

From: [REDACTED]
To: [Residential Tenancy](#)
Subject: Comments on Consultation Paper re improving NSW Rental Laws
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Dear Minister

Thank you for circulating this Consultation Paper.

I am a landlord of several residential properties in Sydney, and offer the following comments on two of the proposals:

1. Reasons for ending a fixed term lease:

Requiring a landlord to give reasons for ending a fixed term lease may comfort some tenants but is likely to have significant negative consequences. There are better ways to give tenants greater certainty.

Requiring a landlord to give reasons for ending a fixed term lease is likely to:

- encourage landlords to “game” the reasons for ending, including finding breaches by the tenant, or pretending to prepare the property for sale (despite threat of penalty)
- lead to increased disputes between landlords and tenants requiring adjudication, sometimes over matters that are difficult to assess, eg proof that the landlord is suffering financial hardship
- remove one of the incentives for renewing a fixed term lease, as reasons for ending such a lease would apply to it in the same/similar way as they do to a periodic lease.
- increase the cost of managing residential properties, adding pressure to increase rents.
- discourage private investment in residential property for-rent.
- if implemented, necessitate a name change - a lease will not really be for a “fixed term” if it cannot expire.

Better ways to give tenants greater certainty include:

- government encouragement of longer fixed term leases, eg tax incentive for fixed term leases over 3 years.
- for simplicity, require such longer fixed term leases to either (a) have fixed rental for the entire term, or (b) allow maximum fixed rate annual increase, eg 5% (references to “market” and CPI increases are subject to dispute).
- more incentive to renew fixed term leases, eg increase the notice period required to end a periodic lease, from 90 days to 120 days.

The “Victorian model” (where the landlord does not need a reason if they end a fixed term lease after one term; but if the renter stays for additional fixed terms, then the landlord must have a reason to end the lease) creates an incentive for the landlord to end the lease at the end of the first fixed term.

2. Rent increases:

In relation to rent increases, the consultation paper suggests:

- *Require a landlord to prove that a rent increase is not 'excessive' where, for example, a rent increase exceeds CPI over a certain period.*
- *Amend the criteria in the Act for when a rent increase is 'excessive'. Currently, the list of factors that may be taken into account in considering if an increase is 'excessive' includes the market level of rent for comparable properties and the state of repair of the property.*

This approach is problematic because:

- whether or not an increase is “excessive” will always be subjective. The CPI does not reflect changes in the actual costs to the landlord of owning and managing a property. For instance, interests rates and land tax have both increased much more than the CPI recently.
- “market rent” and “state of repair” are similarly very subjective measures. Such subjectivity inevitably leads to disputes. Other factors that may be considered are likely to suffer from the same shortcoming.
- any limit on a landlord’s ability to increase the rent during a longer term lease will (a) discourage landlords from entering into longer term leases, and (b) incentivise landlords/agents to do even more to maximise the rent at the start of the lease term.
- this kind of interference in the market, requiring proof of assessments that are inherently subjective, will also increase the cost of managing residential properties and discourage private investment in this sector.

Thank you for considering these comments.

I do not wish my identity to be disclosed in relation to these comments.

Yours sincerely

