



25. Do you own a unit or apartment? You're probably getting screwed

Adam Schwab writes:

Apartment and unit owners would know all about body corporate management fees.

Virtually every apartment or unit complex has a body corporate which is responsible for common areas of the property (for example, lifts, swimming pools, driveways or gardens).

While owners will form the body corporate itself, management of the body corporate is almost always outsourced to a professional body corporate manager who handles administration, insurance, organise repairs and meetings.

The cost of body corporate management will vary wildly from \$500 per apartment per year to more than \$20,000 per apartment in luxury high-rise blocks.

Most (if not all) owners simply cough up the body corporate fees without questioning how they are spent. However, it is worth considering exactly what these fees go towards.

The Institute of Body Corporate Managers website (in Victoria), which represents more than 250 body corporate managers, contains a list of body corporate fees. Some of the fees are high, but defensible.

For example, the Institute specifies that the minimum body corporate charge is \$1,650 per year – this fee acts as a retainer of sorts, and covers such tasks as operating a bank account and keeping books of account.

Schedules 3 and 4 then goes on to set out the recommended fees for other tasks undertaken by the body corporate manager. This is where it starts getting ugly for apartment owners.

For example, if you would like your body corporate manager to store a key, they charge \$66.00 per year (if a body corporate manager stores 200 say keys, that's a pretty hand \$13,000 per year for doing basically nothing).

Similarly, for the body corporate to erect a sign telling people that they are the body corporate managers the charge is \$66 (plus the cost of the sign of course).

Lose your key? Well, the Institute recommends that a charge of \$55 be imposed (plus the cost of the key of course) to make one phone call to a locksmith.

Rupert Murdoch would also be proud – the institute even recommends a poison pill of sorts. That is, a recommended fee of \$440 is payable to "prepare records on transfer of management".

Not happy with the performance of your body corporate – it will cost you \$440 for them to pick up your pile of papers and send them to another body corporate. There is no quid pro quo though, the standard body corporate contract allows the manager to transfer management rights to another manager without consent.

The kicker however, is found in schedule two of the recommended fees. This has conveniently been left off the website and is not available to the public. The Institute claimed that this was due to "copyright". One wonders exactly why schedules one and two are subject to copyright perspective but schedules three and four are not.

Of course, it may be because schedule two states that "the Institute endorses the current practice of Managers deriving insurance commissions on insurance premiums paid on behalf of bodies corporate [so long as] such fees and commissions do not exceed 20% of the premium payable."

This is quite a staggering clause effectively stating that a body corporate will receive a retainer to (among other things) arrange insurance and then be able to turn around and accept kickbacks of 20% of the cost of the policy. Effectively, owners are paying a body corporate manager a retainer to arrange over-priced insurance.

But it's not only apartment owners who are feeling the brunt of high body corporate fees. Rising body corporate costs have been cited as a factor behind rocketing apartment rents.

Tenants Union of Victoria spokesperson, David Imber, told Crikey that "Melbourne rents in real terms have risen by almost 9% per cent in the last five years".

CPI figures released yesterday indicate that rents increased by 3.1% alone in the year alone. Given that body corporate charges can run into tens of thousands for individual apartments, perhaps it's time someone looked a bit closer at an industry which appears beholden to no one.