REAL ESTATE
NEWS & VIEWS

Rent control not a panacea for rental pain

FROM THE REAL ESTATE INSTITUTE OF QUEENSLAND

The Real Estate Institute of Queensland (REIQ) says calls from tenants' advocates for rent control in Queensland is a short-sighted solution to a complex problem.

REIQ CEO Antonia Mercorella said rent control would not be a panacea for the rental crisis and would likely have the opposite effect and exacerbate challenging rental conditions.

"We are acutely aware of the devastating impacts of the rental crisis and against that backdrop, it's understandable that some tenants' advocates are proposing rent control as a solution – but rent control is not the panacea that many argue it to be," she said.

"It's clear Queensland does not have sufficient rental housing supply to meet the ever-increasing demand for rental properties and, as a result, we are living in the tightest rental market in the history of our state. These tight conditions make for an incredibly challenging environment for renters.

"However, rent control is a short-sighted solution to a complex problem and could in fact significantly deter property investment and reduce rental supply at a time when we're already in a rental crisis."

Ms Mercorella said everyone was feeling the pressure of inflation and increasing costs.

"It's unsustainable to assume property investors will keep meeting free-market driven cost increases such as mortgage repayments, rates, repairs and maintenance, and insurance, while artificially capped rents create a hard limit on their return to cover such expenses," she said.

"Given regular Mum and Dad property investors provide the vast majority of housing for our state's rental community, with the Government's social housing supply program accounting for under 4 per cent, it needs to be recognised that the contribution of property investors to housing Queenslanders is vital.

"If even a small percentage of investors were to sell their properties or withdraw them from the permanent rental market, this would have a material impact on the Queensland rental sector."

She stressed the importance of ensuring our state has fair and balanced rental legislation.

"We are in extraordinary times and we need to be careful about creating a regulatory framework designed to respond to some fairly exceptional circumstances," she said.

"Rental legislation needs to work in all markets and it needs to be fair and balanced because on one hand, renters need to be afforded statutory protections and on the other, if restrictions on what property owners can and can't do become too onerous, there will be a proportion of property owners who simply choose to walk away.

"This delicate balancing act is a tricky one to get right, but it's important that the regulatory framework is fairly balanced and isn't too tipped in the favour of one party."

Ms Mercorella said last year the State Government introduced rental reforms to give greater rights and protections to tenants.

"There are already statutory constraints that relate to rent in Queensland that limit how frequently you can increase rent and provide rules around the way rent increases are implemented," she said.

"There's also important statutory safeguards in place to enable tenants to dispute excessive rent increases with QCAT."

She said the rental crisis ultimately comes back to supply.

"This is not a problem that has emerged overnight, and while COVID has had a role to play, the number of dwellings being built in Queensland has diminished considerably over the last five years and our future pipeline is also likely to fall short of demand," she said.

"Until we are able to achieve a greater balance between the demand for rental housing and supply, and introduce greater diversity of housing, we won't be able to fix this critical problem we are facing.

"What's needed is a concerted effort from all levels of government to create the right environment to sustain existing established rental stock and to build new housing each year that matches targets based on detailed population forecasts."

Location, land and lifestyle

BY BYRON FREEBORN, RAINE & HORNE WYNNUM

There is something intrinsic about purchasing land and building your own home that some people prefer to give the whole process a wide berth. In contrast, others feel that's the only way they will get the desired home after exhausting available established homes. Still, others see it as a rite of passage, one of their life goals – collecting the keys to that never-lived-in-before home!

Irrespective of how they arrived on the doorstep of building a new home, let's take a quick look at some items to consider along the way.

Are there some nervous nellies still out there in relation to building? Yes! And rightly so, caution always needs to be taken when purchasing a block of land and building.

You'll want to check you're comfortable with the suburb, the street and the position of the street. For example, is the land on the high or low side of the street? What is the direction of the fall on the site, i.e. does the water run to the rear, front, or side of the block? Are the services (water/sewer) etc., ready to go/included? Are titles issued, or are they still being processed?

It's also wise to have a soil test carried out, or stipulated in the contract, to make sure you are happy with the earth, and to ensure the soil type is compatible with the method of building within your budget. Does the soil require a standard slab, or are pier footings required, which add to the construction cost?

A big ticket item that can blow your budget is site works: the cost of excavating and retaining. Another element is flooding/overland flow, which is not ideal, but not a complete knockout. If there's overland flow, you need to be aware of costs added and the different types of build required, i.e. the sub-floor being above a certain height from the natural earth.

Height restrictions for most standard residential areas allow a maximum height of 9.5 metres. A factor to consider here is the zoning of your proposed land. Are there protected trees that you have to factor in keeping and working around? If you have a pool in mind, check that anything subterranean that you can't see with the naked eye doesn't impede your plans.

You may have an ideal home design in mind. Does the building envelope allow you to build that vision, with the home's orientation just how you want it? It also doesn't hurt to take a look around the left/right and behind your lot to see any obvious issues that may be apparent with neighbours. Does it all seem peaceful and quiet enough?

Walking a block of land, dreaming up the ideal build, seeing it through to completion, and enjoying living in the creation that was (and is) yours – now that's the exciting stuff!

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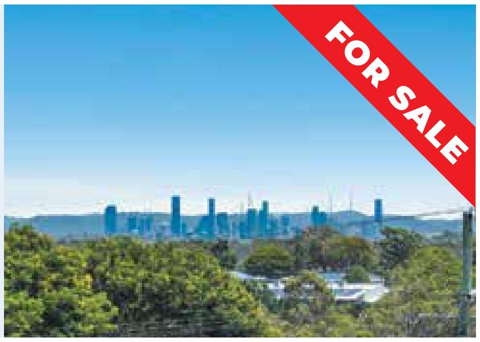

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2022 Queensland vacancy rates end on a low note

FROM THE REAL ESTATE INSTITUTE OF QUEENSLAND

While market pressures have pinned Queensland vacancy rates down during 2022, REIQ data released showed the year ended with a slight uplift across the state.

Of the 50 local government areas and sub regions covered in the REIQ's Residential Vacancy Rate Report for the December 2022 Quarter, 43 experienced a vacancy rate rise compared to the previous quarter, while the remaining seven were static.

The state-wide vacancy rate rose from 0.6 per cent in the September quarter to 0.8 per cent to close the year, at an improved yet still critically low rate.

REIQ CEO Antonia Mercorella welcomed the momentary relief but said vacancy rates were still far too low to be considered 'healthy' and it was too early to draw conclusions that there is a material shift in the rental market.

Promising as this news may seem, we're taking it with a grain of salt until we see if this is uplift is here to stay or if it's merely a seasonal fluctuation," Ms Mercorella said.

"Tiny movements, however hopeful, should not be overanalysed. What this essentially means is the market is holding tight, and only time will tell if a trend is emerging.

An influx of rental property changeovers at the end of the year is certainly not a new phenomenon, and the past decade of vacancy rates reveals patterns of generally higher vacancies in December.

"However, the REIQ is hearing from property managers that there is noticeably less exit and entry activity than usual, as there's still plenty of tenants that are staying put and choosing to renew their lease rather than compete for a new place.

"Even with this small improvement in rates, let's not forget that we're still talking about incredibly low vacancy figures which tells us there's no-where near enough rental properties to meet demand, and tough conditions continue for tenants."

While upward movements in most areas stayed between 0.1 – 0.3 per cent, Redland's Bay Islands rose by 1.8 per cent to a considerably weak vacancy rate of 6.0 per cent, and Mount Isa was a standout lifting by 1.1 per cent to 2.4 per cent – teetering on the edge of 'healthy'.

Other regional areas which saw vacancy rates relax substantially over the quarter were Gladstone (1.6%), Mackay (1.0%), Townsville (1.0%) and neighbouring Burdekin (1.1%), Central Highlands (0.9%), Isaac (1.7%), Lockyer Valley (0.8%), and Maranoa (0.9%).

Similarly, tourism areas which welcomed markedly more residential vacancies in the December quarter, were Hervey Bay (1.1%) and Fraser Coast (0.9%).

Meanwhile, the Gold Coast and Sunshine Coast rates barely budged, both now sitting at 0.7 per cent, and there was no relief whatsoever for the Caloundra Coast (0.7%), Maroochy Coast (0.4%) or Sunshine Coast Hinterland (0.4%) which includes towns such as Maleny, Nambour and Eumundi.

With no surprises on the list, the regions that took out the tightest vacancy rates in the state were Southern Downs (0.2%), Cook (0.3%), Goondiwindi (0.3%) and Tablelands (0.3%).

Ms Mercorella said the REIQ's expectation is that this year will bring more of the same stubbornly tight conditions for the Queensland rental market.

"It's likely that 2023 will be a case of – New year, same rental pressures," she said.

"Our state will continue to feel the impact of population growth with very strong interstate migration as well international migration including students set to return in force to the southeast corner.

"This increased demand will continue to apply pressure to an already strained rental market.

"Queensland is crying out for additional housing supply to ease the tight conditions, but building costs and planning red tape are putting the brakes on new construction, while higher costs, more challenging lending conditions, and reduced legislative rights are deterring vital private property investment.

"This report has delivered some fleeting good news, but we're certainly not at a turning point yet, and with these economic factors continuing to apply pressure, it's hard to see any significant changes in sight."

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