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Housing supply regulation inquiry
Productivity Commission
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National Trust submission relating to Housing supply regulation inquiry

The National Trust of Australia (NSW) has reviewed the Housing Supply Regulation Interim Report released on 27 July 2026. The Trust note that this is *“an interim report prepared for further public consultation and input”* and that the Productivity Commission *“will finalise its report after these processes have taken place”*. We hope that the comments received during this process will be seriously reviewed.

There are many issues associated with housing supply in Australia, and we note the submissions by various organisations and individuals that can provide informative feedback on certain aspects. The National Trust note that this submission has a particular focus on heritage and the role that our *existing* building stock can and does play in any discussion on housing.

Our comments relate primarily to the situation in NSW, but form part of a broader conversation.

Key National Trust comments on the interim report

- The replacement of strategic planning with responsive planning necessarily leads to large gaps.
- The report notes that *“increasing housing supply would help put downward pressure on prices”* yet there is a growing body of evidence that many redevelopments (including demolition of heritage buildings) actually reduce the stock of existing affordable housing and replace them with more expensive luxury apartments.
- The report observes that *“while some regulation is necessary to ensure the safety, quality and liveability of new housing stock”* it appears to note as a problem that in some cases *“regulation can stop certain housing development occurring altogether.”* Proper regulation is always required, and in some cases (building on flood-prone land for example), no development may be possible.
- Planning our cities and towns is a complex task. Countless hours have been dedicated by all levels of government across Australia to ensure appropriate, granular, responses to our urban environments that respond to countless issues including topography, climate, available services, material availability, transport connections, etc. Many of these controls are outlined in Development Control Plans prepared by Local Councils, and include Heritage Conservation Areas. Reform Direction 2.5 to *“Remove or reduce parking requirements, replace broad heritage protections with more targeted heritage listings, and review and reduce neighborhood character restrictions”* simply ignores the cumulative impacts of development by taking a site-by-site approach.
- Broad-based, overly-simplistic approaches, such as *“Reform Direction 3.1: Allow up to 3-storey development across all residential land”* as proposed in the report, will have a drastic impact on the quality of our built environment, including character and heritage. As the Australian Institute of Architects has noted in their submission, simply creating capacity does not lead to completed homes.



The National Trust (NSW) is not opposed to planning reform, and has for over 50 years contributed to discussions within NSW regarding planning and in particular its impact on heritage at both local and state levels. The Trust however suggest that any changes must be evidence-based and not based simply on superficial analysis – we note the many submissions to this inquiry focusing on the numerous aspects of reform proposed, including the submission of the Australian Council of National Trusts.

Information request 2.1: *What impact would reducing the coverage of heritage overlays have on housing supply?*

In NSW, recent NSW Government reforms have had a major impact on heritage in NSW. The introduction of policies such as the Transport Oriented Development (TOD) program, Low and Mid-Rise (LMR) Housing Policy, and the exclusion of heritage protections through the use of State Significant Development (SSD) pathways have all impacted the planning landscape in NSW.

Yet evidence suggests that even with all of these recent changes to reduce heritage protection NSW still is not on track to meet its housing targets.¹ In Quarterly Essay 92 *The Great Divide: Australia's Housing Mess and How to Fix It* by Alan Kohler, heritage protections are certainly not presented as a contributing factor. So much more than supply and planning approvals, Kohler highlights land values, interest rates, rents, construction costs, house sizes, negative gearing, population growth, capital gains concessions, land banking, approvals banking, occupancy rates, vacancy rates, short term accommodation, lack of social housing, a lack of transport infrastructure, and climate change among other factors.

Heritage protections have been promoted by various parties (and indeed in the Productivity Commission Report that is the subject of this submission) as causing a restriction on development. This is clear in the “build mindset” of the Interim Report (p.27) which argues for targeted heritage protections instead of broad heritage overlays. The National Trust has long argued that simply applying targeted heritage protections to individual sites can reduce the context of a heritage item or location and have a major impact on the character of an area. Such an approach is best described as opportunistic, rather than strategic, planning and does not result in a quality outcome. Planning controls – whether heritage or not – should aim to create cohesive environments rather than disjointed communities.



We would urge the Productivity Commission to look further into the impacts of such proposals. In response to the NSW Government's previous TOD and LMR proposals, many councils (including Waverley, left) undertook modelling to illustrate the worst-case scenarios that could occur in a small-lot areas, or where individual heritage items were preserved.

In this situation it may be possible for the front of a small cottage to be retained “as a heritage item”, but for the remainder of the site to be developed

up to 6-8 storeys – possibly as apartments, but equally possible even as a single residence. This sort of planning would overshadow neighbours, create significant privacy issues, introduce waste management problems, reduce tree canopy and deep soil, and of course create traffic issues in a narrow street. It also significantly compromises any heritage values the place may once have had – meaning that heritage controls and new development would then be responding to a situation that no longer exists.

¹ Property Council of NSW, [Media Release: NSW Housing Targets at Risk](#), 30 April 2026.



The greenest building is the one already there

The construction industry is generally accepted to account for around 37 per cent of global CO₂ emissions and nearly 50 per cent of global material extraction.² This must be a major consideration in any future housing supply discussion. Yet a simple search for the word “sustainability” in the Interim Report yields zero results.

The National Trust has long argued that “the greenest building is the one already there.” Adaptive re-use of heritage buildings is a long established practice of not only providing new uses (which can and do include the provision of housing) but also reduces carbon emissions significantly. The redevelopment of Sydney’s former Carlton United Brewery industrial site to create the new Central Park neighbourhood shows what can be achieved when heritage and adaptive re-use are appropriately considered in efforts to increase housing supply appropriately into our cities.



With 11 buildings, 2,200 apartments, over 1,000 student accommodation dwellings, 3 hotels, 5,500sqm of commercial office space, 180 childcare places, 20,000sqm of retail, and a population of approximately 5,300 residents and 1,750 workers, this abandoned industrial site near Sydney’s Central Station has become a vibrant inner-city neighbourhood with one of the highest population densities in Australia.³

The master plan for the renewed city quarter has been designed around a network of lanes, streets, parks and important heritage buildings to create human-scaled, welcoming spaces with diverse uses, and successfully integrates new high-density development with lower density heritage buildings.⁴

² United Nations Environment Program, [Global Status Report for Buildings and Construction 2025-2026](#)

³ [Former Sydney Brewery Sets new Benchmark in City Urban Renewal](#)

⁴ <https://www.planning.nsw.gov.au/government-architect-nsw/case-studies/central-park-master-plan>



Heritage as an opportunity, not a barrier

Heritage listing has been continually identified in recent media coverage as a barrier to housing and development. It is the firm opinion of the National Trust that heritage instead needs to be seen as part of the solution to the housing crisis, not the problem.

Housing is a vital part of a city's character and community. As well as providing a home for vast swathes of our population over many years, our existing suburbs are indeed places people want to live precisely because they are of high quality and amenity.



In Australia at present, we continue the appalling trend towards building the biggest houses in the world, going from an average of around 100 square metres in 1950 to about 240 square metres today. At the same time, the average number of people living in each household has been declining.



In June 2023 it was reported at a council meeting that Inner West Council had 8,152 unoccupied dwellings. The broader situation reveals that when all Sydney Councils are combined there are a staggering 163,740 unoccupied dwellings in Sydney. The impact of short-stay accommodation across NSW on the rental market has been well-documented.



The constant rallying cry for increased density ignores the fact that the most densely populated Australian suburbs are almost all in fact dominated by heritage conservation areas, with Elizabeth Bay, Chippendale, Rushcutters Bay, Ultimo, Potts Point, Haymarket, Pyrmont, Darlinghurst, Woolloomooloo, Forest Lodge and Newtown all leading the charge. Out of Australia's 20 most dense suburbs, 10 are within the City of Sydney local government area. In many areas, heritage is density.



Of 3.5 million total land parcels in NSW, less than one percent are listed as statutory heritage items. These include approximately 26,000 local, 1,600 state and 20 national items. (Figures are derived from data from the Heritage Council of NSW as of May 2010)



Information request 2.3: Quantitative evidence on reducing broad heritage controls

The Interim Report focusses on the February 2023 NSW Productivity Commission report *What we gain by building more homes in the right places* which identified (p.33) that policymakers should “Protect Sydney’s heritage in a way that still allows renewal, diversity, and new housing supply” and that there is a need (p.41) to “balance heritage with renewal, diversity, and vibrancy.”

The report goes on to note (p.42) that “preserving the city’s heritage should not prevent our cities from meeting the needs of their current and future residents. We need a balanced approach that protects what is important, while allowing more people to live near and enjoy the city’s heritage and valued locations. Density can achieve both goals.”

Disappointingly, the report then goes on to claim that heritage conservation areas “cover at least half of the residential land in 50 suburbs across Sydney” and that this has “greatly reduced the amount of land available for new housing in Sydney’s most desirable areas”. The report then erroneously claims (p.42) that Heritage Conservation Areas “put swathes of land off-limits for new homes” and “restrict owners from redeveloping their land or undertaking significant extensions or renovations.”

This is simply not the case, as the examples below from Elizabeth Bay highlight.



The new Omnia residential development (2018) by Durbach Block Jagers Architects (above left) saw the adaptive re-use of the former Crest Hotel at 226 Victoria Street Potts Point as a new development housing 132 apartments. In 2009 the same firm completed the four storey “Roslyn Street” commercial building (above right) which included offices and a restaurant/bar.



Meanwhile, just up the road at 18-32 Darlinghurst Road, the recently approved Queensgate development (left) designed by Tonkin Zulaikha Greer Architects, is now underway which includes 48 new apartments, a 65-room hotel and ground floor retail across a number of buildings, including heritage items.

These real projects show what can be achieved.

All of these developments sit within the City of Sydney’s Potts Point Conservation Area. They were designed to respond to their environment and approved by the relevant authorities. It is plainly untrue to claim that heritage listing and conservation areas prevent any new development – they are in place precisely to ensure *appropriate* development.



Certain developments remove heritage items and reduce housing numbers

The National Trust has for many years highlighted the impact of demolishing existing housing to build new housing, but which often yields fewer new residences. In particular, it has often been highlighted that existing heritage buildings offer a wide range of housing types (studio, 1, 2, or 3 bedroom apartments) which cater for a variety of residents of varying income levels, adding to the diversity of a place. These are increasingly being replaced large “luxury” apartments for fewer residents.

It is unclear to the National Trust whether this subtraction of housing is ever calculated in the figures often quoted when new buildings are promoted as creating additional new housing. Surely the Productivity Commission would be able to ensure that such a basic consideration is included in calculations made in reference to housing supply.

The issue of existing demolition vs. new construction (often affecting heritage buildings) has been highlighted at length in the media and a matter of consideration for many councils. Waverley Council looked at implementing a “Dwelling Reduction Rule” in 2024. The City of Sydney put forward a Planning Proposal for “Dwelling Retention” in June 2024.⁵

The Trust provides the following examples:

Existing	Proposed	Detail
		An art deco building at 262 Campbell Parade, Bondi, which houses a creperie and eight small units, will make way for two luxury townhouses. ⁶
		The redevelopment of 13-17 Ithaca Road in Elizabeth Bay reduced the number of units from 32 to nine. ⁷
		Proposal to replace 80 studio and one-bedroom apartments in the 10-storey Chimes building in Macleay Street, Potts Point, with a 13-storey building containing 34 luxury apartments. ⁸

⁵ City of Sydney, [Planning Proposal- Dwelling Retention](#), June 2024

⁶ Anne Davies, [‘Enclaves for the rich’: new luxury housing is putting parts of Sydney out of reach to all but the very few](#), The Guardian 6 Dec 2025

⁷ ibid

⁸ Alex Greenwich MP, [Chimes Development](#), August 2025



In heritage precincts such as Sydney's Potts Point this particular issue has been highlighted by local community groups concerned about not only dwelling reduction but the resultant impact on the social fabric of the place. According to the Potts Point Preservation Group:

Potts Point/Elizabeth Bay is a template for high-density low-rise living in Sydney but is losing affordable housing. Currently eight redevelopments will have a net loss of 150 apartments to the community. More importantly, from 274 original apartments every one of the 227 one-bedroom and studio apartments will be lost and replaced with 124 3-4 bedroom apartments.

This is a tragic and unnecessary loss of affordable housing for long-term tenants and owners who will be forced out of the area. This is in stark contrast to the Government's aim of providing more affordable housing yet is not protecting existing stock of affordable apartments.

The loss of housing stock, loss of affordable housing and loss of these long-term residents is damaging our special and broad diversity which has been a hallmark of the community for a century and more. Whether the buildings are all heritage worthy is one question, as is whether remediation would be better than demolition, but the loss of local cultural diversity is a true diminishing of Sydney's heritage.⁹



as of 1st Nov 2025

POTTS POINT / ELIZABETH BAY DA PROPOSALS

ADDRESS	ORIGINAL NUMBER OF APARTMENTS	ORIGINAL NUMBER OF 1 BED/ STUDIOS	PROJECTED NUMBER OF APARTMENTS	FINAL NUMBER OF STUDIOS & 1 BEDROOM APARTMENTS	AFFORDABLE HOUSING (APARTMENTS)	REDUCTION IN APARTMENTS
CHIMES 46-53 Macleay St Potts Point	80	80	34	0	9	58%
11A & 13A Wylde St Potts Point	20	20	5	0		75%
29 Billyard Ave Elizabeth Bay	32	0	9	0		71%
1 Onslow Place Elizabeth Bay	12	12	6	0		50%
10 Onslow Ave & 21C Billyard Ave Elizabeth Bay	30	16	22	0		26%
51-57 Bayswater Rd Rushcutters Bay	35	35	13	0		63%
4-4A Barnacleuth Square Elizabeth Bay	20	20	10	0		50%
117 Victoria St Potts Point	45	44	25	0	7	45%
8 St Neots Ave Potts Point	7	7	1 (house)	0		86%
TOTALS	281	234	125 (all 3-4 bedrooms)	0	16	AVERAGE LOSS 58%
NET LOSS OF 156 APARTMENTS						

⁹ [Affordable Housing and Redevelopment](#), Potts Point Preservation Group, accessed September 2026



Conclusion

The National Trust (NSW) would urge the Productivity Commission to seriously reconsider the wide-ranging impacts of certain recommendations that have been made in the interim report which will have a devastating and permanent effect on the liveability and character of our cities and suburbs generally, and the heritage of NSW in particular, and which evidence has shown is still unable to deliver the mandated housing targets.

The Trust maintain that working with heritage is one of the most sustainable and prudent ways to ensure a continuing variety of housing types in NSW. The Trust would argue that heritage is not a barrier to the supply of new housing, and should in fact be part of the solution.

Our planning systems requires more certainty, not less. At a minimum, heritage planning controls must continue to apply to ensure that appropriate housing – and not simply unintended poor quality development – can occur.