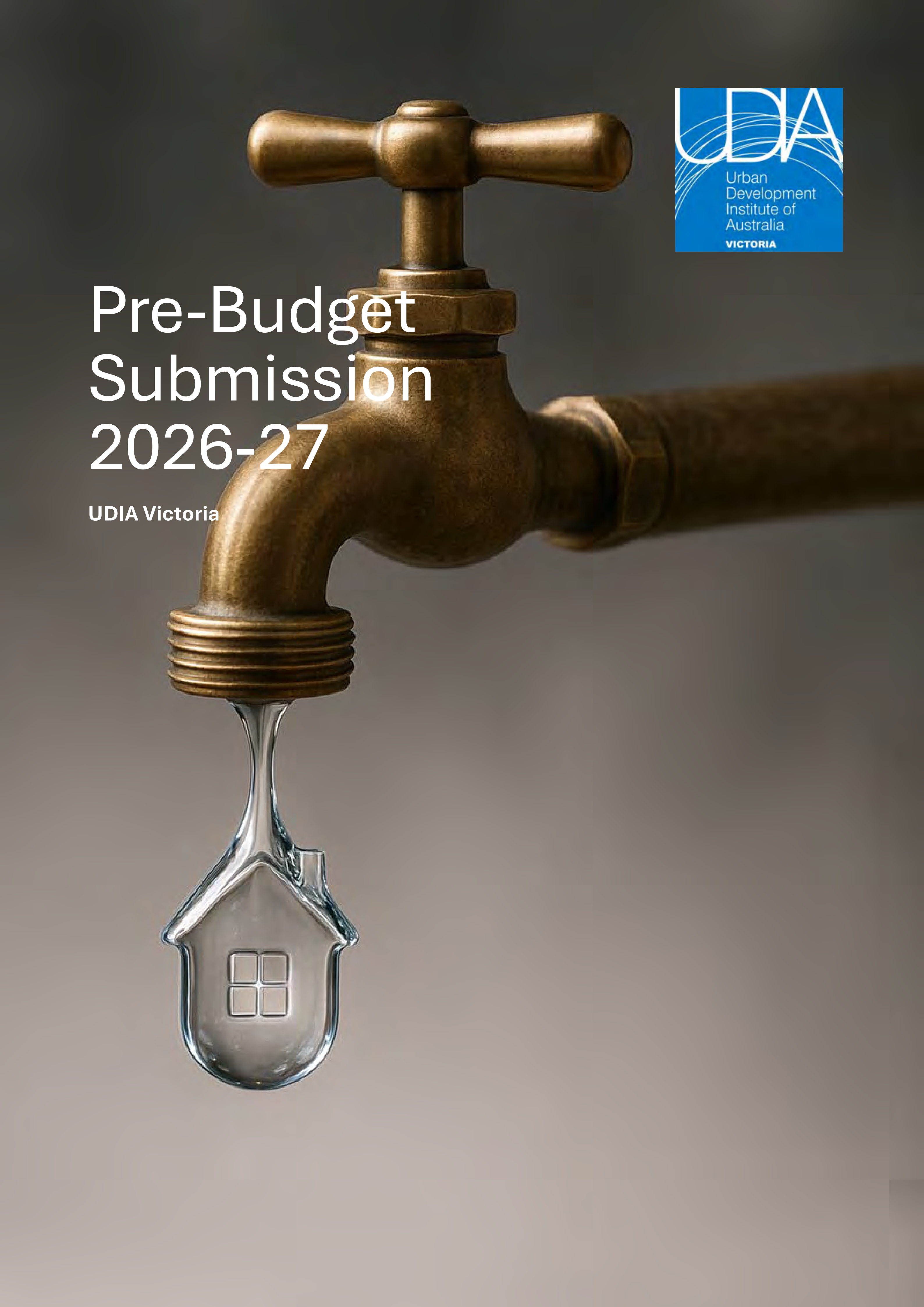
Pre-Budget Submission 2026-27

UDIA Victoria



About UDIA

The Urban Development Institute of Australia, Victoria (UDIA) is a not-for-profit research, advocacy and educational organisation supported by a membership of land-use and property development entities, across the private sector and Victoria's public service.

UDIA is committed to working closely with local, state and federal government, key housing sector stakeholders, and the community to improve access to diverse, high-quality and affordable housing in Victoria.

UDIA is a signatory to the State Government's *Housing Industry Affordability Partnership*, whose aim is building more homes than ever before over the next decade. However, in 2026, Victoria has slipped further behind its *Housing Statement* and *National Housing Accord* targets.

UDIA has and will continue to represent the industry in highlighting what policy, regulatory and taxation settings are needed to get the residential development industry back on its feet to build the housing Victoria needs.

Foreword

Victoria's housing system is under strain. Housing approvals and commencements in Victoria have fallen to their lowest levels in more than a decade at the same time population growth is at record highs. Although Victoria has delivered more homes than other states, new dwelling supply is now materially below underlying demand, with planning delays, escalating development costs and a retreat of private capital combining to shrink the construction pipeline precisely when housing need is greatest.

Achieving the Housing Statement targets is essential to maintaining liveability, supporting economic growth and ensuring Victoria remains competitive to attract the world's best talent and capital. Whether it is achieved will depend on the policy settings that shape housing delivery, not on ambition alone.

The 2026-27 State Budget is the last before the November 2026 State Election. It is a critical opportunity to address the structural barriers that are holding housing supply back and to restore confidence across the development pipeline.

The industry stands ready to deliver housing, but current conditions are among the most challenging many have seen in decades.

Those conditions have now been further complicated by the evolving conflict in the Middle East and resulting disruption to fuel, freight and construction supply chains. Industry is already reporting sharp cost escalation and limited availability across key inputs such as bitumen, PVC and HDPE products, with the risk of longer-term supply constraints still evolving. This reinforces the need for a Budget that not only addresses Victoria's structural tax, planning and infrastructure barriers, but also improves the sector's resilience to external shocks that can quickly delay projects, erode feasibility and undermine housing delivery.

Our submission sets out clear, practical actions the 2026-27 Budget can take to unlock housing supply, improve affordability and strengthen Victoria's economic resilience. The choices made in this Budget will shape housing outcomes, confidence and growth for years to come.

Linda Allison
Chief Executive Officer

State of the State

As of 2026, Victoria is at an 11-year low for building completions and is set to miss its 10-year 800,000 homes target by more than 200,000.[1]

A sustained policy-inflicted downturn in residential construction activity in Victoria is now having clear and measurable consequences for productivity, private investment and employment across the development and construction sector.

More than one quarter of large construction businesses operating in Victoria are currently reporting operating losses, driven by elevated construction costs and a steep decline in new project commencements. At the same time, construction remains the single largest contributor to business insolvencies in the state, with insolvency levels higher than pre-pandemic.

These trends are occurring despite the urban development and construction industry remaining one of the largest contributors to Victoria's economy and one of its most significant private sector employers.

In the last financial year, residential development generated approximately $14 billion in state tax receipts and supported more than 330,000 Victorian jobs, underscoring the industry's central role in economic resilience and in delivering housing supply and affordability outcomes.

Recent commentary has highlighted Melbourne as having the lowest property price growth of any Australian capital city, having only increased by around 15 per cent over the past 5 years compared with price growth of around 80 to 90 per cent in cities such as Brisbane, Adelaide and Perth.

This outcome has been claimed as a sign of success and improved affordability. However, subdued price growth reflects the reality of a weak investment market, elevated holding costs, higher taxes and regulatory complexity that has seen a flight of capital from the state, constraining new housing delivery.

As this capital continues to leave the state, commencements will continue to crater and the State's housing targets will drift further out of reach.

Victoria lost over 24,000 rental properties in the roughly two years following recent changes to land tax and investor settings, alongside a 53 per cent plunge in global investment in the state's property sector.[2] While softer price growth has coincided with lower-than-average rent increases in the short term, this dynamic is temporary as Victoria continues to experience strong population growth. Once existing supply is absorbed, rental supply will face a significant drop off.

Although the Government recently announced a projected $600 million operating surplus, this is dwarfed by a projected general government cash deficit of around $10 billion and a non-financial public sector cash deficit of approximately $16 billion, reflecting continued reliance on borrowings to fund expenditure with diminishing capacity to service that debt over time as investors increasingly call the state "un-investable".

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[1] Building Activity, Australia, September 2025 https://www.abs.gov.au/statistics/industry/building-and-construction/building-activity-australia/sep-2025

[2] Department of Families, Fairness and Housing, Annual Percentage Change In Total Bonds 2025

The flight of private capital is materially undermining job creation and complicating efforts to service Victoria's high levels of debt. These structural pressures are now colliding with a new external shock. Fuel market disruption and supply-chain volatility linked to the conflict in the Middle East are increasing costs and uncertainty across the housing and development pipeline. For many projects, the immediate problem is not that works are impossible to perform, but that they are becoming harder to price, finance and deliver under settings that were never designed for this level of volatility. That increases the urgency of Budget measures that improve feasibility, preserve cashflow and keep housing-enabling works moving.

The 2026-27 State Budget provides a clear opportunity to reset policy settings and bring investment capital back. It requires an honest reckoning with the mounting evidence that the *Housing Statement* is off-track by ~200,000 dwellings, resulting in diminishing tax revenue through conventional property transactions.

2026-27 Budget Priority Recommendations

This submission sets out nine priority actions to remove barriers that prevent private investment and housing industry capacity from being mobilised at scale:

1. **Lower taxes to encourage more homes to be built, boosting both housing supply and government revenue.**
2. **Bring certainty to land supply and fast-track planning**
3. **Deliver growth area infrastructure where Victorians are choosing to live**
4. **Build the workforce needed to deliver more homes**
5. **Support modern construction methods to lift productivity**
6. **Enable regional Victoria to deliver more housing and jobs**
7. **Work with industry on targeted supply-side stimulus to unlock stalled housing projects**
8. **Restore confidence by making Victoria competitive for investment and talent**

Taken together, these actions are directed at restoring housing supply, improving affordability, supporting jobs and strengthening Victoria's long-term economic resilience.

1. Lower taxes to encourage more homes to be built, boosting both housing supply and government revenue.

Victoria taxes housing at a rate comparable to alcohol and tobacco, which are designed to deter consumption. Government will not achieve its housing targets without reducing the property sector tax burden.

The Government's heavy reliance on property taxation is directly inflating the cost of new housing and undermining delivery at scale. In 2014-15, property-based taxes accounted for less than 18 per cent of total state taxation revenue. Over the past decade, that reliance has increased sharply, with property taxes increasing by more than 250 per cent to account for around 46 per cent of total state tax revenue.

Victoria has the highest taxes of any state in the nation. It also depends on the property industry more than any other state for its total tax revenue.

As with any industry, these costs are necessarily reflected in the end cost of the product. They are embedded in the price of every new home and ultimately passed on to buyers and renters.

The issue

Over the past decade, Victoria's tax settings have shifted significantly toward property:

- Since 2014, there have been more than 30 new or expanded taxes, levies and charges applied directly to property.
- The Windfall Gains Tax has raised a fraction of forecast revenue while introducing uncertainty that deters urban renewal projects and regional development.
- Foreign purchaser surcharges have reduced foreign investment in new housing, critical to achieving initial financing, by more than 70 per cent. There has been no commensurate fiscal benefit.
- On greenfield developments, combined taxes and charges now average approximately $2.5 million per hectare, accounting for around 44 per cent of the median greenfield lot price.
- In established and urban infill areas, taxes and charges average approximately $180,000 per dwelling, representing around 30 per cent of the average dwelling price.
- Housing is the only industry in the state where the government taxes unsold inventory, with landowners required to pay land tax and Vacant Residential Land Tax (VRLT) , even when they are unable to sell new lots and dwellings as a result of market conditions.

The solution

Reset Victoria's approach to property taxation, improving project feasibility, lifting housing delivery and expanding the State's revenue base through greater development and transaction activity, by:

- Committing to no new or expanded property taxes over the next term of government.
- Abolishing or reforming the Windfall Gains Tax to restore certainty and support regional development and urban renewal.
- Windfall Gains Tax creates an uncertain and unquantifiable cost burden that cannot be accurately assessed before a rezoning decision is made. When the cost of a project cannot be determined with confidence, projects do not proceed.

- Removing or suspending foreign purchaser surcharges on off-the-plan purchases that directly support new housing supply.
- Reviewing stamp duty rates, thresholds and concessions to reflect current median house prices and reduce barriers for first home buyers and right-sizers. Stamp duty rates have failed to keep pace with runaway house prices, exacerbating the overall cost of purchasing a new home.
- Making the expanded off-the-plan duty concession permanent and extending it to eligible new dwellings regardless of whether they are delivered under strata or Torrens title, so equivalent homes are treated consistently, and artificial tenure-based distortions are removed from the market. Existing permanent and temporary measures should be merged into a permanent concession to streamline the process and avoid confusion by consumers and industry alike. Off-the-plan concessions should also be aligned to median house prices, with an annual indexation.
- Extending VRLT relief for completed but unsold new dwellings, so newly delivered housing is not subject to both land tax and VRLT where it remains genuinely unsold as a result of market conditions.

2. Guarantee land supply and fast-track growth area planning to unlock housing where demand is strongest.

Victoria cannot meet its housing supply target without a sustained pipeline of zoned, development ready land. While housing demand continues to grow, the pace of rezoning, structure planning and infrastructure delivery is not keeping up; limiting the volume of development-ready land available across metropolitan Melbourne and regional Victoria.

The issue

Victoria's statutory and strategic planning systems is not keeping pace with long-term forecast demand:

- Rezoning and structure planning processes are taking longer and costing more, particularly in growth corridors and major regional centres.
- Poor coordination between land release and infrastructure delivery is limiting the amount of land that can be practically developed, even where rezoning has occurred.

These failures are constraining the housing pipeline at its source and reducing the volume of housing that can be delivered over the medium and long term.

The solution

Restoring land supply certainty and improving planning outcomes requires:

- Adequate funding and resourcing of Precinct Structure Planning and strategic rezoning in priority growth corridors and major regional areas.

- Regular statewide land supply audits that assess zoning status, infrastructure readiness and deliverability, not just theoretical capacity.
- Aligning infrastructure planning with where growth is greatest, ensuring new housing can be brought to market without unnecessary delay.

- Strengthening accountability for strategic planning timeframes across state agencies and referral authorities.

3. Build infrastructure where and when growth is happening.

Housing supply in new suburbs cannot proceed without appropriate investment in enabling infrastructure. In Victoria's fastest-growing suburbs and regional centres, delays in delivering transport, schools, health services and utilities are now a material constraint on housing delivery, liveability and productivity. Where infrastructure lags housing growth, development costs increase, communities are left without essential services and confidence in future investment weakens.

Aligning infrastructure delivery with population growth and housing approvals is critical if Victoria is to lift housing supply and maximise the return on public investment. This is particularly acute in Melbourne's west, where population growth has outpaced transport investment and left major growth areas dependent on V/Line infrastructure that was never designed to service metropolitan-scale commuting.

The issue

Infrastructure planning and delivery in Victoria is increasingly misaligned with where growth is occurring:

- Investment has disproportionately flowed to established areas, while outer metropolitan growth corridors and major regional centres continue to experience infrastructure shortfalls.
- Delays in transport, utilities, education and health infrastructure are constraining development-ready land and slowing housing delivery in areas where demand is strongest.
- Limited transparency around infrastructure sequencing and the allocation of growth area contributions has reduced confidence that funds are being reinvested where growth is occurring.

The solution

Earlier and better-targeted infrastructure investments would unlock housing supply, reduce delivery costs for the public and private sectors, improve liveability and deliver stronger economic returns, including:

- Bringing forward enabling transport investments in Melbourne's west, including the electrification of the Melton Line, additional tracks from Sunshine to Caroline Springs and new stations at Thornhill Park and Mount Atkinson.
- Publishing a transparent 10-year infrastructure delivery pipeline aligned with population growth, housing demand and community need across metropolitan and regional Victoria.
- Prioritising infrastructure investment in fast-growing corridors and regional centres where housing delivery can be accelerated at scale.
- Accelerating cost-effective transport solutions, including improved bus services, to connect new communities to jobs, education and essential services.

- Reforming the Growth Areas Infrastructure Contribution to provide greater transparency on fund collection, allocation and priority projects, ensuring contributions are reinvested where they are generated.

Middle East Conflict measure:

- Establishing a temporary housing and infrastructure continuity framework to identify and respond quickly to fuel, freight and critical input disruptions affecting housing-enabling works, including through faster coordination with servicing authorities and practical regulatory flexibility where required.

4. Build the workforce needed to deliver homes at scale.

Victoria's capacity to lift housing supply is increasingly constrained by workforce shortages across planning, engineering, surveying and construction. Even where projects are approved and viable, shortages of skilled workers are delaying delivery, increasing costs and limiting the industry's ability to respond to demand.

Skills shortages extend across the entire housing delivery pipeline, from planning and infrastructure coordination through to on-site construction and certification. These shortages will continue to undermine productivity and housing supply.

The issue

Workforce pressures across the housing system are intensifying:

- Planning authorities, referral agencies and local governments are struggling to attract and retain planners, engineers and technical specialists, contributing to resourcing bottlenecks.
- Construction workforce shortages persist across key trades, while insolvencies and reduced commencements are eroding industry capacity and discouraging industry participation.
- Industry is facing significant competition from major public infrastructure projects, which is drawing skilled labour away from residential construction, exacerbating delays and increasing costs.
- Fragmented training pathways and slow credentialing are limiting the speed at which workers can transition into high-demand roles.

These constraints are compounding other delivery challenges and reducing the system's ability to scale.

The solution

Greater industry workforce support would accelerate approvals, reduce project delays and lift productivity across the housing system, including:

- Investing in education, training and credentialing programs for planning, engineering, surveying and construction roles that are critical to housing delivery.

- Expanding cadetships, graduate programs and secondments within planning authorities, referral agencies and local government, particularly in growth areas and regional Victoria.
- Funding accelerated qualification recognition and licensing pathways to allow skilled workers to move more quickly into high-demand roles.
- Supporting industry-aligned training partnerships to better match workforce development with long-term housing and infrastructure demand.

By easing workforce constraints, Victoria can deliver homes more efficiently, support secure jobs and ensure the industry has the capacity to meet housing demand at the scale required.

5. Support uptake of modern construction methods to cut build times and reduce housing costs.

Victoria's building industry, as with other states, needs support to underpin innovation and boost productivity. Productivity growth in residential construction has stalled and labour shortages are placing sustained upward pressure on costs.3 Modern methods of construction offer one of the most practical opportunities to lift productivity, shorten delivery timelines and reduce costs at scale.

Off-site manufacturing, modular construction and prefabrication are increasingly common, globally, providing for more efficient and cost-effective construction. In Victoria, uptake remains limited, meaning potential productivity gains are not being realised at a time when housing supply needs to accelerate.

The issue

Despite their benefits, modern construction methods face structural barriers in Victoria:

- Planning, building and certification systems are largely designed around traditional construction, creating uncertainty and delays for projects using prefabrication or modular techniques.
- Inconsistent regulatory treatment across councils and agencies increases risk and discourages investment in off-site manufacturing facilities.
- Higher upfront costs and limited access to finance for early adopters are constraining the ability of industry to scale modern construction approaches.
- Government procurement settings do not yet provide the certainty or volume needed to support sustained investment in modern construction capacity and skills.

These constraints are compounding other delivery challenges and reducing the system's ability to scale.

[3] Productivity Commission, Housing construction productivity: Can we fix it?

The solution

Support for modern construction methods would improve productivity, reduce build times and help the sector deliver housing more efficiently at scale, while supporting the development of new construction capability within Victoria, including:

- Funding pilot programs to support the delivery of housing projects using modular, prefabricated and off-site construction methods.
- Providing grants or incentives to offset upfront costs for early adopters of modern construction techniques where projects demonstrably accelerate housing delivery.
- Funding the development of standardised assessment and certification pathways for modern construction methods to reduce approval uncertainty and delays.
- Leveraging government procurement to create a consistent pipeline of projects that utilise modern construction methods, supporting industry investment in capacity and skills.

6. Back regional Victoria to deliver more homes, jobs and real housing choice.

Regional Victoria plays a critical role in meeting the State's housing needs. Major regional centres such as Geelong, Ballarat and Bendigo are among the fastest growing in the nation, offering affordable housing and good employment opportunities. However, housing delivery in these areas is being constrained by planning policy, slow approvals and lagging infrastructure investment.

The issue

Housing delivery in regional Victoria is being held back by structural constraints:

- Regional councils are managing increasing planning workloads without corresponding increases in resourcing, resulting in extended approval timeframes.
- Infrastructure and servicing in major regional centres are often poorly coordinated and delivered out of pace with development fronts, limiting the release of otherwise development-ready land.
- Major transport investment has not kept pace with population growth, reducing access to jobs, education and services and increasing car dependence.
- Fragmented planning and infrastructure delivery is weakening investor confidence and slowing housing supply in areas otherwise well placed to accommodate growth.

These constraints are limiting housing choice, increasing costs and undermining the liveability advantages that attract people to regional communities.

The solution

Backing regional Victoria with the planning and infrastructure it needs would supercharge new housing supply, provide local jobs and deliver greater choice about where Victorians live and work, including:

- Supporting regional councils to manage planning approvals, infrastructure coordination and service delivery in line with growth.
- Funding a coordinated, state-led program for regional infrastructure and servicing that aligns planning, funding and delivery with housing targets.
- Prioritising early delivery of transport, utilities, schools and health infrastructure in major regional centres where housing demand is strongest.
- Funding integrated regional transport and land use planning to improve connectivity and unlock new housing opportunities.

7. Work with industry on targeted supply-side stimulus to unlock stalled housing projects.

Victoria needs practical, market-facing measures that help viable projects move from approval to delivery where short-term feasibility gaps are preventing commencement.

Across greenfield, infill and apartment markets, projects are increasingly stalling not because demand is absent, but because pre-sales are harder to secure, debt is more expensive, site costs are harder to absorb, and equity hurdles have increased. In many cases, the gap between a project being approved and a project commencing has become the central housing supply challenge.

That challenge is now being compounded by fuel and construction-input volatility linked to the conflict in the Middle East, which is adding acute cost pressure and increasing uncertainty across live and near-term projects.

A well-designed stimulus framework would not require Government to underwrite poor projects. It would allow Victoria to assist where temporary market failure is preventing otherwise viable housing from proceeding, while sending a clear signal that the State is serious about restoring delivery and investment.

The issue

- Elevated construction, finance and holding costs have widened feasibility gaps across the Victorian housing pipeline, particularly for projects with thinner margins or significant upfront costs.
- Projects with planning approval, serviced land or titled lots are not proceeding to delivery because debt and equity settings no longer stack up in the current market.
- Sites with strategic housing potential, particularly brownfield and infill sites requiring significant remediation and complex enabling works, are being deferred despite strong potential.
- Victoria needs a clear framework for partnering with industry on criteria-based supply-side stimulus measures that can unlock stalled projects without permanently distorting the market.

As a result, housing that could otherwise be delivered in the short to medium term remains undelivered, further constraining supply and weakening confidence.

The solution

Supply-side stimulus programs that leave the government no worse off, would enable strategically significant development projects to progress through delivery:

- A Victorian pre-sale support mechanism for eligible residential projects, informed by the New South Wales Pre-sale Finance Guarantee, to help approved developments satisfy lender pre-sale requirements and commence construction sooner.
- A government-backed debt support or downside protection mechanism for the acquisition and activation of titled greenfield lots, including models that support qualifying speculative housing at lower price points where private capital is available, but current risk settings remain prohibitive.
- Grants, rebates or reimbursements for authority charges and other agreed project-enabling costs on housing projects that would not otherwise proceed, with support directed to products and locations where supply can be brought forward quickly.
- A strategic site remediation stimulus stream to offset significant contamination and site preparation costs on brownfield and infill sites with clear housing capacity.

Middle East Conflict measures:

- Time-limited relief, reimbursement or deferral mechanisms for authority charges, servicing charges and other project-enabling costs on live or near-term housing projects demonstrably affected by abnormal fuel and supply-chain shocks; and
- A temporary housing continuity response for projects affected by external cost spikes, including practical mechanisms to preserve contractor solvency and prevent avoidable delay to housing-enabling infrastructure.

8. Restore confidence by making Victoria the best place to live, build and invest.

Housing delivery at scale depends on certainty and confidence. Private capital, skilled workforce and development expertise are mobile and selective about where they locate. In recent years, Victoria has lost its competitive edge and attractiveness relative to other states, as policy uncertainty, regulatory complexity and long planning approval timeframes have increased risk and reduced returns.

At a time when housing supply is a key priority, restoring confidence in Victoria's investment and employment environment is essential to accelerating delivery across the housing pipeline.

The issue

A combination of policy and regulatory settings are undermining confidence:

- Frequent changes to property taxes and regulatory requirements have increased uncertainty and elevated risk across the development lifecycle.

- Extended and unpredictable approval timeframes are delaying major housing, build-to-rent and mixed-use projects capable of delivering housing at scale.
- Workforce shortages are compounding delivery challenges and reducing productivity.
- Industry sentiment indicates Victoria is underperforming other states on investment confidence and development pipeline expectations.

These factors are discouraging long-term investment and limiting the scale and pace of housing delivery.

The solution

Clear, consistent and coordinated policy settings would reduce uncertainty, support long-term investment decisions and improve Victoria's competitiveness as a destination for capital and skilled labour by:

- Committing to a stable and predictable policy environment, including no further new or expanded property taxation and development-related charges over the forward estimates.
- Publishing a clear, whole-of-government housing delivery and investment framework that aligns tax, planning, infrastructure and workforce settings with housing supply objectives.

Next steps

UDIA thanks the Allan Government for their consideration of the recommendations as part of this Pre-Budget Submission. This is not an exhaustive list of initiatives, and we will continue to advocate for improved industry and community outcomes on a range of important issues relating to housing.

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