



# WHAT IS STRATA?

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Strata in Australia is a model of property ownership. It allows for individual ownership of parts of a property, and shared ownership of other parts of the property.



## WHAT DOES BUYING INTO A STRATA SCHEME MEAN?

A strata title is your legal document for the ownership of your property. These are referred to as **strata lots**. This strata lot may be your residential apartment, office, shop, villa, townhouse, car space, and so on.

A strata scheme is the summation of all strata lots. This may be the apartment complex, office building, shopping complex, and so on.

Buying into a strata scheme means having individual ownership of the individual lot, while also having **shared ownership and responsibilities** of the **common areas**.

# COMMON PROPERTY

## WHAT COUNTS AS COMMON PROPERTY IN A STRATA SCHEME?

Common property refers to all areas of land and building in a strata scheme which are not comprised in any lot.

Within a building complex, your individual lot is often conceptualised as cubic airspace. For example, you may own the internal walls of your apartment, but not the external walls.



### THIS MAY INCLUDE...

- Foyers
- Lobbies
- Corridors
- Car parking areas
- Stairways
- Garden areas
- Lifts

### BUT MAY ALSO INCLUDE...

- Common walls
- The boundary walls of lots
- The outside door face of residential units within an apartment complex
- The soil beneath the building
- The roof and air above
- Structural beams and service ducts

# STRATA LEVIES

## WHAT IS A STRATA LEVY?

**All owners are charged a yearly strata levy.** Sometimes this is also called a strata contribution, building fee, or similar permutations.

## WHAT DO LEVIES PAY FOR?

Your strata scheme will have a legal obligation to repair and maintain common property.

Yearly **administrative fund levies** pay for expenses like the following:

- Cleaning
- Plumbing
- Electricity and water consumption in common areas
- Gardening
- Annual building insurance

The levies sought from owners for these purposes need to be enough to cover these daily running expenses, and need to be paid on-time, or in accordance with a payment schedule.

There may also be **reserve levies** that are accumulated to cover non-routine expenses. These include:

- Major works
- Long-term repairs
- Long-term maintenance

Finally, **special levies** may be sought for emergency expenses or unexpected expenses. These can occur when the reserve fund from above does not have sufficient money to cater to the unexpected circumstances.

## HOW IS MY LEVY CALCULATED?



When the strata scheme was first registered, it will have assigned a **unit of entitlement (UOE)** to every lot in the scheme. A valuer or valuers will have been contracted by the builder or developer to establish a value for each apartment.

The UOE is a percentage calculation of the lot owner's share of ownership in the strata scheme, and is used to determine:

- How much the owner pays in strata levies
- How much their vote is worth in a general meeting of the owners corporation.

This information can be found on the strata plan.

If there are only two lots of equal value and size in a strata scheme, the UOE value may be 50 out of 100 units, 1 out of 2 units, 500 out of 1,000 units, and so on. These two owners would pay the same strata levy and have the same voting rights.

In another building, there may be a total of 10,000 units of entitlement. An owner with a lot valued at 1,000 units would pay more in levies than if their lot was valued at 700 units, and less than if it was valued at 1,200. Other owners in the building may pay differing amounts and have different voting rights as well.

Aside from lots being different from one another, buildings are also very different from one another.

Strata levies consider everything from the size and height of the building, the size of the common areas and type of facilities, lighting, parking, water and electricity provision, and so on.

A complex with pools, gyms, and lifts may obviously result in slightly higher levies.

Older strata buildings may also be subject to slightly higher levies, due to the extra maintenance required over time. The same may be true for a newer building with lower building quality standards.

Whatever the levy may be, **well-maintained complexes are more likely to hold better values of resale, as well as generate a higher rental income.**



# OWNERS CORPORATION

## WHAT IS THE OWNERS CORPORATION?



**You automatically become a part of the owners corporation when you purchase a lot.** The owners corporation (NSW, ACT) is the same as the body corporate (VIC, QLD, SA, TAS), and the terms are often used interexchangeably.

The owners corporation is responsible for **ensuring the maintenance and upkeep of all common areas.** Repairs must be quickly attended to, with minimal inconvenience caused to residents.

The owners corporation must also **manage all common funds**, such as that received from the strata levies. This includes paying for building insurance, maintenance, and repairs.

Documentation such as financial records and meeting minutes must be transparent and accessible by owners. It is also subject to mandatory reporting to the NSW government.

The owners corporation must also resolve disputes if they arise, and **enforce all by-laws.**

## WHAT ARE BY-LAWS?

All strata schemes have a set of by-laws that owners, occupiers, and sometimes visitors must follow.

Your strata scheme's by-laws may answer the following:

Can I keep a pet?

Where in the common areas can my children play?

Who is responsible for cleaning the exterior glass of my lot?

How much of my lot can I renovate, and how much notice must I provide?

Can I use my lot as short-term rental accommodation?  
(E.g. AirBnB)

Where is smoking allowed?



And it may have rules like the following:

Washing can only be hung for a reasonable period, on lines provided by the owners corporation.

Owners or occupiers cannot park in visitor parking spaces.

Owners or occupiers must not create noise on a lot or common property that is likely to interfere with another owner or occupier's peaceful enjoyment.

Litter, garbage, or large items may not be discarded in common areas without prior written approval.





By-laws cannot be overly restrictive, yet may have different restrictions depending on the building complex.

For example, no building can restrict an owner or occupier from having a service animal. However, some may restrict pets.

Another example of by-laws is that an owner is free to make cosmetic changes within their lot, such as installing hooks and handrails, installing curtains, or painting interior walls. No approval process is required for these changes.

However, more significant minor renovations typically require approval from the strata committee, such as installing or replacing flooring or air conditioning, or renovating a kitchen.

Major renovations that may affect building structure and waterproofing, such as bathroom renovations, moving an internal wall, or changing the ceiling, require a wider voting and approval from the whole owners corporation, rather than just the strata committee.

# STRATA MANAGEMENT

Your building may be:

Self-managed by the owners corporation, with an elected strata committee of owners.

Or, Run by professional strata management.

Either approach has its own pros and cons, but the ultimate goal is to have a well-managed property. Properties can be devalued due to mismanagement, and well-run and cohesive management, no matter the source, is essential to the wellbeing of a building complex.





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