Charter Keck Cramer

Federal Budget 2026

New housing market – implications for the development industry

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Introduction

Introduction

This research report has been prepared by Charter Keck Cramer ('Charter') at the request of several of our clients.

It is based on the information that has been released by the Federal Government to date. It is subject to change as further details become known and various questions are clarified by the Government.

This is not to be construed as tax, financial or legal advice and is for purely informational purposes.

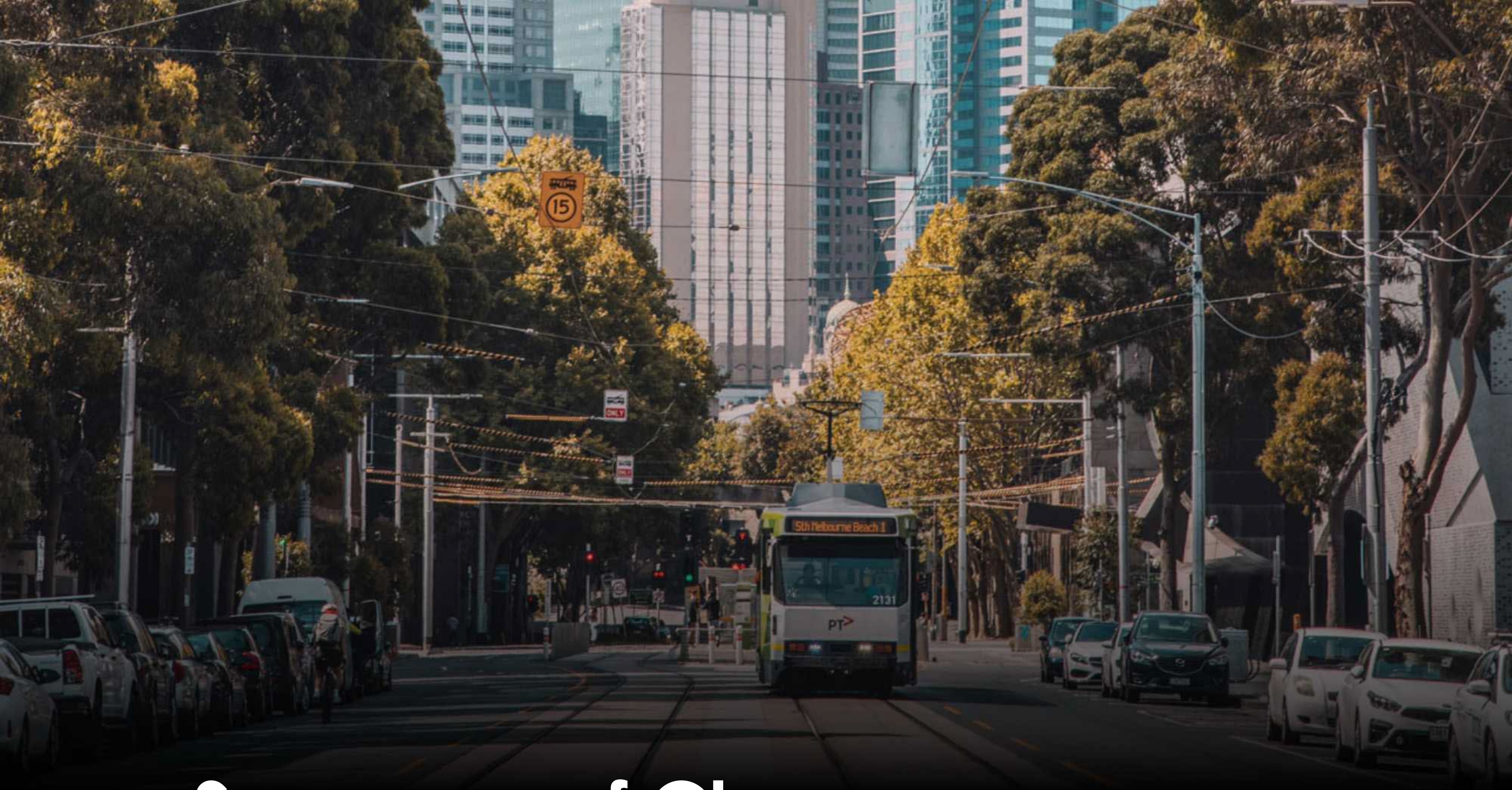
We thank our various clients who have provided their feedback over the last week.

Richard Temlett | National Executive Director | Research

Executive Summary

Executive Summary – Key Findings

Key Finding 1	*Key Finding 2*	*Key Finding 3*	*Key Finding 4*	*Key Finding 5*
Fundamental changes.	**Net Winners.**	**Net Losers.**	**Mixed outcomes.**	**Timelines.**
The changes announced at the 2026 Federal Budget are the largest in the last 30 years and must not be underestimated. Our initial discussions with the industry suggest that many will be adopting a "go slow" approach and that capital will now be reassessing all investment and development options and making revised risk-adjusted decisions.	Build to Rent (BTR) Apartments, Affordable Housing and the House & Land market appear to be the largest beneficiaries of these changes.	"Mum and dad" investors, legacy family-owned development sites as well as the typical Australian renter appear to be the largest (and perhaps unintended) losers as a result of these changes.	The new Townhouse market, Off the Plan Apartment market as well as the residual stock market (mainly Apartments) could potentially be winners or losers subject to a full understanding of the tax changes and future buyer behaviour. First Home Buyers are anticipated to have to continue to compete with investors for new dwellings which will manifest differently across various sub-markets, product types and price points.	A window of uncertainty currently exists. It has commenced on 12 May 2026 and will run until 1 July 2027. Given the inelasticity of supply, there is also likely to be a further window of at least 18 to 36 months or more where the existing rental pool shrinks (as many current investors divest established dwellings) before any new supply in the medium and high-density space is delivered which can significantly add to the rental pool.



Summary of Changes

Capital Gains Tax

The 50% CGT discount is replaced with cost-base indexation and a 30% minimum effective tax rate — a return to the pre-1999 'Costello' framework.

Policy Lever	Detail	Effective
50% discount removed	The 50% CGT discount for individuals, trusts and partnerships is abolished and replaced with cost-base CPI indexation (1985-99 methodology) plus a 30% minimum effective rate.	1 July 2027
New build election	Investors in new builds may elect either the existing 50% discount OR the new indexation/30% minimum regime — whichever produces the better after-tax outcome.	1 July 2027
Established stock	Post-12 May 2026 buyers lose the 50% discount; gains will be calculated under indexation + 30% minimum from 1 July 2027.	12 May 2026 / 1 Jul 2027
Grandfathering	Properties held before 7:30pm AEST on 12 May 2026 retain the existing 50% CGT discount on gains accrued to 30 Jun 2027.	Ongoing
Affordable housing	60% CGT discount for qualifying affordable housing fully retained.	Ongoing
Main residence	Main residence remains CGT-free. Pre-1985 'pre-CGT' assets are now taxed on gains accruing from 1 Jul 2027.	1 July 2027

Source – Budget 2026-2027 (budget.gov.au), Charter Keck Cramer.

Negative Gearing

Preserved for new builds, BTR and affordable housing — removed for established stock acquired after 12 May 2026.

Policy Lever	Detail	Effective
Established properties	Losses on established residential investment property purchased after the budget can only be offset against other residential property income (including capital gains) — no longer against wage or salary income.	Post-12 May 2026 buys; rules apply 1 Jul 2027
New builds	Full negative gearing retained. First investor only — once on-sold, 'new build' status is consumed, and the property becomes established for tax purposes.	Ongoing
Eligibility — what counts as a new build	OTP apartment, newly-constructed house on previously vacant land, knock-down rebuild adding dwellings (e.g. duplex on a single-house site), or a property tenanted <12 months before first sale.	Ongoing
BTR exemption	Build-to-Rent developments explicitly exempt — this appears to be a deliberate signal in favour of institutional rental supply.	Ongoing
Widely-held trusts & super	Widely-held trusts (including most Managed Investment Trusts (MITs)), super funds (incl. SMSFs) and government-housing investors exempt.	Ongoing
Grandfathering	Pre-12 May 2026 contracted properties retain existing rules. Transitional window to 30 Jun 2027 for post-budget buys.	Ongoing

Source – Budget 2026-2027 (budget.gov.au), Charter Keck Cramer.

Other Tax Changes

Additional measures that will shape investor behaviour and global capital sentiment.

Policy Lever	Detail	Effective
Pre-1985 assets	Pre-CGT 'legacy' properties brought into CGT for gains accruing after 1 Jul 2027 — value at commencement establishes new cost base. This is most relevant for legacy family-owned development sites in inner-rings Sydney/Melbourne.	1 July 2027
Discretionary trust minimum tax	30% minimum tax on discretionary trust distributions. Non-refundable credit system intended to avoid double-tax on trust-to-trust flows, but uncertainty remains. Excludes fixed trusts, widely-held trusts, super and charity.	1 July 2028
Trust rollover relief	3-year expanded rollover relief from 1 Jul 2027 to support restructure out of discretionary trusts into companies or fixed trusts.	From 1 July 2027
Foreign Resident CGT	Expansion of 'taxable Australian real property' definition retrospectively to Dec 2006 (~20 years). Captures infrastructure and energy assets. Targeted renewable-energy concession to 2030.	Retrospective to Dec 2006

Source – Budget 2026-2027 (budget.gov.au), Charter Keck Cramer.

Supply-side Measures

A material expansion of supply-side capital — paired with tax incentives, approvals and skills measures.

Policy Lever	Detail	Effective
Local Infrastructure Fund	New $2.0bn fund providing direct grants to local councils and state utility providers for trunk infrastructure (roads, water, power, sewerage) needed to unlock new housing developments.	From 2026-27
100,000 FHB Homes	$10bn Commonwealth + $5.9bn state co-investment for homes sold exclusively to first home buyers, with construction starting 2026-27.	From 2026-27
Housing Australia Future Fund	$10bn endowment continuing. Round 3 funding 21,350 new social and affordable homes, reaching the original 40,000 target by mid-2029.	Ongoing
Apprentice/skills measures	$10,000 financial support for eligible construction trade apprentices. $85.2m to Trades Recognition Australia to fast-track overseas qualification recognition.	From 2026-27
EPBC reform	Targeted Commonwealth funding for AI-enabled assessments, bilateral agreements with states, and bioregional plans. Treasury notes 20,000+ homes already accelerated.	From 2026-27
BTR concessional regime	15% Managed Investment Trust (MIT) withholding tax + 4% accelerated depreciation retained, with new income eligibility settings from 27 March 2026.	Ongoing

Source – Budget 2026-2027 (budget.gov.au), Charter Keck Cramer.

Demand-side Measures

Calibrated to take heat out of investor competition while keeping owner-occupiers and skilled labour in the pipeline.

Policy Lever	Detail	Effective
First Home Guarantee (FHG)	Place caps and income thresholds removed for the core 5% deposit / no-LMI guarantee. Commonwealth guarantees the deposit shortfall.	Now
Help to Buy expansion	$800m expansion. Property price and income caps lifted. Commonwealth equity contribution up to 40% on new homes (30% on established). ~40,000 households assisted.	From 2026-27
Foreign buyer ban	Temporary ban on foreign purchases of established residential dwellings extended by 2 yr 3 mo to 30 June 2029. Limited exceptions for new supply.	Extended to mid-2029
Migration cap	Permanent migration program capped at 185,000 places (132,240 skill, 52,760 family). 129,590 onshore-only. Prioritises healthcare, education, infrastructure engineering.	2026-27
Commonwealth Rent Assistance	Back-to-back CRA increases — first time in 30+ years. Cumulative >$20/wk for max-rate single recipient since 2023. 1.4m households benefit.	Ongoing

Source – Budget 2026-2027 (budget.gov.au), Charter Keck Cramer.

Asset Class Analysis

Three Major Factors to Consider

Well researched capital allocation is critical in the current environment.

Factor	Analysis	Risks / Opportunities
Resale Risk	• A new build can only be claimed as a new build by the FIRST INVESTOR. • Once on-sold, the new-build status is consumed — the property becomes “established” for the next buyer.	• Buyer pool for resales shrinks to owner-occupiers and exempt entities. • This is a very real risk for Off the Plan Apartments across Australia’s capital cities.
Demand responds faster than supply	• Investor (and buyer) demand can change overnight (or be timed to meet key dates). • Supply (particularly medium and high-density housing) however takes time to construct.	• There is likely to be a reduction in the size of the rental pool given these tax changes. • The supply of new dwellings however is unlikely to be delivered at the same time as the pool shrinks which means that rents are anticipated to rise until there is a meaningful supply response.
Varying impacts across markets and product types	• Owner-occupiers and investors target different types of dwellings in different locations. • For example, certain greenfield House and Land markets have higher or lower proportions of investors whilst the same applies to BTS Apartment markets across the country.	• The greenfield House and Land markets are anticipated to be a net winner from these changes, but this will vary between markets. • Parts of Sydney and the Gold Coast BTS apartment markets are less reliant on investors when compared to large proportions of Melbourne or Brisbane and this will impact presales (and settlement).

Asset Class Assessment

Well researched capital allocation is critical in the current environment.

Asset Class	Analysis	Verdict
BTR Apts	• BTR apartments are likely the largest beneficiary of these tax changes. • 15% MIT is retained, 4% accelerated depreciation, BTR carved out of Foreign Buyer ban and negative gearing changes. • If rental pool shrinks and rents increase this further supports the investment thematic for BTR Apartments.	Strong Tailwind.
BTS Apts	• Certain sub-markets stand to benefit via improved Off the Plan pre-sales of BTS apartments to investors. • The risk here lies in the resale of these Apartments. Lower risk strategy appears to lie in the owner-occupier BTS Apartment market (to address resale risk). • Some residual stock (mainly BTS apartments in Melbourne) potentially remain 'new' under these changes and will be attractive to investors given current pricing and rents.	Moderately positive.
Townhouses	• Townhouses will be a beneficiary under the changes as FHB can access the FHG and Help to Buy expansion. • Investors will also be attracted to the land component of a townhouse. • Townhouses in greenfield estates at competitive price points will be highly sought after.	Positive.
House & Land	• HL market will benefit from FHG and Help to Buy expansion. • $2B Local Infrastructure Fund to assist with enabling works could have significant impact on many estates.	Strong Tailwind.
Affordable housing	• Social and affordable housing is one of the few segments of the market that remains financially viable in 2026 in many sub-markets. • The 60% CGT discount for qualifying affordable housing being fully retained, private investors supporting government housing programs are exempt from negative gearing changes and Round 3 funding of the HAFF sends clear policy signals from the government for this asset class.	Positive.

Final Thoughts – What to monitor

Five issues to track closely over the next 12 to 18 months

Issue1	*Issue 2*	*Issue 3*	*Issue 4*	*Issue 5*
Legislative Pathway.	**Pre-1 July 2027 Buying Behaviour.**	**BTR Capital Flows.**	**RBA Path.**	**State Responses.**
These changes still need to pass the Senate. The Greens will likely push harder on investors whilst the Coalition will resist negative gearing. There will likely need to be clarification on various issues and their application to various circumstances.	Auction clearance rates and presale velocity through CY26 and H1-27 must be monitored to see how investors and FHB respond to these changes across the various sub-markets and residential real estate asset classes.	With positive signals being sent to BTR institutional capital, it is likely that various investors will proceed with their investment and development decisions (especially across Sydney and Melbourne).	If inflation surprises to the upside in Q3-26 and the cash rate pushes through 4.70%, financing cost pressure may more than offset the demand-side benefit from removed investor competition. Critical to watch August and November SMPs.	The Federal Government has taken significant steps towards rebalancing the housing market. Whether this succeeds and translates into future supply will come down to how the States respond to these changes.

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