The Real Estate Wrap

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The end of negative gearing: a positive take-out

Labor has re-confirmed its plans to remove negative gearing for future investments should it triumph at the next Federal Election. The Government has predictably replied by declaring such a move would be a no-holds-barred disaster for the housing market. This time around, though, there's been more of an appetite for people – and the media - to dig into the details.

As *The Australian Financial Review* revealed, Labor's crackdown on negative gearing would still allow owners of multiple properties to access tax breaks for interest expenses on a portion of their investments. Basically, some property or shares could still be negatively geared for tax purposes under Labor's proposal if a person has other assets in their portfolio earning a larger profit. Of course, the plan is to grandfather existing investments. But as the Treasurer pointed out on the weekday morning show rounds, many investors are mums and dads and the fact they won't be able to negatively gear new purchases may prevent their capacity to invest in the first place.

So where's the silver lining here for investors? It's right before their eyes.

Prices are softening. Labor's odds of winning the next election have shortened in recent times. Existing investments will be grandfathered under Labor's policy, so investors will still be able to negatively gear their properties before a hypothetical start date kicks in. The first half of 2019 may just present some of the best conditions for property investors in some time. People with the capacity to invest now might be among the last to benefit from a tax arrangement that, either at the next Federal Election or subsequent votes thereafter, appears doomed at some stage in the future.

Clearance rates: entry level buyers come out to play

"With median house prices down by more than 6 per cent in the year to September, buyers on the look-out for value targeted entry-level listings."

That was *The Sydney Morning Herald*'s take on the past weekend's auction action, in which it was reported that first home buyers across more affordable markets were out in greater numbers. The preliminary clearance rate was recorded at 48.5%, a decent jump on last week's 42.1%. No doubt this will be lowered when the final numbers come in, but all in all a solid result in the current context.

According to CoreLogic, there were 874 auctions held in Sydney this week, up from 844 the week before. Anecdotally, Laing+Simmons agents have been more bullish about the coming week's auctions than in recent weeks past. It simply reinforces that, while the broader trend tells a story, each property has its own narrative and quality is always in demand.

Final thought

Competition to find a buyer is undeniably intense at the moment. People are fearful about overpaying and will only part with their hard-earned if they feel they're getting genuine value. For vendors, being able to show that their property offers value can be a point of difference.

Consider energy prices. A major contributor to people's cost of living. For many Aussie homes, air-conditioning is essential, so it's worth speaking to an agent about systems that may be more energy efficient and, depending on the property, solar panels. Solar can add capital value to the home itself but the point of difference to emphasise when selling might be the cheaper energy bills for the buyer going forward. And for homes with a yard, what about a water tank? This could be another investment with the potential to be recouped in the sale price and, in competing for buyers, cheaper water bills might be what sets a property apart. These types of solutions also tap into the idea of a greener home, which we know younger buyers are increasingly concerned about. Chat to an agent about the ways you can communicate not just your property's current day value, but also the value it can generate in the future.