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Investors struggling with skyrocketing costs as rent cap threatens

For immediate release

A survey of Property Investors Council of Australia (PICA) members has found many are struggling to keep up with their soaring mortgage repayments and are worried about what financially lies ahead for them with interest rates at the highest level in more than a decade.

The survey, conducted via email last week, resulted in dozens of investors outlining their increasingly precarious financial situation in the face of skyrocketing expenses with Queensland investors now also concerned about the threat of rent caps being introduced.

PICA Chair Ben Kingsley said the latest attack on investors was proving a bridge too far for many and showed the Queensland Government failed to understand the basics of supply and demand.

“Those tenancy groups, and now the State Government, who are lobbying for a rent cap, or freeze, are claiming some sort of market failure is the reason why, well, we want to know from them, how is reducing investor demand and rental housing supply going to improve the situation for Queenslanders?” Mr Kingsley said.

“New arrivals to Queensland try before they buy, meaning they rent, but if there are no rental properties, because no investors can trust the government to allow a free market to operate, these new arrivals won’t have anywhere to live, business won’t be able to employ staff, and the Queensland economy and its citizens will ultimately be the biggest losers.

“Another question that needs to be asked is: ‘What does the government believe is an ‘acceptable’ percentage of cost increases that a landlord should be able to pass on to tenants?’ Are they insinuating that costs can be uncapped but income must be capped?”

CoreLogic data shows that average monthly rental prices have increased by \$290 over the past year, but repayments on a \$500,000 mortgage have increased by more than \$800 per month over the same period.

Property Investment Professionals of Australia (PIPA) Chair Nicola McDougall said it appeared that the State Government had learned nothing from its failed land tax regime less than six months ago.

“It is too much to ask that our elected officials have a rudimentary understanding of economics? It hasn't even been six months since the ridiculous interstate Queensland land tax was axed, and now the Qld Premier is seriously considering rent caps,” Ms McDougall said.

“This knee-jerk policy position was clearly in response to the QCROSS report that showed homelessness in Queensland rose by 22 per cent in the four years to 2021-22 compared with just eight per cent across Australia.

“PIPA research last year also showed 160,000 rental properties had been stripped from Queensland markets in just two years – with even more investors set to sell if rental caps are introduced.

“Without any meaningful solutions by the state government to increase rental supply in the Sunshine State – and therefore stabilise rents – the Premier will likely go down in history as the leader who forced more Queenslanders into homelessness than ever before.”

Comments from PICA members and Queensland investors also highlight that property investors are far from the ‘greedy landlords’ that seems to be the common, and only, narrative from the Queensland Government and tenancy lobbyists.

Please note all investors quoted below are also available for interview.

Lauren

“I have had a Brisbane property since Feb 2020 with lovely tenants who are pensioners. I have kept the rents low as they look after the property really well and I feel they deserve to be rewarded. This renewal period I have again provided them with a discount to market as a show of good faith for being great tenants,” Lauren said.

“I have raised the rents and haven't been greedy, knowing that they would have little choice but to sign the renewal given there was no comparable properties in the area remotely in their price range.

“It is not our fault as landlords that supply and demand economics are at play here.”

Marcus

“The land tax alone went up 25 per cent on my investment properties in the 21/22 financial year, and I just received the latest land tax assessments and they have gone up again between 18 per cent and 35 per cent,” Marcus said.

“I’m very mindful of trying to keep the rent affordable for my tenants and I have only just put up the rent to one property by 10 per cent. Some tenants are still paying the same rent from years ago.

“I haven’t even mentioned the increase in my mortgage repayments... which have doubled in the past year.

“To call me a greedy landlord is far from the truth. I’d rather be a tenant at the moment.”

Andy

“I have definitely felt the impact of the rate hikes over the last 12 months. My portfolio was positively geared, and I thought I had cracked the property investing game, but then the rate increases started, and my repayments have increased by around \$2,500 per month,” Andy said.

“I have just gone through rent reviews for my properties and the increases have been in the range of 15 to 20 per cent, which feels really high, but is significantly less than the increase in my mortgages, which is closer to 100 per cent across the board.

“If rent increases are capped then I’m not sure how investors are expected to make up the difference between what they are paying, versus what they are receiving. A little more detail on my portfolio and recent challenges.

“I rentvest and this year our rent was increased by \$100 to \$630 per week. It’s a big increase, but being a landlord myself I understand the factors driving the change.

“The reality is that when mortgage payments increase dramatically landlords have to pass on some of that cost to tenants, if that option is capped I don’t see how the average investor will be able to succeed.”

Carly

“My husband and I rentvest. After purchasing a property in September last year, the interest rates have climbed so much that repayments now use up our whole income and now digging into our buffer.

“We are an average family, two kids, regular jobs but we saved and stretched with the aim to set ourselves up for the future and not rely on a pension. It doesn’t seem very fair the way things are going.

“We are nothing fancy. The changes in the last six months have meant we have to come up with an extra \$450 per week in repayments – not to mention our own rent which is also rising.”

James

“I have just purchased my second investment property in Queensland and with rising interest rates and now the suggestion to cap rental increases, this is going to absolutely ruin my chance to become financially free and in turn will make a lot more investors rely on Centrelink.

“My rents are already well below market value, and if they introduced this, it would ruin me.”

David

“We have an investment property in Brisbane. It’s an older house currently rented for \$445 per week, but the lease is nearly due for renewal and the market review from our property manager suggests \$490 per week is appropriate. We aren’t wanting to gouge our tenant, so are considering reducing that to around \$475 per week and are just waiting on feedback from our property manager.

“We hold the property in a family trust so between land tax and interest rates, we have a pretty sizeable negative cash flow on it. I am sure that the proposed increase in rent won’t offset the increase in holding costs.

“I have an opinion that the market sets the appropriate rent and Queensland is in the midst of a rental crisis due to the current population growth, but also the uncertainty created by State and Federal Governments – not just in Queensland – with their property policies and disincentives for people like us to invest in recent years.”

ENDS

For more information or to organise interviews, please contact:

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About PIPA

Property Investment Professionals of Australia (PIPA) is a not-for-profit association established by industry practitioners with the objective of representing and raising the professional standards of all operators involved within property investment.

For more information visit www.pipa.asn.au

About PICA

PICA is a not-for-profit organisation committed to advocating and lobbying on behalf of property investors’ interest and educating its members on the economic benefits and risks of property investing in Australia.

For more information visit www.pica.asn.au