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REIQ FEARS PROPERTY OWNERS WILL FACE FINANCIAL RUIN

While renters fear losing their home during the coronavirus (COVID-19) crisis, mum and dad investors fear they too will be financially ruined if a blanket eviction ban fails to consider property owners as well.

“The REIQ welcomes measures that support the safety and stability of housing for all Australians and urge the Federal Government to consider the downstream effects of any direct action taken with regard to rental tenancies,” says Antonia Mercorella, CEO of The Real Estate Institute of Queensland (REIQ). “Hundreds of thousands of mum and dad investors in Queensland have an interest in an investment property. Many will be financially ruined if tenants were to stop paying rent for six months or more.”

The Federal Government is doing its best to avoid tenant evictions where rent defaults are caused as a direct result of the coronavirus pandemic. However, the risk with implementing a blanket eviction ban is that it simply reassigns the cost of that default onto the property owner and potentially forces them into mortgage default and possible bankruptcy.

“Many mum and dad investors are highly geared and can barely cover the various costs associated with owning an investment property even with rent coming in,” says Ms. Mercorella. “With no rent coming in, many will have no choice but to sell their properties. It puts many at risk of bankruptcy, puts upward pressure on rents as the pool of rental properties will decline and puts the property management industry in financial ruin. Consideration also needs to be given to those self-funded retirees whose only source of income is derived from an investment property.”

The REIQ supports a no eviction policy strictly where someone has been directly impacted by the coronavirus crisis and therefore is unable to make their rent payments. The REIQ wants to prevent the exploitation of a blanket eviction ban. “Tenants are evicted for all sorts of reasons – for example, serious damage to property or breaching the requirements of tenancy agreements,” adds Ms. Mercorella.

The REIQ believes the most appropriate option is for the Federal Government to provide rental assistance that protects and supports the ongoing payment of rent. Keeping the flow of rental payments through the system ensures property owners are able to keep paying mortgages, insurance and any other property ownership related costs. This also ensures the continued stability of the residential property management industry which plays an essential role managing the contractual relationship between tenants and property owners.

“Any removal of a tenant’s rental payment obligations without cash support for property owners is a transfer of the state’s public housing bill onto mum and dad investors,” adds Ms. Mercorella. “This would also directly impact property managers who are responsible for managing the vast amount of residential tenancies in Queensland. The service they provide is vital and the protection of their livelihoods is equally important.”

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