Quantify
Strategic Insights

Rethinking 70/30:

The Cost of Building Where We Already Live

Prepared for the UDIA

2026

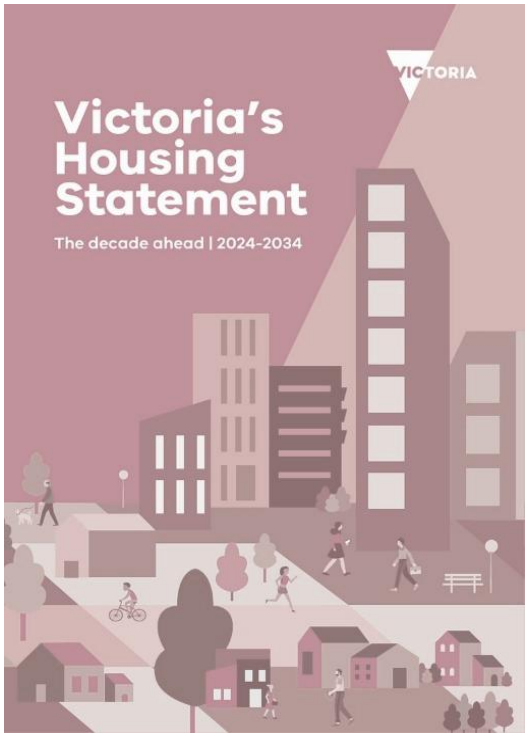
Contents

Executive Summary

Victoria's 70/30 housing target (the '70/30 target') should be treated as a long-term ambition. While the goal of a more compact, sustainable city remains valid, the target cannot be achieved without major reform to the infrastructure, funding and governance systems that enable housing delivery.

Across Melbourne, the systems that underpin housing delivery are stretched, outdated and fragmented. Physical and social infrastructure are operating at or beyond capacity in many established areas, while the funding and governance mechanisms required for coordinated upgrades have not kept pace with population growth.

Victorians deserve services wherever they live. Because most new homes are being delivered in growth areas, and will continue to be in the near term, a credible housing strategy must fund infrastructure accordingly, while reforming the systems needed to lift infill delivery over time.



Infrastructure: The Structural Fault Line

The 70/30 target assumes established suburbs can absorb large-scale growth; in many places they can't. Ageing drainage and sewerage networks require major retrofits[1], roads and public transport are congested[2], and essential social infrastructure such as schools[3], health services[4], open space[5] and community facilities[6], is increasingly overstretched.

[1] Asset Management and Maintenance by Councils; Victorian Auditor General's Report (2014)
[2] https://www.infrastructurevictoria.com.au/topics/transport (2025)
[3] https://www.audit.vic.gov.au/report/managing-school-infrastructure (2017)
[4] https://engage.vic.gov.au/project/victorias30yearinfrastructurestrategy (2025)
[5] Open Space Strategy for Melbourne; Dept of Energy, Environment & Climate Action (2021)
[6] https://www.infrastructurevictoria.com.au/topics/community-infrastructure/recommendations/build-libraries-and-aquatic-centres-for-melbournes-growing-communities

Upgrades are complex, expensive and politically fraught, with many delivered reactively, triggered by development rather than guided by a coordinated sequencing plan. This has created a widening gap between zoned housing capacity and deliverable supply.

Legacy Infrastructure: High Potential, Low Capacity

Despite substantial renewal potential, established suburbs are often constrained by infrastructure systems designed for lower densities. Retrofitting constrained networks is time-consuming and expensive, and delivery is hindered by fragmented responsibilities across state agencies, councils and utilities. Without a coordinated delivery mechanism and fit-for-purpose funding framework, infill supply will remain constrained by infrastructure that was never designed to support higher density growth.

The Cost-Efficiency Myth

Victoria's 70/30 target is also undermined by a flawed economic premise: that the cost to deliver infill housing is inherently cheaper and more efficient than greenfield housing. This holds only where existing networks have genuine spare capacity. Once capacity is exhausted, infill costs escalate sharply and can match or exceed greenfield costs.

The fact is that population growth requires new infrastructure irrespective of location; the difference is whether costs are transparent and sequenced upfront or deferred and absorbed later. Growth area infrastructure is typically more visible and more readily sequenced, with significant developer funding. An honest conversation about these real, whole-of-system infrastructure costs across Melbourne is required.

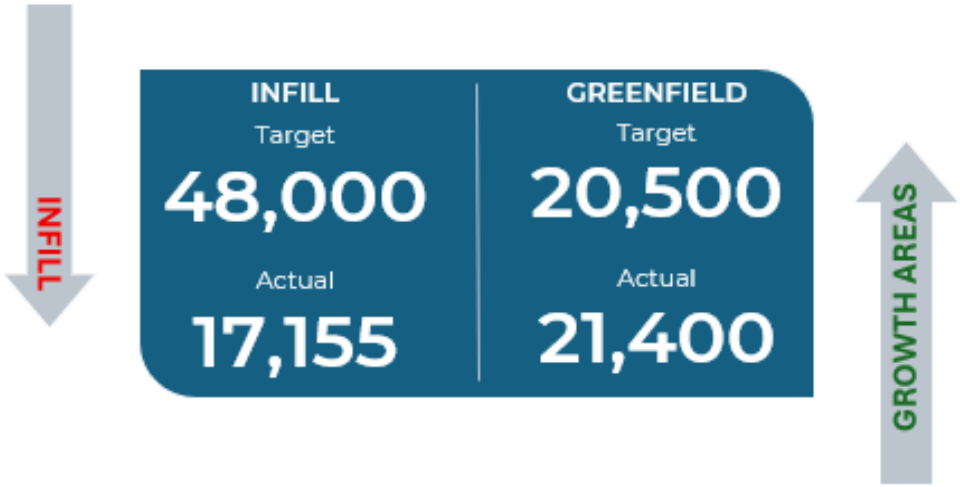
The Performance Gap: 70/30 as an Unrealistic Target

Housing delivery keeps falling short of policy expectations. Infill and growth areas each account for roughly half of new supply, a long way from the Government's 70/30 target.

Melbourne's 'missing middle' - townhouses and low-rise infill - has weakened as turnover stagnates, demolitions fall, costs escalate, and builder capacity tightens. As a result, infill supply has become increasingly reliant on apartments, yet that market is now constrained by feasibility pressures, limited buyer demand, and weakened investor and market confidence.

In established suburbs, medium-density housing, which is intended to bridge detached housing and apartments, is declining as builder risk, financing constraints and weaker market conditions suppress both supply and demand. At the same time, townhouse delivery is increasingly occurring at scale in growth areas.

Figure 1: Plan for Victoria Target vs Dwelling Approvals (2024-25)



Source: ABS; Quantify Strategic Insights

Apartments: A Fragile Delivery Model

High-density apartments cannot be the workhorse of infill. Construction costs have risen sharply since 2020, prices haven't kept pace, and viability is increasingly limited. The result is that there are fewer projects that can clear feasibility hurdles without material price growth or planning uplift. This concentrates risk and supply into a narrower set of submarkets and product types.

Greenfield as the System's Safety Valve

As infill delivery stalls, growth area housing continues to provide scale and certainty. Rather than a deviation from compact city objectives, growth area delivery is functioning as the system's stabiliser, supplying much-needed housing.

Government should therefore prioritise enabling infrastructure investment in growth areas to unlock supply where delivery is actually occurring, including arterial road duplications, rail electrification and capacity upgrades.

Governance and Funding Reform

In both growth areas and established suburbs, infrastructure provision is often disconnected from development sequencing, leading to delays, capacity shortfalls, and stalled housing delivery.

Victoria needs an equitable, transparent funding framework that aligns investment with sequencing and clear service standards. One that is equitable across markets, avoids cost-shifting and duplication, and provides certainty through transparent, government-led infrastructure programs. It should operate consistently across markets, avoid cost-shifting and duplication, and provide greater certainty through transparent, government-led infrastructure programs. This requires stronger State and Commonwealth funding for growth-enabling infrastructure, aligned to delivery sequencing, so infrastructure keeps pace with where housing is planned and feasibly deliverable.

Broader tax settings should also be reviewed to remove structural barriers to infill feasibility and support long-term progress toward a more compact city.

A Balanced and Realistic Growth Model

The 70/30 target, first conceived in *Plan Melbourne 2017-2050*, faces major delivery challenges under current policy settings and market conditions. Government must therefore embrace a more balanced housing strategy, one that continues to pursue infill reform but actively supports well-planned greenfield growth to meet near-term demand and restore affordability.

The Path Forward

Victoria's housing challenge will not be solved by aspiration alone. A deliverable growth model requires sequenced infrastructure investment, modernised funding and tax settings, and policy settings grounded in market and delivery realities. That means pursuing infill reform but also actively enabling growth areas to deliver housing at scale where infrastructure can be sequenced and funded.

Only through this balanced and equitable approach can Victoria bridge the gap between ambition and delivery and build a housing system that is both sustainable and achievable.

It is therefore recommended that the Victorian Government:

- **Actively support greenfield delivery** by maintaining an adequate pipeline of zoned and serviced land, accelerating PSP and post-PSP pathways, and avoiding policy settings that artificially constrain growth-area supply before infill systems can genuinely compensate.
- **Reform property taxation to restore feasibility** by rationalising cumulative imposts, moderating deterrent taxes, and aligning tax settings with housing delivery objectives to support investment across both infill and greenfield markets.
- **Prioritise enabling infrastructure where housing is being delivered now**, with sequenced state funding for growth-area transport, utilities, and social infrastructure, while targeting verified upgrades in established areas that can unlock feasible infill supply.
- **Refine the 70/30 target into a staged transition framework,** with interim milestones linked to demonstrated infrastructure capacity and market feasibility, rather than enforcing an immediate shift that risks constraining supply.
- **Extend the planning reform agenda to remove pipeline bottlenecks**, including faster planning scheme amendments and PSP approvals, simpler missing-middle assessment pathways, and end-to-end digitised approvals and certification.
- **Deliver predictable, transparent development contribution schemes** that align contributions to verified infrastructure needs, avoid double charging by recognising existing taxes and levies, and provide clear upfront cost signals to support timely investment decisions.

1.0

Infrastructure Constraints to Delivering 70/30

Quantify
Strategic Insights

The infrastructure constraint

- **Infrastructure capacity, not zoning**, is the binding constraint on achieving Victoria's 70/30 housing target in established suburbs.
- **Current planning assumes infrastructure headroom** that often does not exist, driving cost escalation, delays, and feasibility risks for infill housing.
- **Infill infrastructure is disadvantaged** by fragmented funding and weak sequencing, in contrast to the programmatic delivery model that supports greenfield growth.
- **Governance fragmentation and unclear** accountabilities prevent coordinated, metropolitan-wide alignment between housing growth and infrastructure investment.

Victoria's 70/30 target is constrained less by zoning than by whether established suburbs can physically absorb growth. Across Melbourne, physical and social infrastructure is overstretched, yet upgrades are typically reactive, fragmented, and underfunded. The result is a widening gap between 'zoned capacity' and deliverable supply.

A deliverable 70/30 strategy requires a shift from planning based on assumed spare capacity to planning based on verified infrastructure readiness, supported by sequenced funding, clear accountabilities, and a consistent and transparent metropolitan-wide mechanism to align infrastructure delivery with housing growth. This requires aligning funding responsibilities between state, local government, and the private sector. Without these reforms, Victoria's housing strategy will remain aspirational.

1.1 Infrastructure: The Hidden Constraint

Infrastructure has become a significant constraint to achieving Victoria's 70/30 target. The policy ambition to accommodate 70% of new housing within existing urban areas rests on the assumption that established suburbs have the physical and social infrastructure capacity to absorb growth. In practice, many of these networks are already operating at or beyond capacity.

1.1.1 The Cost and Complexity of Enabling Infill Housing

Melbourne's drainage, water, sewer, transport, and social systems were designed for a lower-density city. Retrofitting these systems to support significant volumes of new housing is technically complex, financially burdensome, and politically challenging.

The cost of upgrading trunk networks, expanding schools and health services, and renewing ageing assets routinely exceeds local government budgets and outpaces state funding cycles. Infrastructure upgrades must be retrofitted into built environments, often involving land acquisition, service disruption, and costly relocations.

The absence of an integrated funding model means these upgrades are often delivered reactively, triggered by development rather than strategically planned. This leads to ad hoc, piecemeal outcomes that compound costs and delay housing delivery. Even appropriately zoned areas cannot accommodate new housing if infrastructure cannot support it. Infrastructure is therefore not simply a delivery challenge but a structural constraint to achieving the type and volume of housing required in Victorian planning policy.

Figure 2: Summary of Infrastructure Challenges

Capacity shortfalls in essential infrastructure	Gaps in social infrastructure	Fragmented governance and poor coordination
Many established areas have ageing water, sewerage, stormwater, road, and public transport systems that were never designed to support the extent of development proposed in the Government's Housing Targets. Drainage networks in particular present a major constraint, with flood risks increasingly delaying or preventing approvals in numerous locations.	Schools, health services, open space, and community facilities are already at or beyond capacity in many established suburbs. Land for new facilities is scarce and up to ten times more expensive than in greenfield areas, often requiring costly vertical or multi-use designs.	Delivery responsibilities are split between multiple agencies, utilities, and levels of government, with no consistent and transparent infrastructure sequencing framework. This results in planning advancing ahead of infrastructure readiness, inconsistent service provision, and prolonged delivery delays.

1.2 Systemic Funding & Governance Misalignment

Victoria's infrastructure funding model is simply not geared to infill delivery. Where growth areas benefit from established mechanisms (including GAIC and PSP-led sequencing), infill has largely relied on a patchwork of state funding, council DCPs and ad hoc negotiations.

While recently introduced standardised contributions for Train and Tram Zone Activity Centres and the SRL East ICP levy represent a step toward greater consistency (notwithstanding their impact on already challenged project feasibility), infrastructure contributions remain geographically targeted and do not yet constitute a coherent framework aligned to infill infrastructure staging.

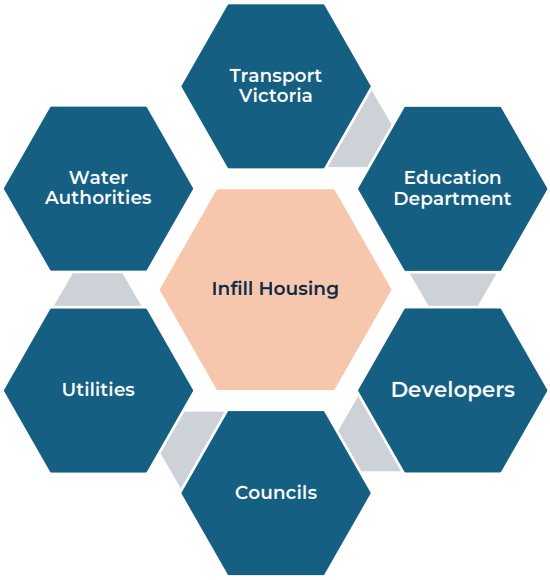
In parallel, the Activity Centre pilot structure-planning program is being advanced primarily through planning controls, effectively upzoning for capacity without a centre-specific, costed and sequenced infrastructure program, or clear accountability for who funds and delivers the upgrades (and when).

This piecemeal approach produces inconsistent outcomes and chronic underfunding. Councils lack the fiscal capacity to deliver major upgrades, while state government agencies prioritise large-scale projects over local systems. The result is a widening funding gap between where housing growth is planned and where infrastructure investment occurs.

Under the current system, infill locations suffer from uncertainty, delay, and duplication, while well-intentioned strategies, such as the 70/30 target, fail to materialise on the ground. Without aligned infrastructure sequencing and funding, policy ambition will continue to outpace delivery capacity.

A modern funding model should link infrastructure charges directly to verified capacity constraints, with contributions scaled to reflect the true cost of delivering or upgrading essential systems. Equally important is governance clarity, a single, accountable delivery mechanism capable of sequencing and coordinating investment across levels of government.

Figure 3: Fragmented Infrastructure Delivery



1.3 Policy Reform: Building a Deliverable 70/30 Strategy

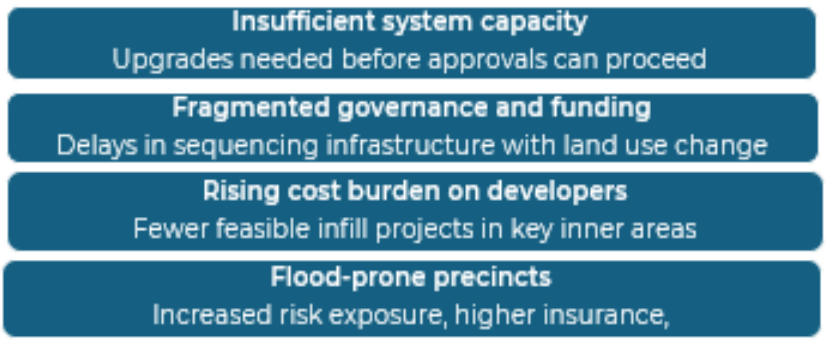
Infrastructure is a significant constraint on Victoria's housing supply. The 70/30 target cannot be achieved under the current fragmented, underfunded, and capacity-blind system. Delivering more housing within established suburbs requires a fundamental shift, from reactive, project-by-project upgrades to proactive, place-based infrastructure delivery.

Delivering a genuine shift toward infill housing requires more than zoning reform or demand incentives. It requires structural change in how infrastructure is planned, funded, and delivered. A credible reform agenda should focus on two priorities:

1. *Infrastructure Readiness Assessment:* Integrate verified infrastructure capacity into all strategic planning decisions. Housing targets must align with real, not assumed, infrastructure capability.
2. *Coordination of infrastructure* sequencing, funding, and delivery across state and local levels.

Only by sequencing investment, modernising funding, and clarifying governance can Victoria convert its housing vision into a deliverable reality.

Figure 4: Infrastructure Constraints on Housing Delivery



Case Study: Fisherman's Bend - Rezoning Without Infrastructure Coordination

The experience of Fisherman's Bend stands as a stark example of the consequences of poor infrastructure coordination in urban renewal. This failure to align infrastructure planning with development timelines has had tangible consequences, as highlighted in the findings of the Victorian Auditor-General's Office (VAGO).[1]

In its comprehensive audit of the precinct – *Developing Fishermans Bend* – the VAGO found that public sector agencies are failing to deliver on the objectives of the 2018 Fisherman's Bend Framework, largely due to missed timelines, unsequenced planning, and significant delays in infrastructure delivery.

Key findings included:

- **Missed timelines:** Many core planning documents and infrastructure commitments (originally slated for completion by 2019) remain incomplete six years later. While projects like three schools, several parks, and some transport upgrades have been progressed, critical plans for future precinct-level implementation remain in draft or unused form.
- **Major delays and timeline extension:** The overall delivery schedule has been pushed out by at least five years, now stretching to 2055.
- **Infrastructure rollouts lagging:** Basic infrastructure—such as tram routes, bike paths, public open spaces, schools, and streetscaping—has seen significant delays, with some projects deferred for up to 20 years compared to original planning intentions.

This audit starkly illustrates the consequences of rezoning without aligned infrastructure planning or confirmed delivery mechanisms. Fisherman's Bend's experience provides a cautionary message: visionary rezoning absent coordinated infrastructure funding and sequencing leads to planning dysfunction and delivery failure.

Case Study: Flood Risk and Delayed Infrastructure in the Macaulay Urban Renewal Precinct

The Macaulay urban renewal precinct, located in North Melbourne and Kensington within the City of Melbourne, is a notable example of the disconnect between planning policy and infrastructure readiness. Despite its strategic location close to the CBD, excellent public transport access, and designation as a priority area for infill housing, Macaulay is severely constrained by unresolved flood risk and the absence of precinct scale flood mitigation measures.

Originally identified for transformation in Amendment C190, and more recently updated through Amendment C417, the precinct is intended to accommodate thousands of new homes, businesses, and jobs. However, progress has been impeded by longstanding flooding issues linked to the Moonee Ponds Creek catchment and by institutional delays in delivering coordinated drainage and open space infrastructure.

Flood Risk Profile

The Macaulay precinct sits within a low-lying area along Moonee Ponds Creek. This geography, combined with a legacy of industrial land use and a lack of natural stormwater pathways, has made the precinct particularly vulnerable to overland flow flooding during heavy rainfall events.

Melbourne Water's flood modelling has identified large sections of the precinct as subject to flooding with a 1% AEP (1-in-100-year). This has triggered the application of Special Building Overlays (SBOs) under the Melbourne Planning Scheme, requiring stringent floor-level controls, flood modelling assessments, and design modifications for all new development.

Without a substantial precinct scale drainage scheme, many sites in the precinct remain effectively undevelopable under current planning and building regulations.

- **Drainage land acquisition delays:** The City of Melbourne has been unable to acquire critical parcels of land required for new flood mitigation infrastructure, particularly land held by VicTrack along the Moonee Ponds Creek corridor. This land is essential for constructing stormwater detention basins, drainage reserves, and integrated open space.

- **Development contributions uncertainty:** Amendment C417 proposes a permanent DCP to fund essential infrastructure, but prolonged delays have extended reliance on interim contributions, creating uncertainty about levy settings and the timing of upgrades. The interim DCPO2 collects contributions without allocating funding to specific projects, leaving development to proceed without a transparent, sequenced delivery program and increasing delivery risk for both infrastructure and investment decisions.
- **Lack of coordinated delivery:** The precinct requires integrated infrastructure planning involving Melbourne Water, the City of Melbourne, VicTrack, and other agencies. However, there has been no lead agency responsible for sequencing drainage, transport, and open space upgrades in a way that supports timely development.

As a result, development approvals have slowed, permit conditions have become more complex, and several key projects have been deferred due to flood-related constraints.

Implications for Housing Delivery

The consequences of this unresolved flood risk are significant. Macaulay was expected to be a key contributor to Melbourne's infill housing targets, offering the potential for thousands of new apartments, jobs, and public realm upgrades in a location well served by transport and amenities.

Yet the lack of drainage infrastructure and flood mitigation works has effectively frozen large parts of the precinct. Developers face higher holding costs, greater planning uncertainty, and the need to design around unresolved infrastructure. Meanwhile, the public realm improvements that were meant to accompany housing growth, such as open space along the creek corridor, have also been delayed.

This case highlights how physical infrastructure limitations, rather than zoning or policy intent, can become the binding constraint on housing delivery in Melbourne's inner and middle-ring suburbs.

Key Lessons

- Infill development cannot proceed without precinct scale drainage and flood mitigation infrastructure, particularly in flood-prone areas adjacent to waterways.
- Institutional fragmentation and unclear responsibilities across agencies (e.g., council, Melbourne Water, VicTrack) can significantly delay critical infrastructure delivery.
- Fragmented land ownership and existing uses operating in infill areas severely constrain the ability to deliver the precinct scale infrastructure required upfront to unlock the development potential in areas with high flood risk.
- Development contribution mechanisms must be finalised early and transparently to give developers certainty around costs and timing.
- Macaulay demonstrates that even well-located and policy-aligned urban renewal areas can be rendered undeliverable if infrastructure bottlenecks are not addressed through proactive governance and investment.

2.0

Challenging the Cost Efficiency Case for Infill

Quantify
Strategic Insights

The infrastructure cost assumption

- The claim that the cost of infrastructure provision for infill development is two to four times cheaper than greenfield is **a conditional modelling result**, not a universal empirical finding.
- When capacity is exhausted (the **'no capacity' scenario**), infill costs can **converge with or exceed** greenfield due to retrofit and renewal requirements.
- Headline comparisons can be **skewed by exclusions and assumptions**, including land acquisition, remediation, and higher-order infrastructure (e.g. transport/open space).

The claim that the cost of infrastructure provision for infill development is two to four times cheaper than greenfield is not an empirical finding. It is a conditional modelling result that holds only where established-area networks have spare capacity and where key cost categories are excluded. Infrastructure Victoria's work (2016–2023) shows that once capacity is exhausted, particularly for utilities, drainage and social infrastructure, infill development costs can converge with, and in the "no capacity" scenario, exceed greenfield costs.

The policy issue is therefore not whether infill is 'cheaper' in theory, but when, where, and under what capacity conditions, and critically, who pays. Drawing directly on Infrastructure Victoria's reports (2016–2023), the following analysis reveals how selective modelling choices, optimistic capacity assumptions, and omitted cost categories are frequently misread as proof of infill's superior efficiency.

In practice, greenfield development may be more expensive upfront, but costs are typically more transparent and directly paid for through developer funding. Infill by contrast can become more expensive once spare capacity is exhausted, shifting upgrade costs onto governments and taxpayers. This is precisely why abstract cost ratios are a poor basis for policy formulation. Victoria needs capacity-tested, place-based assessments that make infrastructure constraints, upgrade costs, and who pays transparent, so housing policy reflects real-world network limits and funding realities

2.1 Infrastructure Cost Overview

One of the most persistent claims in Victorian planning has been that infill development is inherently more cost-effective than greenfield expansion when it comes to infrastructure provision. This assumption informs Victoria's 70/30 target and has become a key element of compact city planning strategies.

An analysis of Infrastructure Victoria's work however paints a far more complex picture. Across its three key reports: *Comparative Costs of Urban Development* (2016); *Infrastructure Provision in Different Development Settings* (2019); and *Our Home Choices* (2023), Infrastructure Victoria's position on infrastructure costs evolves from simplistic cost comparison to a recognition that infrastructure capacity, readiness, and governance determine feasibility and value.

Table 2: Summary of Key Infrastructure Victoria Studies (2016–2023)

Report	Focus	Key Insight
Comparative Costs of Urban Development (2016)	Literature Review	Infill infrastructure costs seen as cheaper due to assumed existing infrastructure capacity. Cost difference (2-4 x higher in greenfield) based on theoretical models.
Infrastructure provision in Different Development Settings (2019)	Scenario Modelling	Infill infrastructure cost advantage remains contingent on assumed capacity. Highlights that once infrastructure needs upgrading, infill costs rise sharply.
Our Home Choices (2023)	Policy & Feasibility Analysis	Shifts from cost focus to readiness and delivery. Recognises that without verified infrastructure capacity, infill's capacity weakens and infrastructure costs increase.

Source: Quantify Strategic Insights

2.2 Comparative Costs of Urban Development (2016)

Prepared by SGS Economics and Planning, the 2016 *Comparative Costs of Urban Development* report reviewed literature on comparative infrastructure costs across development settings. It found that greenfield infrastructure provision was typically around two to four times more expensive than infill, depending on the degree of spare capacity in existing systems. It cautioned against treating these benchmarks as universal given strong local variation in infrastructure capacity.[7]

The report also noted that where spare capacity is absent (and densities are comparable), the marginal cost of accommodating growth within existing urban areas can be higher due to the need for major upgrades/augmentation and, in some cases, land acquisition. Notably, the report highlights limitations in comparative studies, including inconsistent definitions/benchmarking and the difficulty of adjusting for local geography and infrastructure capacity, particularly in infill contexts where conditions vary substantially from place to place.

The SGS analysis is explicitly conceptual and literature-based, relying on modelled scenarios and assumptions rather than empirical measurement of realised infrastructure costs. As such, its findings were intended to inform understanding of cost drivers, not to serve as definitive or investment-grade evidence for policy decisions.

2.3 Infrastructure Provision in Different Development Settings (2019)

The 2019 report *Infrastructure Provision in Different Development Settings* built on Infrastructure Victoria's 2016 analysis by modelling infrastructure costs *(based on 2018 dollar figures)* across four key development settings under different capacity assumptions. Its purpose was not to provide precise estimates, but rather to illustrate the broad magnitude of costs associated with different forms of urban development.[8] The four development settings are outlined in the following table.

[7] SGS Economics & Planning – Comparative costs of urban development: a literature review (Infrastructure Victoria, July 2016)
[8] Infrastructure Victoria – Infrastructure Provision in Different Development Settings: Metropolitan Melbourne (Volume 1 Technical Paper, April 2019)

Table 3: Development Settings

Greenfield Growth Area Development	Low-density development (typically 10–20 dwellings per hectare) on previously undeveloped land at the urban fringe. These sites are earmarked for future residential or commercial use.
Small-Scale Dispersed Infill Development (SSID)	Occurs in middle-ring established suburbs, where older housing stock is subdivided and redeveloped into 2–10 dwellings. These sites often become viable due to rising land values and ageing buildings.
Precinct-Scale Brownfield Development (PSBD)	Refers to large underutilised sites in established middle or outer suburbs, often owned by government or a single landholder. These precincts can support medium-density redevelopment of 20–80 dwellings per hectare.
High-Density Development (HDD)	In inner areas and includes apartment towers of 10 storeys or more. The cost data used in the report relates to individual projects rather than large renewal precincts (e.g., Arden or Fisherman's Bend Urban Renewal Precincts), which may involve additional infrastructure repurposing. .

Source: Infrastructure Victoria

2.3.1 Infrastructure Cost Comparison

The infrastructure cost comparison undertaken by Infrastructure Victoria separated total capital costs into four main components: dwelling, civil, utilities, and social infrastructure. It then compared outcomes under two contrasting conditions: one where existing networks had spare capacity (Scenarios 1-3: '*with capacity*') and another where major upgrades were required (Scenario 4: '*no capacity*').

Each scenario reflects different assumptions about the extent to which existing infrastructure in established areas can support additional housing growth without significant upgrades. Together, these scenarios provided a consistent framework for comparing infrastructure costs across settings and highlighted how sensitive the results are to assumptions about network capacity, infrastructure condition, and local context. To examine how infrastructure costs vary across the different development settings, Infrastructure Victoria developed three cost scenarios — *low*, *medium*, and *high*.

2.3.2 Cost Comparisons: Scenario 1-3

Under Scenarios 1–3 (Figure 5), the comparative cost modelling in Figure 5 shows that the total capital cost of infrastructure supporting housing is two to four times higher in greenfield areas than in established suburbs. These scenarios effectively assume the marginal dwelling can be absorbed without major augmentation. Major cost components, such as land acquisition, contamination remediation, and higher-order infrastructure such as transport and open space were however excluded from Infrastructure Victoria's modelling, skewing comparisons further toward infill.

In some circumstances, the costs of greenfield and infill development in these scenarios overlap, particularly where greenfield projects fall at the lower end of the cost range and established-area developments experience higher costs due to site complexity or limited infrastructure capacity.

2.3.3. Scenario 4: When Capacity Runs Out

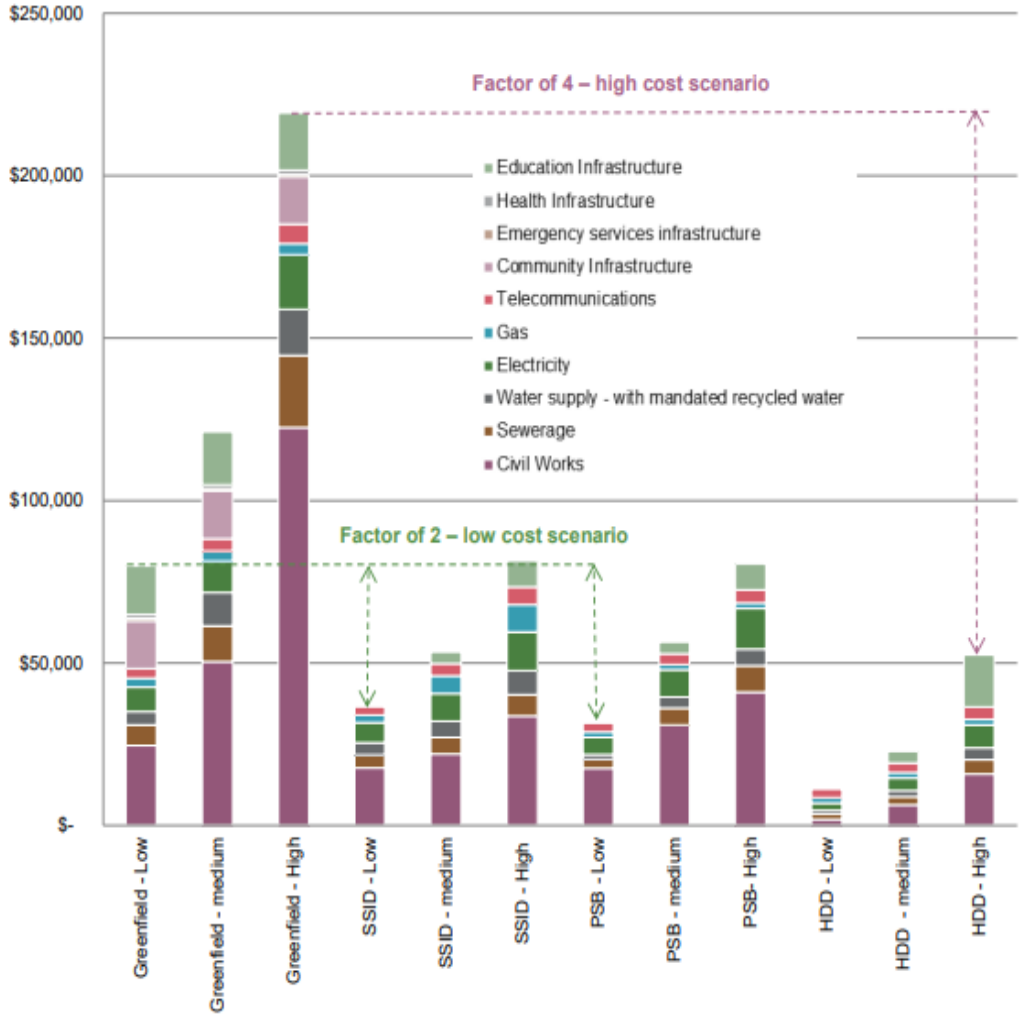
Scenario 4, the 'no capacity' case (Figure 6), tells a different story. When upgrades to utilities, drainage, or social infrastructure are required, infill costs rise sharply, matching or exceeding greenfield levels. This outcome directly challenges the notion of infill's inherent cost efficiency.

Scenario 4 is the relevant case for many established suburbs where networks are already at/near capacity and exposes the point at which infill's efficiency weakens. Once existing infrastructure can no longer absorb demand, major public investments.

Whether it be to expand transport networks, retrofit ageing physical infrastructure systems, acquire land in built-up areas, and/or construct new schools and health services, steep public costs result. Under these conditions, per-dwelling infrastructure costs for infill can equal or exceed those of new greenfield development.

Figure 5: Scenarios 1 - 3 – Spare Capacity

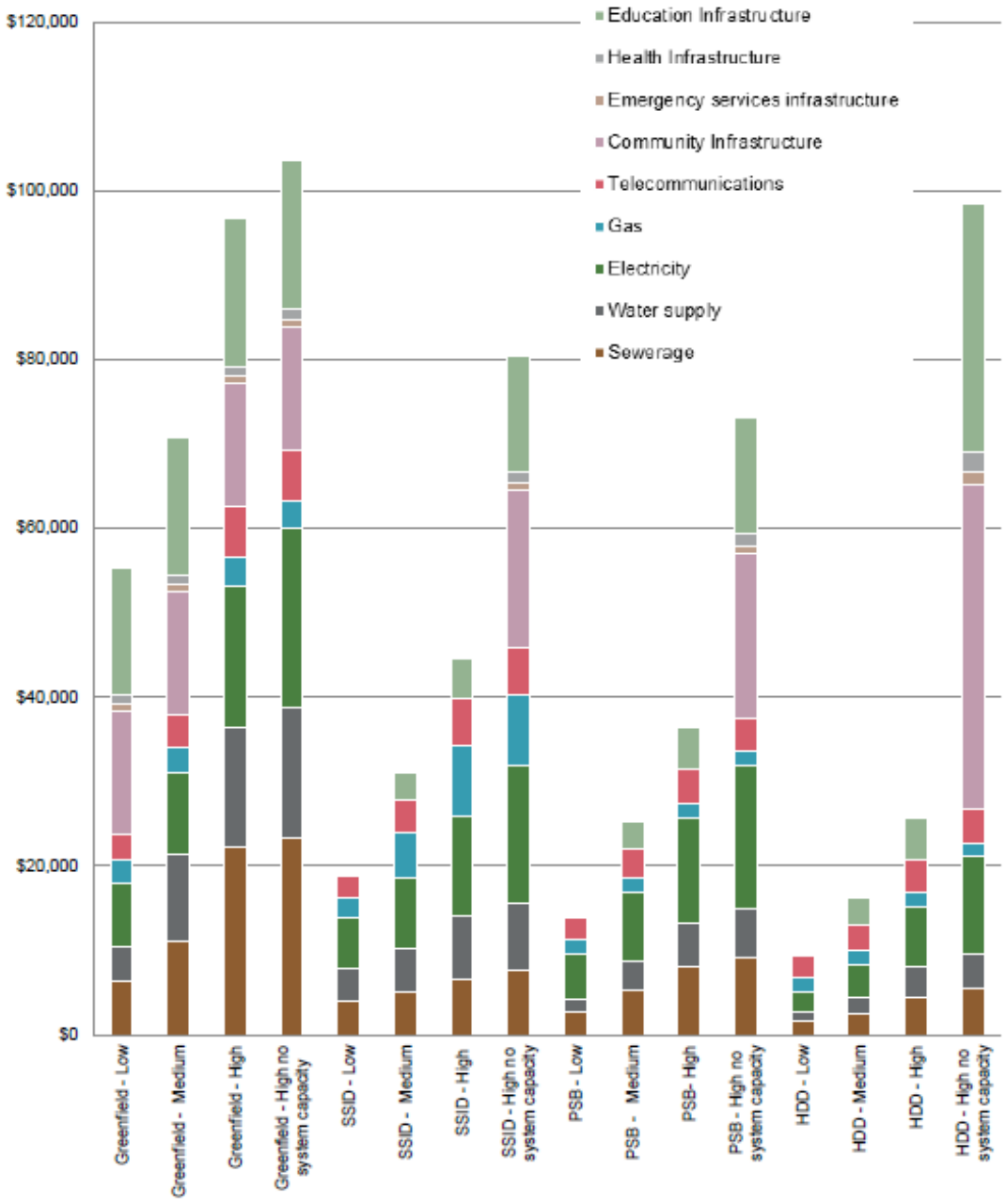
Figure 7: Capital cost for infrastructure elements in different development settings where established area infrastructure has the capacity to support additional dwellings ($2018 per dwelling)



Source: Infrastructure Victoria analysis

Figure 6: Scenario 4 – No Capacity

Figure 8: Capital cost for infrastructure elements in different development settings where established area infrastructure (excluding transport) does not have the capacity to support additional dwellings ($2018 per dwelling)



Source: Infrastructure Victoria analysis

2.4 Beyond the Cost Comparisons

Infrastructure Victoria's comparative cost modelling underscores a central tension in Victoria's housing strategy. That is, while greenfield expansion appears more capital-intensive, infill development becomes increasingly expensive once infrastructure capacity is exhausted. Understanding who bears these costs and how they interact with broader housing affordability objectives requires a closer look beyond headline figures.

The following sections shift focus from total infrastructure expenditure to cost allocation and affordability implications.

2.4.1 Who Pays: Shifting Cost Responsibilities

Examining total infrastructure costs across scenarios reveals a consistent pattern. Greenfield projects can be more expensive per dwelling, whereas infill projects, by contrast, appear cheaper only when they can rely on existing networks. Once upgrades become necessary, costs escalate and shift heavily to the public sector. This distinction is critical as what appears cheaper on paper often conceals deferred, unfunded public works.

Figure 7 compares developer and government contributions to total infrastructure costs per dwelling across various development settings. It shows that greenfield developments carry the highest total infrastructure costs, particularly in high and no capacity scenarios, ranging from around $90,000 to $250,000 per dwelling, with developers bearing the majority of the cost. Notably, the highest government contribution to greenfield development was $118,000 per dwelling.

By contrast, small-scale infill (SSID), precinct-scale brownfield (PSB), and high-density development (HDD) settings have much lower developer contributions but a greater public funding burden when existing infrastructure lacks capacity. In no-capacity scenarios, government costs rise sharply, reaching up to $130,000 per dwelling, highlighting how infill and high-density projects become increasingly expensive for the public sector once infrastructure upgrades are required.

Overall, greenfield infrastructure costs are higher but largely developer-funded, whereas infill and high-density developments appear cheaper only when existing capacity exists, otherwise shifting significant costs onto government.

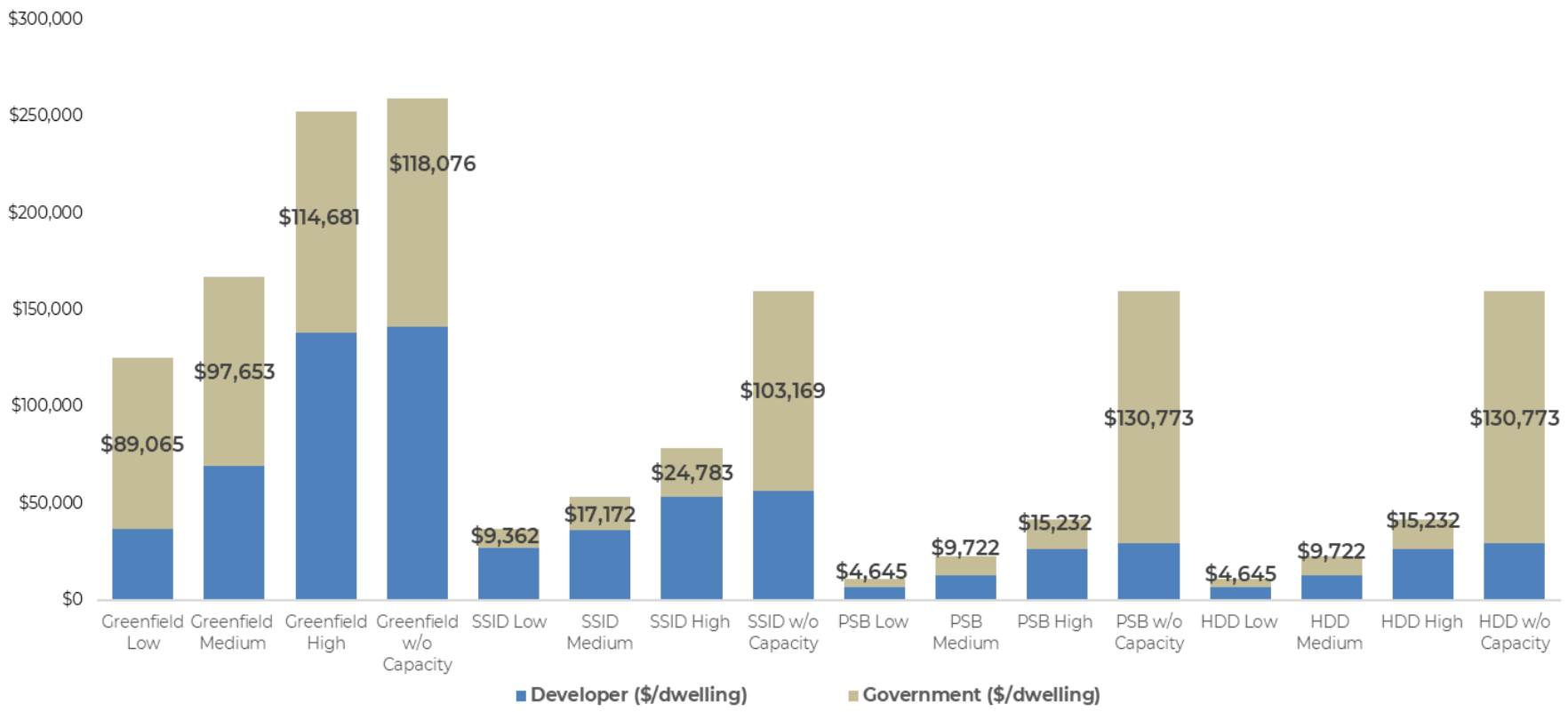
From a policy perspective, the assumption that established suburbs have sufficient spare capacity to absorb additional growth is convenient but flawed. It overlooks the uneven condition of existing networks and the significant variation in their ability to accommodate new demand.

2.4.2 Total Development Costs: Density and Affordability

When dwelling construction and land costs are included, the modelled settings show that total costs increase with density (see Figure 8). Greenfield settings record the lowest overall totals due to simpler development forms, while precinct-scale brownfield and high-density projects have the highest costs because of complex construction, site constraints, and multi-storey design requirements.

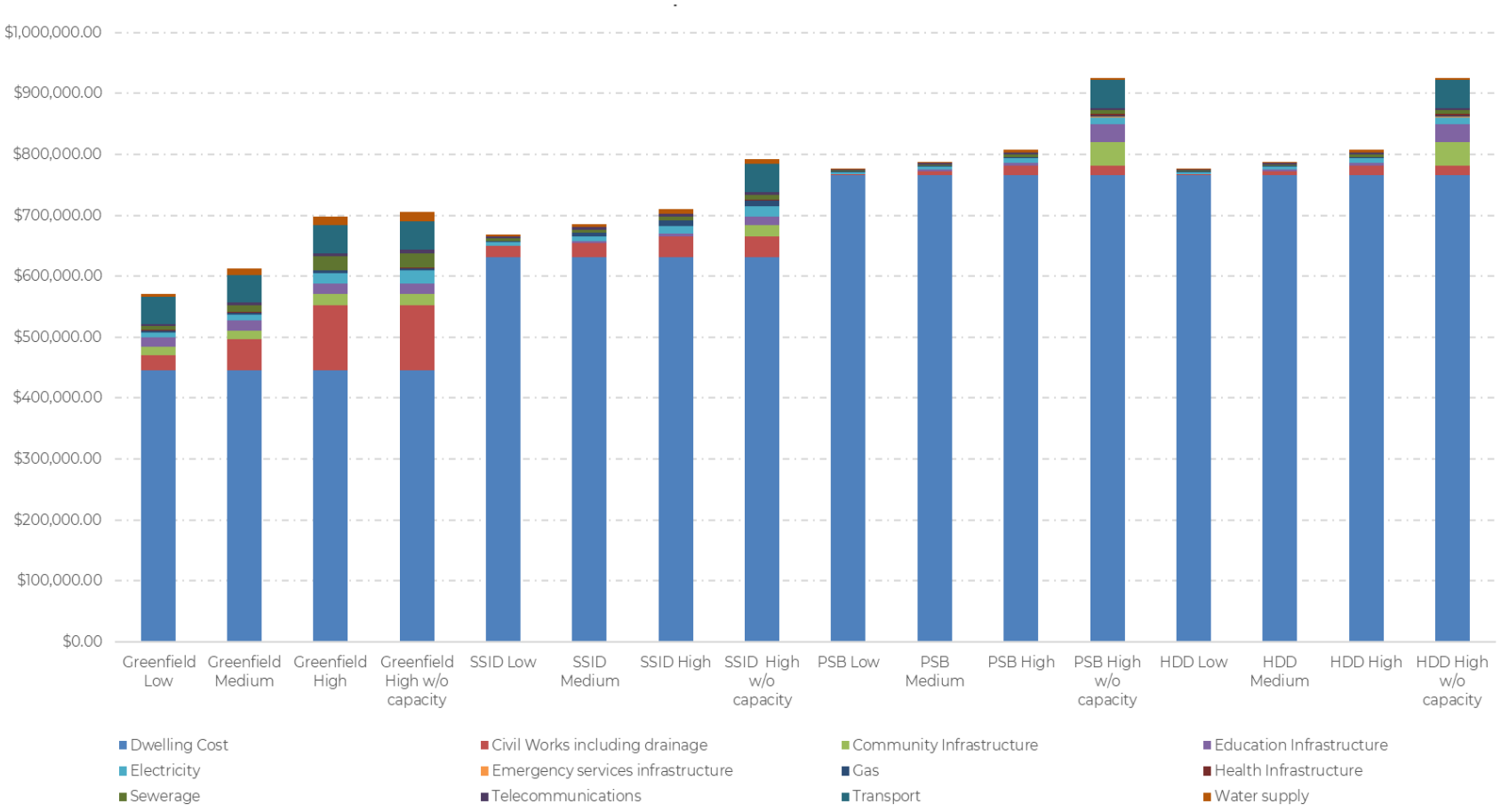
While infill may seem more efficient in narrow infrastructure terms, higher dwelling costs and public upgrade needs drive total costs upward, undermining affordability objectives. The combination of expensive construction and escalating infrastructure requirements makes high-density infill financially challenging to deliver at scale.

Figure 7: Developer vs Government Infrastructure Costs – All Scenarios ($/dwelling)



Source: Infrastructure Victoria; Quantify Strategic Insights

Figure 8: Total Development Costs by Density - All Scenarios ($/dwelling)



Source: Infrastructure Victoria; Quantify Strategic Insights

2.5 Rethinking Cost Efficiency and Policy Assumptions

Infrastructure Victoria's infrastructure cost modelling shows that cost efficiency is not determined by location but by infrastructure capacity. When spare capacity exists, infill can appear cheaper. When it does not, the costs of retrofitting, upgrading, and expanding ageing networks rapidly erode any perceived advantage.

The 'two to four times cheaper' claim which informs current compact city policies, is therefore highly conditional, not universal. It reflects idealised modelling assumptions, such as underutilised infrastructure, incremental expansion, and the omission of higher-order assets, rather than real-world conditions. Once these assumptions are relaxed, infill's fiscal performance converges with, and often surpasses, greenfield development costs.

The Myth of the Infill Discount

The claim that infill development is inherently cheaper than greenfield expansion rests on assumptions that seldom hold true in practice. Infrastructure Victoria's modelling shows that infill's apparent cost advantage exists only where spare infrastructure capacity remains. Once upgrades are required, costs can rival or exceed greenfield development. The "infill discount" is not an economic truth, it is a conditional modelling outcome

---

Equally important is who pays. While greenfield development is substantially financed through private sector mechanisms, infill's rising costs are increasingly borne by the public as capacity constraints emerge. This transfer of cost responsibility exposes a structural weakness in Victoria's current planning framework which treats public infrastructure as an infinite resource rather than a fixed system requiring targeted investment and sequencing.

Ultimately, the evidence points to a fundamental policy misalignment. Basing the 70/30 target on the presumed efficiency of infill risks embedding long-term fiscal and delivery challenges. A credible housing strategy must recognise that cost efficiency is contingent on infrastructure readiness, not geography. Until infrastructure investment, funding responsibility, and sequencing are aligned with actual capacity, the 'infill is cheaper' narrative will remain, unsupported by evidence and unsustainable in practice.

Policy should treat infrastructure capacity as a binding constraint and sequence infill growth only where readiness is verified.

Quantify
Strategic Insights

Planning policies must be designed to ensure that two market conditions hold: the market viability of building new housing, and an adequate supply of houses that people can afford.

3.0

70/30: A Target Out of Reach

Quantify
Strategic Insights

Housing delivery vs policy

- Victoria's 70/30 target is **not being met**: Melbourne is consistently tracking closer to a **50/50 split** between infill and greenfield delivery.
- The delivery gap reflects **structural constraints** to delivering housing in established areas, including infrastructure limits, fragmented governance, rising costs, protracted approval processes, and high taxes/charges.
- The **'missing middle'** has stagnated, leaving medium-density housing materially under-delivered.
- Without systemic reform, the 70/30 target will remain **aspirational** - a goal not supported by the systems needed to deliver it.

Victoria's 70/30 target is not being met. Instead over the past decade, delivery has converged toward a roughly even split between infill and greenfield housing, reflecting structural constraints in established areas.

The core barriers to delivering 70% of new housing in established areas are infrastructure capacity, feasibility pressures, and challenging planning processes; conditions that have stalled medium-density supply and left infill increasingly reliant on high-density apartments. That reliance is now exposed by weak demand, high construction costs and financing constraints. Greenfield, by contrast, continues to deliver more consistent supply because funding and sequencing mechanisms are more established and predictable, and governance responsibilities are clearer

Without structural reform, such as sequenced infrastructure investment, faster approvals, and a credible medium-density pathway, the 70/30 target will remain aspirational.

3.1. The 70/30 Housing Target

At the centre of the Victorian Government's *Plan for Victoria* lies an ambitious goal to deliver 2.24 million new homes by 2051, including 1.78 million within Greater Melbourne. These targets are designed to accommodate population growth and to promote a more compact, efficient, and sustainable urban form.

A defining feature of this plan is the 70/30 target, which seeks to deliver 70% of new dwellings into established suburbs through infill and brownfield redevelopment, and 30% into growth areas. This approach aligns with long-standing metropolitan policy principles of concentrating growth near jobs, services, and transport while reducing growth area development.

Of the 1.78 million homes planned for Melbourne, around 1.25 million are to come from infill and brownfield redevelopment, while 534,000 are allocated to outer metropolitan LGAs, with roughly 410,000 (76%) situated within Growth Area corridors. The intent is to optimise existing infrastructure, promote higher density living, and reduce the environmental and fiscal costs of expansion. Yet translating this ambition into practical outcomes has proven far more complex.

3.2 Structural Barriers to Infill Delivery

The failure to achieve the 70/30 target is not the product of short-term market fluctuation but is the outcome of entrenched systemic conditions that disadvantage infill delivery.

3.2.1 Systemic Constraints

Infill projects face a complex mix of regulatory, financial, and infrastructure hurdles. Widespread fragmented land ownership means fewer large sites are available for redevelopment. Ageing utility networks and limited local infrastructure capacity impose significant upgrade costs. Cumbersome approval processes, overlapping design standards, prohibitive taxes and contributions further inhibit investment confidence.

Collectively, these factors create an environment where medium- and high-density development becomes slower, riskier, and less feasible, particularly compared to greenfield projects.

3.2.2 The Missing Middle

Medium-density housing - townhouses, duplexes, and low-rise apartments – in Melbourne's 'Missing Middle' was meant to form the foundation of compact urban growth, yet this segment of the market has stagnated. Despite policy support, approvals remain well below target levels.

Detached housing in growth areas continues to dominate total dwelling approvals, while townhouse and apartment approvals in established suburbs remain limited.

Of the estimated net additions of dwellings completed between 2016 and 2025, 39% were separate houses in Growth Areas, followed by Apartments (25%) and Townhouses (18%) in the established areas. This imbalance underscores the dependence of infill supply on higher-density formats and the continued dominance of greenfield development in meeting overall housing demand.

Figure 9: New Dwelling Approvals by Region (Greater Melbourne)

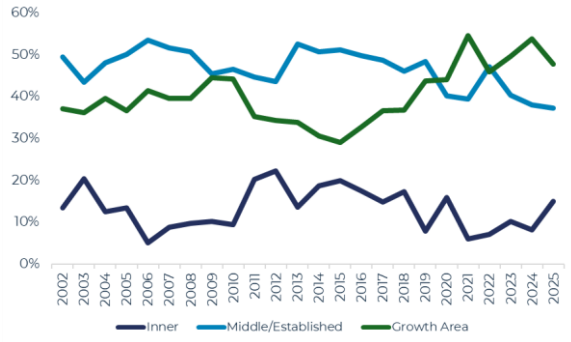
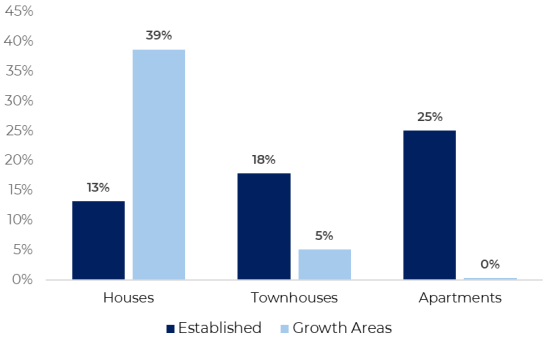


Figure 10: Share of New Dwelling Approvals by Type (Greater Melbourne)



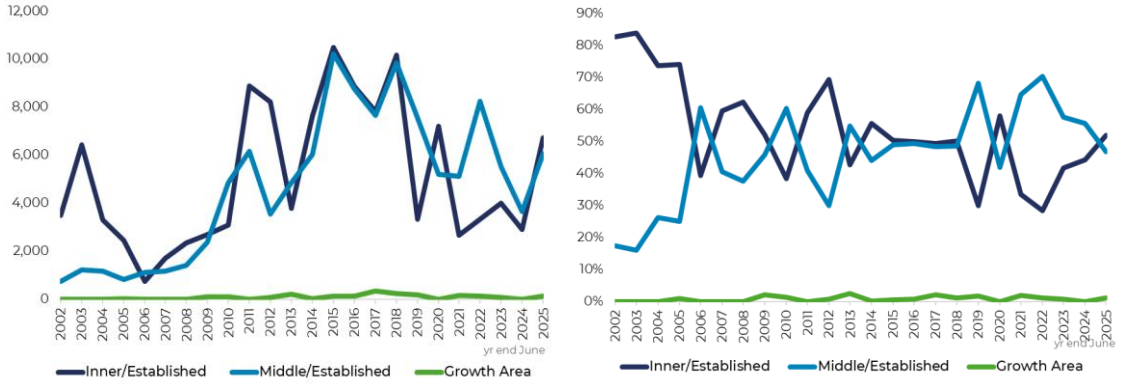
Source: ABS, Quantify Strategic Insights

3.2.3 High-Density Dependency and Volatility

Infill delivery has become over-dependent on high-density apartments, a market segment that is cyclical and heavily exposed to macroeconomic shifts. Following the construction boom of the late 2010s, apartment completions have declined sharply due to escalating costs, declining investor demand, and builder insolvencies. Across Melbourne, numerous approved projects remain stalled or abandoned.

This dependency on apartments leaves the system fragile. A sustainable housing market requires diversity of supply, especially moderate-scale housing suitable for families and downsizers. Without this, the policy vision for compact growth collapses under its own economic fragility.

Figure 11: High Density Dwelling Building Approvals by Region (Greater Melbourne)



Source: ABS; Quantify Strategic Insights

3.3 Delivery Outcomes: Policy vs Reality

Victoria's housing delivery record has moved in the opposite direction of its stated ambition. Instead of 70% of new dwellings occurring in established areas, greenfield regions have accounted for roughly half and in some years, the majority, of all new homes. Infill delivery, by contrast, has struggled, leaving the state's housing strategy heavily reliant on greenfield supply.

A comparison of *Plan for Victoria* targets with actual approvals underscores this structural imbalance with a clear divergence between infill and growth area performance. Despite successive government strategies promoting compact urban growth, housing delivery remains concentrated in growth areas, where land is abundant, infrastructure is pre-planned, and delivery systems operate predictably.

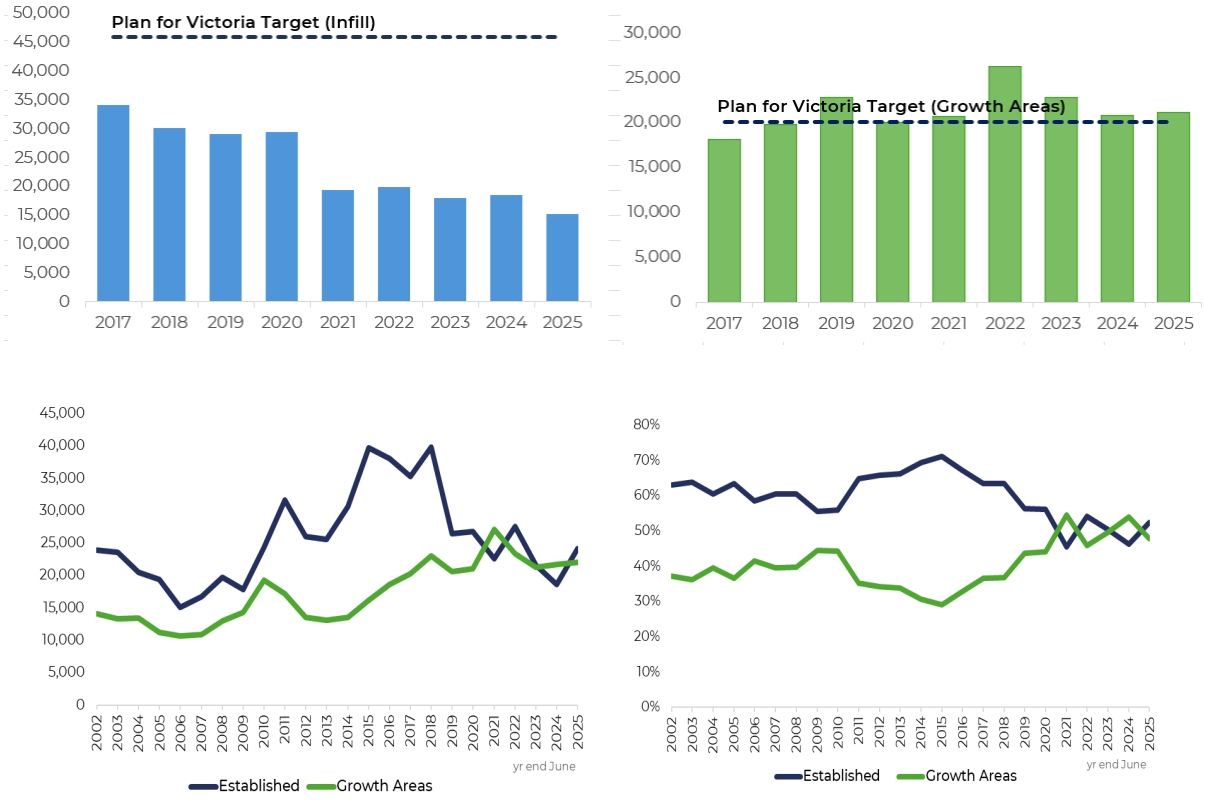
Infill approvals have declined steadily since 2017, with numbers falling to almost one third of the annual target, while growth areas have consistently met or exceeded targets.

The evidence is unequivocal: the 70/30 target is out of reach under current policy, market, and infrastructure settings.

Established-area approvals have trended downward since the mid-2010s, falling from around 35,000 per year to near parity with growth areas by 2025. Growth-area approvals, meanwhile, have risen steadily, reflecting not only stronger delivery systems and land availability, but also stronger underlying demand and generally more favourable market conditions for greenfield product. As a result, the split in approvals has converged toward an even 50/50 outcome, an unmistakable departure from the state's 70/30 target.

Infill areas are collectively achieving significantly less than their target, while growth areas have exceeded theirs. In 2024/25, Melbourne's growth corridors delivered about 21,400 net dwelling approvals, compared with approximately 17,000 approvals in infill areas. Middle and Outer regions, where most medium-density housing is intended to occur, performed worst, delivering only 29% and 27.2% of their target respectively. This contrast highlights that greenfield supply remains reliable and responsive, whereas infill delivery continues to underperform despite policy emphasis.

Figure 12: New Dwelling Building Approvals – Established Areas vs Growth Areas (Melbourne)



Source: ABS, Plan for Victoria; Quantify Strategic Insights

Table 4: Plan for Victoria vs Dwelling Approvals 2024/25 by Region (Greater Melbourne)

Region	Plan for Victoria Target	Dwelling Approvals (Net Increase)	% of Target
Inner	10,425	7,602	76.4%
Middle	26,505	7,370	29.0%
Outer	10,995	2,852	27.2%
Growth Area	20,536	21,448	106.8%
Total	**68,461**	**39,272**	**59.6%**

Source: ABS, Plan for Victoria

3.4 Policy Implications: Rethinking the 70/30 Target

The persistence of a roughly 50/50 split between infill and greenfield delivery is not a temporary deviation but a structural equilibrium produced by misaligned systems. Policy ambition has outpaced institutional and market capacity.

To restore credibility to Victoria's housing strategy, reform must start with pragmatism. Compact growth remains a valid objective, but it will only be achieved through a system-based approach that links ambition to capacity.

A credible housing strategy would:

- Capacity-test targets by subregion and pipeline them into 5-year milestones.
- Further improve medium-density assessment processes and deemed-to-comply pathways
- Create a consistent and transparent infrastructure sequencing and delivery mechanism.

- Adopt a more practical framework that distinguishes strategic capacity, future pipeline and effective supply, noting that measures such as the UDP are useful for monitoring identified capacity but can overstate near-term supply if not adjusted for infrastructure, servicing and feasibility constraints

4.0

Melbourne's Missing Middle

Quantify
Strategic Insights

The broken pipeline

- **The 'Missing Middle' is critical** to achieving Victoria's 70/30 housing target, yet delivery has stalled despite strong policy support.
- **Housing turnover has stagnated.** Despite Melbourne's population growing by more than 50% since 2001, annual detached dwelling sales have declined, limiting the supply of redevelopment sites.
- **Demolitions have fallen sharply,** reducing infill potential and shrinking the pipeline of developable sites in the middle suburbs.
- **Townhouse growth is shifting to the fringe.** Nearly 40% of townhouse approvals now occur in greenfield estates, undermining the policy goal of concentrating growth in established suburbs.
- **Recalibrate the 70/30 target** to reflect feasibility and reinforce delivery in established suburbs.

The 'Missing Middle' of townhouses, dual occupancies, and low-rise apartments is critical to achieving Victoria's 70/30 target, providing a greater choice of housing options for while supporting compact urban growth.

4.1 The Structural Weakness of Melbourne's Medium-Density Market

Medium-density delivery depends on a functioning redevelopment chain: (1) property turnover creates opportunities for renewal; (2) demolitions convert opportunities into sites; and (3) a capable small-builder sector turns sites into dwellings. However, all three links have weakened as turnover has stagnated, demolitions have fallen sharply, and builder capacity has been significantly reduced.

The 'Missing Middle' cannot scale even where policy encourages it. The consequence is not just lower output, but a spatial shift of townhouse delivery to growth areas where land economics and approvals are more workable. The housing type intended to densify the middle suburbs is now proliferating on the urban fringe. This inversion of policy intent underscores the gap between ambition and delivery.

The 'Missing Middle' remains the linchpin of Victoria's infill strategy, but it is the weakest link in delivery.

4.1.1 Falling Sales Turnover Restrains Redevelopment

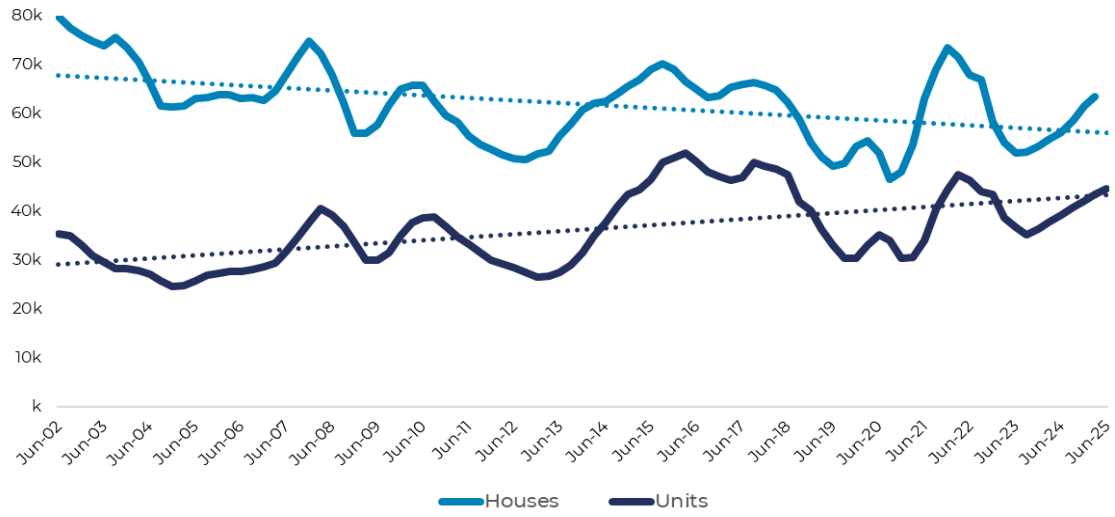
House sales have steadily declined as owners stay longer in their homes, limiting the number of sites available for redevelopment. A low-turnover market constrains the evolution of housing stock, stalling the renewal that medium-density formats depend upon. Property sales are the lifeblood of medium-density redevelopment. When older homes are sold, they create opportunities for renewal through subdivision or townhouse construction. Strong turnover sustains the pipeline of redevelopment sites.

Redevelopment in established suburbs relies on an active sales and demolition pipeline, but even as Melbourne's population has grown from 3.5 million to more than 5.4 million since 2001,

detached dwelling turnover has declined (see Figure 15). Fewer home sales mean fewer redevelopment sites, while demolition rates have fallen well below long-term averages.

In short, fewer transactions mean fewer opportunities to develop existing, older properties to new housing forms, slowing delivery at the very point where policy requires acceleration.

Figure 15: House & Unit Sales – Moving Annual Total (Greater Melbourne)



Source: PriceFinder

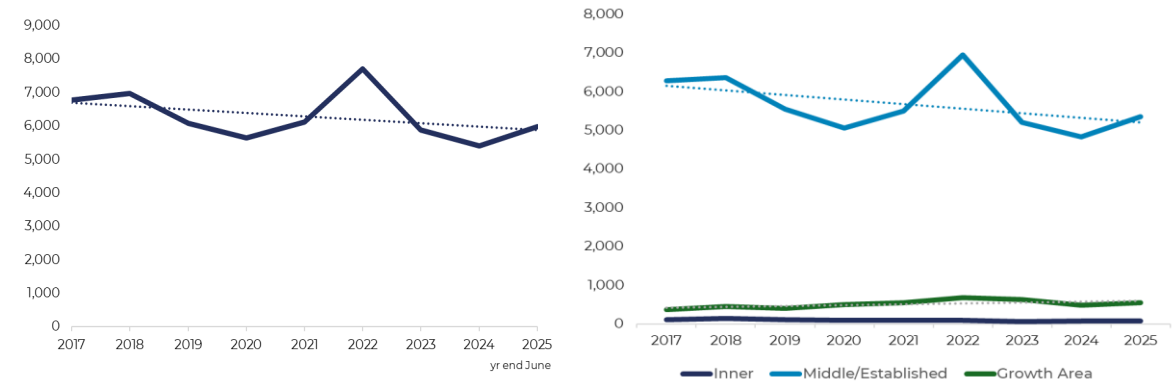
4.1.2 Demolitions in Decline

Demolitions are the next link in the redevelopment chain. Most medium-density projects depend on the replacement of existing dwellings, and when demolition activity falls, infill potential contracts.

Melbourne's middle suburbs, historically responsible for around 90% of all demolitions, have seen activity drop by almost a third since 2022, averaging under 6,000 demolitions annually. This trend reflects the direct relationship between turnover and redevelopment.

With fewer sales and fewer demolition permits, the stock of developable sites is shrinking. This erosion of the infill pipeline limits housing renewal precisely where the 70/30 target expects growth to occur. Without stronger redevelopment activity, the medium-density sector cannot deliver at scale, regardless of demand.

Figure 16: House Demolitions by Region (Greater Melbourne)



Source: ABS; Quantify Strategic Insights

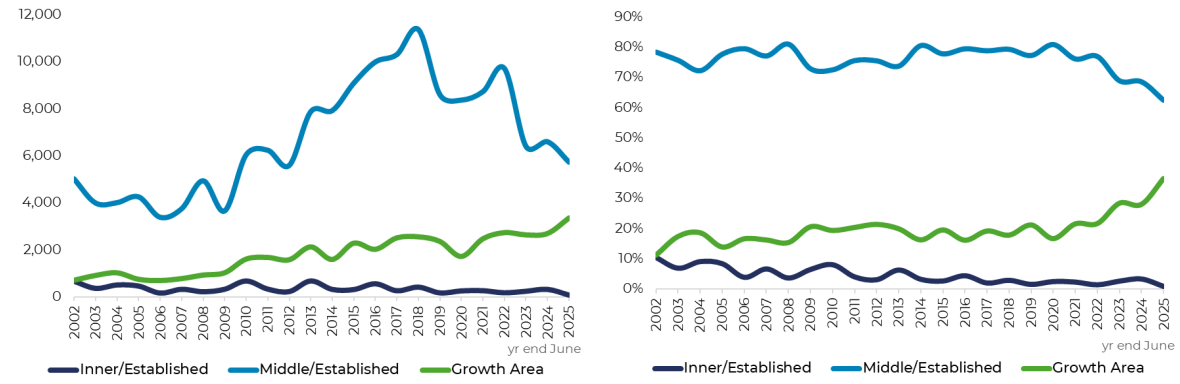
4.2 Townhouse Sector Constraints

The decline in townhouse construction across established suburbs continues to pose a serious threat to achieving the government's infill targets. Medium-density housing was intended to carry much of the 70% share of new dwellings in established areas, but the sector remains fragmented, under-capitalised, and vulnerable to shocks.

Most townhouse projects are delivered by smaller, local builders working on tight margins. Over the past three years, as cost escalation and widespread insolvencies have significantly impacted the industry, many have shifted to less risky work in infrastructure or home renovation, reducing the pool of active infill developers.

In essence, Melbourne's townhouse industry remains a relatively small, under-resourced and fragmented sector. Without a larger, more efficient delivery model, medium-density housing will remain a niche product incapable of delivering the volumes required to meet the government's 70/30 target.

Figure 17: Medium Density Dwelling Approvals by Region (Greater Melbourne)



Source: Infrastructure Victoria; Quantify Strategic Insights

4.3 Townhouses Moving to the Growth Areas

Perhaps the most telling shift in Melbourne's housing geography is the relocation of townhouse development from the middle suburbs to the urban fringe. Historically, Melbourne's middle-ring areas accounted for about 80% of townhouse approvals. That figure has now fallen to around 60%, while growth areas now contribute nearly 40% of total townhouse activity.

This spatial shift represents a profound policy contradiction. The housing type designed to densify established suburbs is now being built primarily in greenfield estates. High land prices, restrictive local planning rules, and extensive overlays have rendered many infill sites uneconomic, while fringe developers have integrated townhouses into master planned communities where land is cheaper and approvals are faster.

Growth areas are now performing a dual function, continuing to supply detached homes while also delivering an increasing share of medium-density stock. The result is a policy inversion: medium-density housing is being built where infrastructure is new, not where it already exists. This undermines the efficiency rationale underpinning compact growth and exposes the disconnect between policy ambition and delivery reality.

4.4 Barriers to the Missing Middle

The ‘Missing Middle’ remains the linchpin of Victoria’s infill strategy, but it is the weakest link in delivery. Sluggish turnover, falling demolitions, and weakened builder capacity have fractured the redevelopment chain that once sustained small-scale infill. Meanwhile, medium-density supply is shifting outward to the fringe, eroding the purpose of compact urban growth.

Unless structural reforms address the barriers constraining small-scale redevelopment, the 70/30 target will remain an abstract goal rather than a deliverable plan, a reminder that a credible housing strategy must be built on the realities of market capacity and infrastructure readiness, not on policy ambition alone.

5.0

Why Apartments Are Not the Answer

Quantify
Strategic Insights

The feasibility gap

- Apartment feasibility is **geographically narrow**: at prevailing prices, projects meet a conservative feasibility benchmark **(RLV > $50,000 per dwelling**) in only a small share of Melbourne suburbs, concentrated in higher-value inner and bayside locations.
- New mid-rise apartments typically require end values of around **$14,000–$16,000 per sqm** to be viable, placing typical dwellings well above the depth of the mainstream unit market.
- As a result, high-density infill is a **niche product,** unable to scale across middle and outer Melbourne at prices the market can absorb consistently.
- Policy levers (e.g., reduced parking, faster approvals, cheaper finance) can improve viability marginally, but modelling suggests they **do not materially broaden feasibility** across most of Greater Melbourne.

As long as feasibility remains constrained and viable delivery requires price points out of step with market depth, high-density apartments cannot be the engine of a metropolitan infill strategy.

The constraint is not build costs in isolation: once land, statutory charges, finance, risk and an appropriate margin are included, many projects only work at prices well above prevailing local values. At those price points, buyer depth thins, absorption slows, and lenders become more cautious, making apartment delivery difficult to replicate across middle and outer Melbourne.

For example, a representative mid-rise apartment might cost around $830,000 to deliver but must sell for about $920,000 to proceed. This is roughly $300,000 above Melbourne's median unit price. Policy changes (parking, approvals, finance) may narrow this gap at the margin, but rarely close it, leaving apartment-led infill commercially viable only in a limited set of high-amenity, high-income locations.

5.1 Apartments Out of Reach

Melbourne's apartment supply has consistently underperformed in both scale and distribution. Since the early 2010s, construction has been concentrated in the inner city and a small number of middle-ring suburbs.. While these areas have delivered the bulk of Melbourne's apartments, they have done little to alleviate affordability pressures across the broader market.

5.1.1 A Narrow Geography of Apartment Supply

Based on analysis of ABS dwelling approval data, over the past three years only a handful of suburbs have recorded more than 50 new apartment approvals annually. Across roughly three-quarters of Greater Melbourne, apartment construction has been minimal, a pattern shaped by high costs, elevated risk, and limited buyer appetite.

Apartment feasibility is geographically narrow because the sale prices required to make projects viable exceed prevailing local values across most of Melbourne. The following sections set out the feasibility thresholds, the "no capacity" cost pressures, and why incremental policy levers (parking, approvals, finance) cannot scale apartment delivery to meet the 70/30 target.

5.2 The Economics Don't Stack Up

Delivering new apartment projects in Melbourne has become increasingly unviable, even in locations where demand for housing remains strong. Escalating construction costs, rising finance expenses, and static sale prices have eroded development margins to the point where most projects simply do not stack up. Victoria's property tax settings, including stamp duty, land tax and related holding and transaction costs, further compound feasibility pressures, widening the gap between what it costs to deliver an apartment and what buyers can afford to pay.

5.2.1 Relating Construction Costs to End Sale Prices and Affordability

For the purposes of assessing apartment feasibility, a residual land value threshold of $50,000 per apartment is used as a conservative benchmark. While actual hurdle rates vary by project and risk profile, outcomes below this level typically fail to attract development capital, particularly for mid-rise apartment projects with extended delivery timeframes.

Using this benchmark, the economics of Melbourne's apartment market reveal a fundamental affordability constraint.

Detailed feasibility testing shows that projects generally require end sale prices in the order of $14,000–$16,000 per square metre once land acquisition, construction, professional fees, statutory charges, finance, marketing, GST, contingency, and a standard developer margin are included. At these price points, a three bedroom would be required to sell in excess of $1.3 million. These values sit far above Melbourne's median unit price of around $620,000, placing new apartments out of reach for most households.

As a result, apartment feasibility is confined to a narrow geographic band where local market prices already approach these thresholds. In approximately 97% of Greater Melbourne suburbs, prevailing sale prices are insufficient to generate a residual land value above the feasibility benchmark. In these areas, projects fail not because of weak housing demand, but because the price required to make development viable exceeds what the market can absorb at scale.

Figure 13: Average annual apartment approvals (4+ storeys) by SA2 (Greater Melb)

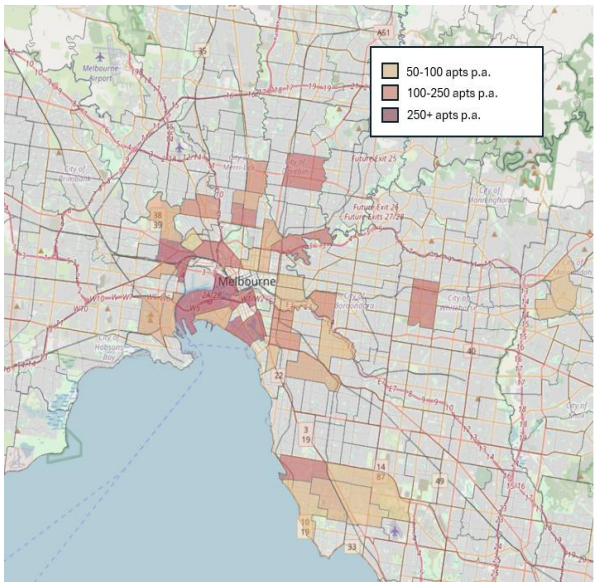
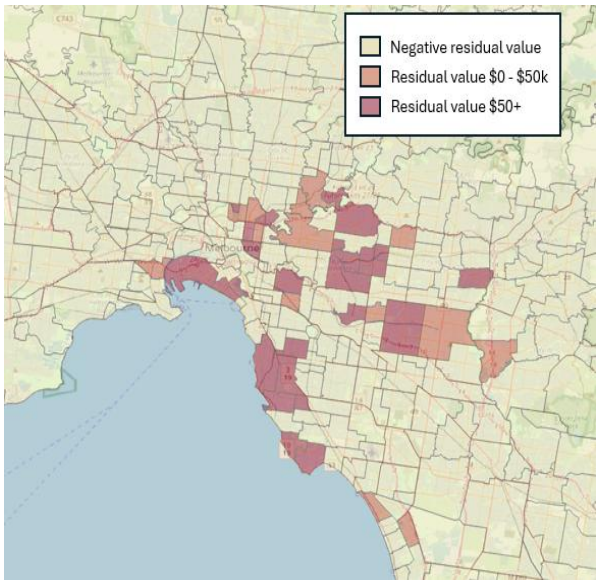


Figure 14: Suburbs with positive residual land value (Greater Melbourne)



Source: Quantify Strategic Insights

Apartment Project: Example Feasibility (Greater Melbourne)

The Cost Surge Behind Melbourne's Apartment Feasibility Crisis

Rising construction costs are now one of the most significant barriers to apartment development across Melbourne. A feasibility analysis of a typical mid-rise apartment project in Melbourne's middle suburbs illustrates this challenge.

Based on a recent land sale and conservative assumptions for build costs, financing, and developer margin, the estimated delivery cost is $838,000 per apartment. To achieve a viable return, developers would therefore need to sell an apartment for approximately $922,000 per apartment or $13,170 per sqm. This is 49% above the current Greater Melbourne median unit price of $617,395 a gap of over $300,000.

This pricing mismatch is largely driven by the surge in construction costs, which have risen 64% from $2,500/sqm in 2020 to $4,100/sqm in 2025[1]. Over the same period, the median unit price in Melbourne increased by just 10%. Construction now accounts for around 56% of total development costs, or $509,000 per apartment, including basement parking.

While developers might try to close this gap through minor cost savings or lower margins, the shortfall remains too large for most off-the-plan buyers, particularly for larger, family-sized apartments. In many cases, even when residual land values are modestly positive (e.g., up to $50,000 per apartment), the existing use of the land holds more economic value than redevelopment, making apartment projects commercially unviable.

Figure 15: Mid Rise Apartment Project Feasibility Assessment (Greater Melbourne)

Development Cost Component	Total	Per Apartment
Land acquisition	$3,700,000	$67,273
Stamp duty	$220,500	$4,009
Site prep/Demolition	$220,688	$4,013
Construction	$19,731,250	$358,750
Parking	$6,336,000	$115,200
Professional fees	$2,365,914	$43,017
State and other contributions	$290,142	$5,275
Local gov't payments	$310,910	$5,653
Land Tax	$188,250	$3,423
Financing costs - land	$793,901	$14,435
Financing costs - construction	$2,462,440	$44,772
Sales and marketing (4% of sales)	$2,028,087	$36,874
Contingency on building (5.0%)	$1,432,693	$26,049
Required margin	$6,012,116	$109,311
Total cost	**$46,092,892**	**$838,053**
Required selling price (cost+GST)	**$50,702,182**	**$921,858**
Median unit price		**$617,395**
Price Gap		**-$304,463**

Project Details	
Land acquisition	$3,700,000
Site size	1,650 sqm
Dwellings	55
Average apartment size	70 sqm
Parking spots (@ 1.3 per apt)	72
Efficiency ratio	80%

Development Assumptions	
Construction Costs (per sqm)*	$4,100
Cost of Basement Parking (per space)*	$88,000
Professional Fees	7.0%
Project Management Fees	2.0%
Planning & pre-sales	18 months
Construction period	24 months
Titles & settlement	3 months

Project financials	
Land Loan/Value Ratio	60%
Construction Loan/Value Ratio	75%
Land intrest rate	9.0% p.a.
Construction interest rate	9.0% p.a.
Developer margin (on costs)	15%

Notes:

- Land acquisition price based on recent sale of actual permitted site of 55 apartments
-Construction and parking costs conservatively set at lowest end of the range indicated by Rider Levett Bucknell
-State government includes Cladding Rectification levy; Local government includes indicative DCP and 5% open space levy. (exc WGT & DCP/ICP charges))
-Costs relate to land values based on land purchase price
-Excludes external headworks

5.3 Limited Levers: Why Market and Policy Tweaks Can't Bridge the Gap

Policymakers often assume that modest changes in prices, costs, or regulation can make apartment projects viable. However, detailed modelling shows that even substantial adjustments fail to overcome the fundamental economics of delivery, particularly once Victoria's property tax settings, including stamp duty, land tax and related holding/transaction costs, are properly accounted for.

This disconnect between delivery costs and buyer capacity explains why apartment construction remains highly concentrated and why apartment-led infill cannot be replicated across middle and outer Melbourne. The issue is not marginal inefficiency, but a structural gap between feasible price points and market depth that policy tweaks alone cannot bridge.

5.3.1 The Structural Limits of Apartment Feasibility

Price Increases → A 20% price increase makes projects feasible in only about 3% of suburbs; even at 40%, fewer than one in ten would qualify. Most buyers cannot afford the prices needed to offset costs, so higher prices would worsen affordability.

Cost Reductions → Lowering input costs helps but not enough. Reducing car parking requirements -which can represent a material share of construction costs, particularly where basement car parking is required - can double the number of viable suburbs to just 6% of Greater Melbourne. Cheaper financing or streamlined approvals add little further benefit.

Combined Scenarios → Even an optimistic mix of a 40% price uplift, reduced parking, and lower financing costs makes only about 25% of suburbs viable, leaving three-quarters of Melbourne commercially unviable.

These results underline the limits of market and policy levers in bridging the feasibility gap. High construction costs, flat prices, and limited buyer capacity create a structural ceiling on apartment viability. Without transformative cost reductions or fundamental demand shifts, high-density development will remain confined to a few affluent suburbs, far short of what is needed to achieve the 70/30 target.

Table 5: Share of Melbourne Suburbs Where Apartment Projects Are Financially Feasible Under Different Price and Cost Assumptions

Selling price assumption	Cost assumption	Suburbs with $50k+ per dwelling residual
Suburb Median		1%
Suburb Median +20%		3%
Suburb Median +20%	parking spaces halved	6%
Suburb Median +20%	150 basis pt cut to funding costs	3%
Suburb Median +30%		5%
Suburb Median +40%		9%
Suburb Median +40%	parking halved & funding cut by 150 pts	25%

Source: Quantify Strategic Insights from various public and private sources

5.4 Scaling Up and Market Demand Constraints

A metropolitan infill strategy cannot rely on a typology that is feasible in only a small share of suburbs at prevailing prices. Even aggressive assumptions only broaden feasibility to around a quarter of suburbs, still far short of what would be required to carry the 70% infill share.

Apartments play only a modest role in Melbourne's housing stock. As of the 2021 Census, just 2% of dwellings were three-bedroom apartments and less than 1% were in mid- to high-rise buildings of four storeys or more - a typology prioritised in the 70/30 target.

To meet the government's infill target, a dramatic increase in apartment output would be required, yet cost and demand barriers make this implausible. Three-bedroom apartments are now priced above the median house value, often exceeding $1.2 million, putting them out of reach for most families and downsizers. This pricing narrowly targets a wealthier buyer segment, limiting volume and reinforcing housing inequality.

The evidence is clear: scaling apartment construction cannot bridge Melbourne's housing gap. High-density projects deliver choice for some buyers but not the affordable, broad-based supply required to address population growth.

In locations already struggling to make apartment projects stack up, the addition of DCP charges such as the $33,289 per dwelling levied in Fisherman's Bend only widens the viability gap. Well-intentioned infrastructure contributions risk undermining the very housing supply these precincts are meant to deliver.

5.5 Rethinking Apartment-Led Infill

Apartments will continue to play a role in Melbourne's housing mix, particularly in well-serviced inner areas. But they cannot be the workhorse of a city-wide infill strategy. The economics of delivery combined with limited market depth outside high-value locations, means high-density development functions as a niche product rather than a mass-market solution.

Relying on apartment-led infill to achieve Victoria's 70/30 target is therefore a strategic miscalculation. Without addressing cost, funding and feasibility constraints, high-density development will remain confined to a small number of affluent postcodes, concentrating supply where prices are already highest and doing little to ease broader affordability pressures. This shortfall places even greater pressure on the medium-density market to deliver infill housing, yet this segment is also underperforming.

Victoria needs a broader, more realistic approach to medium-density housing, supported by enabling infrastructure, improved planning systems and targeted financial settings. Only then can the state move beyond aspiration and toward genuine housing delivery."

Melbourne's Structural Affordability Paradox

- Developers must sell at unaffordable price points to make projects feasible.
- Buyers cannot afford the prices needed to sustain new supply.
- As a result, the apartment market contracts to a small, high-income geography, deepening spatial inequality and reducing housing diversity.

Until construction costs fall substantially or land economics are rebalanced, Melbourne's apartment market will remain a niche, high-cost product, unsuitable as the foundation for large-scale housing delivery under the 70/30 target.

We face a strangely paradoxical situation in the way cities are managed: the professionals in charge of modifying market outcomes through regulations (planners) know very little about markets and the professionals who understand markets (urban economists) are seldom involved in the design of regulations aimed at restraining these markets. The lack of interaction between the two professions causes serious dysfunction in the development of cities.

ALAIN BERTAUD; ORDER WITHOUT DESIGN

6.0

Rethinking Melbourne's Growth Model

Quantify
Strategic Insights

What the evidence shows

- **Melbourne's 70/30 target is not achievable on current delivery settings**. Infill output has consistently underperformed due to exhausted infrastructure capacity, rising costs, fragmented governance, and weak feasibility across both apartments and medium-density housing.
- **Greenfield development continues to deliver housing at scale.** Coordinated infrastructure funding, clearer governance, and more workable land economics have made growth areas the system's most reliable source of supply.
- **The assumption that infill is inherently cheaper than greenfield is flawed.** Once infrastructure upgrades, land acquisition, and delivery risk are accounted for, infill often matches or exceeds greenfield costs, particularly in established suburbs.
- **Restoring deliverability requires systemic reform, not tighter targets.** Priority actions include enabling infrastructure funding and sequencing, reforming property taxation to improve feasibility, and establishing a coordinated and consistent metropolitan delivery mechanism.
- **A balanced growth model is the only realistic path forward**. Melbourne must pursue targeted infill reform alongside well-planned, infrastructure-ready greenfield expansion to restore supply, affordability, and confidence in the housing system.

Melbourne's 70/30 target is no longer realistic under current conditions. Infill delivery has consistently underperformed, constrained by exhausted infrastructure capacity, rising costs, fragmented governance, and an unviable apartment market. The 'Missing Middle' of townhouses and low-rise developments, once expected to bridge the gap, remains chronically under-supplied.

Meanwhile, growth areas continue to deliver housing at scale with clearer sequencing and more reliable delivery pathways. Persisting with an infill-dominated strategy risks deepening the housing shortfall and worsening affordability pressures.

A balanced approach is required: pursue genuine infill reform, particularly infrastructure governance and funding, while actively enabling well-planned greenfield growth as a necessary and complementary pillar of Melbourne's housing future."

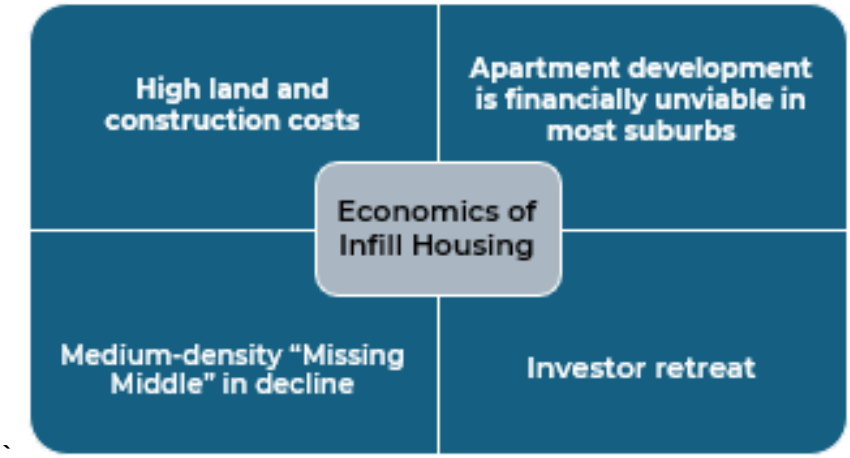
6.1 Rethinking Melbourne's Growth Model

Victoria's 70/30 target faces deep structural barriers that make it unachievable under current conditions. Persistent underperformance in infill delivery, combined with the strong and consistent results from greenfield areas, points to an unavoidable conclusion: Melbourne needs a more balanced, market-aligned growth strategy that actively supports well-planned greenfield development alongside targeted infill reform.

6.1.1 The Flawed Economic Premise: Infill Is Not Always Cheaper

Cost comparisons are conditional: once capacity is exhausted and omitted costs are included, infill can converge with or exceed greenfield.

Figure 18: Economic Constraints to Infill



6.1.2 Exhausted Infrastructure Capacity

Across many settings, the majority of total delivery costs sit within the dwelling boundary (land and construction), which are typically higher in established-area infill markets. Any claimed infill cost advantage therefore depends heavily on spare capacity in existing networks. In many of Melbourne's inner and middle suburbs, that capacity is now exhausted.

Ageing water, sewerage, drainage, transport and social infrastructure systems are already stretched. Retrofitting these networks for additional growth is complex, expensive and disruptive, eroding the supposed efficiency of infill, particularly where additional dwellings require major upgrades, augmentation or land acquisition.

6.1.3 Escalating Infill Costs

When upgrades or retrofits are required, infill costs can match or exceed those of greenfield development. This is particularly true for social infrastructure, where land acquisition in established suburbs can be multiple times more expensive than in new communities, often doubling or tripling total delivery costs.

6.1.4 Fragmented Governance and Funding

Infill delivery is further constrained by fragmented governance. The absence of a dedicated metropolitan infrastructure fund, coupled with unclear responsibilities across multiple agencies and utilities, creates duplication, delay, and uncertainty. Renewal precincts like Fisherman's Bend and Macaulay demonstrate how unresolved flood risks, piecemeal land assembly, and uncoordinated planning can paralyse major infill opportunities despite strong policy intent.

6.1.5 The Failure of Infill to Deliver at Scale

Apartment feasibility remains geographically narrow. Outside high-value inner and bayside markets, sale prices generally do not support viable mid-rise delivery once land, charges, finance and risk are included.

6.2 The Missing Middle Remains Missing

Medium-density housing - townhouses, dual occupancies, and low-rise formats - was intended to be the workhorse of Melbourne's infill strategy. Instead, delivery has stagnated and has not scaled to the volumes implied by the 70/30 target.

The constraint is structural: medium-density infill relies on a functioning redevelopment pipeline: property turnover to create opportunities, demolitions to convert them into sites, and a capable small-builder sector to deliver projects. All three links have weakened due to flatter

turnover, declining demolitions, and a hollowed-out builder cohort following recent cost shocks and insolvencies.

The most telling indicator is where townhouses are now being delivered. Medium-density supply is increasingly shifting to growth areas, where land economics and approvals are more workable. This policy inversion shows the market is producing the desired dwelling form, but not in the locations the 70/30 target assumes, leaving a persistent gap in Melbourne's infill capacity.

Melbourne's 70/30 target cannot be delivered under current market and infrastructure conditions. Achieving a sustainable and balanced housing future will require fundamental system reform across taxation, infrastructure funding, planning, and target setting.

6.3 Greenfield as a Necessary Solution

Given the entrenched constraints on infill, greenfield development is not an optional alternative, it is essential to restoring balance and meeting housing demand. Melbourne's growth areas have proven their reliability, averaging more than 21,000 dwelling completions per year since 2017 and consistently exceeding policy benchmarks.

Greenfield development has distinct advantages. Infrastructure can be planned and delivered in a coordinated manner, to modern standards, without the cost and complexity of retrofitting ageing systems. Increasingly, these communities include medium-density formats such as townhouses and smaller lots, delivering diversity and affordability that infill markets have failed to achieve.

Without expanding greenfield land supply and investing in infrastructure-ready projects, Melbourne will continue to fall short of housing targets. Greenfield provides the system's 'pressure valve,' maintaining supply while reforms to infill governance, funding, and feasibility take shape.

6.4 A Balanced and Realistic Path Forward

Melbourne's growth challenge cannot be solved by policy ideology or by favouring one housing type over another.

A balanced growth model treats greenfield supply as a necessary pressure valve while infill systems are reformed, rather than as a policy failure. It links housing targets to verified infrastructure capacity (not assumed headroom), sequences enabling investment through a consistent and transparent delivery mechanism, and prioritises a realistic housing mix, especially medium density across both established and growth areas. Without this reset, the 70/30 target remains an aspiration unsupported by the delivery systems required to achieve it.

Victorians should have access to timely infrastructure and services regardless of location, and investment must respond to where population growth and housing delivery are occurring now.

Victoria's housing strategy must evolve toward balance, maintaining ambition for infill through genuine infrastructure reform, while actively enabling more well-planned greenfield development to meet near-term demand. Only by aligning policy with delivery capacity can

Melbourne achieve a sustainable and equitable housing future. Chapter 7 sets out the reform agenda required to operationalise this balanced model.

Table 6: Summary of Constraints to Delivering 70/30

System Constraint	Underlying Cause	Impact on Delivery
Exhausted Infrastructure Capacity	Ageing networks in established suburbs; limited water, drainage, and transport headroom	Infill delivery stalls due to upgrade costs, service constraints, and slow approvals
Escalating Development Costs	High construction and land costs; apartment feasibility collapse; small-builder insolvencies	Infill becomes unviable; projects cancelled or confined to high-value locations
Fragmented Governance & Funding	Disconnected agencies, lack of governance over infrastructure funding, reactive planning	Duplication, delays, and loss of investor confidence
Market Feasibility Constraints	Over-reliance on high-density apartments; missing-middle stagnation; weak builder pipeline	70/30 target undeliverable; supply gap widens; affordability pressures intensify

7.0

Reform Agenda for a Deliverable Housing Future

Quantify
Strategic Insights

A deliverable pathway

Victoria's housing challenge cannot be solved by ambition alone. The 70/30 target has exposed systemic weaknesses in infrastructure funding, planning regulation and growth sequencing. Compact-city outcomes remain a valid long-term objective, but they require delivery systems that are not yet operating at scale.

This chapter sets out six reforms to restore deliverability and confidence by aligning targets with verified capacity, improving feasibility, and increasing certainty across infrastructure, planning and contributions.

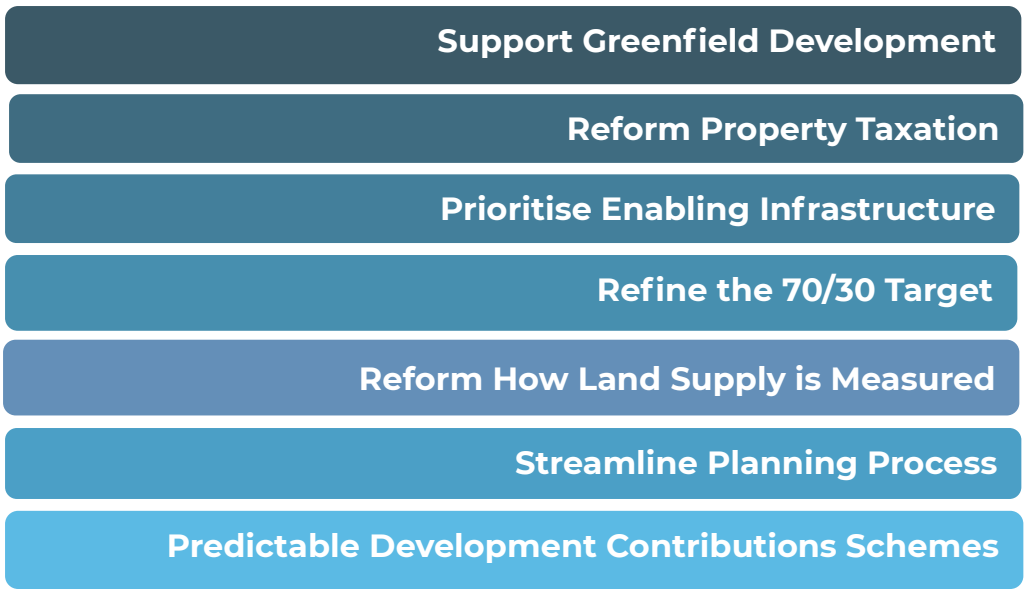
1. Support Greenfield Development
2. Reform Property Taxation
3. Prioritise Delivery of Enabling Infrastructure
4. Refine the 70/30 Target
5. Streamline Planning Processes
6. Predictable Development Contribution Schemes

Together, these reforms address the fiscal, structural, and procedural barriers that currently prevent Victoria from meeting its housing objectives. They shift the system from reactive management to proactive delivery where infrastructure, policy, and market readiness are aligned.

Reforms 1–3 protect near-term supply and unlock capacity (greenfield pipeline; enabling infrastructure; feasibility). Reforms 4–6 restore credibility and reduce friction (staged targets; faster approvals; predictable contributions). Together, they shift housing delivery from reactive constraint management to sequenced, capacity-tested delivery.

With the majority of new housing currently being delivered in growth areas, infrastructure funding and planning systems must respond to where demand and delivery are occurring now, while reforming infill systems to support higher intensification over time. A fair and effective housing strategy must ensure that all Victorians, regardless of location, have access to timely infrastructure and services.

Figure 19: Proposed Reform Agenda



7.1 Support Greenfield Development

Greenfield development will remain a critical source of housing supply in Victoria in the near and medium term. Growth areas continue to deliver dwellings at scale because they benefit from planned land release, clearer delivery pathways, and more reliable infrastructure sequencing.

This reality should be reflected in policy. Treating greenfield delivery as secondary or constraining it prematurely through limited land pipelines or delayed enabling infrastructure, risks suppressing the one part of the system that is demonstrably producing housing now. Restricting growth-area supply before infill systems are capable of compensating at scale would deepen shortages and intensify affordability pressures.

Supporting greenfield development is not a rejection of compact-city principles. It recognises that a functional housing system requires multiple supply channels operating in parallel, serving different market segments and price points while infill systems are reformed. Growth areas also increasingly deliver more diverse housing forms, including smaller lots and townhouses, expanding choice and supporting affordability.

To sustain delivery, government policy should prioritise enabling supply rather than constraining it. This requires maintaining a sufficient pipeline of zoned and serviced land, accelerating enabling infrastructure, and reducing avoidable friction in planning and approvals.

Key actions should include:

- Maintain an adequate pipeline of zoned, serviced and developable land to support sustained housing delivery.
- Accelerate growth area planning and approvals, including faster PSP preparation/approval and clearer post-PSP pathways to commencement.
- Prioritise state investment in enabling infrastructure that unlocks growth area supply, aligned to delivery sequencing.
- Avoid policy settings that artificially restrict greenfield development before infill systems can absorb demand at scale.
- Recognise greenfield delivery as a stabilising component of Victoria's housing supply and affordability settings while infill reform is underway.

7.2 Reform Property Taxation

Victoria's housing affordability crisis is compounded by an overreliance on property sector taxation. The cumulative impact of multiple levies, including the Windfall Gains Tax, Foreign Purchaser Additional Duty (FPAD), land tax, and development contributions, has significantly eroded project feasibility across both infill and greenfield markets. Independent research estimates that up to 43% of the cost of a new home can be attributed to government taxes, fees, and charges.[9]

These imposts increase the cost base and widen the feasibility gap, reducing residual land values and developer margins and, where market conditions allow, flowing through to higher prices. More importantly, they constrain supply by deterring investment and development activity. Reducing the overall taxation burden, particularly by reforming or moderating high impact imposts such as FPAD and the Windfall Gains Tax, could materially improve affordability and deliver more dwellings.

[9] Centre for International Economics (CIE) on Taxation of the Housing Sector (2025)

Evidence also suggests that lower rates of taxation can in some settings, increase total revenue through higher transaction volumes, rather than suppressing the market through deterrent-level charges.

A reformed taxation framework should:

- Rationalise cumulative charges to ensure development remains viable in priority precincts.
- Align tax settings with housing objectives, rewarding delivery rather than penalising investment.
- Provide greater certainty and transparency to developers and investors to stimulate medium- and long-term housing supply.
- Support infill feasibility without discouraging greenfield delivery, recognising the different cost structures across markets.

Without addressing the fiscal pressures embedded in the development system, Victoria's housing strategy will continue to overpromise and underdeliver.

7.3 Prioritise Enabling Infrastructure

The evidence presented throughout this report demonstrates that infrastructure is a defining constraint on Victoria's 70/30 target. Despite policy intent, the timely delivery of water, drainage, transport, and social infrastructure has not kept pace with urban growth.

More than half of all new housing continues to be delivered in newer suburbs, where infrastructure is planned and sequenced, because the systems supporting infill development are fragmented and reactive.

To achieve balanced and equitable housing outcomes, Victoria must establish an infrastructure investment framework that prioritises current delivery locations, particularly growth areas, while continuing to reform infrastructure systems in established suburbs over time.

Key actions should include:

- Sequenced investment in both new and established areas to align infrastructure readiness with planned housing growth.
- Targeted funding prioritisation, focusing on locations with the strongest demand and clear delivery pathways.
- Priority investment in growth-area enabling infrastructure**,** including arterial road duplications, rail electrification and capacity upgrades, and expanded commuter transport options.
- Sequenced investment in established areas where verified infrastructure upgrades can unlock feasible infill supply.

7.4 Refine the 70/30 Target

Victoria's 70/30 target is aspirational and appropriately long-term, but not achievable in the short term under current infrastructure and market conditions.

As detailed in earlier chapters, existing infrastructure, market capacity, and governance structures cannot deliver such a sharp shift toward infill development in the short term. Attempting to enforce the 70/30 target under these conditions risks further constraining supply and inflating prices.

To restore credibility and balance to the housing system, the government should refine the 70/30 target with a staged, evidence-based transition pathway. This reform would maintain the long-term vision of compact urban growth while aligning near-term targets with real-world delivery conditions.

A reformed 70/30 framework should:

- Introduce incremental milestones that progressively increase infill's share as infrastructure readiness improves (e.g. a 55/45 target).
- Integrate infrastructure capacity testing into housing targets to ensure they reflect deliverable rather than theoretical supply.
- Avoid artificially constraining greenfield development, which continues to meet much of Victoria's current housing demand.
- Embed feasibility assessments and market monitoring into future housing strategy updates to ensure policy responsiveness.

Treating 70/30 as a sequenced, long-term objective preserves compact city principles while avoiding short-term supply constraints that would exacerbate affordability pressures.

This staged approach also requires a more practical framework for measuring housing supply, one that distinguishes long-run strategic capacity from future pipeline and effective deliverable supply.

7.5 Reform How Land Supply Is Measured

Victoria's housing strategy is weakened by the way land supply is understood and measured. Inventory-based approaches such as the UDP are useful for monitoring identified land and planning status, but they are better understood as measures of theoretical capacity than effective deliverable supply. Unless adjusted for infrastructure, servicing, constraints and feasibility, they can overstate near-term housing availability and understate delivery risk.

A major weakness in Victoria's housing framework is that it often conflates theoretical capacity with actual land supply. In growth areas, housing is generally supported by actual land supply that can move through a sequenced process of zoning, servicing, subdivision and delivery. In established suburbs, by contrast, most infill is better understood as redevelopment capacity that must still be converted through turnover, land assembly, demolition, infrastructure upgrades, approvals and feasible project economics.

This distinction would materially improve housing policy. It would align targets more closely with what can actually be delivered, provide a stronger basis for infrastructure prioritisation, and make clearer where supply risks are emerging. It would also reinforce the report's broader conclusion that housing outcomes are constrained not simply by zoning or policy intent, but by the interaction between infrastructure capacity, governance, timing and market feasibility.

Without a more practical method of measuring land supply, Victoria risks continuing to plan on the basis of notional capacity rather than serviced, feasible and deliverable housing opportunities.

Figure 20: Proposed Land Supply Measure (Indicative)

Strategic Capacity	Future Pipeline	Effective Supply
Theoretical long-run land availability (10+ years)	**Progressing but not yet deliverable (3–10 years)**	**Realistically developable within near-term horizon (0–3 years)**
The long-run theoretical potential for future development identified in strategy or early planning. It indicates where growth may occur over time, but not what can realistically be delivered in the near term.	Refers to land or development opportunities that are progressing through the planning and investigation process, with increasing certainty around yield and constraints, but which are not yet capable of producing serviced lots or dwellings within the near-term planning horizon.	Refers to land or development opportunities that have passed the key delivery hurdles and can realistically produce serviced lots or dwellings within the near-term planning horizon, supported by planning certainty, confirmed net developable yield, secured infrastructure capacity, and a clear pathway to delivery.

A reformed housing supply framework should therefore:

- Distinguish clearly between greenfield land supply and established-area redevelopment capacity.
- Separate strategic capacity, future pipeline and effective deliverable supply in all metropolitan housing reporting.
- Apply infrastructure, servicing, physical constraint and feasibility tests before land or redevelopment opportunities are counted as near-term supply.
- Report housing opportunity by delivery horizon so that policy and infrastructure sequencing are aligned with realistic timing.
- Use deliverable supply, rather than theoretical capacity alone, as the basis for calibrating housing targets and monitoring performance.

7.6 Streamline Planning Processes

Planning approval and policy frameworks remain among the most significant barriers to housing delivery across Victoria. Delays in the planning pipeline add cost, uncertainty, and inefficiency to both infill and greenfield development. Despite recent state reform initiatives aimed at improving consistency and accountability, planning scheme amendment processes remain a major bottleneck.

To improve housing supply outcomes, the government should extend its planning reform agenda to deliver faster, simpler, and more transparent approvals. This means streamlining both the initial PSP phase and the subsequent development approval stage to reduce duplication and accelerate delivery.

Recommended actions include:

- Reduce delays in greenfield planning and approvals, including faster PSP approvals and clearer post-PSP pathways to development commencement. Streamlining must also extend to planning scheme amendments, with clearer pathways and tighter timeframes.
- Continuing to simplify small and medium-scale infill approvals, supporting missing-middle redevelopment in established suburbs.
- Digitise approvals and certification processes, increasing transparency and reducing administrative burden for both developers and councils.

A planning and approvals system that delivers timely certainty will not only improve affordability but also strengthen Victoria's reputation as an efficient and investment-ready housing market.

7.7 Predictable Development Contribution Schemes

Uncertainty in development contribution schemes remains a major barrier to housing delivery across both infill and greenfield markets. Inconsistent charging regimes, late-stage scope changes, and the cumulative layering of state and local charges increase risk, delay projects, and undermine feasibility.

A reformed contribution framework should provide predictability, transparency, and equity by:

- Aligning development contributions with verified infrastructure requirements.
- Avoiding double taxation by recognising existing property taxes and levies.
- Providing clear, upfront cost signals to support investment decisions.
- Ensuring contributions support timely infrastructure delivery rather than deferred obligations.

Predictable contribution schemes are essential to restoring confidence and enabling both infill and growth-area housing delivery at scale.

Table 7: Policy Reform Recommendations

Reform	Objective	Action
Support Greenfield Development	Maintain near-term housing supply and affordability by protecting the growth-area delivery pipeline and ensuring market stability while infill systems are reformed.	Maintain a sufficient pipeline of zoned and serviced land; streamline PSP and post-PSP delivery; align infrastructure investment with growth-area demand.
Reform Property Taxation	Restore development feasibility and housing affordability	Rationalise cumulative taxes and remove deterrent imposts like FPAD and the Windfall Gains Tax.
Prioritise Enabling Infrastructure	Align investment with growth demand and readiness	Sequence infrastructure funding where housing is being delivered now.

Refine the 70/30 Target	Reconnect ambition with real-world capacity.	Introduce a staged transition pathway linked to verified infrastructure readiness.
Reform How Land Supply Is Measured	Align housing targets, sequencing and infrastructure planning with actual deliverability rather than theoretical capacity.	Adopt a practical land supply classification framework that distinguishes between strategic capacity, future pipeline and effective deliverable supply.
Streamline Planning Processes	Reduce costs and accelerate housing delivery.	Fast-track PSPs, accelerate planning scheme amendments, simplify small-scale infill approvals, and digitise the permit system.
Predictable Development Contributions	Improve certainty and feasibility	Align DCPs with verified infrastructure needs and recognise existing taxes to avoid double charging.

7.8 Conclusion

Victoria's housing challenges are not the result of a lack of ambition, but of a system that is not yet configured to deliver that ambition at scale.

As this report has shown, policy has moved ahead of the infrastructure, fiscal, planning and market settings required to support delivery, widening the gap between intent and outcomes and intensifying affordability pressures as supply falls short of demand.

The reform agenda set out in this chapter provides a practical pathway to close that gap. Enabling greenfield delivery protects near-term supply and affordability by supporting the part of the system delivering housing at scale today. Reforming property taxation reduces the cumulative fiscal burden that suppresses feasibility across both infill and growth-area markets.

Prioritising enabling infrastructure aligns investment with where housing is planned and deliverable, while refining the 70/30 target restores credibility by treating compact-city outcomes as a sequenced, long-term transition rather than an immediate mandate.

Reforming how land supply is measured is imperative because inventory-based approaches such as the UDP are useful for monitoring identified capacity but can overstate near-term supply unless they distinguish between theoretical capacity, future pipeline and effective deliverable supply.

Streamlined planning processes and predictable development contribution schemes are equally critical. Faster, more transparent approvals and clearer, capacity-linked contributions reduce risk, lower costs and improve investor confidence - conditions essential for sustained delivery.

A deliverable housing future for Victoria depends on restoring balance between ambition and capacity, infill and greenfield supply, and long-term objectives and short-term realities. Implementing the reforms outlined in this chapter would not only improve housing outcomes but also re-establish trust that the state's housing strategy is grounded in evidence, responsiveness, and an understanding of how housing is actually delivered.

Importantly, this agenda does not reject compact-city principles or infill development.

It recognises that intensification can only succeed when infrastructure capacity, governance and market feasibility are aligned. Until those conditions are in place, attempting to force outcomes through restrictive targets or premature supply constraints risks worsening affordability and undermining confidence in Victoria's housing strategy.
