Winter 2026 Newsletter

MORTGAGE & FINANCE

- UPDATE -

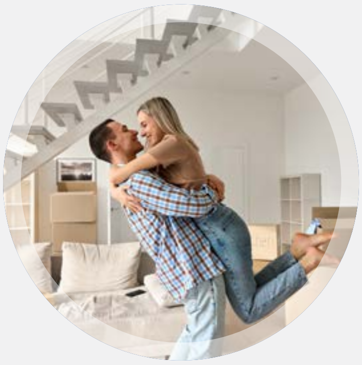
Better Choice Mortgage Services

2026 – 2027 FEDERAL BUDGET REVEALED

30% CGT MIN

The Labor party has confirmed that there will be sweeping changes to property taxes across Australia in the federal budget.

In front of the House on Tuesday evening, Treasurer Jim Chalmers addressed a range of economic challenges facing Australia, including inflationary pressures, rising living costs and the impact of the conflict in the Middle East, stating that "Australians have been paying a hefty price for this war" as higher oil prices continue to weigh on the economy. He also confirmed market rumours about negative gearing and capital gains tax (CGT).



Under the new budget, the government will eliminate the blanket CGT discount and restrict negative gearing to newly built properties.

Chalmers said the changes would better support more Australians, particularly first-time homebuyers and younger people working towards home ownership, rather than investors.

"These changes will level the playing field for workers and first homebuyers to support investment in productive assets, including new housing supply," he said.

CGT DISCOUNT

Starting 1 July 2027, investors will no longer be able to use losses from existing rental properties to reduce the amount of tax paid on personal income. The new budget is forecasted to help roughly 75,000 young Aussies and renters jump on the property ladder.

In addition, the government will get rid of the blanket 50% capital gains tax discount for assets held more than 12 months.

The move is intended to free up supply for homeowners. Starting 1 July 2027, the existing 50% capital gains tax discount for assets held longer than 12 months would be scrapped and replaced with a system that adjusts the asset's purchase price for inflation, alongside a minimum 30% tax rate on net capital gains.

Transitional measures will soften the effect on existing investments by applying the new rules only to capital gains accrued from 1 July 2027 onwards. The current 50% CGT discount will still apply to gains made before that date, while capital gains on assets acquired before 1985 and realized before 1 July 2027 will remain exempt from capital gains tax.

"This will help rebalance a system which is more generous to assets than it is to labor and help rebalance a system where house prices have decoupled from incomes," Chalmers said.

NEGATIVE GEARING

Starting 1 July 2027, negative gearing for residential properties will only apply to new builds. After that, losses from existing residential properties will only be deductible against rental income or the capital gains from residential properties.

Any excess losses would be rolled over and could be used to offset income earned from residential property investments in later years.

The measures will apply to established residential properties purchased on 12 May 2026 or thereafter.

Properties contracted on or before 7.30pm on 12th May 2026 including those under contract but yet to settle, would be grandfathered in and remain exempt until they are sold.

Some new-build properties will be exempt if they meet eligibility requirements. The Labor party said it is aiming to preserve negative gearing incentives for investment that adds to housing supply.

– AUSTRALIAN BROKER –

IS YOUR CONTRACT OF SALE DATED PRE OR POST 12TH MAY 2026?

WELCOME TO OUR WINTER EDITION

The May interest rate rise, along with speculation that there may be one or two further increases ahead, has quickly taken some of the momentum out of the property market. While demand remains relatively strong, buyer intensity has eased significantly, and property listings have increased steadily.

Rate rises directly reduce the borrowing capacity of individuals looking to enter or upgrade within the property market. This creates downward pressure on house prices, as buyers are no longer able to borrow the same amounts they previously could. In simple terms, borrowers now need to earn more to access the same level of finance. While Western Australia has experienced very strong capital growth over the past three years, this pace of appreciation is likely to slow moving forward.

Cost-of-living pressures and growing economic uncertainty have also made consumers, business owners, and home buyers more cautious – particularly following the recent budget announcements. Many in the community are still trying to understand how the proposed changes will impact different sectors of society. The business community has expressed concern that some of the measures may hinder innovation and the productivity improvements needed to support long-term economic growth.

The projected government budget deficits, totalling approximately $265 billion over five years, suggest a shift away from disciplined budget management at a time when stronger tax revenues may have supported surplus outcomes. Interest repayments on the nations near $1 trillion debt are now among the fastest-growing government expenses, second only to the NDIS. Annual interest costs are expected to exceed $30 billion, surpassing expenditure on the Pharmaceutical Benefits Scheme.

The full implications of the budget are likely to take months to filter through the economy, and it will take time before the broader impacts on households, businesses, and the wider community become clear.

Earlier rate rises have already helped cool what had been an extremely heated property market, prompting some buyers to reconsider the timing of entering the market. Concerns around further interest rate increases continue to weigh on buyer confidence, particularly as borrowing capacities tighten further. Despite this, migration into Western Australia remains strong and continues to support underlying housing demand, as it has over the past two years.

We sincerely thank all our clients for your continued support, loyalty, and valuable feedback. Your referrals to family, friends, and associates remain the greatest compliment we can receive, and we truly appreciate the trust you place in us.

TEAM AT BETTER CHOICE

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WHY MORE BORROWERS ARE CHOOSING BROKERS

More Australians are turning to mortgage brokers rather than going straight to a bank, as borrowers seek help navigating a more complex home loan market.

Mortgage brokers facilitated 76.7% of all new residential home loans in the December 2025 quarter, according to data from the Mortgage and Finance Association of Australia (MFAA).

That means more than three in four new home loans now go through a broker, a record for any December quarter since reporting began in 2013.

Brokers settled $142.2 billion in new home loans over the quarter, up 23.6% from a year earlier.

The shift highlights the growing difference between using a broker and going direct. If you go straight to a bank, you are only seeing that bank's own products. A broker, by contrast, can compare loans from a panel of lenders and recommend a product that suits your needs.

That distinction has become more important since the introduction of the best interests duty, which requires brokers to act in the client's best interests when providing credit assistance.

> *This makes them legally obliged to put the borrower's needs ahead of their own.*

With rates, policies and borrowing rules varying widely between lenders, MFAA chief executive Anja Pannek says borrowers are increasingly seeking expert guidance, not just the cheapest rate, but a loan that genuinely fits their circumstances.

IN THE DEC 2025 QUARTER:

76.7%

NEW RESIDENTIAL HOME LOANS WERE FACILITATED BY BROKERS

$142.2 B

IN NEW HOME LOANS SETTLED BY BROKERS

^ 23.6%

UP COMPARED TO THE PREVIOUS YEAR

- AUSTRALIAN BROKER -

THE $150 BILLION SLEEPING GIANT: HOW AUSTRALIA'S MUTUALS QUIETLY TRIPLED

Australia's mutual banks and credit unions have more than tripled their combined mortgage book in seven years, amassing $150.9 billion in residential lending and nearly doubling their market share – and the acceleration is getting faster, not slower.

Their share of the national mortgage market has risen from 3.2% to 6.1% over that period.

MERGERS DRIVING SCALE — AND AMBITION

Two significant mergers completed in early 2023 brought Heritage Bank and Australian Central Credit Union (trading as People's Choice) together as Heritage and People's Choice Limited, now the sector's largest mutual lender with a $21.2 billion book. Newcastle Permanent Building Society and Greater Bank similarly merged to form Newcastle Greater Mutual Group, which holds $19.0 billion.

But the growth story is not just a merger story. Credit Union Australia, which has operated under the Great Southern Bank brand since 2021, has grown its book by 44% since 2019 to $18.3 billion. Bank Australia – built around responsible and ethical lending – has expanded by 261% over the same period, from $4.5 billion to $16.3 billion, making it one of the fastest-growing lenders of any type in the country.

MyState Bank in Tasmania has grown 226% to $10.7 billion. Beyond Bank has more than doubled to $9.5 billion. Regional Australia Bank has nearly tripled. Unity Bank has grown 186%.

> *Across almost every mutual lender in the APRA dataset, the story is the same: sustained, consistent growth that has compounded into a formidable collective force.*

WHY THE MAJORS SHOULD BE WATCHING

The mutual sector's gains have not come from a particular rate war or a single moment of competitive advantage.

They have come from:

1. *Slow and steady accumulation of broker-originated and direct-to-consumer volume, driven by of competitive pricing*
2. *Ethical brand positioning, and*
3. *Increasingly – investment in broker channels and digital infrastructure.*

For brokers, this shift matters. Firstly, it means mutual lenders are now large enough to be genuine panel contenders for a much wider range of clients than they were five years ago. A lender writing $20 billion in mortgages has a different capacity to process volume, invest in BDM networks, and maintain competitive turnaround times than one writing $5 billion.

Secondly, the growth of the mutual sector has created a more genuinely diverse lending landscape for clients who do not fit neatly into major bank credit policy. Member-owned institutions have historically been more flexible on niche employment types, specific property categories, and clients with non-standard income structures – and their growing scale means brokers can place more volume with them without compromising on service standards.

THE BROKER CHANNEL CONNECTION

The mutual sector's growth has been substantially broker-driven. Heritage and People's Choice, Teachers Mutual Bank, Beyond Bank, Police & Nurses and others have all deepened their investment in broker relationships over the past several years, adding BDMs, streamlining accreditation, and building out broker-specific online portals.

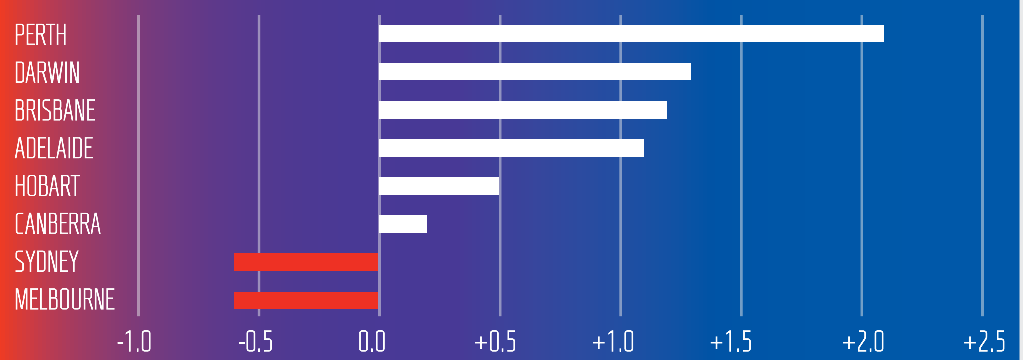
Teachers Mutual Bank, which covers teachers, emergency services workers, university staff and healthcare employees through a family of four brands, has grown its book by 61% since 2019 to $10.1 billion. Its multiple brand strategy – Teachers Mutual, Firefighters Mutual, UniBank, and Health Professionals Bank – allows brokers to match clients to an institution with a genuine community connection, which can resonate strongly with eligible borrowers.

> *If the mutual sector continues growing at even half its recent rate, it will approach $250 billion in mortgage balances by 2030 – putting it within striking distance of NAB's current book size.*

In a market where the big four are tightening credit conditions, managing margin carefully, and facing growing scrutiny over their DTI exposures, the mutual sector's willingness to compete for volume – and its structural alignment with member outcomes rather than shareholder returns – is a genuine differentiator.

– AUSTRALIAN BROKER –

MONTHLY CHANGE : DWELLING VALUES, APRIL 2026



- COTALITY -

WA OVERHAULS RENTAL LAWS AS INDUSTRY WARNS OF SUPPLY SHOCK

The WA Government has announced sweeping rental reforms, including a proposed ban on no-grounds evictions, with industry groups warning the changes could tighten supply and push rents higher.

The reforms, unveiled recently by the Cook Government, form part of the next stage of the Residential Tenancies Act review and are being positioned as a response to ongoing rental stress and affordability pressures across the state.

At the centre of the changes is the removal of 'no-grounds' terminations, which currently allow landlords to end a tenancy at the conclusion of a fixed-term lease without providing a specific reason.

Under the proposed reforms, landlords would instead be required to provide a valid, prescribed reason to terminate a lease, aligning Western Australia more closely with tenancy frameworks in other jurisdictions.

The announcement has drawn a sharp response from the investor and property management sector, with concerns the reforms could have unintended consequences for rental supply and affordability.

The Real Estate Institute of Western Australia [REIWA] has warned that removing no-grounds terminations risks exacerbating an already constrained rental market, particularly at a time when investor sentiment is under pressure.

REIWA President Suzanne Brown said the policy could accelerate the loss of rental stock, noting the market had not fully recovered from the investor exodus seen following the pandemic.

> *"Another drop in supply will see the vacancy rate fall, competition increase, and even more upward pressure on rent prices." Ms Brown said.*

PERTH, REGIONAL RENTS COULD RISE

Industry feedback suggests some investors are already reassessing their positions, with reports of increased property sales and appraisal activity following the announcement. This comes against a broader backdrop of policy uncertainty, including proposed federal changes to capital gains tax and negative gearing, which are also weighing on investor confidence.

Beyond supply concerns, the removal of no-grounds terminations is expected to materially change how tenancy issues are managed.

Under the proposed framework, property owners may be forced to rely more heavily on breach notices and tribunal processes to resolve disputes or remove problematic tenants.

REIWA argues this could lead to an increase in court activity, higher management costs and more complex tenancy administration. These costs are ultimately likely to be passed through to tenants in the form of higher rents.

SUPPLY ISSUES RESTRICTING RENTAL MARKET

The changes may also influence tenant selection practices. With fewer options available to manage risk, property managers and landlords could adopt more stringent screening processes, potentially making it harder for applicants with limited or imperfect rental histories to secure accommodation.

Despite these concerns, the reforms are not without industry support. REIWA has indicated it broadly supports the introduction of minimum property standards and greater clarity around the information that can be requested from tenants and must be disclosed by landlords.

Western Australia's vacancy rate has remained tight in recent years, and while conditions have stabilised from extreme lows, the market remains sensitive to shifts in supply.

> *In this context, even marginal changes in investor behaviour can have outsized effects on availability and pricing.*

Government consultation will continue as part of the legislative process, with industry groups expected to play a role in the final reform.

For investors, the announcement reinforces the importance of closely monitoring regulatory risk alongside traditional market fundamentals.

While stronger tenant protections may improve housing stability, the investment equation is becoming more complex, with policy increasingly influencing both risk and return.

As the reforms progress, the key question will be whether the changes strike a sustainable balance or whether, as some in the industry fear, they unintentionally tighten the market they aim to support.

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- SOURCE ABS -

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HOME LOANS

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CAR AND EQUIPMENT LOANS

INTEREST RATES

OWNER OCCUPIER HOME LOAN

5.89%

VARIABLE

WITH MULTIPLE OFFSET BANK ACCOUNTS & UP TO $2,000 CASHBACK

COMPARISON RATE

5.9%

WARNING: This comparison rate is true only for the examples given and may not include all fees and charges. Different terms, fees or other loan amounts might result in a different comparison.

APRA PROPOSES MASSIVE LENDING SHAKE-UP TO JUMP START PRODUCTIVITY

The country's banking regulator is preparing to ease lending rules on banks, which would allow them to more easily finance property development, mid-sized businesses and public infrastructure, a move it hopes will support economic growth and boost flat-lining productivity.

Australian Prudential Regulation Authority chairman John Lonsdale outlined the changes – which would allow banks to hold less capital against some forms of lending – while flagging tougher liquidity rules. Lonsdale pointed to long-running uncertainties in the global economy – most recently the war between Iran, the United States and Israel, which has grown to engulf the Middle East and shows no signs of ending – as one reason that the regulator was working to reset lending rules.

Demands from Treasurer Jim Chalmers last year for government agencies including APRA and the Australian Securities and Investments Commission to find ways of increasing productivity, Lonsdale said the proposed changes would allow more lending by big banks.

Barrenjoey analyst Jon Mott described the regulator's proposed changes as a positive for businesses. "APRA revising the capital requirements for the banks has got to be a good thing for Australia, especially if it helps capital flow into the business sector," he said on the sidelines of the summit.

Research published by Fitch's CreditSights division on Monday pointed to pain for Australian families and sliding business confidence if the conflict in the Middle East continued. "Household disposable income will be hit by the double whammy of higher oil prices and higher rates; business confidence is also likely to be affected," analysts led by Pramod Shenoi wrote.

Lonsdale said applying a more risk-sensitive approach to business loans, "should enable [banks] to lend more on their existing capital". The package of flagged changes would be broadly cost-neutral across the banking system, but some smaller banks would benefit from lower costs, he added.

"By lowering the cost of credit for businesses, there is the potential to encourage investment, with benefits for productivity and economic growth," Lonsdale said.

"APRA expects the changes to give larger entities more flexibility to provide lending and support investment under the standardised floor without compromising stability."

Andrew Triggs, an analyst at JPMorgan, said the major banks were already gaining share in commercial real estate lending, suggesting "an appetite to take a little more risk" in that part of the market.

The country's banks received letters from APRA setting out the proposed capital and liquidity changes. Part of the mooted reforms is aimed at shoring up liquidity at banks, essentially so that they can meet obligations and depositor withdrawals during times of stress.

"Specifically, changes that can assist in the construction of new housing and infrastructure to help tackle Australia's supply challenges are welcome," Birmingham, a former finance minister, said.

"Australia's banks are well capitalised and enter this period from a position of strength that has helped customers and the broader economy navigate recent global uncertainty."

- FINANCIAL REVIEW -

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