

# REAL ESTATE INSTITUTE OF AUSTRALIA

*Productivity Commission*

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## Housing Supply Regulation

June 2026

### Background

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The Real Estate Institute of Australia (REIA) serves as the national peak body representing the real estate profession, advocating for policies that foster a prosperous and sustainable industry since 1924, comprising the State and Territory Real Estate Institutes (REIs) as its members. As the leading voice for real estate professionals, REIA welcomes the opportunity to provide this submission to the Productivity Commission's inquiry into housing supply regulation.

REIA notes that the Productivity Commission's Terms of Reference are appropriately focused on the regulation areas of approval processes, availability and use of land for housing, and processes and frameworks to deliver new and utilise existing housing infrastructure.

While REIA broadly supports the Commission's inquiry objectives and notes that the questions posed fall outside REIA's core focus, we take this opportunity to provide evidence-based recommendations on three important policy measures that directly intersect with housing supply, housing affordability, construction productivity and home ownership outcomes:

- Phased Stamp Duty Removal by Considering Efficient and Nationally Consistent Alternatives
- Review of Property Tax Settings
- Extended Pre-Approval Settings to Support First Home Buyers

## Phased Stamp Duty Removal by Considering Efficient and Nationally Consistent Alternatives

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Stamp duty, or transfer duty, is one of the most inefficient and inequitable existing taxes in Australia, which imposes mobility restrictions and significant price distortions in the housing market, hindering economic productivity. It is widely recognised by economists, the OECD, the Henry Tax Review, and successive Productivity Commission reports as a distortionary transaction tax that suppresses housing market liquidity, restricts labour mobility, and disproportionately harms first home buyers and those seeking to downsize.

The current reliance on stamp duties creates several market failures. It has reduced the number of homes for sale. Housing market liquidity, which is the percentage of total homes on the market, has nearly halved, falling from a peak of 4.5% in 2008 to under 2.5% today. This decline is most severe in cities with the highest stamp duty, like Sydney and Melbourne, making it harder for Australians to find suitable homes.

Due to "bracket creep," the stamp duty payable on a median-priced house is now a huge upfront cost. In Sydney and Melbourne, it equates to nearly 50% of the average annual wage, a massive obstacle for first-home buyers and a major deterrent for downsizers.

Stamp duty acts as a tax on mobility. It discourages people from moving for better job opportunities, downsizing in retirement, or upsizing to accommodate a growing family. This "lock-in" effect leads to an inefficient use of our existing housing stock.

REIA recommends the phased abolition of stamp duty on residential property transactions, supported by efficient and nationally consistent alternative revenue mechanisms such as a broad-based land tax or consumption tax adjustment.

Reform should be structured to minimise distributional impacts, with transitional provisions for recent purchasers, retirees, and first home buyers. The Federal government should incentivise and support states and territories to implement this reform.

## Review of Property Tax Settings

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The housing sector is one of the most heavily taxed asset classes in the Australian economy. This high tax burden, combined with pervasive industry regulation, has exacerbated the housing affordability crisis. Any changes to the current CGT and negative gearing arrangements will add to existing supply constraints, increasing pressure on the availability and affordability of private rental accommodation.

In the Federal Budget, the government has proposed removing the 50 per cent capital gains tax (CGT) discount on residential property and replacing it with an indexation model, while simultaneously limiting negative gearing to new residential builds only. REIA, together with Master Builders Australia, the Housing Industry Association, and the Property Council of Australia, commissioned Qaive and Tulipwood Economics to [model the impact of these proposed changes](#).

Australia is currently facing both a supply and affordability crisis in the housing sector. With high inflation rates and poor housing productivity, it is necessary to consider a holistic view of property-related taxes that primarily result in more homes being built. REIA submits that the changes proposed will have the opposite effect.

The proposed changes to negative gearing and the capital gains tax discount will produce fewer homes, higher rents, and a weaker economy. The table below summarises the impacts of the negative gearing and CGT changes alone on the housing market and economy.

Metric	2026/27	2027/28	2028/29	2029/30
GDP impact (\$m)	-\$121	-\$278	-\$414	-\$561
Construction output (\$m)	-\$266	-\$463	-\$551	-\$623
Construction employment (FTE)	-882	-1,523	-1,798	-2,016
Total New dwelling starts	-1,734	-3,235	-4,115	-4,948
Rental price increase (%)	+0.49	+0.97	+1.29	+1.62
Established home prices (%)	-0.20	-0.40	-0.54	-0.67

Source: Qaive and Tulipwood Economics, 2026/27 Modelling the proposed housing tax changes (27 May 2026)

The modelling finds that over the next four years, the Federal Budget will cause:

- New housing supply to fall by over 8,700
- Rents to increase by up to \$9 per week
- A reduction in GDP of \$864 million
- Construction jobs to fall by more than 3,800

These outcomes differ from Treasury's results, which forecast a more modest increase in rents of around \$2 per week and a net increase in housing supply by 30,000 over ten years, equivalent to 12,000 homes over the next four years.

Property and housing taxes should be reviewed as part of a broader evaluation of housing reform options, encompassing all tax settings and regulatory frameworks across federal, state, and local levels. A well-designed and fair property tax system can significantly improve both economic productivity and labour mobility, whilst creating a housing market that is responsive to the needs of Australians. That review should come after the supply has been addressed, not before.

REIA recommends that any review of property tax settings should be undertaken holistically, in conjunction with broader housing supply reform, and only after supply-side constraints have been materially addressed.

## Extended Pre-Approval Settings to Support First Home Buyers

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Pre-approval (or conditional approval) is a standard process by which prospective homebuyers confirm their borrowing capacity before committing to a property purchase. Currently, pre-approval for a home loan is only valid for 90 days across most lenders and major banks. If a prospective homebuyer has not found a property by then, they will have to reapply and go through the process again.

This 90-day window creates a structural mismatch between the timeframes of the lending system and the realities of the constrained housing market, particularly for first home buyers. In a competitive market with limited stock, many first home buyers are unable to identify, offer on, and successfully purchase a property within three months.

When pre-approval expires, buyers must reapply by submitting updated financial documents and undergoing reassessment, which can affect credit scores. The mismatch is most acute for first home buyers purchasing off-the-plan properties.

REIA recommends through APRA's macroprudential framework, to extend home loan pre-approval validity for first home buyers in two specific circumstances:

- For off-the-plan purchases of new dwellings, pre-approval validity should be extended to 12 months.
- For purchases of existing dwellings, pre-approval validity should be extended to six months.