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Danielle Wood
Chair
Productivity Commission
GPO Box 1428
Canberra ACT 2601
AUSTRALIA

Via email: housing.supply@pc.gov.au

Dear Chair

Housing supply regulation inquiry interim report

The Property Council of Australia welcomes the opportunity to respond to the Productivity Commission's interim report on housing supply regulation.

About us

The Property Council is the peak body for owners and investors in Australia's property sector. Our members invest in, design, build, finance and manage homes, workplaces, industrial assets and retail centres that support the daily life of Australian communities.

The property industry is the country's second largest employer, providing over 1.4 million jobs to Australians, 10.6 per cent of gross domestic product and 18.2 per cent of total tax revenues at \$130 billion and rising.

Our membership spans the range of housing and living sectors, including build-to-sell apartments and homes in urban infill, greenfield and regional areas, build-to-rent (BTR) housing, purpose-built student accommodation (PBSA), co-living, land lease communities and retirement villages. Each plays a distinct role in meeting housing needs across different life stages, household types and tenures.

Australia will need supply from across this full spectrum if it is to deliver housing at the scale required to meet national housing targets and respond to changing demographic and community needs.

Regulatory, planning and infrastructure settings should therefore support the delivery of different forms of housing and avoid definitions or requirements that inadvertently favour one model, or constrain particularly living sectors from contributing to overall housing supply.

General comments

The interim report provides a strong foundation for reform. We support policymakers adopting a 'build mindset', a focus on commercially feasible housing capacity, the review of unnecessary land use controls, more proportionate approval pathways, better coordination of housing and infrastructure, and more predictable developer contribution frameworks.

These reforms should support supply across the full range of housing and accommodation models, recognising their different planning, financing, development and operating characteristics. They should take an asset, tenure and delivery model-neutral approach, rather than treating one housing sector as the default model.

The final report should now translate these directions into an implementation plan. The plan should help policymakers identify the constraint that is preventing housing delivery in their jurisdiction and locations, assign responsibility for removing it and measure whether regulatory reform results in construction and completed homes.

Our central recommendation remains that governments should stop relying on theoretical zoned capacity as the principal measure of supply. For example, the NSW Government's Low and Mid-Rise Housing Policy was expected to deliver 112,000 homes over five years by July 2029, but analysis has shown only 3 per cent having development applications approved.

A national land and housing supply benchmark should track whether capacity is commercially feasible, serviced, infrastructure-enabled, approved, construction-ready, under construction and completed.

We have also recommended a specific reform direction for modern methods of construction (MMC). Compliant modular, prefabricated, panelised and other modern construction systems should not be disadvantaged by approval, certification, inspection or transport processes designed around conventional construction.

MMC has the potential to turbocharge construction productivity, but only if all relevant policy levers are aligned across all levels of government.

This submission is organised around the Commission's information requests and reform directions and focused on matters where industry can offer practical evidence and recommendations.

We would welcome the opportunity to provide further detailed input to support the Commission's inquiry, including engagement across industry groups, regulators and governments.

The Property Council welcomes the opportunity to discuss this submission in more detail. Please contact Dan Rubenach, National Policy Director, at drubenach@propertycouncil.com.au to arrange a meeting.

Yours faithfully

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Property Council of Australia

Appendix A – Submission

1. Recommendations

The Property Council recommends that the final report:

- 1 Establish a national land and housing supply benchmark.** Track the conversion of zoned theoretical capacity into commercially feasible, serviced, infrastructure-enabled, approved, construction-ready and completed homes. The benchmark should identify where projects stall and distinguish planning capacity from supply that can realistically proceed. The benchmark should be asset-neutral and recognise the full spectrum of living sector housing.
- 2 Make feasibility a formal test of land use and build form regulation.** Require governments to assess the cumulative effect of zoning, permissible uses, height, floor space ratios, minimum lot sizes, design standards and other controls across different housing types and market conditions.
- 3 Tie infrastructure planning to funded and accountable delivery.** Infrastructure plans and staging requirements should identify committed funding, delivery dates, responsible entities, service standards, dependencies and escalation pathways.
- 4 Extend end-to-end approval accountability through to construction commencement.** Performance frameworks should cover rezoning, development assessment, conditions, referrals, utilities, engineering, subdivision, certification and other post-approval processes.
- 5 Add an explicit reform direction for modern methods of construction.** Planning, approval, certification, inspection and transport processes should not disadvantage compliant modern construction systems. Nationally certified designs and components should be capable of being assessed once and relied upon across projects and jurisdictions, subject to site-specific matters.
- 6 Strengthen reform of developer contribution frameworks.** Address works in kind and associated credits, double charging, the first mover disadvantage, material changes after land acquisition, transparent use of funds and payment timing that supports project cash flow.
- 7 Publish a practical implementation plan led by states and supported by the Australian Government.** Link capability funding, future rounds of the Local Infrastructure Fund and other intergovernmental funding to measurable housing outcomes. Reduce duplication and establish compatible data standards that allow information sharing and concurrent assessment.

The Property Council supports the Commission's conclusion that land use reform and better coordination of housing-enabling infrastructure can deliver large supply benefits. The final report should not, however, rank reform areas as a fixed sequence for every market – each jurisdiction and location is unique, and policymakers should assess each individually.

Constraints differ between locations and project types. In many growth areas, the marginal home is constrained less by theoretical zoning capacity than by utility capacity, infrastructure funding, subdivision, post-approval processes or project feasibility. In some infill locations, restrictive planning and built form controls remain the principal constraint.

The final report should preserve this place-based understanding of the delivery chain.

Recognising the full spectrum of housing

Throughout this submission, references to residential land, residential zoning and housing supply should be understood to encompass the full spectrum of living-sector housing, including build-to-rent (BTR), retirement villages, land lease communities, purpose-built student accommodation (PBSA) and co-living, where relevant.

Planning and land use classifications differ materially between jurisdictions. Land that is zoned for residential purposes may not necessarily permit every form of housing, while some living sector uses may sit within separate planning classifications despite contributing directly to housing supply.

National benchmarks should therefore look beyond the nominal zoning or land use classification and consider whether different forms of housing can be delivered.

This is particularly important when measuring housing capacity and performance against housing targets. National, state and local frameworks should recognise housing delivered across the living sector and avoid definitions or reporting arrangements that inadvertently exclude housing models from supply targets or assessments of available capacity.

1. Best practice regulation must be measured by delivery

Responds to information request 1.2

We support the Commission's objective for a regulatory system that enables enough housing to meet people's needs in the places where it provides the greatest net benefit. We also support the four proposed principles, that policymakers adopt a 'build mindset', to regulate only where necessary, coordinate housing with infrastructure and keep the process simple.

The principles should be applied to the entire path from planning capacity to completed homes. A system can appear permissive at the zoning stage but still fail the build mindset if infrastructure is not funded, post-approval requirements are unresolved or permitted development is commercially unfeasible.

The final report should ask each jurisdiction to assess its regulatory system against four practical questions:

1. Is housing permitted in locations where people want to live and where development can deliver a net community benefit?
2. Do the combined controls allow commercially feasible housing types and yield?
3. Is the land serviced and supported by infrastructure with committed funding and a credible delivery timetable?
4. Can the project obtain all necessary approvals and commence construction through a clear, time-bound and accountable process?

These questions are not intended to displace the Commission's principles, but to provide a practical way for states, territories and councils to apply them and to distinguish regulatory reform on paper from reform that enables additional homes.

The final report should ask policymakers to:

- Assess regulatory systems against their ability to convert theoretical capacity into construction and completed homes
- Identify the binding constraint by location and housing type rather than assume that one reform sequence applies nationally
- Measure both regulatory efficiency (how long a determination takes) and housing delivery outcomes (how many homes can be delivered)
- Set out responsibilities, milestones, funding, dependencies on other agencies/regulators, and review mechanisms

2. Measure commercially feasible and delivery-ready housing supply

Responds to information requests 2.1, 2.2 and 2.3

We support a formal measure that distinguishes land that is zoned for housing from land that is commercially feasible, serviced, infrastructure-enabled, approved and capable of proceeding to construction.

This should become a national land and housing supply benchmark rather than remain an optional reporting concept.

Zoned capacity is an important starting point, but it is not a reliable measure of the homes that can be delivered. The interaction of planning controls, infrastructure, market conditions, approval pathways and project costs determines how much capacity can proceed. Reporting only the zoning outcome can conceal the point at which potential supply is not realised.

A national land and housing supply benchmark

Stage	Proposed definition
Strategically identified and zoned	Land is identified for housing and the planning scheme permits residential development.
Permitted after controls	Capacity remaining after applying operative height, floor space ratio, setbacks, site coverage, lot size, design and other controls.
Commercially feasible	A realistic housing project can satisfy the controls and achieve an acceptable return under plausible market and cost assumptions.
Infrastructure-enabled	Network capacity is confirmed and required enabling infrastructure is identified, funded and programmed for delivery.
Development-approved	The required development approval or planning permit has been granted.
Construction-ready	Post-consent conditions, engineering, subdivision, utilities and certification are sufficiently resolved for construction to commence.

Under construction	Physical construction has commenced.
Completed	The homes have been completed and are available for occupation.

The benchmark should report both the stock of capacity at each stage and the rate at which land and projects move between stages. It should also identify why projects stall or capacity is lost, for example:

- Planning controls
- Project feasibility
- Infrastructure capacity
- Infrastructure funding
- Environmental constraints
- Approval delays, and/or
- Market conditions.

Reporting should also be disaggregated by location and housing type. Greenfield land, apartments, townhouses and other housing models face different constraints and national or state totals can conceal those differences.

The final report should ask policymakers to:

- Adopt a nationally consistent land and housing supply benchmark
- Report both the amount of capacity at each stage and the rate at which it progresses towards construction and completion
- Identify and report the reasons for delay, attrition or loss of capacity
- Apply commercial feasibility testing across relevant locations, housing types and market conditions
- Count land as infrastructure-enabled only where network capacity and a funded, time-bound delivery pathway have been established
- Use the benchmark to target planning, infrastructure, approval and funding reforms towards the constraint that is preventing delivery.

3. Make feasibility a formal test of land use and built form controls

Responds to information requests 2.1 and 2.3 and reform directions 2.5 and 2.6

We support the Commission's proposed review of land use and built form controls that reduce commercial feasibility or do not satisfy the proposed best practice principles. Reform should focus on the controls and combinations of controls that are binding in each market.

The effect of controls should be assessed cumulatively. A height control may appear workable in isolation but become impractical when combined with a restrictive floor space ratio, setbacks, site coverage, parking, shared amenities, apartment design and other requirements.

It is the combined effect that determines dwelling yield, design flexibility, cost and feasibility.

A feasibility assessment does not require governments to remove controls that address material safety, environmental, health or amenity impacts, but it requires the benefits and costs of those controls to be considered transparently alongside their effects on housing supply, affordability and choice.

The final report should ask policymakers to:

- Prepare a cumulative feasibility assessment before introducing or materially changing land use and built form controls
- Test the effects of proposed controls across relevant locations, housing types and market scenarios
- Clearly define and cost built form, sustainability and design requirements
- Periodically review existing controls and remove or amend those whose costs are no longer proportionate to their benefits
- Resolve precinct-wide environmental, infrastructure and design issues through strategic planning wherever possible, rather than repeating the same assessment for individual sites
- Report the expected effect of significant reforms on theoretical capacity, commercially feasible capacity and housing delivery.

4. Extend accountability across the complete approval pathway

Responds to information requests 3.1 to 3.4 and reform directions 3.1 to 3.4

We support faster, clearer and more proportionate approval pathways, and particularly support the Commission's focus on strategic planning, risk-based assessment, coordinated referrals, digital systems and transparent performance reporting.

Development assessment is only one step in the approval pathway. Significant delays can occur after consent and before construction begins (which we describe as "**post-approval bottlenecks**").

Conditions may require further reports, plans or technical documents, while utility providers, infrastructure agencies and referral authorities may need to approve designs or connections. Engineering, subdivision and certification processes add further stages.

A narrow measure of development assessment time can therefore give a misleading picture of performance and can also create an incentive to move unresolved matters into conditions so that the initial determination appears faster.

Performance reporting should cover the complete pathway relevant to a project, including:

- Strategic planning or rezoning where required
- Development application lodgement and assessment
- Government, utility and other referrals
- Post-consent conditions and secondary approvals
- Engineering and subdivision approvals, where applicable
- Utility servicing approvals and connections
- Construction, building certification or other applicable certification processes
- Construction commencement, with completion data linked where feasible.

Reporting should include gross elapsed time, and stop-clock practices should not conceal the total time required to progress a project.

Measures should be disaggregated by project type, approval pathway and responsible body. Utility and referral performance should be measured against service standards that reflect the experience of housing delivery, not only internal administrative processes.

Resolve issues at the correct stage

Where a consent authority has a substantive interest in the content or outcome of a document, the issue and required outcome should be resolved during assessment and reflected clearly in the consent. A condition should not defer a substantive planning decision to a later process without a defined test, responsible decision maker and timeframe.

Coordination bodies can reduce delay where they have authority to sequence referrals, enforce response times, resolve conflicting advice and escalate stalled decisions. A body that can only convene parties without resolving the underlying issue will have limited effect.

Digital reform should support a single case record that relevant agencies and utilities can access, and applicants should not be required to provide the same information repeatedly. Information should be shared and assessed concurrently where appropriate, supported by nationally compatible data standards.

Priorities will differ between jurisdictions, and end-to-end reporting should diagnose whether approvals are the binding constraint rather than assume that faster development assessment will resolve every supply problem.

The final report should ask policymakers to:

- Establish end-to-end performance measures from the relevant application through to construction commencement.
- Publish clear service standards and performance results by approval stage, project type and responsible entity
- Report gross elapsed time
- Give coordination bodies appropriate decision-making, enforcement and escalation powers
- Resolve substantive issues during assessment rather than defer them through vague or open-ended post-approval conditions
- Develop interoperable digital systems that enable information sharing, concurrent assessment and one-time submission of common information
- Use end-to-end data to determine which approval reforms should be prioritised in each jurisdiction.

5. Add an explicit reform direction for modern methods of construction (MMC)

Responds to information requests 3.2, 3.4 and 5.1 and the discussion of MMC in section 3.3

The interim report recognises that rigid approval processes can discourage more productive methods of construction.

It identifies repeated approvals, inconsistent pathways and certification processes designed around sequential on-site construction but does not translate this into a specific reform direction.

MMC has the potential to materially improve construction productivity, but only if planning, certification, inspection, transport and procurement settings are aligned. Compliant modular, prefabricated, panelised and other modern construction systems should not be disadvantaged by processes designed around conventional construction.

The final report should include an explicit reform direction on MMC, such as:

State, territory and local governments should ensure that planning, approval, certification, inspection and transport processes are neutral between compliant traditional and modern construction methods.

Nationally certified systems, designs and components should be capable of being assessed once and relied upon across projects and jurisdictions, subject to genuinely site-specific planning, engineering and installation matters.

For example, participants in New South Wales report that transport approvals for volumetric modules can become a bottleneck even where off-site manufacturing would reduce construction time, because oversized load permits may involve state and local roads, multiple authorities and uncertain timeframes.

The Property Council supports a national certification model that enables repeatable systems, designs and components to be assessed once and relied upon across multiple projects and jurisdictions. Certification should reduce repeated inspections and documentation while preserving site-specific assessment where it is genuinely required.

These issues are consistent with the modular housing case study in the interim report, which identifies separate approval pathways, additional requirements and repeated approval of factory-built and on-site elements.

MMC should not be presented as an immediate or complete solution in every market. Market scale, long-term investment and procurement certainty, together with the availability of skilled labour, SME builders, subcontractors and trades, also affect the industry's capacity to convert approvals into homes.

Governments need to remove avoidable regulatory barriers and create a credible pathway for investment before expecting manufacturing capacity to scale.

The final report should ask policymakers to:

- Ensure that planning, approval, certification, inspection and transport processes do not disadvantage compliant MMC
- Adopt nationally consistent definitions for modular, prefabricated, panelised and other modern construction systems, while recognising relevant jurisdiction-specific statutory classifications where appropriate

- Establish pathways that recognise national certification and avoid repeated assessment of the same factory process, design or component
- Coordinate factory and on-site inspection and certification so that hybrid construction is not subject to duplicative processes
- Include compliant MMC designs in pattern books, complying development pathways and other fast-track approval processes
- Provide practical guidance and capability support for councils, certifiers and approval authorities
- Establish coordinated and time-bound pathways for oversized load and road permits needed to transport volumetric modules
- Allow certified information and approvals to be reused through digital systems rather than resubmitted for each project.

6. Tie infrastructure planning to funded and accountable delivery

Responds to information requests 4.1, 4.2 and 4.5 and reform directions 4.1 and 4.2

We support the Commission's proposed reforms to infrastructure planning and sequencing. However, they should be strengthened – better plans will not unlock housing unless they are connected to funded capital programs, accountable delivery bodies and meaningful service standards.

Infrastructure plans should give landowners, developers, communities and governments a credible account of what will be delivered, by whom, when and with what funding. Land should not be described as infrastructure-ready where these matters remain unresolved.

For each material item of housing-enabling infrastructure, plans should identify:

- The project scope and the housing capacity it is expected to unlock
- The responsible delivery body and supporting parties
- The source and status of funding
- Key dependencies, approvals and land requirements
- The expected delivery date and interim milestones
- Service standards and an escalation process where commitments are not met.

This approach is particularly important for utilities. Water, sewerage, stormwater, electricity and transport providers should be accountable for the approvals, infrastructure and connections required to support planned housing growth. Network capacity, constraints and expected connection timeframes should be visible early enough to inform land acquisition, feasibility and project sequencing.

Australian Government funding

The Australian Government should use the Local Infrastructure Fund and future intergovernmental agreements to target infrastructure that demonstrably unlocks a defined pipeline of housing.

Eligible projects should include water, sewerage, stormwater, roads, transport and other enabling works where a material infrastructure constraint is preventing planned or approved housing from proceeding.

Queensland’s Residential Activation Fund provides an exemplar of targeted intervention where enabling infrastructure is the final critical barrier. The broader principle is that funding should be directed towards locations with a supported housing pipeline, a defined infrastructure constraint and delivery partners capable of completing the works.

Funding proposals should identify the additional housing expected, responsible state, local and utility partners, delivery milestones and reporting arrangements.

The final report should ask policymakers to:

- Link infrastructure plans to funded capital programs and accountable delivery entities
- Publish network constraints, service standards and expected approval and connection timeframes
- Avoid requiring temporary infrastructure where permanent infrastructure can reasonably be delivered
- Direct Australian Government funding and finance towards infrastructure that demonstrably unlocks additional housing
- Report infrastructure delivery against construction commencement and completed housing outcomes.

7. Strengthen developer contribution reform

Responds to information requests 4.3, 4.4 and 4.5 and reform directions 4.3 and 4.4

We support the Commission’s proposed principles of nexus, apportionment, upfront estimates, staged or later payment, consistent administration and transparent reporting.

The final report should go further on the implementation issues that most directly affect feasibility and infrastructure delivery. In theory, a known contribution may be reflected in the price paid for land. In practice, full adjustment may not occur where charges are uncertain, cumulative, introduced or materially changed after acquisition, or duplicated across state, local and utility frameworks.

Developer contribution frameworks should apply the following principles:

Principle	Description
Nexus	A contribution should apply only where development creates a demonstrated need for the infrastructure.
Apportionment	Development should fund only the share attributable to its demand. Infrastructure that benefits the wider community should be funded proportionately from broader revenue sources.
Certainty	Estimated contributions should be available before land acquisition. Charges should not be materially increased after acquisition without transparent justification and appropriate transitional protection.

Works in kind	Frameworks should provide timely approval, clear valuation rules, full and transparent credits, and reimbursement where works also serve later development.
No double charging	Governments should audit state, local and utility charges to prevent the same infrastructure or demand from being funded more than once.
First mover fairness	The first developer should pay only its fair share. Government should bridge the balance and recover it from later beneficiaries.
Payment timing	Contributions should be staged or deferred to a point that better aligns with project revenue. Where infrastructure must be delivered earlier, government finance should bridge the resulting timing gap.
Transparency	Central reporting should identify amounts collected, committed works, delivery progress, unspent balances, credits and the relationship to housing outcomes.

Financing infrastructure while collecting contributions later

Collecting contributions later can improve project cash flow and feasibility and should not delay infrastructure required before development. State, territory or Australian Government financing can bridge the gap between infrastructure delivery and later cost recovery.

Relevant mechanisms include:

- Low- or no-interest finance for councils and infrastructure providers
- Direct funding for infrastructure with dispersed community benefits or a material funding shortfall
- Reimbursement arrangements for first movers and developers delivering approved works-in-kind
- Government underwriting of agreed cost estimates where appropriate safeguards apply
- Deferral until the issue of an occupation certificate, settlement or another appropriate later stage where this supports feasibility without delaying infrastructure.

The final report should ask policymakers to:

- Apply clear and consistent nexus and apportionment requirements on contributions.
- Establish practical arrangements for works in kind, credits and reimbursement.
- Prevent double charging across state, local and utility frameworks.
- Protect projects from material and unforeseen contribution changes after land acquisition.
- Establish first mover funding and cost-recovery mechanisms.
- Support staged or later payment through appropriate government bridging finance.
- Centrally report contributions collected, infrastructure commitments, delivery progress, credits and unspent funds.

- Measure whether contribution frameworks support timely infrastructure and additional housing delivery.

8. Provide a practical implementation plan

Responds to information request 5.1

The final report should not end with a list of desirable reform directions. It should provide a practical implementation framework that governments can use to sequence reform, assign responsibility and measure results.

Capability and accountability

High-growth local governments and infrastructure service providers may require additional planning, engineering, certification, digital and project-delivery capability. Capability funding should be linked to measurable improvements in service performance and housing delivery.

Accountability should reflect the functions and powers of each body – councils and utility providers should not be held responsible for outcomes they cannot control. At the same time, capability constraints should not become a permanent reason for failing to meet service standards or housing commitments.

Governments should share repeatable tools, model processes, specialist resources and data standards. This will be more effective than requiring each council or provider to develop the same capability independently.

Digital interoperability

The Australian Government should work with states and territories to establish compatible definitions and data standards for capacity, approvals, infrastructure and completions through the national land and housing supply benchmark.

Common project identifiers should connect planning decisions, utility processes, construction commencement and completed homes.

Applicants should be able to provide common information once, and relevant agencies should be able to access and assess that information concurrently where appropriate. Tools such as digital contribution estimators and infrastructure capacity maps would support early feasibility and investment decisions.

Commonwealth and state environmental, infrastructure and approval information requirements should also be aligned where they overlap. National consistency does not require identical approval systems, but systems should be capable of sharing information and recognising equivalent assessments.

Sequence immediate action with structural reform

Immediate reforms should include coordinating road permits for volumetric construction, improving the triage of post-approval bottlenecks, publishing utility and referral service standards, deferring developer contributions where this will not delay infrastructure, and standardising basic approval data definitions.

Structural reforms should include adopting the national land and housing supply benchmark, connecting infrastructure plans with funded capital programs, rationalising post-approval and

pre-construction processes, embedding cumulative feasibility testing within strategic planning, establishing national recognition of MMC, and developing interoperable digital records.

Immediate reforms should be pursued in parallel with structural reform.

The final report should ask policymakers to:

- Agree a national implementation plan with clear responsibilities, milestones, funding commitments and review mechanisms
- Identify the lead agency and delivery partners responsible for each reform
- Target capability funding towards high-growth councils and infrastructure providers where it is linked to measurable outcomes
- Establish nationally compatible data standards and interoperable digital systems
- Sequence immediate administrative improvements alongside structural reform
- Report progress in converting theoretical capacity into projects under construction and completed homes.