



REIV THE STANDARD
FOR SUCCESS

SUBMISSION

VICTORIAN CLADDING TASKFORCE

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ABOUT REIV

The Real Estate Institute of Victoria has been the peak professional association for the Victorian real estate industry since 1936.

Over 2,000 real estate agencies in Victoria are members of the REIV. These members are located in city, rural and regional areas.

The businesses employ more than 10,000 people in Victoria in a market which handles over \$100 billion of transactions, totalling 30 per cent of Gross State Product (GSP).

Members specialise in all facets of real estate, including: residential sales, auctions, property management, business broking, buyers agency, commercial and industrial sales, owners' corporations management and valuations.

Introduction

The REIV is the peak industry association for the Victorian real estate sector, representing the majority of the state's licensed estate agents and Agent's Representatives.

The Victorian Cladding Taskforce is of significant importance to our members, particularly those operating in high density areas.

Non-compliant cladding will heavily impact on agents selling or managing properties in these buildings, and is likely to result in reduced capital values and/or vacant apartments.

In forming our response, the REIV has sought feedback from our membership which includes more than 1,200 Sales Chapter members.

Input was also provided by the Institute's Property Management and Owners Corporation Chapters.

REIV Response

The following outcomes were gained from the member consultation process.

Non-compliant cladding

Feedback from REIV members suggests uncertainty over non-compliant cladding is already affecting the attraction to – and value – of apartments in high density buildings. While capital values are decreasing, landlords are also facing increased difficulties in obtaining tenants at market rates in these buildings due to growing uncertainty about the status and safety of apartment buildings.

Prompt identification of ‘at risk’ buildings is essential to reduce the financial impact on the broader apartment market, particularly in desirable inner city areas. Issues regarding rectification also need to be resolved as a matter of urgency with current delays due to a lack of clarification over who is responsible for the assessment and any remediation work.

The REIV strongly objects to owners and owners’ corporations being responsible for any costs associated with building assessment and remediation work, particularly as these buildings were approved at the time of purchase. Given the complexity of the issue, owners’ corporations are unqualified to make decisions on these matters without engaging expert building and/or legal advice. After a building assessment, any remediation work will require a special resolution, whereby 75 per cent of lot owners must agree. REIV owners’ corporation managers have suggested that a special resolution will have difficulty in being obtained in these instances and raising required funds will be virtually impossible due to the considerable expense involved, potentially in excess of \$100,000 per lot. This could prolong the issue over many years.

If owners and owners’ corporations are responsible for rectification, it will significantly decrease the value of these properties and they will become virtually unsaleable. In turn, property owners in affected buildings will see their equity evaporate.

Furthermore, until these buildings are compliant, they will remain an unattractive option to renters and will more than likely either remain vacant or be occupied at well below market rates, due to the potential for disruption and concerns over safety issues.

It is imperative that purchasers of newly constructed homes can rely on building approval/certification provided at the time of completion and handover. A major issue in the approval process is the failure to identify the actual

product brand at the time of building approval and whether that brand is compliant with the Building Act 1993 and subordinate regulations and standards. The REIV interprets the Act to require certainty as to compliance prior to the building permit being issued. Substitution of building products should attract a similarly rigorous pre-approval process.

As it is common practice for building/development companies to cease trading upon the completion of a project, the process of assessing and remediating a building will be further complicated.

Greater clarification of the role of builders/developers, designers, building surveyor, and building inspectors in verifying building compliance is also required.

Summary

The REIV encourages Government to clarify who is responsible for the assessment and rectification of buildings affected by non-compliant cladding.

Uncertainty over the issue is already impacting on the apartment market, particularly in high density areas.

Given failures in the building approval process has created this situation, the REIV deems it imperative that the responsibility for assessment and remediation not rest with the property owner or owners' corporation.

Requiring property owners to pay for assessment and rectification will significantly impact on apartment values in these buildings, rendering them virtually unsaleable.

CONTACT US

The Real Estate Institute of Victoria Ltd.

335 Camberwell Rd, Camberwell, Victoria 3124, Australia

Phone +61 3 9205 6666 Fax +61 3 9205 6699 Email reiv@reiv.com.au www.reiv.com.au



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