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

Via email: cssc@parliament.qld.gov.au

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

Thank you for the opportunity to provide input into the Member for South Brisbane's *Property Law Bill 2022* (the Bill). The Property Council is committed to ongoing, collaborative engagement on important regulatory issues affecting the property industry. Unfortunately, the Property Council is not in a position to support this Bill.

The Bill proposes a 2-year freeze on residential rents in Queensland. The Bill proposes to amend 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.

The Property Council believes that these measures would likely have devastating impacts on housing supply, at a time when exactly the opposite is required.

Under the proposed Bill, property investors would be disincentivised from both increasing supply of rental properties through construction of new dwellings or purchase of owner-occupied property, as well as retaining existing rental stock. It is likely that the purchasers of such properties would be owner occupiers.

This would be a heavy blow to already tight rental availability, adding fuel to the fire of the Queensland housing crisis.

This view was recently supported by Brendan Coates, Economist for the Grattan Institute. In an article featured in the ABC News Online on 25 August 2022, entitled *'Should the government freeze rents for two years? The Greens think it is a no-brainer, but economists are less certain'*, Mr Coates is quoted as saying:

"Rent control has a seductive, intuitive appeal which is that if you if you basically cap rent increases, then you're going to protect renters that are struggling to pay higher rental costs.

"But it also potentially has some big costs in the long run, which is that if you do have rent control in place, then you're limiting the ability of the market to tell investors, developers, everyone else that we need more housing.

"And you can have a situation where basically the existing housing stock isn't maintained very well and there's less new housing built."

It is clear that this Bill, if passed, would act as a powerful handbrake on industry and government efforts to solve Queensland's housing availability crisis.

Purpose-built student accommodation

One specific area of serious concern for the Property Council is the purpose-built student accommodation sector (PSBA).

PBSA is a unique asset class designed to house students in a mix of individual studio and shared apartments adjacent to Australian universities, catering for a mix of international and domestic students.

Only people enrolled to study in a university or educational institution are eligible to live in PBSA.

PBSA buildings provide an all-inclusive accommodation experience for students - which means rent includes a fully furnished space, utilities, Wi-Fi, security and often provides for other services including cleaning, gym facilities, swimming pools, large commercial kitchens and laundry.

The PBSA sector is a common landing point for regional, interstate, and international students as they adjust to their studies in a new environment.

PBSA developments provide significant economic benefits for their local areas – typically dense inner-city regions which struggled through the pandemic.

PBSA is an asset class which differs from both commercial and residential classifications. Unlike commercial and residential buildings, PBSA offers six-month to yearly term leases in line with the academic year, with a selective tenant market and mixed-use facilities. It is a relatively new alternative asset class in Australia which is still in its growth phase, in comparison to international markets including the UK and US where it is widespread, well developed and pivotal to the housing stock of these countries.

PBSA in Australia is most commonly privately owned and operated, however several providers have agreements and partnerships with universities to provide university specific student accommodation. The growth in the sector over the past five years has come predominantly from the private market, underpinned by international capital.

Within the Property Council, PSBA is represented by the specialist Student Accommodation Council, is a newly established division created to advocate on behalf of this growing sector. Our 10 founding members account for almost 50,000 of the 76,500 private sector purpose-built student beds across Australia.

At full capacity, we house 50,000 young people and employ over 5,000 full time staff who provide mental health support, community building activities and services to our student residents.

PBSA in QLD – the current state of play

Queensland has a growing PBSA sector which is currently heavily focused around the education precinct in Brisbane. Queensland PBSA providers have developed 42 PBSA buildings in the state, servicing 16,200 beds.

Brisbane has experienced the strong return of international students since borders reopened, making it one of the tightest PBSA markets in the country. There is a strong demand for PBSA beds in Brisbane, with SAC members reporting 100 per cent occupancy across their portfolios.

Currently, there are 14 students studying in QLD for every existing PBSA bed, which when coupled with one of the tightest rental markets in the country has made it increasingly difficult for students to find appropriate and safe housing in Brisbane.

The risk of a rent freeze bill in QLD

Private sector owners, developers and investors in PBSA balance the risk associated with building new student accommodation assets against the rental returns they can expect to receive back from tenants. Economic pressures across the property industry, including inflation, skills shortages and rising interest rates and building costs has reduced the margins that can be expected from a long-term rental asset like PBSA.

Where many residential developers build to sell, enjoying the sales price for their apartments within a few months of an asset coming online, PBSA developers buy and hold their stock with returns underpinned by the ongoing student rents. This is a vastly different model to traditional residential development, which makes it more susceptible to financial pain from rent-freeze legislation than other asset classes.

The proposed legislation would make the further development of PBSA in Brisbane unviable – especially given the current economic conditions facing Australia.

This would have a dire impact on housing supply and the education sector, as outlined below.

Reduced supply of PBSA which would exacerbate the housing crisis

PBSA accommodation provides vital housing supply for Australia's cities and is essential in providing international students a smooth return to on campus learning.

Because PBSA is only available for students, it removes demand from the private rental market by giving students a custom housing choice available only to them. Without the existing PBSA beds in Brisbane, there would currently be an extra 16,000 students competing for leases in the private residential market.

Increasing the supply of PBSA beds is the only way to further remove students from the residential market, opening up more opportunities for families, key workers and other Queenslanders to find appropriate housing.

Any policy or rental cap that makes further development of student accommodation unviable in Brisbane will lead to more students competing with renters in the private residential market, increasing demand in an already overheated rental market. Currently, Brisbane PBSA beds outnumber estimated rental room vacancies by more than a factor of 2.

The only way to increase supply of PBSA in QLD is for private developers and operators to add new stock to the market. Universities are constrained by existing land ownerships, and many are stepping away from running their own accommodation as it is not considered core business.

Only the private sector can deliver the custom accommodation required by students studying in Brisbane - but they will only do so if the developments stack up commercially.

If developers and owners find their margins artificially constrained by rental-freeze policies, their capital will simply flow to states without this risk.

Given the existing constraints on the private rental market in Brisbane, and the full occupancy rates within the existing PBSA stock, any measures which dampen the growth of PBSA will have flow on effects for housing supply, particularly in Brisbane.

Dampening demand for Queensland's education sector

There is a risk that without an increase in supply of PBSA beds in the Queensland market students may choose to study in states like Sydney and Melbourne where the availability of PBSA beds and private rentals is higher.

PBSA also allows international enrolments to continue growing without exacerbating existing rental shortages in the private housing market.

Given the importance of the international education sector to the Queensland economy, any policy changes which make securing housing for international students more difficult will negatively impact the growth potential of this sector.

There are already examples internationally where a city's student population has grown too quickly for new housing supply to come online, leading to a reduction in enrolments and a decrease in demand for studying in these locations. Dublin and Manchester have

already suffered due to a lack of housing, which has restricted student growth for their universities.

Rental caps, which restrict the viability of developers and owners to add new supply to the market will harm the work being done in the education sector to attract both domestic and international students to Queensland.

Thank you again for the opportunity to put the Property Council's position forward for consideration.

If you would like to discuss these comments further, please don't hesitate to contact Jess Caire Queensland Deputy Executive Director on 0499 181 366 jcaire@propertycouncil.com.au, or Torie Brown Executive Director Student Accommodation Council on 0422 608 804 tbrown@propertycouncil.com.au.

Yours sincerely



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