



Senate Standing Committees on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600

28 August 2023

To the committee,

**Re: Housing Australia Future Fund Bill 2023 [No. 2] [Provisions], National Housing Supply and Affordability Council Bill 2023 [No. 2] [Provisions] and the Treasury Law Amendment (Housing Measures No. 1) Bill 2023 [No. 2] [Provisions]**

As a landlord in Australia, I would like to make a submission for your consideration from the landlord's view.

I am 48 years old, married with two children. I come from working class immigrant parents. I have been interested in property since I was about 15 years old. I have always thought it was very expensive to purchase property, and I have continued to hear that in the media, amongst friend and family all my life. Nothing has changed. In fact, in 1836 Charles Darwin noted the following:

*"At last we anchored within Sydney Cove; the number of large houses just finished & other building is truly surprising; nevertheless every one complains of the high rents & difficulty in procuring a house."*

- Charles Darwin's Beagle Diary, 12 January, 1836

Buying your first house is difficult, getting that deposit together is extremely hard. My now wife and I purchased our first property 20 years ago, it took several years to get our deposit together and then we had to buy 2 suburbs away from our ideal suburb. We have worked extremely hard over the last 20 years and now have a property portfolio. We haven't received one cent from our parents. We have partnered with the banks and made it happen. We have taken risks to get where we are today. I am extremely proud of our efforts. It has come at a cost of not being the best husband working long hours, not always prioritizing the family, keeping cars for 15+ years, not having the latest clothes or technology. We have done it and in years to come we will be self-funded retirees.

I love being a landlord and the feeling of housing families and young up and coming members of society. It's a great feeling driving pass seeing your property, but at the same time it is an investment. We have saved up subsequent deposits, secured our own home also against the rental properties. They just didn't land in our lap. In the media and amongst some of the renters there seems to be a lack of understanding or empathy that we too are feeling the pain of cost of living and interest rate increases.

I want to share 2 of our investments properties performance over the last 5 years so you and general public can understand why landlords of Australia are putting up their rents.

**Property 1 Pascoe Vale, Victoria**

| Account                         | FY 2023             | FY 2022            | FY 2021            | FY 2020            | FY 2019             |
|---------------------------------|---------------------|--------------------|--------------------|--------------------|---------------------|
| <b>Income</b>                   |                     |                    |                    |                    |                     |
| Rental Income                   | \$30,656.00         | \$29,196.00        | \$29,196.00        | \$29,067.00        | \$28,680.00         |
| <b>Total Income</b>             | <b>\$30,656.00</b>  | <b>\$29,196.00</b> | <b>\$29,196.00</b> | <b>\$29,067.00</b> | <b>\$28,680.00</b>  |
| <b>Operating Expenses</b>       |                     |                    |                    |                    |                     |
| Bank Fees                       | \$345.00            | \$345.00           | \$345.00           | \$345.00           | \$345.00            |
| Interest Charged                | \$42,596.06         | \$24,369.06        | \$25,971.26        | \$29,124.52        | \$33,374.13         |
| Land Tax                        | \$1,797.55          | \$1,575.85         | \$1,683.24         | \$2,037.58         | \$2,000.51          |
| Maintenance & Repairs           | \$3,869.81          | \$742.50           | \$2,224.00         | \$1,399.00         | \$423.50            |
| Owners Corporation Fees         | \$1,589.87          | \$1,072.15         | \$728.95           | \$792.50           | \$768.20            |
| Property Management Fees        | \$2,536.30          | \$1,389.10         | \$1,302.60         | \$1,444.19         | \$1,691.80          |
| Rates                           | \$2,172.03          | \$2,151.89         | \$2,188.91         | \$2,168.44         | \$1,901.55          |
| Water                           | \$721.30            | \$710.54           | \$719.71           | \$717.47           | \$712.53            |
| <b>Total Operating Expenses</b> | <b>\$55,627.92</b>  | <b>\$32,356.09</b> | <b>\$35,163.67</b> | <b>\$38,028.70</b> | <b>\$41,217.22</b>  |
| <b>Net Profit</b>               | <b>-\$24,971.92</b> | <b>-\$3,160.09</b> | <b>-\$5,967.67</b> | <b>-\$8,961.70</b> | <b>-\$12,537.22</b> |
| Tax Benefit                     | \$9,239.61          | \$1,169.23         | \$2,208.04         | \$3,315.83         | \$4,638.77          |
| Principal Payments              | -\$9,432.40         | -\$15,278.21       | -\$7,241.41        | \$0.00             | \$0.00              |
| Net Cashflow                    | -\$25,164.71        | -\$17,269.07       | -\$11,001.04       | -\$5,645.87        | -\$7,898.45         |

**Property 2 Fawkner, Victoria**

| Account                         | FY 2023            | FY 2022            | FY 2021            | FY 2020            | FY 2019            |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Income</b>                   |                    |                    |                    |                    |                    |
| Rental Income                   | \$16,978.46        | \$16,630.00        | \$16,654.00        | \$18,746.51        | \$18,252.00        |
| <b>Total Income</b>             | <b>\$16,978.46</b> | <b>\$16,630.00</b> | <b>\$16,654.00</b> | <b>\$18,746.51</b> | <b>\$18,252.00</b> |
| <b>Operating Expenses</b>       |                    |                    |                    |                    |                    |
| Bank Fees                       | \$395.00           | \$0.00             | \$0.00             | \$0.00             | \$0.00             |
| Interest Charged                | \$17,392.61        | \$9,421.28         | \$10,490.88        | \$13,104.34        | \$15,617.93        |
| Land Tax                        | \$1,005.85         | \$949.60           | \$927.03           | \$1,144.41         | \$1,031.73         |
| Maintenance & Repairs           | \$1,652.07         | \$759.26           | \$539.00           | \$253.00           | \$1,573.00         |
| Owners Corporation Fees         | \$2,013.18         | \$2,751.72         | \$2,052.55         | \$1,572.90         | \$1,349.40         |
| Property Management Fees        | \$848.60           | \$750.42           | \$1,557.79         | \$879.56           | \$1,042.42         |
| Rates                           | \$1,371.72         | \$1,542.92         | \$1,479.63         | \$1,402.14         | \$1,363.55         |
| Water                           | \$721.30           | \$710.54           | \$719.71           | \$717.47           | \$712.53           |
| <b>Total Operating Expenses</b> | <b>\$25,400.33</b> | <b>\$16,885.74</b> | <b>\$17,766.59</b> | <b>\$19,073.82</b> | <b>\$22,690.56</b> |
| <b>Net Profit</b>               | <b>-\$8,421.87</b> | <b>-\$255.74</b>   | <b>-\$1,112.59</b> | <b>-\$327.31</b>   | <b>-\$4,438.56</b> |
| Tax Benefit                     | \$3,116.09         | \$94.62            | \$411.66           | \$121.10           | \$1,642.27         |
| Principal Payments              | -\$4,342.02        | -\$10,310.15       | -\$8,910.40        | -\$9,178.75        | -\$7,207.55        |
| Net Cashflow                    | -\$9,647.80        | -\$10,471.27       | -\$9,611.33        | -\$9,384.96        | -\$10,003.84       |

These are real life examples. I haven't changed any of the figures they are out of our accounting system. For the example, I have assumed a flat tax rate advantage of 37%, the current rate of tax for incomes of \$120k p.a. to \$180k p.a., acknowledging this rate has changed and has not always been the bracket

that I am in. Therefore, this would vary from individual to individual. There may be some depreciation deductions for landlords also depending on property. I have not listed this in the example as I no longer have any depreciation deductions on these properties currently.

What I would really like to point out is:

- Rents have not increased much over the 5 years. 7% for Property 1 and Property 2 down by 7%
- Over Covid we were unable to increase rents
- During Covid we still had to pay land tax in Victoria unless a large rent discount was given, I think it was 50% from memory
- On another property (not listed here) we gave \$50 per week Covid discount to assist our tenant who suffered reduced hours and mental health issues, we are only now 2 years later getting the rent back to pre covid levels on that property
- Interest is a huge cost to landlords now. I acknowledge that is dependent on the length of time you have had the property, as a landlord that has held a property for 20 years may have paid it off or have very little to go, hence the interest would be less.

On paper is it not a great investment. What is not shown here is the capital growth. Yes, over a long period of time for a good property that will be substantial, especially in the later years as increases compound over time. However, that is not realized until you sell up. You really do pay for that capital growth especially in the first few years of the investment as you can see from the two examples above, it is a loss making exercise in the beginning, even after tax deductions. Eventually, the loans will be paid off and the properties will be cashflow positive and provide us with an income in our retirement.

To address to the ownership/rental affordability crisis here are my recommendations:

- Create more supply in the market by partnering with landlords, make it more appealing to be a landlord. Society needs landlords to accommodate a third of the population. Investors selling up will reduce the number of homes on the market. Anecdotally I am hearing landlords are leaving the market for many reasons – higher interest rates, low returns on investment, increased legislation and holding costs.
- Freeze land tax rates or reduce them. Victorian government is putting this up by an average of \$1200 per year per property. Landlords will just pass this on to the tenants. Pushing up the rent further by \$100 per month.
- Encourage the young to purchase their first property, don't be negative as they will believe that they will never be able to do it and not try.
- Celebrate the wins amongst first home buyers and landlords, not just focusing on the hard luck stories. Recently on the ABC's Q&A there was a young indigenous female lawyer on the panel. The topic was home ownership, she disclosed that she was a home owner. I thought "fantastic" here is our chance to celebrate her achievement and explain the general public how she did it and provide hope to others like her. No, she wasn't asked to share her experience she just went on to discuss the topic.
- Fund some educational programs on property ownership and the process with lived experience stories.
- Provide some financial counselling services for those who cannot afford to speak to an accountant or financial planner.
- Explain home deposits take years to save, not shortly term task, like 3 or 6 months. Make sure people trying to get into the market don't just say it's all too hard and spend all their savings on technology, entertainment, rent, clothes and travel.
- Encourage the parents of Australia to educate their kids once they start working to start saving at least 20% of their take home pay and put towards a deposit.
- First Home Buyers grant should be just a \$ value for all, say \$15,000. Not a grant with all these restrictions about the type of house, the value, the age, location, etc. What if a young professional couple what to by a property in inner Melbourne for \$1.5m, they have the income



to support, but they may be discouraged to purchase that property, buy in an outer suburb to get the grant, then sell up after 2 to 3 years and then buy again. They will be worse off. Purchasing property should be a long term proposition as the entry and exist costs are high.

- Bring back the CBA Aussie Mite bank account program. Yes, the bank is profiting out of the program but the kids are learning. They are smart enough to change banks down the track if they see fit. We need to educate kids from a young age about money and splitting up funds in different buckets – spending, saving, investing, holiday, donations, etc.
- Stop picking on the baby boomers – a lot of them have grown up without a lot of luxuries, bed sheets for curtains, second hand furniture, driving holidays, no overseas holidays, no credit cards. The biggest difference between the young in their 20's and those older people in their 70's is time. They have already worked 40 – 50 years already of course they are going to be wealthier than the young of today. Please don't compare them.
- Look at increasing the rental assistance payment to those on social welfare payments.
- Encourage people on social welfare to get a job, and for those that are working, to get a fulltime job. Reduce the earning threshold when their payments start reducing. A lot of the social welfare recipients that do work, treat the cut off as a limit of the income they can earn, as they don't want to lose any of their payments. They will never be able to purchase a home or ever independently pay their rent. Get them to reach for the stars and make a real income and they will have a better life. This will reduce their down time, give them a better life structure, in some cases reduce drug use, in some cases reduce domestic violence.
- The recently announced co-purchasing a home with the government is a fantastic idea. Let's not limit it to 40,000 of spots per year. Let's open it up to all first home buyers that have saved the 2% to 5% deposit and pass the servicing test.
- I am a big fan of the \$10b future building fund. Be careful to not flood the market with a huge order of new homes, this will create a high demand and push prices up further making the cost of housing worse.

Finally, we need to speak to the public in a frank and fearless manner. Whether it's having children, buying a house, going to university, renting a house, all these things cost money and you as an adult will need to pay for these, and you need to plan for these and not expect that there will be a hand out or expect someone else to pay for these.

Get a good education, work hard, do something you love, spend less than you earn. Life will be good.

Please don't hesitate to contact me if you wish to discuss this submission, would like me to elaborate further or give live evidence on [REDACTED]

Yours sincerely,

[REDACTED]  
Marco Schena.  
**MANAGING DIRECTOR**

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