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Renting in Queensland
Housing and Homelessness Services
Department of Communities, Housing and Digital Economy
BRISBANE QLD 4001

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Proposed changes to the Residential Tenancies and Rooming Accommodation Act 2008

The Property Council of Australia welcomes the opportunity to provide feedback on the state government's ***Ensuring the annual rent increase frequency limit is effective*** discussion paper.

As evidenced by the recently released Draft South East Queensland Regional Plan, Queensland's population is growing rapidly, with an extra 2.2 million people expected to call the 'Sunshine State' home by 2046. On top of the existing housing crisis impacting the state, this population growth will undoubtedly stretch Queensland's housing supply, requiring decisive action from all levels of government and industry.

The property sector plays an important role in developing the stock required to solve the housing crisis including much needed properties for the growing number of Queenslanders who rely on the rental market for safe and affordable accommodation. With housing affordability declining nationally, access to rental stock is more important than ever. While the Property Council of Australia commends measures taken to protect consumers, it is imperative regulatory frameworks established to safeguard consumer rights foster an environment conducive to attracting investment, sustaining growth, and ensuring certainty for Queensland's growing population.

The importance of maintaining investor confidence

Queensland's rental market is reliant on small-scale 'mum and dad' investors, with the Australian Tax Office showing 71 per cent of property investors own one investment property and a further 19 per cent own two. Of critical importance in addressing the current crisis is ensuring increased supply to market across the entire housing continuum and seeing that existing rental stock is not absorbed into the home ownership market, in turn placing further pressure on supply and exacerbating the current crisis.

Recently there have been several proposed changes, reforms and debate focused on Queensland's rental market, including amendments to what changes can be made to rental properties, how often rent can be increased and whether landlords can decide if tenants keep pets in their homes.

Whilst the proposed changes outlined in the discussion paper appear minor, they cannot be viewed in isolation. Combined with the other recent legislative changes, the cumulative

impact has the potential to reduce sentiment and with-it investment security. This sentiment has been highlighted in recent media reports showing almost a third of all homes sold in June were investor-owned properties, representing an eight per cent increase in just one month ([Rattled investors cash out of Brisbane properties](#)). Each of these properties sold represents another Queensland family who need to find a new home in an extremely competitive rental market.

Unintended consequences for specialist rental markets

While the majority of Queensland's rental stock is supplied by the private rental market, there are a number of institutional specialist rental products. These properties are often delivered by larger investors and provide fit for purpose accommodation for a specific tenant-type, including students, retirees and those on fixed and lower incomes.

The proposed reforms appear to be focused on the private rental market – as evidenced by the language used in the discussion paper – and so do not fully consider the potential impact on these other more specialist rental markets. In their current form, the proposed amendments have potentially significant impacts on the viability of these other products, as outlined below:

Community housing providers

Alarming, our members have indicated the proposed reforms have potential significant unintended consequences on Community Housing Providers (CHP), who deliver vital social and affordable housing across the state.

Rental amounts in social housing are determined based on the tenant's household income and as such amounts will vary from tenant to tenant based on their personal circumstances. In this context it is necessary to change rental amounts as new tenants move into CHP managed properties, making it inappropriate for rent increases to be linked to a property rather than a tenant.

Under the draft reforms, CHP operators would be prevented from increasing rents between two tenancies, even where a subsequent tenant has a greater income. This is clearly not within the policy objectives of the proposed reform and the Property Council strongly believes any community housing provided as social housing based on rental income should benefit from the same exemptions as public housing.

Outside of the community housing sector, we are aware of other owners of properties who determine rent based on a proportion of income or pension, particularly in the seniors living sector, who may be similarly impacted.

Another consideration is houses currently under the National Rental Affordability Scheme (NRAS), which is currently being concluded. These properties are offered at a discount to market rent under the NRAS, and as they exit the program into the private (or another)

market, there is no reason the owner should be prevented from increasing rent in line with the market, regardless of when the previous lease was signed or reviewed. We are also concerned that owners may withdraw their properties early from the NRAS to avoid being impacted by discounted rents, particularly where the timeframe for the incentive does not align with the lease period.

Build to rent

Build to rent (BTR) is a burgeoning sector in Queensland providing secure longer-term rental accommodation in individual dwellings managed by a single entity. It is noted the proposed rental reforms suggest applying the rent increase frequency limit to a 'rental property' to remove the potential for landlords to evict tenants to increase rent within the 12-month period. In the context of BTR, the use of the term 'property' could potentially limit rent increases for the entire BTR building rather than allowing separate rental increases for each individual unit. The Property Council believes using the term 'premises' would be better to avoid any unintended consequence where multiple BTR units are tied to a single rental increase frequency limit.

Further, imposing a 12-month rental increase to BTR properties in the context of the recently announced land tax and duty incentives is likely to make it more complicated to manage these properties. These incentives include a requirement for a proportion of BTR units to be offered as affordable housing, which are rented at a discount to the market amount. These provisions include strict requirements around how long units can be vacant to access the concessions.

One method of addressing these provisions adopted by BTR operators is by renting to eligible tenants at a discount to market rent in any unit in the BTR building, rather than designating a specific unit as the discounted dwelling. This provides flexibility to maintain the necessary thresholds to access the concessions, while also managing vacancy rates.

The proposed changes outlined in the discussion paper would prevent BTR operators from increasing rent between tenancies, effectively forcing them to designate specific units for discounted rent. Noting the vacancy limits, this may have a negative impact on the availability of the concessions and undermine the policy objectives of the reforms.

The nature of BTR buildings, coupled with the requirements of the recently announced incentives, adds a level of complexity to the management of these facilities that are unique to the private rental market. It is feared that adding further complexities will result in BTR owners electing to strata and sell off the individual units, removing much needed rental stock from the market.

Purpose Built Student Accommodation (PBSA)

Queensland's Purpose Built Student Accommodation (PBSA) sector provides a unique accommodation offering to support the state's important education sector, including international students. PBSA is often a single building consisting of several fully furnished individual units with shared common areas and additional provisions such as electricity, internet and academic, mental and social support services included in the lease agreement. Each room is tenanted separately and as such (and similar to BTR) it is important that the rental provisions not be linked to the whole PBSA building but rather individual 'premises', to allow for individual lease agreements to be entered into for each room.

The benefit of PBSA accommodation is its ability to respond to the needs of students, including offering short-term leases that align with semesters (naturally leading to higher turnover) and providing an opportunity for students to break their lease when they are no longer studying as originally intended; an option not afforded to the private rental market.

In Queensland, PBSA is exclusively limited to students, including in some cases being restricted to students studying in the town or city where the accommodation is located. As such, any accommodation offered to a student is always subject to them securing a place with an eligible educational institution. In some cases, the student may not be successful in securing an academic placement, requiring them to cancel their booking with the PBSA provider, sometimes at short notice. This requires the PBSA providers to be flexible on arrival dates, reallocate rooms to other students at short notice and to occasionally accommodate students extending their stay if studies have been prolonged. These unique circumstances require flexibility and expose the PBSA provider to room vacancies that are often covered through increased rents for shorter stays.

Additionally, the marketing and advertising of PBSA rooms differs significantly from the traditional private rental market, with PBSA rooms advertised as a 'room type', rather than an individual room. Marketing materials include detailed descriptions of the available 'room types', but not an exact room number or location, similar to the process used for hotels. Because students apply for a 'room type', often through a fully automated process, with the specific room often not allocated until closer to their arrival, it would be impossible to know how the student's tenure aligns with the 12-month rental increase period suggested in the discussion paper.

Given the reliance of PBSA on the education sector, it is incongruous to suggest that any PBSA provider would ask a student to leave a tenancy just so they could rent it to someone who is prepared to pay more. The Property Council is unaware of any examples of this occurring and in contrast our members have indicated that a PBSA provider is more likely to offer enticements for a student to stay, and reward loyalty as opposed to asking them to leave, as the provider would be looking for each tenant to introduce friends to come at stay in the same building or complex.

The unique operating conditions of these specialist rental models need to be carefully considered in the context of the proposed rental reforms. If the proposed reforms are to proceed, the Property Council would recommend providing exemptions to these products to avoid potential unintended consequences.

Conclusion

While the Property Council commends the intent of the discussion paper, we believe the current legislative framework is effective, including the availability of dispute resolution options for tenants and landlords. We further believe the proposed reforms would have limited success in achieving the desired outcomes and instead would further impact investor confidence, resulting in a further decline in much needed rental accommodation.

While we note media coverage about an emerging practice of landlords cancelling tenancies to increase rent within a 12-month period, we question the extent of this practice given the new reforms only began approximately one month ago. In our experience the vast majority of landlords do the right thing and introducing reforms to respond to a very limited (and to an extent untested) cohort doing the wrong thing is impractical.

The Property Council would welcome the opportunity to discuss this submission in further detail. Please do not hesitate to contact me on 0448 432 936 or jwilliams@propertycouncil.com.au if you have any further questions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jen W'.

Jen Williams
Queensland Executive Director