RETHINK®

RESIDENTIAL



TIMES HAVE CHANGED.

THE STRATEGY HASN'T.

SPEAK WITH A RETHINK RESIDENTIAL EXPERT

HOW INVESTORS SHOULD APPROACH AUSTRALIAN RESIDENTIAL PROPERTY AFTER THE 2026 FEDERAL BUDGET.

THE MARKET HAS CHANGED.
SMART INVESTING HASN'T.

If you own investment property — or were planning to buy — the 2026 Federal Budget has likely raised one key question:

Does residential property still make sense?

In our view, absolutely.

But the way investors approach the market now matters more than ever.

The reforms have changed how investors structure purchases, assess borrowing capacity and think about long-term performance. What they haven't changed are the fundamentals that build wealth through property: strong locations, quality assets, sustainable cash flow and disciplined strategy.

For years, negative gearing helped soften poor investment decisions. Investors could accept weak yields, speculative growth assumptions or low-quality assets because the tax position reduced the holding pain.

That was never the Rethink approach.

At Rethink Residential, our strategy has always focused on:

- Buying quality assets in proven locations
- Prioritising long-term fundamentals over short-term speculation
- Structuring portfolios strategically
- Balancing growth, yield and serviceability
- Creating flexibility for future opportunities

The new environment rewards disciplined investors.

It rewards people who understand finance. It rewards people who buy quality. It rewards people who think long term.

And most importantly, it rewards investors who approach property strategically — not emotionally.

This is not the end of residential investing.

It's the end of relying on tax incentives to justify poor property decisions.

UNDERSTAND YOUR NEW BORROWING POSITION

WHAT INVESTORS NEED TO KNOW

The 2026 Federal Budget introduced several proposed changes that materially impact residential property investors.

Before diving into the detail, two things matter:

1. These reforms are still proposals and have not yet passed Parliament.
2. Lenders are already responding differently across the market.

Some lenders have begun adjusting serviceability and borrowing calculations immediately. Others are waiting for legislative certainty.

That means investors cannot rely on assumptions anymore.

Strategy now starts with understanding your actual finance position.

THE FOUR MAJOR CHANGES

1. Negative gearing moves to new builds

From 1 July 2027, investment property losses will only be deductible against wage income for newly built properties. Established properties purchased after this date will no longer allow losses to offset personal income. Instead, losses will be quarantined and carried forward against future property income.

2. Existing properties are grandfathered

Properties owned before 7:30pm on 12 May 2026 retain the current treatment.

Properties purchased between 12 May 2026 and 30 June 2027 will also continue under existing rules until 30 June 2027. Importantly, investors should seek professional advice before redrawing equity or restructuring debt, as treatment may differ depending on how funds are used.

3.Capital gains tax treatment changes

From 1 July 2027, the current 50% CGT discount is proposed to be replaced with an indexed cost base methodology alongside a minimum tax rate on gains.

For long-term holders, gains accrued before and after the reform date will be treated differently.

4. Discretionary trust changes

From 1 July 2028, discretionary trust distributions will become subject to a minimum tax rate. There is currently a proposed restructuring window allowing some investors to review ownership structures without triggering immediate CGT consequences.

This is not a property conversation. It is a structuring and advice conversation that should involve your accountant and financial planner.

THE PRACTICAL IMPACT: INVESTORS NOW HAVE TWO BORROWING POSITIONS

One of the biggest changes isn't the headline policy.

It's how lenders assess investors moving forward.

Because established property and new builds now receive different tax treatment, many lenders are expected to assess borrowing capacity differently depending on the asset type.

That means investors increasingly have:

- One borrowing position for established property
- A different borrowing position for new builds

Understanding both before entering the market is now critical.

Three Immediate Investor Realities

Finance matters first
Borrowing capacity and serviceability must now be assessed before any acquisition strategy is built.

Lower price segments may strengthen
As borrowing capacity tightens, more demand may move toward affordable, high-demand suburbs and asset classes.

Structure matters more than ever
Ownership structure, lending strategy and asset selection now play a significantly larger role in long-term portfolio performance.

Investors can no longer rely on tax treatment to carry a weak property.

The asset itself now needs to perform.

WHY THIS IS NOT THE DISASTER THE HEADLINES SUGGEST

Every time property policy changes, the headlines predict the same outcome:

- Property values will collapse
- Investors will disappear
- The market is over

History suggests otherwise.

We've seen versions of this before



Markets including New Zealand and the United Kingdom have introduced similar investor-focused reforms.

The outcome wasn't a collapse in quality property values.
Instead, the pattern was generally:

- Slower investor activity initially
- Tighter rental supply
- Rising rents
- Greater separation between quality and poor-quality assets

The investors who struggled were typically those relying on tax outcomes to justify weak fundamentals.

The investors who continued to perform were those holding quality assets in strong locations.

Tight supply supports existing holders
When fewer investors buy property, fewer rental properties enter the market. But tenant demand doesn't disappear.

That imbalance typically places upward pressure on rents over time. For existing investors holding quality assets, that can improve cash flow significantly over the medium term.

Many properties that are slightly negative today may naturally improve as rents rise and debt reduces.

Grandfathering protects existing investors
For many investors, the headlines have created more fear than the legislation itself.

If you purchased before the cut-off dates, your current treatment generally remains in place.

That means many investors are not being forced to make drastic decisions. The real shift is around how investors approach future acquisitions.

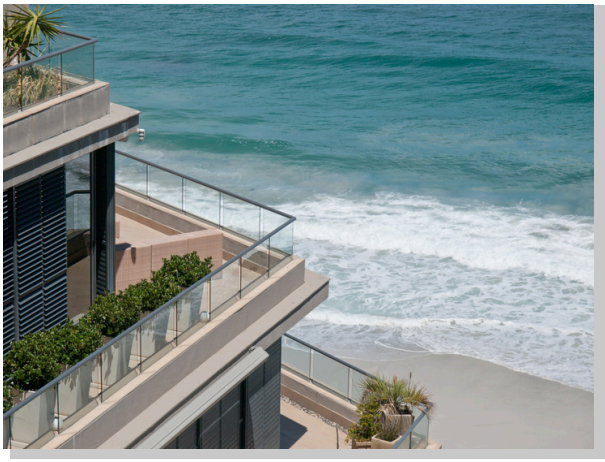
Not all property is affected equally
The reforms do not impact every asset class the same way.

Assets that rely entirely on speculative growth and poor cash flow are likely to feel the pressure most.

But properties supported by:

- Strong rental demand
- Sustainable yields
- Scarcity
- Lifestyle appeal
- Long-term owner occupier demand

The above remain fundamentally strong.



In many ways, the market is simply moving back toward rewarding disciplined investing.

And that creates opportunity for investors prepared to think strategically.

THE FUNDAMENTALS STILL BUILD WEALTH

The core drivers of quality residential property have not disappeared.

Strong suburbs still outperform over time. Scarcity still matters. Tenant demand still matters. Cash flow still matters. Infrastructure still matters.

What has changed is the margin for error.
Investors now need to understand before entering the market:

- Yield
- Serviceability
- Holding costs
- Ownership structure
- Long-term strategy
- Exit planning

At Rethink Residential, we've never believed investors should buy a poor property simply because the tax system makes it easier to hold.

A tax deduction does not create a good investment.

A quality asset does.

Rethink Residential Fundamentals		
Strong Locations	Scarce Land	Proven Demand
Sustainable Yields	Smart Finance	Long-Term Growth

The best property strategies were never built on tax benefits alone.
They were built on quality assets and disciplined decision-making.

PROPERTY IS NOW A STRATEGY GAME

The market is shifting away from speculation and back toward fundamentals.

For disciplined investors, that is not a threat.

It's an advantage.

01

Established Homes in Proven Suburbs
Well-located established property continues to sit at the centre of long-term residential strategy.

These assets offer:

- Scarcity
- Strong owner occupier appeal
- Long-term capital growth potential
- Established tenant demand
- Value-add opportunities

Where development potential exists — such as duplex potential, subdivision opportunities or secondary dwellings — investors can create value rather than simply waiting for market growth.

02

Low-Rise Units & Townhouses
As borrowing capacity tightens, lower-price segments may present stronger opportunity.

Lifestyle-led suburbs with proven rental demand, strong transport links and constrained supply continue to attract both tenants and owner occupiers.

The focus remains on:

- Low-rise stock
- Boutique developments
- Scarcity-led assets
- Strong rental fundamentals

Not oversupplied high-rise towers. Yield matters. Growth matters. Scarcity matters.

The best assets combine all three.

03

Near-Complete New Builds
New builds now play a more important role in investor strategy — but only where risk is controlled.

At Rethink, the focus is not speculative off-the-plan projects.

The focus is:

- Near-complete projects
- Proven developers
- Reduced settlement risk
- Reduced valuation risk
- Reduced construction risk

This allows investors to potentially access favourable tax treatment while reducing exposure to early-stage development uncertainty.

WHY LEVERAGE STILL MATTERS

Property remains one of the few asset classes where investors can control a significantly larger asset using relatively smaller capital. That leverage is powerful.

It allows:

- Growth to apply to the full asset value
- Rental increases to compound over time
- Equity to build faster than cash savings alone

But leverage also increases risk. Which is why asset quality and serviceability matter more than ever.

The New Advantage: Patience and Quality
The old market rewarded speed and volume.

The new market rewards:

- Better asset selection
- Better structure
- Better serviceability
- Longer-term thinking
- Patience

In this environment, disciplined investors are likely to outperform reactive ones.

WHAT WE WON'T BUY

At Rethink Residential, strategy remains selective.

We will not recommend assets simply because they qualify for tax concessions.

WE WILL NOT:

- ✗ Prioritise high-rise apartments in oversupplied markets
- ✗ Pursue greenfield estates in low-amenity locations
- ✗ Rely on speculative subdivision or granny flat strategies as a default approach
- ✗ Recommend off-the-plan purchases where clients are exposed to land settlement, build delays and construction risk
- ✗ Accept weak yield justified only by tax deductions
- ✗ Recommend stock simply because it qualifies for new build concessions

"The right property must still meet the fundamentals."



WHY SMSF STRATEGY MATTERS MORE NOW

For suitable investors, SMSF purchasing may become one of the strongest strategic opportunities in the post-reform environment.

Current proposals indicate SMSF property investment may not be impacted in the same way as personal investment structures.

That creates a significant conversation around:

- Long-term wealth creation
- Retirement strategy
- Tax structure
- Asset ownership
- Lending strategy

But SMSF property is not suitable for everyone.

And it should never be approached as simply a “property purchase.”
SMSF investing requires:

- Financial planning advice
- Accounting advice
- Lending assessment
- Compliance guidance
- Strategic portfolio planning

That’s why the integrated Rethink ecosystem matters.

Through the broader Rethink Group, clients can access:

- Residential acquisition strategy
- Finance guidance
- Wealth structuring
- Legal support
- Insurance expertise

In today’s market, structure is just as important as the asset itself.

FIND OUT HOW TO INVEST THROUGH YOUR SMSF

SECTION 07 — THE PROCESS

HOW DISCIPLINED INVESTORS CONTINUE TO BUILD

Successful investors don't buy emotionally.

They follow a repeatable process.

Step 1 — Establish the foundation

The first acquisition should be a quality asset aligned with long-term fundamentals.
The focus is not simply buying "anything" before the rules change.
The focus is buying the right asset. That means balancing:

- Growth
- Yield
- Serviceability
- Scarcity
- Long-term flexibility

Step 2 — Hold strategically

The investors who perform best long term are often the ones who hold quality assets through cycles.

In the new environment, patience becomes part of the strategy.
As rents increase and debt reduces over time, portfolio performance can strengthen naturally.

Step 3 — Reassess borrowing capacity

Before any future acquisition, investors must reassess:

- Serviceability
- Equity position
- Lending policy
- Borrowing capacity

Equity alone no longer guarantees the next purchase. Finance strategy matters.

Step 4 — Select assets strategically

Every future acquisition should serve the broader portfolio strategy. That means selecting assets based on:

- Portfolio balance
- Long-term income goals
- Growth positioning
- Risk profile
- Future flexibility

Step 5 — Build toward a defined endpoint

The strongest investors don't buy property endlessly without direction. They build toward a defined objective. That may include:

- Passive income
- Retirement planning
- Portfolio consolidation
- Transitioning into commercial property
- Building long-term family wealth

WHAT THIS LOOKS LIKE IN PRACTICE

Every investor starts from a different position.

The strategy should reflect that.

The first-time investor
For new investors, the process starts with understanding borrowing capacity and defining the long-term objective.

The goal is not simply entering the market. The goal is entering strategically.

The established portfolio investor
For investors already holding property, the focus shifts toward:

- Reviewing portfolio quality
- Understanding grandfathering implications
- Reassessing serviceability
- Identifying underperforming assets
- Structuring the next move strategically

The commercial-transition investor
For some investors, residential property acts as the foundation for a future transition into commercial property.

The residential portfolio builds the below before expanding into commercial opportunities:

- Equity
- Serviceability
- Asset base
- Long-term flexibility

The SMSF investor
SMSF investors require the highest level of strategic coordination.

This is where finance, structure, compliance and long-term planning all intersect.

The property should only be selected once the broader strategy is confirmed. Every investor situation is different. The strategy should be built around the individual — not forced into a generic approach.

THE INVESTOR ACTION PLAN

The next move should not be reactive. It should be strategic.

Review your borrowing position

Understand your:

- Serviceability
- Borrowing capacity
- Lending options
- New build vs established position

Reassess your investment brief

Ownership structure now plays a larger role in:

- Tax outcomes
- Long-term flexibility
- Wealth planning
- Portfolio growth

This should be reviewed with appropriately licensed professionals.

Focus on fundamentals

The strongest investments will continue to be those supported by:

·Scarcity
·Yield
·Demand
·Quality locations
·Long-term growth drivers

Move strategically while others hesitate

Periods of uncertainty often create opportunity for prepared investors.

The investors who understand where the market is shifting are often the ones positioned best long term.



THE MARKET HAS CHANGED.

INVESTING HASN'T STOPPED.

It simply requires:

- Better strategy
- Better structure
- Better asset selection
- Better guidance

Rethink Residential helps investors identify, assess and acquire residential property through a long-term, strategy-led approach — supported by the broader Rethink Group ecosystem.

Speak with a Rethink Residential Strategist today.

www.rethinkresidential.com.au | 1300 965 551

BOOK YOUR PROPERTY STRATEGY REVIEW

This document is general information only and does not take into account your objectives, financial situation or needs. It is not financial advice, taxation advice, legal advice or credit assistance. The proposed reforms referenced remain subject to legislative approval and may change. Investors should seek advice from appropriately licensed professionals before acting. Leverage increases both gains and losses. Past market behaviour is not indicative of future performance.