

6 July 2023

Chair: Mr Trung Luu

Committee: Legislative Council Legal and Social Issues Committee

Inquiry: Inquiry into the rental and housing affordability crisis in Victoria

Address: Parliament House, Spring Street, EAST MELBOURNE VIC 3002

About Novus

Novus is an Australian-based dedicated Build to Rent (BTR) business. Drawing on the experience of its founders, Novus is a vertically integrated BTR offering including acquisition management, development management, property management, and investment management. Novus's founders have been deeply involved in the establishment and growth of the BTR sector, having established Mirvac's BTR Platform LIV (including the acquisition of all Victorian assets) before founding Novus, and have been vital to the delivery and pipeline of over 1,800 rental apartments in Victoria:

- Liv Munro – 490 rental apartments (operational)
- Liv Aston – 474 rental apartments (under construction)
- Liv Albert Fields – 498 rental apartments (under construction)
- Novus on Sturt – 163 rental apartments (under construction)
- Novus on Bowen – 215 rental apartments (planning commencing imminently)

Parliamentary Inquiry into Rental and Housing Affordability

The Terms of Reference have outlined that:

The Committee will investigate the challenges facing Victorian renters and factors causing the rental and housing affordability crisis in Victoria including low availability and high costs of rental properties, insecurity, availability and affordability issues facing Victorian renters, the adequacy of regulation with regards to standards and conditions of rental housing, the adequacy of the rental system and its enforcement, the impact of short stay accommodation, barriers to first home ownership and the impact this has on rental stock and the experience and impacts all of this has on renters and property owners.

Submission

Dear Mr Luu,

Novus provides this submission to the Legislative Council Legal and Social Issues Committee Inquiry into the rental and housing affordability crisis in Victoria, issued on 7 June 2023.

Novus and its executives welcome the opportunity to provide input into ongoing policy development and improvements in this area and has been active in policy options for supporting the supply of new housing.

From our extensive research and understanding of the current rental crisis, we believe the rental crisis has been caused by primarily due to a lack of steady consistent supply of rental housing in the market. We believe this was caused and exacerbated by a variety of factors including (but not limited to); increase in taxes on foreign purchasers, tighter capital restrictions in foreign countries, increase in construction costs (with shortage in labour), increase in the value of development sites, changing legislation, fewer available homes to rent (investors selling to homeowners and owners providing short stay accommodation) and slower and more challenging town planning processes. Whilst a single cause cannot be to blame, a single solution is very logical – increase the supply of rental housing.

We believe, from our extensive research, particularly in relation to foreign cities, and assessing the challenges that renters face today, that increasing the supply of rental housing is the primary solution to address the rental crisis.

We strongly recommend the continued incentives which accelerate the delivery of rental housing. For example – the implementation of 50% land tax reduction for BTR, and exemption from foreign owner surcharges.

However, it is equally vital that no measures are put in place that would reduce the amount of existing rental homes, or decrease the future supply of rental homes further, such as rent caps. Below is a summary of how rental caps could further exacerbate the existing rental crisis:

1. **Reduce existing stock of rental homes:** Mum & Dad / private investors own and control the vast majority of rental stock in Victoria. Many of these have a mortgage. Implementing rental caps would very likely encourage a portion of these homes to be sold (due to inability to pay the mortgage, or refinance). It is likely that these would then go out of rental supply (being sold to owner-occupiers).
2. **Reduce demand of private investment in rental stock:** Mum & Dad / private investors buying properties to then rent out has driven the large majority of rental supply historically. Introducing rent caps would:
 - a. **Investors:** Reduce investors' appetite to bring more rental stock to the market (e.g. buying off-the-plan apartments).
 - b. **Lenders:** Drastically reduce banks' ability to lend to investors given the higher risk of rent not being able to cover mortgage payments over time.
3. **Reduce demand of institutional investment in rental stock (Build-to-Rent projects):** There are >8,000 BTR apartments currently in planning in Victoria (EY report March 2023). It is highly likely that a large portion of these would not be delivered if rent caps were introduced for the following reasons:
 - a. **Investors (Foreign investors predominantly):** Foreign investors would be much less likely to provide the equity required to deliver these projects. This is due to; less certainty on being able to achieve adequate returns with restrictions on rent increases, and less certainty in a stable political and policy-setting landscape.
 - b. **Lenders:** Similarly, it will be much less likely that banks will be able to fund such BTR projects, given the greater risk in the ability of the rental stream to be able to satisfy the debt repayments over time.

We would welcome the opportunity to provide more information or to answer any questions at a committee inquiry hearing.

For more information or to clarify anything contained within this response, please contact [REDACTED], a member of the PCA Victoria BTR Committee or [REDACTED]

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