

# STRATA & COMMUNITY LIVING

SUMMER 2022

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## A NEW HUB FOR STRATA INFORMATION

In the past, people living or intending to live in a strata scheme have often struggled to access basic information about a particular building. Information including who the strata managing agent is or who to contact in a self-managed strata scheme has sometimes been hard to come by.

In response to these issues, the NSW Government is building an online Strata Hub to make it easier for people who build, own, live, or work in strata to get the information they need.

The Strata Hub will offer a central point for strata schemes to report key information each year, along with a range of education resources and information to support strata communities. It will also provide access to the digitised Strata Building Bond & Inspection Scheme (SBBIS) for newly constructed strata developments to identify and fix early building defects.

The new hub will display a range of information, including access to certain strata information, such as fire inspection

reports, contact details for strata managing agents, including details on how environmentally friendly a building is and its NABERS rating.

The Strata Hub is designed as a seamless digital platform that joins up the development application process to the construction and management of strata buildings. It will also display NSW Government updates and information tailored for you, depending on your profile.

New regulations being put in place in order to facilitate the Strata Hub will come into effect on 1 May 2022. For example, strata agents will be obliged to correct or update information within 28 days after the secretary or managing agent becomes aware of circumstances necessitating this.

For more information on your obligations as a strata manager, or to find out more about The Strata Hub, visit [www.haveyoursay.nsw.gov.au/access-strata-information](http://www.haveyoursay.nsw.gov.au/access-strata-information)



## IMPROVING PROFITABILITY IN STRATA: 3 PRACTICAL TIPS

The strata industry has seen steady growth over the last two decades, without a need to evolve business models. However, the pressure to find talent is intensifying – and it's impacting profit.

"From speaking with our strata clients, we hear that the average profitability in the industry is down, yet higher performing firms are able to achieve higher margins," Macquarie Business Banking's National Head of Strata, Tim MacKenzie explains.

"The key difference is how staff costs are managed, as increases in staff costs are outpacing revenue growth."

Here are three ways you can strengthen your business – and improve its profitability.

### Taking stock

To lift revenue, start by tracking the drivers of profitability of buildings within your portfolio – your pricing, services and levels of demand on staff.

"Managing some buildings may cost you more than what you're charging, so letting go of the parts of your portfolio that will continue to lose you money down the track could lift your profitability," Tim suggests.

Strata businesses were managing a growing number of lots in 2019 – 4,906 on average, up from 3,275 in 2015.<sup>1</sup> Is your staff structure set up in a way that helps manage all that work efficiently? Calculate your efficiency level by dividing

the number of full-time staff you employ, across all roles, by the number of lots in your portfolio.

"This is a really good metric for capacity. And it helps you work out how to best structure your teams," says Tim.

The average industry efficiency benchmark in 2019 was 36.5 lots per full-time staff, while high performing firms were managing 415.<sup>1</sup> If you're under the average, you should have excess capacity and can confidently seek new business.

If you're at optimum efficiency, check whether you have the right talent doing the right roles. Are your premium salaries targeting the most important tasks, such as engagement, communication, and relationships? Or are they spending time on routine back-office and admin?

"This will help you plan for the year ahead and focus on how to get the most out of your biggest expense – people," Tim explains.

### Diversifying revenue

On average, strata management firms have access to a client base of over 3,000 landlords, according to Tim. They may have problems and needs beyond the scope of your traditional offering.

"By finding a simple way to make life easier for clients, you can build additional profit streams, improve engagement and add

real value," Tim says. Diversification can also differentiate your business from others and help you build brand awareness.

Brisbane-based strata management business, The Community Co, identified a gap for smaller blocks of 30 or fewer apartments. Larger apartment blocks have access to energy discounts through their own embedded network.

"We reached out to the energy market and offered to open up our portfolio so they can group everyone together, no matter what building they're in," George Salloum, Executive Director, The Community Co explains. "By creating one energy procurement network, clients from small blocks have access to up to a 40% discount on their energy bill."

For Salloum, listening to and solving a customer problem resulted in an additional revenue line that will help boost his firm's profits.

Looking at opportunities like these is business as usual for Perth-based strata firm, Pro-Active Strata Management. Three years ago, it launched an insurance brokerage service to clients, and is also working on two new business lines to help meet client needs.

"We can service our clients as good strata managers, but we also need to find other areas to add value," says Director James Donnelly of Pro-Active Strata Management. "With pressure on fees within the core business, you've got to make sure you have a few other bases covered."

### Optimising costs and retention

Tim said that from speaking with our strata clients, we know that staff retention is still a major issue in the industry, and recruitment costs are on the rise. To avoid competing on salaries in a scarce talent market, it's important to think creatively about staff rewards and employee experience. In high performing strata businesses, remuneration structures tend to be aligned to business profitability, for example.

Flexibility is also high on the list of strata employee demands, and COVID-19 has proven this can be done without impacting productivity.

"Building staff welfare into the appraisal process, so you can help staff maintain their physical, mental and financial wellbeing," Tim suggests. "Include personal goals in the process, so managers keep these conversations going."

Using technology can also improve efficiency within your teams. The Community Co has developed its own technology to support its processes, helping keep costs low and freeing up employees to build relationships.

"A good relationship for us means understanding a client's problem and solving it quickly. Technology enables us to do that. The digital knowledge bank we have built over the years, for instance, helps us address any question within minutes," Salloum explains.

And moving internal communications into their project management system has also reduced staff emails by around 87% for The Community Co.

"Typically for an organisation of our size in the industry, we should have 20% more staff. Technology has allowed us to reduce costs and stay efficient," says Salloum.

Practical employee initiatives and innovative use of technology can also help you attract future talent.

"Prospective employees will ask questions like, 'do you provide workplace flexibility? What's this firm really about, what's their purpose?'. So putting these measures in place is important," says Tim.

Ultimately, business growth can only come by taking care of your biggest Asset, your people. These simple ideas can also help you make sure those people are efficient, engaged and set up for success. And that will help you build a more profitable and sustainable strata business.

If you would like support with understanding your business profitability levers, speak to your Relationship Manager or call 1800 442 370.

<sup>1</sup> Macquarie Bank, Strata Management Benchmarking Report, 2019  
Thank you to Macquarie Bank for supplying this article.





## BE ALERT AND READY – LA NINA IS HERE

La Niña can bring higher rainfall, tropical cyclones and gale-force winds, causing devastating damage and severe flooding to properties. This weather phenomenon could impact across much of Australia, affecting many communities, including strata properties.

On the 20th October 2021 a supercell unleashed a raging hailstorm on the mid north coast of NSW with hail the size of golf balls and flash flooding that caused massive damage to homes, businesses and cars.

If you are a strata property owner it's vital you ensure you've done everything possible to mitigate any damage that may come about from La Niña.

It's also good practice to display the local state emergency services number in common areas so that residents can call for help in the event of a major event.

### What you can do to minimise La Niña risks to your property

#### Rainfall and hail

- Thoroughly check and clear gutters, drains, downpipes and balconies.
- Replace deteriorating silicon on the windows and roof.
- Check roofs for waterproof capabilities to prevent seepage into ceiling and wall cavities. Ensure tiles and roof sheeting is secure.
- Check stormwater and flood inlet grates in basements and underground car parks to ensure they can handle sudden deluges.

Hail storms can cause significant damage, cracking or even breaking skylights, window and roof tiles leading to rain damage to internal areas. Contact the local state emergency services who will be able to assist by placing tarpaulins onto the roof or over damage windows.

#### Flooding

- Keep contents and appliances out of areas that are at risk of flooding.
- Encourage residents and businesses in units at, or below, ground-level to lift valuable items and electrical

equipment off the floor.

- When there is the possibility of major flooding, strata committees should know where they can access sandbags in an emergency.
- Contact the local state emergency services for help.

#### High winds

Gale-force winds and cyclones can put building structures under strain and cause secondary damage from falling trees and branches. Regular garden maintenance can help reduce the risk of damage including:

- Cutting back trees and overhanging branches if they pose a risk of falling and damaging the building.
- Advise the building's occupants to secure any items on balconies or in yards.

#### What you should do after La Niña strikes

Once the danger has passed, strata committees or their representatives should conduct a thorough inspection of all public areas on the property. A comprehensive report should be compiled, no matter how minor the damage.

The report should detail:

- Date and time
- The adverse weather conditions
- Damage caused by the weather event
- Take photos of the damage before repairs commence
- Previous condition of damaged area of the property
- History of maintenance or upkeep if applicable
- Any immediate rectification required and undertaken
- Expert assessments
- Plans for future repairs
- Mitigation strategies that have been put in place or will be put in place to prevent further damage.

The more detailed and extensive the report is, the easier it will be for insurers to advise on the potential recovery of costs to remedy the damage.

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# SECURITY ACCESS CONTROL SYSTEMS AND FOBS: WHAT TO LOOK OUT FOR

The use of security fobs and cards to access strata buildings has significantly increased over the last 10 years. Residents of modern apartment buildings expect to live in a secure environment with keyless access and will often pay premium rates to live in this type of building.

And while the technology is available to provide secure and protected buildings, it's really important that these electronic systems are installed correctly and well managed by the Security Company, Owners Corporation, and Strata Manager.

Over the last ten years of installing these systems, Jeff Shawcross, Director of Quatrix Security explains some common areas of failure that the Owners Corporations should be aware of:

1. No key and fob register for the building.
  - a. If your building is located in a high-risk area for overcrowding, illegal parking, or Airbnb, you need an annual audit of active keys and fobs.
  - b. Consider upgrading your fobs and card readers to higher encryption. You can keep the same Access Control system, so it's not that expensive, and it will prevent fobs from being copied, which will significantly reduce the number of people with access to your building.
2. Unknown passwords and login to security equipment.
  - a. Without these passwords, you are tied to one security company, and you are unable to manage the system yourself. It's your system, and you need this information for your Asset Register.
  - b. Many systems need passwords to access the database. Without the passwords, you need to default the system and start again. New fobs for everyone (unless you have a record).
3. Back-up battery failure.
  - a. It is recommended to replace the backup batteries on the Access Control system every 12 months. This ensures that the system continues to operate during a power failure for the designed length of time before it fails.
4. Obsolete Equipment managing Access into the building
  - a. Most quality Access Control systems are very reliable and work for years without a hiccup, but at some point, every system will fail. As components age, so does the risk of failure. There are many 25-year-old systems still working well in buildings servicing 50 plus apartments. They are reliable systems, and if left untouched, they may work for another 25 years. But as they reach the end of their life, the risk of a small power surge affecting them increases. When they are old, the availability of spare parts is reduced, which means that the chances of a quick restoration of service decrease. You need to decide what is the acceptable downtime of your system. If your building is in a high-risk area, do you want all of the doors left open for a week while you obtain three quotes for a new system?
  - b. It is recommended that you have a provision in your sinking fund for a replacement system and an indication of costs, so you know what to do if you have issues. Highlight which year the system should be replaced. This may be ten years away, and you may only need to save \$1,000 a year, but it's important to set a date so you can include it in your finances.

*Thank you to Quatrix Securities or supplying this article.*



IT IS RECOMMENDED TO REPLACE THE BACKUP BATTERIES ON THE ACCESS CONTROL SYSTEM EVERY 12 MONTHS.



THERE IS NO 'ONE SIZE FITS ALL' ANSWER SO IF IN DOUBT, ASK AN EXPERT TO WORK IT OUT.



# WHAT DO I OWN AND WHAT IS COMMON PROPERTY?

The important question of who owns what needs to be established, as the answer will dictate how a strata scheme is correctly managed and who is responsible for what parts of a strata scheme.

Common property is the responsibility of the owners corporation, and Lot property is the responsibility of the lot owner.

The strata plan does not tell you all of the details about what is common property and what is lot property. Further details are described by the relevant legislation and case law.

### General position (subject to exceptions)

As a guide, the general rules applicable to the majority of strata schemes registered after 1 July 1974 are:

- The structures located on the solid thick line at the registration of the strata plan are common property.
- The ceiling, the structure of the floor including fixed tiles or floorboards, the electrical wiring located in the ceiling, external windows and balcony doors are usually all items of common property.
- Internal walls, not shown on a strata plan are lot property

[Click here \(or the diagram opposite\) for an interactive guide what is common property and what is lot property.](#)

- and a structure located on a thin line is usually lot property.
- Carpet, light fittings, blinds, curtains, toilet bowls, bath tubs and kitchen cupboards will all usually be lot property and the responsibility of a lot owner.

### Exceptions

The following exceptions to the general position apply:

- The general position does not apply to strata plans registered before July 1974.
- To a limited extent notations on the strata plan can modify the general position.
- Owners or owners corporations can with proper approval alter, add to or remove common property after the registration of the plan.

*Thank you to Bannermans Lawyers or supplying this article.*



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