

Concerns about proposed changes to the *Residential Tenancies Act 2010* (NSW)

The housing crisis is a supply and demand problem

- **Supply issues:** investors are leaving the market while it's strong due to tenancy law restrictions, high property costs and good returns on investment, or are switching to short-term rental accommodation (STRA) which boasts attractive returns and less restrictions. Investment lending has decreased and interest rates have increased.¹ Properties impacted by natural disasters are no longer available to rent and telecommuters working remotely are now renting regional accommodation via STRA.
- **Demand issues:** demand is increasing due to migration (both to and within Australia) and international students returning to study,² people displaced by natural disasters, government policy incentivising public sector housing tenants to enter the private market (subsidies, rent assistance etc.) and telecommuters returning to the office.

Why proposed changes to tenancy laws won't fix this housing crisis

- All people should have access to shelter and the housing crisis needs addressing. However, as shown above, it is a supply and demand issue caused by a range of factors. Proposed changes to the *Residential Tenancies Act 2010* (NSW) (such as limiting a landlord's right to increase rent (eg. rent freezes and caps on rent increases), removing a landlord's right to prohibit a pet in their rental property, restricting the way in which landlords can terminate leases and portable bonds) won't fix the problem and will make the market more competitive and worse for tenants. There has been insufficient public consultation about this issue.
- The supply of residential properties available for rent will reduce with these proposals, resulting in an increase in demand. Further restricting how landlords can use their asset will cause landlords to invest elsewhere, (in circumstances where in November 2022 total new sums lent to investors was the lowest it had been since early 2021)³ reducing supply, exacerbating the housing crisis issue and making tenants compete in a rental market with less available properties.
- Addressing supply is the solution to the housing crisis. Long term, re-zoning, infrastructure, financial and supply chain issues in the development and construction industry need addressing.⁴ For example, 2030 will see a shortfall of 25,600 greenfield homes in the Greater Sydney Megaregion at presently anticipated land release rates.⁵ However, investment incentivisation is important too, as meeting supply through planning and construction can take years.⁶ Government should incentivise investors, especially institutional investors who can purchase and build large apartment complexes specifically for rental accommodation.⁷ Government should focus on meeting supply, not changing tenancy laws, to solve the housing crisis.
- Proposals to change tenancy laws are ineffective. Other States and Territories with these measures in place still have a housing crisis. For example, Melbourne which has already abolished the right of a landlord to terminate a lease on no grounds and where landlords require a Tribunal order before they can refuse a request to keep a pet, saw the biggest decrease "in total rental supply over the past year" (a 36.5% decrease), saw a year-on-year decline of 16.8% in new rental listings and its December 2022 vacancy rate was a "historic low".⁸

¹ Cameron Kusher, "PropTrack Rental Report – September 2022 quarter", *realestate.com.au* (published & updated on 27 October 2022, accessed on 11 January 2023); Cameron Kusher, "PropTrack Rental Report – December 2022 quarter", *realestate.com.au* (published & accessed on 19 January 2023); Australian Bureau of Statistics, "New loan commitments for investor housing (seasonally adjusted), values, by state", *Lending indicators November 2022*.

² Kusher, "PropTrack Rental Report – September 2022 quarter"; Kusher, "PropTrack Rental Report – December 2022 quarter"; Emily Sakzewski, "Australia's rental market will only get tighter in 2023. Could more property investors be the answer? *abc.net.au* (published, updated and accessed on 19 January 2023).

³ Kusher, "PropTrack Rental Report – December 2022 quarter".

⁴ Sakzewski "Australia's rental market will only get tighter in 2023"; Urban Development Institute of Australia (NSW), "Greenfield Land Supply Pipeline Report", *udiannsw.com.au*, (June 2021, accessed 17 January 2023), p5-6.

⁵ UDIA, "Greenfield Land Supply Pipeline Report" p5.

⁶ Sakzewski "Australia's rental market will only get tighter in 2023".

⁷ Ibid.

⁸ Kusher, "PropTrack Rental Report – December 2022 quarter".