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Peak industry body says Residential Tenancy amendments may have unintended consequences

The Real Estate Institute of the ACT (REI ACT) says the ACT Government's proposed amendments to the Residential Tenancy Act in order to provide better protection for tenants may actually have the opposite impact and in fact make conditions tougher for them.

REI ACT Director and Property Management Committee Chair, Mr Craig Bright, said that the changes would impose additional costs on lessors which will ultimately need to be recouped by way of increased rents, thereby adversely impacting housing affordability.

"Whilst REI ACT is still in consultation with the ACT Government regarding the proposed amendments, our key concerns, outlined below, point to the potential impact of these changes on both lessors and tenants alike. For instance:

Creating a presumption in favour of allowing tenants to have pets.

"We believe that the amendments are not necessarily going to make it easier for tenants to find pet-friendly properties. In the current market where there are generally multiple applications for a rental property, a lessor would have the option to select a tenant who doesn't own a pet as the easier route to follow. The proposed amendment could impose additional costs for the lessors which will ultimately translate to rents. The current provisions allow for negotiation between the two parties and there is very little evidence that the current practice is not adequate," he said.

Strengthening renters' rights to make basic modifications, including using blu tack and picture hooks.

"It is important to be very specific with regard to what modifications can actually be carried out. It should also be noted that any approved changes are at the tenant's expense. Any approved modifications should be carried out by licenced tradesperson as should any make good provisions at the end of the tenancy."

When tenants break leases, changing the practice of landlords charging amounts beyond what they have had to spend when a tenant leaves early, especially when there is a replacement tenant.

“The current provisions, introduced in August 2017, of a fixed fee for a tenant to break their lease, were put in place to create certainty for both parties. However, this proposed amendment may seriously impact the tenant’s security of tenure. In the prevailing tight market conditions, this is especially the case.”

Shifting the onus from tenants to lessors to justify a rental increase that is "excessive beyond a basic CPI-based threshold".

“To our knowledge, there is no other jurisdiction in Australia that has a prescribed rate of increase. Manipulating market forces will impact the supply of housing stock available for rent, which of course could ultimately disadvantage tenants, especially those in lower socio-economic circumstances.”

Mr Bright indicated the impacts of such changes needed to be considered in the context of the current rental market in the ACT at this time.

Additional cost imposts incurred by the lessors must ultimately translate to higher rents. We are already observing market stress as a result of diminishing supply, with less investors, much tighter lending conditions and current government policy settings as they relate to statutory charges in the ACT.

“This means that potentially there are going to be less properties to rent, which in turn results in higher rents as competition for diminishing numbers of properties increases.”

Mr Bright also said the ACT Government had responded to changes in the Victorian Residential Tenancies Act, as modelling for amendments to the ACT Residential Tenancies Act.

“This is of concern to the Real Estate Institute of the ACT, as not all states and territories are experiencing the same market conditions. Individual jurisdictions should be very cautious with regard to the unintended consequences that can arise.”

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The Real Estate Institute of the Australian Capital Territory (REIACT) is the leading professional body for the real estate industry in the ACT – operating since 1974. Its mission is to enhance the standard of