

YIMBY Melbourne Submission: Minimum Standards for Rental Properties and Rooming Houses

YIMBY Melbourne strongly endorses the new Minimum Standards for rental properties and rooming houses. Our submission will mainly focus on improving the effectiveness of the new standards and ensuring that the exemptions do not provide sufficient loopholes for landlords to escape them.

Key Points

- YIMBY Melbourne fully endorses the new Minimum Standards on the basis of the high quality-of-life improvements they provide for renters.
- Minimum Standards for renters must supersede local heritage controls.
- Mandated energy efficiency rating disclosures should be expanded to include all residential properties.

The government should dismiss concerns regarding the effect of Minimum Standards on rental prices

There has been a lot of hyperbole regarding the effect these proposed new Minimum Standards may have on rental prices. These concerns should be ignored, as there is little evidence that rental providers will pass these costs directly onto renters. Renters, for the most part, are charged rents as high as the local market can bear. If rental providers could be charging higher rents, then they would likely be charging that rate.

If the costs of providing rentals increase, providers have two main options: absorb the costs, or exit the market. The only instance in which Minimum Standards would increase rents would be in the instance that a large number of rental providers exit the market, and stop providing rentals. This is because the main determinant of rental costs is the vacancy rate and overall supply.¹

From YIMBY Melbourne's point of view, it is unlikely that the new standards are so high that we would expect to see a high rate of market exit—though modelling this is beyond the scope of this submission.

If modelling is undertaken it should ensure that market exit rates are considered on-balance with the degree to which the new Minimum Standards provide fundamental

¹ [A Model of the Australian Housing Market](#) – Reserve Bank of Australia, 2019

quality-of-life improvements for renters, ensuring that dwellings remain liveable during periods of intense cold and hot weather.

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The government must address potential exemptions for heritage properties

While none of the new standards would be outright banned by heritage controls, the controls add extra costs and complications to such a degree that exemption clauses may be triggered.

For example:

- Contributory and significant buildings under a heritage overlay require a permit to install any domestic services they are visible from a street (other than a lane) or public park.
- Non-contributory buildings (e.g. buildings with no heritage value) under a heritage overlay need to apply for a VicSmart permit to install services such as heating and cooling systems, hot water systems, downpipes, window shading devices, or similar.

These mandatory permit requirements and the extra burden of installing these services in a way that does not "detract" from the property's heritage significance risks pushing many of these new standards to the point of exemption.

The justification for exempting heritage properties from compliance with new Minimum Standards would be tied to heritage compliant upgrades triggering either of the following exemptions within the policy:

- "significantly higher than the average installation cost", or
- "compliance with any other Act or local law makes the cost of installation prohibitive".²

Since heritage-protected buildings are, on average, significantly older and less energy efficient than other buildings, it is critical that the new Minimum Standards apply to them. After all, it is in these older buildings where quality-of-life improvements are most needed.

² [Residential Tenancies and Residential Tenancies \(Rooming House Standards\) Amendment \(Minimum Energy Efficiency and Safety Standards\) Regulations Exposure Draft](#) – Department of Government Services

Research from England found that the country's cumulative domestic energy consumption for 2006–2013 would have been 3% lower—a £5.1 billion social cost of carbon—if not for historic preservation regulations.³ This highlights the scale at which older historic buildings fail to meet modern energy efficiency standards, and have negative effects on broader society and the planet.

The changes needed to remove the compliance issues will likely be beyond the scope of these minimal standard changes, however, the State Government needs to make sure that all Acts and local laws do not compromise the ability for many of Melbourne's rental properties to comply with the new standards.

The bottom line is this: Minimum Standards for renters must supersede local heritage controls.

The government should mandate energy efficiency rating disclosures for residential properties

In Victoria, property transactions currently operate on a “buyer beware” basis, with very limited scope of mandatory disclosures in real estate disclosure statements. This information asymmetry—and in some cases, information deficits—means that buyers and renters are unable to make informed decisions around the climate risks and resilience of most residential properties in Melbourne.⁴

Governments have already begun work to remedy these information deficits in the commercial property sector, by mandating NABERS rating disclosures for any sizable property transactions. We recommend that this disclosure mandate be expanded to residential property transactions, including purchases and rentals.

There should be more robust climate risk and NatHERs energy efficiency disclosures in all property transactions, sale or lease, for new and existing residential property.

One way to address this would be to replicate legislation in the ACT, which requires an Energy Efficiency Rating to be measured and disclosed as part of the inspection package upon the sale of a property. In Victoria, requiring a State Government developed Residential Efficiency Scorecard⁵, to be provided to prospective buyers and renters.

³ [The energy costs of historic preservation](#) – Hilber et al.; October 2017

⁴ Fuerst, F., & Warren-Myers, G. (2021). Pricing climate risk: Are flooding and sea level rise risk capitalised in Australian residential property? *Climate Risk Management*, 34. <https://doi.org/10.1016/j.crm.2021.100361>

⁵ [Residential Efficiency Scorecard](#), Victorian Government

Scorecard assessments are currently voluntary. Making them a requirement would end the information asymmetry within our housing system, which is fundamental to helping leverage consumer preference to incentivise climate-proofing of our housing stock.

Better disclosure requirements allow for Victorians to make upfront better choices.

Mandated energy efficiency rating disclosures should be expanded to include all residential properties.