

Media Release



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Victoria's housing target unachievable without reform as infill stalls and \$300k apartment feasibility gap emerges

New research into Victoria's housing delivery performance and 70/30 housing policy has revealed a \$300,000 feasibility gap between the cost of a new infill apartment and Melbourne's median apartment sale price, as high development costs and infrastructure challenges make Victoria's infill targets unachievable.

The report *Rethinking 70/30: The Cost of Building Where We Already Live*, by Quantify Strategic Insights for UDIA Victoria, identifies major constraints across infrastructure, planning and project feasibility that are preventing housing delivery in established areas at the scale the Victorian Government wants to achieve.

Its key findings include:

- Apartment development is only commercially feasible in a small share of inner Melbourne and bayside suburbs, as infill apartments cost an average of \$838,000 to build and require a sale price of \$922,000, which is \$300,000 above Greater Melbourne's median unit price of \$617,395.
- Townhouse approvals in middle suburbs have fallen from 80 percent of all townhouses to 60 percent, with outer growth areas now contributing nearly 40 percent of townhouse activity.
- Victoria's 70/30 housing target (70 percent infill, 30 percent greenfield) performing closer to a 50/50 split, driven by infill's substantial underperformance.
- Infill development is lagging behind housing targets, with Melbourne's middle suburbs the weakest link, delivering just 29 percent of their target.
- It is not always less expensive to build new homes in existing areas.
- Greenfield housing supply continues to meet or exceed targets, yet these growth areas face a shortfall in infrastructure investment.

Linda Allison, CEO UDIA Victoria, said the gap between policy and where people are choosing to live is leading to less homes being built, in the places that people can afford.

"For years, the assumption has been that higher density housing in established suburbs will deliver more homes, but the economics just don't stack up.

UDIA Victoria

Address: Level 1 the Commons, 55 Collins Street Melbourne VIC 3000

Email: info@udiavic.com.au | **Phone:** 03 9832 9600

udiavic.com.au

“The reality is Melbourne’s growth areas are doing the heavy lifting on housing supply, but not getting the policy reform or the infrastructure investment to match. That imbalance is problematic.” said Ms Allison.

Ms Allison said reform is needed to restore investor and consumer confidence and improve housing delivery across both infill and greenfield markets.

“With the election approaching, our political parties must commit to rethinking 70/30. That means delivering enabling infrastructure to unlock housing in our growth corridors, tax reform to drive investment, and taking measures to cut red tape and lower the cost of building.”

Rob Burgess, Head of Research and Strategy at Quantify Strategic Insights, said the findings point to a mismatch between housing targets and costs required to deliver them.

“Once you factor in land, construction, finance and risk, many apartment projects only work at price points that sit well above what market is willing to pay” Mr Burgess said.

“Until planning and infrastructure systems are aligned and costs brought down, targets like 70/30 will remain aspirational rather than deliverable.”

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Media contacts and request for interview

Name: Sam Sinclair
Six O'Clock Advisory
Phone: 0415 515 233
Email: s.sinclair@sixoclock.com.au