The Unintentional Impact of the NSW Government's Strata Renewal Reform on Lower-Income Earners

With the commencement of Part 10 of the Strata Schemes Development Act 2015 on 30 November 2016, the NSW Government introduced a reform which is aimed to deal '*proactively with the issue of ageing strata schemes and enables strata owners to make collaborative decisions about their strata building…'* ***[i]***

What trends are we seeing two years later? Will the redevelopment of cheaper strata buildings in high-value areas, now more achievable after the introduction of Part 10, in fact lead to a displacement of lower-income earners?

Will this be the unintended result of the NSW Government's reform?

In a series of articles published by 'The Conversation' during 2017 [ii] the impact on 'lower-income and disadvantaged households' in our major cities was raised.

After providing advice for over 45 sites around Sydney for collective sales and acting in two of the first four cases filed in the Land and Environment Court of New South Wales, we are certainly seeing a trend and a trend that will no doubt lead to an increase in the cost of living in presently affordable areas for lower income earners forcing them to re-locate.

The areas we have seen a high interest in potential 'collective sales' are higher-value areas such as Chatswood, Macquarie Park, Sydney city, Lower North Shore and Parramatta. Generally, areas where there are still cheaper properties owned by lower-income earners. Increasing prices of redeveloped properties will, logically, lead to a difficulty of lower income earners remaining in these areas as the prices for the 'new' units increase.

Whilst the aim of the NSW Government of the reform was to provide '*numerous safeguards to prevent intimidation, encourage collaboration and ensure that owners receive compensation…'* will these safeguards be sufficient for displaced owners to buy a new unit in the same area?

Even though displaced owners may be significantly advantaged by a collective sale of their unit block and be in a strong financial position to remain in the area, neighbouring owners not receiving the inflated prices may struggle and be forced to re-locate to more disadvantaged areas hence starting a cascading effect on the placement of lower-income earners in our cities.

The strata renewal reform may in fact achieve the NSW Government's intentions to '*empower strata owners to make a collective decision…'* and promote redevelopment in the urban areas, but, have they considered the long term impact on the re-shaping of our cities.

[i] Second Reading Speech read by Victor Dominello – Minister for Innovation and Better Regulation on 14 October 2015

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[ii] *'When a suburb's turn for gentrification comes…'* May 4, 2017 Author Sidh Sintusingha, '*It's not just the buildings, high-density neighbourhoods make life worse for the poor'* August 22, 2017 Authors Laurence Troy, Hazel Easthope and Laura Crommelin and '*Why investor-driven urban density is inevitably linked to disadvantage'* August 23, 2017 Author Bill Randolph

Key takeaways

- The NSW Government's reform aims to address ageing strata schemes but may displace lower-income earners.
- Redevelopment in high-value areas could lead to increased living costs for lower-income residents.
- Collective sales may benefit some owners financially, but others may struggle to remain in their neighbourhoods.
- The reform's safeguards may not be sufficient to prevent displacement of vulnerable populations.
- Long-term urban reshaping effects of the reform need careful consideration.

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