

## Residential Tenancies and Rooming Accommodation and Other Legislation Amendment Bill 2024

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## **Residential Tenancies and Rooming Accommodation and Other Legislation Amendment Bill 2024**

Dear Committee Members,

Please find below the Student Accommodation Council's submission regarding the *Residential Tenancies and Rooming Accommodation and Other Legislation Amendment Bill 2024* currently out for consultation.

The Student Accommodation Council is the peak industry group representing purpose-built student accommodation (**PBSA**), a unique asset class owned and operated by the private sector and currently providing 16,000 student-only beds in the Brisbane CBD and surrounds.

There are currently 40 PBSA buildings in and around Brisbane, which provide a vital housing choice dedicated to the needs of students and remove thousands of students from competing with mums and dads in the private rental market.

### **Summary**

The Student Accommodation Council's primary concern with the draft legislation pertains to the proposed change to limit rent increases to 12-month intervals, attached to the property instead of the tenancy.

PBSA operators offer short-term lease options, often under 12 months, to cater to the dynamic nature of student housing requirements. The proposed amendment to restrict rent increases tied to the property would significantly impede our ability to adjust room rates according to market fluctuations and operational costs.

This limitation directly undermines the flexibility required to efficiently manage PBSA facilities and adequately respond to the different needs of residents who may be on a year long lease, versus those who are only living with us for a semester or summer course time-frame.

Further, our business models offer discounts for students who sign up for longer leases, which means there are dynamic pricing models present across our buildings. The limits put

on the room rather than the lease means that our stock will be trapped at a room rate set by the last tenant, even though we may see a number of residents in a room over the twelve month period. The complexities of managing thousands of beds, leases and different room rates while also being limited on shifting the room price depending on the last increase will be entirely unworkable and lead to residents with vastly different rates living in the same buildings.

Unlike traditional residential properties, PBSA facilities cater to a specific demographic with distinct accommodation needs and lease preferences. Therefore, a one-size-fits-all approach to rent regulation may inadvertently stifle innovation and investment in student accommodation infrastructure.

Further, the legislation is trying to solve a problem that does not exist in PBSA – students sign up for a rental rate that is fixed for the entirety of their lease. We do not have long-term tenured tenants who are living in our buildings for many years, for whom rent increases may cause undue hardships as they renew their leases year in, year out. Our residents are dynamic, only with us for relatively short periods and once they graduate are no longer eligible to live in our buildings.

We recommend that to protect the viability and workability of the critical PBSA sector, which exists to remove students from the private rental market by offering professionally managed, safe and custom housing options, the PBSA sector should be carved out of this amendment.

Further information about our leasing structure and the impact this amendment could have on our sector below:

### **Background: How leases in PBSA buildings work**

**Lease Flexibility:** PBSA buildings typically offer flexible lease terms tailored to the needs of students. Unlike traditional residential leases, which often span a year or more, PBSA leases can range from a few months to a full academic year, providing students with the flexibility to align their accommodation arrangements with their study periods or short courses.

**Alignment with Short Courses:** Many students, particularly those enrolled in short-term programs or courses, require accommodation for a limited duration. PBSA operators understand this need and offer lease options that cater to such requirements, allowing students to rent accommodation for the duration of their course without being tied down by lengthy lease agreements. These leases typically attract a higher per-week rate than a longer lease to allow operators to recoup the costs associated with the building's 24/7 service and re-mediation costs.

**Student-Only Residents:** PBSA buildings are designed exclusively for student residents, creating a supportive and conducive environment for academic and personal growth. By maintaining a student-only community, PBSA operators ensure that residents can focus on their studies while benefiting from a sense of belonging and camaraderie among peers. Most buildings are limited by their planning covenants to only renting to people enrolled in an educational institution.

**High-Touch Service:** One of the distinguishing features of PBSA accommodation is the high level of service provided by operators. From on-site management and 24/7 security to amenities such as study spaces, communal areas, and organized social

events, PBSA operators prioritize the well-being and satisfaction of their residents. This high-touch service is integral to the overall student experience and is reflected in the rents charged by operators. Rents are all inclusive, and reflect the high level of support provided when living in PBSA – regardless of whether you are living with us only for a few weeks, a semester or a year.

**Shorter Leases and Higher Rates:** Due to the flexibility and convenience offered by shorter lease terms, PBSA operators will sometimes charge an increased rate for shorter stays compared to the more-common annual lease. This pricing strategy accounts for the operational costs associated with maintaining high-quality amenities and services to residents, even if they are only with us for one semester. It also allows for the naturally longer ‘void’ periods associated with rooms that turnover more regularly (allowing for rooms that may be booked for a semester but then are empty during the university holidays, for example).

In summary, leases in PBSA buildings are characterized by their flexibility, alignment with short courses, student-only residents, and the high-touch service provided by operators. Shorter leases attract higher rates due to the added convenience and benefits they offer to students, making PBSA accommodation an attractive option for those seeking temporary housing during their academic pursuits.

### Fixing the amendment

In order to protect the viability of the PBSA model in QLD, we recommend the Committee carve out the asset class from the amendment limit rental increases on the property, rather than the tenant.

We suggest as follows:

Current draft	Proposed amendment
<p>(1) Section 93(1) and (2)— <i>omit, insert—</i> (1) A lessor or lessor’s agent must not increase, or purport to increase, the rent payable by a tenant less than 12 months after the last rent increase for the residential premises.</p>	<p>Under (2) Section 93(5)— <i>omit, insert a new clause (c)—</i> (5) This section does not apply— (a) to an exempt lessor or an agent of an exempt lessor; or (b) to the extent the rent payable under a residential tenancy agreement is increased under an order of the tribunal under section 93B. (c) to purpose-built student accommodation providers where the lessor has a minimum of 100 beds.</p>

By carving out PBSA operators from this provision you will allow them to continue to offer flexible leases suitable for students. The minimum bed requirement will also ensure that larger, professionally managed operations are captured but smaller, unregulated operations (where a private residential house may be operating as a rooming house/student house with multiple tenants) is not.

## **The role of PBSA in the rental market**

Queensland, like many States and Territories across Australia, is currently experiencing an extraordinarily tight rental market. In Brisbane, where most PBSA buildings are located, the vacancy rate has not been above one per cent for over a year.

PBSA is in the unique position of being a property-led solution to this rental housing crisis in a two-fold manner – that is, through increasing housing supply for students while also reducing the pressure and demand on the private rental market.

Without the current PBSA sector, there would be over 16,000 extra people looking for rentals in the Brisbane rental market. Given that some of these students are visiting for shorter time frames and not looking for long term leases, it is also likely that without PBSA thousands of extra people would be utilizing the short-term residential market (Airbnb) – further incentivizing landlords in removing their stock from the long term market.

## **In conclusion**

We urge the parliament consider the unintended consequence that the above amendment could have upon the operations, logistics and viability of the PBSA sector in QLD. Carving out the asset class from this aspect of the legislation would signal an understanding from the Government about the distinctive challenges faced by PBSA operators.

By fostering a regulatory environment that encourages flexibility and innovation, we can ensure the continued provision of high-quality student accommodation options while upholding tenant protections.

It is vital that the PBSA sector in QLD is allowed to continue to operate unimpeded by regulation designed to protect the rights of long-term residents in the private rental market, which do not reflect the demographics, operations or reality of a modern PBSA building in 2024.

PBSA operators should be recognised as providing a vital housing service to students in the same way as university owned accommodation (often managed by my members on behalf of the university) or colleges, who are exempt from the scope of the RTA and thus would not be captured by this proposed amendment.

The Student Accommodation Council would welcome the opportunity to brief the Government about how the purpose-built student accommodation operates and how it offers a professional and high-class housing choice for young people studying in Brisbane.

Yours sincerely



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Student Accommodation Council