

NSW Productivity and Equality Commission

Strata Commissions Review

Assessing the market impacts of payments to strata managers
Issues paper

November 2025



Acknowledgement of Country

We acknowledge that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history.

We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

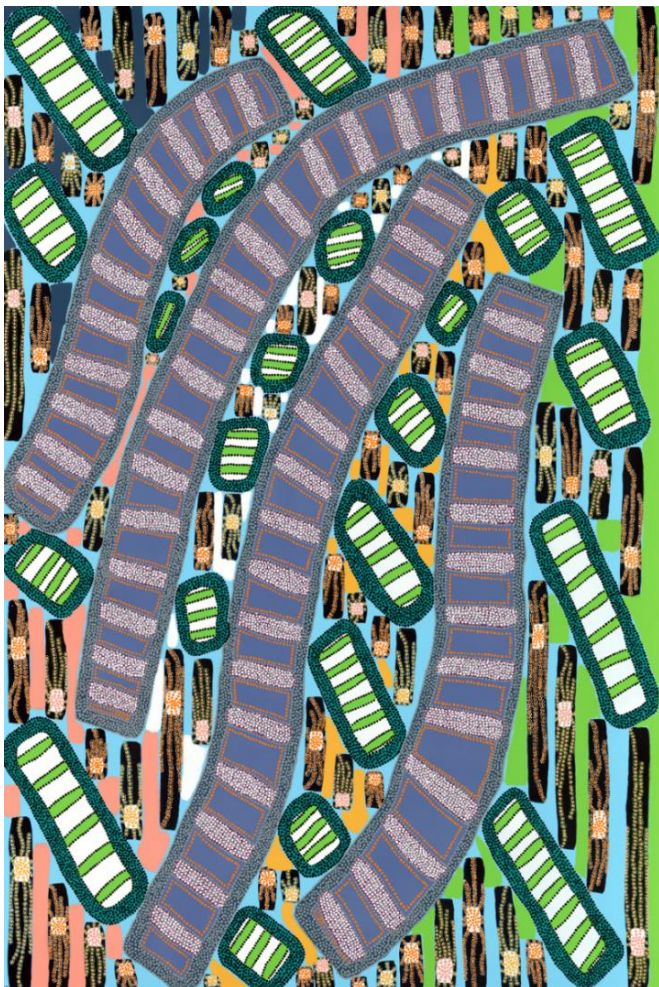
We celebrate the deep and enduring connection of Aboriginal and Torres Strait Islander peoples to Country and acknowledge their continuing custodianship of the land, seas and sky.

We acknowledge the ongoing stewardship of Aboriginal and Torres Strait Islander peoples, and the important contribution they make to our communities and economies.

We reflect on the continuing impact of government policies and practices, and recognise our responsibility to work together with and for Aboriginal and Torres Strait Islander peoples, families and communities, towards improved economic, social and cultural outcomes.

Artwork:

Regeneration by Josie Rose



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Commissioner's foreword

As NSW grows, more of us live in higher-density communities managed under strata. Owners corporations across NSW rely on effective and transparent strata management to protect their homes and investments.

Current remuneration models often include commissions and other payments from service providers to strata managers, which may create incentives that may not always align with the best interests of owners corporations. These practices have raised concerns about potential conflicts of interest, and the overall cost of strata management. The NSW Government has introduced reforms to strengthen governance and disclosure, but challenges remain.



The Minister for Better Regulation and Fair Trading has asked me to review the market impacts of prohibiting strata managing agents from accepting commissions and other potentially conflicted payments, and to provide an evidence base to support government decision-making.

Well-functioning, transparent markets deliver better value for owners. Our review will test whether current remuneration arrangements support that outcome and consider practical alternatives. Our issues paper presents an initial investigation of issues and options as a foundation for collecting the information and data that will inform our impact modelling and analysis.

We want to hear from everyone who may be affected by remuneration changes in strata management – owners and committees, strata managers and service providers. Your experience and evidence will help us capture the impacts on costs, service quality and competition across the sector and to recommend appropriate responses.

The feedback we receive through our issues paper will directly inform our final report to the Minister for Better Regulation and Fair Trading. I encourage you to engage with the questions and share your views.

A handwritten signature in blue ink that reads "Peter Achterstraat". The signature is written in a cursive, flowing style. Below the signature is a thin yellow horizontal line.

Peter Achterstraat AM
NSW Productivity and Equality Commissioner

1 Introduction

A large and growing share of NSW residents currently live under residential strata schemes, including apartments, townhouses, villas and duplexes. Most of these schemes engage strata managing agents to oversee the administration of strata schemes, and coordinate a range of services from other providers (from insurance to pest control).

Many strata managing agents receive commissions from service providers they help to procure. This raises concerns that they may be conflicted between their own interests and achieving the greatest value for their strata scheme clients.

In response, the Minister for Better Regulation and Fair Trading, the Hon. Anoulack Chanthivong MP asked the NSW Productivity and Equality Commission (NSW PEC) to review the market impacts of prohibiting strata managing agents from accepting commissions or other conflicting payments (appendix B).

NSW PEC has been asked to consider whether prohibiting the payment of commissions and other conflicted payments to strata managing agents will ‘lead to better value for money, higher quality services, lower costs and simpler arrangements for strata owners.’ NSW PEC was also asked to consider potential impacts on parties, including strata managers and service providers.

This Review will:

- examine work undertaken to date by NSW Fair Trading
- assemble and analyse relevant data drawing upon published research and NSW Fair Trading complaint and compliance data
- undertake its own analysis of the strata market
- consult with stakeholders including owners of strata properties, strata managers and strata service providers.

NSW PEC will deliver a final report to the Minister for Better Regulation and Fair Trading by 27 February 2026.

1.1 Context of review

This Review is taking place during a period of change for strata managers, with a range of NSW Government reforms underway intended to strengthen strata governance and outcomes for strata owners as well as to support increased density in NSW cities. One key reform is increased disclosure obligations for strata managers about commissions and connected suppliers. These reforms are summarised in box 1 (see also appendix C).

Box 1: NSW strata reforms: commissions and connected suppliers

New laws commenced on 3 February 2025 aim to improve transparency and accountability in the sector. These changes require strata managers to:

- Disclose any relationships with suppliers or developers, including the nature of those relationships
- Provide detailed breakdowns of insurance quotes, including commissions and broker fees
- Notify the owners corporation in writing before entering into contracts for goods or services where a commission may be paid to the manager.

If the owners source and arrange to pay for insurance independently, strata managers are prohibited from receiving insurance commissions.

The NSW Government has also provided tools to assist with compliance and support informed decision-making through the Strata Hub – a digital platform with key information for strata communities. These include:

- a strata managing agent engagement planner to help owners corporations compare costs and services across different providers
- a Strata Helper tool that directs users to relevant information and support channels for strata-related issues.

Source: NSW Fair Trading.

Since this Review commenced, the Strata Community Association (SCA) NSW has announced that it will begin a phased replacement of insurance commissions by its strata manager members to provide:

- transparency, accountability and pricing simplicity for owners and committees
- certainty, business sustainability and improved trust and credibility with clients for owners and committees.¹

Although the SCA NSW is still finalising the details of the proposed initiative in consultation with its members, it represents a significant change in policy position by the industry.

1.2 Effective strata is vital to our growing state

‘Strata living’ is increasingly common in NSW as our cities grow. Over the last 10 years, around two in three new dwellings completed in metropolitan Sydney have been part of a strata scheme. As of 2024, close to a quarter of all NSW residents (approximately two million people) lived in more than one million dwellings across about 90,000 strata schemes.

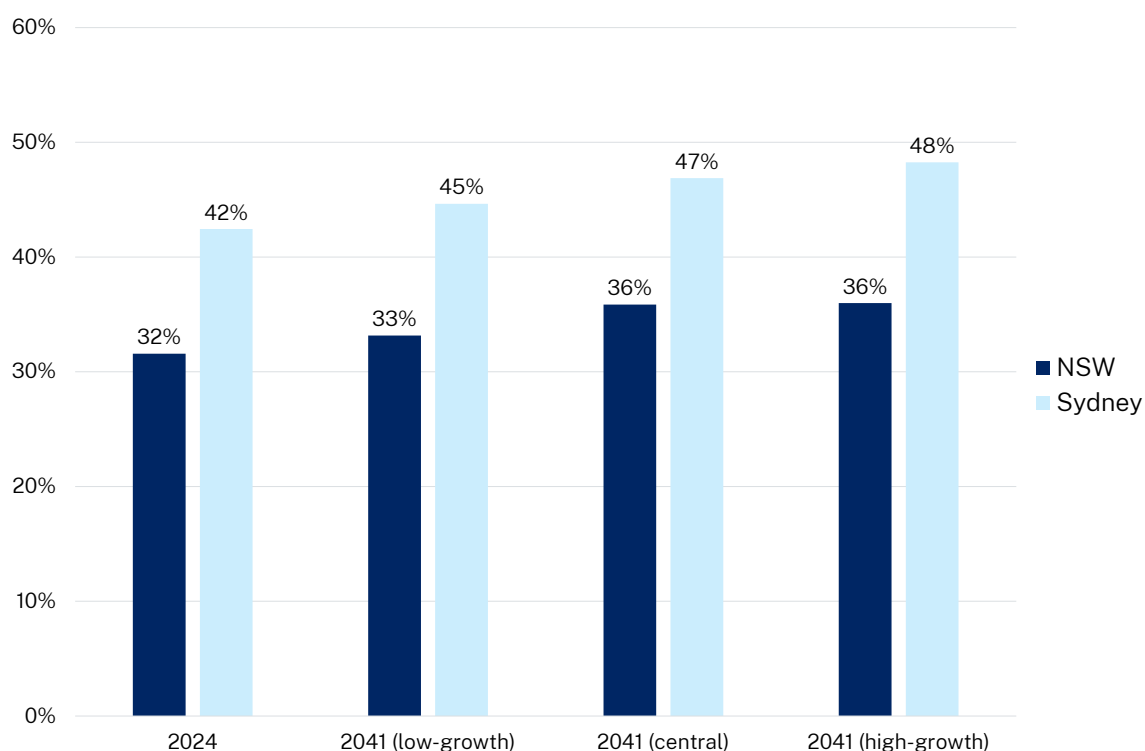
¹Kerr, L 2025, SCA NSW to Phase Out Strata Insurance Commissions, 2 September 2025, Strata Community Association (NSW), <https://scansw.com.au/news/sca-nsw-to-phase-out-strata-insurance-commissions>.

As the NSW population grows so does the need to build more homes. Based on the NSW Government's current projections, by 2041 NSW' population will increase by more than 1.5 million, and need 650,000 additional dwellings.

Our past research has highlighted the need to support housing supply where people want to live – close to jobs, families and friends, and the things that make life enjoyable. To do so, these sought-after locations, which tend to be in inner, established parts of the city, will need to become denser and will need strata schemes.²

Our estimates suggest that by 2041, the number of strata-owned dwellings in metropolitan Sydney could increase by almost 375,000, representing almost 50% of total dwellings (see figure 1). This growth would see an additional 750,000 people living in strata-owned dwellings across 35,000 new strata schemes.

Figure 1: Proportion of total dwellings under a strata scheme, 2024-2041, NSW



Source: ABS (2021), NSW Valuer General (2024), DPHI (2024).

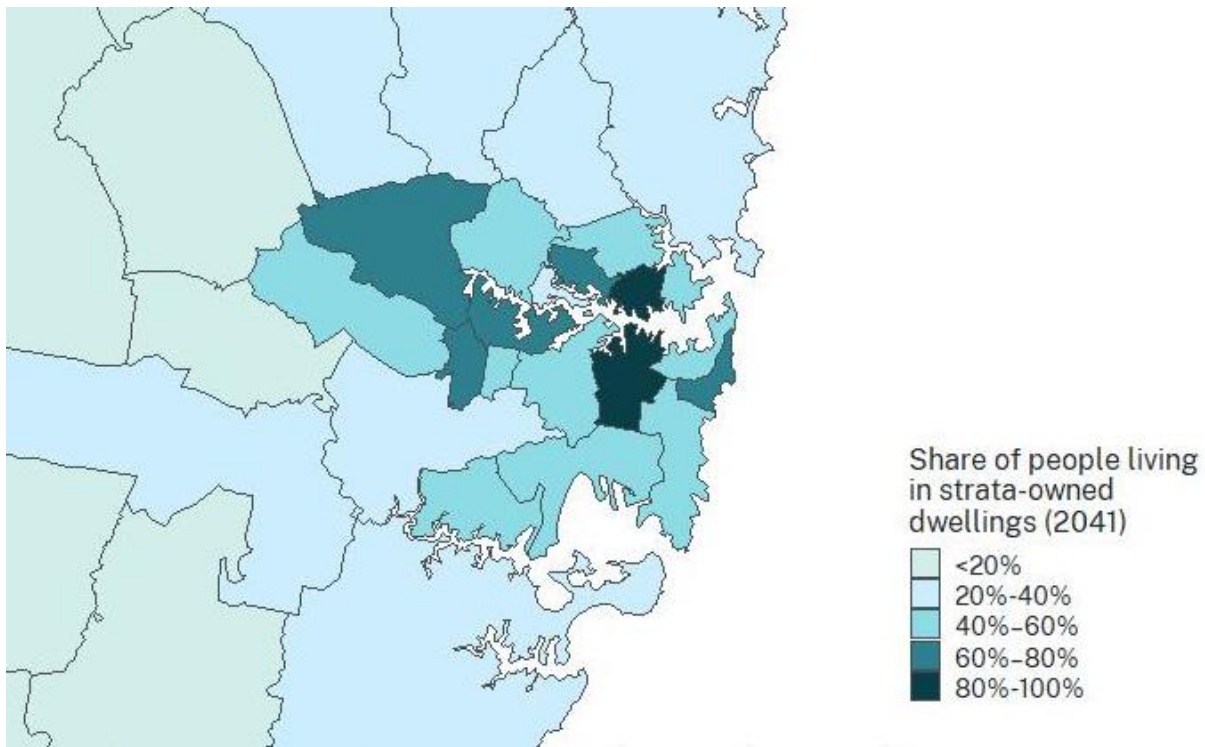
Notes: To forecast the expected share of dwellings under strata scheme by 2041, NSW PEC has modelled three scenarios:

- Low-growth scenario – under the Low-growth scenario the share of new strata-owned dwellings is assumed to equal the second lowest share for each Greater Sydney LGA in the last 10 years per LGA.
- Central scenario – under the Central scenario, the proportion of new dwellings that will be strata-owned is assumed to be the share of dwellings that were multi-unit over the last 10 years per Greater Sydney Local Government Areas (LGAs). For LGAs outside of metropolitan Sydney, proportion of new dwellings that are strata-owned is assumed to remain constant to current proportions.
- High-growth scenario – under the High-growth scenario the share of new strata-owned dwellings is assumed to equal the second highest share for each Greater Sydney LGA in the last 10 years.

² NSW Productivity and Equality Commission, 2023, Building more homes where people want to live, https://www.productivity.nsw.gov.au/sites/default/files/2023-12/202305_02-building-more-homes-where-people-want-to-live.pdf.

In many parts of Sydney, most residents are expected to be living in strata-owned dwellings (see figure 2).

Figure 2: More than one in three of metropolitan Sydney's population could be living in strata-owned dwellings by 2041



Source: ABS (2021), NSW Valuer General (2024), DPHI (2024).

As the number of people living in strata schemes increases, it is important that people have trust in not just the buildings themselves, but the ways strata schemes are governed and managed. Regulatory initiatives in NSW, including the recent strata law changes, have sought to secure this trust. We want to hear from you.

This issues paper has been developed by NSW PEC based on initial analysis of available data and existing research, as well as targeted consultations with owners and industry stakeholders. It provides background information on:

- how strata management works, including the role of strata managers and how they receive payment for their work
- the strata management market, including market trends and the concerns that have emerged around the use of commissions and other conflicted payment practices.

It also presents initial findings from analysis of the impacts on stakeholders and the strata management market of restricting the ability of strata managers to accept commissions and other conflicted payments and presents three policy options:

- work with industry to develop a self-regulation regime, considering the SCA NSW announcement related to phasing out insurance commissions in NSW
- legally prohibit strata managers from receiving commissions
- legally prohibit broader practices, including commissions to brokers on strata insurance, and integrated business arrangements.

The purpose of this paper is to seek your feedback on our analysis of the problem and collect further information to inform modelling of the potential impacts of policy options to address these challenges. We will also use data collected from stakeholders in the strata sector to develop our final report.

To guide feedback, we have included a series of structured discussion questions throughout the paper. Feedback is welcome by 14 December 2025 via the [Strata Commissions Review questionnaire](#) on the NSW Government *Have your say* website.

2 How a strata scheme works

2.1 The strata ‘ecosystem’

Strata schemes are a form of property ownership and management. Under this framework, individual owners hold title to their respective lots – usually apartments or townhouses – while sharing ownership and responsibility for the common property, such as roofs, walls, lifts and gardens. In NSW, the *Strata Schemes Development Act 2015* (the Development Act) governs the creation, variation, and termination of strata schemes while the *Strata Schemes Management Act 2015* (the Management Act) governs how strata schemes are managed.

The owners corporation, which is created automatically when a strata plan is registered, includes all lot owners. It is responsible for managing and maintaining the common property, enforcing by-laws, setting annual budgets, setting and managing levies, and ensuring compliance with other legal obligations. The owners make decisions on matters ranging from maintenance to by-law amendments through general meetings of the owners corporation, where voting rights are proportionate to unit entitlements. Owners corporations have a range of legal responsibilities to maintain accurate financial statements, meeting minutes, and a capital works fund plan.

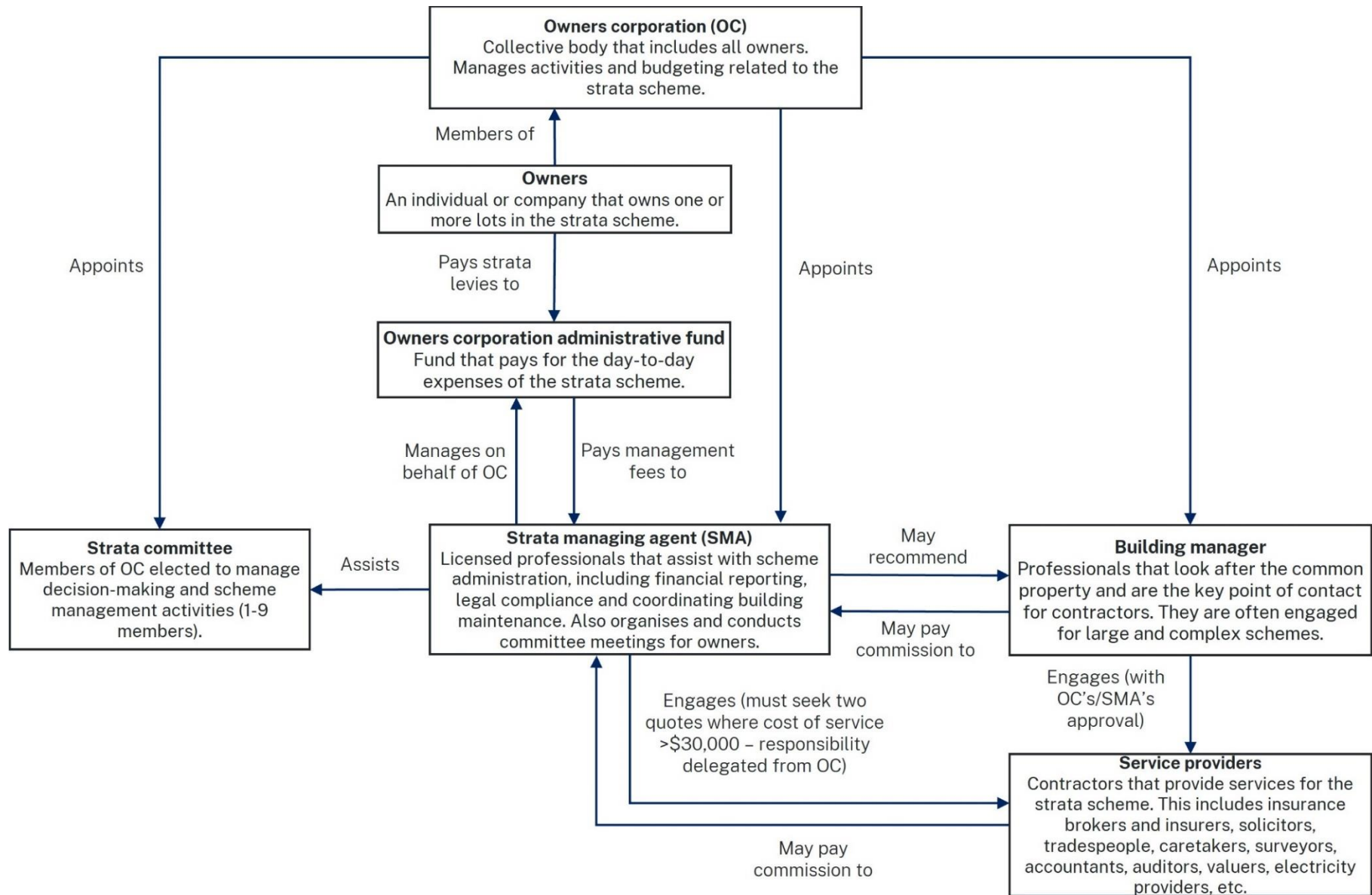
Owners corporations elect a strata committee to make certain decisions on the owners corporation’s behalf between general meetings. The committee is made up of lot owners or their nominees.

Although it is not mandatory to do so, most strata schemes appoint a licensed ‘strata managing agent’ (strata manager). The strata manager’s duties typically include maintaining financial records, arranging meetings, collecting levies, paying accounts, managing insurance, engaging trades and service providers, and ensuring compliance with legislative requirements. Their authority is limited to what is delegated to them by the owners corporation in the strata management agreement, and they remain accountable to it. As licensed professionals, strata managers also have professional conduct, trust accounting and other obligations under the *Property and Stock Agents Act 2002*.

Strata managers also owe a fiduciary duty to owner corporations at law and in equity. This requires strata managers to act in the best interests of their clients, avoid conflicts of interest and not to profit from that relationship.

Figure 3 provides an overview of the broader strata sector identifying the various players and their roles.

Figure 3: Example NSW strata management system



Strata managers typically receive payments through a mix of fees from the owners corporation and commissions from service providers. The 'base management fee' reflects the size and complexity of the scheme and covers routine administrative functions such as meetings, record-keeping, levy management and compliance. In addition, strata managers may charge 'fees-for-service' for non-routine tasks such as arranging major works, attending tribunal hearings or managing complex insurance claims.

Many strata managers also receive commissions and other forms of financial incentive payments from third-party service providers. Based on informal consultation with industry stakeholders, the most significant of these are insurance commissions, which account for roughly 15-20% of strata managers' revenue on average.

Strata insurance is compulsory under NSW law. The owners corporation must insure the building and common property for their full replacement value and maintain public liability coverage for common areas. In practice, most schemes arrange their insurance through their strata manager, who sources the insurance policies from specialist strata insurance brokers. To support transparency and competitive pricing, NSW law requires strata managers to obtain at least three written quotations for insurance renewal or provide reasons why they haven't been able to do so. This differs to other services, where only two quotes are typically required, for projects over \$30,000.

It is standard industry practice for both the strata manager and the insurance broker to receive a share of the commission paid by the insurer when a policy is placed or renewed. These commissions commonly amount to around 20% of the premium that owners pay, before broker fees, taxes or government are applied.³ The most common arrangement is for the broker to share part of their commission with the strata manager. Brokers also typically receive a fee for their service, invoiced to the owners corporation alongside the insurance premium.

Box 2: Broker and insurance regulation

The NSW Government does not regulate insurance brokers or insurers. The Australian Prudential Regulation Authority (APRA) regulates insurers to ensure their financial stability and ability to meet policyholder obligations, while the Australian Securities and Investments Commission (ASIC) regulates the conduct of insurers, including licensing, fair dealing, and truthful advertising to consumers. The ASIC regulates insurance brokers as brokers generally need to hold an Australia Financial Services License (AFSL).

³ Some definitions of commission imply a certain intent (e.g. that it is a reward or incentive for the referral of business), or structure (the Oxford dictionary defines a commission as dependent on the amount of goods sold).

2.2 Commissions and other ‘conflicted payments’

This Review has been asked to look specifically at commissions and ‘other conflicted payments’.

Commissions are payments made to one party related to the sale of a product or service to another party.⁴ In many cases, commissions are paid by a business to its employees for facilitating a sale and are designed to incentivise them to sell more.

In the strata sector, commissions often refers to strata managers receiving payment from third-party service providers when the manager arranges or renews a contract on behalf of the owners corporation. It is legal for strata managers to accept commissions but this must be disclosed in the scheme’s agency agreement or otherwise approved by the owners corporation at a general meeting.

Other conflicted payments refer more broadly to other financial or non-financial benefits received by strata managers that could influence their decision-making, potentially putting their own interests ahead of those of the owners corporation.

Licensed strata managers are not allowed to receive other benefits (including payments) because of their job, unless they are worth less than \$60 or relevant training services that have been disclosed in the agency agreement or otherwise approved at a general meeting. In practice, however, there may be additional legal ‘conflicted payments’ where it is strata management businesses (or their parent company) receiving the benefit, rather than individual licensees.

This includes ‘vertical integration’, which involves a company participating in multiple stages in the supply chain, such as where a strata manager has its own property maintenance or cleaning services or insurance brokerage. Such an integrated business might be a subsidiary, a ‘joint venture’ or share a common parent company. These models have been raised as a conflict of interest concern, and stakeholders report that they are becoming more common across the sector.⁵

While we note that vertical integration can create an incentive for a strata manager to preference its own related businesses, it can also drive genuine cost efficiencies and innovation thereby improving services and prices for owners.

⁴ Some definitions of commission imply a certain intent (e.g. that it is a reward or incentive for the referral of business), or structure (the Oxford dictionary defines a commission as dependent on the amount of goods sold).

⁵ For example, Johnston, N, 2025, At the Crossroads: Addressing Pervasive Conflicts of Interest in Strata Management – Strata Knowledge, <https://strataknowledge.com/at-the-crossroads-addressing-pervasive-conflicts-of-interest-in-strata-management/>.

3 Issues with the strata funding model

3.1 A history of conflict-of-interest concerns

Strata managers play a vital role in the running of individual schemes and ensuring the success of higher density living in NSW. They provide important expertise, skills and services. Strata scheme management can also get complex and unpleasant when there are major building issues, bad behaviour by lot owners or a breakdown in relationships between owners. Strata managers bring independent, experienced management to these complex situations.

While most strata managers are likely honest and act in their clients' interests, a long series of investigations have identified concerns with the strata management funding model (see table 1). In particular, the conflicts of interest created by explicit payments from service providers (commissions), and integrated business models that could create conflicts of interest. This Review has also heard anecdotes of specific conduct by strata managers that is inconsistent with their fiduciary duty.

Table 1: Strata management funding model concerns

Date of release	Title and author	Summary of key findings and recommendations
December 2020	<i>Northern Australia Insurance Inquiry - Final Report</i> , Australian Competition and Consumer Commission.	Recommended prohibiting strata managers from accepting payments for arranging strata insurance other than fees agreed to and paid by the owners corporation, to address conflicts of interest and encourage payment arrangements that better align the interests of the strata manager and their clients. ⁶
June 2021	<i>A data-driven holistic understanding of strata insurance</i> , Johnston et al.	Set out the complexity of strata insurance supply chain and strata managers' role and need for transparency around strata insurance service payment arrangements. ⁷
March 2022 to June 2023	Independent Review of Strata Insurance Practices, Trowbridge.	Investigated the Australian strata insurance market, setting out strata insurance related practices and ways to improve these practices and transparency for consumers. ⁸

⁶ Australian Competition and Consumer Commission, 2020, Northern Australia Insurance Inquiry - Final Report, <https://www.accc.gov.au/about-us/publications/northern-australia-insurance-inquiry-final-report>.

⁷ Johnston, N, Lee, A, Mishra, S, Powell, K, Bowler-Smith, M & Zutshi, A, 2021, A data-driven holistic understanding of strata insurance, <https://www.strata.community/strata-insurance-report>.

⁸ Trowbridge, J, 2022, 2023, Independent Review of Strata Insurance Practices.

February 2024	Australian Consumer Insurance Lobby reported 146 examples of allegedly unlawful appointment of insurance brokers.	Alleged that strata managers have been appointing insurance brokers from which they obtain financial benefit without the informed consent of owners, with owners paying higher fees and commissions. ⁹
March 2024	Report on Netstrata charging excessive fees and taking kickbacks, ABC 7.30.	Alleged that strata management business: • charged excessive brokerage fees and commissions for the placement of strata insurance for owners corporations • received 'kickbacks' from contractors and suppliers for strata work undertaken on behalf of owners corporations managed by Netstrata • self-dealt due to the establishment of wholly owned subsidiaries operating in adjacent businesses serving the strata community • failed to act in the best interest of its clients or appropriately disclose fees and commissions.¹⁰
September 2024	<i>The Strata Trap</i> , ABC Four Corners.	Alleged that nationally, strata managers receive incentive payments from insurance brokers and other service providers they engage, have conflicted relationships with developers, set unfair contract terms and overcharge clients. ¹¹
February 2025	Independent Expert Report into Network Strata Services Pty Ltd (Netstrata), McGrath Nicol Advisory.	Identified potential breaches by Netstrata including non-disclosure of commissions. ¹²
October 2025	<i>At the Crossroads: Addressing Pervasive Conflicts of Interest in Strata Management</i> , Johnston.	Presented comprehensive analysis of systemic conflicts in strata management, including commission-based remuneration and referral arrangements. It advocates for banning commissions in the strata industry. ¹³

⁹ Australian Consumer Insurance Lobby, 2024, ACIL Exposes Widespread Misconduct in Strata Insurance Appointments, Calls for Regulatory Investigation, <https://www.acilobby.org.au/post/acil-exposes-widespread-misconduct-in-strata-insurance-appointments-calls-for-regulatory-investigat>.

¹⁰ ABC 7.30, aired 21 March 2024, Report on 'Netstrata' charging excessive fees and taking kickbacks.

¹¹ ABC Four Corners, aired 9 September 2024, *The Strata Trap*.

¹² McGrath Nicol Advisory, 2025, Independent Expert Report into Network Strata Services Pty Ltd ('Netstrata'), <https://www.nsw.gov.au/housing-and-construction/strata/independent-expert-report-into-netstrata-summary-of-findings-and-recommendations>.

¹³ Johnston, N, 2025, *At the Crossroads: Addressing Pervasive Conflicts of Interest in Strata Management*, https://strataknowledge.com/wp-content/uploads/2025/10/FINAL_REPORT_At_the_Crossroads_Addressing_Pervasive_COI_in_Strata_Management.pdf.

3.2 There is a structural incentive problem in strata

This conduct is consistent with what economists refer to as rent-seeking behaviour. Rent seeking occurs when individuals or firms extract economic advantage through manipulation of rules or regulations, rather than through productive economic activity. Rent seeking is often observed in markets or industries characterised by market failure.¹⁴

The characteristics of owners corporation clients can be seen to make rent seeking easier. Committees are made up of volunteers, often with a high-turnover, who may not have incentive to develop the expertise and invest the resources required to carefully oversee managers. Individual owners are even more removed from decision-making and may leave it to other owners or the manager.

The strata management funding model can increase the challenges of decision-making by making it harder for owners corporations to see exactly what they are paying for. Our targeted consultations so far with both owners corporations and strata managers suggested that both owners and industry have a limited understanding about the relationship between the level of commissions and the level of strata management fees.

Ultimately, the market failure here is an ‘information asymmetry’ between the strata manager and owners of individual lots that pay the strata levies. It is hard for owners corporations to compare managers and the cost and quality of strata management services and can harm owners’ trust of strata managers. Several industry stakeholders identified such loss of trust during consultations, and it was reflected in the recent announcement by the SCA NSW that it would be encouraging members to phase out insurance-related commissions.

During targeted consultation, we spoke to strata managers with a range of business models, including those that:

- accept insurance commissions
- do not accept commissions, or offer clients the choice
- are transitioning away from commissions.

A common concern for the managers still accepting commissions was that they might lose customers to competitors that were able to keep their management fees low by subsidising them with commissions. This highlights the information asymmetry present in the current system, where strata committees might be more focused on the up-front cost of management, rather than how much their insurance or other services costs them. This can create an incentive for costs to be, in effect, ‘hidden’ inside insurance premiums (or other service costs).

Strata managers transitioning to fully fee-for-service were confident they delivered better value for money for their customers and did not find it difficult to communicate the different funding model.

¹⁴ See NSW Department of Industry. “Market failure guide: A guide to categorising market failures for government policy development and evaluation”. New South Wales Department of Industry. P.4. 2017. https://www.productivity.nsw.gov.au/sites/default/files/2025-01/PUB17_509_Market__failure_guide.pdf

Also see Stiglitz, J. E, “Imperfect Information in the Product Market”, In R. Schmalensee & R. D. Willig (Eds.), Handbook of Industrial Organization, Vol. 1, pp. 769–84, Elsevier, 1989.

They found owners were able to recognise the beneficial impacts on their levies from reduced insurance premiums and appreciated the transparency.

Box 3 summarises the economic theory of information asymmetry and its detrimental impacts on both consumers and society.

Box 3: Understanding information asymmetry in markets

Differences in information between buyers and sellers often lead to consumer harm and market inefficiency. When sellers know more about product quality, safety, or performance, buyers must rely on indirect signals such as price or brand reputation. This problem is famously illustrated by George Akerlof's 'Market for Lemons':¹⁵ when buyers cannot distinguish high-quality goods from low-quality ones, they offer an average price. Sellers of good products then exit the market, leaving only inferior goods – a process known as adverse selection. The result is distorted decision-making, reduced efficiency, and loss of trust, as consumers either overpay for poor-quality products or avoid transactions altogether.

These effects extend beyond individual purchases to entire sectors. For example in insurance markets, information gaps create two classic problems: adverse selection, where high-risk individuals are more likely to buy coverage, and moral hazard, where insured parties take greater risks because they do not bear the full consequences. Both dynamics raise premiums and limit coverage, disproportionately harming low-risk consumers.

Ultimately, information asymmetry undermines the efficient operation of markets and its persistence – even in apparently competitive markets – justifies targeted policy interventions to restore trust and improve efficiency.

3.3 Disclosure is unlikely to address the problem

Efforts to correct information asymmetry – such as disclosure rules, certification schemes and consumer protection laws – can improve efficiency. These initiatives can be costly, though, imposing compliance burdens and potentially even create new distortions. Experience from other sectors demonstrate that when consumers have better information, markets can become more efficient and achieve higher levels of social welfare.¹⁶

¹⁵ Akerlof, G. A, "The market for "lemons": Quality uncertainty and the market mechanism", *The Quarterly Journal of Economics*, 84(3) (1970), pp. 488–500, <https://www.jstor.org/stable/1879431>.

¹⁶ The overall wellbeing of the community, including economic, social, and environmental outcomes.

Figure 4: Addressing information problems can lead to better outcomes for consumers

	Fuel – price comparison apps like FuelCheck NSW and MotorMouth reduced differences in prices and increased competitive pressure in Australia, particularly in regional areas, helping consumers avoid peak pricing. ¹⁷ These tools may create new competition problems though, as some research has suggested they can be used by sellers to coordinate their prices. ¹⁸
	Supermarket pricing – following the New Zealand Commerce Commission’s 2022 grocery market study, reforms such as mandatory unit pricing and improved wholesale access supported increased competition in the grocery sector, lowering the price and improving the quality and range of groceries and services available to New Zealanders. ¹⁹
	Healthcare – mandatory disclosure of the negotiated rates insurers pay to health care providers in the US increases transparency and reduces information asymmetry for consumers, which makes it easier for them to compare costs between providers, driving increased competition. Increased competition can narrow price variation between suppliers, and lower average outpatient costs. ²⁰

However, transparency in strata management about commissions alone is unlikely to solve the problem. Knowing the size of a commission for one service doesn’t tell owners whether they are getting a good deal overall – for example, what their total levies would be under a different commission model. Moreover, strata owners are far less engaged than supermarket shoppers and may not use the information even if it’s available. In similar situations, governments have regulated against the underlying conflicts – often in the financial services sector.

¹⁷ Australian Competition and Consumer Commission, 2024, Making the Most of Fuel Price Apps and Websites, https://www.accc.gov.au/system/files/making-the-most-of-fuel-apps-websites_0.pdf.
¹⁸ Ezrachi A & Stucke M.E, “Algorithmic Collusion: Problems and Counter-Measures”, Roundtable on Algorithms and Collusion, 21-23 June 2017, [https://one.oecd.org/document/DAF/COMP/WD\(2017\)25/en/pdf](https://one.oecd.org/document/DAF/COMP/WD(2017)25/en/pdf).
¹⁹ Commerce Commission New Zealand, March 8, 2022, Market Study into the Retail Grocery Sector, <https://comcom.govt.nz/regulated-industries/projects/market-study-into-retail-grocery-sector>.
²⁰ Charumilind, S, Han, K, Ruff, J, Shah, A, & Swaiman, I, April 2 2024, How price transparency could affect US healthcare market, McKinsey & Company, <https://www.mckinsey.com/industries/healthcare/our-insights/how-price-transparency-could-affect-us-healthcare-markets>.

Figure 5: Prohibition has been used in some cases to achieve consumer outcomes

	Financial advice – the Future of Financial Advice (FOFA) reforms in Australia banned conflicted payments for financial advisers, including commissions, from 1 July 2013 and introduced a duty for them to act in their clients’ best interests. The UK and Netherlands likewise prohibited intermediaries from receiving commissions in 2013. Reviews of these policy changes tentatively found improvements in the quality of advice, trust in advisers and lower product costs, but these benefits are difficult to measure.^{21,22,23} Some concerns have been raised about the impact on consumers’ ability to take up financial advice or invest their savings, which, unlike strata insurance, is not mandatory.
	Canadian strata insurance – in 2020, British Columbia (BC) banned ‘referral fees’ to strata property managers and required insurance brokers to disclose commissions, improving transparency and removing conflicted incentives.²⁴ Premium escalation slowed after 2021, partly due to market stabilisation and regulatory measures.²⁵ In 2023, BC further prohibited insurance agencies from providing services to strata corporations where they share ownership with property management businesses, reducing structural conflicts, although the impact of this reform has not yet been assessed.²⁶

²¹ Van Dijk, R, Meiring, T, and Lawson Burke, T, 31 July 2023, Improving consumer engagement with financial services (and why banning commissions might be a bad idea, <https://www.oxera.com/insights/agenda/articles/improving-consumer-engagement-with-financial-services-and-why-banning-commissions-might-be-a-bad-idea/>.

²² Financial Conduct Authority, 2020, *Evaluation of the impact of the Retail Distribution Review and the Financial Advice Market Review*, <https://www.fca.org.uk/publication/corporate/evaluation-of-the-impact-of-the-rdr-and-famr.pdf>.

²³ The European Consumer Organisation, 9 September 2019, *The Case for Banning Commissions in Financial Advice*, https://www.beuc.eu/sites/default/files/publications/beuc-x-2019-046_the_case_for_banning_commissions.pdf#:~:text=In%20this%20paper%2C%20we%20set%20out%20the,product%20manufacturers%20to%20the%20benefit%20of%20consumers.

²⁴ Government of British Columbia, 2020, First steps to address rising insurance costs for strata owners, <https://news.gov.bc.ca/releases/2020FIN0033-001143>.

²⁵ BC Financial Services Authority, 2023, *2022/23 Annual Service Plan Report*, <https://www.bcfsa.ca/media/3452/download>.

²⁶ Insurance Council of British Columbia, 2023. ICN-23-001: Conflict of Interest in Strata Insurance Business.

Discussion questions

These questions provide a guide to feedback. We welcome responses via the [Strata Commissions Review questionnaire](#) on the NSW Government *Have your say* website.

1. How well are commissions and their effects understood?

For owners

- Do you have the information you need to make good decisions when choosing a strata manager or approving the goods or services that they buy on behalf of your scheme?
- How well do you understand how your strata manager is funded, and how the funding approach affects management fees and service costs?

For strata managers

- To what extent does your business model rely on commissions for funding and how do commissions affect your relationship with service providers?

For service providers

- Do you offer commissions to strata managers, and what is the advantage of a commission-based model for your business?
- For brokers and other intermediary businesses, to what extent do you currently rely on commissions from your suppliers for funding? If used, how do commissions affect your relationship with those suppliers?

2. Do the current requirements on strata managers effectively manage conflicts of interest (disclosure requirements, three quote rule for insurance, regulation of benefits agents can accept)?

For owners

- Do you feel confident that current requirements on strata managers effectively manage potential conflicts of interest in the management of your strata scheme? If not, what concerns do you have?

For strata managers

- What is the cost and other impacts of the current requirements for your business of providing three quotes and of meeting disclosure requirements?

For service providers

- What is the cost of the current strata management regulations for your business (in particular, the three quote requirements for insurance)?

4 Characteristics of the NSW strata management industry

NSW is the largest strata community in Australia, accounting for approximately 25% of all strata and community title schemes and around one-third of all strata lots nationwide.²⁷ A greater proportion of the NSW population lives in strata properties compared to in other Australian states and territories.²⁸ Over the past five years, NSW has been the fastest growing state, too, both in the number of schemes and the proportion of residents living in them.²⁹

4.1 Strata management appears to be a competitive industry

According to data from NSW Fair Trading there are more than 4,000 licensed strata managers in NSW, with over 400 self-reported strata management businesses. This indicates that the market for strata management services in NSW is relatively competitive.

4.1.1 The industry is not concentrated

While a small number of businesses are comparatively large – operating across multiple states and jurisdictions – most strata managers in NSW service a smaller area. Of the estimated over 400 strata management businesses, 37 manage a total of 5,000 or more lots each, while 142 manage a total of less than 100 lots each.³⁰ The Herfindahl–Hirschman Index (HHI) measured by share of lots is low at 190.³¹ In informal consultation, strata managers have shared some examples of larger firms buying up smaller businesses.

²⁷ According to research conducted by Dr Nicole Johnston and the Strata Community Association (SCA), NSW has 91,346 schemes and 1,073,277 lots out of a total of 368,234 schemes and 3,191,244 lots nationwide. Nicole Johnston & Strata Community Association, 2024, Australasian Strata Insights 2024, SCA/UNSW City Futures Research Centre, <https://www.strata.community/australasian-strata-insights-2024>.

²⁸ Around 17% of NSW residents live in strata-titled housing compared 15% Australia-wide (Johnston, 2024).

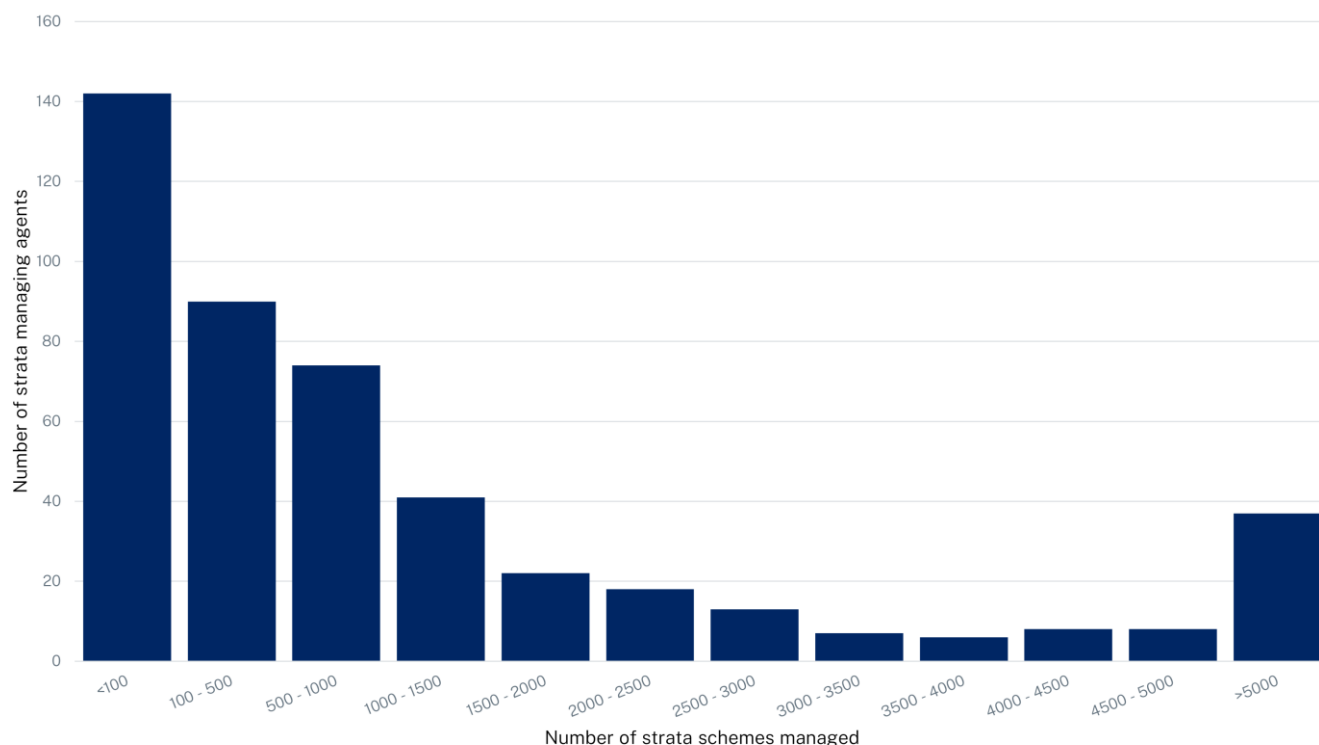
²⁹ Nicole Johnston & Strata Community Association, 2024, Australasian Strata Insights 2024, SCA/UNSW City Futures Research Centre, <https://www.strata.community/australasian-strata-insights-2024>.

³⁰ Strata Hub, August 2025.

³¹ According to the ACCC, a HHI below 2,000 is generally indicative of a market in which competition is unlikely to be substantially restricted. An HHI above 2,000 is typically associated with high market concentration and may raise concerns about the potential exercise of market power or reduced competitive pressure. These thresholds are used by the ACCC as a diagnostic tool to assess the structural competitiveness of markets across sectors.

Australian Competition and Consumer Commission (ACCC), 2025, Merger Control Regime: Assessment Guidelines, <https://www.accc.gov.au/system/files/merger-control-regime-assessment-guidelines.pdf>.

Figure 6: Strata managing agent businesses estimated lot ownership distribution, NSW



Source: Strata Hub (August 2025).

Note: Data limitation: ownership distribution is based on self-reported data from Strata Hub; industry concentration may be underestimated where Strata Hub data counts subsidiary strata managing agent as separate entities from the parent strata managing agent.

4.1.2 Barriers to entry are low relative to other professional services sectors

A class 1 licence qualification to supervise a business and make trust account withdrawals requires two years of experience (at class 2) and a relevant diploma qualification.³²

These low barriers are reflected in the industry's high number of small operators and competitive fee structures.

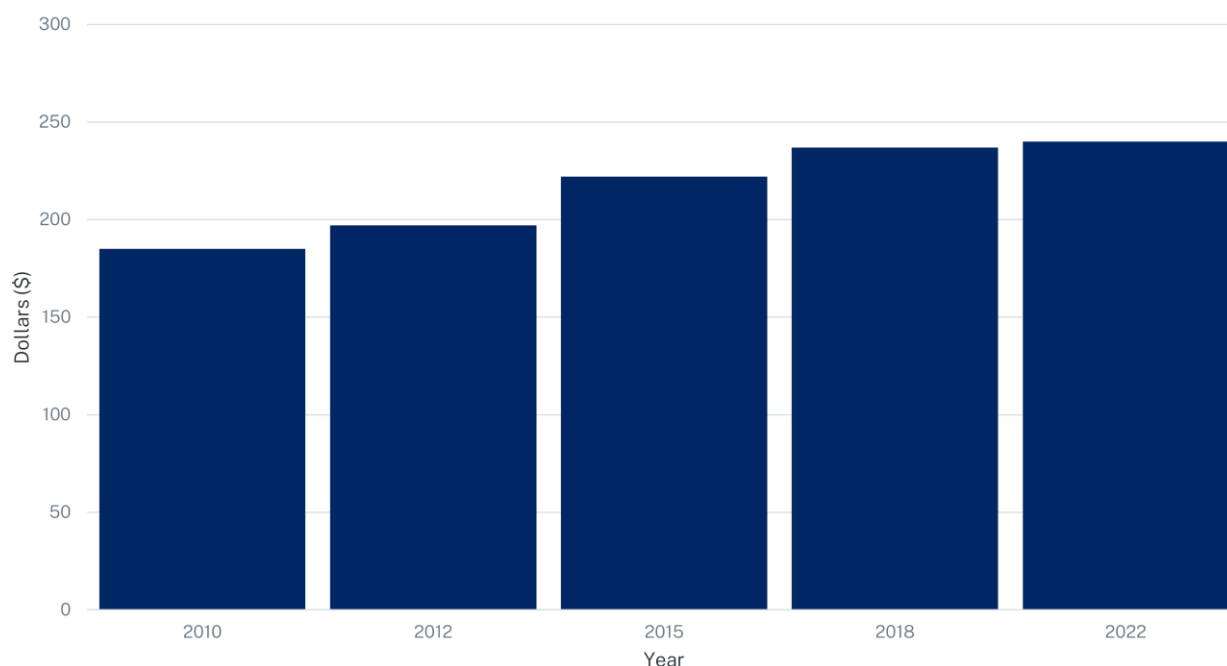
4.1.3 Fee growth has been constrained

Informal consultation with several strata managers revealed that in recent years there has been little to no growth in strata management fees. The 2023 Macquarie Strata Benchmarking Report found that, from 2018 onwards, nominal revenue growth per lot significantly slowed to about 1% year. This means revenue growth per lot is lagging inflation, putting pressure on margins across the industry.³³

³² NSW Government, 2025, Strata managing agent licence, <https://www.nsw.gov.au/business-and-economy/licences-and-credentials/becoming-a-property-agent/strata-managing-agent-licence>.

³³ Macquarie Bank, 2023 Macquarie Strata Benchmarking Report, Macquarie Bank, Sydney, 2023. <https://www.macquarie.com.au/assets/bfs/documents/business-banking/bb-strata-industry/2023-macquarie-strata-benchmarking-report.pdf>.

Figure 7: Average base contract management fees per lot



Source: Macquarie Business Banking. “Strata Industry Benchmarking Report”. Macquarie Bank Limited. (2023). p.11. <https://www.macquarie.com.au/assets/bfs/documents/business-banking/bb-strata-industry/2023-macquarie-strata-benchmarking-report.pdf>.

The low growth of base strata management fees over the period 2018 to 2024 suggests that competition in the strata management market is limiting strata management businesses’ ability to charge excessive base management fees. However, it should be noted that this low growth in strata management fees has coincided with rising revenues from commissions and non-fee-based sources, particularly from increased commissions earned from strata insurance products.

4.1.4 Choice of fee structure

Initial stakeholder consultation has told us that strata management businesses compete based on both price (the level of strata management fees) and fee structure. For example, we are aware of a growing number of strata management businesses in NSW that do not accept commissions or non-fee-based revenues – resulting in higher fees per strata scheme lot. In addition, some strata managers have adopted hybrid fee structures which rely on a mix of smaller commissions and higher than average fees.

4.1.5 Industry profitability

In addition to the industry characteristics outlined above, Macquarie Bank has reported an average decline in reported profitability in the strata management industry in NSW over the period from 2005 to 2022. It is not yet clear whether measurement of this decline includes commission-based and non-fee revenue streams. Nonetheless, declining profitability across an industry generally signals the absence of a dominant price-setting firm capable of raising prices or passing increased costs on to consumers, in the context of highly competitive markets.

4.1.6 Vertical integration

It is difficult to measure the extent to which strata management businesses are vertically integrated with other firms in the strata management value chain. It is understood this is a growing feature of the industry. The extent or impacts of such vertical integration on competition in the strata services sector are not yet clear.

4.2 Information asymmetry undermines the effectiveness of competition

Although many market characteristics point to relatively strong competition in the strata management industry, some factors undermine the effectiveness of competition.

Our consultation with both owners corporations and strata managers reported a degree of owners changing their strata management agency. This switching behaviour appears to support market entry by new strata managers and expansion by smaller strata managers. However, there are fundamental frictions including contractual obligations, the resource costs of transferring information held by the current manager to a new one, and the need to build a majority vote.

Crucially, as highlighted in section 3, information asymmetry around commissions and other conflicted payment also weakens competition.

5 Options analysis

This section identifies three alternative policy interventions for discussion. Each of these alternative policies involves some form of restriction on the ability of strata managers to earn commissions.

We will analyse the costs and benefits of the impacts of each proposal consistent with the requirements of the Better Regulation Framework (see box 4). The analysis and modelling of the impacts will draw on research, feedback from the public consultation process and data from the strata sector.

Box 4: NSW Better Regulation Framework – Requirements and Principles

The NSW Government's Better Regulation Framework helps policymakers to understand the impacts of new or amending regulatory policies that they develop and provides assurance to the NSW Government on the public benefits and risks involved.

All new and amending regulatory proposals must comply with the Better Regulation Principles below. For significant proposals, this should take the form of a Better Regulation Statement (BRS), and include quantitative and qualitative analysis of the impacts, with the level of detail proportionate to the proposal's significance. Effective consultation with stakeholders is essential to inform policy development and ensure that impacts are clearly understood.

Better Regulation Principles

- Principle 1: The need for government action should be established. Government action should only occur where it is in the public interest, that is, where the benefits outweigh the costs.
- Principle 2: The objective of government action should be clear.
- Principle 3: The impact of government action should be properly understood, by considering the costs and benefits (using all available data) of a range of options, including non-regulatory options.
- Principle 4: Government action should be effective and proportional.
- Principle 5: Consultation with business, and the community, should inform regulatory development.
- Principle 6: The simplification, repeal, reform, modernisation or consolidation of existing regulation should be considered.
- Principle 7: Regulation should be periodically reviewed, and if necessary reformed, to ensure its continued efficiency and effectiveness.

Source: <https://www.productivity.nsw.gov.au/regulatory-policy>.

5.1 Option 1: Self-regulation imposing a ban on insurance commissions

This option would not require the NSW Government to amend or change the existing legislative framework but would instead rely on the strata management sector in NSW to introduce, and enforce, a ban on its members from earning or receiving commissions on strata insurance only.³⁴

Importantly, this option would build upon the SCA NSW plan to support and encourage members to transition away from insurance commissions including:

- A new Strata Management Agency Agreement (available from 1 January 2026), supporting a phased replacement of insurance commissions for its members. It is expected that existing agency agreements will continue until they expire so strata managers do not need to re-negotiate them to reflect this change.
- SCA NSW will support members to transition, including workshops and webinars, and working with insurance brokers on transparent pricing.

To maximise the effectiveness of self-regulation, the NSW Government could seek to engage with other industry associations alongside the SCA NSW. While SCA NSW represents the majority of strata managers in NSW, a significant number of strata managers operate outside its membership (around 75% of strata management agents in NSW are currently members).³⁵ We understand that the Real Estate Institute of New South Wales (REINSW) is the association with the next largest share of strata managers.

The self-regulation option, which is light touch in nature, is unlikely to result in a complete phasing out of conflicted payments, or even insurance commissions across the NSW strata management sector:

- to date, the industry group only intends to phase out commissions for insurance
- membership of the SCA NSW or other associations is voluntary, and the change in policy could reduce the incentive to join
- industry associations do not have significant resources to devote to reviewing compliance and enforcing policies.³⁶

³⁴ Consideration of this option satisfies the requirements of the NSW Better Regulation Guideline which stipulate that agencies must evaluate a non-regulation option which does not involve Government introducing or amending existing regulation. See TPP19-01_Guide-to-Better-Regulation.pdf

³⁵ Strata Plus, 2025, Strata Insights 2024, <https://www.strataplus.com.au/strata-insights-2024/>.

³⁶ Note that SCA NSW operates a Professional Standards Scheme for strata managers in NSW that is approved by the Professional Standards Council. The scheme imposes a Code of Ethics and a complaints and disciplinary framework on strata managers who the Scheme covers. It requires SCA NSW to take action against non-compliant members.

5.2 Option 2: Prohibiting strata managing agents in NSW accepting commissions

This option involves the NSW Government introducing a legal prohibition on all strata managers in NSW receiving all forms of commissions. Although like option 1, it goes further in several key areas:

- it would impact all strata managers not just those that are members of SCA NSW or other participating industry associations
- it would prohibit strata managers from accepting commissions and similar payments from all service providers, not just insurance commissions
- it would be monitored and enforced by the NSW Fair Trading\ not industry associations, with more resourcing for monitoring and enforcement, and greater consequences for non-compliance (penalties, disciplinary action or loss of licence).

To encourage the savings from strata commissions to be passed on to customers, this option might need disclosure requirements. This option would not prohibit or restrict insurance brokers from earning commissions on strata insurance policies, and brokers may seek to retain some or all of the manager's commissions.

Appropriate disclosure requirements would inform both owners corporations and strata managing agents - as their delegated representative - about the cost of procuring broker services and provide incentives for them to shop around for lower cost broking services.

This option would not prohibit strata managers from being vertically integrated (such as owning a brokerage firm or property maintenance business) but they would be prohibited from receiving commissions for referring work to those related businesses. There would be constraints on the ability of vertically integrated service providers to impose excessive pricing due to:

- existing requirements on strata managers to provide multiple quotes and disclose relationships with related entities
- competition between strata managers creating pressure to find good value for their schemes.

5.3 Option 3: Prohibiting managers buying goods and services involving commissions

This option will model the costs and benefits of the NSW Government introducing legislation that prohibits strata managers from both:

- accepting commissions, as in option 2
- procuring certain services, on behalf of an owners corporation, that involved payment of commissions further up the supply chain.

This option would give rise to a positive, legislative obligation on strata managers operating in NSW to negotiate supply arrangements on behalf of NSW owners corporations that do not involve commissions.

Importantly, this option would be more complex to implement and enforce, as it would require:

- strata managers to have knowledge of whether commissions were paid further up the supply chain
- service providers to adopt different remuneration models (for example fee-for-service), at least for strata clients.

To balance the benefits with the compliance costs, restrictions of these indirect commissions could be limited to selected services (for example insurance brokers and utilities), contracts over a certain size, or just products provided by related parties of the strata manager. This option would include providers that are related businesses, reducing the incentive for strata managers to vertically integrate with brokers to receive commissions.

One challenge with this option is that the NSW Government is only able to directly regulate its licensed strata managers' behaviour, and not the payment of commissions in the supply chain, for example to brokers of strata insurance. If the NSW Government were to work with the Australian Government, there may be alternative approaches.

See table 2 for a summary of these three options.

Table 2: Strata commissions reform policy options: summary

Feature	Option 1 Self-regulation (industry phase-out of insurance commissions)	Option 2 Legislative ban on all commissions to strata managers	Option 3 Legislative ban on all commissions in supply chain
Who does it apply to?	Relevant NSW industry association members	All NSW strata managers	All NSW strata managers; extends to service providers in supply chain
Scope	Insurance commissions only	Commissions from all service providers to strata managers	All commissions and similar payments, including those paid further up the supply chain
Enforcement	Industry associations	NSW Fair Trading; penalties for non- compliance	NSW Fair Trading; penalties for non-compliance
Transition arrangements	Phased replacement via new agency agreements; existing contracts continue until expiry	Transition period determined by legislation	More complex transition; requires knowledge of supply chain arrangements
Considerations	Increased transparency for owners; limited coverage Does not address other potential conflicts of interest Self- enforcement (limited resources)	Universal coverage; stronger enforcement May not address all supply chain conflicts; brokers may retain commissions	Most comprehensive; addresses direct/indirect commissions; higher compliance costs and complexity Complex to implement and enforce; NSW Government's reach may be limited for some supply chain actors

5.4 Options to limit other conflicted payments are limited

The three options presented for discussion focus on commission payments.

The main additional legal channel where conflicts of interest might arise for strata managers is through integrated business models. For example, a subsidiary or other related business might provide services to a manager's strata scheme, earn a profit and pay a dividend back to a parent company. This type of payment would not be prohibited under the options above.

Integrated business models are not inherently anti-competitive and there is potential for business efficiencies and cost savings for owners. There are also features of the current regulatory framework that mitigate anticompetitive behaviour (such as preferencing a manager's related business), to some extent, are:

- the strata manager's fiduciary duty to act in the interests of their client
- disclosure requirements about related parties that would enable owners corporations to request quotes from unrelated businesses.

Still, there is always some risk that strata managers, minority as they might be, preference their own service providers at the expense of their strata scheme, and strata committees may not be engaged enough to identify or raise issues related to quality of services and value for money.

5.5 Expected impacts from intervention

Each of the options outlined above will produce varying costs and benefits across the NSW economy, differing not only in their nature but also in their timing and scale. That said, we expect the following general impacts to arise from all three options.

5.5.1 Better consumer value from more effective competition

All three options increase clarity for owners on the actual cost of the services that strata managers are procuring on their behalf, allowing owners corporations to better compare between different strata managers and products they purchase on their behalf. This would promote more effective competition in the NSW strata management sector as well as the strata insurance broker market and the strata insurance market. Owners corporations and lot owners will benefit not only from a greater understanding and level of trust in the strata management sector but also from lower average costs for strata services (including strata insurance) or improved quality of service.

The impacts may differ between strata schemes, and the full benefits of competition may take some time to realise (see box 5 for a more detailed discussion on the way a ban on commissions will impact strata schemes differently).

Box 5: No free lunch - how strata levies would be affected by a transition away from commissions

Commissions paid to strata managers by insurers or other service providers are not a free benefit to owners corporations. Rather, they are built into the price of the goods or services supplied – most notably in insurance premiums. This means the owners corporation, and ultimately individual lot owners, bear the cost of these commissions.

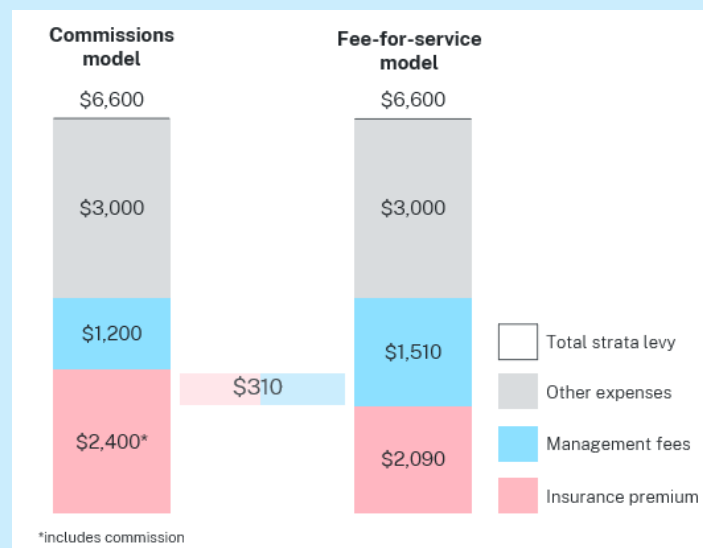
Where strata managers have relied on commissions, they will most likely raise the fees to owners corporations. So, the more immediate impact on owners' strata levies will reflect two offsetting changes:

- reduced insurance premiums and other service provider costs
- increased strata management fees.

Figure 8 illustrates how a hypothetical owner in a small strata scheme would be affected by switching to a non-commission model. In this example, \$310 of the cost of managing the scheme is initially 'hidden' in the insurance premium, making the upfront management fee appear more competitive. In the fee-for-service model, the management fee is larger and more reflective of the true costs of managing the scheme, but it is offset by the lower insurance premium.

While in this simple example the strata owner is no better or worse off, addressing the incentive problem could enable more effective competition by improving owners' ability to compare fees and service costs, and may that mean an overall *reduction* in levies.

Figure 8: Strata levies under the two funding models



While we expect that strata levies would reduce on average over time, largely due to more effective competition, the effect would also vary across schemes. Some of the factors that might affect how a scheme is affected include:

- how dependent a scheme's strata manager is currently on commissions (some already don't accept commissions)
- the cost of managing the scheme and ability to bear a management fee increase
- the extent to which owners corporations are able to analyse and compare strata management and insurance contracts.

5.5.2 Lower compliance costs

The cost of regulatory compliance is not insignificant. If commissions were prohibited, it would reduce any burden involved with disclosing them. It could also mean there is less need for other regulations aimed at addressing conflicts of interests, such as the additional three quote requirement for strata managers arranging strata insurance.

5.5.3 Transition costs for businesses, strata committees and government

There may be costs for strata managers in the short term due to having to amend and update their standard form of management contract and to educate owners corporations about these changes. Allowing for a transition period would enable strata managers to implement changes as and when their agreements are renegotiated, reducing disruption.

There will also likely be a role for the NSW Government in supporting the transition and ongoing competition in the market.

5.5.4 Commission savings transferred to owners

The removal of commission payments to strata managers creates an immediate cost saving for service providers, such as insurers and brokers, who no longer need to pay out these explicit fees. We expect that these savings will be transferred to owners for a few reasons:

- to retain the commission savings would represent a large increase in profit margins, which would be competed away in market with competition
- strata managers know exactly how much they are no longer receiving and can negotiate on behalf of their clients to ensure the benefit is transferred.

Nevertheless, in markets where strata managers or owners corporations have limited ability to compare providers or negotiate terms, there is a greater risk that commission savings could be retained.

To support the transition, NSW Government could consider price monitoring or reporting requirements, at least for insurance products, to ensure that reductions in commission costs are reflected in lower premiums and not absorbed by service providers.

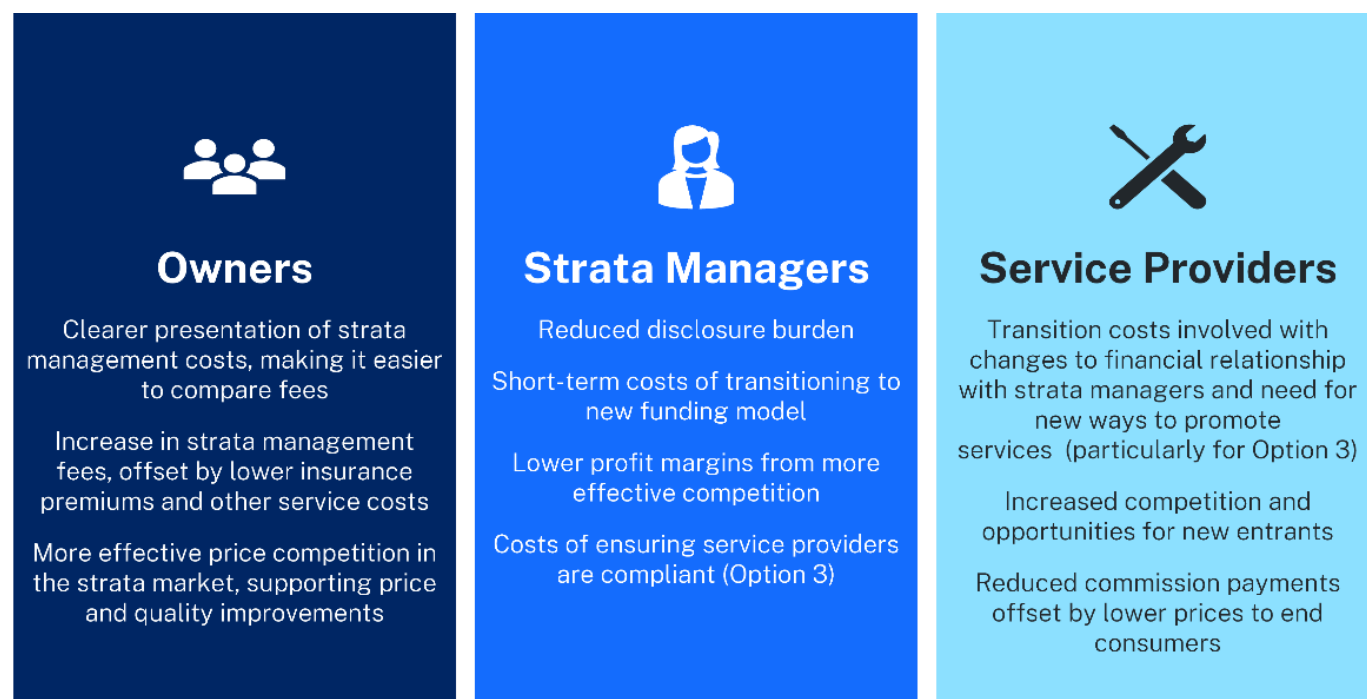
5.5.5 Other

The options above may also drive other impacts:

- Option 3 could impose greater search costs on strata managers, who would need to do additional work to ensure that the services they procured had not been subject to commissions or other conflicted payments.
- The removal of commissions from strata products is expected to lower the amounts that owners corporations pay in GST, NSW stamp duty and the emergency services levy. While this is mostly a transfer from the NSW Government to strata owners, the lower effective rates of taxation and

government charges can be expected to reduce deadweight loss and benefit both owners and suppliers.³⁷

Figure 9: Expected impacts for owners, strata managers and service providers



³⁷ Deadweight loss of taxation is the reduction in welfare that results from imposing a tax on a good or service. It occurs as less of a good or service is consumed than would be efficiently, making both consumers and producers worse off than they would have been without the tax. This abstracts from any welfare impacts that result from the reduction in government revenue.

Discussion questions – policy options

These questions provide a guide to feedback. We welcome responses via the [Strata Commissions Review questionnaire](#) on the NSW Government *Have your say* website.

3. Has the issues paper accurately characterised the likely effects of the different options?

For owners

- How do you expect your strata scheme would be affected if your strata manager stopped accepting commissions, or could not purchase other goods or services involving commission?

Strata managers

- How would each of the three options presented here affect your business (both direct costs and changes to how it operates)?
- If you don't take commissions, how did moving to a non-commission model affect your business and clients?

For service providers

- How would each of the three options presented here affect your business (both direct costs and changes to how it operates)?

4. Are there additional conflicts of interests in strata management that will not be addressed by the options?

For owners

- Do you have any concerns about conflicts of interest in strata management that would not be addressed by the options presented?

For strata managers

- In what ways is your business related to any service providers?
- Why do you choose to operate under this model and how do you manage perceived and actual conflicts of interest?

For service providers

- In what ways is your business related to strata managers? Why does your business choose to operate under this model?

Appendix A: Glossary

Term	Definition
Insurance broker or 'broker'	An individual or entity that arranges insurance on behalf of the owners corporation, typically for a fee or commission.
Broker fee (also known as service or admin fee)	A fee a broker charges clients for their services – for example arranging insurance.
Building	A structure that includes one or more lots or parts of lots within a strata scheme.
By-law	Rules that all residents living in a strata scheme must follow. All strata schemes have their own unique by-laws.
Capital works fund	The 'fixing and maintaining fund' used to pay for capital expenses such as major repairs and maintenance work.
Commission	A payment to someone as a 'bonus' or 'incentive'.
Common property	Generally, any area used by all residents or anything of structural importance. For example, driveways and gardens, roofs, pipes, cables and external walls.
Conflicted payment	Direct and indirect payments of anything of value – cash or other – that may cause an agent to act in their own interest instead of the interest of a person to whom they owe a fiduciary duty, such as a client.
Developer	Entity or person that sets up the strata scheme and builds the strata buildings.
Fiduciary duty	A legal obligation that requires strata managers to act in the best interests of their clients (the owners corporation), avoid conflicts of interest and not profit from their position.
General meetings	Meetings of the owners corporation where decisions are made collectively.
Information asymmetry	A market failure where some parties in a market have possession of more (or better) information than others and they use this information to their own advantage.
Informed consent	Where a person receives full disclosure of all material facts and circumstances so they can voluntarily consent. What constitutes informed consent will depend on the specific facts of the case.

Insurer	An entity that provides insurance products to strata schemes, regulated by the Australian Prudential Regulation Authority (APRA) for financial stability and by the Australian Securities and Investments Commission (ASIC) for conduct.
Joint venture	A business model where two or more people, companies or organisations work together for specific purpose or project, rather than as an ongoing business.
Strata levy	Amount that all owners in a strata scheme have to pay, which is used to run their scheme. Strata levies are normally paid quarterly.
Lot	The part of the strata scheme property that a person owns, for example, their apartment.
Owner	An individual or company that owns a lot within a strata scheme.
Owners corporation	The collective body including all lot owners in a strata scheme, responsible for managing and maintaining common property and ensuring compliance with legal obligations.
Premium	Premium (gross premium) refers to the amount paid by the owners corporation for insurance coverage, including commission. Net premium excludes commission.
Self-regulation	Industry development of voluntary rules or codes of practice, with the industry in question solely responsible for compliance. The government usually has no role under this form of regulation, although in some cases it may provide information or advice.
Strata committee	An elected group of lot owners with delegated authority to make decisions on behalf of the owners corporation.
Strata insurance	Strata insurance is mandatory in NSW, and includes building insurance, public liability insurance, and work health and safety insurance.
Strata manager	A licensed professional the owners corporation appoints to administer the day-to-day operations of a strata scheme such as collecting levies and engaging service providers.
Vertical integration	A business model in which a strata management company owns, or is owned by, other businesses that supply services to strata schemes such as property maintenance companies or insurance brokerage services.

Appendix B: Review terms of reference

Purpose

The charging of commissions in the strata industry has led to concerns about inflated costs for owners corporations, a reduction in competition, erosion of trust between owners and strata managing agents and the compromised ability of owners corporations to make informed financial decisions.

With more than 1.2 million people living in strata schemes in NSW, we need a regulatory environment that stops strata managing agents from being incentivised to act in their own interests rather than in the best interests of strata owners.

Strata managing agents already have a legislated fiduciary duty to act in the best interests of their clients, the owners corporation.

However, it has become standard practice for many strata managing agents to receive commissions from insurers, suppliers and other service providers. Such commissions can create conflicts of interest and a perverse incentive for the strata managing agent to prefer products and services that benefit themselves, instead of those that are in the best interests of owners corporations. This practice breaches an agent's fiduciary duty, and has eroded consumer confidence

The NSW Productivity and Equality Commissioner is to review the market impacts of prohibiting strata managing agents from accepting commissions or other payments that could improperly influence their decisions when doing their job.

Scope

The Review should:

1. Consider whether prohibiting the payment of commissions and other conflicted payments to strata managing agents will lead to:
 - better value for money for strata owners, or
 - higher quality services, or
 - lower costs and simpler arrangements for strata owners, or
 - any change in market conditions.
2. Assess and quantify (where possible) the costs and benefits and wider impacts of prohibiting strata managing agents from accepting commissions or other conflicted payments on:
 - strata owners,
 - strata managing agents including effects on competition and workforce availability and capacity, and timeframes in which strata managing agents business models could adapt,
 - Insurers and underwriters
 - insurance brokers, and
 - the NSW Government.

3. Undertake case studies of strata managing agents whose remuneration model does not include commissions or conflicted remuneration and consider their scalability to the wider strata industry.
4. Based on findings in 1-3, identify pathways to transition away from strata commissions and other conflicted remuneration including reforms to the regulatory framework and the intersections with the Commonwealth Government's oversight of the insurance and insurance broker industry.
5. Examine any other related matters.

Review process

In undertaking the Review, the NSW Productivity and Equality Commissioner should:

- Prepare an issues paper for public consultation.
- Assemble and analyse relevant data and draw on published research, NSW Fair Trading complaint and compliance data, expert opinion and work undertaken to date by Fair Trading, including summaries of stakeholder consultation.

The NSW Productivity and Equality Commissioner will deliver a report with recommendations to the Minister for Better Regulation and Fair Trading and the Treasurer by 27 February 2026.

Appendix C: Strata scheme regulation in NSW

The *Strata Schemes Management Act 2015* (the Management Act) and *Property and Stock Agents Act 2002* (the PSA Act) place obligations on strata managing agents (SMAs) when they receive commissions or other potentially conflicted remuneration. The regulatory framework aims to promote transparency, reduce conflicts of interest and ensure owners corporations are fully informed when engaging strata managers.

NSW is facing a significant housing affordability and availability challenge. Ensuring the attractiveness of strata living is key as it is increasingly a critical housing option.

A statutory review of strata laws was completed in 2021 and the report made 139 recommendations to improve strata laws. A copy of the report is available at www.parliament.nsw.gov.au/tp/files/81193/DCS%20-%20Statutory%20Review%20on%20Strata%20Scheme%20Legislation.pdf. The recommendations have been implemented in phases.

The first phase of reforms commenced in 2024. These reforms focused on uplifting strata committee governance, improving the performance of schemes and better recognising the unique position of two lot schemes.

In February 2025, the second tranche of reforms passed Parliament. These reforms focus on protecting owners corporations from unfair contracts, lifting developer responsibility when setting up schemes and ensuring owners corporations maintain their buildings. Many of these reforms commenced in July 2025, with the remaining reforms to start at the end of October 2025 and in April 2026.

The third phase of reforms are being refined to implement the remaining statutory review recommendation, which include ensuring clarifying Management Act provisions about cosmetic, minor and major works, and ensuring the penalty regime is fit for purpose. A reform Bill is expected to be introduced into Parliament by the end of 2025.

In September 2024, the Government also passed reforms to enhance disclosure obligations on strata managers in relation to insurance and related suppliers. These reforms responded to widespread community concern around the role of commissions in the strata industry.

More information about the strata law reforms in NSW is available at <https://www.nsw.gov.au/housing-and-construction/strata/guide-to-strata-law-changes-for-strata-committees-and-owners>.

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