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: 009

Submitter: Name withheld

Date authorised for publication: 15 January 2026

Summary of Submission

The author believes that Draft Plan Amendment 04 – Missing middle housing reform:

- Will likely have a negative effect on the composition of housing in the ACT, leading to a decrease in the number detached houses which are already experiencing a shortage, and increasing the price premium for them, putting them further out of reach
- Will likely lead to an increase in family-unfriendly two-bedroom townhouses or luxury units at an expense of family friendly housing and the remaining affordable detached houses
- Will have negative and social environmental effects through loss of vegetated area and open space
- Will have negative effects on privacy due to the much more intrusive nature of the developments that will be possible
- Loosens restrictions on solar access, setbacks, open space and parking without providing sufficient justification for why such changes were needed

The author makes some recommendations for changes to reduce the impacts of the policy, primarily by reversing the mooted relaxation of some rules and encouraging the building of housing typologies that have been successful in Canberra in the past. Overall, 'missing middle' as presented is not the housing solution Canberra needs, with more land releases needed to build more detached houses and more public investment needed, along the lines of the ACT's previous success.

The author also has a broader discussion of context of these reforms. The author notes that Australia, and Canberra in particular, are exceptionally good at supplying houses, and that in any case house prices are largely driven by monetary phenomena. Some issues such as partial economics and competing interests are described, with a suggestion the alleged benefits are exaggerated.

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The ‘Missing Middle’ reforms will have a negative effect on Canberra

The ‘Missing Middle’ reforms will not produce the type of housing people most want

- Canberra has a shortage of *detached* housing in particular, *not* of ‘missing middle style housing’ or apartments, contrary to the claims about it being required to ‘increase housing choice’
- Surveys consistently indicate that about 65-70% of people prefer detached housing
    - According to a 2019 AHURI survey[1], even a majority of younger people want a detached house. This is despite a lack of affordability leading to lowered expectations, and a falling rate of family formation in that demographic.
- In Canberra, only 63% of housing is detached, according to the ABS – below the national average (and falling)
- Detached houses command a large and increasing premiums over unit-titled dwellings, indicating there is a shortage of them – not unit titled dwellings
- Demand is being forced into outlying areas like Murrumbateman, Googong and even Bungendore, increasing commute times and creating the kinds of negative environmental and social outcomes densification’s proponents say it solves
- By encouraging developers to create double storey dwellings through loosening of solar access and similar rules, the reforms also do not create suitable dwellings for older downsizers
    - For a long time produced *single storey* townhouses, often with three bedrooms and a yard larger than any modern development, so quite suitable for all ages. But these are not being produced any more, in favour of tightly packed terraces.
- If the composition of the ‘missing middle’ follows that widely seen in similar developments elsewhere (two bedroom units), then it will have a disastrous effect on younger people looking to start a family
    - This is because an inadequate number of rooms is a major deterrent to having children
    - It will decrease the supply of family friendly homes, as such houses will be demolished to make way for the ‘missing middle’
- It will likely lead to Canberra’s most affordable detached houses being demolished and being replaced with two-bedroom units or unaffordable, much more upscale units
    - Ex-government houses are affordable, and although small offer an adequate number of rooms and have large backyards that are good for children. This author has seen families move into several in his area
    - Small detached houses in general are not produced anymore. Developers claim they are not viable, but this is more of an excuse when even old three-bedroom houses exceed the minimum size. Modern designs are more space efficient, and three-bedroom apartments are possible. The main reason is that they do not gain as large a profit.
    - Previous redevelopments (such as the Mr Fluffy blocks) show that the newly redeveloped dwellings will often sell for significantly more than those they replaced. It is quite likely that these affordable properties will be targeted by developers looking to make a larger profit, especially in outer suburbs, thus decreasing the number of affordable family houses.

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[1] https://www.ahuri.edu.au/analysis/brief/do-younger-and-older-australian-households-want-same-kind-housing, see also https://ifstudies.org/report-brief/homes-for-young-families-a-pro-family-housing-agenda for a US example

- Overall the reforms are presented as increasing housing choice, but in fact they will move Canberra's mix of housing further away from what people actually want, and mean that people who want a detached house will be unable to buy one.
    - As explained later, apparent cost reductions will likely come from decreased quality. What higher quality options are built may still not suit what people want and could be expensive.

Negative Environmental and Social Effects

The 'missing middle reforms' will be negative for Canberra's uniquely rich suburban environment and will hinder the goals that the government is trying to achieve. The required canopy cover of 20% means there is no hope of the government meeting its 30% canopy cover target. A recent Urban Forest Strategy update *specifically* points to densification as a cause of canopy loss[2]:

- This will result in a greatly increased urban heat island effect
- Many detached houses in older suburbs take up less than 20% of the block, and those blocks are often extensively vegetated. Redevelopment will mean reductions of more than well over half the vegetated area, as shown:


vs


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- The allowed 45% building footprint, plus increased concrete surfaces, will mean the heat island increase will be much greater than expected by the rule changes alone
- The rules are inequitable to owners of existing detached houses, who are unable to remove problematic trees despite damage to stormwater drainage and other structures
- Pollution is likely to increase:
    - Air pollution increases directly with population density[3]. Canberra's air is cleaner than the compact European cities often held up as models. Two of those, Barcelona and Paris, are known for quite poor air quality despite strict vehicle emission regulations.
    - There will be both more noise pollution generating events, and more people will be exposed to them.
- The loss of vegetated backyards (e.g. with bushes and grass rather than concrete) will decrease micro-habitat availability and complexity, something that enables Canberra's exceptionally wildlife-rich suburbs.
- An attempt is being made to compensate with tree planting in parks, which could further decrease open space for play, already at a premium when backyards are being built over

[2] https://region.com.au/canopy-cover-falling-as-trees-age-and-densification-gathers-pace-report-shows/929117/
[3] https://blogs.lse.ac.uk/usappblog/2019/08/15/when-it-comes-to-harmful-air-pollution-denser-cities-arent-greener-cities/

- A common reason given for densification is the alleged environmental impacts of 'sprawl'. In Canberra, the loss of vegetation due 'missing middle' (compared to building on predominantly introduced grassland) may produce a larger negative for environment
- Overall the reforms will permanently damage Canberra's 'bush capital' character – which refers to the amount of bush *in* the city as well as that around it
- The proposed reforms reduce the minimum private open space requirement from an already small 28 square metres to just 24, with a tiny minimum dimension of just 4 metres, with no justification being provided
    - Townhouses near the author built in the seventies and eighties have yards of over 70 square metres
    - In many cases 'missing middle' housing will involve building over backyards that were formerly 200 square metres or more, which used to give Canberran families world-leading access to private open and green space
    - The existing standard is already inadequate for outdoor recreation and the proposed one will make this issue worse and may even lead to less healthy lifestyles

A major social negative will be the loss of family-friendly housing as detached houses are replaced by units of various types.

- Housing mix is one of the most important determinants of family formation – fertility rates are far better correlated with the number of households living in apartments (negatively, more apartments means fewer children) than with housing affordability
    - Such effects are quite visible on country and even city scale – the denser areas of Sydney and Melbourne have lower fertility rates
- People want space to have children, in particular extra rooms. Private outdoor space is also desirable
- By reducing the availability of family-friendly housing, pursuing densification will lock young people out of starting a family
- This kind of housing policy is leading to a situation where many people will live in dwellings that are smaller and have less land than the ones their parents had. This is hardly an advancement.

Loss of privacy and solar access:

- The new solar access rules defeat the point of having such rules in the first place. Not only has the 'solar fence' been successively raised from 3.5 metres (arguably too high) to 4 metres, but the changing of the angle from 31° based on Canberra's actual sun angles to 45° without justification
- This means that single storey houses adjoining redeveloped blocks *will* experience loss of solar access during winter, if the developer builds to the maximum envelope
- No evidence has been presented that the current solar access rules are an issue to significant redevelopment, many projects have been carried out under the current rules
- The setbacks for multi-unit dwellings seem to have been intended to favour developers and will likely have a negative effect on the privacy of other houses:
    - The 0 metre side setback means that people adjacent to a redevelopment may potentially have a large intrusive wall right on their boundary.
    - The setbacks for taller buildings should, if anything, be larger rather than smaller (e.g. 3 metres)
    - The reduced rear setback will ensure that any rear-facing elements are more intrusive, and where two storey buildings are constructed, will diminish the privacy of adjoining houses and their yards

- Overall, the setbacks too small for two storey developments adjoining single storey ones, and little justification has been presented as to why they need to be loosened
- Privacy not just affected by developments on immediately adjoining blocks:
    - A development across the street may mean far more eyes looking into one's house and yard
    - Developments will increase the number of unwanted interactions
- Loss of privacy could have a significant mental health impact on people impacted by it (consistent with the general findings that residents of denser areas have worse mental health). There is nothing gentle about 'gentle density' for those affected by it, and all the examples the author has seen in person are more intrusive than those in the design guide.
    - The lack of service given to issues such as privacy is concerning, considering it is a reason that people prefer suburbs. While the restrictions on overlooking windows are a start, it would be better to avoid overlooking typologies that create high potential for issues.

The reduced parking requirements at also a significant concern, as they will likely be inadequate and will result in obstructive street or verge parking:

- Canberra is a very spread out city and regardless of the amount of 'compact city' ideology, the arrangement of nature reserves means that it will always remain spread out. This means that cars will generally remain the most efficient forms of transport for many purposes.
- This means the reduced number of car spaces will likely not be adequate for many households' needs, forcing unsatisfactory alternatives.
- This will especially go for developments that are not near the city centre – and the Chief Minister has made clear he expects the majority to be in outlying suburbs
    - Increasing population density far away from the major employment centres will worsen congestion more than concentrating density more centrally
- Furthermore, no evidence has been presented that the parking requirements are a significant problem in carrying out 'missing middle' projects. The author is aware of quite a number of projects in their local area under the old requirements.
- The removal for the requirement of covered spaces is a concern. As mentioned later, car parking (especially garages) can also serve as an important extra space for households. Lack of security in uncovered spaces can also effectively preclude people from owning alternative forms of transport such as motorcycles due to the theft risk.

Other concerns

- The changes overall are likely to cause significant stress on infrastructure. A commonly touted benefit of densification is using existing infrastructure, but it is not clear any headroom to do so exists. It will likely reduce quality of existing services (especially roads) and wear out the infrastructure faster, incurring maintenance and renewal costs[4].
    - The cost of building new infrastructure (around $70,000 per dwelling) is also easily absorbed by the buyer – it plus the dwelling construction cost total out to much less than existing, or even significantly lower sales prices.
- Several lobbying groups are pushing to allow much wider consolidation of blocks and greater height limits, or even the abolition of RZ1. This would tilt the market further in favour of investors, who would be able to leverage their land holdings to gain an advantage over owner-occupiers
    - The author is concerned that they are going to use this inquiry to strongly push for these changes despite the negative impacts they will have on other residents.

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[4] See also https://thefingeronthepulse.blogspot.com/2024/04/the-density-dividend-smaller-worse.html

- Wider changes to the planning act appear to close off mechanisms for people affected to have the rules enforced properly. This is already an issue, with some rule-breaching developments having gone ahead, and will likely worsen now that they are ‘guidelines’ as part of ‘outcomes’.
    - It could lead to situation like that developing in New South Wales, where developers are able to push through plans with little or no oversight, even if they do not even own the land on which they are applying to develop
    - At minimum all major developments should still go to public exhibition, so they can be scrutinized by any potentially affected people

Suggestions to improve the reforms, and alternative policies

Recommended changes

- The changes to the angle for solar access should be reversed, and consideration should be given to reducing the solar fence height back to 3.5 metres in RZ1 areas
- Reductions in setbacks should be reversed, with some consideration given to making setbacks for more intrusive developments stricter
- The reduction of private open space requirements should be reversed
    - Ideally, private open space could be increased to a higher minimum (say, 50 square metres) per dwelling in RZ1 areas to align with successful past practices
- A building footprint reduction to 40% could be considered, at least for multistorey buildings.
- The reduction of parking requirements should be reversed to the previous rules. At minimum, the requirement for covered parking should be reinstated.
- Lease variation charges should stay as they currently are overall, but consideration should be given to favouring less intrusive and more family friendly housing types
    - A lower charge could be made on developments of three or more bedrooms, which would be more accommodating of families
    - A lower charge could be made on single storey townhouses, following the typologies of townhouses built in the seventies and eighties
    - The current way of expending the charges is inadequate. The charges should be used to reduce the externalities of denser development, not just for spending on projects that have no benefit to the areas being redeveloped
    - Block splitting for small, affordable, single storey detached or duplex houses could be encouraged. In particular, the production of small detached houses of the kind formerly widely built in Canberra would improve affordability without any of the issues that ‘missing middle’ typologies create.
- Consideration could be given to favouring single storey construction in general, whether for detached houses or units, unless there are already adjoining multi-storey developments. This would minimize the intrusiveness of new development.
- The rules should be given the force of law, with appropriate matching penalties for breaches, and compensation to the affected. This should especially go for breaches that affect privacy, as once degraded it cannot be created again.
- The current RZ1 areas should be maintained, except perhaps close to the major town centres

What should not be done:

- Greater block consolidations and height limits than those already specified should not be allowed
    - To do so would greatly advantage investors who have the ability to leverage off their existing holdings, reducing the ability of owner-occupiers to purchase and ultimately disadvantaging people who want their own block.

    - It could also increase the negative impacts already outlined
- Any guideline for maintaining privacy should not be weakened.
- An urban growth boundary should not be implemented
- Lease variation charge should not be relaxed except as suggested. Consideration should be given to pooling the collected charges to fund infrastructure upgrades in affected areas, rather than treating them as general revenue

Alternative policies:
- Land releases need to be greatly accelerated to ensure adequate new supply of detached houses
    - The SLA needs to be willing to put less onerous conditions or to accept lower prices for its land releases
- Rather than restricting land and focusing on infill, all possible areas need to brought in as options, including the 'Western Edge', West Tuggeranong, Symonston and the Kowen Forest region
    - Cross-border planning with the surrounding councils should be done to facilitate development closer to, rather than further away from, the ACT border, reducing commute times
- Ideally, the Suburban Lands Agency should be empowered to develop and sell to undercut the private market
    - The section of legislation that specifies that properties developed by it can only be sold at 'market rates' should be replaced with a section providing the ability to sell at or near cost by a public lottery open to Australian citizens with usage restricted to owner-occupation.
    - The types of houses focused on should be small detached houses and single-storey townhouses that will be more affordable and better suited to families than the typologies currently built.
    - It will take some time for the SLDA to regain the expertise the NCDC had and care needs to be taken to ensure that best value is obtained and other political factors don't influence supplier choices.
- A large amount of investment in social housing is needed to restore the proportion closer to former levels

Overall the author believes there is significant room for increasing housing supply without having developments as impactful as ones possible under Draft Plan Amendment 04 as it currently stands, and that past successful examples in Canberra should be examined. Furthermore, land releases need to be accelerated rather than done in the delayed piecemeal form they are now, and much more public investment in housing is needed.

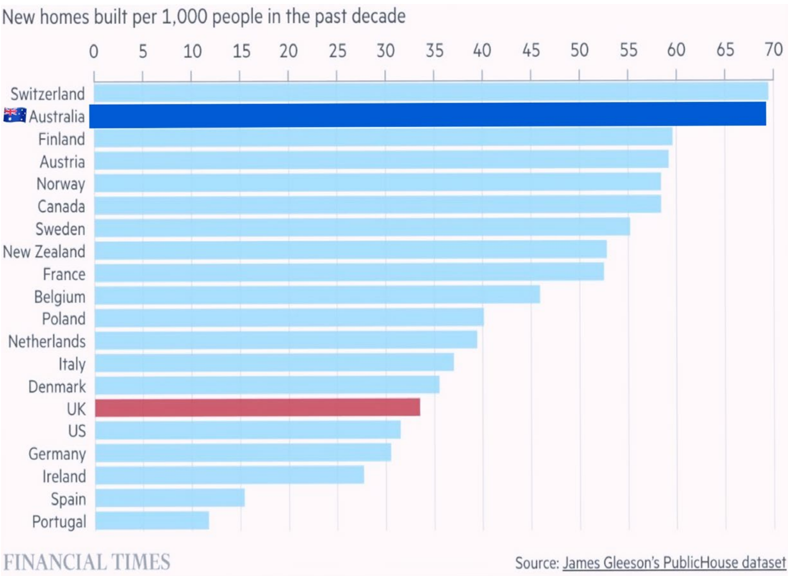
Single storey townhouses, these are unobtrusive and could be built again, but won't be under the reforms as proposed

Broader Discussion

What is the reality of housing in Australia – and Canberra?

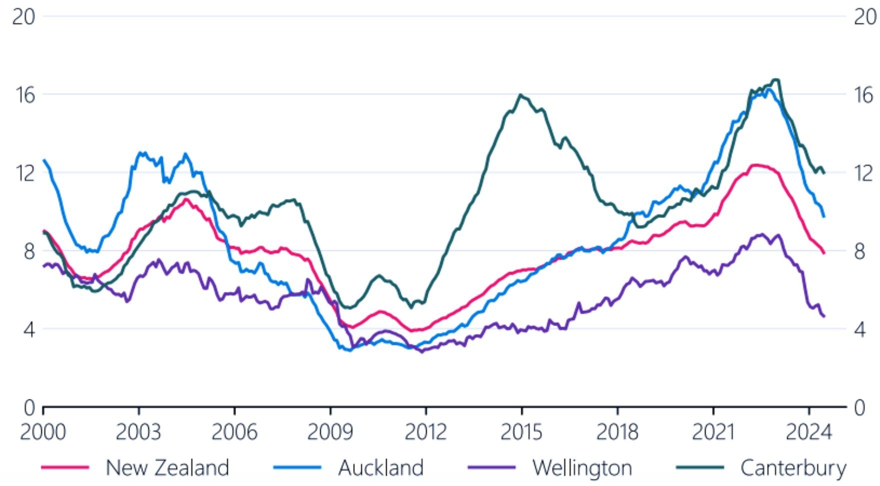
Australia has very *high* rate of housing production

- Despite torrents of rhetoric to the contrary, supply is ***not*** the problem with the Australian housing market[5]. Australia is exceptionally good at new dwelling supply, with construction rates exceeding countries regularly praised for theirs, such as Finland:

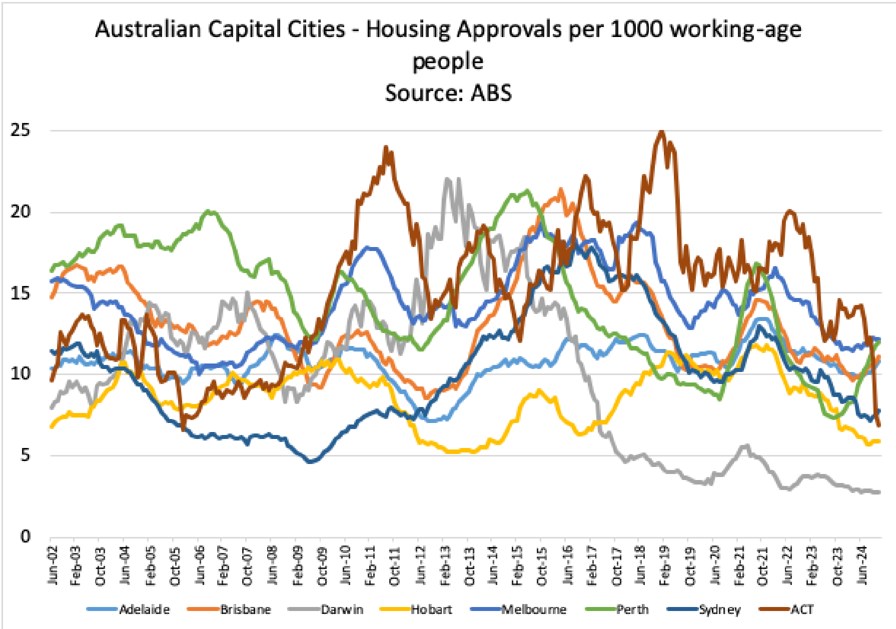


- Australia's normal rate of new housing supply exceeds that seen in New Zealand *after New Zealand's zoning reforms*:

[5] https://www.tandfonline.com/doi/abs/10.1080/07293682.2021.1920991



Showing dwelling approvals per 1000 working age people Source: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/financial-stability-reports/2024/9estrict-2024-special-topic-1/fsr-special-topic-update-on-housing-market.pdf



- Canberra has been especially good at supplying new dwellings, doing so at a rate commonly exceeding any other Australian city. The recent fall is likely a temporary phenomenon caused by high local construction costs.

Any honest appraisal of the evidence points to demand (both in terms of population increase and monetary demand due to increased borrowing capacity and investor demand) being the major culprits, not supply. Australia has raised its housing stock per capita despite high population growth.

Missing middle's supposed price benefits likely come from reducing quality

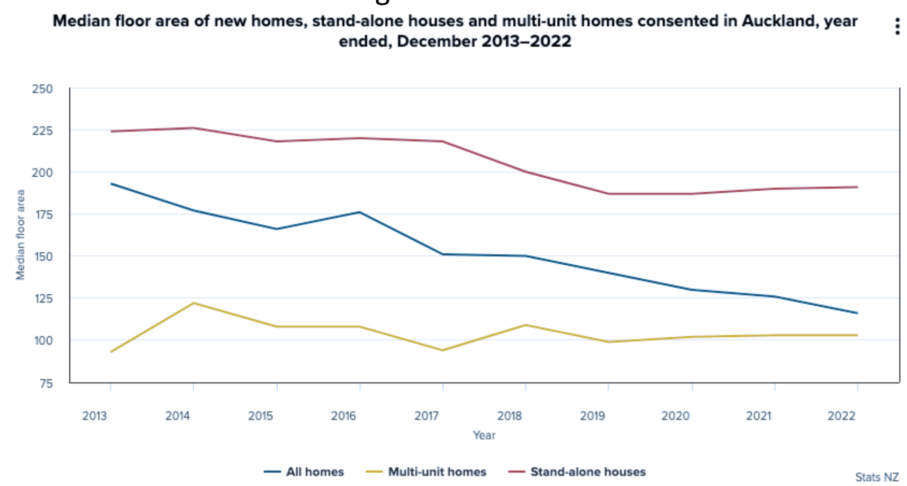
A lot of advocates of denser housing assume that the market is homogenous, that all dwellings are equally substitutable for each other. This isn't the case.

- This means that their analyses assume any fall in prices or reduction in price rises is due to 'greater supply' alone, and not due to falling dwelling quality or the dwelling mix not reflecting market preferences

- Prices of unit (strata) titled dwellings (i.e. apartments and most townhouses) have not kept pace with the prices of separately titled (mostly detached) houses throughout Australia[6]
    - This is evidence that contrary to the assumptions of all pro-upzoning literature, detached houses and townhouses/units are *not* substitutes
    - The kinds of development that use strata title tend to have a narrower market than separately titled developments
    - Strata developments, with the land being effectively collectively owned, reduce the future flexibility for any individual owner
    - Strata dwellings also come with encumbrances such as strata management fees
    - This lack of appreciation has the side effect of putting detached houses even further out of reach for people who want to sell their units to upsize
    - In fact, right throughout the 2012-2017 boom, small apartments remained relatively affordable, at least compared to other dwelling types.
- Building 'missing middle' housing – which is all unit titled – will have the effect of reducing the overall quality of the housing stock. This means that prices could fall without any real change in supply compared to demand.

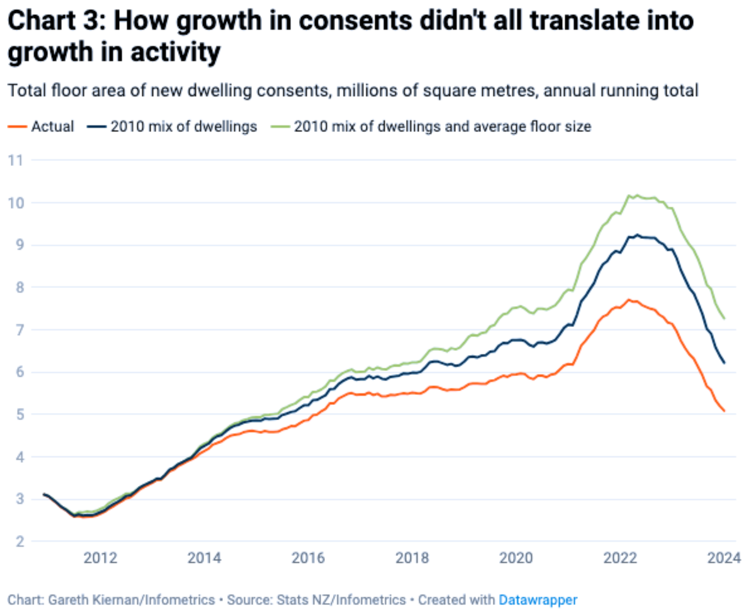
One of the ways that a developer can maximise their return when developing 'missing middle' housing is by packing in as many small dwellings as possible. This 10restricts costs per dwelling and maximises sales, with the aim of producing a larger *overall* value and profit. New Zealand's much lauded reforms are an example of low quality housing:

- The mix of new dwellings approved in New Zealand has gone from a majority detached houses to majority units, mostly small town or terrace houses
- The median new dwelling size in Auckland has fallen from about 195 to about 115 square metres



- *Source: https://www.stats.govt.nz/news/median-floor-area-of-new-homes-consented-decreases-10-percent/*

[6] https://www.investmentrise.com.au/the-truth-about-apartment-prices-rising/



- *Source: https://es.infometrics.co.nz/article/2024-04-thirty-six-thousand-new-homes-isnt-what-it-used-to-be This chart shows how New Zealand's newly built floor area is much less than expected from approvals due to a decrease in dwelling sizes*

- Most of these new dwellings are only two bedrooms, so are not suitable for raising a family. This immediately reduces the market and is less attractive to higher-income earners, who are more likely to be older with families.
- These dwellings are in many cases smaller than the relatively small detached houses built during the post-WWII boom but without the backyard, and space for a shed or sufficient parking (carport/garage)
  - Some of these new dwellings do not have a garage or carport at all, instead having a single uncovered parking space
  - This lack of garage, space for a shed or even extra parking prevent lifestyle options such as owning a boat or trail bikes, or even having somewhere to put extra possessions

[redacted]
January 22, 2025 at 9:50 am

Never mind driving on the beach, getting anywhere near them is a minefield at current population levels; adding another 50% on top of that is going to lead to community amenity being oversubscribed even more than it is now.

This is already happening – owning a boat is now less expensive than the piece of land you need to be able to park it on when it's not in use, and boats are money pits. Activities that involve a trailer, or camper, either mean expensive third party storage or having enough land to store it yourself, and that's getting further and further out of reach, even for a lot of well-heeled professionals.

We really need to have a think about what we want to offer people who are living in Auckland as a lifestyle before we go deciding how big it should get.

Source: https://www.greaterauckland.org.nz/2025/01/22/growing-auckland/#comment-652189 – comment expressing the lifestyle restrictions that Auckland's pro-density reforms are creating

- Many of these new dwellings do not have any kind of private outdoor space, even a courtyard
- Therefore, these dwellings should be less valuable than the ones they are replacing, as they offer fewer lifestyle options and appeal to a narrower market (younger, childless persons or couples, who will likely have a lower income)
- Unit titled dwellings now make up well over half of New Zealand's new dwelling approvals, which in turn make up about third of overall sales in the country

    - Since these new dwellings can command less of a premium than houses, and are less valuable overall, prices should be expected to fall *from compositional effects alone* regardless of the effect of any increase in supply
    - The studies claiming the success of Auckland's reforms badly account for this (even though at least one study has noted that the change has seen sites developed to maximum density)
- Real estate companies are noticing that people are moving from Auckland to Christchurch, where detached house are significantly less expensive. They specifically note that people are looking for detached houses as being[7] better value and that there is a glut of townhouses. This is consistent with surveys showing people want detached houses, not townhouses[8]. Hence townhouses will not attract any price premium.

New Zealand is not the only place where 'missing middle' reforms have degraded the quality of the housing stock.
- In Portland, Oregon the average size of a new dwelling after such reforms was *less than half*[9] of that of the previous dwellings, and similar effects have also been observed in Minneapolis
    - Housing in Portland is still extremely unaffordable, thanks to urban growth boundaries

Overall, it appears that one of the main effects of upzoning is to produce smaller, lower quality dwellings which are less desirable
- This is probably the primary mechanism by which it can reduce prices
- This is 'paying less for less' – akin to the 'shrinkflation' experienced by consumer products
- It effectively represents a retreat towards nineteenth century housing patterns

The other option that developers have is by creating very expensive luxury units to extract maximum value per unit. These may even still only be two bedrooms.
- These two strategies (value and density maximization) are pursued because 'missing middle' housing lies at an awkward point economically
    - The dwellings are less valuable individually than detached houses
    - It does not have the economies of scale of apartments
- Therefore, developers will usually try create either small units to gain maximum density or very expensive ones to gain maximum per value per dwelling. This militates against affordable, family-friendly housing.
- It is not a contradiction to say that upzoning for 'missing middle' or denser will raise land values (and hence the prices of detached homes). This is because one concerns the total value of construction on the land, and the other the individual dwelling.
    - This also means that upzoning can place a price premium on existing detached houses, even if potential replacement dwellings are of lower quality.
    - Where the developer goes down the 'luxury' route, the resulting units can be more expensive than the houses they replaced. Both patterns are seen in Canberra.
    - Townhouses are only slightly less expensive to build than detached houses[10] despite the fact they are much larger. Hence there will be a strong incentive for developers to target the most affordable housing in outer suburbs (as observed in Auckland) for redevelopment, rather than the most expensive ones.

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[7] https://www.oneroof.co.nz/news/fed-up-aucklanders-snap-up-cheap-christchurch-homes-48499
[8] https://www.stuff.co.nz/life-style/homed/real-estate/131288921/first-home-buyers-dream-of-snapping-up-houses-not-apartments
[9] https://www.tandfonline.com/doi/full/10.1080/01944363.2024.2344628 amazingly, the author considers it a good thing!
[10] https://www.macrobusiness.com.au/2025/05/apartments-are-too-expensive-and-take-too-long-to-build/

House prices rises are mainly monetary

The rise in house prices in Australia since 2000 has mainly been a monetary phenomenon, caused by low interest rates and loose macroprudential rules, bolstered by high demand:

- House prices rise 29% for every 1% fall in long term interest rates[11]. This is due to lower interest rates increasing borrowing and hence the supply of money into the housing market (lending creates new money in fractional reserve systems):
    - For banks, it is important that the borrowers can make payments. The principle size is less important. If less of a payment if going to interest, the principle can be larger
    - Some pro-upzoning advocates claim that in an unconstrained market, falling rates can never lift prices:
        - This is impossible, as a reduction in interest rates increases borrowing capacity immediately, while new supply will *always* take time to build, even if there are no constraints at all on it
        - This means that unless the population is not increasing and there is no competition for locations (the latter being impossible), lower rates can *always* raise prices ahead of supply
            - Essentially, the financial system can always influence prices much faster than changes in physical supply. This is why the property market displays pronounced cycles.
    - Raising rates doesn't lower prices in an equivalent manner, because the accumulated debt causes price 'lock in', where owners will not sell for less than the debt if they don't have to.
    - A 2019 RBA paper suggested "much of the strength in housing prices and construction over the past few years can be explained by the fall in interest rates[12]"
- Lower interest rates also discourage holding money in cash. This means investors are more likely to chase value in assets such as real estate, especially when it is tax-advantaged
    - Alternative investments are an important factor. Amsterdam has experienced three major bubbles since 1400, likely due to investors rotating into real estate when the Dutch government ceased issues of war bonds than paid a good yield. Similarly, since the GFC central banks have deliberately suppressed bond yields.
- The fact that housing investments are tax advantaged encourages investors to buy existing housing. Investor loans account for 38% of all loans, but only 17% go to new housing[13]. The remainder create extra demand on the market that pushes up prices.
- Until 1998, mortgage payments were included in the CPI. This meant that as prices rose, the CPI would rise, interest rates would go up and borrowing capacity would be dampened, reducing the price rises. Since 1998, this interest rate buffer no longer exists and interest rates do not respond to rising house prices
    - Some experimental calculations including house prices in the CPI indicate a potentially significant effect (e.g. the CPI being more than 1% per year different)[14]
    - This is a major cause of CPI skepticism[15], as housing is a major cost
- Changes to macroprudential policies also have a significant effect by changing the amount a person can borrow and who can borrow:

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[11] https://www.mintequity.com.au/news/house-prices-soared-19-after-a-1-interest-rate-cut-will-it-happen-again

[12] https://www.rba.gov.au/publications/rdp/2019/2019-01/full.html

[13] https://x.com/MichaelMatusik/status/1999022086938108205

[14] https://onlinelibrary.wiley.com/doi/pdf/10.1111/jmcb.13059 and https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3118152

[15] https://www.housing-critical.com/data/USR_057_DEFAULT/02_The_Role_of_Housing_Costs_in_Central_Banks_Inflation_Targeting_Regimes.pdf

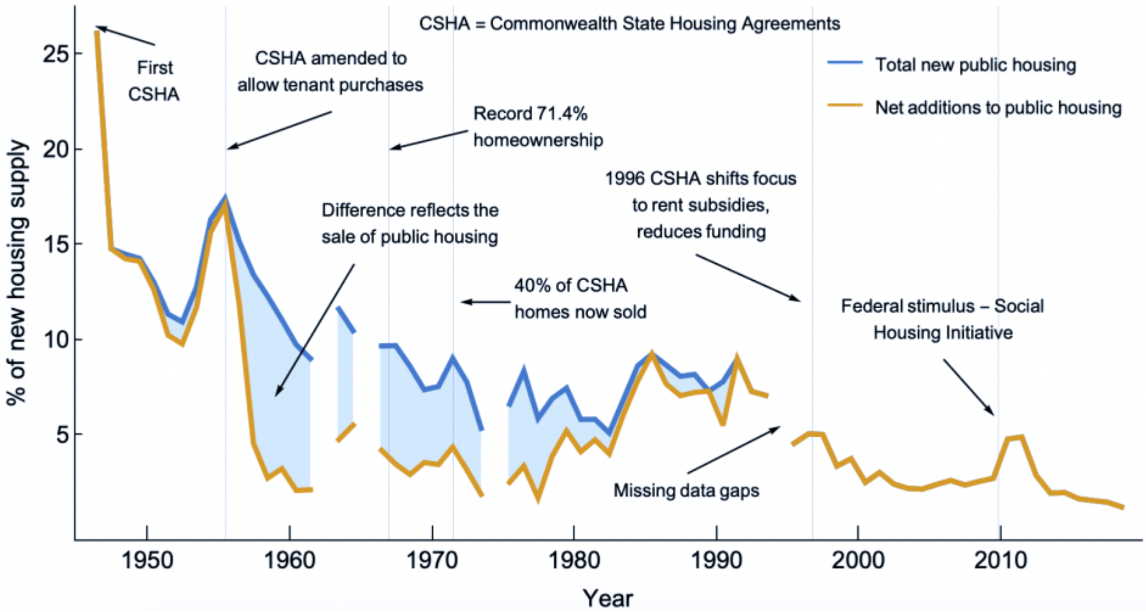
    - Loan principles used to be limited to 2.5x income (rarely 3.5x). Now banks have been known to loan more than 9x income. The increase can be sustained due to lower rates, but causes prices to rise.
    - Furthermore, banks often would only lend against only one income, even in two income households
    - Investors have had even greater increases in borrowing capacity
        - Interest-only loans advantage 'flippers' by reducing payments during a short turnover period. The capital gains tax discount makes this especially attractive
        - Investors can borrow against the equity in their existing properties. This makes it much easier for investors to acquire additional properties in a rising market
            - Such lending would have been out of the question post-WWII until deregulation, as it would have been recognized as allowing major debt accumulation and speculation of the kind that made the Great Depression so damaging
- A clear demonstration of the effects of macroprudential policy occurred during the Hayne Commission. Rules were tightened, with banks having to assume a higher living income when determining payments, amongst other changes
    - Australian prices fell about 10% without any major change in economic circumstances
    - Price rises only resumed after a court case overturned some of the stricter rules and interest rates were lowered, increasing borrowing capacity
- Since 2020, a major change has been the loosening of interest rate buffer requirements, which means capacity to pay is assessed at a lower rate than before, increasing the potential principle size
- One outcome of this has been 'deposit poverty'. Neither mortgage payments nor rents are in fact much, if any, less affordable than they were 25 years ago – hey tend to be remarkably constant around 30% of income. Instead due to lower interest rates allowing a higher principle, the size of a deposit has gone up
    - The NZ treasury has demonstrated this in the New Zealand housing market, showing that the amount of money required for a deposit has gone up dramatically, while mortgage repayments remain similar[16]
    - One associated phenomenon has been the reduction of deposit constraints, for example rather than the old strict 20% requirement, banks now routinely allow banks routinely take 10% deposits, and the government supported guarantee program allows 5%
    - The same also applies to rents, which throughout the 2010s housing boom remained similar in Australia[17] and New Zealand. This indicates that only the *asset* value was changing, as would be expected from monetary effects rather than a shortage.
- Programs such as first home buyer grants and deposit guarantees increase borrowing capacity and act as direct subsidies that increase house prices.
- Over the past two decades many countries have seen a dramatic rise in house prices, even ones formerly highly resistant to bubbles such as Germany. The monetary factors (low interest rates, permissive lending regulations) are common across these countries.
    - This strongly points to monetary factors, not lack of (market) supply being the main culprit. Yet Australia is trying to respond to a monetary phenomenon by making physical changes to our cities that many people do not want.

[16] https://www.treasury.govt.nz/sites/default/files/2022-08/htwg-assessment-housing-system-hamilton-waikato-aug22.pdf
[17] https://ckmurray.blogspot.com/2021/04/why-i-am-anti-anti-zoning.html

How Australia (and Canberra) actually gained high house ownership rates:

Prior to WWII, landlords owned about 40% of houses in Australia. By 1970, they owned less than 20%, and the proportion of households to own their dwellings had risen dramatically. This was *not* done through the free market, but through extensive government intervention:

- The accessibility of mortgages for owner-occupiers were greatly improved at this time. In comparison, investors had to put down larger deposits (usually 30% or more), pay higher interest rates and demonstrate greater ability to pay. This tilted purchasing power towards owner-occupiers.
- Rent controls enacted during WWII were not fully repealed until the mid-1950s, which deterred investors from entering the market.
- Houses produced under the Commonwealth Social Housing Agreements were sold to their residents or other willing buyers on favorable terms, *undercutting* the free market price
    - Government housing supply accounted for about 10% of all new dwellings at the time. This was a major intervention that helped keep the lid on prices:



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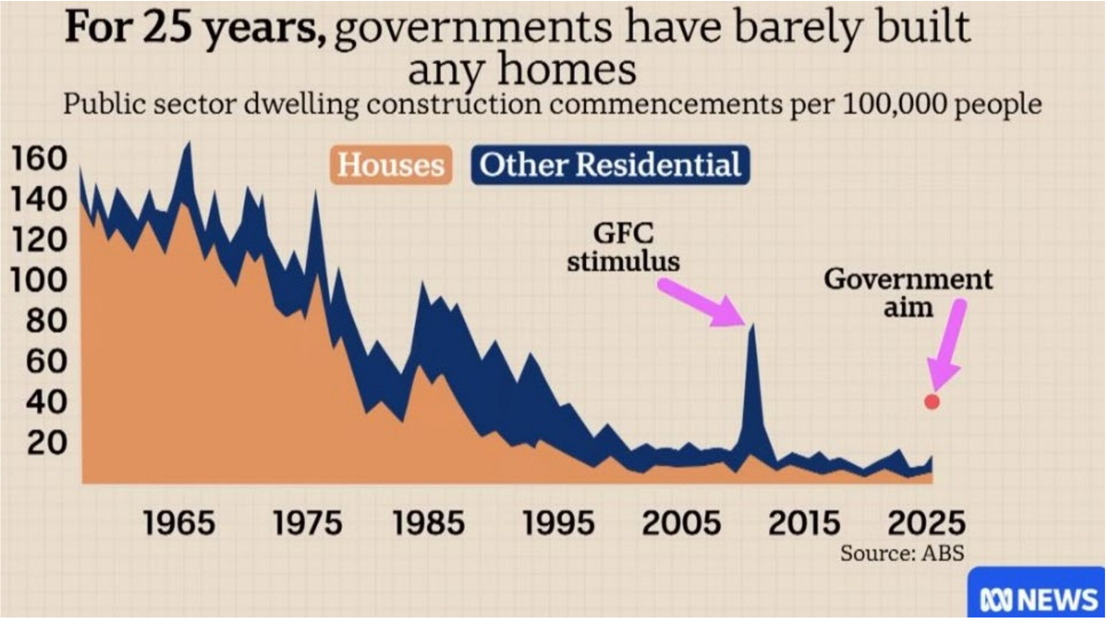
- *Source: https://gameofmates.com/wp-content/uploads/2021/07/antizoning.pdf*

- The rise of car ownership greatly increased the amount of land available within a convenient commuting distance from workplaces. This not only reduced competition for land (and thus the power of investors) but enabled people to live in larger dwellings on larger, vegetated blocks with large backyards.
    - Many of these new developments were deliberately planned with the kind of controls pro-upzoning advocates detest, yet they produced affordable housing



In the ACT, this was even more dramatic:

- The National Capital Development Commission used to be responsible for the development of new suburbs, creating the infrastructure
- At times up to one-third of new houses were built by the NCDC, the rest being built by a large number of building companies that only built houses or bought individual blocks from the NCDC, rather than developing entire districts
- Up to 12% of housing used to be social housing, this has since fallen to 6%[18]
- Lacking the requirement to make profits on the same scale as private companies, the NCDC was able to create a plentiful housing supply
    - A comment on a Region Canberra article recalls that the NCDC used to have very large numbers of blocks for sale

> [redacted]
>
> Back in the wonderful days before we had self government forced on us, my wife and I wanted to build a house, so we went into the leasing section (ironically in the building now occupied by the Assembly) and arranged on boards around a large rom were large scale maps of multiple suburbs showing literally thousands of blocks available for purchase over the counter. We narrowed down our choice, went to the counter and asked for the detail plan of the two or three we'd narrowed our choice down to then went for a drive. That afternoon we'd made our choice and lo and behold we bought a block of land. No stamp duty and we got to choose our own builder. The year was 1977 and we paid the princely sum of $9000 for a 900 square metre block. The ready availability of serviced land also meant that there were literally hundreds of small family owned cottage building companies who would buy land and build "spec" houses.

- *From https://region.com.au/barrs-tax-and-tech-plan-to-boost-housing-construction/923655/#comment-1365004208551398*

    - This is a strong contrast the model of developments used today, where only a few tens of blocks are released at a time

[18] https://citynews.com.au/2025/how-will-missing-middle-housing-ever-add-up/

- At the time housing in the ACT was affordable and widely available, and offered a good choice of three- and four-bedroom houses and townhouses, all with backyards larger than any modern development.
- While many of the publicly built houses were relatively small, they were still larger than many apartments and offered a better combination of rooms, as well as having more open space.
    - The relatively high construction cost of apartments compared to units for a given floor area means such smaller houses could be very affordable.
- The overall experience of Australia shows that government action can produce favorable housing outcomes

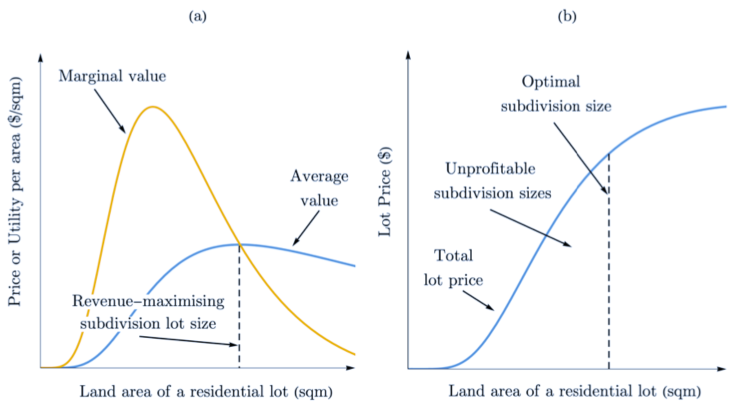
The contestable (and sometimes bad) economics of housing

The debate over the effect of zoning on house prices is afflicted by the use of economic models that don't reflect reality and refusal to consider contradictory evidence. The contention is a complex one, but can be summarized as follows:

- Until recently the predominant view was that land is an inherently uncompetitive market, on the provably true basis that (outside of things like reclamation projects) land cannot be created it can only be brought into use or converted from one use to another
    - It is even truer when individual locations are considered – one cannot create more land in a *given location*
- This means that landowners will effectively exert a collective monopoly. In desirable areas there is no unowned land, hence the owner will have control over that given location and must give it up if another person is to own the land
- However, in the 1990s two American economists wanted to blame zoning (rather than other factors) for rising house prices, and set out to construct a model to 'prove' this (in so far as that the proof is somewhat circular)
    - They assumed that the price of land by area (e.g. per square metre) should remain constant, rather than there being any variation with block size
        - Essentially the per-area value of the land should not change regardless of how it is divided (there is no incentive to subdivide with the assumption)
    - They calculated a 'marginal' land value by looking at the differences in value between blocks of different sizes, and compared it to the actual value by area for the blocks concerned
    - They then attributed any deviation from this value to a 'zoning tax', ignoring any other possible factors
    - They also looked at the construction cost of houses and decided that if the sales price was above the construction cost this was also 'zoning tax' due to 'insufficient supply'
        - This was effectively declaring that land should have no value other than the building on it
        - They even declared that an 'unrestricted market' could force prices 'below the cost of construction', ignoring that their examples were in deindustrialized, crime-afflicted cities where the housing stick had been built many years before
        - In later studies they arbitrarily assigned 20% of the construction costs to land, based on an unclear and debatable sample
- A recent empirical study has disproven this model[19], showing 'zoning taxes' appear even when there is no zoning. Furthermore, the study can explain why land is subdivided and sold the way it is:

[19] https://journals.sagepub.com/doi/abs/10.1177/0308518X20942874

- The 'marginal price' of the 'zoning tax' method represents a theoretical parcel of land that is not useable because it is too small, hence is has a low value
  - The only way the model could be true is if all buildings in a given area were demolished and rebuilt to reorganize blocks into the ideal configuration each time market conditions changed – a clear impossibility
- The marginal (i.e. additional value per additional unit of area) land value by area is highest at maximum marginal utility – i.e. when it can accommodate the most valuable possible use
  - For example, the minimum sized block that will accommodate a detached house will have the highest marginal land value in an area zoned for detached houses
- The land value by area then falls as the block grows larger, although total value continues to rise (at an increasingly slow rate)
  - E.g. extra rooms or larger backyard add extra value to block for a detached house, but to a lesser extent than being able to build such a house at all. Hence the value by area falls.
- This implies that land value can be changed by subdividing, and that there is an optimum block size that is the best combination of marginal land value and the average land value (i.e. the average value of the overall combination of lots)
  - The market is heterogenous (e.g. some people want bigger 'lifestyle blocks') so selling over a range of bock sizes will still be profitable (and may realise some profits sooner at lower expense)
  - This provides an incentive for landowners to subdivide for development, and dictates how that subdivision will be carried out



Source: https://journals.sagepub.com/doi/abs/10.1177/0308518X20942874 and https://papers.ssrn.com/sol3/Delivery.cfm?abstractid=3328308

  - This is confirmed by block prices seen in new developments, whether in Queensland or near Canberra, where value per area falls with block size[20]
  - One implication of this new, empirically grounded model is that the so-called 'zoning tax' is in fact simply part of the value of the location, and a larger 'zoning tax' is simply a larger 'location premium'
- Another recent study showed that the strongest cause of house price changes was simply income changes[21]. Notably, this study showed that the measures used by upzoning advocates to prove the effect of zoning restrictions did not actually do so.

[20] https://www.fresheconomicthinking.com/p/the-zoning-tax-is-an-illusion
[21] https://www.nber.org/system/files/working_papers/w33576/w33576.pdf

    - Unfortunately, the main reaction to these kinds of findings has been to circle the wagons and deny them

One common weakness in the economic modelling used to advocate for upzoning is the inability to account for speculation, investment made in the belief that a profit can be made rising asset values alone, rather than through income generated by the investment:

- This is a common issue in economic modelling in general, as speculation is caused by sentiment and belief, which cannot be quantified like cash flows
- Although speculative bubbles are often observed (such as the famous Dutch tulip bubble) predicting them has been more difficult. They are often only widely recognized in hindsight
    - There is partly an incentive issue at play – people claiming prices are in a bubble are often derided at the time
- Speculative bubbles seem to emerge whenever developed financial markets emerge, with possible bubbles being visible as far back as the fifteenth century
- Despite this, some economists insist prices are always caused by 'real' factors, even in the short run, because they cannot incorporate sentiment-driven changes into their models
- On a broader note, modelers can fail to incorporate cycles regardless of cause
    - This prominently occurred with a recent article claiming Auckland's reforms have reduced future rents and prices by a large amount. It did not consider other factors (interest rates, population) that meant Auckland was at the top of a cycle and prices were likely to fall anyway, instead assuming they would maintain the previous trend
    - This means that the alleged benefits of zoning reforms will tend to be exaggerated

Most of the models used by economists are 'static', which is to say they compare the market in different states but without considering how time affects decisions leading to those states. This means those models struggle to account for observed behaviour where people try to maximise returns over time. This particularly goes for 'land banking', where developers do not develop profitable projects at the greatest possible rate, but rather 'drip feed' them in out of a larger inventory of land holdings[22].

- Some researchers and major pro-upzoning advocates claim the only reason a profitable project won't be developed is due to 'barriers' such as zoning, denying land banking exists (amazingly, this assertion passed peer review despite no evidence being presented to support it, implying peer review in economics is inadequate to filter out ideological positions)
- Shareholder prospectuses of major developers and surveys of developer behaviour consistently show developers *do* delay profitable developments in order to prevent prices falling, ensure future inventory and ensure profits *over time*[23]
    - Essentially a smaller profit on a given development can be foregone 'today' to ensure a larger profit in the future
        - This phenomenon in real estate development has been known for many years[24] but is rarely addressed by upzoning advocates. To them real estate is produced in the same manner as consumer goods, but in reality, it it is an asset that behaves more like stocks[25].
    - Land banking also helps reduce development costs, which is important in a market such Australia's where high demand has increased construction costs.

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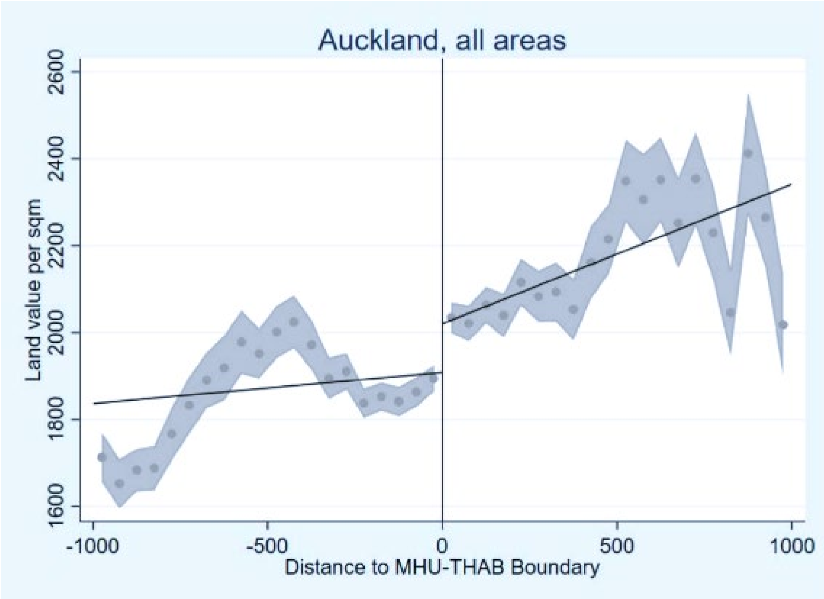
[22] https://www.sciencedirect.com/science/article/abs/pii/S1051137720300449
[23] https://espace.curtin.edu.au/bitstream/handle/20.500.11937/97102/Roche%20J%202025%20Public.pdf?sequence=1&isAllowed=y
[24] https://www.jstor.org/stable/1814815?seq=1
[25] https://bankunderground.co.uk/2019/09/06/houses-are-assets-not-goods-taking-the-theory-to-the-uk-data/

- Some commentators have accused the ACT Government of engaging in land banking, noting the slow and often delayed land releases, and the slow rate of land release by the developers is consistent with it.
- This is fully consistent with the observed self-regulating nature of the housing market. When economic crises hit, reducing purchasing power and causing prices to fall, housing construction falls even when prices remain well above construction costs, thus stabilising the market
    - Pro-upzoning advocates claim that without regulations the market would drive prices down to construction cost. But this has never been observed.
    - It is not in developers' interest to render their own businesses unprofitable, especially when they are often dependent on financing. Hence, they will not crash prices through building.
- Land banking occurs even in the middle of highly developed areas. For example, the Gold Coast (some of the most expensive real estate in Australia) has numerous undeveloped parcels and there is even a case of apartments from a completed tower not being put on the market because the developer felt they could make a better profit later
- The important thing is that *landowners*, not builders, determine when new supply is built, and with low holding costs they can choose when they want to

In fact, upzoning can raise land prices, with the consequence of further increasing the premium that detached houses have over apartments.
- Denser zoned areas usually have higher land prices (although social factors like crime can change this)
- This fits with the old theory that land's value is determined by its most valuable use and upzoning creates an option to raise the value of what is constructed on the site (by fitting more dwellings, even if they are of lower individual value)
    - This has the effect of raising the value of the land detached houses sit on – they now have an option to create a more valuable construction, at the cost of demolishing the existing structure. The land value reflects this option.
        - This effect was seen in Minneapolis, with the largest price rises in what were the cheapest areas[26]
- Studies consistently show price discontinuities between zoned areas. When an area is upzoned, its prices tend to rise. After Auckland's reforms the denser zoned sites had dramatically higher value:

[26] https://www.tandfonline.com/doi/full/10.1080/01944363.2020.1852101?src=recsys



- *Source: https://drive.google.com/file/d/185n-YVLWnnct_8p5wS9H3svMrnBSw3M8/view THAB denotes a higher density zone than MHU*

- This is the reverse of what the theory upzoning advocates rely implies should happen, and shows the raised density allows more
- The worst kind of zoning law is urban growth boundaries. By placing an absolute limit on developable land, urban growth boundaries encourage land banking and investors outbidding potential owner occupiers
  - Cities with urban growth boundaries are notable for having unaffordable housing. Portland Oregon allows higher density housing but is one of the least affordable US markets
  - The ACT has already been operating under de facto urban growth boundaries due to the limited and delayed land releases, and plans to legislate one will only make the problem even worse.

One of the most controversial possible factors in high house prices is immigration:
- At this point the commonplace understanding of supply and demand used by many upzoning advocates goes out the window.
- Australia's rate of immigration is very high by global standards, and is currently running at 4-5x the historically normal level from 1950 to 2005 (300-500,000 per year vs 80-100,000). Even prior to COVID, it was very high (2-3x the previous normal)
- While the rate has been as nearly high *per capita* in the past, these rates were not as sustained and were much smaller *absolute* terms
  - This is important because land requirements – regardless of whether they are accommodated through greenfields or higher density – are determined by the absolute number of arrivals
- Both Canada and New Zealand have cut their immigration rates to levels significantly below the pre-COVID norm and have experienced similar falls in house prices, despite Canada not undergoing a blanket upzoning process
- Immigration could play an important part in property speculation in Australia. Investors can speculate knowing that with such a high rate, demand for their property will eventually be fulfilled, even if paying a premium. Taking away this future demand would reduce potential returns to investors, and fewer investors in the market will lower prices.

A wider comparison of Canada and New Zealand (and to Australia) is warranted, as both have experienced similar magnitude house price declines since COVID[27] despite one enacting major countrywide zoning reform and another not:

- Both Canada and New Zealand have dramatically cut net migration (mainly through reducing temporary migration), with their levels relative to population now being far lower than Australia's
    - New Zealand's most recent net migration of about 12,400 per year is equivalent to about 70,000 per year in Australia, compared to Australia's current figure of about 305,000
    - New Zealand is experiencing a major outflow of citizens to Australia. Citizens are likely to have greater purchasing power than new arrivals, hence prices would be expected to fall from this alone
- The central banks of New Zealand and Canada raised interest rates earlier and more than the RBA, meaning a greater reduction in borrowing ability.
- Unemployment in Canada and New Zealand was higher than in Australia prior to the pandemic and has risen significantly more since. New Zealand especially has not had the increase in publicly funded jobs Australia has had.
- In New Zealand, the former government greatly lengthened the time period to receive a capital gains tax discount and abolished negative gearing. Although these laws have seen been reversed, it has deterred investors from entering the market, especially against a background of low demand
- New Zealand and Canada have both has less economic growth than Australia, with New Zealand having a recession in 2024 and contraction in one quarter of 2025. This is a condition much less favourable to price growth
- In New Zealand and Canada, prices rose much more during COVID than they did in Australia, especially in New Zealand. This meant their prices were less sustainable in the long-run, especially considering post-COVID developments
- Any analysis largely attributing New Zealand's price decline to zoning needs to explain those of Canada when other factors are more similar between the two countries. A rash of recent papers proclaiming the success of New Zealand's reforms needs to be examined much more skeptically, with their apparent reliance on interpreting the data through the authors' own

- Pro-upzoning advocates leave out or downplay other evidence and factors when claiming that zoning reforms are a success
    - Tokyo's 2001 'urban renaissance' reforms are commonly cited, but in a deeply misleading way. Their property market (and overall financial markets) experienced a dramatic crash caused by the failure of speculative investments in an economic downturn in the late 80s-early 90s. Since the laws were enacted, prices have risen significantly.
        - Tokyo dwellings are also quite expensive on a per-floor area basis, and seem cheap partly because they are very small.
    - As mentioned, Portland Oregon and Minneapolis have seen dwelling qualities fall due to such reforms, with small, non-family friendly units being built to replace detached houses
    - Houston is often touted as an example, as Texas does not have zoning laws in the same manner. However, there are major caveats:
        - The effective land tax rate in Houston is about 2%, compared to about 0.6% in Australia. This greatly increases the cost of holding land and lowers its asset value

[27] See chart in https://x.com/AntipodeanMacro/status/1945276114789642522

        - Chicago has much stricter zoning than Houston (about 75% for detached homes), but has comparable house prices with similar demographics, despite being more geographically restricted
      - Houston has no urban growth boundaries and no geographical constraints, and most of its growth has been outwards
      - Housing distribution in Houston is highly bimodal between houses and apartments, not 'missing middle'
  - Examples in Brisbane[28] and New York[29] of upzonings failing to reduce prices were omitted by the Grattan Institute (who receive funding the pro-high migration Scanlon Foundation) in their report touting higher density
      - Ironically, other research by Grattan shows that the strongest correlate of house price rises is the rise in adult population, and that the countries that added more housing experienced larger price rises[30]
  - Often omitted is the example of Vancouver, a city restrained by geography and urban growth boundaries that has added most of its new housing stock by infill. No city across Canada and the US has added more houses relative to its population than Vancouver, but in no city has prices risen more[31].
      - This shows that supply does not in fact beget affordability, hence why other angles need to be considered.
      - Restricted land supply means that speculation by investors is a major factor in keeping prices high

Whose interests anyway?

One of the groups most involved in the 'missing middle' reforms has been the Property Council, which represents the interests of property investors

- The point of investing is to generate wealth. If house prices don't rise, they become a bad investment
  - Recent land tax changes in Victoria caused prices to moderate simply due to landlords exiting the market
- This means that housing being a good investment and housing being affordable are opposed
- If housing is to be both good quality *and* affordable, it needs to be produced under conditions where it will not appreciate. This means housing has to be a *bad* investment, so speculators put their money elsewhere.
- It is in property investors' interest to see reforms that will raise the value of their holdings, which works against dwellings of a given quality being affordable
- The property council has been, according to the media, involved in the actual creating of the 'missing middle' guide and reforms. This *appears* to have given them a more direct access to policy makers than other groups.

Another major interest pushing for upzoning is so called 'YIMBYs' (inappropriately named as they do not like backyards)

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[28] https://www.tandfonline.com/doi/abs/10.1080/08111146.2022.2124966
[29] https://journals.sagepub.com/doi/full/10.1177/00420980241298199
[30] https://x.com/Cathalleslie/status/1996021904767885573
[31] https://www.linkedin.com/posts/thomaskroeker613_some-interesting-data-visualization-from-activity-7219976832765284352-QSD7

- 'YIMBYs' use strong rhetoric and avoid other options to advance their preferred solution of high density, often using belittling and insulting language against opponents
- This is partly because a reflection of their preferred dense city lifestyle preferences
    - This is seen in shallow arguments, like claiming it's better due to cafes being closer
    - They ignore deep arguments, like the long-term effects of noise pollution and lack of privacy
    - There seems to be an entitlement that the apartment lifestyle should be available anywhere, overruling people's preference for suburbs
- The majority of the population prefer low density suburbs, hence the predominance of suburbs in the least spatially constrained markets (like some US ones)
    - In fact, studies consistently show residents of dense cities are more socially isolated and have worse mental health than in less dense areas[32]. A driver for this is likely forced, unwanted interactions between people.
- Despite mainly being composed of younger, childless people YIMBY groups are not even representative of their generation – as previously mentioned, a majority of younger people still prefer detached houses
- YIMBYs always talk about 'compact cities' with 'walkable mixed use', which fits into their lifestyle orientation where they appear to treat dwellings solely as places to sleep, not to live. Most people prefer otherwise:
    - The poster child for 'walkable mixed use', inner Paris, has been losing population for a century despite lack of investment in suburban infrastructure outside of rail
    - Cities that adopted more efficient, car friendly transport network saw an even faster fall in their inner-city populations
    - An oft-cited 'compact city', Amsterdam, has average house prices of over 700,000 Euros despite a very small average dwelling size (under 80 square metres)
    - Canberra's geographical dispersion caused by extensive nature reserves makes this kind of layout difficult anyway
    - In many ways YIMBYs' preferred combination of transport and housing represents a retreat to the nineteenth century
- In the United States some YIMBY groups are funded directly by property interests
    - It is not clear if this also occurs in Australia, however many YIMBY groups are effectively aligned with property developer interests anyway
        - For example, Greater Canberra has campaigned to allow three storeys in all zones and larger block consolidations. Such changes would greatly advantage investors and developers, making it even easier for them to leverage their current holdings to outbid owner-occupiers.
- YIMBY Melbourne received $500,000 in from Open Philanthropy[33], a foreign organisation
    - It is possible that other similar groups are receiving foreign or otherwise non-community funding
- The problem of YIMBY groups receiving outsize attention and facilitating developer interests overruling community interests has even made it to academic literature[34]

The main group opposing the interests of both property developers and YIMBYs are the existing residents.

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[32] E.g. https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(21)02603-9/fulltext
[33] https://x.com/yimbymelbourne/status/1943815827545108839
[34] https://onlinelibrary.wiley.com/doi/epdf/10.1111/anti.70007

- This group has by far the least funding, neither having the financial interest of property investors or 'YIMBY' groups, and also suffers from the 'collective action problem' where a larger, more diverse group is less able to effectively organize.
- It is common for pro-upzoning advocates to claim that existing residents are 'NIMBYs' who are 'greedy' and want to protect their property values
  - The NIMBY term originally applied to people who profess to support controversial projects (such as nuclear power plants) so long as they are not near their location (ironically with could describe several pro-upzoning advocates)
  - More importantly, local residents will *not* benefit financially from opposing rezoning. Zoning for higher density raises land values, and by opposing it they will miss out on a considerable financial windfall
- The motives for local residents opposing such developments are quite simple and not motivated by financial concerns, but rather for the amenity and privacy of their suburbs:
  - They do not want two (or more) story buildings that destroy their privacy by providing a direct view into their own houses and backyards
  - They do not want the extra traffic and noise pollution that will come with greater residential density
  - They do not want to lose the vegetated character of their suburbs and have it replaced by views of large intrusive buildings
- It is notable that recent actions have tended to involve the diminution of local democracy. For example, in NSW reforms are striping councils of planning power, which is being placed in the hand of unelected, unaccountable boards. This increases the lobbying power of developers compared to local communities.