



COMMUNITY SUPPORT AND SERVICES COMMITTEE

Members present:

Ms CP McMillan MP—Chair
Mr SA Bennett MP
Mr MC Berkman MP
Ms CL Lui MP
Dr MA Robinson MP
Mr RCJ Skelton MP (virtual)

Staff present:

Ms L Pretty—Committee Secretary
Ms R Mills—Assistant Committee Secretary

PUBLIC BRIEFING—INQUIRY INTO THE RESIDENTIAL TENANCIES AND ROOMING ACCOMMODATION (RENT FREEZE) AMENDMENT BILL 2022

TRANSCRIPT OF PROCEEDINGS

MONDAY, 10 OCTOBER 2022

Brisbane

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The committee met at 11.01 am.

CHAIR: Good morning. I now declare open the public briefing for the committee's consideration of the Residential Tenancies and Rooming Accommodation (Rent Freeze) Amendment Bill 2022. I respectfully acknowledge the traditional custodians of the land on which we meet today and pay our respects to elders past and present. We are very fortunate to live in a country with two of the oldest continuing cultures in Aboriginal and Torres Strait Islander peoples whose lands, winds and waters we all share. Our committee also acknowledges Ms Cynthia Lui, the member for Cook, as a member of our committee and the first member from the Torres Strait Islands to be elected to the Queensland parliament.

On 31 August 2022, the member for South Brisbane, Dr Amy MacMahon MP, introduced the bill into the Queensland parliament. On the same day, the bill was referred to the Community Support and Services Committee for their detailed consideration. The purpose of today's hearing is to assist the committee with its examination of the bill. I thank Dr MacMahon for making herself available on this Monday morning. My name is Corrine McMillan. I am the member for Mansfield and the chair of the committee. With me here today are: Mr Stephen Bennett MP, the member for Burnett, who is the deputy chair of the committee; Mr Michael Berkman MP, the member for Maiwar; Ms Cynthia Lui MP, the member for Cook; Mr Robert Skelton MP, the member for Nicklin who is appearing via teleconference; and Dr Mark Robinson MP, the member for Oodgeroo.

The committee's proceedings are proceedings of the Queensland parliament and are subject to the standing rules and orders of the parliament. The proceedings are being recorded by Hansard and broadcast live on the parliament's website. Media may be present and will be subject to my direction at all times. The media rules endorsed by the committee are available from committee staff, if required. All those present today should note that it is possible you might be filmed or photographed during the proceedings by media and that images may also appear on the parliament's webpage or on social media pages. I ask everyone present to turn mobile phones off or to silent mode.

Only the committee and invited officers may participate in the proceedings. As parliamentary proceedings under the standing orders, any person may be excluded from the briefing at my discretion or by order of the committee. I also ask that any responses to questions taken on notice are to be provided to the committee by the close of business on Friday, 21 October 2022, unless you seek to make alternative arrangements with me as chair.

MacMAHON, Dr Amy, Member for South Brisbane, Parliament of Queensland

CHAIR: I welcome Dr Amy MacMahon, the member for South Brisbane, who has been invited to brief the committee. Good morning. Thank you for giving up your time to share with us a little bit more about your proposal. I invite you to make an opening statement after which I am sure committee members will have many questions for you.

Dr MacMahon: I thank the committee and the secretariat. I start by acknowledging the rightful owners of the land on which we are gathered today, the Yagara and Turrbal people, and pay our respects to elders past, present and emerging.

As everyone would know, Queensland is in a cost-of-living crisis like we have not seen for decades. Families across Queensland are struggling to make ends meet with the rising cost of rent, fuel and groceries, and this is hitting renters the hardest. We know that 33.1 per cent of people across the state are renters, which has pretty much remained steady since 2016. What has changed significantly is the number of people in rental stress who are paying more than 30 per cent of their household income on rent. Some 32.3 per cent of renting households across Queensland are in rental stress, up from 12.8 per cent in 2016.

In my electorate of South Brisbane, 62 per cent of households are renters and 31 per cent of those households are in rental stress. I will give you a snapshot from some of the electorates represented by committee members: in Mansfield nearly 30 per cent of renting households are in rental stress; in Burnett, 33 per cent of renting households are in rental stress; and in Nicklin, 42 per cent of renting households are in rental stress.

According to SQM Research, rents in Brisbane saw the steepest annual increase on record this year at more than 20 per cent. A similar study by Domain found house rents in Brisbane surged to a new record high of \$450 per week—the steepest annual increase since early 2009. The same report found similarly steep increases across our state's regions. Toowoomba house rents rose by more than 15 per cent and Bundaberg residents faced a rent rise of more than 22 per cent. The five-year data paints an even grimmer picture: rents in the Central Highlands rising by more than 50 per cent and rents in Gladstone nearly doubling.

Decades of treating housing like a commodity, rather than a human need, has resulted in this enormous failure. It is worth noting that increasing rents is part of what is fuelling inflation across the state, and a cap on rental increases would help ease inflation. We are hearing conflicting justifications for why rents have increased so dramatically. The Premier and others have pointed to questions of supply, which is significant, saying that if housing stock is limited then price rises are justified. However, this is blatant profiteering. We might accept this kind of argument with commodities, but how can we possibly accept this justification when it comes to homes?

Conversely, we hear from the real estate lobby that rent increases are necessary in order to cover the cost of owning an investment property. Yet since the COVID-19 pandemic, interest rates—one of the biggest costs to residential property investors—have remained relatively low. I have heard from countless tenants who have seen rent increases with no investment back into their homes in terms of maintenance or upgrades. Many of the submissions to date reflect this fact.

I now turn to the bill itself. The Residential Tenancies and Rooming Accommodation (Rent Freeze) Amendment Bill will freeze the rents of all Queensland residential tenancies at the amount agreed upon or advertised on 1 August 2022 for two years from when the bill commences. At the end of this rent freeze period, rents will be capped so they can only be increased by a maximum of two per cent every two years. The RTA would be empowered to keep a register of rents showing the amount of rent payable under the current residential tenancy for a premises and the maximum rent payable for a residential tenancy of a premises.

If there has not been a rental bond lodged with respect to a residential tenancy, the RTA can give the lessor written notice inquiring about the rent payable. If the lessor does not provide this information, they can be levied a fine of 20 penalty units. When a person considers a rent applied by the lessor to be higher than that of 1 August 2022, they can apply to QCAT for a declaration of the maximum rent. The tribunal may make an order to reduce the rent in line with the provisions of the bill. Failure to observe this rent cap will result in 50 penalty units.

I wanted to reflect briefly on the human rights implications of this bill, particularly in light of the discussion that we had last year around rental reforms and human rights. Without stable, appropriate housing, a Queenslanders' ability to enjoy the human rights protected by the Human Rights Act 2019 is seriously limited. During last year's parliamentary inquiry, the Human Rights Commissioner intervened to urge parliamentarians to carefully consider a range of human rights, including the rights of tenants to protection of family and children and freedom from interference with their homes, which is protected under the right to privacy and reputation. To argue that property rights may trump housing rights is, in my view, a perversion of human rights laws.

I want to share some of the insights from some of the submissions that have been received on the bill to date. They paint a pretty grim picture of what everyday Queenslanders are going through. A research scientist in Burnett wrote—

With the current price increases on everything there is little chance that I will ever own a home in my life.

If I cannot afford a home by myself when I am earning much more than the minimum wage than how is it possible for everyday Australians to make it in this country. I thought the promise of Australia was that everyone "gets a fair go".

A man living in Cleveland wrote—

Rent increases in our area are causing housing unaffordability for young people like myself. Personally I work 4 jobs and I'm renting a 1 bedroom house with a friend and it's costing us so much that we both struggle to earn the appropriate funds to continue living in the area! ... being pushed near to homelessness by the rental crisis at the age of 19/20 is a TERRIFYING way to start off our adult lives. The fact that every time I resign my lease with my landlord, my rent goes up dramatically is frightening.

A renter in Cooper wrote—

My rent has increased by 15% since last year, while my wages haven't changed. As a result, I'm unable to afford basic health care like a visit to the dentist. Wealthy property investors keep increasing rents past what working Queenslanders can afford.

These are just a handful of the stories that are coming through. I urge the committee and the government to listen to the voices of everyday Queenslanders for whom a rent freeze would be transformative. Thank you.

CHAIR: Thank you, Dr MacMahon. I will turn to the deputy chair, the member for Burnett, for his first question.

Mr BENNETT: You paint a very grim picture. We all acknowledge that it is tough out there for a lot of Queenslanders. You have referenced many submitters but there are also those who have talked about—and I think you mentioned it in your opening—how landlords may respond to maintenance and upkeep. It has been raised, and I want to flush out your thoughts about how we will deal with the unintended consequence of a good intentioned piece of legislation that you have brought forward. Have you had any conversations around what could be a possible consequence?

Dr MacMahon: It is a good question. One of the bits of evidence that we have seen over the last decades is renters facing landlords who are unwilling to maintain properties. We have heard all sorts of stories last year and this year about properties that are in very poor condition. It is worth noting that minimum standards for rental properties come into effect from 1 September 2023, with full implementation in September 2024, so there will be some measures to make sure that properties are kept up to date. It is also worth noting that maintaining a rental property remains a tax deduction at the federal level and negative gearing is potentially a stronger financial incentive to maintain a property than higher rents, given that there are financial returns available year on year.

It is also worth reflecting that even without a rent freeze we are seeing pretty dire situations. At the moment the status quo is that many properties are going unmaintained. I do not imagine that this would have a huge impact on the quality of rental properties out there. I imagine that it would remain the same, which is pretty poor conditions. Hopefully with these minimum standards, there are some requirements for landlords to be making sure houses are fit for purpose.

Mr BENNETT: We might also be able to reflect on other jurisdictions that have had rent freezes over a number of years.

Ms LUI: Dr MacMahon, the bill proposes that, following a two-year rent freeze period, rent increases would be capped at no greater than two per cent every two years. What outcomes do you expect to flow from this initiative?

Dr MacMahon: The idea with this bill is that we would not expect a rent freeze to go on forever. We expect that rents do need to increase in line with inflation but at the moment we have a pretty dire situation. A two-year rent freeze allows people to maintain their tenancies, allows people to find affordable tenancies and gives the government time to put in place other measures to deal with housing affordability. It puts in place time to build more social housing, for example, or to put in other initiatives to boost housing supply and to investigate something like a vacancy levy as well as put in a long-term cap on rent increases. I think we are beyond the time when we can accept that rents can just increase without any caps in place. There are a lot of other jurisdictions around the world that are moving towards some form of rent cap. The ACT has some form of rent cap in place. This essentially says that we have this time of two years to allow the government to investigate these other measures and then after that, with this rolling rent cap, we have continuing measures to protect affordability for renters.

Ms LUI: You mentioned the ACT. Are you aware of how that process is currently going?

Dr MacMahon: I have not seen any research. It is a fairly new initiative in terms of long-term data coming out of the ACT. I do not think they are seeing the kinds of rent increases that we are seeing here in Queensland. Brisbane is seeing the highest rent increases across the country. It is now one of the least affordable places to rent, which is very different to the ACT where there is still relative affordability. It is worth reflecting, though, that this is a nationwide problem.

CHAIR: You are right that it is a nationwide problem and perhaps even a global problem of the western world.

Dr ROBINSON: In the explanatory notes to the bill you give the reason behind this policy as the need for a response to a housing emergency. What would be the trigger for rent caps to be lifted? At what point does that happen and what triggers it?

Dr MacMahon: We have said two years to give the government a decent period to put in some of these other measures and to put in place the legislation required for a rent cap. Perhaps if the government moves very quickly on some of these other measures or if we see housing affordability improve significantly, parliament might be able to come back and revisit this. We have said that two years is a reasonable time frame to be putting in place other measures, to be investigating a vacancy levy, to be boosting supply, to be bringing on social housing, but it might take longer.

A number of other jurisdictions around the world have had rolling rent freezes where they have come to the end of, say, a six-month period and said, 'Okay, the rent situation is still quite dire so we're going to extend it for another six months.' It is my understanding that that is what has just been
Brisbane

put in place in Scotland. They have a six-month rent freeze with a provision for, I think, two more six-month periods to make sure that they have time to see the market actually cool down and to see affordability improve. I think it would be short-sighted for us to put in something like this for only six months, say, if we are not seeing significant improvements in rental affordability after that time. Two years is a reasonable time frame, I think.

Dr ROBINSON: What is the potential of that keeping on going for six months, a year, another year, another year? How do you stabilise that into some kind of predictable, reasonable situation for all involved?

Dr MacMahon: I guess you would have to look at: has supply improved significantly, have house prices started to stabilise or drop, has inflation started to cool, are interest rates stabilising as well and looking at those other economic metrics. At the moment, given that we have all these various factors at play and we are looking at inflation tipping at seven per cent by the end of the year, we would have to see a lot of those different factors cool down before we could think, 'Okay, it's time to open back up to a rent cap.'

Dr ROBINSON: You would see that potentially as ongoing then?

Dr MacMahon: We propose two years. I would hope it does not extend beyond two years for a rent freeze. I hope in the intervening time we would be able to put in place measures at a state level and at a federal level to see the market cool down a bit. It is worth noting that other jurisdictions have been extending it. If we get to the end of two years and we are still in this situation, something has gone very wrong. The focus here would be on giving the government two years to really work hard on housing affordability and access.

CHAIR: Dr MacMahon, in the explanatory notes you speak about some initiatives that are current in New York City, particularly for elderly residents. That is something of great interest. I understand that in that jurisdiction—for those watching online as well—the gap in the amount between the actual rent and what the elderly tenant pays is covered by a property tax credit for the landlord. When drafting the bill and giving any consideration to a similar form of compensation for landlords, did you do any mathematics around the prospective costs for landlords and how you might create a formula that helps calculate prospective costs and tax credits and some consideration to those paying rent? Is there a scientific formula that you have been able to develop?

Dr MacMahon: We have not done a formula on that sort of alternative policy setting. We did not look into that in detail in terms of compensation for landlords as an alternative model because part of the issue here is that we need to be bringing the cost of housing down. We need to bring rents down. Any measure that is providing government funding to a private investor, essentially, will not be cooling down costs. It will just maintain costs at a particular level. A similar example would be the NRAS scheme where that scheme, which has been quite successful over the past decade, is providing essentially compensation—that extra gap—for landlords to provide affordable housing. Now, at the end of this scheme, that has not ensured that those houses are affordable long term. A lot of those houses will go back into the private market and be just as expensive as any other property.

The idea here is to find ways to actually stabilise rents and to keep them low. If supply increases significantly and other measures come in place, we would hope to see rents become cheaper over time. This is also an anti-inflationary measure. This would help cool inflation across the economy more broadly and across Queensland so that not just housing but also a whole range of other things become a lot cheaper and more affordable.

It is also worth noting that home owners and investors receive a whole range of federal government housing benefits. About 90 per cent of the benefits from federal government housing, such as negative gearing and capital gains tax concessions, goes to home owners and investors. That equates to about \$36 billion a year of public money essentially going to private investors. Investors will continue to enjoy those benefits unless we see changes at the federal level. They will continue to enjoy the benefits of increasing house prices and land prices and property prices as well.

For me, property investors cannot expect the government to be guaranteeing higher returns on an investment. Housing will always remain a very stable way to get a return on your investment, but I do not necessarily think it is the government's job to be guaranteeing higher returns for an investor. That will be a decision for an investor to make about the kind of risk that they want to take on, but housing will remain a very stable form of investment even with a measure like a rent freeze in place.

CHAIR: Dr MacMahon, given that the success of the sentiment of your bill relies on federal government and interstate jurisdictions collaborating, have you done any work and had conversations with other states around that collaboration, because certainly it would not prove to be successful for just one state to be involved?

Dr MacMahon: Do you mean we would require a nationwide rent freeze for this to be successful?

CHAIR: Yes.

Dr MacMahon: We have been talking with our Greens colleagues in other states who have tapped into the ground and are pushing for either rent freezes or rent caps in their respective states as well and federally calling for a nationwide rent freeze as part of the rental tenancy standards. I think that is an important point. Having something nationwide would be much more powerful. It would mean that you will not see a huge increase in rents just over the border and people saying that investors over there are able to make a lot more money than they are in Queensland.

Even so, having something that is statewide would be quite stable in a lot of ways. It is much better than the New York model where it is based on particular kinds of properties or models where it is just individual cities. I think having something that is uniform across the state and uniform for all residential properties would still be quite effective. I have mentioned the ACT example where they have moved ahead with a rent cap independent of what other states are doing. That has not had particularly perverse outcomes.

Mr BERKMAN: Thank you for your time today, Dr MacMahon. I note in your opening statement you touched briefly on the human rights implications of this bill and referred back or least alluded to some of the arguments put forward in the debates on previous rental reforms that somehow protections for renters were an infringement on the rights of landlords. I recall that those arguments were quite roundly shut down by the Human Rights Commissioner at the time. Would you be able to elaborate for the committee, as broadly as possible, on the human rights implications of this bill?

Dr MacMahon: As I mentioned, without measures to ensure that every Queenslanders has an affordable and safe place to call home, we are really curtailing the human rights of a huge proportion of Queenslanders. We are already seeing people moving into their cars and moving into tents. You might have seen a particularly incredible example of an older couple who are sleeping in tents and couch surfing, and they are sharing tips on social media for others who are facing that situation and are getting queries from other people about how to do it.

We are seeing a very serious curtailing of the human rights of everyday Queenslanders. I receive queries in my office every day, as I am sure every member of parliament here does, from people who are about to have to sleep in their car, about to be evicted, are couch surfing and are in really dire situations. It is worth reflecting on the human rights implications of not putting something like this in place and reflecting on the debate that happened last year, which was very much focused on the property rights of investors. That particular debate was around the ending of no-grounds evictions and whether or not to give basically long-term tenure to people. The argument that came back from the government, from correspondence that we saw, was that these measures would curtail the property rights of investors.

It is worth noting that human rights work in a balance between different human rights. You are never going to be able to satisfy human rights uniformly. When balancing up the right to housing over the property rights of an investor who is still able to gather rent, is still able to have that property and could move back in if they wanted to, I think the housing rights of a tenant are much more important. That was reflected in the responses from the Queensland Human Rights Commissioner as well.

It is worth noting also that the New Zealand Human Rights Commissioner has pointed out that a rent freeze would be necessary to ensure citizens are not sacrificing their fundamental human rights to pay for rent. So there are other jurisdictions that are considering the human rights implications of a rent freeze in this kind of emergency period where lots of other countries and states are facing similar kinds of conditions.

Ms LUI: What impact would you expect the proposed two-year rent freeze and later rental cap would have on landlords, given the current rate of inflation and interest rate rises?

Dr MacMahon: That is a really good question. For me, when I think about landlords, I think these are people who already have a primary place of residence. They already have housing security themselves, so the impacts are really on their returns on an investment versus the rights to a tenant to have long-term housing security. As I mentioned, landlords are still able to benefit from increased house prices and ongoing federal tax benefits.

In the context of rising prices and inflation across the state, these increased costs are hitting tenants the hardest. If you are a property investor or a landlord, in a lot of ways you are able to absorb those broader costs, but inflation is hitting hardest the tenants, first home buyers and people who have a mortgage and are on a low income. The calculation we have made is that landlords are able to absorb a lot of the increased costs, but tenants and first home buyers are not able to.

Landlords are definitely facing inflationary pressures, but the increase in rent that we have seen over the last 12 months is beyond the cost of inflation and beyond interest rate rises. It has been beyond just recouping costs for landlords and it has gone into, in some cases, very blatant profiteering. I referenced before people who have seen no investment back into their property in terms of maintenance. In a lot of cases, this is not about covering costs. For the vast majority of landlords with very high rents already, having a rent freeze over the next two years will not have a major impact on them, particularly given they already have a primary place of residence so their housing security is not in question.

Mr BENNETT: My question is not meant to be argumentative, but they are observations of your bill that people have made to me. I agree 100 per cent that tenants have a right to security and access to a home. You mentioned the legislation last year starting to interfere with what could be seen as free enterprise, mum-and-dad superannuation investments and whatever. My thought and what I am hearing is that we continually legislate for the crisis that we have. Why wouldn't we be putting our efforts into dealing with housing supply, which is an automatic generator of wealth across the whole community, as opposed to relying on some magical thing to find more housing supplies? You have already mentioned this a couple of times, but I am just saying that people are concerned about government's interference in what should be free enterprise—which we do a lot of in this place—as opposed to encouraging land supply and construction activities which would give people the basic dignity of security of a home.

Dr MacMahon: To start off my response, I would say that we should not be considering housing as a free enterprise. This is something that is essential for people's most basic dignity and their lives. Every other aspect of people's lives relies on having somewhere safe to call home and they—

Mr BENNETT: Sorry to interrupt, but isn't a lot of people's investments into their superannuation into a rental property? It does not necessarily make them a property developer. I know a lot of people have struggled to buy that second home as part of a retirement strategy. That is free enterprise, isn't it? Isn't it their opportunity to spend their money and get on with life?

Dr MacMahon: Yes, but I think there are some things where there is a role for government to be putting regulation in place. We have a completely free market in terms of housing at the moment, and we have ended up in a crisis. The superannuation question is really interesting because a lot of people I have spoken to are deadly terrified of being poor when they are old. That is part of federal measures around the pension and access to health care. That is not necessarily a separate question—they are definitely linked here—but I do not think we should say that, because you are in a position to be able to have an investment property and have a more comfortable retirement, that is a justification for having a free market.

To come back to your point about supply, this gives the government time to invest in supply. This basically says for the next two years, while we have rents that are skyrocketing, we can put a cap on that, we can stabilise rents and we can make sure people can stay in their homes, which is one of the most important things. People will be able to find an affordable rental, but this absolutely has to go hand in hand with other housing measures. I would never say that this is the silver bullet to solve the housing crisis. This has to go hand in hand with a whole range of other measures that the Greens, the government and other people have been talking about. The housing summit next week will focus a lot on supply—which will be really important—as well as investment in social housing. This basically says that, while the government does that and we boost supply and we stabilise things, we cannot allow tenants to go through the kind of situation they are going through at the moment.

One of the most powerful bits of research on rent controls in other parts of the world is that it allows people to stay in their homes, which is one of the big problems we are seeing at the moment. Every six to 12 months, people are being tossed back out into the private market, which is part of why we are seeing these massive lines of people lining up for rental properties. They would have loved to have stayed in their home. They are not moving because they want to. Rent controls mean people can stay in their home.

We would have that stabilisation, and then in the background the government could be working on incentives and other measures to boost supply. They could be looking at things like inclusionary zoning to make sure affordable housing is incorporated into any new development that is going on, they could be looking at builds in social housing, and they could be looking at urban renewal that is done in consultation with communities. There has been a lot of talk about the Olympics and the investment in housing that will come from that. Those benefits will only be realised if we can stabilise rents now and give renters and the government that breathing space.

Mr BENNETT: I appreciate that, but we have just had the Auditor-General in here talking about the 2025 aspirations, and forecasts are not going to keep up with supply anyway. I respectfully suggest in relation to your two years that, although it is aspirational, we are already seeing data that we are not going to get there by 2025. Maybe what you are doing is an opportunity for that to be really focused on. Thank you for bringing it forward.

Dr MacMahon: If you want to freeze rents until 2025, I would be happy to make those amendments to the bill.

Mr BENNETT: I am just pointing out the reality of life.

CHAIR: The explanatory notes advise that British Columbia has had rolling rent freezes since 2020, meaning that until earlier this year landlords could not raise the rent by more than 1.5 per cent. Are you aware of any research or data that examines the outcomes of that initiative?

Dr MacMahon: I have not seen any research directly about the British Columbia example in terms of peer reviewed data. Without being facetious, it has stabilised rents. It is worth noting that in British Columbia that has come off the back of rent caps that have existed for some time and then they have put a rent freeze on top of that. The British Columbia example is interesting because they have already had some kind of caps on rents which they have then determined have not been sufficient, so they have needed to put in these rolling rent freezes.

The British Columbia example is interesting also because the research that has been done on rent caps in small jurisdictions is that it has had perverse outcomes, which is why it is important to have something that is statewide. I mentioned before the example of New York and other places where the rent caps have only applied to existing dwellings. That means there are lots of loopholes for landlords to be able to get around that and over time there is a reduction in the number of properties that have a cap in place. To me, that suggests that for something like this to be done right it would need to be statewide. If there was research on the British Columbia example, I imagine that would be part of what would come out of that in relation to a smaller jurisdiction.

CHAIR: I cannot be specific about the inflation rate in British Columbia, but I assume it would be much greater than 1.5 per cent. There is a difference in that 1.5 per cent in terms of the rent and the inflationary measure in BC, whatever that is. Could you talk to us about how that might be managed?

Dr MacMahon: If I am understanding you correctly, their existing rent cap was that rents could increase at inflation. I think they had inflation at just over eight per cent, so that measure was not working because rents were still rising too quickly. If inflation was going up, rents were able to rise really quickly. They said that was not working so they brought it back down to something much lower—essentially resembling a rent freeze—to make sure they were dealing with the fact that inflation was so high. It is early days, but what you would expect to see from something like that is a slowing of inflation.

CHAIR: I have just been informed that the inflation rate in BC is 7.3 per cent and they are not able to raise rent any greater than 1.5 per cent per year. My question that you answered was around how you reconcile inflation at 7.3 per cent and a rent rise at 1.5 per cent. The second part of the question is: what is the direct impact of keeping rent at no greater than 1.5 per cent annually on contributing to a deflationary environment?

Dr MacMahon: That would be the ultimate goal.

CHAIR: But is there any evidence?

Dr MacMahon: Not from the British Columbia example that I have seen. Most of the other research on rent caps has been in previous decades when there were not these kinds of inflationary measures. In a lot of the jurisdictions that are doing it now, it is quite early days, so you are having that economic evidence to demonstrate that inflation is going down. It is worth acknowledging that there are a whole range of other global factors influencing inflation. Given we are seeing such high inflation in Queensland, I think it would be safe to assume that house prices and rents are part of what is contributing to that. Rent prices are definitely part of the calculations around looking at CPI.

There would definitely have to be other measures that the government could put in place to bring down inflation and the cost of living. There are a whole range of other things that governments could be doing in terms of public sector wages, access to public transport, health care and so on that would also help bring down inflation. Having something like this in place for two years gives the government time to investigate those other measures that would need to be put in place to bring it down.

CHAIR: Are you suggesting a decline in public sector wages?

Dr MacMahon: No, definitely an increase.

Dr ROBINSON: If the legislation were to pass and we get, say, one year into it and there was a substantial decline in the number of houses made available because investors do not believe it is a good investment anymore, even though they may be very sympathetic to the plight of others—in two parts—what happens if that were to happen statewide and, secondly, in a particular region and it has a very substantial impact on that region and makes housing affordability worse? What do you suggest?

Dr MacMahon: It is a great question. Most of the research we have looked at shows that there is not a huge impact on the basic supply. As I mentioned, this would have to go hand in hand with new builds as well. In other parts of the world there has not been a huge drop in supply. If investors decide it is no longer worth their time, you would assume they are selling those houses either to other investors or to people trying to break into the housing market, presumably families who have been renting and are then able to buy a home. If there is a huge influx of property investors selling houses into the market, we could potentially see a drop in prices. I think it would be good for a lot of people to break into the housing market and have that long-term housing security.

We are already seeing limited supply under the current conditions, where landlords are able to charge—in line with what is going on locally—pretty much whatever they want and we are seeing limited supply. The status quo was already leading to that situation. The research suggests that things cannot get much worse in terms of supply. What it does do is allow people to stay in their homes and stabilise rents; it allows people to find affordable rentals. If we saw that evidence coming out in a couple of years time and we could directly link it to a rent cap—and I think that would be difficult because there are lots of other measures in place in terms of housing supply—perhaps that is something to revisit. It is not coming through strongly in most of the research we have looked at.

Ms LUI: A number of submitters have expressed the view that the proposed rent freeze may result in landlords turning to short-term rental arrangements—and a good example is Airbnb—and thus reduce the stock of rental housing available. Do you consider this to be a legitimate risk of this initiative?

Dr MacMahon: Yes, it is a risk and it is something we have baked into the bill. We have said that fines would apply for lessors who move a property from the private rental market into short-term accommodation during the rent freeze period. It is definitely a risk that we have sought to address with the way the bill works so that people cannot just get the incredible amount of money they are able to get from short-term accommodation by moving a property from long-term housing into Airbnb, for example. This would give the government time to put in place some long-term measures to deal with short-term accommodation.

There are lots of ideas out there. Other jurisdictions are looking at things like a limit on the number of days people can list their property on Airbnb, having significant registration fees that disincentivise people from turning their properties into short-term accommodation. I think Byron Bay has a measure where a property can only be listed for 90 days a year. That is a pretty significant disincentive. We are looking at those other measures to try to limit the impact that short-term accommodation is having on the rental market which at the moment is significant.

There are lots of houses that are being turned from long-term accommodation into short-term accommodation that could be available to families. It is hard to know the total figure. We have estimated that in South Brisbane alone there might be 2,000 properties that have been taken off the market. I think this would give the government time to do some good consultation and research to put in place some good measures around limiting short-term accommodation so we can ensure that any property that could be providing long-term accommodation to a family is doing so.

Mr BERKMAN: You have mentioned other measures that the government could put in place while this rent freeze takes effect. One of those measures to ease the rental demand pressures a little would be a vacancy levy. In recent times we have seen the LNP Brisbane City Council take a very small step in that direction through rate changes for vacant properties. Can you give the committee a bit more of a sense of where you see vacancy levies potentially sitting amongst this proposed reform?

Dr MacMahon: I think this is pretty important. This would be a pretty quick and easy way to boost supply. Looking at the ABS data statewide, potentially around 87,000 homes are being left vacant long term. A proportion of these will be people who have had to go into aged care, for example, and their house is empty or they are on a long-term holiday abroad. A lot of those homes are being left empty deliberately by investors who have made the calculation that it is easier for them to just wait for the price of that property to increase rather than bothering to have it tenanted and dealing

with tenants. We know this is happening because this is something that landlords threaten all the time. When we have been talking about this rent freeze a lot of landlords have said to me, 'I'll just leave my place empty,' which is incredibly unethical. Obviously they have made the calculation that it is easier to just sit on a property and wait for the property prices to increase and then sell it sometime down the track.

I think having some measures in place that really disincentivise leaving a property empty could be really powerful. We have been looking at examples from Vancouver. The Victorian government have a scheme. It is not working particularly well at the moment because it is voluntary. I do not think many people are going to voluntarily let the government know that their property is empty. We could bring thousands of homes back into the long-term rental market with a vacancy levy that was significant enough that investors would make the calculation that it is better to have a tenant in their home.

In Spain they have a much more extreme piece of legislation such that if a home is empty, the council basically seizes it, sets the rent and forces them to rent it out. I do not think the Queensland government would be so bold as to do something like that, but a vacancy levy could be quite a powerful way of bringing thousands of homes back into the market. It could be a quick and easy way to boost supply.

Mr BENNETT: I am curious about the administrative issues of the legislation and where we see that. I am trying to find in your explanatory notes the issue you read out before about Airbnb.

Dr MacMahon: That is on page 1.

Mr BENNETT: I will find it. Thank you. I have not been able to find how this could be put into practice. There is going to be a certain group of people who may have some numeracy or literacy issues and may not be able to find QSTARS or go to the tenancy association. Have you thought through how we are going to make sure that the rent cap is enforced?

Dr MacMahon: In terms of the mechanism, we have said that the RTA would hold a database of rents. The RTA—

Mr BENNETT: Do they do that now?

Dr MacMahon: I do not believe so.

Mr BENNETT: Have the costings of such a database been thought through?

Dr MacMahon: There might be some minor costs, and they already have to hold bonds. We have said that when a landlord lodges a bond, at that same time they would say, 'This is how much the house is being rented out for,' and they would hold that database. It would be up to the RTA or the tenants to raise an issue with QCAT if they saw that rents were higher than the level we have suggested in this bill.

Mr BENNETT: QSTARS is another group, isn't it?

Dr MacMahon: QSTARS are more of an advocacy group. They might be able to provide support and advocate on behalf of tenants or alongside tenants if they are in a situation where they can see that the rent cap is not being adhered to. I believe they have just received a little extra boost in government funding, recognising the good work they do and the increased stress that tenants are under. That is the kind of mechanism we have put in place. The RTA would hold that database and the RTA could be compelling a lessor to reveal how much they are renting out a place for and if it is higher than the cap, they could take them to QCAT. We have embedded some penalty units in here as well.

Mr BENNETT: I saw that. Thank you.

Mr BERKMAN: I would like to throw it to the member for South Brisbane. Are there any other observations you would like to make or issues you would like to round out before we finish the session?

Dr MacMahon: I just wanted to bring to the committee's attention the evidence that Tenants Queensland gave to the committee last year. One of the big, important points they made is that any time a government has suggested any kind of measure to improve tenants' rights, the response from the real estate lobby has been to say, 'You're going to tank the rental market. There's going to be no properties available for tenants.' This has been going on for years and years. I just want to share a few of their quotes. They have said—

They have a whole range of evidence around the centralised collection of bonds going back to the 1980s. Some research put together by Tenants Queensland states—

Very little research has focused specifically upon the impacts of tenancy regulation on the performance of private rental markets or, more specifically, on rental property investor behaviour in Australia or elsewhere. Those who have considered this question conclude that neither tightening nor easing of tenancy regulation has any significant impact on investor behaviour or overall patterns of expansion in the—

private rental market. In conjunction with the research we have looked at regarding rent caps elsewhere—I think the concern around supply is a very worthy concern. If I thought that this would genuinely decrease supply and make things harder for tenants, I would not be bringing this bill forward. Looking at the evidence that has been brought by Tenants Queensland previously and other research that we have looked at, this is a measure that would really help so many Queensland tenants.

I think you will all get a chance to read the submissions over the next few months as this inquiry continues. There are really harrowing stories about people who are struggling immensely and for whom this would be a transformative measure which would allow them to stay in their homes and stay with their communities. That must be the long-term goal of this government in the current moment.

I know this is a key issue for the government. We have the housing summit next week. I really hope that a rent freeze is on the table, that this is something that the housing summit will consider. I would underline that if I genuinely thought this would cause supply to drop, I doubt we would bring this forward. It is just not the example that we have seen elsewhere.

CHAIR: Finally, in the absence of any significant economic data that alludes to this strategy reducing or increasing housing demand or helping to address the issues that we have, what do you say to those who say, 'This risk is just too great in the absence of solid economic data?'

Dr MacMahon: Looking at what is going on for tenants right now, which is people really struggling, if we do not put in place a rent cap or a rent freeze, we are going to be seeing more and more people literally out on the streets, sleeping in tents and cars. I think the risk of not doing something like this is significant and guaranteed. We know that the rental market is so unaffordable at the moment and the fact that people are seeing these increases of 20 per cent or more is having a direct impact on the number of people who are sleeping rough, couch surfing or applying for social housing. We know that very clearly. Whether or not this will cause supply to drop is a different question, even though it is not really backed up by the research we have seen. However, we know for sure if we do not put in place measures and a rent freeze, we are going to see more Queenslanders struggling; we are going to see more Queenslanders being pushed into housing stress. We have already seen those numbers increasing. We know very clearly the implications of not acting.

CHAIR: Dr MacMahon, thank you very much for bringing this bill and its explanation to our committee. Our committee does appreciate the work that you do as a member of your party. It certainly appreciates the amount of work that this entails. Bringing a bill before the Queensland parliament does require quite a significant amount of work, and we acknowledge that. Dr MacMahon, that concludes our briefing this morning. On behalf of the committee, we would like to thank you for your attendance. We thank our Hansard reporters as always. A transcript of these proceedings will be available on the committee's parliamentary webpage in due course. I now declare this public meeting closed.

The committee adjourned at 12.02 pm.