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# PERMISSION TO BUILD: TURNING PLANNING REFORM INTO HOUSING DELIVERY

2026

IN PARTNERSHIP WITH URBIS

**PERMISSION TO BUILD:** TURNING PLANNING REFORM INTO HOUSING DELIVERY

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**This is the fourth in a series of CEDA papers focused on the housing crisis in Australia. The crisis has been decades in the making, with multiple policy and planning failures across the country contributing to a shortage of affordable homes for Australians.**

Each paper in this series will tackle one key housing challenge. Combined, the solutions we propose will help to solve the housing puzzle.

Without more urgent action, we risk making the "great Australian dream" of home ownership unattainable, reserved only for the lucky few with access to generational wealth.

We can and should ensure that all Australians have access to the housing they need to participate fully in life. This aspiration is a key goal of CEDA's Progress 2050 vision.

CEDA's objective in publishing this report is to encourage constructive debate and discussion on matters of national economic importance. Persons who rely upon the material published do so at their own risk.

# ABOUT THIS PUBLICATION

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## ABOUT URBIS

Urbis is a multidisciplinary urban consultancy bringing transformation to cities and communities around the world. From inspiration to implementation, our team of more than 900 consultants and specialists create communities and places that address the complex needs of society.

Our approach to liveability extends beyond the built environment and involves sustainable, ethical, commercial, social and natural elements to deliver future-focused housing and precincts solutions.

# PERMISSION TO BUILD:
## TURNING PLANNING REFORM INTO HOUSING DELIVERY

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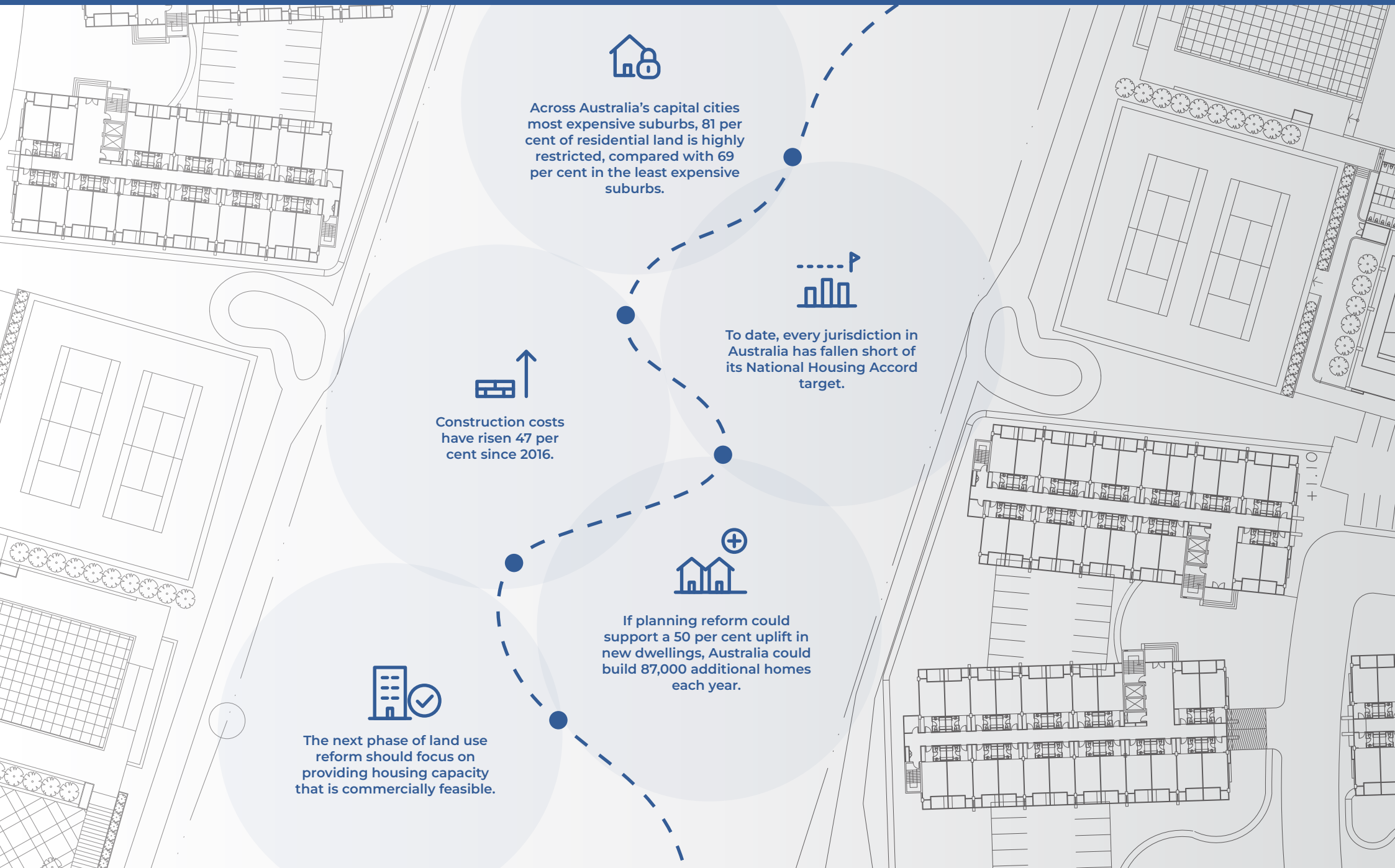

Across Australia's capital cities most expensive suburbs, 81 per cent of residential land is highly restricted, compared with 69 per cent in the least expensive suburbs.

To date, every jurisdiction in Australia has fallen short of its National Housing Accord target.

Construction costs have risen 47 per cent since 2016.

If planning reform could support a 50 per cent uplift in new dwellings, Australia could build 87,000 additional homes each year.

The next phase of land use reform should focus on providing housing capacity that is commercially feasible.

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# EXECUTIVE SUMMARY

The National Housing Accord began in 2024 and sets targets for new housing over the five years to 2029. To date, every state and territory in the country is behind its target. A large driver of the shortfall has been construction costs, which have risen 47 per cent since 2016. As a result, much of the theoretical housing capacity in the system is not commercially feasible to build and remains unrealised.[i] The correct measure of zoning and regulation reforms should be the amount of capacity that is commercially feasible for new housing to be built.

Commercial feasibility is strongest where sale prices are the highest, as higher prices enable developers to more easily recoup the costs of construction, which are relatively constant across cities.

Yet across Australia's cities, the most expensive suburbs impose the greatest barriers to building new housing, limiting the number of new dwellings that can actually be built there.

In Australia's most expensive suburbs, 81 per cent of residential land is highly restricted, compared with just 69 per cent for the least expensive areas. Zoning uplift is being directed towards the less expensive areas of cities, where it is least commercially feasible to build new housing.

If planning and regulatory reform could support even a 50 per cent increase in dwelling completions, Australia could build around 87,000 additional homes each year, enough to meet the annual targets of the National Housing Accord.

States have begun moving in the right direction. Fast-track assessment pathways, state-led precinct planning, transport-oriented development and more consistent planning controls are improving certainty and unlocking well-located sites. But these well-intentioned reforms must also address and consider the underlying economics of development. Rezoning will not produce homes if it is not targeted at development that is commercially feasible.

Going forward, the next phase of land use reforms should focus on feasible capacity. Governments should target planning uplift in high-demand, well-serviced locations and remove controls that add cost without adding value. At the same time, density should be enabled more broadly across established suburbs through reduced minimum lot sizes. NSW's shift towards measuring feasible and realisable housing capacity is one example where this shift is starting to take place.

Planning and infrastructure should be treated as one system, with capacity directed to places where transport and community infrastructure already exist or can be upgraded efficiently. Where new infrastructure is required, it should be funded and sequenced alongside rezoning, with contribution charges known early, applied consistently and transparently, and structured so they do not push otherwise viable projects below the feasibility threshold.

i. Housing is commercially feasible to build when the expected sale value of the completed homes is high enough to cover the full cost of development and provide an adequate return for the developer (see Box 1).

# RECOMMENDATIONS

1. State governments should set planning capacity targets on the additional housing that is commercially feasible to build, not theoretical zoned capacity.
2. State and local governments should continue to incentivise greater density in well-located, high-demand areas where development is most feasible.
3. State governments should direct new housing capacity to areas with existing transport, utilities and community infrastructure, or where upgrades can be delivered at relatively low cost.
4. State and local governments should publish infrastructure contribution plans before rezoning, apply charges consistently and allow payments to be deferred to later project milestones where this supports financing and delivery.
5. State and local governments should remove minimum parking requirements for new developments to allow parking provision to respond to market demand.
6. State and local governments should reduce minimum lot sizes broadly across cities and metro centres to encourage gentle density.



# WHAT IS HOLDING DELIVERY BACK

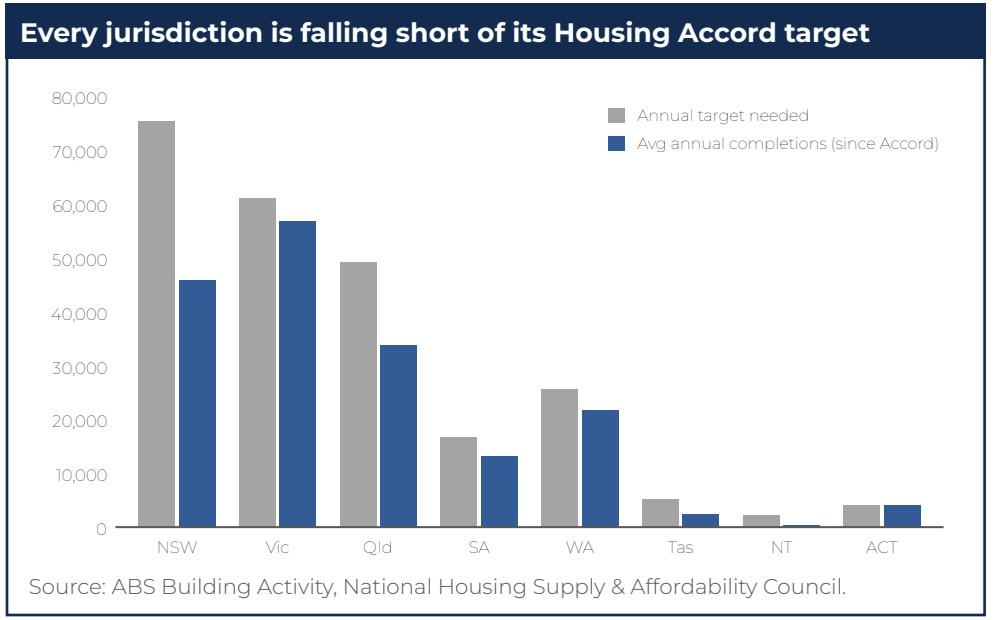
### AUSTRALIA IS TRACKING BEHIND ON HOUSING TARGETS

Over two years into the National Housing Accord, housing supply remains a top priority for all levels of government and a part of everyday discourse. Governments have taken action to boost supply, primarily through upzoning land to allow more homes to be built. To meet the Housing Accord target of 1.2 million new homes by mid-2029, 240,000 homes need to be built each year. So far, every jurisdiction in Australia is falling short of this target.

NSW and Queensland are lagging in particular, tracking 29,000 and 15,000 homes below their respective annual targets. Victoria and the ACT, meanwhile, are nearer to their targets (Figure 1).

State governments have responded by upzoning residential land to increase building capacity. In Victoria, the new Townhouse and Low-Rise Code provides fast-tracked planning pathways for townhouses and low-rise apartments up to three storeys for 1.45 million lots in Melbourne.[1] In NSW, the Low and Mid-Rise housing policy allows more townhouses, terraces and apartments, creating theoretical capacity for around 112,000 new homes, and the Transport Oriented Development (TOD) Program rezones land near train and metro stations for higher-density housing, creating capacity for 170,000 new homes.[2,3]

**Figure 1:** Annual dwelling completions against Housing Accord target




Source: ABS Building Activity, National Housing Supply & Affordability Council.

## COMMERCIAL FEASIBILITY IS INCREASINGLY BECOMING THE BINDING CONSTRAINT FOR BUILDING NEW HOUSES

At the same time, construction costs have been rising, making commercial feasibility an increasingly large constraint on what can be built.

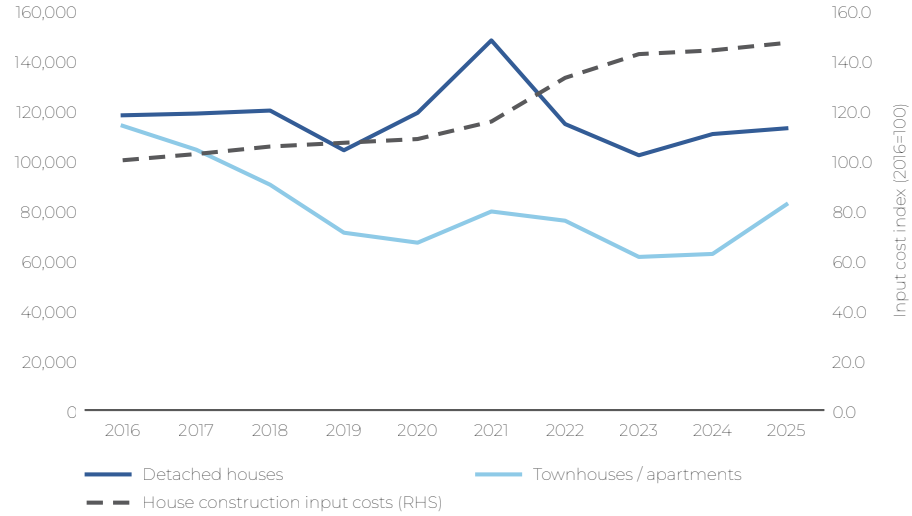
Since 2016, construction costs for new housing in Australia have risen 47 per cent.[4] While upzoning provides theoretical capacity for more housing to be built, those homes will not be delivered if they are not commercially feasible to build. Despite increased planning permissibility, dwelling approvals are lower than they were 10 years ago and have fallen as construction costs have risen. They remain short of what is required to achieve the National Housing Accord targets (Figure 2).

Recent reforms have not yet translated into an increase in dwellings, however, momentum is building. NSW's recent reforms have led to an increase in development applications, an early indicator of construction activity.[5]

While the reforms are welcome, their effectiveness is likely to be limited by the commercial conditions faced by developers in practice. In NSW, land that has been zoned under recent state planning reforms is much more likely to be commercially feasible than land zoned by councils. Of the land zoned by the NSW Government, 49 per cent of this capacity is feasible to build. Conversely, just 23 per cent of the capacity that has been zoned by local council plans is feasible.[6] Ensuring areas that support feasible development are zoned to accommodate new housing is necessary to deliver on housing supply.

**Figure 2:** Australia dwelling approvals and housing construction costs

**Dwelling approvals have fallen alongside growing construction costs**




Source: ABS Building Approvals, ABS Producer Price Index

## Box 1: Theoretical vs Feasible Capacity

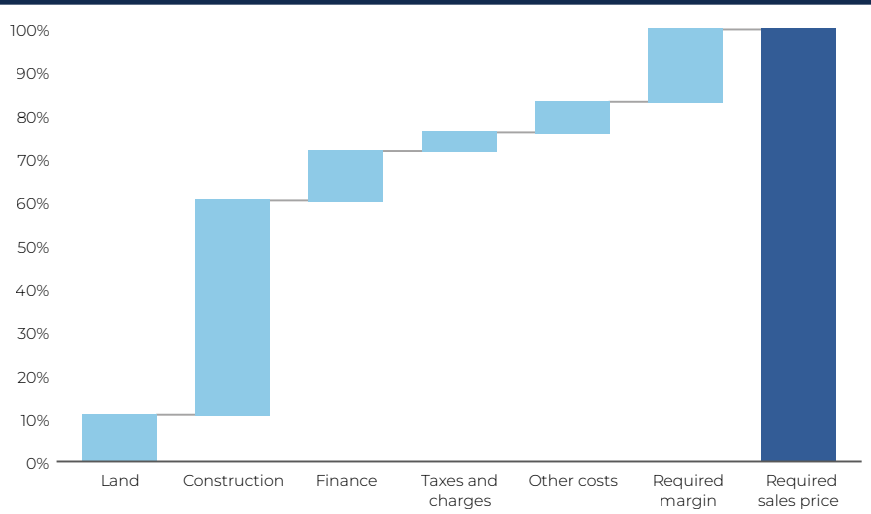
Theoretical capacity is the number of homes that planning controls technically allow to be built. It reflects settings such as zoning, permitted building heights, floor-space ratios and minimum lot sizes. But theoretical capacity can significantly overstate the amount of housing that will actually be delivered.

Feasible capacity is the portion of theoretical capacity where development is commercially viable. For a project to succeed, the expected sale value of the completed homes must be high enough to cover the full cost of development and provide an adequate return for the developer.

If the costs exceed the expected sale value, the project is unlikely to proceed, even if the planning system provides the theoretical capacity for a dwelling to be built. Higher construction or financing costs can reduce the amount of viable housing. Governments can improve feasibility by allowing more housing in higher-value areas, permitting greater density and removing unnecessary regulatory costs.

**Figure 3:** The feasible capacity cost stack

**Feasible capacity requires the sale price to exceed construction costs plus developer margin**




Source: The Centre for International Economics (2026)





Higher sale prices mean developers can absorb rising land and construction costs and still turn a profit. Higher prices also reflect excess demand for housing in certain areas. Building more where prices are high supports new housing where people most want to live. In cheaper areas, the sale price a new dwelling can command often falls short of what it costs to build.[7] The largest cost of building a new home is construction, which does not vary across a city nearly as much as sale prices do. For a new, mid-rise apartment in Sydney, construction and parking account for 49 per cent of total development cost, while land makes up only about 11 per cent. In taller buildings, land is an even smaller proportion of the cost.

When new housing is constructed in a high-value area, the sale price achieved on completion is higher relative to the cost of delivery, compared with a lower-value area. As a result, in times of high construction costs, planning uplift in lower-value areas frequently sits unrealised.

However, across Australia's capital cities, more expensive areas also have the most restrictive land, so homes cannot be built in the areas where it is most commercially feasible. Of the most expensive 20 per cent of suburbs in Australia's five largest capital cities, 81 per cent of residential land is highly restricted, compared with just 69 per cent of the lowest value suburbs.[ii]

In Sydney's most expensive quintile of suburbs, 90 per cent of residential land is highly restricted for new housing, compared with 76 per cent of land in the least expensive quintile of suburbs.[8]

Planning settings must be set in a way that makes it feasible to actually build homes.

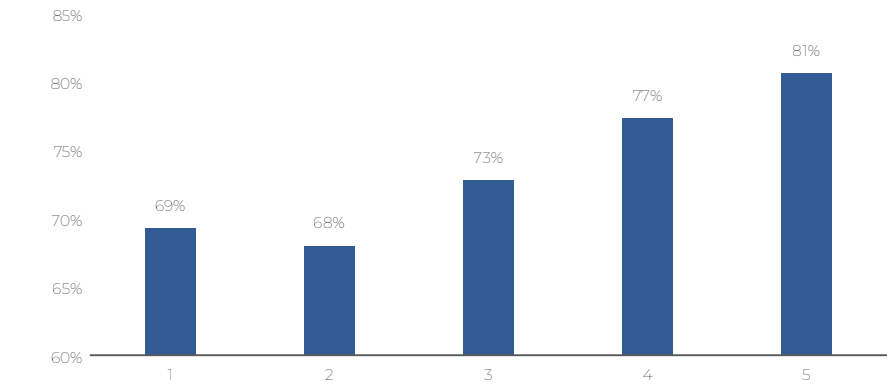
Upzoning large areas of residential land, particularly where development is more feasible, can help sustain housing construction even as costs rise, as Auckland's experience demonstrates.[9]

ii. Residential land is highly restricted where one or more of these controls apply (Zoning Atlas):

- Height is capped at two storeys or fewer,
- Only detached dwellings are permitted,
- The zoning carries an explicit "low-density" designation, or
- The site is subject to heritage controls.

**Figure 4:** Proportion of residential land that is highly restricted, by average property value quintile (1 = lowest)

**Suburbs with the most expensive housing are also the most highly restrictive**




Source: CEDA analysis of REA Group PropTrack data, Australian Zoning Atlas

**Table 1:** Zoning restrictiveness by property values

| | Average property value quintiles (1 = lowest value suburbs) | | | | |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| Adelaide | 74% | 88% | 91% | 94% | **97%** |
| Brisbane | 81% | 76% | 84% | 90% | **96%** |
| Melbourne | 53% | 41% | 47% | 46% | **61%** |
| Perth | 83% | 85% | 92% | 93% | **93%** |
| Sydney | 76% | 85% | 85% | 89% | **90%** |

# WHAT REFORM HAS CHANGED SO FAR

Prompted by the National Housing Accord and the persistent gap between dwelling targets and completions, states have acted by lifting permitted densities near transit and established centres, standardising controls that were previously set council by council and creating assessment pathways that reward compliant proposals with certainty.

**Table 2:** Summary of recent initiatives to promote more housing

| Reform | Description |
|---|---|
| Codification of assessment standards | Replace discretionary assessment with clear, standardised rules and faster complying pathways, reducing approval risk and holding costs for projects that meet the code. |
| State-led assessment | Move significant housing projects into state-led pathways that reduce local political appeals and risk, and can combine rezoning, agency coordination and development assessment. |
| Strategic planning documents | Set long-term directions for where housing growth should occur and align local planning, housing targets and infrastructure priorities around that direction. |
| Unlocking infill and precinct-oriented development | Use state-led rezoning and precinct planning to create substantial new capacity in well-located areas, particularly around transport hubs and established centres. |
| Infrastructure contribution certainty | Make infrastructure costs and funding more predictable and bring forward enabling infrastructure, reducing the risk that otherwise viable projects are delayed or rendered unfeasible. |

**CODIFICATION OF ASSESSMENT STANDARDS FOR MID-RISE AND TOWN-HOUSE PROPOSALS HAS INCREASED DEVELOPMENT APPLICATIONS**

In Victoria, discretionary assessments allowed inconsistent approaches to mid-rise and townhouse applications. While standards existed for multi-dwelling developments of three storeys or below, significant discretion remained, and mid-rise developments lacked a deemed-to-comply assessment pathway, so were subject to more discretionary assessment.[10]

The state introduced the Townhouse and Low-Rise Code and the Mid-Rise Code for assessment of these building typologies. Applications under the Townhouse and Low-Rise Code are subject to a potential 10-day statutory timeframe. Where specific standards are met, responsible authorities now have no discretion in their assessment and the proposal is 'deemed-to-comply' with the standard. Applications for townhouses have increased by approximately 50 per cent in the year since the changes were introduced.[11] While it's too soon to judge the policy's impact on completions, the increase in townhouse applications is promising, though it is unclear if the impacts on apartments will be similar.

**Impact on feasible capacity:** The Victorian experience suggests this can materially improve certainty and reduce assessment time. But it primarily reduces risk rather than changing the underlying economics of a site.

### STATE-LED ASSESSMENT OF STATE-SIGNIFICANT DEVELOPMENTS IMPROVES PLANNING CERTAINTY AND REDUCES POLITICAL DECISION MAKING

Local resistance to and third-party review of housing can impede new housing supply.[12] Victoria's Development Facilitation Program (DFP) shifts eligible applications to the Planning Minister. Residential projects qualify based on the provision of 10 per cent of units (or an equivalent cash contribution) as affordable housing. The process guarantees a four-month assessment timeframe. By February 2026, more than 10,000 homes across 64 projects had been approved through this channel.[13]

The key benefit of the DFP is not the speed of the assessment (which is often comparable to a Council process, accounting for the extended pre-application process). It is instead the avoidance of a political decision by elected Councillors and the elimination of the risk of a third-party appeal to VCAT.

NSW has taken a similar approach through the Housing Delivery Authority (HDA), a panel of senior state officials established in late 2024. Councils can make a submission, but they no longer determine the application. The pathway can also assess a rezoning alongside the development proposal, effectively collapsing two sequential statutory processes into one. This can unlock sites that would otherwise remain caught between outdated local controls and lengthy rezoning processes (Box 2).

Western Australia's permanent significant development pathway places determination within the Western Australian Planning Commission, supported by coordinated state-agency referrals and a 120-day statutory timeframe. The Commission can also approve prescribed developments despite inconsistency with a local planning scheme.

Uptake in Western Australia was slow initially, but has built momentum, with 99 significant development applications and 65 determinations, across a range of project types and values. A large share of projects involve residential or mixed-use apartment products. Again, the core benefit is certainty, reducing exposure to local political and appeal risk, and allowing strategically aligned proposals that conflict with dated schemes.

## Box 2: The NSW Housing Delivery Authority

The HDA provides a state-led pathway for major residential projects, reducing exposure to local political delays. Projects can access the State Significant Development pathway where they meet key criteria, including minimum investment thresholds of $60 million in Greater Sydney and $30 million in regional NSW.




Since opening in January 2025, the HDA had received 1,121 expressions of interest by September 2026, with capacity for more than 160,000 homes.[14] It has also helped unlock well-located sites constrained by outdated local planning settings, including commercial land in secondary centres where office demand has weakened.

Delivery readiness is a key criteria of the HDA process. Declared projects are characterised by strong delivery fundamentals, including site ownership, financial feasibility, and a credible pathway to construction. Collectively, these demonstrate that the HDA's focus extends beyond just planning approval to projects that will translate into timely construction activity.

The HDA is a powerful lever in advancing housing projects, but the true measure of success will be whether the approvals translate into increased construction activity and completed dwellings.

**Impact on feasible capacity:** These pathways can unlock projects that might otherwise be delayed by local discretion, third-party review or sequential rezoning processes. Their main benefit is certainty rather than a direct reduction in construction costs, and they generally apply only to larger or strategically significant projects. They are not a substitute for broader planning reform.

**STRATEGIC PLANNING DOCUMENTS GUIDE GROWTH BUT DO NOT DIRECTLY CONTRIBUTE TO NEW HOUSING WITHOUT ACCOMPANYING REFORM**

Local planning instruments are often fragmented, inconsistent and slow to respond to changing demand. State and regional plans can give the system a clearer line of sight of where growth should occur, how much housing must be accommodated and how zoning, infrastructure and assessment should respond.

NSW has moved to a three-tier hierarchy of state, regional and local plans. The State Land Use Plan sets seven priorities that regional and local plans must address. The Sydney Plan is the first region plan under the new framework. Its defining feature is a shift from theoretical capacity to housing capacity that is commercially feasible and more likely to be delivered (Box 3).

Victoria has similarly consolidated its statewide direction through Plan for Victoria. The plan sets a housing target for every municipality, directs at least 70 per cent of new homes to established areas, and requires planning schemes and future strategic and statutory directions to give effect to those targets. This places housing delivery more firmly at the centre of decision-making. The targets are still new, and evidence has not yet flowed through on the impacts to approvals or construction outcomes. The plan is also less spatially detailed than its predecessors, so strong implementation and transparent monitoring will be critical.

In Brisbane, strategic guidance has helped bridge the gap while local controls catch up. The Inner City Strategy has been used to support infill proposals where dated planning instruments would otherwise constrain growth. It has also prompted further precinct planning in key locations and encouraged decisions to place greater weight on city-wide housing and public benefits.

Western Australia has recommitted to Perth and Peel @ 3.5 million, and is preparing an implementation-focused action plan. Its connected-city model retains a target for 47 per cent of new dwellings to be delivered through infill. However, infill has persistently lagged the strategy, with 69,340 dwellings delivered between 2011 and 2024, or 18 per cent of the 380,000 target to 2050 with a third of the period elapsed. Infill made up 39 per cent of new dwellings in 2024, still short of the 47 per cent target.[15] Meeting the target from here would require close to double the annual rate achieved to date. The strategy still provides direction, but the result underlines that strategy alone cannot overcome weak feasibility, outdated local controls or slow scheme amendments. Accompanying reforms will determine whether delivery catches up.

## Box 3: The Sydney Plan shifts the focus from zoned to feasible capacity

The Sydney Plan sets a 20-year direction for 33 local government areas. It plans for at least 800,000 additional homes and 950,000 jobs to accommodate around 1.3 million more residents by 2046. More housing is directed towards Sydney's east, close to existing jobs and where infill feasibility is highest.

The critical change is how housing capacity is counted. Councils with a five-year housing target must maintain 30 years of feasible housing capacity and enough realisable capacity to exceed their next five-year target. Realisable capacity must have essential infrastructure available or funded and be likely to be developed within the target period.

The policy is intended as a rolling obligation. As sites are developed or market conditions change, councils need to replenish their feasible pipeline rather than periodically rezoning just enough land to meet a static target. The Department of Planning, Housing and Infrastructure will provide common data, tools and measurement guidance from 2027, audit baseline capacity and work with councils to update local strategic plans and planning controls by 2029. Capacity will then be monitored annually.

By pairing feasible and realisable capacity with an Infrastructure Opportunities Plan, the framework is intended to direct growth to locations where infrastructure is available, funded or can be sequenced alongside new housing. This should give councils and infrastructure agencies a stronger basis for coordinating land use decisions and investment over time.

The challenge will be turning that intent into a practical and durable system. The 30-year benchmark is ambitious, and success will depend on clear measurement, regular review and adequate support for councils. Done well, the framework can support housing delivery now while keeping sight of Sydney's longer term growth needs.

**Impact on feasible capacity:** Strategic plans can improve the location and coordination of future housing growth, and NSW's new approach is a positive step focussing explicitly on commercially feasible capacity. But strategic plans do not deliver housing on their own. Their impact depends on subsequent changes to zoning, infrastructure and development controls.

## UNLOCKING INFILL AND PRECINCT-CENTRED DEVELOPMENT IS EFFECTIVE FOR BUILDING NEW HOUSING IN AREAS WITH HIGH FEASIBILITY

Historically, well-located infill has depended on council-led planning that can take years to complete or stall altogether. State-led precinct planning can move faster, apply consistent controls and align zoning with infrastructure across whole centres and transport corridors.

Victoria's Activity Centre Program has completed strategic planning for 60 suburban centres in around two years.[16] New controls allow substantially greater density in well-located centres, including heights of up to 20 storeys in some locations, and are intended to support more than 300,000 additional homes. However, construction costs and other market constraints mean that much of this remains theoretical capacity, with apartment feasibility continuing to constrain delivery.

NSW has taken a more integrated approach through its Transport Oriented Development program. Eight accelerated precincts were master planned and rezoned by the state. Separate planning controls allow up to six-storey development within 400 metres of 31 identified stations.[17] The program is supported by $520 million for community infrastructure and a temporary state-significant development pathway for larger projects.[18]

The accelerated precincts created capacity for almost 60,000 homes, with more than 170,000 new homes expected across the broader program over 15 years.[19] By February 2026, almost 18,000 homes had entered the planning system, but only around 10 per cent had been approved.[20] The TOD program has created vast capacity through wide-scale uplift and infrastructure being planned and funded together. It also highlights the continuing gap between creating capacity and converting it into approvals and completed homes.

The Queensland Government has responded to industry pressure for more infill development opportunities to be unlocked through the Provisional Priority Development Areas (PPDAs). PPDAs allow the state to introduce new planning controls that specify the type and scale of development permitted. They take effect immediately and override inconsistent local planning provisions, removing the need for amendments to local planning schemes. PPDAs provide a direct pathway to align land use planning, infrastructure coordination and development assessment settings in important locations. They are most effective where there is a clear strategic case for intervention and ordinary scheme amendment processes are unlikely to respond quickly enough to support housing delivery.

Development feasibility has been the primary constraint for infill product in WA, where high construction costs and financing risks are compounded by prescriptive codes and average-lot-size rules that limit suburban infill capacity and add assessment times. The response has been to simplify and modernise the residential codes to unlock latent infill capacity, strip out cost and parking burdens and reduce assessment for simple projects such as gentle density. These changes have not yet been implemented, so their impact remains to be seen, but changes that reduce costs should directly boost feasibility.

Western Australia is also taking control of planning around 10 priority station precincts through statutory improvement plans and schemes.[21] The proposed framework will replace overlapping metropolitan and local controls, with the highest densities concentrated closest to stations. This should provide more consistent planning and reduce the exposure of precinct-wide uplift to local political resistance. The new schemes are not expected to be finalised until mid-2027.

**Impact on feasible capacity:** State-led precinct planning can unlock well-located infill faster and more consistently than a patchwork of local processes. But rezoning is only the first step. Models should align zoning, infrastructure, land assembly and assessment, and measure success through approvals and completed homes rather than theoretical capacity.

## UNCERTAIN INFRASTRUCTURE CONTRIBUTION SCHEMES IMPACT PROJECT FEASIBILITY

Housing growth depends on roads, utilities, drainage and community infrastructure being delivered alongside new homes. An infrastructure contribution is a payment or provision of infrastructure that is required from developers to help fund the additional public infrastructure needed to support new development. This funding unlocks housing supply by ensuring that essential infrastructure, including transport, water and sewerage networks, is delivered in time to support new development.

Contribution schemes should help fund this infrastructure without adding unnecessary cost or uncertainty that undermines project feasibility.

NSW has combined more consistent infrastructure charges with substantial investment in enabling infrastructure. The Accelerated Infrastructure Fund has committed $652 million across three rounds to co-fund council infrastructure in high-growth areas. Its third round directed $437 million to areas accounting for 94 per cent of projected population growth, supporting infrastructure for 182,000 new and existing homes.[22] Projects require at least 25 per cent co-funding and are expected to commence construction within two years.

This sits alongside more than $900 million committed through the Housing Acceleration Fund across 55 transport, water, wastewater, drainage and community infrastructure projects, with $1.29 billion reserved for the fund overall.[23] Separately, the $520 million Transport Oriented Development infrastructure investment directly links major precinct rezonings with the community infrastructure and open space needed to support additional housing.

In NSW, however, local contributions plans often lag behind rezonings. As higher rates cannot be levied until updated plans are adopted, developers are unable to factor them into land prices and project feasibility upfront.

Western Australia shows how poorly designed contributions can undermine infill. Public open space contributions were applied inconsistently across councils and often imposed late in the development process. This created uncertainty and added costs after key investment and approval decisions had already been made.[24]

In late 2025, WA introduced a two-year moratorium on public open space contributions for infill subdivisions, with longer deferrals for some built-strata developments. Reduced, capped and non-indexed rates will apply after the moratorium. It is too early to assess the effect on delivery, but removing a late and unpredictable charge should improve infill feasibility.



**Impact on feasible capacity:** Contributions work best when charges are known early, applied consistently and tied to a clear program of works. Standing co-funding programs can bring forward infrastructure where councils lack the capacity to fund it upfront. More predictable charges and earlier infrastructure delivery reduce both cost and risk, while late or uncertain charges can push marginal projects below the feasibility threshold.

# WHAT SHOULD CHANGE NEXT

The opportunity from upzoning is substantial. If it led to a 50 per cent increase in new dwellings, Australia could build an additional 87,000 homes each year. Realising this potential will require broad, well-located uplift that creates commercially feasible development opportunity.

Going forward, governments should shift the focus of land-use and planning policy from theoretical housing capacity to feasible housing capacity. Traditionally, Australia's planning systems have measured their contribution to housing supply with theoretical zoned capacity. But allowing more homes to be built on paper does not mean those homes will be delivered. Land may be zoned for higher density while development remains commercially unviable because of the interaction between land values, construction and financing costs, planning controls and infrastructure requirements.

**TARGETS FOR FEASIBLE UPLIFT**

The test for the planning system should be whether it provides enough capacity for housing that is economically feasible to deliver, not simply whether enough land has technically been rezoned.

The NSW Feasible Housing Capacity Policy (Box 3) is an important shift on housing supply. Strategic plans, zoning decisions and development controls should be tested against how much feasible capacity they create and whether that capacity is sufficient to accommodate housing demand over time.

A feasible-capacity framework would also make the planning system more responsive to changing market conditions. Construction costs, land prices, financing costs and demand all move over time. Governments should regularly reassess whether planning controls continue to support viable development and make further changes where feasible capacity falls short.

Housing targets should be designed around the amount of additional housing that is feasible to build, not simply the amount of extra capacity created through rezoning.

Setting targets for feasible uplift would give governments a clearer measure of whether planning reforms are capable of supporting the housing pipeline required to meet broader supply targets.

**REMOVE RULES THAT UNDERMINE FEASIBILITY**

Upzoning will not deliver more homes if the detailed controls beneath it still make projects unviable. Planning reform must address both the headline zoning and the rules that determine the cost and form of development on each site.

*Reduce minimum lot sizes*

Minimum lot sizes can be overly restrictive. Reducing the minimum lot size in one middle-ring Adelaide council from 350 square metres to 150 square metres increased building approvals by 67 per cent. The entire increase came from townhouses and row houses.[25] When the reform was partly reversed, the uplift disappeared, suggesting that the regulation, rather than a lack of demand or construction capacity, had been the binding constraint.

Governments should remove minimum lot sizes that prevent standard suburban sites from accommodating more homes. This should form part of broad, by-right zoning for dual occupancies, terraces, townhouses and low-rise apartments across large parts of established cities. Previous CEDA research has shown that modest density increases could add close to one million homes across Australia's five largest cities.[26]

*Remove minimum parking requirements*

Minimum parking requirements impact feasibility by adding construction costs that are higher than the uplift in value they provide. A basement car space in Sydney costs around $80,000 to construct. Average provision of one resident space per apartment, combined with typical visitor-parking requirements of one space for every five apartments, takes total parking costs to almost $96,000 per dwelling. Parking consequently accounts for around nine per cent of the total cost of a seven-storey apartment and almost twice its average feasibility margin (the buffer between a project's expected revenue and the total cost of delivering it).[27]

On marginal sites, an unnecessary parking space can be enough to stop a project proceeding. It also requires all buyers to pay for parking, regardless of whether they need or value it.

Victoria has recently reduced car parking requirements in line with public transport accessibility. This is a positive step, but governments should go further and remove minimum parking requirements altogether. Developers could still provide parking where the value of its inclusion offsets the additional costs it imposes. That would leave parking provision to reflect demand, rather than imposing a blanket cost that undermines housing feasibility.

### ENSURE HIGHLY FEASIBLE AREAS ARE ZONED TO ACCOMMODATE MORE HOUSING

Governments should focus their strongest planning uplift in areas where new housing is most likely to be viable. Upzoning lower-value locations can create large amounts of theoretical capacity that remain unused, while tighter controls in higher-value areas continue to constrain supply. Across major cities, many of the most expensive suburbs are also the most heavily restricted, despite possessing stronger development feasibility. Spreading more dwellings across expensive land can make a taller development more feasible than a lower-rise alternative.[28]

There should be continued emphasis on infill and precinct-centred development in high-feasibility areas, particularly around transport hubs, activity centres and established inner and middle-ring suburbs. State-led precinct planning can unlock these locations faster and more consistently than fragmented local processes, while also aligning zoning, infrastructure and assessment settings across whole precincts.

The priority should be to identify high-demand, well-serviced areas where stronger end values support development, then apply broad and sufficiently ambitious uplift across the precinct rather than solely relying on isolated site-by-site rezonings. This should allow terraces, townhouses and low-rise apartments broadly across cities. Around major transport hubs and centres, greater height and density should be permitted to make best use of expensive land and existing infrastructure.

### NEW HOUSING SHOULD BE TARGETED CLOSE TO EXISTING INFRASTRUCTURE

Governments should first direct zoning uplift to areas where transport, utilities and community infrastructure already exist, have spare capacity or can be upgraded at relatively low cost. In Sydney for example, many of the areas with the strongest development feasibility also have lower infrastructure costs.[29] Higher density also allows the cost of upgrades to be spread across more homes.

Long-run infrastructure costs have been estimated to be around $59,000 lower per dwelling in a compact city than in a more dispersed city.[30]

### INFRASTRUCTURE PLANNING SHOULD ACCOMPANY BROADER UPZONING EFFORTS

Upzoning, infrastructure planning and funding should be undertaken as one process, not as sequential decisions made by different agencies. Each major housing target or rezoning should be accompanied by a funded delivery schedule, clear agency accountabilities and public reporting. Capacity should not be counted as realisable where the infrastructure needed to support it has no credible delivery pathway.

Where new infrastructure is required, it must be funded and sequenced before or alongside housing delivery. A lack of social and transport infrastructure prevents undeveloped residential land from being developed.[31]

State-led precinct planning can help break down the institutional divide between zoning and delivery. Precinct plans should combine uplift around stations and activity centres with coordinated agency decisions and committed infrastructure funding. NSW's Transport Oriented Development program provides an example of wide-scale capacity creation and infrastructure investment being planned together.

### INFRASTRUCTURE CONTRIBUTIONS SHOULD BE KNOWN EARLY AND APPLIED CONSISTENTLY TO AVOID NEGATIVE FEASIBILITY IMPACTS

Infrastructure contributions must also be predictable. Developers should contribute where new development creates a clear need for infrastructure. But the amount, basis and timing of those charges should be known before land is acquired, calculated consistently and reported transparently. Where contributions are not known until late in the development process, developers cannot properly account for them in their investment decisions, which increases risk and can push a marginal project below the feasibility threshold.

Contributions plans should be published before rezoning, so the charge is known before land is bought rather than settled after the price has been paid. Rates should reflect the efficient cost of infrastructure that development actually makes necessary. And the system should be navigable, with rates published in one place and a clear, centralised exemptions policy, so applicants can compare sites without commissioning advice to work out what they owe.

Payment timing can also impact project feasibility at little cost to government. Shifting payment from the Construction Certificate to the Occupation Certificate stage would reduce upfront financing costs, without reducing the total amount councils collect. The NSW Government has recently committed to this change.[32]

# CONCLUSION

States have recognised the scale of housing need and begun to act on it. Codification of assessment standards, reduced discretion in new developments and state-led rezoning and precinct-centred development have helped to unlock capacity. Looking forward, the focus should be on ensuring that capacity is viable to build.

Reforms should be judged on feasible capacity rather than theoretical capacity. This means targeting uplift where development is most viable and removing controls that add cost without adding value. Minimum lot sizes and minimum parking requirements are clear examples.

Uplift should also be planned alongside the infrastructure that serves it. Rezoning, infrastructure planning and funding should be laid out together. Infrastructure contributions should be published before rezoning, calculated consistently and tied to a clear program of works, so the charge is known before land is bought.



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Our work is guided by our Progress 2050 vision, which supports our purpose.

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- We produce rigorous research by engaging with government, business, academia and the broader community to address long-term challenges and deliver better outcomes for Australia.

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