

Sir,

Apologies for late submission. I feel passionately about this issue and unfortunately only discovered the Committee was sitting today. I will be brief.

I declare that I have no conflict of interest - I neither sell, build, rent, or advise on residential property and own no shares of companies involved in real estate such as lending institutions, builders, manufacturers or real estate sales companies.

Australia does not have a housing affordability crisis. It does have a housing maldistribution crisis. While housing is increasingly unaffordable for potential first home buyers, the combination of negative gearing, depreciation, and beneficent capital gains tax arrangements make an investment property extremely affordable for citizens who already own equity within their own home.

The cause of our maldistribution crisis is obscured by poor data availability and misinformation by vested interest groups. This is not to say that there is some form of 'conspiracy', simply that it is in the best interests of many groups such as builders, developers, state governments and real estate agents to control access to house price sales data. Examples of misinformation include the 'land release' and 'lack of supply' mantras. Land for development is plentiful and is being held in reserve by developers so as not to dump volume on the market and suppress prices. Even a cursory glance at listings shows there is an unwanted supply of 'McMansions' in unserviced outer suburbs in most metropolitan centres.

Two reforms would assist the maldistribution crisis in the real estate market in Australia.

1. Accurate contemporaneous real estate house price information should be freely available. A lack of honest information will lead to the wrong conclusions being drawn and the wrong interventions being taken. Freely available price information will also help at the micro-level, helping to stop real estate agents from over-quoting to vendors and 'bait' pricing potential buyers, by impeding spruikers from flogging overpriced apartments to unsophisticated 'investors', and at the macro-level by helping to stop future property bubbles from forming. An inefficient information-asymmetric market is much more prone to over- and under-valuation.

2. Abolish negative gearing. The tax savings could be shared with the states, and stamp duty could also be removed. Clearly an act of political suicide when prices are as inflated as they are currently, but recent data from the US and Sydney show that the bubble is bursting, and prices are predicted to drop from 15-50%. Negative gearing is probably the cause of the current rental crisis - property investment only makes sense as a form of tax minimisation, so landlords are not induced by profit to own more than one property. The association between rental shortages and the abolition of negative gearing by the Keating Government is happenstance and has been proven to be non-causal.

One could argue that the Government need not actually do anything at this juncture; prices are falling, and patient potential first-home buyers will regain access to the housing market soon. But if negative gearing is allowed to stand after this property bubble bursts, then this artificial stimulus will inevitably reflate the market at a later time.

In summary, equitable access to housing in Australia can only come from equitable access to house sales information, but most importantly from first-home buyers and investors equitably competing for houses with their post-tax incomes.

I hope this late submission can be incorporated into the Committee's discussion.

Kind regards,

Craig Gedye