

PRE PURCHASE STRATA SEARCH

Disclaimer: This document should not be considered as legal advice. Its purpose is intended to give the reader a variety of possible issues when considering having a strata search undertaken. Readers should seek their own professional advice before undertaking a strata search.

What's required?

- a) Written approval of selling lot owner – usual obtained through the selling agent
- b) Either:
 - i. Book an appointment with the strata managing agent to attend their office,
 - ii. Engage a professional strata search company

Notes:

- *Don't expect the strata managing agent to provide you with any verbal information. It is general industry practice not to provide verbal input for legal reasons*
- *The fee for strata searches are prescribed -Section 64 & Schedule 4, of the SMA Regulations*

Why bother with a strata search?

- A strata search can reveal a litany of building issues; compliance problems and the financial health of the lot being considered and more importantly, the owners corporation over all.

What to Look For

If engaging a professional strata search company you still need to direct them on what it is you are looking for. The following is provided as a guide only and is not exhaustive. As a general rule, you should research the immediate past five (5) years, but not less than 3 years past.

Financials

- Copies of Current:
 - Statement of Financial Performance (P&L)
 - Statement of Financial Position (Balance sheet)
 - Check balances of Administration fund and the Capital Works Fund
- Capital Works Forecast – How old – should be 5 years or less
- Have there been any Special Levies in the past 5 years?
 - If so, what for & how much?
 - Are there any current Special Levies?
- Is there any strata loans?
 - If so, what for, how much & over what term

Note: Strata Loans stay with the lot after purchase

- Have tax returns been lodged for the past 5 years?
- How extensive are the levy arrears?

Repairs, Maintenance and Building Reports

There are a range of professional report that may be on the owners corporation files that provide a prospective buyer with significant information. These reports include

- Engineer reports
- Building reports
- Water penetration
- Defects reports

Compliance Issues

- Have bylaws been consolidated?
- What special bylaws are in force?
Note: Copy of bylaws should be available from the contract of sale as well.
- Fire Safety Statement
- What's the size of the SC
- How frequently does the SC meet? (minute book check)
- What's the history of meetings over past few years
- Who are the office bearers?
- Was a concurrent strata Committee meeting conducted with AGM?
- Is there a final occupational certificate on record?

Insurances

- Compare building insured value to last valuation
- When was the last professional building valuation undertaken?
- How often has the OC changed insurers in the last five years?
- Does OC have Office Bearer Liability insurance? How much coverage?
- What is the claims history?

Minutes

Review all meeting minutes: i.e.

- AGM's – budget, financials, approved levies, building defects motions, insurances
- EGM's – maintenance & building defects, additional finances

- SCM's – review all actions taken by SC
 - Go back 5 years at least

Correspondence

Searching the correspondence file may identify a range of issues that have not been addressed at either general meetings or strata committee meetings. Items such as continual bylaw breaches; water ingress problems; renovation problems; short-term accommodation; noise transmission issues; building security and building occupant conflicts are just a few items to look out for.

New Owners Corporations

Properties newly built and in their first two years need special attention with regard to compliance.

Check the status of the builder / developer. This will need to be done outside the strata search. Make sure they are still registered and trading.

- Review the Inaugural meeting minutes.
- Has a First Annual General Meeting (FAGM) been conducted?
- Review the FAGM minutes for:
 - Provision of documents from original owner (built plans; electric diagrams; sewer/drainage plans; warranties; final occupational certificate)
 - Was there an Initial Maintenance schedule provided by the original owner?
 - What decision was made regarding Building Defects Rectification?
 - Has there been a building manager appointed?
 - What was the term for the appointment of a strata managing agent?
 - What decisions were made regarding tenant participation in scheme meetings?

Other

- Solicitor Fee Proposals. Check the files for any Fee Proposal from solicitors. The proposal will identify specific issues in the proposal very clearly.
- NCAT orders. General indication that there is some form of dysfunction within a strata scheme. NCAT order usually arise from an application lodged by one or more owners.

Important Note:

If you are undertaking your own strata search you should establish whether the search will be electronic or physical. If electronic you are advised to take a USB. If it's a physical search through files it is well worth considering taking a portable scanner with you. Copies of documents are not supplied. You will need to pay for any copying you ask the managing agent to undertake.