



**NSW BUDGET 2026 – 2027**  
**RELEVANT TAKEAWAYS FOR THE NSW BUILDING INDUSTRY**

## Relevant Takeaways For The NSW Building Industry

The 2026/27 State Budget was handed down today by NSW State Treasurer David Mookhey. The Budget includes some welcome measures to accelerate housing approvals, support Modern Methods of Construction and maintain a substantial pipeline of public infrastructure work. In his speech in the NSW Legislative Assembly today, Mookhey noted that private investment is now the leading source of economic growth in NSW. He stated that no other state in Australia can say the same.

MBA NSW has prepared the following summary to assist members to understand how the measures outlined in the Budget will impact their businesses.

## Economic conditions in NSW

The construction industry will continue to operate within a challenging economic environment. The budget papers noted that the tight labour market and elevated capacity pressures contributed to higher than expected inflation at the end of 2025 and the first half of 2026. The budget papers acknowledge that higher interest rates are expected to lower the pace of growth in dwelling investment. The impact of the Middle East conflict continues to be felt with related impacts on inflation and uncertainty. Treasury notes that disruptions to chemical and plastics production due to the disruption in fuel supply have increased costs for a range of goods such as construction materials.

The State economy is being impacted by sizable domestic and international challenges which have cut forecast growth. NSW Treasury has reduced its economic growth forecast to just 1% in both 2026/27 and 2027/28, compared with the Half-Yearly Review forecasts of 2.5% and 2.25% respectively. A deficit of **\$2.3 billion** is projected for 2026/27. The State is not forecast to return to surplus until 2027/28. The surplus forecast in that financial year is quantified at **\$1.1 billion** with subsequent surpluses of **\$1.8 billion** in 2028/29 and **\$1.9 billion** in 2029/30.

The budget papers note that capacity pressures remain, particularly in the labour market and that wage growth is forecast to remain strong in the near term. Productivity growth remains a significant challenge, averaging only 0.8% over the last 20 years.

A few things are encouraging. Business investment (notably in data centres) is to assist in partially offsetting the downward impacts on dwelling investment and household consumption growth. Housing activity has also improved with an increase of 53% in new housing commencements over the year to December 2025 and a 13% rise in dwelling approvals in the 12 months to April 2026 compared to the prior 12 months.

## Housing and Development Approvals

The NSW State Government will provide **\$52.1 million** to establish the Development Coordination Authority to help speed up housing delivery and coordinate approvals across government. The Authority will operate from 1 July 2026 as a one-stop shop coordinating agency input on development applications and planning proposals.

### Further funding measures include:

- » **\$32.3 million** for the Building Commission to improve housing productivity through a new building approvals system in the NSW planning portal, creating a Modern Methods of Construction Regulatory Framework to decrease the cost of construction, pilot of an enhanced dispute resolution process and the use of AI technology to improve and streamline licensing;
- » An initial **\$31.1 million** investment to support delivery of up to 8,500 new homes in Bays West;
- » **\$24.9 million** to improve the planning system and support faster housing delivery;
- » **\$14 million** invested in the NSW Digital Planning System;
- » An expansion of the **\$1 billion** Pre-Sale Finance Guarantee, with an additional **\$80 million** in guarantees to accelerate community housing projects. The expansion is to target registered, not-for-profit community housing providers and smaller residential developments, particularly in regional areas;
- » A new surcharge purchaser duty relief measure for purchases of operational build-to-rent properties from 1 July 2026. A new surcharge purchaser duty relief measure will also apply from 1 July 2026 for eligible retirement village developers and operators.

The budget papers note that the Housing Development Authority is accelerating the delivery of large-scale housing projects, with over 370 proposals now declared as State Significant Developments, with the potential to create more than **124,000 homes**.

These measures support the objectives of Pillar 3 of MBA NSW's pre-budget submission of delivering more homes for a growing NSW. In its submission, MBA NSW requested that the NSW government ensure the Building Commission is adequately resourced to perform its function as the industry regulator.

## Modern Methods of Construction

In the lead up to the Budget, the NSW Government announced on 22 June 2026 that it would invest in a facility to harness ‘cutting-edge prefabrication, modular construction and digital technologies to produce high-quality housing faster, helping cut construction times, ease cost pressures and strengthen NSW’s building supply chain’. It announced that a two-stage tender process would open in coming weeks to ‘partner with the NSW Government to develop and deliver prefabricated components and modular housing at scale’.

### Measures announced in the Budget to support the development of MMC in NSW include:

- » Seeking expressions of interest to establish a MMC Innovation Facility in NSW. The Facility will use MMC techniques, technology and processes to produce prefabricated and modular components suitable for housing and other buildings, cutting construction times, easing cost pressures and reducing reliance on interstate and overseas suppliers.
- » Supporting the creation of a new regulatory framework for MMC, which is fully integrated with the new national certification scheme. Treasury documents state that a pilot will commence in NSW from the second half of 2026.

In its Pre-Budget submission, MBA NSW highlighted the importance of supporting innovation and new approaches in the construction industry.

## Infrastructure

In the lead up to the Budget, the NSW Government announced on 22 June 2026 that it would invest in a facility to harness ‘cutting-edge prefabrication, modular construction and digital technologies to produce high-quality housing faster, helping cut construction times, ease cost pressures and strengthen NSW’s building supply chain’. It announced that a two-stage tender process would open in coming weeks to ‘partner with the NSW Government to develop and deliver prefabricated components and modular housing at scale’.

**The Budget includes a \$116.7 billion infrastructure program over the four years to 2029/30. This total comprises:**

- » Additional investments in transport, health and education infrastructure which maintains the general government infrastructure program at **\$84.8 billion** over the next four years; and
- » A public, non-financial corporation infrastructure program of **\$31.9 billion** over the next four years.

**Major elements of the State’s infrastructure program include:**

**\$60.2 billion** over four years in transport infrastructure projects including:

- » **\$12.9 billion** over four years for Sydney Metro West.
- » **\$2.3 billion** over four years for Western Harbour Tunnel Upgrade.
- » **\$2.2 billion** over four years for Sydney Metro-Western Sydney Airport.
- » **\$988.3 million** over four years for Sydney Metro City and Southwest.
- » **\$6.5 billion** over four years in Western Sydney roads.

## Infrastructure

**\$11.9 billion over four years for health infrastructure to deliver new and upgraded hospitals and health facilities (estimated total costs shown below), including:**

- » **\$2.0 billion** for New Bankstown Hospital.
  - » **\$1.0 billion** for Nepean Hospital and Integrated Ambulatory Services Stages 1 and 2.
  - » **\$940.0 million** for Royal Prince Alfred Hospital Development.
  - » **\$890.0 million** for John Hunter Health and Innovation Precinct.
  - » **\$880.0 million** for Liverpool Health and Academic Precinct.
- The delivery of **8,400** new social homes and upgrades to existing homes to assist vulnerable people;
  - **\$5.2 billion** to build the water infrastructure that supports new housing across western Sydney;
  - **\$2.4 billion** of new investment for Parramatta Light Rail stage 2;
  - Investment in heavy rail maintenance of **\$2.1 billion** for signalling systems, maintenance and station upgrades to improve services on the existing Sydney Trains and NSW Trains network;
  - **\$4.5 billion** is allocated to Metro expansion in 2026/27;
  - **\$365 million** over four years in partnership with Australian Government for roads connecting communities to the Rouse Hill Hospital.

**\$11.3 billion over the four years for education and skills infrastructure, including:**

- » **\$9.2 billion** over four years to support the planning and delivery of new and upgraded schools.

## Education, apprenticeships and skills

The Budget provides **\$3.4 billion** for skills and TAFE including **\$233.2 million** to upgrade TAFE campuses.

Treasury documents also reference the \$100 vehicle registration rebate for registered first and second year apprentices.

## Support for small businesses

The government has allocated **\$37.0 million** for the small business advisory program to succeed Business Connect after the latter program closed on 30 September 2025.

## Cost of living

A number of measures were announced in the Budget aimed at addressing issues regarding cost of living.

These include:

- » Lowering the weekly toll cap from \$60 to \$50 for 2026/27.
- » A \$100 cut on private vehicle registration (excl. caravans and trailers) in 2026/27.
- » Holding Opal fares at 2025 prices for a year;

It was also announced that a further 30,000 first home buyers are expected to benefit from the First Home Buyers Assistance Scheme in 2026/27, with the average amount of assistance **\$20,400**. The NSW Government is also to scrap toll administration fees from July.

**\$557.1 million** has also been announced in interest-free loans and discounts to install energy technologies under the NSW Home Energy Saver program.