



Home Ownership Matters

**The Real Estate Institute of New
South Wales Limited**

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1. Introduction

REINSW is the largest professional association of real estate agents and other property professionals in New South Wales. REINSW seeks to promote the interests of its members and the property sector on property-related issues. In doing so, REINSW plays a substantial role in the formation of regulatory policy in New South Wales.

New South Wales has the largest population and economy in the Country. On any measure, New South Wales is the engine room of the Australian economy.

Sydney is recognised internationally as a global City, with stable democratic Government, and it enjoys continued investment driven by market confidence, stability and security.

However, New South Wales is far more than Sydney. The regional centres' economies boast agriculture, horticulture, mining, manufacturing, power generation and tourism, to name a few.

The global pandemic has disrupted and continues to disrupt the property market. The discovery that many people can now work from home has had a profound impact across the State, particularly so for many regional areas. We should recognise that the transition to the "new normal" is far from over. The property market and the property services industry will need to lead the evolution and respond to the consumer's expectations.

So whilst we can now work from home – for so many, gaining access to a home has become unobtainable. The perennial problem, expressed bluntly, is that New South Wales does not have enough residential rental and owner occupier property. This problem has existed for over 20 years and is only getting worse. Unfortunately, all we see is popular politics and no solutions. Government talks affordability but imposes taxes. Whilst we have seen some demand side drivers (for example, incentives to first home buyers), we have seen little, if any, attempts at addressing the supply side issues.

CoreLogic recently reported that Australia has accepted more migrants in 2022 than in any previous year. Whilst we need new and increasing human resources to keep Australia's economy growing, clearly, this adds to the housing demand and exacerbates the supply problem.

The activities and state of the housing market are a constant for the media and unavoidable in conversations with family, friends and colleagues. The growth in property related reality television speaks for itself. The citizens of New South Wales are addicted to all things property. This should not come as a complete surprise given property is one of the three non-negotiables – food, water, and "shelter".

The Institute is calling on both the major parties to focus on the inhibitors to, and costs adversely impacting supply - including:

- Property taxation
- Land supply
- Development fees and approval delays
- Incentives
- Government policy impacting investor behaviour

Home ownership matters, it builds wealth and communities; it should be within the reach of the majority.

On behalf of the citizens of New South Wales the REINSW asks – what's the plan to deliver housing affordability – be it in the form of market housing, affordable housing and other forms of diverse housing for both rental and owner occupiers?



Peter Matthews

President

Real Estate Institute of New South Wales

2. Real Agency Policy

REINSW seeks amendments to the existing regulatory environment to better support and empower the property services industry to respond to the needs and expectations of consumers.

An effective regulatory environment should:

- Provide a structure for a mutually respectful and collaborative relationship between Industry and the Regulator.
- Focus on the need for compliance with professional standards, rather than adherence to an overly prescriptive, micro-managed and bureaucratic regime. Professionals should be professionals, not red tape processors.
- Place importance on the benefits of quality education.

The current regulatory environment in New South Wales falls short of best practice in each of these areas.

a) **Red tape reduction**

The property services industry is one of numerous industries regulated by NSW Fair Trading ("Fair Trading") – for example car dealers and repairers, conveyancers, fitness industry operators, funeral providers, second-hand dealers, tattooists, tow truck drivers and travel agents. However, unlike these industries the property services industry is burdened with very prescriptive regulatory controls.

To preserve the benefits of a free market, the regulator should have a light touch and the regulatory controls should protect consumers and enhance their experience with industry.

Compliance with regulatory controls should not become the paramount focus of the service provider. All consumers and transactions are unique and require a bespoke service. When the regulatory controls are process orientated and not outcome based, the freedom to respond to the consumer's specific requirements are impeded, resulting in a sub-optimal service and consequently a poor consumer experience.

Industry ought to be directing its efforts towards positive consumer outcomes, rather than meeting an overwhelming list of compliance obligations. A Regulator that attempts to fit a professional services provider (and therefore the consumer of property services) into a complex and prescriptive straitjacket does the consumer a disservice.

Government should embrace a move from the current regime that focuses on a prescribed set of procedures and processes to empowering the industry to deliver a suite of services the consumer wants and needs. The industry should have greater freedom to tailor services to meet the needs of the client rather than devoting time and energy to considering whether every checkbox on a lengthy compliance list has been ticked. Slavish adherence to a lengthy checklist subordinates the agent's duty to the client to the regulatory provisions.

A further difficulty with the current, overly prescriptive framework is that it frequently fails to keep up with valuable innovations and developments in the industry. This is particularly so with the challenges the PropTech industry constantly presents the regulator.

b) **Education standards for the profession**

Whilst on paper the education requirements for the industry have improved, the providers of that education have not. Consequently, the benefits of greater education have been negated.

Paradoxically, the greater the degree of regulation of the industry, the

less likely that the current education standards will adequately equip an entrant to meet their obligation (let alone develop the other skills necessary to effectively represent consumers of property services).

If we do not ensure that people entering the industry are adequately educated, we fail the person seeking a career in the industry and the consumers that receive the services from that person. To overcome the poor-quality education providers, the REINSW recommends that students be required to sit an exam to demonstrate that they have acquired the requisite knowledge to enter the industry. If Government is minded to adopt the REINSW recommendation, then an investigation of the Tasmanian education regime would provide valuable guidance.

The property services industry is dynamic. An effective regime of continuing professional development is vital to ensure that those in the industry maintain sufficient standards of knowledge and professional skills. Unfortunately, the same poor providers of education discussed above also provide CPD. The quality and therefore value is all too often very poor.

c) **Independent Property Services Commissioner**

The value to the State of the property industry both socially and economically is beyond calculation. The State tax revenue collections alone exceed \$15 Billion. Despite the industry's clear importance on numerous fronts, it has to date not attracted the level of focus that it commands. Government has assigned the regulatory responsibilities of the industry to Fair Trading. On any reasonable analysis, this is a poor decision and requires remedial activity. Fair Trading is a high volume, small dollar value, minimal legal complexity regulator. Property transactions are infrequent, legally complex, and always involve large sums of money. The property services industry is the outlier within the list of industries under Fair Trading's regulatory remit.

The property services industry needs an industry experienced and dedicated Commissioner sitting outside of Fair Trading. The REINSW recommends that the new Government revisit the benefits to consumers, the market and industry as set out in the *Property Services Council Bill 2021*.

Annexure 1 – Comparative table – licensing and regulation in New South Wales

Industry	Governing statute	Sections	Regulation	Clauses in Regulation	Rules of conduct
Property services	Property, Stock & Business	232, plus 1 Sched-	Property, Stock & Business	63, plus	19 common to all categories, plus a
Conveyancers	Conveyancers Licensing Act 2003	173	Conveyancers Licensing Regulation	47, plus 4 Schedules	23
Pawnbrokers	Pawnbrokers and Second-hand Deal-	46	Pawnbrokers and Second-hand	39, plus 3 Schedules	No
Fitness industry	Fitness Industry Code of Practice	70	N/A	N/A	N/A
Funeral goods and services	Fair Trading Act 1987	3 ¹	Fair Trading Regulation 2007	6	No

Note 1: These three sections are specific to the funeral industry – funeral directors would have to comply with other provisions in the Act (as would persons operating in each of the industries mentioned in the Table).

3. Real Residential Housing Policy

a) **Residential Housing – Owner Occupier**

REINSW seeks reform to address the critical shortage of residential housing supply in New South Wales. Simply put, there are not enough houses being built to sustain New South Wales, particularly in popular and growing regional areas and due to Sydney's rapidly growing population.

An annual production shortfall of more than 10,000 houses is unsustainable. An approximation of the annual production shortfall of apartment units in 2022 is 48,000¹. It has been forecasted that a shortage of up to 163,400 dwellings may occur by 2032².

Moreover, materials and shortage of labour persists as a major challenge in housing production, and this will likely create an issue for 2023. The Urban Development Institute of Australia NSW's *Greenfield Land Supply Pipeline Report* identified a shortfall of 20,100 housing lots by fiscal 2030 across the Sydney mega-region (an area from Illawarra-Shoalhaven to the Hunter) even if developers were able to deliver around 130,000 housing lots "programmed for delivery" over the next eight years.

In its *2022 Apartment Supply Pipeline Report*, UDIA NSW said that the State's apartment deficit of 48,000 units will balloon to almost 60,000 without government intervention. The institute also said that taking planning authority out of the hands of the NSW Planning Minister would make it simpler to get large developments going. Record levels of immigration threaten to negatively impact Sydney's rental market with many newer arrivals unable to find a home to rent or own. The Report suggests that a way needs to be found to prevent Planning Ministers from being put in a difficult position of having to weigh political considerations against good planning outcomes. REINSW agrees with UDIA that, for major precincts, the densities should be agreed upon upfront by NSW Cabinet and, critically, only amended by Cabinet. This will mean that local members need to get Cabinet to change a decision rather than individual Planning Ministers, setting a higher bar to reducing densities.

The *Inquiry into Housing Affordability and Supply in Australia* quoted the NSW Productivity Commission's 2021 White Paper, namely that:

*"Housing supply has failed to keep up with demand. That has led to an undersupply of housing, increasing the cost of living for households and making New South Wales a less attractive place to live and work."*³

The reform process must involve:

- Producing an effective, coordinated strategy to drive land release and urban renewal.
- Increasing the commitment from all levels of government to infrastructure investment.
- A carrot and stick approach to Local Council's development approval procedures.
- Rewriting the complex, cumbersome and counter-productive *Environmental, Planning and Assessment Act 1979*.
- Embracing a comprehensive strategy to facilitate infill development, thereby allowing the construction of high-quality, higher density housing.
- Rezoning and redeveloping land in regional areas.
- Considering and implementing alternate taxation treatment.

b) **Driving land release**

Unlike Melbourne, Perth and to a lesser extent Brisbane, Sydney is constrained by mountains, rivers and the sea. These natural barriers to urban growth on the fringes of the city necessitate innovative and urgent approaches to the release of land capable of development.

Currently the fragmentation of ownership of land on the fringes and the limitations on financially viable infill development are significant impediments to meeting the supply needs of New South Wales in general and Sydney in particular.

The responsibilities of the Sydney Metropolitan Development Authority (**SMDA**) were transferred to UrbanGrowth NSW Development Corporation in 2013. On 1 July 2019, UrbanGrowth NSW Development Corporation was abolished and its functions have been transferred to Infrastructure NSW, which now oversees the development responsibilities as aligned with government priorities.

A comprehensive audit of Government-owned land to evaluate its effective utilisation for urban renewal (for example, by developing airspace over existing and future railway infrastructure) and implementing a deliberate policy of acquiring and disposing of land with high strategic value for redevelopment should be considered. Effective partnerships with public and private developers form a key plank in delivering development outcomes.

c) **Increased commitment to infrastructure investment**

In Sydney's growth areas, between \$25,000-\$85,000 (excluding GST) can be added to the cost of a new home to pay for developer contributions⁴. In almost all cases, these contributions are passed on in full to the purchaser by the developer⁵. They represent the cost of community infrastructure and open space lands set aside by the Department of Environment, Climate Change and Water.

New South Wales is one of the only jurisdictions in the world where new homeowners pay for all community infrastructure "upfront". The housing release shortfall compels all levels of Government to consider innovative mechanisms to reduce this impost and allow homebuyers to contribute to the cost of community infrastructure over time.

Mechanisms worthy of consideration could include:

- Quarantining a portion of the GST collected on the sale of a new home and allocating that amount to community infrastructure.
- Adoption by the State Government of a system by which it pays for the open space land required for riparian corridors and drainage.
- Restructuring Council rating powers to allow for recoupment of its upfront costs through special rates that only apply to release areas.
- Providing certainty around development contributions so that developers can more accurately and confidently assess the feasibility of projects.

The key objective must be to reduce the upfront component of home costs and establish a reliable framework providing certainty. Such a series of reforms would do much to resolve the affordability crisis in the Sydney housing market, as well as accelerating the availability of housing stock.

d) **Re-write and/or clarification of use of the planning legislation**

The principal statute governing the planning system in New South Wales is the *Environmental Planning and Assessment Act 1979*. This Act is the most complex planning legislation in Australia. It has been amended with alarming regularity (See **Annexure A**) and continues

to be amended, noting there were 11 amendments between 2021-2022. The way in which this complex and cumbersome planning legislation has distorted over time has resulted in an inconsistent and unclear legislative framework that hinders good outcomes.

e) **Building higher quality density housing**

Governments must facilitate the efficient and innovative development of land in existing suburban areas to maximise the use of infrastructure already in place. Effective implementation of infill strategies can do much to revitalise existing communities and renew and enhance facilities such as public transport, roads, and other vital community resources.

Incentives should be provided to those who wish to undertake two-lot subdivisions on existing residential parcels. Consideration ought to be given to developing a streamlined "small-scale strata" subdivision regime (perhaps as a new Division of the existing strata legislation) which could remove many of the complexities associated with existing strata subdivision and management.

The community title legislation is also worthy of review. Community title subdivision is presently underutilised (when compared with strata) and its potential for encouraging rather than impeding infill development should be enhanced.

Many of the buildings constructed in the first wave of strata subdivision are nearing the end of their natural lives. The State Government must develop a strategy which appropriately balances the need for renewal of these sites with the legitimate concerns of owners, financiers, and other stakeholders.

f) **Rezoning and redeveloping land in regional areas**

In regional areas, similar problems as those set out above are being experienced. In addition to those problems, there is land in regional areas that could be rezoned and redeveloped but the process is extremely protracted and arduous, which is a deterrent to many.

For many years, the cost to develop regional land has outweighed any net profit that could be realised from the sale of the developed land. Further, the time taken for approvals to be granted for residential zoned developments is taking far too long. This has become a clear disincentive which has led to a halt of new land developments in regional areas where there is land available that could be rezoned and/or redeveloped.

g) **Considering and implementing alternate taxation treatment**

Consideration should be given as to whether there are different tax treatments that could apply in order to incentivise housing supply. An investor in Sydney, for example, may be dissuaded from renting out a granny flat because of the capital gains tax implications that may apply when the asset is sold (in many cases the minimal rental return is far outweighed by the later capital gains tax implication). Looking at, and implementing, options to exchange the ability to deduct certain immediate expenses in return for not triggering a capital gains event when the asset is sold may motivate homeowners to rent out their granny flat or spare room, and thus increase housing supply.

Annexure A

The following table which sets out the number of statutes which have amended the *Environmental Planning and Assessment Act 1979* (NSW) since its commencement in September 1980 is instructive.

Period	Amending Acts
1980 to 1984	4
1985 to 1989	13
1990 to 1994	18
1995 to 1999	31
2000 to 2004	26
2005 to 2009	28
2010 to 2015	49
2016 to 2020	36
2021 to date	11

To take another measure, in the period between 2016 and the present date there were 47 different “historical versions” of the Act, including one which was in force for only two weeks between November and December 2022. Alarming, there was also one in force for only one day (30 September 2010).

4. Real Tax Policy

a) NSW to get back on track as the “Premier” State

NSW has increased its reliance on transfer duty (a.k.a “Stamp Duty”) on real property transactions (see Annexure 1 and see Chapter 4 of Budget Paper No 1 - NSW Budget 2022-23 - [[PDF](#)] [[Word](#)]).

Growth in land values has increased the land tax burden on property owners who must pass the cost on to tenants or via the price of goods and services (see NSW VG’s latest Report - [2023 01 11 Report on NSW Land Values at 1 July 2022](#) (PDF 812.3 KB)).

Decades of stamp duty bracket creep have resulted in a 6% decrease in home ownership in NSW since the 1990s and in property turnover generally (see Revenue NSW webinar on Shared Equity Home Buyer Helper <https://vimeo.com/792476199> and Revenue NSW webpage - [Transfer duty - total \(DSD 002\) XLS, 885.5 KB](#)).

NSW introduced CPI indexation of transfer duty thresholds from 1 July 2019 however, this did not redress the previous decades of bracket creep and CPI is inadequate compared to growth in property values (see Annexure 2).

Transfer duty and land tax are disincentives for investment in real estate as compared to other assets such as quoted securities which do not attract these taxes in Australia. Apart from the distortionary effects on market forces, it is unjust that State taxes discriminate between different investment opportunities. NSW heavily taxes one of life’s necessities, namely shelter but not non-land discretionary investment expenditure which is the domain of the wealthy.

Almost 15 years ago, in October 2008, the NSW IPART Report on the Review of State Taxation stated that the Collins Taskforce recommendation had not been implemented and that IPART considers that the purchaser transfer duty rate scale should be indexed annually to avoid ‘bracket creep’, and thus increase the efficiency of this tax see: [Final Report](#)

The NSW Valuer General’s recent [Report on NSW Land Values at 1 July 2022](#) (PDF 812.3 KB), showing an overall increase in land values increased across NSW by 26.3%. This will have a flow on impact on the 3-year averaging of land values for the calculation of land tax and Council rates assessments and produce stress on landowners who need to pass on the costs to tenants or in goods and services provided. There is evidence of commercial tenants vacating premises due to their lease requiring the tenant to pay the land tax. A tax that forces the closure of a business, is a very bad tax indeed, and is clearly not in the best interests of NSW.

NSW needs to get back on track with its tax policies to return to its status as the “premier” State.

There must be a plan for tax reform that is not solely directed at taxes on property.

Under Clause B9 of Schedule B to the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations made between the Commonwealth and all States and Territories of Australia on 1 January 2019 (see [152KB](#)) (“IGA”), the parties recognised:

- further reform of Commonwealth, State and Territory taxes as an integral part of improving federal financial relations; and
- the importance of improving the effectiveness and efficiency of the national tax system.

NSW should lead other States and Territories in dialogue with the Commonwealth for fresh ideas on tax reform in furtherance of the objectives of the IGA. REINSW would value the opportunity to assist the NSW Government with this project.

b) **Immediate action on stamp duty bracket creep and land tax**

The inefficiency and inequity of transfer duty on real property transfers and land tax have reached a point of intolerance in the NSW property market.

On 23 January 2023, the Daily Telegraph's Joe Hilderbrand reported on "Western Sydney's hidden housing crisis revealed" and stated "**One in ten households** across ten major suburbs in Western Sydney is suffering from acute housing stress, startling new data has revealed": [emphasis added]

<https://www.dailytelegraph.com.au/news/nsw/western-sydneys-hidden-housing-crisis-revealed/news-story/972e30f5c03098ba2b1c4d14cf23ad81>

Immediate action is required to reverse the effects of the actions and inaction of the NSW Government and reinvigorate home ownership and property investment in NSW.

The following immediate measures should be adopted by NSW Government:

1. remove transfer duty on GST;
2. increase transfer duty and landholder duty thresholds so as to reduce transfer duty and landholder duty general rates by at least half;
3. introduce annual property value related indexation of transfer duty and landholder duty thresholds;
4. introduce terms payment arrangements election for home buyers and small business commercial land buyers; and
5. introduce a cap on increases in annual land valuation for land tax (landowner tax) purposes and reduce land tax rates.

Many of these measures may not require Commonwealth financial assistance to be revenue neutral and may even be revenue positive for NSW. This is because lowering transfer duty will stimulate the property market, increase turnover and minimise costs. This is clearly evidenced from the statistics on the abolition of quoted marketable securities duty in 2001 and also, data on the abolition of the NSW vendor duty in 2005 (see Annexure 3).

The Federal Government's Standing Committee on Tax and Revenue Inquiry into Housing Affordability and Supply in Australia published its [Report](#) in March 2022 and that Report included the following recommendations:

- 6.117 states and territories should adjust stamp duty brackets to redress decades of stamp duty bracket creep and that they should be indexed in line with inflation in the housing market; and

6.116 states and territories that adjust stamp duty brackets to redress decades of stamp duty bracket creep **will not be penalised** by the Commonwealth Grants Commission in Goods and Services Tax (GST) distributions.[emphasis added]

Notwithstanding the [Report](#), NSW has not taken notice or advantage of those recommendations.

Were NSW and the Commonwealth Grants Commission to adopt the above recommendations, it would assist not only first home buyers, but purchasers of homes and businesses generally in the State. It would incentivise turnover and uplift economic activity, indeed, maintaining, if not increasing revenue, not only from transfer duty and landholder duty but other taxes as well. It would redress many of the problems highlighted **in the AFR article**, "Stamp duty hits record high, fuelled by 'turbo bracket creep'" published on 17 January 2023. See: <https://www.afr.com/politics/stamp-duty-hits-record-high-fuelled-by-turbo-bracket-creep-20230116-p5ccqg#:~:text=More%20than%20160%20first%20home,%2450%2C000%20per%20transaction%20last%20year>

c) **Recommend Commonwealth action**

NSW should recommend that the Commonwealth:

- 1. remove GST from residential property supplies.** GST on residential property is a socially damaging tax on one of life's necessities, shelter. GST on housing is unquestionably contributing to the housing crisis; and
- 2. allow income tax deductions for transfer duty on investment property purchases** (along the lines already available in the ACT due to most land titles being leasehold) (see s [25.20](#) of the ITAA 1997).

d) **NSW to urgently redress its residential crisis**

Transfer duty, land tax and GST on residential property supplies have contributed to a downturn in the real estate market in NSW and are fuelling a serious and increasing housing and rental shortage crisis. NSW should immediately redress this crisis by implementing the following measures:

1. Lower transfer tax rates on residential property transfers without discrimination

Through its HCAP initiative which applied from 1 July 2009 to 30 June 2010, NSW cut transfer duty by 50% on newly constructed homes with a value of up to \$600K.

The NSW Treasurer's press release of 1 December 2009 reported that in five (5) months, the HCAP put \$11 million worth of stamp duty back into people's pockets and stimulated \$630 million worth of job-supporting construction activity.

If a 50% cut in transfer duty in such restricted circumstances stimulated so much in such a short time, then we ask rhetorically, how much greater the benefits to NSW if transfer duty rates were to be cut across the board for residential property?

NSW Treasury and/or an external organisation should model this for NSW, taking into account the expected increase in turnover and flow on implications for transfer duty and other taxes, State and Federal (such as NSW payroll tax and Commonwealth income tax and GST). As part of this project, an enquiry should be made to determine the number of property transactions that don't happen because of transfer duty. The REINSW is aware that a growing

percentage of home owners are electing to renovate their existing property, rather than purchasing a property that better responds to their current requirements. Tax should always be a consequence of a transaction, not a consideration, clearly that is no longer the case.

2. Abolish or significantly reduce land tax on residential rental properties

Residential property is already exempt from land tax where it is owner occupied as a principal place of residence. The same should apply for investment property that is rented as the principal place of residence of a tenant.

Landlords are forced to increase rents to recoup annual land tax. Abolishing or significantly reducing land tax on residential rental properties would make rental housing more affordable and reduce the demand on Government housing.

Lowering transfer duty on residential property and abolishing or significantly reducing land tax on residential property used for rental accommodation would stimulate the residential property market, redress the residential crisis and still produce State revenue as well as Commonwealth tax revenue from the economic uplift.

3. Encourage recycling of homes

There should be incentives to encourage senior citizens to sell and buy more appropriate housing, like two smaller homes, one to live in and the other as an investment, providing rental accommodation to renters and income to the empty nesters, also making them less reliant on welfare. This measure should also increase supply of larger homes in established suburbs, improve affordability and stimulate better use of existing infrastructure.

The recent census data revealed the alarming extent of vacant bedrooms in Australia. We know that property taxation is a significant factor with older citizens selling their properties and moving to more appropriate accommodation.

4. Remove policy obstacles from existing NSW land tax exemptions

The 5 km radius restriction should be extended for the low-cost rental accommodation exemption and the nil or nominal income restriction on absences from principal place of residence should be removed (see Annexure 4).

5. Reduce developer and infrastructure charges

Control and reduce ever-increasing local government charges, including developer contributions under s 7.11 of the *Environmental Planning and Assessment Act 1979* (NSW).

Annexure 1

NSW increased reliance upon land transfer duty

NSW has increased its reliance on land transfer duty and exacerbated its problems by:

- (1) maintaining increasingly high ad valorem rates of transfer duty;
- (2) indexing thresholds only from 1 July 2019 and only by reference to CPI and by reference to land value increases;
- (3) collecting stamp duty on GST;
- (4) not addressing cascading of transfer duty, its effect on other taxes and charges, and transfer duty on GST. We have a absurd situation where there is tax on tax on tax;
- (5) over 40% of the cost the property consumer pays for new property are taxes and charges imposed by all three levels of Government;
- (6) removing non-real property from the transfer duty net under the IGA;
- (7) expanding the transfer duty base (such as on the grant or options and leases) and the landholder duty base with deeming provisions;
- (8) introducing ever more complex legislative amendments;
- (9) failing to harmonise between jurisdictions; and
- (10) introducing surcharges by way of surcharge purchaser duty and surcharge land tax.

Annexure 2

Stamp Duty Bracket Creep

On 1 July 2022, the effective rate of increase in the threshold for the maximum general rate of transfer duty of 5.5% was **4.41%** (from \$1.043M to \$1.089M) see: <https://www.revenue.nsw.gov.au/taxes-duties-levies-royalties/transfer-duty#heading3>

This compares with the NSW VG's [Report on NSW Land Values at 1 July 2022](#) (PDF 812.3 KB) which reported:

“Overall, land values increased across NSW by 26.3% from \$2.25 trillion to \$ 2.84 trillion in the 12 months to 1 July 2022” (emphasis added) which values are used in the 3 year averaging of values for the calculation of Land Tax.

This highlights the enormous disparity between the NSW VG's reported changes in land values and CPI.

It highlights the grave inadequacy of CPI based indexation of NSW Transfer Duty thresholds.

Just by way of example, had the threshold for the maximum general rate of transfer duty of 5.5% been increased from 1 July 2022 by reference to the actual land value percentage increase reported by the NSW VG, the threshold would have increased from \$1.043M to \$1,421,609, that is **\$332,609 higher** than the current threshold of \$1.089M, involving a difference of \$3.325K Transfer Duty.

This highlights the difference on just the highest bracket of the general Transfer Duty rates (another bracket with a higher rate of 7% applies to residential land > \$3.268M), this current financial year. The inadequacy cascades as one applies the actual land value percentage increase to each bracket of Transfer Duty. And this has been going on with only CPI indexation for the 3 years before this year, and for **over 30 years before that**, with no indexation having been applied **at all** during that period.

A submission to the Federal Inquiry Into Housing Affordability and Supply in Australia made by State Taxes Consultant, Joanne Seve pointed out that the predominant rate of Transfer Duty on the transfer of an average home in Sydney in 1986, was 1.75%, compared to the predominant rate of Transfer Duty in 2021 of 4.5%. This is depicted in the Table below and represents an increase of **257%**. Attached is a link to that submission which was referred to in the Inquiry Report):

<https://www.apf.gov.au/DocumentStore.ashx?id=7a768897-d47b-4fd0-9af4-011dbd6295b4&subId=715413>

Table

Year	Median Sydney Home Price	Transfer Duty	Predominant Rate of Transfer Duty
1986	\$80K-\$98K	\$1,290 - \$1,920	1.75% (effective rate 1.61% -1.96%)
2021	\$1.1M	\$45,067	4.5% (effective rate 4.1%)

Attached is a link to a submission made almost 7 years ago by the Law Society of NSW to the then NSW Treasurer, on 16 June 2016, on the need to redress stamp duty bracket creep:

https://www.lawsociety.com.au/sites/default/files/201911/Transfer%20Duty%20Bracket%20Creep_Jun_2016.pdf

As recorded in the Law Society's 2016 submission, the Second Reading Speech to the Bill which introduced the original Transfer Duty thresholds in 1986 included the following statement:

“The increased rates for conveyances only affect properties worth more than \$300,000 and thus will not affect the average home purchaser”. [emphasis added]

It did not take many years of unaddressed bracket creep for this statement to be proven incorrect.

Annexure 3

Statistics on the abolition of quoted marketable securities duty

According to information provided by IRESS*, the number of trades in 2001-2002 almost doubled (1.94 x 2000-2001) and the total value of trades in 2001-2002 more than doubled (2.25 x 2000-2001) when listed marketable securities duty was abolished, compared to 2000-2001 when listed marketable securities duty applied.

* IRESS Statistics:

For the financial Year 30 June 2000 to 30 June 2001: 14,578,198 buys & sells = Total 29,156,394 Trades with Total Val \$915Billion

For the financial year 30 June 2001 to 30 June 2002: 28,291, 201 buys & sells = Total 56,582,402 Trades with Total Val \$2,053Billion

Data on the abolition of NSW vendor duty

Extract from Attachment C to the submission by the Law Society of NSW to the then NSW Treasurer, on stamp duty bracket creep, on 16 June 2016:

https://www.lawsociety.com.au/sites/default/files/201911/Transfer%20Duty%20Bracket%20Creep_Jun_2016.pdf

*Information from NSW Treasury Annual Reports
http://www.treasury.nsw.gov.au/Publications_Page/Annual_Reports

Year	Transfer Duty Maximum Rate	Vendor Duty Rate	*Revenue Transfer Duty	Revenue Transfer Duty Change	*Revenue Vendor Duty	Total	Total Revenue Change
03/04	5.5% or 7% (1 month)	2.25% (1 month)	\$3,916M	-	\$2M	\$3,918M	-
04/05	5.5% or 7%	2.25%	\$2,911M	-\$1,005M	\$371M	\$3,282M	-\$636M
05/06	5.5% or 7%	2.25% (only for 1 month)	\$3,144M	+ \$233	\$92M	\$3,236M	-\$46M
06/07	5.5% or 7%	Nil	\$4,163M	+ \$1,019	\$3M	\$4,166M	+\$930M

Annexure 4

Remove policy obstacles from existing NSW land tax exemptions

1. Extend the 5 km radius restriction for the low cost rental accommodation exemption

Revenue Ruling LT 114 under s 10Q of the Land Tax Management Act 1956 relates to the current guidelines approved by the NSW Treasurer for the land tax exemption for land used and occupied primarily for low cost accommodation and specifies a condition that the land must be situated within a 5 kilometre radius of the Sydney GPO see: [Exemption - Land Used and Occupied Primarily for Low Cost Accommodation](#)

This restriction operates arbitrarily and unfairly.

The low-cost rental accommodation exemption was originally introduced in 1995 to encourage low rent accommodation in the inner city of Sydney.

Now, in 2023, there is need to encourage low cost accommodation in **wider** Sydney and other parts of NSW beyond a 5 kilometre radius of the Sydney GPO.

Extension of the radius restriction in the guidelines for low cost accommodation approved by the NSW Treasurer under s 10Q of the Land Tax Management Act 1956 could encourage low cost accommodation in wider Sydney and other parts of NSW. It would also be consistent with the land tax exemption for land used and occupied primarily for a boarding house where there is no (and has never been any) radius restriction (see Revenue Ruling LT 113) see: [Exemption - Land Used and Occupied Primarily for a Boarding House](#)

2. Remove the income restriction on absences from principal place of residence

Whilst NSW is suffering a rental crisis and the vacancy rate for residential rental property is low in various NSW cities, Clause 8(6) (albeit subject to Clauses 8(7) and 8(7A)) of [Schedule 1A](#) of the [Land Tax Management Act 1956](#) works as a Government incentive for owners to leave their homes **vacant** (for up to 6 years or more if the owner is in full time care) where the property is the principal place of residence of the owner and the owner is (for whatever reason) absent from the property for up to 6 years (or more if the owner is in full time care).

This has a twofold negative impact on the NSW economy by:

- (1) denying absentee owners capacity to earn income from the property and be more self-sufficient; and
- (2) denying renters otherwise available roofs over their heads.

If Clauses 8(6), 8(7) and 8(7A) of Schedule 1A were to be removed, the incentive to leave a home vacant for up to 6 years (or more) would be removed and such properties would become available for rental accommodation and owners could become more self-sufficient.

Removal of Clauses 8(6), 8(7) and 8(7A) from Schedule 1A would also bring the principal place of residence exemption into line with the corresponding capital gains tax provision which allows a taxpayer to rent out his or her principal place of residence for up to 6 years without loss of the capital gains tax exemption (s [118.145](#) of the ITAA 1997).

3. Remove capital gains tax implications for “granny flat” rental supply

With granny flat construction on the increase, some pressure could be alleviated on the rental market if this form of accommodation could be rented without the concern of subsequent capital gain impacts. As it stands, any rental derived from leasing granny flats could be negated by the capital gains tax liability an owner may incur.

5. Real Tenancy Policy

REINSW seeks reforms to effectively address the undersupply of rental properties in New South Wales in proportion to increased market demand. Currently, New South Wales is experiencing a critical shortage of affordable rental properties which are driving up rental prices and making it difficult for tenants to find the shelter they need. This undersupply issue needs to be addressed.

REINSW also seeks amendments to the existing regulatory regime for residential tenancies to strike a proper balance between the legitimate interests of residential investors and the provision of proper safeguards for residential tenants.

Striking a proper balance must involve:

- Recognising the importance of removing unnecessary impediments which discourage investors from choosing residential real estate as a preferred investment.
- Implementing a regulatory regime which is user-friendly rather than needlessly complex and prescriptive.
- Resourcing appropriately the dispute resolution facilities in the residential tenancies sector.

a) **Addressing supply and demand concerns within the property market**

“Everyone shares the right to a decent standard of living. Essential to the achievement of this standard and therefore to the fulfillment of human life beyond simple survival is access to adequate housing. Housing fulfills physical needs by providing security and shelter from weather and climate. It fulfills psychological needs by providing a sense of personal space and privacy. It fulfills social needs by providing a gathering area and communal space for the human family, the basic unit of society. In many societies, it also fulfills economic needs by functioning as a center for commercial production.”⁶

In New South Wales, residential accommodation plays a key role in maximising access to adequate housing. As at 2021 there were more than 900,000 people (31.3%) living in residential rental properties in the State, of which approximately 86.7% are held by private landlords (as distinct from social housing).⁷ Privately owned residential rental accommodation was the largest change in the housing tenure category in New South Wales over the past 10 years with an additional 231,285 households renting in 2021 as compared to the 2011 census data.⁸ The vast majority of landlords rely on the services of licensed real estate agents to let and/or manage the property on their behalf. Just under one third of the population live in rented premises.²

However, currently there is a lack of approximately 650,000 homes across Australia with a further deficit of 27,422 homes anticipated as the National Rental Affordability Scheme concludes in 2026.⁹ The 2021-22 NSW Intergenerational Report forecast that each year 42,000 houses would need to be built or 1.7 million houses by 2060-61 to meet demand which the report described as “a significant challenge”.¹⁰

Factors contributing to this supply and demand problem (particularly in New South Wales) include the following:



- Investors are leaving the market due to tenancy law restrictions, high property costs and rising interest rates. November 2022 saw the lowest lending to investors since April 2021¹¹, with finance for investor housing being 23.2% less than the year before.¹² A PropTrack graph (refer to **Annexure A**) shows a decline in property investors buying compared to those selling and an Australian Property Investor graph shows a significant decline in the number of investors considering entering the market (refer to **Annexure B**).¹³
- Homes have been displaced by natural disasters. For example, for the NSW Northern Rivers flooding event in early 2022, evacuation orders were issued to 40,000 people with approximately 7,000 homes flooded or flood-affected.¹⁴
- Government policies for public sector tenants to enter the private market with objectives by 2025 to expand “support in the private rental market, reducing demand on social housing” and goals to transfer “significant tenancy management and responsibility to non-government housing providers”.¹⁵ This transition is already evident, as in 2021 only 4% of people in New South Wales were renting via public housing compared to the 4.9% in 2011.¹⁶ The intentions behind such goals are worthy; to give public sector tenants more independence to help transition out of social housing. However, private residential properties already have private tenants living in them so there needs to be enough infrastructure to meet this increased demand for private rental properties otherwise it just pushes up demand without increasing supply. Furthermore, there also needs to be robust support service systems in place to ensure vulnerable sectors of society have appropriate shelter. Some tenants cannot be housed in, or require support to maintain housing in, private rental accommodation because of issues such as drug and alcohol abuse, mental health, prior poor rental histories, and recurrent itinerancy. This can be particularly difficult in regional areas of New South Wales where social services are often not based locally and support workers only visit once a week. Although real estate professionals work closely with social assistance providers, they do not have the qualifications or expertise to deal with such social issues and to provide such tenants with the support they need to maintain housing in private rental properties or to ensure they have access to other alternative accommodation.
- More investors moving towards short-term rental accommodation instead of long-term tenancy driven by tenancy law restrictions and good returns on investment.
- Increased migration within Australia and from overseas is expected to drive up population growth and increase demand for rental accommodation, particularly with the return of international students post the COVID-19 pandemic.¹⁷ This will especially impact New South Wales who received 39% of migrant arrivals between 1991 and 2019.¹⁸ It also had a “37% on average” of temporary overseas students with 230,000 overseas students who arrived in the first 8 months of 2018 and 2019 and 100,000 students who arrived in the equivalent period of time in 2022.¹⁹
- Delays within the development and construction industries. For example, in the November 2022 quarter, New South Wales saw a 12% decline in building approvals and, as a result, a “slow down” in quantity of dwellings constructed this year.²⁰ Furthermore, the completion of new apartments in New South Wales is significantly lower than both its 5 and 10-year average.²¹
- In regional New South Wales, supply is also impacted by large scale infrastructure projects, often backed at a State or Federal level (for example, renewable energy projects, large scale roads and public building works). Historically, infrastructure projects of this nature would accommodate workers in custom built temporary accommodation (refer to the photograph at **Annexure C** below). However, today, neither private companies nor Government entities are required to supply accommodation for employees and, as a result,

workers are renting most of the already limited supply of private rental accommodation in regional towns. This causes a shortage of rental properties for local residents and it artificially inflates rental prices. Furthermore, in regional areas of New South Wales, teacher and police housing are poorly maintained and under utilised due to work, health and safety issues (for example, asbestos, lead paint, and heating and cooling problems). This also impacts supply because these professionals seek alternative accommodation within the private rental sector.

The supply and demand problems are contributing to a highly competitive market with “historically low” rental stock and rising rental prices.²² For example, as at December 2022, new listings on realestate.com.au were “the fewest since February 2010” and there was a “19.5% lower year-on-year” decline in total rental listings.²³ Sydney, in particular, had a 25.8% reduction in its “total rental supply”.²⁴

REINSW seeks reforms to effectively address the supply and demand issues which are at the heart of this critical housing shortage. The Australian Government’s aim to build a million homes between 2024 and 2029 is a positive step towards addressing this problem.²⁵ However, seeing this goal realised will involve addressing existing issues in the construction and development industries, including higher building and regulatory expenses, without which this milestone will be “extremely difficult” to achieve.²⁶ The availability of social housing also needs to be considered as well as ways to relieve the stress on the housing market in the short term as the construction of new homes is not an immediate solution. REINSW’s view is that in addition to addressing construction and development problems, short term relief to this housing shortage could be achieved by incentivising investors – especially institutional investors who can purchase and build large apartment complexes specifically for rental accommodation.²⁷

b) **Removal of unnecessary impediments for residential investors**

The past few decades in particular have seen a broadening of the available opportunities for investment of capital. The advice that “the best and safest investment is bricks and mortar” is no longer followed as frequently as it was last century. Investments in shares or financial derivatives do not generate the positive financial by-product of providing accommodation for families. Government should, at the very least, not take steps which actively discourage availability of housing stock. The adverse effects on the availability of accommodation as a result of the changes to the tax treatment of negative gearing interest expenses between mid-1985 and September 1987 should never be forgotten.

However, notwithstanding this, there have recently been a number of proposals to change the *Residential Tenancies Act 2010 (NSW)* (**RT Act**) which will erode landlords’ rights and restrict how they can use, or make decisions about, their investment properties. These include proposals:

- to limit what rent a landlord can charge (for example, rent freezes and rent caps);
- to remove a landlord’s right to prohibit a pet in their rental property;
- to abolish no ground termination notices; and
- to introduce portable bonds.

Such proposals do not address the real cause of the housing crisis; supply and demand. Moreover, such proposals will exacerbate the housing crisis. They will cause investors to look to other investment options which will, in turn, further drive-up rental prices and make the market even more competitive. The graphs at Annexures A and B show a downward trend in investors looking to enter the property market. The results of a survey conducted by the Australian Property Investor showed that during the third quarter of 2022 only 23% of participants were

considering purchasing properties as compared to 40% in the equivalent period of 2020.²⁸ Furthermore, a Property Investment Professionals of Australia (**PIPA**) Annual Investor Sentiment Survey for 2022 found that 16.7% of the 18% of investors who had indicated they were considering selling in the survey last year made good on that intention with a further 19% of investors indicated that they were considering selling in the coming year.²⁹ “Changing tenancy legislation making it too costly or hard to manage” was a reason why 25.1% of investors had sold their property and another 29.5% of investors were considering selling in the next year.³⁰ Two other factors causing investors to consider putting their property on the market included the possibility of rent freezes and legislation which might result in investors “losing control of their asset” (23% and 27.5% of investors, respectively).³¹

Such proposals have also not solved the housing crisis for other Australian States in which similar changes have already been implemented. For example, Melbourne has already abolished the right of a landlord to terminate a lease on no grounds and landlords are required to obtain a Tribunal order before they can refuse a request to keep a pet. If such proposals were effective, one would expect Melbourne would have more available rental accommodation compared to other capital cities. However, in fact, Melbourne saw the biggest decrease “in total rental supply over the past year” (a 36.5% decrease), saw a year-on-year decline of 16.8% in new rental listings and its December 2022 vacancy rate was a “historic low”.³² According to information provided by the Real Estate Institute of Victoria, Melbourne saw vacancy rates drop from 5% to 2.8% between November 2021 and November 2022, even though Melbourne has abolished termination on no grounds.³³ Furthermore, investors comprised 25% of properties being sold, whereas investors only comprised 6% of properties bought.³⁴

In fact, many of the above proposals simply duplicate tenant rights which are already enshrined by the RT Act. For example, the intention behind the proposal to abolish no ground termination notices is to prevent a landlord evicting a tenant in retaliation. However, relief against retaliatory evictions are already provided for in section 115 of the RT Act, which allows a tenant to apply to the New South Wales Civil and Administrative Tribunal (**NCAT**) if they allege the eviction is retaliatory. Contrary to popular belief, landlords do not generally want to evict tenants without good cause as it simply causes them more administration, risk and potential to lose rental income.

Instead, REINSW seeks reforms which will address key factors (such as those described above) which contribute to the undersupply of rental accommodation in New South Wales. Long-term, this involves addressing re-zoning, infrastructure and financial supply issues in the development and construction industries which affect this lack of rental accommodation, as evidenced by the “backlog of supply for over 48,000 apartments” that is likely to increase to 60,000 in the “next couple of years”.³⁵

However, construction of rental accommodation takes time. In the meantime, reforms which incentivise (rather than dissuade) investors to invest in residential rental properties (especially institutional investors who can purchase and build large apartment complexes specifically for rental accommodation) would help provide much needed relief for the current shortage.³⁶

c) **A needlessly complex and prescriptive regulatory regime**

REINSW recognises the need for a legislative and regulatory framework which appropriately protects the interests of landlords and tenants of residential property.

It is of concern that it is considered necessary to regulate the rights and obligations of residential landlords and tenants in a statute which

comprises 228 sections. The *Residential Tenancies Acts* in both South Australia and the ACT consist of approximately 120 sections. Western Australia manages the task in under 100 sections. While some jurisdictions (for example, Victoria and Queensland) have lengthier statutes than even New South Wales, those statistics strongly suggest that the sector in New South Wales is comparatively over-regulated.

In case it is thought that somehow New South Wales real estate has some unique feature which necessitates extensive regulation, it is notable that no other category of real estate in this State bears the same compliance burden as bedevils residential tenancies. For retail leases, the detailed governing statute³⁷ comprises some 89 sections (and one very short Regulation which only commenced at the beginning of this year); for farming leases, the relevant legislation³⁸ comprises less than 30 sections. For other commercial property, no specific legislation has been enacted.

A would-be landlord confronted with a choice between owning a property where recovery of water consumption depended, on the one hand, on agreement between landlord and tenant, and on the other hand, on numerous factors including not exceeding a prescribed rate of water flow from taps (with one leaking tap at the commencement of a lease disentitling recovery)³⁹ may think twice about becoming a residential landlord.

To take a further example of over-regulation, it is doubtful whether requiring a separate information statement to be given to a prospective tenant prior to the tenant entering into the agreement⁴⁰ adds anything to the transaction. The residential tenancy agreement is in a standard, prescribed form; that document should be sufficiently clear on its face to render an additional information statement redundant. If it is not sufficiently clear, it should be re-drafted to make it so.

d) **Proper resourcing of dispute resolution facilities**

REINSW appreciates the role of NCAT in providing access to relatively efficient and cost-effective dispute resolution facilities. Such facilities are vital to the effective operation of the residential rental market in New South Wales. REINSW is concerned, however, about some aspects of the existing dispute resolution regime as well as how proposed amendments to the RT Act would affect NCAT's caseload and impact proceeding timeframes.

Last financial year, tenancy and social applications comprised 41,630 of the 53,634 applications in NCAT's Consumer and Commercial Division.⁴¹ It is likely that proposed amendments to the RT Act would, if implemented, increase the volume of applications being filed in this Division as there would be more disputes such as:

- whether terminations were appropriately given (if no grounds termination notices were abolished);
- disputes about the condition of the premises at the end of the lease if the full bond wasn't available due to a portable bond, because it has already been transferred to another rental property to cover any potential damage to that other property; and
- disputes arising from damage to the property caused by pets.

This will have the attendant danger of lengthier delays between application and determination. There is already a tacit omission in s88(4) of the RT Act that current delays are hindering landlords obtaining swift outcomes at NCAT. It generally takes a minimum of three weeks to have a matter listed before NCAT and usually 6-8 weeks for a contested matter to be heard and resolved. For cases pertaining to non-payment of rent, this lengthy timeframe can cause landlords significant financial prejudice, especially in light of rising interest rates, as mortgage repayments do not stop during this time. . NCAT must have necessary additional personnel and other resources to meet growth in demand for its services.



The commitment of additional resources must extend to rural and regional New South Wales. Anecdotal evidence suggests that there have been closures of NCAT hearing forums in rural/regional areas and, as a result, parties (especially tenants) are being required to travel lengthy distances (sometimes up to 130km away and even to areas where there is no public transport available to get there) to access justice and attend the hearing at another NCAT room. Furthermore, the hearing forum allocated is not necessarily the next closest hearing forum available. For example, parties might be required to travel from Yass to Queanbeyan even though Goulburn is closer. This will be more of a problem for parties as NCAT transitions back into face-to-face hearings post the COVID-19 pandemic and, although technology provided an important mechanism for parties to continue to access justice during the COVID-19 pandemic, it cannot replace in-person hearings. This is because technological issues and lack of face-to-face human contact often delays the resolution of such proceedings and leads to poorer outcomes for all parties involved. However, the ability for consent orders to be made in the parties' absence, at some NCAT forums, is positive and REINSW would welcome other similar processes which might aid in the efficient and cost-effective resolution of proceedings.

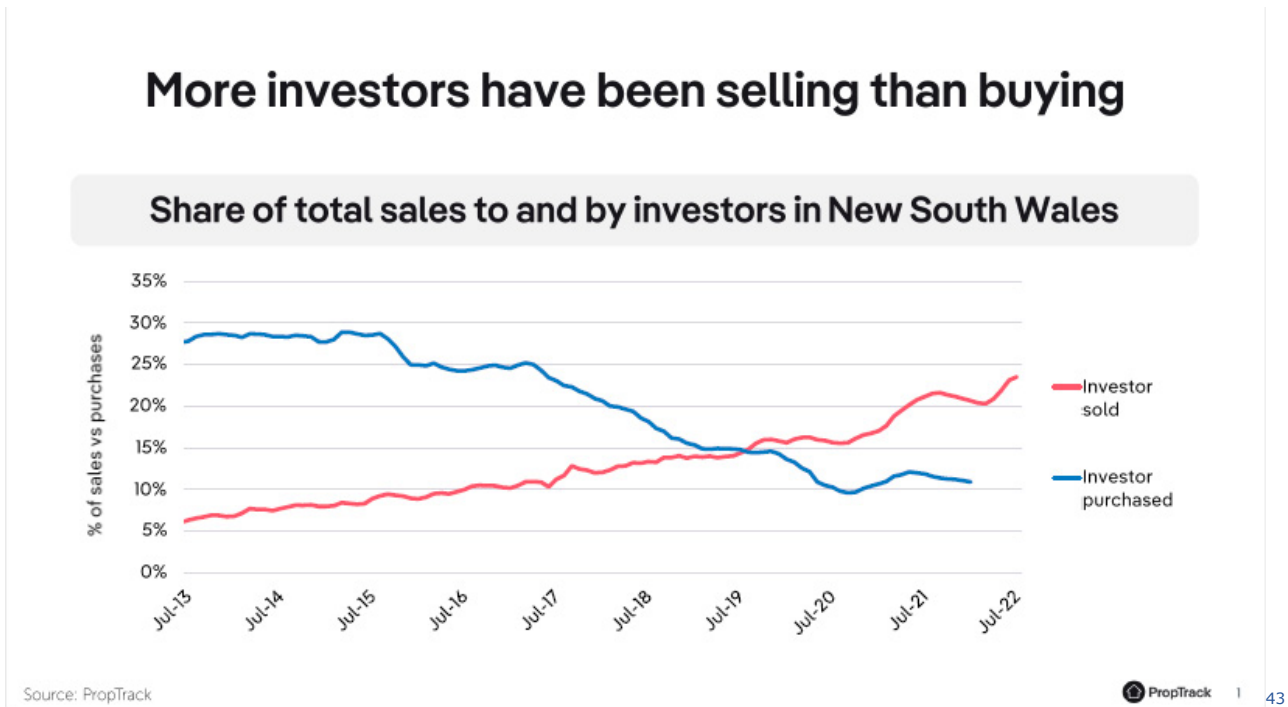
Another important industry issue which is impacting the speedy resolution of property-related disputes is the federal jurisdiction issue. As a result of findings made in the High Court decision of *Burns v Corbett* [2018] HCA 15, NCAT cannot hear matters where one of the parties resides interstate because it does not have original jurisdiction under section 39(2) of the *Judiciary Act 1903* (NSW) owing to being a Tribunal and not a "court of the state". Parties then have to apply to the Local or District Court. However, because some provisions, such as section 119 of the RT Act pertaining to vacant possession applications, prohibits parties from applying to the State Courts, parties must first apply to NCAT before Local or District Courts can grant leave to hear such an application.⁴²

This lengthy, expensive and time-consuming process not only undermines the purpose of NCAT to ensure that property-related disputes are heard quickly and cost effectively, but it also causes significant prejudice to parties where a proceeding is time sensitive in nature. For example, in circumstances where an interstate vendor sold a tenanted property but had to apply to NCAT for a letter allowing them to apply to the Local Court when the tenant failed to vacate. Completion of the sale was extended to allow this to happen, but the purchaser had to settle by a certain date to qualify for the first home buyer's grant. A Local Court hearing and vacant possession of the property could not be obtained in time.

On another note, there has been some disquiet in the industry about apparent inconsistencies in decisions made by different Tribunal members on some of the more common categories of disputes. Such inconsistencies create uncertainty in the sector. One way of minimising the possibility of those uncertainties arising is for more decisions to be available online. Another would be for an increased use of Procedural Directions and Guidelines and to ensure that members have appropriate training and experience in tenancy related matters so that a cohesive and consistent approach can be developed. . Finally, another would be to allocate tenancy matters to a specialised panel of Members with particular expertise in the area (indeed, it may be appropriate to reinstate a separate Tenancy Tribunal, or separate tenancy division within NCAT for increased consistency between decisions).

Annexure A

PropTrack Graph showing more investors selling than buying within New South Wales.



Annexure B

Australian Property Investor Graph showing a downwards trend in survey respondents who are looking to enter the property market.



Annexure C

Photograph of Mount Ainslie’s workmen’s huts from the National Archives of Australia and the Museum of Australian Democracy between January 1921 and December 1935.



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Endnotes

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