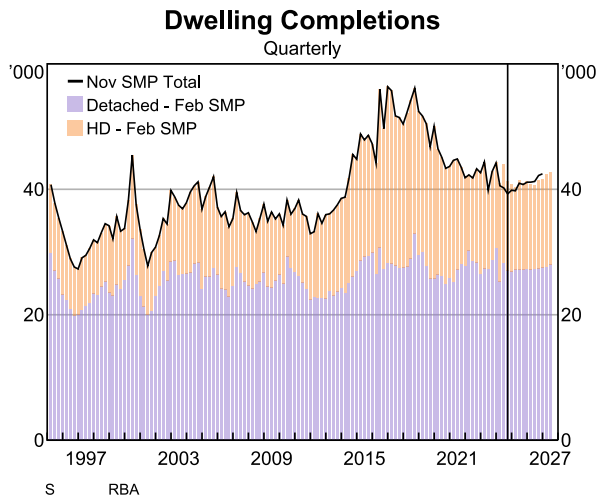


New dwelling investment and completions

Using rough estimation, new dwelling investment forecasts imply that around 40,000 new dwellings are completed in the early quarters, rising to around 43,000 at the end of the horizon. This is the lowest level since before the apartment-construction boom, and significantly below the flow required to meet the Government's National Housing Accord Targets (1.2 million homes over 5 years = ~ 60,000 per quarter; further detail available [here](#)). However, materially more completions should be expected for a given level of dwelling investment than implied by our baseline model and forecast because many

projects are in the latter stages and require less work to be completed.



AUSTRALIAN GOVERNMENT BUDGET 2025/26 – HOUSING POLICIES

Key housing-related policy decisions taken

Housing construction

- (As an aside, the Budget provided an update on process under the National Housing Accord: around 45,000 houses were built from July to September 2024. To reach this target, 60,000 dwellings would need to be built per quarter. The government noted that it expects construction to increase, but our estimates and liaison information suggest that this target will be difficult to achieve.

PIM TALKING POINTS – MAY 2025

- Some more recent focus on supply now w 1.2m homes target
 - Slower burn in nature - concerns not feasible in current environment

Supply

- Housing supply funding, targets
 - Currently govt aiming for 1.2m 'well located' homes in the 5 years from 2024
 - Via: incentives to states to hit targets, reforms to zoning/approvals/land release processes, etc

- *Current dwelling stock just over ~11m, so this would be a meaningful increase, but doubts over feasibility given current rate of building approvals, capacity constraints*

Subject: RE: Preliminary Dwelling Investment Forecasts - August 2025

- I think we should be careful assigning support to the 1.2m homes, as this is essentially just a target, but I think we can add some judgement to account for policy changes/changes to regulation – in the way that we think they might affect building approvals and make that profile stronger than the model (which has done).

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Subject: RE: Preliminary Dwelling Investment Forecasts - August 2025

The fact we are sitting above baseline also reflects some upwards judgement to reflect supportive govt policy (e.g. 1.2m homes

HOUSING MARKET

- Completions well below rate implied by National Housing Accord target (~45k in Sep Q. 1.2m target over 5 years implies ~60k p/q (if completion rate constant over entire horizon).

EC Forecast meeting Q&A

Overall, we remain comfortable with the upgrade that was presented on Monday. The annual completions implied by our forecasts remain below the National Housing Accord targets (including the original 1 million target) and previous peaks.

Where do our forecasts sit relative to the National Housing Accord target?

- Our forecasts implied annual rate of completion is relatively flat across the forecast horizon and sits well below the National Housing Accord's target of 1.2 million homes (which implies 240,000 annual completions per year). Note that a 1 million home target would imply around 200,000 annual completions. Our forecasted completion rates are also quite far off the peaks in completions during the 2017/18 high density boom cycle, with less expected completions of apartments.
- There are two things likely to be driving the fact that completions are expected to remain well below previous peaks while overall chain volume dwelling investment is expected to exceed previous peaks:
 - The average chain volume per completion has increased significantly over the past decade (i.e. the quality of dwellings has been increasing). See below for a discussion of the implications for thinking about capacity constraints.
 - The normal lags between dwelling investment and completion, as it takes time for work done to flow through to completions. In particular, higher-density buildings typically

take longer from approvals to completions, with average completion times trending upwards over the past few years.

HOUSING MARKET

- Completions well below rate implied by National Housing Accord target (~40k in Jun Q. 1.2m target over 5 years implies ~60k p/q (if completion rate constant over entire horizon).

