

11 August 2023

Renting in Queensland
Department of Housing
PO Box 690
BRISBANE QLD 4001

Via - rentinginql@chde.qld.gov.au

To Whom It May Concern,

ENSURING THE ANNUAL RENT INCREASE FREQUENCY LIMIT IS EFFECTIVE

Q Shelter welcomes the opportunity to provide feedback on Queensland's rental laws, which were amended to limit rent increase frequency to once a year for all new and existing tenancies from 1 July 2023. Q Shelter continues to support the government's decision to strengthen protections for renters.

How effective would the potential reform be to achieve the reform objectives?

We understand that for tenants on fixed 6-month lease, if their lease ends then landlords can increase the rent of the property, and that this may be a way for landlords to circumvent the limit of one annual rent increase. There is limited data on the number of 6-month tenancies in Queensland.¹

Q Shelter supports processes that ensure intent of this legislation in limiting rent increase frequencies to once per year. The current proposal by the Queensland Government would rely on renters to monitor and seek enforcement by the RTA. This mechanism may be problematic, as it reinforces the current system which largely burdens renters to ensure basic living conditions (e.g., working stoves, dwellings free of mould).

While renters can challenge excessive increases to rent through the RTA or the Queensland Civil and Administrative Tribunal (QCAT), market rent is a key consideration for determining whether a rent increase is excessive. It is property owners who have the power in determining rents and there are very few limits on how much they can increase rent by.² A clearer way of reaching the policy intent would be to establish a transparent process for determining annual rent increases, which is discussed further below. A formal process will deliver the policy intent of increasing protections for the 33% of Queenslanders who rent.

What other impacts may the potential reform have on rental sector stakeholders and Queensland's private rental and broader housing market?

Limiting rental increases to once per year brought Queensland into line with other Australian jurisdictions. However, research shows that Australia continues to have some of the weakest protections for renters in the world and falls well behind other countries in the OECD.³

Renters continue to experience significant stress across Queensland. The average rent has increased by 29% in inner Brisbane, 31% in parts of the Gold Coast, 27% in southern Queensland, and about

¹ Residential Tenancies Authority. (2019). 2021-2022 Annual Report.

² Kate Ainsworth and Emilia Terzon (2023). Economists say rental price caps are a 'viable' short-term solution to the housing crisis, but some fear it could backfire. *ABC News*. <https://www.abc.net.au/news/2023-05-12/rental-freeze-cap-policy-lease-renewal-rental-affordability/102331576>

³ PEXA & Longview (2023). Longview | PEXA Whitepaper - Private Renting - A Broken System. <https://www.pexa.com.au/content-hub/longview-whitepaper-renting/>

15% in north Queensland.⁴ This is significantly higher than other major cities, where asking rents for units have gone up 17.6% and almost 8% in the regions.⁵ Such extreme rental increases put significant pressure on household budgets.

An AHURI report published in 2022 found little evidence that residential tenancy laws impact investment in private housing.⁶ As such, alternative methods of regulating the rental market must be explored. These are broadly referred to as rent caps, rent controls, and rent stabilisation.

What other options or approaches could government consider taking to address the issue?

A formal process for setting rent increases would be clearer for both renters and property owners. There are strongly held views about controls on the amount of annual rent increases, which research shows are highly polarised and rarely evidence based.⁷ Moreover, the impact on rental control is highly dependent on the jurisdiction, with the economic and social context being highly influential, especially when considering the nature of the specific welfare system in place.⁸

As such, direct jurisdictional comparisons are not always helpful. However, with social security payments in Australia, including rent assistance, consistently failing to keep pace with cost of living⁹ and low levels of social housing¹⁰, governments must take a holistic approach at ensuring those most vulnerable have protections from excessive increases to their rent.

Q Shelter reiterates our position stated in the Stage 2 Rental Law Reforms submission and recommends that the Queensland Government take this opportunity to create a clear and transparent process for rent increases.

A policy that applies to all rental properties is preferable, with research showing that having specific number of properties subject to rent controls, and others unregulated, can have unintended consequences. For example, San Francisco applied rent controls to 30% of the city's rental housing stock in 1994. A 2019 study found the controls reduced tenant displacement from rent controlled units in the short-term but resulted a long term 15% decrease in total rental units, and a 7% increase in citywide rents.¹¹

The framework in place in the ACT is linked to the Consumer Price Index (CPI). For example, a property leased at \$500 per week in September 2022 can increase to \$524 per week in September 2023, or

⁴ Ibid, n 2.

⁵ SBS News (2023). One place in Australia already has a form of rent capping. Some want to see it spread. <https://www.sbs.com.au/news/article/how-a-cap-on-rental-prices-in-australia-could-work/udu46aubn>

⁶ AHURI (2022). Regulation of residential tenancies and impacts on investment. <https://www.ahuri.edu.au/research/final-reports/391>

⁷ Christine Whitehead and Peter Williams (2018). Assessing the evidence on Rent Control from an International Perspective. <https://www.lse.ac.uk/business/consulting/assets/documents/assessing-the-evidence-on-rent-control-from-an-international-perspective.pdf>

⁸ Tom Baker (2023). Not all rent control policies are the same – the Green Party proposal deserves an open-minded debate. *The Conversation*. <https://theconversation.com/not-all-rent-control-policies-are-the-same-the-green-party-proposal-deserves-an-open-minded-debate-209039>

⁹ Liam Davies and others (2023). Yes, the 1.5 million Australians getting rent assistance need an increase, but more public housing is the lasting fix for the crisis. *The Conversation*. <https://theconversation.com/yes-the-1-5-million-australians-getting-rent-assistance-need-an-increase-but-more-public-housing-is-the-lasting-fix-for-the-crisis-200908>

¹⁰ AHURI (2022). What is the right level of social housing for Australia? <https://www.ahuri.edu.au/analysis/brief/what-right-level-social-housing-australia>

¹¹ Diamond, Rebecca, Tim McQuade, and Franklin Qian. 2019. "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco." *American Economic Review*, 109 (9): 3365-94.

4.78%.¹² Again, this is higher than the rent increases allowed by other major cities with limits on rent increases (see Appendix 1) but much lower than the increases across almost all Queensland markets during the same period. This system would be more easily introduced in Queensland when compared to other international jurisdictions which use independent boards or commissions to set rental increase amounts, as it could be regulated through the existing framework administered by the RTA. The model should apply not only during tenancies, but also when a new tenant takes on a lease at an existing rental property and will work positively in conjunction with existing preventions on 'no grounds' evictions.

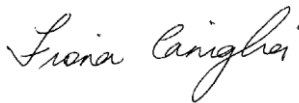
Further investigation is required, and Q Shelter encourages the Queensland Government to broaden its rental reform agenda in this regard.

In sum, Q Shelter supports:

- 1. A limit of rental increases to once every 12-months;**
- 2. A clear, transparent, and formalised process for determining annual rental increase amounts, which prevents excessive rental increases. Essentially, a model where rent increases are limited to CPI, or a regulated amount that follows inflation, or another agreed measure; and**
- 3. Removing the ability to end a tenancy due to the 'End of a Fixed Term', as stated in our Stage 2 rental law reform submission.**

For further details about this submission, please contact the Policy & Strategic Engagement Manager at Q Shelter (07) 3831 5900 or at Jackson.Hills@gshelter.asn.au.

Yours sincerely



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Q Shelter

¹² The most recent CPI data was from 2022-Q2 where the CPI for Canberra rents was 117.4. The most recent CPI data from the date of the rental increase is 2023-Q2, at which time the CPI was 122.5. This gives a percentage difference of 4.34%. The maximum allowable change is calculated by multiplying this figure by 110%, which is 4.78%. To find the allowable rent increase, we multiple this number by \$500, which gives \$24.

Appendix 1 – Examples of formalised rent increase processes.

Jurisdiction	Limit per year	Details
Germany	10% of a local comparative rate	The "rent price brake" was introduced in 2015 and extended in 2020 for another five years. For rental properties in areas with tight housing markets, it limits rent increases to a maximum of 10% of a local comparative rate.
France	October 2022 and until April 2024, 3.5% in metropolitan France.	Since 2019, 28 regions of France have fallen under the rent control areas where landlords can't increase the rent prices more than the rent reference index. In addition, to rent control, Paris and Lille are subject to rent ceilings, with a maximum amount a landlord can charge a tenant.
Spain	3%	Previously rents were increased annually according to inflation, with an exceptional 2% limit in 2022 and 2023 in response to the cost of living crisis.
Nova Scotia (Canada)	2%	Temporary policy that prevents rent increases by more than 2% per year.
New York (United States)	7.5%	New York (United States) employs rent control for buildings built before February 1947 and limits their rent increases to 7.5% each year. These rent controlled apartments are only available to original tenants or to an heir.
ACT (Australia)	No more than 10% above CPI	The ACT law considers a rent increase to be excessive if it is beyond the "prescribed amount" — defined as 10 per cent more than the rents component of the Consumer Price Index (CPI) for Canberra. Landlords who would like to apply an increase that exceeds this cap, the tenant must agree or the ACT Civil and Administrative Tribunal must approve it. The ACT's law only applies to rent increases in periodic tenancies, and renters on fixed-term agreements can have rent increases that exceed the cap.
New York (United States)	3% (one year leases) 2.75% for the first year and 3.2% for the second year (two year leases)	Apartments in buildings with six or more apartments, that were built between February 1, 1947 and January 1, 1974 can be covered by rent stabilisation laws. While the benefits to tenants are not as large as in rent controlled apartments, rent stabilised tenants enjoy 'limits on annual rent increases (determined annually by the Rent Guidelines Board) and a guaranteed right to renew.'
San Francisco	3.6%, effective March 1, 2023 through February 29, 2024.	Rent control laws apply to small multi-unit apartments with four or fewer units, built prior to 1980. When introduced in 1994, this applied to about 30% of the city's rental housing stock at the time.