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Australia's Home Ownership Aspirations at Risk

"Changes to existing capital gains tax and negative gearing arrangements on residential investment properties proposed by the Federal Opposition will dampen first home buyer capacity to save for their first home," stated HIA's Managing Director, Graham Wolfe.

"Rental costs will increase," said Mr Wolfe.

"While their grandfathering provisions are intended to encourage investors to retain their existing investment properties, decisions about new investments in residential housing will be strongly influenced by the higher taxation grab on investment returns and uncertainty about subsequent sales of new properties and future tax changes.

"Research conducted for HIA analyses this impact and shows that rental costs will increase and the supply of rental properties will decrease.

"Rental supply is crucial," added Mr Wolfe.

"The September quarter of 2018 marked the first time since December 2006 that rents in Sydney declined in real terms. The recent additional supply of rental properties has underpinned the improvement in rental affordability.

"Changing the tax treatment on residential investment properties risks undoing the good work, lifting rental prices and dampening the home ownership aspirations of renting households.

"For many households, living in a rental property is an interim step towards home ownership. It's a period of independent living while they save a deposit to purchase their own home.

"Any increase in their rental costs will impact their capacity to save a deposit, extend the savings' period and dampen their home ownership aspirations.

"We already know that more than 90 per cent of renters aspire to own their own home. Unfortunately, less than half believe they will achieve this dream.

"Australia needs to reverse this trend, renew our national commitment to home ownership and adopt measures that support first home aspirants. That includes support while saving for a deposit," concluded Mr Wolfe.

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