



Australian Government
Productivity Commission

 [pc.gov.au](https://www.pc.gov.au)

Housing supply regulation

Interim report



This is an interim report prepared for further public consultation and input. The PC will finalise its report after these processes have taken place.

July 2026

Acknowledgment of Country



The Productivity Commission acknowledges the Traditional Owners of Country throughout Australia and their continuing connection to land, waters and community. We pay our respects to their Cultures, Country and Elders past and present.

About us

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

The PC's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

For more information visit our website: www.pc.gov.au.

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An appropriate reference for this publication is:
Productivity Commission 2026, *Interim report - Housing supply regulation*, Interim report, Canberra, July.

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Opportunity for comment

The Productivity Commission thanks all participants for their contribution to this inquiry and now seeks additional input for the final report.

You are invited to examine this interim report and comment on it by written submission to the PC, preferably in electronic format, by **30 September 2026**.

Further information on how to provide a submission is included on the website:
www.pc.gov.au/inquiries-and-research/housing-supply.

The PC will prepare the final report after further submissions have been received, and it will hold further discussions with participants.

Commissioners

For the purposes of this inquiry and interim report, in accordance with section 40 of the *Productivity Commission Act 1998* the powers of the PC have been exercised by:

Danielle Wood	Chair
Alison Roberts	Commissioner

Terms of reference

I, Jim Chalmers, Treasurer, pursuant to parts 2 and 3 of the *Productivity Commission Act 1998*, hereby request that the Productivity Commission ('the Commission') undertake an inquiry into the rules and regulations that impact housing supply. I ask that the Commission develop actionable recommendations to lift productivity and help Australia build more homes.

Background

Australia has a housing shortage. We do not have enough homes, where people need them, at prices they can afford. Regulation serves an important purpose, but over the past several decades, the volume and complexity of regulations affecting the housing sector have increased significantly.

The Commission's *Creating a more dynamic and resilient economy inquiry report* estimates that regulation adds significant cost to the average new house or unit. While many regulations are critical to safety and quality, there is scope to reduce the regulatory burden, without compromising important standards.

Following the Economic Reform Roundtable in August 2025, the Government announced new actions to cut through regulations holding up new homes. This included pausing and streamlining the National Construction Code and to fast-track housing environmental approvals. The 2026–27 Budget built on this, by requiring states and territories to sign up to new reforms that fast track housing approvals, release more housing ready land, and support a genuinely national construction code in exchange for access to the new \$2 billion Local Infrastructure Fund.

To support the Government's ambitious \$47 billion housing agenda and further reduce the regulatory burden on housing supply, the Government is now tasking the Commission to conduct an inquiry into housing supply regulations.

Scope of the inquiry

The Commission will conduct an inquiry to assess, identify best practice and recommend reforms to get more homes built quickly across the following matters:

1. Approval processes (e.g., development, building, and post-approvals, including any barriers to the uptake of more productive methods of construction)
2. Availability and use of land for housing (e.g., land release, land use controls)
3. Processes and frameworks to deliver new and utilise existing housing infrastructure (e.g., growth infrastructure planning, developer contributions model)

The inquiry should identify examples of the existing housing regulatory system across jurisdictions that have the greatest impact on housing supply, housing affordability and construction productivity. However, this should also consider the benefits of the regulations and their objectives.

The inquiry should also evaluate regulatory systems across jurisdictions against established best practice, with reference to existing reform efforts underway. The Commission's advice should clearly identify reform opportunities, including, where possible, quantitative analysis of the economic benefits of the recommended reforms.

The interim report should identify regulations that most affect housing and include a prioritised list of reforms to support faster and simpler approvals and make more land available and ready to build more homes.

The final report should also include an assessment of how advanced states and territories are in their reform efforts, against the features of a best practice system, and assess the expected impact on housing supply of planning and other relevant regulatory reforms taken by states and territories since 1 July 2024. The final report should also quantify, where possible, the economic benefits of the recommended reforms, and provide further advice on reform implementation.

The Commission should have regard to the Government's housing agenda and existing reform directions. This includes the National Housing Accord, which has set an aspirational target of building 1.2 million new, well-located homes over five years. The Commission should also take into account other current and recent reforms or reviews of relevance, the recently passed reforms to the *Environment Protection and Biodiversity Conservation Act 1999* and the measures and actions agreed to and progressed under the *National Planning Reform Blueprint*.

The National Construction Code is considered out of scope for this inquiry, as it is being separately considered as part of a streamlining and modernisation effort, announced following the Federal Government's Economic Reform Roundtable.

Process

The Commission should undertake appropriate public consultation, including inviting public submissions. The Commission should engage actively with the Commonwealth, state and territory governments as well as other industry experts.

The Commission should publish an interim report by the end of July 2026. The final report is to be provided to Government by the end of March 2027.

The Hon Dr Jim Chalmers MP

Treasurer

[Received 28 May 2026]

Disclosure of interests

The *Productivity Commission Act 1998* (Cth) specifies that where Commissioners have or acquire interests, pecuniary or otherwise, that could conflict with the proper performance of their functions they must disclose those interests.

The Commissioners working on this report have no interests requiring disclosure.

Acknowledgments

In undertaking this inquiry, the PC has benefited from engagement with individuals, industry, peak bodies, consultants and researchers, and with officials from Australian, state and territory government departments and from regulatory agencies.

The Commissioners would like to thank everyone who contributed their views and expertise to the inquiry, particularly given the limited timeframe available for engagement.

The Commissioners would like to also express their appreciation to the staff who worked on the interim report – Assistant Commissioner (A/g) Paul Gardner, who leads the inquiry, and other team members including Carmela Chivers, Matthew Forbes, Sasha Zegenhagen, Holly Creek, Archana Subramaniam, Sebastian Broadhurst, Imogen Jameson, Bridget Leibold, and Vanessa Kershaw for project support.

HILDA disclaimer

This report uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Social Services (DSS) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this paper, however, are those of the PC and should not be attributed to either DSS or the Melbourne Institute.

AI transparency statement

This report was prepared using the assistance of AI tools for purposes of general research, note taking, coding and editing. PC staff reviewed all AI-generated outputs for accuracy and quality.

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Overview

Key points

- * **Australia doesn't build enough homes in the areas where people want to live. This has made housing unaffordable in many parts of the country. Increasing housing supply would help put downward pressure on prices and support more people to live in housing that meets their needs.**
- * **Regulation limits housing development, and improving it is a key lever for governments. While some regulation is necessary to ensure the safety, quality and liveability of new housing stock, too much or unnecessary regulation constrains housing supply.**
 - Regulation can stop certain housing development occurring altogether. It can also deter development due to slow, cumbersome and expensive processes and uncertainty.
 - The number and interaction of different regulatory requirements can also limit housing construction.
- * **We set out 4 principles of a best practice regulatory system for housing: adopt a 'build' mindset; only regulate when necessary; coordinate with infrastructure; and keep the process simple.**
 - These principles underpin an overarching objective: a well-functioning housing and planning regulatory system that enables enough housing to meet people's needs in the places where it delivers the greatest net benefit to the Australian community.
- * **Land-use controls prevent housing being built, or limit the form it can take. Relaxing these controls would have the greatest effect on housing supply of all our reform directions.**
 - Governments should commit to broad-based upzoning in cities, including by allowing 3-storey development on most residential land, reducing minimum lot sizes, using more mixed commercial and residential zones, and allowing more mid- and/or high-rise development in high-demand areas.
 - This upzoning should be supported by reducing restrictive land-use and built-form controls that lower development feasibility, limit choice or impose costs that outweigh their benefits, such as maximum floor-space ratios or minimum car parking requirements.
- * **If housing is not coordinated with infrastructure, it can delay or limit new dwellings. Infrastructure planning is often the main constraint on building houses in new areas (greenfield sites), so it should be a high priority for reform.**
 - Governments should better align infrastructure plans with housing and show how infrastructure provision will be funded and sequenced with land availability. They should also make planning more consistent across levels of government, between councils, and with infrastructure service providers.
 - Developers should contribute to funding infrastructure, but it should be done efficiently and only where there is a clear link between infrastructure and development. Governments should ensure contributions are predictable and consistent, and their timing is aligned to development finance.
- * **Slow and complex approvals delay new housing and make some developments unviable. Making approvals more efficient can help deliver homes faster, but these reforms on their own will not be sufficient.**
 - Governments should enhance strategic planning processes to consider infrastructure requirements and trade-offs associated with development early, rather than during the approval process.
 - Governments should make greater use of risk-based assessment pathways such as fast-track and state-significant development. Pathways should be supported by coordination bodies with power to resolve disputes; improved use of technology; and transparent reporting of approval outcomes.

Australia needs more homes in the right places

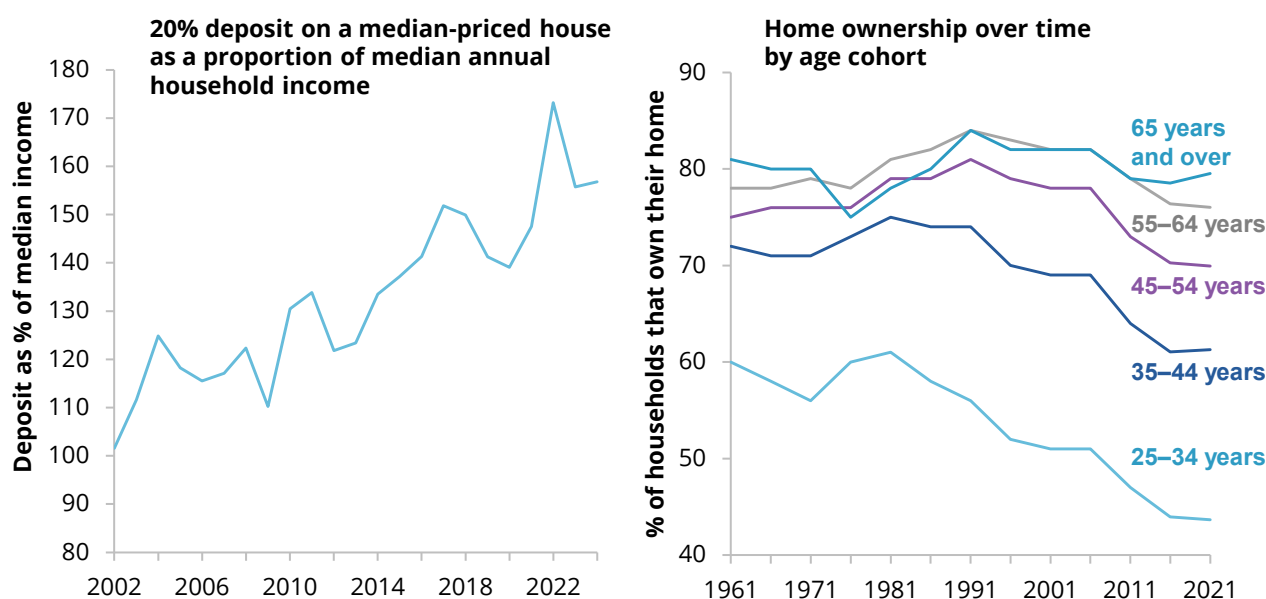
It's become harder to afford a home

People need stable housing to flourish – it provides safety and security, and it shapes our access to employment, education and social connection. Yet for many Australians, obtaining suitable housing in desirable locations has become increasingly out of reach.

Over the last two decades, property prices have grown substantially faster than wages. The result is obvious: it has become harder for first homebuyers to get on to the property ladder (figure 1). It currently takes 11 years for the average household to save for a 20% deposit on the typical home, up from 8 years in 2005 (Cotality 2025, fig. 2).

The lack of affordability is most clearly being felt by young people. Between 1981 and 2021, home ownership rates fell 17–18 percentage points for those between the ages of 25 and 34 (figure 1; Treasury 2023, p. 172). Those who do purchase a home are servicing larger mortgages. Australia's housing debt is some of the highest per capita in the world (van Hoenselaar et al. 2021, fig. 9A).

Figure 1 – Growing dwelling prices relative to income have created an affordability problem



Deposit amount is assumed to be 20% of the national median sale price for established dwellings. The national median sale price is a transaction-weighted average of median prices for established dwellings in capital cities. Home ownership includes those who own their own home outright, own it with a mortgage or are purchasing under a shared equity scheme. Aboriginal and Torres Strait Islander people are excluded from Census counts prior to 1971 due to institutional racism.

Source: PC estimates using Housing, Income and Labour Dynamics of Australia, wave 24; ABS (2026, Total Value of Dwellings, table 2, Cat no. 6416.0); ABS (Census of Population and Housing, Australia, 2016, 2021, Cat no. 2901.0, TableBuilder); Yates (2015).

Renters are also under strain. A middle-income household will typically pay a third of their income to secure a new rental home in the current market (Cotality 2025, fig. 2). And renters on very low incomes are especially vulnerable to higher costs. People on working age payments like JobSeeker and Youth

Allowance can only afford a handful of available rental properties without housing stress in high demand areas like Sydney (Anglicare Australia 2026, p. 6,8).

Too few homes are available where people want to live and work

A key reason for the affordability challenge is that we have not built enough homes in the places people want to live. There is a strong causal link between supply, location and affordability (box 1). Well-located housing not only promotes affordability, but can improve social cohesion and the sharing of ideas, supporting innovation and productivity.

We can see the effects of low housing supply when comparing the price people pay to buy apartments and the cost of supplying additional apartments – when the former is much higher than the latter, it shows that supply is not keeping pace with demand. Studies have found evidence of excess demand for apartments across many Australian suburbs (CIE 2024, p. 18; Coates et al. 2025, pp. 31–32; Jenner and Tulip 2020, p. 1).

Box 1 – The effect of housing supply on prices

Economic theory would suggest that an increase in housing supply, for a given level of demand, should reduce housing prices across the relevant market, usually a city. Empirical research confirms this. Many studies using robust causal methods find that, over the long term, increased housing supply leads to lower city-wide dwelling prices and rents relative to what they otherwise would have been (Anagol et al. 2021; Greenaway-McGrevy and So 2026; Maltman and Greenaway-McGrevy 2025; Rollet 2025; Saunders and Tulip 2020, pp. 28–29).^a In most cases, this appears as lower price growth, rather than an absolute decline in prices.

A common counter argument is that new housing tends to be expensive and therefore does little to improve affordability. But when new homes are built, the households that move into them usually vacate existing homes, creating a chain of moves through the housing market. This process, known as filtering, increases available housing across different price points and can lower prices and rents across the market, not only for higher-priced dwellings (Bratu et al. 2023; Mast 2019; Mense 2025).

While higher housing supply reduces city-wide prices and rents, the effects on prices in the neighbourhoods where additional supply is unlocked can vary (Been et al. 2025, pp. 99–100; Phillips et al. 2021). Local price effects depend not only on the increase in supply, but also on how new development affects neighbourhood quality and amenity, which can affect demand. Many studies find evidence of positive amenity effects, such as increased business activity, but generally conclude that the supply-side effects on reducing rents tend to outweigh any potential demand effects from improved local amenity (Been et al. 2025, p. 100; Phillips et al. 2021).

a. Some studies find more mixed relationships between new supply and prices (Garvin 2026; Murray and Limb 2023), but we give more weight to studies that estimate the effect of new supply using causal methods and capture long-term city-wide effects, rather than short-term or local effects.

When housing is expensive and choices are limited, the only affordable options for many may be on urban fringes, where services, amenity and jobs are harder to access (NGAA 2024). People living in these locations may find it harder to access jobs that match their skills (SGS Economics and Planning 2023, pp. 15–16), reducing their earning potential and society's productivity. They may also face long commutes which can substantially reduce their wellbeing (Han et al. 2022).

High housing costs also constrain people's choices in other ways, such as adult children living with their parents for longer, or people forming larger households than would otherwise be their preference (NHSAC 2026b, p. 44).

While housing costs are driven by many factors, one important answer is to shift policy to make more housing supply available.

Recent supply reforms are welcome, but there is more to do

Australian governments have initiated a raft of reforms to increase the supply and affordability of housing. Under the *National Housing Accord* reforms agreed by the National Cabinet, state and territory governments committed to working with the Australian Government to build 1.2 million new homes by the end of the decade (Treasury 2024). However, progress has been slow. We are forecast to undershoot by 220,000 or more homes by June 2029 (NHSAC 2026b, pp. 63–64).

Interest rates and the cost of construction have increased since the start of the Accord, partly due to broader economic and geopolitical uncertainty, making many projects less financially feasible (Bryant et al. 2026; Hamilton Bardin 2026). States and territories have initiated welcome reforms to planning systems and specific planning policies in support of the Accord (NHSAC 2026a), but in most cases these reforms do not go far enough.

Reforming regulation to build more homes, faster

Governments cannot control every factor affecting housing supply, but policy reform will make a difference over time. One of the key levers for governments is regulation.

Federal, state, territory and local governments all play a role in determining how much housing can be built by setting regulations that affect how land can be used for housing, and what kind of housing is allowed to be built.

Regulatory settings broadly affect housing supply through two mechanisms (Maltman 2025):

- They stop certain housing development occurring (regulatory bans). This commonly occurs in land-use controls – the rules that set where housing can be built, and what form it can take.
- They can impede development by making it slower or more costly (regulatory burdens). Regulatory burdens often arise from slow, burdensome or cumbersome approvals processes, or where regulatory settings act as a bottleneck to connecting new housing developments to essential supporting infrastructure.

The interaction between regulatory requirements also affects housing supply. Multiple sets of controls can create 'thickets' of regulatory requirements and restrictions that impede development or limit the type and number of dwellings that can be built on a parcel of land.

This inquiry will identify ways to improve housing regulation

The Australian Government has asked the PC to undertake an inquiry into the rules and regulations that impact housing supply. They have asked us to identify examples of regulations that most affect housing supply, housing affordability and construction productivity, and propose prioritised reforms to enhance supply and build more homes quickly.

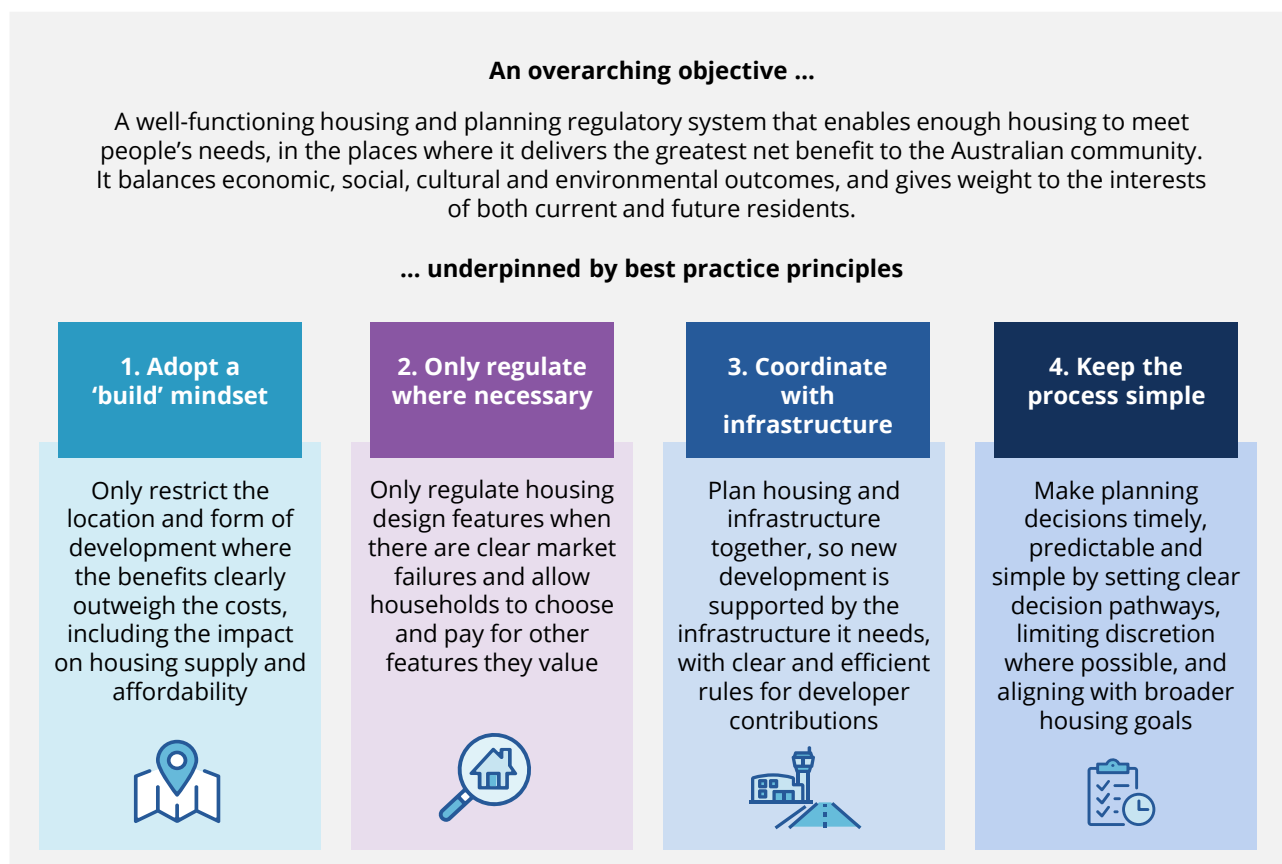
Best practice for housing regulatory systems

The government has asked the PC to assess recent reform efforts against features of a ‘best-practice regulatory system’ for housing, and identify opportunities for the next stage of reforms.

The goal of the inquiry is not to strip away ‘red tape’ for the sake of it. Instead, we are focusing on areas where housing regulation can be made less limiting to provide a net benefit, and where efficiencies can be found without compromising important regulatory outcomes.

To guide our consideration of reform directions for this inquiry, the PC has identified an objective and principles for best practice housing regulation. This will help ensure our recommendations balance housing outcomes with other important goals, including economic prosperity, safety, social welfare, equity, climate change adaptation, and cultural and environmental preservation (figure 2). Chapter 1 of this report explains the reasons for the objective and principles, and how they can be applied in practice.

Figure 2 – Principles for best practice housing regulation



Targeted reform can improve housing supply

Our reform directions in this report are based on our review of the existing literature and initial consultation. We have prioritised reform directions that are likely to have the greatest effect on housing supply, based on the evidence we have to date. We seek feedback on these directions, noting that further quantitative work and consultation will inform the recommendations in our final report.

Relax land-use rules where people want to live

Land-use controls include requirements about where people can and can't build housing (zoning), and the design and built form requirements for new homes. These controls provide protections for households and neighbourhoods – particularly where development would impose significant social, cultural, climate resilience or environmental costs. At the same time, land-use controls often impose binding constraints on new development, limiting the supply of new housing, even when prices (and hence incentives for development) are high. For example, heritage protections cover at least 50% of residential land in 50 suburbs across greater Sydney (NSW PEC 2024b, p. 42).

Chapter 2 of this report examines how land-use regulations can block new development or make it commercially unfeasible. We examine which controls most constrain supply, and where the benefits of relaxing controls within our cities (infill) and at their margins (greenfield sites) exceed the downsides of development.

Our priority reform directions are:



Reform direction 2.1

Allow up to 3-storey developments across most residential land

State and territory governments should allow up to 3-storey developments across all residential land, with exceptions made for areas with environmental protection, hazard-related overlays or heritage listed buildings only where the benefits of exceptions outweigh the costs.



Reform direction 2.2

Allow mid-rise or high-rise apartments in high-demand areas

State, territory and local governments should update planning schemes to allow mid-rise (4–9 storeys) and/or high-rise (10+ storeys) apartments in high-demand areas with existing or readily expandable transportation infrastructure. This will require changes to a variety of land-use controls which will vary by local government area and/or state and should be implemented in conjunction with reform direction 2.6.



Reform direction 2.3

Reduce or remove minimum lot size requirements

State, territory and local governments should recognise where minimum lot size requirements are reducing commercially feasible capacity, particularly in high-demand areas, and remove or reduce requirements in those places. Subdivision requirements need to be permissive to enable this reform to have its full effect.



Reform direction 2.4

Allow residential development in commercial zones, unless there is a clear rationale for excluding it

State and territory governments should review all commercial zones that restrict residential development and change them so they restrict residential development only where there is a clear rationale to do so and there is a net benefit from restriction.



Reform direction 2.5

Review, reduce and remove land-use controls that reduce commercial feasibility and do not adhere to best practice principles

State, territory and local governments should identify and reduce controls that reduce commercial feasibility and do not adhere to best practice principles.

- **Remove or reduce parking requirements.** Governments should remove or reduce off-street parking requirements (especially minimum requirements) in areas where there is evidence of underused parking spaces and sufficient public transport connectivity.
- **Replace broad heritage protections with more targeted heritage listings with cost-benefit analysis and review processes.** Blanket heritage areas should be replaced by heritage listings for specific buildings or small areas. Targeted heritage listings should be justified by cost-benefit analysis and there should be more robust mechanisms to review and delist buildings.
- **Review and reduce neighbourhood character restrictions.** Restrictive overlays which apply blanket restrictions to entire streets or local government areas should be reviewed and replaced by targeted protections where possible.

**Reform direction 2.6****Relax or remove built-form controls that limit flexibility and choice for households**

State, territory and local governments should identify and reduce or remove built-form controls that limit the range of dwelling types available to households.

- **Modify controls as required to enable townhouse and apartment reform.** In areas suitable for townhouses and apartments, controls such as site coverage ratios, setback requirements and height restrictions should be modified to enable reform uptake.
- **Remove maximum floor-space ratios.** State, territory and local governments should avoid using maximum floor-space ratios to manage density where the desired outcome can be achieved through height restrictions or other built-form controls.
- **Remove restrictions on housing types.** State, territory and local governments should avoid restricting certain dwelling types as desired outcomes can be better managed by other built-form controls.
- **Remove restrictions on minimum dwelling sizes, minimum balcony sizes and storage requirements for apartments.** State, territory and local governments should avoid regulating observable characteristics that do not negatively affect the wider community.

Make approvals faster and easier

The process for obtaining regulatory approvals for housing, while important for ensuring new housing meets required standards, can be convoluted and slow. This becomes a regulatory burden that can slow development or prevent it altogether, increasing the cost of housing.

Many of the biggest issues arise when different decision makers set conflicting or unclear requirements on a proposed development, which take time and effort from the developer to resolve. The PC heard of one developer who was informed by the council that they needed to plant native trees and vegetation to support the local environment, but was also told by the local fire authority that they needed to minimise the tree canopy around the property to manage bushfire risk. The developer required approval for the project to be non-compliant with the council's landscape controls in order to proceed ([name withheld], personal communication, July 2026). Other issues include poor sequencing of inputs, onerous and highly technical reporting requirements, and subjective rules (such as neighbourhood character considerations) creating uncertainty about what is required for a project to go ahead.

Chapter 3 of this report considers how approval processes can be streamlined and become more transparent, and how assessments can be more proportionate to risk. We also review how the housing regulatory system can support more productive methods of construction such as prefabricated and modular housing.

Our priority reform directions are:



Reform direction 3.1

Consider infrastructure requirements and trade-offs associated with development early through strategic planning

State and territory governments should seek to lift the burden from approvals by assessing development conditions and determining trade-offs efficiently and upfront rather than through the development approval process. This includes:

- identifying suburbs and localities where there is high expected demand for new housing, and making it an explicit performance goal for councils, relevant agencies and regulated infrastructure service providers to facilitate new housing in these areas
- completing technical studies (e.g. flood risk, bushfire risk, biodiversity mapping) across suburbs and localities with high expected demand for new housing, and considering how the impacts of the expected uplift in housing development can be managed across these areas
- fully considering how any required housing-enabling infrastructure will interact with existing infrastructure, including by engaging with referral agencies or owners of existing infrastructure to identify potential barriers to development early (in conjunction with reform directions 4.1 and 4.2)
- incorporating the outcomes of these assessments into planning schemes as clear and codified requirements for development, and avoiding site-specific assessments of trade-offs where possible.



Reform direction 3.2

Expand the use of fast-track pathways to assess simple developments

State, territory and local governments should improve fast-track assessment pathways by:

- expanding their use to cover more low-complexity developments, using deemed-to-comply assessment against codified rules, with minimal third-party inputs
- increasing the use of pattern books, with templates eligible for fast-track approval
- using hybrid assessment for developments which narrowly fail to comply with fast-track criteria, where non-complying criteria are assessed using standard techniques
- approving fast-track developments quickly, with incentives for councils to increase speed of assessment.



Reform direction 3.3

Use state-significant pathways to approve developments with a clear need for state-led assessment

State and territory governments should improve the assessment of large, complex and important developments by:

- using state-significant pathways when a clear need for state-led assessment is demonstrated, with transparent and defined criteria for inclusion in the pathway
- giving assessment authorities clear decision-making powers, which are not bound by council planning schemes
- using early and targeted consultation to meaningfully engage third parties where their inputs are required.



Reform direction 3.4

Improve housing approval assessments with better coordination of referrals, use of technology including AI, and transparent reporting

State, territory and local governments should improve housing approval assessments by:

- using coordination bodies to manage and sequence referrals from government agencies and third parties. These bodies should have decision-making power in the event of conflicting advice
- increasing use of technology including AI to help decision makers and applicants understand regulatory requirements and identify potential problems with applications
- strengthening performance reporting so that it more meaningfully captures the end-to-end burden of the approvals process. This includes public reporting on outcomes by council.

Better coordinate infrastructure planning and charging with delivery

The provision and coordination of infrastructure for housing also determines where and how quickly new housing can be built, and at what cost. Poorly coordinated infrastructure arrangements can prevent essential infrastructure being delivered where it is required, delaying or constraining development of new dwellings, particularly in greenfield sites. A telling example is Torana Estate in Sydney, a greenfield housing development that was rezoned for housing in 2013. After parcels of land were purchased on the site in 2020, housing construction was postponed for several years by delayed sewerage connections (Hanrahan and Gock 2022).

Chapter 4 of this report looks at how to enhance the supply of new housing through better arrangements for housing-enabling infrastructure. We examine options to improve planning and coordination of infrastructure with new housing, who should pay for infrastructure and how developer contributions can affect the feasibility of development.

Our priority reform directions are:



Reform direction 4.1

Coordinate strategic planning for infrastructure with housing objectives

State, territory and local governments should improve their infrastructure planning by:

- documenting how infrastructure planning supports housing objectives, including any interdependencies with third parties such as infrastructure service providers. This should be prioritised for areas identified as having high expected demand for new housing (reform direction 3.1)
- ensuring infrastructure planning documents are kept current
- reporting the level of funding allocated to individual infrastructure projects and the expected costs and benefits of major road and transport projects
- ensuring there is a consistent approach to infrastructure planning across local governments within jurisdictions, and that local planning aligns with state-level infrastructure and housing objectives and projections (and supports reform direction 4.2).



Reform direction 4.2

Improve infrastructure sequencing with housing development

State and territory governments should improve how infrastructure is sequenced with housing. This includes:

- ensuring the timing of rezoning and infrastructure planning accounts for the lead times of each and that this is reflected in infrastructure plans, to ensure land for housing is released once a plan to deliver timely supporting infrastructure has been made
- ensuring infrastructure upgrades to support additional housing coincide with required changes to support housing, such as upzoning
- developing an accountability framework with clear responsibilities for each level of government and other parties such as regulators and infrastructure service providers, to set out how they will work together to deliver timely infrastructure to support housing
- considering how sequencing can improve certainty for other parts of the development process, including approvals (reform direction 3.1).

**Reform direction 4.3****Ensure developer contributions reflect the accurate cost of providing infrastructure**

State, territory and local governments should:

- use developer contributions for all infrastructure with a close nexus to the development, when the development has also created a demonstrated need
- apportion contributions for infrastructure when beneficiaries are dispersed beyond the development site
- remove contributions when there is no demonstrable nexus between a development and infrastructure
- use cost-reflective developer contributions where possible, unless there are significant administrative burdens for local government or accurate cost estimates cannot be provided upfront.

**Reform direction 4.4****Enhance design of developer contribution frameworks towards best practice**

State, territory and local governments should update the design of developer contribution frameworks to:

- include upfront estimates of contributions prior to land release or land acquisition, and make available online contribution estimation tools
- allow contribution payments to be staged or due later in the development process
- take a consistent approach across all local governments within each state and territory in how charges are administered and calculated
- reduce the number of different contributions levied on developers by bundling different contributions into single levies where possible
- adopt transparent, centralised reporting of funds collected at the development, local government and state levels and progress reports against planned infrastructure delivery and housing supply objectives.

Land-use reforms and infrastructure coordination will have the biggest effect on housing supply

Of all the housing supply reform areas in our terms of reference, reforming land-use controls to increase housing density in cities is likely to have the greatest impact on supply. We base this conclusion on evidence from literature, initial modelling and consultation (including meetings, submissions and roundtables).

The effect of land-use controls may be more limited in greenfield areas where land has already been released. Land release in and of itself is not a problem in many greenfield areas, but released land can only translate into housing supply when it is supported by enabling infrastructure, which we have heard is often a constraint for new developments in these locations. Better strategic planning would help governments navigate infrastructure coordination challenges, both for infill and greenfield locations, and could also unlock significant supply.

In contrast, reducing regulatory burdens by, for example, improving approval timeframes and enhancing developer contribution frameworks is likely to have less effect on overall supply. While there are clear opportunities for improvement, governments should not rely on these types of reforms alone to address the supply challenge.

The role of the Australian Government

States and territories are responsible for setting most housing regulations, and local governments are typically responsible for applying them. As such, most of our reform directions target actions that can be taken by state, territory and local governments.

However, the Australian Government sets housing policy priorities in national plans, policies, funding and legislation, and therefore has an essential role in supporting states, territories and local governments to move toward best practice and implement reforms.

The Australian Government could also have a more direct role, particularly for infrastructure development, helping to provide finance such as low or no-interest loans, managing funding shortfalls and underwriting risks in the infrastructure sequencing process. The PC is seeking feedback on how the Australian Government can support housing regulatory reform and operationalise the reform directions.

What we are not looking at

The terms of reference for this inquiry, and hence our reform directions, do not cover every policy issue that affects housing supply. For example, the National Construction Code is out of scope for this inquiry, as are policies that may affect construction costs, labour supply in the construction industry, or demand for housing. Other reviews and past PC work are examining, or have recently examined, many of these issues.¹

Broader policy settings such as taxes (including stamp duty), interest rate setting and finance affect investment decisions for housing development. These are not covered by this inquiry. We are also not looking at broader economic conditions that affect supply, such as supply chains and the cost of building materials, or crowding out of investment in new housing due to competition with major

¹ For example, *Housing construction productivity: Can we fix it?* (PC 2025c); *Creating a more dynamic and resilient economy* (PC 2025a); *In need of repair: The National Housing and Homelessness Agreement* (PC 2022); *National voluntary certification scheme for manufacturers of modern methods of construction* (ABCB 2025b); *National Construction Code modernisation project – interim report* (Treasury 2026b).

infrastructure projects. Nor are we examining the growth of demand for housing or the reasons for it, including migration and demographic change.

Your input will help us provide a direction for Australia's housing supply

Our final report, due in March 2027, will include an assessment of recent and upcoming housing reforms by states and territories against the features of a best practice housing system and their anticipated effect on housing supply. It will also include more detailed recommendations, including for states and territories, with the aim of identifying further opportunities to move towards best practice, filling reform gaps and enhancing housing supply in each jurisdiction.

To inform these recommendations, we will do more quantitative analysis, including modelling of zoning and land-use controls in capital cities to identify which changes could lead to the greatest supply response. We will also consult extensively with industry representative groups; representatives from relevant parts of government; subject-matter experts; and individuals and organisations with experience of housing regulation, including Aboriginal and Torres Strait Islander organisations.

As part of this consultation, we plan to conduct a detailed survey of housing developers about their experiences of receiving approvals for housing development. This will help us identify significant pain points and determine the parts of the system where reform could have the most effect.

We are also seeking your input to help build our knowledge and evidence base. Your responses to the information requests throughout this report will contribute to our final recommendations.

Taken together, the goal for our inquiry is to propose reforms that will reshape Australia's planning systems to build enough housing, more quickly, and where people need it most.

Information requests



Information request 1.1

- How do housing regulatory systems, specifically, land-use controls, housing-enabling infrastructure and approval processes, affect Aboriginal and Torres Strait Islander people and communities' access to appropriate housing? Case studies and examples are encouraged.
- How can governments improve housing regulatory systems to better meet the housing needs of Aboriginal and Torres Strait Islander people and communities, in alignment with outcome 9 of the National Agreement on Closing the Gap?



Information request 1.2

- What features should governments have in mind when evaluating reforms to move housing regulatory systems towards best practice?
- Are the best practice principles and overarching objective (figure 1.2) we have identified appropriate? If not, what changes should be made?
- What are some examples of specific housing supply regulations (in Australia or internationally) that:
 - a) exemplify the features of a best practice system for housing regulation
 - b) clearly do not reflect these features?



Information request 2.1

- Do design-focused regulations (e.g. tree canopy requirements, apartment layout and storage) directly impact commercially feasible capacity?
- What impact would reducing the coverage of heritage overlays have on housing supply?
- What land-use controls need to change to enable more alternative dwelling types to be built? What impact would such reforms have on housing supply?
- Is there a need for further reforms to enable a greater supply of small secondary dwellings such as granny flats?
- Are there other land-use controls which significantly impact supply?

**Information request 2.1**

- Can you provide information, data, or analysis on development cost stacks across different housing typologies and geographic areas (for example, construction cost information)?
- Can you provide information, data, or analysis on the extent to which dense housing typologies differ in commercial feasibility (for example, comparisons between apartment and townhouse developments)?

**Information request 2.2**

- Can you provide information, data or analysis on the degree to which available land is a barrier to new housing supply?
- Can you provide examples of released land that has not been able to be developed for housing, and explain the barriers to development in these cases?
- Would it be helpful for governments to report a land measure which distinguishes land that is zoned residential, from land that is serviced, approved, infrastructure-ready and commercially feasible to develop?

**Information request 2.3**

- What evidence do you have on which land-use controls or combinations of controls are the greatest constraint on housing supply in your jurisdiction?
- What reforms to land-use controls are likely to boost housing supply in each jurisdiction? What are the expected impacts of reforms on zoned capacity, commercially feasible capacity and/or other measures of supply? What are the expected impacts on positive and negative externalities? We are particularly interested in quantitative evidence on reforms to minimum lot size and reducing coverage of broad heritage controls.
- How should potential reforms be implemented? What does the evidence show about the effectiveness of past zoning and land-use reforms in Australia?
- What evidence do you have on the effects of mandatory and voluntary inclusionary zoning requirements for affordable housing on housing supply and affordability?



Information request 3.1

- What evidence do you have for the main causes of delays in receiving approvals for new housing?
- When is discretion useful in planning processes, and when is it not useful? Are there examples of subjective requirements that should be changed or removed to improve certainty for developers?
- How should third-party appeal processes be changed to better balance the benefits they provide to community members and the uncertainty and delay costs they impose on developers?



Information request 3.2

- Which specific requirements (for example specific reports or referrals to an agency) are most onerous to comply with when receiving a development approval?
- Are there any requirements for development approval that should be removed? In these cases, how should any risks be mitigated?
- What could each state and territory do, if anything, to improve the process for receiving subdivision approvals?



Information request 3.3

- Is improving the coordination of the approvals process a higher or lower priority than reforms to reduce the amount of approval requirements?
- Are there any examples of where coordination bodies are or are not working? What are the features of coordination bodies which make them successful?
- How effectively are reforms to planning rules, such as SA's Planning and Design Code and Victoria's Clause 55, working to make approvals more certain?

**Information request 3.4**

- What examples are there of best-practice strategic planning improving the process for housing approval decisions at a state, territory or local government level?
- Do the features of tiered assessments we have identified match best-practice? What sort of developments should be included in each tier?
- How effective has technology including AI been where it has been used to assist with approvals? How can it be better utilised?
- What are the best ways to enhance how states and territories track the timing and burden of approvals?
- What reforms should each state and territory prioritise to reduce the burden of the approvals process?
- How can federal, state and territory governments incentivise councils to approve developments efficiently, and encourage those that are slow or are obstructing approval pathways?
- What evidence is there about the benefits of including social and affordable housing in state-significant, or other streamlined, pathways?

**Information request 4.1**

- What reforms are required to infrastructure planning and coordination to support more timely utility connections? To what extent is there misalignment of incentives between each level of government and infrastructure service providers?

**Information request 4.2**

- What feedback do you have on our reform directions for infrastructure planning? To what extent will these resolve the planning coordination issues and address constraints to housing supply?
- How should reforms to infrastructure planning be implemented and what are the main challenges?

**Information request 4.3**

- How can governments balance the need to support feasibility for developers by collecting developer contributions later in the development process, with a need for upfront funding to kickstart infrastructure to support new housing?



Information request 4.4

- Are our directions for improving developer contribution frameworks addressing key infrastructure challenges that will support housing supply? What evidence or case studies support this?
- How should reforms be designed to overcome the implementation challenges including determining nexus, fair apportionment, accurate upfront cost estimates for infrastructure, timing and funding sequencing, and first mover disadvantages?



Information request 4.5

- Are our proposed roles for the Australian Government in supporting housing-enabling infrastructure useful and appropriate to support new housing? What other roles should we consider?



Information request 5.1

- Which of the reform directions will be relatively easy or hard to implement and why? Are there any examples of 'quick wins' that could be achieved?
- Are there any co-dependencies or sequencing considerations across the reform directions?
- How can the Australian Government ensure housing regulatory system reform is implemented in a manner that supports all governments' commitments under the National Agreement on Closing the Gap?
- How can the Australian Government best support state and territory and local governments to shift housing regulatory systems towards best practice?

1. Best practice for housing regulatory systems

Key points

- ✳ **Housing regulatory systems do not adequately consider the effects of regulation on housing supply.**
 - Governments need to regulate housing to ensure it is safe, good quality and liveable.
 - However, too much or unnecessary regulation can stifle housing supply. Long approval timeframes and regulatory burden can impede development, and some regulations may prevent it all together.
 - The number and interaction of different regulatory requirements can also affect housing supply.
- ✳ **A best practice housing regulatory system should enable enough housing to meet people's needs in the places where it delivers the greatest net benefit to the Australian community. It should balance economic, social, cultural and environmental outcomes, and give weight to the interests of both current and future residents.**
- ✳ **Australian governments should adopt best practice regulation for housing and planning systems. This means governments should:**
 - **adopt a 'build' mindset:** only restrict the location and form of development where the benefits of doing so outweigh the costs, including the impact on housing supply and affordability
 - **only regulate when necessary:** only regulate housing design features when there are clear market failures, and allow households to choose and pay for other features they value
 - **coordinate with infrastructure:** plan housing and infrastructure together so new development is supported by the infrastructure it needs, with clear and efficient rules for developer contributions
 - **keep the process simple:** make planning decisions timely, predictable and simple by setting clear decision pathways, limiting discretion where possible and aligning with broader housing goals.

1.1 Government regulation affects housing supply

Why governments regulate housing development

Regulation helps ensure homes are safe to live in, connected to essential infrastructure and built to withstand natural disasters such as floods and fires. Where a site has cultural or historical significance, regulation can help preserve it for the future.

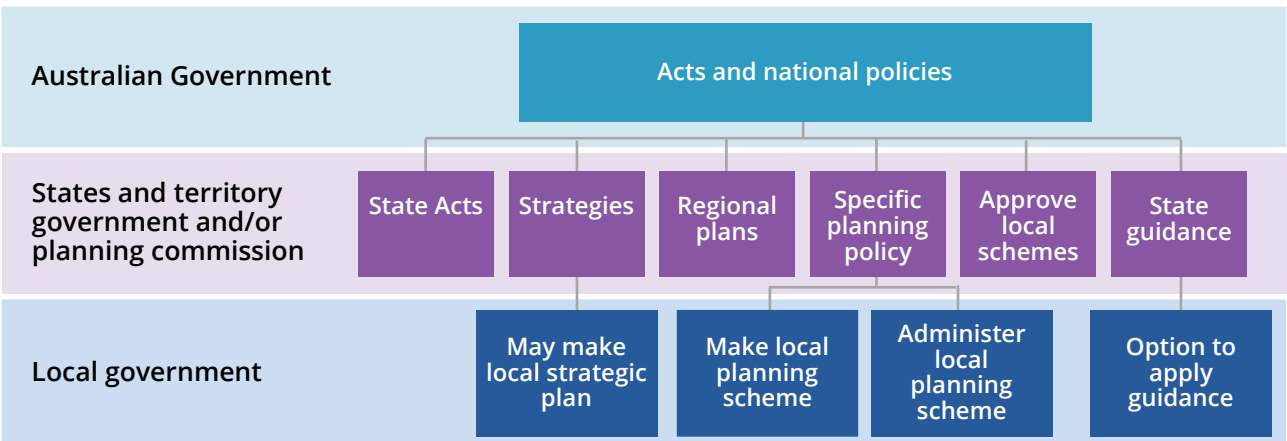
A key role for regulation is to account for externalities. Externalities are costs or benefits of an activity that do not directly affect the parties involved in the activity and therefore are not accounted for by the price paid in the market. These can be both negative (such as increased air pollution) or positive (additional infrastructure and local amenities). For example, new development can increase demand on the transport network, increasing congestion for other residents of the neighbourhood. Regulation can help ensure that externalities and their trade-offs are appropriately considered in decision-making.

Regulation also helps account for ‘information asymmetries’ – the features of a home that prospective residents cannot see and readily assess themselves. For example, even with a pre-purchase building inspection, most buyers cannot assess whether the electrical wiring in a home is safe and correctly installed. Regulation gives buyers the information they need to decide how much they wish to pay for a home, and be assured that it is safe and of appropriate quality.

All levels of government have a role in housing regulatory systems

All Australian governments play a role in determining how much housing can be built by setting regulations that affect how land can be used for housing, how infrastructure is coordinated and how developments are assessed and approved through planning systems. While variations exist between jurisdictions, broad planning responsibilities for each level of government are shown in figure 1.1.

Figure 1.1 Planning responsibilities at each level of government



The term ‘specific planning policy’ refers to states’ and territories’ main planning document, as jurisdictions use different terminology. ACT, Northern Territory and South Australian governments make and apply their jurisdiction’s planning policy. ‘Scheme’ is used as a generalised term for all local planning instruments across jurisdictions despite some states and territories using different terms, such as ‘local environmental plan’ in NSW.

Source: PC research based on state and territory government websites and policy documents such as WAPC’s ‘Overview of the planning system’ (2024).

The Australian Government influences housing supply by setting policy priorities in national plans, policies, funding and legislation. State and territory governments set their own priorities, and give effect to priorities by setting regulations – such as land-use controls, infrastructure requirements and development approval processes – in state-specific planning policies. These regulations are often applied by local governments. In most states, local governments create local planning schemes, which apply state regulations to specific areas of land, and assess development applications against these schemes.

Regulation can stifle housing supply

While it is essential that governments regulate housing development, too much or unnecessary regulation can limit housing supply. Regulatory settings affect housing supply in 2 broad ways (Maltman 2025):

- they stop certain housing development occurring (regulatory bans). This commonly occurs in land-use controls, explored in chapter 2
- they can impede development by making it slower or more costly (regulatory burdens). Regulatory burdens are explored in approval processes (chapter 3) and housing-enabling infrastructure (chapter 4).

The interaction between regulatory requirements also affects housing supply. Multiple sets of controls can create ‘thickets’ of regulatory requirements and restrictions that impede development. Controls can also interact to unintentionally affect the type and number of dwellings that can be built on a parcel of land (chapter 2).

These issues are exacerbated by – or perhaps are a consequence of – 3 challenges policy makers, regulators and ministers face when creating and applying regulation. They have strong incentives to be risk averse, to undervalue the burden placed on businesses (since they do not bear the burden of their decisions) and they can have tunnel vision for achieving their policy objective without sufficiently weighing up other considerations (PC 2025b, p. 35). As a result, housing regulatory systems across Australia are not designed to adequately consider the effects of regulation on housing supply.

1.2 Principles of a best practice regulatory system for housing

Housing regulatory systems should focus on net benefit

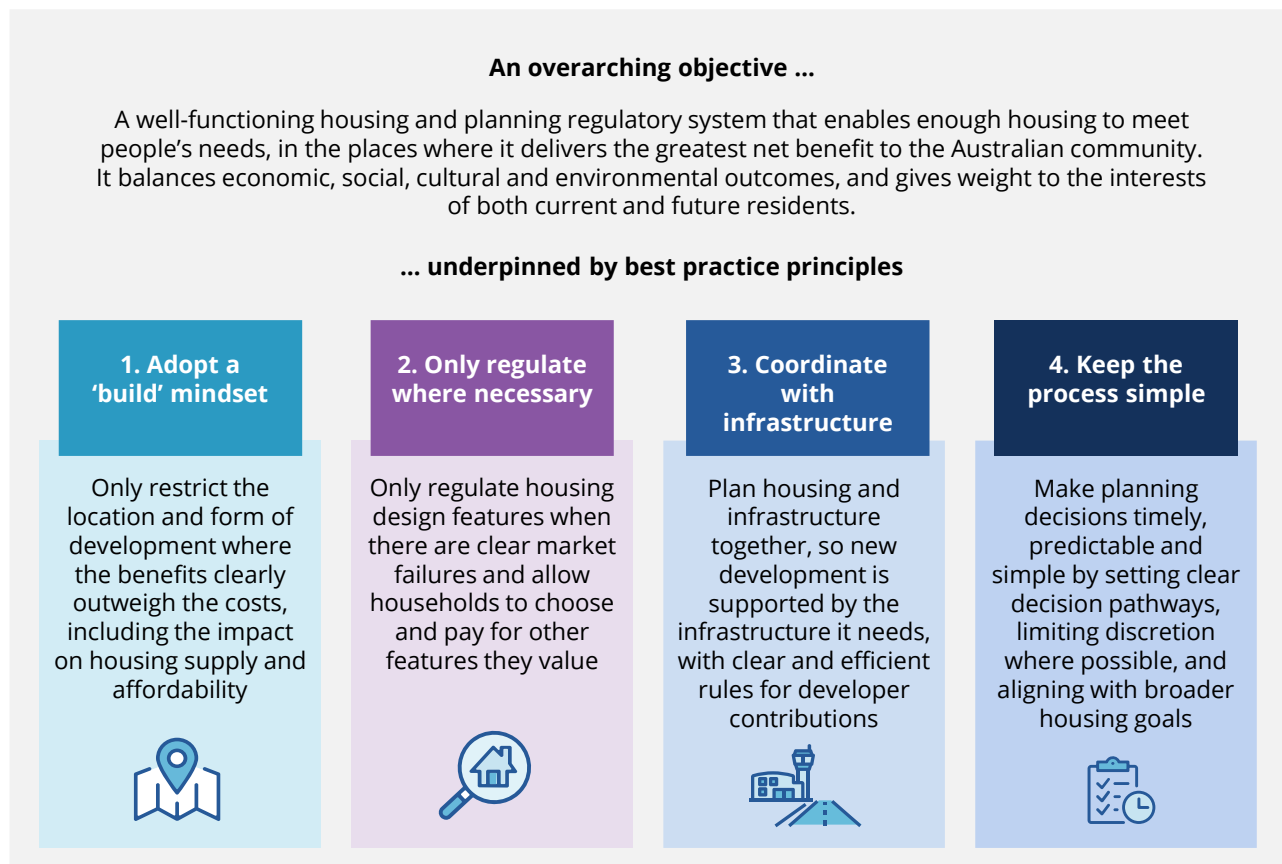
Housing regulation inevitably involves trade-offs. Rules that support objectives like environmental protection or neighbourhood amenity can also affect housing supply. A well-functioning housing and planning system should recognise and be designed to weigh up these trade-offs and aim to achieve the greatest net benefit for Australians. This means that after considering all the costs and benefits of a regulation – including its effect on housing supply and affordability – society is better off with the specific rule. Where society is worse off, the rule should not be imposed. In economic terms, the rules should enable housing regulatory systems to be ‘welfare maximising’.

This means there will be trade-offs – some people may not want increased housing density or fewer car spaces available in their street – but these are the choices that may need to be made if, as a society, we want more people to afford to live in the homes and location they want.

In balancing often-conflicting objectives, housing regulatory systems must consider the interests of people at all stages of the housing market, such as people who live, or want to live, in an area, and support a system where the benefits of development outweigh the costs.

Figure 1.2 summarises the overarching objective of a best practice housing regulatory system and the 4 principles that underpin it.

Figure 1.2 A best practice regulatory system for housing



Housing regulation should not only consider economic benefits, but also social benefits ...

Housing regulatory systems must support homes that are 'fit for purpose' (NHSAC 2026b; PIA 2022, p. 1). That is – they reflect the tenure, housing type and location preferences of Australians in the housing market, given their costs (NHFIC 2020, p. 32; NHSAC 2025; PIA 2022, 2023, 2025). Other social outcomes of development must also be considered, including social and economic benefits of diverse communities and agglomeration benefits (box 1.1).

... equity of access ...

Planning should also consider equitable access to housing (Flanagan et al. 2026; NHSAC 2026b; OECD 2021; PIA 2022, 2023). Having affordable, safe and sustainable housing improves people's welfare, with flow-on effects to societal outcomes (PC 2022, pp. 102–106). Promoting equity should include closing the gap between Aboriginal and Torres Strait Islander people's and non-Indigenous people's housing outcomes (AIHW and NIAA 2026; NHSAC 2026b; NIAA 2025), managing social housing needs (NHSAC 2026b; PC 2022, p. 231; PIA 2022, 2023) and considering intergenerational equity in policy design (NHFIC 2021; PIA 2013) (box 1.2).

Box 1.1 – Higher density cities can create economic and social benefits

Cities bring together workers, jobs, customers, suppliers, services and ideas. This clustering of people and businesses close together, including in industry precincts, is often referred to as agglomeration.

Agglomeration generates economic benefits. Larger and denser cities often have higher productivity, are more innovative and facilitate better access to goods, services and jobs than smaller or less dense places (Bertaud 2024; Duranton and Puga 2020). The Australian Housing and Urban Research Institute estimates that a doubling of employment density can be associated with hourly wages that are around 1 to 4% higher (Nygaard et al. 2021).

But density from agglomeration also brings costs, such as increased congestion and pressure on infrastructure (Duranton and Puga 2020; Leishman et al. 2021; OECD 2019, p. 18). These need to be managed through appropriate policy settings, including transport investment, infrastructure provision and congestion management.

As cities grow, so do their labour markets and the number of businesses operating within them. Large labour markets offer workers a wider range of jobs to choose from, allowing them to better match with firms where they can add the most value. They also give firms access to a larger pool of workers with the skills needed to perform specialised work. The combined effect is that the efficiency of matching between workers and firms tends to improve with city size and density (Dauth et al. 2022).

Agglomeration supports the spread of ideas. As workers and businesses interact, they share skills, technologies and business practices. These knowledge spillovers can occur through formal channels, such as collaboration between firms and researchers, and through informal interactions between workers and businesses. Since larger and denser cities create more opportunities for interaction, they can increase the rate at which useful knowledge spreads and is applied (Bertaud 2024; Duranton and Puga 2020).

Large cities also allow resources to be used more efficiently. A larger local market can support urban amenities, services and specialised suppliers that would be less viable in smaller places. This can reduce transaction costs and support business specialisation (Bertaud 2024).

Box 1.2 – Social housing provides vital support for people who can’t access the private rental market

Social housing is government-subsidised short- and long-term rental housing, allocated according to need to those who are unlikely to be able to afford or access market housing.^a It is usually either provided by the government directly through public housing, or community housing which is provided by not-for-profits (AHURI 2023). State owned and managed Indigenous housing and Indigenous community housing also provide important, culturally appropriate housing services for Aboriginal and Torres Strait Islander households (AIHW 2024; NHSAC 2026b, p. 48; Parliament of the Commonwealth of Australia 2021, p. 195).

Social housing fills a vital policy role. There is good evidence that a ‘housing first’ approach to homelessness and social vulnerability can have a profound impact on people’s wellbeing. Evidence suggests there are strong links to employment outcomes, assistance with addiction and other illnesses, and improvements to health outcomes and social isolation (Roggenbuck 2022).

But the system is under strain. Waitlists are long – partly because demand is high, but also because supply is constrained (NHSAC 2026b, pp. 5, 48–50). Governments have committed to reforms that aim to take pressure off the system, including through the Housing Australia Future Fund (Finance 2026). While reforms to social housing are outside the scope of this inquiry, the Productivity Commission has previously recommended that governments should prioritise meeting the needs of households that are most at risk of homelessness and people who are unable to access or sustain housing in the private rental market (PC 2022, p. 44).

a. Social housing is sometimes included within definitions of affordable housing. In this report, however, social housing is treated as distinct from affordable housing, which refers to below-market rental housing for eligible low- and moderate-income households.

... cultural factors ...

Planning regulations should also recognise that social benefits may come in the form of protecting culturally significant places or land. For example, heritage protections are grounded in protecting history and community identity for the benefit of current and future generations (Heritage Council Victoria 2023).

Land holds significant cultural value for Aboriginal and Torres Strait Islander people, and housing ‘forms part of a broader social and cultural infrastructure that sustains families, communities, language, culture, economic participation and connection to Country’ (Ngalgarra Resources Indigenous Corporation, sub. 64, p. 2). Housing regulatory systems should be considered in the context of the National Agreement on Closing the Gap, including outcome 9 – people can secure appropriate, affordable housing that is aligned with their priorities and need – and Priority Reform 3 to transform government organisations (TSRA, sub. 82, pp. 2–3). We intend that our final report will provide additional analysis on how housing regulatory systems can be improved to better meet the housing needs of Aboriginal and Torres Strait Islander people and communities (information request 1.1).

... and environmental and climate change adaptation outcomes

Development can have environmental costs that should be considered by the planning system and regulations. These include direct costs, such as destroying habitat, or indirect environmental costs like climate risks and effects on carbon emission levels (New Zealand Ministry for the Environment 2025; NHSAC 2025, 2026b; OECD 2021; PIA 2025).



Information request 1.1

- How do housing regulatory systems, specifically, land-use controls, housing-enabling infrastructure and approval processes, affect Aboriginal and Torres Strait Islander people and communities' access to appropriate housing? Case studies and examples are encouraged.
- How can governments improve housing regulatory systems to better meet the housing needs of Aboriginal and Torres Strait Islander people and communities, in alignment with outcome 9 of the National Agreement on Closing the Gap?

1.3 What the principles mean in practice

Principle 1: Adopt a 'build' mindset

Only restrict the location and form of development where the benefits clearly outweigh the costs, including the impact on housing supply and affordability.

Regulation can help manage externalities arising from housing construction. However, if policymakers do not weigh trade-offs effectively or are overly risk averse, housing development that may deliver a net benefit may not be built (OECD 2021; PC 2025b, pp. 33–35).

Adopting a build mindset means using regulation to target a specific externality only where benefits of doing so outweigh the costs, delivering a net benefit to the community (PC 2020a, pp. 3–4). For example, while allowing higher density dwellings may increase pressure on local infrastructure and services, this must be weighed against the additional housing supply it would create.

Governments can apply best-practice regulation to protect an existing benefit or prevent avoidable costs. For example, regulation can restrict development in a national park where the benefits from preserving the environment (such as community value, welfare improvements or habitat protection) are greater than the cost on restricting housing supply. Natural hazard overlays prevent development in high-risk areas such as those prone to natural disasters or exposed to biohazards to prevent current or future costs to residents (such as safety concerns, health issues and rebuilding costs).

Regulating land-use should not be necessary, unless it is to address an externality or other market failures such as information asymmetry (principle 2). Table 1.1 provides examples of this principle in practice, and box 1.3 illustrates how it is reflected in Auckland's housing reforms.

Table 1.1 – Examples of adopting a build mindset (principle 1)

What this principle is	What this principle is not
• Zoning set based on infrastructure capacity, estimates of demand and externalities (congestion, agglomeration benefits etc.)	• Zoning that is unresponsive to context and demand
• Higher density zoning near jobs and transport corridors	• Overly prescriptive zoning which does not consider the costs and benefits of development for the relevant area

What this principle is	What this principle is not
• Targeted heritage protections applied to buildings where the benefit to the community outweighs the development benefit forgone	• Broad heritage overlays applied without benefit assessments, allowing ‘heritage’ or ‘cultural’ value to be an excuse to prevent development
• Regulatory impact statements required to establish regulations and review existing regulations and for deviations from the rules	• Variation in rules with limited evidence-based rationale to support variation, for example the number of metres for set-back requirements
• Built form controls used to manage a specific externality	• Blanket built form controls applied without consideration of their effect on housing supply

Box 1.3 – Principle in practice: upzoning in New Zealand

In the 2010s, New Zealand faced housing supply and affordability challenges, driven by low supply responsiveness, low interest rates and strong population growth (Barker 2019). Several research papers argued supply responsiveness was largely limited by restrictive land-use controls. For example, 95% of residential land in Auckland was zoned for low density housing (Greenaway-McGrevy and Jones 2025a, p. 2420).

In 2010, the New Zealand Government consolidated the 7 district and city councils of Auckland into a single Auckland Council. The new Auckland Council proposed new medium and high-density zones in 2013 via the Auckland Unitary Plan (AUP). The AUP permitted upzoning of approximately three quarters of Auckland’s residential land in 2016 (Greenaway-McGrevy and Jones 2025a).

The AUP upzoning employed a ‘build mindset’ by recognising that while low density zoning may deliver some local benefit, it imposes broader economic, social and environmental costs by unduly restricting housing development below population needs. To maximise the benefits for each area, the extent of upzoning differed – informed by long-term urban growth plans, infrastructure coordination and transport investment (Bennetts 2026; Mecone Group, sub. 65, p. 13; PIA, sub. 34, p. 11; Sorensen and Allan Jones 2024, p. 6). For example, areas with established transport infrastructure were more likely to be upzoned to the higher density ‘terrace house’ zone (Greenaway-McGrevy 2025, p. 4). Auckland Council upzoned most land, recognising that upzoning creates more benefits than costs in most areas, when supply and affordability are considered.

Evaluations have demonstrated that following AUP residential construction productivity has improved, dwelling consents have significantly increased, and rents and house prices are lower than they would be if reform had not occurred (BCA, sub. 71, attachment, p. 49; CIS, sub. 18, attachment, pp. 2–3; Greenaway-McGrevy 2025, 2026; Greenaway-McGrevy and Phillips 2023; Maltman 2025; Maltman and Gibbons, sub. 41, p. 18, 27–28).

The success of the AUP demonstrates how adopting a ‘build mindset’ when designing planning policy can improve overall societal outcomes.

Principle 2: Only regulate where necessary

Only regulate housing design features when there are clear market failures and allow households to choose and pay for other features they value.

Prospective residents may not have the expertise or information to assess some important issues, such as whether housing has been constructed safely and with the appropriate materials. These information asymmetries can create a market failure, which occurs when resources are allocated in a way that is not best for society. For example, they could allow developers to charge market rates for houses that are lower than desired quality. Regulation can prevent this by setting minimum standards so that residents can trust that their building is safe.

In contrast, features that can be directly observed and assessed do not generate the same market failure. These features would mainly affect the occupant(s) and reflect preferences that they can value for themselves. Regulating these observable features forces costs onto all occupants which may not have a corresponding benefit. For example, regulations that mandate minimum bedroom sizes could force a prospective resident to pay more for a larger bedroom that they may not value. Other practical examples of this principle are outlined in table 1.2.

In some cases, cognitive biases mean that even with perfect information, people do not make 'optimal' economic choices about their housing needs. For example, in a market characterised by scarcity, people may overpay for features of a home they do not want or need due to fear of being unable to secure anywhere to live (Christie et al. 2008, p. 2309). However, it is not possible nor desirable to regulate for every possible decision-making scenario. There is likely only a role for government to intervene when biases occur in a systemic way and cause harm to the person or others. Even then, regulating housing features may not be the appropriate means to address the issue compared to other interventions.

'Only regulate where necessary' encourages regulation that promotes choice and enables people to act on their preferences (NSW PC 2021; PIA 2022) – where preferences do not have a negative impact on others. This should result in a wider range of housing types and innovative designs that will allow people to choose what features they value, as shown in box 1.4.

Table 1.2 – Only regulate where necessary (principle 2)

What this principle is	What this principle is not
Regulate built form where there are information asymmetries which could affect safety e.g. minimum building standards such as insulation, fire safety	- Regulating obvious building features i.e. visual or design features like window size, balconies, materials, appearance - Prescribing rules for features or design based on subjective value judgements such as 'neighbourhood character'
Ensure basic habitability and health (e.g. ventilation, minimum ceiling heights)	Prescribing internal design choices beyond those necessary for welfare e.g. internal layout or storage requirements, bedroom sizes
Allow households to pay for features which are valued but not essential for all such as larger lot size or outdoor space	Setting broad and unchanging standards for certain features which limit choice – such as a minimum lot size, parking and private space requirements

What this principle is

- Ensuring regulation supports necessary infrastructure e.g. infrastructure buffers, emergency vehicle access

What this principle is not

- Requiring access to infrastructure which individuals may not need e.g. gas connections when a household may prefer to be fully electric

Box 1.4 – Principle not in practice: The ‘Best Apartment’ in 2015 does not adhere to the Apartment Design Guide

In 2015, a 27 square metre studio apartment in Darlinghurst, Sydney, won the *Houses Awards* category of ‘Apartment or Unit’ (Houses 2015). Each year *Houses* magazine presents the House Awards celebrating excellence in Australian residential projects. The competition is judged by an expert panel of architects, with entries assessed on their conceptual framework, experimentation and innovation, relationship to context, social and environmental sustainability and response to the occupant brief (i.e. how does a house become a home) (Houses 2026).

The apartment was designed by architect Brad Swartz aiming to demonstrate that inner city living can be affordable, and challenge the need for urban sprawl. The apartment was carefully designed to maintain functionality and liveability within a ‘very small space’ (Houses 2015). For example, it contains elements designed for multiple uses and sliding doors to separate the space into 2 distinct living areas (Croaker 2017).

However, this studio apartment does not meet New South Wales’ Apartment Design Guide, which states studio apartments are required to have a minimum internal area of 35 square metres (NSW DPE 2015, p. 89). While it is guidance, there is a close relationship between the Apartment Design Guide and the *State Environmental Planning Policy No. 65 (2002)*, which has a statutory effect on development (NSW DPE 2015, p. 9). By setting standards, the Apartment Design Guide encourages people to default to its design criteria, particularly if it means apartments are more likely to be approved (applications must demonstrate how else they achieve the design objective if they fail to meet criteria such as the 35 square metre internal area) (NSW DPE 2015, p. 11).

This example shows that failing to ‘only regulate where necessary’ can prevent people from acting upon personal preference. In this instance, prospective owners could not readily act on a willingness to trade off floor space for location. The apartment’s award shows that when well-designed, decreased floor space does not necessarily decrease amenity for its residents (Swartz 2015).

Principle 3: Coordinate with infrastructure

Plan housing and infrastructure together, so new development is supported by the infrastructure it needs, with clear and efficient rules for developer contributions.

Housing-enabling infrastructure – the supporting infrastructure and services that make a residential area liveable – is essential for housing development. People need water, power and roads connected to their homes (basic infrastructure) and they want to live in places where there are playgrounds for their children to play, community centres and libraries to learn and participate in activities, sports facilities and green space to undertake physical activity and connect with nature, and public transport to get from A to B with ease (social infrastructure).

Principle 3 is about ensuring that governments, local authorities and infrastructure service providers coordinate infrastructure provision, housing planning and land-use controls. Coordination and timely delivery of housing-enabling infrastructure is essential to ensuring homes are built in the places where they provide the greatest benefit to the community. Box 1.5 provides an example of good practice infrastructure coordination. Other examples of this principle are provided in table 1.3.

Additional housing drives demand for infrastructure, and conversely, good infrastructure can facilitate the flow of new housing supply, as people are attracted to live in the area (NHFIC 2021, p. 2). More housing can also place pressure on existing infrastructure. Consequently, coordination between infrastructure and housing planning must occur at a system level across a state or territory, in concert with local governments. This will enable strategic decisions to be made regarding infrastructure investment, including between infill and greenfield sites.

This principle includes being clear and consistent about the respective roles of different funders (government and developers) and the types of infrastructure each of these groups should pay for. Developer contributions are one mechanism for funding infrastructure. Developer contributions and frameworks should not harm development feasibility. To achieve this, they should align with best practice regulation, including being simple, certain, transparent, consistent, timely and efficient.

Table 1.3 – Examples of coordinating with infrastructure (principle 3)

What this principle is	What this principle is not
• A coordinated infrastructure planning system across all levels of government (local, state or territory and Australian Government)	• Planning frameworks applied inconsistently between levels of government • Rezoning land prior to infrastructure planning
• A state-wide strategic infrastructure planning framework that considers the efficient allocation of funds across in-fill and greenfield sites	• Ad hoc infrastructure spending that does not consider relative needs and priorities from a state-wide housing supply perspective
• Clarity around who is paying for what type of infrastructure, when and how much it will cost	• Different rules for who pays based on location
• Developer cost-sharing arrangements for new major developments	• First in pays for upgrades, creating a free-rider problem
• A developer contribution framework that is efficient, transparent, consistent within states and territories, timely, certain and simple	• Developer contribution frameworks that are not efficient and act as a tax on new housing
• Setting developer contribution caps to send a price signal and provide certainty	• Easy avenues to override developer contribution caps

Box 1.5 – Principle in practice: growth area compacts

Growth area (or infrastructure) compacts have been used in several locations to better coordinate infrastructure and housing. A growth area compact is a strategic planning approach that brings together a range of parties, such as different levels of government, developers and infrastructure service providers, to plan, fund and deliver infrastructure to support growth in a coordinated and sequenced manner.

A growth area compact, or place-based infrastructure compact (PIC), was piloted in the Greater Parramatta to Olympic Peninsula (GPOP) corridor in 2018-19. Its purpose was to better integrate land-use and infrastructure investment decision-making processes within the NSW Government and provide greater certainty for investors, developers and importantly, the local community. It comprised 3 components:

1. A collaborative approach with over 20 state agencies, infrastructure service providers and local governments
2. A six-step method to integrate land use, infrastructure planning and economic evaluation
3. A digital and data tool to provide analytics and insights to support evidence-based planning.

The PIC model was piloted in GPOP to identify the growth potential for an area, identify the basic and social infrastructure required to support this growth accompanied by costs and funding feasibility, and prioritise infrastructure investment decisions to sequence growth.

The PIC pilot represented a new way of undertaking regional planning in New South Wales, as it was the first time the state had adopted a place-based approach to understanding infrastructure costs upfront and ahead of land-use decisions. It was used to help identify 10, 20 and 40-year infrastructure priorities across basic and social infrastructure for the GPOP region across its 26 precincts. Its findings were subsequently used by Infrastructure NSW to develop a strategic business case, on behalf of eight service and infrastructure delivery agencies, for the GPOP corridor outlining the 10-year service and infrastructure priorities and potential funding.

More recently, a growth area compact has been used to deliver housing-enabling infrastructure to support affordable housing options in Caboolture West, Queensland. This growth area compact involves all three levels of government and the private sector working together to deliver infrastructure in the area, including road constructions and a completed water and sewerage project.

Source: Greater Sydney Commission (2019, 2020); NSW DPHI (2023a); Queensland DSIP (2026).

Principle 4: Keep the process simple

Make planning decisions timely, predictable and simple by setting clear decision pathways, limiting discretion where possible and aligning with broader housing goals.

Governments must balance the need to assess risks of proposed developments with the regulatory burden that approvals processes create. Principle 4 is about designing approvals processes that address risks without imposing undue regulatory burden that could delay or deter housing development.

Australian and state and territory governments should agree upon housing policy objectives and reflect them in state and territory planning documents and strategies. These objectives should guide the design of, and rules for, decision-making processes. This means ensuring all levels of decision making

related to housing and planning approvals should support achievement of those broader housing policy goals, while appropriately assessing that regulatory standards have been met.

Decision-making timeframes should be reasonable, transparent, enforceable and supported by digital technologies where possible (NHSAC 2025, p. 128; PIA 2025, p. 21). Processes should minimise uncertainty and complexity, and be efficient and clear. Objective processes will make it easier to integrate AI into approval processes and support fast decision making. Appeals should be limited and assessment pathways aligned to risk and complexity (PIA 2025, p. 22). Decision-making processes should be underpinned by quantitative performance metrics to report transparently on progress and minimise discretionary judgement (NHSAC 2025, p. 128; PIA 2025).

Development processes often require referrals to third parties to provide expert advice on particular risks – for example arborist and engineering reports. These referral processes should also be simple, transparent and easy to follow. Information requirements should be limited to addressing essential risks and information asymmetries to minimise their complexity while ensuring they provide the requisite information. Pathways for resolving conflicting advice from reports should be clear.

Speeding up approvals by setting objective standards was a core feature of California’s Senate Bill No. 35 (SB 35) reforms (box 1.6), and further examples of this principle are outlined in table 1.4.

Table 1.4 – Keep the process simple (principle 4)

What this principle is	What this principle is not
Local governments applying state-based policies in a coherent and consistent manner	Significant local government discretionary decision-making power
Approval pathways are clear, easy to follow and proportionate to risk	Approval pathways adopt a rigid ‘one size fits all’ approach that focuses on minimising risk to the regulator
Fast track pathways for common, low-risk dwelling types	Long forms to complete and requirement for multiple consultant reports that are disproportionate to the potential problem
Adoption of digital technologies and AI to speed up processes and decision-making	No human oversight or safeguards in place to check and verify AI-assisted approvals as required
Coordinated referrals that provide independent expert advice for high-risk issues	Multiple consultant reports with conflicting advice and protracted processes to resolve competing priorities
Councils meet target timeframes without using ‘stop the clock’ exclusions to achieve them	Constant ‘stop clocks’ to meet timeframes

Box 1.6 – Principle in practice: California’s Senate Bill No. 35 (SB 35) reforms

SB 35 was introduced in California in 2017 to streamline approval pathways for qualifying housing developments in local government areas that were not meeting their housing construction targets (in June 2022 this comprised 501 of California’s 539 jurisdictions).

Eligible projects that comply with predetermined standards can proceed through a ministerial approval pathway within statutory timeframes, rather than requiring a full discretionary approval process. This means that rather than an application being subject to public hearings, conditions and approver’s discretion, it instead receives ministerial approval if it meets a set of objective standards. These standards comprise objective measures related to zoning and design review standards but exclude subjective features such as ‘neighbourhood compatibility’. In addition, projects must meet certain housing affordability and labour provision requirements.

These features of SB 35 align with best practice principle 4 as it limits discretion and provides an alternative pathway for development that meets objective criteria aligned to broader housing goals, such as housing affordability. Further, it aligns with principle 2 as it focuses on checking that applications address market failures rather than discretionary design features.

The legislation also stipulates approval timeframes – overall approval or denial within 90 days for smaller projects and 180 days for larger ones. If a decision is not made within this legislated timeframe, the application is deemed to comply, adding teeth to the timeframes. This enforceability mechanism demonstrates further alignment with principle 4, by setting clear decision timeframes.

Between 2018 and 2021, 156 projects were approved or pending through the SB 35 process, equivalent to over 18,000 new housing units. Approval processes have been faster and more certain (which has also accelerated funding timelines), and around 62% of projects are for 100% affordable housing.

Source: Legal Clarity California (2026); Manji and Finnigan (2023); Wiener (2017).

1.4 Using best practice principles to assess reform directions

In this report we use our best practice principles to identify the extent to which current regulatory settings across land-use controls, approval processes and housing infrastructure, are falling short of best practice, and as a result, adversely affecting housing supply for insufficient upside gain. In identifying priority regulatory barriers, we consider the interaction between the best practice principles.

For example, a prospective resident may be concerned about noise pollution and be unsure whether design features such as double glazing on windows have been used to address the issue, creating information asymmetry (principle 2). However, by considering whether this should be regulated, the economic and other costs and benefits of doing so need to be considered (principle 1).

In other instances, governments will need to design regulation in conjunction with supporting policies that minimise potential costs (principle 1). For example, the removal of minimum car parking requirements (principle 2) requires coordination with on-street parking infrastructure (principle 3) to appropriately manage the resulting externalities.

To overcome the identified regulatory barriers, we consider how rules should be changed to support faster and simpler approvals and make more land available and ready to build more homes. Reform directions are then prioritised based on their likely impact on housing supply. Our prioritisation of

reform directions relies on existing empirical research in Australia and globally, and qualitative data, including the perspectives of inquiry participants gathered through consultations and submissions.

Our final report, due in March 2027, will build upon this interim report and identify detailed opportunities to better align housing regulatory systems with the established principles of best practice. Our approach to the final report, including the additional analysis we will be undertaking, is detailed in chapter 5. To help us assess these opportunities, we welcome participants' views on our best practice principles (information request 1.2).



Information request 1.2

- What features should governments have in mind when evaluating reforms to move housing regulatory systems towards best practice?
- Are the best practice principles and overarching objective (figure 1.2) we have identified appropriate? If not, what changes should be made?
- What are some examples of specific housing supply regulations (in Australia or internationally) that:
 - a) exemplify the features of a best practice system for housing regulation
 - b) clearly do not reflect these features?

2. Unlocking more homes through better land-use regulation

Key points

- ✳ **Land-use regulation affects housing supply by determining where homes can be built, what kinds of homes are allowed, and whether permitted homes are commercially feasible to deliver.**
 - Land-use controls have an important role in urban planning and liveability, but when controls are overly broad, poorly targeted or layered together, they can unduly restrict housing supply, reducing housing choice and increasing prices.
- ✳ **The most restrictive control often determines what can be built.**
 - Low-density zoning, height limits, maximum floor-space ratios, minimum lot sizes, setback requirements, site coverage rules and mandated parking can all limit housing supply.
 - These controls interact. Reforms to increase density through zoning changes can be more effective if done in combination with changes to other controls.
- ✳ **Zoned capacity does not always translate to additional housing supply. Governments should prioritise reforms that increase commercially feasible capacity. We have identified the reform directions that are likely to deliver the greatest uplift commercially feasible capacity.**
 - Priority reform directions include allowing up to 3-storey developments in residential areas, enabling mid and high-rise apartments in high-demand areas with existing or readily expandable transportation infrastructure capacity, and reducing minimum lot size requirements to allow more subdivisions.
 - Enabling reforms include removing or reducing minimum parking requirements, replacing broad heritage protections with more targeted heritage listings, removing maximum floor-space ratio restrictions and removing design requirements such as minimum dwelling sizes.
- ✳ **Land release remains important, but it is only one part of the housing supply pipeline. Governments should place more emphasis on converting suitable land into development-ready land for housing, which means planning and coordinating enabling infrastructure.**
- ✳ **The Productivity Commission is seeking feedback on policies that would have the biggest impact on housing supply, including for each state and territory.**

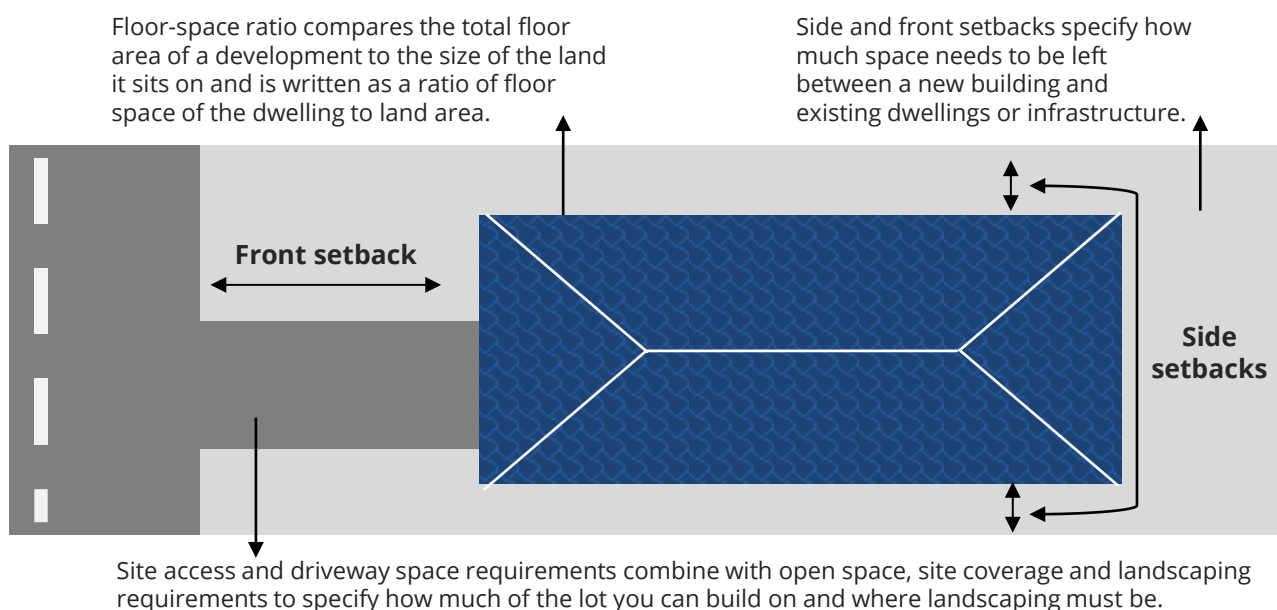
2.1 How do land-use controls operate in Australia?

Land-use controls refer to all regulations – such as zones, overlays and built-form controls – that affect how land can be used, and how housing can be built.

Zoning is the primary land-use control. It involves dividing a jurisdiction into geographically adjoining areas and applying a ‘zone’ to each that reflects the main intended use of land (such as residential or industrial). Governments can also apply overlays to sections of land that establish further rules around its use. For example, environmental overlays protect important environmental features by adding controls, such as requiring a permit to remove vegetation or restricting where a dwelling can be located on that land.

Additional layers of controls determine the types of building that are permitted on a given section of land. Residential zones are typically defined in terms of a desired density of housing, and governments achieve this either by setting a combination of controls or by regulating the type of dwelling permitted. For example, state and territory governments establish built-form controls, such as maximum floor-space ratio (FSR), height restrictions and setbacks, which are then typically applied by local government to influence the type, size, shape and placement of dwellings permitted within a given parcel of land (figure 2.1).

Figure 2.1 — How regulations apply to the site of a housing development



Governments use land-use controls for 3 main reasons.

1. **Prioritising land use:** Controls manage conflicting priorities for land use, particularly where market prices do not adequately weigh broader benefits and costs, such as environmental damage.
2. **Managing infrastructure pressures and liveability:** Governments can use controls to align residential development with infrastructure capacity so that an area's infrastructure is not unduly strained, and all residents can access the services they want and need. Controls can also manage negative impacts of buildings on neighbours to promote amenity.
3. **Promoting safety:** While safety is often regulated at the building level (via the National Construction Code), some state or local government regulations are required to manage safety

risks beyond the individual dwelling. For example, stormwater regulations help prevent structural damage and health risks of poor drainage.

2.2 Land-use controls limit housing supply

By restricting what kind of housing can be built and where, land-use controls reduce supply from what the market would otherwise provide.

In practice, land-use controls affect whether land can be used for housing, what housing is allowed on residential land and whether residentially zoned land is commercially feasible to develop.

- Non-residential zoning can ban housing on land that may otherwise be suitable for residential use.
- Low-density zoning, height limits, maximum FSRs, minimum lot sizes and setback rules determine whether a site can accommodate a detached house, townhouse or apartment building.
- Environment, heritage and neighbourhood character overlays further restrict what type of developments can occur.
- The combination of zoning rules and overlays can mean that the housing that is allowed to be built on residential land is not sufficiently profitable to develop – meaning it will not be.

There is strong empirical evidence that relaxing land-use controls to allow more housing would put downward pressure on housing costs (box 2.1).

This section examines how these constraints operate in practice. It considers controls that determine where housing can be built, controls that determine whether residential land can be developed, and controls that determine the amount and type of housing that can be supplied on each site. It also considers how these controls affect prices, feasibility, supply and where the evidence base remains incomplete.

Box 2.1 – Relaxing land controls will take pressure off housing costs, especially if the reforms are widespread

Several studies find that, over the long term, loosening land-use controls (or upzoning) across broad areas increases housing supply and leaves city-wide rents lower than they would otherwise have been.

- Auckland upzoned three-quarters of its urban land in 2016 to allow more townhouses, duplexes and small apartment blocks (Donovan and Maltman 2025; Maltman and Gibbons, sub. 41, p. 18). Eight years later, rents were 23% lower than under the counterfactual (Greenaway-McGrevy and So 2026).
- Lower Hutt, New Zealand, removed parking minimums and enabled more medium-density housing between 2016 and 2023, leaving rents 21% lower than they would otherwise have been (Maltman and Greenaway-McGrevy 2025, pp. 1–4).
- Rollet (2025, p. 7) finds that removing all density restrictions in New York City would reduce citywide rents by about 17%, relative to the counterfactual.

Many studies also find evidence of lower citywide dwelling price growth over the long term.

- Anagol et al. (2021, pp. 34–36) find a reduction in maximum FSR restrictions in Sao Paulo, Brazil, led to a 0.5% price reduction 10 years after the reform, relative to the counterfactual.

Box 2.1 – Relaxing land controls will take pressure off housing costs, especially if the reforms are widespread

- Wang et al. (2025, p. 1) study the effect of reducing zoning restrictions and minimum parking requirements in Minneapolis, USA, in 2019. They find this was associated with a 15–23% reduction in mid-tier dwelling price growth by 2024.
- Greenaway-McGrevy (2025) find that Auckland’s reforms generated additional housing supply that could lead to a 15–27% decrease in dwelling prices, relative to the counterfactual.

One area where caution is required is with respect to land values. Upzoning can increase the value of affected parcels of land by creating more profitable developable options (Phillips 2022). This is not necessarily a problem if housing supply increases and land costs per home decreases. But higher land prices could encourage some landowners to hold onto land as a speculative investment, or ‘land bank’, constraining supply if land is held back rather than developed (Fresh Economic Thinking, sub. 66).

Empirical evidence for land banking in urban areas is weak (Donovan and Maltman 2025, p. 13; Tulip 2021, p. 12), but the risk is likely greatest where upzoning is narrowly targeted (Phillips 2022). In those cases, high land values partly reflect a scarcity premium from constrained opportunities for higher-density housing development (box 1, overview; Kendall and Tulip 2018). Broad-based upzoning increases the supply of developable land and reduces this scarcity premium, particularly in highly competitive development markets such as Australia’s (PC 2025c, p. 26). This appears consistent with evidence from Auckland (Greenaway-McGrevy and Phillips 2023, p. 20; box 1.3, chapter 1). As such, land values make the case for broad-based upzoning stronger, rather than detracting from it.

Non-residential zoning limits what land can be used for housing

Non-residential zones designate land where housing cannot be built. Non-residential zones typically restrict land to industrial, commercial or agricultural uses, with the aim of restricting residential development in areas where it would not be safe or appropriate to build housing. Governments have historically supported housing supply by releasing land in areas that were previously zoned non-residential, particularly on the urban fringe of cities (section 2.3).

Governments are also increasingly rezoning land to mixed use to allow housing development in high-demand housing areas. For example, YIMBY Melbourne reports that mixed-use commercial areas now account for 38% of residential developments of 10 or more dwellings in Melbourne (sub. 90, p. 5). Mixed-use areas are also becoming a more important source of new housing over time. In established suburbs of Melbourne, the percentage of new dwellings that are developed in commercial and mixed-use areas increased from 30% in 2005–10 to nearly 50% in 2011–16, with a third of the growth occurring in the Commercial 1 Zone (Victorian DELWP 2018, p. 18). The PC previously found that these mixed-use areas were also able to effectively manage local amenity through other built-form controls (2020b, pp. 29–30).

However, separation of residential and commercial land uses remains common, and in many cases, unjustified (Urban Taskforce Australia, sub. 69 attachment, p. 19). For example, despite the success of Victoria’s Commercial 1 Zone, its Commercial 2 Zone prohibits residential use without a sufficient rationale for the prohibition. Given the success of mixed-use zoning, the use of commercial-only zones should require clear justification, including evidence that excluding residential development delivers a net benefit.

Low-density residential zoning and other restrictions limit how much housing is permitted

While governments have sought to allow residential housing in places people want to live, most residential land is zoned low density, which means it is subject to strict constraints that limit how much housing can be built. In Brisbane, even within 1km of train stations, 69% of residential land is low density or has character provisions preventing density (QPC 2025, p. 231). Low-density zoning directly limits the amount and diversity of homes available (Gilbert et al. 2020, p. 50). For example, low-density residential zones in Queensland and Sydney typically do not allow 3-storey dwellings except in certain areas near transport (Coates et al. 2025, p. 20; Queensland DSDIP 2021).

Recent state government upzoning policies have shown that allowing higher-density dwellings increases the amount of housing allowed on available land. Coates et al. (2025, p. 58) estimate that New South Wales's Low- and Mid-Rise Housing policy (which encourages more low and mid-rise housing types within walking distance of nominated areas) will increase zoned capacity by 650,000, of which 240,000 will be commercially feasible to build. The same modelling found that Victoria's townhouse code (which allows townhouses to be built in more areas in Melbourne) increases zoned capacity by 980,000, and commercially feasible capacity by 420,000.

However, even where land is zoned for high or medium density, overlays such as heritage controls can constrain the amount of housing that will be built and limit density (box 2.2).

Box 2.2 – Heritage controls constrain housing supply where people want to live

A lot of high-demand land is covered by heritage overlays

Heritage overlays are widespread, covering 21% of residential land within 10km of the central business district (CBD) in Sydney and 29% in Melbourne (Coates 2025, p. 23). Across certain suburbs this is even higher, covering at least 50% of the residential land in 50 suburbs across Sydney (NSW PEC 2024b, p. 42) and up to 58% in Yarra, Melbourne (Florence and Triscari 2024, p. 19).

Heritage controls can limit housing supply

Heritage overlays can benefit the community by protecting important and unique land and buildings that have historic, architectural or cultural value. But to do this, they apply additional controls or approval steps that restrict or delay development (FHA, sub. 79, p. 10; National Shelter, sub. 53, p. 8; Urban Taskforce Australia, sub. 69, p. 5). The extent of heritage overlays in Australian cities likely exceeds the benefit they provide.

PC estimates, based on Coates et al. (2025), suggest that removing broad heritage controls could increase significant infill development within 10km of Melbourne's CBD by around 17% (assuming heritage-covered sites would then develop at the same rate as comparable non-heritage sites). This aligns with previous findings that heritage controls reduce the number of potential dwellings (Buxton et al. 2015, pp. 30–31).

These estimates should be treated as indicative. They may overstate the effect because some heritage land would remain protected through individual listings if broad controls were removed, and because some differences in infill rates may reflect other site characteristics. However, they may also understate the effect if heritage-covered areas are in locations that would otherwise have

Box 2.2 – Heritage controls constrain housing supply where people want to live

stronger development potential than comparable non-heritage areas. Within-suburb analysis of housing development data from 2005 to 2016 in Melbourne’s local government areas of Yarra, Port Phillip and Stonnington – 44% of which is under heritage overlay – corroborates that the volume and density of development within heritage areas is significantly less than in locations not subject to the overlay (Victorian DELWP 2018, pp. 19–20).

The costs of heritage protection are not well evaluated against the benefits

Existing heritage listing processes are inconsistent and do not quantify the costs and benefits of protection appropriately. For example, in New South Wales lost sale value or benefit forgone are not on their own sufficient evidence of ‘hardship’ for the purposes of preventing a heritage listing (Hewitt and Hill 2017). As such, there are many examples of heritage overlays being used to protect low value sites, such as car parks (BCA, sub. 71, p. 2; Tulip 2026, pp. 9–14). The benefit forgone (cost) from restricting development is often excluded completely, despite evidence suggesting that the costs of restricting development vastly exceed the benefits of heritage listing (Fifer 2025; Tulip 2026, p. 2). For example, evidence quantifying the costs of New Zealand character protections, which operate similarly to Australian heritage rules, finds negative welfare effects equivalent to a reduction of household income by \$391 to \$1,375 per year (Greenaway-McGrevy and Jones 2025b).

It is therefore likely that housing supply is being restricted by heritage overlays beyond what is socially justified (Master Builders Australia, sub. 74, p. 9). In our final report we will further consider the potential impacts of heritage controls on feasible housing supply.

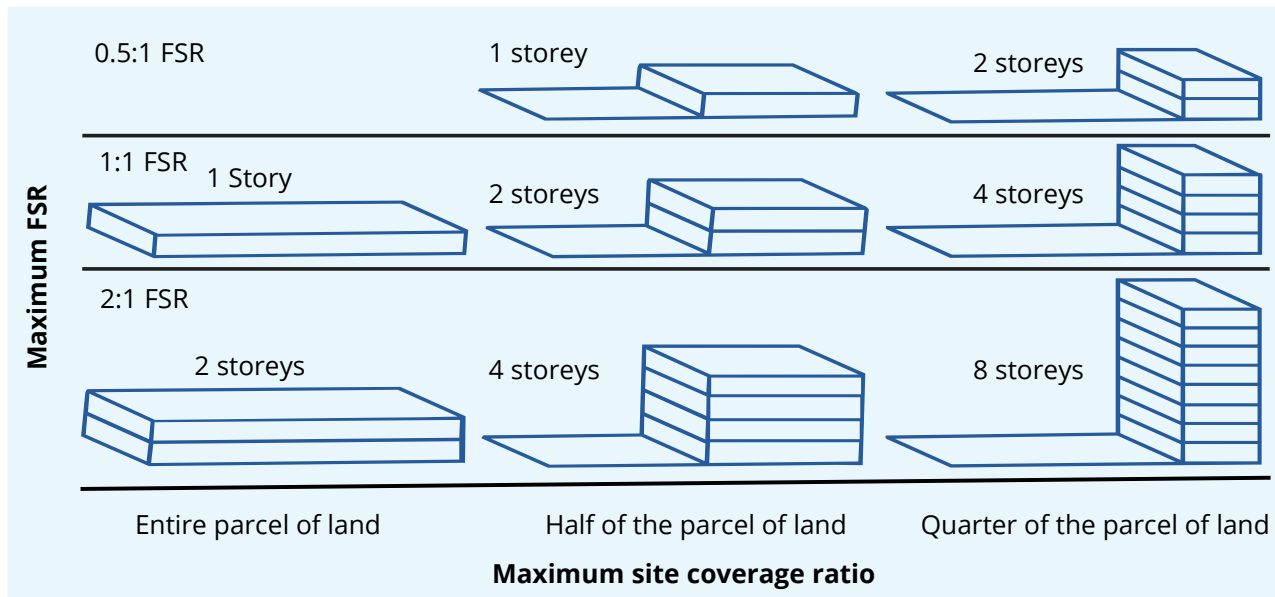
Maximum floor-space ratio and height restrictions restrict the number and type of dwellings that can be built

Even if zoning permits medium- or high-density housing in-principle, built-form controls such as maximum FSR and height restrictions may limit what can be built in practice.²

Height restrictions reduce supply by limiting the number of higher-density dwellings (NSW PC 2023, p. 29; NSW PEC 2024a, p. 37) and making otherwise viable projects commercially unfeasible (Jenner and Tulip 2020, p. 4). For example, 75% or more of residential land in Brisbane, Sydney, Perth and Adelaide is zoned for just 1 or 2 storeys (Coates et al. 2025, p. 3; NSW DPE 2023, p. 18).

Maximum FSR restricts the amount of floor space permitted on a given parcel of land, which determines the type and amount of housing that can be built there. For example, if a dwelling is being built on a 1000 square metre site and the maximum FSR is 1:1, then 1000 square metres of floor space can be built. If the maximum FSR is 2:1, then this same parcel of land could accommodate double the amount of floor space and potentially more dwellings (figure 2.2). The configuration of the building and location on the site is determined by other controls operating alongside maximum FSR – such as site coverage and setbacks.

² ARAD sub. 59, p. 5; HIA, sub. 25, p. 5; Master Builders Australia, sub. 74, p. 9; NSW DPHI 2025c, p. 8; UDIA South Australia, sub. 31, p. 2.

Figure 2.2 – Maximum FSR and site coverage regulations

Zoning, height restrictions and maximum FSR can act in concert to unduly control density

While height restrictions, maximum FSR and zoning should in principle work together to produce a desirable housing density in a given location, in some cases they undermine one another. Both height and maximum FSR can limit the number of storeys (and therefore types of development) that can be built to less than permitted by zoning and the other control (Coates et al. 2025; Ge et al. 2021; NSW DPHI 2025d). In locations where both controls apply, the more restrictive control will determine supply by preventing the development from being built further up or out. This control is considered the 'binding constraint'.

For example, in figure 2.2, if maximum FSR was 2:1 but the height restriction was 3m, height would be the binding constraint because although there could be enough floor space for a 4-storey building, it would not be permitted. Similarly, a restrictive maximum FSR can limit building heights as every extra storey requires the building footprint to shrink. Again, in figure 2.2, if the height restriction permitted 8 storeys on a parcel of land with a maximum FSR of 2:1, each storey of the 8-storey building would cover a quarter of the parcel of land, which is unlikely to be practical.

Relaxing binding built-form controls would increase zoned capacity

Given that maximum FSR, height restrictions and their complex interactions can prevent mid- and high-rise development, identifying and relaxing inappropriately binding controls could increase housing supply without any formal 'rezoning' required (Maltman and Gibbons, sub. 41, p. 17).

Grattan Institute modelling estimates that lifting height restrictions on lower-density zoned outer areas to 4 storeys in Sydney could increase capacity by 210,000 dwellings, and increasing height restrictions across the outer areas of the Activity Centre catchments in Melbourne to 6 storeys would increase the zoned capacity in Activity Centres by 100,000 dwellings (Coates et al. 2025, pp. 57–58). Further, the Grattan Institute estimates that if maximum FSR was removed in Sydney (residential zones 1–4) and maximum floor space was regulated through reasonable setbacks and site coverage, there could be an uplift in commercially feasible capacity of 140,000 homes (Coates et al. 2025, pp. 58–59).

Land-use controls can discourage land-efficient housing types

Allowing more dwellings on a given parcel of land can further increase zoned capacity (Maltman and Gibbons, sub. 41, p. 3). This could be achieved by reducing minimum lot sizes or promoting more land-efficient alternative housing models such as land-lease communities and tiny homes.

Minimum lot size rules designate what size a lot must be to accommodate a dwelling, which can prevent subdivision on sites that would otherwise be able to accommodate more housing (HIA 2026; HIA, sub. 25, p. 7). Relaxing or removing minimum lot sizes, alongside effective subdivision rules, can increase supply and encourage more diverse housing types.

A quasi-experimental evaluation of reforms to reduce minimum lot size in Campbelltown, Adelaide found that they increased building approvals by more than 60%, driven entirely by townhouses and rowhouses, with limited evidence of adverse amenity effects (Behrens et al. 2026; Maltman and Gibbons, sub. 41, p. 15). Evidence from the United States points in the same direction, with minimum lot size reform enabling substantial small-lot townhouse redevelopment in middle-income, underbuilt neighbourhoods (Gray and Millsap 2023). The size of this effect can differ across locations, as the increase in supply will depend on the size of existing parcels of land and how feasible subdivision is (Emeritus Prof Peter Phibbs, sub. 63, p. 10).

Controls can also constrain supply by discouraging or preventing specific dwelling types. For example, a local council in Sydney amended its local planning rules in 2023 to prohibit certain kinds of mid-rise apartments and unit blocks in its medium-density residential zone (NSW DPHI 2023b, 2023c).

Similarly, controls may discourage or prevent non-typical dwelling types, which tend to require less land. State and territory governments have started to address this via reforms that enable permit-free or fast-track pathways for compliant small secondary dwellings. For example, New South Wales's 2009 reform to increase supply of granny flats and boarding houses was correlated with increased supply of around 11,000 accessory dwellings and at least 2,280 boarding house 'rooms' (Gurran et al. 2018).

However, there is opportunity for further reform to support other diverse, land-efficient housing options. For example, participants in this inquiry reported there are regulatory barriers to land-lease housing models which are commonly used as an affordable retirement option. Land-lease models allow residents to own their home but lease the land from an operator. They can enable supply by encouraging efficient land use and can promote affordability by facilitating downsizing and freeing up existing homes (CIAA, sub. 44). Despite their increasing demand, land-lease models are treated inconsistently or not addressed in regulation (AEON, sub. 35; ATHA, sub. 51; CIAA, sub. 44). For example, while allowed across New South Wales, they are not permitted in the greater Sydney area (Urban Taskforce Australia, sub. 69, attachment, p. 27). Caravan and Residential Parks Victoria estimate that current regulatory conditions in Victoria would allow only 32,400 residential land-lease community homes to be built in Victoria by 2051, 45,149 fewer homes than predicted demand (CIAA, sub. 44, p. 5).

Design regulations can also reduce the number of dwellings that can legally be built by increasing the amount of land required for a dwelling (BCA, sub. 71, p. 3; Urban Taskforce Australia, sub. 69, attachment, p. 15). For example, upper-level setbacks can force architects to deliver complex, lower floor space apartments and reduce the number of dwellings in a block (YIMBY Melbourne 2024).

Controls can make allowable development unfeasible

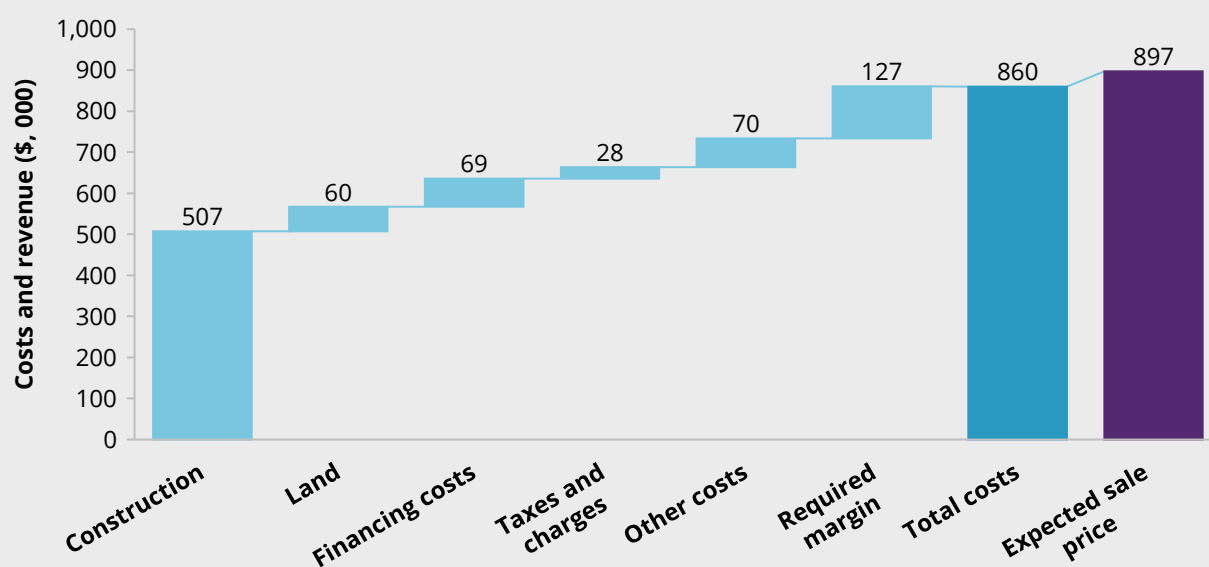
Relaxing land-use controls can increase zoned capacity and the number of dwellings theoretically allowed, which can potentially increase housing supply (Büchler and Lutz 2024, pp. 6–7; Greenaway-McGrevy 2026, pp. 10–11). However, not all zoned capacity will become housing. Development will only proceed when expected sale prices exceed development costs.

While many factors influence commercially feasible capacity (box 2.3), built-form requirements and design regulation can have significant impacts on the feasibility of development and therefore housing supply over time.

Box 2.3 – Commercial feasibility determines how many homes can and will be built

Commercially feasible capacity is the proportion of zoned capacity that is sufficiently profitable to develop by private parties. While commercial feasibility does not guarantee development will occur, it is a necessary condition for changes in zoned capacity to translate into actual supply. Many factors influence whether development is commercially feasible, such as development costs (figure below), local housing demand and government settings around developer contributions, approvals and land use.

Sydney 2023 infill high-rise apartment development costs versus sale price



Cost stack components are for high-rise infill apartments in Sydney in 2023. 'Construction' includes parking, site preparation and demolition costs. 'Taxes and charges' includes state and other contributions, local government infrastructure charges, land tax and stamp duty. 'Other costs' includes professional fees, and sales and marketing. Source: Reproduced from CIE (2024, p. 16).

Determinants of commercial feasibility can change over time, meaning that commercially feasible capacity can rise or fall even when zoned capacity remains unchanged. Rising construction costs between 2020 and 2025 have reduced development feasibility across Australia (CBRE

Box 2.3 – Commercial feasibility determines how many homes can and will be built

Research 2025, p. 15; Quantify 2026, p. 40), with apartment projects in Sydney also affected by higher land acquisition and financing costs (CIE 2024, p. 14).

However, periods of low commercial feasibility do not weaken the case for upzoning – they strengthen it. Even when construction costs are high, land-use reform can create more profitable opportunities to build, increasing dwelling supply relative to what would have been delivered without reform. For example, Auckland’s upzoning did not prevent construction from falling during the 2022-23 building cycle downturn, when interest rates and material costs were high, but construction remained above its pre-upzoning average throughout the cycle (Maltman and Gibbons, sub. 41, pp. 30-31).

Governments can increase the impact of land-use reforms by increasing zoned capacity in areas where development is most commercially feasible (AHNA, sub. 75, p. 2; Mecone Group, sub. 65, p. 10), and by ensuring the changes allow housing typologies that are more feasible to develop – such as higher rise apartments and townhouses (Glen Searle, sub. 3, p. 5; Inner West Council 2025, p. 7).

Built-form controls and design requirements affect the feasibility of development

The controls most likely to affect feasibility are those that limit the number of dwellings that can be built on a site, either directly (through height and floor space controls) or indirectly (by mandating design or amenity features).³ These include maximum FSR, height limits, minimum setbacks, communal space requirements and commercial space requirements (NSW PEC 2024a, p. 41).

Allowing more dwellings on a site can improve feasibility because fixed costs, such as land acquisition, design and approvals, are spread across more homes. For example, height limits that prohibit high-rise apartments in areas with high land values can reduce feasible development, as high-rise apartments are generally more commercially feasible than mid-rise apartments across major cities (CIE 2024, pp. 14, 16; Coates et al. 2025, p. 60). This is despite some fixed costs associated with a development increasing with more expensive construction types, such as from townhouses to apartments, or from walk-up apartments (less than 4 storeys) to buildings requiring elevators.

Design regulations can also impact feasibility as they dictate how developers must allocate land. For example, to fulfil requirements for private space, access to solar or minimum car parking (box 2.4), a developer needs to reserve a section of the available parcel of land for each control. Similarly, minimum sizes for apartments, balconies and storage reduce apartment feasibility by limiting how many apartments can fit into a given parcel of land (NSW PEC 2024a, p. 60). Removing minimum apartment sizes in NSW would allow developers to meet more of the demand for one-bedroom apartments and studios, providing a net benefit of around \$1 billion (NSW PC 2021, p. 286).

Title-based land-use constraints can have similar effects. Some properties are subject to private legally binding agreements that restrict how a property can be developed. These restrictive covenants can reduce project feasibility by limiting building height, building materials, setbacks, building footprints (HIA 2025b, pp. 14–17) and the number of dwellings permitted. Where these constraints bind, they can

³ Some evidence has found this to be the case within a housing type (Coates et al. 2025). For example, denser apartments are often more feasible to develop than less dense ones. And denser townhouses are often more feasible to develop than less dense ones. But apartments are not always more feasible than townhouses.

reduce achievable yield or add compliance costs, limiting the amount of zoned capacity that is commercially deliverable.

Commercial feasibility should guide zoned capacity uplift

To affect housing supply, zoned capacity needs to be created in places where developments are likely to be feasible (Rollet 2025, pp. 33–34). The location of a development might have relatively minor effects on how much it costs to build, but it will significantly affect how much revenue it generates, which determines feasibility (CIE 2024, pp. 17–21; Royal Australian Institute of Architects, sub. 48, p. 5).

Therefore, the release of zoned capacity needs to consider the types of housing demanded in different areas (Mark Nutting, sub. 61, p. 9; Mecone Group, sub. 65, pp. 1, 12). For example, areas with unmet demand for townhouse style living may see a greater housing supply response from permitting townhouses compared to apartments, even if apartments result in a larger increase in zoned capacity.

Box 2.4 – The cost of minimum parking rules on housing supply could be greater than the benefits

Rules requiring minimum car parking allocations often lead to more parking spaces being constructed in a development than residents require, resulting in wasted space, higher development costs and reduced commercial feasibility.

Minimum parking requirements can affect housing supply directly or indirectly:

- directly – parking spaces take up land, often more than required for a bedroom (Litman 2025, p. 22). This land could otherwise be used for housing or to support amenity. Alternatively, if there is insufficient land for required car parking, this could constrain the number of dwellings that can be built on a site (Litman 2025, p. 7).
- indirectly – parking requirements increase the cost of housing, which affects the commercial feasibility of dwelling construction, as purchasers do not value the parking sufficiently to pay the increased price (Master Builders Australia, sub. 74, p. 9).

Minimum car parking rules require apartment developers to provide a set number of parking spaces for each dwelling, dependent on the number of bedrooms. This regulation aims to ensure enough parking is provided for residents, reduce any potential burden on street parking and promote convenient access for residents who own cars.

However, regulations tend to mandate more parking than residents need. When Brisbane increased minimum requirements in 2019, the number of spaces provided in new multiple dwelling developments increased by 23% (CIE 2025, p. 33) – suggesting the new minimums required developers to build more parking than customers were willing to pay for before the regulation was applied. A survey across Perth, Sydney and Melbourne also estimated that 20.2% of households experience an oversupply of off-street parking (De Gruyter et al. 2023), and other surveys and estimates find high vacancy rates for off-street and residential parking spaces in Sydney and Melbourne (City of Melbourne 2018; Sathanapally et al. 2026, pp. 6, 10–12).

Research has shown that the cost of parking requirements often far outstrips how much home purchasers value it, meaning added development costs cannot be fully recouped in sale prices. The NSW PEC estimated they add \$93,000, or around one-fifth of construction costs, to new mid-rise

Box 2.4 – The cost of minimum parking rules on housing supply could be greater than the benefits

apartments in Sydney (2024a, p. 59). The Grattan Institute reached a similar conclusion, estimating that minimum parking requirements add tens of thousands of dollars to the cost of a typical 2-bedroom apartment in major cities, including around \$70,000 in Sydney and \$62,000 in Melbourne (Sathanapally et al. 2026, p. 14). Sathanapally et al. (2026, p. 34) also found that removing parking requirements for residential dwellings would increase commercially feasible capacity by 140,000 in Sydney and Melbourne.

Some states have begun to remove car parking minimum requirements. For example, Melbourne's minimum parking rates are now determined by the area's public transport accessibility level (Victorian DTP 2025a). New Zealand also removed minimum parking requirements from most of the country in 2020 (New Zealand Ministry for the Environment 2020), and evidence from Christchurch suggests that removing minimum parking requirements can support a more efficient allocation of spaces without constraining parking supply (PwC 2020, p. 91).

**Information request 2.1**

- Do design-focused regulations (e.g. tree canopy requirements, apartment layout and storage) directly impact commercially feasible capacity?
- What impact would reducing the coverage of heritage overlays have on housing supply?
- What land-use controls need to change to enable more alternative dwelling types to be built? What impact would such reforms have on housing supply?
- Is there a need for further reforms to enable a greater supply of small secondary dwellings such as granny flats?
- Are there other land-use controls which significantly impact supply?
- Can you provide information, data, or analysis on development cost stacks across different housing typologies and geographic areas (for example, construction cost information)?
- Can you provide information, data, or analysis on the extent to which dense housing typologies differ in commercial feasibility (for example, comparisons between apartment and townhouse developments)?

The interaction of controls ultimately determines the impact on housing supply

Land-use controls and other regulatory requirements (like developer contributions and approval processes, see chapters 3 and 4) have a compounding impact on zoned capacity and feasibility (HIA, sub. 25, p. 19; Property Council of Australia, sub. 73, p. 5; UDIA South Australia, sub. 31, p. 2). For example, in local councils, such as Ku-ring-gai in Sydney, the local government plan makes it hard to build 'multi-dwelling' housing, although it is theoretically permitted under zoning rules (Coates et al. 2025, p. 19). Our final report will consider these interactions and the combination of reforms that will have the greatest impact on housing supply.

2.3 Land release only matters if land is ready for development

Land release is central to Australia's housing supply model, but it is only the first step in a longer development pipeline. Governments identify land for urban development, zone it for residential use and provide the infrastructure needed to make development feasible before firms can begin building. The key regulatory question is therefore not only whether more land should be released, but whether housing regulatory systems are converting suitable land into serviced and developable housing quickly enough.

Land release can occur on the urban fringe or within existing urban areas. 'Greenfield' release typically converts rural or agricultural land to urban development, while 'brownfield' redevelopment rezones former industrial or commercial land for housing. Each involves trade-offs. Greenfield release can expand the metropolitan footprint and displace environmental or agricultural uses, while brownfield redevelopment can involve contamination risks, land-use conflicts and the relocation of existing businesses.

Greenfield release is a major source of new housing supply

Greenfield land release has historically been an attractive way for governments to accommodate urban growth. These large sites can be planned and developed at scale, supporting lower-cost standardised construction and the preference of some Australians for detached housing (Gallagher et al. 2025). Greenfield growth should be a commercially feasible avenue for new housing supply, provided necessary infrastructure is funded via clear and predictable developer contributions (chapter 4). It also allows governments to avoid local opposition to density in established suburbs (Bolleter et al. 2024, pp. 9–10).

Greenfield release remains a substantial source of new housing supply in many Australian cities. It accounted for 61% of Perth and Peel's 2023 housing delivery (WA Planning Commission 2025, p. 2), and about 56% in Melbourne (Quantify 2026, p. 29). This is despite many states and territories aiming to increase infill development as a share of new supply.⁴

Greenfield development can be cheaper for developers despite higher infrastructure costs in most cases. This is in part because infill development involves dealing with complex matters such as strata agreements, parcel amalgamation, lengthy approval processes (chapter 3) and other land-use controls (Rowley and Phibbs 2012, pp. 12, 22; Strata Community Association 2025, p. 27). The feasibility of infill development has declined further relative to greenfield development due to recent fluctuations in construction, land acquisition and financing costs (CIE 2024, pp. 13–14, 28; Quantify 2026, pp. 23, 38–42).

Rezoning land does not always translate into housing supply

In many parts of Australia, greenfield housing supply appears to be constrained less by the amount of land released and rezoned than by whether that land can feasibly be developed. For example, despite the WA Government reporting a 27-year supply of non-urbanised land available for development, land prices in metropolitan Perth have increased substantially (UDIA 2026, pp. 62–63; WA DPLH 2025, p. 2).⁵ This suggests that effective supply may be constrained further along the development process – for example, due to restrictions on what can be built. It could also suggest that governments may be releasing land in places where development is unfeasible.

⁴ ACT Government 2025, p. 20; NSW DPHI 2024; QLD DSDILGP 2023, p. 56; SA DHUD 2025, p. 18; Victorian DTP 2025b.

⁵ Some studies indicate insufficient residential rezoning remains a material barrier in NSW (UDIA 2022).

Releasing land (including divesting government-owned land under the *National Housing Accord*) that is subject to other regulatory constraints may increase measured zoned capacity without materially increasing dwelling supply. A participant in this inquiry noted that divested land is often unfeasible because environmental or conservation zoning is not removed, limiting its residential development potential (FHA, sub. 79, p. 8). Where feasible sites are excluded or delayed by regulatory barriers such as approvals processes (chapter 3), governments may need to release less suitable land which is less likely to be developed.

Preparing development-ready land is best achieved when governments coordinate land release with planning assessments at the precinct level and effective sequencing and coordinating of infrastructure and service agencies involved in land preparation (box 3.3, chapter 3). Infrastructure coordination appears to be a key post-release constraint (chapter 4). Aligning land release with strategic infrastructure planning can help ensure zoned land is able to be serviced and feasible to develop.

Greenfield expansion can face physical and environmental constraints

Governments cannot rely on greenfield expansion as an unconstrained long-term source of supply. As developable fringe land becomes more physically and environmentally constrained, policy will need to focus more on enabling housing on land that is already zoned, serviced or close to existing infrastructure.

Even where housing regulatory systems allow additional land release, the amount of land that can be converted into housing is constrained by factors outside direct government control. Greenfield supply is constrained by city topography, with Brisbane, Melbourne and Perth having more suitable fringe land than Adelaide and Sydney (NHFIC 2020, p. 31; Ong Vifor J et al. 2017, p. 7).

Climate risks are further narrowing options for outward expansion. Parts of Sydney's Hawkesbury-Nepean floodplain were rezoned in 2023 to prevent housing development (Car and Scully 2023), while residential rezoning of 2.6 kilometres of coastline at Two Rocks in Perth's urban fringe was rejected because of sea level rise risks (WA State Administrative Tribunal 2019, pp. 3–5). Increasing climate risks may also lengthen development assessment times by requiring more technical analysis (chapter 3). The PC has previously recommended that governments embed climate risk in strategic planning to avoid unnecessarily increasing Australians' exposure to climate hazards (PC 2025d, p. 69).

Brownfield redevelopment can add housing, but only where feasible

Brownfield rezoning can unlock land for housing, and existing infrastructure can make some industrial redevelopment cheaper than greenfield new infrastructure provision (Hamilton and Kellett 2017; Infrastructure Victoria 2019, p. 64) (chapter 4), but industrial redevelopment is rarely just a matter of rezoning land. Some industrial land may also be unsuitable for residential development due to chemical hazards or other safety risks associated with its previous use. Former industrial sites often require costly remediation such as contamination removal and residential infrastructure before they can support dwellings (Greaves et al. 2006, p. 12). This can affect feasibility and limit redevelopment to higher-value precincts. Bowden is a notable example of a successful brownfield redevelopment, where former industrial and gasworks land 2.5 kilometres from the Adelaide CBD has been redeveloped into a mixed-use precinct (Renewal SA 2025).

Industrial redevelopment is likely to be a targeted, not broad-based, source of additional housing land. Industrial land accounts for only 1.6% of parcels of land in Australia's most populous urban areas (ABS 2022), and New South Wales is already reporting shortages of immediately developable industrial

land (NSW DPHI 2025b, p. 3). Feasible brownfield redevelopment in high-demand areas can be better supported by making approval pathways, remediation requirements and infrastructure charges clear, predictable and proportionate to expected public benefits (chapter 3 and chapter 4).

Focus on the supply of development-ready land, not just land release

Australia's land release systems appear relatively strong compared with other parts of the housing supply system. Governments should therefore maintain a healthy supply of released residential land, while focusing reform effort on constraints further along the development pipeline. Government reporting of a developable land measure could distinguish land that is merely zoned from land that is serviced, approved, infrastructure-ready and commercially feasible. It could also help identify which infrastructure, planning, environmental or market constraints are most limiting the conversion of zoned land into dwelling completions. Greater consistency across jurisdictions could allow policymakers to assess relative progress and target reform more effectively. We will consider this in more detail in our final report.



Information request 2.2

- Can you provide information, data or analysis on the degree to which available land is a barrier to new housing supply?
- Can you provide examples of released land that has not been able to be developed for housing, and explain the barriers to development in these cases?
- Would it be helpful for governments to report a land measure which distinguishes land that is zoned residential, from land that is serviced, approved, infrastructure-ready and commercially feasible to develop?

2.4 Reform directions for land-use controls

Jurisdictions should increase commercially feasible capacity

Planners have typically used zoned capacity as a measure of potential supply. While the measure is useful for assessing how land-use controls theoretically constrain development, much of this capacity may not be commercially viable to develop. In fact, many local councils report high on-paper zoned capacity but limited housing development, suggesting that feasibility could be a significant constraint (LGAQ, sub. 4, p. 1). Governments should therefore assess how reforms affect development feasibility in addition to zoned capacity. This would enable them to prioritise reform that will allow for commercially feasible dwelling types in locations where development is financially viable.

In recent years, many jurisdictions have enacted promising reforms that are likely to boost commercially feasible capacity (box 2.5).

- The NSW Government's Low and Mid-Rise Housing Policy modified land-use controls to encourage dual occupancies, terraces, townhouses, apartments and shop top housing in low-density residential areas close to city centres and public transport (NSW DPHI 2025c).

- The Victorian Government's Townhouse and Low-Rise Code allows duplexes, townhouses and low-rise apartments up to three storeys under statewide built-form standards, increasing the effective capacity for medium-density infill housing (Coates 2025, pp. 51–52; Victorian DTP 2026d).
- The WA Government has recently proposed several reforms including abolishing average lot size requirements for certain zones, removing minimum parking requirements for apartments and granny flats and increasing height limits in certain zones (WA Government 2026).
- The ACT's recently announced Missing Middle Housing reforms introduce changes to planning rules focused on allowing low-rise developments such as townhouses, duplexes and low-rise apartments in most residential land (ACT Planning 2026).

Despite the progress, states and territories are falling short of their *National Housing Accord* targets and there is significant need for more reform.

Box 2.5 – Recent reforms move states towards best practice but could be improved by targeting commercially feasible capacity

States and territories are in the process of rolling out various reforms to land-use controls to help meet the *National Housing Accord's* targets.

One example is Victoria's Train and Tram Activity Centre Program which allows more mid- and high-density apartments around selected train and tram stops in Melbourne. The specific controls vary by activity centre but the latest set of activity centres announced (stage 2) generally set maximum building heights of 3 to 12 storeys in activity-centre cores, 4 to 6 storeys in inner catchments, and 3 to 4 storeys in outer catchments, depending on block size (Victorian DTP 2026a).

The reform moves Victoria closer to best-practice land-use regulation by adopting a stronger 'build mindset' – it allows more homes where people want to live, near public transport, jobs and services, where the benefits of additional housing are likely to be high (Victorian DTP 2026e). It also better reflects the principle of regulating only where necessary, because it relaxes restrictions on location and built form in areas where higher-density housing is more likely to be appropriate. The reform is expected to increase zoned capacity by 600,000 (Coates et al. 2025, p. 56).

However, one of its limitations is that much of this additional capacity is not commercially feasible – only 110,000 dwellings of the additional zoned dwellings can be developed under 2025 conditions (Coates et al. 2025, p. 56). The reform's impact on feasible supply could be increased by allowing 6-storey or taller apartments throughout activity-centre catchments, since these are more likely to be feasible than 4- to 5-storey apartments (Coates et al. 2025, p. 60). Relaxing large-site thresholds could also allow smaller parcels of land to use the higher controls and increase commercially feasible capacity (Coates et al. 2025, p. 57; YIMBY Melbourne 2026a).

Priority land-use control reforms

Our reform directions are based on our review of the existing literature and initial consultation and should be treated as preliminary. We seek feedback on these directions, noting that further quantitative work and consultation are required to inform our final set of priority reforms for each jurisdiction. In particular, we will need to determine how and where reforms should be implemented to

best manage any potential negative externalities, market failure and infrastructure needs. This includes the role of strategic planning in supporting reforms to land-use controls.

Moreover, while our interim report provides general reform directions at the national level, there may be different and more effective ways to increase commercially feasible capacity in specific locations, depending on local housing markets and housing regulatory systems. Our final report will provide recommendations tailored to jurisdictions.

How we have identified reform directions

We have prioritised reforms with the strongest evidence of delivering relatively large increases in housing supply. This evidence comes from estimates of zoned and commercially feasible capacity, or from quasi-experimental studies of actual supply responses in Australia or New Zealand.

Reform packages should target broad upzoning across all or most residential areas. Evidence suggests that broad upzoning is more likely to improve affordability as it generates a larger supply response (box 2.1). Since many upzoned sites may not be feasible for development, the actual short-run response is often smaller than implied by the scale of the zoning change (Coates et al. 2025, p. 35; Maltman and Gibbons, sub. 41, pp. 22-23).

In practice, this means pairing targeted upzoning, such as reforms allowing mid- or high-rise apartments in high-demand areas, with broader upzoning across residential areas. Strategic planning is needed to support this, as well as enabling reforms that ensure other controls do not limit density. It will also ensure that higher-density housing is supported by transport, infrastructure and other urban amenity needs.

Reforms to unlock the biggest increases in commercially feasible supply

Allow up to 3-storey developments across most residential land

States should allow up to 3-storey developments across all residential land. Exceptions may be appropriate for areas with environmental protection or hazard-related overlays or heritage listed buildings, but exceptions should be supported by benefit-cost analysis to ensure the benefits of the exemptions exceed the costs of restricting housing supply.

Analysis indicates that this reform would substantially increase zoned capacity across all major cities (YIMBY Melbourne 2026b), and that its effect on commercially feasible zoned capacity in Sydney and Melbourne is large relative to other reforms (Coates 2025, pp. 51–52, 60). This is supported by preliminary analysis by the PC on zoned capacity in Melbourne. Moreover, multiple causal studies show that Auckland's broad residential upzoning, which largely enabled medium-density housing such as townhouses and terrace houses, led to a significant increase in dwelling approvals.



Reform direction 2.1

Allow up to 3-storey developments across most residential land

State and territory governments should allow up to 3-storey developments across all residential land, with exceptions made for areas with environmental protection, hazard-related overlays or heritage listed buildings only where the benefits of exceptions outweigh the costs.

Allow mid-rise or high-rise apartments in high-demand areas

Other high-priority reforms include allowing up to mid-rise (4-9 storeys) and/or high-rise (10+ storeys) apartments in high-demand areas with existing or readily expandable transportation infrastructure capacity. These reforms would allow more mid- and high-rise apartments to be built, but what is actually built will depend on market feasibility. Coates et al. (2025) modelled different scenarios that involved allowing 6 or more storeys in high-demand areas in Melbourne and Sydney, and found that they significantly increase zoned capacity, with high-rise apartments presenting the greatest uplift.

As a general principle, governments should err towards allowing taller buildings, unless the negative externality from doing so outweighs the benefits. Allowing taller buildings would give the market greater flexibility to determine the most feasible dwelling types and deliver housing that reflects people's preferences. In many areas where people want to live, the externalities from allowing high-rise development are likely to be small relative to the benefits of additional homes, particularly where impacts on privacy, traffic and infrastructure can be managed through design standards and strategic planning. This is consistent with Tulip and Lanigan (2021) who find no discernible decrease in nearby dwelling prices from several high-rise developments in Sydney and Melbourne, suggesting that concerns about damage to neighbourhood amenity may be overstated.



Reform direction 2.2

Allow mid-rise or high-rise apartments in high-demand areas

State, territory and local governments should update planning schemes to allow mid-rise (4–9 storeys) and/or high-rise (10+ storeys) apartments in high-demand areas with existing or readily expandable transportation infrastructure. This will require changes to a variety of land-use controls which will vary by local government area and/or state and should be implemented in conjunction with reform direction 2.6.

Reduce or remove minimum lot size requirements

Reducing or removing minimum lot size requirements will likely help facilitate higher-density development, by allowing for subdivision. Early evidence from Adelaide suggests this could significantly increase supply (section 2.2). Moreover, there is precedent for not regulating minimum lot sizes – most Victorian residential zones do not regulate minimum lot sizes, although other built-form controls still constrain subdivision (Victorian DTP 2026c).



Reform direction 2.3

Reduce or remove minimum lot size requirements

State, territory and local governments should recognise where minimum lot size requirements are reducing commercially feasible capacity, particularly in high-demand areas, and remove or reduce requirements in those places. Subdivision requirements need to be permissive to enable this reform to have its full effect.

Allow residential development in commercial zones, unless there is a clear rationale for excluding them

In many cases, residential development can be complementary with commercial development. Allowing housing as-of-right in suitable commercial zones can help increase housing supply in well-connected areas.



Reform direction 2.4

Allow residential development in commercial zones, unless there is a clear rationale for excluding it

State and territory governments should review all commercial zones that restrict residential development and change them so they restrict residential development only where there is a clear rationale to do so and there is a net benefit from restriction.

Enabling reforms

To increase housing supply, our priority reforms should be accompanied by several 'enabling reforms'. These reforms would remove controls that reduce the effectiveness of the priority reforms, duplicate other functions of regulations, impose additional development costs and do not align with the best practice principles described in chapter 1. The effect of many of these reforms on commercially feasible capacity is uncertain, and we will seek to quantify these effects, where possible, for the final report. Identified enabling reforms include:

- **Remove or reduce parking requirements:** Removing off-street parking requirements (especially minimum requirements) would improve the feasibility of apartments and some townhouses (NSW PEC 2024a, p. 59). This reform could significantly increase the housing supply response from policies that permit more apartment development. To reduce potential adverse effects on parking congestion, this reform is most applicable in areas where there is evidence of underused parking spots and sufficient public transport connectivity.
- **Replace broad heritage protections with more targeted heritage listings with cost-benefit analysis and more robust mechanisms to review and delist buildings:** Broad heritage controls including heritage overlays and heritage conservation areas prevent development and will likely reduce the effectiveness of other priority reforms. Blanket heritage areas risk indiscriminate classification, protecting buildings with limited heritage value while imposing substantial costs on housing supply. These controls should be replaced with more targeted heritage listings for specific buildings or small areas. Targeted heritage listings should also be based on cost-benefit analysis, including consideration of cultural value to Aboriginal and Torres Strait Islander people. Heritage listings should be supported with more robust mechanisms to review and delist buildings.
- **Relax or remove combinations of other built-form controls that prevent development:** Reforms to allow townhouses and apartments will likely require relaxing several built-form controls including maximum FSR, site coverage ratios, setback requirements and height restrictions. State and territory governments will need to identify the controls that restrict particular developments and modify them to enable reform.
- **Remove maximum floor-space ratios:** These controls attempt to regulate density but duplicate the functions of height restrictions and other built-form controls. In New South Wales, they restrict the

effectiveness of the reforms that aim to increase housing in transit areas (Coates et al. 2025), suggesting that removing maximum FSR will likely significantly increase the impact of reforms to allow apartments and townhouses.

- **Remove restrictions on housing types:** There is little clear rationale for these requirements, as they artificially limit housing typologies independent of density. Density can be effectively controlled through other land-use controls such as height limits, setbacks and site-coverage rules. Removing restrictions on housing types will help enable reforms to allow higher-density dwelling types such as townhouses and apartments in suitable locations.
- **Remove restrictions on minimum dwelling sizes, minimum balcony sizes and storage requirements for apartments:** Many characteristics of dwellings are clearly observable and have limited effect on broader society. Moreover, these requirements contribute to higher construction costs and may reduce the potential uplift of reforms to allow apartments in high-demand areas (NSW PEC 2024a, p. 60).
- **Review and remove other restrictive overlays that do not adhere to best-practice principles:** For example, neighbourhood character overlays can prevent higher-density dwellings if they are perceived to disrupt the distinct character of a locality (HIA 2021; Victorian DTP 2024a). Such assessments are often qualitative and require personal judgement (Victorian DTP 2024a).
- **Review blanket mandatory requirements on developers to build affordable housing:** Mandatory inclusionary zoning for affordable housing involves placing regulatory requirements on developers to provide a certain level affordable housing. Broad mandatory requirements could make developments unfeasible and reduce overall housing supply and affordability, and voluntary inclusionary zoning can add uncertainty to the development process (box 2.6). We seek further evidence on the effect of mandatory and voluntary inclusionary zoning for affordable housing on overall housing supply and affordability.

Box 2.6 – Governments should approach inclusionary zoning for affordable housing with caution

‘Affordable’ housing generally refers to housing offered at below-market rents to eligible low- and moderate-income households. This is different from social housing (box 1.2, chapter 1), which is government-subsidised rental housing targeted to low-income households with the greatest need, including people experiencing homelessness, disability, family violence or other forms of acute housing stress (AHURI 2023; AIHW 2026).

Governments can support affordable housing through direct subsidies or through inclusionary zoning, which encourages or requires developers to include affordable housing in new developments (PC 2022, p. 278). Inclusionary zoning can be voluntary, where developers receive incentives such as density bonuses or reduced fees for providing affordable housing. It can also be mandatory, where eligible developments are required to include affordable housing.

Inclusionary zoning for affordable housing can seem appealing, because it seeks to correct a market failure (undersupply of affordable housing). Several participants in this inquiry supported mandatory inclusionary zoning to increase affordable housing supply (ACH, sub. 37, p. 3; National Shelter, sub. 53, p. 10; Terry Burke, sub. 46, p. 9).

Box 2.6 – Governments should approach inclusionary zoning for affordable housing with caution

However, mandatory inclusionary zoning can act as a ‘tax’ on new housing by requiring lower prices or rents, making projects less feasible and lowering overall supply (CIS, sub. 18, pp. 11-13; NSW PEC 2024, p. 86; PC 2022, pp. 289–290; UDIA, sub. 83, p. 11). Even if the zoning is known up front and can in theory be ‘priced in’ to the cost of development, it is difficult to cost-effectively capture the value for those who need housing support (below).

Voluntary inclusionary zoning could in theory support supply by allowing developers to build more housing in selected areas in exchange for meeting affordable housing requirements. Where existing controls prevent otherwise viable apartment projects, and requirements are known up front and well-designed, additional height or density could unlock more affordable housing supply (ACH sub. 37, p. 4; FHA, sub. 79, p. 4; UDIA, sub. 83, p. 22; Uniting Vic.Tas, sub. 39, p. 2). But in practice, the incorporation of voluntary inclusionary zoning to date has often been ad hoc, adding complexity and uncertainty to the development process (NHSAC 2023; PC 2022).

In addition, unlike social housing (box 1.2, chapter 1), affordable housing provided via inclusionary zoning is often poorly targeted, and does not benefit households in need of the most support (Behrens and Gilbert 2026). As such, it may be less efficient than more direct value-capture mechanisms and targeted interventions for those who need housing support.

Ultimately, increasing overall housing supply is likely to be one of the most effective ways to improve affordability across the housing market (box 1, overview). Social housing and other direct interventions like rent assistance should be provided for households that are unable to secure stable housing in the private rental market.

» Reform direction 2.5 Review, reduce and remove land-use controls that reduce commercial feasibility and do not adhere to best practice principles

State, territory and local governments should identify and reduce controls that reduce commercial feasibility and do not adhere to best practice principles.

- **Remove or reduce parking requirements.** Governments should remove or reduce off-street parking requirements (especially minimum requirements) in areas where there is evidence of underused parking spaces and sufficient public transport connectivity.
- **Replace broad heritage protections with more targeted heritage listings with cost-benefit analysis and review processes.** Blanket heritage areas should be replaced by heritage listings for specific buildings or small areas. Targeted heritage listings should be justified by cost-benefit analysis, and there should be more robust mechanisms to review and delist buildings.
- **Review and reduce neighbourhood character restrictions.** Restrictive overlays which apply blanket restrictions to entire streets or local government areas should be reviewed and replaced by targeted protections where possible.



Reform direction 2.6

Relax or remove built-form controls that limit flexibility and choice for households

State, territory and local governments should identify and reduce or remove built-form controls that limit the range of dwelling types available to households.

- **Modify controls as required to enable townhouse and apartment reform.** In areas suitable for townhouses and apartments, controls such as site coverage ratios, setback requirements and height restrictions should be modified to enable reform uptake.
- **Remove maximum floor-space ratios.** State, territory and local governments should avoid using maximum floor-space ratios to manage density where the desired outcome can be achieved through height restrictions or other built-form controls.
- **Remove restrictions on housing types.** State, territory and local governments should avoid restricting certain dwelling types as desired outcomes can be better managed by other built-form controls.
- **Remove restrictions on minimum dwelling sizes, minimum balcony sizes and storage requirements for apartments.** State, territory and local governments should avoid regulating observable characteristics that do not negatively affect the wider community.

Upzoning requires strategic planning to succeed

Successful upzoning, particularly reforms that enable substantially higher densities, will require upfront planning to ensure infrastructure keeps pace with population growth, housing is well connected to jobs, transport and services, local amenity is protected, and communities understand and support the changes. Strategic planning, particularly around the provision of infrastructure, has been identified as critical for community acceptance of upzoning measures. A survey by AMPLIFY (sub. 42, p. 11) found that 73% of Australians support more townhouses and apartments if the additional density is paired with investment in new public transport. The PC will consider this in more detail in its final report.

2.5 Inquiry next steps on land-use regulation

The interim report provides broad reform directions based on existing evidence on the impact of different land-use controls on housing supply. The report aims to give policymakers and stakeholders an understanding of where the evidence stands and what the gaps are.

Our final report will provide more specific recommendations for each state and territory, based on quantitative analysis and consultation. While we have provided general directions, the effects of reforms are likely to vary significantly by jurisdiction. This will depend on factors such as the commercial feasibility of different housing types, existing planning controls, and what types of development are already permissible. For example, reforms that increase the permissibility of apartments may have greater impacts in Queensland and New South Wales, since Sydney and Brisbane have higher levels of feasibility for developing mid- and high-rise apartments, relative to other cities (CIE 2024, p. 5).

We will also focus more on potential implementation challenges and consider in more detail how the potential negative externalities of different reform options should be considered when prioritising reforms. For example, high-rise apartments will likely increase commercially feasible zoned capacity more than reforms to allow mid-rise apartments, so may be desirable from a supply perspective. But

high-rise apartments can have greater negative impacts on nearby residents relative to mid-rise apartments through things like higher loss of sunlight and privacy, traffic congestion and strain on infrastructure. While existing evidence suggests these externalities tend to be minimal (Tulip and Lanigan 2021), the experience of minimum lot size reform in Adelaide suggests that even small perceived externalities, such as parking congestion, can generate substantial community opposition (Behrens et al. 2026).

We seek further information on the benefits and trade-offs associated with different reform options to inform our final report.



Information request 2.3

- What evidence do you have on which land-use controls or combinations of controls are the greatest constraint on housing supply in your jurisdiction?
- What reforms to land-use controls are likely to boost housing supply in each jurisdiction? What are the expected impacts of reforms on zoned capacity, commercially feasible capacity and/or other measures of supply? What are the expected impacts on positive and negative externalities? We are particularly interested in quantitative evidence on reforms to minimum lot size and reducing coverage of broad heritage controls.
- How should potential reforms be implemented? What does the evidence show about the effectiveness of past zoning and land-use reforms in Australia?
- What evidence do you have on the effects of mandatory and voluntary inclusionary zoning requirements for affordable housing on housing supply and affordability?

3. Reducing the burden of approvals

Key points

- * **State, territory and local governments need to assess new developments to make sure housing is built to an appropriate standard. But when approvals processes are overly complex or unpredictable, the cost of developing new housing goes up, and fewer homes get built.**
- * **The process for receiving regulatory approvals for new housing is a significant barrier for many developments.**
 - The Productivity Commission has heard of developments that were abandoned or significantly delayed due to slow decisions, contradictory requirements, requirements that are impossible to meet or complex application processes.
 - Developers may choose to avoid undertaking projects due to the risk of long delays.
- * **Australian governments have recognised the need for simple, streamlined approvals processes for new housing in the National Housing Accord and other recent reforms. Many states and territories are establishing or expanding the use of streamlined approval pathways. But there is still room to make approvals processes less complex and more efficient.**
 - States and territories should continue to move more approvals towards tiered assessment pathways based on project complexity.
 - Tiered pathways should be supported by coordination bodies to help resolve conflicts and delays, better accountability and reporting of timeframes, and the use of technology including AI to support efficient decision-making.
- * **Strategic planning should account for infrastructure needs and the environmental and social trade-offs of higher-density and greenfield housing. These decisions should be reflected in planning schemes to give developers clearer and faster approval pathways.**
- * **The PC is seeking feedback on which reforms are the most important for reducing the burden and increasing the speed of approvals.**

3.1 The process for approval can be challenging and costly for developers

The process for receiving approvals is made up of multiple steps that require developers to work with councils, infrastructure service providers, certifiers and sometimes state, territory or federal governments (figure 3.1).⁶ While some of the approval steps can be undertaken in tandem, others are sequential. For example, you need to have met the conditions of your development approval before you can get an approval to start building.

It can take a very long time to receive approvals for new housing. Approvals from one entity often rely on decisions from others, which means delays in one area of the approvals pipeline can ‘cascade’ and cause problems in another (PC 2025c, p. 26). For complex projects, like greenfield or apartment developments, it can take up to multiple years to receive all the necessary approvals (Property Council of Australia 2024, pp. 53–59).

Long approval processes drive up the cost of development. Developers incur costs for holding land and debt in the time between when the land is acquired and the development is completed (CIE 2024, p. 48). The Centre for International Economics (CIE) estimated that a one-month delay cost \$7,609 for a greenfield development, \$11,166 for a character zone townhouse and \$3,403 for an inner-city apartment in 2025 (CIE 2025, pp. 30, 60–61). Urban Taskforce Australia told us that long approval timeframes can increase financing risk and reduce investor confidence, particularly for high-density and more affordable housing developments (sub. 69, p. 11).

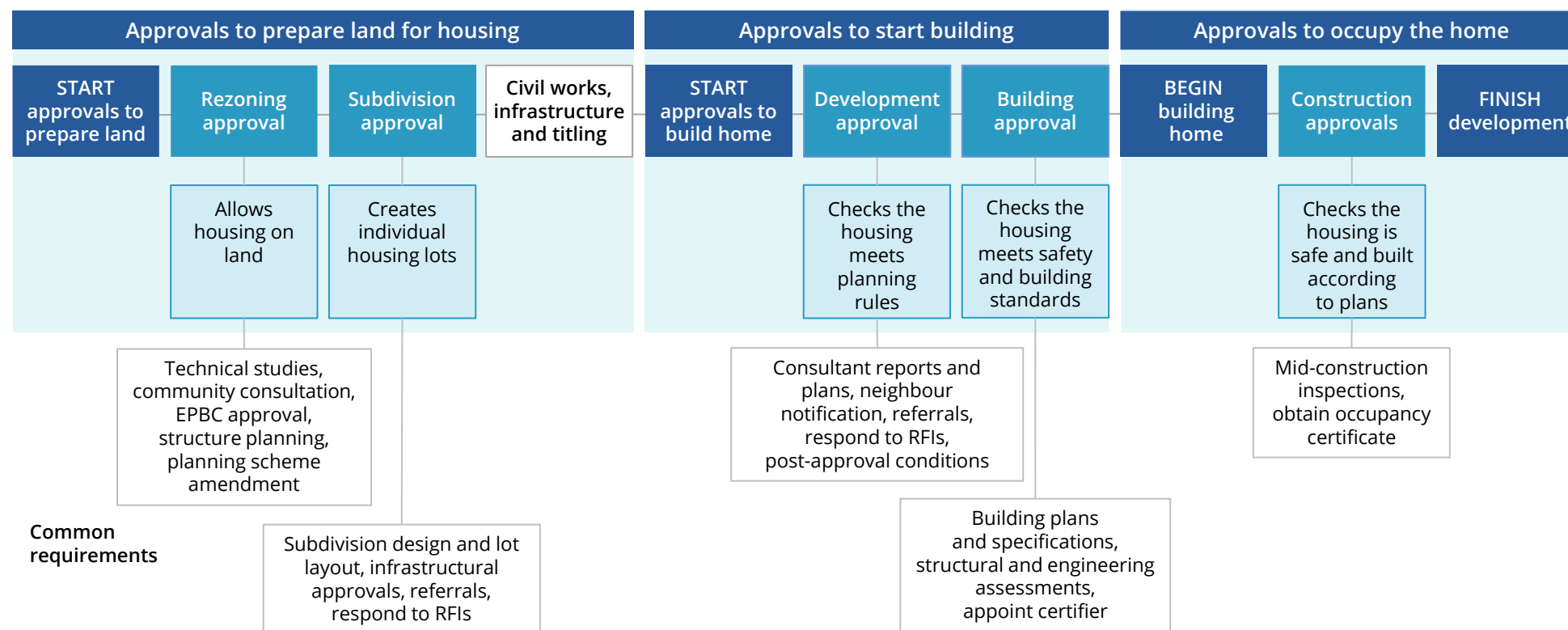
These costs can make the difference between a project being feasible or unfeasible (HIA sub. 25, p. 9). The CIE found that adding an extra year to the pre-construction development period reduced feasibility by 2 per cent for mid-rise apartments and 1 per cent for high-rise apartments in Sydney in 2023 (CIE 2024, p. 26).

Developers face significant costs to prove compliance with regulations

In addition to the costs of delays, developers also incur substantial costs to prove compliance with planning and building rules. Depending on the council, they are often required to submit detailed reports addressing a wide range of social, environmental, engineering and design requirements – which often rely on input from external consultants or other paid experts.

Many of these requirements are necessary to ensure the proposed development meets important regulatory standards. For example, Emergency Leaders for Climate Action noted that proper assessment of bushfire, flood and storm risk is particularly important to ensure homes are built to withstand growing risks posed by climate change (sub. 47, pp. 1–8).

⁶ For readability, this chapter refers to anyone who is applying to build new housing as a ‘developer’. The conclusions and analysis in this chapter also apply to businesses that do not make profits from buying and selling land, not-for-profits, and individuals who are applying to build new housing, not just large-scale private investors.

Figure 3.1 – Process for receiving approvals to build a new home

Note: RFIs are requests for further information. EPBC approvals are environmental approvals under the *Environmental Protection and Biodiversity Conservation Act 1999* (Cth).

Source: PC analysis based on engagement with inquiry participants.

However, the cost of consultants to prepare required documentation can be significant. For example, the CIE estimates total consultant costs at \$23,597 for the construction of a townhouse in one of Queensland's character zones⁷ (CIE 2025, p. 56). Master Builders Australia commented:

For smaller builders and developers, who represent 98 per cent of Australia's construction businesses, commissioning this suite of consultants represents a material financial commitment with no guarantee of approval. (sub. 74, p. 5)

Understanding approval requirements, coordinating with decision makers and third parties, and preparing applications can add further administrative costs. Past PC analysis suggests that the total cost of preparing an application ranges from \$3,900 to \$22,000 for a development approval and \$3,700 to \$18,000 for a building approval, per dwelling (PC 2025a, pp. 184–185), before factoring in the costs resulting from approval delays, which tend to be longer for development approvals.

Approval requirements can be uncertain and inconsistent

The planning rules that developments are assessed against can be subjective. For example, neighbourhood character provisions in Victoria require developers to predict how assessors might judge the ways their project will contribute to the 'architectural rhythm' of their street (Victorian DTP 2024a). While discretion in the planning system can sometimes be useful to prevent overly rigid decision making, it can also mean councils, developers and referral agencies interpret requirements differently. This can leave developers uncertain about the outcomes and timeframes of approval processes (Coates et al. 2025, p. 27).

There is also significant variation in these processes between states and territories. Even within states and territories, some councils can be more stringent than others. For example, Noosa council has 44 more variations (95 total) to the standard Queensland Development Code than neighbouring Sunshine Coast council (51 total) (HIA 2025a, p. 20). Although discrepancies can be based on real differences between council areas - such as climate conditions or local character - they are often subjective or unquantifiable. We heard that variation in approval requirements across jurisdictions hinders productivity for developers (HIA, sub. 25, p. 4) and can require them to create bespoke processes for different areas (Master Builders Australia, sub. 74, p. 6).

Requests for further information can cause significant delays

Once developers have lodged their approval application, councils sometimes ask for additional details through a request for further information (RFI). RFIs are important because in some cases developers do not provide all the information required for a complete assessment in their initial application. However, they can be a significant source of delay and uncertainty (Le Mottee Group, sub. 56, pp. 5–6), particularly for the development approval process where they are common (section 3.3).

Additionally, many states and territories exclude the time spent responding to RFIs from reported application assessment times (sometimes the approval timeframe clock is stopped or even reset). Stopping or resetting the clock is justified because the onus is on the developer for action, and councils cannot control how long it takes a developer to respond to them. However, it means that the cost and time taken to receive approvals is not fully represented in performance reporting. As a result, governments may not be properly aware of the burden of approvals for developers.

⁷ In these zones, new development must preserve the neighbourhood's character (Queensland DSDIP 2021).

Poorly coordinated referrals slow application assessment times

Councils may require help from government agencies and relevant experts in assessing applications. For example, they may require a hydrologist to properly assess the flood risk of a development. Infrastructure service providers may also be required to advise councils on or approve connections to infrastructure such as water, sewerage and electricity.

However, the number of referrals required for some projects can be extreme – with some developments in New South Wales requiring referrals to up to 22 different areas of government (NSW DPHI 2026c). Referral processes can also be a significant source of delay. In New South Wales, one referral adds an average of 60 days to development approval assessment times, with each additional referral adding up to 100 days to assessment times (NSW DPHI 2026c). The Urban Development Institute of Australia (National) (UDIA) explains:

A proponent is often beholden to utilities, water authorities, transport agencies or environmental regulators, and there is often no simple way to escalate a stalled decision. Even where the housing outcome is supported in principle, these separate steps can add months or years of delay. (sub. 83, p. 42)

The information received and the prioritisation of the issues in these referral processes is also often poorly coordinated between different arms of government, with experts or agencies sometimes lacking broader perspective outside of their specific remit. We heard that this can often lead to conflicting advice (Westpac, sub. 38, p. 7), with developers being unsure which advice takes precedence and having to resolve conflicts themselves (box 3.1; UDIA South Australia, sub. 31, p. 2). The PC heard of one developer who was informed by the council that they needed to plant native trees and vegetation to support the local environment, but was also told by the local fire authority that they needed to minimise the tree canopy around the property to manage bushfire risk. The developer required approval for the project to be non-compliant with the council's landscape controls in order to proceed ([name withheld], personal communication, July 2026).

It appears that while councils are often responsible for managing referrals, they typically have little power to enforce referral agency response times or adjudicate on opposing pieces of advice, meaning referrals and the information arising from them can cause significant delays.

Box 3.1 – Case study: conflicting advice for subdivision approvals in Victoria's southeast growth corridor

The PC met with developers to hear about their experiences securing approvals for new housing.

A large residential property developer with housing projects located around Australia told us about a greenfield project in Melbourne's southeast growth corridor that began construction in 2020. The goal of the project was to convert the farmland to around 1600 individual development-ready lots by subdividing the land, setting up infrastructure to support the site (for example, road, water, drainage and sewerage services), and securing planning permits for the lots.

The project experienced delays during the process for receiving infrastructure connections. The developer told us these were mostly caused by a lack of high-level planning and coordination between different parties (e.g. landowners, infrastructure service providers and different arms of government).

Box 3.1 – Case study: conflicting advice for subdivision approvals in Victoria’s southeast growth corridor

For example, it took the developer 18 months to build a road over a pipe track that included a water pipe connected to a desalination plant. While the council told the developer that the road was required to secure subdivision approval under the Precinct Structure Plan (PSP), the relevant department told them that there would be significant detailed design, construction and warranty conditions imposed to build over their infrastructure, as they would be liable to pay the state hundreds of millions of dollars if any damage prevented waterflow. The developer explained:

So all of a sudden [the relevant department] turns around and says, well, you need to give me a warranty for \$100 million. And now we're going, \$100 million? I'm just building 1600 lots. I don't have backing for \$100 million just floating around ... to manage that sort of risk. So you get into these really complex conversations between the state, [the relevant department and] yourselves ... we had to invent an agreement and process and insurances that no one had ever done before to be able to access and build over that asset.

Elsewhere on the site, the same pipe-track presented another issue – with the PSP requiring a road be built over an electrical cable which generated significant heat. Resolving this issue required highly skilled technical parties to assess how the road could be built without damaging the cable. Resolving these additional thermal requirements took months of coordination.

All up, it took the developer 2 years to prepare reports and apply for subdivision approval, with another 4 to 6 months spent satisfying post-approval conditions. It then took another year for the developer to receive a planning permit for the first building-ready lot, with each subsequent planning approval taking approximately 6 months. The developer told us that these delays and long timeframes had significant impacts on feasibility, with a one-month delay costing around \$370,000 in interest alone. They said:

The cost of doing nothing is really expensive.

In this case, better coordination between government agencies could have helped make land that was nominated as a growth corridor ready for development more quickly and at lower cost. Improving these processes would require better planning and coordination across government agencies and decision makers to pre-empt any issues within a PSP before the approvals process begins.

Note: To protect commercially sensitive information, the PC agreed to withhold identifying information for case study participants. The PC has verified factual information in the case study where possible.

Source: [name withheld] (2026).

Slow appeal processes increase uncertainty for developers

Appeal processes are an important avenue for developers to challenge council decisions that they disagree with. But we heard from participants that the length and complexity of appeal processes can mean that challenging council decisions is often not worth it. For example, in Victoria, planning permit appeals took on average 188 days to reach an outcome in 2025 (Victorian DTP 2026b).

In some states and territories, neighbours, tenants and landowners also have the right to appeal council decisions. These rights are designed to protect the interests of people who are affected by developments. However, third-party appeal rights give individual community members the power to delay a project without consideration of the broader community costs and benefits (BCA, sub. 71 attachment 2, p. 23). In some states and territories the scope of third-party appeal rights can cause significant uncertainty and delays for developers, particularly in infill areas (PC 2021, p. 13). Affordable and community housing projects may be more sensitive to the delays caused by third-party appeals as they both operate on tighter margins and are more likely to receive development objections (Gilbert et al. 2020, pp. 53–54).



Information request 3.1

- What evidence do you have for the main causes of delays in receiving approvals for new housing?
- When is discretion useful in planning processes, and when is it not useful? Are there examples of subjective requirements that should be changed or removed to improve certainty for developers?
- How should third-party appeal processes be changed to better balance the benefits they provide to community members and the uncertainty and delay costs they impose on developers?

3.2 Regulatory burden tends to be highest for planning approvals to release land or develop housing

Approvals required for rezoning land can take a very long time

If the parcel of land isn't zoned for the required use, developers may need to seek approval to change the planning controls which apply to the land. Processes to apply for rezoning approval differ across jurisdictions, but may include strategic planning, completion of technical assessments, public consultation, legal drafting and environmental approvals under the *Environmental Protection and Biodiversity Conservation Act 1999* (Cth).

In most states and territories, rezoning land is formalised through an amendment to the relevant planning scheme.⁸ This process often has several steps. For example, a planning scheme amendment in Victoria requires preparation, authorisation from the minister, public exhibition and submissions, panel review, council adoption and ministerial approval (BRV 2019, p. 33). Evidence compiled by Mecone Group suggests planning scheme amendment processes typically take between 200 and more than 600 days, with timeframes varying considerably across jurisdictions (BCA, sub. 71 attachment 2, p. 15).

For greenfield developments, planning scheme amendments are often supported by strategic planning which aims to establish future land use, infrastructure connections and urban structure of an area. Examples include Precinct Structure Plans in Victoria, Precinct Plans in New South Wales and Structure

⁸ Queensland differs from most jurisdictions because planning schemes provide more flexible assessment pathways, meaning some developments can proceed through variation requests rather than requiring a formal amendment to the planning scheme.

Plans in Western Australia. However, in practice strategic planning often does not go far enough in considering infrastructure requirements (chapter 4) and resolving planning trade-offs, meaning such issues must be resolved as part of subdivision and development approvals (section 3.5).

We have been told by a greenfield developer that the broader process to rezone land – including preparation, the creation of strategic plans and planning scheme amendments – can take up to 7 to 10 years in some jurisdictions (HIA, sub. 25, p.10). In its submission, the Housing Industry Association (HIA) highlighted an example of a greenfield development that took 17 years to move from landowner interest to completion of the first homes, with 12 of those years comprised of pre-subdivision rezoning processes (sub. 25, p. 11).

Development approvals are particularly slow and difficult

The process to receive a development approval involves the assessment of a proposed development against planning rules.⁹ The development approval process is one of the most onerous parts of the housing approval process, with numerous supporting documents and referrals required and many conditions often attached to the approval (Urban Taskforce Australia, sub. 69, p. 11; Master Builders Australia, sub. 74, pp. 5–6).

In many jurisdictions, the documentation required to prove compliance with planning rules in a development approval is extensive. For example, PC analysis of development approval records shows one development approval for a subdivision and construction of 2 dwellings in Parramatta required 30 different reports and plans, totalling 60 attached documents (City of Parramatta 2026).

It can take a very long time to receive a development approval. The median time to receive a development approval is as high as 146 days in Victoria and may be higher in states or territories that don't report this data (table 3.1). Some projects take much longer than average to receive development approval. The HIA reports that a third of its small business stakeholders say development approvals take more than 6 months on average (HIA 2026a, p. 20).

Evidence from Sydney and Melbourne suggests that development approval processing times increase steadily as developments get larger (Coates et al. 2025, p. 28), but this effect does not always appear to be consistent. Research by Sharam and Bryant found that development approval times can be particularly long for mid- and high-rise apartment projects, finding an average approval time of 1.6 years for 4 to 8 storey projects and 2 years for 9 to 19 storey projects (2025, pp. 10–12). Some projects had approval times which extended significantly beyond these averages. For example, one 9 to 19 storey apartment project took just under 4 years to receive development approval.

**Table 3.1 – Median time taken to process a development approval by state and territory
6 months to September 2025**

NSW	Vic	SA	ACT	Qld	WA	Tas	NT
59 calendar days	146 business days	18 calendar days	40 calendar days	Not submitted	Not submitted	37 calendar days	40 business days

Source: National Planning Reform Blueprint fourth progress and metrics reports (Treasury 2026a).

Given often complex and extensive requirements, RFIs are common in development approval assessments. At least one RFI was required in 47% of Victorian development approval applications in

⁹ In some jurisdictions (e.g. Victoria) a development approval is known as a planning permit.

2025 (Victorian DTP 2026b). Development approvals can also require a significant number of referrals. Inquiry participants identified referrals as a significant source of delay during the assessment process (Property Council of Australia, sub. 73, p. 7; UDIA, sub. 83, pp. 17, 42).

Post-approval conditions are creating a major additional hurdle

Governments are increasingly imposing conditions to development approval acceptance ('post-approval conditions'). This creates an additional step between development approval and building approval which can require significant documentation, costs and consultant inputs (NSW PEC 2024a, p. 49). Inquiry participants identified post-approval conditions as a key barrier within approval processes (National Shelter, sub. 53, pp. 14–15; Property Council of Australia, sub. 73, p. 7; Master Builders Australia, sub. 74, pp. 5–6).

The number of post-approval conditions is often significant. For example, the PC found a Randwick development, involving subdivision and construction of 3 dwellings, with 70 post-approval conditions attached (Randwick City Council 2026). These conditions are wide ranging, including providing additional design details, receiving infrastructure approvals and preparing construction management plans. Additionally, post-approval conditions often require coordination with third parties (particularly around infrastructure approvals).

The time spent meeting post-approval conditions is usually excluded from state and territory reporting of development approval timeframes, given that reported timeframes end at approval outcome. The NSW PEC suggests that greater focus on reform to development approval timeframes may have incentivised decision makers to move complex compliance requirements from the development approval assessment to post-approval conditions (NSW PEC 2024a, p. 50).

Subdivision approvals can be similarly challenging for greenfield developers

Approvals to subdivide land can be a source of delay in the process to build greenfield housing (Policy Watchdog Australia, sub. 1, pp. 7–8; Master Builders Australia, sub. 74, p. 10). The PC has been told through consultations that the subdivision approval process can involve many technical reports prepared by consultants (for example environmental studies and heritage assessments). The developers told us that the assessment process typically involves coordination of numerous referrals and frequent RFIs. We also heard that compliance with post-approval conditions, particularly around coordination and approval of infrastructure, can be very onerous. We plan to further explore the pain points of the subdivision approval process and potential areas for reform ahead of the final report.

Building and construction approvals don't appear to be a major pain point

Once the developer has received development approval, they need a building approval¹⁰ to ensure the development meets technical construction and building requirements under the National Construction Code and other regulations. This typically involves the assessment of technical plans required for the construction process by councils or a private certifier. At this stage, developers are also required to demonstrate compliance with any post-approval conditions given at the development approval stage. During the construction process, developers often need to pass mandatory inspections to continue progressing the development. Finally, after the construction process is completed, the dwelling is issued an occupancy approval pending inspections of the build.

¹⁰ In some jurisdictions (e.g. New South Wales) this is known as a construction certificate.

Throughout our consultations, the PC has heard that the process for receiving building and construction approvals is less onerous than the process for receiving a development approval.¹¹ For example, building approvals for simple developments are commonly granted in 1 to 3 days (HIA, sub. 25 p. 3).

There may be several reasons for this. It is possible that one factor is the widespread use of private certification. In South Australia, for example, 72% of building approvals were completed privately in the 2024-25 financial year (PlanSA 2025, p. 18). Private certification operates through a contestable market (NHSAC 2025, p. 22), which may speed up the time taken to receive a building approval through increased competition.

Other aspects of the building approval process that can be more onerous, such as complying with the requirements of the National Construction Code, are out of scope for this inquiry.



Information request 3.2

- Which specific requirements (for example specific reports or referrals to an agency) are most onerous to comply with when receiving a development approval?
- Are there any requirements for development approval that should be removed? In these cases, how should any risks be mitigated?
- What could each state and territory do, if anything, to improve the process for receiving subdivision approvals?

3.3 Rigid processes may discourage innovation

While building and construction approvals tend to progress faster than development approvals, there is scope for these processes to become more flexible to support more productive methods of construction. Overly rigid development and building approval processes can constrain the ability of the construction industry to innovate and find better ways to build new homes. The PC found in 2025 that one of the contributing factors to poor productivity in the housing construction industry was low levels of innovation (2025c, pp. 28–32). One driving factor is approval processes acting as a barrier to adoption of new methods. This can act as a constraint on the supply of new homes.

Rigid approval processes can make it more difficult for homebuilders to adopt more productive methods of construction such as prefabricated and modular housing construction. Some inquiry participants suggested that land-use controls often do not explicitly include more productive methods of construction, leading to complexities and uncertainty at the approvals stage (GBCA, sub. 58, p. 2). This can require builders and developers to seek building approval repeatedly for identical components (REIA, sub. 16, pp. 7–8), and approvals processes can be inconsistent across jurisdictions (National Shelter, sub. 53, pp. 13–14).

¹¹ Noting that we classify the post-approval conditions as part of the development approval process, rather than the building approval process.

Between them these issues can:

- cause ambiguity during the certification process for prefabricated homes
- increase uncertainty and costs for developers
- act as a barrier to increased scale of more productive methods of construction businesses
- make access to finance for these projects more difficult
- discourage further investment in construction innovation (CEDA 2026, pp. 12–13; GBCA, sub. 58, p. 2; PC 2025c, p. 56) (box 3.2).

The PC found in 2025 that this ambiguity was partly caused by the lack of explicit recognition of prefabricated construction in the National Construction Code and the sequential nature of certification for on-site construction – which is more difficult with complex prefabricated or modular units that are installed as complete units (2025c, p. 56).

Governments are working on these problems. For example, in 2024, the Australian Building Codes Board began working on developing nationally consistent definitions for more productive methods of construction, and a national voluntary certification scheme for more productive methods of construction manufacturers (ABCB 2025a; DISR 2024). And in May 2026, the NSW Government introduced the Building (Approvals and Practitioners) Bill 2026, which aims to support approvals for more productive methods of construction by defining ‘prefabricated buildings’ and integrating more productive methods of construction into the approvals system (Anoulack et al. 2026). Other measures such as the pattern book designs in New South Wales and South Australia can also support faster approval of new housing constructed by more productive methods of construction (prefabAUS, sub. 28, pp. 2–3; REIA, sub. 48, p. 7). This can reduce the burden of approvals by allowing developers to use pre-approved plans that are eligible for fast-tracked approval pathways.

While approvals processes are only one of many factors that can constrain the uptake of innovative construction methods (CEDA 2026, pp. 12–13; PC 2025c, p. 30; Zhang et al. 2022, pp. 6–8), ensuring approval processes are adequately flexible and clear to support more productive methods of construction will help enable housing construction productivity, and housing supply, to improve.

Box 3.2 – Case study: Approval processes for homes built with more productive methods of construction can be lengthy

PrefabAUS shared a case study of the complexities of gaining approval for a new home built with modular construction, which can discourage the industry and homebuilders from adopting more productive or innovative construction approaches.

In the example, a family in New South Wales opted to knock down an existing home and rebuild a new dwelling using prefabricated (modular) construction. The development approval was lodged with the council and approved after 13 months. The delay was partly due to the council incorrectly processing the application as a standard build rather than using the modular construction approval pathway (the section 68 approval pathway).

The section 68 approval pathway for homes that are built off-site was originally designed for manufactured home parks and caravan parks rather than permanent homes on private residential land. This meant the builder had to comply with additional requirements including larger setbacks from boundaries compared to a conventionally-constructed home, and needed to amend the home design. The combination of factory-built modules and on-site construction for the home also required the builder to apply for 2 separate sets of approvals and certification. This required additional inspections and added to delays.

The builder completed the footings in 1 week, and the dwelling modules were installed the following week, with the projected on-site completion time being 3 months. The builder suggested that the approvals process was substantially more complex and time-consuming compared to if traditional construction was used.

Had this project been assessed as a complying development – as it would have been if built using conventional methods – approvals could have been secured within weeks of lodgement in mid-2022. With an 11-week factory build and approximately three months of on-site work, the family could have been living in their new home by early to mid-2023, approximately three years earlier than the current trajectory.

In this example, both the construction industry and homebuilders are discouraged from adopting innovative or more productive ways of building homes, due to the increased cost, risk and uncertainty involved. At scale, this can contribute to slower delivery of new homes.

Source: prefabAUS (2026).

3.4 Recent reforms offer examples of best practice

Governments are working to make planning decisions more timely, predictable and simple through tiered assessment pathways, centralising approval decisions and improving supporting technology.

Tiered assessments speed up processes for low-risk or state-significant developments

States and territories often use 2 types of alternative assessment pathways: fast-track pathways for low-risk developments and state-significant pathways for developments that are important or have impacts extending beyond a single council. Most states and territories also exempt some very small developments (e.g. sheds, fences) from requiring any approval at all.

Alternative assessment pathways are important because developments carry different levels of risk and complexity. For example, a standard single-dwelling home should not require the same documentation and consultation as a high-rise apartment building. They also work to reduce strain on standard approval systems and council resources. While the use of alternative pathways is not new in Australia, recent reform has focused on expanding pathways to make more homes eligible for non-standard assessment.

Fast-track pathways for simple developments

Fast-track pathways allow simpler and more standardised developments to be assessed more quickly. Most pathways tend to use 'deemed-to-comply' assessments, where projects are automatically approved if they meet all the criteria. Unlike a standard development approval process, these processes typically do not involve consultation or referrals.

Most states and territories have fast-track pathways, which are utilised to varying degrees. In some cases, these pathways are integrated into existing development approvals systems, where simple developments are selected by the council to proceed through a fast track once the application has been lodged. For example, in South Australia 18% of applications were assessed through an internal fast-track pathway in the 2025-26 financial year (South Australian Government, sub. 87, p. 3).

In other cases, fast-track pathways are external to standard development approval pathways. For example, New South Wales's Complying Development Certificate (CDC) is an external combined planning and building approval pathway for simple developments, where developments are assessed against a set of objective rules. Unlike a standard development approval, CDCs can also be approved by a registered certifier, as well as the council. It currently takes 20 days on average to get approval through the CDC pathway (NSW DPHI 2026d).

The CDC appears to be the most utilised fast-track pathway in Australia, with 46% of developments in New South Wales currently proceeding through the CDC (Treasury 2026a). The pathway has been expanded over recent years to include subdivisions, dual occupancies and manor houses. The NSW Government is also considering creating an additional targeted assessment pathway designed to bridge the gap between the CDC pathway and the standard pathway, in which small issues of non-compliance can be assessed in isolation rather than triggering a full development approval (NSW DPHI 2026a, pp. 1, 22).

In Victoria, the recent introduction of the Townhouse and Low-Rise Code has made more developments eligible for their external fast-track pathway, VicSmart. However, uptake is still low – only 8% of single-dwelling developments in Victoria were processed through VicSmart in 2025 (Victorian DTP 2026b).

Some states and territories are expanding on this approach by publishing templates for home designs that are pre-approved to pass through fast-tracked approval pathways. For example, New South Wales's Housing Pattern Book provides templates for low and mid-rise housing that are eligible for approval through the CDC or a streamlined development approval process (NSW DPHI 2025a, p. 13). Western Australia and South Australia are both in the process of creating similar pattern books.

State-significant development pathways for important developments

Several states and territories also assess some developments directly through state-significant development pathways. These pathways are typically used for large or important developments which will affect more than one council and require state and territory coordination of referrals and inputs from different agencies. One example is New South Wales's Housing Delivery Authority, which was established in January 2025 to identify and assess high-yield housing projects (NSW DPHI 2026b).

Western Australia has Development Assessment Panels, which is an opt-in pathway designed to assess routine large projects, and the Significant Development Pathway, which is used to assess strategically important projects worth over \$20 million in metropolitan areas and \$5 million in regional areas. While reviews by Western Australian Local Government Association (WALGA) found neither pathway was working well – suggesting that too many low-complexity developments were assessed through the resource-intensive Development Assessment Panels process, while the Significant Development Pathway was underutilised, only assessing 44 projects from 2020 to 2025 (WALGA 2025a, pp. 5–6, 2025b, pp. 6–7) – other participants were more positive about the potential for the pathways to speed up approvals processes (HIA 2026b).

By allowing states and territories to assess complicated developments, these pathways can, in principle, improve the coordination of inputs and strategic considerations. However, if state-significant pathways are not well designed they may not act to reduce the burden of approvals.

States and territories are beginning to reduce discretion in planning rules to improve certainty

Some states and territories are beginning to change the way planning rules are written to make them more objective. In 2025, the Victorian Government codified the planning clause which deals with townhouses and apartments under 3 storeys (Clause 55) across all planning schemes, making all these developments eligible for deemed-to-comply assessment. Clause 55 contains a list of codified objectives that must be met in a completed development. If an objective is met, no other discretionary factors such as standard decision guidelines will be considered. If a standard is not met, the decision maker considers the decision guidelines as normal (Victorian DTP 2026d). A key part of this reform is the replacement of discretionary standards around neighbourhood character with these codified objective standards (e.g. around street setbacks, building heights and tree canopy) (YIMBY Melbourne 2025).

SA's Planning and Design Code is another recent example of reform. The Code creates a standardised state-wide framework against which applications are assessed, aiming to promote greater consistency in decision-making (South Australian Government, sub. 87, p. 2), while keeping the council as the decision maker.

States and territories are working to improve coordination of referrals

Some states and territories have set up coordination bodies to manage government agency and third-party input into development approvals. These coordination bodies aim to improve the referral process, which can be a significant source of delays for approvals processes.

One example is Queensland's State Assessment and Referral Agency (SARA), established in 2013, which coordinates referrals for any developments that require state input. SARA uses advice from technical agencies to make a decision with a whole-of-government perspective about how developments meet policy objectives outlined in the State Development Assessment Provisions (Queensland DSDIP 2019). In its most recent customer satisfaction survey in 2022, 79% of respondents were satisfied with SARA's performance (Queensland DSDIP 2022, p. 10). Similarly, New South Wales's new coordination body, the Development Coordination Authority, began managing and providing advice on state and territory agency referrals in July 2026.

We heard that coordination bodies can reduce the burden on developers significantly (Property Council of Australia, sub. 73, p. 9; box 3.3). However, Monash University Future Building Initiative notes that if coordination bodies do not have the power to make decisions in the face of conflicting advice from different referral agencies, they are less effective (sub. 40, p. 9).

Some states and territories are making progress on reporting

It is important for accountability and transparency that states and territories regularly report approvals timeframes. Detailed reporting allows jurisdictions and stakeholders to hold decision makers to account and assists with identifying issues in the approval processes (such as excessive delays or particularly onerous requirements) that require policy action.

Some states and territories are beginning to report on development approval timeframes and outcomes. Victoria's reporting is an example of best practice – their planning permit activity dashboard displays information on planning permit timeframes and outcomes across councils and development typologies. The dashboard also provides information about RFI frequencies and appeal process timeframes and outcomes. Similarly, New South Wales's council league table evaluates council performance on development approval timeframes, with councils not meeting expectations asked to improve their performance. In March 2025, the NSW Minister for Planning and Public Spaces informed 6 councils they were required to develop action plans to improve their assessment times (NSW DPHI 2026b, p. 15).

However, other states and territories provide less detailed information. For example, Queensland provides almost no reporting on development approval timeframes, even at the aggregate level (Treasury 2026a) – making it challenging to hold decision makers to account. Most states and territories do not report on timeframes for other approvals such as rezoning and building approvals.

Box 3.3 – Case study: better planning and coordination of approvals in Sydney’s Southwest Growth Centre

A large residential property developer told the PC about a 4000-lot greenfield project located in Sydney’s Southwest Growth Centre, which was established by the NSW Government in 2005.

When the NSW Government established the Growth Centre, it made decisions about the development requirements for new housing across the entire precinct. When an area of land was nominated as a growth zone, trade-offs between housing supply and other goals – such as biodiversity, water management, and heritage – were considered across the whole area. This eliminated the need for lengthy site-by-site planning applications and gave developers a consistent set of requirements to work towards. For example, the developer told us:

...the decision taken when they did the Growth Centres approach was to say, ‘let’s look at this not on a site-by-site basis – what’s the environmental impact on the site – but what is the environmental impact of building 200,000 new homes on the edge of Sydney?’

They explained this ‘macro’ approach to planning has ‘huge flow-on productivity benefits’ in terms of ‘knowing where you can develop and where you can’t develop’, as well as by ‘avoiding applications at a project-by-project stage with all the time and cost and uncertainty that comes with that’.

The NSW Government also set up the Growth Centres Commission, which was responsible for sequencing inputs from government during the subdivision approval process. For this greenfield project, they handled numerous referrals including from gas agencies, state heritage and the regional fire service. The developer told us:

It was a very good way for government to take charge of not just colouring in a map around what development goes where, but actually aligning and sequencing infrastructure ...

According to the developer, the Commission had ‘a direct line into the cabinet at the time’:

it meant that like Sydney Water, Transport, all the key agencies [knew] that this development was planned and was coming ... That’s why it worked so quickly and was relatively easy to navigate... We knew what we were delivering, they knew what they were delivering, and there was a clear timeline for activation of the precinct ...

The developer told us that this development shows how effective strategic planning and coordination can alleviate some of the burden on developers. Many other projects have much less high-level planning and coordination, making the approvals process significantly more complex:

We’ve got ourselves into a situation where we don’t prosecute an issue once, we prosecute it 10 times over... planning is sort of stuck in that colouring in space now where they do the zoning, but there’s a lot of questions still to be answered, like [how] you get a rezoning outcome.

Note: To protect commercially sensitive information, the PC agreed to withhold identifying information for case study participants. The PC has verified factual information in the case study where possible.

Source: [name withheld] (2026); NSW State Archives Collection (nd); National Library of Australia (nd).

Technology including AI shows promise in helping applicants and decision makers untangle regulatory complexity

Many governments have used digitisation to centralise and simplify approval systems. South Australia implemented the PlanSA portal, a centralised entry point to their planning system, where applicants are able to lodge, monitor and receive decisions on approvals (PlanSA 2020). Several other jurisdictions have replaced fragmented and paper-based systems with similar digitised platforms.

Governments are beginning to explore how AI could speed up approvals. AI can be used to provide advice for developers on the requirements for approval applications, which may lead to better initial applications and reduce the need for RFIs. In a survey of Victorian councils by the Municipal Association of Victoria, respondents identified this use case as their top priority for AI adoption (2025, p. 58). Several councils are implementing these tools across Australia. For example, a few Victorian councils are currently using the AI tool 'myLot', which draws information from the local planning scheme to provide advice to developers about their specific project, and it is currently being expanded to other councils (myLot 2026; Victorian DTP 2024b).

Some states and territories are in the early stages of integrating AI into the assessment process for applications. New South Wales is one of the most advanced in their approach, currently integrating AI into the NSW Planning Portal and their assessment of state-significant developments. South Australia is also trialling using AI to assess simple applications. However, given the current limitations of AI, some inquiry participants cautioned that while AI can be helpful in supporting decision makers, it should not replace professional human judgement (Dennis Mentzines, sub. 57, p. 2; Landscaping Victoria, sub. 5, p. 6).



Information request 3.3

- Is improving the coordination of the approvals process a higher or lower priority than reforms to reduce the amount of approval requirements?
- Are there any examples of where coordination bodies are or are not working? What are the features of coordination bodies which make them successful?
- How effectively are reforms to planning rules, such as SA's Planning and Design Code and Victoria's Clause 55, working to make approvals more certain?

3.5 Governments should make approvals simple, fast and predictable

Based on evidence from submissions and literature, and our consultations including case studies, we propose several reform directions for approvals. These represent a preliminary view: we are seeking feedback on these directions and their implementation to inform our final report.

Minimise site-by-site assessments through strategic planning

State and territory governments should use strategic planning to consider infrastructure requirements and relevant trade-offs associated with the development of new housing upfront rather than through

the development approval process. Strategic planning should be used when areas are identified for housing uplift through higher density or greenfield developments. In these areas, land use and infrastructure requirements will change materially, requiring early and coordinated planning. Once decided, these considerations should then be reflected in the relevant planning scheme, making the approvals process clearer for developers and reducing the need for decision making about what should be allowed on a development-by-development basis.

Governments should work with referral agencies and other relevant bodies to consider the trade-offs associated with development (including the need for more housing) across priority areas for new homes. Where possible, technical studies, like flood, biodiversity and bushfire risk mapping, should be completed and considered across entire priority areas for uplift. Once decisions about these trade-offs have been made through strategic planning, they should not be relitigated when approvals for new housing are being assessed.

State and territory governments should also aim to reduce delays and extra costs caused by conflicting advice and slow decision making about infrastructure. They can do this by fully considering how housing-enabling infrastructure would interact with existing infrastructure (box 3.3, also chapter 4). This should help eliminate cases of delays and extra costs caused by conflicting advice and slow decision-making about infrastructure.

While most states and territories and many councils already engage in strategic planning in some form, the goal should be to manage trade-offs and remove obstacles to housing development efficiently and early in the process. This would allow governments to set clear requirements about what is and is not permitted in planning schemes, rather than leaving it to be decided in the approval of individual developments. Inquiry participants told us that better strategic planning was one of the most important reforms to reduce the burden of approvals (Mecone Group, sub. 65, p. 2; PIA, sub. 34, pp. 16–19; SGS Economics and Planning, sub. 45, p. 5). While strategic planning processes take time, they should not be used as an excuse to unreasonably delay reforms for land use, infrastructure coordination and approvals.



Reform direction 3.1

Consider infrastructure requirements and trade-offs associated with development early through strategic planning

State and territory governments should seek to lift the burden from approvals by assessing development conditions and determining trade-offs efficiently and upfront rather than through the development approval process. This includes:

- identifying suburbs and localities where there is high expected demand for new housing, and making it an explicit performance goal for councils, relevant agencies and regulated infrastructure service providers to facilitate new housing in these areas
- completing technical studies (e.g. flood risk, bushfire risk, biodiversity mapping) across suburbs and localities with high expected demand for new housing, and considering how the impacts of the expected uplift in housing development can be managed across these areas
- fully considering how any required housing-enabling infrastructure will interact with existing infrastructure, including by engaging with referral agencies or owners of existing infrastructure to identify potential barriers to development early (in conjunction with reform directions 4.1 and 4.2)
- incorporating the outcomes of these assessments into planning schemes as clear and codified requirements for development, and avoiding site-specific assessments of trade-offs where possible.

Move more approvals towards quicker assessments

Not all developments should be assessed in the same way. Developments should proceed through different assessment pathways depending on their level of risk, complexity and importance. While many jurisdictions are already moving in this direction, there may be scope to boost use of fast-track pathways through increased coverage. Minor developments which have very few external impacts (for example, sheds, fences, solar panels and carports) should not require planning approval.

Fast-track pathways for low complexity developments

Low-complexity developments should proceed through expedited or fast-track pathways, with simplified assessment. The PC's initial view is that best practice for such pathways includes the following features:

- **Apply broadly to low-complexity housing typologies.** While fast-track pathways are available in many jurisdictions, many developments are still assessed through standard pathways. Fast-track pathways should ideally be available for detached dwellings, duplex/dual occupancy and townhouses that meet predefined requirements, with exceptions limited to situations where there is complexity requiring additional scrutiny (for example, developments in areas with environmental or bushfire overlays).
- **Assess against codified rules,** so that developments are approved automatically if they comply. Deemed-to-comply pathways should be used to assess low-complexity developments that meet predefined standards. Standards can include codified requirements such as low-rise or townhouse codes and consistent land-use controls that are applicable in the same way in each relevant zone in a jurisdiction. Developments that meet the rules should be automatically approved.
- **Expand the use of pattern books.** All states and territories should create pattern books with templates for developments which are pre-approved to proceed through fast-track pathways. These should explicitly include options for patterns incorporating more productive methods of construction that are also eligible for simpler, faster approval processes.
- **Use hybrid assessment for developments which narrowly fail to comply with fast-track criteria.** Many developments are ineligible for fast-track pathways because they narrowly miss full compliance with the rules, which creates a 'steep cliff' from fast-track to time-consuming standard assessments. For these developments, standard assessment should only be required for rules which they do not comply with, with the development otherwise proceeding through the fast-track pathway.
- **Minimise third-party inputs** for projects within the fast-track pathway. Fast-track pathways should be designed such that assessment can be made with minimal need for external referrals or third-party reports. Similarly, there should be no appeal or public notification required, as the rules should be designed such that externalities are minimised for complying developments (for example developments are inherently low-rise, so there are minimal concerns about overshadowing).
- **Allow developers to opt 'in'.** Some fast-track pathways require councils to identify and nominate which applications fast-track approval applies to. Allowing applicants to select and opt 'in' to a pathway will reduce a decision-making step and allow dedicated assessment.
- **Approve developments quickly** – with council incentives for fast assessment. Most fast-track assessments should be capable of being approved within 10 to 20 business days, as is the standard for several existing pathways. Councils should publicly report data on the timeframes for approval and proportion of applications that meet the standard (see below on reporting). Applications that exceed a certain timeframe due to assessment delays caused by the council should be approved by default.



Reform direction 3.2

Expand the use of fast-track pathways to assess simple developments

State, territory and local governments should improve fast-track assessment pathways by:

- expanding their use to cover more low-complexity developments, using deemed-to-comply assessment against codified rules, with minimal third-party inputs
- increasing the use of pattern books, with templates eligible for fast-track approval
- using hybrid assessment for developments which narrowly fail to comply with fast-track criteria, where non-complying criteria are assessed using standard techniques
- approving fast-track developments quickly, with incentives for councils to increase speed of assessment.

State-significant pathways for key developments

Developments that are important in terms of their potential housing supply and have impacts extending beyond a single council should be assessed through prioritised state-led pathways. These types of developments typically require significant inputs from state-level government agencies and third parties. States and territories should be responsible for assessing these applications, to ensure the process is efficient and seamless. The PC's initial view is that best practice for such pathways includes the following features:

- **Ensure pathway is only used for developments with a clear need for state-led assessment.** Given that these pathways tend to involve resource intensive assessment, the pathway should only be reserved for projects with a clear need for state-level assessment. The criteria for what constitutes a state-significant development should be transparent and clearly defined.
- **Clear decision-making powers for strategic assessment.** Assessment authorities should be given the power to make decisions in cases of conflicting regulations or advice. Given the broad impacts of state-significant projects, assessment should not be bound by council planning schemes.
- **Early and targeted third-party participation.** Third parties (e.g. government agencies, councils, experts, community) should be consulted early to allow for meaningful input and avoid design 'lock-in'. This consultation should be targeted to cases where third-party inputs are genuinely required for decision making.

Some inquiry participants suggested that state and territory governments should make social and affordable housing projects eligible for these state-led approval pathways (ACH, sub. 37, pp. 4–5; Mission Australia, sub. 10, pp. 2–3; Uniting Vic.Tas, sub. 39, pp. 1–3). Participants cited Victoria's Development Facilitation Program, a state-significant pathway for which provision of affordable housing is an inclusion criterion, as a positive example of reform in this area. This is something we will consider more in our final report, alongside consideration of the impacts of inclusionary zoning for affordable housing on housing supply and affordability (chapter 2).



Reform direction 3.3

Use state-significant pathways to approve developments with a clear need for state-led assessment

State and territory governments should improve the assessment of large, complex and important developments by:

- using state-significant pathways when a clear need for state-led assessment is demonstrated, with transparent and defined criteria for inclusion in the pathway
- giving assessment authorities clear decision-making powers, which are not bound by council planning schemes
- using early and targeted consultation to meaningfully engage third parties where their inputs are required.

Enabling reforms – better supporting all tiers of assessment

Coordination bodies should be used to improve the sequencing of assessments and inputs

States and territories should establish (if they have not already) coordination bodies to sequence input from government agencies and external parties, where required in assessments. Coordination bodies should be used to minimise the friction of referrals and external input through the assessment process and ensure third parties adhere to input timeframes. They should be given the power to make decisions in the face of conflicting advice provided by different parties – so that the developer receives clear information about what is required. Coordination bodies should also be responsible for helping developers navigate getting approval for and setting up infrastructure connections. The specific roles and structure of coordination bodies should be adapted to best support the specific approval system in each state and territory.

Technology including AI should be used to support applicants and decision makers

State, territories and local governments should continue using technology to digitise approvals systems, where they haven't already. Wherever possible, and with appropriate governance, AI should be used to support decision makers in assessment of applications. AI-supported assessment of applications may become easier where there is less discretion in planning rules, for example in codified fast-track pathways (Property Council of Australia, sub. 73, p. 10; UDIA, sub. 83, p. 20). This could involve using AI as a triage tool to pre-assess applications against rules (Westpac, sub. 38, p. 6), identifying conflicting requirements (Landscaping Victoria, sub. 5, p. 6) or using AI to ensure consistency in decision making (HIA, sub. 25, p. 3). Councils should also use AI to provide advice to developers about the requirements of approvals processes, where practical to do so.

States and territories should be held accountable through transparent end-to-end reporting

All states and territories should publish performance reporting which reflects the burden of the end-to-end approvals process. While some inquiry participants noted that reporting on approvals timeframes does not adequately reflect the number of homes being built, or the restrictiveness of land-use controls (Maltman and Gibbons, sub. 41, p. 14–17; Mecone Group, sub. 65, p. 6; City of

Boroondara, sub. 29, pp. 10–13), improving the transparency of approval timeframes is still important to understand how these processes burden developers.

State and territory performance reporting should include information on approval timeframes (best practice is the number of days from the lodgement to the determination date, without ‘stop-clock’ periods), outcomes, referrals, appeals and number of RFIs. This information should also be broken down by council and development type. States and territories should also move towards providing this reporting on other approvals, such as rezoning and building approvals.

If possible, states and territories should also report a measure of the time taken to receive all approvals necessary for the development. For example, measuring the time from when development approvals are submitted to when building approvals are issued may capture the burden from appeals or post-approval steps. Additionally, states and territories could report the number of post-approval conditions for a development.



Reform direction 3.4

Improve housing approval assessments with better coordination of referrals, use of technology including AI, and transparent reporting

State, territory and local governments should improve housing approval assessments by:

- using coordination bodies to manage and sequence referrals from government agencies and third parties. These bodies should have decision-making power in the event of conflicting advice
- increasing use of technology including AI to help decision makers and applicants understand regulatory requirements and identify potential problems with applications
- strengthening performance reporting so that it more meaningfully captures the end-to-end burden of the approvals process. This includes public reporting on outcomes by council.



Information request 3.4

- What examples are there of best practice strategic planning improving the process for housing approval decisions at a state, territory or local government level?
- Do the features of tiered assessments we have identified match best practice? What sort of developments should be included in each tier?
- How effective has technology including AI been where it has been used to assist with approvals? How can it be better utilised?
- What are the best ways to enhance how states and territories track the timing and burden of approvals?
- What reforms should each state and territory prioritise to reduce the burden of the approvals process?
- How can federal, state and territory governments incentivise councils to approve developments efficiently, and encourage those that are slow or are obstructing approval pathways to improve?
- What evidence is there about the benefits of including social and affordable housing in state-significant, or other streamlined, pathways?

3.6 Inquiry next steps on housing approvals regulation

The interim report provides broad reform directions based on existing evidence on best practice for housing approvals, and where there is scope for jurisdictions to improve. The report aims to give policy makers and stakeholders an understanding of where the evidence stands and what the gaps are.

Our final report will provide more specific recommendations for each state and territory, based on analysis and consultation. While there are many examples of problems with approvals systems, systematic and quantitative data on specific problems is hard to find. The PC plans to add to the evidence base in this area by conducting a survey of developers and housing builders to identify timeframes and regulatory burdens in more detail.

While we have provided general directions, the effects of reforms are likely to vary significantly by jurisdiction. Each state and territory differs in how housing applications are assessed and are variously advanced in different aspects of best practice reform as outlined above. We seek further information on the most effective steps for each jurisdiction to reduce the burden of approvals to inform our final report.

4. Delivering housing-enabling infrastructure

Key points

- ✳ **Housing-enabling infrastructure is essential to support new housing supply. When utility connections, transport links and social infrastructure are provided in a timely and coordinated way, it can enable faster delivery of new homes and maintain liveability for existing residents.**
 - Housing-enabling infrastructure regulation should ensure infrastructure arrangements are simple, certain, transparent, timely, consistent and efficient.
- ✳ **To support timely delivery of new homes, infrastructure planning must be housing-oriented, aligned across levels of government and coordinated with relevant parties. It should be sufficiently detailed to provide certainty for developers.**
- ✳ **In theory, developer contributions should not significantly impact development feasibility, but in practice, how charges are administered can increase risk, uncertainty and reduce feasibility of developments.**
 - Developer contributions should be cost-reflective, and only be levied when the infrastructure has a clear link to the development and the share of benefits to residents of the development can be apportioned.
 - Contributions should be estimated upfront to allow developers to factor costs into feasibility assessments prior to acquiring land, and the payment timing should support development cashflows.
 - There are trade-offs and complexities in practice, meaning there are cases when alternative contribution approaches can be appropriate.
- ✳ **The Productivity Commission is seeking feedback on how best practice principles for delivering housing-enabling infrastructure can be translated into implementable reform priorities for each level of government.**

4.1 Housing-enabling infrastructure is essential to support housing supply

Infrastructure has an essential role in supporting housing supply. Good quality infrastructure delivered on time can support faster delivery of new housing while maintaining standards of liveability for residents and the community.

In contrast, if infrastructure is poorly designed, inadequate or delivered too slowly, it can prevent or delay new housing (LGAQ, sub. 4, p. 1; PIA, sub. 34, p. 25). A survey of Australian residential developers in 2025 found that a lack of social and transport infrastructure was preventing the development of 24% of undeveloped residential land in greater Melbourne and Geelong, 16% in Greater Sydney, and 13% in greater Perth and Peel (UDIA 2026, p. 21). The National Growth Areas Alliance gave an example of a growth area near Perth with nearly 10,000 approved lots that could not be developed due to a lack of housing-enabling infrastructure (sub. 54, p. 16).

Housing-enabling infrastructure improves liveability but is costly to provide

Housing-enabling infrastructure is the supporting infrastructure and services that make a residential area liveable. It enables homes to be connected to basic services like power and water, and allows people to access public transport, community buildings, and open green spaces. It can be broadly categorised into 2 groups; basic infrastructure and social infrastructure¹²– both of which are important to support liveability (figure 4.1).

In developments with no pre-existing housing (typically greenfield developments), infrastructure is often built from scratch to enable housing in the area. In other developments, such as brownfield or other urban infill developments, the focus is more on connecting to existing infrastructure, or upgrading local infrastructure to ensure service quality is maintained when more housing is developed in the community.

While infrastructure is crucial for supporting housing supply, it is costly, comprising about 15% of total Australian and state and territory government budgets in 2025-26 (Infrastructure Partnerships Australia 2025, p. 2). The share of total Australian Government spending that is used to fund infrastructure has risen on average from about 0.6% in 2006-07 to just over 2% in 2024-25 (Infrastructure Partnerships Australia 2025, p. 14).

Enabling infrastructure tends to cost less in infill locations (AECOM 2018, p. 5; NSW PC 2023, pp. 11–19), but the cost gap varies depending on the spare capacity of existing infrastructure (Quantify 2026, pp. 22–24).

- Infrastructure Victoria estimated that housing-enabling infrastructure (excluding transport) cost 2 to 4 times more in greenfield areas compared to infill areas – about \$80,000 to \$214,000 per home in greenfield areas (in 2018 dollars) (2019, pp. 2, 31).
- In Sydney, greenfield infrastructure was found to cost about \$39,000 more per home compared to infill sites in 2023 (NSW PC 2023, p. 11).
- In Adelaide, a 2017 case study of 3 different types of development found that the greenfield development was the highest cost per new home (ranging from \$82,600 to \$87,600), compared to \$86,200 per home in a brownfield site, and approximately \$29,100 per home in infill sites (Hamilton and Kellett 2017, p. 257).

¹² Basic infrastructure is also referred to as 'economic' or 'essential' infrastructure in some literature.

Figure 4.1 – Many different types of infrastructure support new housing

	Local Benefits specific development or surrounding area	Regional or state/territory Benefits broader region or state or territory residents
Basic infrastructure Basic infrastructure required for housing	• Power, water, gas  • Sewerage, stormwater • Telecommunications  • Roads, footpaths, street lighting	• Sewerage treatment plants  • Water reservoirs • State roads 
Social infrastructure Other infrastructure that makes housing liveable	• Parks, open space  • Parking • Local public transport  • Local health services, schools, sport facilities • Other public buildings	• Major hospitals and public transport^a  • Regional and state sport facilities • Tertiary education facilities 

a. Past PC work categorises public transport as basic infrastructure (PC 2004, p. 157, 2011, p. 186) because it is classified as 'essential'. However, we have included public transport as social infrastructure to support principles of who should pay (given the positive externalities and dispersed beneficiaries of public transport beyond development sites). This is consistent with the NHFIC categorisation of public transport as state or regional infrastructure (2021, p. 10) and the Australia's Future Tax System Review, which suggests public transport is not basic infrastructure (Henry et al. 2010, p. 425).

Source: Based on Henry et. al. (2010, p. 425); NHFIC (2021, p. 10); PC (2004, pp. 157–158, 2011, p. 186).

Layers of regulation and policies shape housing-enabling infrastructure

Housing-enabling infrastructure is shaped by layers of regulations and policies intended to support housing supply and provide community benefits. But when regulations and policies are poorly designed or administered, they can lead to inadequate, lagged or poor-quality infrastructure (section 4.2), or cause new housing to be built in areas where infrastructure is more expensive or difficult to provide (NHFIC 2021, p. 6; NSW PC 2020, p. 32). This can constrain the supply of new housing and increase opposition to new development by existing residents if they are concerned about inadequate infrastructure (Infrastructure Australia 2018, pp. 34–35; NSW PC 2021, p. 27). For example, a survey by AMPLIFY found 73% of respondents supported more medium density housing if it was rolled out in sequence with additional public transport (sub. 42, p. 11).

Each level of government has some role in housing-enabling infrastructure (table 4.1). In addition, housing-enabling infrastructure is shaped by a number of agencies and corporations, including infrastructure service providers and regulators, who may also have responsibilities for administering developer contributions to help fund and deliver infrastructure. For example, in Tasmania, a state-owned company called TasNetworks is responsible for the state's electricity transmission and distribution network, including providing electricity connections in new housing (TasNetworks 2026).

Table 4.1 – Role of each level of government in housing-enabling infrastructure

Level of government	Role
Local government	Plans, funds, delivers and maintains local infrastructure Administers approval processes Administers and collects local developer contributions
State and territory government	Plans, funds and delivers state and regional infrastructure Provides some funding for local infrastructure and sets local infrastructure planning framework Approves state major infrastructure Collects state developer contributions
Australian Government	Plans, delivers and approves major national infrastructure Provides funding to state and local infrastructure Sets national design standards for infrastructure

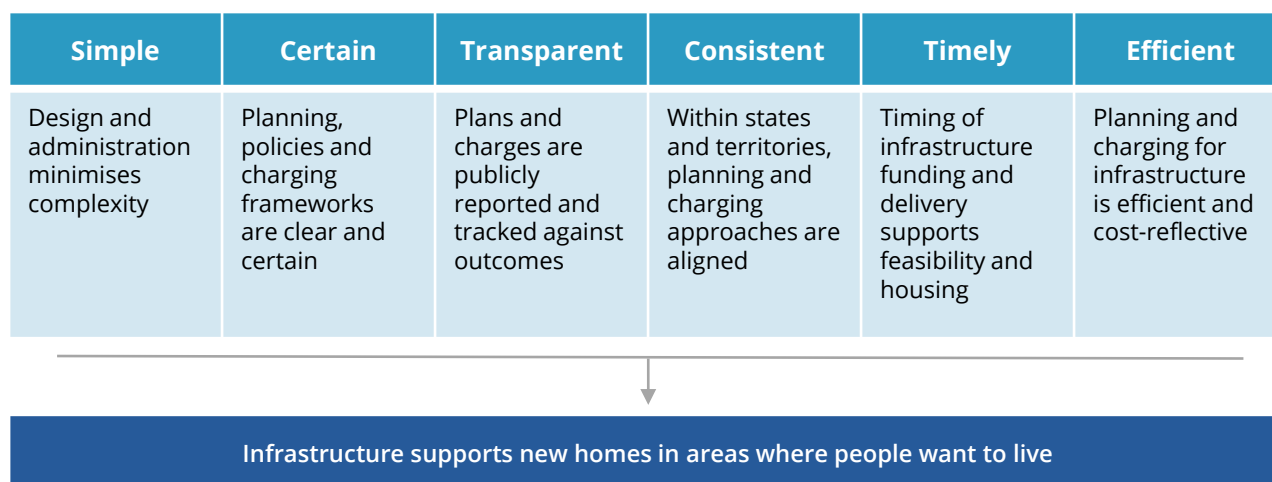
Source: Based on AHURI (2020, 2026); NHFIC (2021, pp. 29–31).

Supporting principles for regulation of housing-enabling infrastructure

Chapter 1 of this report sets out the overarching principles of best practice housing regulation. In the context of housing-enabling infrastructure, principle 3 (coordinating housing delivery with infrastructure) is central.

To achieve the outcome of infrastructure that supports new housing, we outline 6 supporting principles (figure 4.2): simplicity, certainty, transparency, consistency, timeliness and efficiency. These principles guide our approach to different parts of housing-enabling infrastructure regulation in this chapter and have been informed by literature and submissions. Some inquiry participants suggested similar principles to inform developer contribution frameworks. For example, the Planning Institute of Australia suggested that contributions should be proportional, predictable, transparent, and support feasibility, delivery and fairness (sub. 34, p. 24).

Given our terms of reference, these principles are intended to guide governments towards best practice delivery of housing-enabling infrastructure. Other bodies such as infrastructure service providers (for example, water corporations) and economic regulators also have roles in housing-enabling infrastructure – our principles should guide these bodies in how they approach infrastructure delivery, but are not intended to replace existing, codified principles such as water pricing principles.

Figure 4.2 – Supporting principles for housing-enabling infrastructure

Source: Adapted from NSW PC (2021, p. 308).

4.2 Improving infrastructure planning and coordination

Infrastructure planning involves governments identifying areas where additional infrastructure is required, or will be needed in future, often to align with projections in population growth. It requires alignment between different levels of government and related agencies and corporations (such as infrastructure service providers) – those who fund, plan for and deliver housing-enabling infrastructure. When done well, it can help identify and deliver the infrastructure that will ensure new housing is built quickly, while providing communities and developers with certainty to support ongoing investment in new housing (Queensland DSDIP 2026). However, current practice can fall short of this. We have identified several ways in which current housing-enabling infrastructure planning is putting a handbrake on new housing supply.

Poor infrastructure planning and coordination is a constraint on new housing

Poor infrastructure planning can reduce the timely delivery of new housing when it does not provide enough certainty on future infrastructure investment, when it is not coordinated between the different parties involved, or is reactive to new housing rather than leading housing supply. Participants in this inquiry highlighted several ways in which infrastructure planning may not support timely delivery of new housing:¹³

- plans that lack detail on housing projections and infrastructure needs in local areas, or are misaligned with housing and other strategic planning, and population projections (box 4.1)
- plans that are poorly coordinated between different levels of government for housing and infrastructure and other areas, due to fragmentation of different plans and lack of clear responsibilities and accountability between different parties

¹³ ALGA, sub. 8, p. 7; Create Advisory, sub. 70, pp. 2–5; HIA, sub. 25, pp. 4, 25; NGAA, sub. 54, pp. 11–12; Master Builders Australia, sub. 74, pp. 13–14; Neighbourhood Forum 5, sub. 17, pp. 4–5; PIA, sub. 34, pp. 6, 23–26; Policy Watchdog Australia, sub. 1, pp. 9–10; PPI, sub. 77, pp. 10–11; SGS Economics and Planning, sub. 45, p. 5; UDIA South Australia, sub. 31, pp. 2–3.

- sequencing issues where funding or planning is reactive or not provided early enough to support timely new housing supply. For example, some participants raised concerns that some councils hold large unspent developer contribution funds, but infrastructure delivery lags behind when the funds are collected
- lack of transparency in where infrastructure constraints are delaying or preventing new housing supply.

Developers and builders need earlier visibility of infrastructure requirements, costs, responsible agencies and expected approval timeframes. (PPI, sub. 77, p. 10)

The Housing Industry Association highlighted how water and sewerage services are provided through council-operated systems, distributor-retailer authorities, and state-managed providers in Queensland. They suggested that this contributed to fragmentation, inconsistencies in processes and complexity that 'limits coordination, reduces transparency and weakens the alignment between infrastructure delivery and housing supply outcomes' (sub. 25, p. 25).

These issues can limit housing supply by increasing uncertainty for developers, slowing down the approval and delivery of infrastructure required for housing, and reducing development feasibility when infrastructure lags housing, increasing developer holding costs.

Box 4.1 – Case study: Upzoning misalignment with infrastructure delivery in New South Wales's North West Rail Link Corridor

When measures to support new housing in an area are not well coordinated or sequenced with infrastructure delivery, it can delay new housing. This can occur when planning for housing and infrastructure does not account for the long lead times of housing development.

In 2013, the New South Wales Government finalised the North West Rail Link Corridor Strategy, which included plans for an extension of the Sydney Metro train line, and proposed housing precincts around the new train stations. Some of these new stations, including Bella Vista and Kellyville, opened in 2019.

However, despite being nominated precincts for additional development and urban renewal since 2014, the rezoning of these areas for higher density housing came into effect in late 2024, following public consultation. While the public transport infrastructure was developed upfront, the rezoning required to deliver additional homes was not completed until much later. Coordinated, earlier upzoning for housing density may have supported earlier development of new homes.

Source: NSW DPHI (2023, 2025).

Utility connections can also act as a bottleneck to new housing

Delays in utilities connections for new housing developments can also act as a barrier to timely housing development. For example, Torana Estate in Sydney is a greenfield housing development that was rezoned for housing in 2013, but housing construction was delayed by several years after parcels of land were purchased in 2020, due to lagging sewerage connections (Hanrahan and Gock 2022). Several participants to this inquiry raised concerns about slow utility connections (ALGA, sub. 8, p. 5; NGAA, sub. 54, p. 4; PPI, sub. 77, p. 8). Master Builders Australia suggested these delays can be 6 to 12 months

or more, and some members in Queensland reported that electricity connections that were initially expected to take 6 months are now regularly taking 18 months, and sometimes extended beyond project completion (sub. 74, pp. 13–14). UDIA South Australia reported that South Australia is facing ongoing difficulties in delivering timely water infrastructure (sub. 31, p. 3).

Inquiry participants put forward several reasons for delayed utility connections. This includes ineffective sequencing and prioritisation of utility connections, timing mismatches between infrastructure planning and price review timeframes for infrastructure service providers, and a lack of accountability and competition among infrastructure service providers to incentivise timely connections (Create Advisory, sub. 70, pp. 2–5; Master Builders Australia, sub. 74, pp. 13–14; UDIA South Australia, sub. 31, p. 3; WSAA, sub. 85, p. 8). Create Advisory also suggested that data on infrastructure networks and their capacity lacks transparency and is sometimes unavailable, meaning it cannot inform infrastructure planning and development effectively (sub. 70, pp. 2–3). There may also be misaligned incentives between each level of government and infrastructure service providers. For example, some participants suggested there was a lack of contestability among some providers which they argued reduced the incentives for providers to deliver faster utility connections (Master Builders Australia, sub. 74, p. 13; UDIA South Australia, sub. 31, p. 3), which may be at odds with governments seeking to meet housing targets.

We are seeking more evidence about how infrastructure planning and coordination can support more timely utility connections (information request 4.1).



Information request 4.1

- What reforms are required to infrastructure planning and coordination to support more timely utility connections? To what extent is there misalignment of incentives between each level of government and infrastructure service providers?

States and territories take different approaches to infrastructure planning

Currently, state, territory and local governments take different approaches to infrastructure planning, as outlined briefly in chapter 1. Generally, state and territory governments outline strategic plans for planning objectives and major infrastructure, including growth projections, and may set goals for several years or decades in advance. In Victoria, an independent 30-year infrastructure strategy is released every 3 to 5 years by Infrastructure Victoria, with recommendations made to the Victorian Government that are supported by cost-benefit estimates. This is supplemented by Plan for Victoria, which is produced by the Victorian Government and covers housing, employment, infrastructure and other objectives the government sets (Infrastructure Victoria 2025, pp. 2, 4, 175–176; Victorian DTP 2025).

Some states and territories are also responsible for regional-level or city infrastructure plans. For example, the Greater Adelaide Regional Plan considers projected housing demand and land supply, and infrastructure objectives and plans (SA DHUD 2025).

Local infrastructure plans are more localised and consider future infrastructure needs to varying extents. Some have infrastructure strategies that outline broader objectives and anticipated

infrastructure needs (often part of broader planning documents). For example, the City of Ballarat in Victoria has *The Ballarat Strategy*, which outlines objectives for liveability, housing, infrastructure and other goals (City of Ballarat 2015).

There are some examples of good practice

Across state, territory and local governments, there are elements of good practice in infrastructure planning that support investment certainty for developers and help inform the timing and location of new housing-enabling infrastructure. For example, local government infrastructure plans in Queensland require councils to identify required infrastructure to meet current and future community needs (based on forecasts of future housing). They must also include cost estimates and demonstrate that the planned infrastructure can be funded, and are incorporated into the local planning scheme, with approval by the Planning Minister (City of Logan 2026; Queensland DSDIP 2023, p. 27).

Another is Parramatta City Council's Local Housing Strategy, which includes specific estimates of capacity for additional housing in rezoned growth precincts in the local government area, and makes projections of housing capacity for up to 20 years into the future. It also identifies areas with more growth opportunities and key infrastructure considerations for each (City of Parramatta 2020).

And in some jurisdictions such as Queensland and New South Wales, local government infrastructure plans (or development contribution plans) are also required to establish developer contributions, and must follow a consistent format (NSW IPART nd; Queensland DSDIP 2023).

Participants also put forward examples of good practice:

- Policy Watchdog Australia suggested that Economic Development Queensland has taken a successful approach to coordinating infrastructure and housing, by acting as a centralised planning and delivery agency that 'combines direct state assessment authority, infrastructure coordination, and a track record of delivered dwellings' (sub. 1, p. 6).
- The National Growth Areas Alliance suggested that in South Australia, the introduction of Infrastructure Schemes into its planning legislation was showing promise as a successful collaboration between councils and state government to coordinate infrastructure delivery (sub. 54, p. 14).
- Planning Institute of Australia suggested that Sydney's Green Square (a large urban renewal precinct that is expected to deliver 33,000 new homes, City of Sydney 2026), is an example of successful long-term precinct planning and coordination with infrastructure. They also supported the South Australian Land Supply Dashboard, which allows users to view data on land availability and rezoning activity (PlanSA 2026), and also informs infrastructure provision (sub. 34, pp. 20, 28).

But there is room for improvement in many cases

Despite these pockets of good practice, infrastructure planning at both the state and territory and local levels has limitations. Infrastructure planning documents can lack detail on how specific infrastructure measures and projected increases in new housing will be rolled out, and the expected costs and benefits of infrastructure projects. For example, WA's *State Infrastructure Programme 2025* identifies housing as a factor in its infrastructure outlook, but predominantly focuses on provision of social and affordable housing and crisis accommodation, rather than also detailing how infrastructure projects will align with housing supply more broadly (WA Government 2025).

Some jurisdictions also have multiple plans that developers must navigate to understand infrastructure investment and its connection to housing in each location. For example, Devonport City Council in Tasmania and Mandurah City Council in Western Australia both have multiple plans and strategies for

transport, community infrastructure and growth strategies. Devonport's stormwater management and road network strategies do not include detail on how the infrastructure will support housing supply, and Mandurah's Community Infrastructure Plan does not link the infrastructure to housing delivery (City of Mandurah 2025, 2026; Devonport City Council 2020, 2023, 2026).

And in some jurisdictions, plans are not updated regularly. For example, in Darebin City Council in Melbourne, the Northcote structure plan notes that one of the objectives is to 'give clear direction to investors about [the] preferred location for investment' and is dated from 2007 (Darebin City Council 2007, pp. 1, 9).

Infrastructure planning can better align with best practice principles to support housing supply

Governments can improve infrastructure planning through better coordination between all levels of government, a clearer joint vision for infrastructure, housing and planning, transparent frameworks for estimating infrastructure upgrade needs and alignment of local, regional, city and local-level plans.

Infrastructure planning is just one part of broader strategic planning to ensure new housing is delivered in a timely way. Making infrastructure planning more proactive, clear and housing-oriented also supports other parts of the housing development process, such as faster development approvals (chapter 3 and reform direction 3.1).

In addition, the presence of quality plans – while an important first step – does not guarantee that infrastructure planning is coordinated well with housing in practice. There must also be clearly defined roles and responsibilities, and incentives to ensure all parties involved in infrastructure and housing are aligned.

Based on our best-practice principles (chapter 1), and evidence from submissions and literature, we propose several reform directions for infrastructure planning. These represent a preliminary view: we are seeking feedback on these directions and their implementation to inform our final report.



Reform direction 4.1

Coordinate strategic planning for infrastructure with housing objectives

State, territory and local governments should improve their infrastructure planning by:

- documenting how infrastructure planning supports housing objectives, including any interdependencies with third parties such as infrastructure service providers. This should be prioritised for areas identified as having high expected demand for new housing (reform direction 3.1)
- ensuring infrastructure planning documents are kept current
- reporting the level of funding allocated to individual infrastructure projects and the expected costs and benefits of major road and transport projects
- ensuring there is a consistent approach to infrastructure planning across local governments within jurisdictions, and that local planning aligns with state-level infrastructure and housing objectives and projections (and supports reform direction 4.2).



Reform direction 4.2

Improve infrastructure sequencing with housing development

State and territory governments should improve how infrastructure is sequenced with housing. This includes:

- ensuring the timing of rezoning and infrastructure planning accounts for the lead times of each and that this is reflected in infrastructure plans, to ensure land for housing is released once a plan to deliver timely supporting infrastructure has been made
- ensuring infrastructure upgrades to support additional housing coincide with required changes to support housing, such as upzoning
- developing an accountability framework with clear responsibilities for each level of government and other parties such as regulators and infrastructure service providers, to set out how they will work together to deliver timely infrastructure to support housing
- considering how sequencing can improve certainty for other parts of the development process, including approvals (reform direction 3.1).



Information request 4.2

- What feedback do you have on our reform directions for infrastructure planning? To what extent will these resolve the planning coordination issues and address constraints to housing supply?
- How should reforms to infrastructure planning be implemented and what are the main challenges?

4.3 Who pays for housing-enabling infrastructure?

Infrastructure is funded by users, developers and governments

Housing-enabling infrastructure is funded by a combination of charges on developers, users of the infrastructure (such as public transport fares or public pool entry fees) and by governments. Funding comes from various levels of government including local government, state and territory governments, and the Australian Government (which can be distributed in the form of direct spending or grants to other levels of government to help fund infrastructure).

Developer contributions¹⁴ are charges directly levied on developers of new dwellings, often as part of the approval process for the dwelling. They are typically administered by state and local governments, and for some utilities (such as water), the responsible corporation may administer and collect contributions. Developer contributions reflect that housing development imposes broader infrastructure costs on the community that governments typically provide, such as new roads connecting to the development site. The extent to which housing-enabling infrastructure is paid for by developer contributions varies depending on the location and type of development (NHFIC 2021, pp. 29–31).

Local governments face challenges in funding housing-enabling infrastructure

Demand for local infrastructure has grown significantly over the last few decades. In 2021, local governments were responsible for funding an estimated almost 30% of public infrastructure expenditure on average (SGS Economics and Planning 2022, p. 51). Yet, local governments have limited avenues for generating revenue, making it increasingly difficult for councils to fund infrastructure (NHFIC 2021, p. 4; SGS Economics and Planning 2024, pp. 26–28).

A 2024 survey of 130 local governments found that the most common challenge in delivering more new housing was a lack of infrastructure funding. Eighty per cent of participating councils said they could not cover trunk infrastructure expenses, and 40% said they had reduced new infrastructure projects due to lack of funding (ALGA 2024, p. 5). Local governments identify several challenges affecting their ability to fund housing-enabling infrastructure.

- Caps on developer contributions or caps not being indexed can contribute to funding shortfalls (ALGA 2024, p. 14; NHFIC 2021, pp. 22–23; Suburban Futures, sub. 2, p. 15).
- In New South Wales and Victoria, pegging or capping of council rates can act as a disincentive to councils in higher-growth areas from accepting additional development and impede their ability to fund infrastructure and its maintenance (NHFIC 2021, pp. 22–23; NSW PC 2020, p. 6).
- Grant funding from other levels of government can be ad-hoc and lack certainty (ALGA 2024, p. 15).
- Rules around how local governments can use developer contributions can make it difficult to invest early in infrastructure delivery, and has led to some local governments accumulating unspent funds from developer contributions (NHFIC 2021, pp. 16–17).

Local governments and industry often cite a lack of funding as a significant constraint on housing-enabling infrastructure (CoNEXA, sub. 24, p. 3; LGAQ, sub. 4, pp. 3–4; NGAA, sub. 54, pp. 21–22; PIA, sub. 34, pp. 25–26). Reflecting these constraints, local governments have increasingly been using developer contributions to help pay for broader types of infrastructure where possible, over recent decades (HIA, sub. 25, p. 4; NHFIC 2021, p. 3; UDIA, sub. 83, pp. 26–27). This has meant that, in some

¹⁴ ‘Developer contributions’ can also refer to non-monetary contributions by developers, such as works-in-kind or direct provision of land or infrastructure. This chapter focuses on monetary contributions.

jurisdictions such as New South Wales where contributions are subject to caps, local governments often apply to exceed these caps (Ballinger 2018, pp. 21–24; NSW PC 2020, p. 59).

It is likely that more funding would allow more enabling infrastructure to be built sooner. But it is beyond our terms of reference to assess whether the amounts committed to infrastructure funding by governments are sufficient to deliver the desired housing outcomes. We are however asked to examine the way governments can recoup infrastructure costs including developer contributions.

Developers often raise concerns about growing developer contributions

Developers and other groups commonly express concerns about the growing size of developer contributions, suggesting that increasing charges reduce the feasibility of housing projects.¹⁵ Some were also concerned that the scope of infrastructure being funded by developer contributions was becoming broader and less connected to the development and its residents.

The scope of contributions has also expanded beyond essential infrastructure with a clear nexus to new housing. For example, an inner-city pedestrian bridge may be partly funded through developer contributions utilising charges from a homebuyer on the urban fringe, despite this homebuyer potentially never using this infrastructure asset. (HIA, sub. 25, p. 4)

Participants suggested that the way that charges are administered can be uncertain and undermine feasibility of projects, and that there is a lack of clarity about how developer contribution funds are being used (HIA, sub. 25, pp. 4, 23; Le Mottee Group, sub. 56, p. 9; Master Builders Australia, sub. 74, pp. 11–12; NGAA, sub. 54, p. 21). The link between developer contributions and feasibility is covered in more detail in section 4.4.

There can also be a first-mover disadvantage – if a developer is required to establish new infrastructure in a recently developed residential area, future developers in the area will be advantaged by the pre-existing services, creating a ‘free rider’ problem (NHFIC 2021, p. 4). This could deter developers from commencing construction if they are concerned that they will bear the brunt of the infrastructure costs.

Who should pay for housing-enabling infrastructure?

Developer contributions can be an efficient way to fund infrastructure

Existing literature and economic principles generally agree in suggesting that developer contributions should be used to pay for infrastructure when its need and use is clearly linked to that development and the people who will live there (Abelson 2017, p. 10; Henry et al. 2010, p. 425; NSW PC 2020, pp. 34–35; PC 2011, p. 202). This is because cost-reflective infrastructure contributions provide a price signal to encourage development in areas where infrastructure is less expensive to provide, and ensure those who benefit most from the infrastructure pay a fair price for it. For example, in infill areas it typically costs less to provide housing-enabling infrastructure compared to greenfield areas, where larger, more costly infrastructure may be needed.

However, it becomes more complex when the need for infrastructure or the benefits of it cannot be clearly linked to a specific development, or many different groups will benefit. In addition, governments often support provision of merit goods (those that benefit society as well as individuals), because

¹⁵ Ell Legal Construction Advisory, sub. 52, pp. 5–6; HIA, sub. 25, p. 22; Master Builders Australia, sub. 74, pp. 10–13; Policy Watchdog Australia, sub. 1, p. 8.

otherwise the private market will undersupply them. Based on the above, we propose the following principles for who should pay for infrastructure.

1. When infrastructure must be provided because of a new development, the developer(s) responsible for the new development should pay for the cost through contributions (or a portion depending on how exclusive the benefits and use will be to residents of the specific site). For example, power and water connections to new homes are used entirely by the residents of the homes.
2. Where infrastructure has already been established but will be used by residents of a new development, the developer should pay a contribution for a portion based on expected use by residents of the development. For example, local road upgrades in anticipation of future development.
3. Costs that are incurred to provide infrastructure regardless of a specific development (such as increased needs on shared infrastructure due to broader population growth) should only be levied on developers to the extent that the portion of the benefits for that development can be estimated. For example, a local library required due to broader population growth but located close to a new development will likely mostly be used by residents of the development, meaning developer contributions should be apportioned to reflect this.
4. For major shared infrastructure such as regional or state infrastructure (for example, major roads, sporting facilities), developer contributions should only cover a portion of the share of benefits or use if this can be calculated, and when development residents are beneficiaries. Where there are highly dispersed beneficiaries and it is difficult to demonstrate a clear nexus between the development and infrastructure – and apportion the share of benefits to that development – developer contributions are likely inappropriate and other funding should be used.

These principles can be operationalised via several pathways to determine how infrastructure is ideally funded (figure 4.3). While these principles should help guide efficient developer contribution arrangements as a starting point, in practice there are trade-offs and considerations that may require flexibility. These are considered in section 4.4.

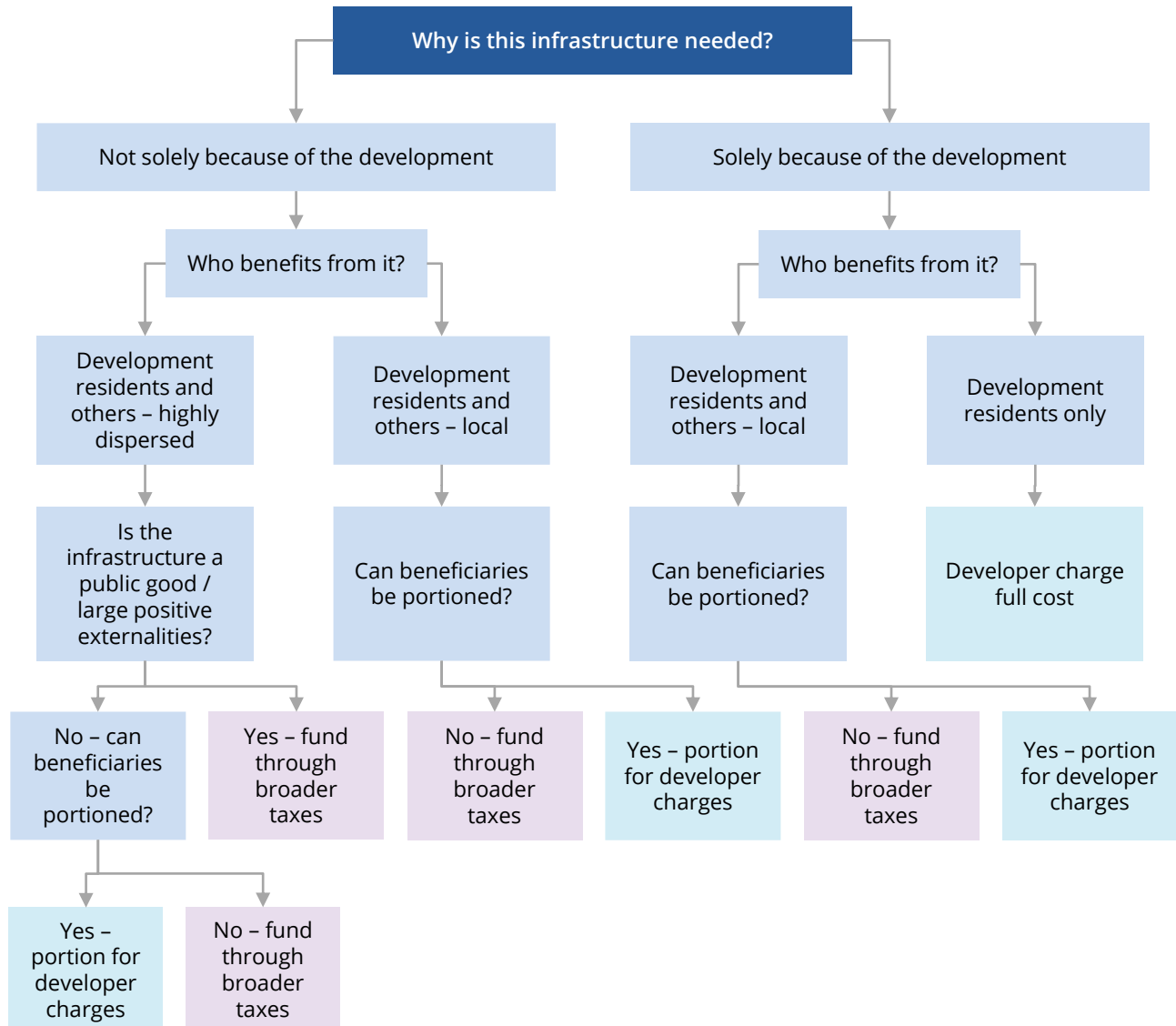
Where developer contributions are justified, charges should be efficient

An important assumption in these pathways is that developer contributions should reflect the actual cost of the infrastructure that is required. If charges are set higher than the actual cost, they can act like a tax on development (BCA, sub. 71, p. 2; Henry et al. 2010, p. 424). And set too low, they can act like a subsidy, and may encourage more development in areas where housing is more expensive to provide (Henry et al. 2010, p. 426).

Efficient charging means charges are structured to reflect the developer's contribution to portioned costs. Contributions based on the number of homes in the development or based on a percentage of construction costs can create inefficient distortions in development decisions.

When contributions are tied to the number of households, residential lots, or dwellings, there is a bias towards larger, low density housing in residential developments, because the developer will be liable for a smaller overall charge. (Evans 2004, cited in Gurran et al. 2009, p. 37)

Figure 4.3 – Using principles of who should pay leads to different funding outcomes depending on the type of infrastructure



Source: PC analysis.

4.4 Supporting housing supply through developer contributions

Developer contributions must be well-designed and administered to minimise effects on housing feasibility and supply

In principle, developer contributions should not affect development feasibility ...

Developer contributions are one of many different costs that developers consider when deciding how feasible a project may be. Economic theory suggests that over time, the effect of contributions on development feasibility should be small, because the charge should reduce the amount developers are willing to pay for a parcel of land (Abelson 2017, p. 9; Henry et al. 2010, p. 428; Murray and Helm 2022, pp. 11–12; NSW PC 2020, p. 33; PC 2004, p. 164). Since prices of new homes are set by the broader housing market in Australia including existing homes, developers may have limited ability to pass on charges to buyers of new homes through higher prices. Therefore, if their expected costs increase through a developer contribution, in theory it reduces the amount developers can afford to pay for developable land. Over time land values would fall to the point where a ‘normal’ rate of return for development is restored.

Empirical analyses in Australia have generally found this to be the case. For example, analysis of changes in developer contributions in Queensland found no estimated effect on house prices in one natural experiment study (Murray 2018). The New South Wales Independent Pricing and Regulatory Tribunal (IPART) also found that waiving water and wastewater developer contributions in New South Wales in 2008-09 was associated with a commensurate increase in land values, and no significant effect on house prices (NSW IPART 2024, p. 2). Other feasibility modelling has suggested that developer contributions have little impact on feasibility even when charges become very large (CIE 2020, p. 94).

But not all studies support this conclusion. Analysis of the link between developer contributions and new home prices using a hedonic pricing model found a large pass-through of charges to prices (Bryant 2015). However, this study had limitations in how the links between higher charges and higher house prices were accounted for. Master Builders Australia also provided several case studies to this inquiry where they suggested that waived or discounted developer contributions were associated with higher development activity (sub. 74, pp. 12–13).

... but this requires the contribution to be predictable

In practice, the way in which developer contributions are administered can affect feasibility (Henry et al. 2010, p. 426). Land values will only adjust downward sufficiently to reflect developer contributions if charges are known well in advance, there is a competitive land market, and there is time for prices to settle outside short-term changes in macroeconomic conditions that affect feasibility (such as interest rates).

Participants in this inquiry (including many from the development and construction industry) agreed that in practice, developer contributions can affect feasibility (HIA, sub. 25, p. 23; Le Mottee Group, sub. 56, p. 9; Master Builders Australia, sub. 74, pp. 10–13; Policy Watchdog Australia, sub. 1, p. 8; PPI, sub. 77, p. 10).

Developers must be able to reasonably estimate total project costs at the outset, including taxes, charges and infrastructure contributions. Where this is not possible, investment

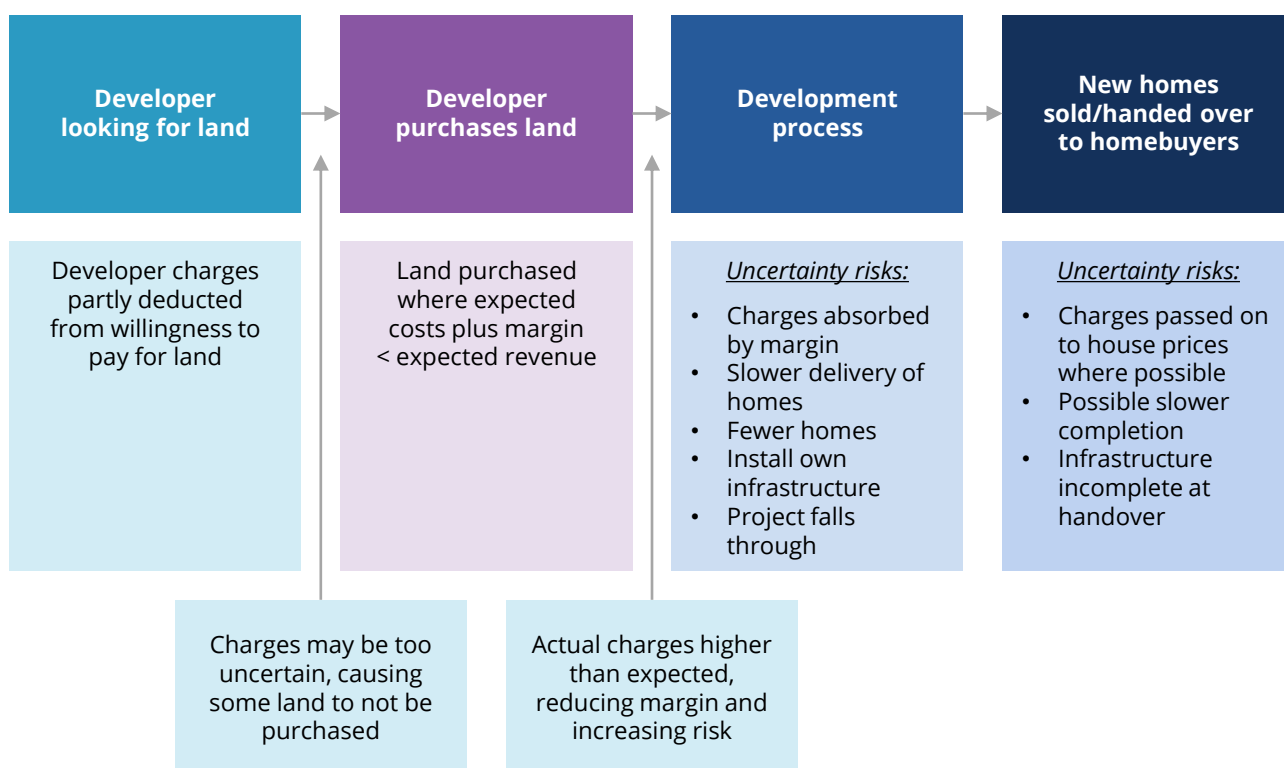
decisions are delayed, financing becomes more difficult, and projects may be abandoned or scaled back. (National Shelter, sub. 53, p. 14)

Developers often state that charges are frequently highly variable or uncertain, and may not be known until after land is purchased and development starts (NGAA, sub. 54, p. 21). For some, this uncertainty was a bigger issue for risk and feasibility than the size of the charge itself (Le Mottee Group, sub. 56, p. 9; NHFIC 2021, p. 11; PPI, sub. 77, p. 10).

Developer contributions are a material feasibility lever and, in high-demand areas, function as a de facto tax on new housing. Their impact depends not only on their level but on their predictability: contributions that are uncertain, subject to late change, or applied inconsistently are capitalised into developer risk premiums and tip marginal projects into non-viability ... (Policy Watchdog Australia, sub. 1, p. 8)

This means that if the charge is uncertain or unknown upfront, it may increase the risk to the developer in developing that site, and may cause them to underestimate it, meaning that the project could become unfeasible (figure 4.4), or proceed at a smaller scale (Master Builders Australia, sub. 74, p. 12). It may also cause the developer to look for other land for development instead, if the perceived risks from the size of the contribution are too high. In these situations, the outcome is sub-optimal because the uncertainty prevents developer contributions from signalling areas that can best support new homes.

Figure 4.4 – Uncertainty around developer contributions can affect feasibility at several stages in the development process



Source: PC analysis based on Abelson (2017, pp. 9–10); Henry et al. (2010, pp. 426–428); Murray and Helm (2022, pp. 11–14); NSW PC (2020, p. 33).

The timing of developer contribution payments can also affect feasibility

When contributions must be paid upfront prior to housing being developed, some developers argued this can constrain the cashflow of developers before they begin to receive revenue from the sales of new homes (HIA, sub. 25, p. 23; Master Builders Australia, sub. 74, p. 11; PIA, sub. 34, p. 16). Some participants suggested that this can increase financing costs and capital requirements for developers (HIA, sub. 25, p. 23), and holding costs (David Lord, sub. 55, p. 3). UDIA shared an example of an inner-city apartment development that was levied about \$70 million in developer contributions, but generated an additional \$23 million in financing costs due to the timing of the payments (sub. 83, p. 27).

This relates to broader challenges with funding housing-enabling infrastructure, including the need for earlier funding of infrastructure to allow timely delivery alongside new housing. This is covered in section 4.2 and considered as part of the role of the Australian Government in supporting housing-enabling infrastructure later in section 4.4.

Developer contributions should align with the supporting principles

There are opportunities for developer contribution frameworks to better align with our best-practice principles (figure 4.2). There are additional factors that can challenge implementation, which we consider below.

Contributions should be efficient

Some jurisdictions already have contributions that are cost-reflective and apportioned to reflect the share of the benefits or use connected to the development's residents. For example, local government contributions in Queensland and section 7.11 contribution levies in New South Wales are both calculated based on estimated costs of the infrastructure, apportioned to the share of demand or benefit to the development, although both are subject to caps on charge amounts, which can limit fully efficient charging (NSW DPHI 2026e, 2026a; Queensland DSDIP 2023, pp. 15, 34).

Making contribution charges efficient may be challenging in practice. For example, it may be difficult to define a 'close nexus', especially when infrastructure benefits residents beyond the development. Calculating exact costs and apportionments may also be administratively burdensome for local governments (NHFIC 2021, p. 6; NSW PC 2020, p. 36; VAGO 2020, p. 37), although digital tools may be able to assist with contribution determinations.

There is a trade-off between certainty and efficient cost-recovery

As discussed in section 4.3, certainty in developer contributions is important to support development feasibility. However, there appears to be a trade-off between certainty and efficient cost-recovery (NSW PC 2020, p. 36).

Some states offer fixed or percentage-based charges, or place caps on the size of the charge. Growth area infrastructure contributions in Victoria charge fixed amounts per hectare of the development, and 7.12 local infrastructure levies in New South Wales are based on a percentage of development costs (NSW DPHI 2026b; Victorian DTP 2026a). While this can increase certainty for developers, it is less efficient than cost-reflective pricing and is not as good at signalling lower-cost areas for new housing and infrastructure. It may also distort the type of development that occurs (discussed above). However, there can be situations where fixed or percentage-based charges are appropriate (box 4.2).

An important way to improve charging certainty while retaining cost-reflective charges is providing developers with estimates of contributions when considering allocating land for development, prior to

the approvals process commencing. This happens in Queensland, where local government infrastructure plans identify infrastructure needs and estimated costs prior to development occurring (Queensland DSDIP 2023, pp. 5, 32–33). Tools such as the New South Wales planning portal, which allows developers to search estimated developer contributions for an address, should also improve certainty (NSW DPHI 2026d).

Box 4.2 – Flat rate developer contributions can promote certainty in limited circumstances, but should not be broadly applied

In instances where there is a close nexus between a development and infrastructure, but costs are difficult to accurately estimate upfront and apportion, there may be a case to use flat or percentage-based developer contributions to avoid excessive complexity and give developers upfront certainty. There may also be instances where calculating precise infrastructure costs and apportionments are administratively prohibitive for local governments, and fixed or percentage contributions would be more manageable.

An example of this trade-off is when, in 2026, the Victorian Essential Services Commission made a price decision for North East Water, which included standard charges for new customer connections for developers. In their determination, they noted that the revised standard charge for new sewerage connections may not be cost reflective for some towns, and that this may make the price signal for new developments inefficient. However, they approved the standard new customer contributions on the basis of strong support from connection applicants for uniform charges across North East Water’s operating area. This reflected a preference among connection applicants to provide certainty while also providing charges that closely reflected actual costs, as the total operating costs would be recouped from the charges across the area as a whole.

Use of flat rate charges in this way should be done in limited circumstances where it is genuinely challenging to accurately apportion costs of state or local contributions, rather than as a general charging principle. When used, overall average charges should still accurately recover costs in the aggregate.

Source: VESC (2026, p. 54).

When charges are estimated upfront, there is a risk that the actual cost to deliver the infrastructure ends up being higher than the initial estimate. Local and state governments should commit to the initial estimates and developer contributions, and cover cost overruns. There may also be a role for the Australian Government in underwriting such risks (below). This should reduce feasibility risks on developers (which may have flow-on effects to housing supply) and encourage rigorous cost estimates.

Timing of contribution payments should support feasibility

The timing of developer contribution payments should support development feasibility by aligning with revenue flows in the development process. For example, rather than being due upfront before development commences, contributions may better support feasibility if they are payable by completion of the development, or in instalments. The Planning Institute of Australia and the Housing

Industry Association recommended that contributions be deferred or staged to align with project cashflows (sub. 34, p. 16; sub. 25, p. 24).

However, deferring contributions until later in the development process has implications for local government cashflows and the timeliness of infrastructure delivery. As discussed in section 4.2, one of the challenges with infrastructure planning is that infrastructure can lag housing development, or cause housing to be developed more slowly. This partly reflects a lack of upfront funding to kickstart the infrastructure (WALGA, sub. 27, p. 7). Some submissions suggested a solution may be pre-funding tools that give local governments earlier access to funds to commence infrastructure delivery (WALGA, sub. 27, p. 7). The Australian Government or state and territory governments could offer low or no-interest borrowing to local governments to allow this funding to occur earlier, even when developer contributions are collected later (ALGA, sub. 8, p. 8).



Information request 4.2

- How can governments balance the need to support feasibility for developers by collecting developer contributions later in the development process, with a need for upfront funding to kickstart infrastructure to support new housing?

Charging frameworks should be transparent

Transparent reporting of what developer contributions cost, the amount collected and how they are linked to specific infrastructure outcomes helps support the other principles by shedding light on the efficiency of developer contributions, the timeliness of infrastructure delivery and its effect on housing supply.

The amount and type of public, central reporting on developer contributions varies across states and territories (HIA, sub. 25, p. 24; NHFIC 2021, p. 15). For example, New South Wales has centralised online reporting of local government developer contributions, which can make it easier for developers to navigate and access them. And in Western Australia, local governments are required to give annual updates on infrastructure delivery progress, which supports certainty for development decisions (NSW DPHI 2026f; WA DPLH 2021). But some inquiry participants suggested there is a need for more transparency in how funds are collected and used.

In many jurisdictions, it is unclear whether developer contributions operate as a genuinely hypothecated funding mechanism, directly linked to specific infrastructure projects or whether they are effectively absorbed into broader revenue streams. (HIA, sub. 25, p. 24)

Available data suggests that some councils in New South Wales hold large unspent funds collected from developer contributions, but reporting in other jurisdictions makes it more difficult to determine the extent to which unspent funds are common elsewhere (NHFIC 2021, pp. 16–17).

Contribution frameworks should be simple and consistent

Contribution frameworks should be simple and consistent in how they are calculated and administered within each state and territory (and ideally more consistent nationally) (Master Builders Australia, sub. 74, p. 12; Policy Watchdog Australia, sub. 1, p. 9). This includes aligning the timing of when

contributions are due to be paid (e.g. state and local) to reduce disruption to project cashflows. This would minimise complexity and unnecessary administrative burden on developers and governments.

This does not mean developers will be charged the same amount for all developments. Instead, it should mean that developers can more easily interpret charging arrangements and make comparisons between different potential development sites to help inform feasibility assessments.

Reform directions to improve developer contributions

Based on our principles for best practice developer contribution frameworks, and evidence from submissions and literature, we propose several reform directions for developer charging. These represent a preliminary view: we are seeking feedback on these directions and their implementation to inform our final report.



Reform direction 4.3

Ensure developer contributions reflect the accurate cost of providing infrastructure

State, territory and local governments should:

- use developer contributions for all infrastructure with a close nexus to the development, when the development has also created a demonstrated need
- apportion contributions for infrastructure when beneficiaries are dispersed beyond the development site
- remove contributions when there is no demonstrable nexus between a development and infrastructure
- use cost-reflective developer contributions where possible, unless there are significant administrative burdens for local government or accurate cost estimates cannot be provided upfront.



Reform direction 4.4

Enhance design of developer contribution frameworks towards best practice

State, territory and local governments should update the design of developer contribution frameworks to:

- include upfront estimates of contributions prior to land release or land acquisition, and make available online contribution estimation tools
- allow contribution payments to be staged or due later in the development process
- take a consistent approach across all local governments within each state and territory in how charges are administered and calculated
- reduce the number of different contributions levied on developers by bundling different contributions into single levies where possible
- adopt transparent, centralised reporting of funds collected at the development, local government and state levels and progress reports against planned infrastructure delivery and housing supply objectives.

How should implementation complexities be addressed?

While developer contributions should follow best practice principles as closely as possible, there are challenges that need to be worked through in implementing reforms.

We have identified the following issues and possible solutions, which we will consider more in our final report.

Clear guidance on the nexus between development and infrastructure

State and territory governments could publish guidance on the definition of nexus and how it should be demonstrated, to be adopted in state and local government contribution frameworks in their state or territory.

Nexus could be demonstrated with similar approaches to some existing contributions, such as section 7.11 contributions in New South Wales. These require consideration of growth in the area because of the development, estimates of demand for the infrastructure due to this growth, what infrastructure is required to meet demand, and apportioned on estimated demand from the development (NSW DPHI 2026c).

Governments set estimates of contribution costs upfront, and bear the risks

To improve certainty, governments could estimate and set a contribution amount upfront and bear the risk and fund the shortfall if the infrastructure costs more than expected. Such risks are more likely to be appropriately borne at the state rather than local government level, due to their available funding. Australian Government funding may also be appropriate to underwrite shortfalls (for example, ALGA, sub. 8, p. 5).

Underwriting would require safeguards to ensure estimates are as accurate as possible. For example, a condition could be that the estimates are set in accordance with best practice principles in this chapter and the cost/benefit assumptions are provided for assessment.

Managing sequencing of financing

State and territory or Australian Government financing could be appropriate to cover the gap between infrastructure delivery and when charges are recovered from developers, especially if developer contributions are collected later in the development process (reform direction 4.4).

Such funding could take the form of low or no-interest loans or direct funding, to enable local governments to commence infrastructure in a timely way to align with new housing development, and repay loans by recouping developer contributions later in the process.

Solving the first mover problem

Related to the above, we have heard that often the first developer in an area may need to fund more extensive infrastructure compared to subsequent developers in the area.

Governments could estimate future development and charge a relevant fraction to the first developer and cover the remaining cost upfront (with subsequent cost recovery from other developers). As above, state or Australian Government bridging finance could help cover funding gaps between delivery times and when costs are recovered.



Information request 4.4

- Are our directions for improving developer contribution frameworks addressing key infrastructure challenges that will support housing supply? What evidence or case studies support this?
- How should reforms be designed to overcome the implementation challenges including determining nexus, fair apportionment, accurate upfront cost estimates for infrastructure, timing and funding sequencing, and first mover disadvantages?

A role for the Australian Government

Another consideration is the role of the Australian Government in supporting reforms to enhance timely provision of infrastructure.

We propose that the Australian Government should support our proposed reform directions for state and local governments, by:

- providing funding when there is a shortfall in the quantum of funds collected from developer contributions and other sources for housing-enabling infrastructure (ALGA, sub. 8, p. 5). This could prioritise or incentivise areas where infrastructure is less costly, or where additional infrastructure is expected to have a large effect on housing supply (Create Advisory, sub. 70, p. 7)
- support local governments to commence providing infrastructure in a timely way to align with new housing development, by providing assistance such as low or no-interest loans (for example, UDIA, sub. 83, p. 8). This may be used when the quantum of funds being raised is expected to cover the cost, but support is needed to bring forward the funding for timely infrastructure delivery (this may be in conjunction with direct funding where there are shortfalls)
- help fund infrastructure when a developer is the first in an area to develop housing, to ensure they are not disadvantaged by having to fund more infrastructure compared to subsequent developers. This could prioritise areas where the infrastructure is likely to cause a large uptake in new housing, as supported by strategic planning (chapter 3).

We would like feedback on whether these proposed roles of the Australian Government are useful and appropriate, and whether other roles should be considered.



Information request 4.5

- Are our proposed roles for the Australian Government in supporting housing-enabling infrastructure useful and appropriate to support new housing? What other roles should we consider?

4.5 Inquiry next steps on housing-enabling infrastructure

This interim report has focused on establishing best practice principles for developer contributions and infrastructure planning, and draft reform directions to improve how housing-enabling infrastructure supports new housing. Our draft recommendations are overarching – providing broad reform goals so that we can consult in more detail on implementation and trade-offs.

Our final report will focus on refining the reform directions into specific recommendations, and how to implement them. To support this, we welcome your input, particularly on our information requests. We would welcome any case studies, data and other evidence to support either our proposed reform directions, or other areas of the regulation of housing-enabling infrastructure that you think are also a priority.

5. Toward more homes, faster

Key points

- ✳ **Governments should continue to reform land-use controls to allow more housing in areas where people want to live.**
 - Improving the availability and use of land for housing will likely have the biggest impact on housing supply and affordability, of the topics identified in this inquiry's terms of reference.
- ✳ **Governments should coordinate land-use reforms and infrastructure provision through strategic planning that proactively promotes new housing in areas where people want to live and reflects our best practice principles.**
 - Housing-enabling infrastructure is essential to support upzoning and land release for new housing.
 - Land-use controls in areas with better access to existing infrastructure should be reformed to support higher housing densities.
 - Land release for greenfield development should be coordinated with infrastructure planning.
- ✳ **Improving approvals processes for new housing will help reduce costs and speed up the delivery of new housing supply. However, the impact of any changes on their own will likely be small relative to reforms to land-use controls and infrastructure provision.**
- ✳ **Our final report will assess state and territory reform efforts against the features of a best practice system and the impact of reforms on housing supply. Where possible, it will estimate the economic benefits of the recommended reforms and provide further implementation advice.**
 - We will analyse commercial feasibility, identify the impact of different land-use controls on potential housing supply and survey developers to help us estimate the regulatory burden of approval processes.

5.1 Reform priorities to increase housing supply

This interim report has identified regulations that most affect housing supply and a corresponding set of reform directions to support faster and simpler approvals, make more land available and ready for new housing, and get more homes built.

The subsequent section prioritises reform direction areas based on their likely effect on unlocking housing supply. We have prioritised based on evidence from the existing literature, submissions, and feedback from inquiry participants across 2 roundtables – one with representatives from industry and the other with academics who have research expertise on housing policy.

Reforms should prioritise land-use controls and housing-enabling infrastructure

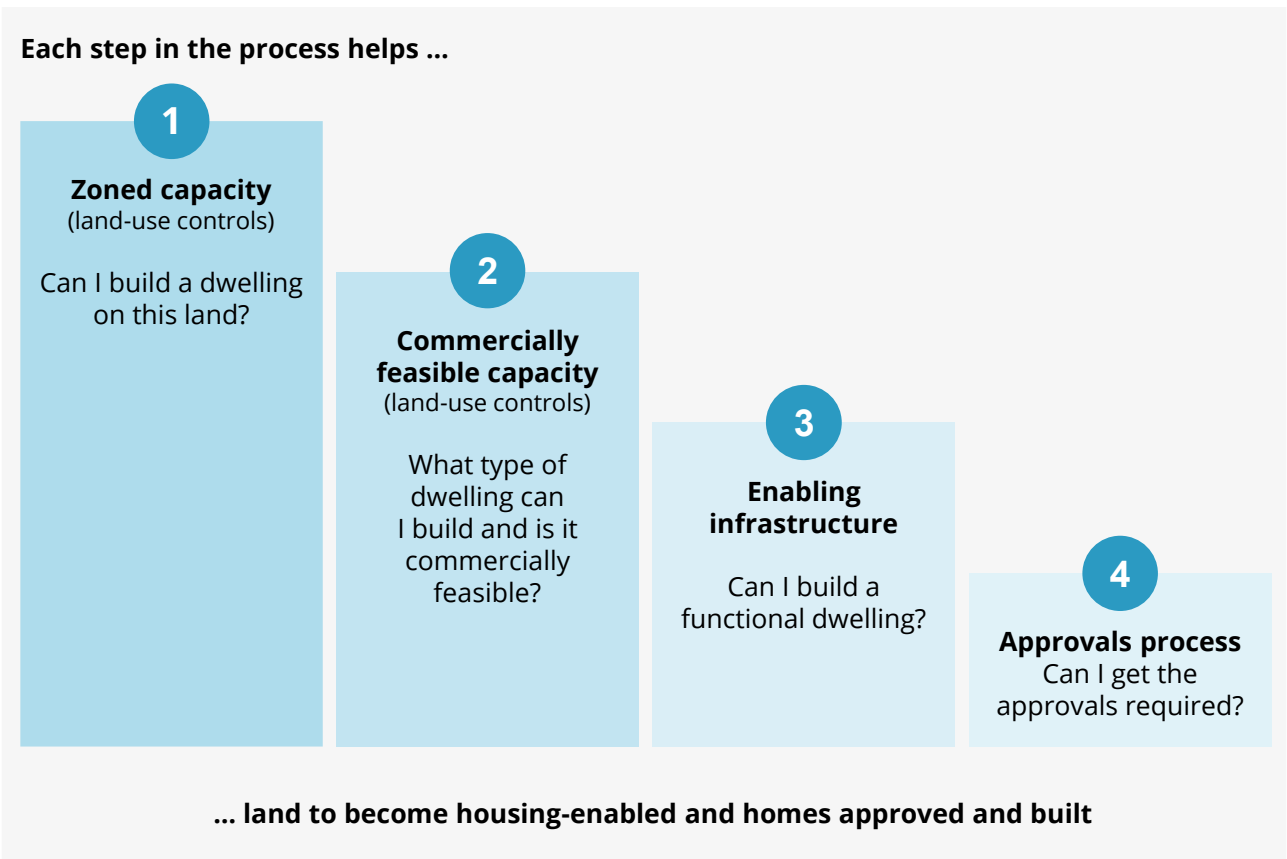
Land-use reforms have the greatest potential for increasing housing supply

Based on the available evidence, relaxing land-use controls should be governments' top reform priority and the continued focus of state and territory reform efforts under the *National Housing Accord* and National Planning Reform Blueprint. Relaxing land-use controls represents the largest potential source of increased housing supply, of the topics within scope of this inquiry.

Adopting our land-use control reform directions will enable housing to be built where it may otherwise be prevented. As set out in chapter 2, many land-use controls are regulatory bans – effectively stopping developers from even considering whether a parcel of land should be developed for housing. Land-use controls can act as the initial upfront barrier to housing construction, well before development approvals are sought. Even when housing is permitted, the interaction between different land-use controls can affect the commercial feasibility of housing, constraining supply.

Further, as land-use controls are the first constraint, reforms to land-use controls are likely to have a greater flow-on effect for housing supply than other processes in isolation (figure 5.1). The amount of housing that ultimately gets built relies on all 3 areas within scope for this inquiry, meaning reforms in each area will help to build more homes faster.

Figure 5.1 – Land-use control reforms will have the greatest effect on housing supply



Source: PC 2026.

Our priority reforms will particularly help to increase housing supply in cities by permitting higher density living through upzoning. The academic literature and contributions from some inquiry participants further support the link between upzoning and housing supply (Grattan Institute, sub. 81, p. 2; Maltman and Gibbons, sub. 41, p. 4; CIS, sub. 18, attachment).

... our research suggests that restrictive zoning rules are the largest impediment to housing supply. While a burdensome approval process makes homes slower and more expensive to build, a blanket prohibition stops them being built at all. (Grattan Institute, sub. 81, p. 2)

While delays can occur at any stage throughout the development process, industry evidence increasingly indicates that for greenfield housing estates, the greatest risk, cost and time burden occurs at the earliest planning stage, securing designation within an urban footprint or rezoning land as residential. (HIA, sub. 25, p. 10)

Upzoning has successfully increased housing supply overseas. For example, the Auckland Unitary Plan permitted upzoning to approximately three-quarters of Auckland's residential land, contributing to an increase in dwelling consents (box 1.4, chapter 1). However, some caution may be required on the external validity of these findings for the Australian context. For example, Emeritus Professor Peter Phibbs (sub. 63, p. 10–11) argues upzoning in Sydney would not yield the same success on housing supply as Auckland, due to larger lot sizes in Auckland compared to Sydney. Our additional analysis for the final report will help estimate the expected supply-side effects of the reform directions for Australian cities (described in more detail below).

Land-use reforms must be coordinated with housing-enabling infrastructure

Land-use reforms that aim to increase density or allow more greenfield development will be more effective if they are coordinated with the provision of infrastructure. Coordinating land-use controls and housing-enabling infrastructure helps make land housing-ready. In greenfield locations, we have heard that a lack of housing-enabling infrastructure for new developments is a major constraint on building new homes. Land release for greenfield developments is only effective if it is feasible and practical to build enabling infrastructure for the proposed new homes. Infill areas with better infrastructure connections can often support higher levels of density – as is the case for New South Wales's Transport Oriented Development precincts.

Constraints relating to land tenure, infrastructure capacity, and market development reinforce one another. Reform in isolation- whether through planning systems, approvals or finance- will not translate into increased housing supply without coordinated change across the system. (TSRA, sub. 82, p. 2)

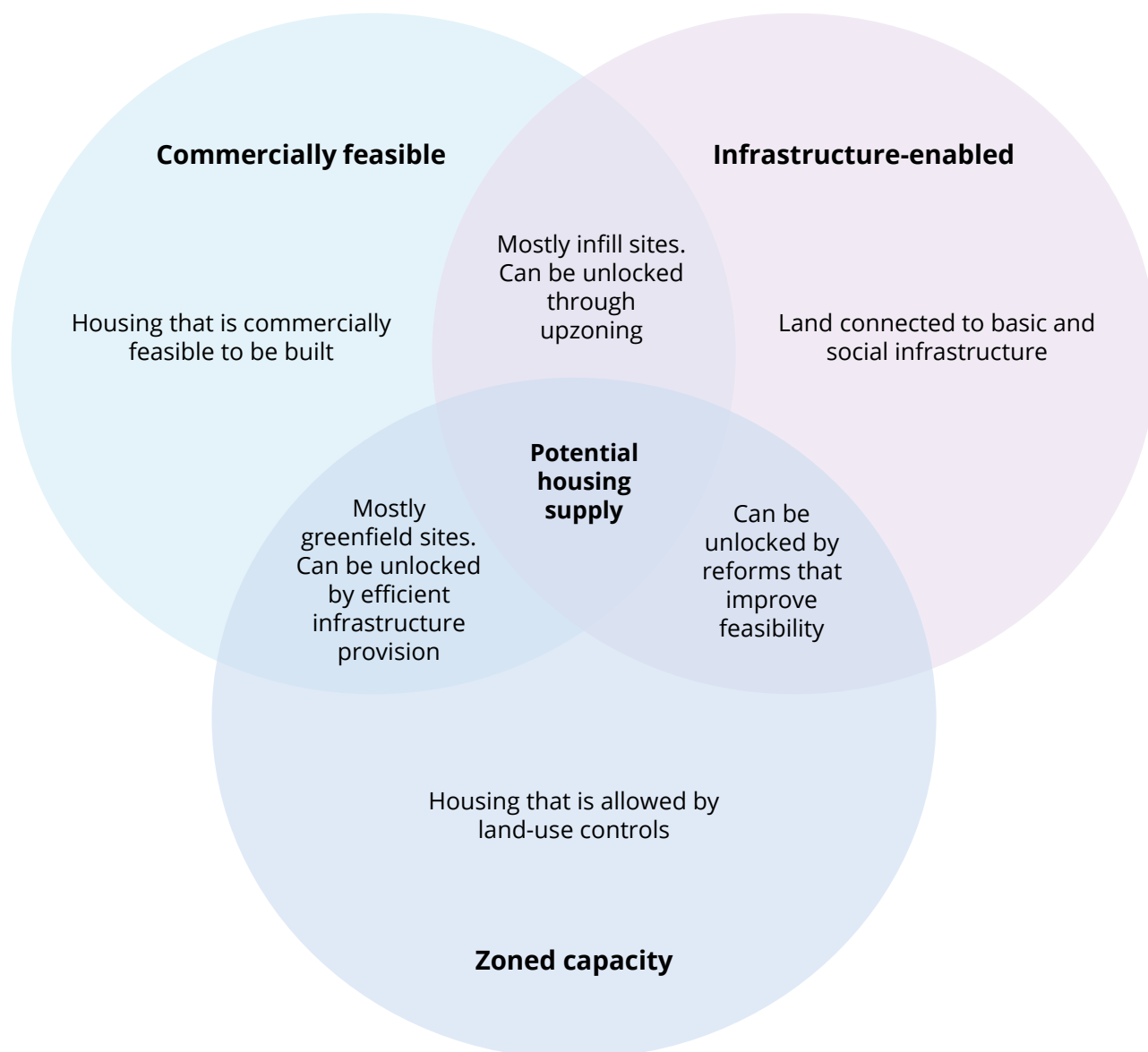
Housing supply outcomes are strongest when land-use planning, infrastructure planning and housing policy operate in a coordinated manner ... Governments should prioritise reforms that improve coordination between planning systems, infrastructure providers and housing agencies. (FHA, sub. 79, p. 9)

Land release is important, but its effect depends on whether land is genuinely housing ready. Releasing more land without infrastructure, servicing, subdivision capacity, and titling pathways creates supply on paper rather than completed homes. (PIA, sub. 34, p. 23)

While some local areas may require a greater policy focus on housing-enabling infrastructure, others may benefit from a focus on reforming land-use controls. For example, infill sites might have good access to basic and social infrastructure and be commercially feasible to build upon, but may stall if too much land is being held back due to planning system constraints, such as heritage overlays or

restrictive zoning rules (depicted in figure 5.2 as the intersection between commercially feasible and infrastructure enabled). In this scenario, regulatory changes to zoned capacity may unlock supply.

Figure 5.2 – Land-use controls must be supported by housing-enabling infrastructure for homes to be built



Source: Adapted from figure provided by Dr Stuart Donovan.

Reforms to strengthen strategic planning will support coordination

To adopt a 'build mindset', governments must take a proactive and collaborative approach to strategic planning and infrastructure coordination. State governments should work with local governments, infrastructure service providers, and other regulatory bodies to proactively solve infrastructure bottlenecks before they limit the capacity of high-demand suburbs or localities to absorb more homes.

The need for government-led strategic planning to coordinate land rezoning and infrastructure to support new housing is explained by the Housing Institute of Australia:

In many cases, despite clear private landowner interest, demonstrated market demand and a willingness by the private sector to fund infrastructure and development, planning frameworks actively constrain or discourage future housing supply through restrictive urban growth boundaries and lengthy rezoning processes. Rather than governments proactively identifying and sequencing future growth areas, the burden of progressing strategic planning investigations has been increasingly shifted to the private sector. (sub. 25, p. 10)

When infrastructure is coordinated with zoning, for example through strategic planning, it can also help address legitimate community concerns about the effects of housing on local amenity, and support reform implementation, particularly in infill locations:

In many established suburbs, the most significant constraint on housing supply is not zoning but infrastructure capacity. Communities are generally more willing to support additional housing when accompanied by:

- Public transport investment
- Schools and health services
- Open space and community facilities
- Water, sewer and utility upgrades

Where these elements are absent, community concerns are legitimate and should not be dismissed as opposition to growth. (Dennis Mentzines, sub. 57, p. 3)

Similarly, AMPLIFY (sub. 42, p. 11) found '73% of Australians support additional medium density housing if new homes are built alongside investment in new public transport', based on its Housing Density Done Well survey.

Strategic planning in this form should reflect the best practice principles outlined in chapter 1. It should facilitate – not slow down – efforts to increase the availability and use of land for more housing, and it should aim to cut through regulatory complexity rather than adding another layer of requirements to existing rules. The Productivity Commission will explore this issue in more detail in the final report for this inquiry.

Reducing regulatory burdens is important but less likely to improve housing supply

Fixing land-use controls and infrastructure planning will help approval processes become more streamlined

Current approval processes are inefficient and can be streamlined to reduce costs and speed up the delivery of new housing. But improving approval processes in isolation is expected to have a smaller effect on housing supply relative to land-use controls and coordinating housing-enabling infrastructure. The PC has heard that a large number of approved dwellings have not been constructed due to barriers other than approval processes, often related to housing-enabling infrastructure (ALGA, sub. 8, p. 4; National Shelter, sub. 53, p. 17; PIA, sub. 34, p. 3; Royal Australian Institute of Architects, sub. 48, p. 5).

Approval processes can slow down development, create delays and, if the regulatory burden caused by approvals is sufficiently high, prevent development entirely. One major impediment to timely approvals is conflicting or unclear requirements imposed by different decision-makers. Outdated strategic

planning can result in unresolved conflicts being addressed during individual development applications, leading to longer assessment processes, greater community conflict and less consistent decision making (PIA, sub. 34, p. 6). As a result, prioritising land-use and infrastructure coordination reforms should resolve some, but not all, issues associated with slow approval processes.

There is scope to improve the timeliness, reduce compliance burdens and enhance transparency of reporting of approvals processes. These reforms will be useful, but not sufficient to meaningfully enhance housing supply.

Developer contributions can be improved, but reform is unlikely to have a major effect on housing supply

Developer contribution frameworks across jurisdictions could be better aligned with the supporting principles for housing-enabling infrastructure – simple, certain, transparent, timely, consistent and efficient. Governments should estimate contributions upfront with flexibility provided for when they are due to enable completion of a development. They should be more transparent about funds collected and how they have been utilised for local infrastructure. Importantly, contributions should reflect the cost of providing infrastructure.

While important, these features alone are unlikely to have a major effect on housing supply. As noted in chapter 4, economic theory supported by some empirical studies suggests developers take the cost of developer contributions into account when purchasing land. Cost-reflective developer contributions help provide an accurate price signal to developers so that development occurs in the most cost-efficient locations.

As a result, any focus on enabling infrastructure reforms should prioritise coordination and strategic planning over developer contributions, noting there are nonetheless improvement opportunities for the latter.

Our final report will consider reform impact and implementation

The effect of the reform directions on housing supply is only one part of the equation. The final report will have a greater focus on how reforms can be implemented, including steps that need to be taken, responsibilities, risks, dependencies and sequencing considerations.

States and territories should prioritise reforms that are likely to have the largest impact on housing supply. These should be pursued in parallel with potential ‘quick wins’ in lower priority reform areas, such as approval processes and developer contributions, that can also move housing regulatory systems closer to best practice. We are interested in your views on the relative ease of implementation across our reform directions, including any co-dependencies (information request 5.1).

Another important component of implementation is how the Australian Government can support states, territories and local governments to move toward best practice housing regulatory systems and implement reforms. This may include direct government funding, for example for local infrastructure, or using incentives in the form of ‘carrots and sticks’. For example, Westpac (sub. 38, p. 5) suggests the Australian Government could introduce a housing target component to the criteria for Local Government Financial Assistance Grant funding, with a proportional reduction in grant funding for local governments underperforming on housing targets which could be reallocated to higher-performing local governments (and would therefore be budget-neutral). National Shelter (sub. 53, pp. 9, 13) also supports using funding as a ‘carrot and stick’ and embedding stronger key performance indicators within the *National Housing Accord* or similar cross-governmental agreements, and expanding the

National Competition Policy to include land-use planning. Coates et al. (2025) similarly suggests extending the National Competition Policy to land-use reform.

All Australian governments have committed to transforming the way they work with Aboriginal and Torres Strait Islander people and communities, under Priority Reform 3 of the National Agreement on Closing the Gap. This requires improved engagement with Aboriginal and Torres Strait Islander people, increasing accountability through transparent funding allocations and delivering services in partnership with Aboriginal and Torres Strait Islander organisations, communities and people (Joint Council 2020). The PC is seeking more information on how reform directions across land-use controls, housing-enabling infrastructure and approvals can be implemented in a manner that aligns with all governments' obligations under Priority Reforms of the National Agreement on Closing the Gap (information request 5.1).



Information request 5.1

- Which of the reform directions will be relatively easy or hard to implement and why? Are there any examples of 'quick wins' that could be achieved?
- Are there any co-dependencies or sequencing considerations across the reform directions?
- How can the Australian Government ensure housing regulatory system reform is implemented in a manner that supports all governments' commitments under the National Agreement on Closing the Gap?
- How can the Australian Government best support state and territory and local governments to shift housing regulatory systems towards best practice?

5.2 Inquiry next steps

The terms of reference calls for additional analysis for the final report

Our final report will provide specific recommendations including for states and territories, to move housing regulatory systems towards best practice now, and over the long term. Our terms of reference require our final report to:

- include an assessment of how advanced states and territories are in their reform efforts against the features of a best practice system
- assess the expected impact on housing supply of planning and other relevant regulatory reforms taken by states and territories since 1 July 2024
- quantify, where possible, the economic benefits of the recommended reforms, and provide further advice on reform implementation.

Our final report will be provided to the Australian Government by end March 2027 (figure 5.3).

To respond to the additional areas of the terms of reference requested for the final report, we will do further analysis, engagement and research.

Our quantitative analysis will compare commercially feasible and observed housing density at the parcel level to identify where development is theoretically feasible in the absence of controls but not

currently occurring. Results will likely be reported at the local government area level to highlight where more housing could be delivered if constraints on development were reduced. We will model the impact of existing land-use controls on potential housing supply, and how changing controls would affect zoned capacity and flow through into a supply response.

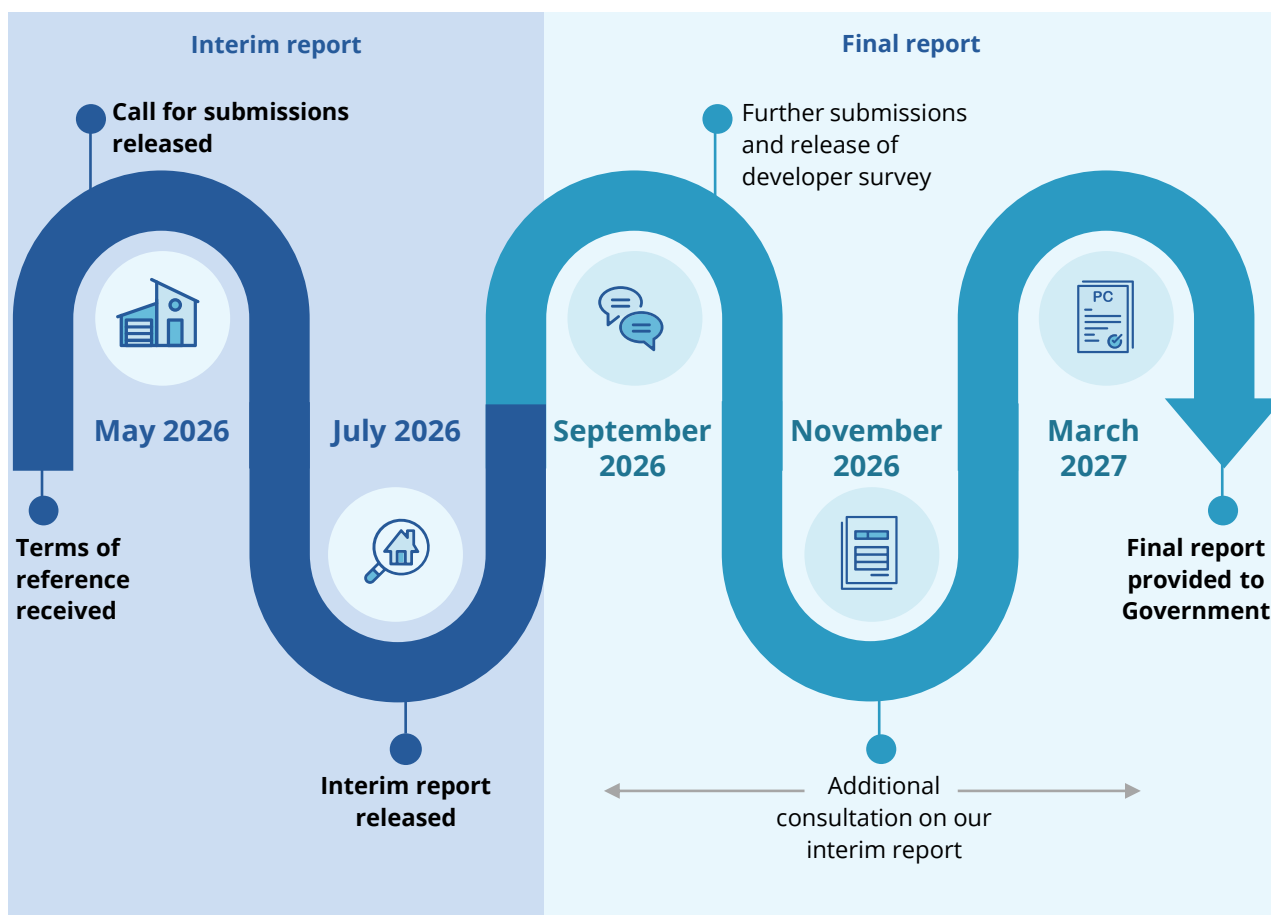
Your input will help us inform the future of housing in Australia

We will continue to engage with inquiry participants, with a particular focus on engagement with state and territory planning and housing agencies in each jurisdiction, local governments and Aboriginal and Torres Strait Islander people and communities.

- A survey of developers will help reveal which steps of the approvals process are associated with the highest regulatory burden.
- We invite feedback on this interim report via written submissions and brief comments. These can be submitted via our website until 30 September.

Evidence provided to us by inquiry participants is critical to our analysis, research and recommendations. This inquiry provides an opportunity to have your voice heard in shaping a direction for Australia's future housing supply.

Figure 5.3 – Inquiry timelines



A. Public consultation

This appendix outlines the consultation process and lists the organisations and individuals who participated in the inquiry. The PC received the terms of reference for this inquiry on 28 May 2026. A call for submissions was released on 1 June 2026 inviting public submissions and brief comments. In total, 100 submissions (table A.1) and 14 brief comments were received. The submissions and brief comments are available at: www.pc.gov.au/inquiries/current/housing-supply.

The PC consulted with 40 individuals and organisations (table A.2); and held roundtable discussions with 20 individual organisations (table A.3). The PC also consulted with several developers who provided case studies, who for reasons of commercial confidentiality we have agreed not to name. The PC would like to thank everyone who participated in this inquiry.

Table A.1 – Submissions

Participants	Sub no.
Aboriginal Housing Office, New South Wales (NSW) Government*	100
Abundant Housing Network Australia (AHNA)	75
AMPLIFY	42
Anglicare Sydney	50
Archistar.ai*	97
Association of Rooftop and Airspace Development (ARAD)	59
Australasian Railway Association (ARA)	11
Australian Community Housing (ACH)	37
Australian Eco-Living Organisations Network (AEON)	35
Australian Institute of Building Surveyors (AIBS)	72
Australian Local Government Association (ALGA)	8
Australian Sustainable Built Environment Council (ASBEC)	21
Australian Tiny House Association (ATHA)	51
Better Planning Network Incorporated	32
Bundaberg Regional Council	76
Business Council of Australia (BCA)	71
Caravan Industry Association of Australia (CIAA)	44
Catholic Social Services Australia (CSSA)	91
The Centre for Independent Studies (CIS)	18
Centre for Justice, Queensland University of Technology	9

Participants	Sub no.
City of Adelaide (CoA)	86
City of Boroondara	29
City of Greater Bendigo	15
coNEXA Infrastructure Partners	24
Conquest	92
Council Alliance for a Sustainable Built Environment (CASBE)	67
Council of Capital City Lord Mayors (CCCLM)	20
Create Advisory Pty Ltd	70
David Lord	55
Dennis Mentzines	57
Drew Dickson*	96
Ell Legal Construction Advisory Pty Ltd	52
Emergency Leaders for Climate Action (ELCA)	47
Emeritus Prof Peter Phibbs	63
Enzo Guarino	6
Erland Francis Happ	89
Faith Housing Australia (FHA)	79
Fresh Economic Thinking	66
Future Building Initiative, Monash University	40
Glen Searle	3
Global Ecovillage Network Australia (GEN Australia)	62
Grattan Institute	81
Green Building Council Australia (GBCA)	58
Housing All Australians (HAA)	80
Housing Industry Association (HIA)	25
Housing Older Women Movement	14
Hume Community Housing	26
Institute of Public Affairs (IPA)	33
Insurance Council of Australia (ICA)	19
Landscaping Victoria	5
Le Mottee Group	56
LiveSimply	49
Local Government Association of Queensland (LGAQ)	4
Local Government Association of Tasmania (LGAT)	78
Local Government Association of the Northern Territory (LGANT)	36

Participants	Sub no.
Mark Nutting	61
Master Builders Australia	74
Matthew Maltman and Theo Gibbons	41
Mecone Group	65
Mission Australia	10
Municipal Association of Victoria (MAV)	68
Name withheld	7
Name withheld	88
Name withheld	94
Name withheld	95
National Growth Areas Alliance (NGAA)	54
National Shelter	53
Neighbourhood Forum 5	17
Ngalgarra Resources Indigenous Corporation	64
Per Capita	84
Peri Urban Councils Victoria (PUCV)	93
Planning Institute of Australia (PIA)	34
Plumbing Products Industry (PPI) Group	77
Policy Watchdog Australia	1
PolisPlan	60
prefabAUS	28
Property Council of Australia	73
Real Estate Institute of Australia (REIA)	30
Regional Development Australia Sydney	16
Royal Australian Institute of Architects	48
Sean Kelly	12
SGS Economics and Planning Pty Ltd	45
Sharing with Friends Foundation (SWF)	23
South Australian Government	87
Stockland*	98
Suburban Futures Ltd	2
Swinburne University of Technology	43
Terry Burke	46
The Village Building Company Pty Ltd*	99
Torres Strait Regional Authority (TSRA)	82

Participants	Sub no.
Uniting Vic.Tas	39
Universities Australia	13
Urban Development Institute of Australia (National) (UDIA)	83
Urban Development Institute of Australia (South Australia) (UDIA South Australia)	31
Urban Taskforce Australia	69
Urban Transformations Research Centre (UTRC), Western Sydney University	22
Water Services Association of Australia (WSAA)	85
Western Australian Local Government Association (WALGA)	27
Westpac	38
YIMBY Melbourne	90

a. An asterisk (*) indicates that the submission contains confidential material not available to the public.

Table A.2 – Consultations

Participants
Ausbuild
Australian Capital Territory (ACT) City and Environment Directorate
Australian Capital Territory (ACT) Suburban Land Agency
Australian Capital Territory (ACT) Treasury
Australian Government Department of the Treasury
Australian Local Government Association (ALGA)
Behavioural Economics Team of the Australian Government (BETA)
Housing Australia
Housing Industry Association
Infrastructure Australia
Grattan Institute
Jarrold Sturdy
Kapitol
Master Builders Australia
New South Wales (NSW) Productivity and Equality Commission
New South Wales (NSW) Treasury
Northern Territory (NT) Department of Lands, Planning and Environment
Northern Territory (NT) Department of Treasury and Finance
Office of the National Housing Supply and Affordability Council
Queensland Department of Housing and Public Works
Queensland Department of Local Government, Water and Volunteers
Queensland Department of Premier and Cabinet
Queensland Department of State Development, Infrastructure and Planning
Queensland Department of Transport and Main Roads

Participants

Queensland Department of Treasury
Queensland Productivity Commission
South Australian (SA) Department of Housing and Urban Development
South Australian (SA) Department of Premier and Cabinet
South Australian (SA) Department of Treasury and Finance
South Australian (SA) Productivity Commission
Tasmanian (TAS) Department of State Growth
Tasmanian (TAS) Department of Treasury and Finance
The Honourable Clare O'Neil MP – Minister for Housing and Homelessness
The Village Building Company Ptd Ltd
Urban Development Institute of Australia (UDIA)
Victorian (VIC) Department of Treasury and Finance
Western Australian (WA) Department of Housing and Works
Western Australian (WA) Department of Planning, Lands and Heritage
Western Australian (WA) Department of Premier and Cabinet
Western Australian (WA) Department of Treasury and Finance

Table A.3 – Roundtables

Participants

Abundant Housing Network Australia (AHNA)
AMPLIFY
Australian Construction Industry Forum (ACIF)
Australian Institute of Quantity Surveyors
Australian Property Developers Association (APDA)
Chartered Institute of Building (CIOB)
Committee for Economic Development of Australia (CEDA)
e61 Institute
Grattan Institute
Housing Industry Association (HIA)
Master Builders Australia
Master Electricians Australia (MEA)
Planning Institute of Australia (PIA)
Property Council of Australia
Royal Australian Institute of Architects
Royal Institute of Chartered Surveyors (RICS)
The Centre for Independent Studies (CIS)
The Centre for International Economics (CIE)
Urban Development Institute of Australia (UDIA)
Urban Taskforce Australia

Abbreviations

Abbreviation	Definition
ACT	Australian Capital Territory
AI	Artificial Intelligence
AUP	Auckland Unitary Plan
CBD	Central business district
CDC	Complying development certificate (New South Wales)
DSS	Australian Government Department of Social Services
FSR	Floor-space ratio
GPOP	Greater Parramatta to Olympic Peninsula
HILDA	Household, Income and Labour Dynamics in Australia
LGA	Local government area
NSW	New South Wales
NT	Northern Territory
OECD	Organisation for Economic Co-operation and Development
PC	Productivity Commission
PIC	Place-based infrastructure compact
PSP	Precinct structure plan
RFI	Request for further information
SA	South Australia
SARA	State Assessment and Referral Agency (Queensland)
SB 35	California's Senate Bill No. 35
USA	United States of America
WA	Western Australia

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