

LYV GROUP

COMPLEXITY DECODED

Understanding Australia's Housing Coordination Gap

Supporting Attachment to the Productivity Commission Inquiry into Housing Supply Regulation

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11 June 2026

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## EXECUTIVE SUMMARY

Australia's housing shortage is commonly described as a supply problem.

As a result, public policy has focused on increasing housing supply through planning reform, land release, infrastructure investment, housing finance initiatives, workforce development and construction productivity improvements.

These reforms are important and necessary.

However, despite substantial public investment, extensive policy intervention and ambitious national housing targets, housing outcomes continue to lag housing ambition.

This paper proposes an alternative interpretation.

Australia's housing challenge is fundamentally a delivery system challenge.

The issue is not simply the availability of capital, land, demand, construction capability or government programmes.

The issue is the ability of the housing system to coordinate those inputs and convert them into completed and occupied homes.

This condition is described as Australia's Housing Coordination Gap.

The central proposition of this paper is that Australia currently measures housing activity more effectively than it measures housing delivery.

Improving housing outcomes therefore requires not only reforming individual constraints but also strengthening the delivery architecture that connects them.

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## INTRODUCTION

Australia's housing debate is increasingly dominated by questions of supply.

Policy discussions commonly focus on planning reform, zoning reform, housing finance, infrastructure investment, workforce shortages, construction productivity and industrialised construction.

Each of these issues is important.

However, each represents only one component of a much larger system.

Housing outcomes do not emerge from any single component.

Housing outcomes emerge when multiple systems operate successfully together.

Planning systems alone do not deliver housing.

Infrastructure systems alone do not deliver housing.

Capital systems alone do not deliver housing.

Construction systems alone do not deliver housing.

Housing outcomes occur when these systems operate as an integrated whole.

The challenge is therefore not simply how to increase supply.

The challenge is how to improve the system responsible for converting housing inputs into housing outcomes.

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## WHY THIS MATTERS NOW

Australia has entered a period of unprecedented focus on housing delivery.

Governments at all levels have announced housing targets, infrastructure programs, planning reforms and funding initiatives designed to accelerate housing supply.

The National Housing Accord target of 1.2 million homes reflects the scale of the challenge facing the nation.

Despite significant policy attention and substantial public investment, housing completions continue to fall below the trajectory required to achieve national housing targets.

At the same time, multiple reviews, inquiries and industry reports continue to identify recurring barriers including:

- planning delays
- infrastructure constraints
- workforce shortages
- productivity challenges
- fragmented delivery systems

This suggests that housing outcomes may be constrained by factors extending beyond any single reform area.

The challenge increasingly appears to lie in the interaction between systems rather than the performance of individual systems.

Australia may not simply have a housing supply challenge.

It may have a housing delivery challenge.

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## AUSTRALIA CURRENTLY MEASURES ACTIVITY MORE EFFECTIVELY THAN DELIVERY

Housing performance is often measured using:

- funding allocations
- programme announcements
- dwelling targets
- planning approvals
- infrastructure commitments
- commencements

These indicators are valuable.

However, they primarily measure activity rather than housing outcomes.

Projects can be approved but not commenced.

Land can be zoned but remain unserviced.

Infrastructure can be funded but delivered out of sequence.

Capital can be committed but remain undeployed.

Housing programmes can be announced without achieving intended delivery outcomes.

The gap between activity and outcomes is where the Housing Coordination Gap becomes visible.

Housing delivery should therefore be assessed not only by the volume of activity generated, but by the efficiency with which activity is converted into completed and occupied homes.

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## OBSERVABLE EVIDENCE OF THE HOUSING COORDINATION GAP

The Housing Coordination Gap is not merely a theoretical concept.

It is observable through recurring patterns across Australia's housing system and across multiple jurisdictions, housing programmes and delivery environments.

### Approval Without Delivery

Projects receive planning approval but fail to progress due to infrastructure constraints, financing challenges or delivery bottlenecks.

### Infrastructure Without Housing

Infrastructure investments are completed without corresponding housing outcomes occurring at the expected scale or timeframe.

### Capital Without Conversion

Funding programmes allocate significant resources to housing initiatives while completed housing outcomes remain below intended trajectories.

### Delivery Capacity Without Deployment

Capability exists within the market but remains constrained by planning, procurement, infrastructure and coordination barriers.

### Targets Without Throughput

Housing targets are established nationally and across jurisdictions while housing delivery continues to lag target trajectories.

The common pattern is clear.

The challenge is not activity.

The challenge is conversion.

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## THE CENTRAL QUESTION

Housing policy discussions frequently focus on individual constraints.

However, a more fundamental question often remains unanswered:

Who coordinates the housing delivery system as a whole?

Planning authorities are responsible for planning decisions.

Infrastructure providers are responsible for infrastructure delivery.

Capital providers are responsible for capital allocation.

Builders are responsible for construction.

Community housing providers are responsible for tenancy outcomes.

What remains unclear is accountability for housing delivery as a system.

The absence of that coordinating capability is the central issue explored in this paper.

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## THE HOUSING COORDINATION GAP

Australia's housing system consists of multiple independent participants.

These include governments, planning authorities, infrastructure providers, utilities, institutional investors, lenders, developers, builders, community housing providers, housing agencies and delivery partners.

Each participant performs an important role.

Each operates within its own governance framework.

Each measures success according to its own objectives.

Very few participants are responsible for optimising housing delivery as a whole.

The result is fragmentation.

The consequence is reduced housing throughput.

The challenge is not the absence of activity.

The challenge is the absence of coordination.

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## FROM PRODUCT PROBLEM TO SYSTEM PROBLEM

Housing shortages are often viewed through the lens of construction.

While construction capability remains important, housing outcomes emerge through the interaction of planning systems, infrastructure systems, capital systems, regulatory systems, construction systems and governance systems.

Housing is therefore not primarily a product problem.

It is a system problem.

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## FROM SYSTEM PROBLEM TO COORDINATION PROBLEM

Many housing delivery failures do not originate within organisations.

They emerge between organisations.

Planning approvals wait for infrastructure decisions.

Infrastructure delivery waits for funding decisions.

Projects wait for procurement decisions.

Capital waits for deployment pathways.

These bottlenecks occur at the interfaces between participants.

The challenge therefore becomes less about improving individual components and more about improving the mechanisms that connect them.

The problem is best understood as a coordination problem.

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## THE ACCOUNTABILITY CHALLENGE

High-performing infrastructure sectors generally operate through:

- programme governance
- delivery authorities
- performance reporting
- escalation pathways
- accountability frameworks

Housing delivery often lacks equivalent structures.

Responsibility is distributed.

Accountability is fragmented.

Performance visibility is limited.

The Housing Coordination Gap is therefore both a coordination challenge and an accountability challenge.

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## THE MISSING INSTITUTIONAL QUESTION

Despite significant policy attention, housing delivery remains distributed across multiple institutions, jurisdictions and delivery participants.

Responsibility exists throughout the system.

Accountability for individual functions exists throughout the system.

Yet no single institution is accountable for optimising the performance of the housing delivery system as a whole.

The absence of that accountability creates a critical policy question:

Who is responsible for converting housing ambition into housing outcomes?

This question sits at the centre of the Housing Coordination Gap.

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## POLICY IMPLICATIONS

The significance of the Housing Coordination Gap extends beyond housing itself.

Future housing reforms should continue addressing planning, infrastructure, finance, workforce and productivity constraints.

However, they should increasingly be assessed according to a broader question:

How effectively do they improve housing delivery across the entire system?

This shifts the focus:

- from activity to outcomes
  - from inputs to delivery
  - from projects to programmes
  - from housing supply to housing throughput
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## RECOMMENDATIONS

### Recommendation One

Develop a National Housing Delivery Index capable of measuring housing throughput across the full housing lifecycle.

### Recommendation Two

Adopt Housing Throughput as a Core Performance Measure.

### Recommendation Three

Apply Infrastructure Delivery Principles to Major Housing Programmes.

### Recommendation Four

Strengthen Delivery Accountability Frameworks.

### Recommendation Five

Investigate National Coordination Mechanisms for Housing Delivery.

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## CONCLUSION

Australia's housing shortage is often described as a supply problem.

This paper proposes that the issue may be more accurately understood as a delivery system problem.

Australia possesses many of the inputs required to increase housing supply.

Capital exists.

Land exists.

Demand exists.

Infrastructure programmes exist.

Construction capability exists.

Yet housing outcomes continue to lag housing ambition.

The evidence suggests that improving housing outcomes requires more than improving individual components of the system.

It requires improving the mechanisms that connect them.

The central challenge is therefore not simply housing supply.

The central challenge is housing delivery.

Understanding Australia's Housing Coordination Gap is the first step.

The next step is developing the governance, accountability and coordination architectures capable of closing it.

Housing is the first application.

Coordination is the capability.

Delivery is the objective.

Outcomes are the measure.

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## REFERENCES AND SUPPORTING SOURCES

Key reference sources include:

- Productivity Commission

- National Housing Supply and Affordability Council (NHSAC)
  - Housing Australia
  - Housing Australia Future Fund documentation
  - Australian Bureau of Statistics (ABS)
  - Infrastructure Australia
  - Infrastructure NSW
  - National Housing Accord
  - CEDA and Urbis
  - Building 4.0 CRC
  - State Government Housing Strategies
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#### COMPLEXITY DECODED RESEARCH PROGRAMME

This paper forms part of the broader Complexity Decoded research programme examining housing supply as a national delivery system challenge.

Housing is the first application.

Coordination is the capability.

Delivery is the objective.

Outcomes are the measure.