

Publication Date: 3 November 2022

YSP Podcast Transcript: Episode 336. What Strata Buyers Wish They Knew Before Buying a Unit

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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'm your host, Amanda Farmer. And at the time I am recording this intro, I'm enjoying some sun and some sand in beautiful Hawaii. I'm taking some additional time away here with my family after spending a week in Kona attending a business retreat. I know a number of you sent your best wishes over on the Your Strata Property Facebook page. Thank you. I've been posting a few updates on the trip over there.

This week on the podcast, I'm sharing an interview that was originally broadcast to The Elephant In The Room Property Podcast. The hosts of that podcast, Veronica Morgan and Chris Bates, invited me onto their show, once again, after they heard about the results of a short survey I had conducted. In that survey, I asked strata property owners what they wish they had known before they bought their property.

Now over on The Elephant In The Room Property Podcast, Veronica and Chris are focused on finding out what's really going on in the world of real estate. They're fascinated by consumer behaviour when it comes to buying property. And through their podcast, they've set out to uncover, who's really making the decisions when you buy. Is it you or is it that elephant that's steering you.

Each week, they get into the psyche of buyers, agents, auctioneers, and other industry experts to learn the truth about how buyers are influenced and why they do the things they do with the aim of helping us all to make better property decisions.

Now, I've been a guest over on The Elephant In The Room Property Podcast a few times now. And in this particular chat, I'm bringing to you today, we talked about the results of the survey I've conducted including why strata owners may be concerned about the ratio of owner occupiers to tenants in their building, why it matters, who is on the strata committee and how long they've been there, why your unit entitlement is important and so much more.

What you're about to hear is the full episode as it went out on The Elephant In The Room Property Podcast. And I do want to say a special thank you to Veronica and Chris for allowing me to bring you this episode right here on our show. If you do want to hear more from Veronica and Chris, head over to theelephantintheroom.com.au. For now, I'll take you right on over to my chat with Veronica and Chris. Enjoy.

Veronica Morgan: Buying into a strata complex or multi-owned building requires a lot more due diligence than most people realise. It's usually a classic case of you don't know what you don't know until you move in and start to learn about how the complex is managed, where the building issues are, and how the community itself functions. It doesn't take long for many owners to realise that there was a whole lot more that they could have uncovered before they bought, if only they knew what to look for. What a lot of property buyers don't know is that there is only a small amount of information that the vendor is required by law to tell prospective purchasers, and the level of disclosure varies markedly between different states and territories. So it's no wonder that purchasers commit to a property knowing only a fraction of what they really need to know in order to make an informed decision. Scary, hey?

EiR Podcast Intro: Welcome to The Elephant In The Room. This is the podcast where we love to talk about the big things in property that never usually get talked about. I'm Veronica Morgan, real estate agent, buyer's agent, co-host of Foxtel's Location, Location, Location Australia and author of Auction Ready.

Chris Bates: And I'm Chris Bates, mortgage broker. Before we get started, I need to let you know that nothing we say on here can be taken as personal advice. We always recommend you engage the services of a professional.

Veronica Morgan: Don't forget that you can access the transcript to this episode on the website as well as download our free Fool or Forecaster Report, Which experts can you trust to get it right, theelephantintheroom.com.au.



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Today we've invited strata lawyer and host of Your Strata Property podcast, Amanda Farmer, to discuss the things that apartment, townhouse, and villa unit owners need to know before they buy. Amanda has been on this podcast three times, I think, previously, at least three times anyway, and we've discussed some juicy topics before, including pet legislation and the huge liability that all strata owners have and yet most don't realise. We'll include the links to those episodes in the show notes.

But recently Amanda surveyed her audience and asked them the question, "What do you wish you'd known before you bought?" And we thought this would reveal some valuable insights to our audience. So, Amanda, thanks for coming along. It's really great to see you again.

Amanda Farmer: My pleasure. Thank you for having me back.

Chris Bates: Oh, Amanda, I mean, it's pretty much similar to what we like to...look, I guess, what our podcast started by is, let's learn from the mistakes of others. Let's share the information out there and educate people. And so, I guess when people realise that they made a mistake is years down the line. They go, "Oh God, I wish I knew that before I bought."

So, what were some of the things that you really found out in your survey? Was there any big surprises, I guess, where you assumed people knew that?

Amanda Farmer: Yes, I was asking this question ahead of a presentation that I was delivering to a room full of conveyancers. So I've done that a few times over the years. I've been brought in to educate conveyancers, the people who are advising on the contracts, who are very often the first professionals that our purchasers are talking to about strata issues, about their rights, about their obligations. And it has been quite shocking to me that our conveyancers really have had very limited, if any, knowledge about strata and community title law. And that's why we're seeing a lot of people buying into the apartment lifestyle, having no idea what they're getting themselves into. And as you said, Veronica, having to just pick it up along the way.

So, when I deliver my education, I want to make sure it's as relevant as possible. So I thought, instead of asking the conveyancers, what would you like to know, I asked their clients, the purchasers, who are some years down the track, "What do you wish you would have been told?" And yes, Chris, there were some surprising answers to that. One of the answers was, I wish I had found out the percentage of owner occupiers versus tenants.

Veronica Morgan: Ha ha.

Amanda Farmer: Yes.

Chris Bates: It's a funny one. My-

Amanda Farmer: That was not one I expected.

Chris Bates: Yes, my sister is buying at the moment, so should I share all this information or not? And a small block of units. I'm probably not going to buy this block of units so it doesn't really matter to be honest. But, 4 units, Eastern Suburbs agent says, "All owner occupied." And my sister takes it on face value.

Anyway, I do a quick search online. Oh, one's been rented last year. Bang! Oh, it's the same agency. And so, the same McGraw in this situation was telling my sister, "It's all owner occupiers." But it's clear one of the four is a renter and they even got the rental agreement for it. So, that's something that it's very interesting to know, but you can't take that on face value, right? You've got to do your own due diligence with all these things.

Amanda Farmer: Absolutely right. Yes. So, don't take the agent's word for it. Where you can find that information? Is in the strata roll. And that is a document. It is a legal document that the owners corporation or the body corporate, as we might know it, must keep. It's a list. It is literally a roll, a list of everybody's names and contact details for the owners and the occupiers in the building. Now, the strata roll, if you're an owner occupier will list generally, it's not an exact science, but generally, it will have your name as

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the owner and then it will have the property address as your address for service. And then you think you can be pretty sure that is an owner occupier.

Where you get a strata roll and you see a lot of agents listed, and also on the strata roll the name of the tenant needs to be listed as well, so you'll see an owner name, an agency, a tenant name, then you know that those are the units that are occupied by tenants. And you get the strata roll from the strata manager. And we can talk a bit about that if we need to.

Veronica Morgan: Yes. Yes, it's interesting because it may or may not be in the strata report because there's no rule set prescribed documents as to what needs to be in a strata report. And of course, that begs the question, which I'll be interested in your answer on this one, Amanda, I think a few people will be interested in your answer, so the strata roll contains names and numbers and email addresses and postal addresses, is it legal to give away that information? Isn't it someone's privacy? And under what circumstances can the strata manager give that information away?

Amanda Farmer: Yes, great question. So owners are entitled to access a strata roll, the strata roll for their building. If you're an owner under our strata law in New South Wales, and it's pretty much the same across the country, you have a right to access the strata roll. Owners can authorise anyone else to access the strata roll. So if you've got a written authority, it's generally a letter signed by the owner saying, "Yes, I allow this potential purchaser or their agent or their lawyer to access the strata roll," then yes, you need to... that person is able to get access.

Now, I can say that and I can say that's what the law is, but almost every day I am contacted either by email or by members in my community or on Facebook saying, "Amanda, we understand this is the law, but the strata manager says, 'no,' they won't give us these details." And that is incredibly frustrating because to say that these are private details, that there are privacy laws that apply that, "No, I can't give you this information," it is just wrong. It is wrong. And we have cases that have gone through our tribunal and our courts that say that it's very clear that an owner and their authorised representative can access the books and records, which includes the entire strata roll.

Veronica Morgan: And so, given that you might encounter a bit of trouble, if you're trying to ask for this information and you're trying to convince somebody that actually, yes, they can give it to you, the right authorisation, et cetera, et cetera, there is a little hack that you can use buyers if you're looking. And that is, you can go on property portal such as [domain.com.au](https://www.domain.com.au) and also [realestate.com.au](https://www.realestate.com.au). There's the property listing. So that's the listing where they've got it for sale, and there's also a property page. Each property has a page in that portal and there's a history in there. It may not be completely 100% accurate, but it's say 90 odd percent of the time. And, in the history there you can see when it's been sold and also when it's been offered for rent. So that can be a little hack if you are struggling to access that information via the regular channels.

What's another question that people or a piece of information they wish they'd known?

Amanda Farmer: Yes. Another area that was lacking in education for our purchasers when I asked them was that they wish they'd known the priority that the building was placing on repair and maintenance.

Now this is something that often you don't feel the impact of until you're somewhere down the track to owning an apartment. Too often I think our purchasers go in and look for low levies, and don't want to buy into buildings that have high levies. But the message that I really want to shoot home to your listeners today is that low levies are not necessarily a good thing-

Chris Bates: Absolutely-

Veronica Morgan: Very interesting-

Amanda Farmer: And it may be a sign that this building does not have a focus, does not prioritise repairs and maintenance of the common property.

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Chris Bates: So in this, yes, I mean, it goes, oh, I want something. You only got \$700 a quarter, right, and then how much is in the sinking fund or how much work does need to be done to the building and is that all of a sudden going to change? A lot of people think it's fixed, right? There's so much education there.

But when that order priority, that catch you out, right? If you think that, oh, there's some building issues, but they put all their focus on the common area and there's issues with the windows and they're so far down and you really want your windows changed, but everyone's like, "Well, no, no, no, we've got to do all these other works first. I know you want new windows, but it's not that important to us all." Is that where... those stories or is it going to be more deeper than that, or it might be water issues or something like... What sort of expenses?

Amanda Farmer: Yes. Often people are not aware of or thinking about or even caring about repair and maintenance issues until it affects them and their apartment. And the windows are a really good example because that's where we say, "All right, well, I'm on level four and it's an 8 level building and the roof might be leaking, but that's not really bothering me. It's just bothering those lovely penthouse owners at the top there. But the minute that rain starts coming in sideways," which it has been doing a lot in Sydney lately, "and my windows start leaking, I want them fixed."

And the law is very clear, it's very well settled in this area that an owners corporation, a body corporate must repair and maintain the common property. There's no excuses for not doing it. It is actually a situation where the minute it becomes clear that there's something wrong with those windows, that the water's coming in and they're not fit for purpose, they have to be fixed. It doesn't matter that there's another priority. It doesn't matter that there's not enough money. They have to be fixed and they have to be fixed now.

So that's where we see things like special levies having to be raised. We see people suffering because the water is coming in and it takes time to raise this money and to get contractors to site and to get the job done. And if you're in a community, if you bought into a community that has a history of ignoring these issues or perhaps they were told 10 years ago that the windows need to be done in 2022 and they ignored that advice and there's no money saved up for that, these are the kinds of things that you can see.

If you have a close look at the books and records, you can see the communities that are falling behind on their 10-year Capital Works Fund Plans. And we do by law have to have those plans. Those plans will have a recommendation for what the Capital Works Fund or the Sinking Fund as we used to know it should have in it by a certain date. And you can match that up to what's actually sitting in the financials. And I have to say, I very rarely see buildings where the Capital Works Fund Plan matches the actual funds in the account.

Veronica Morgan: It is an interesting one, isn't it? Because that's something that we check, and I love the idea that it's mandatory to have one of these reports done. It's mandatory to update them every 5 years, but it's not mandatory to follow them.

Amanda Farmer: Correct. Yes. It is a gaping hole in our legislation. It's something that I've spoken about in the past where we need to have our legislation change to make it mandatory for buildings to comply with these plans. Otherwise, what's the point? It's just too easy to keep levies low. There's huge pressure. I own an apartment. I go to my AGM. I'm the secretary. I'm often the one there trying to convince people, "Actually, no, we need to be putting this money aside." And owners in my building are saying, "But, Amanda, our levies should be going down, shouldn't they? We've got enough money or we have the most expensive levies in this street or in this suburb," and that's said with some embarrassment. Look, I think you should be proud if you have money in the bank, you're planning, you're meeting your legal duties as an owners corporation. That would be a building that I'd be happy to buy into.

Chris Bates: Yes. I mean-

Veronica Morgan: So, sorry-

Chris Bates: I got just a story there that a client of mine, a pretty horrible story really. I mean, bought a cracking apartment in the

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Eastern Suburbs on the Tin, right? Harbour views, great design, not too many in the apartment, but there's water issues and it affects her apartment in particular. And, this has been going on for two years now. Massive internal fighting in the building. She can't sell it because it's very all publicised. She's got it all in all the reports. She just wants to get out. She's like... But she can't sell it. She's stuck because she tried. But she can't sell it until she gets the water fixed. So this is going on and the mental impact of all these things is huge.

And so, this is why it matters. It's not so much, yes, you've got to fix these things, but there's actually a lot of work and stress that goes into fixing that, which could have been... I mean, that might not have been solved in her situation because it wasn't really in the... maybe she couldn't have found that information prior. But, it is a stressful thing.

Even the client this morning, a townhouse in the Western Suburbs of Sydney, "I can't sell it right now. We've got a huge defects thing. We haven't awarded contracts, so it's going to take us 3, 4 months. I've been working on this for three years," he said, "to get everyone on board." And so, by the time he potentially getting this sorted next year, he might have missed the opportunity to upgrade, right, and so they finally get things sorted? So these are real life stories on the back of these and why it's so important to deal with these things up front.

What was the third thing, I mean, of that, or another big thing that they spoke about?

Amanda Farmer: Another big thing was by-laws and not just what are the by-laws and what are the rules that I need to comply with, what can and can't I do, but whether this community that I'm buying into actually cares about its by-laws and enforces those by-laws? So a lot of what I deal with day in day out is by-law breaches, by which I mean noise complaints, that that's a common one, "My neighbour upstairs is noisy. They've got hard floors and they have parties until late at night and they clump around up there." And often you'll find that this is something that's been going on for a couple of years. And the reason that the person below has sold and sold to this poor unsuspecting purchaser was because the building hasn't involved itself, hasn't taken steps to enforce its by-laws and to do anything about that problem.

So while it's not necessarily a great sign if you see lots of litigation going on in the building and lots of tribunal applications and people suing the owners corporation, I think if you see nothing in the way of letters being sent, notices to comply, we call them when there's by-law breaches, it's quite possible that you have a disengaged committee and maybe a community that just lets everyone do whatever they want. And that's the other extreme.

Veronica Morgan: It's interesting that knife edge you got to be on, isn't it? I mean, you're saying is, you don't want that the rules are so tight and you got, basically, it's a police state, but at the other end of it, you don't want it to be total anarchy either. And I guess there's certain signs. There's, everyone's got washing lines on their balconies. And there's some giveaways about that.

But noise is a particularly interesting one. I was looking at an apartment actually with a friend and all the floors are tiled. Well, I wonder how noisy it is. And my friend says, "Well, I couldn't hear anything when I was in there." I said, "But there may not have been anyone upstairs at home. And also, they may not have been wearing their high heels that they do, when they come home from work on a weeknight. Who knows?" I mean-

Amanda Farmer: And you also weren't lying in bed listening to them.

Veronica Morgan: Exactly. And so, I don't even know how you find that out. I mean, and I know how you find a lot of things out in buildings. It's like I thought, well, how do we find out what building materials used, and whether there's insulation and, I don't know, it might be discoverable, it may not. And, I guess there's a lot of things that you know what you don't know and there are obvious paths to find the information. And there are others, sometimes you just have to actually just hope, don't you?

Amanda Farmer: Yes. Look, once again, searching the records. And I always recommend doing your own search. So asking the agent. Look, if the vendor really wants to sell this property, they're going to give you that authority to search the records. If they don't, I think you've got those alarm bells ringing already. If they don't give you the authority to search the records they've probably

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got something to hide. And instead of relying on the strata report that's given to you by the agent, which I always say is the vendor's report, that they've prepared that in the way they want to deliver it, going and looking through the records yourself or engaging a strata lawyer to do it. And that is an investment. But you'll know that you'll get a thorough search. But there's no reason why you can't do it yourself.

And to be looking at the correspondence. So you're not just looking, okay, there's the insurance, there's the financials, there's the minutes of the meeting, look at the correspondence, the emails that are passing back and forth between the strata manager, the tenants, the residents, the committee members. Read through some of the recent discussion that's been going on because that's where you pick up little things like, oh yes, unit 28's dumping their crap in the garbage room again. And unit 7 had that wild party. This is the fourth one that they've had. Unit 4 below is constantly complaining. Ooh, ooh! Then, if that's the apartment that you're looking to purchase, then you're alert to that.

Chris Bates: Yes. And so, when you say, I just want to... engaging a strata lawyer, a lot of people don't understand how much that would maybe cost. What would that cost just to look at a strata report in detail?

Amanda Farmer: Well, like any lawyers, we like to charge based on hourly rates. And I think your strata lawyers in Sydney would be charging anywhere between 400 and \$700 an hour at the upper end. And it is expensive. We are still, surprisingly to me, a rare breed. And that's why some of us can charge those higher rates. We're in demand. I can still count on one hand probably the top strata lawyers in Sydney. There are few property lawyers, for whatever reason, who decide to specialise in this interesting area. But we do have, there are strata searches, There are professionals who that is their job to go out and search through books and records. I do hesitate to recommend that. Veronica would've seen this with her purchaser clients, that those reports are often very thin when they hit your desk-

Veronica Morgan: Yes. Yes, they are.

Amanda Farmer: And they often raise more questions than they do answers.

Veronica Morgan: Yes. We look for the holes, and then, can we fill in the holes? And that's, yes.

Chris Bates: As you're saying, what may be a couple of hours of work-

Amanda Farmer: It depends on the building, Chris. Yes, depends on how big that file is. The building maybe two years old so we don't have many records. The building might be 30 or 40 years old so there's a lot to work through. And the strata manager, who is the custodian of the records, that professional who's holding those records, may not produce all of them the first time around. So I may get everything except the strata roll and the emails. So I'll be saying, "Well, they're the two things I really wanted to see. So Mr. or Ms. strata manager, I'm going to come back the next day, please make sure that those records are in the file."

Veronica Morgan: And it's still not online, is it? I mean, I find that astounding in this day and age, particularly after lockdowns, that they haven't really embraced a widespread digital record keeping.

One thing you said at the outset of this conversation, Amanda, which was a bit alarming, was that you were presenting to a room full of conveyancers who most of them appear to... a lot of this stuff is news to them. And I think this is very important. I mean, we talk with our clients. We obviously want to make sure that they're using property specialists, whether they're using a lawyer or a conveyancer. Conveyancer is a separate thing for... I'll tackle that in a sec. But, if they're using a lawyer, we want them to use an accredited property specialist. If they're buying strata, we want them to use somebody who actually specialises in strata.

With conveyancers, there's your cut price budget conveyancers right through to some amazing... One conveyancer that you recommended to us who is very detailed, very experienced. And so you can get this huge continuum and these people all specialise in property because that's what conveyancing is. However, I guess what you're suggesting is that a lot of them have very little exposure and understanding of specifically what's involved and what they need to be checking with strata.

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And before you comment on that, the next thing that I have really realised is that there's this... Because effectively there's two stages in the conveyancing process and not always are those two stages covered off by the conveyancer. When I say "two stages," there's the first bit, is the advice on the contract. In New South Wales you have a contract of sale and there's certain information in that contract. In Queensland there's not really, there's very little disclosed. And different jurisdictions has different levels of disclosure, right? So getting advice on whatever's disclosed and then whatever's missing and needs to be disclosed or discovered before you commit to a property is a very incredibly important part of the conveyancing process. Yet a lot of those cut price conveyancers won't do that. They'll just basically deal with what's called the actual conveyancing of title, right, after you've committed to the property? And I think it's quite important that we distinguish those two things and really show that the first part is probably more important than the second part.

Amanda Farmer: Yes, I agree 100%. It is so important before you, as a purchaser, sign that contract, get advice on the contract. And, I think there's two things going on here. I think sometimes purchasers don't realise that that's a thing that they should be doing. They're so excited about the property, the agent's constantly on the phone to them, there's someone else who's about to come in and sign, they're getting their deposit together, maybe they're going to an auction, and they don't realise that in the days, if possible, the weeks before that, that's the time to be getting advice on the terms of the contract, because changes can be made to the contract. You can find out more information from your advisor. Especially if it's a strata building, you can take the opportunity to go and get some specialist advice.

Now that I'm doing more education with conveyancers, I'm often getting calls to say, "Amanda, I've got a client, this looks like a complex scheme, I'm advising them on the contract. But can they come and spend an hour with you going through the strata issues?" And they're now recommending that to their clients because they know that I exist and they know about the importance of getting that specialised advice. The trouble with... we can say all of that and that's great and we can aim for all of that. But, I also hear from conveyancers, "Amanda, they're coming to me on Monday morning having signed the contract on the weekend and they're saying, 'Oh, look, I signed this contract. I'm purchasing this property. Will you do the conveyancing?'" And the conveyancer says, "Great, but I wish you would've come to me because there's this horrible clause in here that I could've got rid of before you signed it."

Veronica Morgan: Yes. And the thing is that in New South Wales you can sign with a cooling off period. You can sign and the agent can take you to their office and you can sign and you go, "Oh, it's fine. I've got five days to cool off." It's like, with penalty, if you do cool off, but you are assuming you can make changes to that contract in that time. And, actually, that's not true. I mean, you might be able to, but probably if they're not advantageous to the owner and there's no reason for them to change, why would they? You already signed. So yes-

Amanda Farmer: And you've also had that mindset shift, I think. I don't think I've ever seen anybody rescind in a cooling off period. But you've had that mindset shift, that I'm committed. And even the little things that should be big things are written off as little things, "Oh, well, that's okay. I can live with that." But if it was a week before, you might have had a different view-

Chris Bates: That's exactly what's going through my brain, Amanda. Just in the last few months, I can think of three cases where clients have come, even one this week, and, "I have just bought this property." And they haven't consulted us what they're doing or they bought an investment property, they've been thinking about it, even one last week. Well, they haven't come to us because they know that we're not going to think it's a great property. So they've all of a sudden just gone and bought it. And I tried to jump in there, "Have you got a cooling off?" And try my best to convince them not to go ahead with it and they can do better than that. And it's extremely difficult. Because you're right, they've made that mental decision to do it. They've promised the agent, they've signed it, then having to go back on that is a big thing for them and to convince their partner who maybe wanted it more than them to go against it.

So, I think you're right. Once you've signed that contract, it's very hard for people to make that mental shift to get new information. Because the confirmation bias is in there, should be right, I've already done it, let's just go ahead with it, we can always buy another one, et cetera. And that thinking.

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So what's another thing? Because I think it is really fascinating because that's why we do the dumbo of the week story. We forgot to do one with Matt there, Veronica. But, what was another thing that you learned from those reports?

Amanda Farmer: Another thing that was a surprise to me, but I thought was a really good point was someone said to me, "Amanda, I would have looked closely at how long the strata committee members had held their positions." So do we have, I'll put it this way, a rusted on strata committee. The same owners, the same group of people have been in those positions for the last 10 years. They don't like to give them up. It's a large building, but somehow the same people keep getting elected year after year or do we have some change, some vibrancy, some opportunity for different opinions, some new ideas. And once again, this is something that's been said by someone who's had some years of experience in a community that just can't get new projects across the line, can't get their voice heard, doesn't feel that they're being represented, because they have this rusted on committee.

Veronica Morgan: Wow, very interesting that one. I've seen strata reports-

Chris Bates: And is that in the strata report? Where would you find that? I mean, these are the... Yes. Yes-

Amanda Farmer: Yes. So the strata committee, for those who might not be familiar, that if you think of a strata building like a company and everyone is a shareholder in the company, that's the members of the owners corporation. Every owner is a member of the owners corporation, just like a shareholder in a company. And then you have your board of directors. So you have this smaller group of elected representatives, that's the strata committee. You can have up to 9 people in New South Wales on a strata committee. So anywhere from one person to 9 people can be on your strata committee. And then they have the office bearer positions within the strata committee. That's your chairperson, your secretary, your treasurer.

And the strata committee has an immense amount of power in strata. A lot of people don't realise this. They make the day to day decisions. They make repair and maintenance decisions. They communicate with the strata manager. They often have delegated authority to approve renovation work, to approve your pet application. So they have a lot of power. They call meetings or they don't call meetings if they don't want to. They issue the minutes, the agendas. So the committee vacates its position at every annual general meeting and then a new committee gets elected at every annual general meeting. So the minutes of each AGM is the place for you to have a look at to track through who's getting elected each year and is it the same people every year?

Veronica Morgan: And there can be a problem with changing all the time too as well because no one cares enough to stay there. But yes, it's like everything, got to get that balance. But that is so interesting because I have seen buildings where basically it's run, I think we've had this discussion before, like a cartel and it's very cliquey and you can't get in. And they've already established the protocols for how everything runs in this joint, that's how we do it here, don't you come in here starting to ruffle feathers. No, we will not be upgrading the foyer. No, we will not be increasing our levies to accommodate for the Capital Works Fund, all that sort of stuff. So yes, it's a really important thing.

And I guess the thing too is that, like you say, the people that raise these are things that they wish they'd known. It comes back to that, now we know what we didn't know. Now we are in there, we see the impact of not having this vibrancy. We're stuck. And I think that's the other thing too. When you buy a property, I often say it's like you go through a turnstile into a stadium, right? You'd gone through. It's a one way. You're in the stadium and you can't get out, but you got to go quite a long way to the other exit and you get out. But once you're in, you can see where you came from, but you can't go back there. And that's what buying a property is like. It's like, aha, aha, I'm in now.

Amanda Farmer: Well, it's such a great analogy for apartment living as well because, yes, you're in the stadium and you're in there with all these other people.

Veronica Morgan: Yes.

Chris Bates: Yes. Yes. Yes.

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Amanda Farmer: Who you have to be careful not to bump into and you have to get along with and you have to take into account what they think and it's a democratic process so the majority rules. Too bad if the majority doesn't think the way that you do. That is overarching, something that I hope people understand or are coming to understand about apartment living is that you are buying into a community. This is collective living. That is the key difference between purchasing a free standing home and buying into strata or community title of some sort. You have co-ownership of property. You have co-responsibilities. It is absolutely... I mean, it sounds like a hippy commune, but yes, it's collective living.

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Chris Bates: A lot of people who, obviously, are buying in the apartment space, is it due to affordability? And a lot of that is first time buyers and a lot of first time buyers have rented before they bought. And so, there is this, "Oh, I've rented before. Can't be that much big of a jump. Oh, there was building issues before."

But when you were renting you could just always leave, right, and you only rented for a year in that building? That building was fine. So there's all this, I guess, overconfidence when they start to buy is that, I've rented, it's going to be the same as that. Maybe I've got to pay a levy, but they don't think through all the other challenges they have with ownership. I think that is a big jump to make, especially when you're investing as well. A lot of people think, oh, it's just units are obviously big for investors. A lot of investors think, oh, well, it's all right, the strata takes care of that. Well, no, that's if they are taking care of it. But that's assuming they are.

So what are some other things that you found? I think these are really fascinating.

Amanda Farmer: Oh, just on that point about being an investor, I think the key point to understand is, as an investor, you don't have control over your own money necessarily in a strata building. So if you've invested in free standing home, it's up to you when you spend money on fixing the roof or adding the driveway or whatever it is you want to do, or even to add value, if you want to extend, add a room, do a bathroom, do that in your own time, in your own way. Not at all the case in an apartment building. If there's going to be \$200,000 special levy because the guy in the penthouse is suing the owners corporation, even if it's spurious, you are going to have to contribute to that because you are a member of the owners corporation and that's what collective living is all about.

So thinking that strata is easy, and I always end these chats with you saying, "Look, I believe in apartment investing and I support it. I do it myself and I don't want to turn anybody off, but I'm educated and I'm making sure that I know what I'm going into with my eyes open. And that's what I hope to share with everyone else. Investors and owner occupiers alike."

Chris Bates: Was that... You go-

Veronica Morgan: It's interesting that because, I mean, when you have a well run building, I say that that's brilliant for an investor because you effectively, you've got your property manager and you've got a strata manager and there's two layers of management between you and the actual property. And that is a really nice place to be when you're an investor and you're a set and forget investor. And more so than even a house. I mean, I've got an investment apartment, I've got a house, there's a different level of involvement for me in both of those two properties. So it can work extremely well. But, you've got to know so that you've made the selection right in the first place, you've got yourself one of those buildings of course. Sorry, Chris, what were we going to say there?

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Chris Bates: Well, I was just going to ask, in terms of, we're starting to see frustrations or fears around older buildings and doing repairs and maintenance and renovations and the costs of doing that and the time. So it's turning a lot of buyers off and also the price, to be honest, to get into these. And then they look at the current amount, the stock on the market, the new properties that have been built in the last 20 years, and they say, "Look, I don't really want to buy any of those; A. they don't look great. They're aging. Building issues, et cetera." And then they see these really beautiful renders of, and all the things that these new builds are offering and they're getting better I think in terms of the floor sizes, the appeal, the materials, the sustainability, the pitch. And so we're starting to see more and more people come to us and start to say, "Oh, I really like this off the plan development."

What were some of the things that, I guess, your research, your survey said that in particular for people that bought new property, what did they wish they knew before they bought?

Amanda Farmer: Look, with the new developments, I'm thinking of a client meeting that I had last week where someone had bought in, I think the development's a couple of years old and the way that the development has been structured means that they own in one strata building that is part of a larger community and the rest of the community includes I think two blocks of commercial lots and a car park, I think it is. And those four entities, the residential strata building, the two blocks of commercial, and the car park all make up a super community, I'm going to call it, which we call a building management committee. And the building management committee makes decisions about the broader community facilities and swimming pools and playgrounds and parks. And the person who has bought into the residential strata building is starting to realise, hang on a second, the two other commercial blocks and the car park are still owned by the original developer. And at our super community level, at our building management committee level, that developer has all the say because they own three out four of those blocks if you like.

Veronica Morgan: Wow. Yes.

Amanda Farmer: And I'm being told, "Amanda, the developer of course doesn't want to spend any money on maintaining the pool that we all share or the park or the playground or indeed the car park. And we're all using that and all of our residents are using that, but we can't do anything to force them to do anything about it, except litigation, because we're just one little 25% of this super community." So, yes, new development's great, but that developers are getting a little more savvy about how to set these up in such a way that the poor residential owners, and I'd say that, because they're the mum's, dad's, families who are buying in off on their first property, not understanding the legal structure that's in place and how that impacts day to day decision making.

Veronica Morgan: Or even just making that assumption that all the commercial lots will be sold as well and just not even thinking that it's possible that the developer would retain such a large proportion of the building. But that can happen too in residential, can't it? In pure residential where developers would retain a certain percentage, they may not have the majority share, but they may then get all these proxy votes and still dominate via the meetings or the decisions or the... What do you call, the executive committee.

Amanda Farmer: It can happen when it's just a single building. We do have laws actually that will dilute the developer's vote, if that's the case. And this is why I think some of these other structures are being developed to avoid that situation.

Veronica Morgan: Wow. Scary-

Amanda Farmer: So, that is why, and we're back to this point, right, we're back to this point about conveyancers who may have very limited knowledge of strata and community title, trying to advise a purchaser who's buying into one of these communities with this overarching, whether it's a building management committee or a community association, they may not even pick up that this is part of a larger association that is something that may be a strata lawyer would pick up or if the conveyancer had seen something like that before maybe? But this is something that's not necessarily clear on the face of a contract. There's a few little signs, but yes.

Veronica Morgan: Well, they're complicated too, aren't they? I mean, when you've got just residential, everyone understands residential, but when you've got actually commercial or restaurants and different types of commercial and the requirements around grease traps and garbage collection and there's just a whole another level of deliveries and of administration, but also impulse

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potentially to the residents in a complex, it's like, yes, it's a very, very complex part of the property market, I would think.

Amanda Farmer: Yes. And only getting more so I have to say.

Veronica Morgan: So have you been paying attention to the New South Wales Building Commissioner's activity and there's a new South Wales builder rating system that is being launched?

Amanda Farmer: Yes, look, like everybody else, I see Mr. Chandler pop up in the media from time to time. He's been on my podcast before. We've had a chat about what he's been up to.

What I find fascinating at the moment, at the time we're recording this, is that there is proposed new legislation for New South Wales, which would extend his powers to all residential strata buildings so that he and his authorised officers, which at the moment include the New South Wales Police could enter any residential apartment building where they believe there has been a failure to repair and maintain the common property in accordance with the current strata law. They can go in and investigate. They can go in and give directions and orders and penalties. So everything that he is doing with the brand new developments and the developers for buildings that are not even yet complete, he's going to be able to do that for our existing-

Veronica Morgan: Retrospectively-

Amanda Farmer: And older stock. Yes, fascinating. Quite extraordinary powers. Some commentators calling them draconian. Those in the know seem to think these laws will be made and that he will start tackling the very worst offenders. And by that I mean, buildings where we're hearing about mould and people getting sick and not able to live in their apartments because for 5 years the roof's been leaking and no one's done anything about it.

Veronica Morgan: Just horrific. It's very interesting to think that he may be able to extend... I mean, he's a force to be reckoned with, isn't he? I mean, you absolutely take your hat off to him in terms of the level and the rate of change. And I just do love his LinkedIn posts as well, very educational. He pulls no punches-

Chris Bates: I mean, that's got to scare the developers because if you're focused on new customers, which every developer is and their current projects and what's in the works, there's always forgetting about your existing customers, and that's all your people who have bought your past developments, and so they still got their name on it, right? It was still a big name developer. They've got building issues. And it was always kept under hush-hush because it was never really in the media. But, if David Chandler walks in there and then, hang on a sec, this was your development, so maybe that's what we need. It's that, really putting the developer's names up in lights and saying, yes, you can't just get away selling all this new stuff if you don't take care of all your older projects. Is that what you're hoping happens?

Amanda Farmer: Yes. Look, I mean, I think you're right when you said earlier, Chris, the new stuff that's coming out now, I think the whole aim of this was consumer confidence. And I think just that's starting to be restored simply because Chandler's so vocal and he's out there telling us what he's doing. His team is still relatively small, I have to say, compared to the problems that we're seeing on the ground. So he's certainly not able to get every building, but you hope that this culture change is what causes the shift.

But, as for the existing buildings, and I think about a building that I own in is 40 years old and we're getting to a stage where the lift needs to be replaced and the waterproof membrane on the roof needs to be done. And sometimes it's hard to get contractors to come to site to quote for that, especially at the moment, everybody's going through this, contractors to come and quote, get three different quotes. There's owners complaining because it's all taking too long, but you're doing the best you can. I would hate to think that that's the kind of building that Chandler would then be brought into because somebody makes a complaint, a disgruntled owner makes a complaint and says, "Oh, hey, over here, look, strictly, they're not complying with their legal duty to repair and maintain, but they're taking every reasonable step to try and do so." I would hope that they're not the buildings that he would have his sights on because I think that would be an extraordinary extension of his powers.

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But, we do need something to assist those owners whose only other option is to go to the tribunal and spend tens of thousands, sometimes hundreds of thousands of dollars on legal fees to get an order from the tribunal that their building, that their owners corporation fixes a leak, fixes a roof so that they don't have to live in a mouldy wet apartment. But that is a big problem that needs to be solved. Maybe this is the way to do it.

Veronica Morgan: I think also I would imagine that mouldy wet apartment problem is actually a lot more widespread of recent times because of purely due to all the rain that we've had. And I think that that is an issue of course in strata because it does take a lot longer to, A, get to the bottom of whatever the causes are and then go through all the processes that are involved in order to actually get to a point where you're finally getting rectification work to be carried out. So it is...

I remember interviewing Karen... Hang on. What's it? Yes. Stiles, yes. Some time, I probably should get her back for some stories. And she was telling us a story about somebody that basically had a channel cut through the living room floor of their apartment just so water could run through it while they were going through this process of trying to work out, well, where is it coming from? Who's responsible? How are we going to deal with it? What a nightmare? Just, it's mind boggling. I shouldn't laugh. It's actually not funny. So, Amanda, anything that we haven't covered in these overarching things? So the other things are on the list.

Amanda Farmer: Yes. Look, another one that I see come up from time to time, and again, it's a little bit of a technical one, but it's a good tip for your listeners, is to check what your unit entitlement is-

Veronica Morgan: Ah, yes.

Amanda Farmer: Now, we may have mentioned this term in our past chats, but the apartment that you're purchasing, will have a number attached to it, which is your unit entitlement, and that's your proportion... it represents your proportion of the strata levies and it also represents your voting right on certain motions at meetings. So, say a building of 10, it might have a total unit entitlement of 100 and then everybody's lot, to keep a simple example, has a unit entitlement of 10. So everyone's got equal voting rights, equal contributions to the levies.

Often things are not that simple. Often larger apartments have higher unit entitlements. Maybe you might be buying one of only a few one-bedrooms in the building, so you've got a lower unit entitlement. And so, while you contribute less levies, you also have a lower voting right. And sometimes, and most often, this doesn't matter, but I've been involved in cases where there is maybe one particular owner that owns quite a lot of the larger apartments and they have been able to stack the vote at a meeting and block certain things from happening or they've been able to get their own agenda through simply by relying on that higher unit entitlement and being able to be the decision maker for the entire community and those with the smaller holding can't get done what they need to get done. Now, this is something that should be quite clear on purchase. You see it on the title. You see it on the common property title, what the unit entitlement is, and you can see on the strata roll who owns the other lots and whether there is a block forming. So, something to look at.

Veronica Morgan: So yes, just for anyone in New South Wales, the title search is in the contract and you can see it listed out there. And likewise, when you get the strata roll, if you get the strata roll, in your strata report, you can have a look through and then you can work out who owns what. And that is interesting too because it quite often are families that might own a bunch of properties in one apartment building as well. If they don't have the same surname you're not necessarily going to pick that up, but you'll find out soon enough.

I remember, the first time we interviewed you, Amanda, you said one of your tips was actually just to loiter around in the corridor and just talk to residents.

Amanda Farmer: Yes, if they'll let you. Yes, make friends.

Veronica Morgan: I've done that. Have a nice little chat with someone who happens to be in the corridor or outside in the garden or whatever and they will... You get a sense if they like living there or not, that's for sure.

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Chris Bates: Absolutely.

Amanda Farmer: Yes. Yes. You've always got stickybeakers in the... open for inspections. You'll soon find out which ones are the neighbours.

Chris Bates: Yes. And in that vein on a different... Have you got a property dumbo of the week you can share with us a story?

Amanda Farmer: I do. Yes, I do. At risk of opening up another podcast conversation, I want to talk about electric vehicle charging in apartments. Because this is a story of a young man who had an electric vehicle. Very environmentally conscious and often young people, who can afford these electric vehicles, are, and also then was able to purchase his first apartment. So he's got his EV, purchased his apartment, turns up to his garage and realises, oh crap, how am I going to charge my electric vehicle? And after a couple of weeks of running extension cords over the balcony and try to plug in the vehicle through the visitor parking, he finally, and sensibly made an application to the owners corporation for approval to install his own charger for his electric vehicle.

However, and this is where the dumbo bit comes in when the owners corporation would not approve the installation of this equipment, then he decided, there was nothing more he could do. He moved out and went and lived somewhere else and rented his apartment to somebody else. Now, I say that's a pretty dumb move because if you understood your rights, and this is really important as this becomes much more common, how electric vehicles are going to push for everyone to have electric vehicles in this country, you do have a right to be able to charge your vehicle in your home. And if you have proposed a by-law, which makes very clear that the infrastructure you are going to install on the common property is your infrastructure, you will repair it, you will maintain it, you will pay for it, and you will pay the electricity costs associated with that, then the owners corporation can't unreasonably refuse your application.

So, please, anybody who is discounting strata living, apartment living, or who is coming up against a difficult owners corporation or committee when it comes to electric vehicle charging, please understand that the law is on your side. The political zeitgeist at the moment is on your side. There is government funding, at least I know in New South Wales, going towards not just electric vehicle charging, but putting this infrastructure into apartment buildings as well, dedicated funding. And it's been a topic of conversation for some time. It's going to keep becoming a bigger topic of conversation because we must get apartment residents on board to reach these EV targets.

Veronica Morgan: Really interesting. And one thing I have been wondering about, and perhaps you've come across this, how many buildings are getting together and saying, "Right, well, we want to create a solar farm on our roof?" And I'm wondering if anyone's doing it and actually involving the surrounding houses and maybe all actually getting in together to create their own little power station. Is that happening?

Amanda Farmer: I'm not aware of that happening. What I am aware of is how slow the uptake of solar has been in our residential apartment buildings, full stop, to be in terms of powering the common areas and in terms of owners getting solar power to their own lots. Years ago, this was touted as this was the way to go. Australians have been quite good at picking up the solar on free standing homes when we look worldwide, but our residential apartment buildings have really been lagging. And a big part of that is this is the approval process that people need to go through.

And that's why last year we had new law in New South Wales that lowered the threshold of approval for what we call sustainability infrastructure. That's solar panels. That's EV charging. That's LED lighting. That's any of that stuff. The approval threshold has been lowered to what is essentially a majority vote. If you can get the majority vote you're in, whereas, it used to be a 75% vote in order to have that infrastructure. So our government's been working really hard to try and pick up some speed here with our residential apartment buildings.

Veronica Morgan: I would have thought it was even a no-brainer in, you've got a route. I mean, I've got a problem here. I've actually wired my house for solar and then been told that because I've got a tree on either side of me that it's not practical to put solar panels on my roof. It's really annoying. And then there's a unit block diagonally behind me and I'm thinking, how I'm going to

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knock on their door and say, "How about we all collaborate with all the houses around?" But also, because a unit rooftop is a lot higher than a house rooftop. So it's very rare that you get a tree overhanging a unit rooftop. It's just beautiful opportunity to put solar panels, I would think.

Amanda Farmer: Absolutely. Often flat roofs, often lots of space. So the difficult has been funding as well. And you have, once again, it's a democratic process, all these differing points of view and you do have to have a meeting and you do have to have some level of approval. There has to be funding.

EV charging, we're finding is more difficult at the moment to get across the line than solar, just because it's new and it is more expensive and we don't necessarily have the finance options that you have with solar, but it is absolutely the way of the future. And what I try to tell communities who are grappling with this, particularly in the context of EV, is, "You don't know how many purchasers, how many tenants are completely disregarding your building and not even coming to you for inspection because they know you don't have EV charging capability and they're going to the building down the road-"

Veronica Morgan: It does.

Amanda Farmer: It does. And that and is going to become more and more common. And as an investor, that's something that I'm very concerned to deal with, so we don't fall behind.

Chris Bates: Do you think they'll-

Amanda Farmer: They want to see space-

Chris Bates: Ever get to a point where we legislate things like this, legislate fire alarms, you legislate that solar has to be installed unless there's a reason why you cannot, for example, and then there's a funding option that the government provides to do that, or a finance option, or something like that? Do you think we could get to that stage with this or is there anything else in the pipeline where these things are going to happen?

Amanda Farmer: Yes, so as of next year, I believe, I haven't seen the legislation myself yet, but I've heard a couple of people mention it, we will have legislation that all new apartment buildings must be wired for EV charging-

Chris Bates: Yes. Okay. Yes.

Amanda Farmer: So that's something. I'm not sure where solar fits into that, but definitely, that's the direction that we're heading in for new buildings.

Chris Bates: For new buildings that solve that problem and they've got a process, and maybe then they start to solve the other 10 million dwellings out there that have... also part of the problem. So awesome.

Thanks so much for coming on today, Amanda. Was there any other final points on the report that we missed or have we covered it all?

Amanda Farmer: I think we have covered all we can today. As I said, I do want to finish up by saying, I love the lifestyle, I love the community, I don't want to turn anybody off apartment living, but my message is always that becoming a more informed apartment owner, hopefully before you even go in, is the fastest way to more peaceful and more profitable apartment living.

Veronica Morgan: Well, we're all for informing people. That's fantastic. Thank you so much, Amanda. It's always good to see you and always lovely to have a chat. Always learn so much.

Chris Bates: Awesome. Thanks so much, Amanda. Cheers-

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Amanda Farmer: Pleasure. Thank you very much for having me-

Chris Bates: Cheers. Bye.

Veronica Morgan: If you are looking to buy your dream home or an investment property in Sydney's Inner West, Eastern Suburbs, or North Shore, my team and I can help you buy without regrets. Reach out via my website, gooddeeds.com.au.

Chris Bates: If you're looking to buy your first home, thinking of upgrading into a new one or purchasing an investment property anywhere in Australia, my team love to carefully guide you on this journey. And most importantly, get the finance right. Reach out via our website wealthful.com.au. Thanks for joining us. We'd love to see you again.

Veronica Morgan:

And remember, don't be a dumbo.