



To: thepremier@premiers.qld.gov.au; rentinginql@chde.qld.gov.au;
communitiesandhousing@ministerial.qld.gov.au;

Subject: Queensland Government's Stage 2 Rental Law Reform

Dear Premier, Minister for Housing, and Housing and Homelessness Services Department of Communities, Housing and Digital Economy

Introduction:

The Property Investors Council of Australia (PICA) is the peak body representing property investors throughout Australia. We provide this submission as a direct voice for the majority of rental property owners, both living and investing in Queensland property.

We submit our considered position, supported by clear facts, relating to your feedback on the Stage 2 Rental Law Reform. Furthermore, we invite your consideration and understanding of the view and positions held by most property investors, who choose to invest and provide their properties for safe and quiet enjoyment, in return for an agreed and contracted rental return.

Overview:

PICA, on behalf of its members and the majority of property investors in Australia, believes that the Stage 2 reform objectives will have a further negative impact on the current rental crisis faced by Queenslanders, and future longer-term investment in rental property supply if certain changes recommended are implemented.

This follows the initial negative impact experienced from Stage 1 reforms, which similar reforms in other states have had on existing rental property supply, such as Victoria. Interestingly, the most popular property investment state at the time of preparing this submission is Western Australia, where no such legislation has been introduced. Current investors across Australia are sending a clear message to State Governments with their actions – if you want an increased supply of new rental accommodation, then do not materially change the rules.

The Queensland Story:

Most Queensland property investors own just one property. The Stage 1 changes have disadvantaged hard working mum-and-dad investors, who supply critically needed rental accommodation for economic expansion of the Queensland economy, whilst providing these aspiring Australians with future financial security. Furthermore, by their actions, these investors are also actively working to alleviate their future welfare burden on government, allowing these future governments to focus their limited resources on the most vulnerable within the Queensland community.

Stage 1 Reforms:

As a result of Stage 1 Reform, property owners now face increased compliance costs and risks in providing rental accommodation supply in Queensland. This has led to majority of property owners,

with little choice but to act in passing on some of these increased costs to tenants, resulting in higher weekly rents, in addition to their own increased costs.

There is also clear and current evidence that the stage 1 reforms have led to property owners divesting from property ownership in Queensland, further reducing rental supply in an already tight rental market.

While PICA supported a review of the Landlord & Tenancy laws, Government funded tenant advocacy groups, supported by certain media outlets, have successfully lobbied, and persuaded your government into believing the entire system was dysfunctional, broken or currently not fit for purpose, when in fact, the evidence suggests otherwise.

These Tenancy, Social Welfare, and some Political groups, such as The Greens, continue to propagate the narrative of greedy property investors taking advantage of the current housing shortage to unfairly profit from rising rents, and certain media outlets are reporting these misleading claims.

PICA acknowledges that rents are rising, as costs of holding and providing safe and quiet enjoyment of property has increased significantly on the back of rising interest rates and the increase compliance costs introduced in your Stage 1 Reforms.

By way of a simple yet powerful example:

A typical \$400,000 outstanding mortgage on an investment property has, at the time of preparing this submission, seen an interest rate increase of 375 basis points since May 2022. This has resulted in an increase of \$15,000 in 12 months for the property owner in interest costs alone.

If that same property saw a rent increase of \$100 per week over this 12-month period (\$5200), this reflects an interest cost increase recovery of just 35%, leaving the property owner to cover the additional \$9800. Money they either need to find from their existing family budget, or they sell the property, potentially reducing the available rental stock.

Stage 2 Rental Law Reforms Options Paper:

One of the main concerns we challenge is the assertion made in the Stage 2 Rental Law Reform Options paper, which states that previous legislative changes have had no effect on the availability of rental properties. This claim is predicated on research conducted by the Australian Housing and Urban Research Institute in November 2022, which suggested limited evidence linking residential tenancy laws to investment in private rental housing.

However, it should be noted that the data adopted in this report refers to bond records for the greater metropolitan regions of Sydney and Melbourne from the 20-year period up to Q1 2020. This data predates the introduction of reforms in Victoria in March 2021 and reforms in New South Wales in March 2020. Given the scope of the study there is concerns that this research, which covers a period of minimal reforms, is driving government policy. In effect, the date of the data renders the finding without merit.

The Stage 2 Rental Reform Options paper also indicates that Stage 1 has had a positive impact on stakeholders and improved stability in Queensland's rental market.

"The Queensland Government delivered Stage 1 Rental Law Reforms that have made renting fairer and provide better protections for renters and rental property owners and improve stability in Queensland's rental market."

Stage 2 Rental Law Reform Options Paper

Many of the reforms passed in Stage 1 do not come into effect until mid 2023 and beyond. As this legislation is in its infancy, there is little evidence available to support claims that the Stage 1 reforms have had positive market impact and suggest the need for additional reforms. Furthermore, analysis has found that Stage 1 reforms have had the opposite impact on investor sentiment within Queensland.

Stage 2 Rental Law Reform Options Paper

A Queensland Government funded study by Deloitte Access Economics has identified in the economic analysis of Stage 1 reform that "...the reforms lead to property owners maintaining less autonomy over their leased houses." PICA has found that a substantial number of property owners are reconsidering their investments in the Queensland housing market.

Updated economic analysis of Queensland residential renting reforms Department of Communities, Housing and Digital Economy

PICA has found that stage 1 reforms have negatively impacted Queensland's rental market.

The Property Investment Professionals of Australia (PIPA) conducted their Annual Property Investor Sentiment Survey in 2022, which revealed that 25.1% of respondents cited changing tenancy legislation as a reason for selling their investment property in the last 12-24 months, stating that it had become too costly or difficult to manage. Many others mentioned the loss of control over their property and increased compliance costs. These changes are being felt across the Queensland market as investors explore other markets or asset classes due to the growing administrative and financial burdens.

2022 PIPA Annual Investor Sentiment Survey

In the same survey, 45% of respondents who had sold property in the last 12 months reported doing so in Queensland. This further confirms that property owners are choosing to leave the Queensland market, adding to the pressure on rental supply.

Trends in Disputes;

PICA analysis shows that most owner/tenant lease agreements are already resulting in positive outcomes.

The Tenants Queensland 2022 Annual Report stated that it had been engaged in 28,637 disputes in the financial year of 2022. This represents less than 5% of the rental market when compared to the 618,442 rental properties in QLD reported in the 2021 ABS Census data.

Tenants Queensland 2022 Annual Report
Queensland counts, Census 2021 Snapshot

Further, The Queensland Civil Administrative Tribunal (QCAT) Annual Report 2021-2022 shows that the number of lodgements relating to tenancy disputes are trending down in previous years. It should be noted that this trend occurred prior to the broader implementation of Stage 1 reforms.

Year	Minor Civil Dispute Lodgements (Urgent and Non-Urgent Tenancy)
2019-2020	13,595

2020-2021	11,637
2021-2022	11,608

[QCAT 2021–22 Annual Report](#)

[QCAT 2020–21 Annual Report](#)

Further, with 11,608 tenancy related lodgements made to QCAT in 2021-2022, this represents only 1.8% of the 618,442 rental properties available in Queensland.

One must also acknowledge that it is not just Tenants initiating these disputes. Unfortunately, property owners, who's tenants are not meeting their obligations, also need to resolve disputes via QCAT.

When you consider this also to be true, based on the data provided, it is evident that existing tenants, in the majority of cases, already enjoy safe and quiet enjoyment of their property, so it's hard to justify further reforms which result in negative and unintended consequences to address a small minority of cases (less than 5% of the marketplace).

If government intervention is deemed necessary to further decrease the already dwindling number of disputes, it can be accomplished by allocating resources to enhance the negotiating process among tenants, body corporations, property managers, and property owners. By doing so, this will foster more favourable outcomes, diminish the frequency of complaints, and alleviate the strain on dispute resolution and tribunal resources.

Consultation Process:

PICA acknowledges that the proposed changes are some of the largest changes to the Act in recent history and changes this dramatic require engagement with all impacted stakeholders.

PICA holds concerns about the QLD Government's consultation framework.

There has been a noticeable lack of consultation with industry and key stakeholders during Stage 1 reforms. The government acknowledged in their Open Doors Consultation program that responses came from 79% of tenants. This does not represent the greater community and a balanced approach for all stakeholders.

There are numerous tenancy advocacy groups that are resourced and heavily funded through state government initiatives. Whilst it has been observed that Stage 2 reforms have a broadened scope to consult with non-tenant stakeholders, like property managers and property owners, it is our view that more can be done.

A failure to engage with property owners and find a collective solution to assist those struggling in the rental market will only prolong any problems. PICA stand ready to be part of the conversation.

To further support Queensland government reforms, PICA has established a QLD Rental Reforms Committee and is seeking further stakeholder engagement. As the peak body for property investors within Australia, we would request that PICA are engaged for further consultation initiatives.

PICA's position on the Stage 2 reform priorities outlined below:

Reform Priority: Installing modifications

PICA supports Option 1 and believes that there is no need for additional reform regarding installing modifications.

Under the existing arrangement, modifications can be made to a property in consultation with the property owner. Many of these changes usually require a skilled person to perform correctly and, if done poorly, may result in damage to the property or added costs that a rental bond may not cover.

More broadly, property owners are more willing to compromise where there is a genuine need to make modifications to a property such as supporting a tenant with a disability. By working collaboratively and openly, tenants and property owners can achieve more positive outcomes and address safety and security concerns.

Based on the number of lodgements made to QCAT, there is little evidence to suggest that tenants are facing significant barriers in making reasonable modifications that cater to their needs and are acceptable to property owners. This suggests that the existing legislation is fulfilling its intended purpose.

Stage 1 reform introduced minimum housing standards for the purpose of providing safety and security to tenants. It would be premature to introduce additional reforms without evaluating the impact of Stage 1 changes.

Option 2 may be feasible however would need to consider refinement instead of implementing a generic approach to modifications. An alternative solution could involve incorporating a standardised separate section within residential leases. This section would explicitly outline the permissible changes or modifications that can be made with or without the property owner's consent. By documenting this approach in the lease, both tenants and property owners would have the opportunity to negotiate and mutually agree on a case-by-case basis before the tenancy begins. This would provide a fair and transparent framework for addressing modifications and ensure that both parties are aware of their rights and responsibilities.

Reform Priority: Making minor personalisation changes

The government has acknowledged in the options paper overview that renting is no longer primarily a step on the pathway to home ownership but is increasingly a long-term housing solution. PICA accepts that liveability, meaning safe and quiet enjoyment, is an important aspect of renting and there is a strong push from consumers to make a house feel like a home.

Under the existing arrangement, personalisation changes can be made to a property in consultation with the property owner. Many of these changes usually require a skilled person to perform correctly and, if done poorly, may result in damage to a property or added costs that a rental bond may not cover.

At present, tenants require the rental property owner's permission to change the rental property and this consent cannot be unreasonably withheld.

PICA supports Option 1 and believes that there is no requirement for additional reform to make minor personalisation changes.

Developing resources and education materials may help renters and rental property owners to negotiate and agree what changes a renter may make to the rental property.

Importantly, through less restrictive tenancy reforms, Queensland and the Queensland government has a unique opportunity to obtain a significant competitive advantage over other eastern states, like Victoria, to attract more property investors to Queensland. This would result in more rental stock and therefore lower rents for Queensland tenants.

PICA supports the current Act that ensures tenants obtain property owners consent before such modifications are undertaken. Hence, PICA would support Option 1 - No change and educate tenants and property owners to have balanced conversations between tenants and property owners.

Reform Priority: Balancing privacy and access

Tenants have the right to safe and quiet enjoyment of the property that they lease. Similarly, property owners deserve to have their property being treated respectfully and rent paid on time and as agreed in the contract.

The volume of disputes and grievances referenced in available data is disproportionate to justify the significant reform observed in Stage 1 and again, in Stage 2.

PICA supports Option 1 and believes that there is no requirement for additional reform to balance privacy issues and access.

Decreasing the frequency of inspections can hinder property owners' access to information regarding the deteriorating condition of their properties, potentially leading to safety issues and or negative consequences for insurance coverage.

Lack of regular inspections on rental properties can hinder the timely detection of safety or condition issues, leading to delays in addressing them. This situation puts tenants at a disadvantage, potentially exposing them to unsafe living conditions. When property managers or owners remain unaware of the property's deteriorating state, it can result in additional expenses for remediation. Identifying the root cause earlier would have prevented the need for subsequent repairs and their associated costs.

Reform Priority: Improving the rental bond process

PICA believes that there is no requirement for additional reform to improve the rental bond process.

The proposed options do not offer an adequate solution. The current rental bond process, which involves tenants paying a security deposit before moving into a property, already provides a reasonable level of protection for property owners and tenants.

For the record, based on Stage 1 reforms, the majority of property investor do in fact argue for an increased bond protection, due to increased risks under the new laws, rather than the existing laws. That said, current disagreements are settled through QCAT for which there is a marginal volume of complaints, so we watch with interest see if increased complaints materialise in this space, given the recent Stage 1 reforms.

Any further changes to the rental bond process needs to consider the Administrative Burden on tenants, property managers, property owners and tribunals. Introducing more regulations, paperwork, or compliance requirements could increase the time and effort required to manage rental properties effectively.

PICA continues to advocate for a collaborative approach involving ongoing dialogue between tenants, property owners, and the government to address any concerns or issues related to the rental bond

process. PICA believes that continuous engagement and open communication can lead to practical solutions that benefit all stakeholders involved, without the need for legislative reforms.

Reform Priority: Fairer fees and charges

PICA is supportive of helping tenants to support concessions that aid tenants, such as facilitating free payment methods.

PICA agrees that there should be a consistent approach to fees and charges levied against tenants.

As the peak body representing property owners and investors, we support helping tenants with fee free ways to pay. In most cases, this is not in the control of the property owner, instead additional fees outside of the lease agreement are levied by the property manager.

An item of concern for PICA and its members is the proposal to change reletting costs in the event of ending a fixed term lease early. It is our view that the proposed options do not offer an adequate and balanced solution.

PICA is supportive of Option 1 - No change to the current legislation.

Reletting costs should remain the responsibility of the tenant if the tenant chooses to end a fixed term lease early. It is totally unreasonable for a property owner to accept the liability and subsequent costs of a tenant's change of circumstances, resulting in the end of fixed term lease.

PICA understands that reletting costs can be a barrier to switching to more suitable housing accommodation. The most vulnerable in the community and domestic violence are sensitive, and especially key areas where support is needed.

To address issues where tenants are vulnerable or impacted by domestic violence and are required to end a lease early, a solution lies with the government through the establishment of a safety net scheme, similar to building schemes.

This scheme would allow property owners to make insurance claims for financial losses incurred due to tenancies being terminated by tenants affected by domestic violence. Funding for this scheme could be acquired through a small annual financial contribution, ensuring a shared responsibility between tenants, property owners, and the government. This means the tenant who suffers from a domestic violence event is supported, as is the owner of the property, because the risk has been shared via an insurance style model.

Conclusion:

While the Stage 1 and 2 reforms aim to create a fairer balance between tenants and property owners, PICA supports and encourages additional reforms in the near term that specifically address the core issue of the current and ongoing rental crisis: the insufficient supply of rental properties. This problem is expected to worsen given the projected high migration rates and the struggling construction industry, and it requires urgent attention. Within this Stage 2 feedback request process, we see no initiatives that will address or incentivise further investment by mum-and-dad property investors.

Instead, the potential implementing of these further rental reforms, as they currently stand, could lead to a reduction in the number of rental properties in Queensland. This, in turn, would worsen the homelessness rate and result in higher rents.

In summation, the current approach to rental reform is in complete conflict with the Queensland Government's agenda to effectively tackle the key problem of the rental crisis – supply.

In May 2023, the Victoria Government introduced changes to its residential Land Tax laws, as well as a Special Levy on property investors. This will significantly diminish demand for residential rental properties in Victoria.

However, it gives other states, such as Queensland, an opportunity to attract investment and increase rental supply. There is a broad range of measures that can be implemented to achieve this, and we feel that this should be the next item on the State's reform agenda.

Queensland can gain a competitive advantage in the property investment market, attracting more investors away from Victoria, New South Wales, and the Australian Capital Territory. The result would see an increase in rental stock availability and contribute to lower rent prices.

Having clear and balanced rental laws creates a stable investment environment that protects the rights and interests of both renters, whilst ensuring the confidence of rental property investors.

One must never forget, mum-and-dad property owners have made substantial financial investments in their properties, and at the very least, they expect to maintain the value and attractiveness of their assets while also benefiting from future investment returns. Both Government, and even new initiatives to incentives big business to offer Build to Rent solutions, are not going to be anywhere near what is required to satisfy the demand for future rental property requirements. The marketplace needs mum-and-dad investors to continue to do the heavy lifting in this space for decades to come.

As we have made you factually aware, via the data, the current lease agreements are successful in over 95% of cases. Therefore, any changes should be approached with extreme caution to prevent further unintended negative consequences.

It is imperative that Government prioritise maintaining a healthy rental market, which benefits both tenants and property owners alike. Delivering greater support to property owners can lead to more positive outcomes for Queensland through continued investment in providing affordable housing, reduce homelessness in the state and less welfare costs on future governments.

Thank you for your attention to this matter. We look forward to a thorough examination of the concerns raised in this submission and we look forward to further dialogue with you.

Kind regards,

Queensland State Advisory Council
Property Investors Council of Australia

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