RBAFOI-2526111

An application was received in terms of the FOI Act 1982 Cth seeking access to documents as detailed below.

Summary of Request	1) Correspondence and/or modelling and/or analysis and/or notes and/or minutes between 1 May and 26 June relating to impacts on property values and/or the 'wealth effect' and/or the property market as a result of capital gains tax and/or negative gearing changes. 2) Correspondence and/or modelling and/or analysis and/or notes and/or minutes between 1 May and 26 June relating to impacts on startups and/or innovative businesses and/or small businesses as a result of changes announced in the 2026 budget. 3) Correspondence between the RBA and Treasury and/or Treasurer Jim Chalmers and his staff, and/or notes or memos about RBA interactions with Treasury/Treasurer/Treasurer's staff between 1 May and 26 June regarding the impact of the 2026 budget on the property market and/or the economy. 4) Preparation material for Governor Michele Bullock between 1 June 2026 and 16 June ahead of her 16 June 2026 monetary policy press conference, including but not limited to correspondence and/or notes relating to likely questions from the media and suggested responses.
Notes/context to any specific documents released:	Documents released in response to this request contain contemporaneous staff-level analysis prepared at a point in time. The content reflects information, assessments and views available at the time of preparation, may be preliminary in nature, and may not reflect subsequent developments, decisions, positions or final views.

Document Schedule

The following documents were identified as being relevant to the request and were released to the applicant with redactions made to remove exempt material, or were denied from release, in terms of the FOi Act 1982 Cth:

1 - 260529 1136 - redact s22 (staff names only) - Request Talking points on effects of CGT + neg gear changes Estimates.pdf

2 - 260529 1647 - redact s22 (staff names only) - Request Talking points on effects of CGT + neg gear changes Estimates.pdf

3 - 260601 0000 -redact s22 (staff names only) - Housing Markets Review - May 2026.pdf

4 - 260612 0000 - redact s22 (staff names only) - Briefing DM FS EA - Neg Gear CGT 26-27 Budget.pdf

5 - 260515 0000 - redact s22 (staff names only) - DM Chatter How Might the Proposed Capital Gains Tax Changes Affect Firms' Cost of Capital.pdf

6 - 260528 0000 - redact s22 - Talking points for CFR Housing Working Group meeting 2026-05.pdf

7 - 260604 0000 - redact s22 - Credit, Loan Commitments and Money - April 2026.pdf

8 - 260625 0000 - redact s22 - Credit, Loan Commitments and Money - May 2026.pdf

9 - 260615 0000 - deny s47E(d) - Media Conference - Briefing Pack - 16 June 2026.DOCX

10 - 260623 0000 - deny s47C - Scenario Narratives Discussion - August 2026 SMP.PPTX

11 - 260623 1154 - deny s47C - Housing Scenario in MARTIN.MSG

12 - 260611 0000 - deny s47C - MPB - June 2026 - Financial Conditions.DOCX

13 - 260611 0000 - deny s47C - Economic Conditions Board Paper - June 2026.DOCX

14 - undated - deny s47C - Housing PEM chart.pdf

15 - Undated - deny s47C - Tsy-RBA DI Forecast Budget 2026-27-May SMP.pdf

16 - undated - deny s47C - IMS Board Slide Suggestions.pdf

17 - undated - deny s47C - June MPB FMG Board Slide Comments.DOCX

18 - undated - deny s47C - PEM for JK.pdf

s22

From: s22
Sent: Friday, 29 May 2026 11:36 AM
To: s22
Subject: FW: Request: Talking points on effects of CGT + negative gearing changes for Senate Estimates [SEC=OFFICIAL]

From: s22 @rba.gov.au>
Sent: Thursday, 28 May 2026 2:35 PM
To: s22 @rba.gov.au>
Subject: RE: Request: Talking points on effects of CGT + negative gearing changes for Senate Estimates [SEC=OFFICIAL]

RESTRICTED

Hi s22

Potential talking points below:

- Treasury expects the combined effect on housing prices to be 2 per cent over a 2-year period due to reduced investor demand.
  - External estimates place downwards effect on prices to be 2-5 per cent but all estimates are inherently uncertain.
  - The effect may be different from what has been modelled if the changes interact with the current downwards trend in sentiment around the housing market was well as the effects of monetary policy.
  - It will also depend on how many owner-occupiers enter as the result of lower prices compared to the number of investors that leave.
- Treasury also expects the tax changes to result in 35,000 fewer dwellings built over a 10-year period.
  - 35,000 dwellings is equivalent to roughly 0.25 per cent of the current dwelling stock.
- Treasury estimated the rents impacts to be $2 per week for the median renter but this will depend on how much investors pass through the forgone tax benefit.
- There is currently no work under way to produce our own estimates of the effect of the policy on prices and dwelling supply.

Thanks,
s22

From: s22 @rba.gov.au>
Sent: Wednesday, 27 May 2026 12:24 PM
To: s22 @rba.gov.au>
Cc: s22 @rba.gov.au>; s22 @rba.gov.au>; s22 @rba.gov.au>
Subject: FW: Request: Talking points on effects of CGT + negative gearing changes for Senate Estimates [SEC=OFFICIAL]

RESTRICTED

Hi s22
Could you please take the paragraph we have on this from the board paper, and check it is resilient to the changes that have been made/any new external estimates that have come out?
If you can send it back to be by the end of tomorrow that would be great.
Thanks,
s22

From: s22 @rba.gov.au>
Sent: Tuesday, 26 May 2026 6:43 PM
To: EA - PWL - Management s22 @rba.gov.au>
Cc: EA - DAT - Management s22 @rba.gov.au>
Subject: FW: Request: Talking points on effects of CGT + negative gearing changes for Senate Estimates [SEC=OFFICIAL]

RESTRICTED

Forwarding to PWL management if you have any thoughts on the rent and productivity angle.

From: s22 @rba.gov.au>
Sent: Tuesday, 26 May 2026 4:31 PM
To: EA - DAT - Management s22 @rba.gov.au>
Cc: CD - Media s22 @rba.gov.au>
Subject: Request: Talking points on effects of CGT + negative gearing changes for Senate Estimates [SEC=OFFICIAL]

RESTRICTED

Hi DAT Management,

The Governor will be appearing at Senate Estimates next Thursday (4th June).

We anticipate that she will be asked about how the RBA expects the Federal Budget's CGT and negative gearing changes to affect:

- The housing market (prices and activity)
- Rents
- Productivity (given the implications of the CGT changes for start-ups)

Is there any **off-the-shelf** analysis touching upon these questions that DAT would be comfortable with us incorporating into the Governor's Q&A pack? Even some limited sense of the direction of potential effects would be useful.

I appreciate that the team hasn't begun forecasting yet and the policies haven't been legislated, so I understand if the team doesn't yet have a complete view as to the effect of these policies. Even if you can provide some initial thinking, we will make clear that the RBA is still in the process of analysing the Budget, and that its full implications will be factored into our next set of forecasts.

Please do not do any new work for this request. We are simply wondering if there is any completed or in progress work that we can pull from.

If you could respond by **COB Friday 29 May**, that would be ideal. Please let me know if you need more time, and also happy to discuss further if you have any questions/concerns.

Thanks,
s22 Media team

s22 | Communications Department
RESERVE BANK OF AUSTRALIA
s22 | w: www.rba.gov.au

s22

From: s22
Sent: Friday, 29 May 2026 4:47 PM
To: s22
Cc: EA - DAT - Housing; CD - Media; EA - PWL - Management; DM - IMS Management; FS - HBC Management
Subject: RE: Request: Talking points on effects of CGT + negative gearing changes for Senate Estimates [SEC=OFFICIAL]

Follow Up Flag: Follow up
Flag Status: Flagged

RESTRICTED

Hi s22 and all,

Thanks very much for putting these together. This will be useful context for the Governor next week.

Thanks,
s22

From: s22 @rba.gov.au>
Sent: Friday, 29 May 2026 12:36 PM
To: s22 @rba.gov.au>
Cc: EA - DAT - Housing s22 @rba.gov.au>; CD - Media s22 @rba.gov.au>; EA - PWL - Management s22 @rba.gov.au>; DM - IMS Management s22 @rba.gov.au>; FS - HBC Management s22 @rba.gov.au>
Subject: RE: Request: Talking points on effects of CGT + negative gearing changes for Senate Estimates [SEC=OFFICIAL]

RESTRICTED

Hi s22
DAT, IMS and HBC have starting considering the impacts on the housing market as part of a briefing, and some key points based on external analysis are below. We don't have anything to specific to share on the productivity angle.

- Treasury modelling in the budget paper suggests the tax changes will weigh on housing prices by 2 per cent over a 2-year period due to reduced investor demand.
    - External estimates are generally in the range of 2-5 per cent decline (relative to no policy change) but all estimates are inherently uncertain. Turnover is also expected to decline. This will weigh on housing credit, particularly investor credit, but it is difficult to be precise about the likely impact.
- Treasury modelling suggests the tax changes will result in 35,000 fewer dwellings built over a 10-year period (equivalent to roughly 0.25 per cent of the current dwelling stock). This is estimated to increase rents increase rents by $2 per week for the median renter.

Thanks,
s22

From: s22 @rba.gov.au>
Sent: Tuesday, 26 May 2026 4:31 PM
To: EA - DAT - Management s22 @rba.gov.au>
Cc: CD - Media s22 ba.gov.au>
Subject: Request: Talking points on effects of CGT + negative gearing changes for Senate Estimates [SEC=OFFICIAL]

RESTRICTED

Hi DAT Management,

The Governor will be appearing at Senate Estimates next Thursday (4th June).

We anticipate that she will be asked about how the RBA expects the Federal Budget's CGT and negative gearing changes to affect:

- The housing market (prices and activity)
- Rents
- Productivity (given the implications of the CGT changes for start-ups)

Is there any **off-the-shelf** analysis touching upon these questions that DAT would be comfortable with us incorporating into the Governor's Q&A pack? Even some limited sense of the direction of potential effects would be useful.

I appreciate that the team hasn't begun forecasting yet and the policies haven't been legislated, so I understand if the team doesn't yet have a complete view as to the effect of these policies. Even if you can provide some initial thinking, we will make clear that the RBA is still in the process of analysing the Budget, and that its full implications will be factored into our next set of forecasts.

Please do not do any new work for this request. We are simply wondering if there is any completed or in progress work that we can pull from.

If you could respond by **COB Friday 29 May**, that would be ideal. Please let me know if you need more time, and also happy to discuss further if you have any questions/concerns.

Thanks,
s22 and the Media team

s22 Communications Department
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The Reserve Bank of Australia acknowledges the Traditional Owners of Country throughout Australia. We pay our respects to their Elders past and present.

HOUSING MARKETS REVIEW – MAY 2026[1]

Today's release suggests the housing market is notably weaker than we expected as of the May *Statement*, which incorporated expectations for a more gradual easing in housing price growth over the forecast horizon. Our May *Statement* expectations were for housing prices to grow by about 1 per cent in the June quarter. Prices have instead been flat over the first two months; quarterly growth is likely to come in significantly lower than expected. (For example, if prices were to be flat in the month of June, there will have been no growth in the quarter.) Indicators of housing market activity have also softened – with auction clearance rates continuing to trend down and time on the market trending up.

The expected and recent cash rate increases are likely driving some of this softening in housing price growth, and sentiment started easing soon after policy rate expectations began to turn at the end of last year. This is consistent with the housing market being one of the earlier places we would expect to see a tightening of financial conditions playing out. The announced changes to negative gearing and capital gains tax are also likely to be contributing to the softening, with external analysis suggesting the policies alone will reduce housing price growth by around 2-5 per cent (a forthcoming briefing with IMS and HBC will provide more details on the broader effect of these).[2]

Housing prices declined by 0.1 per cent over the month of May according to our seasonally adjusted estimates, the lowest monthly growth since December 2022. This follows 0.1 per cent growth in April (downwardly revised from the original print; Graphs 1-5). Details are below.

- National seasonally adjusted housing prices declined 0.1 per cent over the month, but remained 8.9 per cent higher over the year.
  - Easing housing price growth – and a decrease in prices in May – likely reflects softer demand due to a confluence of factors, including: recent cash rate increases, expectations for a higher future path for interest rates, announced Budget changes to negative gearing and capital gains tax, and moderating market sentiment.
  - Growth across all value segments eased over the month, led by falls in the highest value tier.
  - Dwelling prices in the highest value properties continued to decline in May. This segment of the market is generally more interest-rate sensitive (He, La Cava, 2020), though weaker outcomes could also reflect buyer sentiment or pressures from affordability.
  - By contrast, prices in the middle and lower tiers of the market have been more resilient, where demand is likely more concentrated given credit availability and support from the Australian Government 5% Deposit Scheme.
- While the easing has been broad-based across capital cities, there remains geographic variation. Seasonally adjusted prices in Sydney and Melbourne declined for the third consecutive month, alongside relatively more on-market supply and potential affordability constraints. On the other hand, housing prices continued to grow in Perth, Brisbane and Adelaide, albeit at a slower pace.

Housing market activity continued to ease alongside softening market sentiment. (Graphs 6-11)

- Year-ahead housing price expectations have declined over the past three months, and there has been a relatively large decline in the 'time to buy a dwelling' index over the past few months.
- Auction clearance rates continue to trend down in Sydney and Melbourne, with the monthly clearance rate now below the previous trough recorded at the end of 2024 and the preliminary weekly clearance rate at its lowest since May 2020. Previous work finds clearance rates Granger cause housing price growth and are less prone to revisions than housing price data (redact staff name #1 & #2, 2023).

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1 Cotality updated the methodology for their hedonic housing value indices in September 2023. For more information, see: D23/270667

2 redacted staff name et al 2024 outlines rules of thumb on the effect of changes in housing prices on dwelling investment and consumption.

- New listings are at levels above this time last year, but total listings remain low compared to the past decade. This reflects significant variation across states.

Seasonally adjusted monthly national advertised rents grew by 0.5 per cent in May. (Graphs 12-17).

- Monthly capital city advertised rents growth has stayed stable over recent months. Year-ended advertised rents growth remains high at around 6 per cent nationally.
- The vacancy rate remains low. The Cotality vacancy rate decreased slightly to 1.6 per cent in May, and remains below long run averages.

For more graphs, please see: [DAT Housing Dashboard]

Table 1: Housing Price Growth

Percentage change, seasonally adjusted

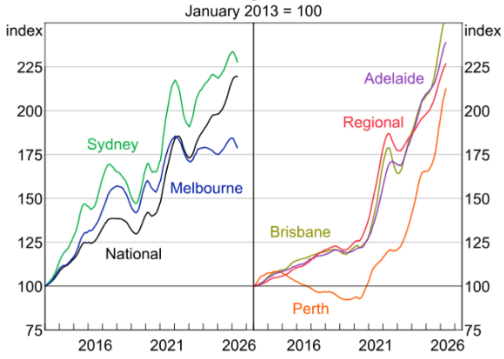
	May-26	Apr-26	Mar-26	Three-month ended	Year-ended	Since start of pandemic (Feb 2020)
Sydney	-1.0	-0.7	-0.6	-2.3	2.4	34.1
Melbourne	-0.9	-0.8	-0.9	-2.6	0.6	11.7
Brisbane	0.8	1.0	1.5	3.4	19.3	107.2
Adelaide	0.5	1.0	1.2	2.8	12.2	97.4
Perth	1.4	1.2	2.1	4.8	25.8	126.3
Darwin	1.2	1.7	1.3	4.2	20.4	38.1
Canberra	-0.3	-0.3	0.0	-0.6	4.3	56.1
Hobart	0.8	0.2	1.1	2.2	9.3	44.8
Capital cities	-0.2	-0.1	0.1	-0.1	7.9	47.9
Regional	0.6	0.7	0.9	2.2	11.9	80.4
National	-0.1	0.1	0.3	0.3	8.9	54.5

Table 2: Advertised Rents Growth

Percentage change, seasonally adjusted

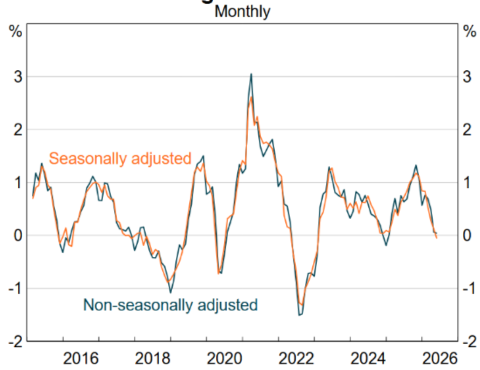
	Mar-26	Feb-26	Jan-25	Three-month ended	Year-ended	Since start of pandemic (Feb 2020)
Sydney	0.4	0.3	0.4	1.0	5.9	42.3
Melbourne	0.4	0.3	0.5	1.2	4.8	34.6
Brisbane	0.6	0.4	0.7	1.7	6.5	53.3
Adelaide	0.6	0.6	0.6	1.8	4.5	54.9
Perth	0.8	0.7	0.7	2.1	7.5	79.9
Darwin	0.4	0.1	0.2	0.8	3.3	21.8
Canberra	0.8	0.8	1.0	2.6	9.9	56.5
Hobart	1.1	0.9	0.4	2.5	8.0	31.8
Capital cities	0.5	0.4	0.5	1.4	5.9	46.7
Regional	0.5	0.4	0.5	1.4	6.0	54.3
National	0.5	0.4	0.5	1.4	5.9	48.6

G1
Housing Prices
January 2013 = 100



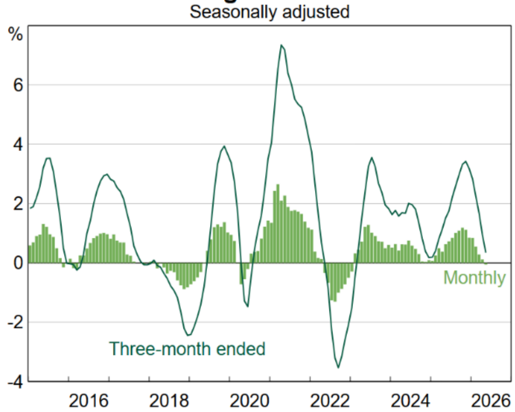
Sources: Cotality; RBA.

G2
Housing Price Growth
Monthly



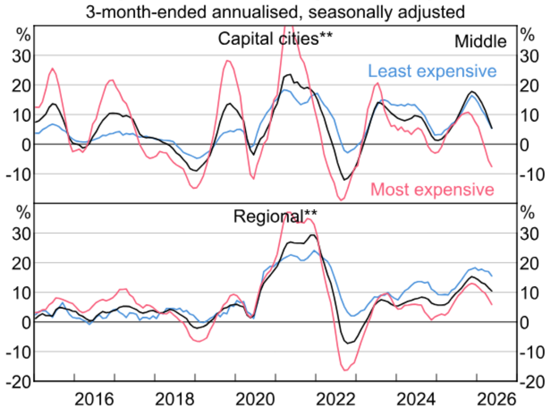
Sources: Cotality; RBA.

G3
Housing Price Growth
Seasonally adjusted



Sources: Cotality; RBA.

G4
Housing Price Growth by Dwelling Value*
3-month-ended annualised, seasonally adjusted

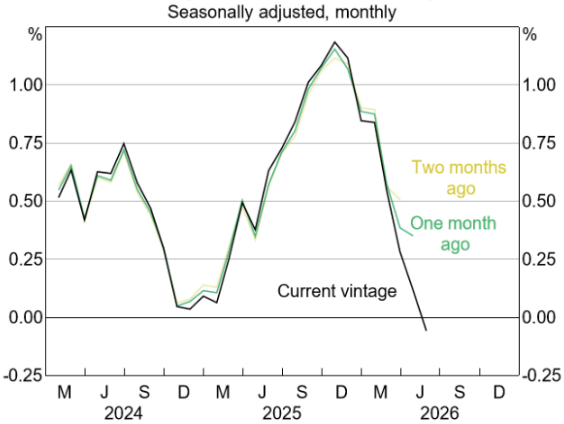


* Least expensive (5th-25th percentiles), middle (25th-75th percentiles), most expensive (75th-95th percentile)

** Capital cities price indexes are for the eight capital cities and regional prices are for the rest of Australia

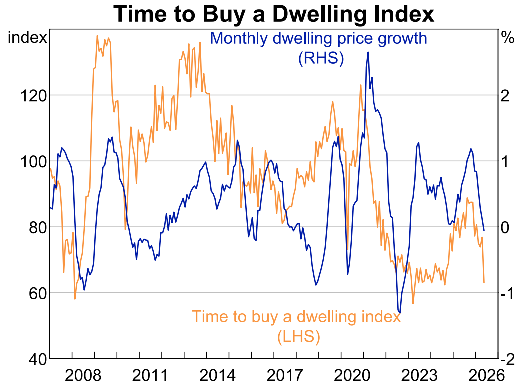
Sources: Cotality; RBA.

G5
Housing Price Growth Vintages
Seasonally adjusted, monthly



Sources: Cotality; RBA.

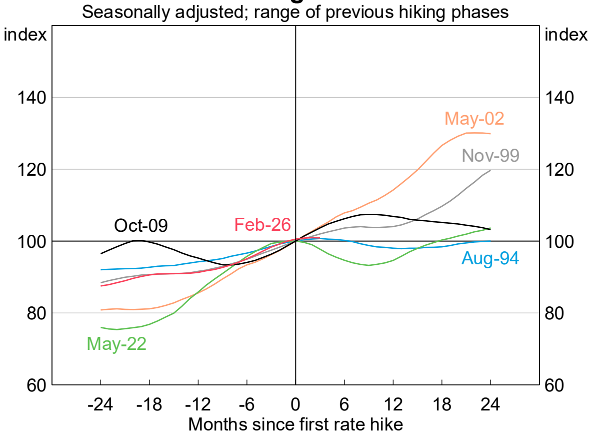
G6
Time to Buy a Dwelling Index



* Respondents are asked whether it is a good or a bad time to buy a dwelling

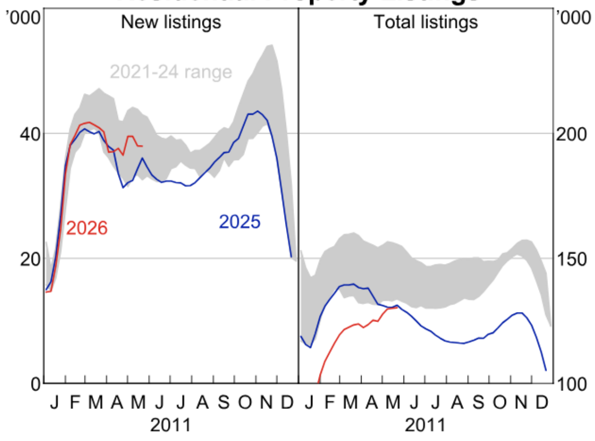
Source: CoreLogic; RBA; Westpac-Melbourne Institute.

G7
Housing Prices
Seasonally adjusted; range of previous hiking phases



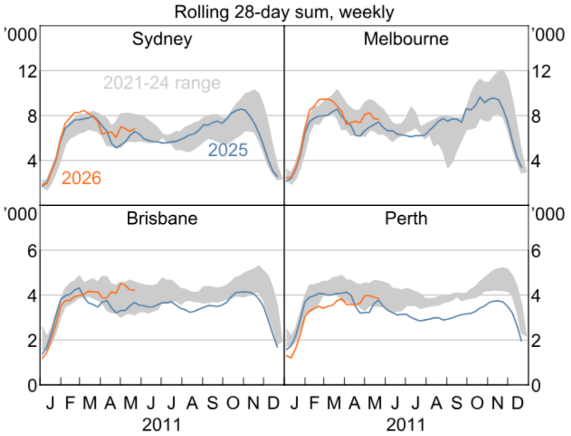
Sources: Cotality; RBA.

G8
Residential Property Listings



Sources: Cotality; RBA.

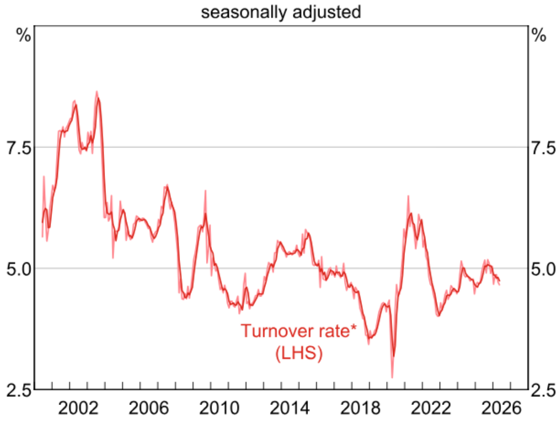
G9
New Residential Property Listings*
Rolling 28-day sum, weekly



* Properties advertised for sale across multiple sources or multiple times in the same 28-day period are only counted once

Sources: CoreLogic; RBA.

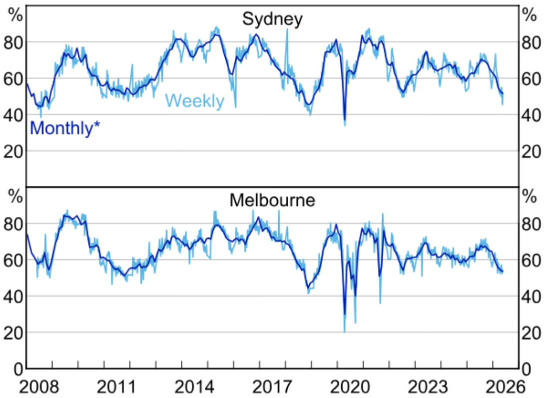
G10
Housing Turnover Rate
seasonally adjusted



* 3-month average modelled by CoreLogic using forecasts of revisions to measured turnover; light red line is monthly turnover

Sources: Cotality; RBA.

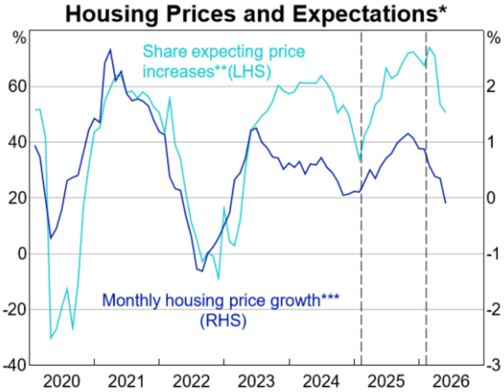
G11
Auction Clearance Rates



* Seasonally adjusted.

Sources: APM; Cotality; RBA; REIV.

G12
Housing Prices and Expectations*



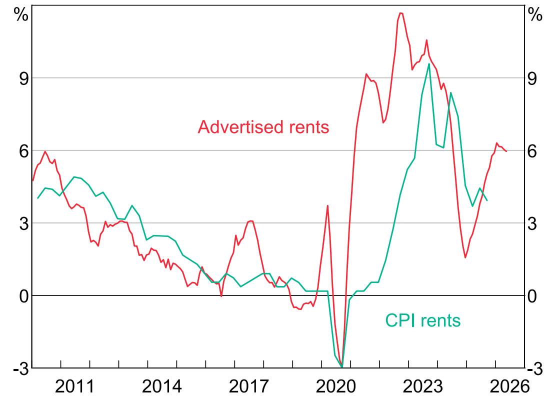
* Dashed vertical lines show dates of first cut in 2025 and first hike in 2026.

** Share of respondents expecting an increase in prices less share expecting a decrease in prices, over next year.

*** Seasonally adjusted.

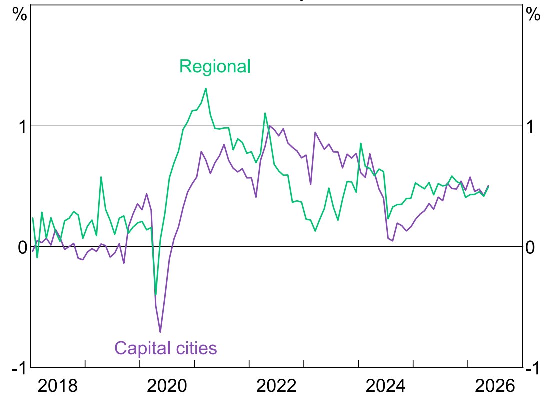
Sources: Cotality; RBA; Westpac-Melbourne Institute.

G13
Capital City Rents Growth
Six-month ended anualised



Source: Cotality; RBA.

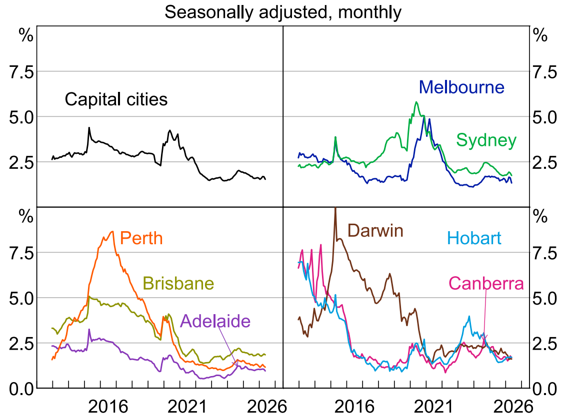
G14
Advertised Rents Growth*
Monthly



* Hedonic, seasonally adjusted.

Sources: Cotality; RBA.

G15
Vacancy Rates*
Seasonally adjusted, monthly



Sources: Cotality; RBA.

Next release: Wednesday 1 July 2026

redacted staff name #1 & #2

Domestic Activity and Trade | Economic Analysis Department | 1 June 2026

Briefing: Impacts of Proposed Changes to Negative Gearing and Capital Gains Tax in the 2026/27 Budget[1]

The 2026/27 Federal Budget announced significant reforms to the taxation of residential investment properties, which will take effect from 1 July 2027 if legislated. The reforms restrict negative gearing to newly built dwellings, replace the 50 per cent capital gains tax (CGT) discount with cost base indexation and introduce a 30 per cent minimum tax rate on real capital gains. Grandfathering arrangements limit the impact on existing investments; properties held prior to the announcement remain eligible for negative gearing, while the CGT changes apply only to gains accruing from 1 July 2027.

The proposed changes are expected to weaken demand from leveraged investors for established dwellings, which would reduce housing price and credit growth (relative to a baseline of no tax changes) in the near term. There may be some offsetting impacts from increased owner-occupier demand and a shift in investor activity towards newly built housing. Over time, a structurally lower investor share of total housing credit (and potentially a higher share of newly built dwellings within investor lending) could have implications for financial stability and monetary policy transmission.

Key policy changes[2]

Negative gearing will be restricted to newly built dwellings. Under current tax settings, investors can negatively gear residential property by offsetting rental losses (including interest payments) against other taxable income (such as wages and salaries). Under proposed budget changes, from 1 July 2027 negative gearing will be limited to newly built properties that add to housing supply, with existing dwellings purchased after the budget announcement (7:30pm AEST 12 May 2026) no longer eligible.[3] Investors who purchase existing dwellings after the announcement will be able to quarantine and carry forward rental losses to offset future residential property income only (including capital gains). These changes do not affect properties purchased before the budget announcement, which can continue to be negatively geared until sold. This includes properties currently used as a main residence and converted to an investment property in the future.

The 50 per cent CGT discount will be replaced by cost-base indexation and a 30 per cent minimum tax rate. Currently, investors can access a 50 per cent CGT discount on investment properties held for more than 12 months. Under proposed budget changes, from 1 July 2027 this would be replaced with indexation of the asset's cost base. The inflation component of any gain will be exempt from taxation, with any real gains facing a minimum 30 per cent tax rate (when realised). The proposed taxation settings would only apply to gains realised from 1 July 2027 onwards, while gains accrued prior to this date remain subject to the 50 per cent CGT discount. Investors who purchase a newly built dwelling will be able to choose between the existing 50 per cent CGT discount or the new indexation and minimum tax rate arrangements. Investors who buy and sell their assets before the changes take effect on 1 July 2027 will not be impacted.

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[1] Thanks to redacted staff name #1, #2, #3 and #4 for helpful comments. This note refers to information from market reports distributed by the Library through the Broker and Analyst Reports System (BARS). The content is to be used for Bank-related research purposes only and not for commercial gain.

[2] Several other housing support measures were also announced, including $2 billion in funding available to states and territories that commit to future housing productivity reforms. The budget estimates this will support up to 65,000 new homes over 10 years. Other housing policies announced include an extension of the ban on foreign investors from buying existing homes (to 30 June 2029), strengthened affordability standards for build-to-rent developments, increased Commonwealth Rent Assistance, and additional funding for social and affordable housing. See Budget Paper No. 1 and Budget 2026–27 Tax Explainer for more information.

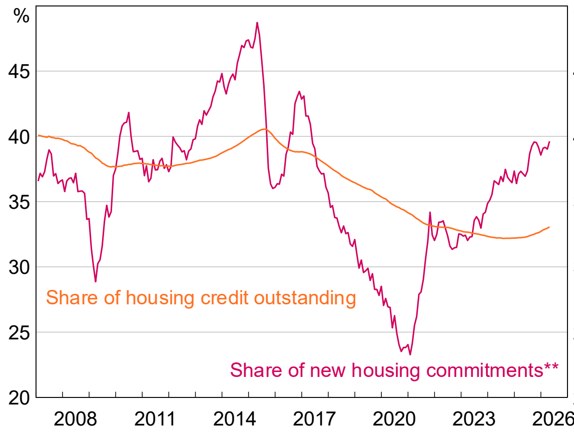
[3] These changes apply to individuals, companies and most trusts, with widely managed trusts (such as managed investment trusts) and superannuation funds remaining exempt. Commercial property and other assets (such as shares) remain exempt, as well as investors who purchase residential property through government housing programs (such as affordable housing). See Budget 2026–27 Tax Explainer for a list of eligible and non-eligible new builds.

The role of investors in the Australian housing market and their use of negative gearing

- **Around 10 per cent of the working age population own (or have an interest in) an investment property.** Investors own around 20 per cent of the dwelling stock (Michielsen 2026).[4]
- **Investors account for 40 per cent of new housing lending** and around a third of outstanding housing credit, though these shares have varied over time (Graph 1).
- **Investor activity is concentrated in established dwellings**, which make up around 83 per cent of investor loan commitments.[5] The construction or purchase of newly built dwellings account for only around 17 per cent.
- **Around half of investors held at least one property that was negatively geared in 2022/23.** In the same financial year, loss making investors had a median net rental loss of around $5,400.[6] This share is highly correlated with the mortgage rate and has likely increased more recently alongside the increase in interest rates (Graph 2).

Graph 1

Investor Loan Commitments and Credit*

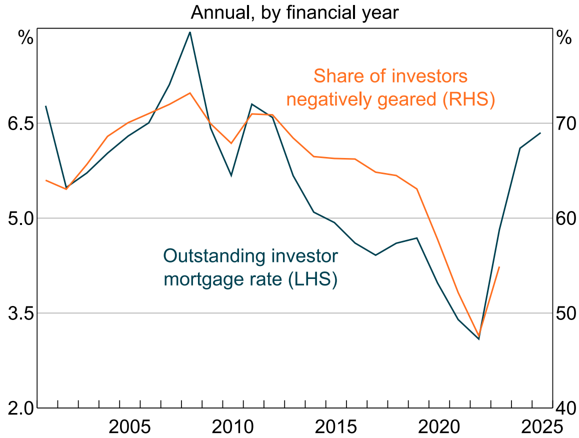


* Monthly data, seasonally adjusted and break-adjusted. Latest observation is April 2026.
** Not for external publication. Excludes refinancing.
Sources: ABS; APRA; RBA.

Graph 2

Interest Rates and Negative Gearing

Annual, by financial year



Sources: ABS; RBA.

Impact of the reforms

Summary

These reforms are expected to reduce leveraged investor demand for established dwellings, by lowering expected after-tax returns and tightening borrowing capacity:

- Removing negative gearing will have the largest near-term effect on new property investors by increasing the upfront after-tax cost of holding an established dwelling (for investors with a net rental loss), which directly reduces borrowing capacity. This is expected to weigh on investor demand, particularly for highly leveraged, low yielding properties.
- The capital gains tax changes will reduce expected after-tax returns (upon sale) for assets with strong real price growth. However, when a property's price growth only modestly exceeds inflation, indexation under the new system may result in a lower tax burden than the current 50 per cent discount.[7]

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[4] Properties only include those owned by individuals (rather than by partnerships and trusts) that have lodged a rental property schedule. Dwelling stock is the total stock of dwellings including unoccupied dwellings, and includes properties that are both mortgaged and owned outright.

[5] For dwellings, excluding refinancing.

[6] According to Treasury estimates, around one third of negatively geared properties sold in 2022/23 received an effective tax subsidy over the life of the investment. Over half of these tax benefits flowed to the top 10 per cent of income earners, in part reflecting higher income earners being more likely to hold a negatively geared property (Michielsen, 2026,) (Budget Paper No 1, 2026).

[7] For example, Westpac (2026) estimates that the new indexation treatment is slightly more favourable than the 50 per cent discount if capital gains at sale are less than double the cumulative rise in inflation over the holding period. The introduction of a minimum 30 per cent tax rate also reduces incentives to defer capital gains to periods of low taxable income (e.g. retirement).

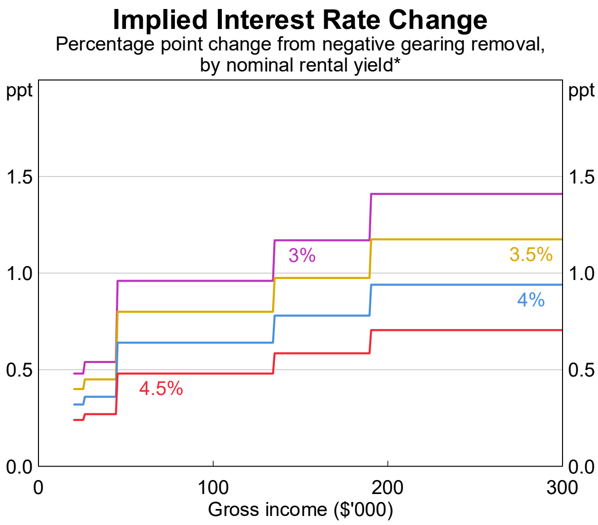
- Grandfathering arrangements may make some existing investors more likely to hold on to properties, weighing on housing turnover.

In equilibrium, lower after-tax returns require an adjustment in rental yields. Most market economists expect this adjustment to occur mostly through lower housing prices rather than materially higher rents. Investor demand is also likely to be affected by weaker sentiment, recent increases in interest rates and general uncertainty. Overall, the reduction in investor demand is expected to result in lower housing price growth, turnover and housing credit growth over the next few years. There may be offsetting impacts from investors substituting towards newly built dwellings and higher demand from owner-occupiers, though this remains uncertain.

Detailed impacts

- **Investor cash flows:** For prospective borrowers with a negative net rental loss, removing negative gearing increases the upfront after-tax cost of holding an established dwelling. Investors with higher marginal tax rates, high leverage, low rental yields and high interest expenses will experience the largest increase in their effective user cost. For a hypothetical borrower with the typical rental yield (roughly 4 per cent) and gross income ($115,000), this change is equivalent to a 60 basis point increase in their mortgage interest rate (Graph 3). The magnitude of this effect is sensitive to the outstanding interest rate: lower rates reduce net rental losses and the associated tax benefit, resulting in a smaller benefit. The new ability to quarantine and carry forward rental losses may partly offset some of these changes.[8]

Graph 3



* Estimates assume an LVR of 80 per cent, 6 per cent investor mortgage interest rate and other deductable costs equal to 1.2 per cent of the property value. All investors are negatively geared by construction.
Source: RBA.

- **Investor borrowing capacity:** The cash flow tightening will reduce these new investors' borrowing power, although the magnitude will depend on their income, loan size and rental yield.[9] Back-of-the-envelope estimates suggest this reduction in borrowing power ranges from 0 per cent to 20 per cent. These changes to constraints would only be binding for those investors who use all or almost all of their borrowing capacity (around 20 per cent of investors, redacted staff name 2025).[10]

- **Housing prices:** External estimates suggest the proposed reforms will lead to a one-off decrease in housing prices, by 2–5 per cent relative to baseline over the next 1 to 3 years (Table 1). Several commentators have also published revised housing price forecasts that incorporate both the effects of the tax policy and other factors (such as tighter monetary policy and weaker sentiment). Most banks expect housing prices to be flat or rise at a slower pace over the near term, while a few banks expect negative housing price growth. Housing price outcomes could be stronger if owner-occupiers offset reduced investor demand by more than expected, or if housing supply increases by less than expected. However, there is also a risk of a sharper or larger correction, as lower turnover, weaker sentiment and heightened uncertainty could reinforce downturn dynamics. Even in this case, given most housing loans in Australia are

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[8] However, this benefit is delayed, less valuable in present value terms and cannot be used to fund current holding costs. APRA's prudential guidance suggests that best practice is for an ADI to place no reliance on a borrower's potential ability to access future tax benefits from operating a rental property at a loss (APG 223).

[9] Recent bank liaison and media commentary noted that some lenders will need to change their borrowing power calculators, which currently take negative gearing into account. For example, see AFR (2026) and D26/150103 (restricted).

[10] This estimate is based on 'best endeavours' data collected by APRA from the 12 largest ADIs. These data are not queried and should be treated with a degree of caution.

very well collateralised, declines in housing prices are unlikely to lead to widespread credit losses for banks.[11]

- **Turnover:** Most external estimates point to a near-term decline in housing turnover of around 20 per cent, driven largely by weaker investor demand and the expected downturn in housing prices**.** Broader market conditions, including uncertainty and higher interest rates, are also expected to dampen owner-occupier activity. Over the medium-term, grandfathering arrangements may weigh further on investor turnover, as some existing investors may retain properties to preserve negative gearing benefits.[12] Over the longer-term, a potentially lower share of investors in the housing market could also suppress turnover (beyond the initial adjustment), as investors typically transact more frequently, potentially lowering the structural turnover rate.
- **Rents:** External estimates suggest a small increase in rents. Treasury estimates an increase of less than $2 per week for a household paying the current median rent (a 0.32 percentage point increase). This estimate may be sensitive to the amount of passthrough between investors and renters, how much higher owner-occupier demand reduces the number of renter households relative to the rental stock, and the broader effects of other government policies on dwelling investment and housing supply.

Table 1: External estimates of budget impacts

Report	Housing Indicators			
	Housing price adjustment[(a)]	**Revised housing price forecast**	**Turnover**	**Rent**
Realestate.com.au	Small decrease	-	Small increase (short-term) Broadly unchanged (medium-term)	Small increase
Bank of America	-1 to -2%	flat (end 26) +2% (end 27)	-	-
NAB	-	-2% (end 26) +2% (end 27)	-	-
Treasury	- 2%	-	-	$2 per week higher
Westpac	-	+1% (end 26) +3% (end 27)	-20%	Slightly firmer inflation in rents
Goldman Sachs	-3%	-5% (end 1Q27)	-	-
Barrenjoey	-3%	-	-	-
CBA	- 5%	flat (end 26) +3% (end 27)	Likely to fall, at least initially	Broadly agree with Treasury
AMP	-5%	-1% (end 26) -5% (end 27)	-	-
Morgan Stanley	-5%	-5 to -10% (peak-to-trough)	-20-30%	Modest rise
HSBC	-	flat (end 26) -3 to -6% (end 27)	-	-

(a) Per cent fall in housing prices due to the tax changes (relative to no change in tax settings), over various time horizons. These estimates differ from revised housing price forecasts (which incorporate other changes, such as cash rate expectations).

Sources: 2026/27 Budget; various market reports

- **Supply:** The potential impact on dwelling supply is uncertain. Treasury estimates that lower housing price growth will lead to 35,000 fewer dwellings being built over the next 10 years (around 0.25 per cent of the current dwelling stock) compared to no policy change, though this is expected to be more than offset by

[11] It would take a 20 per cent decline in housing prices for the share of loans in negative equity return to pre-COVID levels.

[12] Treasury estimates that historically over half of negatively geared properties are typically sold or become positively geared within four to five years, and over 75 per cent within ten years.

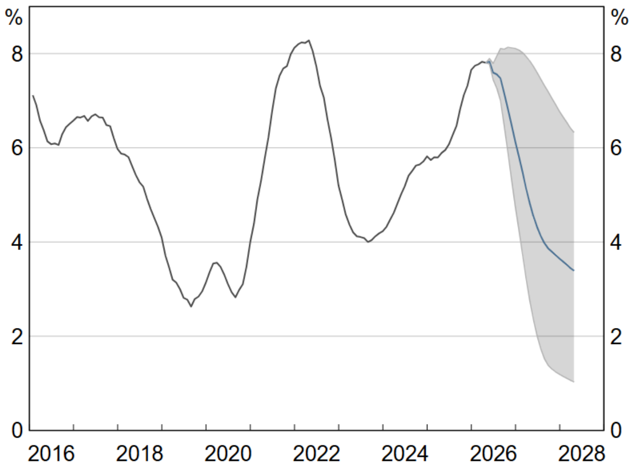
the housing supply measures in the Budget. Housing supply could be supported if investor substitution from established properties towards newly constructed is larger than estimated, though this could be limited by constraints currently present in the residential construction sector.

- **Overall housing credit growth:** Lower housing price growth and turnover will weigh on housing credit growth. Graph 4 projects a range of scenarios for housing credit growth, which take EA's housing price growth forecast[13] from the May SMP and apply external estimates of the effects of the policy changes.[14] For example, under a scenario where housing prices are 5 per cent weaker than otherwise and housing turnover declines by 20 per cent, housing credit growth would decline to 3.5 per cent, from 7.8 per cent currently (blue line, Graph 4). These scenarios are illustrative only, given the considerable uncertainty around estimating the impacts of the changes. Market economists' projections of housing credit growth are mostly within the range depicted in the graph (see Table 2).
- **Investor and owner-occupier credit growth:** Market economists expect a modest decline of around 1–2 percentage points in owner-occupier credit growth and a much larger decline in investor credit growth over the next couple of years (though with a wide range of estimates; see Table 2).[15] The potential response of owner-occupiers remains a key source of uncertainty. There is some historical precedence of owner-occupier activity increasing following a fall in investor demand, such as following the 2015 macroprudential measures (see Appendix).

Graph 4

Housing Credit Growth Scenarios*

Six-month ended annualised



* Scenarios draw on external estimates of the impacts of 2026/27 Budget housing tax measures on housing market variables (including prices) and use a mechanical model mapping housing loan commitments to credit growth.

Source: ABS; APRA; RBA; Treasury; various market reports.

Table 2: External estimates of budget impacts on housing credit

Revised Credit Growth Forecasts *Annual (%)*			
Report	**Owner-occupier**	**Investor**	**Total**
April 2026 actuals	6.2	10.2	7.5
Bank of America	5 (early 27) 6 (end 27)	-2 (early 27) 3 (end 27)	3 (early 27) 5 (medium-term)
NAB	-	-1.4 (end 27)	2.7 (end 27)
Morgan Stanley	-	-	3 (end 27, 6M-annualised)
Barrenjoey	4.3 (mid-27)	2.2 (mid-27)	3.6 (mid-27)
CBA	5.5 (mid 27) 6 (end 27)	3.5 (mid 27) 4.5 (end 27)	-
UBS	-	-	5 (end 26) 3 (end 27)
Westpac	-	7 (end 26) 4 (end 27)	-

Source: ABS; APRA; RBA; various market reports

Longer-term implications for monetary policy transmission and financial stability

The proposed changes to negative gearing and capital gains tax could have longer-term implications for monetary policy transmission and financial stability through their effects on the composition of housing credit and borrower characteristics. This section discusses some potential channels through which these longer-term effects could manifest. Future work could explore these questions in more detail.

[13] Under this forecast, housing price growth slows to 1.5 per cent by June 2028. More recent data suggests the housing market is notably weaker, with quarterly growth forecasts likely to be revised significantly lower. See Housing Market Review – May 2026.

[14] These scenarios are constructed using a two-step process: (1) creating alternative scenarios for housing commitments based on external estimates of potential impacts on housing prices and turnover; and (2) mapping these commitments scenarios to housing credit growth. See redacted staff name 2025 for details.

[15] Treasury modelling suggests that the tax reforms will increase the owner-occupier share of the housing market, resulting in around 75,000 additional owner-occupiers over the next decade.

Investor credit has historically been more procyclical than owner-occupier credit and investors have likely played a role in amplifying cycles in Australia (redacted staff name 2025). To the extent that the reforms lead to a sustained reduction in the investor share of housing, this could reduce the cyclicality of total housing credit and its sensitivity to monetary policy. However, the potential impact on the cyclicality of investor credit itself is less clear. For example, investors could become more likely to sell their property in response to higher interest rates, when previously negative gearing would have acted as a shock absorber and incentivised investors to retain the property. This could instead amplify price and turnover dynamics at the margin.

If new dwellings make up an increasing share of investor commitments, that could increase the relevance of investor credit growth as a real economy indicator. It could also increase procyclicality in the new builds segment of the housing market.

From a macroprudential policy perspective, changes to negative gearing are likely to reduce a prospective investor's maximum loan size relative to their income. All else equal, the proposed policy changes may systematically lower debt-to-income (DTI) ratios for new investors and so decrease the likelihood that APRA's DTI flow limit binds for a given level of interest rates. To the extent these policy changes lead to a compositional shift in total credit towards owner-occupiers (and given that investors have historically had lower arrears rates), the 90+ day arrears rate may move to a structurally higher level (though this effect would be fairly marginal given owner occupier arrears rates are only around 0.1 percentage points higher on average).[16]

redacted staff name #1, #2, #3 and #4, Domestic Markets Department

#5, #6, #7 and #8, Financial Stability Department

#9, Economic Analysis Department

12 June 2026

[16] International evidence suggests that investors may be more likely than owner-occupiers to default during severe downturns, although it is unclear to what extent the international experience can be generalised to Australia (redacted staff name 2025).

Appendix – Case Studies

There are historical examples in Australia and overseas of fiscal and regulatory policies impacting investor credit growth. While informative, these case studies provide limited guidance on the likely impacts of the current reforms, as it is difficult to disentangle policy effects from broader macroeconomic conditions and other factors.

Australia – macroprudential tightening – 2015-2017

In late 2014, APRA required banks to limit the year-ended growth in lending to real estate investors to no more than 10 per cent. In early 2017, APRA required banks to limit their new interest-only mortgage lending to 30 per cent of total new housing lending. Banks complied with these policies largely by raising interest rates on the targeted mortgage types. The spread between owner-occupier and investor interest rates increased by around 10 basis points in 2015 causing investor lending to decline. This decline in investor lending was largely replaced by owner-occupier lending, among large banks. The cash rate target was cut from 2.5 per cent in December 2014 to 1.5 per cent in 2017.

Australia – pre-2019 election, opposition suggests proposed changes to CGT and negative gearing – 2017-2019

Ahead of the 2019 election, the opposition proposed changing CGT treatment and removing negative gearing if elected. During this period, housing prices fell around 8 per cent and investor credit growth fell from around 6 per cent in early-2017 to around zero in 2020. Growth in owner-occupier lending peaked about six months later than investor lending. After the opposition lost the election, investor and owner-occupier lending picked up, and house prices returned to their previous level by January 2020. Other changes also occurred around this time; the cash rate target was cut from 1.5 per cent to 0.75 per cent over the second half of 2019 and APRA increased serviceability buffers to a flat 2.5 percentage points.

New Zealand – removal of interest deductibility from newly bought rental properties – 2021 - 2025

In 2021, New Zealand removed interest deductibility for newly bought rental properties. For those owning rental properties at the time, interest deductibility was phased out over a few years. It was then phased back in, and from 1 April 2025, investors could fully deduct interest up to the value of their rental income. Isolating the effects of these changes is challenging as New Zealand's policy rate moved in a wide range over this period, increasing from 0.25 per cent in September 2021 to 5.5 per cent in May 2023, before being cut steadily from August 2024 to be at 2.25 per cent in September 2025. Housing prices fell 16 per cent from late 2021 to the start of 2023 and remain around that level today. Year-on-year investor credit growth fell from around 14 per cent to near zero at the start of 2024, before increasing to around 8 per cent today.

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DM chatter: how might the proposed capital gains tax changes affect firms' cost of capital?

The newly proposed CGT changes from the 2026-2027 Budget may increase non-financial businesses' cost of capital. By increasing the effective tax rate on the capital gains component of investment for a subset of investors, the changes raise the pre-tax returns demanded by a marginal group of investors to make their investment worthwhile (in turn raising firms' cost of capital). The increase in funding cost is likely to disproportionately affect high-growth sectors and start-ups, whereas more mature, lower-growth firms (whose returns are more heavily distributed as dividends, which are unaffected by the CGT) may be less affected. Our back-of-the-envelope calculations suggest a modest increase of 11–26 basis points in the cost of capital for non-financial firms under a set of assumptions based on the direct effects of the CGT changes (e.g. we do not consider any potential effects through the real estate and construction sectors from a change in housing prices).

What changes have been proposed?

On Tuesday, the 2026-2027 Budget announced several proposed changes to the capital gains tax (CGT), subject to consultation.[1] In brief:

- Investors would lose the current 50 per cent tax 'discount' on capital gains from mid-2027.
- The tax will be replaced by one on real capital gains (i.e. returns net of inflation), with the tax rate dependent on the marginal rate applying to relevant entity but newly subject to a 30 per cent floor.[2]
- The tax will continue to apply to individuals, trusts and partnerships, for assets held longer than 12 months.
- Transitional arrangements will apply to existing investments, including the grandfathering of capital gains until mid-2027.

How might the change affect firms' cost of capital and the overall allocation of capital?

These changes are expected to result in a higher effective tax rate for domestic investors for capital gains on their investments. While the switch to taxing real returns may not result in higher taxes in all circumstances – this depends on the relative values of returns and inflation – effective taxes on equity investments (the focus of this chatter) are higher if returns match the rate implied by current market pricing (discussed below).[3] The 30 per cent floor also limits (but does not entirely removes) the ability of investors to realise gains in years when their marginal tax rate is low, further increasing their effective tax rates. The policy change is therefore likely to have the following implications:

- Investors would demand higher pre-tax returns to make their investment worthwhile, in turn raising firms' cost of capital.
- The relative tax attractiveness for domestic investors to receive dividends vs. capital gains would increase, particularly given the existence of franking credits. Firms may choose to change their capital management strategy in favour of increasing dividends to appeal more to domestic investors, but this might be constrained by foreign investor considerations, available franking credits (which would depend on company taxes paid in Australia) and the existing payout ratio.[4]
- Similarly, the aggregate allocation of capital may tilt more towards sectors with mature assets that generate steady income (e.g. utilities), and away from firms where capital gains typically comprise a large share of expected returns (e.g. start-ups).

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1 The consultation will consider the treatment of 'early-stage and start-up businesses' (Budget 2026–27 Paper No. 1, p. 30)

2 The indexation to CPI is a return to the CGT arrangement that existed before 1999.

3 If price returns are sufficiently low then an investor would be better off under the rules. See Lilley (2026).

4 In absence of these constraints, paying returns out entirely through dividends would already have been tax-efficient under existing capital gains rules.

- The changes may also shift the composition of the investor base towards exempt investors (super funds and foreign investors), and incentivise domestic retail investors to shift from direct equity investments towards investing through their super funds.[5]

The effect on cost of capital will differ by firm type

The table below summarises the likely effect on the cost of capital for several broadly characterised firm types (which are not all mutually exclusive), holding all else constant.

Firm type	Likely magnitude of increase to cost of capital	Why?
Start-ups, small unlisted firms and high-growth sectors	Large	• These firms generate little income initially. • Some investors, such as venture capital and private equity, tend to rely heavily on capital gains upon exit instead of dividends.
Established, larger listed firms and asset-heavy/lower-growth sectors	Smaller	• These firms provide investors a larger share of return from dividends (and franking credits), which are not directly affected by the rule changes. • Investors shifting into the sector for tax burden related reasons may nonetheless increase demand for the equity of these firms.
Sectors with more foreign investors or investment from super funds	Smaller	• Foreign investors are exempt from CGT in many cases. • Super funds are exempt.

The overall change in firms' cost of capital is likely to be small

By making investment less attractive for some investors, these changes have the potential to increase the cost of capital for Australian businesses. While the reaction of Australian equity prices following the budget was relatively muted, it is possible that investors are still working through what these changes mean for them and updating their portfolios accordingly.

To approximate the impact that these changes could have, we explore how the cost of equity for non-financial businesses would need to change to keep a hypothetical domestic investor's post-tax return unchanged.[6] We consider two representative investor examples: 1) a high marginal tax individual affected by the removal of the 50 per cent discount, and 2) an individual who realises their capital gains in low-income years at a marginal tax rate of 25 per cent,[7] whose returns are now subject to a 30 per cent floor as well as the removal of the 50 per cent discount.

In both cases, we assume that the investor expected an annualised nominal return of 8.4 per cent (the cost of equity for non-financial corporates on the ASX at the end of April 2026) over a five-year holding period in which annual inflation is at 2.5 per cent on average, with 3 percentage points of these returns paid out as

5 This does not account for any general equilibrium effects from potential housing investors shifting into equities as housing becomes a less attractive investment due to these, and negative gearing, rule changes.

6 This approach implicitly assumes that investors would otherwise invest in alternative assets that have a similar risk-adjusted return.

7 Per the average actual marginal tax rate on the year of a capital gain realisation under current CGT rules (see Chart 4.11 on page in Budget 2026–27 Paper No. 1.)

dividends (in line with recent dividend yields for the ASX 200).[8] Our results are sensitive to these parameter choices – particularly on expected returns coming from capital gains – though the results do not change meaningfully for reasonable parameters values.

For the investor affected by the loss of the 50 per cent tax discount (Investor 1 in the table), the effective tax rate increases from 22.5 per cent (the 50 per cent discount × the 45 per cent marginal tax rate) to 32.9 per cent. For the investor also affected by the new 30 per cent tax floor (Investor 2 in the table), the effective tax rate increases from 12.5 per cent to 19.3. To achieve the same post-tax return, expected returns (i.e. the cost of equity for firms) would need to increase by about 100 basis points for first investor and about 40 basis points for the second.

	Investor 1: loss of 50 per cent discount only			**Investor 2: 30 per cent floor and loss of 50 per cent discount**	
	Old	New		Old	New
Expected Annualised Return	8.4	8.4		8.4	8.4
Expected Dividend Yield after tax (%)	2.55	2.55		3	3
Expected Annualised Capital Growth (%)	5.85	5.85		5.4	5.4
Capital Growth Required/Cost of Equity (%)	7.3	8.3		6.1	6.5
Capital Gain After 5 years (%)	42.2	48.9		34.5	37
Real Gain (%)	-	35.8		-	23.9
Marginal tax rate	45	45		25	30
Total After Tax Gain (%)	32.8	32.8		30.2	29.8
Tax (%)	9.5	16.1		4.3	7.2
Effective Tax Rate (%)	**22.5**	**32.9**		**12.5**	**19.3**

However, we expect the overall impact on businesses' cost of capital to be notably smaller than that. Firstly, most Australian equities are owned by superannuation funds and foreign investors, with just 38 per cent of equities held by households or other funds that could be linked to households (Graph 1). Both super funds and foreign investors are exempt from these tax changes. Second, equity accounts for around 69 per cent of Australian non-financial business total funding, and the cost of other sources of funding are unlikely to be directly affected by the proposed changes in a material way (e.g. bank debt should be unaffected; bonds are aimed at institutional investors and attract investors more interested in coupon payments than capital gains). We can therefore get a very crude approximation on the effect on total cost of capital by scaling the estimates above. Assuming that the marginal investor sits between the two scenarios presented above and firms retain their current funding mix, **the cost of capital is estimated to increase by 11–26 basis points**.[9]

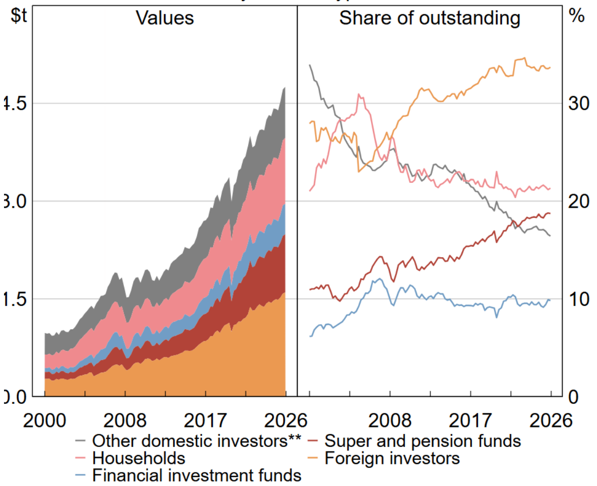
8 Due to data availability, we are using listed-company parameters as a proxy for all equity investments, though it is possible that the appropriate values are meaningfully different for unlisted equity. If the cost of equity for unlisted firms is higher, or a greater share of returns comes from capital gains, then the tax change would result in a larger increase in the cost of capital for these firms.

9 This calculation is intended to be a crude order-of-magnitude approximation only. To calculate the true general equilibrium effects, we would need to know the demand elasticity of different investors.

Graph 1

Ownership of NFC Equity*

By investor type



* Includes listed and unlisted equity issued by non-financial corporations, estimated at market value; includes public NFCs. Latest observation is Q4 2025.

** Includes ADIs, insurance corporations, other broad money institutions, NFCs, and government.

Sources: ABS; RBA.

redact staff name #1, #2 & #3

Securities Markets Section Domestic Markets Department

15 May 2026

Talking points for CFR Housing Working Group meeting 2026-05-28

s22

Budget

- Introduced measures which will affect housing:
    - From 1 July 2027, 50% CGT discount will be replaced with indexation. Investors will pay a minimum of 30% on real capital gains. Investors buying new builds can choose whether to use 50% discount or indexation
    - From 1 July 2027, negative gearing only available on new builds. There will be grandfathering arrangements for current investors.
- Likely to reduce investor demand in the short-run and housing turnover if investors hold on to properties for the negative gearing.
- In the long-run, will probably shift the balance of housing away from investors, with a lower investor share of housing credit.

Summary

Overall, housing credit growth is likely to slow in coming months, reflecting the effects of slower housing price growth to date continuing to flow through to credit, the lagged effects of monetary policy tightening and proposed changes to capital gains tax and negative gearing.

CREDIT, LOAN COMMITMENTS AND MONEY – APRIL 2026[1]

Credit growth was broadly stable in April. *Housing credit growth was little changed in six-month-ended terms and is yet to ease in response to recent increases in the cash rate, though this is not out of line with the broad range of outcomes from previous tightening phases. We expect housing commitments and credit growth to be weaker over the coming months, reflecting the continued easing in housing price growth, the lagged effects of recent increases in interest rates, and the proposed changes in taxation policy. Business credit growth remained strong in April, and growth in personal credit ticked slightly lower.*

s22

- **Housing credit** growth was unchanged in April in six-month-ended terms and has remained around this level since December (Graph 3). Housing loan commitments declined slightly in April (-0.6 per cent), but have been broadly stable as a share of housing credit since the start of the year. Loan commitments have a roughly contemporaneous (though not precise) relationship with monthly credit growth (Graph 4, redact staff name #1 and #2 2026).
    - **Owner-occupier** credit growth was little changed in April around its long-term average (Graph 2), alongside a 1.5 per cent decline in owner-occupier commitments (Graph 6).
    - **Investor** credit growth ticked up alongside a 0.7 per cent increase in loan commitments (Graph 6). Investor credit growth remains close to its post-2008 high (Graph 2).
    - **First-home buyer** (FHB) commitments fell 0.9 per cent in April, reflecting a fall in the average value, while the number of FHB commitments was flat (Graph 7). FHB commitments have increased by 11 per cent since the introduction of the Australian Government 5% Deposit Scheme in October last year, mainly reflecting a 6 per cent increase in average loan values.
- **In the federal budget, the government announced changes to the capital gains tax (CGT) and negative gearing.** From 1 July 2027, negative gearing will be restricted to newly built housing (with grandfathering arrangements for existing investors) and the 50 per cent CGT discount will be replaced with a minimum 30 per cent tax rate on real capital gains. These changes are expected to weigh on housing prices and investor credit growth; a forthcoming note will explore these changes in more detail.

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For more information see the IMS Dashboard and Management Summary Sheet – April 2026.

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[1] This note combines the previous Credit and Money and Housing Loan Commitments release notes.

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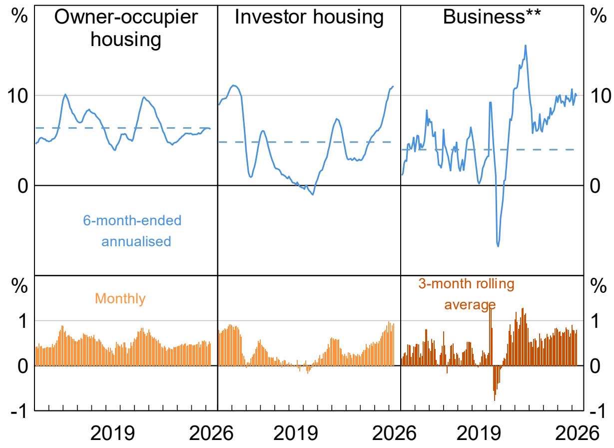
Graph 2
Credit Growth*



* Seasonally adjusted and break-adjusted; including securitisation. Dashed lines represent post-2008 averages.
** Lending to non-financial businesses.
Sources: ABS; APRA; RBA.

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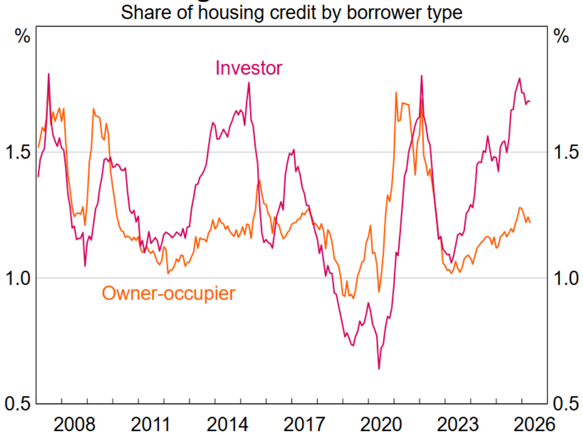
Graph 6

Housing Loan Commitments*

Share of housing credit by borrower type



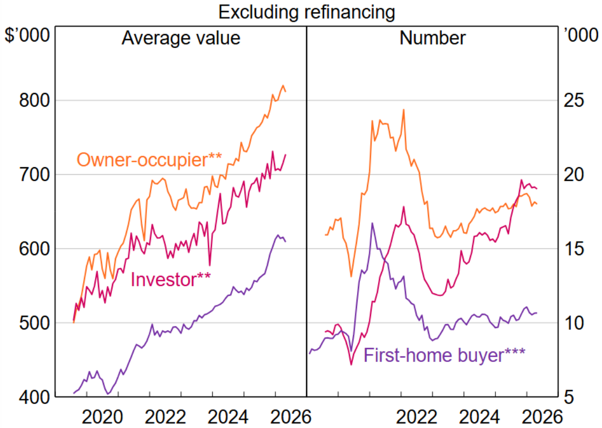
* Not for external publication. Monthly data, seasonally adjusted and break-adjusted. Excluding refinancing. Latest observation is April 2026.

Sources: ABS; APRA; RBA.

Graph 7

Housing Loan Commitments*

Excluding refinancing



* Not for external publication. Monthly data, seasonally adjusted and break-adjusted. Latest observation is April 2026.

** Excluding first-home buyers.

*** FHB commitments includes alterations and additions, and land.

Sources: ABS; APRA; RBA.

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Credit, Loan Commitments and Money – May 2026

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Housing credit growth edged lower in May in six-month-ended and monthly terms, mainly reflecting a modest easing in owner-occupier credit growth (Graph 3). **New housing loan commitments** declined notably in May (-4.9 per cent), reflecting a large decline in the number of new loans and a smaller decline in average loan values (Graph 5). These trends are consistent with weak housing price growth and turnover over recent months. However, because housing credit growth and new lending can lag prices and turnover by around three months, it will take more time to see the effects of the recent sharper slowing in housing price growth and the changes to negative gearing and capital gains announced in the May budget.[1] Accordingly, housing credit growth and loan commitments are expected to slow further from here.

Investor loan commitments declined by 6.3 per cent in May, versus a 4.5 per cent decline for **owner-occupiers** and a 3.3 per cent decline for **first-home buyers** (FHB) (Graph 6 – 8). FHB commitments are nearly five per cent stronger than in October 2025 when the five per cent deposit scheme was introduced, mostly due to higher average loan values.

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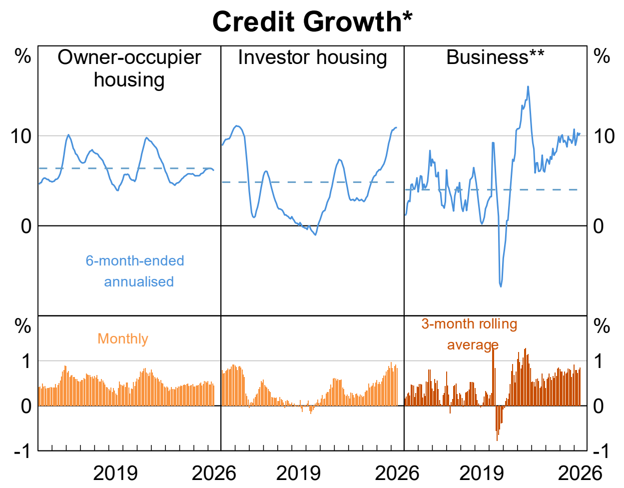
[1] Housing loan commitments lag prices by up to three months and have a roughly contemporaneous (or slightly leading) relationship with monthly credit growth (see redact staff name #1 and #2, 2026 and redact staff name, 2026).

Graph 3



* Seasonally adjusted and break-adjusted; including securitisation. Dashed lines represent post-2008 averages.
** Lending to non-financial businesses.
Sources: ABS; APRA; RBA.

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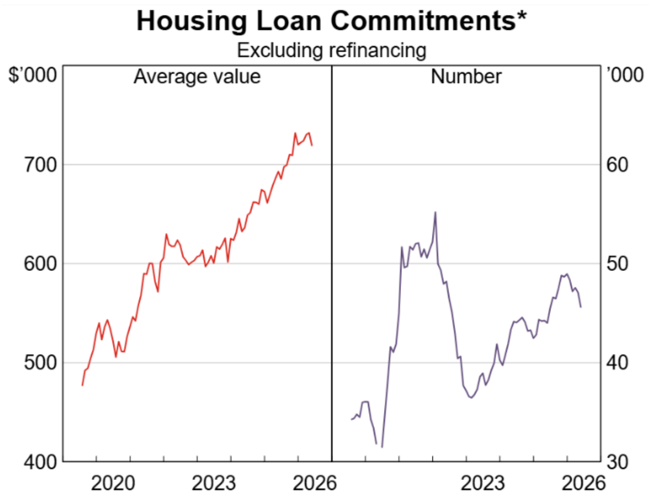
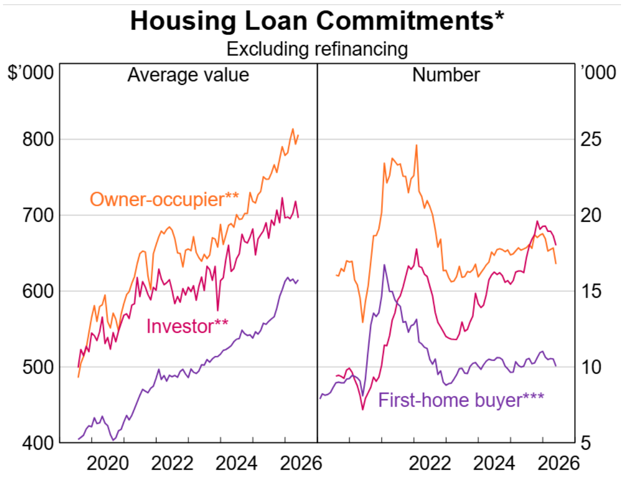
Graph 5



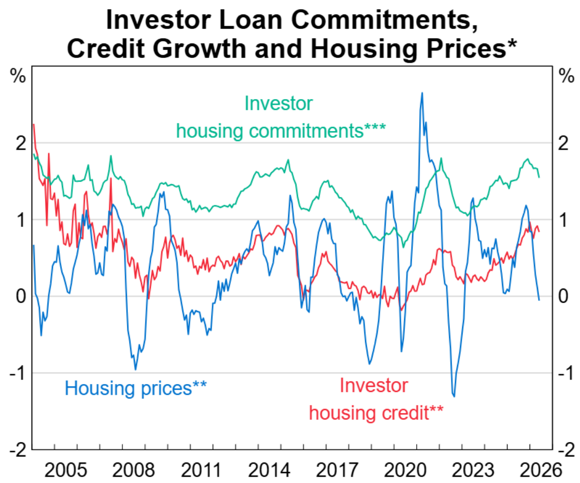
* Excluding refinancing. Monthly data, seasonally adjusted and break-adjusted. Latest observation is May 2026.
Sources: APRA; RBA.

Graph 6



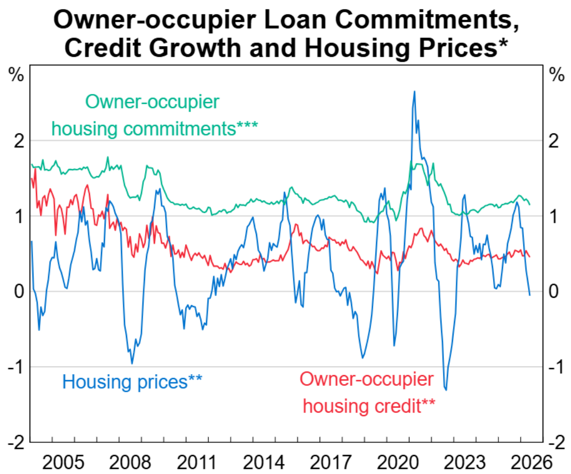
* Not for external publication. Monthly data, seasonally adjusted and break-adjusted. Latest observation is May 2026.
** Excluding first-home buyers.
*** FHB commitments includes alterations and additions, and land.
Sources: ABS; APRA; RBA.

Graph 7



* Seasonally-adjusted. Latest observation is May 2026.
** Monthly growth, break-adjusted.
*** Excluding refinancing, break-adjusted, as a share of investor housing credit. Not for external publication.
Sources: ABS; APRA; Cotality; RBA.

Graph 8



* Seasonally-adjusted. Latest observation is May 2026.
** Monthly growth, break-adjusted.
*** Excluding refinancing, break-adjusted, as a share of owner-occupier housing credit. Not for external publication.
Sources: ABS; APRA; Cotality; RBA.