

Submission to the Inquiry into Regulation and Housing Supply

Emeritus Professor Terry Burke Swinburne University

[Redacted]

Emeritus Professor David Hayward RMIT

[Redacted]

Contents

Acknowledgement.

Authors

Disclaimer

The Submission

- 1 Key Points
- 2 Submission Context
- 3 The regulatory narratives
- 4 Regulatory reflections and observations
 - 4.1 Land use Controls; zoning and overlays
 - 4.2 Affordability
 - 4.3.5 Guaranteeing Affordable Housing Supply
 - 4.4 Building Regulations
- 5 System Constraints: The Structure, Conduct and performance of the Housing Industry
 - 5.1 Industry Volatility
 - 5.2 The nature of Detached housing construction.
 - 5.3 The constraints of the Contract building model
 - 5.4 The development model vs the building model.
 - 5.5 The small scale of the building sector.
 - 5.6 Upzoning and cost barriers to industry supply.
- 6 Conclusions
- 7 Reference s
- 1 Acknowledgement.**

We respectfully acknowledge the Traditional Owners of the land on which Swinburne's and RMITs campuses are located and pay our respect to their Elders past, present and emerging. We

also acknowledge and respect the Traditional Owners of lands across Australia, their Elders, Ancestors, cultures and heritage.

Authors

This submission is based on long-term applied academic research and industry consultation. The authors have been involved in a long chain of housing policy research, including the Local Government and Approval Program (LARP) (1990), Victorian government medium density planning reform study (1989) and more than a dozen Local government housing strategies (1984-2012), as well as other housing and planning advisory work including social and affordable housing regulation for the Victorian government. Most recently we authored an international book chapter on Regulation and Housing innovation. (Hayward and Burke 2026 forthcoming)

Disclaimer

The opinions in this report reflect the views of the authors and do not necessarily reflect those of Swinburne University or RMIT. No responsibility is accepted by Swinburne or RMIT for the accuracy or omission of any statement, opinion, advice or information in this submission.

The Submission

1 Key Points.

- Reform of the regulatory environment affecting new housing supply will have minimal effect on aggregate supply, although it may for certain locations and dwelling types.
- The Commission will be confronted by several competing narratives explaining the housing supply challenges facing Australian. This submission reflects a 'system failure narrative', in which planning regulations are understood in the context of the broader housing system in which they operate.
- The housing industry faces significant market challenges, but the constraints of regulation are not the key one; the biggest problem is the inherent industry instability accentuated in the Australian context by the specific attributes of the housing industry, the form of which reflects, and accentuates the unstable system in which it must operate. This is accentuated by international process including the financialisation of property and demographic trends.
- Housing supply and innovation challenges are impacting many countries irrespective of the nature of the regulatory environment, suggesting causes that reflect problems inherent to house building, which are evident throughout the OECD. Opportunities for on-going productivity improvements are limited by the physical constraints of having to construct dwellings on parcels of land, including that of already built-up locations in existing urban areas.
- Where there is need for regulatory reform it is for greater rather than lesser regulation in order to prevent builders and developers from finding novel ways to improve profitability at long term cost to consumers in the form of poor building and or the use of inappropriate materials, leading to high life-time costs
- This submission focuses on the strategic planning regulatory environment and less on the actual approval process and building regulations.

2 Submission Context

We are conscious that reform of the planning system is very much a current fashion. We note that this fashion has been given impetus by Klein and Thompson's best seller, *Abundance (2025)*, with its emphasis on deregulation of the planning system as a means to ease supply-side restrictions on housing in order to make dwellings more available and affordable.

This theme is by no means new. It forms the basis, for example, of the Centre of Independent Studies (2024) influential work, but the arguments put forward, data provided and interpretations are often narrow and flawed with alternative explanations and policy directions ignored. Sitting behind all this is a framing of Australia housing crisis in a way that promotes benefits to consumers, particularly younger ones experiencing blocked housing aspirations, when the beneficiaries are more likely to be developers give supply increase will not be substantial enough to impact affordability.

However, we do acknowledge (a) the need for some reform of the regulatory environment although perhaps not in the way envisaged by government or the Commission and (b) the housing industry does need incentives to provide more affordable housing supply.

Firstly, a truism. Less regulation **will** increase housing supply! In third world countries most people are housed despite rapid household growth but without regulation the housing so supplied has been in the form of favelas or shanty towns; in 19th century industrial Britain with its enormous population growth most households had a roof over their head but the slum

housing supply (in a context of minimal regulation), like contemporary shanty towns, were characterised by overcrowding disease, fires, crime and pollution. Hence the emergence of regulation.

Thus, lack of regulation may mean some increase in supply but at what cost and to whose benefit? The advocates for less regulation need to specify not only the specific forms of deregulation that is to occur, but at what scale, and at what cost and risk. Assuming that diligent and all-knowing consumers will be able to fend for themselves is far-fetched; it bears no relationship with the reality that consumers do not possess the expertise of knowledge needed to assess the quality of building materials inside and out, the suitability of spaces prior to moving in, or the degree to which the builder has constructed a dwelling that will stand the test of time in an era of climate change. Reduced bedroom sizes, no parking requirements, reduced daylight access and access to private open space, no double insulation of windows, reduced lot size, zoning for greater density **may** reduce building costs and or increase site-specific supply, but these need to be balanced against the short and long terms costs to dwelling and urban functionality and household liveability. Just as importantly will such reforms increase supply in a meaningful way. They may induce a one-off fall in price, but what about the longer-term?

Most western countries, irrespective of the nature of their planning systems, are experiencing major issues of housing supply and affordability; it is highly implausible that this could be attributed to regulatory impediments alone. Other factors include the financialisation of property including housing, the contraction in social and affordable housing provision which historically provided a good percentage of all new housing starts, increases in the inequality of income and wealth, the emergence of competitive housing uses e.g. short term rental, the increasing dominance of certain metropolitan centres and importantly, the nature of the housing system itself including its inherent tendency to instability.

In most countries supply and associated affordability problems are not country wide. They are problems of a half dozen or so of the most economically successful and demographically pressured cities that are experiencing supply and affordability pressures. In the UK this includes London, Bristol, and Manchester, in Germany it includes Hamburg, Frankfurt and Berlin, in the USA, San Francisco, LA, New York, Chicago and in France it is Paris and Lyon.

By comparison to Australia's larger cities, these cities account for relatively small proportions of the total population. Australia is different! By virtue of being one of the world's most urbanised and city concentrated countries supply and affordability pressures are experienced by a larger proportion of the population. This is not an issue of planning regulation but the legacy of our urban history which planning cannot unwind.

3 The Regulation Narrative.

The challenge for the Commission is that there will likely be two major narratives competing for attention and policy response. They relate to the two broad explanations for what is an international (but city specific) problem of housing supply. One, and which has popular appeal to those attracted to the free-market competition policy model, is the role of excessive or ill-considered government regulation or intervention, which are seen as a constraint on private markets ability to innovate, improve productivity and respond to consumer need.

The alternative, and less fashionable explanation, is that the problems stem from the way housing construction, distribution and use are organized rather than the regulatory framework

within which they take place. With this overlaid by global issues of the financialisation of property and demographic shifts.(whitehead et al 2023)

These two explanations are not necessarily competing positions. Housing construction consists of a broad set of relationships within it (for example between house builders and between builders and building workers) as well as outside of it (for example between house builders, financiers, land developers and the ultimate consumers). It is in the context of these broader sets of relationships that government regulations must be understood, for they not only help shape these relationships but also influence the strategies and tactics of the agents in housing provision as they try to secure their goals. Unless this Housing system framework and its constraints are understood planning reform will be marginal or will simply fail.

Housing is a complex, but heavily constrained industrial system that lends itself toward forms of market failure that while requiring government intervention also produce political contexts that structure and constrain how governments respond. Market failures in housing are diverse and complex. The most important in terms of regulation are *externalities* and *informational asymmetry* for which planning and building regulations are major instruments of control. *Public goods* and *Industry instability* are the two other key market failures but tend to be dealt with or influenced by broader public policy i.e. taxation, grants, income support, direct investment.

It is interesting for example that the Centre for Independent Studies report and much of the literature they refer to makes no acknowledgement of market failure and why regulation exists to deal with it.

There are broadly two type of housing related regulations; those affecting land use and infrastructure provision, mainly **strategic planning** in the form of zoning and associated density provision and those **of building standards**, which affect construction techniques, materials, fittings and fixtures and employee entitlements, qualifications and working conditions.

With this context the following section raises questions and issues which we believe the Commission must work through as part of determining whether and to what degree planning reform is required

4 Regulatory Reflections and Observations

4.1 Land use Controls: Zoning and overlays.

Zoning and overlays are the major land use planning principles. Behind there is the question of what sort of cities and housing outcomes are the objective of regulation? Consideration of use of land and associated infrastructure in relation to new supply has to begin with what outcomes do we want from new supply?

Is new **supply** just about numbers, or is about quality of design and construction, where it is to be built, in what tenure form, what price points, and what urban form (whether detached to high rise). Governments at all levels appear to have no coherent urban and housing strategy to answer this question and what is the role and form of regulatory provision in this. There are many policies and limited plans, e.g. Commonwealth of Australian (2026) but no urban and housing vision to drive purpose or assess outcomes.

In the Australian context and to make a broad generalisation, Australian Planning has had two historical phases, the 1800s to the late 1980s and post the 1980s to the present. The former had quite clear objectives in terms of desired housing and urban outcomes, i.e. cities and towns

were predominantly to be of detached housing with objectives of safety, beauty, community, lifestyle and as the tenure icing on the cake, home ownership.

Post 1980s there was a push for densification of our cities marked by major State government planning reforms allowing for more multi-unit and high rise. This era arguably had, and still has, no similar coherent strategy for the desired urban form and associated housing outcomes. There were and are positive objectives e.g. reduce urban sprawl and car dependency, but the direction and form appear as much driven by cost savings (reduce government infrastructure costs), developer lobbying, and political opportunism. What visions there are for home ownership, overall urban form, aesthetics and liveability appears secondary to just achieving some, or any, form of urban consolidation or densification.

Reflective of this is that the latter three decades of multi-unit construction appears to implicitly accept, in the face of Australian clear preferences to the opposite, that renting is the housing future with most apartments being one- and two-bedroom units of relatively low quality and therefore inappropriate for family ownership. And is high rise of 12 stories plus the best for multi-unit supply to achieve the urban form, tenure and affordability objective for the future of Australian cities? Where are the rationales and objectives to be achieved?

Regulatory Recommendation. Consideration should be given to planning reform to increase 'ownership specific' supply, e.g. mandating that a proportion of development should be ownership only, i.e a 'build to ownership program' to parallel 'built to rent'. This suggests not only higher quality and larger dwelling size but ability to innovate new tenure forms such as cooperative ownership. Even here, like other possible regulatory reforms outcomes, this might require other policy or regulatory changes e.g. alternative to strata titling legislation, financial incentives.

Continuing the absence of a coherence around urban strategy is the omission in the re-zoning process for densification of new greenfield sites. The bulk of new housing supply in the outer suburbs is still in the form of detached housing, suggesting that in twenty years' time the YIMPY argument for densification of detached housing areas will then focus on these, by then, established areas. But why are we waiting?

Densification on fringe areas should have the same rationale as for inner urban areas, e.g. more efficient infrastructure usage, better utilisation of, and less car dependency for, retail and service facilities including emergent public transport. This is not to say there have been no planning reform for green field development. Minimum lot size has been dramatically reduced, setbacks reduced, site coverage changes but this is still with some exceptions within a framework of single detached housing provision. Ability for provide multi- unit dwelling supply is very limited. One suspects this is more accommodation to the urban fringe business model of development than about strategic planning.

- **Specific Planning Reform.** State governments should consider planning regulatory reform to allow for greater provision of multi-unit development on new urban fringe greenfield developments. Such reform to allow for more diverse, affordable housing options (terraced housing, walk up apartments, apartments over shops etc all with the benefits of reduced land requirements per housing unit; lower costs of providing public services there; and increased accessibility and improvements to affordable travel modes (walking, cycling and public transit)

The question of what new supply also raises that of appropriate dwelling form and while some of the problems e.g. not enough family housing flowing from densification, there are other areas

where controls inhibit reform. A minor one, but indicative of the options than can be created, is the constraints on the supply of housing suitable for multi-generational and multi household living. These housing forms are emergent as both a response to affordability pressures but also to cultural preferences by some multi-cultural families. A dwelling to be functional and comfortable for such household use would desirably have two kitchens to allow for some privacy and freedom around cooking and eating. This is not currently possible under most Australian building regulations. Dual occupancy was one way this was accommodated in the 1970 and 1990s but on the urban fringe, where minimum lot sizes limit such usage, regulatory reform should enable dual household living **within** an existing dwelling.

Regulation Reform. Government should review the relevant planning and building regulation to accommodate multi household and multi-generational living. This will not increase supply but could have some positive impacts on demand

4.2 Affordability.

One of the motivation pushes for planning reform is affordability. Often evidence for this argument comes from the US or Auckland in New Zealand and the arguments about exclusionary zoning. In such comparative analysis we need some context. Auckland, and many US cities in the late 2010s and early 2020s, were like Melbourne and Sydney in the 1980s; characterised by planning policies that only allowed, with minor inner urban exceptions, detached housing supply. Their recent reforms are much commented on (See Tulip 2025), yet they are of the type introduced in Sydney and Melbourne almost four decades ago. Using these examples for increases supply and improving affordability (although mainly for renters) is not relevant to Australia's contemporary circumstances. We are no longer experiencing the benefits of the low hanging fruit that attached to the first stage of urban consolidation or densification.

Melbourne, Sydney, and Brisbane saw big increases in multi-unit supply in their early period of densification as the developers could capitalise on the then cheap land often in underutilized brown field sites adjacent to the CBD which did not require land amalgamation, and which were in locations not then gentrified. In addition, they had the opportunity of providing a new cheap lowish quality housing product, that of the 'build to rent' for international students. The increase in supply in these earlier decades created a period of productivity increases and many of the products were often relatively affordable rents, albeit expensive per sq metre. Most were landlord purchased as the products in many cases were unsuitable for ownership. During the 1990s and 2000s, Melbourne's middle suburbs were actually transformed by this early wave of higher density building; leafy LGAs such as Boroondara and Stonnington saw tremendous increases in non-detached dwellings (see Figure 1) while outer urban Brimbank saw massive increases in detached housing. Why the obsession with densification on inner and middle ring suburbs when the need and perhaps opportunity is in the outer and fringe areas?

Figure 1

Change in dwelling types between 1991 and 2021

Count of dwellings in select inner and middle ring local government areas

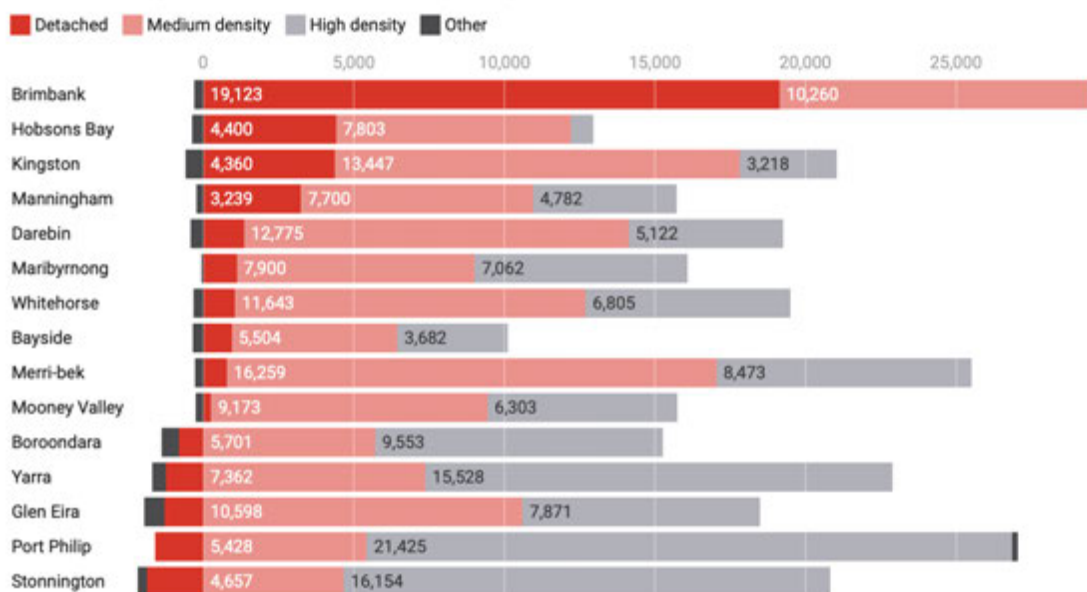


Chart: The Conversation • Source: [1991 and 2021 Census](#) • [Get the data](#) • [Embed](#) • [Download image](#) • Created with [Datawrapper](#)

Source: <https://theconversation.com/plucking-numbers-from-the-air-victorias-big-build-for-housing-relies-on-impossible-targets-232712>

But in the last decade new supply from multiunit development has weakened and affordability eroded, although this is not a simple causal relationship; the decline in affordability has other causes as illustrated by it being an international problem. State government responses in Victorian and NSW have seen major changes to planning laws with the effect of weakening the role of local government, most notably in areas identified as having excellent access to public transport. Recently state governments have effectively taken over approvals in these areas, giving fast track permits to developers to assemble sites and build high density developments in those locations.

There is little to show for the last decade of 'reform'. Once the low hanging fruit has been harvested, subsequent zoning reform has not had the same supply impacts, the market for developers is so much harder. This is in part because the upzoning and subsequent increase in land values reduces profitability for lower priced developments. It is now just too hard to profitably provide lower-end supply. The recent rezoning of inner urban areas in Sydney and Melbourne for even higher levels of densification faces the barriers of property prices already inflated by gentrification and value uplift, the need to amalgamate sites as there are few brown field sites to capitalise on and the international student market is now satiated. One suspects that no amount of rezoning in inner urban areas and associated overlay changes will have much impact on aggregate new supply although there will be supply increases in high end profitable products and specific locations that have a local market e.g. Box Hill in Victoria. Any expectation of improving affordability from regulatory reform is unlikely to be unrealised. Market circumstance will just not allow it and as international economic circumstance become more uncertain housing industry instability is likely to further weaken market viability.

Our assertion that the zoning reforms will not likely have much of a supply impact except at the top end would likely be replied by some economists with the filtering arguments i.e. supply at that end will ultimately filter down through successive household moves and improved overall affordability. In the Australian context the evidence is that the theory does not hold up; filtering does not work (see Nygaard 2022) and . Recent US research also questions its validity in fact suggesting the opposite, i.e. ‘ increases in the housing supply are associated with increases in the percent of rent charged on average across a neighbourhood, which is antithetical to filtering theory’(Frank, 2025)

4.3 Guaranteeing Affordable Housing Supply

There are two substantive ways to ensure more affordable housing. The first is inclusionary zoning which has not been taken up with any degree of enthusiasm in Australia other than in South Australia and, in limited to very limited forms, in New South Wales and Victoria, The UK has had mandated private sector involvement through Section 106 planning agreements that requires private developers to include social and affordable housing in their projects The argument that this dramatically raises costs is negated by the developers taking in inclusionary zoning costs at the point of buying land. Landowners rather than developers carry the costs. (Muhammad et al 2025, Morrison,20140

As AHURI research documents there have been clear supply outcomes; in 2021-2022 26000 affordable homes, equivalent in the Australian context to around 10,000 dwellings per annum were provided. One suspects this is substantially more than would ever flow with tinkering with densification zoning and changes to building regulations. Why are Australian state governments (SA aside) not willing to go down this path?

Regulation recommendation. State governments to follow UK and SA reform to mandate and effective inclusionary zoning program

The second way, and the key was to increase affordable housing supply, is direct social housing provision. No amount of regulatory or tax reform will ever ensure there is adequate supply for the large and growing numbers for whom private market housing is unaffordable. Recognition of this in the 1940s drove virtually all western countries to increase social housing supply to the degree some e.g. Austria, the Netherlands, Denmark, Sweden, Scotland, France had levels in the range 20-40% of their dwelling stock and today, in response to supply weaknesses, are revisiting growth in this area.. Even in Australia new housing starts in the period 1950 to 1990 were in the range 8 to 16 percent being social housing compared to the 1 or 2 percent of recent decades. It is an obvious point, but little understood in the Australian context that housing starts and household growth will only match if a percentage of the stock is housing provided for those for whom private market provision cannot meet need. With one of the smallest social housing stocks in the OECD it is not surprising we have disproportionately high levels of homelessness and housing stress. Importantly given the industries tendency to instability and associated weakness of supply a regular annual supply of social housing can be an important stabilising force,

Regulatory reform. State to adopt mandatory inclusionary zoning with few exclusions ensuring all developers and developments are treated the same.

4.4 Building Regulations

These regulations specify what type of materials can and can't be used, and who is able to install them; the construction techniques required to ensure long term structural resilience; and minimum standards for safety and wellbeing, including noise and accessibility. Such regulations are accompanied by some form of compliance regime to ensure standards are met, with the design of these often being problematic. In some countries, building regulations have been revised to ensure that dwellings are built to enable people with disability to have the same access as those without disability. How to do this without affecting affordability or making the end product less attractive to the non-disabled is a challenge both for regulatory design and the industry.

Standards are specified in detail for all stages of residential construction such as site works including landscaping, footing and slabs, masonry, framing, cladding roofing, plastering and painting, plumbing and electricals with details varying for multi-unit housing, for example, requirements for fire sprinklers and lifts. The typical building regulations for which detailed standards are provided are illustrated in Table 1. A run-down of the area of regulation suggest that it would be a brave government that would want to weaken performance in virtually any of these areas.

Table 1: Typical Building Regulation Performance Areas

| Safety | Liveability | Local Amenity |
|---|---|--|
| Structure | Minimum room size and height | Colour schemes to fit local heritage |
| Moving around building and associated area | Storage adequacy (belongings, bikes) | Roof pitch and external wall material to fit local heritage or streetscape |
| Occupational health and safety | Minimum car spaces | |
| Fire safety (identification, controlling, escape) | Accessibility dimensions including for disability | |
| Burglary safety | Appliances (type, dimensions) | |
| Stairs, lifts and barriers | Minimum | |
| Fencing requirements (where relevant) | External space (decks, yards). | |
| | Landscaping and vegetations | |
| Health | Environmental Sustainability | |
| Dampness | Therma insulation. | |
| Ventilation | Roof and wall colours (no black?) | |
| Sound control internal and external | | |

| | | |
|---------------------------------------|---|--|
| Water discharge | Reduction of air permeability | |
| Harmful material ed asbestos | Energy performance standards | |
| Water Supply | Vegetation coverage | |
| Adequate natural and artificial light | Passive design including building layout and orientation. | |
| Noxious fumes avoidance e.g. gas | Solar provision and location | |

Up until the 2000s building regulations were largely prescriptive in that they prescribed what had to be done to be compliant, for example, the specific materials that needed to be used on floors, walls or roofs, or particular rooms such as bathrooms. Over the last 20 years, developed countries have moved more to performance-based regulations in which the objective to be achieved are specified – for example, bathrooms that can withstand modest flooding -- and with builders given the freedom to determine how this is to be done. Prescriptive regulation tends to mean one way of doing things while performance allows for many. In principle the latter should encourage greater innovation as it gives some discretion in the building process requiring less stringent regulations. However, it may also require greater professional skills (project management and engineering) which maybe a cost too far for many small-scale builders. It also lends itself to builders who intentionally or otherwise ends up building dwellings which over time do not meet the objectives of the regulations and require substantial remedial work by the homeowner, which may not be covered by insurance.

It is not difficult to see how the greater complexity that comes with more stringent regulation has led to many pointing to this as one of the main reasons why housing has become more expensive. Critics say that the Australian Building Code is a classic example in that it now runs to over 2,000 pages. Rather than innovate and adopt new practices to deal with the regulations, the industry has tended to use their industry lobbying power to oppose increased standards, often with success. Home builders' associations have not been shy in claiming that increased environmental standards, for example, are pushing home ownership out of reach for young households. Tougher regulations, it is claimed, mean more expensive housing and less supply, exacerbating affordability problems that have become more severe over the last few decades. This is a framing of an Australian and international affordability problem caused by wider factors in a way that makes it industry specific. But does anyone believe in an industry where pricing is market determined rather than one of cost plus that cost savings in standards would be passed on to consumers?

What appears straightforward as an unnecessary set of regulations on closer inspection may in fact be justified. Most of the Australian National Construction Code for example relates to fire, safety and environmental standards, which vary according to type of building and their intended use (residential versus other, low rise versus high rise etc). Tougher environmental standards might push up the cost of a new dwelling, but over the longer term they may lead to lower

heating and cooling bills that more than compensate for the additional upfront cost. Inclusive building standards that make housing accessible to all people are difficult to argue against if the overall goal of public policy is to be inclusive and non-discriminatory.

Development Approvals.

Critics of development approvals point to wait time of three month to up to six months in Victoria and NSW, less for other states, and regularly imply this is inefficient. The Local Approvals Reform Program (LARP) back in the early 1990s was charged with looking at the same problem. It found that evidence of inefficiency was in fact exaggerated in part because too many applicants simply did not follow the required planning standards -- their applications were invalid because the applicants routinely made unnecessary mistakes. UK researchers have found similar evidence in the UK where the bulk of delays have been explained by invalid applications (PlanningLens 2026). Since the LARP days many projects seeking approval have become larger. Would the community expect a 16-story development to be rubber stamped in 60 days? A review of City of Oakland (2026) (California) approval processes and times explicitly states that large developments of the type regularly applied for in Australian cities take 6 months to three years. Australian times need to be benchmarked internationally.

Our position here is that there is little capacity to weaken any building regulation standards as the political, financial and human cost risks are too high but there are opportunities to improve processes around them. In broad terms these would include ensuring those responsible for approvals (planners at one end, applicants at the other) are resourced for the tasks (numbers and skills) and are able to put in place more effective compliance procedures. Rate caps such as in Victoria must financially constrain Local governments to have the staff with the resources to expedite approvals although this resources problem will shift to state agencies with much of the approval process at the LGA level removed.

5 System Constraints:: The Structure, Conduct and performance of the Housing Industry

An alternative explanation for the housing supply problems in Australia is the housing system itself.

5.1 Industry Volatility The degree of industry volatility is a major impediment to innovation and increases in housing supply. Faced with a volatile market, individual builders are understandably reluctant to invest in high levels of research and development, or to experiment with and undertake large scale investment in new techniques and methods of production, for fear that an unexpected market decline may render them unprofitable. The risks are great and the returns potentially low. It makes far more sense to structure their businesses in ways that keep overheads low and off-loads risks to other players. Extensive sub-contracting of building labour is one way of doing this, with sub-contracting rates of pay, conditions of work and quality of building labour effectively becoming the balancing mechanism to adjust output to market conditions. But this can accentuate the problem as employment conditions may be such e.g. reluctance of employers to invest in training, uncertainty of employment, that there tends to be a shortage of skilled workers. This point is affirmed in much greater detail in the very recent AHURI report by Sharam et al (20126) and, like them, we suggest this is problem requiring more policy reform than that of the regulatory environment.

5.2 The nature of Detached housing construction. It is not fault of the housing industry, but Australia urban history has created a system disproportionately dependent on detached housing. Here production takes place at individual sites that may be spread over a considerable geographical scale, punctuated by significant spatial gaps and involving timing driven by individual patterns of demand. This is a very difficult context within which to further mechanise or modernize the production process. For example, this limits modular or factory build housing often promoted as a solution to the supply problem. The logistics of getting modules to site may outweigh any cost savings from the being factory built.

The low barriers to entry and high competition in the detached housing areas have also meant most builders to get a contract offer customisation or modifications to the standard building design creating a barrier to cost saving through more efficient and standardised production. By contrast the UK and US, which have no tradition of the display village as we know it, just offer a limited range of properties and with limited capacity for modifications.

5.3 The constraints of the Contract building model

Related to the above is the contract system of housing provision particularly on the urban fringe where the detached housing industry is quite separate from the development industry. Here builders are constrained in product innovation by the subdivision arrangements of the developer and their interpretation of zoning requirements. In Australia, most new dwelling construction is undertaken on a contract basis, with builders either buying a number of allotments to sell as house-land packages or being contracted by households to construct homes on developed allotments. For the former a household typically see what is on display and then order one of the display dwellings commonly with modification to be built on their plot of land; very much a client focused sector it means there is virtually no capacity for innovation or new product forms. Similarly, a builder cannot innovate with multi-unit apartments if the developer has subdivided the land into individual allotments for sale as detached housing.

There are two other problems with the contract model with implications for supply. The first is the relationship to the affordability problem. As fewer households are able to afford to purchase or rent it means there are fewer consumers with the income to contract a product profitable to a builder than historically was the case. The affordability problem is inhibiting industry's capacity to solve it.

We are back to the immediate post war era but without the same commitment to solutions. Then most countries, to different degrees, tackled the supply and affordability problem directly by the provision of large-scale social housing construction. Australia is reluctant to build social housing in any meaningful way and instead is hoping for private market solutions or limited public private partnerships. Put simply if say 10 percent of households cannot afford, directly or indirectly, to contract a private rental or ownership property the market cannot provide it. There will **always** be a shortage of supply at the lower end and therefore of aggregate supply; regulation will not solve the affordability problem.

The second problem is that the contract system has tended to mean fixed builder household contracts in a context of increasing fluctuations in key industry inputs labour, land, materials. And this can mean lack of profitability for the builder and at worse bankruptcy compounding the instability problems in an industry already seen to be unstable and risky. .

5.4 The development model vs the Building model.

Australia is relatively unusual in terms of detached housing supply of having three separate industries with different business model. There is a land development industry, a building industry and a master developer industry. The business model of the former is one of purchasing land, seeking zoning or subdivision approvals and then subdividing ready for sale. Then there is the building industry who either buy that land to construct housing on, or more usually build for households who have purchased the subdivided land. The third industry is the master developers who are both developers **and** builders and either specialise in multi-unit apartments or master planned fringe estates. Each model has implications for supply and construct. Countries like Australia e.g. the USA, Canada and the UK tend to be all variations of the Master project model rather than the other two that are more dominant in Australia.

One of the potential problems with a separate land development industry is the degree to which developers can generate profits from other aspects of the housing development process at the expense of construction productivity. Foremost here is land development, which tends to produce higher returns than actual housing construction, although with potentially higher risks.. Related to this is the risk of development gain capture. Provision of a planning permit provides the developer with considerable financial gain with the risk of gaming the system with no actual housing construction; the objective is capturing the gain and either increasing the book value of the company and or trading the development permit. Developers may be securing planning permits, which they can then sit on in anticipation of a development gain down the track, or sell the development rights to others at a profit without development taking place.

This is one reason critics point to declines in the number of dwelling starts and completions alongside figures showing increases in approvals as evidence that planning controls do not have such a strong impact on building activity as is often assumed. Developers may be securing planning permits, which they can then sit on in anticipation of a development gain down the track, or sell the development rights to others at a profit without development taking place.

But the disconnect between approvals and commencement can also reflect the business model of developers and the afore mentioned instability of the industry; quite understandably they will only release land, or in the case of master project builders, only build when they are confident there is a market. The problem here, given that all sectors of the industry depend on contract labour, is that it means ebbs and flows in labour supply creating unemployment in the troughs and labour shortages in the good times with the latter impeding the ability to build supply just when needed. On this topic the detailed case study report on land release in Melbourne by Fitzgerald (2022) is instructive. This report investigated the rate of lot sales in nine major master-planned housing developments and found a staged release process that appears crafted to avoid supply-led price declines i.e. a market risk aversion strategy which meant it did not matter how much land was rezoned release was a gradual process designed not to bring about any potential fall in land costs. Rezoning out of affordability is not possible.

5.5 The small scale of the building sector. The relatively high rates of competition in the Australian housing industry may paradoxically inhibit innovation, especially in the context of a volatile market, with builders understandably aiming their products at a mass market. This has several dimensions. The relatively low barrier to entry means that most detached dwelling builders are small scale and do not have the research skills and financial resources to seek out and implement innovations. Related to the builders in such a competitive context may be more inclined toward building designs and materials, the detached house, that appeal to a mass market and will be reluctant to drive change and innovation for fear of striking financial difficulty, for example, during a market contraction.

5.6 Upzoning and cost barriers to industry supply. Upzoning for higher density in terms of market principles should result in more dwellings and lower prices and rents. As we argue earlier once the initial bout of multi-unit development is undertaken, i.e the low hanging fruit captured, subsequent zoning reform does not have the same supply impacts in part because the upzoning and subsequent increase in land values reduces profitability for lower priced developments. If an area is zoned up to 18 stories the land value takes the value of this limiting the ability to provide lower height multi-units even though they might have better design and liveability attributes. Upzoning typically means the land becomes much more valuable, which can lead to healthy windfall gains by the individual owners of the allotments, but not any additional affordable dwellings.

6. Conclusion

This submission using argument and supporting literature rather than new data, argues reform of the regulatory environment affecting new housing supply will have minimal effect on aggregate supply, although it may for certain locations and dwelling types.

Housing supply issues and associate affordability problems is very much an international problem irrespective of the different regulatory systems of countries. Much of the problem is related to the inherent problems of the residential building industry namely its instability and inability for innovation along with the issues associated with the financialisation of property generally.

In Australia this international problem takes on its own distinctive issues relating to relatively unusual attributes of the Australian industry; including small size, the contract building system, the subcontract labour system, and the division between developer and building. More than regulatory reform is required to deal with these barriers to innovation and improved affordability.

The only way we believe there can be greater supply and affordability outcome is by substantial direct investment in social housing and expanded inclusionary zoning schemes

7 References

City of Oakland 2026 *Major multi-family residential, mixed-use developments or large-scale commercial or industrial projects*, major multi-family residential, mixed-use developments or large-scale commercial or industrial projects,

Nicole Cook N and Rooming K (2014) The financialisation of housing and the rise of the investor-activist *Urban Studies* [Vol. 58, No. 10 \(August 2021\)](#), pp. 2023-2039 (17 pages)

Commonwealth government *Homes for Australia; a national plan*. [‘Homes for Australia: A National Plan’](#).

Fitzgerald K (2022) <https://www.prosper.org.au/wp-content/uploads/2022/07/Staged-Releases-Prosper-Australia-web22.pdf>

Frank S 2023 Investigating Filtering theory in US Housing Policy, Research Gate https://www.researchgate.net/publication/392130947_INVESTIGATING_FILTERING_THEORY_IN_US_HOUSING_POLICY

Klein E and Thompson D (2025) *Abundance; how do we build a better future*, Profile Trade

Muhammad Hariz, Ainur, Zaireen Zainudin, Norhisham Rahmat, Fatin Afiqah Md Azmi, Nur Berahim, Salfarina Samsudin, Azizah Ismail, Rohaya Abdul Jalil, Yong Adilah Shamsul Harumain, (2025) *Inclusionary zoning as a tool for social sustainability: A systematic review of urban housing policy outcomes*, Sustainable Futures, Volume 9,

Morrison, N., Burgess, G. Inclusionary housing policy in England: the impact of the downturn on the delivery of affordable housing through Section 106. *J Hous and the Built Environ* **29**, 423–438 (2014). <https://doi.org/10.1007/s10901-013-9360-7>

Nygaard, Christian A. and van den Nouwelant, Ryan and Glackin, Stephen and Martin, Chris and Sisson, Alistair, *Filtering as a Source of Low-Income Housing in Australia: Conceptualisation and Testing* (September 15, 2022). AHURI Final Report 387 (2022), Available at SSRN: <https://ssrn.com/abstract=4219347>

Palm, M., Raynor, K. E., & Warren-Myers, G. (2021). Examining building age, rental housing and price filtering for affordability in Melbourne, Australia. *Urban Studies*, 58(4), 809-825.

Planning Lens (2026) *How long does Planning permission take* (<https://planninglens.co.uk/blog/how-long-does-planning-permission-take>)

Sharam, A., Zolghadr, A., Dorignon, L., Wakefield, R., Gharaie, E., Arashpour, M., Fairbrother, P., Sawhney, A., Mojtahedi, M., Lee, C. L. (2026) Overcoming construction constraints for the supply of new detached and high-rise housing, AHURI Final Report No. 461, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/461>, doi: 10.18408/ahuri5334001.

(Vic Gov 2025) *The cost-of-doing-business* <https://www.vic.gov.au/sites/default/files/2025-10/Research-Analysis-Victoria%27s-cladding-program-The-cost-of-doing-business.pdf>

Whitehead C, Kath Scanlon Michael Voigtländer Jacob Karlsson Fanny Blanc Martina Rotolo
(2023) *Financialization in cities 13 an international comparative report*
https://www.iwkoeln.de/fileadmin/user_upload/Studien/Externe_Studien/2023/Gutachten-Financialization-in-13-cities.pdf