

6 April 2020

Urgent Attention of:

Gladys Berejiklian- Premier of NSW

Michael Sukkar -Minister for Housing

Damien Tudehope-Minister for Finance & Small Business

Kevin Anderson-Minister for Innovation & Better Regulation

Dear Premier and Ministers,

The Property Owners Association of NSW (POA) is the peak industry body that has been providing a voice for property owners in NSW since 1951.

The property industry in NSW is a significant contributor to the economy, accounting for approximately 15% of all economic activity. (add source). It is an absolutely essential part of the economy that provides housing for large parts of the population, and provides places of business for businesses that do not have the capital resources to purchase their own premises.

We are now in uncharted waters caused by the COVID-19 pandemic. We commend recent Government efforts to 'flatten the curve' and reduce the impact of the virus on the Australian population. We note that many of these measures are taking a significant toll on vast areas of the Australian economy.

Recent announcements by both federal and state governments of a moratorium on evictions for a 6 month period have added more confusion and pressure to both the residential and commercial rental markets. While the goal is to keep as many people in housing and work as possible, and prepare the economy for a recovery, an expeditious introduction of hastily drafted legislation that inadequately addresses key issues will be the cause of more untold damage.

The introduction of this legislation with a simple directive that "tenants need to speak to their landlords" and that "tenants and landlords need to work together" is simply inadequate. This is especially true when coupled with a complete absence of any support for providers of housing and business premises.

Despite its economic importance, provision of housing and business premises is largely a cottage industry, with over 75% of residential housing providers owning just one property, and 20% owning two. (add source) Besides traditionally being the most highly taxed sector of the economy, the typical exposure of property owners to debt on an individual basis is higher than any other sector of the economy, and they are therefore the sector most vulnerable to reductions in income.

In many cases, the financial vulnerability of property owners is more significant than that of their tenants, as a result of high levels of mortgage debt and negatively geared property holdings.

Some of the major banks have offered to amortise loan repayments, which may provide some immediate relief in terms of cashflow pressures, but will lead to higher levels of economic failure due to soaring debts which will add years to loan terms, coupled with crashing property values. This is a perfect storm that will push many property owners into positions where debt levels exceed asset values. And, at this critical juncture, they are

facing the government endorsed loss of their revenue streams via a moratorium on evictions, which has been largely perceived by the population as a moratorium on rent.

No real relief has been provided to the sector to date. Council rates, water rates, insurance, land tax, strata levies, and maintenance and compliance obligations under leases persist with no sign of relief

There is no moratorium on the ongoing financial obligations of property owners under leases, which tenants can, and do continue to enforce.

The POANSW is flooded with record levels of enquiry from distressed property owners. These are individuals who are facing tenants that have chosen not to speak to them, but have stopped paying rent, safe in the knowledge that there is a moratorium on evictions, which they believe to be a government endorsed moratorium on the payment of rent.

If this situation persists, by the end of this pandemic, the rental market for both residential and business premises will have been decimated. Distressed sales will be the order of the day, and an ongoing lack of housing and commercial stock leading to shortages in both areas.

The Queensland Government has already introduced an emergency rent support system of payments of \$500.00 per week to those facing significant hardship, why is NSW still waiting for their rent rescue package? After all the property owners of NSW have paid plenty in taxes and stamp duties for emergencies like we have facing now.

In an attempt to avoid this looming catastrophe, the POANSW is calling on the NSW Government to urgently aid in this area. At the very least, the POANSW would expect to see:

1. Weekly rental payment to property owners who have lost rental income as a result of tenants decreasing or ceasing rental payments.
2. Relief in relation to council rates, insurance rates (via reduced stamp duty charges), and land tax.

The above measures should be introduced proportionately where a tenant has either stopped paying rent or reduced their rent payment in this current environment.

In addition to the above, we note that the POA is a self-funded industry body that assists the private landlord market and it appears that a large portion of the enquiries the POA is receiving from distressed property owners have been directed to us from Fair Trading NSW. Given the volume of enquiries, and the volunteer nature of the resourcing of the POA, we do not have capacity to respond this volume of enquiries and have only been able to answer a small number of them.

Here are some examples of the emails from private landlords from our help desk.

“What entitlement does a Landlord have for a Partnership commercial building that has No employment, No Super and Nor Pension and realize on that income of investment and due to this Virus has been lock-down????”

“My husband's superannuation fund owns the property from which we have been operating our business which has now stopped due to the coronavirus. We plan to lease the property. The new tenant has signed the lease and my husband is due to sign the lease this Wednesday 1st April. We are concerned if the tenant can't pay the rent due to a downturn in

business with the coronavirus that we will not have any income. Do you know if the government has assistance for the Landlord in these circumstances?"

"I have written to my local MP, the Treasurer (both State & Federal) and the Premier and Prime Minister about this matter. It is not as simple as people seem to think. We cannot just accept that the landlords can wear a prolonged period of no rent. It might work for wealthy companies with decades of rental income behind them, but new landlords, Mum & Dad investors and self-funded retirees cannot simply offer rent abatement with no chance of future recovery"

"Hi there,

Due to Coronavirus, we are facing the risk of lock down by government and seriously impact on finding tenant. Just wonder if POA will voice out to NSW government the concern from landlord due to the lock down on loss of income due to unable to find tenant due to lock down?"

"What will it mean for any of us who has a rental property that needs the income from rent to pay land tax and bank loans. How can we pressure the NSW gov for a reprieve in land tax? Can we ask the bank to stop accruing interest for the lockdown?"

We would therefore also call on the NSW Government to provide some level of funding to the POANSW itself in order to allow the organisation to provide the resources required to meet the demands being placed on it by Fair Trading NSW. We have previously asked to be financially supported by former minister of Innovation and Better Regulation Mr. Matt Kean and were declined on 27/5/17.

Mr Kean replying to us that he wants to keep the "status quo" on POANSW being appointed to the board of The Rental Bond Board because it required a legislative change to appoint more than 2 ministerial appointments as representatives. This is an absurd response given at that time residential tenancy was going through so much change. Currently there is no representation for the private landlords of NSW on this board. This has been the situation for some two decades. REINSW the body representing the real estate agents of NSW primary focus is not on private landlords collectively and The Tenants Union that of the tenants. There is a black hole in the tenancy eco- system whereby little to limited services are available directly for landlords of NSW. That's some 1.2 million residential accommodation providers.

Based on our current levels of enquiries and projections, funding in the order of \$100,000 would give the organisation the resources required to respond to all enquiries being referred to us from Fair Trading NSW and provide guidance for distressed property owners, for the next 6-12 months. We understand that the Tenants Union of NSW currently receives approximately \$7million per annum for similar functions, yet landlord's legal assistance and advocacy receives \$0.00.

Thank you for your urgent consideration of all matters addressed in this letter.

Yours truly,

John Gilmovich

President POANSW