

# The bushfires in Australia and housing

↳ By Alan Morris

## 1. Introduction

In the past few months Australia has been in the grip of a fire emergency. Besides the tragic loss of life, huge areas of the country have been burnt, thousands of properties have been damaged or destroyed and in Sydney and Melbourne, Australia's largest cities, residents have had to endure days of hazardous air quality. In 2019, Sydney had 81 days of hazardous, very poor or poor air quality. This was more than the combined total for the previous ten years. The article examines the implications of the fires for housing. First the context is presented. I then examine the question of rebuilding the housing destroyed or badly damaged. Next, I map out the impact of the fires on the housing market. This is followed by a brief analysis of the situation of tenants and it concludes with a review of the government's response.

## 2. The context: unprecedented heat and drought

Climate change is having a profound impact on Australia. Already in 2013, the Climate Council of Australia, an independent body, released a report titled, "Be prepared: Climate change and the Australian bushfire threat". Written by leading climate scientists, it concluded, "In the future, Australia is very likely to experience an increased number of days with extreme fire danger" (Hughes and Steffen, 2013). In March 2019, climatologists at the Australian Bureau of Meteorology reported that the national mean temperature for summer was 2.14 degrees centigrade above the 1961 to 1990 average and one degree above the summer of 2012-213, the previous hottest summer on record (Jones et al. 2019). The mean temperature in January 2019 was 2.91 degrees centigrade above the 1961-1990 January average. The last five summers have each been the hottest on record.

The extreme heat was accompanied by serious drought. The Bureau of Meteorology declared that 2019 was "Australia's warmest year on record ... [and] Australia's driest year on

record" (Australian Government, 2020a). Nationally, the total summer rain was 30% below average and was the lowest for summer since 1982-83 (Jones et al. 2019).

## 3. The fires

The heat combined with the drought meant that by the end of the 2019 summer (February), huge areas were extremely combustible. The former commissioner of Fire and Rescue in New South Wales [NSW] was adamant that the "unprecedented" conditions were due to climate change:

Unprecedented dryness; reductions in long-term rainfall; low humidity; high temperatures; wind velocities; fire danger indices; fire spread and ferocity; instances of pyro-convective fires (fire storms – making their own weather); early starts and late finishes to bushfire seasons. An established long-term trend driven by a warming, drying climate. The numbers don't lie, and the science is clear. If anyone tells you, "This is part of a normal cycle" or "We've had fires like this before", smile politely and walk away, because they don't know what they're talking about (Mullins, 2019).

Remarkably, the first serious bushfire started in July, mid-winter, on the north coast of New South Wales (Australia's most populous state). By mid-August, fires were threatening homes in three towns in New South Wales [NSW] and by mid-September, 26 fires were burning out of control and homes were being lost. On the 8 October, the first tragic deaths occurred. A retired couple were killed when fire raced through their isolated farmhouse. In the second week of November, another six people died, caught in their homes or vehicles. On the 10 November, the NSW premier declared a state of emergency and by New Year's Eve, 666 fires were burning in NSW and thousands of local residents and holidaymakers had had to take shelter on beaches (see Snow, 2020a).

By the beginning of February, nation-wide 33 people had died and about 10.7 million hectares (an area the size of South Korea)

had been burnt. In NSW, the most affected state, 2439 homes had been destroyed and 1024 damaged. About 6.7% of the land surface, 5.3 million hectares, of the state had been burnt, including 2.7 million hectares in national parks: "It is estimated that two thirds of the 251 parks managed by National Parks and Wildlife Services in NSW, were at least half-burnt and 55 were at least 99% burnt" (NSW Government, 2020). Across Australia, at least one billion animals have been killed. This figure excludes fish, frogs, bats and insects (Cox, 2020). The NSW government described the fires as "unprecedented in their extent and intensity" (NSW Government, 2020). A recent nation-wide survey of 3,000 Australian adults found that about 80% of Australians were affected in some way by the fires; 14.4% experienced direct exposure either through property damage or having to be evacuated (Biddle et al. 2020). By the end of January, "13,750 bushfire catastrophe-related claims had been lodged, with losses exceeding \$1.34bn" (in Caisley and Chambers, 2020).

## 4. The fires and rebuilding housing

In relation to rebuilding there are three key questions that require scrutiny. A highly contentious question is whether households be allowed to rebuild in affected areas? Secondly, what are the insurance implications and thirdly, should building standards be revised? These are discussed in turn.

### 4.1. Should affected areas be allowed to rebuild?

A touchy question is whether individuals / households should be allowed to rebuild in the affected areas. Climate change has made many of these areas extremely vulnerable leading environmental scientists and architects to conclude,

there's a risk that rebuilding the same buildings in the same areas may not mitigate the current risks or any future risks under new climate scenarios – existing

and new communities will be vulnerable (Maud et al., 2020).

Several planners have also questioned whether homes should be rebuilt in certain areas. Roz Hansen, a planner who gave evidence at the Royal Commission into the Black Saturday fires in Victoria in 2009 that killed 173 people, is of the opinion that in many of the fire affected areas it is too risky to rebuild:

With some of the places that have been affected by bushfires, the geography of the place is such that the fire will come to the ridge line and then sweep down the valley and then really, there's nothing you can do to stop it (in Henriques-Gomes, 2020).

She recommended that if people are allowed to rebuild in dangerous areas, a condition of the rebuild is that bunkers should be mandatory. Shane Fitzsimmons, the present head of the Rural Fire Service in New South Wales, had a similar view:

Look at some of the most beautiful, picturesque areas where people can live, in amongst the trees, up on the tops of ridges overlooking valleys, and through some of the most scenic and beautiful places: the tranquillity, the wildlife, it's a lovely place to live but inherent with that lifestyle is extraordinary risk (in Snow, 2020).

The Royal Commission into the Victoria Black Saturday fires recommended that the government buy back housing in fire affected areas. The government rejected a wholesale buyback and ultimately the owners of 138 properties in heavily wooded areas were deemed eligible for a buyback.

### 4.2. Rebuilding and insurance

A major factor determining whether households who have lost their homes rebuild, is their level of insurance. Research has found that in previous disasters homeowners tended to be under-insured. Lucas et al. (2020) established that after the fires in 2013 in the Blue Mountains, an area 80 kilometres west of Sydney, in which almost 200 homes were destroyed, 65% of households were under-insured. A study by the Victorian government found that only 46% of households were adequately insured. The level of insurance is a crucial determinant of whether a community will recover. The Royal Commission into the Black Saturday fires concluded,

Community recovery after a disaster is impacted by the adequacy of insurance cover ... When insurance cover is

insufficient to allow for rebuilding, the recovery process will be stifled (Victorian Government, 2017).

The issue of insurance and rebuilding has a significant class component. Affluent households are far more likely to be adequately insured and have the means to rebuild. Many of the fire-affected areas are populated by low-income households who are likely to have inadequate or no insurance. Susan Templeton, a member of the NSW Parliament, lost her home in the fires in the Blue Mountains in 2013. She recounted the impact of unintentional under-insurance on rebuilding.

As a result of unintentional under-insurance, six years on, I have vacant blocks either side of my rebuilt home. My guesstimate is that about a third of homeowners found the extra costs too heavy a burden, and, rather than rebuild, bought an older home in the same or nearby suburb. Another third moved away completely, and only about a third of us rebuilt on the same block (Templeton, 2019).

After the 2017 fires in California, wealthier areas were far more likely to bounce back. Thus, in Sonoma County households "had relatively high insurance rates, and families were able to pay for the reconstruction of their homes ..." (Mazzacurati, 2020). In contrast, in Paradise, a much poorer area, where insurance penetration was much lower, the population plummeted mainly due to low-income households not having adequate insurance and thus being unable to rebuild (Mazzacurati, 2020).

### 4.3. Building standards

Besides these locations often having a high proportion of low-income households who cannot afford home insurance, a key reason why households in these fire-affected areas are generally under-insured, is because the cost of rebuilding is extremely high. Rebuilding in a fire prone area is far more expensive than a conventional home as homeowners will have to comply with tough building regulations. They will have to pay a premium to install metal shutters, door screens, toughened windows, roof protection, and non-combustible materials.

The vice-president of the Australian Institute of Building Surveyors commented that replacement homes "near bushland would have to undergo a bushfire-attack-level assessment. The assessment ... would measure the building's potential exposure to ember attack and radiant heat ... [and consider] the Fire Danger

Index" (in Caisley and Chambers, 2020). The Fire Danger Index takes account of the "slope of the land and types of surrounding vegetation and the type of construction and building materials required to obtain a building permit" (in Caisley and Chambers, 2020). The NSW guidelines also include rules around access, buffer zones and the availability of water supply.

Kate Cotter, the chief executive of the Bushfire Building Council of Australia, estimated that a million homes in Australia are in a "flame zone" and that "over 90% of our building stock is not built to bushfire building standards" (in Florance and Hermant, 2020).

Climate change means that the fires are far more intense and there is concern that however rigorous the building standards, homes will not be able to withstand the ferocity of bushfires in the present period. Peter Georgia, an architect who has a holiday home on Kangaroo Island off the coast of South Australia, (about half of Kangaroo Island, 215,000 hectares, was scorched by the recent bushfires), questioned whether stringent building standards would be adequate in light of the intensity of the fires, he responded, "It's taken away that confidence that, as an architect, I could assist people in an absolute way to prevent loss. I just don't know that that's an achievable aim anymore" (in Florance and Hermant, 2020).

## 5. Impact on the housing market

Businesses in the affected areas, particularly tourism and agriculture, have been severely affected, resulting in substantial lay-offs of staff. This in turn has meant that farmers, small business owners and their staff are struggling to cope with mortgage repayments (Eyers, 2020). In a report on the impact of the fires on the housing market, the rating agency, Standard & Poor's stated that they expected mortgage arrears to increase over the coming months and property prices in the affected areas to probably drop. Prices will also be affected by a drop in demand:

Following a natural peril event, housing prices might drop and the ability to sell property could be adversely affected should the area be deemed less desirable or of higher risk to buyers, as occurred after the recent California wildfires and the flooding of the Brisbane River in Queensland in 2011 (in Eyers, 2020).

A property valuer commented,

The market will shy away from bushfire-prone property for six to 12 months after

a major fire incident [and that] [t]his is even more so the case in the metro or suburban areas than the country as people have more choices to buy away from the bush in metro areas.

She was also concerned that property prices would be affected by the response of banks and insurance companies.

Insurance companies and banks can shy away from lending money or providing cover to those areas at a reasonable price and they either won't provide lending or insurance cover or they will premium load it ... "So you might only be able to borrow up to a certain loan-to-value ratio, or you might pay a higher interest rate (in Fuary-Wagner and Schlesinger, 2020).

Although the area burnt is extensive, and house prices are almost certain to drop in the areas burnt, the absolute number of people affected is small relative to the Australian population. About 2% of Australia's population has been directly affected. In the metropolitan areas, especially Sydney and Melbourne, the fires have had no impact on property prices. Both Sydney and Melbourne recorded significant gains in house prices over the last quarter of 2019 and the beginning of 2020 (Wright, 2020).

## 6. Renters

It is unclear how many tenants have been affected by the fires. The rights of tenants who have been forced to evacuate are limited. If the property they have been living in has been destroyed or is uninhabitable, the landlord is under no obligation to assist the tenant find alternative accommodation or compensate them for lost possessions. However, the tenant does have the right to terminate the lease immediately as does the landlord. In the case of properties that are habitable, but damaged, the tenant has the right to request any urgent repairs and seek a rent reduction. If urgent repairs are not carried out, and the tenant incurs costs as a result, for example they have to reside in a hotel for several nights, they can seek compensation from the landlord (see Tenants' Union of New South Wales, 2020).

## 7. The Government's response

People who have lost their homes or been seriously affected by the fires, can claim a one-off payment from the federal government of \$1,000

for every adult and \$400 for every child. The amounts offered by the conservative Coalition government<sup>1</sup> has been described as "seriously inadequate" by the CEO of the Australian Council of Social Services. If individuals have lost their source of income, they can claim the unemployment benefit for a maximum of 13 weeks.

The NSW state government has established a Bushfire Housing Assistance Service. People in the affected areas can use it to get interest free loans for rental bonds and rental payments. However, they are still forcing households who have lost their homes and have purchased a new home to pay stamp duty. A person whose home was destroyed in the recent fires wrote a plaintive letter to the *Sydney Morning Herald*:

After losing our home in the recent bushfires in Conjola Park, and given our advanced age, we made the decision not to rebuild in that area. So, we found a neat, clean cottage in Ulladulla and, with our adequate insurance payout, bought it. The estate agent informed us that we would have to pay just over \$18,000 in stamp duty ... We and many other older bushfire refugees would have had no intention of buying a new property prior to the fires. Does the NSW government really want to make a profit out of our loss? (Parris, 2020).

In relation to climate change policy, the fires have forced the conservative Coalition government to half-heartedly acknowledge that there is a link between the fires and climate change. However, within the Coalition there are several MPs who are still climate denialists and sceptics who have substantial political clout. Also, in order to win government, it almost essential that the numerous seats in the coal-mining areas are won. Thus, both major parties are refusing to phase out coal and there has been no call by the government or the main opposition Labor Party for a moratorium on new coal and gas mining. A Royal Commission has been established to look at land management practices, national coordination and ways of "improving resilience and adapting to changing climate conditions". However, the Commission has not been asked to look at the government's derisory carbon reduction policies.

## 8. Conclusions

It is apparent climate change is creating unprecedented issues and challenges. In

respect to housing, there are now vast tracts of Australia which are no longer safe habitats and it is likely that as warming continues more areas will become unsafe. Many of these areas are occupied mainly by low-income households who are not able to afford housing in the metropolitan areas. This is especially true for people dependent on government benefits for their income.

The one silver lining is that the fires have renewed calls for the government and the Labor Party to be more proactive in relation to cutting emissions. The opposition Labor Party has pledged zero-carbon emissions by 2050. The right of centre Coalition in power at present, reading the public's mood, may decide to follow suit. However, for the moment, the governing Coalition party has vigorously attacked the Labor Party for not costing its zero-carbon emission policy (Remeikis, 2020).

## References

- Australian Government 2020** Annual climate statement 2019. Canberra: Australian Government, Bureau of Meteorology. <http://www.bom.gov.au/climate/current/annual/aus/#tabs=Overview>
- Biddle, N., Edwards, B., Herz, D. and Makkai, T.** (2020) Nearly 80% of Australians affected in some way by the bushfires, new survey shows. *The Conversation*, 18 February. <https://theconversation.com/nearly-80-of-australians-affected-in-some-way-by-the-bushfires-new-survey-shows-131672>
- Caisley, O. and Chambers, G.** (2020) Bushfires: Tougher laws, more red tape for bushfire rebuilds. *The Australian*, 19 January. <https://www.theaustralian.com.au/nation/bushfires-tougher-laws-more-red-tape-for-bushfire-rebuilds/news-story/0bf72b2214cf830af6e26810cee44a6>
- Cox, L.** (2020) A billion animals: some of the species most at risk from Australia's bushfire crisis. *The Guardian*, 14 January. <https://www.theguardian.com/australia-news/2020/jan/14/a-billion-animals-the-australian-species-most-at-risk-from-the-bushfire-crisis>
- Mazzacurati, E.** (2020) Wealthy will likely rebuild faster after fires than other communities, if California is any guide. *The Fifth Estate*, 30 January. <https://www.thefifthestate.com.au/articles/economic-impacts-of-bushfires-what-californias-wildfires-may-foreshadow-in-australia/>

<sup>1</sup> The Coalition is constituted by the Liberal Party and the National Party. The National Party's power is in the regional areas.

- Eyers, J.** (2020) Fires to 'send property prices down, mortgage defaults up'. *Financial Review*, 13 January. <https://www.afr.com/companies/financial-services/fire-fallout-to-hit-property-prices-mortgage-arrears-20200113-p53qyo>
- Florance, L. and Hermant, N.** (2020) Bushfire experts say it's time to revisit Black Saturday recommendations and stop people rebuilding in highly dangerous areas. *ABC News*, 20 January. <https://www.abc.net.au/news/2020-01-20/government-buybacks-for-properties-extreme-bushfire-danger-zones/11851884>
- Fuary-Wagner, I. and Schlesinger, L.** (2020) Property buyers to avoid bushfire hotspots. *Financial Review*, 15 January. <https://www.afr.com/property/residential/property-buyers-to-avoid-bushfire-hot-spots-20200114-p53rfrh>
- Henrique-Gomes, L.** (2020) Bushfire destroyed homes should not be rebuilt in riskiest areas, experts say. *The Guardian*, 19 January. <https://www.theguardian.com/australia-news/2020/jan/19/bushfire-destroyed-homes-should-not-be-rebuilt-in-riskiest-areas-experts-say>
- Hughes, L. and Steffen, W.** (2013) Be prepared: Climate change and the Australian bushfire threat. Sydney: Climate Council of Australia. <https://www.climatecouncil.org.au/uploads/c597d19c0ab18366cfbf7b9f6235ef7c.pdf>
- Jones, D., Bettio, L. and Tobin, S.** (2019) 2018-19 was Australia's hottest summer on record, with a warm autumn likely too. *The Conversation*, 1 March. <https://theconversation.com/2018-19-was-australias-hottest-summer-on-record-with-a-warm-autumn-likely-too-112616>
- Lucas, C., Eriksen, C. and Bowman, D.** (2020) A crisis of underinsurance threatens to scar rural Australia permanently. *The Conversation*, 7 January. <https://theconversation.com/a-crisis-of-underinsurance-threatens-to-scar-rural-australia-permanently-129343>
- Maud, M., Maud, K. and Gajendren, T.** (2020) Before we rush to rebuild after fires, we need to think about where and how. *The Conversation*, 17 January. <https://theconversation.com/before-we-rush-to-rebuild-after-fires-we-need-to-think-about-where-and-how-130049>
- Mullins, G.** (2019) This is not normal: what's different about the NSW mega fires. *The Sydney Morning Herald*, 11 November. <https://www.smh.com.au/national/this-is-not-normal-what-s-different-about-the-nsw-mega-fires-20191110-p5395e.html>
- NSW Government** (2020) Understanding the impact of the 2019-20 fires. Sydney: Department of Planning, Industry and Environment, NSW Government. <https://www.environment.nsw.gov.au/topics/parks-reserves-and-protected-areas/fire/park-recovery-and-rehabilitation/recovering-from-2019-20-fires/understanding-the-impact-of-the-2019-20-fires>
- Parris, C.** (2020) Profit from misery ... seriously? *The Sydney Morning Herald*, 24 February. <https://www.smh.com.au/national/nsw/give-us-leaders-who-can-see-beyond-the-next-election-20200223-p543fy.html>
- Remeikis, A.** (2020) Coalition reignites climate war over Labor's emissions policy-politics live. *The Guardian*, 24 February. <https://www.theguardian.com/australia-news/live/2020/feb/24/coalition-reignites-climate-war-over-labors-emissions-policy-politics-live?page=with:block-5e52e9498f0811db2fafd184>
- Snow, D.** (2020a) Beyond recognition: Lightning, climate change and a landscape desiccated by drought created a 'black summer'. *The Sydney Morning Herald*, 8-9 February.
- Snow, D.** (2020b) Financial shocks looms for those looking to rebuild, RFS boss warns. *The Sydney Morning Herald*, 18 January. <https://www.smh.com.au/politics/nsw/financial-shock-looms-for-those-looking-to-rebuild-rfs-boss-warns-20200117-p53sd2.html>
- Templeton, S.** (2019) They knew we were under-insured for bushfires six years ago – and little has changed as more homes are lost. *The Sydney Morning Herald*, 8 December. <https://www.smh.com.au/national/nsw/they-knew-we-were-under-insured-for-bush-fire-six-years-ago-and-little-has-changed-as-more-homes-are-lost-20191206-p53hfm.html>
- Tenants' Union of New South Wales** (2020) Disaster damage. Sydney: Tenants' Union of New South Wales. <https://www.tenants.org.au/factsheet-22-disaster-damage>
- Victorian Government** (2017) Promoting financial resilience to emergencies through home and contents insurance. Melbourne: Victorian Government. <https://providers.dhhs.vic.gov.au/sites/default/files/2018-02/promoting%20financial%20resilience%20to%20emergencies%20through%20home%20and%20contents%20insurance%20strategy.pdf>
- Wright, S.** Sydney, Melbourne house values surge through start of the year. *The Sydney Morning Herald*, 3 February. <https://www.smh.com.au/politics/federal/sydney-melbourne-house-values-surge-through-start-of-the-year-20200203-p53x52.html>

Copyright of Housing Finance International is the property of International Union for Housing Finance and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.