
From: [REDACTED]
Sent: Thursday, 8 July 2021 1:04 PM
To: Community Support and Services Committee
Subject: Subject: Why I oppose these rental reforms - with updates

Dear Committee,

I am writing to express my concerns about the State Government's proposed reforms to Queensland's rental laws. While I support the key principles that underpin the reforms, the specific amendments are fundamentally flawed and must be reconsidered in order to provide a fair and balanced solution that benefits both landlords and tenants. Queensland's rental laws do require modernisation in order to ensure safe homes and a stable rental market, however, these reforms represent a sizable overreaction, seemingly spurred by the negative experiences of some tenants.

Rental Market is a Market – requiring both Supply and Demand

The provision of rental accommodation is a market, with a supply and demand that need to balance to be a stable market.

The supply is largely funded by Mum and Dad investors, who are willing to take the risk and effort in return for a modest long term return with which they fund their retirement. In the initial 10 years of the investment, rental properties are typically cash-flow negative and normally starts to become cash-flow positive after about 20 years. The current environment is favourable for investors due to the historically unique, low interest rates, which are temporary and will last for maybe another 2-3 years and then interest rates will rise again to more normal rates.

Supply of Rental Properties is a Million Dollar Business run largely by Mum and Dad Investors

The provision of rental properties is and should be run as a business, in many cases, million dollar businesses, (two reasonable houses = One million dollars under management).

If you legislate in a way that takes away the commercial viability and the ability to effectively manage this investment, then Investors will logically and rationally leave the investment class in droves.

There are plenty of investment options to choose from such as shares, ETFs, commercial real estate, businesses etc. This will leave those wanting to rent with little supply to choose from, a tight rental market and no reason for individuals or institutional investors to re-enter the market.

I oppose the reforms and urge the State Government to reconsider these reforms for the following reasons:

1. The abolishment of a landlord's right to not renew a tenancy at the end of an agreed term.

This represents the most damaging reform of all. To create a law that effectively creates tenancies for life, making it near impossible for property owners to end a tenancy, is not only a total erosion of landlord rights, but will likely be the catalyst for owners to sell their properties, and a deterrent for potential investors.

At a time when our rental population is on the rise, with more than 34 per cent of Queensland residents currently renting, a reduction of supply will result in high numbers of Queenslanders struggling to secure suitable housing, the vast majority of which is provided by 'mum and dad' investors. Further, the reform would increase the average weekly rent of a three bedroom home from \$360 per week to up to \$378, which is a massive 5 per cent rise. These estimates are likely to be conservative, so rent increases for tenants may be even higher.

This law perpetuates the misconception that landlords regularly seek to evict and source new tenants. On the contrary, it is in an investor's best interest to secure long-term, quality tenants, who pay their rent on time, and look after the property well.

2. The removal of a landlord's decision-making ability regarding pets

The proposed rental reforms result in a total loss of control and effectively, the introduction of tenant dictated rights on a number of matters, including forcing landlords to consent to pets, with limited exceptions. In order for a property owner to establish grounds to deny consent to pet requests, a QCAT order would be required,

and the threshold required to acquire the order would be almost impossible to overcome. This is unreasonable and unfair.

The proposed reforms refer to the landlord having the benefit of pet bonds, however, this is misleading. Rather, the reforms allow an amount of money to be reserved exclusively for fumigation of the property. This is not sufficient to cater for the damage that a pet can cause to a property.

The unreasonable obligation on landlords to comply with Minimum Housing Standards I support the concept of minimum housing standards in rental accommodation and agree that a tenant has a right to safe and secure housing. However, it is important to recognise that properties come in all shapes and sizes and this must be taken into consideration.

While I support minimum housing standards that address health and safety matters pertaining to structural condition, repair and sanitation, cleanliness and freedom from pest, such standards must be appropriately applied, and take into account other relevant factors such as age, location and the market for the dwelling.

The proposed reforms appear to be limitless in scope and apply to matters outside the spectrum of health and safety. This may cost landlords up to tens of thousands of dollars in upgrade requirements, if not more.

3. The unrestricted ability for tenants to make minor modifications to personalise the rental accommodation

While the rental reforms refer to 'minor modifications', in reality the definition includes any modifications that can be reversed and do not require building approval. The reforms would allow tenants to make such modifications without the consent of their landlord, in many instances. In cases where the modification relates to an amenity or personalisation, where consent is required, the proposed reforms give the landlord very limited opportunity to respond. If a response is not provided within seven days, consent is deemed.

Overall, the proposed reforms will create increased risk and costs for property owners and property professionals, and erode the fundamental rights of landlords. The reforms' ripple effect would see renters struggling to find suitable housing under already tight conditions, and an increase in rent of up to 5 per cent.

While I am certainly not saying 'no' to reforms, and agree with the notion behind modernisation of the rental reforms, the Palaszczuk Government has failed to offer a fair and balanced solution that benefits both tenants and property owners.

Summary of how the proposed reforms could play out for investors:

- My tenant now become tenants for life, if they wish, regardless of their behaviour and how they treat the property.
- My tenant for life can only have the rent increased by the CPI, while my main cost is mortgage and the banks will merrily raise my interest rate and repayments as they please.
- My lifetime tenant may decide to run a zoo or become a cat-lady and the onus is on me to go through a process to justify that this is not appropriate and if the aggrieved tenant leaves I am left with the cost of remediation offset by a pet-bond intended for one pet.
- My tenant for life would like built-in cupboards and makes them out of packing crates, no structural changes, no problems. Similarly, adding a lean-to room to an external wall, does not effect the structural integrity of the main building, no problem.
- Now I need to sell my investment property as the rent does not cover the costs and mortgage, so that I can self-fund my retirement and not be a burden on the Government. However my tenant for life can't be asked to leave. No investor in their right mind wants to buy a property under these conditions. So my retirement will just have to be a burden on the Government.
- No wait my assets mean that I don't qualify for the pension, so **I can never retire.**

The above summary is tongue in cheek, but in my 20 years as a property investor, I have had many great tenants that have paid on time and looked after the property well.

But every so often, there will be a situation where I will be left with the cost of repairs, pest treatment, cleaning that should have been covered by the bond or at the tenants expense.

It is important to remember that investors provide the majority of housing to Queensland's growing tenant community.

Landlords are entitled to be supported by regulatory frameworks that support the entire rental market. The proposed reforms ignore the voices and rights of landlords, taking away their decision making authority, and essentially their control over the asset they've worked so hard to acquire.

I urge your government to reconsider these damaging reforms, in favour of laws that offer safety, security and stability to landlords and tenants alike.

Yours sincerely,

Bruce Kelly

Manager

Of a Multi-million Dollar Rental Property Business, yet to be cash-flow positive