Australian
Finance
Industry
Association

1 May 2026

Senator Barbara Pocock
Chair of Select Committee on Intergenerational Housing Inequity
PO Box 6100
Parliament House
Canberra ACT 2600
Via email: housinginequity.sen@aph.gov.au

Dear Senator

SELECT COMMITTEE ON INTERGENERATIONAL HOUSING INEQUITY

The Australian Finance Industry Association (AFIA) is the only peak body representing the entire finance industry in Australia.[1] We appreciate the opportunity to respond to the Senate Select Committee on Intergenerational Housing Inequity.[2]

We represent over 150 members, including bank and non-bank lenders, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry. We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators and customer representatives to promote competition and innovation, deliver better customer outcomes and create a resilient, inclusive and sustainable future. We provide new policy, data and insights to support our advocacy in building a more prosperous Australia.

INTRODUCTORY COMMENTS

Housing affordability and access are foundational to intergenerational equity, and to Australia's long-term economic resilience. Secure, appropriate and affordable housing underpins labour mobility, workforce participation, family formation, health, financial wellbeing and sustainable wealth creation. When barriers to housing access persist, the costs are not confined to any single cohort; they compound across lifetimes and reverberate through productivity, public finances and social cohesion.

[1] Australian Finance Industry Association (afia.asn.au).
[2] Parliament of Australia, *Select Committee on Intergenerational Housing Inequity*, 17 March 2026.

While the impacts of housing stress are often most acute for younger Australians, housing affordability and access are system-wide challenges that affect people across all life stages and circumstances. AFIA strongly supports a national, coordinated housing strategy that addresses structural supply and demand imbalances, expands affordable and social housing for key workers and vulnerable households, enables older Australians to access suitable and dignified housing that meets their needs and preferences, reduces homelessness, and alleviates housing stress, including through improved, targeted support for home owners and renters.

From a finance industry perspective, long-term housing outcomes depend on stable, predictable and well-coordinated policy settings across all levels of government. National housing plans must be realistic, evidence-based and underpinned by aligned planning, land-use and infrastructure systems that support sustained housing delivery. A well-functioning housing system is not only a social good; it is essential economic infrastructure that supports labour markets, financial stability and inclusive growth across generations.

AFIA's submission focuses on how housing supply constraints, regulatory settings and the structure of housing finance markets have contributed to lower home ownership rates, particularly for younger Australians, while recognising the importance of housing affordability and security across all cohorts and identifying how targeted reforms can improve outcomes without undermining financial stability.

HOUSING FINANCE

Home loan market

Competition in the mortgage market has led to innovations in lending products, services, and technologies available through a range of lenders, including banks, mutual banks and credit unions, and non-bank lenders (NBLs).

There is a wide variety of home loans in the Australian market, ranging from a basic standard variable interest rate product with lower associated costs, through to products with additional features, variable or fixed interest rates, and other benefits suited to borrowers with different needs. The following outlines a number of these product innovations:

- **Standard variable rate or fixed rate home loans**: Home loans can be a standard variable interest rate product, where the interest rate changes according to market rates, or a fixed interest rate product, where the interest rate is locked in for a period of time (usually between one to five years, sometimes 10 years).
- **Principal and interest-only products**: Repayments on a home loan are calculated based on the repayment of the loan amount (principal) and interest over a period of time (usually 25 or 30 years). However, interest-only products can assist a borrower by making lower repayments for a period of time. In this instance, the repayment does not cover the principal, which means the amount borrowed does not decrease over this period.

- **Redraw facilities**: Where the borrower has made additional repayments, they are able to access these funds if their circumstances change. This encourages borrowers to make additional repayments when their financial capacity permits, and then to use those funds if required, i.e. renovation on the property.
- **Offset accounts**: A separate transaction account in which funds can be deposited and accessed can be linked to a standard variable home loan to reduce the amount and therefore the interest rate is calculated off a lower loan amount, meaning the repayments are lower.
- **Other flexible mortgage products**: Lenders have provided further innovations and options for home loan customers, with features that enable better cost management and minimisation, including:
    - split loans – a portion of the home loan is fixed and the remainder standard variable
    - repayment matches – a non-standard repayment period is introduced, usually to match the frequency of a salary payment to assist direct debits
    - repayment adjustments on fixed loans – a threshold amount is permitted to be deposited into the loan to reduce the principal, even though the home loan is a fixed home loan
    - rate locks – a fee is charged to lock in a certain interest rate while a property transaction or loan application is being finalised, which can protect against increases in interest rates)
    - higher LVR products – a typical home loan requires a 20 per cent deposit, a higher LVR loan permits a lower deposit amount, but will likely also require Lenders Mortgage Insurance (LMI)
    - green loans – a specialised mortgage or loan with lower-interest financing or other benefits for purchasing, building, renovating or adding home improvements for energy-efficient homes.

Additionally, technology advances mean customers are getting additional services, many available directly through their lender app. For example, data analytics and tools provide customers with budgeting tools, spending assessments, and other tools to build financial literacy. Others are also providing access to property and industry reports and integrating these services with third-party market platforms for real-time insights and updates.

With lenders offering discounts and additional benefits, shopping around for a home loan that best suits a borrower is advisable. There are a number of comparison websites, but many Australians are accessing their home loan product through a mortgage broker.

Access to credit & credit assessment

Lenders assess a borrower's capacity to repay a loan (known as a credit or serviceability assessment). These assessments are based on a number of factors, including the borrower's financial position (income and expenses), collateral (i.e. non-financial asset, property location and other characteristics), capital (i.e. financial assets, including deposit), and conditions (i.e. market, economic, employment, etc). Interest rates are often pointed to as the dominant influence on housing costs.

Interest rates

The RBA announces the cash rate target, which is the interest rate on unsecured overnight loans between banks. This is currently 4.10 per cent[3]. However, the market rates set by lenders reference the cash rate, but also reflect their overall cost of funds and other factors. All lenders access funding through capital and financial markets. The composition and cost of their funding depends on the individual lender. Banks and other Authorised Deposit-taking Institutions (ADIs) get deposits from customers. Banks and non-bank lenders (NBLs) use securitisation markets. Lenders also raise funds through commercial paper and bond markets. Funding is sourced from short-term and long-term markets.

Therefore, market rates reflect funding costs, but also costs associated with credit (including the credit rating of the lender, demand for credit, credit score of the customer, size of the loan, size of the deposit, collateral, etc), market conditions (including inflation expectations, interest rate volatility), and operating expenses as well as profit.

While it might seem obvious that low interest rates mean repayments are lower and higher interest rates means repayments are also higher for borrowers, the fact that lenders include an interest rate buffer in their credit or serviceability assessment means that changes in interest rates impact more a borrower's budget and discretionary spending capacity. Housing costs, including rates for houses and apartments and strata levies for apartments, have increased along with interest rates. Housing affordability for some cohorts and in certain geographical areas has deteriorated, along with other cost of living pressures.

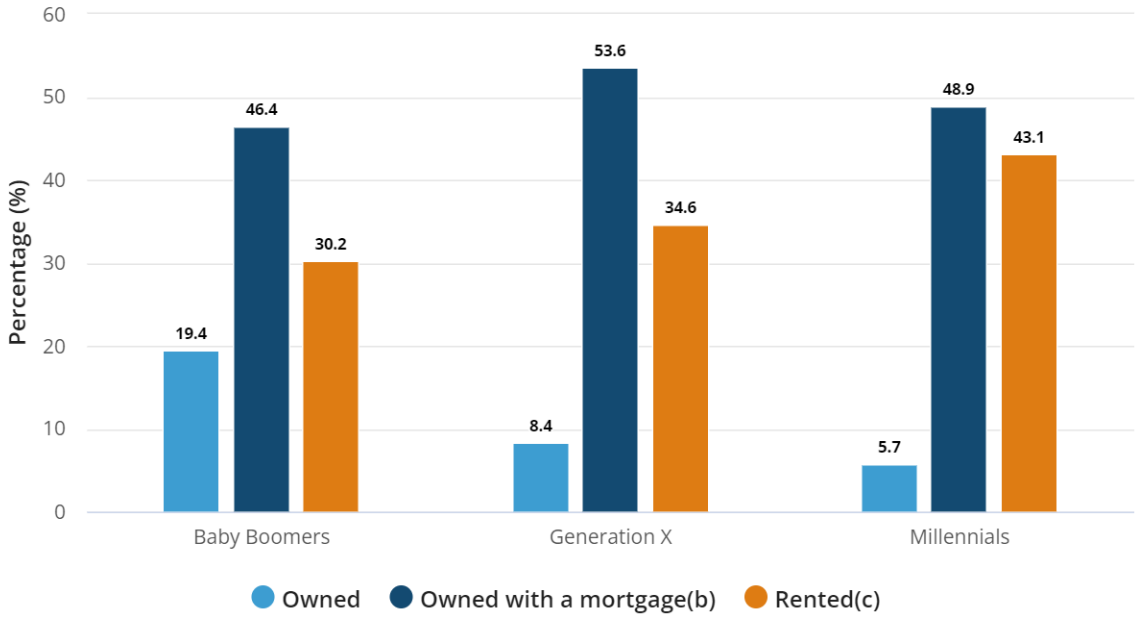
HOME OWNERSHIP ACROSS GENERATIONS: KEY OBSERVATIONS

Australia's housing system has delivered broadly stable aggregate home ownership rates, but this masks a sharp intergenerational redistribution of housing access and risk.

Over recent decades:

- Home ownership has fallen significantly for younger cohorts, with ownership rates for 25–29 year olds falling from around 50 per cent in the early 1970s to around 36 per cent in 2021, and for 30–34 year olds from around 64 per cent to 50 per cent.
- Younger Australians are purchasing later in life, often with higher levels of debt, greater exposure to interest rate risk, and heavier reliance on family assistance.
- Wealth accumulation through housing has increasingly accrued to older cohorts, reinforcing differences in financial security, retirement outcomes and lifetime wellbeing.

[3] Cash Rate Target | RBA



Graph: Housing tenure for people aged 25-39 years(a), 1991, 2006 and 2021. [4]

These trends reflect structural housing market settings rather than individual preferences alone. While demand-side factors matter, persistent supply constraints and planning frameworks have amplified price growth in well-located housing.

Australia's housing markets are increasingly characterised by a transfer of price risk and interest rate risk to younger cohorts, who are tending to enter the market later, with higher leverage, less equity buffer, lower tenure and fewer options to smooth shocks over time.

Housing Supply Constraints Are Central to Home Ownership Rates

AFIA strongly agrees with the Inquiry's emphasis on housing supply. In supply-constrained metropolitan markets, particularly Sydney and Melbourne, insufficient housing supply places sustained upward pressure on prices and rents, disproportionately disadvantaging younger Australians and lower-wealth households.

Housing affordability challenges are fundamentally structural. Key constraints include:

- Restrictive zoning, height and density controls in established suburbs close to employment centres, transport and services, limiting infill development and the efficient use of well-located land.
- Fragmented, complex and slow planning and approval processes across jurisdictions, increasing project costs, delays and uncertainty and undermining development feasibility.
- Limited incentives to deliver 'missing middle' housing, including townhouses, duplexes and low-rise apartments suited to first-home buyers, key workers, downsizers and renters.

[4] ABS, *"Back in my day" – comparing Millennials with earlier generations*, 20 October 2022.

- Infrastructure, servicing and energy capacity constraints, including transport, water, electricity and grid readiness, which delay or prevent housing delivery even where land is zoned and available.
- Government taxes, levies, regulatory charges, compliance costs and red tape that raise development and purchase costs, often with limited transparency regarding their cumulative impact on housing affordability.
- Construction sector capacity and productivity constraints, including skilled labour shortages, ageing workforces, fragmented contracting models and limited scalability during periods of high demand.
- Misaligned incentives across levels of government, where local governments often bear the infrastructure, servicing and political costs of housing growth, while broader economic and fiscal benefits accrue elsewhere.
- Under-utilisation and poor matching of existing housing stock, driven by tax, tenure and planning settings that discourage downsizing, adaptive reuse or better alignment between dwelling types and household needs.
- Regulatory uncertainty in rental markets, which can discourage long-term institutional investment in rental housing if changes are not coordinated with supply-side measures.
- Land banking and development sequencing dynamics, influenced by holding costs, infrastructure timing and approval risk, which can slow the pace at which zoned land is delivered as completed housing.
- Capital market and development risk settings, including volatile construction costs, interest rate uncertainty and pre-sales requirements, which constrain access to finance and deter timely private investment.

Without meaningful reform to land use planning and development frameworks, demand-side housing assistance will continue to inflate prices in supply-constrained markets, worsening, rather than improving, home ownership outcomes.

There is also merit in APRA taking a more adaptable approach to risk calibration in residential development finance, to ensure that regulatory settings do not inadvertently constrain authorised deposit-taking institutions (ADIs) from providing finance where projects clearly fall within a lender's risk appetite. Access to appropriately calibrated residential development finance is also critical to lifting dwelling construction. Inflexible prudential settings can prevent otherwise viable projects from proceeding, even where underlying demand is strong and risks are well understood.

Therefore, AFIA welcomes APRA's recent consultation on changes to their Restricted ADI licence requirements.[5] AFIA supports changes to clarify licensing expectations, streamline application processes, and ensure quicker and more transparency regulatory decisions. We believe that promoting ADI pathways will support competition and innovation in the mortgage market.

[5] APRA, *APRA proposes changes to create a simpler and more efficient bank licensing framework*, 30 July 2025.

We also welcome APRA's intention to consult on bank capital and liquidity frameworks, including the treatment of residential property development lending.[6] Capital settings play a critical role in shaping ADIs' willingness to fund new housing supply, particularly during periods of market uncertainty or elevated construction costs. Well-calibrated reforms can support prudent lending, while ensuring viable development projects are not unnecessarily constrained.

Pre-sale requirements are one area where calibration matters. These settings can be a binding constraint for apartment and affordable housing projects. Initiatives such as Western Australia's $250 million Pre-Sale Guarantee demonstrate how targeted support can unlock financing.[7] Greater regulatory flexibility, allowing lenders to rely on internal risk assessments, rather than rigid thresholds, would broaden financing options, enhance competition and place downward pressure on development finance costs, while maintaining sound risk management. This flexibility is increasingly important given the growing role of private credit in residential development finance, reflecting both strong demand for capital and more restrictive bank risk appetites. Therefore, regulatory settings should be designed to support a resilient and competitive funding ecosystem, lowering the cost of housing-supply finance.

The Committee should recommend that all governments and regulators treat housing supply reform as the central lever for addressing declining home ownership, recognising that demand-side measures alone will continue to inflate prices in supply-constrained markets.

The Committee should recommend that governments:

- Mandate higher residential densities in well-located metropolitan areas, particularly along transport corridors and near employment and education precincts.
- Expand "as-of-right" approvals for well-designed infill, medium-density and apartment developments.
- Remove barriers to "missing middle" housing, including townhouses and low-rise apartments.
- Streamline and harmonise planning frameworks across jurisdictions, including approval timeframes and infrastructure contributions.
- Balance heritage protection and amenity with intergenerational equity, avoiding entrenched scarcity in established suburbs.
- Ensure transport and infrastructure management and deployment is well advanced of residential development projects.

The Committee should also recommend that:

- APRA explicitly consider housing supply impacts when reviewing capital and liquidity settings for residential development finance.

[6] APRA, *APRA to consult on enhancements to bank capital and liquidity frameworks*, 16 March 2026.

[7] WA Government, *$250 million Pre-sale Guarantee to get more homes built*, 15 April 2026.

- Regulatory settings for residential development finance support proportional, risk-based lending, allowing ADIs to apply internal risk assessments, rather than rigid benchmarks, where projects are commercially viable and consistent with prudent risk management.
- Greater flexibility be enabled in pre-sale requirements, particularly for projects delivering more affordable housing, to avoid regulatory settings unintentionally constraining otherwise viable developments.
- Regulatory frameworks promote a resilient and competitive housing-supply finance ecosystem, recognising both private credit as well as competitive bank and non-bank participation.
- Regulatory requirements are streamlined to promote debt capital markets to provide additional funding opportunities for lenders, including new capital raising strategies to support and expand housing programs.
- Consideration be given to the Commonwealth government's debt management and securitisation market programs. Specifically:
    - longer-term government bonds and securities to create an environment to support longer-term corporate bond issuances as well as other finance products, such as longer fixed rate mortgage products (i.e. 10–30 year fixed loans), noting other mortgage markets have created these products that assist borrowers to budget, have certainty with their housing costs, and lower regular repayments (albeit the overall cost of the home loan over a longer period of time is higher).
    - Structured finance funds to support Australia's capital markets, particularly though financial crisis, noting the recent independent review of the Australian Office of Financial Management (AOFM) and the role of the AOFM's Structured Finance Support Fund (SFSF) in demonstrating value in maintaining the depth, resilience and credibility of domestic capital markets.[8]

Taken together, these reforms underscore that improving home ownership, particularly for younger Australians, depends fundamentally on restoring housing supply responsiveness in well-located metropolitan areas. Planning and zoning reform, aligned infrastructure delivery, and access to appropriately calibrated development finance are mutually reinforcing and cannot be pursued in isolation. When combined with proportionate and flexible regulatory settings that support investment in different housing projects that serve different housing requirements, needs and preferences across our communities, but particularly apartments, infill and "missing-middle" housing in metropolitan areas, these measures can reduce long-term affordability pressures, improve intergenerational equity, and place Australia's housing system on a more sustainable and resilient footing.

Housing Finance Settings and Intergenerational Outcomes

Both ADIs and NBLs play important and complementary roles in expanding access to housing finance in Australia, promoting competition, driving product and service innovation, and access to credit.

[8] Government, *Review of the Australian Office of Financial Management Independent Review led by Guy Debelle*, 24 April 2026.

Residential mortgage non-bank lenders (RNBLs) are a critical component of this finance ecosystem. As highlighted in AFIA's inaugural *Residential Mortgage Non-Bank Lenders Report*[9], RNBLs support tens of thousands of Australians each year to purchase or refinance a home, particularly creditworthy borrowers who do not fit standard bank lending profiles, including first home buyers, self-employed, contractors and small business owners. By expanding access to mortgage finance for these cohorts, RNBLs address structural gaps in lending markets and support broader participation in home ownership, especially among younger Australians and households with non-traditional or variable income streams.

Although RNBLs represent a relatively small share of total housing finance, they operate with characteristics that contribute positively to financial system resilience. Their portfolios typically feature smaller average loan sizes, lower proportions of high loan-to-value lending compared with major banks, and consistently low arrears rates. RNBLs are licensed, subject to consumer regulation and held to the same responsible lending obligations as other mortgage providers, demonstrating that competition, innovation and financial inclusion can be delivered without compromising lending standards or consumer outcomes.

A diverse mortgage market is particularly important during periods when bank risk appetites tighten due to economic, regulatory or funding pressures. RNBLs provide an important alternative source of housing finance, helping to maintain credit availability and reduce the risk of abrupt contractions in lending that would otherwise disproportionately affect first home buyers, younger households and borrowers with limited accumulated wealth. Ensuring regulatory and funding settings remain proportionate, technology-neutral and supportive of competition is critical to preserving access to home ownership and avoiding outcomes that further entrench intergenerational inequality.

At the same time, prudential settings inevitably shape who is able to access housing and at what stage of life. While tools such as APRA's mortgage serviceability buffer play an important role in supporting financial stability, at elevated housing prices they can disproportionately affect first home buyers, self-employed, contractors, small business owners, migrants and younger households—groups with strong long-term income potential, but limited existing assets.

AFIA is concerned that:

- Static, system-wide settings applied over extended periods of elevated prices risk embedding intergenerational exclusion rather than managing cyclical risk, and thus may entrench barriers to entry for younger cohorts.
- Over-extension of macroprudential tools may reduce competition, particularly among smaller ADIs and NBLs.
- Restricted access to credit can force younger borrowers into prolonged renting, exacerbating intergenerational and long-term wealth gaps.

[9] AFIA, *AFIA report confirms non-bank lenders as vital to Australia's housing finance ecosystem*, 3 December 2025.

These impacts are often felt most acutely by lower-wealth households, renters, self-employed, contractors, small business owners, migrants and those in urban growth corridors or regional areas with limited supply, reinforcing existing socio-economic and geographic disadvantage. Therefore, mortgage regulation has clear distributive impacts and should be assessed with regard to intergenerational effects alongside stability objectives.

Effective coordination between prudential and conduct regulation is also essential to maintaining a balanced housing finance ecosystem. APRA's prudential framework and ASIC's conduct and responsible lending regimes play distinct, but interacting, roles in shaping credit availability, competition and the cost of housing finance across both ADIs and NBLs. Regulatory neutrality and consistent consumer protections help ensure that competition between lending channels delivers improved access and innovation without creating incentives for regulatory arbitrage or uneven risk standards.

From a housing supply perspective, capital and macro-prudential settings that are not well calibrated to development risk can have unintended consequences for dwelling construction, particularly for apartments, infill and medium-density housing. These forms of supply are inherently more capital-intensive, involve longer construction timeframes, and face greater exposure to planning delays and cost volatility. As a result, rigid lending thresholds, conservative risk weightings and inflexible pre-sale requirements can disproportionately constrain residential development finance, even where underlying demand and project fundamentals remain strong.

Therefore, it is important that APRA's approach to residential construction and development lending recognises the diversity of housing typologies and delivery models, and allows lenders appropriate discretion within robust internal risk frameworks. More adaptable calibration, supported by clear supervisory guidance, can help avoid unintentionally biasing credit flows toward lower-risk greenfield or detached housing at the expense of apartment and infill development, which is essential to increasing supply in well-located metropolitan areas.

Proportionate and well-coordinated regulatory settings, aligned to national housing objectives, can support a diverse and competitive housing finance system, lower the cost and increase the availability of housing supply finance, and improve the viability of projects delivering more affordable and appropriately sized dwellings. Supporting a resilient, innovative and well-regulated finance ecosystem is, therefore, a necessary complement to planning, infrastructure and land-use reform if Australia is to materially improve housing affordability and access over the long term.

The Committee should recommend that:

- The economic and intergenerational impacts of prudential settings be explicitly considered.
- Regulatory changes avoid unintended reductions in competition, particularly for smaller ADIs and securitisation-funded NBLs.
- Technology- and lender-neutral regulation support innovation and diversity in mortgage products and funding models without compromising stability.

- Macro-prudential tools remain proportionate, targeted and responsive to market conditions.

Taken together, the recommendations emphasise the need for proportionate, coordinated and competition-supportive housing finance regulation that recognises financial stability, competition and innovation, and intergenerational outcomes. When prudential and conduct settings are calibrated to evolving market conditions and aligned with national housing objectives, they can support inclusion and housing supply without compromising system resilience, contributing to improved affordability and more equitable home ownership outcomes over the long term.

Government Housing Schemes: Cumulative and Intergenerational Effects

Successive governments have introduced a wide range of demand-side housing assistance schemes, including First Home Owner Grants, First Home Super Saver Scheme, First Home Guarantee and Family Home Guarantee (now the 5% Deposit Scheme), and Help to Buy Shared Equity Arrangements.

While these schemes provide meaningful assistance to some households, AFIA observes that their cumulative effects warrant closer scrutiny. In particular:

- The proliferation of programs has created a complex and fragmented assistance landscape that is difficult to navigate, particularly for first home buyers and households with limited financial literacy or access to advice.
- The combined demand-side impact of multiple schemes risks crowding out supply responses and inflating prices, particularly in supply-constrained metropolitan markets.
- Benefits are unevenly distributed, often assisting households already close to market entry, rather than those facing the most significant intergenerational barriers, including lower-wealth and younger cohorts.

The Committee should assess Commonwealth housing assistance schemes in aggregate, rather than in isolation, recognising their cumulative effects on prices, supply responsiveness and home ownership outcomes over time.

Therefore, AFIA suggests the Committee recommend that:

- A comprehensive review be undertaken of all government housing assistance programs, evaluating their combined impacts on housing prices, supply elasticity and intergenerational equity.
- Existing Commonwealth government schemes be streamlined and consolidated within a clearer national framework, improving accessibility, transparency and navigability for first home buyers, while reducing duplication and unintended overlap. (State and Territory government schemes should complement the Commonwealth schemes.)
- Demand-side assistance be more tightly linked to new housing supply, including incentives for newly constructed dwellings, medium-density projects, key worker housing and designated growth areas, to minimise inflationary effects in constrained markets.

- Consideration be given to excluding or underwriting HECS-HELP debt for the purposes of mortgage serviceability assessments, recognising student debt is an investment in lifetime earnings and can disproportionately constrain younger Australians access to housing finance.
- Public communication and guidance be significantly improved, providing younger Australians with clearer, more consistent information on available housing pathways, eligibility criteria and trade-offs across assistance programs.

In addition, the Committee may wish to consider whether:

- Greater emphasis should be placed on long-term affordability outcomes, rather than short-term entry assistance, when designing future housing programs, and
- Demand-side measures should be explicitly conditioned on progress in housing supply reform, to ensure assistance improves access, rather than reinforces structural scarcity.

Taken together, these reforms would help ensure that housing assistance schemes and programs support access and equity across generations, rather than inadvertently entrenching affordability challenges for younger Australians over time.

Rental Housing, Key Workers and Intergenerational Security

Long-term rental insecurity disproportionately affects younger Australians, key workers and lower-income households, reflecting both rising housing costs and limited access to long-term, secure rental options.

As home ownership has become less attainable for many younger households, the quality, stability and affordability of the rental sector has become increasingly central to intergenerational housing security. Previous initiatives, such as the National Rental Affordability Scheme (NRAS), delivered valuable outcomes for some cohorts, but were limited by insufficient scale, complexity and lack of long-term investment certainty. These constraints reduced their ability to materially shift rental affordability at a system-wide level or provide durable supply responses.

Build-to-rent (BTR) housing can play an important role in improving long-term rental security and intergenerational housing outcomes, provided policy settings are designed to deliver additional supply rather than reallocating existing stock.

Well-calibrated BTR frameworks can attract institutional capital into professionally managed rental housing that offers longer leases, stronger tenure security and more predictable rental outcomes. These features disproportionately benefit younger households and key workers who are increasingly reliant on the rental market for longer periods of their working lives.
To be effective, BTR policies must prioritise new construction in well-located areas, ensure planning, tax and financing settings are competitive internationally, and provide certainty and consistency of regulatory

treatment across jurisdictions.[10] Without these foundations, institutional investment is likely to remain limited, constraining the sector's ability to scale and deliver meaningful affordability benefits.

AFIA recommends that the Committee consider the following actions to strengthen rental housing outcomes:

- Policy settings that actively encourage institutional investment in long-term rental housing, particularly where it increases supply and delivers improved tenue security for younger Australians and key workers.
- Support housing models that combine rental security with pathways to ownership, including shared-equity, rent-to-buy and related transition products, under appropriately designed regulatory and financing frameworks.
- Incentives structured to support long-term capital deployment, avoiding short-term or time limited measures that fail to deliver durable improvements in rental supply, affordability or security.
- Greater coordination between rental housing policy and planning reform, ensuring that build-to-rent and affordable rental models are supported through zoning, approvals and infrastructure provision.

Taken together, these approaches can strengthen housing and rental security across generations, reduce pressure on younger households to take on higher debt, and support a more stable and resilient housing system over the long-term.

AFIA also notes that international experience indicates that institutional rental markets scale most effectively where tax, planning and regulatory settings are stable, consistent and explicitly geared toward long-term supply creation, rather than short-term demand support.

Tax and Structural Reform for Long-Term Equity

Housing-related taxes play an important role in shaping housing market behaviour and intergenerational outcomes. However, targeted changes to the capital gains tax (CGT) discount and negative gearing are unlikely, on their own, to materially improve housing affordability or significantly alter home ownership outcomes for younger Australians. In isolation, such measures do not address the core structural drivers of housing costs, particularly chronic supply constraints in well-located and high-demand markets.

There is also a material risk that poorly designed or one-sided tax changes reduce investor participation at the margin without translating into lower prices, while simultaneously discouraging private investment in new housing supply, particularly in the rental market. In the absence of strong supply responses, reduced investment can place further upward pressure on rents, disproportionately affecting younger Australians and lower-income households.

[10] ATO, *Build to rent development tax incentives*, 18 February 2026.

Therefore, any consideration of housing-related tax reform should be integrated with broader supply-side, planning and infrastructure reforms, and assessed against long-term system-wide outcomes, rather than short-term price effects.

AFIA further notes the following structural issues:

- Stamp duties act as a significant barrier to home ownership, discourage residential mobility, downsizing and the efficient use of existing housing stock. While transaction-based taxes may once have been suitable when households typically purchased a single home for life, this model no longer reflects contemporary housing pathways, which increasingly involve staged progression and greater mobility. For an average Sydney apartment transaction of approximately $900,000, stamp duty can exceed $20,000—well above available first home buyer concessions—highlighting a growing misalignment between state tax settings, prevailing house prices and Commonwealth housing objectives.
- Transaction-based taxes disproportionately affect younger Australians, who are more likely to move multiple times over their lifetime and may face the same substantial tax burden on each purchase, compounding affordability pressures at early stages of asset accumulation.
- Broader tax reform is increasingly necessary given Australia's heavy reliance on personal income tax in the context of an ageing population. Bracket creep has placed a growing burden on younger workers, including high-earning professionals who often face the top marginal tax rate while holding minimal assets. In real terms, younger Australians on comparable incomes are paying significantly more tax in real terms than previous generations did at the same life stage, further constraining their ability to save for housing deposits.

The Committee should approach housing-related tax reform as part of a broader structural strategy, rather than as a standalone solution to housing affordability. Accordingly, AFIA recommends that the Committee:

- Ensure any consideration of CGT or negative gearing reform is integrated with supply-side and planning reforms, and assessed for long-term impacts on housing supply, prices, rents and intergenerational equity.
- Progressively replace transaction-based taxes, such as stamp duties, with more efficient property-based taxes, to encourage mobility, downsizing and better utilisation of existing housing stock.
- Embed intergenerational equity as a core principle in future tax reform reviews, recognising the interaction between housing affordability, population ageing and the disproportionate reliance on income tax borne by younger cohorts.

Taken together, structural tax reform, which is properly sequenced and aligned with housing supply measures, can play a constructive role in improving housing affordability and access over time, without undermining investment, rental supply or broader economic resilience.

CLOSING COMMENTS

Reversing declining home ownership, particularly for younger Australians, requires a coordinated, long-term strategy that addresses the structural drivers of housing affordability and access, rather than relying on fragmented or short-term interventions.

AFIA's submission has emphasised that sustained improvements will only be achieved through policies that align housing supply, finance, regulation and infrastructure. Our key conclusions are that:

1. Improving housing supply is essential to intergenerational equity, ensuring younger Australians have a realistic opportunity to access secure and appropriate housing comparable to earlier generations.
2. Housing finance regulation must balance financial stability with access, competition and innovation, and inclusion, recognising the distributive impacts of prudential and macro-prudential settings over time.
3. Government housing interventions should be targeted, coherent and assessed in aggregate providing long-term support to address housing affordability and access for all cohorts, not just younger Australians, with demand-side measures carefully aligned to supply capacity to avoid inflating prices in constrained markets.
4. Government programs and incentives that actively engage both ADIs and NBLs are critical, as these institutions play complementary roles in expanding access to housing finance, supporting competition and innovation, and mobilising private capital at scale to promote housing affordability and inclusion.
5. Collaboration between all levels of government, industry and communities is critical to delivering durable housing outcomes, including planning reform, infrastructure provision and housing delivery at scale.
6. Expanding housing supply must be supported by planning, infrastructure, land-use and community integration, ensuring growth is well planned, sustainable and enhances liveability rather than undermining local amenity.

These principles point to the need to treat housing supply and access as essential economic and social assets. A nationally coordinated approach—grounded in evidence, proportionate regulation and long-term investment certainty—will be critical to restoring home ownership pathways and strengthening housing security for all Australians, and improving intergenerational outcomes across Australia.

Should you wish to discuss our submission or require additional information, please contact AFIA Senior Policy Advisor, David Delprat, at david.delprat@afia.asn.au.

Yours sincerely



Diane Tate
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