



2026–27 Budget Submission to the ACT Treasury

Increasing Housing Supply, Improving
Affordability, and Strengthening Industry

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Geordan Murray

Executive Director – ACT and Southern NSW

Housing Industry Association

Unit 4 / 9 Sydney Ave

Barton ACT 2600

Email: g.murray@hia.com.au



Introduction

It is well established that across the nation we are not building enough homes, home ownership levels are at worrying levels, particularly for under 35's, housing affordability and rental vacancies are top level concerns across our society.

Compounding this, the housing industry faces crippling labour shortages and a thicket of regulation and red tape that has seen more time from builders and trades on paperwork and navigating compliance than on-site building the homes Australian's desperately need.

The ACT is not immune to these issues, and they are front of mind for nearly all facets of society, given the structural under supply of housing in the Territory and with the expected growth in ACT population over the next five years.

Within this context I am writing to provide HIA's recommendations with respect to the formation of the upcoming ACT budget. The 2026-27 Budget comes at a pivotal moment for the Territory and is why HIA is calling for wholesale reforms and commensurate funding to address structural deficiencies in the housing supply and housing delivery system.

At an overarching level, HIA is concerned that the opportunity for development and the general business operating conditions in the ACT is not competitive on enough measures with the environment across the border in NSW where we are seeing far greater levels of home building activity.

The lease variation charge, the cost of workers compensation insurance, delays related to referral entities, the availability and cost of land, urban forest laws, ongoing changes to the NCC, third party appeal rights and commercial rates are all examples given to us by members of the challenging conditions facing the home building sector.

This has the potential for significant impacts on the ACT budgetary position as more home building businesses move across the border. Equally with each family that makes the conscious choice to live in the surrounding border regions of NSW, represents a loss of revenue through rates and land tax.

The ACT Government needs to re-position itself to adopt a greater growth mindset and pro-business environment. ACT needs to embrace a YIMBY mindset on housing supply growth and make Australia's capital a leading light in business investment and an innovation leader.

HIA welcomes the efforts of the ACT to address housing supply issues through the planning system, noting its positive performance in the recently released national HIA Planning Blueprint Scorecard. The Territory compared well against several larger jurisdictions and was recognised for efforts towards encouraging more medium density housing. Though much more is needed.

The housing industry is also encouraged by improvement in leading housing indicators towards the latter stages of 2025; however, the year also saw some historically low levels of housing data. Using dwelling approvals as one measure, the first full year of the ACT's commitment to construct 30,000 homes by 2030 also fell 13% short, meaning there is still much work to be done.



While current reforms are important, this submission outlines practical Budget measures that would materially improve housing feasibility, expand workforce capacity, and reduce government-imposed cost burdens that are suppressing supply across both the private and social housing sectors.

These measures include:

- Abolish the Lease Variation Charge to promote more development.
- Revise the ACT's housing supply target to 7,000 new homes each year with accountability for delivery and reporting against set targets.
- Review the determination of residential land prices to support housing affordability.
- Funding to deliver job-readiness and pre-apprenticeship programs in critical residential building trades.
- Support Group Training Organisations to operate sustainably in the ACT.
- Fund an AI in planning system pilot to streamline and fast track approvals.
- Extend the transition period for NCC 2025 adoption in the ACT to 12 months.



Outlook for residential construction in the ACT

Residential building conditions in the ACT remain subdued.

While there were moderate signs of improvement in home building activity through the latter months of 2025, the uplift has been from a very low base. Activity levels remain well below the volumes required to sustain a healthy pipeline of work across the sector. Forward orders remain thin, enquiry levels are low, and margins are tight. Industry sentiment continues to reflect fatigue after several consecutive years of contraction.

The downturn was primarily driven by the sharpest monetary tightening cycle in modern Australian history. The rapid increase in the cash rate by the Reserve Bank of Australia materially reduced borrowing capacity, expanded serviceability buffers and eroded consumer confidence. For a sector that is highly credit-sensitive, this translated directly into fewer new home commencements and a thinning pipeline of future work.

The mid-2025 rate cut provided some relief. Improved borrowing capacity and a stabilisation in household expectations contributed to a modest lift in activity and enquiries in the latter part of the year. However, the subsequent reversal in February has dampened confidence that a sustained recovery is underway. The renewed uncertainty around the rate trajectory has again constrained household decision-making, with many prospective buyers returning to a 'wait-and-see' position.

Compounding the impact of monetary policy has been the persistently elevated construction cost base established in the post-pandemic period. Although the pace of escalation has moderated, build costs remain structurally higher due to materials pricing, labour constraints and compliance requirements. Margins remain compressed, particularly in a price-sensitive market.

The adoption of NCC 2022 further added to these cost pressures. While the objectives of improved energy efficiency and accessibility are understood, the timing of implementation - during a period of rising interest rates and weakening demand - intensified the downturn. Additional compliance costs were absorbed at precisely the moment consumer capacity was contracting, materially driving down building activity.

There is cautious optimism that the Territory's 'missing-middle' reforms may, over time, broaden housing typologies and stimulate additional supply. However, these reforms remain some way from full operational effect and are unlikely to materially alter conditions in the near term.

A more immediate structural constraint remains the pricing of new residential land in the ACT. Serviced greenfield land is currently priced at levels that render the total cost of constructing a new home largely uncompetitive with established dwellings. The established home market caps what households are willing to pay for new homes, and at present that cap does not support new build feasibility at prevailing land price settings.

While there were tentative signs of stabilisation in late 2025 following monetary easing, uncertainty about the trajectory of interest rates in 2026 and the prospect of NCC 2025 coming into effect, the recovery remains fragile. Sustained improvement will require a clearer and more supportive interest rate environment, alongside structural reforms to land pricing and regulatory settings to restore feasibility and rebuild confidence across the residential building sector.



Recommendation 1: Removal of the Lease Variation Charge

The Lease Variation Charge (LVC) operates as a tax on new housing supply rather than as a genuine value capture mechanism and should be abolished. While originally introduced to enable the ACT Government to share in uplift arising from expanded development rights, the practical operation of the LVC has produced outcomes that are inconsistent with housing affordability objectives, housing supply targets, and the Territory's broader tax reform principles.

A lease variation does not create economic value. It merely changes what may be built on a parcel of land. Value is only realised when capital is committed, finance is secured, risk is assumed and homes are delivered to market. The LVC is imposed at the point of regulatory permission, before feasibility is established and before housing is constructed. In practice, it functions as an upfront tax on development activity, increasing costs at the earliest and riskiest stage of a project. This suppresses marginal developments and places upward pressure on dwelling prices and rents.

Value capture can be appropriate where government investment - such as major transport or servicing infrastructure - demonstrably increases land values. However, the LVC is not linked to specific public investment or realised uplift. It assumes value at the point of regulatory change and applies regardless of whether development proceeds. Taxing development rights in advance of value creation does not align with accepted value capture principles.

The LVC is also inconsistent with the ACT's long-standing transition away from stamp duty, which is being phased out on the basis that it is inefficient and distortionary. The LVC has an even narrower base and more directly constrains housing supply.

HIA recommends that the LVC be abolished and that the ACT Government investigate alternative, broader-based revenue measures that are more efficient and less distortionary, while ensuring any future value capture framework is clearly tied to demonstrable public investment and realised uplift.



Recommendation 2: Set a sufficiently ambitious housing supply target

Housing affordability is the defining economic and social challenge facing the ACT. Over recent years, escalating land prices, elevated construction input costs, regulatory complexity and layered taxation have combined to significantly increase the cost of delivering new homes. The result has been a steady erosion of access to home ownership, sustained rental pressure, and growing demand for social and affordable housing.

The ACT Government has acknowledged the central role of supply in addressing affordability pressures through its commitment to deliver 30,000 new homes by the end of 2030. HIA supports the recognition that increasing supply is essential to moderating price growth over the medium term. Sustainable affordability cannot be achieved without materially increasing the volume of new homes delivered across all housing typologies.

However, HIA holds two key concerns.

Firstly, progress since announcement of the 30,000 homes target has been insufficient to place the Territory on a credible trajectory toward delivery. The first year following the target's release has not demonstrated the level of acceleration required. Without structural reform to feasibility settings, workforce capacity and government-imposed cost structures, annual completions are unlikely to scale at the pace required to meet the target.

Second, and more fundamentally, the target itself lacks sufficient ambition when assessed against historical performance and current affordability pressures. Between mid-2018 and mid-2024, the ACT's rolling six-year dwelling commencements total was tracking above 30,000 dwellings, while the number of new home completions tracked near enough to this level throughout 2022 and 2024. The Territory has recently delivered - under prior policy settings - an equivalent level of housing over a six-year period than is now being set as a forward target. An appropriate target would be an additional 5,000 dwellings per annum.

This is occurring at a time when:

- The ACT population is larger than it was during that period;
- Housing affordability pressures are more acute;
- Rental vacancy rates remain tight; and,
- Entry to home ownership has become more difficult for moderate-income households.

A supply target that merely replicates recent historical output is unlikely to place meaningful downward pressure on housing costs. At best, it may stabilise prices at elevated levels.

If the objective is to improve affordability - not, simply prevent further deterioration - then housing supply must expand beyond previous benchmarks. This requires not only a more ambitious target, but structural reform to the policy settings influencing project feasibility that currently constrain delivery of additional housing supply.

HIA recommends that the government commit to a sufficiently ambitious housing supply target equivalent to delivering 7,000 new homes per annum.



Recommendation 3: Reviewing the determination of residential land prices

The ACT Government occupies a unique position in the housing market as the effective monopoly supplier of residential land. In this context, the methodology used to determine land release volumes and pricing is not simply a commercial matter - it is a central lever of housing affordability, supply responsiveness and macro-economic stability within the Territory. A review of how land prices are determined is therefore both justified and necessary.

Current pricing settings for serviced residential land are misaligned with prevailing market conditions.

At present, the total cost of delivering a new home - land plus construction - is frequently uncompetitive with established dwellings. When new build feasibility is capped by resale values, activity contracts. This has been evident in subdued commencements and weak forward pipelines in recent years. Where land pricing renders new housing supply economically unviable, the policy objective of increasing housing supply becomes self-defeating.

The residential construction sector is highly sensitive to credit conditions. The sharp tightening cycle delivered by the Reserve Bank of Australia materially reduced household borrowing capacity. At the same time, construction costs stepped up structurally in the post-pandemic environment, and regulatory uplift - including NCC 2022 - added further cost layers. In this environment, rigid or revenue-maximising land pricing frameworks amplify cyclical downturns. A pricing model that does not adjust to shifts in borrowing capacity and build costs risks exacerbating volatility in building activity.

Unlike other jurisdictions where private landholders set prices subject to competitive market forces, the ACT Government's position as sole land supplier creates an inherent policy tension between revenue optimisation and housing affordability. If land pricing is calibrated primarily to maximise upfront revenue, it can constrain housing supply, suppress industry output and ultimately undermine broader economic activity.

A review would allow government to recalibrate pricing objectives to better align with housing supply targets, affordability outcomes and economic stability.

The Territory has articulated housing supply targets, including increasing medium-density and infill development. However, where underlying land cost settings push end-prices beyond what households can afford, supply targets become increasingly aspirational. The market will not deliver product at a loss. Reviewing land price determination mechanisms - including valuation assumptions, escalation methodologies and timing of release - would ensure that land supply settings are coherent with stated affordability and supply objectives.

A review of land price determination in the ACT is not a call for arbitrary price reductions, but for a principled reassessment of how pricing objectives align with housing supply, affordability and economic resilience.

Given the Government's unique market position, land pricing is one of the most powerful policy tools available. Ensuring it is calibrated to support - rather than constrain - new housing supply is essential to restoring building activity and improving affordability outcomes in the Territory.



HIA recommends that the Budget include a provision for an independent review of the framework used to determine the sale price assigned to new residential lots. The review should examine whether the current land valuation and pricing framework appropriately balances:

- Revenue generation objectives;
- Housing affordability outcomes;
- Responsiveness to market conditions;
- Industry sustainability; and,
- The Territory's stated housing supply targets.



Recommendation 4: Boost support for job-ready and pre-apprenticeship training

HIA recommends that the ACT Government establish a dedicated funding stream to support job-ready (pre-apprenticeship) training for individuals seeking to commence a career in the residential building industry.

Achieving an ambitious housing supply target will require a sustained uplift in industry capacity, including a pipeline of skilled tradespeople entering and successfully completing apprenticeships. While recent weakness in dwelling commencements has temporarily masked labour constraints, a recovery in activity will place renewed pressure on workforce availability.

There is clear evidence that structured pre-apprenticeship programs improve apprenticeship outcomes. Research undertaken by the National Centre for Vocational Education Research (NCVER) has demonstrated that apprentices who have participated in pre-apprenticeship training are more likely to complete their qualification than those who enter directly. These programs provide foundational trade skills, exposure to workplace expectations, and a realistic understanding of job requirements—reducing early attrition and improving both employer and apprentice confidence.

In an industry dominated by small businesses, the cost and risk associated with taking on a first-year apprentice can be a significant deterrent. Job-ready training mitigates this risk by ensuring new entrants possess baseline competencies in workplace health and safety, basic tool handling, measurement, and trade mathematics, as well as employability skills such as punctuality, communication and teamwork.

HIA recommends that the ACT Government:

- Fund job-ready and pre-apprenticeship programs aligned to priority residential construction trades.
- Incentivise employer engagement to improve pathways linking pre-apprenticeship graduates with employers and Group Training Organisations.
- Embed job-ready training within a broader workforce strategy aligned to the Territory's housing supply objectives.

Investment in job-ready training represents a modest, evidence-based intervention that improves completion rates, strengthens workforce resilience, and reduces the long-term cost of apprenticeship attrition. If the ACT Government is serious about accelerating housing supply and improving affordability, it must invest not only in land and planning reform, but in the skilled workforce required to build those homes.

HIA stands ready to work with Government, training providers and industry stakeholders to design and implement a program that delivers measurable outcomes for apprentices, employers and the Territory economy.



Recommendation 5: Supporting the GTO apprentice employment model in the ACT

The recent *Review of the Australian Apprenticeship Incentive System* found that apprentices employed through Group Training Organisations (GTOs) have significantly higher completion rates than directly indentured apprentices.

GTOs play an important role in sustaining apprenticeship participation in residential construction, but there is a bigger role that GTOs could play. This is well understood by HIA, as the operator of a significant GTO in the residential construction industry.

The Review also noted that small businesses tend to record the lowest apprenticeship completion rates. This finding is particularly relevant to the residential building industry which relies on a large number of small businesses to provide opportunities for apprentices.

Creating an environment where it is financially viable for a greater number of small businesses to utilise the services of GTOs would support efforts to improve apprentice completion rates. However, for small builders operating on tight margins, the higher cost of engaging apprentices via a GTO discourages uptake. This has become increasingly evident over recent years as GTO operating costs have risen.

One of the largest cost drivers of the rising cost of delivering a GTO service in the ACT has been rising workers compensation insurance premiums. Premiums in the ACT are significantly higher than in other jurisdictions. Because GTOs are the legal employer of apprentices, they carry the insurance burden across their entire apprentice workforce, which is a high-risk cohort. This materially increases the on cost of apprentice placement relative to direct employment.

If the ACT is serious about lifting housing output to meet or exceed the housing supply target, the role of GTOs must be strengthened, not constrained by cost structures.

HIA recommends that the Budget include:

- Insurance premium rebates or underwriting support for apprentices in priority residential construction trades.
- Direct funding support to expand GTO placement capacity in residential building.

Reducing the cost differential between direct employment and the GTO model would encourage greater participation by small businesses and improve completion rates across the industry.

Expanding GTO-supported apprenticeships is a practical, evidence-based mechanism to strengthen workforce capacity ahead of the inevitable increase in labour demand that will accompany a recovery in residential construction output.



Recommendation 6: Fund an AI pilot of DA assessment to streamline approvals

HIA recommends that the ACT Government commit targeted funding to develop and deploy artificial intelligence capability within the Territory's development assessment and building approval systems to materially reduce approval timeframes and improve regulatory efficiency.

The ACT's planning and building approval processes remain a critical bottleneck to achieving the Government's housing supply targets. While policy reform and system-wide improvement is important, the administrative capacity to assess applications efficiently is equally vital. Digital transformation, supported by AI tools, presents a practical and scalable solution.

AI capability could be deployed to:

Automate preliminary compliance checks against the Territory Plan, development codes and building standards.

- Identify incomplete or non-compliant applications prior to formal lodgement.
- Flag inconsistencies across documentation sets (plans, energy reports, engineering certifications).
- Standardise assessment against objective criteria, reducing subjective variation.
- Prioritise low-risk, code-compliant applications for fast-tracked approval pathways.

Importantly, AI should not replace professional planners or certifiers but enable skilled staff to focus on complex or discretionary matters while routine, rule-based checks are automated.

For an industry operating within tight feasibility margins time is a direct cost. Reducing approval delays lowers holding costs, improves project viability, and supports more responsive housing supply.

HIA therefore recommends that the Budget:

- Allocates dedicated funding in the upcoming Budget for development and pilot implementation of AI-assisted development assessment tools within the CED.
- Establish an industry–government working group to guide design and ensure practical functionality.
- Commit to measurable service benchmarks tied to the rollout of AI-enabled systems.

Funding AI capability to accelerate approvals is a pragmatic reform that would deliver immediate and enduring benefits to housing supply.



Recommendation 7: Minimum of twelve month phase in for adoption of NCC 2025

HIA recommends that the ACT Government extend the proposed phase-in period for adoption of NCC 2025 to a minimum of 12 months from the date of commencement.

A minimum 12-month transition period is necessary to provide industry with sufficient time to update building designs, software libraries, engineering documentation, supplier specifications, compliance systems and contractual arrangements. Residential construction projects often involve long lead times between design, approval, contract execution and commencement on site. An abbreviated transition period risks capturing projects already well advanced in the pipeline, resulting in redesign costs, contractual disputes and unnecessary delays to housing supply.

A 12-month phase-in would also enable product manufacturers, suppliers, certifiers and training providers to align with the new requirements in an orderly manner. Given the ACT's relatively small market size and its integration with the NSW supply chain, sufficient time must be allowed for product availability, technical guidance material and practitioner training to mature across the broader eastern seaboard market.

Importantly, industry conditions in the ACT remain fragile following several years of elevated construction costs, interest rate volatility and regulatory change. Imposing compressed timeframes for compliance would exacerbate cost pressures at a time when policy settings should be focused on stabilising and rebuilding housing supply.

A minimum 12-month transition period represents a prudent approach. It would preserve regulatory certainty, reduce compliance risk, support orderly implementation, and minimise avoidable cost escalation for builders and home buyers, while still ensuring that the objectives of NCC 2025 are achieved within a reasonable timeframe.