

## NSW *BUDGET* REVIEW



Words by  
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### **\$1 Billion Pre-Sale Finance Guarantee**

Aiming to Boost Residential Development

In a move to address one of the state's most pressing challenges, the NSW Government has unveiled a \$1 billion Pre-Sale Finance Guarantee program as part of its 2025/26 Budget. This Australian-first initiative aims to boost housing supply across the state, supporting the government's ambitious target of delivering 75,000 new homes annually through to 2030.

Under this program, the NSW Government will act as guarantor for up to 50% of pre-sales in approved residential projects to assist with developers securing the construction finance and is designed to unlock residential development that might otherwise stall due to insufficient pre-sales. The program operates through a detailed, structured process that addresses one of the most significant barriers to housing development we understand to exist in today's market.

### **How does it work?**

The guarantee is structured as a renounceable commitment by the NSW Government to purchase nominated dwellings in eligible residential projects. This commitment should effectively satisfy lenders' pre-sale requirements, allowing developers to secure construction finance when they might otherwise be unable to proceed.

While the Government will commit to purchasing up to 50% of dwellings in qualifying residential projects, with several specific parameters;

- Individual dwellings must have a market value of under \$2 million to qualify,
- The government's commitment per project ranges between \$5-\$50 million, or up to 50% of the total number of dwellings,
- All purchases will be made at a discount of at least 10% to each dwelling's independently assessed market value upon completion, with potentially higher discounts based on project assessment.
- Projects must already have planning and development approval in place, with construction capable of commencing within six months of the guarantee's approval.



## Will it make a difference?

At is important to note the Government's commitment is renounceable, allowing developers to continue to market, and sell the dwellings to private purchasers at any time, and for any price. We consider this a sensible approach, allowing developers to take advantage of upward market shifts throughout the development period, without the downside risk if the markets shifted in the other direction. This structure creates a true safety net for developers, rather than a first-option purchase arrangement, aligning with the government's goal of stimulating private market activity while minimising direct intervention. A win-win situation and one we expect developers will leap at with qualifying projects.

Our expectation is that this program will be popular with developers and for those with challenged feasibilities for projects that don't qualify, we would recommend revisiting plans to take advantage of this program.

While each of the 5,000 homes will be immensely valuable to the would-be residents, they are only a small fraction of the Government's 2030 targets. If the program is as successful as anticipated, an extension would bolster this pipeline and could make a significant impact to reaching these targets.

While interest rates are coming down, inherently making housing purchases more affordable for people, the growing house prices continue to put pressure on the ability for people to get into the housing market. Without purchasers, developers aren't incentivised to develop the housing the State needs to keep up pace with population growth and the meet the changing household composition requirements, especially across Greater Sydney.

## What else is the NSW 2025/25 Budget delivering for housing?

The Pre-Sale Finance Guarantee is just one component of the government's multi-faceted approach to addressing housing affordability and supply challenges. The Budget also includes several complementary measures;

- \$1.2 billion investment in TAFE training to accelerate the delivery of 4,800 construction trades workers,
- \$145.1 million to support Building Commission NSW in reforming the residential building industry,
- \$83.4 million to accelerate planning approvals, including \$10.6 million for the newly established Housing Delivery Authority,
- A permanent land tax concession for build-to-rent developments, offering a 50% reduction in assessed land value,
- \$20.9 million to help regional councils bring forward critical enabling infrastructure,
- \$20 million to ease pressure on crisis accommodation, building on a \$527.6 million homelessness services package from the previous budget.

These announcements represent the Government's commitment towards creating more housing to tackle the housing crisis, however only time will show the how impactful these all are in the longer term.

*You can find the full Budget Papers here*





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