

Publication Date: 29 November 2016

YSP Podcast Transcript: Episode 038. Why it is Vital for Strata Owners to Add Value to their Building - with Gordon Streight (relevant to all jurisdictions)

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Amanda Farmer: Hello and welcome. I'm Amanda Farmer and this is Your Strata Property. Today, I have the pleasure of introducing you to Gordon Streight. Gordon is an ice hockey playing engineer from Canada. He spends his working hours in his digital marketing and software company, specialising in the jewellery industry.

He says that he likes to build stuff, can code HTML, invests in property, plays with technology and loves adventure travel. Gordon has lived in strata for 16 years. Gordon is currently the chairman of 3 strata buildings, secretary of 2 and a strata representative to the country's largest community title scheme. Gordon's recently launched consultancy can be found at www.strata-worx.com.au. Today, I am delighted to welcome this incredibly experienced strata stakeholder, Gordon Streight. Welcome, Gordon.

Gordon Streight: Amanda, thank you. It's a pleasure to be here and to share some stories with your listeners.

Amanda Farmer: Absolute pleasure to have you, Gordon. Now, for the listeners, Gordon and I were chatting at a strata event some months ago now and Gordon had a very interesting view on how strata owners can add value to their common property within their strata scheme and since then I have been very eager to have Gordon come on the show and share his insights with all of us and it's taken us a little bit of time to coordinate schedules, with Gordon having so much that demands his attention as you all just heard, but we have finally managed to make it here and we are absolutely going to make the most of it.

So, Gordon, I'm going to start by asking you to tell us why is it so important that strata owners learn how to add value to their buildings?

Gordon Streight: One of the really interesting things that I've learned after being involved with strata now almost 20 years is that many buildings just do the bare minimum to maintain their buildings. It's something that is required – the Act requires that owners corporations maintain the buildings – but there's so much more that can be done to improve the building from an aesthetic point of view, operational point of view, from a cost saving point of view that actually improves the quality of the building and the value of the building.

I guess I come from it from an investor perspective. I live in strata as you've mentioned but I also invest in strata and other properties and having a look at what can be done with strata buildings over and above what the developer has left the committees with and the owners corporation with, is quite significant.

If you have a look at the Strata Schemes Management Act, there's really only 6 words in there that tell you what you need to do, the rest of the Act is how to do it and how to implement it and the controls around that but in the current Act, Section 62 has 6 words, it says: maintain and repair the common property.

Amanda Farmer: Yes.

Gordon Streight: That's all owners corporation need to do. In the new Act, it's Section 106 and it essentially says the same thing. So that's the bare minimum that owners have to do to their buildings and as I travel around – and I'm looking at property all the time, I'm always in property mode and I'm always looking at property regularly – and I see buildings that do repair, maintain and that's all. I see lots of buildings that don't get anywhere close to repairing and maintaining their buildings and so they're really at a disadvantage in the marketplace. I've spent my life in marketing and sales and development of buildings of businesses and various products, helped bring an American franchise system into Australia many years ago and we opened 70 stores around the country...



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So that was selling a new idea, a new product into the marketplace that was quite significant, and it taught me a lot about how to position products and if you look at strata buildings, they're really just a product in the marketplace.

Gordon Streight: A potential tenant has lots of choice. They can look at your building, the one across the road, the one down the street, the one in the next suburb as a place to live.

Now, in our current market, the market's very hot, vacancies are very low, finding a place to live is a real challenge and I understand that but that's part of a cycle of tenancy rentals.

The market will change and then it will become then difficult to find tenants or more difficult than it is at the moment. So a tenant has the choice of where they live, based on the amenity of the building and what it looks like and how nice it is or how inexpensive it is or not, whether it's close to schools and shops and transport, all the things that we look at when we decide on where to live.

So they have the choice of buying into your building or another building and having a better-looking building, a better-maintained building, better facilities, better services, lower cost structure, makes it better to become a tenant in your building as opposed to someone else.

Amanda Farmer: You just listed there Gordon a series of things that owners and buildings can be doing to add value to their building. Can we dig down into those a little bit deeper and share with our listeners how they can focus on those things and how they can in practical ways add value to their buildings?

Gordon Streight: Sure. Yes, there's a number of ways. I'll break this down into perhaps 4 broad groups of activities; things that are simpler to do that improve the presentation and the appearance of a building. There are some easy upgrades, there are some bigger projects and then there are some serious major projects that buildings can undertake. So I might just use some of my notes here just to list some of those.

Amanda Farmer: Yes, go for it.

Gordon Streight: Because there are lots of possibilities. The simplest thing is just in appearance and presentation of the building. So the building needs to be spotless so: good cleaning; little things like fixing dents in the walls – there shouldn't be dents in the walls -; repaint common areas – over time they get scuffed and marked, keep those nice and fresh -; make sure that your infrastructure works, every building has a variety of infrastructure behind the scenes that keeps it functioning, that just needs to work, that's just a given.

Things like squeaky hinges, oil hinges and squeaky doors: if things are squeaky then fix them, because all of those detract from the presentation of the building.

Amanda Farmer: It's simple stuff but important, isn't it?

Gordon Streight: It is. Keep the weeds out of the garden: if I'm coming to look at your building and your garden looks pretty ordinary then it's a detracting feature.

Amanda Farmer: So true.

Gordon Streight: Make sure the front door looks fabulous, that might be a coat of paint... front doors get damaged over time so fix those sorts of things. Some of the easy upgrades are to change some of the lighting in the building, lighting in foyers and lighting outside the building, make sure that all the bulbs work and not just some of them.

Amanda Farmer: And that's a real area that I find for buildings to save money these days, for looking at their lighting, whether the

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lights are working properly, do we want to use LED lights and there's considerable amounts of money to save on your electricity bills just by having that audited, having someone who knows what they are talking about coming in and giving you some suggestions, not only do you look better but you're going to save some money too.

Gordon Streight: Yes, absolutely. Energy savings in buildings is a huge area, I won't go through in a lot in detail now but there are lots on the web in various forms to help buildings with that, certainly energy efficiency and energy reduction is a really big part of adding value to a building because that's an immediate bottom line savings and that certainly adds to the value for the investors and the owners to keep their costs down. Some of the other things are to: introduce recycling in the building, there are opportunities to add recycling capabilities; night lights in the garden, make your garden make a real statement; some of the bigger projects – and again, it just depends on the building and the size of the building – but add an art collection.

Amanda Farmer: Oh, I love that.

Gordon Streight: One of our buildings we've now got about 60 paintings hanging on the walls, so it's transformed the feel of long corridors in apartments.

Amanda Farmer: Yes, it would.

Gordon Streight: We are about halfway through that project so I think we'll have about 150 paintings by the time we're finished.

Amanda Farmer: Beautiful.

Gordon Streight: It just makes the building so much more interesting internally. Interestingly, we had to move one of the paintings recently and someone complained to the building manager that "they've taken my painting!" so a sense of ownership has resulted from having art there.

Amanda Farmer: Yes.

Gordon Streight: Add bicycle storage: in many buildings, developers have typically not left lots of spare space in buildings so finding space for other things is a real challenge but where you can perhaps add some bicycle storage if that's important to the demographic that live in your building in where you're located.

Another really interesting aspect is moving mailboxes inside the building. Mail theft and mail fraud are just an enormous problem.

Amanda Farmer: Yes.

Gordon Streight: I'm part of a working group outside that is looking at how to improve mail security in this state and there's a big announcement coming out over the next few weeks about that. So move the mailboxes inside so that there isn't the ability for people to steal mail. Developers typically leave mailboxes outside with common keys so it's very easy for someone to break in.

Amanda Farmer: Yes.

Gordon Streight: It's very easy to get the key to open all the mailboxes and people are just sitting ducks in a sense so, if possible, move them inside. We've done that in a couple of buildings. Australia Post has been very, very cooperative and helpful in that process, I've been quite surprised, and it just makes the building that much easier for mail. Also, it eliminates all the junk mail that people just leave outside their mailbox at the front door.

Amanda Farmer: Yes.

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Gordon Streight: So improved security, improved appearance and we get rid all of the mess at the front door.

Amanda Farmer: I can really see here Gordon the distinction between what you were talking about earlier with repairs and maintenance and our statutory obligations to deal with those things, and actually improving our buildings, adding value, improving appearance, aesthetics, our experience of living in our building. It's a different way of looking at how we live in our buildings. We can get so caught up in repair and maintenance and we're just not talking about these things, I'm sitting here and saying "yes, wow, that sounds great, let's do that" but very rarely do I sit and talk to strata owners about these things, I'm talking about their building defects, and having to upgrade so that we can cater for different types of use and more the reactive rather than the proactive, so I really love these productive ideas.

Gordon Streight: Yes, the reactive is important, the repair and maintain is vital.

Amanda Farmer: Yes.

Gordon Streight: But the other just gives this opportunity to make buildings better, make them more livable, more enjoyable, make them more desirable and make them the building of choice in the suburb if you like, and some are really quite simple, quite basic, but they can extend to very, very significant things as well. I know rooftops now in buildings are becoming quite a thing, both residentially but also commercially, rooftop bars and restaurants are popping up all over the place, that rooftop space has now become a really significant value-add in buildings. I know apartment buildings who have taken advantage of that and converted the top of their building to use for residents and it has had a huge impact.

Amanda Farmer: Great.

Gordon Streight: Yes, there are some serious costs: it means extending lifts and safety rails around the edge of the perimeter of the building and protecting the surface of the roof, all those sorts of things – I know one building that spent almost 4 million dollars doing this, but what this has done is it just transformed the building, the views are to die for and they even have taken the step of selling tickets to the rooftop for New Year's Eve.

Amanda Farmer: Oh, fantastic.

Gordon Streight: So lots and lots of value-adding, and I have been up there a couple of times and it is just amazing.

Amanda Farmer: Yes and I think what buildings who are involved in that kind of project bear in mind, of course, is that where they are subdividing their common property and creating new lots, then those lots are going to be sold and obviously that's where you're raising the money to do this kind of work and often coming out ahead.

Gordon Streight: Yes, certainly, certainly. A lot of the projects do involve money and money comes back to owners' willingness to invest in their building. I think everybody thinks of levies as just a cost, but yes it's a cost to maintain, but then money is put into development of new facilities and new capabilities, they are an investment in the value of the building.

Some of the things that add value are very quantifiable, such as energy savings. You put in energy saving lights in fire stairs and car parks, you can measure the cost, you can measure the savings and determine payback periods.

Lots of these projects that I'm talking about are not quite so quantifiable: adding a rooftop facility to your building can cost you 3 to 4 million dollars but who knows what it really adds to the value except down the track when the apartments start to resold in relation to what's happening in the marketplace.

So sometimes it's not easy to quantify, sometimes it's just convenient, sometimes there's direct savings in the maintenance aspect of the building. We've installed building management systems in buildings that allow us to identify equipment usage and on some

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of those projects, instead of the well understood quarterly service, we find that we only need 6 monthly service because the equipment isn't being used as much as everybody thinks it is and so we've cut out half of the service cost.

Amanda Farmer: Great.

Gordon Streight: So some of those things are very quantifiable, others are not. One of the challenges with this is that you're working with a group of people to come up with a common vision to do a common project and getting buy-in is really, really important.

Amanda Farmer: Yes.

Gordon Streight: And that starts at the very beginning at the ideas stage, not at the final design stage. You need to bring people along with you, make sure that they're comfortable with it, they understand the parameters. It might take a couple of years to put some of these projects together: I've been working on a project in a building and we are now up to 10 years and we are still not quite ready to launch it, just because it is big.

Amanda Farmer: Wow.

Gordon Streight: And so those are some of the things that are interesting to do in strata because it really does change the value of buildings and as an investor, I'm interested in the bottom line, I want to get more rent and more value when I sell. So how do we do that? These incremental small, medium, large and huge projects to add value to the building.

Amanda Farmer: Okay, now we talked a little bit about challenges Gordon. Are there any other challenges that, in your experience adding value to buildings, you've noticed owners or committees or even strata managers face when they are involved in a value add project and what kind of things are we doing to overcome those challenges?

Gordon Streight: The biggest challenge that we've faced is acceptance from owners to spend money to do something.

Amanda Farmer: Yes.

Gordon Streight: Strata managers tend to be, in my experience, a little bit stand-off from it until they need to be specifically involved in things like motions and meetings and so forth.

Amanda Farmer: Just on that point, because it's an important one, sometimes owners think that it's their strata manager who is going to come to them and say "hey, you guys should do this, it will be great to have a rooftop, it will be great to do some energy saving in the building, here are all the ideas, here are the contractors who can help you, go ahead."

The strata manager is not going to do that generally, in my experience, 90% of the time. They are there for a different reason, so it is you as the owners, you as a committee, to push these projects yourselves and there are people obviously like yourself Gordon who can help you to do that, but it's not going to be your strata manager who is going to pushing that, they will then follow your instructions to do what it is you need them to do to help you, but they are not going to be coming to you generally with the idea in the first place.

Gordon Streight: That's very correct. Strata managers are there to manage the common property and the things that are associated with that and the rest of the building, not to improve or to instruct you to do things. That really does come back to the committee or other interested members in the investment community. They need to fund it. You really need a champion to make this happen.

Amanda Farmer: Yes.



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Gordon Streight: And you need sometimes longevity to make things happen, and strata being that 4th level of government that is talked about quite freely and the ability for committees to change annually, there's sometimes no longevity and so the continuity of making big projects carry through to fruition, when it does take a long time to develop it's sometimes quite difficult. One of the buildings I've been chairman for 15 years and so there is this ability to see things through long term. In that particular building, it took us 10 years to get the telecommunications towers back off of the developer.

Amanda Farmer: Yes.

Gordon Streight: So battles in court and all sort of things over 10 years and we finally got those contracts back so now the owners benefit from the income from that.

But where a committee changes annually or every couple of years, the continuity is a challenge. But certainly the biggest challenge is getting buy-in on owners and that's getting a common consensus on what could be done and what can be done and then working that through, led by some champions in the building.

Amanda Farmer: And to get that buy-in I suppose what you're doing is showing them what could be, what potential the building has and, if not necessarily a solely financial incentive, then I would think a lifestyle improvement, if these are for residents who are living in the building you want to come home to a place where you can relax, that you can enjoy, that you can entertain people and that you are proud of and I suppose that's really a big part of what you're selling when you are sitting down with owners trying to get that buy-in.

Gordon Streight: Yes, an apartment building is my home. In the house on a ¼ acre block, you have the ability to manage that totally in terms of what it looks like and how your friends feel when they come. In an apartment building, the foyer is your front door and you want to be proud that you can show off your home to friends and that's an important component.

You want to be proud that this is where you live and it's a nice place to live and your friends think this is right. When that doesn't happen, then it reduces the enjoyment that you have of living in that particular home, it happens to be shared with a whole range of people on multiple floors, but this is your home, and so viewing it from that perspective to add value to make that really nice is an important thing to do.

Amanda Farmer: Yes, absolutely. Okay, well we've probably excited many of our listeners here Gordon, they're sitting back listening to you saying "fabulous, that sounds great, that's what I want to do. I want to live in this place", what are your tips for those listeners who want to get started adding value to their building today? What can they do as a first step, some quick wins that they can get on board in this domain?

Gordon Streight: The first step is to identify the opportunity.

Amanda Farmer: Yes.

Gordon Streight: What is it that we think we can do to add value to the building, large or small? The next is to start the conversation in the building and that might with just the people you see in the lift. "Hey, have you thought about doing this in the building? We can do this" or "we have this problem, how do you think we can solve it? Here's my idea." and then start that conversation, explain that conversation amongst the residents in the building. The next stage... sometimes those residents will just be tenants, not necessarily owners, so you also need to engage the owners in the idea and it might be an owner's idea to start with but it also might be a tenant's idea to start with.

So you need to engage the owners in that conversation. Start the conversation in a variety of ways and I've seen buildings do it on Facebook, Twitter and notices under the door and notices inside the lift, all sorts of things and then start planning. There are a lot of online tools that help you in that planning process. Green Strata is one for case studies on how to do things.



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Amanda Farmer: That's Green Strata?

Gordon Streight: www.greenstrata.com.au

Amanda Farmer: Great.

Gordon Streight: The office of environment and heritage website has all sorts of ideas and tips on how to do it. www.wattblock.com.au is another website. There's another that doesn't come to mind at the moment that also has a guide on how to step through this process of implementing a project, right through from starting a conversation and then through to what the strata manager gets involved in, in terms of notice on meetings and agenda items and by-laws that might be appropriate, all the legislative end of some projects.

Some of these projects are just a budget item, some of them will serious legislative requirements that are involved as well, sometimes even planning approvals from council.

Amanda Farmer: Yes, that's an important one to bear in mind and that often adds time and certainly cost.

Gordon Streight: It does, yes, and you know an analysis of the financial opportunity and the cost and how it's funded. Funding is another big component of it. All of those things come into the project, but it really starts with identifying the opportunity and starting the conversation.

Amanda Farmer: And get a good bunch of people around you who can help you to drive that. I see a lot of committees nominate people then for sub-committees who then work on these projects and are committed to them for a period of time, you definitely need that team to get these kinds of projects moving.

Gordon Streight: Yes, yes and sub-committees can be formed ad hoc by the executive committee, just as you need to, and it doesn't have to be people on the executive committee – or as we now have to be calling it very shortly the strata committee in November.

Amanda Farmer: That's it. Yes.

Gordon Streight: It could be owners that are not on the committee, it could even be residents, it can even be people from outside the building. So sub-committees can be just a collection of people who want to make something happen, and I've formed those for variety of different purposes: designs and car park realignments, and storage cages and variety of things.

Amanda Farmer: Yes, fabulous.

Gordon Streight: So sub-committees are a great idea.

Amanda Farmer: Yes. Okay, Gordon. Here's the book question for you: what books have had the greatest impact on you and why?

Gordon Streight: I've had the pleasure of listening to some of the other podcasts and there is always this question about books at the end so I'm well prepared.

Amanda Farmer: Excellent.

Gordon Streight: There are 3 books I want to mention: 2 of them on health and 1 of them is on strata.

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Amanda Farmer: Okay.

Gordon Streight: A book that I came in contact with from my sister in Canada is called Grain Brain.

Amanda Farmer: Right.

Gordon Streight: This is by Dr David Perlmutter and the subheading is 'The surprising truth about Wheat, Carbs, and Sugar- Your Brain's Silent Killers'.

Amanda Farmer: Oh, gosh, I knew it'd be something scary.

Gordon Streight: It is fascinating. It has changed my diet.

Amanda Farmer: Oh, wow.

Gordon Streight: Absolutely changed my diet. Things got pushed out of the diet, things got added and over 2 years I feel better, enormously better as a result of it.

Amanda Farmer: Fabulous.

Gordon Streight: So that's one. The other is really interesting and it's been out now for several years, a book called The Brain That Changes Itself.

Amanda Farmer: Yes, I have heard of this one. Yes.

Gordon Streight: By Dr Norman Doidge.

The plasticity of the brain is something that he in a sense pioneered, where once upon a time we thought the brain which was damaged, that is irreversible. Now there are all sorts of things that are being done with people who have damaged brains, and a case in point for me – not a damaged brain – but my wife and I like to have porridge in the winter time and I stir it with my right hand – I'm right-handed so I stir it with my right hand – in the pot stirring, stirring, stirring. I decided about 12 months ago I'm going to stir it with my left hand.

Amanda Farmer: Yes.

Gordon Streight: At first it was really hard. It was really awkward, it just didn't work. 12 months later, I'm not quite as good as my right hand but almost.

Amanda Farmer: Isn't that fascinating?

Gordon Streight: I was just teaching my brain to do something different than my left hand would not normally do.

Amanda Farmer: Yes.

Gordon Streight: And so now, I try and force my body to do things that it wouldn't normally do, a different way of doing something.

So I've tried to hammer nails with my left hand.

Amanda Farmer: Oh, gosh. Don't do that.

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Gordon Streight: That doesn't work. The other is a book that was mentioned by one of your previous invitees, that's the New South Wales Strata and Community Schemes Management & The Law by Alex Ilkin.

Amanda Farmer: Yes, I think that was Sean McNamara who mentioned that one, another committee member, yes.

Gordon Streight: Yes, and I think Alex is going to have to rewrite that or amend it now.

Amanda Farmer: I think Alex is going to have to come on the show is what Alex is going to have to do.

Gordon Streight: I think so. I think so. Yes, that's a book that is valuable.

Amanda Farmer: Yes.

Gordon Streight: I'm not a lawyer, I'm certainly not a strata lawyer.

But he explains the implications of the Strata Schemes Management Act, the whole thing in language that lay-people like myself can understand at a committee meeting when something contentious comes up.

We can refer to that, and I've referred to that several times, in fact, some meetings I've taken it and put it on the desk just to say that we know what we're talking about.

Amanda Farmer: Good idea. I like that.

Gordon Streight: Just have it visible there.

Amanda Farmer: That's a very lawyer-like move. It's like barristers turning up to court with trolleys and trolleys of folders and being very intimidating, I like that.

Gordon Streight: Ah, so that's why all the trolleys!

Amanda Farmer: That's what the trolleys are for, there's nothing in the folders.

Gordon Streight: So those are the 3 books, 2 that have influenced me personally and 1 that I have found very valuable in the context of the strata world.

Amanda Farmer: Lovely. Thank you so much for sharing those with us, Gordon. I'll make sure that we have links to those in the show notes so our listeners can find out where to get their hands on those books too.

Now, before we wrap up Gordon, how do the listeners find out more about you and is there anything you'd like to add before we say goodbye?

Gordon Streight: I don't think there is anything more I'd like to add but it's been a delight to share some of my knowledge and experience with you and your listeners. The best place to contact me is at www.strata-worx.com.au.

Amanda Farmer: Great and we will make sure that there is a link to your website there in the show notes as well, I'm really excited to be checking out what you are doing there with Strata Worx and that consultancy because I have seen you over the years and how you've added value to the buildings that you've been involved with and I think it's fantastic that you are now taking that out, sharing the message and sharing your expertise, so good on you.



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Gordon Streight: Thank you very much.

Amanda Farmer: Thanks, Gordon.

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