

10 August 2022

Dear Victorian lot owners,

Ongoing Economic Issues Impacting Your Owners Corporation and the Strata Property Sector

Strata Community Association (Vic) wishes to acknowledge the depth of economic issues affecting Australia and the wider world throughout 2022 and provide a thorough and informative insight as to how these circumstances will continue to impact Victorians living, or affected by, strata in the immediate future.

The purpose of this message is to clarify any questions or concerns commonly raised by committees, owners, and residents every day about the impacts on services rendered by SCA-affiliated owners corporation managers, suppliers, and service providers.

COVID-19 in Victoria:

Victoria continues to be affected by the COVID-19 pandemic, particularly during the 2022 winter season, where transmission in the community has grown, and a stronger than normal influenza season affects staffing and supply chains across many businesses. The strata sector has not been immune to these setbacks.

The strata sector in Victoria is further impacted by a shortage of labour, including trades, as a result of the pandemic, after two years of minimal skilled migration intake.

Many trades that provide repair and maintenance services are also sole traders, meaning that should they test positive to COVID-19, they are not able to complete a task/s for at least 7 days, and face a backlog of customers to service upon returning to work.

Increases in time to process claims made under strata insurance policies have also occurred as a by-product of current conditions affecting workforce availability.

Ongoing Supply Chain Issues in 2022:

Domestic and international service, labour, energy and fuel, materials, food, and consumer goods supply chains have also been affected by a multitude of other factors in conjunction with the COVID-19 pandemic throughout 2022.

These include (but are not limited to) recent flooding in Queensland and New South Wales, as well as ongoing hostilities between Ukraine and Russia.

What makes this situation especially concerning for the strata and owners corporation sector is that resolving these delays is still expected to take considerable time and will continue to affect all Victorian businesses into the foreseeable future.

Supply, demand, and logistics are the three main elements in every supply chain - if one of these elements is disrupted, it can impact the effectiveness of said supply chain, until such time as this disruption is resolved.

Supply - Manufacturers of products that we need to do the job:

In supply terms, many primary and secondary manufacturers have been operating below maximum capacity due to COVID-19-related closures and continued lockdowns, namely in mainland China where many common building materials and other goods are manufactured and shipped from.

These disruptions to staffing at every stage of manufacturing in have in turn caused delays in how long repair and maintenance tasks may take to complete, owing to a lack of essential components available on Australian shelves.

Limited energy and fuel supply and higher petroleum and gas prices have occurred as a result of wide-ranging sanctions on Russian industries, goods, and services, enacted by Australia and the international community in response to the military invasion of Ukraine.

Record high fuel prices may result in a reduced capability for attendance at multiple properties by contractors and other personnel for work as a result.

Demand - How many customers are competing for the product, and their priority in receiving a product or associated service:

In demand terms, the aftermath of recent flooding in Queensland and New South Wales has also meant that building products and supplies, in particular, are in higher demand than normal.

The continual and uncertain implementation and subsequent easing of COVID-19 restrictions in Victoria on multiple occasions throughout 2020 and 2021 has also created large backlogs of work for strata managers, suppliers, and service providers, including works undertaken following insurance claims, with additional work requests occurring concurrent with efforts to address prior demand.

The energy crisis in 2022 (mainly affecting the Australian Eastern Seaboard) has necessitated the unprecedented intervention of the Commonwealth Government into energy markets to temporarily cut fuel excise, suspend the electricity spot retail market, and preserve domestic gas supplies at various junctures to attempt to reduce prices on these products for consumers and businesses.

Notwithstanding these countermeasures undertaken by our government, energy prices still remain at higher-than-normal levels due to multiple factors; this in turn, will likely affect overhead costs for businesses.

Logistics - How goods are transported from one destination to another:

In logistical terms, shipping delays for products have continued worldwide in 2022 as a result of COVID-19 transmission affecting staffing and handling capabilities, different health restrictions in other countries, fuel prices, and other factors.

Cost of living and owners corporation budget increases

Inflation has reached approximately 7 per cent in August 2022, putting pressure on cost-of-living expenses.

Accordingly, it is prudent to expect your owners corporation's budget will increase for services, insurance renewals, utilities and repair and maintenance of the common property.

If you are experiencing financial stress or hardship, please reach out to your strata manager and enquire about a payment plan.

So, what does all mean for you, our customers?

SCA (Vic) understands, and hopes that you do as well, that the last few years have presented many unparalleled socio-economic challenges for our state, our country, and the world at large, and that the impacts of these will take several years to fully recover from.

Please understand that everyone, from your Owners Corporation manager to your contractors and service providers, are all working hard to honour quotes, perform works or provide expert knowledge in the midst of circumstances beyond their control.

Above all, showing kindness, understanding, consideration and respect towards each other goes a long way towards making tough times easier for all of us.

Yours sincerely,



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