

19th September 2026

Housing Policies Risk Supply

New modelling suggests the Federal Government's housing tax changes could have the opposite effect to their stated objective by reducing new housing supply and placing additional pressure on rents.

Independent modelling commissioned by four major housing industry bodies estimates the combined changes to negative gearing, capital gains tax and SMSF borrowing could result in 10,700 fewer new homes commencing between 2026-27 and 2029-30.

The analysis also forecasts rents could rise by around \$10 per week, while more than 4,700 construction jobs and \$1.05 billion in economic activity could be lost.

The industry groups say the findings highlight the importance of encouraging rather than discouraging investment in new housing.

"With the national 1.2 million-home target already under significant pressure, policy settings that are estimated to remove 10,700 new homes from the market move Australia further away from its housing objectives," they said.

Their message is straightforward: Australia's housing challenge ultimately requires more homes, more investment and fewer barriers to construction.



Quote Of The Week

"If we've got a supply shortage, then that's going to put upward pressure on prices."

Sarah Hunter,
RBA Assistant
Governor



Why Inflation Remains Sticky

Australians may be cutting spending, but inflation remains stubbornly high because households are only one part of the equation.

CommBank analysis says annual inflation eased to 3.5% in July, but underlying inflation remained at 3.6%, still well above the Reserve Bank's target.

Housing remains a major contributor, with housing-related costs rising 5% annually, including a 5.7% increase in new dwelling construction costs and 3.6% growth in rents.

Global energy costs, weak productivity and strong demand for workers and materials from government, business and major infrastructure projects are also keeping pressure on prices.

The impact is uneven across households. CommBank data shows spending by Australians aged 65-plus increased 10.1% annually in June, compared with just 4.2% among 25-to-34-year-olds.

RBA Deputy Governor Andrew Hauser acknowledged the frustration: "People want inflation down. People are furious about inflation."

The challenge for the RBA is bringing inflation under control without unnecessarily weakening employment and economic growth.





Spring Market Rewards Strategy

Spring has arrived, but Australia's property market looks very different from the boom conditions of a year ago.

National auction clearance rates have fallen to around 52.4%, while new listings across the capitals remain below their five-year average. Buyers are more cautious following higher interest rates, creating a market where realistic pricing is increasingly important.

For sellers, the changing conditions mean simply listing a property and expecting strong competition may no longer be enough. Properties priced appropriately from the beginning are better positioned to attract buyers before campaigns become stale.

For buyers, softer clearance rates can create more negotiating opportunities and additional time to conduct due diligence.

The spring market therefore looks increasingly likely to reward preparation rather than speculation.

As the analysis notes: "Spring 2026 is going to reward preparation over habit."

Conditions remain highly varied between markets, reinforcing the importance of understanding local supply, buyer demand and price momentum rather than relying on national headlines alone.



Shortage Could Restart Growth

Australia's current property downturn may prove relatively short-lived, with Westpac forecasting the chronic housing shortage will eventually push prices higher again.

Westpac CEO Anthony Miller expects the current correction to bottom at around 7%, before national property prices return to growth, rising approximately 3% in 2027 and 8% in 2028.

Higher interest rates and recent property tax changes have temporarily weakened buyer demand. Westpac has recorded a 26% fall in investor mortgage applications since the Federal Budget, while first-home buyer applications have fallen 30%.

But weaker demand does not solve Australia's underlying problem: there still aren't enough homes.

The national target of 1.2 million additional dwellings is already expected to be delivered later than originally planned.

That supply-demand imbalance provides an important longer-term counterweight to today's softer market. Once borrowing conditions and confidence stabilise, population growth and insufficient construction could again place upward pressure on property values.

The downturn may therefore represent a cycle rather than a structural reversal.



Premium Buyers Return

One of the first sections of Australia's property market to show signs of stabilising is the premium sector. Ray White data shows national open-home attendance fell from around 4.5 people per inspection in January to about 2.0 by July, but has since edged back to approximately 2.2.

The improvement has been particularly noticeable in prestige areas that experienced some of the largest price corrections during the downturn. Ray White Chief Economist Nerida Conisbee says it remains too early to declare a broad recovery, particularly with interest rates still a major influence. "Our open home data is providing one of the clearest early signals," she said.

Premium buyers also appear increasingly willing to transact when quality properties are appropriately priced, while buyers upgrading into more expensive homes may benefit from larger dollar-value declines at the upper end. The early improvement is significant because premium markets often react quickly to changes in confidence. For now, the data suggests buyer demand is no longer deteriorating at the same pace.