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

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RESIDENTIAL TENANCIES AND ROOMING ACCOMMODATION (RENT FREEZE) AMENDMENT BILL 2022

1. The Community Housing Industry Association (Queensland) shares the concern about sky-rocketing rents in the private market but considers that the mechanisms proposed in this Bill are not the best way to address rising rents. Freezing rents as at 1 August 2022 and capping rental increases after the 2-year rent freeze period at no greater than 2% every two years would create a risk of properties being withdrawn from the rental market. This would worsen the rental crisis in Queensland, not improve it.

The risk of reducing rental housing supply

2. While freezing rents, and capping them at 2% for two years after the rent freeze period, may protect renters in the short term, there is a significant risk that it will encourage landlords to withdraw properties from the rental market because they will be unable to absorb the rising costs associated with a rental property. We note that in 2019-20, 54% of all rental investors made a loss on owning a rental property.[i] Since then, landlords have faced significant rises in input costs and many more would now be in a loss-making position. The average cost of borrowing has more than doubled from 2.31% in 2019-20 to over 5% today, and both maintenance and insurance costs have risen steeply over the past two years.[ii] While some landlords will be prepared to balance modest short-term losses against the prospect of long-term capital gain, this position is not as compelling in a declining housing market where losses will take much longer to recoup.

Protections under existing legislation could be strengthened

3. CHIA Queensland considers that protections for tenants from excessively high or frequent rent increases could be strengthened without imposing a rent freeze that risks landlords withdrawing their properties from the rental market. One way to do this would be to reduce the frequency of rent increases allowed. Currently *the Residential Tenancies and Rooming*

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Accommodation Act 2008 provides that private market rents can be increased every six months. It also provides that tenants must be given two months' notice of impending increases. An alternative approach would be that where a fixed term tenancy agreement is longer than six months, rent could be fixed for the term of the agreement or 12 months, whichever is longer.

4. We acknowledge that less frequent rent increases would place some additional pressure on landlords who need to meet rising mortgage costs, increases in rates, insurance, maintenance and so on in the interim, but it would avoid exposing them to the same financial risk as a complete rent freeze. It would also offer private renters a more stable rent outlook over a longer period.
5. A second option would be to follow the lead of the Australian Capital Territory, where rent cannot be increased by more than 10% above the Consumer Price Index, unless the tenant agrees (in writing), or the tenancy agreement specifies a different rent escalation mechanism, or the landlord has the Tribunal's approval for a higher increase. Of note is that the ACT Tribunal must consider the landlord's outgoings or costs in relation to the property, along with any services that the landlord provides to the tenant.[iii] The ACT approach balances the aim of protecting the tenant from excessive increases in rent and recognising that the costs incurred by landlords may sometimes exceed the CPI (and certainly would exceed the cap of 2% over a two-year period as proposed in this Bill).

More sustainable ways to prevent improve rental affordability

6. CHIA Queensland's view is that to truly address rental affordability in Queensland we need action and investment to increase the overall supply of housing, to increase the supply of rental housing (including affordable rental housing), and also to increase the supply of social housing. We are hopeful that the recent Queensland Housing Summit will stimulate the structural reforms and long-term commitment needed to resolve housing affordability in this State. Some of the strategies and investment that we believe are required include:

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- Increasing the overall housing supply overall by
  - Requiring local governments to ensure that the supply of developed land keeps pace with demand for housing.
  - Expanding the Growth Areas strategy and investment beyond South East Queensland.
  - Planning reforms to:
    - reduce development approval times (to reduce holding costs for developers and thus prices for purchasers)
    - increase density in middle ring suburbs and around transport nodes, including enabling more secondary dwellings, town house developments, and so on, and
    - ensure that at least 10% of all new homes built each year are affordable to buy or rent through mechanisms such as inclusionary zoning on developments over a certain size.
- Boosting rental housing by
  - Facilitating more <u>market</u> build to rent product through planning reform and land tax concessions (build to rent will eventually have a trickle-down effect, releasing rental housing elsewhere for those on low and moderate incomes)
  - Encouraging more <u>affordable</u> build to rent product, including sub-market rentals, and more diverse housing options such as co-living and new generation boarding houses (for example, short term rentals for up to 3 months to balance restrictions on short-stay accommodation),
  - Regulating the short-term accommodation market to return whole home rentals to the private rental market.
  - Providing incentives for landlords to offer affordable rentals, for example, by waiving land tax,
  - Introducing an affordable rental subsidy program delivered through community housing to meet the gap between social and market rentals – this is the missing middle of the housing market, for people who not eligible for social housing but who cannot afford market rents.
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- Ensuring that the supply of social housing keeps pace with population growth (this will require the social housing portfolio to increase by around 1.6% per annum (that is by around 1,400 extra social home each year)

WHO WE ARE

The Community Housing Industry Association (Queensland) is the peak body for community housing organisations in Queensland, supporting community housing organisations and advocating for social and affordable housing policy and programs. Collectively, our members own or manage more than 11,000 social and affordable rental homes across the State valued at over $3.3 billion. The housing our members provide changes lives by providing safe, affordable homes to people on low and moderate incomes.

Rents for the vast majority of community housing tenants are set at 25% of household income (or 28% for furnished accommodation) and reviewed every 12 months. Rents for tenants housed in properties for which a subsidy is available under the national Rental Affordability Scheme pay rents at least 20% below market rent and often at 25.1% below market rents. These rents are also reviewed annually.

Regulated community housing providers are crucial stewards of public assets, protecting public investment through a national system of regulation, commercial discipline and strong social missions.

References

[i] Australian Taxation Office. Taxation Statistics 2019-20, Table 8: Individuals – Interest in a rental property, by overall net rent outcome, 2018-19 to 2019-20 income years
[ii] Reserve Bank of Australia. Table F6: Housing Lending Rates. Accessed 30 October 2022
[iii] Australian Capital Territory. *Residential Tenancies Act 1997* Sections 64B and 68

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