

 Property News

# Queensland Apartment Owners Need Defect Bond

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**Queensland should follow the lead of New South Wales and introduce a two percent levy in order to protect owners of new apartments from defects, the nation's leading strata lobby group says.**

In its latest announcement, the Queensland division of [Strata](#) Community Australia says challenges associated with shoddy building work or materials being used in [construction](#) is a national issue, and that protection was needed for apartment owners.

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apartment buildings throughout Australia.

These included flammable cladding, hazardous electrical cabling, asbestos laden sheeting and faulty gas pipes.

Barnard called for a scheme similar to one which will soon be in place in New South Wales under which developers are required to pay a bond equivalent to two percent of the construction cost for apartment projects.

The bond acts as security from which the owners corporation can access in order to defects which are found to arise in respect of the premises.

Like several other states, apartment owners in Queensland are not covered by the state's home warranty insurance where the complex is greater than three storeys in height.

Whilst the Queensland Building and Construction Commission does have the ability to order the builder to rectify defective work in some circumstances, the lack of insurance generally leaves owners with no protection in cases whereby the builder becomes insolvent or fails to rectify defective work.

"The mechanics of this plan would see developers putting aside funds to the value of two percent of the project cost for owners to make use of if defects are found after settlement," Barnard said, describing the mechanics of how the proposed bond would work.

According to Barnard, the imposition of the bond would help to drive better practices within the building sector.

"The reward inherent is that developers who build safe buildings get that two percent back, but otherwise, owners have funds immediately made to rectify whatever defects are found, so that life can carry on without years of disputes and legal recourse," he said.

The latest call follows January's ruling in Victoria in which the Building Appeals Board ordered owners of the Lacrosse building to remove the combustible cladding on the building's exterior.

That move is expected to cost owners \$8.6 million in addition to the \$6.5 million already spent to repair damage after a catastrophic fire ripped up the building's side in 2014.

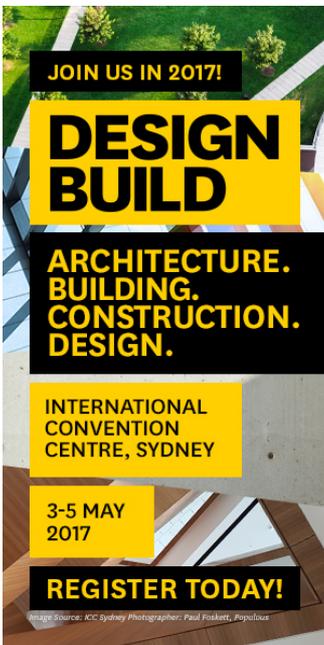


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Andrew, the trouble with this approach is that it's like putting your finger in a dyke to arrest ever crumbling solutions. They are shallow responses to a failed system that starts with an ineffective Building Professionals Board, industry governance and weak sanctions. These types of bandaid solutions allow the root cause of these problems to be sustained. Creating defect bonds simply adds to the cost of an industry that has a culture of passing it's shortcoming onto its customers and often times the government (read public purse). Home Owner Warranty Insurance is another example of a broken system, everyone knows it. It needs some genuine industry knowledge and firm leadership to come up with effective alternatives that give customers a better deal. Australia's construction industry needs to understand that a Modern Industry will perform measurably – Better, Smarter, Safer, Faster and eventually more cost effectively than traditional custom and practice. 'Better Construction for Less' should be the industry's modern mantra. The current Senate Economics Committee Enquiry into Non-Compliant Building Materials could embrace a bigger picture than the narrow cast of its current terms of reference. Reconvening after last years election may be a good start. How many more Lacrosse buildings do we need, before see this is a national issue? It's time for a one country response, with this not just limited to when we play the English at cricket.

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