



This evidence is provided in response to comments made by Peter Tulip on page 22 of the uncorrected transcript of the hearing on Friday, June 7, 2024, during the Upper House Inquiry into the Transport Oriented Development (TOD) Program.

Peter Tulip's Comments:

Peter Tulip stated: *"The experience we have is relaxation of zoning restrictions leads to a boom in construction followed soon after by substantial reductions in housing costs. Those bloggers that you referred to before, their views have been seriously challenged, to which they haven't responded."*

Response from the Save Greater Sydney Coalition:

The Save Greater Sydney Coalition would like to address Peter Tulip's remarks by referencing two significant documents:

1. **NSW Productivity Commission Report (May 2023):** This report, titled "[NSW Productivity Commission Building more homes where people want to live](#)," was provided by DPHI to substantiate claims that increasing housing stock can reduce prices by as much as 40%.
2. **A 20-year study of the Brisbane housing market:** Conducted by Cameron Murray and Tim Helm, this study, titled "[We zoned for density and got higher house prices: Supply and price effects of upzoning over 20 years](#)" was published in February 2021. It examines the impact of rezoning and the delivery of additional dwellings on the Brisbane housing market.

Key Points from the NSW Productivity Commission Report:

The report asserts that increasing housing supply can significantly improve rental affordability. For instance, it states: *"Higher supply would also materially improve rental affordability. For example, if apartment prices fell by a hypothetical 40 per cent."*

From page 19 the NSW Productivity Commission Building more homes where people want to live May 2023 report states.

Rents move in proportion to prices, other things equal, so higher supply would also materially improve rental affordability. For example, if apartment prices fell by a

hypothetical 40 per cent (the decrease necessary to equal current supply costs), we should expect a comparable fall in rents. This would mean city-wide weekly rents would fall from \$650 to \$390, all else equal. That would provide an extra \$260 per week for apartment-renting households to meet their other expenses, or to upgrade to a location that better suits their needs.

However, there are significant issues with this simplistic supply and demand hypothesis. The idea that "*if apartment prices fell by a hypothetical 40%*" is highly implausible for several fundamental reasons, current supply costs include:

Profit Requirement: The construction industry is driven by profit. It is counterintuitive and detrimental for the industry to flood the market with products that would reduce their profits.

Construction Costs: The cost of construction encompasses various factors, none of which show signs of significant reduction. These factors include:

- Acquisition
- Labour
- Construction materials
- Finance
- Marketing
- Supply constraints/costs

All these costs are increasing, with no indication of a downward adjustment. Additionally, references in the document indicate that interest rate increase of 1% would result in a 2.5% increase in rent.

Therefore, the notion of a 40% price decrease in dwelling costs is misleading and a gross distortion of the market forces at play in the Australian housing market.

Study of Brisbane Housing Market from 1996 to 2016

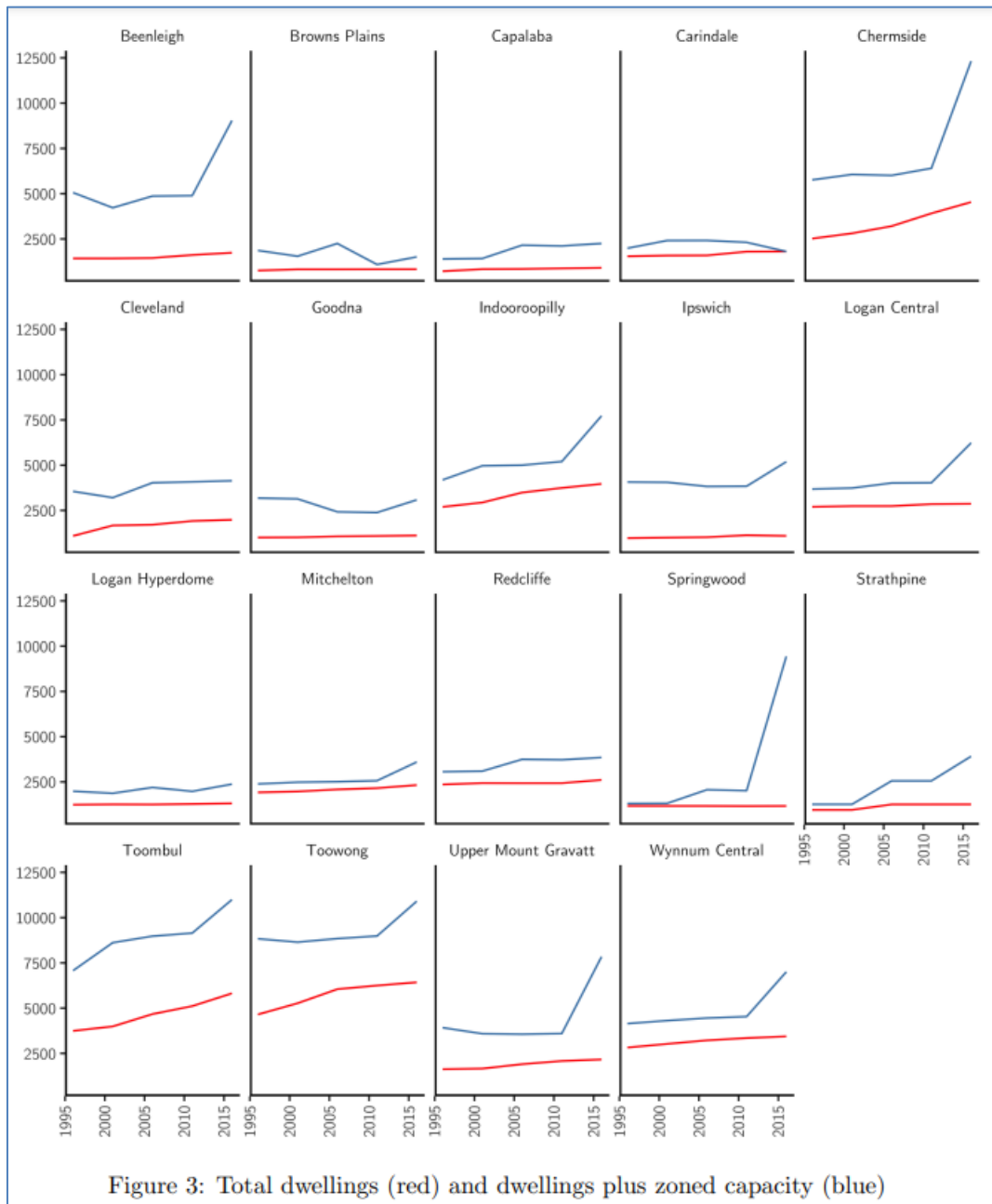
This study examines the Brisbane housing market in 19 up-zoned areas from 1996 to 2016, using a comprehensive dataset on dwelling stock, planning regulations, and prices. The study focuses on 25,775 sites within these planned densification areas, where planning rules were repeatedly relaxed to allow for higher density—a policy change expected to impact prices.

Key findings include:

1. **Utilization of Up-Zoned Capacity:** Only 2% of the up-zoned capacity resulted in additional dwellings within any five-year period. Over the entire 20-year study, zoned capacity doubled, but 78% of sites with zoned capacity in the first period remained undeveloped.
2. **Impact on Prices:** Higher rates of new housing supply were robustly related to higher prices, despite similar increases in demand across locations. The study found no relationship between zoned capacity and prices across numerous regression models.

- Constraints on New Housing:** The study proposed that planning is not a binding constraint on new housing in Brisbane. Price growth during the study period was comparable to other Australian cities, suggesting that private housing markets will not rapidly supply new housing or cause significant price reductions, even if planning regulations permit it.

The study's charts show the actual changes in total dwellings and zoned capacity, illustrating that there is no direct relationship between up-zoning and an actual increase in dwellings over the 20-year period.



The study's sales data revealed a 15-23% relative price increase for rezoned sites, but no increase in construction in the years following rezoning. The study presents the following arguments:

1. **Excessive Zoned Capacity:** The zoned capacity is extremely large compared to both the existing dwelling stock and the rate of new housing supply, and therefore cannot plausibly be a binding constraint on the rate of new housing supply in these areas. Total dwellings in the data increased from 36,000 in 1996 to 47,000 in 2016, while the conservative zoned capacity estimate rose from 33,000 dwellings to 66,000 over the same period.
2. **Zoned Capacity vs. Price and Supply:** The relationship between zoned capacity, dwelling supply, and price does not align with the logic of the YIMBY (Yes In My Backyard) movement. If rezoning for higher density were a plausible way to decrease local prices, we should observe:
 - Faster growth in new housing
 - Lower price growth

While more dwellings were indeed built on sites with more zoned capacity, indicating that zoning controls direct new housing to planned areas, the expected reduction in price growth was not evident. In fact, activity centers with higher new housing supply experienced faster price growth, not lower.

3. **Challenges to the Supply-Side Argument:** The study suggests that zoning controls are not a binding constraint on housing supply in Brisbane during the study period. This challenges the supply-side argument generally, as Brisbane dwelling prices increased more than those in Sydney from 2001-2016, and more than prices in San Francisco over the entire period (250% vs. 235%), both cities often considered supply-constrained.

These results indicate that changing planning systems to facilitate "missing middle" and high-density housing by increasing zoned capacity is unlikely to produce noticeable effects on housing prices. However, the study does acknowledge substantial benefits from such zoning changes in terms of city design, transport accessibility, and infrastructure efficiency.