



Open Letter to Federal Members and Senators

15 April 2026

Dear Members and Senators,

The Federal Budget & Housing Supply

Australia's peak residential building and property associations remain committed to addressing the nation's housing affordability stress as a supply side challenge best pursued by boosting our skilled workforce, increasing funding for enabling infrastructure, redoubling National Cabinet's pro-supply reforms, and dropping housing taxes.

We remain supportive of the national housing target of 1.2 million homes over 5 years. The focus on increased supply of new homes creates jobs and puts sustained downward pressure on ownership and rental costs. Intergenerational inequity concerns are best resolved through increasing supply.

We acknowledge that the target is falling short in its early years, but we believe those targets can be achieved if we get the settings right.

That is why next month's Federal Budget is crucial in moving forward with supply side improvements. Conversely, any measures to de-incentivise private sector investment in housing will jeopardise the goal of bolstering supply and in turn improving affordability.

Our long-held, robustly modelled, concerns that capital gains tax hikes and restrictions on negative gearing will further shrink new housing supply without noticeable impact on prices are well known.

In this context, any increase on capital gains tax to housing and/or a cap on negative gearing, risks material withdrawal from property investment when we need more investment in housing, not less.

Investors currently drive investment in 4 of every 10 new homes and for apartment projects this contribution exceeds 50 per cent. Investors play a vital role in addressing the underlying shortage of housing, they do not create it.

If the Federal Budget is used to actively drive investors into shares rather than financially supporting new housing projects in our cities and towns then Australia's national housing crisis will deepen.

For this reason, we urge extra caution in any consideration of hiking the cost of investment in new housing delivery. When governments are asking industry to deliver more supply, it is critical that tax hikes do not make investment in housing and apartment projects less certain.

Please find overpage further information. Our organisations stand ready to work collaboratively with governments to increase supply and improve affordability.

Yours sincerely,

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Association

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Further Information

Economic modelling on the impact of changes to housing policy settings was commissioned by HIA, MBA, PCA and REIA. All scenarios resulted in a fall in new housing starts, construction employment and GDP over a 5 year period.

Economic Modelling Summary:

Scenario	Starts	GDP (\$m)	Jobs (FTE)
Scenario 1: Remove negative gearing, minimal grandfathering	-45,524	-3,110	-4,288
Scenario 2: Remove CGT discount, minimal grandfathering	-33,353	-2,255	-3,162
Scenario 3: Restrict negative gearing to one dwelling, full grandfathering	-8,714	-614	-804
Scenario 4: Restrict negative gearing to two dwellings, full grandfathering	-4,355	-309	-400
Scenario 5: Restrict negative gearing to newly constructed dwellings, full grandfathering	-22,757	-1,589	-2,114
Scenario 6: CGT discount indexed to CPI, no grandfathering	-2,764	-184	-265
Scenario 7: 25% CGT discount, full grandfathering	-12,032	-822	-1,133
Scenario 8: 40% CGT discount with full grandfathering	-8,897	-597	-848
Scenario 9: 25% CGT discount with full grandfathering, restrict negative gearing to a single home with no grandfathering	-45,943	-3,126	-4,339

Broader context on Australia's Housing Supply:

- As a result of tax and supply hurdles, Australia is 100 homes behind the advanced economy median of 500 homes per 1000 people
- In the 20 years to 2021, Australia's production rate for new homes was 1.3 million fewer than the 20 years to 2011.
- Rental market vacancy is currently around 1 per cent – below the 3 per cent considered balanced and healthy.
- 30 cents per dollar spent on new homes is taxation, levied by the three levels of government.