

Advisory

Strata Property Regulation Changes: Strata Depreciation Reports

Date: May 21, 2024
Distribution: Real Estate Licensees, Real Estate Developers
Advisory Number: 24-014

PURPOSE

This Advisory replaces Advisory 24-012 issued on May 6, 2024. It has been updated to clarify disclosure requirements for real estate developers regarding strata depreciation reports.

BC Financial Services Authority is issuing this Advisory to notify real estate licensees and developers of amendments to the Strata Property Regulation under the Strata Property Act. The amendments make changes to the depreciation report requirements for strata corporations with five or more strata lots in their strata plans, as well as related changes to the funding that real estate developers are required to provide to new strata corporations. The amendments will come into effect on July 1, 2024, but with transitional provisions as described below.

BACKGROUND

Depreciation reports provide comprehensive assessments of the condition of strata buildings and infrastructure, aiding in long-term financial planning and maintenance strategies for strata corporations.

The amendments to the Strata Property Regulation will discontinue indefinite deferrals of strata depreciation reports, lengthen the timeline for acquiring new depreciation reports, and increase the quality of new depreciation reports.

The regulatory amendments will do the following:

- Remove the ability of strata corporations to indefinitely defer getting a depreciation report by obtaining an annual three-quarters vote;
- Require strata corporations to obtain a depreciation report every five years instead of every three years;
- Require strata corporations to obtain depreciation reports from a list of qualified professionals; and
- Require developers to provide new strata corporations, which are established on or after July 1, 2027 and have five or more strata lots, with funding for depreciation reports. The required funding is a minimum of \$5,000, plus \$200 per strata lot, up to a maximum of \$30,000 and must be paid into the strata contingency reserve fund no later than the date of the strata corporation's first annual general meeting.

Although the amendments come into effect on July 1, 2024, there are a number of transitional provisions that specify the dates by which various existing or new strata corporations must obtain depreciation reports. To review the transitional provisions, please see Order of the Lieutenant Governor in Council 204 - 2024.

LICENSEE CONSIDERATIONS

Real estate licensees, especially those who are licensed to provide strata management services, should familiarize themselves with the regulatory amendments so they can provide accurate information and advice to their clients.

Since there are a number of transitional provisions that provide strata corporations time to obtain a depreciation report, licensees working with strata councils should carefully review the timelines to ensure their clients are aware of the various deadlines for obtaining depreciation reports.

REAL ESTATE DEVELOPER CONSIDERATIONS

As explained above, although the regulatory amendments come into force on July 1, 2024, developers are required to provide funding for depreciation reports effective July 1, 2027. Developers filing disclosure statements or disclosure statement amendments under the Real Estate Development Marketing Act (“REDMA”), for development property that will be completed on or after July 1, 2027, should ensure that the disclosure statement provides for the developer's contribution to the strata contingency reserve fund for a depreciation report.

EFFECT ON FILE DISCLOSURE STATEMENTS

If a developer has already filed a disclosure statement with BCFSa, but does not expect to complete the development property until on or after July 1, 2027, the developer may be required to file a disclosure statement amendment if the changes to the Strata Property Regulation would result in a misrepresentation in the disclosure statement.

For example, if a developer's existing REDMA disclosure statement does not provide for at least the developer's required contribution to the strata contingency reserve fund for a depreciation report, the developer must immediately amend that disclosure statement to include that information and ensure continuous, accurate disclosure.

ADDITIONAL INFORMATION

Developers, purchasers, and other stakeholders may consult a lawyer for legal advice on disclosure requirements, strata budgets, and depreciation reports. To learn more, please visit:

- [Government of B.C.'s Strata Housing website](#);
- [Government of B.C. News Release](#);
- [Strata Property Regulation](#); and
- [Order of the Lieutenant Governor in Council 204 - 2024](#).

If you have questions about this Advisory, please contact BCFSa's [Practice Standards Advisors](#).

It is also possible to [subscribe](#) to receive updates on changes to strata legislation and [B.C.'s strata housing website](#).