

Funding Options for Strata Communities



Option	Reasons for	Reasons against	Summary
Do nothing	<ul style="list-style-type: none"> No initial outlay 	<ul style="list-style-type: none"> Capital value of investment declines Rental returns stagnate The problem may get worse and cost more later Owners may incur legal liability if the building does not comply with regulations or the problem causes harm 	The value and return of every owner's investment declines and risks increase.
Save in the Sinking Fund	<ul style="list-style-type: none"> No initial outlay 	<ul style="list-style-type: none"> Long delay in fixing the problem The same work may cost more in the future The problem may get worse and cost more to fix later Owners may incur legal liability Sinking Funds have poor investment returns and actually impose an opportunity cost on owners (owners can employ the funds elsewhere and get higher returns or save in borrowing costs) 	The problem gets fixed eventually, but in the meantime legal and financial risks are higher, returns are poor and capital value stagnates.
Special Levy	<ul style="list-style-type: none"> Can get the work done now 	<ul style="list-style-type: none"> People hate large lump sum payments The timing of a Special Levy adversely affects an owner's cash flow Many owners cannot afford to pay a lump sum Other owners will have to ask for a bank loan and may not be able to. If they can, each bank loan will have a separate Establishment Fee 	A sound strategy in theory but difficult or impossible for many owners.
Lannock	<ul style="list-style-type: none"> No initial outlay Fixes the problem – gets the work done now at today's costs Improves capital value and rental return Reduces legal and financial risks No Special Levy – the loan is repaid through Administrative Levies Easy to budget – regular fixed monthly payments Flexible – the strata community can choose the term of the loan and so the monthly repayment 	<ul style="list-style-type: none"> Administrative Levies will increase to cover the loan repayments 	Practical, possible, reduces financial and legal risk, increases capital return and maximizes lifestyle benefits.

... building value in strata communities ...