

# Financing and Delivering Compact Housing in Suburbs of the 21<sup>st</sup> Century

Mike Scott

October 2013

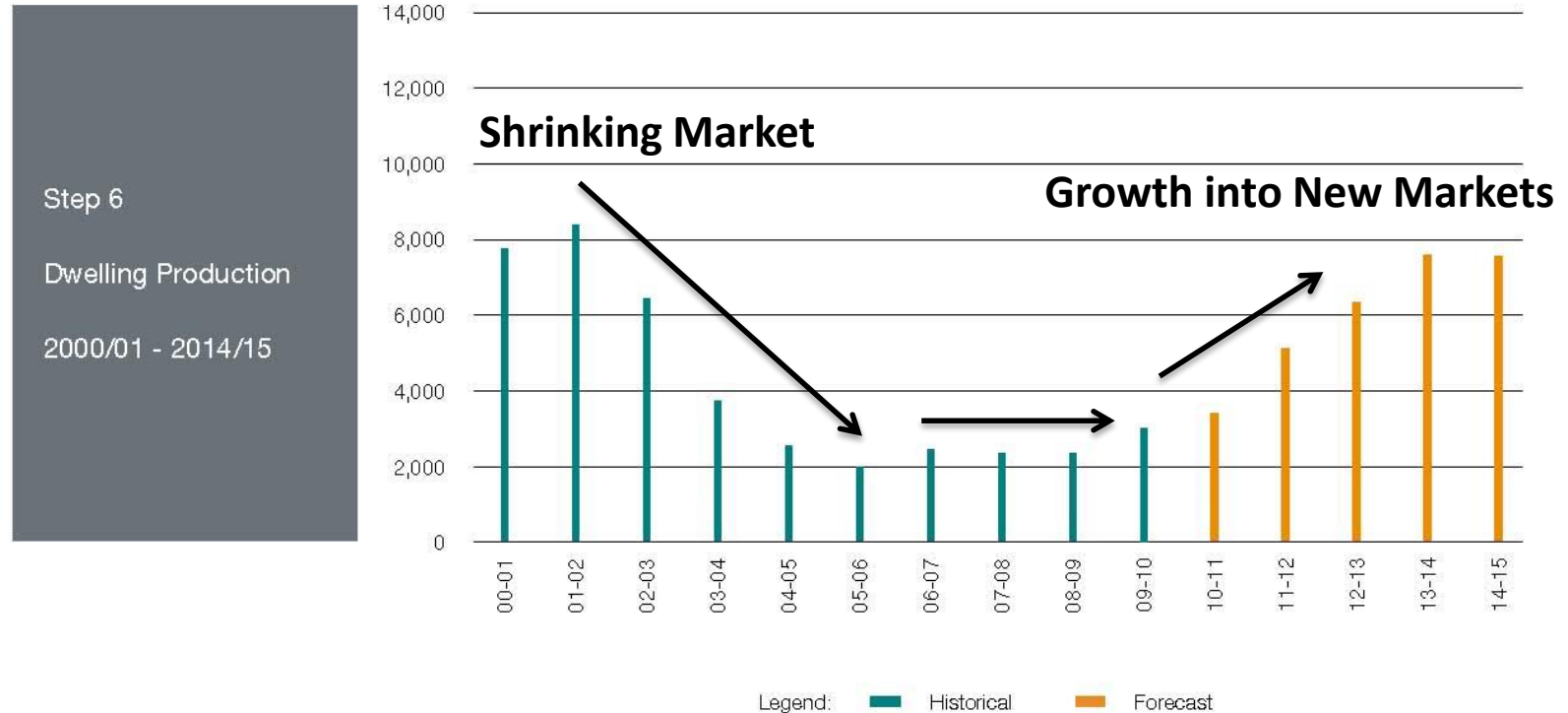
Treadstone



# 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



Metropolitan Development Program (MDP) Forecast - DoPI

# Property

## McMansions losing their allure

Ainslie Chandler

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.

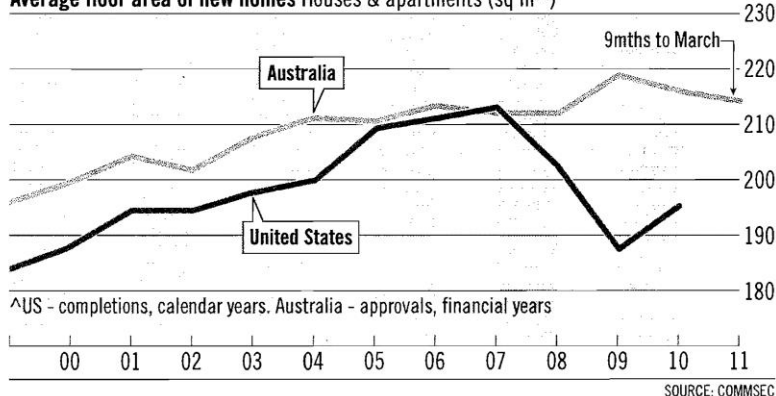
The average new free-standing Australian house came in at 243.6 sq m.

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

### Hefty homes

Average floor area of new homes Houses & apartments (sq m<sup>^</sup>)



a record 218.9 sq m in 2008-09.

The average size of the Australian home had "gone sideways" over the past 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, then this may lead to reduced demand for building materials and increased demand for renovations," the report said.

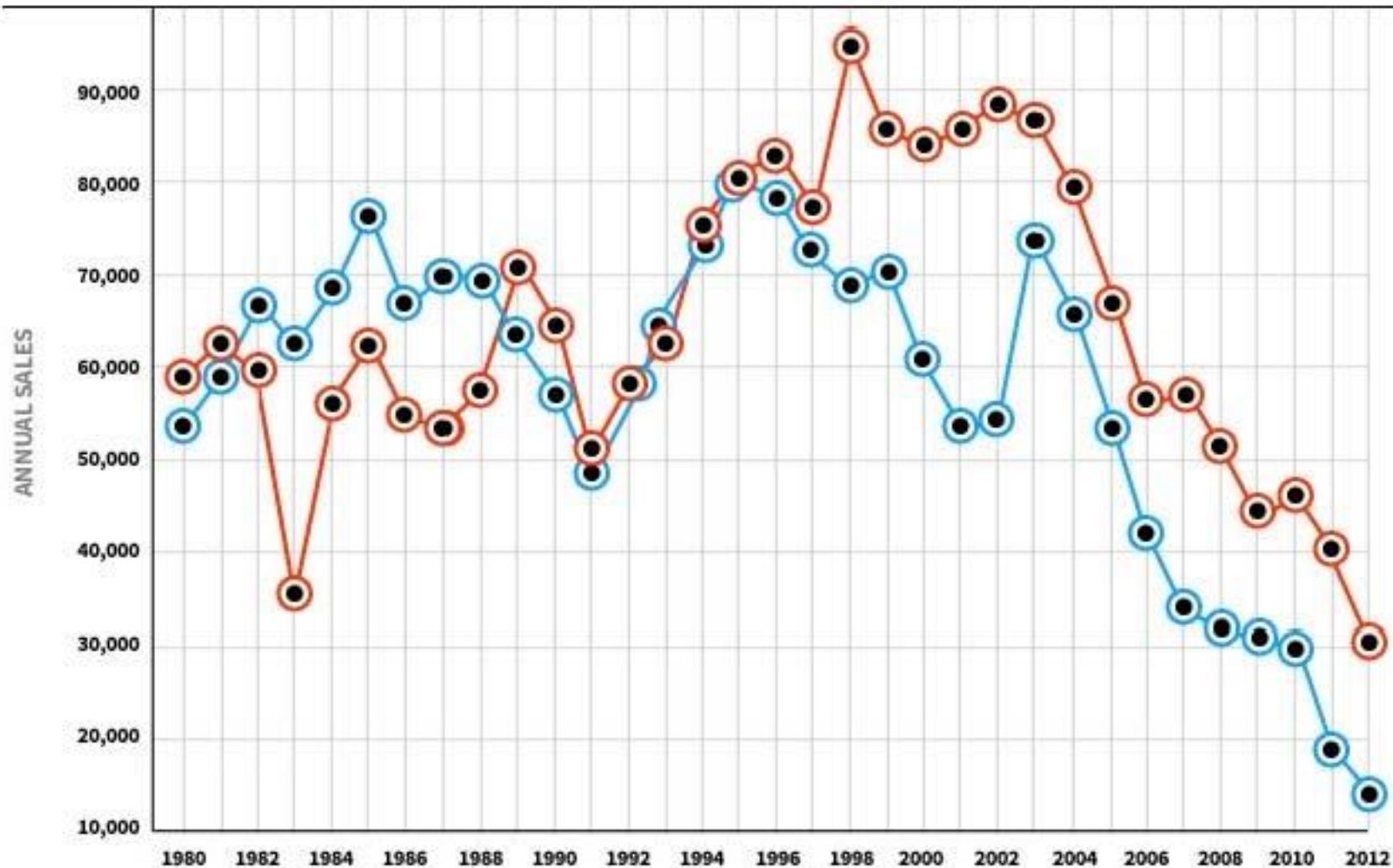
Australia's biggest land developer, Stockland, has been steadily cutting its lot sizes, with the average now down from 510 sq m to 481 sq m.

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.

## END OF THE ROAD FOR COMMODORE & FALCON





# Growth Centres

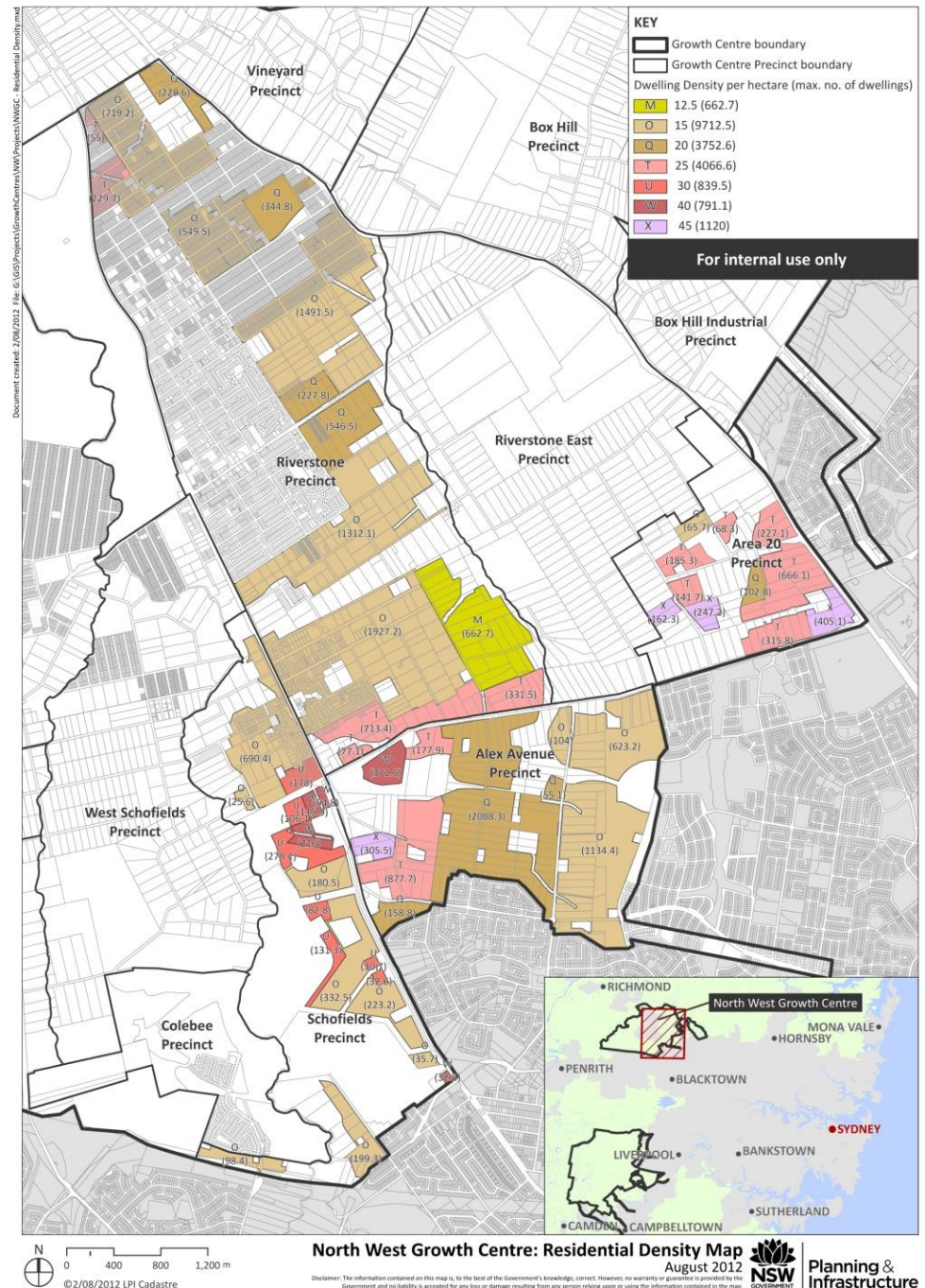
North West Growth Centre  
Blacktown CC Example

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

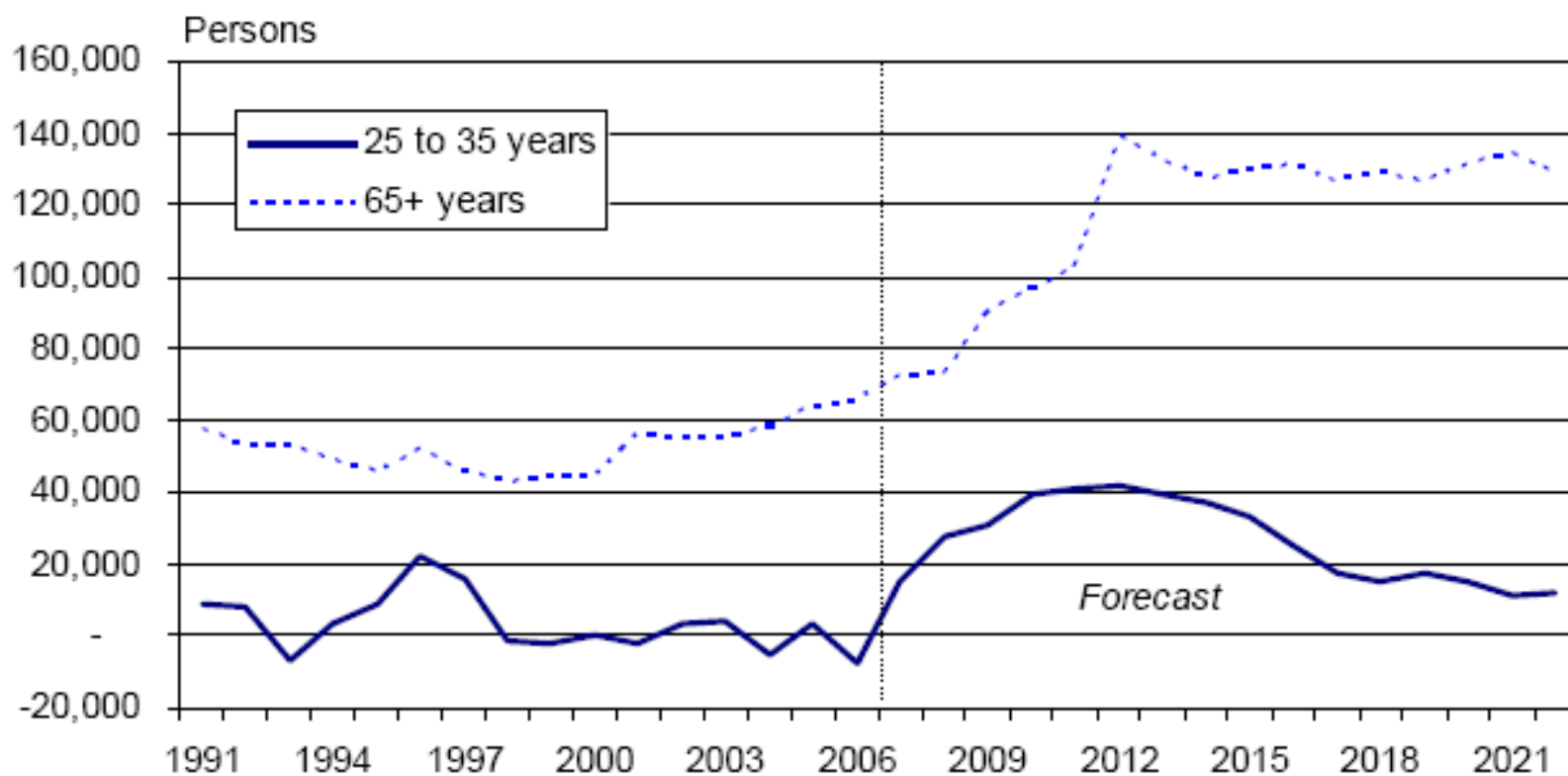
- Lack of Industry Activity in the Supply Pipeline
- Survey, Interviews, Research and Case Study
- Growing demand for more diversity and less demand for 450 m2 +
- Barriers to increase housing diversity
- Examples of projects with more diversity
- Recommendations

# 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)**

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

# 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)

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

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 m<sup>2</sup> (10m x 30 m) lot.
- Eden Brae Cambridge 22 suits minimum lot sizes down to 225 m<sup>2</sup> (9m x 25 m) lot.



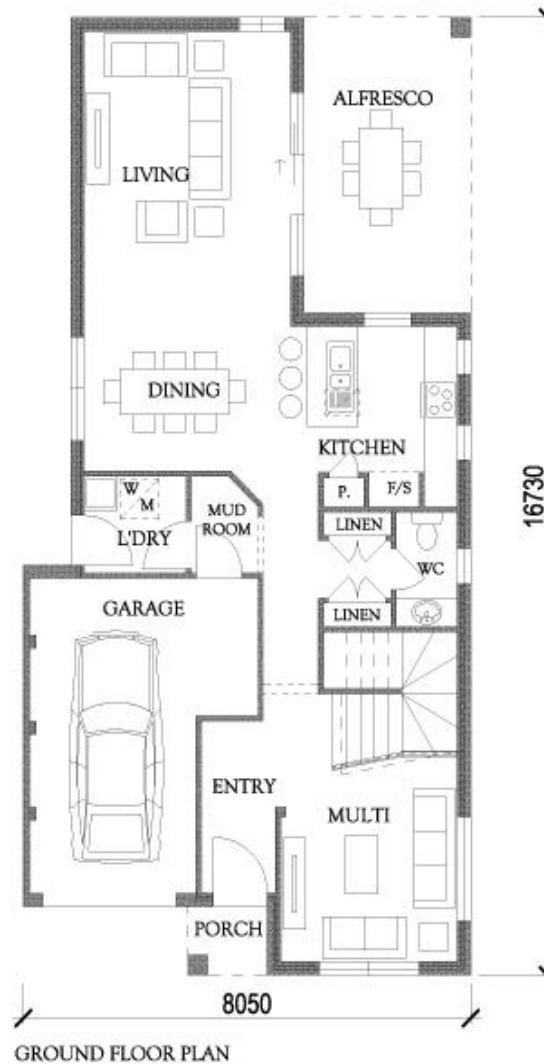
# Current Examples



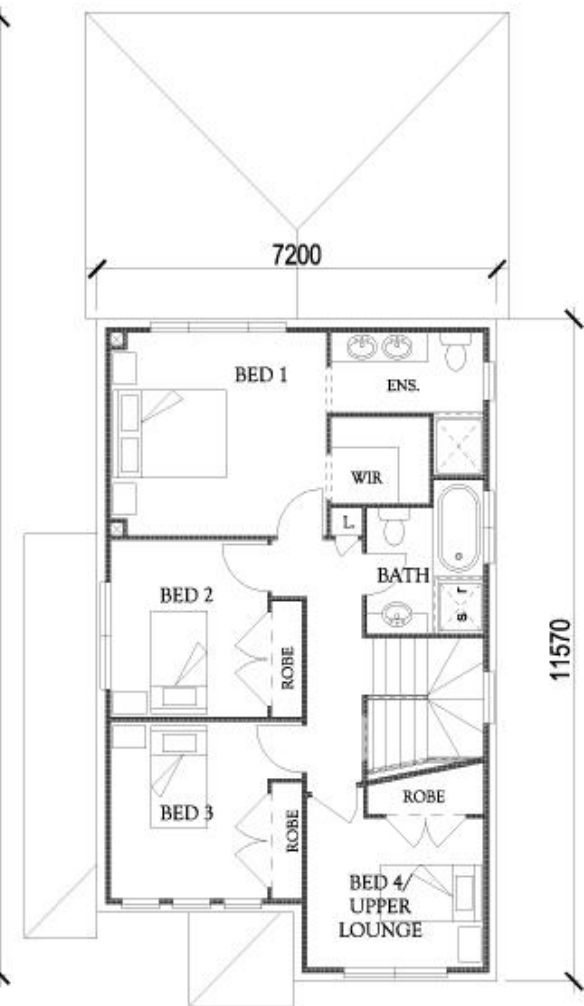
# Current Examples

## Eden Brae - standard design for a 225m<sup>2</sup> (9m x 25m) lot

CAMBRIDGE 22

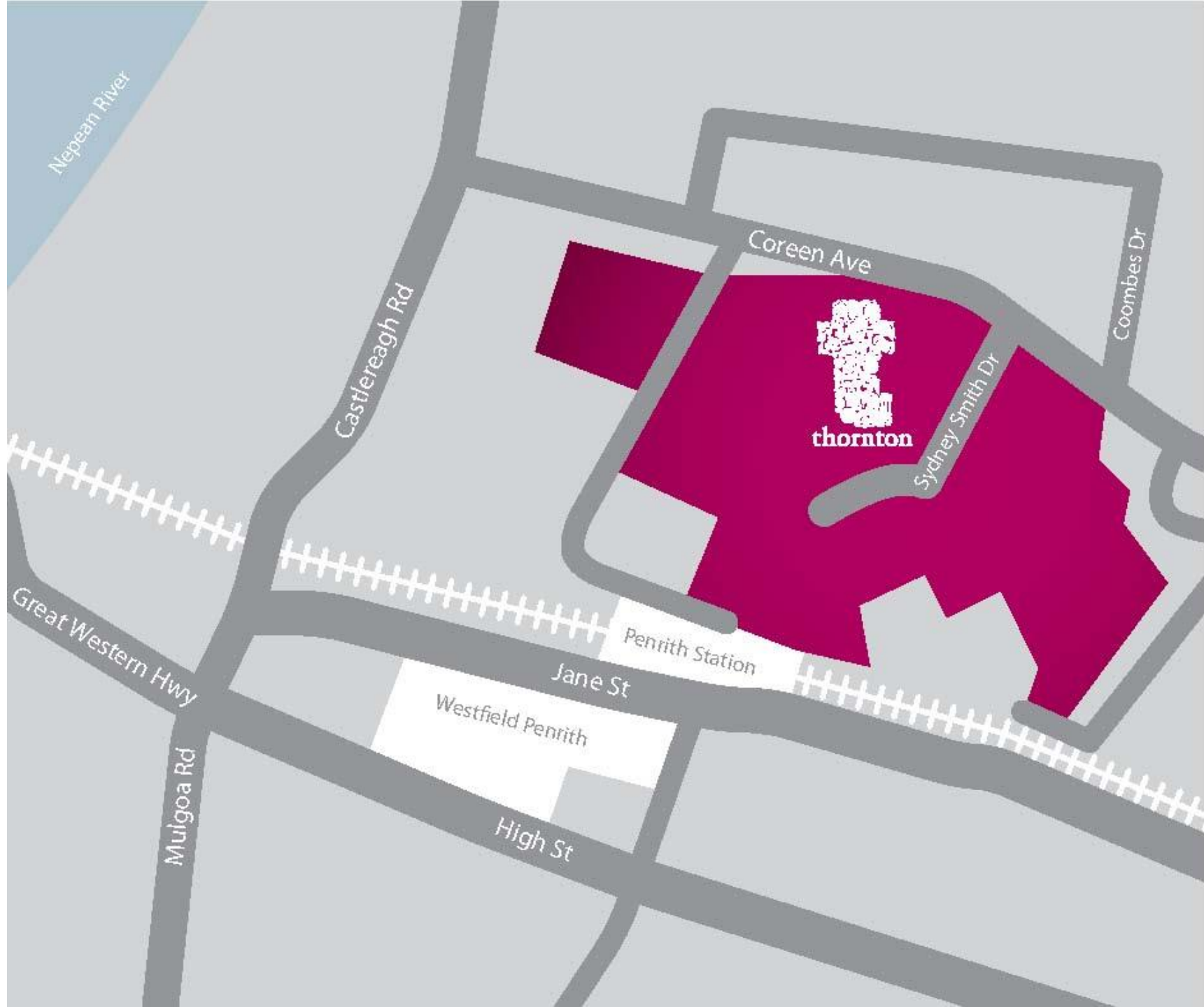


### FIRST FLOOR PLAN



# House Types – 30 + du/h

- Affordability is about quality not just quantity
- Thornton – North Penrith
- Compact Detached homes on Lots < 225 m<sup>2</sup>
- 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 21<sup>st</sup> Century Living





[illegible]

## Garden Homes



- 

2-4  1 

- 

3-4  1-2 

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## 2-4 1-2

- 

## 0-2 0-1

- 







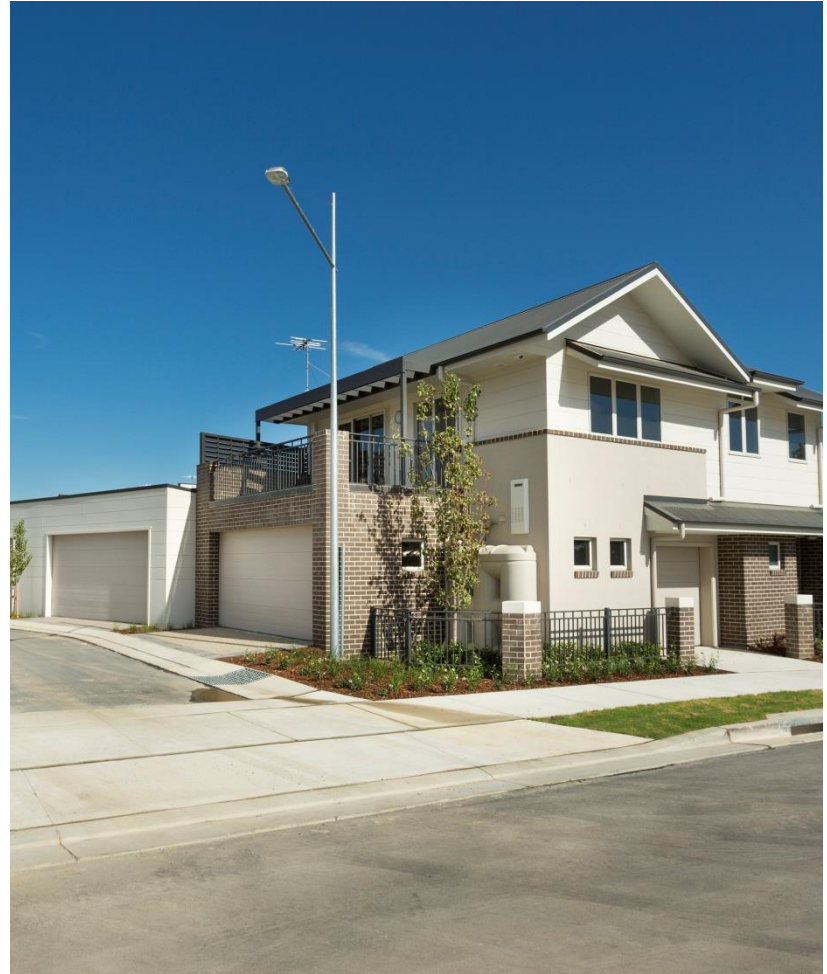




# Terrace Homes



## Studios – Fonzie Flats





# Courtyard Homes



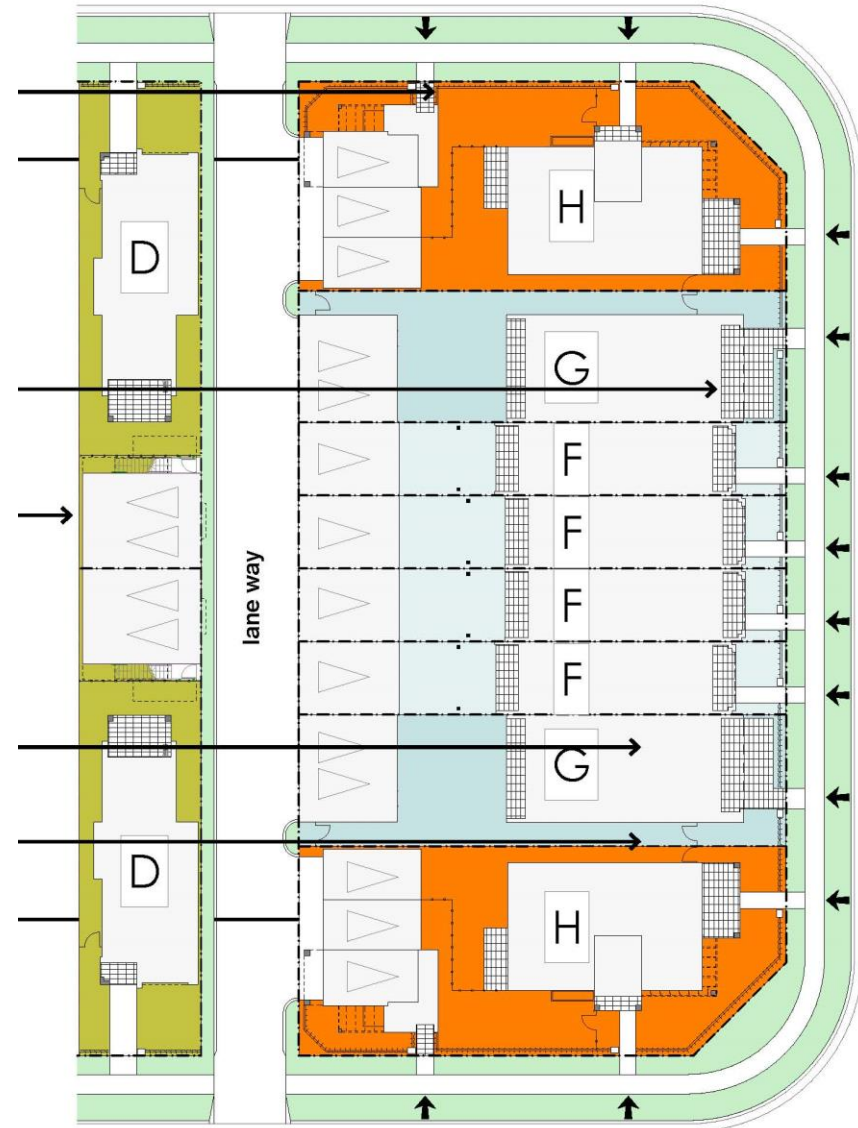


# Patio Homes





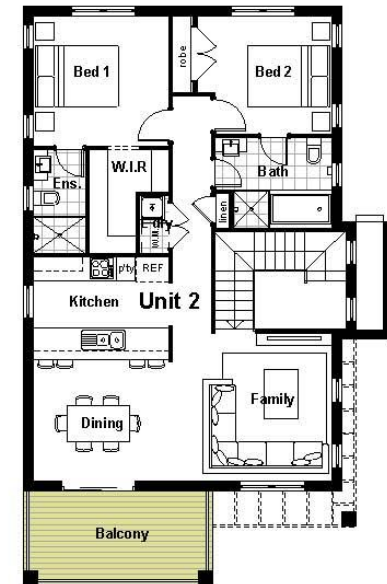
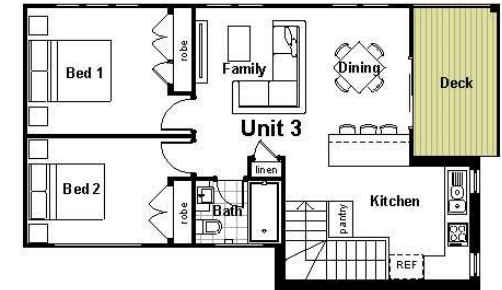
# End Block with Abutting Terraces & Triple Cottage Strata Units



# Cottage Apartments Corner Lot & 3 Unit Strata



GROUND FLOOR PLAN



FIRST FLOOR PLAN

# Independent Construction of Abutting Terraces





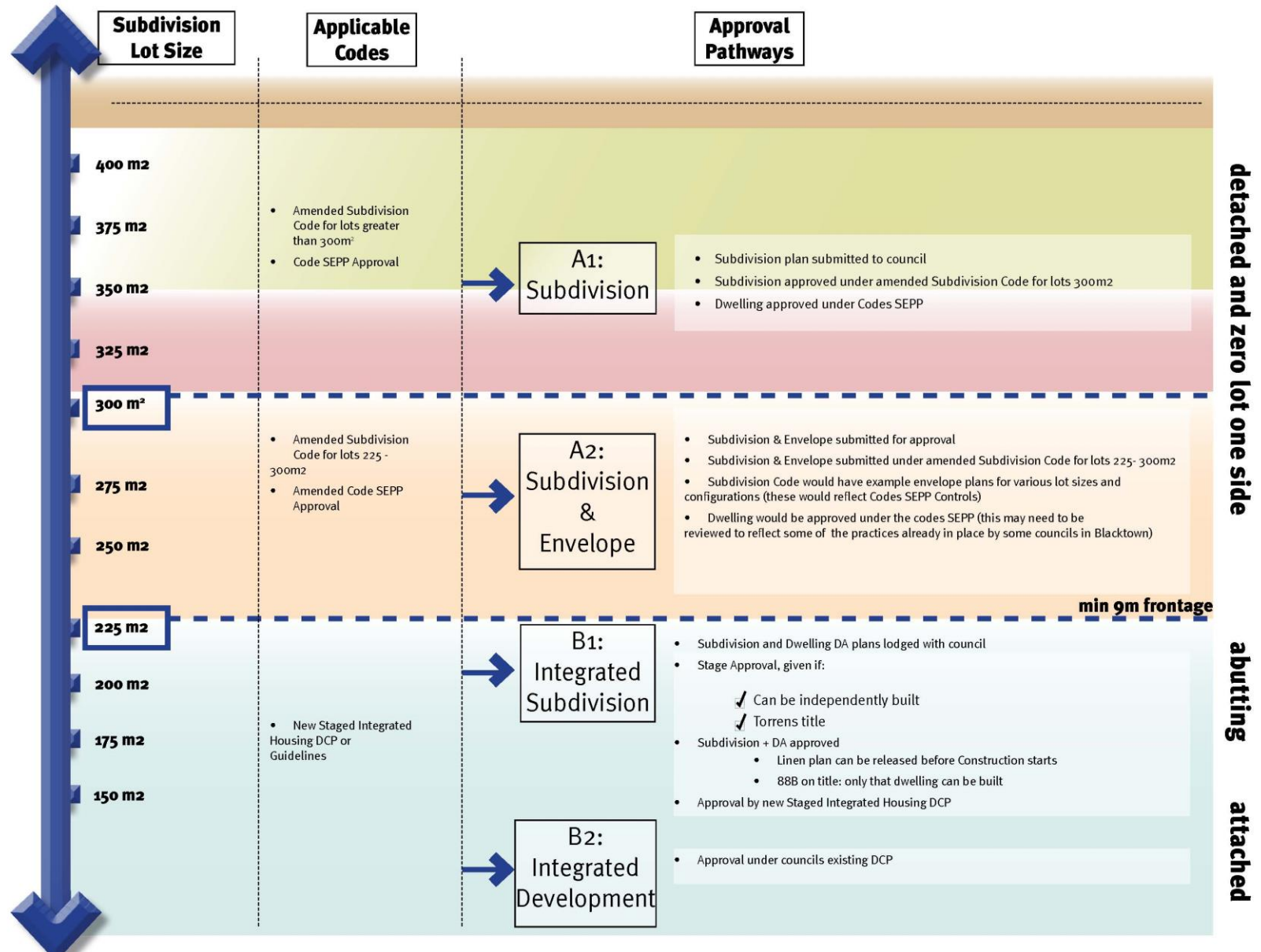
# Type B1

- Separate party wall system
- Can be built independently of each other
- Torrens title





# Current Council Approval Pathways



# Type B Approval Pathways - integrated assessment

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graph TD; A[Type B Approval Pathways - integrated assessment] --> B[Lot less than 225 sqm or less than 9m in frontage<br/>Need to assess house plans with subdivision plans]; B --> C[Type B1 Integrated Subdivision]; B --> D[Type B2 Integrated Development];
```

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

**abutting**

## Type B2 Integrated Development

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

**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 21<sup>st</sup> 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