



REPORT SUMMARY

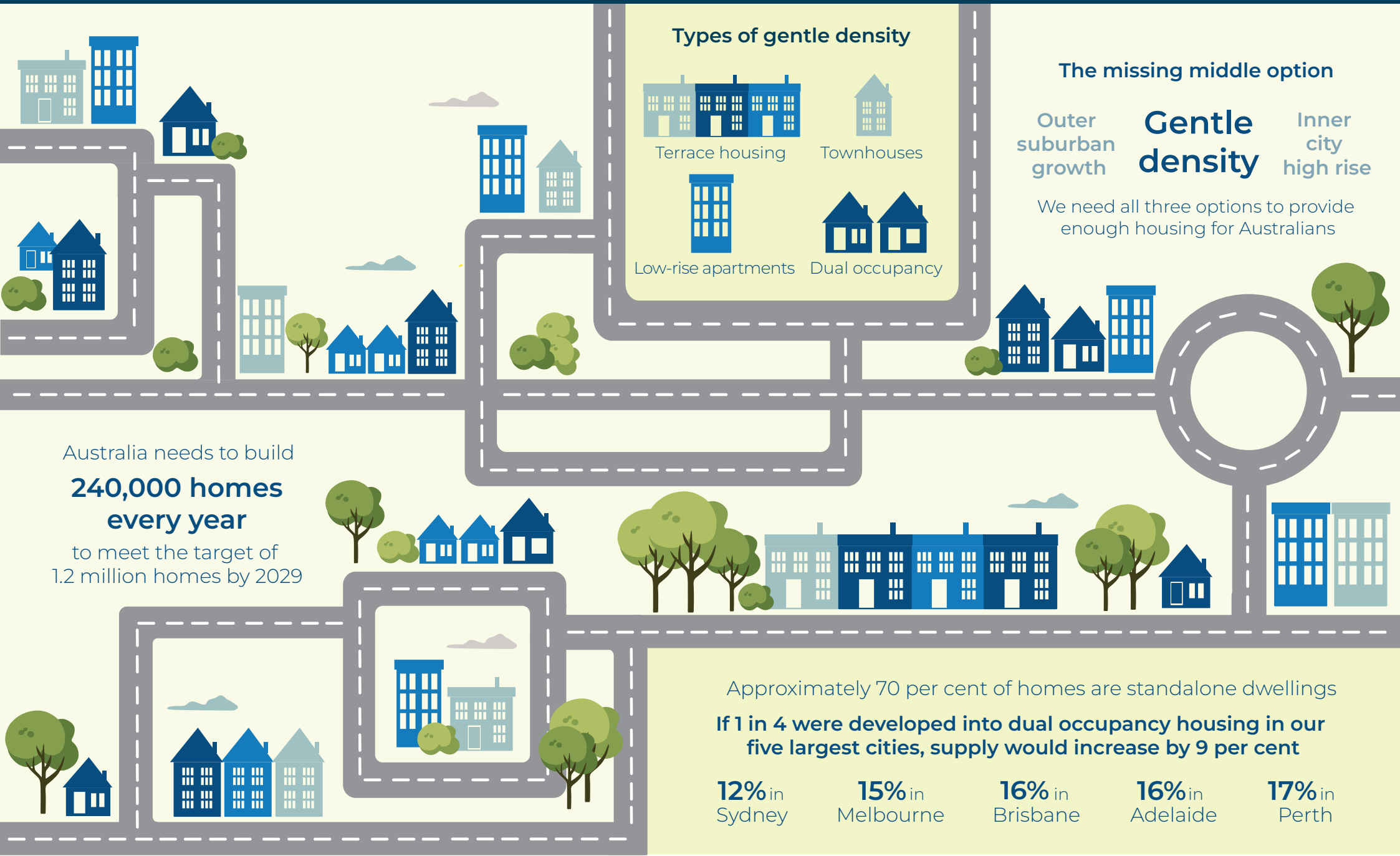
A MIDDLE PATH: HOW GENTLE DENSITY CAN HELP SOLVE AUSTRALIA'S HOUSING CRISIS

2025

IN PARTNERSHIP WITH



A MIDDLE PATH: HOW GENTLE DENSITY CAN HELP SOLVE AUSTRALIA'S HOUSING CRISIS



EXECUTIVE SUMMARY

Australia has some of the least affordable housing in the world. With population growth projected to exceed 14 million people over the next 40 years, much of it concentrated in our major cities, housing pressures will continue to intensify. Without a serious commitment to change, we will not be able to meet the housing needs of current or future generations of Australians.

The current debate too often overlooks the significant opportunity presented by medium-density housing. Dual occupancy homes, terrace housing, townhouses and mid-rise apartments in well-located areas can deliver diverse, attainable housing while making better use of existing infrastructure and transport networks.

Even modest increases to housing density could add close to one million new homes across Australia's five largest cities. The success of broad-based housing policy reforms in Auckland demonstrates that meaningful urban planning reform can increase supply and improve affordability.

Building consents doubled in Auckland within five years of the reforms being introduced in 2016¹.

Unlocking density requires planning reforms that are large-scale, encourage feasible development and enable 'by-right' development – housing that can be built without specific approval if it complies with local planning rules.

These changes should be supported by federal and state incentives to accelerate delivery and help overcome barriers to development such as entrenched regulation and planning restrictions, and local opposition that can outweigh broader community needs.

Without change, Australia risks perpetuating the status quo: some of the world's highest housing prices², inadequate supply and increasingly unequal access to housing.

RECOMMENDATIONS

Zoning and planning (state and local)

1. Update planning controls to facilitate an increase in dwellings per hectare and floor-area ratios. This should be done across sizable areas, such as an entire local government area or several LGAs.
2. Revise zoning to allow for a broader range of mixed-use developments and land use. Thoroughly review legacy zoning from unused or underutilised land that could be updated to residential and mixed-use.
3. Introduce 'by-right' planning rules that specify what can be built without objection based on land size. These rules should apply across large parts of the city. Few exceptions should be made for heritage, environmental and character overlays.
4. Introduce fast-tracked and limited approval times. If a development is not assessed within a certain timeframe, it should be deemed automatically approved.
5. Continue to pursue planning policies aimed at speeding up housing delivery, such as Transport Oriented Development (TOD), infill and Low and Mid-rise housing in NSW, and the Development Facilitation Program (DFP) and Townhouse and Low-Rise Code in Victoria.

Encourage development in well-located areas

1. State governments should offer financial incentives to councils that meet their housing targets, and penalise local governments that do not. Targets can signal how much housing should be approved, and where.
2. The Federal Government should set clear criteria for planning reform targets that are broad, feasible and 'by right', and reward state governments that deliver successful planning reforms.
3. Unlock pilot programs to support local government proof of concept, such as applying pattern book standardisation to government sites.

CONCLUSIONS

The Federal Government should encourage states and territories to implement planning reforms by making incentive payments under a scheme similar to its national competition reforms. States and territories can apply broad and consistent zoning across multiple local government areas. The reforms should have clear criteria, ensuring they are large-scale, feasible and 'by-right'.

Setting local housing targets signals how much housing should be approved, and where. State governments should set targets for local councils based on housing demand, with incentives paid to councils that meet the targets and penalties for those that do not. Penalising councils through withholding grant funding or payments could be the most efficient approach. Funding and grant agreements would need to acknowledge the ability to withhold. As seen in NSW, without penalties, targets can be ineffective. In Sydney, North Sydney Council was set a target of 1180 homes but currently approves only 68 homes per year³⁰.

The targets should be broad to ensure that development density matches the requirements of the location, providing adequate density in inner, middle and outer suburbs.

Australia's housing crisis is decades in the making and requires action on many fronts. High-density infill and low density fringe development alone cannot provide enough homes to meet demand and aren't always the right outcome. Embracing the middle ground of gentle density in well-located and serviced middle-ring areas is key to increasing Australia's housing supply. States and territories should include upzoning in their housing policy mix, applying the lessons learned in Auckland, where it has helped to increase housing supply and stabilise house prices.

About CEDA

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Our purpose is to achieve sustainable, long-term prosperity for all Australians.

For more than 60 years, CEDA has influenced Australia's public policy debate and been a catalyst for change on economic and social issues.

Led by Chair Christine Bartlett and Chief Executive Melinda Cilento, CEDA carries on the legacy of renowned economist Sir Douglas Copland, who founded CEDA in 1960.

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

What we do

- We welcome members who want to engage in informed debate and explore innovative policy solutions.
- We host events that bring together thought leaders, experts and stakeholders to foster dialogue and develop solutions.
- 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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