

THE AGENCY

A nighttime photograph of the Melbourne Central building, a grand classical structure with a large central dome and arched windows. The building is illuminated with warm yellow lights. In the foreground, there are blurred light trails from traffic, including a tram and cars, moving across the street. The sky is a deep blue, and the overall scene is a mix of historical architecture and modern urban life.

THE 2026 FEDERAL BUDGET HAS FUNDAMENTALLY
CHANGED THE OUTLOOK FOR PROPERTY INVESTORS



Australia's 2026 Federal Budget has introduced sweeping reforms to negative gearing and Capital Gains Tax (CGT) concessions - changes that are expected to significantly reshape the residential investment landscape.

According to The Agency Insights Partner Cam Kusher, the reforms will have far-reaching implications for both current and future investors, fundamentally changing the way Australians approach property investment.

"If you are an investor, the changes to the Negative Gearing and Capital Gains Tax discount are going to have significant repercussions for you," says Kusher.

WHAT'S CHANGING WITH NEGATIVE GEARING?

One of the most significant aspects of the reform is that existing investment properties will largely be protected under grandfathering provisions.

"If you own a property right now, nothing will essentially change - those changes are being grandfathered," Kusher explains.

However, for future investors, the landscape will look very different.

Under the new rules, negative gearing benefits will only apply to purchasers of brand-new properties. Investors

buying established residential homes will no longer be able to access the same tax advantages that have historically formed a key part of Australian property investment strategy.

Kusher says there is another major consideration investors need to be aware of.

"In terms of the losses that you may make on an investment, you can't offset those losses against other income outside of residential housing," he says.

While losses can still be carried forward, investors will no longer have the flexibility to immediately reduce taxable income from wages or other sources.

"You can carry those losses forward, but it is going to cost you quite a bit of money to do that."

CAPITAL GAINS TAX CHANGES

Alongside the negative gearing reforms, changes to the Capital Gains Tax discount are expected to have an equally profound impact on investment decisions.

“In terms of the Capital Gains Tax discount, this is a big one for investors,” says Kusher.

Currently, many investors benefit from discounted CGT rates when selling an investment property held over the long term. Under the proposed changes, investors could face substantially higher tax liabilities when they sell.

“At the moment, the maximum amount of tax you would pay when you sell an investment property is about 23.5%. That’s now shifting to a minimum of 30% tax on your capital gains, so it’s fundamentally changing the investment outlook.”

There is, however, one notable exception.

“The only proviso is, that if you buy a brand-new property, you can still choose the old methodology of calculating your Capital Gains Tax.”

This reinforces the government’s clear policy direction: encouraging investment into newly built housing stock rather than established homes.



WHAT THIS MEANS FOR INVESTORS

Kusher believes the reforms will change investor behaviour across the country.

“Overall, I think these changes are going to make investment in residential property here in Australia a lot less attractive,” he says.

While the government’s intention is to stimulate construction activity and increase supply through new housing developments, investors may find the economics of these purchases less appealing.

“They are trying to drive more investors to brand new properties, but of course, brand new property tends to be more expensive. It also tends to not grow in price as rapidly as existing homes.”

As a result, investors may need to rethink traditional investment strategies that have historically focused heavily on long-term capital growth.

“The market has become a lot more challenging for investors and I think that a lot of investors from here on out will be focusing much more on the rental return, rather than the capital growth potential.”

According to Kusher, this could place greater emphasis on investment properties that offer strong yields and opportunities to improve rental income.

“That means looking for ways to push up rents and get a better yield.”

NAVIGATING THE NEW INVESTMENT LANDSCAPE

With the rules around property investment shifting significantly, strategic advice and careful planning will become increasingly important for investors assessing their next move.

At The Agency, our team continues to monitor the evolving policy landscape closely to help investors make informed, confident decisions in a changing market.

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