PRICING DEVELOPMENT RIGHTS

A game changer for housing affordability

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Tim Helm and Henry Williams
Report for Prosper Australia

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Prosper Australia is an economic research organisation founded in the Georgist tradition of political philosophy. Our work centres on the monopolistic nature of land and how it shapes our economy and society. Our vision is a just and equitable society, created by ensuring everyone who benefits from our land, natural resources, and natural monopolies pays a fair rent for their use.

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Overview

There is a deep unfairness at the heart of Australian housing policy. State governments, by way of their planning systems, are routinely giving away public assets worth billions of dollars each year.

Legal permission to develop land in new and more profitable ways is a valuable property right. Development rights are created by and belong to the public. When transferred to private landowners, they should be priced at their private value. Right now, most states are handing them over for free.

The result is a system of enormous windfall gains. By way of rezoning and planning permission, development rights worth an estimated $11 billion are granted to private beneficiaries each year. This silent, legalised giveaway delivers vast sums to some of Australia's wealthiest landowners, with the public receiving nothing in return. This is plainly unjust.

Development rights are public property, held in reserve for public purposes. To transfer these to private landowners is a healthy and necessary part of economic growth and change. But the value of these rights should accrue to the public, not the private owners who happen to hold title.

This report calls for states to put a fair price on development rights. This simply means selling public assets at market value – a far better way to raise revenue than taxing productive economic activity.

States should charge for development rights by adopting their own versions of the ACT's Lease Variation Charge (LVC). The LVC is a proven and efficient model for capturing value created by the planning system (and is similar to a model operating in Singapore). The LVC is a price based on market transactions, and this price is paid by developers, not ordinary homeowners.

States should adhere to the four key design principles of the LVC:

- The charge only applies when the development right is exercised;
- The charge is paid by the developer;
- The charge captures 75% of the full uplift in land value; and
- Most charges are specified in advance, providing certainty.

Ending the current giveaway could raise significant sums of revenue, which could be used for many purposes. In particular, it could fund a major package of housing support for the 'have-nots' currently locked out of the market.

The estimated $8 billion raised each year could pay for the abolition of stamp duty for all first home buyers, benefiting 90,000 buyers each year, while also funding an additional 195,000 social housing dwellings, a 43% increase on the current stock.

This could be a game-changer for housing affordability – a way to close the schism in Australian society between the landed and the landless to the benefit of renters, aspiring home buyers, and people struggling to access secure housing at all.

The only losers from this reform would be the housing 'have-lots': major landowners extracting unearned wealth from the planning system, including professional speculators banking development-ready land for capital gain. Taking the 'honeypot' of windfall gains away from these players could clean up an industry rife with rent-seeking and corruption.

For any government serious about tackling housing affordability, and prepared to call time on an unjust and unjustifiable giveaway of public value, pricing development rights is an obvious and overdue reform.

1. Introduction

Housing affordability is a major political issue worldwide. At the centre of Australia's policy response has been an attempt to stimulate the supply side of the market by rezoning land for higher density development and streamlining planning systems. Major reforms of this kind are now underway in several states.

This wave of deregulation has brought challenges, not least the higher cost of providing infrastructure to support dispersed, market-led development. At the same time, the fiscal environment is tightening. States are playing catch-up on infrastructure to serve past growth and being urged to fund more public housing, while also facing pressure to rein in major projects and reduce deficits and debt. In some states, questions are being asked about whether infrastructure contributions could be redesigned to better recover the cost of public works without holding back development.

This report considers the case for states to begin pricing development rights. A system of development rights charges could either sit alongside or replace existing infrastructure contributions, but the aim would be to capture the land value uplift from planning decisions for public revenue, rather than recover a share of specific infrastructure costs.

When land is rezoned or a permit is issued for more intensive development, the main beneficiary is the landowner. Permission for more profitable use of a site means developers bid more for that site, resulting in windfall land value gains and an unearned increase in wealth for the owner (often a professional landbanker or speculator). There is no legal, moral or economic case for landowners to benefit in this way from these decisions. As will be shown, the dollar amounts involved are significant.

The idea now referred to as value capture has a long history. The underlying beneficiary-pays principle motivated the betterment taxes used to fund public works in the early 20th century, and is still invoked in support of policies such as inclusionary zoning and development contributions today. These modern mechanisms can be cumbersome and inefficient, however, with unclear or conflicting goals. They typically also capture only a small share of the private value of development rights.

Without the right mechanisms and sufficient political will to use them, the application of value capture principles has remained limited. This has left the honeypot of unearned gains on the table and encouraged rent-seeking, corruption, and lobbying to preserve a status quo that allows major property interests to acquire wealth without productive effort.

A comprehensive regime of pricing development rights would be a fair and efficient way to raise revenue, grounded in the basic principle that public assets should be sold for no less than their full market value.[1]

Pricing development rights could allow states to fund a major package of affordability measures targeted at the housing 'have-nots'. Alternatively, the revenue could be used to fund additional infrastructure or cut taxes on productive activity.

This report lays out the case for this reform and the benefits it could provide.

Section 2 explains what is meant by 'development rights' and why there exists no moral or legal entitlement for landowners to receive them for free.

Section 3 quantifies the giveaway of value each year under current policy settings in which these rights are largely handed over for free.

[1] As Marcus Spiller and colleagues have written in proposing a similar regime of 'development licence fees', in markets that must be regulated for the sake of economic efficiency, such as fisheries, spectrum, logging, water rights, and gambling, selling rights that confer privileged access to monopoly rents rather than giving them away is a standard and uncontroversial approach (Spiller, Spencer and Fensham 2017).

Section 4 considers policy options to capture this value, contrasting the ACT's pricing model with Victoria's Rezoning Windfall Gains Tax and the infrastructure value capture taxes applying in several states.

Section 5 outlines a recommended model for pricing development rights which adopts the four key features of the ACT's Lease Variation Charge.

Section 6 discusses how pricing development rights could encourage faster housing supply.

Section 7 quantifies the revenue potential of this reform, and outlines how it could fund a package of housing support for those currently locked out of the market.

Section 8 addresses key implementation issues, and Section 9 concludes.

2. What are development rights?

The term 'development right' refers to legal permission to develop or more intensively use land.

As a simple illustration, consider a standalone house on a block of land held under freehold title. The title allows exclusive use of the land and the right to sell, lease, or bequeath it to someone else. But it does not mean the owner can do whatever they want on the land. In particular, to build more dwellings, they need a planning permit. It is this permit that confers a development right.

The legal right to use land in specified ways is how society regulates the use of a common resource for the public good. There are no natural rights to landownership, and no rights inherent in land title – rather, the bundle of rights that makes up landownership is always and everywhere a creation of the state, and relies on active enforcement by the state.

The basic rights of property are to use or enjoy it, exclude others, and transfer it to others. Beyond these, the specific rights attached to a piece of land are always prescribed or limited by law, including planning, building, environmental, public health, and criminal law. They vary from place to place and over time.

The very concept of private property entails no more or less than the scope of rights held by the owner under law. As the High Court of Australia has stated:

> *The word 'property' is often used to refer to something that belongs to another. But … 'property' does not refer to a thing; it is a description of a legal relationship with a thing. It refers to a degree of power that is recognised in law as power permissibly exercised over the thing. The concept of 'property' may be elusive. Usually it is treated as a 'bundle of rights'.*[2]

The right to develop or intensify land use is not inherently part of this private bundle. In modern planning systems, development rights are retained by the state to be granted through planning approvals.

This is not an imposition on natural justice or an unwarranted restriction on individual liberty so much as a modern element of the wholly artificial social construct that is exclusive land title. Regulating land use via development assessment does not impinge on a landowner's property rights; it *defines* them.[3]

Within the planning system, zoning can indicate what kind of development is possible. Rezoning can be a precursor to development and can signal an increased likelihood of development being approved. But rezoning does not in itself provide a legal entitlement to develop land. The development right is only granted when a planning permit is issued (see Box 1). Rezoning generates windfall gains for landowners only because buyers of land expect to acquire development rights at a price below their market value under a system that does not, at present, charge for them.

Failure to price development rights can be likened to an "unpriced privatisation of public airspace".[4] Land title may be defined within two-dimensional area, using cadastral mapping, but the property rights that

[2] High Court of Australia in *Yanner v Eaton*, cited in Australian Law Reform Commission (2015).
[3] Murray and Gordon (2024). In economic terms, the purpose of this regulation is to better co-ordinate economic activity and control externalities. Without this "we would inevitably get less functional and less liveable neighbourhoods, suburbs, towns and cities" (Spiller 2021). In the words of the Harper Competition Policy Review, "the unfettered market may not deliver an outcome across these various uses that is considered optimal for society as a whole. Hence, governments allocate land to particular uses through planning, zoning and development assessment" (Harper et al 2015).
[4] Murray and Gordon (2024).

go with it exist within three-dimensional space, as defined by the planning system (and other laws). To extend an owner's property rights vertically by granting the right to higher density development without charge is economically equivalent to giving away publicly-owned airspace – a valuable asset that could be explicitly priced (and in some places, like New York, already is).

Such a giveaway would be plainly unacceptable if rights of the same value were transferred in the form of a separate, horizontally-defined land title. When public land is given away, or sold at 'mates rates', the injustice is obvious to all. And when private landowners sell land with a planning permit attached, they expect the price received to reflect the value of the permit. By contrast, the equivalent giveaway of public airspace remains the status quo within Australian planning systems. This is clearly unacceptable, and as the next section shows, the value being given away is enormous.

BOX 1: DEVELOPMENT RIGHTS WITHIN THE PLANNING SYSTEM – NSW CASE STUDY

The NSW planning system is used here as a case study to show how development rights are legally created.

Planning and development in NSW are governed by the *Environmental Planning and Assessment Act 1979* (NSW), associated regulations, and statutory planning instruments.

The system can be divided into two broad areas: *land use planning* (setting permissible uses and controls) and *development control* (assessing and approving specific proposals).

Land use planning sets strategic goals for an area, and is enacted through statutory instruments such as Local Environmental Plans (LEPs), which set zoning and development standards such as height and floor space ratio within a council area, and State Environmental Planning Policies (SEPPs), which guide councils and regulate certain development types via standards, alternative assessment pathways, and incentives.

LEPs are made or amended (i.e. rezoned) through a process led by councils or the Minister. State rezoning policies such as the recent Low and Mid-Rise Housing (LMR) policy are implemented via SEPPs. Councils also write Development Control Plans (DCPs), non-binding guidance on how development should be designed and assessed.

Development control happens via *development applications (DAs)* and *development consent*. The latter provides the legal right to develop. Without it, most development is prohibited by Section 4 of the Act.

Most development requires consent, obtained by lodging a DA with the relevant consent authority (usually the local council, the Minister or a planning panel). The authority assesses it against the LEP, SEPP, DCP, and broader statutory considerations described in Section 4.15 of the Act (e.g. public interest). Some routine development avoids this assessment process by qualifying for a combined development and construction approval called a *complying development certificate (CDC)*.

After consent, a development requires a construction certificate (or CDC) confirming compliance with the National Construction Code, and the buildings must be granted an occupation certificate before they can be lawfully used.[5]

[5] For further reference see Gilyana and Montoya (2024) in relation to the NSW planning system and Murray (2023) on planning vs building approvals.

3. The great giveaway

The Fishermans Bend rezoning

Over an 18-month period in 2011 and 2012, Victorian Planning Minister Matthew Guy undertook an extraordinary intervention into Melbourne's urban planning. Announcing in February 2011 a 'revolutionary' plan to transform a 250-hectare industrial area near Melbourne's CBD known as Fishermans Bend into "Australia's first inner-city growth corridor", Guy used his ministerial powers to rezone the precinct from industrial to residential use, prior to any significant planning having been undertaken for the area, and without the consultation expected and generally required for a major planning scheme amendment.

From July 2012 onwards, landowners in this area – now designated part of the Capital City Zone, which at the time lacked effective density controls or amenity requirements – could apply for approval for high-rise towers, and many did.

Notwithstanding that pipes, parks, and public transport for the area were yet to be planned in any detail, let alone delivered, dozens of applications were submitted for tens of thousands of apartments. Early forecasts pointed to an eventual population of 80,000 residents, living at a density comparable to Manhattan.[6]

At the stroke of a planner's (or Minister's) pen, many landowners in the area, including party donors, became instant millionaires, the ticket price merely the cost of planning paperwork.[7]

One former factory site identified in Prosper Australia's 2021 report *The Rezoning 'Honeypot': Evidence from Fishermans Bend* had transacted for $1.7 million in 2009 and was sold again for $11 million in 2015 – a six-fold increase in price over six years. Another property, a vacant lot which had sold for $3.6m in 2013 with no planning permit in place was resold for $8.6m in 2017, still vacant but with approval secured for high-rise apartments.[8]

Across the 33 repeat sales in Prosper's dataset, planning approval generated an average 368% uplift in land value, from $469 to $1,726 per square metre. Based on the average uplift in Prosper's sample, total windfall gains across the rezoned area came to more than $4 billion – equivalent to a year's worth of rezoning windfalls across the state, delivered overnight in a single decision.

A later Ministerial Taskforce described "the decision to rezone 250 hectares of inner urban industrial land to 'Capital City Zone' prior to undertaking the necessary strategic planning for such a major urban renewal task [as] unprecedented in the developed world in the 21st century."[9]

The giveaway

The process at Fishermans Bend may have been flawed – but the giveaway of value in that episode is a routine consequence of how planning is ordinarily undertaken throughout Australia, even under the best of conditions.

Whether rezoning is flagged early as part of careful strategic planning, or occurs on an ad hoc basis via ministerial discretion, the economic outcome is the same: when development rights are not sold at market value, rezoning generates windfall gains.

The result is an enormous transfer of public value, taking place across all states and development contexts (see Box 2 below). Money that could be funding schools, roads and hospitals, alleviating the tax burden on productive enterprise, or supporting councils and communities to accommodate new development is lining the pockets of the wealthy and well-connected instead.

[6] ABC (2013), Harrison (2013).
[7] Millar et al (2015).
[8] Prosper Australia (2021).
[9] Fishermans Bend Ministerial Advisory Committee (2015).

Who is benefiting?

This giveaway primarily benefits major landowners. Specifically, the vast bulk of the value transferred flows to the owners of larger holdings of developable land (greenfield or brownfield), not to ordinary homeowners or 'mum and dad' investors.

Less than 4% of additional dwellings approved for construction over the period 2019-20 to 2024-25 were single-block redevelopments in which a single dwelling was knocked down and replaced by two or three dwellings. More than 96% of approvals, by contrast, were for greenfield developments, brownfield developments, or residential multi-block developments.[10] The failure to price development rights predominantly benefits the larger players.

Benefiting most from this giveaway are land speculators skilled at manipulating the planning system, often using their inside knowledge or connections, to extract concessions unavailable to others. The game of windfall gains is played by buying a site at a low price, pushing the envelope on the development permit, then selling it with a more valuable permit in place than an ordinary developer following the rules could achieve. The reward for winning this game is an increase in wealth derived without any productive activity having taken place. The economic term for this is 'rent-seeking'.

The giveaway is not privately captured in full, however. Some portion of what states fail to capture is recouped late and lightly at the Commonwealth level through income taxation when windfall gains are realised upon sale. This revenue does not benefit the states, however, who bear the political and financial costs of the planning and infrastructure decisions that enable these gains in the first place.

[10] Prosper Australia analysis based on ABS (2025).

How much is the giveaway worth?

State governments do not routinely measure land value uplift delivered by the planning system. However the scale of these gains can be estimated by reference to the ACT, where a defined share of planning uplift is captured (see Section 4).

Based on the most recent eight years of ACT data, adjusted for inter-state differences in property prices and development activity, the estimated value of community-owned development rights being given away to private landowners for free each year is around $11 billion across Australia.

Table 1 shows how much is being given away by state. In NSW alone an estimated $4 billion is given away per year, which is around 0.5% of gross state product (GSP). In Victoria, the figure is $3.6 billion per year, or 0.6% of GSP.

For every $100 added to the economies of our two largest states by virtue of work and enterprise, that is, around $0.50 is siphoned off by landowners in pure extractive income, prior to and independent of any actual development of the land. This 'tax' on the productive sectors of the economy is an unnecessary and inefficient burden borne by the public at large.

Table 1: Estimated value of development rights given away, per year, by state and territory, 2025-26 $m

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT*	AUSTRALIA
Uplift	3,990	3,612	1,601	442	680	112	22	275	10,556
% GSP	0.47	0.57	0.30	0.28	0.15	0.25	0.06	0.46	0.38

Source: Prosper Australia based on ACT average 2017-18 to 2025-26. See Appendix for methodology.
**ACT figure represents gross land value uplift including publicly-captured portion (see Section 4).*

The figures in Table 1 represent land value uplift *net* of existing infrastructure contributions. They represent the value of the pure legal right to develop *after* accounting for other costs and obligations incurred by developers, including statutory fees.

The annual giveaway nationwide is comparable to the cost of a major transport project such as the Melbourne Metro rail tunnel ($11 billion), WestGate Tunnel ($10 billion), or Sydney Metro Northwest ($9 billion in today's dollars).

It is also comparable to half a dozen or more major hospital upgrades each year on the scale of the recent Bunbury hospital project in WA ($0.5 billion), the new Footscray hospital ($1.5 billion), the Sunshine Coast University Hospital ($1.8 billion) or the Royal Adelaide Hospital ($2 billion).

Expressed another way, the total giveaway amounts to about $1000 per year for every one of Australia's 11 million households. On any metric, the scale of what is being lost to the public is enormous.

Are windfall gains necessary?

Windfall gains are not a necessary inducement for development to take place. They are an economic rent, meaning an excess return over and above the normal, risk-adjusted rate of profit that developers and their financiers require to commit capital to a site.

Prices for developable land emerge from competition between developers, who have undertaken feasibility analysis to determine what to bid for a site. In this process, developers subtract from their estimated final sales price for the built product not only their construction, sales and statutory costs, but also their finance costs plus whatever profit margin is required to compensate them for taking on risk and for tying up capital that could have earned a return elsewhere.[11]

For this reason, land prices measure the residual value from development after accounting for normal returns to capital. Windfall land value gains are therefore a pure economic, or monopoly, rent.[12]

That windfall gains are not necessary for development is plain to see from the fact that many profitable speculators never engage in actual development and many genuine developers make money without ever benefiting from planning uplift. The profit necessary for development to take place bears no connection to the private receipt of windfall gains.

The consequences of the giveaway

Planning giveaways force states to fund public services by imposing higher taxes on workers and businesses. Payroll tax on employment, stamp duty on property transfers, and taxes and rates on capital improved property values in some states all place a burden on productive activity, which reduces incomes and slows down economic growth.

In addition, the lure of windfall gains tilts the field of land ownership towards patient speculators chasing unearned gains over genuine developers with a business model centring on construction and fast turnover of capital. Speculative withholding of land from developers ties it up in low-value use, slowing down new housing supply. Having to outbid speculators increases the price genuine developers must pay for land and heightens the financial risk they face while holding ownership of what is now a riskier, higher-valued asset. This makes development more expensive than it needs to be.

Finally, planning windfalls are a honeypot that attracts rent-seeking, cronyism, and outright political corruption, as numerous cases of favours and criminality between speculators and politicians attest to.

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[11] Common rules of thumb for the profit margin include the Margin on Development Cost (MDC) and Internal Rate of Return (IRR). These metrics take into account outlays for all development costs including site acquisition. Typical benchmarks are around 20% MDC or 18% IRR (Moorhead et al 2024, Table 4).

[12] Residual land value pricing is discussed again in Section 4. See also Spiller, Spencer and Fensham (2017).

Investigative reporting into the Fishermans Bend rezoning found numerous cases of well-connected insiders benefiting from multi-million dollar windfalls. The beneficiaries included "party activists and donors who either bought into the renewal precinct before it was rezoned or were long-term property owners that pressed for redevelopment of the area", according to The Age, which also reported that "property industry sources are adamant that one of the reasons [for the rezoning] was the influence of some long-standing landholders and speculators who are also Liberal Party supporters".[13]

Another high-profile Victorian case concerned developer John Woodman, found by the state's Independent Broad-based Anti-corruption Commission (IBAC) to have paid more than $550,000 to each of two City of Casey councillors in exchange for their support for rezoning his land. Woodman also donated nearly $1 million to the two major political parties, successfully lobbying them to advocate for changes that would net him millions.[14]

IBAC concluded that its investigation into Casey "raised concerns about the relationship between individuals involved in planning and property development in other parts of Victoria, beyond Casey, as well as the way in which such decisions are made in regard to planning and property development in this state."[15]

What can states do instead of giving this value away – and thus inflating land prices, slowing down development, and corrupting politics? The next section explores three models for how states can capture the value of development rights.

BOX 2: THE ROUTINE GIVEAWAY – EXAMPLES

Examples of planning windfalls abound. State governments may be reluctant to report on this giveaway, but public fascination ensures a steady stream of stories about how lobbying for free money or simply owning the right land at the right time can result in massive wealth gains.

For example:

- **NSW:** the Lewisham Estates site (a former hospital) in Sydney was bought for $8.5m in 2005 and sold again for $48.5m in July 2012, just months after a contentious development proposal for the site received approval from an independent planning commission.[16]
- **Victoria:** 67 hectares of industrial land in Altona North in Melbourne rose in value by an estimated $390m (from $210m to $600m) when it was rezoned for high-intensity residential use in 2018. An affordable housing contribution that planning authorities negotiated as part of the process delivered an estimated $20m in public value, with the remaining $370m in uplift pocketed by the landowners.[17]
- **Queensland:** a study by Murray and Frijters (2016) found that $710 million in land value uplift was created when 13,000 hectares of rural land in South-East Queensland were rezoned for residential use. 'Well-connected' landowners, who happened to own 75% of land inside the rezoned areas but only 12% outside, captured $410 million of this gain.[18]

A list of examples in Kendall and Tulip (2018) suggests land on the urban fringe is often worth as much as 8-9 times the rural price after

[13] Millar et al (2015).
[14] Rollason and Willingham (2023).
[15] Prosper Australia (2021).

[16] Chancellor (2012).
[17] Spiller (2020).
[18] Murray and Frijters (2016).

being rezoned for residential use, with former industrial sites worth anywhere up to 20 times their original value after rezoning.[19]

For existing residential land, windfall gains are generally smaller, yet still significant for the landowners: Sydney's recent Transit Oriented Development (TOD) and Low and Mid Rise (LMR) rezonings are estimated to have more than doubled home values in prime locations, for instance.[20]

Sales of rezoned land to the government can be especially lucrative. An industrial site in Melbourne bought by a developer for $8.7 million in 2017 and rezoned for comprehensive development in 2018 was compulsorily acquired by the Victorian government for $22.5 million just three months later.[21] In Sydney, one developer managed to sell a contaminated 6.3 hectare parcel of land to the NSW government for $53.5 million in 2016 after having bought it for $38.2 million just seven months earlier.[22]

These windfalls occur across all development contexts, but the largest in both dollar and percentage terms are for the greenfield and brownfield sites generally owned by major landowners, landbankers and speculators.

[19] Kendall and Tulip (2018), Appendix A.
[20] Harvey (2025), Craze (2025).
[21] Lucas and Estcourt (2019).
[22] Koziol (2023).

4. How are states capturing planning uplift?

The term 'value capture' refers to any means of tapping private land value uplift for public revenue.[23] A long history of thought considers that this 'unearned increment' in land values arises due to general improvement in prosperity and so rightfully belongs to society at large.[24]

Often discussed as a means of funding infrastructure, putting this idea into practice has proven challenging, in part because the benefits of major infrastructure projects are often widely dispersed or non-monetary, and in part because of the difficult politics of imposing project-specific taxes.

Planning windfalls are a far more suitable application of the underlying beneficiary-pays principle. The sites affected by planning change are easily identifiable, and the uplift in land value often coincides with a cash payment from the sale of land or housing. Since infrastructure delivery typically also proceeds alongside rezoning and new development, value capture for planning gains can also capture much of the uplift from new infrastructure.

[23] Value capture is not a single policy: it refers to any means of socialising the land value gains from public decisions, including taxes, public ownership, regulated obligations, and pricing tools. It also sometimes refers to the outcome, not the mechanism. For example, stamp duty and land tax are not 'value capture taxes', but they achieve some degree of value capture.

[24] For example, J.S. Mill argued in his *Principles of Political Economy* that landlords "grow richer, as it were in their sleep, without working, risking, or economizing. What claim have they, on the general principle of social justice, to this accession of riches?". More recently, Singapore's land policies were established on the principles that "First, that no private landowner should benefit from development which had taken place at public expense; and secondly, the price paid on the acquisition for public purposes should not be higher than what the land would have been worth had the Government not contemplated development generally in the area" (Lee Kuan Yew quoted in Hoskins (2022)).

This section compares three policies that in different ways capture some of the land value uplift from development rights:

- The ACT's pricing model for planning permission;
- Victoria's tax on rezoning windfall gains;
- State infrastructure contributions in NSW, Victoria, and Queensland.

The first two models are explicitly justified by the beneficiary-pays principle, while the third sits partly within a cost-recovery paradigm.

ACT – Lease Variation Charge

The ACT's Lease Variation Charge (LVC) has been in place in some form since 1971.[25] The LVC is a price on development rights, calibrated to the private value of those rights. A similar model operates in Singapore (see Box 3).

The word 'lease' in the Lease Variation Charge refers to the ACT's leasehold land title system. Leasehold tenure can in principle operate quite differently to freehold tenure, standard elsewhere. Today, however, the leasehold system in the ACT is practically identical to a freehold system. Annual land rent payments were abolished in 1971 and replaced with an upfront charge and rates, and when a 99-year lease approaches expiry, it can be renewed at no charge, which means that leasehold title in the ACT is in effect perpetual ownership.

Freehold and leasehold systems share the two key characteristics relevant to pricing development rights: that it is the state's prerogative to assign rights to title holders and the state retains the legal power to charge for them.

The LVC is straightforward to understand. If a landowner in the ACT wants to build additional dwellings, they must pay a charge equal to 75% of the

[25] Until 2011 it was referred to as the Change of Use Charge (ACT Government 2018; Macroeconomics 2010, s2.1.2).

increase in land value upon receiving the right to do so. A LVC liability is triggered by a development application, and payment is required before development can proceed. Following payment, the lease purpose (a list of allowable land uses) is varied in the Crown lease, a document equivalent to a land title.

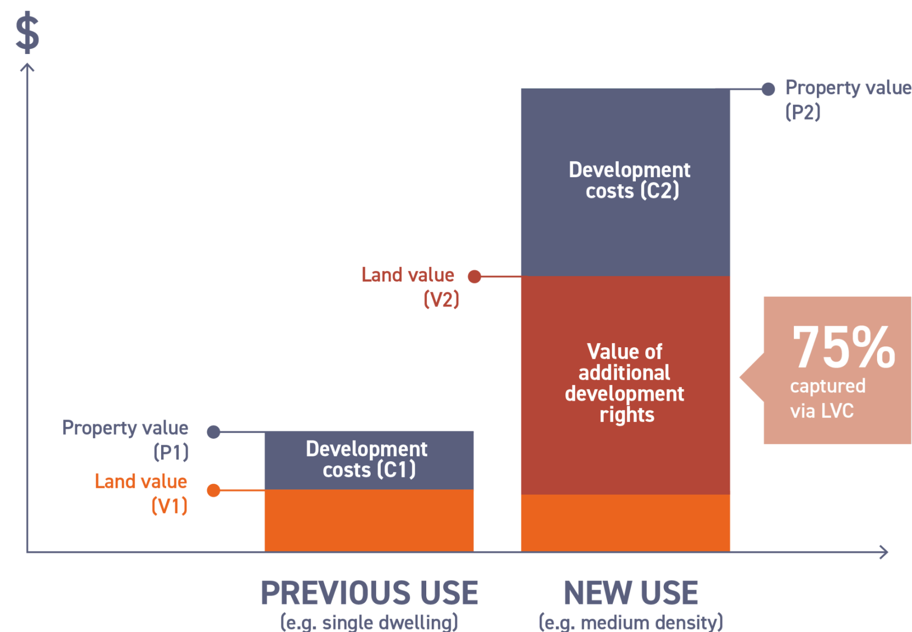
Figure 1 uses the 'residual value' model of land pricing to explain how development rights lift land values and how the LVC is calculated.

Under existing land use rights, e.g. to build a single home, competition between developers generally sees a vacant site priced at the difference (V1) between the final sales price of the property (P1) and the cost of developing it (C1), i.e. V1=P1-C1. That cost includes a normal return to capital.

Upon receiving the right to use the site more intensively, e.g. to build townhouses, the market prices the site at the residual value in the new use, i.e. V2=P2-C2.

In the ACT, the LVC payable for this development right is calibrated to 75% of the uplift in land value, i.e. 75% of V2-V1 (Figure 1).[26]

Figure 1: Residual land value and how the ACT Lease Variation Charge is calculated



Source: Prosper Australia

Charges for most typical lease variations are codified in advance and updated regularly based on sales records.[27] These codified charges vary by suburb and the number of additional dwellings provided for (see Figure 2). This menu of fixed prices provides certainty for smaller developers, minimising costly disputes.

[26] Note that while the numbers 1 and 2 used here refer to the old and new use respectively, the ACT legislation uses the opposite convention (ACT Government 2026a).

[27] Because lease variations are priced at 25% below their market value as observed in sales records, land values prior to variation include a speculative premium over the value of the lease in current use. The Valuer-General looks through this premium when estimating the value in current use for LVC purposes (ACT Government 2026b).

Figure 2: Codified charges in the ACT (example)

Suburb	2 Dwellings	3 Dwellings	4 Dwellings	5-10 Dwellings	11-20 Dwellings
Ainslie	$181,250	$125,000	$107,500	$88,750	$73,750
Amaroo	$83,750	$70,000	$62,500	$55,000	$48,750
Aranda	$97,500	$82,500	$75,000	$52,500	$48,750
Banks	$67,500	$60,000	$52,500	$45,000	$41,250
Barton	$272,500	$163,750	$122,500	$122,500	$115,000
Belconnen	$101,250	$82,500	$75,000	$56,250	$52,500
Bonner	$83,750	$70,000	$62,500	$56,250	$50,000
Bonython	$67,500	$60,000	$52,500	$45,000	$41,250
Braddon	$211,250	$147,500	$132,500	$112,500	$90,000
Bruce	$93,750	$78,750	$71,250	$52,500	$48,750
Calwell	$67,500	$60,000	$52,500	$48,750	$45,000
Campbell	$212,500	$133,750	$126,250	$115,000	$86,250
Casey	$83,750	$70,000	$62,500	$56,250	$50,000

Source: ACT Government (2025). Columns represent the total number of approved dwellings. LVC payable is the number of additional dwellings (=number of approved dwellings minus 1) multiplied by the price, e.g. one additional dwelling in Ainslie = $181,250 but two additional dwellings = 2 x $125,000.

More complicated changes of use, such as when former commercial or industrial sites are developed into residential or mixed-use buildings, are subject to a formula assessment. In this assessment, the amount of LVC payable remains equal to 75% of the land value uplift, but with V1 and V2 determined for that specific site using development feasibility analysis.

The LVC is mostly relevant to infill redevelopment. The ACT has a different system for capturing value from rezoning rural land which operates by way of public ownership of the Territory's sole greenfield developer, the Suburban Land Agency (SLA). The SLA's main function is to receive land from the government, deliver infrastructure, undertake site works, and sell residential-zoned land to homebuyers or other developers. The profit from this operation goes to the government in the form of dividends, and allows the ACT government to capture the full uplift in land value when rural land is rezoned for urban use.

Most value capture revenue in the ACT comes from greenfield land sales. The SLA returned an operating profit of $90 million in 2024-25, compared with $13 million raised by the LVC (see Appendix). The relative importance of the LVC is expected to increase as urban growth shifts towards infill intensification, however.

BOX 3: SINGAPORE'S LAND BETTERMENT CHARGE

Since 1945, Singapore has grown from a "mud-flat, a swamp" with a per-capita GDP comparable to Mexico into one of the world's most advanced economies, with a 90% homeownership rate and a per-capita GDP 40% higher than Australia's.[28]

A major reason for this success is Singapore's unique land institutions. One of these is the Land Betterment Charge (LBC), which is conceptually identical to the LVC.

The LBC applies whenever planning permission allows land to be used more intensively or for a higher-value purpose, regardless of scale. The Singaporean Government describes it as applying even to "a neighbourhood clinic expanding their facilities, a family business converting their shophouse for mixed residential-commercial use, or a small enterprise setting up a backpackers' hostel".[29]

In most cases, LBC is calculated at 70% of the enhancement in land value. As in the ACT, there are two calculation methods:

- **Table of Rates:** most LBC is computed using this method, which is described as "a pricing menu based on two simple things: where your land is and what you want to do with it".
- **Valuation**: when there is no suitable or comparable use group for

[28] Phang (2024), Maddison Project Database (2023), World Bank (2026). The quote is from Lee Kuan Yew.
[29] Singapore Land Authority (2026a).

assessment, LBC is based on a professional assessment by a designated valuer. Landowners may also choose this method in lieu of the Table of Rates method, but the choice is irrevocable.

An online map-based estimator allows for quick assessment of the amount payable under the Table of Rates method (see Figure 3). This tool removes guesswork and is highly valued by real estate professionals.[30]

Rates vary across 118 geographical sectors and six main use groups (commercial, house, apartment, industrial etc). These rates are updated every six months. Unlike the LVC, LBC is calculated on a per square metre of gross floor area basis. It is also adjusted by a leasehold factor to account for the remaining tenure of leasehold land.

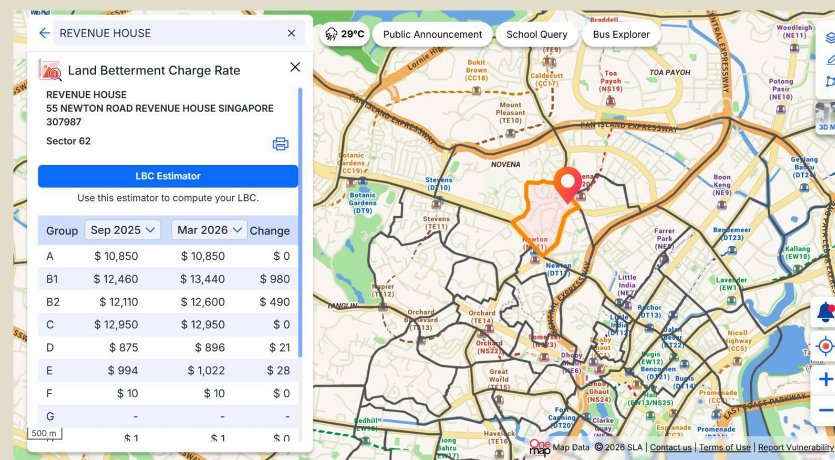
For example, the LBC to repurpose a 1,000sqm Group D (industrial) property in geographical sector 113 for Group A (commercial) use when there are 65 years remaining on the 99-year lease would be 1,000 x ($9,450 – $910) x 82% = $7.1 million. In this calculation, $9,450 and $910 are the per-sqm rates in section 113 for Group A and D respectively, and 82% is the prescribed adjustment factor for a 65-year lease.

The Government describes LBC as:

- Capturing part of the value created through planning decisions.
- Encouraging land to be used efficiently, not left under-utilised.
- Supporting long-term, sustainable urban development.

The LBC raised around SGD4 billion in 2024-25, equal to 3% of total government operating revenue or 0.5% of GDP. The latter is similar to the estimated giveaway as a share of GDP in Australia (see Table 1).

Figure 3: Singapore's LBC Estimator on OneMap



Source: Singapore Land Authority (2026b).

Victoria – Rezoning Windfall Gains Tax

Victoria's Windfall Gains Tax (WGT) commenced on 1 July 2023. It operates quite differently to the LVC. Rather than pricing development rights at the point of planning permission, the WGT captures up to 50% of the uplift in property value upon rezoning by way of a tax which applies to all rezoned properties, regardless of development status. Payment can be deferred until the next sale or 30 years, whichever occurs first.[31]

[30] Singapore Land Authority (2026a).

[31] SRO (2025a). Note that the tax applies to the change in property value, not land value. This ensures that landowners are taxed in proportion to their increase in wealth, and are not over-taxed when upzoning increases their land value but depreciates the value added to land by existing structures.

The headline tax rate on land value uplift is lower than in the ACT, but more significantly, the base of Victoria's WGT is much narrower, for several reasons relating to the design of the tax.

First, any appreciation in property value *prior* to rezoning, including due to anticipation of rezoning, is not taxable under the WGT – only the uplift in value occurring specifically at the time of rezoning is taxed (see Figure 4 below).

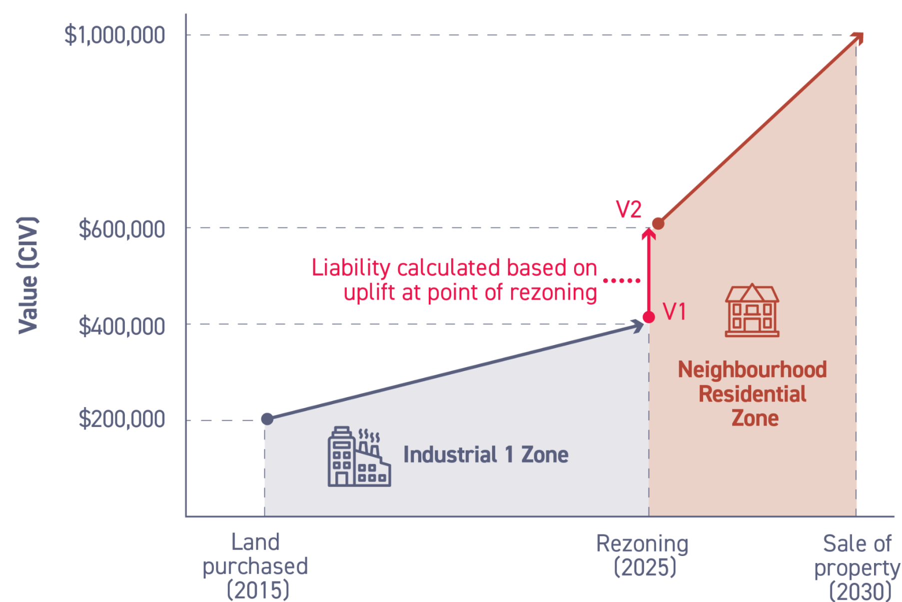
Second, any uplift in value upon planning approval *after* rezoning is not taxed either. When additional rights enabled by the development permit add value to the land over and above what was earlier anticipated and priced into values at the time of rezoning, the landowner captures all of this gain.

Finally, there are several significant carve-outs from the tax base:

- Windfall gains below $100,000 are not taxed;
- Residential land up to 2 hectares is exempt; and
- Changes of zone are taxed, but changes of schedule within a single zone are exempt.[32]

The WGT also does not apply to metropolitan Melbourne greenfield growth areas covered by the pre-existing Growth Areas Infrastructure Contribution (GAIC).[33]

Figure 4: Example of how Victoria's Windfall Gains Tax is calculated



Source: Victorian Government (2024).

The overall effect of these exclusions is that the WGT is a tax mostly applying to farmland rezoned for urban use in regional areas, and to major urban renewal areas such as Fishermans Bend. Windfall gains when residential land is rezoned for more intensive use are generally outside the scope of the tax, and the value added to land by planning permission that was not anticipated upon rezoning or is not associated with a zone change is fully received by the landowner.

By excluding from the tax base any anticipatory run-up in land values prior to rezoning, the effect of the WGT is also mostly limited to 'surprise' rezonings. Even then, the tax only applies insofar as the rezoning process delivers developers relative certainty about future permit conditions. When rezoning is either widely anticipated, or unanticipated but subject to significant

[32] For example, WGT applies when land is rezoned from Neighbourhood Residential Zone (NRZ) from General Residential Zone (GRZ) but not when a council moves land from schedule NRZ1 to NRZ2, even if different rules apply and the property rises in value.

[33] GAIC, which was established in 2010, applies at a rate of $141,150 per hectare, equivalent to around $10,000 to $11,000 per housing lot based on an 80% developable area and 16-18 dwellings per developable hectare (SRO 2025b).

political uncertainty, then windfall gains at the point of rezoning will be limited.[34]

The WGT is expected to raise just $54 million in 2025-26 – *less than 2%* of the estimated value of development rights handed out each year in Victoria.[35]

Infrastructure value capture – NSW, Victoria, Queensland

Around a decade ago, federal and state governments and various public commentators began rediscovering the case for value capture funding for major infrastructure. A spate of reports between 2015 and 2017 looked into the case for change, the range of possible policy mechanisms, and the design and implementation issues involved.[36]

This work prompted several states to develop value capture policy frameworks. These generally included embedding consideration of value capture into project business cases, and expanding the use of state-levied development contributions.

The broad scope of the general idea of beneficiary-pays funding was, by this process, narrowed down to a focus on infrastructure rather than planning gains, cost recovery rather than benefit capture, procedural changes rather than broader revenue reform, and project- or precinct-specific levies rather than general tax or pricing mechanisms. State governments, in effect, settled on a 'manual' rather than an 'automatic' approach to implementing value capture principles.

[34] Prosper's study of Fishermans Bend found that while a planning permit increased site value, rezoning per se did not drive windfall gains until three years after the event due to political uncertainty. A tax introduced in part to avoid repeating the mistakes of this episode would therefore have raised little revenue had it been in place at the time.
[35] Victorian Government (2026a), Table 4.2.
[36] A non-exhaustive list includes reports by AECOM (2015), SGS Economics and Planning (2016), Terrill (2017) for the Grattan Institute, Infrastructure Victoria (2016), Infrastructure Australia (2016), and the Commonwealth Parliament Standing Committee on Infrastructure, Transport and Cities (2016).

Each of NSW, Queensland, and Victoria have now to varying degrees examined value capture for major projects and introduced state-based infrastructure contributions:

- **NSW:** the Housing and Productivity Contribution (HPC), a replacement for the Special Infrastructure Contribution previously applying only in specified areas, charges developers $6,000 to $12,000 per new dwelling (indexed from 2023) depending on whether the development is within Greater Sydney or selected regions of NSW, and whether it is for standalone or attached housing. An additional HPC 'transport component' designed to be used around station precincts currently only applies around the new metro station on the Pyrmont peninsula, collecting an extra $15,000 per dwelling.[37]
- **Victoria:** the 2017 Value Creation and Capture Framework requires major projects to consider value capture potential, and so-called Infrastructure Contributions Plans to fund state infrastructure are soon to be levied in specified train and tram activity centres in Melbourne. The revenue from these new $11,000 per dwelling charges will be split 2/3rd to 1/3rd between councils and the state, and a higher rate is planned for precincts around the future Suburban Rail Loop stations.[38]
- **Queensland:** the 2024 Value Creation and Capture Guidelines require consideration of value capture in business case development, like in Victoria. Within Priority Development Areas where the state has taken control of planning, developers now pay area-specific charges to fund state and local infrastructure which are often around $10,000 higher than would have been paid to councils.[39]

These state charges are close cousins to existing local council contributions. There is a claimed 'nexus' between development and infrastructure, and the

[37] Mills Oakley (2023), NSW Government (2026a).
[38] Victorian Government (2017, 2025, 2026b).
[39] Queensland Government (2024, 2026a).

charge is sometimes based on a list of specific infrastructure costs, like a quasi-user charge. These charges are ostensibly unrelated to the value uplift from infrastructure and planning. In reality, the setting of these charges is constrained by political feasibility, since they reflect the price developers will tolerate.

They capture some value provided by development rights, but do so inconsistently, since they are not calibrated to land value uplift. As their use has expanded in geographic scope, and thus potential complexity if enacted on a true cost recovery basis, the charges have been simplified (as in NSW and Victoria). Now they provide neither a cost-reflective price signal nor an equitable beneficiary-pays outcome.

When they are discretionary, politics limits their application, as in Sydney, where only Pyrmont amongst the Sydney Metro West stations faces a special value capture charge. Joe Langley, formerly of infrastructure consultancy AECOM, estimates that value capture around Pyrmont will generate $280 million, or roughly 1% of the Metro West project's capital cost, out of an estimated $7 billion in land value uplift expected along the line.[40] If 75% of that uplift were captured instead, as per the ACT model, it could raise around $5 billion, or 20% of the project cost.

On the Western Sydney Airport line, Langley estimates that value capture will contribute $180 million, or only 1.6% of the project's capital cost. This is a small sum in relation to what former federal MP John Alexander, chair of the parliamentary committee responsible for a 2016 value capture report, described as “the most obscene transference of wealth from taxpayers to landowners and speculators in Australia’s history” in reference to the rezoning of farmland along the planned airport line.[41]

[40] Langley (2025).
[41] Alexander (2025).

5. How best to charge for development rights

Pricing development rights could provide states with a new revenue source that is not only more economically efficient than existing taxes, but also fairer, since it taps unearned windfall gains, rather than the returns to productive effort.

States currently raise revenue via payroll tax, which reduces wages and makes hiring more costly for employers, and stamp duty, which inhibits household mobility and productive use of housing stock. Some states also impose taxes and rates on capital improved property values, discouraging property development. Capturing land value uplift is a far superior way to raise revenue.

However, as the previous section illustrates, there are more and less effective ways to go about this. How should a price on development rights be designed?

Policy objectives

In line with the policy objectives of the Henry tax review, a system for pricing development rights should be:

- Fair/equitable (and perceived as such);
- Clear and simple; and
- Economically efficient.

Fairness and the perception of fairness means several things: charging only those who elect to buy development rights, pricing value created by different development rights equally, and ensuring no arbitrary penalty for those developing land at the time of implementation.

Simplicity means basing the system on transparent price calculations and predictable processes, providing as much certainty as possible for developers, and implementing fair dispute and appeal mechanisms.

Efficiency has several aspects: pricing as close as possible to market value to maximise revenue and so minimise the tax burden on productive activity; encouraging new housing supply and more productive use of land by reducing incentives to bank land in low-value use; and not distorting market choices over land use including the type, size or density of housing.

It is important to recognise that some perceived issues with any model may be overcome through appropriate transition mechanisms, such as phase-in periods (see Section 8).

Four principles for pricing development rights

Drawing on the models in Section 4, it is clear the objectives above are best met by a system based on the four key features of the ACT's Lease Variation Charge:

1. The charge only applies when the development right is exercised;
2. The charge is paid by the developer;
3. The charge captures 75% of the full uplift in value; and
4. Most charges are specified in advance, providing certainty.

Each of these is explained below.

1. The charge only applies when the development right is exercised

The LVC is a price on development rights only paid by those who choose to develop. This contrasts with Victoria's WGT, where a tax liability is created upon rezoning, even if the land is never developed.

Both approaches are fair in their own way. The WGT reflects that owners of rezoned land benefit financially from the option to apply for development approval, even if they do not use it. The LVC does not do this, but by pricing development rights close to their value, it restrains the increase in land value that would otherwise occur upon rezoning, reducing the benefit to any landowner who does not develop their land.

There is an important distinction between a tax and a price. A tax is compulsory, while a price is optional: it is paid only by those who choose to engage in a transaction and receive something valuable in return. Capturing planning windfalls from landowners who choose to redevelop their property is fairer, and more likely to be perceived as fair, than a tax which applies regardless of the landowner's choices.

It also minimises the number of payers, since it applies only to rezoned land that is actually developed, while a tax like the WGT applies to all rezoned land.

Finally, a price can be more closely calibrated to the true value of development rights at the time they are used than a tax on rezoned properties, which is necessarily based on the expected future value of those rights as measured by market prices.

2. The charge is paid by the developer

Regardless of whether the charge is legally submitted by the developer or a landowner who may later sell land to a developer, the economic burden of a price on development rights will be borne by the landowner.

This can seem counterintuitive, but it is a standard result in economics. The legal incidence of a tax or charge (i.e. who submits payment) does not determine the economic incidence (i.e. who bears the burden by way of a higher price or lower income). Rather, the economic incidence falls on the party least able to avoid it by changing behaviour. In the case of development, this means the landowner, who cannot substitute their location for any other.[42]

Under the WGT, the owner of land at the time of rezoning submits the payment. Sometimes this will be a developer, but often it will be a landowner of some description, such as a farmer or business owner. These landowners will be less familiar with the WGT than professional developers, and may only pay the tax once in their lives.

Under the LVC, the developer submits the payment. This minimises the number of payers, since many developers will pay the charge on multiple occasions for different projects. It also aligns with the objective that charges be clear, simple, and perceived as fair, since only the best informed and most sophisticated party interacts with the system. Finally, it is more efficient, since administration costs are lower when a small and well informed group engages with the system regularly. Developers are already familiar with various taxes and fees levied throughout the development process, so are the best point of legal incidence for a development rights charge.

By limiting properties liable for the charge to the subset actually developed, and limiting the entities paying the charge to professional developers, not ordinary landowners, these first two design principles reduce the need for exemptions to maintain perceptions of fairness and to limit who engages with the system. This means the community can capture a larger share of the uplift in value generated by development rights than if carve-outs are deemed politically necessary, as was the case with the WGT.

3. The charge captures 75% of the full uplift in value

The uplift on which LVC is charged is the full difference between the value of land under the current lease terms (i.e. category of land use and number of

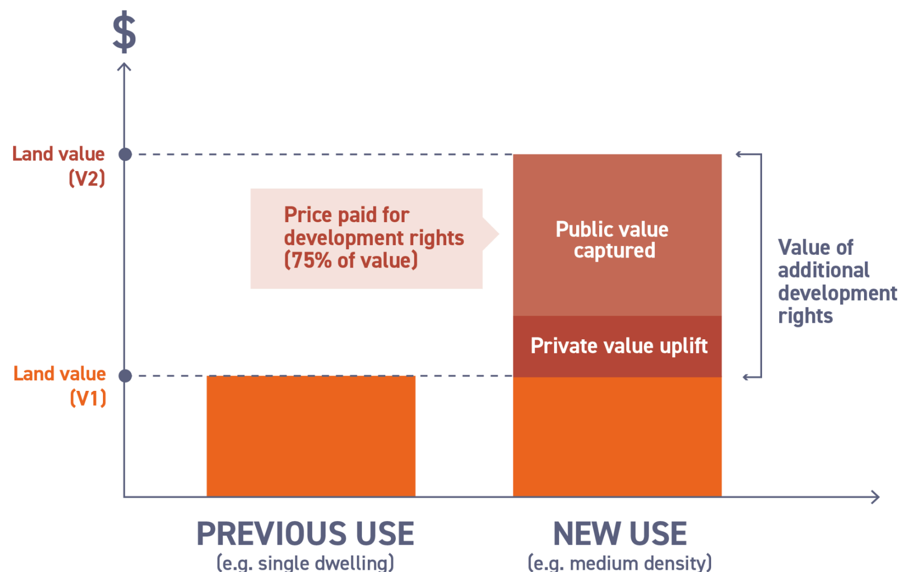
[42] Stiglitz and Rosengard (2015), Chapter 18; Murray (2018).

dwellings or floor area) and after the proposed variation (e.g. to change the land use, number of dwellings, or floor area). The LVC applies to the *full* uplift in land value.

The WGT, by contrast, applies at a lower rate to a narrower uplift base. This means substantial increases in land value associated with the right to develop are not captured by the tax (in particular, speculative increases prior to rezoning).

States pricing development rights at the time of planning permission should set the price equal to 75% of the full uplift in land value associated with the development right, as shown in Figure 5.

Figure 5: How a price on development rights should be calculated



Source: Prosper Australia.

In principle, a charge for development rights equal to 100% of the value of the asset would be a fair price for the community to expect. This price would reflect the value of the development right to the buyer, and would maintain parity between the price of rights bought from the state and the price of rights when already attached to a land title.

During consultation for the WGT developers argued that the base of the tax should be reduced to account for remediation costs, local infrastructure investments, and site works, on the basis that these costs reduce the development returns out of which tax is paid.[43] However, these costs are already factored into the prices paid by buyers of developable land. This means there is no principled reason for charging developers less than 100% of uplift by allowing such deductions. Land values used for the WGT, properly assessed, already deduct these costs, and the same applies to the land values used for the LVC.

Developers also sometimes argue that existing buildings reduce the value of development rights and should therefore reduce the price paid. The WGT is levied on property value uplift, not land value uplift, in recognition that rezoning which increases the value of land can also depreciate the capital value of structures. However an LVC-style price does not need to be adjusted in the same way, since the development right is only ever bought at a time when the existing buildings no longer add economic value to the site (see Box 4 in the next section).

The ACT previously applied a charge rate of 100% to the uplift. While this is fair in principle, in reality the charge must rely on imperfect land value estimates, and codified charges must include a buffer to account for site-specific variation in value within each charging area. For these reasons, pricing below 100% helps ensure the charge does not impede development.

[43] UDIA Victoria (2021, 2022).

A charge rate of 75% strikes a good balance, and maintains the ACT precedent. A lower rate could encourage speculation, and could make land prices a less reliable guide to the value in current use (V1), reducing the accuracy of codified charges. A charge around 75% of market value is likely to be the 'sweet spot' that maximises development incentives while ensuring taxpayers receive a fair price.

4. Most charges are specified in advance, providing certainty

While the LVC has existed since 1971, only since 2011 has the ACT published a list of charges in nominal dollar terms.

This change was a "response to industry's concerns around the uncertainty in the … determinations [of charges], and the delays in development approvals from complexities associated with such determinations." Codification found overall support from the property industry.[44]

Uncertainty has also been raised by developers as an issue with the design of the WGT.[45]

Codified charges provide certainty and simplicity, at the cost of accuracy in measuring the value of development rights for any specific property. Providing a 25% buffer for site-specific variation, in combination with sufficiently small-scale charging zones, can provide this certainty at only a minimal cost to the accuracy of valuations.[46]

Crucially, whenever a specific lease variation is included within the ACT's codified schedules, the codified charge applies automatically. This is an important feature of any system. If developers can 'shop around' between the codified schedule and a formula estimate this will inevitably lead to complexity and cost, a conclusion shared by the ACT government prior to codification.[47]

[44] It was supported by the Australian Property Institute, the Property Council of Australia, Master Builders Association and the Housing Industry Association. See Macroeconomics (2010), p62.
[45] Property Council of Australia (2026), p7-8.
[46] Each of the 129 suburbs in the ACT has its own LVC rates (ACT Government 2025).

[47] Macroeconomics (2010), p63. Note that Singapore's LBC instead allows landowners to opt out of the codified charge in favour of a site-specific valuation conducted by a designated valuer, but once made this choice cannot be reversed (Box 3).

6. Housing supply

Would pricing development rights stimulate housing development, or discourage it?

One downside of the pricing model proposed in the previous section is that a tight connection between the decision to develop land and the requirement to pay for development rights could be perceived as inhibiting housing supply, based on the logic that "what you tax, you get less of".

However neither economic logic nor empirical evidence support this claim.

The price is paid out of economic rents, not normal investment returns

By design, the LVC ensures the price paid for development rights is lower than the private value of those rights for any developer owning a site suitable for development.

This is because land value is a residual profit net of normal returns to investment, as explained in Section 3. Land value uplift is an economic rent, a payment exceeding the return required to repay the developer's cost of capital and compensate them for risk. In principle, these economic rents can be 100% captured by the state without reducing investment.

For developers, 75% of land value uplift is a price worth paying for a development right that unlocks either a revenue stream or an increase in their balance sheet value worth one-third more than that price.

Some commentators suggest the LVC might affect housing supply by reducing the feasibility of development. While it is true that LVC can render development infeasible on sites with existing high-value structures, this does not affect housing supply, because the sites most likely to be developed are those where the structures have depreciated to the extent that developing the site has become the highest and best use of the land (see Box 4).

The LVC has not held back construction

A 2005 review of the predecessor to the LVC found that "there is no empirical evidence to support the argument that the charging of [LVC] is a disincentive to development."[48] That remains the case.

Canberra has an outstanding track record in housing construction. Notwithstanding the LVC, and higher property taxes more generally, the ACT has outpaced every other state and territory in construction by a significant margin over the last decade and a half .

Since 2011, the first year in which data is available, the ACT's dwelling stock has expanded at a faster rate than that of any other state, growing by an average 2.6% per year, compared to 2.2% in second-place Victoria and 1.8% across Australia as a whole (see Figure 6).That rate of growth was on par with that of Austin, Texas, over the same period. Austin is the fastest growing major city in the US, celebrated globally for having unlocked rapid home-building via supply-side reforms.[49]

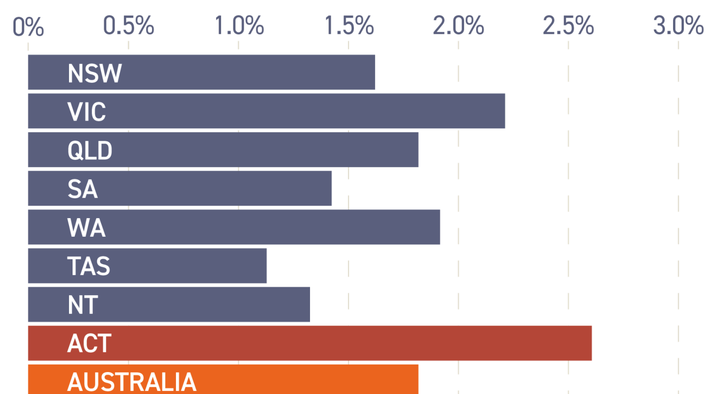
The ACT also built more new homes than elsewhere on a per capita basis, averaging 12.2 dwelling completions per 1,000 residents, compared to 10.6 in Victoria and 8.2 across Australia as a whole (see Figure 7).

This rapid rate of construction partly reflected rapid population growth (and partly encouraged it). It is noteworthy, however, that the ACT has absorbed population growth through new housing supply equally as well as Victoria, with both jurisdictions adding one new dwelling for every 1.8 new residents (more than enough to keep pace with population growth). Despite having the

[48] Macroeconomics (2010), p9.
[49] Pandy (2026), Clifford et al (2026).

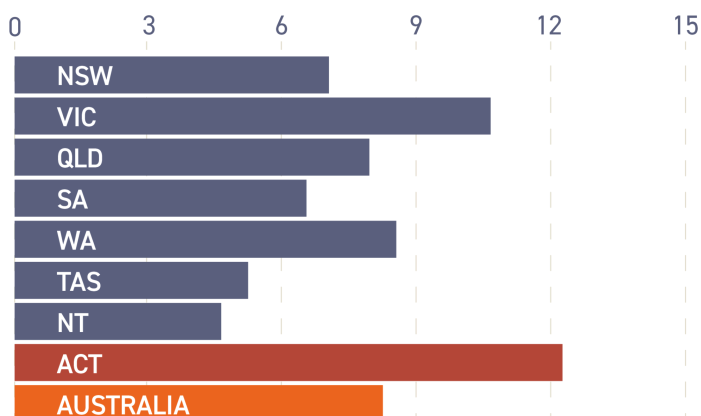
nation's fastest population growth rate, the ACT's average household size fell by 7% over this period, compared to 4% in Victoria and 3% across Australia.

Figure 6: Annual housing completions as percent of existing stock



Source: Prosper Australia based on ABS 6432.0, 8752.0. Average 2012-2025.

Figure 7: Annual housing completions per 1,000 residents



Source: Prosper Australia based on ABS 8752.0, 3101. Average 2012-2025.

Pricing development rights encourages supply, not speculation

The ACT's impressive construction record may be partly because of the LVC, not despite it. By penalising speculation and rewarding development, the LVC potentially supports faster new housing supply.

The rate at which the market delivers new dwellings reflects the aggregated decisions of many owners of developable land as to whether to develop their site or to delay development and retain ownership of it. These decisions are guided by the relative returns to the two options: develop or delay.

The reason landowners delay development even when it is profitable to do so is that undeveloped land is an asset that usually appreciates in value over time. This appreciation results from wage, rent and population growth, and also, sometimes to a significant degree, public decisions. To exercise the option to develop means sacrificing the possibility of further capital gains, including gains derived from planning decisions. Developing a site means exchanging a risky appreciating asset for a more certain stream of income from sales or rents.[50]

By reducing the potential for windfall gains doled out by the planning system, pricing development rights removes one reason to hold land in low-intensity use instead of developing it, tilting the scales towards earlier development. Pricing development rights can nudge ownership of developable land into the hands of genuine developers, rather than land speculators, and can de-risk development by replacing the lottery of uncertain planning gains with lower upfront land prices and a known, fixed cost for the right to develop it.

These effects weigh in favour of faster development and more efficient use of well-located land. Pricing development rights at their fair value may well encourage development, rather than deter it, and a phased introduction makes this even more likely in the short-to-medium term (Section 8).

[50] Murray (2024).

BOX 4: LVC, DEVELOPMENT FEASIBILITY, AND NEW HOUSING SUPPLY

Property industry bodies have criticised the LVC, claiming that it renders development infeasible. The Property Council of Australia claims that "the imposition of LVC on development impacts feasibility and reduces yield below an acceptable threshold to obtain institutional finance".[51]

How does LVC affect feasibility and construction? There are two central issues, relating to the meaning and implications of feasibility.

What do we mean by 'feasibility'?

The term feasibility is used in two ways:

- For a landowner, a *change of use* is feasible if the income from the new use exceeds the cost of converting the land to that use. This cost includes the financial cost of construction, taxes, and fees, plus the opportunity cost of sacrificing the existing use (i.e. no longer gaining income from the old structures).
- For a developer or financier, a *development project* is commercially feasible only if the entire project, including site acquisition, is profitable.

To illustrate these concepts, suppose that it costs $1m inclusive of taxes to build new dwellings on a vacant lot with no current use, and the dwellings will sell for a price of $2m. Suppose also that the current landowner will sell the lot to a developer only for $1.5m or more.

[51] Property Council of Australia (2025). The Council also claims that LVC is "included as a cost of construction and ultimately paid by the future homeowner", which is contradicted by economic theory and extensive evidence, including high-quality empirical studies confirming that property taxes are passed back into land values, not forward to house prices. See Prosper Australia (2023).

The *change of use* on this site is clearly feasible, since the development residual ($2m minus $1m) exceeds zero. But the *development project* is not feasible, since total project costs including site acquisition ($2.5m) exceed project revenue ($2m).

Confusion over this difference is often misused for lobbying purposes.

When considering the effect of taxes and fees on development incentives, only the feasibility of changing use is relevant. The feasibility of site acquisition for development is not.

This is because the price of land reflects the profits from developing it. Land has no production cost, only a price. That price reflects the profit from development at the optimal point in time, which may be in the future.

When the price of a site is too high for a developer to acquire and profitably develop it straight away, it says nothing about the profitability of developing that site per se (as shown by the example of the vacant lot). It instead signals that there are higher profits to be achieved by banking that site for the future.[52]

This is why a land price exceeding the development residual does not signal that taxes and fees are too high. Rather, it is a market signal that owners of developable land are rationally delaying development for higher future profits from that land, and pricing the site accordingly. It speaks of optimal market timing, not profitability per se.

Indeed, the feasibility of site acquisition for development will *always* appear to be marginal or negative for most developable land. And taxes and fees can almost always be presented to appear to make the critical difference, tipping most projects from feasible to infeasible.

[52] Murray (2026).

Lobbying to reduce taxes and fees on this basis is extensive – and highly misleading. Trading on widespread misunderstanding about where land gets its value from, major landowners use it to push policy changes that will increase their land values while doing nothing to solve the purported problem of thin margins for any developer needing to acquire land to build on.[53]

Does changing feasibility change supply?

The second issue relates to the implications of LVC for the feasibility and incentive to develop any site with existing structures on it, e.g. when demolishing a house to build townhouses.

LVC can affect the feasibility of redeveloping these sites. For the sites most affected, those with high-value buildings, LVC can even render a feasible change of use infeasible. However, LVC cannot overturn the feasibility of developing sites with low-value buildings, which are also the sites where the likelihood of development is generally the highest.

In any given year, only a small portion of feasible opportunities are taken up. Major greenfield developers, for instance, hold landbanks of around 13 years of new supply, with nine years' worth held in subdivisions approved and ready for sale.[54] Beyond a minimum level, changes to the size of the feasible pool make no difference to the market equilibrium rate that houses are built.[55]

LVC is unlikely to cause any reduction in new housing supply, because sites are redeveloped only when the existing structures no longer add value to the land. So long as they add value, it signals the site is not ripe for development. In other words, the sites with development feasibility most affected by LVC are those least likely to be developed anyway.

To illustrate this with a numerical example, suppose a house is valued at $1.5m, made up of $1m land value plus $500k structure value, and that demolition and redevelopment into townhouses would yield a residual land value (i.e. sales price less construction cost) of $2m.

The first point is that when structures have sufficiently high value LVC can make a feasible change of use infeasible. Without LVC, the house owner in this example gives up property valued at $1.5m to gain property worth $2m. But with a $750k LVC – i.e. 75% of $2m minus $1m – the owner would give up property worth $2.25m to gain property worth only $2m.

The second, more critical, point is that sites with high-value structures would not in practice be redeveloped anyway, even without the LVC. This is because feasibility is necessary for development, but not sufficient, and amongst the pool of feasible development opportunities, the subset of sites likely to be developed are those where structures are fully depreciated in economic terms (i.e. they no longer add value to the land). At the optimal time for redevelopment, the remaining structures, even when still usable, cease to be an asset, and become an encumbrance.

In summary, the LVC can be viewed as a price high enough to 'ration' the sale of development rights only to sites with sufficiently depreciated buildings, but since this price accurately reflects the value of the rights for any site close to the optimal time for development, this rationing does not deter development.

[53] In relation to LVC see Frost and Jennett (2025) and Berry (2025). For similar in NSW, see Property Council of Australia (2024), p10, and in Victoria, Property Council of Australia (2026), p10-13.
[54] Murray (2020). This paper also shows that the total zoned supply in a region is unrelated to the rate of new housing supply and housing developers delay production to capitalise on market cycles.
[55] Murray (2020), Helm and Murray (2025). Benchmark estimates from various development contexts suggest <5% of feasible capacity is developed per year, though some of these figures have measurement issues (Murray 2026).

7. Housing help for the have-nots, not the have-lots

How much revenue could be raised by placing a fair price on development rights, and how could it be used to support housing affordability?

Section 3 estimated the value of the current giveaway from rezoning and planning permission. Table 2 below shows how much could be raised each year by capturing 75% of this under the proposed model for pricing development rights.

If the ACT's proven, efficient and fair approach to pricing development rights were adopted nationwide, states could collect an estimated $8 billion per year in additional revenue, equal to 0.3% of GDP.

Table 2: Estimated revenue from pricing development rights per year, by state and territory, 2025-26 $m

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT*	AUSTRALIA
Revenue	2,993	2,709	1,201	331	510	84	16	206	7,917
% GSP	0.35	0.43	0.23	0.21	0.11	0.19	0.05	0.35	0.28

*Source: Prosper Australia. See Appendix for details of methodology. *ACT figures are on the same 75% basis as other jurisdictions.*

Instead of gifting this amount to the housing 'have-lots', states could use the revenue to provide help to the 'have-nots': first home buyers trying to break into the market and low-income households struggling to find safe, affordable rental housing. Alternatively, the revenue could be used to support productivity or housing affordability by funding new infrastructure or cutting taxes on productive work and enterprise.

How the revenue is spent would be up to states. But explicitly linking a new charge to a package of first home buyer tax cuts and social housing construction, as proposed below, could make a significant difference to how the reform is perceived.

Property developers and the building industry could see themselves as beneficiaries of a stronger housing market, with higher demand for construction. First home buyers would benefit from lower upfront taxes, and lower-income households from more social housing or less competition for affordable rentals. The broader public is likely to see an expansion in housing supply as a fair approach to improving affordability without imposing taxes on existing homeowners or 'mum and dad' landlords.

The only parties standing to lose from this reform are landowners currently capturing an outsized share of the social value of planning decisions – above all, speculators owning large parcels of greenfield land on the urban fringe or holding brownfield land in low-value use for future development.

A 'Fair Housing Fund' which earmarks the revenue raised by pricing development rights for housing affordability interventions could fund a range of new initiatives.

Two leading examples, modelled below, are increasing stamp duty concessions for first home buyers and building or commissioning more social housing.

Increasing stamp duty exemptions for first home buyers

Most states provide a full exemption or concessional rates for stamp duty paid by first home buyers (see Box 5). For example, NSW provides a full exemption for buyers of properties valued at up to $800,000, saving buyers up to $30,000, with concessional rates for properties valued at up to $1,000,000.

These concessions give first home buyers a leg-up in competing against existing homeowners and investors for housing. They skew ownership

towards owner-occupiers over investors and towards first-time buyers over established homeowners trading up. They also push up prices for entry-level housing, and while this partly benefits vendors, it also helps direct more land and construction resources towards this end of the market.

One way states might spend the revenue from a 'Fair Housing Fund' is by further increasing concession and exemption price thresholds, or abolishing stamp duty for first home buyers entirely.

The cost of further concessions varies significantly by state, depending on current arrangements. For Australia as a whole, however, the cost to abolish stamp duty for the estimated 90,000 first home buyers each year not currently exempt comes to $2.8 billion, or around 36% of the $8 billion in revenue raised by pricing development rights.[56]

BOX 5: FIRST HOME BUYER STAMP DUTY CONCESSIONS BY STATE AND TERRITORY

Support for first home buyers (FHBs) includes stamp duty concessions and exemptions plus FHB-only grants for purchases of newly-built homes (see Table 3). In most states, FHB duty applies equally to new and existing homes, with states providing a full exemption below a lower price threshold and concessional rates up to a higher price threshold.

Exceptions are Queensland and SA, which offer a full duty exemption for all newly built homes regardless of value, and SA and the NT, which provide no duty concessions for FHBs buying existing homes.

Table 3: First home buyer stamp duty concessions

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Capital city median price	$1,291,000	$830,000	$1,055,000	$914,000	$962,000	$722,000	$603,000	$885,000
Duty on median price	$52,995	$44,892	$33,987	$44,111	$40,653	$27,697	$29,843	$27,164
Duty (%)	4.1%	5.4%	3.2%	4.8%	4.2%	3.8%	5.0%	3.1%
Exemption threshold	$800,000	$600,000	$700,000	None	$500,000	$750,000	None	$1,020,000
Concession threshold	$1,000,000	$750,000	$800,000	None	$700,000	$750,000	None	$1,455,000

Source: Based on state duty calculators with median dwelling prices from Cotality (Branley 2026). Notes: Tasmania exemption below $750k expires 30 June 2026. QLD, SA full exemption for new homes. FHB new home grants: NSW, Vic, WA, Tas $10k, Qld $30k, SA $15k, NT $50k.

Several states have increased their FHB eligibility thresholds in recent years:

- **NSW:** from 1 July 2023, the lower threshold for full exemption was lifted from $650k to $800k and the upper threshold for partial concession from $800k to $1m.
- **Queensland:** from 9 June 2024, the lower threshold increased from $500k to $700k and the upper threshold from $550k to $800k.
- **WA:** from 21 March 2025, the lower threshold increased from $450k to $500k and the upper threshold from $600k to $700k.

Providing more social housing

Social housing is rental housing provided at subsidised rents by either the government ('public housing') or non-profit organisations ('community housing') for people on low incomes or with special needs.

In most parts of Australia, demand for social housing far outstrips supply. This shortfall has led to long waiting lists, and rental stress or homelessness for those who miss out. A UNSW report commissioned by the Community

[56] See Appendix for methodology.

Housing Industry Association (CHIA) found the unmet need for social housing exceeded 400,000 dwellings.[57]

A 'Fair Housing Fund' could pay for a significant boost to social housing to meet these needs.

All states currently have programs that aim to add to their stock of social housing. NSW, for example, has the $1.1 billion Social and Affordable Housing Fund (SAHF), which supports over 3,400 homes through long-term contracts with community housing providers, as well as the Community Housing Innovation Fund (CHIF). Queensland has the Queensland Housing Investment Growth Initiative (QHIGI) and $2 billion Housing Investment Fund (HIF), which support the construction of thousands of social and affordable homes.[58]

The cost of providing social housing depends on the funding model, location, local building costs, and other factors. Under a funding model in which the state makes an annual payment to the community housing provider, the difference (or subsidy gap) between the cost of delivering social and affordable housing and the income it generates through tenant payments and other sources averages around $26,000 per dwelling per year.[59]

At this cost, each $1 billion in revenue from pricing development rights could fund the provision of more than 38,000 social housing dwellings. The $5.1 billion per year remaining after abolition of first home buyer stamp duty could fund provision of around 195,000 additional dwellings – a 43% increase on the current stock of 450,000 social housing dwellings across Australia (see Appendix for methodology).

A game changer for housing affordability

A 'Fair Housing Fund' built on a fair price for development rights could be a game-changer for housing affordability across Australia. For example:

- **NSW**: $3.0 billion in extra revenue could fund the abolition of stamp duty for all first home buyers (benefiting more than 12,000 buyers each year) plus 101,000 new social housing dwellings, a 63% increase on the current stock.
- **Victoria**: $2.7 billion in extra revenue could fund the abolition of stamp duty for all first home buyers (benefiting around 37,000 buyers each year) plus 52,000 new social housing dwellings, a 61% increase on the current stock.
- **Queensland**: $1.2 billion in extra revenue could fund the abolition of stamp duty for all first home buyers (benefiting around 11,000 buyers each year), plus 36,000 new social housing dwellings, a 49% increase on the current stock.

A spending package like this designed to boost housing supply, address acute housing needs, and support renters into homeownership could help close the growing gap between the housing 'haves' and 'have-nots' in Australia. By ending the giveaway of windfall gains to landowners, states would gain access to a significant source of new revenue without holding back production, investment and growth by levying higher taxes on productive economic activity.

Linking the revenue raised to spending measures to tackle housing affordability could ensure widespread political support – and the scale of what could be funded suggests this reform could have a major impact on affordability.

[57] van den Nouwelant et al (2022), p11. The study estimated need across the two lowest income quintiles. As per the follow-up study, "Q1 households represent a need for what is typically considered social housing, while Q2 households represent a need for affordable housing" (Troy and van den Nouwelant 2023).
[58] NSW Government (2026b), Queensland Government (2026b).
[59] Troy and van den Nouwelant (2023, p12), $24,200 escalated from 2022-23 dollars to 2025-26 dollars using CPI. This average hides substantial variation between high cost areas like the eastern suburbs of Sydney and remote Western Australia, where the subsidy gap is about $38,000, and low cost areas, where the gap is about $12,000.

8. Implementation

The LVC is a working model of pricing development rights that has operated in its current form since 2011 and in similar form since 1971. It serves as clear proof that this idea works in practice.

Other states adopting the same model would have to make various design decisions, new legislation, and operational changes (e.g. to valuation and planning processes). These are all solvable problems for state governments, well within the scope of ordinary policy change.

Two key issues states would face in implementing this reform are whether the new charges should sit alongside or replace existing infrastructure contributions, and how they should be phased in over time.

Should states retain infrastructure contributions?

Infrastructure contributions (developer charges) to fund the costs of development-related public investment are levied by local councils in all states, as well as by some state governments (see Section 4).

These are justified on two grounds: first, that it is fair to recover these costs from the beneficiaries of the infrastructure or those causing the need for it, and second, that a cost-reflective price signal will nudge development towards locations where it has the highest overall social value.[60]

States introducing charges for development rights would face a choice of whether to abolish existing state and council infrastructure contributions or to operate the two systems in parallel.

The revenue consequences would be similar. Infrastructure contributions are priced into the market value of development-ready land, in the same way as other development costs.[61] If these contributions are retained, the new charge will therefore raise less revenue. If they are abolished, the value of development rights and therefore the revenue collected by the new charge will be higher (albeit not by the full amount foregone, due to the 25% discount).

The incentive to develop land rather than retain it in existing use would also be similar. Whether the price for development rights is higher in the absence of infrastructure contributions, or lower with the two systems operating in parallel, the pricing model proposed in Section 5 ensures that developers retain the full, risk-adjusted, normal return to investment. To charge for infrastructure costs borne by the public sector while also capturing a share of the remaining value of the development rights would not entail 'double taxation' in any way that might discourage development.

The key policy consideration is whether existing contributions are sufficiently cost-reflective, with costs varying sufficiently by location, for the price signal they create to meaningfully affect spatial patterns of development in ways that cannot be achieved with other policy tools. If so, there may be a case for retaining infrastructure contributions. Using two instruments can achieve the two distinct policy goals of internalising the social costs of development in private decision-making and capturing the private benefit of the right to develop per se. Without separate contributions, the price signal is lost.

To illustrate this point, suppose that conversion of urban fringe land to housing use raises land values by $200,000 per housing lot, but requires $160,000 in public infrastructure costs. Without infrastructure contributions, the market value of the development rights is $200,000, and the private land value uplift net of a 75% charge is $50,000. With full cost recovery infrastructure contributions in place, by contrast, the gross uplift is only $40,000, and the private land value uplift after a 75% charge is only $10,000.

[60] Productivity Commission (2014), NSW Government (2020).

[61] Murray (2018).

In both cases development remains feasible, but in the first case the economic rent captured by the developer is five times higher.

Across multiple lots, this may materially change the incentive to commit development capital to higher infrastructure cost locations rather than lower-cost locations, and may alter the sequence/location of feasible sites brought forward for development.

To illustrate, suppose infill subdivision raises land values by the same $200,000 amount per lot, but requires no new infrastructure. Full cost recovery infrastructure contributions in combination with a development rights charge would make infill development five times more profitable ($50,000 per lot) than greenfield development ($10,000 per lot), but without these contributions, both locations would be equally profitable ($50,000 per lot). This may support more efficient patterns of development.

In practice, however, existing infrastructure contributions often fall far short of full cost recovery. They are also low relative to the uplift in value from changing land use. This means the price signal they provide is weak relative to other drivers of development choices. States have other tools for influencing spatial patterns of development, namely zoning and infrastructure provision, which are often far more significant determinants of development choices.[62]

One further reason to abolish the existing contributions upon introduction of a development rights charge is to remove the need for complex, costly, and contestable calculations of location-specific infrastructure costs. Under the current approach, disputes and legal action over cost apportionment and timely delivery of infrastructure are common. These can be avoided with a charge for development rights which carries no implied promise of specific infrastructure in exchange.[63]

If existing contributions are abolished, states should retain a floor price on development rights reflective of infrastructure costs. This will avoid delivering windfall gains for current owners of land in high-cost locations (as these contributions will have been priced into land value). It will also avoid strengthening the incentive to develop land in locations where the value development adds net of infrastructure costs is very low.

How should a price on development rights be phased in?

States should phase in a new system of charges for development rights over time, by increasing the share of uplift captured towards 75% over a period of five years, for instance.

Gradual changes to the prices paid by developers will allow market prices of land to adjust smoothly and to reflect the value of land in its current use with increasing accuracy.[64]

Significantly, a gradual phase-in is likely to bring forward housing development, providing a temporary boost to housing supply by increasing the relative benefits of developing land sooner rather than later. A gradual but credible ramp-up in the price paid for development rights will tilt the scales in favour of earlier development.

[62] Murray and Helm (2022a, 2022b).

[63] Spiller (2024) argues that a 'broad-based development licence fee' like that proposed here would offer the potential to "radically and efficiently simplify the development contribution system", with the additional benefit of automatically rising in areas benefiting from major infrastructure, and so obviating the need for separate value capture arrangements such as those discussed in Section 4.

[64] By providing better data about the value generated by planning changes, this would also enable better decisions about which changes generate the most community benefit (Spiller et al 2017).

Accurate valuations are important, so states should also be guided in this transition by the reliability of their systems for valuing and pricing development rights. This may mean linking the share of uplift captured to improvements in the spatial granularity of pricing areas and the similarity of land values within each area.

One pathway might entail stepping from a low uniform state-wide charge to higher and more variable LGA-level charges and finally to suburb-level charges that are higher still in percentage terms and even more variable in dollar terms.[65]

A simple principle for the phase-in is that the percentage buffer should reflect the similarity of average land values across sites in a pricing area.

Comparing the ACT's LVC to NSW's Housing and Productivity Contributions (HPCs) can illustrate how more granular pricing across locations and development types allows for prices to more closely align with the value of the rights, delivering higher revenue.

The LVC varies by suburb from a maximum of $343,750 for a second dwelling in Forrest to a minimum of $52,500 in Greenaway – a six-fold difference. The price for a second dwelling in any given suburb also varies substantially relative to the price per dwelling for large apartment developments, ranging from around two to six times higher depending on the suburb. The combination of these two pricing tools means the per-dwelling price for development rights in the ACT varies by a factor of 15 across location and development type combinations.

Under the HPC, by contrast, the price per second dwelling is only 50% higher in Sydney than in the regions ($12,000 vs $8,000). These prices are only 20% higher in Sydney and 33% higher in the regions than the price per dwelling in a high-density development ($10,000 in Sydney and $6,000 in the regions). This means the highest-price HPC, for a Sydney house, is only 2x the lowest-price HPC, for a regional apartment.

[65] Prices might eventually even be applied on a street or property-specific basis using automated valuation models and algorithmic approaches to price-setting.

By providing a highly location- and type-specific (albeit still simple) menu of prices, the ACT is able to calibrate price to value more closely and so capture a higher percentage of this value than NSW can with the HPC.

How might the market for land be affected?

Homes priced for occupancy, not the development potential of the land beneath them, are unlikely to be affected by the introduction of a price on development rights. They could instead be expected to continue growing in value over time in line with incomes and rents.

However, pricing development rights is likely to affect the value of land that has been priced speculatively in expectation of future development. As discussed above, a phase in period of five years would support a smooth adjustment in land prices.

Over the last 15 years, land values in Australia have grown by an average of 7.1% per year. If all Australian states and territories were to introduce a price on development rights, raising about $8 billion a year in revenue, the average annual growth in land values might be expected to fall from 7.1% per year to about 6.8% per year during the phase-in period.[66]

However there may also be offsetting positive effects on property prices as a result of public spending funded by the revenue raised, for example reduction of stamp duty or greater provision of infrastructure (see Section 6).

[66] Following the method used by Daley and Wood (2016), an $8 billion annual revenue stream capitalised at a discount rate of 5% could be expected to reduce land values by $160 billion relative to what would otherwise have occurred. This is equivalent to 1.5% of Australia's current total land value of $10.4 trillion (ABS 5204.0), or 0.3% a year over five years, reducing a 7.1% per cent annual growth rate to 6.8%.

9. Conclusion

What would it look like to treat housing affordability as a genuine policy priority? And could any government serious about this challenge justify continuing to give away billions of dollars each year to major landowners not for the act of developing housing, but often for the opposite – for successfully speculating on planning change rather than making productive use of land under existing rules?

As long as rent-seeking, political connections and banking development-ready land for capital gains are rewarded by a planning system that delivers windfall gains upon rezoning and development permission, our governments are tying one hand behind their backs in addressing housing affordability.

And as long as employment, entrepreneurship and investment are penalised by state taxes which fall too heavily on productive economic activity and too lightly on unearned incomes, the challenge remains harder still.

Housing and unequal asset wealth are key drivers of rising inequality. Net wealth and disposable incomes after housing costs have grown by far more for the richest Australians than the poorest, and by more than income inequality alone would suggest.[67]

The deep reason for this growing divide between the housing 'haves' and 'have-nots' in Australia is that landowners have monopolised a natural resource essential not only for housing, but for all economic activity. Land – our common wealth – rises in value as society grows more productive and prosperous.

Planning change, which regulates urban change, unlocks that value, but right now private interests rather than society at large are the beneficiaries of that process.

Private landownership is economically and socially healthy, but private capture of the value that public decisions and society at large create is not. It corrodes politics and social cohesion, and undermines the productive economy, eroding the shared prosperity that creates this value in the first place.

Pricing development rights addresses a clear failure in Australia's housing system: the routine transfer of valuable public assets into private hands through the planning system.

Removing this honeypot for speculation and rent-seeking would see more land put to better use, under a planning system less prone to scandal and corruption. It would also generate a significant new source of revenue that could be used to address some of our most significant policy challenges.

Most compellingly, pricing development rights could be the key to tackling housing affordability, by funding a package of spending measures designed to significantly expand social housing supply and support wider and earlier access to homeownership. For any state willing to call time on an unjust and unjustifiable status quo, this reform could be a game-changer for housing in Australia.

[67] Coates et al (2025).

Appendix: Methodology

Land value uplift and potential revenue

Land value uplift by state (Table 1) is estimated using ACT value capture revenue data for 2017-18 to 2024-25, adjusted for inter-state differences in property prices and development activity. The ACT captures:

- 75% of infill land value uplift via the Lease Variation Charge (LVC).
- 100% of greenfield uplift net of infrastructure costs via the operating profits of the Suburban Land Agency (SLA).

LVC revenue is scaled up to 100% of land value uplift, then combined with SLA operating profits to estimate combined infill/greenfield uplift (Table 4).

The SLA figure is the operating surplus before National Tax Equivalent (NTE) payments. This is net of stamp duty and payroll tax, so represents the uplift states could capture after accounting for existing state taxes. NTE payments are equivalent to income tax paid by landowners elsewhere, so are included as part of the uplift base that other states could capture.

For other states, the ACT figures are scaled by (a) mean price per residential dwelling relative to the ACT (ABS 6432.0), (b) number of new dwelling unit completions relative to the ACT (ABS 8752.0), and (c) CPI to Dec-2025 (ABS 6401.0). Varying these scaling factors to account for state differences in construction costs did not materially change results.

Figures in Table 1 are eight-year averages 2017-18 to 2024-25 expressed in 2025-26 dollars, and figures in Table 2 are 75% of the figures in Table 1.

Figures in Table 1 can be interpreted as uplift available for capture net of existing infrastructure contributions (ICs). The ACT does not have ICs, but the bulk of value capture revenue is from SLA profits net of infrastructure costs. State-specific variation in ICs is not taken into account: if state ICs are lower than SLA costs, the extrapolated figures may understate uplift.

Table 4: Land value uplift in the ACT, by year, 2025-26 dollars

$m	LVC revenue	SLA operating result before NTE payments	Total value capture revenue	Uplift: LVC	Uplift: SLA	Uplift: TOTAL
2017-18	8	294	302	11	294	305
2018-19	41	344	385	55	344	399
2019-20	29	125	155	39	125	164
2020-21	34	513	547	45	513	558
2021-22	32	347	379	42	347	389
2022-23	26	82	108	35	82	117
2023-24	35	112	147	47	112	159
2024-25	13	91	104	18	91	109

Source: Prosper Australia based on ACT Government Consolidated Annual Financial Statements, SLA annual reports and ABS 6401.0. Note: inflated to 2025-26 dollars using CPI.

First home buyer (FHB) stamp duty concessions

Stamp duty revenue collected from FHBs by purchase price (Table 5) is estimated by using a probability distribution of buyers by $50k purchase price band, between zero and $1.5m, to estimate how many FHBs are in each band, then multiplying by duty payable at the band mid-point.

The probability distribution (see Table 5) was sourced from the NSW Budget tax expenditures statement, Chart C.3 (NSW Government 2025), then extrapolated from $1m to $1.5m assuming log-normal distribution.

The number of FHBs per year is the 5-year annual average of FHB new loan commitments by state (ABS 5601.0) escalated by 25% to account for purchases without a loan (based on comparing ABS 5601.0 to NSW Government 2025). Queensland and SA figures are reduced by an assumed 1/3 to reflect full exemption from duty for FHB purchases of new homes.

The estimated cost of FHB duty abolition is likely conservative (over-estimated) due to assuming a uniform distribution of FHBs within price bands and applying the NSW price distribution to all states.

Table 6 presents summary figures by state.

Table 5: Policy cost of increasing first home buyer duty concessions, $m per year

Price band ($)	% of FHBs	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUSTRALIA
0-400k	8%				6			1		7
400-450k	4%				5			1		6
450-500k	5%				7			1		8
500-550k	6%				9	19		2		30
550-600k	8%				14	20		3		37
600-650k	9%		117		17	13		3		150
650-700k	10%		90		20	58		4		172
700-750k	9%		48	29	22	62		4		164
750-800k	9%		209	11	24	69	8	4		325
800-850k	8%	90	195	42	22	65	8	4		426
850-900k	7%	58	178	39	20	60	7	4		366
900-950k	5%	25	127	29	15	43	5	3		246
950k-1m	3%	6	87	20	10	30	3	2		158
1m-1.05m	2%	35	65	16	8	22	3	1	0	150
1.05m-1.1m	2%	29	54	13	6	19	2	1	0	124
1.1m-1.15m	1%	24	44	11	5	15	2	1	1	102
1.15m-1.2m	1%	19	36	9	4	13	1	1	1	84
1.2m+	3%	60	107	30	13	39	4	2	4	260
Total		**345**	**1,356**	**250**	**227**	**546**	**44**	**43**	**6**	**2,816**

Source: Prosper Australia based on ABS 5601.0, NSW Government (2025) and state stamp duty calculator at Feasly.com.au. Note: green cells indicate price bands exempt from FHB duty, orange cells indicate price bands where concessional FHB rates apply, and red cells indicate price bands where FHBs pay the same duty as other owner-occupiers.

Table 6: Revenue and spending estimates by state and territory, $m per year

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUSTRALIA
Revenue ($m)	2,993	2,709	1,201	331	510	84	16	-	7,917
Cost of abolishing FHB stamp duty ($m)	345	1,356	250	227	546	44	43	6	2,846
FHBs benefiting	12,633	36,854	11,294	6,867	19,531	1,205	1,235	382	90,000
Revenue remaining ($m)	2,648	1,354	951	105	-36	40	-26	-6	5,101
Additional social housing dwellings	101,439	51,861	36,436	4,012	-1,379	1,525	-1,003	-225	195,451
Current social housing stock	160,801	84,474	74,749	44,131	46,566	15,465	12,688	12,880	451,754
Expansion in social housing stock (%)	63	61	49	9	-3	10	-8	-2	43

Source: Prosper Australia based on ABS 5601.0, NSW Government (2025), AIHW (2025), and Troy and van den Nouwelant (2023). Note: shading indicates duty abolition cost exceeds revenue.

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