

# **TRANSCRIPT**

## **LEGISLATIVE COUNCIL LEGAL AND SOCIAL ISSUES COMMITTEE**

### **Inquiry into the Rental and Housing Affordability Crisis in Victoria**

Melbourne – Tuesday 19 September 2023

#### **MEMBERS**

Trung Luu – Chair

Ryan Batchelor – Deputy Chair

Matthew Bach

Michael Galea

Joe McCracken

Rachel Payne

Aiv Puglielli

Lee Tarlamis

#### **PARTICIPATING MEMBERS**

Melina Bath

John Berger

Moira Deeming

David Ettershank

Renee Heath

Wendy Lovell

Sarah Mansfield

**WITNESSES**

Carmen Littley, Wyndham Property Management; and

Jessica Barr, Harcourts.

**The CHAIR:** I would like to welcome you to the second session of today's hearing. Joining us for the second session of the hearing are Ms Carmen Littley and Ms Jessica Barr.

Before I continue, I would like to introduce our witnesses to our committee members. I am Trung Luu, the Chair. My Deputy Chair is Mr Ryan Batchelor, and to his right is Mr Aiv Puglielli followed by Dr Renee Heath, Mr Lee Tarlamis and Dr Sarah Mansfield. To my left are Dr Matthew Bach, Mr Joe McCracken and Mr Michael Galea, and also with us on Zoom today is Ms Rachel Payne.

I would like to read this to the witnesses who are here today, just to assure you that all evidence taken is protected by parliamentary privilege as provided by the *Constitution Act 1975* and provisions of the Legislative Council standing orders. Therefore the information you provide during this hearing is protected by law. You are protected against any action for what you say during this hearing, but if you go elsewhere and repeat the same thing, those comments may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence you give is being recorded. You will be provided with a proof version of the transcript following the hearing. The transcript will ultimately be made public and posted on the committee website. For the Hansard record, I will shortly ask you to state your full name and the organisation that you are appearing on behalf of.

I also invite you to make a 5-minute opening statement. Then this will be followed by the members asking questions. I just remind the panellists to keep it to 6 or 7 minutes. With that, would you like to start, Ms Littley, by stating your name and organisation and a brief statement, please.

**Carmen LITTLEY:** Yes. My name is Carmen Littley. I am Director and also the Business Development Manager at Wyndham Property Management. We are a real estate agency that only does property management. We do not do sales, so our main focus is investment properties. I am here today because there is a real concern with properties in the western suburbs, with housing. There is a crisis happening, and it is going to get worse. I want to bring some points to your attention with regard to maybe some things that could be looked at to alleviate that and also help the housing issue.

**The CHAIR:** Thank you. Ms Jessica Barr.

**Jessica BARR:** Thank you. I am Jessica Barr from Harcourts real estate in Warragul, Moe and Drouin. I have been a property manager for 16 years, a renter in the past, a rental provider and a home owner. I am here today to advocate for the crucial change to prevent an even more detrimental rental crisis in our area. The Victorian government urgently needs to change the approach of punishing rental providers for providing rental homes. Rental providers should be incentivised for contributing to our rental housing market. Currently we are seeing a troubling trend in West Gippsland and Latrobe Valley where rental providers are divesting their residential rental homes and the new owners who are purchasing them are not re-renting them out. This pattern started in 2020 and has been present since then. We find ourselves at a pivotal junction now where more investors are opting to sell rather than invest further in rental homes. If the government is persistent in subjecting rental providers to increasing taxes, reforms and systems that work against them, we do risk a further rapid depletion of our already-low rental stock.

Our Gippsland community is now seeing an alarming rate of homelessness which has not been seen before. To ensure stability and affordability of housing in our community it is imperative that we re-evaluate the rental reforms and the VCAT system and incentivise people to reinvest in rental homes. We need to give rental providers confidence that they will get a return on their rental, and to tackle the affordability side there need to be changes to the rent assistance system, the amounts paid and how they are paid through Centrelink. A few simple changes to this would see people on benefits better able to meet the affordability of the new rental prices. Again, I thank you for hearing me speak today.

**The CHAIR:** Thank you. I would like to now invite my Deputy Chair, Mr Batchelor, to start off the questions.

**Ryan BATCHELOR:** Thanks very much. Ms Barr and Ms Littley, thanks very much for coming in today. I might ask you the question I have opened with in a couple of hearings now about leases. We have heard a lot from tenants in particular about the importance of security of tenure in the rental market and the problem of churn. As agents, what is your experience with lease length? What would you say is the common or average length of a lease that is offered to a tenant?

**Carmen LITTLELEY:** In our agency it is normally around 12 months. But in our agency we do a 14-month lease now, which ties in with the changes that came in in the *Residential Tenancies Act* with the ability for a landlord to be able to terminate a lease at the end of the expiry. They are unable to do that in subsequent leases; they can only do it in the first lease. That has been done to help the rental provider. A tenant does not have to sign a lease and neither does the landlord on a lease renewal – it can just go onto periodic – but for security, both for tenant and landlord, it is best that they sign a lease, also so that they are covered under their insurances if the tenant does go into default.

**Ryan BATCHELOR:** How many leases of more than 14 months – say, of two years, three years or five years – would you say you have offered and have been signed?

**Carmen LITTLELEY:** Not many. Unless there is a request.

**Ryan BATCHELOR:** Ever?

**Carmen LITTLELEY:** Look, I have probably got about five at the moment that are more than 14 months, that are two years.

**Ryan BATCHELOR:** Five out of how many properties?

**Carmen LITTLELEY:** Out of 300.

**Ryan BATCHELOR:** Okay. Ms Barr, what about you?

**Jessica BARR:** We generally have a minimum of 12-month leases now. We have actually seen it increase from often having six-month leases – that seems to be a thing of the past – really only if the circumstances are that there is a reason that that property is available short term. But we are seeing 12 months is the average. We have 900 rentals, and I would say 90 per cent of them are on at least a 12-month lease. Then we have got 16-month leases and 24-month leases as well.

**Ryan BATCHELOR:** Anything longer than 24 months?

**Jessica BARR:** I do not believe so, no.

**Ryan BATCHELOR:** Have you ever had tenants ask you for longer leases than that?

**Jessica BARR:** Usually 24 months is the longest that we have a request for, so two years.

**Ryan BATCHELOR:** And in your communication with tenants, would you advise them of the maximum length of the lease that they could ask for under the law, or would you expect the tenants to put the request to you for the length of the lease?

**Jessica BARR:** We usually gain their input on what they are seeking. So when we are asking them to apply for a rental, we ask them to advise us what term they are seeking.

**Carmen LITTLELEY:** And normally indicate how long they want a lease for.

**Ryan BATCHELOR:** Okay. The other area that we have touched on a lot is these new rental standards and the minimum rental standards that apply. In your opinions, who do you think should decide if a house is livable?

**Jessica BARR:** I think the rental standards as they are are quite fair in some regards. I think that they are obviously experts who made those decisions, and they did a fairly good job. There are some things that I believe are a little bit off with the rental standards, and that comes down to the age of homes and the cost. Not everyone can afford a brand new sparkling property, but you cannot rent out something that meets the standard for \$100 anymore. There is something in between that is missing.

I personally had a 100-year-old cottage that I used to rent out for \$110. It had new carpet, new heating, a wood heater, a split system and a new oven, but it was – well, it is actually a lot older now; it is probably 150 years old. It has creaky floors. It has walls and doors that do not quite close perfectly flush. It is probably a little bit colder in winter because it has got pine board ceilings. It does not meet the rent minimum standards, so it is now sitting vacant for sale. I could have rented that to somebody who was seeking a home for \$110 a week, which I had done in the past but I do not do now because it does not meet the minimum standards – and if I did put somebody in there, then they would be liable to take me to court for compensation.

**Ryan BATCHELOR:** But that would imply that people who cannot afford more should be required to put up with less than an acceptable standard of comfort and security. Do you think that is acceptable in the system, or do you think that everyone should have the right to have a livable home?

**Jessica BARR:** It would be great if everyone had a right to a livable home, but if they do not have the money, there is no possible way to give everybody a brand new home.

**Carmen LITTLE:** I think the minimum standards were a good thing that came out, because it got rid of a lot of the landlords that did not maintain their properties to standard. I personally do not take on any properties that do not meet the minimum standard. I will go through and look at those properties, and I am not prepared for our agency to be liable for any of that.

**Ryan BATCHELOR:** You talked a bit in the discussion about landlords selling their properties. Who is buying them? Is it homeowners who are buying them?

**Carmen LITTLE:** It is homeowners.

**Jessica BARR:** Homeowners.

**Carmen LITTLE:** I have only got a small rent role – and three-quarters of the properties, the rentals, that were sold on our books went to owner-occupiers. They all moved in. One of my partners in the business has got a sales real estate agency, and out of the last 59 properties that were sold, 28 per cent were sold to investors. So it is mainly owner-occupiers that are buying them.

**Ryan BATCHELOR:** So investors – people who do not want to put the money into upkeeping the standards of a rental property are selling them and people who need somewhere to live –

**Carmen LITTLE:** No. There is no encouragement for people to buy an investment property in Victoria.

**Ryan BATCHELOR:** How would you encourage them? Other than the tax breaks they get through negative gearing, what else could investors possibly need?

**Carmen LITTLE:** Okay then. I mean, for a start, with the land tax, from 1 January that is doubling in Victoria. The threshold is going down to \$50,000 where they have got to start paying tax on all of that. The only other state that pays land tax is New South Wales, and its threshold is \$969,000. So there is that inequality there.

The other thing is stamp duty. In Victoria we pay the most stamp duty out of all the other states – by at least \$10,000 on a 600K property. You have also got the rental yield return on the properties. When COVID came in we were not able to increase rents, so rents were not increased from 2020, 2019, until March last year, when we were allowed to increase rents. So owners were not able to increase rents. Then we had a situation where there were a lot of people that left Victoria because of COVID and being locked up – we had people going to regional and we had people going interstate – so we had an oversupply of rental properties.

**Ryan BATCHELOR:** That should have put the price down, though.

**Carmen LITTLELY:** It did. It brought the rents down even further than the 2020 prices.

**Jessica BARR:** Except in regional.

**Carmen LITTLELY:** Except in regional, where everyone was moving to. Then it was not until immigrants started coming back into the country late last year that we started to see properties being rented and rents starting to come up to what they were, the benchmark that they were at, and in the last five to six months – there is a shortage now. There are a lot of people. There are a lot of immigrants coming into the country, we have got refugees coming into the country, and there are not enough properties. Plus we have got investors who are selling because they cannot afford to have a rental property. It is all well and good to say that the land tax is tax-deductible, but you have got to pay it first before you get that money back.

**Ryan BATCHELOR:** Selling to home owners.

**Carmen LITTLELY:** Yes.

**Ryan BATCHELOR:** Thanks, Chair.

**The CHAIR:** Thank you, Ryan. Dr Mansfield, would you like to continue?

**Sarah MANSFIELD:** Yes, thank you. I was interested in your comments about there being a crisis at the moment, and I was curious about whether you have experienced tenants who have been unable to afford their rental payments or have come to you looking for a rental and there is nothing within their price range – if either of you can comment on that.

**Jessica BARR:** Yes. I probably can specifically bring up some case studies on that, but I will try and keep it short for you. We do manage properties in quite a low socio-economic area in Moe where a lot of people are on a pension of some kind. For a single aged pensioner, according to affordability they should not be renting something that is more than 30 per cent of their income. That leaves them at a maximum of \$215 a week, with the average rental being about \$350. So they are about \$100 away from the average cost of rentals. We have a large number of people who cannot afford to rent properties that previously they could. We have had some rental providers that we have spoken to and said, ‘This person’s got a really great history. They have been paying this amount of money. They can meet the affordability’ or ‘They can meet the payment but it’s not within that 30 per cent.’ Some will agree. We have had some lovely rental providers who have said, ‘Oh, reduce the rent down. I would love to have an older aged pensioner in my property.’ And certainly other pensioners are in that price bracket where they can only afford, as a single, about \$215 – and as a family it is about \$319, if they are a double-pension family.

I have been watching the applications as they come in, and the affordability of the average family is \$492 – that is 30 per cent of their income – and that is a working family, and for a working single person their affordability is about \$375 a week. So there is a very big gap in our market at the moment where affordability meets what people are earning.

**Carmen LITTLELY:** I agree with that.

**Sarah MANSFIELD:** Yes. And have you had people who are tenants who have hit a point where they can suddenly not pay, afford their rent?

**Carmen LITTLELY:** Yes.

**Sarah MANSFIELD:** And what happens in those situations?

**Jessica BARR:** Often people will communicate with us first, which is great, and we will generally go to the rental provider and have a chat and see what we can do, whether they can not increase the rent, if that is what is going to push them over. We usually send them to support services – Quantum, Salvocare, UnitingCare. Often they will not help people if they have rented something that is above that 30 per cent bracket. Obviously, if they do start to fall into arrears, then it is the process of going to VCAT and that lengthy eviction process if they are not actively paying rent.

**Sarah MANSFIELD:** What housing options have you found are available for people who are falling below that 30 per cent?

**Carmen LITTLELEY:** None. There are none there. You have got community groups like Unison and Uniting Care where we are in Wyndham that do have their own housing stock, but there is no room. There are no extra properties there for them.

**Sarah MANSFIELD:** There have been arguments that we need to increase the supply of housing, but if we are relying on the market prices for housing, will that address the need for that group who cannot quite afford the market prices?

**Jessica BARR:** I think there just needs to be a lot more community housing supplied by the government at the moment. There needs to be an injection of that sort of housing where it is meeting their pension rate or their income rate, especially for lower income earners. There is nowhere that we can refer them, past the support services to help them pay their current rent, but after that there is nowhere for them to go.

**Carmen LITTLELEY:** There is nowhere.

**Sarah MANSFIELD:** Okay. I guess to shift topics, we heard from some property owners this morning about having to meet standards, and a couple of them actually felt that the cost of meeting standards either was just part of doing business or was not particularly onerous, because you can offset some of those costs. I would just be interested in your thoughts about those comments.

**Jessica BARR:** Depending on the age of the property and the work required to meet the minimum standards of gas, electrical, smoke alarms – I do not think our owners have had a big problem with that. But some of the older properties, if they are 100 or 200 years old, are never going to meet the standards unless they are fully renovated, which is anywhere from \$150,000 onwards to replaster, recarpet – basically gut them and start again. So a lot of owners have said, ‘Well, it’s too old. I can’t spend \$100,000 or \$200,000 on it, so I’ll sell it to someone who might want to move in and live there or rent it out.’ That is what has happened with a lot of the older stock.

**Sarah MANSFIELD:** We heard from a lot of tenants at another hearing about the state of some of the houses that they had felt almost forced to lease because that was all they could afford, and they felt like it was difficult to ask for repairs or ask for some of those basic minimum standards to be met. In your experience as property managers, if tenants request repairs or have found that things do not meet standards, how do you manage those requests?

**Carmen LITTLELEY:** We try to get on to them straightaway. If they need to be done, we let the landlord know they need to be done. Unfortunately if they are not prepared to do that, we do not look after that landlord anymore. We do not leave the tenant high and dry. We try and help them as much as we can. We do not want to abandon them, but we cannot take that liability on either if the owner is not prepared to do that. But I think it starts from making sure that you have got the right properties and that they are up to standard before they are leased out. I do not think they should be let out before they are, so that would stop that or alleviate a lot of problems there.

**Jessica BARR:** I agree. I have great communication with my rental providers from the very start that this will be the standard that their home will meet. There is compliance Victoria, which will do that check to say that the home meets this standard. I highly recommend that they get that check first before leasing it out, and then obviously the safety checks are done. But I think, having great communication with landlords from the very start, my owners generally will say, ‘What needs to be done has to be done.’ They have no problem having it done. If for some reason we have come across a difficult rental provider, we do tell the tenants their rights: ‘Okay, we’ve done as much as we can for you. You need to refer to consumer affairs. You need to do your notice of breach.’ You are looking after the renter as well as the rental provider, so it needs to be an equal relationship. We find it does not get to that point, but it is about renters following their rights. They have that right to actually follow the same process of issuing breaches, going to consumer affairs and VCAT and making sure that their rights are heard.

**Carmen LITTLELEY:** We have got a duty of care to let the tenants know as well.

**Sarah MANSFIELD:** And why do you think it is, then, that we have heard from so many tenants about – you know, we have heard some pretty awful stories about the state of the properties that they are in. How is that happening given we have these minimum standards?

**Jessica BARR:** Sure. Perhaps renters are not fully aware of their rights or the channels to take. Perhaps they are renting through private rental providers whose agents have refused to manage their properties for them. There may be agents who are not providing the service that they should be. Those are my only thoughts on that.

**Sarah MANSFIELD:** Thanks.

**The CHAIR:** Thank you, Dr Mansfield. Mr McCracken, would you like to proceed, please?

**Joe McCracken:** Thank you very much, and thank you both for your contributions so far. There is this myth out there that rents never go down, they always go up, and evil property barons are ruining the world. What is your experience with that? Do rents ever go down?

**Jessica BARR:** Yes.

**Carmen LITTLE:** Yes, they do. The market dictates rents going down. You do have landlords too that look at an applicant. I had a brand new property that could have got \$450 a week, and a young family applied and a professional couple applied. Both applications were given to the owner, and the owner came back and said, 'I built this home so that I could help another family.' They ended up renting it to that young couple, and they rented it to them at \$360 a week.

**Joe McCracken:** That is quite significant.

**Carmen LITTLE:** Which was quite significant. So you do get times when you do get a rental provider that will look at the situation and they are in a position that they can do that.

**Joe McCracken:** All right. That is good. What impact do you think rent controls such as rent caps, for example, would have on the market?

**Carmen LITTLE:** I reckon that will be the final nail in the coffin for investors.

**Joe McCracken:** Why?

**Carmen LITTLE:** It will force more investors to sell.

**Jessica BARR:** I think they feel they are losing control, and it is possibly a human instinct that they are –

**Joe McCracken:** When you say losing control – of the property?

**Jessica BARR:** Yes. I think they feel if things should change or if interest rates skyrocketed to 10 per cent or something, they would have no power over what they could do with their property. I know they are renting it out to somebody else as that renter's home, but ultimately it is their home, and it is the comment from rental providers since the new reforms came in that they are losing control of their investments and their rights are being taken away from them. That is what they are saying.

I had a unit block of four units with great tenants, but the rental provider said, 'I'm sick of losing my rights as a rental provider. I'm selling them. The time's come. I don't want them anymore. If things keep going the way they're going, I'll have no control over them.' Even though we had no issues, they were sold, and all four of those tenants had to find other places to live, which was really unfortunate. I had managed them for nine years. But a lot of people are just feeling that they are losing control.

**Joe McCracken:** And obviously it takes rental supply out of the market as well.

**Jessica BARR:** It does, because those properties are now going to be knocked down, and it is in a good location so those four rentals are not coming back as rentals.

**Joe McCracken:** I have quite often heard that it is not one particular cost that can be attributed to people leaving the market; it is almost like death by a thousand paper cuts or death by a thousand costs, that sort of thing.

**Jessica Barr:** Yes.

**Carmen Littleley:** It is a culmination. It is all the changes in the *Residential Tenancies Act* and then their inability to be able to terminate a tenant if they are bad and costing them money. You know, if they do get into a situation like that, they have got to go down the VCAT trail, which at the moment is terrible. There is a real problem with VCAT, and that needs to be looked at. Then you have got all the compliances that came in as well at the same time, and there is a cost involved with that – the regular cost of having it done and then the works that need to be done to make their properties compliant. Then you had the 12 interest rate rises, mortgage interest rate rises, and you also had your out-of-cycle bank rises where they had mortgages coming out of fixed terms. So there are a number of factors that have come into play. And I think if they were told ‘Okay, you cannot increase your rent for another two years; it will be two yearly’ or ‘There is a rental cap being put on’, that would force even more out of the market.

**Joe McCracken:** Because there is also this myth that is being put out there as well that all the cost that a rental provider incurs is then passed on to the renter. Is that true or not?

**Carmen Littleley:** Well, they have not been able to, even if they wanted to. In the past, rental increases fluctuated between being able to do it once every six months, to once every 12 months, then back to once every six months. It is now 12 months. If you had it at six months, you would have smaller increments, where it would not affect them as much. It would come in slower. Whereas at the moment, because of the dramatic changes that happened in the last five to six months with so many investors leaving, it has caused the demand to be higher, and a shortage of properties, which has increased the rents. So on average in Wyndham the rents have gone up between \$50 and \$70 a week –

**Joe McCracken:** Yes, wow.

**Carmen Littleley:** which is a lot of money to a lot of people.

**Joe McCracken:** Is that just because supply has gone out of the market?

**Carmen Littleley:** Yes. In the west, where we are, we have also got a very high number of immigrants that come into our area, because we are more affordable in the west. We have also got refugees coming in. I spoke to a gentleman that I deal with with AMES – because we do help a lot of refugees – and they have got 67 families coming into the area this week. There are no houses.

**Joe McCracken:** That is massive. So what do you tell those people then – ‘You can’t’?

**Carmen Littleley:** ‘You can’t.’ And then you have got the system clogged up with tenants that are not paying at all, where we cannot get a VCAT hearing, and it is taking months to be able to get that tenant out – when there is a family that could be living in that property.

**Joe McCracken:** So about the VCAT system: we have heard from others that it is incredibly difficult to deal with and it is time consuming and that sort of thing. Why is that the case? Is it just clogged? Is it volume or is it the complexity of the cases, or is it just a lack of resourcing?

**Jessica Barr:** I do not know. There seems to be no consistency within the VCAT system. You might get an answer from one member one day, and then if you go back on the hearing, another member will go back on what another member has said, so you are sort of back to square one. There is a clog; we are still waiting for hearings from pre COVID.

**Carmen Littleley:** Yes, 2020.

**Joe McCracken:** Oh, wow.

**Jessica Barr:** Yes, 2020.



**Carmen LITTLELEY:** They are about 20,000 cases behind at the moment at VCAT.

**Joe McCRACKEN:** We heard some people earlier today that have had four years to wait.

**Carmen LITTLELEY:** Yes. Just in the last six months, I have had two cases heard. One was a 2019 case and the other one was 2020 case.

**Jessica BARR:** I do find it strange that a rental provider can apply for a rent arrears hearing through an agent and it takes months and months, but if a renter applies for a repair hearing, they are usually very quick. So there seems to be a priority order where some things are prioritised more than others, but no-one knows what that priority order is. I can understand the bond hearings –

**Carmen LITTLELEY:** And compensation.

**Jessica BARR:** Bond and compensation hearings are being pushed back because that matter is sort of dealt with in a way, whereas rent arrears, and repairs and maintenance and things like that, are a today's issue. But there is a backlog in the VCAT system, and no-one really knows what they are going into when they are going into VCAT now. We used to know how things would run and where things would go, and you could say to a rental provider or a renter 'Listen, this is probably how it is going to go.' But we go in and have no idea. Then, for instance, with rent arrears: if a renter goes in and they are given a payment plan – if they fail that payment plan, you go back, they get given another payment plan, and if they fail that, sometimes you go back and they are given another payment plan. They are given all these strikes, whereas it should be that we have made an order in the court and they are told 'You need to meet this. If you fail that, that is you done and dusted.' You should be getting a possession order, and then the possession order should be granted within 14 days. The process needs to be much quicker.

**Carmen LITTLELEY:** There is no consistency. Also, landlords or rental providers in Victoria have to go through VCAT, and they have made it that interstate landlords can go through the Magistrates' Court. The Magistrates' Court is not as up to date with the regulations as the members are at VCAT, but the matters are being heard sooner at the Magistrates Court.

**Joe McCRACKEN:** It seems a bit weird that there is, like, a two-tiered system there almost.

**Carmen LITTLELEY:** Yes. And then you have got overseas landlords that are put into the same bucket as local landlords, local rental providers, and they are being heard through VCAT. I have got two matters. I have got one matter that is an interstate landlord, and I made application in June. I had a hearing within three weeks. It was adjourned. The tenant owed nearly \$8000, but because they said they could pay on Friday – they had paid no money; they moved in, paid their first month's rent and their bond and did not pay one more cent. We then went back a month later and we did get possession, but the member said that we had to wait 30 days before we could purchase a warrant, and then there was another 30 days for that to be executed. So the owner is 11½ grand in arrears with rent –

**Joe McCRACKEN:** And that is time that people could be in the property.

**Carmen LITTLELEY:** Yes. And the property was trashed. I have had quotes done, and there is, like, \$104,000 worth of works to be done. I have got a Victorian landlord or rental provider. I applied in May. The first hearing was in July. They adjourned it. The tenant owed nearly \$6000. We had a rehearing booked for 27 July, and a week before that I got an email from VCAT saying that unfortunately that member was unavailable and it would have to be relisted. I am still waiting for another hearing. This owner still has not received any money.

**Joe McCRACKEN:** And the property is vacant.

**Carmen LITTLELEY:** No the tenants are still in there.

**Joe McCRACKEN:** Oh, they are still in there, not paying rent.

**Carmen LITTLELEY:** Yes. We cannot get them out. This is another reason why rental providers then give up and say, 'I don't want to be a rental provider anymore. I can't afford it.'

**Joe McCracken:** I cannot say I blame them.

**Carmen Littleley:** So something needs to be done about VCAT.

**Jessica Barr:** Absolutely. The system is way too long, and it has scared a lot of rental providers, because they know that the tenant has 15 days before you can issue them a notice to vacate, then a further 14 days before you can apply to VCAT. Then once you apply, how long is a piece of string until you get a hearing? And then once you get a hearing, what is that decision going to be? If they get a payment plan, then you have got to wait and see if they fail the payment plan. If they do, then you have got to reapply to VCAT. Then once you reapply, you get a warrant of possession order; you order that, and then you have got another 14 days. So you could be six months down the track before you can actually do an eviction. If the tenant has not been at the hearing, then they can put in a review, even up until the point where you turn up to the property with the police and the locksmith to evict them. One minute before you do they can ring VCAT and put in a review if they were not at that hearing.

**Carmen Littleley:** And they can do that three times on one warrant.

**Joe McCracken:** I think my time is up, but thank you so much.

**Jessica Barr:** That is okay.

**The Chair:** Thank you. Mr Puglielli.

**Aiv Puglielli:** Thank you. Hi. Aiv here. Thank you for coming in today. I might start with you first, Carmen. You talked about rental properties being sold and investors leaving the market. What happens when one of those properties is sold? Who does it go to?

**Carmen Littleley:** The owner – the purchaser.

**Aiv Puglielli:** And what sorts of people are purchasing those properties?

**Carmen Littleley:** They are first home buyers that are buying them at the moment and also people that have moved from interstate and immigrants that have been lucky enough to save enough money to buy their first home.

**Aiv Puglielli:** And in your eyes, in the face of a housing crisis in Victoria, do you think it is a bad thing that these different groups of people are able to buy properties, first home buyers included?

**Carmen Littleley:** I do not think it is a bad thing that they are able to buy it. I mean, we do need housing for everybody, whether you can afford to buy it or you can afford to rent it, but at the moment the scale is like this.

**Aiv Puglielli:** So then why are you concerned about investors selling their properties if it is going to be purchased by someone else who is going to live in there?

**Carmen Littleley:** Because there are so many more people that cannot afford to buy.

**Aiv Puglielli:** Okay. One of the submitters earlier, both in their contribution but also in writing, spoke about how real estate agents and the industry broadly is disincentivised to make housing affordable. Do you agree with that statement?

**Carmen Littleley:** It is a hard one. Let me think about it.

**Aiv Puglielli:** You are welcome to take it on notice if that works.

**Carmen Littleley:** Yes.

**Aiv Puglielli:** Jessica, how about you? Do you agree with that statement?

**Jessica Barr:** Could you read it again for me?

**Aiv PUGLIELLI:** Yes. The quote is that they are disincentivised to make housing affordable, the real estate industry at large. Do you think that is true?

**Jessica BARR:** Can I come back to that too?

**Aiv PUGLIELLI:** Sure. You are also welcome to take that on notice if that works. I will stay with you, Jessica, actually. You mentioned – I think it was in Gippsland – properties that were being sold and then not being made again rental properties. What happened to those properties in that instance?

**Jessica BARR:** Look, I believe most of them have gone to owner-occupiers. Some are sitting vacant, maybe for development later on. Well, actually I know of quite a few that have been purchased and are sitting vacant all ready to be demolished for different developments.

**Aiv PUGLIELLI:** And do you see that as a bad thing?

**Jessica BARR:** I do in this current climate.

**Aiv PUGLIELLI:** Okay. Just to be clear, is that the demolition aspect rather than a property otherwise going to a different owner?

**Jessica BARR:** Yes. Look, I think at the moment there needs to be something for people who cannot afford to buy their own home. It is really hard to make a comment on who is more worthy of housing when everybody should have somewhere to live.

**Aiv PUGLIELLI:** Sure. So in the demolition example, would you prefer to see those properties go into public housing, for example?

**Jessica BARR:** I would rather see them be housing as such, instead of sitting there.

**Aiv PUGLIELLI:** Public housing, to deal with that particular cohort you said that are not able to afford a rental?

**Jessica BARR:** If the government is willing to buy them and demolish what is there and build more properties and turn them into public housing, then absolutely.

**Aiv PUGLIELLI:** Sure. To follow on from the line of questioning from Mr Batchelor earlier, do you think that housing is a human right in Victoria?

**Jessica BARR:** Yes.

**Aiv PUGLIELLI:** And you agree, Carmen?

**Carmen LITTLELEY:** I agree wholeheartedly.

**Aiv PUGLIELLI:** Okay. This refers more to the contribution that you both decided to take on notice to respond to, this idea of either disincentives or incentives for the real estate industry in the current crisis. Do you think it is in either of your interests for property prices or rental prices to go down? I will start with you, Carmen.

**Carmen LITTLELEY:** Look, I only do property management, so I have not got a sales side of the business to prop me up when things are bad. So it is in my best interests too that rents do go up, because I do get more of a return, but that is not the reason for it. To a certain degree I would say, yes, it is better for me if the rents are higher, but that is not the reason I would be encouraging a rent increase at the property. It would be so that it is in the marketplace, because if that rental provider did decide to sell down the track, he has to make it saleable – you know, with the return and everything on it.

**Aiv PUGLIELLI:** Sure. We have heard examples in public media of the intermediary between the owner of the property and the renter, that that middle voice where the renter has requested that their rent not increase due to all sorts of factors, sometimes medical, and then instances where that information is not passed on to the owner over a lengthy period and, as such, the rent is increased. What repercussions do you think there should be for the intermediary in that instance?

**Carmen LITTLELEY:** Look, I think that they should be telling their rental provider any information that comes from their renter. I mean, that is what their job is.

**Aiv PUGLIELLI:** But if they do not do that, what do you think?

**Carmen LITTLELEY:** If they do not do that – look, there are a lot of things some real estate agents do that they should not do, and they are not accountable to anybody. Like the REIV, I do not think they do very much at all.

**Aiv PUGLIELLI:** Are you saying that there should be more repercussions, probably via legislation, to ensure that that action does not occur?

**Carmen LITTLELEY:** Yes.

**Aiv PUGLIELLI:** Okay. How about you, Jessica? What do you think?

**Jessica BARR:** Well, a renter can apply to have the rent increase looked at through consumer affairs.

**Aiv PUGLIELLI:** Do you think that most renters are aware of that ability?

**Carmen LITTLELEY:** Yes.

**Jessica BARR:** Yes, because it is on the form that they are given. So when you issue a notice of rent increase, they have to either be issued via registered post or email, depending on how they receive notification of documents, and on that notice that they are given that tells them how much the rent is it tells them how to apply to have it reviewed.

**Carmen LITTLELEY:** They have got 30 days to review it. We let the tenants know that. If they come to us and say ‘Look, we can’t afford this. We don’t agree with this. Can you go back to the landlord?’, we go back to the landlord. If the landlord says ‘No, it has to be at this price’, we tell the tenant that they have got the right to go through consumer affairs. I have been doing property management for 27 years now. In the past I have been called on by consumer affairs to be an independent agent, to go into properties where they have had an unfair rental increase.

**Aiv PUGLIELLI:** Thank you, I appreciate that. We have heard from tenants in the previous hearings as part of this inquiry process about the power imbalance between the landlord and the renter. Given this capacity that you are flagging for this to be followed up, do you think renters are not following that pathway for fear of eviction?

**Jessica BARR:** No, because I would say that the fear of eviction should not be there with the current process. Evictions through the proper channels are taking an extremely long time and they are heard by VCAT. The fear of eviction is something that is a fear in their mind, I would say, because it is fairly heard by VCAT. So VCAT are not going to evict someone on an unfair basis. The only way to evict a tenant is through a warrant of possession.

**Aiv PUGLIELLI:** Right. Okay. Thank you.

**The CHAIR:** Mr Galea.

**Michael GALEA:** Thank you, Chair, and thank you both for joining us today. I would like to start quickly again – just picking up from something earlier – the discussion over long-term leases. With both your respective agencies, I am sure that you charge a letting fee to your landlords when a property is first let. If there is an extension or a renewal of a lease – say, for a further 12-month period – do you then charge a re-letting fee to the landlord?

**Jessica BARR:** A lease renewal fee – yes, we do charge that.

**Carmen LITTLELEY:** Yes, we do. We have only just introduced that this year. We did not up until then.

**Michael GALEA:** Sure. Are you comfortable disclosing to us what that fee sort of looks like? Is it a week’s rent?

**Jessica BARR:** Ours is a flat fee of \$150.

**Carmen LITTLELEY:** Ours is \$220.

**Michael GALEA:** Sure, thank you. Would it be fair to say that there is a financial disincentive for real estate agencies to offer longer term leases because you miss out on that chance to then apply that fee?

**Jessica BARR:** If you looked at it that way, I would say yes, but we would never come between a rental provider and a renter on their discussion. So we basically should be the mediator, and I would say that I cannot imagine agents would think that, to be honest. Maybe there are some that do, but in the long term you are better to have a renter who is there for a long time, because that \$150 only covers your costs. It is not something that you are making a fortune out of. You are better to have a tenant – sorry, a renter – who is in there long term. There is less turnover and there is less work.

**Michael GALEA:** Interesting, and we have heard the same from both tenants and landlords. Why, if you are saying that is also what you would prefer, do we have such low numbers of long-term leases?

**Jessica BARR:** I believe a lot of our renters often come to Gippsland – I should not say a lot. There is a percentage that would come to Gippsland, and a percentage of renters who do come and rent on the basis that they are purchasing their home. Maybe it is the Australian dream of becoming a home owner, so they do not want to tie themselves down for so long in case an opportunity arises. I do not believe a lot of rental providers actually decline a longer lease if it is put to them. We do not have a lot of requests for longer leases.

**Michael GALEA:** Would it be fair to say it is just part of the accepted culture of 12-month leases and all participants seem just to go for that because it is the default?

**Jessica BARR:** I would say so. I would say it is the middle ground of, like, everything in marketing as well – people always tend to go for the middle option.

**Carmen LITTLELEY:** And you get a lot of young families that do not want to go into longer leases because of not being in a zone for schooling and the possibility of them having to move.

**Michael GALEA:** Yes. In terms of affordability – we talked about that as well – I note that Commonwealth rent assistance from the federal government increased by about, I believe, 15 per cent in July this year. Did either of you observe an impact of that increase?

**Jessica BARR:** Not particularly as of yet – it has possibly not rolled over or not rolled around enough to make an impact. But rent assistance is paid to the renter for the renter to then pay to the agent. If a renter is getting rent assistance to pay the rent and then they are not paying rent, then I cannot understand why that rent assistance is not being given directly to an owner.

**Michael GALEA:** I understand. And is it possible for a renter to elect to do that – for the rent assistance to be paid directly to the agency?

**Jessica BARR:** They can pay their entire rent through Centrepay, but they have full control over when it is paid and if it is stopped, so they can stop that at any stage.

**Michael GALEA:** Sure. We also talked a little bit about regulation, and there was somebody's commentary about that also from what we have heard. I note, Ms Barr, earlier you made the comment that the landlords often say to you: 'If it needs to be done, let's just get it done.' Would it be fair to say then that – we have heard also evidence about the reason why these regulations are so important – if they were not in place, if a landlord was saying to you 'What needs to be done? Let's get it done' and we had the regulations of a state that is less well regulated, say, New South Wales, some of these things such as heating would not actually be done in these houses? Is that correct?

**Jessica BARR:** I would not say so. I would think it is an agent's job to tell the renters that if the landlord is not saying, 'Just get it done.' If the landlord is saying not to get it done, you need to direct the renter to where their rights are. They have the right to issue a notice of breach and then follow that process through to VCAT for – there is an account that then becomes the rent special account, where the tenant pays their rent directly into that account and that is used for the repairs if the owner does not do it.

**Michael GALEA:** Just to clarify, what I am saying is if those regulations were not in place – around heating and cooling, for example, or heating in particular for this example – there would be no requirement for the landlords to then pay for those repairs. That might still be very important, to heat the house. So would it not be the case that without that regulation there would be a lot of rental properties that would be insufficiently heated?

**Jessica BARR:** No. I would say no, because all our properties had heating before the rental minimum standards came in that said that properties had to have heating. I cannot say in 16 years I have been to too many properties that do not have heating.

**Carmen LITTLELEY:** I am about the same.

**Michael GALEA:** Are there many examples of where a landlord will come to you seeking to go and make improvements that go above and exceed the current regulations?

**Jessica BARR:** I would say a lot of rental providers, when they renovate, do it to the best standard possible. They do not want to have to come back. If the regulations change, they do not want to have to come back and do it again. They do it to the best possible standard if they are already spending the money.

**Michael GALEA:** I can well imagine some would, but I can also imagine some would not. Would that be fair, that they would try and do it as cheaply as possible?

**Jessica BARR:** Yes.

**Michael GALEA:** And how do you deal with that as an agent?

**Jessica BARR:** As mentioned previously, we ask our landlords to have the rental minimum standards checks done and to meet those standards before we manage them.

**Michael GALEA:** So again it comes back to those regulated checks?

**Carmen LITTLELEY:** Yes.

**Jessica BARR:** Yes.

**Michael GALEA:** Do either of you or either of your agencies use apps to manage tenants and/or landlords?

**Jessica BARR:** No. We do use an online portal. We use Property Tree, where communication does go through, but not an app.

**Michael GALEA:** Sure. And the same for you?

**Carmen LITTLELEY:** The same – Property Tree too.

**Michael GALEA:** In terms of the data for the renters, we have also had a lot of conversations about privacy. I understand you may need to take this on notice, but what privacy protections are in place for that data about various things to do with the property, to do with the landlords and to do with your tenants as well?

**Jessica BARR:** Do you mean with it being online?

**Michael GALEA:** Yes, in terms of privacy protections and also whether that is on sold through Property Tree or another agency or another company and also security in terms of hacking.

**Jessica BARR:** There are two-factor authentication processes in place on our system, so you cannot just quickly log in or have a saved login; it sends codes out to each person who logs in. It is protected obviously under our security systems, and we make sure that that product specifically does not on sell any data.

**Michael GALEA:** Is that the same for you?

**Carmen LITTLELEY:** The same; I am with the same company.

**Michael GALEA:** Thank you. Thank you both.

**Carmen LITTLELEY:** That is okay.

**Jessica BARR:** No worries.

**The CHAIR:** Thank you, Mr Galea. Ms Payne, are you still with us on Zoom?

**Rachel PAYNE:** Yes, Chair, I am here, thank you. And thank you to those who have attended. I actually had mainly questions for Billy Schroeder, so I am a bit disappointed that he is not here to hear my line of questioning. I would like to hear from probably you, Carmen. I think you mentioned more so the idea that a standard of living would be very well received amongst the industry. Can you elaborate a little bit more on that? It seems as though standards have been applied. I think I noted the amendments to the RTA went ahead in 2021. Do you feel as though a more accountable standard for both rental providers and renters would be accepted within the industry?

**Carmen LITTLELEY:** I really think the *Residential Tenancies Act* needs to be looked at because it favours the renter more than the rental provider at the moment, and it takes a lot of their rights away as a rental provider with their properties. So I think that really needs to be looked into with regard to an owner having the freedom to be able to sell his property or to terminate a lease. They removed the 120-day notice, which was four months notice, to a tenant to be able to leave a property for no specific reason. At the moment the only reason that a landlord can give a notice to vacate to the renter is if they are selling the property or if they are moving back in, and it makes it very, very hard for the rental provider if they are wanting to move back in. We have got cases at the moment where the rental provider is wanting to move back into that property, and they are having problems through VCAT being able to get a hearing heard for possession because the tenant is refusing to move. So that is one of the things that I think really need to be looked at. I do not know how you feel about it, Jess, with the notices to vacate. There is no freedom there.

**Jessica BARR:** No, there is not.

**Carmen LITTLELEY:** It is too restrictive.

**Rachel PAYNE:** I do see your point there. But listening to a lot of tenants as well, it may be that many people do not have another home to go to, so I think it is about finding that balance there. You mentioned that a lot of those that are buying what were investment properties are probably home owners or first-time home owners. Is it more that there is just an issue of supply there, and do you find that those that are selling their investment properties have multiple properties? I do note in some of the submissions you are talking about selling of their properties, plural, not just property. So I am just curious to know if we are talking about multiple properties here and as an investment it is no longer viable to have multiple properties – if it is your mum-and-dad investors that have one or two or if it is your bigger portfolio investments.

**Jessica BARR:** Mine is multiple. We do have lots of multiple landlords who have multiple properties. But we do have a lot of mum-and-dad investors or first-time investors as well, and they are all equally selling. There is no one or the other; they are all selling equally.

**Carmen LITTLELEY:** Mine have predominantly been single investors. I have only had one in the last six months that was a multiple property owner, who sold all four, but that was through a matrimonial break-up.

**Rachel PAYNE:** Thank you. That gives me a bit more clarity. I think that is all I had to ask, thank you.

**The CHAIR:** Thank you, Ms Payne. Dr Bach.

**Matthew BACH:** Thanks, Chair. Thank you both for coming in. I dare say to some extent at least you have been following our proceedings and you have heard some of the things that have been said about your broader industry, uncorrected – things like the fact that you, both in property management and in real estate, have little or no training. You look too young, we have heard, fresh out of high school, and either that you do not understand government regulation or, worse, that you do and you routinely knowingly withhold that information from tenants. It has been put to us that you bribe politicians with donations. Some of this is stupid, but I think it is serious because you are being set up as a potential scapegoat for this committee. Neither of you appear like you have two heads. You seem to be saying sensible things to me. I think, given what we have heard, it is important for you to have an opportunity to respond to at least some of that. There are a couple of

themes, but one certainly is that, respectfully, people in your industries lack intellectual capacity and, where you have any, that you knowingly withhold information from tenants. How would you respond to that charge, which we have heard on multiple occasions now?

**Jessica BARR:** Sure. I think when you look at the minimum wages for property management and such or under the real estate wages, they are very low, so you have got to have people who are either incredibly passionate – I would put myself and probably Carmen in that bracket – or people who are young and need a job. I hope that addresses part of maybe why people are saying people are young. If you want good staff, you have got to pay them. Our business does not pay the minimum wage, so we have really good staff. We have people who have had longevity in the real estate industry. Our new staff – the newest member would have been with us for two years, and we do send them to extensive industry training through either our own head office or through the REIV or other people who have been in the real estate industry for 30 or so years who are trainers themselves. Also, to play devil’s advocate for our staff, we do send them to someone who has been a consumer affairs inspector, and they are told the worst case scenario of everything and where that will land if things are missed. Perhaps there are other agencies out there that are not paying high wages and not getting people who are passionate. Also, if agents are taking really cheap fees to have the bulk of the properties – if you are getting cheap fees, you are not making enough money on the properties to pay for decent staff. So I think when landlords are taking their property to an agent and they are basing that on fees, if they are not going to pay someone to do the job, they are not going to get someone who is going to do a good job.

**Matthew BACH:** All right. Thank you.

**Carmen LITTLELY:** I totally agree with that too. Look, I am passionate, and I am very much about being ethical as well and my staff treating both the rental provider and the renter with respect. I worked in welfare housing for seven years before I went into property management, so I have seen that side and I have got that empathy, which I think some real estate agents do not have, with single mothers and things like that. But I think the biggest thing, like Jess said, is the wages in the industry and how much a property manager is paid. You find agents that are employing really young staff. Half of them have not left home. They are not worldly wise, and they do not know much about properties at all because they have never lived independently themselves and they have not got an eye for detail when walking through a property. They also have not got the experience of being able to handle situations. Property management can be very, very negative; I mean, we do get a lot of negativity.

**Jessica BARR:** We are the meat in the sandwich.

**Carmen LITTLELY:** And we are the meat in the sandwich. You know, we have to mediate between both parties, and I always encourage my staff to have a good rapport with both tenant and landlord so that we can get a better result. I mean, I have got ex-tenants that rented through me 15 years ago who have got to the stage in their life where they have purchased an investment property and they have come back to me to look after them because they know how I treated them as a tenant when they were in that property, which is a compliment at the end of the day. But there needs to be training and there also needs to be a head of that department in property management in the real estate agency that is going to provide for or be a mentor for the staff that they are putting on and back their staff. You find a lot of staff are not backed in situations and they burn out. That can cause them to then probably not give the right advice.

**Jessica BARR:** And it is a high-turnover industry. I have not got the statistics in front of me, but it is a very high turnover industry. There was a very high level at one point of suicide and mental health problems within the real estate industry because of the type of work that it is and the types of situations you are put in.

**Matthew BACH:** All right. Thank you. That is useful context for us. Just quickly, in the time I have got left, Ms Littlely, you referred to the impact of school zones on people’s decision-making about property. Say we just got rid of school zones and let parents choose where to send their children: what impact would that have on the property market?

**Carmen LITTLELY:** Look, I think people would be more stable in where they are, where they are living. At the moment because of numbers coming into the area and also the quality of schools, people are really restricted by the zones, with being able to place their children in the school that they want their child to go to. I mean, they are taking on that they might have to pay more money in transport or in after-school care because



they are not as close to the school, but they know that they are sending or are comfortable that they are sending their child to a school that they are going to get the best learning and education from. It is peace of mind of being able to choose that, but at the moment I think zoning takes that choice away.

**Matthew BACH:** Right. Thank you. We will look at that as a recommendation. Thank you very much.

**The CHAIR:** Thank you. Mr Tarlamis, please.

**Lee TARLAMIS:** Thank you, Chair, and thank you, Ms Littley and Ms Barr, for your submissions and insights today. Many of the questions that I had have been asked already, but I just want to revisit a few things. Mr Galea spoke about the minimum standards and the question around: if they were not in place, would landlords be inclined to actually take them up. I go back to something that, Ms Littley, you said earlier – that you are selective around the landlords that you take on in terms of your business, so there would be a number that would not have met the standards. Your experiences may be different to what is happening out there in the wider sector. In light of that, given that you have seen properties that would not meet the standards and said ‘No, I’m not going to represent them’, I put that question again. Do you think landlords, if there were not minimum standards in place, would be doing all of the repairs that they do to bring the houses up to that livability standard?

**Carmen LITTLELEY:** Look, you need to have minimum standards. There is no question about it. I mean, we have seen it in the past where you have had private landlords, where they have rented properties out and they have taken tenants on because they know these tenants cannot get anywhere else, so they are going to move in to somewhere that is substandard. They have got no choice – it is either that or being homeless. But there needs to be a standard set. Everyone is entitled to live in a property that is safe and fully functional.

**Lee TARLAMIS:** Yes. And we have heard from both tenants and from property owners that there have been some issues – and we have heard personal anecdotes around the experiences they have had – in terms of dealing with some agents, and I appreciate those views have been mixed. We have heard good experiences but also really bad experiences, and I think you were saying earlier there may be a lack of understanding in some places or that sort of communication, particularly whether you are dealing with an agency or someone who is managing the property, you know, who is managing the property themselves.

I know asking whether or not there should be more standards or regulations put in place is probably dangerous territory, and many agents would be doing this stuff anyway as a base level, but do you think there would be benefit from actually having that base level of setting out in regulation or in legislation a minimum of what needs to occur to try and provide that balance for the tenants and for the landlords around what their rights are and what is required of the agent? So for instance we heard examples of information not being passed on to tenants. If the landlord had been aware of it, they would have acted on it more quickly – those sorts of things. If there was a minimum set of standards about communications – how they occur and those sorts of things – and what needs to happen, do you think that would be something that would be helpful?

**Carmen LITTLELEY:** Look, it is already in place to a certain degree. When a lease is done – I mean, prior to it going electronic we handed out the rights and responsibilities booklet by consumer affairs, which sets out all the tenants rights in there and the avenues they can go down if things are not working right in their tenancy.

**Jessica BARR:** Tenants have their rights as well.

**Carmen LITTLELEY:** Yes. I mean, they are fully aware of it. They have been given that when they are there, but we also reiterate it when there is a problem, you know?

**Lee TARLAMIS:** I guess I am also going to the issue around agents, around what services they can provide, and whether or not there would be potentially some services offered through an agency that would not necessarily be through someone who is self-managing their property. So it is that sort of –

**Carmen LITTLELEY:** You mean self-managing as opposed to a real estate agent?

**Lee TARLAMIS:** Yes.

**Carmen LITTLELEY:** Look, it is hard to govern a private landlord. How do you govern a private landlord and what he does?

**Jessica BARR:** I think it comes down to fees as well. I seem to find that a lot of the properties that come to me that have disputes have come from an agent that was charging that owner really low fees. So they have scooped them in on a low fee and provided a service that equals that fee –

**Carmen LITTLE:** Substandard.

**Jessica BARR:** whereas I find there is not much takeover management between certain agents when the fees are the same and the service is the same. I would think any good businessperson should know how much they need to charge to offer the service that is required under the legislation.

**Lee TARLAMIS:** Yes. For instance, I know of experiences where a real estate business that is selling properties but has the –

**Carmen LITTLE:** Rent roll.

**Lee TARLAMIS:** rent roll as well, where that has become a secondary thing and not as important in terms of the business, and they have not had necessarily the robust structures in place to deal with that.

**Carmen LITTLE:** And you find that in your traditional real estate agency where you have got sales and rentals. The rentals are the poor side of the business. The database is a future database for sales. When the market is slow and they are looking to sell and they have not got enough listings, they will target their rent roll. It is an asset that is being built. Unfortunately, those companies are run by sales-orientated principles where the main focus is the sales, so all their resources go into the sales side of the business because they get the best returns from there. But it is not every company. I mean –

**Jessica BARR:** Most definitely. We educate our salespeople on the fact that our rent roll is what pays the bills and that it is not to be targeted. It pays the bills and it is equal, and our director is certainly mindful that sales are equally as important as rentals. Again, we charge a fee to offer the best service possible to both renters and rental providers, and I think it comes down to policies and procedures following the Acts and making sure that people are communicating. And renters have all the resources there. It is on the internet. You can say ‘Hey Google, what’s this?’ and it will tell you your rights. It is not hidden anymore. You do not have to go through pages and pages of legislation to find an answer. It is there. You type into Google ‘What happens if my landlord doesn’t fix my heater?’ and it will tell you. I think it is right there for them.

**Lee TARLAMIS:** Okay. Thank you.

**The CHAIR:** Thank you. Dr Heath, do you want to continue?

**Renee HEATH:** Thank you. Thank you so much for coming in and speaking with us. We have spoken a lot about the rights of tenants. What about the rights of rental providers? How does that compare to, say, 10 years ago?

**Jessica BARR:** I think the VCAT system is currently the biggest hold-up under the rights of rental providers. The length of time it takes to get a tenant out of a property who is not paying, or doing damage or basically doing the wrong thing under the legislation – there is no time line for a matter to be resolved. There is no time line that if a rental provider’s rent is not being paid they will have a resolution in a month or two months. It could be six months before that renter is removed from their property, and I think that scares a lot of people in that they will go and purchase the dream of having an investment, the tenant all checks out on paper, something significant happens to that tenant in their life maybe or they have provided false documentation, it goes pear-shaped and that tenant is in arrears doing damage – that rental provider could be without rent for six to eight months. Through COVID it was 12 to 24 months, and these people were defaulting on their mortgages. It affected their future, their history – to either buy another property for them to live in or buy another investment. I think that is one of the biggest scares for rental providers at the moment – that there is no time frame around VCAT and there is no clear-cut process of how it is going to go and there is no consistency. With one member saying one thing, and then another member – you go to a rehearing, and they overturn what a previous member has said. Then after that decision has been made, they have to apply to the Supreme Court to have any action taken.

**Carmen LITTLELEY:** Yes. I mean, 10 years ago you could talk to your rental provider and let him know that the time it would take would be approximately six to eight weeks – the process from issuing the notice to the application, to going to VCAT, to getting an order made. But that is not the case anymore. As I said, I have got one at the moment that was adjourned, and I am still waiting to hear. That process has been going on since May.

**Renee HEATH:** You mentioned something earlier on about how there was a small cottage that you used to be able to rent out for \$100. I hear what the panel is saying, that there definitely needs to be a minimum standard, but surely if that is what somebody can afford, it is getting them off the street and it might be something that also the landlord could afford.

**Jessica BARR:** Absolutely.

**Renee HEATH:** Surely that is a better option.

**Jessica BARR:** I would think so. Personally, it was my property. It was my first home that I purchased in country Victoria. I rented it out to tenants, and they lived there comfortably. My dad actually rented it off me until he passed away, and he lived there comfortably. I lived there for three months while I was looking after my dad, and I lived there quite comfortably with a six-month-old. As I said, it has new carpet and a new oven and it has got all sources of heating, but it is very, very old. It has got creaky floors, and you cannot always make the doors stay perfectly shut because it has movement. It is in the goldfields, so the ground is very rough and hard. But it provides a very basic level of housing.

**Renee HEATH:** It is home.

**Jessica BARR:** And it is home. I live in a very different property in Gippsland, but it was very comfortable to live in. It has been very comfortable, but it does not meet a ventilation minimum standard, and a renter would now complain – I hear it every day – about creaking floors, the windows that may not stay up perfectly and little things that I would not think would make a home unlivable. But it seems that unless it is brand new and they can live in it perfectly without minor things, then it is not worth living in; it is better to live on the street, it seems. It seems strange to me.

**Renee HEATH:** Yes. Would it meet the minimum standards to live in if you owned it?

**Jessica BARR:** Yes. My very own dad lived there very comfortably. I know it is my own family member, but he was 70 years old and he loved it. It was in a good location for him. Even as a family member, anytime that it needed a new hot water service or anything, he would ring me and we would get it done. We would pay the bill. Anything that genuinely needed doing was always done. And I lived there comfortably for three months. I would definitely think it is better than living in a bus shelter – where I am seeing some people living at the moment.

**Carmen LITTLELEY:** Yes. We have even had people camping, living in tents, in Wyndham.

**Jessica BARR:** They are. That is all over Victoria.

**Renee HEATH:** It seems better than that, I think.

**Jessica BARR:** Yes. But I would think a tenant, if they lived there, would be able to live there and move in and say that it was not comfortable, the floors creaked and it was a little bit chilly in winter – even though it has got two sources of heating – and I would think I would see a compensation claim.

**Renee HEATH:** That is interesting. You mentioned when you first started that you had some thoughts that you were going to bring, Carmen, that could address the rental crisis in Victoria. I wonder if there are any of those we have not covered in this discussion.

**Carmen LITTLELEY:** Not really. I mean, the main ones were VCAT, and financially it is the land tax and stamp duty for landlords. You know, come 1 January we are going to see the impact of that. And it is not only our local rental providers, but it is also overseas investors that bought through central equity and purchased a lot of the apartment buildings in the city. You are going to see a lot of them go as well. We will have more stock then because I think there will be quite a number of vacant properties in the city, as in apartments. But as you

know, as Australians we do not all want to live in an apartment; we want a home, a house. I think the land tax really needs to be looked at, and I think if something was done about that it would probably prevent a number of landlords from selling up.

**Jessica BARR:** And the talk of the rent caps –

**Carmen LITTLELEY:** And the rent cap – if that comes in, all hell is going to happen.

**Renee HEATH:** The last nail in the coffin, as you said, yes.

**Carmen LITTLELEY:** All hell is going to happen.

**Renee HEATH:** Would you say that the extremely high taxes in Victoria are driving the rental crisis?

**Jessica BARR:** Part of –

**Carmen LITTLELEY:** Part of, yes.

**Jessica BARR:** Because there are mortgages, safety checks, rates, insurance, water rates, management fees, repairs, and we have got –

**Carmen LITTLELEY:** And then you have got your general cost of living.

**Jessica BARR:** And your cost of living and then your land tax coming in.

**Renee HEATH:** Amazing. And investors are leaving the market, aren't they?

**Carmen LITTLELEY:** They are. I had an investment adviser do something up for me yesterday with regard to the land tax and future investors looking at Victoria, and the comparison that he did was on a \$600,000 value. The land tax for 2023 would be \$2975, and with the land tax going up in January that would then jump to \$4650. So it is quite a big –

**Renee HEATH:** It is becoming unaffordable.

**Carmen LITTLELEY:** It is 50 per cent more that they are going to be paying.

**Jessica BARR:** Well, in the last month the REIV data had a 15 per cent drop in private rentals in Victoria and 217,000 rentals sold Australia-wide in the past year. They are big numbers.

**Carmen LITTLELEY:** It is an average of one out of every four investors who are selling at the moment.

**Renee HEATH:** So potentially – maybe that was the alarm for my time.

**The CHAIR:** Last question.

**Renee HEATH:** But potentially then there could be a young couple or a young person that has worked hard to get into their first home. It could be, for instance, the one that you were renting out for \$110. And that is fine for them, but then there could be somebody that is at risk of homelessness who can only afford \$110 who that is not fit for. It seems like a bit of a disparity.

**Jessica BARR:** The question in my head is: how are properties that are being sold not meeting a minimum standard but people are living in them? They are buying them and they are living in them.

**Carmen LITTLELEY:** Yes. It is different for owner-occupiers and rental providers –

**Jessica BARR:** And there is no ability to adjust the price to meet the standard of housing. That is a no-no, basically. Under the legislation you cannot adjust the price to meet the standard of the home.

**Renee HEATH:** I would not say that a landlord that maybe has a property there and cannot afford to bring it up to minimum standards is a human rights abuser, for instance, for wanting to help somebody out and have them in there at a cheaper cost while they do it up or something.

**Jessica BARR:** Yes. Those landlords or rental providers are basically me and similar and are leaving the houses vacant or sitting them on the market for sale to see if someone will buy them.

**Renee HEATH:** Thank you so much.

**Jessica BARR:** That is okay. Thank you.

**The CHAIR:** Thank you, Dr Heath. It is fantastic having both of you here, because one is from the east and one is from the west. You mentioned about housing before. I moved to the west 20 years ago now because of housing affordability, and it still is affordable, so it is good to see that in the west people are still able to purchase and rent in that area.

There has been a lot mentioned about minimum standards and livability. Can you just make some comments in relation to what it is you are checking in a house before you are renting? And at the moment with all the regulations and minimum standards, is that a deterrent or an incentive for people to actually go into the market and purchase and rent out houses?

**Jessica BARR:** Sure. We generally ask our rental providers to get Compliance Victoria to do the minimum standard check to make sure the property meets the minimum standards under the Victorian legislation. Obviously, when we are going through, we would have a look at all of those things, and it is the big red flags: is there mould? Are there things that might possibly look like asbestos? We are not builders, but we flag that to be checked. Generally looking at the overall condition of the property: are they maintaining the gutters? If they are not, that is going to contribute to water being around the property. Is there rotting wood? Are there rotting handrails? All of those things – is the shower in good condition, the bathrooms, the kitchen? Are the cupboards serviceable? Is everything working as it should? We have a general glance, but at the end of the day we ask them to have it checked by Compliance Victoria and obviously then provide the three safety checks for gas, electrical and smoke alarms – they have to be done.

**The CHAIR:** Under regulations it must be done before it is leased out, is that right?

**Carmen LITTLELEY:** Yes, or a work order in place, in the process.

**Jessica BARR:** The landlord has to disclose under the lease that those checks have been done.

**Carmen LITTLELEY:** Yes.

**The CHAIR:** We have heard a lot from renters about poor conditions. Through the submissions we have heard of a lot of poor conditions and situations for renters. I am just wondering: in your opinion and from your experience, how has it come about that so many people experience those situations?

**Jessica BARR:** Perhaps they are not checking their rights. If they are moving into a property that is not under their opinion meeting the minimum standards, they should be obviously flagging that with the agent. Then the agent needs to flag it with the landlord and get that actioned. If the renter is not getting a response, they need to action their rights under the legislation, which is why the minimum standards were put in place – to make sure that there was a standard of living for renters and there is a process that they can go through to make sure that that property does meet the standard. I am not sure why other agents are not doing that. They should be.

**Carmen LITTLELEY:** Yes.

**The CHAIR:** So by not doing that, is there a penalty for that as well?

**Carmen LITTLELEY:** There are penalties.

**Jessica BARR:** There are penalties in place.

**The CHAIR:** And is that against the real estate agent or the landlord themselves?

**Carmen LITTLELEY:** There are two.

**Jessica BARR:** There are penalties for both, and I think it is governed by the REIV.

**Carmen LITTLELY:** The REIV, yes.

**Ryan BATCHELOR:** Sorry, can I just check: you mentioned Compliance Victoria. Is that the company Property Compliance Victoria – so a company, not a government agency?

**Jessica BARR:** Yes, it is a company.

**Carmen LITTLELY:** There are a number of companies that do it independently.

**The CHAIR:** Okay. I just want to ask about when you are renewing the lease and increasing rent for the landlord. Is there a standard percentage you increase it by, or do you determine it by the actual market itself?

**Jessica BARR:** It used to be about 2 per cent a year.

**Carmen LITTLELY:** Yes.

**Jessica BARR:** Now it seems to be 3 or 4 per cent, but it also compares back to the market. When a rent increase is done, under the legislation you do need to provide a comparative rental analysis with your rent increase to show the renter how you have come to that conclusion. So that will show them why their property is being increased to that level, and you have got to show the comparison of properties – that it comes to this amount because these properties in this area are similar at this price. That is part of the rent increase process.

**The CHAIR:** And also – probably the last two questions – just regarding the current rules and regulations, from your experience, how can they be improved to incentivise people to invest in the area? So we want to increase people going to rental properties, leasing out properties. With the rules and regulations at the moment, how can that be improved, or is it okay at the moment? Are the standards and the regulations at the right pace or not?

**Jessica BARR:** There needs to be a guarantee for rental providers that if they have a tenant not paying rent and a tenant doing damage to the property, there is a quick process in place to have that tenant removed.

**The CHAIR:** That is one. Anything else?

**Carmen LITTLELY:** That would probably be the number one.

**The CHAIR:** Number one. So all the rest of the regulations, the rest of the rules?

**Jessica BARR:** I think perhaps something to do with the age of the properties. Where they are based on a minimum standard, there need to be things outside of that that tenants can claim compensation on. Currently VCAT can make rulings outside of the Act, so they can make compensation if a tenant has a high enough case to say, you know, ‘My floors are creaky and it’s keeping me up at night.’ There are a list of compensations that can be made against a landlord by a renter, and I think it needs to be an age process, whether properties can meet this age, but they should not then be rented out above this if they meet this standard, and then if they meet this standard – not everyone can afford the same standard of living. I think that is worldwide. How we address it I am not 100 per cent sure, but I think there are homes out there that are comfortable enough to live in that are not meeting a standard set by people who probably are not in that bracket.

**The CHAIR:** So you suggest it would be a case-by-case inspection?

**Jessica BARR:** Yes, absolutely. Or maybe there is a government body that does the compliance and checks the minimum standards, or it is governed by a government body that has the standards and says, ‘Right, this is fit for habitation. There is no mould. There are no leaking taps. It has heating and cooling. The fittings and fixtures are of a decent standard. It does meet the minimum standard, but it shouldn’t be rented out above this price.’ Then obviously you have homes that are in the new scale, which are brand new, so they meet the market.

**The CHAIR:** Just a last question following up on that: do you think real estate agents, property management and home owners would be willing to pay a cost or fee for a government recommendation to actually do that on their behalf and issue a livability certificate for inspection, if an additional government agency did that?

**Jessica BARR:** Yes. Well, they already are.

**Carmen LITTLEY:** They are already paying that.

**Jessica BARR:** It is about \$265 minimum for a one- or two-bedroom home and it is about \$340 for a bigger home for a report that says 'My home meets this standard'.

**The CHAIR:** Obviously it is a government agency, is it?

**Jessica BARR:** It is not a government agency, but I think if it was a government agency it would –

**The CHAIR:** I am saying, if a government agency did that, do you think they would be?

**Jessica BARR:** I do believe so, because they are happy to pay a business to do it currently.

**The CHAIR:** Okay, I am just wrapping it up. Is there anything else which you would like to add to your submissions, since we are here?

**Jessica BARR:** No, just thank you all for having us and listening.

**Carmen LITTLEY:** Thank you. It was a bit nerve-racking.

**The CHAIR:** Thank you. In that case I will bring this panel session to a close. Again, thank you so much for generously giving your time and coming in, and thank you very much for your advice and also your experience in relation to the matter. I would like to break now for lunch, and the hearing will recommence at 1:30.

**Witnesses withdrew.**