

Opinion Piece



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FIVE THINGS TO KNOW ABOUT AUSTRALIAN REAL ESTATE AND THE NEW CLIMATE BILL Extreme weather events will still impact housing supply By REIA President Hayden Groves

Australia has hit a long-anticipated national milestone of significance and has secured near term policy certainty for emissions reduction targets.

The much-anticipated [Climate Change Bill 2022](#) (the Climate Bill) – a mere 16 pages – has passed the House of Representatives and will go before the Senate in September.

It is then expected to pass with the support of both the Greens and some members of the cross bench in the Senate.

What does the Bill make into law?

The Climate Bill's main purpose is to legally commit to a 43% emissions reduction from 2005 levels by 2030 and net zero emissions by 2050 – as widely previewed in the election campaign.

It also contains provisions for increased transparency and reporting that includes measures like:

- Annual progress report to Parliament by the Minister for Climate Change
- Improve the reporting and advice function of the Climate Change Authority
- Regularly review the legislation

How will it affect Australian real estate?

The real estate sector has an important role to play in assisting government reach their targets as there are various facets of our business that can contribute to emissions reduction. These are:

- Agencies as business – such as our energy use, cars and even paper
- Agents as transaction brokers – the entirety of property transactions like finance and legal
- Real Estate Institutes as leadership bodies – our businesses and advocacy work
- The energy efficiency of Australia's residential housing inventory
- All classes of commercial real estate

REIA breaks down what these economy-wide measures with the Climate Bill means for Australia's \$9.95 trillion residential and \$1.2 trillion commercial real estate assets may look like in five ways:

1. *Green regulation to focus on government business and disclosures*

Wrapped into the Climate Bill was the inclusion of an extra 30-page [Climate Change \(Consequential Amendments\) Bill 2022](#), tying 14 pieces of legislation into the 43% reduction target.

Importantly, this incorporates the *Building Energy Efficiency Disclosure Act 2010* (the BEED) and amends the Objectives of the Act to include:

The object of this Act is:

29 (a) to promote the disclosure of information about the energy efficiency of buildings; and

31 (b) to contribute to the achievement of Australia's greenhouse 32 gas emissions reduction targets.

The BEED requires energy efficiency information to be provided in most cases when commercial office space of 1000 square metres or more is offered for sale or lease.

Whether the wording of the legislation seeks to move beyond disclosure to target setting remains to be seen. REIA will monitor this area for implications for our commercial practitioners and work with many, including [NABERS](#) to provide the latest advice direct to you.

Outside of the BEED, the Climate Change (Consequential Amendments) Bill 2022 amends a range of existing Acts for government bodies like Australian Renewable Energy Agency (ARENA) and Infrastructure Australia. This is to ensure their government business falls in line with the anticipated new 2030 and 2050 targets.

Expect more to come on the wide-ranging implications of this for both the public and private sector as they become understood.

2. Consumer preferences for sustainability will naturally consolidate

Whilst the Climate Bill does not specifically regulate residential real estate, it will likely bring forward increased emissions reductions pushes for local State and Territory regulators and the big businesses they partner with.

This is likely to manifest in the energy space and an enhanced focus on residential disclosures.

And with that, the Government hopes, so too will consumer preference and markets. Already, there is an emerging body of research that shows that homes demonstrating sustainable features currently command a premium.

The Domain Sustainability in Property Report 2022 showed that 'sustainable' homes sell faster and for a premium - around \$125,000 more for a house.

CSIRO research also shows that two thirds of homebuyers prefer energy efficient home where that choice is available. Whilst this may over time ameliorate as sustainability features become the new norm (think of how cars phased in seat belts!).

JLLs "green premiums" versus "brown discounts" are an important concept to remember as markets decide the value of the new climate regulation.

3. Extreme weather events will still impact on housing supply

This Climate Bill has been specifically designed and targeted at government agencies and the bigger end of town as opposed to suburban and regional real estate agents, tenants and homeowners.

The Climate Bill will, of course, not end Australia's extreme weather events driven by climate.

Resilience and preparation measures will need to be increased by homeowners and principals to protect their homes and shopfronts from continued erratic weather.

The work of REIA will focus on preparedness and resilience in line with REIA's *Getting Real* to shield against unnecessary cost and provide additional protections for both property owners and tenants.

4. The Climate Bill is a "floor not a ceiling"

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The Australian Government has been careful to label their targets a 'floor not a ceiling' in securing the support of the Greens and some of the crossbench to legislate Australia's emissions target.

The Government has also been quick to point out the Climate Bill and associated Bills will be supported by other election commitments to further sustainable investment in Australia.

This includes Rewiring the Nation, an enhanced safeguard mechanism, and Australia's first electric vehicle strategy to target emissions reductions roll outs.

It is expected the Budget 2022 2.0, to be handed down on 25 October 2022, will detail the roll out plans and programs of investment to come out of the Climate Bill.

5. Sustainable skills, technology and materials will need significant investment

Prime Minister Albanese ran on an agenda of no Australian being held back, and no one left behind and the proposed climate and clean energy transition should be no exception to this.

The Climate Bill implemented well should signal a new era in unity on climate for all Australians; and not be a policy change of the haves and have nots.

In REIA's view, property owners and tenants should be especially supported and resourced in the transition and not have to wear the costs of these policy changes.

Investment will be critical to get more skilled advisers and trainers for sustainable real estate, better technology and sustainable materials will all need additional investment from Governments and the private sector to enable real estate – and ordinary homeowners and tenants – to succeed.

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Established in 1924, REIA is a federated body of State & Territory Real Estate Institutes representing 85% of Australian real estate agencies. We are a national advocate for the Australian real estate industry which is made up of 46,793 Australian businesses that employs 133,360 Australians. For more information visit www.reia.com.au