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While the market debates negative gearing, here's where we see opportunity

Australia's housing affordability crisis has finally forced the Federal Government's hand, prompting it to reshape one of the property market's most enduring tax settings.

The impact of the negative gearing reforms will depend on how investors, developers and policymakers respond over coming years. While they've reignited debate about the future of Australia's property market, our analysis reveals a meaningful opportunity for alternative financiers.

1.1 What's changing?

Since the budget-night announcement in May, investors have said goodbye to a long-standing tax incentive: purchase an existing residential property now and you'll no longer be able to offset rental losses against other taxable income, such as salary.

The same budget also reforms capital gains tax. The long-standing 50% CGT discount will be replaced with cost base indexation and a minimum 30% tax on net gains, so investors are taxed on their real rather than nominal gains.

Importantly, newly constructed properties are exempt from both of these changes.

The Government hopes that by reducing tax incentives for established homes, while retaining incentives for newly constructed housing, investor capital will be steered towards projects that add to housing supply.

1.2 Why now? The housing supply problem in numbers

The policy change arrives against a backdrop of mounting pressure on Australia's housing market:

- Net migration remains elevated, with the latest budget adding 55,000 more arrivals over two years than previously forecast[1].
- Only 938,000 new dwellings are expected to be built by mid-2029 – 262,000 short of the Government's 1.2 million target[2].
- House prices are now 51% higher than apartments, widening the affordability gap and pushing more buyers toward higher-density housing[3].
- According to date from Australian Bureau of Statistics, for every 1 investor in off-the-plan apartments, there are 20 investors in existing dwelling[4].

The Government's bet is that redirecting investor demand from established homes to new construction can help substantially address the nation's chronic housing shortage.

1.3 What the critics say

Not everyone is convinced the policy will achieve its aim. Critics argue that investors won't simply pivot from existing homes to new builds, but rather exit residential property altogether, moving into shares, infrastructure, fixed income or private credit.

The Property Council of Australia estimates the changes will result in 9,000 fewer homes built over four years.[5] The Government's own modelling acknowledges the risk of investor pullback, although it claims other budget measures should stimulate additional new builds to compensate.

The changes, critics say, also risk squeezing rental supply at exactly the moment more housing is needed, pushing rents higher and undermining the very affordability the reforms are designed to improve.

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[1] Source: Federal Budget 2025-26 versus Federal Budget 2026-27.

[2] Source: National Housing Supply and Affordability Council, May 2025.

[3] Source: Cotality, Housing Market Update, January 2026.

[4] ABS, Lending Indicators, March 2026.

[5] Property Council, June 2026.

1.4 Qualitas' view: where we see opportunity

Whether the reforms achieve their objectives in full or part, they will undoubtedly influence where capital flows within the residential property market. By dampening the tax incentives tied to capital growth on established homes, while leaving rental income and new-supply investment comparatively favoured, they tilt the return equation toward income.

As returns shift from capital growth toward income, commercial real estate debt is a natural way to invest behind that change, and we see considerable potential in how these reforms reshape activity.

While we expect a period of short-term recalibration in the residential market, we continue to envisage strong demand for new-build housing, supported by its unique position as the only asset class that continues to benefit from both capital gains tax concessions and negative gearing.

Greater demand for development finance

If the policy succeeds in steering investor capital toward new residential construction, the flow-on effects for development finance are significant. More projects in the pipeline means greater demand for construction and development financing – particularly from alternative financiers, as developers increasingly seek flexible capital solutions outside traditional bank finance. This effect is amplified by traditional financiers' behaviour. In a period of elevated rates, construction-cost inflation and policy uncertainty, traditional financiers typically turn more conservative on construction financing and lift or maintain their pre-sale hurdles, leaving more viable projects outside traditional bank parameters. That widens the gap alternative financiers like Qualitas are positioned to fill, particularly through the transition.

More projects targeted at investors

We also expect a shift in the composition of new projects. Recent residential development has been heavily weighted toward owner-occupier housing. A material increase in investor demand – particularly for apartments in well-located urban markets – would support a larger pipeline of investor-targeted projects. Qualitas is well positioned to capitalise on this opportunity, leveraging our extensive experience in providing development finance.

Rising rents support income-focused strategies

The very pressure critics highlight, upward pressure on rents from a tighter rental pool, is itself an opportunity. Structurally rising rents improve the economics of Build-to-Rent, a sector Qualitas provides both development finance and equity capital in, and lift the rental yields that make investor-grade apartments viable to develop. When rents grow faster than incomes, demand for income-producing assets and the financing behind them only strengthens.

Larger projects favour lenders who can deploy finance at scale

Investor-focused apartments are typically less profitable for developers, given smaller units and more price-sensitive buyers. Our own analysis of Qualitas' construction portfolio reveals that only around 23% of apartments are suited to yield-driven investor buyers (typically smaller one- and two-bedroom units built to mass-market specifications).

To make these projects financially viable at investor price points, developers need scale. Larger projects mean larger debt packages and that favours financiers with the capacity to deploy capital at scale, which is precisely where Qualitas operates.

1.5 Why we are comfortable with the potential risks

We take these concerns seriously and our funds management model is built to withstand them. As a credit investor, Qualitas sits at the defensive end of the capital stack: loans secured against real property, with a substantial equity buffer ahead of our capital and short tenors that return capital and allow for repricing and re-evaluation as conditions change.

Significant equity buffer

That protection starts with how much borrower equity sits beneath our loans. Our weighted loan-to-value ratio sits closer to 65%, leaving roughly a third of the asset's value as borrower equity beneath us. In any broad pull-back in property values, that equity absorbs the first losses well before our capital is exposed, which is a large part of why disciplined lending standards keep us insulated should the reforms drive uncertainty across the market.

A deliberately selective, closely monitored book

Our discipline also shows in how few investments we choose to write. Qualitas originates a deliberately selective portfolio, in the order of 40 – 60 new investments a year, rather than chasing volume. That selectivity lets us underwrite each investment in real depth and, just as importantly, stay close to it once funded, reviewing every loan monthly so that any sign of stress is caught early and managed rather than discovered late. For an investor focused on preserving capital, this active stewardship matters as much as where we sit in the capital stack.

Experienced, well-capitalised borrowers

We are equally selective about who we back. We lend to experienced, well-capitalised developers with meaningful equity committed to each project, sponsors with both the track record to deliver and the balance sheet to absorb a setback and stand behind the investment if conditions tighten.

Underwriting that already assumes the downside

The scenarios the critics raise are the ones our underwriting already assumes. We stress-test every transaction against falling values and slower sales, well beyond the price softness most forecasters expect. A slower market does lift demand for flexible financing, and we underwrite for the fact that it lifts risk alongside it, which is why security and buffer matter most when conditions are hardest. The tax reforms are expected to create attractive opportunities for Qualitas. At the same time, maintaining a defensive portfolio remains critical as the market adjusts to the new policy settings.

1.6 Our outlook

The ultimate impact of these reforms will depend heavily on investor behaviour, something no policy can fully control. But the direction of travel is clear: the Government is committed to stimulating new housing supply, and the ecosystem of lending and development finance that underpins it will need to mature too.

For Qualitas, that represents a long-term structural tailwind. In our view, the demand for sophisticated, scalable development finance will continue to strengthen.