Draft Policy Position Paper

Council of Mayors (SEQ)

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Foreword

Over the next 20 years, the South East Queensland Regional Plan will work to a target of delivering 754,000 new dwelling units in our region to house an expected 1.5 million new residents. About 50% of these new dwelling units are expected to be infill rather than greenfield, and most of these are likely to be medium or high density housing.

This creates major challenges for policy makers, developers and, most important, residents, in terms of balancing liveability, sustainability, affordability and prosperity as the region grows.

The Liveable Compact Cities Project has been established by the Council of Mayors (SEQ), and funded by the Australian Government’s Housing Affordability Fund, to explore the opportunities and identify the threats posed by these challenges.

Over the last six months, the project has researched the drivers behind demand and supply for medium density housing in South East Queensland with a strong emphasis on improving affordability and liveability of medium density offerings in the South East Queensland housing market.

This Policy Discussion Paper has been developed by the Liveable Compact Cities Project team to inform a conversation with Councils, industry, Government and other stakeholders about the priority actions that could be developed in the latter part of the project.

While the Council of Mayors (SEQ), as the manager of the project, has supported the development of this paper and its release for consultation, South East Queensland Mayors and Councils have not yet formed a view on the recommendations that should come out of this project. The various recommendations and conclusions in this report are presented for discussion purposes only and do not reflect at this stage the formal views of the Council of Mayors (SEQ).

I hope that this Policy Discussion Paper will encourage debate about the very complex issues around the delivery of medium density housing, and the challenges raised by both developers and the community.

From that discussion, we hope to identify key priority actions around policy, practice and market that the project team can further develop, in partnership with Councils and stakeholders over the remaining five months of the project.

John Cherry
EXECUTIVE DIRECTOR
Executive Summary

The Liveable Compact Cities Project explores how medium density development could create greater diversity and choice in the housing market; increase access to home ownership, particularly for first home owners and older people; and contribute towards the more compact and sustainable urban living being promoted through the South East Queensland Regional Plan. Recognising the strategic importance of medium density development as a part of a broader regional urban form, the Liveable Compact Cities Project addresses three challenges: policy, practice and market.

This policy paper explores the following areas:

- understanding the nature of demand in South East Queensland (and the extent to which it is not being met by current supply); and
- understanding the factors underlying viability of medium density development.

Demand and supply

Changing demographics (particularly ageing of the population and couple households with no children) in South East Queensland is likely to increase demand for units and semidetached dwelling products while demand for detached dwellings is projected to grow proportionately less quickly.

Evidence suggests that whilst people still aspire to live in a large detached house in a central location, the necessary trade-offs between prices and incomes mean that an increasing proportion of the population is looking for a semi-detached, attached or apartment dwellings. They are also attracted to the increased amenity and ‘cost of living’ benefits associated with being close to employment, schools, shops, local facilities and services.

Overarching findings from the Liveable Compact Cities Project community perceptions survey are:

- There is demand in South East Queensland for smaller housing options, either new builds or redevelopment of existing sites. Much of this demand will be driven by affordability, as people downsize to smaller properties in order to live in their preferred location. The top three factors in choice of housing are affordability, location and size;
- Half of residents feel it is important to remain in their local neighbourhood for the next 10-20 years, particularly those in Redlands, Somerset, Lockyer Valley, Scenic Rim, Sunshine Coast and Moreton Bay;
- Half of residents will live in a similar size house but there is likely to be a net rise in the number of households living in smaller properties. More than one third of residents aged 50+ will downsize in the future, most likely to a townhouse, villa or unit;
- Over a quarter of residents would consider developing their current property to incorporate a granny flat for an adult child or elderly parent. This is higher for residents of Somerset, Lockyer Valley, Scenic Rim, Sunshine Coast and Moreton Bay;
- Various medium density options appeal to residents, particularly those which offer a separate front entry (e.g. small lot attached house, terrace) and freehold title;
- Addressing the demand barriers, particularly proximity to neighbours, space and body corporate costs, will be an important step in increasing the appeal and liveability of medium density development; and
- Residents also want housing to incorporate best practice sustainability in terms of design and building products. In fact, most were prepared to pay an up-front premium
for sustainable features as they believed this would provide them with long-term associated energy cost-savings.

Medium density development as a proportion of overall dwelling approvals is increasing. However, there is a mismatch between demand and supply in South East Queensland, with significant supply side reform needed to meet the increase in underlying demand and to provide the diversity of housing types required. Three Councils have carried out detailed housing needs assessments looking at the mismatch between demand and supply.

Gold Coast City Council found that there is a strong correlation between the type of dwelling and the type of household occupying it, with smaller households occupying smaller dwellings. Logan City Council found that projected changes in family structure are likely to create demand for up to 7000 smaller dwellings than is likely to be supplied to the market based on current trends and practice. Sunshine Coast Regional Council has adopted a policy position setting indicative targets seeking to increase the diversity of housing stock and encourage the provision of one and two bedroom housing stock.

South East Queensland has some of the fastest growing areas, and some of the most unaffordable housing markets, in Australia, particularly the Gold Coast and Sunshine Coast. On average, around one quarter of renters are experiencing housing stress across South East Queensland and between 6.5% and 14% of purchasers. The highest levels of rental stress in 2006 were found in the Sunshine Coast and the highest levels of purchase stress in Somerset.

The highest levels of both rental and purchase stress are experienced by households in detached dwellings, although in the Gold Coast this extends to purchasers of semi-detached dwellings and apartments as well. Somerset, Scenic Rim and Lockyer Valley had the highest levels of both rental and purchase stress among households in detached dwellings. Not only do we need additional smaller dwellings in South East Queensland, but we need a greater diversity of products on offer that are more liveable as well as sustainable.

Medium density housing is generally regarded as more expensive than Greenfield detached housing at the fringe, due to higher land prices and construction costs. However, land costs in the city and inner fringe suburbs are such that medium density is likely to be the most cost effective and viable form of development.

Evidence shows that, whilst a detached dwelling in the outer suburbs may be cheaper to buy/build than a medium density dwelling in inner urban areas, transport costs are greater because of the need to travel greater distances, and there is less access to services and facilities.

Drivers of product price and viability

Land and construction (including labour) costs account for by far the greatest proportion of development costs of medium density development and are not responsive to policy adjustments. The exception is Building Code of Australia requirements, particularly the height thresholds in relation to lifts and fire proofing, and the recent introduction of universal access requirements. These requirements generally mean that the most economically viable forms of medium density development are either three storeys and below, or above eight storeys. Yet, planning schemes often reflect urban design and place-making principles by specifying medium density development between five and eight storeys, representing an effective built form solution for achieving higher densities in a way that maintains human scale.
Planning scheme provisions such as car parking rates, plot ratio/density or land purchase prices impact on the viability of medium density development projects and, in some cases, can have the effect of reducing the density of development on the site.

Other cost factors, such as land amalgamation and remediation, infrastructure charges, car parking requirements and sustainability/energy efficiency features are more responsive to changes in policy and practice but, collectively, have less of an impact on the overall viability of medium density development (when compared to land and construction costs).

In relation to infrastructure charges, the implications for medium density development lie in the amount charged, the timing of infrastructure payments and the way in which contributions are levied. The recent cap on infrastructure charges in Queensland has been welcomed by the development industry as a means to increase cost certainty for developers. Deferred fees and charges provide economic incentives to developers for the construction of infill projects within designated areas. It is suggested that the way in which charges are levied is important: if calculated per dwelling or per site, contributions might discourage medium density housing, and encourage larger housing and residential lots, as the charge becomes a smaller proportion of the total development cost. On the other hand, a levy that represents a percentage of construction costs (per dwelling) or is fixed per hectare (rather than lot) might encourage more modest housing types and a more economical use of land.

Reduction of car parking standards can improve the affordability and saleability of smaller medium density dwellings particularly in unit developments close to public transport nodes. Introducing associated policies on resident/on-street car parking, car sharing or ‘unbundling’ car parking will help to avoid the transfer of parking from site to street, and help to reduce car use.

It is considered that the typical 3-5% price premium for sustainability and energy efficiency features may act as a disincentive to prospective purchasers of medium density development. Notwithstanding, participants at the Liveable Compact Cities Project community forums considered sustainability features as very important and indicated that they would be prepared to pay such a premium. Commonwealth Scientific and Industrial Research Organisation has designed a zero net emissions house with the aim of stimulating market demand for this type of product and facilitating the industry’s capacity to deliver.

Delays in the development process can add significantly to holding costs. Analysis shows that developers are responsible for over two thirds of the tasks and responsibilities in the entire development pipeline. Local and State Government involvement in the development cycle is minimal in terms of tasks performed, but critical in timing of development delivery. There is a significant time difference between code and impact assessment applications.

Current economic conditions, combined with the more conservative lending practices of banks and cautious valuations, are inhibiting the construction of medium density development, particularly more innovative, ‘un-tested’ products. However, where new products have been delivered to the market, particularly those where there are simplified or lower cost body corporate arrangements or attached dwellings with single title have proved popular with owner occupiers.

A series of recommendations and actions are proposed for three challenge areas of Policy, Practice and Market.
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1 Introduction

The Liveable Compact Cities Project (LCCP) is funded through the Commonwealth Government’s Housing Affordability Program and focuses on the role of medium density residential development in improving housing affordability.

Under the South East Queensland (SEQ) Regional Plan, Local Governments have been set challenging targets to meet approximately 50% of housing demand over the next 20 years through infill development, that is, higher density housing within their existing urban areas.

However, the evidence shows that, in SEQ:

- housing is becoming less affordable, and fewer households are able to purchase their own home;
- infill targets are generally being met, but at lower densities than anticipated; and,
- detached homes are still the predominant dwelling type being constructed in all Local Government Areas (LGAs) in Queensland, despite changing household structure and evidence of changing demand.

The LCCP explores how medium density development may create greater diversity and choice in the housing market; increase access to home ownership, particularly for first home owners and older people; and contribute towards the more compact and sustainable urban living being promoted through the Regional Plan.

Recognising the strategic importance of medium density development as a part of a broader regional urban form, the LCCP addresses three challenges:

**Policy** – Are there policy settings that State and Local Government can drive that will reduce the cost and increase supply of medium density dwellings (costs, efficiencies, integrated outcomes, etc.)?

**Practice** – Are there ways to rationalise/reform process and provide for improved urban outcomes, as well as cost savings?

**Market** – How can the market be influenced to act as a catalyst for policy and practice reform?

The definition of medium density adopted for this project is that proposed by AEC (2011):

- Attached dwellings;
- Developed to a density of 30-100 dwellings per hectare; and
- Developed to a height below 10 stories.

PLACE Design (2011) suggests that medium density development is typically below five storeys, recognising that higher densities can be achieved by developments of modest height.
2 Purpose of this Report

This report sets out the results of research to date, makes recommendations on policy, practice and the market and suggests ways in which some of the recommendations could be developed further.

The report explores the following:

Aspects of the local and regional housing markets that influence affordability
The role of medium density development in SEQ
What is the pattern of housing stress across the region?
Does regional planning affect housing affordability?

Demand for medium density development in SEQ
What is the nature of demand for housing in SEQ, now and in the future?
What kind of dwelling do people want to live in?
Where should medium density development be located?
What is the mismatch between supply and demand?

Key drivers of product price and viability:
What are the factors and their relative influence?
Testing the influence of cost and regulatory factors at site level in a range of local contexts
Testing the planning process
Exploring land amalgamation

Recommendations for increasing medium density diversity and choice
Policy
Practice
Market

Four key work packages were commissioned during the research and analysis phase of the project, the findings of which inform this report. They are:

Review of Medium Density Development Pipeline

Buckley Vann Town Planning Consultants and THG were commissioned to development a typical development pipeline from site acquisition, feasibility analysis, design development, planning and other approvals through to eventual dwelling construction and occupation. Conceptualisation of the pipeline facilitated a greater understanding of the obligations, tasks, resources and time required to deliver medium density among the various stakeholders; Local Government, State Government, the developer and builder. Development pipelines were prepared for a range of scenarios including various levels of assessment, sites requiring amalgamation and different Local Government areas.

Community Perceptions Research

BBS Communications Group Pty Ltd (BBS) was commissioned to undertake research to better appreciate resident perceptions about medium density infill development in SEQ. The research was undertaken in three streams:
Footprints Market Research partnered with BBS to carry out more than 1900 phone and computer surveys across the 11 Local Government areas – to our knowledge, the largest survey of residents ever carried out in the region.

Using Bang the Table software, BBS constructed an online forum, named the SEQ Housing Forum, to create a 24/7 vehicle for SEQ residents to provide their views on housing options and affordability.

BBS facilitated a series of face-to-face deliberative forums in Toowoomba, Gold Coast, Brisbane and the Sunshine Coast. The four forums brought together representatives from industry groups, State and Local Governments and local communities. Each forum aimed to address the key issues of design, affordability and diversity within existing medium density developments, and provided opportunities for participants to comment on future housing options within their region.

**Market and Financial Trends**

AEC Group was commissioned to carry out an analysis of development trends and drivers of product prices for medium density dwellings in SEQ. This included profiling of the current market, identification of major product and price drivers and review of factors influencing medium density development in the region.

The project also included targeted consultation with industry associations, Local Governments, real estate agents and the development community to identify key factors influencing the development of medium density dwellings and the achievement of SEQ Regional Plan infill development targets.

**Feasibility and Viability of Medium Density Development in SEQ**

PLACE Design Group has been commissioned to analyse medium density development across the 11 Local Government areas in SEQ including detailed feasibility breakdowns of specific development scenarios on nominated development sites. The study will identify the challenges of accommodating this type of development within existing urban areas taking into account land costs, construction costs and sales rates among other factors. The study will identify what market, policy and practice elements including Local Government planning scheme provisions and guidelines are affecting feasibility and make recommendations to improve the feasibility of development scenarios which are currently not viable.

**2.1 Aspects of the local and regional housing markets that influence affordability**

**2.1.1 The role of medium density development in SEQ**

Medium density development is important because:

- it offers greater choice in housing types, particularly for people wanting to be close to public transport, jobs and services, and those wishing to downsize or reduce maintenance time/cost. Results from the BBS Community Perceptions Research Report show, inter alia, that a significant proportion of respondents, particularly in the 50+ age group and in regional areas, are thinking of downsizing within the next ten years; and
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- Promotes a more efficient approach to land consumption and infrastructure delivery and usage.

Medium density is a residential development option which consumes a reduced amount of area, without the infrastructure requirements, transport and servicing associated with high density development. It can provide occupiers a dwelling with privacy and its own front door, but with a small, easy to maintain back yard. (PLACE Design, 2011)

Medium density housing is generally regarded as more expensive than greenfield detached housing at the fringe, due to higher land prices and construction costs (AEC, 2011). However, land costs in the city and inner fringe suburbs are such that medium density is likely to be the most cost effective and viable form of development (PLACE Design, 2011).

**Implications**

The implications are that:

- medium density housing is more viable to develop in infill areas; but,
- because of the higher land values in inner city areas, associated with proximity to services and amenities, medium density housing is not necessarily more affordable for people on lower incomes.

Housing supply must be well located and well serviced with supporting jobs, public transport and social and community infrastructure (see chapter 5). The way to improve housing affordability is not to build cheap houses on the outskirts of cities away from employment, services and public transport links. This simply shifts costs from housing to the cost—in dollars and time—of transport. Rather, the aim must be to build affordable housing in areas where infrastructure can provide for and attract new residents. In considering longer-term changes in the housing stock, thought must also be given to it being environmentally sustainable for it to be truly ‘affordable’ in a broader sense (chapter 11).

Senate Committee on Housing Affordability in Australia, 2008

**Recommendation**

M1 Develop a suite of marketing tools which could assist council in seeking to influence community perception and encourage a greater awareness and appreciation of the role of medium density housing in the SEQ urban framework and in delivering housing diversity and choice and improving housing affordability.

**2.1.2 What is the pattern of housing affordability across the region?**

Housing affordability is considered more broadly than as a physical or financial characteristic of the dwelling: it should be well-serviced, safe, secure and accessible to people in need. 30% of income spent on housing costs is generally accepted as the benchmark for housing affordability; and housing stress is defined as the proportion of households in the bottom two income quartiles (bottom 40%) paying more than 30% of their income in rent or mortgage costs.
Generally across Australia, the ratio of housing costs to household income has increased sharply over the last decade, and by 2007 the average house price in capital cities had risen to over seven times average earnings (Senate Select Committee on Housing Affordability in Australia, 2008).

A 2007 report by the Urban Development Institute of Australia (UDIA) on housing affordability across all states in Australia, based on its UDIA/Matusik measure, whereby a housing market is classified as 'unaffordable' when a household spending 30% of the average income in that region on repayments (and with a 10% deposit) could purchase less than 15% of the houses in the region, identified:

- Noosa, Maroochydore, Caloundra, inner Brisbane, Redland and Gold Coast as experiencing an affordability crisis; and,
- Caboolture, Pine Rivers, Redcliffe, Middle Brisbane and Beaudesert as experiencing serious constraints on affordability.

A recent international survey identified Sunshine Coast as the 8th least affordable housing market in the western world, followed by Gold Coast (12th) and Brisbane (24th). All markets have median house prices more than 6.5 times the gross median household income of their respective regions, highlighting the severity of affordability issues in the region. (Source: 7th Annual Demographia International Housing Affordability Survey 2011).

Demographic analysis based on statistics obtained from the Office of Economic and Statistical Research (OESR) and Australian Bureau of Statistics (ABS) found that:

- In 2010, the highest average prices for both detached and attached dwellings were found in the Gold Coast, Brisbane, and Sunshine Coast; and this has been the case for the last ten years.
- The cheapest prices for both detached and attached dwellings were in Lockyer Valley, Somerset and Scenic Rim.
- In 2006, Gold Coast had the highest median mortgage repayment at $1504 per month and Somerset the lowest at $975. Ipswich and Redland experienced the highest percentage increase in mortgage repayment levels between 2001 and 2006.
- In 2010, the highest median weekly rent was $395, on the Gold Coast, and the lowest was $255 in Toowoomba.
- Between 2001 and 2006 the Sunshine Coast and Gold Coast saw the biggest increase in rents, but between 2006 and 2010, rents increased fastest in Scenic Rim, Moreton Bay and Logan.

The number of households experiencing housing stress (i.e. paying more than 30% of their income on housing costs) has increased between 2001 and 2006. There are many more renters than purchasers experiencing housing stress. On average, around one quarter of renters are experiencing housing stress across SEQ, compared to between 6.5% and 14% of purchasers. The LGAs with the highest levels of both rental and purchase stress were Sunshine Coast and Somerset (35% of renters and 14% of purchasers). Brisbane had the lowest proportion of both purchasers and renters experiencing housing cost stress.
In most LGAs, purchase stress was only significant for households purchasing a separate detached house. The Gold Coast was the only exception with approximately 2% of households in semi-detached dwellings and 1% in flats, units or apartments having experienced purchase stress. Somerset had the highest level of separate house purchase stress amongst households with a mortgage at 13.7%, followed by Scenic Rim at 13.6% and Lockyer Valley LGA at 13.2%. This is more to do with the fact that median incomes are lower in these LGAs than the price of dwellings per se.

Rental stress was also highest among residents in detached dwellings across all LGAs in SEQ. Again, Somerset, Scenic Rim and Lockyer Valley had the highest levels of rental stress in detached houses, because of lower median incomes in these areas..

Vacancy rates between 2008/09 and 2009/10, although more variable for units, have generally tightened, which will increase the tendency for rental rises and put more financial pressure on rental households. Estimated vacancy rates in 2009/10 were highest in Somerset and Scenic Rim and lowest in Ipswich and Toowoomba.

The gap in incomes is widening between urban and rural areas within SEQ; this will exacerbate the lack of affordability if incomes do not keep pace with housing price increases across the region. The effect of this is seen in Figure 1 on page 15, which shows Somerset and Scenic Rim as relatively unaffordable house purchase markets, as well as the familiar hotspots of Brisbane, Gold Coast and Sunshine Coast. In some cases (shown in red) the ratio to median household income of the median three bedroom detached dwelling price, is up to 32 times median household income.

The suburbs that are experiencing high levels of un-affordability include Noosa on the Sunshine Coast; Surfers Paradise, Palm Beach, Main Beach, Cooloongatta and Broadbeach on the Gold Coast; and Willawong, South Brisbane, Rochedale, New Farm, Moreton Island, Coopers Plains, Clayfield, Burbank and Ascot in the Brisbane LGA. It is not surprising that the unaffordable hotspots on the Gold Coast and Sunshine Coast are located along the coastal strip.
Figure 1  Ratio of median house price to median household income, SEQ, 2006

Source: ABS Census, 2006
Figure 2  Ratio of median house price to income, Brisbane LGA, 2006

Source: ABS Census, 2006
Figure 3  Ratio of median house price to income, Gold Coast LGA, 2006

Source: ABS Census, 2006
Figures released by Westpac and Commonwealth Bank in June showed an increasing number of missed mortgage payments, with national hotspots in Logan and Gold Coast (Sydney Morning Herald 15/6/11).

Evidence shows that, whilst a detached dwelling in the outer suburbs may be cheaper to buy/build than a medium density dwelling in inner urban areas, transport costs are greater because of the need to travel greater distances, and there is less access to services and facilities.

Dodson and Sipe (2008) created the ‘Vulnerability Assessment for Mortgage, Petrol and Inflation Risks and Expenditure’, or VAMPIRE index, and mapped car dependence (car ownership and journey to work by car) against income level and mortgages for Brisbane and the Gold Coast. They found that in general house prices decline as the distance from the central business district (CBD) increases. Because household income largely determines borrowing capacity, lower income households often find their housing opportunities constrained to outer or fringe suburbs where housing prices are lower with around half of all first home owners in Australian cities locate in outer suburban zones. The planning of suburban areas around car travel including the dispersion of land uses and the lack of public transport options has created car dependence in the large middle and outer suburban areas that has been described as ‘forced car ownership’ (Currie and Senbergs 2007).

Transport costs make up around 16 per cent of household expenditure in Australia, while petrol makes up almost a quarter of all household transport costs (ABS 2003). The average weekly running cost for a small car was estimated to be $144 per week for a small car; $237 for a medium car and $323 for a large SUV (NRMA 2007). The effect of rising transport and fuel costs is shared unevenly both spatially and between household income segments. Those on modest or below average incomes are impacted most severely and households located in the outer suburban areas are generally affected to a greater degree than those in the inner zones of Australia major cities.

The Next Generation Planning Handbook recognises the need for new ways of planning in SEQ to address the challenges of urban sprawl. Smart growth principles such as promoting a more compact urban form; providing for a mix of housing types; targeting new development to accessible infill locations; prioritising use of existing infrastructure; creating more walkable neighbourhoods and providing for a variety of transportation choices to reduce car dependency are just some of the key principles underpinning the handbook (Council of Mayors, 2011).

**Implications**

Affordability extends beyond the cost of a dwelling. Longer term living costs are not necessarily taken into account when a decision is made to purchase a house, but will have a significant impact on household disposable income.

**Recommendation**

M2 Develop a ‘Lifestyle Index’, quantifying the trade-offs between dwelling price and living costs, and an affordability calculator for prospective purchasers to reconcile desired dwelling features with their budgets.
2.1.3 Does regional planning policy affect affordability?

Constraining the supply of land will increase price in the short term (AEC 2011). But it is generally accepted that the resulting higher land costs are offset by the reduction in infrastructure costs, resource consumption and environmental impacts over the long term. All states have some form of urban boundary.

Trubka, Newman and Bilsborough (2008) explored the economic impacts associated with urban re redevelopment and fringe development. They found that there are substantial cost savings associated with urban redevelopment. By far the largest figures are associated with infrastructure and transport. The emissions and health savings realised through active forms of travel possible in areas of high levels of amenities and services and transit access are estimated at $19.32m and $4.23m for 1,000 dwellings over 50 years. The estimated savings in transport and infrastructure are much greater: $86m up-front for infrastructure and $250m for annualised transportation costs over 50 years. The relative costs of infrastructure provision are discussed further in section 2.3.7.

A recent report from the Grattan Institute (Kelly, Weidmann and Walsh, 2011) suggests that constraining the availability of land could well encourage more non-detached housing as land prices rise and become increasingly attractive for higher-density development.

State planning policies, such as the SEQ Koala Conservation Policy and the soon to be introduced Queensland Coastal Management Plan, need to be considered in the context of broader regional policy, and appropriately rationalised so that State interests taken into account as early in the planning process as possible.

2.2 Demand for medium density development in SEQ

2.2.1 What is the nature of demand for housing in SEQ, now and in the future?

The National Housing Supply Council (NHSC) State of Supply Report 2010 anticipates that future demand for housing will be most felt in SEQ, Melbourne, New South Wales and Perth. The three most populous LGAs in Australia, Brisbane, Gold Coast and Moreton Bay, recorded three of the four largest increases in population in 2009-10. Brisbane increased by 14,800 people, the Gold Coast by 12,900, and Moreton Bay by 11,100.

Changing demographics (particularly ageing of the population and increasing proportion of couple households with no children) is likely to increase demand for multi-unit developments or smaller dwelling products more than detached dwellings.

In 2008, older households made up 18.6% of all households and are projected to grow faster than younger household groups, growing to 27.6% of all households by 2028. Based on current trends, older households will continue to prefer living in separate houses although the proportion of older households seeking smaller units is projected to also increase by 2028. This assumption is supported by the findings of the LCCP community perceptions survey, where more than one third of respondents aged 50+ are intending to downsize in the future, most likely to a townhouse, villa or unit.

The NHSC also predicts that demand will be for smaller dwellings as the percentage of lone-person households increases to 51.7% of all older households by 2028. It acknowledges
that fertility and multi-generational living will have some effect on household size, but this will be outweighed by the effects of the rapidly ageing population.

The median age across the SEQ region has increased between 2001 and 2006, with the most significant rises in Lockyer Valley (from 34 to 37), Moreton Bay (34 to 36), Redland (36 to 38), Scenic Rim (38 to 40) and Somerset (38 to 41). (LCCP Regional Demographic Profile).

OESR projections show a shift from larger household to smaller households within SEQ over the next 20 years, to 2031. The proportion of couples with children is expected to decrease by 5% overall in the region, the proportion of couples without children to increase by 3.2%, and the proportion of lone person households to increase by 3%. Redland and Moreton Bay will see the greatest decline in families with children and the greatest increase in lone person households. Gold Coast will see the least change in household share over this period. (LCCP Regional Demographic Profile)

The NHSC concludes that the continuing underlying demand from population growth will put pressure on prices which will have a particularly adverse impact on low-income households (which will reduce home ownership, increasing demand for rental housing). It is anticipated that the challenges of demand pressures and poor housing affordability are likely to remain unless there is significant supply-side reform. Notwithstanding, even with significant supply-side reform, it is questionable as to how much this would impact on dwelling prices in a way that would encourage greater home ownership for lower income households.

Section 2.3.3 notes that econometric modelling has shown that SEQ housing prices in parts of SEQ are relatively unresponsive to increases in supply, with further research suggesting that a greater diversity of supply is required.

The NHSC also acknowledges that current market conditions are affecting housing formation decisions - manifested in homelessness, overcrowding, and adult children remaining at home for longer periods.

### 2.2.2 Do households want to live in smaller dwellings?

Whilst households in SEQ are becoming diverse and generally smaller, our houses have been getting larger; Australia has amongst the largest average dwelling sizes in the world which exacerbates the affordability challenge (Next Generation Planning Handbook, Council of Mayors, 2011).

Research appears to show that, whilst people still aspire to a large detached house in a central location, the necessary trade-offs between prices and incomes mean that an increasing proportion of the population is looking for a smaller dwelling.

For example, a recent study by Kelly et al. (2011) explored people’s preferences in Sydney and Melbourne and found that most respondents would ideally prefer to live in a large detached house in a central location, but when faced with real-world trade-offs of prices and incomes they indicated a variety of preferences for semi-detached, attached and apartment dwellings.

The LCCP community perceptions survey findings indicate that a significant proportion of respondents, particularly older people, are looking to downsize within the next 10 years.
In a survey conducted by Logan City Council (Housing Needs and Diversity Study 2006), older residents acknowledged that downsizing is a reality for many, and noted that they would like to remain in Logan as they age.

The Next Generation Planning Handbook identifies a direct connection between providing a choice of housing and affordable housing; ‘providing a range of housing types in more places means that affordable living can be achieved more generally...it also means people can relocate in their existing community as their housing needs change’ (Council of Mayors, 2011).

Easthope et al (2009), in a survey of apartment residents in Sydney and Melbourne, found that there was a 50/50 split of residents who preferred to live an apartment and those who would prefer a house. Younger households, including students, professionals and families, were less likely to agree that they would prefer to live in an apartment. However, the study notes that 39% of the working families in apartments in Sydney who were surveyed said they were living there by choice.

Although housing markets in Sydney and Melbourne are not directly comparable to Brisbane or SEQ, these studies and our own findings suggest that a significant proportion of households will be looking for medium density housing options in the near future and that, although affordability is the major factor influencing the move to medium density development, there are other reasons why people make that choice.

However, development industry representatives who were interviewed by AEC as part of the LCCP, identified investors as the primary target market for purchasers of medium density development, with young professional couples without children as a secondary market. International students and, to a lesser extent, domestic students were seen as the primary market for renters. Short and long-stay leisure visitors were specifically identified as major tenant groups on the Gold Coast and Sunshine Coast markets, while business visitors were also identified as a significant market in Brisbane on the back of mining activity in the State.

This would indicate a perception of industry to reduced risk with a known target market (investors), as opposed to pursuing an emerging market sector.

When prompted, stakeholders generally did not regard couple family with children households as either a major purchaser or tenant group. Larger household size and general affordability issues were identified as the main reasons given for this household type not featuring more prominently in the medium density residential market. This may be because a significant proportion of the SEQ apartment market comprises ‘lifestyle’ stock, and there is very little terrace or attached row housing compared to other states.

Medium density products, particularly attached dwellings with single title, have seen strong take-up by owner-occupiers. For example, 30 out of 34 such products developed at Fitzgibbon Chase, were sold to owner-occupier purchasers. There is anecdotal evidence of strong interest from owner-occupiers in ‘The Parks’ apartment and small office home office (SOHO) development at Sippy Downs, but many of the aspiring owner-occupier purchasers were unable to sell their existing home, and the majority of purchasers are now investors.

There would appear to be some consensus that smaller, attached dwellings will make up a larger proportion of the housing stock in the future. For example, in a survey of the property industry (THG, 2011), 64% of respondents thought that attached and multi-unit dwellings will dominate in 20 years’ time. When questioned about the type of dwellings:
20% thought that there would be more high density apartments
34% thought that there would be more attached row house type developments
38% thought that there would be more smaller detached dwellings
3% thought that there would be more large attached dwellings
0% thought that there would be more six pack developments

Survey data contained within the Logan Housing Needs and Diversity Study indicated that 4 in 10 residents surveyed thought there would be a large increase in the amount of units and townhouses. Real estate agents expected the market to move towards more townhouses (2 storey, 2 bedrooms) and medium size houses (3 bedrooms), as most of the current buyers were young couples with 1 or 2 children. However, they noted that the development of separate housing would greatly depend on land availability in the future. First home buyers were expected to be the major driver of the market in the near future (Logan Housing Needs Assessment, 2006).

Although owner occupiers tend to prefer houses, and attached dwellings have historically been attractive to the investor market, ABS figures show that the proportion of owner occupiers in medium density housing has been gradually increasing (see Tables 12 and 13 in Appendix A).

### 2.2.3 What kind of dwelling do people want to live in?

The LCCP community perceptions survey found that the top three factors in choice of a property are affordability, location and size. If residents have to compromise on something in order to live in their preferred neighbourhood it would be to have a smaller yard, followed by fewer bedrooms.

Over a quarter of residents would consider developing their current property to incorporate a granny flat for an adult child or elderly parent; this is higher for residents of Somerset, Lockyer Valley, Scenic Rim, Sunshine Coast and Moreton Bay. One in ten residents would consider building accommodation for a non-relative on their current property.

Kelly et al. (2011) found that, once affordability trade-offs were taken into account, 40% of Sydney respondents still preferred detached dwellings, but 25% preferred semi-detached, 15% apartments up to 3 storeys, and 20% 4 storeys and above. In Melbourne the figures were 48%, 26%, 12% and 14% respectively. It is interesting to note that there was a greater preference for higher rise apartments than the ‘six pack’ type. In general, preferences for 4 storeys and above decreased with distance from the CBD, whereas preferences for semi-detached dwellings were greatest in inner-middle areas.

A study on liveability in high density living in SEQ (Kennedy & Buys, 2009) identified that access to breezes and natural light are highly valued by residents of high density developments and 87% of respondents considered balconies and outdoor living areas as important.

The LCCP community perceptions survey found that residents value the presence of local facilities and take these into consideration when choosing a property. These facilities are most important in urban areas of Brisbane, Gold Coast and Moreton Bay and are less important in regional areas of Somerset, Scenic Rim and Lockyer Valley.

Kennedy and Buys (2009) also found that the ability of residents to readily walk or ride to amenities, work and recreational facilities was a ‘key enabler’ for people to choose higher density inner city living.
The LCCP community perceptions survey found that the main barrier to medium density housing is proximity to neighbours, followed by lack of living space and body corporate costs.

Kennedy and Buys (2009) found that respondents found noise from other residents in the complex or from neighbours in other types of dwelling may be more annoying than traffic noise. Most expressed a preference for not having to hear, register or engage with sounds made by other residents in the building.

They also found that residents value privacy and seek clear delineation between public and private open space. Most residents did not want to be under pressure to maintain a social relationship with their neighbours. However, while residents may not talk to their immediate neighbours, they enjoy the sense of community that the broader neighbourhood offers.

Key findings from four LCCP sponsored deliberative forums included:

- affordable housing should incorporate best-practice sustainability in terms of design and building products;
- strong support to ensure diverse housing types within a local neighbourhood to allow ‘ageing in place’;
- think about housing in a more flexible manner – from design, planning and approval perspectives, including modular design;
- a change in community mindset towards medium density housing is required. Some community representatives gave their views that we need to become more tolerant to people living around us. One of the most common solutions to overcoming the barrier of being too close to your neighbours was “getting to know your neighbours better”;
- people place great value on living close to public transport and community infrastructure like public open space and retail;
- strong support for developments that incorporate a mix of retail, commercial and residential features;
- strong support for streetscaping and tree plantings to ‘green’ developments and act as noise and visual buffers;
- one of the common responses to housing products viewed on the site tour was the lack of access for disabled or senior citizens;
- an underlying view was that the majority of the community still place a higher value on detached housing, as opposed to attached dwellings;
- of the housing products on the site tours, many commented that they would be suitable for young couples or elderly citizens, but questioned their suitability for a family with young children.

It’s the area. It’s the fact that, two minutes and I’ve got twenty odd restaurants to go to. I can see work from here. I get the bus to work. I can walk to get my haircut, see my doctor, walk, walk, walk. And it’s reminiscent of the environment I was brought up in overseas, where you walked just a few minutes and there was..... all that you needed, all the shops and so on. But its community oriented so you knew the people as you went and you met people in the shops and the shopkeepers knew you. Whereas you go to supermarkets they don’t [know you].

2.2.4 Where should medium density development be located?

A key policy position of the SEQ Regional Plan (SEQRP) is to ‘focus higher density and mixed-use development in and around regional activity centres and public transport nodes and corridors’. The SEQRP recognises that in order to ‘promote a balanced settlement pattern and more compact development within the urban footprint, higher density residential development should be focused within and around regional activity centres, and public transport nodes and corridors to improve access to existing and planned facilities and services’ (SEQ Regional Plan, 2009).

In response, SEQ Local Government planning schemes seek to support the preferred pattern of urban settlement established in the SEQRP by including more compact, higher density housing and mixed use development in centres and other locations well served by public transport.

Transit Oriented Developments (TODs) are a ‘planning concept that promotes the creation of a network of well-designed, human-scale urban communities focused around transit stations’; an important land use planning strategy characterised by a frequent transit service and mix of residential, retail, commercial and community uses in a high quality pedestrian friendly public realm (Growth Management Queensland, 2010).

TODs present a significant policy challenge requiring a collaborative governance response in order to achieve desired growth outcomes in both infill and greenfield locations. At present, the Department of Local Government and Planning (DLGP) is working closely with Brisbane City Council on the Yeerongpilly TOD; a site encompassing 14 hectares of government-owned land, six kilometres from the Brisbane CBD which is intended to provide for a range of housing options along with retail, offices and community and recreational facilities. “The Yeerongpilly TOD will deliver on the intent of the SEQ Regional Plan to achieve a more compact urban form, reduce car dependency, create successful, desirable new places and act as a catalyst for other urban regeneration in the region” (Growth Management Queensland, 2010).

The Council of Mayors (SEQ) has prepared a list of TOD implementation principles to form the basis for further discussions with the State Government in promoting a renewed partnership to realising TODs which includes:

- TODs to be undertaken in partnership between State Government and the relevant local government/s;
- TODs to be declared as projects of state significant at specific public transport nodes with a state/local government taskforce established for each TOD to answer to the Minister and the Mayor;
- The Sustainable Planning Act 2009 could be modified to incorporate a special planning regime for TODs (similar to Ministerial ‘call in’ type powers to fast track taskforce recommendations);
- An overall joint community information campaign on TODs should be launched to outline benefits and reason for approach; and
- Agreement should be reached on the number of commuter car parks to be provided at designated TODs.
Residents who participated in the LCCP community perceptions survey believe that medium density works in the following situations:

- new housing for the rental market;
- new housing close to public transport;
- new housing when it comes with more services and facilities for local residents;
- new housing for young families; and
- new housing for retirees.

Medium density housing is seen to be best suited to major suburban centres with transport interchanges as well as major coastal tourism centres and, to a lesser extent, inner city Brisbane (TNS Social Research (2010) for Queensland Growth Management Summit).

In Logan, eight in ten residents would prefer to see existing green space left and higher density built amongst current housing. Long term residents were more likely to prefer a minimum development scenario.

This is interesting when compared to the findings of the LCCP community perceptions survey.

Half of residents feel it is important to remain in their local neighbourhood for the next 10-20 years (half are either ambivalent or want to move):

- Residents in Redlands, Somerset, Lockyer Valley, Scenic Rim, Sunshine Coast and Moreton Bay are most likely to want to remain local.
- Residents in Logan and Ipswich are least likely to want to remain local.

Although half of residents are likely to live the same distance from their urban centre as they do now, almost one fifth will move further away:

- The exceptions are residents in regional areas (e.g. Scenic Rim) who wish to move closer to an urban centre.
- Half of residents will live in a similar size house but there is likely to be a net rise in the number of households living in smaller properties.
- This is more pronounced in Somerset, Scenic Rim, Gold Coast, Redlands and Moreton Bay.

I would like to see a wide mix of housing types – detached houses, small-lot houses, townhouses – so that people can grow and age within the same community. People should be given the opportunity to grow up in a family home, move to a share house, settle down in a unit, move to their own family home, downsize to a unit in retirement, and move to retirement living in their later years – all within the same community, and same social connections (butcher, newsagent, doctor, dentist, neighbourhood acquaintances, etc.)

LCCP Community Perceptions Survey
Implications

The TOD implementation principles set out by the Council of Mayors (SEQ) present a range of challenges for both State and local government if they are to work together to effectively facilitate TOD outcomes in appropriate locations. In this regard, further discussions will need to be held between relevant state agencies and the Council of Mayors (SEQ) to determine appropriate governance arrangements, planning frameworks, land amalgamation, financing mechanism and TOD delivery options in this regard.

With respect to housing mix, the research underpinning the Next Generation Planning Handbook suggests that settlements in SEQ can be understood as a series of place types which share common characteristics. There are eight place types in the SEQ Place Model ranging from natural areas, rural areas through to more suburban and urban areas, activity centres and CBDs. “The SEQ Place Model is designed to promote a more compact urban form, including increased availability and diversity of housing for people of all income levels, walkable neighbourhoods, attractive mixed use communities, access to transportation choices, reduced car dependency, and protecting our natural landscapes”. The SEQ Place Model can help councils organise different parts of their local government areas towards achieving similar strategic planning outcomes such as, identifying the most appropriate locations for higher densities with a greater mix of housing types. The Next Generation Planning Handbook suggests that providing for a range of housing types in more places will assist achieve greater housing affordability as well as enable people to relocate within their existing community (i.e. age in place). The SEQ Place Model can be applied to urban growth areas, areas of renewal and existing suburbs at the discretion of local government recognising that they are the entities best positioned to determine the most appropriate locations for more compact forms of urban development (Next Generation Planning, Council of Mayors (SEQ), 2011).

These principles are already being reflected in local planning schemes across the region. Local Councils are also developing policies in relation to older people’s housing and ageing in place. Ultimately, each local planning scheme will set the framework for housing choice, diversity and location according to the characteristics and needs of the local area.

Recommendation

PR1 That the Council of Mayors (SEQ) work with Growth Management Queensland and other relevant State agencies to build on the successful partnership approach, such as that developed at Yeerongpilly, to deliver TODs in appropriate infill locations.

2.2.5 What is the nature of supply in SEQ?

There are two key supply issues:

- Rate of supply to meet demand (and reduce pressure on housing prices); and
- Whether the diversity and types of dwellings are meeting demand.
Rate of supply

Whilst dwelling supply is projected to grow nationally, the NHSC is concerned that if only a small proportion of potential new dwellings anticipated to be built across the country do not proceed to completion, new dwelling completions will not meet the increase in underlying demand. It is also believed that over two thirds of dwelling growth in capital cities is expected to be provided through infill development (however, whilst all infill activity would be expected to be medium and high density to meet demand growth, only 30% of all dwelling completions in recent years have been flats, apartments or townhouses).

In the year to June 2010 there were 23,835 new dwelling approvals in SEQ, a 12% increase on 2008-09 levels (SEQ Growth Management Program Annual Report 2010). However, figures from the ABS show a fall in building approvals between June 2010 to May this year.

Up to June 2010 new infill dwelling approvals were tracking ahead of pro rata dwelling infill targets, although 53% of these were for detached dwellings (SEQ Growth Management Program Annual Report 2010). It is also important to note that these statistics only represent dwelling approvals and do not represent actual dwelling activity during this period.

Of the 3,511 infill multiple dwelling projects at June 2010, 69.5% of these were for projects which will contain 10 or fewer new dwellings, with 20.3% for projects with 11-49 new dwellings. The remaining 10.2% of projects were identified with 50 or more new dwellings to be constructed. This indicates that the majority of infill development projects are what could be defined as medium density. (AEC, 2011)

2.2.6 What is the diversity of housing stock in SEQ?

Current supply in SEQ is limited in terms of dwelling type, size, design and cost with smaller dwellings being underrepresented in the current market. The dominant housing form across the region is detached dwellings, accounting for 77% of total housing stock, with semi-detached representing 9%, and units and apartments accounting for 12%.

Rural and regional areas tend to have the highest proportions of detached dwellings. The highest levels of semi-detached housing, units and apartments are found in Gold Coast, Brisbane and Sunshine Coast, concentrated close to areas of high amenity (coastlines, rivers and major parklands), universities, State significant cultural facilities and quality retail cafe and restaurant precincts.

PLACE Design point out that, overall, the proportion of ‘other’ dwelling types has been on the increase in SEQ, rising from 32% of all building approvals in 2008-09 to 36% in the financial year to March 2011. In 2010 semi-detached dwellings accounted for the largest proportion (17.4%) of medium and high density dwelling building approvals for the year. Sales of three bedroom apartments have increased proportionally since 2005. (AEC, 2011)
There has also been a 4.1% increase in the number of infill dwellings in the pipeline between December 2009 and June 2010; the majority of infill dwelling projects are medium density (i.e. small >10, or medium 11-59 dwellings). (AEC, 2011)

There is significant variation between LGAs, with Redcliffe (prior to amalgamation) and Gold Coast being the only two LGAs where new medium and higher density dwelling forms outnumber new houses. In general, the proportion of medium and higher density housing forms is greater in inner city and beachside locations. Many of the ‘other residential buildings’ approved in the Gold Coast would be either short term rentals or holiday homes.

Table 1 Building Approvals: Growth in “Other Dwellings”, July 2008-March 2011 (ABS/JLL)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Brisbane</td>
<td>66%</td>
<td>33%</td>
<td>57%</td>
<td>43%</td>
<td>57%</td>
<td>43%</td>
</tr>
<tr>
<td>Ipswich City</td>
<td>95%</td>
<td>5%</td>
<td>86%</td>
<td>14%</td>
<td>90%</td>
<td>10%</td>
</tr>
<tr>
<td>Logan City</td>
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<td>78%</td>
<td>22%</td>
<td>74%</td>
<td>25%</td>
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<tr>
<td>Caboolture</td>
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<td>23%</td>
<td>82%</td>
<td>18%</td>
<td>74%</td>
<td>26%</td>
</tr>
<tr>
<td>Pine Rivers</td>
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<td>23%</td>
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<td>34%</td>
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<tr>
<td>Redcliffe</td>
<td>37%</td>
<td>63%</td>
<td>19%</td>
<td>81%</td>
<td>22%</td>
<td>78%</td>
</tr>
<tr>
<td>Moreton Bay Regional Council</td>
<td>74%</td>
<td>26%</td>
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<td>31%</td>
<td>64%</td>
<td>36%</td>
</tr>
<tr>
<td>Redland City</td>
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<td>30%</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Gold Coast</td>
<td>41%</td>
<td>59%</td>
<td>65%</td>
<td>35%</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>Sunshine Coast</td>
<td>71%</td>
<td>29%</td>
<td>78%</td>
<td>22%</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Toowoomba</td>
<td>67%</td>
<td>33%</td>
<td>62%</td>
<td>38%</td>
<td>58%</td>
<td>41%</td>
</tr>
<tr>
<td>Lockyer Valley</td>
<td>96%</td>
<td>3%</td>
<td>98%</td>
<td>2%</td>
<td>89%</td>
<td>11%</td>
</tr>
<tr>
<td>Scenic Rim</td>
<td>100%</td>
<td>0%</td>
<td>93%</td>
<td>6%</td>
<td>93%</td>
<td>7%</td>
</tr>
<tr>
<td>Somerset</td>
<td>94%</td>
<td>6%</td>
<td>97%</td>
<td>3%</td>
<td>99%</td>
<td>1%</td>
</tr>
<tr>
<td>Total - All LGAs</td>
<td>68%</td>
<td>32%</td>
<td>65%</td>
<td>35%</td>
<td>64%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Source: PLACE Design, 2011

The variance in medium density product is mostly owing to the planning provisions and the density being achieved, with the location, demand and cost playing a significant role in what type of product is utilised.

PLACE, 2011
PLACE Design identifies 4 typical product types as shown in the table below.

Table 2  Types of Medium Density Development

<table>
<thead>
<tr>
<th>TYPE 1</th>
<th>TYPE 2</th>
<th>TYPE 3</th>
<th>TYPE 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>2-3 Storey unit or attached townhouse product</td>
<td>3-5 Storey unit buildings</td>
<td>3-5 Storey unit building with underground car parking</td>
</tr>
<tr>
<td>Density</td>
<td>20-40 du/net ha</td>
<td>40-60 du/net ha</td>
<td>60-80 du/net ha</td>
</tr>
<tr>
<td>Carparking</td>
<td>Ground floor primarily single garages with parking provided within access/driveway areas</td>
<td>Ground floor consolidated car parking area</td>
<td>Ground floor consolidated and underground car parking</td>
</tr>
</tbody>
</table>

Source: PLACE Design, 2011

Semi-detached housing accounts for a relatively small segment of the overall housing structure in Brisbane and in the region generally. Industry consultation carried out by AEC Group found that stakeholders viewed terrace housing as an underrepresented built form in SEQ particularly in comparison with Melbourne and Sydney. Stakeholders surveyed viewed this as a potentially significant opportunity to meet a range of market and policy requirements for the following reasons:

- it has a low built form density, ensuring affordability of construction;
- it provides some land so it is analogous with traditional detached housing thereby gaining greater acceptance in the market;
- it can be provided with freehold title (with associated shared wall provisions); and
- it can achieve residential densities of up to 50 dwellings per hectare (AEC, 2011).

There are many factors affecting supply including construction costs (labour, materials), land availability, land prices and development processes.

Whilst the NHSC predicts supply to increase in the longer term, the recent recovery in construction has been largely in the detached housing sector and not multi-unit developments which are still being affected by the tightening of finance to developers as a result of the global financial crisis (GFC).

2.2.7 What is the mismatch between supply and demand in SEQ?

Given the projected increase in smaller households and the indications that housing preferences are changing towards smaller dwellings, an increase in medium density development as a proportion of overall development is required in order to meet demand, particularly for the 50+ age group looking to downsize within the next ten years.
Analysis of demographic trends at the regional scale found that the greatest potential mismatch between household type and dwelling stock is likely to occur in the Logan, Moreton Bay and Redland LGAs. Moreton Bay and Redlands are projected to experience the biggest decline in couple families with children and the biggest increase in lone person households over the next twenty years but have relatively high proportions of detached dwellings. The shift in household composition in Logan is projected to be slightly less pronounced than Moreton Bay and Redlands, but the potential mismatch will be exacerbated by the expected population growth.

Research by Australian Housing and Urban Research Institute (AHURI) in 2005 also points to a potential mismatch in the broader Queensland market. The report found that despite the trend towards inner city apartment living, the vast majority of young couples still live in detached housing. Eight out of ten ‘young couple only households’ (under 35 years) live in detached houses (unpublished Queensland data from the latest Australian Housing Survey 1999). This may not be a matter only of preference, but also lack of choice.

The Housing Needs Assessment for the Gold Coast carried out in January 2007 found that there is a strong correlation between the type of dwelling (separate house, flat or semi-detached dwelling) and the type of household occupying it (Single Parent With Child, Couple With Children, Couple Without Children, Lone Person, or Group Household). For example a relatively high rate of smaller households, consisting of one or two persons, resided in flats, units or apartments with 59% of lone person households and 31% of couple without children households living in semi-detached dwellings or flats/units. The growing number of smaller households coupled with changing perceptions suggests that there is growing demand for smaller dwellings in a market dominated by detached dwellings resulting in an unmet demand.

A Housing Needs Assessment for the Sunshine Coast was carried out in August 2009. An analysis of the distribution of household types by dwelling type shows that detached houses are the dominant dwelling type for all households and the most commonly occupied type of housing for families with children with 93.2% of all household type residing in detached houses followed by 78% of couple families without children and 53% of lone person household types. Conversely only 6.2% of couple family with children household live in semi-detached or attached dwelling types or 11.3% of couple families without children and 27.8% of lone person households. This is an indication of the housing choices that people are making but it also highlights the dwelling types that make up the current housing stock on the Sunshine Coast.

The Department of Communities also highlighted the mismatch in its 2008 report Housing Analysis for the Sunshine Coast, estimating that in 2006 there was an undersupply of small dwellings and an oversupply of large dwellings in the order of 24,000. It should be noted that projections by the Department of Communities are based on the following assumptions:
1. That the housing choices of low income households are more constrained than those of higher income households and that their needs would be better met by smaller housing which should be more affordable than larger housing; and

2. That the housing choices of higher income households are less constrained and that their needs are generally met by the existing housing market.

To address the mismatch on the Sunshine Coast a policy position has been adopted by Sunshine Coast Council which seeks to increase the diversity of housing stock and encourage the provision of smaller and more modest housing forms. To measure this indicative targets have been forecast to be achieved by 2031:

- a reduction in detached housing from 76% to 53% of all housing stock;
- an increase in semi-detached dwellings from 10% to 26%; and
- an increase in attached dwellings from 12% to 20%.

The Logan Housing Needs Analysis (2008) found changes in family structure would create demand for up to 7,000 smaller dwellings than is likely to be supplied to the market based on current trends and practice. The Department of Housing provided an additional estimate of an existing deficit of 10,700 one and two bedroom dwellings in 2006, with the shortfall likely to increase by a further 8,200 over the 20 year period to 2026.

The implications are such that not only do we need additional smaller dwellings in SEQ, but we need a greater diversity of products that are more liveable as well as sustainable.

2.3 **Key drivers of product price and viability**

Whilst an increasing demand in attached and medium-density housing is projected over the next 20 years, the NHSC (2010) has identified various potential barriers to the provision of infill development including:

- it is more expensive to build a two bedroom unit in an infill location in SEQ than to build a three bedroom house with a backyard in a greenfield location;
- planning approval and development assessment processes generally add time, uncertainty and costs; and
- higher construction and raw land costs make it generally more expensive and commercially risky to build infill than Greenfield dwellings.

NHSC (2010) also identifies other barriers to increasing housing supply via infill development include difficulties in aggregating and preparing land for construction, securing development finance, and delays in securing legal title for flats, unit or apartments as well as community opposition.

If the development is built in the same location the construction cost of medium density housing is likely to be, in comparison to low-density (detached) houses and high-density (apartment) houses of similar standard, as follows:

- 20-40% more per square metre than low density; and
- 20-40% less than the high density (PLACE Design, 2011).

The more constrained site access typical of city and inner suburbs adds to costs, compared with relatively constraint-free Greenfield development (PLACE Design, 2011).
The following cost factors have been analysed as part of this project:

- construction costs;
- land costs;
- land supply;
- land amalgamation;
- siting and design;
- the cost of infrastructure;
- access to finance;
- the taxation regime;
- the development process; and
- current models of property ownership.

### 2.3.1 Construction Costs

Construction accounts for the greatest proportion of total costs (more than 50%) and the greatest proportion of time taken in the development process. There have been substantial cost increases in recent years as a result of the high demand for labour and materials and increasing regulation for sustainability and safety (NHSC, 2010).

PLACE Design (2011) found that a 5% increase in building cost will add about $2,200 to a dwelling, based on a standard 10 unit project.

Built form height thresholds are the key determinant of overall built form construction cost (AEC, PLACE Design, 2011). Table 3 below shows indicative costings for basic/medium/high standards of finish (PLACE Design, 2011):

**Table 3**  Indicative Costings for Basic/Medium/High Standards of Finish

<table>
<thead>
<tr>
<th>Dwelling Type</th>
<th>Standard</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 1a – Townhouses</td>
<td>$1,000/m²</td>
<td>$1,250/m²</td>
<td>$1,500/m² +</td>
</tr>
<tr>
<td>Class 2i – Three Storey (Walk Up)</td>
<td>$1,500/m²</td>
<td>$1,700/m²</td>
<td>$1,990/m² +</td>
</tr>
<tr>
<td>Class 2ii – Five Storey (inc Lift)</td>
<td>$1,700/m²</td>
<td>$1,900/m²</td>
<td>$2,300/m² +</td>
</tr>
<tr>
<td>Class 2iii – Eight Storey (inc Lift &amp; Fire)</td>
<td>$1,700/m²</td>
<td>$2,000/m²</td>
<td>$2,400/m² +</td>
</tr>
<tr>
<td>Class 2iv – Fifteen Storey (inc Lift &amp; Fire)</td>
<td>$1,800/m²</td>
<td>$2,000/m²</td>
<td>$2,400/m² +</td>
</tr>
</tbody>
</table>

*Note: The build figures are based on m² rates from Rawlinsons Construction Cost Guide and also confirmed with Mitchell Brandtman, QS Company.*

These costs include construction materials, engineering and labour as well as costs associated with complying with Occupational Health and Safety (OHS) and union conditions.

However, it should be noted that, whilst per square metre costs are higher, the total floor space of attached dwellings is lower (see Table 4 and Figure 4 on page 33).
Table 4  Average Floorspace of New Detached and Attached Dwellings, Queensland, Australia, 2001 – 2009

<table>
<thead>
<tr>
<th></th>
<th>New Detached</th>
<th>New Attached</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>QLD</td>
<td>Australia</td>
</tr>
<tr>
<td>2001</td>
<td>234.3</td>
<td>227.5</td>
</tr>
<tr>
<td>2002</td>
<td>223.7</td>
<td>221.2</td>
</tr>
<tr>
<td>2003</td>
<td>233.9</td>
<td>229.2</td>
</tr>
<tr>
<td>2004</td>
<td>241.5</td>
<td>235</td>
</tr>
<tr>
<td>2005</td>
<td>245.5</td>
<td>238.4</td>
</tr>
<tr>
<td>2006</td>
<td>252.4</td>
<td>242.6</td>
</tr>
<tr>
<td>2007</td>
<td>239.6</td>
<td>239.3</td>
</tr>
<tr>
<td>2008</td>
<td>247.3</td>
<td>239.6</td>
</tr>
<tr>
<td>2009</td>
<td>253.7</td>
<td>248</td>
</tr>
<tr>
<td>Average</td>
<td>241.3</td>
<td>235.6</td>
</tr>
</tbody>
</table>

Source: ABS 8731.0 - Building Approvals, Australia, Feb 2010 Feature Article: Average Floor Area of New Residential Dwellings

Medium density housing costs slightly more to build per square metre than commercial projects. Building licensing requirements are more onerous for developments above three storeys, so there are fewer builders in this market.
Representatives of the development industry interviewed by AEC for this project indicated the preferred levels of development intensity as below 4 storeys and above 10 storeys. Below 4 storeys and the built form engineering and construction costs remain affordable on a per dwelling basis. Above 10 storeys and costs associated with lifts, fire safety, underground car parking, and union/OHS compliance can be spread across a larger number of dwellings, minimising end cost impost on the purchaser and maintaining affordability.

They also reported that increased activity in the mining sector invariably increases the cost of engineering related construction activity required for larger scale medium and high density residential development.

In a competitive market, such as we are experiencing now, developers are seeking greater certainty and reducing risks through the use of fixed price building contracts (PLACE Design, 2011).

Building techniques required for medium density housing tend to be more sophisticated than for low-density housing, and there are particular requirements for fire rating and noise reduction and noise transfer between attached dwellings/ compartments (Rw and CTR ratings). Bespoke designs can result in escalated costs, therefore when considering the design of medium density dwellings, generic designs will result in reduced design and build costs.

Some areas within SEQ are quite sensitive to construction cost and quality of build. For example, sensitivity testing undertaken in Lockyer Valley showed that reducing the build finish from a medium finish ($1,250/m²) to a standard finish ($1,000/m²) meant that project viability was more achievable (PLACE Design, 2011).

On-site car parking typically increases the amount of hard standing on a development site, and reduces the flexibility for provision of private and communal open space. The provision of a car parking space for a one bedroom unit can add sufficiently to the dwelling price so as to inhibit sales and developers are seeking relaxation of car parking provisions to increase marketability (e.g. North Shore Hamilton).

PLACE Design (2011) found that 1.5 car parking spaces per dwelling adds between $25,000 and $50,000 to the sale price of units. Sensitivity testing on a reduced number of carparks to one space per dwelling showed a saving of $7,000 per dwelling unit based on a ten unit project.

A new national disability standard, called the Premises Standards, sets the minimum requirements for providing disability access to and within buildings and to common facilities. Apartment buildings, unit blocks and flats are subject to these new requirements. The most significant impact of the new standards will be the need for additional floor areas to accommodate the requirements within the building, e.g. width of stairwells, inclusion of lifts, widths of doorways etc.

Industry has tended to react negatively to the introduction of sustainability initiatives as a cost impost. For example, some Victorian industry claimed the move to 5 star (building energy efficiency standard) in Victoria would add $15,000 to each dwelling while researchers and those builders already building to this standard claimed the real cost was less than $1,500 per dwelling (Ambrose, 2011).

Research indicates that the adoption of sustainability and energy efficiency features and designs will add between 3%-5% to construction costs. This has a direct impact on a
project’s return and may impact on a project’s viability. However, if green design strategies are set to become “the norm” for residential buildings, the impacts will ultimately be borne by the purchaser. (PLACE Design, 2011).

Indeed, participants at the LCCP community forums in July 2011 viewed sustainability and energy efficiency features as very important and stated that they would be prepared to pay a premium for such features.

PLACE (2011) reports that new construction materials and techniques, such as modular building forms, can expedite the build program but there is no hard evidence that they radically lower build costs.

**Implications**

Construction costs are not generally responsive to policy adjustments, with the exception of building standards and minimum design requirements such as car parking.

Building Code of Australia (BCA) standards directly influence the viability of medium density development between four and eight storeys. Given that this is the scale of development that meets good urban design principles, particularly in areas of relatively low-rise existing development, there may be an opportunity to reconcile these two conflicting policy areas.

Relaxation of car parking standards can improve the affordability and saleability of smaller medium density dwellings particularly in unit developments close to public transport nodes. Introducing associated policies on resident/on-street car parking, car sharing or ‘unbundling’ car parking will help to avoid the transfer of parking from site to street, and help to reduce car use. This, however, needs to be carefully considered in the context of local planning policies.

**Recommendations**

PO1 Explore opportunities to amend the Building Code of Australia to allow more design and construction flexibility and efficiency in medium density dwellings of 3 – 8 storeys.

PO2 Compile a leading practice car parking policy toolkit with examples of successful, innovative approaches which could be adopted as appropriate by councils.

### 2.3.2 Land Supply

Land for infill development is driven by the availability of supply, which in turn is affected by competition for other uses, and the time and cost of acquiring sites available for development. Land assembly, approval time, demolition costs, the extent of community opposition, and measures to minimise interruptions to existing surrounding services can add to the costs of securing and holding land (National Housing Supply Council, 2010).

Land for higher density developments, such as small lot subdivisions, was estimated to make up around 20 % (6,599 hectares) of the total urban residential stock in SEQ. Just over half of this higher density urban broadhectare stock is located in Ipswich City (3,399 hectares). The remaining broadhectare land for higher density urban development was more or less evenly spread across the Local Government areas of Gold Coast, Logan, Moreton Bay, Sunshine Coast and Brisbane. (OESR Broadhectare Study, 2009)
Growth Management Queensland (GMQ) (2010) states that, for the whole of SEQ, there is significantly more than 10 years planned supply and 15 years combined planned and emerging supply for both infill and total dwellings.

**Implications**

The broadhectare study measures land supply based primarily on larger parcels (greater than 2500 m²), which represent the first stage in the land development pipeline for future residential development. A similar study identifying smaller parcels of land available for infill would be timely, particularly as more than half current dwelling approvals in infill areas are for detached dwellings (GMQ, 2010).

There may be opportunities to make better use of surplus government land for infill development, or follow the example of Logan City Council, which is working in partnership with the Department of Communities to establish an independent not-for-profit housing company to supply affordable housing in Logan. One of the aims of the company is to bring about substantial neighbourhood regeneration in areas in Logan where concentrations of under-utilised or out-dated social housing exists. Once established, the company will seek ways to transform these areas into more affordable medium density housing for rent and purchase. A formal proposal to establish the Logan Housing Company is expected to be considered by the Queensland Treasurer later in 2011.

**Recommendations**

**PO3** Encourage the State and Federal Government to identify opportunities to make better use of surplus government land for infill development.

**PO4** Work with Growth Management Queensland to prepare more detailed analysis on infill land supply as part of the SEQ Growth Management Plan. This could include identifying smaller parcels of land (less than 2500m²) available for infill development.

**2.3.3 Land Costs**

The price of raw land adds to cost – driven by the availability of supply, the land purchase price including other costs associated with land assembly and approvals.

Land costs rise if medium rather than low-density development is assumed to be possible. In central and inner suburbs, land values assume that high-value accommodation will be built on that land. As land costs rise, the returns must compensate this increase, and the only option is to increase the density of the development’s yield. As a result of this increased density, the built form costs and total development costs subsequently increase. To cater for this increase and to achieve a comparable return, the sale price of the units must either increase or the project will not be feasible.

Through its feasibility work, PLACE Design (2011) noted that in most cases a price discount ($/m² or $/dwelling) is generally applied to development sites acquired prior to approval compared with approved sites. Where the approval is considered to be generally consistent with code, the premium paid for an approved site is modest. The greatest land price differential (pre and post approval) was noted where a Material Change of Use (MCU) had been approved to substantially increase density (reflected in land value-uplift where the land was on-sold with approval). PLACE Design found a number of sites acquired with approvals...
in place have still proceeded to development, indicating that a proportion of sites are being acquired at viable levels.

According to AEC (2011) land prices have increased by 300% and above in the Gold Coast East and Brisbane regions for the period 1989-2010. The 7th Annual Demographia International Housing Affordability Survey 2011 found that 95% of inflation adjusted house price growth over the 10 years to 2006 can be attributable to land value increases, with only 5% attributable to construction costs.

As land costs rise as a proportion of overall development costs, the relative costs of construction decrease and the viability of developing medium density housing increases. However, the overall affordability of housing falls as prices rise, particularly in inner areas.

Econometric modelling for units, houses and land shows that the SEQ housing market does not behave in a similar way to the national average: it is one of a handful of regions in Australia growing at a faster rate than the rest and downward pressure on prices will not be as responsive to positive increases in supply (AEC, 2010).

Similar modelling for the LCCP project undertaken by AEC shows that the market for units respond to changes in stock market prices real lending rates, consistent with investor markets, whereas an increase in housing stock results in downward pressure on prices.

The modelling also indicated that there were significant but different responses of the growth rate of land prices to increases in the stock of housing (units and houses) across the regions:

- a 1% increase in the total stock of housing per capita reduced the rate of growth of real prices of land in Logan (C), Northwest Outer Brisbane, Southeast Inner and Outer Brisbane and Toowoomba. This is the expected response to real increases in the total stock;
- real prices continued to increase even when the housing stock was increasing in Gold Coast West, Inner Brisbane, Ipswich City, Lockyer Valley (R), Moreton Bay (R) and Somerset; and
- the rate of growth in real prices did not respond to increases in the stock of housing in Gold Coast East, Northwest Inner Brisbane, Redland (C), Scenic Rim (R) and the Sunshine Coast.

**Implications**

The econometric modelling illustrates that there is a continuing underlying demand in some parts of the region that surpasses supply to the degree that increases in supply are unlikely to equalise the existing significant imbalance between supply and demand. AEC (2011) recommends that further research is carried out to better understand the long-run trends in SEQ housing markets.

**Recommendation**

PO5 Investigate the opportunity for regulatory mechanisms to provide for increased dwelling yields, within an agreed urban design framework, that could reduce per dwelling land and construction costs.
2.3.4 Land Amalgamation

One of the major challenges of infill development is the assembly of suitable parcels of land to ensure adequate size and scale for development feasibility. AEC (2011) contends that, at present, there is a lack of incentives or consistent mechanisms for land assembly in Queensland.

It takes time and money to aggregate and prepare land for construction and delays can be experienced due to potential multiple ownership of land. Existing infrastructure may need to be augmented and demolition of existing structures or site decontamination may be required adding to the cost. Heritage and conservation issues may also add to time delays and uncertainty.

The Department of Transport and Main Roads (DTMR) is responsible for facilitating and negotiating private sector purchase and development of land within DTMR corridors, while the Coordinator General is able to acquire land in any location for a range of purposes (eg, establishment of industry, essential services and infrastructure corridors) providing it has been declared as a state development area under the State Development and Public Works Organisation Act 1971.

The development industry considers that the optimal lot size for infill development is 810m$^2$, or 32 perch, because land amalgamation is not required (AEC, 2011). Across the region, the optimal lot size varies between 600m$^2$ (Gold Coast) and 800m$^2$. Development industry representatives interviewed by AEC questioned the practical capacity of the market to acquire and amalgamate traditional residential lots of less than 800m$^2$, given that the requirement to purchase two adjoining lots traditionally results in a significant price increase being sought by the households (particularly the second household). They also saw the reluctance to redevelop existing low density housing by owner occupiers emotionally attached to their homes as a barrier to infill medium density housing.

Implications

As the availability of easily developable lots declines, we will need to find improved mechanisms to facilitate land amalgamation, or alternatively promote greater yields on single title through the development of medium density code provisions.

Whilst the Next Generation Planning Handbook explores standard code provisions for medium and high rise apartments, only general guidance has been provided as this type of building takes a wide range of forms. Therefore, an opportunity exists to further explore the development of voluntary Queensland Planning Provisions (QPP) compliant code provisions, to enable greater diversity of medium density development including, for example, ‘the new six-pack’ on 600 - 800m$^2$.

Stakeholders consulted by AEC viewed the application of government compulsory acquisition powers to established urban precincts as an effective mechanism for allowing for potential redevelopment lots to be amalgamated and placed on the market for redevelopment.

Other potential approaches include:

- incentives to households in established urban areas (in locations where increased density development outcomes are preferred) to redevelop their detached housing, including stamp duty;
facilitating site amalgamation via a convenor or facilitator for an area (this is sometimes led by government agencies in lieu of private sector integration);
- faster development approvals for amalgamated, good-quality projects;
- infrastructure delivery programs, including transit investment that is integrated, with committed funding, in TOD locations; and
- land pooling for major development schemes, in which landowners become pro rata shareholders in the development project according to their land contribution and receive a portion of the distribution from cash flow generated.

### Recommendations

**PO6** Explore opportunities for developing voluntary Queensland Planning Provisions (QPP) compliant code provisions, to enable greater diversity of medium density development within current zones, including, for example, ‘the new six-pack’ on 600-800 m².

**PR2** Investigate the opportunity for specific land amalgamation mechanisms.

### 2.3.5 Siting and Design

A number of design issues have been raised during the research phase of this project:

- **Bespoke design is more expensive than generic/off the shelf products (PLACE Design, 2011).**

- **As discussed earlier in this paper, the adoption of sustainability principles and designs will typically result in a 3 - 5% increased capital cost. It has however, the potential to enhance the building’s asset valuation, attract prospective tenants and lead to long term recurrent cost reductions. LCCP community forum participants said that housing needed to incorporate best-practice sustainability in terms of design and building products. In fact, most were prepared to pay an up-front premium for sustainable features as they believed this would provide them with long-term associated energy cost savings (BBS, 2011). Despite being incorporated into the BCA in 2006, States through their own building codes can overcome the energy rating requirement or establish a lower requirement.**

Commonwealth Scientific and Industrial Research Organisation (CSIRO) has designed and constructed a Zero-Emissions House (ZEH) with the aim of stimulating market demand for this type of product and facilitating the industry’s capability to deliver. A ZEH is a house that completely offsets emissions associated with the consumption of energy from grid connected sources by the on-site or near-site production of energy from renewable sources on an annualised basis.

Traditional cut and fill and slab construction are seen as cheaper options by builders, but results in dwellings that are not sensitive to topography (and cut and fill techniques may not be cheaper above a certain gradient in any case).

There is a tendency to equate ‘affordable’ with cheap and poorly designed housing, despite the existence of some exemplar affordable medium density housing developments.

An over-emphasis on service vehicle and other engineering requirements can compromise the flexibility of building design and reduce the availability of both communal and private open space. This issue has been raised by Local Government officers and the development industry.
Developments that incorporate a mix of retail, commercial and residential features gained strong support at the LCCP community forums. People like the concept of living and working in the same building or living and shopping in the same area. Housing products such as small office/home office gained the most positive responses from forum participants (BBS, 2011).

LCCP community forum participants identified the following design features as important:

- ability to develop or adapt the dwelling during lifecycle changes (e.g. modular design);
- flexibility to use indoor and outdoor space differently in winter and summer;
- adequate private open space (such as balconies big enough to accommodate a table and chairs), and usable communal open space;
- streetscaping and tree plantings, to avoid a concrete jungle;
- sympathy with heritage character (Toowoomba); and
- sub-tropical design (Sunshine Coast).

**Implications**

Residents of SEQ clearly see the longer term cost of living benefits of sustainable design features and want them incorporated into medium density housing. This finding supports the notion of demand for medium density development as a series of trade-offs between dwelling price, location, transport costs, access to services and design.

There are a number of desirable design features that could potentially be incorporated into medium density development on a systematic basis, without making it unaffordable, based on existing leading practice in SEQ and elsewhere.

**Recommendations**

PR3 Document examples of well-designed affordable and sustainable housing, and the design principles underpinning them, as a portfolio of good practice.

PR4 Compile a set of design principles reconciling ‘affordable’ elements with good design, including sustainability features, topography-sensitive buildings etc, based on current leading practice.

PR5 Undertake a demonstration project in partnership with peak industry and Local Governments to showcase how planning practice can facilitate well-designed medium density development in infill areas.

**2.3.6 The Size of the Project**

PLACE Design (2011) has conducted a site feasibility analysis for a range of medium density sites in SEQ. The study assesses the feasibility of delivering medium density development within existing urban areas across SEQ taking into account land costs, construction costs and sales rates among other factors. Where a development may be feasible in terms of construction and development costs and return, an affordability index-implied maximum purchase price is then used to determine the likely amount that a household could spend on the purchase of a home based on the borrowing limit of 35% of household income.
This study is currently being finalised. Initial findings have revealed that a number of key planning controls that have an impact on project viability:

- How Councils control density varied significantly across each jurisdiction. It was noted that the variance of these controls had the single greatest impact upon project design and viability. Changes to plot ratio on almost all smaller sites changed project viability (without changes to secondary built form provisions);

- The maximum allowable height was not considered to be a key influence upon project viability or design, as in many instances the allowable/max gross floor area could be achieved within lower heights. However limiting development to two storeys in height, will ultimately constrain the types and style of medium density possible;

- The prevailing minimum site size for medium density development was 800m². This will constrain smaller redevelopment projects of more common lot sizes between 600-800m². The prevalence of readily available lots at 800m² and above will also constrain medium density projects;

- Site cover controls was a constraint on the smaller sites, however, less of an issue on the 1200/1800m² sites. A cap of 40% on the 600 and 800m² sites limited the size and style of development possible; and

- Carparking controls varied across the LGAs. The most common rate was 1 space per dwelling and 1 visitor per 4 dwellings, equating to 1.25 spaces per dwelling. The highest rates were Logan and Gold Coast at 2 spaces per dwelling and then 1 visitor space per 2 dwellings. Development was generally feasible with the lower parking rate of 1.25 spaces per dwelling, whereas feasibility was hard to achieve with parking rates of greater than this.

**Implications**

Planning controls can have an adverse impact on project viability and affordability. Reducing setbacks and car parking requirements and increasing plot ratio can increase viability. Replacing basement car parking requirements with ground floor car parking can also reduce costs and improve affordability. The size of the project also impacts on viability and affordability with larger projects carrying greater project market risk due to longer lead times in both pre-sales and construction.

**Recommendation**

| PO7 | Prepare a guideline which summarises, on a LGA and a regional basis, the influence of planning provisions and development size on project viability, which can be used to support the preparation of local planning schemes. |

**2.3.7 The Cost of Infrastructure**

Much of the debate on the effects of infrastructure costs on housing development focuses on water, sewerage and other services provided at the local level. However, from a wider policy perspective, Trubka et al (2008) argue that “Despite the area-specific nature of calculating development costs, the evidence suggests that initial capital costs and operating costs of [fringe] developments outweigh the costs associated with inner-city redevelopment.”

The development industry has long viewed Local Government infrastructure charges as an inhibiting factor in housing development. If a development requires the upgrading of trunk infrastructure then the utility provider charges that cost to the development, or the developer completes the works. The development will also bear the costs of infrastructure charges to
compensate for pressures placed on existing infrastructure. Infrastructure contributions are generally factored into the development cost and cash flow at the initial feasibility estimates for a project, and are generally recouped through the sale of the dwellings.

According to PLACE Design (2011), the growth in these charges can affect the viability of medium density projects and KPMG (2010) states: “the development industry universally regards the timing and level of infrastructure charges as detrimental to infill development activity.”

KPMG (2010) notes that infrastructure costs in Queensland are considered to be well above the levels experienced in other States, resulting in national development companies favouring non Queensland-based developments in an effort to preserve rates of return.

However, a study commissioned by LGAQ in 2009 to benchmark infrastructure charges in QLD’s high growth Local Governments indicates that Queensland infrastructure costs are comparable and in some instance lower than other States (NSW, VIC and WA). As can be seen in Table 5, some Local Government Areas in NSW and WA have a charge of over $30,000 per residential block which is higher than the QLD average of $22,302.

Table 5 Comparison of Infrastructure Charges

<table>
<thead>
<tr>
<th>Low Density Residential Block</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Queensland High Growth Councils - average</td>
<td>$22,302</td>
</tr>
<tr>
<td>Blacktown City Council (NSW)</td>
<td>$33,391</td>
</tr>
<tr>
<td>The Hills Shire Council (NSW)</td>
<td>$33,294</td>
</tr>
<tr>
<td>Great Lakes Council (NSW)</td>
<td>$21,419</td>
</tr>
<tr>
<td>Tweed Shire Council (NSW)</td>
<td>$36,121</td>
</tr>
<tr>
<td>Cardinia Shire Council (Victoria)</td>
<td>$38,547</td>
</tr>
<tr>
<td>City of Wanneroo (WA)</td>
<td>$31,003</td>
</tr>
</tbody>
</table>

Source: Benchmarking of Infrastructure Charges Queensland High Growth Councils and Selected Interstate Examples, LGAQ, 2009

Prior to 1 July 2011, SEQ infrastructure charges typically represented between 8-10% of the median dwelling sales price. The exception was Lockyer Valley, where only water and sewer charges were applicable.

Legislation, based on a recent review of infrastructure charges in Queensland, commenced from 1 July 2011, with a standard maximum per dwelling rate across all Local Governments of $28,000 for a 3 bedroom dwelling and $20,000 for 1 and 2 bedroom dwellings. Local Governments have the ability to adopt the maximum allowable capped charge set by the State, or may by resolution adopt lower charges. Local Governments in SEQ have now adopted charging regimes in response to this legislation.

Table 6 on page 43 shows how the percentage of the median sales price for a three bedroom dwelling attributable to infrastructure contributions varies between the current and capped charges. Brisbane, Gold Coast, Redlands and Sunshine Coast will see a 1% to 3% decrease in proportional costs under the new regime. The more regional Local Government Areas such as Lockyer Valley, Logan, Ipswich and Scenic Rim will see an increase in the proportion of infrastructure charges as a percentage of sale prices with the adoption of the charges cap.
## Table 6  Infrastructure Charges Comparison

<table>
<thead>
<tr>
<th>Councils</th>
<th>Residential type</th>
<th>$</th>
<th>% of Maximum Capped Charge</th>
<th>Date Resolution Adopted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logan City</td>
<td>3 or more Bed</td>
<td>28,000</td>
<td>100%</td>
<td>21/06/2011</td>
</tr>
<tr>
<td></td>
<td>1-2 Bed</td>
<td>20,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 or more Bed</td>
<td>26,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1-2 Bed</td>
<td>18,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brisbane City</td>
<td>3 or more Bed</td>
<td>27,000</td>
<td></td>
<td>17/06/2011</td>
</tr>
<tr>
<td></td>
<td>Short term Accom</td>
<td></td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 or more Bed</td>
<td>12,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1-2 Bed</td>
<td>8,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gold Coast</td>
<td>3 or more Bed</td>
<td>27,000</td>
<td></td>
<td>20/06/2011</td>
</tr>
<tr>
<td></td>
<td>Apartment 1 bed</td>
<td>13,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Apartment 2 bed</td>
<td>17,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Apartment 3 bed</td>
<td>22,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Apartment 4 bed</td>
<td>23,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ipswich</td>
<td>Will be calculating in accordance with current PSP if under max charges. Max charge if PSPs over</td>
<td>unknown</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sunshine Coast</td>
<td>3 or more Bed</td>
<td>27,000</td>
<td>100%</td>
<td>29/06/2011</td>
</tr>
<tr>
<td></td>
<td>2 Bed</td>
<td>19,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 Bed</td>
<td>13,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moreton Bay</td>
<td>3 or more Bed</td>
<td>28,000</td>
<td></td>
<td>28/06/2011</td>
</tr>
<tr>
<td></td>
<td>Short term Accom</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 or more Bed</td>
<td>14,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1-2 Bed</td>
<td>10,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redland</td>
<td>Going to a General Council meeting on 29 June as max charges across the board</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toowoomba</td>
<td>Will be calculating in accordance with current PSP if under max charges. Max charge if PSPs over</td>
<td>unknown</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scenic Rim</td>
<td>3 bed res (former BSC area)</td>
<td>25,000</td>
<td>unknown</td>
<td>unknown</td>
</tr>
<tr>
<td></td>
<td>3 bed res (Boonah SC)</td>
<td>18,000</td>
<td>unknown</td>
<td>unknown</td>
</tr>
<tr>
<td>Lockyer Valley</td>
<td>3 or more Bed</td>
<td>25,000</td>
<td>89%</td>
<td>unknown</td>
</tr>
<tr>
<td></td>
<td>1 – 2 Bed</td>
<td>20,000</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Somerset</td>
<td>3 or more Bed</td>
<td>28,000</td>
<td>100%</td>
<td>1/07/2011</td>
</tr>
<tr>
<td></td>
<td>1-2 Bed</td>
<td>20,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Council of Mayors (SEQ), 2011
Any shortfall in infrastructure funding will have to be met through the Local Government rates base. The Local Government Association of Queensland, reported in LG Online, forecast in April 2011 that the decision by the State Government to cap infrastructure charges could translate to a $60 increase for the average rates bill in SEQ, as well as increasing Local Government debt (across Queensland) to more than $10 billion over six years.

Gurran et al (2008) conclude that the capacity for developers to directly pass on infrastructure charges to home buyers depends on the market at the time: when contributions are too high they will discourage new housing development or stimulate premium housing development with a higher profit margin, reducing the availability of modest or diverse housing types. They note positive impacts on house prices in higher-end market segments, but lower value housing markets and prices have shown to be unaffected. They provide a possible explanation, in that contributions for basic utilities do not add to the amenity or desirability of a neighbourhood, whilst other types of fees to provide community facilities or parks are able to be capitalised in house prices, which represent value to home purchasers and existing residents.

They also suggest that the way in which charges are levied is important: if calculated per dwelling or per site, contributions might discourage medium density housing, and encourage larger housing and residential lots, as the charge becomes a smaller proportion of the total development cost. On the other hand, a levy that represents a percentage of construction costs (per dwelling) or is fixed per hectare (rather than lot) might encourage more modest housing types and a more economical use of land.

> "The way that cities are planned and infrastructure is delivered could be improved by considering metropolitan or regional governance of planning and related implementation processes. Closer integration of planning systems with the delivery of infrastructure is needed to support residential development. The financing of this infrastructure is an important issue, as is the planning of the type of infrastructure needed, its quality and the timing of its rollout."

(National Housing Supply Council, 2010)

A report entitled Future Perth, prepared for the Western Australia Planning Commission in 2001, cited by Trubka et al (2008), reviewed studies of infrastructure costs across Australia, America and Canada to estimate the initial infrastructure capital costs in inner and fringe urban areas. The results are shown in Table 7 below.

### Table 7: Economic breakdown of inner city and urban fringe initial capital costs (2007)

<table>
<thead>
<tr>
<th></th>
<th>Inner</th>
<th>Outer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads</td>
<td>$5,086,562</td>
<td>$30,378,881</td>
</tr>
<tr>
<td>Water and Sewerage</td>
<td>$14,747,616</td>
<td>$22,377,459</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>$2,576,106</td>
<td>$3,711,851</td>
</tr>
<tr>
<td>Electricity</td>
<td>$4,082,117</td>
<td>$9,696,505</td>
</tr>
<tr>
<td>Gas</td>
<td>$0</td>
<td>$3,690,843</td>
</tr>
<tr>
<td>Fire and Ambulance</td>
<td>$0</td>
<td>$302,509</td>
</tr>
<tr>
<td>Police</td>
<td>$0</td>
<td>$388,416</td>
</tr>
<tr>
<td>Municipal Services</td>
<td>Not Reported</td>
<td>Not Reported</td>
</tr>
<tr>
<td>Education</td>
<td>$3,895,458</td>
<td>$33,147,274</td>
</tr>
<tr>
<td>Health</td>
<td>$20,114,867</td>
<td>$32,347,327</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$50,502,726</strong></td>
<td><strong>$136,041,065</strong></td>
</tr>
</tbody>
</table>

Source: PB and Curtin University
Trubka et al (2008) also calculated annually recurring transportation costs, taking into account private vehicle depreciation and operating costs, annual road infrastructure costs, transit costs and time costs. The costs, drawn from an earlier study by Newman and Kenworthy (1992) are estimated at $256.8 million for infill development in accessible, walkable neighbourhoods well served by public transport, generally within 10 km of the CBD. Conversely, transport costs for development in fringe locations characterised by conventional low-density car dependent suburbs up to 40 km from the CBD, accounted for twice the amount at $507.1 million annually.

There is currently debate about how infrastructure should be financed, and whether infrastructure charges are efficient or equitable.

The Productivity Commission (2009) sets out three principles for funding public infrastructure:

- investment in infrastructure should add to community welfare;
- funding sources should reflect benefit to users, with public funding making up the shortfall between user charges and the overall costs of the infrastructure; and
- financing should minimise the lifetime financing costs of a project.

AEC (2011) considers that alternative methods of financing infrastructure are required, to reflect the fact that “the benefit associated with new infrastructure is not captured solely by a specific development and that surrounding land holders and even households and businesses across the broader region benefit through increased property values and enhanced affordability and regional competitiveness.”

The Property Council of Australia, in 2010, recommended the following alternative methods of financing should be investigated:

- Growth Area Bonds – issue of bonds to finance infrastructure enhancement that are tied to a specific area and repaid through future tax revenues collected in a defined area;
- Specific Purpose Securitised Borrowing – issuance of debt instruments such as bonds, debentures and inscribed stocks in the capital market to finance a particular project;
- Certificates of Participation – where governments enter into agreements with not-for-profit entities that issue bonds to finance facilities that are leased back by the government;
- Value Capture Levy - aims to capture the uplift in land value that results from the planning process, development of land, or construction of beneficial infrastructure; and
- Specific Purpose Levies – implementation of a transparent levy to meet specific infrastructure needs of an area (currently exists in Brisbane, Gold Coast and Sunshine Coast).

AEC (2011) recommend consideration of:

- Benefit Area Levies – A differential rate in the dollar, collected by Local Government from land owners benefiting from the delivery of infrastructure through increased property values. Captured over time and utilised to repay debt borrowed upfront to fund infrastructure;
- Tax Increment Financing (TIF) – A tax instrument utilised by Local Governments in USA to derive revenue from the increased value of properties within the direct catchment of a new infrastructure. It differs from benefit area levies, in that the revenue
is equal to rates revenues collected from the increased property value. This revenue can either be on top of a frozen rates base in the area (larger revenue) or against a business-as-usual rates growth trend (smaller revenue). This revenue is then tied directly to Local Government bond or debt repayments, secured up-front to finance the associated infrastructure; and

- Metropolitan/Region Wide Infrastructure Levies — such a levy, charged to every household and/or ratepayer within a region, has the effect of distributing the tax burden as widely and equitably as possible, reducing the individual burden. The wide tax base means individual levy amounts can be small, thereby limiting the impact of such a tax on investment decision making. Revenue from such a levy can be utilised directly to fund infrastructure or in repayment to upfront debt-financed funding (similar to TIF). However, the capacity of Local Government and even State Government to forward fund new infrastructure is limited and should be considered in the context of alternative models.

**Implications**

The implications of local infrastructure charging for medium density development lie in the amount charged, the timing of infrastructure payments and the way in which contributions are levied.

AEC (2011) considers that the “recommendation to cap infrastructure charges and implement a more certain, transparent and reliable process will improve medium density development feasibility, particularly in current market conditions, by halting previously accelerating charges growth. It will also enhance underlying housing affordability, as historical charges growth was simply passed to the end purchaser in the form of increased housing prices.”

KPMG (2010) states that:

- deferred fees and charges provide economic incentives to developers for the construction of infill projects within designated areas;
- can make private redevelopment projects feasible where they were previously unfeasible; and
- the implementation of a program whereby regulatory fees and charges were deferred is likely to involve a low cost and risk to the State.

Of course, it is Local Government that currently bears the cost of reduced or deferred infrastructure charges.

The proposed alternative methods of financing infrastructure may have an impact on development as a whole, whereas changing the way infrastructure charges are levied could have a specific and positive impact on promoting medium density infill development, according to Gurran et al, mentioned above.

Local Governments are already implementing a range of measures to defer, reduce or waive infrastructure charges as a way to stimulate development, particularly for affordable housing. However, there are no current examples of levying infrastructure charges as a percentage of dwelling cost.
2.3.8 Access to finance

Securing finance can be difficult for medium and high-rise developments which are typically financed using debt. Unlike traditional low density development, unit developments require strata titling and sales cannot be settled until the buildings are fully completed, whereas in low residential development scenarios, land can be subdivided and sold, as well as progress payments during the construction of a dwelling which improves cash flow. The opportunity to progress payments should be considered carefully, as this may act as a deterrent to investors, requiring greater capital outlay and increased loan costs (interest charges). Higher density developments require a high level of capital and most financing requires some pre-sales before construction can commence (higher pre-sales are now required since the GFC). (NHSC, 2010)

Therefore, the ability to obtain development/construction finance has become more restricted as financiers perceive this part of the development life-cycle more risky and prone to fail than secured finance over an investment.

KPMG (2010) has identified the following specific finance barriers to infill development:

- limited availability of debt finance is increasing equity requirements: there are fewer banks in the Queensland lending market and they are highly selective on the transactions they finance;
- conditions attaching to debt are more stringent and are limiting the number of projects that can achieve funding: residential pre-sales requirements have increased to up to 100% of debt; impact assessable projects are not being considered favourably due to risk profile, and, in general, they will no longer allow interest on loans to be capitalised prior to development commencing;
- cost of debt funding has increased significantly: pre-GFC average margins for property development loans were in the order of 1.5% to 2.5%; post-GFC they have increased to 3.5% to 4.5%; and
- access to equity is limited for non-listed property owners: falling asset valuations and lower loan to value debt covenants are reducing the amount of debt lent on individual assets; previously active large, mid-tier and private developers are being forced to focus on managing existing loan exposures.

AEC (2011) reports that loan to equity ratios are currently viewed as being very conservative, whereby additional equity is required to enable projects to commence. This does, according to financiers, vary depending on the sector and feasibility of the project and the track record of the developer.

The industry is also suffering from a lack of second and third tiered financiers for higher risk transactions. This is creating an issue for mid-tier developers as the ability to raise funds has diminished substantially.
Banks are able to be selective about the customers they choose and are limiting capital to high quality counterparties. In addition, the withdrawal of some regional banks such as Suncorp and BankWest who were extremely active in providing finance to property development is exacerbating the shortfall in loan capital relative to demand.

KPMG, 2010

In an environment where previously active developers such as unlisted property funds, mid-tier corporate developers and private developers are focussed on directing equity to recapitalise their existing loans, there is likely to be limited focus on new development activity. (KPMG, 2010)

The importance of pre-sales was also weighted heavily by financiers surveyed by AEC (2011) as a significant hurdle of funding in the current climate. Pre-sales are being seen in the order of 70-80% of debt coverage.

The decline in the market and in some instances exposure between off the plan sales prices and the completed valuations, has seen properties decrease in value and now be worth less than the contracted amounts. This phenomenon has been particularly prevalent in the Gold Coast and some parts of the Brisbane prestige markets. This further presents issues with buying finance failing on valuations less than contracted amounts.

Anecdotal evidence suggests that innovative design, particularly for medium density development is seen by banks as a potentially higher risk, and is likely to be undervalued if their is no comparator development in the area. In addition to this, mortgage insurers are very much risk averse and use property valuation reports to determine whether to provide lenders mortgage insurance. In the case that a project is undervalued (deemed too risky) the mortgage insurer will often refuse mortgage insurance, and banks will refuse finance.

Implications

Bank lending practices in the current financial climate are the biggest barrier to medium density development (KPMG, 2010). They are also a significant inhibitor to new and innovative medium density products.

Whilst individual Local Governments are not in a position to influence bank lending practices, there is an important role for the Federal and Queensland Governments, together with the development industry, to highlight the negative impact of financial requirements on this policy priority.

Recommendations

M3 Hold a high level forum with the finance sector, including valuers, to explore opportunities to improve lending criteria for innovative medium density infill development.

M4 Encourage industry peak bodies to share information about the success of new medium density products with banks and valuers.

M5 Explore the potential for progressive payments for multiple unit dwellings in return for a price discount.
2.3.9 **The Taxation Regime**

Taxes and charges contribute to the cost of housing – making up between 15 and 17% of total cost, the majority of which comes from GST liability on new dwellings (around $50,000 in Melbourne), transfer duty on initial land purchase and final dwelling purchase and infrastructure charges. (NHSC, 2010)

Gurran et al (2008) refer to Residential Development Council figures showing that, in Redland, combined GST and State taxes amount to $62,142 compared to $15,876 in Local Government fees and development contributions towards site level and neighbourhood infrastructure.

However, Queensland compares favourably to other States with respect to standard transfer duty payable on a principal place of residence, as table 8 below shows.

Table 8 Transfer Duty Payable – Principal Place of Residence (non-first home buyers) ($)

<table>
<thead>
<tr>
<th>Home Value (Home Value)</th>
<th>QLD from 1 August 2011</th>
<th>NSW</th>
<th>Vic</th>
<th>WA</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>50,000</td>
<td>675</td>
<td>765</td>
<td>950</td>
<td>950</td>
<td>1,080</td>
</tr>
<tr>
<td>100,000</td>
<td>1,425</td>
<td>1,990</td>
<td>2,150</td>
<td>1,900</td>
<td>2,830</td>
</tr>
<tr>
<td>200,000</td>
<td>4,825</td>
<td>5,490</td>
<td>6,370</td>
<td>5,035</td>
<td>6,830</td>
</tr>
<tr>
<td>300,000</td>
<td>8,325</td>
<td>8,990</td>
<td>11,370</td>
<td>8,835</td>
<td>11,330</td>
</tr>
<tr>
<td>400,000</td>
<td>11,825</td>
<td>13,490</td>
<td>16,370</td>
<td>13,015</td>
<td>16,330</td>
</tr>
<tr>
<td>500,000</td>
<td>15,525</td>
<td>17,990</td>
<td>21,970</td>
<td>17,765</td>
<td>21,330</td>
</tr>
<tr>
<td>600,000</td>
<td>20,025</td>
<td>22,490</td>
<td>31,070</td>
<td>22,515</td>
<td>26,830</td>
</tr>
<tr>
<td>700,000</td>
<td>24,525</td>
<td>26,990</td>
<td>37,070</td>
<td>27,265</td>
<td>32,330</td>
</tr>
<tr>
<td>800,000</td>
<td>29,025</td>
<td>31,490</td>
<td>43,070</td>
<td>32,315</td>
<td>37,830</td>
</tr>
<tr>
<td>900,000</td>
<td>33,525</td>
<td>35,990</td>
<td>49,070</td>
<td>37,465</td>
<td>43,330</td>
</tr>
<tr>
<td>1,000,000</td>
<td>38,175</td>
<td>40,490</td>
<td>55,000</td>
<td>42,615</td>
<td>48,830</td>
</tr>
</tbody>
</table>

Source: State Budget 2011 – 12 Budget Strategy and Outlook, Budget Paper No. 2, Queensland Government

According to the Henry Review of Taxation (2010), conveyance stamp duty is highly inefficient and inequitable. It discourages transactions of commercial and residential property and, through this, its allocation to its most valuable use. Conveyance stamp duty can also discourage people from changing their place of residence as their personal circumstances change or discourage people from making lifestyle changes that involve a change in residence. The recent removal of the stamp duty concession for non-first home buyers in Queensland has also seen an increase of up to $7,175 in transfer duty charges which may further add as a deterrent for people to change their place of residence.

**Implications**

The current application of transfer duty could potentially act as a disincentive to the 30% of SEQ residents aged 50+ who are intending to downsize. It is also likely to act as a disincentive to other age groups who have indicated that they would consider moving to a smaller dwelling.
2.3.10 The Development Process

The development process represents a relatively small component of overall costs of medium density development, and developers are responsible for the great majority of tasks in the development pipeline (from proposal development to sale of product). However, the interdependence of tasks such as pre-sales and marketing with Development Assessment milestones means that the approval process is critical to the viability of infill development.

The NHSC (2010) estimates that development costs and interest account for between 11-13% of total costs. Professional development fees are a small component of costs making up between 2 – 4% of total costs.

Analysis of the development pipeline (Buckley Vann & THG, 2010) shows that developers are responsible for over two thirds of the tasks in the entire development pipeline. Local and State Government involvement in the development cycle is minimal in terms of tasks performed, but critical in timing of development delivery because of the interdependence of those tasks. For example, various marketing, pre-sales and construction activities are dependent on certain development application milestones being completed.

Multi-unit and infill developments usually require a more rigorous assessment process, with public notification and third party appeal rights, and any changes to development plans can lead to lower residential yields or the addition of costs which adds to further time delays.

Impact assessment is a significant contributing factor to higher risk in medium density development, with a knock-on effect on the availability of finance. There is a significant difference between the time taken for a typical code-assessable compared with an impact assessable application. The timing of code assessable development applications is reasonably consistent in timing across Local Governments, but timeframes for impact assessable applications vary more because of the complexity of assessment and public notification.

Delays in planning approvals have a greater impact on viability when interest rates are higher and land prices are stagnating. (PLACE Design, 2010). In its site feasibility testing for Ipswich, PLACE Design estimated that a six month delay due to an increase in the level of assessment of an application resulted in a 2.5% movement in the return on cost.

Preliminary results from a feasibility analysis undertaken by PLACE Design Group show that a six month delay in obtaining a DA (code to impact) in some cases resulted in a 2.5% movement in the return on cost (ROC). For a standard ten unit development this would potentially result in additional holding costs of approximately $80,000, or $8,000 per dwelling.

Recommendations

PO9 Work with Queensland Treasury and UDIA to investigate the potential to adjust financial incentives to encourage greater owner-occupation of medium density development, including selective application of First Home Owners Grant and reducing transfer duty for smaller dwellings, particularly for 50+ owner-occupiers wishing to downsize.

PO10 Provide a series of recommendations which could be advocated as part of a national tax reform agenda.
The analysis also found that, in at least 80% of the tested scenarios, it was necessary to vary or relax applicable scheme provisions in order to achieve viability, which then triggered impact assessment.

The provisions of development plan in terms of plot ratio, setbacks, site cover, open space provision and ‘density bonuses’ all affect the potential yield of an infill development and, therefore, its viability.

The development process is critical for delivering an adequate supply of dwellings and land to meet future demand. The NHSC contests that planning reform is needed to create greater certainty for developers.

Greater consultation with the community during the plan making process could alleviate concerns and create greater confidence and certainty. Planning reform should encompass more strategic direction, coordination of infrastructure and streamlining the development approval process rather than being just about assessing individual development proposals. Once broad planning principles, frameworks and assessment criteria are in place, following consultation with local communities, greater certainty should result for developers which will lead to significantly less likelihood for delay. The NHSC also identifies the need to clarify development charging regimes.

Implications

Whilst the development process only represents a relatively small component of overall costs of medium density developments, it is critical to the viability of infill development. Medium density developments are generally subjected to more rigorous assessment processes with public notification and third party appeal rights which can add to further time delays. Development provisions can adversely impact on project viability and greater planning reform is needed to create greater certainty for the community and developers.

Recommendation

PO11 Prepare guidelines for Local Government plan-making and development assessment that:

- explore opportunities for lower (e.g. code) levels of assessment for medium density development in appropriate areas;
- enable a greater diversity of medium density development within current zones (other than exclusively detached housing zones) including, for example, a new ‘generic development type’ (i.e. six unit development) on 600-800m²;
- explore opportunities for a more efficient approach to DA service for medium density development applications, particularly for those between four and eight storeys, that complements existing initiatives, such as Target 5 Days;
- encourage greater application of good neighbourhood planning practices to ‘front-load’ the planning process, and optimise development assessment processes; and
- explore opportunities to better rationalise State agency interests during the development assessment process for medium density developments.
2.3.11 Current Models of Property Ownership/Titling Arrangements

Strata titling is the most common ownership and management structure for medium density housing options in Australia. Each state has its own legislative provisions although in practice to provisions of each state are similar in application. Strata titling in Queensland is governed by the Body Corporate and Community Management Act 1997.

It has facilitated the development of medium and high density development since the 1960s by allowing individual ownership of apartments and units, the body corporate mechanism, with its powers to set by-laws for the building, fix service charges and other levies, manage the maintenance and repair requirements for the building, and enforce compliance, acts as a ‘mini local council’ (Easthope and Randolph, 2008).

They note that there is potential for conflict between resident owners and investor owners in their relationships with the resident manager because resident owners are primarily interested in the building and grounds caretaking, while investment owners are primarily interested in the sub-letting services. They also note that ‘it is generally thought that strata developments will attract a higher incidence of neighbourhood disputes than conventional single home neighbourhoods because strata title living involves close living conditions and conforming with standards of conduct. As a result, most Australian jurisdictions have incorporated some form of dispute resolution processes for strata title properties. Attendees at the LCCP community forums identified potential conflicts over pets, particularly dogs.

Easthope and Randolph (2008) point to anecdotal evidence that failure to pay strata levies and charges is a main area of dispute.

Delays in obtaining final certificates of title can add costs and time delays and can hold up sales. Further, body corporate requirements adds to the cost of development and cost for purchasers and developments without common property are considered to have a financial and market advantage over those with common property (National Housing Supply Council 2010).

The community survey undertaken by BBS and Footprints market Research on behalf of the LCCP found that body corporate costs were in the top three features that detract from the appeal of medium density housing. A range of newer medium density developments, such as The Parks development at Sippy Downs, are responding to the market by providing good quality, but cheaper to maintain, communal facilities with an on-site manager. Attached products with single title, such as those facilitated by Brisbane City Council through the single unit development code and separate developments through the ULDA, are selling well to owner-occupiers.

Strata title arrangements can also act as an impediment to redevelopment where the termination of an existing strata title scheme is required before a new development can be put in place. The requirement for agreement by 100% of the lot owners, lessees and mortgagees means that termination generally does not take place: Easthope and Randolph (2008) refer to data from the NSW Department of Lands for September 2007 that there have only ever been 603 strata schemes terminated in NSW, compared with 65,276 existing schemes. There is no reason to believe that the situation is significantly different in SEQ. In Singapore, for example, a 90% vote is required to terminate the strata title for buildings less than ten years old, while an 80% vote is required for buildings older than ten years. However, any changes to this threshold needs careful consideration of social implications.
Implications

Body corporate costs and restrictions on the autonomy of property owners are seen as a major impediment to achieving broader occupation of medium density development. Body corporate costs add to the overall cost of living and are particularly high where communal facilities such as pools, gyms and other high maintenance communal open space facilities are provided. Recent trends in the market show an increasing demand for attached product with freehold title and developments with modest areas of communal open space that limit overall maintenance costs.

Recommendations

Based on the research and analysis undertaken to date, the project team has established a greater understanding of the supply and demand trends relating to housing affordability at the local level including the key drivers of product price and viability.

This section outlines the key recommendation and actions proposed for the three challenge areas of Policy, Practice and Market.

POLICY

PO1  Explore opportunities to amend the Building Code of Australia to allow more design and construction flexibility and efficiency in medium density dwellings of 3 – 8 storeys (p.35)

PO2  Compile a leading practice car parking policy toolkit with examples of successful, innovative approaches which could be adopted as appropriate by councils (p.35)

PO3  Encourage the State and Federal Government to identify opportunities to make better use of surplus government land for infill development (p.36)

PO4  Work with Growth Management Queensland to prepare more detailed analysis on infill land supply as part of the SEQ Growth Management Plan. This could include identifying smaller parcels of land (less than 2500m²) available for infill development (p.36)
PO5 Investigate the opportunity for regulatory mechanisms to provide for increased dwelling yields, within an agreed urban design framework, that could reduce per dwelling land and construction costs (p.37)

PO6 Explore opportunities for developing voluntary Queensland Planning Provisions (QPP) compliant code provisions, to enable greater diversity of medium density development within current zones, including, for example, ‘the new six-pack’ on 600-800 m² (p.39)

PO7 Prepare a guideline which summarises, on a LGA and a regional basis, the influence of planning provisions and development size on project viability, which can be used to support the preparation of local planning schemes (p.41)

PO8 Undertake further investigation into the approach to infrastructure charges for medium density development to inform continued infrastructure charges reform in Queensland (p.47)

PO9 Work with Queensland Treasury and UDIA to investigate the potential to adjust financial incentives to encourage greater owner-occupation of medium density development, including selective application of First Home Owners Grant and reducing transfer duty for smaller dwellings, particularly for 50+ owner-occupiers wishing to downsize (p.50)

PO10 Provide a series of recommendations which could be advocated as part of a national tax reform agenda (p.50)

PO11 Prepare guidelines for Local Government plan-making and development assessment that:

- explore opportunities for lower (e.g. code) levels of assessment for medium density development in appropriate areas;
- enable a greater diversity of medium density development within current zones (other than exclusively detached housing zones) including, for example, a new ‘generic development type’ (i.e. six unit development) on 600-800m².
- explore opportunities for a more efficient approach to DA service for medium density development applications, particularly for those between four and eight storeys, that complements existing initiatives, such as Target 5 Days
- encourage greater application of good neighbourhood planning practices to ‘front-load’ the planning process, and optimise development assessment processes.
- explore opportunities to better rationalise State agency interests during the development assessment process for medium density developments (p.51)

PO12 Explore the opportunity to relax planning scheme requirements for communal open space for medium density development where adequate private open space or access to public open space in close proximity to the site is available (p.53)

PO13 Further develop the Brisbane City Council and ULDA models of freehold title for attached dwellings (p.53)
PO14 Investigate the case for reducing the current requirement for owner agreement to terminate a strata scheme from 100% to 80% (p.53)

PO15 Explore opportunities to increase freehold tenure as part of medium density developments (p.53)

**PRACTICE**

PR1 That the Council of Mayors (SEQ) work with Growth Management Queensland and other relevant State agencies to build on the successful partnership approach, such as that developed at Yeerongpilly, to deliver TODs in appropriate infill locations (p.26)

PR2 Investigate the opportunity for specific land amalgamation mechanisms (p. 39)

PR3 Document examples of well-designed affordable and sustainable housing and the design principles underpinning them, as a portfolio of good practice (p.40)

PR4 Compile a set of design principles reconciling ‘affordable’ elements with good design, including sustainability features, topography-sensitive buildings etc, based on current leading practice (p.40)

PR5 Undertake a demonstration project, in partnership with peak bodies and Local Governments, to showcase how planning practice can facilitate well-designed medium density development in infill areas (p.40)

**MARKET**

M1 Develop a suite of marketing tools which could assist council in seeking to influence community perception and encourage a greater awareness and appreciation of the role of medium density housing in the SEQ urban framework and in delivering housing diversity and choice and improving housing affordability (p.12)

M2 Develop a ‘Lifestyle Index’, quantifying the trade-offs between dwelling price and living costs, and an affordability calculator for prospective purchasers to reconcile desired dwelling features with their budgets (p.18)

M3 Hold a high level forum with the finance sector, including valuers, to explore opportunities to improve lending criteria for innovative medium density infill development (p.48)

M4 Encourage industry peak bodies to share information about the success of new medium density products with banks and valuers (p.48)

M5 Explore the potential for progressive payments for multiple unit dwellings in return for a price discount (p.48)
## 4 Appendix A - Tables

Table 9  Rental and Purchase Stress in SEQ LGAs, 2001, 2006

<table>
<thead>
<tr>
<th>Location</th>
<th>Rental Stress 2001</th>
<th>Rental Stress 2006</th>
<th>Purchase Stress 2001</th>
<th>Purchase Stress 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brisbane (C)</td>
<td>21.6%</td>
<td>24.6%</td>
<td>4.8%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Gold Coast (C)</td>
<td>30.9%</td>
<td>33.5%</td>
<td>9.8%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Ipswich (C)</td>
<td>22.1%</td>
<td>29.0%</td>
<td>5.5%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Lockyer Valley (RC)</td>
<td>29.3%</td>
<td>35.3%</td>
<td>10.5%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Logan (C)</td>
<td>25.6%</td>
<td>31.0%</td>
<td>7.7%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Moreton Bay (RC)</td>
<td>28.3%</td>
<td>33.2%</td>
<td>7.0%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Redlands (C)</td>
<td>25.2%</td>
<td>30.6%</td>
<td>6.0%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Scenic Rim (RC)</td>
<td>26.5%</td>
<td>35.8%</td>
<td>10.9%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Somerset (RC)</td>
<td>28.5%</td>
<td>35.1%</td>
<td>10.2%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Sunshine Coast (RC)</td>
<td>35.3%</td>
<td>37.0%</td>
<td>11.8%</td>
<td>14.2%</td>
</tr>
<tr>
<td>Toowoomba Area</td>
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<td>29.7%</td>
<td>6.7%</td>
<td>9.3%</td>
</tr>
<tr>
<td>SEQ</td>
<td>25.9%</td>
<td>29.6%</td>
<td>7.1%</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

Source: ABS Census Customised Data Housing Cost Report, 2006
### Table 10  Purchase Stress by Dwelling Type in SEQ LGAs, 2001, 2006

<table>
<thead>
<tr>
<th></th>
<th>Brisbane (C)</th>
<th>Gold Coast (C)</th>
<th>Ipswich (C)</th>
<th>Lockyer Valley (RC)</th>
<th>Logan (C)</th>
<th>Moreton Bay (RC)</th>
<th>Redland (C)</th>
<th>Scenic Rim (RC)</th>
<th>Somerset (RC)</th>
<th>Sunshine Coast (RC)</th>
<th>Toowoomba (RC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separate house</td>
<td>5.6%</td>
<td>9.5%</td>
<td>8.8%</td>
<td>13.2%</td>
<td>10.1%</td>
<td>9.1%</td>
<td>7.7%</td>
<td>13.6%</td>
<td>13.7%</td>
<td>12.8%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Semi-detached, row/terrace, townhouse etc</td>
<td>0.3%</td>
<td>2.0%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.5%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.6%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Flat, unit or apartment</td>
<td>0.5%</td>
<td>1.1%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.2%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.6%</td>
<td>0.3%</td>
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<tr>
<td>Other Dwelling</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.3%</td>
<td>0.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>6.4%</td>
<td>12.7%</td>
<td>9.0%</td>
<td>13.3%</td>
<td>10.8%</td>
<td>9.4%</td>
<td>8.2%</td>
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</table>

Source: ABS Census Customised Data Housing Cost Report, 2006

### Table 11  Rental Stress by Dwelling Type in SEQ LGAs, 2001, 2006

<table>
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<tr>
<th></th>
<th>Brisbane (C)</th>
<th>Gold Coast (C)</th>
<th>Ipswich (C)</th>
<th>Lockyer Valley (RC)</th>
<th>Logan (C)</th>
<th>Moreton Bay (RC)</th>
<th>Redland (C)</th>
<th>Scenic Rim (RC)</th>
<th>Somerset (RC)</th>
<th>Sunshine Coast (RC)</th>
<th>Toowoomba (RC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separate house</td>
<td>10.6%</td>
<td>11.3%</td>
<td>21.3%</td>
<td>27.1%</td>
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<td>20.3%</td>
<td>27.9%</td>
<td>29.1%</td>
<td>20.4%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Semi-detached, row/terrace, townhouse etc</td>
<td>3.5%</td>
<td>10.5%</td>
<td>2.5%</td>
<td>3.8%</td>
<td>6.1%</td>
<td>4.7%</td>
<td>6.3%</td>
<td>1.4%</td>
<td>1.4%</td>
<td>5.6%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Flat, unit or apartment</td>
<td>10.2%</td>
<td>11.0%</td>
<td>4.5%</td>
<td>3.5%</td>
<td>4.2%</td>
<td>6.5%</td>
<td>3.6%</td>
<td>5.8%</td>
<td>1.9%</td>
<td>9.9%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Other Dwelling</td>
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<td>0.9%</td>
<td>0.4%</td>
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<td>2.7%</td>
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<tr>
<td>Total</td>
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</table>

Source: ABS Census Customised Data Housing Cost Report, 2006
## Table 12

**Dwelling Structure by Dwelling Tenure, SEQ LGAs, 2006**

<table>
<thead>
<tr>
<th></th>
<th>Brisbane</th>
<th>Gold Coast</th>
<th>Ipswich</th>
<th>Lockyer Valley</th>
<th>Logan</th>
<th>Moreton Bay</th>
<th>Redlands</th>
<th>Scenic Rim</th>
<th>Somerset</th>
<th>Sunshine Coast</th>
<th>Toowoomba SSD</th>
<th>SEQ</th>
</tr>
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<tbody>
<tr>
<td><strong>Owner occupy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Detached</td>
<td>56.8%</td>
<td>48.7%</td>
<td>66.3%</td>
<td>76.0%</td>
<td>65.2%</td>
<td>68.6%</td>
<td>69.1%</td>
<td>75.0%</td>
<td>78.2%</td>
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<td>63.1%</td>
<td>59.7%</td>
</tr>
<tr>
<td>Attached</td>
<td>8.2%</td>
<td>16.6%</td>
<td>1.9%</td>
<td>1.1%</td>
<td>4.2%</td>
<td>4.3%</td>
<td>6.2%</td>
<td>1.3%</td>
<td>0.7%</td>
<td>10.3%</td>
<td>5.8%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Total</td>
<td>65.0%</td>
<td>65.3%</td>
<td>68.3%</td>
<td>77.2%</td>
<td>69.4%</td>
<td>72.9%</td>
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<td>76.3%</td>
<td>78.9%</td>
<td>70.4%</td>
<td>68.9%</td>
<td>68.1%</td>
</tr>
<tr>
<td><strong>Rented/Investor</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Detached</td>
<td>17.9%</td>
<td>14.6%</td>
<td>26.3%</td>
<td>19.5%</td>
<td>22.8%</td>
<td>20.2%</td>
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<td>18.8%</td>
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<tr>
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<td>6.9%</td>
<td>6.5%</td>
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<td>11.2%</td>
<td>10.1%</td>
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<tr>
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<td>29.6%</td>
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</table>

Source: ABS Census of Population and Housing, 2006

## Table 13

**Dwelling Structure by Dwelling Tenure, SEQ LGAs, 2001**

<table>
<thead>
<tr>
<th></th>
<th>Brisbane</th>
<th>Gold Coast</th>
<th>Ipswich</th>
<th>Lockyer Valley</th>
<th>Logan</th>
<th>Moreton Bay</th>
<th>Redlands</th>
<th>Scenic Rim</th>
<th>Somerset</th>
<th>Sunshine Coast</th>
<th>Toowoomba SSD</th>
<th>SEQ</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Owner occupy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
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<td>45.3%</td>
<td>69.1%</td>
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<td>60.1%</td>
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<td>3.3%</td>
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<td>1.1%</td>
<td>0.5%</td>
<td>10.3%</td>
<td>4.4%</td>
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</tr>
<tr>
<td>Total</td>
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<td>76.1%</td>
<td>67.1%</td>
<td>73.9%</td>
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<td><strong>Rented/Investor</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>23.6%</td>
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<td>23.8%</td>
<td>19.2%</td>
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<td>22.1%</td>
<td>17.9%</td>
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<td>5.7%</td>
<td>3.7%</td>
<td>9.1%</td>
<td>6.9%</td>
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<td>1.0%</td>
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<td>14.2%</td>
</tr>
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<td>36.8%</td>
<td>29.3%</td>
<td>23.9%</td>
<td>32.9%</td>
<td>26.1%</td>
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<td>34.7%</td>
<td>32.0%</td>
</tr>
</tbody>
</table>

Source: ABS Census of Population and Housing, 2006
5 Appendix B - Bibliography


Australian Bureau of Statistics (2010), *Custom Income and Housing Costs Data*

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