



CONSTRUCTION of granny flats is booming, but a rental black market is flourishing in Queensland, where it remains illegal for paying tenants to occupy the dwellings.

The chairman of one of the largest real estate networks warned that such a lax enforcement of regulations could see Australia head down a similar path to Greece.

"It could very much turn in to a cash economy," said Century 21 Australasia chairman Charles Tarbey.

"You only have to let that a bit loose and you might as well call yourself Greece.

"Little things like that can eat away at what is a quality structure we have."

Ray White Brisbane agent Treston Bamber said about half of the buyers of properties he had sold with granny flats intended to rent them out illegally for extra income.

"It's one of those tender issues in that people know it's not legal but some chose to take the risk," he said.

"First-home buyers rent it to a uni-student to help with mortgage payments and mums and dads do it to help pay for bits and pieces. They manage it themselves.

"Typically speaking, an investor won't do it."

Most of the cash-paying granny flat tenants are international students and low-income couples, he said.

Construction of granny flats by builder Nova Design Group increased sixfold in the year to June compared with 2012.

The laws governing granny flats are a national patchwork, after NSW, Tasmania, the Northern Territory and Western Australia legislated to make it legal to rent them out.

Previously, granny flats could be occupied only by a dependant of the house owner and in Victoria and South Australia the flats have to be dismantled

when the dependant moves out. But local councils in Queensland have relaxed the requirements to install granny flats over the past five years, according to the Housing Industry Association.

Renting them to paying tenants remains illegal.

"Council workers used to check death notices and chase you up if it became apparent that your relative who was living in the flat had died.

"Then you had to remove features such as the kitchen," HIA economist Diwa Hopkins said.

An east-Brisbane woman, who declined to be identified, advertised her granny flat for rent on Gumtree.com.au.

When contacted by The Weekend Australian, she said that her daughter had moved out and she was hoping to use the income to help with the cost of living.

"It helps pay the mortgage," she said.

The woman said she was unaware that what she was doing was against the law.

Mr Tarbey said councils would crack down on the granny flats when the illegal leasing of them became more apparent.

A spokesman for the Brisbane City Council said there were no proposed changes to the law.