



Snapshot of Sydney's changing dwelling mix

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Despite a 39 per cent increase in new private sector house building approvals in 2010/11 and a 129 per cent resurgence in approvals for medium-high rise apartments, Sydney's new housing supply continues to be highly constrained. Nevertheless, total private sector building approvals in 2010/11 of 20,998 new dwellings were the highest of the past seven years.

This was still below the 2000/01 low point of 21,132 private sector building approvals that coincided with the introduction of the GST.

One major difference between 2000/01 and 2010/11 is the mix of dwelling types. The earlier period had:

- a higher proportion of detached houses (46 per cent, compared with 39 per cent in 2010/11);
- a similar proportion of semi-detached, townhouse/villa or terrace housing (15 per cent, compared with 13 per cent in 2010/11);
- a much larger proportion of low-rise apartments (11 per cent, compared with 6 per cent in 2010/11); and
- a much lower proportion of apartments in buildings of four storeys plus (28 per cent, compared with 42 per cent in 2010/11).

As indicated in research undertaken by Colleen Coyne Property Research in October 2011, *Apartments Drive Sydney's Recovery*, there are numerous factors that influence the mix of new dwelling supply across the various sub-regional markets in Sydney.

Many households today place more value upon proximity to employment, higher education facilities and public transport than upon a new house with the traditional backyard, often found on the urban fringe. The increasing number of smaller one- and two-person households has also favoured medium- and high-density living.

Anecdotal evidence indicates keen demand for apartments from offshore buyers, especially Chinese, and there is ample evidence of unsatisfied demand from tenants.

Planning and economics drive new dwelling supply mix

It could also be argued that the shift

towards medium-high rise apartments in the new dwelling supply in Sydney over the past decade has more to do with planning and economics than household mix and preferences.

For some households, the cost of a new detached house in the suburbs, plus the cost of commuting to work, has become prohibitive. Apartment living in inner and middle ring suburbs is simply more affordable.

This follows a sustained period when the barriers to the development of new housing estates in outer areas have increased, with issues such as biodiversity, planning delays and an uncertain infrastructure charging regime impeding supply and raising the cost of the land component.

The State of Supply Report 2011 from the National Housing Supply Council (NHSC) has confirmed what the industry already knew: that Sydney has the greatest housing affordability pressures nationally. The report also mentions the contribution to "overall living affordability" of increased costs of electricity, water and transport.

The NHSC report identified an increasing gap between new supply and underlying demand (based on projected household formation decisions as a result of population growth, without regard to economic and market constraints). For NSW, this gap was 73,700 dwellings in 2010, projected to rise to 128,300 dwellings in 2015.

In Sydney, the NHSC estimated dwelling completions over the decade to 2020 of 210,100 net dwellings, of which infill projects would account for 76 per cent of completions and greenfield projects 24 per cent. It is considered that a factor inhibiting greenfield development is the high land cost in Sydney, where Urbis research showed taxes and charges made up 22 per cent of the cost (compared with 17 per cent to 18 per cent in other cities).

A shift towards higher density development in middle ring suburbs

The sub-regional analysis undertaken by Colleen Coyne Property Research also found that since the 1990s, there has been a shift in the distribution of new higher-density dwellings over the past decade to encompass town centres in middle- and

outer-ring Sydney suburbs.

For 2010/11, Sydney City and the east sub-region maintained its dominance over these private sector medium-high rise approvals, with 29 per cent of the total in the Sydney region. This was followed by the west central (20 per cent), the inner north (16 per cent) and the inner west (14 per cent) sub-regions.

Activity for this type of dwelling in the north west and south west sub-regions remained subdued in 2010/11, compared with the previous decade, which may reflect issues such as the adverse economics of development for higher-density dwellings in these areas, as well as poor affordability and considerations of value for money compared with detached houses.

Planning a barrier to housing choice

The reduced proportion of medium-density dwelling types in Sydney's new dwelling supply tends to support findings of a June 2011 study by the Grattan Institute, *The Housing We'd Choose*. This was based on a combination of focus group research and a quantitative online survey of a representative sample of 700 residents in Sydney and Melbourne. The Grattan Institute's model adjusted its findings for the real-world trade-offs that are made for current-day housing costs and household incomes.

For Sydney, the Grattan Institute research showed that medium density dwelling types represented 40 per cent of preferred housing, but only 28 per cent of the 2006 stock and 29 per cent of new supply from 2001 to 2010. Semi-detached, townhouse/villa or terrace housing was preferred by 25 per cent of Sydneysiders, while apartments in buildings of up to three storeys were preferred by 15 per cent.

Barriers to medium-density infill development identified by the Grattan Institute for Sydney included planning complexity and delays and funding difficulties. It seems that the planning system has played a role, not only in reducing affordability, but also in denying some people the housing choices in their local area that would suit to their changing lifecycle needs. ▀