

Royal Institution of Chartered Surveyors

Submission to the Mandatory Disclosure of Commercial Office Building Energy Efficiency Consultation Regulation Document

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Royal Institution of Chartered Surveyors (RICS) Overview

The Royal Institution of Chartered Surveyors ("RICS") is an independent, membership and standards organisation committed to acting in the public interest and providing impartial, authoritative advice on major issues affecting business and society. Our mandate is to maintain and improve standards in the property professions.

RICS has 140,000 members globally and represents, regulates and promotes the work of land, property and construction professionals throughout more than 140 countries. Across Australia and New Zealand RICS:

- is a professional body, registered as 'RICS Australasia PTY LTD'
- has 2,000+ fully qualified Chartered Surveyor Members and 3,000+ Student and graduate trainee members
- accredits more than 20 university degree programmes
- runs over 80 CPD events nationally per year

RICS Members are bound by strict rules of conduct and ethics and are governed by a set of rules covering amongst other topics; client's money, professional indemnity insurance, life-long learning, practice standards, conflicts of interest and general professional conduct. These rules are monitored and enforced by RICS.

RICS Oceania Sustainable Steering Group

Specific comment on the proposed scheme and the consultation papers has been provided through the expertise of the RICS Oceania Sustainable Steering Group.

In 2006 the RICS Oceania Built Environment Group set up a Sustainable Steering Group in order to meet the needs of members and property professionals as the Green wave hits the industry. This Steering Group aims to increase the knowledge and awareness of sustainability issues throughout the profession by actively encouraging and promoting all forms of sustainable working practice.

Members of the working party cover the spectrum of RICS property professionals and are based in both Australia and New Zealand:

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|--------------------------|---------------------------------|
| ▪ John Goddard FRICS | Chairman, John Goddard & Co. |
| ▪ Clive Warren FRICS | University of Queensland |
| ▪ Philip Whiting MRICS | PV Interiors |
| ▪ Spike Boydell FRICS | University of Technology Sydney |
| ▪ Colin Sutherland MRICS | Rawlinsons (NZ) |
| ▪ Jim Boyce MRICS | Greater Taree City Council |
| ▪ Judith Knott MRICS | JK Consulting |
| ▪ Richard Reed MRICS | Deakin University |
| ▪ Sara Wilkinson FRICS | Deakin University |
| ▪ George Earl MRICS | Bond University |
| ▪ Mike Hewardine MRICS | (NZ) |

Comment on Consultation Regulation Document

1. RICS supports the view that there is a need for further effort on the part of building owners, investors and occupiers to provide a more sustainable commercial building environment. Industry through voluntary codes and general good practice has been improving the quality of buildings for many years.
2. **RICS has a strong preference for voluntary codes of conduct over government regulation as proposed in the consultation documents.** The take up of NABERS as reported in the consultation document does not match with the number of reported certified buildings. Analysis of current voluntary measures show that only a small proportion of buildings are currently either green star or NABERS certified and of those a large proportion are in government ownership. In addition a disproportionate number of NABERS rated buildings are located in NSW reflecting the origins and nature of this model ¹.
3. This lack of voluntary certification may be a reflection of the perceived value and quality of the measures to the property industry. If tenants and investors valued the certification then the market forces would have resulted in a greater take up of certification. RICS believes that mandating certification will force owners to measure the efficiency of buildings but it will not force occupiers and investors to place any value or credibility in the measures. It is also important to note that NABERS is not a measure of *energy efficiency* (the aim of the mandatory disclosure) but rather a tool for quantifying greenhouse gas emissions.
4. The mandatory scheme will impose a cost on sale and leasing over and above current costs. These costs will be particularly high in the case of leasing as this will, in most large buildings, result in annual measurement of the building and tenancies. These costs may rightly be perceived by industry as a further tax on property. In addition, the mandating of the NABERS methodology - a public sector developed and administered tool - may not be the most inclusive approach to gaining market acceptance of the proposed methodology.
5. The proposed disclosure of efficiency is limited to sale and leasing documentation and advertising. This very restricted disclosure will, unlike the UK system, not be freely accessible to the general public or employees within a building. Similarly this proposal will exclude public sector assets and those owned and operated by large corporations from being publicly disclosed. A system that shows at a building level the energy efficiency and is publicly displayed would have a much more profound effect on the building owner and occupiers.
6. **Mandating energy measures of tenancies at the letting phase poses significant problems and is not supported by RICS.** In effect, the proposed scheme dictates

¹ Warren, CMJ 2009, 'Who needs a Green Star?', paper presented to Pacific Rim Real Estate Society - Annual Conference, Sydney, 19 - 21 January.

that a building owner must let a space based on a measure of energy use by the previous outgoing tenant. The way one tenant operates and has operated is completely irrelevant to the way another tenant may operate in that space in future. Owners have little or no control over the use of the premises by a tenant and will be placed at significant disadvantage or be forced to manipulate the measures of vacant space to achieve a suitable rating. The most energy efficient building is an empty one, surely the objective of this proposal is not to reward poorly managed buildings. RICS holds that tenancy level energy measurement should be a matter for the current tenant, any measure should be of that tenant's use and reported by the tenant on an annual basis. Such a model would demonstrate to the employees and public the efficiency of that occupier.

7. There are clear disadvantages to owners and tenants that use facilities in a more efficient and effective way. A building that is more intensively used in terms of operating hours and in terms of the number of employees per meter of usable space will inevitably use more energy due to increased heat loads and use of equipment. The metrics in their current form will discourage this efficient use of space and favour those organisations that have large space allocations per employee. The only way of addressing this concern is to develop measures which look at the efficiency and effectiveness of space use and its interrelationship with energy. While the objective of the government proposal is clearly to reduce greenhouse gas emissions the tool chosen is a very blunt instrument and not reflective of contemporary space use planning within office environments. By way of example an accounting firm which encourages 'hot desking' and home working will be disadvantaged by the intensity with which it uses its hot desk facilities. It will also gain an advantage through home working in that employees will not be using tenancy energy, they will be at home with the air-conditioning running using disproportionately more energy than in a controlled office environment.
8. The minimum building floor area NLA should be 5,000 not 2,000 sqm. 2,000sqm buildings are fundamentally different from large buildings and cannot really be compared. The 2,000sqm size would also increase the number of ratings carried out and would be an unnecessary cost burden on the industry. There are an insufficient number of trained assessors in Australia to carry out the volume of work that would be generated. The limited number of certified assessors compared to the very large number of certificates that will be required will necessitate a major training push to meet the demand. To make it simpler, the energy utility companies should be required to make the energy data available to the person carrying out the rating, rather than having to try to find historic bills. Further, if sales and leasing become dependent on a limited number of assessors then the costs of assessment will inevitably rise. It is also likely that as major sales become inexorably linked to the validity of an assessors certification of a building then the level of professional indemnity insurance that an assessor will need is likely to increase considerably.

Summary

While there is a need to address climate change and energy use in buildings, the proposal outlined in the consultation papers does not meet either the needs of the property industry or fulfil the objectives of government. A more open and transparent building rating system which relies on much less subjectivity on the part of assessors

and those devising the rating tool is likely to be better received. Mandating energy schemes by governments should be seen as a last resort.

RICS would rather see the continuing use of a voluntary disclosure system with greater investment on researching methods of better using existing spaces, stronger incentives to improve building efficiency, such as the use of accelerated depreciation, and grants to encourage the upgrading of buildings by the introduction of energy saving measures.

RICS would be pleased to further discuss this submission and related issues with government.
