

SUBMISSION

Housing Supply Regulation Inquiry — Interim Report

In response to the Australian Government Productivity Commission's inquiry into housing supply regulation

Prepared and submitted by

Freecity Group Holdings

Sydney, New South Wales

31 August 2026

This submission responds to the analysis and recommendations of the interim report and draws on Freecity's operating experience delivering Volumetric Modular Construction for Build-to-Rent, Co-Living and Purpose-Built Student Accommodation across metropolitan Sydney.

1. About Freecity

Freecity Group is a privately owned Australian property development group based in Sydney, specialising in dynamic urban renewal projects and community-focused living environments. *Innovating Future Living*, Freecity's core strategy, is to develop high-quality, future-living Build-to-Hold communities on high-density, transport-connected sites, based on Volumetric Modular Construction (VMC), using prefabricated fully finished units, delivered through an integrated business spanning development, construction and modular integration (Space Labs Australia, wholly owned by Freecity).

\$7B Total portfolio	12 Projects in the pipeline	6,000+ Living sector units/dwellings in the pipeline	\$450M Projects under construction
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Freecity's integrated team of around 90 people is based in Macquarie Park, with corporate, development management, design and delivery capability spanning three teams: Development, Construction, and Freecity Living (the group's emerging living-sector operating platform). Current and pipeline projects include Purpose-Built Student Accommodation (PBSA), Build-to-Rent (BTR) and Co-Living developments in Macquarie Park, Rockdale, Forest Lodge, Rouse Hill, Parramatta and Sydney Olympic Park. Our Herring Road, Macquarie Park Student Accommodation project is currently stacking VMC modules at a floor a week (33 units) and will be Australia's largest VMC building at 20 levels, on completion early next year.

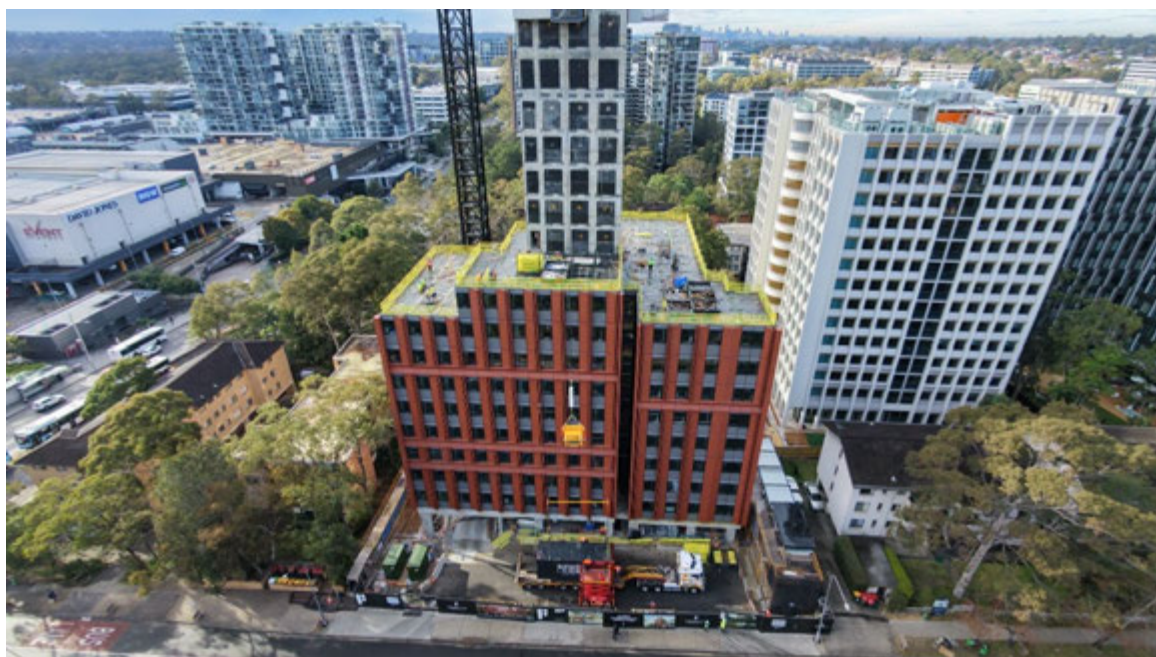


Figure 1. Modules being stacked on site at the Herring, Macquarie Park. Source: Freecity

2. Executive summary

Freecity welcomes the opportunity to respond to the Productivity Commission's interim report on housing supply regulation. Freecity's perspective is grounded in direct, on-the-ground experience delivering steel-structure VMC at scale for Living Sector projects across Sydney.

Australia is tracking well behind the National Housing Accord's target of 1.2 million homes by June 2029, and New South Wales — particularly Western Sydney — is the clearest laggard, driven by a sustained decline in

apartment and BTR commencements. The urgent focus needs to be high-quality housing at scale and for Sydney it has to be for apartments, which has seen a peak of approvals (at ~50% of total completions) of ~35,000 apartments in 2016, now reduced to almost half of that. Much of what we are trying to achieve is capacity building for our industry which has hugely declined for apartments, to be able to manage growth and Housing Supply Regulation needs to enable delivery across the housing spectrum to meet these needs.

Many global cities are struggling with a housing supply and affordability crisis, and two major areas of regulation reform have occurred in many cities over recent years:

- **Policies supporting BTR:** The growth of BTR internationally has typically been supported by targeted policy interventions. These have included finance guarantees and planning recognition in the UK, accelerated depreciation and REIT structures in the United States, and time-limited tax and financing stimulus measures in Canada.
- **Policies supporting Modern Methods of Construction (MMC):** Support for MMC has typically combined standard-setting with demand-side stimulus. These have included mandatory Prefabricated Pre-finished Volumetric Construction and buildability scoring in Singapore, a common MMC definition framework and government land and finance levers in England, promotion of MMC through Build Canada Homes in Canada, and a standards-led approach in the United States.

Freecity's submission makes three central points:

- **Coordination beats red-tape cutting alone:** we support the Commission's finding that land-use and infrastructure coordination reform will do more for supply than reducing regulatory burden in isolation. That finding does not, however, resolve the problem on the ground: our direct experience with the NSW State Significant Development Application (SSDA) pathway is that poor coordination between agencies, and the repeat referrals and design rework it generates, remain a binding constraint on delivery — and will persist unless coordination reform is implemented in the assessment pathway itself.
- **Feasibility, not approvals, is now the primary blockage:** construction costs have almost doubled in under a decade and developer contributions have also surged (e.g., up 106% in Parramatta CBD since 2018). Marginally feasible apartment projects — concentrated in Western Sydney — are where a modest, time-limited public contribution can unlock a disproportionate number of housing commencements, jobs and tax revenue.
- **Regulatory settings must recognise modular construction on its merits:** minimum dwelling, balcony and storage size rules, and approval processes that do not recognise factory-based quality assurance, constrain VMC's ability to deliver the productivity, cost, safety and embodied-carbon benefits Australia needs to meet both its housing and its net-zero targets.

Freecity's key recommendations are summarised in Section 7 and include a two-year, targeted and time-limited reduction in developer contributions for Western Sydney apartments (approximately \$50,000 per apartment), permanent reform of contribution timing and structure, continued reduction of transit-oriented development (TOD) parking minimums, harmonisation of NSW Affordable Housing planning requirements in perpetuity to Commonwealth MIT requirements for BTR to provide 10% affordable housing for 15 years to avoid double counting, and a dedicated certification pathway for modular construction.

3. A dual crisis demands a coordinated response

Freecity's "Innovating Future Living" strategy responds to two crises unfolding at once: a housing supply crisis and a climate crisis, which cannot be addressed in isolation.

- **The housing supply crisis**

Australia is forecast to fall well short of the National Housing Accord's target of 1.2 million homes by June 2029. Twenty-one months into the Accord (as of March 2026), we are tracking at approximately one quarter of the target numbers, based on completions. The crisis is being felt on every front at once: record-low rental vacancies, homeownership pushed further out of reach, and a chronic shortfall in new housing supply, particularly for apartments. The Australian Government's Intergenerational Report 2026 reaches the same conclusion, finding that "Housing supply will be the most important factor in tackling housing affordability" (p. 124), and that the time to save a 20 per cent deposit "has increased from 7.1 years in December 2002 to 11.2 years in December 2025" (p. 124).

- **The climate crisis**

Australia has committed to net zero by 2050 and to double circularity by 2035. As the electricity grid decarbonises, embodied carbon becomes a growing share of what remains to be cut from the built environment — meaning new housing cannot simply electrify, it must be built differently, increasing circularity and the use of low-embodied-carbon materials.

3.1 Why Volumetric Modular Construction is relevant to both

VMC modules are manufactured off-site, fully finished, in parallel with site works, then stacked to form a high-rise steel-structure building with services connected from common corridors. Based on repeatable floor plates, this construction methodology delivers materially improved productivity. Freecity's experience and independent case-study data from the 45-Level Ten Degrees BTR project in Croydon, London (benchmarked by HTA Design, the UK's leading modular architect) show the following outcomes for modular versus traditional construction:

42% Reduction in construction programme	86% Reduction in construction waste on-site	41% Reduced CO2 emissions	97% Factory waste recycled	86% Reduction in vehicle movements
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Australia's housing construction productivity has gone backwards over a generation: the Australian Government's Intergenerational Report 2026 finds that "Australia now builds about half as many dwellings per housing construction hour worked compared to 30 years ago" (p. 124). Modular delivery addresses that decline directly: industry reports that VMC productivity delivers 20–40% time reduction across the project program by allowing offsite manufacture to run simultaneously with site preparation and podium/basement construction, rather than sequentially. VMC is well suited to PBSA, Co-Living, BTR, hotels, and affordable and social housing — precisely the living-sector typologies where Australia's supply shortfall is most acute. Australia's BTR sector remains small by international standards, well below the share of housing it accounts for in the United States and the United Kingdom — a gap that VMC-delivered BTR is well placed to close.

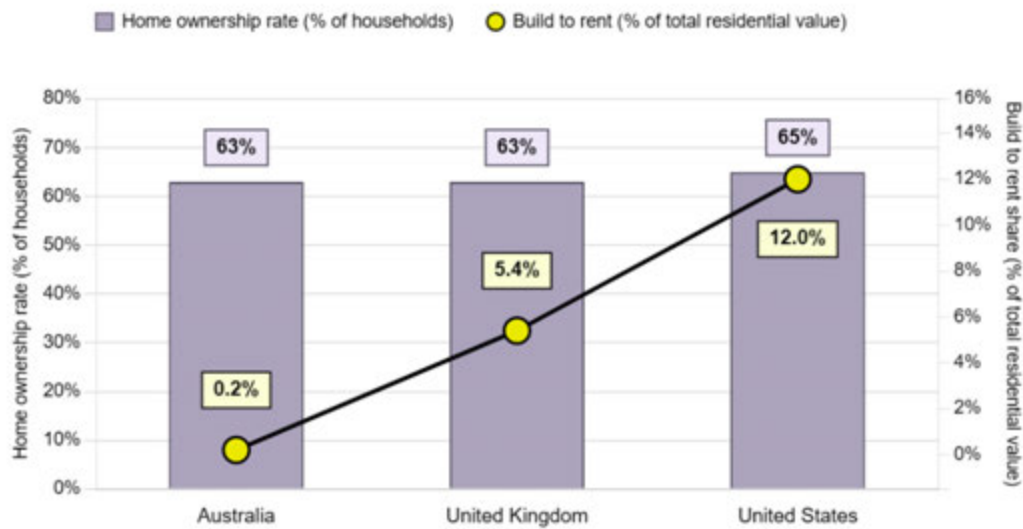


Figure 2: BTR as a percentage of housing, by country. Source: Freecoty insights.

Freecity is also pursuing a staged pathway to net-zero-carbon steel — its primary embodied-carbon hotspot — moving from a 30% reduction using recycled steel (2025) procured from China (no equivalent green steel product is available in Australia), to a 60% reduction using hydrogen-based shaft-furnace steel now available, with a target of a near-zero-carbon product line by 2030. Freecity is targeting the GBCA Green Star 5-Star Buildings v1 standard and the WELL for Residential certification across its' PBSA and BTR portfolio, and modular construction's disassembly and reuse potential directly supports the Commonwealth's goal to double Australia's circularity by 2035.

4. Freecity's response to the interim report's key findings

Freecity has reviewed the interim report in detail. The table below sets out the report's key findings and reform directions most relevant to Living Sector housing delivery, alongside Freecity's VMC productivity strategy based on direct project experience:

Interim report topic	PC interim report — key finding	Freecity's position
Transit-oriented development, high-rise and parking minimums	RD 2.2 allows mid/high-rise apartments in high-demand, transport-connected areas; RD 2.6 removes floor-space ratio caps; RD 2.5 reduces minimum parking where transport connectivity is sufficient.	Freecity fully supports this direction, consistent with our own TOD advocacy for reduced parking minimums (a feasibility drag of approximately \$50,000 per space). This is a genuine short-term lever achievable within the Housing Accord timeframe and BTR projects can provide this car light placemaking, supporting Public Transport.
Land-use and infrastructure coordination over cutting DA red tape	The Commission finds that land-use and infrastructure coordination reform will have the greatest effect on supply, while reducing regulatory burdens alone is likely to have a smaller effect on overall supply.	Our experience on the ground confirms this. The NSW State Significant Development Application (SSDA) pathway — five sequential stages with repeat referrals — is a major productivity barrier, generating excessive design rework and contradictory agency requirements.
Dwelling, balcony and storage size restrictions	RD 2.6 recommends removing minimum dwelling size, balcony size and storage rules, on the basis that governments should not regulate characteristics that do not affect the wider community.	VMC dimensions are inherently capped by transport road limitations and crane lift capacity limits. Freecity has proposed winter gardens in place of balconies, communal open space for studios, and a 3.2m (3.5m outside wall module width) performance-based living room width. Because repeatability drives modular productivity, a size rule in one jurisdiction constrains

Interim report topic	PC interim report — key finding	Freecity's position
		design nationally. Greater accessibility to roads for wider loads is the greatest barrier to VMC and with far fewer truck movements, productivity-based policy is able to deliver for all.
Developer contributions tied to accurate infrastructure cost	RD 4.3 pushes for contributions to reflect accurate infrastructure cost, to be properly apportioned, and removed where there is no clear nexus to the development.	Freecity is advocating for contributions to be paid at Occupation Certificate (or settled via PEXA), no contributions on affordable housing, harmonisation of state affordable-housing settings (in perpetuity) with Commonwealth MIT settings for BTR (10% for 15 years) with an NPV model to avoid double counting, and NSW Housing & Productivity contributions prorated by dwelling size to support housing diversity.
Rigid approval processes may discourage innovation	Section 3.3 finds that approval processes often do not recognise modular construction, adding cost and delay. Pattern books with pre-approved designs for "more productive methods of construction" are proposed under RD 3.2's fast-track push.	We support this and go further: Australia needs a dedicated modular certification pathway that recognises factory quality assurance as equivalent to on-site inspection. Freecity is willing to share its own certification and approvals timeline experience to help inform this pathway.

5. The evidence: why supply is stalling in NSW and Western Sydney

5.1 Approvals are not completions

The NSW Productivity Commission has produced four reports on housing over recent years, consistently advocating higher-density zoning, transit-oriented development uptake, and rebalancing growth to the east and north of Sydney. This is solid policy work, yet housing construction in NSW continues to fall well short of targets, with a gap of 54,000 homes to date for the Housing Accord and completions running at only 59% of the required run rate.

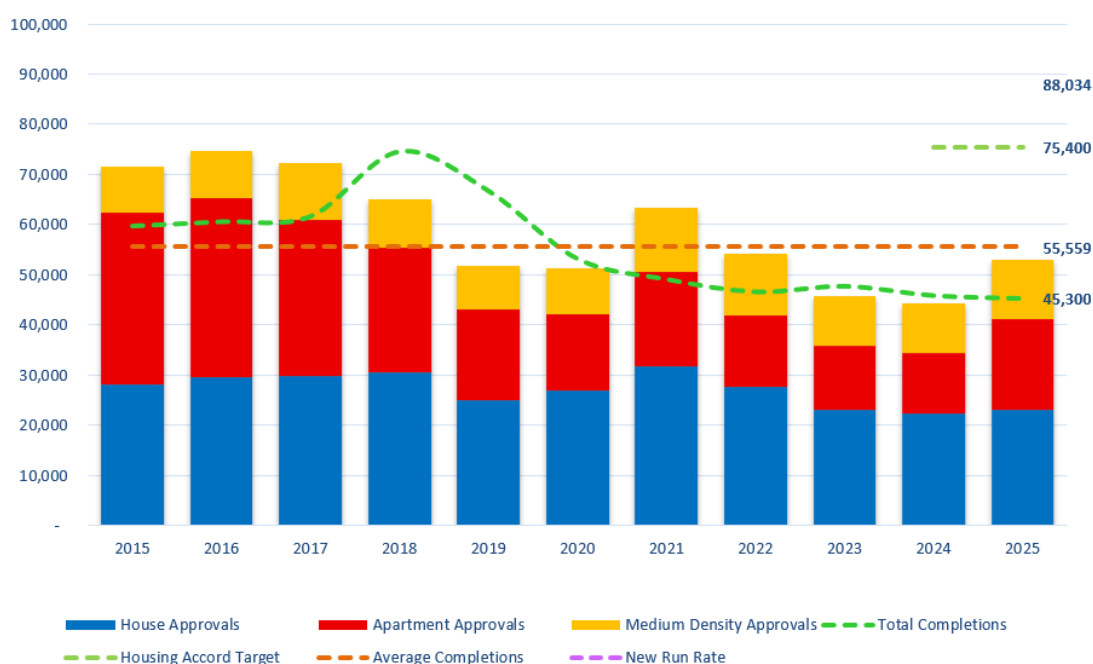


Figure 3: Ten year dwelling approvals and completions. Source: Freecity insights, ABS data.

Notably, the NSW Productivity Commission's most recent report dismissed subsidies to bring apartment projects into construction. Freecity's evidence, set out below, suggests this dismissal is premature: marginally feasible projects hold real opportunity to deliver a more affordable pipeline of apartments in Western Sydney.

On average, unfeasible sites in Sydney would need large subsidies to be feasible, in the order of \$15,000 to \$75,000 per dwelling (CIE, 2026). Such a subsidy might deliver more homes at the margins, but at an extremely large cost to the taxpayer. By contrast, upzoning can deliver a far more dramatic boost to feasible capacity, and at a much lower cost to the taxpayer.

— "Building more homes where the numbers stack up", page 31, July 2026

Freecity's own feasibility modelling (Section 6) shows that a targeted and time-limited contribution — in the order of \$50,000 per apartment can be sufficient to move already-approved Western Sydney apartment projects into construction. This is a materially different proposition to broad-based subsidy, and is not inconsistent with the case for upzoning; the two are complementary levers to give us the apartment starts we need now.

5.2 NSW completions and commencements are falling further behind

NSW shows the deepest downward trend of any eastern state, falling from a peak of almost 75,000 dwelling completions before COVID-19 to approximately 44,000 in the most recent financial year. Despite an upward trend in approvals over the past two financial years, this has not translated into a corresponding increase in commencements — approvals remain roughly 30% below the Accord's annual run rate. Even if houses and medium-density dwellings are delivered at 200% of trend, apartments alone would still need 62,998 approvals and commencements in the second half of 2026 (leaving only 2.5 years for construction) — growth of over 600% on what was achieved in the second half of 2025.

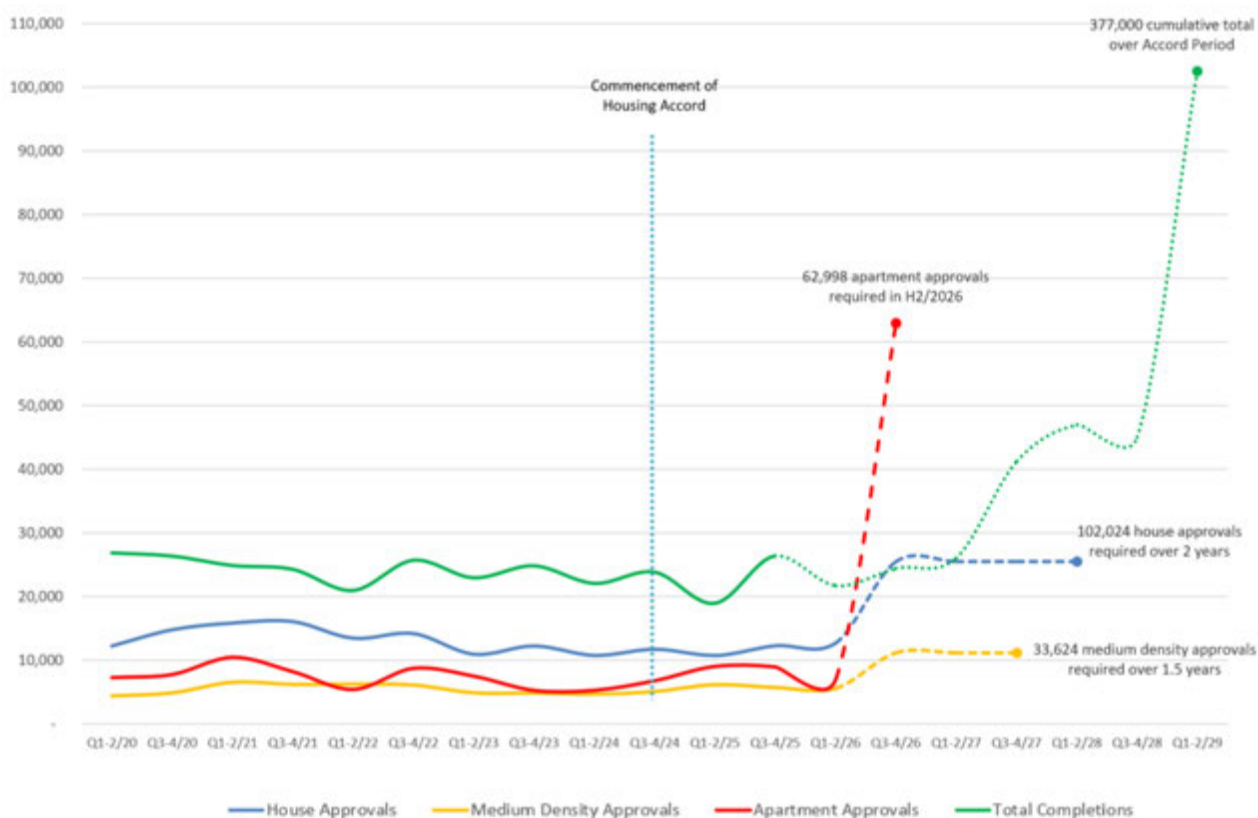


Figure 4: Half-year dwelling approvals and completions, NSW — approvals and commencements needed to reach the Housing Accord. Source: Freecity insights, ABS data.

5.3 BTR momentum is stalling

The progression rate of BTR projects approved after 2021 has declined, driven by high construction costs, taxes and developer contributions. Over the past three years, the average time from development approval to construction start has hovered around 30 months, compared with roughly two years faster pre-COVID. NSW nonetheless holds the largest potential BTR pipeline of any state, at close to 10,000 units — representing a key, currently underused opportunity for Western Sydney supply, contingent on the right policy support.

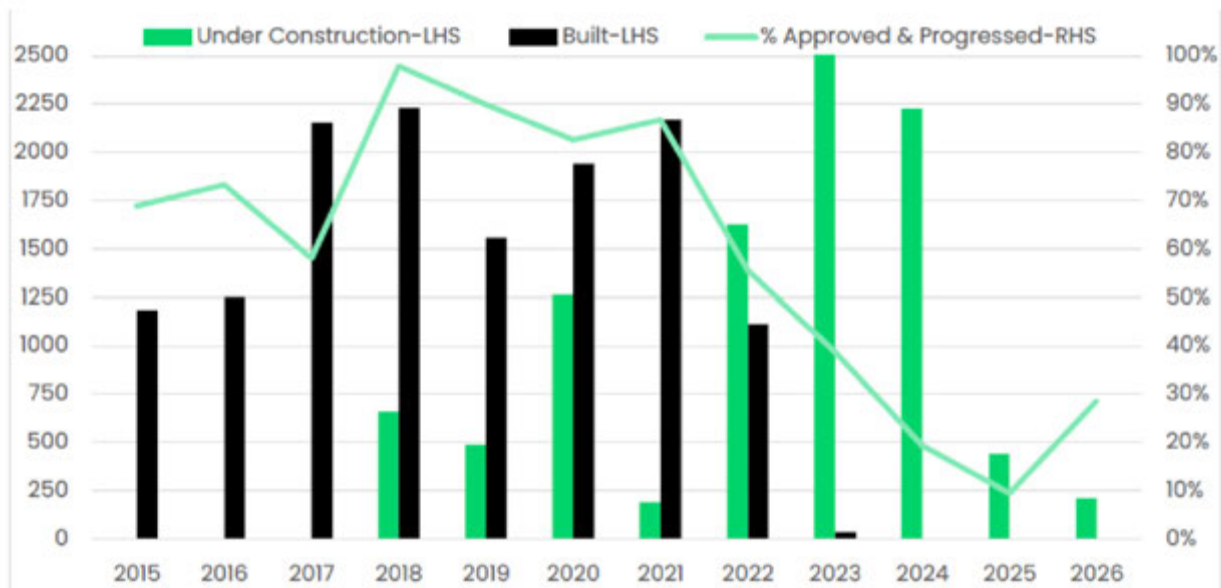


Figure 5: BTR apartments by current status and year approval received, June 2026. Source: Urbis.

5.4 Western Sydney's contribution is shrinking when it should be growing

Western Sydney is the most important housing market in NSW by population growth, yet its contribution to apartment supply is dwindling. Apartment approvals in Western Sydney have fallen from approximately 9,000 in 2018 to approximately 5,000 in 2025, and Western Sydney's share of total NSW apartment approvals has fallen from around 34% to around 27% over the same period — with commencements likely to be tracking even lower. Comprehensive Western Sydney-specific commencement and unactioned development-application data is not currently published, which itself hampers policy targeting and monitoring.

5.5 Construction costs and contributions are compounding the problem in Western Sydney

Construction costs for apartments have almost doubled in less than a decade, largely since COVID-19, making feasibility the primary blockage to new supply. Total developer contributions for dwellings in Parramatta CBD have surged 106% since 2018 (Savills). Comparing Parramatta with North Sydney illustrates the compounding effect: construction costs consume a larger share of the development stack in Parramatta — 57% for Build-to-Sell (BTS), the conventional model in which apartments are sold individually to owner-occupiers and investors, and 62% for BTR — than in North Sydney (49% and 52% respectively), despite higher per-square-metre construction costs in North Sydney, because Western Sydney's weaker revenue base cannot absorb the same build cost. Total developer contributions run at 3.7% of total development cost for Parramatta BTS and 4.2% for BTR, compared with just 1.0% and 1.3% in North Sydney — a region-

specific cost penalty that falls disproportionately on Western Sydney product. Contributions relief is therefore a real and quantifiable, if partial, lever for restoring Western Sydney feasibility.

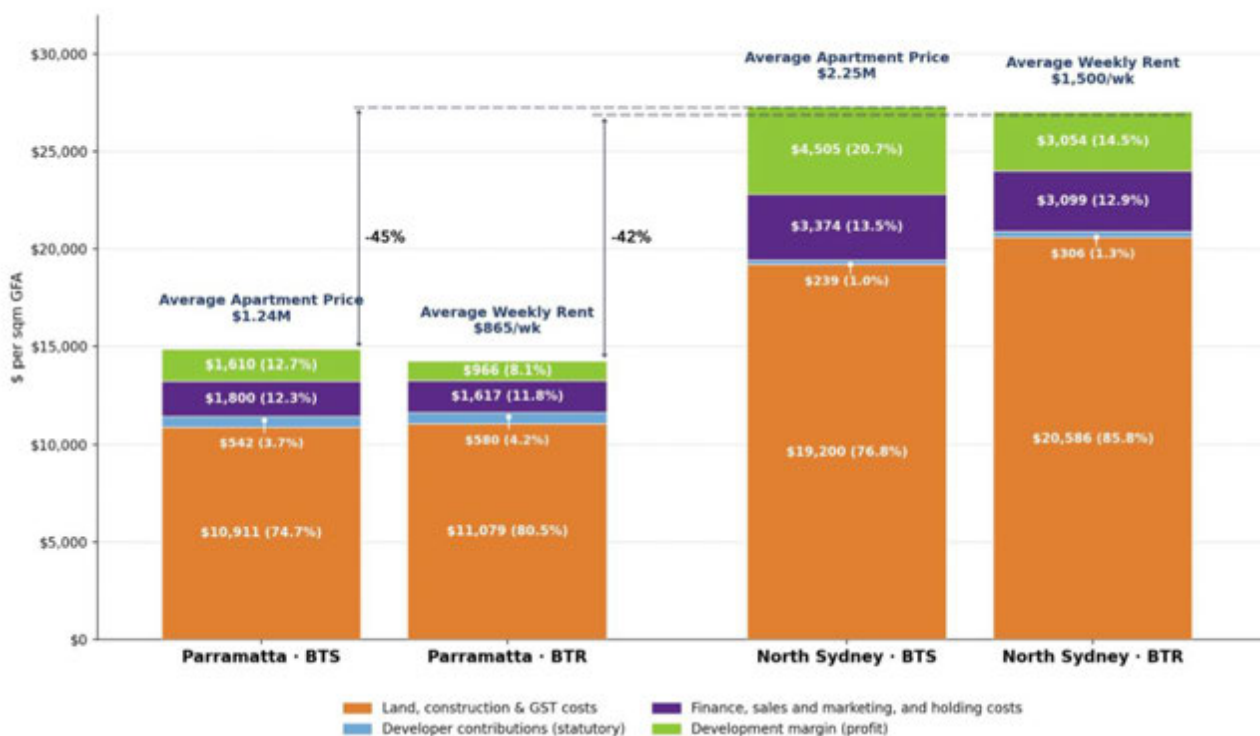


Figure 6: Development stack by region, BTS vs BTR — Parramatta compared with North Sydney, \$ per sqm GFA. Source: Freecity insights.

6. The economic case for targeted, time-limited intervention

Freecity's feasibility modelling for Parramatta shows that removing developer contributions lifts BTS margin on cost from 12.7% to 18.2%, and BTR margin from 8.1% to 14.5%. The scale of this uplift reflects how heavy a burden contributions have become in Western Sydney: approximately \$47,750 per unit for BTS and \$31,813 per unit for BTR. Timing matters as well as quantum — deferring contributions to Occupation Certificate, even where the full amount remains payable, is worth a further 1.3 percentage points of margin on its own.

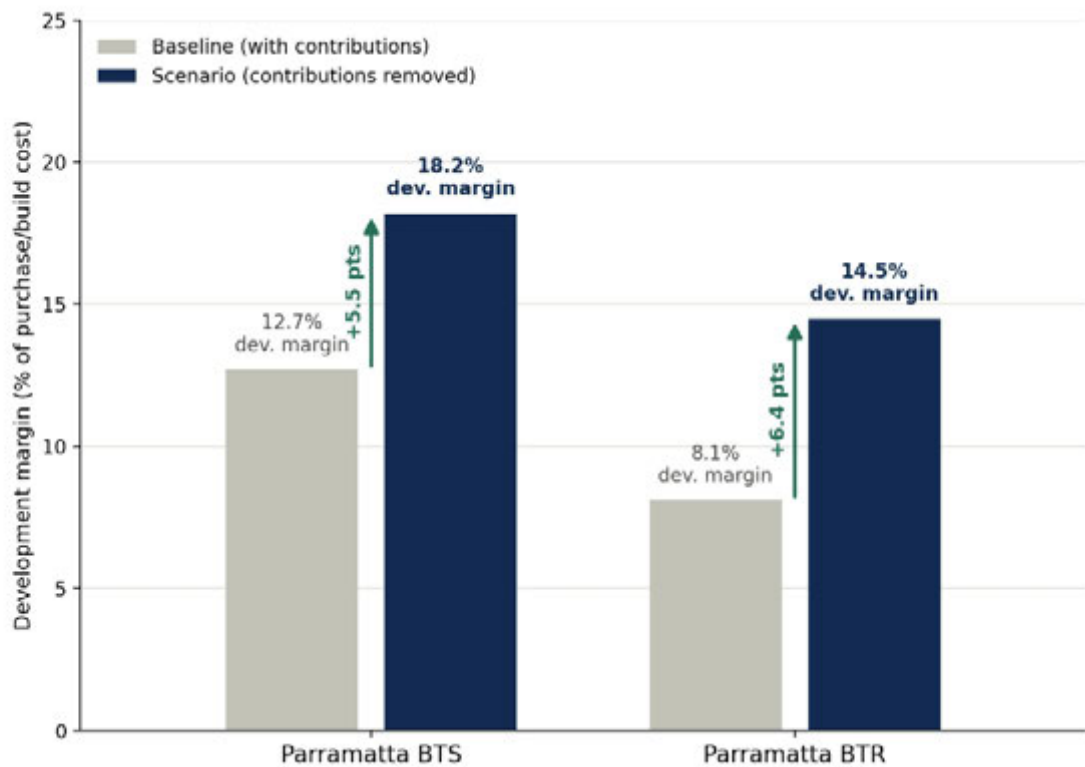


Figure 7: Parramatta Development stack: base case vs developer contributions removed (\$/sqm GFA). Source: Freecity insights.

Targeting this relief at Western Sydney's near-feasible projects specifically — rather than applying it economy-wide — is where the return is greatest. Freecity's modelling indicates that a contribution of approximately \$50,000 per apartment could unlock around 20,000 apartment commencements in Western Sydney. On Freecity's analysis:

- A \$500 million state contribution unlocks approximately \$1.9 billion in stamp duty revenue alone — close to four times the initial outlay, before any other revenue or benefit is counted.
- The same \$500 million contribution is estimated to support approximately 99,000 jobs and approximately \$32 billion in broader economic activity.
- The underlying logic is simple: no stimulus means no commencements, no commencements mean no sales, and no sales mean no stamp duty. The stimulus is what triggers the chain.

Freecity's central message to the Commission is that a relatively modest, targeted and time-limited contribution can generate outsized returns in housing supply for markets like Western Sydney, delivering housing at scale, employment and a strong broader economic multiplier, and should be assessed on that basis rather than dismissed as a general-purpose subsidy.

7. Recommendations

Freecity's recommendations are grouped by timeframe and level of government. Recommendations directed at New South Wales illustrate evidence-based reforms Freecity considers consistent with the interim report's own findings and readily transferable to other jurisdictions facing similar apartment and BTR supply constraints.

7.1 Short-term actions within the Housing Accord timeframe (2 years)

Recommendation	Rationale / expected effect
Cut developer contributions on Western Sydney apartments by approximately \$50,000 per apartment for a two-year period.	Targets marginally feasible sites specifically, at the point of greatest leverage, rather than an across-the-board subsidy.
Restore COVID-era extended construction hours.	A low-cost, immediately available lever to pull project completions back inside the Housing Accord's June 2029 deadline.

7.2 Permanent reform of developer contributions (NSW, with Commonwealth alignment)

Recommendation	Rationale / expected effect
Developer contributions paid at Occupation Certificate, settled via PEXA at contract settlement.	Removes a significant upfront feasibility cost without reducing total public revenue collected, improving project bankability at the point finance is hardest to secure.
No developer contributions on affordable housing dwellings; harmonise NSW affordable housing (in perpetuity) with Commonwealth MIT settings for BTR (10% over 15 years) with an NPV formula to remove double counting.	Affordable housing contributions are currently one of the largest single costs weighing on feasibility, particularly for BTR; duplicated state and federal settings compound this unnecessarily.
Stagger Housing & Productivity contributions by dwelling size: Studio/1-bed at 25%, 2-bed at 50%, 3-bed at 75%, 4-bed at 100% of the standard rate (Dual-Key BTR assessed at the smaller-dwelling rate).	Encourages a more diverse product mix, including smaller and more affordable dwellings, rather than penalising them at the same rate as larger apartments.

7.3 Planning process and data reforms

Recommendation	Rationale / expected effect
Streamline the SSDA pathway to a single, consolidated Response to Submissions, with risk-based fast-track assessment for compliant, well-designed projects.	Directly addresses the Commission's own finding that coordination and process reform — not just red-tape reduction — has the greatest effect on supply.
Continue to reduce TOD parking minimums where transport connectivity is sufficient.	Removes a feasibility drag of ~\$50,000 per parking space, as car parking may not be a long-term structural requirement as transport connectivity improves.
Introduce a dedicated modular/VMC certification pathway that recognises factory-based quality assurance as equivalent to on-site inspection.	Approval processes currently do not recognise modular construction methods, adding cost and delay that offset VMC's productivity gains. The Australian Government's Intergenerational Report 2026 likewise anticipates approvals and construction code work being complemented by "reforms which remove barriers to the uptake of modern methods of construction" (p. 197).
Reinstate a detailed NSW housing data series covering the full housing spectrum — retirement living, land lease communities, student accommodation, co-living, detached housing, medium density, apartments and BTR.	Robust, timely data is a precondition for evidence-based monitoring of progress against the Housing Accord and for identifying where supply is stalling.

8. Freecity's ongoing research commitment

Freecity is undertaking research and development to support the case for productivity-led planning reform alongside policies that enable BTR, recognising that VMC's full potential will remain unrealised while governance frameworks have not yet evolved to support it.

Governance and policy research is being undertaken with the University of Melbourne, through the Melbourne School of Design's Sustainable Housing Environment (SHE) Lab and the Centre for Advanced Manufacturing of Prefabricated Housing. The Freecity-funded study examines how Australia's governance settings help or hinder an integrated VMC–BTR housing delivery model, benchmarked against the UK (England), Canada, Singapore and the United States. It finds that taxation, finance, planning and certification frameworks were largely designed around conventional construction and home ownership, and that the resulting barriers arise well before the construction phase — at the point where developers, investors and financiers decide whether to pursue VMC, BTR or an integrated model at all.

Freecity is also completing work on design and technology solutions, investigated in partnership with UNSW, including the following research topics:

- a systematic, full-lifecycle comparison of conventional and modular construction, developing a quantitative evaluation framework for productivity gains covering time, cost, workers, carbon emissions and sustainability, to inform government and industry policy, standards and technology adoption;
- design frameworks and advanced computational methods for modular buildings, integrating structural efficiency, functional adaptability and sustainability, supported by digital tools for design decision-making; and
- a scalable digital twin framework for modular buildings covering real-time sensing, structural health monitoring, predictive analytics and data-driven lifecycle management, from operation through to retrofitting and recycling.

As part of this program, Freecity is studying international policy settings — taxation, planning, VMC-specific legislation and enabling policies — to understand which levers have proven effective in other countries in delivering BTR and VMC housing at scale, and would welcome the opportunity to share findings with the Commission as this work progresses.

9. Conclusion

Freecity supports the direction of the interim report, in particular its findings on TOD and parking reform, the priority it places on land-use and infrastructure coordination over process reduction alone, and its recognition that rigid approval processes can discourage innovation in construction method. Freecity's own experience delivering Volumetric Modular Construction at scale, and its detailed feasibility modelling of Western Sydney apartment and BTR projects, provide practical, quantified evidence in support of these directions — and point to a clear, cost-effective opportunity for governments to unlock tens of thousands of near-feasible apartment commencements before the Housing Accord's 2029 deadline, if we act quickly.

Freecity would welcome the opportunity to discuss this submission further with the Commission, including providing additional detail on its feasibility modelling and modular delivery experience.

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