UNIT FIRE AND SAFETY ISSUES

IT'S BEEN YEARS SINCE THE 1974 BLOCKBUSTER MOVIE *Towering Inferno* starring Steve McQueen and Paul Newman. Nominated for eight Academy awards and winning three, it was the story of a fire that breaks out in the world's tallest building due to an electrical fault caused by cost cutting and non-compliance with safety standards. Unfortunately, people have been recently reminded of the possibility of a real life version of this movie via news stories in Australia and overseas. Any casual visitor to You Tube can find videos of apartment towers set alight as far afield as Dubai or here at Docklands in Melbourne due to the use of flammable cladding. And although no one was seriously injured in these fires, two residents of an apartment building in Bankstown, Sydney, weren't so lucky when their apartment caught fire. They were trapped hanging onto a windowframe several stories above the ground.

So, why is it that in 21st-century Australia, fire and life safety issues are still making headlines? There are probably a number of reasons for this. Firstly, the endemic nature of building defects in apartment buildings in Australia. In a survey completed by the City Futures Research Centre at the University of NSW, it was found that 85 per cent of respondents in buildings built since 2000 indicated that one or more building defects had been present in their schemes at some stage. While the existence of a building defects crisis is clear, the cause of this remains less so. Some argue the complexity of modern building designs lends itself more to building defects. Whereas previously many apartments could be described as "three-storey, red-brick walk-ups", now many apartments include lifts, flat roofs, swimming pools, underground carparks, gardens on balconies, etc. Others argue that an over-reliance on building products such as waterproofing membranes rather than good design is also a cause of many building defects.

Secondly, and more particularly, with higher levels of fire and life safety required by the Building Code of Australia (BCA), unless building certification is completed assiduously, it's likely that non-compliance with the BCA won't be picked up. And while there are no clear statistics in this regard, there has been a lot of debate regarding the wisdom of introducing private building certifiers (in place of local governments) who are paid by the persons whose work they're certifying. In such circumstances, it's perhaps not even possible for the certifier to be free of any conflict of interest, even if such a conflict is perceived rather than actual.

The third reason is a more recent phenomenon, which is the use of faulty building products in Australia. This includes the aluminium composite panels on the 23-storey Lacrosse building in Docklands, Melbourne, which caught fire and resulted in the evacuation of the whole building. The cladding should've prevented the spread of the fire rather than igniting and causing a blaze, which extended up the face of the building. Some non-compliance with the BCA mightn't be expensive to remedy, for example the replacement or installation of proper signage for exits, etc. However, other non-compliance can be quite expensive, particularly if it's widespread, such as a lack of fire separation between units or the failure to install fire dampers properly or at all.

The question of course is what can investors do to protect themselves from such issues? The problem with many fire and life safety issues is they involve building materials that are hidden from view or aren't easily inspected. For example, to check many of these issues requires looking into spaces via access panels in the ceilings, which may or may not exist, or may or may not be where they should be. Consequently, there's no way to categorically assess that the building has no fire and life safety issues unless tens of thousands of dollars are spent to check these issues.

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However, there are a few simple steps that might minimise the risk or cost of such defects for investors. Firstly, check the strata file that annual fire safety statements (or equivalent) are being issued every year via the revelant authority. These aren't issued in Western Australia, the Northern Territory or the Australian Capital Territory. Secondly, check the strata file that no government authority has issued any notice or order (again each state and territory has a different system for compliance) regarding non-compliance with fire and life safety standards.

Finally, contrary to the advice of most investment pundits, it's better to be an owner in a larger apartment block than a smaller one if the building has fire and life safety defects. This is because larger buildings have more owners across which the expense of rectification can be spread, which tends to result in a lower average rectification cost per unit.

Whatever the cause of fire and life safety defects, it appears that fire and life safety issues are here to stay until the public conscience is sufficiently awakened to force compliance with existing standards under the BCA. Let's hope we don't need a tragedy before there's better compliance with building standards in Australia. API

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