# Sydney's new housing supply policies: A review

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Australia is experiencing a housing affordability crisis in which average dwelling prices are out of reach for those households on average incomes, especially in Sydney. Mortgage repayments as a percentage of Sydney gross household income, around 40 per cent for most of the previous two decades, increased over two years to around 55 per cent by 2024 (Department of Planning, Housing and Infrastructure, 2025).

After a period when national and state governments prioritised subsidies to increase purchasing power, policy attention is now more focused on increasing the supply of housing to address the crisis. Under the 2022 National Housing Accord targets, the New South Wales government is to deliver 377,000 'well located' new dwellings over five years to July 2029, with 264,000 in Sydney. This requires significantly increased housing production. In 2024, Sydney had only 28,322 dwellings approved. In response, the government has adopted a series of measures to bring about an increase in housing supply, focusing on Sydney where most of NSW's population increase is occurring. The main focus of the government's measures are reforms designed to streamline housing approvals and to allow significantly higher housing densities. The Premier has said the policies took 'direct inspiration' from Auckland's city-wide higher density zoning and its impact on affordability (Gorrey, 2025d).

The need to focus housing affordability policies on increasing supply rather than subsidising demand has been argued by a range of researchers and commentators (e.g., Ong et al., 2018; Yates, 2016). This focus is contested by some others (e.g., Wetzstein, 2021), while Gurran and Phibbs (2016) show that new housing supply in Sydney depends on rising demand as manifested in rising prices. The roots of extreme current unaffordability for many households go back to at least the turn of this century, when average dwelling prices started rising much faster than average full-time earnings (Kohler, 2023). Kohler (2023) argues that this was because housing demand was pushed up after 2000 by a sharp lift in immigration, capital gains tax breaks and negative gearing, and federal first home buyer grants, which was not matched by a commensurate increase in supply.

Relaxed planning controls have been seen for some time by developers and others as the key to increasing supply, while the Productivity Commission chair also sees planning rules and zoning as a barrier to the key role of housing supply for improving affordability (Janda and Khadem, 2026). But evidence for this in Australia is often weak and contradictory (Gurran and Phibbs, 2013). For example, the dominant discourse that planning is responsible for holding back housing supply is challenged by evidence that planning approval accounts for a quarter or less of total apartment development time in Melbourne: presales and financing phases are equally or more significant (Sharam and Bryant, 2026). At the same time, policies to accelerate supply can increase the possibility of building defects in the absence of appropriate construction regulation and oversight (Crommelin et al., 2024). Nevertheless, specific planning action to rezone precincts to higher densities can potentially generate increased dwelling supply if current zonings do not meet latent market demand. Accordingly, upzoning in such precincts generates increased property values that drives profit-driven landowner sales and property development (Cook and Ruming, 2021; Pinnegar et al., 2020). Conversely, international analyses of floor area restrictions on high density city development have shown that resulting building heights are less than the free market level (Brueckner et al., 2017; Cheshire and Hilber, 2008). This relationship is at the heart of the new NSW housing policies.

This review paper describes and then assesses policies introduced by the NSW government since its election in 2023 to increase Sydney's housing supply (some policies also apply to the rest of the state). The policies comprise a land audit to identify surplus government land for housing development, a new authority to accelerate approvals using state significant pathways; new controls to allow higher densities that focus on TOD precincts and other centre catchments; infill affordable housing bonuses; apartment design blueprints giving accelerated approval; planning system reforms that centralise approval processes and simplify development approval conditions; and government pre-sale guarantees for apartment developers. The policies are assessed in terms of local democracy, streetscape character, infrastructure capacity, housing affordability, and the issue of blanket rezoning for higher density.

**Land audit**

One of the government's first housing initiatives after its election was the commissioning of a land audit to identify surplus government property that could be suitable for housing. The government's housing developers, Homes NSW and Landcom, have first choice of the identified sites. Sites they do not choose to develop are offered to private sector developers. The audit identified enough land for 21,000 new dwellings (Maddison, 2026b). By April 2026 forty eight surplus sites had been divested (Maddison, 2026a). Only seven of those properties were bought by Homes NSW or Landcom. Treasury policy requires those agencies to pay market value for land under the Government Property Framework (GPF) adopted in 2024 (Premier, 2024), even though this is essentially an intra-governmental transfer. This constrains their ability to meet a principal mission of providing affordable housing for key workers and low income households.

**Housing Delivery Authority**

A Housing Delivery Authority (HDA) was established in 2024 to accelerate approvals using State Significant Development (SSD) pathways. SSDs involve assessments based on comprehensive environmental impact statements, with approvals made by the Minister for Planning or the Independent Planning Commission, bypassing local council approval. In Sydney, developments above $60 million are eligible. The HDA comprises the heads of the Premier's Department (chair), Department of Planning, Housing and Infrastructure (DPHI), and Infrastructure NSW. The HDA's role is to evaluate developer expressions of interest to be declared as SSD and make recommendations on that to the Minister. Following ministerial declaration as SSD, the DPHI undertakes a 'rigorous' merit assessment prior to determining the application, though the assessment process and criteria are not known. The determination can include concurrent rezoning if 'reasonably necessary' (Environmental Defenders Office, 2025), though this can potentially conflict with local council planning concerns and objectives. The Grattan Institute sees the HDA as necessary because it offers a 'circuit breaker to bypass the sclerotic NSW planning system' (Coates, 2025).

The HDA's early operation appears to be generating increased housing development applications. In its first 13 months, from the beginning of 2025, 308 projects totalling 102,000 potential dwellings had been declared state significant for HDA assessment (Gorrey, 2026a). Around 80 per cent of HDA applications have asked for a rezoning, to circumvent existing council controls (Coates, 2025).

**New controls to increase dwelling densities**

The government has introduced controls that allow increased housing densities in three tiers. The first two comprise a Transport Oriented Development Program that increases allowable housing and mixed-use densities around metro and heavy rail stations. The government claims this will enable faster delivery of more housing closer to jobs and public transport, and within walking distance of supermarkets, restaurants and open space. The third part is the low and mid-rise housing policy, intended to bring about the 'missing middle' of medium density housing across Sydney's suburbs.

*Tier 1: TOD Accelerated Precincts*

Tier 1 of the TOD program is centred on creating infrastructure and accelerating development around seven Sydney metro stations and one Sydney rail station to deliver high and mid-rise housing. These precincts will have a capacity for 47,800 new dwellings over 15 years (to 2039). Maximum precinct-wide heights under state rezoning were set at 22-24 metres. However much higher developments have been zoned on specific key sites within the precincts. The Crows Nest Tier 1 precinct includes core sites that permit buildings over 30 storeys and up to 62 storeys. Forty five storeys will be permitted next to Homebush metro station.

Precincts were longlisted by identifying train and metro stations that had significant infrastructure capacity around the station to support extra housing growth. Stations were scored for shortlisting based on existing zoned land and master planning near the station; percentage of fragmented land and strata developments; and proportion of government-owned land to deliver social and affordable housing, in particular. The government will supplement existing infrastructure with $520 million for the costs of critical road upgrades, active transport links and good quality parks and walkways.

Land within 1,200 metres of the nominated stations has been rezoned by the government to accommodate the proposed dwellings, supported by planning department technical studies and master planning to determine zoning boundaries within each precinct. A new State Significant Development (SSD) assessment pathway for residential developments worth over $60 million is being used until November 2027 to streamline approval for residential projects in the eight precincts. SSDs have streamlined environmental assessment requirements, and various approvals required under NSW legislation are either not required or else integrated into, or fully considered in, SSD assessment. SSD applications will be coordinated by a dedicated assessment team, with the department having a target of applications being in government hands for no longer than 90 days.

Inclusionary zoning is being established within the eight precincts to generate affordable housing. The levels of affordable housing required in the first six exhibited rezonings range from a minimum of three per cent of total dwellings as the broad-based precinct rate to site specific rates up to 15 per cent, to be held in perpetuity. The actual proportion of affordable housing in each precinct is based on feasibility analysis in the master planning process. That process also determines the mix of housing across each precinct, from terraces and duplexes through to high rise very close to each station. Planning controls are being included to incentivise affordable housing provision through increased height and floor space.

*Tier 2: A further 37 TOD Precincts*

The TOD program Tier 2 focuses on 37 precincts (25 in Sydney) that are assessed as having adequate existing infrastructure for additional development and that are within 400 metres of 37 rail stations (most in Sydney). The selection of locations used a similar approach to that used to select Tier 1 precincts.

The government introduced new planning controls in 2024 through amendments to State Environmental Planning Policy (Housing) 2021 to increase permissible densities that will be applied by local councils when assessing development applications in these precincts. The new controls allow residential apartment buildings in all residential zones (including detached dwelling zones) within 400 metres of the selected stations. They also allow residential apartment buildings and shop-top housing in local centre zones within 400 metres of the stations.

The government's Tier 2 TOD controls set out the medium density residential development parameters. The maximum height is 22 metres (24 metres for shop top housing), or around 6 stories. The floor space ratio (FSR) is 2.5:1, meaning development above two and a half storeys cannot cover the whole site. The minimum lot width is 21 metres, which will encourage amalgamation of existing lots. FSR and lot width controls were included through feedback from professional peak bodies (including PIA) to allow landscaping, setback, privacy and open space standards to be met while still achieving six storeys. The requirement for affordable housing, even lower than in Tier 1 precincts, is a very minimal two per cent of total floor area for development with a minimum gross floor area of 2,000sqm, provided in perpetuity.

Adverse community reaction to the Tier 2 TOD controls has come through local councils and centred on 12 precincts. Alternative schemes proposed by local councils for nine of those precincts, delivering broadly equivalent capacity for increased dwellings as the government's controls, had been accepted by the government by February 2026.

One of the alternative schemes accepted by the government was made by Ku-ring-gai Council, a high income area that had long resisted government attempts to increase housing density. The accepted scheme focused on more tightly defined precincts around the four rail stations nominated for Tier 2 status and allowed greatly increased building heights within those precincts to exceed the government housing target of 21,200 new dwellings by 3,300 (Ku-ring-gai Council, 2025) – up to 28 storeys in Gordon and 18 storeys in Lindfield, and up to eight storeys at the other two stations. Some residential areas up to 800 metres from the stations were also rezoned to distribute density and limit height closer to stations. The council stated that it now protected 80 per cent of heritage conservation areas near the stations and avoided critically endangered turpentine ironbark forest land, both long-standing community concerns. The scheme also addressed overshadowing and overlooking problems by requiring lower building heights near lower density neighbours. The government's TOD documentation states that 'relevant heritage controls will apply to the extent that they are not inconsistent with the new standards' (NSW Planning Portal, 2023). This potential conflict may require projects across Tier 2 TODs to modify development allowed under TOD controls so that heritage impacts are reduced, rather than stop development altogether.

Inner West Council also gained government approval for an alternative plan to the government's initial Tier 2 plan that had involved locally unacceptable redevelopment of significant heritage conservation areas and loss of neighbourhood character (Inner West Council, 2025). The council's plan provided capacity for more new dwellings than the government's plan. The council master plans excluded higher densities in areas of significant heritage value, and concentrated 6-11 storey density on non-heritage sites close to train stations and public open spaces (Planning Institute of Australia, 2026). The council argued that small lot sizes and high land values meant densities above the TOD policy's six storeys were required to make amalgamation and development commercially feasible (Gorrey, 2025b). In addition, the master plan adopted a slightly higher three per cent affordable housing contribution in upzoned areas.

*Low and Mid-Rise Housing Policy*

A Low and Mid-Rise Housing Policy was introduced as a new part of State Environmental Planning Policy (Housing) 2021, to address the 'missing middle' gap between detached housing and high rise apartment buildings. The policy encouraged low (1-2 storeys) and mid-rise (3-6 storeys) housing to be built within 800 metres walk from nominated town centres and transport hubs. This policy is expected to produce up to 112,000 new dwellings over five years.

The first stage of the policy, permitting dual occupancies, came into effect in July 2024. This permits dual occupancies and semi-detached dwellings across R2 (low density residential) zones across the whole state. Previously, dual occupancies required specific local council controls to be allowed. In Sydney, higher income councils usually resisted introducing such controls. The policy set out non-discretionary development standards that were required to be met for dual occupancy approval: minimum lot size 450 square metres, minimum lot width 12 metres, maximum floor space ratio 0.65:1, maximum building eight 9.5 metres, one car parking space per dwelling, and subdivisions with a minimum 225 square metres and 6 metre width per lot.

The second stage of the policy, starting in February 2025, set new planning controls to encourage low and mid-rise housing construction within 800 metres of 171 nominated town centres and train, metro and light rail stations in Sydney and nearby regions. The policy is intended to align with the Housing Accord's commitment to building well-located housing through low and mid-rise housing areas with a wide range of frequently needed goods and services, frequent public transport, and infrastructure.

The key element of the second stage was to permit terraces, townhouses and three storey apartment buildings in detached housing (R2) zones where they were previously restricted, if they are within 800 metres walking distance of the nominated centres and stations. The non-discretionary development standards for this area minimum lot size of 500 square metres, minimum lot width of 12 metres, maximum floor space ratio of 0.8:1, maximum building height of 9.5 metres, and 0.5 car parking spaces per dwelling. The expansive lot size, width and FSR standards were presumably intended to reduce infill on smaller lots and thus reduce overlooking and loss of privacy. Within 400 metres of nominated centres and stations, apartments up to 22 metres (six storeys) are now permitted, and up to 17.5 metres (four storeys) between 400 and 800 metres from centres/stations. The second stage standards override equivalent local council development controls where they are more stringent.

## In-fill affordable housing reforms

The low and mid-rise housing policy had been preceded in 2023 by the introduction of specific reforms to increase the supply of in-fill affordable housing (IAH) via amendments to the State Environmental Planning Policy (Housing) 2021. The key reform provided incentives for developers to increase affordable housing near public transport. A floor space ratio bonus of 20-30 per cent and a height bonus of 20-30 per cent was made available for projects that include at least 10-15 per cent of total floor area as affordable housing (20 per cent below market rent) for 15 years. The bonuses are available to developments within a walking distance of 800 metres of train and metro stations and light rail stops, and 400 metres of frequent bus stops. By March 2026, 43 projects with 24,000 dwellings, including 5,000 affordable dwellings, had been approved under the policy (Gorrey, 2026b). The policy triggered Sydney-wide opposition from councils and residents because of proposals' scale, potential traffic congestion, and the 15 year affordable housing time limit (Gorrey, 2025a).

## Apartment design blueprints

The government has produced a pattern book of endorsed designs for low and mid-rise (up to six storeys) dwellings that were chosen through an international competition (Government Architect NSW, 2025). The Pattern Book contains designs by architects intended to accelerate the development of high quality, affordable and sustainable housing. Each pattern includes a base pattern and variants that can be adapted to a particular site. Projects adopting these designs have access to an accelerated ten day approval pathway, as complying developments.

## Planning system reforms

A further set of changes to increase housing supply has been made under the *Environmental Planning and Assessment Amendment (Planning System Reforms) Bill 2025*, now passed by Parliament. They form perhaps the biggest set of amendments to the original NSW planning act, the *Environmental Planning and Assessment Act 1979*. The changes are intended to simplify and speed up the approval of new housing and other development. The changes centralise much of the decision-making around approval of housing development away from local government and community representations to the state government. The Bill also added the promotion of the supply, delivery and maintenance of housing, including affordable housing, to the objectives of the Act.

### *Development Coordination Authority*

A major reform under the 2025 Bill is the establishment of the Development Coordination Authority (DCA). Development applications previously requiring assessment by multiple government agencies will centralise approvals through the DCA. The DCA is in fact one person, the secretary of planning. The government intends that the DCA will operate as a one-stop shop for expert inputs from the government, thus eliminating the need to navigate up to 22 different areas of government and so helping to minimise delays and duplication of advice. The DCA sits within the Department of Planning, Housing and Infrastructure. Expertise from up to 14 government agencies is being brought together in the DCA. Each eligible project is assigned a dedicated case manager who coordinates stakeholders, enables timely advice, and resolves issues that might delay completion (Gyde, 2026). But the DCA cannot make decisions on behalf of development consent authorities or government agencies.

*Local Planning Panels*

The previous state government introduced five Sydney District Planning Panels to determine development applications that were 'regionally significant' (excluding State Significant Developments (SSD)), to remove them from council politicking and NIMBYism. Housing developments worth more than $30 million, or with a value between $10 million and $30 million that had not been determined after 120 days, could be deemed regionally significant. The panels had a chair and two independent experts appointed by the Minister for Planning and two members nominated by local councils.

The government has removed this pathway and transferred decisions to Local Planning Panels or councils. Local Planning Panels have a similar membership structure to that of the former District Planning Panels. These panels determine development applications that are more contentious: those valued between $5 million and $30 million, those receiving a high number of complaints, sensitive projects such as ones involving heritage demolition, and projects of state strategic importance. The government expects the transfer of regionally significant (non-SSD) projects back to local panels to improve efficiency and reduce delays: local panels determine applications more quickly than regional panels.

*Simplified development approval conditions*

The new legislation includes several changes to simplify development approval conditions:
- A new *targeted assessment pathway* for developments has been introduced. This allows projects falling outside complying development to bypass a full merit assessment where strategic planning and community consultation has already taken place. For these developments, consent authorities (state or local) must only consider compliance with existing relevant planning controls. They cannot consider environmental impacts, site suitability, or the public interest. This runs counter to the requirement in the *Environmental Planning and Assessment Act* for councils and other development consent authorities to consider the public interest in their development assessment. A development requiring an environmental impact assessment (that is, where environmental impacts are expected to be significant) will not come under targeted assessment. Forthcoming State Environmental Planning Policy provisions will set out what class of developments will be included in this pathway. Various housing projects that do not meet the strict parameters of complying development are likely to be included. For example, the pathway will be applied to mid-rise Pattern Book projects.
- For development outside the targeted assessment pathway, the existing requirement to consider all likely environmental impacts of a development will be limited to likely significant impacts only.
- Development consent conditions will be standardised, which will reduce delays caused by varying consent conditions between local government authorities.

**Pre-sale Finance Guarantee for developers**

In 2025 the government established the Pre-sale Finance Guarantee (PFG) to accelerate housing supply by providing greater financial certainty to developers. The guarantee is intended to fill shortfalls in pre-sales required by lenders (which can vary from 50 to 80 per cent of the total development). To qualify, projects must have development approval and be capable of starting within six months of guarantee approval. The government assesses the merits of the project and the capacity, capability, and credibility of the developer for PFG approval. For approved projects, the government may commit to purchase individual dwellings up to $2 million or dwellings with a total value between $5-50 million, capped at 50 per cent of the number of dwellings in a single project. This is intended to satisfy pre-sale requirements of lenders. The government has committed $1 billion to the program, with eventual sales of government-purchased dwellings generating a revolving funding mechanism. The PFG is forecast to speed the delivery of 15,000 dwellings over five years (Gorrey, 2025c).

**Assessment**

There are a number of concerns about the new housing policies. The rest of this review paper considers each of the principal concerns.

*Democratic process*

A fundamental concern is the centralisation of decision-making and the near exclusion of democratic process, effecting a concentration of power in a few hands (those of the planning minister and their appointed staff) (Farrelly, 2025). Perhaps the most seriously non-democratic element is the exclusion of the public interest in Targeted Assessment Developments (TADs), which incorporate 'the most major and controversial of cases' (Farrelly, 2025). This concentration of discretionary power has the potential for decisions to be unduly influenced by political considerations and developer lobbying in the pursuit of windfall profits.

Other measures will, as Farrelly (2025) notes, dissuade local or state consent authorities from considering the wider or long term context of developments. Only 'significant' likely impacts can be considered, raising the issue of what is deemed 'significant', with ensuing court challenges likely. Requirements to consider impacts like climate change, environmental, heritage, social, economic and public interest are removed as heads of consideration and placed in regulations. As Farrelly (2025) points out, this means that whether various development impacts and the public interest are considered at all will be decided by the minister. If development is declared a Targeted Assessment Development, those impacts must not be considered. In particular, the removal of the public interest as a decision consideration, totally for TADs and if not considered 'significant' otherwise, strikes at a fundamental foundation of contemporary planning. In essence the government has made a judgement that, as the *Sydney Morning Herald* put it, 'the most fundamental community need is the capacity to buy or rent a home' (Anon., 2025), that rapidly increasing supply is the solution, and that this outweighs the diminution of democratic planning process. Accordingly, it could be argued that the government has prioritised a wider public interest, in the form of expanded housing supply, at the expense of various local public interests. This policy direction has not been confined to Sydney: for example, in Victoria there has been a focus on reducing third party objection and appeal rights (Moore and Doyon , 2025).

*Streetscape and heritage*

The new dwelling controls allow construction of six storey dwellings (or more with affordable dwelling bonuses) across much of the existing Sydney urban area, and construction of much higher buildings around Tier 1 stations. Rezoning that significantly increases permissible density, especially in existing low density zones, is more likely to encourage property owners to collaborate to profit from resulting large uplifts in land value and sell to developers (Liu et al., 2025). But this will introduce disruptive streetscape elements in what are predominantly low density areas. This will be most noticeable in Tier 1 areas, where very tall apartment blocks could be built anywhere within the designated areas right out to 1200 metres from the station. The NSW Apartment Design Guide states that key design considerations should include visual privacy to neighbouring development and overshadowing of communal and public space and neighbouring development (Department of Planning and Environment, 2015, p. 170). Whether such guideline constraints are applied in Tier 1 zones remains to be seen.

The master plans for Tier 1 TOD areas give some recognition to this issue, with the tallest buildings being planned for existing commercial areas around the station (for example, 36 storeys over Westfield shopping centre at Hornsby and the Crows Nest and Homebush TOD examples cited above). However tall buildings (of 12 storeys in Hornsby's case) have still been master planned in low density streets near stations. Moreover, the master plans form part of each council's Development Control Plan, which only act as development assessment guidelines within each council's Local Environmental Plan (LEP). Tall developments outside the core in Tier 1 TOD areas can still potentially be approved if they are argued to accord with the objectives of the LEP. In Hornsby's case, the objectives state that development must be consistent with the Hornsby Precinct Design Guide, which contains the master plan provisions: legal argument could emerge around how strictly 'consistent' is applied. However, the greatest disruption to streetscape character seems likely with developments contravening council planning controls that are declared State Significant and assessed as 'reasonably necessary', with concurrent rezoning, by the HDA.

*Infrastructure capacity*

There is also concern that the speed of the master planning process for Tier 1 precincts has not given adequate attention to infrastructure. For example, the original plan for the Homebush Tier 1 precinct included the loss of two schools (revised later to one school, rezoned to allow 45 storeys) and no provision for new schools for the increased population in 16,100 extra dwellings (Jago, 2024). The local government association has said that the TOD SEPP in general risks straining existing infrastructure (through overcrowding, congestion and service disruption) and risks insufficient and uncertain provision of new infrastructure to support population growth (Local Government NSW, 2024). While the government's $520 million support package may address many of these concerns for Tier 1 TODs, there is no similar funding for Tier 2 TODs. For these, council plans add little new open space for the extra population. The $20,000 per dwelling cap on developer contributions for local infrastructure under the *Environmental Planning and Assessment Act* limits open space acquisition possibilities, especially as the speed of rezoning means all post-rezoning purchases will have to pay for land at values reflecting the much higher prices generated by the new higher density zoning. More generally, the greater scope for higher density enabled by the new policies is likely to lead to more dispersed and less predictable development than when led by local planning controls and more uncertain infrastructure planning and funding.

*Housing affordability*

The government's density bonuses have made the provision of new affordable housing under the IAH reforms profitable for developers, but with considerable variations in profitability across different areas. Economists Cameron Murray and Peter Phibbs have compared the property value of additional rights per affordable dwelling with the rental discount per affordable dwelling across a sample of nine suburbs (Murray and Phibbs, 2025). They estimate that on conservative assumptions, between 8 per cent and 79 per cent of the density bonus value is retained by the property owner/developer using the IAH policy. But the lowest proportion of density bonus value is contributed as discounted rent in high value areas, and the highest proportion in low value areas. The implication is that developers will retain the highest share of the increased density in high value locations, meaning these areas will be preferred for affordable housing provision under the policy. Murray and Phibbs' calculations have received support in a Centre for International Economics report for the NSW Treasury in 2024 (Karp, 2026a). The report found that upper income suburb Woollahra was the most feasible suburb to build new apartments, with a profit of $1.2 million per apartment, compared an average negative 'feasibility gap' (loss) of two per cent across Sydney as a whole. But in profitable high income areas, high market rents mean that affordable housing mandated at 80 per cent of local market rents is out of reach for most households across the city.

Even if NSW were able to achieve its housing supply target under the National Housing Accord, it is moot as to whether this would have a significant impact on affordability. A long run analysis of the Australian housing market by Nygaard (2025) found that the income elasticity of housing demand is above 1.0 and exceeds the price elasticity of housing demand. Housing prices are not very responsive to changes in demand for a number of reasons including land hoarding, developers adjusting prices rather than supply, and hedging against future price changes via off plan sales (see references in Nygaard (2025)). This means that it is the overall growth in incomes that primarily determines the price-income ratio, with an increasing proportion of incomes being spent on housing as incomes rise. Thus, as incomes grow, housing prices rise even faster, and lower income households are outbid or have to devote an increasing share of income to housing. Nygaard's analysis underpins the findings noted above that high income areas are the most profitable ones for new apartment construction. Nygaard concludes that an expansion of the non-market housing sector is needed to enable a greater share of housing production to go to lower income households that are experiencing a housing crisis.

The profitability of higher density development in high income areas suggests a previously inadequate supply of high density zones there. The extent to which higher density development will occur in other areas is uncertain. More generally, the affordability measures per se are tepid rather than bold. Requirements for new affordable dwellings only set rents at 80 per cent of local market rents, which will exclude large sections of the population. In 2024, 55 per cent of Sydney postcodes were unaffordable (with median rents 30 per cent or more of household income) for average income rental households (ABC, 2025). The two or three per cent affordability requirement for developments in TODs is tokenistic at best, to minimise a potential developer impediment to increasing overall housing supply. By contrast, another high cost global city, London, set the amount of affordable housing in new developments at 35 per cent (although recently reduced to 20 per cent with a promise of a fast-tracked application to get supply moving) (Mendonça and Elgueta, 2025). In Adelaide, 15 per cent of all new significant housing developments must be affordable. The complaints of developers that higher affordability requirements in Sydney make projects unprofitable rest to a significant extent on the high land prices that they must pay for sites. Higher affordability levels applying in future could be set down now, allowing land and property prices to adjust.

The likely limited new supply of affordable housing for most income groups under the new housing policies means that alternative policy approaches are required. Low income households have the greatest need for more affordable housing. There has been a limited increase in public and other social housing supply this century in NSW (other than from the post-GFC federal stimulus). The waiting list is large and growing – up from almost 58,000 households in June 2022 to around 68,000 in June 2023 (NSW Productivity and Equality Commission, 2024). Taxation savings from reducing capital gains and negative gearing discounts, which accrue primarily to wealthy households, are one potential source of funding for new public and social housing. Another might be government land provided at no cost: the unfinished audit of NSW state government land has already identified surplus holdings that could support 11,000 new dwellings (Karp, 2026).

*Blanket rezoning*

The new low and mid-rise housing (LMRH) policy is seen by the Grattan Institute as a missed opportunity to get develop even more housing in low density residential areas (Bowes, 2026). While the new NSW policy allows 'gentle' density' in low density areas within walking distance of transit hubs and commercial centres, Grattan sees this as falling short of Victoria's policy of allowing townhouses and apartments up to three storeys across most residential zones in Melbourne. NSW's LMRH policy covers only nine per cent of residential land (Bowes, 2026). Grattan claims that if the LMRH policy allowed terraces and low rise flats in all areas now zoned as low density, provided reasonable set back, height and site coverage requirements are met, there would be capacity for an extra one million dwellings to be profitably built in Sydney (Bowes, 2026). Such a large increase in supply might have significant impacts on housing affordability. After this policy was adopted in Auckland, house prices fell by 15 per cent in real terms in a decade (Bowes, 2026).

Such blanket rezoning raises two key issues. The first is whether adequate infrastructure will be provided for the extra population. The Planning Institute of Australia argues that this is doubtful: 'Governments can't upgrade roads, schools and pipes in every suburb all at once. Communities will wait longer for … services' (Planning Institute of Australia, 2025).
The second issue is whether such potential reductions in housing costs outweigh the negative externalities that might be generated. Locations beyond walking distance of transit and centres are likely to generate increased per capita car use and carbon emissions. They will also increase the potential incidence of overlooking and privacy loss for existing detached home dwellers. But they might also increase social mix across the city and, in areas with older demographics, bring young families whose children can offset declining local school enrolments that can otherwise cause school closures.

## Concluding overview

Over time, increases in housing stock matching the increase in households are needed to help keep housing costs down. NSW's new housing policies support this goal. In the longer term, the loosening of zoning restrictions should decrease land price pressures and improve development feasibility, helping supply to catch up with the growth in population and reductions in household size. But the new NSW policies to increase supply, while arguably in the wider public interest, come at the expense of democratic process. Developer feasibility has become the principal basis for planning residential development (Randolph et al., 2026). And market forces bias increases in housing stock to higher income households. The high income elasticity of demand for housing (Nygaard, 2025) means that much of the increase might be provided by upper income investors rather than as affordable dwellings for first time buyers. Thus affordability pressures on lower income groups will remain for an extended period. This will require substantially increased funding of public and social housing.

The concerns outlined above about the new NSW housing supply policies point to measures that could be adopted to mitigate shortfalls in those policies. Foremost is the need to increase the supply of public and other social housing. Surplus government land should be made available free to state housing agencies for social housing to improve the feasibility of development. The state government should commit to a significant expansion of public housing, supported by Commonwealth revenue from reductions in property investor tax breaks. Major private sector housing development should be required to provide a minimum of twenty per cent affordable dwellings in perpetuity, phased in over time to allow land prices to adjust and compensate for new affordability requirements. Communities, via local governments, should be allowed to determine zoning changes needed to meet state housing targets, drawing on local government strategic plans. High rise apartment buildings should only be allowed within 400 metres of railway and metro stations. Transition zoning from high density to lower density zones is needed, and overlooking and overshadowing by high rise buildings avoided, drawing on the NSW Apartment Design Guide. Such measures are needed to make the new NSW housing policies more equitable, less disruptive and have improved democratic accountability.

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