

MEDIA RELEASE

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NSW Budget – Housing supply gets a boost with the pre-sale Finance Guarantee

CEO of Urban Taskforce Australia, Tom Forrest said that the announcement of a pre-sale Finance Guarantee was this year's big budget surprise, and it will drive private sector housing supply by lowering finance costs and reducing risk.

This is a case of the NSW Government utilising its access to cheaper finance to effectively underwrite off-the-plan sales, with a guarantee to be provided worth between \$5 million and \$50 million for each project.

This is a smart way to leverage government funds. This is a clear signal that the NSW Government appreciates the importance of working with the private sector as the key actors capable of solving the housing supply crisis.

The guarantee will reduce the number of pre-sales required before a financier is prepared to make the loan available for construction. In the meantime, if the pre-sales happen, the guarantee is extinguished and that finance guarantee rolls over to another new project.

If pre-sales can not be achieved upon the completion of the project, the developer can call on the guarantee, whereby the Government would purchase the completed dwellings at an agreed discounted rate. This housing can then be either sold-on, or used for affordable housing.

With the pre-sale finance guarantee in hand, a project has the benefit of being able to access finance from a bank rather than a non-bank debt lender, when the interest rates charged are significantly higher.

This guarantee could be amplified with a boost from the Commonwealth to further drive housing supply and get the states closer to achieving their Housing Accord targets.

This is a win-win from both housing supply and the financial interests of the taxpayer. If the guarantee is called on, the taxpayers benefit from the purchase of the housing stock at a discounted rate. But just having this facility available will increase the confidence of financiers and reduce the borrowing costs for developers.

Premier Minns, Treasurer Mookhey and Planning Minister Scully deserve strong praise for listening to industry. Today's announcement shows they have a solid understanding of the barriers to housing supply and how the Government can use its financial strength to access finance to underwrite or guarantee supply, to boost confidence and cashflow for this critical sector.

The Budget also supported the massive expansion planned for Western Sydney and confirmed pre-budget announcements including:

- Allocation of \$126 million to Sydney Water for Wilton and Bingara Growth infrastructure (disappointingly however, there was not an allocation to support 13,000 new homes in the Appin precinct)
- The establishment of the new Investment Delivery Authority (IDA) – modelled on the Housing Delivery Authority, to bust through red tape in the planning system, accelerate approvals for up to 30 major projects across all industries

- Publication of the draft Works in Kind Guidelines (which will apply to the Housing Productivity Contribution which, interestingly, don't seem to rate a mention anywhere in the Budget Papers) to facilitate the delivery of State infrastructure to support housing supply
- The extension of land tax concessions for Build to Rent projects (to make them last in-perpetuity)
- \$50 million for critical road upgrades across the Aerotropolis, including traffic lights and signals at the Elizabeth Drive and Luddenham Road intersection and a new turning lane at the Mamre Road and Kerrs Road intersection
- \$84 million in 2025/26 for the Mamre Road upgrade (for stages 1 and 2 of the upgrade – which has an estimated total cost for both stages of \$1.123 billion)
- \$18.9 million for Elizabeth Drive upgrade (a fairly small contribution compared to the total cost estimated to be \$580 million)
- \$53 million in 2025/26 for the upgrade of Mulgoa Road (stages 1 and 2 have an estimated total cost of \$255 million)
- \$11.3 million (jointly funded with the Commonwealth) this year for an upgrade to Appin Road – part of the total upgrade cost of \$138 million
- \$39 million jointly funded with the Commonwealth to plan three key routes – Devonshire Road, Devonshire Link Road and Bradfield Metro Link Road
- \$644 million in Water upgrades (paid for by the developers through DSP charges) in the Mamre Road industrial precinct

Funding was confirmed to support the successful Housing Delivery Authority, along with the new Investment Delivery Authority.

Urban Taskforce Australia is disappointed that the budget did not back in our consistent calls for the implementation of the NSW Productivity Commission recommendation to defer the payment of infrastructure charges from the start of construction to the completion of construction.

Urban Taskforce calls on the Government to revisit the timing of this tax on housing supply as they work with the Opposition on broader reforms of the NSW planning system.

End

*The comments and analysis above can be attributed to **Tom Forrest**, CEO, Urban Taskforce Australia.*

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*The **Urban Taskforce Australia** is a property development industry group, representing Australia's most prominent property developers and equity financiers.*