

Abandoning negative gearing will be detrimental, warns REIQ

Written by Media Release



Brisbane 23 April 2015. The Real Estate Institute of Queensland (REIQ) today rejected suggestions from Labor Shadow Treasurer Chris Bowen that tinkering with negative gearing would be a fiscally responsible measure to help minimise the budget deficit.

Negative gearing brings significant benefits to the economy and social benefits to the broader community and the sudden removal of this would be detrimental, the profession's leading organisation warned.

REIQ CEO Antonia Mercorella said the real estate peak body supported negative gearing in its current form because it encouraged investment in property, contributed to growth and kept rental affordability in check.

She dismissed as shortsighted, views that removing negative gearing benefits would benefit the economy.

"Investors help maintain supply to the rental market and a strong supply also ensures rental affordability is maintained," Ms Mercorella said.

"In Queensland more than a third of our population is in rental accommodation, so it's crucial that supply is maintained for this large section of the community.

"If private rentals were drastically reduced this would place enormous strain on the limited resources in public housing," she said.

"It would also serve to drive up rents in remaining limited stock."

Ms Mercorella said a review of history would confirm this, with the Hawke government removing gearing benefits in 1985 only to reinstate them in 1987 when rents surged approximately 24 per cent.

"We saw rental affordability plummet in Sydney and Melbourne when negative gearing benefits were quarantined.

"Sydney and Melbourne are our bellwether states, and they lead the property market trends, so we know with absolute certainty what will happen if we do this again – it will destroy rental affordability and place enormous strain on the public housing system as investors desert property as an asset class," she said.

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In its 2013 report *Housing 2020*, the Queensland State Government outlined its public housing strategy to limit its public housing new builds and to actively transition residents through its public housing, moving them towards private rentals or home ownership.

The Government strategy focuses on moving residents away from “a view that social housing is a home for life” and instead, place “greater emphasis on social housing as a transitional period on the path to private rental or home ownership”.

Ms Mercorella said if supply was limited to the private rental market and public housing was being scaled back, the social consequences would be significant and extremely detrimental.

She also said encouraging individuals to save and invest in property boosted financial self-sufficiency for individuals later in retirement, a key plank of government policy.

Ms Mercorella said there was a common misconception about investors who access negative gearing benefits and capital gains tax concessions, as very wealthy with a vast portfolio of property.

Recent statistics from February 2015 revealed that about 70 per cent of investors who benefit from negative gearing earn about \$80,000 and about 73 per cent own just one investment property.

In Queensland, owner occupiers account for two-thirds of the residential dwelling market, with investors making up about a third (34 per cent).