

TRANSCRIPT

LEGISLATIVE ASSEMBLY ENVIRONMENT AND PLANNING COMMITTEE

Inquiry into Apartment Design Standards

Melbourne—Tuesday, 15 February 2022

MEMBERS

Ms Sarah Connolly—Chair

Mr David Morris—Deputy Chair

Mr Will Fowles

Ms Danielle Green

Mr Paul Hamer

Mr Tim McCurdy

Ms Cindy McLeish

WITNESSES

Mr Matthew Kandelaars, Chief Executive Officer,

Dr Caroline Speed, Director of Policy and Research, and

Mr Ashley Williams, Board Member, Urban Development Institute of Australia (Victoria).

The CHAIR: I advise that the sessions today are being broadcast live on the Parliament's website and rebroadcast of the hearing is only permitted in accordance with Legislative Assembly standing order 234.

Caroline, Matthew and Ashley, thank you so much for taking the time out of your day to join us at this public hearing for the Inquiry into Apartment Design Standards.

On behalf of the committee I acknowledge the traditional Aboriginal owners of this land, and we pay our respects to them, their culture, their elders past, present and future and elders from other communities who may be joining us today. I also extend again a very warm welcome to members of the public and media who have just rejoined us.

This is one of several public hearings that the Environment and Planning Committee is conducting to inform itself about the issues relevant to the inquiry. Before we begin I need to point out that all evidence taken today will be recorded by Hansard and is protected by parliamentary privilege. What this means is that you can speak freely without fear of legal action in relation to the evidence that you give here today. But it is really important to remember that parliamentary privilege does not apply to comments made outside this hearing, even if you are just simply restating what you said here today.

You will receive a draft transcript of your evidence in the next week or so to check and approve, and corrected transcripts are published on the committee's website and may actually be quoted from in our final report.

Thank you again for joining us here. We will do introductions on this side of the table and then we will jump across. My name is Sarah Connolly. I am the Chair of the Environment and Planning Committee and the Member for Tarneit.

Mr MORRIS: I am David Morris, the Member for Mornington and Deputy Chair of the committee.

Mr HAMER: I am Paul Hamer. I am the Member for Box Hill.

Ms GREEN: Danielle Green. I am the Member for Yan Yean and Parliamentary Secretary for Regional Victoria and for sport.

The CHAIR: Over to you, Matthew.

Mr KANDELAARS: Okay. Matthew Kandelaars. I am the Victorian Chief Executive of the Urban Development Institute of Australia.

Dr SPEED: I am Caroline Speed. I am Director of Policy and Research at UDIA Victoria.

Mr WILLIAMS: Ashley Williams. I am the Managing Director of Evolve Development, and I am the immediate past president of the Urban Development Institute of Australia (Victoria).

The CHAIR: Thanks, Ashley. Now, Matthew, do you have a 5-minute opening statement or presentation?

Mr KANDELAARS: I do—thank you. Thank you to the committee today for inviting us to make verbal submissions. I will make a short introductory statement, but otherwise we are happy to maximise the time for Q and A to assist the committee as best we can in its deliberations. As I have said, my name is Matthew Kandelaars. I am the Victorian CEO of UDIA Victoria. To my right is Dr Caroline Speed, our Director of Policy and Research, and to my left, as he mentioned, is Ashley Williams, a UDIA Victoria Board Member and immediate past president and founder, and managing director of Evolve Development.

UDIA Victoria is the peak industry body representing the urban development industry. We are a non-profit advocacy, research and educational organisation. We are supported by a membership ranging from developers to urban planners, engineers, lawyers, architects, local governments and more. We are committed to working with both industry and government to deliver housing infrastructure and livable communities for all Victorians.

The importance of the urban development industry to the state's economy is unquestionable. The urban development industry contributes nearly 50 per cent year after year to state tax revenue, and over the past five years the broader economic output of the urban development industry to the Victorian economy has been worth around \$125 billion.

We understand this committee is tasked with considering better apartment design standards in a global context, including but not limited to the examination of current apartment living standards in Victoria, improvements that could be made to livability in apartments and apartment building developments including communal areas, and initiatives undertaken by other states or nations that have improved apartment design standards. At the outset it is important that this committee notes the UDIA's strong commitment to quality design and thriving communities. We support these objectives and so do our members; however, we also bring an important perspective to the conversation in respect of project feasibility. Too often policies are developed and implemented with little regard to real-world or market impacts, and unfortunately when this occurs unintended consequences can follow. The advocacy that we have made, including the written submission provided to this committee in late 2021, attempts to balance policy merit with the commercial viability of a development project. This is important particularly in light of the significant challenges facing the apartment sector at the moment.

Just as a hospitality business reaches a point at which it must pass through an increase in its cost base to customers, so too must the development industry. A failure to do so will put the viability of projects at risk and reduce housing supply, hurting housing affordability. Research conducted last year by Urban Enterprise, a leading economics and property house, revealed that 42 per cent of the cost of a new home is comprised of government taxes, fees and charges. In the context of the Melbourne median house price of, say, \$1 million that is \$420 000 that goes towards government taxes, fees and charges. I should add that is not just state government; that is across local government as well.

Our evidence today will focus on the balance between good policy intention and ensuring that project viability is not eroded to such an extent that this affordability is further worsened. On that note, we welcome questions from the committee.

The CHAIR: Thanks, Matthew. I will kick off. Your submission argues that the recent amendments to the BADS appear to be aimed at lifting the quality of the lowest common denominator without considering the impact of additional regulation on innovation in design. In your opinion how do we go ahead then and lift that lowest common denominator, or I would just say the apartments that are bad, that are not up to community expectations—they are dogboxes—and that neighbourhoods and local governments do not want? How do we lift that standard while also ensuring other operators within the market who are doing the right thing and doing some good stuff still have the flexibility to go ahead and innovate and improve those designs and take us kind of to the next level? Where is that balance? How do you do that if you are not going to mandate it?

Mr KANDELAARS: I might just make a quick comment there, and then I will throw to Caroline or Ashley for further comment. I would say firstly there are a couple of aspects to note. Number one, the apartment sector is probably best characterised as being broken down into a few different subsectors. So as you rightly point out, there are plenty—and I would say the vast majority of developers and certainly of our members—who do the right thing. They look to innovate and they look to quality design because ultimately and commercially that makes sense. People are attracted to good quality design, to sustainable buildings and the like.

So what I would say is that BADS 1, which was introduced a few years ago, was looking to solve a problem, as we say, at the lowest end of the market. We would say that the market at that point in time was in its formative stages. There were improvements that were occurring in the market at that time. Yes, BADS came along and it probably shifted it to a greater degree and a little bit quicker, but ultimately I think that change was happening in the market and people like Ashley, people like other members of ours, were pulling the market and pulling the lower end of the market to where it needed be. Because ultimately if these people are going to succeed, they need to be innovating to keep up with the rest of the market and their competition.

So, I might just throw perhaps to Ashley to talk about that a little bit more and then perhaps to Caroline if she has got something to add.

Mr WILLIAMS: Thank you. So I think in the first instance there just has not been enough time for BADS to be really rolled through the industry and be adopted by architects, developers, councils and builders and ultimately lead to completed projects. I think for probably the most part 70 or 80 per cent of what is in the BADS guidelines and specifications is common sense and aspirational and should be taken on board and moved forward. I think the difficulty in just mandating absolutely is that it is not site responsive and it does not necessarily allow you to respond to the context of a particular site or the constraints of a particular site, and it also does not let you respond to the different categories of apartment users and buyers that Matthew talked about. So there are obviously different buildings.

The other piece I think that is missing is that I think there has been a lack of skill set and knowledge within local councils, and as apartment construction and development has moved from really being a CBD and city fringe form of housing to a middle ring and outer suburb, in some cases, form of housing, the skill set has not been available within those councils. So part of the solution, I think, is also some good guidelines but also some good education and some good case studies, with local councils and planning officers perhaps working with ourselves in terms of the industry bodies to try to give them an understanding of why some of the proposals are not necessarily going to get to the result they think they will.

Dr SPEED: If I can just briefly add to that, thanks, Ashley. The standards that were introduced in 2017—I spoke with a member this morning—they had an approved permit at the time when they were introduced. They chose to go back and amend the permit to comply with the new requirements in 2017, and that project is to be completed in three months. So the 2017 amendments are still not necessarily even being completed yet, and the amendments that were gazetted on 20 December actually began in August 2018. So the projects absolutely had not got through the system, got approval, been constructed and been delivered to market. That is why our response was largely relating to the review of the *Better Apartments Design Standards* that were introduced in 2017 and that it was premature to review them so quickly.

The CHAIR: Okay. I just make the comment that I come from an industry that was very heavily regulated, and government is usually very hesitant to regulate industry if they are able to do it themselves. So the introduction of the BADS says to me that that lowest denominator was pretty bad, the community expected better. How much longer period of time before you think it will be acceptable to go ahead and review whether the BADS are doing their job or whether in fact they do require more stringent or serious regulation if the market is actually not innovating and getting to the point where people are expecting them to be?

Mr WILLIAMS: I think the first part of that discussion is that you need to try and quantify and qualify what the BADS outcomes are. So in some ways that is a sort of subjective issue, and different users have different points of view on what those outcomes are. The elements of BADS that the industry thinks were suitable were obviously things like room sizes, storage and windows. Many of those things should be fundamental and probably part of the building code in another form.

The CHAIR: And improved quality of life, standards of living.

Mr WILLIAMS: Yes, absolutely. I do not think you are going to get any professional developer stand up and say that they are bad outcomes, but in terms of how long you give it, I think the reality is that most development projects work on a three- to six- or seven-year project cycle. So by the time someone buys a site, gets a planning permit, does marketing, does construction and the apartments are finished, we are really looking at a minimum of four years. So I think you need to have a degree of patience, but you probably need to be asking the councils during that process what they are seeing in terms of the applications that are coming before them, because an application or a permit given now will not hit the ground for two or three years in terms of finished product. I think you are going to have to have a degree of patience. As long as you can measure the progression of improvement within the council planning permit process, you will then have to wait to see what the finished product turns into.

The CHAIR: Thanks, Ashley. David.

Mr MORRIS: Thanks, Chair. Just sort of pursuing that standards question for a minute, then I want to come back and just ask about the wind aspect. In the earlier session with the property council we were talking about

the financing model and the formerly heavy reliance on investors, who were not necessarily going to be living in these apartments, and speculation as to whether they were likely to accept a lower standard—perhaps a standard they would not want to live in themselves—for an investment property. Is the market changing? Are we seeing more residential purchasers or have we still a heavy reliance on investors?

Mr WILLIAMS: Certainly from on-the-ground experience the investor market took a couple of steps back realistically two to three or four years ago, and that at the time was perceived to be a bit of an oversupply and maybe some commentary about some of the larger buildings that had been built in the CBD. So that number of investor-focused buildings has certainly decreased, and proportionally we have seen an increase in owner-occupier-focused projects. I would say, though, that pre COVID the vacancy rate in inner-city Melbourne was under 3 per cent, which is very tight. So the investor market is still a very important part of the supply of residential dwellings for a city like Melbourne, and if there is not an active and vibrant and commercially viable investor market then you are going to see a significant reduction of supply in dwellings, and that will lead to rental price increases. I think, though, the flip side is: could the apartments have been better designed or better built? No doubt there are going to be projects that people will look back on and say, ‘That wasn’t a great outcome’. But generally developers are in the city for repeat business and want to stand by their reputation and what they deliver. Most professional development organisations have a mind to these issues, and whilst the projects might be sold to investors in some numbers, they are always focused on actually who the end user is—and if it does not appeal to a tenant, then the investor is not going to be very happy with the outcome either.

Mr MORRIS: You have got to rent it.

Mr WILLIAMS: Yes. There is a circular process. One of the criticisms of some of those buildings that were perhaps perceived to be a little bit on the lower standards—they might have been smaller apartments or smaller rooms, but they might have had some more of the common areas that some of your papers talk about. So I do not think it is easy to say there is just one type of problem. It is a series of digging a little bit deeper and understanding the good and the bad that comes from those projects.

Mr MORRIS: Thanks for that. As I mentioned, I just wanted to come back to the wind issue. I gather, Matthew, from the attachment to the submission that this is a requirement on residential property that is not a requirement on office use or other use. Is that correct? Is that the issue?

Mr KANDELAARS: Yes, and I might throw to Caroline for some of the technical expertise that she always brings on these issues for this. What I will say is certainly wind and the notion of wind tunnels has been an issue that has played out through the media. I know that there were others talking before, as Ashley was, around some of the regulations had been introduced—standards referred to as C270 in the CBD. Through that public debate I know that the minister certainly spoke about the desolate wind tunnels of Melbourne’s CBD. So we do appreciate that there is an issue there, but certainly Caroline can talk to the specifics and perhaps again—as I alluded to in my opening statement—some of the unintended consequences of the proposed policy.

Dr SPEED: Yes. Our position is that the effect of wind from buildings is not just from residential buildings, it is from any building that is seven storeys.

Mr MORRIS: It would seem self-evident, yes.

Dr SPEED: You would think so—and that if wind is indeed an issue in a precinct an overlay is a more appropriate tool rather than clause 58.04-4. That is statewide and applies to every apartment everywhere in every municipality. We would say that different municipalities would have different natural environmental conditions.

There is also the question of in which order buildings are constructed in a precinct. You might be surrounded by a three-storey development but there is zoning that allows for six or seven storeys. Does your wind assessment allow for every building around you to be seven storeys, or does it allow for the built form that is currently there? So we asked a range of these sorts of questions of how this will be applied in practice, and we were not provided with any evidence. We also asked why the threshold of five storeys was adopted when member feedback was that anywhere from seven to 10 is really where the likely threshold is, and I was not provided with evidence for the determined threshold being five storeys as well.

Mr MORRIS: So the department has not provided any justification for what is there?

Dr SPEED: No.

Mr MORRIS: Thanks.

The CHAIR: Thanks, David. Paul.

Mr HAMER: Thanks, Sarah. I just wanted to expand on your answer there. I know this issue has come up quite a lot in my electorate of Box Hill—

Dr SPEED: I was thinking of Box Hill.

Mr HAMER: where there are some quite substantial buildings and obviously a plan for quite a number of other very large buildings that have been approved or are at various stages of approval.

Dr SPEED: Yes.

Mr HAMER: I guess as a recommendation back to government, back to the committee, in terms of how that wind assessment could be better managed to provide, say, across an activity centre, I am particularly interested in how far in front you actually look. Do you look at what would be the entire area, assuming that that entire area could be built up to the maximum height limit in that location, so imagining it entirely fully built out, which may or may not ever happen—

Dr SPEED: Precisely.

Mr HAMER: or is there some sort of hybrid approach? Would you have, I guess, a suggestion or a recommendation in that regard for how that might be approached?

Dr SPEED: Do you want to take that one?

Mr WILLIAMS: Yes, I could perhaps jump in there. That scenario is very similar to what happened at Docklands 20 years ago in that Docklands had a master plan that envisaged a significant amount of larger buildings across the region. In the early days of the Docklands Authority work was done on a master plan wind study, and there were models built and a series of reports prepared. Those reports basically provided guidance to the authority on a whole lot of improvements and measures that could be adopted in individual buildings to respond to some of those issues.

So I would again suggest that, say, in the case of Box Hill that would be better done on a precinct-wide basis and by looking at the ultimate build-out scenario, and then by going through that process that would give the local planning teams a suite of tools that they could then ensure that the developers that are coming forward with new applications are responding to. And that might be, you know, larger awnings over the footpaths or greater amounts of street trees to be planted in areas or some sort of different fin arrangements on the buildings. There are a lot of technical ways that wind can be managed so that it does not have the big effect at the ground plane, but some sort of master plan wind study is a better way of doing that than asking individual building owners or developers to ad hoc respond to something that might get built up over 20 or 30 years.

Mr HAMER: My other question is: I think, Ashley, you mentioned the role of councils and particularly some of the suburban councils to which these larger scale apartments are still relatively new and I guess the level of resourcing and the level of knowledge that these councils have and how the industry might be able to assist the councils in that regard. Could you just elaborate a little bit on that in terms of how you would see that working and perhaps what you have done in the past and what else you would—

Mr WILLIAMS: Yes, I think Caroline can talk to that.

Dr SPEED: I can help you out with that. Yes.

Mr WILLIAMS: We run seminars and education processes with councils and the like, so Caroline can talk to some of those.

Dr SPEED: We did raise this very early on in the consultation process as one of our concerns—that the government is introducing a suite of requirements but that the skill sets just are not in the suburban councils yet because they have not been exposed to this level of development, and there was an acknowledgement from PIA that this is actually a significant consideration. And the BADS, particularly with the materials requirements in this latest review, are really asking planners to assess design and almost play the role of an architect, if you like. And so there was an agreement that there is a skills gap that needs to be filled. I think the industry body for planners—for example, PIA—would be one place that can provide support. Our industry body can provide support. There could be scope to take experienced planners from inner-city councils and relocate them temporarily. There is a range of programs to create a skill-sharing and skills development process.

Mr KANDELAARS: I might just add to that, very much along similar lines. UDIA Victoria, as I said in my introductory statement, is also an educational institution. We run professional development courses. One of the important aspects of that is to talk not just to local government but state government as well—inner, middle, ring councils and also growth area councils—around the commerciality of property development, and to talk to them about commercial feasibility and viability and some of those trigger points along the way. So walk them through the process so that they can understand, you know, putting themselves into someone like Ashley's shoes, the decisions, the financing decisions that come well before we get to a certain point in the process. You know, if something is debt funded or equity funded, what that actually means and the trigger points and the hurdles and the decision points that come along the way. So we certainly do that. Obviously in terms of technical issues as well we try to assist as best we can, and we would like to continue doing that. We have had conversations and ongoing conversations with the planning department and others around how we can information share and knowledge share across from our sector to government at all levels to really make sure that we are both aware of each other's issues and we have a common understanding. Whether we agree or not is another thing, but just to make sure that we at least have a base understanding.

Mr HAMER: Thank you.

The CHAIR: Danielle.

Ms GREEN: A little bit along those lines too. You have talked a little bit about sharing and moving planners from one council to another, and I know that has happened in emergency management, particularly after disasters and things. Well, that is information sharing, but in your submission you also talked about promoting innovation and incentivising good designs, and you talked about through grant programs. So are you aware of any successful grant programs in Australian jurisdictions or jurisdictions similar to ours, and how do you think they could be worked Victoria wide?

Dr SPEED: I will take that one on notice if you like.

Ms GREEN: Okay. Alrighty.

The CHAIR: I am mindful we have got 15 minutes left, and I want to hear from you, as an opportunity for you: what do you want to see come out in policy recommendations and things in this report, if you have got a top five or a top three? I hear you about your concerns with the BADS. I feel that there is a competing interest between affordability for apartments depending on what people are looking for—one-, two-, three-bedroom apartments—but also we have heard from a lot of witnesses that quality should not come at an increased cost. Quality should be a bare minimum, you know, that you have not got leakages, you have not got all these problems with your apartment just because you paid a certain price. It is my understanding that part of the reason why we put in place things like BADS and committees like this are looking at making sure that people are getting what they paid for, the quality is there, is because for long term we know that we have a few of the lower denominator or cowboys in the industry that are not innovating and improving apartment design standards and improving livability, but those apartments are there for decades, if not longer, and we are living with them, living alongside them, and people are renting them or owning them and not having a really great quality or standard of life as that being their home. What else would you like to see government improve on that we can do, whether it is working with industry to improve apartment design standards?

Mr WILLIAMS: I would probably just divide that up into a couple of issues. The first one is that you mention things like leaks. Noise and acoustics is another issue, and the durability of materials and things like that. Most of those issues are actually outside of the planning framework, and they really relate to building code

issues. So I would say that you would need to be mindful and work out how to dovetail in with any sort of other building code type review or processes that you might be coming across or looking at. For example, flammable cladding was obviously an issue that came through from the building code side of things, and there has been a significant change to how that is dealt with in the building permit process. Similarly, I think there could be more work done in the building codes regarding some of those other issues that you have talked about—more the technical building aspects.

In terms of the planning, I think the biggest issue you have landed on there is that obviously affordability is sort of where it starts and where it stops for the public but also for the developer, because if the developer cannot build an affordable product that people can afford to buy, then there will not be an industry, there will not be output, there will not be production. I think when you are framing your overall recommendations you need to be mindful that there is not a magic pudding here where you can reduce the height of a building, make the setbacks bigger, take away land for tree plantings and somehow the apartments get cheaper. It just does not work like that. Developers compete against each other. They do not own suburbs and suburbs of land. They have to buy land off other vendors, and basically everything that it costs to build a finished building gets added into the end price of the product and the finished price of the apartment. So it is a very difficult balancing act, and the industry tries to find that sweet spot where it can still deliver good outcomes and obviously get return on its investment.

I think you have to start with that as a fundamental, and then we have to look at how we can take the industry gradually through some steps and some transitions if there are definite areas that are needing attention. At the end of the day the industry bodies probably supported 80 per cent to 90 per cent of what went into BADS. I think that we need to let that be applied and rolled out. There needs to be a regular review process with industry and with councils to monitor how that goes, and to look at tweaking and tinkering and amending that along the way is a good and honest sort of process. So I think it is a bit of a continuous process. You are not just going to get one answer, a simple answer, to solve a problem. It is a whole lot of detail that needs to be really considered, reviewed: discuss the impacts, what it does to supply, what it does to affordability and keep fine-tuning it as we go forward.

The CHAIR: Do you think COVID has put a spanner in the works? Because you have had two years of people at home really understanding what it is like to be in an apartment with no windows or be in an apartment with no natural light and what that means.

Mr WILLIAMS: I would probably take a little bit of an exception. I do not think there are many apartments that have no windows. I mean, there might be some apartments that have a room that does not have a window.

The CHAIR: Or windows into hallways. I mean, I have got staff in Footscray in apartments like that, so they do exist.

Mr WILLIAMS: No doubt there are apartments that have studios that do not have windows out to natural light. So yes, I think COVID has changed lots of things, but it has also probably changed a lot of things for the worse as well, in terms of it has really disrupted the supply of dwellings coming through the system. There have really been no new projects started probably within a two-year period, and depending on how this year progresses it might be even longer. So we are going to see a lack of supply in the coming years because there have been a lot of projects stall.

Has it changed things? In terms of market demand it has. I mean, the amount of demand that has gone into the growth corridors and into regional areas is way beyond what was anticipated previously. So people are voting with their feet and they are making other lifestyle changes. The market around the central city is very difficult, there is still a high vacancy rate, and so it is going to take a lot of change to bring people back into the inner city, and that is going to need to be responded to by the industry and by the authorities. And the government is going to be looking at trying to get construction going on one hand and getting outcomes on the other, so it is a balance, and it is going to need to be responded to.

Mr KANDELAARS: And just to add to that, I think going to where the inner-city higher density apartment market is at the moment, as Ashley points out, it is undergoing some really challenging times. It has been for a couple of years. In March 2020 obviously a lot of people packed up and deserted the inner city—you know, international students and the like—and we have seen a distinct shift.

Ms GREEN: They were not given much choice, as we know.

Mr KANDELAARS: No, no. Indeed.

Ms GREEN: If it had been our government, we would have kept them here.

Mr KANDELAARS: No, no. That is not a reflection on anything there, but certainly the reality is the market has been struggling. As Ashley points out, we have seen in the past two years a distinct shift from inner-city or even established suburb living to the growth areas and regional centres—people looking for lifestyle and amenity. That might be a tree change and a bit of fresh air down at the beach or in the bush. It might be, ‘Well, you know, I want that extra bedroom now to convert into a permanent study that I might be working from home in a few days a week’. But what we are going to see is a return—hopefully—of net overseas migration. And what we have traditionally seen in our industry is people, when they first move to Melbourne, generally base themselves centrally and then after a couple of years they then look to move out into more established areas to buy a home. So we have been suffering a lot, the inner-city apartment market.

Going back to your question, Ms Connolly, around what we would like to see, I think some time to absorb some of these regulatory changes, to see their effect over a period of time. As Caroline said earlier, we have still got projects that have not even been delivered and completed that are subject to the first round of BADS—so some time to absorb and reflect and for the market to be given the best opportunity to recover, because it is a really important release valve for housing affordability. When we have got a median house price approaching \$1 million or perhaps even tipping over, the inner-city apartment market is a release valve, so we would like to see some time for industry just to recover and get its head around where things are at the moment rather than the continually shifting sands of even more regulation. So I guess that would be one issue we would like to see.

The other would be just again—and it goes to my last point actually—just a greater understanding of the impact of policy and regulation as it is introduced, both in terms of its practicality and its ease of implementation but also the commercial impact that it has, noting that I suppose every action has a reaction and everything is linked. So as Ashley points out, greater amenity does come at a cost. Now, we are not arguing against amenity, but there is a balance, and it just needs to be understood I think and respected so that ultimately if prices continue to go up—which over time they will, because no matter the ups and downs the trend will be upwards—ultimately it is our industry and developers who are generally blamed in many respects for the increase in prices anyway. So I think just that greater understanding of the commercial impacts. If the government of the day then deem that they want to push ahead with policy in any event, then at least it is a fully informed discussion and we understand those impacts, rather than them being unintended consequences at the back end and we only realise when it is too late.

The CHAIR: I will go to Danielle.

Ms GREEN: Thanks. With the high vacancy rates and tenants having returned to their home countries, obviously you would think that you have got all these vacancies, and in an ideal world if you did not have a whole lot of body corporates and a lot of different owners you might go, ‘Well, we’ve got these high vacancy rates. This might be the opportune time to retrofit some of the apartments that were built under previous standards to bring them up to scratch’. Would you have any thoughts on that? I mean, it just sort of occurred to me that maybe if there was a tweaking somehow of build to rent—maybe if it was tweaked to be ‘retrofit to own’—whether that might resolve some of the vacancy rates in the city and maybe get some return of people to the CBD.

Mr WILLIAMS: I think one thing that is going to become more of an issue going forward is that a lot of the older style owners corporation buildings generally were lower height, with a smaller number of apartments sitting on, in some cases, quite well located good blocks of land. One of the issues the industry has faced is that it is very difficult for a developer to come along and to get agreement from all of the owners to buy up an old block. In New South Wales they brought in a law that allowed there to be a sort of compulsory acquisition process after agreement was reached by either 75 or 80 per cent of owners. Now, that is something that has not happened in Melbourne yet, but looking ahead I can see how that sort of instrument is going to be a tool that needs to be considered. I know it has been talked about in Victoria but has not been implemented. But there really needs to be a tool in the regs that allows some of those sites to be either amalgamated or to be repurposed or repositioned, because otherwise if left to market forces, and I have been in this situation myself, you only

need one owner to hold out and the whole thing just goes nowhere. So that is just a specific comment on that sort of model—whether you could be encouraging renewal. When there is dispersed ownership, that is a lot harder to achieve.

Ms GREEN: You see it with ageing shopping centres all the time.

Mr WILLIAMS: Yes, that is right.

Ms GREEN: But it could be a bigger problem in terms of getting people back to the city if the options are there are more apartments that are below standard and they all want to come into the new ones, or overseas students have decided, ‘Well, we don’t want to sleep four to an apartment anymore’.

Mr WILLIAMS: Yes. I think the other thing you would be aware of is that COVID has actually reduced rents anywhere between 20 and 30 per cent in some locations. That has let actually a lot of people trade up. In terms of the rent they were paying, they are actually now able to rent a larger apartment than they were.

Ms GREEN: And have a permanent study.

Mr WILLIAMS: That is right. So I think that even though it seems like it is a little bit of a harsh way of achieving an outcome, it actually filters through. The less desirable apartments probably drop and become more affordable, and so they might be more affordable to a wider pool of tenants and users. So there is a bit of an economic force that actually gets some outcomes as well in that.

Ms GREEN: But it could actually mean that if you made some changes it could lead to better apartment standards and better environmental outcomes with the higher star ratings. But also with the number of people living with disability, it could be an opportunity for them. People with disability, especially since the NDIS has come in, have just said so often that they would love to live in the city because that is where the jobs are and that is where they would love to be going to shows and all that sort of thing, but that accessibility is not good enough. So maybe that is the opportunity—the time to deliver some of that.

Mr WILLIAMS: I think it is certainly more achievable to get those outcomes in a new build than in a retrofit build. I think the cost of coming back to make structural change to buildings is prohibitive. But certainly in new builds—like in my most recent building we did 10 NDIS apartments, purpose designed and built with a housing provider. Certainly if you can get it early and you can build that in, those will be available for 20 or 30 years to come.

Ms GREEN: Yes. But you could also join up two bedsitters, I suppose, and make them into a one-bedroom.

The CHAIR: Thanks, Danielle. I am just mindful of time. I think we are on 4 o’clock—right on the dot. Thank you so much for coming in. It was a really great discussion. There were a lot of interesting points for us to consider.

Witnesses withdrew.