



Negative gearing not a property investment strategy: PIPA/PICA

For immediate release

New modelling that showed Labor's proposed changes to negative gearing and Capital Gains Tax will decimate the property market also highlights the Opposition's fundamental misunderstanding of the sector, according to the Property Investment Professionals of Australia (PIPA) and the Property Investors Council of Australia (PICA).

Independent research commissioned by Masters Builders Australia has found the financial impact of Labor's misguided policy could be a multibillion-dollar hit to a market that is already struggling in Sydney and Melbourne.

PIPA Chairman Peter Koulizos said the policy also showed the Opposition failed to understand and appreciate the vital part investors play in the property sector.

"Property investors provide housing for 30 per cent of Australians at a time when spending on social housing is at an all-time low," he said.

"Also, contrary to media headlines, only about 70 per cent of investors own one property so the concept of 'greedy investors' is not supported by the facts."

The 2018 PIPA Property Investment Sentiment Survey also reinforced that negative gearing is not a strategy, but rather a moment in time because of the high transactional costs associated with real estate investment.

The survey found that about 60 per cent of investors say their portfolio will be positively geared within five years and 71 per cent believe changing negative gearing and Capital Gains Tax policy will not improve housing affordability.

Only six per cent of investors said they were interested in buying a new property, which again shows that restricting negative gearing to brand-new dwellings would not increase supply.

“The PIPA survey found that long-term capital growth beat out cash flow – both long- and short-term – as the most important aspect when choosing an investment,” Mr Koulizos said.

“In fact, short-term tax benefits were seen as the least important driver when choosing an investment.”

PICA Chairman Ben Kingsley said it was imperative that all levels of government stopped using investors as a never-ending cash cow.

“The financial impost on investors, who are just trying to improve their futures by generally buying one or perhaps two properties, is out of control,” he said.

“Between council, state and federal government taxes, investors pay back far more than they might receive in the short period of time that they claim negative gearing.”

Mr Kingsley said that research undertaken last year showed investors paid billions of dollars in taxes for the “benefit” of providing housing for a significant proportion of the Australian population.

With the population booming, and the markets in Sydney and Melbourne softening, it made no sense to implement a policy that would likely decimate the sector even further, he said.

“Not only will thousands of jobs be lost, investors will retreat from the market at a time when more housing is needed the most,” Mr Kingsley said.

“The end result will likely be worsening housing affordability and rents skyrocketing as our growing population compete for a limited supply of accommodation.”

Mr Kingsley said Labour needs to listen to industry professionals warning of the dire consequences of its proposal.

“There seems to be a fundamental misunderstanding of the laws of demand and supply in Labour’s approach to property taxation,” he said.

Mr Koulizos said that restricting negative gearing to new properties may also see an increase in the numbers of spruikers hoping to make a quick buck in the market.

“Fly-by-nighters will become even more active and will do whatever it takes to lure investors with promises of returns that are literally too good to be true,” he said.

“Until the Federal Government decides to regulate the provision of property investment advice, non-profit associations like PIPA and PICA will continue to warn investors about the dangers of working with unscrupulous operators.”

PIPA and PICA request that the Federal Government establish a working group of relevant industry bodies to better understand the important role of property investment for the Australian economy.

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For more information, or to organise an interview with PIPA Chairman Peter Koulizos or PICA Chairman Ben Kingsley, please contact:

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About PIPA

Property Investment Professionals of Australia (PIPA) is a not-for-profit association established by industry practitioners with the objective of representing and raising the professional standards of all operators involved within property investment.

For more information visit www.pipa.asn.au

About PICA

The Property Investors Council of Australia (PICA) is a not-for-profit organisation committed to advocating and lobbying on behalf of property investors' interest and educating its members on the economic benefits and risks of property investing in Australia.

For more information visit www.pica.asn.au