

Submission to the Productivity Commission Inquiry into Housing Supply Regulation

Introduction

Regional Development Australia Barwon South West (RDA BSW) welcomes the Productivity Commission's (PC) Housing Supply Regulation Interim Report and the opportunity to contribute regional evidence to the Inquiry. The PC concludes that a lack of housing in places where people want to live and work is contributing to Australia's housing affordability challenge. It proposes reform across three interconnected supply-side regulatory areas: land-use controls, development approval processes and enabling infrastructure.

RDA BSW broadly supports the PC's proposed reforms. However, RDA BSW recommends applying a regional and place-based lens to ensure any potential reforms respond to local housing markets and regional circumstances. BSW is a useful example of a region where housing markets face different, interrelated supply-side constraints, so reforms would have a different impact on different parts of BSW's housing markets.

For RDA BSW, the question is not whether more housing is needed but how reforms can help deliver the right types of housing in the right places. This means enabling housing supply to respond sustainably to demand and supporting greater density and diversity where appropriate, while aligning housing growth with infrastructure, employment and services.

RDA BSW's regional economic development perspective also broadens the question from where people **want** to live and work to where people **need**, and want, to live and work. Housing is a significant regional economic enabler and impacts workforce attraction and retention, essential services access, investment and productivity.

Enabling infrastructure is particularly important for regional communities like BSW. Housing supply must be aligned with infrastructure planning and delivery, and funding must reflect the higher economic barriers to delivering infrastructure in smaller regional markets. Regulatory barriers to Modern Methods of Construction (MMC) should also be considered where it can help increase housing supply.

RDA BSW consistently hears from stakeholders about broader economic factors impacting housing supply, including construction costs, financing and labour availability. Supply-side reform remains important, but it should improve housing delivery as a whole and reflect the different needs of regional communities.

This submission draws on data and statistics supplied by the Department of Jobs, Skills, Industry and Regions and Regional Development Victoria, input provided by Moyne Shire and Surf Coast Shire, and RDA BSW's own records and stakeholder engagement. RDV, RDA BSW and the contributing councils can confirm the data and evidence used in this submission.

Our full list of recommendations is provided at the end of this submission.

RDA BSW thanks and acknowledges Moyne Shire and Surf Coast Shire for their significant insights and contributions to this submission.

Barwon South West's housing challenge

Barwon South West had an estimated population of 470,000 in 2025 and continues to grow quickly. The region's population grew by 8 per cent between 2020 and 2025, compared with 6 per cent across regional Victoria, and is projected to grow by a further 18 per cent to 2036. BSW's growth is not uniform, and different growth patterns require different housing supply responses. Greater Geelong and Surf Coast grew by 11 per cent and 12 per cent between 2020 and 2025 and are projected to grow 25 per cent and 19 per cent to 2036. By comparison, the Great South Coast (GSC) grew by 0.9 per cent between 2020 and 2025 and is projected to grow by 3 per cent to 2036.

The impact of these trends on housing need should be considered at a sub-regional level. For example, Geelong needs more housing to accommodate fast population growth over the next 10 years. Surf Coast has high housing costs, limited rental availability and pressure on coastal communities, with continued strong population growth. Smaller Barwon and GSC communities face different challenges, including infrastructure costs, more volatile housing markets and commercial viability.

Housing costs continue to increase overall in BSW, with an average house price of \$790,000 in 2025 and a median weekly rent of \$500. Rents increased 33 per cent between 2020 and 2025 and smaller dwellings are particularly limited: 0.38 one-bedroom and 1.24 two-bedroom rental properties were available per 1,000 residents across BSW, compared with 1.43 and 2.58 respectively in metropolitan Melbourne.

RDA BSW often hears that the region has jobs but not the housing supply to match, and this is becoming a clear workforce and economic enabler challenge. From 2020 to 2025 BSW employment grew 12 per cent, and the region is projected to need around 88,000 new workers by 2035. Health and social carers make up approximately 28,000 of these workers, including more than 6,000 aged and disability workers and more than 3,000 nurses.

Building approvals provide some positive signs about housing supply in BSW, but the picture remains uneven. In 2025-26, BSW had 4,344 approvals, around 30 per cent more than the previous year but still down 29 per cent on five years earlier. At the LGA level, the variation is stark if unsurprising: Greater Geelong 3,208; Moyne 66; Glenelg 56; Corangamite 55; Southern Grampians 40.

Overall, RDA BSW hears consistently that housing is a practical economic enabler for our region, and that regional businesses, industries and services cannot attract and retain the workers they need if accessible and affordable housing is not available in those communities.

Different BSW regional markets face different barriers

Planning and regulatory reform

RDA BSW supports planning and regulatory reform that reduces unnecessary delays, removes duplication and gives developers and communities greater certainty. Evidence shows that planning approval times alone do not explain BSW's housing supply constraints. The average across BSW was 63 days in 2024-25, compared with 69 days across regional Victoria and 77 days across metropolitan Melbourne, although results varied between municipalities, such as 92 days in Geelong.

RDA BSW's local government stakeholders cautioned against viewing planning simply as a cost to housing supply. For example, Surf Coast Shire (SC Shire) advised that well-functioning planning can support

productivity by coordinating land use with infrastructure and transport, improving access to jobs and services and making better use of public investment. It argues that reform should improve the housing delivery system as a whole, rather than simply reduce regulatory requirements.

Moyne Shire has identified Amendment C75 in Port Fairy as an example of where regulatory and agency processes can add delay. The amendment could deliver additional infill residential lots and has completed a planning panel process. Moyne advises that the proponent has undertaken substantial supporting studies and changed the proposal in response to agency requirements, but a final decision remains outstanding.

Finally, RDA BSW supports the PC proposal to consider natural disaster risk, biodiversity and infrastructure requirements earlier in strategic planning rather than resolving issues through individual development applications, which is inefficient and ineffective. The aim should not be to remove necessary regulations, but to clarify, coordinate and support sustainable housing development.

Land use, density and housing diversity

RDA BSW supports land-use reform that enables more housing and a greater range of housing types. The PC gives particular priority to broad upzoning, including allowing development of up to three storeys across most residential land, subject to limited exceptions, as well as greater mid-rise and high-rise development in high-demand areas.

RDA BSW agrees that greater density is appropriate for parts of BSW, particularly where communities are growing and development can be supported by infrastructure, employment and services. It may also help provide smaller and more affordable housing in markets dominated by traditional, detached houses. However, greater density or upzoning will not be appropriate everywhere, particularly where demand, commercial viability, infrastructure or liveability do not support it.

SC Shire cites Winchelsea as a practical example of effective land use, density and housing diversity. Winchelsea is a major opportunity for future housing growth in the SC Shire, with anticipated demand for 3,000 - 6,500 houses to 2051. SC Shire's current structure-planning work is considering infill and land capability alongside early delivery of sewer and water, drainage, stormwater, transport and social infrastructure. The SC Shire identifies potential benefits from appropriate infill including greater housing diversity and affordability, improved walkability and public transport viability and better use of social infrastructure.

SC Shire also identifies the need for greater housing diversity within its communities. In 2025, its average house price was \$1.367 million and median weekly rent was \$580, while the supplied data identified only 0.20 one-bedroom and 0.47 two-bedroom rental properties per 1,000 residents. SC Shire also reports that housing accessibility and affordability are significant barriers in coastal settlements such as Lorne, where limited rental housing affects workers in essential services and the visitor economy, who may need to commute from nearby communities.

RDA BSW supports housing density and diversity that responds to local needs. But the objective should not simply be to allow more development; it is to build more houses in appropriate forms and locations that meet the long-term needs of regional communities. Planning reform should give clear signals about where growth is supported and the housing types that communities need, while considering productive

agricultural land, natural hazards, environmental constraints, protection of industrial land supply and buffer zones, infrastructure capacity and access to employment and services.

Housing-enabling infrastructure

RDA BSW consistently hears that housing supply needs to be more effectively aligned with infrastructure planning, funding and delivery. The PC recognises that making land available will not result in more homes if supporting infrastructure is unavailable, and RDA BSW strongly supports better coordination between housing, land-use and infrastructure planning.

In Geelong, major housing growth needs to be supported by transport, stormwater, utilities and other infrastructure. The PC's Interim Report cites a 2025 survey of residential developers finding that a lack of social and transport infrastructure was preventing development of 24 per cent of undeveloped residential land across greater Melbourne and Geelong.

SC Shire has told RDA BSW that infrastructure impacts both whether, and what type of, housing can be delivered. According to SC Shire, in some places without reticulated sewerage, Low Density Residential zoning can allow some growth, but it generally means larger lots, higher infrastructure costs per house and more expensive outcomes. SC Shire is also experiencing residential growth that exceeds drainage and water-management infrastructure in some areas, with flow-on impacts for environmentally significant waterways. This demonstrates the need to plan and fund infrastructure alongside housing growth, rather than trying to resolve pressures after development has happened.

RDA BSW has heard from stakeholders that the challenge is different again in smaller regional housing markets across BSW for enabling infrastructure. The cost of extending water, sewerage, drainage, electricity and roads can be the responsibility of only a small number of properties, preventing otherwise suitable development from proceeding. RDA BSW discussions have identified water and sewerage constraints in communities including Dunkeld and Forrest, while Corangamite Shire has identified the cost of civil and trunk infrastructure as a barrier to investment and development.

RDA BSW emphasises that infrastructure funding needs to reflect the different economics of smaller regional housing markets, where funding arrangements based on metropolitan developments may not work. Governments need to ensure they provide the appropriate level of regional infrastructure investment which could unlock modest but regionally significant housing supply, and where the cost could not feasibly be recovered through a smaller development.

Commonwealth, state and local government funding programs are not always well aligned across objectives, timing or delivery, so there is a potential opportunity for stronger place-based coordination of housing and infrastructure investment. A place-based development partnership approach could bring all three levels of government together with housing providers, developers and investors to coordinate housing, infrastructure, planning, government funding and private investment around the needs and opportunities of a particular regional community.

This could be implemented as a development facilitation model, similar to previous so-called city deals', that focuses on unlocking housing supply but also the jobs and investment that housing enables. Regional Development Victoria, which has played this role previously, could help broker and facilitate these partnerships based on their regional expertise and experience that different between regional cities, towns and communities need different place-based solutions.

Case study: housing supply in Moyne Shire

Moyne Shire had an estimated population of 17,760 in 2025. It grew by 4 per cent between 2020 and 2025 and is projected to grow by 8 per cent to 2036. However, Moyne recorded only 66 building approvals in 2025-26, equivalent to 372 approvals per 100,000 residents, compared with 818 across regional Victoria.

Like other BSW areas, housing costs are increasing in Moyne. Median weekly rent reached \$490 in 2025, up 53.1 per cent since 2020. The supplied data identified no available one-bedroom rentals and only 0.34 two-bedroom rentals per 1,000 residents. Moyne is well aware that housing is a major economic enabler and has identified housing accessibility and affordability as a constraint on attracting workers, including for the local health service.

Moyne told RDA BSW that all three regulatory areas the PC is examining are critical, but highlighted enabling infrastructure as a significant issue for its smaller rural townships. Water and sewer availability is a barrier to more housing, while the cost of extending electricity supply can make development unviable. Moyne Shire explained that Koroit requires fit-for-purpose drainage infrastructure to enable future housing supply, while Port Fairy requires updated drainage and road access infrastructure that also anticipates future flooding and climate risks.

Moyne's experience is that planning and regulatory processes can add to supply constraints. For example, Amendment C75 at Port Fairy could provide additional infill residential housing lots but remains unresolved. Moyne advises that the proponent has completed substantial supporting work and changed the proposal to respond to requirements, but has not received a final outcome.

In relation to disaster resilience and natural-hazard planning, Moyne shares SC Shire's view that planning should, where possible, resolve constraints earlier and provide clearer pathways for appropriate housing development. Moyne supports management-based approaches to flood and coastal constraints that maintain proper safeguards while helping avoid the same environmental, natural-hazard and infrastructure issues being reconsidered at the individual application stage.

Moyne Shire's experience shows why the PC's three reforms need to work together. Reducing regulatory delays will have limited impact if enabling infrastructure is unavailable or too expensive. Infrastructure investment will also be less effective if planning and agency processes leave projects unresolved.

Development feasibility

Planning reform and available land are important, but housing will only be built if development is commercially viable. Residential construction costs in regional Victoria increased by 40 per cent between 2020 and 2025, compared with 32 per cent in Melbourne.

RDA BSW stakeholder discussions have identified residential developments in Geelong that have approval but have not proceeded because construction costs are too high compared with expected returns. SC Shire similarly argues that the test of reforms should be whether increased approvals translate into more homes being built.

Allowing greater density may improve viability in some locations, but changing a planning control does not guarantee housing will be built. The PC recognises that zoned capacity will only translate into housing

where development is commercially feasible. RDA BSW therefore proposes that the success of reforms should be measured by additional houses built, not simply by increased permits or approvals.

Modern Methods of Construction

BSW already has experience delivering regional worker accommodation projects with Modern Methods of Construction components and has access to MMC capability both within and close to the region, including in the neighbouring Grampians region.

RDA BSW supports regulatory reform that removes unnecessary barriers to MMC and enables it to play a greater role in increasing regional housing supply.

To support this locally, RDA BSW is hosting a Housing and MMC Forum in November, bringing together investors, financiers, builders, trades, planners, policymakers and state and local government to explore practical ways to reduce barriers to MMC in BSW.

Recommendations

1. **Apply a regional and place-based lens to housing supply reform**, recognising that different regional housing markets face different supply constraints.
2. **Recognise housing as an economic enabler**, supporting workforce attraction and retention, essential services, investment and regional productivity.
3. **Apply land-use, development approval and enabling infrastructure reforms together**, responding to local housing demand while supporting protections for industrial land supply and productive agricultural land, long-term liveability and sustainable growth.
4. **Support greater housing density and diversity where appropriate**, reflecting local demand, infrastructure capacity, development feasibility, employment, services and environmental and natural-hazard constraints.
5. **Better align housing growth with enabling infrastructure planning and funding**, including funding approaches that recognise the different economics of smaller regional markets.
6. **Improve regulatory coordination and remove unnecessary barriers to housing delivery and innovation**, including earlier strategic consideration of infrastructure and natural-hazard constraints and barriers to MMC, with success measured by whether reform results in more housing.
7. **Establish place-based development partnerships to coordinate housing, infrastructure, planning, government funding and private investment across all levels of government**, with a regional economic development organisation, such as Regional Development Victoria, that has the ability to facilitate investment to unlock housing, jobs and regional economic development.