Smarter Incentives, More Homes
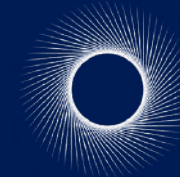
Property Council of Australia

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MARCH 2025

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Executive summary

Australia's housing affordability challenge continues to deepen, with the time required to save for a house deposit in capital cities increasing to over 10 years. This challenge stems from insufficient housing supply, with Australia having fewer dwellings per capita than the OECD average, and historically low vacancy in existing homes.

The Australian Government has responded by setting an ambitious target of 1.2 million new well-located homes by the end of FY2029, through the National Housing Accord. Currently, Australia is forecast to achieve 60 per cent of the National Housing Accord's target, with an uplift of 462,000 homes needed to reach 1.2 million new homes.

Accelerating housing construction to achieve the 1.2 million target would have large impacts on housing affordability. Rental prices could be reduced by $90 per week in well-located areas and housing price growth would slow. Further, the construction would contribute $128 billion in economic activity over the five years and support 368,000 jobs each year.

The target is supported by the $3 billion New Homes Bonus, designed to incentivise more housing construction. However, stakeholder consultation and analysis of previous incentive payment schemes suggest that the New Homes Bonus could be better designed to improve its efficacy. The current retrospective payment structure and high threshold requirements make the scheme challenging for jurisdictions to engage with effectively.

With the exception of the ACT, no state or territory is projected to meet the scheme's threshold within its current timeframe, potentially undermining its effectiveness as an incentive for reform.

To optimise the scheme's impact, the Australian Government should consider:

1. refining the scheme by bringing forward payments and extending its duration to seven years to enable jurisdictions to undertake longer-term reforms

2. increasing the total value to $6 billion to reflect the scale of the housing challenge and ringfencing any unspent funding for future housing supply initiatives

3. strengthening transparency through clear public reporting on progress and establishing forums to share insights between jurisdictions

4. enhancing Australian Government leadership through establishing a Housing Sub-Committee of Cabinet and considering all available levers to support housing supply

These changes would help ensure the New Homes Bonus effectively supports the critical goal of improving housing affordability across Australia, while fostering greater coordination between different levels of government in addressing this complex challenge.

1 **Housing affordability is a complex and critical challenge facing Australia, which Governments of all levels are trying to tackle**

2 If achieved, the Australian Government's target of 1.2 million new homes by FY2029, would support housing affordability and boost economic activity

3 However, the New Homes Bonus is not currently optimised to incentivise states and territories to increase residential construction activity sufficiently to meet the target

4 The Government should consider four key actions to support additional housing supply

5 Appendix

Housing costs have grown significantly faster than incomes since 2003

Australia's housing market has experienced unprecedented affordability challenges since 2003, with costs substantially outpacing income growth. The time taken to save for a house deposit in capital cities has increased by 1.7 years, from 8.4 years in December 2003 to 10.1 years in December 2023.

For aspiring homeowners, the path to purchasing a home has become increasingly steep. First-home buyers now face the daunting prospect of spending more than a decade saving for a standard 20 per cent deposit, significantly delaying their entry into the market. The situation is compounded by deteriorating loan serviceability conditions, with the share of income required for mortgage repayments surging to 48.9 per cent in March 2024 from a 10-year average of 36.2 per cent. This dramatic increase puts additional pressure on households' budgets.[1]

Both renters and buyers are facing housing stress. Nearly half of all low-income households (45.1 per cent) in capital cities are experiencing rental stress, meaning they spend an unsustainable portion of their income on housing.[2] This pressure on renters is particularly concerning given Australia is the only country in the world where all major city markets are classified as 'severely unaffordable'. Sydney is ranked the second least affordable city of the 94 global cities surveyed.[3]

1 ANZ CoreLogic (2024) *Housing Affordability Report.*
2 AIHW (2024) *Housing Affordability.*
3 Centre for Demographics and Policy (2024) *Demographia International Housing Affordability.*

Time needed to save for a 20 per cent deposit

Number of years, 2003 - 2023
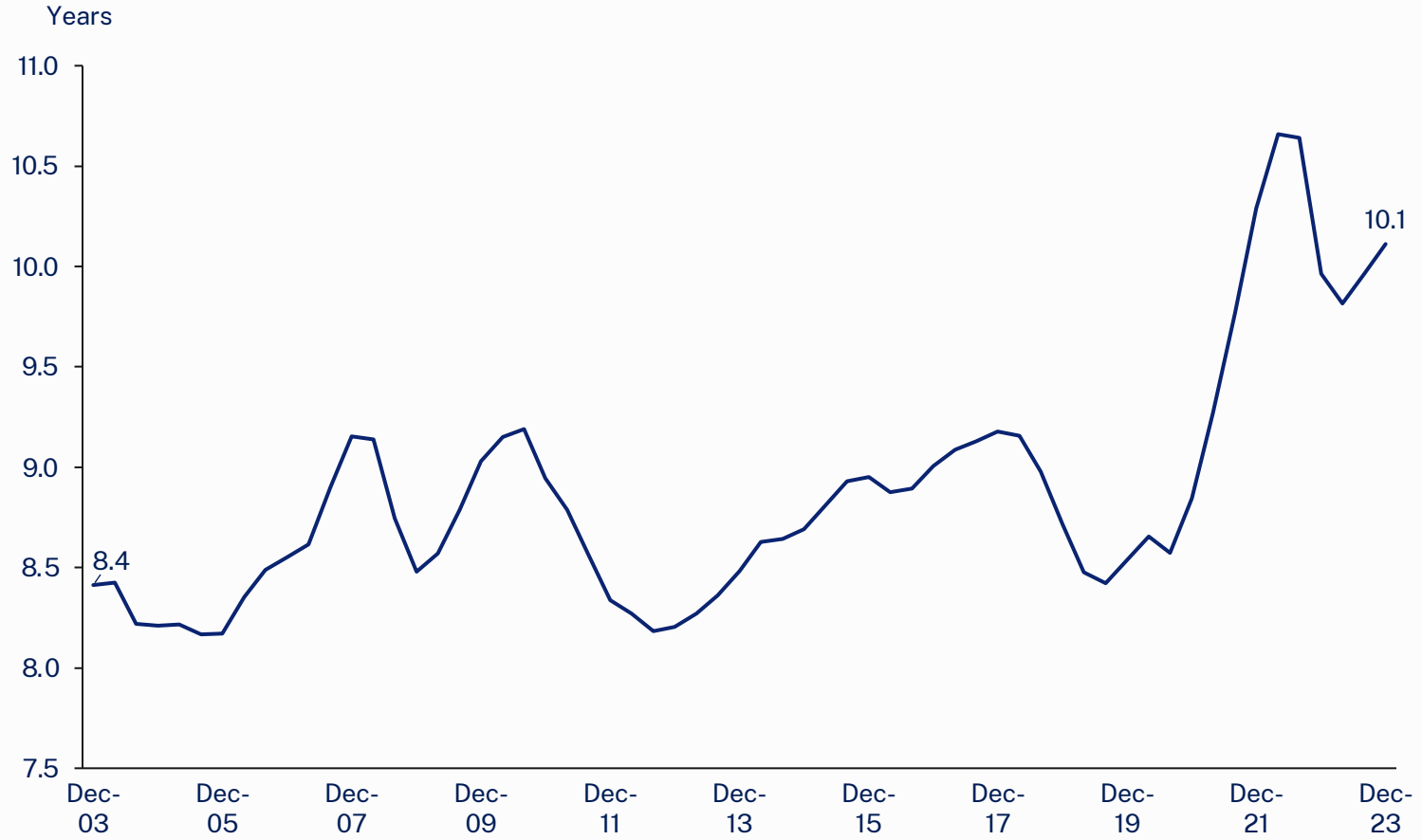
Years

Notes: Measured as the years it would take to save for a 20 per cent deposit, assuming 15 per cent of gross median household income is saved annually.
Source: Australian Government (2024) *State of the Housing System 2024.*

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Low affordability is due to insufficient supply of homes ...

International comparison of housing supply

Dwellings per 1,000 people, 2022, OECD countries
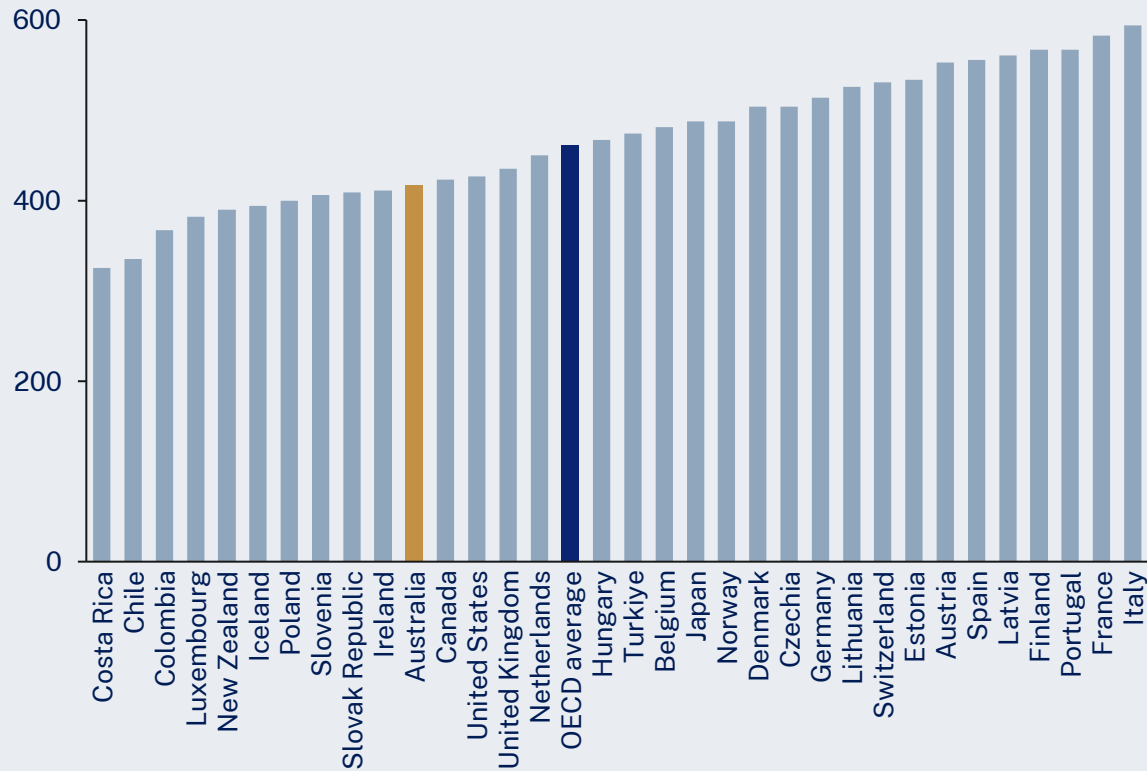
... and a historically low national vacancy rate

National dwelling vacancy rate[1]

%, 2011 - 2023

— Vacancy rate
-- Balanced housing market[2]

Notes: 1. 3-month rolling average;
2. The Commonwealth Treasury has stated that a vacancy rate of 3% reflects a balanced rental market.

All levels of Government in Australia hold levers to support housing supply

Level of control: Low ▦ ▦ ▦ High

Policy lever	Role in housing supply	Control of policy lever		
		Federal	State	Local
Construction stimulus and development finance	Government programs such as HomeBuilder grants, and Housing Australia's development financing help get new housing projects off the ground. These targeted interventions aim to boost supply by making more projects viable, particularly affordable and social housing developments.	🟢	🟤	🔴
Infrastructure provision	State and territory governments and councils must provide roads, water, schools, and transport before new housing can proceed in growth areas. The funding and timing of this infrastructure, through mechanisms such as developer contributions in NSW and Victoria, directly impacts where and when new housing supply can be delivered.	🟢	🟢	🟤
Tax policy	The Australian Government is responsible for tax settings that have significant impacts on the national property market such as capital gains tax discounts and negative gearing, State and local development taxes including land tax and stamp duty which affect development decisions and costs, and vary by jurisdiction. For instance, high stamp duty costs in NSW and Victoria can discourage development by adding significant costs to land acquisition for new housing projects.	🟢	🟤	🟤
Construction industry regulation	The National Construction Code and state-based building regulations set standards for everything from energy ratings to fire safety in new Australian homes. These essential standards protect consumers, but inconsistent implementation by states adds complexity and cost, and in the case of some reforms, are not supported by positive cost benefit results.	🟤	🟢	🔴
Planning and land use regulation	State planning schemes and local council controls determine what can be built through zoning rules, floor space ratios and development assessment processes. These rules directly impact housing supply – for example, restrictions on medium density in middle ring suburbs of Sydney and Melbourne significantly limit new housing in high-demand areas.	🔴	🟢	🟢

Notes: Differences between state and local government relations may vary some of the control of the policy level between states.
Source: Productivity Commission (2022) *In need of repair: The National Housing and Homelessness Agreement*; Mandala analysis.

| 1 | Housing affordability is a complex and critical challenge facing Australia, which Governments of all levels are trying to tackle |

2 **If achieved, the Australian Government's target of 1.2 million new homes by FY2029, would support housing affordability and boost economic activity**

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| 4 | The Government should consider four key actions to support additional housing supply |

| 5 | Appendix |

The Australian Government has set a target of 1.2 million new well-located homes by FY2029, through the National Housing Accord

Key features of the National Housing Accord

1.2 million	**New well-located homes** target over 5 years from FY2025
$3 billion	Available through the **New Homes Bonus,** which provides performance-based funding for jurisdictions that achieve **more than their share of the original 1 million homes target**
$500 million	In targeted activation payments under **the Housing Support Program for specific initiatives** such as connecting essential services
National Planning Reform Blueprint	**An outline of planning, zoning, land release and other measures** to improve housing supply and affordability
$350 million	To support 10,000 affordable homes, with jurisdictions agreeing to build on this to deliver up to an additional 10,000 homes bringing the **total to 20,000 affordable homes**

To reach the target of 1.2 million new homes, an uplift of 462,000 homes need to be built, above current forecast

To achieve the National Housing Accord's target of 1.2 million well-located homes by FY2029, an additional 462,000 homes will be required. Current projections show that jurisdictions are on track to build a baseline of 738,000 well-located homes by FY2029.[1] Therefore an additional uplift of an additional 462,000 homes, or approximately 40 per cent of the target, will be required.

Each state and territory's individual target, or share of the 1.2 million homes, has been calculated based on their population. NSW, as the most populous jurisdiction has the largest target of 375,000 homes, while NT, the least populous jurisdiction has the smallest target of just 11,000 homes.
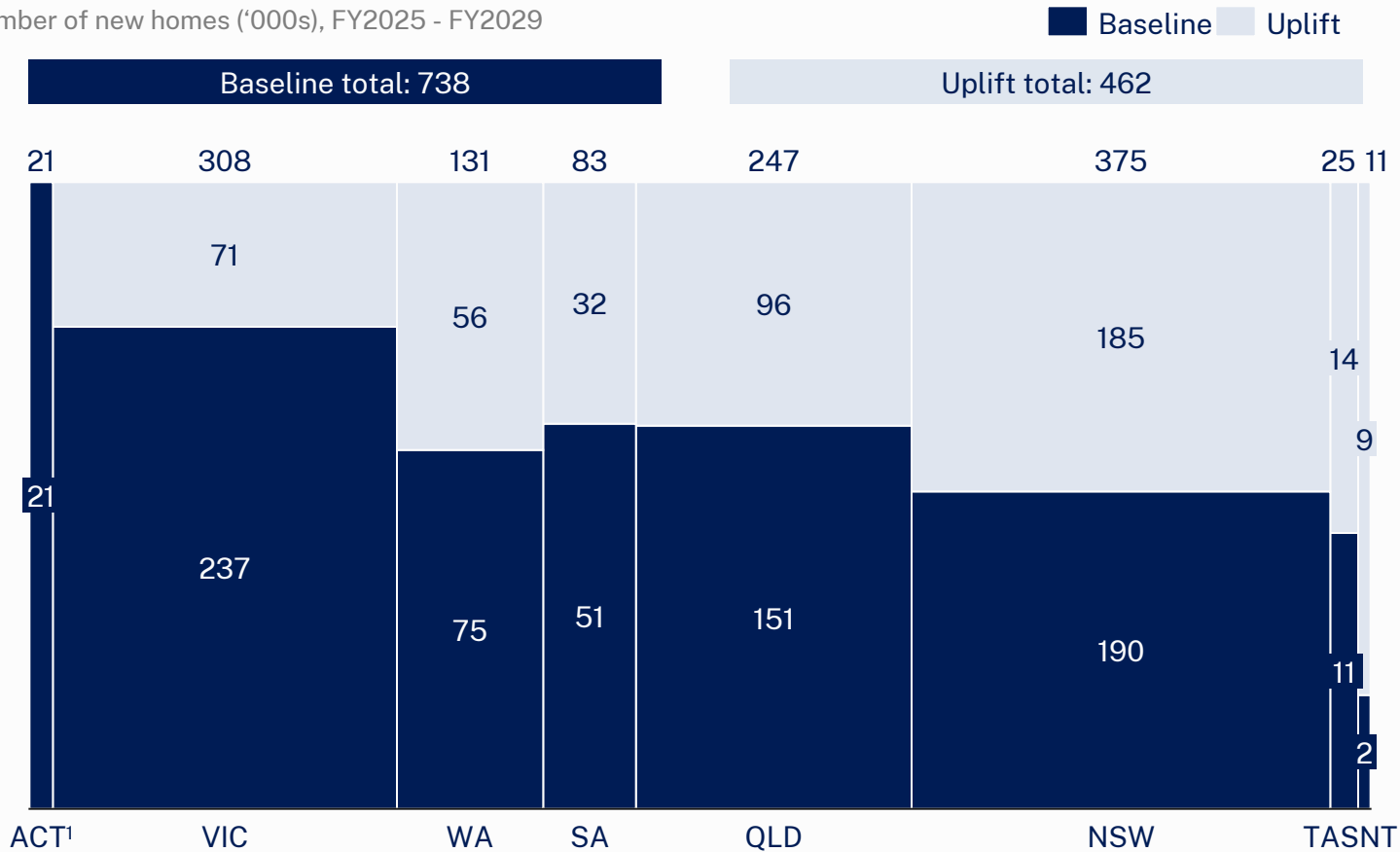
Progress against targets varies significantly by jurisdiction. The ACT is most advanced, and could meet its target of 21,000 homes by the end of 2028, if building activity keeps up with projections. By FY2029, NSW is expected to have the greatest shortfall in absolute terms with 185,000 homes needed, while the NT will have made the least headway relative to its target achieving only 18 per cent of 11,000 new homes.

New homes are required to be built in "well-located areas" under the Accord to ensure they are in areas where people want to live, with good infrastructure and services nearby.

1 Australian Government ([2024]) *State of the Housing System 2024*; Mandala analysis.

Progress on the 1.2 million new homes target by jurisdiction

Number of new homes ('000s), FY2025 - FY2029

Legend: ■ Baseline   ☐ Uplift

Baseline total: 738   Uplift total: 462

	ACT[1]	VIC	WA	SA	QLD	NSW	TAS	NT
Total	21	308	131	83	247	375	25	11
Uplift	—	71	56	32	96	185	14	9
Baseline	21	237	75	51	151	190	11	2

Victoria is currently projected to reach 237,000 homes by the end of FY2029, or about 77% of its target of 308,000 new homes. NT is on track to achieve about 18% of its 11,000 target, making it the jurisdiction with the greatest proportional uplift required.

Notes: Total target size are rounded to the nearest 1000. Jurisdictional targets in this report have been calculated based on population shares. Some states have released targets that may differ from those assumed in this report (e.g. Victoria's 80,000 annual target). (1) The ACT is forecast to reach its share of the 1.2 million homes by FY2029. Source: Australian Government ([2024]) *National Housing Accord*; Australian Government ([2024]) *State of the Housing System 2024*; ABS ([2025]) *Building approvals*; ABS ([2024]) *Population*; NSW Government ([2024]) *Housing targets*; Mandala analysis.

Delivering the 462,000 homes needed to reach the national target could reduce rents by $90 per week

If the National Housing Accord's target of 1.2 million new, well-located homes is achieved, rental prices in well-located areas are expected to be $90 per week less than they otherwise would in FY2029, on average. The additional 462,000 homes, would drive down prices by reducing competition in the rental market.
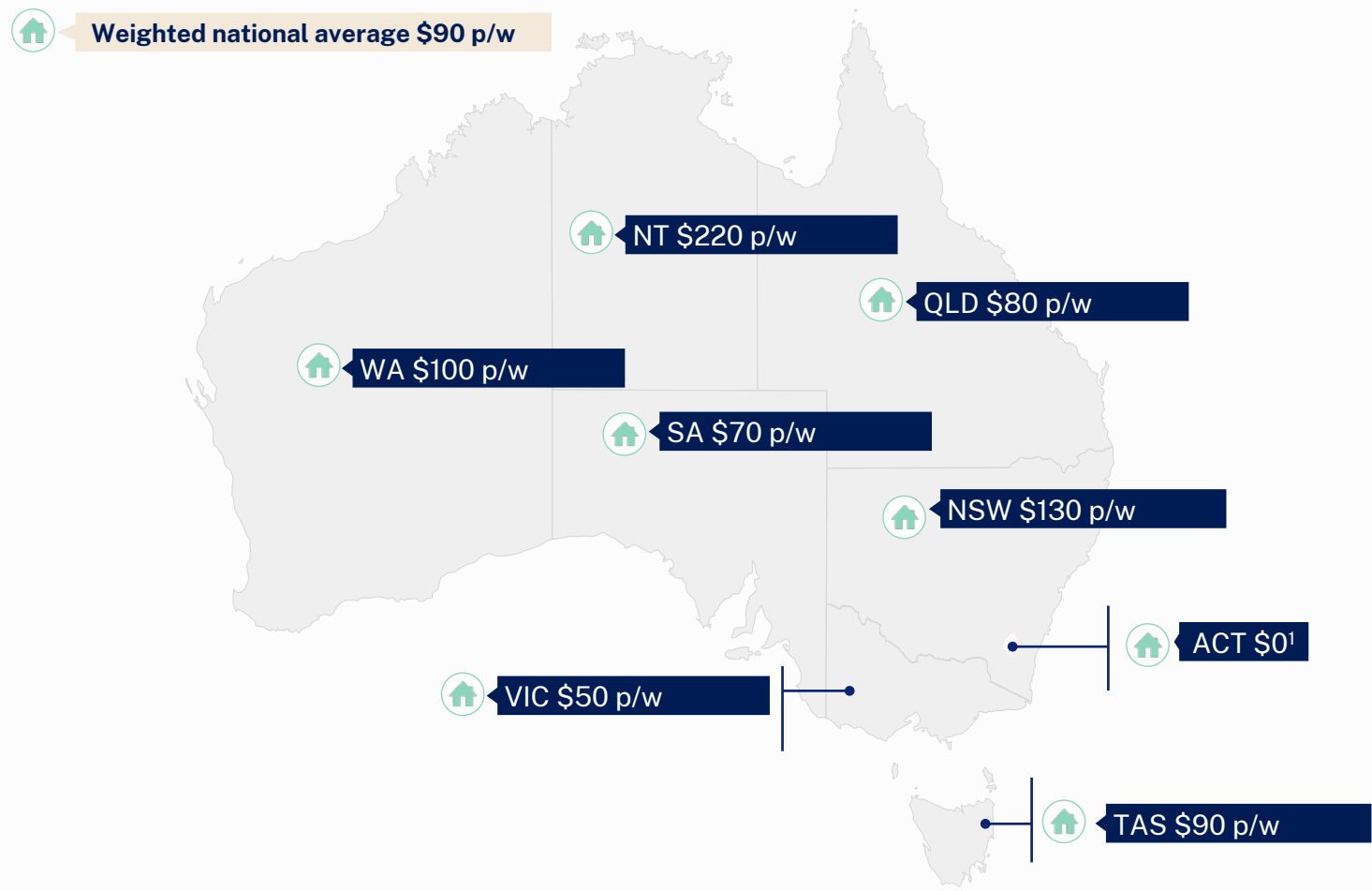
Rental prices in well-located areas are expected to fall most sharply in jurisdictions needing the biggest percentage increase in construction.[1] The Northern Territory faces the most dramatic adjustment, needing to increase its current building rate five-fold to meet its target, as the state is on course to deliver just 18 per cent of required homes. Following the Northern Territory, the jurisdictions expected to see the greatest reductions are, NSW ($130 per week), WA ($100 per week), and TAS ($90 per week). If residential building activity keeps up with projections, no additional uplift will be required in the ACT to meet its target, which means rental prices would not be impacted.

The distribution of rental relief by the New Homes Bonus is well targeted. NSW, Tasmania and Queensland are the lowest performing states in rental affordability (when considering rental prices and income together).[2]

1 Price impacts within jurisdictions is limited to 'well-located' LGAs.
See appendix for list of well-located LGAs.
2 Proptrack (2024) *Rental Affordability Report*.

Potential impact on rental prices in well-located areas if the national housing target is achieved

Reduction in median rental prices in well-located areas ($ per week), FY2029

Weighted national average $90 p/w

NT $220 p/w
QLD $80 p/w
WA $100 p/w
SA $70 p/w
NSW $130 p/w
ACT $0[1]
VIC $50 p/w
TAS $90 p/w

Notes: Rounded to nearest 1% and $10 increments. Price impact within jurisdictions is limited to 'well-located' LGAs. See appendix for list of well-located LGAs. 1. The ACT is forecast to reach its share of the 1.2 million homes by FY2029, so there is no uplift required, and therefore no impact on rental prices.
Source: Australian Government (2024) *National Housing Accord*; Australian Government (2024) *State of the Housing System 2024*; NSW Government (2024) *Housing targets*; RBA (2019) *A model of the Australian Housing Market*; Own Home (2024) *Average rent in Australia*; Mandala analysis.

Reaching the target would slow house price increases

Achieving the 1.2 million homes target through an uplift of 462,000 homes would slow house price growth. Currently, achieving the 1.2 million target is aspirational, given on current projections, the nation is almost half a million homes short of the target. Almost an additional 100,000 homes would need to be completed per year, beyond what is currently forecast.

However, if the target is reached, housing prices in well-located areas on average, could decrease by 0.2 per cent annually between FY2025 and FY2029. These are areas – primarily capital cities - where house prices have been under significant pressure for years.
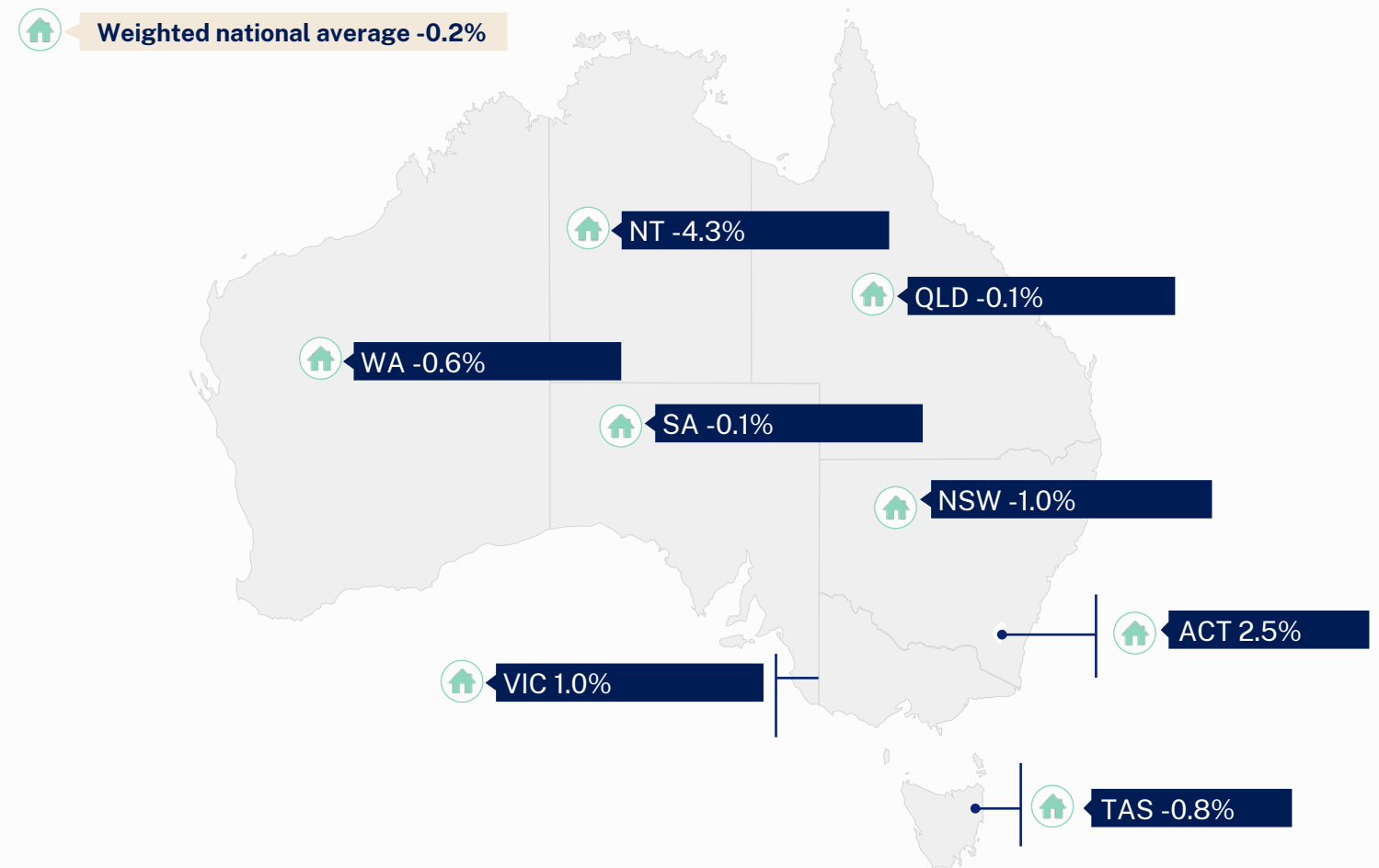
The slowing in housing price growth will vary across jurisdictions.[1] The Northern Territory (-4.3 per cent), NSW (-1.0 per cent) and Tasmania (-0.8 per cent) will see the most significant slow-downs.

Victoria and the ACT will see moderate housing price increases. Prices in Victoria slow to 1.0 per cent average annual growth. In the ACT, if construction activity keeps pace with projections, prices will not impacted through a required uplift, and therefore prices are assumed to only increase with inflation.

1 Price impacts within jurisdictions is limited to 'well-located' LGAs.
See appendix for list of well-located LGAs.
2 ABS (2022) *Owning a home has decreased over successive generations.*

Potential impact on housing prices in well-located areas if the national housing target is achieved

Average compound annual growth in well-located areas (%), FY2025 - FY2029

Weighted national average -0.2%

NT -4.3%

QLD -0.1%

WA -0.6%

SA -0.1%

NSW -1.0%

ACT 2.5%

VIC 1.0%

TAS -0.8%

Notes: Rounded to 1 decimal point. Price impact within jurisdictions is limited to 'well-located' LGAs. See appendix for list of well-located LGAs. The ACT is forecast to reach its share of the 1.2 million homes by FY2029, so there is no uplift required, and therefore no impact on housing prices.
Source: Australian Government (2024) *National Housing Accord*; Australian Government (2024) *State of the Housing System 2024*; NSW Government (2024) *Housing targets*; RBA (2019) *A model of the Australian Housing Market*; Budget Direct (2024) *Australian Property Prices*; Mandala analysis.

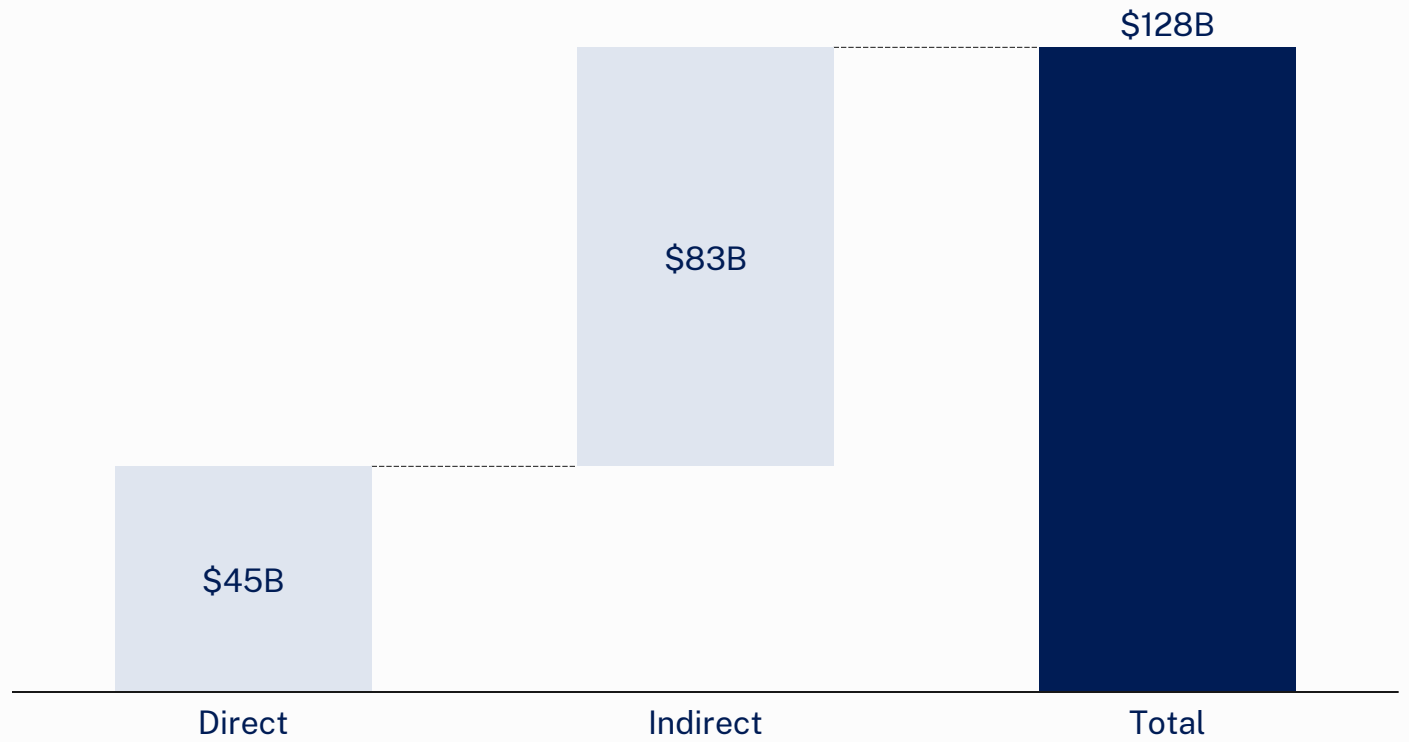# The construction of the additional 462,000 homes would contribute $128 billion in economic activity

The construction of 462,000 additional homes is expected to contribute $128 billion in gross value added (GVA) across the five years of the National Housing Accord. The economic contribution is made up of $45 billion in direct and $83 billion in indirect contributions.

The direct contribution of $45 billion represents the additional value added to the economy from increased building activity in the additional homes constructed. This includes the value created through construction workers' labor, the transformation of materials into finished homes, and the immediate profits generated by construction companies during the building process.

The indirect contribution of $83 billion is driven by spending in other industries, due to the additional construction activity. This ripple effect represents value created throughout the supply chain, from suppliers providing materials to professional services supporting the construction industry, and the broader economic activity generated when construction workers and related professionals spend their wages in the economy.

Impact on the economy

Cumulative GVA ($), FY2025 - FY2029

$45B — Direct
$83B — Indirect
$128B — Total

Direct GVA is the additional economic activity that would be unlocked in the residential building construction through the construction of the additional 462,000 homes

Indirect GVA is the additional economic activity driven by supply chain spending to facilitate the additional homes, including at hardware stores, materials manufacturers and professional services such as lawyers and accountants

Source: ABS (2024) *Building Activity*; Mandala analysis.

Delivering the homes target could support 368,000 direct and indirect jobs each year to FY2029

Achieving the national goal of 1.2 million new homes, through building 462,000 additional homes could support 368,000 full time equivalent (FTE) jobs across the country each year of the scheme.

The uplift of 462,000 additional new homes could support an estimated 55,000 direct jobs in the residential building construction industry. These include the workers directly involved in the construction, organisation, or management of building homes such as carpenters and labourers.

Building new homes will also support jobs in industries that the residential construction industry relies on (indirect jobs). 75,000 jobs in construction services are expected to be supported each year. These jobs are in work that is usually subcontracted out such as roofing, plumbing, and painting.

238,000 FTEs are expected to be supported annually in other industries through supply chain spending. These are broad-ranging, including manufacturing jobs, retail jobs in hardware stores, real estate agents, conveyancers, insurers and lawyers.

Impact on annual employment

Annual employment (FTE), FY2025-FY2029

Direct	Indirect - construction services	Indirect - other industries	Total
55,000	75,000	238,000	368,000
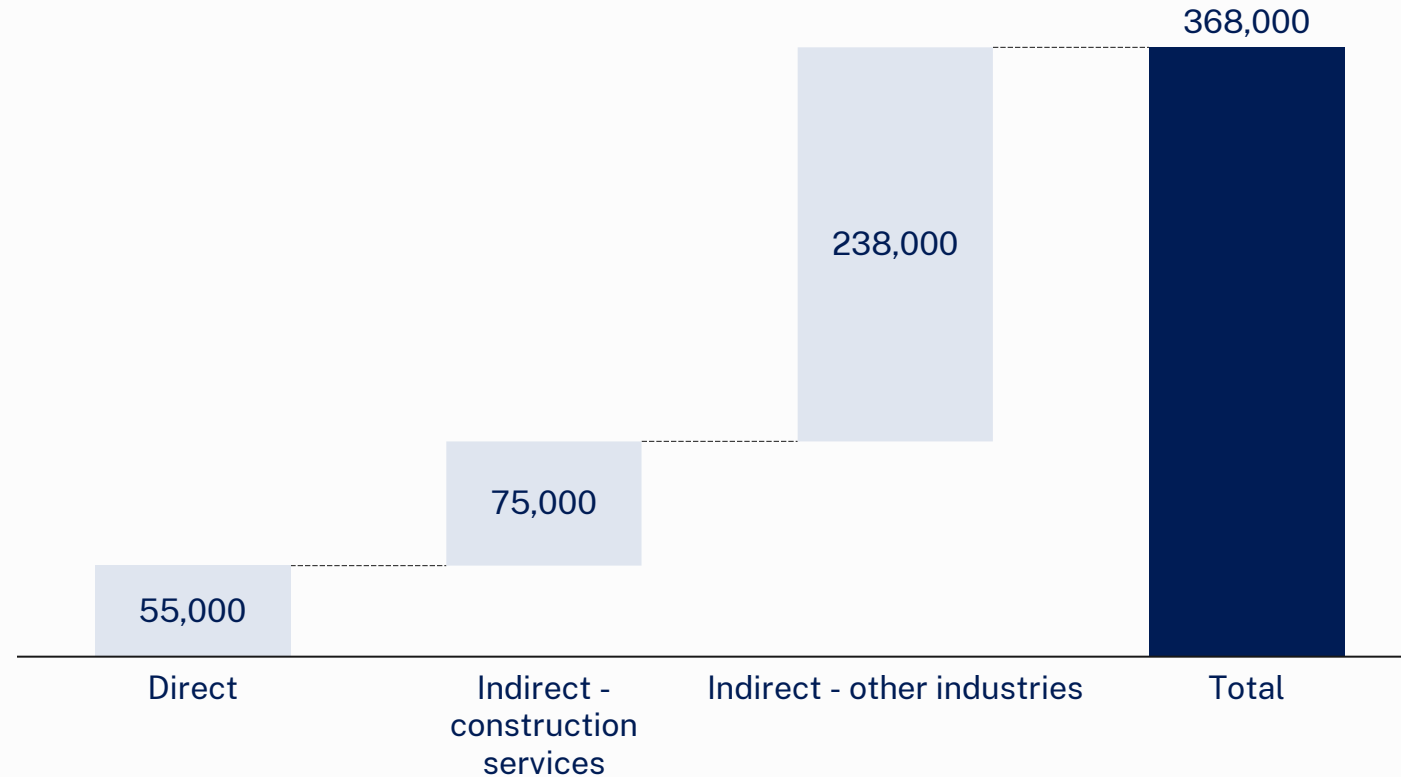
Direct employment is the additional jobs in the residential building construction industry that would be created through the construction of the additional 462,000 homes

Indirect employment in the construction services industry is primarily the additional jobs for subcontractors such as electricians and plumbers

Indirect employment in other industries includes jobs supported by the construction of the additional homes such as in retail, manufacturing and professional services

Notes: Employment is rounded to the nearest 1000 FTE.
Source: ABS (2024) *Building Activity*; Mandala analysis.

The New Homes Bonus is an incentive scheme announced as part of the National Housing Accord

To support the 1.2 million homes target under the National Housing Accord, which adds 200,000 homes to the original target, the Australian Government has introduced the New Homes Bonus.

The New Homes Bonus is a performance-based incentive scheme which rewards jurisdictions that exceed their share of the original 1 million homes target. Jurisdictions that exceed their target will be eligible for a share of the $3 billion funding pool, with payments set to begin after FY2029.

The Australian Government is still in negotiation with state and territory governments regarding details of the scheme.

Overview of the New Homes Bonus

The current design of the New Homes Bonus includes...		
Payment features	Timing	Payments to jurisdictions will be made following the closure of the scheme, after FY2029.
	Payment variability	Specific details have not been announced, but if the payments were evenly distributed by the number of extra homes this would be equal to $15,000 per home.
	Target type	Payments are outcome-based, with jurisdictions being eligible for payments when they surpass their share of the original 1 million new, well-located homes target.
Scheme design	Total value	A performance-based funding pool of $3 billion is available to states and territories.
	Duration	The scheme runs from FY2025 to FY2029.
	Caps	Details on whether jurisdictional caps for the scheme will be imposed and reporting and transparency measures have not been announced.
	Transparency	

Notes: A framework for understanding the success of an incentive payment including its policy context and payment design is included in the appendix.
Source: Australian Government (2024) *National Housing Accord;* Mandala analysis.
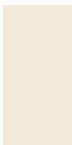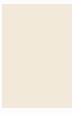
The Australian Government's New Homes Bonus is intended to support existing measures and indirectly impact state and local government policies

Policy lever	Level of federal control	Role of the Australian Government	Announcements and role of New Homes Bonus
Construction stimulus and development finance	🟢	The Australian government drives housing supply through national stimulus programs and targeted financing, for examples the $2.1 billion HomeBuilder scheme.	▪ Housing Australia Future Fund provides financing for social/affordable housing ▪ $2 billion Social Housing Accelerator payments
Infrastructure provision	🟢	Federal funding for major infrastructure such as the Urban Congestion Fund, the Housing Support Program and the City and Regional Deals helps to enable new housing development.	▪ $1.6 billion National Housing Infrastructure Facility ▪ $1.5 billion Housing Support Program ▪ $150 million Urban Precincts and Partnerships Program
Tax policy	🟢	The Australian Government shapes tax settings such as capital gains tax discounts, negative gearing, and GST on new housing. These change the incentives for developing new housing.	▪ Improved tax settings for Build-to-Rent projects ▪ **New Homes Bonus** incentivises changes in state and local government taxes such as stamp duty, development charges, and land taxes
Construction industry regulation	🟤	Australian Government oversight of construction focuses on the National Construction Code through the Australian Building Codes Board, setting minimum standards for safety, accessibility, and sustainability.	▪ No significant announcements ▪ **New Homes Bonus** incentivises states to streamline approvals, and reduce building regulations that increase costs
Planning and land use regulation	🔴	The Australian Government has limited direct planning power but influences outcomes through national policy frameworks and funding agreements.	▪ National Planning Reform Blueprint improves housing supply through planning reform ▪ **New Homes Bonus** incentivises state and local governments to reduce planning restrictions

Stakeholders have raised concerns about key components of the design of the New Homes Bonus

POLICY DESIGN		ANNOUNCED	STAKEHOLDER VIEWS AND RATIONALE	Importance to stakeholders: Low ▢▢▢▢ High
Payment features	Timing	Payable after FY2029	▪ Strong preference from stakeholders **for upfront payments**. This would help provide state and territory governments certainty and the funding required to implement initiatives to support additional supply ▪ Stakeholders also acknowledge that there must be a means for the Australian Government to recoup funding should agreed targets not be met, such as a clawback mechanism	
	Payment variability	Details not announced	▪ Mixed views from stakeholders regarding payment variability and no clear consensus regarding an appropriate measure to base payment variability on ▪ Payment variability was **not a major point of contention** for any stakeholders	
	Target type	Outcome-based	▪ Stakeholders hold mixed views regarding the type of target that the scheme should reward ▪ An **outcome-based target is generally preferred**, but some stakeholders noted that they are at risk of not meeting the threshold within the timeframe as reforms will take some years to convert into completions ▪ Some stakeholders therefore advocate for input-based targets to help drive progress	
	Total value	$3 billion	▪ An increase in funding value to **$6 billion** is generally supported. This is due to the large costs and long processes associated with building homes, increasing difficulty of market conditions and the complexity of reforms required	
Scheme design	Duration	From FY2025 to FY2029	▪ Many stakeholders flagged that the bonus scheme was out of reach, given they would not reach the threshold value within the five-year time frame, rendering the scheme redundant ▪ Stakeholders have expressed **support for extending the duration** of the scheme to ~ 7 – 10 years, bringing the timeline of completion to 2031 to 2034	
	Caps	Details not announced	▪ Payment distribution with **set caps** for each State and Territory using the same approach as the National Housing Accord is generally preferred. ▪ However, stakeholders noted that they do not expect that states and territories are likely to reach their caps	
	Transparency		▪ Transparency from the Australian Government is generally preferred, with respect **to clear targets and timelines** in order to give states and territories clarity over progress tracking and certainty of payments ▪ Stakeholders would prefer more regular reporting on progress such as a public dashboard	

Learnings from previous incentive payment schemes reinforce stakeholder concerns

Key learnings from analysis of previous incentive payments

1 **Policy design becomes more important in challenging circumstances**

Well-designed incentive structures with high value and buy-in from states and territories, can overcome challenging contexts where stakeholder alignment is weak or fiscal constraints are tight.

2 **Certainty and clarity are key**

Upfront payments, clear targets and payment size exceeding the marginal cost of reform are critical for success.

3 **There is a trade-off between simplicity and precision**

Designing a policy to consider each jurisdictions' individual circumstances to support well-targeted payments can introduce complexity, slowing down the reform, and ultimately it is unlikely to please everyone.

4 **Governance matters**

Good governance including frequent reporting and transparent targets are critical to policy success.

Source: Mandala analysis.

The highly successful National Competition Policy was driven by a favourable economic and political context as well as a large scheme total value

Impact on success: Low ▢▢▢▢■ High

Overview of the NCP (1995-2005)

Australia's National Competition Policy (NCP) reforms aimed to boost economic efficiency through promoting competition across various sectors, including utilities and government services, through a range of legislative and regulatory reforms.

The NCP arose as a product of the recommendations from the Hilmer Report. This was an independent inquiry into national competition policy in Australia, which highlighted that competitive markets would benefit Australia economically and a national approach would be beneficial, garnering widespread political support.

Under three agreements, which were signed in 1995, performance-based incentives were paid annually from the Australian government to state and territory governments when they achieved satisfactory progress.

The reforms were highly successful with estimates that the NCP led to an increase of 2.5 per cent in Australia's GDP, or $20 billion.

The success of the NCP was shaped by widespread political, economic and public support for Governments to act on their regulatory and legislative capacity for reforms. The large $4.9 billion funding exceeding the marginal cost of reforms also contributed, without which the reforms may have progressed more slowly and been less comprehensive.

Policy context

Economic	• A global push towards globalisation and more competition to drive productivity and economic growth • Early 1990s recession followed by a low-inflation economy
Social and industry	• Initial public support for economic reforms • Business and industry support to lift competition and have more free trade
Political	• Bipartisan support for competition reforms at federal and state levels • Support for privatisation of government assets as a way of boosting Government budgets

Payment design

Payment features	Timing	If eligible, payments were paid annually
	Payment variability	High with penalty conditions
	Target type	Input-based
Scheme design	Total value	$4.9 billion
	Duration	10 years
	Caps	Specific funding for each state
	Transparency	High with annual progress reports

Source: National Competition Council (2007) *NCP;* Productivity Commission (2005) *Review of NCP Reforms*; Hilmer et al. (1993) *NCP Review;* Griffin et al. (1999) *Competition and Competitiveness: The Changing Nature of Australian Competition Policy*; Paul Kelly (2000) *The Politics of Economic Change in Australia in the 1980s and 1990s;* stakeholder interviews; Mandala analysis.

The success of the Universal Access to Early Childhood Education NPA, was driven by a national focus on ECEC and clear targets of preschool participation

Impact on success: Low ▢▢▢▢▢ High

Overview of the UANP (2008-2021)

The Universal Access to Early Childhood Education National Partnership (UANP) aimed to lift access to and improve the participation of all children in affordable, quality early childhood education programs through funding for States and Territories.

This occurred as there was clear evidence on the positive impacts of early childhood education and care (ECEC) such as greater productivity and better health. There was strong political support and a push for more national policies and Australian Government leadership on ECEC.

Under the agreement signed in 2008, performance-based incentives were paid annually from the Australian government to state and territory governments, who had jurisdictional flexibility in how to achieve the targets of lifting preschool participation.

The reforms were highly successful with more children in the year before school being enrolled. The proportion enrolled for the target of 600 hours increased from 12 per cent in 2008 to 96 per cent in 2018.

The success of the UANP was shaped by a contextual push to uplift the ECEC sector along with political support for a national approach on ECEC. The size of the funding and clear outcome-based targets of 95% preschool participation with a jurisdictionally flexible approach to reforms helped support the success of the policy.

Policy context

Economic	▪ Quality early childhood education has economic productivity benefits ▪ Australia was behind many other OECD countries on ECEC spending as a proportion of its GDP
Social and industry	▪ Comprehensive research on the benefits of ECEC on education, health and productivity ▪ A range of national reforms and focus on lifting access to and quality of preschool education
Political	▪ Bipartisan support for ECEC reforms ▪ Lack of a national approach on ECEC with States and Territories having different levels of preschool participation baselines

Payment design

Payment features	Timing	If eligible, payments were paid annually
	Payment variability	Moderate with partial progress options
	Target type	Outcome-based
Scheme design	Total value	$1.8 billion
	Duration	13 years
	Caps	Specific funding for each state
	Transparency	High with annual progress reports

The success of the NPA on Skills Reform in lifting VET qualifications was driven by economic necessity and a jurisdictionally flexible approach on reforms

Impact on success: Low ▢▢▢▢■ High

Overview of the NPASR (2012-2017)

The National Partnership Agreement on Skills Reform (NPASR) aimed to reform the Vocational Education and Training (VET) system through expanding access to training, improving transparency across VET and the quality and efficiency of the system.

The NPASR came alongside national reforms such as the National Agreement on Skills and Workforce Development centred on lifting Australia's productivity through training and skills, with political support on lifting the VET sector.
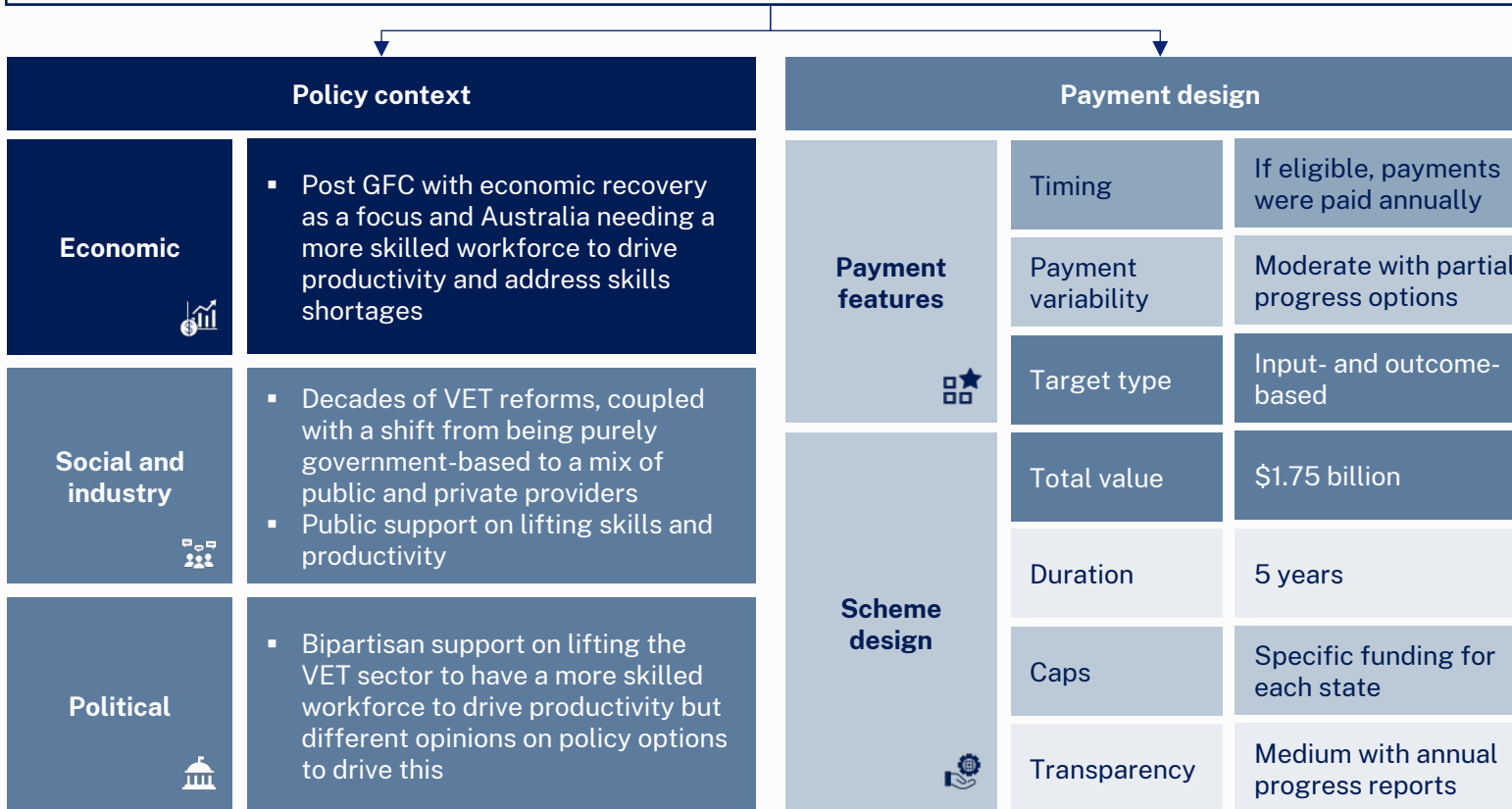
Under the agreement signed in 2012, a combination of upfront, progress and outcome-based payments were paid annually from the Australian government to state and territory governments. A key feature of the agreement was the provision of jurisdictionally flexible reforms and targets recognising that each state and territory had a different view with different VET circumstances.

The reforms were successful in that all targets were achieved and noted on the Government's public reporting dashboard. The national target of 375,000 VET qualification completions by 2016 was completed well ahead of schedule in 2013.

The success of the NPASR was shaped by economic and public necessity for skills and productivity, driving a need for VET reforms. The approach of having jurisdictionally flexible reforms and targets also contributed to the success of the reforms when measured by jurisdiction and nationally.

Policy context

Economic	▪ Post GFC with economic recovery as a focus and Australia needing a more skilled workforce to drive productivity and address skills shortages
Social and industry	▪ Decades of VET reforms, coupled with a shift from being purely government-based to a mix of public and private providers ▪ Public support on lifting skills and productivity
Political	▪ Bipartisan support on lifting the VET sector to have a more skilled workforce to drive productivity but different opinions on policy options to drive this

Payment design

Payment features	Timing	If eligible, payments were paid annually
	Payment variability	Moderate with partial progress options
	Target type	Input- and outcome-based
Scheme design	Total value	$1.75 billion
	Duration	5 years
	Caps	Specific funding for each state
	Transparency	Medium with annual progress reports

Source: Federal Financial Relations (2017) *NPASR*; Acil Allen (2015) *Review of The NPASR*; Australian Government (2024) Skills Reform Performance Reporting Dashboard; stakeholder interviews; Mandala analysis.

The success of the NPA on Asset Recycling was driven by political alignment with asset divestment as well as a large scheme total value

Impact on success: Low ▢ ▢ ▢ ▢ ▪ High
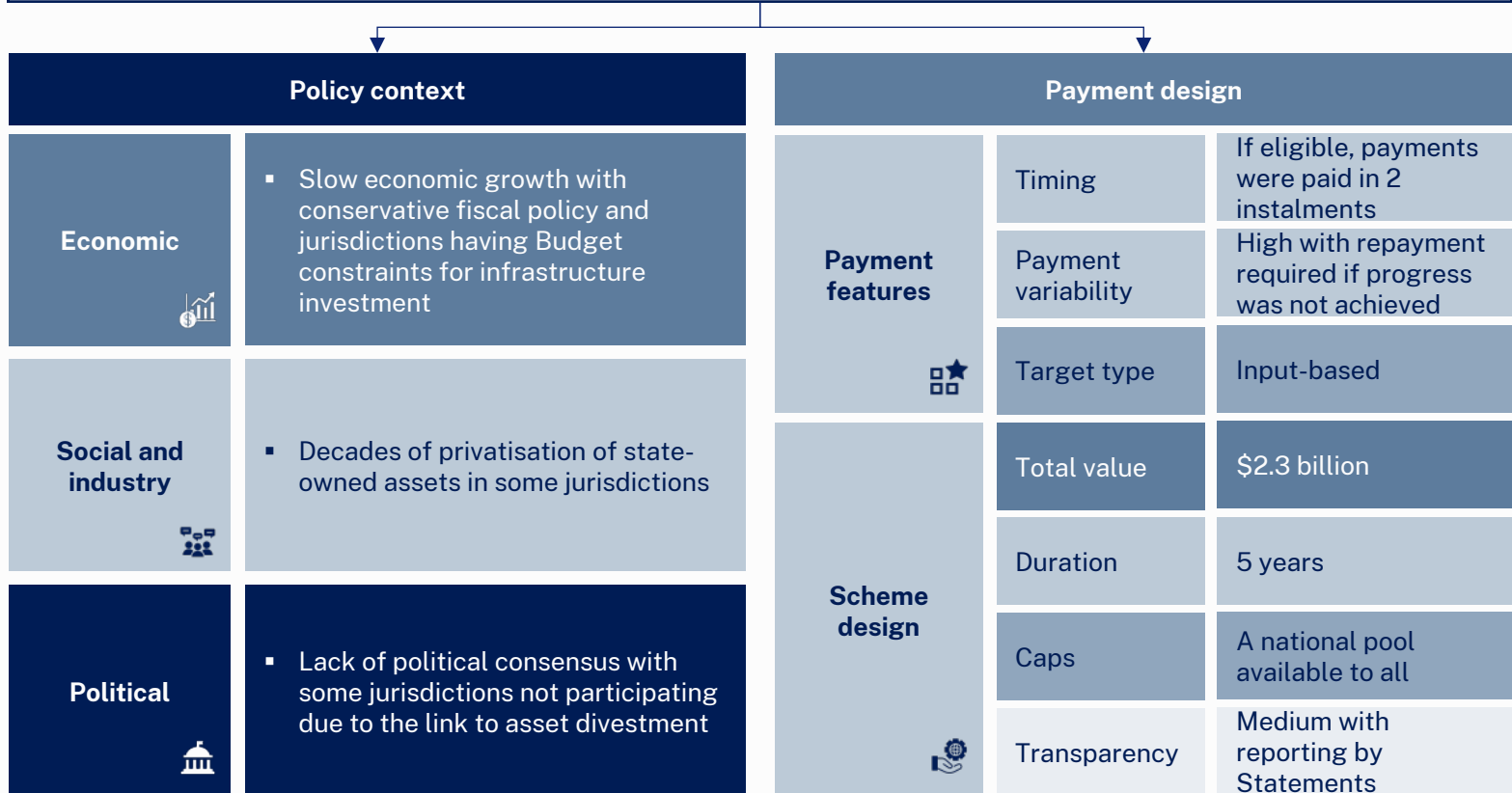
Overview of the NPAAR (2014-2019)

The National Partnership Agreement on Asset Recycling (NPAAR) aimed to encourage increased investment in productivity-enhancing infrastructure through the sale of public assets to unlock funding and recycling the capital into additional infrastructure.

The NPAAR came about as an Australian Government budget push to incentivise states and territories to reinvest in productivity gains from infrastructure among budget constraints.

Under the agreement agreed in 2014, state and territory governments could opt to participate and agree on schedules of asset divestment (sale, lease or partial options) with the Australian government. Incentive payments were designated as 15 per cent of the sale price multiplied by the proportion invested by the state. NSW, ACT and NT came to agreements with the Australian Government by the 2016 deadline.

The agreement was moderately successful in leading to increased economic activity for participating jurisdictions. The funding encouraged prompt decision making on asset divestments and helped to accelerate new and ongoing projects.

The success of the NPAAR was shaped by political forces with some jurisdictions not participating due to the link to asset divestment and a short timeline to agree on schedules. The national pool of unallocated funding led to a push to compete for funding and helped to accelerate the progress of infrastructure projects.

Policy context

Economic	Slow economic growth with conservative fiscal policy and jurisdictions having Budget constraints for infrastructure investment
Social and industry	Decades of privatisation of state-owned assets in some jurisdictions
Political	Lack of political consensus with some jurisdictions not participating due to the link to asset divestment

Payment design

Payment features	Timing	If eligible, payments were paid in 2 instalments
	Payment variability	High with repayment required if progress was not achieved
	Target type	Input-based
Scheme design	Total value	$2.3 billion
	Duration	5 years
	Caps	A national pool available to all
	Transparency	Medium with reporting by Statements

Source: Federal Financial Relations (2014) *NPAAR;* Treasury (2019) *Review of the NPAAR;* EY (2018) *Review of the NPAAR*; Allens (2014) *National Partnership Agreement on Asset Recycling;* RBA (2014) Economic Outlook; stakeholder interviews; Mandala analysis.

The Australian Government should consider four key actions to optimise the New Homes Bonus

Recommendations to optimise the design of the New Homes Bonus

RECOMMENDATIONS

1

Refine the scheme for maximum engagement
- Bring forward payments with an upfront payment to enable reforms and ongoing payments at appropriate milestones to provide resourcing required by states and territories, coupled with a clawback mechanism to ensure that the Australian Government has appropriate safeguards on funding
- Extend the scheme to seven years, with an accompanying increase to the the target, to encourage jurisdictions to implement long-term reforms, that may take more time to yield results

2

Increase the value of the scheme
- Double the scheme to $6 billion to reflect the size of the challenge facing states and territories
- Ringfence any unspent New Homes Bonus funding to support future housing supply initiatives, such as the Housing Support Program

3

Strengthen transparency and governance
- Increase transparency of progress on targets with public and timely data available in a central location to ensure ease of access and comparability
- Ensure continued good governance with regular reporting and forums to share insights between jurisdictions

4

Enhance Australian Government leadership of nation-wide efforts to increase housing supply
- Consider all means and levers available to the Australian Government to support the delivery of new homes
- Commit housing supply and affordability as a key government priority by establishing a Housing Sub-Committee of Cabinet

To maximise engagement with the New Homes Bonus, payments should be brought forward and its duration should be lengthened

Refine the scheme for maximum engagement

Context	The New Homes Bonus is currently seen as unattainable by state and territory governments, undermining its effectiveness as an incentive payment for two critical reasons. ▪ First, the incentive's retrospective payment structure poses significant challenges. With money not flowing to states and territories until the end of FY2029, jurisdictions face both perceived uncertainty around whether the funding will be paid and immediate constraints on implementing necessary housing reforms. This timing mismatch hinders jurisdictions' ability to increase housing supply and meet established targets, as many require upfront funding to enact these crucial changes. ▪ Second, the scheme's threshold requirement of 1 million well-located homes is unreachable (based on current forecasts) for most jurisdictions. With the exception of the ACT, no state or territory is projected to meet this threshold in the duration of the scheme. Victoria is not expected to reach its share of the 1 million threshold until 2032, while Queensland, Western Australia, and South Australia are forecast to achieve their targets in 2033. Other jurisdictions lag even further behind these timelines. These key issues render the incentive payment ineffective in its current form, preventing it from achieving its intended policy objectives.

Recommendations	**1** Bring forward payments with appropriate trigger mechanisms coupled with a clawback mechanism	▪ The Australian Government should work with state and territory governments to develop individual implementation plans that include a **timeline for staged payments**. These plans should provide **upfront funding to initiate reforms**, followed by ongoing payments tied to housing delivery milestones relating to the homes target. ▪ To protect the Australian Government and ensure accountability, it should establish a **clawback mechanism**, such as adjustments to GST distribution, that safeguards the appropriate use of allocated funds, to be agreed with by the states and territories.
	2 Increase the duration of the scheme	▪ The Australian Government should increase the duration of the scheme to seven years. A longer duration would both **increase its attainability** and therefore jurisdictions' engagement with the scheme, and also encourage states and territories to undertake **more challenging reforms** which may take longer to yield results. The Government should consider increasing the target accordingly to reflect the extended timeline.

Funding for the scheme should be increased, in recognition of the severity of the housing affordability challenge Australia faces

Increase the value of the scheme

Context

Australia's housing affordability crisis continues to deepen, with Australians facing unprecedented barriers to home ownership and escalating housing and rental prices. Younger generations in particular are finding home ownership increasingly out of reach. State and territory governments are currently falling well short of their housing targets under the National Housing Accord.

The New Homes Bonus presents a vital opportunity to address these pressing challenges. Substantial funding is needed to address the scale of the housing affordability challenge, requiring both strong focus and concerted effort to tackle its complexity. The scheme is not a panacea to solving the housing affordability crisis, and given the ambitious target of 1.2 million homes, there may be unspent funds from the scheme which should be committed to these issues.

Recommendations

1 Double the scheme value

- Lifting the scheme to **$6 billion** will help highlight the sheer size of the challenge facing governments and provide a much-needed boost in accelerating current efforts. The annual additional cost to the Australian Government is equivalent to 0.1 per cent of the 2024-25 budget.

2 Ringfence any unspent funding

- To maintain commitment and momentum of housing reform efforts, the Australian Government should commit any **unspent New Homes Bonus funding is ringfenced** to support future housing affordability initiatives, such as those initiatives under the National Housing Accord and the Housing Support Program which provides funding to state and local governments for enabling infrastructure. This arrangement could be similar to the arrangements in many states where speeding fine revenue is used for road safety initiatives.

Stronger transparency and governance will drive better outcomes for housing affordability

Strengthen transparency and governance

Context	It is critical that progress towards the national housing target is measured accurately and reported frequently. Headway is currently difficult to measure because there is no centralised system to track progress. States and territories are unable to effectively track their own progress or compare their performance with other jurisdictions. Without a unified approach, it is challenging to accurately assess how each state and territory is performing and identify areas of weakness. Currently, there is some ambiguity regarding features of the New Homes Bonus. It is unclear how the national target of 1.2 million new homes is allocated between states and territories. "Well-located" is also not defined. This could lead to different interpretations across jurisdictions potentially leading to adverse outcomes and inequitable access to the scheme. Overall progress slows as the effectiveness of policy discussions is reduced. Strong governance procedures are needed to address these gaps and to support the success of the reforms.

Recommendations	**1** Increase transparency of target progress	▪ The Australian Government should implement **measures to report on progress using recent, relevant and public data** (e.g. centrally held, publicly available dashboards), to boost understanding of jurisdictional needs and progress. This would enhance accountability and provide valuable data to inform future policy development and research such as work by the National Housing Supply and Affordability Council.
	2 Maintain and uplift good governance procedures	▪ Governments should continue good governance procedures and move towards best practices with **regular reporting and forums** to share insights between jurisdictions (e.g. Ministers' meetings, open dialogue between government departments).

The Australian Government should enhance its leadership role to more effectively address the multifaceted nature of the housing affordability challenge

Enhance Australian Government leadership of nation-wide efforts to increase housing supply

Context	While the New Homes Bonus is one important initiative in addressing the housing affordability crisis, it cannot solve this complex challenge in isolation. Industry experts and state and territory governments have highlighted the multifaceted nature of the issue, pointing to challenges spanning infrastructure development, planning reforms, and skills shortages that extend beyond the scope of the incentive payment. The Productivity Commission recently recommended that governments at every level need to reduce regulatory burden, streamline and speed up approval processes, support innovation and improve workforce flexibility. Improving housing affordability and supply requires a whole-of-government approach. Progress towards achieving the National Housing Accord targets will depend on a strong, nationally coordinated strategy that efficiently allocates time, effort, and resources across all levels of government. The Australian Government has a crucial role to play in leading this coordinated response and ensuring that reforms deliver meaningful progress on housing affordability.
Recommendations	**1** Consider all means and levers available to support the delivery of new homes	■ The Australian Government should take **more ownership** in addressing the housing affordability challenge as one that requires a multipronged approach with cooperation between all levels of government. Other means and policy levers under federal control should be considered to support the delivery of new homes in tandem with state efforts supported by the New Homes Bonus. The Productivity Commission has identified options to improve housing supply across all levels of government.
	2 Establish a Housing Sub-Committee of Cabinet	■ The Australian Government should consider committing housing supply and affordability as a **key government priority** through establishing a Housing Sub-Committee of Cabinet to coordinate national efforts and strengthen the focus on an organised effort.

Source: Productivity Commission (2025) *Housing construction productivity: Can we fix it?*; Mandala analysis.

MANDALA | **29**

| 1 | Housing affordability is a complex and critical challenge facing Australia, which Governments of all levels are trying to tackle |

| 2 | If achieved, the Australian Government's target of 1.2 million new homes by FY2029, would support housing affordability and boost economic activity |

| 3 | However, the New Homes Bonus is not currently optimised to incentivise states and territories to increase residential construction activity sufficiently to meet the target |

| 4 | The Government should consider four key actions to support additional housing supply |

| 5 | **Appendix** |

APPENDIX

Australia

Under the National Housing Accord, the nation has a…

1.2 million
new homes target by FY2029

738,000
homes are forecast to be built

+

462,000
additional homes are required to meet the target

Building the additional homes in Australia will….

Reduce rental price by **$90 per week**

Save **7 million** renters **$253 million** a week

Reduce forecast housing price growth to **-0.2%** per year on average between FY2025 and FY2029

Support **$128 billion** in Gross Value Added including $45 billion direct and $83 billion indirect to the economy across the five-year period

Support **368,000** jobs including 55,000 direct and 313,000 indirect jobs in each year of the scheme

Notes: Price impacts within jurisdictions is a weighted average across 'well-located' areas.
Source: ABS (2024) *Household and Family Projections*; Mandala analysis.

New South Wales

Under the National Housing Accord, New South Wales has a...

375,000
new homes target by FY2029

190,000
homes are forecast to be built

+

185,000
additional homes are required to meet the target

Building the additional homes in New South Wales will....

Reduce rental price by **$130 per week**

Save **2.4 million** renters **$122 million** a week

Reduce forecast housing price growth to **-1.0%** per year on average between FY2025 and FY2029

Support **$17.9 billion** in direct Gross Value Added to the state economy across the five-year period

Support **22,000 direct jobs** each year of the scheme

Notes: Price impacts within jurisdictions is limited to 'well-located' LGAs.
Source: ABS (2024) *Household and Family Projections*; Mandala analysis.

Northern Territory

Under the National Housing Accord, the Northern Territory has a…

11,000
new homes target by FY2029

2,000
homes are forecast to be built

+

9,000
additional homes are required to meet the target

Building the additional homes in the Northern Territory will….

Reduce rental price by **$220 per week**

Save **81,000** renters **$7 million** a week

Reduce forecast housing price growth to **-4.3%** per year on average between FY2025 and FY2029

Support **$910 million** in direct Gross Value Added to the state economy across the five-year period

Support **1,100 direct jobs** each year of the scheme

Notes: Price impacts within jurisdictions is limited to 'well-located' LGAs.
Source: ABS (2024) *Household and Family Projections*; Mandala analysis.

Queensland

Under the National Housing Accord, Queensland has a...

247,000
new homes target by FY2029

151,000
homes are forecast to be built

+

96,000
additional homes are required to meet the target

Building the additional homes in Queensland will....

Reduce rental price by **$80 per week**

Save **1.6 million** renters **$51 million** a week

Reduce forecast housing price growth to **-0.1%** per year on average between FY2025 and FY2029

Support **$9.3 billion** in direct Gross Value Added to the state economy across the five-year period

Support **11,000 direct jobs** each year of the scheme

Notes: Price impacts within jurisdictions is limited to 'well-located' LGAs.
Source: ABS (2024) *Household and Family Projections*; Mandala analysis.

South Australia

Under the National Housing Accord, South Australia has a...

83,000
new homes target by FY2029

51,000
homes are forecast to be built

+

32,000
additional homes are required to meet the target

Building the additional homes in South Australia will....

Reduce rental price by **$70 per week**

Save **477,000** renters **$13 million** a week

Reduce forecast housing price growth to **-0.1%** per year on average between FY2025 and FY2029

Support **$3.1 billion** in direct Gross Value Added to the state economy across the five-year period

Support **4,000 direct jobs** each year of the scheme

Notes: Price impacts within jurisdictions is limited to 'well-located' LGAs.
Source: ABS (2024) *Household and Family Projections*; Mandala analysis.

Tasmania

Under the National Housing Accord, Tasmania has a...

25,000
new homes target by FY2029

11,000
homes are forecast to be built

+

14,000
additional homes are required to meet the target

Building the additional homes in Tasmania will....

Reduce rental price by **$90 per week**

Save **147,000** renters **$5 million** a week

Reduce forecast housing price growth to **-0.8%** per year on average between FY2025 and FY2029

Support **$1.4 billion** in direct Gross Value Added to the state economy across the five-year period

Support **2,000 direct jobs** each year of the scheme

Notes: Price impacts within jurisdictions is limited to 'well-located' LGAs.
Source: ABS (2024) *Household and Family Projections*; Mandala analysis.

Victoria

Under the National Housing Accord, Victoria has a...

308,000
new homes target by FY2029

> **237,000**
> homes are forecast to be built

+

71,000
additional homes are required to meet the target

Building the additional homes in Victoria will....

Reduce rental price by
$50 per week

Save **1.7 million** renters
$29 million a week

Reduce forecast housing price growth to **+1%** per year on average between FY2025 and FY2029

Support **$6.9 billion** in direct Gross Value Added to the state economy across the five-year period

Support **8,000 direct jobs** each year of the scheme

Notes: Price impacts within jurisdictions is limited to 'well-located' LGAs.
Source: ABS (2024) *Household and Family Projections*; Mandala analysis.

Western Australia

Under the National Housing Accord, Western Australia has a...

131,000
new homes target by FY2029

75,000
homes are forecast to be built

+

56,000
additional homes are required to meet the target

Building the additional homes in Western Australia will....

Reduce rental price by **$100 per week**

Save **617,000** renters **$25 million** a week

Reduce forecast housing price growth to **-0.6%** per year on average between FY2025 and FY2029

Support **$5.4 billion** in direct Gross Value Added to the state economy across the five-year period

Support **7,000 direct jobs** each year of the scheme

Notes: Price impacts within jurisdictions is limited to 'well-located' LGAs.
Source: ABS (2024) *Household and Family Projections*; Mandala analysis.

Australian Capital Territory

If the ACT increased its residential construction activity to exceed its target by 50%, it would …

31,000
stretch target for new homes by FY2029

>

25,000
homes are forecast to be built

+

6,000
additional homes are required to meet the stretch target

Building the additional homes in the ACT would….

Reduce rental price by
$40 per week

Save **167,000** renters
$3 million a week

Reduce forecast housing price growth to **+1.1%** per year on average between FY2025 and FY2029

Support **$0.6 billion** in direct Gross Value Added to the state economy across the five-year period

Support **1,000 direct jobs** each year of the scheme

Notes: Price impacts within jurisdictions is limited to 'well-located' LGAs.
Source: ABS (2024) *Household and Family Projections*; Mandala analysis.

APPENDIX

1 State and territory deep dives
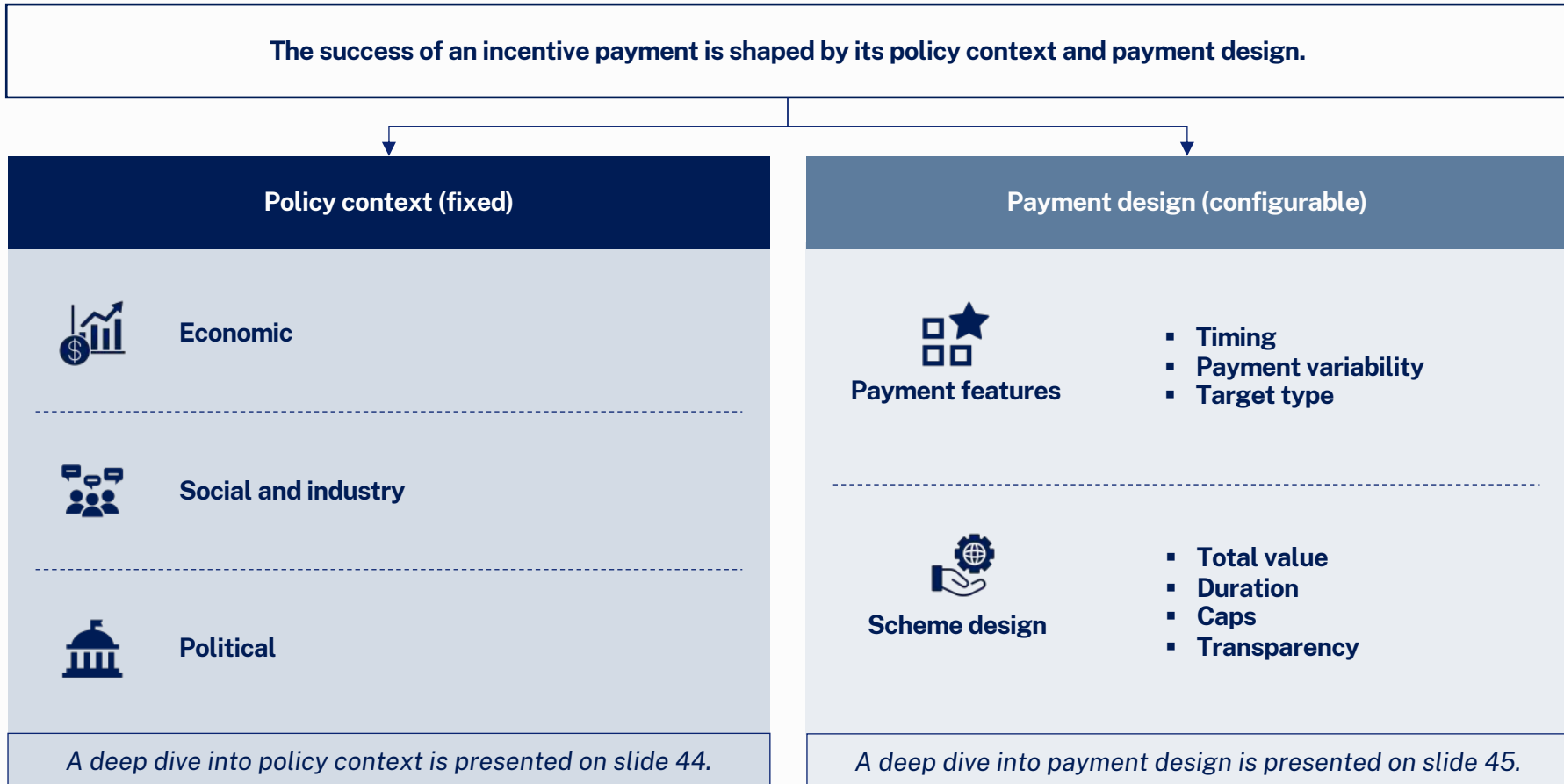
2 **Incentive payment framework**

3 Well-located government areas

4 Methodology

The success of incentive payments in driving reforms is both driven by the external context that the reform is occurring in and the payment design features

The success of an incentive payment is shaped by its policy context and payment design.

Policy context (fixed)

Economic

Social and industry

Political

A deep dive into policy context is presented on slide 44.

Payment design (configurable)

Payment features
- Timing
- Payment variability
- Target type

Scheme design
- Total value
- Duration
- Caps
- Transparency

A deep dive into payment design is presented on slide 45.

This framework is applied to four recent incentive case studies on slides 21 to 24.

There are three key contextual factors to consider when examining incentive payments

Framework of policy context

FACTOR	ELEMENTS	WHY IT IS IMPORTANT
Economic	- Economic growth and inflation - Distribution of income and labor markets - Fiscal policy - Global shifts and pressures	The national economic environment and global trends in economic policy can have significant impact on the size and feasibility of reforms
Social and industry	- Public attitudes and interest - Industry practices and stakeholders - Research - Other policy interventions	Social attitudes, and the inherent complexity of industry types can have significant influence on the appetite for and ability to create change
Political	- Government of the day - Political history - Political will and capacity to act - Governments' relative fiscal positions	Political support for policy priorities and monetary flexibility have significant effects on the size and impact of reforms

There are seven key design choices regarding incentive payments available to the Australian Government

Framework of payment design choices

FACTOR		KEY QUESTION	WHY IT IS IMPORTANT
Payment features	Timing	**When are incentive payments paid? i.e. Paid on completion, upfront, or a mix?**	The timing of when an incentive is paid impacts when reforms can take place and the speed of progress.
	Payment variability	**Is the value of the payment fixed or does it depend on circumstances (e.g. marginal cost to States and Territories, quality of dwelling)?**	The relative value of payments determine whether funding can be used to support progress of reforms.
	Target type	**Are payments evaluated based on inputs, outcomes, or a combination?**	The types of targets used to measure progress influences how jurisdictions plan to achieve targets.
Scheme design	Total value	**What is the total value of the payments?**	The total value of payments influences the amount of budget available for reforms.
	Duration	**How long is the scheme in place for?**	The duration of the scheme influences the feasibility of reforms and progress.
	Caps	**Are payments allocated to each state and territory with funding caps, or is it a non-allocated pool of funding, or a combination?**	The distribution of payments affects the planning and cooperation between states and territories with funding caps or competition for payments imposed.
	Transparency	**Are the targets and timelines for progress clear with reporting measures in place?**	The transparency of targets and timelines affects progress measures and impacts planning for reforms.

Source: Mandala analysis.

APPENDIX

1	State and territory deep dives
2	Incentive payment framework
3	**Well-located government areas**
4	Methodology

List of well-located LGAs by jurisdiction (1/2)

ACT
- Unincorporated ACT

NSW
- Bayside (NSW)
- Blacktown
- Blue Mountains
- Burwood
- Camden
- Campbelltown (NSW)
- Canada Bay
- Canterbury-Bankstown
- Central Coast (NSW)
- Cessnock
- Cumberland
- Fairfield
- Georges River
- Hawkesbury
- Hornsby
- Hunters Hill
- Inner West
- Kiama
- Ku-ring-gai
- Lake Macquarie
- Lane Cove

- Liverpool
- Maitland
- Mosman
- Newcastle
- North Sydney
- Northern Beaches
- Parramatta
- Penrith
- Port Stephens
- Randwick
- Ryde
- Shellharbour
- Shoalhaven
- Strathfield
- Sutherland
- Sydney
- The Hills
- Waverley
- Willoughby
- Wollondilly
- Wollongong
- Woollahra

NT
- Alice Springs*

- Coomalie
- Darwin
- Darwin Waterfront Precinct
- Litchfield
- Palmerston
- Wagait
- Unincorporated NT*

QLD
- Brisbane
- Cairns*
- Gladstone*
- Gold Coast*
- Ipswich
- Logan
- Mackay*
- Moreton Bay
- Redland
- Rockhampton*
- Sunshine Coast*
- Townsville*

SA
- Adelaide
- Adelaide Hills

- Burnside
- Campbelltown (SA)
- Charles Sturt
- Gawler
- Holdfast Bay
- Marion
- Mitcham
- Mount Barker*
- Murray Bay*
- Norwood Payneham and St Peters
- Onkaparinga
- Playford
- Port Adelaide Enfield
- Prospect
- Salisbury
- Tea Tree Gully
- Unley
- Victor Harbour*
- Walkerville
- West Torrens

Notes: In NSW, the list defined by the NSW Department of Planning was used (NSW Government (2024) *Housing targets*). In other jurisdictions, well-located LGAs were defined as LGAs in the greater capital city region of the state or territory e.g. the LGAs in Greater Melbourne.
*LGAs marked with an asterisk fall outside the greater capital city or region but have been included due to significant housing construction activity indicating strong demand within the area.

List of well-located LGAs by jurisdiction (2/2)

TAS
- Brighton
- Central Coast*
- Clarence
- Devonport*
- Glenorchy
- Hobart
- Huon Valley*
- Kingborough
- Latrobe*
- Launceston*
- Meander Valley*
- Northern Midlands*
- Sorell
- West Tamar*

VIC
- Banyule
- Bayside (Vic.)
- Boroondara
- Brimbank
- Cardinia
- Casey
- Darebin

- Frankston
- Glen Eira
- Greater Dandenong
- Greater Geelong*
- Hobsons Bay
- Hume
- Kingston (Vic.)
- Knox
- Manningham
- Maribyrnong
- Maroondah
- Melbourne
- Melton
- Merri-bek
- Monash
- Moonee Valley
- Mornington Peninsula
- Nillumbik
- Port Phillip
- Stonnington
- Whitehorse
- Whittlesea
- Wyndham
- Yarra

- Yarra Ranges

WA
- Armadale
- Bassendean
- Bayswater
- Belmont
- Cambridge
- Canning
- Claremont
- Cockburn
- Cottesloe
- East Fremantle
- Fremantle
- Gosnells
- Joondalup
- Kalamunda
- Kwinana
- Melville
- Mosman Park
- Mundaring
- Nedlands
- Peppermint Grove
- Perth

- Rockingham
- Serpentine-Jarrahdale
- South Perth
- Stirling
- Subiaco
- Swan
- Victoria Park
- Vincent
- Wanneroo*

Notes: In NSW, the list defined by the NSW Department of Planning was used (NSW Government (2024) *Housing targets*). In other jurisdictions, well-located LGAs were defined as LGAs in the greater capital city region of the state or territory e.g. the LGAs in Greater Melbourne.
*LGAs marked with an asterisk fall outside the greater capital city or region but have been included due to significant housing approvals activity indicating strong demand within the area.

APPENDIX

1	State and territory deep dives
2	Incentive payment framework
3	Well-located government areas
4	**Methodology**

Methodology

Component	Method summary	Assumptions
Target	▪ Calculated by proportioning the 1.2 million homes target in line with population distribution (ABS (2024) *Population*).	
Baseline	▪ Number of net new market completions taken from the National Housing Supply and Affordability Council's State of the Housing System report (Australian Government (2024) *State of the Housing System 2024).* ▪ Well-located completions at each state was estimated based on the proportion of well-located approvals in each state in FY2024 (ABS (2025) *Building approvals*). ▪ Yearly net new market completions by financial year are added to the number of well-located dwellings in each state in 2021 to estimate the total number of dwellings by year.	▪ In NSW, the list defined by the NSW Department of Planning was used (NSW Government (2024) *Housing targets*). ▪ In other jurisdictions, well-located LGAs were defined as LGAs in the greater capital city region of the state or territory e.g. the LGAs in Greater Melbourne. ▪ Some LGAs which fall outside of the greater capital city or region have been included due to significant housing construction activity indicating strong demand within the area.
Uplift	▪ Using the method to create the baseline estimate the number of well-located gross market completions in each state by year is determined. ▪ Uplift in gross homes is the difference between the target and baseline number of homes completed. ▪ Uplift in net homes is estimated using historical ratios between net and gross dwelling completions.	
Rental affordability impact	▪ Calculated by the impact of the uplift in supply on the cost of rental prices. ▪ The cost of homes has been calculated as the average of the type of dwelling weighted by the relative number of well-located approvals in each state. ▪ The number of renters has been calculated by combining the number of dwellings rented and average household size.	▪ Rental prices at a state level are assumed to be representative of prices in well-located areas. ▪ Baseline rental prices are assumed to grow by 2.5% inflation every year. ▪ The change in price value is assumed to be entirely driven by supply; every 1% increase in the number of homes completed lowers rental prices by 2.5% (RBA (2019) *A model of the Australian Housing Market*).
Housing affordability impact	▪ Calculated by the impact of the uplift in supply on the housing prices, and the annual average impact. ▪ The cost of homes has been calculated as the average of the type of dwelling weighted by the relative number of well-located approvals in each state.	▪ Housing prices at a state level are assumed to be representative of prices in well-located areas. ▪ Baseline housing prices are assumed to grow by 2.5% inflation every year. ▪ The change in price value is assumed to be entirely driven by supply; every 1% increase in the number of homes completed lowers housing prices by 2.5% (RBA (2019) *A model of the Australian Housing Market*).
GVA and employment	▪ Calculated through calculating the value added per home based on ABS data (ABS (2024) *Building Activity*) multiplied by the uplift. ▪ Based on the use of input-output tables, and the use of GVA and employer multipliers for impact calculations.	▪ Direct impacts of the uplift are based on the benefits to the residential building construction industry only. ▪ Indirect impacts are assumed to relate to the benefits generated in other industries including construction services.

MANDALA