

Strata Inspection Reports

This article looks at the importance of carrying out a Strata Inspection Report (the main object being to check the current state of the building) before entering into a contract to purchase a strata apartment / unit.

Buying a Strata Apartment / Unit

Before purchasing a strata title unit, it is prudent to obtain a strata inspection report to ascertain whether the books and records of the Owners' Corporation are in order. The books and records may reveal issues that are not apparent from a visible inspection of the building. It is important that the purchaser is aware of the state of the building before becoming the owner of the property.

What is a Strata Scheme?

A strata scheme refers to a special system of ownership of a building; each person only owns a small portion of the whole building usually one apartment / unit. There is a common property where every occupier or owner shares (e.g. foyers, fences, driveway and visitors' parking).

What is Owners' Corporation?

The Owners' Corporation is the body represented by all the owners in the strata scheme. Each owner of a lot (an apartment / unit) is part of the Owners' Corporation and has the right to participate in the decision making of the corporation.

The Owners' Corporation has an executive committee that makes decisions, and will usually appoint a strata managing agent who will be responsible for the general upkeep of the building.

The strata inspection report will reveal the name of the committee members and the name of the strata managing agent.

What is a Strata Inspection Report?

Prior to entering into a contract, a qualified strata searcher can be engaged to collect more detailed information regarding the Owners' Corporation, such as any past matters relating to major building works, consultants' reports, structural defects, repairs, expenses and strata levies.

The strata inspection report will give financial details, past annual expenditures, insurance, strata levies and other relevant information regarding the building.

The following information about the strata scheme of the unit will commonly be noted in a strata inspection report.

Inspecting the Books and Records

The Owners' Corporation is required by legislation to record the details of notices. It must keep minutes of its meetings, correspondence, and financial records.

It is important that all books and records are kept totally up to date.

Building Insurance

The Owners' Corporation must insure the building under a damage policy. The damage policy must cover the building against fire, lightning, explosion and other occurrences of this nature. The building is to be adequately insured. Some Lenders to intending purchasers may require a copy of the insurance policy on settlement.

The strata inspection report will also reveal any outstanding liability claims involving the Owners' Corporation.

Maintenance Levies

Each owner of the strata unit will need to pay the levies for the maintenance and repairs of the building. The levies consist of Administrative Fund, Sinking Fund and Special Contributions (if any).

The Administrative Fund is for daily recurrent expenses, such as electricity, gardening, insurance, routine repairs and maintenance of the common property.

The Sinking Fund is for future capital needs. The strata searcher will find out whether the strata scheme have an adequate sinking fund taking into consideration the age of the building and current state of repair.

In the report, the strata searcher will find out if there are any unpaid invoices and the balances in the Administrative & Sinking Funds.

History of Expenditure

The strata inspection report will disclose evidence of expenses on the maintenance and repair done on the building, possibly future maintenance and repair requirements. The report may reveal any outstanding building works.

By-Laws

There are rules and regulations that the residents (owners and tenants) of a strata unit must follow. These are called by-laws.

The by-laws will provide whether animals are permitted in the unit. The appearance of the lot is also governed through by-laws. The owner must seek

written permission of the owner corporation for any changes to the appearance of the outside of the unit compared with the appearance of the rest of the building.

It is good for the purchaser to know about unusual by-laws (if any) before a purchase, to avoid disappointment or unpleasant surprises.

Miscellaneous

The strata inspection report may disclose evidence of disharmony, any past problems or complaints lodged by owners.

In summary, the strata inspection report will inform the intending purchaser, amongst other things, the insurance and its premium, the value of administrative and sinking funds, history of repairs, proposed expenditures, and harmony issues.

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Important: This is not advice. Clients should not act solely on the basis of the material contained in this paper. Our formal advice should be sought before acting on any aspect of the above information.

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