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## 2017 Strata Essay Award - Nomination

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## WANT A WELL-MANAGED APARTMENT BUILDING? MAKE SURE YOU HAVE A BUILDING/FACILITIES MANAGER.

**By Ali Qamar**

WA's strata management industry is in a unique position to tackle a looming problem in the apartment market.

If we get it right, it will save apartment owners thousands of dollars, improve consumer education and go a long way toward protecting the reputation of WA's fledgling apartment market.

When apartment towers are being built, the cost of a building/facilities manager is frequently left out of the building's budget. Simply put, the omission allows the project to be marketed with lower levies—a very attractive selling point in a competitive market.

When comparing apartment projects, buyers quite rightly cast a careful eye over a building's strata and management expenses and give considerable weight to these costs.

When an allocation for the cost of a building/facilities manager is not made in the budget, buildings appear to be cheaper to run than they really are.

Modern apartment buildings are complex structures that need proper oversight from an experienced building/facilities manager so that high-tech equipment, think—air conditioning systems, commercial-scale pools and spas, lifts, solar installations, and water systems, run efficiently.

Years can also be shaved off the expected lifespan of equipment that is not properly maintained in an apartment complex and hot water systems, lifts and air conditioning systems are big ticket items and their replacement costs can be hundreds of thousands of dollars.

So, the absence of a building/facilities manager creates long-term repercussions for apartment owners who will ultimately be forced to pay higher levies to cover unnecessary or premature expenses.

By way of a comparison, it's important to note that most new apartment buildings are just as sophisticated as new commercial buildings and it would be rare to find a commercial building that doesn't have a building or a facilities manager.

That's because the commercial building market is more mature and owners know it's cheaper to pay for a building/facilities manager, who will also ensure that equipment works efficiently, rather than replacing equipment that should still be in working order.

Confusion about the role of strata managers in our emerging apartment market is also contributing to the problem. It turns out that some owners are under the impression that the strata manager performs the same role as a building or facility manager.

For the record, strata managers oversee the day-to-day operations of an apartment complex. Among other things, they set budgets, collect levies, make sure insurance

policies are in place, enforce council by-laws and work with the council of owners to manage and maintain a building.

A building or facilities manager brings a whole different set of skills to the table. Their role involves planning and coordinating all installations and refurbishments, ensuring the upkeep of equipment and supplies to meet compliance and health and safety standards, and inspecting a building's structures to determine the need for repairs or maintenance.

One of the first tasks for owners, once a new project opens and apartments have settled, is to elect a council of owners, the group of people who will ultimately be responsible for the running and management of the building.

With many people entering the apartment market for the first time, it's not uncommon to get a council of owners with a limited understanding of the financial aspects of apartment living and because of this inexperience, the absence of a building/facilities manager or budget provisions for one, can quite easily go undetected.

When it does become clear that an unexpected maintenance or replacement is due, there's often not enough money in the sinking fund, which holds money set aside for budgeted capital expenditures. This leaves individual apartment owners in the unenviable position of having to make up the shortfall.

Finally, not only do apartment towers need their own building/facilities manager, they should also be independently appointed by the council of owners to avoid a conflict of interest.

For example, there are projects where the developer includes a facilities management division that is locked into a three to five year contract. Unfortunately, this can limit benefits to owners because the building manager tends to be more focused on managing the defect liability period than ensuring the building's systems and assets are properly maintained.

Long commutes, the downsizing shift and affordability pressures mean more and more Western Australians will opt for apartment living in the future and strata managers will have a ringside seat to this expanding residential sector.

As strata managers, we have the knowledge and the expertise to guide the apartment industry through its early years and ensure it's based on sound financial management.

Therefore, our collective message to the industry, and in particular to the growing number of council of owners, has to be a clear one: An independently appointed building/facilities manager must be appointed from day one.

If we can re-double our efforts on this front, we will help smooth-out the growing pains in this important part of WA's residential market.