

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

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Committee Secretary
Community Support and Services Committee
Parliament House
George Street
Brisbane Qld 4000

31 October 2022

Dear Committee,

Reference is made to the Residential Tenancies and Rooming Accommodation (Rent Freeze) Bill 2022 (the ***Rent Freeze Bill***).

We own residential rental properties in South-East Queensland and the Darling Downs.

Need to increase supply

Queensland currently faces a rental crisis with insufficient residential properties available to meet demand. In our view, the Rent Freeze Bill will exacerbate the current shortage of residential properties available for rent in Queensland.

To meet the increased demand for residential rental properties, Queensland needs to increase supply through a mix of public and private housing. Imposing a two-year rent freeze on residential property rents followed by maximum rent increases of 2 per cent each two-year period thereafter will act as a disincentive for private investors to invest in the Queensland residential housing market.

No freeze on costs

The Rent Freeze Bill is silent on the issue of the costs borne by landlords as part of providing residential property for rent. These costs include council rates, water rates, land tax, strata levies, insurance, interest costs on related loans, and repair and maintenance costs. Consumer price inflation in Australia is currently at 7.1 per cent per annum although increases for some costs borne by landlords such as insurance are increasing at a far greater rate than CPI. **(1)**

Imposing a rent freeze and subsequent rent controls on landlords will force them to absorb cost increases. This will result in landlords:

- selling their rental properties – while these properties may be purchased by persons currently renting, the greater impact of a rent freeze and rent controls will be the disincentive to investors building new residential rental properties in Queensland to meet the current demand as well as future demand through natural population increase in Queensland as well as interstate and international migration to Queensland.
- looking at ways to reduce costs. This is likely to impact tenants as landlords forgo repairs and maintenance beyond what may be necessary to meet lease requirements.

- withdrawing their properties from the residential rental market until such time as the law is changed and using it for other purposes such as a family holiday home.

Other jurisdictions

Ireland

Ireland introduced rent controls and tax increases on private landlords in 2016 using Rent Pressure Zones (RPZs). Landlords with properties inside a RPZ are limited to increasing rents by the lower of 2 per cent per annum or inflation. Outside RPZs, landlords can amend the rent every two years. (2)

Ireland's rent control measures have been counter-productive and ineffective and have resulted in a serious lack of supply of residential rental properties available for rent with landlords leaving the market because they are not permitted to charge market rent for their properties. As an example, in Dublin, 712 homes were available for rent as at February 2022, less than one-quarter of the February average over the past 20 years. (3)

St Paul, Minnesota, USA

St Paul is introducing rent control measures from 2023. Ahead of its implementation, the number of building permits issued in St Paul from January 2022 to July 2022 dropped 31.4% compared to the previous four-year average for building approvals. (4) St Paul is now proposing a 20-year exemption for new construction from rent control measures, effectively exempting buildings built since approximately 2003. (5)

San Francisco, California, USA

A Stanford University study in 2017 relating to rent controls implemented in 1994 on small multi-family housing built prior to 1980 found that rent controls reduced residential rental housing supply by 15%. Landlords actively responded to rent control measures by converting or redeveloping controlled buildings to take advantage of rent control exemptions, thereby reducing the supply of rental housing. (6)

Rent Freeze Bill Explanatory Notes

The Rent Freeze Bill Explanatory Notes refer to rent control measures in several jurisdictions. In our view, referring broadly to some of these jurisdictions without detailing the limits of the various rent control measures is misleading.

Victoria, Australia

The Covid-19 pandemic rent freeze in Victoria was accompanied by cost related measures such as deferrals and interest waivers on costs such as council rates and water rates. (7) Similarly, during the Covid-19 pandemic, Queensland residential property investors were able to access discounts, deferrals, and reductions on costs such as council rates and land tax.

New York, USA

Rent control and rent stabilisation measures in New York State, where implemented, apply to a limited number of buildings which fit within the rent control criteria.

In New York City, rent control generally applies to buildings built before 1 February 1947, where the tenant has been in continuous occupancy since prior to 1 July 1971. Rent stabilisation generally applies to buildings of six or more units built between 1 February 1947 and 31 December 1973. Tenants in buildings built before 1 February 1947 who moved in after 30 June 1971 are also covered by rent stabilisation. Rent stabilisation also applies to buildings with three or more units constructed or extensively renovated on or after 1 January 1974 with special tax benefits. (8)

In August 2022, the City of Kingston, New York became the first city in Upstate New York to implement rent controls. It applies to buildings constructed before 1974 with six or more units. These measures are subject to litigation by landlords. (9)

Scotland

Scotland is expected to introduce temporary rent control measures until at least 31 March 2023 with the option to extend the measures for two further periods of six months. New tenancies during the rent control period are exempt from these provisions. Importantly, the proposed legislation allows for landlords to apply to increase rent to partially cover increases in certain costs such as interest, insurance, or service costs over the preceding six-month period. (10)

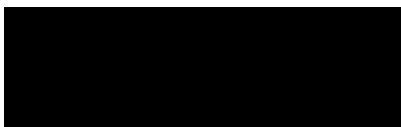
British Columbia, Canada

The Residential Tenancy Act applicable in British Columbia restricts rent increases during a tenancy to a prescribed rate linked to the rate of inflation. There are no restrictions on the rent determined at the commencement of a lease, thus permitting the landlord and tenant to negotiate and agree the rent to initially apply. (11)

New Zealand

The Covid-19 related rent controls imposed in New Zealand were accompanied by certain cost related measures such as the postponement of rates. (12)

Yours faithfully

A black rectangular box redacting the signature of Edward Dever.

Edward Dever
Kembridge Pty Ltd

END NOTES:**Consumer Price Inflation**

- (1) <https://www.rba.gov.au/inflation/measures-cpi.html>

Ireland

- (2) https://www.ipav.ie/sites/default/files/ipav_ipoa_jim_power_updated_report_june_2022.pdf
 (3) <https://gript.ie/rent-caps-in-ireland-have-been-an-unmitigated-disaster/>

St Paul, Minnesota, USA

- (4) <https://www.stpaul.gov/departments/safety-inspections/rent-buy-sell-property/rent-stabilization/rulemaking-implementation>
 (5) <https://www.kare11.com/article/news/st-paul-city-council-approves-changes-rent-stabilization-policy/89-f7f1d511-f05f-4187-a142-c9f5296d107a>

San Francisco, California, USA

- (6) <https://www.gsb.stanford.edu/faculty-research/working-papers/effects-rent-control-expansion-tenants-landlords-inequality>

Victoria, Australia

- (7) <https://insights.taxinstitute.com.au/covid-19-victorian-land-tax-relief-measures-for-victorian-landlords>
<https://www.melbourne.vic.gov.au/rates/Pages/rates-financial-hardship.aspx>

New York City

- (8) <https://hcr.ny.gov/rent-control>
<https://rentguidelinesboard.cityofnewyork.us/resources/faqs/rent-control/>

Kingston, New York

- (9) <https://www.kingston-ny.gov/news/?FeedID=1679>
<https://therealdeal.com/tristate/2022/10/28/landlords-sue-to-stop-kingston-rent-stabilization/>

Scotland

- (10) <https://www.gov.scot/publications/cost-of-living-bill-overview/#:~:text=Key%20measures,at%20least%2031%20March%202023.>

British Columbia, Canada

- (11) https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/00_02078_01#section40
<https://tenants.bc.ca/your-tenancy/rent-increases/>

New Zealand

- (12) <https://www.tenancy.govt.nz/about-tenancy-services/news/covid-19-coronavirus-rent-freeze-tenancy-terminations/#:~:text=These%20measures%20will%20support%20New,from%20having%20their%20tenancies%20terminated.>
<https://www.aucklandcouncil.govt.nz/property-rates-valuations/Pages/Rates-postponement-for-ratepayers-financially-impacted-by-COVID-19.aspx>