

**Renting in Australia – challenges and reforms**

Adelaide, 28 November 2022

# **Regulation of residential tenancies and impacts on investment**

Dr Chris Martin, UNSW

or:

How I learned to stop worrying  
and love tenancy law reform

# Acknowledgement of country – Kurna Country

- Respect to the Kurna, and Kurna Elders past and present
- Respect to First Nations people
- The First Nations never ceded their sovereignty nor their property
- The original owner-occupiers now mostly rent



# Outline of the project



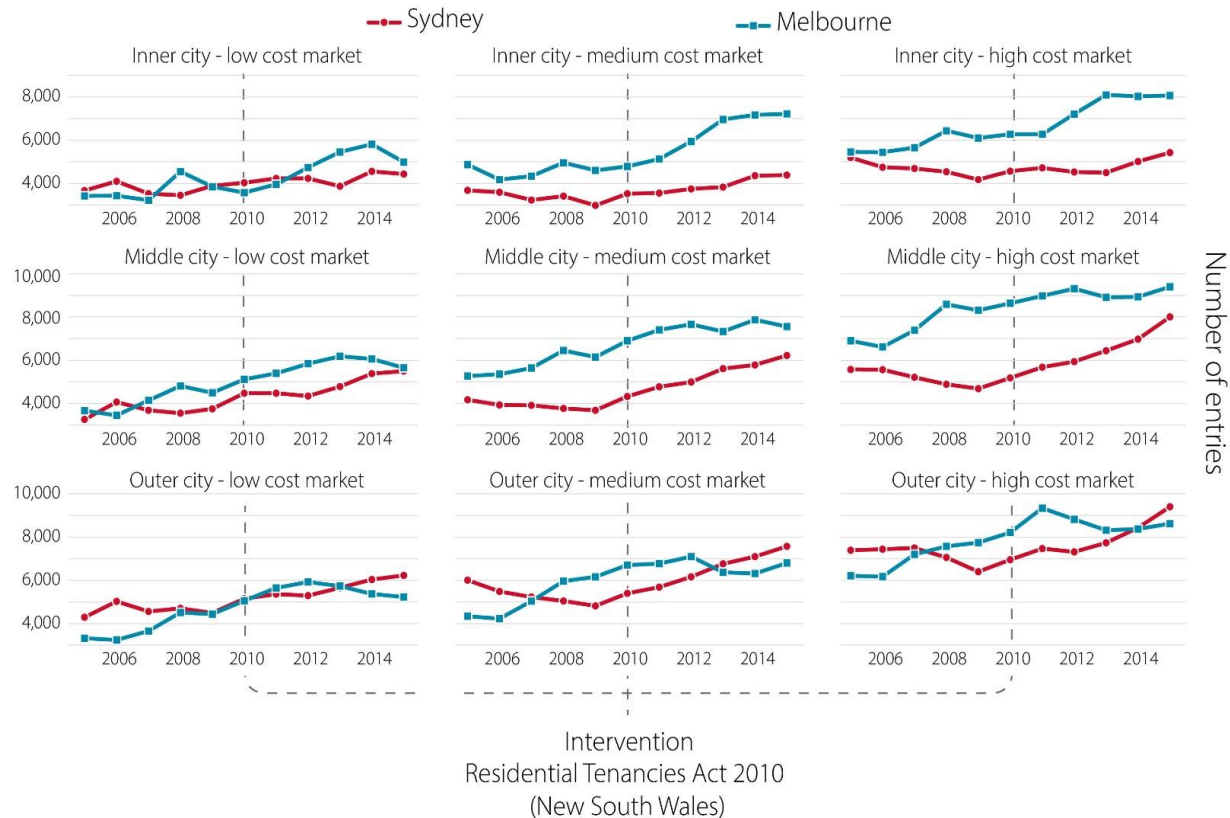
Authored by

Chris Martin, UNSW Sydney  
Kath Hulse, UNSW Sydney  
Milad Ghasri, UNSW Sydney  
Liss Ralston, UNSW Sydney  
Laura Crommelin, UNSW Sydney  
Zoë Goodall, Swinburne University of Technology  
Sharon Parkinson, Swinburne University of Technology  
Eileen O'Brien Webb, University of South Australia

Publication Date November 2022  
DOI 10.18408/ahuri7124801

- The shape of the private rental sector, and factors shaping it
- Impacts of tenancy law reform: difference-in-difference analysis
- Rental investors and 'tenant service': findings from a survey (n 970)
- Australian residential tenancies law: a national review

# Does tenancy law reform affect investment and disinvestment?



- Properties entering (investment) and exiting (exiting) the rental sector
- Data: rental bond records, Sydney and Melbourne 2000-2020
- Difference in difference analysis
- Two law reform interventions:
  - NSW RTA 2010
  - Vic Fairer Safer Housing Review 2015

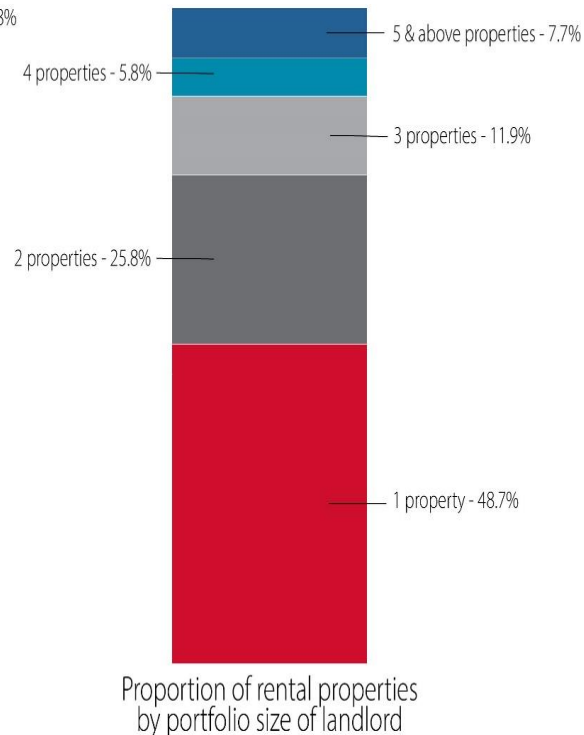
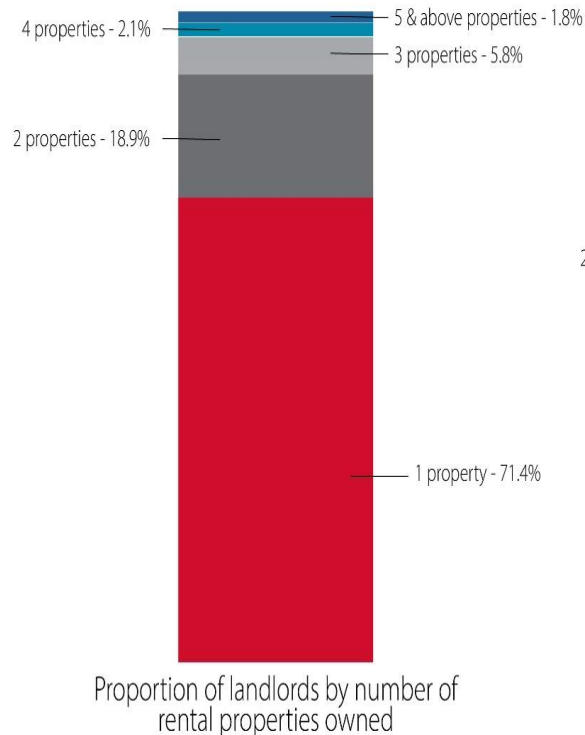
# Does tenancy law reform affect investment and disinvestment?

	<b>RTA NSW 2010</b>	<b>Victorian Fairer Safer Housing review 2015</b>
<b>Entries (investment)</b>	No effect	Negative effect: fewer entries
<b>Exits (disinvestment)</b>	Negative effect: fewer exits	No effect

- Consistent findings from investor survey
  - Many considered tenancy law when acquiring property
  - Few who disposed of property said tenancy law was an important factor (14%)
  - Instead:
    - Good time to realise gains (50%)
    - Wanted money for other investment (47%)

# The shape of the private rental sector

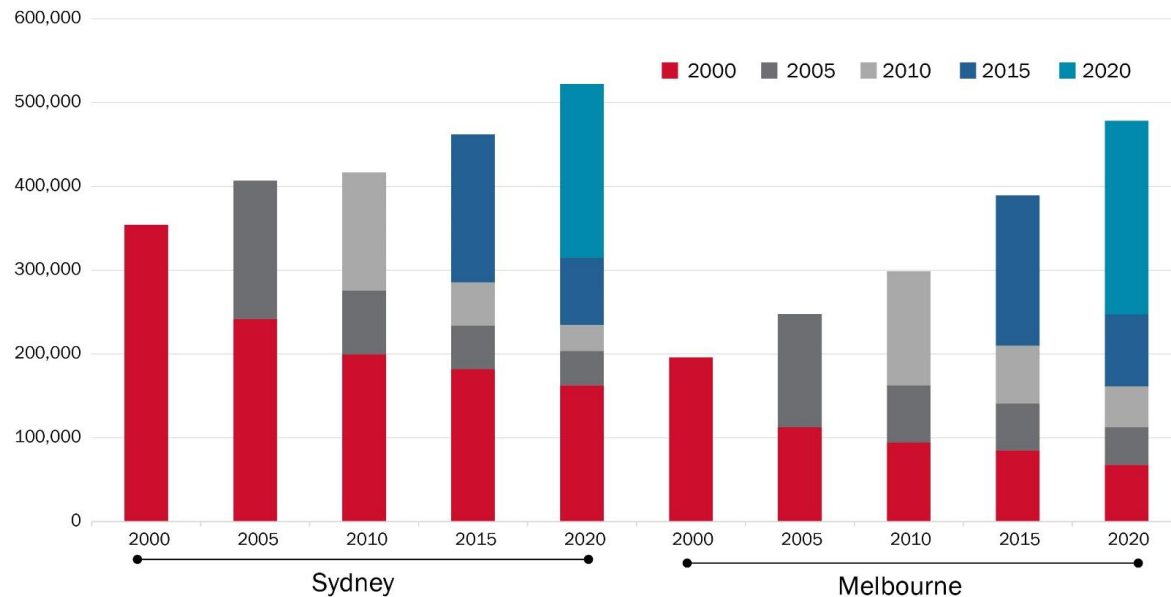
- Gradually growing, persistent small-holding structure



- Preferential tax treatment of owner-occupied housing
- Preferential tax treatment of landlords' investment costs
- Generally lower yields than other property sectors
- (Macroprudential rules 2014-2018)
- Preferential land tax treatment of small v large owners
- Preferential GST and MIT tax treatment of other property v resi

# The shape of the private rental sector

- Beneath the hood: highly dynamic, frequent property entries/exits.



	First observed Q1 2000	First observed Q1 2005	First observed Q1 2010	First observed Q1 2015
<b>No longer in the PRS</b>	Sydney			
<b>5 years later</b>	31.7%	53.8%	63.2%	54.7%
<b>10 years later</b>	43.7%	68.6%	77.7%	
<b>15 years later</b>	48.6%	75.3%		
<b>20 years later</b>	54.0%			
<b>No longer in the PRS</b>	Melbourne			
<b>5 years later</b>	42.4%	49.3%	49.3%	51.4%
<b>10 years later</b>	51.8%	58.4%	65.4%	
<b>15 years later</b>	56.6%	66.8%		
<b>20 years later</b>	65.4%			

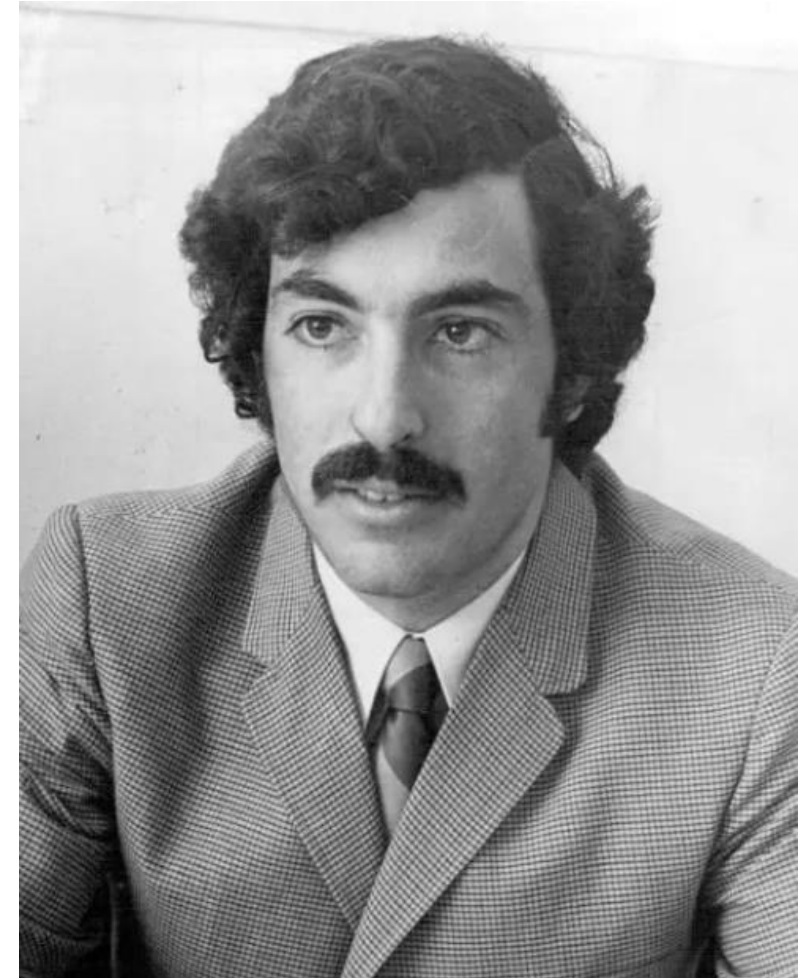


# The shape of the private rental sector

- Integrated with owner-occupied and tourist sectors
  - Strata title; permissive approach to STL
- Property dynamics, from the survey:
  - 64% had disposed of a property (63% sold, 19% moved in, 18% gave it to someone)
  - Most current investors were interested in STL (38% probably, 16% definitely)
  - 10% of properties interstate
- Property rental investment and disinvestment is always happening – the sector has been made that way.

# Australian residential tenancies law

- Broadly common model (Sackville Report 1975), many differences in details
- Topical review
  - The RTAs and residential tenancy agreements
  - Access to rental housing
  - Rent and other costs
  - Tenants' quiet enjoyment, privacy and household autonomy
  - Dwelling conditions, repairs and alterations
  - Termination and eviction
  - Dispute resolution and the tribunals
  - Family and domestic violence



# Australian residential tenancies law

- Reform without co-ordination
  - Increasing divergence
  - Gaps
- Example 1: Security
  - No-grounds termination
  - Tribunal discretion
- Example 2: Dwelling conditions
  - Minimum standards
  - Strictness of liability
  - Doubtful remedies (non-econ loss)
- Example 3: Legislative form
  - 7 x Tas RTA = 1 Vic RTA

# Towards a new national agenda for tenancy law reform

- Has tenancy law reform caused disinvestment?
  - Looking back – no
  - Looking forward – maybe it should
- Disinvestment is
  - The incompetent and unwilling leaving the sector
  - More space for owner-occupiers and different, better rental housing providers