

**Publication Date: 13 April 2022**  
**YSP Podcast Transcript: Episode 308. How to Sell Common Property Air Space -  
with Warren Livesey**

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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.

**Amanda Farmer:** Hello and welcome to this week's podcast episode. I am your host, Amanda Farmer, and my guest this week is Warren Livesey. Warren is the founder of Buy Airspace, a strata property development specialist based in the Eastern Suburbs of Sydney. Harnessing technology and modern construction methods, Warren works closely with a range of stakeholders, including apartment owners, local councils, housing associations, and asset managers, to help leverage the untapped potential lying in strata common property.

In this chat, Warren explains how the power of residential airspace development is only just beginning to be understood. We talk about why an owner's corporation might want to bring on board an investor or a professional property developer rather than take on a large-scale development project itself, and how a building might get started with investigating its options to add potentially millions of dollars' worth of value to its common property.

In the show notes to this episode, you'll find links to Warren's YouTube videos and other media interviews, where he shares more about the power of airspace development, including his article specific to funding repairs or upgrades at our older coastal apartment blocks. You'll find all links over at [yourstrataproperty.com.au/podcasts](http://yourstrataproperty.com.au/podcasts) under this episode, number 308. I'll take you over now to my chat with Warren Livesey. Warren Livesey, welcome to the show.

**Warren Livesey:** Amanda, thank you very much for having me.

**Amanda Farmer:** You have been on my list, let's say, the famous list that I have of potential podcast guests, for a little while now. I've been watching what you've been doing through socials, and interested to learn more. But let's start with your background. Warren, how did you come to enter the strata space?

**Warren Livesey:** I've been spending the last 25 years in project management, ultimately 10 years in London and New York. Moved to Australia to have children with my beautiful wife at the time and had two kids. She's from Wagga Wagga. And I bought my first top floor apartment in Tamarama, next to Bondi, back in 2008. And I went through the whole strata process of basically upgrading the building as well as building up into the roof space and helping the other neighbours build down into the basement. So, that was a really successful project, and that kind of got me spearheaded into doing it for all other clients. So I started doing it for neighbours within Tamarama and that spread to Bondi and Bronte, and pretty much been doing that ever since.

**Amanda Farmer:** I love these stories of strata dwellers, owners, residents, investors who have scratched their own itch and learned how to do something in strata that others can then learn from. They can share those skills with others and have then built businesses around it. I hear this often in our space. So I think that's great. You then come to the exercise with that firsthand understanding of what it is to be an owner going through this process. I know, Warren, you talk about, write about, share with others the incredible potential that owners have in their strata properties. What is this potential? And what are some options that owners might have to develop that they might not realise they have?

**Warren Livesey:** Well, I guess big picture, as some may know, strata is insured for about \$1.1 trillion. It's one of the larger housing sectors that we have in Australia. As well as, on average, for each strata, you have about 10 to 15% of unused space. Now, this may cover the roof, redundant stairwells, gardens, courtyards, and the like. So ultimately that's about \$110 billion worth of unused capital that's there to be unlocked and can be used ultimately for older buildings to try and regenerate and make them better. But, yes, in basic terms, once COVID is over with, well, we'll be living with it forever, nearly, we are looking at about two million odd people immigrating to New South Wales alone in the next five years. And housing affordability is already, as you know, through the roof. People can't even afford the deposits nowadays.

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So what we're hoping to do is just try to find other opportunities for affordable housing. And that generally is related to strata blocks that are already in and around infrastructure. So we have that with schools and police and roads and rail. So I'm a keen advocate for actually building on top of existing buildings, so what we would classify as airspace. And that what that airspace is, it's basically the space from the top floor apartment, the ceiling, or the roof of the building, up until where you are allowed to build from council. That particular space that hasn't yet been built into is what they would refer to as airspace.

And it's very, very common in Europe and the UK, airspace. You hear of all these rooftop gardens and kind of communal areas that everyone is potentially doing. And just recently, as in November 2020 just in the UK, the ministers actually approved a minimal of a two level increase to every single apartment block in London with minimal planning requirements. So they ultimately are trying to use that space more efficiently. And, yes, I do know that Australia is different and we're nothing like the UK. However, there's obviously a potential there that we're not using at the present moment.

**Amanda Farmer:** And are you working with buildings that are using this rooftop space to build specifically additional dwellings for affordable housing or just as another piece of real estate that can then be sold? What are people doing on their rooftops with the buildings you're working with in Sydney?

**Warren Livesey:** Two parts. Either it's the existing building and the top floor owners are hoping to build up into the roof space for attic conversions, so just using the existing space that is there, or it's actually knocking off the whole roof itself and putting additional apartments on the top of it, and then using the sale of that particular rooftop apartment to then pay for the building upgrades and the sustainability upgrades that the building needs.

**Amanda Farmer:** I do know a lot of owners tap into that power to increase the value of their investment by building into roof spaces or purchasing different areas of the common property, a courtyard space, but what I don't see a lot of, and I'm excited about, is this idea of building an entirely new dwelling, an owner's corporation building an entirely new dwelling and then selling that and using the proceeds to fund projects around the building. Is that still uncommon, or are you going to say, "Amanda, buildings have been doing that for ages"? What do you see on your side?

**Warren Livesey:** It's not common at all. You would say that the what they call airspace real estate hasn't even started. It's very new. There's a lot of caution behind it and around it because, obviously, they just don't want to be throwing big structures onto older type buildings that are crumbling, potentially. So there is a large part that one needs to be very wary of. But in New South Wales, there's about 83,000 strata plans being registered, and half of those are over 30 odd years old. So 30 to 100 years old, these buildings, and these are the ones that are actually lacking in the maintenance that's been provided for them due to the fact that most investors that own apartment blocks are very reluctant to spend money on their apartment, of course. People that have just come into the property space have just spent their last dollar trying to get that apartment that they've always wanted, but they can't afford the additional upkeep of the building.

And generally, I'd say about 80% of the buildings I've had to look at, they are requiring... And these are the ones along the coast, the fours, eights twelves, 16 odd units, they are actually needing their external skin rebuilt, and that's the outside brick layer. And the reason for that is because the salt actually gets through the actual brick clave in between and it rusts out all of the brick ties between the two bricks, which actually makes the external part of the building quite vulnerable to weather parts. So a lot of these older buildings are going to have to find a million dollars, say, to fix their building. They're having to change windows, plumbing. Electrical still has the old material on it. And presently, owners that are buying the roof space to do the attic conversions are only paying in the region of about 100 to 200 odd thousand dollars.

So what I've been trying to advocate is that they actually sell that space. Either the body corporate develops it or a developer develops that space. And if you can create another top floor apartment, you'd be looking in the region of, anything along the coast anyway, of two to three to four million odd dollars. Now, that's a far bigger cry from the \$200,000 that they're presently getting for their rooftops. So this is where the owners of, say, a block of eight, they can sell the roof space to a developer or develop it through. They get \$2 million for that particular space.

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A million of that can be spent on fixing the building completely up to scratch. And then, of course, they've got a million dollars that they can then split between all the actual owners via their unit entitlement. So, that can be done. So instead of seeing it as an expense, which a lot of people are having to potentially move out of their apartments because they can't afford these big capital works coming through, they can actually not only improve the building and bring it back up to a fantastic level in regards to sustainability but also make some money in the process.

**Amanda Farmer:** You've mentioned I think there, Warren, perhaps two avenues, the owner's corporation spearheads the development and they would have to gather together the money to fund this construction, or you've said a property developer, they sell the airspace to a property developer and the property developer then takes control. Can you talk a little bit about that latter option? Because if I can interpret what my listeners might be thinking, they're saying, "Warren, it all sounds great, but we don't even have the money to start this process to have plans drawn up, to apply to council, and to build a new dwelling on our rooftop. So we're quite interested to hear about this option of selling our roof space to a developer."

**Warren Livesey:** Yes. So the developer part, which is what I actually advocate is a better option and I'll go through the reasons later, but ultimately you would be going through to all the owners, you would be saying to them through an options contract, "Would you accept \$2 million for the particular building space in order for them to create a new lot?" And therefore, the developer would then have the rights to then create something on the roof and submit that to council. Now, if council were to come back and they were to approve that particular rooftop development, then the actual developer can actually pay that money directly through to the owners at that point, and then they obviously are engaging the builders to build that.

So it's a safer way of doing it because, obviously, you don't know if that roof space is going to be worth anything. It only becomes worth to that point once the actual development has been approved by council. So, that's the pivot point. And the biggest challenge for the owner's corporation to do it is that they will be seen as a developer. Ultimately, law and order, they're going to be seen as a developer. And for all my years, I have to say of, say, 10 projects that I speak to, only one of them ever gets off the ground. And the reason for that is because the OC want to do the development, but, of course, you've got people involved. And when you've got people, you've got different demographics, there's a political situation. Not everyone likes each other. The last thing they want to do is potentially go into a financial deal with someone that they may not get on with.

So what I've spent most of my time is to try and negotiate and calm and talk and understand and what everyone's wanting to get out of them and try and get them onto the same goal setting. But that changes. People sell, they buy, they lose their jobs, they have health conditions, they have a falling out with someone. And if you can't get 75% of the owners to agree to do that particular space, it falls flat. So we're just going to constantly have these buildings along the coastline just slowly but surely disintegrate until there's a point where they have to do something. And that's generally a special levy that comes out and they're having to fund it through their home loan.

**Amanda Farmer:** Yes. I do think it is a special group of owners who can come together to make a decision to embark on a project like this and, indeed, to complete a project. They definitely exist. I know buildings that have done marvelous things with improvements to their common property. Not many of this scale, but it's definitely possible.

**Warren Livesey:** I do think one of the safer parts is that if you do get a third party to do that work for you, not only can you expediate the process of getting all the design and all that past and approved, but also from the financial aspect is you can actually have that particular person be responsible for the finance of that department. And also, if there's any recourse from that work, you've got a particular person to go back to. Where the OC, there's no one particular person. That's, I think, the trick is that, yes, they can do their developments, but if anything was to fall over, and I'm thinking of a project nearby, there's no one person in the OC that's responsible ultimately for making those decisions. Yes, you do have the executive team, but in regards to the legalities of who makes those points, it's hard to follow.

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**Amanda Farmer:** So if I'm thinking of my building where I'm an owner and we've got lots of great roof space with a fabulous view of Sydney's eastern beaches, and I know we've got a lot of capital work coming up, it's a 40 odd year old building, and I'd love to find a way to make some money out of this roof space, where do I start? I mean, how do I find an investor or a developer who might be interested in getting involved in a project like this? Are these people out looking for opportunities? And how do I let them know that my building is willing and available?

**Warren Livesey:** Amanda, I think that's a fantastic question. There isn't, and that's the opportunity. We are literally starting off this airspace real estate from the beginning. Bar speaking to real estate agents or strata managers that might know of people that are willing to do it, or builders, there is no one place you can go through to sell. I mean, we've got all these estate agents and websites and domains to sell an apartment block which is worth so much money but nothing that shows the value of what the actual roof space is. I can honestly say I haven't actually met anyone else that's doing this per se, where you're helping to try and match the two up. Yes, there are definitely builders out there that approach buildings to do it. But most of the time, most of the owners, they're not aware of the actual value of that particular roof space.

As you know better than myself, you don't actually own your apartment, you own a percentage of the building and therefore you have the exclusive use of that particular apartment. But the value that's kind of hidden is actually to be able to subdivide the common area space in between the owners. So where you might have a communal garden or a courtyard. There might be a redundant stairwell, because nowadays you only need to have one stairwell that's approved that's obviously a safe egress out of the building. Most of the buildings that I go into have a second one, as they needed to, so that they can build into those things. And then definitely the rooftop.

Now, it doesn't obviously work with every building, but where these older buildings are trying to find the funds to do so and they are having to rebuild the building because of the external walls needing to be replaced, the building actually becomes much more structurally sound by doing the renovation and therefore can take the weight of something that's on the roof. And traditionally, most of the roofs along the coastline anyway are A-frames, which we don't need because we don't have snow on the coast. So the snow comes down, generally falls off. So you'll notice, all modern buildings at the present moment have flat roofs. So there's this void that's not being used and can be used.

So all I'm suggesting is that we use it efficiently and then obviously create the equity that one is needing to then bring the apartment block up to, obviously, the present BCA standard. As well as I'm very passionate about getting it more sustainable. Climate change is happening whether we like it or not. Apartment blocks don't have the solar power that we can do these days. You could charge a battery nowadays to do all the internals. You've obviously got intelligent lighting, windows, skylights. Everyone's very interested in, obviously, all these battery operated cars, bikes, and the likes, and we don't have the chargers. So I just think that there's an opportunity of bringing all the buildings up to scratch and being able to fund it by selling off the unused space within the building itself.

**Amanda Farmer:** So, Warren, if listeners want to get started on this process to understand the opportunity that's available to them, what first step do you suggest they take?

**Warren Livesey:** There's actually three options in total. So number one is to come through to myself and I can provide a free of charge building control report and a quick analysis of what that building potentially could do. Secondly, you can go to the local council, speak to one of their planning officers at the front desk and they can give you the general information that I would be doing both as well. Or they can approach a town planner or architect and they should be able to look into the planning options in that regard as well. With the particular software, we can estimate what the actual height of the building is at the present moment. We know what the height is that it can be built up onto. Then, obviously, you've got the floor space ratios and you've got a few other density ratios. So we can actually see quite easily within a five minute report if there's an opportunity to build. Then, obviously, we can actually look at matching them up with someone that can potentially do it.

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It all depends on where the building is located, what council that it's going to be in, and then ultimately to what degree that that rooftop can be built. So either the building's going to be over its FSR, its floor space ratio, or quite a bit under. So depending on how much of an opportunity there is will determine the potential value of that space, which will then also determine what kind of an investor or developer would be interested in buying that space from them.

**Amanda Farmer:** Excellent. All right. Warren, let our listeners know how they can get in touch with you, find out more about the service that you're offering. And if you've got any closing comments, leave us with them.

**Warren Livesey:** Amanda, thank you very much for having the opportunity. I am very passionate regarding airspace. I think we're at the forefront of this particular opportunity, but it certainly can help a lot of people that are in financial dire straits trying to find the funds in order to fix up their building. And if they need a helping hand, please feel free to get hold of me. My name's Warren. The company name is called [buyairspace.com.au](http://buyairspace.com.au).

**Amanda Farmer:** Perfect. Thanks for your time today, Warren.

**Warren Livesey:** Thank you very much, Amanda. Appreciate it.

**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?