

REIACT Meeting – Mon 6 Dec, 11am – 1pm

Attendees:

	Organisation	Representative/s	
1	REIACT	Hannah Gill	Present
		Michelle Tynan	Present

Minutes:

Do you support the standard?

- Expressed concern from members that R5 is no longer the recommended standard based on advice from the HIA, and that R6 is the recommended, more efficient standard for ceiling insulation. Queried if (1) the R5 requirement will be changed to R6 in the future and (2) if rental providers that upgrade to R5 under the current standard will have to upgrade a second time to R6 as rental providers are concerned they will be forced to incur an extra cost and are anticipating changes in the standard in the future.
- Rental providers are concerned about the likelihood of having to upgrade after they've incurred the initial cost under the standard.
- Rental providers looking for legislative protection: the most asked question we've had.
- The second most question asked is the trade availability to do the insulation installations, not enough providers or material/stock availability. There are concerns in the building industry if there will be suppliers and trades available to do this work. Enquired if this has been factored into the costings done thus far?
- Enquired if the types of properties had been identified from the number of properties estimated to require an insulation upgrade due to the standard – e.g. which are unit titles, strata, apartment blocks that are pre-1997?
- Enquired about owners corporations and will all owners be required to share the burden or will it only be for owners of the top floor apartment?
- Raised concerns about this standard resulting in new properties being found to have Mr Fluffy insulation. Also raised their other concern around condensation for older homes, they are concerned if they will be able to meet the national construction code for gap between the undersides of roofs and insulation batts. This relates directly to homes prebuilt in 1997. Queried if these homes would be eligible for an exemption classification as there's concerns about condensation if insulation is installed as there's not enough air ventilation within the roof once the batts go in under the NCC requirements. How will this be handled and delivered?

ACT Government support/assistance for standard

- Suggested that with the no-interest loans, the repayment period should be for a long period of time to ensure the debt does not impact their borrowing capacity for other things in their lives as cash flow is an issue.
- Raised concern that targeted properties under the scheme – i.e. older and less energy efficient – won't necessarily all have low income tenants and that tenants who are not on low incomes just have to live in them because of the supply issue.
- Expressed support for both options: low interest loans with a long term repayment period over 10 years is preferred. A partial rebate is fine. Highlighted that we need to factor in that 52% of owners don't negative gear their properties, and don't get a tax benefit. A lot of this comes from a myth that everyone negative gears and they can claim any investment into the property as a tax break, so need to debunk that myth:

- Queried would the government consider setting aside a \$4M pool for rental providers to access for an assessment of their property? This would encourage rental providers to participate. Expressed concern about the number of changes we've seen and the costs that rental providers have to cover in terms of their investment properties. Suggested that if we want people to participate and be fully educated on insulation it could be beneficial to have someone come in and test their property free of charge, as a good carrot to get people interested and participate/meet the standard.
- Highlighted that rental providers will try to recover any out of pocket expenses through rent when they start a new lease

Exemptions

- Suggested that its important that applications for exemptions are not prohibitive in terms of providing evidence, as if property owners find it too onerous they will just sell so it should be a simple process. Highlighted that some sort of evidence makes sense, but it needs to be a balanced approach.
- Asked about cost for assessment for property insulation

Compliance

- Supports a long phase-in period.
- Highlighted issues that rental providers encounter trying to upgrade their properties but not being allowed by the tenant to access the property. Said that there needs to be some legislative requirement of tenants to allow for when these upgrades can be done
- Highlighted that if the trigger for upgrading was at the change of a lease, this creates an issue about availability as rental providers cannot leave a property vacant while they wait for trades.
- Stated that there needed to be protection for rental providers where tenants don't allow access to the property due to inconvenience
- Raised issues about property management sector coping with the logistics of managing the standard within the legislated timeframes.
- Grace period should be 6 months at a minimum because leases usually start at the same time of the year which will impact trades availability.

ACT Government Question: If you had a preference between a regulation which required the tenant to provide access versus the possibility of a temporary exemption where the tenant strongly objected, which would you prefer:

- REIACT: Need both options

Compliance (Monitoring and Enforcement)

- Suggested government offer a free assessment for rental providers to incentivise them to incentivised to make sure that everything is up to standard
- Supports mandatory disclosure similar to the disclosure of the energy efficiency ratings in rental advertisements but should be a check box: yes or no. Suggested it could also be listed in the property's contract for sale as it could be a substantial cost for the buyer if not completed.
- Highlighted that they are working with the Treasury Bond office on coordinating with property managers. Suggested that when they lodge the bonds for them also to notify that the rental property is up to standard. Highlighted that for the industry, it would be easiest if

all information could be submitted in one go, to one place – i.e. the bond office, rather than having to flag with multiple government agencies relevant info about the rental property.

Complementary Measures

- Highlighted that the age of the home can make draught proofing very expensive, enquired about how detailed would the complementary requirements be?
- Said that they'd lean towards complementary measures from government to support people rather than legislation requiring rental providers to institute complementary measures on top of the ceiling insulation as this would be an additional cost that could result in investors selling off.
- Expressed concerns about the effect this would have on the ACT rental market and the lack of supply resulting in expensive rents that are systemically disadvantaging low-income tenants and families.

Safety Measures

- To put any risk to tenants by cutting a corner is not acceptable. The safety measures have to be of the highest standard, couldn't support anything less than an accredited program. If it is a compliance issue as well – accredited providers will provide the rental provider with the necessary documentation to substantiate compliance and provides rental providers with recourse if the installation is not up to standard.
- Didn't know if top ups are compliant with code or what it means in terms of condensation but need to keep it simple.
- Expressed concern about additional costs rental providers will incur if they have to upgrade their electrical wiring and lights, etc.

Installation Quality Assurance

- Expressed concern about making process extremely costly as there are multiple steps involved to have insulation installed – pre-installation check, etc. Suggested its important to have a communications and education campaign.
- We need to be aware of the impact to cost that any add-ons will have. It is the biggest barrier we have as it will impact who can afford it. Highlighted need for education campaign for people to understand the process, and what *may* be required (e.g. updates to other fittings).
- REIACT would be interested in being consulted for the process of designing the education campaign/program

Evaluation and Review

- I think the REI plays a big role in having access to the people it will affect – both in terms of tenants and rental providers. We could get our members to engage in this and the benefits of engaging with this. The monitoring is something we could push out through our membership and help you to get an insight into how its working and an insight on the readiness of rental providers to engage in this process.

Final Comments

- Expressed concern that government was not factoring in the impact of legislative changes on property managers and that there is a significant mental health concern for property managers. Highlighted that there is a shortage of property managers in the ACT and that most disputes occur where there is no property manager involved. Often have rental providers with no property managers who have no understanding of their legislative requirements.

Need to be mindful of how we expect industry to manage this and to ensure they have the resources to do that.

- Most rental properties that are being sold are being sold to first home buyers that have never been renters. So it means rental properties are being sold but renters aren't being taken out of the market.
- Not against the standard but need to determine how do we do this without having detrimental effects in a rental market that's already in crisis.