

IN PRAISE OF SPRAWL



Urban growth restrictions are the real reason housing is too scarce and too dear, writes property industry researcher **Rob Burgess**.

Housing construction in Stockland's large Aura development west of Caloundra on the Sunshine Coast, Queensland.

Photo: Richard Conrad

Delayed decision-making, bureaucratic dithering, and the stubborn resistance of NIMBYs have all been frequently cited as planning-related barriers to the development of much-needed housing. Seldom, however, does the conversation shift to the impact that containment and densification policies are having upon Australia's escalating housing crisis.

Against a backdrop of rapid population growth, and in the face of rising social and economic costs, the 'contain-and-densify' approach to managing our cities is, simply, no longer fit for purpose. It is increasingly clear that a departure from this entrenched model is crucial. Left unaddressed, the downward spiral that is this nation's housing crisis will continue, leaving the aspirations of an ever-growing number of Australians in its wake.

The path forward demands a nuanced, evidence-based approach that reconciles the urgent need for affordable housing with practical urban development strategies. Only then can we ensure a future where housing affordability and accessibility are within reach of all Australians, marking a pivotal shift towards a genuinely successful model of urban growth.

BEYOND BOUNDARIES

Urban growth boundaries (UGBs) are artificial regional boundaries, enforced by authorities to contain the development of residential and other urban uses of land to mandated areas. They have been a cornerstone of urban planning policy in Australian cities since they were first introduced by the Victorian Government's *Melbourne 2030* policy in 2002. Since its introduction, the contain-and-densify model has been unable to deliver the number of dwellings required, the type of dwellings sought, or housing in the locations intended. The social engineering required to force households into smaller housing is proving to be both politically unworkable and financially unfeasible.

Unable to nullify the law of supply and demand, the UGBs have effectively turned

housing into a good with fixed supply, distorting the market's ability to respond to changes in demand and price signals. This has resulted in detrimental economic and social consequences stemming from worsening affordability, declining ownership, an intergenerational wealth divide, and restricted labour mobility.

Policies that aim to increase development density or confine new housing have been shown to result in greater inelasticity of supply and thus higher prices. By superimposing an artificial boundary to limit development, governments are contributing to the skewing of wealth distribution and favouring the established at the expense of the aspirational. In doing so, they stifle opportunity and upward mobility.

Amid an intensifying housing crisis in Victoria, for which the government is substantially responsible, the onus is on the State government to rectify the cost of rising negative externalities resulting from the supply constraints imposed by its planning policy framework.

In his book, *Order Without Design: How Markets Shape Cities* (MIT Press, 2018), internationally acclaimed urban planning expert Alain Bertaud recognised that the phenomenon of placing arbitrary limits on city expansion through UGBs and greenbelts results in "predictably higher prices". The London School of Economics emeritus professor Paul Cheshire described a "fatal mismatch" between planning and the market, concluding that urban containment is irreconcilable with housing affordability and price stability.

In its attempt to redress the housing issues created by its UGBs, the State of Oregon—the poster child for urban containment—recently passed a bill permitting its cities to expand their boundaries without having to meet the legal conditions previously required under the State's land-use system. Recognising it could ill afford to persist with the rigidity of its containment policy if it were to deliver the 440,000 dwellings required over the next 20 years, the bill intends to increase the

flexibility of existing rules so new housing gets built. The Oregon decision serves as a critical signal to the Victorian government as it seeks to deliver an additional 2.24 million dwellings by 2051, as set out in *Victoria's Housing Statement: The decade ahead, 2024-2034*. The current planning system is bound to fail if it seeks to function without maintaining an adequate and competitive land supply, proper consideration of current population projections, and a robust understanding of the development capacity of existing urban areas.

THE URBAN SPRAWL MYTH

Contrary to planning mythology, not all greenfield land, nor the projects developed on it, are created equal. Pejoratively termed 'urban sprawl', the supposedly significant social, environmental, and economic costs associated with greenfield development are generally accepted as irrefutable truths but

are often without basis in reality. The fact that urban sprawl has never been appropriately defined has not slowed the religious-like fervour directed against greenfield development, despite the significant role the concept has and will continue to play in halting the provision of much-needed housing. Responding to its persistent misuse, the late Professor Patrick Troy, one of Australia's greatest champions of social justice through planning for better cities, rightly identified that the concept of urban sprawl has in fact "no objective meaning in a description of contemporary urban problems in Australia".

Troy's point was expanded upon in the OECD's report *Rethinking Urban Sprawl: Moving Toward Sustainable Cities*. The report found that the environmental, economic, and social problems intuitively associated with urban sprawl are not adequately substantiated by economic theory or empirical evidence. This hinders the ability to conduct proper cost-benefit analyses of greenfield



The Bapna family are typical of Point Cook residents: they very much enjoy living there in their own house rather than an apartment closer to the city.

Photo: supplied by Kamal Bapna

development and determine whether and when policy intervention is desirable.

The vast yet unsubstantiated variety of ills attributed to greenfield development continues to underpin the policy guiding the growth of the city of Melbourne. With Melbourne now larger and forecast to grow at a greater rate than any other city in the country, continued condemnation of this much-needed form of development is not only unfair but simply unsupported by facts.

Residents of growth areas like living there.

To begin with, it is commonplace for Melbourne's outer suburban growth areas to be developed at a greater density than that which exists in its established suburbs and at considerably higher volumes. Melbourne's growth areas also happen to be very culturally diverse, more so than most established suburbs. More than half of the population in suburbs such as Clyde North, Point Cook, and Wollert were born outside of Australia, and this figure continues to grow.

Often overlooked, residents of Melbourne's growth areas also happen to like living there. Informed by the largest survey of its kind ever conducted in Australia, *Our Home Choices*, Infrastructure Victoria's well-publicised report, found only one in five existing households would trade house and land to live in an established suburb in a medium-density home—if it was available at a more comparable price.

The report also found that the vast majority of households 'strongly prefer' detached houses over apartments. This preference has remained consistent across Greater Melbourne despite longstanding containment and densification objectives.

Often purported to be the root cause of poor health, growth areas have a considerably lower incidence of long-term health conditions, including heart disease. This suggests that a variable other than simply choosing to live within a growth area is to blame. Analysis of census data, together with long-accepted medical understanding, indicates that age rather than location is a more significant determinant in the health profile of the population.

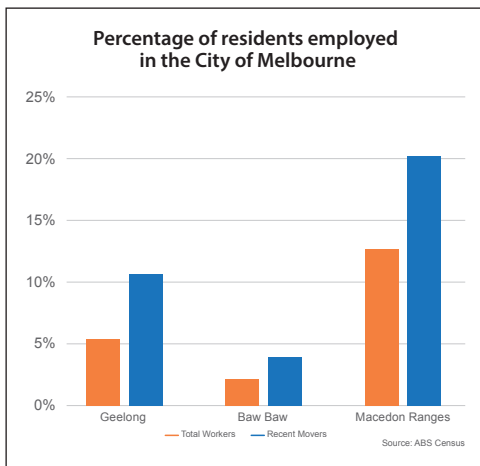
To the extent that it indicates a level of satisfaction with housing type and location, it is noteworthy that the incidence of mental health conditions is at its lowest in Melbourne's growth areas. Significantly, it is highest in the inner city, where the rate of incidence is between two to five times higher, in comparably younger populations, than their greenfield counterparts.

Criticisms that growth areas are dependent on cars and therefore 'unsustainable' are simply unreasonable and conveniently de-contextualised by those pushing an anti-greenfield agenda. There is not one local government area in metropolitan Melbourne—including those with a rich array of public transport options—where the car is not the most popular form of transport. Furthermore, government failure to deliver adequate public transport infrastructure to service outer-suburban growth areas is an insufficient basis upon which to delegitimise greenfield development. Disproportionate spending on infrastructure in established areas, based on the assumption they would accommodate a higher proportion of growth, has only amplified the underinvestment in the areas where more people want to live.

EXPORTING 'SPRAWL'

As affordability worsens, a growing proportion of households, particularly young families, are choosing more affordable housing options, typically on a larger lot, in areas offering a better lifestyle, increasingly beyond the UGB. Contrary to achieving containment and densification objectives, this

phenomenon is inadvertently exporting urban sprawl to regional or peri-urban locations which are, in turn, struggling to deal with unplanned growth. As an example, between 2016 and 2021, there was an 86 per cent increase in the outflow of people relocating from the City of Wyndham to the City of Greater Geelong, relative to the previous census period. Unsurprisingly, the largest age cohort to do this was the 30 to 34 years old, that is, millennials in the family-forming stage of life looking to purchase a family home.



An equally significant trend is the notable increase in the percentage of residents residing beyond the UGB, but whose place of work remains within the City of Melbourne. In part exacerbated by the pandemic lockdowns, the variety of ‘push’ factors driving this trend show few signs of abating. Changing work practices, technological innovation including AI, lifestyle preference, cost-of-living pressures, and the cost of doing business will only further reinforce this pattern of behaviour, which is in direct contrast to the outcomes sought by compact city objectives.

An analysis of new residents of the Shires of Macedon Ranges, Baw Baw, and the City of Greater Geelong—all local government areas abutting, but outside Melbourne’s UGB—highlights the extent to which this is occurring.

INFRASTRUCTURE MYTHS

Governments increasingly cite higher infrastructure costs in greenfield areas as justification for restricting its development. This is based on the mistaken assumption that the densification of established suburbs will not require nearly as much infrastructure support and development. The assumption that established suburbs possess the infrastructure capacity required to accommodate forecast densification is frequently proven incorrect, especially in those areas where there is actual demand for higher-density housing.

With a proposed development contribution charge of almost \$35,000 per dwelling, the recently prepared Fishermans Bend Urban Renewal Area Development Contributions Plan highlights the exorbitant cost of providing the requisite infrastructure in designated renewal areas.

While continuing to champion the economic and social benefits that come with high levels of migration, governments’ unwillingness to fund the necessary infrastructure for accommodating a growing population in the outer suburbs is not just contradictory but continues to generate a significant cost to the Victorian community.

If the Victorian government genuinely intended to allocate resources to deliver infrastructure efficiently, then spending it where it is most required, for the greatest number of people, supporting the type of housing people want, in locations they can afford, would maximise welfare and provide the most fiscally responsible outcome.

THE FATAL MISMATCH

Australia’s staunch attachment to the contain-and-densify model has proven to be a narrative of utopian aspirations rather than an effective framework to manage the complexities of rapid population growth and housing needs. No jurisdiction has solved its housing crisis by persisting with rigid urban containment policies.

In a country where the urban footprint currently takes up just 0.35 per cent of its land mass, UGBs are an unnecessarily blunt mechanism to manage a rapidly evolving and complex supply-and-demand relationship. A continuation of this policy will see housing become even more unaffordable, with highly undesirable distributional consequences. This will have major implications for future social and economic stability, particularly for low and middle-income individuals and families.

Housing will become even more unaffordable.

The success of good policy should be measured not by intent, but by outcomes. Acknowledging the lack of empirical evidence in support of rigid UGBs must be the first step to take if there is to be a genuine commitment to effectively manage the worsening housing crisis. Persisting with unrealistic aspirations with no idea of how to achieve them is nothing short of reckless. Rooted in physical determinism, such planning policy has little regard for market structures, trade-offs with different policy objectives, and its impact on the rest of the housing market. As long as there remains an underlying belief that the market should be subservient to the plan, then the existing approach to contain-and-densify will once again fail to achieve the housing targets necessitated by population growth.

Effective housing policy ensures the market viability of building new housing and an adequate supply of houses that people can afford. It is therefore imperative to adopt a new framework which addresses the fundamental conflict between current planning policies and underlying economic forces. Prices must be regarded as a material

consideration within the governing planning framework if governments genuinely seek to address affordability. Addressing the issue of housing affordability necessitates changes that rejuvenate the competitive land market in areas with strict regulations while steering clear of land-use policies that could worsen affordability in places where competitive land markets are already in place.

Before developing a policy that seeks to deliver some 80,000 dwellings per annum, the Victorian government must first understand the reasons why the objectives and aspirations within its existing policy framework have failed. In a worsening housing crisis, simply announcing how many dwellings it aspires to deliver—without explaining how they are to be delivered—is not tenable.

It is increasingly clear that a departure from the entrenched contain-and-densify model is crucial. The path forward demands a nuanced, evidence-based approach that reconciles the urgent need for affordable housing with practical urban development strategies. Only then can we ensure a future where housing affordability and accessibility are within reach of all. This would mark a pivotal, and historically significant, shift towards a genuinely successful model of urban growth.



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