

Publication Date: 23 October 2018

## YSP Podcast Transcript: Episode 135. Reena delivers the truth about strata living

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**Intro:** Welcome to Your Strata Property. The podcast for property owners looking for reliable, accurate, and bite-sized information from an experienced and authoritative source. To access previous episodes and useful strata tips, go to [www.yourstrataproperty.com.au](http://www.yourstrataproperty.com.au).

**Amanda Farmer:** Hello and welcome. I'm Amanda Farmer and this is Your Strata Property. Today I'm bringing you Reena's interview with Veronica Morgan and Chris Bates from their podcast, The Elephant in the Room. Now, Reena and I were both interviewed by Veronica and Chris and a few weeks ago in our Episode number 132, I brought you my interview, and if you haven't listened to that one or you need a refresher on exactly what's going on here, Veronica Morgan is a real estate agent, a buyer's agent, and the co-host of Foxtel's Location Location Location Australia. She's also a previous guest on this podcast and you can check out episodes 55 and 115 for our chats with Veronica. Chris Bates is a financial planner, a mortgage broker and a wealth coach, and together they have a podcast which they call The Elephant in the Room Property Podcast.

On that podcast, they are digging deep into what is really going on in the world of real estate. Each week they chat to buyers, agents, auctioneers, other industry experts, and they want to learn the truth about how buyers are influenced and why they do the things that they do, aiming to make us all better decision makers when it comes to property.

Now, Reena was interviewed on the show, of course as a strata expert, as a very experienced strata manager, and she spoke to Veronica and Chris about how to best prepare for the experience of owning a strata apartment. She spoke about the crucial information missing from most strata reports, the issues that cause pain for buyers of new apartments, why your lawyer, God forbid, may not warn you of all the pitfalls, and how best to prepare for the experience of living in a democracy. She also talked about how much work a strata manager does and how you might be able to get rid of a dud strata manager.

Now, I found it really interesting to hear Reena share her expertise on a platform that is not dedicated to strata education in particular, as our podcast is, and I'm really excited to be able to bring this interview to you. If you want to learn more about Veronica and Chris' podcast, head over to their website at [theelephantintheroom.com.au](http://theelephantintheroom.com.au), and I do thank them for allowing us to air this episode on our platform. For now, sit back, enjoy hearing from our Reena Van Aalst in the spotlight with Veronica and Chris, and I shall catch you next time.

**EiR Intro:** You're listening to The Elephant in the Room Property Podcast, where the big things that never get talked about, actually get talked about. I'm Veronica Morgan, real estate agent, buyer's agent, and co-host of Foxtel's Location Location Location Australia and I'm Chris Bates, financial planner, mortgage broker, and wealth coach. Together, we're going to uncover who's really making the decisions when you buy a property. Veronica will introduce our guest in a moment, and I can tell you that you'll want to listen on to find out what you need to know before you buy into a strata scheme, to not only protect yourself from buying a bad property but to best prepare for the experience of owning one.

**Reena Van Aalst:** Sometimes when there are defects in the newer buildings, it can be quite stressful because there's a lot of ... you're dealing with lawyers and levies are getting so much higher because you've got to pay for expert reports and lawyers. It gets really hard I think on people and it can make people more sort of frustrated and aggressive, more than they would normally be.

**Chris Bates:** Please stick around for this week's Elephant Rider Bootcamp, and we have a cracking dumbo of the week coming up. Before we get started, everything we talk about on this podcast is general in nature and should never be considered to be personal financial advice. If you're looking to get advice, please seek the help of a licensed financial adviser or buyer's agent. They will tailor and document their advice to your personal circumstances. Now let's get cracking.

**Veronica Morgan:** In this episode, we're picking the brains of Reena Van Aalst, founder and managing director of Strata Central, located at Edgecliff in Sydney. Strata Central's mission is to provide boutique strata management services and solutions with old-fashioned, quality service, which is quite nice these days. Reena started her working life as a pharmacist before getting into the strata industry, and climbing the ladder and ultimately fulfilling the role of general manager and licensing in charge of a multi-award-winning strata company in Sydney. Now, not naming it in her bio, I think I know who it is, and they're huge.



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**Veronica Morgan:** During that time, she also completed her Master's in Professional Accounting, which is quite a useful bank of knowledge for a strata manager I would think, and we may get into that a bit more. Reena's a regular guest on the podcast Your Strata Property, I think that's sort of underselling what you do there, Reena. You're on every second week right?

**Reena Van Aalst:** Yes, I think every fortnight we're on together.

**Veronica Morgan:** There you go, and you're also currently a member of the REI Strata Management Chapter in New South Wales?

**Reena Van Aalst:** Yes.

**Veronica Morgan:** In this episode, we want to get a greater understanding of the role a strata manager plays and get her insights into how buyers can avoid buying into problem buildings, and thank you so much for joining us, Reena.

**Reena Van Aalst:** Thank you for having me, Veronica.

**Chris Bates:** Thank you, Reena. Appreciate you giving us some of your time. We know strata is for a lot of people isn't very sexy-

**Reena Van Aalst:** No.

**Chris Bates:** ... and because of that it's something that they don't really think about too much. I'd guess my first question is, is there is a lot to consider when you're buying into a property that's managed by strata, and what additional due diligence should buyers be doing to stop them buying into buildings that have a lot of problems?

**Reena Van Aalst:** Well I think the first thing that a buyer should do is obviously get a strata search and try and spend a bit more money on that search, if possible, because a lot of strata searches contain very standard information: the last AGM minutes, whether there's insurance, by-laws, et cetera. But really, the communication that occurs mainly in strata, via an office is usually by email. Unfortunately, strata searches never ever ask to see emails, and I think to myself, "Well this is where all the information is contained." If a building is well-run or there's disharmony, that is where you're going to see the information.

The standard of strata management in terms of record keeping is variable. What we find when we take over records from other companies is that they haven't saved all the documents in say the document management system, or it hasn't been printed out in the files if they're still using physical files. So when you're looking for a document, you think, "Well, hang on. There's an email there, but where's the attachment?" You don't check the email, so what's happening to the reports, correspondence, defect reports? A lot of that sometimes is not there in the search.

**Chris Bates:** Strata is are usually for buildings where there's multiple owners?

**Reena Van Aalst:** That's correct.

**Chris Bates:** Units, and what are all the different types of strata I guess for buyers?

**Reena Van Aalst:** Basically, you can have straight residential. You can have mixed use, where you have commercial and residential which again, is another can of worms if you've got restaurants. I think people don't realise when you're buying into those types of things, even though they may sound attractive, lifestyle, you've got a restaurant downstairs, but unfortunately, restaurants do come with problems which we can probably discuss later. Then there's also-

**Veronica Morgan:** If I could just ... kind of rats, garbage, smells.

**Reena Van Aalst:** Exactly, exactly, and yes, garbage is the main thing, they dump all their rubbish into the residential bins. The other thing is what we call building management committees, where you have multiple entities. So you have 2 or more strata



## YSP Podcast Transcript: Episode 135. Reena delivers the truth about strata living

schemes or what we call a stratum a lot, which is a lot not subdivided, like a car park, for example, could be one lot owned by a commercial entity. For example, I've managed in Bondi Junction, Eastgate which is basically ... we've got council as a member. We have a shopping centre as another member, and then we have the residential component.

**Reena Van Aalst:** Then there's an overarching entity that would basically look after all the shared services that 3 entities would normally have to contribute to, such as insurance, fire, et cetera, or a lift perhaps that will go from the bottom all the way up. So that lift is traversing through 3 different legal entities.

**Chris Bates:** So if you had an apartment in that Eastgate, and I know about the council actually, because I once got a parking ticket for parking in the council car park, which I'm pretty sure everyone at Eastgate has done. But if I own an apartment in that building, and there's something wrong with the building, are you saying there's multiple stakeholders now?

**Reena Van Aalst:** Well, basically the first entity you would refer to is the residential strata scheme, but then that may not be in their control, it may have to go to what we call a cost-share committee, which is the equivalent of a building management committee, because that was established way before that legislation came into being. So, yes, people don't realize that when you're buying into these entities, you don't just search the records of the strata plan. You need to search the records of this overriding building management committee as well. Some lawyers don't really understand that they've got to do both, because there are levies that we have to pay towards that entity as well as levies to run the building. So you're not just paying levies for one entity, you're paying levies towards your own building and any shared services that the building forms part of.

**Veronica Morgan:** That's the same with community title as well, or community association I think it's called, right?

**Reena Van Aalst:** Yes, community association is pretty much horizontal living, and then again you have what we call community association property, which is normally defined as lot one. That could include gardens, lawns, in some cases a country club, a swimming pool, roads, which is quite costly. That's again, a different form of an issue, but again, we call it horizontal living, because they're individual houses where they take responsibility for the repairs and maintenance as opposed to being part of an owners corporation and contributing to what we call common property expenses.

**Veronica Morgan:** The complexity that a lot of buyers don't understand, and when people are buying an apartment, for instance, they think they're buying just into a building with other residential properties, but often that is not the case, is it?

**Reena Van Aalst:** No, it depends on the type of the development they're buying into. If it's a mixed-use development, then obviously they're buying into several entities, what we call a building management committee. That means that you may have what we call a stratum lot or 2 strata plans sharing shared services, and therefore all owners have to contribute by way of apportionment that's determined again at the beginning of the development being registered, and levies towards that. So they're buying into their own development and building as well as contributing to the overall arching entity that governs the use of the shared services.

**Chris Bates:** The issues with that is that what you're looking at might be the strata report for the residential building, but behind the scenes, there's all these other entities that have an impact on you as an investor that you might just completely not have any idea about.

**Reena Van Aalst:** Exactly, well unless it's referred to in the minutes. Let's say the minutes don't refer to a building management committee update, which they should, because normally when we manage buildings we make sure that we put an update in the minutes to reflect what's happened at that entity. But if there's nothing in the minutes, then how does any buyer know that this forms part of a building management committee where there's further costs and further responsibilities that are involved?

**Veronica Morgan:** Wow.

**Chris Bates:** How does a buyer even ... Let's say I'm a first ever purchase, I haven't bought a property before, and I'm thinking about buying this unit. Now, what do I do? What would be the process you would go through to make sure that absolutely everything you need to know, so before you put an offer in?

YSP Podcast Transcript: Episode 135. Reena delivers the truth about strata living

**Reena Van Aalst:** I think the first thing I would do is obviously ask recommendations say from my lawyer, if I have a good lawyer, as to who should do a strata report and also find out more information about the entity. You might even do a quick Google search, might even give you some information, you'd be surprised what you find on Google, and ask the lawyer like, "Are there any other entities that are overriding, because this isn't a shopping centre," or, "I noticed this big car park that's a secure car park down there, is this part of the building? How do I know? What happens with all the structures governing this building?" So you need to probably look at it physically and say, "Am I buying into a standalone building or is there more to it?" Hopefully, the lawyers should understand building management committee, some of them don't.

**Chris Bates:** Are all lawyers equal? That's what I was thinking there, would you go to a family solicitor who may be doing conveyancing a couple of times a month?

**Reena Van Aalst:** Yes, no. I wouldn't, but then again, who knows if some family lawyers might know more than a conveyance. I don't really know, because sometimes lawyers have varying levels of experience and expertise. I suppose the law society does have accredited specialists in property and then family law if you need one, unfortunately. I think it might be a good idea to do your research in terms of the type of conveyancing that the lawyer or conveyancer has done. Have they been involved in multifaceted type developments where it's not just a straight strata scheme that someone's buying into?

**Chris Bates:** That's a mistake I've seen some clients make, and they've engaged a solicitor or a conveyancer and they've gone for the cheap and cheerful, 990 all-inclusive, that, "It's just a contract, how hard is that?" They get the contract reviewed and then are in this constant game of cat-and-mouse trying to get the conveyancer, they won't answer phone calls and they're so busy because they're so cheap. It just ends up this-

**Reena Van Aalst:** Yes, I remember I used to manage quite a large community association out at Newington, and we had many, many by-laws in the community management statement, and all the people who didn't even know that they were there, they would add an air conditioning unit to their house and the next minute we had to send them a breach notice. What we found out was the buyers that actually spent a couple of thousand dollars on a lawyer would get all that community management statement outlined to them and explained to them, and they understood that you couldn't just do certain things, because unfortunately like you're saying, you pay ... what's that? Sorry, [crosstalk 00:14:07] get monkeys, yes. Sorry, or gorillas, maybe.

**Chris Bates:** And monkeys have been harmed?

**Reena Van Aalst:** Yes, exactly. So, unfortunately, if you're spending a lot of money on property, which is something I really don't understand, this sort of penny wise, pound foolish mentality where people will spend like an hour driving to the outside of Sydney to go to Costco to save 100 dollars or whatever, but when it comes to buying a property, they just worry about spending that extra couple of grand. Well, you're spending over a million dollars, if not 2 million dollars, on a property. If you just work out the mathematics on that equation, it's a no-brainer.

**Veronica Morgan:** He's phenomenal. In fact, I've just recently been really, really thinking about this, because also, in a lot of the banking world commission, I know we're segueing here and going down a bit of a different path, we'll come back to strata in a sec. But, banking world commission, talking about all these really poor sad people who have believed in spruikers and financial planners and being sold dreams, and there's a lot of this in property, particularly with brand new, being sold this get rich quick scheme or sold this, "You can leverage up the property ladder quick, quick, quick," and I think to myself, "Why are you abdicating the responsibility for being critical and questioning whether really these vehicles are going to get you really where you want to be?"

**Veronica Morgan:** I think that it comes back down to this wishful thinking. That people would rather be sold to because it sounds better, it sounds sexier, and it's more hopeful than actually be really practical and spend the appropriate amount of money on their due diligence. I don't know the answer to that, because in my business at the moment I'm thinking, "How do I help those people? Can they be helped? Do they want to be helped?" Anyway, that's another episode there.

**Reena Van Aalst:** I mean, you're right. I think people spend more money when they're even buying a car, which is again, a fraction of the cost. You'll be able to test drive it, they'll look at the reviews, they'll go to this dealership and that and negotiate, whereas

## YSP Podcast Transcript: Episode 135. Reena delivers the truth about strata living

when it comes to property, as you've said I think on one of your previous podcasts, that whole mindset just seems to run out the window.

**Veronica Morgan:** You can actually test drive a car for an entire weekend. Nobody test drives a house or apartment for a weekend.

**Reena Van Aalst:** Yes, exactly.

**Veronica Morgan:** Or how long do you spend for an open inspection when you go into an inspection of an apartment? Sometimes not even half an hour. There have been people that have bought a property, I've known them, when I was selling, though we used to do 45-minute inspections back in the old days, but yes, people would come through one inspection and they've bought a house, or an apartment. Outrageous.

**Chris Bates:** Yes. I think that comes out of, you know, if you've been looking for 6 months or three months, and you've been to 100 open homes and you've missed out on 3 places, you are so desperate to buy something, and then finally, something comes on and you think it ticks all the boxes. You're going through these rose coloured glasses, this is the perfect property, you're in, and then the agent's kind of telling you what you want to hear, and then it all happens extremely fast. Then that might be the Saturday, you might be making offers Saturday afternoon, haven't done all your due diligence, your contract checking, et cetera. You've already committed to buying it mentally, or you've slept on Saturday night, Sunday night, Monday morning you don't even want to go and look at it again. You don't slow down and you're in a hot market, I think that's what a lot of people have done, and it's not til they get the keys 6 weeks later-

**Veronica Morgan:** The pre-settlement inspection is usually the reality check, "Is that what I bought?"

**Reena Van Aalst:** Yes, and the water pressure is so low and things like that.

**Veronica Morgan:** So, we're in back to strata, I think that's quite interesting what you're talking about at Newington, that you really could see the difference between those purchases that had got the correct advice and the right advice at the outset, not only did they, obviously they still bought into the scheme, it didn't stop them buying into the scheme, but they were more educated and had their expectations set better.

**Reena Van Aalst:** Exactly.

**Veronica Morgan:** So that's obviously going to lead itself to a better experience as an owner as well.

**Reena Van Aalst:** That's right.

**Veronica Morgan:** As well as getting on with your neighbours better.

**Reena Van Aalst:** Yes, because a lot of community associations actually have an architectural code, which is why they all have a certain look, and that's why you buy into them because you obviously like that look, and then you want to maintain the value. So when people start putting things that detract or conflict with the architectural code, that's when a lot of the problems begin. A lot of people don't even know there is an architectural code, it even dictates sometimes what colour of blinds you can have, what type of pebbles you can have, what type of plants you can have in the garden.

So, if you don't know you're buying into that, I mean, you might like it and you think, "This is lovely," and then you start pulling things out and putting roses in when it's supposed to be strained natives, for example. Then you get a letter from the strata manager and then, you know, obviously people don't like getting letters saying, "You've done the wrong thing," when you think that you're doing the right thing, you're trying to beautify your own property. Unfortunately, it doesn't work like that and you're right, expectations are then affected because you think, "Hang on, I thought I was buying this house for me, and now I can't put the plants that I like in."

YSP Podcast Transcript: Episode 135. Reena delivers the truth about strata living

**Chris Bates:** It's a small issue really, but you still feel like it's a big issue to you because you didn't know about it and you probably should have known about it, but you don't know about it. Then you still have to pay this million dollar mortgage and you're in this house and you've got these negative feelings towards it and it just keeps spiralling.

**Reena Van Aalst:** Yes, exactly. It puts a bad taste in your mouth I think when that happens.

**Chris Bates:** You made a really interesting line there where you said, "Detract the value of the property and keep the value of the property and invest into the property." What's your experience when some buildings are bought mainly by investors, and investors generally want to minimise the cost on the investment, because they want to pay off their home loan and live a good life and those sort of things? Those type of buildings where the vast majority are owned by buyer investors that sometimes get run down, have you seen that before?

**Reena Van Aalst:** Yes, definitely, and I think in the buildings where you have the majority of investors, the maintenance of the building is lacking, because unfortunately there are only a few usual owner-occupiers, and when you don't have any buy-in from the majority of the owners who want to invest and who want to maintain their property values, that becomes a problem. But in community associations, for example in some of the clauses contained in the community management statement, they have to paint. So, we've had success where someone doesn't want to paint their house and the paint's falling, the timber work's rotting, we just go in there, we write to them, we say, "If you don't ..."

Actually it's stronger than a council really. We've written to them, if they don't listen, we give them like 14 days. We don't want them to paint in 14 days, we want obviously a commitment to say they'll paint within the next 3 to 6 months, because obviously we understand the financial commitment to do so. Then when they don't want to do that we go to mediation if we have to at Fair Trading, and eventually we've gotten orders where it makes them do it. So, in strata-

**Chris Bates:** Could you force them to sell the house?

**Reena Van Aalst:** We can if they don't pay their levies. Usually we've had a few bankruptcies, but usually what I find at the last minute they get the money. We haven't had to actually bankrupt anyone, it's gotten very close. We've been in the federal court bankruptcy proceedings and it costs a lot of money because you're in that jurisdiction, but unfortunately I think people don't really understand levies and the whole thing, and they may fall into financial hardship, I don't know. Sometimes people just don't want to pay, they don't see value in levies and so, unfortunately-

**Chris Bates:** Well that's right. If the benefit's not so much benefiting them but it's benefiting the building and it's benefiting other neighbours more than them-

**Reena Van Aalst:** That's exactly right.

**Chris Bates:** ... they say, "Well what am I getting?"

**Reena Van Aalst:** That's exactly the words they use, "What am I getting out of this? I pay all these levies and what do I get?"

**Veronica Morgan:** It's really funny, isn't it, because I heard this ... I think Amanda said this in one of her episodes, or I think it was one that she was with you, about you're buying into a democracy. Maybe you said it. I'd never heard that before, and I thought, "Wow, that is so true, isn't it?" In fact, a lot of buyers say to me, "I don't want to buy into strata because I don't want to have other people having a say over what I can and can't do." I think if you know that going in, and that's probably a good person not to buy into strata, but for those that are buying unwittingly, just they don't know what they don't know, I think that's important. They really need to understand, they've got to play their part. They got to toe the line.

**Reena Van Aalst:** Well, the Act requires the owner's corporation to maintain and repair common properties. So it's a statutory effect in the legislation that makes the owners corporation do so. So we've had instances just recently were at an apartment,

## YSP Podcast Transcript: Episode 135. Reena delivers the truth about strata living

there was a leak from the roof membrane above, and what had happened, the membrane had been repaired by the owners corporation at a great expense, but then there was a contractor whom I think put some anchor points or did something, and they'd pierced the membrane. This resulted in water penetration to this apartment, and unfortunately, the previous managing agent just didn't attend to it. This owner then had to vacate her tenant, she was living in the country, she was having to come down to Sydney and travel expenses, accommodation expenses. Nearly \$50,000 later, was suing the owners corporation and basically, the owner's corporation had to settle, had to pay her.

**Reena Van Aalst:** Because you have to repair and maintain common property, and if someone suffers loss and damage as a result of that negligence of the owners corporation to do so. Then now the avenues of recovery are much stronger now than they were even in the previous legislation. So consequential damage for example to your furniture, let's say there's a leak. Before that, they'd say, "Well you've got to pay for that now," no, it's a consequence of you not fixing that membrane.

**Veronica Morgan:** I think the important thing to note there is that the roof is common property. It's not just belonging to the penthouse. It actually is the roof for the entire building, and if the penthouse leaks, ultimately the next one down is going to leak, and so on in the building. I guess the bottom, the ground floor apartment is going to be saying, "I don't want to spend money on that because this doesn't affect me."

**Reena Van Aalst:** Yes, or, "I don't use the lift so why do I have to pay towards lift maintenance, I'm on the ground floor?" for example, your entitlement.

**Veronica Morgan:** Although, isn't that factored into the unit entitlement?

**Reena Van Aalst:** Yes, so the value of the lot at registration of the strata plan is valued and is ascertained at that point. So you need a flexi value reflects the value. So the value is market value, not square meterage, so you might have a tiny apartment at the top with views, it may be the same entitlement as the ground floor apartment with 3 bedrooms, for example. So it's based on market value, so yes, the unit entitlement is still less, but you're contributing towards something that in your mind you don't use. Whereas living in strata, it's communal living and you've got to share expenses, sometimes you pay more for this, less for that, but it's all swings and roundabouts, really.

**Chris Bates:** I guess when you're buying into these buildings and as an investor let's say, and a strata management company is managing it, aren't you at the mercy of how good they are?

**Reena Van Aalst:** To a large extent, you are, and unfortunately sometimes we've had to resign from buildings when they don't actually fulfil their statutory duties or they're trying to do things outside the law. Because as an agent, you're also liable. If the owners corporations get sued, you could also be sued as an agent. We try and make sure that we document everything in writing, we tell people, "You've got to repair this, this owner's been coming. You've got to raise a special levy, we don't have enough funds. But unfortunately, you've got 3 quotes now, they're all in this magnitude." We have to have a general meeting, we have to raise a special levy if we don't have the funds because unfortunately, that owner can then take action against the owners corporation.

**Reena Van Aalst:** Some buildings just don't want to spend any money, and they're fighting and they're ... I've got one particular development which is a small one. It's all about a work, health, and safety report which had been approved at the AGM but they don't remember approving it, and one particular person doesn't want to have it. "We should be exempt, this is not commercial," and I said, "No, it's about your common law duties in terms of mitigating the insurer's risk because obviously, there's something that affects their risk and we were not attending to it as an owners corporation, they can limit their liability towards contributing to any payout if there's an insurance claim," and people have actually died.

I had someone in Queensland, not in a building that we used to manage, but our company used to manage. Basically, I think someone had put wooden planks over a hole that they were still working on, and she fell in and she actually died. So again, you can imagine what's going to happen when ... So, unfortunately, the ramifications of work, health, and safety, and for contractors coming to do work on the common property, that is their workplace. We have to make sure it's safe like we would in any of our offices, make sure our workplace is safe for our employees or for contractors, the owners corporation has to make sure that the

YSP Podcast Transcript: Episode 135. Reena delivers the truth about strata living

common property that the contractors are coming to do work on is safe. Even though they have their own insurance, that doesn't limit the liability of the owners corporation.

**Veronica Morgan:** So if you've got a situation where you've got owners that are reticent or resistant to spending money to maintain the building, or do or follow through with these compliance measures that they need to do, you will resign?

**Reena Van Aalst:** Yes, definitely. If that building puts us at risk, then there's-

**Chris Bates:** 100%.

**Reena Van Aalst:** ... no amount of money that's going to be worth it. Especially when you know like ... you can see the writing on the wall sometimes, and you think, "It's not worth it." You don't want to be associated with these types of buildings, you don't want to manage people that don't want to look after their investments.

**Chris Bates:** Exactly.

**Veronica Morgan:** You don't want to buy into them either.

**Reena Van Aalst:** No, exactly.

**Veronica Morgan:** What other signs do you think a buyer can see? I mean, I've got my own ideas on this, but I'd love to hear from you. What are the signs that a buyer can look for when they're actually going to a building to inspect an apartment?

**Reena Van Aalst:** I think they should probably look at the last few AGM minutes, not just-

**Veronica Morgan:** Before they even get to the strata report, do you think that there are giveaways at the property itself?

**Reena Van Aalst:** Yes, I think so. You can see if a building is tired, if it's dirty if there's paint coming off. Sometimes you can get a general feel of a building that's neglected, versus one that's well-maintained. I've been in some buildings, in the foyer and you walk in, it's just ... it may not be brand new, but it's clean, it's gleaming. You can see there are signs in the lift about people putting rubbish, so you can see that someone cares, there's a care factor there.

**Chris Bates:** Yes, that's a good point.

**Reena Van Aalst:** Whereas sometimes in some buildings, you walk in there and you just feel like dust in the corner. Obviously, the cleaner hasn't got to it or a light's not working. It may have just happened that weekend, but you don't know. Sometimes a light could be out for 2 or 3 weeks and the committee's saying, "Well, that electrician's cheaper than that one," and I'm thinking, "This is urgent. Like if someone falls over because it's dark after hours, we need to get this fixed."

**Veronica Morgan:** I think Chris earlier was alluding to this idea that there's, obviously there's a lot of buildings out there where you've either had a lot of ... I don't want to disparage against elderly people, but often when there's a lot of pensioners, they don't have a lot of spare cash, right?

**Reena Van Aalst:** Yes.

**Veronica Morgan:** So they're not going to be voting for special levies or increasing this capital works fund.

**Reena Van Aalst:** That's exactly right.

**Veronica Morgan:** Then if you've got buildings where a lot of elderly people and a lot of investors have owned, and not a lot of younger or working owner-occupiers, so there's often that lack of attention to this ongoing investing in the building.

YSP Podcast Transcript: Episode 135. Reena delivers the truth about strata living

**Reena Van Aalst:** It's funny. Actually, I manage a building in Randwick that's actually got that composition of owners and investors as you're referring to Veronica, and unfortunately, thank God the chairperson, he was one of the younger person who's working, has said that ... when I took them over, they had like \$1,000 in their trust account a \$1,000. They were paying their insurance off by instalments, and they had to get a loan through the insurance broker to pay their insurance premium, and that's how bad it was. I said to them, "Sorry, but this cannot continue." I did a whole budget, I went line by line, I went through every single contract, I explained every single figure and how it was calculated. So people understood, and once they understood, then her and I were able to then impart that to all the owners.

Some were obviously reluctant because they said, "Well, you know," they're asset rich and cash poor, unfortunately, because as people get older they don't have the liquid assets. But they also understood that their asset, and in some cases, a lot of owners had water penetration through the balconies, and some of these pensioners were affected. In a sense, when it comes to their thing, they could say, "Well maybe I need to ..."

Veronica Morgan: All of a sudden they're motivated.

**Reena Van Aalst:** Yes, exactly. So, unfortunately, sometimes you need those types of experiences where people are suffering themselves, for water or any other damage, to get them motivated to try and raise levy. So now the levy's been up like, let me tell you, it went up threefold.

**Veronica Morgan:** Well you have to, yes.

**Reena Van Aalst:** Huge, and again, someone was trying to keep them low, even made disparaging remarks about myself and the chairperson in an effort to try and reduce them. Finally, we were able to explain, again, every line item, what works-

**Chris Bates:** Money's not getting spent, it's only going to the kitty and the kitty's going to be used for the building.

**Reena Van Aalst:** Yes, but we have money that we need to spend, there is water penetration-

**Chris Bates:** Yes, it's not really lost.

**Reena Van Aalst:** ... into garages, into apartments, I mean, water is horrible. It's mold, damp, especially with this recent rain we've had, worst.

**Veronica Morgan:** Water is the worst thing in a building.

**Reena Van Aalst:** Exactly, and it can cause-

**Veronica Morgan:** Long-term damage.

**Reena Van Aalst:** Long-term damage, because it can cause concrete cancer.

**Veronica Morgan:** Yes, and that's the worst thing that you really want in a building, because the cost of getting into that and chasing it into the floors of every single apartment, it's a nightmare.

**Reena Van Aalst:** Exactly.

**Veronica Morgan:** But I often think, I look at these buildings and I think, "Sometimes they're opportunities for new people to get in," and you can see that there's going to be a change of the guard. So there is a great opportunity to buy in, as long as you get that apartment cheap enough because you are paying for the sins of the fathers, in the sense that the previous owners have got away scot-free. They have sold out, and they've never really paid appropriate levies, and so if you buy into a building like that in a boom, you're probably going to be overpaying. If you buy into a building like that now, when it's harder to sell stuff like that, it could

YSP Podcast Transcript: Episode 135. Reena delivers the truth about strata living

be a real opportunity if you can see that, "You know what? I think someone else has recently bought," in particular, if you look and say, "Okay. For the last 5 years, there's a couple of new owners in that building, and I buy in, I'm going to bandy up with them. Hopefully, we'll lead a charge for change."

**Reena Van Aalst:** Yes, that's a great idea actually, that's good to know, Veronica. Yes, I wasn't aware, because obviously I'm on the other side of things, so I know when something is being sold. Not that whole sort of market type thing that you're referring to.

**Chris Bates:** Well, an interesting thing a client is doing at the moment, he's got a block of 6 units, he's got one other unit in the six in Dover Heights. He's got, out the front he's got a little yard, and out the back they're on the cliff. So they've all kind of come up with this little agreement, there's only 6 in the block, and they're all doing a trade. One's getting the front yard, one's splitting the backyard.

**Veronica Morgan:** I love that.

**Chris Bates:** One's getting the roof space, and then there's one person that doesn't really get much, but they're going to get cash.

**Reena Van Aalst:** That's a very... Yes.

**Veronica Morgan:** That's great.

**Chris Bates:** They're having to kind of talk to each other through it, and they're all kind of making deals, it's like dragging people in the hallway to make a deal here. That's the power of smaller developments.

**Reena Van Aalst:** Yes, exactly. Well, I live in a block of 6 apartments, and we did a similar thing many years ago. We actually live in a company title building, so there's another form of ownership.

Where the company actually owns the building, and you're just a shareholder that basically owns X amount of shares that allows you to live in this particular apartment and take carriage of this garage, et cetera. It's another form of-

**Veronica Morgan:** Love your terminology, it's so professional, carriage of, instead of just use the garage.

**Reena Van Aalst:** Yes, that's right. It's not really yours. You only have shared, remember?

**Veronica Morgan:** I love it, take carriage of.

**Reena Van Aalst:** It's like being a shareholder in Woolies, no it's not. Anyway-

**Veronica Morgan:** You don't get to use that shelf in Woolies though.

**Reena Van Aalst:** Exactly. That's right, exactly. You're lucky to get a discount. We decided many years ago that we would extend everyone's balconies out to the apartment of the building. So some people got a little bit of space, some of them got a lot of space, but unfortunately, you only go out. So we didn't give anyone cash because everyone got something. Some people got more than others, that's a great way, but I think for us, we had to obviously change into this. The shareholding stayed the same, but obviously, it's a different form of getting it over the line, because you obviously, with companies you're led by the Corporations Act and not asking another.

**Chris Bates:** You've seen lots of developments and lots of different builders, from ... you got the big, big names out there, lots of big buildings. You've got little developers that are doing maybe their first building. Maybe they've done 10. A lot of people say if you're buying a new building, you should always review the developer and make sure they're established to make sure they are a good builder. Does that really make a difference?

## YSP Podcast Transcript: Episode 135. Reena delivers the truth about strata living

**Reena Van Aalst:** It does to an extent, but all the big companies, whether it's Mirvac or Crown, or any of them, they actually use shelf companies for development. So they established another company, so you're not actually ... the head company is not the one that you're buying from, it's another shelf company that they actually established that you're buying from.

**Chris Bates:** Just in case it doesn't go well so they can close it?

**Reena Van Aalst:** Exactly. But obviously, the Act is now looking at bonds for developers, et cetera, so that's a new area of the law that's being put in to try and give owners some recourse in the event of defects, but more reputable developers and builders will always come back and they will always ... you'll obviously have to get a report, and there'll be a bit of argy-bargy, but overall, high-quality developments, usually minimal defects that are structural, because the structural ones are the ones that are costly, not cosmetic type ones. They'll usually come back, whereas some of these other builders that are new, it's all about getting it out there, getting it built in record time.

**Veronica Morgan:** Built and sold.

**Reena Van Aalst:** Exactly, and some people, what they've bought, it's cracks in slabs, there's water coming in everywhere. Like 800,000 900, I'm thinking, "My God. It's just so much money to pay," and then they're paying all these levies because in order to take the developer to court or the builder, you need lawyers, you need consultants, and even though this is occurring, you've still got to maintain the common properties. There was actually a legal case where someone said, "Okay, that's fine. You're doing that, but I'm getting water penetration, I need to fix my damage." How you deal with the developer and the builder is something that will happen eventually, but it can also affect your rights if you're fixing stuff they should have fixed. Is that-

**Chris Bates:** So would you prefer to manage an older 1960s, '70s building and 20 apartments, or a new 2005 100 apartments?

**Reena Van Aalst:** I think it varies, it depends on the people really. I find that I like working with people, and if you have a good committee and the people are committed to ... it's a harmonious building, well run, people look after the asset, they want to make sure they comply with the Act and all the right things. I don't care if it's 8 lots or 150, or 300, as long as people are ... Sometimes when there are defects, the newer buildings, it can be quite stressful because there's a lot of ... you're dealing with lawyers and of course you've got the levies are getting so much higher because you've got to pay for expert reports and lawyers. It's gets really hard I think on people and it can make people more frustrated and aggressive, more than they would normally be under normal circumstances.

**Veronica Morgan:** Yes. Under pressure.

**Reena Van Aalst:** Under pressure, yes.

**Veronica Morgan:** I would imagine that there's a lot of first home buyers buying into new buildings. Largely because governments keep pushing them in that direction, which I really wish the governments would stop doing, but that's yet another topic for another podcast. So you've got a lot of first home buyers who've scraped together every cent that they have in order to buy the place in the first place, where do they get the money for the special levies?

**Reena Van Aalst:** Well, that's the problem. I remember my building, we had a huge levy at one stage, and if you don't have 30,000 sitting in the bank, like that, yes, they have to, unfortunately, use credit card debt or borrow from someone. Sometimes the levies can be quite huge, and you're right, people have scraped through, or someone's just had a child, and they're just completely out of the workforce, and something happens. So I think yes, I can understand it'd be quite stressful when you weren't expecting that to happen, and it does happen. That's why, again, you come back to the strata search that you mentioned before on your recent video, Veronica, you've got to make sure you do research and understand what is the potential for a special levy? What is the potential for levies going up? This is something I should know about in this building, and maybe I can afford the next 1 or 2 years, but who knows if it triples or ...

Sometimes there is information there, and you see people complaining about stuff that's not fixed, you think, "Well, eventually it's

going to be done. What are people thinking about in cost?"

**Veronica Morgan:** Yes, have they made any inquiries or investigations into what's needed to be done and how much that might cost. I see that in strata reports where people are always whinging about stuff, no evidence there's been addressed in any way, and so it's just going to be a monstrous can of worms. But what about a new building, because there's none of that history?

**Reena Van Aalst:** Yes, exactly, and that's a problem too, because now developers have to provide a, what we call a maintenance schedule, so it's got to provide every single asset and how it's maintained and the cost of maintenance.

**Veronica Morgan:** So is that like the-

**Reena Van Aalst:** Capital fund forecast.

**Veronica Morgan:** Forecast, yes.

**Reena Van Aalst:** Yes, I remember you referred to that and you write about that, we'll talk about that in a moment. Yes, it's basically like a maintenance schedule of all the assets in the building and how it's going to be maintained and contracted, et cetera. So to an extent, it sort of is like the starting point of that, because whereas the capital fund forecast that you refer to in your recent LinkedIn video, talks about what you have to raise every year. Even though, yeah, you're right, it is impossible to have this, anyone can prepare it, not even a quantity surveyor at times, and you're right, some people get the cheapest report. I've had reports where it talks about things that aren't even in that building. Like one report talked about sail-shade awning. I'm thinking, "There's no sail-shade." So they use these-

**Veronica Morgan:** Talk about a template.

**Reena Van Aalst:** Exactly, a template, and you think, "Oh my God, how accurate is this?"

**Veronica Morgan:** It's like when I see a contract of sale, and then there's a swimming pool clause, and it probably doesn't have a swimming pool. You go, "The lawyer wasn't even ... didn't pay any attention to the clauses in this contract. They just pulled them out of a filing cabinet, sloughed them in, and that's it."

**Reena Van Aalst:** Exactly, that's right. You think about the fact that you're relying on this report to raise levies, and as an owner or a future investor in the property, you're relying that everything will hang on. So it can be quite dramatic.

**Veronica Morgan:** But that still doesn't take into account the idea that well, if it's been built badly, that stuff's not going to be flagged in that. You're not going to find that out until it starts raining, or until your pool on the roof starts leaking, or until somebody complains.

**Reena Van Aalst:** Yes, I mean that report assumes everything, as it was at the time of inspection, has a lifespan based on where it is in its lifecycle. Then, therefore, you can try and amortise the cost of the planting equipment and planting, et cetera, over ... well, a 10-year period is what the reports have to give out.

**Chris Bates:** I've got a client at the moment, just recently, and they came to me and I was like, "Well, we've got a building, it's a newer building and it's not overlooking quite a busy road," and not their forever house, they were a first home buyer. They bought into the building, and then he works in construction. So then he's like, "Well, I'm going to go on the strata." So he goes on the strata, and he just starts finding out problems with the building, and they keep finding more and more, and he's trying to do a real professional job on the strata, and everyone's saying, "Mate, we can't do it like this. We don't want to get this into the report because then if other people start hearing about it ..." It became this kind of, he's trying to do things by the book, and they're trying to keep things off the strata.

**Reena Van Aalst:** You'd be surprised at some buildings. Like let's say I go to a meeting and I do the minutes, and I'll say, "No,

YSP Podcast Transcript: Episode 135. Reena delivers the truth about strata living

take that out, take that out." Again, if someone's buying in, is it going to affect the values of our apartments? I think to myself, "Well, because we only have partial delegated authority under our agency agreement, so I'm not the full secretary. I only have partial ..."  
So the secretary tells me, "You've got to bend that." As long as it's not illegal, like taking something out is not as bad as restating a fact.

**Veronica Morgan:** Lying by omission.

**Reena Van Aalst:** Yes, exactly, and sometimes I'll just say to people, "Okay, if you want to do that, it's fine, but off our letterhead. You want to issue these minutes in this form, fine. Off our letterhead. You will issue them, we will say that you prepared these minutes, we haven't prepared them because when you know something's not right, you don't want to ..."

**Veronica Morgan:** So this is a tip for buyers. If you see the minutes and they're not on the letterhead of a strata manager, then ask why.

**Reena Van Aalst:** Yes. Sometimes they like to hold their own meetings, Veronica because they want to save money. So they don't want me to attend because obviously there's an hourly rate that we charge for attending meetings. So in one particular case, I'd just received some minutes, so it's interesting when I read minutes that other people have prepared, because when I train my staff to write minutes, I always tell them that, "You need to write minutes so that if you were in a meeting, would you understand what happened?" Because sometimes when you're in a meeting, you understand what you mean, because you were there. You understand the context, you understand what was said. But for a third party, if you're assisting a buyer Veronica and no one's ever seen ... you've never actually been to that building, then how would ... you're reading it with sort of ... to me it's not necessarily clear what they're trying to say. So this particular minute said, "We approve the quotation from the window company option one." What does that mean?

**Chris Bates:** It's the same for me for file names.

**Reena Van Aalst:** That was \$120,000 option one actually.

**Veronica Morgan:** Option one, yes.

**Reena Van Aalst:** 120.

**Veronica Morgan:** It is option one.

**Reena Van Aalst:** Yes, what does that mean? What is option one costing? Now they have their own meetings, but unfortunately, if I was a buyer reading this minutes, now I have the quote, so I'm going to say what is option one. Again, they only have 120 in their whole account, so again, I don't know how they're going to be paying option one when that's all they have in the bank.

**Veronica Morgan:** Wishful thinking once again.

**Reena Van Aalst:** Yes.

**Chris Bates:** That story that I was just explaining there. So once they kind of got everything that was wrong with the building, they went and got all the quotes. What you do is if you own that building and you want to get out, because you know long term it doesn't suit you, are you best to kind of usually wait until all the works are done? Are you just best to try to sell it on the market? For these guys, they were in their heart, they were thinking, "Well, we're going to be better to sell this once everything's fixed." But that was going to take years.

**Reena Van Aalst:** Yes, and also the amount you've got to put in in terms of levies. Again, obviously I'm not in real estate, as in the selling side of it, but how do you know what the market's going to be like by the time you want to sell?

YSP Podcast Transcript: Episode 135. Reena delivers the truth about strata living

**Chris Bates:** Yes, exactly.

**Reena Van Aalst:** Are you better off cutting your losses and running, or are you better to have some work starting, at least so that they could say, "Well hang on, they are doing some work." So then if one project is completed or being completed, it might give the building otherwise some confidence that this building does actually want to ...

**Chris Bates:** The end of that story is they did try to just sell it now with the strata report, with documents, high special levies, which is ... they basically painted a pretty bad picture of the building.

**Veronica Morgan:** How did it go?

**Chris Bates:** It needs all this work, and they sold on the open market to someone who never did the strata report.

**Veronica Morgan:** Wow.

**Reena Van Aalst:** There you go.

**Veronica Morgan:** I was about to say that, you can put it on the market, just hope you get one of those idiots, talk about a property dumbo.

**Chris Bates:** Yes, and so they were stressed about it. He did all the reports, he got all the quotes, they had planned for these big \$40,000 special levies.

**Reena Van Aalst:** I think it proves karma. Yes.

**Veronica Morgan:** I think that actually is a really nice story, they've done the right thing and some other idiot has not even taken advantage of it. You know?

**Reena Van Aalst:** But did they sell at the price that they wanted to? Because I know-

**Chris Bates:** They got even higher than they thought they were going to get.

**Veronica Morgan:** Wow.

**Reena Van Aalst:** Jeez, because I've got a building at the moment where there's a fire order, and unfortunately, this committee is not acting quickly enough. This woman was on the committee, and she said, "Reena, I've had enough. I'm going to sell this apartment, I don't care if I lose money, I just want to be out." So I think, "Well I hope she gets a good price." But your example sounds like a pretty good story.

**Chris Bates:** Serviced apartments, I've got a really horrible experience with those. Serviced apartments, very few investors buy, which is a good thing, but if they do buy them, the experience they get is horrendous generally. I guess sometimes people, if they're thinking about investing, they think they're a great investment because they promise guaranteed rent and things like that. Can you give us an example of how serviced apartments really work overall? Have you worked with them?

**Reena Van Aalst:** The only experience I've had was an enlarged building on Sussex Street, down sort of towards the upper bridge side of it. I remember there was a company, I think it was called The Oaks, and they end up sort of buying a lot of apartments from ... Sorry, renting apartments from owners, and obviously providing returns. But a lot of complaints were the residential owners because again, there was no consent and there was a whole big ... this is like 15 years ago this happened. But I don't really have much experience with those, the direct contact between the company and the owners. The part that I'm more involved in is the other residents who are owner-occupiers, and how they basically have to deal with this transient population, where people don't care and there are cases, hit the walls as they're leaving, or they don't recycle and they put rubbish in the wrong bins, or rubbish

overflow, or they have parties and things.

**Veronica Morgan:** Well, it's not the can of worms we could get into, because they do have the whole Airbnb thing.

**Reena Van Aalst:** Yes, exactly.

**Veronica Morgan:** Now you mentioned earlier about the capital works fund forecast, now it used to be known as the sinking fund forecast. I've been interested in this because in recent years, it was legislated that every building had to have one, and that was phased over some years, wasn't it?

**Reena Van Aalst:** Yes.

**Veronica Morgan:** It's also, as I understand, legislated that they need to get it updated every 5 years, correct?

**Reena Van Aalst:** That's correct.

**Veronica Morgan:** However, it's not legislated that they need to follow it.

**Reena Van Aalst:** That's exactly right, and that's a problem that we have because to me it's like a toothless tiger. There's no point having a report that you don't have to even stick to, or even look at. So I think what we try and tell our owners is that "Please use it as a guideline, even if you don't want to sort of raise exactly what it's saying." Sometimes things have to be brought forward. Like it might say, "Year 6 you've got to do some painting," but maybe actually year four that painting has to be done because it can't wait. Sometimes some things can be pushed out, obviously, it's an average of their life expectancy in terms of what the report says, but I also use it as a tool.

**Reena Van Aalst:** So let's say in this particular building, where we referred to where you have the older people, and the few young people and the forecast is saying, "We should raise 60," and I'm saying, "Let's raise 30 at least." So at least I use it as a tool to say, "Hang on, you don't even want to raise levies. The report's saying 60, you need to have a closing balance of X by financial year ending '19. I'm saying we need to at least raise 30."

**Chris Bates:** Keep going, yes.

**Reena Van Aalst:** Yes, so at least to me, even if they don't follow it, which I think is difficult, but at least if I can use it as a tool to say, "You're only raising half of what you should be, so you're really behind the eight ball, but at least it's something that I have that I can attest to that's done by a professional person, and it gives me some credibility when I'm trying to fight to have levies set at a reasonable rate depending on the needs of the building."

**Veronica Morgan:** But you're fighting for that.

**Reena Van Aalst:** Yes.

**Veronica Morgan:** I've met and dealt with a lot of strata managers in my time, and I don't meet many that are very proactive at all. They're very reactive. They often don't lead the owners corporation, they don't make suggestions, they don't ... and in fact, the building you're talking about in Dover Heights, where the 6 owners have got together ...

**Reena Van Aalst:** That's a great idea.

**Veronica Morgan:** There's a real value-add. Imagine if you had a strata manager that provided that sort of service, but I'd imagine it's not within the scope because they don't pay you enough to do that sort of thing. I often find with my clients, once they buy into a building, we'll often talk about, "Well, is this a really active owners corporation? Do they really seem on top of it? Or are they really not?" There's this big continuum, or they're sort of in the middle, and they're sort of a bit neither here nor there. But once they

## YSP Podcast Transcript: Episode 135. Reena delivers the truth about strata living

actually get into the building, they get to own the building, they actually get to meet the manager, they go to the meetings and all the rest of it. They start to get a real feeling for the quality or calibre of that managing agent. Now, how do they go through the process of trying to change agents?

**Reena Van Aalst:** Okay. Well under the new legislation now, a foreign agent can be appointed for X amount of years. There was no limit in legislation. Now the maximum is 3 years. So every strata management contract now can't exceed 3 years, and therefore you have to look at the current agency agreement and see how long you're in there for, and see, "Is it coming to its expiry?" That's really the only time that you can change, but if there is disputes or non-performance, then you can go through the dispute resolution clauses that are contained within the agency agreement. Now you can even go to the tribunal. The Act now allows for more action to be taken against strata managing agents for not complying with their obligations pursuant to their agency agreement.

But also people don't really understand as you were saying before Veronica, what is contained in the agency agreement? What am I being paid to do? What is then charged at an extra rate, because I just had a recent building that came to me and they said to me ... I gave them a quote, and they said, "You're more expensive than the other agent." I said, "Well, I understand that." I said, "But basically," I said, "If I look at 2 buildings side by side, I know what I will charge. Let's say they've both got 12 apartments, one roof.

One's highly tenanted and they don't maintain the building, the other one's got occupiers and they care and they report things, and repairs are attended to in a timely manner. Then I can charge you the same, what we call a base management fee to do certain things, but then anything outside of that," I said, "I'll be writing letters, issuing work orders for that building that's highly tenanted and has complaints, whereas with the other one that's running smooth, how can I charge you the same price? Just because you've got 12 apartments, that means nothing."

**Veronica Morgan:** Interesting.

**Reena Van Aalst:** Yes, so people don't really understand in terms of managing agents work and what we have to do. I actually have a client who I used to manage his building when I first started at my previous company in 2003. Anyway, so he was with us for a long time, then obviously he went to another manager and ended up leaving, but now he's become a strata manager. He said to me, "Oh my God Reena, I didn't realize I was such high maintenance." I said, "Yeah, you were." But they don't realize all the work that's involved, he goes, "Reena, I didn't even realize that you did all this." I said, "People don't understand, you only see the face of the manager at the meeting, and occasionally emails. But you don't really understand what's happening." Probably the same as property managers.

**Chris Bates:** Well I imagine there's always, in every profession, there's people who are great, there's people who are average, people who are good, and things like that. So I imagine the amazing ones are doing all these extra things, and I guess there's-  
**Reena Van Aalst:** There's not many in Strata unfortunately. It's not really a profession that's ... you're right about what you're saying Chris, but unfortunately in strata, because the barrier to entry has been quite low, it's really not sort of-

**Veronica Morgan:** I've got the same issue with buyer's agents.

**Chris Bates:** What is that they're learning here for buyer's is the ... if you have bought into a building and the strata's not really managing it in a way that's really getting the best result for the building, and don't be fearful about changing your strata manager.

**Reena Van Aalst:** Definitely not.

**Chris Bates:** Get the voice in there, get to the meetings, find some alternative options, be proactive.

**Reena Van Aalst:** Yes, and see what's happening. Yeah, and see, is it the manager, is it the committee? Maybe the manager's trying but the committee's sort of blocking every attempt. So yeah, come to the meetings as you can come to the meetings and you can listen, even though you're not on a strata committee, and come to a meeting as an owner and listen to what's happening.

Yes.

**Chris Bates:** But then you can apply to join, if you're an owner.

**Reena Van Aalst:** Yes, well only if there's ... at the AGM, that's where the election takes place for the committee, but if there's a vacancy, someone resigns or sells, and there's a vacancy, you can join. But the number is actually set at the beginning-

**Veronica Morgan:** Of a nine, right?

**Reena Van Aalst:** Nine, yes.

**Veronica Morgan:** Some buildings are like cartels.

**Reena Van Aalst:** Yes, oh my God!

**Veronica Morgan:** There are some buildings, and I can see that quite often in the strata report too.

**Reena Van Aalst:** I love that, cartel. It's exactly what happens.

**Veronica Morgan:** Yes, there was one property I looked at for a client some years ago in Darling Point, and it was really interesting because it was no money in the sinking fund. Yet they had a pool and they had a whole range, they had a lift, they had really expensive things that could go wrong. Then I looked back in history, and they had a history of raising special levies whenever they needed anything done, right? So they just did not want to put money and having it sitting there, they wanted it in their own bank accounts.

**Reena Van Aalst:** That's what they say to me often, "Why should I have it sitting there getting no interest when I could use the money and invest it elsewhere?"

**Veronica Morgan:** But the thing was that they had this ... they had barristers and SCs, and seriously influential and-

**Reena Van Aalst:** Everyone wants to be in charge.

**Veronica Morgan:** Yes.

**Reena Van Aalst:** They all know more than you.

**Veronica Morgan:** This one was classic, because what they did, so they put solar heating in for the pool, and it was basically they ... a couple of people just decided they were doing it, they voted it in and then just slapped a special levy on everyone. Everyone was forced because a few people decided they needed solar heating. That was the culture of that building, and I said to my client, "You know what? Yeah sure, stuff gets done. Sure, your levies are low. That's why your levies are low. You get whacked with special levies whenever someone else decides they want to do something from their agenda, not yours. Don't buy into that building."

**Reena Van Aalst:** Exactly, because especially if you're not in that intellectual league of that building, they'll definitely have a go at you, which happens. I think also in my more prestige buildings, I find that obviously people are very insistent upon their own lives and their own professions, and they run the building as if they're the CEO of the building. It's like, "No, no. We're not your employees." It's a democratic process to an extent.

**Chris Bates:** Every week we hear incredible stories of the dumb things property buyers do, dumb things that end up costing them a whole lot of money, and/or creating a whole lot of stress, mistakes that can be avoided. Please, Amanda, help our listeners out here. Give us an example of a property dumbo. We can all learn what not to do from these stories.

YSP Podcast Transcript: Episode 135. Reena delivers the truth about strata living

**Reena Van Aalst:** Yes, so I've got actually two examples. One was someone that actually bought into an apartment building, and they actually had a pet, and they didn't realize in the bylaws, you couldn't have a pet. So this person, this is quite a strong building in terms of cartel, as you were mentioning, they tried to then get a by-law put on the next AGM, which they did [inaudible 00:54:40]. That got squashed. That person who had bought this really expensive apartment had to end up basically renting it out because it would not entertain having a pet there. Another one I had last year-

**Chris Bates:** Just while you're there, that's happened exactly the same thing to a client of mine.

**Reena Van Aalst:** There you go.

**Chris Bates:** Fortunately, they approved the dog. It was just a little dog, and they went through so much pain and stress, but they finally got approved. They had just spent \$900,000 on the apartment, and so it was too late. Couldn't do anything. Luckily, they got the result, the dog's there, they're happy.

**Reena Van Aalst:** No, no, this building.

**Chris Bates:** But this person has it.

**Reena Van Aalst:** Oh my God.

**Veronica Morgan:** They're renting it out, so they've bought their home, but it's not their home because their dog's more important.

**Reena Van Aalst:** Also, they've got CCTV cameras everywhere, they can see that this person ... it's a dog, I can tell you, it's like-

**Chris Bates:** As an animal lover and a pet lover, that's ridiculous. The building should allow pets, but anyway.

**Reena Van Aalst:** A lot of people said at the meeting when that was being contested, they said, "Well, you know," a lot of people said, "We bought into this building because you couldn't have pets, that's why I bought in. So if you're going to change this, then I don't want to ..." So again, you have this conflict of needs by different types of ... the elderly people didn't want dogs, younger people wanted the dogs.

**Veronica Morgan:** So that buyer, did they do a strata report?

**Reena Van Aalst:** Well I don't know, I don't recall them doing one, so I can't say. Another example I have was where someone did a report, but they actually relied on ... Sorry, they didn't do a report themselves, they relied on the vendor's report. Again I thought, "Why would you do that?" That's another story, and so, after she'd purchased a property, she rang me and said, "Well, why are the levies still high? I know there's a fire order, but you've already raised the levy, they're already high." I said, "No, if you look at the AGM minutes," I don't know if she'd had or someone had explained them to her, or the searcher had actually put it in the report, but those levies were continuing for another three quarters at that high rate.

She said to me, "But if I had known this, I would have actually negotiated a better price with the vendor, because if I knew this levy was continuing at a high rate," she thought that it was just a one-off for the fire order. The unfortunate thing with the fire order is that the tenders that had been obtained were three years old. So they don't even have current pricing, so we're just raising levies on an estimate, so they could even be higher. So this woman's spending over \$2 million on the Lower North Shore, I don't think she even lives here. I think she liked it remotely. I don't think she lives in the country. I think she must have been ... I don't know whom she was using to facilitate her purchase but relied on the vendor's report. Actually, she gave me a copy of it. It was interesting because I never get to see them. The first time, I thought, "Oh," and then I realized that there were some errors in there, and I thought, "Oh." I wasn't going to say anything now, she's already done it, it's too late.

**Chris Bates:** So important just to make sure you know absolutely everything about the building, the history, the strata. Once you're in, you're in.

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**YSP Podcast Transcript: Episode 135. Reena delivers the truth about strata living**

**Reena Van Aalst:** Yes, that's right, and it's expensive to get out. Unless you have a good story, like your friend that got out with getting more than he thought he'd get.

**Veronica Morgan:** Well, that's relying on luck.

**Chris Bates:** That is luck.

**Veronica Morgan:** Likewise, those people that buy into strata without doing their due diligence, they're also relying on luck. There's just not enough luck going around, so I wouldn't rely on luck.

**Chris Bates:** No.

**Reena Van Aalst:** No. Definitely not.

**Veronica Morgan:** Dismissed. No, no. Please ignore that story. Thank you so much for coming in Reena. This has been so informative, and as we find in so many of our episodes when we do interview people that are experts in their field, you just lift the veil and really just give us an inside peek. It is a peek because we could have a podcast on about five different topics that we've even just touched on today. Thank you so much, I'm sure that the listeners will really get a lot out of it, and I'd love to get you back at a future time, we'll pick a topic and we'll deep-dive. Would you be up for that?

**Reena Van Aalst:** That would be fantastic, and thank you for having me. It's been a pleasure.

**Chris Bates:** Super. It was great. Appreciate it. Thanks.

**Reena Van Aalst:** Thank you.

**Outro:** Thank you for listening to Your Strata Property, the podcast which consistently delivers to property owners reliable and accurate information about their strata property. You can access all the information below this episode via the show notes at [www.yourstrataproperty.com.au](http://www.yourstrataproperty.com.au). You can also ask questions in the comment section, which Amanda will answer in her upcoming episodes. How can Amanda help you today?



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