

The Politics of Property: What Does It All Mean For Property Owners?



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Yet another new Prime Minister in Canberra. Does this mean it's time to check our smoke alarms? It'd be comical if it wasn't so concerning.

The frequent changes in leadership and constant mud-slinging through the media, many people tune out of daily political news.

As prices fall in markets across the country, tuning out of politics is simply not an option for the astute property owner with much at stake in the coming election.

Ignoring Canberra and its politics can be a costly mistake as the various proposed policy changes from both the Australian Labor Party (ALP) and The Liberal Party of Australia (Liberal) camps will have a huge impact on our property landscape, affecting both homeowners and investors.

The ALP unleashed a media storm when it burst out of the policy box and promised to abolish negative gearing for all properties except new housing – with a tidal wave of opposition among the investment community. Any property owner should be very concerned about this proposal and its impact on prices.

There has been considerably less attention to other significant property-related policies that ALP has tabled such as increasing capital gains tax – which could have a monumental impact on all property sales.

Liberal's policies have been deemed more investor-friendly – particularly keeping negative gearing in its current form and just removing travel expenses as a deduction. A policy already implemented.

So what is best for property investors – ALP or Liberal policy? There is no blanket solution and what is best will vary depending on each individual investor's age, retirement plans and financial position.

One thing is clear – if Labor implements its new negative gearing regime – the winner will be the new housing market as any investor wanting to minimise their tax burden will snap up to new developments - new houses and new apartments. Conversely, investment in existing properties will take a nosedive as it will be far less appealing with no negative gearing benefits.

Prime Minister Scott Morrison has this week foreshadowed a “housing market crash” as a likely result of Labor's property policies including abolishing negative gearing and halving the 50 per cent capital gains tax discount.

With an election due by the end of May next year property investors will have greater certainty about any changes to the market. In the meantime, it's important to continue to monitor what is coming out of Canberra to ensure investors are best placed to protect and grow their portfolio.

Keeping up-to-date with the proposed changes is a minefield but is best summarised in this table.

Property Ownership Status	Labor	Liberal
Investor	Negative gearing to be limited to new housing after the next election. All investments made before this date will not be affected.	Negative gearing remains but travel expenses relating to investment properties are no longer allowed.
	Foreign investors can expect to see increased fees and penalties with plans to double application fees for residential real estate.	Foreign investors to be charged \$5,000 per annum if property is vacant for first six months of ownership.
	Commitment to support “built to rent” development projects.	Plan to support investors that rent to welfare recipients with direct deduction of rent from welfare payments.
Seller	Increase capital gains tax by reducing the current discount from 50% to 25%. All investments made before this date will not be affected. This policy change will not affect investments made by superannuation funds or assets of small business owners.	
Buyer	ALP predicts first home-buyers and owner-occupiers can expect an easing in the market from reform to negative gearing.	

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