

STRATA MANAGEMENT BENCHMARKING PROJECT

By Tim MacKenzie*

Victorian Overview

Strong growth is continuing within Victoria's strata management industry and fuelling the desire by owners to buy more businesses and portfolios. Most businesses achieved positive revenue growth on the previous financial year with one-third achieving greater than 20 per cent.

But there are challenges ahead. The lack of businesses for sale and shortage of skilled staff may negatively impact on the ability of individual businesses to grow.

These findings are highlighted in the National Strata Management Benchmarking Project 2006, which was commissioned by Macquarie Bank and endorsed by the National Community Titles Institute. The survey provides a comprehensive overview of the state of the strata management industry and the trends affecting it.

Around two-thirds of Victorian businesses surveyed expect growth of between 10 per cent and 25 per cent per annum over the next three years, while 17 per cent are more optimistic and expect growth in excess of 25 per cent.

Much of this growth is expected to come from the purchasing of new portfolios – all businesses say they intend to buy another portfolio within five years – improvements in administration, and staff recruitment.

The solid growth prospects are fuelling the desire of strata managers across all States and categories – large, medium, and small – to buy more portfolios and, a direct result of this, is the need for more staff. While staff recruitment is a key objective, most business owners consider the lack of suitably qualified staff to be a significant issue.

Employee benefits such as flexible hours are one way of attracting and retaining staff. Around 87 per cent of Victorian businesses offer this benefit, while nearly half offer staff bonuses and the ability to work from home as incentives.

Strata management businesses in each State have their own key aims and objectives. The main aims of around 22 per cent of Victoria's strata managers are increasing the value of their business and maintaining growth. Again, having good staff is crucial to both aims.

The focus for achieving growth will be concentrated on:

- Improving administration facilities (22 per cent)
- Business/lot acquisition (22 per cent)
- Staff recruitment (17 per cent), and
- Protecting and developing referrer relationship (17 per cent).

In addition to staff shortages, another deterrent to strata managers achieving their growth plans is the fact there are very few owners that intend to sell their businesses. This is understandable when you consider the strength of the market. This lack of available businesses for sale will impact on all owners' ability to grow their business via acquisition and will push up the price of the ones that do make it to market for sale.

The survey also highlights a number of other major trends in the strata management industry including the importance of succession planning. While considered to be an important issue, only 23 per cent of the Victorian businesses surveyed admit to having a succession plan in place.

Understanding other managers' plans and expectations helps strata managers by allowing them to benchmark their performance against other businesses. A knowledge of the trends and opportunities that are impacting on the industry can also assist managers by giving them tools to better run their own operations.

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