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Billions of dollars of outstanding major fault rectification and refurbishment work in Strata sector

Sydney 27 September 2006 – Australia's one million strata scheme units, home to two million people, requires billions of dollars of maintenance.

Figures gathered by Strata Finance show that there is nearly \$3 billion of works required in New South Wales alone. Much of the work has not been budgeted for and many sinking funds – the capital funds set aside by the building owners for this purpose – are insufficient for this means.

Strata Finance interviewed a number of strata managing agents in NSW. The strata managers reported that around 36% of their plans – a total of 400,000 lots or units in NSW – require expenditure on major fault rectification and refurbishment work, averaging \$7,500 per lot or unit. This equates to \$3 billion major fault rectification/refurbishment work in NSW.

Further, the survey reveals that – should owner corporations rely on sinking funds – that up to 65% of all sinking funds will need significant additional contributions over the next five years. In addition, 85% of sinking funds are under financed to meet future capital works.

Bill Debney, Managing Director of Strata Finance said, "These New South Wales figures are of real concern. Extrapolated across to Australia, we could be looking at a \$10 billion problem".

Bill Debney believes that this backlog is unlikely to be cleared anytime soon and, as a result, will have detrimental impact on the quality of the strata stock. "Poorly maintained strata buildings fall in value. The owners, most of whom are in the 'mums and dads' category, rather than investment company group, lose money and prospective buyers are put off. At the community level, it leads to a failure in confidence in the multi-dwelling apartment sector."

"Sinking funds are often a bottomless pit and special levies can impose hardship on those who can least afford them or cause further delays in rectifying problems," said Debney. "Borrowing by owners corporations can leverage the value of your property to fix problems sooner and add value to your property."

Further information: www.stratafinance.com.au

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