Financing and Delivering Compact Housing in Suburbs of the 21st Century

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October 2013
Introduction

• NW and SW Growth Centres (case study)
• Research for Department (DP&I)
  - Demand for Diversity
  - Barriers to more Housing Diversity
  - Examples of Housing Diversity
  - Thornton (Demonstration Project)
• Delivery and Financing Issues
• Summary
The need to access new markets

Step 6
Dwelling Production
2000/01 - 2014/15

Metropolitan Development Program (MDP) Forecast - DoPI
McMansions losing their allure

The McMansion is alive and well, with data showing Australians continue to build the world’s biggest homes.

However, there are signs the nation’s love affair with big homes has peaked, according to a CommSec report.

The average new dwelling, for the nine months to March this year, came in at 214.1 square metres, Australian Bureau of Statistics data, commissioned by CommSec, shows.

This figure leaves new Australian homes — incorporating houses, townhouses and apartments — 10 per cent bigger than those in the United States and 9 per cent larger than new dwellings in New Zealand.

The average new free-standing Australian house came in at 243.6 sq m.

However, there are signs that home sizes have peaked.

New apartments constructed during the period had the smallest average size for a decade, at 133.7 sq m. This figure brought the overall average dwelling size down to 214.1 sq m from a record 218.9 sq m in 2008-09.

The average size of the Australian home had “gone sideways” over the last five years, CommSec’s Economic Insights report shows.

CommSec chief economist Craig James said more people were choosing to live in smaller, more central dwellings rather than buying a quarter acre block in the suburbs and commuting to the city centre for work. Younger buyers were choosing life experiences over bigger homes, he said. Affordability also played a role.

“I think it does look pretty clear in terms of the data that we’ve peaked [in terms of home size],” Mr James said.

The CommSec report said the trend would have implications for the housing industry and associated sectors, as well as government departments.

“If home size has peaked and Australians are looking to better utilise existing dwellings, reduced demand for building materials and increased demand for renovations,” the report said.

Australia’s biggest land developer, Stockland, has been steadily cutting its lot sizes, with the average now down from 510 sq m to 481 sq m.

Managing director Matthew Quinn said, at the company’s full-year results, that home sizes were starting to fall, as buyers looked for more affordable and efficient properties.

Western Australia had the biggest average dwelling size at 229.4 sq m, followed by the Northern Territory at 228.7 sq m, Victoria at 219.2 sq m, NSW at 218.6 sq m, Queensland at 214 sq m, South Australia at 177.5 sq m, Tasmania at 174.3 sq m and the ACT at 164.6 sq m.

In the NT and WA, dwelling sizes had been increasing in recent years, the CommSec report said, reflecting the higher income associated with the mining boom.
Growth Centres

North West Growth Centre
Blacktown CC Example

Densities and Yields

12.5 & 15 du/h – 50% (10,380)
20 & 25 du/h – 38% (7,820)
30 + du/h – 12% (2,750)
Industry Research & Issues

• Lack of Industry Activity in the Supply Pipeline
• Survey, Interviews, Research and Case Study
• Growing demand for more diversity and less demand for 450 m2 +
• Barriers to increase housing diversity
• Examples of projects with more diversity
• Recommendations
Demand is changing

- In 2013 the Boomers are now between 52 – 67 years old
- The Housing Industry has followed the Baby Boomers since late 1970’s
- Suburbs since EPA in 1979 lack diversity, built for boomers
- Boomers kids should be starting to come through as FHB’s but the last Census showed they are staying at home
- Downsizing Boomers, Boomer Kids (FHB’s) and Investors will need to be considered not just Move Up Buyers
- Affordability it a big issue when accessing FHB’s and downsizes
Boomers and Boomers Kids

Source: ABS, BIS Shrapnel
# Boomer Bubble in Growth Areas

## Population Increases in Sydney's Growth Areas 2011 - 2031 (NSW Department of Planning)

<table>
<thead>
<tr>
<th>LGA's</th>
<th>Population Increase 2011 - 2031</th>
<th>Age &lt; 15</th>
<th>Age 15 - 64</th>
<th>Age 65 +</th>
<th>Overall % Growth</th>
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</thead>
<tbody>
<tr>
<td>Hills</td>
<td>98350</td>
<td>51%</td>
<td>44%</td>
<td>134%</td>
<td>56%</td>
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<tr>
<td>Blacktown</td>
<td>147300</td>
<td>44%</td>
<td>35%</td>
<td>150%</td>
<td>47%</td>
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<tr>
<td>Penrith</td>
<td>86650</td>
<td>42%</td>
<td>29%</td>
<td>187%</td>
<td>47%</td>
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<tr>
<td>Liverpool</td>
<td>105950</td>
<td>46%</td>
<td>43%</td>
<td>183%</td>
<td>56%</td>
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<tr>
<td>Camden</td>
<td>90900</td>
<td>139%</td>
<td>137%</td>
<td>328%</td>
<td>16%</td>
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<tr>
<td>Campbelltown</td>
<td>82550</td>
<td>47%</td>
<td>35%</td>
<td>223%</td>
<td>55%</td>
</tr>
<tr>
<td></td>
<td>611700</td>
<td></td>
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Household Change

National Housing Supply Council (NHSC) – State of the Supply Report 2011
Projections of national underlying demand by household type, medium household growth scenario, 2013–2030 (17 years)

<table>
<thead>
<tr>
<th>Household type</th>
<th>2013</th>
<th>2030</th>
<th>Increase</th>
<th>% of Increase</th>
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</thead>
<tbody>
<tr>
<td>Number of households (‘000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Two-parent families</td>
<td>2,828.6</td>
<td>3,296.7</td>
<td>468.1</td>
<td>16.9 %</td>
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<tr>
<td>Single-parent families</td>
<td>1,030.6</td>
<td>1,246.0</td>
<td>215.4</td>
<td>7.8 %</td>
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<tr>
<td>Couples without children</td>
<td>2,543.6</td>
<td>3,222.8</td>
<td>679.2</td>
<td>24.5 %</td>
</tr>
<tr>
<td>Lone-person households</td>
<td>2,466.7</td>
<td>3,800.1</td>
<td>1,333.4</td>
<td>48.1 %</td>
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<tr>
<td>Group households</td>
<td>368.9</td>
<td>445.9</td>
<td>77.0</td>
<td>2.7 %</td>
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<tr>
<td>Total householders</td>
<td>9,238.5</td>
<td>12,011.5</td>
<td>2,773.0</td>
<td>100.0 %</td>
</tr>
</tbody>
</table>
June 2011

The housing we’d choose

Jane-Frances Kelly
Barriers to Housing Diversity

• Historic Controls and Regulations
  ▪ Controls come from historical infill DCP’s for villas, townhouses and RFB’s.
  ▪ Not suited to the new housing types
  ▪ Different across LGA’s

• Capital Funding Requirements
  ▪ Housing Industry very mature
  ▪ Industry has lost its attraction to the markets
Integrated v Subdivision

• Subdivision and Project Homes
  - Normal Business or Business as Usual (BAU)
  - Land Sale and a Construction Loan (Progress Payments) – very efficient

• Integrated Development (now catching 50%)
  - Developer and Builder Role in one additional $50,000 per dwelling (approx $1 million per hectare)
  - Risk - Home Owners Warrantee (HOW) Insurance
  - Funding & Pre-sales (12 months +)
  - Out of date designs
Examples – 20 & 25 du/h

• Existing Master-Planned Communities with smaller lots and zero lot detached homes (Council accepted).

• Current Examples: Ropes Crossing (Blacktown), Rouse Hill (The Hills), Jordan Springs (Penrith), Georges Fair (Liverpool), Oran Park & Gregory Hills (Camden) and OneMinto (Campbelltown).

• Clarendon Ariel 27 on Display at Georges Fair on 300 m2 (10m x 30 m) lot.

• Eden Brae Cambridge 22 suits minimum lot sizes down to 225 m2 (9m x 25 m) lot.
Current Examples
Current Examples

Eden Brae - standard design for a 225m² (9m x 25m) lot
House Types – 30 + du/h

- Affordability is about quality not just quantity
- Thornton – North Penrith
- Compact Detached homes on Lots < 225 m2
- Terrace Homes – Abutting v’s Attached
- Small Strata Schemes
  - Studios - Fonzie Flats
  - Cottage Apartments
  - Manor House
The Thornton Project

• 41 hectare infill site
• Located next to CBD and railway station
• Surplus former Defense site
• 1,100 dwellings
• Commercial, retail and retirement living
• Mix of apartments through to detached dwellings (1 bedroom to 5 bedroom)
• Prices range from $230,000 to $650,000
• Landcom (Urban Growth) 10,000 lot program
A Demonstration of 21st Century Living
a new home to suit everyone at thornton

A choice of homes designed for 21st Century living is an exciting part of the Thornton story. There will be up to 1,000 homes in the neighbourhood. What’s more, Landcom has partnered with leading NSW builders to bring you the right home to suit your needs with the exceptional quality and variety you’re looking for.

**Garden Homes**
- **Description:** A range of detached homes including a back garden.
- **Levels:** Typically double storey homes, limited number of single level homes.
- **Home Size (approx.):** 170m² - 190m² (excl. garage).
- **Garage Access:** Street frontage.
- **Title:** Torrens Title.

**Patio Homes**
- **Description:** Home is semi-detached at one side on ground level, typically the garage, adjoining neighbour’s home. May include a courtyard and front or side garden.
- **Levels:** Double storey homes.
- **Home Size (approx.):** 160m² - 170m² (excl. garage).
- **Garage Access:** Street frontage or rear lane. Tandem space provided in front of garage.
- **Title:** Torrens Title.

**Courtyard Homes**
- **Description:** A range of homes with a zero lot line to one side boundary. Includes a private back courtyard.
- **Levels:** Double storey homes.
- **Home Size (approx.):** 160m² - 155m² (excl. garage).
- **Garage Access:** Rear lane. Optional connection between garage and home provided on some designs.
- **Title:** Torrens Title, in some cases Strata Title.

**Terrace Homes**
- **Description:** Attached on both sides, except in cases where this is a corner or end home. Includes front and rear gardens, and in some cases, side gardens.
- **Levels:** Double storey homes.
- **Home Size (approx.):** 160m² - 160m² (excl. garage).
- **Garage Access:** Rear lane.
- **Title:** Torrens Title, in some cases Strata Title.

**Loft & Garden Apartments**
- **Description:** Located on corner lots with entry off the side street or rear laneway. Balconies provided onto lane or side street frontage. Where possible small garden areas have been included.
- **Levels:** Double storey or single level above a garage.
- **Home Size (approx.):** 90m² - 95m² (excl. garage).
- **Garage Access:** Rear lane or side.
- **Title:** Strata Title.
Studios – Fonzie Flats
Courtyard Homes
Patio Homes
End Block with 
Abutting Terraces 
& Triple Cottage 
Strata Units
Cottage Apartments
Corner Lot &
3 Unit Strata
Independent Construction of Abutting Terraces
Type B1

- Separate party wall system
- Can be built independently of each other
- Torrens title
Current Council Approval Pathways

**Subdivision Lot Size** | **Applicable Codes** | **Approval Pathways**
--- | --- | ---
400 m² | • Amended Subdivision Code for lots greater than 300m² | • Subdivision plan submitted to council
375 m² | • Code SEPP Approval | • Subdivision approved under amended Subdivision Code for lots 300m²
350 m² | • Amended Subdivision Code for lots 225 - 300m² | • Dwelling approved under Codes SEPP
325 m² | • Amended Code SEPP Approval | • Subdivision & Envelope submitted for approval
300 m² | • Subdivision & Envelope submitted under amended Subdivision Code for lots 225 - 300m² | • Subdivision Code would have example envelope plans for various lot sizes and configurations (these would reflect Codes SEPP Controls)
275 m² | • Dwelling would be approved under the codes SEPP (this may need to be reviewed to reflect some of the practices already in place by some councils in Blacktown) | • Subdivision and Dwelling DA plans lodged with council
250 m² | • New Staged Integrated Housing DCP or Guidelines | • Stage Approval, given if:
225 m² | • Can be independently built | **B1: Integrated Subdivision**
200 m² | • Torrens Title | • Subdivision + DA approved
175 m² | | • Linen plan can be released before Construction starts
150 m² | • Only that dwelling can be built | • Approval by new Staged Integrated Housing DCP

**B2: Integrated Development** | • Approval under councils existing DCP
Type B Approval Pathways - integrated assessment

Lot less than 225 sqm or less than 9m in frontage
Need to assess house plans with subdivision plans

Type B1 Integrated Subdivision

- can be “abutting” with independent construction of the individual dwellings - subdivision prior to construction
- Separate party wall system
- Can be built independently of each other
- Torrens title
- 88b restriction to only build in accordance with plans in the DA

Type B2 Integrated Development

- “attached” with party walls or strata subdivision – construction prior to subdivision
- Party walls or stacked dwellings
- Torrens or strata title

abutting  attached
Financing and Delivery

• Changing market demand but they still need to see it (display homes)
• Split contracts (house and land packages) v Spec. homes for abutting dwellings
• Small Strata Schemes (1 – 4 dwellings)
• Developers and Builders have different business models
• Builders need to work on groups of homes
• Valuers working backwards from the end value
Summary

• Demand for diversity in suburbs of 21st Century in growth areas
• Affordability will remain an issue
• Housing delivery needs to be capital efficient
• Historic “plug in” regulations don’t work
• Regulation needs to be consistent
• If supply grows as planned the industry capacity will be stretched