

Australia faces a \$10 billion problem: report

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Building owners of strata-titled apartments in Australia have not sufficiently budgeted for billions of dollars worth of maintenance and repair works, according to a new survey.

Strata Finance found in its report that owner corporations face about \$10bn worth of outstanding upkeep costs but still continue to rely to the sinking funds to finance these repairs. "These funds are not enough to cover the overheads. Up to 65% of these capital repair funds will require substantial cash injection over the next five years while 85% funds are under financed to meet future capital works," the report said.

Bill Debney, managing director with Strata Finance estimates that about \$3bn worth of repair works are needed in New South Wales alone.

"These figures are of real concern," he said. "Extrapolated across to Australia, we could be looking at a \$10bn problem." Debney believes this backlog would have a detrimental impact on the value of these properties. "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," he said.

An estimated two million people are currently living in Australia's one million strata scheme units.