

Residential Tenancies and Rooming Accommodation (Rent Freeze) Amendment Bill 2022

Submission No: 80
Submitted by: Tanya Graves
Publication:
Attachments: No attachment
Submitter Comments:

Dear Minister,

As Landlords for over 60 years, we are writing this submission to confirm our objection and complete opposition to the proposed amendments to the *Residential Tenancies and Rooming Accommodation Act 2008*, for particular purposes including:

- freezing of rents at no more than the amount advertised by the lessor, or agreed by a lessor and lessee, on or before 1 August 2022
- applying a 50-penalty unit fine to lessors who fail to observe the rent freeze or who move a property from the private rental market to the short-term accommodation market during the rent freeze period
- capping rental increases after the 2-year rent freeze period at no greater than 2% every 2 years
- setting rent for properties that have not been rented for over 12 months as the median rent for comparable properties in that postcode
- providing the power to the Residential Tenancy Authority (RTA) to compel lessors to provide information about the amount of rent payable with respect to a residential tenancy agreement for which a rental bond has not been lodged with the RTA, with a 50-penalty unit fine applying to lessors who fail to provide that information.

It seems very clear that the proposing minister and supporters have no real life or practical understanding of how this will actually affect the rental market. In their misguided efforts to “help tenants” they are actually ensuring a worse rental market with less properties, which is perpetuating the problem of supply deficit as currently exists.

It has been suggested that rent controls including a rent freeze on residential properties would help solve the current housing crisis in Qld. The likely result of rental controls would be the opposite, it would discourage investors leading to a substantial reduction in rental house investment. This will in turn reduce the supply and quality of housing available and place even more pressure on public housing.

As in any industry, increasing the obligations and costs and or reducing the returns will discourage investment and lead to investors exiting the market. This is already occurring with property investment where new regulations reduce the owner's ability to effectively manage their investment, adding significant risk and onerous obligations. At the same time investors are being met with substantial cost increases particularly repairs (materials and labour), insurance, finance, land tax and council rates. For their investment to remain viable, owners have no choice but to pass these escalating costs on to tenants. Any rent control where investors would be forced to make a loss would lead to owners selling or re-purposing their properties.

Some might argue that as investors sell their property, that property would likely be bought by first home buyers and thereby reduce the pool of people renting. This argument fails to consider 3 important factors. Firstly, those tenants who take advantage of sales by investors and of becoming first homeowners are those with higher incomes and have the means to buy with deposits and secure finance. It would provide no benefit to low-income tenants experiencing rental stress. The second factor, the availability on existing homes will simply displace demand on new homes, while the ample demand for new homes will be by owner occupier buyers but no longer by investors in rental homes.

The other impact is owners re-purposing their property, where this meets individual circumstances. If residential rental is making a loss, owners would consider leaving properties empty, using as holiday homes or for family members, short term or holiday rental or renting for storage. There are many examples of regulations to target this and in most cases intervention elsewhere has failed.

An incorrect assumption being promulgated is that all landlords are wealthy and making large profits on the backs of suffering tenants, and that rent control will reign this in. While high land values and the hope of capital gains make owners look wealthy on paper, these can only be realised if there is sufficient investment yield or demand by owner occupier buyers. Rent that no longer covers escalating costs results in negative yield. Some investors can use tax tools such as negative gearing and deferring losses to later years to reduce impact, but ultimately making a loss is undesirable. This is in addition to property investment being time consuming and risky venture, particularly as there is no certainty that capital gains will materialise at the time when the property is sold.

There have been some comments citing rent controls in other parts of the world. Many of those schemes are very different to the ones proposed here, for example, some include subsidies by government to landlords, freezing taxes or other costs to those participating, or only relate to large corporate landlords. Rent control schemes have generally been far from successful. For example, in Sweden, tenants waiting an average of 9 years to secure a rental and other forced to move every 12 months.

Overall, rent controls present a very negative and ineffective approach to dealing with the housing crisis.

What is needed are positive and effective solutions to address the housing crisis. Clearly more social and public housing can go some of the way, but they face substantial problems. Over the past few decades, we have seen the privatisation throughout essential sectors such as energy, utilities, communications, transport, security, health and others. The main aim of privatisation includes improving efficiency, more private investment and

reducing cost. Why then would housing be so different that some wish to do the opposite and nationalise it in the form of public housing.

Expanding the private rental market can go much further. The start with providing incentives rather than disincentives for investment in rental and in particular low-cost rental properties.

Each tenant and investor have their own unique set of circumstances, so rather than create onerous rules which apply to everyone, investors and potential tenants should be able to negotiate many of the terms of a rental agreement. Tenants are free to choose properties which best meets their needs, and investors would choose tenants who are best suited to what they have to offer.

All three levels of governments impose taxes on tenanted properties (which are lower or tax-free for owner occupied property) and include Capital Gains Tax, Stamp Duty, Land tax and Council Rates. These all get passed on to tenants. Clearly, for some rent-relief is provided to tenants than this is the easiest cost for government to waive as an offset. This was actually the case during the lengthy Victorian lockdown where landlords who provided rent relief were entitled to an equivalent relief in state taxes.

Reducing risks to investors is another key incentive. The biggest risk to many investors is the prospect of an undesirable tenant who may damage property or fails to pay rent. Providing an efficient and streamlined process to deal with undesirable tenants must be a priority, as the majority of desirable tenants are being adversely impacted by this minority. If the parties cannot reconcile, then the eviction process must be fast and straightforward.

Legislation should treat tenants and landlords equally and fairly. Current legislation is heavily biased in favour of undesirable tenants. It imposes almost no penalty for tenants breaching legislation but many for landlords despite trying hard to follow the rules. A retaliation provision that only applies to landlords but not tenants. Also, tenants allowed to leave anytime and, if they know how, without notice, penalty or reason, while landlords must adhere to strict rules, timeframes and reasons.

Of course, the biggest solution to the housing crisis is simple: build more houses. Briefly, more houses (plus more incentives for investors) means more rental stock, therefore more supply, more competition among landlords and therefore more competitive rents. Clearing up the mess in our current planning schemes and making the process of obtaining planning and building permits fast and inexpensive for smaller investors. Invest in building new satellite and regional cities where the transport, jobs, schools and other services all exist before selling the allotments. Open up more disaster resilient and sustainable land for development, or invest in disaster resilience to make other land suitable

This Objection is submitted for on behalf of the following persons / entitles all of whom have a combined renting experience of over 60 years

Objector Name	Contact Phone Number Address	Signature	
Tanya Graves	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	[REDACTED]	
David Graves	[REDACTED], [REDACTED] [REDACTED] [REDACTED]	[REDACTED]	
Joy Graves	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	[REDACTED]	
Herbert Graves	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	[REDACTED]	
For and on behalf of Vesgra Pty Ltd	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	[REDACTED]	
For and on behalf of Gravasset Management Pty Ltd	[REDACTED] [REDACTED] [REDACTED] [REDACTED]	[REDACTED]	