



# STRATA NSW UPDATE

September 2017



# Key statistics

- Legislation in place since 1962
- 75,000 schemes, 777,000 lots
- 50% are schemes of up to five lots (ie median scheme size is five lots)
- 160 schemes with over 200 lots, about ten with over 500 lots.
- Growing at about five schemes per day
- 1.5M people in NSW live or work in strata
- 2.5M dwellings in NSW, 66% houses, 20% apartments and 12% townhouses.
- 20-25 % Sydney population living in strata. About 10% nationally.
- Predicted that 40% of greater Sydney housing will be strata by 2040
- 1600 licensed managing agents
- Median Sydney house price \$1.15M & unit price \$717,899

# Spectrum of property interests

Weekly  
rental

Long-term  
tenancy

Leasehold

Strata /  
commonhold

Full freehold



- Different interests at different price points
- Degrees of control and freedom

# Economic approach

- Strata / commonhold is as close to freehold as is possible for apartments
- In a fully informed competitive market, leasehold should trade at a discount to freehold
  - *The price of a leasehold apartment (initial and ongoing costs) should reflect lease length, terms and conditions, restrictions etc*
- But if markets may not be fully competitive due to market power, information asymmetry, behavioural psychology, unfair practices etc
  - *If so ... can we restore a competitive market ... empower the consumer and restrain the poor market practices?*
- There is space in the market for long-term lease products ... a bundle of property rights somewhere between weekly rental and freehold ... for the right price

# Housing affordability

- Sydney second most unaffordable city in the world
  - *House price v median income (Huffington Post, January 2017)*
- NSW coming at the leasehold issue from the opposite perspective
  - *freehold apartments now too expensive for many people*
  - *can long term tenancy (eg 10 yr leasehold) offer a new price point?*
- Long term (eg 99 year) leasehold still used in Australia. Examples:
  - *Canberra - all land*
  - *Sydney - some water front land*
  - *Major infrastructure - Newcastle and Wollongong ports etc*