

# **Submission to the International Property Management Standards: Residential Buildings**

## **Consultation Document**

**30 September 2015**

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## 1. Executive Summary

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The Property Council welcomes the opportunity to provide input into the development of the *International Property Measurement Standards: Residential* (IPMSR).

The Property Council is a foundation member of the *International Property Measurement Standards Coalition* and strongly supports the Coalition's aim of establishing an international standard for property measurement.

The IPMSR as it is currently drafted has a number of similarities to the process currently used in some jurisdictions in Australia and particularly with its own Property Council of Australia's *Method of Measurement for Residential Property* guidelines. However, it must be noted at the outset that unlike in the commercial office sector, there is no single consistent set of definitions, standards and explanatory material for the measurement of residential properties in Australia.

There is a general consensus within the residential development industry that a move to a single standard is a worthwhile objective, however it requires consensus from all levels of government (Federal, State and Local) as well as changes to the way developers, surveyors and valuers go about their business. It should be noted that achieving national consensus will be the determining factor in the success of the application of IPMSR in Australia.

Nevertheless, a single common platform for cross-border comparison would provide benefits for offshore investors looking to purchase Australian residential property, provided that such a platform is not expected to be a mandatory approach applied immediately. The Property Council of Australia already recommends that its existing *Method of Measurement for Residential Property* is used as a guide only. It is not intended as a definitive or exhaustive source on methods of measurement of residential properties.

A common method of measurement will also provide a more consistent approach to valuation of property and residential data collection across the country which will be beneficial to the public and the professions alike.

## 2. Response to consultation questions

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### 2.1 Question 1

**IPMS: Residential Buildings is intended to improve market transparency for consumers. Does the document achieve this and if not what improvements would you suggest?**

The Property Council supports the intention of the IPMSR to improve market transparency and it is our view that this document will do so in many respects by providing greater consistency across the industry, if it is universally adopted.

In saying that, this is likely to be a key issue in Australia as there are currently significant differences in methodology across State and Territory jurisdictions, and within industry itself. Whilst this is beyond the remit of the IPMSR to address, it must be considered if attempting to predict the success of the standard in improving market transparency.

With regards to potential improvements, the diagrams in IPMS 3A appear to indicate that internal staircases are measured on each floor. It could be argued that this is not a transparent measurement, and we would suggest that this be amended to require measurement on a single level.

### 2.2 Question 2

**Within your residential market are there other measurement issues that the IPMS Residential Standard has not mentioned or clarified that you believe should be part of the IPMS Residential Standard?**

An Australian industry issue that the IPMSR has not addressed as currently drafted is the use of individual room dimensions on plans in marketing collateral, which are often misrepresented.

For example, it is common for a 2.97m x 2.89m bedroom to be described as a 3.0m x 3.0m bedroom in marketing collateral, without indication of whether:

- the dimensions allow for building tolerances if sold off the plan,
- joinery robes are included or not,
- allowances are made for odd shaped rooms, and
- the measurement is to the finished surface of the wall or the skirting if measured at finished floor level.

### 2.3 Question 3

**IPMS: Residential Buildings has adopted Internal Dominant Face in order to maintain consistency across all IPMS Standards. Please advise whether you support this or whether you have an alternative proposal and if so what is it and why? How would you address the resulting inconsistency with IPMS Office Buildings?**

The use of Internal Dominant Face is in principle supported by the Property Council, as it aligns with the rules applied to office buildings. IPMSR 3A or 3B would be used to communicate to purchasers what they are buying at the point of sale.

However, it conflicts with how title plans are currently measured in many jurisdictions in Australia. This would require government and industry consensus and a significant change to current business practices if it were to be adopted in Australia.

### 2.4 Question 4

**Are the explanatory diagrams and text description for Internal Dominant Face sufficient? If not, what specific diagrams or explanation do you require?**

The Property Council requests clarification be provided that the dominant face in the context of 'glazing' is the actual glass face and not the window frame assembly.

Current elevation view shows the frame included where the plan view points to the glass surface. This clarification is required for circumstances where a window is broken up into multiple panels with 'colonial bars' in a frame (popular in the post-modernist approach), where the actual frame surface could affect the dominant face areas in lieu of the glass. This could also be manipulated with the frame type/size/alignment.

Further clarification is also required whether apartment building portion of walls may technically be owned by the Owners Corporation, in the relevant circumstances. Some service risers included within these areas may not be accessible or used exclusively either, and again clarification may be helpful.

For housing on zero lot boundaries, and in some instances in apartment buildings, easements will give use to non-owners. Clarification may be required here also.

### 2.5 Question 5

**Are all other diagrams clear in demonstrating the concepts to which they apply?**

The use of colour coding is helpful in explaining the concepts, however as per above, there are some issues that require further clarification, in particular with relation to the internal dominant face measurements as they apply to glazing.

Further, the residential dwelling component diagrams require further clarification on the following issues:

- 2 and 3 level individual residences are seeing a trend towards dedicated lifts. Is a lift/shaft floor area within a house counted once or multiple (2 or 3) times depending on the number of floors within the dwelling? Lifts are different to stairs for which areas are counted at each level because it is a finished surface at each level, but technically the lift floor is only a single surface that moves to each floor and should therefore be counted only once. This is not clear in the current draft document.
- Service risers for air conditioning etc. are generally excluded from measurements if they exceed one metre square, otherwise the actual useable floor efficiency could be dramatically affected – is this to be the case in the IPMSR?
- Diagrams would be clearer if they included options for the garage under the main dwelling roof.
- Diagrams would also be clearer if they included protuberances within the façade wall line (engaged piers for example) and how they are to be measured.

The definitions for all diagrams must also include the point of measurement clearly, i.e. at finished floor level. Many dwellings have facades where the gross area can vary significantly depending on the point of measurement. For example, apartment buildings with highly articulated facades with voids might result in artificially inflated areas compared to actual useable areas.

Finally, the inconsistency between IPMSR 1, 2 and 3, and IPMSO will present challenges for mixed use buildings, and projects which are a change of use for buildings.

## 2.6 Question 6

**IPMS: Residential has adopted Level 0, Level 1 and Level 2 to denote what in some markets would be called ground, first, and second floor and in other markets floor 1, 2 and 3. Will this approach be understood in your market?**

In principle, these definitions will be accepted in the Australian residential market. The Property Council suggests the use of -1, -2 etc. for floors below ground to ensure consistency.

Consideration must also be given to the treatment of mezzanines within floors.

The key for the Australian market is definition disclosure, rather than the specific content.

## 2.7 Question 7

**IPMS 1 currently excludes ground floor patios from the total measurement as the ground floor is not actually part of the building structure, although they can be measured and stated separately. A similar upper floor balcony is however included, as it forms part of the building structure, albeit is stated separately. Do you have any comments on this approach?**

The approach taken is generally acceptable for housing, assuming that the land lot area is measured and provided separately.

The approach also assumes that occupant exclusive use areas at ground level in apartment buildings, for example courtyards and terraces, are measured. Clarification on this issue would be useful.

## 2.8 Question 8

**Would industry see a benefit in the adoption of the IPMS Residential method of measurement?**

The Property Council is of the view that there are certainly advantages to the adoption of the IPMS Residential method of measurement, however its application in Australia will require significant education and agreement of industry and governments to change current methods and requirements.

Similarly, industry will need to 'sign up' to the change its practices if the implementation of the IPMSR is to succeed.

There will still be interest in retaining other methods of measurement, however there is some alignment of the IPMSR to Property Council's *Method of Measurement for Residential Property* guide and this makes the new methods of measurement easier to adopt.

Ultimately, the single largest hurdle to the adoption of the IPMSR in Australia is the multiple different legislative requirements under State and Territory laws, which have resulted in differences in methodology across jurisdictions. This is generally more of a problem for apartment and higher density dwelling developments than for detached dwellings. The task of harmonising these and achieving consensus is a significant one, and will likely take some time to achieve.

Once harmonised, legislative requirements have been implemented, there will also be a requirement to harmonise what is reported on marketing collateral, to ensure that it is an accurate reflection of what is constructed. Again, this is likely to be a lengthy and complex process in Australia.

### 3. Other comments

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In Australia, common areas in apartment buildings are measured by surveyors and consideration should be given to the implications of the adoption of IPMSR if these areas are used exclusively, shared with the public (mixed use buildings) or shared with specific others (easements).

Although beyond the scope of the IPMSR process, the Property Council believes it is important that any method of measurement, including the IPMSR, be regularly reviewed and updated in a manner similar to the way the Australian Building Code is updated regularly. This will ensure that it remains relevant and any jurisdictional nuances can be dealt with.



## Contacts

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