

## Housing Mix

**Fact Sheet by Nicole Gurran posted 04 Jun 2008**

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**•Categorised under:**

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## Introduction

A sustainable community is a diverse one, accommodating people of different life stages, incomes, and household composition. For instance, a nuclear family is likely to prefer a larger dwelling with several bedrooms and access to private open space; a university student may seek shared accommodation; a young single professional may require a small apartment, while an elderly couple may seek an easy care unit within a retirement village. All of these groups will have very strong preferences for the location of their homes – some will prefer the inner city while others may enjoy a larger house with more space in an outer suburban area.

Similarly, different income levels and patterns of employment require a choice of housing tenures. Rental housing is an important source of accommodation for those who require flexibility or for whom home ownership is unsuitable given their current life stage or capacity to service mortgage repayments. Many Australians value and aspire to home ownership, or to upgrade their existing house. New residential development areas provide a significant opportunity for households to enter home ownership, particularly if housing is available at different price points. Public or social housing provides an important alternative to home ownership and private rental

housing.

As housing affordability problems deepen for low to moderate income households in Australia, public or social housing or other forms of affordable rental accommodation may be the only opportunity for many to access an appropriate home within a community they are connected to.

The following sections provide information about achieving housing mix in new development. Approaches to housing diversity, adaptable housing and universal design, tenure mix, and housing affordability are outlined.

## Housing diversity

Socially and economically vibrant communities are underpinned by diverse housing opportunities. From family homes to smaller villas or terraces, apartments and accommodation suitable for seniors, different housing types within existing and new communities extend the appeal of an area to many different groups. These different groups or “market segments” – single people, couples, parents with children, extended families, “empty nesters” – have specific housing needs and preferences.

Housing needs and preferences relate to:

- Dwelling size and design (numbers of bedrooms, bathrooms, availability and type of open space);
- Density and scale (whether the dwelling is detached on a single allotment, semi-detached, or forms part of low rise attached housing (such as terrace or row houses), apartments and villas, or medium and high rise apartment buildings);
- Location (household preferences may focus on a particular neighbourhood, or relate to amenity and accessibility criteria that could be met in several areas of a city, town or suburb);
- Location also relates to the type of development area – within an existing urban setting (known as “brownfield” development), or on previously undeveloped land in a new suburb, often on the urban edge (known as “greenfield” development);
- Tenure (owner occupation, private rental, or public / community housing rented from a government or community based landlord).

The term “housing career” is used to describe movement through different housing forms and tenures. For instance a housing career might begin as a dependent child in the family home; a move to shared rental apartment, then to the purchase of a first house, a later trade upwards to a larger property, and so on perhaps until a move into retirement accommodation.

Factors influencing housing needs and preferences include:

- Income and income stability
- Household size and type
- Age and life stage
- Cultural backgrounds and practices
- Location of employment or education
- Family or social ties
- Lifestyle and interests

- Individual aspirations and preferences for particular residential settings and facilities

Housing diversity allows people to remain tied to their community throughout their life stages. Developments that contain opportunities for housing diversity will appeal to a broad cross section of potential buyers and investors.

Designing for housing diversity involves understanding the existing or potential demographic composition of a particular area, based on its location and the different amenities and facilities it will contain. However, because housing preferences include a vast and complex range of factors beyond the actual demographic composition of a household, so it is difficult to achieve a perfect match or “fit” between household type and housing size or form. Offer a variety of types, having regard to broad demographic trends and preferences.

### **Case Study: Diverse housing at Nelsons Ridge, Western Sydney**

Nelsons Ridge is an innovative master planned development near Parramatta in Western Sydney. The development of approximately 1,500 townhouses has been designed for housing diversity, affordability, and sustainability.

There is a strong emphasis on the public realm as a focus for community activities and recreation, with about 5.2km of bike tracks, and several parks, play grounds and picnic areas. A local shopping centre is within walking distance. Natural landforms, waterways and vegetation have been preserved and enhanced as much as possible. There is a mix of housing types “ from single family homes to attached townhouses and low and medium rise apartments, which overlook open space.

Housing costs have been minimised through the use of small sized lots and careful building designs. New housing forms, such as studio apartments above garages, provide flexibility for households.

Sales have been strong and completed housing includes owner occupied and rental accommodation. When complete, Nelsons Ridge will house up to 4,000 people.

## **Adaptable housing, flexibility and universal design**

One way to achieve housing diversity in response to community needs and preferences over time is to design homes in a flexible way so they can be changed later, as the needs of occupants change. There are different approaches to achieving this flexibility in the design of developments and housing.

Adaptable housing is designed at the outset to be modified in response to the changing needs of occupants. Designing for adaptability at the outset avoids costly renovations later, and makes it easier for people to remain in their homes as their circumstances change. Adaptability increases the longevity of housing and its potential appeal to different households, so can add to its value. There are Australian standards for adaptable housing design (see Australian Standard AS4299 “ 1995).

Developers may choose to incorporate adaptable housing design as a point of difference to attract, for particular market segments. Government or community based housing providers may also purchase housing that is designed according to adaptable housing standards.

The umbrella term “universal design” describes an overarching movement promoting flexibility, ease of access and use for everyone, including but not limited to, people with disabilities. Universal design recognises aesthetics as a design criteria, so avoids stigmatising facilities that are intended to help people with a disability. For instance, rather than a wheelchair ramp leading to a separate entrance way, universal design promotes smooth, level entrances and wide doorways. Such approaches increase comfort, safety and amenity in residential environments. They appeal to many

any sectors of the community – from older people and those with a disability to families with small children requiring easy access for prams.

Many builders and developers have begun to offer flexible housing designs that can be reconfigured or extended at a later stage. These offer an accessible entrance point to home ownership allowing buyers to add to, upgrade, or reconfigure their homes as they require. Subject to prevailing planning controls, the concept can even be applied to medium density housing. In Toronto, for example, developers are experimenting with apartments that can be divided into separate dwellings, providing an additional income for occupants or additional space when required. Other forms of flexible housing support living and work arrangements, for instance a self-contained room or studio at the front of the dwelling.

***Further information:***

Australian Standard AS4299 – 1995 (Adaptable Housing)

**Case Study: Smart housing in Queensland**

The Smart Housing program promotes sustainable housing design in partnership with 13 Queensland government agencies, the Royal Australian Institute of Architects and the Building Designers Association of Queensland.

Smart Housing designs emphasise principles of universal design, climate sensitivity, environmental sustainability and cost efficiency. Exhibition homes have been established in Brisbane, Townsville and Cairns. Smart housing designs are being incorporated within new residential subdivisions and public housing developments and retirement villages, such as ‘The Green’ near Brisbane. Onsite caravans are being replaced with attractive and environmentally sustainable kit homes, which are cheaper to run, and designed to adapt to changing household needs.

## Tenure mix

Housing tenure refers to the legal arrangements for occupying a home. Households make decisions about the type of tenure they want based on a number of considerations including:

- income and job stability, particularly the capacity to afford mortgage payments or rent for the type of housing they require
- stage of life
- future intentions.

Australians have traditionally expressed a very strong cultural preference for home ownership, with over 70% of Australians owning their homes outright or paying a mortgage on the home they occupy.

Rental tenure has been viewed as a form of more temporary accommodation in Australia. About 22% of households rent in the private sector and less than 6% are in public rental housing or housing rented from a community based landlord.

Housing trends in Australia have changed in recent years. While the overall proportion of people in ‘owner occupation’ has remained fairly constant, there is evidence to show that people are delaying home ownership and entering the market at a later age.

Many attribute delayed home purchase rates to higher housing costs and growing unaffordability. Others explain lower rates of home ownership amongst younger generations as a lifestyle choice, influenced by changed patterns

of employment, increased mobility, and new approaches to consumption. For high income earners, housing tenure decisions might reflect a lifestyle choice but for many low and moderate income earners, home ownership has become inaccessible. For these groups, rental tenure may become a long term solution.

Many low income households and those with special needs find it difficult to access affordable and appropriate housing on the private market. Public and community housing offers secure accommodation and rents that are fixed to household income, so that low income households never pay more than 30% of their income on housing.

Attractive and well designed private and public rental housing is an important part of the development mix. Inner city areas more easily accommodate higher levels of rental housing, as many people will make trade offs in terms of space or housing type to enjoy the vitality and accessibility of the city.

Sustainable communities demonstrate a good balance between housing designed for owner occupation and housing likely to be attractive to investors to manage as rental accommodation.

## Housing Affordability

Increasing housing costs in Australia mean that many low and even moderate income earners are finding it difficult to access home ownership, particularly in the capital cities. Affordable housing underpins regional prosperity – accommodating key workers like nurses, teachers, police, cleaners or hospitality workers. Younger and older generations often depend on affordable housing to maintain the social and familial support networks that underpin a strong sense of community and social sustainability.

For developers seeking to maintain a range of products at lower price points, and to maintain sales velocity, housing affordability is a serious concern.

House prices (and affordability) are a function of many factors, including:

- Land values
- Land development costs (including the costs of constructing serviced lots, approval costs and delays, and government charges).
- Housing construction costs (and associated fees and charges)
- Demand for housing in particular locations and availability of alternatives
- Capacity for different sectors to compete on the market for housing (based on their income level, access to and cost of mortgage finance)

There are a number of complex macro economic factors that affect the capacity of households to afford home purchase, particularly changes in household incomes and the availability and cost of mortgage finance. Providing diverse housing types within new residential developments contributes to housing affordability, delivering housing at different price points for home purchase and rent. The costs of individual homes can be reduced through smaller lot sizes (reducing the land costs), smaller dwellings, and modest building designs. The location and design of housing affect affordability across all tenures. Rising fuel costs mean that even lower priced housing may not be affordable for many households if it is not accessible to public transport, jobs and services. Total life cycle costs of housing – including maintenance costs and costs associated with heating and cooling, should be considered when designing for affordability.

Some forms of affordable housing are targeted specifically for those on low and moderate incomes (up to 120%

of area median income). For these groups, affordability is defined as 25-30% of income. Affordable housing can cover home ownership, private rental and public rental tenures.

In Australia, dedicated affordable housing has traditionally been confined to the public or social rental sector. Affordable housing is targeted to very low, low, and sometimes moderate income groups, and is an important part of the overall housing system.

New affordable housing products are emerging in Australia, including low cost home ownership (linked to affordable finance) and shared equity housing (where the equity is shared with a not for profit housing agency). Private developers and builders can be involved in providing affordable housing for low and moderate income earners by:

- Constructing housing that is then purchased by a government or community provider of affordable housing
- Participating in joint ventures or partnerships, where developers collaborate with a government or community sector partner to achieve an affordable housing or mixed tenure housing outcome. Such partnerships typically focus on the redevelopment of existing social housing estates, or the use of land in government or community ownership.

### **Case Study: Affordable home purchase in South Australia**

In South Australia, an affordable housing property locator alerts low and moderate income first home buyers of homes in their price bracket. Homes listed on the website include affordable housing ventures between the private sector and HomeStart Finance. HomeStart is a statutory corporation established by the South Australian Government to facilitate home ownership by lending to lower income households.

Eligible low and moderate income households have first preference on many of the homes available on the online property locator. Other private developers offering lower priced homes may also apply to list their properties on the site.

## **Key Issues**

### **Benefits**

Designing for housing mix means your development will appeal to people at different life ages and stages, catering to different market niches. Broader market appeal increases sales to owner occupiers. Attractive rental opportunities (including houses and apartments that are purchased by investors) increases the potential flow on market from existing residents who may eventually purchase in the area, provided they are able to find housing in line with their needs and aspirations.

Incorporating principles of universal design, or adaptable housing, may further broaden the appeal of your development.

Including specific opportunities for affordable housing, targeted to low or moderate income groups may make your development eligible for valuable planning incentives or concessions.

Housing diversity avoids problems of unbalanced service and infrastructure needs arising from an over

representation of particular demographic groups. For instance, communities with an overwhelming predominance of nuclear families will have high peak demands and needs for schools, childcare and playground facilities while a predominance of seniors will have different requirements for facilities and services.

Diverse housing opportunities situated in close proximity to neighbourhood shops, services, and open space, support a diverse population and contribute to sense of place and community.

## Risks

Designing for housing mix generally reduces the risks associated with residential development. Diversity of housing product means more opportunities to appeal to a broader market base.

Risks are also minimised by ensuring that your development is well located to access transport and services, and that infrastructure and amenities are in place up front. This is particularly important where higher density developments are intended.

External factors such as interest rate rises might reduce the affordability of your development for potential sectors of the market, especially first home buyers.

Some developers reduce risks by securing a proportion of pre-sales to social housing or non-profit housing providers. These sectors are often able purchase well designed housing even during times of market downturn.

## Savings

Designing for housing mix provides more flexibility. It allows you to maximise the yield from your site and appeal to the broadest range of potential markets.

If your development includes affordable housing it may be possible to access valuable planning incentives like increased development potential or other planning concessions (discounted application fees, or faster approvals).

If your development includes housing that meets standards for adaptable design, you may be able to secure pre-sales to social or non-profit housing providers.

There are also potential cost savings associated with subdivision and building techniques designed to improve affordability, such as smaller lot size creation, and smaller and more modest dwelling design.

## Costs

There may be some upfront costs associated with establishing diverse housing designs. But diversity means you can customise housing mix to maximise the potential of your site.

Applying the principles of universal or adaptable design may be associated with additional investment but they have long-term benefits for residents and can be a saleable item. Sustainability features for water and energy efficiency may also add more upfront costs but these will diminish quickly due to efficiencies of scale and as the cost of environmental technology drops. The market is increasingly willing to pay for sustainability features and they are becoming a point of difference for many housing developments.

Some local government areas have land use requirements for developers to include a contribution for affordable housing, as a condition of planning approval. Where these contributions are specified in the planning instrument, they should be calculated at the time of land acquisition, and factored into the price paid for land.

## Barriers

In some locations, planning controls may prevent some housing forms, like homes on smaller lots. While smaller lot sizes can reduce development costs per dwelling, making prices more affordable, in some local government areas planning regulations prevent smaller lot subdivisions. In other areas there may be barriers to attached and medium density housing.

If there is a demonstrated need for housing in the area, if the development site is well located in relation to services and transport, and if there are no overwhelming environmental considerations, planning authorities will usually consider requests to vary planning controls to facilitate well designed housing development.

In other cases there may be initial resistance by some members of the local community to new housing forms that differ from prevailing dwelling styles. If your development is consistent with local planning goals, your local council should assist you in addressing these concerns.

Sometimes smaller dwellings (like studio apartments) which provide affordable accommodation, fail to meet the lending criteria of financial institutions, so may have lower marketability. Identify finance issues during feasibility and planning stages.

## Benchmarks

Benchmarks for measuring housing mix relate to:

- the proportion of new housing designed according to adaptable housing standards (10-40% is a reasonable benchmark, depending on the target market groups);
- the mix of different housing types and bedroom configurations;
- house price points (a good target is to aim for at least 25% of dwellings to be affordable to moderate income households (up to 120% of area median, although this is increasingly unrealistic in many metropolitan areas of Australia).

## Development phase actions

### Feasibility

During feasibility planning, consider the likely feasibility of different subdivision configurations, housing design and density mixes, in relation to forecast market demand and preferences. The costs of any local government development contribution requirements should be identified at feasibility stage so they can be factored into the land price. Similarly, the possibility of negotiating a development bonus in return for contributions (such as an affordable housing dedication) should be considered at feasibility stage.

Other considerations to bear in mind during feasibility planning include potential interest rate movements and how to resolve any issues associated with finance for innovative and more affordable housing products. High interest rates limit the amount potential purchasers can borrow, so can have a deflationary impact on existing house prices. While this may have a positive impact for those yet to enter the market, for those already paying a mortgage, increased interest rates make their housing payments less affordable. Interest rate movements may also affect feasibility for staged housing developments.

### Planning

Identify whether your development plans are permissible under the local planning scheme or whether a variation is needed. This is the time to explore the potential for any planning concessions to be negotiated to support greater housing diversity or affordability in response to local community goals.

Meet early with the local planning authority and discuss your plans with them before you submit proposals for final approval. The planning authority might provide you with recent demographic data that could assist you in planning for a large development. The planning authority can also alert you to any future developments in the vicinity of your project – such as a new retail centre or planned centre upgrading.

Consider how your development will connect with neighbouring precincts. It is best to facilitate permeable connections rather than isolate your development from surrounding areas. This means several pedestrian and road access points rather than a single entrance way or gated entry. Read more about connectivity and community integration.

Plan your development so that facilities and services are available from the very beginning. Parks, landscaping, bus services, shops or schools for larger communities, will be a major selling point for your development.

## **Design**

The design phase involves identifying an optimal configuration for housing mix and diversity, emphasising higher density housing forms near major services and amenities.

Denser housing forms are best located in proximity to high quality retail centres and public transport, or other quality lifestyle and recreational opportunities (such as waterfronts). In these locations, shared public space and transport opportunities can substitute for private open space and the need for some personal travel by car.

Density can be increased without reducing the character and feel of a neighbourhood by interspersing smaller lot sizes and dwellings, and enabling accessory dwellings to form part of larger single family dwellings, providing flexibility for future household needs.

If government or social housing providers are likely to purchase a proportion of the housing within your development, consider consulting them about their needs during the design phase.

## **Construction**

Keep construction costs low by using modest building materials and by sequencing the development to secure cash flow.

## **Lot Creation**

When creating lots, seek smaller allotments for detached and semi-detached housing, while allowing larger allotments for high or medium density housing forms near services.

## **Completion**

Early availability of services and amenities will make your development far more attractive to residents and potential purchasers.

If opportunity permits, a post occupancy survey of residents might offer valuable information that you can incorporate in the planning of your next development.

## Links

- [Smart Housing Design Objectives - Qld Dept Housing](#)
- [Universal Housing Design Booklet - Qld Dept Housing](#)
- [Australian Standard AS4299 – 1995 \(Adaptable Housing\)](#)
- [Housing affordability for lower income Australians - AHURI Report](#)
- [NSW Housing Kit for Local Government \(with information about affordable housing\)](#)
- [Cost-Efficiency Booklet - Qld Dept Housing](#)

## Link to Content

- <http://yourdevelopment.org/factsheet/view/id/34>