

9th September 2020

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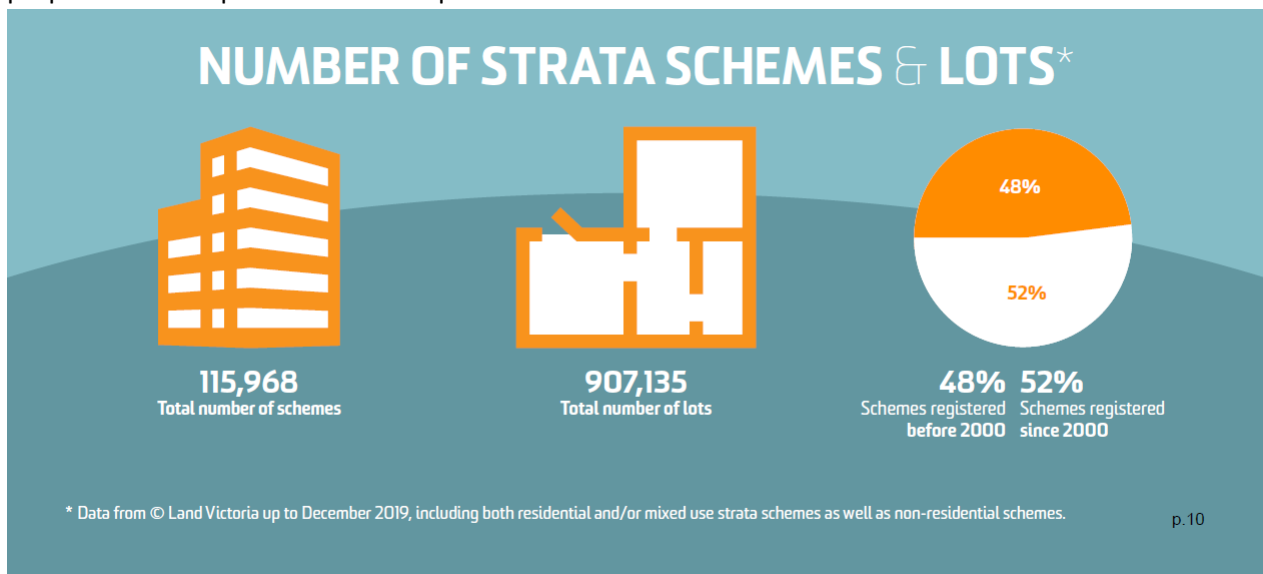
The Department of Justice and Community Safety
Regulatory Impact Statement Estate Agents (Education) Regulations 2020
Consumer Affairs Victoria
GPO Box 123
Melbourne VIC 3001

Via email cav.consultations@justice.vic.gov.au

Dear Sir/Madam,

RE: Regulatory Impact Statement Estate Agents (Education) Regulations 2020

As 1.6 million Victorians own or live in a property affected by an owners corporation it is important that proper consumer protections are in place.



Strata Community Association Victoria (SCA (Vic)) is the peak industry body for Owners Corporations Management in Victoria. Our 900 individual and corporate members include owners corporation managers, support staff, lot owners' representatives and suppliers of products and services to the industry. SCA (Vic) proudly fulfils the dual roles of a professional institute and consumer advocate.

SCA (Vic) membership includes 10% Real Estate Agent representatives and agencies who offer both real-estate services as well owners corporation services under the one company registration and licence. There will be many more Real Estate Agency's managing strata that are not our members as well.

SCA (Vic)'s concern is the negative impact the proposed educational framework will have on our members who specialise in owners corporation management as well as the wider sector. Our shared consumer will perceive the increased boost of professionalism given to the real estate agency as an endorsement and incentive to place their business with a real estate company instead of placing that business with a specialist but not recognised as professional owners corporation management company.

We are concerned by this increased focus and favouritism to professionalise one sector of the same property services industry over another.

The Property Services training package includes the equivalent qualification of Certificate IV Strata Community Management and the Diploma of Agency Management (Strata). The proposed regulations should be extended based on Option 3 and include the appropriate equivalent AQSF qualification.

Table 50: Competition test - questions and answers on page 70 of the RIS, did not consider the impact of this change on the strata sector even though it is included in the Property Services Training Package, Consumer Law reform review, administered by BLA and regulated by Consumer Affairs.

Real Estate v Strata

The different occupations, duties and responsibility are recognised by Fair Work Australia, but see that each occupation have the same base salary for each level.

Fair Work Classification

Fair Work Australia under the MA000106 - Real Estate Industry Award 2010 sets out in table 14.1 the minimum weekly wage recommended for both Real Estate industry and the Strata Industry. The recommended minimum wage is identical for each level of responsibility that relate to management of business but different for the responsibility to the consumer, with Strata Management having much more responsibility. http://awardviewer.fwo.gov.au/award/version/MA000106?vn=19&rvn=19#P307_28799

14.1 The minimum weekly wage for an adult employee engaged on a full-time basis is set out below:

Classification	Minimum weekly wage \$
Property Sales Associate—first six months of employment at this classification	640.90
Property Sales Associate—after six months of employment at this classification	663.30
Property Sales Representative	679.50
Property Sales Supervisor	781.60
Property Management Associate	685.20
Property Management Representative	724.00
Property Management Supervisor	831.30
Strata/Community Title Management Associate	685.20
Strata/Community Title Management Representative	724.00
Strata/Community Title Management Supervisor	831.30

Consumer information

Consumer Affairs website also compares the duties of each responsibility level with the pages dedicated to Real Estate Agents as well as the pages dedicated to Strata Managers and Strata Management Companies.

Table 1 Comparison compiled from CAV website

Estate agency	Strata Agency
act on behalf of owners and landlords to arrange the sale or lease of property including houses, buildings, factories, shops, farms, land and businesses	act on behalf of lot owners as directed to arrange maintenance, building replacement, building defects, negotiate contracts,
act on behalf of buyers when engaged as a buyers agent or advocate to negotiate the purchase of property	ensure compliance with the <i>Owners Corporations Act 2006</i> , the <i>Owners Corporations Regulations 2018</i> and rules.
provide market appraisals of properties and businesses for clients	provide financial services to owners corporations if you talk about insurance, process claims, seek quotations or do anything with insurance apart from write out the cheque on behalf of the owners corporation for an insurance premium.
negotiate the sale or lease of properties and businesses	provide Owners Corporation Certificates and disclosure for the sale of a lot
collect rents and manage rental properties.	Collect levies and manage the common property prepare and implement a grievance procedure,
Manage a trust account for sales deposits, rent, or fees for advertising and maintenance paid in advance	hold all money on behalf of an owners corporation on trust and account separately for money held for each owners corporation it manages

Whilst the desire of the Department to increase the reputation and professionalism of Real Estate Agents is applauded, it should not come at the expense of the owners corporation industry.

We would whole heartedly support the proposed qualification framework for Real Estate provided the framework also applied to the owners corporation sector, with appropriate naming of the appropriate qualification:

- CPP40516 Certificate IV in Strata Community Management
- CPP51119 Diploma of Property (Agency Management (strata electives))

Strata Management Benchmarking

Every two years the industry participates voluntarily in benchmarking of strata management businesses. The Benchmarking report provides insights into business size and turnover as well as the types of services businesses are involved in.

Table 2 Benchmarking Report 2017

STRATA INDUSTRY DATA

Total Trust Funds Held (at 30 June)	\$39,648,661	\$49,303,371	\$26,803,543
Total Levy Income	\$64,927,478	\$104,377,132	\$12,793,251
Levy Arrears >30days at 30 June	\$970,199	\$1,218,156	\$759,354
Levy Arrears as Percentage Total Levy Income	4.19%	1.58%	9.40%
Insurance Premiums Paid (exc GST)	\$4,817,206	\$5,884,967	\$3,628,986
Insured Value of Building Under Mgt (\$mil)	\$6,059	\$8,437	\$1,276

Annualised Value of Levy Budgets

Administration Fund	\$35,099,580	\$50,226,580	\$9,620,180
Sinking Fund	\$8,599,380	\$15,757,304	\$2,598,543

PROPERTY VALUE

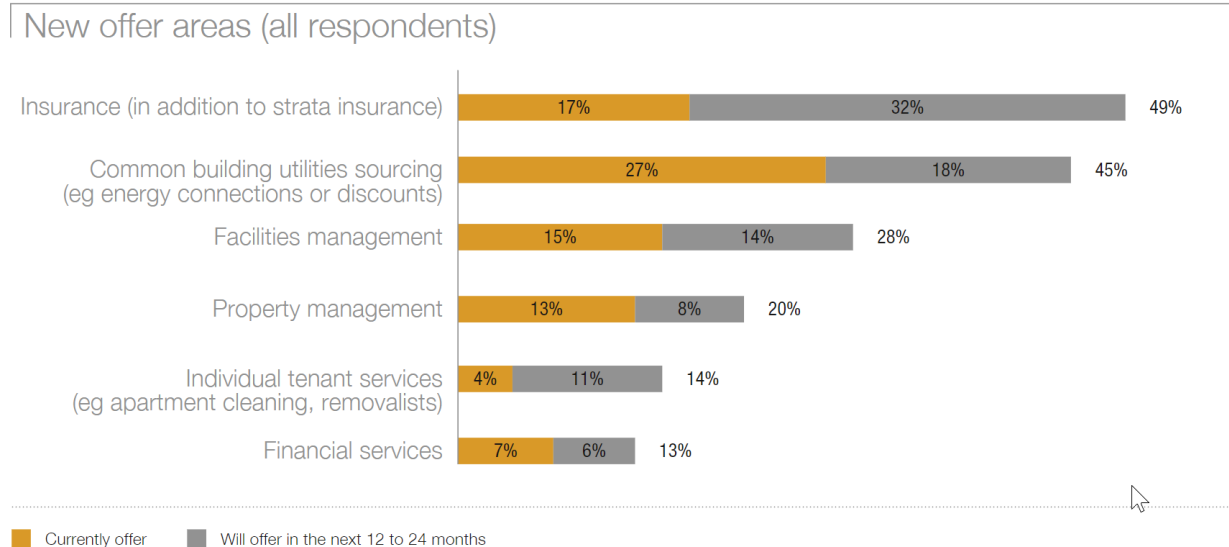
Total insured value of schemes

Estimate based on data provided by strata insurers who insure 39% of all strata and community lots in VIC



\$ \$343,347,688,339

Table 3 Diversification of strata business



RIS Questions

1. **What is the nature of the relationship between the level of training received by agent's representatives and estate agents and the incidence of complaints against them, and what factors help shape the nature of that relationship?**

Real Estate and Strata Management bring people and property together. Both areas will attract complaints and not all types of complaints will be reduced by increased training:

- Technical complaints— these types of complaints are expected to reduce significantly with increased training plus either mandatory CPD or industry accreditation program to keep the knowledge up to date.
- Misconduct complaints – unfortunately we will always have some bad apples, but increased education will remove the ignorant from the devious.
- Financial complaints – similar to misconduct, the increase in education will prompt more to call out poor accounting methods resulting in less complaints.

Is it likely that a decrease in complaints will be accompanied by a decrease in disputes?

Yes, whilst complaints will still exist, many of the Technical complaints should be able to be resolved before being escalated to VCAT.

Social Media, in particular Google reviews is having a brand management impact and the business owner has to work hard to turn the negative perception around. This will drive the behaviour and misconduct complaints to be resolved quickly and to the satisfaction of the consumer.

2. **Do you agree or disagree with the arguments outlined in section 8.1.4 regarding the impact more qualifications will have on the number of qualified agents operating in Victoria?**



We agree and support the argument that more qualified agents and increased consumer protection is the better outcome. We do not believe fees will increase as a result of higher education standards as education and training are a cost of doing business already, Many business resources are tied up in attending VCAT, which is labour intensive. As a result of increased training, the frequency of disputes will reduce providing increased productivity for the business.

However, the cost to employ agent representatives and property managers will increase as they become more qualified than before, until the market is supported by Year 12 students choosing to undertake a career into property services. The increase in business productivity may offset the increase in salaries.

Thank you again for the opportunity to continue to be a part of this consultation process. We await and welcome your further contact should any further clarity be of assistance.

Yours faithfully,
Strata Community Australia (Vic) Inc

Julie Mclean