

10 April 2024

Committee Secretary
Housing, Big Build and Manufacturing Committee
Parliament House
George Street
BRISBANE QLD 4000

By email: hbbmc@parliament.qld.gov.au

Proposed changes to the Residential Tenancies and Rooming Accommodation Other Legislation Amendment Bill 2024

The Property Council of Australia thanks the state government for the ongoing opportunity to provide feedback on the *Residential Tenancies and Rooming Accommodation and Other Legislation Amendment Bill 2024* (the Bill).

As outlined in our previous feedback submitted on 11 August 2023, the property sector plays a critical role in solving the housing crisis.

A confluence of factors is challenging the traditional Build-to-sell (BTS) market, leading to a significant drop in the delivery of new apartments over the short-medium term. Despite strong underlying demand for housing, market forces; driven by construction costs, labour shortages, interest rate rises, consumer sentiment, bank lending requirements and taxation and regulatory settings mean the majority of proposed developments are not viable in the current market.

Amendments proposed in the Bill are likely to undermine investor confidence, resulting in a further decline in much needed rental accommodation. Whilst the Bill has taken into consideration our feedback regarding community housing providers, it has failed to address our concerns relating to both Build-to-rent (BTR) and Purpose-built student accommodation (PBSA).

Of critical importance in addressing the current crisis is ensuring increased supply to market across the entire housing continuum. The apartment development pipeline has become increasingly constrained in the last few years with less than 2,000 apartments delivered per year between 2020 and 2023. A large amount of this incoming future supply, approximately one quarter, are BTR projects. If all these projects are delivered, there will be 60 per cent more apartments delivered in the next three years compared to the previous three.

With the potential to create 150, 000 homes over the next 10 years with just one asset class, BTR has long been viewed by industry as having a key role in boosting this much needed supply. This view has been shared by all levels of Government in recent years with a variety of initiatives announced to boost this asset type supply. Unlike BTS, BTR and PBSA is held in single ownership. It is held for the long term (~30 years), with revenue generated through the rental, rather than sale of the dwellings. For this reason, purpose-built rental housing is better able to be delivered through cycles of economic uncertainty.

Build-to-Rent (BTR)

Of great concern to industry is the draft Bill maintains a position to limit rent increases to 12-month intervals, attached to the property instead of the tenancy. Tying the rent increase to property rather than tenancy does not acknowledge the unique nature of BTR and presents uncertainty for the operators of Queensland's BTR assets.

- 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. To avoid unnecessary confusion the Property Council reiterates feedback from our original submission that the term 'premises' would be better to avoid any unintended consequence where multiple BTR units are tied to a single rental increase frequency limit.

Often shorter leases are offered in the initial asset lease up as this assists in accelerating the assets to stabilisation. Limiting the ability to flexibly set rent as the asset comes to market and reaches its 'market rent equilibrium' would be detractive to investors and increase risk for BTR operators.

- The proposed changes in the Bill limiting rental increases to once in twelve months on a tenancy/individual property basis may result in BTR operators either seeking higher rents for six-month leases or not offering six-month leases at all in turn putting more pressure on the rental market.
- The Bill also fails to address the impact that 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.

As a general comment, due consideration has not been given to the overall administrative burden, the cost outweighs the benefit for BTR operators making it more complex to meet legislative standards. It is the view of industry that in order to foster and encourage this critical investment, which provides much needed rental supply to market, the BTR sector should be carved out of this amendment.

Purpose Built Student Accommodation (PBSA)

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 have been living in our buildings for many years, for whom rent increases may cause undue hardships as they renew their leases year in, year out. PBSA residents are dynamic, renting for relatively short periods and once they have graduated 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.

Investor Confidence

The raft of recent initiatives to support purpose-built rental housing at both State and Local Government level have been warmly welcomed by industry, unfortunately proposals in this Bill are likely to undermine these positive announcements.

The Property Council has long advocated that boosting the supply of purpose-built rental housing, both through PBSA and BTR, would significantly improve the quality of rental housing for many Queenslanders. These purpose-built rental dwellings are owned and managed by sophisticated investors with a clear customer focus and established business practices.

The current proposed changes in the Bill do not offer a considered and balanced view to market participants. It is imperative that regulatory frameworks established to safeguard consumer rights foster an environment that is conducive to attracting investment, sustaining growth, and ensuring certainty for the many Queenslanders who rely on private investors to deliver supply to the market.

The Property Council would welcome the opportunity to discuss this submission in further detail. Please do not hesitate to contact advocacyqld@propertycouncil.com.au if you have any further questions.

Yours sincerely,

Jess Caire
Queensland Executive Director