

Developing the National Housing and Homelessness Plan

Submission from Peter Mares, independent researcher and writer on housing policy, author of *No Place Like Home: Repairing Australia's Housing Crisis* (Text 2018).

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I commend the federal government for taking the initiative to develop a national housing and homelessness plan. Australia needs a strategic approach to housing that links the three levels of government and provides clear direction for private sector and not-for-profit actors.

I am, however, extremely disappointed about the narrowness of the approach taken to the plan, which seems to be focussed only on the provision of support to Australians experiencing homelessness, housing stress and housing insecurity, rather than on thinking about the larger role of housing within the economy and society. The issues paper and consultation (I attended a consultation session in Geelong) seemed to take a “housing as welfare” approach rather than considering housing as essential social and economic infrastructure.

The issues paper is a very inadequate document. To give you some examples of why I reached this conclusion, I note that the paper makes almost no mention of tax, even though tax settings profoundly influence the shape of our housing system. Nor does it mention immigration, even though the rate of temporary and permanent migration is one driver of demand for housing, (especially, in the short term, for rental housing). The issues paper talks about overcrowding as an issue but makes no reference to “undercrowding” — the underutilisation of housing — or prompt discussion on ways in which we might encourage more efficient use of our existing housing stock. The housing problem is frequently described as a problem of supply, but it is also a problem of distribution, with some people encouraged by the tax system to “over consume” housing, while others, on lower incomes have no choice but to “under consume”.

Speaking at the opening of the National Housing Conference in Brisbane on 10 October, Housing Minister Julie Collins [said](#) her goal in developing a national plan was “to set out a clearer strategy for how all levels of government can work together, and with the private and community sector, to better support people facing housing challenges.”

While that would be welcome, it shows a lack of ambition. I would hope a national housing plan would go well beyond a welfare approach to “support those in need.”

A national plan should put housing in a larger context, drawing links, for example between housing and the future shape of our cities and towns, housing and productivity, housing and labour market mobility, housing and retirement incomes, housing and climate change, housing and immigration policy, housing and inequality. In this regard, I’d commend to you the work led by Dr Chris Martin at the City Futures Centre at UNSW for the Australian Housing and Urban Research Institute and summarised in their report published in June this year [Towards an Australian Housing and Homelessness Strategy](#).

I have written a more detailed critique of the approach to the National Housing and Homelessness Plan in the form of an article for Inside Story magazine: *Flawed Foundations*, 8 September 2023, <https://insidestory.org.au/flawed-foundations/>

I have copied the text of that article below and ask that you consider that as part of my submission.

I would also offer the following specific responses to the issues paper:

1. Overall, the issues paper indicates that the demand for social housing far outstrips supply. While recent federal and state investment in social and other below market housing is welcome, it is clear from the issues paper that the level of investment still falls well short of what will be needed. More importantly, current investments (including the HAFF), will be fully expended or committed in five years' time, with no guarantee of a continuing pipeline of social housing investment. As the issues paper states (section 3.4): *There will always be a level of inherent demand for below market rate housing, and as a result, there will always be a demand for social housing.* **A national housing and homelessness plan should therefore quantify the anticipated level of inherent demand and respond by committing to an appropriate level of on-going public housing investment to meet this need.**
2. At the end of section 3.2, the issues paper poses the question "What is the best specific early intervention approaches to prevent someone becoming homeless?". While this is a hopelessly broad question, since it will depend on varying circumstances (e.g., someone fleeing family violence is in a very different situation to someone who has lost their job and can't afford to pay next week's rent), I would suggest that the best early intervention approaches are: (i) increase government payments (jobseeker etc) and/or rent assistance to levels that enable tenants to afford to rent in the private market; (ii) improve tenancy laws to give tenants greater security of tenure by ending no cause lease terminations and moderating allowable rent increases; (iii) provide more emergency rent relief to help tenants sustain an existing tenancy during personal emergencies such as unemployment, severe illness, relationship breakdown — this would be much more cost effective than providing them with homelessness services. Our system is overwhelmingly driven by the ambulance at the bottom of the cliff approach rather than the fence at the top, forcing people into crisis before they can get assistance rather than helping them to avoid crisis.
3. The issues paper is too narrowly focussed on planning reform as a response to housing need. While I do not dismiss the importance of planning, there is a need to critique the paper's reference to the Productivity Commission's claim (in Section 3.4) in its review of the NHHA, that "any increased market supply of housing, achieved through better designed planning regulations, would benefit households on low and moderate incomes through increased mainstream supply of housing and improved private rental market conditions". We saw, during a Covid, a kind of natural experiment as borders closed, migration stopped, and large numbers of temporary migrants left Australia's shores. This effectively produced "a dramatic increase in housing supply" but that did not result in improved rental market conditions — at

least not uniformly. Yes, rents dropped, and vacancy rates increased in inner city areas like Melbourne's CBD, at least temporarily, but rents rose sharply, and vacancy levels plummeted in regional areas and house prices rose sharply in many parts of the country. Those who had the means to spend more on housing did so. Better designed planning rules may contribute to an increase in the market supply of housing (though this is not certain because investment decisions ultimately depend on market conditions), this increased supply may not assist low- and moderate-income households if it is taken up by wealthier cohorts who then consume a larger share of housing (smaller households, second homes, holiday homes, larger homes etc). As I stated above, the housing crisis is a crisis of distribution as well as supply. And while we do need increased housing supply, it is important to be specific about the type, cost and location of the additional housing we need. This all points to larger role for government as the provider of long term public investment to build affordable homes for Australians on the lowest rungs of the income ladder, which the private sector has no incentive or reason to provide.

4. Question 13 in section 3.4 asks: "What significant issues within the social housing sector lack sufficient quality data to inform decision making?" One obvious data lack is in ABS dwelling approval and completion statistics, which uses a historic "public sector" category to distinguish between market rate housing and other housing. This fails to capture subsidised housing built by not-for-profit community housing providers (which is by default, included as market housing). The ABS distinction is out of date with the shift away from direct investment in public housing by state authorities and towards community housing providers and needs revision.
5. The issues paper considers the benefits of home ownership (section 3.5). It should also consider the *disadvantages* of home ownership as currently constituted in Australia, including, but not limited to, reduced labour market mobility (due to the high transaction costs of moving), high levels of household debt which creates risk at both the household level and to the wider financial system, the opportunity cost of overinvestment in housing (the vast amounts of capital tied up in housing could be put to more productive uses).
6. Question 1 at the end of section 3.5 asks "what should the most important (long term) and/or immediate (short term) housing market policy focus be, across all levels of government, over the next ten years". This is an impossible question to answer, given that different levels of government have different responsibilities, but at least one government focus should be on tax reform. At the Commonwealth level, focus should be on reforming the negative gearing rules to incentivise new construction not investment in existing dwellings and on reforming the CGT discount to better align the interests of investors and tenants and dampen speculative investment (e.g., rather than a 50% CGT discount after just one year, make the CGT discount a sliding scale that increases over time to a maximum of 50% after ten years. This would encourage investors to seek long term tenants and to focus on rental returns rather than short term capital gains).
7. Question 2 at the end of section 3.5 asks "how can the utilisation of existing properties be improved? How can governments incentivise improved utilisation of existing properties?" The question is in response to discussion of the rise of short stay letting but my response goes to the questions of inefficient housing use by homeowners. According to the [Australian Housing and Urban Research Institute](#),

around 13% of all Australian houses — or more than three million households — have three or more spare bedrooms. The federal government should remove the exemption of the primary residence from the pension assets test (above a certain threshold) to encourage downsizing and provide a mechanism (along the lines of the old competition payments to get rid of inefficient taxes) to encourage the states and territories to follow the ACT's lead and shift from stamp duty to a broad-based property tax (again, to encourage downsizing).

8. Question 7 at the end of section 3.5 asks “How can flexibility, accessibility (particularly the physical environment), affordability and security be improved in the private rental market, particularly for low income earners” Again, this is a multi-pronged question that is difficult to answer succinctly, but in terms of accessibility, we should upgrade national guidelines to ensure that all new builds meet minimum universal standards for disability access and aging in place. Security can be improved by tenancy law reform (see point 2 above) and by changing the CGT discount to encourage a focus on rental revenue over capital gain (see point 6 above). The best way to improve affordability is much higher levels of sustained public investment in subsidised housing (see point 1 above)
9. Question 7 at the end of section 3.6 of the issues paper asks: “what key short, medium and long-term planning and zoning reforms could be explored in the Plan?” A key reform would be pro-active measures to facilitate land assembly and block consolidation in middle ring post-war suburbs to create blocks of a sufficient size to deliver high-quality mid-rise (4-5 story) apartment developments that preserve some level of suburban amenity (green space, tree cover) while still dramatically increasing density. Planning liberalisation without proactive land assembly will result in low-quality piece meal infill developments (e.g., a single detached suburban home replaced by two town houses with no backyard or trees or granny flats) which will not achieve the transformation of the city that is required to meet both our future housing needs and the demands of a changing climate. Nor does such piecemeal infill enable planning at the precinct level to upgrade services and infrastructure to create improved amenity for all local residents.
10. Question 3 at the end of Section 3.7 asks: “how can governments better encourage the update of energy efficient housing modifications and design”. The key is in updated planning and building requirements. For a start, governments should immediately commit to implementing a 7-star minimum energy efficiency rating for all new residential construction. This has been under discussion since 2009, and our building standards have not changed since then – see:
<https://thefifthestate.com.au/innovation/rating-tools/stop-being-careful-this-is-an-emergency-as-queensland-and-nsw-look-like-caving-to-the-building-lobby-and-delay-national-construction-code-again/>

Attachment: Please consider the following article, published in Inside Story magazine, as part of my submission:

Flawed foundations

The federal government needs more than conventional wisdom to craft a national housing strategy



“It is simply wrong to say that planning is what is holding back our housing supply,” says urban planner Marcus Spiller. *Darren England/AAP Image*

We sit on plastic chairs under strips of fluorescent lighting. Spread across the tables are large sheets of butcher’s paper, sticky notes and a paper cup full of pens. Twenty-one of the thirty people who registered to attend are here in East Geelong to talk about housing.

The facilitator says she’s sorry there’s no tea and coffee in the room because the urn is fixed to the wall in the kitchen out the back, but she encourages us to duck out and help ourselves to a cuppa. She apologises that the staff from the Department of Social Security will be late because their plane was delayed by Canberra fog.

This modest Monday afternoon gathering in a suburban hall in East Geelong is the first of twenty [public consultations](#) — or “community conversation forums” — to help the federal government draft a national housing and homelessness plan.

There is a lot riding on the process. As Chris Martin from the City Futures Research Centre at UNSW has pointed out, Australia has never really had a national housing strategy. What we have had, he told a recent [online forum](#) organised by National Shelter, is a series Commonwealth–State [agreements](#) regulating how much housing money flows to the states and what Canberra expects in return. Starting in 1945, those multi-year agreements have focused solely on social housing and homelessness; a bigger vision of how housing fits into the economic and social life of the nation has always been lacking.

Martin hopes the new national plan will be more ambitious in scope and help to end the fragmentation of policy within and between different levels of government. He wants to see housing integrated with other policy areas, including employment, welfare, immigration, urban development, climate change, disability and closing the gap.

But the [issues paper](#) designed to kick off our “conversation forum” in Geelong is not a promising start. Like many earlier housing inquiries, it seems to assume that Australia’s complex housing challenge has a simple answer — just build more dwellings. It foresees a happy land where homes are available, and affordable, for all. All that’s blocking the way is restrictive zoning, onerous planning processes, cumbersome building regulations and constraints on the release of land. Cut through that thicket of regulation and our destination is within reach.

This popular supply-side explanation to our housing problems was evident at August’s [national cabinet](#) meeting, where the states and territories agreed to build 1.2 million new homes over five years from 2024. That’s 200,000 more than the target [announced](#) just ten months earlier under the [National Housing Accord](#).

As an incentive to meet this stretch target, Canberra pledged an extra \$3 billion to fund \$15,000 bonus payments to the states for each additional dwelling. Another \$500 million was set aside to “kick-start housing supply in well-located areas” by delivering public services and amenities or bolstering planning capacity. State and local governments will vie for this money under a [competitive funding program](#).

Anthony Albanese [calls it](#) “the most comprehensive housing strategy that we’ve seen for a generation.” Even if that’s true, it’s hardly a big claim. With a limited exception during the Rudd years, when Tanya Plibersek was minister, federal governments have dodged responsibility for housing for decades.

Still, the Grattan Institute [reckons](#) the prime minister is right to talk up the new deal. It calculates an extra 200,000 homes could make rents 4 per cent lower than they would be otherwise. Its researchers argue that “state and local governments... restrict medium- and high-density developments, largely to appease existing residents in established suburbs.”

Denita Wawn from Master Builders Australia agrees. Welcoming the national cabinet announcements, she [said](#) Australia needs to reform planning, zoning, and building approvals to ensure that we’re “not just going out in the suburbs, but up as well.”

In the hope of slicing through the red tape strangling our housing dreams, national cabinet also agreed to a [National Planning Reform Blueprint](#) to promote “medium and high-density housing in well-located areas close to existing public transport connections, amenities and employment.”

Rather than a blueprint, though, this is a vague grab bag of sometimes conflicting proposals. While it aims for more timely development approvals, for instance, it also wants to rectify “gaps in housing design guidance and building certification to ensure the quality of new builds.” And while it wants stronger “call-in powers” for state planning ministers it also favours better “community consultation processes.”

Victorian premier Daniel Andrews has already [committed](#) Victoria to reducing the role of local councils in significant planning decisions. Yet his government's record inspires little confidence that this will dramatically boost supply. There's been [little action](#) on a 2017 plan to devote surplus government land to new housing, and the state government can be just as sensitive to resident opposition as local councils are.

Examples can be found in electorally significant sandbelt seats in Melbourne's southeast. After Kingston Council refused in 2018 to rezone a disused golf course to allow Australian Super to build more than 800 dwellings, the state government intervened and commissioned an independent inquiry. Two years after it reported, its recommendations are still under consideration.

Then there's what locals call the [Great Wall of Frankston](#). Developers proposed two apartment buildings side by side overlooking Frankston beach — one fourteen storeys high and the other sixteen. The council approved a development overlay that would have allowed twelve storeys. The matter was before the Victorian Civil and Administrative Appeals Tribunal when planning minister Sonya Kilkenny intervened and imposed interim controls to reset the height limit to just three storeys.

National cabinet's blueprint also calls for states to “consider” the “phased introduction” of [inclusionary zoning](#), which would force developers to incorporate social and affordable housing in any major project — a common practice overseas. The caveat is that this should be done “in ways that do not add to construction costs.”

It's hard to see such a limply worded proposal generating much change. In 2022, Victoria sought a similar outcome by requiring developers building three or more dwellings to contribute to a [social housing growth fund](#). In the face of property industry opposition, and [claims](#) this would push up the cost of buying a home, the proposal was [scrapped](#) within a fortnight.

The national planning reform blueprint appears to draw inspiration from work by the Productivity Commission, including a 2021 [information paper](#) identifying planning and zoning reforms and last year's [review](#) of the National Housing and Homelessness Agreement. Both reports argue that reforms to planning, zoning and land release are crucial to increasing the supply and affordability of housing.

Many of the Productivity Commission's recommendations make sense. Its call for state and local planning to be more closely aligned is a good example: a state-wide housing target has little point if local councils refuse to accept their share of new builds or greater density. The commission also wants fewer and broader land-use zones, permitting a wider range of activities without explicit council approval or costly variations. This would make it easier to have mixed developments that combine business, retail and housing.

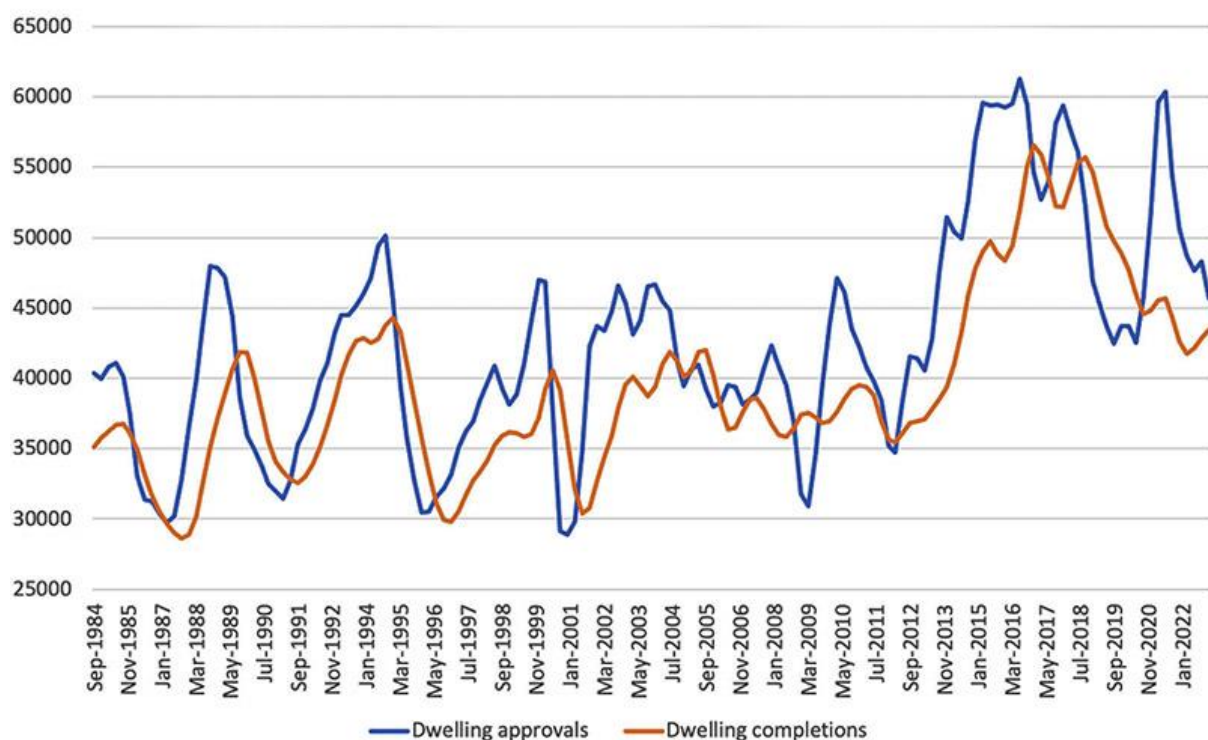
But a close reading of the commission's work reveals that many proposals in national cabinet's planning blueprint are already in train. To varying degrees, all jurisdictions have been “streamlining approval pathways,” especially for significant projects, often by replacing council decision-makers with expert panels. State and local governments have also put considerable energy into removing “barriers to the timely issuing of development approvals.”

In other words, state and territory governments have been reforming planning for a long time without any appreciable effect on housing affordability. As Sydney University planning expert Nicole Gurran [points out](#), more than 90 per cent of multi-unit development applications in New South Wales are approved and decisions issued within about three months.

Nor is there great evidence of planning and zoning being a significant brake on development. Australian Bureau of Statistics [data](#) show that more than a million dwellings were completed between December 2017 and December 2022. So, the government’s original Housing Accord target of one million new homes over five years only seeks to match what went before.

An anticipated [decline](#) in prospective construction activity has less to do with planning, zoning and land release than with the cyclical nature of the property industry. As this chart shows, the industry is characterised by peaks and troughs. What is more, dwelling completions lag, but rarely match, dwelling approvals. Considerably more housing gets approved than gets built, which points to factors other than planning influencing the supply of housing.

Dwelling approvals and completions 1984–2022



Source: ABS, 8731.0 Building Approvals, Australia and 8752.0 Building Activity, Australia

Among the factors currently dampening activity are higher interest rates, subdued consumer sentiment, weather problems, labour shortages, increased construction costs, bottlenecks in the supply of building materials and construction firms [going bust](#). On top of all that, the Covid-era stimulus brought forward construction that would otherwise have occurred later. None of these adverse factors will be fixed by planning and zoning reform.

Even in a blue-sky world of light-touch regulation, devoid of constraints on labour and materials, a rational developer would avoid bringing so much housing to market that prices would fall, cutting their profit margins.

When I was researching my [book](#) about housing in 2018, I visited the 1000-lot Madora Bay development in the growth region of Mandurah south of Perth and chatted to a bored estate agent flogging house-and-land packages. He told me he would get in strife if he clocked up too many sales. His instructions were to sell a certain number of blocks each year, and no more, to keep a floor under prices.

A recent [study](#) suggests Madora Bay is not an isolated case. [Prosper Australia](#) examined the sales history of nine master-planned communities in three states and found a striking pattern. Sales peak in the early years when a greenfield development is just getting off the ground. But as the project matures, the sales rate slows, even though there is still plenty of land available and demand for new housing has not diminished.

Take the example of [Woodlea](#), a 711-hectare estate twenty-nine kilometres northwest of the Melbourne CBD that will eventually be home to about 20,000 people. When the first of its 6500 lots were released in 2015, sales were brisk, and over the next two years about 14 per cent of the total development was sold — an average of forty-five properties each month. But then sales slowed substantially, even though land prices were still climbing fast. Over the next three years, only about 6.5 per cent of the total lots were sold — an average of just thirteen properties a month.

“Supply effectively reduced from February 2017 all the way through to January 2020, despite rising prices,” writes Prosper economist Karl Fitzgerald. He infers that Woodlea’s developers needed to wind back supply “for fear of price reductions.”

The property industry is one of the loudest voices calling for more land releases and looser planning and zoning rules, arguing that this will enable them to increase supply and reduce the price of housing. But Fitzgerald says this isn’t how property markets operate and it’s illogical to expect private developers to bring on excess supply and, in effect, undercut their own product.

It isn’t just on the suburban fringe that approved residential developments are slow to manifest as dwellings for sale or rent. In July 2015 developer Sterling Global [bought](#) the Australian Federal Police building on La Trobe Street in central Melbourne for \$70.7 million. Plans were [approved](#) in November 2016 for a 70-storey tower including a hotel and 488 apartments. But Sterling Global instead sold the site to Mirvac for \$122 million dollars (booking a 73 per cent capital gain in three years) in 2018. In June 2021, the City of Melbourne [endorsed](#) new plans for a 31-storey office complex. Construction was due to commence in 2022 but there is no sign of work. The AFP has moved out and the existing five-storey building now sits empty.

UNSW housing expert Professor Hal Pawson advises scepticism about housing strategies based solely on the belief that regulations are limiting building activity. “In reality,” he [writes](#), “the prime consideration for private developers and their financial backers is expected market conditions when constructed homes are saleable.”

The Planning Institute of Australia also [points out](#) that planning “doesn’t control the speed with which housing is developed — nor affect powerful drivers for investment in housing.”

“It is simply wrong to say that planning is what is holding back our housing supply,” urban planner Marcus Spiller [told](#) National Shelter’s online forum. Yet he says this is the “intellectual architecture” underpinning the government’s approach to a national plan.

The founding partner of SGS Economics and Planning and former national president of the Planning Institute of Australia, [Spiller](#) is a veteran of Australian housing debates and has served on numerous state and federal boards and advisory committees. In his view, it is fanciful to assume that we can deregulate planning and then rely on competitive markets to meet the housing needs of low- and middle-income Australians. There is [no trickle-down solution](#) to the housing crisis, he says, and government and public policy must play a much stronger role.

If governments had kept building social housing at the same average rate as between 1955 and 1985, Spiller calculates, then Australia would now have 330,000 more homes for low-income earners. Instead, we [shifted to providing rent assistance](#) so tenants could find the housing that best suits them in the private market. The theory was that they would become masters of their own destiny. “It’s a compelling economic proposition that we have been pursuing for thirty or forty years,” says Spiller. “And I think it’s time to ask the question, has it worked?”

Clearly, it has not. Barely [one in a hundred rentals](#) is affordable for essential workers in full-time jobs, hundreds of thousands of households are forking out more than half their income on rent, and vacancy rates are at [record lows](#). But the conventional supply-side wisdom can never be disproven. If there’s not enough housing or if housing is too expensive, then that must mean we have not yet deregulated enough, and must deregulate more.

In May this year former Reserve Bank economist Tony Richards published [a long article](#) in the *Australian Financial Review* describing how to solve Australia’s housing crisis. Despite the *Financial Review*’s simplistic [spruiking](#) — “1.3 Million Missing Homes Blamed on Councils and NIMBYs” — it is a complex and thoughtful examination of the issues. Richards recognises the need to build more social housing and acknowledges that we could use the tax system to moderate demand. But I was struck by what Richards does and doesn’t say about one of the local governments he picked out as anti-development.

Like all Sydney councils, Hunters Hill must develop a local housing strategy. Astonishingly, though, the council projects that this relatively low-density area just six kilometres from the GPO will *lose population* between now and 2036. Richards concludes that getting more medium-density housing in such a well-located area may mean taking powers away from local councils, so decisions are not just based on “the preferences of current residents, including NIMBYs,” but also encompass “the needs of the broader city and of future generations of potential residents.”

Richards commends the work of economist Peter Tulip from the Centre for Independent Studies, who has made a [detailed analysis](#) of apartment development in local government areas in Sydney and concludes that units are not being built where they are most wanted. Parramatta, for example, is increasing in density much more rapidly than Randwick.

Tulip says we should “build more housing where people want to live, as judged by their willingness to pay for a location.” Mosman is more expensive than Penrith, therefore also more desirable, and so that’s where we should build more apartments — and if we did, this would bring down prices there.

I have very little argument with this line of reasoning, and I think Tulip’s suggestion of a carrot-and-stick approach requiring councils to meet predetermined housing targets is worth pursuing — though Boris Johnson’s efforts to impose mandatory building targets in Britain [quickly shattered](#) when worried backbench MPs rebelled against forcing new developments on their wealthy constituents.

And this is what I think is missing from the Richards–Tulip analysis. It fails to draw the connection between housing and wealth. Tulip recognises that “planning restrictions reflect a desire for social exclusion” — that is, rich people want to live near other rich people and not near poor people — but he fails to consider that planning restrictions may also reflect the political power that wealth brings. Perhaps a more progressive income tax would generate a more egalitarian planning regime.

Or perhaps planning is not the issue. Analysing census data in the United States, Seth Ackerman [finds](#) a much stronger correlation between housing costs and household incomes than between housing costs and planning restrictions: “Rents and land values in a particular location are determined by the income and wealth of the people and businesses in and around that location. Put plainly, it’s the presence of rich people that makes rents expensive: they can pay more.”

Nor does a conventional supply-side approach concern itself with the fact that rich people generally consume more housing. As British housing economist Geoff Meen [observes](#), housing demand comes “not just from newly forming households, but also existing households as incomes rise.” We need to consider the distribution of housing as well as supply.

“What happens when you build and you have no plan to distribute the housing to people who need it is wealthy people use more housing,” [says](#) Maiy Azize from the Everybody’s Home campaign. “They live in smaller households and they buy second homes.”

Excess consumption of housing by the rich pushes up prices for all, but this demand side of the housing equation is rarely mentioned. If we want to promote more efficient use of housing — like people living in apartments instead of freestanding homes with empty bedrooms — then changing how we tax housing and land could make a real difference.

Of course, planning and zoning matter in housing, but not necessarily as barriers — at least not in the way they are normally presented. They can also help overcome systemic problems.

When the Albanese government emphasises the need to build “well-located homes” or Denita Wawn from Master Builders talks about going *up* in the suburbs as well as *out*, they are responding to a major problem, often summarised as the “[missing middle](#),” something Richards also identifies in his piece for the *Financial Review*.

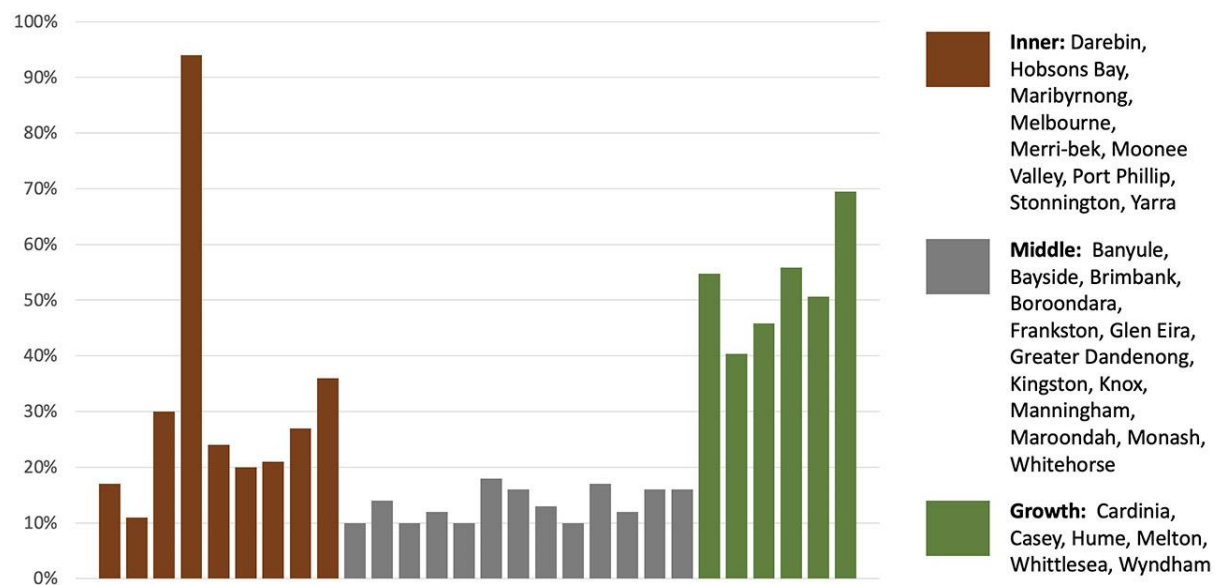
The “missing middle” is primarily a reference to the lack of medium-density apartment dwellings of three or four storeys — the midpoint between high-rise towers and detached

family homes. But it can also be applied spatially, to designate the lack of significant new construction in middle-ring suburbs.

A quick summary of where new housing has been built in Melbourne in the past decade illustrates the issue. Between the 2011 and 2021 censuses, dwelling supply in Melbourne’s nine inner-city councils — members of the [M9 alliance](#) — increased by about a third. In the City of Melbourne, housing supply almost doubled in that time, from 53,000 to 103,000 dwellings, as new high-rise residential towers sprouted up across the Hoddle grid, Southbank and Docklands.

The supply of housing on the urban fringe rose by more than 50 per cent over the decade, mostly in the form of detached housing in residential developments on former farmland. But the supply of housing in Melbourne’s middle- and outer-ring suburbs grew by just 13 per cent. These are the “well-located” suburbs that the government is targeting for newer denser housing because they have good access to public transport, services, jobs and amenities.

Percentage of dwellings added in Melbourne local government areas 2011–21



Author’s calculations based on ABS Census data

These suburbs *might* have the most restrictive planning regulations and the most vociferous and well-heeled resident action groups. But I suspect something else is at work.

Unlike central Melbourne, these suburbs don’t have brownfield sites — disused docklands or railyards that can be home to high-rise residential towers. Unlike inner-city Fitzroy, Brunswick or Footscray, they have few warehouses or workshops that can be redeveloped into medium-density apartment blocks. And unlike the city’s outer-urban [growth areas](#), no greenfield sites are available to be transformed into housing estates.

Melbourne’s middle- and outer-ring suburbs are sometimes called “[greyfields](#).” They are, characteristically, residential neighbourhoods dominated by detached homes on separate blocks, with little in the way of industry. That makes urban regeneration challenging, even as buildings age and are due for replacement. Without strategic planning, redevelopment

generally takes the form of piecemeal infill — a single family home is demolished to make way for two or perhaps three townhouses. Gardens and trees give way to garages and driveways. Density is increased but the amenity of suburban life is diminished with little planning for the extra demand on services, roads and public transport. No wonder existing residents object to new developments.

More than a decade ago, researchers Shane Murray and Peter Newton [identified](#) more than a quarter of a million middle-suburban properties in Melbourne with “high potential for regeneration, in localities where residential building stock is failing and infrastructure is in need of upgrade.” But the historical pattern of residential development based on freestanding houses on separate titles makes it very hard to assemble parcels of land big enough to carry substantial redevelopment projects — the “missing middle” of European-style medium-density housing. This challenge will be [even greater](#) in future decades, when current growth areas with smaller lot sizes are ripe for redevelopment.

The Planning Institute of Australia puts its finger on the [problem](#): “many of the easiest candidate sites for housing development are already spent.” It calls for governments to take a leading role in land markets to overcome the inefficiencies caused by fragmented ownership. What’s required to address the “missing middle” is not for governments to get out of the way but for them to intervene *more* to assist private capital to carry out high-quality, precinct-level redevelopment.

Melbourne, says Marcus Spiller, needs to add one extra dwelling for every existing 1.3 dwellings over the next thirty years, all within the existing urban footprint, “a level of transformation that is difficult to wrap your head around even as a professional planner.” We won’t achieve that with the “hunt and catch, opportunistic, fragmented approach that we’ve had until now,” he says. “The real issues with housing supply lie in land withholding, land assembly, insufficient infrastructure and land fragmentation, all of which require concerted policy effort and public intervention.”

Chris Martin agrees. In a [report](#) for the Australian Housing and Urban Research Institute, Martin and his co-authors call for a [mission-oriented](#) approach to the national housing strategy. Drawing on the thinking of leading economist [Mariana Mazzucato](#), they argue that the state must play a larger role in “innovation and value creation” and “actively create and shape markets.” Rather than a level playing field in which market can compete, Mazzucato says the state should *tilt* the playing field towards achieving publicly chosen goals.

The mission, says Martin, can be plainly stated: everyone in Australia needs adequate housing.

We reach a similar conclusion in the community hall in East Geelong. The first session is focused on social housing and homelessness, and our initial task is to share three words to describe what a new national housing plan should achieve. An app collates our responses and projects a word cloud dominated by concepts like affordability, safety and security.

Many of my fellow participants work in public and community housing. They are deeply knowledgeable, their comments detailed and passionate. They talk about renters in the private market needing help to hold on to tenancies — it’s better to support someone in housing than see them slip into homelessness. Yet so many services only kick in *after* someone is in crisis.

They talk about the lack of emergency housing, about mouldy homes, and about extending Victoria's approach to domestic violence to the rest of the country — it is the only state that has a policy of removing the perpetrator from the home, regardless of who holds the lease. And they talk about the burgeoning number of applications on the priority list for social housing — 7000 in the Barwon region alone.

After ninety minutes, the top half of our sheet of butcher's paper is a cluttered jumble of coloured sticky notes. This is where we've been asked to identify challenges in addressing homelessness and improving access to social housing. The lower half — where we've been asked to identify what is working well — is more thinly populated.

Afternoon has turned into evening and it's time for a break. Fresh fruit and an abundant supply of traditional baked goods compensate for soggy sandwiches. I load my paper plate with lemon slice and hedgehog and buckle down for another ninety minutes of discussion, this time on housing markets. Our numbers have shrunk from twenty-one to ten.

I am the first to speak and express my dismay that the government's issues paper makes only passing references to tax, most of them referring to recent [changes](#) to promote the [build-to-rent](#) sector. The paper ignores debates about the relative merits of stamp duty and broad-based property taxes, and makes no mention of negative gearing, the capital gains tax discount or the exemption of the primary residence from the pension assets test — generous tax concessions that encourage property speculation and over-investment in housing.

The facilitator writes notes and thanks me for my contribution. A few others in the room offer supportive comments. But when we eventually disperse I wonder whether our views, falling outside the parameters of the "issues" offered for discussion, will make any impression on the final consultation paper developed from all these community forums. •