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RENTERS FORGOTTEN VICTIMS OF NEGATIVE GEARING REFORMS: REIA

Changes to negative gearing policy would drive up rents and affect the most vulnerable people in the community, according to the Real Estate Institute of Australia.

REIA President Malcolm Gunning said political gamesmanship has seen the plight of first homebuyers, low-income earners and other renters forgotten in the debate around reforms to negative gearing.

“One of the major beneficiaries of negative gearing are renters because it is proven to increase supply. Any changes that are made would have serious flow on effects,” Mr Gunning said.

“The rate of increase in rents has plummeted since investment in housing started to pick up at the end of 2011. For Australia, rents increased by 0.7 per cent for the year ending September 2016 which is the lowest annual increase since March 1995. In Sydney the increase was 2.5 per cent and in Melbourne 1.4 per cent. Changes to negative gearing would see less rental properties, which would cause rents to go up.

“This could cause a dire situation for young people who are already renting for longer due to higher house prices. This creates a vicious cycle where higher rents means less savings for their deposit, exacerbating the housing affordability crisis.

“The reality is that negative gearing is not a special concession for property. It is a legitimate deduction of expenses in the course of earning income from investment in all asset classes until the investment generates a positive income stream in the future.

“There is already pressure on investors looking at real estate with changes to APRA’s borrowing guidelines and average yields falling to another all time low of 3.2 per cent in February, some full percentage point lower than the 4.2 per cent recorded five years ago by CoreLogic.

“Our latest *Adelaide Bank/REIA Housing Affordability Report*, due to be released on Wednesday will support our ongoing stance on no changes to Negative Gearing policy as outlined in our 2017/2018 Pre-Budget Submission, with rental affordability showing a trend improvement since mid 2012,” Mr Gunning said.

The *Adelaide Bank/REIA Housing Affordability Report* and the *REIA Pre-Budget Submission* are available on request. For further information or to interview REIA President Malcolm Gunning contact Helen Hull on media@reia.com.au or 0419 642 961.

The Real Estate Institute of Australia (REIA) is the national professional association for real estate agents in Australia.