

[Real Estate](#)[Residential](#)[Construction](#)

## — Opinion

# Australia's high-rise apartments face crisis of our own making

Regulatory failure, incompetence and a building industry not skilled enough to meet high rise apartment demand now makes radical changes necessary.

**Geoff Hanmer**

Jul 25, 2019 — 12.00am



The market for tall residential units is at a near standstill because public confidence in the quality and safety of buildings has been lost. The construction industry is facing serious issues with product certifications and indemnity insurance, mainly related to the risks of combustible cladding. To date, governments and regulators have done very little to deal with the underlying causes of what has [now become a full-blown crisis](#).

What has brought us to this point?

A brief history of failure: In November 2014, a serious cladding fire at the Lacrosse Apartment building in Melbourne resulted in an evacuation. In June 2017, the [Grenfell Tower fire](#) in London showed the world the risks of combustible cladding with 72 people dying in the inferno. On Christmas Eve in 2018 the [Opal Tower in Sydney](#) was evacuated due to a major structural failure. In February 2019, the Neo200 Tower in Melbourne experienced a serious cladding fire and in June this year, [Mascot Towers was evacuated](#) after structural cracks made the building unsafe. Some days later, it emerged that apartments in Gadigal Avenue Zetland had been evacuated four months earlier due to a range of defects. State authorities now estimate that over 1000 buildings around Australia are affected by non-complying combustible cladding, which will have to be replaced. There are only outline estimates for other defects, but they appear to impact a very high percentage of tall apartment buildings.





Damage to apartments in Opal Tower, showing props holding up various parts of the building, walls being cut out and major cracking. **Supplied**

There are a number of key factors which have contributed to the current situation.

**Factor 1:** The introduction of the Building Code of Australia, now the National Construction Code (NCC) from the mid-1980s was driven by an agenda to increase self-regulation in the building industry and to encourage "innovation" with the aim of reducing construction costs. This was backed by federal, state and territory governments. By 2004, the Productivity Commission had given deregulation a big tick. In a 2004 report it theorised that billions of dollars would be saved by moving to a more flexible regulatory environment. It did not consider the cost of rectifying buildings that developed faults as a result.

**Factor 2:** From 1983 the Hawke-Keating and then Howard governments opened Australia's economy to the world. Our relatively small and isolated local construction industry became a consumer at the end of a global supply chain. State and federal building regulators did little to manage this complex new situation, which delivered – among other things – building panels containing asbestos, brass plumbing fittings containing lead and electrical cables that caught fire.

**Factor 3:** After 2000, state governments in rapidly growing capitals embraced higher density living as the key to provide housing for a rapidly growing population. Planning codes were changed to encourage more high-rise development. State premiers of both stripes in NSW and Victoria, plus the federal government, publicly endorsed the advent of tall apartment living, actively supported by the development lobby and design professionals. In 1996, just 18 per cent of all Australia's occupied apartments were four storeys or taller. By 2016 this had more than doubled to 38 per cent of all apartments occupied, more than 460,000 in total. Tall apartments are significantly more complex than low-rise buildings to construct, with more demanding structural elements, complex

services and fire safety provisions. The building industry's level of skill was arguably not equal to the increased demand and the capacity of the VET sector to provide adequate training was undermined by a shift of resources to higher education by all levels of government, particularly after 2007.



The 2014 cladding fire at Dockland's Lacrosse tower. MFB

**Factor 4:** From the early 1980s, traditional methods of delivering tall residential buildings, which typically involved a builder working on a lump sum contract administered by an architect were replaced by "design and construct" contracts. In these contracts, builders gave developers a fixed price to design and construct the building, employing and directing the architect and engineers. The builder directed the architect and engineers to do whatever was cheapest, and they mostly went along with these arrangements, often abrogating their statutory and common law duties in the process. By 2004, traditional lump sum contracts were virtually dead in the multi-unit residential sector.

The resulting collapse in building standards was inevitable only if the regulators were asleep at the wheel. As we now know, they were.

Instead of taking a sceptical and cautious attitude to the massive changes occurring in the industry, the regulators cheered them on. Current chairman of the Australian Building Codes Board (ABCB), ex-NSW premier and deputy prime minister John Fahey said in November 2017 that "the reform must reduce significantly red tape and have an over-riding focus of industry affordability". This was *after* the Grenfell Tower disaster.

To her credit, Liberal Premier of NSW, Gladys Berejiklian, has recently admitted that self-regulation has failed.

Owners and governments are now left with a very large bill for remediation. Estimates vary, but there are about 500,000 residential units in tall buildings. The research to date shows that 70 to 97 per cent of the buildings that accommodate them have serious defects, including combustible cladding, leaks, structural problems, faulty fire provisions and defective wiring. The total cost for remediation over the next 10 years is difficult to estimate, but could be more than \$10 billion. We have no way of knowing for sure because, since the privatisation of residential building insurance, state governments have stopped keeping statistical records of defects.

The regulators need urgent reform. The ABCB should be immediately instructed by the Building Ministers Forum (BMF) to dump its commitment to self-regulation. It should also be instructed to take into account whole-of-life cost when devising building regulations, not just the cost at completion.

Part of the process of re-establishing confidence in the public and the industry will be to replace senior ABCB staff and the ABCB chairman with people who are fully committed to taking the decisive action required. It will not be pretty, but the public and the industry deserve action now.

*Geoff Hanmer is the managing director of ARINA, an architectural consultancy. He is also an adjunct lecturer in structures and construction in the School of Built Environment at UNSW.*



Save



Share

License article

---

**TOPICS**[Construction](#)[Opinion](#)[Combustible cladding crisis](#)

---

**MOST VIEWED IN REAL ESTATE**

---

**1 Steller co-founder fights hedge fund for control of Sorrento homes**

---

**2 WeWork is looking to go public in September**

---