

T R A N S C R I P T

LEGISLATIVE ASSEMBLY ENVIRONMENT AND PLANNING COMMITTEE

Inquiry into the Supply of Homes in Regional Victoria

Melbourne – Friday 4 April 2025

MEMBERS

Juliana Addison – Chair

Martin Cameron – Deputy Chair

Jordan Crugnale

Daniela De Martino

Wayne Farnham

Martha Haylett

David Hodgett

WITNESSES

Linda Allison, Chief Executive Officer,

Brad Paddon, Member, Board of Directors, and

Jack Vaughan, Director of Policy, Urban Development Institute of Australia (Victoria); and

Patrick Fensham, President, Planning Institute of Australia (Victoria).

The CHAIR: Welcome back to the public hearing. Today we are undertaking the Inquiry into the Supply of Homes in Regional Victoria. I just want to run through some important formalities before we begin.

All evidence taken today will be recorded by Hansard and is protected by parliamentary privilege. This means that you can speak freely without fear of legal action in relation to the evidence you give. However, it is important to remember that parliamentary privilege does not apply to comments made outside the hearing, even if you are restating what you said during the hearing.

You will receive a draft transcript of your evidence in the next week or two to check and approve. Corrected transcripts are published on the committee's website and may be quoted from in our final report.

Thank you for making the time to meet with our committee today. My name is Juliana Addison, and this is Liam, and we collectively are very excited to have you here. I am the Member for Wendouree and Chair of this committee.

Martin CAMERON: Martin Cameron, the Member for Morwell. I am Deputy Chair. I am out at the Latrobe Valley.

Wayne FARNHAM: Wayne Farnham, Member for Narracan. I represent West Gippsland.

David HODGETT: David Hodgett, Member for Croydon.

Martha HAYLETT: Martha Haylett, the Member for Ripon – and mum to Liam – on the outskirts of Ballarat and all the way up to Ararat, Beaufort, St Arnaud, Maryborough and lots of other places.

The CHAIR: And the Member for Bass is about to join us. Would you please introduce yourselves and make any remarks that you wish to.

Linda ALLISON: Thank you, Chair. My name is Linda Allison. I am the CEO of UDIA (Victoria). Joining me here are Brad Paddon, who is a Board Director of UDIA and also a Director of APD Projects; and the UDIA Director of Policy Jack Vaughan.

Patrick FENSHAM: Pat Fensham, President of the Planning Institute of Australia here in Victoria.

The CHAIR: Terrific. I believe the Urban Development Institute of Australia would like to do a presentation, so shall we start with that.

Linda ALLISON: Thank you, Chair. Just a very short introductory presentation. To begin I would like to acknowledge the traditional owners of the land on which we are gathered today and pay my respects to elders past and present and extend those respects to any Aboriginal or Torres Strait Islander people here with us today or watching on the live stream.

Visual presentation.

Linda ALLISON: UDIA is the peak industry body for the urban development industry in this state. We have broad membership across all aspects of urban development. While our roots are in greenfield development, we really represent the whole spectrum of development – from greenfield development to high-rise development and everything in between. We also have a strong presence in regional Victoria, with a chapter in both Geelong and Bendigo. We also have a footprint of developers in Ballarat and we also have members in West Gippsland. This year we celebrate our 50th anniversary. We are also signatory to the state

government's affordability partnership, so our focus is on using evidence to identify system-wide barriers to housing supply and working constructively with government and members of Parliament to resolve these across planning infrastructure and policy settings. We have around 300 member organisations, and we operate off a committee network, as I said, including Geelong and Bendigo.

Just some key themes – we obviously have the eight recommendations in our submission, but there are some key themes that we would really like to draw out today.

We absolutely agree that regional Victoria has a strong role to play in solving the current housing shortage. I think you would know better than us the reasons why people move to regional Victoria and the fantastic opportunities that that provides. I will not labour that point too long. We would, however, observe that the targets in *Plan for Victoria* for regional cities are highly ambitious, both in the numbers but also the typology that have been set against that from a greenfield and infill context. If those targets are to be met, we would assert that regional areas need much more support to play their role in delivering more houses for Victorians.

Another aspect that we would really like to touch on is that housing policies and regulatory settings should help facilitate people's desire to live where they want and in the types of houses that they want to live in. While we do have some targets around, in Melbourne, 70–30 – and in the regions they can be 50–50, in the major regional centres – we do not see that as necessarily playing out at present, and we would see that that would be a huge cultural shift for Victorians for that to actually take place, and we can unpack that a bit more. Really the development industry stands ready to play its role in addressing housing challenges. We have met, as I said, members in regional Victoria. They play an important part in not only providing jobs but homes for people and consider themselves as part of those communities. I know Brad has extensive experience developing in Geelong, Ballarat and peri-urban regions as well, so we have brought Brad here to give some on-the-ground experience as well.

Just finally, before we touch on our recommendations, the current market conditions we see in regional Victoria in the housing sector really are that, although there was that large surge of migration to the regions in the pandemic era, we are really seeing a stabilising of those numbers at the moment and really reverting back to the long-term trend of migration into the regions. We also note that, because of that, regional population growth is not going to just happen organically. If we really want to meet those targets and for regional Victoria to play its role in solving the housing crisis, then there needs to be planning infrastructure, and housing support for that, and policy to enable that.

We would also note that greenfield development is actually much more closely aligned with current buyer demand in regional areas, and we can talk on that a bit further, but really we see that the people that are moving to regional Victoria are doing so because they want the lifestyle. They do want a detached house, they want a bit of space and they want that short commute into the regional centres while also being able to have that really great connection to Melbourne. So we can talk a little bit more about what we see as trends in that space.

We also would like to really observe that we do foresee land shortages in key regional areas coming into play fairly soon. Our own research has indicated that, for example, in Bendigo the land supply could be exhausted within around three years.

Really, finally, these are our eight recommendations, which are in the submission, which you will have seen. I think really at this point I just want to stress in terms of a priority in this space, or something that could be achieved in the short term, is really to look at windfall gains tax, particularly as it impacts on regional development. We have a situation where we see regional greenfield development at a disadvantage to metropolitan greenfield development because it incurs windfall gains tax, whereas in metropolitan growth corridors under the GAIC – growth areas infrastructure contribution – framework, we have some evidence from our members that points to certain developments like for like in regional Victoria could be four times more expensive under windfall gains tax than under a GAIC system. So it is part of our pre-budget submission and it is in this submission that we see an opportunity for windfall gains tax to be, at the very least, capped to GAIC rates for a regional context, but our preference would be that actually windfall gains tax is abolished, as it is a considerable handbrake on development for housing right across Victoria. I might just leave it there, if that is all right, and am more than happy to take questions.

The CHAIR: Terrific. Who would like to lead off with the questions?

David HODGETT: Yes, Thanks Linda, for the presentation. On number five there, the question I was going to ask was about the top three priorities for improving planning processes, because we continually hear examples not just in regions but, given our inquiry is about regional housing, about the time it takes to get to the development phase. I think at the bottom of five up there, you were just talking about improving skill shortages in planning, which we spoke about this morning with another presenter, but also streamlining the planning process. I would be interested in your thoughts there.

Linda ALLISON: I think there are several issues right from the pre-planning-permit stage, where we are in precinct structure plan development, and that does take place in a regional context as well. That is a very long process, and to put it very simply, time is money. The length of time it takes from that very early stage of developing a blueprint for an area right to where you are then engaging with the local planning authority to get permits is years – years and years. And local councils are members of the UDIA, so we talk to them regularly about these issues. I think obviously resourcing is an issue and thinking about the future in terms of being able to actually process planning applications but also just the potential increase in demand that is anticipated. We would say that there should be more support in that space for local government planning authorities. That is a key priority for us.

The CHAIR: Patrick, would you like to go?

Patrick FENSHAM: Yes. I was just interested in the process here, because I have not given my statement yet, so I am ready to do that.

The CHAIR: Terrific. Yes. Sorry, my apologies, Patrick. We will put a pause on questions and we will certainly go on to you.

Patrick FENSHAM: Yes, please. Thank you. It will just set the context for us as well. Sorry about that. I just was not sure where we were heading.

The CHAIR: Not at all. My apologies.

Patrick FENSHAM: Okay. The Planning Institute of Australia are the peak body representing planning and the urban regional planning profession. Our mission is to inspire planners and elevate their role in shaping Australia's future, through championing the value of planners, leading the profession, strong advocacy for outcomes in the public interest and through contemporary education. We are not an industry leadership group; we are a group of planning professionals. This submission is from the Victorian division committee, where we have got professionals across the public and private sectors, metro and regional locations and statutory and strategic planning roles.

I too would like to acknowledge the traditional owners and First Peoples of the land on which we meet. We consider ourselves, as planners, uniquely placed to contribute to reconciliation, given the relationship between our work on the land and in strategic planning and country. I extend my respect to elders past and present and to Indigenous colleagues working within the planning profession indeed and any present today.

There are probably two aspects for focus that are relevant generally for the inquiry perhaps as a whole. One is the issue of supply efficiency and market responsiveness: how does the supply process work? That has already been alluded to in some of the issues here. Now, that is a key issue not only for developers and landowners but of course the community. We want a social licence around planning, housing supply and the responsiveness of the system. Certainty is fundamental to planning and to the rollout, and we will actually get no disagreement, I am sure, from the UDIA on that matter.

I suppose what we have seen here is a drift in Victoria away from a lack of clear strategic planning. *Plan for Victoria*, which was recently released, as we know, is statewide. It cannot possibly resolve the issues at the level which the UDIA members work at, and it cannot give sufficient certainty to the communities in place around those places. So there needs to be another level of planning down from the state level to the regional level. We have got a series of regional growth plans which are now more than 10 years old, and their status is unclear in the new regime. So what is the status of plans which are more than 10 years old which provide the framework for regional growth?

At the heart of good strategic planning are all sorts of things around integrated, comprehensive planning with land use and infrastructure, but ultimately for the supply of homes you want to know where development can go and where it cannot go. That is a sort of baseline. I have had a look at the UDIA submission, and the frustration here is that quite a bit of the effort has to go on down the chain at the site level, the precinct level or the development level. The purpose of strategic planning is to resolve as many issues as possible up-front so you are adding to the clarity and the certainty in the plannings. That requires good expertise and good evidence but also local knowledge and input to get those settings right. The people in the regions and the locals know their areas. They should bring that expertise aligned with evidence around such things as bushfire, flooding, major servicing constraints, water servicing, drainage, major transport infrastructure and cultural heritage, which the UDIA submission focuses on a little bit.

If you think of that context – the need for better strategic planning, better coordination with infrastructure provision, better clarity about constraints – then it puts in context our recommendations. These are much better regional strategic planning – and as we point out and as has been pointed out in terms of the land markets and housing preferences, the differences between the regional areas and metropolitan Melbourne clearly need to be brought to the fore in that regional planning. A commitment to actually having a series of regional plans for Victoria would be really helpful to update those regional growth plans, which are more than 10 years old. The other thing is a bespoke regional focus for streamlined outcomes. There has been, again, a drift towards centralisation in the statewide planning function, a denuding of skills in regional planning offices. So one of the things we talk about here is strengthening the regional presence of expertise – you know, so you have got the good regional planner, you might have regional demographers, you might have regional economists, you might have regional environmental scientists or whatever. They are bringing their expertise and they know their region the best. They have got relationships with councils and communities so that there is a beefed-up regional planning presence and it is not just all done in Melbourne, you know, in terms of that major strategic planning.

Again, in an ideal world there is a lot in the UDIA submission which I will support – about the VPA doing precinct planning work and being involved in some of the frameworks. Ideally, if you had really great regional planning offices, they would be the ones who were working with the councils on precinct structure plans and the sort of bespoke planning that you bring into place. Better regional strategic planning, a bespoke regional focus for streamlined outcomes and then infrastructure provision and funding to support development – and there is a lot of alignment, again, with the UDIA submission there. There is assistance for councils in preparing DCPs or whatever we eventually end up with so councils are assisted in their local infrastructure planning. And aligning state infrastructure with development so that they roll out in alignment – again there is so much uncertainty, because we just do not have a picture of what the rollout of major arterial roads is – intersection upgrades, extensions to train networks, major investment in water and sewer infrastructure or whatever. So those things are really important and they are going to drive land use development as well.

We have talked about a regional housing infrastructure support program with a package of ideas in there, and we could go into more detail around the issues for regional infrastructure provision. Then also Linda and co are involved in discussions with the government – and the Planning Institute, unfortunately, is not at the table for these ones – around reform in the infrastructure funding system. And certainly our planning members who are from the regions are very nervous about those reforms disadvantaging their councils; they have done a lot of work on big infrastructure planning, and they would not want to see that disadvantaged in any reform. So we have got a proceed-with-caution note in there as well.

The second area of focus – and I have almost finished here – is just the structural inability of the market to provide capital-A affordable or capital-KWH key worker housing. We know that regional economies are constrained by a lack of affordable housing, and it is almost the first thing they mention. ‘What’s your biggest issue?’ ‘Access to key worker housing – affordable housing.’ It comes up all the time. We have got to a point where even if we have got all these settings right – that the UDIA would like and that the Planning Institute would like – we have still got a structural problem in actually providing affordable housing for the workforce, for people who need it. So one of our actions – with, again, a clutch of ideas in there – is extending support for key worker housing. Interventions are required in this space; you cannot get around it.

There are some things the government are doing of course in the Big Housing Build and various other initiatives which would be supported – continuing the work of the Regional Worker Accommodation Fund; innovative uses of state and surplus land; and carefully deciding, because once it is gone it is gone. It is competing with open space or with other infrastructure priorities, so it is really important. We have also got a

nice idea in there, which is illustrated by a case study, of actually just helping mum-and-dad landowners navigate the system where there is appropriately zoned land.

And then the other thing, which we could imagine rolling out in Melbourne as well, is getting Development Victoria to work. I mean, they work, but get it to work harder in what it does in regional areas in packaging up council-owned land, maybe working with private owners to get projects on the ground and make them happen. We have seen councils acting one out on this. Now, that is pretty risky for a Swan Hill Rural City Council to be doing land development. It has got a reasonable track record, but not every council is going to be so bold to say, 'Well, we think it's so important that we want to get involved in the land market.' So there is a role for Development Victoria in assisting the regions in some of that work. So, thanks, Chair.

The CHAIR: No, thank you, Patrick. We have had Niall from Development Victoria in this morning, and there was a lot of interest in terms of the work that they do and the work that they could be doing, so that is very good. I will just kick it off and just say: do you see there to be a difference between regional and rural councils in terms of the level of support that they need? So it is one thing to think about our larger regional centres and their very wealthy sort of high rate-paying councils as opposed to our very small ones.

Patrick FENSHAM: Yes. I have done a lot of work across the state in the planning sphere, and yes, the focus is on those regional cities. Again, the UDIA have pointed out that they are taking the lion's share of development, but this is the role for those regional plans, because to be fair to those councils they would all love a piece of the action. I have been doing work in Corangamite recently; that is a council whose growth forecast is going down. It does not really want to see that. It wants to see more people coming. But the reality is the infrastructure dollar only extends so far, so there does need to be clarity around the realism of those development propositions that might be emerging. Not to say that they decline, and they should be obviously offered support, but if we do not know where development is going to be supported and where it is going to be supported, then that undermines the certainty issue. At the end of the day, it is going to be a lot about where the state is prepared to back in infrastructure provision of course as well. So there is a difference, for sure, yes.

The CHAIR: Terrific. Martha.

Martha HAYLETT: I am sure you flagged your regional plans with DTP and others: what do they say about that? What is their response?

Patrick FENSHAM: Well, they are still on the website, the regional growth plans, as is *Plan Melbourne*, as is the 20-minute neighbourhood, and those things do not get a mention at all in *Plan for Victoria*. So we are in sort of a grey zone around the status of those things.

Martha HAYLETT: And those would be quite outdated at this point?

Patrick FENSHAM: They are pathetically outdated, but having said that, they are much better than nothing, and we are doing work where we have to refer them because *Plan for Victoria* does not resolve it sufficiently, so it takes you to those plans. We are working in – when I say 'we' I mean my firm, which is SGS Economics & Planning, not necessarily the planning stuff, so I am drawing on professional experience here. But we are working for Strathbogie council, and they are thinking about, 'What do we do in our rural areas?' Well, the regional growth plans do provide guidance on some of those decisions, you know, so they do need updating.

Martha HAYLETT: So DTP has not given you a response about –

Patrick FENSHAM: I do not know.

Martha HAYLETT: Okay.

Patrick FENSHAM: No, literally. So I think that is a question –

Martha HAYLETT: Because we could put that question to them as well.

Patrick FENSHAM: It really is a question worth asking, yes.

The CHAIR: Wayne.

Wayne FARNHAM: Hi. Thank you all for coming in. I am pretty passionate about this space, being an ex-builder and having done developments and all that type of stuff, so I can see where we have problems. I want to get your thoughts and probably coming over to you Linda: part of the problem I see and of the developers I talk to is at the moment they have all thrown the anchor out. It is really that simple. They are sick and tired of the authorities – Melbourne Water, for example. I do not care – I will slam Melbourne Water every day of the week, taking months or years to get back to them on issues; RFIs put in late to extend the regulatory timeframe to respond; and cultural heritage studies taking not months but years. Do you believe, because I firmly believe this, that we need to more heavily regulate the authorities for them to respond in appropriate timeframes?

Linda ALLISON: Well, I think there is definitely a challenge around accountability for their performance. There is no question about that. I think one of the other challenges is – and even talking to Patrick's point around making sure we have got regional experts on the ground – what is the hierarchy in terms of what we are solving for here? Our position has been: we are in the middle of a housing crisis – we are trying to deliver more houses than we have ever built before. When we have these stand-offs where we have referral authorities like Melbourne Water or we have a biodiversity issue or we have a cultural management issue and everybody just says it is too hard or 'We're not happy' or 'We don't like this aspect', there is nobody, including the VPA, to say, 'This is a priority. I'm sorry, Melbourne Water,' for example, 'but in this instance, we're putting it through under these conditions because the priority is to get housing out of the ground more quickly.' That is not happening. There is nobody who has the authority at present to say 'get on with it'. I do not know, Brad, if you want to talk to some of your experiences.

Brad PADDON: I agree with Linda's point. I think that a phenomenal frustration at the moment is that the planning architecture, if I can use that term broadly, can only go as fast as the contributors to it. And when one of those slows down, the whole show slows down, and that is a phenomenal frustration. Melbourne Water are much more of a metropolitan example –

Wayne FARNHAM: Well, they still go out into regional Victoria. Drouin, for example, is under Melbourne Water.

Brad PADDON: Sure. And look, I am working in Loddon Valley at the moment on the regional growth plan. I think that was done in –

Patrick FENSHAM: 2013?

Brad PADDON: 2011, 12 – somewhere there. We are a long way from relevant, but it is still a handbrake. I will absolutely go on the record and agree and say the industry has broad frustrations with Melbourne Water, and I think the cultural heritage management process, if it is not first, it is certainly a close second. And that slows everything down. That does not necessarily mean that the VPA is not doing a good job, it is just a function of not having a policeman, for want of a better word, to ensure that the agencies respond on time.

Wayne FARNHAM: Because my point on this is what happens is councils bear the brunt of the developer frustration. They'll go, 'Council's useless. We've had enough. It's been months and months and months.' And I will ring council and go, 'What's going on?' 'Melbourne Water. This authority. That authority.' So it is the authorities as far as my perspective is concerned at this point in time. The government can set all the housing targets they want, but if the authorities are not on board, the councils cannot produce the planning permits, the developers are so frustrated. The other point to this too is the fees that developers have to pay up-front – all the rest of that. The way I see it at the moment is the whole system is broken, developers have had enough and they are saying, 'Not here. We'll go somewhere else.'

Linda ALLISON: We certainly have members that at this point in time are looking interstate because it is just so difficult to get development up and running in Victoria. Ultimately all of the uncertainty just pushes out the timelines, which creates cost, and we have not even really talked about the cost of holding land in relation to state taxes. It impacts on affordability, because there a floor to which the development industry can absorb these costs, and ultimately they get passed on to the home owner. It is not great for people who are buying at market price, but it is certainly not helpful when we are trying to solve some of the affordability and keep worker space as well.

The CHAIR: Linda, can I just clarify: in terms of interstate, are there particular jurisdictions – Queensland or New South Wales? What are you hearing?

Linda ALLISON: It is mainly South Australia and South East Queensland that are the two markets. It is problematic on multiple fronts, but also we lose skills because we have got a flight of workforce actually going to work there. So not only does it impact sort of brand Victoria as an investment destination, it is impacting Melbourne businesses because they are unable to work here and have jobs here for their staff. And then we are actually losing trades to interstate markets as well. I do not know if you have seen that play out.

Brad PADDON: Yes. I mean, looking at my organisation, we have got a growing presence in South East Queensland, and thank goodness we do, because conditions in Victoria are really tough right now. 'Everywhere except Victoria' might be the better way of describing it.

The CHAIR: Would you like to itemise – I am going to say 'itemise', but I do not know whether it is the right word – what the biggest challenges are in Victoria, similar to what was mentioned with the cost of holding land and housing affordability?

Brad PADDON: This is a broad conversation, but for me it starts with the tax and the investment signals that the government wants to give industry, and my own view is that windfall gains tax is about the worst tax I have ever come across in 28 years of doing this. It adds to uncertainty, and that uncertainty has a risk premium associated with it. If I could refer back to the point we were talking about before, if the time it takes time to get that certainty through a rezoning process or a precinct structure plan, a development contributions plan and then the planning permit and then all the post-planning permit matters, there is no magic pudding, and the time burden of that gets fed into the cost of the ultimate end product and then the risk that the equity has to take to deliver that product. The faster we can get it and the more certainty we can provide industry, the more effectively it is able to deliver on the housing target. We absolutely want to be there to help solve that issue, but it is hard; it is really hard.

The CHAIR: Patrick, would you like to respond to that too?

Patrick FENSHAM: Well, two things – one is just on Melbourne Water. I think you tend to find across the state that what the water authority is doing is almost default planning. So it is not being led by the planning thinking and the land use thinking, it is actually like, 'Well, okay, what does the water authority say about it?' It gets to your point about rural versus regional before, because if it is not on the radar for the water servicing authority in a rural council, then it is not really going to happen. That will be down the list. So that would be one point.

I agree with UDIA that the windfall gains tax needs reform. We have got a certain view about what it might look like when it is reformed. It is clearly not working. The planning institute has a view that we do support a value capture arrangement so that that uplift in the land value that is created through the community's actions, through the community's investment and through the rezoning process is available for reinvestment in infrastructure. But I can see lots of flaws with the way the windfall gains tax works, so I support the idea for its fairly significant reform.

The CHAIR: Can Hansard and everyone please note Daniela De Martino, the Member for Monbulk, has joined us online. Welcome, Daniela. Thank you for joining us.

Daniela DE MARTINO: Hello, everyone. Thank you, Chair.

The CHAIR: Next questions – Marty.

Martin CAMERON: You touched, Linda, on one of your slides up there about Bendigo in the next five years running out of land to develop, and obviously if they are in that situation there are going to be other regional centres that follow. What, if anything, do we have in place to have more land? What is holding that up at this stage?

Linda ALLISON: Thank you. I think it is an important issue because, as we touched on earlier, that is where primarily most of the growth is happening – in regional areas. There are corridors earmarked for further greenfield development; they are just not being brought online quickly enough, and it is really for all the issues that we have touched on. I think for regional water authorities it is very challenging. They are certainly very nervous about the infrastructure costs of new infrastructure and then the ongoing maintenance. They are not well placed at the moment to be able to support that.

But again I think there are multiple factors. It is not bringing the future pipeline on quickly enough, and so the VPA and council have a role in that; it is the myriad of referral authorities that create this inertia towards actually getting those approvals happening; and it is also the tension in policymaking around, 'Well, where should we actually be developing in regional areas? Should it be greenfield? Should it be infill?' I note that Ballarat and Bendigo have had some targets around that in the past, but they certainly were not as ambitious as the ones in *Plan for Victoria*. The shift to require more infill development in these centres is not only a huge cultural shift in terms of housing preferences, but it is also the cost basis around infill development. Infill development is generally more expensive apartment developments, but it is particularly more expensive in regional settings because of just the distance to bring supplies and so on. Jack, I do not know if you want to touch more on the land supply space in regional areas?

Jack VAUGHAN: Yes, absolutely. I guess the practical experience or how it is playing out in reality as well is that there has been, I think it is fair to say in relation to this, a pretty tectonic shift in where we are doing the strategic planning for the settlement of new and growing populations in the regions. Obviously there is a very significant shift towards trying to increase or consolidate density in established areas. That follows the aspiration that the state government has, and it has been in successive versions of our overarching strategic planning policy for a matter of decades, that kind of 70–30 idea. I guess the experience – and Brad, you might be able to elaborate on this from the perspective of a proponent – is that what is happening is those strategies are being used to constrain the development that occurs in the growth areas around regional centres rather than really focusing on increasing the development in the established settings. You end up, as a result of some of the market realities and the cost premiums associated with delivery in established suburbs, not getting the volume of new homes that you want to achieve in the established suburbs. But ultimately, because of some of these artificial constraints to getting on with the planning for the growth areas, you are also not unlocking that potential for increased housing in those areas. The unfortunate and perverse kind of outcome from that is that you get fewer homes to live in really across the board in key regional centres.

Brad PADDON: And the ones you do get are more expensive.

Patrick FENSHAM: I have just got a point on that. If you think about this as a long-run issue, the percentage of Victoria's population which is in the regions has been drifting down, notwithstanding the uptick of COVID, so Melbourne is taking the greater share. Currently it is about 75 to 25 per cent. The first round of housing targets that the government released took the demographers' trend forecast and kept that drift going down. I think it was down to maybe 18 per cent of the new growth allocated to the regions outside of metropolitan. Someone picked them up on that in the final version of *Plan for Victoria* and said, 'Hang on, we can't do that, so we'd better try to hold that share a bit constant.' The numbers are up in the regions in these targets, which are pretty notional; as we know, they are just sort of aspirational. But even if we continue to roll out the greenfields – and the UDIA are putting a case here that we cannot choke off that supply, whatever you think about that – to get anywhere near these targets and to get anywhere near an uptick in the amount of growth in regional Victoria, you are going to need infill development. You absolutely need to focus on it. So it is not an either/or; it is actually both.

Linda ALLISON: No. It is not. I agree with that.

Patrick FENSHAM: If we are serious about regional Victorian growth and if we are serious about playing on the amenity and the infrastructure of our wonderful regional Victorian towns – and I have spent five years living in Newstead, not too far down the road from Castlemaine – then we need a big focus on infill as well and what the settings are to unlock that potential. We know that it is basically just a feasibility question at the moment. If you can get a detached house for 450 grand and the apartment is costing you 800 or 600 or 700 grand in the infill areas, it is just not a feasible equation.

But it does also get to the depth of the industry. It is just a very shallow infill market amongst the development sector. We should start thinking about infill development in regional Victoria as a scaled project, almost. That is a bit abstract, but it is a thought bubble around how you might get some innovation and figure out what is going on. If you sort of see it as project solving or at least addressing the issue of infill development in regional Victoria, it will take you down a slightly different path than just thinking that going council by council on the housing targets is going to solve the issue, because it will not.

Linda ALLISON: I think that if we maintain the status quo, then there will be no uptick in infill development in regional areas, because the latest figures are that \$19,000 per square metre is the apartment cost at the moment. If you are looking at a three-bedroom apartment – just rule of thumb, 100 square metres – that is \$1.9 million. The borrowing capacity for a two-income moderate household is in the 500s, so there is a huge affordability gap there. But I think also we really have to ask: what do people want? What kind of house do they want to live in? We can have great policies and great interventions, but at the end of the day, people choose what they want. It is a financial decision, but it is about the intangibles as well in terms of where people want to live. We do not have a precedent for people living in medium to high density in regional Victoria. We may get there in time, but it is a separate question to: how are we solving the housing crisis at present? How do we get houses out of the ground more quickly in any typology?

There is a bit of nuance to perceptions around greenfield development. I know it was touched on in an earlier session, but the idea that greenfield developments are building McMansions – the reality is that the lot sizes are getting a lot smaller; the houses are getting smaller. Yes, the average might be a couple of people per dwelling, but we are actually seeing our newer Victorians who actually come rent in the city for a year or two. They are saving up, and their dream is to buy in a greenfield setting. It is also their families, so they might have family members living on the same street. I do want to challenge this notion that it is inefficient, because it is not necessarily inefficient. If that is what people want and if that is the type of housing they want to live in, then there is an element that we have to respect – that as people influencing policy we do not have this top-down approach in determining the type of house and the location that people will live in.

The CHAIR: Linda, can I just put to you that earlier today we had the Department of Transport and Planning come in and give us the information that 90 per cent of all dwellings in regional Victoria are standalone housing. So could there also then be a hypothesis that people will favour a standalone house, because there is not the quality of choice, there is not the diversity, there is not the mix for them to actually make choices even to downsize? I think of older people living in Ballarat still in the family homes that they have raised their children in. They do not need to be in homes that size; they do not have the ability to tend to the gardens like they used to and a range of things, but there is no quality housing that suit them that they can move into at this stage, because there are only standalone dwellings. There is not the townhouse option which could be really ideal and financially more sensible for them, because there is not the choice. So we are kind of looking at what people want. I hear this from developers in my electorate all the time: ‘Juliana, people don’t move to Ballarat to live in a townhouse. If they want to live in a townhouse, they’ll live in the inner city.’ But if there are no interesting offerings of townhouses – and I know we have got our amazing Lyons Place being built with Hygge. But we are really looking for that diversity, and that is what we are wanting to hear. If there is a greater mix and a greater diversity, will we have people seeking out different options?

Brad PADDON: That is an amazing project, and congratulations to the developers who have got that out of the ground. But I think the last couple of two-bedroom units in that are a million bucks. Now, that is not speaking to the majority of the Australian market. That is speaking to a very select group who are quite possibly downsizers or retirees. I am not that familiar with the project. But that is not solving the housing crisis; that is dealing with the upper end of the affluent market who can afford to live wherever they like, quite frankly. But the predominant market that we speak to is \$750,000, and there is no apartment solution for that that I am aware of in provincial Victoria, regional Victoria – maybe some parts of Geelong. But the overwhelming preference is for people to buy a detached home on detached land and live in a new community. A massive chunk of the Melbourne-to-regional market is looking for that solution. I am not saying all, but a substantial chunk of that market wants detached home and land.

Linda ALLISON: I think there is an opportunity, and I think absolutely we should be creating a broad range of housing typologies. And I think the question is: why isn’t it happening? Why can’t somebody rightsize in Bendigo or Ballarat or anywhere really? And again, it just comes down to feasibility at the moment. The type of developers who are generally building townhouses that are at an attainable cost are small, mum-and-dad businesses predominately, and the cost pressures that we are seeing in construction are subject to the same interest rate pressures as everybody else. But also the tax burden is prohibitive at the moment, and I think mainly that is the reason why, in addition to perhaps some local context around whether there is a bit of resistance to change in local areas as well. That is actually what is mainly stopping us seeing a greater diversity of housing typology right across Victoria.

The CHAIR: I am conscious that our good friends from the Tenants Union of Victoria are waiting to talk to us, but this is such an interesting discussion. Patrick, I will give you right of reply.

Patrick FENSHAM: Only that I agree that the preference is for a detached house, but again, in the work that we have done in regional Victoria with my other hat on as a consultant, there is a latent demand for it – you know, a single parent in Maryborough, a downsizing older person. So there is latent demand, and it gets to my point. I made the point that there is a structural inability of the market to provide affordable or key worker housing – that is, subsidised housing, but you could actually say in regional Victoria there is a structural inability to provide infill housing, almost, because of those fundamentals around feasibility and the market preference.

Brad PADDON: Yes. It is a question of feasibility, because the industry is good at delivering solutions where it is viable. So I agree that there is demand for it.

Patrick FENSHAM: Yes, there is. To take you back, you need some demonstration projects. You need Development Victoria. Unfortunately, it is a world of interventions in some of this stuff that we need to think creatively around – government-based demonstration, intervention, support, working with councils, whatever. It takes creativity.

The CHAIR: And we look forward to hitting the road, going to western Victoria and going down to Gippsland and up to the north-east as well and hearing directly from people about the challenges that they are having trying to offer this diversity as well as the need for greenfield sites.

This was a great conversation. I just want to say thank you so much for making the time to participate. If there is further information that you would like to provide in terms of issues that we have raised, that further clarification – I strongly encourage you to do that – or to respond to any of the questions that we have asked, please speak to the secretariat. Can I just say to you I know how busy you all are. Thank you very much for making the time to come in today for this really important inquiry.

Witnesses withdrew.