

Should energy efficiency ratings be compulsory?

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For many prospective homebuyers looking to purchase an established home, it can be difficult to get an accurate picture of energy efficiency.

Whilst places like the Australian Capital Territory (ACT) have made it mandatory to disclose a home's energy efficiency rating (EER) at the point of sale, REIWA President Damian Collins told West Real Estate he did not believe it needed to be mandatory in Western Australia.

"While it is very common in the commercial sector where electricity bills can cost upwards of \$50,000 to \$300,000 per year – depending on the size of the business – there isn't the same need in the residential housing sector where the average bill is around \$150 to \$200 per month," he said.

"Therefore, it wouldn't be seen as a viable option for people to invest their money and get these types of reports done."

Mr Collins said although energy assessments would give greater clarity to potential buyers and tenants who were trying to determine what the overall running cost of a home might be, it made more sense to leave it at the discretion of the buyer and/or seller.

"I know the ACT has made it mandatory, but I don't see it adding enough value to make it mandatory in WA," he said.

"It would also be very challenging and expensive. There are over 50,000 home sales in Western Australia in any given year; how would we get inspectors or energy efficiency people to regional and remote areas to assess those homes if it was compulsory?"

"However, if people want to get their home's energy efficiency level rated before selling, then they have the option to do so.

"Similarly, if a buyer wants to put it in the contract – subject to an energy efficiency report to their satisfaction within seven days of purchase – they certainly can do that too. But I personally believe we have enough compulsory conditions, which means this should be left up to the person buying or selling the property."

RMIT University Senior Lecturer in the School of Property, Construction and Project Management Dr Neville Hurst said a mandatory energy efficiency rating could have wide-ranging benefits, including lessening a household's health and budget stresses.

"These challenges have come to the fore during the COVID-19 pandemic as people spend more time at home," he said. "In a home with a low star rating, it can be hard and costly to maintain a comfortable temperature and occupants' health can suffer."

Dr Hurst said many house hunters found it difficult to obtain basic information like energy star ratings in the home rental and ownership markets because many estate agents lacked sufficient knowledge around energy efficiency and its impact on the housing market.

"The problems can only be overcome if state and federal governments work together to make it mandatory to disclose the energy efficiency of housing at point of sale," he said.

"Such transparency would also provide more options to owners. Mandatory disclosure does influence the housing choices buyers make. Properties with higher energy ratings are often more appealing and fetch higher prices.

"Mandatory disclosure is no panacea for improving the poor energy performance of Australian housing, particularly the rental properties that would benefit from minimum standards.

"However, mandatory disclosure is an essential element of a suite of policies that governments should implement to drive the transition towards net-zero-carbon, healthy homes."