

Media release

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ECONOMY CANNOT WITHSTAND LABOR'S EXPERIMENT ON NEGATIVE GEARING

Especially in light of the unexpected Brexit, to implement Labor's policy on negative gearing will put at risk Australia's economic recovery as it continues to transition from resource investment to other drivers of growth of which housing investment has been a significant contributor according to the real estate industry.

"Australia's property industry is the main driver of economic growth and increased employment in the transition away from a decade-long reliance on mining, and whilst it is expected that the weakening Australian dollar will provide a much needed stimulus to a number of sectors, the impact of this is still some time away," said Mr Neville Sanders, President of the Real Estate Institute of Australia.

"Providing a stimulus to economic activity outside the mining sector, including the housing and building sectors, was amongst the main reasons for the RBA to keep the official cash rate at record low levels since August 2013. A change in negative gearing arrangements will put that at risk economic growth and cut the asset base of Australian households at a time when we need to facilitate further sustained growth in the housing sector."

"The value of building stock owned by Australian households is \$5.6 trillion¹ (million million). It has been predicted by SQM Research that on a national basis as much as 16% could be wiped off this over the three years 2018 to 2020 under the Labor policy," added Mr Sanders.

"It is somewhat academic to debate whether this is a price drop of 16% or whether prices growth will be 16% lower. The stark fact remains that household assets across Australia will be devalued by \$900 billion². This amount is wiped from spending in local economies and off nest eggs," added Leanne Pilkington, Managing Director, Laing + Simmons.

"The property industry is Australia's largest employer, currently employing 1.1 million people and providing jobs for one in eight working Australians. If it is adversely affected then every Australian will suffer, either directly or indirectly", said First National Real Estate Chief Executive, Ray Ellis.

"If the Labor policy on negative gearing is implemented it is estimated that some \$19bn will be slashed from Australia's GDP," Craig Gillies, Sales Director, Coronis Realty. "Reduced overall economic activity means more failing businesses and fewer jobs, and this affects everyone," added Mr Gillies.

"Fewer employees and businesses paying tax means less revenue for the Government to spend on essential services and wipes out any "saving" from abolishing negative gearing," David Crombie, CEO, Estate Agents Cooperative.

"With Britain opting to play with fire the consequences were swift and will continue to flow. Australians now have a chance to learn from making decisions on poorly thought out strategies and not create the

¹ \$2.2 trillion in New South Wales, \$1.5 trillion in Victoria, \$0.9 trillion in Queensland, \$300 billion in South Australia, \$544 billion in Western Australia, \$73 billion in Tasmanian, \$92 billion in the Australian Capital Territory and \$31 billion in the Northern Territory.

² \$350 billion in New South Wales, \$243 billion in Victoria, \$139 billion in Queensland, \$48 billion in South Australia, \$87 billion in Western Australia, \$12 billion in Tasmanian, \$15 billion in the Australian Capital Territory and \$5 billion in the Northern Territory

devastation that would be the outcome of the Labor and Green's policies on negative gearing and capital gains tax at this election," concluded John Cunningham, President, REINSW.

For more information on how negative gearing affects everyone go to www.negativegearingaffectsyou.com

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