

September 2013

Strata Contract Brokerage Companies

SCA (Vic) recently considered, at its Council meeting of 19 July 2013, the emergence of companies that purport to negotiate strata management contracts on behalf of, & free of charge to, Owners Corporations - in short acting as 'contract brokers'.

Such 'contract brokers' are not to be confused with traditional 'business brokers' that act as agents in the sale of portfolios from one strata management company to another & are remunerated by the vendor. 'Contract brokers' derive income from the purchasing strata management company & from information reviewed by SCA (Vic) the actual amount of income is not fully disclosed.

Management companies wishing to have their tender presented to the OC for consideration must agree to pay 2.5 times annual management fee if successful to the 'contract broker' & become bound by the restrictive clauses within the agreement.

The OC does not receive any financial gain for the placement of their contract but may well become exposed to increased costs as managers strive to recover the significant purchase expense to underpin the ongoing viability of their businesses.

Whilst possibly appearing enticing to OC's at first glance the devil is in the detail as the tender process is limited to only those firms willing to 'buy' business which does nothing to ensure that the 'most suitable' manager for the job is actually presented to the consumer for consideration.

SCA (Vic) has fundamental concerns regarding the transparency, disclosure & ethics of this process & is of the opinion that the best interests of Owners Corporations, consumers & the industry may not be inherently supported or protected.

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