Legislative Assembly for the
Australian Capital Territory
Standing Committee on Environment and Planning

Submission Cover Sheet

Inquiry into DPA-04 – Missing Middle Housing Reforms

Submission number: 025.2

Submitter: Greater Canberra

Date authorised for publication: 2 April 2026

Missing Middle Housing Reforms

Questions on Notice

Greater Canberra Inc, March 2026

Greater Canberra

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Question 1:

Question: During your evidence you talked about a situation where if one house on an individual block was redeveloped into 3 blocks/houses 'that will actually decrease the median rent and house prices for all of the other homes on that street'. Can you provide evidence to support this claim?

Yes. We cite below a number of research articles demonstrating empirically that local increases in supply will reduce prices/rents. This follows basic supply-and-demand: when more dwellings are available in a given area, competition for each dwelling falls, which reduces (or, in very strong markets, slows) rent and price growth.

However, the **magnitude** of that impact depends on the extent of **pre-existing unmet demand**. A simple way to understand this is an auction analogy. Imagine an area where around 100 buyers are effectively "in the market" for homes in that immediate location. If there is one suitable home for sale, bidding pressure is intense. If there are two suitable homes, bidding pressure is still intense and the price difference will be small, because there are still far more buyers than homes. But if there are many suitable homes available (for example, 50), buyers have real alternatives, bidding pressure drops materially, and prices are much lower. The same logic applies to rents: if far more households are seeking to rent in an area than there are available rentals, one additional project helps but may produce only a modest visible change; as more supply is added, the effect becomes larger and easier to observe.

The empirical studies summarised below demonstrate that even highly local increases in supply measurably reduce nearby rents and, in some cases, sale prices.

Empirical evidence

New York City (500 feet ≈ 150m)[1]

The effect of local increases in supply is observed in New York, noting that New York is one of the most expensive and in-demand cities in the world, so the expected gains are relatively small.

Li studies the completion of new high-rise buildings and compares rent trends for existing rental buildings located within 500 feet of completed buildings, finding:

- Rents within 500 feet of completed new high-rises decrease by **1.6%** one year after completion, significantly and persistently, with dwelling prices also reducing by around **1%**.
- Supporting the proposition that pre-existing demand affects magnitude, closer to the city the effect on rents is around **1%**, and further away the effect doubles to around **2%**.
- Restaurant openings increase by around **9%**, which is one reason the net effects are not larger, as the new density also makes the area more desirable.

[1] https://www.fanniemae.com/media/35821/display

- Notably, despite the majority of the new construction being significantly more expensive than existing dwellings (60%), there is still a decrease in rents for all existing dwellings bar the cheapest 25% of dwellings where there was no effect on rent.
- A similar effect is found in San Francisco, with rents falling by around **1.2–2.3% within 500m**, and effects decaying with distance.[2]

11 US cities – local ring design (250m treatment radius)[3]

Asquith, Mast and Reed study large new market-rate apartment buildings (around 40 units) in low-income neighbourhoods using microdata and a ring-based design that compares rents within 250m of the new building to rents 250–600m away. They find:

- Across multiple empirical approaches, new construction reduces nearby rents by **5 to 7 percent** in low-income tracts.

This supports the proposition that effects can be greater where pre-existing demand pressure is lower.

"The inverse" evidence: restricting density raises local rents and prices[4]

Song analysing over 16,000 USA municipalities examined the effects of doubling the minimum lot size and thereby decreasing potential supply within 0.5km of municipal borders. She finds that more restrictive minimum lot size zoning raises both prices and rents:

- In the baseline 0.5km border sample, doubling minimum lot size increases sales prices by around **14%** and rents by around **9%**.

This supports the same mechanism from the other direction: if reducing permissible density increases prices and rents locally, then increasing permissible density (and actually delivering additional dwellings) works in the opposite direction.

Why these local effects can look smaller than citywide NZ-style reforms

The reason the effect sizes in the studies above can appear smaller than the New Zealand reforms cited in our submission is the role of pre-existing demand.

A single 1-to-3 redevelopment is like running an auction where 100 buyers are competing, but the number of homes available increases only from 1 to 3 in that immediate micro-market. That change matters, and the studies show it measurably reduces rents and prices nearby, but it remains a small increase relative to the pool of demand. In that setting, the most accurate description is often that

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2 https://www.dropbox.com/scl/fi/863aej6vjizrdko3qncj6/Pennington_JMP.pdf?rlkey=to1j44gfq8084ocx7t527nw39&e=1&dl=0

3 https://research.upjohn.org/up_workingpapers/316/

4 https://static1.squarespace.com/static/6160e89a75cba2217fc14866/t/678931635a7da96d79aa5389/1737044325515/Jaehee_Song_JMP_share.pdf

"prices and rents are lower than they otherwise would have been," rather than a dramatic collapse, because many buyers and renters are still competing for scarce dwellings.

By contrast, the NZ research cited in our submission (pages 10-14) relates to reforms that effectively change the auction from "1 to 3 homes" to many more homes available across the city. Broad upzoning is not just adding a few extra dwellings in one street; it increases the number of dwellings people can choose from across many neighbourhoods at once. That changes the overall market dynamic: buyers and renters have far more alternatives, competition per dwelling falls materially, and prices and rents are affected at a citywide (general equilibrium) level rather than only within a 100–500m radius.

Note: We have provided links to each of the studies as well as PDFs on submission to this QoN for ease of the Committee to access the relevant research.

Question 2

Question: You also compared the value of one block as opposed to that block being redeveloped into three blocks, 'the per square metre value of that block is going to be higher because it how has three houses on it but the total value of the individual parcels is going to be lower than the original much larger block.' Can you provide evidence to support the claim that the three blocks together have less value than the original block?

For clarity, the reference to an "individual parcel" was intended to mean the individual dwellings created after redevelopment (ie, the per-dwelling price), not the combined value of all titles.

On that basis, redevelopment that replaces one detached house with multiple townhouses will generally reduce the price of an individual dwelling on that land, while increasing the aggregate value of the site (because there are more dwellings and new improvements).

This is an inevitable and unavoidable feature of urbanisation. On a per square meter basis, a 100 acre farm which is legally limited to one house will be worth far less than the same 100 acre block subdivided into a ~300 home suburb. But each of those suburban homes will be worth far less than the 100 acre farm. By the same token, that same 300 home suburban subdivision moving to a 1,000 home medium density suburb of terraces and townhouses will cause the price of each individual dwelling to fall, at the same time that the per square meter value of land rises. The land costs for each individual home still come out lower, because even though the per sqm cost of land is higher, you need fewer sqm of land for each home.

So long as we continue to have a market economy for land, there is simply no way for a city to grow and prosper without the per square meter value of inner city land rising, and effective supply side housing policies (like upzoning) or other measures that increase the prosperity of the city accelerate this effect, even as they decrease housing costs for residents. This observation is the core impetus around georgism and the economic rationale for the ACT's system of land value taxes - as the value of land rises entirely independently of the actions of individual landholders, that value should be taxed.

This dynamic is easily observable in Canberra where units are typically cheaper than houses. In Domain's December 2025 report, Canberra's median house price is $1,139,969 and the median unit price is

$611,466.[5] For example, if a block that previously held one house is redeveloped into three units, the per-dwelling price would be closer to the unit median (around $611k), while the combined value across three dwellings would be around $1.83m (3 × $611k), which is higher than the single house median.

Real examples are set out below:

Example 1: 10 Macleay Street, Turner (DA 201834326)

Pre-development (one detached dwelling)

- 10 Macleay Street sold for **$1,950,000** (May 2018).[6]
- DA reference 201834326 described demolition of the existing dwelling and construction of **8** new dwellings.

Post-development (individual dwellings)

- Domain's building profile records dwelling sales at 10 Macleay Street including:
  - $820,000 (6/10), $1.052m (5/10), $1.15m (4/10), $1.295m (1/10), $1.41m (2/10), $1.55m (3/10), and $2.3m (7/10).[7]
- **Per dwelling:** the average of the above recorded sales is approximately **$1.37m**, which is about a **30% reduction** from the $1.95m pre-development sale price (noting these sales span several years and are not inflation-adjusted; and the redeveloped dwellings also reflect a quality uplift relative to the original home).
- **Aggregate:** adding the recorded sales above totals approximately **$9.58m** (nominal), which is **greater than** the pre-development $1.95m sale price. This is consistent with redevelopment generally increasing total site value while reducing the typical per-dwelling entry price. We also note however, that this $9.58 million obviously includes the construction costs of the 8 new dwellings, the lease variation charge on the

Example 2: 227–229 Cecil Street, South Melbourne

Pre-development

- 227–229 Cecil Street sold for **$3,970,000** (February 2016).[8]
- It was redeveloped into **four** four-bedroom townhouses.

Post-development (individual dwellings)

- Examples of post-development sales include:

[5] https://www.domain.com.au/research/house-price-report/december-2025/
[6] https://www.domain.com.au/property-profile/10-macleay-street-turner-act-2612
[7] https://www.domain.com.au/building-profile/10-macleay-street-turner-act-2612
[8] https://www.domain.com.au/property-profile/227-229-cecil-street-south-melbourne-vic-3205

- 227A Cecil Street ($3.25m 2019)[9], 227 Cecil Street ($3.15m 2020)[10], 229 Cecil Street ($3.15m 2020)[11], and 229A Cecil Street ($3.2m 2022)[12]

- **Per dwelling:** each townhouse sold for **less than** the pre-development site sale price of $3.97m (roughly **18–21% lower**), noting the different years and that the redeveloped dwellings represent a newer/higher-quality product.

- **Aggregate:** the four sales total approximately **$12.75m** (nominal), again higher than the original, consistent with the general point that aggregate site value tends to rise even when per-dwelling entry prices are lower than the pre-development site price.

Question 3

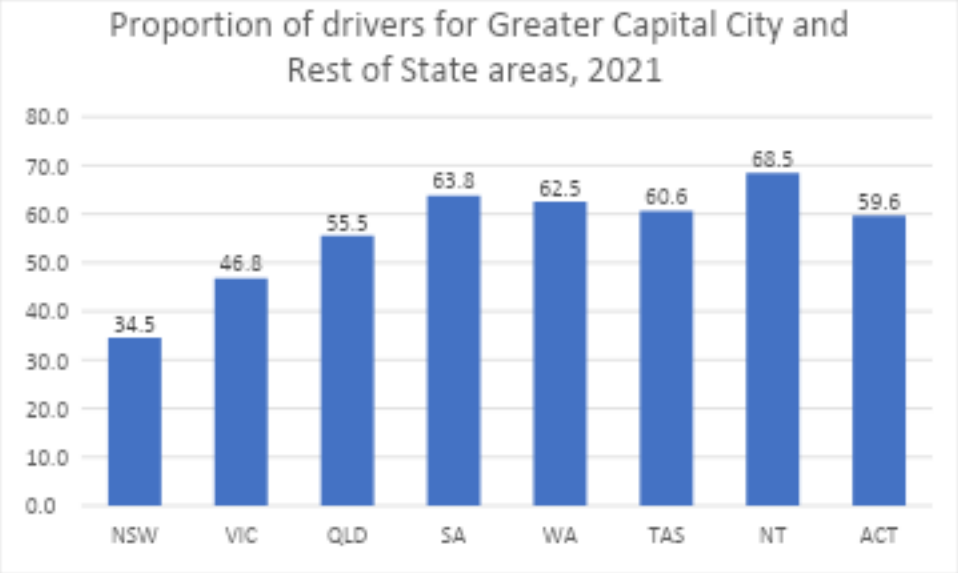
Question: On page 19 of your submission you refer to Canberra's reliance on the car and make reference to Census data of ACT households having an average of 1.8 motor vehicles per dwelling. Can you provide a comparator figure, such as a figure for Australia from the same Census?

There are a number of methods to approach this figure:

First, as request by the Committee the average motor vehicles per household in Australia per the 2021 Census is 1.8.[13] This is the same as Canberra's average.

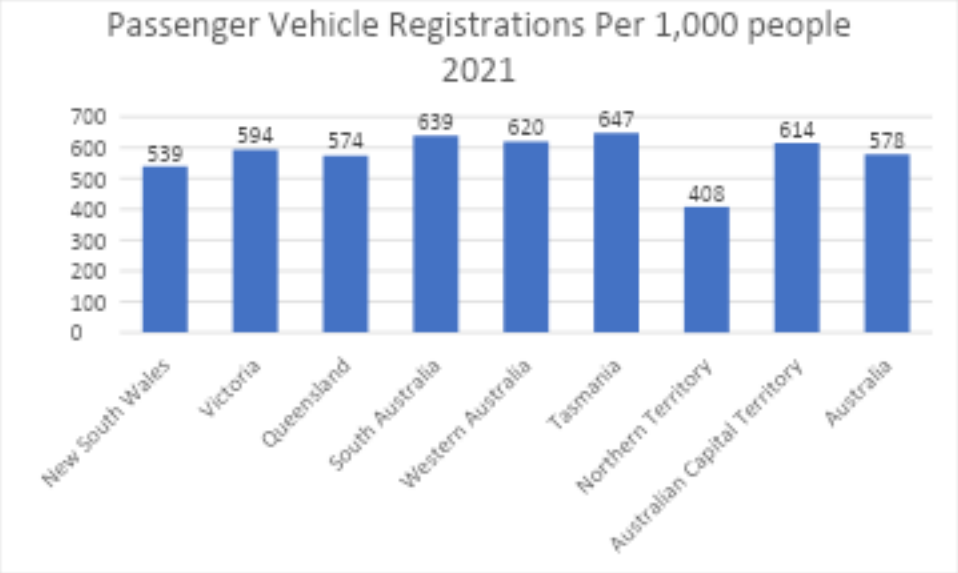
Second, also from the 2021 Census the proportion of those who live in the greater capital city (Sydney, Melbourne, Canberra etc..) who drove to work on Census day:[14]

[9] https://www.realestate.com.au/property/227-cecil-st-south-melbourne-vic-3205/
[10] https://www.realestate.com.au/property/227-cecil-st-south-melbourne-vic-3205/
[11] https://www.realestate.com.au/property/229a-cecil-st-south-melbourne-vic-3205/
[12] https://www.realestate.com.au/property/229a-cecil-st-south-melbourne-vic-3205/
[13] https://www.abs.gov.au/statistics/industry/tourism-and-transport/transport-census/latest-release
[14] https://www.abs.gov.au/articles/australias-journey-work#active-methods



As can be observed in the above graph Canberra had a much higher proportion of works living in Canberra who drove to the city (60%) compared to Melbourne (47%) or Sydney (35%) despite those both being larger cities.

Finally, there are passenger vehicle registrations per 1,000 people:[15]



As can be seen in the above graph the ACT has 614 passenger vehicle registrations per 1,000 people, compared to 578 across Australia.

[15] 93090DO001_2021 Motor Vehicle Census, Australia, 2021 - https://www.abs.gov.au/statistics/industry/tourism-and-transport/motor-vehicle-census-australia/latest-release