

The Sydney Morning Herald

BUSINESS COMPANIES COMMERCIAL REAL ESTATE

Big property players pushing to reduce flammable cladding risk

By [Simon Johanson](#)

February 23, 2019 – 12.00am



Flammable cladding poses a large hazard to Australia's big listed property funds and builders but the sector was "reasonably advanced" in reviewing and minimising that risk, analysts maintain.

Investment bank Credit Suisse quizzed Stockland, Mirvac, Scentre Group and SCA Property on the compliance of their portfolio with building regulations and the presence of flammable cladding in their buildings.

The material, which spreads fire rapidly across the facade of buildings in a blaze, has been used on thousands of commercial structures, shopping centres, government buildings, hospitals and apartment towers across Australia.



Westfield Sydney CBD . . . the relative risk of increased regulation and compliance costs for AREITs from the cladding issue is "relatively low." PHOTO AFP

To date most of the focus has been on residential buildings as the fallout from the latest [cladding-related blaze in the Neo200 apartment](#) in Melbourne's Spencer Street reverberates through the industry.

In another recent incident, [owners of buildings covered in highly flammable cladding were being asked by authorities to move fire alarms close to danger zones](#) as a stop-gap measure, but scores of other building owners are struggling with little or no plans developed to remove the material.

Based on feedback from the REITs, Credit Suisse's analysts said the sector "appears reasonably advanced in its review and remediation" of the impact of flammable cladding.

The risk from increased regulation and compliance costs as a result of the cladding issue was "relatively low", they concluded.

"There is however also a risk to property value if potential buyers or tenants view a building to be dangerous or potentially needing costly remediation in the future," they said.

Large landlords are potentially in the firing line.

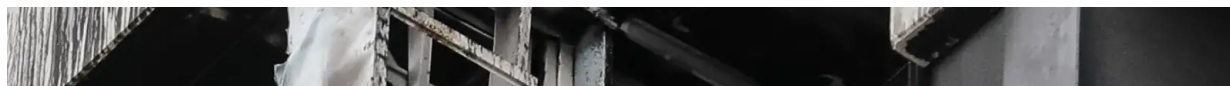
Westfield shopping mall owner Scentre Group told the bank's analysts it had conducted a "preliminary review" of the use of aluminium composite panels - the material with a polyethylene-core that fuelled Melbourne's Lacrosse fire and the deadly Grenfell Tower blaze in London - in its buildings.

All of its malls were legally compliant with building and construction regulations, Scentre said.

Stockland, one of the country's largest diversified property groups, has employed consultants Arcadis Australia Pacific to determine how much flammable cladding was used across its extensive portfolio of shopping centres, offices, business parks, warehouses and apartments, both residential and retirement.

"To date a number of these risk assessments by the fire engineer have been completed and, as each risk assessment is completed, Stockland says that it is ... acting on them as required," Credit Suisse said.





Fire quickly took hold at the Neo200 tower on February 4. JASON SOUTH

All of apartment developer Mirvac's completed projects comply with fire safety standards, the group maintains.

One of the construction giant's towers, the 39-storey Tower 6 apartment in Yarra's Edge on Lorimer Street, was among scores of buildings initially identified as having the cladding. It was later found to be compliant.

Another diversified player, SCA Property which owns and manages low-lying buildings like suburban shopping centres, has identified at least one structure with aluminium cladding that needed replacing.

Another 30 of SCA's buildings also have some form of similar cladding.

The report's authors said the rising cost of professional indemnity insurance and class actions sparked by flammable cladding could result in smaller builders being pushed out of the sector.

A recent survey by the Association of Accredited Certifiers found 60 per cent of surveyors had difficulty finding fully complying insurance cover and nearly two thirds had considered leaving the industry because of the issue.

There are concerns the building industry and regulators are reacting too slowly in dealing with the issue despite two high-profile Melbourne fires and London's 2017 blaze in which 72 people died.



Simon Johanson



Property Editor at The Age and BusinessDay journalist for Fairfax's theage.com.au, smh.com.au, watoday.com.au and brisbanetimes.com.au.

