

The availability of low cost rentals in Victoria will reduce further

This will be my last submission to the review process and this time I am asking for it to be anonymous due to the activities of organisations such as Tenants Victoria who's outlook appears to be that all landlords are bad especially those that would like some balance in legislation and have been successful in creating a bad landlord register with no detail on how it will be administered and what criteria will have a landlords name smeared.

This release of these draft regulations & RIS has been further evidence of the one sided nature of the entire process with serious impost on landlords both in time, cost and higher burden to get two basic requirements (overdue rent paid & removal of badly behaving tenants)

As for myself I have exited the standard rental market as the burden of compliance in Victoria, along with the impossibility of receiving a fair deal, makes this sector not worth the risk. It may take some time, however once landlords are aware of the risk in purchasing a lower cost home and providing it to the market without fully upgrading items such as heating/cooling, insulation, electrical and gas installations, the availability of property in the lower end of the market has to get tighter.

There are so many issues with the regulations and RIS that I am only going to mention a few as life is short and based on previous evidence no notice will be taken of the landlords position.

Let's start with the concept that there is now a Red Tape Commissioner whose job it would appear to be the creation of as much red tape as possible evidenced by the new Condition Report (mandatory for every tenancy even if you don't take a bond) which has blown up from 6 pages (one for notes, three for the report and 2 for the exit report) to a 49 page! monstrosity which has 2 pages of notes 35 for the report and 14 for an exit report which has to be done even if you are not making any claim on the bond. The biggest joke of all is in the RIS it is stated that it will only add 1 to 2 minutes (yes that's minutes) for both tenants and landlords to complete this form compared to the old one and that the increased cost per report will be \$1. Let's also not ignore the fact that the standard RTA lease agreement has grown from 3 pages to 9 pages as has the notice to vacate.

Mandatory Gas and electrical inspections for all rentals, the first issue is that unlike the rooming house sector where its 2 years for Gas and 5 years for electrical landlords will have to have each done every 2 years. Currently there is no evidence shown why a safe electrical installation will need to be checked every two years. After discussing with a few plumbers and Energy Safe Victoria it would appear that a large number of older houses will not be compliant with current gas regulations and, despite there being no danger, plumbers will not take any risk and claim that there is a safety risk and disconnect the gas which will initially leave the tenant with no heating/hot water or cooking (where installed) but also require a major upgrade of the gas installation at significant cost to the landlord. The RIS makes no mention of this as there has not been any research done in this area.

All of the expenses in the RIS will be borne by the landlord for Gas/Electrical and smoke alarm testing, improving energy and water efficiency as well as more time spent at VCAT due to nearly every part of the legislation requiring VCAT to be involved (i.e. if a tenant wants to house a Rottweiler in an apartment you will have to take them to VCAT to prevent it) . On the other hand all the savings mentioned in the RIS are to the tenant, insurance companies and the government.

The RIS, assuming that the math is correct, assumes that the cost to carry out Gas and Electrical tests will cost \$6 per week per property to carry out, if you then combine this with the stated cost to upgrade a non compliant property at a cost of \$8,700 which they state should be recovered over 10 years (page68) and the cost of upgrading a non compliant heater at \$1540 (page 59) this will see the average rent on a low cost property go up by a minimum of \$26 per week. This is assuming that the landlord only does the minimum for compliance rather than a full reno/upgrade and bring the rental up to what will be a much higher figure. Let's also not forget that to do this work the tenancy will most likely need to be terminated so that it can be completed safely as its most likely that in any rental property built prior to the 80's (most lower cost rentals) there will be asbestos issues.

One of the prohibited terms on page 104 around insurance suggests that you can not unreasonably limit the tenants activities for the purpose of ensuring that the landlord's insurance policy is not invalidated or subjected to increased premiums. I have one question for you, if I can not stop a tenant renting my property out on Airbnb and require them to take out appropriate insurance cover and one of their guests either trashes or burns the property down, will the government pay my costs when the insurance companies denies cover as the property was not being let for the sole purpose of residential rental or do I need to sue the tenant to recover this? (anyone who has tried to get unpaid rent/damage from a tenant will not be smiling now).

Just in case I am not sufficiently horrified by this, I note the comment on page 57 that heating was chosen as a first step and that there is an intention to bring in standards for ceiling insulation in 2020 and hot water system energy efficiency in 2021 which has not been costed, again refer to the previous paragraph where I indicate that a full reno with subsequent higher potential rental returns will be the smartest move.

To finish with on the matter of red tape there is a mandatory list of disclosures that will form part of the leasing process and a horrifying list of 24 other disclosures that have been suggested along with a note that future work in this area will consider expanding the list. Ironically landlords will have to disclose if a homicide has occurred in the property within the last 5 years however we wont be able to ask if a tenant has committed murder/homicide or drug related crime.

So yes all this red tape has led me to exit this sector of the property market and I'm sure once the full impact becomes clear over the next few years there will be more landlords exiting particularly the lower end of the residential rental market. Is the government planning on investing in public housing or just building more freeway overpasses to house the ever increasing disadvantaged cohort of renters.