Submission No 104

INQUIRY INTO RURAL HOUSING AND SECOND DWELLINGS REFORM

Organisation: Regional Australia Institute

Date Received: 21 October 2025

REGIONAL AUSTRALIA INSTITUTE

REGIONAL AUSTRALIA INSTITUTE SUBMISSION

NSW INQUIRY INTO RURAL HOUSING AND SECONDARY DWELLINGS

OCTOBER 2025

ABOUT THE REGIONAL AUSTRALIA INSTITUTE

The Regional Australia Institute (RAI) is the nation's first and only independent think-tank dedicated to empowering Australia's regions. We are a not-for-profit organisation that undertakes research to inform, educate and activate our rural and regional communities.

The RAI celebrates 14 years in 2025. We are proud of the vast array of research, data, and detailed insights the RAI has provided into many of the significant issues and challenges facing regional Australia. The work of the Institute is made possible through research partnerships with federal, state and territory governments, the national Regions Rising event series, regional consultancy projects, membership, and philanthropic funding.

In 2022, the RAI launched the Regionalisation Ambition 2032 - A Framework to Rebalance the Nation. The Ambition is a 10-year plan for regional Australia that seeks balanced growth across our nation's regional towns and cities. It outlines key targets, actions and benefits that will contribute to building prosperous regional communities, and a stronger Australia.

The RAI exists so that decision-makers at all levels of government, not-for-profits, industry, and community have the information they need to ensure the best outcomes for regional Australia. By replacing myths and stereotypes with facts and knowledge, the RAI seeks to build a more inclusive, unified and prosperous future for all Australians.

DISCLAIMER AND COPYRIGHT

This submission draws on RAI research and findings from its work across Australia. It's intended to inform the NSW Inquiry into Rural Housing and Secondary Dwellings Reform. No responsibility is accepted by RAI Limited, its Board or its funders for the accuracy of the advice provided or for the quality of advice or decisions made by others based on the information presented in this publication.

CONTACT AND FURTHER INFORMATION

E. info@regionalaustralia.org.au

P. (02) 6260 3733

Introduction

The Regional Australia Institute welcomes the opportunity to contribute to the NSW Legislative Council's Select Committee Inquiry into Rural Housing and Second Dwellings Reform. We commend the Committee for recognising the urgent and complex challenges facing rural housing supply in New South Wales and for seeking a practical, solutions to support housing supply and in the broader future of regional communities.

We commend the Committee for recognising the unique challenges of housing supply in rural NSW and for broadening the state's housing policy focus beyond Sydney and the Greater Metropolitan Area. The RAI supports the Inquiry's examination of planning reforms to streamline and liberalise the development of second dwellings in rural zones, as outlined in the Terms of Reference.

Our recent report, *Answering the Call for Regional Housing* (August 2025), provides a comprehensive analysis of the drivers, barriers, and opportunities for improving housing outcomes in regional Australia, with a strong focus on New South Wales. We draw on this research to inform our submission.

The State of Rural Housing in NSW

1. Acute and worsening shortages

Regional and rural NSW is experiencing a worsening housing shortage. Population growth in many regional centres and rural towns has outpaced new housing construction for several years. Rental vacancy rates are at historic lows – 1.7 per cent across regional Australia in late 2024, with many NSW LGAs even tighter. Ten regional LGAs in NSW had a vacancy rate less than 1 per cent; 50 less than 2 per cent and the vast majority (some 78 of the 90 regional NSW LGAs, where data is available) less than 3 per cent, the rule of thumb for a balanced market. This has driven rapid price growth for both buyers and renters, and rising rates of homelessness, particularly outside Sydney.

2. Homelessness and Rough Sleeping in Regional NSW

RAI's research highlights that Australia's rental crisis is a regional crisis. This is especially evident in NSW, where the ultimate consequence has been rising and disproportionate rough sleeping in regional NSW. In 2025, the number of people counted as sleeping rough in regional NSW was more than double that of Greater Sydney, despite the state's population split. The street count of homelessness in regional NSW surged from 578 persons in 2020 to 1,463 persons in 2025. This significant increase in rough sleeping is a stark indicator of the broader situation of homelessness in the state's regions and reflects rising levels of acute housing need outside metropolitan areas. These trends are consistent with feedback from local governments and service providers, who report increasing rates of overall homelessness and housing stress in many regions. The lack of rental housing,

especially for key workers and vulnerable groups, is a significant contributor to this crisis.

3. Declining Pipeline and Underinvestment

New housing approvals in regional NSW in 2024 were lower by 8 per cent (compared to pre-pandemic levels) and 16 per cent (compared to pre-GFC levels), despite strong population growth since these periods. This reflects a long-term underinvestment in regional housing stocks, both in terms of new supply and upgrades to existing dwellings. Many rural NSW LGAs see less than the national average level of residential building investment, on a per capita basis.

4. Structural Barriers

The barriers to increasing rural housing supply are structural and multifaceted:

- **Financial feasibility:** In many rural areas, the cost of building new homes exceeds their market value, making development unviable without intervention.
- **Access to finance:** Lenders are often reluctant to finance new builds in low-value or small markets, further constraining supply.
- **Construction costs and skills shortages:** Regional construction costs are higher, and local industries are often structured around small-scale, detached house building, limiting capacity for more complex or diverse projects.
- **Planning and regulatory hurdles:** Complex, inconsistent, and inflexible planning controls create uncertainty and delay, deterring investment and innovation.
- **Infrastructure gaps:** Many rural areas lack the enabling infrastructure (e.g., sewerage, roads) needed to support additional dwellings, and the per-dwelling cost of infrastructure is higher in low-density settings.

5. Policy Gaps and Opportunities

While the NSW Government has set a regional housing sub-target of 55,000 homes under the National Housing Accord, and established programs such as the Regional Housing Flying Squad and the Modern Methods of Construction Taskforce, broader state and federal housing policies remain city-centric. There is a need for dedicated agencies, regional targets, and place-based approaches to address the unique challenges of rural housing.

Recommendations

Drawing on the evidence and insights above, RAI recommends the following actions, beyond planning and secondary dwellings for the Committee's consideration:

1. **Establish a Dedicated Regional Housing Agency:** The NSW Government should establish a dedicated regional housing agency within the broader NSW Department of Planning, Housing and Infrastructure. This agency should lead the design and implementation of regional housing policies and programs, adopt place-based approaches, and coordinate efforts across government, industry, and community stakeholders to address the unique challenges and opportunities across the state's diverse regions.
2. **Legislate Clear, Flexible Pathways:** Amend planning instruments and policies to provide clear, flexible, and streamlined approval pathways for secondary dwellings in rural zones.
3. **Set and Monitor Regional Targets:** Maintain and expand regional housing targets within state and national frameworks, with transparent monitoring and reporting.
4. **Invest in Rural Infrastructure:** Prioritise infrastructure funding for rural areas with acute needs, continuing the approach and investments made after the Regional Housing Taskforce.
5. **Support Local Capacity:** Invest in rural council planning capacity, including regional support teams and digital systems.
6. **Promote Housing Diversity:** Encourage a greater mix of housing types, including smaller dwellings, key worker housing, and modern methods of construction.
7. **Foster Partnerships:** Support partnerships between councils, community housing providers, and private developers to deliver affordable and diverse housing.
8. **Monitor and Evaluate:** Establish robust monitoring and evaluation frameworks, with improved data collection on rural housing outcomes.

9. **Address Structural Barriers:** Work with state and federal governments to address finance, skills, and industry capacity challenges in rural housing delivery.

Conclusion

The Regional Australia Institute thanks the Committee for its leadership in addressing rural housing challenges in New South Wales. The evidence is clear: rural and regional communities are facing ongoing housing challenges that are a risk and handbrake on their social and economic futures. By adopting targeted, flexible, and place-based reforms—supported by investment, partnerships, and ongoing evaluation—NSW can unlock the potential of its rural communities and ensure that all residents have access to safe, secure, and affordable housing.