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## **REI ACT AWARD OF “UNINTENDED CONSEQUENCES” FOR TENANTS IN THE ACT**

On the 27<sup>th</sup> July the ACT Government released its Draft Residential Tenancies Amendment Bill.

The Real Estate Institute of the ACT (REI ACT) participated in the first round of consultation, however, no recommendations from the Institute were adopted by the ACT Government in the draft bill.

The REI ACT is concerned of the “unintended consequences” of these proposed amendments, having researched the effects on the private rental markets in both Victoria and New Zealand, where introduction of similar changes to legislation has had on these markets, their concerns are well justified.

Let’s unpack what has happened in these markets since the introduction of these legislated mandates.

March 2021- the Victorian Government mandated the introduction minimum standards. Victoria is now beginning to see the actual effect on the private rental market. While the Victoria Government maintains that the rental reforms “strike a fair balance between helping tenants to have safe, secure and affordable housing, and benefiting rental providers with clear obligations and stronger accountability for tenants”, property experts in Victoria are now seeing that rental providers are simply leaving the market due to the complex reporting requirements and it is now “too hard” to sustain their investment properties. This has been further compounded by the crippling backlogs now facing VCAT, with delays of up to 22 weeks for a hearing related to tenancy disputes.

Since 2017, when changes to the New Zealand residential tenancy requirements were for minimum standards were introduced, there has been a reduction in available rental properties in some jurisdictions of up to 50%, again, landlords have sold their investment properties due to the onerous compliance requirements and sentiment that they have had their rights as owners slowly eroded with the implementation of each new legislation mandate.

Currently, in the ACT, we have a vacancy rate of less than 1%, this has been the case since March 2020. The Chief Minister, himself, stated in the Canberra Times (30 July 2022) that “he was eager to ensure the ACT maintained a vacancy rate of about 3%”. The Western Australian Government is now looking to introduce similar changes into their Residential Tenancies Act. A survey of 7000 investors by the state’s peak body rang the alarm following the publication of the results, which revealed that 61 per cent of the investors would exit the state’s rental market if major changes to Western Australia’s residential tenancy laws were adopted. If this survey is indicative of investors nationally, for the ACT, this would see over 26,000 investors leave the market.

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Since the announcement last Thursday from the Attorney General, there has been much commentary that landlords in the ACT “now need to move with the times” and that if “landlords cannot afford to remediate their properties to a minimum standard then they shouldn’t be in the market”. The ideology of this sentiment is admirable; however, the reality is very different. The biggest losers, as now seen in other jurisdictions, is tenants.

Legislation put in place by these Governments, to protect and ensure renters have a safe, secure and affordable place to live, has resulted in the reduction in the number rental properties available for rent and higher rents.

Since the introduction of these mandated legislation changes in Victoria, as an example, the ACT now has the added complexities of cost-of-living pressures due to inflation, wage growth not keeping up with inflation, interest rate increases, global supply chain delays for materials (insulation), increasing costs of materials, trade shortages of inspectors, installers and certifiers, all factors which will affect the implementation of the proposed changes for minimum standards.

Figures released to the Real Estate Institute from the ACT Government showed that in October 2021, there were 49,233 properties liable for land tax in the ACT. In May 2022 there were only 43,873 rental bonds lodged with ACT Revenue. This represents a decrease of 5360 properties from the ACT private rental market in that six-month period.

The Real Estate Institute has lobbied, on behalf of its members, for fair and achievable outcomes within this legislation draft. It has warned the ACT Government of these unintended consequences, (and the very people that are supposedly protecting) are going to be far worse off if the already critical rental market is further impacted by these changes. To mandate this magnitude of change to legislation, based on just over 700 respondents to a survey, which has a base of over 43000 investors and 55000 renters is irresponsible and careless by the Attorney General.

The ACT already has the unenviable crown of the most expensive city in which to rent in Australia. To risk further upward pressure on rents and reduction of rental stock availability, will, inevitably only see not only our most vulnerable Canberrans, but also many renters already experiencing rental stress, forced into homelessness. The current waiting list for ACT Housing assistance is over 3000 registrations and should we see any further erosion of private rental stock from the market, it will only add to the already burgeoning crisis for our community and social housing providers.

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There is no simply answer to this national crisis in our rental market, but for the ACT Government to continue with these changes, is simply going to push many renters into homelessness.

For many people renting in the ACT they have no other choice, for rental providers – they do have a choice and that is to sell.

Perhaps the Attorney General has information that we don't, as to how the ACT is going escape these "unintended consequences" that no other jurisdiction has.

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