

**Publication Date: 3 March 2021**

## **YSP Podcast Transcript: Episode 254. How to add value to your strata investment**

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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 am your podcast host, Amanda Farmer, and today I am bringing you one of the most popular interviews from our 2020 Shared Space Summit. I'll tell you a little bit more about this interview in a minute but in case you missed it, the Summit was an online event I hosted in September last year. The first of its kind in the world - bringing to your computer screen this 9 world leading experts on community, property, and law.

Well, over a thousand people registered to attend Shared Space 2020 and it was the largest online gathering of strata property owners the world as ever seen. And yes, in case you're wondering, Shared Space would be back this year. We are already, here at YSP headquarters, kicking off the planning process for Shared Space 2021. There's a little bit that goes into planning a Summit of this type. I'll be letting you know later in this year how you can get involved in Shared Space 2021. Very exciting!

Now I've said that this interview that I'm about to share with you was one of our most popular and I think that's because I'm talking to 2 experts about the smart way to add value to our strata properties. Reena Van Aalst and Gordon Streight are my guests for this interview.

Reena would be known to many of you, my often co-host here on the podcast. She is an award winning Sydney based strata manager and the Director of Strata Central. Gordon Streight is one of the most experience and successful committee members I know.

Together, Reena and Gordon are inspiring us to start thinking about the various ways we can add value, not just to our own apartments, but to our entire buildings. And most importantly, why you should always be thinking about how to add value and how to differentiate your building from others in the same suburb or even in the same street.

Now, this isn't the first time I have chatted with Gordon Streight here on the podcast. If you like what he has to say, and I know you will, check out Episode Number 38 where Gordon is sharing more of his insights when it comes to strata owners adding value to their buildings.

And of course, you can always catch Reena here with me. I run about every 2nd episode we get together and explore our wins and challenges from our week in strata.

If you want to dig in deeper from this topic of getting value out of your strata property, one of our all time most popular, most downloaded podcast episodes ever is Episode Number 16. 'How To Increase Your Lot's Value' by extending into the common property. An often googled concept and a very popular podcast episode. Definitely, check that one out.

Now, I said that we had 9 world leading experts joined us for the Shared Space Summit 2020. Reena and Gordon are just 2 of those experts. All of the Summit interviews are inside our members only video library. If you are a member of our online community, how many members are out there? You know who you are. You have access to all of these interviews to watch at anytime and as many times as you like, as part of your membership.

If you're not a member and you'd like unlimited access to this kind of expert guidance that I'm giving you a little taste of, here, with this episode today, you can find out more about membership and our thriving online community over at [yourstrataproperty.com.au/membership](http://yourstrataproperty.com.au/membership).

I'll take you over right now to my Shared Space Summit interview with Reena Van Aalst and Gordon Streight.



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**Amanda Farmer:** Reena and Gordon, welcome.

**Reena Van Aalst:** Hi, Amanda.

**Gordon Streight:** Hello, Amanda, good morning.

**Amanda Farmer:** Wonderful to have you both with me today. Reena Van Aalst Strata Manager, Gordon Streight, very experienced committee member, owner-occupier and we're here to talk about renovation works and projects. I have been saying that I think home renovation might just be the overseas holiday of 2020. I know a lot of friends, a lot of clients who instead of traveling this year have decided to put that money into renovating their property.

I'm going to start with you, Reena, as a Strata Manager, what are some of the most common problems that you see arising from owner renovations?

**Reena Van Aalst:** Well, currently Amanda because people are working from home, I think that some people have a lot more time to invest in a project such as a renovation as you've mentioned, because this is our new overseas holiday. The requirement for a by-law perhaps if it's required for a bathroom renovation or any structural work, even minor renovations if there is no by-law that allows the strata committee to approve this, requires a general meeting.

So a lot of people don't understand that this paperwork is required. The strata committee needs to consider the application in the first instance and that can take some time. Then, depending on the type of application whether it needs a by-law, we need to recommend perhaps a few lawyers to perhaps draft this by-law for the owner if they don't have their own lawyer that they want to use. Trying to guide them through the whole process.

The fact that the strata committee has to call a general meeting for them or the secretary, all the costs that are associated if there is no general meeting coming up. For example, at the moment I've got an air conditioning unit in one of the apartments. The owner has told me that the tenant will leave and break their lease if we don't get the actual air conditioning unit installed as soon as possible. In this particular building, by the time we got the plans, the location, drainage, all that sort of back and forth.

The committee said, "That's fine. We can now call the meeting." Then, I've had to now tell her all the costs because of the fact that in particular buildings not everyone receives their agendas and minutes by email, and that now... Well, I think the cost of the meeting will actually now exceed the cost of the work in this instance. I think at the moment this has been an ongoing problem in strata generally, but I think now with people being at home and people wanting things done more quickly, if they can't, if for example there's a tenant that's just left and they're trying to get a renovation done, they want to try and use that window of opportunity to try and get the work done.

Timing of all these particular aspects that I've just mentioned in terms of the act and meetings, et cetera -

**Amanda Farmer:** So understanding the approval process, what kind of approval is needed and how to get that approval? It might be through the strata committee, it might be needing to go to a general meeting, maybe a by-law needs to be prepared, and then all of that adds extra time. For investors, it's adding extra cost, isn't it?

**Reena Van Aalst:** Yes, and we're finding investors are becoming quite anxious because of the fact that they're unable to rent their apartment until the work is done and because of the current market where people can't get tenants anyway, any increased delays just means that the cost is really blowing out, because you have the loss of rent as well as the cost of the renovation.

We're finding people like I had one person yesterday send me an email, and then say, "Have you sent it to the committee?" It was not even an hour after I received their application and I'm thinking like, and she's like, "This is really urgent for me. I've lost so much rent." I said, "I understand."

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**Reena Van Aalst:** But like you can only do what you can do and, unfortunately, I think when people are anxious under this current pandemic situation with financial losses, then people's anxiety levels are increasing. I think Strata Managers generally would be seeing an increased workflow as a result of that.

**Amanda Farmer:** Well, I'd love to hear from Gordon on that point, in particular, Gordon, you're a committee member, you're an investor, you're an owner-occupier, this issue of urgency when it comes to getting work done, understanding the approval process, what's required, how do you see that and experience that from your side?

**Gordon Streight:** It is a real challenge particularly nowadays with the COVID environment, but generally people don't understand the process of what's required to get approvals done for renovations, and the bigger the renovation the more is involved as Reena was outlining. But I think one of the real challenges beyond that is having sufficient, the real sufficient documentation.

Sure. We can have the right approvals and go through that process, but also having sufficient documentation about what's happening and time frames and that sort of thing is also part of that. Trying to educate people as to the process and have them understand the time frames involved is a real challenge. Just exacerbated in these times.

**Amanda Farmer:** Is there something that committees or owners, corporations can be doing to have that process set out more clearly for owners? Gordon, you may have experienced some buildings are better at doing this than others and your renovations and your projects have gone much more smoothly, because you've gone in understanding, being aware, eyes open, these are the requirements I need to meet, and in other buildings it's more confusing and that causes delay and cost.

**Gordon Streight:** Very true. For some particular types of renovations, timber floors, air conditioning, pets, a variety of those kinds of applications can be approved by the building manager or the strata committee if that authority has been granted at a general meeting. In a couple of buildings I'm involved in, those applications can be dealt with by the committee quite urgent, quite quickly because the building has given authority to the committee or the building manager to act, to make those things happen.

But that's a process that takes time to implement, firstly, but it has saved huge amounts of time and delay for people by having those processes already in place.

**Amanda Farmer:** Yes. I definitely have a number of clients who come to me, committees, who say, "Amanda, we've been, we've had trouble before with renovation applications, we've had owners, investor-owners complaining it's all taking too long. It's hard work for us. We want to implement a process to streamline this and we want to do that by way of having clear by-laws, application forms, clear standard conditions of approval and we want to spend the time and invest the money getting you to help us put all of that together, so that the next time we go through a renovation application it's all there, it's all ready to go."

I'll just say, "Hats off to you, committee members, for doing that. For taking that time, for having the foresight..." I suppose it is, to understand that if you invest the time now, as you say Gordon, it's going to pay dividends down the track for you as a committee and also for your owners to have happy new, often new owners in your community

**Gordon Streight:** : For sure. Yes. Part of my commercial experience is in the franchise world and franchising is all about systemisation and process and procedures and documents and checklists and having systemised... In fact, you can systemise anything. So systemising some of the processes in strata buildings is time consuming to start and get that right, but once it's done it's really simple just to repeat that process, because the procedure and documentation is already finished and ready to go.

**Amanda Farmer:** Reena, what else would you say are common problems that you see as a Strata Manager arising from renovation works?

**Reena Van Aalst:** Well, I think part of it also, Amanda, is the execution of the building work. So even though a by-law has been passed setting out certain terms and conditions, we're finding that sometimes those are not adhered to. Also, that the next part when you have to submit documentation to council. For example, a CDC.

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**Reena Van Aalst:** Now, just 2 days ago I had one of my committee members who had a by-law approved, and now he wants me to execute the CDC. The CDC relates to a number of documents that have to be submitted with that application. Then, I'm being asked to affix the seal without those documents. I said, "No. But I need those documents to be sent to me because I'm signing on behalf of Owner's Corporation as the owner of the land, and therefore, I need to know what you're submitting."

It was really hard for me to sort of get that message across. I ended up speaking, he said to me can you speak to my planner. I did. He goes, "Oh no. I understand what you mean." Yet the committee member has all those documents, so I rang him back and I said, "Yes. Exactly as I've mentioned to you, I need all those documents." "It's going to be a great large volume and file", I said "put it on a link or something", because I mean we've had problems in the past, Amanda, when by-laws have been passed, works have commenced and the next minute other owners say, "Well, hang on. That's not what we approved. What did you sign, Reena? What went to council?"

I have to make sure, as a Strata Managing Agent, when I am executing any documentation on behalf of an owner, past the by-law stage where we're authorised to execute and then do anything else to facilitate the works that those works, that all documentation is provided to us. Including, another thing, Amanda, that we're finding is not getting all the insurances and licenses of contractors.

We all know that the common property could be damaged. We've had instances in the past where renovations have resulted in damage to... I had a burst pipe in one where they drilled through the main water supply, so we've had a number of things happen and without having their insurances beforehand and licenses and making sure that the contract that they have is in the same entity is the license and the insurances.

So all the things that we do normally for our normal common property work as agents has to be then translated into a renovation scenario.

**Amanda Farmer:** I can see how what Gordon's saying about having a system for that and a checklist makes not only the committee's job easier, but your job too as a Strata Manager to say, "Have I got insurances? Have I got the documents I need to sign the CDC? What do I need?" Then, being able to share that I suppose with the owner to say, "This is our process. You've been aware that this is our process since the beginning, I'm not making this up as I go along. I'm not requesting this because I'm in a bad mood. This is the process that applies for everybody and I am doing it and I'm going through it in the best interest of the owners, corporation to protect them as I should as an agent."

Gordon, do you have any thoughts on those additional items that Reena's been talking about?

**Gordon Streight:** Yes. Yes. Often insufficient documentation comes back to bite you years down the track, particularly when the owner that did the work moves on and someone else comes in and owns that lot, and then questions what's happened and if there and isn't sufficient documentation that in terms of licenses compliances and works done and all that sort of thing, it often then come back and the owner's corporation has to pick up the tab.

So sufficient documentation across all those areas is really, really important, particularly down the track.

**Amanda Farmer:** Yes. I've definitely seen that from a legal perspective where there has been renovation work done, the owners' corporation says when there's a problem down the track that this was not work that was approved, but no one can quite trace back in the records exactly what was approved, what's original, what's added, what the insurances were, what the warranties were that were given. So, yes, that can become a real headache that nobody wants to have.

**Gordon Streight:** Yes, and just one further point on that. The Strata is only required to keep their documentation for a certain period of time, after which they can destroy it. Well, if you have a problem 20 years down the track and you've destroyed your documentation, all that comes back to the owner's corporation. The buildings that I'm involved in, we archive everything forever.

**Amanda Farmer:** Yes. Good on you. I'd be interested to hear from you on that too, Reena

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**Amanda Farmer:** That's why I always say major works require by-laws and some owners ask me to say, "Amanda, it doesn't really say in the act that you need a by-law. We're doing waterproofing. We've got a special resolution, do we really need a by-law?" I say the title is the best way to trace these works and by-laws are registered on the common property title, they run with the land, and when you're dealing with something as important and as impactful as waterproofing or the failure to properly waterproof, it's going to be really important for years to be able to have that record and be able to trace it.

Reena, what do you say about record keeping with these renovations?

**Reena Van Aalst:** Yes. Well, you both raised a very interesting point, because the new act now says that under Section 110, you only need a general meeting resolution. So as Gordon said, after seven years, which is a statutory period, that would all be thrown away. On the REI Strata chapter subcommittee that I'm a member of, we're actually trying to come to terms with how do we keep a record or a register of any general meeting or committee meeting approval or renovations like years down the track, you might have minutes that go back so many years, sometimes minutes are lost.

I mean, unfortunately, with handovers that aren't very thorough. A lot of our buildings don't have minutes. The minute books are gone. We don't know when renovations were passed, apart from those that as you said, Amanda, correctly, are registered on title via a bylaw. The new act though it might give some more flexibility in terms of not having a bylaw for minor renovations under Section 110 of the Act and 28 of the regulations, how do we keep up to 5, 6 years change of Strata Managers, even managers within a company that change.

A lot of buildings go from person to person, and then there's no record or register, then how do we know that renovation was done and when it was done and the conditions of consent that were given for the renovation. I think definitely those points that you and Gordon are raising are really important.

**Amanda Farmer:** Yes. You're talking about there, Reena, our new South Wales Strata schemes management act Section 110. Minor works only need to be approved by ordinary resolution at a general meeting and that power can be delegated to the strata committee. We are seeing works like kitchen renovations, air conditioning units being approved by strata committees. That is a question that has been raised in the legal circles as well. Definitely in my role as a council member on the Australian College of Strata Lawyers.

Some of my colleagues have raised that and are wanting to make submissions to government about changing that Reena. It's good to hear that conversation is happening in different places. I'd like to think that no owners' corporation and no Strata Manager would ever discard minute books even after that 7 years, minute books should be the thing that you keep forever I would hope.

**Gordon Streight:** Yes. But like Reena has said, I've seen buildings where they go missing and sometimes missing on purpose.

**Amanda Farmer:** Oh, okay. Well, whole another chat about that one I think. Let's put that one on the shelf for the minute. Let's shift over to building works and building wide works. Gordon, why do you say it's important for buildings to be thinking about how they can together as a collective add value to their common property?

**Gordon Streight:** Amanda, that's a really interesting topic, really a big topic. There's lots of things that buildings can do to improve, but I think the reason for doing it, the reason I see is most important is that it can differentiate your building from the building down the road. All buildings are in a sense a product in the marketplace. They're looking for investors. They're looking for owner occupiers. They're looking for tenants to be in that space and if the product that the building is offering in the marketplace is not up to standard or is less attractive than the building down the road, things like property values are affected and rental returns are affected and vacancies are reflected.

I think it really comes down to what can we do to make our building more attractive so that it is fully occupied, people want to be there, it's an attractive place to be and all of that then adds to property value and rental incomes?

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**Amanda Farmer:** Especially these days when we are hearing in certain areas about a decline in property values generally and it's something that I'm talking to Sam Reese from Australian Apartment Advocacy about in the Summit. The inability of some investors to be able to achieve the same rental returns and you can see how a tenant who is just looking for a property in a particular area, because it's close to their work or it's an area that they like might be choosing between an apartment in one particular building compared to an apartment down the street in another building.

The way those common areas look, the way that the garden looks, the facilities, the little extra something that your building has is going to help you secure that tenant and perhaps secure the tenant at the price that you want or that you need.

**Gordon Streight:** Yes. It's no different than in other activities in our life. You choose a restaurant based on the special little things that that restaurant might offer. You buy a piece of clothing because it has something special for you. Apartment buildings are no different. We all choose based on how it satisfies our particular needs and if we can get more value from one transaction than another, we'll migrate to that transaction that has more value.

In apartment buildings that's just having a better building across all aspects. Much of my commercial life has been spent in retail and retail is all about presentation and appearance and look and colour and how it makes you feel. And apartment buildings are the same. If you walk into a building that's daughty and unpainted and there's things in the wall. It's not as attractive as some buildings that are looked after and well maintained.

But then, in times like this where we operate now, we need to be better at doing this, because the vacancies, particularly in apartment buildings in CBD, in Sydney particularly are affected in a significant way and there is lots of choice. So having for investors and for tenants. So it's incumbent really to continue to improve the building across all aspects.

Some of those can be really quite simple. Some can be significant planted and equipment upgrades and all sorts of things. But some of the value adds have a financial benefit, but also some have an appearance, an appeal, an aesthetic benefit.

**Amanda Farmer:** Yes. I want to get into some of those for our viewers, because I know they'll be keen to hear from you, Gordon, what you recommend from this pilot project to the most significant. But Reena, in your experience, many years of Strata Management visiting many, many buildings, perhaps less so now in-person now that you're having a lot of meetings online, which is great. Do you see that real difference between buildings and some that just do not understand this concept of adding value?

**Reena Van Aalst:** Yes. Definitely, Amanda. I think Gordon and I are on the same page when it comes to this aspect. I think that when you come into a building there is a psychological component as well, because to me when I look at a lovely well-maintained building even when I'm quoting for example to manage it, I think these people actually care about their building.

It sort of gives me as a professional a nice feeling about how people look at their investment, whether it's their home or it's an investment. Property as we all know is probably one of the most expensive things we'll ever invest in in terms of anything you invest in. Therefore, the returns on investment I feel in property usually for many, many years have been going up and up. So even if you spend a thousand, an engineer said to me, "It's a 1 to 4 ratio."

I'm not sure about now through COVID. I would not say that would be the case, but in general. So sometimes, to me, looking after your building, apart from the investment side of it and the value side of it, as Gordon has alluded. It also shows me a lot about a committee, about the building, about the owners and sort of where their heads are at, what their intention is in terms of looking after the building, whether it's an investment or it's their home as an asset.

**Amanda Farmer:** That never really occurred to me that a Strata Manager has that first impression as well when you're quoting on a building. It is difficult. I talked to clients and they said, "It's difficult to get good Strata Management, Amanda. I want Reena Van Aalst. I want this particular Manager and she's too busy. She can't take me on, but we really, really want her." If you're vying for that attention from good Strata Manager, yes, think about getting your house in order perhaps and making it an easy decision for them to say, "Great building. Great people. I really want to work with them."

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**Reena Van Aalst:** Exactly.

**Gordon Streight:** Reena is really, really quite accurate on that. The first impressions for everybody. I'm involved in selling a property at the moment and it needs a bit of work to bring it up to spec, but I'm not going to have the agent come in seeing it in a construction stage to start the marketing campaign. I want him to be impressed as well, because we're all impressionable and even though he's in the business and understands real estate, he too can be impressed.

**Amanda Farmer:** Love it. Gordon, what are some of the most successful value-add projects that you've seen buildings carry out?

**Gordon Streight:** They fall into a couple of groups. Things that relate to plant and equipment, things that are aesthetic, and then things that are purely financial and have a financial component. Some of the plant and equipment type upgrades that have been really successful and this is widely known is lighting upgrades and getting rid of fluorescent fittings and halogen lights and whatnot and converting to LED lighting.

Many buildings have a lot of common property that needs to be lit, car parks, and fire stairs, et cetera. They rarely need to have full intensity lighting, and so lighting upgrades can significantly reduce costs. Nowadays with term deposit rates at 1% and that sort of area, investing in upgrades to buildings has a huge return on their investment.

I've seen projects effectively get 40% and 50% return on their money, because of the payback periods. So investing in these sort of things is much, much better than trying to just keep the money in the bank and not spending it. Other things that add value in terms of plant and equipment are better efficiency in pumps and turning pumps and motors off when they're not needed or running them when the electricity costs are low, off peak electricity costs are significantly lower than peak and if you can structure your equipment to run at off-peak times, you're saving money very, very quickly and some of that equipment is very easy to install.

Some of the other aesthetic things that buildings do are internal and external improvements to the look of the building. I know a lovely building in the city CBD in Sydney that probably should be heritage listed, but it's not. Fabulous looking building outside, fabulous foyer, the lifts were fantastic, but the whole residential hallways were really, really quite ordinary.

The committee decided that they would frame each of the doorways. They had really tall ceilings and they had carpenter come in and frame the doorways, offset from the doorway a little bit, repainted those and the doors a different colour, repainted all the hallways. The hallways now look fantastic, just amazing. It was just a carpenter and a painting.

**Amanda Farmer:** Simple.

**Gordon Streight:** Simple things and yet the appearance when you walk down those halls, it just matches the rest of the building. Looks fantastic. So some things like that can be done very simply without a lot of cost. External gardens are another thing that often get neglected. Some gardens look nice, but they could be spectacular with just a little bit of improvement. That's another one of those things that people approach the building and see this fabulous looking garden and just gardens are lovely.

They give us a sense of well-being and having nice gardens around both internally and externally I've seen this happen, looks amazing and adds, again, significant value. It does have a little bit of a maintenance cost gardens, but we all appreciate the green.

**Amanda Farmer:** I would think these days that could be something that people are looking for is that outdoor space at home, because you are spending a lot more time at home and you want to have a lovely garden to step out into. You're not in the city where you can go to the public park as easily anymore. I know I really appreciate the gardens that we have here in my building, but it is definitely something that the committee is focused on maintaining, that we pay money to maintain that residents here love and enjoy and put their own time into maintaining, but absolutely worth it. I agree with you.

**Gordon Streight:** Yes. I think the other thing that I've learned about Strata is that many buildings want to have low levies. The object is to have low levies, but that has consequences in terms of maintenance of the building.

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**Gordon Streight:** It costs more to maintain and run as if things deteriorate, but also it doesn't leave you any room for adding value to make the building look better in a time when you need to be competing for, you are competing for tenants and investors and occupiers.

**Amanda Farmer:** Reena, have you seen any particularly creative projects that you'd like to share?

**Reena Van Aalst:** Yes. Well, there's one that I'm actually currently involved in is the addition of balconies to a building. It's a huge project. Yes. It has its very many challenges as well. Other ones include security and intercom upgrades. So making the building more secure, cameras, intercoms with video, allowing people to go through the garage, et cetera, having access from your apartment that type of sort of more modern upgrades to intercoms.

The other one is electric car charging. Upgrading your power supply if required and investigating options of whether the building has capacity. Another one actually in one of our buildings is they actually put some exercise equipment for older people. It's not your normal sort of gym type stuff. It's actually outdoors. It's sort of different things that older people can actually use, not just the young sort of gym type equipment. It's outdoors so it's a really innovative idea and there was some initial resistance, but the committee was able to convince the owners, a general meeting was well worth the investment.

**Amanda Farmer:** I am familiar with the building you're talking about. I understand that they brought in a consultant to explain to them, to share with them, to give them some examples of the type of equipment, how it would be used, what the benefits were. I remember being at a meeting where that consultant was talking about that and how engaged the owners were to hear from that person and understand firsthand the value that was going to add, not just to their property and to their community, but to their lives, to the individuals.

**Reena Van Aalst:** Yes. It wasn't a salesperson. It was an exercise physiologist. It was actually someone that was a professional that sort of tried to impart the health benefits, not just trying to sell you a product.

**Amanda Farmer:** Well, thank you for all of those examples. So many actionable items there for our viewers and the committees to start thinking about, but let's talk about some pitfalls, maybe some traps for inexperienced players. What kind of things, Gordon, would you say, being one of these experienced players, that owners and committees, buildings should be looking out for if they're going to embark on one of these value-add projects?

**Gordon Streight:** Well, we're all familiar with watching Norman Swan on TV and I think this COVID times telling us about the virus and how, where it's progressing and we're seeing charts and graphs and how things are developing around the world and how the move here in this country. All of that's driven by data and data is really important in making projects happen of any size.

I think one of the pitfalls is that the people, committees, don't have sufficient data to explain a project with hard numbers to support that, told in a story type way. We all can understand stories, but they need to, and why we might do something, why we might put in exercise equipment for older people, but it needs to be supported by sufficient data to sell the business case.

I think that's one of the really big pitfalls for most projects that I see that don't get up because they don't have a good enough story and they don't have enough data to support that. Some of that is case studies and it may take a while to find those or even develop them yourself, but certainly bigger projects need to have hard numbers behind them to pass.

The other pitfall is that historically when a project comes along and is put to the owners, the committee says, "We'd like to do X and it's going to cost Y to do that." Everybody throws their hands up in horns and say, "Oh, no, we can't spend that money. It's far too expensive. We can't do that." But there is a flip side to that and that if we do nothing, the do-nothing side also has a cost. That's this concept of two futures that the City of Sydney's been talking about for quite some time that their smart green apartments program.

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**Gordon Streight:** One future is the new version with all the bells and whistles and it's going to cost a certain amount of money, but if the status quo also has a cost that's not talked about. In a sense, we need to vote on both futures, current one or the new one, and compare those two. That's another reason why having sufficient data allows you to sell and promote and convince people that a particular project is good, because the do-nothing approach also has a cost and often is higher than the improvement.

**Amanda Farmer:** I love that. The cost of the 2 futures. Definitely something to be thinking about, to be aware of. Reena, from your perspective as a Strata Manager, where have you seen these kinds of projects go wrong or owners get surprised?

**Reena Van Aalst:** Well, I think the first hurdle, Amanda, is the funding, as Gordon has said. That there's sort of two camps of thinking. One is basically there are people that, "Yes. We want to add value to our building. This is a great idea." On the other hand, you've got people that may like the idea, but don't have the money. So a lot of buildings for many years as Gordon has alluded to, low levies, low levies.

They have very low capital funds in place, so when they do want to do something, it means they have to either raise money, because there's no existing funds in their capital works fund to do anything, and the funding part is where we start to get I think a lot of politics, a lot of friction sometimes. I mean in recent times I've had a project that we inherited before we actually took over.

It wasn't approved correctly, but we were trying to get it correctly approved. There were two camps of owners. One camp that wanted to do the work and basically were pushing. The other camp was doing everything to stop it in terms of putting out misleading information, having separate meetings and having people come to try and sort of speak against why the renovations should be done. We even gave them funding models whereby you could have a strata loan or no Strata loan or a combination of both, so different scenarios of funding were provided.

One particular owner, he said to me, he was an investor and he goes, "Well, I don't want my kids to inherit a debt." I'm thinking... There are so many emotional arguments that are put forward that really, to me make no sense when you look at property as Gordon said as an investment, and the cost of not doing anything, the opportunity cost is so great. I think that's something that I have never really thought about explaining, but I think as Gordon has said, if you look at data and look at say 2 buildings side by side and one that has had significant investment and improvements and one that hasn't, looking at the cost benefit ratio and the opportunity costs, I think that's probably an area I think we should start looking at as a way to try and convince people that this is for the good of the building, the asset, the investment, and also for people's amenity.

It's your home. I mean don't you want to live in a nice home? Like Gordon was saying. Don't you want to go to a nice restaurant or a nice hotel? I mean why would you want to like not live in a dump per se, but like improve your surroundings and improve the value of your property? I mean look at the property prices. I mean they've doubled in the last 10 years. I mean as an employee, you can never earn, double your salary in 10 years. You'd make significant money just by sort of investing wisely and correctly in property.

Amanda: I'm really glad that we're hitting on this point about investing for the future and the push back that we might get from what may be an older generation who is thinking about preserving what they think, preserving their asset base, preserving the funds that they have that they've built up over time, perhaps preserving for the future and that's what that owner who was telling you, Reena, "I don't want my kids to inherit debt." I was chatting to Cat Carmichael and she's from the United States. She's featured here in the Summit. She said the same thing. She's quite concerned about some of the boards, they call them. That's the equivalent of strata committees in the US, who particularly during these times of uncertainty are standing still, are holding on to the funds that they have, are frightened about spending money for the future, because they are of an older generation and perhaps a more conservative mindset and she's very concerned that communities are going to start suffering because of these views that we shouldn't be spending money now, don't worry about the future, preserve what we've got.

We talked about how we might be able to shift that mindset, who is it that can change that mindset, who can influence that, who can bring new ideas to the table. What are your thoughts on that, Gordon?

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**Gordon Streight:** All these projects require a champion. Someone who's driving it or several people. They need to be able to tell stories, because we all can recognise stories. It starts off with communication right from the very beginning. I tried to implement an enormous project in a building without enough consultation with owners beforehand and by the time we got to the point of talking dollars, it just freaked them all out. It all fell in a heap.

It's a good lesson in communication really. We didn't start that storytelling process far enough in advance and bring people along for the journey, and so communication with people on any project is important. That needs to be part of the plan to develop whatever the project is, is have a communication plan in place.

How do we tell this story? How do we bring people along so that they understand the reasons why we might need to do it? Why we could, should do it? Why we can do it? How we can do it? How we can fund it? Even before you start drawing up these specific plans for it, but it needs to be brought, people need to be brought along for that journey with lots of communication.

**Amanda Farmer:** I think being aware of these likely or potential pushbacks that we're all talking about, if champions who are going in proposing projects are aware that their neighbors, their fellow owners might be thinking these things that, "No. We don't want to spend money right now. We want to preserve assets for the future." Then, they can be addressing those problems, those objections before they're even raised, because they've tuned into them and they're prepared as you say.

Yes. I just love that we can bring this experience to the table and your past, perhaps poor experience, Gordon, that you've had to learn from and help others who are facing a similar situation in the future.

**Gordon Streight:** Yes. I mean several other committee members poured a huge amount of effort and time into this project and it would have transformed the building overnight, given a construction period, but it would have transformed it and people just couldn't see the vision and didn't buy into the vision soon enough. In another building, I'm working on a project I've been working on for 3 years. We still haven't really got it presented yet to the owners, because we're building up that whole program of how to tell this story, have all the data in place, have all the history in place before we launch it.

**Amanda Farmer:** You put so much time and energy into it, you want it to have that very high likelihood of success.

**Gordon Streight:** Yes.

**Amanda Farmer:** ... to make it worthwhile. All right. Wow. I am so glad that we have set aside the time to have what I feel like is a really in-depth discussion about these projects from owner bathroom renovations, to major building-wide projects that are adding value for the future. Is there anything, Reena or Gordon, that we haven't covered that you want to make sure we leave our viewers with?

**Reena Van Aalst:** Perhaps I'd like to just add one thing, Amanda, in terms of how people view their homes. People are far more emotional about their homes than they are, say, about their workplace, for example, in terms of their office, how it looks versus how their home looks. I think I'm just trying to follow on what Gordon has said about trying to tell the story.

There are people that I think, despite best intentions and doesn't matter how you frame it, if there is a mindset that they are, for example, asset rich but cash poor and they can't afford it, even if they perhaps want to do it. Sometimes depending on the ratio of those people and how much influence they have, when we've had projects that have just gone over the line, just slightly because we were able to harness, as Gordon said, talk to people, ring people, get groups going in terms of having information, evening sessions to outline the programs.

But I think at the end of the day, there is that emotional feature that I find in Strata that you don't find perhaps in other projects, whereas if you... Gordon was giving a presentation to say a commercial building. They'd be looking at it with a different mindset and saying, "Yes. This is going to achieve us, return on our investment. We're going to make money, better tenants, higher rents, nice building.

**Publication Date: 3 March 2021**

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**Reena Van Aalst:** "Whereas, when you try and perhaps impart those same principles into a residential environment, sometimes those messages perhaps aren't understood or for many reasons that we don't really know of, personal, financial, whatever, it's hard to sort of get that message through to some people, but as long as we can get it across to the right amount of people, then I think we'll be able to succeed.

**Gordon Streight:** Yes. Yes. It's the emotional component of residential buildings that is one of the bigger challenges in achieving value-add projects, even small ones. Because it comes down, it often just comes down to money and as Reena was saying, "I can't afford it at the moment," and whatever else. It just slows, slows those implementation projects down.

**Amanda Farmer:** Being aware of that, being aware that you will have to take a different approach to that which you might take in a commercial scenario or in a building that has a higher proportion of investors, than it does owner occupiers or tenants, then that is a step in the right direction, simply being aware.

**Gordon Streight:** Yes.

**Amanda Farmer:** Anything that you wanted to add, Gordon, that we haven't covered?

**Gordon Streight:** No. But just a little anecdote. I've been involved in a couple of buildings for a long time and value-add projects at the beginning were really small and over time people got confidence in us doing things that made a difference. I've been able to, in a sense, increase the size of those projects over time with almost no objection because of the track record of having done things that made a difference and people could see the difference in the buildings.

The other part of that whole process is doing things that are visible to residents. If you're always just fixing plant and equipment and spending all this money and you can't see where the money's gone, people say, "What are you doing with all our money?" It's all very important. It's all very important to fix those things, but we also do projects that are really highly visible, painting doors, painting the lift, the facade of a lift in the car park, painting lines on the pavement where you're supposed to walk or not park or whatever. Things that are really, really obvious as part of the little value adds.

**Amanda Farmer:** Thank you very much, Gordon. I really feel like that's a great summary. We're talking about confidence building, start with the small, move on to the larger projects, through that process you're building trust. Trust is another big topic that we're talking about here at the Summit, and proving your track record.

Showing owners, this is what we're doing. It's visible. This is where your money is being spent. This is the value that we're able to add over time and giving them that confidence to keep going with those projects. Thank you so much, Reena Van Aalst and Gordon Streight.

**Reena Van Aalst:** Thank you, Amanda.

**Gordon Streight:** Thank you. It's been delightful.

**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 comments section, which Amanda will answer in her upcoming episodes. How can Amanda help you today?