



An Australian Government Initiative



Regional
Development
Australia

SOUTH WEST

Housing supply

Feedback for the Productivity Commission

26.08.2026

This feedback looks at regulation issues, but also contributes some different thinking and challenges the myth that housing supply and costs is a 'city thing'. Way too much government narrative is increasingly at odds with the lived experience of regional people, particularly in relation to cost, supply and uncertainty.

South West regional context

Regional Development Australia – South West (RDASW) operates in the South West Region of Western Australia which has a population of 206,000 people and an annual economic output of \$43n (ABS). The economy is driven by a strong mine/manufacturing sector, premium agriculture and tourism.

The region is 24,000km², of which 16,000km² comprises State forest, national parks, conservation parks, nature and timber reserves. The South West is a major food producer – beef, dairy, fruit and vegetables. The regional brand is 'clean-green' and features the Margaret River wine appellation. It is popular as a holiday destination and place to live.

The population growth rate in the South West region is 2.3% compared to 2.2% for WA and 1.5% for Australia (ABS regional population release, June 2025).

Myths on where people want to live

The opening line of the report is a myth. It states:

Australia doesn't build enough housing in the areas where people want to live.

What does this mean? Do only cities count?

RDASW challenges that statement with the regional population growth data above and contends that a greater, or even a fair, focus on regional Australia would mitigate against other problems.

People will live where there are jobs, lifestyle drawcards and homes. Key reasons why people migrate to cities is for opportunities in work, education and better healthcare. It is also clear that large administrative institutions locate in cities when there is no longer any real need thanks to digital connectivity.

Does all this mean that people want to live in cities ... or feel that their options are limited? If there were better schools and hospitals in the regions, we can shift the decision-making process and protect Australia against the productivity inefficiencies of metropolitan transport and general infrastructure constraints.

Regional myths on house prices

There is a belief that runaway house prices are specific to capital cities, but this is another myth since basic economics theory applies everywhere. Where there is a limited supply, there will be high demand. It is agreed that increasing housing supply would help put downward pressure on prices and support more people to live in housing that meets their needs

Location	Median house price	Rental/wk
Sydney	\$1,733,891	\$850
Brisbane	\$1,212,562	\$700
Perth	\$1,183,108	\$750
Busselton (South West WA)	\$1,097,500	\$800
Melbourne	\$1,041,205	\$600
Canberra	\$1,037,766	\$710

Source: June quarter, Domain. Rental figures at the national level are also drawn from Domain.

WA market	Median house sale	Rental/wk
Margaret River	\$990,000	\$780
Busselton	\$980,000	\$750
Perth Metro	\$950,000	\$750

Source: REIWA rolling 12 months to July 2026. Rental figures are drawn from REIWA June quarter.

House prices is one part of the story. Prices do create difficulties for workforce and economic development purposes, but the highlight issue is the difference between regional and metropolitan wages. In the regions, the gap is greater i.e. attracting workers into housing markets that are as costly/more costly than, many Australian capitals is exacerbated.

Regulation and impacts on land costs

Schemes

Local Government planning schemes are extremely lengthy and can run for several years in Western Australia. An amendment takes 6-12 months (Planning and Development (Local Planning Schemes) Regulations 2015).

RDASW cannot comment on how this system could be improved, but it does remain a barrier and is possibly made worse by the number of Local Government bodies, some of them servicing populations of less than 2,000 people.

Suggestion: A consolidation of councils, or at least a consolidation of local regulations, would improve efficiencies.

Local regulations

There is a lack of consistency across LGAs – even neighbouring councils. This creates inefficiencies for project home builders, architects and ultimately home owners.

Suggestion: Systems that feature a catalogue of pre-approved designs or AI-enabled processes could help speed up building code checks on everyday project homes.

Which land and why

With growing populations and the loss of farmland, it is clear the latter needs a level of protection to meet food demand in the future. Some of the best farmland is flat land and flat land is the most sought-after by developers and most valued.

The experience in Western Australia is that where land is sloped, developers step slopes to create a series of level blocks which require retaining and sand fill. Basic raw materials are in limited supply and add significantly to time and overall cost.

Building techniques that work with natural contours and utilise engineered sub-floors on piers can save time and money, but it is difficult to promote meaningful change in a market dominated by a tradition of double brick and tile.

Suggestion: Sacrificing “land-use rules where people want to live” could be detrimental to long term issues around food security. Instead, address tradition and mainstream those building approaches which also deliver savings.

Infrastructure

Water and sewerage services are key constraints in the South West region. High upfront costs can derail projects.

The typical practice is to: 1 develop land, service and sell; 2 create the cashflow to develop the next land release section, service and sell etc. This is financially practical in the short term, but lacks efficiencies in the long term and stifles opportunities to develop environmentally sustainable suburbs.

Suggestion: Look at infrastructure provision at genuine scale. Infrastructure tends to be provided by government entities. This could prove one of the best support mechanisms for improving housing supply.

Multi-storeys

European planning systems allow 'hard edges' to developments i.e. it is possible to build a 10-storey building adjacent to farmland or open countryside.

Australian systems promote soft edges, a system when density decreases over distance from CBDs. The idea is that we soften the transition to more rural areas. However, the reality is that continually expanding cities simply encourage urban sprawl.

Sprawl impacts on infrastructure costs and travel inefficiencies as well as land use. Comparing Perth to Los Angeles: each has a footprint of about 1,800km² but Perth has 2.5m residents and LA has 12.5m residents.

Light rail systems merely facilitate sprawl based on the Marchetti Constant which identifies a worker's preparedness to commute. This is roughly one hour. As transport has improved (walk-tram-car/bus-train) sprawl has correspondingly increased. Only density can control burgeoning sprawl and underpin effective public transport.

Suggestion: Allow hard edges on the urban/rural interface to drive densities and curb sprawl.

Lot sizes and zones

Reducing/abandoning lot sizes could be difficult given the issue of planning schemes and likely backlash at the local level. These interventions would need to be implemented as a top down approach, and would need to be targeted wisely.

In respect of allowing residences in commercial zones, that is how amazing historic cities evolved. When people walked to work, the work needed to be nearby. That is a modern planner's nightmare and tourist's dream destination where work vibrancy and lifestyles interact. In simple terms, more CBDs could be activated where people live above shops.

Suggestion: Allow lot size laissez faire where there are not likely to be community issues and allow commercial/residential mix – or even insist on it to activate all available land use opportunities.

Built form

Some historic cities are stunning because they were developed when there were no controls over form and function, where winding streets were unencumbered by setbacks and cared nothing for parking. Today our

suburbs feature rows of townhouse-style developments where gaps of less than 10cm are left between buildings. Why not let them touch?

Suggestion: Experiment a gloves-off approach in a number of new suburbs and treat them as case studies to see what develops.

Miscellaneous thoughts

These thoughts will be delivered as points for consideration of the whole issue rather than any particular suggestion or viewpoint:

- Vacant (holiday) home ownership may be a right but it is inefficient, tightens the available housing pool and concentrates the wealth of some individuals at the expense of society.
- The developer/builder separation is inefficient. Where the land developer is also the builder, there are significant savings and efficiencies.
- Regulations can force sub-optimal work-arounds. For example, small homes cannot be built but 'homes on wheels' can be put on sites when the better outcome would be to allow proper homes to be built.
- Allow sustainable forestry across all states to provide the materials for framed housing (cheaper and faster).
- Incentivise and support modular home building companies.
- Housing issues are usually explained as a land supply problem, but in the South West a bigger issue is a construction trades supply issue. Restricting migration to construction trades until the housing supply issue comes under control would help.
- If state housing (HomesWest in WA) were to sell housing to renters willing and with the capacity to buy them, that income could be reinvested to build more public housing.

Prepared by:

Charles Jenkinson M Planning & Env

Director of Regional Development, RDA South West

