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Housing Supply Regulation
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Dear Commissioner,

Urban densification is not the answer to the housing crisis

The purpose of this submission is to share Institute of Public Affairs research and analysis with the Productivity Commission as part of its inquiry into housing supply regulation.

This inquiry is primarily aimed at canvassing ideas about increasing market supply of new housing. It is critical that its integrity should not be undermined by a pre-determined and oversimplistic argument that the primary or only solution to housing supply challenges is more high-density housing and urban densification.

Urban densification is not the solution to increasing housing supply. Governments, at both federal and state levels, should instead cut red tape on greenfield residential development, including the removal of energy efficiency and electrification mandates and excessive land use restrictions, while returning the burden of proof for environmental approval processes to opponents of development.

While annual net new housing supply has been stagnant over the last decade, it is important to note that the key driver of the housing imbalance in Australia is rapid migration-led population growth. Amendments to housing regulation, while important, can only be a part of the solution so long as migration is running at consistently elevated levels.

More higher density dwellings are not the solution to housing supply issues

Higher density homes have taken an ever-increasing share of housing completions in recent years. IPA analysis has found that over the two decades between 1999 and 2021, the number of higher density homes have increased by 119 per cent, more than three times the percentage growth in the number of detached homes (at 33 per cent).[1] Yet housing availability and affordability have not improved.

The notion that urban intensification costs considerably less than suburban growth is contested at best and a misconception at worst. Economist Antony Lorius and urban planning academic Associate Professor Laura Taylor drew attention to the need for specialised high-rise firefighting equipment, increased road maintenance costs, and increased service delivery

[1] Kevin You, *Decline: A Snapshot of the Australian Economy in the 2020s* (Institute of Public Affairs, March 2026).

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complexity as just some of the often overlooked, hidden costs of metropolitan densification compared to outer suburban expansion.[2]

Moreover, high density dwellings, such as high-rise apartments, are not the types of dwellings that most Australians aspire to live in. Furthermore, they are not conducive to an environment suitable for raising a family. Property industry researcher Rob Burgess observed in his article in the *IPA Review*:

> The contain-and-densify model has been unable to deliver the number of dwellings required, the type of dwellings sought, or housing in the locations intended. The social engineering required to force households into smaller housing is proving to be both politically unworkable and financially unfeasible.[3]

Urban densification is also unjustified given the size of Australia's landmass. Urban residential land utilisation takes up only about 0.20 per cent of Australia's 7.69 million km^2 landmass. At just four people per square kilometre, Australia is the second least densely populated country on earth, just behind Mongolia, yet most residents live in just Sydney, Melbourne, Perth, Adelaide, and the Brisbane-Gold Coast corridor.[4]

Cut red tape on greenfield residential development

IPA analysis of Australian Bureau of Statistics data revealed that, across Australia, there has been a significant slowdown in housing construction since the end of the pandemic.[5] Notably, the slowdown coincided with a raft of new housing red tape, such the introduction of energy efficiency and electrification initiatives at state and federal levels, such as the Whole-of-Home Efficiency Standard in 2022.[6]

Research commissioned by the Housing Industry Association estimated that up to 49 per cent of the cost of a new house-and-land package in Sydney is made of government taxes and regulatory costs.[7] Taxes and regulatory costs in Melbourne and Brisbane were slightly lower but roughly comparable – at 43 per cent and 41 per cent respectively. These include the cost of unnecessary delays due to environmental assessments and the cost of sparring with local politicians and bureaucrats.

The imposition of these costs and other bureaucratic requirements on the housing construction sector, aimed at reducing emissions, contributed to the 34 per cent increase in the time needed to build a house, on average, across the nation between 2020 and 2025.[8]

For context, unlike price levels, the time needed to build a house should not continuously increase. It is measured in months, not dollars, and an increase in the time needed to build a house signals declining sectoral productivity. A 2024 issue of the *IPA Review* documented a

[2] Antony Lorius and Laura Taylor, "The Canadian Suburban Experience: Sprawl is Bad. So Why do We Keep Building It?" in Guy Gibson and Ross Elliott (Ed.), *The Next Australian City* (Connor Court, 2024).
[3] Rob Burgess, "In Praise of Sprawl" (2024) 76(2) *IPA Review* 16, 17.
[4] Kevin You, "In Defence of the Burbs" (2025) 77(3) *IPA Review* 56.
[5] Kevin You, *Housing Construction Slowdown Continues into 2025* (Institute of Public Affairs, October 2025).
[6] Australian Building Codes Board, 'Whole-of-Home Efficiency Factors Standard' (2022).
[7] *Taxation of the Housing Sector* (Centre for International Economics, 18 February 2025).
[8] Kevin You, *Housing Construction Slowdown Continues into 2025* (Institute of Public Affairs,October 2025).

case of a housing developer losing an appeal in the New South Wales Land and Environment Court to overturn the Lismore City Council's refusal to allow an expansion of the developer's housing estate.[9] The purported reasoning for the rejection revolved around risks of environmental impact – despite the fact that council staff and external consultants had recommended the development's conditional approval. Their hard-won recommendation followed extensive rounds of environmental assessments of the development application.

Notably, the refusal came not from the council's secretariat but from its political arm in a split decision. Cases like this demonstrate what overregulation looks like on the ground in the housing construction industry.

Legislative and regulatory settings should be amended to prioritise housing availability for Australian families over fringe objectives such as emissions reduction. This means ambitions to transform Australia into a "renewable energy superpower", which IPA research has estimated could require the equivalent to 15 per cent of Australia's landmass to be converted to wind and solar 'farms',[10] must be abandoned. More Australian land should be made available to residential development for Australian families.

Governments at all levels must commit to a new approach to housing, focussing on cutting red tape and barriers to development approval. In particular, a framework should be adopted whereby the burden of proof when challenging the approval of a residential development application – on social, environmental, or public interest grounds – is returned to the objecting party rather than being placed on the proponents, who are effectively subject to a perverse presumption that their development should not go ahead unless they can prove otherwise.

I thank the Commission for the opportunity to provide this submission. Please do not hesitate to contact me at kyou@ipa.org.au for further consultation or discussion.

Kind regards,

Dr Kevin You

Senior Fellow
Institute of Public Affairs

Enclosed IPA Research

- *Decline: A Snapshot of the Australian Economy in the 2020s* (Report, March 2026)
- *In Praise of Sprawl* (IPA Review, Winter 2024)
- *In Defence of the Burbs* (IPA Review, Spring 2025)
- *Help Not Hinder Housing Developments* (IPA Review, Spring 2025)
- *Housing Construction Slowdown Continues into 2025* (Research Note, October 2025).
- *Analysis of Land Use by Variable Renewable Energy Production by 2050* (Report, December 2023).

[9] Kevin You and Morgan Begg, "Help not hinder housing developments" (2023-24) 75(4) *IPA Review* 24.
[10] Kevin You and Morgan Begg, *Analysis of Land Use by Variable Renewable Energy Production by 2050* (Institute of Public Affairs Research Report, December 2023).