Victorian State Budget

Submission by
Real Estate Institute of Victoria

2026 - 2027

REIV

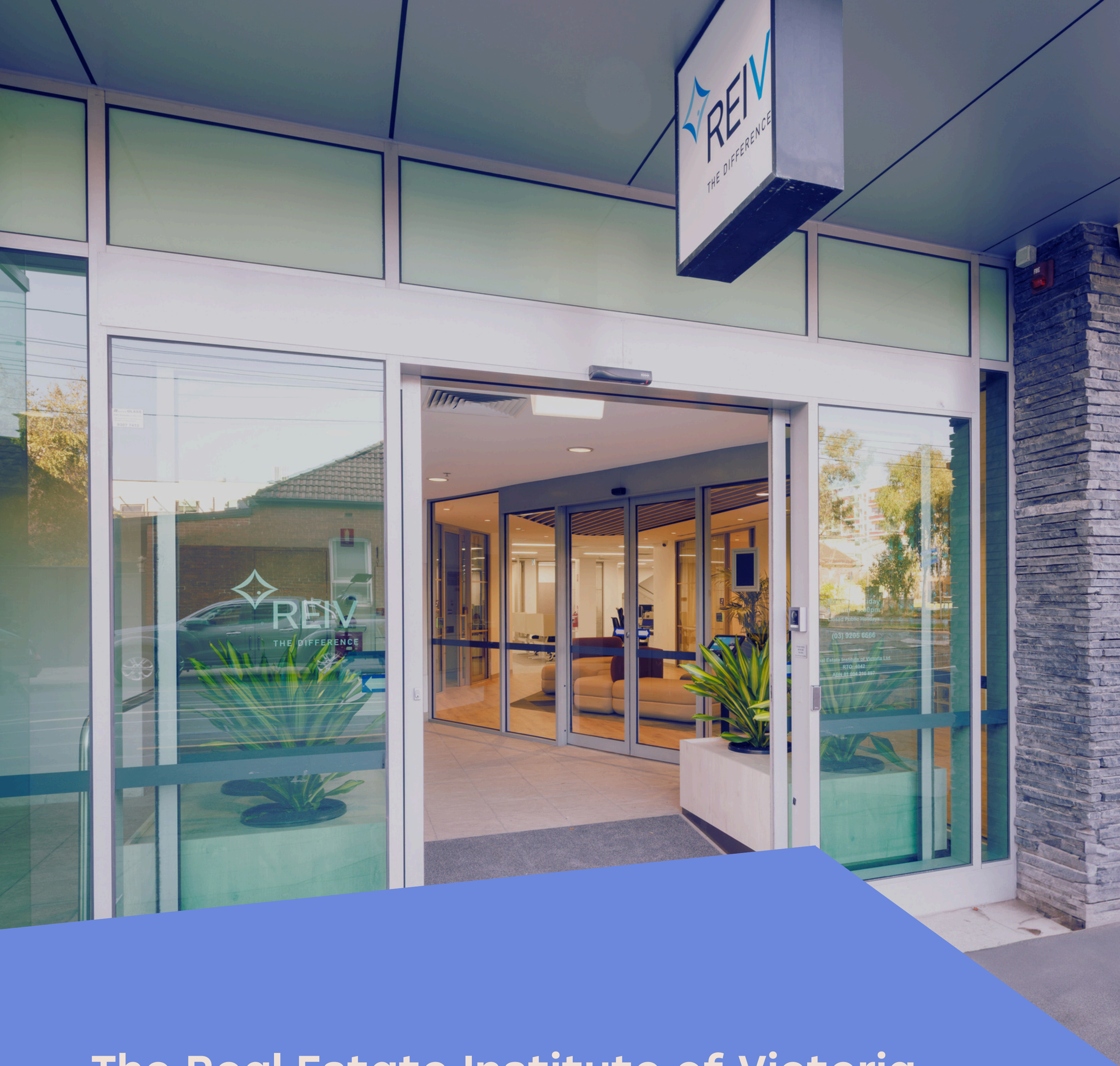
Executive Overview

The Real Estate Institute of Victoria (REIV) outlines its priorities for the 2026 – 2027 Victorian state budget, focused on restoring confidence in Victoria's real estate market, stabilising rental supply, and supporting a professional, well-resourced real estate industry.

Over the past decade, increases in and the expansion of property taxation, combined with successive waves of legislative and regulatory reform, have materially altered the investment and operating environment. Ultimately this has impacted housing availability and affordability in Victoria. These government decisions have led to higher acquisition and ownership costs. While well-intentioned, the scale, pace, and complexity of regulatory reform, combined with escalating holding costs, have undermined investor confidence and limited the market's capacity to respond to growing demand.

Acknowledging the state's structural budget constraints, this submission prioritises boosting rental housing supply through tax reform, implementing low-cost, revenue-neutral measures. The REIV recommends adopting its industry-informed policy initiatives.

Collectively, the REIV's recommendations provide a practical and fiscally responsible pathway to stabilise the rental market, rebuild investor confidence, and support improved housing outcomes for all Victorians.



The Real Estate Institute of Victoria

The Real Estate Institute of Victoria (REIV) is the peak representative body for real estate practitioners in Victoria.

Established in 1936, the REIV aims to enhance the professional excellence of its members to benefit the communities they serve and to advocate for their interests. It represents over 7,000 individual members and 2,000 real estate agencies.

Summary of Recommendations

It is now critical that the state government reassess priorities to rebuild investor confidence in Victoria.

1. No new or increased property taxes or charges

Stability is critical to building market confidence

2. Boost rental housing supply through targeted tax reform

- Drive medium-density build-to-rent housing through targeted incentives
- Encourage long-term leases with land tax concessions
- Retain long-term rental stock by reducing tax burden

3. Investment in real estate agent education and training

Strengthening workforce capability will help implement reforms effectively and deliver high-quality services to all market participants

Understanding the impact of continued regulatory reform, taxation and increasing costs

Homes Victoria's September 2025 Rental Report illustrates the material impact of persistent taxation and regulatory reform. As of September 2025, the Residential Tenancies Bond Authority (RTBA) held 657,002 active bonds, a 1.0 per cent decline compared to the same quarter the previous year. Vacancy rates remain tight, with metropolitan Melbourne at 2.5 per cent and regional Victoria at 1.9 per cent, reflecting constrained supply even amid mounting demand.[1] Given Victoria's population grew by more than 123,000 people in the year to June 2025, an increase of 1.8 per cent[2], the combination of declining rental bonds and persistently low vacancy rates amid strong population growth has created a perfect storm of heightened rental market pressure. This suggests the regulatory environment and cost of ownership is negatively impacting investment behaviour, reducing rental availability.

As Victoria enters an election year, the 2026 – 27 state budget presents a pivotal opportunity to address the state's ongoing housing challenges. The Victorian Government is now in its third year of implementing its Housing Statement, a decade-long strategy to deliver 800,000 new homes through planning reform, supply incentives, and targeted policy interventions. While this ambition is significant, conditions in the rental market remain under sustained pressure. Low vacancy rates, rising rents and weakening investor confidence continue to undermine rental availability and affordability across Victoria.

Over the past decade, successive waves of rental regulation and property taxation have increased compliance obligations, regulatory complexity, and holding costs. The cumulative impost has altered the investment and operating environment, reducing certainty and discouraging participation. Evidence from REIV research, government agencies, and broader market data indicates declining investor engagement and a shrinking rental pool, heightening competition for available properties and pressuring renters.

This year's budget presents a significant opportunity to conduct a comprehensive assessment of Victoria's property tax policy and related government fiscal settings. While the Housing Statement objectives are explicitly to get more people into homes, current tax policies are visibly driving investment away. Central to ensuring balance is a fair and predictable tax system.

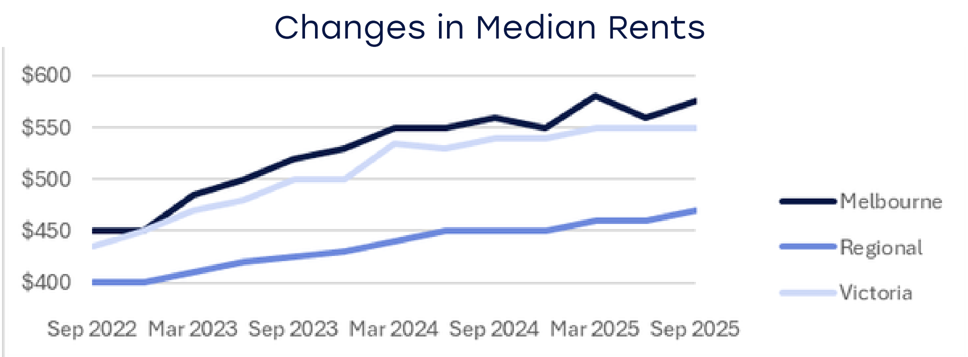
[1] Homes Victoria | Rental Report – September 2025, p. 13, 17
[2] ABS | National, state and territory population

Property taxes and the impact on affordability

Parliamentary Budget Office analysis shows that Victoria imposes one of the heaviest property tax burdens in the country. Revenue from land transfer duty (stamp duty) and land tax is the second-highest of all Australian states, and in 2024 – 25, these property taxes accounted for around 42.4 per cent of Victoria's own-source tax revenue, a level of reliance exceeded only by New South Wales.

> **Critically, Victoria records the highest property tax revenue-to-gross state product ratio nationwide, indicating that property taxes weigh more heavily on the Victorian economy than in any other state.**

Industry feedback now ranks Victoria as the least accommodating state for property investors, prompting a decline in investment sentiment, a sell-off of rental properties, and a shrinking rental pool. Media coverage and industry analysis frequently attribute investor withdrawal to the cumulative impact of increasing regulation and rising holding costs.[4][5] Evidence of rental pressures is clear across metropolitan and regional Victoria, where median weekly rents in Melbourne increased from $450 in September 2022 to $575 by September 2025, an uplift of nearly 28 per cent over three years, as demonstrated below.[6]



This indicates a direct correlation between increasing holding costs and rent prices. State Revenue Office data confirms that Victorian land tax liabilities for rental providers rose substantially due to changes in 2022 and 2024, including general rate and threshold increases, the COVID Debt Levy, and lower tax-free thresholds.[7][8] REIV research demonstrates the impact of increased tax settings, showing that land tax payable on a median-priced house and unit has more than doubled since 2020, even as median values have remained broadly stable or declined. This underscores that recent increases in land tax liabilities reflect policy adjustments rather than market-driven price growth, intensifying cost pressures on rental providers and renters.[9]

[4] Property Council | Victorian property sector's confidence in state government lowest in the nation
[5] ABC News | Year of investor sell-off benefits homebuyers but shrinks Victorian rental stock by 24,000
[6] Homes Victoria | Rental Report – September 2025 – Quarterly median rents by Local Government Area – All Properties
[7] State Revenue Office | Land tax (historical rates)
[8] State Revenue Office | Land tax (current rates)
[9] REIV | Member Resources – Interactive Graph

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Land tax changes for the median-priced house

Year	Median price	Tax-Free Threshold	Marginal Rate	Amount Payable
Jan 2020	$724,500	$250,000	0.2 per cent to 2.25 per cent	$1,597.50
Jan 2022	$971,000	$300,000	0.2 per cent to 2.55 per cent	$2,830.00
Jan 2024	$804,000	$50,000	0.3 per cent to 2.65 per cent	$3,474.00

Land tax changes for the median-priced unit

Year	Median price	Tax-Free Threshold	Marginal Rate	Amount Payable
Jan 2020	$616,500	$250,000	0.2 per cent to 2.25 per cent	$1,057.50
Jan 2022	$677,000	$300,000	0.2 per cent to 2.55 per cent	$1,360.00
Jan 2024	$618,500	$50,000	0.3 per cent to 2.65 per cent	$2,316.00

Comparative analysis indicates that Victoria's land tax settings are materially less competitive than those in New South Wales and Queensland, placing the state at a structural disadvantage for property investment. This disadvantage is compounded by the cumulative impact of additional Victoria-specific surcharges, including the COVID-19 debt levy, the absentee owner surcharge, and the vacant residential land tax.[10] As a result, the attractiveness of long-term rental investment in Victoria has diminished, contributing to an accelerated exit of investors from the market, particularly smaller 'mum and dad' rental providers, who account for approximately 90 per cent of private rental accommodation.[11]

State	Tax-free threshold	Highest marginal rate
Victoria	$50,000	2.65 per cent
Queensland	$600,000	2.75 per cent
New South Wales	$1,075,000	2 per cent

[10] Longview | Land Tax in 2024: A Snapshot of Each Australian State

[11] AHURI | With the right incentives, 'Mum and Dad' landlords could help deliver affordable housing

Cost and resources to operationalise change

Reforms have significantly increased property managers' administrative workloads, necessitating continual retraining, ongoing system updates, and heightened compliance oversight. These demands have diverted time and resources away from real estate professionals' core service delivery to renters and rental providers. Research indicates that almost one in three property managers is considering leaving the profession, citing regulatory burden, workload intensity, and compliance complexity as key drivers. Moreover, experienced practitioners are disproportionately represented among those considering leaving. This attrition intensifies resourcing pressures across the sector and adversely affects continuity of service and outcomes for both renters and rental providers.[3]

Scale and pace of reform

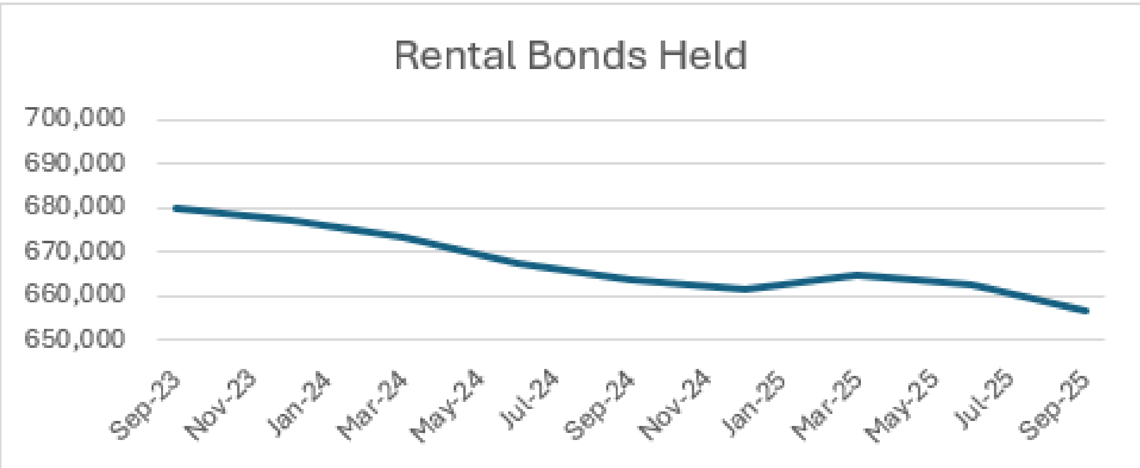
Over the past decade, and amid increased legislative volatility in the past four years, Victoria's real estate sector has been subject to unprecedented volumes of rental regulations and broader industry reforms. This includes more than 130 distinct reforms that impact property investor ownership, rental provision, and real estate agent practice. Many of these changes have been introduced with short transition periods and limited guidance on implementation, creating an increasingly challenging environment for rental providers and real estate agents. The scale, pace, and complexity has placed considerable pressure on industry resources, affecting operational certainty and business compliance. The lack of regulatory stability has made it increasingly difficult for the real estate workforce to manage change while continuing to deliver high-quality, essential services to renters and rental providers.

[3] MRI | 2024 Voice of Property Manager Report, p. 9

Are renters better off?

After a decade of cumulative rental reforms and tax changes, the critical question remains: are renters demonstrably better off, and are current policy settings delivering meaningful improvements across Victoria's housing system? Key indicators, including rental affordability, availability, and broader cost pressures, highlight sustained pressure on renters in an already strained market.

RTBA data show a net decline of more than 22,000 active rental bonds over the two-year period between September 2023 and September 2025, signalling investor withdrawal from the market. Over the same period, vacancy rates across metropolitan Melbourne and key regional centres have remained persistently below three per cent, well under levels associated with a balanced rental market.[12][13] At the same time, ABS data show that market rent increases have consistently outpaced the CPI[14], indicating that affordability challenges are driven primarily by constrained supply and that rents are not materially aligned with broader inflation trends. Concerning rental growth numbers reported by Homes Victoria further underscore these pressures. Median weekly rents across Victoria reached $575 as of September 2025, up 2.7 per cent annually, while vacancy rates remain at historically low levels, falling to just 2.5 per cent.[15]



Alarmingly, ABS data demonstrates that over the five-year period from September 2020 to September 2025, all dwelling categories, except metro houses, experienced rent increases at least twice the rate of wage growth.[16][17] This trend highlights that renters are dedicating an ever-larger share of their income to meet rental obligations.

[12] Homes Victoria | Rental Report – September 2025, p. 13, 17

[13] Homes Victoria | Rental Report – September 2025 – Tables from Rental Report – Figure 4

[14] Australian Bureau of Statistics | Consumer Price Index, Australia

[15] Homes Victoria | Rental Report – September 2025, p. 5, 6

[16] ABS | Wage Price Index, Australia

[17] REIV | Member Resources

Wage Growth (September 2020 – September 2025)	17.0%
Metro Melbourne house rent median change	22.1%
Metro Melbourne unit rent median change	34.1%
Regional house rent median change	40.0%
Regional unit rent median change	35.6%

Further, industry numbers indicate that Victoria recorded the smallest increase in investor loan commitments over the period, with overall lending growth driven primarily by owner-occupiers, who account for the largest share of first-home buyers nationally. Victoria has also fallen to third place nationally for investment lending, a trend widely attributed to the state's higher property tax settings.[18] While it is encouraging to see more market entrants purchasing their first homes, this trend will not sustainably deliver positive outcomes for many long-term renters. With it taking between nine and seventeen years to save for a home deposit in Victoria, many current renters face increasingly difficult conditions, with current regulatory and taxation settings contributing to these challenges.[19]

Overall, current data trends point to a rental market under mounting pressure, with indicators suggesting conditions are likely to worsen. Reduced investor participation and constrained rental supply are functionally undermining positive outcomes for renters, regardless of regulatory intent.

With a decade of reform behind us, the 2026 – 2027 state budget is a critical opportunity for the Victorian Government to conduct a wholesale evaluation of what has worked, what has failed, and what action is needed to genuinely improve housing affordability and availability. Without a review, the Housing Statement's objectives for an improved rental market will remain aspirational rather than achievable.

[18] Savvy | Home Loan Statistics

[19] PEXA | Buyers take more than a decade to save for a mortgage – PEXA Buyer Deposits Report CY24

Recommendations

1 No new or increased property taxes or charges

Further property tax increases risk worsening rental shortages and affordability pressures

The REIV recommends that the Victorian Government place a freeze on increases to property-based taxes and avoid expanding existing property taxes, charges, and other fees. Stability and predictability in property taxation are critical to restoring investor confidence and maintaining rental supply.

Recommendations

Boost rental housing supply through targeted tax reform

Sustainable rental supply is best supported through incentives, not punitive measures

The REIV has developed three industry-informed policy initiatives to strengthen long-term rental supply through targeted, low-cost, largely revenue-neutral incentives rather than additional government expenditure or new property taxes. Each proposal leverages existing taxation and regulatory frameworks, with fiscal impacts either deferred and/or offset by improved housing supply.

Drive medium-density build-to-rent housing through targeted incentives

The REIV recommends introducing targeted land tax concessions to support new medium-density rental housing in well-established suburbs, aligned with Victorian build-to-rent legislative provisions. While current federal tax settings provide concessions to large-scale build-to-rent developments of 50 or more dwellings, extending comparable support through state land tax policy to smaller-scale projects would help unlock additional rental supply.

Enabling developments of five or more dwellings to access land tax concessions, subject to requirements such as long-term lease commitments and single ownership, would encourage Victorian property owners to consider appropriate rebuilds, adding supply while also allowing Victorians to benefit from their home equity to fund their lifestyle needs.

This policy would encourage the efficient use of underutilised land, broaden investment participation, and diversify the rental supply by delivering stable, long-term rental housing.

Drive medium-density build-to-rent housing through targeted incentives

Build-to-rent (BTR) developments that meet certain eligibility requirements are entitled to the following land tax benefits for a period of up to 30 years (known as the BTR benefits):

- A land tax concession in the form of a 50% reduction on the taxable value of the land used for the BTR development.
- An exemption from any absentee owner surcharge on the land.

A BTR development is one or more buildings that are constructed or substantially renovated for the purpose of providing multiple dwellings for rent under residential rental agreements.

POLICY DESIGN

The policy aligns with Victorian provisions for build-to-rent with minor amendments.

- The number of dwellings eligible for tax concessions should be reduced to five or more. This would attract private investment into the sector, including long term owners considering downsizing.
- Existing requirements relating to long-term leases and single ownership of all properties in the dwelling would remain.
- These builds would likely be in well-established suburbs and act as an attractive long-term income strategy for owners with underutilised land.

EXPECTED OUTCOME

Implementation would improve and stabilise the housing supply in the long-term rental market. This would occur through the following:

- A tailored arrangement for long-term rental agreements that provides long term income security for self funded retirees.
- Security for long-term renters and rental providers and the stabilisation of their relationship.

VALUE ADD

- More long-term and stable new rentals would be introduced to the market.
- Increased likelihood of development on long-held land that would otherwise be excluded from the market.

Recommendations

Encourage longer leases with land tax concessions

The REIV recommends introducing incentives to support longer-term leases, to promote rental market stability. Although renters are staying in the rental market longer, lease terms are still predominantly twelve months, and awareness of longer fixed-term options remains limited. To address this, the REIV proposes tiered land tax rebates linked to lease duration to encourage the uptake of longer-term leases. Under this model, rebates would range from 10 per cent for a three-year lease to 60 per cent for a 15-year lease or longer. Renters would assume basic maintenance responsibilities, consistent with arrangements in comparable European jurisdictions, while rental providers would continue to meet core legislative obligations.

This policy would improve tenure security, enhance the predictability of rental supply, and reduce reliance on government intervention in tenancy disputes by balancing obligations between renters and rental providers.

Encourage longer leases with land tax concessions

INITIATIVE

Progressive land tax concessions and redistribution of property management responsibilities to incentivise long-term leases.

REASON FOR INTERVENTION

The rights and obligations of rental providers and renters under the Residential Tenancies Act's current structure deter both parties from offering extended long-term leases.

More encouraging settings, including mutual obligations and concessions for renters and rental providers, are likely to drive better outcomes.

POLICY DESIGN

- The commercial property market provides a template for renters and rental providers entering long-term leases. These would be five years or longer, depending on their mutual needs.
- Land tax rebate would be tiered to the lease terms, with a proposed 10 per cent discount for a 3-year lease, a 20 per cent rebate for a 5-year lease, a 45 per cent rebate for a 10-year lease, and a 60 per cent rebate for a 15-year-plus lease. Rental increases are tethered under legislation to CPI increases.
- Renters would be responsible for limited reasonable maintenance and upkeep, while rental providers retain responsibility for legislative structure and safety requirements.

EXPECTED OUTCOME

Implementation would improve and stabilise the housing supply in the long-term rental market. This would occur through the following:

- A more tailored arrangement for long-term rental agreements that meets stakeholder needs in the rental market.
- Security for long-term renters and rental providers and the stabilisation of their relationship.

VALUE ADD

- Any impact on the budget bottom line is deferred
- Decreased necessity for government intervention in the rental market due to satisfied stakeholders. This includes a reduced reliance on remediation services provided by bodies such as VCAT and CAV.

Recommendations

Retain long-term rental stock by reducing tax burden

The REIV recommends introducing progressive land tax concessions for rental providers who retain properties on the long-term market. Concessions would commence after a five-year compliance period, increasing annually, and eligibility would require a clean VCAT record. This measure would address the growing impact of short-stay accommodation on Victoria's rental market, where the conversion of residential properties into short-term rentals is reducing the supply of homes available for long-term tenants, increasing rental pressure in high-demand areas, and contributing to volatility and division in local housing markets.

This policy would curb the proliferation of short-stay listings, reduce holding costs for committed long-term investors, and increase overall rental market stability, deferring any budget impact until compliance is assured.

Retain long-term rental stock by reducing tax burden

INITIATIVE

Reform of land tax settings to attract and retain properties to the long-term rental market

REASON FOR INTERVENTION

A growing number of rental providers are withdrawing from the property market or transitioning their properties to short-stay rental platforms such as Airbnb and Stayz, with lower regulatory impost.

The high costs of owning and managing a property, including maintenance and compliance costs stipulated by legislation and regulations, deter investors from retaining property on the long-term rental market. More investor-friendly tax settings would reduce these impacts.

Incentives are required to retain properties in the long term rental market.

POLICY DESIGN

Land tax concessions that reward retaining properties on the long-term market.

Concessions would begin following a compliance period of five years, increasing progressively:

- Rental provider offers property for tenancy over a consecutive 5-year period.
- 10 per cent discount at six years, 20 per cent at seven years, 30 per cent at eight years, and so forth.

EXPECTED OUTCOME

Implementation would improve and stabilise the housing supply in the long-term rental market.

This would occur through the following:

- The reduction of rental properties transitioning from the long-term to the short-term market
- The cost burden of holding a rental investment will be reduced, encouraging more rental providers to stay in the market.

VALUE ADD

- Any impact on the budget bottom line is deferred.

Recommendations

3 Investment in real estate agent education and training

Effective reform requires a well-prepared and properly resourced workforce

Each new reform should be supported with funding allocation for sector education and training. Currently, no active consideration is given to the time and resourcing required to change systems, processes and general awareness. This must be a fundamental consideration for all legislative change.

This policy would support the effective implementation of reforms without compromising service delivery or workforce capacity.

Conclusion

Victoria's housing system is at a critical juncture. After a decade of cumulative reform, the 2026 – 2027 state budget presents an urgent opportunity to recalibrate policy settings to restore confidence, stabilise rental supply, and ensure rental reforms deliver measurable improvements for all market participants. The REIV's recommendations are closely aligned with the Victorian Government's Housing Statement ambitions to increase supply, improve affordability and stability, and support sustainable, long-term housing outcomes. As Victoria enters a pivotal election year, the REIV welcomes the opportunity to continue working collaboratively with the Victorian Government to progress practical, fiscally workable housing reforms that deliver lasting benefits for renters, rental providers, and the broader Victorian community.

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