

## Case Study

# Scorecard improves your rental property



Landlord Jane has upgraded a few investment properties now, making them even more energy efficient than many of their neighbouring owner-occupied houses. The Victorian Residential Energy Scorecard came at just the right time for her, as she works out how to make her long-term investment property in Mitcham even more comfortable and desirable for tenants.

## Jane: Mitcham

Jane bought a three-bedroom brick veneer house in Mitcham around 20 years ago, picking it for its affordability and north-facing rear, which could one day be renovated to let more natural light and warmth into the home. "It was all I could afford back then," she says, in what seemed like an outer suburb.

Now she wants to see if energy saving upgrades such as wall and ceiling insulation, and the installation of high-rating

## Summary

- Tax deductions can mean upgrading a rental property for energy efficiency makes great financial sense.
- When Jane bought this property, it was draughty and largely uninsulated, and very uncomfortable for tenants.
- Draught-proofing, insulation, efficient heating and cooling and a heat pump for hot water have all made the house liveable and cheap to run.
- The house now rates 6 out of 10 stars

heat pump hot water and reverse cycle heating and cooling systems deliver the home a decent Scorecard rating for energy use.

Jane works out the possible tax benefits of any retrofit or home improvement, from insulation to window seals, with most repairs able to be claimed as a tax deduction in that financial year, and upgrades depreciated over time on investment property owners' tax returns. With this knowledge, she says "why wouldn't I?" when it comes to making the place more liveable. "It comes down to ethics really, it offends me that tenants are treated like lower class citizens. I think we have a duty of care, especially when it comes to simple improvements that can bring down bills," she says.

Accredited Scorecard assessor Ashley Mogenson checks the house from top to bottom and notes the many energy saving features that have made the house more comfortable to live in. The house rates a very respectable 6 stars out of 10, a medium rating, but with some easy steps to get the house to a high efficiency rating of 7 stars or beyond. Jane is surprised that her simple improvements over the years have lifted the rating so much, but acknowledges that being able to zone heated or cooled areas in the home has played a large part in the score.

"It had been a rental property for a long time when I bought it," she says, "and it wasn't great to live in. It had louvres on the back veranda which let in a draught, the roof was leaky,

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you couldn't see out the north-facing kitchen and there were no curtains or blinds to keep in the warm air."

She was shocked to discover that there had been no ceiling insulation in the bedrooms to keep in warmth, with R2 insulation installed only in the living areas. "I think I've known about insulation since I was a child, and the only reason this house didn't have full coverage was because I thought it was already there." Jane's recently upgraded the insulation throughout the whole ceiling, but the biggest difference came when the wall insulation went in. "It was around three degrees warmer inside in winter," she says.

This improvement shows in the Scorecard's building shell rating of 3 out of 5, which Ashley says would have been a much lower 1 out of 5 before the wall and ceiling insulation upgrades. The building shell rating is an important feature on the Scorecard certificate, as it measures how the quality of the home's windows, walls, floors and ceiling contribute to heating and cooling use and expenses.

Attention to detail has really lifted the home's building shell, though, and the home's ability to hold onto warmth, such as the time Jane insulated the drop-down ceiling above a hallway cupboard that had been overlooked. "The temperature in the hallway improved two degrees the next morning," she says. "And it was such a simple thing to do."

Ashley says that one very minor improvement to water heating will reduce energy use and push the house over the line for a 7 star Scorecard rating. The electric heat pump hot water system installed when the gas system failed is very efficient and top of its class, but the installation of a more efficient showerhead in the bathroom will reduce the amount of water to be heated and household water heating costs even further. Ashley also singles out removal of the gas heater for an instant 7 star rating, as the high-rating reverse cycle heating and cooling system installed last summer would cost tenants less to run on heating mode in winter than the older gas system.

Ashley and Jane discuss many good ideas to further improve comfort in the home including external blinds on east and west-facing windows, upgrading wall insulation to R4 standard and fixing the gaps around windows through poorly-fitted architraves. "I hadn't thought about that one," she says, concentrating on draught-proofing doors instead.

Jane also learns that floor insulation in just the heated area can be a very effective way to retain winter warmth and reduce heating bills.

She's fascinated to hear, though, that the biggest difference to the home's energy rating will come with a solar electricity system. The home would jump to a 10 star Scorecard rating with a 3-kilowatt or larger solar electricity system, but 8-stars is achievable with a smaller 1.5-kilowatt system to help reduce energy use and lower bills. Jane's keen to install a solar electricity system one day, as she mentions the possible tax depreciation on it and the value it adds to the home, but would also consider other innovative ways to fund solar on a rental property such as leasing schemes.

This and more is on the cards while Jane renovates the property before it goes back on the rental market after long-term tenants recently moved out. She'll start with the Scorecard list and also investigate a pergola for the rear of the home to shade the hot western side in summer, which she says, gives tenants more enjoyment out of the house and increases its value at the same time.

"I think I've done a lot to make it more liveable and comfortable, and I'd hope that a 6 star, or possibly 7 star house is appealing to tenants. There are many worse houses that people live in and they own," she says.

"I think it's been very worthwhile getting an assessment in terms of the education given, and testing for energy efficiency should be part of every house sale and lease."

**Want to improve your rental property? Contact an assessor and organise a Scorecard assessment**