

29 September 2026

Productivity Commission
Housing Supply Regulation Inquiry
Australian Government

Dear Commissioners

Submission on the Housing Supply Regulation Interim Report

In regional Australia, housing is workforce infrastructure, productivity infrastructure and economic infrastructure. A lack of suitable accommodation prevents employers from recruiting workers, constrains business investment, disrupts essential services and limits regions' capacity to deliver national priorities in agriculture, manufacturing, renewable energy, critical minerals and defence.

The Commission's final report should recognise the diversity and complexity of rural and regional housing markets. Unlike metropolitan markets, regional communities have smaller and more volatile demand drivers, lower property values and lower rental returns, limited developer and construction capacity, higher delivery costs and significant infrastructure constraints. Faster approvals and additional supply of zoned land will not necessarily translate into completed homes in locations where there is market failure. Regional and metropolitan markets therefore require different policy responses: broad regulatory reform may unlock supply in larger markets, while smaller regional communities can benefit from tailored infrastructure funding, risk-sharing and targeted co-investment to enable otherwise unviable housing projects to proceed.

This submission outlines targeted, evidence-based interventions that could unlock new regional worker accommodation across Australia, activate existing housing stock and address housing-enabling infrastructure constraints where genuine market failure is demonstrated. These measures would complement the National Housing Accord and relevant planning reforms by helping convert suitable land and existing dwellings into completed homes available to regional communities.

Housing is essential economic infrastructure

Housing shortages lead to direct economic costs. When workers cannot find accommodation near available jobs, businesses cannot fill vacancies, essential services operate below capacity and investment may be delayed, reduced or redirected.

These effects are felt most acutely in industries that underpin national productivity, including agriculture, manufacturing, healthcare, renewable energy, resources, construction, defence and tourism.

[UDIA National's Fast-Track Housing Delivery report](#) states that every dollar invested in housing generates \$2.90 in the wider economy and that housing supports 9% of Australia's workforce. This reinforces the importance of assessing housing policy as an economic and productivity measure, not solely as a response to accommodation demand.

Housing policy should therefore be assessed not only by the number of additional dwellings delivered, but also by the economic outcomes those dwellings make possible: positions filled, services maintained, businesses expanded, private investment leveraged and regional output generated.



Regional housing market failure requires a targeted response

Regional and rural Australia is not a single housing market. Regional cities, peri-urban areas, agricultural towns and remote communities face a combination of thin demand, low property values and rents, limited construction capacity, high delivery costs and infrastructure gaps. In response to Information Request 2.1, the Commission should recognise that regional project feasibility is shaped by the full cost stack - including civil works, utility connections and headworks, freight, limited builder competition, finance costs and the gap between delivery cost and end valuation. Unlike metropolitan markets, faster approvals and land release may not make development viable where the cost of delivering completed housing is higher than the regional market is willing or able to pay.

Comparable project-level cost-stack data is not currently collected consistently across regional housing markets. The Commission could address this evidence gap by recommending a standard national framework for comparing metropolitan and regional development costs, including civil works, utility upgrades, freight, construction and finance costs, expected sales or rental returns, end valuations and the residual viability gap. This would support transparent, evidence-based decisions about where regulatory reform is sufficient and where targeted co-investment is justified.

Housing may not be built in regional areas because expected returns cannot support construction and finance costs - even where a business has vacancies, a developer or investor is ready to commit funding, and land is appropriately zoned. Smaller towns are especially exposed because they typically have fewer local builders and projects are less attractive to financiers. Furthermore, the rental stock in many small towns cannot respond quickly to workforce demand generated by a new industry, project or expanded essential service.

Regional housing policy therefore requires a broader toolkit than metropolitan housing policy. Enabling infrastructure, risk-sharing, activation of existing dwellings or targeted co-investment should be used where workforce demand is demonstrated and the market cannot respond at the required scale or pace.

This does not mean government should replace private investment or become the primary housing provider. Intervention should be place-based, proportionate to the demonstrated market failure and designed to unlock private, local government or community investment. The Commission should distinguish projects that regulatory reform can unlock from those that require infrastructure support or targeted co-investment to proceed.

This need to unlock private investment is particularly important in the context of national housing targets. [UDIA National's Fast-Track Housing Delivery report](#) estimates that 97% of the 1.2 million-home National Housing Accord target depends on private development and delivery. UDIA National also estimates that approximately 85% of housing is delivered by small and medium-sized organisations that cannot access the Housing Australia Future Fund due to their scale. These figures support market-wide measures that enable capable private developers and builders, including smaller regional suppliers, to increase delivery where viable projects are constrained by infrastructure, financing costs or a defined feasibility gap.

A National Regional Worker Accommodation Scheme

RDA Grampians recommends that the Australian Government establish a *National Regional Worker Accommodation Scheme* as a dedicated stream within future Commonwealth housing investment.

The proposed Scheme would respond to this delivery challenge by creating the conditions for private, local government and community housing partners to proceed with projects that have

demonstrated workforce demand but cannot achieve commercial feasibility without proportionate support. It would complement, rather than displace, private delivery by closing only the evidenced viability gap.

The Scheme should support accommodation directly linked to regional workforce demand, essential services and nationally significant industries through one national funding pool available across all states and territories.

Commonwealth funding should provide a targeted, proportionate contribution, with applicants and delivery partners funding the balance and delivering the accommodation.

The Scheme should also be open to prefabricated and modular construction where it can demonstrate value for money, durability and compliance. Nationally consistent standards, mutual recognition and proportionate fast-track certification could reduce duplicated approvals and help overcome regional shortages of trades and subcontractors, particularly for seasonal and essential-worker accommodation.

To ensure funding is targeted to projects that address genuine regional market failure and deliver measurable economic benefits, applicants should be required to:

- demonstrate workforce need and a defined local viability gap;
- deliver additional accommodation supporting regional growth, essential services or nationally significant industries;
- secure co-investment and be ready to proceed;
- retain the accommodation for worker use and report on workforce, investment and economic outcomes.

Assessment should prioritise value and local impact rather than dwelling volume alone. A small project that enables an urgent care service to reopen or allows a major employer to expand may deliver a greater economic and community return than a larger project in a stronger housing market.

Victoria's Regional Worker Accommodation Fund demonstrates the model

Victoria's \$150 million Regional Worker Accommodation Fund supports 48 projects and approximately \$370 million in total investment, including around \$220 million in co-investment - about \$1.47 from partners for every state dollar.

The Fund is oversubscribed, leaving an unfunded pipeline of shovel-ready projects with identified workforce demand and co-investment commitments. This demonstrates both unmet demand and an immediate opportunity for Commonwealth investment.

In Hopetoun, four houses accommodated up to 12 medical professionals and their families, enabling Rural Northwest Health to fill all 12 vacancies and reopen urgent care after a closure of more than two years.

The Victorian Government is also applying the Fund in partnership with the private sector to deliver seasonal accommodation for harvest workers. This will strengthen the harvest workforce, reduce long commutes and move more produce into the regional supply chain. Public funding can catalyse the private sector to spend on infrastructure works that raise productivity but that would otherwise likely be postponed for years.

Existing housing can be activated quickly and cost-effectively

New construction should be complemented by targeted measures that return existing but unavailable housing to the rental market.



RDA Grampians' Rental Uplift Pilot (the Pilot) provided two \$25,000 grants to upgrade vacant, non-compliant dwellings in Ararat and Warracknabeal, activating six worker bedrooms.

The Ararat home returned to the market within three months and is occupied by a local chef and an aged care worker. The Warracknabeal home is progressing towards completion as health worker accommodation. The prospect of returning these dwellings to the rental market has also encouraged the owners to invest in further improvements in addition to the grant-funded works.

RDA investment was approximately \$8,300 per bedroom; early comparisons indicate that new worker accommodation can require government contributions five to ten times higher. Delivery partners advised the homes would otherwise have remained vacant. Although the Pilot is not yet fully evaluated, it demonstrates a high-productivity, net-community-benefit approach: it can activate underutilised housing quickly, avoid much of the infrastructure and construction cost associated with new supply, and achieve additional worker accommodation at comparatively low public cost.

Any future activation stream should require demonstrated need, owner co-investment, compliance with rental standards, value for money and retention in the long-term rental market. While upgrades and compliance work may still be required, activation can avoid greenfield headworks, land-release sequencing and much of the delay and construction-price exposure associated with building new dwellings. It would complement new construction by addressing a different component of the same market failure.

Housing-enabling infrastructure remains critical

In response to Information Requests 2.2, 4.1 and 4.2, RDA Grampians emphasises that land being zoned for residential use is not the same as land being serviced and deliverable. Water, sewerage, energy, transport, telecommunications and community infrastructure must be planned, funded and delivered in sequence with land release and approvals. In regional markets, utility capacity thresholds, headworks requirements and long lead times for network upgrades can stall otherwise suitable subdivisions. Best-practice systems should provide transparent infrastructure plans, clear responsibilities, realistic delivery timeframes and predictable charging arrangements.

This is a particular constraint for regional councils with small rate bases and limited borrowing capacity. A council may know where housing growth is required but lack the resources to fund the infrastructure needed to unlock it. The first developer on a greenfield site may also face disproportionate upfront costs for infrastructure that will benefit later developments.

In response to Information Request 4.5, the Commonwealth should strengthen support for housing-enabling infrastructure through:

- targeted grants or low-cost finance for high-impact regional infrastructure;
- integrated sequencing of land release, approvals and infrastructure;
- predictable, proportionate developer contributions and later-beneficiary cost recovery; and
- risk-sharing to address high upfront costs and first-mover disadvantage, including consideration of a Commonwealth–state regional infrastructure revolving fund that finances eligible headworks upfront and recovers proportionate contributions from later beneficiaries as adjoining land is developed.

Funding should target locations where infrastructure is the principal barrier to otherwise feasible housing and where additional supply would support demonstrated workforce, population or economic growth.

In addition to addressing enabling-infrastructure constraints, state and territory governments should consider regional pre-sale finance guarantees, informed by the NSW Government Pre-sale Finance Guarantee, for approved projects that are commercially sound but unable to meet lenders' pre-sale requirements because of thin regional buyer markets. State-based programs could be tailored to local planning, housing and market conditions while using government balance sheets to reduce financing risk, unlock private construction finance and bring forward housing without requiring equivalent upfront grants. Eligibility should be limited to projects with demonstrated demand, credible delivery partners, independent valuations and lender support, with proportionate exposure limits and appropriate risk pricing.

Governments should distinguish land that is merely zoned residential from land that is genuinely ready for housing construction. Consistent reporting should identify whether land is appropriately located, serviced, approved, infrastructure-ready, commercially feasible and capable of development within a defined timeframe. This would provide a more accurate measure of effective land supply, expose delays between rezoning and construction, and help direct investment to the constraints most likely to prevent housing delivery.

Recommendations

RDA Grampians recommends that the Productivity Commission's final report:

1. **Recognise that rural and regional Australia comprises diverse housing markets requiring place-based responses.** Where genuine market failure is demonstrated, governments should use interventions tailored to the local constraint rather than applying metropolitan policy settings or uniform national solutions.
2. **Establish a National Regional Worker Accommodation Scheme** using targeted and proportionate co-investment to close evidenced viability gaps, crowd in private, local government and community investment, and enable private developers and builders, including smaller regional suppliers, to deliver housing linked to demonstrated workforce demand and economic activity. The Scheme should permit prefabricated and modular delivery supported by nationally consistent standards and proportionate certification where this improves value, quality and delivery time.
3. **Draw on the Victorian Regional Worker Accommodation Fund in designing the national scheme,** including its co-investment model, demonstrated project outcomes and pipeline of investment-ready initiatives.
4. **Include the activation of existing housing as a stream in future Commonwealth investment,** informed by the RDA Grampians Regional Rental Uplift Pilot Project, to return vacant or non-compliant dwellings to the long-term rental market quickly and cost-effectively.
5. **Strengthen housing-enabling infrastructure support in regional communities** through targeted grants, low-cost finance, improved sequencing, proportionate developer contributions and risk-sharing. A Commonwealth–state regional infrastructure revolving fund should be considered to finance eligible headworks upfront and recover contributions from subsequent beneficiaries, reducing first-mover and cashflow barriers.
6. **Encourage state and territory governments to consider regional pre-sale finance guarantees,** informed by the NSW Government model, for approved, otherwise viable projects that cannot secure construction finance because thin regional markets make lender pre-sale thresholds difficult to achieve.

7. **Develop a consistent regional housing cost-stack evidence framework** covering civil works, utility connections and upgrades, freight, construction and finance costs, expected returns, end valuations and the residual viability gap, so that support is directed to projects where market failure is clearly demonstrated.
8. **Measure effective land supply rather than zoning alone**, distinguishing land that is serviced, infrastructure-ready, commercially feasible and capable of supporting housing within a defined timeframe.

Conclusion

Housing supply constraints in regional Australia are not simply regional housing issues. They are workforce, productivity and broader economic issues.

Delivery of an additional dwelling can enable a healthcare position to be filled, an urgent care centre to reopen, a harvest workforce to be accommodated, a business to expand or a nationally significant investment to proceed.

Faster approvals and development-ready land are important, but regional housing supply also depends on closing viability gaps, funding enabling infrastructure and activating existing dwellings.

The Regional Worker Accommodation Fund shows that targeted funding can leverage substantial co-investment and deliver outcomes beyond housing; the Rental Uplift Pilot shows that existing stock can be activated rapidly and at comparatively low cost.

A National Regional Worker Accommodation Scheme would build on these lessons and provide a scalable, economically focused response to workforce housing constraints across regional Australia.

RDA Grampians would welcome the opportunity to provide further evidence or participate in the co-design of these policy responses.

Yours sincerely

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