

Publication Date: 12 May 2022
YSP Podcast Transcript: Episode 312. "Turning lights red": a frank discussion about poor strata management practices

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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. I'm your podcast host, Amanda Farmer, and today I'm going to ask you to ponder a question, perhaps a controversial one. Are our strata managers trapped in toxic jobs? Now, I posed this question on a Facebook Live chat a couple of weeks ago, over on the Your Strata Property Facebook page, and I asked it after I had read an article on news.com.au. It was an article written by Sarah Sharples, which was titled Aussies Trapped in Toxic Six Figure Jobs. Now, this article was referring to real estate professionals, property managers, sales agents, auctioneers in particular. Strata managers were not mentioned in that article, but when I read it, I couldn't help but feel that the experiences shared by the professionals in that article were almost identical to the experiences strata managers are increasingly sharing with me and that I'm seeing firsthand.

The link to this article is in the show notes for this episode, so please do go ahead and read the full article. It focuses on the experience of a former real estate agent, Ellen Bathgate. Ellen is quoted in the article as saying things like this. "I realised I did not have time in the day to get everything done that needed to be done, and that's when things started to unravel for the first time. The industry overall has been terrible with dealing with mental health issues brought on by the job, alongside overwhelming workloads." Ellen says, "Because we're dealing with a landlord's biggest investment and tenants' homes, the place where they live, almost everything feels like it should be treated with absolute urgency. The expectations of landlords and tenants has increased over the years, but the fees we're charging clients hasn't allowed us to increase service standards."

Now, this article refers to property managers managing up to 200 homes. I'm suggesting we think about our strata managers and how many homes they might be managing. If we consider that the average strata manager could possibly be managing up to 50 buildings, I've heard some less, some more, and our buildings are averaging 20 lots, again, some less, some more, that could be over 1,000 homes that our strata managers are responsible for each day.

Today's modern strata manager is the central point of contact for the various stakeholders involved in strata living. That's owners, residents, trades, other professionals that might be servicing the building. Clients are more demanding than ever before, with many people now using their apartment as a workplace in addition to a home.

Owners and residents are empowered with unprecedented access to information about strata living. Some of that information is not as accurate as it could be. Residents are less tolerant of their neighbours, and the strata manager has become the first point of contact for complaints, even where face-to-face communications between neighbours would otherwise be a more appropriate first step. Now, amidst this day-to-day pressure, the modern strata manager must be prepared to achieve and uphold a standard of professionalism, akin to lawyers and accountants, but the educational qualifications and the fee structures for strata managers do not yet reflect those of such professionals. This makes it hard for the manager to command the same level of respect, credibility, and deference that other professionals enjoy, and that probably makes our job a little bit easier.

Turning to the companies that employ strata managers, the market for strata management services is competitive. We've seen strong growth in the past, but development is slowing. Strata management businesses can no longer rely solely on an expanding market to provide the same level of growth as they've seen in the past. Staff turnover is a significant challenge. The data tells us there is an average turnover of 23.7% across all strata management roles. That's managers and back-office staff. Now, that number is expected to increase when we have updated data, given the impact of the pandemic.

Our data comes from the 2019 Macquarie Bank Strata Benchmarking Report. This report, now 3 years old, found that only a small proportion of businesses see staff issues as a significant focus area over the suggesting that the industry has yet to fully grapple with the ongoing staffing squeeze and is not investing in efforts to retain staff, and that will erode profits over time. Macquarie Bank suggested that businesses seeing employee engagement as key to stability and client experience will dramatically outperform. Stability in your people has always been the constant in higher-performing businesses.

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Now, I read this article from Sarah Sharples, I went and had a look again at the 2019 Macquarie Bank Strata Benchmarking Report, and I felt incredibly uncomfortable about the fact that we were talking about this in 2019. This future was predicted 3 years ago, and clearly, we haven't done enough, because our strata manager professionals are struggling. When I posted this article on my social channels, on LinkedIn, on Facebook, I received an overwhelming response from strata managers and also from strata owners who can see this unraveling from their position as clients of strata managers. I discussed this response on our Facebook Live chat, and what I'm bringing you today is just a piece from that discussion.

Do go and check out the full replay. It's from our Friday Live segment, which happens every couple of weeks over on the Your Strata Property Facebook page. A link to the replay is here for you in the show notes. When I take you over to the chat now, I've just wrapped up sharing some of the public comments that were posted on my social channels, specifically my LinkedIn page, and I'm about to dive into some of the private messages that I had received. Sharing the content of those messages with permission from the strata managers and the committee member that you'll hear from. This conversation is continuing today, more of you picking up this discussion, watching the replay of that live chat and sharing your own experiences as strata managers and also getting the support of your colleagues. So good on you for sharing, and thank you for being part of this discussion.

Do take a look at the 2019 Macquarie Bank Strata Benchmarking Report. I'll link to that one in the chat. Easy to read, quite fascinating, and as I said, a little unsettling that this current experience was predicted some years ago. This is just the beginning of what I see as an incredibly important conversation, one that you will probably tell, I feel quite passionately needs to happen and needs to happen quickly so that we can start doing better by our strata managers, which at the end of the day means better service for our owners and a better strata industry for everyone involved in it. I'll take you over to the live chat right now.

As well as these public comments on LinkedIn, I did receive a number of private messages. These were emails that came to my inbox and also private messages on Facebook. And I will protect those identities of those who have communicated with me, but I know that you did want me to share your experiences as well. In sharing, we find common ground. We find support. We find others who say, "Yes, that's happened to me as well. Yes, I'm concerned about that as well." And we can continue the conversation and identifying the challenges so that we can then find the solutions.

One of the emails that I received was from a manager who had said that she was scrolling Google and had found a local page that called for recommendations for strata managers. She was left feeling ill, because there were comments on that page, I imagine it was a Facebook group or something like that, and the comments were saying things like, "They're all useless. Good luck. I don't think any good strata managers exist. They're all hopeless." And she said she was left feeling grateful that nothing negative was said about her, and she was madly scrolling to see if her name was mentioned or if her company's name was mentioned.

But she said if there were specific comments made about strata managers, things like, "She's so lazy, I can't stand her," and you can't help but think that these people who have had what they perceive to be bad experiences with their strata manager are perhaps on the receiving end of news that the strata manager has had to deliver about what's going on in their community. And it's not actually the strata manager's fault or failing, or because of anything that they've done or haven't done. It's just the nature of that particular building or the nature of strata living, where by-laws have to be enforced, for example, or there's been a works application that's been rejected. The strata manager is then the one who's left getting the blame for that. This message that I received has said, "*We really need to bring some more awareness to what our job entails, and it's not us making the decisions that owners may then feel unhappy with.*"

Another message that I received was from a strata manager who said, "After reading this article, I could relate. Strata companies are charging too low management fees, and they are then relying on Schedule B far too much." Okay, so strata managers here will understand what it is that Schedule B means. These are your additional fees. You might have your agreed services fee or your fixed fee for management. That's what owners pay attention to on the front page of the agency agreement. And then there are additional fees for additional services, and this is in the attachment, the annexure to the agency agreement, that's where we get the name Schedule B from. Those are the additional fees.

And this person who was contacting me through this private message was saying, "We get the clients in with the low management

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fee, and then we are pushed as strata managers to charge these Schedule B fees, to make sure that the profit margins remain as the business owner wants them to be. How can managers offer quality service," says this person, "when they're swamped with busy portfolios? There's new buildings, there's new committee members, and they all have expectations placed on the strata manager."

Said this manager, "I just feel that I'm set up to fail. I'm tired of apologising to my portfolio for being too busy, and I feel like my employer is just selling them a dream that I just can't fulfil for them. There are short agreement terms, which might be good for the client, but that means that clients are then bouncing around between different strata management companies instead of trying to build a relationship with their current strata manager. And clients move on, thinking that the next strata manager will fix all of their problems, and that is not always the case. I fear," said this strata manager, "*that this industry is volume-based rather than quality based.*"

Okay. So words shared with me. This person was not wanting to identify themselves, but I think when I say these things, there will be a number of you out there, whether as owners or as strata managers, who say, "Yes, I think that is the way a lot of these businesses are set up, and it is something that means we are not delivering quality service to clients. And it means that we are burning out our strata managers." I'm seeing Sean say, "Hear, hear," yes, and Leila saying, "I have seen this happen time and time again." I'm not sure if that's about switching the strata managers, Leila, or the additional fees that are being charged, then coming as a surprise to clients. Sean, thank you very much. Sean's telling me Schedule B is the schedule in the SCA contracts. Okay, so the standard form SCA contracts call this Schedule B. There you go. Thank you very much, Sean, for reminding me of that. Leila is saying, "All of the above." Got it. Alrighty.

Now, I received an email this afternoon after sending out the invitation to today's chat. This email is from an owner, so I do want to make sure we share the owner experience as well. I actually got a couple of emails from owners. One of the owners said, what a number of you here today are saying, which is, it is not just a strata manager professional problem. This is a problem that we have inside our own communities, where we feel bullied, perhaps by committee members, by other residents. Absolutely. I acknowledge that, and you are not here the only one saying that. That's in my inbox too.

But this particular message is from a chairperson and a lot owner. His name is Bruce. He's given me permission to share that. And after reading my email, where I invited everyone to today's chat and spoke about this article, Bruce said, "In my view, Amanda, you've hit the nail on the head in identifying the strata industry as one where toxicity of working environment, poor business practices, and antediluvian management attitudes are rife." Bruce, I had to Google it. I had to go and look up what "antediluvian" meant, and apparently it means ridiculously old fashioned. Ridiculously old fashioned was the Google definition that I liked. I love that word. I'm going to use it. "Antediluvian management attitudes," says Bruce, "these are rife in our strata industry." Bruce says, "I suspect there are some very well run strata companies out there, but equally suspect that those are in the minority."

Speaking from his observations as chair of his building for over a decade and his dealings with one strata management company that his building's employed in that time, there is a churn and burn of seemingly competent, dedicated strata managers or their assistants or their support staff, and he as an owner is concerned about that. And he says, "If it's concerning from an external observer, it should be turning lights red in those who are owning or running strata companies. They are wasting their investment of money and time recruiting and training people, only to have them leave after short periods. And that is just one of the red lights."

Bruce says that his observations are usually echoed by those who are in his circle of committee members and also those who live in other strata buildings, who he communicates with sometimes. He says, "Equally concerning has been the apparent need for managers to work at ludicrous hours. If their only way of keeping up requires regularly dealing with work at 6:00 PM on a Saturday or 11:00 PM on a Sunday, then something is awry, not to mention unsustainable." And I'm just reminded that I received an email from a strata manager at 9:00 AM on Easter Sunday, okay? Haven't yet connected with that manager, which I will do, to work out why that was happening, but that shocked me.

Bruce says that he's seeing this from good strata managers, not the strugglers or the stragglers, manic multitasking. And he says he observes the clattering of the keyboard from the strata manager when on the phone. Gaps in conversation when obviously their

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attention is split is hardly a wonderful advertisement for an industry that elevated itself to professional last year. Issues like work-life balance, stress, anxiety, and the manifold mental health quality of life issues that flow from those in the strata industry need full and frank discussion and active addressing. And Bruce says, "Good on you for pushing the issue."

Thank you for sharing those thoughts so eloquently, Bruce, and for giving me permission to share those here. I think that's a very good summary of the key issues that are affecting our sector. I do want to say at this point, if anybody is listening, whether you're a strata manager, whether you are an owner, and you feel that you are suffering and you need support, you need to talk to somebody, you don't have to go it alone. Do reach out to the appropriate avenues for help. Lifeline is phone number 13 11 14, or lifeline.org.au.

You'll see that today I have "Amanda Farmer, strata lawyer" written under my image here. I don't usually put "strata lawyer," but I do want to make sure that anybody dropping in knows that I'm not a strata manager and I'm also not a qualified medical professional. These are my opinions brought to you from what I've seen in the space, what I've been reading in articles, what I've been seeing in the data. And I think it's time to start having these discussions with a view to finding some solutions.

Just heading back to some of the comments here, talking about Schedule B fees, that's really hit a nerve here perhaps. Luke is saying, "*Much like a lawyer providing a retainer and then being asked to do another 10 different pieces of work.*" Yes. Very good point there, Luke. You have your agreed services for the agreed fee and then additional services. What I think I'm seeing is owners not understanding, not realising what's included as an agreed service and what is then an additional service and an additional fee. "And how do you get paid?" he says. "How do you get paid for doing the additional work?"

I suppose if strata managers are finding that the additional work is actually becoming the regular work, then it might be that that has to become incorporated as part of the agreed fees if it's something that's constantly happening. I know from looking at the financials in my own community, in my own building, comparing the last 3 years with the same strata manager, consistently our agency agreement, pulling a figure out of the air, for example, the agreed services are quoted at \$10,000 and we pay \$20,000 to the strata manager each year. And that additional \$10k comes through additional services, but it's consistent. It's consistent. So it could be that that strata manager could say it costs 20 grand. My services cost 20 grand. Lawyers are certainly moving towards that model where we talk about fixed fees and we have to give accurate estimates of our total legal costs. That's in legislation that binds us. So that may be the direction that our strata management agency agreements and quotes may be heading.

Yes, Sean is saying, "'Antediluvian' actually means pre-flood." It does. The direct translation, yes, is pre-flood. It's a biblical term, I think, Sean, but I think used in this context as yes, ridiculously old fashioned. Olden days, olden days. All right, Wayne, I'm just going to call out Wayne. "It has been interesting listening to it be a one way bias talk. Your interest has been towards strata managers. Very little if any discussion about owners. If strata managers can't handle being one, then get that out. Simple, you are a paid promoter of strata managers. Enjoyed your talk. Take care." Interesting comment. Thank you, Wayne. I'm not sure that Wayne knows me very well, but I actually don't do work for owners corporations.

I do work for owners, so I'm certainly not a paid promoter of strata managers. Thank you for joining in, Wayne, and if anybody has any concerns or any misapprehensions as to my motives for delivering today's talk, it's certainly not to get work from strata managers. I don't receive work from strata managers, and I don't do work for owners corporations these days, because my workload unfortunately is too heavy. Thank you for sharing your thoughts there, Wayne.

Amanda Farmer:

Okay. We're still talking about "antediluvian" here in the comments. These comments are getting long here, guys. I do want to include everybody. Neil is saying, "Agree with everything Bruce says. You have to look for good managers, not necessarily good companies." Yes. "I have been chair of 3 different strata schemes over the last 10 years and have had a lot of stress. I don't know many committee members or office holders in different buildings who enjoy the amount of work. We have no executive powers, but a lot of responsibility." Yes. Good point, Neil. Thank you for sharing that.

Alrighty. So I've told you that I want to take you over to some data, some data that we have specific to our strata managers and, if we can recognise this problem, how it is that we might be able to solve this problem. I'm going to take you over to that now. This is

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my summary drawn from the 2019 Macquarie Strata Benchmarking Report, which some of you will be familiar with. We do have a link to the full report. Please do go and check it out. This is just my summary that I have put together, again in a separate Word document. If you have not looked at this report, and I know many in the sector would have back when it came out in 2019, please do go and have a look.

This is where a lot of the data comes from that actually backs up what you've read in that article about real estate professionals. We see the same thing in our strata managers. I'm on page 25 of the report here. Cristina has a link in the comments here for you, Engagement: What Drives Staff Turnover and identifying that employee turnover is a significant issue here for our strata management companies. And what I found interesting in this report is that it was highlighted in 2019 that this was a problem. Staff turnover, staff retention was a problem for strata management companies, and this was before the pandemic. This was before the pandemic. It was predicted that the high staff turnover was going to cause problems for strata management companies. And now I think we see in 2022 with the pandemic, this problem having been exacerbated significantly.

So what was predicted there in 2019 has come out to play. And those companies that have paid attention to this issue are the ones that have ended up and are going to continue to end up thriving. But I do think it is the minority of companies that have been able to do that, and we do see many companies now scrambling to make sure they can start addressing these needs of their people, to make sure that they continue to have high productivity and good performance.

There is a section here in this report I want to get down to, I think I've missed it, actually, I'll go back up, as to what it is that employees are looking for. Yes, remuneration and pay is listed as a top concern, but interestingly, opportunities for development and promotion is another of the top 5 concerns, and company culture. These are reasons why they might leave their current employer and also reasons why they might eventually leave the industry.

Macquarie Bank, having surveyed a number of strata managers, has come up with here, reasons why employees are leaving and what it is that they're looking for. And what I found really interesting here, 45% of strata managers surveyed are looking for a positive, supportive company culture, positive, supportive company culture. That is the key concern, and I think post-pandemic, remember this report is pre-pandemic, post-pandemic that is even more important to employees to make sure that they have that positive, supportive culture.

Now this, I do have a summary of the findings here in this report and the recommendations for what it is that will help high performing companies continue to achieve in the strata management space. I haven't got my hand on the screen that I wanted to share for you today, where that's on there, so I'm just going to read it out for you from the notes that I have here. Strata managers that are not just surviving but thriving are strata managers who want to increase their level of knowledge and their expertise. They are strata managers who get satisfaction from being able to solve their increasingly difficult problems for their clients. They have the resources that they need to do their job well. They have support through access to information and guidance from colleagues and qualified professionals. They know where to go to get help.

They're working in companies that invest in information technology, in automating what should be automated, leaving the strata manager to focus on client service and on raising their profile to that of trusted professional advisor. And they work in companies that are collaborative and have a supportive culture, and they're empowered to solve problems and to make informed decisions. That was my summary that I formed from reading the data in the 2019 Macquarie Bank Strata Benchmarking Report, that these are the employees that high performing companies need to attract, to retain, and to develop as well, because someone may not come in the door feeling like they are in that head space and in that space, but be able to immerse themselves in a strong company culture to then become that employee.

So just the start, just the start of an important discussion about the mental health, the wellbeing of our strata managers. Having posted that article 2 weeks ago and received such an overwhelming rush of comment of hands up saying, "Me too. Yes, I do experience that, plus one. This is describing my situation," I do feel a moral responsibility to use this platform to continue that discussion, to seek further thoughts on how we might be able to solve this problem, what we're not doing, what we can continue to do in our strata sector to be able to help people who are suffering, and make sure that we can share, share our knowledge and

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share our experience and bring our concerns to those who are in the position to effect change.

I appreciate that not everybody has a platform, and not everybody has a voice to speak about these issues, and not everybody has the ability to influence decision making for the better. So if I can play my role in doing that, then that is absolutely what I'm going to do for a cause that is important and when people's mental health wellbeing is online.

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. You can also ask questions in the comment section, which Amanda will answer in her upcoming episodes. How can Amanda help you today?