



***CITYFUTUREs**

**Delivering the Compact
City in Australia: Current
trends and future
implications**

Prof Bill Randolph

Delivering the Compact City in Australia: Current trends and future implications

Prof Bill Randolph

©
City Futures Research Centre
Research Paper No.6
June 2006

ISBN 1 74044 049 8

City Future Research Centre
Faculty of the Built Environment
University of New South Wales
Kensington, NSW 2052

© City Futures Research Centre, University of New South Wales

National Library of Australia

Cataloguing-in-Publication data:

Randolph, W.
Delivering the compact city in Australia : current trends
and future implications.

1st ed.
Bibliography.
Includes index.
ISBN 1 74044 049 8.

1. Cluster housing - New South Wales - Sydney - Designs and plans. 2. Cluster housing - Victoria - Melbourne - Designs and plans. 3. Cluster housing - Queensland - Brisbane - Designs and plans. 4. Apartment houses - New South Wales - Sydney - Designs and plans. 5. Apartment houses - Victoria - Melbourne - Designs and plans. 6. Apartment houses - Queensland - Brisbane - Designs and plans. I. University of New South Wales. City Futures Research Centre. II. Title.

728.310994

CITY FUTURES RESEARCH CENTRE

City Futures is a University Research Centre dedicated to developing a better understanding of our cities, their people, the policies that manage their growth the issues they face, and the impacts they make on our environment and economy.

Based in the Faculty of the Built Environment, City Futures is interdisciplinary in outlook and activity. It draws on the skills and knowledge of those within the Faculty whose knowledge encompasses the physical and spatial aspects of urban living, as well as those in other Faculties in the University whose interests coincide with our focus on the city.

The core activity for City Futures is research. It offers a place where scholars can pursue research on aspects of urban development and change. But it also focuses outwards, engaging with the wider audience beyond the University. Wherever possible, City Futures works in partnership with the community, government and business to contribute to growing the evidence base on the issues that impact on urban region sand how we can better manage their dynamic progress.

City Futures will also strongly focus on the training of the next generation of urban research scholars through an active postgraduate research program. We are committed to expanding the skills and capacity of young urban researchers and to communicating the value of good research to those involved in making policies that impact on the city.

Together with colleagues in other institutions who share our focus and passion, City Futures is committed to research and training that will contribute to better urban outcomes for Australia and beyond.

THE AUTHOR

Professor Bill Randolph is the Director of the City Futures Research Centre, Faculty of the Built Environment, University of NSW, Sydney 2052, Australia. Email: b.randolph@unsw.edu.au.

ABSTRACT

This paper presents an overview of the characteristics of the market for higher density residential property (flats, units and town houses) in the three largest Australian cities: Sydney, Melbourne and Brisbane. The paper then discusses some of the implications of current planning proposals for further higher density housing in Australian cities under urban consolidation or compact city policies and reviews a range of issues that may well arise.

TABLE OF CONTENTS

| | |
|---|----|
| ABSTRACT..... | 6 |
| TABLE OF CONTENTS..... | 7 |
| 1. INTRODUCTION | 9 |
| 2. THE IMPORTANCE OF TENURE AND GOVERNANCE ISSUES | 11 |
| 3. THE RECENT AND FUTURE GROWTH OF THE HIGHER DENSITY SECTOR..... | 12 |
| 4. CURRENT DEMOGRAPHICS: WHO LIVES IN THE HIGH DENSITY SECTOR? | 13 |
| 5. IS THE PROFILE OF HIGHER DENSITY HOUSING CHANGING?..... | 19 |
| 6. WHERE ARE THE FLATS? THE GEOGRAPHY OF HIGHER DENSITY HOUSING..... | 20 |
| 7. WHAT ARE THE IMPLICATIONS OF THESE TRENDS?..... | 22 |
| 8. FINAL COMMENT | 27 |
| REFERENCES | 29 |

1. 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 many. But this may well be about to change for ever. Under current metropolitan planning orthodoxy, the higher density compact city is about to become an Australian urban norm. While this has already had an impact on the suburban fringe in the form of smaller lot sizes and more densely crowded subdivisions, 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 (Troy, 1996). The typical housing development has taken the form of a single house (usually single storey, although two storeys have recently become much more common) on a separate block of land (or 'title') (Forster, 2004). While there has been a relatively long history of small scale low rise flat development in some Australian inner city areas since the 1930s (Spearritt, 2000; Lewis, 2000), densification really only took on a higher profile after Strata Title legislation was introduced in the 1960s. Strata Title allowed, for the first time in Australia, the possibility of owning individual flats in a multi-unit building built on a single block of land (Cardew, 1970). Once Strata Title was introduced, mortgages could be easily obtained to purchase single flats. Before this, it was almost impossible to own a single flat in a multi-unit building and blocks of flats were overwhelmingly owned as a single property by landlord investors.

Strata Titling commonly covers both flats in blocks, as well as low rise attached dwellings, such as town houses and terraced houses where these have been developed on a single title or plot. In essence, the system is comparable to the leasehold flat system in the UK or condominiums in the US (Bailey and Robertson, 1997). Units within a single strata scheme are subject to a common management agreement governed by an owners' corporation made up of individual strata owners that oversees the management of the property (Bugden, 2005). While the day-to-day delivery of management is often placed in the hands of a strata management company, decisions concerning the block and its upkeep are the responsibility of the body corporate. While the detailed legislation governing Strata Title varies between Australian States and Territories, the basic features of the system are comparable (Warnken, 2005).

The impact of Strata Titling was initially greatest in higher value suburbs where redevelopment of older houses into small 'walk up' flat blocks was particularly profitable. This was soon joined by the emergence of a market in similar blocks in older lower value suburban redevelopment strips zoned for higher density (Lewis, 2000; Bunker, 1983; Bunker, *et al*, 2002). The development of the now ubiquitous "gun barrel" blocks of flats (so called because they are built on single house plots with the building stretched out along the block at right angles to the street and filling the whole block) in suburban locations, often close to rail stations, is now a significant feature of the Sydney urban landscape, if not in other Australian cities (Randolph, 2004). Nevertheless, despite

the introduction of Strata Titling, flats and other forms of attached housing¹ have remained a minority, if growing, housing form in Australian cities. The more recent redevelopment of redundant water front and industrial areas into residential flats and apartments has become a major new phenomena in some city cores and high value locations (Forster, 2006), but again, represents only a minority pursuit in terms of the overall housing stock.

But from now on, this form of higher density housing, principally delivered by urban renewal and infill development, is expected to be the main source of residential growth in major Australian cities. Driven, among other things, by the perceived need to cater for a growing population of smaller and older households and a desire to restrain urban sprawl, planners have uniformly espoused flats and other higher density attached dwellings as the future for urban housing. (NSW Department of Planning, 2005; Victorian Department of Infrastructure, 2003; Queensland Office of Urban Management, 2004). Urban town and neighbourhood centres and primary transport corridors are going to be focus for this 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 before longer term housing was sought in traditional suburban housing.

But the urban revolution now being planned for Australian cities has largely proceeded with little explicit recognition or understanding by planners of both the social context in which this form of housing is delivered, or of its likely social outcomes. At present, we have relatively little hard evidence on the nature of this shift, of the kinds of people for whom this sector provides accommodation, or of the longer term outcomes and implications of this shift. Assessment of the likely impacts of the latest higher density vision for Australian cities is only now beginning to emerge (Birrel, *et al*, 2005; Bunker, *et al*, 2005a; Buxton and Tieman, 2005). This literature suggests that there are significant issues surrounding the roll out of higher density cities and suburbs that planners have so far not accounted for, reflecting concerns that have been previously articulated by several writers (for example, Searle, 1991; Troy, 1996; Breheny, 1996; Jenks, *et al*, 1996).

This paper aims to add to the evidence base for the assessment of the latest urban consolidation and renewal policies in Australian cities by presenting an analysis of the various sub-markets higher density housing is accommodating in Sydney, Melbourne and Brisbane. The paper then discusses some of the implications of current planning proposals for the future of our cities and reviews a range of issues that may well arise. The focus will be on medium and high density residential property (referred here collectively as 'higher' density housing) normally produced on a Strata Title basis, including flats and apartments in multi-unit dwellings and attached houses.

¹ Attached housing in the Australian context includes house property such as semi-detached and terraced houses, often called 'town houses' or 'villas', and other types of house dwellings attached to other buildings.

2. The importance of tenure and governance issues

In particular, two key characteristics of the higher density market in Australia suggest planners may not have fully understood the context in which more urban consolidation will be delivered. 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 need to rise as higher density housing becomes a mainstream housing form in Australian cities. Moreover, the effective demand for new higher density housing will primarily come from investors, reflecting their needs and perceptions, not those of the households who end up in it. What are the implications of this? Put simply, it 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 significant 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 variety of locations and the sector now caters for a range of very different types of household (Bunker, *et al*, 2005b). As a result, we need to broaden our focus on what is a heterogeneous 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. The Strata Title framework that governs the longer term management of higher density housing in Australia is going to be put to the test over the next few years. This will especially be the case in the lower value stock as repairs obligations mount, relative values fall, marginal home ownership increases (i.e. owners with few additional resources to meet repairs and maintenance) and redevelopment starts to loom large.

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 NIMBYism² 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.

A starting point for gaining a better grasp of just what the implications are of higher density strata based housing for planning more compact cities is to understand what the

² ‘Not In My Back Yard’

market already provides and the groups sub-markets it houses. The next section reviews the evidence for this from recent Australian Census data.

3. 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 dwellings³ 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-unit dwellings came in the 1991-2001 period.

Table 1: Multi-unit dwellings in Sydney, Melbourne and Brisbane, 1981 to 2001

| 2001 | Separate Houses | Multi-Unit Dwellings | Total |
|--------------------------------------|------------------------|-----------------------------|-----------------|
| Sydney | 907,195 | 500,089 | 1,438,394 |
| Melbourne | 919,704 | 302,897 | 1,243,373 |
| Brisbane | 481,333 | 107,986 | 601,146 |
| Proportion of total dwellings | | | |
| Sydney | 63% | 35% | 100% |
| Melbourne | 74% | 24% | 100% |
| Brisbane | 80% | 18% | 100% |
| Change 1981-2001 | | | |
| Sydney | +185,353 | +187,602 | +373,304 |
| Melbourne | +238,976 | +104,507 | +342,885 |
| Brisbane | +193,472 | +64,100 | +263,339 |
| Total | +617,801 | +356,209 | +979,528 |
| Percentage change 1981-2001 | | | |
| Sydney | +26% | +60% | +35% |
| Melbourne | +35% | +53% | +38% |
| Brisbane | +67% | +146% | +78% |
| Total | +37% | +64% | +43% |

Source: ABS Census 1981 and 2001

³ For the purposes of this paper, the term 'multi-unit dwelling' includes both flats and other attached house dwellings. While not exclusively so, the vast majority of this housing stock will be owned on a Strata Title or equivalent basis.

Turning to the future, Table 2 sets out the proposed targets for new dwellings in Sydney, Melbourne and the greater Brisbane region of South East Queensland over the next three decades as indicated by recent metropolitan strategic planning proposals. In Sydney 60-70 per cent of the new stock will be in urban renewal or infill developments, the majority of which will be in multi-unit form, adding around 445,000 dwellings to the housing stock. Under these proposals, by 2031, up to 45 per cent of Sydney's housing stock (approximately 900,000 dwellings) will be higher density, up from 35 per cent in 2001. Within a further 10 years the proportion of higher density housing could have reached half the total stock in Sydney. Comparable levels of higher density growth are expected in both Melbourne, with 50 per cent (244,000) of predicted new housing concentrated in urban renewal areas by 2026, and the Brisbane region, with 67 per cent (426,000) of new housing in urban renewal areas by 2030. These projected levels of higher density housing represent a major transition in the way Australians live in cities, with potentially up to 1.115m new higher density homes being added to the housing stock in the next three decades through urban renewal and infill in these three cities alone.

Table 2: Planned urban outcomes and dwelling targets for Sydney, Melbourne and Brisbane (South East Queensland) under current metropolitan planing strategies

| | Sydney | Melbourne | Brisbane/South East Queensland |
|--|--|--|---|
| Preferred urban form | Compact city | Compact city | Compact city |
| Location of higher density outcomes | Regional Centres Major Centres plus town centres, urban villages and neighbourhood centres | Urban Activity Centres Transport orientated development | Activity Centres Strategic Development Sites |
| Total dwellings targets | 640,000 by 2031 | 550,000 by 2026 | 620,000 by 2030 |
| Renewal/infill targets | 60-70% (445,000) | Increasing to 50% (244,00) | 67% (426,000) |

Source: Derived from NSW Department of Planning (2005), Victorian Department of Infrastructure (2003) and Queensland Office of Urban Management (2004).

4. Current demographics: who lives in the high density sector?

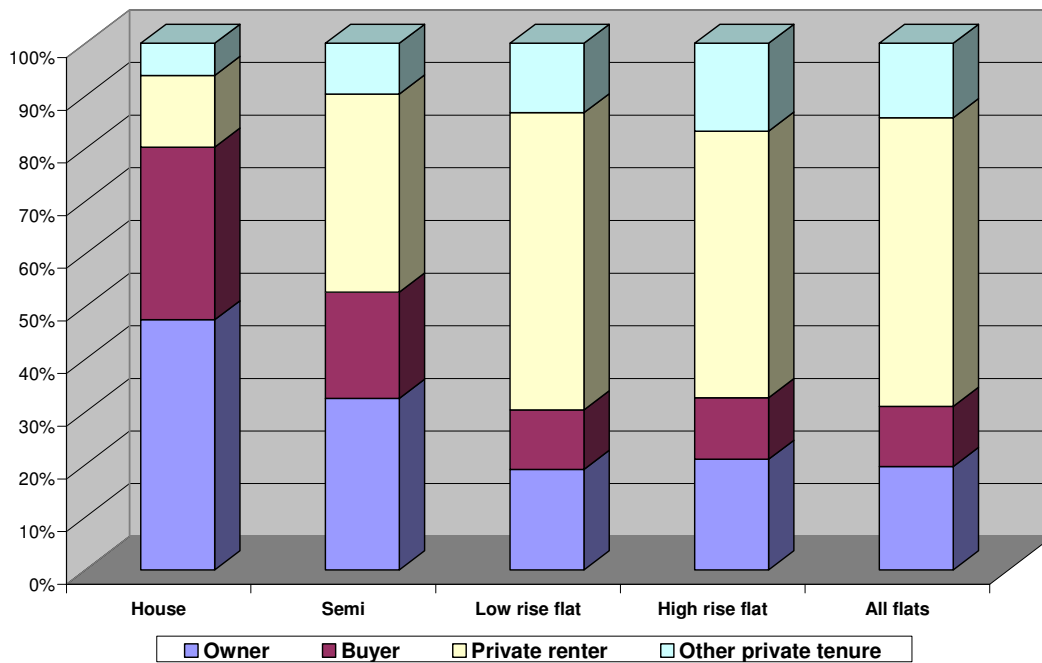
But who will be living in this stock? As noted above, much of the support among planners for increasing the number of higher density housing is based on the projection that the proportion of smaller households and older people will grow. The logic is that there is less need for larger dwellings, especially 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. Evidence to date suggests that smaller households show little overall preference for smaller higher density accommodation (Wulff, *et al*, 2004). The next section reviews the latest census data from 2001 on the profile of the occupants of higher density housing in Australia's three largest cities, Sydney, Melbourne and Brisbane. In the following, 'low rise flats' refer to flats in buildings up to four storeys in height, while high rise flats are those in buildings of four storeys or over.

Tenure and dwelling size

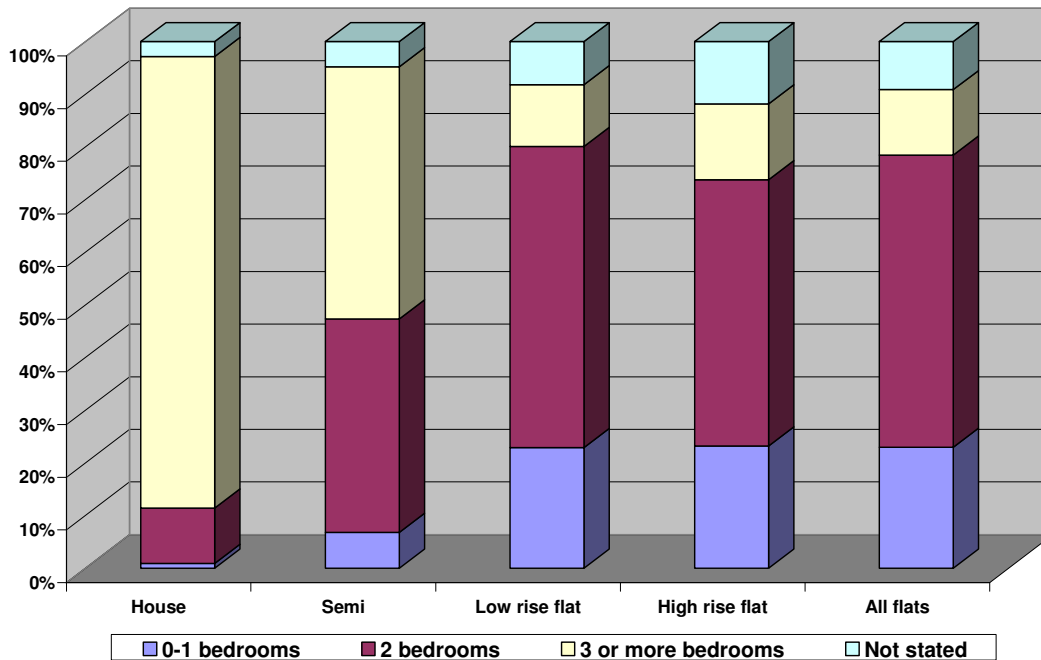
Regardless of its future role, the current higher density market is a distinctive one. Firstly, it is predominately a rental market. Figure 1 shows that in the three major state capitals of Sydney, Melbourne and Brisbane in 2001, for those dwellings privately owned (i.e. excluding public rental), 55 per cent of flats are rented from a private landlord, compared to 14 per cent of separate houses. Only 20 per cent of flats are owned outright and just 11 per cent are being purchased (compared to 48 per cent and 33 per cent respectively for houses). Semi-detached dwellings occupy a mid-way position lie in between, with almost two in five being privately rented. The role of the higher density sector as an investment market is clear from these figures.

Figure 1: Dwelling type by tenure, Sydney, Melbourne and Brisbane, 2001 (Private tenures only).



Source: ABS Census 2001

Figure 2: Dwelling type by dwelling size, Sydney, Melbourne and Brisbane, 2001



Source: ABS Census 2001

At the same time, the accommodation is overwhelmingly one or two bedroomed, as Figure 2 shows. In this case, only 13 per cent of flats have three or more bedrooms, compared to 86 per cent 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.

Social profile

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

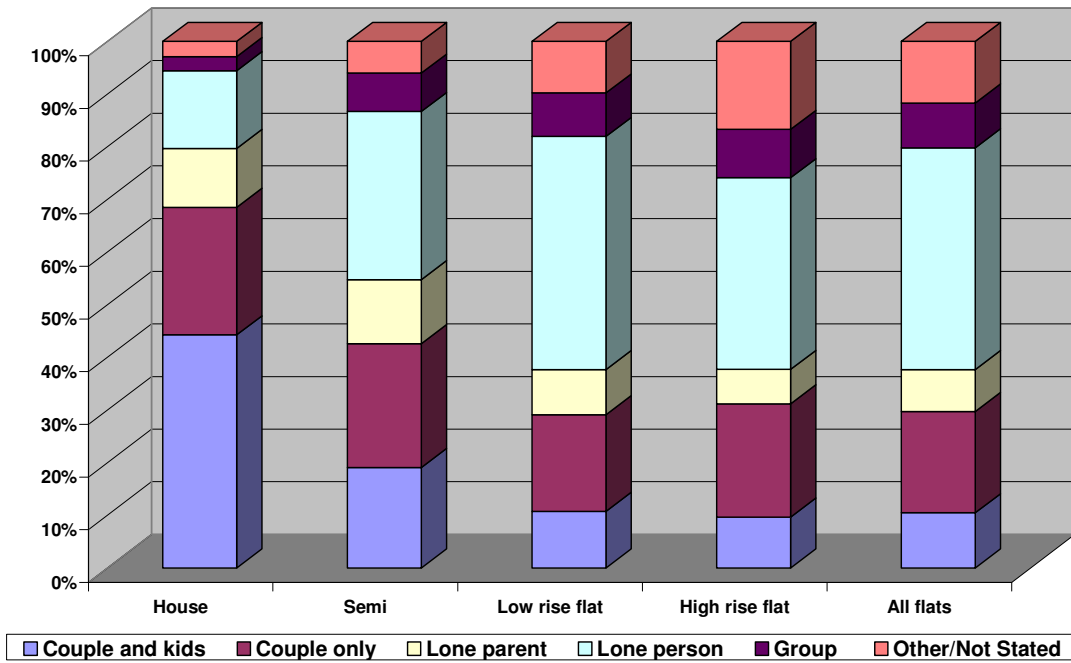
The relative under representation of children in higher density housing is clearly shown in Figure 4. Only 12 per cent of the flat population was aged less than 15 years, compared to 23 per cent of those in houses. On the other hand, flats housed almost double the proportion of people aged 25 to 34 compared to houses (26 per cent and 14 per cent respectively). As for the empty-nester market, the proportion of older people aged over 65 years in flats is only marginally higher than the proportion in houses (13 per cent and 11 per cent respectively), suggesting that, overall, the flats have yet to make a significant inroad into this market.

With higher proportions of single person households, it is not surprising that average household incomes of households in flats are lower than those of households in houses. Overall, 43 per cent of households living in flats had incomes under \$600 per week, compared to 29 per cent for those in houses (Figure 5). Almost half (47 per cent) of those living in low rise flats had incomes under \$600 per week. In contrast, 29 per cent of households in houses have incomes above \$1,500 compared to 19 per cent 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 high rise flats, 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 per cent) of those in houses said they were living in the present home five years previously, compared to only 26 per cent of flat dwellers (Figure 6). Moreover, as many as 15 per cent of households in flats said they were living overseas five years previously, compared to just 3 per cent 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.

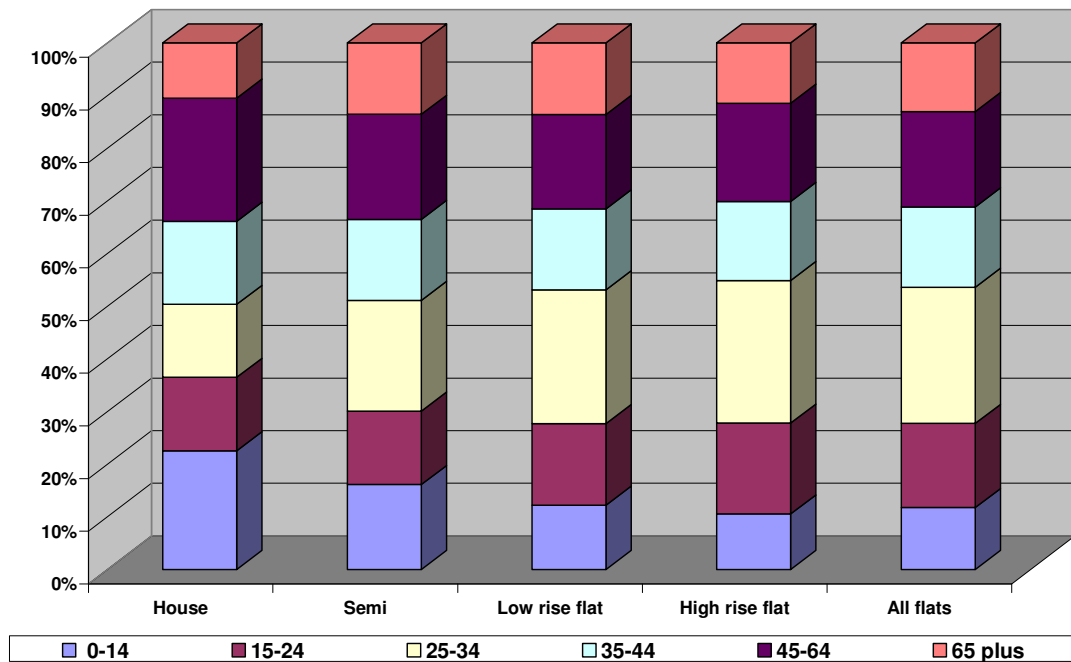
Finally, less than half (46 per cent) the households in flats were Australian born, compared to 68 per cent of households living in separate houses. The high level of overseas born in the higher density market is a reflection of both the rental stock and the nature of the accommodation. The role of the higher density market, especially in Sydney, as a primary location for recently arrived immigrants is well understood (Burnley, 2006). Overseas migrants, particularly from Asia, are more culturally predisposed to living at higher densities, at least in the earlier stages of residence in Australia. But in addition, income constraints and the ready availability of such accommodation for newly arrived immigrants are also contributory factors. It is no coincidence that the CEO of Meriton, one of the largest flat developers in Australia, recently called for more immigration to support the demand for his products (Australian Financial Review, 2005).

Figure 3: Dwelling type by household type, Sydney, Melbourne and Brisbane, 2001



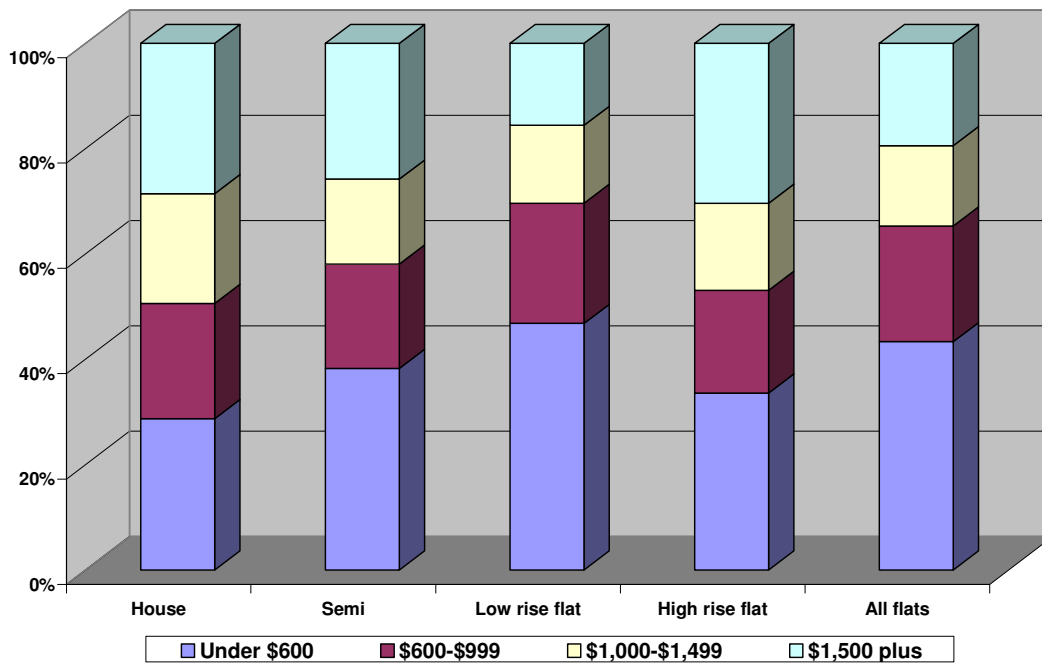
Source: ABS Census 2001

Figure 4: Dwelling type by age of person, Sydney, Melbourne and Brisbane, 2001



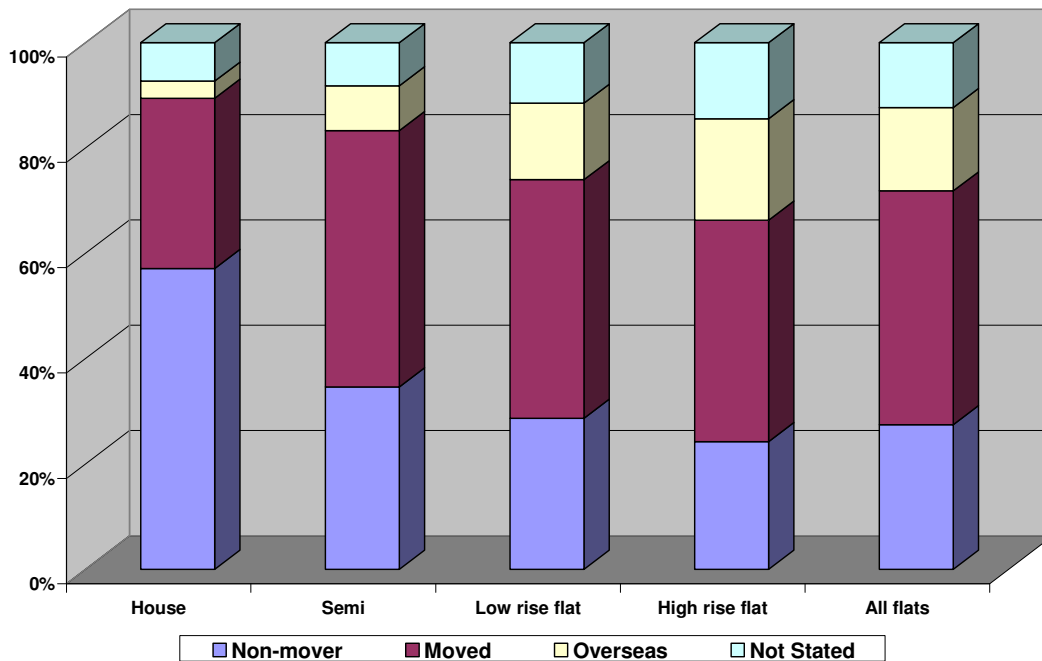
Source: ABS Census 2001

Figure 5: Dwelling type by household income, Sydney, Melbourne and Brisbane, 2001



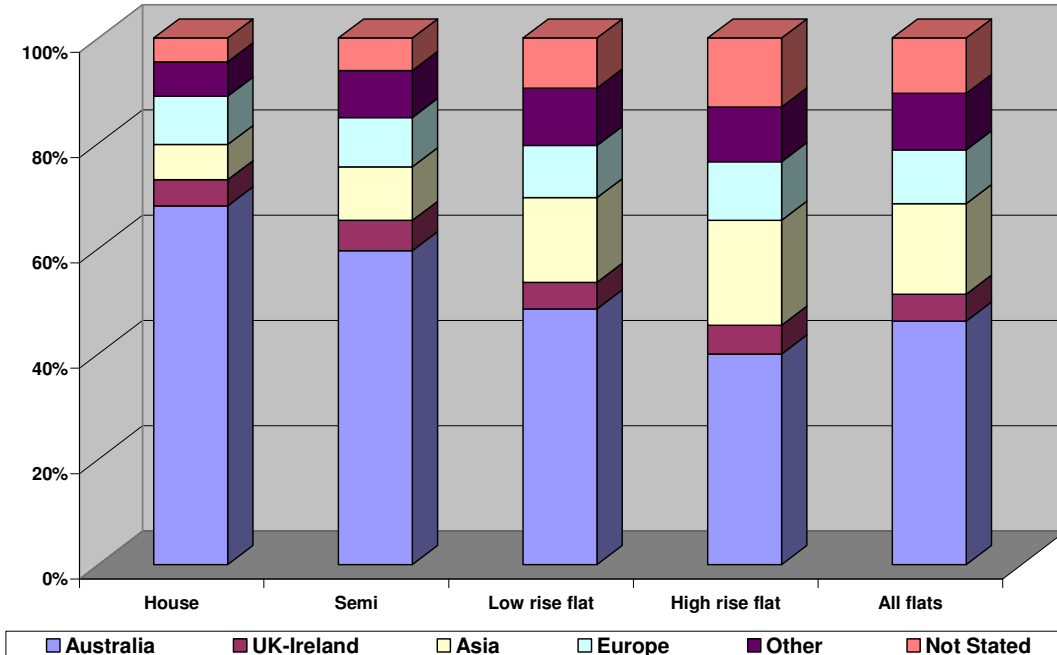
Source: ABS Census 2001

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



Source: ABS Census 2001

Figure 7: Dwelling type by region of origin of person, Sydney, Melbourne and Brisbane, 2001

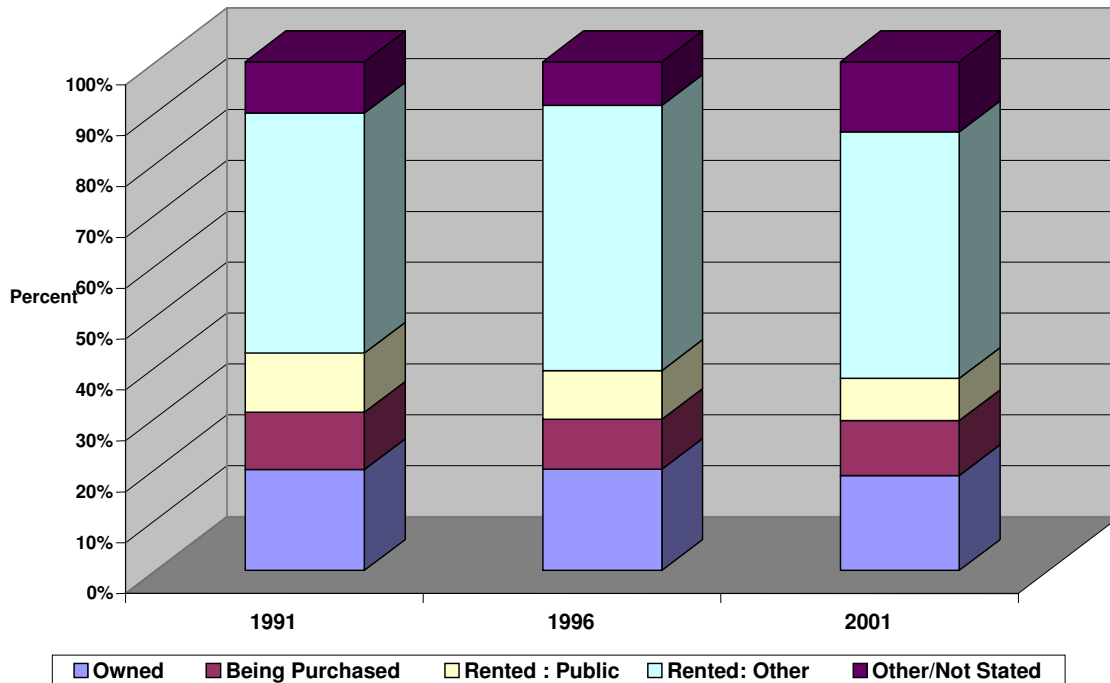


Source: ABS Census 2001

5. 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 that the tenure profile of flats in Sydney between 1991 and 2001 hardly changed. If anything, the proportion privately rented 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 in the post-2004 period 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?

Figure 8: Tenure profile of flats, Sydney, 1991 to 2001



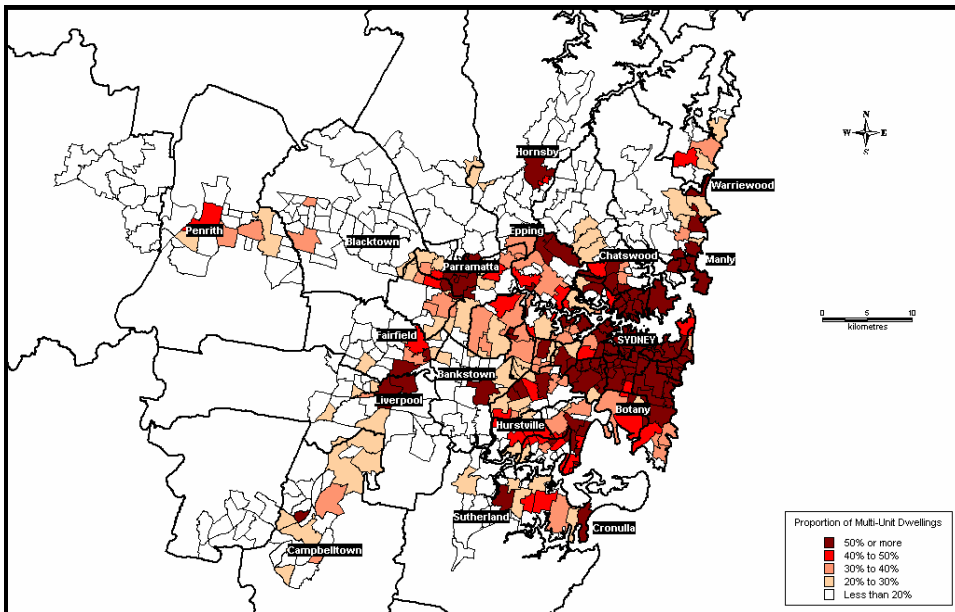
Source: ABS Census 1991, 1996 and 2001

6. 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, in some cases, redevelopment of older housing has been proceeding for many years (Figures 9, 10 and 11). More recent redevelopment of older industrial and waterfront sites have added to this 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 the figures show.

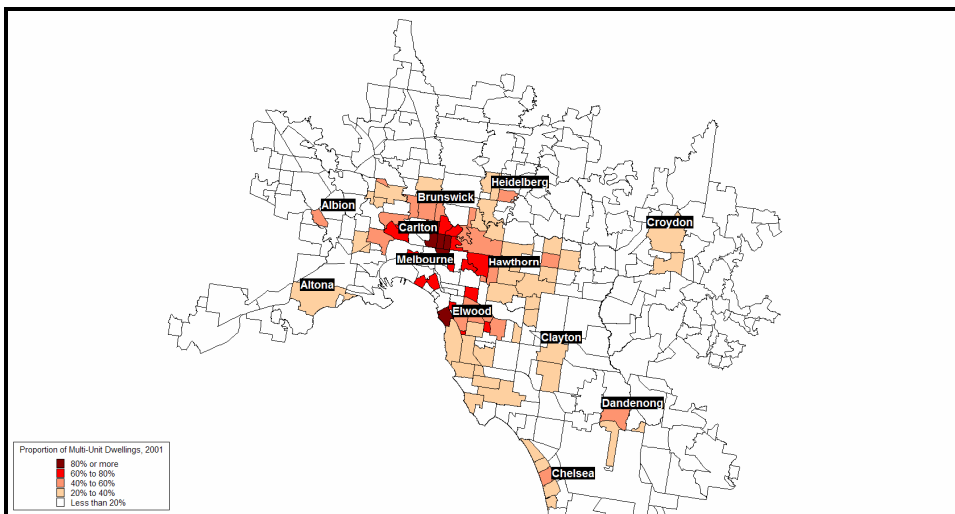
However, under the new metropolitan planning imperatives, new high density housing stock is set to expand into suburban locations, as well as concentrating further in areas of existing core areas. In Sydney, town centres in outer locations such as Penrith to the west and Liverpool to the south west will be expected to accommodate a significant increase in higher density housing. This will radically change the housing markets in these hitherto relatively low density areas in the not too distant future. It will also mark a further stage in the shift to suburban higher density living in Australian cities. Plans for the new greenfield development areas around Sydney (NSW Department of Planning, 2005) as well as the other cities, foreshadow higher residential densities that will again mark a new phase in suburbanisation, with high density residential clusters in new town and neighbourhood centres built into these new developments. As a result, Australian suburbs are set to change for ever.

Figure 9: The proportion of multi-unit dwellings by suburb, Sydney 2001



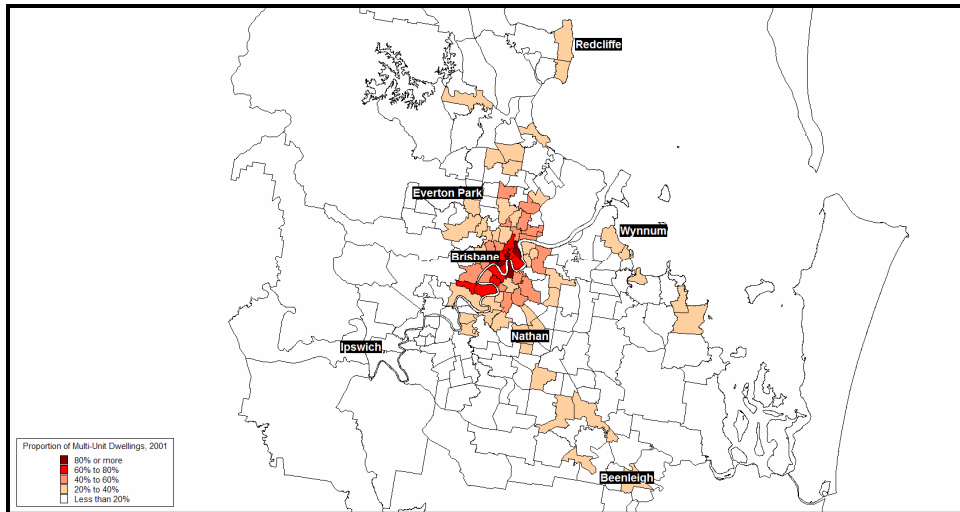
Source: ABS Census 2001 CDATA

Figure 10: The proportion of multi-unit dwellings by suburb, Melbourne 2001



Source: ABS Census 2001 CDATA

Figure 11: The proportion of multi-unit dwellings by suburb, Brisbane 2001



Source: ABS Census 20

7. 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.

i) 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 noted above, the majority of new housing in Sydney, Melbourne and Brisbane will be generated through higher density urban redevelopment. 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. 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. For metropolitan planners, this might represent a logical solution to the pressure from growing numbers of smaller one and two person households. But in reality, planning Australian cities as if it were a straightforward question of building lots of small homes to match the projected increase in the numbers of small households is likely to prove far too simplistic. The reality may be much more unpredictable and illogical. Research in Melbourne by Marion Wulff and colleagues have shown that there is no necessary association between the growth of smaller households and the supply of smaller (predominantly 2 bedroom) higher density housing (Wulff, *et al*, 2004). Without a major shift in consumer perceptions, many smaller households will retain a preference for detached houses, especially older 'empty nesters' who may prefer to remain *in situ* in the family home long 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 the "seachange" villa.

A third question concerns the likelihood that a substantial proportion of new urban housing growth will end up in the strata market. This is again a new phenomenon. When strata buildings were 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, at present the strata system still needs significant reform to make it problem free (Bugden, 2005; Berry, 2005).

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 (Randolph, 2002; Randolph and Holloway, 2005). But there are no 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 lower value areas where investor 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 the potential life-cycle of these building. These issues have been largely ignored by metropolitan planners in Australia, although the longer term implications of building higher density housing across our cities will undoubtedly generate future planning problems they (or their successors) will be expected to solve.

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 planning for thousands of flats in higher density town centres may well lead to a degree of urban spatial segregation based on life style or life stage that is new for Australian cities. The implication is that DINKS⁴, singles, YUPPIES and empty nesters will become concentrated in flats in high density centres, while families are, almost by default, consigned to houses in lower density suburbs. This would be a perverse outcome that hardly meets prevailing notions about the importance of socially inclusive cities with more balanced communities (Talen, 2002). To avoid this, planners must ensure that a range of higher density housing opportunities are delivered that encourages a wider social mix for all household types and needs. This means the inclusion of a substantial proportion of larger affordable family size dwellings in the new higher density stock. If not, then families will be effectively excluded from this form of housing. In other words, higher density developments should include a mix of flats of various sizes and town houses.

ii) 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 a 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 greater degrees 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 within 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 higher density cities in Australia. Get these wrong and urban consolidations 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. And where open space is

⁴ 'Dual Income No Kids'

provided, it may become increasingly contested, for example, between those families that may live there, younger people who need it for socialising and sport, older people who want it for peace and quiet, and those who need space to exercise their dogs.

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, evidence from some lower value suburban higher density markets suggests flats are increasingly housing children (Randolph, *et al*, 2005). In addition, some council in Sydney are now considering a requirement that that new flat developments include 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.

But increasing the attraction of these areas for children also means the provision of appropriate safe and appropriate space for play and recreation areas – and not just play grounds for pre-schoolers. Over the longer term, children become teenagers. Australian higher density suburbs with growing teenage populations in the future may face the same kinds of issues that comparable suburbs have faced in other countries. It is not clear that planners understand the need to accommodate children and youth in these new higher density locations.

Children also mean schools and child care facilities. Are we building high density homes in areas where these facilities are available or are these the areas where such facilities have been run down in the last three decades as children have migrated with their parent to the suburbs? For example, how would the Cities of Sydney or Melbourne 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. 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 at least suggest this has not happened in the newer blocks given residents, many of whom are tenants, whose main interests are work, recreation and socialising outside the home. Will these be positively vibrant communities or simply dormitories for lots of highly socially mobile people?

Again, children figure in this equation. 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 areas “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 flat blocks with a highly mobile population? Which types of development (and residents) are most likely to develop place-centred attitudes to their homes? The mix of residents in these developments will critically affect this – as we have seen, renters have much higher levels of mobility than owners and are therefore only transient residents in most higher density developments. 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 also play a critical role in the long term success of strata living in delivering high density cities. How do the building design, quality and maintenance/repairs issues affect the development of residents’ attitudes to each other and the property over time? Dissatisfaction with the dwelling (including noise levels, neighbour disputes, and conflicts over maintenance, etc) will have an important impact on the behaviour and attitudes of flat dwellers to each other. 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 (Australian Financial Review, 2005). Worryingly, current metropolitan strategy plans for urban renewal and consolidation can only succeed if large quantities of strata housing are delivered in such locations. Building cheap and low quality high density housing in low value neighbourhoods is surely a recipe for long term social conflict. 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. 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 of 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 in maintenance levels.

Location, location, location

Locational issues are also critical. How will the location of the block affect the development of residents' attitudes to each other, their property and their neighbourhood? Locations on main roads, railway lines 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 for any length of time. Planning orthodoxy is now strongly pushing for such locations to become the places where highest residential densities are located. But are these places that people will really want to live in over the long term? Care will need to be taken in approving developments where local environmental amenity values are low.

8. Final comment

Understanding something of the current composition of and trends in the higher density strata sector is crucial to ensuring that planning for higher density Australian cities avoids simplistic options and solutions. The complexity of the social, institutional and local contexts into which this new higher density urban future is to be injected needs to be fully factored into the planning process in order to avoid the pitfalls of past urban consolidation policy. A similar point has recently been forcefully made by Clive Forster, commenting on the recent crop of metropolitan plans:

Overall, the metropolitan planning strategies suggest an inflexible, over-zealous vision for the future that, however well-intended, sits dangerously at odds with the picture of increasing geographical complexity that emerges clearly from recent research on the changing internal structure of Australian cities since the early 1990s (Forster, 2006, p 180).

More specifically, the new plans for Australian 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 holds the key to the success of our higher density future. To date, in Australia, higher density housing has been perceived as a temporary housing option for most people before they move on to the house in the suburbs or beyond (Troy, 1996). The strong association of strata housing with the private rental sector only reinforces this perception. And there are problems emerging in certain sectors of the strata market, particularly in low cost locations, where low incomes and low property values are contributing to under-maintenance and poor social outcomes (Randolph, 2002). These will no doubt emerge as the next big planning problem. To date, Australian metropolitan planners are carefully ignoring them.

But more generally, strata living have 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 secure basis for investing their main lifetime asset. 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 for 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 in Australia will become a viable reality.

REFERENCES

- Australian Financial Review (2005) *Give units a simple standard: Triguboff*, 4 May 2005.
- Bailey, N. and Robertson, D. (1997) *Management of flats in multiple ownership: Learning from other countries*, Bristol, The Policy Press for the Joseph Rowntree Foundation.
- Berry, P. (2005) *The Challenge for Legislators*, Paper presented at the Strata and Community Title in Australia for the 21st Century Conference, 31 August 2005, Gold Coast, Queensland.
- Birrell, B., O'Connor, K., Rapson, V. and Healy, E. (2005) *Melbourne 2030: Planning Rhetoric Versus Urban Reality*, Monash University Press.
- Breheny, M. (1996) Centrists, Decentrists and Compromisers: Views on the Future of Urban Form, in M. Jenks, E. Burton and K. Williams (eds.) *The Compact City: A Sustainable Urban Form?* E & F.N. Spon, London.
- Bugden, G. (2005) *Strata and Community Title in Australia – Current Challenges*. Paper presented at the Strata and Community Title in Australia for the 21st Century Conference, 31 August 2005, Gold Coast, Queensland.
- Bunker, R., Gleeson, B., Holloway, D and Randolph, B. (2002) *The Local Impacts of Urban Consolidation*, *Urban Policy and Research*, 20, 2: 143–167.
- Bunker, R., Holloway, D. and Randolph, B. (2005a) *Building the connection between housing markets and metropolitan planning in Sydney*, *Australia, Housing Studies*, 20, 5.
- Bunker, R., Holloway, D. and Randolph, B. (2005b) *The Expansion of Urban Consolidation in Sydney; Social impacts and implication*, *Australian Planner*, 42, 3:
- Burnley, I. (2006) Sydney's Changing Peoples: Local Expressions of Diversity and Difference, in Freestone, B. Randolph and C. Butler-Bowden, eds, *Talking about Sydney: Population, Community and Culture in Contemporary Sydney*, Sydney, UNSW Press and Historic Houses Trust.
- Buxton, M. and Tieman, G. (2005) *Patterns of urban consolidation in Melbourne: Planning policy and the growth of Medium Density Housing*, *Urban Policy and Research*, 23, 2: 137-157.
- Cardew, R. (1970) *Flats: A Study of Occupants and Locations*, Ian Buchan Fell Institute, University of Sydney.

Forster, C. (2004) *Australian Cities: Continuity and Change*, 3rd Edn, Oxford University Press, Melbourne.

Forster, C. (2006) *The Challenge of Change: Australian Cities and Urban Planning in the New Millennium* *Geographical Research*, 44, 2: 173-180.

Jenks, M., Burton, E. and Williams, K. eds. (1996) *The Compact City: A Sustainable Urban Form?* E & F.N. Spon, London.

Lewis, M. (2000) *Suburban Backlash: The Battle for Melbourne, The World's Most Liveable City*, Melbourne, Blooming Books.

New South Wales Department of Planning (2005) *City of Cities: a Plan for Sydney's Future*, Department of Planning, Sydney.

Queensland Office of Urban Management (2004) *Draft South East Queensland Regional Plan*. Queensland Government Office of Urban Management, Brisbane.

Randolph, B. (2002) "Third City Suburbs": *Options for housing policy in ageing middle ring suburbs*, *Australian Planner*, 39, 4: 173-9.

Randolph, B. (2004) *The changing Australian city: New patterns, new policies and new research needs*, *Urban Policy and Research*, 22, 4: 481-494.

Randolph, B. and Holloway, D. (2005) *Social disadvantage, tenure and location: An analysis of Sydney and Melbourne*, *Urban Policy and Research*, 23, 2: 173-202.

Randolph, B., Holloway, D. and Murray, D. (2005) *A Social Profile of Households in Higher Density Housing in Fairfield*, City Futures Research Centre for City of Fairfield, Faculty of the Built Environment, University of New South Wales.

Talen, E. (2002) *The social goals of new urbanism*, *Housing Policy Debate* 13, 1: 165-188.

Troy, P. (1996) *The Perils of Urban Consolidation*, Sydney, Foundation Press.

Searle, G. (1991) *Successes and failures of urban consolidation in Sydney*, *Urban Futures*, Special Issues, 1: 23-30.

Spearritt, P. (2000) *Sydney's Century*, Sydney, UNSW Press.

Victoria Department of Infrastructure (2003) *Melbourne 2030*, Melbourne, Government of Victoria.

Warnken, J. (2005) *Deciphering Rumours, Conjectures and the Facts: The Challenge of providing a stocktake of the Australian Strata Title Industry*, Paper presented at the Strata

and Community Title in Australia for the 21st Century Conference, 31 August 2005, Gold Coast, Queensland.

Wulff, M. Healy, E. and Reynolds, M (2004) *Why don't small households live in small dwellings?* Disentangling a planning dilemma, *People and Place*, 12, 1: 58 - 71