

Banning Letting Fees: Where does this leave landlords?

by Pam Marshall

The Residential Tenancies (Prohibiting Letting Fees) Amendment Bill has been a hot topic amongst rental property owners and those in the property management industry. Just like the name suggests, the key purpose of the proposed legislation is to ban letting fees being charged to tenants. It sounds like great news for tenants, but where could it leave landlords?



What changes could the proposed Bill bring?

If the new legislation becomes law, tenants would no longer pay a letting fee (which is typically the cost of one week's rent, plus GST). The Bill's proponents believe that those who benefit from tenancing a rental property – usually the landlord – should instead pay.

The Bill would also ban charges for services relating to granting, changing or extending a tenancy agreement. You can find out more information about the proposed legislation [here](#).

Why are letting fees charged?

Letting fees are charged by property management companies to cover the range of services involved in tenancing a property. These can include:

- *Promoting the home – Including managing property photography and advertising*
- *Arranging viewings – Co-ordinating and attending appointments, normally on multiple occasions*
- *Managing the application process – Obtaining and reviewing tenancy applications*
- *Background checking – Usually including a background, credit and reference check*
- *Liaising – Managing all communications with prospective tenants*

Identifying the ideal tenants is essential – and that takes time, effort and expertise.

What are the ramifications for property investors?

While we agree the proposed Bill has good intentions, and encourages landlords to find quality tenants who are likely to stay over the long-term, it's a woeful outcome by adding yet another compliance cost. With some suggesting that [rents will rise](#) as a result, it could also have wider ramifications for tenants. In the meantime, the pressing issue of a shortage of rental stock remains unsolved by Local and Central Government.

Want to have your say?

You can voice your thoughts by making a [submission](#) to the Social Services and Community Committee (the closing date is 23 May 2018). We'll be keeping our clients updated on this topic as developments occur.

Want some expert advice when it comes to finding and retaining quality tenants? Give our property management team [a call](#).