

Mandatory Disclosure of Energy Efficiency for Residences – History and Compliance in the A.C.T. Sales and Rental Markets



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Introduction

- **Energy Efficiency Ratings (Sale of Premises) Act 1997**
 - *Requirement for EERs in effect in 1999*
- **Civil Law (Sale of Residential Property) Act 2003**
- **ACT Residential Tenancies Act**
 - *Amendment for EERs in effect in 1999*

Landlords or their real estate agents are required to disclose any existing Energy Efficiency Ratings (EERs) in advertisements for properties to lease.

Methodology – sales and rentals

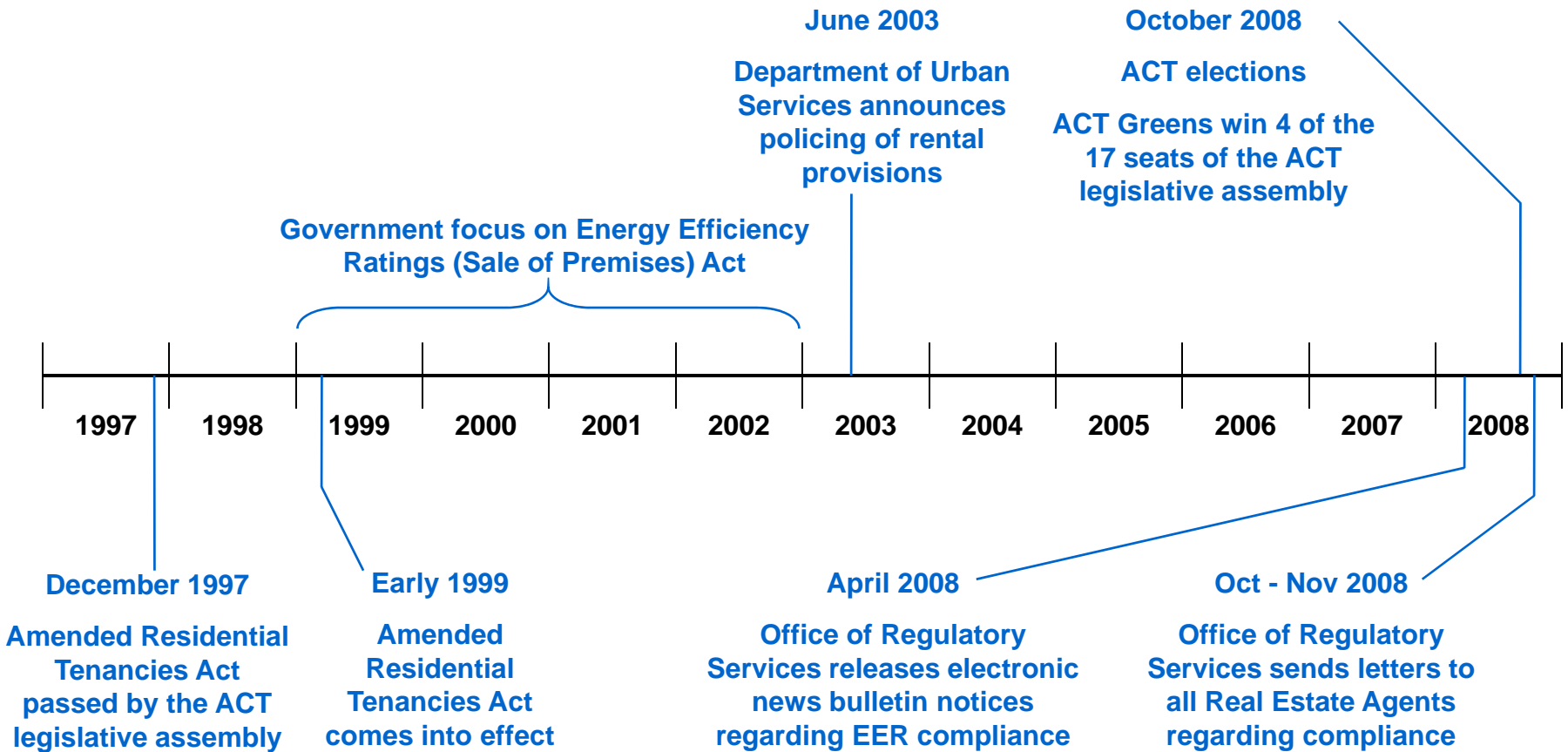
- Studied over a period of **138** months in quarterly rests
 - *To establish the level of compliance with the Act*
- Advertisements studied:
 - *The Property Guide (and later Domain) of the Canberra Times*
 - *Websites for some individual real estate agencies*
 - *Allhomes.com.au*

All rental property prices and EERs (where present) were recorded

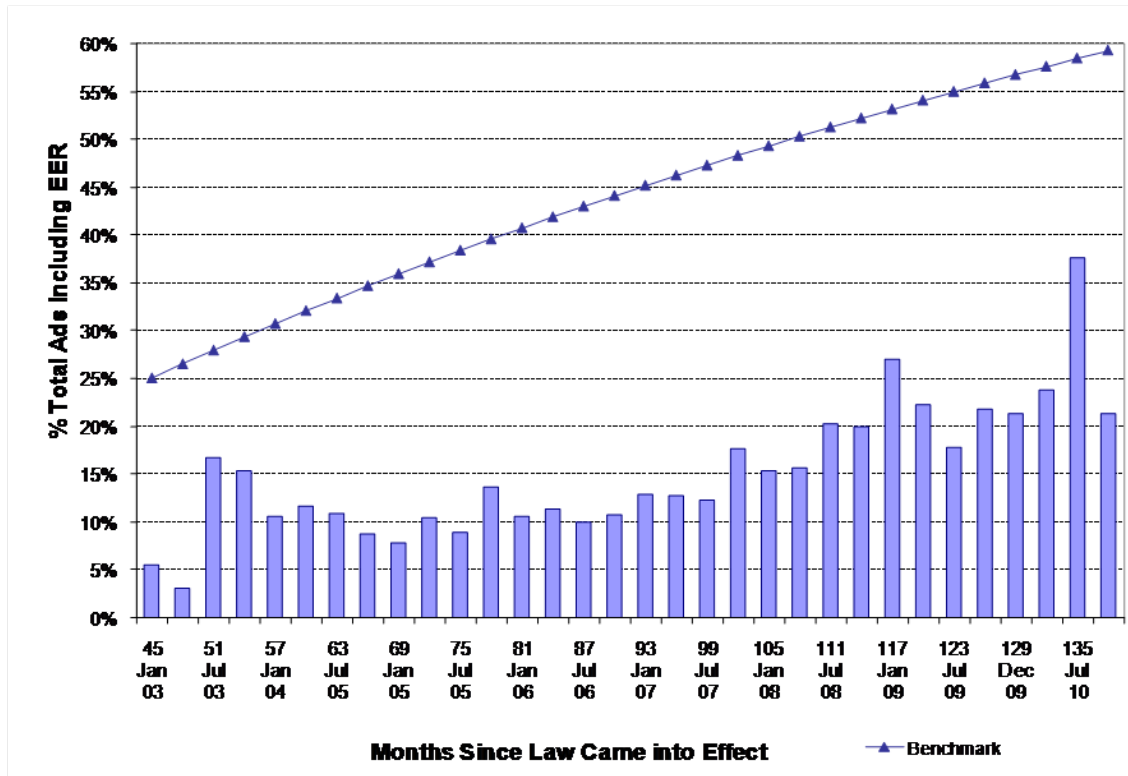
The number of rental advertisements for which the EER was being disclosed was compared with the target disclosure.

- Target disclosure is based on:
 - *100% compliance with requirements for EERs for new houses and of existing housing*
 - *Reported market size*

External Impacts



Key Results - rentals



- Minimum compliance of 2.3% in April 2003 (month 48)
- Maximum compliance of 37.54% in July 2010 (month 135)
- Gap between actual and predicted values continuing to increase

Figure 1: Advertisements which include an EER as a percentage of total advertisements compared with benchmark

Key Results - rentals

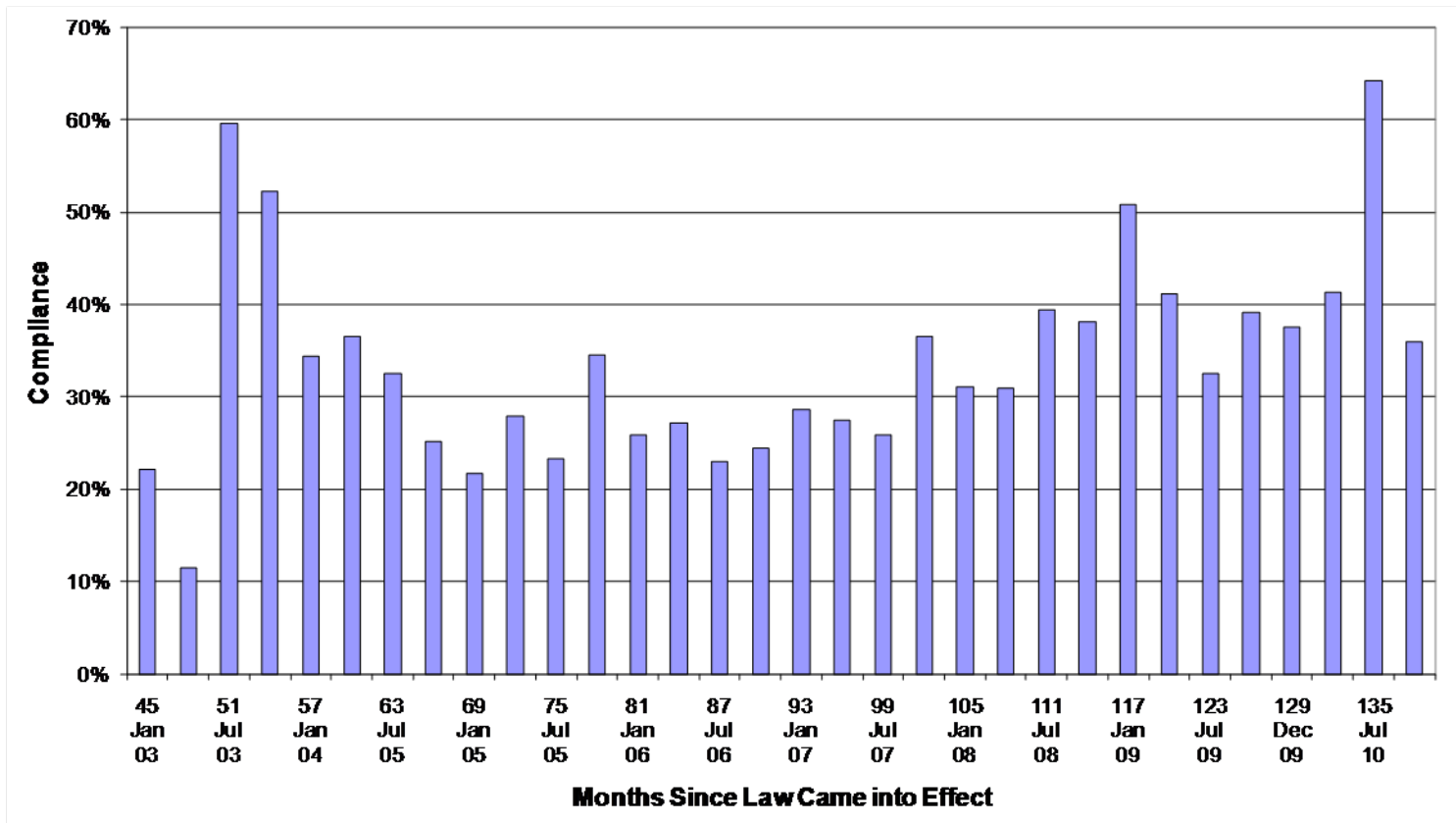
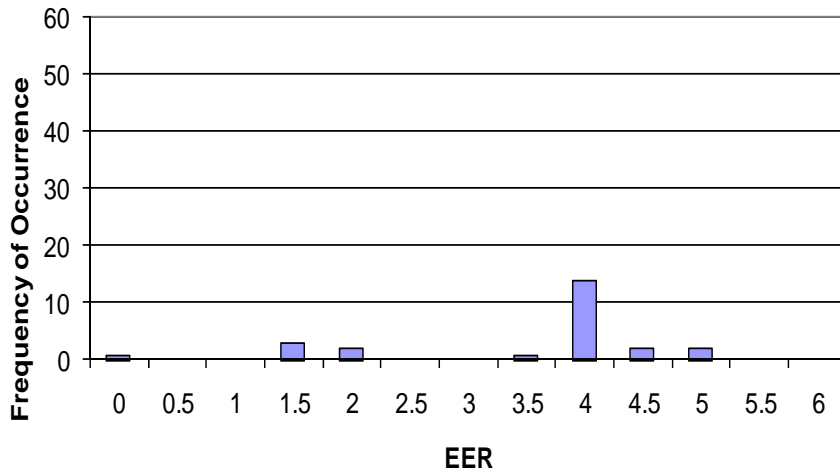


Figure 2: Overall Compliance as a Fraction of the Benchmark

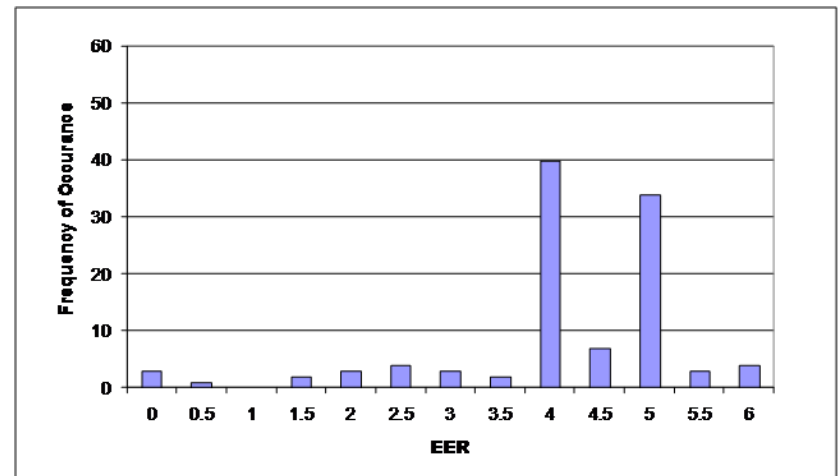
Key Results - rentals

Distribution of EER Advertisements Across the Star Bands



**Figure 3: Quarter with lowest compliance
(September 2006 / Month 90)**

- Skewed compliance across star bands
- Lack of enforcement results in low disclosure for houses obtaining low EERs

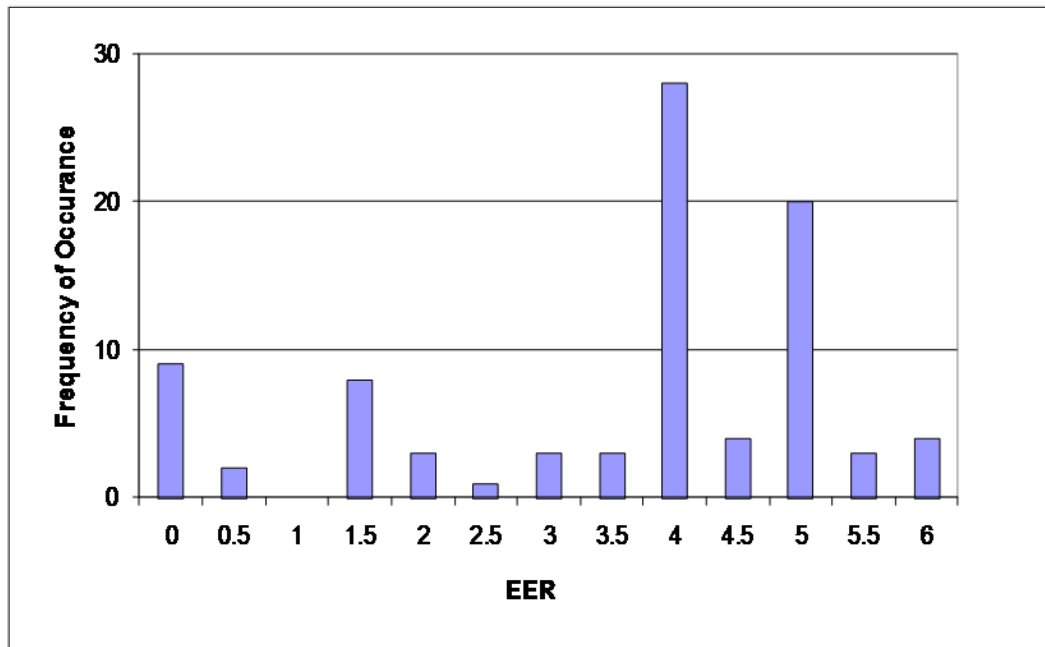


**Figure 4: Quarter with highest compliance
(July 2010 / Month 135)**

- Significant number of 4-star ratings due to mandatory 4-star requirement for new developments from 1997 to July 2006

Key Results - rentals

Distribution of EER Advertisements Across the Star Bands



- Increased occurrence of 5+ star rental properties
- Mandatory upgrade for new developments to 5-stars implemented through the Building Code of Australia in July, 2006

**Figure 5: Most recent quarter
(Oct 2010 / Month 138)**

Impacts of the Internet - compliance

- Multi-agency internet sites listing large numbers of rental and sale properties
 - www.Allhomes.com.au
 - www.domain.com.au (as linked with Domain in the Canberra Times)
- Fast growing
- Much used source of information for buyers and renters alike

Allhomes

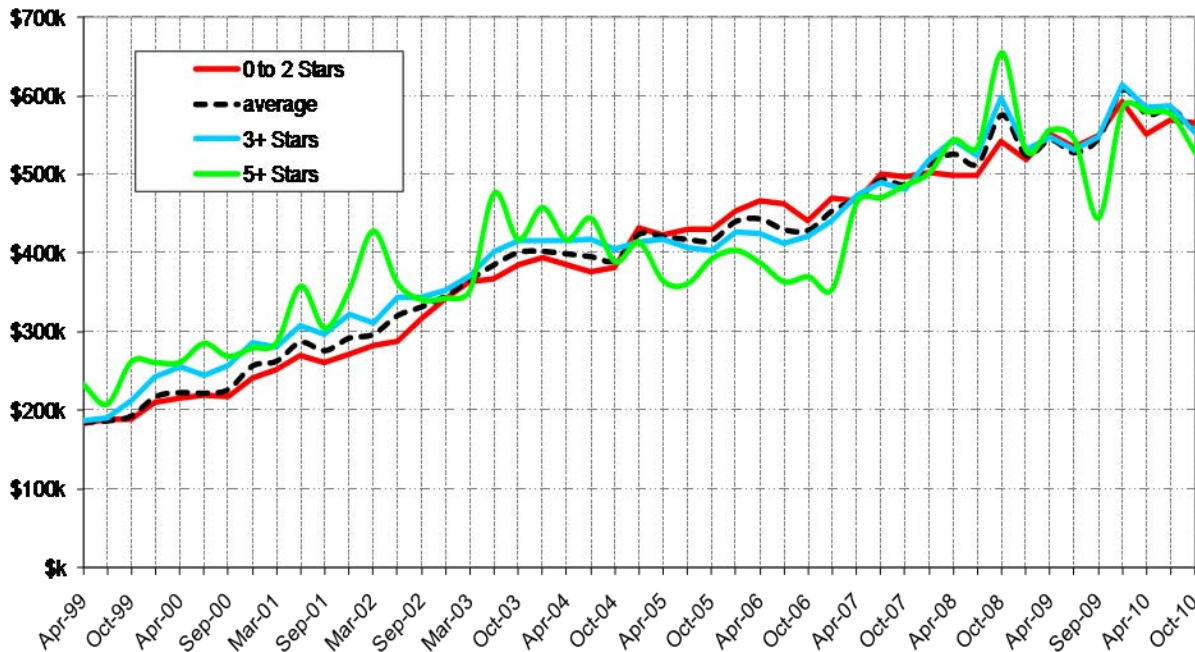
- Specifically asks for an energy rating when privately advertising both sales and rental properties
- Further investigation indicates many advertisements for both private and agency based listings do not indicate an EER

Domain

- Does not provide any place for an EER listing to be added to a private listing for either sale or rental advertising
- Section on each property listing for an EER but having no prompt is concerning

Key Results - sales

Distribution of EER Advertisements Across the Star Bands

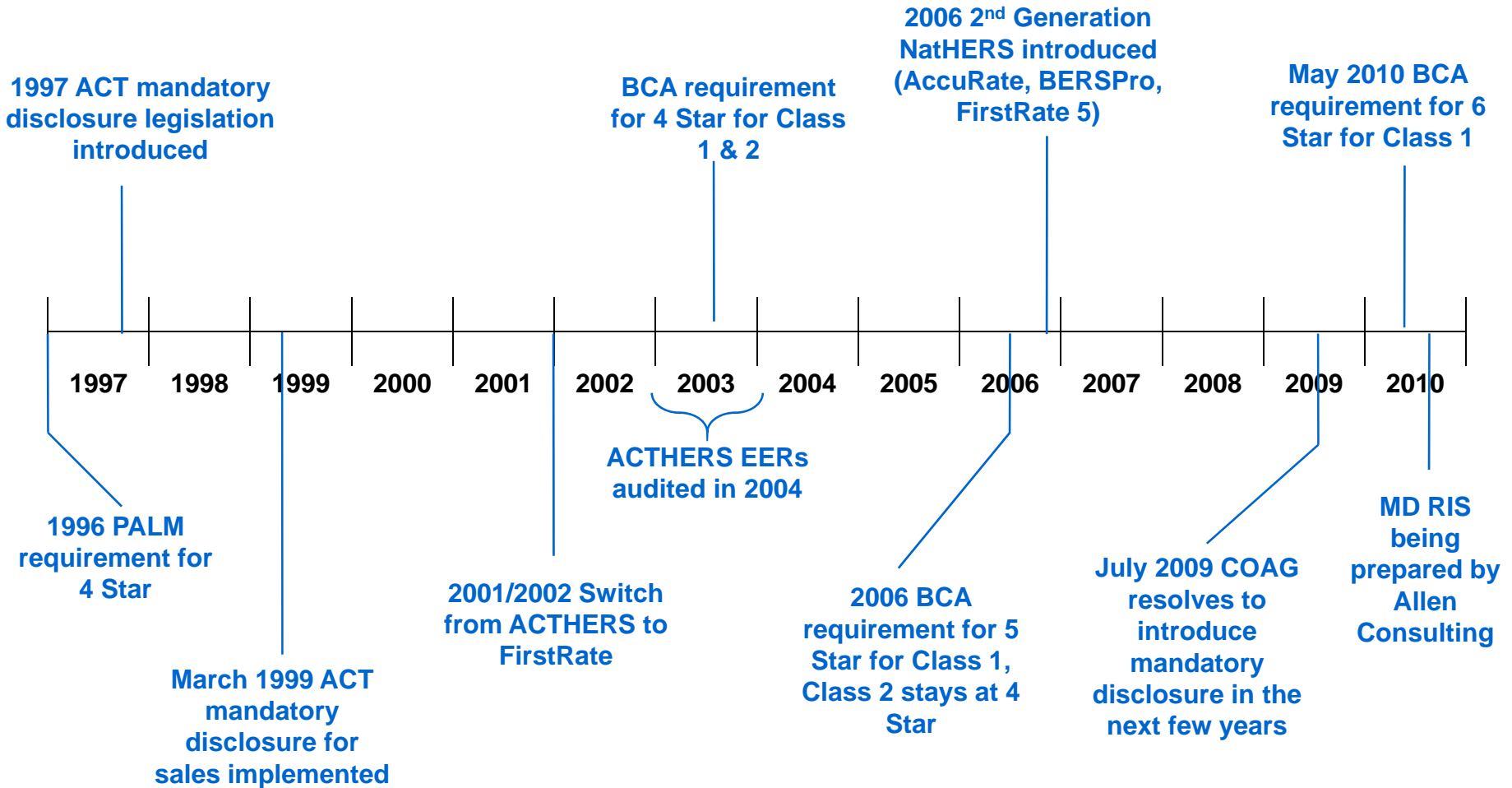


(C) Prepared by Energy Partners from advertised house prices since the start of the EER (SOP) Act

- Increasing trend of average advertised house price in Canberra for the period of 1999-2010
- Property with 5+ stars experienced the most fluctuation

Figure 5 : Average Advertised House Price Trends Across Canberra Over 11 Years

External Influences - sales



Key History - sales

- **Energy Efficiency Ratings (Sale of Premises) Act 1997**
 - *Requirement for EERs in effect in 1999*

“Mandatory Energy Performance Disclosure Requirements for Dwellings: Impacts in the Australian Capital Territory and Potential Impacts in Other Jurisdictions” Report by George Wilkenfeldt, Artcraft and Energy Partners for AGO/PALM in 2001 confirmed merits in the ACT but doubtful elsewhere due to skills absence.

Continual development of protocols through a contract for Technical Advisor (originally Trevor Lee, then Tony Trobe – 2003-5).

Transition from ACTHERS to First Rate July 2001 to January 2002 increased average stringency by 0.5 stars, aligned with NatHERS.

“Audit of ACTHERS Assessor Performance - 1 January to 31 December 2003”, Report by Energy Partners to PALM, 2004 (unpublished)

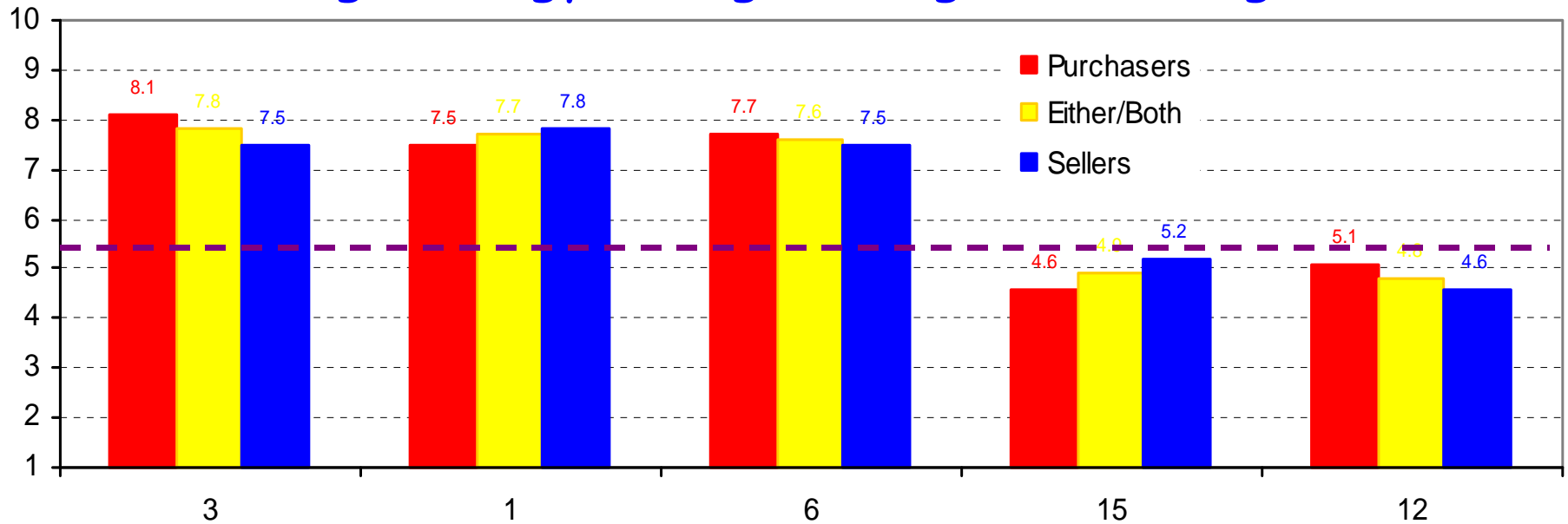
High Public Support

1 = strongly disagree, 10 = strongly agree

Q3 Rating requirement is a good thing

Q1 Heating and cooling is a major cost

Q6 High energy rating saves greenhouse gases



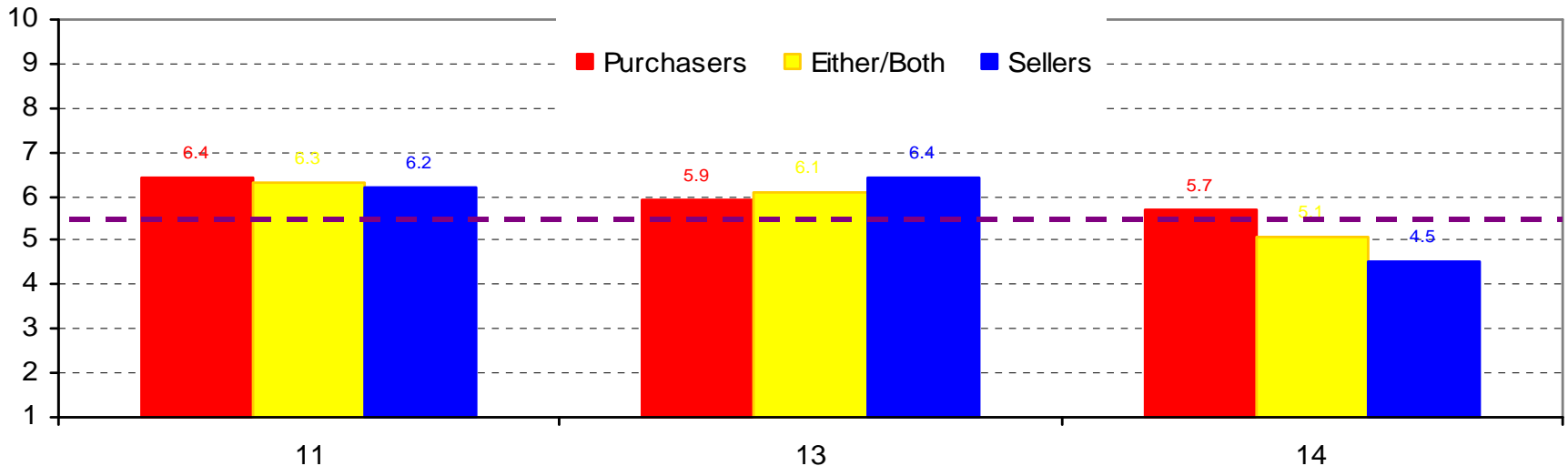
Perceived Affect on Selling

1 = strongly disagree, 10 = strongly agree

Q11 A good rating improves chances of a good price

Q13 A good rating helps to sell quickly

Q14 Knowing the rating could convince me to buy or not



Key History - sales

- **Civil Law (Sale of Residential Property) Act 2003**
 - *Wider requirement for disclosure in effect in July 2004 (month 63)*

Response to perceived waste of resources for buyers, especially for those gazumped.

Added inspections for structural adequacy, weather-proofness and freedom from pest infestations.

Many of the 250 accredited EER assessors left the field as EERs routinely offered for “free” in the new regime.

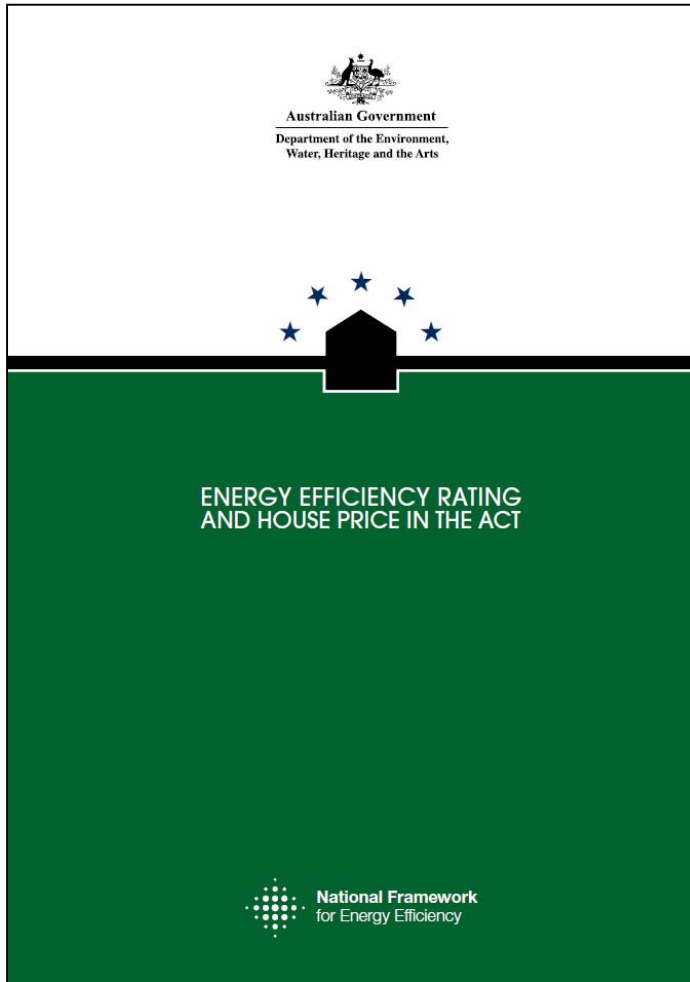
Why?

ACT Planning & Land Authority

- **ACTPLA is considering how the provisions for BA can be clarified and made to align more closely with the requirements for EERs for sale and rentals (regardless of whether the full assessment or an expanded scorecard approach is recommended)**
- **ACTPLA in conjunction with ORS, which administers the Residential Tenancies Act 1997, will place an expiry on earlier ratings.**
- **ACTPLA reviews on information capture and access to energy ratings for both BCA compliance and sale of premises ACTPLA**
- **No change since September 09.**



ABS Study – Hedonic Analysis



- **Modelling the relationship of energy efficiency attributes to the house price: the case of detached houses sold in the Australian Capital Territory in 2005 and 2006**
- **“The ACT housing market ... places a higher value on energy efficiency ... (ABS) found that a statistically significant relationship does exist.”**



Conclusions – rentals and sales

- **Mandatory EER disclosure requirements have not been realised**
- **The number of rental properties rated has increased yet disclosure in the rental market has remained the same**
- **Active enforcement of the Act is required**
- **Central recording system for matching all rated and rental addresses is recommended**
- **Introduce legislation requiring EER disclosure for all rental properties (unsuccessful)**



Conclusions – exemplar or warning?

- Narrowly covers only the building envelope with inferred “standard” occupancies (appliances, thermostats, hours, zoning, zeal/apathy, comfort/\$).
- ANZHERS exemplar (based on AccuRate) included water, wastewater, lighting, hot water as well as heater/cooler efficiencies. Abandoned with change of NZ Government.
- Active enforcement of the Acts is required along with promotion of its benefits to the buying/renting public and industry.
- Peak and plant size benefits ignored.
- Interstate approach differences.
- RE Industry in support or subvert.
- MJ/m².a adjusted vs BASIX.
- Complete drawing archive.

