

Strata Investors – Beware!

Proposed New Strata Law Reform Affects You

For property investors owning or looking to purchase strata property, it's paramount to be abreast of the latest laws affecting strata titled property. The New South Wales Government has released its draft bill proposing new strata laws. These propose numerous changes, some of which are so important as to change the strata landscape and hence affect investment decisions. As an investor, the key is to make "informed decisions".

In order to provide you with a clear understanding of the issues under review and subject to possible change, and to clarify the impact these proposed changes could have on you as an existing or new strata title property owner, we'll talk about each and every one of the areas under review over the coming weeks.

Today, I want to give you a snapshot of the key things under review and introduce you to the context of the proposed changes. However, rest assured, we'll cover all of them in detail.

The proposed strata law reform includes the following:

- **Collective sale or development** – provision is to be made for compulsory sale or redevelopment of strata buildings, even where there's a dissenting minority, by means of a strata renewal plan. There would be a broader range of options for someone owning such a property or proposing to buy one, but if you buy a strata property, it might not be your choice when you sell it.
- **Tenant rights** – tenants are to be given some rights, including to be given notices of meetings, attend those meetings and in some cases appoint a tenant representative.
- **Building defects** – a number of changes have been proposed to improve the process of addressing building defect issues in new strata buildings.
- **Strata managers** – appointment terms are to be limited and entitlement to receive commission income and other benefits is to be restricted.
- **Caretakers** – caretakers will become known as "building managers" and won't be required to be a resident.
- **Renovations** – lot owners will be able to carry out "minor cosmetic work" without the consent of the owners corporation and potentially simpler procedures will apply for "minor renovations", where owners corporation consent will still be required.
- **Common property maintenance** – a lot owner may be able to claim compensation from the owners corporation for failure to maintain common property, where this causes loss to the lot owner.
- **By-laws** – there will be greater scope for by-laws addressing issues such as unauthorised parking, smoking and occupant numbers, as well as improved mechanisms for enforcing by-laws.
- **Governance** – strata committee members will be subject to duties but will have no liability if acting in "good faith". There'll also be many changes to meetings and other procedures.
- **Finances** – financial reporting requirements will change and there will be changes in timing of levy payments and interest payments on arrears levies.

For property investors, these changes have the potential to make life better or worse, depending largely on how well you understand and can work with these changes. Investors should obtain legal advice about these issues



T: (02) 9929 0226

E: dbannerman@bannermans.com.au

P: PO Box 514

NORTH SYDNEY NSW 2059

ABN: 61 649 876 437

W: www.bannermans.com.au

AUSTRALIA

Liability limited by a scheme approved under Professional Standards Legislation

before purchasing an investment property or, if you already own strata property, it's recommended you look into these with a suitably qualified professional.

Key takeaways

- Proposed changes to strata laws could significantly impact property investment decisions.
- Investors may face compulsory sale or redevelopment of strata buildings even against their wishes.
- Tenants will gain new rights, including the ability to attend meetings and appoint representatives.
- Changes to building defect processes aim to improve resolution for new strata buildings.
- Strata committee members will have new duties but will be protected from liability if acting in good faith.

****The information contained in this article is general information only and not legal advice. The currency, accuracy and completeness of this article (and its contents) should be checked by obtaining independent legal advice before you take any action or otherwise rely upon its contents in any way.*

By David Bannerman
12 October 2015

Author: David Bannerman
Date: 12/10/2015
Source: Australian Property Investor

Publication: Australian Property Investor
Section: API Online



T: (02) 9929 0226

E: dbannerman@bannermans.com.au

P: PO Box 514

NORTH SYDNEY NSW 2059

ABN: 61 649 876 437

W: www.bannermans.com.au

AUSTRALIA

Liability limited by a scheme approved under Professional Standards Legislation