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Mascot owners' best hope is for \$40m firesale

Michael Bleby *Senior reporter*



May 5, 2021 - 7.10pm



Apartment owners in Sydney's Mascot Towers will vote this month on a \$40 million proposal to sell [their troubled apartment tower](#) as a redevelopment site, with many resigned to losing up to 80 per cent on their property as the most realistic way to end their two-year nightmare.

Strata body chairman Gary Deigan said rectification of the 10-storey tower was too costly as the strata body already had a \$32 million loan facility – and had drawn down nearly half of it – and would need to raise more than owners could afford to meet the current repair estimate of \$38.5 million.





Mascot Towers strata committee chairman and apartment owner Gary Deigan outside the evacuated complex. **Dominic Lorrimer**

Owners of two-bedroom apartments, for example, were already paying \$25,000 a year in levies and other costs on top of their mortgages and could not fork out more, Mr Deigan told *The Australian Financial Review*.

“It just isn’t viable to fix the building,” he said.

“There would have to be a levy raised against owners for \$6 million that’s got to be paid up front. The numbers are horrendous. It’s about \$50,000 for a two-bedroom apartment owner to come up with. That’s why we investigated the route of collective sale.”



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The owners' corporation's executive body was due to meet on Wednesday night to agree on motions to put to owners in coming weeks, possibly as early as May 18, about voting to sell the building. An expressions of interest campaign run by the strata body yielded an offer for the building worth about \$40 million.

“What that would mean, if we get it through, would still be a 70 to 80 per cent loss of value for all the owners on their pre-evacuation values,” Mr Deigan said.



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But the process is not likely to be smooth. While NSW strata laws allow a building to be sold if 75 per cent of lot owners vote for it, protections intended to guarantee the rights of dissenting owners mean if a vote does not get 100 per cent support, the strata body has to take its case to the Land and Environment Court, a superior court, and pay the costs of dissenting owners.

In the case of Mascot Towers, some lot owners are commercial owners of retail businesses that are still functioning on the ground floor, and Mr Deigan said they were unlikely to support the sale motion, along with some overseas-based investor owners.

“We will not get 100 per cent,” he said.

In this case, the shortest possible timeframe for a resolution for the 132 apartment owners would be about 15 months, which would cut about \$3 million from the sale proceeds in court costs, insurance and building maintenance costs that owners were still required to pay.

The Mascot owners are still paying an annual building insurance premium of almost \$840,000.



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Apartment advocacy group Owners Corporation Network says a review of NSW strata laws under way should reduce the scope for abuse of provisions designed to protect dissenting owners, particularly by developers who hoped to hold up a sale process and bargain owners down to a lower price.

“Developers have already found a way of exploiting owners,” OCN executive officer Karen Stiles said.

“By buying a lot in the building and becoming a dissenting owner, they can use that to hold the owners’ corporation hostage.”

The laws should be reformed to require all dissenting owners to act in good faith, just as owners corporations were required to do, Ms Stiles said.

There was no sign a developer was trying to hold up the Mascot process, she said.



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Mr Deigan said the owners had asked the state government for an advance of \$25 million against payments expected to come from Aland, developer of the neighbouring property whose construction triggered the subsidence that caused the damage to Mascot Towers.

A spokesman said the Minister for Better Regulation, Kevin Anderson, had declined the request and pointed to assistance, such as loans to fund emergency accommodation, it had already made.

“The NSW government remains committed to providing financial and logistical support to the residents of Mascot Towers,” the spokesman said.

“Over the past 18 months we have provided residential accommodation assistance of up to \$400 a night to help owner-occupiers and tenants meet the costs of emergency accommodation, which is now approaching \$7 million. We have recently extended this financial support until September as well as the services of Fair Trading and the Office of the Building Commissioner as required.”

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