

WAAA POLICY PRIORITIES 2021

Greater **PROTECTION** for apartment owners

CONFIDENCE in apartment quality

Greater range of housing **CHOICE**



INTRODUCTION

West Australia Apartment Advocacy (WAAA) is the voice for West Australians who choose an apartment as their home.

Established in 2016, the organisation has become a consumer protection arm for the 175,000 WA apartment owners and tenants providing education, lobbying the WA State Government for legislative change and advocating for quality-built developments.

Driven by State Government Planning Policy - notably Perth and Peel @3.5 Million which details medium and high-density development needs for the next twenty years - there has been significant growth in new and retro-fitted apartment developments over the past ten years. This growth has been matched by a growth in understanding of the needs of all stakeholders in the industry, including landowners and developers, State and Local Government agencies, apartment owners and tenants.

POLICY OBJECTIVES

This policy paper has been developed to provide guidance to State and Local Governments to ensure greater protection for apartment owners and tenants.

The objectives seek to improve the consistency of decision making on issues affecting apartment owners and tenants including:



MAIN ISSUES

Alongside the growth in new and retro-fitted developments, there has been similar growth in understanding the needs of all stakeholders in the industry.

The National Apartment Owners Research study conducted by Australian Apartment Advocacy (AAA) in January 2019 with 1100 WA apartment owners and 3300 nationally, showed that 86% of apartment residents indicated they were 'satisfied' with their apartment lifestyle and that 65% would recommend apartment living.

Survey respondents stated they liked that their apartment was close to amenities like public transport, shops, cafes, and parks. A common thread was the need to create 'villages' around apartment clusters as a high priority for what is deemed quality of life demonstrating that owners and tenants desired the need for a sense of 'community'. This theme aligns fully with the State Government's MetroNet model, where apartments are clustered around public transport nodes.

As a result of this and subsequent research, WAAA has coined the phrase "easy breezy" for apartment dwellers.

Quality builds

Since the release of the Shergold and Weir Report, Building Confidence - Improving the effectiveness of compliance and enforcement systems for the building and construction industry across Australia in 2018, each Australian State has adapted to the findings which found serious flaws in the quality of apartment construction, with Sydney's Opal and Mascot Towers the most recent and disastrous examples of this issue.

Safe buildings became the number one mantra for NSW as the State focused on building apartments that would stand the test of time and hence buoy consumer confidence for those with this style of housing choice. The NSW Building Commissioner has been extremely proactive in this area including a case where a developer has been required to remove and replace 320 bathrooms, at an expense of \$6 million in one development.

The WA State Government plans to follow NSW's example with new legislation and building standards that are expected to be released in the next 2-3 years.

In the meantime, the WA State Government recently passed new phoenix laws. However, despite this legislation some builders/developers continue to place their companies in receivership prior to the 6 Year Statutory Period concluding, leaving apartment owners faced with the ongoing repairs to their building. This in turn places a financial hardship on the apartment owner which ultimately gets passed down to subsequent buyers, if the repairs are not carried out.

WA is fortunate that the apartment lifestyle is still at embryonic stages in comparison to NSW and Victoria, with apartments representing only 5.7% of the current State housing mix (Source ABS), although the State Government plans to increase that tenfold over the next 20 years.

Further Defects Research conducted by WAAA in October 2019 indicated that if apartment owners had experienced defects in their building or apartment only 40% would be inclined to recommend an apartment. In contrast those that had not, 65% would be likely to recommend apartment living. As such ensuring safe and quality apartment builds in WA is vital to the ongoing provision of housing choice and confidence in the apartment sector.

Informed decisions

There are currently 300,000 strata lots in WA, with plans to deliver another 8000 apartments in the next four years (Source JLL Q4 2020).

Recent legislative changes to the Strata Act have provided greater governance and protection for apartment owners including the provision of the Ten Year Building Maintenance Plan. The release of Australia's first Apartment owner and buyer education kit by WAAA in 2020 has also informed and educated this section of the market, in terms of what to expect both prior to and living in an apartment. Since its launch in November 2020 WAAA has issued over 2000 copies of the kit. However, education continues to be essential for both these elements of the apartment sector.

It is evident that with these strata changes, some Strata Managers have not been able to keep up to date and hence provide accurate advice to their lot owners. WA is the only Australian State that does not regulate the Strata Management sector and again research conducted by WAAA with owners in 2018, prior to the new Strata Act passing, indicated that 53% would change their Strata Manager.

As this community of housing owners only continues to grow, it is more important that Strata Managers are knowledgeable about the new Strata Act and provide guidance to their staff and ultimately all apartment owners. In turn there is a need to further educate Strata Companies on their role in sustaining the buildings they manage in the long term.

Greater acceptance of housing choice

As the number of new and retro-fit apartment builds have increased in the past ten years there has also been a corresponding rise in negative community comment, much of this reported in the media. This is despite the fact that this type of dwelling will represent a significant portion of the housing stock, as Perth expands to 3.5 million residents.

Again, the Apartment Owners Research conducted by AAA in 2019 demonstrated that people chose apartments because they were seeking something smaller to maintain, rather than the fact that the children had left home.

The security that apartments provide coupled with the fact they are less maintenance and the ability to lock up and leave, were also high on the buyers' reasons for purchasing. While there is ongoing discussion about apartments being more suited to the city or inner-suburbs many residents in a community would prefer to stay in their suburb, where they have formed relationships and connections. The opportunity to 'right-size' into an apartment in the same area is what they seek.

As such housing choice must be diversified and offered in a variety of locations to accommodate (in particular) the growing number of baby boomers who are seeking to right-size.

This is even more so as WA's housing market heats up and affordability comes to the fore for new home-owners, single parents and the elderly.

WHAT OWNERS AND TENANTS TELL US

Collectively, the research undertaken by WAAA has identified a number of common issues that have arisen for apartment owners with many making contact with WAAA in its role as the voice of apartment owners and tenants. Specifically, these issues are:

Owner Protection:

- Developers continue to liquidate inside the Statutory 6 year timeframe, leaving owners with no course of redress under current legislation.
- Strata Management companies are failing under the current law to oversee the development and implementation of the Ten Year Maintenance Plans.
- The lack of a formal Consumer Protection Agency dedicated to apartment owners and tenants.

Confidence in Apartment Quality

- Research conducted by Australian Apartment Advocacy in October 2019 found that two thirds of WA apartment owners experienced defects in their apartment.
- Water penetration from outside (52%), poor waterproofing in the apartment (36%) and structural cracking (42%) were the top complaints.
- 33% still had not had the defect fixed after two years.
- Furthermore 32% had no confidence that the defects would be repaired.
- Of those who experienced defects only 40% would recommend apartment living compared to 65% who did not experience defects.
- The National research conducted in January 2019 also found that only 14% of WA buyers felt comfortable buying off the plan.

Greater range of housing choice

- 79% of WA's housing stock is detached housing.
- 44% of the dwellings in WA are four or more bedrooms
- 5.7% are apartments or flats and 14.1% semi-detached (Source ABS).
- The great bulk of current housing stock in WA is homogenous and does not cater for the various lifecycles.
- The National Apartment Owner Research demonstrated that when considering what they would purchase next (after their current apartment) 54% would consider an apartment, 46% townhouse and 41% house.
- 46% desired a coastal location, 42% riverside, 42% city and 24% suburbia.



CONFIDENCE THROUGH STRONGER PROTECTION

There is no doubt that providing a range of policies to protect the apartment sector will increase the degree of confidence from the buyer market. As can be seen, buyers feel nervous about buying off the plan, this is primarily as they wish to view the finished product. If the WA Government puts into place strong regulation for critical construction factors such as concrete and water membrane and provide a guarantee back up plan in the case of phoenix companies, then the market will feel assured that the risk is a calculated decision. Until there is equity between house and apartment protection policies, apartments will always be viewed as a secondary choice.

MetroNet depends on the provision of apartments as a dominant part of the housing mix. But as WAAA's data has shown 70% of buyers are managers and professionals and 23% retirees. These are empowered buyers and if they feel that housing is a safer choice than apartments, they will defer to the housing choice which they know and trust.

Trust in the consumer protection system and this housing choice is paramount to the long term success of the apartment sector.

THE POLICY

WAAA is seeking a policy guided by three central principles - **Protection; Confidence; Choice:**

Owner Protection:

- That the WA State Government establish an Apartment Repatriation Fund for those apartment owners who do not have the protection of 6 Year Statutory Warranty Period as their construction/development company has been placed into receivership, liquidation or phoenix. This is to complement the existing HII for buildings three storeys or below.
- WA State Government to commission an audit to be undertaken across all apartment strata bodies to determine that the Ten Year Maintenance Plan has been established and implementation has commenced

- WA State Government allocate the necessary resources for the creation of a dedicated Consumer Protection Service for apartment owners, including legal and independent strata management advice and annual building inspections.

Confidence in apartment build quality

- WA State Government to regulate the Strata Management industry.
- WA State Government to endorse a six-step quality assurance build programme to verify new builds, developed by the WAAA in consultation with industry.
- WA State Government to fast-track legislation in relation to quality assurance for all future apartment construction projects (on par with NSW).
- That the WA State Government implement a regulation and licencing regime for all water membrane installers and concrete construction specialists to ensure compliance with Building Standards.
- State Government will legislate that WA Developers can only report strata sqm in all marketing material instead of architectural area, hence ensuring a level playing field.

Greater range of housing choice

- That the WA State Government lead the initiative with build-to-rent housing models.
- WA State Government to identify locations within each suburb in the Greater Perth region suitable for apartment housing (i.e, close to public transport, shops and services and not confined to main roads or public transport stations) and zone accordingly.
- WA State Government endorse a mass education/ awareness programme about housing choice, created by WAAA.
- WA State Government to provide incentives for baby boomers to 'right size' from the traditional family home.
- WA State Government to provide financial incentives to industry for the creation of family-orientated design apartments.



For more information contact
Sam Reece, Director WA Apartment Advocacy
Level 24, 197 St Georges Tce, Perth WA 6000

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