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SINKING FUND FORECAST

PROPERTY
INSPECTION DATE
CLIENTS

Rose Bay
May 2014
The Owner's Corporation - SP 071442

TELEPHONE
email
REF

DESCRIPTION OF PROPERTY

The property is a four level residential flat building containing 8 apartments on three levels plus a basement garage.

GENERAL COMMENTS

This inspection and report was completed in consideration of the requirements of the Australian Standards AS 4349.0 - 2007, AS 4349.1 - 2007 (Property Inspections - Residential Buildings),

This report reflects the state and condition of the property at the time of the inspection. Nothing in this report should be taken as a guarantee that problems will not arise in the future. Different weather conditions to that experienced at the time of the inspection could reveal evidence of defects that may otherwise be undetectable.

The property was occupied and furnished at the time of the inspection.

ROB WHELAN
For Advanced Building Inspections

GENERALLY

1. This report is **NOT** an all encompassing report dealing with the building from every aspect. It is a reasonable attempt to identify any obvious or significant defects apparent at the time of the inspection. Whether a defect is considered significant or not, depends to a large extent, upon the age and type of the building inspected. This report is not a Certificate of Compliance with the requirements of any Act, Regulation, Ordinance or By-Law. It is not a Structural Report. Should you require any advice of a structural engineering nature you should consult a Structural Engineer.
2. **THIS IS A VISUAL INSPECTION ONLY** limited to those areas and sections of the property fully accessible and visible to the inspector on the day of the inspection. The Inspection did not include breaking apart, dismantling, removing or moving objects including, but not limited to foliage, mouldings, roof insulation or sarking, floor or wall coverings, siding, ceilings, floors, furnishings, appliances or personal possessions. The Inspector cannot see inside walls, between floors, inside skillion roofs, behind stored goods in cupboards, other areas that are concealed or obstructed. The Inspector did not dig, gouge, force or perform any other intrusive or destructive procedure. Visible timbers cannot be destructively probed or hit without the written permission of the property owners.
3. This report does not and cannot make comment upon defects that may have been concealed, the assessment or detection of defects (including rising damp and leaks) which may be subject to the prevailing weather conditions; whether or not services have been used for some time prior to the inspection and whether this will affect the detection of leaks or other defects (for example - in the case of shower enclosures the absence of any dampness at the time of the inspection does not necessarily mean that the enclosure will not leak), the presence or absence of timber pests, gas fittings, common property areas, environmental concerns, the proximity of the property to flight paths, railways, or busy traffic, noise levels, health and safety issues, heritage concerns, security concerns, fire protection, site drainage (apart from surface water drainage), swimming pools and spas (non-structural), detection and identification of illegal building work, detection and identification of illegal plumbing work, durability of exposed finishes, neighbourhood problems, document analysis, electrical installation, any matters solely regulated by statute, any area(s) or item(s) that could not be inspected by the consultant. Accordingly this Report is not a guarantee that defects and / or damage does not exist in inaccessible or partly inaccessible areas or sections of the property. **(NB Such matters may be covered under terms of a Special Purpose Report)**
4. **No inspection for asbestos was carried out at the property and no report on the presence or absence of asbestos is provided.** If during the course of the Inspection, asbestos or materials containing asbestos happened to be noticed then this may be noted in the General Remarks section of the report. If asbestos is noted as present within the property, then you should seek advice from a qualified asbestos removal expert as to the amount and importance of the asbestos present and likely cost of remediation and removal. Buildings built prior to 1982 may have wall and / or ceiling linings, roof coverings and other products that contain asbestos. If the building was built before this date, you should seek advice from a qualified asbestos removal expert as to the amount and importance of the asbestos present and the likely cost of sealing or removal.
5. This standard property report is conditional upon or conditional in relation to
 - a. information provided by the person, the employees or agents of the person requesting the report;
 - b. the specific areas of "expertise" of the consultant specified in the report;
 - c. apparent concealment of possible defects; or
 - d. any other factor limiting the preparation of the report.
6. **MOULD (MILDEW AND NON-WOOD DECAY FUNGI) DISCLAIMER:** Mildew and non wood decay fungi is commonly known as Mould. However, Mould and their spores may cause health problems or allergic reactions such as asthma and dermatitis in some people. No inspection for Mould was carried out at the property and no report on the presence or absence of Mould is provided. If in the course of the Inspection, Mould happened to be noticed it may be noted in the Additional Comments section of the report. If Mould is noted as present within the property or if you notice Mould and you are concerned as to the possible health risk resulting from its presence then you should seek advice from your local Council, State or Commonwealth Health Department or a qualified expert such as an Industry Hygienist.
7. **ESTIMATING DISCLAIMER:** Any estimates provided in this report are merely opinions of possible costs that could be encountered, based on the knowledge and experience of the inspector, and are not estimates in the sense of being a calculation of the likely costs to be incurred. The estimates are NOT a guarantee or quotation for work to be carried out. The actual cost is ultimately dependent upon the materials used, standard of work carried out, and what a contractor is prepared to do the work being carried out. The inspector accepts no liability for any estimates provided throughout this report.
8. **CONSUMER COMPLAINTS PROCEDURE.** In the event of any controversy or claim arising out of, or relating to this Report, either party must give written Notice of the dispute to the other party. If the dispute is not resolved within ten (10) days from the service of the Notice then the dispute shall be referred to a mediator nominated by the Inspector. Should the dispute not be resolved by mediation then either party may refer the dispute to the Institute of Arbitrators and Mediators of Australia for resolution by arbitration.
9. The building is about 10 years old.
It should be understood that similar buildings were erected over a considerable period and that estimates of building age should be regarded as approximate.

ACCESS AND LIMITATIONS

The Areas Inspected were:

- a. Exterior
- b. Interior
- c. Common areas
- d. Basement garage level
- e. Swimming pool
- f. Interiors of most apartments over time

PART A - GENERAL COMMENTS

1. Our instructions were to provide an Estimate of Probable costs in the form of a 10 Year Sinking Forecast Plan.
2. We have provided a copy of a Excel spreadsheet detailing an estimate of probable maintenance costs to be incurred by the Owner's Corporation in the next 10 years. The table below is an extract.

Building externally		
Repaint exterior	1	\$30,000
Maintenance to upper roof	2	\$12,000
Minor painting	3	\$3,000
Building internal common areas		
Repaint foyer walls and ceiling	4	\$4,800
Repaint internal doors and trims	5	\$2,700
Lift maintenance	6	\$8,000
Cleaning	7	\$4,000
Annual Fire safety Certification	8	\$1,500
Pest control	9	\$500
Car park ventilation	10	\$5,000
Bathroom and laundry fans	11	\$5,000
Garage door maintenance / repair	12	\$2,400
Internal painting - future	13	\$8,000
Basement pumps	14	\$2,500
Electricity	15	\$5,000
Water	16	\$4,000
Building grounds		
Swimming pool deck repairs	17	\$10,000
Gardening	18	\$2,500
Pool machinery replacement	19	\$1,200
Contingency	20	\$5,000
Total		
Note - allowance of 3.0% escalation	21	0.03
Current sinking fund	22	\$50,000
Income to sinking fund	23	\$45,000
Sinking fund total	24	\$50,000
Less annual expense	25	
Predicted sinking fund balance	26	\$50,000

3. Column 1 of the working document is a list of cost items, both planned and forecast.
4. Column 2 is headed "Notes" which correspond to the list below

PART B - Notes

- 1. Repaint exterior \$30,000**

The building has recently been painted as part of major repairs to planters and the removal of setting angles.
 The Office of Fair Trading advises that the service life of external paint on rendered walls is around 5 years
 We anticipate that the building will need to be painted once in the 10 year report period.
- 2. Maintenance to upper roof \$12,000**

During the works on the Penthouse planters we noted that the membrane, insulation and stone ballast were disturbed.
 We have been recently informed that there has been a leak in the penthouse which is in the process of investigation
 We have allowed to repair the penthouse roof in the report period
- 3. Minor painting \$3,000**

We have allowed \$3000 per year for maintenance painting of the exterior of the building
- 4. Repaint foyer walls and ceiling \$4,800**

This item has been planned and will be done in 2014 - the cost is an estimate
- 5. Repaint internal doors and trims \$2,700**

This item has been planned and will be done in 2014 - the cost is an estimate
- 6. Lift maintenance \$8,000**

This is an estimate based on past costs, but we understand that a new Contract is to be organised.
- 7. Cleaning \$4,000**

This is an estimate based on past costs
- 8. Annual fire safety Certification \$1,500**

This is an estimate based on past costs
- 9. Pest Control \$500**

This is an estimate based on past costs
- 10. Car Park Ventilation \$5,000**

The mechanical ventilation system in the carpark is over 10 years old.
 We have allowed to replace several fans in the report period
- 11. Bathroom and laundry fans \$5,000**

The mechanical ventilation system is over 10 years old.
 We have allowed to replace several fans in the report period
- 12. Garage door maintenance / repair \$2,400**

The garage door and operating system is over 10 years old.
 We have allowed for repairs to motor and actuators in the report period

13. Internal painting - future \$8,000

While an allowance to paint the foyers and doors is included in items 4 and 5 above.
In the high traffic areas of the foyer, one would expect that it will need to be repainted again in the report period

14. Basement pumps \$2,500

The sump and pumping system is over 10 years old.
We have allowed for repairs to motor and actuators in the report period

15. Electricity \$5,000

We have allowed for the cost of power in the common areas in the Sinking fund assessment
Given the escalation in power costs in the past few years, this item may be understated.

16. Water \$4,000

We have allowed for the cost of water in the common areas in the Sinking fund assessment
Given the escalation in utility costs in the past few years, this item may be understated.

17. Swimming pool deck repairs \$10,000

This item planned to be done in 2014.

18. Gardening \$2,500

This is an estimate based on past costs

19. Pool machinery replacement \$1,200

We have allowed for one pump, chlorinator, filter, cleaner to be replaced each year.

20. Contingency \$5,000

We have allowed a Contingency of \$5000 per annum to cover minor and unanticipated items.
An expense listed at current costs but to be done in 6 years is calculated with the amount increased by 6 years of compound interest.

21. Escalation 3% per annum

We have allowed an escalation rate of 3.0% per annum to cover increasing costs
The spreadsheet allows to change the rate to investigate the effects on lower or higher interest rates and inflation.

22. Current sinking fund \$50,000

This is an estimate based on documents provided to us.
This figure can be adjusted in the spreadsheet

23. Income to sinking fund \$45,000

This figure can be adjusted to maintain a reasonable level in the sinking fund
We estimate that the figure of \$45,000 per annum total contribution to the sinking fund should be considered as a minimum.

This number is in addition to what may be required to maintain an adequate amount in the Administration Fund

- | | | |
|-----|--------------------|--------------------------------------|
| 24. | Sinking fund total | \$50,000, starting balance - item 22 |
|-----|--------------------|--------------------------------------|

This figure is generated by the spreadsheet and reflects the predicted annual balance of the sinking fund after contributions and expenses have been tallied.

- | | | |
|-----|---------------------|--------|
| 25. | Less annual expense | Varies |
|-----|---------------------|--------|

This figure is generated by the spreadsheet

- | | | |
|-----|--------------------------------|-----------------------|
| 26. | Predicted Sinking fund balance | Varies with each year |
|-----|--------------------------------|-----------------------|

This figure is generated by the spreadsheet and reflects the predicted annual balance of the sinking fund after contributions and expenses have been tallied.

PART C - CONCLUSION

1. In my opinion the minimum contribution to the Sinking fund should be \$45,000 starting in 2014/2015, with an annual adjustment of 3.0%, compounding.

Should you require any further information in relation to our inspection of the property, and Preliminary Report please do not hesitate to contact us.

ROB WHELAN
For Advanced Building Inspections