Landlords leading the way
Making rental houses better for tenants

Landlords can take steps to make their investment more comfortable and efficient to live in. But with many measures at the landlord's discretion, is it time to enforce a minimum standard in rental houses? By Jacinta Cleary

THOSE looking to rent a home often have no way of assessing the energy efficiency of a place, other than what they can glean from a rapid house inspection with tens of other house hunters in attendance.

The dwelling's energy efficiency often becomes apparent on the tenant's first hot or cold day in the house, though, when the sun hits the uninsulated extension tacked on the back of the home, or there's a cold draught through a gap in the wall. The heating is switched on, or the air con if there's a system in place, and the winter and summer electricity bills steadily rise.

Switched on tenants who can afford the upfront cost will make their own modifications to improve thermal efficiency, with window coverings for instance to keep the heat inside in winter, but it's really a landlord's responsibility to increase the energy efficiency and year-round comfort of their investment property.

Australia's rental houses are only required to meet the building standards that were in place when they were built, which for some homes could be 100 years ago. With this disparity in mind, Environment Victoria is campaigning as part of the One Million Homes Alliance for a common minimum standard for Victoria's rental houses. Campaigns in other states include the ACT Comfy Homes campaign, which is calling on the ACT government to establish a similar minimum standard.

As well as the environmental benefits that energy efficiency upgrades bring, the campaigns bring attention to the social issues associated with living in a house that's uncomfortable and unaffordable to run. Environment Victoria's *Bringing Rental Homes Up To Scratch* report highlights that Victorians are renting for longer due to home ownership being increasingly out of reach, with the share of households renting for more than ten years doubling since 1990 and, of the 600,000 rental households in Victoria, the proportion of families with children has risen to 37%. Inefficient housing can have a negative impact on health, especially that of the very young and elderly. ABS data found that renters were the largest group of households unable to heat their home (37%) or pay their bills on time (42%), yet they are around half as likely as owner-occupied homes to have basic energy efficiency measures such as insulation that would help reduce bills.

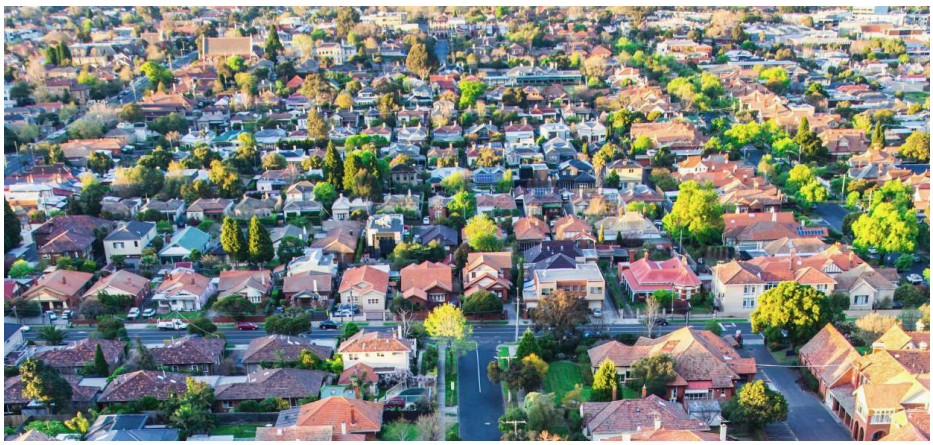


Image: One Million Homes Alliance

↑ Environment Victoria is campaigning for rental reform as part of the One Million Homes Alliance, a group of organisations (including the ATA, *ReNew*'s publisher) who all recognise the social, environmental and economic benefit of efficient housing.

Incentives exist to help make all houses more energy efficient, but with their uptake in an investment property at the discretion of a landlord, the benefits rarely flow through to tenants.

What's a decent standard?

With rental households able to benefit from basic improvements, what should be the enforced standard in a rental house? Environment Victoria's recommendations include the installation of ceiling insulation, draught-sealing, low-flow shower heads, efficient lighting such as LED replacement of halogen downlights and dual-flush toilets. They also recommend the installation of efficient electric hot water and heating systems such as heat pump hot water systems and reverse-cycle heating and cooling systems, as an end-of-life replacement for gas systems. Gas price increases mean that many old and inefficient gas heaters are very expensive to run and contribute to winter bill hikes.

Research by Environment Victoria suggests that a package of the most cost-effective energy and water efficiency measures,

including insulation, draught-sealing and low-flow shower heads, would cost about $5500 per house. They propose an implementation period of five years, so a cost of around $1155 per year.

Landlords setting their own standards

In the absence of minimum standards in rental houses around the country, some landlords are working independently to make their investment properties more comfortable and affordable for tenants to live in.

Investment property owner Jane Fisher has insulated several houses, including one in Canberra as part of a state government energy efficiency drive, an incentive she found out about by accident in the local paper. The offer included a household energy audit where she could receive a $500 rebate if she spent at least $2000 on some of the suggested improvements. She received the rebate for the installation of insulation in the floors, walls and ceiling that time, but has installed insulation in houses that she's rented out in Toowoomba and Melbourne without rebates, including the walls and ceiling in the Melbourne house. "The house was very cold so it was an ethical decision," she says. "Insulation makes a big difference to the health of the vulnerable, and makes such a difference to comfort levels."

Like Environment Victoria, ceiling insulation is at the top of Jane's list of basic energy efficiency measures in an investment property. She says more houses should have LEDs, there should be more shading on windows, ceiling fans should be installed and hot water systems should be switched to efficient electric when they fail. "When appliances are being replaced there needs to be an incentive to install a more efficient electric version," she says.

When the gas hot water system at her Melbourne property failed, Jane replaced it with a heat pump hot water system, which she received a rebate for via the federal government STC scheme. She is now considering adding solar panels and a reverse-cycle heating and cooling system to make the house all-electric. She says some sort of sharing arrangement on the solar system would give her extra incentive, where she receives part of the solar feed-in tariff to help pay for the upfront cost.





Image: Lorraine Bull.

↑ Landlord Lorraine Bull recently installed a 5.4 kW PV system on her investment property. The top photo shows some of the 20 270 W Astroenergy polycrystalline panels, while the photo below shows the Zeverlution 5000 inverter, a 1.2 kW Enphase modular battery and an Enphase Envoy battery controller from Hello Solar.

New PV system for tenants

Lorraine Bull is installing a 5 kW solar and small battery system on her investment property this summer, and says that a solar purchase agreement for landlords and tenants would help drive more installations on rental properties. "Government incentives to encourage energy efficiency measures such as solar panels and hot water would be an advantage to the landlord via rebates or tax incentives, the tenant with reduced bills and greater comfort, and government emissions targets. They could possibly devise a formula where the tenant purchases electricity from the PV system owned by the landlord, which may form part of the lease." (See 'Solar for renters and apartment dwellers', p. 20 in this issue, for more on solar schemes for rentals.)

Lorraine says the 14-year-old brick-veneer house she bought two years ago in Pakenham in Melbourne's outer east is "a small project" that she always intended to convert into a self-sufficient house. The fact that it's leased out to tenants hasn't changed her plans to one day make the house run on all-electric appliances. "I wanted to show that relatively new houses can benefit by having energy upgrades. When many new homes are poorly designed and

Tax offsets and other energy efficiency incentives for landlords

The Australian Taxation Office (ATO) offers tax deductions for energy efficiency improvements made to rental properties. Maintenance, repairs and servicing costs such as sealing cracks and gaps and repairing damaged insulation may be able to be claimed at the end of each financial year. The depreciation on capital improvements such as replacing an inefficient hot water system or new insulation may be able to be claimed over a specified period of time. To determine what is claimable for your circumstances, seek financial advice from an accountant or contact the ATO. The following are deductions that may be allowable.

Possible tax deductions for energy efficiency improvements in rental properties

- Maintenance, repairs and servicing
- Servicing and repair of hot water systems, heating and cooling equipment and appliances
- Repair of damaged or leaking water fixtures
- Installing insulation on hot water pipes
- Installation of draught stoppers and sealing of cracks and gaps in floorboards and walls and around windows and doors
- Repairing settled or damaged insulation.

Possible depreciable capital improvements

- Replacing a hot water system with a more energy-efficient one such as a heat pump
- Installing efficient water fixtures such as low-flow taps and AAA-rated showerheads
- Installing an energy-efficient heating or cooling system such as a reverse-cycle air conditioner
- Installing insulation
- Installing double-glazed windows
- Installing blinds and awnings
- Erecting a pergola or similar external shading device
- Installing doors for zoning of heating and cooling
- Rewiring, including improving lighting controls, zoning and lighting type
- Purchasing energy-efficient appliances.

Source: Linnet Good, *ReNew 102,* 'What about tenants?'

Rebates

The Your Energy Savings website has an easy-to-use rebates page for homeowners, landlords and renters around the country. A number of programs listed are applicable to all residents, such as energy audits to make homes more efficient to run. Here are some programs that landlords might consider, with many more on the website at www.yourenergysavings.gov.au/rebates.

ACT Wood Heater Replacement Program

The Wood Heater Replacement Program can help Australian Capital Territory residents replace controlled combustion heaters or open fireplaces with a new mains-supplied gas heater or reverse-cycle electric system. Rebates of up to $1100 are available.

SA Home Energy Incentives

The Retail Energy Efficiency Scheme (REES) provides South Australian households assistance with installing efficient lighting, showerheads, draughtproofing and upgrading to energy-efficient appliances to reduce their energy usage.

VIC Energy Upgrades (formerly Energy Saver Incentive)

The Energy Upgrades scheme offers a range of discounts and special offers on selected energy-saving products and services. This can help to buy underfloor insulation, double-glazed windows, weatherproofing strips, chimney dampers and vent covers and much more including hot water system upgrades and replacements.

Renewable energy system incentives

Under the Small-scale Renewable Energy Scheme, eligible small-scale renewable energy systems may be entitled to small-scale technology certificates (STCs), which can be sold to recoup part of a system's purchase and installation cost. This scheme is relevant to landlords looking to install heat pump or solar thermal hot water systems and solar PV systems.

orientated, and the only obvious sustainability feature is a solar hot water system on the roof, then it looks to me like modern houses aren't going to last well into the future."

The house is an investment in her future, with the upgrades something she will benefit from when she eventually lives in the house when she's ready to downsize from her current home. Her first step was to draughtproof around doors using stick-on foam, although she plans to install ecoMaster Draught Dodgers which fit to the entire door jamb to give a tight seal. Next, roller shutters were installed on the west-facing kitchen and bathroom windows and north-facing third bedroom, a decision made because the cost was less than double glazing but offered similar heat, cold and noise control, and double glazing would still need external shading. The roller shutters, from local Gippsland business Ultrashutters, cost just under $3000 and have the advantage of blocking out light at night from the sports oval.

Lorraine has also planted shade trees and added a clothesline, and the house already had a rainwater tank and blockout curtains in place.

The tenants found the reverse-cycle air conditioner didn't quite heat the bedrooms last winter, so reverted to the gas heating as they had a newborn baby to consider. Once the right heating solution is found the central gas heating will be decommissioned, the ceiling vents sealed and basic insulation upgraded.

"I have had several investment properties over the last 25 years and my approach to choosing a property is always informed by my previous experience as a renter." She says this includes questioning if she would live in the house and what needs to be done to meet her standards. "I feel that it is in the landlord's interest to have a well-presented and maintained property to attract a tenant who is respectful of the property. Minimum standards should ensure a safe weatherproof property, working equipment and services, and clean comfortable premises. An energy efficiency rating would help in property advertisement and deciding the rental."



Image: Martin Wurt

↑ This long, narrow house in Yarraville was updated 12 years ago before being leased to tenants. The length of the house faces north, so sun blinds were installed to protect the northern and western windows from the summer sun.



Image: iStock: Myrku

↑ Ceiling and floor insulation will be compulsory, where practical, in New Zealand's rental houses from July 2019.

For environmental benefit, not financial

Yarraville investment property owner Martin Wurt would also like to see houses prepared to a minimum standard before lease. "People put in the poorest appliances and don't care, but we should all care because we're all paying for it in terms of greenhouse gases and cost to the planet," he says.

"There should be insulation in the ceiling as an absolute minimum. There should be efficient heating, especially with the price of gas, and I think appliances should meet some sort of minimum in terms of their energy star rating."

Martin and his partner updated their Yarraville investment property around 12 years ago. Built in the 1930s, the three-bedroom house is a long and narrow weatherboard with the length of it facing north. One of the first steps was to install sun blinds on the north- and west-facing windows to keep heat out in summer. They installed an energy-efficient dishwasher, energy-efficient gas heating and air conditioning, and replaced the old gas hot water storage unit with a gas instantaneous hot water system. They added water-saving fixtures such as low-flow taps and showerhead, and replaced the old single-flush toilet with a dual-flush model. They've replaced halogen light globes with LEDs. The house already had insulation in the ceiling. "We were doing a renovation so it needed an update, and I care for the environment so I wanted to try and minimise the impact. It's not a money thing for me, I don't expect a financial gain from it. I just do it to minimise our footprint on the planet."

Measures he would consider in the future include upgrading insulation, better sun blinds on the north and west, and he says he might consider a solar system, due to the price coming down so much in recent years.

Minimum standards in Oz and NZ

New laws passed in Queensland in late 2017 now allow for minimum standards in rental houses, with the final regulations to be worked out. Insulation might make it onto the agenda, with ventilation earmarked as an area to be addressed. Ceiling and floor insulation will be compulsory in New Zealand from July 2019, where it is practical to install. An insulation statement has been a requirement on all tenancy agreements in New Zealand since July 2016. The landlord must disclose whether there is insulation in the rental home, where it is, what type and what condition it is in, so tenants can make an informed decision about the suitability of the house.

The New Zealand government reminds landlords of their new responsibility via their 'Warm House. Cool Landlord' program. "Insulation is a good sign that a rental property will be warmer, drier and easier to heat," they say, and to tenants, "Next time you're looking for a rental, make sure you ask the landlord to see the insulation statement before signing the Tenancy Agreement."

As in Australia, insulation is an out-of-pocket expense for the homeowner. As it's a rental property, it may be able to be claimed as a tax deduction if old and ineffective insulation is replaced (possibly making it a tax-deductible repair), whereas any new insulation may be capital expenditure, so it can't be claimed as an immediate tax deduction, but claimed over a number of years as a depreciating asset. [*Ed note*: seek financial advice as your circumstances may be different.]

Changing tax laws to make insulation in rental properties an immediate tax deduction could help get landlords moving here, as would making insulation compulsory in rental houses.

"I don't know why people hold back on insulation," says Martin Wurt. "I know some people don't have the upfront money to do it, but it can be claimed." ✸

Further information

Environment Victoria's *Bringing Rental Homes up to Scratch* report: www.environmentvictoria.org.au/campaign/rental-standards

A renters guide: energy efficiency on a budget, *ReNew 134*

Rebates for renters, landlords and homeowners around Australia: www.bit.ly/1NaTOdA

The new edition of the ATA's *Renter's Guide to Sustainable Living* will be out in March 2018. See bit.ly/ATA_RGTS for the current edition.

This article references ATO tax rules (and rebates information) at the time of print. Whilst every effort is made to provide accurate information, readers should always seek up-to-date information and obtain financial advice.