



The effect of regulatory burden on housing productivity and supply

PC supplementary submission

Introduction

The Productivity Commission welcomes the opportunity to make this supplementary submission to the Senate Select Committee on Productivity in Australia.

The PC is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role is to help governments make better policies, in the long-term interest of the Australian community.

This submission supplements our first submission, *Productivity in Australia: selected policy options for a more prosperous future*, with a focus on regulatory burden in the housing industry. It draws on our recent work on housing:

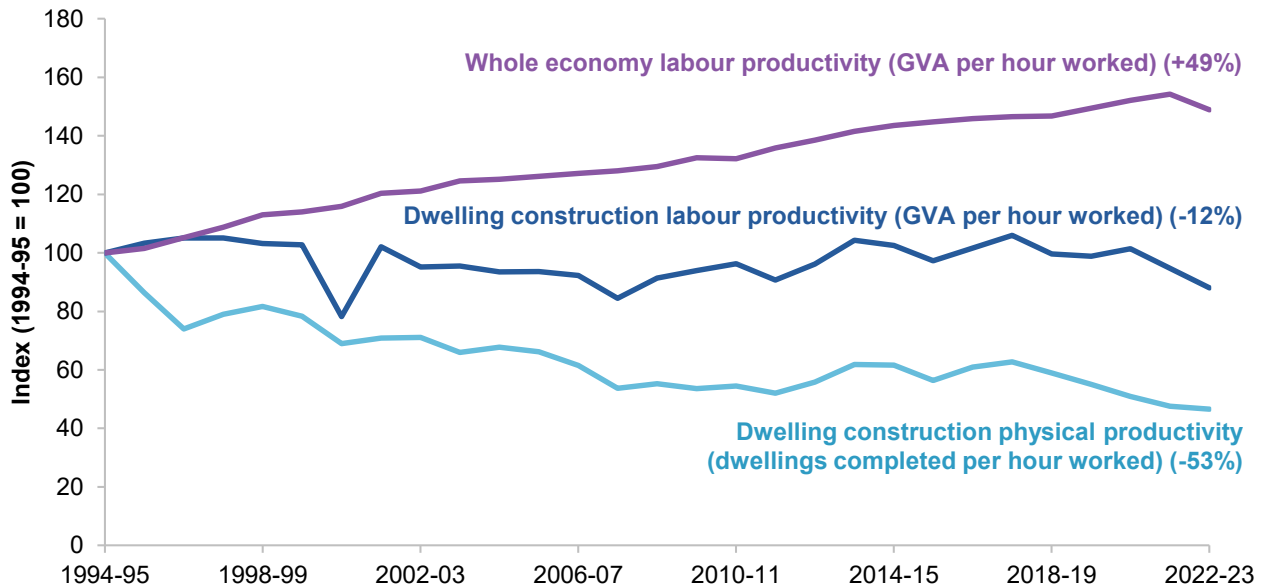
- *Housing construction productivity: Can we fix it?* (PC 2025d)
- *Creating a more dynamic and resilient economy* (PC 2025b).

It also draws on our labour force work in *Building a skilled and adaptable workforce* (PC 2025a) and *National Competition Policy analysis 2025* (PC 2025e).

How does regulatory burden impact housing productivity and supply?

The PC's *Housing construction productivity: Can we fix it?* report found that productivity in the housing construction industry has been declining over the last 30 years (2025d, pp. 16–17). Over this period, the number of homes completed per hour worked by housing construction workers declined by 53%. And as measured by gross value added (GVA) (a more comprehensive measure that controls for improvements in the quality and size of housing), productivity declined by 12% over that time. This contrasts with the broader economy, where labour productivity increased by 49% over the same period (figure 1).

We found several issues connected to the poor productivity performance of housing construction. One was that the process of developing and constructing new housing is subject to layers of regulations at every step, which creates significant complexity and slows the process down. For example, the average time taken to complete a single detached house in 2023-24 was about 10.4 months, up from about 6.4 months a decade earlier, and other housing types also have been taking longer to complete over the same period (PC 2025d, pp. 10–11). Growing regulation means that businesses increasingly must allocate resources to dealing with regulatory compliance rather than to core business activity. This constrains productivity growth and can reduce the ability of businesses to deliver new housing.

Figure 1 – Housing construction productivity is falling**Proxies for dwelling construction productivity between 1994-95 and 2022-23**

Source: PC estimates using ABS data (2024a, 2024b, 2024c, 2024d).

Housing regulation as well as being voluminous, is also inconsistent. It differs in content and scope at every level of government, and across jurisdictions. This inconsistency helps reinforce an industry landscape that is highly fragmented, with many small, localised firms that commonly rely on subcontracting. Very small businesses have limited opportunity to benefit from economies of scale and scope, and find it harder to access and invest in productivity-enhancing innovations. These factors make it difficult for businesses to grow and become more productive, and can therefore indirectly constrain housing supply.

The PC also looked at regulatory burden in the housing industry in our *Creating a more dynamic and resilient economy* inquiry report (PC 2025b). While many regulations are appropriate to ensure the safety, quality and liveability of new housing stock, the overall cumulative effect is significant – we estimated that regulation adds between \$135,000 to \$320,000 to the cost of the average new house, and \$40,000 to \$175,000 to the cost of the average new unit. This equates to about \$28.6 billion per year (or about 1% of Australia’s total GDP in 2025) in total regulatory burden across the industry (PC 2025b, p. 45).

We divided the costs of regulation into sub-categories:

- **zoning and land purchase:** the land value premium attributed to zoning regulation
- **development or planning approval:** costs of due diligence, preparation of applications, fees for approval and holding costs of delays
- **construction process:** costs of materials, labour, safety equipment, worker training and licensing, that would not be incurred in the absence of the regulations
- **quality assurance, certification and titling:** costs of compliance inspections, inspection for certificate of occupancy, holding costs for delays and government processing of subdivision.

For the construction of new houses, the largest component of regulatory cost was zoning and land purchases, ranging from an estimated \$115,000 to \$165,000 per home. For new apartments, the largest regulatory burden came from the development or planning approval process, ranging from an estimated \$10,500 to \$56,560 per apartment (PC 2025b, pp. 184–185).

In the inquiry, many participants raised concerns about the size of regulatory burden in the housing construction and development industry. They raised several priorities for regulatory reform, including modernisation and harmonisation of construction regulations, streamlining of planning and building regulations, and faster certification and compliance pathways (PC 2025c, p. 25).

What governments can do

There are several priorities for reform to support productivity growth and housing supply in Australia.

- **Improve coordination between decision makers in the development approval process.** Governments should consider setting up coordination bodies, similar to the State Assessment and Referral Agency in Queensland, to coordinate and speed up approvals. Governments also need to provide enough resourcing for local councils, regulators and service providers to allow timely approval decisions and ensure accountability (for example, by setting performance targets for approval decisions) (PC 2025d, p. 7).
- **Review problematic areas of regulation.** While safety and quality benefits of housing regulation are important, specific areas need reviewing to identify ways to streamline requirements and remove unnecessary barriers to increasing housing supply.
 - Our housing construction productivity work found that the National Construction Code is one such area, with inconsistent application across states and territories, and significant volumes of requirements that builders must comply with. In December 2025, Treasury announced a review of the Code, which is intended to identify ways to streamline it and ensure it remains fit for purpose (Treasury 2025).
 - In our *Creating a more dynamic and resilient economy* report, we suggested that the Australian Government should commission an independent review into housing regulation, based on feedback from participants that the complexity of regulations contributed a great deal to reduced housing affordability and supply (PC 2025b, pp. 44–45).
- **Remove barriers to innovation, and invest in it.** We recommended in *Housing construction productivity: Can we fix it?* that governments should consider how to address unnecessary regulatory barriers to the development and uptake of modern methods of construction (PC 2025d, pp. 56–57). The Australian Building Codes Board has since announced that it is working to develop nationally consistent definitions for modern methods of construction and a voluntary certification scheme, to support the uptake of modern methods of construction that also aligns with the National Construction Code (ABCB 2025). Governments should also consider whether public research and development funding for housing construction is adequate (PC 2025d, p. 8).
- **Improve workforce mobility and flexibility.** The construction industry is hampered by workforce shortages. Governments should make it easier for workers in the industry to move around, by working towards national consistency in occupational licensing and regularly reviewing licensing systems (PC 2025e, p. 18, 2025a, p. 97). Governments can also review barriers to migration and worker training to improve the skilled labour pool to contribute to housing supply (PC 2025a, pp. 93–94).

References

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— 2025e, *National Competition Policy analysis 2025*, Study report, Canberra.

Treasury 2025, *Modernising the National Construction Code: Project scope*, Australian Government, pp. 1–3.