

SUBJECT: ANALYSIS AND RECOMMENDATIONS ON PROPOSED RENTAL LAW AMENDMENTS IN NEW SOUTH WALES

Preamble

As a landlord I feel the need to make this submission due to the experiences I have had in the past.

Experience 1)

I had to notify my empty rental property that, as the landlord, I was going to enter the building in a weeks' time. This happened after I was informed by the property manager that they had been informed by the neighbors, that the house had been vacated a month prior. The property manager also informed me that the rent was already four weeks in arrears but they were dealing with the tenants according to the law, in order to get those arrears caught up. The tenants had "done a runner" of course. Altogether the property paid no return for six weeks and this does not include the weeks it took to fix the home in order to make it rentable again. These repairs were out of pocket to the tune of thousands and that's not taking into considerations the working man-hours because we could not afford to get hired help to do this, we did these repairs ourselves.

Experience 2)

Once, after another tenant "did a runner" and again after giving the empty rental property a week's notice that we were going to enter, we removed the ex-tenants things and put them into the carport for her to collect. We then proceeded to repair that house, at our expense, in order to get it rented out again. Even though this ex-tenant had not paid the rent for a month and had left the property damaged and she took us to the tribunal for unlawfully entering the property. While the unlawfully entering charge was overturned by the tribunal, the tribunal ordered us to deliver her goods and chattels, at our expense, to her new place of residence lest we would be charged with theft of her property. This ruling indicated that we were unlawful to remove her chattels and they were ostensibly to indefinitely remain in the property at our expense. A rule that is completely unfair to the landlord.

Experience 3)

Fortunately the council was on our side when another tenant was informed that she was not able to keep her horse in the back yard even though the tenancy agreement stated she was able to have pets. For months we dealt with a very abusive and aggressive tenant until she eventually moved out leaving us to re-landscape the back yard because her bond was used to pay the last unpaid six weeks rent.

While as a whole, our tenants have been wonderful the above anecdotes are just three of a myriad of negative experiences we have had with tenants that illustrate the inequity of rules and regulations restrict the Landlord and creating an imbalance and you seek to tip the scales further in favor of the tenant.

We respect tenant rights and their well-being but you must understand that it is crucial to the maintenance of a healthy and equitable rental market that a fair balance be established between Landlord rights and tenant protections.

As a consequence I am writing to provide an analysis of some of the proposed changes to rental laws in New South Wales. As a concerned citizen and an active participant in the rental property market, I wish to contribute to the ongoing discourse surrounding tenant stability and the enhancement of the letting experience for Landlords. It is my sincere hope that this submission will assist in formulating informed decisions that strike a balance between tenant rights and the well-being of landlords, thereby fostering a harmonious and equitable rental system. Respectfully I submit the following with regard to some of the significant changes to the NSW Rental Laws being discussed in parliament that presently appear will provide greater powers to tenants and dramatically reduce the rights of Landlords.

Eviction Notice Periods: Allowing landlords the flexibility to issue a month's notice for eviction is a critical element in facilitating effective property management. This provision accommodates essential repairs, renovations and personal or financial exigencies. It is imperative to recognize the value of this flexibility in maintaining property standards and ensuring landlords are able to meet their obligations and responsibilities such as:

Property Management and Maintenance: Landlords need the flexibility to manage and maintain their properties efficiently. Providing a month's notice for eviction allows landlords to address issues such as necessary repairs, renovations or pest control (ie termites) and ensuring the property remains in good condition. This quick turnaround time ensures that the property's value is preserved and tenants continue to have a safe and comfortable living environment.

Financial Stability for Landlords: Landlords rely on rental income to cover mortgage payments, property taxes, and maintenance costs. In situations where a tenant is consistently late with rent payments or breaches the lease agreement, landlords might face financial difficulties. Allowing landlords to evict with a month's notice helps them regain control over their financial situation, enabling them to find a new tenant who can contribute to the property's financial upkeep.

Flexibility for Personal Use or Sale: There are circumstances where a landlord might need the property for personal use or wish to sell it. Providing a month's notice for eviction allows landlords the necessary flexibility to move into their own property or sell it in a timely manner. This is especially important in cases where landlords need to relocate for work or family reasons or when they need to liquidate their assets for financial reasons.

Notice Requirements for Vacant Properties: The proposed requirement for landlords to provide a full week's notice before entering a vacant property, while rooted in tenant protection, presents several challenges that warrant careful consideration. This mandate, though well-intentioned, has the potential to unduly burden landlords, leading to financial losses and property deterioration. I urge a comprehensive examination of this provision, taking into account its potential impact on property upkeep, financial stability, and administrative efficiency.

The landlord's legal requirement to give a vacant property a full weeks "notice to enter" is a clear example of the imbalance of rules already favourable to tenant's rights and a particularly expensive requirement on behalf of the landlord along with:

Loss of Rental Income: Landlords rely on rental income to cover mortgage payments, taxes, maintenance costs and other financial obligations. When tenants abandon a property without notice, landlords can suffer significant financial losses, especially if they are left without rental income for an extended period. Requiring notice for an already vacant property further delays the process of regaining control and potentially re-renting the property.

Property Condition and Security: Abandoned properties can deteriorate rapidly if not properly maintained. Landlords are responsible for the upkeep of their properties to ensure they remain in good condition and secure. When tenants abandon a property, landlords need immediate access to inspect and secure the premises to prevent further damage, vandalism or unauthorized use.

Timely Resolution: Requiring notice for an already vacant property can lead to delays in resolving the situation and retaking possession of the property. Landlords may need to follow legal eviction procedures, which can be time-consuming and expensive. During this time, the property could continue to deteriorate and the landlord's financial losses may escalate.

Practicality and Common Sense: Requiring notice for an already vacant property may seem counterintuitive from a practical standpoint. The absence of tenants who have abandoned the property is typically apparent to landlords. Requiring formal notice in such cases can create unnecessary bureaucratic hurdles for landlords trying to address an urgent situation.

Balancing Tenant Rights and Landlord Protections: While tenant rights are important, it's crucial to strike a fair balance between tenant protections and landlord rights. Requiring notice for an already vacant property can tip the balance heavily in favor of tenants who have acted irresponsibly by abandoning the property without fulfilling their obligations. While there is a need to protect tenant rights, there should also be mechanisms in place to address situations where tenants abandon properties, leaving landlords in a difficult position. Striking a fair balance between the rights and responsibilities of both parties is essential for a well-functioning rental market.

Transferable Rental Bonds: The concept of transferable rental bonds, while promoting tenant mobility, raises pertinent concerns that necessitate prudent evaluation. The associated risks of outstanding debts, loss of control over security deposits, and potential market distortions underscore the need for a nuanced approach. Balancing the benefits of tenant flexibility with safeguards to protect landlord interests remains paramount in achieving a harmonious rental landscape.

Transferable rental bonds will introduce complexities and potential challenges for landlords, which will impact their interests and the overall equilibrium in the rental market. Transferable rental bonds will be perceived as less equitable for landlords due to:

Risk of Outstanding Debts: Landlords will face the risk of tenants transferring their bonds without settling outstanding rent or addressing damages from the previous rental property. This will leave landlords financially burdened, having to cover costs that were not adequately addressed by the transferred bond.

Loss of Control: Landlords will lose a degree of control over the security deposit process. The ability to withhold a portion of the security deposit to cover damages or arrears, as allowed by local laws, could be compromised, impacting their ability to protect their property investment.

Unforeseen Liabilities: Landlords could potentially be held liable for existing damages or unpaid rent from a previous property if a tenant transfers their bond to a new location. This situation will create disputes and financial strain for landlords who had no direct involvement with the previous tenancy.

Financial Instability: The introduction of transferable rental bonds could make it harder for landlords to predict their financial position accurately. Uncertainty regarding the status of incoming tenant bond transfers might affect landlords' ability to budget and plan for property maintenance and improvements.

Market Distortions: If not carefully regulated, transferable rental bonds might lead to market distortions, potentially encouraging tenants to move frequently without properly addressing obligations in their previous tenancies. This could result in higher administrative costs for landlords and an unstable rental environment.

Increased Screening Burden: Landlords will need to implement more rigorous tenant screening processes to mitigate the risks associated with transferable bonds, potentially increasing their administrative workload and costs.

Litigation and Disputes: Disputes between landlords and tenants over the proper allocation of bond funds will increase, leading to potential legal, administrative, financial and mental challenges.

Tenant-Initiated Property Alterations: The proposed allowance for tenants to make alterations without prior approval requires a judicious assessment. Striking a balance between tenant preferences and landlord property preservation concerns is imperative to prevent property damage, legal disputes, and maintenance challenges. Clear guidelines that foster open communication between tenants and landlords will be instrumental in achieving this equilibrium. Granting the tenant the right to make changes to a rental property without seeking prior approval can lead to several potential drawbacks for landlords and the overall rental business.

Property Damage and Decreased Value: Unapproved alterations can result in damage to the property. Tenants may lack the expertise to make changes that adhere to building codes and safety standards, leading to potential hazards or structural issues. Such alterations could also lower the property's value if they are not done professionally or if they deviate from the property's original design.

Legal and Liability Issues: If tenants make alterations landlords could face legal and liability issues. Unauthorized changes might violate local regulations, breach the lease agreement or result in safety violations. In case of accidents or disputes, landlords could be held responsible.

Maintenance and Repair Costs: Unapproved alterations may require additional maintenance and repair efforts in the long run. Landlords may be left with the responsibility and costs of restoring the property to its original condition or addressing the consequences of improper alterations.

Aesthetic and Quality Control: Unapproved changes could impact the overall aesthetic and quality of the property. Inconsistent alterations could lead to an unappealing or mismatched appearance, which could affect the property's marketability to future tenants.

Tenant Turnover and Costs: Frequent tenant turnover is common in rental properties. If tenants are allowed to make significant changes each turnover could require additional time and expense to restore the property to its original state or assess and address the alterations made.

Lack of Consistency: Unapproved alterations may result in a lack of uniformity among rental units within a property. This lack of consistency can affect the overall appeal and professional image of the property, potentially deterring potential tenants.

Communication and Conflict: Allowing tenants to make changes without seeking approval can lead to misunderstandings and conflicts between landlords and tenants. Clarity and open communication regarding acceptable alterations can help prevent disputes and maintain a positive landlord-tenant relationship.

To mitigate these potential issues, many landlords establish clear guidelines and processes for tenant-requested alterations. This approach allows landlords to maintain control over the property's condition, ensure compliance with regulations and protect their investment while still considering reasonable tenant needs and preferences.

Confidentiality of Lease Termination Reasons: The proposal to grant landlords the right to terminate leases without disclosing specific reasons underscores the importance of privacy and business autonomy. In a dynamic rental market, allowing landlords the latitude to make strategic decisions based on their individual circumstances is pivotal for fostering a competitive and responsive rental environment.

Privacy and Confidentiality: Landlords might have valid reasons for not disclosing the specific details of why they are terminating a lease. Requiring landlords to disclose reasons for termination could infringe upon their privacy and potentially expose sensitive information about their personal or

financial circumstances. Allowing landlords to terminate a lease without providing specific reasons respects their privacy and prevents unnecessary intrusion into their affairs.

Flexibility and Business Considerations: Landlords should have the flexibility to make decisions based on their business needs without having to justify their actions to tenants. Requiring landlords to disclose reasons for termination could hinder their ability to make strategic decisions, such as property renovations, rebranding or changing the rental model. Granting landlords the discretion to terminate a lease without detailed explanations ensures they can adapt their business approach as needed to remain competitive and financially viable.

Animal Restrictions and Property Management: Acknowledging landlords' prerogative to specify allowable animals in rental properties warrants thoughtful consideration. Balancing tenant preferences with property preservation concerns ensures a safe and harmonious living environment for all occupants both present and future. It is imperative that any prescribed restrictions adhere to relevant laws and regulations to foster transparency and accountability.

Landlords should be able to specify what animals can be in their rental properties for several valid reasons:

Allergies and Health Concerns: Some tenants may have allergies or health conditions that are triggered by certain animals. Allowing landlords to specify the types of animals allowed can help ensure that the living environment remains safe and comfortable for all tenants both present and future. For instance, a tenant with severe cat allergies could face significant health issues if a neighboring unit is allowed to have multiple cats.

Property Preservation: Different animals have different impacts on a property. Landlords may want to prevent animals that are prone to causing damage, such as larger dogs that might scratch or chew furniture dig holes in the yard or damage assets. The landlord may also want to prevent animals that may be more likely to have accidents indoors. Specifying allowable animals can help landlords protect their property investment and maintain its condition over time.

Noise and Disturbance: Certain animals, such as large dogs or exotic pets, can create noise disturbances that affect other tenants' peace and quiet. Landlords may want to specify the size or type of animals allowed to prevent disruptions to the overall living environment. This helps maintain a harmonious and respectful atmosphere for all residents.

Insurance and Liability: Some insurance policies have restrictions or exclusions based on the type of animals present on the property. Landlords may need to consider these factors and ensure that the animals allowed align with their insurance coverage. This helps mitigate potential liability issues in case of incidents involving animals.

Compliance with Local Regulations: Local ordinances and housing regulations do impose restrictions on certain animals due to safety or zoning concerns. Landlords may need to adhere to these regulations and specify allowable animals to avoid legal complications or penalties.

While landlords have valid reasons for specifying allowable animals, it's important that any restrictions are clear, fair, and comply with relevant laws and regulations.

Annual Rent Increases and Landlord Expenses: Adjusting rental prices annually in accordance with the Consumer Price Index (CPI) underscores the importance of recognizing landlords' ongoing financial obligations. This provision acknowledges the need to address inflation, property maintenance, and financial stability, thereby maintaining a viable rental market that serves the interests of both tenants and landlords.

Increasing rental prices annually in line with the consumer price index (CPI) can be justified for several reasons (bear in mind that this list is not exhaustive):

Inflation Adjustment: The CPI measures the average change in prices paid by consumers for goods and services over time. Inflation is a natural economic phenomenon and rental prices are not immune to

its effects. Increasing rents in line with the CPI helps landlords keep up with rising costs of living and maintain the real value of their rental income.

Maintenance and Upkeep Costs: Landlords incur ongoing expenses for property maintenance, repairs, property taxes, property management and other operating costs. These costs tend to rise over time due to inflation. Aligning rental price increases with the CPI ensures that landlords have some opportunity to equate financial costs to cover these necessary expenditures and keep the property in good condition.

Fair Return on Investment: Landlords make significant investments in purchasing and maintaining rental properties. Just as other investments aim to provide a reasonable return, rental properties should also offer a fair rate of return. Adjusting rents in accordance with the CPI helps landlords earn a reasonable income from their investments while accounting for the eroding effects of inflation.

Property Value Preservation: Real estate is a valuable asset that appreciates over time. To maintain the property's value and ensure it remains competitive within the rental market, landlords need to allocate resources for renovations, upgrades and property enhancements. Adjusting rents based on the CPI contributes to the financial feasibility of such investments.

Stability and Predictability: Annual rental increases tied to the CPI provide a predictable and consistent framework for both landlords and tenants. This stability helps tenants budget for future rent payments and plan their financial commitments accordingly.

Economic Viability: Landlords play a crucial role in providing housing options to tenants. Ensuring that rental prices keep pace with inflation helps maintain the financial viability of rental properties and encourages property owners to continue participating in the rental market, ultimately contributing to a steady supply of housing options.

It is worth noting that not all individuals (landlords) possess the capability to manage these fiscal deliberations proficiently and/or navigate the complexities of tenant interactions with equal efficacy. In the event that governmental regulations persist in impeding the ability to lease properties, the real

estate market may inevitably bear substantial ramifications in terms of diminished availability of affordable housing options for the populace.

In conclusion I respectfully submit this analysis to inform and assist your deliberations on the proposed rental law amendments in New South Wales. Striking a judicious balance between tenant rights and landlord responsibilities is essential for a rental market that thrives while safeguarding the interests of all stakeholders. I trust that your esteemed office will carefully consider these perspectives as you work towards ensuring a harmonious and equitable rental environment.

Thank you for your time and consideration.

Sincerely,