



October 2024



FASTER, BETTER, MORE

Why it takes so long and costs so much to deliver the housing we need – and what we can do about it.

This paper has been commissioned by the **Australian Institute for Progress**. It explores the reasons behind our current housing shortages and identifies a range of policy measures which have contributed to – rather than alleviated – the magnitude of the current housing ‘crisis.’

It also proposes alternatives to the policy settings which could significantly improve both the volume and affordability of basic housing.

The paper does not touch on the provision of social housing: this is a government responsibility and is not something that can be delivered in volume by the market. Generally, there have been inadequate initiatives to involve the private sector in public housing redevelopment. Failures by governments to provide adequate social housing, or to better manage the existing social housing stock, are exacerbating the housing ‘crisis’ but this paper is focussed on the delivery of new market housing where greater volumes and real gains in affordability are possible.



About the Australian Institute for Progress

The Australian Institute for Progress exists to advance the discussion, development and implementation of public policy for Australia’s future, from its base in Brisbane. It is politically unaligned, and funded through membership, donations and consultancies.

The AIP promotes the classic rights – freedom of expression, freedom of association, property rights, freedom of worship, and freedom of markets. It is the view of the AIP that human ingenuity is indomitable and lies at the heart of human progress. We believe that individuals – not governments – are best placed to direct their own futures, and that it is their ideas and efforts that help shape a collective future.

The AIP will contribute to debate by enabling the publication of discussion and policy papers, conduct seminars, participate in forums, and the media. We will seek to engage all Australians, but particularly those in the prime of their careers who will bear the responsibility for advancing our nation in the decades ahead of us. In this way, we will place ourselves at the centre of sensible, visionary public debate and policy discussion in Australia. We will play a leading role in helping to shape the nation we can become.

Author

The paper has been prepared for the AiP by Ross Elliott, who has over 35 years in the property industry, as a researcher, analyst, observer and practitioner. He has held several leadership roles with the Property Council of Australia (as Queensland Executive Director, as national Chief Operating officer, and as Executive Director of its Residential Development Council). He has worked with and within a multitude of industry professions from developers to designers to engineers, planners, building contractors, project managers and others. He has both policy and practical experience – in 2009 he successfully established commercial builders Cockram Construction in Queensland and in 2018 led the Queensland arm of a large national project management business. He has written a large number of research pieces, and has spoken on metropolitan development at conferences in Australia and the USA. In 2017 he was published in a global study of suburban development by MIT (USA) entitled ***Infinite Suburbia*** (Princeton Architectural Press). Ross has Chaired the Brisbane Lord Mayor’s *Better Suburbs Initiative* since formation in 2019 and is also a Director of non-profit research and public -policy group *Suburban Futures*. He jointly edited a 2024 book ***“The Next Australian City”*** (Connor Court Publishing) with Guy Gibson, and has a Certificate in *Commercial Real Estate Analysis and Investment* from MIT (2020).

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Key findings

- **Worsening housing affordability owes itself to a series of policy decisions** around population growth, land use, taxes and regulation. These decisions by Federal, State and Local Governments were mainly made around the late 1990s/early 2000s – also the point at which affordability began to deteriorate and housing shortages began to appear.
- Since 2000, Australia has gone from a median house costing 4 to 5 times a household income, to now nearly 10 times. **Australia is now amongst the least affordable markets in the world.**
- **Rapid population growth via Federal Government immigration policy is a key driver of housing demand.** Recent decisions to rapidly increase population growth have exacerbated an already failing regulatory and land use policy environment which is unresponsive to demand.
- **Taxes, as they apply to new housing (including the GST), now amount to roughly one third the cost of a new house or apartment.**
- **Limited outer suburban growth** in favour of higher urban densities – described by the RBA as ‘the zoning effect’ – also **adds substantially to the cost of housing.**
- The preferred urban model of higher densities within a constrained boundary has been the de facto planning model for three decades. However, **higher densities are proving to take longer and cost a good deal more than the detached house alternative.** It is now virtually impossible to deliver a new two bed unit for less than \$1.3 million in the Brisbane region. Increasing the supply of the more expensive housing product will not improve affordability.
- **The introduction of up front “per dwelling” housing levies** (also known as developer levies) **have immediately flowed through to higher prices for the new dwelling buyer.**
- **Planning regulations have expanded exponentially, adding to costs and time.** The 1990 Planning Act was 120 pages in length. It, including related provisions and referred acts and provisions, now numbers in the thousands. This has not delivered any perceived improvements in planning.
- **Building code changes** – such as recent National Construction Code amendments – **have also added significantly to new house costs** while all existing households – irrespective of how energy inefficient or disability unfriendly – are exempt. These additional costs levied on new housing only are both unfair and ineffective.
- **There has also been a widely reported escalation in housing construction costs.** Poor productivity and excessive union wage demands have mostly affected the higher density housing market though there are flow-through effects in the cottage building sector which has to compete in the same market for trades.
- **It is theoretically possible to reduce the costs of a new house by \$120,000 and a new home unit by \$160,000** by taking a series of relatively simple measures, not including benefits that would flow to lower costs via simplified regulatory processes.
- The current ‘crisis’ is not something that happened to us. **We did this to ourselves** via policy decisions outlined in this report.

Key recommendations

- **Population growth must be slowed** to a pace that regulatory and supply side industries (development and construction) can accommodate. This is a Federal Government responsibility.
- **A new compact between all levels of Government** – each of which ‘clips the ticket’ on housing in their own way – is essential for meaningful reform to the new housing market.
- Policy makers and regulators are advised to **focus on means to improve the volume and lower the cost of new housing** – detached and attached. Attempts to moderate or adjust the entire housing market via incentives or regulatory tweaks are a distraction.
- **Alternatives to the upfront charging of infrastructure** associated with new housing projects need investigation. Successful alternatives such as MUDs (Municipal Utility Districts) or related instruments warrant a try, even if just a pilot project.
- Unnecessary and largely **ineffective building codes** which penalise the new housing sector only but which exempt all established housing **should be reversed**.
- The supply of land for outward suburban expansion around major cities is deliberately restricted via urban growth boundaries. A quarter century of evidence tells us these have a detrimental effect on the competitive market for land for housing. **They should be relaxed to encourage greater competition** and downward pressure on englobo land prices.
- The preferred model of urban consolidation via infill housing must be re-evaluated in the context of consumer preference, in addition to the real challenges of identifying sites, obtaining approvals, and construction costs. **As the preferred model of urban development, it is taking longer and costing us more.**

The mess we're in

Housing affordability in Australia's major capital cities is now globally comparable with some of the worst (least affordable) cities in the world. According to the 2024 edition of the *Demographia International Housing Affordability*¹ report, the median priced house in Australia's major cities is now roughly 9.7 times the median household income. A multiple of 3 is considered affordable. At nearly 10 times incomes, few young families could ever hope to secure a loan, let alone service one. (Brisbane was rated 8.1 times incomes in the same survey).

Nation	Affordable (3.0 &Under)	Moderately Unaffordable (3.1-4.0)	Seriously Unaffordable (4.1-5.0)	Severely Unaffordable (5.1 - 8.9)	Impossibly Unaffordable (9.0 &Over)	Total	Median Market
Australia	0	0	0	2	3	5	9.7
Canada	0	1	1	2	2	6	5.6
China: Hong Kong	0	0	0	0	1	1	16.7
Ireland	0	0	1	0	0	1	4.8
New Zealand	0	0	0	1	0	1	8.2
Singapore	0	1	0	0	0	1	3.8
United Kingdom	0	2	12	9	0	23	5.0
United States	0	11	23	17	5	56	4.8
TOTAL	0	15	37	31	11	94	5.0

Figure 1 From *Demographia International Housing Affordability report 2024*

These figures apply to the entire housing market, measured by median house prices and median household incomes.

Even more concerning is the reality faced by buyers of *new* housing stock – either as new low set detached houses on the urban fringes where land is limited but still available (for now), or new entry level apartments in infill locations. A recent report² from The Property Council of Australia noted that one third of the cost of a new dwelling can now be attributed to various taxes, charges and regulatory costs. According to their report, the first nine years of a 30 year loan – provided you can afford one – will be devoted to paying off the tax bill on a new house or apartment.

¹ Demographia International Housing Affordability report, 2024 edition. Chapman University, USA.

² "Stacked Against Us," Property Council of Australia, Queensland, June 2024.

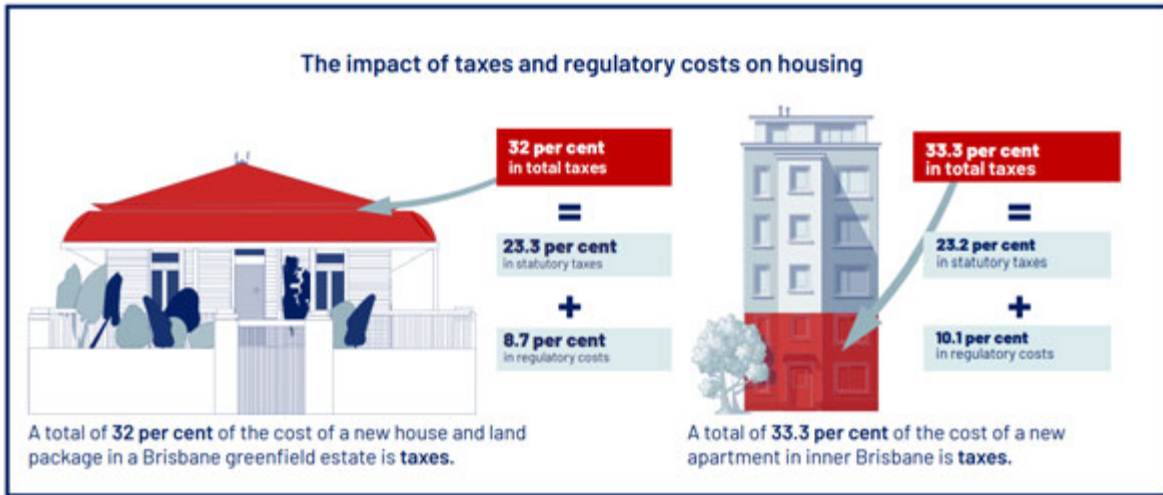


Figure 2 *Stacked Against Us*, Property Council of Australian (Queensland) 2024.

The financial equation is worse for young families, who are typically on below average household incomes as they enter the family formation stage of life. Equally, key workers – nurses, police, and others – if earning a household income of under \$100,000 per annum – would find a typical entry level new house + land project home on the urban fringes well beyond reach. This was not the case for many decades until the early 2000s when affordability began to rapidly deteriorate.

This is having widespread social consequences, including recent evidence that housing affordability – a lead component of the cost of living - is leading to housing compromises and falling fertility rates which are more pronounced in inner urban areas with higher housing costs³.

Other consequences of our housing crunch are more visible: tent cities are becoming prevalent across major cities. These are not confined to inner urban areas where housing is most expensive but are now common sights in middle and outer urban areas where housing is less costly. A tent city is even established in the Queensland Premier’s outer urban electorate at Rothwell⁴. Occupants are homeless but not necessarily unemployed – some have jobs but are simply unable to afford housing. There are valid concerns about the mental health of these people.

For a nation with such an abundance of land and which is gifted with such abundance of resources, how did we manage this?

³ See for example SBS news report of KPMG research July 2024 <https://www.sbs.com.au/news/article/australias-baby-recession-here-are-the-suburbs-with-the-lowest-birth-rates/10ld6vy5q>

⁴ “Tent city thrives in Premier’s electorate despite promised housing solution,” Courier Mail, April 20, 2024.

How we got here: tracing the roots of our demise.

There are multiple strands to the current housing crisis – some of which reflect the economics of supply and demand or rising housing mortgage costs – and some of which are directly attributable to policy decisions by various levels of government. Adding to the difficulty of disentangling these strands is that policy settings tend to be fairly homogenous across Australia’s major urban areas: what applies in one usually also applies in another, with just relatively minor variations in scope or scale of policy impact. There is no major urban area which has ‘bucked the trend’ of orthodox town planning, tax or regulatory intervention – so it is difficult to identify how the absence of certain policies would impact housing.

Federal Government policy settings that apply to tax policies such as negative gearing or capital gains tax are uniform across the country, while other Federal policies – such as the current very high rates of international immigration – are agnostic in terms of regional impact (there is no attempt to direct population away from major urban areas currently experiencing housing shortages). State Government policies and local government policies that pertain to land supply and housing are surprisingly uniform despite there being no requirement for uniformity. Counter to the notion of competitive federalism, it’s as if the States and major urban councils all attended the same conference and walked away with more or less the same policy prescriptions.

That being said, at which point did housing costs in major urban areas begin to detach from a lengthy period of relative affordability (relative to incomes)? And what happened that arguably caused that detachment?

There is no precise point in time when this occurred but based on most of the reputable studies, there seems to have been an inflexion point around the late 1990s to early 2000s.⁵

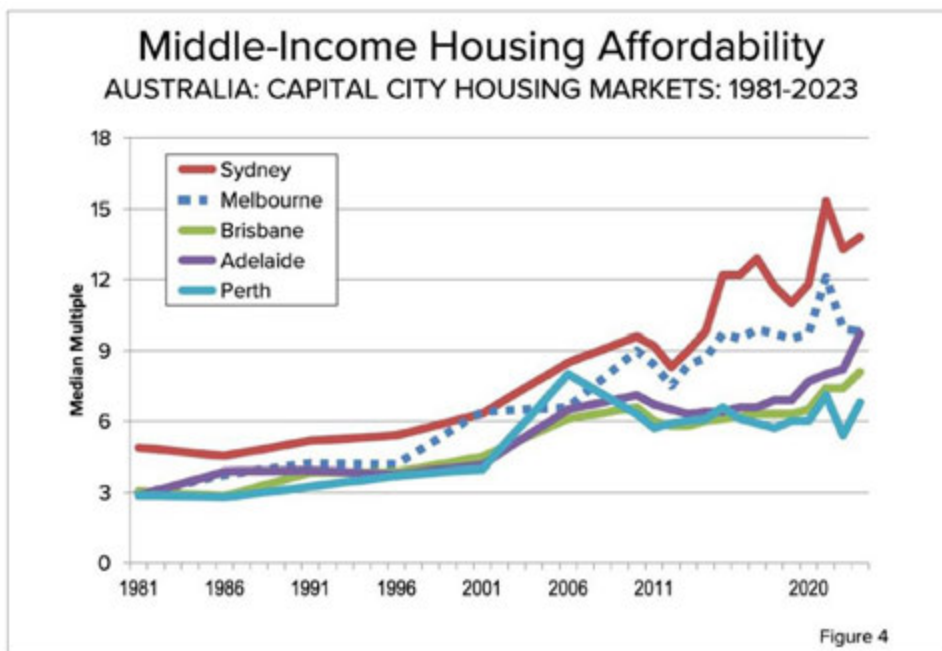
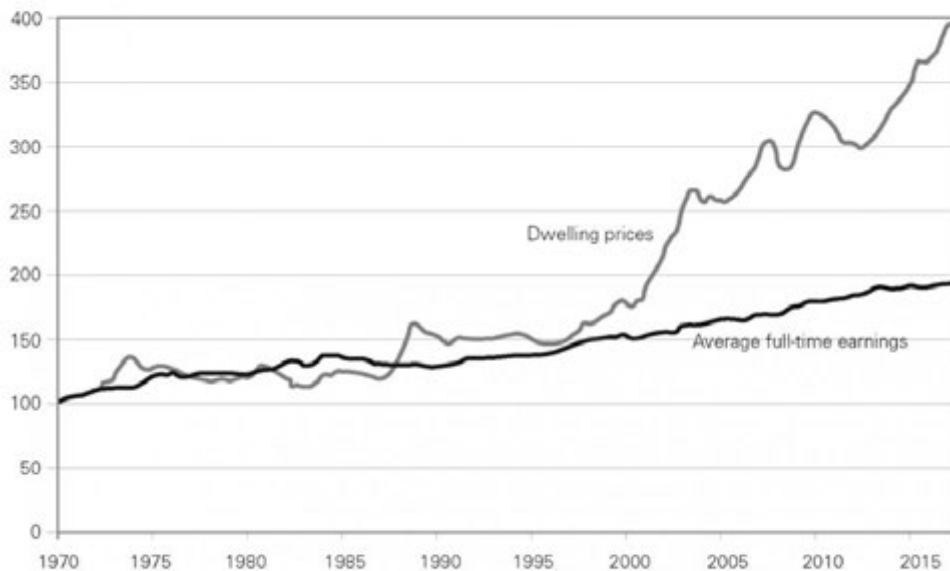


Figure 3 Source: *Demographia International Housing Affordability report, 2024 edition. Chapman University, USA.*

⁵ See for example “Housing affordability in Australia” Dr Matthew Thomas, Social Policy and Alicia Hall, Statistics and Mapping, Parliament of Australia Library, or “Demographia International Housing Affordability” report, 2024 edition. Chapman University, USA.

Figure 1 House prices and wages (full-time weekly earnings, index: 1970 = 100)



Source: Business Insider.

Figure 4 “The Great Divide: Australia’s Housing Mess and How to Fix It,” Alan Kohler, November 2023

Applying the supply brakes

The new millennium was broadly the time when planning for future growth of Australia’s major urban areas adopted a stronger “anti-sprawl” stance, on the back of similar “smart growth” and “new urbanist” sentiments gaining fashion in the United States. This was a significant departure from previous decades when suburban expansion was encouraged. Home ownership in Australia peaked in 1966⁶. It has since been in decline, particularly among younger households.

The ‘brawl over sprawl’ included a derogatory attitude to people living in fast expanding suburbs. “The suburbs are about boredom, and obviously some people like being bored and plain and predictable, I’m happy for them ... even if their suburbs are destroying the world,” was the now infamous quote by Sydney Morning Herald urban affairs writer Elizabeth Farrelly, which summed up the antipathy. Suburban growth, however well managed or efficiently delivered, became synonymous with sprawl which in turn became a universal pejorative used to attack everything from housing choice (“McMansions”) to lifestyles (“car loving, fast food addicts”) to depicting suburban families as destroyers of the natural environment.

The favoured planning prescription for urban growth switched around this time to one of urban consolidation, with boundaries preventing further outward development established for nearly all major centres. Says Robert Burgess, Head of Research and Strategy at Quantify Strategic Insights:

“Urban growth boundaries (UGBs) are artificial regional boundaries, enforced by authorities to contain the development of residential and other urban uses of land to mandated areas. They

⁶ “Home ownership dream dead for young Australians”, Macrobusiness, August 2023.

<https://www.macrobusiness.com.au/2023/08/home-ownership-dream-dead-for-young-australians/>

have been a cornerstone of urban planning policy in Australian cities since they were first introduced by the Victorian Government's Melbourne 2030 policy in 2002⁷."



Figure 5 By the early 2000s, every major capital city region had adopted urban containment and urban infill policies via their regional plans.

While outward growth was being prevented, inner urban consolidation and higher densities was being promoted. Programs such as the then Hawke-Keating Government's "Better Cities Policy" promoted the renewal of run down inner urban areas – an approach which was widely embraced and with great success. Many of these formerly run down areas were gentrified to the extent that they became addresses of choice for the wealthiest in the community with the capacity to pay for the highest house prices. Sydney's inner urban Balmain – once a waterfront workers address known for hardship and where 'Balmain Boys Don't Cry' – is now completely unaffordable for any but the wealthiest, while Brisbane's inner urban New Farm – once an industrial suburb of heavy industry and car yards known for crime and as a place to be avoided – is now the highest priced suburb in the state.

Suburban expansion ("sprawl") fell under increasing regulatory control, notwithstanding some professional criticism by leaders of the planning profession. The late Tony Powell AO lamented that the Melbourne 2020 plan was "superficial to the point of ridiculousness."

"The proposition in the latest crop of metropolitan strategy plans that 50% or more of future housing development can be accommodated in existing suburban areas of the major cities is patently ridiculous. These are simply unexamined and unreliable hypotheses, not strategies⁸," he said.

Adding to the dissent, the eminent scholar and urban planner the late Patrick Troy in his book *The perils of urban consolidation*⁹ said the term sprawl had "no objective meaning in a description of contemporary urban problems in Australia".

⁷ Rob Burgess, "In Praise of Sprawl," IPA Review – Winter 2024 <https://ipa.org.au/ipa-review-articles/in-praise-of-sprawl>

⁸ "The density dilemma", by Ross Elliott, in Macrobusiness, November 2019.

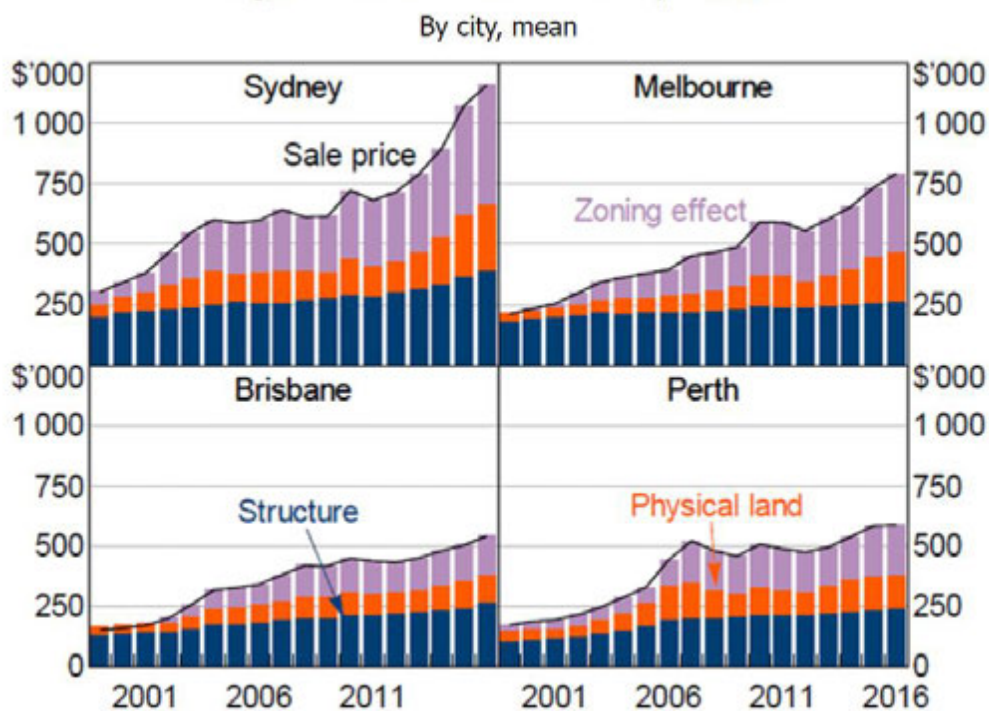
⁹ "The perils of urban consolidation : a discussion of Australian housing and urban development policies" Patrick Troy, Sydney, Federation Press, 1996.

Undeterred, and in the interests of saving suburbanites from themselves, the regulators pressed on, and increasing inner urban densities and the prevention of ‘sprawl’ have become the accepted conventional ideology now for some 30+ years. This is despite the fact that many of the promised outcomes of consolidation have failed miserably – housing choices are fewer, costs are higher, commutes are longer, congestion is worsening and access to essential social infrastructure (schools, hospitals, open space) is worsening.

Efforts by a number of urban leaders to convince Australians that high density living is preferable to the suburban house have generally failed to impress: the housing preference of families in particular remains for a detached house, if they can afford it. A customer poll by Westpac Bank in mid 2020¹⁰ sought to test attitudes to housing in the Covid environment: 77% said they would much prefer a house with a backyard in a less crowded environment.

What has been the cost impact of these policy induced limits on the supply of land for suburban housing? In 2018, the Reserve Bank of Australia explored the question¹¹, concluding that *“zoning restrictions raise the price of the average house in Sydney by 73 per cent above the value of the physical inputs (structure and physical land) required to provide it. Corresponding effects are 69 per cent for Melbourne, 42 per cent for Brisbane and 54 per cent for Perth.”*

Figure 2: House Price Decomposition



Sources: ABS; Authors' calculations; CoreLogic

Figure 6 The Effect of Zoning on Housing Prices, RBA 2018. The impact over time of “the zoning effect” is evident in this series of charts.

¹⁰ Backyards, beaches & balconies: Westpac reveals how COVID-19 is changing Australian home ownership goals. Westpac Bank. July 2020.

¹¹ The Effect of Zoning on Housing Prices, Reserve Bank of Australia, Ross Kendall and Peter Tulip, March 2018.

“Urban Growth Boundaries and their Impact on Land Prices”¹² was the title of a detailed study of how growth boundaries impacted prices in Victoria. The authors, who included AHURI academics from RMIT, University of Melbourne, and University of Reading (UK), concluded that despite being a complex issue, “land prices rose substantially inside the UGB after its enactment in 2003, but did not rise much outside of it. These results suggest that the urban growth boundary has had a significant upward effect on the trajectory of the urban region’s house prices.”



Figure 7 The impact of UGBs in the early 2000s on land prices within the UGB was pronounced in this Victorian study. The impact in other jurisdictions would be similar,

The high cost of high density

As policy makers declared war on sprawl, the preferred alternative is proving unhelpful for affordability for one simple reason: apartments are much more expensive to build than houses.

The construction costs of higher density dwellings are such that it is now very difficult to build even mid-spec 85 m² two-bedroom apartments in Brisbane for less than a retail price of \$1.3 million¹³. At a price of \$1.3 million and over, typically only the upper end of the buyer market can afford this type of product. Consequently, developers are currently only producing new high-

¹² Urban Growth Boundaries and their Impact on Land Prices, Michael Ball Henley Business School, University of Reading, England; Melek Cigdem, Australian Housing and Urban Research Institute, RMIT University, Australia; Elizabeth Taylor Faculty of Architecture Building and Planning, University of Melbourne, Australia; and Gavin Wood, Australian Housing and Urban Research Institute, RMIT University, Australia; published in *Environment and Planning A* 2014, volume 46, pages 3010–3026

¹³ According to construction business Slattery, quoted in “Building costs soar as offsite workers demand same pay rise as CFMEU members” Courier Mail, August 10, 2024.

density housing in high value (typically inner city) locations. The cost to build is the same in a lower cost suburban market as it is in higher priced inner-city ones, but the capacity (and willingness) to pay in suburban markets is just not there. A \$1.3 million apartment is well above the city's median house price. Building more \$1.3 million apartments cannot solve the affordability challenge. Arguably, it will make it worse.

This appears to be what has happened in Vancouver, Canada. Long touted as a poster child of higher density planning, Vancouver is also one of the most expensive housing markets in the world.¹⁴ The very high cost of housing is forcing many residents to move away, with British Columbia recording negative population movements for the first time.

Academic and author Patrick Condon (James Taylor chair in Landscape and Livable Environments at the University of British Columbia's School of Architecture and Landscape Architecture, as well as founding chair of the UBC Urban Design program) has observed that simply adding more volumes of higher density housing has in itself no relationship to affordability:

"I enthusiastically embraced the idea that if you got the density right, and got the amenities right, the home prices would be affordable as a result. That strategy became known as "Vancouverism" and is the visible legacy of hundreds of citizens, staff members and elected officials working to what was, in retrospect, a shared vision of a sustainable 21st-century city.

"But as time passed and home prices spiralled more and more out of reach for average wage earners in defiance of simple notions of "supply and demand," I felt betrayed."

"It's not widely known but Vancouver has added more housing than any other centre city in North America. Since the 1970s, Vancouver has tripled its total number of housing units. If adding housing supply and new density to a city leads to affordable housing as many now contend, Vancouver should have the lowest housing prices in North America. It has the highest!"¹⁵

¹⁴ "Impossibly unaffordable': Housing report ranks Vancouver 3rd most expensive in the world", Global News, June 2024.

¹⁵ "Patrick Condon Says This Is Why Housing Costs Are So High," The Tyee, June 2024 <https://thetyee.ca/Culture/2024/07/19/Patrick-Condon-Why-Housing-Costs-So-High/> Condon argues instead that rampant speculation in zoned land is responsible for increasing costs.

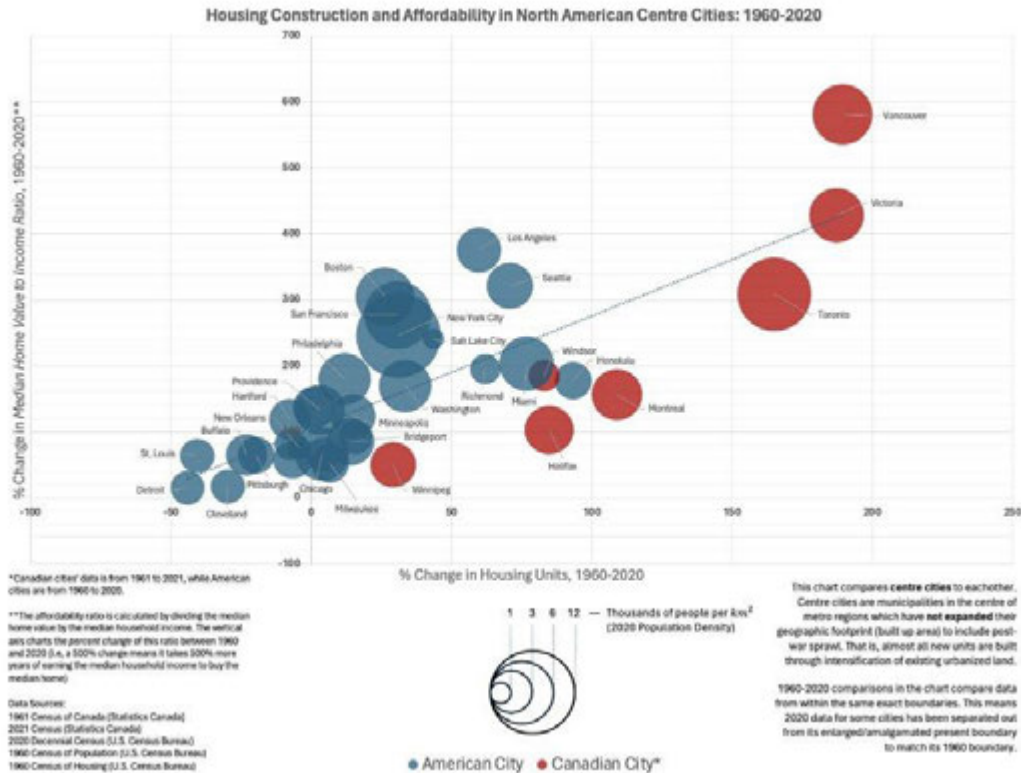


Figure 8 Source: Patrick Condon, UBC Chair in Landscape and Liveable Environments. Chart shows that Vancouver led the north American market in adding supply via high density housing, but at the same time worsened affordability.

There are valid arguments in support of higher urban densities – such as that it makes public transport more viable, or that it can provide more homes closer to where people work. But other related claims that density is more economically or environmentally sustainable have been refuted¹⁶ and suggestions that higher densities in infill locations make better use of underutilised infrastructure no longer stand close examination: most evidence suggests existing urban infrastructure (water, waste water, roads, schools, hospitals etc) is operating above capacity.

Applying new taxes to housing makes housing more expensive

At roughly the same time as new regional policies to prevent sprawl by limiting future supply were baked into regulation, new taxes that impacted the cost of new housing arrived.

Most notable of these was the GST, introduced in July 2000. Importantly, the GST added 10% to the cost of a *new* home (house or unit), but *was not* applied to pre-existing housing (the

¹⁶ See “Housing Form in Australia and its Impact on Greenhouse Gases”, Property Council of Australia, October 2007. http://www.demographia.com/RDC_ACF_Greenhouse-Report.pdf The report examined research by the Australian Conservation Foundation who independently found that higher density housing had an opposite correlation to energy consumption – mainly because it was typically the wealthy inhabitants and their consumptive lifestyles causing the most impact.

overwhelming bulk of the market). The GST was applied to both materials and labour in the delivery of a new dwelling but unlike stamp duty which is separately levied (on both new and pre-existing housing), the GST effect on new housing is little discussed. It should be: the value of new housing construction in Australia is around \$70 billion annually¹⁷, meaning the Federal Government is collecting around \$6.5 billion per annum from GST on new housing alone each year. There is no hypothecation of this revenue to support infrastructure provision or similar costs associated with new housing borne by State and Local Governments.

State and Local Governments also moved to ‘clip the ticket’ on new housing around the same time. Infrastructure contributions toward the cost of development were not new¹⁸ but State and Local Governments quickly and opportunistically adopted a “user pays” approach to infrastructure charging, which saw charges surge.

These were widely termed “developer contributions” and any protest by the development industry that these charges would have to be passed on to new housing buyers were arrogantly dismissed by politicians as complaints by “greedy developers.”

These levies, according to a 2021 report by the Australian Government National Housing Finance and Investment Corporation¹⁹ amounted to between \$25,000 to \$85,000 per dwelling in NSW; between \$37,000 and \$77,000 in Victoria and between \$29,000 and \$42,000 per dwelling in Queensland. “This means developer contributions can typically amount to around 8% to 11% of total construction costs, making it a substantial contribution to the cost of building a new home,” the report noted.

Figure 1: Greenfield Developer Contributions (Thousands of dollars per lot)

Region ^(a)	Indicative cost ^(b)	Range
NSW	58	25 - 85
VIC	52	37 - 77
QLD ⁹	32	29 - 42

(a) Selected regions are Western Sydney, North-western Sydney, Northern Melbourne, South-eastern Melbourne, Western Brisbane, Southern Brisbane, Gold Coast.
 (b) Median cost of developer contributions rounded to the nearest thousand
 Source: NHFIC, Macropplan, developers

Figure 9 Table showing rates of developer contributions by state. Source: Inquiry into housing affordability and supply in Australia. 2021

The report also noted that the scope for which contributions could be charged increased over time from what was initially basic infrastructure such as water, sewerage and drainage, to increasingly include broader social infrastructure such as new schools or hospitals – areas traditionally funded by state governments through existing revenue sources. One developer on the north side of Brisbane was famously charged a levy for public transport for a new housing estate, which a full decade after the project was completed, still has not been provided.

¹⁷ Value of work completed on new residential buildings in Australia from 2014 to 2023, Statista, April 2024.

¹⁸ See for example History of development contributions under the NSW planning system, NSW Parliamentary Research, March 2011. <https://www.parliament.nsw.gov.au/researchpapers/Documents/history-of-development-contributions-under-the-n/FINAL%20development%20contributions.pdf>

¹⁹ Inquiry into housing affordability and supply in Australia: Developer Contributions: how should we pay for new local infrastructure?” Submission 78 - Attachment 1. April 2021.

In addition, there has been a continued escalation in related property taxes including foreign investor taxes, land taxes, and other charges which impact development and add to the costs of new supply.

In fairness to Local Councils, their capacity to provide for increasingly costly infrastructure associated with new housing growth is constrained. According to the LGAQ, Councils receive only 3% of total tax revenues²⁰ yet are responsible for 77% of all roads, let alone the balance of community expectations in terms of services and amenities.

Councils are also in many cases subject to contributions caps, from which the state government may be exempt. In Queensland the Planning Act imposes a cap of \$21,590 for infrastructure levies on two-bedroom dwellings and \$30,226 for three bedrooms or more. However, there is no cap for contributions levied for Priority Development Areas by the State under the Economic Development Act. Other states have similar anomalies.²¹

Then there's the application and assessment process

The charges noted above are readily identifiable but there are in addition to these countless planning code or compliance conditions imposed by governments when approving projects. The cost of this myriad of regulation and increasingly opaque application, assessment and approval processes is difficult to quantify. How do you evaluate the cost of 'red tape?' State and local governments deal with increasingly anti-development constituents who generally oppose the imposition of increased density in existing low-density suburbs. They will tread carefully with all forms of development and are at pains to ensure community interests are consulted. This means changes to land uses across a wide area or for individual sites – however compelling the need or urgency – are never expedited quickly but subject to an exhausting process of examination, adjustment and consultation before approvals are even considered.

The increase in complexity is illustrated by the length of many state planning regulations: for example, The Local Government (Planning and Environment) Act of 1990 was 120 pages in length. The latest incarnation – The Planning Act 2016 – is 430 pages plus 526 pages of planning regulations, plus 54 pages of Rules under the Act, 86 pages of Ministers Guidelines and Rules and over 200 pages in State Development Assessment provisions. Further, there has been exponential growth in local government planning schemes and Infrastructure Agreements which can run to thousands of pages.

The complexity of these processes now requires the services of a phalanx of professional advisors – architects, urban planners, planning lawyers, environmental experts, traffic engineers, civil, structural and hydrology engineers, lobbyists, community consultation firms, and others. These all come at a cost, which is ultimately passed on to the new home buyer, should the project proceed.

Approvals can also be granted with a number of conditions, which may not be subject to prescribed formulas, but which can be arbitrarily imposed on projects. These often-unpredictable conditions may render projects non-viable, meaning that while a project may count in statistics as approved, the project will not commence due to unworkable conditions, which can number in their hundreds for a single approved project.

²⁰ "Councils' burden is not fair," LGAQ, November 2023.

²¹ Inquiry into housing affordability and supply in Australia: Developer Contributions: how should we pay for new local infrastructure?" Submission 78 - Attachment 1. April 2021.

Time is also a significant challenge: whereas prior to the year 2000 many residential subdivisions or apartment projects could be assessed and determined within a year of application, there are now many instances where projects can take 10 years from initial concept to final approval. This is before even civil earthworks can commence. Then there is the delivery time for a project which, depending on scale, can easily take several years. A 15-year timeline between proposing a development to gaining approval and building the product ready for occupation is no longer unusual.

And then there's building code compliance.

Other code compliance requirements are easier to quantify. For example, this year new National Construction Code requirements for new housing to meet new accessibility and energy efficiency requirements for new houses came into effect. The Queensland Master Builders Association estimates the code changes will add around \$30,000²² to the cost of every new dwelling. Note that changes such as this typically only ever apply to new supply. Existing homes – however energy inefficient or access challenged – are exempt. Attempting to make these policy changes apply to the entire housing market would no doubt lead to immediate political extinction for the proponents. Easier to make an announcement which only impacts new housing in a way that new home buyers would be unaware of, in order to win the praise of activist environmental or disability lobby groups.

Not to mention changes to capital gains tax

Also impacting the inflexion point of the year 2000 were changes to federal Capital Gains Tax, introduced by the Howard Government. From September 1999, inflation indexation of the cost base of an asset was replaced with a simple 50% discount on the capital gain of an asset. This simplification of the tax calculation was readily understood by private investors who, some argue, flooded into the residential investment market as a result. However, despite being highly contentious, there seem to be few strong arguments that removing the CGT discount (or its 'partner in crime' negative gearing) will have much impact on house prices²³. The consensus seems to be that removing or limiting these tax measures will not impact prices but will likely see more investors withdraw from the private rental market or be forced to increased rents to compensate²⁴. Neither is a desirable outcome in the midst of a housing 'crisis.'

While building costs soar

The post Covid economy saw materials and labour shortages impact construction costs in a manner no one anticipated. Residential construction materials are now up to 40% more costly than they were as recently as in 2019. The components of that increase range from things like

²² "National construction code changes to add thousands of dollars to cost of new homes, builders say," ABC News, Mon 29 Aug 2022.

²³ See for example this report on Centre for Independent Studies chief economist and former Reserve Bank official Peter Tulip, "The real reason houses are so expensive - and it's not negative gearing" AFR, Feb 8, 2024.

²⁴ "Australia's housing crisis: Removing negative gearing will make it worse" Australian Property Update, May 6, 2024.

electrical cable and conduit (up 61%), reinforcing steel (up 45%), glass (up 40%), cement (up 38%), or structural timber (up 40%).²⁵

Then there are labour costs, which under an increasingly unionised building industry, have added exponentially to construction costs. This is mostly the case for high rise (high density) projects – the cottage building industry, while also suffering labour shortages and higher prices, is nowhere near as costly as high-rise construction. Builders argue that CFMEU conditions have added 30% to the cost of construction²⁶, with even smaller independent non-unionised contractors needing to increase pays to compete with union rates. Productivity on CFMEU construction sites is said to be below 3 days a week.

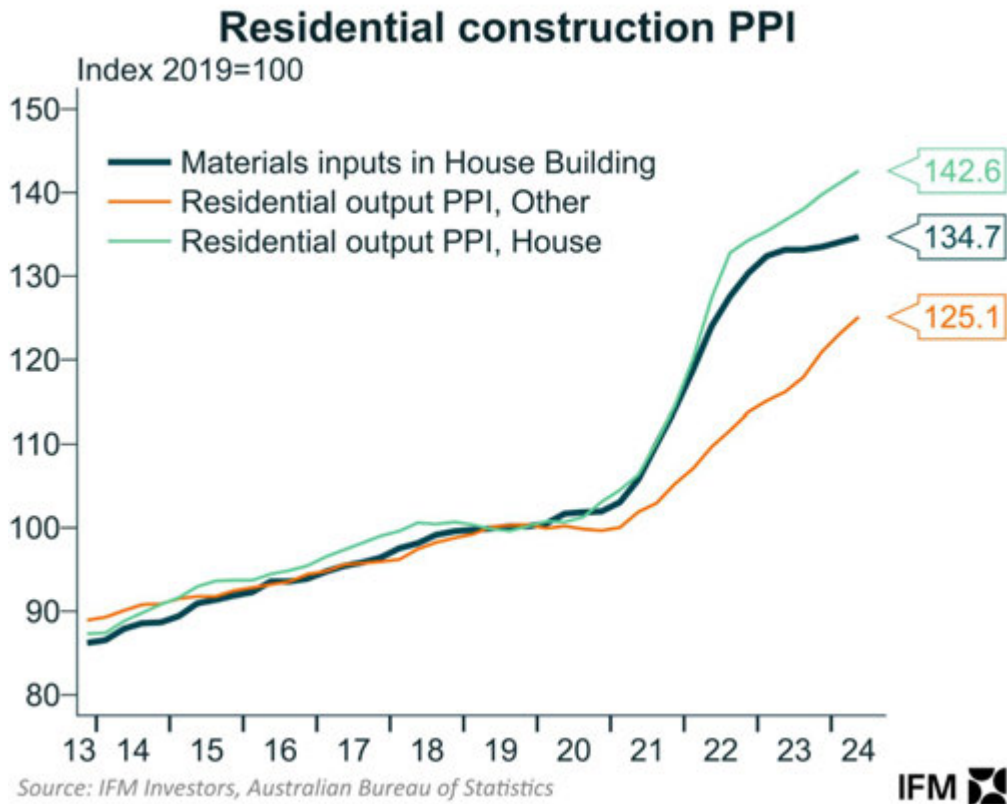


Figure 10 ABS Producer Price Index (PPI) referenced in “The End of Affordable Housing,” Macrobusiness, September 2024

Now, let’s pump up the pressure!

No discussion of “how we got here” in terms of the current housing crisis can take place without comment on the other side of the equation: demand.

Population growth generates demand for housing. Increasing population growth during a period when new housing supply is rapidly falling and when there are acute shortages of housing, seems foolhardy. Yet this is what is happening in Australia, as the chart below shows:

²⁵ “The end of affordable housing,” Leith van Onselen, Macrobusiness, September 2024.

²⁶ “CFMEU conditions risk pushing up Queensland build costs by a third,” Australian Financial Review, July 10, 2024.

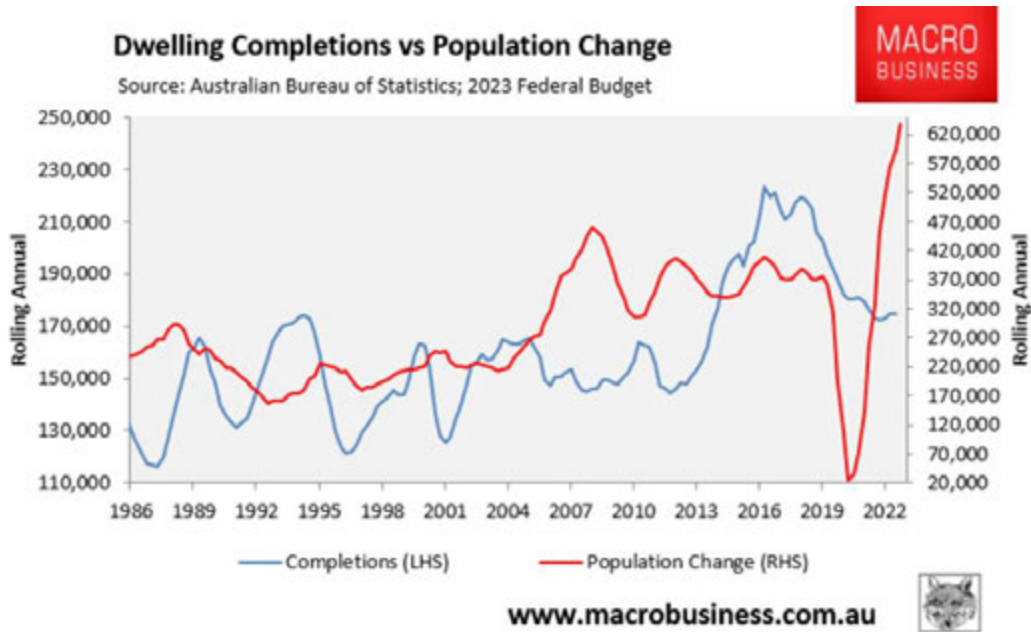


Figure 11 Australia’s housing shortfall projected to worsen in 2024, Macrobusiness, Jan 2024.

Population growth in Australia is directly related to immigration policy. Our rate of natural population growth is negligible and falling. If our population is growing, it is due to immigration and immigration policy is driven by the policies of the Federal Government:

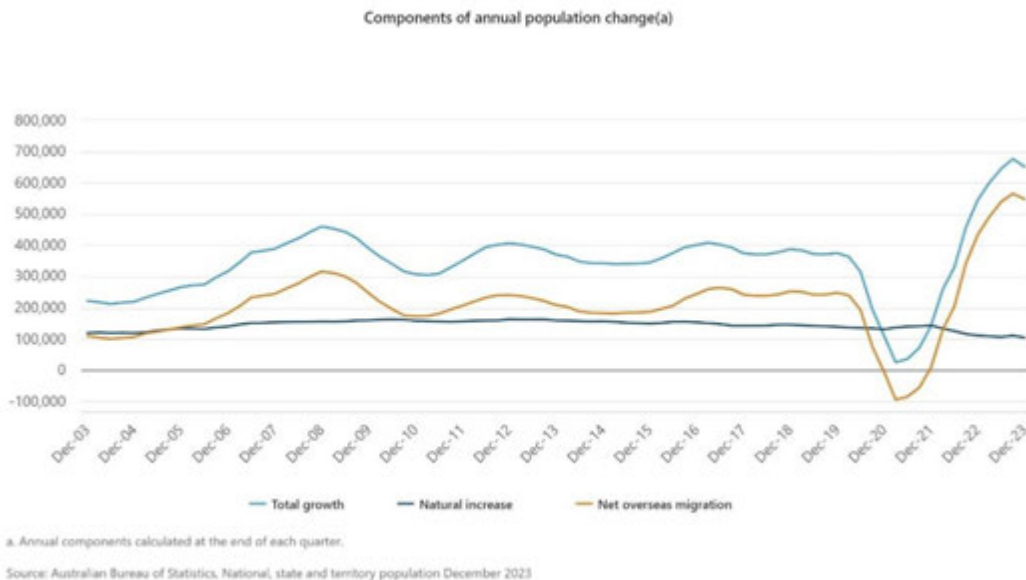


Figure 12 National, state and territory population, ABS 13/6/24

Our rate of population growth remained at around 1.4% per annum for three decades since the mid 1990s.²⁷ In the year to December 2023 it shot up to 2.5%.²⁸

This rapid increase in demand – as a direct result of Federal government policy – at a time of housing shortages and falling completions is directly contributing to the current housing ‘crisis.’

²⁷ “Profile of Australia’s population,” Australian Institute of Health and Welfare, April 2024.

²⁸ National, state and territory population, ABS, June 2024.

The Queensland housing shortfall

For Queensland, the population in the year to March 2024 increased by 134,596 people²⁹ of which 61.5% was due to net international migration. Based on the average of 2.51 people per dwelling, that translates into the need for an additional 53,600 new dwellings in one year, just to keep pace.

But according to the HIA³⁰, only 19,710 new detached houses will start construction in 2023/24, with a further 11,810 multi-unit dwellings, for a total of 31,520 new dwellings – a shortfall of around 22,000 dwellings in one year. We would need an unprecedented 70% increase in the number of housing starts to keep up with demand.

The longer term picture is sobering. Since around the turn of the millennium, housing supply in Queensland has not been keeping up with demand from population growth, as this chart shows:

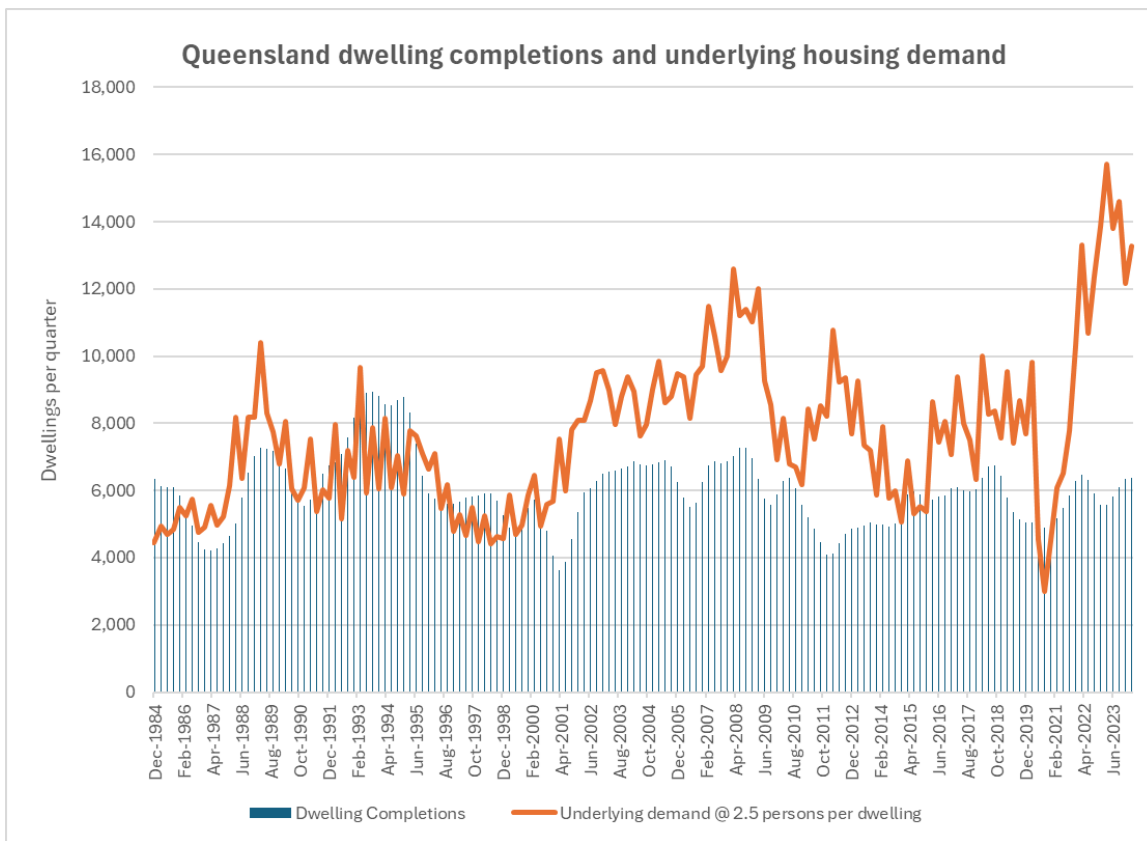


Figure 13 Urban Economics analysis of ABS dwelling starts and population data

The long term trendline should indicate to policy makers that there is significant policy failure in meeting the needs of the much-hyped growing Queensland population. Note that as the charts show, level of housing commencements has not followed rapid spikes in population growth. Arguably, this indicates the unresponsive nature of supply: if it now takes many years to assess, approve and construct dwellings due to self-inflicted policy inertia, rapid demand growth will invariably lead to rapid worsening of the housing shortfall.

²⁹ Population growth, Queensland, March quarter 2024 – QGSO, 19 September 2024.

³⁰ “Apartments, multi-res and detached home builds must all fire to meet QLD housing targets,” HIA, 15 May 2024.

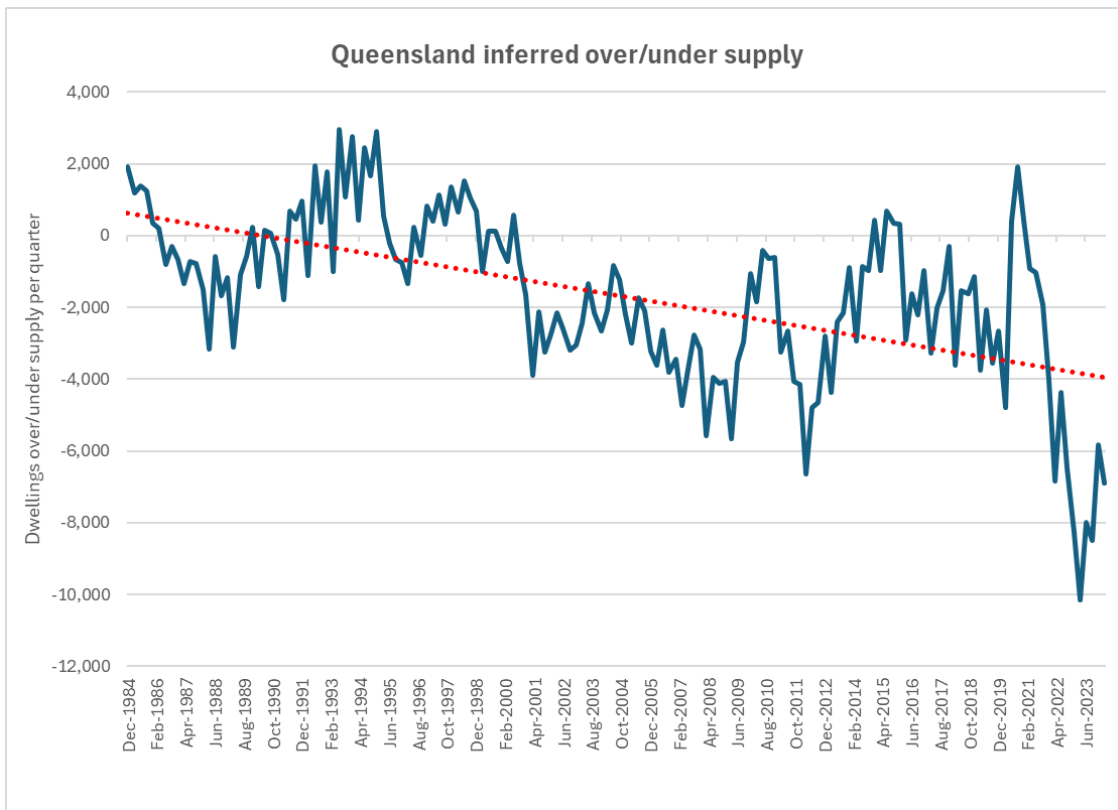


Figure 14 Urban Economics analysis of ABS dwelling starts and population data

Summary

Prior to the 1990s, the development of housing remained relatively uncomplicated. Suburban housing was readily created without extensive up front taxes or myriad compliance burdens. The median house was equivalent to around 3 to 4 times a household's income (when many households were single income) and rates of home ownership were high even among younger families. Population growth was moderate and cities were expanding in an orderly and generally well planned manner, despite the minimal guidance offered by relatively lightweight planning guidelines and limited regulatory oversight.

But from around 2000, a raft of policy and tax changes changed the way we do housing. Complexity, time and costs were added before the subdivision plans were sealed or the first brick was laid. Supply constraints intended to tame suburban expansion were introduced while the focus turned to higher densities to accommodate growing populations within defined areas. As housing costs began to rise, they were greeted with yet more taxes and more compliance hurdles. Housing rapidly soared to 6 times household incomes (which by now meant two incomes needed for a home mortgage). There was a temporary pause to housing costs pressures after the GFC (2007) as mortgage interest rates fell to near zero. All this did was to mask the underlying problems of an excessively taxed and highly regulated product. As interest



rates rose again to more long-term norms, families with very large mortgages (due to very expensive house prices) felt the pinch acutely, while others were simply locked out.

At the same time, the post Covid economy saw building costs escalate wildly – with increases of 40% in just 4 years. Housing is now around 9 times incomes and some of the most expensive in the world. It is also proving harder to deliver so housing supply is slowing.

The Federal Government then chooses a time like this to ramp up population growth to all time historic highs.

It is little wonder we are hurting.

Digging our way out.

Having created some of the worst housing affordability and housing *availability* market conditions in the developed world – chiefly through our own policy measures - can we now dig our way out?

Nothing can happen quickly. There are no easy fixes. Populist solutions such as ‘shared equity’ or increased first home buyer concessions will not address the underlying problems plaguing the new housing sector. Hoping for interest rate reductions to have material impacts on affordability are equally futile, as are many government-sponsored schemes around subsidised market housing. Only by addressing the underlying policy settings which are creating the problem can we hope to extract ourselves from this malaise.

Further, a focus on alleviating the cost of *new* housing supply – rather than trying to address the entire housing market – is essential. If we can once again begin to deliver *new* housing at a lower relative cost and in significant volumes, then we can at least offer future generations an affordable entry point into the housing market.

Slow demand to a pace we can manage.

The first and most obvious policy lever rests with the Federal Government. Historically unprecedented levels of international immigration need to be eased to a level we can keep pace with. Given our regulatory planning systems are so hopelessly constipated and our building industry constrained, a reduction in population growth via immigration policy to a level which at least accords with new housing supply is a decision which should be both simple and obvious. Calls by big business and education lobbies to maintain high immigration intakes in order to increase supply are naked self-interest. A redirection of policy to encourage fewer migrants but target those with construction and other skills might be warranted but appears illusory.

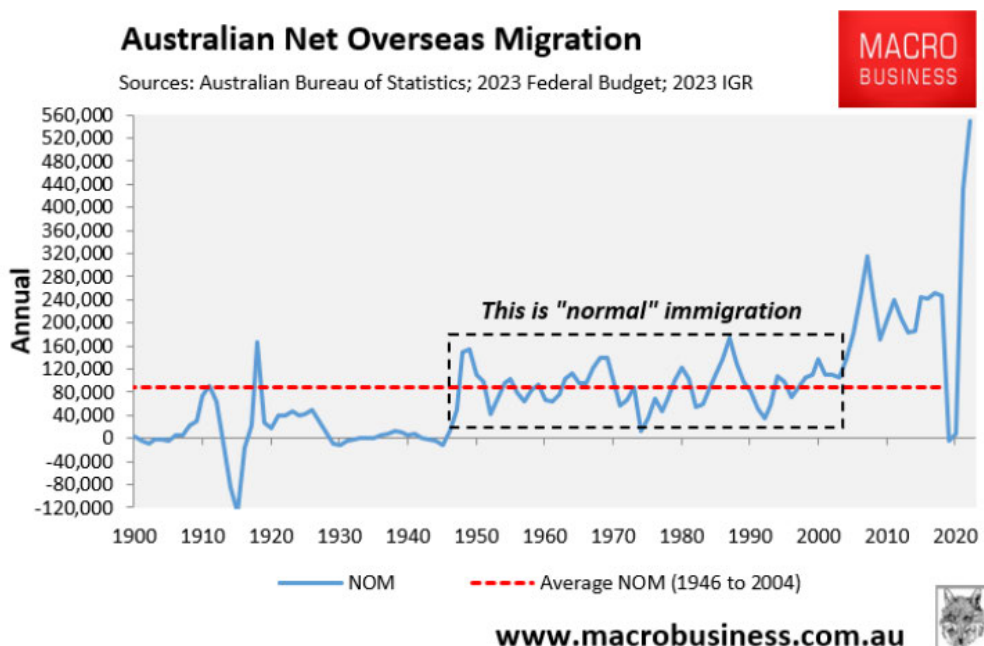


Figure 15 “Normal” immigration levels are well below current intakes. “Australia’s housing shortage projected to worsen,” *Macrobusiness* July 2024

A new Federal compact with Local Government?

Given the Federal Government is largely responsible for the speed of population growth that states and local governments are asked to accommodate and given that the Federal Government collects over \$6 billion every year from the GST on new housing (not to mention company and income taxes from the residential construction sector), a new compact with Local Governments in high growth areas would seem warranted.

Local Governments have limited taxing ability but growth brings many challenges which their tax base cannot readily fund. A direct relationship between Federal Governments and Local Government infrastructure financing is not new: the Better Cities Policy of the Hawke-Keating era was intended to promote inner urban renewal, and provided direct financial support to Local Governments. In Brisbane, it led to the highly successful renewal of the New Farm-Teneriffe precinct. This provides a precedent which could serve high growth areas better and lead to reduced upfront costs for housing.

Focus on *new housing supply*

To achieve an improvement in overall affordability for people on median wages buying a median house priced house in an established urban area, you either need to have a plan for increasing their household incomes by at least one third, or reducing the price of our housing stock by a third. Both would bankrupt the economy and erode national savings on a level even a world war would struggle to achieve.

Instead, policy makers need to concentrate on new housing supply – houses and units and townhouses and all configurations in between.

The cost of new housing is needlessly elevated via tax and regulatory imposts and very badly affected by an approvals process which are both unnecessary and counterproductive. These things can be remedied but it will require a disciplined focus on lowering the cost of new entry level market housing. Trying to address the wider (established or second hand market) at the same time leads to distractions and to the introduction of ineffective short term measures which invariably do little and even then, only at the margin.

Here's MUD in your eye: fund infrastructure differently

The upfront taxation of new housing by 'developer contributions' for infrastructure adds directly to the cost of new housing – costs which are borne by new housing buyers who typically have to finance that extra upfront cost via their mortgage. That extra cost is around \$30,000 per new dwelling in Queensland.

How else can the infrastructure associated with growth be funded? One option would be for a broad-based tax to replace infrastructure contributions. This could be levied via a broad base land tax or via higher council rates. The argument favouring this approach is that if growth benefits the entire community – most of whom do not contribute directly to their infrastructure costs in the same way – then the wider community should pay. This was how our cities were generally funded until the introduction of developer levies and 'user pays' approaches in the

1990s. However, this approach would no doubt prove extremely unsalable politically, especially during a cost-of-living crisis, so is unlikely to receive any support.

Another alternative is via a mechanism such as a MUD – municipal utility district. These are popular in a number of States in the USA, including Texas which continues to offer more affordable housing and good levels of amenity in new housing developments. The Woodlands³¹, north of Houston, is a high-quality master planned community of over 100,000 residents – the infrastructure for which was largely funded via MUDs.

“MUDs provide municipal services in areas not in a city, where a city cannot afford to extend these services itself, and/or where the city wants the new development to bear the costs of the new infrastructure for the development,” is one simple definition.³²

The MUD is effectively a project or precinct specific financial instrument designed to fund things like roads, drainage, sewerage, or water. The scope of what infrastructure is funded via the MUD varies according to local circumstances – it can also include parks and recreation infrastructure. Effectively a debt instrument – a bond - used to fund infrastructure associated with new housing, it is a legal entity which is entitled to use property taxes to repay the debt. In practice, this means the new homebuyer is not taxed upfront but is asked to pay a regular amount toward the MUD – typically via their rates bill or equivalent. The MUD in the US is governed by a board and typically comes under either State or City legal jurisdiction.

Consider a 1000 lot housing subdivision which might generate \$30 million in upfront infrastructure levies for the new residents (1000 lots times a per lot levy of \$30,000). Under a MUD, that \$30 million becomes in effect a loan with repayments made by the residents over time. The time frame can vary but would typically be something like 30 years. Given the low rate of interest for what is effectively a government guaranteed bond, the interest repayments are generally very modest (under \$200 a month is possible).

³¹ For information on The Woodlands see <https://www.thewoodlandstownship-tx.gov/>

³² From the website of Hudson County MUD <https://www.hcmud500.org/master-district/information-about-municipal-utility-districts/>

These are highly simplified calculations for the purpose of illustration. A lower rate of interest might be possible given these are technically government backed securities, and a longer term could equally be appropriate given the relative permanency of the investment. Both would lower the monthly cost to the homeowner.



Figure 16 (above) The mixed use community of Elyson in Texas has used MUDs to finance the infrastructure required to facilitate development.

Figure 17 (Right) Elyson community developers use this infographic to explain how their MUD works to prospective buyers and residents. <https://www.elyson.com/blog/posts-by-date/2018/june/what-s-a-mud-our-infographic-offers-some-easy-answers/>

In other cases, the MUD tax is calculated as percentage of the house valuation. Either way, it is a tax. And so is the upfront infrastructure ‘developer’ contribution. But it is paid back over time, not levied upfront.

What is better, \$30,000 on top of the cost of the new home for the homebuyer, or a monthly payment of under \$200 extra on your property tax? Would it be fairer to new homebuyers struggling to make the deposit to offer a \$30,000 reduction in the home price in exchange for higher monthly costs?

If the objective is to lower the cost of new housing, then surely the lower entry level price is preferable, especially given household incomes of young families tend to rise over time while the value of the debt depreciates (ie becomes easier to fund). Utilities companies could likewise recover the costs of their infrastructure through ongoing user charges rather than developer (ie home buyer) levies. But politics seems to prevent this course of action, however warranted.

Alternative infrastructure financing is an area which authorities in Australia have been curiously averse to exploring. At the very least, MUDs or similar vehicles deserve more attention if they transfer the cost of local infrastructure from being an upfront cost to the new home buyer to something repaid over time via a property tax (rather than their mortgage).

WHAT IS A MUD?
A Glance at Municipal Utility Districts

A Municipal Utility District, or “MUD”, is a political subdivision of the State of Texas operated by a publicly elected Board of Directors, which is created to provide infrastructure and services such as water, sewer, stormwater drainage in areas where city services are not available.

Are there benefits to a MUD?
MUDs are a very common way in Texas for new communities to be developed in areas where city services are not yet available. MUDs have contributed greatly to the affordability of new homes in Texas, and to the state’s dynamic growth rate.

How are the fees calculated?
MUDs are typically financed through the sale of revenue bonds, which are paid off by the taxes and user fees which are levied on residential and commercial property located in the MUD.

How much is the MUD tax?
The tax rate varies by each MUD. In Elyson, the MUD tax rate for 2018 is \$1.50 per \$100 property valuation. For a \$300,000 home, that comes to \$4,500 per year.

How is the MUD tax paid?
The MUD tax is included in the annual property tax bill received by homeowners. If your taxes are escrowed, the MUD tax will be part of your monthly payment.

Does the MUD tax include my monthly water and sewer fees?
No, the MUD tax only pays for the cost of installing and operating the infrastructure, such as providing clean water and disposing of wastewater. Your monthly usage fee is billed just like any other utility bill.

Are MUDs permanent?
As a community grows, MUD tax rates typically decline, as operating and debt service costs are shared by more homeowners. In some cases, such as when an area is annexed by a surrounding municipality, the MUD is dissolved.

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Municipal Bonds³³ (also known as MUNIs in the US) are an additional option. These are government backed securities open to investors looking for long term, stable returns, which are usually tax free. The bonds are used to fund things like the construction of new highways, roads, bridges or schools – things associated with new development.

Tax Increment Financing³⁴ is another widely used method of funding infrastructure improvements more typically in urban renewal areas. Essentially it is a form of value capture where the tax uplift resulting from a renewal project is used to subsidise investment in that project. It relies entirely on the view that the uplift in an area will be greater due to a desired project proceeding than had it not. TIFs are usually geographically defined and may be less applicable to new housing developments, although they do demonstrate the menu of options for funding infrastructure is larger than we allow.

Tame unnecessary regulation

The Local Government (Planning and Environment) Act of 1990 was just 120 pages. Planning regulations are now 10 times that but what have we gained? Neither housing developers nor the community have any more certainty over what is possible. The simple question “what can I do on this piece of land” is no longer capable of a simple answer. Every significant land use proposal now takes a great deal longer, costs more and is often entangled in burdensome compliance conditions.

Our history of ‘removing red tape’ is not good: it is much discussed and frequently championed by political parties of all colours, but invariably only ever seems to lead to more regulatory prescription, not less. This is perhaps the hardest of housing reforms to achieve but imposing limits on timeframes and reversing onus (for example, ‘deemed’ approved if not actioned within 90 days) or re-engineering regulations to be more outcomes based rather than process based, might alleviate the systemic problems.

Back to realistic standards

The recent (May 2024) National Construction Code changes have added around \$30,000 to the cost of a new dwelling, for negligible overall community benefit. Why impose costly energy measures only on new houses and not energy hungry established dwellings? If the objective is to reduce the cost of new housing, this is counterproductive. The same applies to the disability access standards. Would it not be more equitable for those needing specific disability access measures to have access to a specific fund for design and construction changes, rather than ask all buyers of new homes to comply with access provisions they or successive owners may never need? People with disability do not just live in new dwellings after all.

³³ “What are Municipal Bonds?” US Securities and Exchange Commission, <https://www.investor.gov/introduction-investing/investing-basics/investment-products/bonds-or-fixed-income-products-0#:~:text=What%20are%20municipal%20bonds%3F,schools%2C%20highways%20or%20sewer%20systems.>

³⁴ For a good explanation see “What is Tax Increment Financing?” City of Batavia, Illinois (USA) <https://www.bataviail.gov/DocumentCenter/View/4955/What-is-Tax-Increment-Financing-TIF-and-How-Does-it-Work>

There are also additional standards that have been imposed under Queensland’s “Best Practice Industry Conditions” which builders say have added up to 30% to housing construction, primarily for apartments. On BPIC sites, productivity may only be 3 days a week. That cost is being directly borne by buyers of new housing. BPIC could be quickly and easily reversed without compromise to safety.

Bring back sprawl?

While intensely unpopular in urban planning circles – typically for the wrong reasons and under the wrong assumptions – there is no reason urban growth boundaries could not be significantly increased to access a larger pool of land for housing, and to increase competition. We have a rude abundance of land. We just don’t give ourselves permission to use it.

This is what is now being done in New Zealand, which like Australia has suffered from policy induced housing stress. To address housing shortages, blocked supply lines and worsening affordability the new housing Minister has promised to ‘flood the market’ with land available for development and will deny local councils the ability to fix rigid urban growth boundaries.³⁵ He has also promised to de-restrict rules governing minimum sizes or configurations for apartments, effectively allowing developers to determine the types of housing the market wants (and can afford). *“I agree that they won't be the right housing solution for everyone. But do you know what is smaller than a shoebox apartment? A car or an emergency housing motel room,”* the Minister said.³⁶

Even Portland, Oregon (USA) - long regarded as a pioneer of planning to prevent sprawl - has recently faced the music of a severe lack of affordable housing by passing laws which allow growth boundaries to be adjusted outward to create more housing supply.³⁷

Questions would be raised about connections to trunk infrastructure and remoteness from work should urban growth boundaries be extended locally, but there are plentiful answers if we care to have open minds. The use of MUDs to fund infrastructure for development outside serviced areas is one outlined earlier in this report. More strategic geographic distribution of jobs and essential social infrastructure in outer suburban areas would also be warranted (it is already, even without further expansion). And if concerns about lack of access to transport have to be addressed, the cost of a free or heavily discounted bus service is a relatively small price to pay if it means creating many thousands of new, affordable homes in an outer urban area.

³⁵ “New Zealand will radically ease zoning rules to try to relieve its stubborn housing shortage,” Associated Press News, July 5, 2024.

³⁶ “Government wants to 'flood the market' to make houses more affordable - how will that work?” RNZ, 5 July 2024.

³⁷ “A housing shortage is testing Oregon’s pioneering land use law. Lawmakers are set to tweak it,” Associated Press News, February 25, 2024.



Figure 18 Housing commission housing at Trouts Rd, Stafford, late 1950s. Former farmland was converted into low cost housing, at a large scale. To repeat this, we would need to make land on the urban fringes available for housing.

Understand the consequences of planning for density.

Density has many benefits, in the right places and for the right reasons. However, we need to accept that increasing urban density as a means of accommodating record rates of population growth is not going to work, and it will also fail to help deliver new, affordable housing in any meaningful volumes. Sites for higher density housing in established urban areas are difficult to find, they are expensive to build (new apartments for below \$1 million are no longer feasible) and often trigger intense community objection to height, traffic, noise or perceived loss of visual amenity.

Urban density as an urban growth model takes longer, costs more, and is much harder to do. Recent research by Urbis³⁸ suggests that a typical apartment project now takes 75 months – over 6 years – from application to being built. That doesn't include the pre-application planning, design, and discussions with stakeholders.

If we want to continue to accept a growing population at rates being asked of us, it should come as no surprise that there is a significant housing shortage or that affordability continues to deteriorate. We are pumping up a pressure cooker by adding demand at a faster rate than we can deliver supply.

The governing instrument of planning for growth in South East Queensland is 'Shaping SEQ 2023'³⁹: a regional planning document which – like its predecessors in the late 1990s – promotes infill and higher densities to accommodate growth. The document is full of laudable ambitions but on the test of promoting wider affordability of market-based housing, it promotes the more expensive housing forms over the lower cost detached product. A root and branch

³⁸ "Apartments taking two-and-a-half years longer to deliver: Urbis" AFR 24 September 2024

³⁹ ShapingSEQ 2023, Queensland Government, <https://www.planning.qld.gov.au/planning-framework/plan-making/regional-planning/south-east-queensland-regional-plan>

review of how these policy settings are impacting the delivery of sufficient volumes of new housing to meet demand and at affordable entry level prices, is justified given the current crisis.

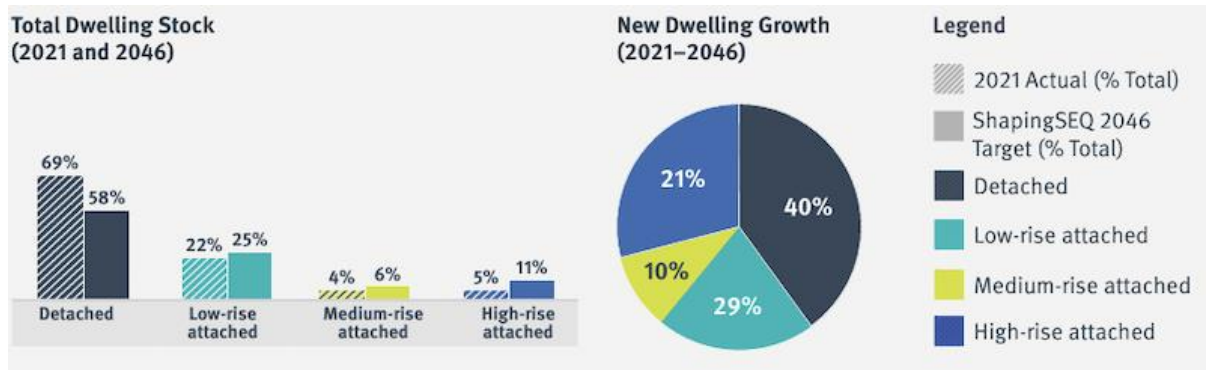


Figure 19 60% of future dwellings will be attached and one fifth will be high rise in Shaping SEQ 2023

The density challenge is underscored by an inescapable market reality: higher densities are unable to deliver the number of dwelling units needed for the predicted population. The Queensland Government Statistician’s Office does some excellent work. They have broken down regional population projections to small areas.⁴⁰ For the Brisbane inner city, they forecast an increase of 150,000 people. That is equivalent to the entire population of Ipswich today and nearly double the current population of Rockhampton - just in the inner city of Brisbane. But where in the inner city? The QGSO has provided a further breakdown which offers a dramatic illustration of how generalist statements about density being able to accommodate population growth often collide with on-the-ground reality.

⁴⁰ Queensland Government Statistician’s Office (QGSO) June 2023 “Queensland Government population projections: Regions, 2021 to 2046” available at <https://www.qgso.qld.gov.au/statistics/theme/population/population-projections/regions>

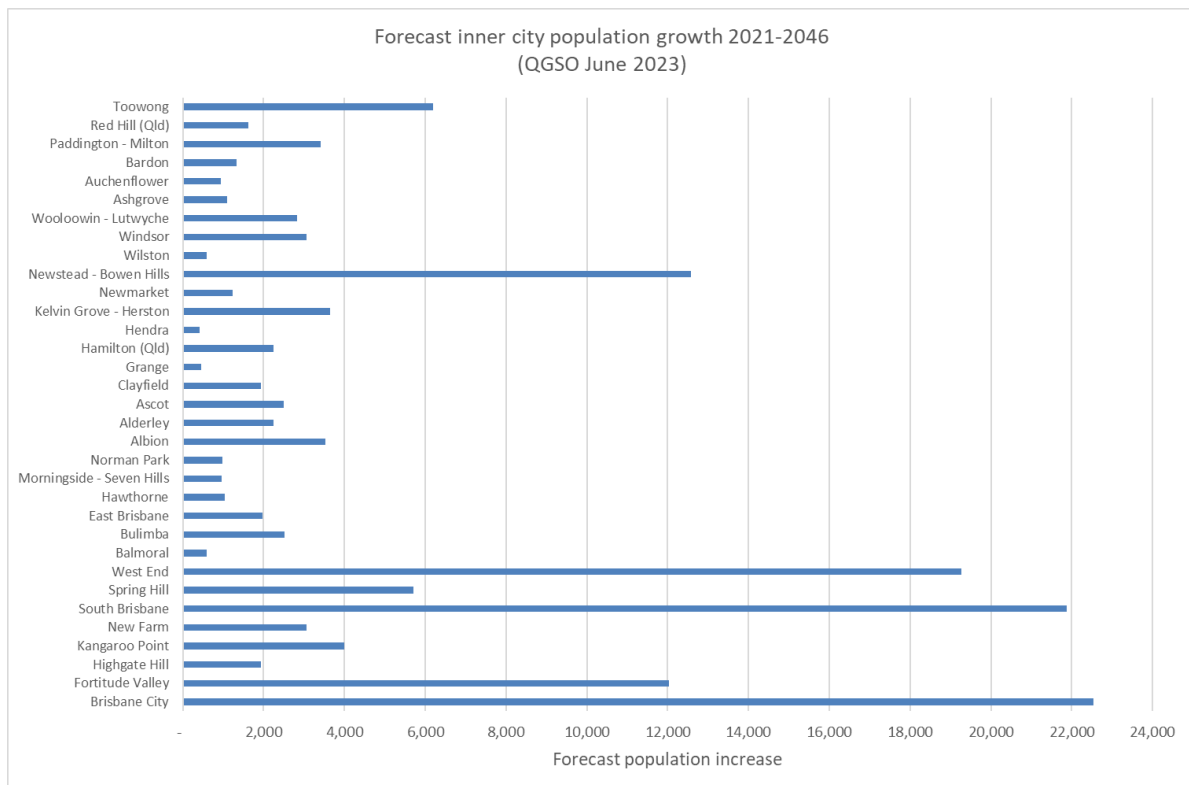


Figure 20 Author's graph based on QGSO population projections June 2023

The combined South Brisbane and West End population, for example, is predicted to increase by around 40,000 people by 2046. Given the lack of undeveloped land in these areas, this will almost entirely be delivered by medium to high density apartments.

What would 40,000 more people living in a high-density environment look like, for argument's sake? If we assume high density apartment towers will include 200 units – fairly typical for a large high-rise project, and if we make no allowance for unoccupied units (in reality over 10% are usually unoccupied) and allow for a generous 2 people per apartment (the average is actually 1.8) we arrive at 20,000 new high-rise units in West End and South Brisbane. (The 40,000 population increase, divided by 2 people per unit gives 20,000 new units). Based on an average of 200 units per tower, that's 100 more apartment towers – or around 5 new tower completions in West End and South Brisbane each year until 2046. This is just for these suburbs. For the region covered by 'Shaping SEQ 2023' the challenge is monumental.

Can it be done? Are the sites even there? Let's not forget those 20,000 units will cost a minimum of \$1.3 million each (if a two-bed format). Is there even the market for that?

The short answer is 'very unlikely.' If these infill population targets cannot be met due to the collision between theory and reality, and if 'sprawl' is prevented, where will the predicted population live? The increasing evidence of people living in tents and a growing housing crisis are clear market signals that the current policy settings are failing.

Talk to the professionals actually involved in delivery

Developer bashing is a deeply ingrained instinct. "Housing is expensive because of greedy developers" runs the familiar line. Developers are also blamed for complying with planning regulations which specify minimum densities even in greenfield developments. Prior to the 1990s, densities in new suburban estates were around 9 dwellings to the hectare. They are now

typically mandated at around 20 to the hectare. This can mean very compact housing with minimal separations from neighbours – an appearance which many associate with developer greed rather than policy direction.

Sadly, the maligning of developers now often sees them excluded from meaningful discussions about improvements to planning and regulatory processes intended to improve supply and lower prices. Government planners can be reluctant to engage openly for fear of being accused of pandering to developers or to having some unspecified conflict of interest (even the wildest of vexatious allegations is treated seriously).

Where they are consulted, it is too often via tokenistic ‘summits’ or other initiatives which are heavily influenced by the appearance of being seen to be doing something, over substance.

Developers, engineers, economists, valuers, property agents and building contractors offer some of the most market relevant insights available. It would be a very good idea to start listening to them again. Intently.

Hypotheticals

If many of the currently reasons for escalated costs and processes involved in the delivery of new housing are unnecessary, can they be reversed?

Some can. It requires resolve at the political level and a genuine commitment to targeting not just new housing that is more affordable, but a pathway to providing a lot more of it. Token projects, evidently popular with housing Ministers interested in media opportunities, will never achieve the volume of market-wide results that genuine reform can.

Consider one example alone: reversing the recent changes to the National Construction Code which have added \$30,000 to the cost of a new house or apartment, in the interests of energy efficiency and disability access. The impact on statewide energy efficiency on climate is less than negligible: by excluding existing houses which account for 98.5% of housing stock, the initiative is arguably meaningless in terms of outcome. Agreed it may save the occupants of a new compliant dwelling something in their energy costs, but would they rather a \$30,000 reduction in cost, or a saving of a few dollars each month in energy costs? Similarly, leaving 98% of dwellings without amenable standards of disability access but forcing new home buyers to fund compliant designs on new homes at significant cost seems more about making a statement than genuinely addressing the needs of people with specific access needs for housing.

Reversing this is a policy change which will save buyers of new homes \$30,000 but will cost governments nothing.

Likewise, finding alternative ways to fund locally required infrastructure rather than the upfront per-lot “developer contribution” would reduce costs by a further \$30,000. In this instance, the infrastructure is still funded but via a debt which is repaid over time via a MUD or similar financial instrument. Once again, this would come at no cost to government (unless governments were unfairly using these levies to support general revenues and had no intention of applying them to the purpose for which they were levied).

Industry reforms and productivity gains are another area of self-inflicted policy harm which could be reversed and at no cost to governments. If, as builders estimate, these have added one third to the cost of delivering new housing, that’s a very substantial cost saving.

Add to this the cost of reforming what the Reserve Bank has called “the zoning effect” of limited land supply, which (according to the RBA) adds over 40% to the cost of a dwelling in Brisbane, and you have another very substantial self-inflicted cost which is capable of being reversed at little if any revenue cost to government.

As the table shows, wiping well over \$100,000 off the cost of a new house or apartment is within our reach. It involves decisions which will not cost Treasuries lost revenues but which will save buyers of new homes very considerable amounts. Consider that the median household income is under \$100,000 and these immediate savings amount to over \$100,000. For the prospective new home buyer, this is game changing.

Cheaper new housing – how to reduce the costs of a new dwelling.

	House	Apartment
No upfront developer contribution	\$30,000	\$30,000
More readily available land ⁴¹	\$40,000	\$0
Reverse recent code changes ⁴²	\$30,000	\$30,000
Industry reforms/productivity gains (BPIC)	\$20,000	\$100,000
Total cost reduction	\$120,000	\$160,000

These figures would be disputed by policy makers who will argue they exaggerate the impacts on prices. Developers and builders would also dispute the figures, arguing they understate the impacts on costs and the potential savings.

The values are of course hypothetical and are only intended to illustrate *order of magnitude* the extent of opportunities to reduce costs. No allowance in any of this has been made for more nuanced reform of the regulatory tangle we have now created in terms of planning and development assessment regimes. How much would be saved if the process of developing land for housing now took a fraction of the time and no longer required a chain of consultants from lawyers to planners to environmental scientists and others? How much would be saved if we left building houses to the builders and developing to the developers, as it largely was prior to around 2000? Interesting for conjecture but highly unlikely to happen.

The question of doing things faster and delivering lower cost new housing in much greater volumes is closely related to all the issues identified in this paper. It means winding back some of the policy changes which were made in good faith, but which the evidence now clearly shows haven't achieved their promised outcomes.

Put simply, it now takes longer, costs more and is proving harder to deliver the most basic of built forms – a dwelling. This didn't happen to us. We did this to ourselves.

Although often wrongly attributed to physicist Albert Einstein, the saying that “The definition of insanity is doing the same thing over and over again and expecting a different result” seems entirely appropriate to end this paper on.

⁴¹ Notional value only but conservative estimate based on developer discussions

⁴² Reverse latest National Construction Code changes