

NSW RENTAL REFORMS GUIDE 2025



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Residential Tenancies Amendment Bill 2024

The rental landscape in NSW is undergoing a major transformation following the passing of the Residential Tenancies Amendment Bill 2024 (NSW) (RTA Act) in October 2024.

Some reforms are already in effect, with others set to follow. In this newsletter, we break down the key points and what to prepare for, to ensure you stay informed and are compliant.

Changes already in force

No extra fees at the start of a tenancy

Landlords and agents cannot charge tenants for background checks or a lease preparation fee.

Rent increases

Landlords are now limited to increasing rent once every 12 months, regardless of whether the tenancy is fixed-term or periodic.

- **Did you know?** For periodic agreements, this rule has been in place for years. What is new is that the reform closes a loophole that allowed multiple rent increases in certain fixed-term agreements.
- **Market insights matter**
In the recent, fast-moving market, annual increases have been considered reasonable due to rising demand. However, in a slowing market, landlords may need a different approach.



Changes coming early 2025*

Ending no-grounds terminations

Landlords will no longer be able to terminate leases without grounds. This applies to both fixed-term and periodic leases.

Notice periods

- **Periodic Agreements:** There will be no change to notice periods for those on periodic agreements. This remains at 90 days.
- **Fixed-term leases:**
 - » 60 days if the term is 6 months or less.
 - » 90 days if the term is more than 6 months.

Prescribed grounds for termination notices

Terminations will be permitted for reasons such as:

- Breach of lease by the tenant (damage, non-payment of rent, etc.).
- The property is being sold or offered for sale with vacant possession.
- Major repairs, renovations, or demolition. Works should be planned to commence within 2 months after the termination date.
- The property is no longer being used as a rental for at least 12 months.

- The landlord or family are moving into the property for at least 6 months.
- The tenant is living in the property as part of employment that has ended.
- The tenant no longer qualifies for certain housing programs.
- Key worker housing needing to be used by a key worker (e.g. teacher, health worker, or police).

Re-letting 'exclusion periods' will apply to some prescribed grounds, with penalties for re-letting too soon without approval. Changing your mind later may not be an option.

* Dates to be confirmed by NSW Fair Trading.



Proactive steps to mitigate risk

These changes may seem daunting, but landlords who already act ethically and responsibly have little to worry about.

Stay on top of inspections and record-keeping

Detailed inspection reports and good records are invaluable if you need to terminate a tenancy for breaches. We will document everything to make your case stronger if a dispute arises.

Understand why these changes are happening

The changes aim to address concerns about unfair terminations, such as tenants reporting too many repairs or minor breaches. Some landlords may not fully understand their obligations around repairs and budgeting. Those who act ethically and value their tenants will likely see minimal impact.

Be prepared when issuing notices

For prescribed reasons like moving in, selling, or renovating, make sure you are 100% ready to proceed, before asking your agent to issue a termination notice. Previously, some landlords issued notices prematurely and changed their minds later. Under the new laws, this could lead to serious consequences.



Pets in rental properties

New laws will make it easier for tenants to keep pets. Here is what you need to know:

Consent for pets

- Tenants must use an approved form to apply for pet ownership.
- Landlords must respond within 21 days, or consent will be automatic.

Grounds for refusal

Landlords can refuse pet applications only for specific reasons, such as:

- Too many animals at the property.
- Property unsuitable for the type of animal (e.g. lack of fencing).
- Likely to cause more damage than the bond could cover.
- Landlord living at the property.
- The animal would break other laws, local council rules, strata or community scheme by-laws, or a residential community rule.
- The tenant did not agree to a reasonable condition for keeping the animal.

Reasonable conditions allowed

If you approve a pet, you can set conditions like professional carpet cleaning at the end of the lease (if reasonable for the type of premises) and professional fumigation (for a mammal) if the animal is kept indoors.

Unreasonable conditions prohibited

You cannot:

- Increase rent or bond due to a pet.
- Require extra security.
- Impose conditions deemed "unreasonable."

Any disputes will go to NCAT (NSW Civil and Administrative Tribunal).

How to prepare as a landlord

- **Understand the Law:** Knowing what is reasonable or unreasonable helps avoid disputes.
- **Prepare Your Property:** Consider durable flooring and secure fencing. Include pet-specific terms in your lease agreement that align with the new laws.
- **Work with Your Agent:** Your property manager can guide you through applications and compliance.
- **Review Your Landlord Insurance:** Look for policies that cover pet-related damage and check for any limits on lawn or garden cover.
- **Shift Your Mindset:** Pet ownership is on the rise. Being flexible can attract a wider pool of quality tenants who stay longer.



Rent payments: the new rules

Landlords must offer Centrepay as a rent payment option plus an approved electronic bank transfer method that is free of charge to the tenant.

- **Electronic transfer required:** Landlords and agents cannot require cash payments and must offer a free electronic option.
- **Available to businesses only:** Self-managing landlords cannot use Centrepay unless operating as a business. Many may need to engage a property manager or obtain an ABN to comply.
- **Landlords absorb the fee:** Centrepay charges a processing fee that cannot be passed on to tenants.



Portable rental bonds scheme


NSW Fair Trading is working on a portable rental bonds scheme, likely to be introduced in late 2025.

Looking ahead

These changes are already passed in parliament, but some details and timelines are still being finalised. We are here to guide you and will keep you updated as more information becomes available.

Got questions or need advice? Reach out. First National is here to help.

The property market is shifting, but with the right preparation and advice, you can adapt and continue to thrive. We can approach these changes together.



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