

Housing supply patterns across Australia: 2006–2016



Based on AHURI Final Report No. 334: The uneven distribution of housing supply 2006–2016

What this research is about

This research examines the quantity, composition and distribution of new housing supply across Australia between 2006 and 2016 (the latest census data available). It builds on earlier studies of housing supply in Australia by examining growth relative to starting levels of housing stock and population and seeks to explain variations in local rates of production with reference to both demand and supply side considerations (e.g. population drivers, market cycles, regulatory barriers, construction costs).

The context of this research

There has been ongoing concern in Australia about the quantity and composition of new housing supply, particularly in the context of sustained affordability pressures.

The key findings

Growth in housing stock

Between 2006 and 2016, total dwelling stock increased by 17 per cent nationally, with WA seeing the greatest increase stock at 26 per cent and NSW the least at just 12 per cent. Thirty-seven of the 489 local government areas (LGAs) analysed for this research increased stock levels by more than 50 per cent over 10 years, while 70 per cent increased stock by up to 25 per cent (on average around 2 per cent per annum).

Table 1: Change in housing stock, 2006–2016

	NSW	Vic	QLD	SA	WA	Tas	NT	ACT	Total
Occupied private dwellings	304,401	372,891	283,216	63,637	180,102	20,542	12,082	27,797	1,264,668
Unoccupied private dwellings	26,474	62,900	43,343	22,491	41,855	4,464	3,679	4,120	209,326
Percentage increase on 2006 stock	12%	21%	20%	13%	26%	12%	21%	24%	17%
Total	330,877	435,800	326,565	86,127	221,960	25,003	15,767	31,917	1,474,016

Dwelling stock by number of bedrooms

Across all states there has been a fall in the number of three-bedroom dwellings and a rise in the number of four- and five-bedroom+ dwellings. The number of three-bedroom dwellings fell from 47 per cent to 42 per cent of stock, while the number of four-bedroom dwellings rose from 23 to 27 per cent. Ninety-two per cent of LGAs saw a reduction in the proportion of three-bedroom dwellings within their jurisdiction, while around three-quarters have seen an increase in larger four- and five-bedroom dwellings (74% and 79% respectively).

Table 2: Change in proportion of dwelling stock by number of bedrooms

	None (includes bedsitters)	One bedroom	Two bedrooms	Three bedrooms	Four bedrooms	Five bedrooms or more
New South Wales	-0.1%	0.9%	-0.2%	-4.2%	2.0%	1.6%
Victoria	0.0%	0.7%	-0.1%	-4.9%	3.4%	0.9%
Queensland	-0.2%	0.0%	-1.1%	-4.8%	4.4%	1.6%
South Australia	0.0%	-0.2%	-1.8%	-1.7%	2.8%	0.9%
Western Australia	-0.2%	0.1%	-1.2%	-3.0%	3.8%	0.6%
Tasmania	0.0%	0.1%	0.4%	-2.2%	1.3%	0.5%
Northern Territory	-0.9%	0.1%	0.5%	-4.6%	3.6%	1.3%
ACT	-0.1%	3.2%	2.5%	-6.2%	-0.1%	0.7%

Concentration of supply

Over the period 2006–2016, new dwelling supply was concentrated in the inner—usually higher-value—areas in Sydney, Melbourne and Brisbane, while Adelaide and Perth saw the highest number of approvals in middle and outer areas.

The cities of Sydney and Melbourne show intense supply in inner areas but also, along with the other capital cities, in outer greenfield contexts as well. Relationships between new housing supply and price change are also complex, with greenfield housing areas recording modest price growth, but areas of pronounced multi-unit development experiencing higher price inflation over the period.

Eight case-study LGAs categorised as high supply locations were used to explore the factors behind the supply outcomes in two states: NSW and WA. Planners and developers interviewed as part of the research believed that while the planning system had an important role to play in creating development opportunities, the timing and composition of new housing supply is driven by the development industry and whether projects are financially viable. Development viability is driven by market demand as well as development costs including the cost of land, finance, taxes and other regulatory charges.

Apart from zoning, other common factors explaining high levels of housing supply in the case-study LGAs include:

- the presence of relatively cheap land (WA)
- large greenfield or brownfield sites conducive to larger scale, master-planned development (NSW)
- infrastructure capacity—particularly resulting from transport infrastructure investment
- proactive local planning for growth (outer ring) and urban renewal (inner ring).

The long-term nature of the urban development processes, including infrastructure provision or augmentation, means that it can take years before rezoning and project commitments result in new housing supply. Additionally, the capacity of infrastructure and services is an important consideration for councils in planning for future growth. In some high-growth LGAs—where housing development over the study period exceeded anticipated levels—infrastructure that is at or exceeding capacity may have implications for future growth.

What this research means for policy makers

Each level of government is able to play a stronger role in supporting residential development within established and new communities by:

- investing in major infrastructure provision and upgrades
- coordinating land-supply processes
- streamlining development approvals for projects meeting local planning requirements—including expectations for diverse, well-designed and affordable housing options.

Ultimately, market conditions and the ability to deliver an acceptable return will stimulate housing development. For those LGAs looking to increase housing supply, market conditions need to be right, otherwise policy intervention is required, or the public sector needs to lead development. While LGAs have no control over market conditions, there are some options available to deliver development that might not otherwise have occurred. There will always be an uneven supply of housing because of the different nature of locations but those LGAs chasing new development could consider the policy options outlined here.

Site availability and assembly

The availability of development sites is crucial to new housing supply. Local governments and state development agencies such as Landcom and Development WA have a role to play in assembling sites that allow developers to deliver at scale and avoid the problems associated with piecemeal infill development. State development agencies have been responsible for preparing many difficult development sites for release to the private sector and should play an expanded role, especially as most of the easy-to-develop sites are gone.

While developable state and LGA owned land is limited in most cases, any opportunities that do arise should be maximised, while also delivering a supply of affordable housing. Greenfield development remains an important supply of housing, despite governments seeking to control urban sprawl by increasing the proportion of infill development. Efficient utilisation of such sites, with quality supporting infrastructure, can encourage high-quality development outcomes including a strong element of dwelling diversity.

Further, careful staging of new development can maximise the use and availability of infrastructure for new communities in greenfield locations. Although there is often pressure to allow new projects as they are brought forward in a piecemeal approach, smaller housing developments that are isolated from major transport or social infrastructure are costly and inefficient to service, and also disadvantage new residents.

Urban regulation and the planning process

There is need to ensure sites are realistically zoned in order to stimulate development and maximise development outcomes. Policy makers need to take market conditions into account when zoning sites, because if they get it wrong there will be no development or, in some cases, sites and infrastructure will be underutilised. An assessment of what would be financially feasible to develop on sites should be undertaken during any zoning or rezoning process. This includes the composition and nature of new housing, with provisions to enable diverse design typologies offering a mix of smaller and larger dwellings relating to development controls over minimum lot sizes, building heights and building setbacks.

Expectations for infrastructure contributions or affordable housing need to be predictable and consistently embedded within rezoning or master-planning processes, with developers able to factor these obligations into negotiations when acquiring land. Communication and consultation with the development sector is essential for state and local governments to understand patterns of land ownership and potential capacity to meet targets for new population and housing supply. Similarly, state governments can support local councils and housing developers by contributing to community consultation processes and articulating the need for all communities to accommodate population growth and change through new and diverse residential development.

Reducing the cost of development, and adjusting the timing of infrastructure obligations

A certain amount of flexibility could be employed to ensure development projects that are financially marginal could become viable and deliver housing supply. Restructuring taxes and other contributions so they are payable at the completion of the development rather than upfront would help marginal projects. In this regard, Australia's new National Housing Finance and Investment Corporation (NHFIC) could help local governments support major projects with upfront, low-cost finance for infrastructure investments. Public-private joint ventures—particularly where government supplies the land—can also deliver developments that would not otherwise have been feasible.

Alternative approaches to development

Alternative finance models and new construction technologies could alter the housing supply equation, as market forces determine the quantity, distribution and diversity of new housing supply in the private market.

A more responsive housing system—attuned to changing population needs rather than dependent on property market cycles—is likely to require a more diversified system of production. This implies continued efforts to expand and sustain the social and affordable housing sector, as well as new initiatives to diversify housing products and choices, such as through the evolution of:

- purpose-built rental accommodation
- deliberative (resident-led) or cooperative forms of housing development
- low-cost / shared-equity forms of ownership
- diversifying housing products and producers—and stronger government involvement in land and housing development, including through demonstration projects—to help offset market cycles and enable stable patterns of new supply.

Methodology

Australian Bureau of Statistics (ABS) data on housing diversity (or dwelling type) was supplemented with ABS data on building approvals to track how different broad house types have grown or contracted over the 10-year study period.

Information on the ways that local conditions—including local planning regulations—influence patterns of housing supply and diversity was captured through analysis of data from the Australian Urban Land Use Planning Policy (AULUPP) survey, together with interviews with state and local government planners.

Qualitative work was used to explore the reasons behind supply patterns in two states: NSW and WA. Eight case-study LGAs categorised as high supply locations were used to explore the factors behind the supply outcomes.

To cite the AHURI research, please refer to:

Rowley, S., Gilbert, C., Gurrán, N., Leishman, C. and Phelps, C. (2020) *The uneven distribution of housing supply 2006–2016*, AHURI Final Report No. 334, Australian Housing and Urban Research Institute Limited, Melbourne.

Available from the AHURI website at ahuri.edu.au/research/final-reports/334