THE AUSTRALIAN

Why would anyone bother being a landlord these days?

KATRINA GRACE KELLY

By **KATRINA GRACE KELLY**, COLUMNIST

12:00AM SEPTEMBER 24, 2022 • 517 COMMENTS

"We are now asking Queenslanders out there – business, organisations, church groups – if you have any properties or land that can help us, we will work with you."

That was Queensland Premier Annastacia Palaszczuk last week, quoted in this newspaper, delivering a laugh-out-loud moment to those familiar with the issue.

Words are cheap, action counts, and when it comes to action Queensland is doing the exact opposite of working with people who own property or land to help them provide rental accommodation. The state has just changed its laws so as to effectively levy tax on land owned in other states.

The move has shocked and angered the property and investment sector, and is predicted to cause more landlords to sell out of the Queensland private rental market, and make the current rental shortage worse.

However, Queensland isn't the only state in the grip of a rental shortage and it isn't the only jurisdiction that has driven private investors out of the housing market.

Propertyology research data says more than two million individual investors fund 27 per cent of our current housing stock, and more than 70 per cent of them have a taxable income under $100,000. Ninety per cent of these investors own one or two investment properties, and only 0.9 per cent own more than six.

Yet in recent years various levels of government, local councils, banks and insurers have acted on the assumption that these small-time investors can tolerate being slugged with ever higher levels of interest, rates, fees and taxes, and being asked to meet ever higher levels of compliance and obligation. There also has been the assumption that these investors will always continue to carry the cost, the risk and the hassle of the provision of accommodation for others while being on the receiving end of community hostility due to being portrayed as taking houses off first-time home buyers and otherwise being greedy, immoral and terrible to tenants.

In February last year, the Australian Landlords Association produced a paper, Safe as Houses, on the topic that forecast the rental shortage across our nation. Our national vacancy rate is less than 1 per cent, the lowest level on record, and rent, nationally, has risen almost 14 per cent in the past year.

“Being a landlord is becoming increasingly less attractive,” the ALA said back then. “With less landlords, there are fewer rental properties, increasing competition between tenants, resulting in increased rent and in some case homelessness.”

Whether dwellings are for rent or sale, there simply are not enough of them to meet our needs.

The Grattan Institute points out that heading into the Covid-19 pandemic, Australia had just over 400 dwellings per 1000 people, which was among the least housing stock per adult in the developed world. We also had experienced the second greatest decline in housing stock relative to the adult population across the 20 years leading into the pandemic.

During the pandemic, many people felt the need for more space. The Reserve Bank estimates this created demand for an extra 140,000 homes, offsetting the temporary fall in population growth.

In a recent address called The Great Australian Nightmare, researchers from the Grattan Institute put forward several solutions to the rental crisis. One idea is that industry super funds such as Cbus and AustralianSuper should buy swathes of houses and rent them out at market rates, to step in and fill the gaps left by the individual investors who have abandoned the market.

According to the Grattan Institute, ordinary investors often make “terrible landlords” anyway. As they have mostly small holdings, they apparently prefer shorter leases and relaxed tenancy laws and often are reluctant to make simple repairs.

However, if an industry super fund were the landlord, the theory is they would have “a brand to protect”. They also could use “economies of scale across thousands of properties to offer a higherquality service directly – think professional tradies on call 24 hours a day – rather than sit behind traditional property managers".

The only problem with all this is the current regime of land taxes, which "simply make it uneconomic for large investors to own residential property rented at market rates". These land taxes need to be reduced dramatically so the super funds can viably invest. However, taxes on ordinary landlords should be increased by abolishing negative gearing.

I approached Cbus and AustralianSuper for comment. Are they interested in dipping into their cash reserves to buy thousands of houses to rent? Neither fund would expressly rule it out, although both funds emphasised that their role was to create a return for their members.

I do not agree with the theory that institutional landlords are generally better than individual ones. Australia has a high cost base and buying a house is difficult. There are no longer enough rental properties to go around because there are no longer enough people willing to be landlords. It has been made all too hard for too long.

Yet the governments that punish landlords will not step up themselves and provide enough rental accommodation to meet our needs. As a society, we do need private individuals to take the risk, make the effort, buy a house and rent it out. Before too long, and after enough pain has been felt, governments will have to make being a landlord attractive again.

KATRINA GRACE KELLY, COLUMNIST

Katrina Grace Kelly is a regular columnist with the Australian. Her early years were spent in the Labour movement, before she started her own industrial relations consulting business. She has written for other ... Read more