substantially improved condition as the original condition of the premises is unknown.
- **Contract of Sale (property or business)**  
Determine fixtures and fittings included under the terms of a contract of sale such as commercial kitchen equipment, fire equipment etc. And to ensure the property is in the same condition at settlement.