



# How markets shape cities

The opening act...



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Housing and Economic Security

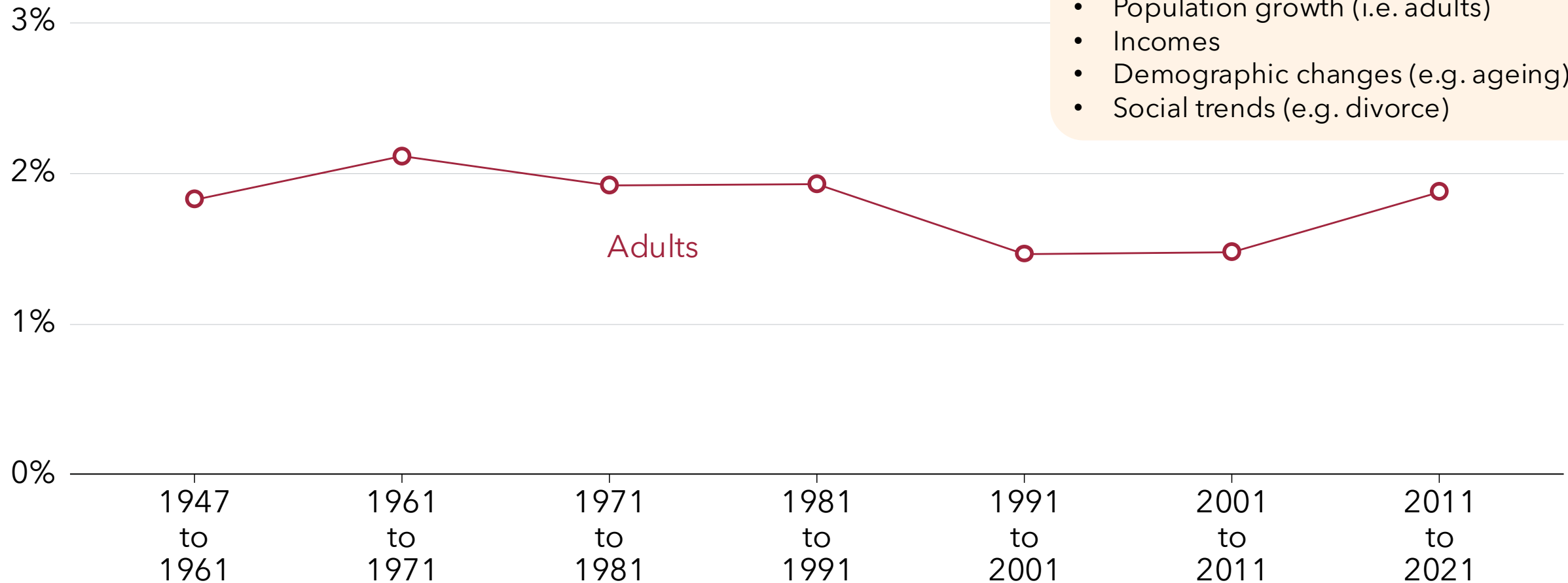
Program Director

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# Australia's dwelling stock used to grow much faster than the adult population, but not anymore

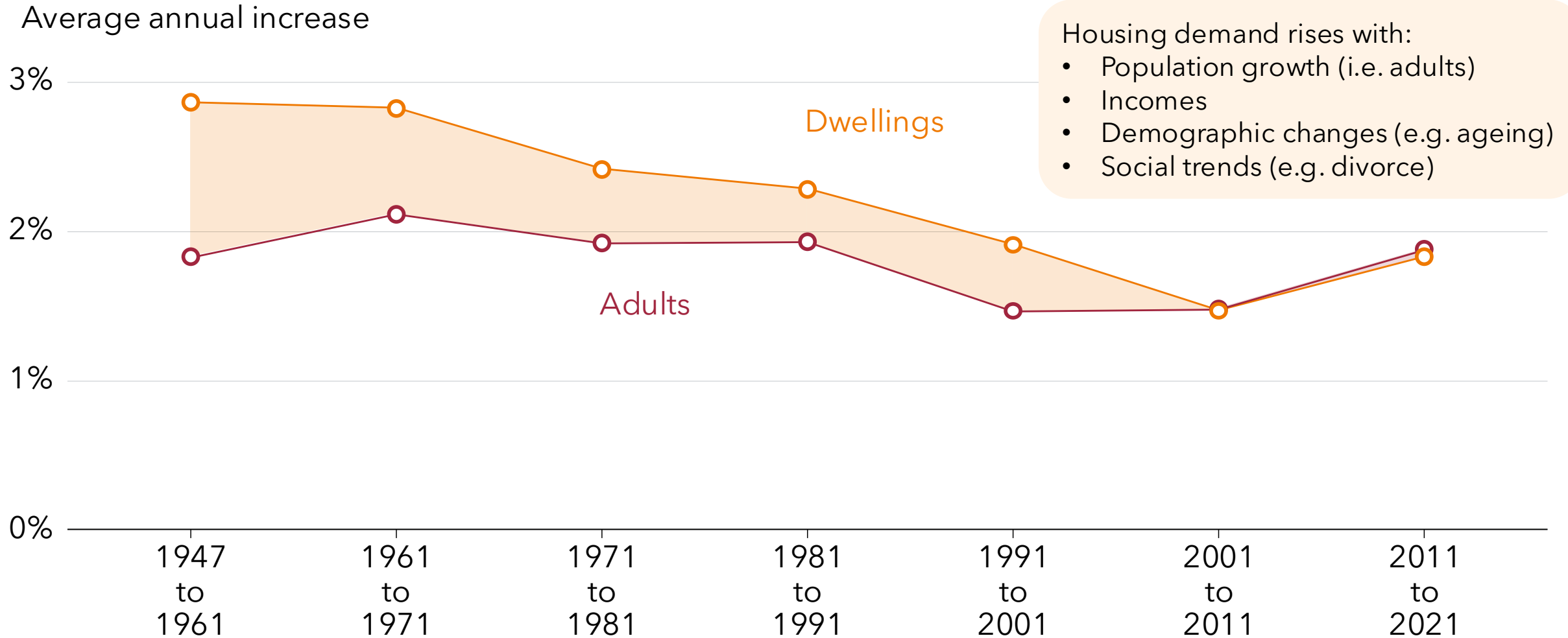
Average annual increase



Housing demand rises with:

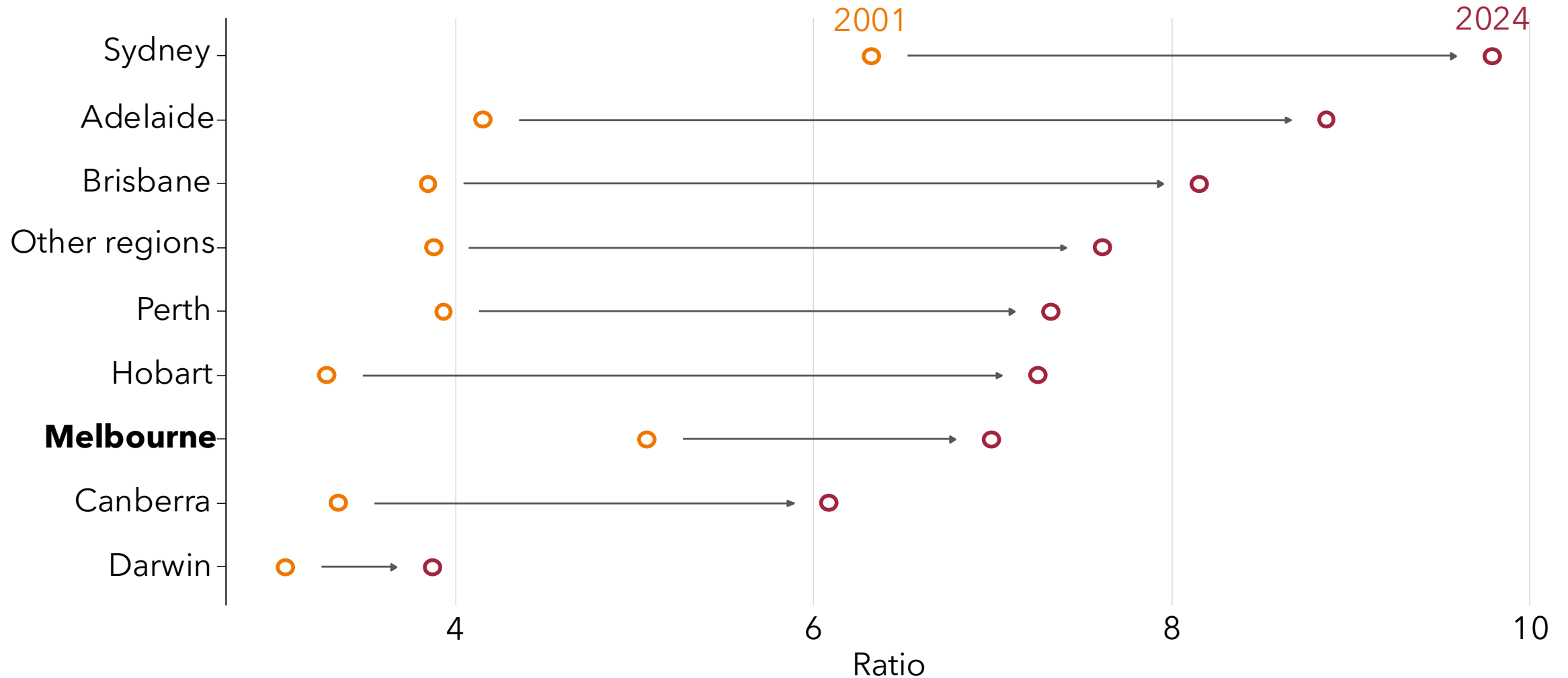
- Population growth (i.e. adults)
- Incomes
- Demographic changes (e.g. ageing)
- Social trends (e.g. divorce)

# Australia's dwelling stock used to grow much faster than the adult population, but not anymore



# Australia's housing crisis has gone national: Melbourne is now among our cheapest cities

Ratio of median house price to median household income, by region

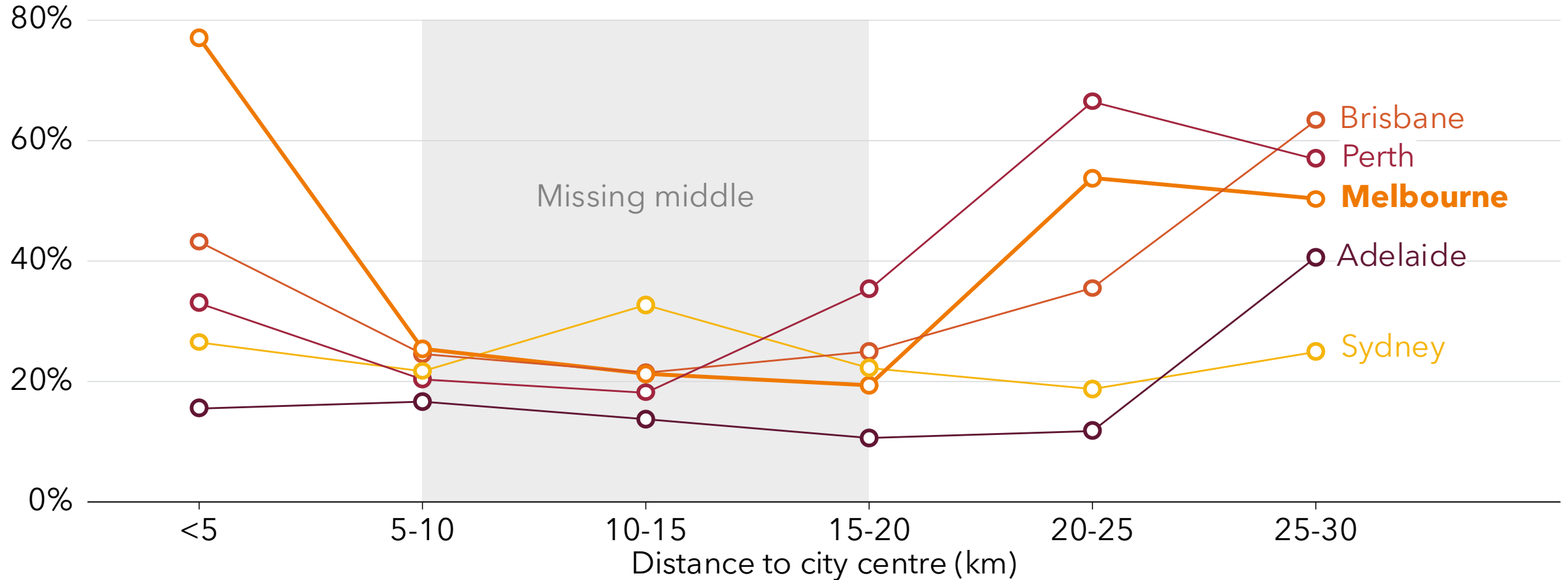


Notes: Based on modelled median household income from the ANU Centre for Social Policy Research.

Source: Cotality and ANZ (2024) Housing Affordability Report

# Most of our major cities have allowed fewer new homes in inner- and middle-suburbs

Increase in the number of homes by distance to CBD, 2006 to 2021, per cent

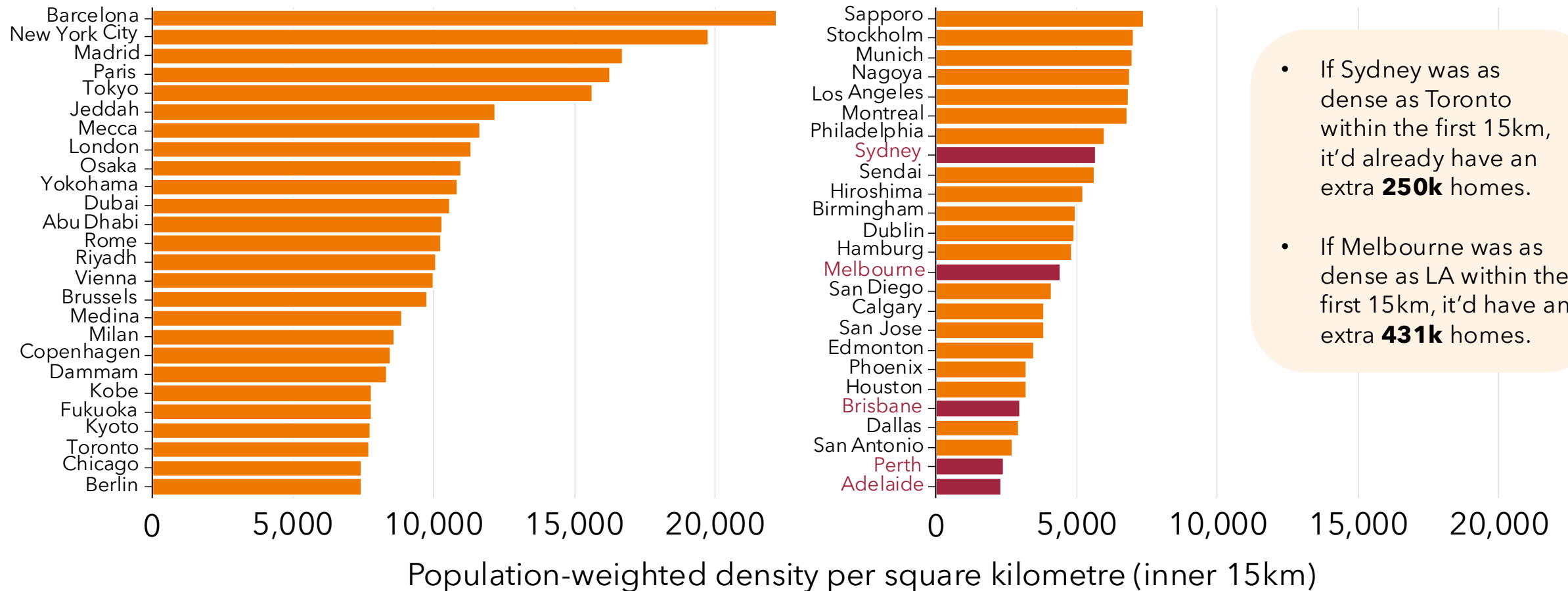


Notes: Uses dwelling counts by Census' Collection Districts (2006) and SA1s (2021), which are then mapped to each CBD. Records dwellings occupied on Census night.

Source: Grattan analysis of ABS 2006 and 2021 Census' (sourced via TableBuilder) and ABS Geographic Shape Files.

# Australian cities are less dense than comparable ones overseas

Cities of at least 1 million people in developed countries

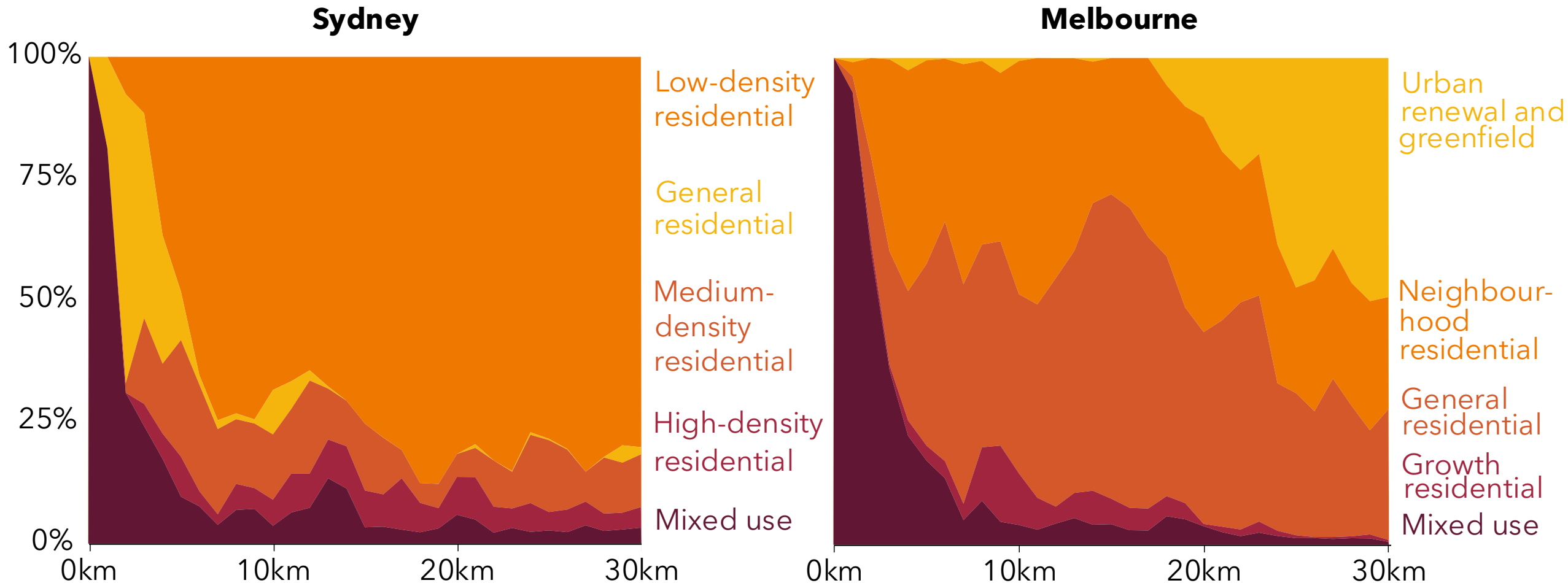


- If Sydney was as dense as Toronto within the first 15km, it'd already have an extra **250k** homes.
- If Melbourne was as dense as LA within the first 15km, it'd have an extra **431k** homes.

Notes: Population-weighted means each square kilometer is weighted according to how many people live there (this neutralises the impact of mountains, bodies of water etc). It's the best measure of how dense a city 'feels' for someone there. Data filtered for countries with at least 60 per cent of Australia's GDP per capita. Outliers Hong Kong (density of ~53k) and Singapore (~30k) removed. See source for more detail on density data.

# Most of inner Sydney and Melbourne is zoned for low-density

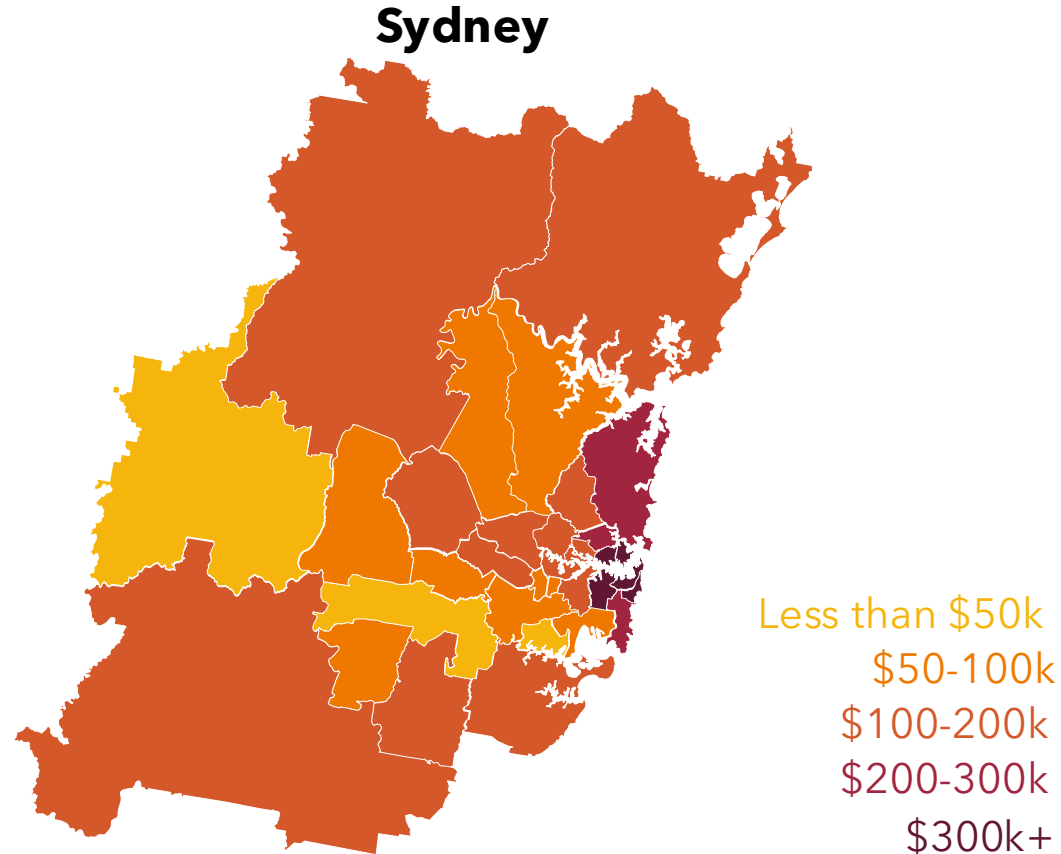
Share of residential land area by zone type and distance to CBD



Notes: 'Mixed-use growth' combines metropolitan centre and mixed-use commercial zones. Sydney: 'Low-density residential' combines R2, R5, C4, and RU5 zones. Melbourne: 'Residential growth' combines residential growth and housing choice and transport zones. Only includes land within the GGCSA where zoning permits housing. Sources: Grattan analysis of NSW Government (2025) Department of Planning, Housing, and Infrastructure property and planning data; Victorian Government (2025) Department of Transport and Planning property and planning data.

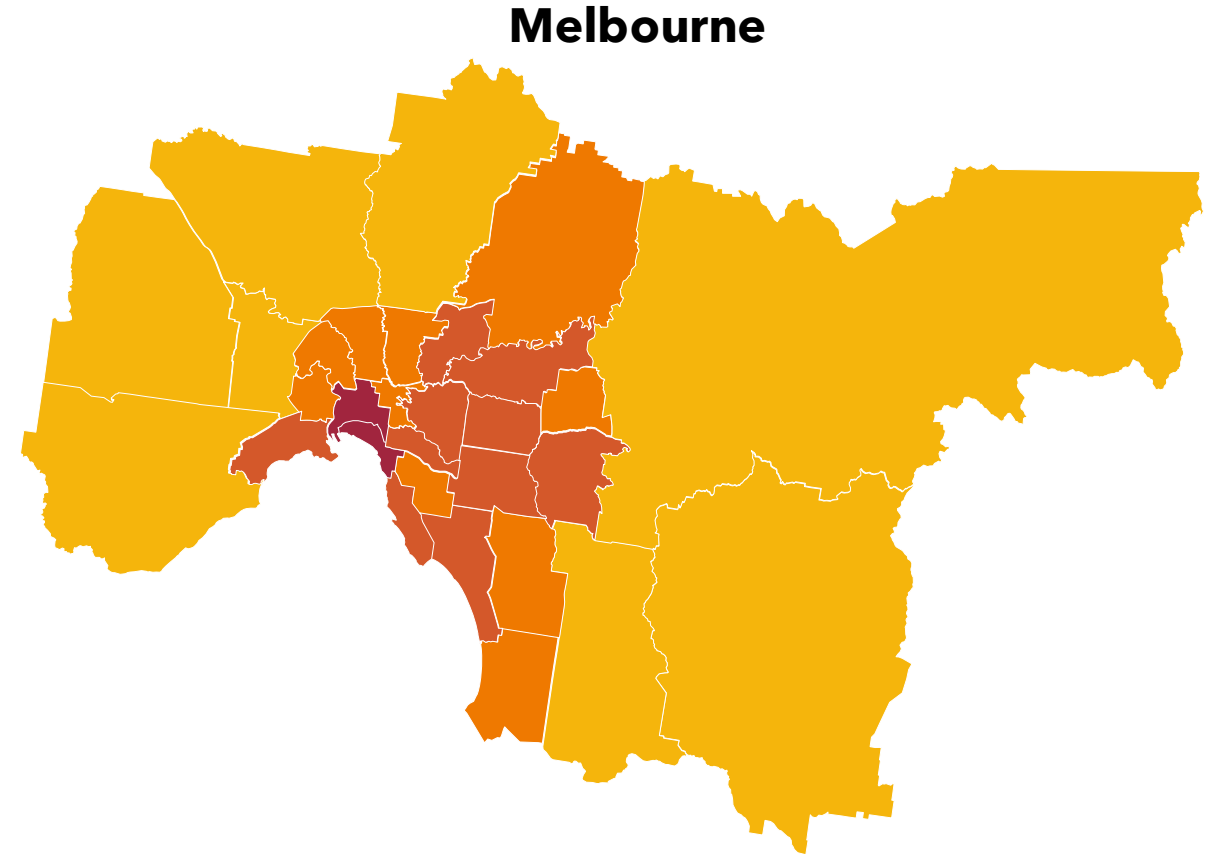
# Unmet demand for housing is particularly high in Sydney's beachside councils and inner-Melbourne

Average excess profits per home among commercially-feasible projects of up to 12 storeys, if permitted



Notes: Figures represent an average of lot-level estimates for profit margins in excess of 18 per cent on projects up to 12-storeys in Sydney. As profit margins are assessed on a site-by-site basis, the most profitable development on some sites may be less than 12 storeys. Sale prices of apartments are estimated at the SA2 level, while property acquisition costs are based upon lot-level property sales and automated valuation data. Other development costs reflect prevailing input prices.

Sources: Grattan analysis of Cotality (2025) and NSW Government (2025) Department of Planning, Housing, and Infrastructure data.

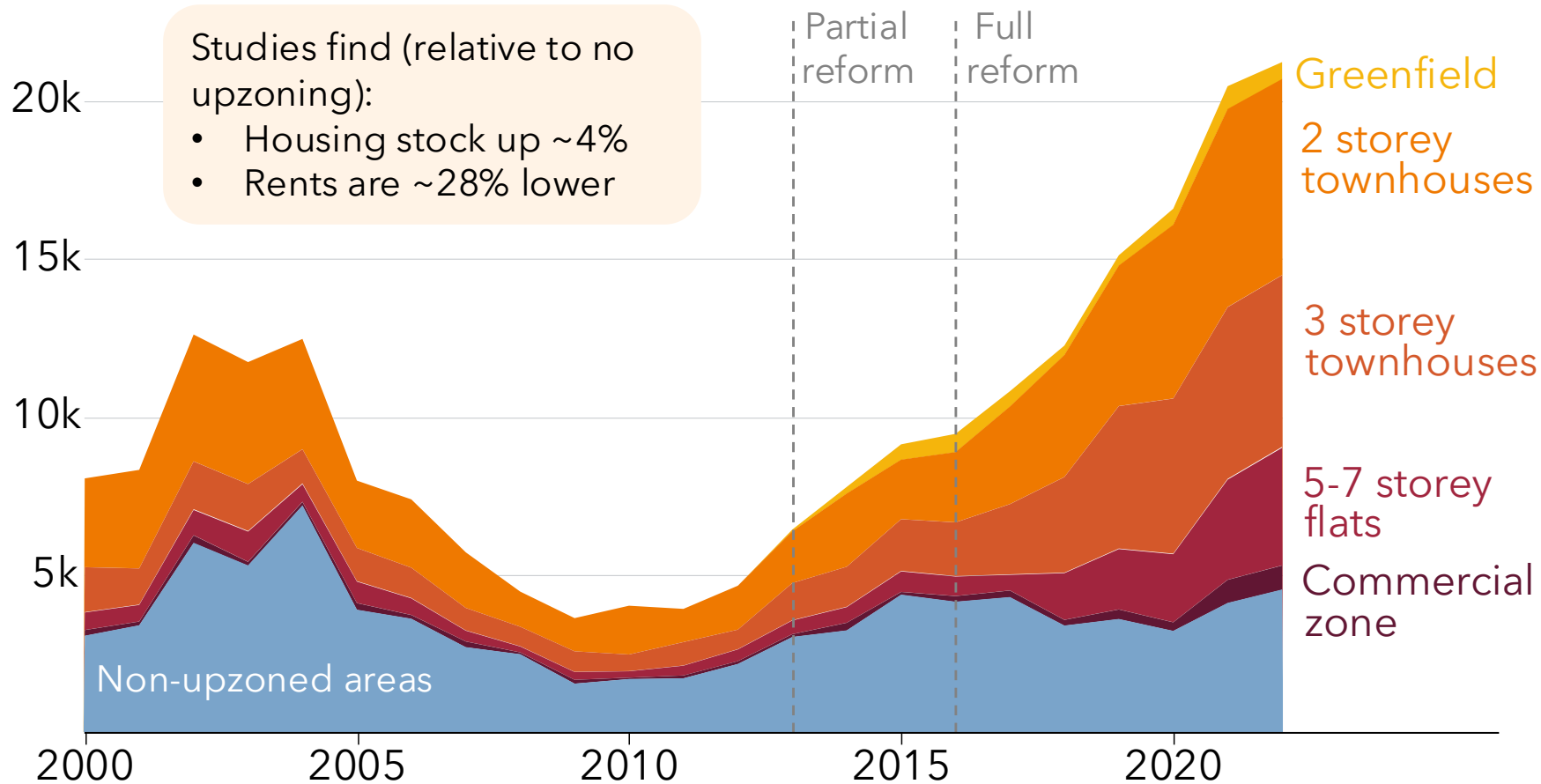


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Sources: Grattan analysis of Cotality (2025) and Victorian Government (2025) Department of Transport and Planning.

# Upzoning has delivered more housing in Auckland, and elsewhere

Annual dwelling approvals in Auckland by zone type



## Auckland undertook a substantial upzoning in 2016

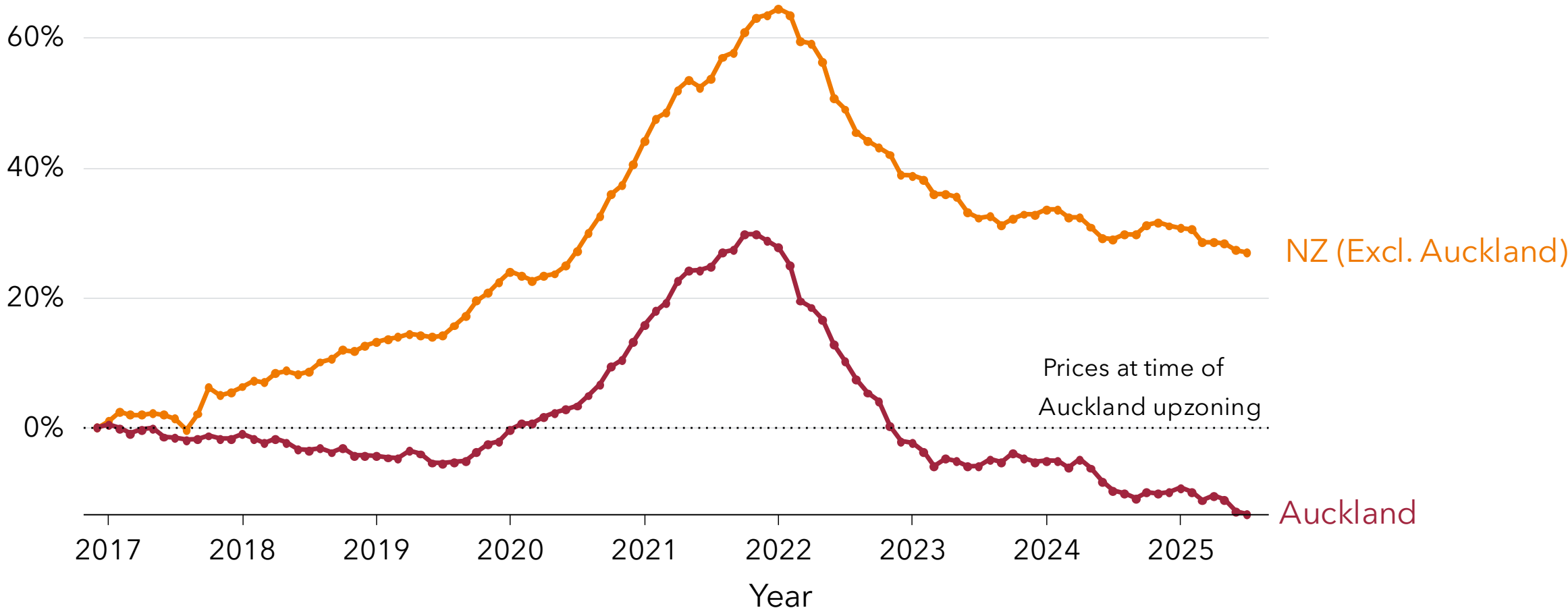
- The Auckland Unitary Plan was implemented in 2016.
- Allowed for medium density housing (2-7 stories) on 75% of Auckland's residential land.
- The reforms boosted zoned capacity in Auckland by 100% of the existing housing stock
- About 0.7% of the boost to zoned capacity was built as extra new housing each year.

Notes: 'Partial reform' refers to the Special Housing Areas and Auckland Housing Accord, launched in September 2013. 'Full reform' refers to the final Auckland Unitary Plan, which became operational in November 2016.

Source: Ryan Greenaway-McGrevey and James Allan Jones (2023), Can zoning reform change urban development patterns? Evidence from Auckland, Figure 3; Greenaway-McGrevey, Ryan, Pacheco, Gail, and Sorenson, Kade. 2021. "The Effect of Upzoning on House Prices and Redevelopment Premiums in Auckland, New Zealand," Urban Studies 58 (5): 959-976..

# Real house prices have fallen in Auckland since upzoning, while they're up nearly 30% in the rest of NZ

Change in real median house prices since Auckland's upzoning



Source: NZ Stats

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