Parliamentary
Budget Office

ECR-2025-3265

Government-owned property developer	
Party:	Australian Greens

Summary of proposal:

Under the proposal, the Australian Government would act as a public property developer, building homes and either selling them or retaining them to be rented out.

- 70% of the homes built by the public developer would be available to rent:
  - Rent would be capped at 25% of the individual household income or 70% market rent, whichever is lower
  - A quota of 20% of homes available to rent would be allocated to the lowest income quintile.
- 30% of the homes built by the public developer per year would be sold to owner-occupiers at 5% over the cost of procurement, only eligible to those with no interest in real estate:
  - Properties could only be resold back to the government at the cost price + Consumer Price Index (CPI)

State and territory and local taxes, such as stamp duty or land tax, would be waived.

The profile of dwellings would be detached housing 20%, townhouses 20%, medium density/low rise 50% and high rise 10%. The locations of dwellings would be as per the share of needed growth reported in Table 11 of *Social housing as infrastructure: an investment pathway* by the Australian Housing and Urban Research Institute (the AHURI report).

The timeline for the delivery of homes by the public property developer would be 360,000 homes over the 5 years from 1 July 2025, and then 50,000 homes per year for the following 5 years, with market construction costs for each home.

The public property developer would operate under a new Commonwealth Department of Sustainable Cities, Development and Housing.

The proposal would be ongoing and start on 1 July 2025.

Costing overview

Over the 2025-26 Budget forward estimates period (see Table 1), the proposal would be expected to decrease the:

- fiscal balance by around $11.1 billion,
- underlying cash balance by around $9.7 billion, and
- headline cash balance by around $147.3 billion.

The impacts on the fiscal and underlying cash balances mainly reflect an increase in the public debt interest (PDI) for the annual equity funding for the property developer to construct dwellings and higher departmental expenses. These costs are partially offset by an increase in revenue from rental returns. The substantially larger decrease in the headline cash balance reflects the annual equity funding required to acquire land and construct dwellings, partly offset by the sales revenue from owner-occupiers from 2026-27.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

The financial implications of the proposal are highly uncertain and very sensitive to the assumptions outlined below including negotiations with state and territory governments, the speed of approvals, capacity within the construction industry, the cost of land and dwelling construction, the uptake by households of the dwellings delivered under the proposal and annual operating costs.

It is also assumed that the public property developer would be able to achieve costs consistent with market rates for land and construction of apartments, low-rise/medium density, townhouses and detached housing across Australian states and territories.

The impact of this proposal on property markets is highly uncertain and the Parliamentary Budget Office (PBO) has not made any assessment of flow-on impacts on property prices, rents or the supply and demand of residential properties in this costing. Additionally, the PBO has not undertaken any analysis of if or how state and territory governments would contribute to the proposed policy, such as by allowing the waiving of state and territory or local taxes such as stamp duty or land tax. Past experience has shown that the Australian Government often has to make adjustments to policy to secure agreements with state and territory governments. There is a significant risk that arrangements between the Australian government and the state and territory governments would not be agreed to prior to the policy implementation date.

For funding to be classified as equity, it is required to be provided to an entity outside the General Government Sector (GGS) and to generate a return at least equal to the forecast long-term inflation rate[1]. The PBO has not assessed the return for the Government property developer beyond the 2035-36 financial year. The PBO has also not assessed the classification of the Government property developer as a GGS or public non-financial corporation sector entity.

Consistent with *PBO Guidance 02/2015*, public debt interest expense impacts have been included in this costing because the equity injections provided to the public property developer under this proposal involve financial asset transactions.

Table 1: Government-owned property developer – Financial implications ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	**Total to 2028-29**
Fiscal balance	-1,064.0	-2,522.0	-3,402.0	-4,160.0	**-11,148.0**
Underlying cash balance	-864.0	-2,122.0	-3,002.0	-3,760.0	**-9,748.0**
Headline cash balance	-39,964.0	-40,043.0	-33,364.0	-33,905.0	**-147,276.0**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- Equity financing is used for purchase of the land and construction of the properties.

[1] Frequently asked questions - Equity investments

- All cash generated from the rental and sale of properties is returned to the GGS as revenue, either through direct receipt or in the form of dividend payments.
- The public property developer would be able to achieve land and construction costs consistent with average market rates.
  - The cost of construction would grow over the medium term in line with the dwelling investment implicit price deflator projected by the Treasury as at the 2025-26 Pre-election Economic and Fiscal Outlook (PEFO).
  - The costs of land acquisition would grow over the medium term in line with nominal GDP as projected at the 2025-26 PEFO.
- There would be sufficient capacity within the building industry to construct dwellings up to the number specified in each state and territory, on an ongoing basis.
- Agreements would be reached with state and territory governments for the waiving of state and territory and local taxes such as stamp duty or land tax.
- As a result of timing lags in construction, the first residential tenancies and property sales would begin in 2027 following construction commencements in 2025-26.
  - This is informed by data from the Australian Bureau of Statistics, which indicate construction lags of 18, 24 and 36 months for freestanding dwellings, low-rise and townhouses, and apartments, respectively.
- All residential tenancies would be filled and all properties available for sale would be purchased, over the span of the proposal.
  - 5% of properties sold to individuals would be resold back to the Government each year, in line with average property turnover rates in Australia. The Government would then resell these properties to other individuals within the same financial year, with nil net financial impact of the repurchase and subsequent resale.
- Household income would grow in line with projections for average weekly earnings from the 2025-26 PEFO.
- Annual property repair costs once completed would be around 1% of the estimated cost to construct each dwelling (costs incurred for the 70% rental properties only), and property management fees incurred by the Commonwealth Department of Sustainable Cities, Development and Housing would represent a portion of rental income based on an average of fees in each Australian state.
- The department costs and staffing profile to deliver this proposal would reflect a service delivery agency of an appropriate scale to administer the scheme.
  - In the first year of the proposal, departmental costs would be double the ongoing annual costs, due to start-up costs such as establishing staffing resources, program teams and state and territory government engagement.
- Tenants of properties available for rent would be evenly distributed between income quintiles, including the quota of 20% to the lowest income quintile as specified.

Methodology

The administered expenses were estimated as follows:

- The equity amount required for the public property developer to purchase land and construct dwellings was estimated and indexed as specified in the proposal.
- The average land and construction costs per dwelling were estimated based on:
  - the cost of the average land requirement for each dwelling type in each geographic location from the Urban Development Institute of Australia *State of the Land 2024* report.[2]
  - the average cost to construct each dwelling type in each geographic location from ABS data on market costs, taking into account construction timing lags reported by the ABS and the relevant price inflation over time projected by the Treasury.
- The number of dwellings that would be constructed in each state and territory was estimated using the share of needed growth projected in the AHURI report, and then combined with the composition of dwelling types provided in the specification, to determine the number of each property type to be constructed in each state and territory.
- Rental income was estimated by multiplying the number of dwellings constructed by the rent amounts calculated as per the specification. Rents that would be paid by those households in the lowest and second lowest quintiles, as well as some households in the middle quintile, were based on 25% of their household income. Rents for the remaining households (higher income quintiles) were based on 70% of the market rate. Property repair costs and property management fees were also calculated and included in the financial impacts.
- Annual property sales revenue was calculated by increasing the value of constructed properties by 5% per the specification.

The departmental expenses were calculated based on the estimated APS workforce required to deliver the proposal, informed by similar organisations.

Financial implications were rounded consistent with the PBO's rounding rules.[3]

Data sources

The Department of Finance and the Treasury provided economic parameters as at the 2025-26 PEFO.

Australian Bureau of Statistics (2019) *Average dwelling completion times*, accessed 18 May 2025.

Australian Bureau of Statistics (2020) *Characteristics of new residential dwellings - A 15 year summary*, accessed 18 May 2025.

Australian Bureau of Statistics (2022) *Household Income and Wealth, Australia*, accessed 18 May 2025.

Australian Housing and Urban Research Institute Limited (2018) *Social housing as infrastructure: an investment pathway*, accessed 18 May 2025.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025,* Commonwealth of Australia.

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[2] Urban Development Institute of Australia (2024) *State of the Land 2024*, accessed 20 February 2025

[3] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

CoreLogic Australia (2023) *Monthly Housing Chart Pack – November 2023*, accessed 18 May 2025.

Mozo (2025) *What is the average rent in Australia in 2025?*, accessed 18 May 2025.

Property Update (2025) *The Latest Median Property Prices in Australian Cities*, accessed 18 May 2025.

Reserve Bank of Australia (2010) *Housing Turnover and First-home Buyers*, accessed 18 May 2025.

Urban Development Institute of Australia (2025) *State of the Land 2025*, accessed 18 May 2025.

Which Real Estate Agent (2023) *Property Management Fees*, accessed 18 May 2025.

Attachment A – Government-owned property developer – Financial implications

Table A1: Government-owned property developer – Fiscal balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Revenue													
Administered non-tax													
Rental income from public property developer	*-*	*100.0*	*680.0*	*1,720.0*	*2,870.0*	*4,090.0*	*5,330.0*	*6,480.0*	*7,540.0*	*8,630.0*	*9,770.0*	***2,500.0***	***47,210.0***
Profit from property sales	*-*	*121.0*	*562.0*	*645.0*	*666.0*	*687.0*	*666.0*	*531.0*	*525.0*	*542.0*	*559.0*	***1,328.0***	***5,504.0***
Total – administered non-tax	***-***	***221.0***	***1,242.0***	***2,365.0***	***3,536.0***	***4,777.0***	***5,996.0***	***7,011.0***	***8,065.0***	***9,172.0***	***10,329.0***	***3,828.0***	***52,714.0***
Expenses													
Administered													
Funding to property developer for property management and maintenance	*-*	*-60.0*	*-360.0*	*-740.0*	*-1,130.0*	*-1,540.0*	*-1,930.0*	*-2,260.0*	*-2,590.0*	*-2,920.0*	*-3,240.0*	***-1,160.0***	***-16,770.0***
Total – administered	***-***	***-60.0***	***-360.0***	***-740.0***	***-1,130.0***	***-1,540.0***	***-1,930.0***	***-2,260.0***	***-2,590.0***	***-2,920.0***	***-3,240.0***	***-1,160.0***	***-16,770.0***
Departmental													
Establishment and staffing costs for public property developer	*-164.0*	*-83.0*	*-84.0*	*-85.0*	*-86.0*	*-87.0*	*-89.0*	*-90.0*	*-91.0*	*-92.0*	*-93.0*	***-416.0***	***-1,044.0***
Total – departmental	***-164.0***	***-83.0***	***-84.0***	***-85.0***	***-86.0***	***-87.0***	***-89.0***	***-90.0***	***-91.0***	***-92.0***	***-93.0***	***-416.0***	***-1,044.0***
Total – expenses	**-164.0**	**-143.0**	**-444.0**	**-825.0**	**-1,216.0**	**-1,627.0**	**-2,019.0**	**-2,350.0**	**-2,681.0**	**-3,012.0**	**-3,333.0**	**-1,576.0**	**-17,814.0**
Total (excluding PDI)	**-164.0**	**78.0**	**798.0**	**1,540.0**	**2,320.0**	**3,150.0**	**3,977.0**	**4,661.0**	**5,384.0**	**6,160.0**	**6,996.0**	**2,252.0**	**34,900.0**
PDI impacts	***-900.0***	***-2,600.0***	***-4,200.0***	***-5,700.0***	***-7,200.0***	***-8,500.0***	***-9,600.0***	***-10,800.0***	***-12,100.0***	***-13,500.0***	***-15,100.0***	***-13,400.0***	***-90,200.0***
Total (including PDI)	**-1,064.0**	**-2,522.0**	**-3,402.0**	**-4,160.0**	**-4,880.0**	**-5,350.0**	**-5,623.0**	**-6,139.0**	**-6,716.0**	**-7,340.0**	**-8,104.0**	**-11,148.0**	**-55,300.0**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

\- Indicates nil.

Table A2: Government-owned property developer – Underlying cash balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Receipts													
Administered non-tax													
Rental income from public property developer	*-*	*100.0*	*680.0*	*1,720.0*	*2,870.0*	*4,090.0*	*5,330.0*	*6,480.0*	*7,540.0*	*8,630.0*	*9,770.0*	***2,500.0***	***47,210.0***
Profit from property sales	*-*	*121.0*	*562.0*	*645.0*	*666.0*	*687.0*	*666.0*	*531.0*	*525.0*	*542.0*	*559.0*	***1,328.0***	***5,504.0***
Total - administered non-tax	***-***	***221.0***	***1,242.0***	***2,365.0***	***3,536.0***	***4,777.0***	***5,996.0***	***7,011.0***	***8,065.0***	***9,172.0***	***10,329.0***	***3,828.0***	***52,714.0***
Payments													
Administered													
Funding to property developer for property management and maintenance	*-*	*-60.0*	*-360.0*	*-740.0*	*-1,130.0*	*-1,540.0*	*-1,930.0*	*-2,260.0*	*-2,590.0*	*-2,920.0*	*-3,240.0*	***-1,160.0***	***-16,770.0***
Total – administered	***-***	***-60.0***	***-360.0***	***-740.0***	***-1,130.0***	***-1,540.0***	***-1,930.0***	***-2,260.0***	***-2,590.0***	***-2,920.0***	***-3,240.0***	***-1,160.0***	***-16,770.0***
Departmental													
Establishment and staffing costs for public property developer	*-164.0*	*-83.0*	*-84.0*	*-85.0*	*-86.0*	*-87.0*	*-89.0*	*-90.0*	*-91.0*	*-92.0*	*-93.0*	***-416.0***	***-1,044.0***
Total – departmental	***-164.0***	***-83.0***	***-84.0***	***-85.0***	***-86.0***	***-87.0***	***-89.0***	***-90.0***	***-91.0***	***-92.0***	***-93.0***	***-416.0***	***-1,044.0***
Total – payments	**-164.0**	**-143.0**	**-444.0**	**-825.0**	**-1,216.0**	**-1,627.0**	**-2,019.0**	**-2,350.0**	**-2,681.0**	**-3,012.0**	**-3,333.0**	**-1,576.0**	**-17,814.0**
Total (excluding PDI)	**-164.0**	**78.0**	**798.0**	**1,540.0**	**2,320.0**	**3,150.0**	**3,977.0**	**4,661.0**	**5,384.0**	**6,160.0**	**6,996.0**	**2,252.0**	**34,900.0**
PDI impacts	***-700.0***	***-2,200.0***	***-3,800.0***	***-5,300.0***	***-6,800.0***	***-8,200.0***	***-9,300.0***	***-10,500.0***	***-11,800.0***	***-13,200.0***	***-14,700.0***	***-12,000.0***	***-86,500.0***
Total (including PDI)	**-864.0**	**-2,122.0**	**-3,002.0**	**-3,760.0**	**-4,480.0**	**-5,050.0**	**-5,323.0**	**-5,839.0**	**-6,416.0**	**-7,040.0**	**-7,704.0**	**-9,748.0**	**-51,600.0**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

\- Indicates nil.

Table A3: Government-owned property developer – Headline cash balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Receipts													
Administered non-tax													
Rental income from public property developer	-	*100.0*	*680.0*	*1,720.0*	*2,870.0*	*4,090.0*	*5,330.0*	*6,480.0*	*7,540.0*	*8,630.0*	*9,770.0*	***2,500.0***	***47,210.0***
Income from property sales	-	*2,500.0*	*11,800.0*	*13,500.0*	*14,000.0*	*14,400.0*	*14,000.0*	*11,100.0*	*11,000.0*	*11,400.0*	*11,700.0*	***27,800.0***	***115,400.0***
Total - administered non-tax	**-**	***2,600.0***	***12,480.0***	***15,220.0***	***16,870.0***	***18,490.0***	***19,330.0***	***17,580.0***	***18,540.0***	***20,030.0***	***21,470.0***	***30,300.0***	***162,610.0***
Payments													
Administered													
Funding to property developer for property management and maintenance	-	*-60.0*	*-360.0*	*-740.0*	*-1,130.0*	*-1,540.0*	*-1,930.0*	*-2,260.0*	*-2,590.0*	*-2,920.0*	*-3,240.0*	***-1,160.0***	***-16,770.0***
Funding to property developer for construction and land costs	*-39,100.0*	*-40,300.0*	*-41,600.0*	*-43,000.0*	*-44,400.0*	*-31,800.0*	*-32,800.0*	*-33,900.0*	*-35,000.0*	*-36,100.0*	*-37,300.0*	***-164,000.0***	***-415,300.0***
Total – administered	***-39,100.0***	***-40,360.0***	***-41,960.0***	***-43,740.0***	***-45,530.0***	***-33,340.0***	***-34,730.0***	***-36,160.0***	***-37,590.0***	***-39,020.0***	***-40,540.0***	***-165,160.0***	***-432,070.0***
Departmental													
Establishment and staffing costs for public property developer	*-164.0*	*-83.0*	*-84.0*	*-85.0*	*-86.0*	*-87.0*	*-89.0*	*-90.0*	*-91.0*	*-92.0*	*-93.0*	***-416.0***	***-1,044.0***
Total – departmental	***-164.0***	***-83.0***	***-84.0***	***-85.0***	***-86.0***	***-87.0***	***-89.0***	***-90.0***	***-91.0***	***-92.0***	***-93.0***	***-416.0***	***-1,044.0***
Total – payments	**-39,264.0**	**-40,443.0**	**-42,044.0**	**-43,825.0**	**-45,616.0**	**-33,427.0**	**-34,819.0**	**-36,250.0**	**-37,681.0**	**-39,112.0**	**-40,633.0**	**-165,576.0**	**-433,114.0**
Total (excluding PDI)	**-39,264.0**	**-37,843.0**	**-29,564.0**	**-28,605.0**	**-28,746.0**	**-14,937.0**	**-15,489.0**	**-18,670.0**	**-19,141.0**	**-19,082.0**	**-19,163.0**	**-135,276.0**	**-270,504.0**
PDI impacts	***-700.0***	***-2,200.0***	***-3,800.0***	***-5,300.0***	***-6,800.0***	***-8,200.0***	***-9,300.0***	***-10,500.0***	***-11,800.0***	***-13,200.0***	***-14,700.0***	***-12,000.0***	***-86,500.0***
Total (including PDI)	**-39,964.0**	**-40,043.0**	**-33,364.0**	**-33,905.0**	**-35,546.0**	**-23,137.0**	**-24,789.0**	**-29,170.0**	**-30,941.0**	**-32,282.0**	**-33,863.0**	**-147,276.0**	**-357,004.0**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

\- Indicates nil.