

MEDIA RELEASE

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'Hands Off' regulation leaves thousands of apartment owners 'out in the cold'

"The residential building industry has abandoned apartment buyers and the risk of costly defects has been shifted onto innocent apartment home buyers left devastated by sub-standard work" Jane Hearn, Director of the Owners Corporation Network said today.

The Owners Corporation Network (OCN) is the only association of apartment owners whose sole purpose is to be an independent voice for strata owners.

"Self-regulation was introduced in the name of housing affordability but buildings standards have declined, consumer protections wound back and even the government will not insure residential high-rise buildings", she said.

"The Four Corners program aired on Monday night reveals the extent of the problem, especially in NSW. It is self-evident that NSW has systemic failure in the industry and in the regulatory system," she said.

According to the Four Corners report, 667,000 new apartments have been built in the last 18 years with 70% or more handed over to unsuspecting owners with building defects. NSW fared worst with 90% of new buildings defective. Waterproofing and fire safety are the most common defects, both of which are essential to building amenity or safety.

"In NSW, someone can build over three storeys with less scrutiny than a regular home builder. It is too easy to avoid warranty obligations by using \$2 companies, and leave innocent buyers, many on fixed incomes, with millions of dollars in rectification bills",

"Four Corners has uncovered the legacy of extreme hardship for far too many apartment owners including bankruptcy, being forced out of their homes, or both. These are innocent victims of systemic failure and they need help".

"Law abiding citizens pay their stamp duty and their taxes - they expect government to regulate to protect them. It is a massive breach of public trust", she said.

"NSW has no Building Commission, and no coordinated strategy to assist owners with flammable cladding or other major defects when there is no one to sue. Victoria has started down this path with an assistance package to remove unsafe external cladding and other Governments should follow suit."

OCN has recommended to the NSW Government that it:

- (i) Develop a strategy to finance and ensure rectification of buildings with flammable cladding as a priority. Create a single agency and provide a coordinated strategy with clear information and guidance to the industry, local council and strata owners.

- (ii) Look into funding options for owners left with significant defects and no-one to sue, such as long term no interest or low interest loans – the commercial rate of 7% is not acceptable.

Background

In the past few weeks OCN has recommended:

- a properly resourced building commission and the introduction of a 'clerk of works' type role – someone who is responsible for point in time inspections as a construction project progresses;
- retrospective non-delegable statutory duty of care across all practitioners to overcome a High Court decision in 2014 that found a builder did not owe an owners corporation a duty of care.
- requirement that to build over 3 storeys the builder must be licensed personally with licensing criteria in line with the Home Building Fund criteria (solvency and integrity) applied to people who build low rise, and the skills needed for high rise building;
- single unique ID for the building license holder that is traceable across all corporate entities;
- a licensing presumption that a residential licensed builder will operate through one company;
- fix the current home warranty provisions in the Home Building Act that have been made more complicated by amendments and court decisions;
- move Australia to the global standard of a 10-year home warranty period backed by compulsory insurance.

The NSW Department of Planning housing data for the Greater Sydney Metropolitan Area shows the total number of approvals in the last 12 months (website says to May 2019) was 41,365 and total number of completions was 46,020.

Total number of applications for residential a high-rise development approved in that period was **18,812**. OCN is waiting for confirmation on the number of completions.

The OCN submission to the Building Stronger Foundation consultation paper: <https://www.ocn.org.au/topic/inquiry-regulation-building-standards-building-quality-and-building-disputes>

Media Enquiries

Jane Hearn, Director, OCN

0432618937

Adverts for “Cracking Up: Investigating Australia’s apartment building crisis”

See the data in this link:

<https://www.abc.net.au/news/2019-08-18/how-bad-could-the-apartment-building-crisis-be-in-your-state/11413122?pfmredir=sm>

There is also this text from another promotion:

“We've got a real problem here. It's systemic and it's infecting lots of buildings across the landscape, in all parts of the country. It's very clear.” Building defect analyst

For 20 years the nation’s city skylines have been changing with the building of more than 650,000 apartments across the country.

“People are reinventing what the great Australian dream means for them...it’s been a transformation.” Industry with promises of sophisticated apartment living and high-end finishes. But the shine has well and truly come off the apartment property boom.

“I have never seen a building that isn't defective in some way. I know it's my job, but even just walking around in public, I notice these things.” Forensic engineer

The emergency evacuation of two residential apartment blocks this year has blown open the industry’s secret – buildings riddled with defects.

“They affect people directly, they affect them every day. They cause a significant amount of damage over and above the defect, and so they're very expensive to fix.” Lawyer

On Monday Four Corners investigates Australia’s apartment building crisis, from shoddy workmanship to lax laws, leaving owners out of pocket and in some cases out of a home altogether.

“If I have to pay for the repairs myself, I would have to go bankrupt. There's no way that I could pay for it.” Apartment owner, Canberra

Four Corners will take you inside buildings and apartments in multiple cities to show how entrenched the problems are.

“The mould was basically all through the wardrobes, the mould covered the whole of the roof, down the side of the walls and spread over to the other side as well.... it basically rendered the apartment unliveable.” Apartment owner, Melbourne

The evacuations are a public sign of a problem many have wanted to keep quiet. Everyone involved knows the threat posed to property prices when a building hits the headlines. On Four Corners some inside the industry are now speaking out about how this crisis has been allowed to happen.

“To suggest that we are policing the project couldn't be any further inaccurate.” Building certifier

What they reveal is a litany of failure, to regulate and protect the buying public, even in the face of repeated warnings.

“What we're seeing is the outcome from a poorly oversighted industry with a lack of competence and in some cases a lack of integrity. Commercial imperatives have really overtaken public interest in terms of decisions that have been made.” Building industry investigator

Those who know the scale of the problem warn that while new laws may prevent future problems, the legacy of the last 20 years will be with us for decades to come.

“There's a lot of existing building stock that has defects in it. And we've heard many reports of owners dealing with those challenges that can't be fixed by reforms.” Building industry investigator

Cracking Up, reported by Sean Nicholls, goes to air on Monday 19th August at 8.30pm. It is replayed on Tuesday 20th August at 1.00pm and Wednesday 21st at 11.20pm. It can also be seen on ABC NEWS channel on Saturday at 8.10pm AEST, ABC iview and at abc.net.au/4corners.