Planning deregulation, especially rezoning, has been repeatedly touted as a key policy solution to Australia's eye watering house prices. The story goes that prices remain high because the supply of new dwellings in accessible, desirable locations has not kept pace with demand. Prosper Australia has critiqued this reasoning, leading to some bewilderment among fellow economists.

Prosper supports the intensification of land-uses in our cities, but too often “planning constraint” is cited uncritically by housing economists and “rezoning” championed as the solution.

In our latest discussion paper Planning deregulation, Housing Supply and Affordability: What if land markets are monopolies? we explore the existing scholarship and evidence, as well as the underlying theoretical frameworks.
We contend that there are different conceptual models of land rent deployed within the debate over planning deregulation, housing supply and housing affordability.

Where the conceptual model is incomplete, it conflates the impacts of rezoning with the impacts of dwelling completion, and obscures the behaviour and incentives of the market when it comes to actual building.

Despite the fact that rezonings can entail massive windfall gains to existing landholders, in general, there has been very little acknowledgement of the political-economy of private rent capture through unpriced rezoning.

This discussion paper is intended to clarify and communicate Prosper Australia’s current thinking. We look forward to continuing the co-informing dialogue that we have enjoyed with many economists and policy thinkers on this contested and vital topic.

Read the discussion paper

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