New Build vs Established Property

15-Year Investment Comparison | Post-Budget Negative Gearing Analysis

This model compares two $1.000m investment properties purchased after 12 May 2026. The new build retains full negative gearing and depreciation benefits. The established property has no negative gearing (losses quarantined) and no depreciation.

Assumptions

Purchase Price	**$1.000m**	Loan (100% LVR)	**$1.000m**
Interest Rate	**6.0% (IO)**	NB Yield / Est Yield	**4% / 3%**
New Build Growth	**6% pa**	Established Growth	**8% pa**
Marginal Tax Rate	**47% (incl Medicare)**	Holding Period	**15 years**
Stamp Duty	**$55,000**	Total Cash Required	**$74,500**
Building Depreciation	**2.5% pa on $500,000**	Rent Growth	**3.5% pa**
NB Holding Costs	**$6,000 pa**	Est Holding Costs	**$8,000 pa**

The Bottom Line -- 15 Years

	New Build	Established	Difference
Sale Price (Year 15)	$2.397m	$3.172m	$775,611
CGT Payable	$427,710	$704,123	-$276,413
Net After CGT	$910,916	$1.395m	$483,687
After-Tax Holding Cost (15 years)	$38,951	$469,921	-$430,970
Tax Benefits Received	$200,815	$0	$200,815
Depreciation Claimed	$187,500	$0	$187,500
Total Cash Invested	$113,451	$544,421	
NET PROFIT	**$797,465**	**$850,182**	**$52,717 in favour of Established**

The established property produces $52,717 more net profit despite no negative gearing. The 2% pa growth premium compounds to $775,611 more at sale.

Year-by-Year Cashflow Comparison

Left: New Build (6% growth, full NG + depreciation) | Right: Established (8% growth, no NG, no depreciation)

	NEW BUILD (NG + DEPRECIATION)								ESTABLISHED (NO NG)							
Yr	Value	Rent	Costs	Cash +/-	Depr	Tax Eff	After Tax	Cum OOP	Value	Rent	Costs	Cash +/-	Depr	Tax Eff	After Tax	Cum OOP
1	$1,060k	$40k	$66k	-$26,000	$12,500	$18,095	-$7,905	$7,905	$1,080k	$30k	$68k	-$38,000	$0	$0	-$38,000	$38,000
2	$1,124k	$41k	$66k	-$24,780	$12,500	$17,522	-$7,258	$15,163	$1,166k	$31k	$68k	-$37,190	$0	$0	-$37,190	$75,190
3	$1,191k	$43k	$66k	-$23,516	$12,500	$16,928	-$6,589	$21,752	$1,260k	$32k	$68k	-$36,350	$0	$0	-$36,350	$111,540
4	$1,262k	$44k	$67k	-$22,208	$12,500	$16,313	-$5,895	$27,647	$1,360k	$33k	$69k	-$35,480	$0	$0	-$35,480	$147,021
5	$1,338k	$46k	$67k	-$20,852	$12,500	$15,676	-$5,177	$32,824	$1,469k	$34k	$69k	-$34,578	$0	$0	-$34,578	$181,599
6	$1,419k	$48k	$67k	-$19,448	$12,500	$15,016	-$4,433	$37,256	$1,587k	$36k	$69k	-$33,644	$0	$0	-$33,644	$215,243
7	$1,504k	$49k	$67k	-$17,994	$12,500	$14,332	-$3,662	$40,918	$1,714k	$37k	$70k	-$32,675	$0	$0	-$32,675	$247,917
8	$1,594k	$51k	$67k	-$16,488	$12,500	$13,624	-$2,864	$43,782	$1,851k	$38k	$70k	-$31,671	$0	$0	-$31,671	$279,588
9	$1,689k	$53k	$68k	-$14,928	$12,500	$12,891	-$2,037	$45,819	$1,999k	$40k	$70k	-$30,630	$0	$0	-$30,630	$310,218
10	$1,791k	$55k	$68k	-$13,313	$12,500	$12,132	-$1,181	$47,000	$2,159k	$41k	$70k	-$29,551	$0	$0	-$29,551	$339,769
11	$1,898k	$56k	$68k	-$11,640	$12,500	$11,346	-$294	$47,294	$2,332k	$42k	$71k	-$28,433	$0	$0	-$28,433	$368,203
12	$2,012k	$58k	$68k	-$9,907	$12,500	$10,531	$624	$46,669	$2,518k	$44k	$71k	-$27,275	$0	$0	-$27,275	$395,477
13	$2,133k	$60k	$69k	-$8,112	$12,500	$9,688	$1,576	$45,093	$2,720k	$45k	$71k	-$26,074	$0	$0	-$26,074	$421,551
14	$2,261k	$63k	$69k	-$6,253	$12,500	$8,814	$2,561	$42,532	$2,937k	$47k	$72k	-$24,830	$0	$0	-$24,830	$446,381
15	$2,397k	$65k	$69k	-$4,328	$12,500	$7,909	$3,581	$38,951	$3,172k	$49k	$72k	-$23,540	$0	$0	-$23,540	$469,921
TOT	**$2,397k**				**$187,500**	**$200,815**		**$38,951**	**$3,172k**				**$0**	**$0**		**$469,921**

Sale & CGT Breakdown -- Year 15

	New Build	Established	Difference
Sale Price	$2.397m	$3.172m	$775,611
Selling Costs (2% + legal + marketing)	$57,931	$73,443	$15,512
Loan Repayment	$1.000m	$1.000m	
Net Sale Proceeds	$1.339m	$2.099m	$760,099
Original Cost Base	$1.075m	$1.075m	
CPI-Indexed Cost Base (3% pa)	$1.674m	$1.674m	
Less: Depreciation Clawback	$187,500	$0	-$187,500
Adjusted Cost Base	$1.487m	$1.674m	$187,500
Real Capital Gain	$910,022	$1.498m	$588,111
CGT Payable (47% on real gain)	$427,710	$704,123	$276,413
Net After CGT	$910,916	$1.395m	$483,687
Less: Initial Cash Invested	$74,500	$74,500	
Less: Holding Costs (after tax)	$38,951	$469,921	$430,970
NET PROFIT	**$797,465**	**$850,182**	**$52,717**

Sensitivity Analysis -- Growth Rate Impact

Scenario	NB Growth	Est Growth	NB Net Profit	Est Net Profit	Winner	Margin
Both at 6%	6%	6%	$797,465	$454,620	**New Build**	$342,845
Both at 7%	7%	7%	$982,327	$639,482	**New Build**	$342,845
Both at 8%	8%	8%	$1.193m	$850,182	**New Build**	$342,845
NB 6% / Est 7%	6%	7%	$797,465	$639,482	**New Build**	$157,983
NB 6% / Est 8% (base)	6%	8%	$797,465	$850,182	**Established**	$52,717
NB 5% / Est 8%	5%	8%	$635,474	$850,182	**Established**	$214,708
NB 7% / Est 8%	7%	8%	$982,327	$850,182	**New Build**	$132,145
NB 6% / Est 10%	6%	10%	$797,465	$1.363m	**Established**	$565,307

Key Takeaways

- **Growth is king.**
  At equal growth rates, new builds win every time (NG + depreciation = lower holding cost). The established property needs ~1.5-2% pa higher growth to overcome the tax advantage.
- **NG reduces holding pain, not wealth.**
  Tax benefits of ~$200,815 over 15 years make the new build much easier to hold. But depreciation gets clawed back at sale ($187,500).
- **Established wins on growth premium.**
  The 2% pa compounding gap creates $775,611 more at sale -- enough to overcome higher holding costs and no NG.
- **Income capacity matters.**
  The established property costs $430,970 more to hold after tax. The investor needs strong income to sustain this without NG support.
- **For clients:**
  New builds = lower risk, easier hold, tax-efficient. Established = higher total return IF you can afford the holding costs AND believe in the growth premium.

Disclaimer: This model is for illustrative purposes only and should not be relied upon as financial advice. Actual returns will vary based on individual circumstances, market conditions, interest rates, tax rulings, and other factors. The post-budget CGT changes (inflation indexation replacing the 50% discount, minimum 30% effective rate) are modelled based on announced policy as at May 2026 -- final legislation may differ. Interest-only loan assumed for full 15 years (may not be available in practice). Consult a qualified tax advisor and financial planner before making investment decisions.

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