

Future of Strata Living – Roundtable Event

19th August 2022

Summary Report - Final



Overview

Context. It is estimated that by 2040 40-50% of Greater Sydney Residents are expected to live in strata developments.

There are known and emerging risks (and opportunities) associated with this growth and the broader changing landscape inclusive of regulation, licencing, education and insurance.

These will need to be addressed to improve consumer confidence and to ensure effective and collaborative management of this growth.

The workshop. On 19th August 2022, leaders from across the Australian strata industry community came together for a workshop to discuss 'the future of Strata'.

The workshop was highly collaborative, where ideas on predicted future challenges, requirements, proposed mitigations and solutions were discussed.

This pack contains a summary view of areas covered, and also the graphical capture / articulation of the key points made during the day.

Key contacts. For more information please contact John Minns, Property Services Commissioner or Stephen Brell, Strata Community Association.



The workshop

The workshop was held at Macquarie Bank (Conference Room, Level 1, 1 Shelley Street, Sydney) and ran from 9am to 4pm.

As per the agenda on the right – there were a number of speakers and activities dotted throughout the day with the aim of bring a mix of activity and listening/reflection.

Included in the ground rules was the use of Chatham House rules – which are summarised below for ease of reference

“When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed”

Department of Customer Service		NSW GOVERNMENT	
MEETING AGENDA			
MEETING PURPOSE	Future of Strata Living – Roundtable Event		
DATE AND TIME	Friday, 19 August 2022 8.45am to 4.30pm		
LOCATION	Macquarie Bank Conference Room Level 1, 1 Shelley Street, Sydney		
ATTENDEES	Key stakeholders across strata sector: <ul style="list-style-type: none"> Strata Managers / Real Estate Agents / Property Developers / Insurance / Owners / Tenants / Banking & Finance / PropTech / Legal & Conveyancing / Academia / Sustainability Consultants / Training Industry / NSW Government / Facility Managers 		
PROGRAM			
Time	Item	Responsibility	Timeframe
8.45am – 9.00am	Registration and Morning Tea – on arrival		15 mins
9.00am – 9.10am	Welcome and Acknowledgement of Country	Facilitator	10 mins
9.10am – 9.30am	Strata Sector Transforming and Future Proofing	John Minns Independent Attendee Stephen Brell Strata Community Association	20 mins
9.30am – 9.50am	Industry Meets Regulation	Emma Hogan Natasha Mann Chris Lamont Department of Customer Service	20 mins
9.50am – 10.10am	Macquarie Bank – Perspective Future of NSW Strata	Tim McKenzie Macquarie Bank	20 mins
10.10am - 10.30am	Table Collaboration 1: Point of Sale Representations and Disclosure Requirements	All	30 mins
10.30am - 10.40am	Table Collaboration Outcome	Facilitator	10 mins
10.40am to 10.55am	Morning Tea Break		15 mins
10.55am – 11.15am	Snapshot Strata Regulator's View	Matt Press Department of Customer Service	20 mins
Department of Customer Service NSW GOVERNMENT			
11.15am – 11.45am	Table Collaboration 2: Establishment and Management of the Strata Scheme	All	30 mins
11.45am – 11.55am	Table Collaboration Outcome	Facilitator	10 mins
11.55am – 12.20pm	Current and Emerging Issues Challenges and Opportunities for Strata Management Professionals	David Bannerman Bannerman Lawyers	20 mins
12.20pm – 1.15pm	Lunch		55 mins
1.15pm to 1.45pm	Table Collaboration 3: Education and Knowledge Building Strata Competence	All	30 mins
1.45pm to 1.55pm	Table Collaboration Outcome	Facilitator	10 mins
1.55pm – 2.15pm	Get Ready Resilience, Sustainability and Climate Readiness	Cecille Weldon WeldonCo	20 mins
2.15pm – 2.45pm	Table Collaboration 4: Managing for Resilience and Sustainability	All	30 mins
2.45pm to 2.55pm	Table Collaboration Outcome	Facilitator	10 mins
2.55pm – 3.10pm	Afternoon Tea Break		15 mins
3.10pm – 3.30pm	Insurance Solve for insurance – solve for everything?	Kim Jonsson CHU insurance	20 mins
3.30pm – 4.00pm	Table Collaboration 5: Insurance	All	30 mins
4.00pm – 4.10pm	Table Collaboration Outcome	Facilitator	10 mins
4.10pm – 4.30pm	Thank you and close	Stephen Brell Strata Community Association Facilitator	10 mins
4.30pm	Post Event Drinks – Sydney CBD		

Summary of Key Themes

During the workshop, a number of key themes emerged. These are summarised for ease below and detailed further on the following pages.

01

Sector Growth in a Changing Environment

The predicted growth of the Strata industry is well supported by ABS data. The changing environment in which this growth is happening has further implications to the way Strata residents will be managed including the increasing size and complexity of sites, the character of harms, inflation and workforce availability.

02

Standardised Training, Education and Accreditation

There is a need for improved and standardised education/training for Strata Managers, POS representatives, as well as consumers. An introduction of standardised accreditation will ensure up-to-date information and quality standards being relayed to consumers, resulting in improved consumer experience.

03

Resilience & Sustainability from the Strata lens

There is an increasing need to understand and frame perception of resilience & sustainability from the Strata lens to ensure adaptability within a changing landscape. Sustainability includes environmental considerations such as climate extremes and adaptation; and extends beyond this to factors inclusive of property insights, building design and technology response. Resilience encompasses fit for purpose buildings, optimised defect management, and strategies to maximise building longevity.

04

Consumer-Centric Approach

To ensure Strata is a vibrant sector the industry must maximise consumer confidence in Strata, improve the consumer experience and invest in improving processes. Historically, challenges (e.g. defects and associated wait times) have contributed to the vulnerability of Strata communities. There is a need to shift the approach to become consumer-centric.

05

Governance & Regulation

Modern regulation needs to respond to current and emerging harms. Delay of renewals, repairs and build-to-rent results in more vulnerable residence and tenant/homeowner. Increased governance & regulations is needed across industries (Strata Management, Real Estate Sales & Management, Building and Facilities Management, Development Sector, Suppliers).

Strata Sector: Transforming and Future Proofing

Consumer-Centric Approach

Maximising consumer confidence in Strata

- Maximising consumer confidence is key to ensuring a vibrant sector. If future buyers do not have confidence the associated risks go beyond individual sales.
- Confidence and relationships between key stakeholders and performance enablers is required.

Sector Growth in a Changing Environment

Emerging Risks

- Emerging risks can be defined using RISK acronym: Resilience, Insurance, Sophistication, Knowledge.
- Emerging risks are multifaceted and span across multiple sectors. It is important to ask the right questions, identify risks to plan and respond.

Sector Growth in a Changing Environment

NSW and Sydney Metro leading the way in Strata sector growth

- Predicted growth in Sydney Metro of 1.96 million additional Strata resident between 2021-2046. Historically predictions have been accurate.



Industry Meets Regulation

Consumer-Centric Approach

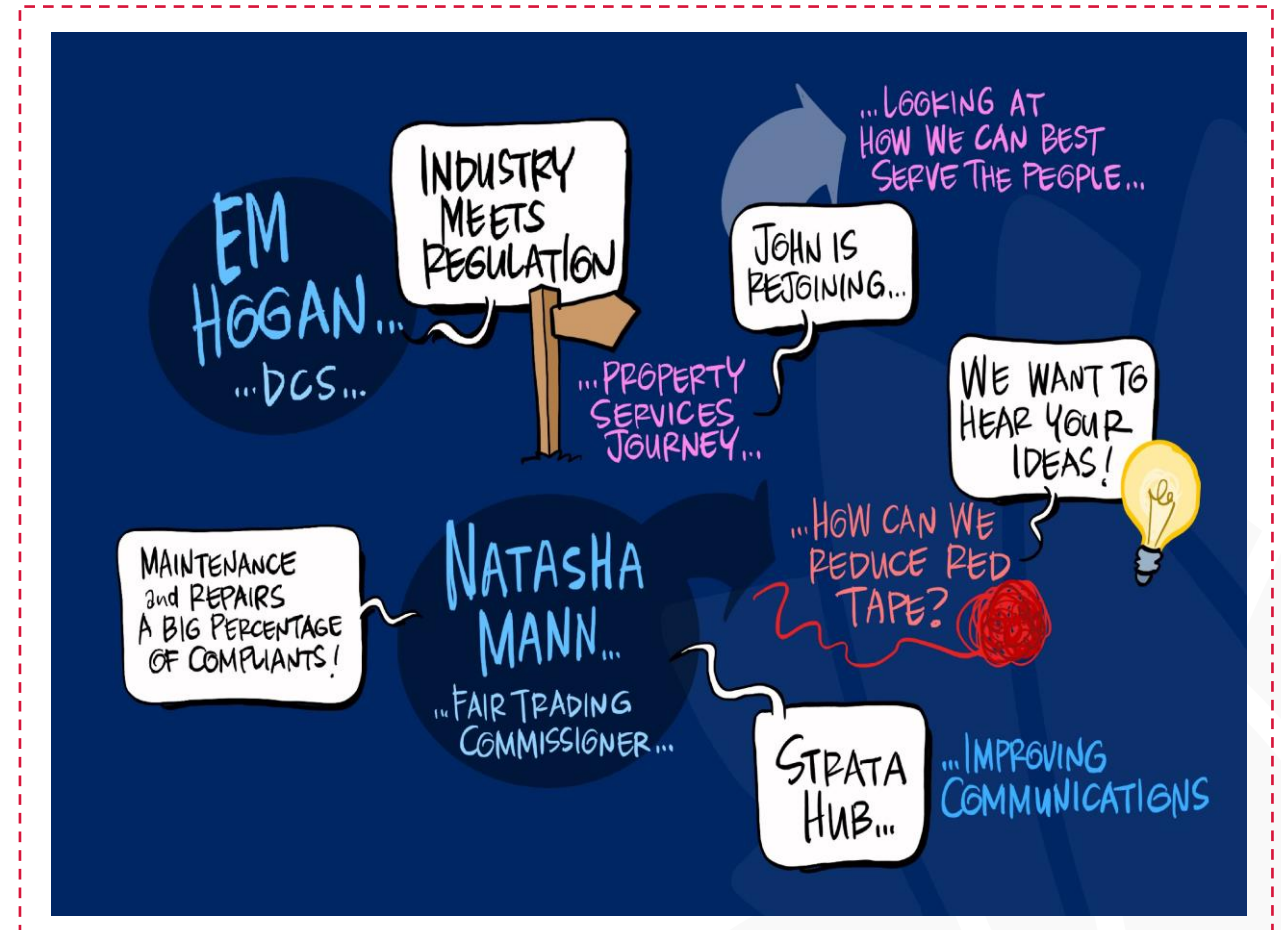
Customer Service and Strata

- DCS oversees whole lifecycle of 84,000 NSW Strata schemes.
- Working to increase customer centric focus while acknowledging non-customer centric focus reputation.

Sector Growth in a Changing Environment

Opportunities and Empowerment

- Announcement made that John Minns will be reinstated as the Property Services Commissioner on the 12th September 2022. Continuing to work together on strategy implementation.
- Opportunities and empowerment: Fair trading, Strata hub.
- Continuing to work collaboratively to identify and communicate opportunities.



Macquarie Bank – Perspective on the future of NSW Strata

Standardised Training, Education and Accreditation

Staff engagement

- Staff engagement and positive consumer experience is essential for a vibrant industry.
- Focus on investing in processes, customer experience and relationships.
- High demand for Strata manager with an estimated 15-18 new Strata Managers required monthly. Need to consider training and meeting the needs of consumers.

Sector Growth in a Changing Environment

Growth by Default

- Complexity matrix: For the system to run effectively, can't keep adding things to it without looking at what happening underneath and it's foundations.
- Increase in size of schemes as well as the complexity. Approximately 40% of large schemes located in NSW currently.
- Staffing growth has increased by 190% between 2000-2020.

Sector Growth in a Changing Environment

Communication Challenges

- Historically, resident would contact the decision maker in case of issue or incident. Now in the case of an issue or incident, strata may be inundated by hundreds of residents via multiple methods (phone, email).
- How do we create capacity? Consider communication access and self-serve measures. Need to work with the community.



Snapshot: NSW Strata Regulator's View

Governance & Regulation

Need for Modern Regulation

- Modern regulation is needed to respond to current and emerging harms.
- Information asymmetry can leave buyers unaware what they are buying in to. Major Renewal vs capitol works.
- A need for reformation of building managers and regulators.
- Unpacking the convergence of regulating buildings being made, sold, leased and lived in.
- Construct NSW, a process to reform building manager and regulators, is well on the way to being embedded withing Fair Trading as the new normal.

Standardised Training, Education and Accreditation

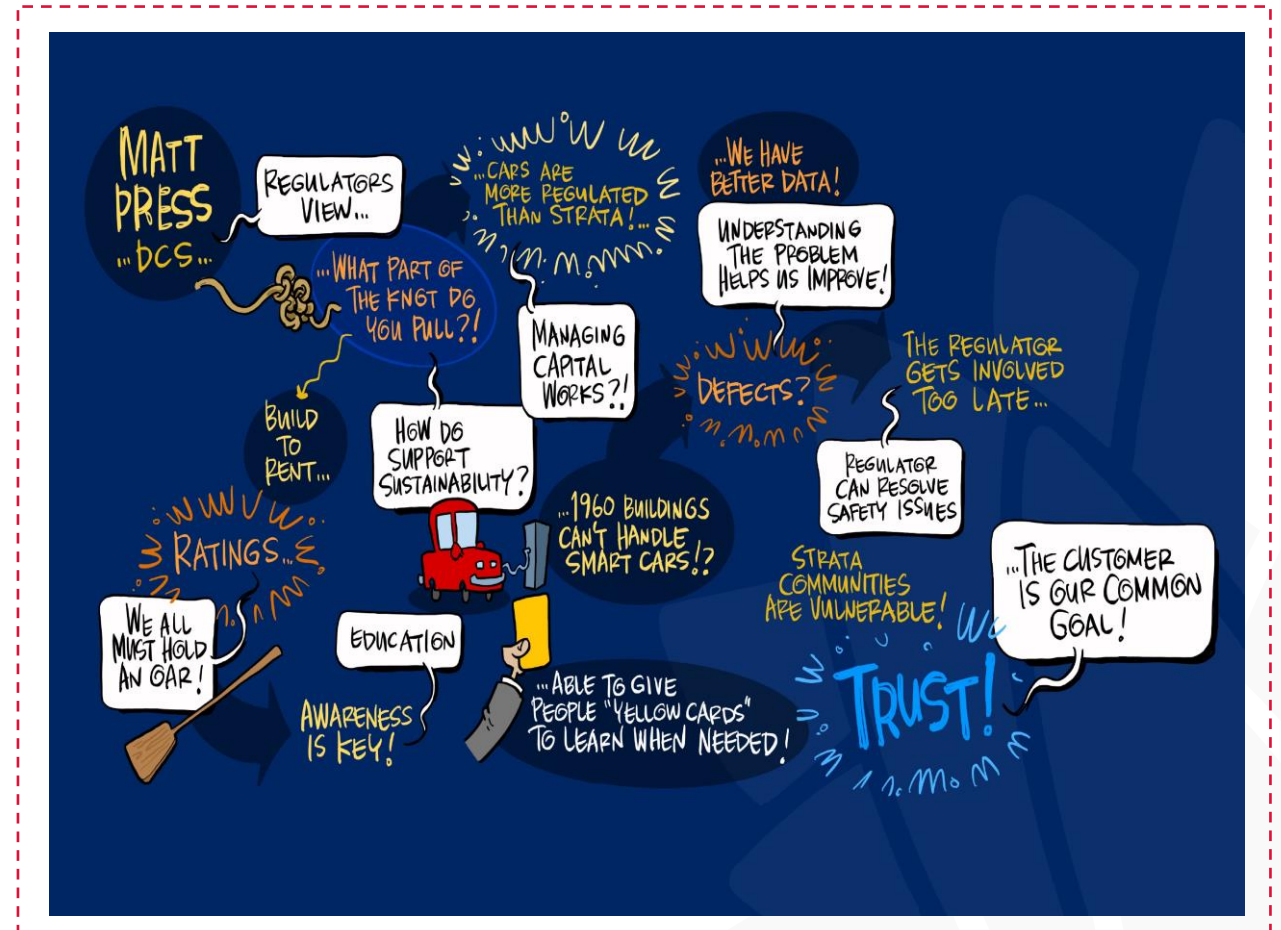
Market-facing tools

- Leveraging market-facing tools to help make informed decisions.
- Utilisation of learning modules and CPD to improve capability of strata communities and representatives.

Governance & Regulation

New Technology

- New builds incorporating technology. Considerations associated with these e.g. electric vehicles require a lot of energy, there are risks associated with chargers.
- PropTech and Smart Buildings. Consideration needed regarding where information is stored e.g. cloud technology and are there appropriate security measures.



Challenges and Opportunities for Strata Management Professionals

Sector Growth in a Changing Environment

Challenges and Opportunities

- Important to celebrate the industry revenue and growth.
- Collective sales
- Promoting industry for what it is

Standardised Training, Education and Accreditation

Client Matching

- Importance of client Matching. Ensuring appropriate training and allocation of the right work to the right people.

Sector Growth in a Changing Environment

Resource Demand

- Complexity and resources associated with Development Freedom.



Resilience, Sustainability and Climate Readiness

Sustainability from the Strata lens

Property Sustainability

- Sustainability can be vague and considered an 'optional extra'. Importance in understanding and framing how property sustainability is perceived.
- Climate extremes, climate adaptations, property insights, efficiency inclusions, building design and energy generation fall within property sustainability.

Consumer-Centric Approach

Communication & Messaging

- Message framing important when discussing risks. Importance of pulling back on intensity driven conversation, instead opting for simplistic messaging and layering of information.
- Shift in perceptions from features of a property to what a property can do for you.
- Time can be a marker of meaningful engagement.

Standardised Training, Education and Accreditation

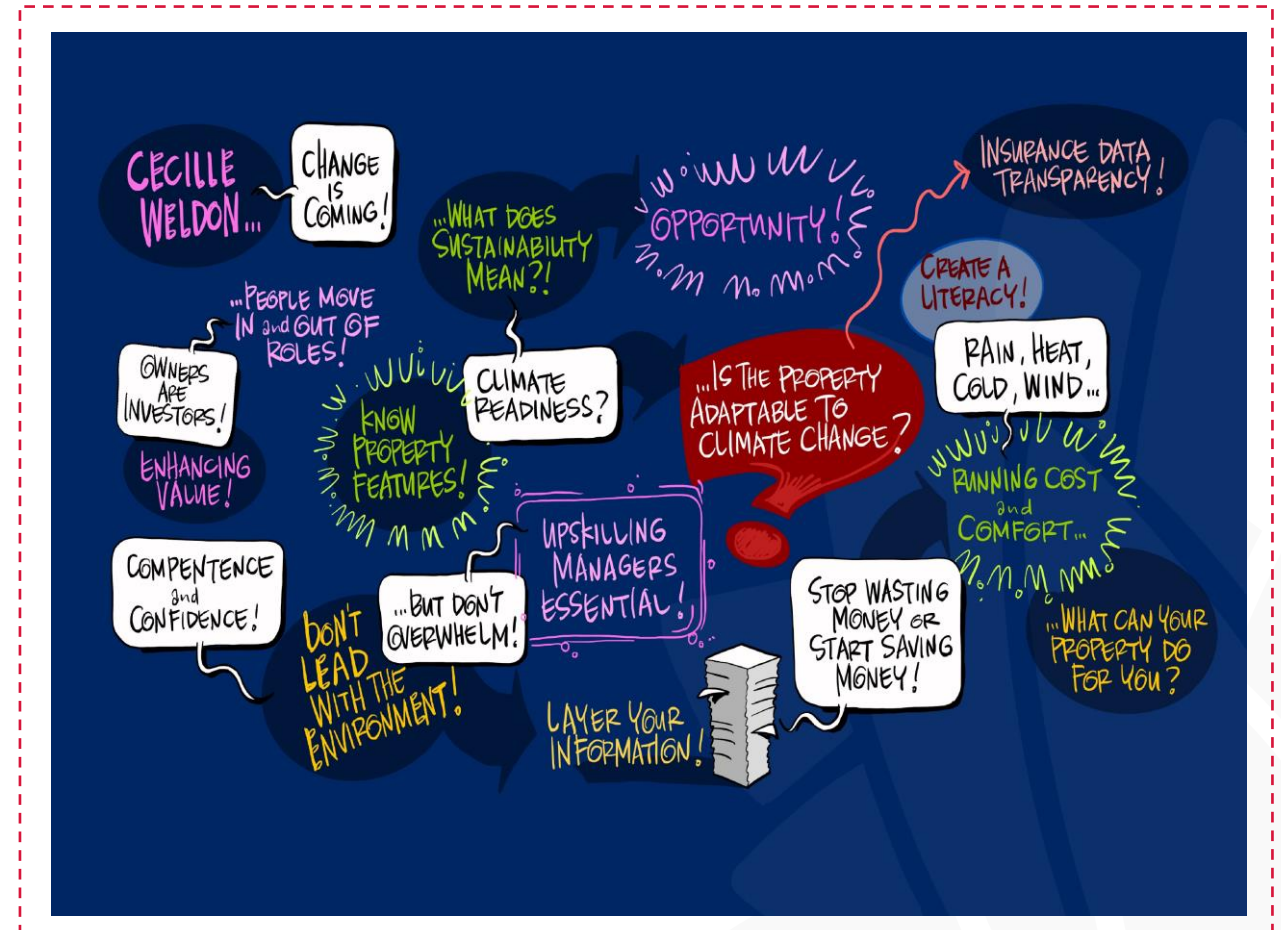
Education & Upskilling of Strata Managers

- Upskilling strata managers to understand the key role they play.
- Integrating climate ready property knowledge into the existing system and processes.

Sector Growth in a Changing Environment

Building Value

- Building value stems from efficiency, climate-ready upgrades and assuring a property is future-ready



Solve for insurance – solve for everything?

Sustainability from the Strata lens

Increasing Demand on Resources

- 1564 In force policies for OC building in Australia marked with defects. 927 of these within NSW. An emerging and prominent issue within NSW and predicted to increase in 2022.
- Northern NSW and Brisbane Storms/Flood resulted in the biggest CAT event in last decade for CHU.
- The strata manager is the recovery centre for a lot of owners or tenants and anything related to the building. Strata managers, Brokers and CHU work together to take this role.

Sustainability from the Strata lens

Brand Association

- Brands don't want their names associated with incidents.

Governance & Regulation

Owner Corporations

- There is a need for proactive owner corporations.
- Important that issues are addressed proactively.

Sustainability from the Strata lens

Inflation & Supply Chain

- A number of key threats to long term sustainability including future climate change impacts and persistent building claim inflation.
- There are national flow on effects of cost of resources and talent shortage.



Collaboration sessions

Key themes and points



Collaboration focus areas

During the day there were 5 collaboration sessions where the participants were given an 'exam' question to review and respond to. Participants worked collaborative with fellow table members to help review, select and talk to their views on each of these questions. The following pages summarises these views and potential solutions that were put forward.

	Collaboration / Round table 'focus'	The 'exam' question
1	Point of Sale Representations and Disclosure Requirements	At the POS, what is lacking for the consumer and other key parties i.e. how can we make it easier, more transparent, and more comprehensive?
2	Establishment and Management of the Strata Scheme	What should be clear when a strata scheme is established and how do we ensure equity and for all parties?
3	Education and Knowledge-building Strata Competence	How can we increase competence for all stakeholders in the Sector and what should we be doing more of to help educate and increase knowledge?
4	Managing for Resilience and Sustainability	Balancing costs and asset management demands proactive decision making. Where are the opportunities for the sector to deliver high future value through resilience and sustainability strategies. How do we strengthen defect management strategies for Owners Corporations?
5	Insurance	As a Sector, how do we tackle apathy and encourage a focus on proactive defect management and maintenance to reduce risk to underwriters and effectively manage insurance budgets?

Collaboration session 1 – Point of Sale (1/2)

#	Issue	Solution(s)
1.1	Unsustainable/cumbersome size of contracts – hard for customers to understand, not all solicitors well versed, real cost of document review exists	Standardisation of common parts of contract Sharper focus on what's important Short list of experts to help reduce costs and enable faster turnaround
1.2	Replace Uncertainty w/ certainty	Mandatory strata searches Attach 10 year capital work plan Attach last year statement Attach AGM minutes and balance of funds Confirm if any outstanding remedial works needed / due
1.3	Point of sale disclosure v FOMO	Mandatory disclosure around (strata) performance Signature acknowledge of their process e.g. legal step to sign off on what they have purchased and the roles of the strata Building Orders declared
1.4	Off plan ambiguity	Provide off-plan detailed information from developer/seller including: Fire and flood clarity Detailed awareness of what they are buying into beyond 4 walls and a carpark Detailed strata budget projections provided at POS Confirmation of who the strata manager is and their role (self managed v pro) Embedded networks declared
1.5	People don't understand the rules	NABERS ratings and commitments Understand developer contractual rights/ability to change rules

Collaboration session 1 - Point of Sale (2/2)

#	Issue	Solution(s)
1.6	Point of sale challenges – buyer not interested/focused, real estate agent not aware/engaged/incentivised to find out,	Canberra model – owner provides reports at POS Disclose embedded networks Health of building report
1.7	Lack of knowledge / information overload	Important education and knowledge prior to buying/settlement provided for buyers. Empowering buyers with valuable and just-in-time education and knowledge is the first step in delivering short-,medium-, and long-term beneficial outcomes and confidence
1.8	Frontline sales agents have no educational or licensing requirements in strata	Development and delivery of educational and licensing solutions for strata sales Implement licensing requirements for all frontline sales roles engaged in strata sales, including real estate agents and developer sales teams
1.9	Not at point of sale, but at point of market	Move information provision 'up the value chain' to the initial marketing/disclosure step
1.10	If it's a new building.. Better transparency of..	Home warranty insurance, is the builder solvent, who is the developer and are they solvent, how much warranty is left? Need a system to record/monitor. Is there a 2% bond scheme, has the scheme agent had a defect list/plan, does the building have mandated insurance details

Collaboration session 2 – Strata Set-up (1/2)

	Issue	Solution(s)
2.1	Equity – establishment of Unit Entitlement’s (UEs) The Developer retaining lots to ensure outcome of vote - Who owns /determines type of development e.g. strata v community title.	More robust process More oversight/governance More transparency More timely
2.2	By-Laws – relevance and timing	Checking if by laws have changed/ in line with building changes etc
2.3	Lack of knowledge re. (common) services and ownership Reduced life of equipment	Provide the maintenance schedule and accessibility + reporting + annual review Undertake compliance checks
2.4	Clarity on who owns which part of the asset and who’s who in the ‘zoo’	Building should stand on its own – recognition of asset ownership and responsibility Assets wholly owned by Owners Corporation Banning poor disclosure practices
2.5	Suppliers offering free infrastructure	Limit terms of contracts Increase disclosure requirements
2.6	Lack of clear expectations re. budget, ongoing costs, governance, engagement retention	Sales pitch to all owners to attend 1 st AGM Improve facilitation and communication skills in strata management Have a clear customer centric focus in all meetings and communications
2.7	Term of agreement – churn, IP / knowledge loss, cost to consumer, initial set-up /investment v 12 month agreement, impact/cost to property set-up	Strata agent should be consumer advocate ICERT for strata managers – i.e. a rating system

Collaboration session 2 - Strata Set-up (2/2)

#	Issue	Solution(s)
2.8	No clear pathway to dispute and complaints resolution	Provide clarity and guidance
2.9	Educate early in schools	Built into curriculum/ life lessons
2.10	Appropriate qualifications for industry members e.g. real estate/strata	Work with TAFE/RTOs and property services sector
2.11	No clarity on who/what	Have an org chart / RACI model in the Strata management plan
2.12	No timeline developed to disclose building info	Mandate a Timeline for developers to disclose building info
2.13	FAGM v second AGM	Ensure clarity over what/ when. Where required delay decisions to second AGM or Special General Meeting
2.14	First AGM – moment of truth/panic	Need a good attendance/quorum – e.g. 1/3 present or defer? Empower new owners starting at POS to ensure they are better equipped to make decisions and vote at first AGM Compulsory education to attend/help with AGM knowledge?
2.15	AGM agenda not set or standard, too complex, too many agreements	Standardise, simplify Provide access to data/box for info sharing

Collaboration session 3 - Education & Knowledge(1/2)

#	Issue	Solution(s)
3.1	No / specific disclosure	Increasing content and data for certificates /contracts for sale Signing documentation acknowledgement – actually understanding what you are purchasing and ‘buying into’/ Remove generic info and replace with specific to building
3.2	Lack of knowledge/desire/education	New training e.g. CPD module 1 Specialist certifications by role
3.3	SMA licence training is inadequate	Need better platform to help educate
3.4	Building managers need..more	... Info and training
3.5	Letting agents need...more	... Info and training + tools
3.6	Sale agents need...more	... Info and training + tools + disclosure in contracts

Collaboration session 3 – Education & Knowledge (2/2)

#	Issue	Solution(s)
3.7	Limited Education	Explain what it means to live/be in a Strata – designed for customer lens e.g. buyer, developer, real estate agent
3.8	Lack of knowledge re. living in a strata block – every scheme is different – no digestible info – hard to understand	Mandate a welcome kit that includes a Diagram of structure Ebooklet so its easy to download Map the customer experience Capitalise on Strata Hub
3.9	Defect management	Educate owners on options, approach and professional recommendations
3.10	Contracts are too complex, buyers not aware and no education	Use technology to help provide transparency Re-design contracts for sale to ensure visibility and disclosure of critical information Solicitors need to educate their clients better at point of contract regarding responsibilities being undertaken and implications of strata purchases.
3.11	Next level education / quals for strata managers	Licence linked to size/complexity Undertake current mandatory qualification gap analysis
3.12	Lack of specific training/education tools	Break down by users: professional skills for real estate/ strata managers, consumers and other stakeholders

Collaboration session 4 – Managing for Resilience & Sustainability (1/2)

#	Issue	Solution(s)
4.1	No clear timeframe to deliver minimum sustainability standards Mixed response from community Optional and costly	Find better ways for upgrade to do so with resilience in mind i.e. not like for like but 'for better' . Put in place a rating system where you have to meet in order to sell the property. Requirement to get a better rating each year – incentivise. Use nudge theory/language to demonstrate savings v costs
4.2	Buildings sold on features not on value	Switch the narrative to how a strata can make /save money for owners
4.3	Lack of sustainability incentives / hard to find	Navigate/direct / make it simpler to find across all 3 government layers (like a grant finder but for property support)
4.4	Lead the way e.g. solar	Put solar membrane on buildings with a government support/scheme
4.5	Upgrading infrastructure is not incentivised and owners do not have long term benefits	Grant? Loans? Project remediate style support Free NABERS audit Rapidly emerging technology including BMS, IoT & Digital Twins to be explored in detail as enablers of performance, sustainability and cost control.
4.6	Huge opportunity being missed e.g. water costs / energy costs	Lack of awareness that smart buildings are cheaper/ better to run but perhaps cost more (?) up front e.g. Green loans + Clear case studies on the good and why?
4.7	No comms/advertising and info to help lead/drive the agenda	Turn NSW into the best 'resilient and sustainable' place to live through comms and information - backed by loans, grants, incentives to help move the market
4.8	Education for owners and strata managers on managing annual investment in levies and buildings to optimise future wealth and asset values; and deliver best annual cost outcomes over the life of the building.	New conversations and new training courses around art of possible and benefits Clear responsibilities, advice and recommendations delivered by strata managers to Owners Corporations and Committees.
4.9	No future view /vision	Develop 'thoughts of the future' showing returns \$ on investment / better sales /worse sales in the future

Collaboration session 4 – Managing for Resilience & Sustainability (2/2)

#	Issue	Solution(s)
4.10	Focus on resilience in strata management	Standard agendas items to be developed for AGMs and Owners Committee Meetings including Sustainability strategies, Preventative Maintenance investment, and Ongoing Capital investment provisions Defect Management must be major priority



Collaboration session 5 - Insurance (1/1)

#	Issue	Solution(s)
5.1	Be realistic with owners	Inform risks of not maintaining/ Examples & Case studies Fact sheet of not having insurance Constant comms – inform and advise Set expectations for rising fees and provide access to expert advice
5.2	Owners are able to opt out of insurance and do not understand risks	OC needs renewal every X years Consequences for non-compliance/no cover Stronger regulation re. fire and safety checks Educate owners e.g. 'lives lost' campaign re. criticality of insurance General agreement on importance of disclosure and reward for strata managers and brokers managing insurance issues.
5.3	Apathy to maintain/repair	Compulsory appointments and implications Improve reporting to regulator regarding developer defect management, rectification and deficiencies Government loans to help Eliminate S166 which had good intentions but bad consequences
5.4	Potential to lower premiums through optimised management strategies and risk reduction	Insurance industry to provide guidance on expectations and value return for well-managed, resilient and sustainable buildings Defect management and vital focus and deliverable
5.5	Make issues clearer	Use traffic light coding for green / amber /red for minor, medium and critical fixes Align insurance with this coding to create risk and reward model

