Higher Density Communities: Current trends and future implications

Presented at the Strata and Community Title in Australia for the 21st Century Conference

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Introduction

Australian cities are facing a revolution. Little over a generation ago, living in flats was a minority pastime. Relatively few Australians had experienced such housing and fewer actually wanted to. Even today, the Australian suburban ideal of a separate house on a block of land is still the aspirational choice for most. But this may well be about to change for ever. Under current metropolitan planning orthodoxy, the compact city is about to become the Australian urban norm. While this has already had an impact on the suburban fringe in smaller lot sizes and more densely crowded subdivisions, some on community title, the real revolution is happening elsewhere in the city.

Unlike cities in Europe, Asia and North America, there is little collective tradition of higher density living in Australia. While there has been a long history of higher density flats in inner city areas since the 1930s, densification really only took on a higher profile after Strata Title was introduced in the 1960s, particularly in higher value suburbs, together with extensions of higher density housing in older suburban redevelopment strips zoned for higher density. Nevertheless, flats and semi-detached housing have remained a minority housing form in most Australian cities. The more recent redevelopment of redundant water front and industrial areas for high density housing has become a major new phenomena in some city cores and high value locations, but again, represented only a minority pursuit in the overall housing stock.

But from now on, higher density urban renewal is now expected to be the main driver of growth in our major cities. In Sydney, 70% of new urban housing will be higher density development on brownfield sites. In Melbourne a similar proportion of the new growth is expected to be higher density housing. Urban town centres and primary transport corridors are going to be focus for his activity, promising a very different future for Australian city dwellers. With the suburban option increasing curtailed, Australians of all levels will be expected to spend substantial proportions of their lives living in a form of housing that hitherto has only been a minority choice, or a transitory one while longer term housing is sought in traditional suburban housing.

But what impacts will this housing revolution have on those living in this kind of accommodation? At present, we have relatively little hard evidence of the nature of this shift, of who has been accommodated in the higher density stock we already have or of the longer term social outcomes and implications of this shift.

This paper sets out to present some of the evidence so far about the various markets higher density housing is accommodating in our cities. It draws on work we have been doing in Sydney over the last few years. While Sydney is by no means the only place where higher density housing is of growing importance, it is the city where this trend has progressed the furthest. It then draws some of the implications of current planning proposals for the future of our cities and reviews a range of issues that may well arise. My focus will be on residential medium and higher rise property – flats, units and town houses, most normally produced on strata title, not retirement villages or tourist developments.
Two key characteristics underpin my view of the higher density housing market and its likely future. The first is the high proportion of this form of housing that has been sold into the investment market. This in itself marks the higher density market as being qualitatively different from the mainstream housing market. The outcome of this form of investment-led housing is that it has very different outcomes for those who live in it. If this characteristic continues, then there are substantial implications for the future of the sector as well as for the roll out of planning strategies in our cities. The implication is that the proportion of renters will rise as higher density housing becomes a mainstream housing form in our cities. Renters have very different attitudes and expectations of their housing than owners. Moreover, the demand for such housing will primarily come from investors, reflecting their needs and perceptions, not those of the households who end up in it. What are the implication of this? This is an issue that planners have yet to fully comprehend in their desperation to find sustainable alternatives to urban sprawl. Put simply, this means that compact city policies will need to be driven by rental investors. This represents a new phase in urban planning in Australia, where consumer demand for houses has been the driver of new residential development in the past.

The second characteristic that will have an impact on the social outcomes for the market is that the higher density sector is now a maturing one, and this has big implications for our strata title frameworks. There is now a range of housing within the sector, including a growing number of older flats in a wide range of locations, and the sector now caters for a range of very different types of household. As a result, we need to broaden our focus on what is a heterogenous sector catering for a range of markets and recognise that key management issues are emerging in areas of older flats, where the longer term implications of strata management are coming to the fore. As a consequence, the strata title framework is really going to be tested over the next few years, especially in the lower value stock, as repairs obligations mount, relative values fall, marginal ownership increases (i.e. owners with few additional resources to meet repairs and maintenance) and replacement starts to loom larger.

Again, the management, or more broadly, governance, issues arising from strata ownership is another area that planners have yet to fully understand or incorporate into their planning nostrums. Successful compact city policies will require a viable and acceptable strata governance framework to minimise conflicts between neighbours and between owners, as well as maximise long term standards in higher density stock. Without it, the consumer resistance to such housing will only grow. And that leaves out the political conflicts that will increasingly arise in communities where higher density housing will be built. There is an as yet untapped potential for NIMBYism and BANANAism to wreck the best laid plans of the planners. Clearly, there are substantial issues that will need to be accommodated in any successful high density urban future for Australia.

The starting point for gaining a better understanding of just what the implications are of higher density strata based housing for planning more compact cities is to understand what the market already provides and the groups sub-markets it houses. The next section reviews the evidence for this from recent Census data.

The recent and future growth of the higher density sector
Recent trends in higher density housing in Sydney, Melbourne and Brisbane as shown in Table 1. Multi-unit dwellings accounted for 910,000 in these three cities in 2001. This represents a 64% increase over the numbers of such dwellings in 1981, an additional 356,209 dwellings. At the same time, the number of detached dwellings increased by 37%. There was therefore a significant relative shift towards higher density housing during these two decades. The largest absolute increase was recorded in Sydney, while the largest percentage increase occurred in Brisbane. And the rate of increase is speeding up. In Sydney, two thirds of the increase in multi-dwellings came in the 1991-2001 period.

<table>
<thead>
<tr>
<th>2001</th>
<th>Separate Houses</th>
<th>Multi-Unit Dwellings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney</td>
<td>907,195</td>
<td>500,089</td>
<td>1,438,394</td>
</tr>
<tr>
<td>Melbourne</td>
<td>919,704</td>
<td>302,897</td>
<td>1,243,373</td>
</tr>
<tr>
<td>Brisbane</td>
<td>481,333</td>
<td>107,986</td>
<td>601,146</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% of Total Dwellings</th>
<th>Sydney</th>
<th>Melbourne</th>
<th>Brisbane</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>63%</td>
<td>74%</td>
<td>80%</td>
</tr>
<tr>
<td></td>
<td>35%</td>
<td>24%</td>
<td>18%</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change 1981-2001</th>
<th>Sydney</th>
<th>Melbourne</th>
<th>Brisbane</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+185,353</td>
<td>+238,976</td>
<td>+193,472</td>
</tr>
<tr>
<td></td>
<td>+187,602</td>
<td>+104,507</td>
<td>+64,100</td>
</tr>
<tr>
<td>Total</td>
<td>+617,801</td>
<td>+356,209</td>
<td>+263,339</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% Change 1981-2001</th>
<th>Sydney</th>
<th>Melbourne</th>
<th>Brisbane</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+26%</td>
<td>+35%</td>
<td>+67%</td>
</tr>
<tr>
<td></td>
<td>+60%</td>
<td>+53%</td>
<td>+146%</td>
</tr>
<tr>
<td>Total</td>
<td>+35%</td>
<td>+38%</td>
<td>+78%</td>
</tr>
</tbody>
</table>

Turning to the future, Table 2 sets out the proposed targets for new dwellings in Sydney over the next 30 years as indicated by the NSW Department of Planning and Infrastructure’s Metropolitan Strategy proposals. Over this period, an additional 418,000 multi-unit dwellings are planned, increasing the total stock to over 900,000. In 2030, multi-unit housing will account for 45% of the total housing stock, up from a third today. The rate of annual output of higher density housing will also need to increase – from 12,000 to 14,000. Within a further 10 years the proportion of higher density housing could have reached half the total stock. This surely represents a major transition in the way we live in our cities.

<table>
<thead>
<tr>
<th>Total dwellings 2001</th>
<th>1,438,394</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total attached dwellings 2001</td>
<td>500,089</td>
</tr>
<tr>
<td>Proportion of attached dwellings 2001</td>
<td>35%</td>
</tr>
</tbody>
</table>
Increase in attached dwellings 1991-2001 122,048
Av annual increase in attached dwellings 1991 to 2001 12,205
Estimated total dwellings 2030 1,997,235
Estimated total attached dwellings 2030 900,626
Proportion of Attached Dwellings 2030 45%
Estimated increase in attached dwellings 2001 to 2030 400,537
% increase in attached dwellings by 2030 80%
Av. Annual increase in attached dwellings 2001 to 2030 13,811

Source: Derived from NSW Department of Infrastructure, Planning and Natural Resources figures (2005)

**Current demographics: who lives in the high density sector?**

But who will be living in this stock? As I noted above, much of the push for increasing higher density housing is based on the projection that there will be a larger proportion of smaller households in future years, together with larger numbers of older people. The logic is that there is less need for larger dwellings, especially those with three or more bedrooms, to meet the projected demand from older and smaller households. Strata title flats and semi-detached housing may be more appropriate for these groups. Whether this is the case, and whether the perception of higher density living as a mainstream housing option will change, will be critical to the success of the compact city policies over the next few years.

**Tenure and dwelling size**

Regardless of its future role, the current higher density market is a distinctive one. Firstly, it is predominately a rental market. Figure 1 shows that in the three major state capitals of Sydney, Melbourne and Brisbane, for those dwellings privately owned (i.e. excluding public rental), 55% of flats are rented from a private landlord, compared to 14% of separate houses. Only 20% are owned outright and just 11% are being purchased. The comparable figures for houses are 48% and 33% respectively. Semi-detached dwellings occupy a mid-way position lie in between, with almost 2 in 5 being privately rented.\(^1\) The role of the higher density sector as an investment market is clear from these figures.

\(^1\) This includes all forms of villas, town houses and other attached dwellings other then flats.
Figure 1: Dwelling type by tenure, Sydney, Melbourne and Brisbane, 2001 (Private tenures only).

Figure 2: Dwelling type by dwelling size, Sydney, Melbourne and Brisbane, 2001
At the same time, the accommodation is overwhelmingly one or two bedroomed, as Figure 2 shows. In this case, only 13% of flats have three or more bedrooms, compared to 86% of houses. Both these features – the high proportion of rental and overwhelmingly small size of the accommodation, have substantial implications for the future acceptance of this housing form as a mainstream housing option, a point we will return to later.

Social profile
As a result of its tenure and size characteristics, the sector is home to a specific demographic. Figures 3 to 7 illustrate a range of social characteristics of the higher density sector. Overall, 46% of households in flats were single persons (15% in houses). With the exception of group households (at 9%), all other household types were under-represented compared to houses. In particular, there are relatively few families with children in higher density housing, particularly in flats, where the proportion was just 12%, compared to 45% in houses.

The relative under representation of children in higher density housing is clearly shown in Figure 4. Only 12% of the flat population is aged under 15 years, compared to 23% of those in houses. On the other hand, flats house almost double the proportion of people aged 25 to 34 compared to houses (26% and 14% respectively). As for the empty-nester market, the proportion of older people aged over 65 in flats is only marginally higher than the proportion in houses 13% compared to 11% respectively. So far, then, flats do not seem to have made disproportionate inroads into the empty nester market.

With higher proportions of single person households, it is not surprising that average household incomes in flats are lower than those of households in houses. Overall, 43% of households living in flats had incomes under $600 per week, compared to 29% for those in houses (Figure 5). Almost half (47%) of those living in low rise flats had incomes under $600 per week. In contrast, 29% of households in houses have incomes above $1,500 compared to 19% for flats. However, the data also suggests that households in high rise flats are relatively better off compared to those in low rise flats. This is consistent with the known age and distribution of the latter, being often newer and concentrated in higher value central city locations. The household income profile will have a significant impact on the future of the higher density sector, effectively restricting the amount such households can afford to pay for flats, both in rent and for purchase. First time single buyers on moderate incomes are likely to find even this market problematic to buy in.

A critical characteristic of the flat market is the high level of turnover. Well over half (56%) of those in houses said they were living in the present home five years previously, compared to only 26% of flat dwellers (Figure 6). Moreover, as many as 15% of households in flats said they were living overseas five years previously, compared to just 3% of house dwellers (the figure was almost one in five for low rise flats). The turnover rates in the higher density market are closely related to the high proportion of rental. If these levels of turnover remain a persistent feature of the high density market then this will have significant implications for the social outcomes from a much enlarged flat market in urban areas.
Finally, less than half (46%) the households in flats were Australian born, compared to 68% of households living in separate houses. The high level of overseas born in the higher density market is a reflection of both the rental stock and the nature of the accommodation. It is likely that many households from overseas, particularly from Asia, are more inclined to live at higher densities, at least in the earlier stages of residence in Australia. Of course, income constraints and the ready availability of such accommodation are also contributory factors. It is no coincidence that the CEO of Meriton recently called for more immigration to support the demand for his products (Australian Financial Review, 2005).

**Is the profile of higher density housing changing?**

So, flats in particular have a very distinctive social profile, much of which can be explained by the high proportion of renters and the smaller size of the accommodation. But has this changed much over time? In fact, if the data from Sydney are anything to go by, the market has not changed greatly in recent years. Figure 8 shows the tenure profile of flats in Sydney between 1991 and 2001. It has hardly changed. If anything, the proportion renting privately has increased slightly and this was particularly the case for the newer high rise flat sector. The role of the flat sector as an investment medium remains undimmed – at least until 2001. It can be argued that the current downturn in the flat market is a direct product of the reliance on investors to generate effective demand. This should sound warning bells for planners and developers alike. Is the higher density sector sustainable in its current investor driven form, and what are the implications of this? I will return to this issue in the final section.

**Where are the flats? The geography of higher density housing**

In all three cities reviewed here, the higher density market is associated with higher value inner city locations, where redevelopment of older housing has been proceeding for many years in some cases. More recent redevelopment of older industrial and waterfront sites have added to this older stock. There are also distinctive clusters and concentrations along suburban rail and transport routes and town centres. The size and suburban expansion of this sector is much more advanced in Sydney than the other two cities, as Figures 8, 9 and 10 show.

However, under the new metropolitan planning imperatives, new high density housing stock is set to expand into suburban locations, as well as concentrating further in areas of existing core areas. In Sydney, there is already growing pressure on town centres in outer locations such as Penrith and Campbelltown to accommodate a significant increase in higher density housing. This will radically change the housing markets in these hitherto firmly low density areas in the not too distant future. It will also mark a further stage in the shift to higher density living in Australian cities. New plans for the new release areas around Sydney and other cities foreshadow higher densities in strata title dwelling form which will again mark a new phase in urbanisation with high density residential clusters in new town and neighbourhood centres built into new development. As a result, Australian suburbs are set to change for ever.
Figure 3: Dwelling type by household type, Sydney, Melbourne and Brisbane, 2001

Figure 4: Dwelling type by age of person, Sydney, Melbourne and Brisbane, 2001
**Figure 5:** Dwelling type by household income, Sydney, Melbourne and Brisbane, 2001

**Figure 6:** Dwelling type by whether the household moved into their current address in the five years preceding 2001, Sydney, Melbourne and Brisbane, 2001
Figure 7: Dwelling type by country of origin of person, Sydney, Melbourne and Brisbane, 2001

Figure 7: Tenure profile of flats, Sydney, 1991 to 2001
Figure 8: The proportion of attached dwellings by suburb, Sydney 2001

Figure 9: The proportion of attached dwellings by suburb, Melbourne 2001

Figure 10: The proportion of attached dwellings by suburb, Brisbane 2001
Higher density housing sub-markets

The discussion so far has simply treated the higher density market in aggregate. In fact, as the analysis suggests, higher density housing serves a range of distinctive sub-markets at the present time, each with specific characteristics and covering distinctive locations. We’ve been looking into the spatial sub-markets of higher density housing in Sydney to try to get a finer understanding of the structure of the market here. Again, while they results are specific to the Sydney market, they nevertheless are likely to be repeated in other Australian cities.

To do this, we undertook a statistical analysis of data from the 2001 Census. First, a factor analysis using a range of housing related census variables was undertaken focusing on Census collector districts with a high percentage of housing in medium or high density dwelling types (semi-detached houses and flats). This generated six ‘factors’ explaining 70% of the variance within the data set. Each of these factors was associated with a distinctive set of census socio-demographic characteristics and had distinctive spatial ‘footprint’. Once the basic sub-markets had been identified in this way, further detailed analysis was carried out of the 33 CDs scoring most closely against each factor, using special cross-tabulations of the characteristics of households actually living in each of the three types of attached dwellings in these areas.

This analysis identified a series of distinctive submarkets which had strong spatial outcomes. The four main ‘factors’ are described in Box 1. The two most significant factors represented, on the one hand, a suburban low income market strongly associated with a migrant population renting flats in older low rise blocks, and on the other, a higher income mature professional worker and retiree market with higher levels of ownership in central city and waterfront locations. These are shown in Figures 11 and 12. Two other factors represented a more youthful ‘Generation X’ sub-market of renters and home buyers more widely spread from the inner city into the middle suburbs, and a fourth sub-market associated with the higher density public rental sector in inner city areas.

A further more detailed profile of twelve local neighbourhoods across Sydney (defined by groups of Census collector districts) with very high proportions of flats is presented in Table 3 and Figure 13. This confirms that the higher density flat market in Sydney accounts for a very diverse set of market segments. It is notable that despite very different social profiles, all these locations have uniformly high proportions of tenants and high mobility rates, even where the proportion of families with children is high.

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Box 1: Sub-Market Analysis of the Sydney higher density sector

**Factor 1: Suburban, low income, rental, migrant sub-market**
CDs scoring highly on this factor were characterised by high proportions of:
- flats, especially low rise flats
- private rental
- people born overseas, especially South East Asia, Middle East and South Eastern Europe,
- single-parent families,
- lone-person households, but low percentages of couples with or without children.
- tradespersons, labourers and related workers.
- low-income and unemployed

CDs with high scores on factor 1 are primarily located in the middle distance suburbs of western Sydney together with the inner west and inner south of Sydney (Figure 11). The distribution of this housing sub-market, and the dominance of low-rise flats suggest this market is typically made up of older flats.

**Factor 2: Higher status, high amenity, home-owner and rental sub-market**
- flats in blocks of four storeys or more,
- a sizeable proportion in home ownership
- Australian born
- mature age couples without children
- a substantial elderly population
- well-educated
- employers, administrators or professionals or retired
- higher income
- high car ownership

CDs scoring highly on this factor are strongly associated with areas of recent up-market apartments located in accessible central and waterfront locations and at Olympic Park (Figure 12).

**Factor 3: Generation X rental and home purchase sub-market**
- semi-detached or high-rise flats
- private renters and home buyers
- people at a younger stage in their life cycle, particularly 25 to 34 years
- wider ethnic characteristics
- high mobility

The locations of the housing sub-market scoring highly on this factor are not dissimilar to that of Factor 2, but include a wider scatter of areas in the middle suburbs such as around Parramatta.

**Factor 4: Higher density public housing sub-market**
- high-rise and low-rise flats
- public housing
- older people
- Australian born
- single adults
- divorced or separated persons
- single-parent families
- manual trades
- very low income

CDs associated with this factor are widely spread, but are closely associated with areas of high density public housing, particularly in central and eastern Sydney.

Two final factors accounted for a distinctive semi-detached market (split between an outer suburban market associated with the 1970s public housing and an inner city market associated with late Victorian terraced houses) and a medium density public rental sub-market.

Source: Bunker, Holloway and Randolph. (2005)
Figure 11: The low income migrant suburban rental sub-market (locations of CDs with high scores on Factor 1)

Figure 12: The higher status, high amenity, home-owner and rental sub-market (locations of CDs with high scores on Factor 2)
### Table 3: Selected characteristics, higher density housing case study areas, Sydney, 2001 (percentages)

<table>
<thead>
<tr>
<th></th>
<th>Homebush</th>
<th>Chatswood</th>
<th>Cronulla</th>
<th>Fairfield</th>
<th>Hillsdale</th>
<th>Hornsby</th>
<th>Liverpool</th>
<th>Manly</th>
<th>North Sydney</th>
<th>Parramatta</th>
<th>Penrith</th>
<th>Sydney</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flats in a block under 4 storeys</td>
<td>1.9</td>
<td>20.4</td>
<td>44.0</td>
<td>60.9</td>
<td>65.1</td>
<td>66.9</td>
<td>42.5</td>
<td>37.3</td>
<td>13.8</td>
<td>35.1</td>
<td>72.8</td>
<td>0.4</td>
</tr>
<tr>
<td>Flats in a block over 4 storeys</td>
<td>98.1</td>
<td>74.7</td>
<td>52.8</td>
<td>28.4</td>
<td>31.7</td>
<td>30.9</td>
<td>53.5</td>
<td>56.4</td>
<td>83.0</td>
<td>63.6</td>
<td>7.2</td>
<td>97.8</td>
</tr>
<tr>
<td>Unoccupied Dwellings</td>
<td>30.5</td>
<td>8.7</td>
<td>12.8</td>
<td>5.9</td>
<td>4.9</td>
<td>5.1</td>
<td>6.2</td>
<td>16.9</td>
<td>17.0</td>
<td>5.5</td>
<td>9.2</td>
<td>13.2</td>
</tr>
<tr>
<td>Same Address 5 yrs ago</td>
<td>18.2</td>
<td>19.8</td>
<td>27.1</td>
<td>31.2</td>
<td>39.8</td>
<td>21.0</td>
<td>25.0</td>
<td>21.9</td>
<td>22.9</td>
<td>22.7</td>
<td>23.3</td>
<td>11.3</td>
</tr>
<tr>
<td>Couple Family with children</td>
<td>25.2</td>
<td>16.8</td>
<td>8.8</td>
<td>32.6</td>
<td>34.4</td>
<td>18.9</td>
<td>34.9</td>
<td>7.6</td>
<td>9.0</td>
<td>17.5</td>
<td>8.1</td>
<td>5.6</td>
</tr>
<tr>
<td>Lone person households</td>
<td>20.0</td>
<td>27.7</td>
<td>39.6</td>
<td>21.3</td>
<td>21.2</td>
<td>29.0</td>
<td>26.9</td>
<td>32.5</td>
<td>35.4</td>
<td>27.6</td>
<td>51.9</td>
<td>23.0</td>
</tr>
<tr>
<td>Other households</td>
<td>18.1</td>
<td>14.0</td>
<td>9.3</td>
<td>6.3</td>
<td>7.0</td>
<td>9.2</td>
<td>6.8</td>
<td>22.8</td>
<td>20.1</td>
<td>19.3</td>
<td>9.3</td>
<td>41.2</td>
</tr>
<tr>
<td>Unemployed</td>
<td>3.6</td>
<td>7.1</td>
<td>3.6</td>
<td>27.3</td>
<td>10.8</td>
<td>7.6</td>
<td>20.3</td>
<td>5.6</td>
<td>4.1</td>
<td>11.4</td>
<td>9.8</td>
<td>7.1</td>
</tr>
<tr>
<td>Not in the Labour Force</td>
<td>13.0</td>
<td>35.2</td>
<td>19.1</td>
<td>48.5</td>
<td>31.4</td>
<td>26.4</td>
<td>42.0</td>
<td>23.0</td>
<td>25.1</td>
<td>27.0</td>
<td>28.9</td>
<td>24.6</td>
</tr>
<tr>
<td>Owned outright</td>
<td>15.5</td>
<td>23.7</td>
<td>18.0</td>
<td>17.2</td>
<td>21.5</td>
<td>17.3</td>
<td>15.9</td>
<td>20.2</td>
<td>19.9</td>
<td>9.6</td>
<td>13.6</td>
<td>14.1</td>
</tr>
<tr>
<td>Being Purchased</td>
<td>23.2</td>
<td>7.1</td>
<td>16.4</td>
<td>8.0</td>
<td>10.3</td>
<td>11.8</td>
<td>12.2</td>
<td>6.6</td>
<td>8.3</td>
<td>8.7</td>
<td>11.7</td>
<td>8.4</td>
</tr>
<tr>
<td>All Owners</td>
<td>38.7</td>
<td>30.8</td>
<td>34.4</td>
<td>25.2</td>
<td>31.8</td>
<td>29.1</td>
<td>28.1</td>
<td>26.8</td>
<td>28.2</td>
<td>18.3</td>
<td>25.3</td>
<td>22.5</td>
</tr>
<tr>
<td>Rent from private landlord</td>
<td>54.8</td>
<td>57.2</td>
<td>52.6</td>
<td>64.5</td>
<td>57.7</td>
<td>58.2</td>
<td>56.0</td>
<td>50.8</td>
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*City Futures FBE/UNSW*
Figure 13: Higher density housing case study areas, Sydney, 2001
What are the implications of these trends?

Understanding the current structure of the higher density market and trends in the kinds of households it houses gives us some indication of the likely impacts and outcomes of the growth of the sector in future years. Most importantly, if the predicted expansion of higher density housing continues on the current model, then a number of fairly predictable outcomes are likely. These can usefully be grouped into two headings for the purposes of this paper: implications for the planning system and implications for social stability and cohesion.

Implications for the planning system

The first consequence of the expansion of higher density housing will be the much greater role of the investment market in driving the rate, scale and location of new urban residential development. As I have noted, up to 70% of new housing in Sydney will be higher density urban redevelopment. Comparable proportions are expected in Melbourne and SEQ also envisages a higher density future. Much, possibly a clear majority, of this will be delivered on a strata title basis, and, if present market conditions prevail, the majority of this housing will be sold to investors. This will have several ramifications for planners.

Firstly, and importantly, future urban growth will increasingly depend not on the perceptions and demands of households looking for homes to buy in new developments, but on the perceptions and behaviour of residential investors, many of them being the mum and dad investors who have propped up the recent flat boom. This will mark a major shift in the basis on which Australian cities have grown, with much of the new growth mediated through investors. An investor driven market responds to different stimuli than the homeowner market, and may deliver outcomes in a very different way. We have already seen the impact of investor withdrawal in inner city flat markets, unrelated to the demand for home ownership trends. Planners will need to be much more aware of the role this new driving force will play in the delivery of their plans for our cities.

Secondly, the question arises as to where the rental market demand for a much enlarged rental sector will come from? How many more households wanting to rent will there be to take up the supply? If the current predilection among developers for smaller two bedroomed dwellings continues, then there will be a major growth in supply of smaller property. While this seems logical to metro planners who are driven by the overarching demographic shift to smaller households and older people when planning the cities of our future, and therefore make the assumption that we need a lot of smaller dwellings to accommodate the growth of smaller and older households, the reality may be much more unpredictable and illogical. Research in Melbourne by Marion Wulff and colleagues has shown that there is no necessary association between the growth of smaller households and the supply of smaller (predominantly 2 bedroom) higher density housing. Without a major shift in consumer perceptions, many smaller households will retain a preference for house property, especially older

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‘empty nesters’ who will prefer to remain in situ in the family home after the family has moved out. There is little evidence that Australians really want a long term future in two bedroomed flats. If not, then the sector will remain a transitory one for short periods of peoples’ lives before they move on to the suburban house or “seachange” villa.

Thirdly, and central to the concerns of this conference, is the likelihood that a substantial proportion of new urban housing growth will end up in the strata market. This is again a new phenomena. When strata building was a minority concern, this did not matter much. But under current policy settings this form of housing will become much more important. This means that for urban consolidation policies to succeed, strata title must also succeed as a fully accepted and trouble-free form of property ownership. However, as this conference has made clear, at present the strata system still needs significant reform to make it problem free.

Fourthly, what do we do about the strata market as it ages? This issue is already posing problems in some areas, particularly where the stock has passed into lower cost rental and marginal ownership, especially, for example, in the middle suburbs of Sydney. But we have no foolproof systems in place to manage either the major overhaul of these properties or their eventual removal and redevelopment when they come to the end of their life. While these issues are not so much of a problem in high value locations where the incomes of residents and property values are sufficiently high to ensure continued maintenance and repair, the strata system may come badly unstuck in low value areas where landlords have little incentive to reinvest in their property and home owners do not have the wherewithal to afford major repair costs. There is much to be understood about how re-investment works – or doesn’t – in strata blocks over the life-cycle of the buildings. Indeed, there is much to learn about just what the life-cycle of these building are. Again, planners have so far failed to notice this emerging problem – one that they helped to create by urban consolidation policies implemented by insensitive block zoning policies. Moreover, the proposed Sydney Metropolitan Strategy has said nothing so far about how these areas might be addressed through innovative planning approaches.

Lastly, it is worth noting that in their desire to make sure the predicted numbers of new smaller households are accommodated, planners seem not to have understood that rolling out thousands of similar two bedroomed flats in town centres may well lead to cities becoming divided on grounds of life stage with DINKS, SINKS, YUPPIES and empty nesters increasingly concentrated in flats in town centres and high density strips, while families are consigned to the low density suburbs. This is surely an outcome no one wants for our cities. To avoid this, planners must ensure that a range of higher density housing product is delivered that encourages wider social mix and wider social acceptance of this form of housing. In crude terms this means the inclusion of substantial proportion of larger dwelling types in the new higher density stock – three bedrooms flats should form a high proportion of the output. If not, then families will be effectively excluded from this form of housing, with the resultant social imbalance that will inevitably follow. In other words, higher density developments should include a mix of flats of various sizes and town houses.
Implications for social stability and cohesion

Turning to the social outcomes of the growth of strata development, what pointers are there to determine which higher density communities will prosper and which ones will not? Clearly, the analysis presented above has illustrated the distinctive range of sub-markets for whom the higher density sector provides housing. It is therefore not an homogenous sector but provides housing for a variety of households. However, the key social feature of the strata title environment is that it involves close quarter living in a physical sense and a greater degree of interaction among residents (via the body corporate structure) than those in single houses have to contend with. Also, it often involves living with certain physical constraints (e.g. adjoining apartments, small apartments, shared facilities, inadequate protection against noise). This situation will require a high degree of tolerance between residents. Add to this the changes occurring in the household unit, high mobility in flats, neighbour problems, the ageing population and other aspects of social change and a range of challenges confronting strata living begin to emerge.

Many of these issues are critically dependent on two not unrelated factors – the quality of the sector and the governance arrangements to manage the sector. Getting these two aspects of the strata sector right is very much at the heart of building successful new cities in Australia. Get these wrong, and urban consolidation itself and the higher density future of our cities may fail. A number of key issues suggest themselves on this and related issues to do with strata living.

Open space
What will be the demand for more open space and local services in high density neighbourhoods? At present, such space is limited in some inner city locations. But more people and higher residential densities will inevitably create a demand for local open space. Will Australians have to change their attitudes to space in new higher density urban centres? Councils will need to plan for appropriate levels of open space which may be difficult unless sites are put aside for such use. The increasing prevalence of substituting children with a dog among the Generation X childless also places increasing pressure on existing open spaces in higher density areas, especially as the dog lobby is increasingly successful at claiming exclusive use of sections of public open space for dog-only usage.

Children
Space will become particularly critical if there is a shift to family living in the higher density sector. At present the sector in these areas is being heavily marketed at the child-free life stylers (either pre- or post-children) and as we have seen children are significantly under-represented in this kind of property. In fact, as the evidence from the some of the suburban higher density markets indicates, flats are increasingly housing children. Some councils – the City of Sydney for example – are now stipulating that new flat development includes a proportion of family sized accommodation to help attract families back into high density neighbourhoods. High density city neighbourhoods may not remain child free for long, not should they (see below).

But children mean the provision of safe and appropriate space for play and recreation areas – and not just play grounds for pre-schoolers. Over the longer tern, children
become teenagers. What happens in areas where numbers of “youth” start to congregate. We all understand the problems of teenagers in suburban locations, but what happens when our new higher density areas suddenly become places where teens live? Are we facing the same kinds of issues that have faced teenagers in high rise housing estates in other countries – places for teens may become just as important as toddler play areas – and potentially much more socially divisive.

Children also mean schools and child care facilities. We are building high density homes in areas where educational facilities are available or are these the areas where schools have been run down in the last two decades as children have left the area. How would the City of Sydney deal with a major increase in school age children? Are we going to have to build new facilities in high cost areas as the child populations expand again or would they all be expected to go to private schools out of the area?

Community building
A key feature of current planning practice involves notions of social sustainability and community cohesion. We hear an increasing amount from planners about the need to build “inclusive” “vibrant” and “liveable” neighbourhoods. Much of this rhetoric harks back to ideals of neighbourhoods where residents live in well integrated neighbourhoods. But how far will residents in higher density housing build local links – what kinds of ‘neighbourliness’ and community be a feature of this type of development. Anecdotal evidence suggest this has not happened in the newer blocks given residents’ outward focus – lots of DINKS and SINKS whose main interests are work, recreation and socialising outside the home. Will these be positively vibrant communities or simply dormitories for lots of highly social mobile people?

Neighbourliness seems to be strongly associated with children (parents meeting at school, local networks of children and their parents, etc.), but there are relatively few in the new wave of high density, high rise developments. Moreover, as the statistics show, these area “churn” with high mobility rates, even in those areas where there are higher proportions of families. But this is hardly conducive to creating cohesive communities. Again, anecdotal evidence suggests that the “Seinfeld” version of higher density neighbourliness is not yet a common feature of higher density housing in Australia.

So how do flat dwellers form neighbourhood links and ties and how might the sense of place develop in highly mobile flat block developments? Which types of development (and resident) are most likely to develop place-centred attitudes to their homes? The mix of residents in these developments will critically affect this – renters are much less likely to develop a place attachment than owners. It would seem that developments with higher proportions of home owners are more likely to be places where neighbourliness will develop, simply on the grounds of a shared common concerns and longer term interest in the place. In low density suburbs, neighbours have opportunities to interact over the garden fence. Flats preclude this option, so the common areas and shared facilities become important in engendering more interaction in higher density housing. The quality of these facilities therefore becomes very important in providing spaces for interaction between residents.
**Design and building quality**

The quality of higher density dwellings will play a critical role in the long term success of strata living in delivering high density cities. How do the build-quality and maintenance/repairs issues affect the development of residents’ attitudes to each other and the property over time? Satisfaction with the dwelling (including noise levels, neighbour disputes, conflicts over maintenance, etc) will have an important impact on behaviour and attitudes of flat dwellers. However, there is evidence that building standards in some sections of the market are being pushed down in the pursuit of profitable development opportunities, especially in lower value locations\(^4\). Worryingly, current metro strategy plans for urban renewal and consolidation can only succeed if large quantities of strata housing is delivered in such locations. Building cheap and low quality high density housing in low value neighbourhoods is surely a recipe for long term disaster. Poor quality housing will produce poor quality living spaces and generate longer term maintenance and repair problems. This will inevitably create tensions and conflicts among residents, be they owners or renters.

**Governance and management**

As well as design and build quality, the quality of governance arrangements for the effective managing of strata blocks is a vital key to the future success of the sector. Other speakers in this conference are discussing these issues in depth. Suffice to say here that in any communal ownership situation, the success of the body corporate or other management arrangement inevitably rests on the good will and capacity of residents to work together. Poor governance structures or those that rely on one or two key members to maintain them will inevitably lead to problems and potential conflicts between residents. These will be all the more difficult where the majority of flats are owned by absentee landlords, and where many of the residents have no connection to the property other than through their landlord. Home owners in blocks where they are the minority may find themselves disadvantaged in conflicts over repairs and maintenance. The quality of the managing agent is also a key factor in this relationship. Again, the potential for conflict is significant, especially as the property ages. Ensuring the effective long term management is such blocks may prove difficult, especially in poorer quality blocks in lower value locations. Values may not sustain large scale re-investment from either owners or landlords, leading to a progressive downward spiral.

**Location, location, location**

Locational issues are also critical. How will the location of the block affect the development of residents’ attitudes to each other and the property? Locations on main roads and noisy town centres may not engender much community engagement and indeed may foster a sense of social isolation for those living in these locations. Planning orthodoxy is now strongly pushing for such locations to become the places where highest residential densities are located. But are we rushing to build housing that people will not really want over the long term? There are already plenty of examples of blocks of flats in poor quality secondary locations which were blighted almost before completion. Care needs to be taken in approving developments where local amenity values are low.

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Final comment

Understanding something of the current composition of and trends in the higher density strata sector is crucial to ensuring planning for higher density Australian cities avoids simplistic options and solutions. If all that planners consider in drawing up strategic planning options for our densifying our cities is simply how to maximise the greatest number of smaller dwellings to match a projected growth in smaller households, we are heading for an urban disaster. Understanding the complexity of the social, institutional and local contexts into which this new higher density urban future is projects is the key to avoiding the pitfalls of the past.

Moreover, the new plans for our cities will rely on the delivery of a socially and culturally acceptable high density strata based housing sector. This means that the strata title framework will be in the spotlight as never before. Its ability to provide long term security for property owners and residents in these new developments holds the key to the success of our higher density future. To date, strata arrangements and the housing that goes with it have been seen as a second best, temporary housing option for most people before they move on to the house in the suburbs or beyond. There are signs that this is changing, especially for mature people in higher value locations. But for many, strata living still remains the last choice housing option.

The strong association of strata housing with the private rental sector only reinforces this perception. And there are real problems brewing in certain sectors of the strata market, particularly in low cost locations. These will no doubt emerge as the next big planning problem. To date, our metro planners are carefully ignoring them.

But more generally, strata living has to work for a much wider range of people than it currently caters for if the higher densities called for by our planners are to deliver a socially sustainable future for our cities. Home owners, in particular, need to be convinced this is a sound and hassle-free option. Families, too, must be fully catered for, or our cities will be irrevocably divided into child-free high density zones, or perhaps worse, overcrowded ghettos of those on the lowest rung of the housing ladder, kids and all. It is only when higher density housing becomes accepted as a mainstream and long term housing option for a diverse range of households across the income and social spectrum that higher density cities will become a reality.

Much therefore depends on the robustness of the strata title framework to deliver current metro planning policies – it could well be the dominant new housing form in Australian cities in the next half century. We need to ensure it can do the job.