

Required works a \$10 billion problem

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The Property Owners Association of Australian

[http://www.piaa.asn.au/index.php/news/Required_strata_works_a_\\$10_billion_problem](http://www.piaa.asn.au/index.php/news/Required_strata_works_a_$10_billion_problem)

Summary: Australia's one million strata scheme units, home to two million people, require billions of dollars of maintenance. According to figures from Strata Finance there is nearly \$3 billion of works required in New South Wales alone.

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Much of the work has not been budgeted for and many sinking funds – capital funds set aside by building owners for this purpose – are insufficient.

Strata Finance interviewed a number of strata managing agents and found 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 \$7500 per lot or unit.

Further, the survey reveals that, should owner corporations rely on sinking funds, 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 the New South Wales figures are of real concern and, translated to a national basis, could mean a \$10 billion problem.

Mr Debney said the backlog is unlikely to be cleared anytime soon and as a result will have a 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," Mr Debney said.

"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," he said.

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