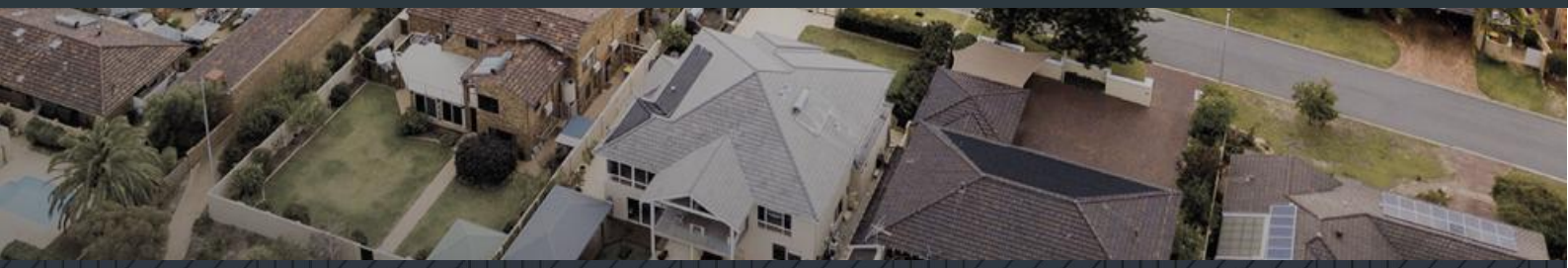
# Increasing Gentle Density:
# Unlocking Subdivision



Moving from regulatory barriers to housing innovation: A report on market-led lot sizes

March 2026

# Overview

## Housing Supply and Targets

Despite increased political focus on boosting the supply of new housing and the introduction of several well-intentioned initiatives, Australia continues to deliver new homes at a rate well below the Federal Government's target of 1.2 million well-located dwellings over the five-year period from July 2024.

This target known as the National Housing Accord equates to 240,000 new homes being constructed across Australia each year to meet the demand for housing and put downward pressure on affordability. Building 240,000 homes per annum is no easy feat and has historically never been achieved. Unfortunately, most economists are now consistent in their view that Australia will not achieve this targeted number of new homes. There is a pressing need for further government intervention as the "business as usual" approach will not work.

| State/Territory | Share of homes to be built 2024-2029 | Average Annual Homes to be built to meet target | Expressed as % | Dwelling Completions in FY 2024/2025 |
|---|---|---|---|---|
| ***Australian Capital Territory*** | 21,059 | 4,217 | 2% | 4,109 |
| ***New South Wales*** | 376,436 | 74,787 | 31% | 42,005 |
| ***Northern Territory*** | 11,427 | 2,296 | 1% | 407 |
| ***Queensland*** | 245,740 | 49,230 | 20% | 33,448 |
| ***South Australia*** | 83,811 | 16,550 | 7% | 12,625 |
| ***Tasmania*** | 26,117 | 5,022 | 2% | 2,456 |
| ***Victoria*** | 306,324 | 61,483 | 26% | 55,663 |
| ***Western Australia*** | 129,086 | 26,415 | 11% | 22,519 |
| ***Total Australia*** | 1,200,000 | 240,000 | 100% | 173,232 |

***Table 1: State-by-State Housing Delivery Targets and Recent Dwelling Completions***

## A shortage of land is a key driver of housing prices

The HIA–Cotality Residential Land Report provides updated information on residential land sales activity across 52 housing markets nationally, including all six state capital cities.

Recent reporting confirms that residential land price growth has significantly outpaced broader inflationary pressures. Since 2000, land prices have increased by more than 500 per cent, compared with increases of around 150 per cent in construction costs and skilled labour over the same period. This highlights that the long-run escalation in housing costs has been driven overwhelmingly by land rather than building inputs.[1].

In 2025, there was a dramatic decline in allotment sales across Australia coincided with the median price of residential land reaching a new high of $372,620 in the first quarter of the year, putting prices 39.2 per cent above their equivalent value in 2019.

The deterioration in sales volumes, coinciding with record high lot prices, points to a worsening shortage of shovel ready land across the country. This should be a key concern for policymakers as reducing the size of land is a proven method of decreasing the overall cost of new housing.

[1] HIA & CoreLogic. (2026, February). *HIA-CoreLogic Residential Land Report.*

The shortage of shovel-ready land remains central to Australia's affordability challenge. Over the past year alone, residential lot prices increased by 18 per cent in Brisbane, 21 per cent in Perth, and 40 per cent in Adelaide.

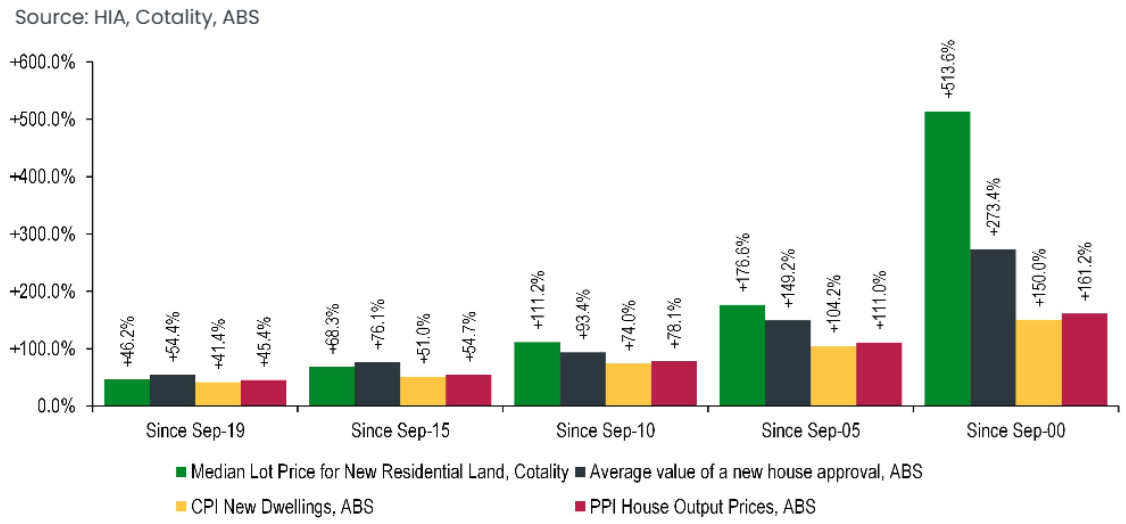



***Figure 1: Escalation in land and construction costs since September 2000***

# History of planning scheme controls

## Barriers to increased land supply and housing innovation

The size of allotments in suburban areas across Australia is tied to town planning controls. Restrictions on minimum lot size were first introduced to address overcrowding and sanitation issues. Queensland's *Undue Subdivision of Land Prevention Act 1885* enforced a minimum lot size of 16 perches (approximately 404m²) statewide to ensure space for sanitation and prevent urban slums.

Similarly, Sydney's Cumberland County Plan, gazetted in 1951, established the city's first metropolitan planning framework, introducing Low Density Residential Zones requiring lots of approximately 557 m² (60 ft x 100 ft) in suburbs like Bankstown to support infrastructure and green spaces[2, 3]. These measures, while effective in their time, were responses to 19th- and early 20th-century urban issues that no longer align with current planning needs.

Despite Australia's urgent need for more housing, minimum lot size regulations in low density residential zones or similar like general residential zones have barely evolved. Modern infrastructure has resolved historical sanitation concerns, yet lot sizes in these zones across Australia still predominantly ranges from 400m² to 2,000m².

From a housing supply perspective there are two primary concerns to the outdated approach to zoning and minimum lot sizes across Australia:

1. Low Density Residential Zoning or similar in nature zoning is allocated to vast parts of local government areas. HIA estimates up to 80% of all residential land in some planning schemes is allocated to low density residential purposes. Previous research by the Grattan Institute has revealed that around 73% of residential land in Brisbane is restricted to a Low Density Residential Zone; and

2. The existing block pattern of our suburbs consists predominantly of lots that are smaller than 800m$^2$. According to the ABS, some capital cities like Sydney and Melbourne only 21% of all land parcels exceed 800m$^2$ [4]. As such, the based on current lot size restrictions there are currently minimal opportunities for infill subdivision.

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[2] Winston, D. (1957). *Sydney's great experiment: The progress of the Cumberland County Plan*. Angus & Robertson.
[3] Spearritt, P. (2000). *Sydney's century: A history of Australia's first city*. UNSW Press.
[4] Australian Bureau of Statistics. (2022). *Land and Housing Supply Indicators*. ABS.

## Expansive areas of our cities have restrictive controls


***Image Source:*** *Moreton Bay City Council - Interactive maps.*

***Figure 2: Example of Low Density Residential or similar zoning in Queensland***


***Image Source:*** *NSW Government. NSW Planning Portal spatial viewer.*

***Figure 3: Example of the extent of 450m2 or greater lot sizes in New South Wales***

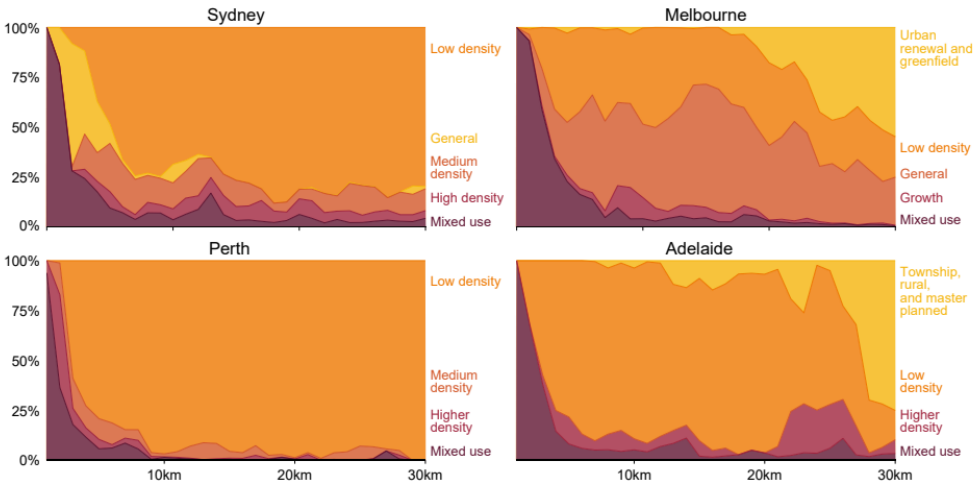


***Image Source:*** *Grattan Institute. More homes, better cities (2025)*

***Figure 4: Research on the extent of restrictive zoning in major cities***

# Unlocking well-located homes

## Allowing the market to dictate minimum allotment sizes

While subdivision is often thought of as large greenfield master planned communities, there is a significant opportunity to increase infill development through subdivision.

A simple reduction or the removal of minimum lot sizes and frontages referenced in planning schemes across Australia will have significant benefits including:

- Help to achieve greater housing density and the goals for well-located homes reference in the National Housing Accord and National Planning Blueprint;
- Increase housing supply in established areas which could unlock millions of new homes across Australia;
- Allow new houses to be provided in a timely manner which is not dependent on governments or industry constructing expensive trunk infrastructure; and
- Enable smaller allotments and houses which facilitates downsizing for older Australians or reduces the cost of entry level housing for first homebuyers with potential savings of $205,400[(5)].

Unlocking new homes in these established low density residential areas creates more walkable neighbourhoods and will often provide new residents with improve accessibility to public transport, services and employment.


***Figure 5: Smaller allotments enable greater density and affordability***

[5] Based on a reduction in minimum lot size from 500sqm to 300sqm, assuming average of $1,027 per sqm for land.

# Misconceptions about infill subdivision

## Ill-informed maintaining outdated lot size restrictions

A commonly held apprehension to permitting smaller allotment sizes under planning schemes is that this will result in all properties within a street being subdivided. Ultimately, resulting in a density or character not envisaged in low density residential areas. This concern remains incorrect as there are many factors that determine if subdivision is a viable development outcome for a property including:

- Lawful point of discharge for stormwater – Most councils require stormwater to be appropriately directed to the kerb and channel of the street or a stormwater system. As such, only properties that can achieve a topographical fall towards the street or connection to suitable infrastructure can be subdivided.

- Additional property constraints – Other planning scheme restrictions such as demolition protections, flooding and biodiversity can prevent subdivision or the construction of an additional house.

- Value of existing structures – In most circumstances where a property has existing structures or buildings of high construction value, subdivision is not economical as the creation of smaller lots requires partial or complete demolition.

Prescriptive minimum allotment sizes is also problematic from an urban design perspective in major greenfield subdivisions as it acts as a handbrake on housing innovation. Ultimately, the appropriate size of land is strongly influenced by site characteristics, including topography, orientation, and existing access points.

**'PRESCRIPITIVE MINIMUM ALLOTMENT SIZES IN PLANNING SCHEMES ENCOURAGE HOMOGENOUS OR UNIFORM DESIGN OUTCOMES AS INNOVATION BECOMES INCREASINGLY RISKY WHEN INCONSISTENT WITH LEGISLATION'**

***(HIA – Major Land Developer 2025)***

***Image Source:*** *hidflect. (2024). New housing in The Ponds, in western Sydney [Photograph]. X.*

***Figure 6: Restrictive minimum lot sizes lead to poor urban design outcomes***

# International Research on Lot Sizes

Australia is not alone in the challenge of expanse areas of each jurisdiction being restricted to single houses on larger allotments. For decades, many parts of the United States have been investigating and now implementing minimum lot size reduction.

There is now a compelling level of research which confirms that minimum lot size reduction will lead to increase housing supply and in turn improved levels of affordability. For example, in 2013 Houston in Texas significantly increased the areas suitable for small allotments. Many researchers have now concluded that stricter minimum lot size requirements create less affordable housing. Those cities with the lowest minimum lot size, Houston and San Antonio, have the highest level of affordability. Conversely, Austin and Dallas are considered the least affordable and have the highest minimum lot size[6].

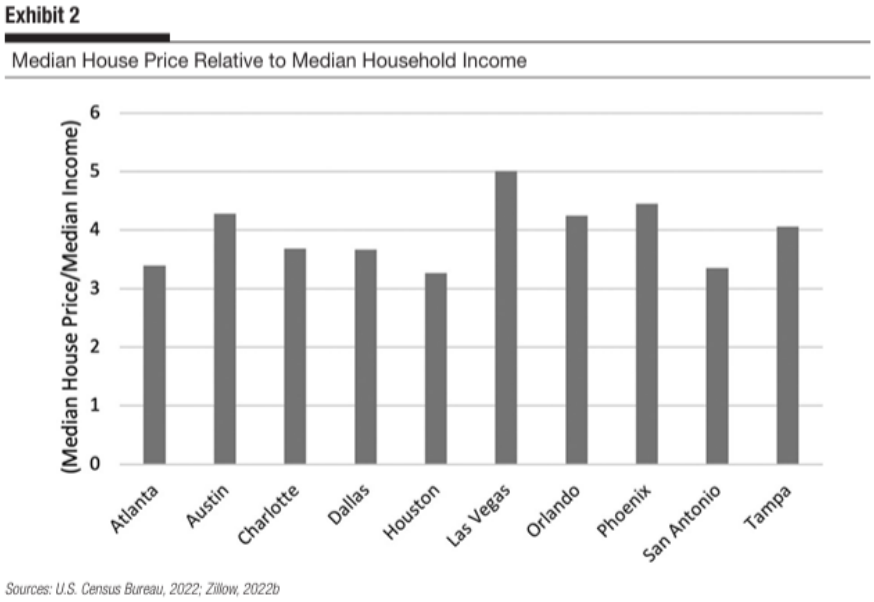


***Figure 7: Select US Cities – Median House Price/Household Income***

# Current restrictions

## Minimum lot size controls and required changes

Increasing densities in well-located areas can be achieved through straightforward reforms to outdated minimum lot size and frontage requirements. Simple amendments to these planning controls across local government areas (LGAs) could boost housing supply and affordability, making better use of urban land.

In many regions, minimum lot sizes remain anchored to historical standards. For example, parts of South-East Queensland still adhere to the "16-perch" (404sqm) lot size, with current Low Density Residential Zone requirements ranging from 400sqm to 800sqm. Similarly, vast sections of Sydney's Low Density Residential (R2) Zone continue to enforce 450sqm to 675sqm new lots for subdivision which is unchanged since the 1950s. An explanation of planning requirements for zoning and minimum lot sizes across Australia is provided in **Appendix A**.

Across Australian cities, there needs to be a clear shift away from legacy lot size constraints that limit housing delivery. HIA has consistently called for planning schemes to enable, rather than restrict, the building industry in meeting Australia's housing needs.

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[6] Bonura, J. (2024). *Unlocking affordability: The impact of lot size regulations on housing costs*. Texas Public Policy Foundation.

**Appendix 1 – Case Studies**

Numerous case studies across Australia demonstrate the great things that can happen when industry is supported to innovate, and housing innovation is driven by the size of land.

# Market-Led Innovation

## Allotments delivered below typical planning controls

***Image Source:*** *realestate.com.au. (2018)*

### CASE STUDY ELLENBROOK MICROLOTS (WA)

**Overview:** This project introduced 11 micro lot homes in an ultra-compact form resulting in a higher density, affordable alternative to traditional suburban housing. The project reinforced the preference for standalone home ownership even on small lots.

**Allotment Sizes:** 80m$^2$ to 100m$^2$.

**Frontages:** Minimum 4.5m.

**Surrounding Land Sizes:** 450m$^2$ to 800m$^2$.

***Image Source:*** *Anthony, T. (2019)*

### CASE STUDY ENVI MICRO URBAN VILLAGE (QLD)

**Overview:** This project transformed a suburban sized 673m$^2$, corner lot into 10 freehold micro lots.

**Allotment Sizes:** 39.5m$^2$ to 143m$^2$.

**Frontages:** 3.5m to 8.4m.

**Surrounding Land Sizes:** 500m$^2$ to 800m$^2$.

***Image Source:*** *Thompson Sustainable Homes. (n.d.)*

### CASE STUDY AURA BARINGA (QLD)

**Overview:** Terrace lots at Aura serve as a blueprint for modern, high-density coastal living. They were specifically designed to provide an affordable entry point into the Sunshine Coast market without the maintenance cost of a traditional large block.

**Allotment Sizes:** 68m$^2$ to 260m$^2$.

**Frontages:** Minimum 4.5m to 6.6m.

**Surrounding Land Sizes:** 450m$^2$ to 800m$^2$.

***Image Source:*** *Masao Nishikawa. (n.d.).*

### CASE STUDY STUDY HOUSE M (JAPAN)

**Overview:** an incredible tiny house designed by Takehiko Suzuki, located in Japan. Built on a wedge-shaped site, which was a leftover piece of land after a railway elevation project, this house demonstrates ingenious space optimization and architectural creativity.

**Allotment Size:** 30m$^2$.

# The Market Dictates Appropriate Sizes

## Allotments delivered well above planning controls

Contrary to the view that rigid planning controls are the only defence against overdevelopment, the market effectively self-regulates based on demand. While some infill locations might be viewed as desirable for micro-lots, the market naturally dictates much larger "lifestyle" allotments in regional or rural settings where space and environmental integration are the primary drivers. This reinforces that market-led design, rather than prescriptive controls, is the most effective tool for "right-sizing" housing to meet community needs.

***Image Source:*** *Clive Berghofer. (n.d.).*

### CASE STUDY AKORA ESTATE – HIGHFIELDS (QLD)

**Overview:** Despite being permitted a minimum allotment size of 500m$^2$ and minimum frontage of 15m under the Toowoomba Planning Scheme, this estate offers land averaging 900m$^2$ by a 20m frontage based on market feedback.

**Market-Led Allotment Sizes:** 591m$^2$ to 950m$^2$.

**Market-Led Frontages:** 19m to 23m.

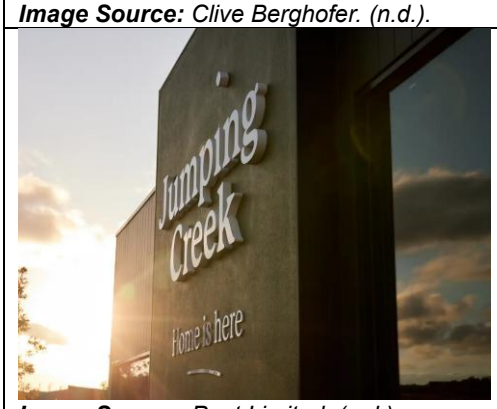


***Image Source:*** *Peet Limited. (n.d.).*

### CASE STUDY JUMPING CREEK (NSW)

**Overview:** A master planned community of 200 residential lots. This project utilises generous, site-responsive lot sizes to minimise the development footprint**.** The minimum lot size map which applies to this property generally permits new lots between 600m$^2$ to 800m$^2$. However, this estate is currently selling lots that average around 958m$^2$.

**Market-Led Allotment Sizes:** Averaging 780m$^2$ to 958m$^2$

**Market-Led Frontages:** 17m to 30m.

***Image Source:*** *SCAPE Properties. (n.d.)*

### CASE STUDY Crangan Bay (NSW)

**Overview:** An environmentally inspired estate that offers 623 lots ranging from averaging 645m$^2$ while the planning scheme permits 450m$^2$ lots. While the planning scheme permitted a higher density such as all 450m$^2$ allotments, the strategy pivoted towards market-led sizing to capture the buyer demographic seeking space and environmental integration.

**Market-Led Allotment Sizes:** Averaging 464m$^2$ to 1028m$^2$
**Market-Led Frontages:** 12.5m to 24m.

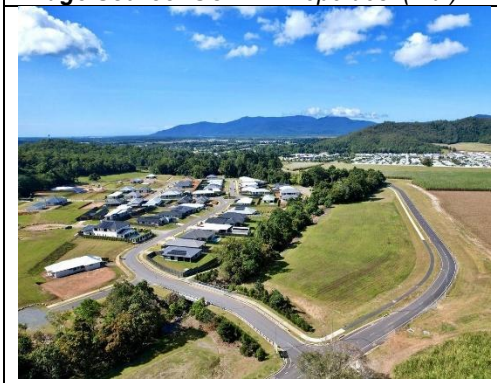

***Image Source:*** *Pinecrest Cairns. (n.d.).*

### CASE STUDY Rocky Creek – Pinecrest (North QLD)

**Overview:** Rocky Creek is a master-planned community featuring over 50 residential lots designed with a "landscape-first" approach. While the site is located in a low-medium density zone allowing townhouses and smaller lots, this estate averages lot at 1,000m$^2$ based on market demand.

**Market-Led Allotment Sizes:** Typically, 500m$^2$ or greater, averaging 1000m$^2$.

**Market-Led Frontages:** 14m to 19.5m.

# Overview of current requirements and key reforms

## Northern Territory

**Summary:** Northern Territory Planning Scheme currently specifies an 800m$^2$ lot size in their Low Density Residential Zone (Zone LR).

**Notable Reforms:** The Northern Territory is currently reviewing minimum lot sizes for Zone LR (Low Density Residential), with potential for smaller lots around 450m$^2$ in suitable areas.

## Queensland

**Summary:** In Low Density Residential Zones or similar, most major councils in Queensland continue to enforce minimum allotment size controls that mirror, or exceed in restrictiveness, the 16-perch (404m²) standard originally introduced under the *Undue Subdivision of Land Prevention Act 1885*.

**Examples of common minimum lot size in the Low Density Residential Zone:**

- Brisbane – 400m$^2$ or 300m$^2$ where within 200m walking distance of a shopping centre.
- Moreton Bay – 600m$^2$ (Zone titled General Residential – Suburban Precinct)
- Gold Coast – 600m$^2$
- Sunshine Coast – 600m$^2$ up to 1,500m$^2$ dependent on lot slope

**Notable Reforms:** Brisbane City Council have proposed changes to increase the locations suitable for 300sqm allotments by increasing the permitted walking distance to 300m to a shopping centre. The Council has also proposed reduced lot sizes in the Low-Medium Density Residential Zone down to 180sqm but this only applies to 14% of residential land.

## New South Wales

**Summary:** Across New South Wales (NSW) most councils in their Local Environment Plan (LEP) have a minimum lot size map which restricts most land to around 450m$^2$ to 600m$^2$ or greater. Reforms to permit Dual Occupancies across the state as mentioned below are important to note.

**Notable Reforms:** NSW is somewhat unique as the State Government on 1 July 2024 & 28 February 2025 introduced reforms allowing Dual Occupancies via Complying Development Certificate (CDC) Pathway if properties have a minimum of 450m$^2$, 12 metres of frontage and is within 800m from nominated centres and transport hubs.

These measures should be acknowledged as a positive step toward supporting increased housing supply and facilitating infill development, consistent with the housing outcomes sought by HIA. However, further reform is required. In particular, simplifying minimum lot size controls and easing other subdivision restriction through targeted amendments.

It is also important to recognise the limitations of the current NSW approach. Many regional centres do not contain nominated centres or qualifying transport hubs, meaning the CDC pathway for dual occupancies and other forms of infill development does not apply in these locations. Additionally, even where dual occupancies are permitted, local council-specific controls can continue to constrain or prevent the subdivision of approved dual occupancies.

## Tasmania

**Summary:** In Tasmania, there are three primary residential zones, each with distinct lot size requirements to manage character and desire housing density including:

- General Residential Zone – Minimum lot size 450m$^2$ or Minimum Site Area of 325m$^2$ for multiple dwellings.
- Inner Residential Zone – Minimum lot size 200m$^2$ or Minimum Site Area of 200m$^2$ for multiple dwellings
- Low Density Residential Zone – Minimum lot size 1,500m$^2$ (or 2,500m$^2$ where no reticulated services).

Specific, up-to-date data on the exact total area (hectares or square kilometres) of land zoned "General Residential" in Tasmania is not explicitly published as a single figure in the Tasmanian Planning Scheme fact sheets. However, the General Residential Zone is the primary zone covering the bulk of residential areas.

## Victoria

**Summary**: There is no single fixed minimum lot size for residential subdivision in Victoria. Instead, subdivision is assessed under the Victorian Planning Provisions, primarily Clause 56 (Residential Subdivision) which uses a performance-based approach focused on lot functionality, access, services, amenity, and built-form outcomes rather than a prescribed square-metre threshold. As a result, lot sizes vary depending on zoning, zone schedules, local planning policy, overlays, and site conditions.

Higher-density zones (such as Residential Growth or Mixed Use Zones) support smaller lots, while Neighbourhood Residential Zones often require larger minimums through schedules. Very small lots—including those under 300 sqm and even under 100 sqm—are achievable in limited circumstances, such as where the Small Lot Housing **Code** applies, noting that the Code relates to dwelling approval rather than subdivision itself.

**Notable Reforms:** On 6 October 2025, a VicSmart pathway for two-lot subdivisions in residential zones was introduced. This change allows eligible two-lot subdivision applications to be assessed under a streamlined, 10-business-day process, substantially reducing approval timeframes compared to the standard planning permit process.

## ACT

**Summary:** Currently most residential land in the ACT is zoned as RZ1 Suburban Zone, similar to Low Density Residential Zoning (estimated at 79% of all residential land). This land consists mainly of single dwelling houses.

Subdividing a single block into two independent Crown leases is generally not permitted in RZ1 under the Planning Act 2023 You can unit title a dual occupancy development in RZ1, which allows for individual sale of the units, provided the block is at least 800m² and both dwellings are lawfully constructed.

**Notable Reforms:** ACT Government has proposed 'Missing Middle' Reforms in 2025. In RZ1 specifically, the proposed changes significantly relax existing controls by removing minimum block area requirements for two dwellings, lifting the former 120 sqm cap on secondary dwellings, and allowing subdivision (and unit titling) where a lawfully built dwelling exists, with dwelling yield guided by site context rather than fixed limits.

## Western Australia

**Summary:** Minimum lot sizes in Western Australia are determined by the Residential Design Codes (R-Codes). It should be acknowledged that certain densities in R Code enable greater density for example above R30 to R80.

R20 Zone is most comparable to other jurisdictions in terms of Low Density Residential Zone. For single or grouped dwellings in R20, the minimum site area is 350m2 and the average site area is 450m$^2$ per dwelling. As an example, two dwellings could be built on a lot of 900m$^2$.

Similar to other regions, R20 Zoning is applied to significant portion of land, and many well-located / desirable suburbs continue to have this zoning which is preventing more diverse types of housing.

**Notable Reforms:** The Western Australian Government is currently reviewing the Residential Design Codes (R-Codes) to simplify planning, increase housing density, and reduce red tape.

## South Australia

**Summary:** In South Australia, since the introduction of the state-wide Planning and Design Code (2021), subdivision (land division) is regulated through a single statutory framework. Minimum allotment sizes vary based on the applicable neighbourhood zone, site constraints, and any Technical and Numeric Variation (TNV) overlays, rather than council boundaries. Most suburban areas are subject to the following controls:

- Suburban Neighbourhood Zone – 300–450m$^2$, often set by TNV overlays;
- Established Neighbourhood Zone – typical minimums around 450–600m$^2$
- Hills Neighbourhood Zone – typical minimums approximately 600–700m$^2$
- General Neighbourhood Zone – often 200–300m$^2$, depending on dwelling type and context

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