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Submission Cover Sheet

Inquiry into DPA-04 – Missing Middle Housing Reform

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SUBMISSION TO THE ACT LEGISLATIVE ASSEMBLY STANDING COMMITTEE ON ENVIRONMENT AND PLANNING

Inquiry into DPA-04 – Missing Middle Housing Reform

Introduction

This submission is provided in response to the ACT Legislative Assembly Standing Committee on Environment and Planning's inquiry into Draft Plan Amendment 04 (DPA-04), Missing Middle Housing Reform. I write to express strong support for the proposed reforms. These changes represent a critical step toward addressing Canberra's housing challenges by increasing supply, improving affordability, delivering environmental benefits, and supporting the ACT's broader economic objectives. This submission draws upon publicly available evidence, and advocates for an equitable approach without carve outs or exemptions to ensure that all areas of Canberra provide their fair share of housing.

Benefits of the Missing Middle Housing Reform

Increasing Housing Supply

DPA-04 proposes to allow more diverse housing forms, such as townhouses, duplexes, and low-rise apartments, within established suburbs. This approach, often referred to as 'missing middle' housing, is widely recognised as an effective means of increasing housing supply in areas where demand is highest. Data from the ACT Government and expert groups highlight that Canberra's population is growing steadily, with supply failing to keep pace, especially in established suburbs. Enabling a greater variety of dwellings will help bridge this gap and support a more inclusive, vibrant city.

Improving Affordability

By increasing the stock and diversity of dwellings, the reforms will help moderate housing prices and rents. International and local evidence demonstrates that enabling gentle density, such as townhouses and small apartment blocks, can improve affordability by giving more people access to desirable, well-located neighbourhoods. Greater supply in established areas is particularly important for key workers, young people, and downsizers, who often struggle to find suitable and affordable homes in their preferred communities.

Environmental Benefits

Encouraging missing middle housing in established suburbs supports more sustainable urban development. By making better use of existing infrastructure and reducing the need for urban sprawl, these reforms help protect greenfield land and limit car dependency. Compact, walkable neighbourhoods have lower per-capita emissions and support more efficient public transport. The ACT's ambitious climate targets will be more achievable with housing policies that promote density in appropriate locations.

Supporting the ACT Economy

A more flexible and diverse housing stock is essential for economic growth and resilience. The reforms will support local construction, create jobs, and enable the ACT to attract and retain a skilled workforce. By making it easier for people to live closer to employment centres and amenities, the reforms will enhance productivity and reduce congestion costs.

Equitable Implementation: No Carve Outs or Exemptions

For the Missing Middle Housing Reform to realise its full benefits, implementation must be fair and comprehensive. Carve outs or exemptions for affluent areas, such as the Inner South, would undermine the objectives of the reform. Excluding these neighbourhoods perpetuates inequality, reduces overall housing supply, and places disproportionate pressure on less advantaged suburbs. Evidence from other jurisdictions shows that exemptions can entrench segregation and limit the effectiveness of housing policy.

Every suburb in Canberra should contribute to meeting the city's housing needs. Ensuring that missing middle housing is permitted in all residential areas, including the Inner South, will promote social inclusion, distribute infrastructure costs more equitably, and deliver better outcomes for the whole community.

Failing to include key inner city areas will also frustrate the environmental benefits of greater density. Were these areas not included in the reforms, then more housing would need to be constructed further from our key employment, services, and economic hubs, resulting in increased travel emissions as well as embedded carbon from the increased transport infrastructure requirements.

Conclusion and Call to Action

In summary, DPA-04 – Missing Middle Housing Reform is an essential and evidence-based step towards a more affordable, sustainable, and prosperous Canberra. The proposed reforms will increase housing supply, improve affordability, support climate goals, and strengthen the territory's economy. It is vital that these benefits are shared across all Canberra suburbs, without carve outs or exemptions for any area. I urge the Committee to recommend the adoption of DPA-04 in its entirety, ensuring that the ACT remains a leader in equitable and forward-thinking urban policy.

Academic Evidence Supporting the Missing Middle Reforms and Greater Housing Supply

- [Tulip and Saunders \(2019\)](#): Develops an empirical model of the Australian housing market, and estimate that in aggregate, every 1% increase in the housing supply leads to a 2.5% reduction in housing costs, consistent with a range of international estimates.
- [Li \(2020\)](#): Analyses the local impacts of new market-rate high-rise apartment buildings in New York, and finds that a 10% increase in housing stock reduces rents by 1% and has a downward impact on property prices within a 500 foot radius. New construction also has a positive impact on local restaurant openings.
- [Greenaway-McGrevy and Phillips \(2021\)](#): Analyses reforms to the Auckland planning system that allowed more mid-density developments in inner urban areas, and find that they doubled the rate of new housing construction in the city in the four years after implementation.
- [Greenaway-McGrevy and Phillips \(2023\)](#): Finds strong evidence that upzoning stimulated construction. Treatment effects remain statistically significant even under implausibly large displacement effects that would necessitate more than a four-fold increase in the trend rate of construction in control areas under the counterfactual of no-upzoning. The findings support the argument that upzoning can stimulate housing supply and suggest that further work to identify factors that mediate the efficacy of upzoning in achieving wider objectives of the policy would assist policymakers in the design of zoning reforms in the future.
- [Greenaway-McGrevy \(2025\)](#): Finds that the Auckland housing reforms resulted in the proportion of housing starts issued to government-controlled institutions increasing from 3.1% over the ten years prior to the reform, to 9.9% over the six years after. A synthetic control for Auckland suggests that the reform generated a threefold increase in state-built dwellings. These findings suggest that zoning reform can enable both the market and the state to construct more housing.
- [Greenaway-McGrevy \(2025\)](#): Reviews the effects of Auckland's upzoning and finds that prices in Auckland would be 15.1 to 26.9% higher under the counterfactual of no upzoning.
- [Cheung \(2024\)](#): Finds that the Auckland upzoning greatly increased housing options but that it was unfairly distributed in poorer neighbourhoods as a result of wealthier areas exerting political pressure to avoid parts of the reforms.
- [Phillips, Manville, and Lens \(2021\)](#): Reviews five papers (including Li, 2020) that finds that local market rate developments decrease neighbourhood rents, and conclude that increased market-rate and social housing supply has an important role to play in improving housing affordability.
- [Kendall and Tulip \(2018\)](#): RBA research on the effects on house prices of zoning regulations. It concluded that 'as of 2016, zoning raised detached house prices 73 per cent above marginal costs in Sydney, 69 per cent in Melbourne, 42 per cent in Brisbane and 54 per cent in Perth. Zoning has also raised the price of apartments well above the marginal cost of supply, especially in Sydney.' The paper argues 'as Furman (2015) discusses, zoning regulations have some important effects that go beyond those we quantify. As they become

more binding and contribute to increases in property prices, they represent a wealth transfer from future home buyers to current homeowners (see, for example, the discussion in Lowe (2015)). They also result in higher rents as the supply of housing is constricted.' It concludes by saying 'if housing demand continues to grow, as seems likely, then existing zoning restrictions will bind more tightly and place continuing upward pressure on housing prices. Policy changes that make zoning restrictions less binding, whether directly (e.g. increasing building height limits) or indirectly, via reducing underlying demand for land in areas where restrictions are binding (e.g. improving transport infrastructure), could reduce this upward pressure on housing prices.'

- [Güneralp et al \(2017\)](#): Denser development is more effective at reducing greenhouse gas emissions than weather-proofing or other efficiency-oriented infrastructure upgrades. 'Dense urban development leads to less urban energy use overall.' Concludes that 'urban density, along with other determinants of urban form, strongly shapes local environmental conditions such as air quality, walkability, and access to green space, all of which have a bearing on the well-being of urban residents. Moreover, developing effective strategies to adapt to and mitigate climate change in urban areas requires looking beyond aggregate statistics on population, physical extent, and resource use. In our study, the large range of potential future patterns of urban development in most of the developing world indicates that these regions can gain a lot in energy savings by encouraging higher urban densities. With growing urban extents and urban populations, how urban areas are configured spatially will matter for the reduction of energy use and associated GHG emissions, with significant implications for the global sustainability.'
- [Kostas Mourati \(2017\)](#): Study investigating the metropolitan area of Oslo, which encompasses both compact and sprawled areas, this study examines the impact of the compact city on livability by employing neighbourhood satisfaction as a livability measure. Findings from this study suggest that, when common urban problems are addressed, and when planned to integrate all its essential characteristics, the compact city has a positive influence on livability.
- [United Nations Handbook](#) on shaping Urbanisation for children: The Handbook talks about the importance of walkability and reducing reliance on cars. 'For example, children will be healthier, safer and more empowered if they can move through the city by walking along safe streets and breathing clean air. This implies better land use, transportation networks and clean energy policies, which are addressed on a city-wide or larger scale.' Available Here:
- [Strum and Cohen \(2004\)](#): Suburban Sprawl increases chronic health problems and harms the life expectancy of people living in those areas.
- [I2022 Edition of Demographia International Housing Affordability](#): States that zoning restrictions that prevent high density lead to higher house prices. 'In housing markets with the least affordable housing, urban containment policy is typical.' the report states 'Rognlie suggests that "A natural first step to combat the increasing role of housing wealth would be to reexamine these regulations and expand the housing supply.' The report concludes by saying density alone may not be enough but it also calls strongly for density to be a strong part of the solution. Available Here
- [OECD Report Rethinking Urban Sprawl: Moving Towards Sustainable Cities \(2018\)](#): 'Land-use policy reforms promoting socially desirable levels of population density, such as relaxing

maximum density restrictions' are needed to address housing affordability. The urban containment policies that cause housing unaffordability include limits on density. The report calls for preventing low density sprawl and for higher density to make cities more affordable and sustainable. 'Otherwise, actions to relax policy stringency are warranted in order to direct urban development to a more sustainable pathway with lower levels of fragmentation, a more elastic supply of residential floor space and more affordable housing.'

- [Song \(2021\) - The Effects of Residential Zoning in U.S. Housing Markets](#): Looks at the effect of minimum lot sizes (block sizes) in the US and its effect on affordability and racial segregation. Song uses an algorithm to estimate min lot sizes, a spatial discontinuity design and a model to reach her conclusions. She finds that larger minimum lot sizes increase land prices and rents and intensifies residential segregation. If the minimum lot size is doubled, sale price increases by 14% and rents by 6%. Using her estimated model she evaluates a counterfactual zoning reform that halves minimum lot areas in Connecticut. The reform would substantially increase the supply of small and cheap homes and benefit racial minorities, while minimally affecting existing home val
- [Bratu, Harjunen and Saarimaa \(2021\)](#): Studied the city-wide effects of new, centrally-located market-rate supply using geo-coded total population register data from the Helsinki Metropolitan Area. The supply of new market rate units triggers moving chains that quickly reach middle- and low-income neighborhoods and individuals. Thus, new market-rate construction loosens the housing market in middle- and low-income areas even in the short run. Market-rate supply is likely to improve affordability outside the sub-markets where new construction occurs and to benefit low-income people.
- [Asquith, Mast and Reed \(2019\)](#): Studies the local effects of new market-rate housing in low-income areas using microdata on large apartment buildings, rents, and migration. Finds that new buildings decrease nearby rents by 5% to 7% relative to locations slightly farther away or developed later, and they increase in-migration from low-income areas. Results are driven by a large supply effect—we show that new buildings absorb many high-income households—that overwhelms any offsetting endogenous amenity effect. The latter may be small because most new buildings go into already-changing areas. Contrary to common concerns, new buildings slow local rent increases rather than initiate or accelerate them.
- [During \(2017\)](#): Reviews several different cities and outlines that market-rate housing can improve affordability. Argues that cities with less zoning restrictions and fewer legal barriers to building leads to more affordable housing.
- [Mense \(2020\)](#): Finds that adding one new housing unit to the stock for every 100 rental housing units offered on the market in a given month reduces rents by 0.4-0.7%. The paper suggests that market-rate new housing supply effectively reduces housing costs of all renter households. Overall new housing supply triggers supply of (rental) housing units across the housing quality spectrum.
- [Sayin \(2019\)](#): Discusses how zoning has been used to discriminate against racial minorities and less wealthy citizens. Finds that restrictive zoning drives up land prices, construction costs and creates sub-optimal housing choices that are more expensive. Outlines that the vast majority of evidence points out that restrictive land use and zoning makes housing unaffordable. Also includes details on how restrictive zoning has negative externalities on productivity, social mobility and segregates communities.

- [Begley and Li \(2020\)](#): Finds that residential property sale prices decline by 5.7 percent two years after the completion of a new high-rise nearby. Additionally, the paper shows that for every 10 percent increase in new units within 500 feet, unit sale prices decrease by about 1 percent, similar to the reduction in rents. Concludes that new market-rate housing supply lowers nearby rents and housing prices despite also attracting new amenities. Local measures that prevent or restrict new housing construction overlook valuable opportunities to attract new amenities and lower housing costs for local residents.
- [Hsieh and Moretti \(2019\)](#): Find that restrictions to new housing supply, effectively limit the number of workers who can access high productivity environments in major cities. Using a spatial equilibrium model and data from 220 metropolitan areas the study concludes that these constraints lowered aggregate US growth by 36 percent from 1964 to 2009.
- [Carlino, Chatterjee and Hunt \(2007\)](#): Patent intensity—the per capita invention rate—is positively related to the density of employment in the highly urbanized portion of MAs. Denser cities are better at inventing and more productive than their low density counterparts. All else equal, a city with twice the employment density (jobs per square mile) of another city will exhibit a patent intensity (patents per capita) that is 20 percent higher.
- [Sridhar et al \(2010\)](#): This paper deals with strong land use regulations prevalent in India's cities, which have had negative impacts on urban form, the consumption of floor space and affordable housing.
- [Been, Ellen, and O'Regan \(2017\)](#): Journal Article in the Housing Policy Debate: Concludes that adding new homes moderates price increases and therefore makes housing more affordable to low- and moderate-income families. Also notes there are additional reasons to be concerned about inadequate supply response and assess the evidence on those effects of limiting supply, including preventing workers from moving to areas with growing job opportunities. The article concludes that new market-rate housing is necessary but not sufficient to solve the housing crisis and that government intervention is needed to ensure that supply is added at prices affordable to a range of incomes.
- [Pennington \(2021\)](#): This paper examines the causal impact of new construction on nearby rents, displacement, and gentrification in San Francisco. The paper finds that rents and displacement fall differentially near new market rate projects, while gentrification increases. In contrast, affordable housing does not have spillover effects.
- [Kim \(2023\)](#): Concludes that mass rezoning are justifiable even without land value uplift capture and one of the most cost-effective and least risky policy solutions for tackling housing affordability and supply challenges in the United States.
- [Bluchler and Lutz \(2024\)](#): Concludes that upzoning is a viable policy for increasing housing affordability. However, the effects depend on the upzoning policy design and take several years to materialize.