

Strata Commissions Review

**The Real Estate Institute of New South Wales
Limited**

**Submission on the NSW Government's Issues
Paper Assessing the Market Impacts of
Payments to Strata Managers**

15 December 2025

TO: Strata Commissions Review

**Attention: Mr Peter Achterstraat AM
NSW Productivity and Equality Commissioner**

By email: stratacommissionsreview@treasury.nsw.gov.au

1. Introduction

This submission has been prepared by The Real Estate Institute of New South Wales Limited (**REINSW**) and is in response to the Issues Paper on assessing the market impacts of payments to strata managers, issued by the NSW Productivity and Equality Commission on 17 November 2025 (**Issues Paper**).

REINSW is the largest professional association of real estate agents and other property professionals in New South Wales. REINSW seeks to promote the interests of its members and the property sector on property-related issues. In doing so, REINSW plays a substantial role in the formation of regulatory policy in New South Wales.

In providing this submission, REINSW draws on extensive member consultation, including the views expressed by its Strata Management Chapter Committee who are strata management professionals, and regional and metropolitan operators. These insights reflect significant industry experience with the current commission-based arrangements, as well as the practical, financial and operational implications that would arise under the reform options proposed by Government. The perspectives from our members who are strata managers, particularly those concerning business viability, transparency, consumer education and transitional impacts; are factors that form a critical foundation for REINSW's position in response to the Issues Paper.

The issue of banning, regulating or restructuring commission-based payments within the strata sector is complex and intertwined with long-standing commercial models. For many strata management businesses, especially small and regional operators, commissions form a fundamental component of business sustainability. REINSW is concerned that abrupt structural changes to the status quo risk imposing disproportionate burdens on these businesses with a real likelihood that many will go out of business. The industry feedback received by REINSW emphasises that any reform must recognise the practical realities of existing businesses, fee models and agency agreements, the significant re-education required for consumers (especially owners/owners corporations), and the need for a fair and reasonable transition period to ensure that businesses and owners corporations can properly adapt to any new laws.

At the same time, **REINSW acknowledges** the Government's objective of enhancing transparency and improving professional standards in the strata sector. Members have expressed strong support for clear regulatory rules, improved disclosure obligations (including relating to broker fees), and a whole-of-industry approach that addresses conduct across the full supply chain, rather than imposing narrow restrictions at the strata manager level alone.

Further, the role of brokers within the insurance market and the structure of insurance cost components, where commissions form only a portion of total premiums, underscore the need for reform that examines the system from the top down. REINSW is of the view that the benefits of any regulatory change must ultimately flow to owners corporations, rather than impose new burdens and costs on strata managers.

These considerations frame REINSW's position in response to the options set out in the Issues Paper and underpin its consistent message on the topic - that reforms aimed at transparency and increasing professional standards are welcome, but must be proportionate, clearly defined, supply-chain-wide and accompanied by a practical, fair and reasonable transition

pathway that guarantees the ongoing viability of strata management agencies and the strata management sector.

2. REINSW's Position on the Options in Issues Paper for Banning Strata Commissions

(a) Option 1 – Self-regulation imposing a ban on insurance commissions

Through REINSW supports improved transparency, clearer regulatory settings and higher professional standards, but is of the view that reforms must be practical, proportionate and carefully designed to avoid destabilising a sector already under strain.

REINSW does not support Option 1, as it does not address the transparency outcomes sought by Government nor the longstanding concerns raised by consumers.

(b) Option 2 – Prohibiting strata managing agents in NSW accepting commissions

REINSW considers Option 2 (being, a ban on commissions at the strata manager level) to be the option that most closely aligns with its support for enhanced transparency and accountability, provided it is substantially refined and accompanied by a workable implementation framework (including a reasonable and practical transition period).

In addition, **REINSW recommends** that:

- Clear rules on what is permitted and prohibited are necessary to avoid ambiguity. Without precise definitions, strata managers cannot reliably determine what arrangements fall within or outside the ban. REINSW is concerned that undefined or overly broad expressions, particularly “similar payments”, create uncertainty and risk of capturing all types of payments and legitimate business arrangements. Clear, detailed definitions are essential to ensure reforms operate as intended, do not disadvantage businesses acting in good faith and provide clarity on how prohibited payments, “similar payments” and lawful remuneration models will be interpreted and applied in practice. REINSW is concerned that without this guidance, strata managers will be unable to restructure their operations with confidence or ensure compliance with the proposed ban.
- A whole-of-industry approach is required. Any ban under Option 2 must apply consistently across the supply chain. Improved transparency requires parallel supply-chain reforms, including on insurer and broker remuneration, mandatory disclosure of broker fees, net premiums and related-party arrangements, as well as clarity around vertically integrated structures. This will avoid perpetuating structural imbalances or simply shifting costs to strata managers. Without upstream requirements, REINSW is concerned that the transparency objectives will not be achieved.
- Vertically integrated businesses should fall within the regulatory framework and that, while vertical integration should continue, they should be prohibited from receiving commission-based remuneration for referring work to related businesses in such

structures. REINSW is of the view that the rules governing their remuneration structures remain unclear and, without specific regulatory direction, there is a risk these businesses could retain advantages not available to independent strata managers, undermining fairness and competition. **REINSW recommends** Government clarify how commissions, embedded fees and cross-entity payments within integrated structures will be regulated to ensure the approach is genuinely whole-of-industry.

- Disclosure of broker fees should be mandatory because owners corporations cannot achieve genuine transparency without understanding the full spectrum of insurance-related charges.
- The process and regulatory mechanics should be clarified. REINSW believes that Option 2 lacks detail regarding how the new remuneration model would operate, how compliance would be monitored and what transitional rules would apply.
- Government explicitly investigate and address emerging alternative remuneration practices that circumvent the intent of any ban. REINSW has been notified that there are some strata management agencies who have shifted away from the traditional insurance commission model and are instead entering into informal arrangements whereby brokers provide them with financial benefits equivalent to commissions through alternative financial mechanisms such as short-term advances or credit-style arrangements. REINSW is concerned that without clear regulatory direction and restrictions, these arrangements may undermine the intent of any ban or reforms that increase transparency and compliance in the sector.
- Government ensure that business viability not be compromised and that any reform not increase operating costs for strata managers or impose new financial burdens that lead to service reductions or business closures.
- Government sufficiently explains how strata managers may lawfully structure their remuneration in the absence of commissions.

(c) Option 3 – Commissions Up the Supply Chain (Double Ban)

Whilst REINSW believes that, to be effective, such reform must apply across the entire supply chain, not only at the strata manager level, **REINSW opposes** Option 3 (being, commissions prohibited up the supply chain) as set out in the Issues Paper. Option 3 appears to be a double ban on strata managers in that they will be prohibited from accepting commissions (as in Option 2) and prohibited from procuring certain services involving commission payments further up the supply chain.

Option 3 represents an extreme regulatory approach that would be overly difficult and costly to implement, imposing substantial and unreasonable regulatory and enforcement burdens on strata managers, creating significant compliance complexity and requiring widespread restructuring across the industry without a clear demonstration of consumer benefit. In addition, the option does not reflect the practical realities of the current insurance market, where commissions represent only part of the overall premium structures.

In any event, **REINSW opposes** a proposal which requires policing and enforcement by strata managers, particularly in circumstances that are beyond their control, Strata managers have no control over the activities of service providers up the supply chain and it is unfair and onerous to require them to know whether commissions are being paid throughout the chain. Further, **REINSW recommends** Government introduce prohibitions directly on service providers further up the supply chain so that there is a complete stop to these practices across the board. This will ensure that genuine transparency benefits flow to owners corporations rather than introducing further complexity or unfair competitive practices.

3. Transition Period

To effectively introduce a prohibition on accepting insurance commissions requires a transition pathway that is realistic and reasonable.

REINSW recommends Government introduce a mandated minimum 5-year transition period, which is essential to allow strata managers to:

- review and restructure business models and operations;
- re-negotiate contracts and pricing/fee schedules;
- implement new administrative systems;
- educate owners corporations about the new remuneration framework;
- adjust to regulatory changes without compromising service delivery; and
- adapt responsibly.

Without such a transition, a substantial number of businesses (particularly in regional areas) would face financial distress, potentially reducing service availability for owners corporations and impacting the broader stability of the strata management workforce.

REINSW is of the view that an immediate ban of commissions is neither practical nor economically viable, particularly given the number of businesses that currently rely on existing remuneration models (regardless of size and location) and who cannot adjust their fee structures overnight with client approval. A 5-year transition period will provide flexibility while recognising the practical reality that businesses cannot adjust their systems, contracts, pricing structures and owner education programs overnight.

For the above reasons and to minimise the likelihood of businesses folding and the strata industry crashing, **REINSW recommends** Government implement a minimum five-year transition period to allow strata management agencies sufficient time to consider and adjust their business models and fee structures, as necessary. This is likely to take more than three years, even though that period aligns with the expiry of existing management agency agreements. REINSW's view is that it is more essential to allow a minimum of 5 years to ensure agencies can responsibly reform their business models and fee structures and to re-

educate their owners corporations regarding the new regulatory requirements, new business requirements and new fee structures.

REINSW is concerned that any transition period shorter than 5 years would be unworkable, creating significant operational and financial pressures and would disproportionately disadvantage businesses, especially small and regional operators, forcing them to make abrupt pricing and operational changes that could destabilise service delivery to owners corporations. Accordingly, the extent of changes required to businesses to implement the ban, if not understood and implemented properly with sufficient time, will likely cause detriment to strata management agencies, strata managers (from an employment perspective), owners corporations, the industry and economy at large.

4. Impact of Proposed Reforms

(a) Impacts on Strata Management Businesses

REINSW's view is that the proposed reforms would have significant operational and financial implications for strata management businesses across New South Wales. For many operators, particularly small and regional firms, commission income forms a critical component of their revenue model. These businesses do not have the scale or financial buffer to absorb the sudden removal of commission-based remuneration, nor can they immediately restructure fees without risking the loss of clients unprepared for cost changes.

REINSW is not convinced there is added benefit to owners corporations from the abrupt removal of commissions, since the resulting financial pressure on strata managers would inevitably compel businesses to immediately increase management fees or introduce new charge structures without time for proper consideration. Some operators have already begun shifting towards fee-based recovery models (such as administrative insurance fees) in anticipation of reform; however, this process requires time, planning, system adjustments and consumer education. REINSW is of the view that industry needs time to educate owners corporations so that they understand commissions often subsidise essential administrative functions that they expect as part of standard service and that a consequence of these reforms will likely see management fees increase to remunerate strata managers for the subsidy they are no longer permitted to receive. However, REINSW is concerned that, despite education, with strata managers forced to reduce service scope or increase fees, consumers may unfortunately perceive diminished value in service.

(b) Impacts on Owners Corporations

REINSW's view is that, in practice, owners corporations stand to be significantly affected by the reforms. Under a sudden ban on commissions, strata managers would need to recover lost revenue through direct fees, potentially resulting in higher upfront management costs. In regional areas, where consumer expectations and business models differ substantially from metropolitan markets, this shift would be particularly challenging. **REINSW recommends** that consumers are re-educated about new remuneration structures, as many do not presently appreciate the role commissions play in offsetting management costs.

5. Consumer Education Campaign

REINSW's position is that owners corporations will require significant re-education to understand new fee structures, the removal of commissions and the rationale for the changes. The transition will involve shifting long-standing expectations, particularly where commission-based arrangements have been entrenched for many years.

REINSW is concerned that without clear Government messaging, owners corporations may attribute necessary fee increases to poor business practice rather than regulatory change, creating mistrust and unnecessary disputes. A poorly managed transition would risk confusion, dissatisfaction and inconsistent pricing practices across the industry.

REINSW recommends a Government-led statewide consumer education campaign as an essential component of any reform package, assisting owners corporations to understand the changes and rationale, including the transition to a fee-for-service model and the removal of commission-based cross-subsidisation, the meaning of transparent fees and the broader benefits of regulatory reform so that they do not attribute business-model changes to non-compliance or poor service.

6. Conclusion

REINSW appreciates the opportunity to provide feedback on the Issues Paper and the proposed reforms set out within it. Throughout this submission, REINSW has outlined the practical, operational and consumer implications identified by members. These insights demonstrate that while members strongly support improved transparency, clearer and improved professional standards, and a more consistent regulatory framework, any reforms must be implemented in a manner that is proportionate, workable and responsive to the diverse business models operating across New South Wales.

REINSW has considered the Issues Paper and has provided its comments above, aiming to address as many pertinent aspects of it as possible. However, REINSW's resources are limited and do not allow for an exhaustive investigation of all potential issues arising under the proposed reforms. As a result, this submission highlights those matters that REINSW believes may cause significant detriment to consumers and to the viability of strata management businesses, particularly the need for a reasonable transition period, clarity around the scope of Option 2 (including what is captured by "similar payments") and a whole-of-industry approach to transparency.

REINSW is willing to work constructively with Government to ensure that any reforms are implemented in a fair, practical and sustainable manner that does not impose unintended burdens on strata managers, owners corporations, the industry or the economy.

REINSW appreciates the opportunity to provide this submission and would be pleased to discuss it further, if required.

Yours faithfully

Tim McKibbin

Tim McKibbin
Chief Executive Officer