

STRATA COMMUNITY LIVING

The hub for strata information



Working towards greener buildings in NSW

Australia is gradually taking steps towards a greener future across a variety of sectors, and strata buildings are no exception.

According to the International Energy Agency, buildings offer the largest opportunities for low-cost carbon abatement in developed countries like Australia.

As things stand, buildings account for over 50% of electricity use in NSW and Australia and represent over 25% of national emissions. Reducing energy use in buildings has the triple benefit of saving money, reducing emissions, and creating space in the grid for electrifying transport and heating.

In New South Wales, the government's Net Zero Industry and Innovation Program intends to support and partner with the industry to reduce emissions and help NSW businesses succeed in a low carbon world. The plan is that by accelerating the development of clean technology and decarbonisation, it's possible to grow the economy and support jobs, all while significantly reducing emissions.

'Accelerating Net Zero Buildings', for example, is a \$4.8M NSW Government initiative to boost the transition of non-residential buildings towards net-zero emissions. The initiative involves the National Australian Built Environment Rating System (NABERS),

which will investigate and develop a framework for measuring, benchmarking and certifying emissions from construction and building materials.

Through the NABERS framework, the NSW government will be able to leverage the wide reach and world-leading expertise of the organisations in the NABERS community to help NSW meet its emissions reduction goals faster.

It's vital that we start thinking carefully about carbon emissions in our buildings. Carbon emissions from materials used in construction are expected to become the largest source of carbon emissions in the building sector in the coming decades. Targeted action on reducing emissions from building materials like steel and cement is therefore crucial for NSW to meet its net-zero target by 2050.

Government is also working with the construction industry to encourage the voluntary use of low emission building materials (LEBMs). These materials include 'green' steel and concrete, and alternative products such as geopolymers.

When you consider that two out of three buildings that will be standing in NSW by 2050 haven't even been built yet, the importance of reducing emissions from construction materials becomes clear. In order for NSW to reach net-zero emissions by 2050, buildings are a vital piece of the puzzle.





New research shows resilient strata businesses focused on growth

The pandemic has transformed many industries. And strata businesses are no exception. Most have emerged from the uncertainty of the last two years stronger than ever – with renewed positivity for what’s ahead. But some concerns haven’t gone away.

COVID-19 has significantly shifted behaviours and expectations, with a resounding effect on the way businesses operate.

Macquarie Bank’s Business Barometer uncovered the diverse challenges and concerns of property services businesses over the last two years – and sheds light on their outlook and focus areas for the future¹.

The research found that only one in four strata management businesses were negatively impacted by the pandemic – faring much better than other industries. While many sectors were cutting costs,

strata focused on improving employee experience and business performance.

“Although strata business revenue was safe, most firms were not prepared for remote working. They needed to adapt, and fast,” says Macquarie Business Banking’s National Head of Strata, Tim MacKenzie.

An industry transformed

With a newly remote workforce, the strata industry was forced to fast-track modernising its operations. Since March 2020, 92% of strata firms have invested in communication tools and 54% in IT infrastructure – more than other property services businesses.

These investments have proven to be highly beneficial for staff and clients alike.

Zoom or WebEx have become standard tools in the industry, giving people greater flexibility when it comes to where they work. Internal communication tools are helping keep teams connected, while also reducing emails from overflowing inboxes.

“Communications have always presented a challenge, due to the sheer volume of emails strata managers need to get through every day. Some firms have completely removed the need for internal emails by implementing these tools,” explains MacKenzie.

Most businesses have also adopted digital voting, making the process more accessible for clients. And online resource portals allow landlords to self-serve, making customer experience smoother and freeing up staff to focus on more business-critical work.

Strata firms are already seeing long-term benefits.

“Technology enables strata to improve efficiency, build connectivity and offer flexibility – something that’s incredibly important in attracting and retaining top talent,” MacKenzie says.



Despite staff challenges, most strata respondents (85%) have a positive outlook for the year ahead. In fact, 83% have an appetite for growth in 2022 – significantly higher than the average (57%) across all respondents.



Staff and retention remain critical

Talent has always been a key challenge for strata firms. But with Australia's unemployment rate at a 13-year low², the industry is facing an even tougher fight. According to the Business Barometer, a third (31%) of strata businesses cite attracting or retaining staff as their top concern¹.

“With other sectors now facing similar concerns, strata businesses need to put employee experience first to stay attractive to existing and future staff,” MacKenzie explains. “COVID-19 has shown that flexible arrangements work, when they're backed by the right technology and support.”

In fact, strata survey respondents said working from home had fewer negative impacts, compared with other property services respondents. And hybrid working is here to stay, with 80% of strata businesses planning to allow staff to work from home at least one to two days per week moving forward¹.

With staff mental health and wellbeing, one of the most significant challenges when it comes to people, over a third (34%) made relevant resources available during the pandemic and going forward.

“Firms are starting to look at how they can incorporate health and wellbeing into KPIs to facilitate conversations about people's goals and challenges – at work and in life. They're also putting tools and resources at employee's fingertips and expanding their support structure to include Employee Assistance Programs (EAPs),” MacKenzie notes.

Managing the appetite for growth

Despite staff challenges, most strata respondents (85%) have a positive outlook for the year ahead. In fact, 83% have an appetite for growth in 2022 – significantly higher than the average (57%) across all respondents¹.

Firms that continue to focus on engaging and retaining staff and making sure they maximise efficiency gains from the technology they've invested in will come out

on top, according to MacKenzie.

“Staff want flexibility, so hybrid models need to stay. Small efficiency increases from technology will speed up process, accelerate learning and allow staff to better manage their clients and perform better overall,” he says.

Those that can also optimise their portfolios to improve their profitability could see staff morale lift too.

“Look at your buildings that aren't profitable, and think about how that additional burden impacts staff. Is it worth holding on to more time-consuming assets? Or should you walk away and focus on finding better clients?” suggests MacKenzie.

Strata's future certainly looks bright. As apartment construction resumes, the pipeline will add more titles to the market – and firms will need to rely on these new ways of working to scale the number of lots they manage.

About the research

Macquarie Bank's Business Barometer survey asked business leaders nationally about their experience of adapting to the rapid changes required through the COVID-19 pandemic, the challenges associated with that, and actions taken, with four key themes uncovered about how Australian businesses were looking to the post pandemic future. Conducted in December 2021 by independent research specialist FiftyFives, the survey captured the views of a diverse panel of almost 1,800 business decision makers.

¹ Macquarie Bank, 2022 Business Barometer, Key Findings in Strata

² The Guardian, Australia's unemployment rate falls to 4% – the lowest since 2008, 17 Mar 2022

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Continuing the strata industries high performance and why contractors need to keep up.

The construction industry, booming housing market and changing workplace environments are leading to millennial and gen x dominated strata schemes with different needs and requirements. How can the strata industry react to these changes and what do they need from their contractors to offer the best service possible and drive continued growth?

As COVID-19 restrictions have started to ease, companies and organisations are beginning to reopen and bring people back to work. However, this is still very much a transitional period, with every business facing unique circumstances. Nonetheless, businesses are having to consider everything from the health and safety of their employees and their mental wellbeing to existing facilities, operating rhythms, and communication. Ultimately, this still means a permanent evolution in the workplace to varying degrees. In addition to this, the construction industry has been booming. According to the 'HIA-AIG Performance of Construction Index', an improvement of 7.5 points to 53.4 points is "indicating a recovery in activity across the construction sector after a sharp fall over the summer holiday period." This echoes the position of Gareth Aird, Commonwealth Banks Head of Australian Economics, who suggested the boom would continue through 2022 on the back of low interest rates, the HomeBuilder scheme and rising dwelling prices despite concerns such as land shortages and delays of supplies.

The results of these factors are an increased number of young Australians and young Australian families living in apartments and residing within Strata schemes and lots. According to 'Australasian Strata Insights 2020', published by The University of New

South Wales, half of all apartment residents Australia-wide are aged between 20 and 39. In conjunction with this, 24% of residents were couples without children and 13% with. The result of these trends is a change in the wants and needs of those occupying these strata schemes and lots. Greener buildings and maintenance programs, shared communal spaces, storage for prams or alternate transportation, more family friendly apartments and an insistence on technology based solutions are some of the expected requirements. This change comes in sync with growing margin pressures on strata management companies as they scale. The 'Macquarie 2019 Strata management benchmarking report' outlines these pressures while also offering key findings that will shape the industries future. One of these findings was a "Technological transformation" to "expand capabilities", "solve unmet needs" and "create a better client experience at scale".

For Strata management companies to make these adaptations and offer the services and solutions their clients need; it is imperative that contractors view these trends and demands with equal significance. An increase in green practices and alternatives, investment in technology such as online service hubs, information systems and cloud platforms to improve the customer experience and increase staff efficiency, and a broader scope of potential services will be key to those contractors that also need to profitably scale alongside the increasing demands within the Strata management industry.

Many companies invest considerable resources in the last few years to upgrade and streamline internal CRM systems to meet clients demands and improve service and communication efficiency. In addition to this, they explore a variety of technologies and their potential for greener practices within the industry with the ambition of offering alternate options to clients.

WHAT HAPPENS IF YOU MISS THE WARRANTY PERIOD?

Question: What happens to your statutory warranties if you do not settle or commence proceedings within the relevant period?

Answer: You have lost that warranty and your claim will be dismissed and if legal proceedings have been subsequently commenced you could be facing a large adverse costs order, as what transpired below.

Owners Corporation SP66090 v Sydney Commercial Builders Pty Ltd & Anderson (Home Building) [2008] NSWCTTT 1096 (30 June 2008)

The Owners Corporations initiated proceedings against the builder and developer but the Tribunal found that as it was not commenced within 7 years (as was the statutory time limit which applied at the time) of the date of completion of the building work, the owners had no recourse and the application was dismissed.

Abrahams & Anor v Degan [2009] NSWDC 315

The home owners commenced proceedings against the owner builder but did not commence proceedings in time under the Home Building Act 1989 (HBA). The Court held that the date of completion was the date of inspection by the certifier for the final occupation certificate under section 18E of the HBA and the application was dismissed.

Owners Corporation SP69123 v Romanous Constructions Pty Ltd & Romanous (Home Building) [2010] NSWCTTT 23 (15 January 2010)

In this case, the builder returned to rectify defects but this action did not extend the completion date of the property and therefore did not extend the statutory warranty period. Further, the Tribunal determined that the builder's failure to comply with an undertaking did not extend the statutory warranty period and the application was dismissed.



WHAT HAPPENS IF YOU MISS THE WARRANTY PERIOD? cont..

Owners Corporation Strata Plan 64757 v MJA Group Pty Ltd [2011] NSWCA 236

MJA Group Pty Limited (“MJA”) retained Build-Care Pty Limited (“Build-Care”) to carry out construction works. Build-Care achieved practical completion on 5 January 2001. The Owners Corporation commenced proceedings on 16 January 2008. Under the applicable HBA, the proceedings had to be commenced within 7 years, as it stood at relevant times.

The District Court determined that the claim was not made within the statutory time limit. The Court of Appeal upheld the primary decision and held that the limitation period expired before the proceedings were commenced as the construction works were completed by Build-Care when practical completion was achieved on 5 January 2001. Despite commencing proceedings only a few days after the expiry of the limitation period, the Owners Corporation’s case was dismissed and the owners corporation were ordered to pay the costs of the proceedings.

The Owners – Units Plan No 1917 v Koundouris [2016] ACTSC 96

Defects were present from the outset and were raised by the owners corporation. The builder/ developer spent 5 years promising to fix the defects,

but ultimately did not. After the statutory warranty had expired, the builder/developer began ignoring requests to fix or contribute to fixing the defects.

When the owners corporation finally decided to get legal and expert advice, the time limits for bringing action to enforce the statutory warranties had expired for most of its losses. The owners corporation was unable to pursue the builder/developer for the defective works and the application was dismissed.

So what happens next?

Check out our Building Defects Handbook (www.bannermans.com.au/strata/building-defects-handbook) to access a helpful guide to answer all your FAQ’s around defects and ideally assist you in ensuring the best way to stay on top of any issues.

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