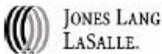


1 November 2013

Pitt & Sherry

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Dear Sir / Madam

Energy Efficiency Information for Rental Properties

The Property Council of Australia welcomes the opportunity to make a submission to the ACT Government as part of the consultation to determine a practical and cost-effective way to deliver energy efficiency information to potential tenants.

The Property Council is the leading advocate for Canberra's property industry. The sector contributes \$2.6 billion to the economy, nearly 10 per cent of the Territory's total wealth, and a further \$3 billion in flow-on demand for goods and services. Our industry spans residential (infill and greenfield estates), commercial, institutional and industrial development as well as refurbishments and a myriad of other property and construction project initiatives. We are committed to Canberra and to ensuring sustainable and innovative approaches and solutions to contemporary environmental challenges and interests.

The Property Council supports the ACT Government target to reduce greenhouse gas emissions in Canberra and acknowledges that a reduction in energy costs for tenants would improve overall affordability.

The current proposal poses a number of options to achieve these desired policy objectives. These include a range of voluntary measures as well as the option for mandating the disclosure of an energy efficiency rating (EER) for all properties at the time of advertising for lease.

The Property Council submits that any required disclosure of an EER should be coupled with the provision of Government information about energy ratings and the best ways to reduce overall energy costs. The general public is largely unaware that the EER scheme relates only to the building fabric and consequently only reflects the potential energy costs relating to heating and cooling. Occupant activity and behaviour remains a significant contributor to energy use in the home.

The consultation paper *Exploring issues and options for an energy efficiency disclosure program for residential tenancies in the ACT* refers to Commonwealth research suggesting that 21 per cent of energy use relates to home appliances (including refrigerators and televisions). There are concerns that even where the energy efficiency of a rental property is improved, the behaviour of tenants will ultimately have the greatest impact on energy costs. For example, if a tenant uses the heating or air conditioning to excess then there will be a resultant negative impact on costs. Similarly, if tenants run hot water to excess, this can add significantly to the total household energy cost. Tenants should be provided with reliable and practical information to assist them in the choice of appliances and advice on basic habits to reduce energy consumption.

The Property Council notes the suggestion in the consultation paper that the requirement to disclose an EER would provide an incentive to landlords to make improvements to properties based on the increased marketability of a more energy efficient tenancy. In the absence of further evidence to demonstrate the relationship between tenancy choice and energy efficiency it is difficult to determine the likelihood of this outcome. However, we suggest that disclosure of an EER in a multi-unit property is unlikely to encourage any changes to improve energy efficiency. Owners of properties in multi-unit developments are not able to alter the building structure (including insulation, windows or external shade devices) and could only make minor adjustments such as changes to window furnishings. Any requirement for disclosure of the EER for multi-unit dwellings should allow the use of the building's original EER assessment report.

A key focus of the consultation is to determine the best tool to communicate the relationship between the energy efficiency of a building and its fixtures and ongoing energy costs. The Property Council notes that there is currently confusion in the community and building industry about the existing star rating systems being used to assess energy efficiency for new and existing homes.

The majority of home buyers are unaware that new houses are assessed with second generation software that uses a ten star scale while existing houses are assessed using first generation software with a 6 star scale. The general consensus in industry is that results achieved using first generation software should be presented differently to the results of second generation software. The two methods being presented to the public as one system is not transparent or fair.

The current approach in advertising properties for sale is to market an existing 9 star house as a 6 star property. This is confusing for buyers who are undecided about whether to purchase an existing or newly built home. It also creates a commercial disadvantage for sellers of existing houses with a high EER. One solution would be to use second generation software for assessment of existing houses, although this is currently prohibited.

Compounding this issue, the Property Council notes that it is not possible to become an assessor using first generation software as training and accreditation is no longer being offered. In addition, software support for first generation systems is not available. If Government were to require landlords to disclose the EER on existing buildings offered for rent it is anticipated that there would be a significant shortage of first generation software assessors available to conduct the assessments and produce reports relating to older housing stock.

In the event that an EER is required to be disclosed on the lease of rental properties, Government should take the opportunity to resolve any issues relating to the software application and resulting inconsistent star ratings.

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The Property Council notes that any mandatory requirement for the assessment and disclosure of energy efficiency in rental properties must be supported by rigorous cost benefit analysis. This should include a robust assessment of the extent to which energy ratings influence a prospective lessee and whether a high EER will result in premium rents being charged. It should also take into account the likely impact of energy efficiency on actual energy expenses.

We look forward to your consideration of our response and further consultation.

Yours sincerely

A handwritten signature in black ink that reads "C. Carter". The signature is written in a cursive, slightly slanted style.

Catherine Carter
ACT Executive Director
Property Council of Australia

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