Australian Council of Social Service

Curb tax breaks. Build social homes. Fix housing affordability.

Briefing Note – February 2026

Summary

The latest ABS Lending Indicators confirm that tax breaks for property investors – namely the 50% Capital Gains Tax (CGT) discount and negative gearing – are contributing to worsening housing affordability. Property investors who make use of these tax breaks add very little to new housing supply. Only 1 in 8 property investor loans are used to build new homes. Instead, property investors overwhelmingly take out loans to buy or renovate homes that already exist – pushing prices higher. This has contributed to home prices rising three times faster than wages since the CGT discount began. The small share of new homes build by investors are also unaffordable for low income people when rented or sold at market rates.

Property investors are typically wealthy, with the wealthiest 10% of households holding two thirds of the value of investment property. Negative gearing effectively provides an interest free loan to speculatively invest in homes, and the CGT discount means investors only pay tax on half their gain in property value when they sell. Given these tax breaks help already wealthy property investors to get further ahead, it is unsurprising that the ABS Lending Indicators show property investors are outcompeting renters seeking to buy their first home: the average loan size for property investors is around $100,000 more than first home buyers, and property investors are now buying twice as many homes as first home buyers as of December 2025.

While property investor tax breaks worsen affordability and inequality, the record low level of social housing is driving more severe and persistent housing stress (as detailed in the ACOSS briefing note *Boost social housing & curb property investor tax breaks*). Despite this, new analysis shows governments spend more on one property investor in capital gains tax discounts than they spend on two people in social housing, on average over 2020 to 2023.

The Federal Government must recalibrate its housing policies to prioritise people on low incomes. It must set national social housing targets to end housing stress and substantially boost investment in social housing to meet them. And it should curb the 50% CGT discount and negative gearing and invest the savings in essential supports such as social housing.

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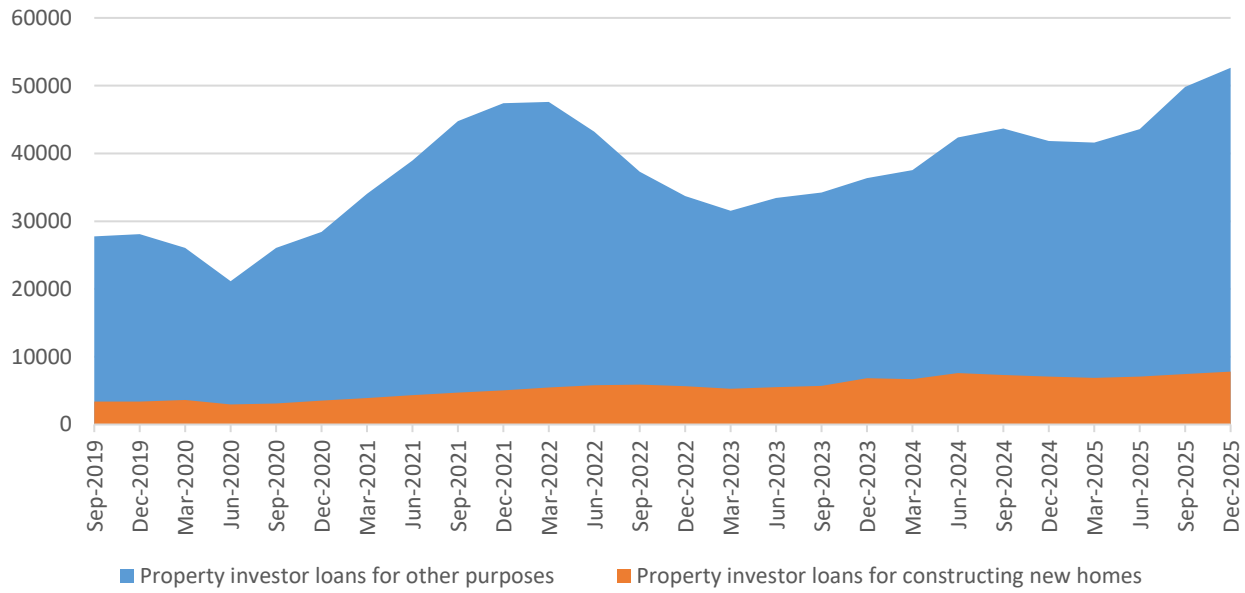
Only 1 in 8 property investments build new homes – but none are affordable to rent or buy at market rates for people on low incomes

Only around 1 in 8 property investor loans (12.7%) are for the purpose of constructing new dwellings (Figure 1). The remainder are for purchasing housing or land that already exists or for renovating existing housing. Property investor tax breaks cannot be defended on the basis that they add meaningfully to supply. Instead, as explained in *Homes for living, not wealth creation*, the CGT discount and negative gearing overwhelmingly encourage speculative investment in existing housing, contributing to home prices growing three times faster than income since the CGT discount began.

Figure 1: Property investor loans for constructing new homes vs other purposes (2019-25)

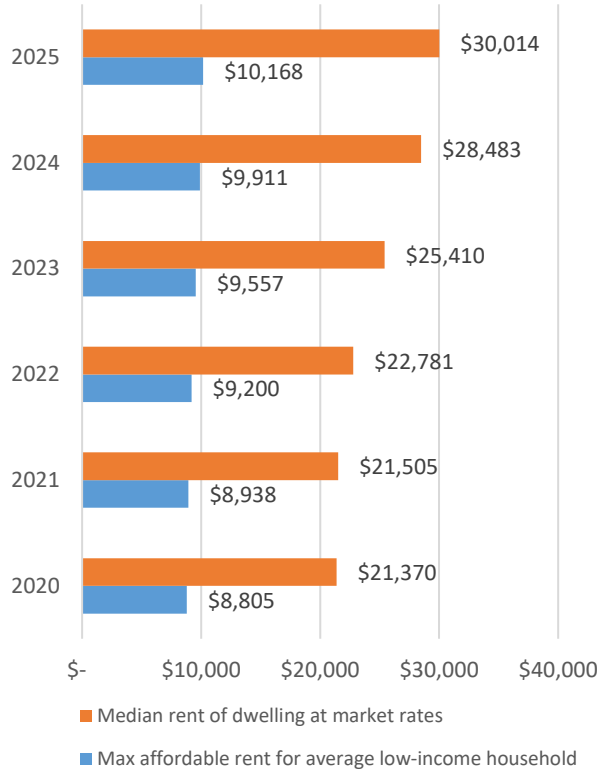


Source: ACOSS analysis of ABS Lending Indicators (series to 2025). 'Other purposes' includes purchase of existing dwellings, purchase of residential land, purchase of newly erected dwellings, alterations, additions and repairs.

The small share of new homes built by property investors are typically rented or sold at market rates, which are overwhelmingly unaffordable to people on low incomes. For the average household in the lowest 40% of income earners:

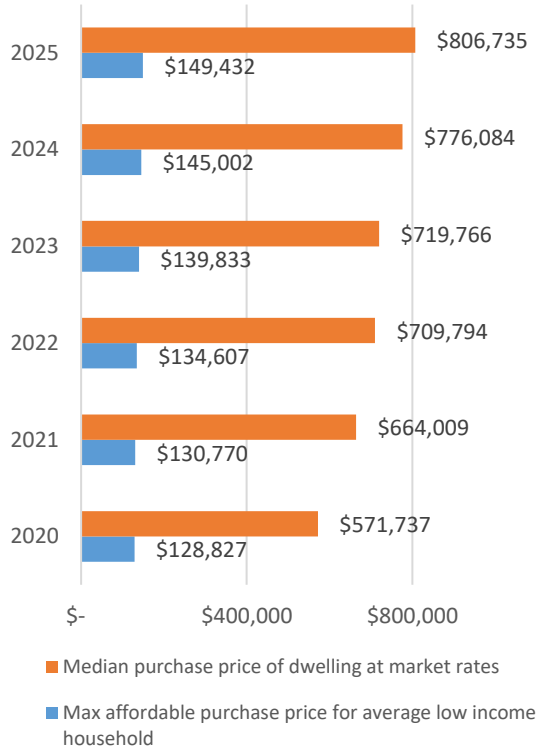
- The national median annual rent has been around $15,000 higher than the maximum affordable annual rent (i.e. paying no more than 30% of income on rent) in the six years to 2025 on average (Figure 2).
- The national median home purchase price has been around $566,000 higher than the maximum affordable price (i.e. paying no more than 30% of income on mortgage repayments, over 30 years at an average 5.76% interest rate), in the six years to 2025 on average – even factoring in the use of the Federal Government's 5% deposit scheme (Figure 3).

Figure 2: Median rent at market rates vs max affordable annual rent for low-income household



Source: ACOSS analysis of ABS Rental Insights (2025), ABS TENLLD (2021), ABS SIH Household Income & Wealth (2020), ABS Wage Price Index (2025).[1]

Figure 3: Median purchase price at market rates vs max affordable price for low-income household



Source: ACOSS analysis of ABS Dwelling Value (2025), ABS Building Activity (2025), RBA Housing Lending (2025), ABS SIH Household Income & Wealth (2020), ABS Wage Price Index (2025).[2]

[1] National median annual rent is from ABS Rental Insights, weighted by jurisdictional incidence of private rentals from ABS TENLLD, averaged by year from available quarterly data (nb 2025 Q4 not yet available). Max affordable rent is 30% of the mean equivalised disposable household incomes for the lowest two quintiles from ABS SIH, indexed to ABS WPI. This approach has similar elements to other measures of low income rental affordability – for example: as a rent measure, NHSAC (2024) uses 30% of mean first and second income quintiles from ABS SIH; while as a rent measure SGS (2025) uses median national rent using bond data and UNSW (2025) uses the ABS Rental Insights data as one among other rent measures.

[2] National median purchase price is taken from ABS Dwelling Value, weighted by geographical incidence dwellings in reported areas, and weighted by share of established vs attached new private sector dwellings from ABS Building Activity. Max affordable purchase price is determined by reference to mortgage repayments of 30% of the mean disposable household incomes (equivalised for household size and composition) for the lowest two income quintiles from ABS SIH (indexed to ABS WPI), amortised over a 30 year principal & interest loan at long-term average 5.76% interest rate (from RBA), assuming savings to cover a 5% deposit without lenders mortgage insurance (as under the government 5% home deposit scheme). This approach has similar elements to other measures of housing affordability – for example: ANZ-CoreLogic (2024) measures the share of income to service a principal and interest mortgage on a median dwelling (similar to ACOSS), but uses current average owner-occupier interest rates (whereas ACOSS uses the RBA long term average) for a 25 year loan term (ACOSS uses a standard 30 year term) with a 20% deposit (ACOSS factors in the government 5% deposit scheme).

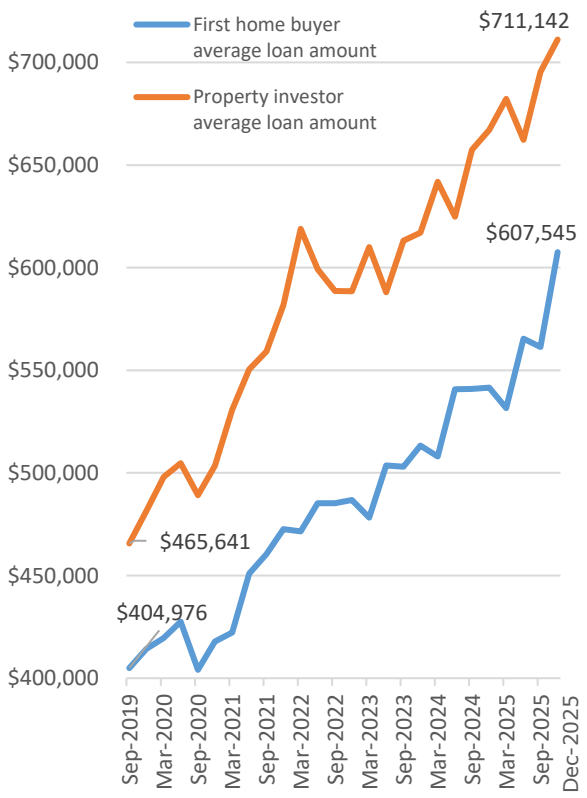
Tax breaks help wealthy property investors get further ahead – for every renter buying their first home, property investors buy two

Property investors are typically wealthy, with the wealthiest 10% of households owning two thirds of the value of investment property (ACOSS 2025). Tax breaks are helping property investors get further ahead and outcompete renters seeking to buy their first home. Negative gearing effectively provides an interest free loan to invest in homes, and the CGT discount means investors only pay tax on half their gain in a property when they sell (ACOSS 2025). Around 59% of government expenditure on these property investor tax breaks went to the highest 10% of income earners in 2025 (PBO 2024).

As these tax breaks help already wealthy property investors to get further ahead, it is unsurprising the ABS Lending Indicators show property investors are outcompeting renters or people seeking to buy their first home:

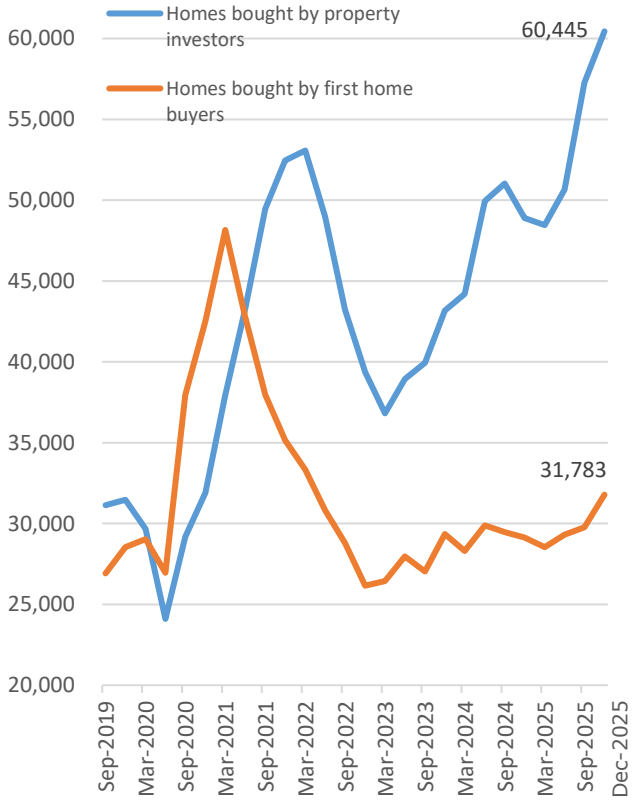
- the average loan size for property investors has been around $100,000 higher and grown about 10% more than the average loan size for first home buyers over September 2019 to 2025 on average (Figure 4), and
- property investors bought twice as many homes as first home buyers in the most recent quarter December 2025 (Figure 5)

Figure 4: Average loan size for property investors vs first home buyers (2019-2025)



Source: ACOSS analysis of ABS Lending Indicators (series to Dec 2025). Average loan size is value of new loan commitments divided by number of new loan commitments by quarter.

Figure 5: Dwelling purchases for property investors vs first home buyers (2019-2025)



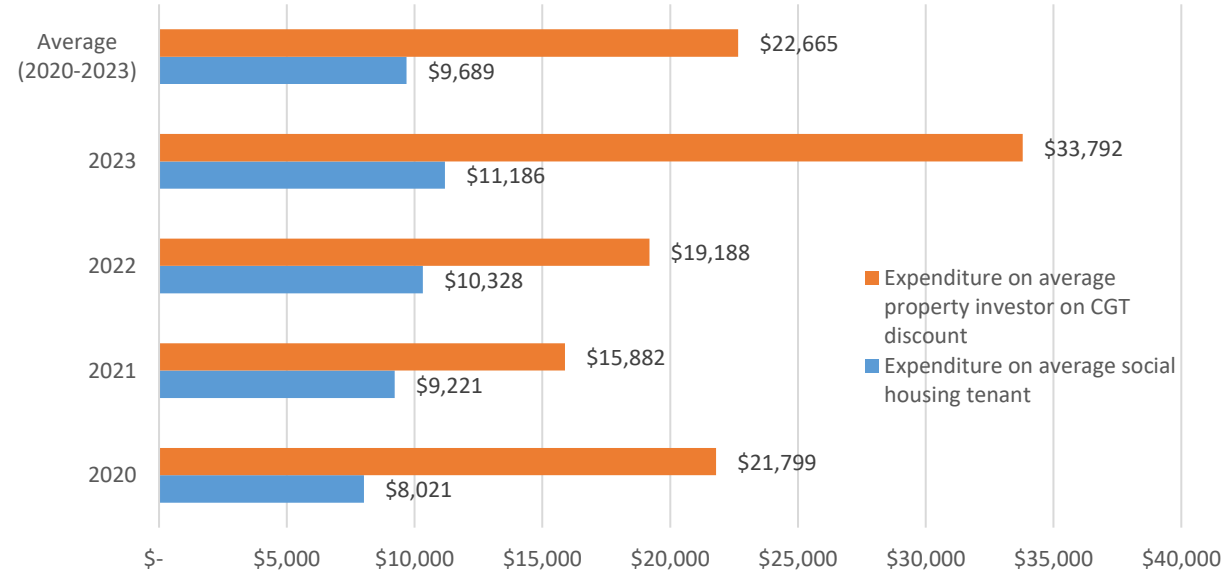
Source: ACOSS analysis of ABS Lending Indicators (series to Dec 2025). 'Homes bought by property investors' are investor new loan commitments. 'Homes bought by first home buyers' are owner occupier first home buyer new loan commitments.

Governments spend more on one property investor in capital gains tax discounts than they spend on two social housing tenants

While property investor tax breaks worsen affordability and inequality, record low levels of social housing contribute to housing stress becoming more severe and persistent (as detailed in *Boost social housing & curb property investor tax breaks*).

Despite this, new ACOSS analysis shows that governments spends more on one property investor in capital gains tax discounts than they spend on two people in social housing, on average over 2020 to 2023 (Figure 6).

Figure 6: Expenditure on average property investor in Capital Gains Tax discount vs expenditure on average social housing tenant (2020-2023)



Source: ACOSS analysis of Treasury EIS (series to 2025), PBO (2024), ATO CGT Stats (series to 2025), PC ROGS (series to 2026), AIHW Housing Assistance (2025)[3]

As outlined in the ACOSS report *Homes for living, not wealth creation* (2025), property investor tax breaks contribute to increased home prices, reduced home ownership, worsened inequality, higher household debt and economic risks. Curbing the CGT discount and negative gearing would:

- reduce home prices by up to 4% across the market (and more in market segments with a greater concentration of investors), resulting in a similar impact to the Federal Government meeting its commitment to build 1.2 million homes;
- increase home ownership by up to 5%, helping to moderate the 4% reduction in home ownership rates over the past two decades; and
- raise around $19 billion in revenue over 4 years, which could fund the building of up to 49,000 additional social housing dwellings.[4]

[3] Expenditure on capital gains tax breaks for average property investor is calculated by dividing the following numerator by denominator. Numerator: expenditure on 50% CGT discount for individuals and trusts (from Treasury EIS) multiplied by the share of CGT discount expenditure for property (from PBO estimate of 38%). Denominator: number of GGT discount recipients for individuals and trusts (from Treasury EIS), multiplied by the share of capital gains on investment property in Australia (from ATO CGT stats). Expenditure on average social housing tenant is the sum of recurrent and capital State & Territory expenditure on social housing (from ROGS), divided by individual social housing tenants (from AIHW) which includes the main Federal Government contribution to social housing by way of National Agreement funding and National Partnership payments to States & Territories, which are counted in State and Territory total expenditure on social housing in the ROGS.

[4] ACOSS (2025), *Home for living, not wealth creation*, pp.51-55.

Recommendations

To help ensure affordable, secure housing for all, including people on low incomes, ACOSS recommends the Federal Government:

- Set and invest to meet national social housing targets to increase social housing to at least 6% of homes over a decade (requiring 36,000 more dwellings annually on average), and 10% of homes over two decades (requiring 55,000 more dwellings annually on average), calibrated to end housing stress and homelessness.[5]
- Curb the 50% CGT discount by halving it to 25% over 5 years. End negative gearing for new investments, and over 5 years for existing investments (by restricting deductions to income from the same investment class, and not wages).

For details, see *Homes for living, not wealth creation* and ACOSS Budget Submission 2026-27.

[5] See Everybody's Home (2025), *Out of Reach*, pp.15-16, for estimates on average annual additional dwellings required.