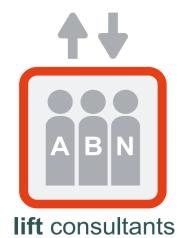
# 

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# The future of short term letting in strata

Explosive report lifts the lid on Australia's building energy performance sham No relief for tenants as rents remain high and vacancies tight





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# **StrataVoice**

№16 FEBRUARY 2015

Strata Voice is a quarterly e-book sent directly to Strata managers, body corporates, selected unit owners and real estate agents.

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Suite C5 99 Jones Street Ultimo NSW 2007

Published by Vizcom Australasia. Strata Voice is freely distributed throughout NSW, VIC and QLD

While every effort is made to ensure the accuracy of content Strata Voice takes no responsibility for inadvertent errors or omissions. ABN 75 862 064 732

# **CONTENTS**

- 05 LETTER FROM THE PUBLISHER
- 05 THE FUTURE OF SHORT TERM LETTING IN STRATA John Hutchinson, Director, Owners Corporation Network of Australia
- 07 Power to the People: giving Owners and Committees more rights when it comes to choosing their Body Corporate Manager David Lin, Body Corporate Change Agent, Strata Consultants Australia
- **12** No relief for tenants as rents remain high and vacancies tight Domain Group Rental Report – December Quarter
- 14 Explosive report lifts the lid on Australia's building energy performance sham

By Cameron Jewell, The Fifth Estate



# **LETTER FROM THE PUBLISHER**

The Home Building Amendment Act 2014 recently commenced in relation to residential building defects poses a very serious problem for unit owners

We now have a situation where if a unit owner needs to settle cases involving serious building defects it will depend on the interpretation of the 'Major Defect' definition.

An unexpected finding of a study of over 1,500 NSW strata owners and executive committee members carried out by the University of NSW City Futures Research Centre into governance of residential strata schemes, was that 72% of all respondents noted at least one defect in their building, and 85% of respondents in buildings constructed since 2000 have found building defects.

Some defects, such as the absence of fire safety measures, are deemed life threatening. Avoidable defects are the result of a perfect storm of cost cutting, inadequate training and supervision of trades, and a flawed certification system. Unscrupulous builders then avoid responsibility for fixing those defects via the insidious act of "phoenixing" whereby they shut down a \$2 shelf company one day and open up a new \$2 company the next. State governments have so far failed to stop this easily preventable practice.

Is it not enough that some apartment owners have thrown their hands up in the air in frustration moved out and rented their apartments and let the real estate agent deal with the problem. Is it not enough that some unit owners have gone bankrupt trying to fund building inspections and ongoing court cases in an attempt to get the builder to deliver the building they paid for .

If apartment owners continue to be used as a punching bag by state governments while they hold hands with developers the result can only mean one thing.

Sydney will become a city of slums.

**Bob Loizou** Publisher

# THE FUTURE OF SHORT TERM LETTING IN STRATA

John Hutchinson, Director, Owners Corporation Network of Australia

So, we've said good bye to the holiday season. How did it go in your building? Was Christmas marked by noisy parties, lots of new faces in the lifts and bodies in the pool? Were other people's visitors well behaved? Does your building have a problem with apartments being rented out for just a few days or so?

Perhaps not, but for those living near the beach, harbour or the city short term letting is a reality they have to live with. The world has changed from the times when the back bedroom might be let out to help pay the mortgage. Online letting of apartments has taken us into a world where you can log on to the Airbnb site or similar and see the apartment next door advertised for rent next weekend. It may be only for the weekend or it may be a weekly rental with cleaning and a change of sheets included.

More and more of those living in strata apartment buildings are finding that short term rentals and permanent residences don't work well together. Are they just being precious and swimming against the tide of change that has brought us the world of car sharing and renting your power tools to someone a suburb away?

Not really; short term rentals and serviced apartments cater for different needs to residential accommodation. They impact very differently on neighbours and others who live in a building. A residential apartment building comprises a community of residents, be they owners or tenants, who call it home. We know that the buildings that work best are those with a strong sense of community. Communities are sustained by the trust that comes from residents sharing and recognising each other over time.

Nearly everyone would like to be part of a community that works well; it's just very hard to achieve. Executive Committees do their best to make their buildings good places to live, sometimes at personal cost to those members. The most hated job would have to be enforcing by laws against fellow residents. It really is a last resort - far better that residents make themselves aware of and abide by the bylaws and the standards expected in their building. That is just not going to happen with short term letting.

Of course the apartment that is rented out for a bucks party is going to be a disaster for the neighbours. But any short term letting, with its frequent occupant changes and servicing, impacts on the building's common property, with increased wear and tear on corridors, lifts and amenities etc. Wear and tear paid for by all owners, whether or not they are profiting from short term rentals.

Maybe the letting agent tells the occupants

where the garbage room is, but finding garbage bags in the passage waiting for "room service" is not unheard of. Most importantly, short term occupants have short term needs and these do not include being part of a community of people who call the building home.

Strata owners need a bit more certainty about what can and cannot be done in their buildings. By laws were conceived to provide that certainty and to give strata owners the tools to manage their buildings the way they saw fit. The trouble is that bylaws are not much help when it comes to controlling short term rentals, even when the majority of owners wish to have some controls.

Everything hinges on whether or not short term letting is legal or illegal - whether it involves a breach of the development consent for the building. Unfortunately for strata owners this is currently far from clear.

Development consents operate in respect of particular classes of building and residential apartment buildings are Class 2 buildings under the Building Code of Australia (BCA). Hotel type accommodation falls under Class 3, with additional fire safety requirements designed to protect short term occupants who are not familiar with the building and require extra guidance in the event of an emergency. Yet just where short term lettings fall is not clear despite a number of court cases on the matter – are they lettings of dwellings or are they more akin to hotel type accommodation?

If Councils are expected to enforce development consent conditions, they need to have certainty that short term lettings in a residential apartment building are inconsistent with its Class 2 residential building status. Otherwise they are not going to act.

Unfortunately the courts to date have not produced the certainty required, and legal arguments continue to be heard that residential apartments remain dwellings no matter how short a time anyone resides in them.

So, what does the future have in store?

Councils remain reluctant to take action in the face of legal uncertainty. The draft legislation to amend the NSW Strata Schemes Management Act 1996 contained no provisions covering short term letting; it is seen as a development consent and enforcement issue; so strata residents can expect no assistance from the current round of proposed strata reforms. It's buck passing that shows no sign of coming to an end.

Meanwhile, apartment owners who live in desirable buildings cope with a never ending round of partying neighbours and can just hope that their strata manager has correctly answered the building insurer's questionnaire on "Do you have any short term lettings in your building".

There is but a glimmer of hope: Consumer Affairs in Victoria is now delivering on an election promise of the new government and moving to set up a panel to examine the effects of short term letting.

What will it take to get other states to follow?

\* OCN is the peak body representing the rights of residential strata owners and occupiers.

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# **Strata and Security:**

By Katie Ashford, Operations and Marketing Manager, Concise Security Systems

There are a number of issues facing Strata's today, and security is just one of them. When you mention "Access Control" to an Owners Committee, generally their first thought is "Expensive, outdated and unreliable". But, it doesn't have to be that way.

Access Control isnt just the locking of doors. These days you can integrate CCTV, Lights, Intercom, and Car Parking access all into the one system. In recent years, as with most technology, advancements have been made and prices have dropped. Plus with the enhancement and changes to OH&S Laws, camera footage can be integral and invaluable in defending Strata's against Slip and Fall claims, and can also be a real draw card to potential owners and tenants to know that if they are broken into, there will be real, high quality, reliable footage to provide to police.

Another issue many owners and tenants will find, is overcrowding and oversharing of units and particularly parking spaces and common areas. The advancements in the operating software of Access Control now means that the number of cards issued to a tenancy can be limited, access to common areas can be controlled and "locked out" to certain people or at certain times- no more late night parties in the pool area or common recreation areas! And, most importantly, car spaces can only be utilised by the confirmed cardholder of a unit. They will not be allowed to pass their card on to let another car in until they have removed their car from the carpark first. This can be as real plus for unit blocks where parking is at a premium.

Access Control has become so advanced; that you can now have a system installed and commissioned on site in a matter of days, and then have the operating software run offsite. The bonus for this option is that all programming requests are placed through the strata manager, further increasing security by having a trained, qualified, impartial security company such as Concise Security look after the system for you. In the past, there have been issues when the one person who was trained and had access to the building moved out, therefore leaving the owners committee or strata with no way of programming new cards or changing access options. By taking this operating system offsite, you reduce the risk of incorrect programming changes being made, and access issues arising.

If you think your site could benefit from any of the above Access Control options, give Concise Security a call. Concise Security-Here to Help.

# Power to the People: giving Owners and Committees more rights when it comes to choosing their Body Corporate Manager

David Lin, Body Corporate Change Agent, Strata Consultants Australia

For too long apartment owners have been forced to put up with ordinary body corporate managers. Unreasonable and restrictive clauses in management contracts have meant that Committees and Owners often had to jump through hoops before they could sack their manager, however a change is on the way.

In August 2014 the Victorian Parliament introduced the Consumer Affairs Legislation Further Amendment Bill 2014. The new laws bring a series of changes to improve the regulation of managers, remove unreasonable clauses in management contracts and require managers to disclose conflicts of interest.

Under the new laws managers will be required to clearly disclose any conflicts of interest, such as ownership in a provider of services to the owners corporation, or any payments and commissions they receive. Managers must also take reasonable steps to ensure that any goods and services procured on behalf of the owners corporation are procured at competitive prices and on competitive terms. Funds held on behalf of owners corporations will be required to kept held in separate bank accounts. Officers in effective control of a management business will be required to disclose any relevant criminal history.

However, one of the more important ramifications is centred around the management contract executed between the manager and the owners corporation. Management contracts exceeding 3 years in term will no longer be deemed to be valid, bringing an end to the use of contracts with excessively lengthy terms.

Another area that has been problematic for Owners is the inclusion of 'roll-over' clauses that automatically extend the initial management term for another 1 year. This practice will also be deemed to be unlawful under the new changes.

Furthermore Owners and Committees will no longer be required to take onerous steps, such as the passing of a special resolution or convening a general meeting, in order to terminate the manager.

These new laws finally bring Victoria in line with the regulation of manager in other states such NSW and Queensland - and they offer Owners more rights and greater protection.

The amendment bill has already been passed in both of houses and is expected to be granted Royal Assent when the Victorian Parliament sits again the new year.

Level 14, 380 St Kilda Road, Melbourne VIC 3004

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office@strataconsultants.com.au www.strataconsultants.com.au

Strata Consultants Australia is specialist strata consulting firm. We work with Committees and Owners to help them transition to a new and better Body Corporate Manager. We provide the advice and guidance on how to change managers, we source proposals from quality managers and we facilitate the entire transition process.



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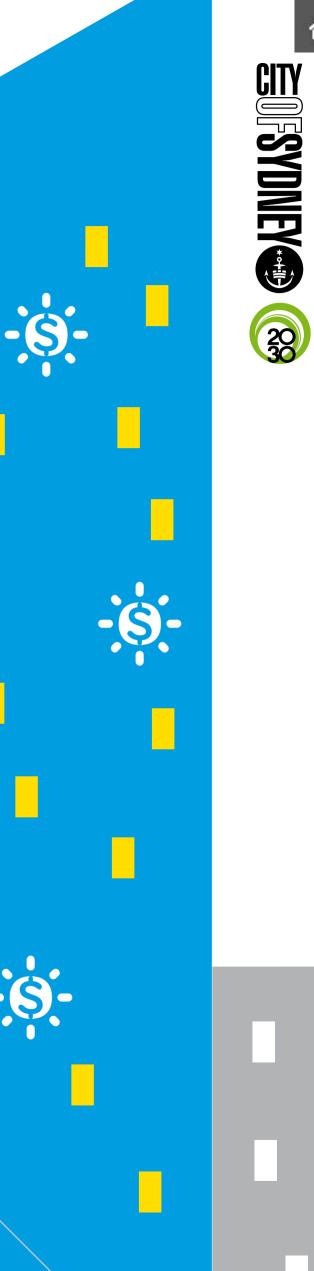
The City of Sydney has a new grant on offer for residential apartment buildings:

- The new building operations grant helps owners save money on water bills,
- The new rating and assessments grant helps owners fund energy assessments to identify opportunities for energy efficiency upgrades,
- There is also an innovation grant for buildings wanting to lead on sustainability innovation.

See smartgreenapartments.com.au for more information.

# Keep up to date

Sign up to receive updates about sustainable apartment tips, events and funding on our website





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WFI offers insurance plans for commercial and residential strata complexes. Adding to their existing range of rural, business and home and car insurance, WFI are pleased to provide you with a choice when it comes to such a specialised form of insurance.

WFI took a close look at the needs of strata owners before introducing their insurance plans for commercial and residential strata complexes. Listening to clients and understanding their insurance needs has helped WFI to develop a range of strata insurance products that offer flexibility and choice for strata managers and body corporates.

WFI's strata insurance plans consist of a range of individual policies from which you can choose to meet the requirements of your strata complex. This approach provides flexibility; meaning if your circumstances change and broader insurance cover is required, it is easy for you to integrate additional policies to your plan.

## Tailor your strata insurance

Many building owners and managers often fall into the trap of believing that one size fits all when it comes to purchasing strata insurance. The fact is that strata buildings and developments vary enormously and it's important to make a choice that best suits the requirements of your commercial property.

Choosing an insurer with a wide range of policies allows you to select insurance cover that best suits the requirements of your individual strata complex.

The WFI Commercial and Residential Strata Plans each consist of seven different policies covering a wide range of risks that building owners should consider when thinking about their insurance needs:

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- Electronic equipment
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- Fidelity guarantee
- Legal liability

• Strata council member legal liability

WFI understand that choosing the right insurance cover is as important to you as is finding an insurance specialist you can trust.

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And if you ever have to make a claim, it's reassuring to know it will be handled by a dedicated claims officer who is on hand to provide a simple and timely claims process. WFI's philosophy is to provide an excellent personalised claims service to every client, in every claim. Backed by a 90 year history

WFI have been insuring Australians since 1919. Over this time, they have been there for their clients, providing support and assistance when clients needed it the most.

We may be living in the age of self-service, however when it comes to safeguarding the things that are important to you, there's no substitute for personal service from your insurer. It's good to know there is always someone you can call when you're insured with WFI.

Find out for yourself why WFI is one of Australia's leading insurers. Phone 1300 934 934 or visit wfi.com.au.

## **Disclaimer:**

To see if WFI's products are right for you, always consider the PDS from the product issuer, WFI (ABN 24 000 036 279 AFSL 241461).

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- You can tailor your own insurance package

# OurBodyCorp Improves Communication

By Rainer Jozeps, Director, OurBodyCorp Pty Ltd

y wife and I purchased a townhouse in a newly constructed block of four, and being self-starters we called our own Strata meeting with the other new owners to get things moving. As CEO's of major cultural institutions, we knew how Board meetings and managing budgets worked, and a Strata meeting seemed much the same, so it wasn't difficult.

And so OurBodyCorp, one of Australia's few online portals for selfmanaged Owners' Corporations was begun.

For the lay person the Strata industry is heavily burdened with industryspeak; Owners' Corporation, Strata Group, Executive, Schemes and Lots, and on it goes. But in fact, notwithstanding the legal nuances that spiral into administrative complexity, the process of managing one's Strata is relatively simple: owners meet to discuss how best to manage their property according to a budget they set and adhere to.

And as with all good management processes, if there's agreement about the common goals then caring for the property isn't that hard. And who wouldn't agree that we all want to:

1. Live harmoniously

2. Maintain and enhance our property's value

Yes, people disagree from time to time about how to get there, but that's healthy, so long as people communicate frequently and respectfully; and most often they do.

A key to this is that owners feel part of a community; their community.

Community-building is important if everyone is going to get along. The property everyone lives in is something for all to be proud of. It's important to care for the property as a community, rather than a disparate collection of single unit owners.

It's a bit like a community vegie- patch which brings people together, as all share in the enjoyment of planting, tendering and harvesting. The process of managing becomes as important (and enjoyable) as the spoils it brings.

And this is where some groups of owners fall over when they engage professional Strata managers. The outsourcing of the management of the block can have the accidental effect of outsourcing community-building among owners.

Good Strata companies know this, but all too often we hear owners complain about their paid managers. If there's one thing that does unite owners it's dis-satisfaction with their Strata managers, rather than a collective pride in the care and upkeep of their property.

So what's the secret? Communication, tolerance and respect.

To build a sense of community in our block of townhouses we created OurBodyCorp, an online program to help owners self-manage their Strata or Owners' Corporation. There's a Facebook-style chat room, and owners can upload photos of social occasions or maintenance issues, they set agendas and take minutes, automatically send out Strata Levies and manage finances. We also have an Archive where documents like Bylaws and past Minutes are stored, and we can even put dibs the common barbeque or meeting room using a booking tool.

As the three most important words in real estate are Location Location Location, so it is with Strata management; Communication Communication Communication.

What if I don't want to self-manage, but still want to build a sense of community?

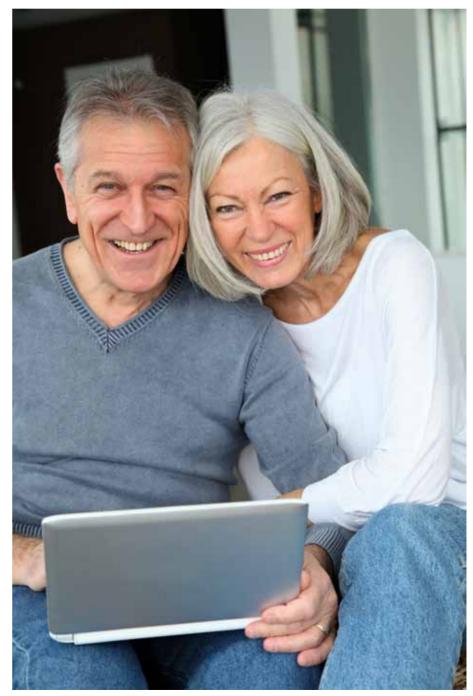
If self-managing isn't a goer, but community-building is, then we have the online portal at www.ourplace. manager.com.au

Here you can chat online, upload photos, record meetings, book a common area and archive documents. Our Place Manager is for building community by communicating and sharing, without the having to manage budgets, and send out levies as required for selfmanagers.

Both programs, ourbodycorp.com. au and ourplacemanager.com. au have clients all over Australia. Our clients love the ability to share and communicate about the most important physical and personal investment of their lives. Either way they are doing everything possible to live harmoniously with their neighbours, and enhance the value of their property.

For self-managers go to www. ourbodycorp.com.au or ring 1300 687 263.

For community-builders go to www.ourplacemanager.com.au or ring 1300 687 263.



# No relief for tenants as rents remain high and vacancies tight

Domain Group Rental Report - December Quarter



Thursday, 15 January 2015: Providing no relief for tenants, asking rents in most capital cities have remained at or near record levels over the last quarter, according to the Domain Group Rental Report\*.

Dr Andrew Wilson, Senior Economist, Domain Group said, "Despite record level investor activity and increased dwelling construction, demand for rental properties continues to outstrip supply, resulting in tight vacancy rates and high asking rents in most capital cities."

The December national capital city vacancy rate for houses was 2 percent with units at 3 percent for an overall dwelling vacancy rate of 2.4 percent.

Sydney, Adelaide and Hobart recorded increases in the median asking rent for houses while all other capital cities remained steady over the December quarter.

Median weekly asking rents for units in all capital cities, except Melbourne and Perth, remained steady or increased over the quarter.

"In the unit market, Sydney, Adelaide, Hobart and Canberra recorded increases, while Darwin and Brisbane remained steady and Melbourne and Perth recorded decreases," Dr Wilson said. "In Perth, we are continuing to see an adjustment of the rental market while Melbourne landlords are feeling the effect of recent new apartment construction.'

Of all capital cities over the quarter, Hobart saw the strongest increase in asking rents for both houses and units which rose by 3.2 percent and 3.8 percent respectively. The city, however, retains its position as Australia's most affordable capital for rental property.

Sydney and Adelaide also saw increases to both house and unit asking rents.

In Canberra, the asking rent for houses remained steady while unit rents rose by 2.6 percent over the December quarter.

Asking rents for houses and units in Brisbane and Darwin remained steady over the quarter.

In Perth, house rents were flat while unit rents were down by 1.3 percent over the three months to December.

"Upward pressure on rents is set to

continue through 2015, particularly in the robust Sydney market where underlying demand continues to outstrip supply," said Dr Wilson. "Increased new apartment supply in Brisbane and Melbourne will, however, continue to provide more choice for tenants with continued relief in rental growth a prospect."

Nationally, the median weekly asking rent for units increased by 0.1 percent over the December quarter to be up by 1.5 percent over the last 12 months. Meanwhile, the median weekly asking rents for houses increased by 0.6 percent over the quarter, contributing to an annual growth rate of 0.1 percent.

For further information or to arrange an interview please call: Reservoir Network: 02 9955 8000

Georgie Pickett-Heaps - 0402 633 806 / georgie@reservoirnetwork.com.au

Di Challenor - 0407 497 821 / di@reservoirnetwork.com.au

\* Report previously known as the APM Rental Price Series Quarterly Report. For more information go tohttp://domain. com.au/groupdata

## Key points

- Rents remain at or near record levels in most capitals Sydney rents surge to peak levels despite record investors and
- new apartments Adelaide and Hobart rents increasing
- Yields consolidating and rising
- Vacancy rates for houses remain tight with unit vacancies higher

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Domain Group's data and property research division, comprising APM and PriceFinder products, has been helping consumers and organisations make informed decisions about property since 1989. We collate commercial, rural and residential property activity from a large variety of sources including auctions, government and semi-government agencies, real estate advertising and agent businesses, plus researchers. This vast pool of government and propriety information ensures our databases and products contain the latest and most detailed property and Real Estate market information available.

# **MYBOS**



## next generation building management system"

# **ABOUT US**

MYBOS is a building management application service for strata properties and offers a number of tools to streamline traditional building management activities through a simple and modern online based system.

In addition to reducing the cost of traditional building management operations, MYBOS provides residents with a private, amenity-rich web portal that includes engaging, community-building features and continuously updated information about their property, community and neighbourhood.



## **TESTIMONIALS**

#### Mark Robert - Chairperson

"By far this is one of the best systems I have ever used. MYBOS is years ahead of its competition. I would gladly recommend this to anyone".

## Andrew Harris - Chairperson

"We're using the MYBOS System for our building. It is the perfect solution for our executive committee and on-site manager.

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  - Mixed Residential
  - Commercial Strata
  - Multiple Stratas

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# Explosive report lifts the lid on Australia's building energy performance sham

By Cameron Jewell, The Fifth Estate

There is "a pervasive culture of mediocre energy performance across the Australian building industry", according to a damning review by pitt&sherry and Swinburne University that the government has sat on for months and only released just prior to Christmas. It's what the industry has long turned a blind eye to, but now it's finally written in black and white.

The National Energy Efficient Building Project engaged with more than 1000 stakeholders to look into the systemic weaknesses and widespread non-compliance regarding energy efficiency requirements of the National Construction Code.

The review, led by the South Australian government on behalf of all states and territory governments, found "a very large number of concerns" around the effectiveness of current energy performance requirements. Many of those interviewed believe that amidst "a culture of sign-offs" and a lack of oversight and enforcement, noncompliance is rife across the entire building supply chain. This means higher energy use, higher carbon emissions and bigger bills.

In the residential market – where many of the problems were reported – the six-star NatHERS energy efficiency requirement is routinely not being met.

Lower and mid-grade commercial buildings are also reportedly not meeting minimum standards. And the problems lie across multiple stakeholders, with consumers, industry, regulators and the government all playing a part in below minimum-standard product being produced.

"These concerns appear systemic in nature, in that they cover all aspects of the building supply chain and regulatory process and all building types," the review said. "Further, there was a remarkable degree of consistency in the views expressed and issues raised in all states and territories, despite widely varying building markets and conditions."

Read industry responses as they come in here.

## Consumers don't care, apparently

Corner cutting in the industry has been fuelled by a total lack of oversight compounded by a widespread view that consumers just don't care about energy performance.

"The risks of corner-cutting are likely being raised by a widespread view... that house buyers are largely uninterested in energy efficiency outcomes... Many industry professionals noted that this routinely translates into energy efficient designs or inclusions being 'traded away' during the design process, or not being specified in the first place," the review said.

Instead of interest in lifecycle costs, homeowners were more interested in aesthetics, resale value and size, stakeholders reported. Consumers were also seen as having limited understanding of thermal comfort, and therefore could not discern between good and bad advice, and had limited willingness to pay extra for these features.

In short, there's no market pressure for energy efficient features. The review did note, however, that the market environment was affected by policy and regulatory practices, with consumers relying on market participants for energy efficiency advice and appearing to trust that the regulatory process would work to protect their economic interests.

But it seems they're wrong.

## We can get away with it

A key view uncovered was that there was a sense of "impunity" in the building sector around meeting energy efficiency minimums, as there was little risk perceived regarding being discovered cutting corners and, if discovered, little chance of any serious repercussions.

The reasons for the low risk included that energy performance measures like insulation and double glazing are difficult for non-professionals to discern and expected energy performance is not made clear, so most home owners are none the wiser.

#### No enforcement

There was also a widespread belief that the responsible state government regulators were not enforcing energy performance requirements. These regulators reported a shortage of funding to undertake key enforcement activities like audits, and also consistently reported energy efficiency and climate change (the objective being to reduce greenhouse gas emissions) as the lowest of priorities, behind more immediate concerns like health, structural integrity and bushfire safety.

"The review team formed the view that regulator, industry, consumer and government views appear to be reinforcing each other and contributing to an overall culture of low energy performance: no one party can be singled out as particularly or solely responsible for this situation."

## Issues with the code

As described by the Building Verification Forum in our previous article, one concern raised was a focus on "as designed" rather than "as built" performance. This encourages the regulatory system to focus on documentation rather than actual buildings.

On top of this there were poorly justified variations from state to state, deemed to satisfy and modelled solutions leading to different, nonequivalent outcomes, gaps in the code related to energy performance (such as commissioning, maintenance and ventilation), and complexity and confusion regarding the code.

# Substitutions abound, and there's a lack of performance verification

Substitution of low efficiency products and systems was reported to be high, with high-efficiency glazing most commonly reported to be switched out. Generally cost savings were passed back to home owners, though there were also reports where this had not happened.

There was also concerns regarding quality of products and systems, which lacked certification, performance testing and appropriate labelling as occurs with consumer products such as whitegoods.

"The lack of energy performance verification for building products (and indeed for whole buildings) compares poorly with the regime that has applied for decades to washing machines, refrigerators and the like," the review said.

"In the case of many energy using appliances it is illegal to sell products that do not meet Australian minimum energy performance standards. In addition requirements are regularly enforced, with numerous successful prosecutions of those breaching standards. Buildings, by comparison, are many orders of magnitude more valuable, more energy intensive and longer lived, yet the buildings themselves, and the building components, have no mandatory energy performance verification."

# Problems span across all industry groups

There were problems across all stakeholder groups involved in construction, from planners through to building surveyors.

#### **Planners and councils**

Issues included planning schemes rarely taking into account passive solar design including block orientation and solar access. It was also uncommon for efficiency of distributed generation benchmarks to be set as is common in Europe.

Many councils professed an interest in sustainability but had little concrete knowledge, actions or budget. Few audits were conducted by councils, but where done so the rate of noncompliance was great – the highest being 70 per cent reported in Adelaide. This was not just for energy performance, though does point to the fact non-compliance with planning permits is endemic.

#### Designers

Designers and architects were seen as the group pushing hardest for energy efficiency, though they noted a lack of consumer interest in energy efficiency, with even zero-cost or costsaving measures often rejected.

Designers also noted "poor attitudes and low knowledge" among other parts of the building chain, particularly amongst builders, who were frequently removing energy efficiency measures both before and after certification. Other problem stakeholders were real estate agents and product suppliers/retailers, who were influencing consumer views.

## Builders

Builders and energy assessors, however, were often critical of designers "preparing plans and specifications with insufficient detail to enable accurate assessment/ construction, or that were 'patently unbuildable'."

For example, plans containing excessively thick walls or ceilings to accommodate insulation, or expensive glass to accommodate for an excess of glazing were often substituted, but were necessary to achieve the performance requirement, leaving the "as built" performance well below the design performance.

"Any design changes post certification trigger a requirement to re-certify the building, but this is understood to very rarely occur in practice, due to a lack of mandatory inspections and/or post-hoc compliance audits."

However, their key issue was a lack of interest and willingness to pay for efficiency measures on behalf of their clients.

## **Energy assessors**

Energy assessors noted they were often brought in too late to be able to influence design decisions, and were seen as a regulatory burden rather than an opportunity to improve building outcomes.

Assessors reported a culture of shopping around for those who give "generous" assessments. There was also "unfair" competition from nonaccredited and even offshore service providers undermining assessors' work, with no discipline placed on the non-accredited providers in the regulatory system to ensure correct ratings, undermining confidence in the whole profession.

There too was concern at the lack of investment in research and maintenance of NatHERS rating tools, with many files "years out of date".

#### **Building surveyors**

There was a conflict of interest for building surveyors, as many states had building regulations that made it clear surveyors had a duty of care to building owners, however most were contracted by developers and builders.

"Surveyors operate in an intensely price-competitive market, and risk losing their future income if they develop a reputation for being 'difficult'. The phenomenon of 'shopping around', noted for energy assessors, may also apply to surveyors."

Surveyors too lacked training in energy efficiency, and the code only requires certification of designs, with surveyors relying on sign-offs by other building professionals. Only one state – NSW – requires a single inspection of an efficiency feature.

Despite concerns around costs, many stakeholders said without mandatory inspections or an audit program there would be no confidence appropriate outcomes are being achieved.

#### Conclusions

The review found that the market, policy and knowledge management frameworks across the building industry, together with administration of regulatory frameworks, were not encouraging good energy performance in buildings, and in many cases were undermining compliance with energy efficiency requirements. Lack of awareness, understanding and concern among consumers and industry participants; a regulatory system with no bite; and insufficient government resources have led to "a pervasive culture of mediocre energy performance across the Australian building industry".

#### The way forward

A comprehensive, long-term reform program is needed to combat the widespread, systemic nature of problems identified, the review said.

It noted that because the problems were spread over stakeholder groups and seemed deeply engrained, it would take significant effort and time by state and federal governments to rectify the situation.

## It is worth doing, though.

"The building sector accounts for some 10 per cent of the Australian economy, and buildings are very long-lived assets. At a personal level, houses are often the largest single investments that Australians will ever make. Therefore, efforts to improve the policy, regulatory and knowledge management frameworks that impact on building energy performance have the potential to create social, economic and environmental benefits that are lasting and cost-effective.

## Recommendations

The review team made a large number of recommendations to address the problem, including both



short-term and long-term measures, though pulled out some of particular importance.

# Key systemic and process reforms:

mandatory inspections of energy efficiency features and inclusions, identified as a key reform by many stakeholders, helping to reverse a culture of non- or minimal-compliance

ensure that building industry professionals are subject to mandatory accreditation and continuous professional development regimes in all states and territories, as voluntary approaches are held to be undermining those professionals who are trying to do the right thing by consumers, such as with energy assessors

comprehensive documentation of the benefits and costs associated with building energy efficiency regulation

making clear the level of ambition that is expected in building energy performance standards through time, which could occur by amending the objective and functional statements in the Code to require that buildings 'use energy efficiently [or reduce greenhouse gas emissions] to the extent cost-effective', and by putting in place effective governance and review arrangements that ensure this outcome is achieved through time

for building officials to engage with the ACCC and fair trading commissions, as well as building commissions, to strengthen consumer protections for building owners

#### Short-term opportunities:

engage with fair trade and consumer protection agencies to identify pathways for improved consumer protection in cases where energy efficiency features present at design, specification and/or approval are compromised or absent in the finished building

the Commonwealth national home energy efficiency (building seal) inspection project will collect and interpret recent building performance data from all Australian capital cities. Findings will be interrogated and used to develop industry and consumer information and to recommend a regulatory (or alternative) implementation pathway for nationally-consistent building seal, minimum performance standards

engage state and local governments to review compliance audit records and undertake a representative sample of on-ground inspections and alternative assessments of residential buildings, underway or recently constructed, to quantify and communicate the level of noncompliance with energy efficiency requirements and calculate consequent (comparative) operational costs to consumers

local government-based pilots to demonstrate effectiveness of an "Electronic Building Passport" to enable long-term controlled access to and management of building documentation from planning, design and assessment to building and operation

develop a draft 5 year (to 2020) Strategic Plan for key activities Australia wide in policy, regulatory areas, and in knowledge management, that will harmonise and deliver improved compliance with energy efficiency provisions of the National Construction Code

Provide industry feedback and webbased materials to communicate with and provide an overview of Phase 1 outcomes and Phase 2 projects to all industry and other stakeholders who engaged in Phase 1 of the NEEBP

Seek improved consistency across all jurisdictions in the application of the energy efficiency requirements in the NCC to alterations and additions and the use of rating tools in assessing alterations and additions

## What's next?

According to lead author of the report, pitt&sherry's Phil Harrington, phase 2 is getting underway and it's all about quantifying the extent to which the problems are occurring. There are three projects being run.

"The first one is an actual audit that will include onsite inspections of residential buildings being constructed around Australia," he told The Fifth Estate. "It's a snapshot to say, 'Is there evidence on the ground to support what stakeholders told us during Phase 1? And how bad is it?'

One of the key recommendations of the Phase 1 report was that there needs be hard numbers around the level of non-compliance in the industry. And while the project will focus on residential, Mr Harrington said the evidence so far suggested the state of play in the commercial sector was just as bad as with residential.

Other pilots include testing an electronic building passport that

would capture all relevant building documentation, and a further investigation around compliance issues to do with alterations and additions.

In an encouraging sign Mr Harrington said that the Australian Building Codes Board was currently considering the report. And while it is the states that deal with compliance, the idea is that the ABCB could coordinate a "sensible response" from the states and territories.

Industry responses are still rolling in, and we will update the story as we hear from more stakeholders.

See our article Industry responds to damning report on Australia's energy efficiency failure

## Key findings:

#### Issues:

Planning: Little attention to orientation or master planning for energy efficiency

Design: Designs not optimised for energy performance or low running costs. Issues with rating schemes and rater errors. Low detail in plans

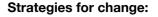
Certification: Sign-off culture, with no physical inspections

Construction: Poor practices (insulation, sealing, etc.). Product substitutions and divergence from approved designs

Commissioning: Not a Code requirement and not done well

In use: Actual energy use often higher than designed. Low awareness of energy issues among building users

Knowledge management: Skill and knowledge gaps throughout the chain. No mandatory accreditation or CPD in most jurisdictions



Being clear what's at stake: remake the case in public policy for effective energy performance regulation of buildings, and communicate this to stakeholders

Getting the incentives right: clarifying the Code's intent. Lifting ambition levels. Closing gaps in Code coverage and addressing stakeholder concerns with performance of tools

Delivering quality outcomes: increase training and knowledge – mandatory accreditation and CPD. Product register, labelling and testing

Empowering the community: Strengthening and widening awareness of consumer protection frameworks. Information campaigns on all aspects of building energy performance

#### **NEEBP's Vision:**

Planning: Explicitly recognises energy efficiency

Design: Energy efficiency a core design objective and quality attribute. Enhanced skills and product quality

Certification: Evidence based and drawing on cost effective new technologies

Construction: Practices reflect new skills and awareness. Building performance lifted as a result

Commissioning: Routinely achieved with excellence, and a culture of continuous improvement

In use: Building users adopting energy efficient practices based on heightened awareness

Knowledge management: Whole industry is approaching world best skills, knowledge and practices



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# Self-management – the forgotten sector in the strata industry



ystrata were pleased to get some free PR a few weeks ago when our company was mentioned by leading strata commentator Jimmy Thompson on both The Age and SMH web sites.

The article was about self-management in the strata industry and some of the software tools available these days for selfmanaged schemes.

We appreciate the plug Jimmy, we really do, but Mystrata does not see ourselves as a software company specifically targeting the self-managed market. Where Jimmy was spot on though was how he described Mystrata as a software company "which straddles the professional manager and DIY markets".

#### Let me explain...

In Australia, there is approximately 100,000 self-managed schemes (40% of the 250,000 or so). Most of these schemes are typically (but not always) small 2-packs or 4-packs. We estimate the total number of self-managed lots to be around 500,000 in Australia. This is a BIG number. There are similarly high proportions of selfmanagement in other markets around the world such as Canada, South Africa and New Zealand where the average building size is also small.

Until recently, this sector of the strata market has been largely ignored... by the Government, by the professional industry and by technology companies. This is why it is such an exciting opportunity.

As Jimmy points out, there are a few solutions out there for self-managed schemes, but in our view, any software



for the self-managed industry needs to be provided and supported by professional managers. I appreciate this may go against the whole principle of "self-management" but most managers will agree with me, self-managed schemes invariably change back to professional management and vice versa. Committees also need support from time to time. Some schemes also like the concept of "joint management" where they carry out some functions and just get their manager to do some of the harder stuff (such as running the accounts). The Government does not have the people, systems or expertise to provide this support, so it makes sense for the professional industry to step in.

Mystrata's cloud-based technology makes all this possible.

Our 'Strataware' system, which is a cloud-based strata management and accounting program, is used by hundreds of professional managers in Australia. The software can be easily configured for selfmanagement whereby the self-managed committee are set up as users for just their building, but the building sits in a professional manager's database, ideally a company located in their area. The dayto-day running of the scheme would be carried out by the self-managed committee who have access to the same powerful tools as managers - credit card gateways, bank interfaces, budgeting tools, meeting tools, accounting modules and more. The scheme also gets a web site and a secure customer portal for all the owners and residents via the 'MyCommunity' platform. This level of functionality would not typically be available in basic self-managed systems.

The Committee can choose to do everything, or perhaps just specific functions such as lot owner communications and meetings. Mystrata licenses the software as we normally do but the professional manager acts as a re-seller, making a margin on the license fee. Managers can offer training on the software and act as first level customer support, both of which would attract an additional fee.

This model creates an additional revenue stream for the managers and by hosting the scheme in a nominated manager's database, if the building ever wanted to change back to full professional management (which invariably happens), the transition is seamless. This model also provides managers with a cost effective way of tapping the market for small schemes that cannot otherwise be profitably managed. It also provides a valuable support resource for small schemes that cannot afford the minimum management fee charged by professional managers.

We know this model is not for everyone but we expect a lot of managers will embrace it.

If you would like to know more about this initiative, please contact our team.

Check out Jimmy Thompson's article below, originally published on the SMH web site on 15 February 2014:

http://smh.domain.com.au/real-estatenews/diy-strata-oversight-goes-online-20140213-32iz7.html

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