

Submission on Improving NSW rental laws

A healthy rental market depends on a strong supply of quality rental properties. However, over the past decade, it has become increasingly unappealing to be a landlord or for a property owner to transform their vacant properties into rental properties:

- APRA has significantly increased restrictions on lending to property investors.
- Fewer tax advantages for property investing.
- Eviction bans and rent reductions during COVID.
- Increasingly anti-landlord laws and legal decisions.
- Widespread negative sentiments towards landlords, creating longer term uncertainty about the prospects of building or buying new properties for investment.

Today, I would consider it crazy to want to supply rental property. There's simply too much risk. Nor would I want to spend money on upgrading a property (such as installing new flooring), if I face uncertainty about whether I can get an increased return on that investment or if I can limit pets that might damage it.

It is no surprise then that property investment is failing to keep up with demand, resulting in higher prices for renting.

The proposals in the consultation paper will only make things worse, and yet offer few signs of hope that there will be concessions and incentives for property owners to offer their property for rent on the market.

Removing freedoms such as 'no grounds terminations' will create additional pressures on the legal system to adjudicate decision making, and will drive landlords to be more selective about their tenants. Indeed, this may result in even greater discrimination: the less an investor knows about a potential tenant, the more likely they are to prefer to rent to friends and family.

It would be reckless for the NSW Department of Customer Service to proceed with more restrictive laws, without first understanding the risk tolerance of property investors, renters, and owners of unoccupied property. How much additional rent or bond will investors expect in order to compensate for the greater risks associated with terminations, pet damage, insight into renter character, rent increases and regulation? How many potential investors will leave the market as a result of the risk and uncertainty? Are renters willing to pay significantly more in the long run for those additional rights and protections?

If rental laws are changing, there is an opportunity to improve protections for both parties: increased rights should be accompanied with increased responsibilities, and additional obligations should be matched by additional support. For example, the government may consider the following:

- Limiting landlord's liability for accidents on property, including accidents caused by animals (currently it is difficult for Strata schemes to find insurance that covers incidents caused by pets owned by renters).
- Creating laws to simplify the eviction of problematic tenants, so that housing can be prioritised for reliable tenants.
- Encouraging joint responsibility of property maintenance - creating an expectation that long term tenants shoulder some of the burden of regular maintenance and 'wear and tear', rather than landlords being required to indiscriminately cover all expenses by a fixed rental cost.
- Limiting AirBnB and other developments that undermine the residential appeal and value of a given property.

- Providing tax benefits to landlords who supply high quality housing.
- Providing increased certainty to property owners that the courts will view disputes with more a balanced hand, and that legal costs will be minimized, rather than the prevailing bias against the landlord.
- Providing simple and clear "safe harbour" provisions on the conduct of landlords, so that landlords have clarity about the minimum standards by which they will have full confidence in the outcome of any legal action, without needing expensive legal advice.
- Providing guarantees or tax incentives to protect landlords against rent price reductions and market down-turns (especially if there are limits on their ability to benefit from a market upturn).
- Requiring tenants to pay for additional insurance if they have a pet.

Thank you for this opportunity to respond to the consultation paper.