

## NSW Government's Improving NSW Rental Laws Consultation Paper SUBMISSION

Each year, I provide accommodation to approximately 30 people that are not relying on Public Housing.

Despite owning many properties throughout Australia, for the last 40 years I have rented more than 15 properties across four states, as well as in Europe and America.  
I have as much experience as a tenant as I do a landlord.

Landlords are being hit with a PERFECT STORM in the current economic environment:

1. All variable home loan interest rates have trebled in the last six months, and are still climbing, .. who knows where that will stop as unemployment remains very low and people keep spending like crazy,
2. Most of my 20 odd Bank loans are coming off "Interest Only" onto "Principal and Interest" payments this quarter, which is increasing loan repayments by up to \$8,000 per month on some loans that don't have long terms left on them,
3. State Government Land Tax, Council Rates, and Water Rates have been impacted by State Government Covid Debt and Inflation so the rate that they increase each year is escalating,
4. Maintenance costs, trade labour, and building material costs have risen 30-40% meaning that any repairs take out a large chunk of rental income,
5. Recent rental reforms are making investment properties less profitable with large initial and ongoing compliance costs, and increased tenant demands.
6. The additional costs of compliance checking (eg: swimming pools, decks and balconies, gas heaters, window blind cords and interconnected smoke alarms), and new regulations (eg: tempering valves; detention tanks, drains, and restraints on hot water systems), are all adding to the cost of business.
7. Insurance costs have seen huge increases due to a cascade of bushfires, floods, and other natural disasters.
8. Body Corporate fees have increased dramatically, largely based on many insurance providers leaving the market and costs increasing by up to 100%.
9. Property investors are now required to pay higher interest rates for investment loans compared to owner occupier loans, (despite the evidence that there is a greater mortgage default rate for owner occupiers' loans than investor loans)
10. ATO changes have reduced the ability to claim legitimate expenses in running these investments as a small businesses (Travel and Fixture and Fitting wear and tear)
10. Many states have recently introduced more broadly reaching Covid Levies and higher Land Tax costs
- 11.. The Greens Party are pushing for the removal of Negative Gearing deductions and the capping of rent increases on a nationwide basis (completely ignorant of the economic impact that will have on the market)
12. State Labor governments (such as Victoria) are talking about capping rent increases for two years.
11. Rents not nearly keeping up with all these expenses, causing cash flow challenges for all Landlords, so we can anticipate that many will struggle to hold onto their investment properties going forward.
13. Out of every 100 properties sold, about 33 will be sold to investors, which means that everytime an investor decides that this is no longer a viable business to be in, the number of rental properties in the total housing stock will drop.

Like many investors, nearly all of my properties that were neutral, or positive geared, have recently gone back to being Negatively Geared.

I am no long working, so I do not have an income to provide the cashflow when my properties become negatively geared.

It is a fine balance between maximising the rental income in order to stay financially solvent, and keeping the tenants in place as every turnover costs me letting fees and vacancy periods.

Landlords are now also focusing more on minimising costs and reducing expenses.

Reforms like the removal of the 'no grounds' termination, extended rental freeze and the rental increase limits will negatively impact investors and (like Victoria who are facing even greater property investor challenges for similar reasons), NSW will see more investors exit the market. Out of ten rental properties sold, only 3 are purchased by an investor, which is continuously reducing the number of available rental properties.

Supply and Demand Economics dictate, that reducing supply of rental accommodation will see rents increase even further.

Rental property numbers have been decreasing in NSW for many years due to:

- Higher interest rates, forcing the sale of investment properties, as these increased costs are shouldered primarily by the investor and not the tenant,
- APRA's macro-prudential lending restrictions introduced from 2014 and targeted primarily at investors, investors now pay higher interest rates for investor loans compared to owner occupier loans,
- The introduction in NSW of new tenancy law reforms in March 2020 has resulted in increased costs for landlords,
- The increasing costs of insurance premiums which continues to increase substantially year on year,
- Other states having more competitive investment cost bases (lower stamp duties and land tax) has seen property investors buy in other states instead of NSW for economic reasons,
- Federal Liberal Government changes to Tax Depreciation and Travel expense claims for property investors has reduced ability to claim legitimate expenses in running these investments.
- An increase in investors switching properties over to short-term accommodation to help recover increased cost or avoid new 'restrictive' tenancy reforms.
- Compelling evidence of investors currently selling their properties, with the risk of this divestment accelerating, given the lack of certainty about the future property investment landscape and property marketplace, both looking forward, but also the retrospective impacts on their investments.
- A risk of further intervention, such as the proposed removing 'no grounds' termination, rental increase caps or longer rental freezes, which all would have a material impact on property investors.

Some of the unintended consequences of these conditions are expected to be:

- Further sell up of private rental property in NSW,
- Flight to short term rental by some investors,
- Chronic shortage of rental accommodation will become critical,
- Share homes will be overcrowded,
- Immigration will be impacted in attracting the best and brightest from overseas, who will move to more affordable states,
- The economy will be impacted on the back of human capital mobility,
- Higher taxes needed to pay for additional public housing to supplement the decline of investment by private

Investors at a time where the Labor government is struggling to pass Public Housing bills,

- Renter conditions may be impacted as landlords look to manage escalating costs against restricted income,
- The risk of a 'shadow rental market' emerging as some desperate owners look to operate outside of the traditional property lease contractual laws.

Extending rental freeze periods and limiting rental increase caps reforms should not be introduced.

The current law is operating within market conditions and is sufficient.

Since March 2020 tenants have been granted extra security knowing that their rent will not increase for at least 12 months.

Rental prices are determined by supply levels, market demand, location, property type, and amenity. It has been proven that controlling rent (known as 'rent control' in other countries) has had major negative impacts both economically and socially.

There is no evidence that property investors overcharge, as the market sets the rent achievable.

The current law allows tenants to contact the Tribunal if they have a case to make, therefore, the current laws offer tenants independent protection.

Small business property investors are not the cause of this current rental crisis.

Most of us are not even covering the increased costs to hold our properties and have moved back into a Negatively Geared situation.

We are treated as pariahs and an ATM for government taxes, when in fact we provide an essential accommodation service while we work to become Self-Funded Retirees and not be a burden on the Social Security System.

Without our efforts and investments, the current rental situation would be a lot more dire. Investors should be thanked for their important contribution to housing and consulted more widely when reforms are considered.

There are many situations where the property owner may wish to not continue with a lease. They should not have to justify this to a tenant any more than a shop owner has to explain why they refuse to serve a customer if that is their choice.

Property owners should have the right of determination over their own properties.

Some properties are not suitable for pets or certain types and sizes of pets. Dogs are very disruptive and can do a lot of damage that well exceeds the value of the bond held. Most of my properties have wooden floors and doors. All of my properties that have had dogs living in them, have damaged floors and doors, even when the condition of having the dog on the property was that they remain outdoors. No apartment is suitable for a dog to live in it. That is just cruel.

I unequivocally agree that tenants should be provided convenient and free methods to pay their rent.

I agree to adding additional conditions when a landlord may end a lease if the property...  
is being prepared for sale  
will go through reconstruction, repair or renovation that requires it to be vacant  
will change its use (e.g. change from a home to a shop or office)  
will be demolished  
or if the landlord will move into the property, or a member of their immediate family, **associate, or friend** will move in ...  
with a 60 day notice period.  
The landlord should not have to provide any evidence to the tenants as they own the property and unless we are in a communist state, have control of their own business decisions.

From my experience, the property managing agents I have dealt with already have procedures in place to protect and secure private data.

Of the 18 pieces of information listed, the proposal is to only allow a maximum of six.  
This is just ridiculous.  
I believe property owners and managing agents should be able to gather whatever information they require to vet a potential tenant without limitation.  
Should a tenant have issue with this, they can restrict the information provided or negotiate the provision of alternate information.  
This is how the free market operates.  
Government inventions into free market practices generally leads to worse outcomes and always creates unintended consequences.  
Landlords and agents have the right to ensure that they select the best tenant and if that means requiring more information, then that is up the tenant to participate or refuse.  
Let adults behave as adults in their decision making.  
Why does the Nanny State feel the compelling need to intervene in all aspects of our highly regulated lives?  
A standard tenancy application form is another very bad idea.  
Each business has different needs and should be able to address their own requirements as they see fit.

Standard tenancy application forms or limiting the information that may be collected from rental applicants certainly will not reduce discrimination in the application process as the agents always meet the prospective tenants or research them on social media anyway. The facts will come out.

Agents and landlords have the right to choose the most appropriate tenants based on their experiences and values. Calling that prejudice or discrimination is misguided.

Automated decision making is used in Job Application Processes.

To be fair... Do you intend to ban it there also?

It is up to the agent to decide how they select tenants. They use those tools that work for them.

Portable rental bonds add a level of complexity and administration that is not warranted or justified.

If further rental reforms and laws are passed, I believe this will further add to the rental housing crisis as property owners will exit the market and future investors may look to invest in another state or another asset class.

This will drive up rent costs, regardless of any freezes;

I urge the NSW government to leave current tenancy laws as they stand.

**Submitted under the condition of anonymity**