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YSP Podcast Transcript: 425. Removing the Emotion From Strata Investment

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Intro: Welcome to Your Strata Property, the podcast for property owners looking for reliable, accurate and bite-sized information from an experienced and authoritative source.

Amanda Farmer: Welcome to your strata property, the podcast for property owners looking for reliable, accurate, and bite sized information from an experienced and authoritative source. Hello and welcome to this week's podcast episode. I'm your host, strata lawyer Amanda Farmer, and my guest this week is Ailinh Ginna. I am going to introduce Ailinh in just a moment and take you over to our short chat. But as this is an episode all about trying to make the best decision when you are purchasing a property, specifically a strata property, I thought I might start out by sharing a few of my own tips in this area.

Now, I'm certainly not a buyer's agent, as you will hear our guest today. Ailinh is I'm not a real estate agent. I am not by any means a financial advisor. So do understand that these tips come from my own personal experience purchasing strata properties over the last 15 to 20 years or so, and it is a question I'm often asked as a strata lawyer who every day sees the other side of these purchasing decisions, works with purchasers who feel perhaps they've made a mistake.

Wish they'd known more, wish they'd asked different questions, wish they had understood more about how strata works before buying in. It may be that some of these tips are helpful to you. So, three tips from me before I take you over to our guest today. First of all, and many of you will have heard me say this before, do your due diligence now, I know this is fast becoming a little trite, but it does still shock me how few people do this properly when they are buying strata properties, whether as an investment or to live in.

Doing your due diligence when you are purchasing a strata property means getting legal advice from someone who is experienced in advising strata purchases if you're buying off the plan and I had a recent chat to Ally Langdon at a current affair on this topic. Some of you I know saw that segment. If you're buying off the plan, you need to get advice from somebody, a lawyer, a conveyancer who is experienced in advising purchases on off the plan contracts, and do that before you sign the contract or before you bid anhe at the auction.

And I say this not to drum up business for my own legal practise. I do not do any conveyancing anymore. But I say this in recognition of the fact that many new strata property owners come to me after they have settled and settled in to their new property with questions expressing their surprise about how things are in the building. Shocked, perhaps, that there is a special levy they have to contribute to a strata loan that needs to be repaid, paid, things that they were not aware of prior to signing that contract, and things that they could have been aware of if they had done their due diligence.

So getting advice, legal advice, from the right person, the right professional, is definitely part of that due diligence. Searching the books and records of the owner's corporation or the body corporate into which you are buying is also essential, not just relying on the strata report that the real estate agent has given you or given you access to. You'll hear Ailinh refer to a strata report. That's a report that's usually produced by the vendor or by somebody acting on the instructions of the vendor.

The vendor being the person who is selling the property. That person obviously has an interest in that report being as glowing a report as possible. You can, as a purchaser, ask for the vendor's permission to inspect the books and records of the owner's corporation, usually held by the strata manager. If there is a strata manager, if that vendor wants to sell, they're going to give you that permission.

You make an appointment and you can inspect all of the records that are held by the strata manager on behalf of the owners corporation. That's when you're going to find out whether there's disharmony in the building, whether there are engineers reports on the records, identifying water leaks or building defects that haven't been attended to. You're going to find out if there's any legal proceedings that might be ongoing.

There is so much gold in those records, but so few purchases. Take the time and perhaps spend the little bit of money that it costs to have those properly inspected. So that's your due diligence?

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Amanda Farmer: That's certainly something that I do if I'm looking at purchasing a strata property. Secondly, and this applies, I think, especially if you are an investor, you're looking at the bottom line. You're hoping to make some money out of property, as so many Australians do. Why not look for properties where there is room for improvement? Now, listening to this podcast, you probably know a little bit more than the average strata property purchaser. You understand a bit more about how strata works, what the process is. If you need to get renovations approved, you know that it's possible to request an area of the common property for your exclusive use. You might even know that it's possible to purchase an area of the common property.

I've worked with many savvy purchasers and strata property owners who have identified a parking space or a courtyard, or even an attic space that is immediately above their property that no one else really has any use for or access to. They make a proposal to purchase that from the owners corporation for a market rate and immediately add significant value to their purchase. You might be looking for properties where you can see that kind of potential.

This is actually exactly what I was able to do with the very first apartment that I purchased. And when I look back, I can see how that experience is actually part of the reason why I'm now so passionate about teaching strata, or teaching strata law to others. I know from my own personal experience that becoming a more informed strata owner, having that knowledge, or having that access to knowledge is the fastest way to more peaceful and more profitable apartment living.

Some of you may have heard me say that before. My first apartment was in the Sydney suburb of Kingsford. Some of you may know it well. This was a, as still is common in that area, a traditional 1960s red brick wall car. There were about nine units in the block. I purchased unit number eight, a two bedroom, one bathroom, one car garage unit. And it didn't take me long before I was trying to think of ways to add value to that property.

Yes, I gave it a paint job. Yes, the bathroom Renault still had the original bathroom in there with the tiny pink and blue mosaic tiles. And I have to say at the time that I did that bathroom, I reached out to the strata manager asking what the process was for a bathroom renovation. And I clearly remember that strata manager saying to me, it's all good, Amanda. Just let the other residents know what dates you'll be doing work, what time your contractors will be on site doing the noisy jackhammering, and you're good to go.

No need for a general meeting, no need for any kind of bylaw or formal approval. A little bit scary when I look back on that. It was certainly a time when the legislation did require bathroom renovations to be approved, at least at general meetings. Now, I remember attending an AGM one year, and I think it was within the first or second year of my ownership. And at that time I was already working at a legal practise that did do some strata law work.

So I was getting to know a little bit about this world of strata. And one of the jobs that I was doing in the law firm as a junior person was drafting bylaws, including exclusive use, or what we now call common property rights bylaws. So there I was at one of my first or second agms as a strata property owner, and I had a flash of inspiration at that AGM.

I'd recognised that every one of the owners in the block had a garage space that was part of their lot. But in front of each garage space, there was an area of common property, an apron, if you like, where owners and their visitors would park a second car or park another car right in front of the garage on that area of common property, not blocking anybody else, not otherwise in the way, but treating that area of common property as if it was a second parking space.

Because I had that knowledge about the power of exclusive use bylaws to grant certain legal rights, I suggested at that AGM that the owners corporation put together one of these bylaws and give every owner the special privilege, exclusive use, over that area of common property immediately in front of their garage, so that with the registration of that bylaw, every owner legally had a second parking space. They could then advertise their units for rent.

With two parking spaces. They could sell their properties with legally two parking spaces, one on title being the garage, and one pursuant to a valid, exclusive use bylaw. Now, everyone was going to benefit from this idea. Everybody loved the idea. We did just that. We got the bylaw prepared. That cost about \$500 back in those days. It was passed, it was registered, and with that small, easy step, we probably added about 30,000, \$50,000 worth of value to each property over a block of nine.

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Amanda Farmer: That's about half a million dollars, just because of that one document. Now you too can look for strata properties where you can do just that, a quick way, easy way to add value. A more recent experience when I was purchasing was where there was a strata loan on the books. I could see that because I searched the records, I understood how strata loans worked. I knew what my contribution to the loan would be over time, if I purchased, how long it would take to pay off, and when I was making an offer to purchase, I took that into account, negotiating with the real estate agent, explaining why I was making an offer that was less than what the vendor had asked for.

Ultimately, that offer was accepted, and I knew that I had some funds in reserve to contribute to that strata loan when the time came. Something that was otherwise scaring off other purchases and making that property difficult for the vendor to sell was something that didn't faze me, because I had the knowledge, had the understanding about what a strata loan was, what the repayment terms were, and I could do that mathematical exercise of working out what my financial obligation was and make sure I got the property for the right price.

So use your knowledge, you all have it. It's knowledge that still isn't all that common out there. Look for these unique ways to add value when you're choosing a strata property to purchase. And finally, my third tip for today, don't be afraid of looking outside your own backyard. That might include looking at properties that are interstate. You're in New South Wales, you might look at the Queensland market, you might be looking at the western Australian market.

Do be aware that when it comes to strata, the laws across our states are different. We do have some members inside our online membership community who own properties across different states. I'm thinking of one in particular who owns a property in Western Australia and has more recently bought in New South Wales. And we often have conversations over there in our member forum about the difference between the WA and the New South Wales laws.

And it's great that we're able to support that member inside our member forum as they come to grips with what might be different over on this side of the country. But this is something that you'll hear our guest today, Ailinh, in our chat raise sometimes we get attached to our own backyard. Sometimes people like to purchase units in the same block in which they live, feeling that they understand the community, that they're able to keep an eye on things a bit more easily.

For reasons you'll hear me explain soon, that might not always be the best decision when you are purchasing a strata property. If you're in the market for a strata property at the moment, you might want to have a listen to some other podcast episodes on this topic. Way back in episode number 55, I was talking to Veronica Morgan about why strata purchasers might want to work with a buyer's agent.

Link to that one in the show notes for this episode, and a little more recently, episode number 336, the results of my impromptu survey asking the question, what do you wish you had known before buying into strata? I asked many of you that question a little while ago. You gave me some incredibly insightful answers. That's a great episode to go and have a listen to. If you're heading into strata for the second or third time around, perhaps we all get better at making these decisions with experience.

That's for sure. Time to take you over to my chat with our guest this week. Ailinh Gin worked alongside her husband at his optometry practise for 18 years, but then discovered that her true passion lay in real estate investment. Her journey began as she and her husband purchased properties for themselves, driven by their goal to achieve financial freedom and offer a better life for their children. And over the years, they've managed to secure a large property portfolio and replace their working income with cash flow from their investments.

What started as a personal passion soon expanded into assisting friends and family with their real estate ambitions. Over time, Ayn has combined her business discipline with a deep understanding of the property market to assist other individuals and families to navigate their property journeys with confidence and purpose. I'll take you on over now to my chat with Ailinh Gin.

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Amanda Farmer: Ailinh Ginh, welcome to the show.

Ailinh Ginh: Thank you, Amanda, for inviting me. Thank you for that.

Amanda Farmer: Pleasure to have you here with me. Ailinh, you are a buyer's agent. Always good to have insights from that side of the fence. Just in case our listeners haven't heard about a buyer's agent before, let us know what it is that you do.

Ailinh Ginh: So what buyers agents do is we look for properties for investors. So what we specialise in is more investment property. So it's like, if you were to sell your property on your own, would you actually sell it on your own or would you find a selling agent to get the best price? So what a buy agent does is actually looking for the best deal for you and invest in the best area. So it saves you time, money and costly mistakes.

Amanda Farmer: And when we're talking about strata properties, apartments in particular, why do you think it's a good idea for purchasers to be working with a buyer's agent?

Ailinh Ginh: A lot of people don't really dive deep into the information that's given to us. I mean, if you read Australia report, it's quite tedious. I'm sure you go through that all the time, Amanda, which means it's a lot of information that people probably won't understand or miss out on.

So it's not something that everybody specialises in. So really we're having a buyer's agent. You kind of get that feel where you speak to the lawyer. You actually go through all the information, ask the right questions, because if you're buying properties for the first time, there's things such as a caveat or, you know, like there's a covenant or there's an easement on the property or something, which is a major in that you won't see in the report itself or you won't know what it's for.

Amanda Farmer: You said, Ailinh, that you are helping investors to purchase real estate. What are some common misunderstandings that you come across when you're helping these people and how do you get over those?

Ailinh Ginh: I think the most common mistake from a lot of new investors is they think they're going to live in the property. So buying an investment is actually very emotional to a lot of people. So if you can actually take the emotion out of that, a lot of common mistakes people do have is they go in thinking that this is the perfect property where I'm going to live in, but pay a fortune for it. But that's not what investment means. Investment is actually buying the right property, the right location, with the right size of land and actually making the money or the growth out of the property.

Amanda Farmer: I think it was a headline that I read just the other week that said something along the lines of a big mistake that investors make is buying in the same area they live in because they feel like they know the area, and that's not always the best place, the best way to invest your money. Do you see that mistake being made as well?

Ailinh Ginh: Oh, definitely. So a lot of people do like to buy in areas where it's feel, touch and see, so having that emotional attachment again. So I do have a lot of clients who go, I won't buy anywhere beyond Sydney because I can't go there and fix the light bulb or I'm going to change the hot water system. But physically you're not going to do that, which is a very common mistake, because once you've got the property, you're not going to go in there and do the work yourself. You probably end up paying a handyman to do it, which makes no difference wherever you buy.

Amanda Farmer: Yes. And in strata in particular, I've certainly known owners in a building who will then decide to purchase in the same building, another apartment, because they know the building, they know the area, the community. It's easy, perhaps, but I've often had a bit of a question mark over that myself, because I'd be concerned if the building faced a particular expense of if there was a special levy that needed to be paid.

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Amanda Farmer: You're going to be slugged twice for that because you're owning those two apartments, you've got that higher unit entitlement. I don't know if you have any views on that, Ailinh, if you're in strata and the opportunity came up to buy another apartment, is that a no-go or does it depend?

Ailinh Gin: I think for me, if the numbers work, and that's what investment is about, it's about looking at the numbers. If actually everything works out and you're actually down by a little bit only, and you know there's growth, 100%, go for it. But if you know that you're not making money, you're buying it because you live there. It's the location where you want to be at, rather than a place that you want to make money, then it's totally the wrong reasons to buy a property. So for me, it's like, why buy it in your backyard when you can make money somewhere else?

So it's a cost of opportunity which you're missing out on. So most of people have that emotional attachment and that's where we really need to draw that line when we invest in properties. We really need to take that equation out and make sure they can actually move forward and actually look for a property that suits them, what their needs are, rather than just buying because they know the area, they know what it's like, they know where the strata is, but there is added costs that you don't want to incur.

Amanda Farmer: Ailinh, can you give us some examples of clients that you're working with, purchases and how by connecting with you as a buyer's agent when they could easily have gone at a loan, they have done well out of their purchasing decision.

Ailinh Gin: I think we've got a few clients with very similar situations where they're new at it. They don't know the area. So I've actually buy interstate. So we're currently purchasing in Perth at the moment.

So for them to travel all the way to Perth, which is from Sydney to Perth, is about a five hour trip and a five hour trip back. And not just that, you're starting from scratch, you don't know the area, you don't know where to start, you don't know what street school, you don't know where everything is. So that's when a buyer's agent comes in play. So we actually do all that research, the data, the information, we give that all to you before you even go there.

And not just that, we actually do a lot more research, such as why we're buying the area, what's the growth, what is the vacancy rate? Whereas if you were to go there online, you don't look at all four days. You're looking at, I don't like the kitchen, I don't like the way the tile looks. So some of my clients have that emotional attachment. They walk in, they go, I want to buy a place where I can live in.

But we're not buying a place for you to live, we're buying a place for you to invest. And that's the reason why engaging a buyer's agent, we can actually take that emotion, look at the numbers and make sure it works for you.

Amanda Farmer: So are you saying that when you go off, say, interstate looking at properties, you have clients who quite possibly have never themselves seen that property? You've seen it, you make a recommendation and they will sometimes, I imagine, buy without actually seeing the property themselves.

Ailinh Gin: We actually don't always go there physically. We do have a team of property managers and conveyors around that area, so, which we deal with. So we get a video walkthrough. We've worked with these team of people making sure that once we do engage them, that they've done the right thing. So a lot of times, yes, it's sight unseen physically, but mainly video walkthroughs. That would actually solve a lot of problems too, because we get another second opinion from a property manager.

Amanda Farmer: Rightio. And the interesting thing about buying strata interstate is that the legislation is different when it comes to managing these buildings. I imagine being connected with agents, property managers, even strata lawyers on the ground. There is going to be really important, so that if it is not a jurisdiction that you're familiar with, maybe your own strata property in New South Wales, but not in Queensland, it's going to be really important to be aware that that law is different and not necessarily bring your assumptions about how that day to day management works across state lines. Let's say.

Ailinh Ginh: I agree, because I think every state's got their own rules. Even stamp duty is different for each state. The laws, the rulings, the cooling off. So it's really important to have somebody who knows how to read that and understand and connect all the dots for you. And that's what a buyer's agent does. Like, they put the right team of people together and help you along the way. And like strata management, also like, you know, as you, Amanda, as a lawyer who specialise in New South Wales, strata law, and I'm sure, as you said, Perth is very different, Queensland's very different. I don't know why they made it like that, but

Amanda Farmer: Just to keep us on our toes.

Ailinh Ginh: 100%. Yes, and even like all the different lgas, they've got their own rules and all that stuff, as you know that. Amanda Farmer: Now, Ailinh, I know that you invest in strata property yourself. Have you got any great wins that you want to share with listeners who might be thinking about, maybe they live in strata and now they want to invest, or they are investors who want to purchase some more strata properties for their portfolio. As an experienced both agent and investor yourself, any tips for our strata investors?

Ailinh Ginh: I think you really got to crunch the numbers very well. So adding all the strata fees and also maybe getting engaged, a really good lawyer who specialises in strata management because there is hidden costs, like, all that levies that comes up, like there's damages in the property. I think if you were to go down that route, definitely look into that, because those are the most important things, I think, for anybody to invest, because you don't want to have hidden costs which you don't want to fork out on. So I think that's a good tip. Yes.

Amanda Farmer: Yes, definitely. We do see strata purchases surprised by those expenses that they haven't budgeted for. And I agree with you, there's a big role to play for those who are advising our purchases at that point of purchase to make sure that they're on top of that. And that includes our agents as well. Our sales agents are often criticised for not knowing enough about strata and perhaps sharing inaccurate, misleading, sometimes information about what a purchaser is buying.

And I hope as a buyer's agent, and I know there's many buyer's agents out there, they're doing their bit as well to be across how strata works so that you too can provide that guidance to your clients and other benefit perhaps of having that professional by your side.

Ailinh Ginh: 100%. I think it's important to really read the details a little bit more. Obviously, if you don't know who to go to, I think it's really important to maybe start off with the lawyers to engage that and go through all the details correctly. I mean, as a buyer's agent, we've got to go through a lot more details like building reports and also the legislation for each state, which plays a different role, as you know. Amanda.

Amanda Farmer: Ailinh, how do our listeners find out more about you? Where can they go if they want to connect? And let me know if there's anything you want to add before we wrap up.

Ailinh Ginh: You can connect with me at focusbuyersagent.com.au. I'm actually on LinkedIn also under Ailinh Ginh. So you just send me an sms and I should be able to respond to you.

Amanda Farmer: Excellent. Anything you want to add before we wrap up?

Ailinh Ginh: I think, you know, the best thing to do is really have a think about, investing because we always put that as a delayed factor because it's a too hard basket. And if you do find that it's a too hard basket, find somebody that you resonate with that can help you through that journey, because the longer you leave it, it's not going to change anything.

So I think for anybody who really wants to invest, start by engaging somebody. Speak to somebody. That's the best step. Speak to a broker, a bank. At least you know how much you've got to save. That's the main thing to get into the market and what you can do with the money afterwards. Because, you know, the only person that's stopping you is yourself.

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Amanda Farmer: I like it. Ailinh Ginh, thank you very much for joining us today.

Ailinh Ginh: Thank you, Amanda, for having me.