

Planning to build faster

Dr James Lennox

james.lennox@vu.edu.au

Centre of Policy Studies, Victoria University

Melbourne Economic Forum, Aug 7 2025

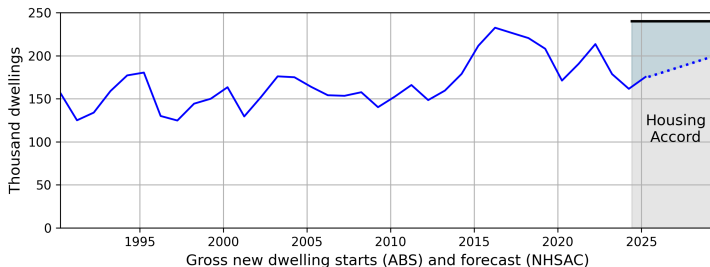


Introduction

- Real housing affordability has worsened over decades
 - Planning restrictions and delays
 - Declining construction productivity
 - Strong demand growth
 - Distorting (and iniquitous) fiscal settings
- **What** we allow **where** is crucial
 - Greenfield housing is increasingly inaccessible
 - Scarce high-rise apartments are designed for everyone but their residents
 - 'Missing middle' is on trend but still MIA

Policy is falling short of aspiration

- Housing Accord: 1.2m new **well located** dwellings by mid 2029
 - Closing the gap to meet HA target would raise total dwellings $\sim 2.3\%$



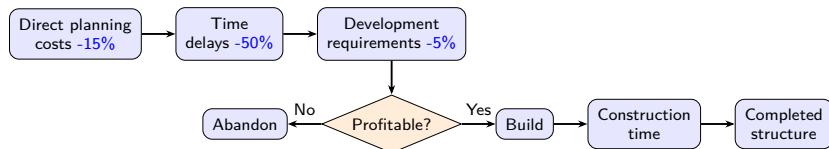
- Recent reforms favouring transit-oriented and as-of-right developments are good, but too little, too slow.
- Peter Tulip and RBA coauthors estimate large 'zoning taxes' in capital cities, suggesting large potential for planning reform.

What does planning reform look like?

- Some of the Productivity Commission's (2021) priority reform areas:
 - Ensure local plans can deliver on state development objectives
 - Fewer zones with broadly-stated allowable and as-of-right uses
 - Create defined and efficient processes for rezoning applications
 - Reduce the time taken to assess development approval applications
 - Promote faster appeals and review processes
- From Infrastructure Victoria's 'Our Home Choices' (2023):
 - Set and incentivise local government housing targets
 - Improve standards for then expand zoning for low-rise (≤ 4 story) apartments
 - Reduce or remove required parking minimums
 - Reform infrastructure contributions (which under-price greenfield sites)
 - Streamline building approvals, esp. in urban renewal precincts

Simulating planning reforms

- Multisector dynamic stochastic general equilibrium model with planning and construction delays and endogenous abandonment
 - Extending Glancy, Kurtzman and Loewenstein, FRB, 2024
 - N.B. preliminary, illustrative results, supporting tentative findings



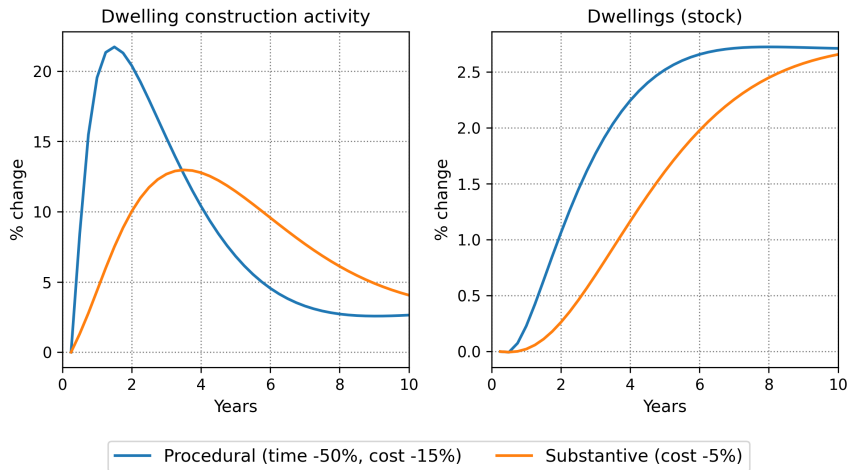
① Procedural reforms:

- -50% planning time saving (holding costs)
 - -15% direct planning costs (architectural, legal, etc.)
- ⇒ Jointly reduce housing costs 2.3% in the long run

② Substantive reforms:

- -5% costly requirements (e.g. parking minimums, height limits)
- ⇒ Reduce housing costs 2.3% in the long run

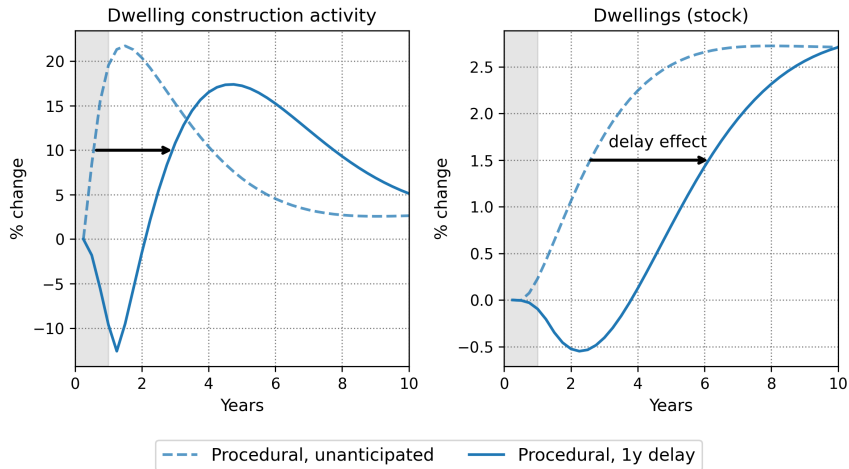
Procedural and substantive planning reforms



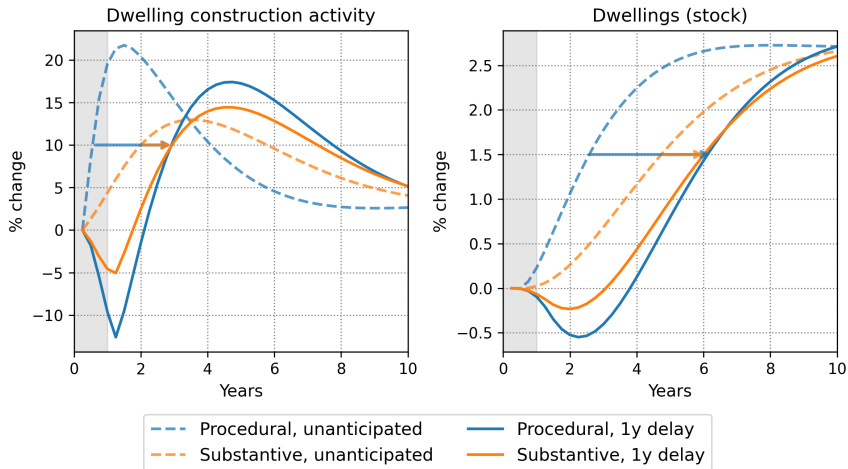
Are these results realistic?

- Model may not reflect all short-run supply constraints in housing construction
- Insufficient plans may be shovel-ready
- Costly elements no longer required may be baked into some projects
- Modelled unanticipated policy changes, which can be hard to deliver

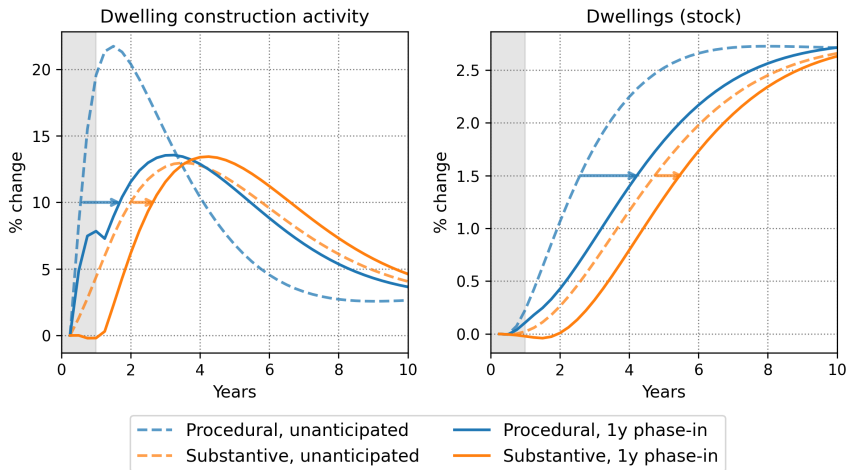
Delaying implementation is counter-productive



Delaying implementation is counter-productive



Phased, increasingly ambitious reforms work better



Takeaways for policy design

- **Procedural reforms and substantive reforms are *complementary***
 - Efficient planning processes yield rapid gains, have few losers
 - Substantive reforms are slower acting, more contentious
 - N.B. for larger affordability gains longer term, substantive reforms and construction productivity are key
- ***Anticipated* cost-saving reforms may *decrease* short-run supply**
 - Introduce less contentious measures with immediate effect
 - Decide on more contentious measures expeditiously, and ensure they take effect immediately thereafter
- **Developers plan to create *options* to build**
 - Design processes assuming some approved projects *will* be abandoned
 - Provide reasonable flexibility post-approval

Planning to build faster

Dr James Lennox

james.lennox@vu.edu.au

Centre of Policy Studies, Victoria University

Melbourne Economic Forum, Aug 7 2025

