

JUNE 2020

# Home Truths

## A Lack of Information about Household Energy Needs is Costing Victorians



Environment Victoria is located on Wurundjeri land and works across many Aboriginal nations.

We pay our respects to Aboriginal elders past and present, recognise their continuing contribution to caring for country, and acknowledge that sovereignty was never ceded.

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The views expressed in this document do not necessarily reflect the views of Energy Consumers Australia.

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# Executive summary

Household energy performance is an issue that touches every Victorian. It impacts household energy bills, health and safety in one's home, it strains the energy grid during heatwaves, and causes greenhouse gas emissions. Despite this, information about energy performance is often missing at the precise moment when most people are making housing decisions: at open-for-inspections.

The average energy rating of Victorian homes is abysmally low, at 1.8 stars.<sup>1</sup> In Victoria, there is no requirement that property owners or their real estate agents disclose the energy star rating of their property when it is put on the market for sale or lease. Consequently, agents don't provide this information, house hunters don't ask for it, so few people understand the associated benefits. This means that house hunters often find it difficult to make informed choices about the homes they buy.

This report presents the findings, analysis and recommendations based on research conducted by Environment Victoria about real estate agents' awareness of the energy performance of the houses they are selling and leasing. Acting as 'secret shoppers', Environment Victoria volunteers surveyed 303 real estate agents across Victoria at open-for-inspections, asking agents four simple questions about the basic energy performance of their properties.

We conducted this research to test our assumption that key barriers to achieving more efficient homes include (1) real estate agents themselves lack knowledge about energy performance and its importance and are unable to provide that information to house hunters, and (2) house-hunters therefore have limited ability to make housing decisions on the basis of energy efficiency, because the information is not readily available.

The survey results showed real estate agents knew very little about the energy performance of the properties they sell and let. The overwhelming majority could not:

1. identify the energy star rating of their property;
2. provide information about energy running costs of their property;
3. point out the energy efficiency features of their property; or
4. say if their property was insulated.

We also found price and tenure (purchase vs rental properties) seem to have little relationship with survey respondents' energy performance literacy - it is low across the board.

These results suggest that Victoria's failure to require sellers to disclose a property's energy rating and performance is leading to adverse private and public outcomes: higher-than-necessary energy bills, greenhouse gas emissions, strain on the electricity grid, and uncomfortable, unsafe homes.

## RECOMMENDATIONS

1. We recommend the Victorian government mandate disclosure of energy performance at the point of sale by amending the Victorian Sale of Land Act 1962 to plug the information vacuum in the property market and to help house hunters make more informed decisions about the homes they buy.
2. Mandatory disclosure alone is unlikely to improve the energy performance of rental homes. We call for the introduction of minimum standards for energy efficiency for rental properties, by re-visiting the narrow energy standards established by the now-delayed new regulations to the Residential Tenancies Act.



# Introduction - household energy usage and the lack of information

In Victoria, real estate agents are not required to advertise a property's energy rating at point of sale or lease. Consequently, real estate agents rarely provide this information, or any other information related to energy performance, to house hunters.

The failure to provide information on household energy performance also means house-hunters are less informed about the benefits of more efficient homes, creating an information vacuum in which people have little idea whether they're about to move into a home that is unbearably hot in summer and frigid in winter, with huge energy bills because of poor energy performance.

Compounding this problem is the absence of minimum energy performance standards for existing homes. Victorian homes are currently only required to meet whatever energy standards were in place when they were built<sup>2</sup> – which for some homes could have been 100 years ago.

This status quo is particularly problematic for rental properties, as the benefits of energy performance upgrades (lower bills, higher internal comfort) accrue to tenants, rather than

landlords who typically bear the cost of the upgrade. People who rent also have fewer rights to make improvements to achieve energy efficiency.

As a result, Victorian homes have notoriously poor energy performance, averaging an efficiency rating of just 1.8 stars.<sup>3</sup> Our homes therefore consume a lot of more energy than they need to (about 20 percent of the state total<sup>4</sup>) and are more costly to run than they should be.

The quality and thermal performance of a home profoundly affects the health of its occupants. In recent years, hundreds of Victorians have been hospitalised for hypothermia – one study found about four in five elderly people presenting to hospital with hypothermia developed it inside a home.<sup>5</sup> Research has also shown if the energy star rating of existing homes was increased to 5.4 stars, heat-related deaths could be reduced by 90 percent.<sup>6</sup>

These adverse health effects disproportionately impact on our most vulnerable citizens, who face greater barriers to improving their homes to a comfortable, liveable level. These challenges have been exacerbated recently by the pandemic as people spend more time at home.

Upgrading homes to be more thermally efficient and less leaky presents a huge

opportunity to reduce our emissions, contribute to meeting the objectives of the Paris Agreement and achieve Victoria's existing and forthcoming emissions targets. According to the Energy Efficiency Council energy efficiency improvements represent one of the "largest and cheapest sources of greenhouse gas emission reductions" available.<sup>7</sup>

Despite these wide-ranging and significant benefits, household energy performance is not well-understood, and therefore not valued, within the property market.

This report seeks to shed light on how much real estate agents know about energy performance and how this concept features in selling and letting property. We surveyed real estate agents at open-for-inspections to gather data about their understanding of household energy performance.

The results show that real estate agents on average possess a very low level of basic energy performance knowledge, casting serious doubts over the effectiveness of Victoria's voluntary energy disclosure system. The findings demonstrate the urgent need to introduce mandatory disclosure for all advertised properties on the purchase market, as well as minimum efficiency standards for rental properties.



## AIMS OF THE REPORT

This report seeks to establish the energy performance literacy and awareness of Victorian real estate agents. We set out to test two assumptions:

1. That, overall, real estate agents would have low household energy performance literacy and would not be able to provide basic information to would-be purchasers or renters
2. That lower levels of household energy performance literacy would be concentrated in the lower end of the property market

The report also seeks to establish if there is any relationship between energy performance literacy and tenure type (ie. rented versus purchased properties).

## METHODOLOGY

We developed a short survey to elicit information from real estate agents. These surveys were conducted in a “secret shopper” style during open-for-inspections, where surveyors posed as would-be purchasers or renters. This ensured that the data collected is as close as possible to what would be available to other house hunters.

Surveys were conducted by volunteers recruited from Environment Victoria’s supporters. Volunteers went through an induction and training process about how to conduct the surveys. Volunteers then selected open-for-inspections in their area and we ensured geographic diversity in our data set through surveys conducted by Environment Victoria staff.

Volunteers conducted surveys between February and May 2020, initially in-person at open-for-inspections. When pandemic-related lockdown restrictions commenced, we changed to telephone surveys of real estate agents, asking about listed properties and using identical questions. In total, we conducted 303 surveys across Victoria, mostly in metropolitan Melbourne (see Figure 1 and Figure 2).



Image: Environment Victoria volunteers are the backbone of our organisation who help drive our work, including this report.

This is not an academic research report, though every effort has been made to obtain a diverse and representative data set. As outlined in the introduction, this research is intended to test assumptions about whether the real estate industry is providing (or able to provide) adequate information about household energy performance to prospective purchasers and renters, and to potentially inform any government intervention to address short-comings.

## SURVEY QUESTIONS

We asked four simple survey questions of real estate agents, including a follow up question to each ‘yes’ answer in order to obtain further details.

1. Can you tell me the energy star rating of this property?

If ‘yes’, what is the energy star rating?

2. Are you able to tell me the energy running costs for this property?

If ‘yes’, what are the monthly or annual energy costs for the property?

3. Are you able to point out the energy efficiency features of this property?

If ‘yes’, please list them

4. Does this property have insulation?

If ‘yes’, which part of the building is insulated? Walls, floors, ceilings?

Respondents who answered ‘yes’ to one of the above questions but were unable to substantiate their response, were then reclassified and distributed accordingly. This data validation process allowed us to remove unsubstantiated and potentially untruthful responses from the ‘yes’ category.

Where question responses were “not sure”, we broadly interpret this as a lack of knowledge coupled with an unwillingness to acknowledge that lack of knowledge.



## WHERE WE SURVEYED



Figure 1 – Where we surveyed in Victoria

Number of surveys by postcode

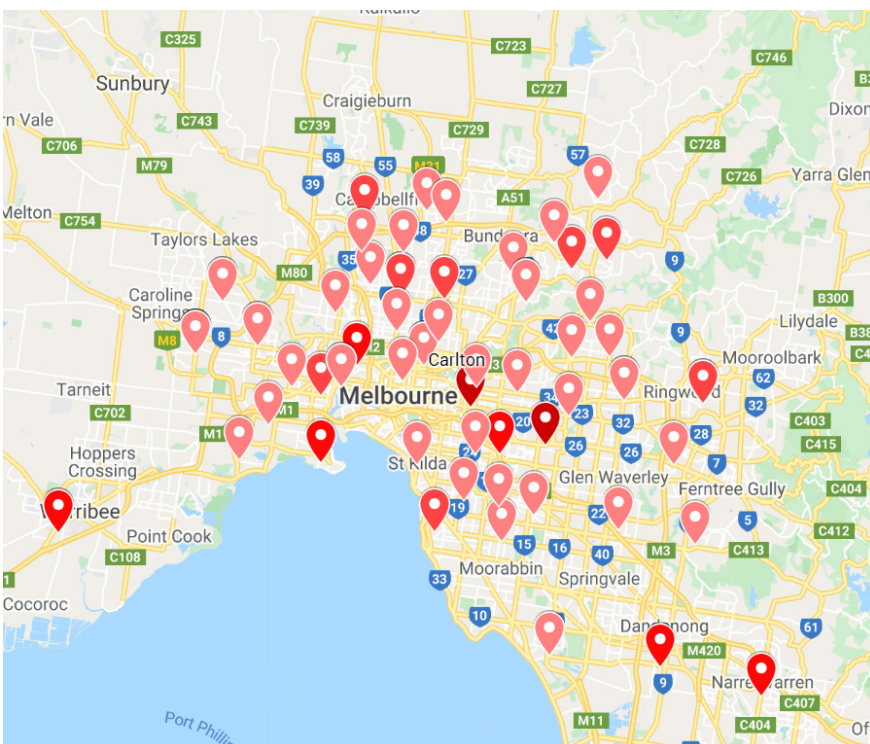
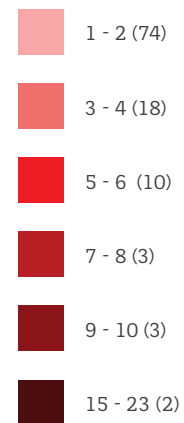


Figure 2 – Where we surveyed in metropolitan Melbourne

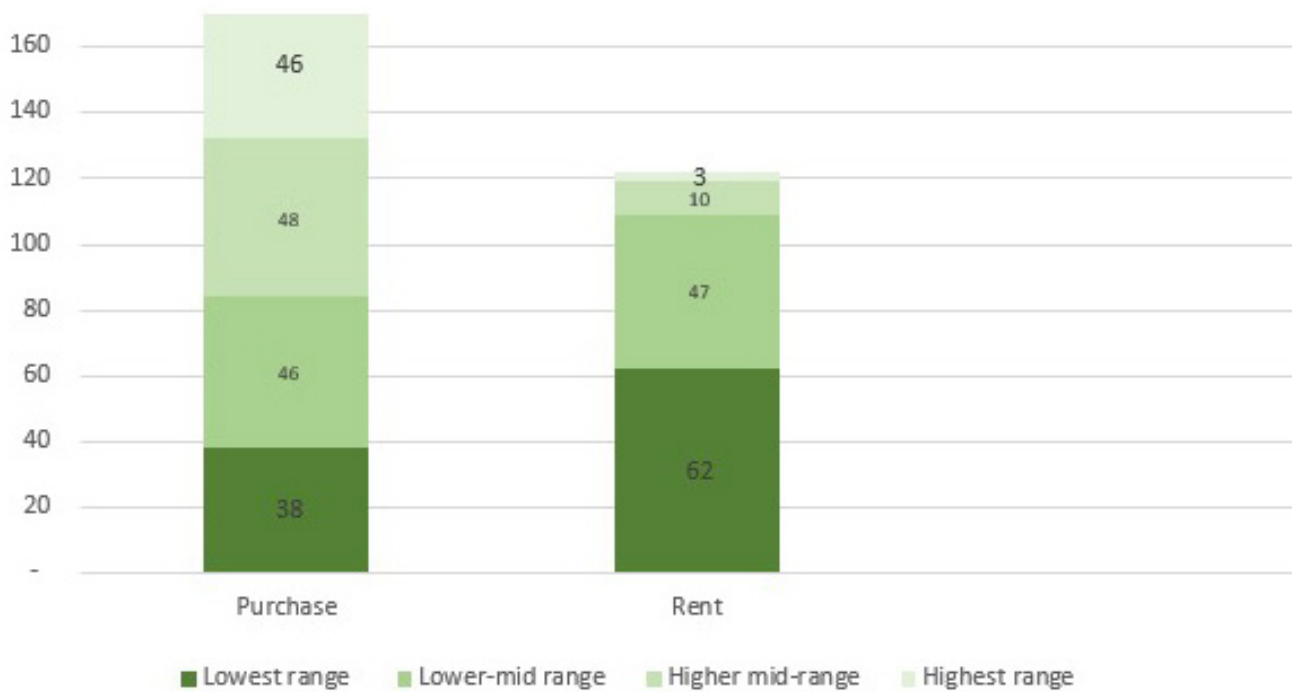
## WHO WE SURVEYED

Figure 3 shows how many estate agents we surveyed in each price bracket, across the rental and purchase markets.<sup>9</sup>

We conducted an even spread of surveys across the price ranges for purchase properties, but obtained only a small number of results for higher-value rental properties.

Price category	Price range	
	Rental	Purchase
Highest range	over \$800/week	over \$1,000,000
Higher mid-range	\$601-\$800/week	\$751,000-\$1,000,000
Lower mid-range	\$401-\$600/week	\$501,000-\$750,000
Lowest range	at or under \$400/week	at or under \$500,000

Figure 3 – surveys conducted across the rental and purchase markets





# What do real estate agents know about the properties they put on the market?

## QUESTION 1 - CAN YOU TELL ME THE ENERGY STAR RATING OF THIS PROPERTY?

Star ratings are a basic way of capturing the overall energy performance of a home (including fixed appliances). New homes currently need to be built to a 6-star standard. Prior to 2011, this was a 5-star standard. Many earlier homes (prior to standards being introduced) rate as low as 1-star, indicating extremely poor energy performance.

All new homes in Australia are required to meet a minimum NatHERS (Nationwide House Energy Rating Scheme) score. This rating scheme provides a simple score (out of 10) to rate a new home's energy performance based on its design.

The Victorian Residential Efficiency Scorecard is a voluntary scheme where home-owners can choose to have their home's energy performance assessed and given a star rating.

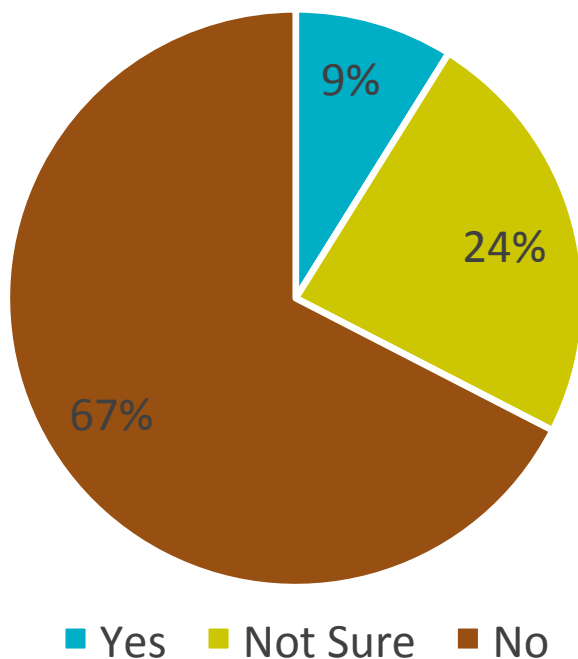
The results for question one show the vast majority of agents surveyed could not identify the energy star rating of their property (see Figure 4). Most of the agents who answered 'yes' to this question followed up by stating that their property had a six star rating, indicating an awareness that new build homes are required to meet a six star minimum.

Figure 5 and Figure 6 show a slight divide in energy performance literacy

amongst survey respondents in the rental and purchase market, with the latter marginally more likely to possess a higher degree of energy efficiency literacy regarding energy ratings.

The results suggest a minor trend toward more awareness in higher price brackets. The key finding is for the lowest price brackets in both the rental and purchase markets more agents are unaware of the star rating. Also, agents in the highest price bracket of the purchase market were least likely to answer 'no' and more likely to answer 'yes'.

Figure 4 - Survey respondents who answered 'yes', 'not sure' and 'no' to survey question one



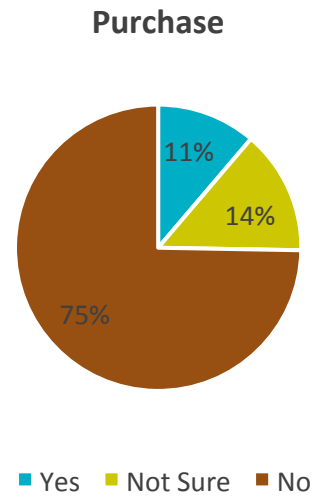
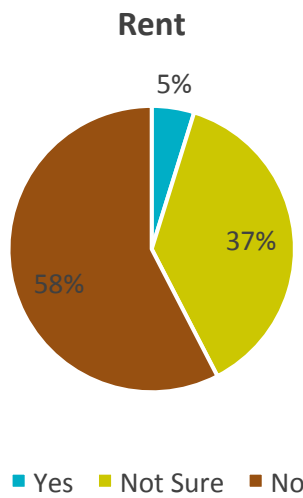


Figure 5 –Agents in the rental market answering 'yes', 'not sure', and 'no' to question one

Figure 6 –Agents in the purchase market answering 'yes', 'not sure', and 'no' to question one

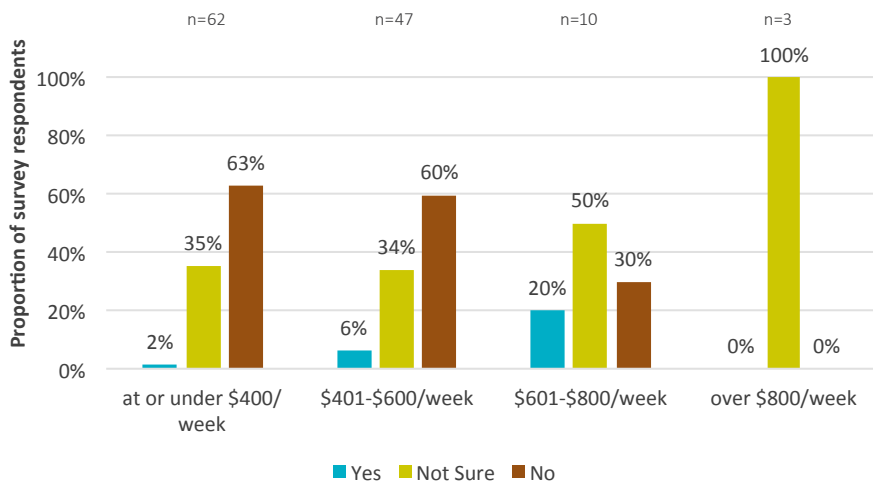


Figure 7 - Agents in the rental market who answered 'yes', 'not sure' or 'no' to question one, broken down into each price bracket (total n=122)

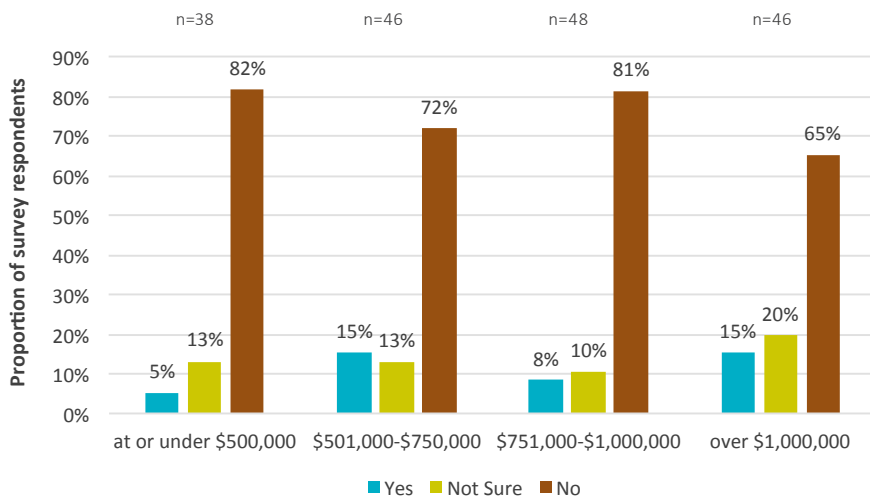


Figure 8 - Agents in the purchase market who answered 'yes', 'not sure' or 'no' to question one, broken down into each price bracket (total n=178)

**QUESTION 2 - ARE YOU ABLE TO TELL ME THE ENERGY RUNNING COSTS FOR THIS PROPERTY?**

For existing homes that have been occupied (ie. not newly built), the previous occupant's energy bills would be a useful guide to the possible running costs for the incoming occupant (noting that personal preferences and individual behaviour differences between occupants will have an effect). This useful information is not typically offered

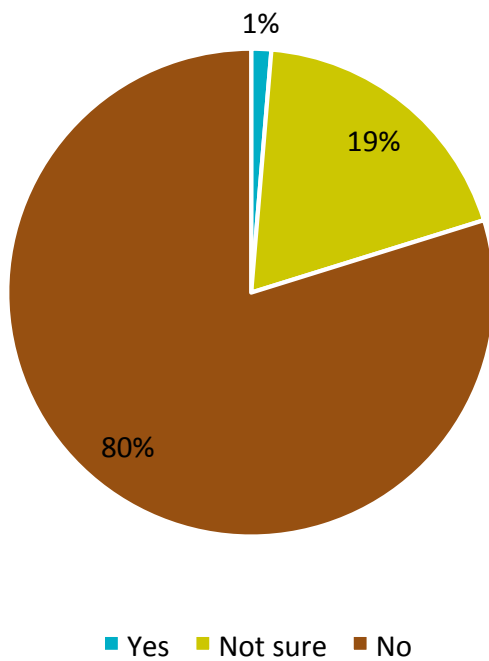
in property advertising materials, so we sought to establish whether the agent could provide this information when asked.

Survey respondents displayed the lowest level of energy performance awareness regarding question two compared with the other survey questions. For both

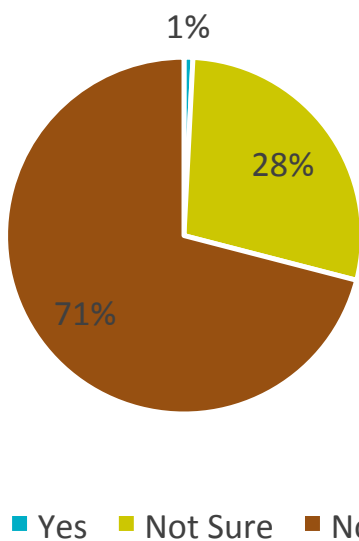
rental and purchase markets the number of agents claiming they knew the running costs was negligible. (see Figure 10 and Figure 11).

Given the extremely low 'yes' responses (4 out of 302) to this question, we did not analyse the results against the price variable.

Figure 9 – Agents who answered 'yes', 'not sure', and 'no' to question two



**Rent**



**Purchase**

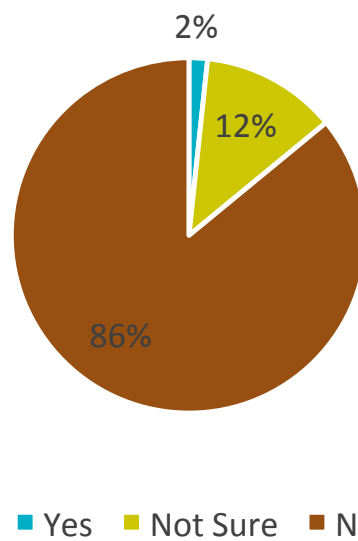


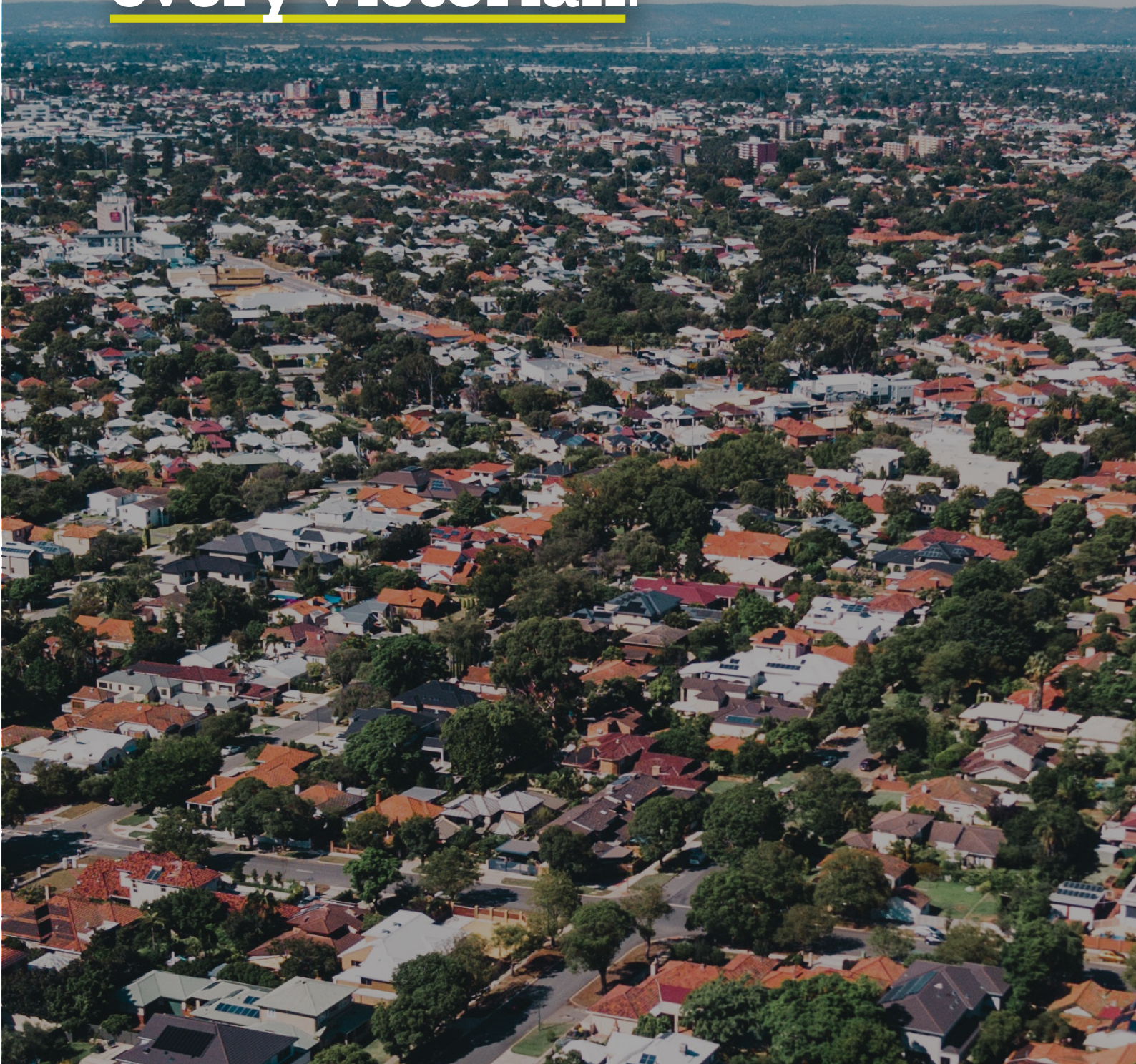
Figure 10 - Agents in the rental market answering 'yes', 'not sure', and 'no' to question two

Figure 11 - Agents in the purchase market answering 'yes', 'not sure', and 'no' to question two



“

Household energy performance is an issue that touches every Victorian.





**QUESTION 3 - ARE YOU ABLE TO POINT OUT THE ENERGY EFFICIENCY FEATURES OF THIS PROPERTY?  
(IF YES, PLEASE LIST THEM)**

Good energy performance is comprised of a range of factors, some of which are easily observable and others which are harder to see. This question sought to understand if agents could identify any features in their property that help improve energy performance and to test the accuracy of those responses.

Survey respondents who answered 'yes' to Question 3 were then asked to substantiate their answer by listing the energy performance features of their property. The results of this validation process are presented in (Table 1)

We classified these responses as 'correct' (actually contribute to reduced energy usage), 'incorrect' (do not contribute to reduced energy usage) or 'neutral' (where the feature could arguably be classified as either 'correct' or 'incorrect'). We felt it was necessary to conduct this process to distinguish

between the quality of responses. For example, one agent listed 'fence' as an energy efficiency feature.

Most agents (78%) who stated they were aware of some efficiency features of the property were then able to substantiate their claim by providing further detail, which helps to validate answers to question three, though with mixed accuracy (see Table 1 for a breakdown of each feature identified, and Figure 17 which graphically represents this information).

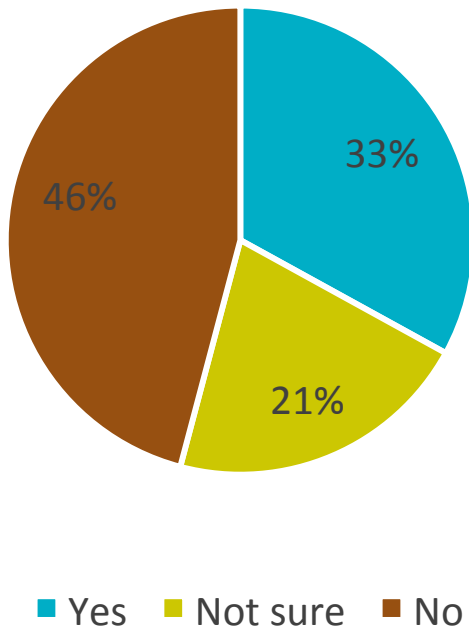
Respondents demonstrated a higher degree of energy performance literacy with regard to specific energy efficiency features compared with questions about running costs and star ratings (see Figure 12). However, it is still concerning that well over half of the surveyed agents were unable to identify any basic energy efficiency features of their property. Also

we did not verify what efficiency features agents failed to point out.

When we compare energy performance literacy of agents in the rental and purchase markets, we can see agents in the purchase market were more than twice as likely to be able to identify the efficiency features of their property compared with those in the rental market (Figure 13 and Figure 14).

The price breakdown charts show mixed results. For the rental market, as prices increase, the proportion of 'no' responses decreases, while highest proportion of 'yes' responses in this market were in the top price bracket. The main trend evident in the purchase market is that, as prices increase, the proportion of 'not sure' answers decreases.

Figure 12 - Real estate agents who answered 'yes', 'not sure', and 'no' to question three



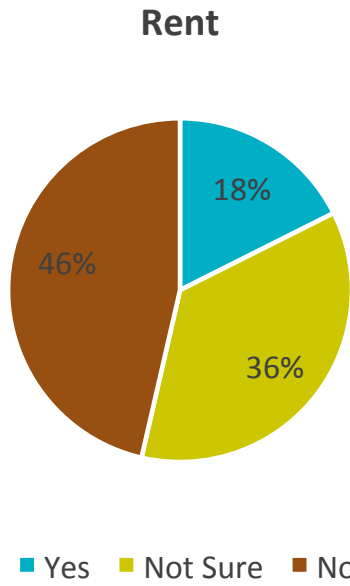


Figure 13 – Agents in the rental market answering ‘yes’, ‘not sure’, and ‘no’ to question three

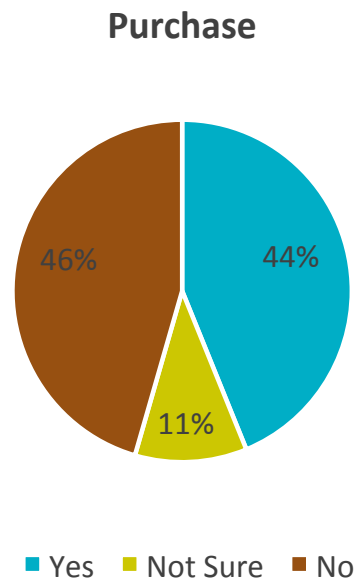


Figure 14 - Agents in the purchase market answering ‘yes’, ‘not sure’, and ‘no’ to question three

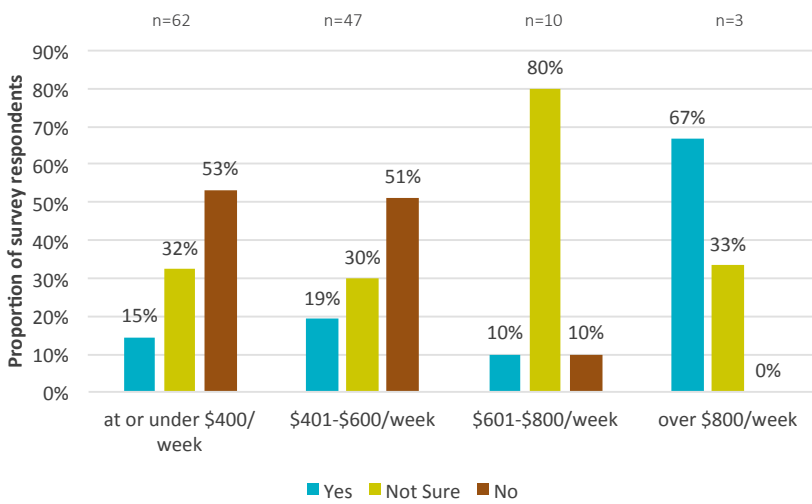


Figure 15 - Agents in the rental market answering ‘yes’, ‘not sure’, and ‘no’ to question three, broken down by price bracket (total n=122)

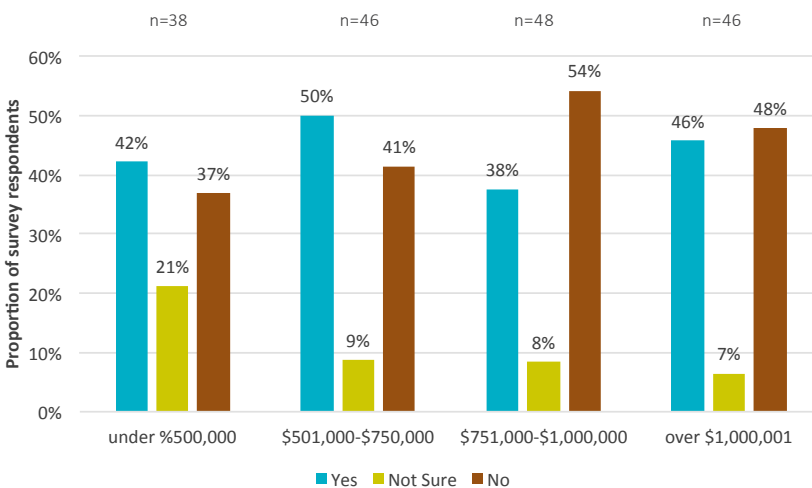
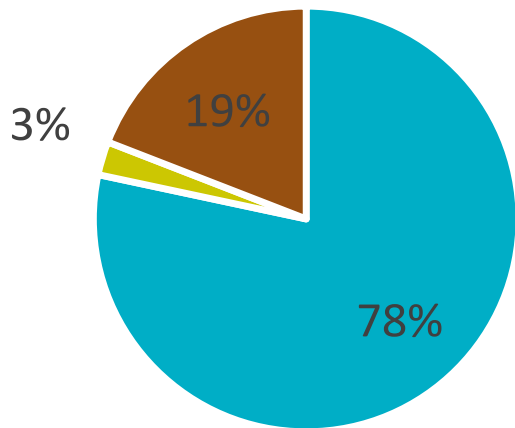


Figure 16 - Agents in the purchase market answering ‘yes’, ‘not sure’, and ‘no’ to question three, broken down by price bracket (total n=178)

Table 1 – An assessment of the efficiency features identified by estate agents after answering ‘yes’ to question three, categorised as ‘correct’, ‘neutral’, or ‘incorrect’<sup>9</sup>

Energy efficiency feature identified	Number of responses	Accuracy	Comment
Double glazing	26	Correct	Double glazed windows can significantly reduce heat loss/gain from windows.
Split system/Reverse-cycle air conditioner (RCAC)	25	Correct	While not strictly speaking an energy efficiency feature, reverse-cycle air-conditioners are a much more cost-effective heating option than gas heaters.
Solar panels	15	Correct	Solar panels do not reduce the amount of energy needed to run a home, but it does mean less energy needs to be purchased, thus reducing energy bills. Excess solar power is also sold back into the grid.
Rain water tanks	10	Incorrect	These are an excellent sustainability feature, but do not help reduce energy consumption.
Orientation	9	Correct	A house with north-facing windows will benefit from winter sunlight that reduces heating needs. However, if these windows are not shaded in summer they will lead to unwanted heat gain.
Insulation	9	Correct	Insulation is one the best ways to reduce energy consumption while maintaining a comfortable temperature in a home.
Efficient lighting	9	Correct	
Gas heating/cooling	8	Incorrect	Not typically associated with energy efficiency
Eaves/shading	8	Correct	These work to keep the sun off windows during summer, thus reducing the heat entering the room.
Zoned heating/cooling	7	Correct	This minimises the energy needed to maintain a comfortable temperature by not heating/cooling the entire house.
Thermal mass (eg. brick)	6	Correct	Thermal mass inside the home serves to reduce temperature fluctuations, reducing the need for additional heating/cooling.
Solar hot water	4	Correct	This reduces the energy needed to heat water.
Evaporative cooling	4	Neutral	While in some circumstances, evaporative cooling can be an efficient cooling method, for example, in temperate climates, RCACs are generally accepted to be more efficient than evaporative cooling.
Wood heating	3	Incorrect	Some argue wood heating is preferable if it replaces fossil fuels. However, most efficiency experts say heat pumps, especially powered by renewables, are much more energy efficient and environmentally friendly than wood heaters.
Hydronic heating/cooling	2	Correct	These are more efficient in some colder climates when the efficiency of an RCAC can reduce with extremely low outdoor temperatures, due to heat pump technology exchanging very cold air from outside.
Ducted heating	2	Neutral	Ducted heaters are generally a less efficient form of heating, mainly due to the heat loss from the ducts and zoning limitations. However, the energy use can be reduced if the heater uses heat pump technology. Further benefits are added if the energy source is from renewables.
Acoustic windows/sound proofing	2	Incorrect	Not an energy efficiency feature
Tiles	1	Incorrect	Not an energy efficiency feature
Single glazing	1	Incorrect	Single glazing is a significant source of heat gain/loss
Gravel on grass	1	Incorrect	Not an energy efficiency feature
Fence	1	Incorrect	Not an energy efficiency feature
Electric oven	1	Correct	This depends on how new the unit is, and if it is powered by renewable energy. For example, an old electric oven powered by renewable energy would produce less emissions than a newer gas-powered oven and likely at lower operating cost.
Electric hot water	1	Correct	Generally better than gas hot water, especially for newer electric heat pump options.
Draught proofing	1	Correct	A very important energy efficiency feature – it prevents cold air coming in during winter and hot air coming in during summer.
Big windows	1	Incorrect	On its own, this is not an efficiency feature
Total	157		



■ Correct
 ■ Incorrect
 ■ Neutral

Figure 17 - Energy performance features specified by agents, classified for accuracy

### INSULATING YOUR HOME MAKES A BIG DIFFERENCE TO ENERGY USE

Drew and Rebecca in Coburg North have upgraded their home with draught proofing and insulation and say they are now warmer in winter and cooler in summer. They feel Australians on low incomes should have the same access to thermal efficiency improvements.





#### QUESTION 4 – DOES THIS PROPERTY HAVE INSULATION?

Insulation is one of the most important home energy efficiency features and can make an enormous difference to energy running costs and comfort. It is also harder for a prospective purchaser or tenant to determine this information for themselves – insulation is hidden in ceilings, walls and floors. So a real estate agent providing this information can plug an important gap.

For this question, real estate agents who answered 'yes' and 'no' were combined, as these agents were able to provide a

definitive response to the question that indicated knowledge of the property's features. Even if a 'no' answer indicates poorer energy efficiency, the survey is intended to test knowledge, not the presence or absence of specific features.

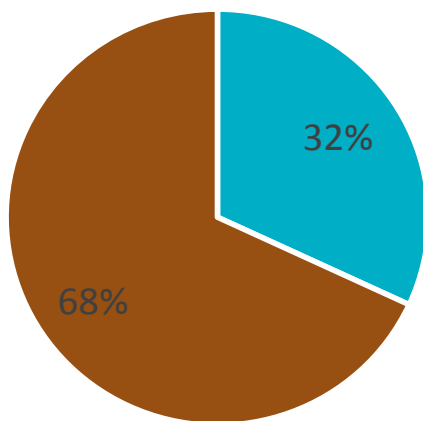
Agents who answered 'not sure' were classified as 'not able to answer the question'. Figure 18 also accounts for agents who were not able to substantiate their 'yes' claim.

Most agents were not aware if their

properties had insulation, with two thirds unable to answer the question (Figure 18). This finding demonstrates a low level of awareness about one of the fundamental features of energy performance.

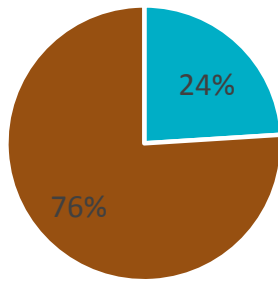
As for previous questions, agents were slightly more knowledgeable in the purchase market than those in the rental market. Also, the highest proportion of 'yes' responses are located in the top price bracket for both the rental and purchase markets.

Figure 18 – Agents who could and could not provide a definitive answer to question four

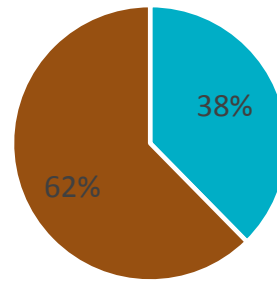


- Agents who could answer the question
- Agents who could not answer the question

### Rent



### Purchase



- Agents who could answer the question
- Agents who could not answer the question

- Agents who could answer the question
- Agents who could not answer the question

Figure 19 - Agents in rental market who could and could not provide a definitive answer to question four

Figure 20 - Agents in purchase market who could and could not provide a definitive answer to question four

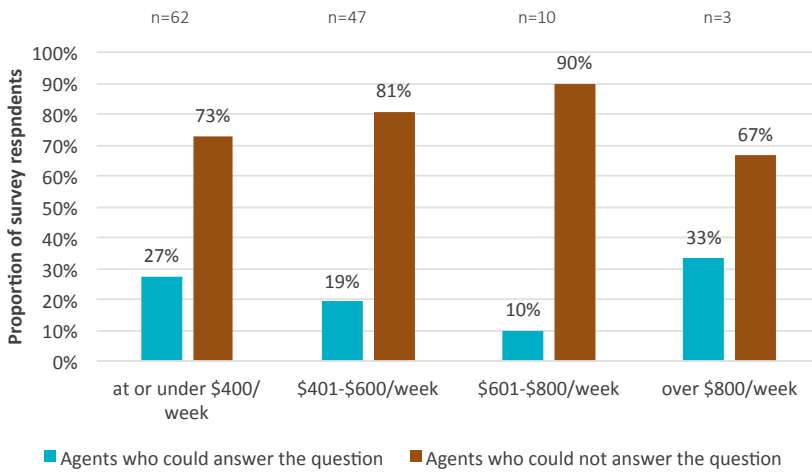


Figure 21 - Agents in the rental market who could and could not provide a definitive answer to question four, broken down by price bracket (total n=122)

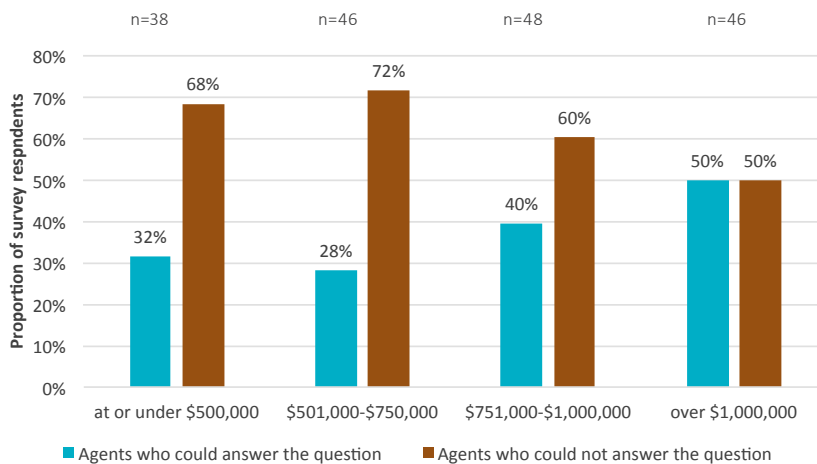


Figure 22 - Agents in the purchase market who could and could not provide a definitive answer to question four, broken down by price bracket (total n=178)

# Analysis and discussion

Overall, the real estate agents surveyed in this study displayed a very low level of energy performance literacy and awareness, with the overwhelming majority unable to answer any of the four questions.

The survey was designed to elicit real estate agents' knowledge of energy performance at a basic level (energy star rating, energy efficiency features, and energy running costs). The poor survey results confirm our expectations that awareness of these issues is very low.

Further, the results reinforce our concerns that basic information about the energy performance of a home is not readily available to house hunters.

When respondents' answers were analysed against tenure (rental market v purchase market), our survey results indicate that real estate agents have, overall, a slightly higher awareness of energy performance issues for houses on the purchase market than on the rental market.

The lower awareness (and therefore lack of availability of information) for rental properties is concerning, since Victoria's lowest performing properties are typically rented homes<sup>10</sup> and tenants are less able to make energy performance improvements to their homes. Once in a home, they are more likely to be stuck with poor energy performance.

We observed a very slight trend towards higher awareness for higher priced properties in some questions, but these findings were mixed. In the rental market, any conclusions are qualified by the small amount of data for higher price range properties. More detailed research would be required to investigate any possible relationship.

There are several possible explanations for these findings.



Laws requiring the clear display of energy ratings on properties for sale would assist home buyers in making informed decisions about the homes they purchase.

## Lack of awareness:

- The low level of awareness of real estate agents can partly be explained by the absence of any requirement that agents provide basic information about the energy performance of the homes they are selling or leasing.
- There is also low awareness of the role played by energy efficiency in determining household energy bills.<sup>11</sup>
- This creates a Catch-22: no information about energy performance is available or provided, so house hunters do not consider it, which means they do not ask real estate agents for it, and agents are not prompted to request the information. Without access to important information about a home's energy performance, house-hunters are unable to make informed choices about the homes they buy or rent.

## Variation in results by tenure-type and price range:

- The higher awareness of energy performance in the purchase market compared to the rental market could be due to real estate agents placing relatively more importance on knowing about the properties they sell compared with those they rent.
- The very slight trend towards higher awareness at higher price brackets could be explained by agents investing more effort in their higher value properties.
- Both of the above could also potentially be explained by agents believing that they should know more for higher value properties in the purchase market, and thus exaggerating their knowledge. While we attempted to control for this by asking follow up questions, to interrogate claims of knowledge, it is possible that the small differences observed could be due to feigned awareness.

# Recommendations

Inefficient homes are responsible for excess energy consumption. This leads to high energy bills, greenhouse gas emissions and strain on the electricity grid, while impacting on the comfort and safety of homes. By taking steps to solve the problem of household energy inefficiency, government can address multiple issues at once.

## MANDATORY DISCLOSURE OF ENERGY PERFORMANCE AT THE POINT OF SALE

A simple and useful step that the Victorian government could take would be to introduce mandatory disclosure of energy performance at the point of sale.

This would require homeowners who are selling, and/or their real estate agents, to provide information to purchasers about star ratings and likely running costs, enabling house-hunters to easily compare the performance of all homes they are interested in.

The Victorian Residential Efficiency Scorecard (the Scorecard) provides a sound basis for gathering the necessary information: it assesses the energy performance of a home's building shell, including fixed appliances, in the form of a clear, simple energy rating from one to ten stars.

A key shortcoming with the Scorecard's roll-out is that it has remained voluntary, which is perhaps reflected in its low uptake, with only 3800 homes assessed as at April 2020.<sup>12</sup> The full benefits of the scorecard will come from a mandatory roll-out.

There is some movement towards a nationally consistent approach to residential energy performance disclosure, as part of the COAG Energy Council's Trajectory for Low Energy Buildings. The Victorian scorecard is being used to inform this policy work. Victoria should commit to driving towards a rapid roll-out of national mandatory disclosure or commit to implementing a state-based scheme using the existing Scorecard as the basis for assessments.

### What needs change to implement mandatory disclosure at the point of sale?

Step 1 – require all properties to display their Scorecard energy star rating at point of sale by amending the Victorian Sale of Land Act 1962.

Step 2 – in the meantime, rapidly expand the capacity of the Scorecard in preparation for a later, widespread rollout of energy audits. Increasing the capacity of the Scorecard for a larger rollout would involve increasing funding to the

Scorecard team in the Department of Environment, Land, Water and Planning, and providing additional funding to employ more assessors and auditors, as there are only 40 assessors in Victoria.<sup>13</sup>

## MINIMUM EFFICIENCY STANDARDS FOR RENTAL PROPERTIES

Mandatory disclosure of efficiency ratings makes sense for properties on the purchase market. House hunters who become owners are able to carry out whatever upgrades they see fit. Some purchasers might intend to renovate the house, so a requirement for meeting minimum energy performances standards prior to sale may be ineffective policy.

In the rental market, however, house hunters who become tenants have fewer opportunities to upgrade their home. Mandatory disclosure on a rental property still allows for prospective tenants to be selective about which homes they apply for, based on energy performance, but the reality of the rental market across much of Victoria is that few prospective tenants can be particularly choosy.

A far preferable solution is to establish minimum standards for energy efficiency that must be met before a property can be leased. We have previously written extensively about how such standards could best be implemented.<sup>14</sup>

The recent delay to the commencement of Victoria's amended Residential Tenancies Act provides an opportunity to set standards for energy efficiency. While the new Act allows for minimum standards to be created, the only regulations currently proposed are to mandate a two-star heater in the living space. This is certainly a welcome change for many renters who were otherwise reliant on inefficient plug-in heaters, but much more must be done to improve overall energy performance of rental homes. The state government could show leadership on this issue by increasing the energy performance requirements of rental properties via the Act.



Minimum rental standards would help to bring properties like this Footscray home to a basic, liveable standard.



# Conclusion

The findings in this report have confirmed real estate agents in the Victorian property market have a very low awareness of household energy performance.

Our survey results show a poor level of knowledge, understanding and appreciation of basic energy performance features. Most agents could not identify their property's energy star rating, its rough energy running costs, whether it had insulation, or point to any other efficiency features. This lack of knowledge is common across both rental and purchase markets and is largely immune to the price bracket of the property – this is therefore a systemic failing across the housing market and denies valuable information to house hunters.

As a result, people are not able to make informed decisions about the homes that they move into, and the importance of energy efficiency as a solution to commonly cited concerns – high energy bills, dangerously hot or cold homes, unnecessary greenhouse gas emissions – remains undervalued by house hunters.

While the real estate industry could choose to play a much more active role in the dissemination of higher quality energy performance information, Victoria's voluntary disclosure regime is not working.

It is clearly time for the Victorian government to require mandatory disclosure of energy performance at the point of sale. Along with broader minimum standards for energy efficiency for rental properties, this will help send a clear market signal in favour of more efficient homes, establishing a job-creating pull-through effect that leads to the many financial, health and environmental benefits of improved energy performance.



# Endnotes

1. Sustainability Victoria 2015, Energy Efficiency Upgrade Potential of Existing Victorian Houses, p. 15.
2. Significant renovations to an existing home need to meet current minimum energy performance requirements, though not necessarily for the un-renovated section of the house.
3. Sustainability Victoria 2015, Energy Efficiency Upgrade Potential of Existing Victorian Houses, p. 15.
4. Department of Environment, Land, Water and Planning 2019, Victorian Greenhouse Gas Emissions Report, State Government of Victoria, Melbourne.
5. Forcey, D., FitzGerald, M., Burggrad, M., Nagalingam, V., and Ananda-Rajah, M., 2019, "Cold and lonely", Emergency presentations of patients with hypothermia to a large Australian health network, *Internal Medicine Journal*, 50(1), 54-60, <https://onlinelibrary.wiley.com/doi/epdf/10.1111/imj.14308>, accessed 4 June 2020.
6. Centre for Sustainable Infrastructure 2018, Swinburne University of Technology, Submission 9, pp. 3–4.
7. Energy Efficiency Council 2016, Australian Energy Efficiency Policy Handbook, p. 19, Melbourne.
8. Where price ranges were listed on the inspection listing for purchase properties, as distinct from a discrete property value, the upper figure of the price range was taken to be the property price. Each property price was then allocated to one of the above price brackets.
9. Achieving an energy efficient home does not involve a 'one size fits all' solution. Thus, the classification process was a subjective process based on our knowledge of household energy performance.
10. Australian Bureau of Statistics 2013, Household Energy Consumption Survey, Australia: Summary of Results, cat. 4670.0
11. See Lesic, V., de Bruin, W., Davis, M., Krishnamurti, T., and Azevedo, I. 2018, Consumers' perceptions of energy use and energy savings: A literature review, *Environmental Research Letters*, 13 (033004), 1-13, <https://iopscience.iop.org/article/10.1088/1748-9326/aaab92/pdf>, accessed 2 June 2020.
12. Department of Environment, Land, Water and Planning, 2020, pers comms.
13. Department of Environment, Land, Water and Planning, 2019, Victorian Residential Efficiency Scorecard Flash, State Government of Victoria.
14. Environment Victoria 2017, Bringing Rental Homes up to Scratch: efficiency standards to cut energy bills, reduce pollution and create jobs, Melbourne.

