

Building adequate and suitable housing in a timely manner through housing supply regulation reforms

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1. Introduction

The core message of this submission is that housing supply regulation must ensure an adequate supply of suitable housing in a timely manner. This message largely overlaps with the inquiry's goal, i.e., “to build enough housing, more quickly, and where people need it most” (PC 2026 15), but it includes the overlooked suitability dimension of housing supply and claims that not only the location of the dwellings but also their suitability in terms of bedroom count must be considered. Lifting productivity in housing production can boost housing supply. However, new housing additions do not automatically resolve the housing shortage because they often misalign with the suitability characteristics demanded. The market fails to align, as housing developers tend to build smaller dwellings to meet their judgement of the housing narrative (i.e., apartment living is a “stepping stone” towards home ownership of a separate house), demand expectations, and profit margins (Cook et al. 2023; Wiles 2020; Hubbard 2025; Moorhead et al. 2023; Rowley et al. 2014). We need regulations to ensure productivity improvements support the production of suitable housing rather than adding a massive amount of new housing, even in the right location, that is not suitable for Australian families and households.

The interim report advocates reforms to relax planning controls to boost productivity in the housing sector with inadequate consideration of the suitability of the dwellings to be produced. This approach reflects an oversimplified application of the laws of supply and demand and ignores the differences between housing and the standardised “goods and services” assumed in those laws. Housing products are not only shelters for living in but also assets for financial security; they vary by location, design, structure, size, age, the number of bedrooms, and more. The unique nature of housing suggests that, to be meaningful, the inquiry must be carefully positioned within a complex range of considerations. Overlooking the suitability dimension will perpetuate the housing supply imbalance that has already failed Australian families by oversupplying one- and two-bedroom apartment dwellings. Focusing on deregulation of planning controls could speed up development (Coates et al. 2025; Maltman 2025), but increased productivity has its limits in fixing the housing affordability crisisⁱ: productivity does not address the misaligned suitability problem, nor does it fix the problem of excessive demand driven by investment ambitions and an overheated housing market.

Conceptually, the inquiry will benefit from embedding the analysis and arguments in a systematic understanding of housing supply and regulations in the broader housing supply, demand and policy nexus. By defining what is and is not in scope, the interim report acknowledges many of the relevant factors shaping housing supply. But several fundamental

questions deserve conceptual clarity: What basic features, beyond the often-mentioned security, safety, and affordability, must a dwelling have to be wanted by the occupier(s)? Who is responsible for meeting the basic requirements? What processes do responsible parties follow to produce dwellings that meet these requirements? How is housing supply regulation, such as measures that lift productivity, relevant to producing suitable housing?

This submission addresses the above questions and examines the housing shortage through a suitability lens. The essay is both conceptual, exploring the positioning of housing supply regulation in the broader housing nexus and its methodological implications, and empirical, analysing census and other data for grounded evidence. I argue that reforming housing supply regulations offers an opportunity to prevent a housing suitability crisis, and I urge the Productivity Commission to seize it by acknowledging the potential crisis and introducing housing supply regulations to prevent it. The submission has six sections: 1) introduction, 2) housing supply regulation in the housing nexus, 3) an inventory of Australian housing, 4) housing supply at state, metropolitan and local government scales, 5) international best practice, and 6) recommendations.

2. Housing supply regulation in the housing nexus

2.1 The PC inquiry has a limited scope

The Terms of reference for the PC inquiry provide a clear scope of the work (PC 2026, iv):

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)

In parallel with the above, the out-of-scope aspects are listed as (PC 2026, v, 14-15; PC Webinar 2026):

- National Construction Code
- Broader policy settings such as taxes
- Broader economic conditions affecting supply (i.e. cost of building materials)
- Demand for housing (and the reasons for it: migration and demographic changes)
- Workforce related issues

The objective of the inquiry aligns closely with the Terms of reference, expressed as: “develop actionable recommendations to lift productivity and help Australia build more homes” (PC 2026, iv). Behind the definition of the PC’s scope of inquiry is a clear belief that “housing supply challenges need to be addressed to ensure Australians have access to safe, stable and affordable housing” where they need them, while the “residential building industry is facing capacity constraints” and thus needs reform to lift housing productivity (Australian Government 2022, p1). State governments shared this view, claiming that housing supply is the root of the housing crisis (State of Victoria 2023, 3).

Supply-and-demand laws underpin the ongoing housing inquiry and policy prescriptions: the housing affordability crisis is perceived as an outcome of disequilibrium between housing supply and demand; a supply shortage has driven exorbitant prices and low vacancy rates; developers would respond to the price signal if not constrained by planning controls and a lack of supporting infrastructure; thus, planning reforms focused on deregulation and infrastructure provision would fix the problem. While this logic reflects sound market principles for shaping production and consumption, housing differs fundamentally from the standard goods and services assumed in theory: its non-standardised nature challenges any simplified application of supply-and-demand laws in housing analysis and policymaking. Oversight of the differences between housing and standardised goods and services creates a misalignment between the topic of concern (i.e., housing supply regulation) and the scope of inquiry.

2.2 The supply, demand and policy nexus

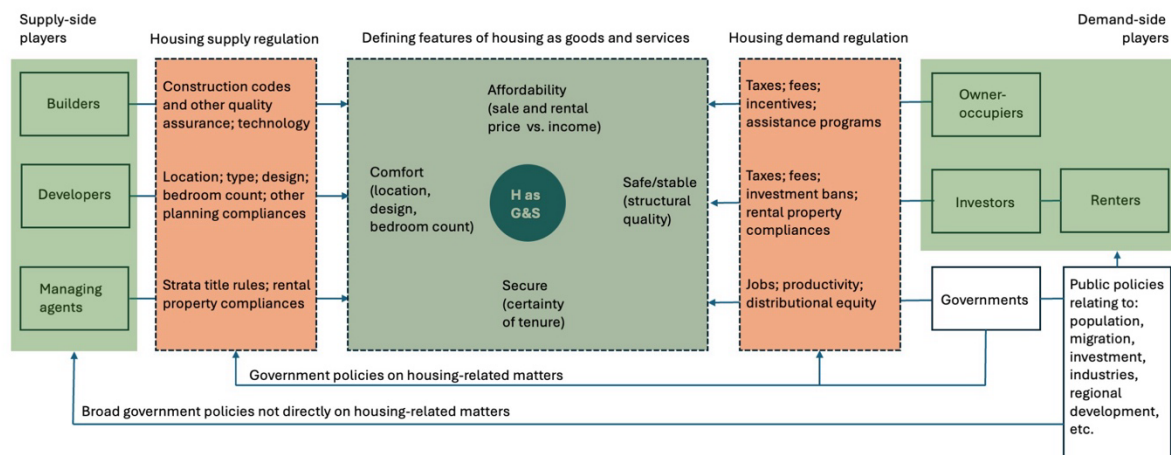
A theoretical explanation for the misalignment between the topic “housing supply regulation” and the scope of inquiry in the terms of reference, focusing on planning regulations, reflects the over-simplification of supply-and-demand laws when applied to housing analysis.

According to classic economics principles, the price of goods and services rises when supply is short and falls when supply is abundant. Similarly, excessive demand drives up prices, while low demand drives them down. These laws explain buyer and seller behaviour: in a competitive market, they act promptly, leading to an equilibrium price. By simply plugging housing into the logic, housing price hikes are understood as an indication of a shortage of housing supply, which leads to unaffordability – the key feature of the Australian housing crisis. Following such a logic, the fix is to build faster and build more.

The problem is, however, that housing is not a type of good or service characterised in the laws: they do not meet the homogeneity assumption as every property differs by location, structure, size, age and neighbourhood; they are highly inelastic as their production needs a much longer time, and housing owners hold them for a much longer time than standard goods; their transaction involves high costs for taxes, fees and legal costs in addition to the purchasing price; they are both shelters and assets so they are not purely for consumption but also for investment; they are spatially immobile because they are fixed in a location. The uniqueness of housing as a good and service places it in a complex nexus, as shown in Figure 1, through its defining features, multiple buyers and sellers, and regulatory dimensions.

Australian policy documents claim that housing needs to be affordable, secure, safe (and stable) and comfortable (Australian Government 2022; State of Victoria 2023). In the ongoing debate about the housing crisis, these key features are expressed as sale or rental prices relative to income, certainty of tenure arrangements, structural quality, and design and access (i.e., available in locations of need). A critical omission in the defining features is the suitability of dwellings, measured by the number of bedrooms. Suitability matters because any family living in a dwelling with too few bedrooms for its size, whether because of an absolute lack of supply or an unaffordable high price driven by scarcity, would be uncomfortable. Agreeing on the defining features of housing is the first step towards effective housing supply regulation.

Figure 1. The supply, demand and regulatory nexus of housing



The second step is understanding the sellers and buyers in the housing market, framed by the supply and demand sides respectively. On the supply side, builders, developers, and managing agents are the primary stakeholders who produce, modify, and add value to housing. Builders' compliance with construction codes, quality control, and technology innovations affect construction costs and building quality, while developers' decisions on design, bedroom counts, material selection, and project location shape the comfort and affordability of housing products. For strata title properties, especially apartments, quality service provided by managing agents is critical to provide security for residents (renters in particular) and keep maintenance and administrative costs affordable. Recognising the type and scale of operations on the housing supply side is also necessary to support the inquiry's methodological design. For instance, Mum-and-Dad developers, medium-sized builder-developers and large development companies deserve engagement in the inquiry because of their different motivations, resource access and project goals.

On the demand side, owner-occupiers with or without a mortgage, investor-buyers and renters, and the commonwealth and state governments are the key players. The Inquiry explicitly excludes demand-side considerations from the analysis. We respect that decision but keep these key players in the conceptual picture for completeness. Their presence is necessary because developers analyse buyers' preferences for housing products, while governments – that are non-buyers – remain vigilant about balancing the benefits of housing policy effects between Australian wellbeing and the economy.

The third step considers the regulatory opportunities to shape housing supply. These opportunities arise in both broader policy-formulation processes on demography, migration, jobs, and equity, and in the interfaces between supply-side players and housing products, and between demand-side players and housing products. Sellers and buyers navigate through a wide array of broad and specific policy sets to make decisions about housing production and consumption. Again, the demand-side considerations are included not only for conceptual completeness but also because they matter to developers deciding what gets produced.

Regulations on supply-side players ensure builders comply with construction codes and other quality-assurance guidance. Along with technological innovation, they help ensure housing

products are safe and affordable. Developers are largely regulated by planning controls relating to land use, location and intensity of development. Many regulations in this space are targets of reform to speed up development processes, as developers argue. While the Inquiry focused on planning reforms, its scope omitted suitability issues measured by bedroom count. Both deregulation and new regulations are needed to ensure developers produce comfortable, affordable housing. As for property managers, regulations should ensure renters are not disadvantaged in securing tenure certainty. Efficient management of apartment properties requires accountability from managing agents.

Demand-side regulations focus on taxes, fees, assistance grants, investment restrictions, and speculation. These regulations are key factors for developers to assess market conditions and decide on their residential projects. For example, JLL (2025) estimated that overall domestic and foreign investor demand for multi-unit high-density projects remains subdued because of high interest rates, construction costs and regulatory restrictions. Demand-side trends such as reduced owner-occupation rates and growth in private renting led offshore institutional capital, such as pension funds and private equity, to shift toward build-to-rent housing (Livingstone et al. 2026).

Given the defining features of housing, the supply-side and demand-side players, and the regulatory opportunities presented in Figure 1, the Inquiry is clearly steered to target a very specific aspect – the developers’ constraints relating to planning controls, overlooking their decision processes about what housing to produce. The builder group and its regulatory concerns are placed as out of scope, to be examined in a separate inquiry; the same arrangement, though not mentioned in the Interim Report, could apply to the managing agent group and its regulatory concerns. The demand-side players and regulations are also deemed out of scope. This leaves the developer group and the planning controls, including infrastructure provision, as the emphasis of the inquiry. While this is consistent with the terms of reference, an important scope extension deserves consideration: the inquiry needs to explicitly address the suitability or comfort aspects of the housing product, which developers must decide. In other words, care must be taken not only to build fast and build more, but also to build right.

2.3 An inquiry of housing supply from a suitability lens

The conceptual nexus of housing helps clarify the four questions raised in Section 1.1 and, consequently, establishes the importance of exploring housing supply through a suitability perspective. Housing suitability, measured by bedroom counts, is a missing dimension in housing supply analysis. Developers are responsible for producing suitable housing, yet development decisions shaped by widely held beliefs among housing industry representatives, commentators, investors, and planners, and by taxation regimes that incentivise the development of multi-unit housing for investment purposes, leaned toward building small rather than large apartments (Cook et al. 2023). Indeed, housing transaction data in Victoria and Metropolitan Melbourne show that in 2021, 2022 and 2023, the per-square-metre price committed by 1-bedroom units, measured by median price and median dwelling size, was the highest among 1-, 2-, 3- and 4-bedroom units (including semi-detached houses, terraced houses, townhouses, flats and apartments). Although this pattern is not consistent across all yearsⁱⁱ, the belief that smaller dwellings could yield higher returns may

have driven an oversupply of one-bedroom apartments and a shortage of larger apartments. This market failure calls for regulatory intervention; without it, increasing housing productivity risks producing unsuitable housing and further misalignment between supply and demand.

The essay now turns to an empirical examination of the suitability issues, beginning with an inventory of housing in Australia. Is there an adequate number of dwellings relative to population? What types of housing do Australians live in? What are the tenure arrangements? How many people are experiencing affordability stress? How many people are experiencing suitability stress? How many new dwellings are needed to address the suitability stress?

3. An inventory of Australian housing

3.1 Housing conditions in Australia

There were about one million more habitable private dwellings than Australian households in all the census years analysed, resulting in a 10% unoccupancy rate. More than 71% of Australian households lived in separate houses, 13% in semi-detached and similar dwellings, and 14% in flats and apartments. About 78% of Australian households lived in 3- and 4-bedroom dwellings. 12% lived in 2-bedroom dwellings, and the remainder lived in 1-bedroom and studio dwellings and dwellings with 5 or more bedrooms.

According to the most recent and available data from the four census years 2006-2021, the total number of dwellings in Australia increased from 8.4 million to 10.9 million, accommodating 7.5 million to 9.8 million households, respectively. The unoccupancy rate of private housing fluctuated around 10% of the total dwellings. In 2021, one million private dwellings were unoccupied, meaning no one was staying there on Census Night. Unoccupied dwellings included those for owner's use only or commercially rented holiday homes, newly completed dwellings, habitable dwellings due for demolition or repair, and dwellings to let (ABS 2021). The total number of dwellings consistently exceeded the number of households.

A snapshot analysis of the 2021 census data shows that 71% of the occupied private dwellings were separate houses. 13% were semi-detached, row or terraced houses and townhouses, while 14% were flats or apartments. The remaining 2% or less of households lived in other structural types, such as caravans. Among the unoccupied private dwellings, 60% were separate houses, 13% were semi-detached, row or terraced houses and townhouses, and 26% were flats or apartments. The percentage distribution of households in occupied and unoccupied private dwellings by structural type shows a similar pattern in the 2016 census: a higher percentage of occupied separate houses and moderate shares of semi-detached and apartments; and a high percentage of unoccupied separate houses, a moderate share of semi-detached houses and a higher share of flats or apartments. In 2016, 72% of occupied private dwellings were separate houses; 12% were semi-detached, row or terrace houses and townhouses; and 14% were flats or apartments. In contrast, 67% of the unoccupied private dwellings were separate houses; 14% were semi-detached, row or terrace houses and townhouses, and 18% were flats or apartments.

In terms of bedroom count, the 2021 census data show that about 38% of Australian households lived in 3-bedroom dwellings, and 36% lived in 4-bedroom dwellings. Together, 3- and 4-bedroom dwellings accounted for 76% of occupied dwellings. Among the remaining households, about 12% lived in 2-bedroom dwellings, while less than 2% lived in 1-bedroom dwellings. 9% lived in 5-bedroom dwellings, and less than 2% lived in 6-bedroom dwellings. Very few households lived in dwellings with 7 to 30 bedrooms; these households made up less than 1% of total Australian households.

In 2021, about 65-66% of Australian households were one-family households; 1-2% were multi-family households, and 27-28% were non-family households. The average size of one-family households was 3.01 persons, while the average size of all households in private dwellings was 2.52 persons. These sizes were slightly smaller than the previous census years (3.05, 3.04, 3.05 for one-family households in private dwellings in 2016, 2011 and 2006, respectively; 2.57, 2.55, 2.55 for all households in private dwellings in 2016, 2011 and 2006, respectively), but the differences are minor.

3.2 Tenure and affordability stresses

In 2021, more than one-third of Australian households lived in a dwelling they owned with a mortgage, slightly less than one-third owned outright, and another slightly less than one-third rented. Most owner-occupiers (83%) lived in separate houses, while half of the renter households lived in separate houses but another half in semi-detached houses, terraced houses, townhouses, flats and apartments. Less than 20% of owner-occupiers lived in dwellings with 2 or fewer bedrooms, and about three-quarters lived in 3- and 4-bedroom dwellings. This contrasts with renter households, where 45% lived in dwellings with 2 or fewer bedrooms and slightly more than half lived in 3- or 4-bedroom dwellings.

Among those households with tenure information in the ABS 2021 census, 32% owned outright and 35% owned with a mortgage, while 31% rented. The remainder, about 2%, were recorded as other tenure types, such as rent-free arrangements or living in retirement villages. Most owner-occupiers, whether they owned outright or had a mortgage, lived in separate houses, accounting for 83% of households in those categories. About 7-9% of households lived in semi-detached or terraced houses and townhouses (9%) and flats or apartments (7-8%). In contrast, half of renter households lived in separate houses, 20% in semi-detached or terraced houses and townhouses, and 29% in flats and apartments. 2% of those owned outright lived in caravans and other types. This same percentage of households in the other tenure category (such as rent-free) lived in caravans and other types.

Nationwide, 86% of households lived in 2-, 3-, and 4-bedroom dwellings, accounting for 19%, 39%, and 28%, respectively. 6% of households lived in 1-bedroom and 1% in studio dwellings; 7% in dwellings with 5 or more bedrooms. Households in different tenure groups show varied patterns. A small share of owner-occupiers lived in dwellings with 2 or fewer bedrooms, while a larger share lived in 3- and 4-bedroom dwellings: only 19% of owned-outright households lived in dwellings with 2 or fewer bedrooms, while 74% lived in 3- and 4-bedroom dwellings; owner households with a mortgage had only 13% living in dwellings

with 2 or fewer bedrooms, while 77% lived in 3- and 4-bedroom dwellings. In contrast, 45% of renter households lived in dwellings with 2 or fewer bedrooms and 52% in 3- and 4-bedroom dwellings. Households in other tenure types had the highest proportion living in dwellings with 2 or fewer bedrooms (52%); 45% lived in 3- and 4-bedroom dwellings

16% of households with a mortgage had mortgage repayments above 30% of household income and experienced affordability stress. Among these 16% of households with mortgage stress, 79.4% owned a separate house, 10.3% owned a semi-detached house, a terraced house or a townhouse, 10.1% owned a flat or apartment, and 0.2% owned other types of dwellings, such as a caravan.

By bedroom count, households with mortgage stress are found in 1- to 6-bedroom dwellings: 3% in 1-bedroom dwellings, 14% in 2-bedroom dwellings, 39% in 3-bedroom dwellings, 35% in 4-bedroom dwellings, 8% in 5-bedroom dwellings, and 1% in 6-bedroom dwellings. This is consistent with the dominance of separate houses where those households live, i.e., separate houses have more bedrooms than other housing types.

A higher proportion of renter households experienced affordability stress than mortgage-holding owners did. 35% of renter households used more than 30% of household income on rent. Among these 35% of renter households, 47% rented a separate house, 21% rented a semi-detached house, a terraced house, or a townhouse, 31% rented a flat or apartment, and 1% rented a caravan or other type of dwelling.

By bedroom count, renter households with affordability stress are found in studio to 5-bedroom dwellings: 2% in studio dwellings, 15% in 1-bedroom dwellings, 35% in 2-bedroom dwellings, 35% in 3-bedroom dwellings, 12% in 4-bedroom dwellings, and 2% in 5-bedroom dwellings. This differs from the distribution of owners with a mortgage. Renter households in dwellings with 2 or fewer bedrooms accounted for 52% of those with affordability stress, while those with mortgage stress accounted for 17% in the same dwelling group. In contrast, slightly less than half of renter households in dwellings with 3 or more bedrooms reported affordability stress, while more than 80% of those with mortgage stress were recorded in the same dwelling group.

3.3 Housing suitability stress

Most Australians live in dwellings with spare bedrooms, far more than those experiencing suitability stress (about 3% of households) need. Ironically, more 3-, 4-, and 5-bedroom dwellings are needed to address the housing suitability stress.

78% of Australian households lived in a dwelling with spare bedrooms, ranging from 1 to 4. In contrast, 3% of households lived in dwellings with inadequate bedrooms and needed 1 to 4 extra bedrooms. The remaining 19% lived in a dwelling with just enough bedrooms in the 2021 census night. This is the category of “no bedrooms needed or spare”, defined by the Housing Suitability (HOSD) score calculated by comparing the actual number of bedrooms in a private home against the number of bedrooms required by the household's residents, according to the Canadian National Occupancy Standard (CNOS).

The proportion of Australian households that needed extra bedrooms or had spare bedrooms varied by housing type. In separate houses, 3% needed extra bedrooms, 84% had spares; in semi-detached, terraced and townhouses, 4% needed extras, 73% had spares; in flats and apartments, 6% needed extras, 50% had spares; in caravan and other types, 8% needed extras, 40% had spares. The number of extra bedrooms needed accounted for a very small portion of the number of spare bedrooms: 2% in separate houses, 4% in semi-detached, terraced and townhouses, 13% in flats and apartments, and 18% in caravan and other housing types. On average, the 2021 census estimate shows that 395,026 extra bedrooms were needed, while there were 12,172,569 spare bedrooms; the ratio is 0.03 or 3%.

In all four household groups classified by the number of extra bedrooms needed according to the Canadian National Occupancy Standard, namely Group 1: One extra bedroom needed, Group 2: Two extra bedrooms needed, Group 3: Three extra bedrooms needed, and Group 4: Four or more extra bedrooms needed, households living in 2-, 3- and 4-bedroom dwellings made up a large majority that needed additional bedrooms. 33%, 36% and 14% of households living in 2-, 3- and 4-bedroom dwellings needed one extra bedroom, accounting for 83% of the total households in Group 1. 25%, 38% and 18% in Group 2 needed two extra bedrooms; 19%, 36% and 21% in Group 3 needed three extra bedrooms; 16%, 34% and 21% in Group 4 needed four extra bedrooms. The share of households in a matrix organised by the number of extra bedrooms needed and the existing bedroom count of their dwellings show that 9% needed to upgrade from studios and 1-bedroom dwellings to 2-bedroom dwellings; 28% needed to upgrade from 1-bedroom and 2-bedroom dwellings to 3-bedroom dwellings; 33% needed to upgrade from 2-bedroom and 3-bedroom dwellings to 4-bedroom dwellings; 17% needed to upgrade from 3-bedroom and 4-bedroom dwellings to 5-bedroom dwellings. Increasing the supply of new 3-, 4-, and 5-bedroom dwellings will meet the needs of 78% of households under suitability stress. About 9% of the households (3% lived in 5-bedroom, 4% in 4-bedroom, and 2% in 3-bedroom dwellings) needed to upgrade to dwellings with 6 or more bedrooms. They included one-family households, multi-family households and non-family householdsⁱⁱⁱ.

Households with affordability challenges do not trade housing suitability to reduce stress. This is true for both renters and mortgage-paying owners. 61% of renter households that spent more than 30% of their household income on rent had spare bedrooms; 83% of mortgage-paying owners who spent more than 30% of their household income on repayment had spare bedrooms. Given that 78% of Australian households had spare bedrooms, the data suggest that more mortgage-paying owners with financial stress had spare bedrooms than the national average. A slightly higher share (5% as compared with 3% of the national average) of renter households with financial stress lived in dwellings without an adequate number of bedrooms. The share of renter households in the “just enough bedrooms” group was also higher than the national average (30% vs. 19%).

Owner-occupiers lived in more spacious dwellings than renters do. Overall, living in dwellings with spare bedrooms is the norm in Australian housing occupancy practice.

Consistent with the suitability patterns shown by renters living “thriftily” and mortgage-paying households living “spaciously”, owner-occupiers lived in more spacious dwellings than renters. According to the 2016 census, 86% of owners who owned outright had spare bedrooms: 27% had one, 41% had two, 16% had three, and 2% had four or more. 76% of owners with a mortgage had spare bedrooms: 34% had one, 31% had two, 10% had three, and 1% had four or more. Fewer renter households had spare bedrooms compared with owner-occupiers. 56% had spare bedrooms: 36% had one, 17% had two, 3% had three. By the Canadian Occupancy Standard, 32% of renter households had just enough bedrooms, while about 7% were short one or two bedrooms. In contrast, 9% of owners who owned outright and 16% of those with a mortgage lived in dwellings with just enough bedrooms. Owner-occupiers had a lower percentage living with suitability stress, as measured by the need for an extra bedroom: 1% of owners who owned outright needed one extra bedroom, and 2% of owners with a mortgage needed one.

The 2021 census reports a similar pattern. Of owners who owned outright, 88% had spare bedrooms: 25% had one, 41% had two, 19% had three, and 3% had four or more. 80% of owners with a mortgage had spare bedrooms: 34% had one, 32% had two, 12% had three, and 2% had four or more. Fewer renter households had spare bedrooms compared with owner-occupiers. 57% had spare bedrooms: 36% had one, 18% had two, 3% had three. By the same Canadian Occupancy Standard, 32% of renter households had just enough bedrooms, while about 6% were short one or two bedrooms. In contrast, 8% of owners who owned outright and 15% of those with a mortgage lived in dwellings with just enough bedrooms. The owner-occupiers had a lower percentage living with suitability stress, as measured by the need for extra bedrooms: 1% of owners who owned outright needed one extra bedroom, and 2% of owners with a mortgage needed one.

3.4 Changes in housing tenure and financial stress

Between 2011 and 2021, more households rented, more households owned with a mortgage, and fewer households fully owned. The Australian housing transition was occurring, placing more ownership into the hands of investors and increasing financial burdens on homeowners.

Nationally, the share of renter households rose from 29.1% to 31.4% between 2011 and 2021, while the share of owner-occupiers fell from 32.7% to 31%. By dwelling structure, the proportion of renter households in the separate house category fell from 62% in 2006 to 53% in 2011, then to 50% in 2016 and 2021. Renters in the semi-detached, terraced and townhouse category increased from about 15% in 2006 and 2011 to 20% in 2016 and 2021. Renters in the flats and apartments category rose from about 20% in 2006 to 30% in 2011, then fell to 27% and 29% in 2016 and 2021, respectively. The proportion of renters in multi-storey (4-8 storeys) and high-rise apartments (9 storeys and higher) increased from 8% in 2006 and 2011 to 10% in 2016, and further to 13% in 2021. These represent the addition of new apartment dwellings in the form of tower buildings in the capital cities.

About 310,807 households experienced housing suitability stress in 2021. This is about 30% of unoccupied dwellings. If households experiencing housing stress could access

unoccupied dwellings that met their needs and financial resources, no households would experience housing suitability stress in Australia.

However, demand skewed toward larger dwellings. 28% of households with suitability stress needed 3-bedroom dwellings, 33% needed 4-bedroom dwellings, 18% needed 5-bedroom dwellings, and 9% needed 6+ bedroom dwellings. The existing stock could not match the needs. Only 27.9%, 5.6%, and 1.2% of the existing housing stock had 4, 5, and 6+ bedrooms, respectively. In contrast, small-sized dwellings were oversupplied: 5.3% had 1 bedroom, 19.1% had 2 bedrooms, and 39% had 3 bedrooms. Households experiencing suitability stress required only 2%, 9%, and 28% of small-sized dwellings, respectively, for 1-, 2-, and 3-bedroom dwellings.

The national housing situation provides a useful big picture of the Australian housing supply, but it does not report variations across states, greater capital cities, and local government areas. The next section analyses geographical differences.

4. Housing suitability at state, metropolitan and local government scales

4.1 Housing suitability among the states

Australian states share high unoccupancy rates ranging from 9% to 15%. High unoccupancy rates in the flats and apartments category are striking, accounting for 36% of the unoccupied dwellings in NSW and 27% in both Victoria and Queensland. Supply of 1- and 2-bedroom dwellings exceeded demand in NSW, while Victoria had an oversupply of not only 1- and 2-bedroom dwellings but also 3-bedroom dwellings. In contrast, 4-, 5-, and 6-bedroom dwellings were undersupplied in both NSW and Victoria.

Australian households concentrate in five states: New South Wales (31%), Victoria (26%), Queensland (20%), Western Australia (11%) and South Australia (7%). Together, these five states accommodate 95% of the population. The remaining 5% of the population is distributed across Tasmania (2%), the Australian Capital Territory (2%), and the Northern Territory (1%). Other Territories, including Christmas Island, Cocos Islands, Jervis Bay Territory, and Norfolk Island, had 2207 households in 2021, accounting for 0.02% of the Australian population.

Housing occupancy data show that 90.2% of Australian private dwellings were occupied on the night of the 2021 census and 9.6% were unoccupied. Non-private dwellings, including hotels and motels, guest houses, prisons, religious and charitable institutions, boarding schools, defence establishments, hospitals, and other communal dwellings, accommodated 0.2% of Australians. The unoccupancy rates across the five high population states ranged between 9% and 11%, with New South Wales and Queensland showing the lowest unoccupancy rate (9%), Victoria the highest unoccupancy rate (11%), and South Australia and Western Australia in the middle (10%). Tasmania and the Northern Territory had an unoccupancy rate of 11%, while the ACT had Australia's lowest (6%) and Other Territories had Australia's highest (15%).

Across structural types such as separate houses, semi-detached, terraced and townhouses, flats and apartments, and caravan and others, the five populous states show more variation in unoccupancy for flats and apartments and separate houses. NSW had the largest share of its unoccupied dwellings in the flats and apartments category (36%). This is followed by Victoria and Queensland (27% for both), while South Australia had 11% and Western Australia had 14% of unoccupied dwellings in the flats and apartments category. In contrast, for separate houses, NSW had the lowest unoccupancy rate (51%), and South Australia had the highest (74%); Victoria and Queensland had 59% each, and Western Australia sat at 69%. The share of semi-detached and similar dwellings varied slightly across the five states, with NSW at 12%, Victoria at 14%, Queensland at 13%, South Australia at 15%, and Western Australia at 16%. The unoccupancy rates were 1% in all five states in the caravan and other category.

Examining the suitability data in New South Wales and Victoria shows misalignment between the distribution of dwellings by bedroom count and future needs (Table 1). In NSW, 2% and 10% of the total extra housing needed would be 1-bedroom and 2-bedroom dwellings, respectively, to relieve stress from the lack of bedrooms. However, the existing housing stock had 7% and 23% 1- and 2-bedroom dwellings. If the current share of 1- and 2-bedroom dwellings remains in future supply, 1- and 2-bedroom dwellings would far exceed demand. For 4- and 5-bedroom dwellings, needs were 29% and 15%, but supplies were 26% and 7%, respectively. The 4- and 5-bedroom dwellings would be in shortage. In Victoria, 1%, 8% and 24% of 1-, 2- and 3-bedroom dwellings, respectively, would be needed to relieve the bedroom shortage. However, the existing housing stock had 5%, 19% and 42% 1-, 2- and 3-bedroom dwellings. Supply of 1-, 2-, and 3-bedroom dwellings exceeded demand by large margins. For Victoria's 4- and 5-bedroom dwellings, needs were 36% and 20%, but supplies were 27% and 5%, respectively. Victoria would need 2% of dwellings with 6 or more bedrooms; however, existing stock could offer only 1%. 4-, 5- and 6-bedroom dwellings are in shortage in Victoria. Overall, housing suitability stress in both New South Wales and Victoria needs to be addressed by limiting the supply of 1- and 2-bedroom dwellings and increasing the supply of 4-, 5-, and 6-bedroom dwellings.

Table 1. Dwellings with different bedroom counts in NSW and Victoria: needs vs existing (% out of the respective total extra needs and total existing dwelling stock)

	1- bedroom	2- bedroom	3- bedroom	4- bedroom	5- bedroom	6+- bedroom
NSW (extra needs)	2	10	34	29	15	7
NSW (existing)	7	23	35	26	7	1
Victoria (extra needs)	1	8	24	36	20	2
Victoria (existing)	5	19	42	27	5	1

4.2 Housing suitability in Australia's Greater Capital Cities

Overall unoccupancy rates in Greater Capital Cities were slightly lower than at the state level. However, flats and apartments made up a much larger share of unoccupied dwellings, with Greater Sydney highest at 55%.

The seven Greater Capital Cities and Australian Capital Territory (ACT) had on average an unoccupancy rate of 8%, ranging from 6% in Greater Brisbane and ACT, to 7% in Greater Adelaide and Greater Hobart, to 8% in Greater Sydney and Greater Perth, 9% in Greater Darwin, and 10% in Greater Melbourne. Greater Sydney had 30% of the total dwellings in these seven Greater Capital Cities and the ACT; Greater Melbourne had 29%; Greater Brisbane had 15%; Greater Perth had 13%; Greater Adelaide had 9%; the ACT had 3%; Greater Hobart had 2%; and Greater Darwin had 1%. These figures come from calculations using the 2021 census.

Flats and apartments had the largest share of unoccupied dwellings in Greater Sydney (55%), followed by separate houses (32%); semi-detached houses and similar dwellings accounted for 12%, and caravans and other dwellings made up the remaining 1%. Greater Melbourne, Greater Darwin, and the ACT also had a high share of unoccupied flats and apartments, accounting for 38%- 39% of total unoccupied dwellings. Greater Brisbane had 31% of its unoccupied dwellings in the flats and apartments category, while the remaining greater cities had less than 20% of unoccupied flats and apartments. Unoccupied separate houses accounted for 32% of the total unoccupied dwellings in Greater Sydney, 40% in the ACT, and 45% in Greater Melbourne; Greater Hobart had the highest share at 75%; the remaining greater cities had a share ranging from 49% (Greater Darwin) to 60% (Greater Perth). Unoccupied semi-detached houses and similar dwellings accounted for 12% in Greater Sydney and Greater Darwin, and 23% in Greater Adelaide.

Table 2. Dwellings with different bedroom counts in Greater Sydney and Greater Melbourne: needs vs existing (% out of the respective total extra needs and total existing dwelling stock)

	1- bedroom	2- bedroom	3- bedroom	4- bedroom	5- bedroom	6+- bedroom
Greater Sydney (extra needs)	2	11	37	28	15	7
Greater Sydney (existing)	8	26	31	24	7	1
Greater Melbourne (extra needs)	1	8	24	35	22	9
Greater Melbourne (existing)	6	21	40	27	5	1

The oversupply of 1- and 2-bedroom dwellings and the shortage of 4-, 5-, and 6+- bedroom dwellings were more pronounced in Greater Sydney and Greater Melbourne than at the state level (Table 2). In Greater Sydney, a significant gap is visible between needs (37%) and existing supply (31%) of 3-bedroom dwellings; this gap is not observed at the state level. Greater Melbourne was unique in that existing supply of 3-bedroom dwellings exceeded needs by a large margin (42% vs 24%). This difference between Greater Sydney

and Greater Melbourne needs to be understood in the context of how 3-bedroom dwellings are distributed across separate houses, semi-detached houses, flats and apartments. In Greater Sydney, 14% of the 3-bedroom dwellings were in flats and apartments, while in Greater Melbourne, 5% were. In Greater Sydney, 20% of 3-bedroom dwellings were semi-detached houses, while in Greater Melbourne, 17% were. In contrast, 65% of the 3-bedroom dwellings were separate houses in Greater Sydney, while 78% were in Greater Melbourne. The supply of 3-bedroom dwellings, a popular size by bedroom count, was largely built as separate houses on dedicated land blocks rather than as medium- and high-density strata-title flats and apartments. This contributes to low land-use efficiency and, consequently, lower supply and higher prices^{iv}.

4.3 Housing suitability among selected LGAs

We turn to the LGA level by examining the housing stock characteristics and housing suitability in Sydney and Melbourne. Housing types in these two LGAs are significantly different from the earlier analyses. Sydney has 80% of its housing stock as flats and apartments; Melbourne has 88%. Only 2% of dwellings in both LGAs are separate houses. Sydney has a higher share of semi-detached houses (17%) than Melbourne (10%). Only 1% of dwellings in Sydney are in the caravan and other category, compared with less than 1% in Melbourne.

Unoccupancy rates in both Sydney and Melbourne LGAs were significantly higher than in the previous analysis: 15% and 25%, respectively. Among unoccupied dwellings, 93% were flats and apartments in Melbourne and 86% in Sydney. Semi-detached houses accounted for 12% of total unoccupied dwellings in Sydney, higher than in Melbourne (6%). About 1% of the unoccupied dwellings were separate houses in both LGAs. Other housing types had 1% or less.

The misalignment between supply and needs is striking in both Sydney and Melbourne LGAs. Comparing needs with existing shares of dwellings by bedroom count shows a heavy oversupply of 1- and 2-bedroom dwellings and a remarkable shortage of 3-, 4-, and 5-bedroom dwellings (Table 3). For example, in Sydney, 32% of existing dwellings are 1-bedroom, while only 9% of 1-bedroom dwellings would be needed; in Melbourne, 29% of dwellings are 1-bedroom, against a need of only 3%. For 4-bedroom dwellings, Sydney and Melbourne would need 17%, but supply is only 4% and 2%, respectively.

Table 3. Dwellings with different bedroom counts in Sydney and Melbourne LGAs: needs vs existing (% out of the respective total extra needs and total existing dwelling stock)

	1- bedroom	2- bedroom	3- bedroom	4- bedroom	5- bedroom	6+- bedroom
Sydney (extra needs)	9	28	35	17	6	1
Sydney (existing)	32	42	15	4	1	0
Melbourne (extra needs)	3	32	43	17	4	0
Melbourne (existing)	29	52	14	2	1	0

5. International best practice

5.1 Affordable, secure and safe housing in Singapore

Singaporean housing system includes four dwelling categories: Housing Development Board (HDB) dwellings, condominiums and other apartments, landed properties, and other types of dwellings (such as non-HDB shophouses). The government heavily intervenes in housing supply and demand through compulsory land acquisition, land sales programs, planning and development controls, taxes and fees, and direct construction, distribution and management of dwellings via HDB (Han 2005; Sim et al. 2003).

Over the past 4.5 decades, the share of dwellings across the four categories has shifted, with increases in HDB dwellings and condominiums and declines in landed properties and other dwelling types (Table 4). HDB housing reached its peak share in 2000, when HDB developed and owned 88% of dwellings in Singapore. That share declined over the last two decades; in 2025, HDB housing accounted for 77.2% of the housing stock. Condominiums increased from less than 4% in 1980 to 17.9% in 2025. Landed properties declined in share from 8.5% in 1980 to less than 5% in 2025. The most significant drop occurred in “other type of dwelling”, from 19.8% in 1980 to just 0.2% in 2025.

Table 4. Distribution of residential households among dwelling types in Singapore, 1980-2025

	1980	1990	2000	2010	2020	2025
Resident Households	100.0	100.0	100.0	100.0	100.0	100.0
Total HDB Dwellings	67.8	85.0	88.0	82.4	78.7	77.2
Condominiums and Other Apartments	3.9	4.7	6.5	11.5	16.0	17.9
Landed Properties	8.5	7.0	5.1	5.7	5.0	4.7
Other Types of Dwelling	19.8	3.4	0.5	0.5	0.3	0.2

Housing ownership rate is very high in Singapore. On average, 91.2% of Singaporean households lived in owner-occupied dwellings in 2025. The total HDB and condominium housing ownership rate is slightly above the national average. Condominium and other properties have a lower share of owner-occupiers than the national average. Renter households accounted for 13% in condominium housing and 69% in the “other types of dwelling” category. Within the HDB dwellings, about half of the 1- and 2-room flats were rented.

Table 5 shows changes in the owner-occupied share of tenancy arrangements from 1980 to 2025. The national average owner-occupied share was below 60% in 1980 and increased to above 91% in 2025. The 1- and 2-room HDB dwellings were for rental, but now about half are owner-occupied. Other types of non-HDB shophouses saw a decline in ownership, while landed properties saw an increase in owner-occupiers. Large HDB flats, such as 4-room and 5-room dwellings^v, had very high owner-occupancy rates that remained strong over the years.

Housing in Singapore is embedded in national policies on nation-building, economic growth, and wealth management and redistribution. The Central Provident Fund plays a key role in helping Singaporeans purchase and own homes. Construction quality control, rigorous maintenance and upgrading programs, and well-integrated housing estate management in the political system add value to HDB housing, making it a vehicle for ensuring residents' financial security, along with affordability and living in stable/safe dwellings (Han 2005; Han and Peng 2003; Sim et al. 2003).

Table 5. Distribution of households by tenure type and percentage of owner-occupied households

	1980	1990	2000	2010	2020	2025
Resident Households	472700	661700	915100	1145900	1372600	1487100
Owner-Occupied	278100	578900	841600	998900	1206000	1355700
Rented	181200	78600	63400	132500	152100	121200
Proportion of Owner-Occupied Resident Households (%)	58.8	87.5	92	87.2	87.9	91.2
Total HDB Dwellings (%)	61.5	89.8	93.1	88.8	89.2	92.3
HDB 1- And 2-Room Flats (%)	5.2	26.8	19.3	18.4	37.8	48.4
HDB 3-Room Flats (%)	84.8	95.2	96.1	90	92.7	95.5
HDB 4-Room Flats (%)	96.2	97.6	98	93.6	94	96.9
HDB 5-Room and Executive Flats (%)	98.8	97.8	98.5	94.4	94.5	97.9
Condominiums & Other Apartments (%)	49.2	78	80.8	76.6	81.6	86.9
Landed Properties (%)	75.4	87.6	89.8	88.7	89.2	91.4
Other Types of Dwelling (%)	44.5	41.3	56.1	46.8	43.4	31.2

5.2 Housing suitability in HDB housing

HDB room-count terminology includes living rooms, so a 2-room flat has 1 bedroom, and a 3-room flat has 2 bedrooms, etc. In 1980, 3-room flats dominated, accounting for 47.5% of the total HDB dwellings (Table 6). 1- and 2-room flats were also popular, contributing 32.3% to the total. Larger flats, such as 4-room and 5-room dwellings, accounted for a small share at 14.5% and 5%, respectively.

By 2025, the distribution of HDB flats by room count changed remarkably. Small flats such as 1-, 2-, and 3-room dwellings became much less common than four decades ago, while larger flats increased to account for almost 70% of total dwellings. The underlying reasons for this shift include explicit consumer preferences and planning. Economic success in the 1960s and 1970s, when Singapore was recognised as one of the Asian Tigers, drove demand for quality living conditions supported by rising wealth. An upgrader culture emerged, reflected in consumer preferences. Singaporean government policies treated public housing

as a key asset of citizens' wealth and, at the same time, as a policy instrument to promote population policies (e.g., the third child policy) and family values (e.g., facilitating a multi-family culture that enables nuclear families to live alongside elderly parents). The Singapore housing story shows that policy and planning play a critical role in achieving what Singapore has accomplished (HDB 2026).

Table 6. Distribution of dwellings by room count in Singapore, 1980-2025

	1980	1990	2000	2010	2020	2025
Total HDB Dwellings	100.0	100.0	100.0	100.0	100.0	100.0
HDB 1- And 2-Room Flats	32.3	9.6	5.7	5.5	8.2	9.4
HDB 3-Room Flats	47.5	41.6	29.3	24.3	22.4	21.5
HDB 4-Room Flats	14.5	32.3	37.6	38.7	40.2	40.4
HDB 5-Room and Executive Flats	5.1	15.3	26.8	31.1	29.1	28.6

6. Recommendations

I recommend revising the Interim Report by integrating housing suitability into the inquiry. Major changes include improving conceptual and methodological rigour and advocating the need for housing suitability regulation.

6.1 Conceptual upgrades

The PC Inquiry should review and revise the scope of the inquiry, so it treats developers as an integrated unit of analysis with two interlocking threats: planning interventions as input to, and suitable housing supply as output of, development decision-making. Conceptual clarity on how housing supply is embedded in the housing nexus, and how developers and planning controls shape housing supply, determines the role of productivity improvement in addressing the housing affordability crisis. Articulating the three statements below to the inquiry is particularly relevant to clarifying its conceptual standing.

1. Productivity gains have a limited effect on housing affordability for two reasons. Firstly, housing is not only a shelter but also a financial asset. Housing's asset role empowers investors, who control over 30% of Australian occupied housing, in determining price changes. Investors buy and sell based on market sentiment, which may, but does not necessarily, reflect consumer needs. Second, producing more housing quickly does not automatically align new housing with consumer demand. Suitability needs regulation because the market consistently fails to produce adequate housing with suitable bedroom counts.
2. The developers' perspective matters, but it is one of three main areas shaping housing supply. The other two areas, namely, construction quality and property management services, need equal attention when discussing housing supply. The Interim Report lists construction code as a separate inquiry process; to complete the supply-side analysis, it also needs an inquiry into the quality and affordability of property management services.

3. Planning reform matters for productivity and housing supply, because timely approval of development applications and adequate zoning for developable land for housing increase productivity. While deregulation in planning control reshapes housing supply, proper planning of the suitability of new dwellings is necessary to align housing supply with household needs. Planning reform is not simply deregulation; it includes streamlining existing regulations and introducing new regulations.

6.2 Methodological rigour

As a non-standardised good or service, housing has a unique set of defining features: affordable, secure, safe and stable, and suitable. Housing production decisions involve considerations of consumers, investors, planners, developers, and the government. Housing analysis needs to consider the complex supply-and-demand nexus. Several opportunities arise in revising the inquiry methodology.

1. Review the scope of inquiry to include the suitability of housing supply, including building in locations where people need it and building dwellings with the right number of bedrooms.
2. Engage potential buyers and residents to interrogate dwelling needs by bedroom count through interviews with owner-occupiers, renters, and investors.
3. Consult different types of developers, such as Mum-and-Dad developers, builder-developers, and large development firms, to assess their views on planning controls and their approaches to (re)development decision-making.
4. Propose an Australian version of occupancy standards to replace the Canadian Occupancy Standards, considering housing-space culture (i.e., most Australian households live in dwellings with one or more spare bedrooms) and work-from-home trends in Australia.
5. Study international best practices in analysing, planning and regulating housing suitability.

6.3 Regulatory innovation

Housing suitability should be explicitly expressed at the Commonwealth, state, and local government levels, in appropriate forms such as policies, laws, bylaws, schemes, and plans.

1. The Commonwealth can induce the states to adopt desirable housing suitability rules through intergovernmental agreements, conditional funding, and performance-based financial incentives, using its substantial financial and policy influence. It can also use Commonwealth land to support housing suitability improvement.
2. States and territories can use their authority over planning legislation, zoning, planning schemes, development control and permits to monitor, plan and implement housing suitability projects. In Victoria, for example, the state government can, through amendments to the Planning and Environment Act 1987 and/or Plan Melbourne, the Victoria Housing Statement, and other regional and local policies, specifically regulate housing suitability.

3. Local governments can use their local development control power to monitor, plan, and implement housing suitability development. Municipal planning schemes, zones and overlays, the planning permit system, and planning scheme amendment processes are possible instruments to publicise and implement bylaws for better housing suitability in local jurisdictions.

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ⁱ A systematic analysis of Australian government and industry discourse on the debate of housing supply and planning reform reveals “the arguments for planning as the chief cause of housing market problems weak and contradictory” (Gurran and Phibbs 2013, 381). However, the continuous “war on excessive regulation” may have missed the real problem “in finding the political will” to take “systemic change” to address the housing crisis (Gurran and Phibbs 2025).

ⁱⁱ Housing transaction data from REIV shows that in Melbourne LGA and Docklands, the per-square-meter median prices were the highest in 4-bedroom units, followed by 3-, 2- and 1-bedroom units in 2021, 2022, 2023, 2024 and 2025. In 2011 and 2016, the per-square-meter median housing prices were highest for 4-bedroom units and lowest for 1-bedroom units, using both Victoria and Metro Melbourne data.

ⁱⁱⁱ 40% of one-family households, 48% of multi-family households and 12% of non-family households experiencing suitability stress needed four or more extra bedrooms. 56% one-family, 31% multi-family and 13% non-family households experiencing suitability stress needed three extra bedrooms. 66% one-family, 21% multi-family and 13% non-family households needed two extra bedrooms. 79% one-family, 11% multi-family and 10% non-family households needed one extra bedroom.

^{iv} According to REIV data, 3-bedroom units committed the highest median per-square-meter price in Docklands, where no 4-bedroom units was recorded, in 2021-25. In Melbourne LGA, Metro Melbourne, and Victoria, 3-bedroom units committed the second highest per-square-meter median price, only lower than 4-bedroom units but higher than 1- and 2-bedroom units, in the same period.

^v These are 3-bedroom and 4-bedroom dwellings. See section 5.2 for further details.