

Capital Growth Restrained Property Title

The CGRPT

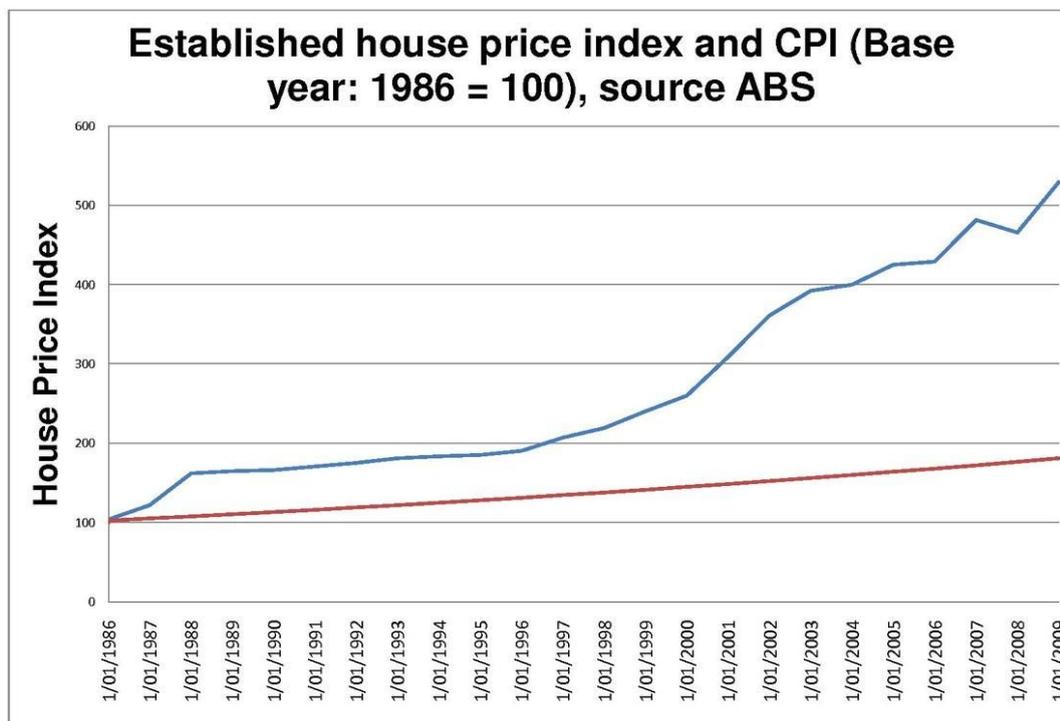
A property title with the covenant that once the property value is determined the property thereafter will increase in value only at the government published Consumer Price Index rate plus the cost value of any subsequent substantial improvements.

The property market model

New property created under the standard market model is managed to match the standard market value for an area plus design/marketing inducements to higher price.

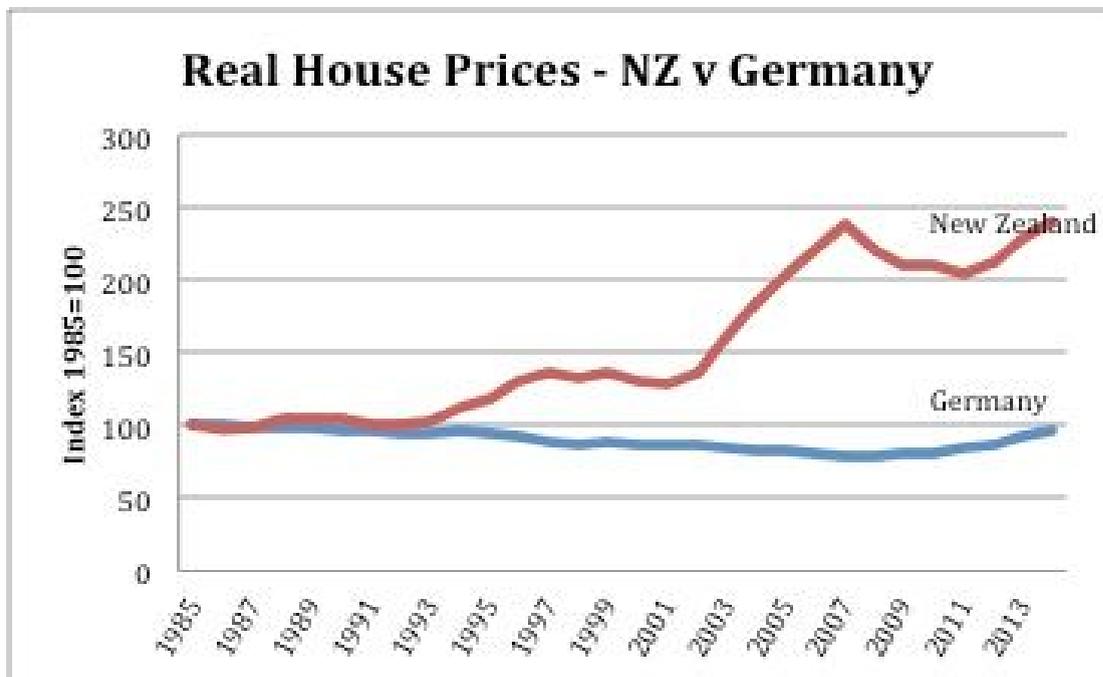
Where a property can be constructed (land plus building) profitably for well under the area perceived market value it will still be sold at the market value but with a much higher profit taken, else the first buyer collects the difference as a windfall to be cashed in at the first resale.

It is this structure that diminishes government interest in social housing as the perceived market value applies pressure to rental rates and/or political pressure on a state's assets holding "return on investment".



Comparing house prices in New Zealand to those of Germany...

<http://morganfoundation.org.nz/german-house-prices-flat/>



Accumulated value of “social housing” tends to weigh on the minds of government through cyclic economic ideologies, eventually leading to a selloff at market value to raise revenue. Once this has been done it becomes very difficult to re-establish a social housing stock.

CGRPT Advantages

- 1 benevolent inputs are preserved through the title for all future holders of a CGRPT property title. If the land is made available at a lower rate, duties or fees are waived, or the house is built on a lower cost production basis rather than the less efficient construction basis, these cost efficiencies are preserved in the property as its value appreciation over time is maintained at the original buying power of the owner rather than being cashed up to market value at the first property change of hands.
- 2 over time the pool of CGRPT properties will increase eventually serving to cool off market rental pressures.
- 3 CGRPT titles make it possible for governments to ensure a healthy body of low cost socially supportive properties without being involved in the day to day operation and maintenance of those properties.
- 4 Rates and property taxes where applicable will be lower for CGRPT properties simply because of their lower value. This further reinforces the lower living cost associated with these properties.

Users and user groups

Downsizers (those in retirement with a paid up property but minimal superannuation accruals), institutions, businesses, commercial shopping precincts, the disadvantaged, holiday batches sublet for tourism,,,. .

Down sizers would be an important user group as they have the up front capital to commission their own CGRPT property in an area of their choosing, with the balance of their liquid assets being invested to support their cash flow needs going forward. Further their occupation time would be relatively short thereby freeing up CGRPT properties for others.

Tertiary institutions would potentially be a user of CGRPT properties for student accommodation. The advantage being lower capital cost and lower running costs.

Businesses may utilise the lower cost of the CGRPT property for employee accommodation and may even choose to build production facilities as CGRPT properties in order to make them less appealing as takeover targets.

Councils may choose to build their own shopping malls as grouped user owned CGRPT units with the council owning and managing car parking funded by unit owners who with lower operating costs (lower mortgage costs, lower rates and property taxes) can better support those costs. Such an arrangement would minimise the drain of funds from a community and improve the lives of shop owners, as against the developer shopping mall model. (compare to South Melbourne Mall in Australia)

The primary goal of CGRPT's is to provide options for the disadvantaged in the community without the economic strength to achieve home ownership, or even afford suitable market rental rates. These people include the lower income earners, state welfare dependents, young start-outs who are carrying significant educational debt, etc.

Government agencies for various functions.

Low cost industrial seeding units for startups and beginner entrepreneurs.

The land

The land for CGRPT's should be distributed throughout a city town or village as far as economically possible. A certain number of CGRPT titles may be made conditional for large land release subdivisions.

Title Conversion

There will be circumstances where CGRPT titles need to be merged into larger regular titles to enable future property development of another kind. There will be a set of rules to make this possible. It is suggested that the entity requiring the conversion must pay to the government the difference between the CGRPT value and the market value in order to expunge the CGRPT title. The entity may also be required to fund relocation of the existing owner if it is not the entity itself.

The buildings

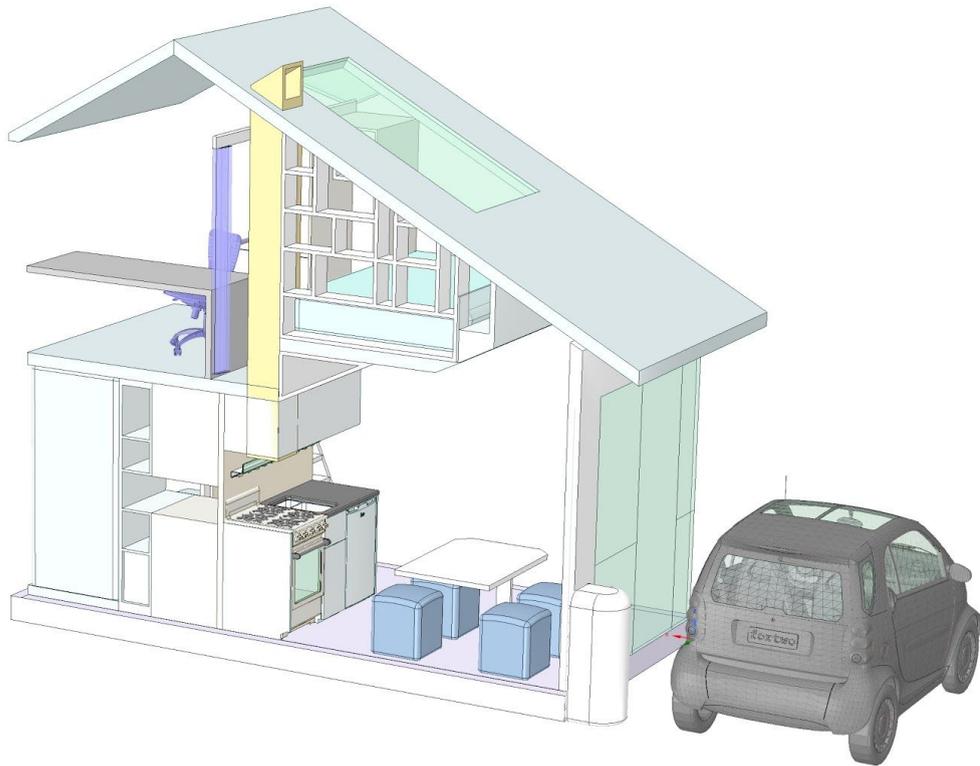
The intention of the CGRPT is provide the foundation upon which to build permanently affordable properties (both residential and commercial). This mechanism offers the opportunity for a large degree of innovation in property design, construction, and fitout, and on various scales.

There are many ways to produce lower cost housing, with the most obvious being to build them smaller and/or to use less land, such as this suggestion for a student flat that fits a 28 square metre block (including the car parking spot)



Restricted License: Home Use Only

This design was conceived to utilise spare land in dense urban areas for rental access for groups such as university students.



Restricted License: Home Use Only

Or the twin version for double the space two units for two couples achievable for less than \$60,000 each...

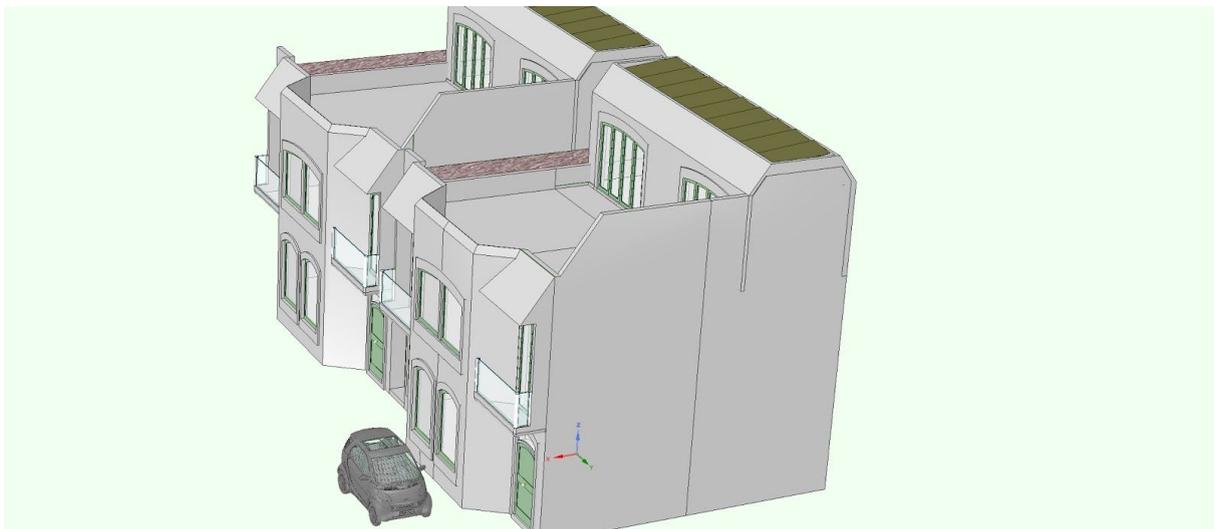


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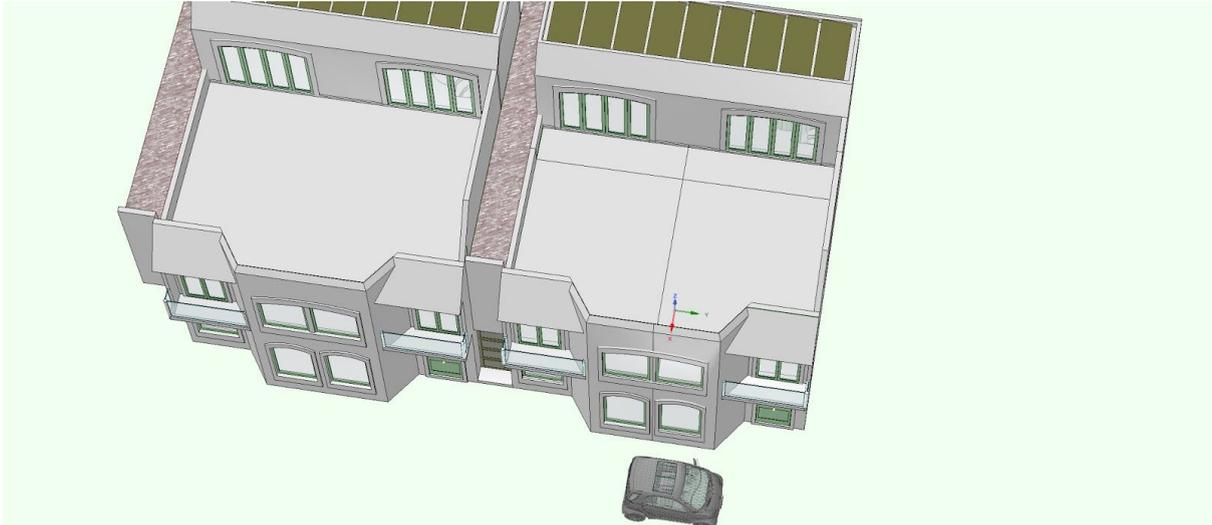
Then there is this (below 3 images) Mediterranean inspired all permanent material 3 level, 2 bedroom with studio on the spacious gardened terrace level, 180 square meter dwelling with 3 level lift all of which requires just 90 square metres of land and can be achieved for under \$250,000 (plus the land) even with 2 to 3kW solar photovoltaic thermal solar panels:



Street View



Aerial view from street. This Design while utilising 100% of the land it sits on, makes 70% of that space available as open air living space including 14 square metres of deep soil garden space fully suitable for small trees and large shrubs with ground covers including herbs and vegetables. To manage stormwater runoff this design features 15,000 to 20,000 litre water storage tanks designed to bleed of volume as required, or retain water in dry periods. The combination of water storage and solar panels ensures that these dwellings are fully autonomous for garden watering. The design also includes a large motor bike and push bike parking garage.



Aerial view from above.

Or any one of a number of Kit Construction dwellings

Limitations to how CGRPT's can be used

Owner occupier priority. Renting conditions? A CGRPT renter can make a bid to buy after two years tenancy which will be automatically approved. Exceptions being some institutions such as governments, student accommodation for Tertiary Institutions, ,

Risks

Buy ups by predatory "portfolio investor" groups such as the US's Jared Kushner who it is said owns 10,000 units. The owner occupier rule and the renter 2 year buy option would temper such buyouts but the would still be scope for other opportunism.

The negatives

The CGRPT property owner must accept that their property can only ever yield equal purchasing power over time to that at the time of their purchase. These owners, however, are better able to accrue savings with money not lost to higher mortgage interest costs as their incomes increase over time.

It is vital to understand that the participation in the CGRPT programme would be entirely a user choice option.

Why can this not be achieved with a Torrens Title

The essential function of producing a title with a covenant to limit property sale value with a link to a limiting parameter may be possible but it would be difficult in this way to achieve all of the functions of the CGRPT title.

The CGRPT title itemises various aspects of the title (land, buildings, shared features, improvements, etc) tracking the timing of additions and external changes all with relation to the local Consumer Price Index. Title maintenance will require a different management approach to Torrens Titles, and therefore would work best as a separate entity.

Various titles carry a public identity and set of expectations and titles modified heavily to achieve the Capital Growth Restraint feature of the CGRPT would create confusion in the market.

What about the loss of borrowing power against assets

CGRPT's are not for everyone.

The entry level income to be in the top 10% of income earners in Australia is around \$102,000. That means that 90% of income earners live on less than this amount.

Using <https://www.anz.com.au/personal/home-loans/calculators-tools/much-borrow/>

A person on \$100,000 with monthly living expenses of \$800 per month and paying for a car(s) at \$600 per month would be able to borrow as at March 2018 \$452,000 for a house mortgage. The Australian mean house price is \$1,200,000 and the mean unit price is \$681,000. From <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6416.0>

Whereas from

<https://www.theguardian.com/business/grogonomics/2017/apr/13/the-latest-tax-data-proves-it-negative-gearing-benefits-the-rich-the-most>

It is clear that there are people even on very low incomes who own rental property and utilise negative gearing, it is certain that these people are those who owned property from the time before 1995 when property values broke away from correlation with the CPI.

However, the income level for which CGRPT's will be effective are those on or below the middle income at around \$55,000 with monthly expenses of \$600 per month and a car at \$400 per month. This single person income can raise a mortgage value of \$266,000. So the notion of borrowing against asset value very much hinges around the ability to service any extended debt. In the middle income and lower, spare discretionary income is very limited as most income above rental or housing costs is consumed by food and basic costs with communication costs for the younger generation taking a disproportionate chunk of that.

The person who posed the question had an income of \$300,000 and was concerned about the funding of private school fees. This is not the category of person who would use CGRPT's

<http://www.abc.net.au/radionational/programs/breakfast/how-rich-is-rich/5435468>

Initiatives in other countries

To date the only other similar arrangement known is outlined in this Guardian article from 2013...

<https://www.theguardian.com/housing-network/2013/nov/05/housing-permanently-affordable-scotland>

Which notes....

“It also effectively creates public subsidy out of private subsidy. Landowners are encouraged to offer land at a discounted rate, reassured that their discount will be locked in the form of the equity share held by the rural housing body.

Rural housing burdens can also offer the government a reliable method of locking in, as an equity share, any subsidy they might wish to invest in affordable home ownership initiatives for the benefit of both subsequent purchasers and the communities they are part of.

The model is not without its challenges, particularly in today's restricted mortgage market. But rural housing bodies are working closely with mortgage lenders and other parties to overcome these issues and to enable more communities to benefit. Given the ability to both lock in private subsidy and give greater control to local communities – two highly desirable policy outcomes – the model deserves consideration beyond rural Scotland.”

Other:

Work environments for those on lower incomes are more likely to be short term contracts or casual. This is yet another impediment to home ownership in the below median income section of the community.

Conclusion

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Endorsements and Critiques: