

ALERT!

CHANGES TO THE *RESIDENTIAL TENANCIES ACT 1987*

- HOW WILL YOU BE AFFECTED AS A LANDLORD?

From 1 July 2013 the *Residential Tenancies Act 1987* (RTA) was significantly amended. The changes are now in force and represent the biggest overhaul of the RTA in 26 years. There are hundreds of changes, many of them administrative, but the most significant changes that will affect you as Landlord (now known as Lessor) are as follows:

1. New form of lease: Residential Tenancy Agreement (Form 1AA):

All post-1 July 2013 leases (now known as residential tenancy agreements) must be in the specific Form 1AA, as provided in the Residential Tenancies Regulations. The lease now has 3 parts – A, B and C. The wording of Parts A and B cannot be altered in any way. You can no longer “contract out” of certain sections of the RTA. If you currently have an existing lease with a tenant that “contracts out” of parts of the RTA, the contracting out will only continue to apply for the term of that lease.

2. Property Condition Report (PCR): It is now compulsory to prepare a detailed PCR at both the start and end of a lease. This amendment is aimed squarely at owners who privately manage their own rental, and is designed to minimise disputes. All properties managed by a professional real estate agency will already comply with this requirement.

3. Frequency and amount of rent increases: Rents cannot be raised more than six monthly. Any proposed rent increases in a fixed term lease must now be written into the lease document. This means any increase must be stipulated at the start of the lease. The lease must specify a dollar amount increase or another method of increase (such as CPI or a set percentage). If you agree that the tenant can keep renting the same property at the end of a fixed term lease, you cannot increase the rent for the first 30 days of the “new” agreement.

With periodic leases, at least 60 days notice must be given to the tenant prior to a rent increase.

4. A fixed term lease no longer ends automatically – it requires 30 days notice. Previously, a fixed term lease ended automatically at the end of the specified term. Now, if neither you nor the tenant gives the required 30 days notice prior to the end of a fixed term lease, the tenancy will become a periodical lease.

5. Option fee amount: A prospective tenant usually pays an option fee (or application fee) when they apply to lease a property. The changes mean that if the rent is less than \$500 per week, the Option Fee is now only \$50. If the rent is between \$500 - \$1200, the Option Fee is \$100. If the rent is \$1200 or more, the Option Fee is capped at \$1200. If the application to lease is successful then the option fee is counted towards the rent, if unsuccessful, the fee is returned.

6. Emergency repairs can now be undertaken by the tenant: If the lessor/Property Manager does not take action to rectify “essential service” repairs with 24 hours, then the tenant may arrange for the repairs and is entitled to be reimbursed by the lessor. An “essential service” is defined as electricity, gas, toilets, water supply (including hot water) and fridge (if provided with the property). Similarly, action must be taken to rectify “urgent repairs” within 48 hours. An example of an “urgent repair” is repairing an oven or minor ceiling leaks.

7. New levels of security and locks required: This is another major change that will affect your property. It is now mandatory for deadbolts to be installed in all ground level timber doors (that do not have security screens) and all windows must have suitable locks/latches. Porch lights are also required at all front doors (operated from inside). You have 2 years from 1 July 2013 to bring your rental property in line with the new minimum security standards.