

# Media Release

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## UDIA response to Master Builders report

The UDIA welcomes research from Master Builders highlighting the potential negative impacts on the property industry of changing policies on capital gains tax and negative gearing.

UDIA National Executive Director, Kirk Coningham, said the research, the first to examine the impact on new home construction, provides further insight on the likely impact of the policy.

“The findings are consistent with our concern that the policy will discourage investment in new property, even where these properties have the potential for negative gearing in the short term.

“Part of the attraction for ‘mum and dad’ investors has always been the prospect of capital gain, but under this policy their eventual resale of that property will be restricted to owner occupiers. This has the effect of reducing the potential field of buyers of that property by about one third, and therefore almost certainly reducing final sale price. Then the tax on that potentially significantly smaller capital gain is then increased by 50 per cent.

“Part of the policy intent is to reduce demand from investors in established housing stock. Our fear is this policy would also significantly reduce demand in new housing stock.

“In the context of persistent softening in the housing market, particularly in Sydney and Melbourne, and the fact that investors are already retreating from residential property markets, the research delivers timely evidence of the need for significant caution to avoid any unintended shocks.

“The UDIA recognises housing affordability is a crucial issue worthy of national level policy attention from all parties. Yet the softening market is already improving affordability as is evidenced by the resurgence of first home buyers into the market.

“The UDIA’s long held position is that increasing property sector taxes will not improve housing affordability. Instead, governments should be looking to supply-side solutions including streamlining planning processes, reducing extra taxation on homebuyers and funding critical infrastructure.”

**Contact: Kirk Coningham 0417 142 467**