

# SINKING FUNDS IN APARTMENT BUILDINGS

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# Life Cycle Costs

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- Day to day operating costs.
- Planned / preventative maintenance.
- Reactive repairs \*.
- Replacement cost.
  - Sinking fund.

# WHAT IS A SINKING FUND

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*“A sum of money required to ensure that a building owner has sufficient financial resources available over time to refurbish its common areas and permit investment and upgrading projects where the life expectancy of building elements has been reached”*

# Reasons for replacement

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- Failure in performance.
- Repair not economically viable.
- Third party influences.
- Legal obligations.
- Technical obsolescence.

# WHAT'S IT FOR

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- Planned replacement / updating of
  - The structure
  - The external envelope / shell
  - Mechanical services
  - Electrical Services
  - Finishes and linings
  - Safety measures
  - Hardstandings / grounds

# Structure

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Elements of structure generally have a long life expectancy but some features can have shorter design lives ;

Typical examples Include

- Balcony structures / decks;
- Exposed timber structures;
- Elements of steel where exposed or not protected (eg mild steel window lintols

# External envelope

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- Roof coverings (flat)
- Windows / external doors
- Render coating (varying types)
- Rainwater goods
- Cladding systems especially timber\*

# Mechanical Services

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- Water tanks
- Pumps
- Distribution pipework
- Lifts
- District heating systems
- Water mains and hydrants
- Drainage infrastructure



# Electrical Services

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- Life Safety systems
- Electrical infrastructure
- Electrical fittings
- Access control systems
- Security systems

# Finishes and linings

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- Common area floor coverings
- Wall / ceiling finishes
- Internal joinery
- Lift car linings
- Furnishings

# Hard standings / grounds

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- Car park lines / markings
- Road surfaces / signage
- Gates and Automation
- Drainage pumping systems
- Generators
- Lamp standards / lighting

# Safety Measures

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- Fire doors
- Fire stopping
- Guard rails
- Roof access equipment

# Why's it important

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- Avoids one off levies;
- Avoids delay in implementation;
- Allows an OMC to plan projects
- Ensures equity amongst owners;
- Protects asset value

# What's the problem

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# Statistics

\*SCSI Report “Sinking Funds in Apartments”

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- Survey based on PM feedback from 632 MUDs.
  - 33% of MUDs vary their sinking fund according to building age.
  - 86% of MUDs have not prepared a BIF / sinking fund projection.
  - 78% of agents believe that MUDS which they manage have less than  $\frac{1}{4}$  of the required sinking fund.
  - 89% of MUDs have required additional levies to fund upgrade projects.

# What's involved

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**Replacement cost**

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**Remaining life expectancy**

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- \* Building elements have different life expectancies.





# What's involved

Ref	Description	Comment	Life expectancy		Projected replacement cost (order).	Year 1 cost spread over Number of years to replacement (to be adjusted for inflation annually).									
			Full life (years)	Estimated remaining (years)		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
8.1	Fire Alarm Panels (General)	Satisfactory condition.	15	5	€165,000	€33,000	€33,000	€33,000	€33,000	€33,000	€11,000	€11,000	€11,000	€11,000	€11,000
	Master Alarm Panel (Management Suite)		15	5	€10,000	€2,000	€2,000	€2,000	€2,000	€2,000	€667	€667	€667	€667	€667
8.2	Fire Alarm Devices	Satisfactory condition.	15	5	€600,000	€120,000	€120,000	€120,000	€120,000	€120,000	€40,000	€40,000	€40,000	€40,000	€40,000
8.3	Fire Alarm Cabling	Good condition.	25	15	€600,000	€60,000	€60,000	€60,000	€60,000	€60,000	€60,000	€60,000	€60,000	€60,000	€60,000
9.1	Automatic Smoke Vents (Roofs)	Satisfactory condition	30	20	€137,500	€6,875	€6,875	€6,875	€6,875	€6,875	€6,875	€6,875	€6,875	€6,875	€6,875
		Vents appear to be missing and need to be provided now.	30	1	€25,000	€25,000	€833	€833	€833	€833	€833	€833	€833	€833	€833
9.2	Automatic Smoke Vents (windows)	Satisfactory condition.	30	20	€24,000	€1,200	€1,200	€1,200	€1,200	€1,200	€1,200	€1,200	€1,200	€1,200	€1,200
9.3	Vent Intakes	Satisfactory condition.	30	20	€25,500	€1,275	€1,275	€1,275	€1,275	€1,275	€1,275	€1,275	€1,275	€1,275	€1,275
					€1,587,000	€249,350	€225,183	€225,183	€225,183	€225,183	€121,850	€121,850	€121,850	€121,850	€121,850





# Sinking Funds in Apartments

Meeting the Challenge



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