

No need to mess with gearing

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An anyone looking to rent a home in Sydney or afford to pay their current rent would be looking at the growing debate in relation to the negative gearing of rental properties with increasing alarm.

They would be entitled to ask, why tamper with a system in the middle of the worst rental crisis in our city in living memory? It is not ideology to suggest that abolishing or limiting negative gearing, where owners of investment properties can offset their losses through the tax system, is a bad idea.

Or that tampering with it would be like lighting a powder keg under Sydney's economy as it struggles to fight its way out of the post pandemic slump, an inflationary spiral and associated rising interest rates.

The argument to leave negative gearing alone is borne out by actual experience. Australia has been there and done that and we know the consequences here in Sydney.

Many of the young people who will be in those long lines inspecting rental properties probably weren't even born the last time negative gearing was abolished in the 1980s. Their parents and grandparents would know that buy-for-rent construction was poleaxed and landlords increased rents on existing properties to offset higher costs.

Negative gearing was reinstated soon enough when the adverse consequences of its abolition became apparent.

More than 30 years later, the pendulum seems to be swinging back to policy flirtation with changes to negative gearing. Once again there is an attempt to define it as a whack against the "big end" of town.

But as the Property Council of Australia has highlighted over the years, negative gearing to a large extent involves middle

Australia, everyday people who have invested in a property or two to help build a little personal wealth to support their families.

The main lesson of history is not to repeat it and that's also true when it comes to negative gearing. Any downturn in construction in Sydney when thousands of new homes are needed for the rental market would be devastating. Think about the impact it would have on tradies and their jobs for one thing.

Let's have a dispassionate and sensible look at the issue. The reality is that negative gearing is an important tool in the arsenal of strategies that will continue to help relieve the housing shortage in Sydney.

By its very nature it helps to stimulate buy-for-rent construction, limit rental costs, attract buyers in the investment space and increase housing supply. Those advocating for changes to negative gearing need to take a cold shower of reality.

Negatively geared rental properties would no doubt comprise a significant portion of the homes that would be built under these plans. Why would anyone want to risk achieving construction goals that are already ambitious? It doesn't make sense for Sydney's economy and it doesn't make sense for the young people coming out in their droves to compete for rental places that are already too few in number.

The housing crisis is too serious to be diverted by policy "fixes" that have proved to be a damaging illusion in the past.

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