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GREENS WANT TO END NEGATIVE GEARING

Greens senator Scott Ludlam has announced they propose to end Negative Gearing which they say will create a fairer housing market and save $3 billion in 4 years or up to $42.4 billion over the period to the 2024/2025 financial year.

This is yet another turn of events in this ongoing saga which has seen the government vacillate on the issue and Labor now open to amendments. But with this statement from the Greens we have the first party to make such a bold statement.

After some toing and froing Tony Abbott has most recently dismissed ending Negative Gearing but then he has made categorical statements like this in the past that have been reversed so investors are understandably nervous.

The Greens reasoning is that it is not fair for lower and middle income families to have to subsidize the tax deductions of wealthy investors. They have suggested that the savings could be put into housing for the homeless and improving housing affordability.

That all sounds wonderful but will it work?

Investors rely on the additional income they get from Negative Gearing to maintain their properties. If their income is slashed they have only 2 options; either to increase rents by the amount they lose or to sell.

With Negative Gearing gone rents still can't go up overnight because investors have to compete in the open market but there will be steady pressure upwards. And the longer it takes for rent to go up the greater their loss will be and if an investor can't absorb the loss they must sell. The Greens are banking that this will create an the over-supply which will cause prices to drop.

That should happen but probably only for a short time. After a relatively short flurry of sales new investors will only come into the market if they know they can get the higher rents and so house prices will stabilize but with rents at new highs.

As the number of private rentals reduces there will be a greater demand for government housing, and so we will be back where we started; but how much worse off? And many who had sought to provide for their retirement with rental income will have to go to riskier options or start to make more demands upon the public purse.

This is only our opinion but it is also our opinion that the laws of supply and demand are quite fundamental in predicting the outcome of this story.

The Greens talk about wanting to cut off the big investors but the fact is the majority of investors only own 1 rental property. This is often the only way many mums and dads can supplement their meagre superannuation. Many older people have for the majority of their working life had no compulsory superannuation or much lower levels of contributions so their 'nest eggs' are almost non-existent.

The only saving grace is that the Greens say Negative Gearing will only be removed for new investors so all we can say is – **BUY NOW BEFORE IT IS TOO LATE.**

APRA MOVES TO CURB LENDING TO INVESTORS

The Australian Prudential Regulation Authority has already made attempts to cool the investor demand for real estate by making it harder for investors to borrow but results so far shown it has not worked so they intend to get tougher.

Its intension is to keep growth in investment lending to 10% but Westpac's senior economist Matthew Hassan said that up to April the measures taken by APRA had no effect.

So in May we saw some big changes that they hope will do the trick.

They are now looking for a 7% assessment rate as the test for whether an investor can handle future rises. And the banks are following. Many lenders, including the big four have tightened income assessments. They will now not consider even 80% of rental income, dividends, bonus pay and other uncertain earnings.

ING has even made NSW a special case by not considering loans of more than 80% compared to 90% for the rest of the country.

APRA regulates banks, credit unions and building societies which leaves a host of mortgage finance companies free to set their own standards. As lenders are snubbed by the bigger institutions they go to non-banks lenders who are will to take more risks.

What can be more disturbing is that having been rejected by head office the borrower can get approved in a branch office where staff and affiliated brokers are set aggressive loan targets. It is this incentive-based model that got the big banks in trouble over dodgy financial planning.

ASIC, the corporate regulator, has also banned, fined or jailed 60 mortgage brokers for loan fraud over the last 5 years.

So if you are still at all interested in buying a rental property with this trend of tightening regulations starting – **YOU NEED TO BUY NOW.**

SALE RELAUNCHED DUE TO FAILED CONTRACT

48 Croser Avenue, Aldinga Beach was for sale by Expressions of Interest closing 29th April 2015 and we got a contract but it failed! So it is now back on the market for $290,000 to $310,000.

This aerial photo shows it to be in a very special place just 1 street back from the beach and just 4 houses away from a road that leads to a ramp to the beach.

Get the full impact of this location by having a look at this image on your computer screen or on the signboard currently in front of the property. Click onto the link below and see what we mean;

http://www.realestate.com.au/property-house-sa-aldinga+beach-119412199

This is ideal for subdivision and it's crying out for 2 townhouses that will have hills and some sea views for just a fraction of the price of the esplanade (STCC)

Rarely do locations like this become available so ring us now for an inspection.