

NSW Inquiry – Rental Reforms:

My wife and I have been a property landlord in NSW coming up to 20 years – yep the classic (Mum and Dad investors).

We've had great tenants, and very difficult tenants. Some causing damage to our property. By way of example, ripping off the front security door by force!

We really value the tenant / owner relationship and I'm still generally positive about tenants looking after our property, whilst enjoying a safe and quiet enjoyment.

This property will ensure that we don't need or have to call on future governments for financial support when we retire. This gives me piece of mind and financial security, whilst I also know that this property has provided my tenants with accommodation and hopefully some positive memories during their time living in this property.

As the owner of the property, should be able to maintain control of who has access to the property and who doesn't.

We also have an investment property in Melbourne Victoria. In March of 2021, they introduced 133 tenancy reforms, which changed the whole dynamic in their rental market and it left property owners feeling like they had lost a lot of control over their own properties.

I would note some reforms for tenants made sense and gave them some more protection from the 1% of landlords who, like the 1% of tenants – do the wrong thing.

Because of these reforms in Melbourne and across Victoria, there has been a significant decline in rental properties. There were media reports of such declines at the time, as some landlords protested by selling their Victorian properties. This decline has continued as more landlords become familiar with the restrictive nature of these policy changes and the increased administrative or compliance costs associated with maintaining their property for rent in Victoria. I also heard accounts of some investors switching their properties over to short-term rental as a means to avoid these reforms.

The most contentious reform is the no grounds vacancy, in conjunction with the renewal reforms. This effectively means that without the landlord, selling, moving back in or performing significant renovations, the tenant will never be able to be evicted.

I liken this to hiring out your car and lending it to a friend, but they never being able to get to back off them.

The reason there was a no grounds eviction law, in the first place was because like many relationships (marriage, family or work etc) and even with the best tenancy agreements between two parties, there is always a chance that relationships could become sour and breakdown. Within this contract, the owners obligation is to provide safe and quiet enjoyment, the tenants obligation is to pay a fee to have access exclusive access and to maintain the property as per the contract.

Recently, the Western Australian government opted to withdraw this section of their reforms. Their bond registration data showed over 20,000 less rental properties were available and they opted not to risk a further deterioration in supply of rental property, as landlords would opt to invest their money in other 'more property investor favourable' states or territories.

This is now the case in Victoria. As the evidence and news spread of the Victorian Labor Governments 'anti-property investor' behaviour has continued, they are seeing a further spike in rental property sales.

NSW has an opportunity to avoid what is happening in Victoria to keep ample supply of rental accommodation available for your state. Any reduction in rental property stock levels will lead to greater pressure of existing stock, higher rents and greater homelessness.

Something I don't think any Government would want on their CVs.

And if you are thinking about rental caps or rental freezes – an even greater negative economic and social impact will unfold before your eyes.

You don't need to have too long a memory to see what happens when you interfere in the free market dynamic. Look back to 2007 when the then Labor Government of NSW introduced a 1% surcharge to stamp duty for investors.

What did investors do? They took their investment dollars to other states and territories. Impacting supply, rents, economic expansion and jobs. The same is a certainty to play out once again when governments interfere in the free market.

The biggest losers will be NSW citizens and NSW renters.

Be careful what you wish for, as the unintended consequence will usually result in poorer overall outcomes compared to the so-called gains, interfering in what the market was meant to deliver.

Yours Faithfully

Property Investor for over 25 years.