



Residential Strata Sector Baseline Research: City of Sydney



Final Report

Centre for
Local Government

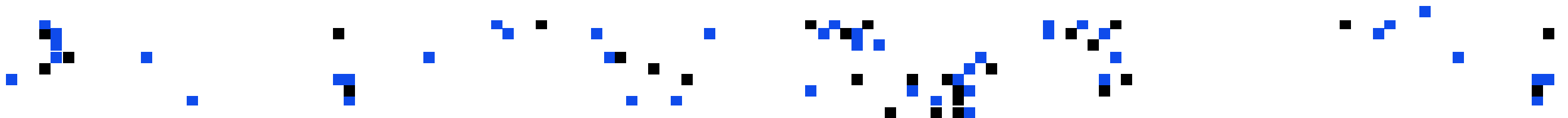


UTS



This presentation

1. Recapping research purpose
2. Preliminary survey findings
3. Summary of peak body interviews
4. Implications for aims and objectives
5. Next steps



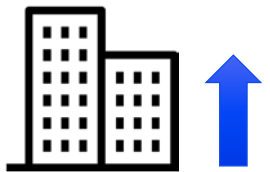
Why is this research important



Residential buildings significant contributors to energy, water use and emissions



Apartments a large proportion of the City's residential buildings



Significant residential apartment growth expected for the City



Large proportion of Sydney's apartments are in the City



The sector showing signs of change at producer and consumer ends



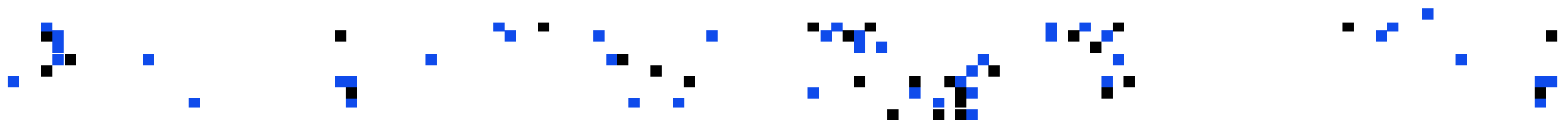
Sydney buyers showing their appetite for environmentally-friendly apartments

JENNIFER DUKE | SEP 17, 2017

Sydney's home buyers are showing their green side as the appetite for environmentally-friendly apartments grows, experts say. And it's not just owner-occupiers behind the trend.

Unlike most investors, who purely chase financial returns, Blue Mountains couple Owen and Kerrie Sargeant, have a rather different plan for how they're spending their money.

"When I look at the type of buildings being constructed in many suburbs, it's just high-rise after high-rise," Mr Sargeant said.



Research purpose



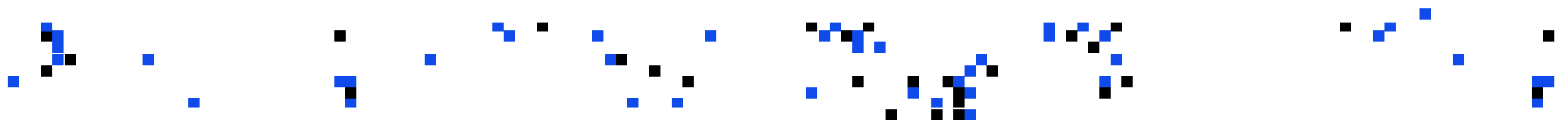
1. Provide sector baseline

- Benchmarking at RASP mid-point (2020)
- And end-point (2025)
- Refine actions as RASP rolls out

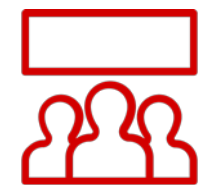


1. Enable progress to be tracked

- Program management element of monitoring and evaluation
- Adjust actions to ensure outcomes can be met



What we have done so far...



Brief

Develop methodology

- Workshop with CoS staff

Delivered/ Agreed Scope

1. Inception meeting via phone
2. Two workshops with staff
3. Two phone conversations with staff to agree survey and interview questions

Reason for change

High involvement in survey design



Online survey (n=500)

- 1-3 storeys n=173
- 4-5 storeys n=155
- 6-9 storeys n=105
- 10-15 storeys n=50
- 20+ storeys n=17
- Owner occupiers, investors, renters

Online survey (n=502)

- 44 questions
- <9 storeys = 266
- >10 stories = 236
- Owner occupiers = 199
- Owner investor = 211
- Renter = 91

Agree with CoS:

1. Focus on owner occupiers / investors
2. Detailed breakdown on storeys not required
3. Extend survey field time rather than change quotas. Change in project timelines



Interviews

- 30 key stakeholders

- 4 Peak Body interviews
- 11 stakeholder interviews still to be undertaken

Agree with CoS to use 15 research 'tokens' for additional focus group



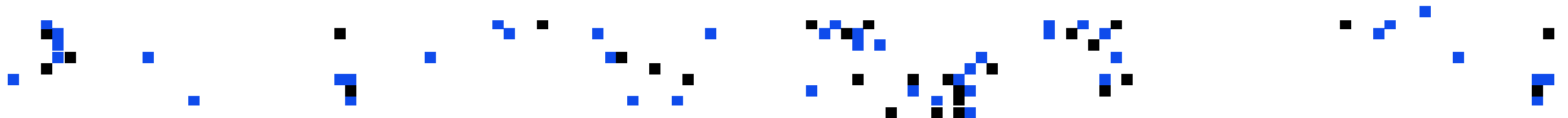
Focus groups

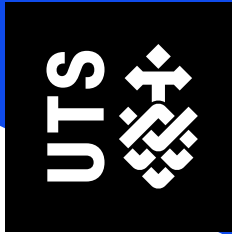
1. Contractors and suppliers
2. Developers
3. Building Managers
4. Strata Managers

5 focus groups

1. Owners
2. Building Managers
3. Strata Managers
4. Mixed
5. TBC

Agree with CoS to have focus group with owners, and an additional mixed group





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Online Survey

The online survey



502

Respondents



44

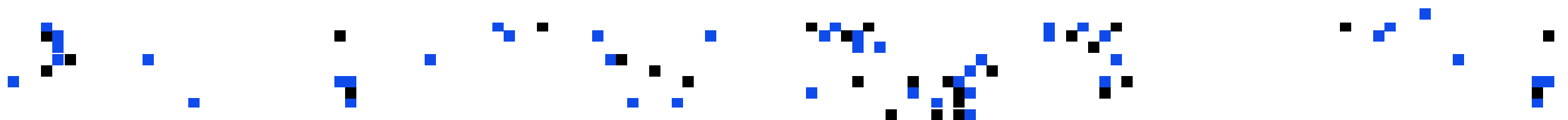
Questions



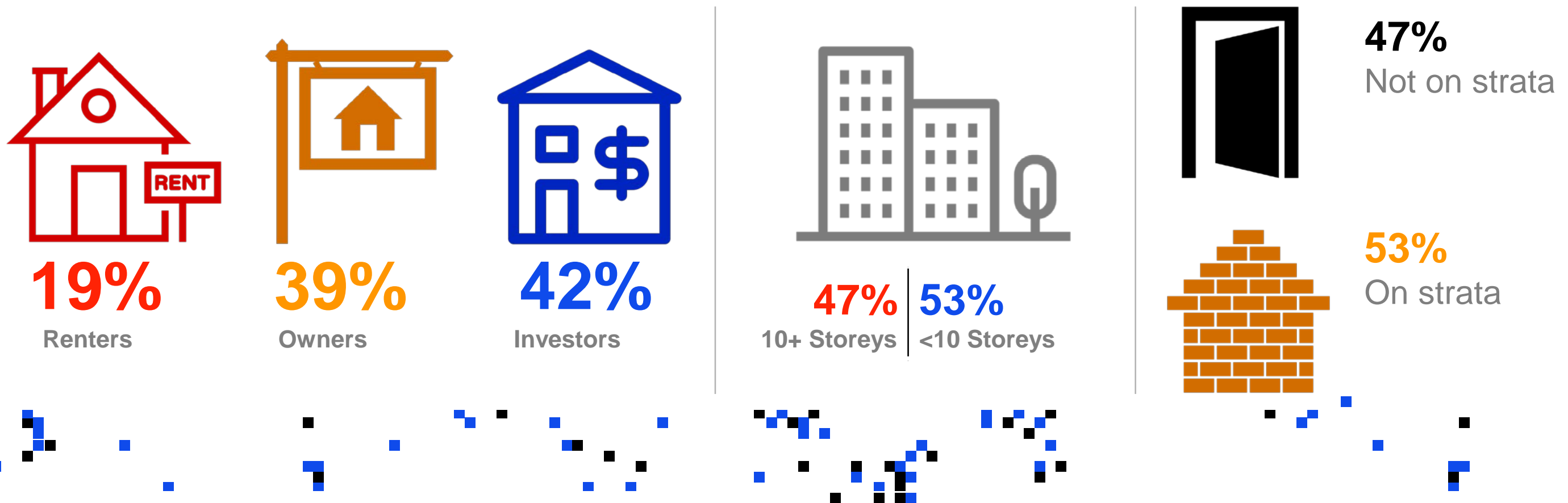
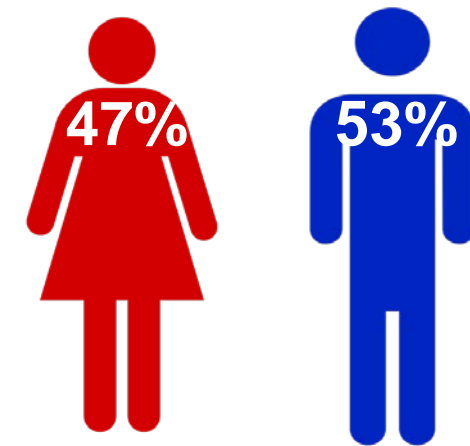
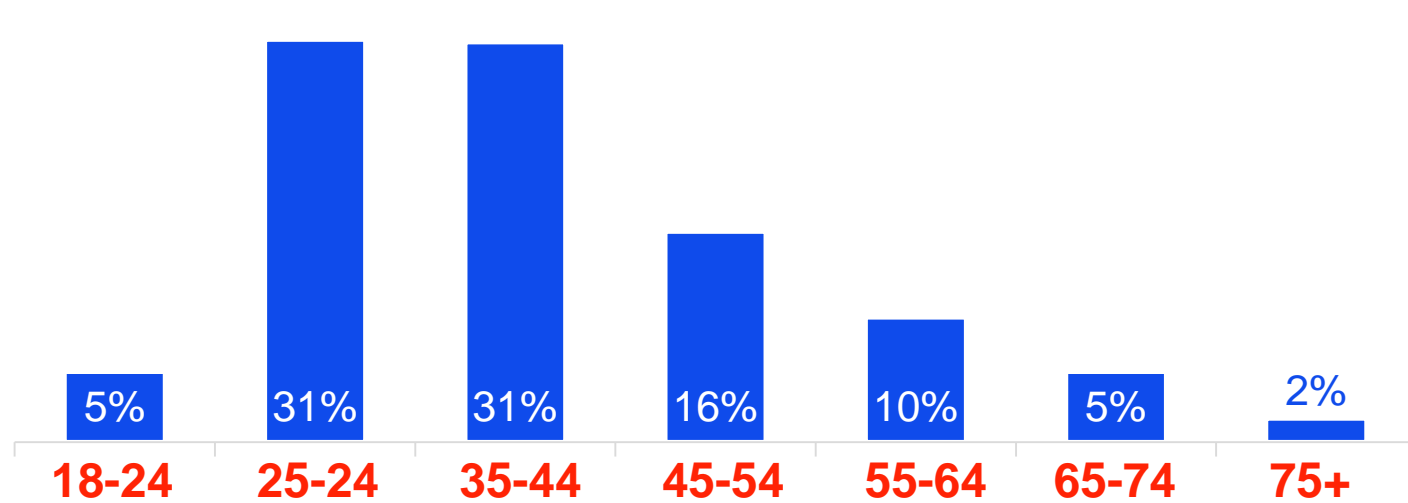
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Minutes

1. Environmental values
2. Roles and responsibilities, including for CoS
3. Knowledge and behaviours
4. Drivers for improve environmental performance

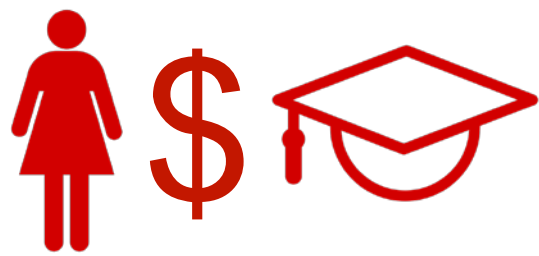


The respondents



A note about the findings

General observations about what matters



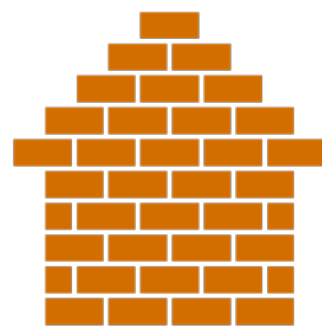
Age, gender, income and education



Length of residence



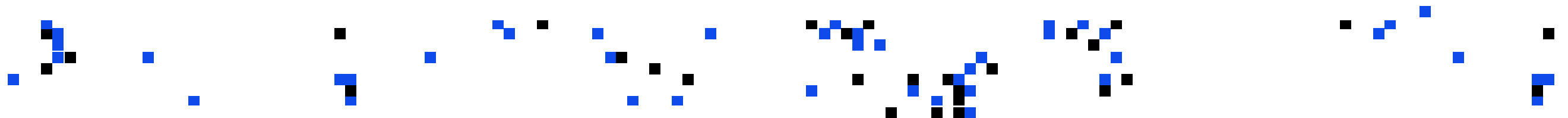
Building size



Strata committee

Reporting by exception

- If not identified, it didn't make a significant difference
- Tenure only made a difference for one question set



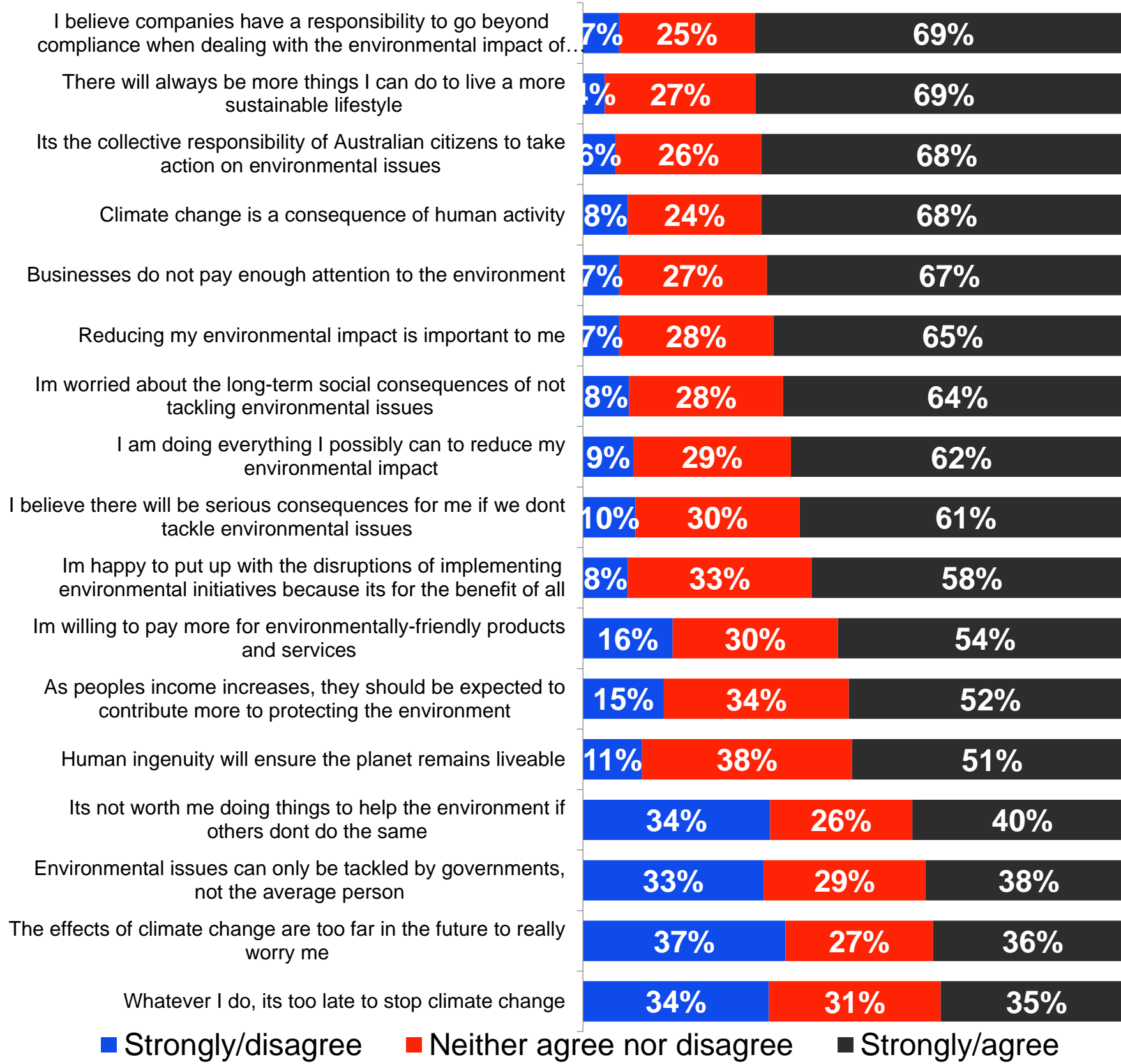
Values



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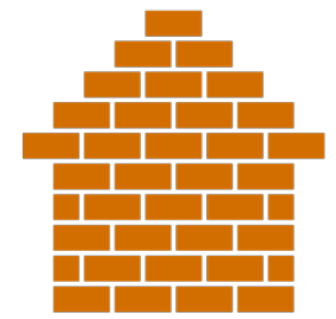




Think only governments can tackle environmental issues and won't do anything unless others do



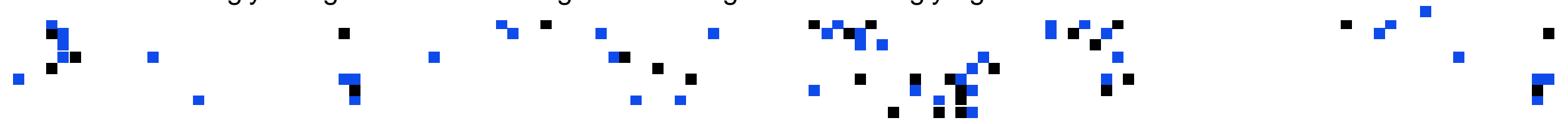
High rise



Strata committee members



New residents



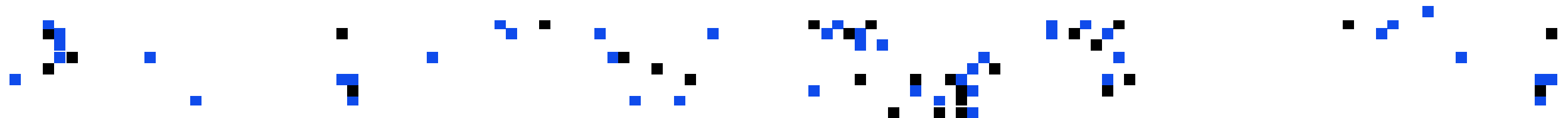
Who does what



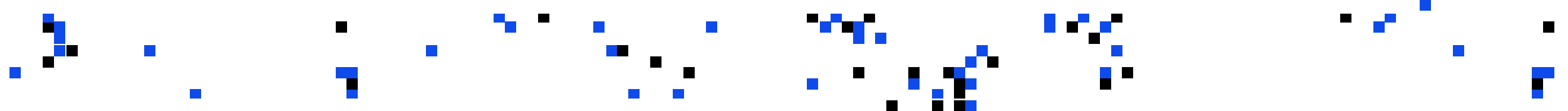
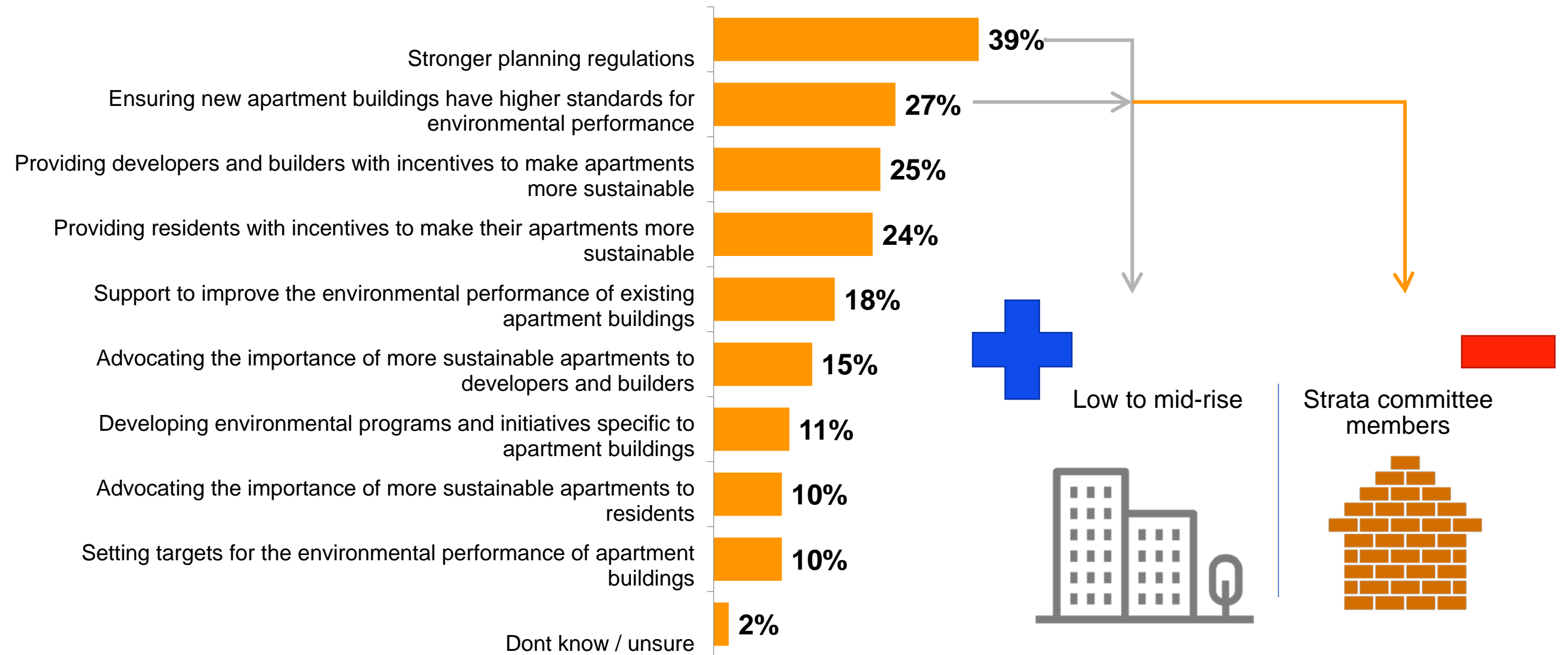
Responsibility for environmental issues

	Individuals	Companies	Local councils	State govt	Federal govt	Developers and builders	Architects	Environment al groups	None of these	Don't Know
Easing traffic congestion	4%	4%	15%	43%	15%	8%	4%	4%	1%	2%
Ensuring adequate water supply	3%	3%	13%	30%	27%	9%	7%	2%	2%	4%
Encouraging renewable energy	5%	4%	10%	16%	41%	8%	5%	6%	1%	4%
Addressing climate change	6%	5%	7%	9%	48%	9%	4%	5%	4%	4%
Reducing landfill	9%	6%	20%	22%	20%	10%	5%	4%	1%	3%
Protecting the environment	11%	4%	11%	18%	28%	8%	6%	8%	1%	4%
Reducing carbon emissions	6%	15%	7%	13%	35%	8%	5%	4%	3%	4%
Reducing greenhouse pollution	7%	14%	7%	13%	34%	8%	7%	4%	2%	4%
Reducing air pollution	9%	14%	7%	15%	31%	8%	5%	5%	2%	4%
Reducing water wastage	21%	7%	13%	21%	18%	8%	5%	4%	1%	3%
Recycling	19%	6%	25%	15%	11%	8%	5%	5%	2%	3%
Reducing building impact	8%	3%	18%	19%	13%	20%	9%	5%	2%	4%
Improving building design	2%	5%	16%	14%	13%	20%	22%	4%	2%	3%

Generally quite mixed, but some have more consistent views



What should City of Sydney do to reduce the environmental impact of buildings?



When and what City of Sydney should be doing

Overall, the majority think Council should take action “**right now**”, and aim to be “**best in Australia**”.

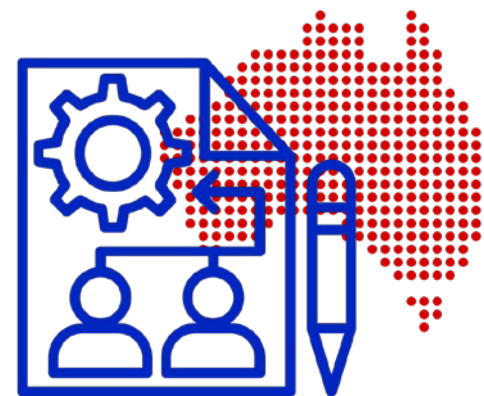
A sizeable proportion aim even higher and say Council should be “**best in the world**”.

Preferred responses (the ‘What’)

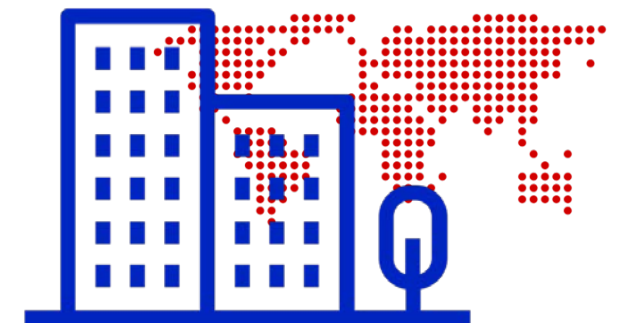
1. Regulation
2. Incentives
3. Programs
4. Capacity building



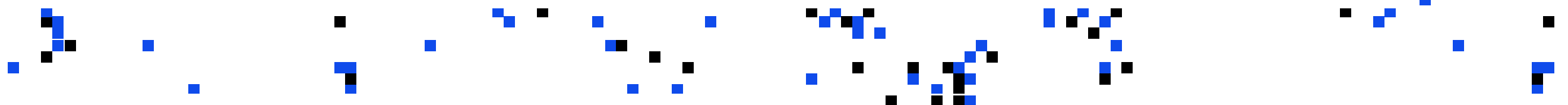
Low to mid rise want Council to act now and be best in the world



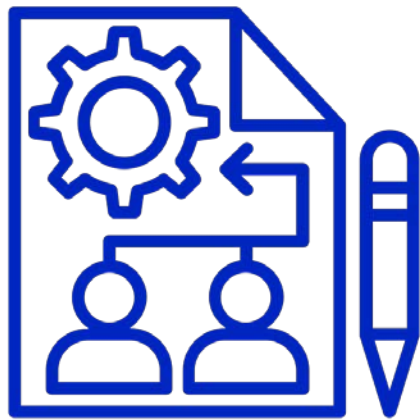
Council's planning regulations should be best in Australia



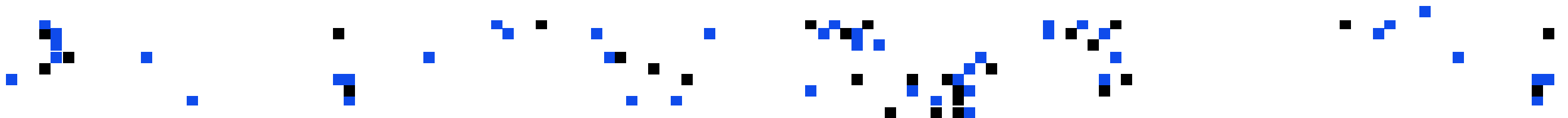
Council's building standards should be best in the world



Key message – individual vs. system



- Strong concern about the issues and support for action
- But when it comes to take action, they are looking for a system-level response (i.e. government should reduce landfill, not the individuals that generate waste in the first place).
- On issues with a history of community education (i.e. water and waste), there is a higher tendency to take action. But there is still a strong preference for a system-level response.
- Preference for system level solutions is consistent with system level understanding of the problem.



Awareness



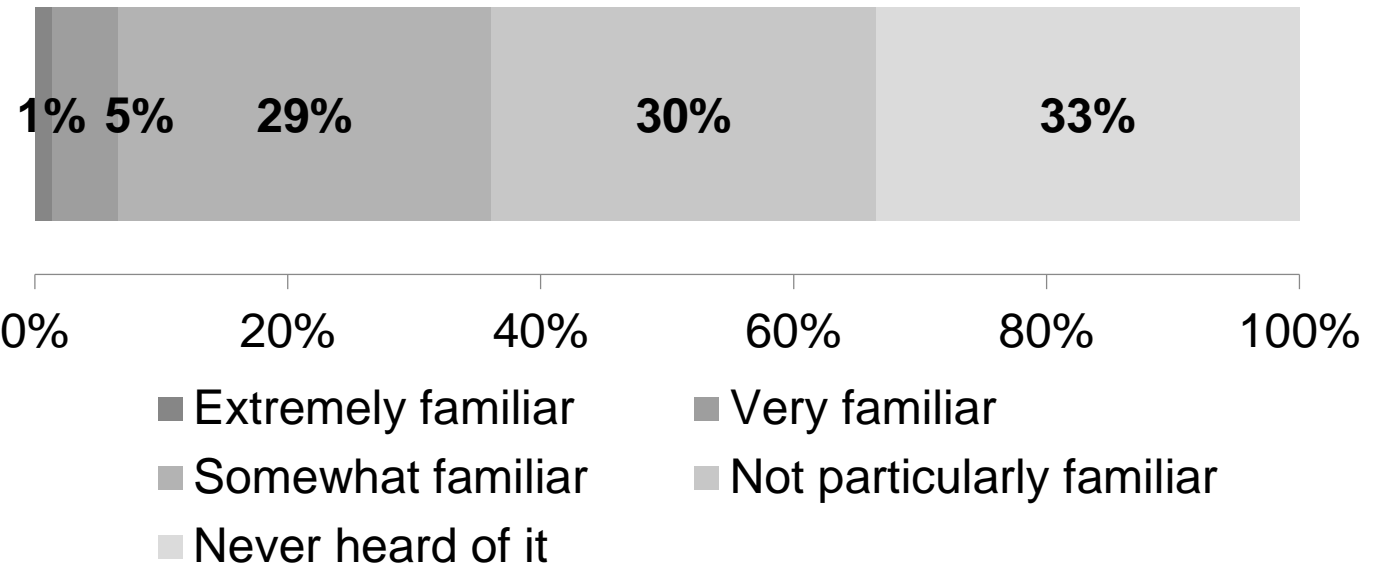
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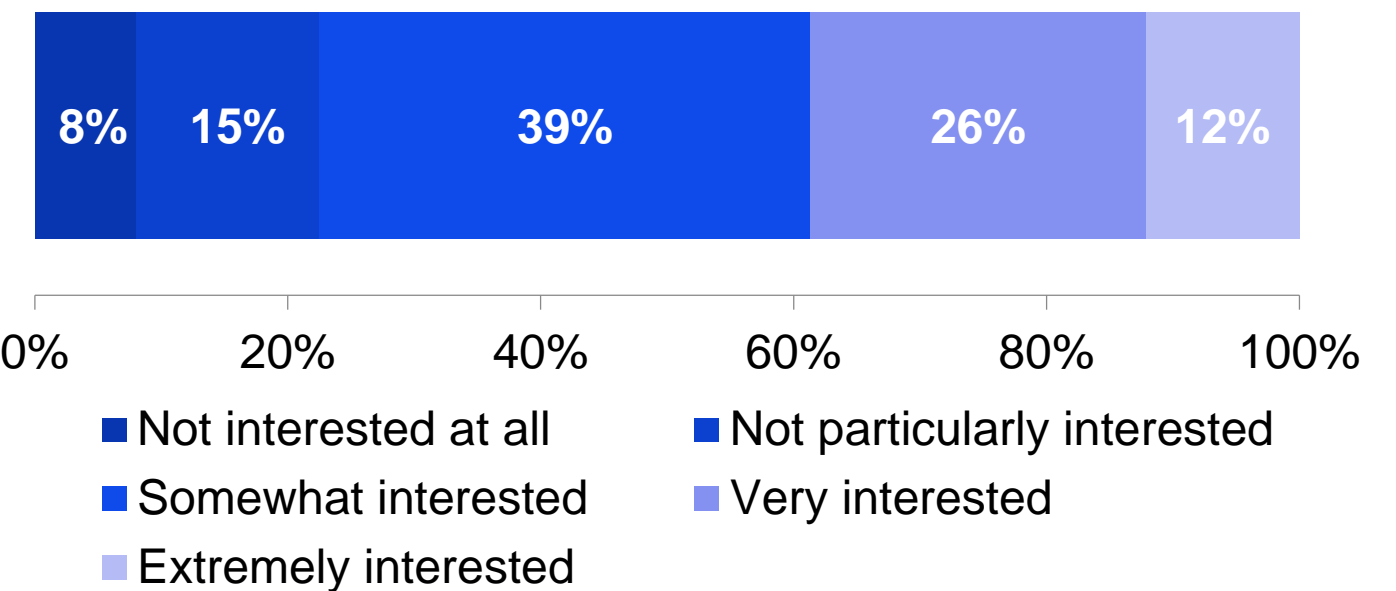
Net Zero Emissions does not excite the senses

The net-zero concept was **somewhat familiar**, but most have **never heard of it**.



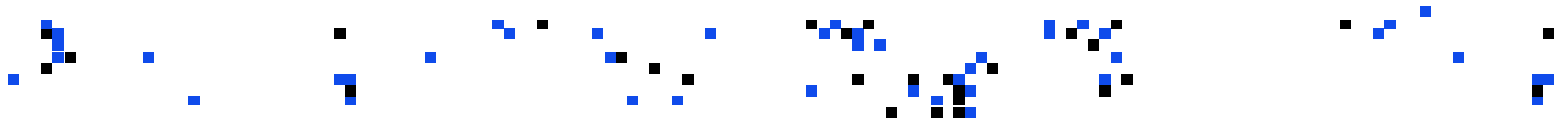
Non-strata members very uncertain of net zero

After hearing about net-zero, the **majority were interested**, but to **varying degrees**.



Strata members and high income earners are interested

Those **very/extremely interested** are driven by **concern for the environment**.



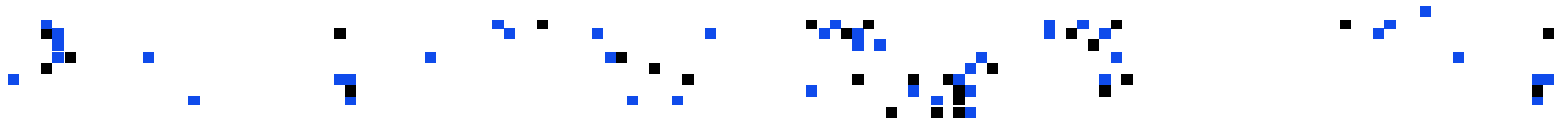
Understanding of the Net Zero Apartment Building concept



“Carbon”, “energy”, and “green” were the most common words residents used to describe net-zero e.g. :

- *leaving no carbon foot prints, controlling carbon emissions...*
- *energy efficient, input energy is levelled with output*
- *green buildings, the building using green resources etc*

They think net zero is about **offsetting** rather than **avoiding** impacts

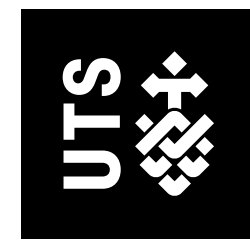




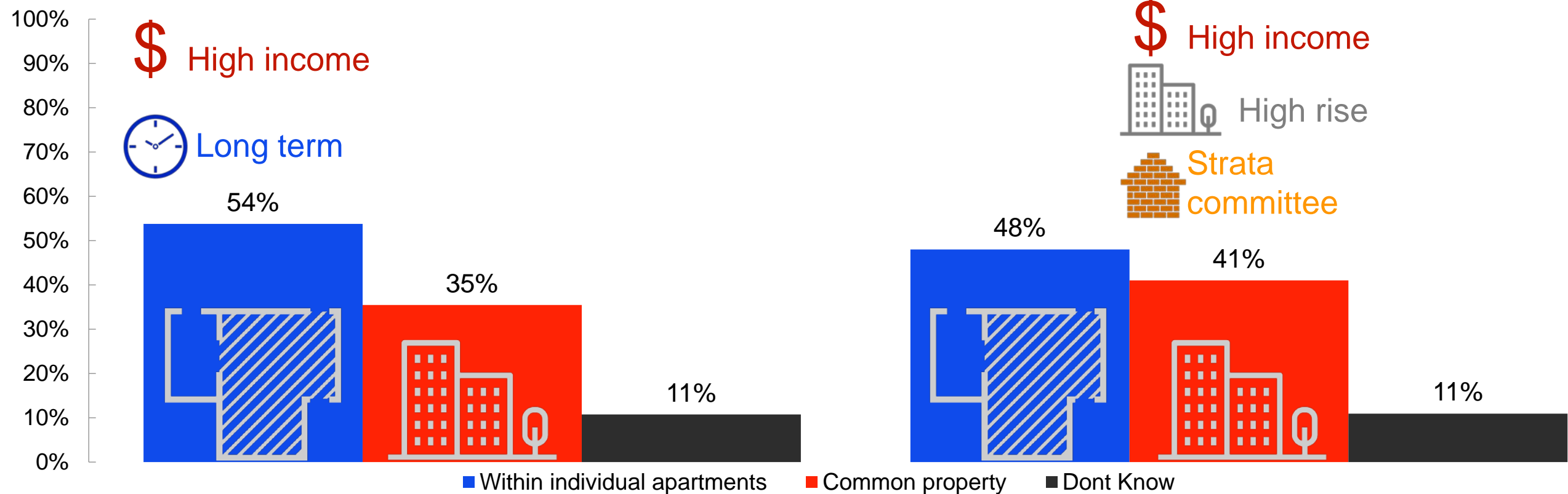
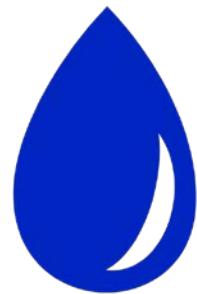
Building performance



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Which uses the most...?



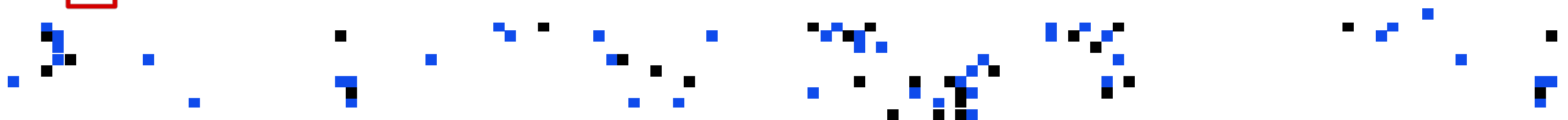
Most are **concerned** about the **level of energy and water use**.



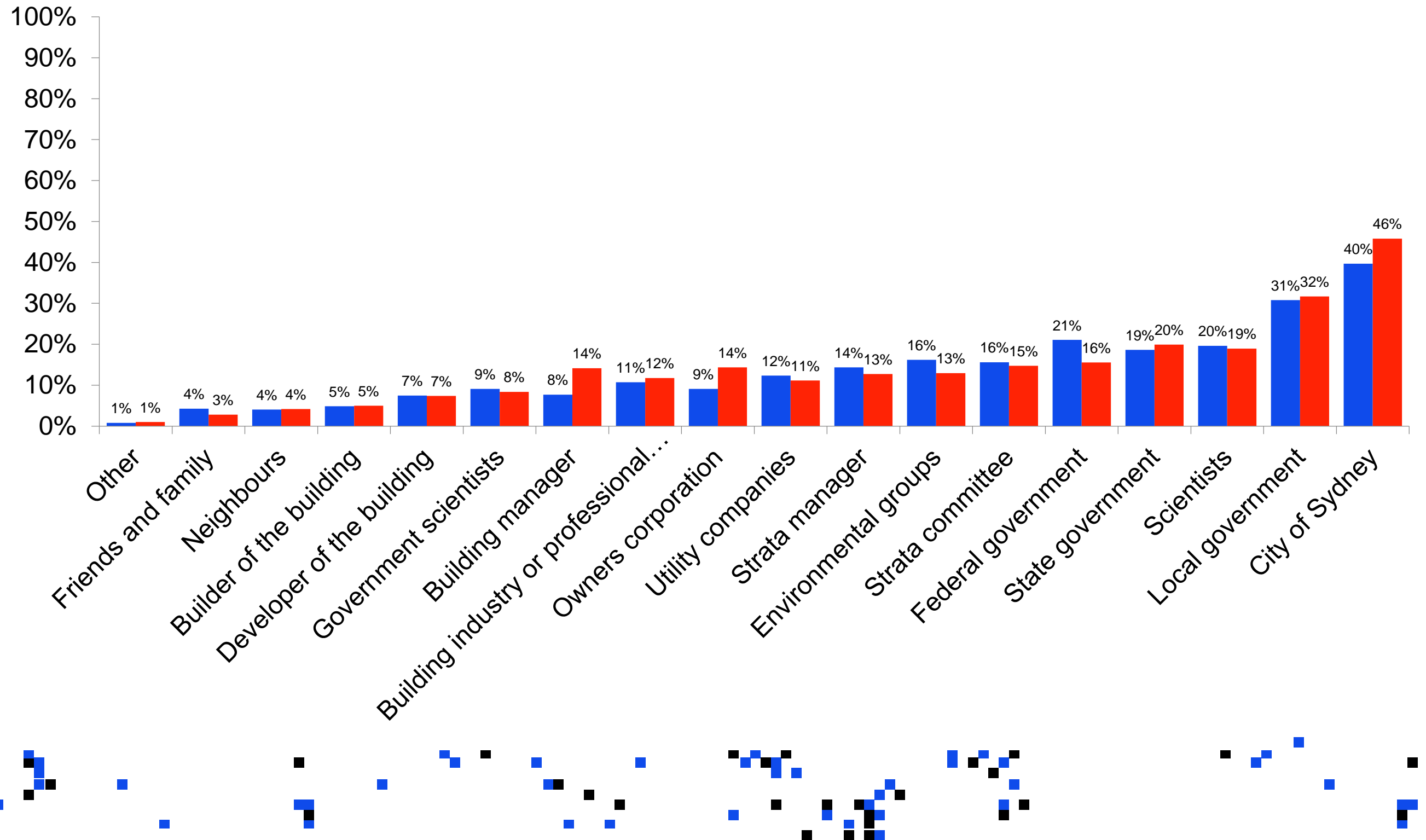
Over **two thirds** are **very or extremely** concerned, particularly new residents.



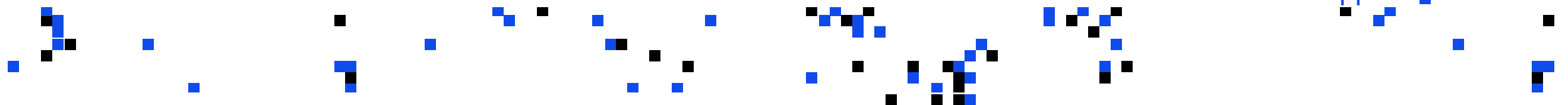
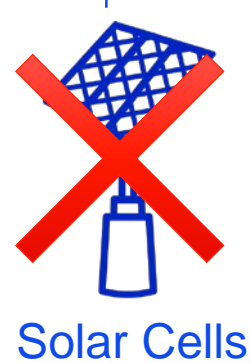
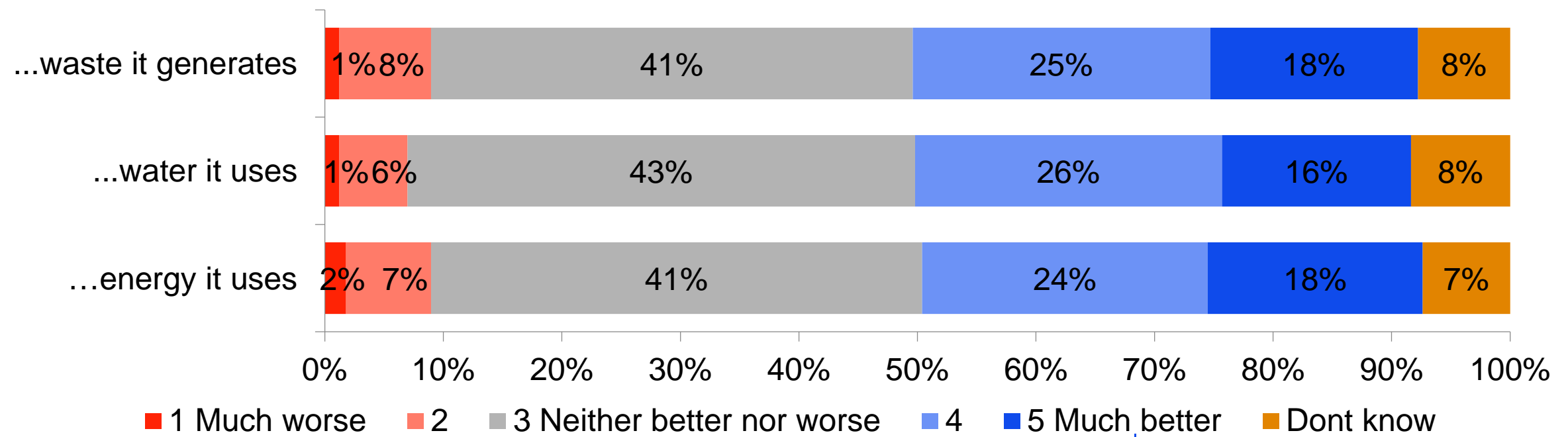
People who are **not very concerned** 'externalise' responsibility for reducing impact to councils



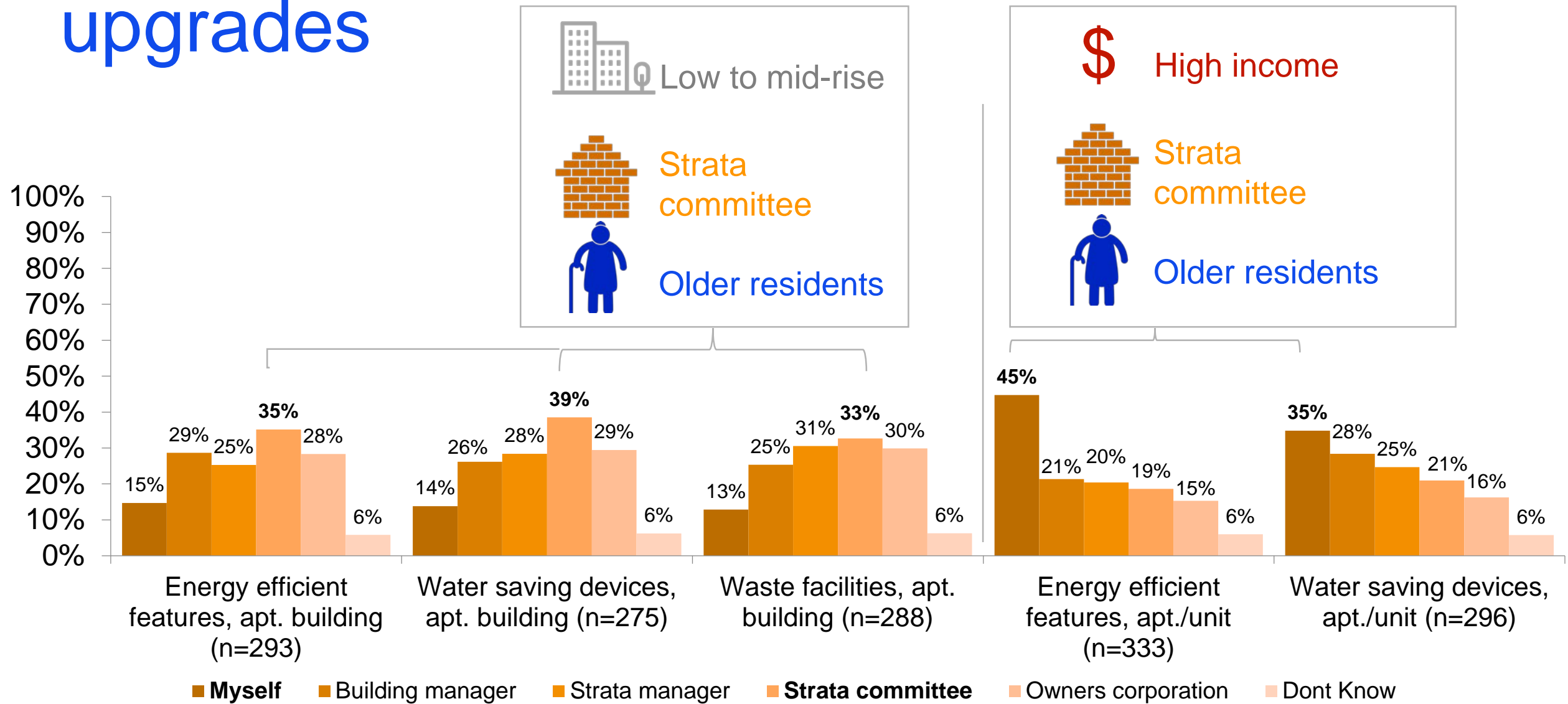
Trusted information sources for environmental performance



How the environmental performance of buildings compares performance

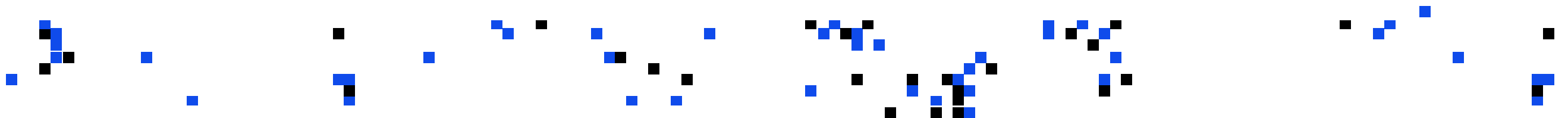


Responsibility for specific environmental upgrades



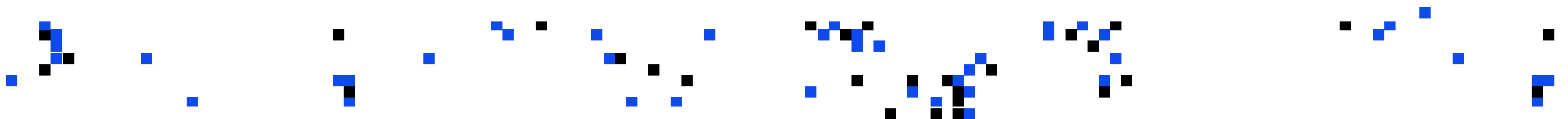
Someone with **building-level responsibility** should be responsible for the **building**


And **individuals** for **apartments**




Key message

- Despite the view that apartments use more water and energy, and most apartment buildings are the same or worse than others...
 1. There is a strong view improving energy and water use at the unit level is an individual responsibility. And, if not, then it needs to be another individual, not a collective
 2. There is a view improving energy and water use at the building level is not my responsibility. But mixed views as to who it should be





Building upgrades

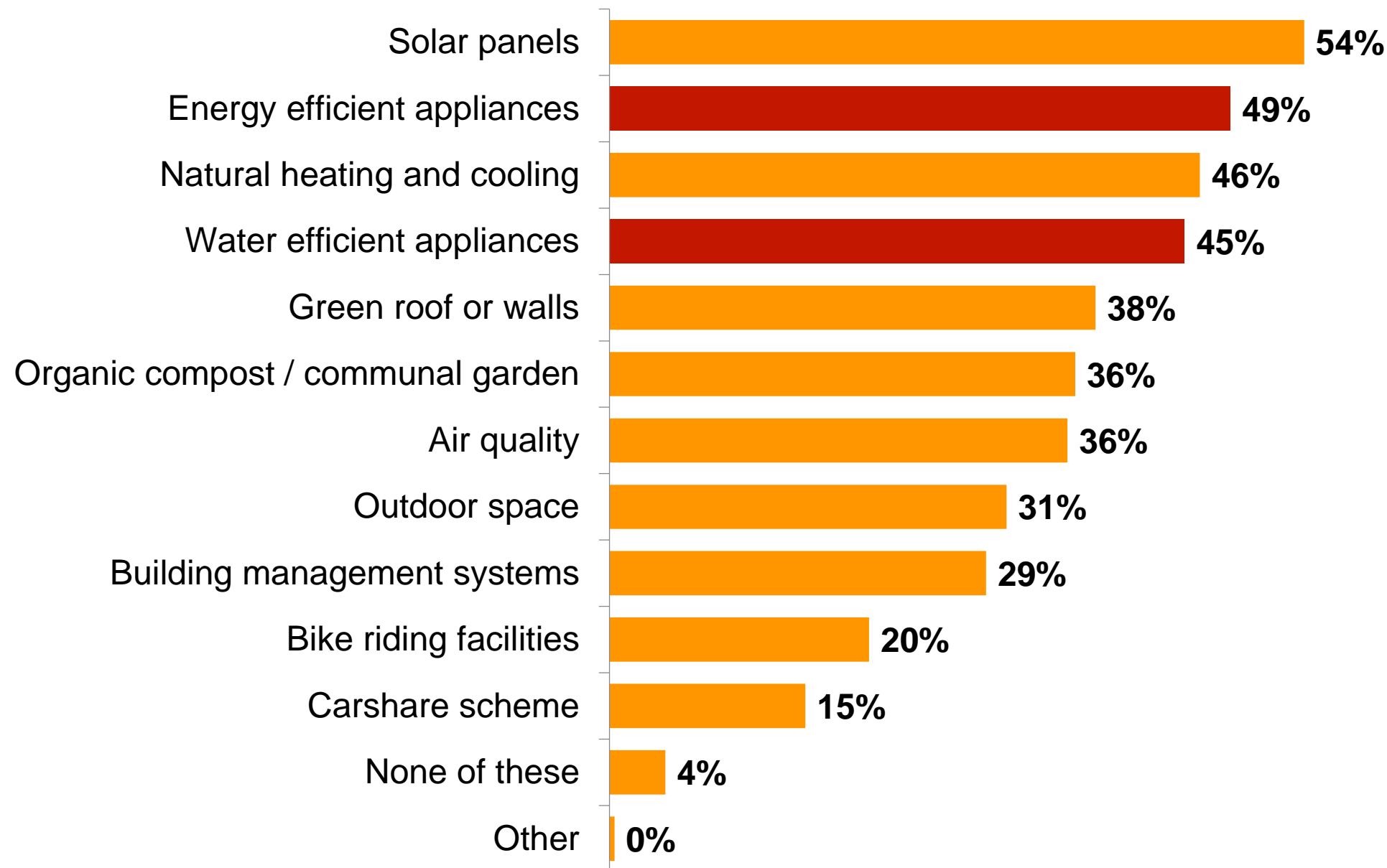


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Features of an environmentally sustainable apartment building



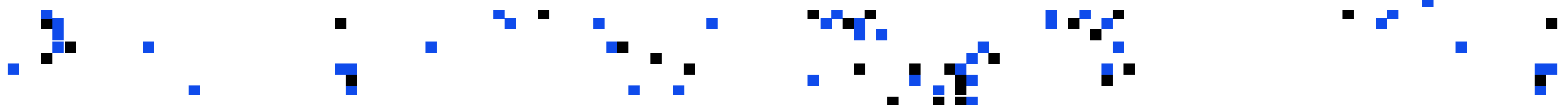
Low to mid-rise



Non-strata members

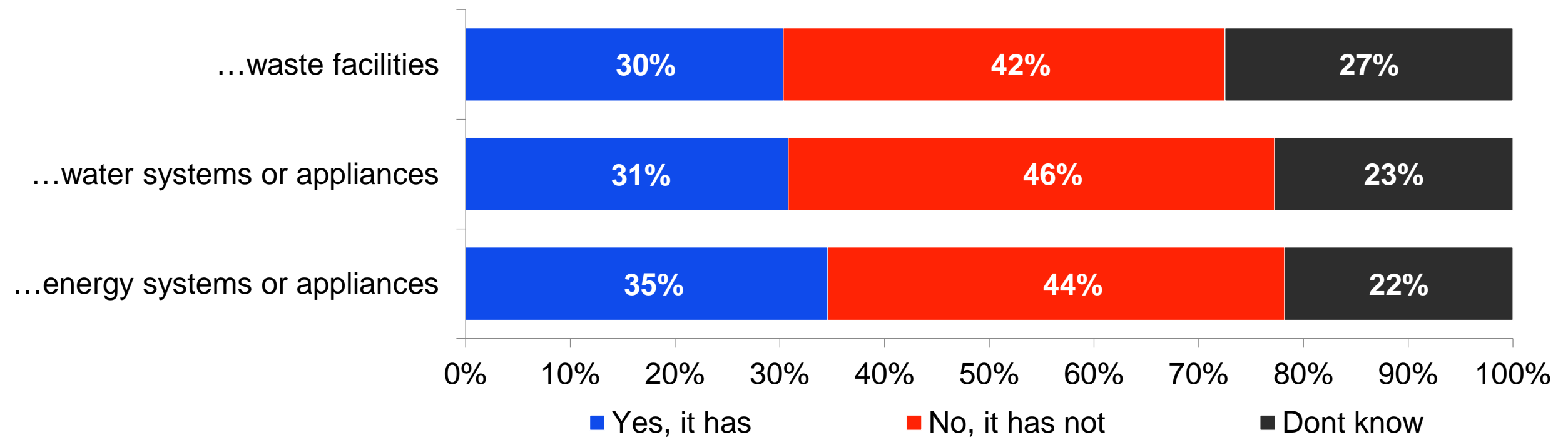


Long term residents



Knowledge about building upgrades over the last five years

Overall, the majority **don't believe upgrades have been made**



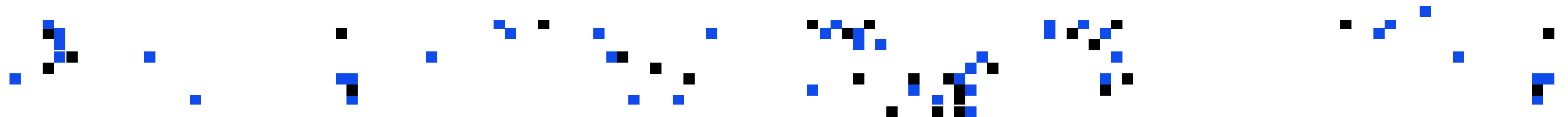
Renters



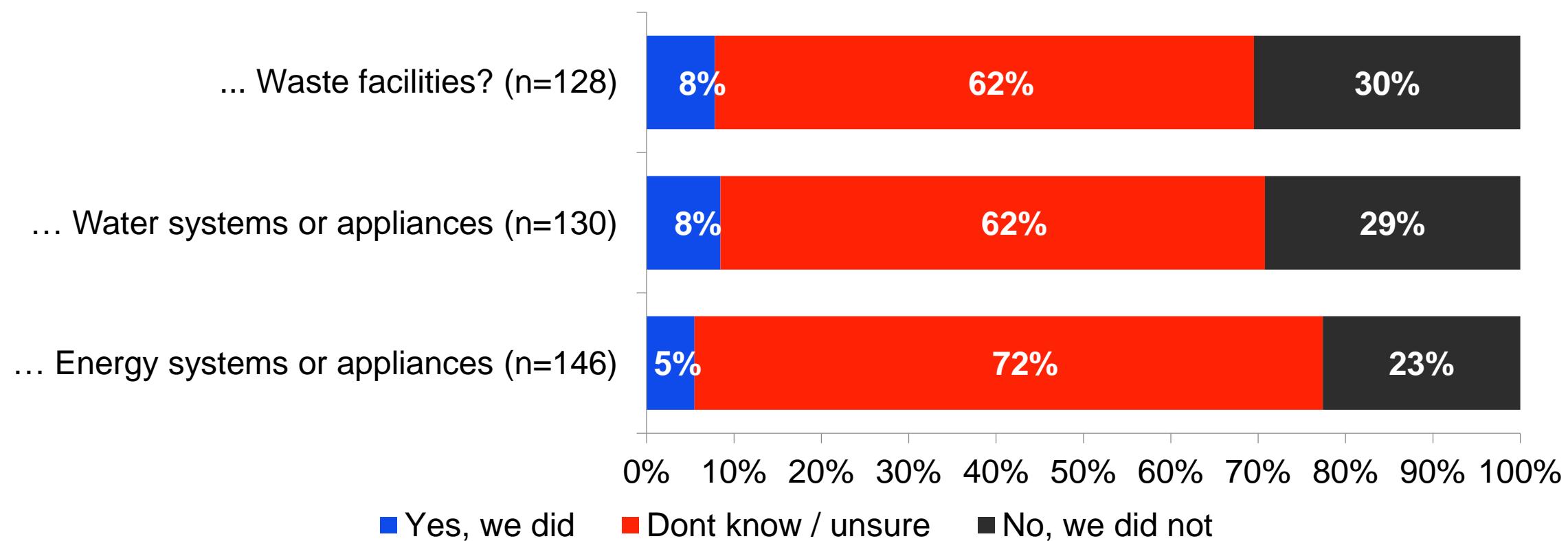
Strata committee



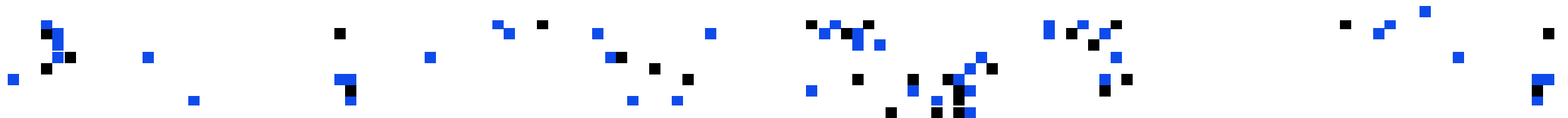
Long term residents



Knowledge about financial support for building upgrades...



On the whole, the majority of residents are **not sure** whether their building received any **financial support or advice**



Interest in environmental performance upgrades



Strata committee



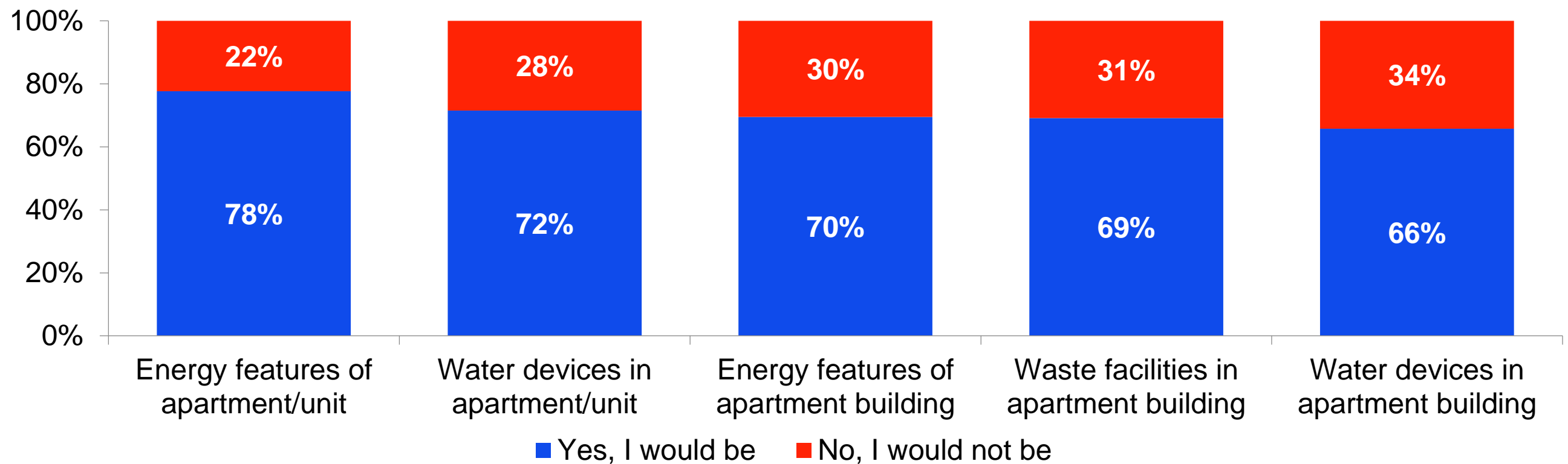
Older residents



High income

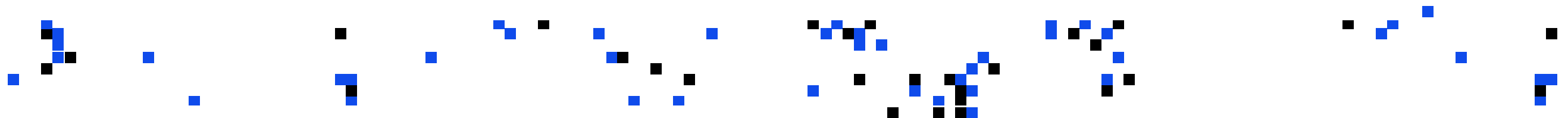


Females



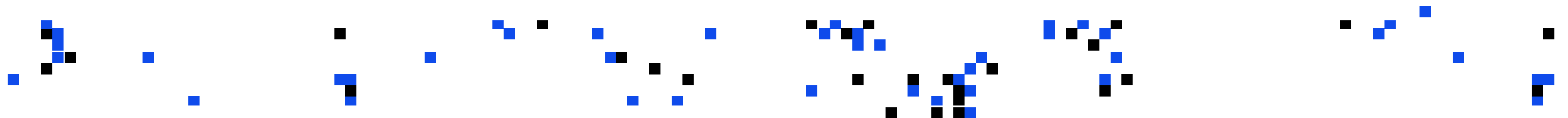
Interested and 'my responsibility'

Interested but 'not my responsibility'



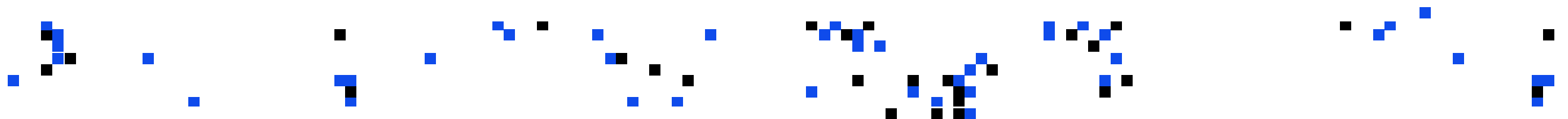
Perceived benefits of environmental building upgrades

- **Environment:** *being environmentally responsible; less waste; better carbon footprint*
- **Reduce cost of living:** *cost reductions.*
- **Quality of life and inter-generational equity:** *better life in the years to come*



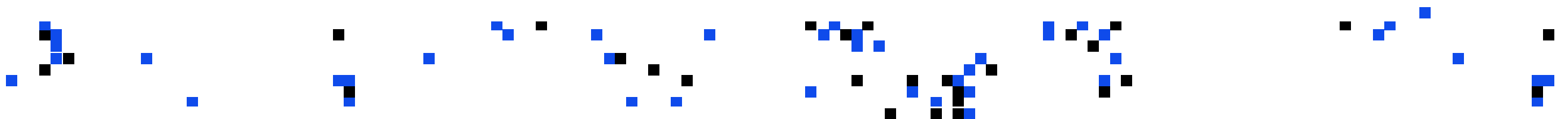
How respondents dispose of household waste

	Organic compost	Garbage bins in my building	Recycl. bins in my building	Dumpsters in my local area	Kerbside collection	Take to an organisation	Other location	Not applicable
Clothing	10%	14%	15%	11%	12%	43%	1%	6%
Electronics	4%	18%	18%	18%	23%	20%	4%	9%
Whitegoods	4%	7%	19%	15%	33%	16%	3%	14%
Oils and chemicals	4%	10%	13%	17%	16%	16%	4%	27%
Food	19%	44%	13%	10%	14%	6%	0%	6%
Furniture	3%	9%	15%	16%	36%	26%	2%	10%
Other	5%	26%	22%	14%	16%	10%	1%	23%



Key messages

- Two of the top four features of environmentally sustainable buildings are, in fact, unit level features (e.g. appliances)
- Residents don't know about upgrades or financial support
 - Longer term residents and those closest to the action (i.e. strata committee) tend to know more
- In the first instance, residents are more interested in upgrading at the unit level, then the building level



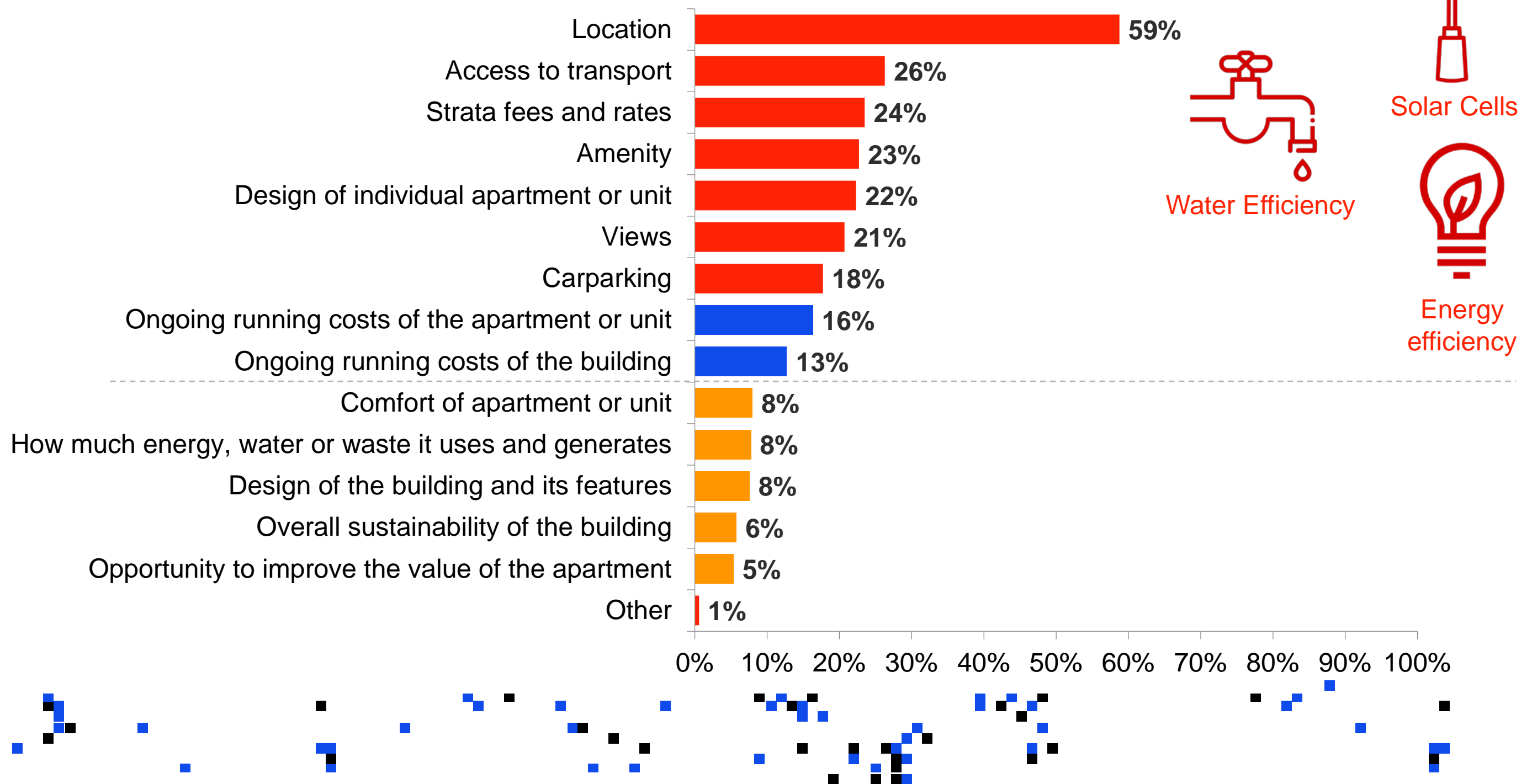
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Buying environmental performance

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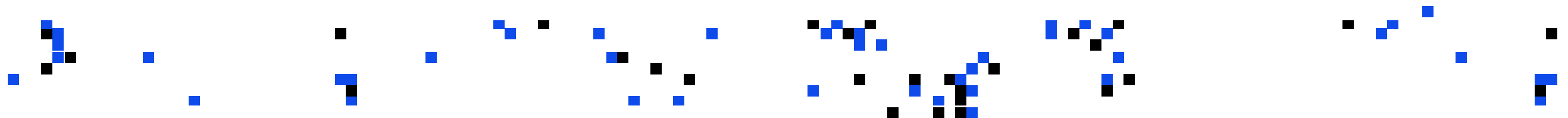
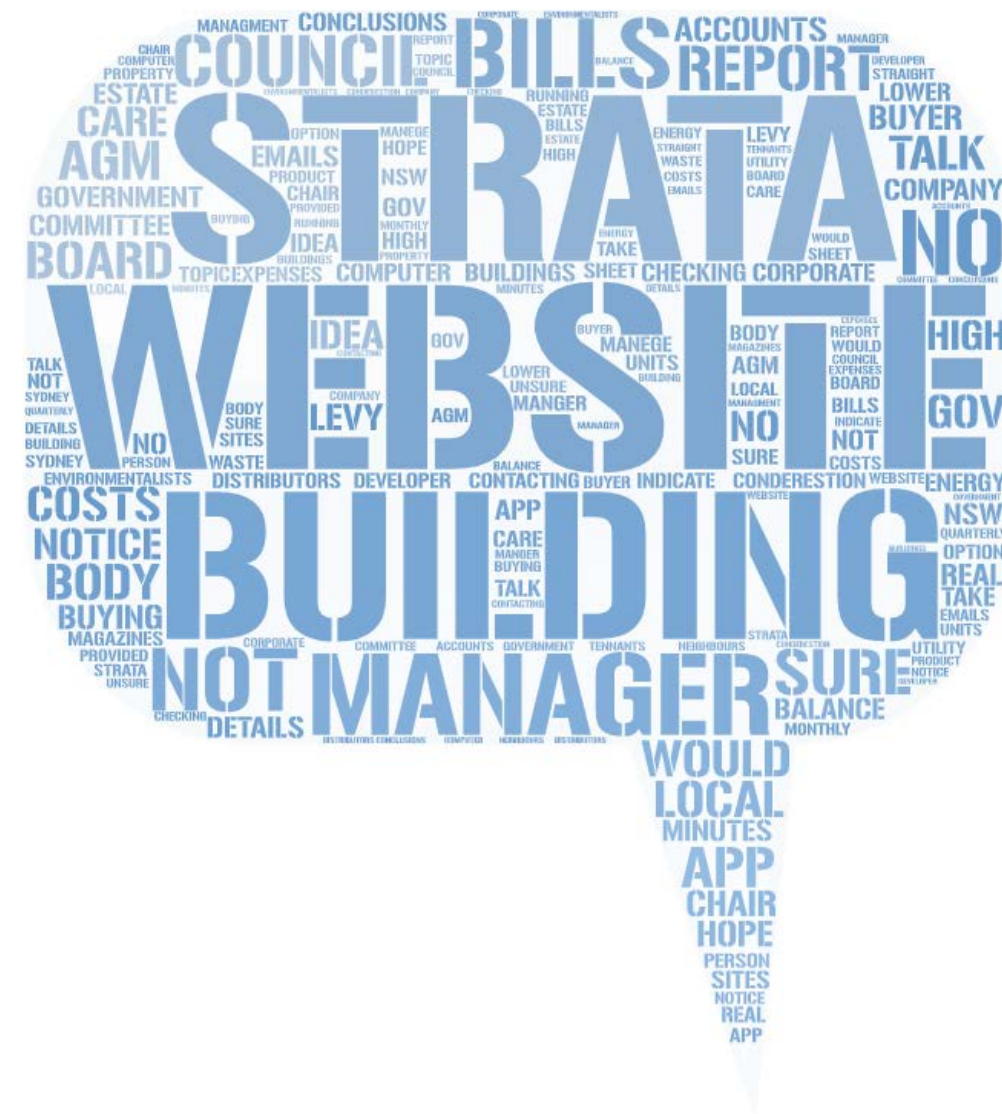
Considerations when buying into an apartment building



Energy, water and waste + ongoing building running costs – where do you look for information?

Respondents mostly look to **strata/the body corporate** (including building managers) when looking for information.

Websites and online searches is the next most popular means of finding out information.

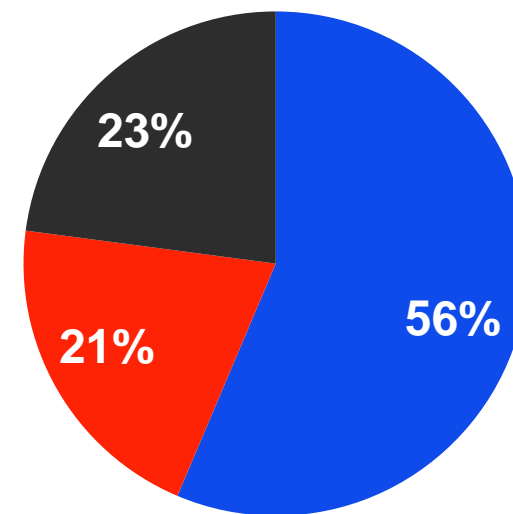


Interest in NABERS star rating tool

The **majority** say a **NABERS** star rating tool **would be valuable** when purchasing

-  New residents
-  Older residents

-  High rise
-  Strata Committee

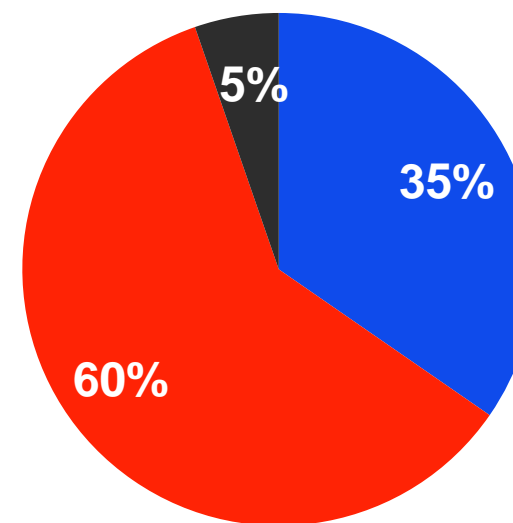


- Yes, it would
- No, it would not
- Don't know / unsure

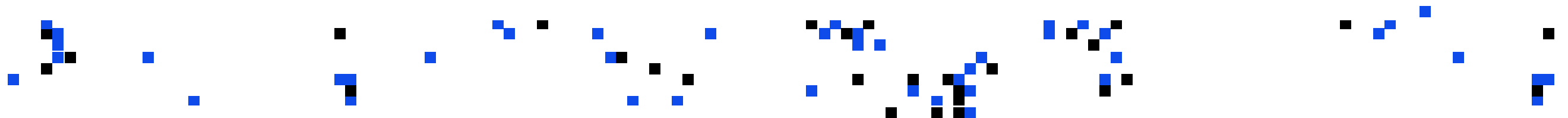
Concern for running cost a distinguishing feature

Most would like to receive this once at the point of sale, and on a **regular basis**.

-  High rise
-  Non strata
-  Long term residents

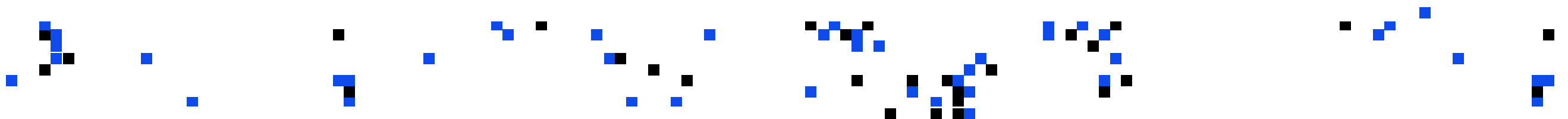


- Once at the point of sale
- Once at the point of sale and then on a regular basis



Key messages

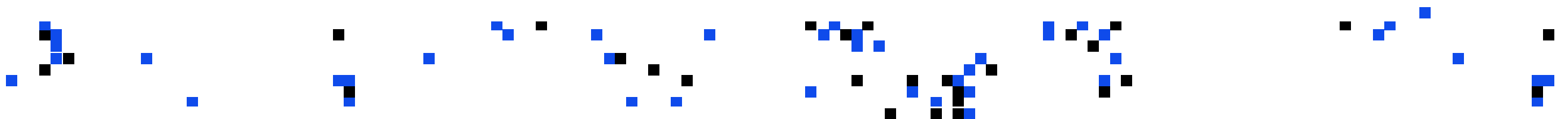
- Interest in NABERS
- Operating costs and re-sale value are the entry point for this
 - Not surprising, these are the chief considerations when buying an apartment.
 - It's not about how much water or energy is used per se, it's about what this costs
- Strata and body corporate are the ones they look to for this information, and strata and body corporate fees a big consideration when purchasing
 - Is mandatory disclosure of NABERS information through strata and body corporate fee notices the entry point?



Overall survey observations


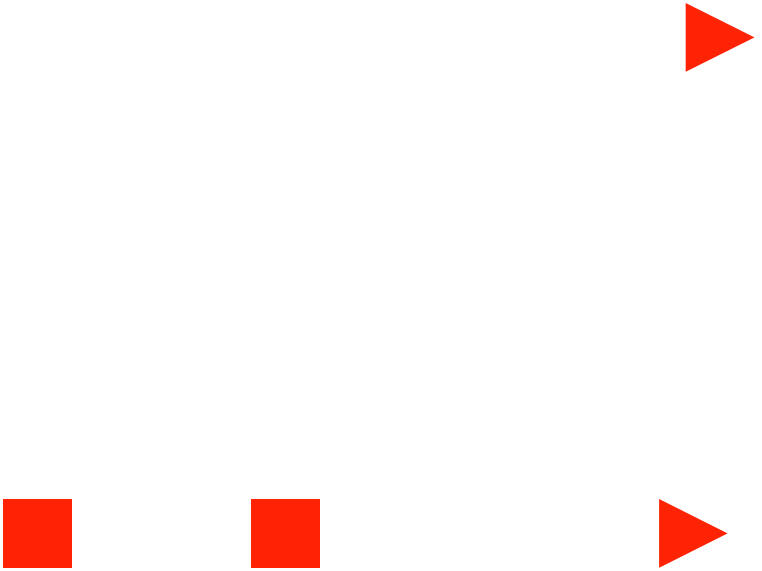
Overall survey key message

- Mismatch between scales at which problems are understood and solutions considered
 - System vs. Individual vs. Collective
- Significant role for City of Sydney to re-scale problems and solutions to the individual level
 - ‘Is today the day you take action?’
- High rise dwellers, longer term residents and strata committee members tend to be more negative
 - Low to mid-rise, newer residents and non-strata committee members tend to be more positive





Additional Survey Analysis

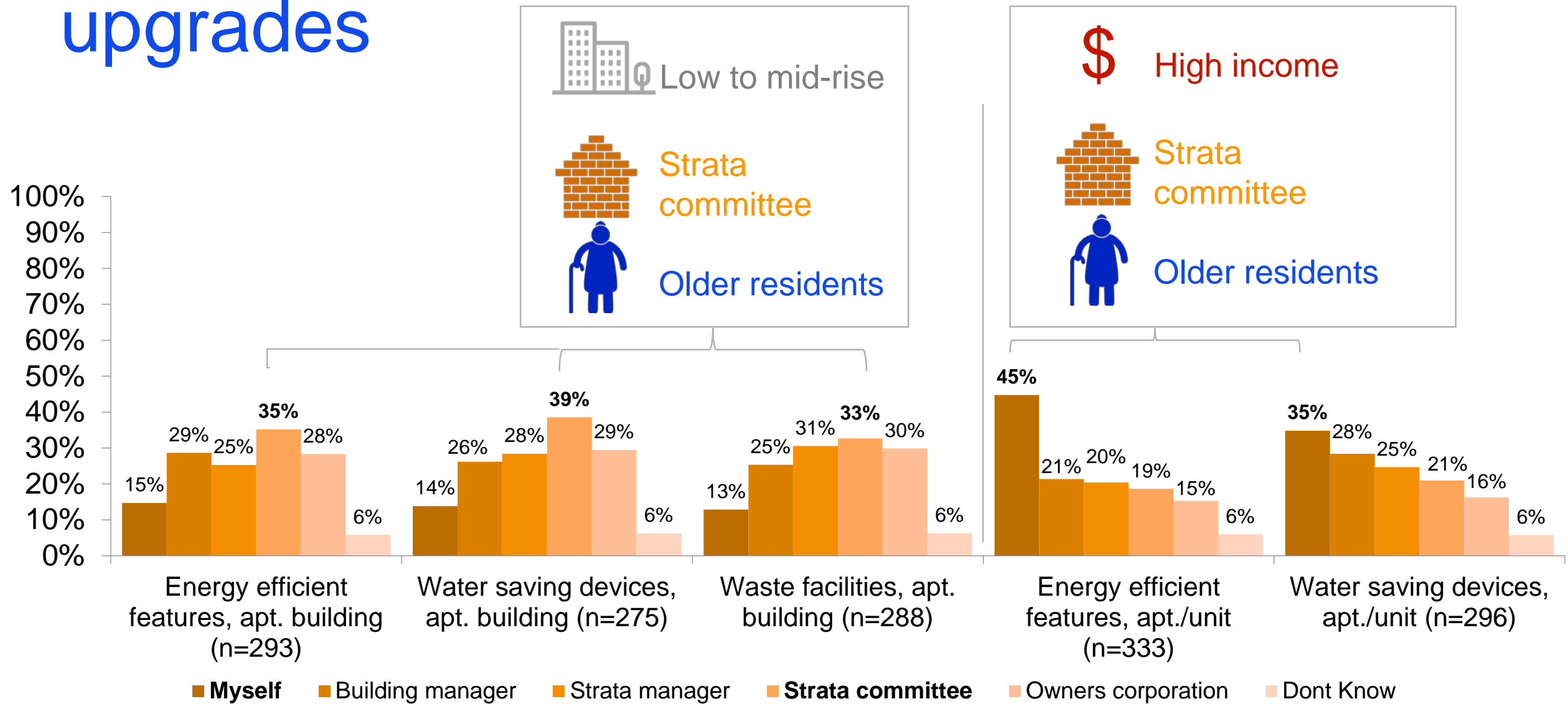


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UTS

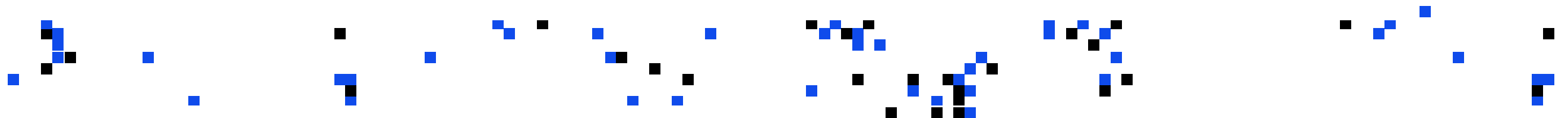
Responsibility for specific environmental upgrades



Someone with **building-level responsibility** should be responsible for the **building**

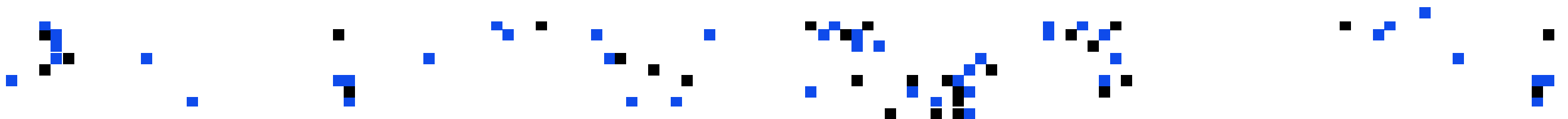
And **individuals** for **apartments**

Q. What are their values?



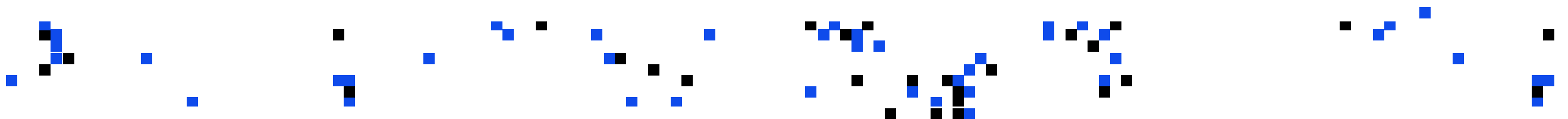
Responsibility for specific environmental upgrades - values

- ‘Myself’ is responsible for upgrading energy & water features of apartment or unit are more likely to share values of....
 - Willing to pay extra for environmentally- friendly products and services
 - Happy to put up with disruptions of implementing environmental initiatives because its for the benefit of all
 - It’s the collective responsibility of Australian citizens to take action on environmental issues

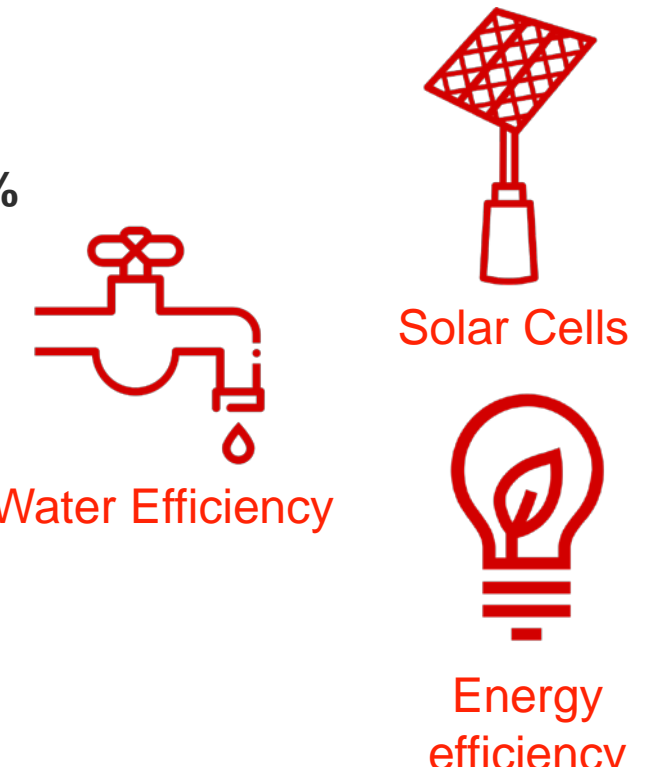
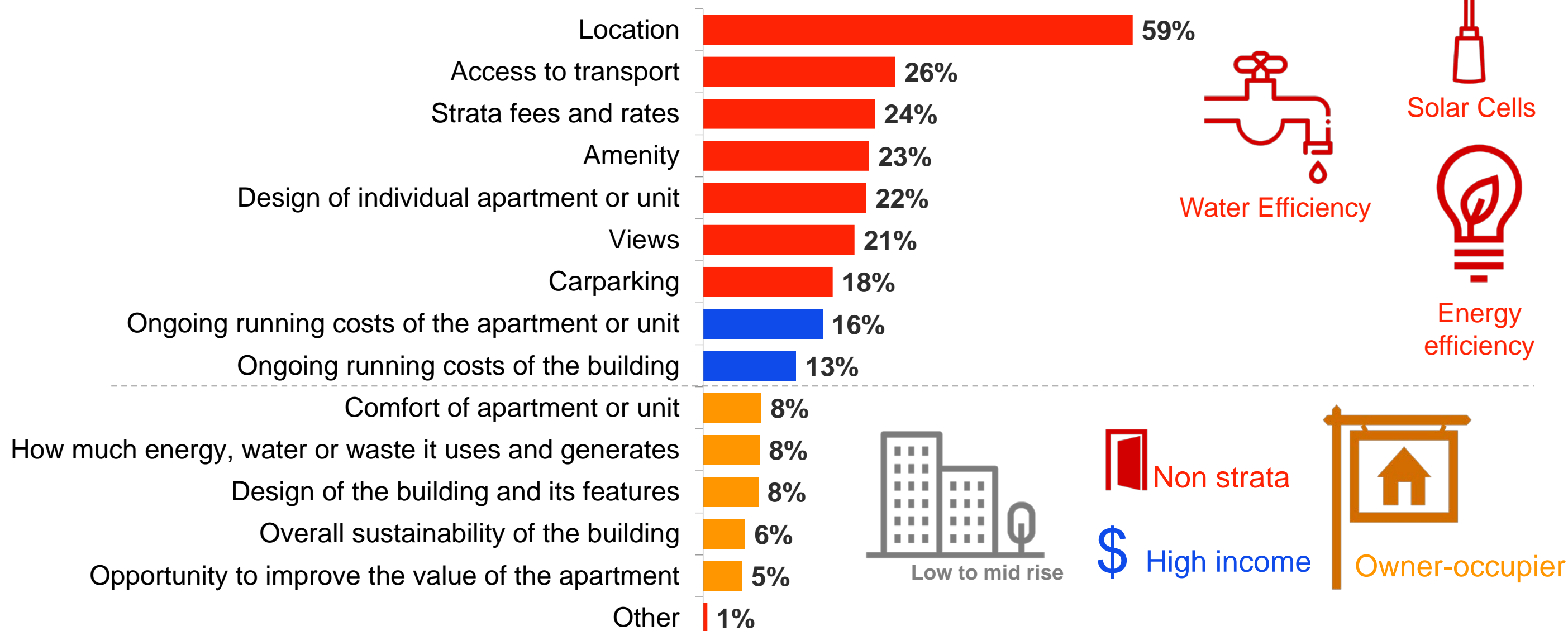


Responsibility for specific environmental upgrades - values

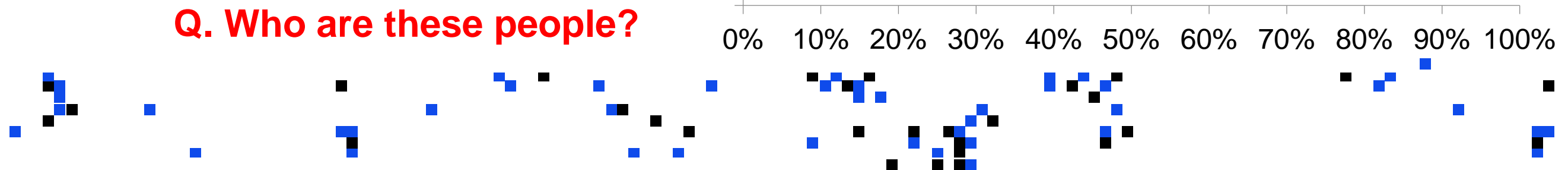
- ‘Strata Committees’ are responsible for upgrading energy & water features of apartment building are more likely to share values of....
 - Willing to pay extra for environmentally- friendly products and services
 - Worried about the long-term social consequences of not tackling environmental issues

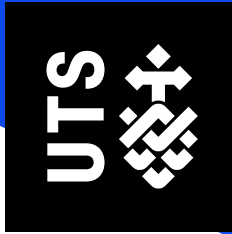


Considerations when buying into an apartment building



Q. Who are these people?

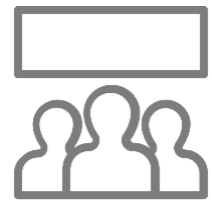




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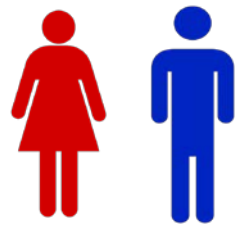
Focus groups

The focus groups



5

Groups



30

People



Owner-occupiers



Investors



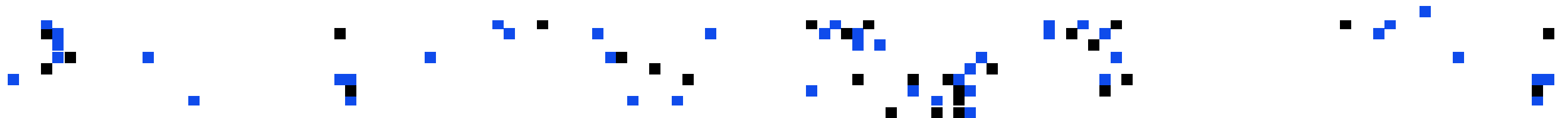
Renters



Building Managers



Strata Managers





Environmental features as a purchasing factor



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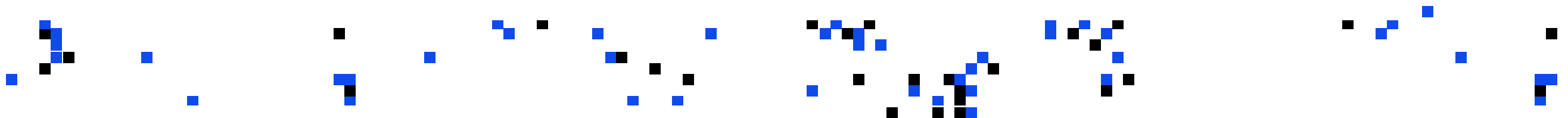
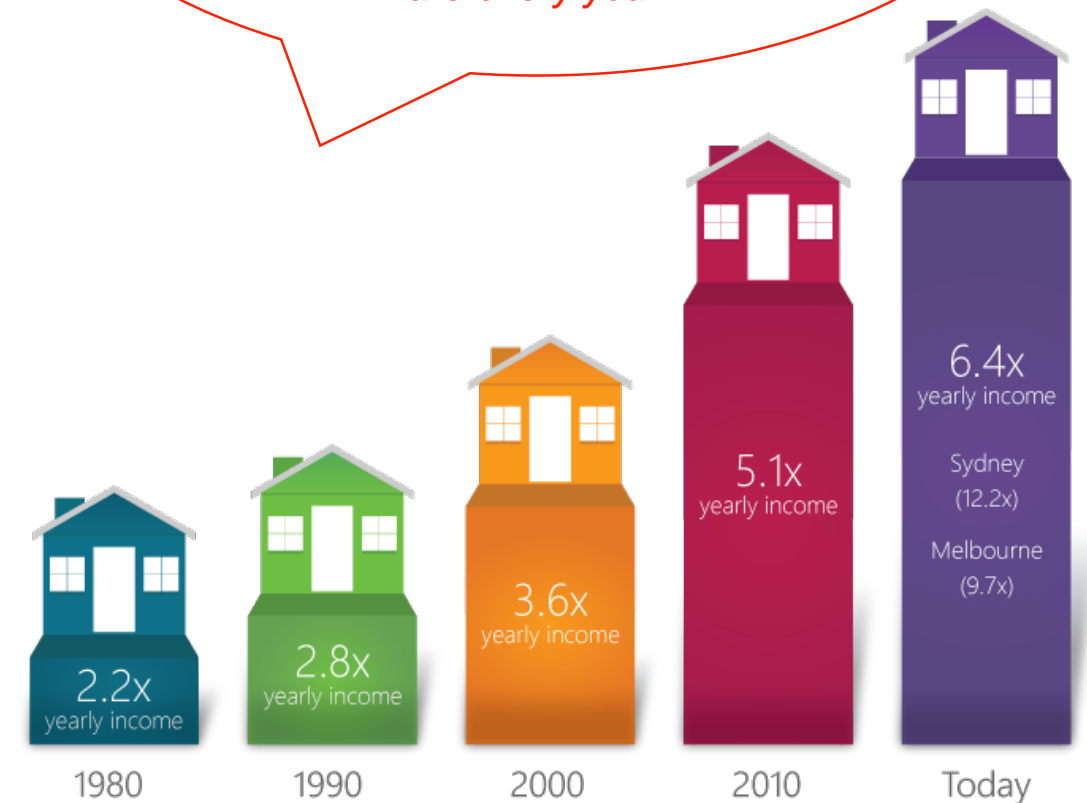


UTS

Why environmental features are not a main purchasing factor

- Thought about in context of a tight, expensive housing market:
 - Absence of features not compelling enough to discount a limited range of feasible housing options
 - Low ratio of perceived savings to housing outlay
- BUT, strata fees are a main purchasing factor as they indicate ongoing running costs
 - Link between environmental features and ongoing costs not recognised and poorly understood

There are 6 apartments you could buy that fit your budget, location and features you are after. You aren't going to discount one because the building doesn't have solar. Plus when you are shelling out \$1million the opportunity to save a couple of thousand is not a big deal. What you look at is strata fees and how much they are every year.





Environmental features and upgrades



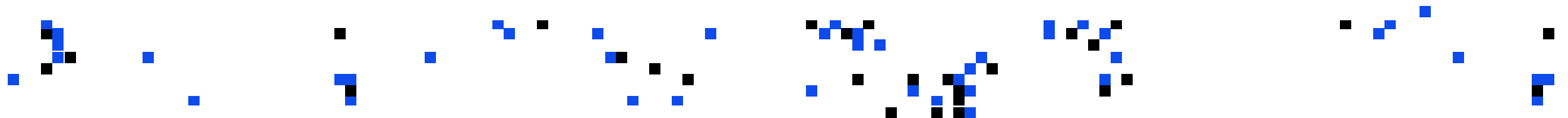
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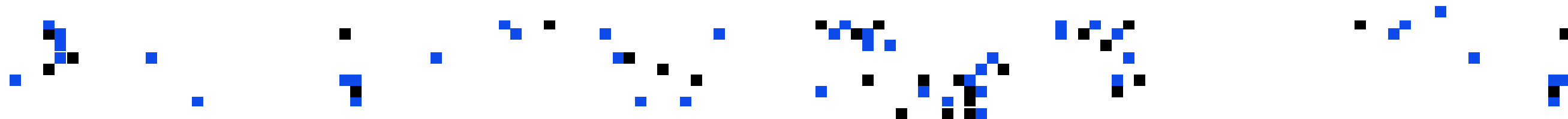
UTS

Existing features

- Awareness very low beyond 'masthead' features and upgrades at building and unit level
- Unit level upgrades more readily identified, particularly by renters
- Building systems (i.e. fire safety, public transport) and environmental features thought of as the same thing

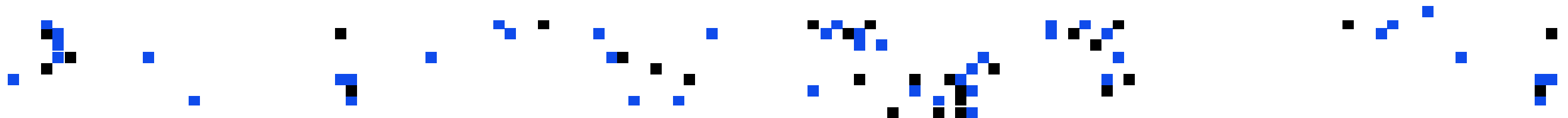
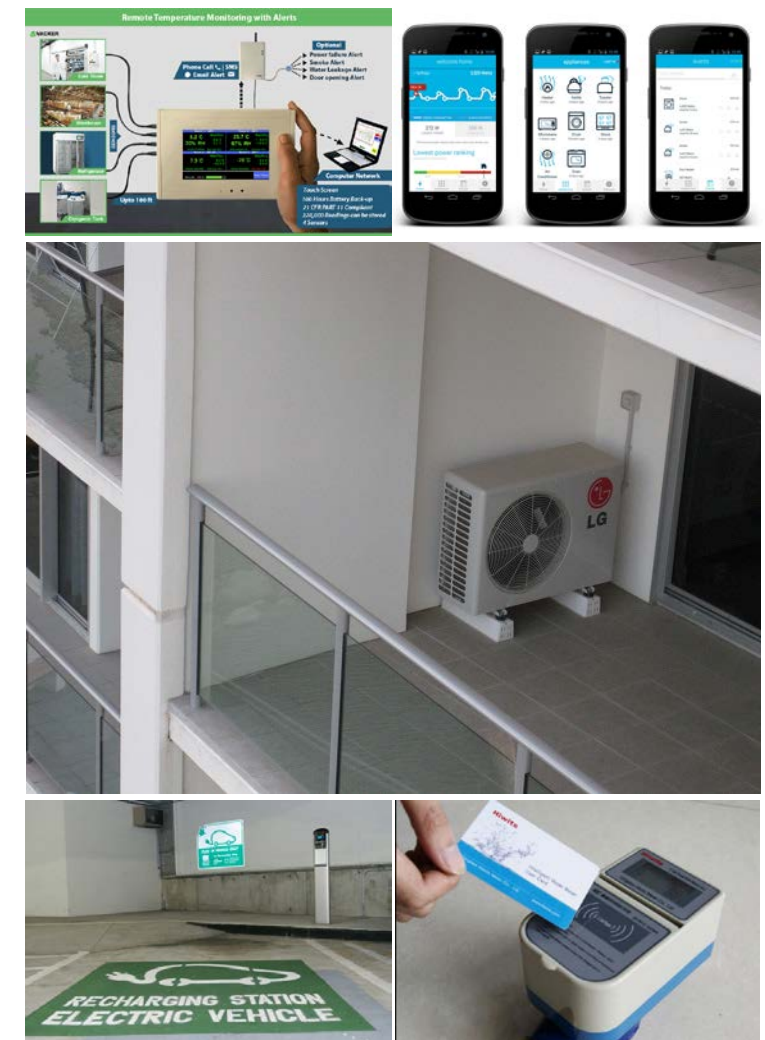


The 'wish list'



Making wishes come true

- Real-time data better through handheld devices than in-home screens
- Strata by-laws ban residents from hanging clothes on balcony
- ADG have led the return of individual air conditioners
- Encourage charities to allow clothing bins on private property
- Who pays to 'fill up the EV?' – wireless smart meters can charge individual units but strata has to administer the central account and do not have the time or skills to be a decentralised utility



Responsibility for upgrades

Very clear role distinction

Building Manager



Compliance and
Maintenance

Strata Manager

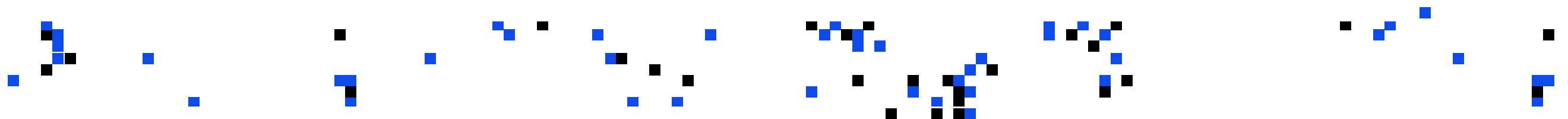
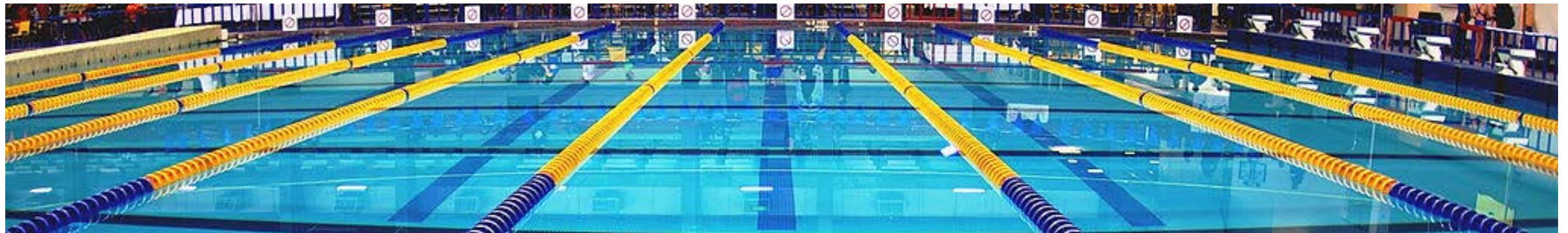


Finance and
Administration

Owners Corporation



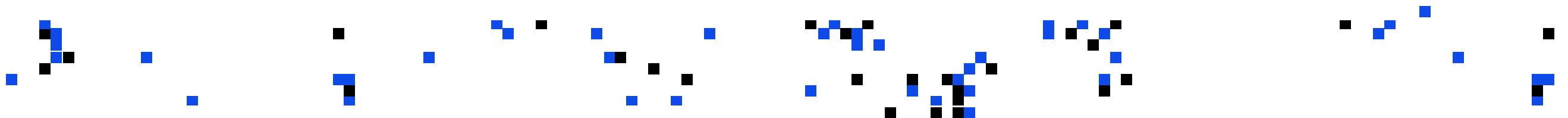
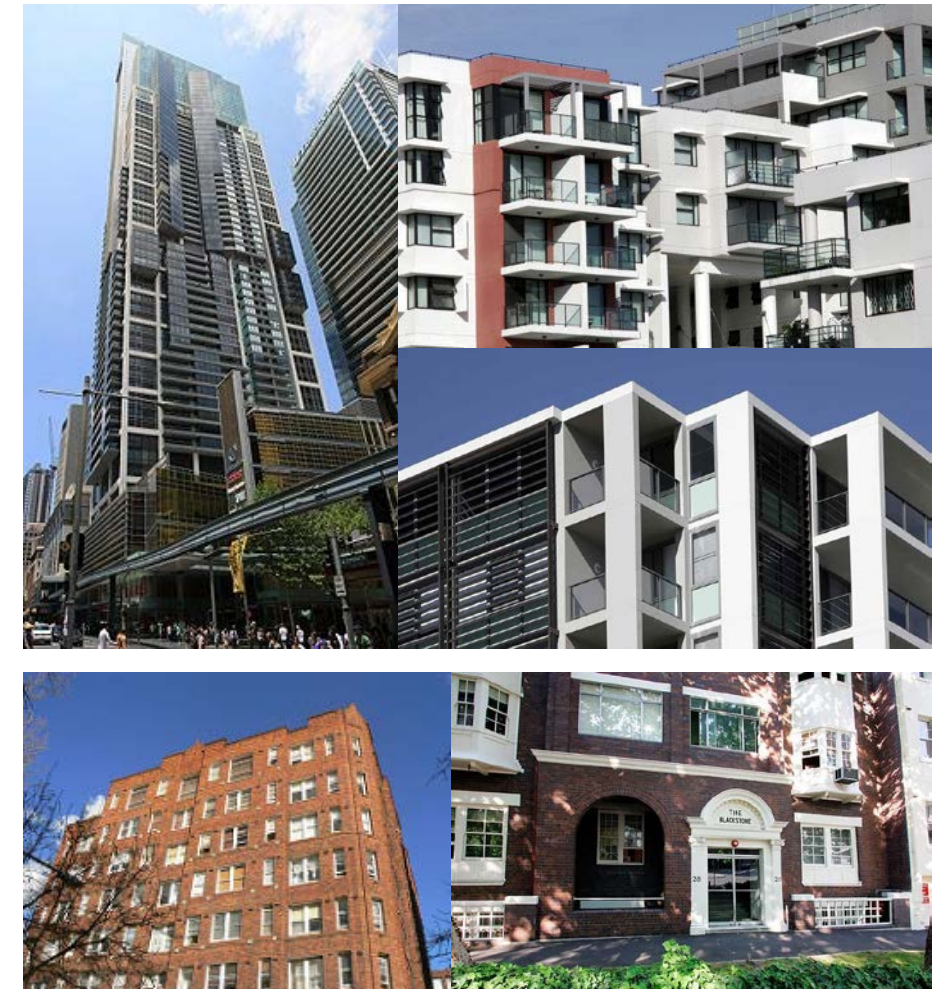
Initiate and Approve
Upgrades



Building performance

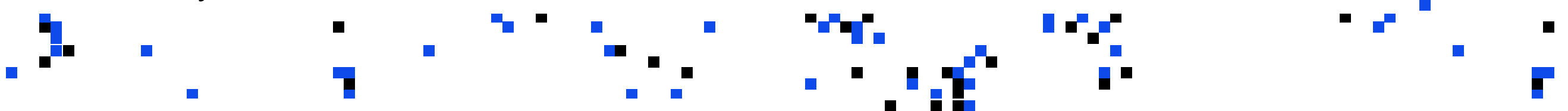
Perceptions

- Performance perceptions driven by building age and views about construction materials
- Generally, new buildings constructed over the last 10 years are perceived as the highest performance possible
- But people living in older buildings feel robust construction materials, particularly heating and cooling qualities of brick, mean they perform better



Regulation

- The **most effective** to improve performance because the market has shown it won't do it on its own
- The **most efficient** because working with a developer during design is easier than a disparate group of owners
- The **most appropriate** because designers are more aware of environmental features and technologies
- Regulations should be proportionate to building age:
 1. New buildings should achieve the highest performance
 2. Older buildings should not be expected to achieve the highest performance, and there are doubts they ever could

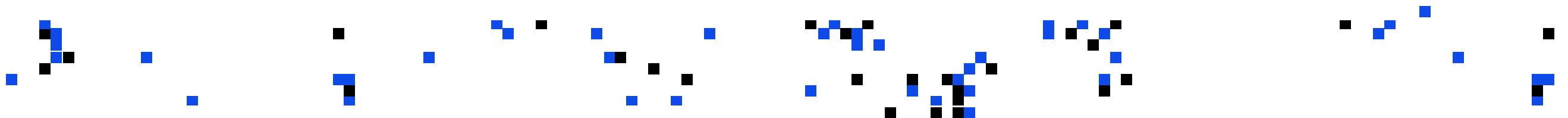


Building governance

Strata reforms



- Surprisingly high unprompted awareness of strata reforms
- Viewed positively because they empower new residents (incl. renters) by diluting power of strata ‘cabals’ who don’t listen, impose their wishes on everyone, and poorly manage finances
- Proxy vote changes have encouraged participation. Participation valuable to find out what’s going on, and remove ineffective strata committees, building and strata managers
- Small schemes have noticed a slight uptake in participation since the reforms



Participation

We handle everything ourselves, otherwise the strata manager time-charges in 15 minute lots even if they are not responsible for the issue

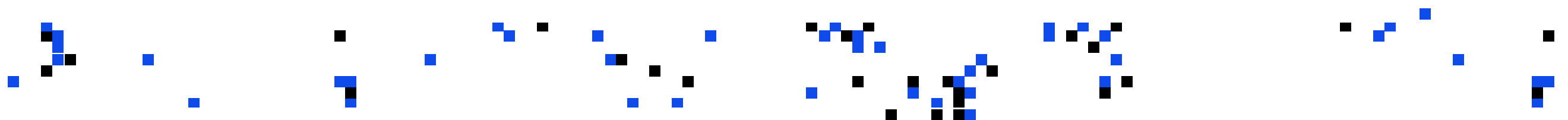
Even the smallest issue becomes a lengthy processes, and who has time for that? (particularly when you aren't paid)

- Long term owner-occupiers and investors more likely to participate and have greater knowledge of governance arrangements, but get frustrated at those that don't have the same knowledge
- BIG turn offs are drawn out processes, lack of time and remuneration, the 'politics of strata', and prior negative experiences (domination, poor financial management by strata committee)
- Strata meetings held off-site not conducive to participation
- Mixed-use strata arrangements are raising the bar because commercial tenants participate and pursue upgrades to drive down costs. Developers that retain a share after sale also raising the bar.

Getting agreement on upgrades



- First steps taken outside 'the politics of strata'
- Informal chats at BBQ, by the pool, or wine and cheese nights
- Organised by a sustainability champion in the building (usually an older woman)
- Renters not consulted because they have no control over building issues and are difficult to identify



Capacity needs for environmental upgrades



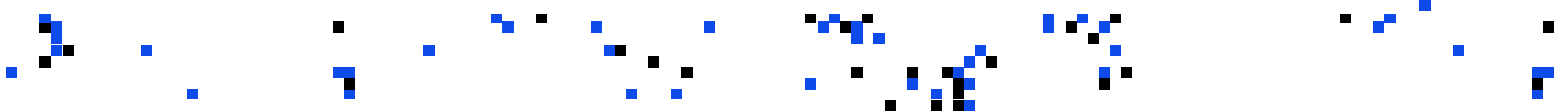
Understanding financial costs and benefits of upgrades

MAINTENANCE LEVIES	
Is There Any Determination in the Minutes Regarding Current Levies? Yes	
Levy Determination:	
Levy imposed in the Annual General Meeting on 4 th August 2008 to set the current levies at:	
\$450,450.00	per annum - Administrative Fund
\$150,000.00	per annum - Sinking Fund and payable quarterly commencing 15 th October 2008
Levy for Life Paid To: 31/03/2009	
Current Standard Levies for the LEYS:	
Administrative Fund	\$276.75
Sinking Fund	\$150.75
Other Fund:	---
Levies for Life Paid To: 31/03/2009	
Is There Evidence That There May Be a Special Levy Struck in the Next 3 Months? No. However, consideration must be given to the Proposed Major Expenditure and the value of the Administrative and Sinking Funds.	
Is the Sinking Fund Separately Levied? Yes	
Is the Sinking Fund Separately Recorded? Yes	
Is the Sinking Fund Used For Apparently Independent Expenditure? No	
Is a Levy Register Maintained? Yes	
Have Any Special Levies Been Struck in the Last 5 Months? No	
Details of Special Levies Raised in the Last 5 Years:	
1	The AGM held 4/08/2008 resolved to strike a special levy in the amount of \$18,200 for the purposes of funding legal representation for a building Defects Claim. The levy is payable in 4 instalments dated 15/08/2008, 15/09/2008, 15/10/2008 and 15/11/2008.
2	Not Applicable

Translating financial costs and benefits into strata finances (understanding strata accounts, impact on strata levies)



Structuring and administering contracts for advanced technologies with complex service requirements





Strata and building managers



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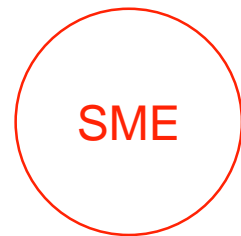


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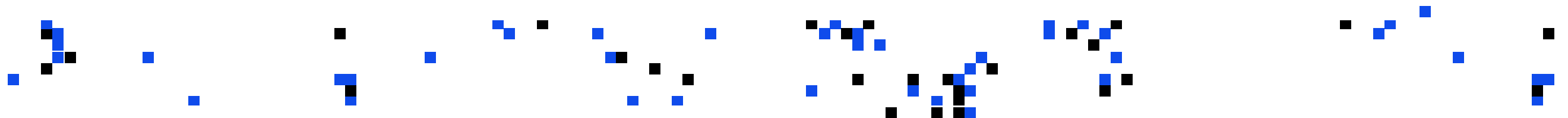
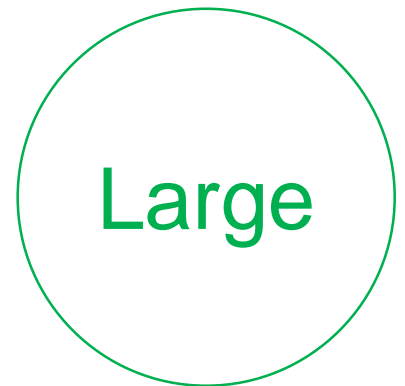
It's all about service

What residents get

What residents want



Those with international portfolios or that combine residential and commercial properties often transfer knowledge about upgrades between offices and across the portfolio

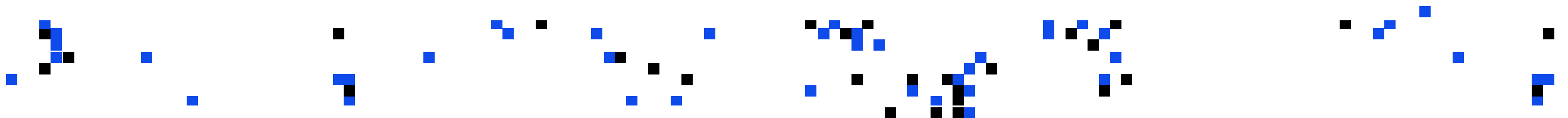


Financing upgrades

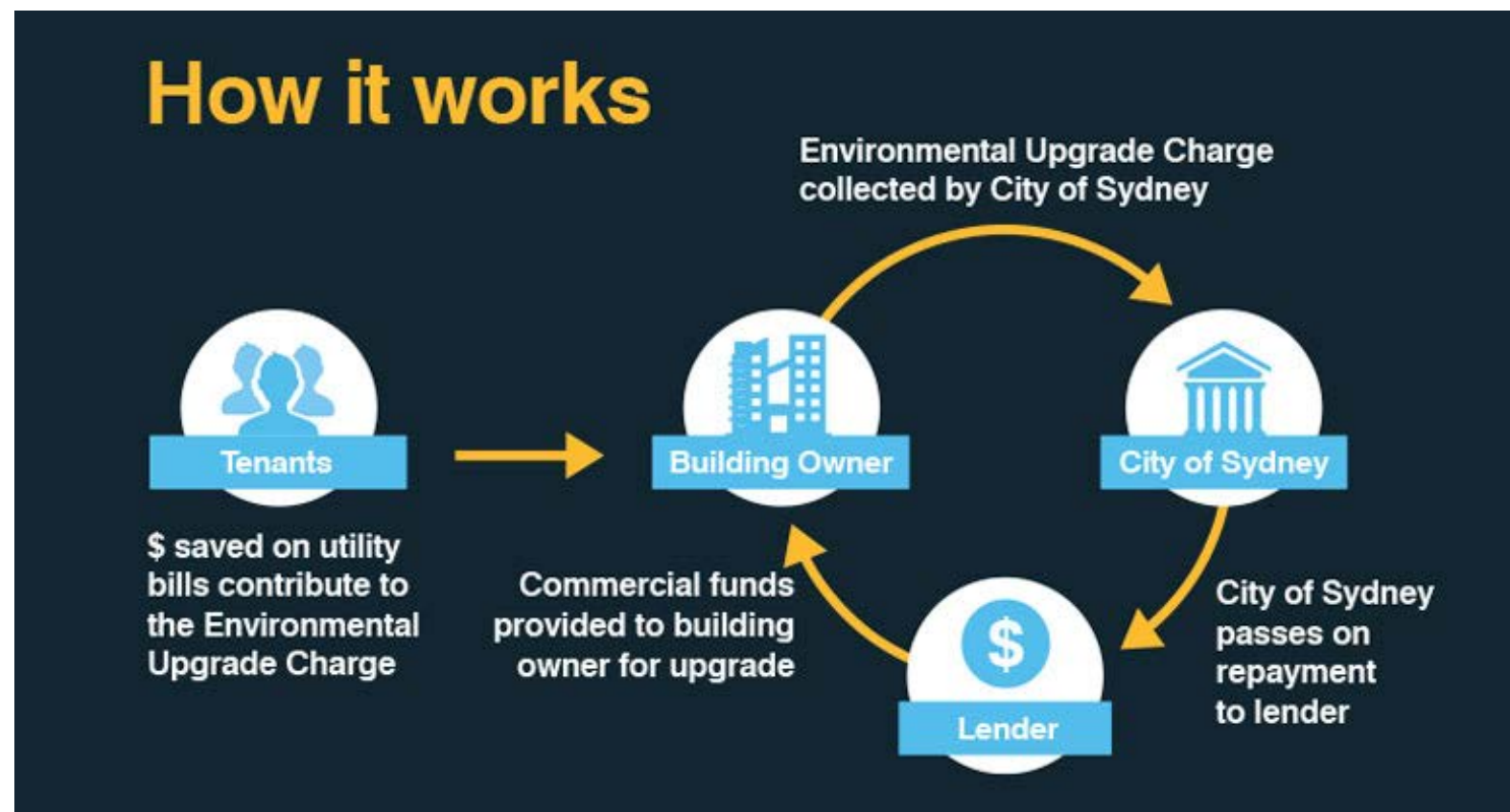
Saving sinking funds for a rainy (tax-time) day



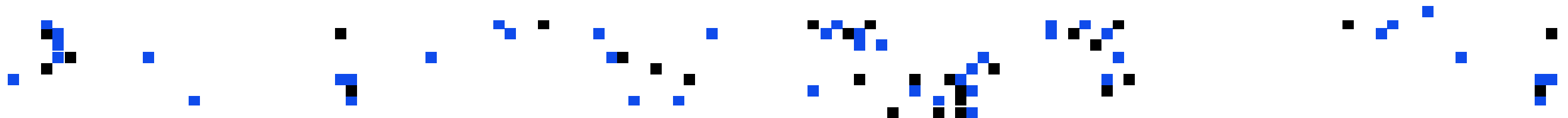
- Frustration strata committees are beefing up sinking funds with millions of dollars for a 'rainy day', but no clear guidelines on what a 'rainy day' is
- Willingness to spend on upgrades linked to tax system. Sinking funds beefed up to negatively gear.
- Once sinking fund spent, negative gearing cannot be claimed. Special levies cannot be also



Paying up-front



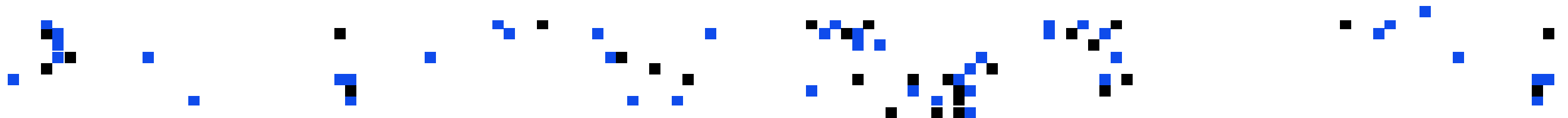
- Reluctance to pay for anything, much less environmental upgrades, through special levies because of large up-front payments
- Reluctance to go above the 'bare minimum' for maintenance and capital works upgrades because lost on resale
- Preference to attach upgrade costs to land, rather than property, and spread over longer time period to reduce payments



The Pay Back



- Looking for savings of \$20,000 to \$100,000
- Ideally, over a period of 1 to 3 years
- 5 years worthwhile for large savings
- 7 years too long
- Need savings itemised on strata levies but often not done, hard to see because of inflation, and difficult for new builds with no 'day zero' baseline





Building maintenance and capital works



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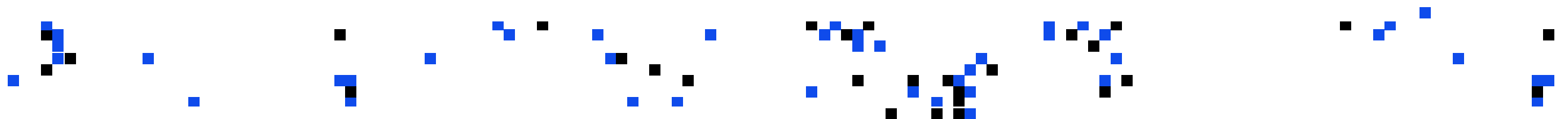
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Everyone wants to know about it...

THE PROCESS FOR **Capital Works** in a body corporate



- Significant interest in routine building maintenance and compliance processes, such as annual fire safety checks, and 10 year capital works schedules
- Schedules determine future strata levies so owners and investors are interested for financial planning reasons
- However, concern capital works schedules are not kept up to date, and 'off the shelf' schedules are not tailored to buildings
- Huge levels of trust in engineers and other professionals that carry out these processes and prepare schedules





Environmental performance ratings



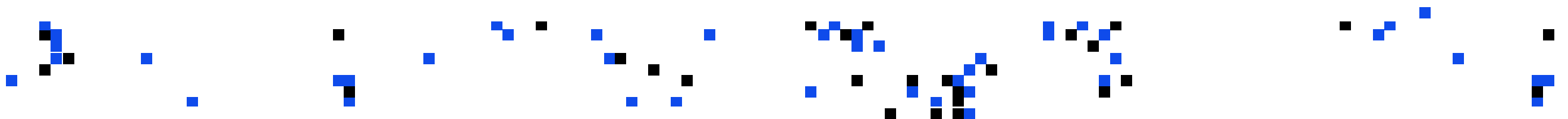
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Strong reaction

- ✗ Owners and investors extremely concerned about potential impact of negative rating on resale value
- ✗ Renters don't see why the information would be useful to them
- ✓ Most get the information would be valuable for government to better target regulations
- ✓ Most think buildings should provide the information to governments
- ✓ The rating should be more than building performance, but building footprint (i.e. public transport)

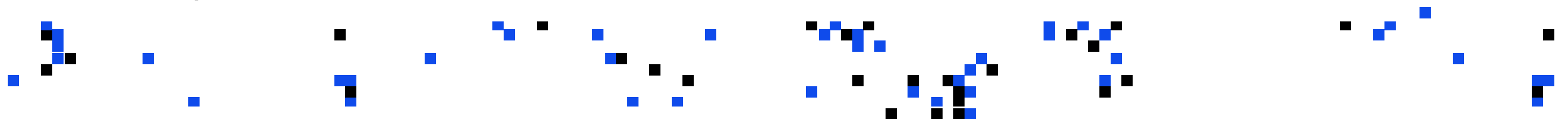


Smart Green Apartments



What works and doesn't

- ✓ Responds to building age and features
- ✓ Takes into account expenditure thresholds of owners
- ✓ Provides information on financial costs and benefits of upgrades
- ✓ Consultants used by the City are helpful and experts in their field
- ✓ Upgrades at building level have motivated action at unit level
- ✓ Takes the time and hassle out of upgrades
- ✗ Building and strata managers try to promote SGA across their portfolio but lack a hook that residents see value in

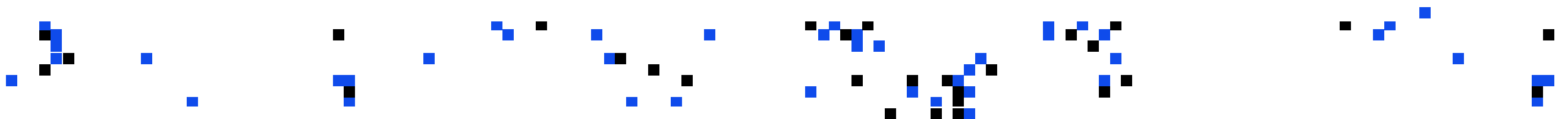


Suggestions for improvement

When asked how the City could help residents improve the environmental performance of buildings, almost everyone described a program with very similar features to SGA:



- Face to face service, technical knowledge, tailored advice about what to do, information on financial costs and benefits
- The program should cover all large complexes and have a low threshold for complex size



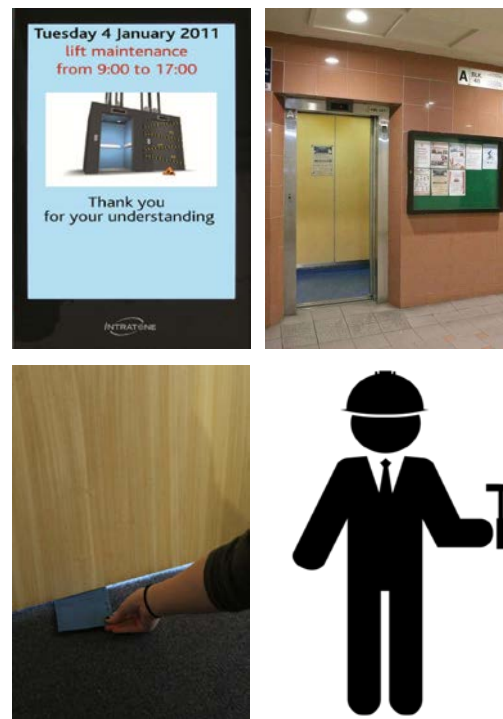
Information and trust

Most common sources

Local news



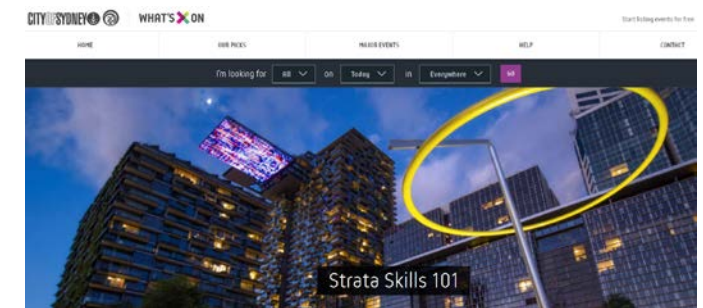
General notices because of social isolation



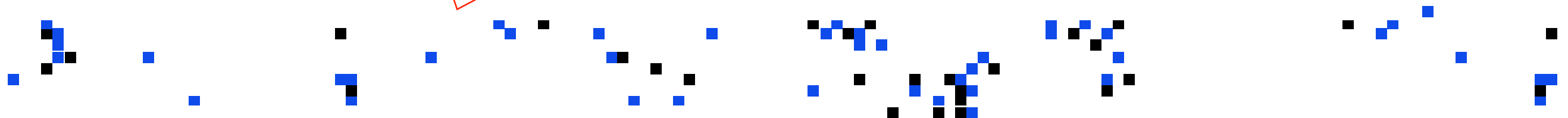
Fridge magnets inside the home



'The Champions'

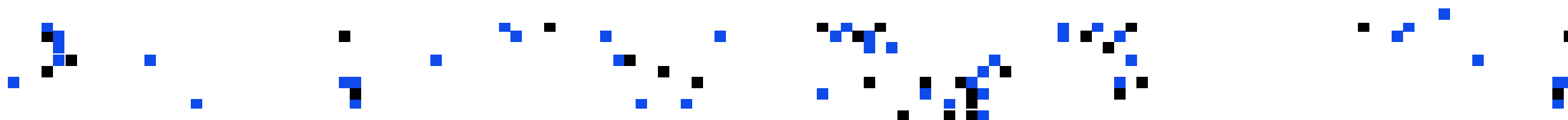


'People in units don't want to talk to neighbours, that is part of the reason why they live in one'



Trust

HIGH LEVELS OF TRUST		LOWER LEVELS OF TRUST	
RESIDENTS	BUILDING AND STRATA MANAGERS	RESIDENTS	BUILDING AND STRATA MANAGERS
<ul style="list-style-type: none"> • Clover Moore because of her environmental policy credentials • Building designers and engineers, tradespeople involved in maintenance and compliance processes, and Smart Green Apartment consultants because of their knowledge of environmental features and technologies • Utilities offering green products and services (i.e. AGL and EV charging points) because of their knowledge of new environmental technologies 	<ul style="list-style-type: none"> • Systems engineers and energy auditors because of their specialist knowledge of building environmental performance technologies 	<ul style="list-style-type: none"> • City of Sydney because it is not seen to be leading by example and improving its own buildings 	<ul style="list-style-type: none"> • City of Sydney for failing to regulate stronger environmental performance, despite early gains





Overall focus group observations



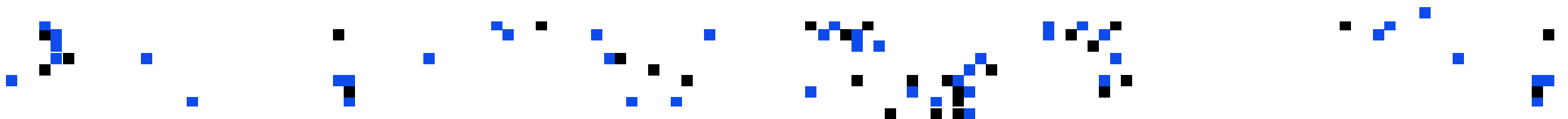
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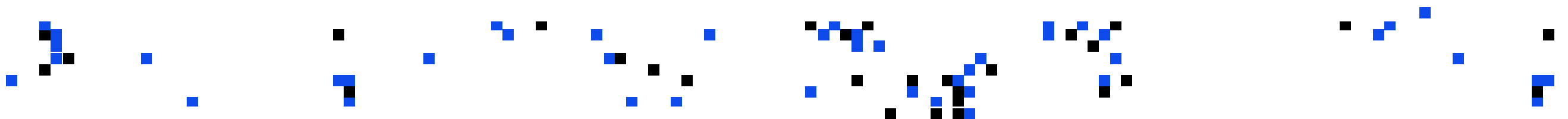
Focus group key messages

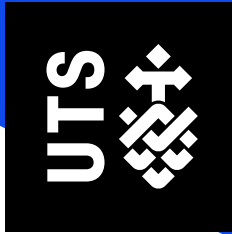
- Face to face discussions indicate residents are somewhat behind what the survey said
- There are strong housing system dynamics working against upgrades (unaffordable market, negative gearing)
- Shift the debate to financial costs and benefits of upgrades on strata levies / ongoing running costs (case studies)
- The City has permission to regulate on this issue, and there are signs not doing so may damage its reputation
- Building maintenance and capital works upgrades (in particular) are ideal entry points to influence



Focus group key messages

- Strata committees and owners are time and cash poor - 'Go Large' on SGA and EUAs!
- Better promote how the City is leading across its building portfolio
- Find the champion in every building, they are likely in Strata 101 getting some of the capacities they need (strata finances but will need help with finance and contracts for sustainability)
- Need to think about how NABERS for apartments is sold given resale fears – providing government with better information





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Stakeholder Interviews

In-depth interviews



11

Interviews

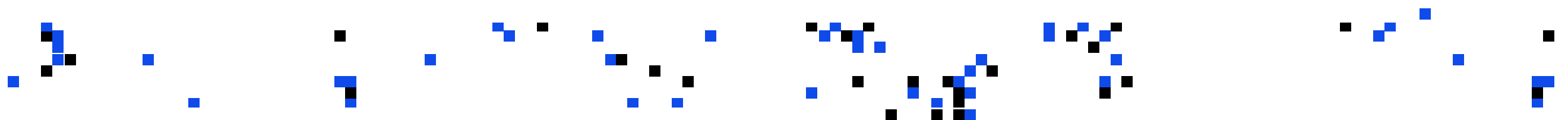
Peak Bodies

Strata Managers

Development Company

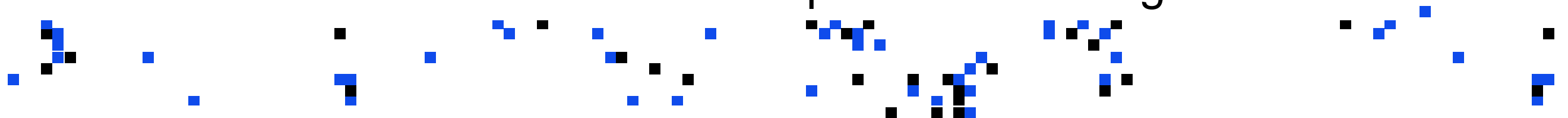
Facilities Managers

- How are their members responding to environmental performance, what challenges are they facing and what help do they need?
- Are members demanding information on environmental performance?
- What are the peaks doing for their members in this space?



Importance of sustainability to organisation

- Consensus energy and water efficiency are important –cost savings is main driver
- Other drivers include:
 - Corporate/ social responsibility
 - Expectations of clients
 - Reputation
- Seen as greater focus in City buildings
- Peak bodies want to be seen as leaders and sustainability is point of difference and hence offers competitive advantage

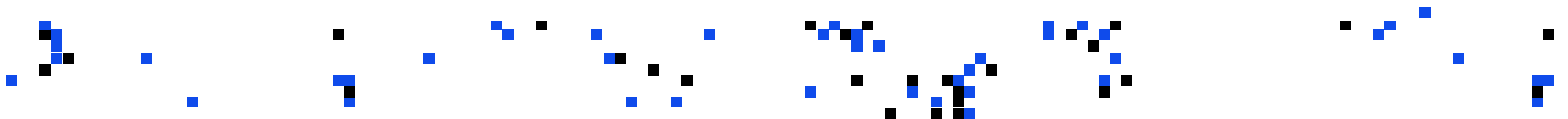


Importance of sustainability to organisation

“Water and energy are two very fundamental resources used in the operation of a building, so for us it is quite natural that these should be used as efficiently and as effectively as possible. This is important both for the users of the building, as well as a socially responsible approach.”

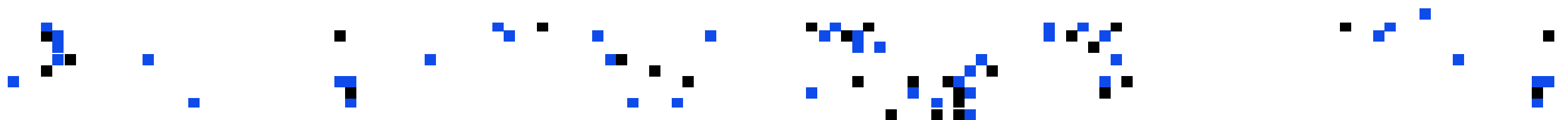
“It’s almost beholden on us... Our underlying obligation is to improve the value of [our member’s] asset and this is a clear way to make their apartments more highly valued and decrease costs...”

“Sustainability is a key driver for us, it is just good business and we like to be a leader and innovator”



Role in improving water and energy efficiency of apartment buildings

- Consensus that they have some role to play but perceived roles varied, depending on the type of organisation interviewed
- Lead role needs to be from government then councils, then the industry bodies
- Peak = advocacy, advisory and providing training/ educating clients
- Building/ Strata Managers = promoting, communicating/ informing and partnering with Council



Role in improving water and energy efficiency of apartment buildings

“Our organization is branch-based. The board supports the branch leaders and they have responsibility for their advocacy.”

“Our role as peak bodies is to look for opportunities/ improvements and present them to deciding stakeholders.”

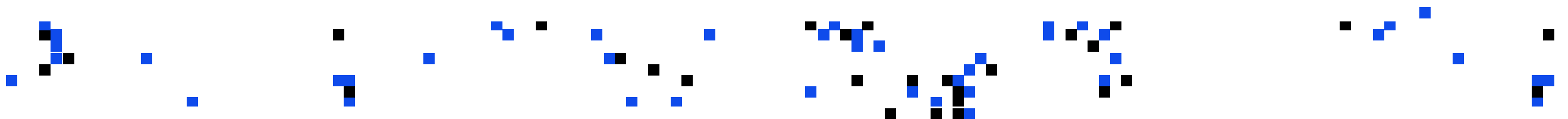
“Our role is not to directly support environmental performance but to support owners through the layers of approval. Lately there have been more polarized views around sustainability so we emphasize reduced costs. I have learnt not to have ideological arguments. Breaking down to costs leads to more buy in.”

“The facilities managers build the business case that the body corporate or owners corporation would look into/approve/deny... Their role is to look for improvements; not all buildings will be able to be improved”

Role of members/ clients in improving water and energy efficiency of apartment buildings

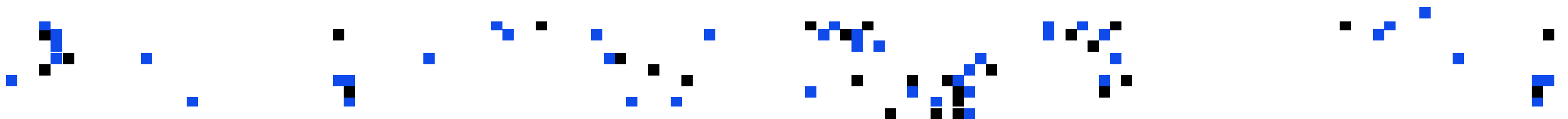
- Be across latest developments in sustainability
- Involvement in any pilot programs targeted at water and energy efficiency
- Support environmental principles in apartment design and planning processes

“Our members will generally strongly support these [environmental] principles in the design of apartment buildings. Most will actively push for their consideration during the design phase, even if not expressly requested by the client.”



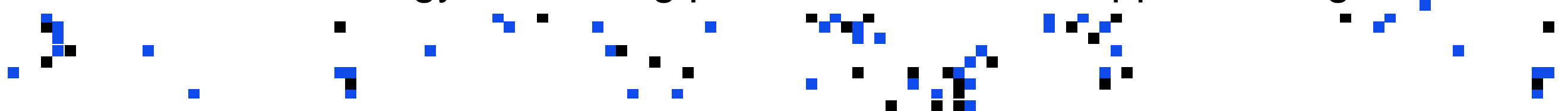
Challenges in helping clients improve water and energy efficiency in apartment buildings

- The current political climate is placing less emphasis on green energy and the legislative complexity
- Lack of subsidies/ incentives
- Apathy within the strata industry
- Reluctance of strata committees to spend up-front for longer term outcomes
- Difficulties in presenting the business case for sustainability measures
- Long pay back periods for some measures, particularly as some owners are short term



Investing in environmental upgrades

- All interviewees were of the view that members/ clients were active in the space and it was becoming a 'growing list' of actions
- Some examples included "low hanging fruit" such as retrofitting the following:
 - LEDs and controls over LEDs
 - Timers on ventilation in parking garages / carbon monoxide monitoring equipment
 - Electronic monitoring
- Some buildings have also installed bigger ticket items such as solar panels, embedded power networks and grey water systems but not well-suited to all apartment buildings
- Need tailored solution to each building with complexity around retrofitting
- Focus on energy as starting point with financial support from government

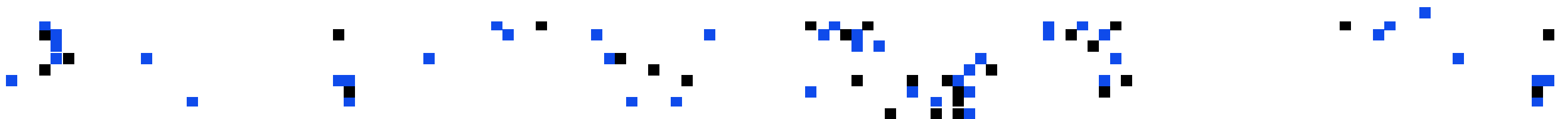


Investing in environmental upgrades

“It is important to recognize that water and energy efficiency is achieved not solely by the systems or technologies used in a building, but equally the spatial decisions made...”

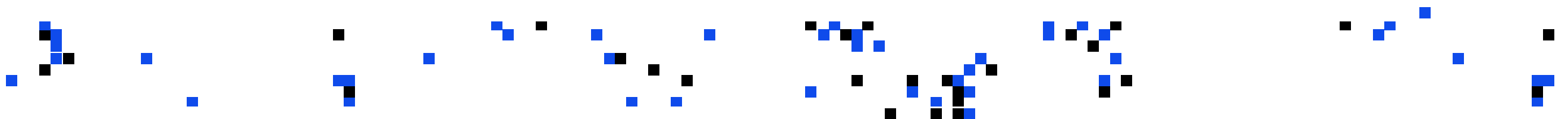
“Owners care about money. This boils down to a) costs of maintenance and b) property values”

“There is correlation between harmonious strata communities and those that investigate sustainability”



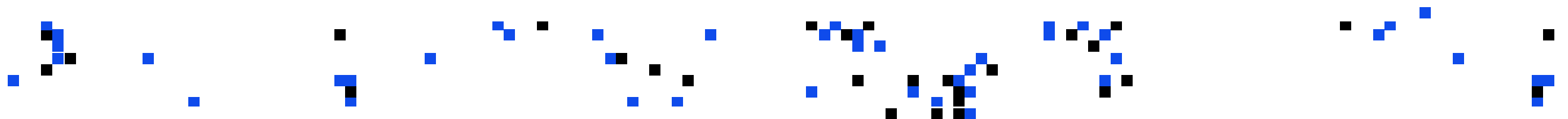
Rating the environmental performance of buildings (NABERS)

- Most interviewees were aware of NABERS
- All interviewees would support such a tool and agreed that competition is a key driver for change
- Generally there was a view that this sort of tool should be mandated but would need industry buy in, would need to be accompanied by training and education and would need to be tailored to the uniqueness of each building
- Suggested that strata and building managers could collect and maintain information and to include this information to existing documents eg s184 certificates



Rating the environmental performance of buildings (NABERS)

- Benefits of rating environmental performance;
 - Force building managers to become more proactive
 - Owners and tenants will start to seek information on energy and water efficiency, driving strata committees to provide it
 - Buyers would have more choice about buying efficient apartments
 - It could become a marketing tool
 - It would provide information on how buildings are performing against how they are supposed to, which is a current gap in the market



Rating the environmental performance of buildings (NABERS)

- Challenges of rating environmental performance;
 - The amount of work involved compiling data and the time poor nature of strata/ building managers
 - Varying data sources and access to drawing/ plans for some buildings. It would require an automated building reporting system
 - Costs of compiling data will fall back on strata committees and owners, which would particularly impact smaller buildings
 - Buildings concealing results if they receive a poor rating
 - Assumptions being open to question – similar to BASIX and Greenstar
 - It is difficult to estimate how much people would be willing to pay. It depends on a lot of variables such as the size of the building as costs would be split amongst owners.



Rating the environmental performance of buildings (NABERS)

“There are numerous energy rating systems currently within the market. These are a generally accepted approach to identifying and benchmarking excellence in performance, and also support a degree of competition within the market... “A star rating (or equivalent) for water and energy efficiency, whilst prompting members to improve, would only find material impact if supported by other key stakeholders, including the client, users, and/or government.”

“The more noise that is made about this sort of thing in the media (about energy costs, etc.), and once the NABER tool is available, I think we will see a marked increase in interest from members.”

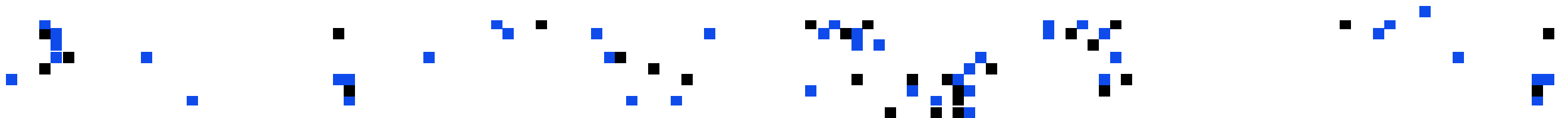
“There are the managers who would embrace it and those who would begrudge it. But there is a cost to upskilling the market”

Net zero emissions

- Majority of peak bodies and building/ strata managers were unaware of the target for apartments
- Targets unlikely to have an impact due to lack of enforcement, long time frame, not cost driven and difficult concept to understand

“You need to set targets so I’m supportive of the concept but don’t think it’ll be met”

“May be achievable for 3 or 4 story walk ups but impossible with current technology for larger buildings. However, it is important to have a target bubbling away in the background to reduce complacency”



Support for improving sustainability

- Generally, members would benefit from more support and have been asking for it
- Some members would benefit from being given more information and advice, whereas others would be looking for support on more specific technical issues or dealing with legislation

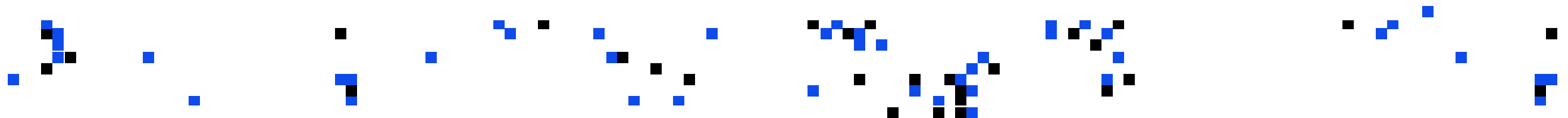
“Support would be welcomed – from policy to regulation to planning, finance and education”

“There is an interest but less so recently as there is nothing new...no broader grants...people are not doing anything without government support”

Responding to systemic change

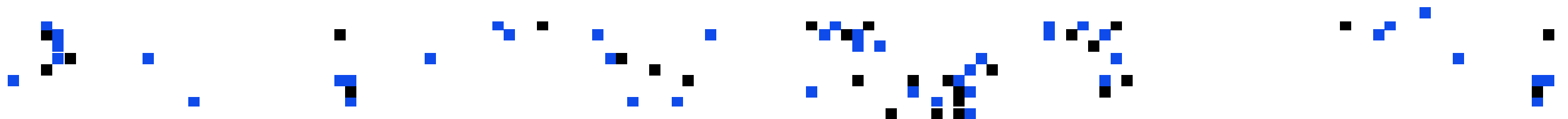
- Role of government to drive systemic change
- Focus on new buildings rather than retro-fitting
- Strata and building managers suggested they could respond to the need for systemic change by:
 - Providing incentives
 - Education of buyers
 - Partake in voluntary performance rating
 - Information dissemination

“It is up to government to take initiative in this. But we are a distribution channel, our role in education and leadership”



Interview key messages

- Sustainability and specifically energy & water efficiency is viewed as important with the key business driver being cost savings
- There is a high level of awareness of net-zero concept but not specific apartment targets
- Role of government to drive change through regulation
- Strong role of incentives to drive change
- Support from CoS is 'fantastic' and Council is 'leading the way'



The logo for the University of Technology Sydney (UTS), featuring the letters 'UTS' in a bold, sans-serif font next to a stylized graphic of interconnected lines forming a grid-like pattern.

UTS

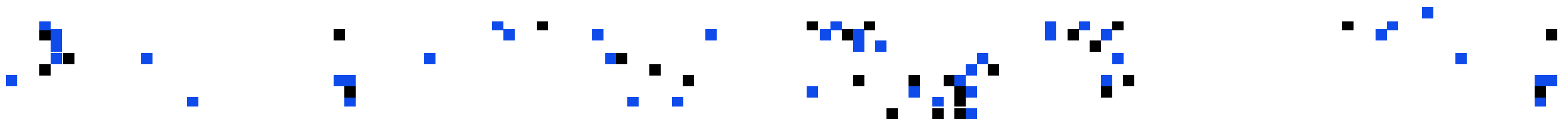
A black rectangular box containing the text 'Centre for Local Government' in white, sans-serif font.

Centre for
Local Government

Overall Key Messages

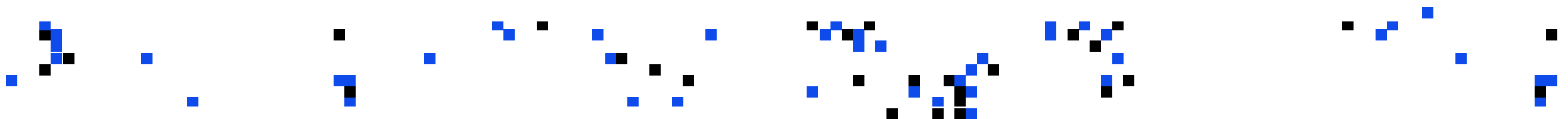
Research key messages

- Across all methodologies, respondents felt that **Government are most responsible** for driving change with main roles being to strengthen regulation and provide incentives
- View that **responsibility for improvements** of apartments needs to be with individual and building level improvements needs to be with an individual not a collective however the sustainability of relying on one individual was questioned
- **Role** of building manager is compliance and maintenance, role of strata manager is finance and administration and role of owner corporation is to initiate and approve upgrades



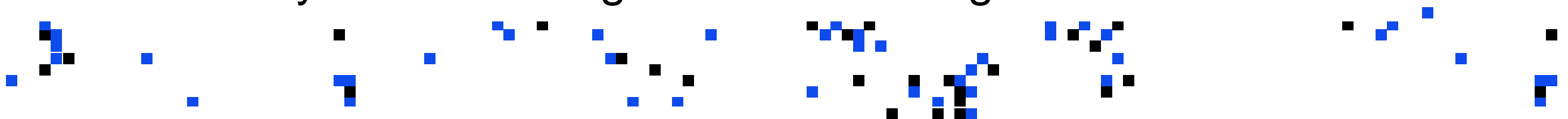
Research key messages

- City of Sydney were viewed as **trusted source** for environmental performance information and trusted to support key stakeholders, however were not trusted in terms of leading by example or being able to effectively regulate
- Across all methodologies, respondents were not aware of the concept of **Net Zero**. Of the key stakeholders who were aware of it, they were not aware of specific apartment targets nor did they think it would have any impact on emission reduction
- Respondents mentioned apartment level **features** as building level features of an environmentally sustainable apartment building



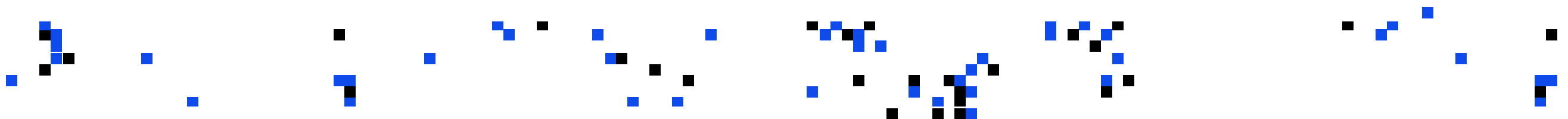
Research key messages

- Low levels of awareness of **financial support** for building upgrades, however incentives seen as major carrot to drive change
- High level of interest in **environmental performance upgrades** in the survey, however unclear distinction between building systems and environmental features
- Interest lies in **upgrading at the unit level** with little priority for including non regulatory building upgrades (eg fire & safety) in building capital works program
- Distinction needs to be made between ability of **new builds vs existing apartments** in terms of appropriate upgrades, regulations and ability to achieve high NABERS rating



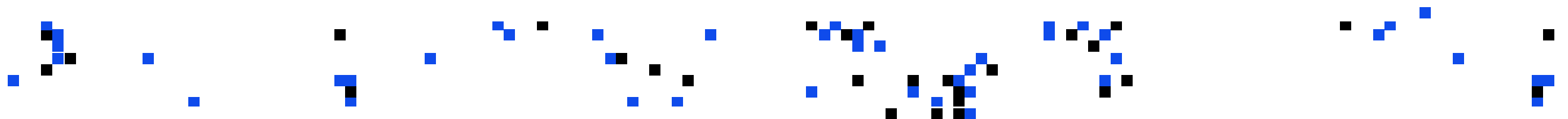
Research key messages

- **Information** about running costs and consumption is sought from strata/ body corporate and online and information about general sustainability improvements is sought from local papers and under door/ communal notices
- Majority were interested in **NABERS** star rating tool at point of sale, however there was a fear around mandatory disclosure decreasing apartment values and
- Sustainability does not feature as a **consideration when buying an apartment** due to tight, expensive housing market and low ratio of perceived savings to cost of purchase



Research key messages

- Survey respondents felt that City of Sydney should be **acting right now** and aim to be best in Australia. Stakeholders felt that City of Sydney were currently acting as leaders in this space



Thank
you

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