
AUSTRALIAN FEDERAL BUDGET 2026-27

Executive Summary

The 2026–27 Australian Federal Budget outlines a series of housing, taxation and supply-side measures aimed at responding to ongoing housing affordability pressures, constrained construction activity and broader economic conditions characterised by moderating growth, elevated building costs and subdued household consumption.

From a property sector perspective, four key initiatives stand out.

First, changes to property investment taxation settings, including reforms to negative gearing and capital gains tax treatment, are designed to adjust relative investment incentives between established housing and newly constructed dwellings, with the effect of encouraging greater investment in new supply over time.

Second, a housing infrastructure package of approximately \$2 billion is allocated to enabling works such as transport, utilities and servicing infrastructure, with the objective of unlocking additional residential development capacity over time.

Third, the Budget includes measures aimed at improving planning system efficiency, including funding support to streamline approvals and reduce delays in housing delivery, with the goal of improving development throughput and reducing non-market barriers to supply.

Fourth, continued support is directed toward build-to-rent and institutional housing investment as part of a broader strategy to expand rental supply and diversify housing delivery models.

These measures sit within a broader environment of persistent affordability constraints, high construction costs, labour shortages and tighter financial conditions. While the policy settings are predominantly supply-oriented, the impact on housing delivery is expected to be gradual, reflecting structural constraints across the development and construction pipeline.

PETER MALONEY
Chief Executive Officer



CAMERON KUSHER
Chief Economist



FEDERAL BUDGET 2026-27

Economic Analysis

The Australian economic backdrop at the time of the 2026–27 Federal Budget is characterised by elevated inflationary pressures, constrained housing supply, subdued but uneven economic growth, and ongoing global uncertainty.

Inflation remains elevated, driven primarily by persistent services inflation, housing costs and continued input price pressures across the economy. This has reinforced expectations of restrictive monetary policy settings, with higher interest rates continuing to flow through to household budgets, borrowing capacity and discretionary spending.

Household consumption remains under pressure. Higher mortgage repayments, elevated living costs and subdued real income growth are constraining spending behaviour, contributing to weaker domestic demand conditions and softer overall economic momentum.

Housing supply remains structurally constrained, with dwelling completions continuing to lag population-driven demand. The construction sector is affected by elevated input costs, labour shortages and capacity constraints, resulting in extended delivery timelines and sustained pressure on rents and dwelling prices.

Labour market conditions remain relatively tight, although there are early signs of moderation in employment growth. Skills shortages persist in key sectors including construction, health and essential services, limiting supply responsiveness across the economy.

At a global level, conditions remain uncertain, shaped by geopolitical tensions, ongoing conflict risks and fragmentation in global trade and supply chains. These factors are contributing to volatility in energy markets, commodities and inflation expectations, indirectly influencing domestic economic and investment conditions.

Overall, the economic environment is defined by elevated inflation, constrained housing supply, restrictive financial conditions and heightened global uncertainty, with domestic policy operating against a backdrop of structural supply constraints and reduced household capacity.

Taxation Reform



Negative Gearing Reform

Negative gearing will be limited to newly constructed residential properties, with established properties purchased after Budget night no longer receiving the same concession from 1 July 2027. Existing investments will be grandfathered under current arrangements.



\$2 Billion Housing Infrastructure Package

A \$2 billion housing infrastructure package will fund enabling works such as roads, water, electricity and essential services to unlock residential development sites and support additional housing supply in priority areas.



Capital Gains Tax (CGT) Changes

The 50 per cent CGT discount will be replaced from 1 July 2027 with an inflation-adjusted model, alongside a minimum 30 per cent tax rate on capital gains. Transitional arrangements will apply, while investors in new residential properties will retain more favourable treatment.



Faster Planning and Housing Delivery Measures

Planning and housing delivery measures are aimed at streamlining approvals, reducing delays and improving coordination across government, with the objective of accelerating residential development and increasing housing supply over time.

FEDERAL BUDGET 2026-27

Negative Gearing Reform



The 2026–27 Federal Budget has introduced significant reforms to negative gearing as part of broader housing affordability and supply measures.

Under the new framework, negative gearing deductions for residential property will primarily be restricted to newly constructed dwellings. Negative gearing concessions for established residential properties purchased after Budget night will be phased out from 1 July 2027, while existing investment properties and arrangements will be grandfathered under current rules.

The policy is designed to redirect investor demand toward new housing supply by reducing tax incentives associated with established residential property investment. The government's objective is to support additional dwelling construction, ease pressure in the established housing market and improve access for first-home buyers.

The reforms represent a significant shift in Australia's residential investment taxation settings and are expected to influence investor behaviour, housing supply and broader property market activity over time.

Policy Rationale

- Adjusts after-tax returns on residential property investment by reducing tax advantages associated with established housing assets
- Reduces the relative attractiveness of investment in existing residential property
- Seeks to redirect investor capital toward newly constructed housing and additional supply
- Forms part of broader housing affordability and investment taxation reforms aimed at improving supply outcomes over time

Economic Effects

- Lower after-tax returns for newly acquired established residential investment properties
- Potential shift in investor demand toward newly constructed housing and alternative asset classes
- Likely changes to investment holding strategies, portfolio allocation and transaction activity over time
- Gradual reallocation of capital within the housing sector, subject to market conditions, housing supply response and policy implementation

FEDERAL BUDGET 2026-27

Capital Gains Tax (CGT) Changes



The 2026–27 Federal Budget introduces significant reforms to capital gains tax (CGT) and negative gearing as part of a broader shift in Australia's property taxation framework aimed at improving housing affordability and increasing new housing supply.

Under the proposed changes, the 50 per cent CGT discount will be removed for assets acquired after 1 July 2027 and replaced with an inflation-indexed taxation model. A minimum 30 per cent CGT floor will also apply to relevant capital gains outcomes, reducing the extent to which gains can be taxed below this threshold.

For residential property investors, negative gearing concessions will be restricted primarily to newly constructed housing. Existing investment properties will be grandfathered under transitional arrangements, while newly acquired established dwellings will lose access to negative gearing benefits from the implementation date. Newly built investment properties will retain more favourable tax treatment.

From a policy perspective, the reforms are designed to redirect investment toward new housing construction, reduce relative demand for established housing, and improve housing supply outcomes over time.

The changes represent a significant structural adjustment to Australia's property taxation system and are expected to influence investor behaviour, capital allocation and after-tax returns across the residential sector over the medium term.

Policy Rationale

- Redirects investor tax incentives toward new housing supply to address structural undersupply
- Encourages capital investment in residential construction and development activity
- Seeks to reduce demand pressure on established housing markets
- Forms part of a broader housing affordability and supply-side reform agenda

Economic Effects

- Likely moderation in investor demand for established residential property
- Increased attractiveness of newly constructed dwellings and development projects
- Potential reallocation of capital toward housing construction and supply creation
- Medium-term outcomes dependent on construction capacity, financing conditions and implementation settings

\$2 Billion Housing Infrastructure Package

The 2026–27 Federal Budget includes a \$2 billion housing infrastructure package aimed at addressing supply-side constraints in the residential property market and accelerating new housing delivery.

The funding is directed toward enabling infrastructure such as transport, water, sewerage, and electricity services required to unlock residential development sites currently constrained by limited infrastructure capacity. The package will be delivered in partnership with state and local governments and is targeted at both metropolitan growth areas and selected regional markets.

The measure sits alongside broader housing initiatives within the Budget, including planning reforms and changes to investor tax settings, with the combined objective of increasing housing supply and improving affordability over time.

From a policy perspective, the investment is intended to remove infrastructure bottlenecks that delay residential construction, improve development feasibility, and support faster housing delivery.

The package represents a targeted supply-side intervention and is expected to support increased residential development activity over the medium term, with outcomes dependent on construction capacity, implementation speed, and broader market conditions.

Policy Rationale

- Removes infrastructure bottlenecks constraining housing supply delivery
- Accelerates residential development pipelines through improved site servicing
- Supports coordination across federal, state and local governments
- Focuses on supply-side housing reform rather than demand stimulation

Economic Effects

- Improves feasibility of residential development projects
- Supports gradual increases in housing supply over time
- Provides uplift to construction and infrastructure activity
- Potential medium-term easing of supply-driven housing price pressures depending on delivery outcomes

Faster Planning & Housing Delivery Measures

The 2026–27 Federal Budget includes measures aimed at supporting faster housing delivery through targeted planning and supply-side initiatives.

The reforms focus on improving coordination across levels of government, reducing friction in approval pathways where Commonwealth levers apply, and supporting more efficient development processes through funding, data and system improvements rather than direct control of state planning systems.

The package includes initiatives to reduce delays in project progression, improve planning system capacity, and support digital and administrative upgrades in areas experiencing approval bottlenecks.

The objective is to increase housing supply by reducing non-market constraints to development and improving the efficiency of the delivery pipeline from approval through to construction. These measures sit alongside broader housing supply policies in the Budget, including infrastructure investment and changes to housing-related tax settings.

The expected effect is a gradual improvement in housing delivery efficiency over time, subject to construction capacity, labour constraints and the extent of state and local planning system adoption.

Policy Rationale

- Aims to reduce planning friction and administrative delays that can constrain housing supply delivery
- Supports improved coordination and alignment across federal, state and local planning systems
- Seeks to improve efficiency and capacity within development approval and delivery processes through funding and system support
- Targets non-market barriers to housing supply, complementing (rather than replacing) demand-side and tax settings

Economic Effects

- May contribute to reduced delays and improved efficiency in residential development approval processes
- Supports smoother pipeline flow of housing projects from approval through to construction
- Has potential to increase medium-term housing supply, subject to construction capacity, labour availability and state/local planning settings
- May contribute to gradual easing of supply-side pressures in housing markets over time, depending on implementation and market conditions

What it means for first time home owners...

The Budget is primarily focused on supply-side housing reform, with measures aimed at increasing housing availability over time through infrastructure investment, planning reforms and changes to investor tax settings, rather than delivering significant short-term financial assistance to first home buyers.



Increased Housing Supply Pipeline

- Infrastructure and planning reforms aimed at unlocking new housing
- Increased focus on growth corridors and regional development
- Measures designed to accelerate housing delivery over time



Reduced Investor Competition in Established Housing

- Tax changes aimed at shifting investors toward new builds
- May reduce investor demand in established housing markets
- Potentially improves conditions for owner-occupiers over time



Limited Immediate Affordability Relief

- No major new first home buyer incentives announced
- Affordability remains tied to interest rates and borrowing capacity
- Policy impacts expected to be gradual rather than immediate



What it means for Australian investors...

For Australian property investors, the Budget signals a structural shift in taxation settings that reduces relative incentives for investment in established residential property and improves the attractiveness of newly constructed housing on an after-tax basis. This is expected to influence portfolio strategy, investment yields and capital allocation over time, subject to market conditions and investor response.



Taxation Settings Shift

- Reduced relative tax advantages associated with investment in established residential property.
- Greater reliance on newly constructed housing to access more favourable tax treatment under the revised settings.



Changes in Investment Incentives

- Improved relative attractiveness of new builds and development-linked assets.
- Reduced comparative appeal of existing housing stock for new investors.



Portfolio and Capital Allocation Impact

- Gradual shift in investor capital toward new housing supply opportunities over time.
- Potential rebalancing of investment portfolios away from established residential property holdings.



Summary

The 2026–27 Federal Budget combines housing supply measures with structural changes to property investment taxation settings, in a broader environment of housing undersupply, elevated inflation, higher interest rates and continued population growth.

The Budget places emphasis on increasing housing supply through infrastructure investment, funding support and initiatives aimed at improving planning efficiency and development feasibility. These measures are intended to address structural supply constraints, with outcomes dependent on construction capacity, labour availability and planning system responsiveness.

It also introduces significant changes to negative gearing and capital gains tax arrangements, altering the relative tax treatment of established versus newly constructed housing. These reforms are designed to influence investor incentives and gradually redirect capital toward new housing supply.

Broader market conditions remain constrained by high construction costs, labour shortages and affordability pressures driven by elevated interest rates and weaker real income growth.

Overall, the Budget is expected to have a gradual and indirect impact on housing supply and investment behaviour, with outcomes contingent on implementation, investor response and prevailing macroeconomic conditions.

PETER MALONEY
Chief Executive Officer

CAMERON KUSHER
Chief Economist



Contact Us

1300 880 489

HTW.COM.AU

Key Contacts

PETER MALONEY

Chief Executive Officer

peter.maloney@htw.com.au

CAMERON KUSHER

Chief Economist

media@htw.com.au

DREW HENDREY

MD, Residential

drew.hendrey@htw.com.au

0409 170 868

GAVIN HULCOMBE

MD, Commercial

gavin.hulcombe@htw.com.au

0417 714 750

Media Contact

RAFE BERDING

Chief Marketing Officer

media@htw.com.au

0431 333 560

DISCLAIMER

The information contained in this document is provided for general information purposes only. It does not constitute financial, legal, taxation or other professional advice, and should not be relied upon as a substitute for specific advice relevant to individual circumstances. © 2026 Herron Todd White. All rights reserved. Liability limited by a scheme approved under Professional Standards Legislation.