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EXECUTIVE SUMMARY

Two existing regulatory settings — transfer duty (stamp duty) and the Age Pension assets test — are materially suppressing the voluntary mobility of older Australians through the existing housing stock. Reforming either would unlock a significant supply of family-sized dwellings without constructing a single new home.

This submission is based on direct, first-hand experience as a licensed real estate agent working with older homeowners in Sydney's north-west, and on operating Downsize Easy — a free policy aligned modelling providing calculators and plain english guides that help NSW homeowners aged 60 and over understand the full cost and consequences of downsizing.

Downsize Easy is not a financial advice service and does not provide financial planning. It provides real time policy-aligned modelling and plain-English guides covering superannuation downsizer contributions, stamp duty, capital gains tax, Age Pension and Centrelink impacts, and first home buyer assistance for adult children — helping older Australians understand their numbers before engaging a financial adviser, accountant or solicitor.

The pattern observed is consistent: people who want to move, who have the assets to move, and who would release a large family home into the market, are staying put because the financial consequences of moving make it the irrational choice. This is a regulatory failure, not a market failure.

The government fundamentally altered the tax treatment of property investment through the

2026 Federal Budget while leaving in place simpler regulatory barriers — to stamp duty and the assets test — that could unlock existing housing supply almost immediately, at lower direct cost to government.

SECTION 1 — WILLING SELLERS ARE NOT MOVING

1.1 Scale of the opportunity

The 2021 Census identified approximately 13 million unoccupied bedrooms across Australian dwellings. A significant proportion are in homes owned by Australians aged 60 and over — couples whose children have grown and moved out, living in properties that exceed their current needs, who have in many cases actively considered downsizing but concluded the numbers do not stack up.

These are not vacant investment properties or unbuilt housing estates. They are family homes whose owners would, under different regulatory conditions, be willing to sell. Industry estimates suggest that reforming the pension assets test alone could enable tens of thousands of older Australians to move — releasing larger homes while generating additional stamp duty revenue for state governments through higher transaction volumes.

Housing supply increases. Government revenue increases. Families gain access to larger homes. No new construction required. No planning approvals. No infrastructure contributions. The homes already exist — only the regulatory barriers preventing their release need to change.

1.2 What Downsize Easy shows

Downsize Easy is a free public information service providing calculators and plain-English guides so NSW homeowners can understand the costs and consequences of downsizing before engaging any professional adviser. It was built because older homeowners were arriving at conversations with solicitors, accountants and real estate agents without a clear picture of what downsizing would actually cost them.

Engagement with the Pension Assets Calculator is consistently high. Users regularly discover the financial consequences of downsizing are materially worse than they assumed. In many cases this leads to deferral or abandonment of a planned move. These are not people who decided not to downsize. These are people the numbers decided for.

1.3 Illustrative scenario — West Pennant Hills, Sydney

A couple aged 68 and 65. Family home valued at $2.5 million, mortgage-free. Considering a 2-bedroom apartment in the same suburb at $1.3 million.

After stamp duty ($58,000), agent commission ($62,500), conveyancing ($5,000), moving

($10,000) and make-good costs (~$25,000), net proceeds are approximately $1.04 million. Added to existing savings of $250,000, assessable assets rise from $250,000 to $1.29 million — far above the couple homeowner threshold of $471,500 (March 2026). Their Age Pension is eliminated entirely. Annual loss: $40,500, ongoing and indefinite. The rational response: stay.

SECTION 2 — THE REGULATORY BARRIERS

2.1 Transfer Duty (Stamp Duty)

Transfer duty (Stamp Duty) in NSW applies at rates that commonly represent $30,000–$90,000 for median metropolitan properties — incurred in full even where the replacement property is substantially less valuable. Combined with agent commission, conveyancing, moving and make-good costs, the total cost of a typical downsizing move exceeds $150,000.

NSW offers stamp duty exemptions for first home buyers and concessional rates for other categories of buyer. No equivalent concession exists for downsizers — a policy asymmetry that is difficult to justify on housing supply grounds. A first home buyer entering the market creates supply benefits. So does a family-sized home released by a couple who no longer need four bedrooms.

Recommendation 1 — Stamp Duty Concession for Downsizers

Introduce a stamp duty exemption or graduated concession for owner-occupiers aged 60 and over who purchase a property of lesser value than the property they are concurrently selling. The concession would be revenue-negative per transaction but revenue-positive overall through increased transaction volumes, while releasing family-sized dwellings at no construction cost.

2.2 Age Pension Assets Test

The assets test appropriately exempts the principal place of residence, preventing older Australians from being forced to sell the family home to qualify for the pension. However, when they do sell and purchase a smaller property, the net proceeds become fully assessable — potentially eliminating pension entitlements that would otherwise continue indefinitely.

As shown in Section 1.3, this loss ($40,500 per year for a couple at the full pension rate) is ongoing and indefinite. Combined with $150,000+ in transaction costs, downsizing can cost a couple hundreds of thousands of dollars over their remaining retirement compared with staying put. The rational response is to stay.

The existing 12-month assets test exemption for sale proceeds from a principal residence — intended to allow time to purchase a replacement — is widely unknown among eligible homeowners. Uncertainty about how it works causes people to defer or abandon the decision entirely.

Recommendation 2 — Age Pension Assets Test Reform

Examine the assets test treatment of downsizing proceeds and consider a defined exemption period or graduated concession for net proceeds from a qualifying principal residence sale. This could be modelled on the existing downsizer superannuation contribution — which allows those aged 55 and over to contribute up to $300,000 per person outside normal super caps — but applied directly to the assets test rather than requiring a superannuation vehicle.

SECTION 3 — WHY CONSTRUCTION REFORMS ALONE ARE INSUFFICIENT

The bulk of submissions to this inquiry will address planning regulations, zoning, development approval timelines and infrastructure contributions. These are genuine and significant barriers that deserve the Commission's attention.

This submission argues that equal attention should be given to the supply that already exists — specifically, the family-sized homes that would be released voluntarily by older Australians if the regulatory settings permitted them to do so without financial penalty.

The 2026 Budget made large and contested changes to investor taxation while leaving simpler and less contested reforms to stamp duty and the assets test untouched.

New supply and unlocked existing supply are both needed. Unlocking existing supply through regulatory reform can happen faster and at lower cost than new construction — no planning approvals, no infrastructure levies, no rezoning.

The homes already exist and the willing sellers already exist. Only the regulatory settings preventing the transaction need to change.

SECTION 4 — THE ROLE OF ACCESSIBLE INFORMATION

Many older homeowners have not made an informed decision about downsizing — they have made an uninformed assumption. They assume it is expensive (often correct) and that it will affect their pension (often correct), and conclude it is not worth investigating further. This conclusion is frequently inaccurate once the full range of available measures is considered.

Awareness of the downsizer superannuation contribution — which allows those aged 55 and over to contribute up to $300,000 per person of sale proceeds into super outside normal caps — remains low among eligible homeowners. Many who would benefit from using it do not know it exists.

Recommendation 3 — Downsizer Super Contribution — Improve Awareness

Recommend improved communication of the downsizer super contribution measure (age 55+; up to $300,000 per person; 10-year ownership requirement). It is an existing legislated mechanism for managing the assets test impact of downsizing proceeds — but substantially under-utilised because the eligible population largely does not know it exists.

Recommendation 4 — Government-Supported Pre-Advice Information Services

Consider government-funded or government-supported services providing accessible, plain-English information about the full cost and consequences of downsizing before people engage private professional advisers. This reduces information barriers, improves decision quality, and enables the regulatory reforms above to have their full effect. It is complementary to reform — not a substitute for it. Information alone cannot make a financially irrational decision rational, but it can ensure people understand the calculation they are being asked to make.

CLOSING STATEMENT

Australia does not have a shortage of bedrooms. It has a shortage of policies that allow people to move between them.

The homeowners I work with as a real estate agent are not unwilling to release the family home. They are unable to make the financial decision to do so without accepting a penalty that most Australians on a fixed retirement income cannot absorb. That penalty is not a feature of the market. It is a feature of regulatory settings that were not designed to discourage downsizing — but have that practical effect regardless.

The Commission has an opportunity to recommend reforms that would increase housing supply faster, and at lower direct cost to government, than any planning or construction measure currently under consideration. I respectfully urge the Commission to give this pathway the attention it warrants.

ABOUT DOWNSIZE EASY

Downsize Easy (downsizeeasy.com.au) is a public information service — not a financial advice or financial planning service — providing calculators and plain-English guides for Australians aged 60 and over considering downsizing. It covers stamp duty, capital gains tax, Age Pension impact, superannuation downsizer contributions, negative gearing, first home buyer assistance and related costs.

Barry Nicolaou is a Licensed Real Estate Agent (NSW) — Licence No. [Redacted]— operating from Sydney's north-west, specialising in older homeowners selling the family home. This submission reflects his personal and professional views drawn from direct observation of the practical effects of current regulatory settings on older NSW homeowners.

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Helping NSW homeowners plan their next chapter with confidence