

# Higher Density Living

## Critical Policy Brief

This briefing draws upon the expertise of RMIT's housing research community to inform policy makers and the wider community on critical challenges in addressing Melbourne's housing needs.

**With Melbourne projected to reach 8 million by 2050, there are significant challenges in planning to accommodate population growth in a way that limits urban sprawl and maintains Melbourne's liveability. Higher density development is key in providing housing close to urban amenities and employment opportunities. However, the current supply of apartments is misaligned with housing need and remains unaffordable for many Melburnians.**

### Overview

Melbourne's growing population can be accommodated in areas close to urban amenities through high density living. High density living supports Australia and Victoria's commitment to compact cities, as advocated by the United Nations *New Urban Agenda*.

Apartments account for approximately a third of new dwellings being built in Melbourne.<sup>1</sup> However, most apartment development has occurred in the inner city and a few middle-ring hotspots,<sup>2</sup> the majority being relatively expensive, small 1 and 2-bedroom apartments built for an investor market. Many of these apartments are badly designed, delivering poor energy efficiency and liveability.

Newly constructed higher density apartments are not providing affordable housing, or the mix of housing types required to support diverse neighbourhoods. Housing supply is misaligned with the type of housing Melburnians need and want.<sup>3</sup> Without integrated planning and inclusionary zoning, private apartment development puts pressure on existing services and infrastructure, and contributes to gentrification. Poorly located and managed high-rise apartments can also have negative health impacts for residents.<sup>4</sup> Higher density housing needs to be well-designed and located near public and active transport infrastructure, shops and services, schools, and public open space.

This policy brief highlights three key challenges in providing higher density housing for a healthy, liveable Melbourne: promoting affordable and diverse higher density development that aligns with



### Key Messages

- Melburnians' access to affordable, suitable and well-located higher density housing can be supported by inclusionary planning and policies that promote development of more diverse apartment stock – especially inner- and middle suburb apartments that can accommodate families.
- The provision of targeted capital and income support subsidies would enable low and moderate income households to access well-located medium and higher density housing.
- Design regulations can be reviewed to better future-proof apartment stock, enabling adaptive re-design to meet changing accommodation needs.
- New models of apartment development have potential to deliver better designed and more affordable apartments. By monitoring and evaluating the impact of developer strategies, government can promote innovations that support provision of more affordable and liveable apartments.

housing needs; future-proofing apartment design for changes in resident need and use; and evaluating and promoting innovative models for improved higher density housing.

### Promoting Affordable, Diverse Higher Density Housing

Although the median price of apartments is typically about 30% lower than that of houses, apartments in established suburbs remain unaffordable for many Melburnians.<sup>5</sup> Apartment housing options for families are also limited, with only 9% of apartments built in the City of Melbourne between 2006-2012 having three or more bedrooms.<sup>6</sup>

New apartment supply is not having the desired effect of enabling

low-income households to move into dwellings at lower purchase prices or lower rents.<sup>7</sup> Low and moderate-income households consequently have to make trade-offs between urban amenity, domestic space and housing quality. High-amenity areas in the inner city tend to be accessible only to higher income earners, creating homogenous neighbourhoods with very high (70%) resident turnover.<sup>8</sup>

Inclusionary zoning mechanisms are seen as international best practice in promoting affordable and accessible housing.<sup>9</sup> Inclusionary planning requires or incentivises developers to provide a set percentage of affordable housing in new developments to support affordable housing choices and neighbourhood diversity. Inclusionary planning in England, for example, delivered almost 13,000 affordable homes (or 43% of affordable housing output) between 2015-2016. The provision of capital and income support subsidies for low and moderate-income households would also enable a greater mix of households to access well-located higher density housing. Support must be targeted to need, with care taken to avoid unintended inflationary consequences that further raise house prices, as has occurred with the first homebuyer grant scheme.

## Future-proofing Apartments

Much of Melbourne's recent apartment stock is poorly designed or located, impacting upon liveability. In the City of Melbourne, only 16% of new developments are rated as having a 'good' standard of design and amenity.<sup>10</sup> Inadequate insulation and ventilation, exposure to noise and pollution, and a lack of green public space or private open space can each present health risks. Impacts on residents can include respiratory issues, isolation, fear of crime, and community dislocation. This can also discourage activities such as walking and cycling, which are beneficial to health. Very high-density development has been linked to poor health outcomes, especially for mental health, satisfaction and sense of community.<sup>11</sup> These negative outcomes can be largely avoided through policy measures that prevent inadequate siting and configuration of housing, and promote more sustainable housing.

Best practice design and planning regulation can help future-proof

Melbourne's apartment stock to adapt to changing resident needs. Adopting universal design principles in apartment design would allow for ageing in place, accommodate changing needs – such as for growing families – and enable different future uses. Under-utilised off-street residential parking, for example, can be repurposed for storage, bike parking or public parking. Discouraging developer 'bundling' of car parks with apartments would enable better alignment of parking supply and on-street parking demand, as well as planning for future redundancy.<sup>12</sup>

## Innovating Future Higher Density Development

The apartment development industry has typically been focussed upon managing the financial risks involved in developing higher density housing.<sup>13</sup> New approaches within the industry potentially signal ways in which investment risk can be managed while at the same time providing better-designed, more affordable and liveable apartments. For example, there are indications of diversification from exclusively residential towers to mixed-use residential towers that include apartment hotels, or to standalone, purpose-built student accommodation backed by institutional investors.

Innovations in medium-density apartment development include co-housing communities that develop a mix of apartments with shared social space,<sup>14</sup> Build-to-Rent-to-Buy or Assemble models in which residents are involved in the development and sign on to a lease with an option to later purchase the property,<sup>15</sup> and the Nightingale model of capped profit, affordable apartment development.<sup>16</sup> There is a role for government in monitoring and evaluating the impact of these different strategies and to promote those innovations that support the provision of affordable, higher quality apartment housing.

**For further information contact Dr Megan Nethercote**  
[megan.nethercote@rmit.edu.au](mailto:megan.nethercote@rmit.edu.au)

*Authors: Dr Megan Nethercote, Professor Ralph Horne and Professor Tony Dalton*

<sup>1</sup> State Government of Victoria, Homes for Victorians: Better Apartments, website (<https://www.vic.gov.au/affordablehousing/renting/better-apartments.html>), accessed 31 July 2018.

<sup>2</sup> Reserve Bank of Australia (2017), Houses and Apartments in Australia, Bulletin: June Quarter 2017, p. 3, Graph 4; Reserve Bank of Australia (2016), The Growth of Apartment Construction in Australia, Bulletin: June Quarter 2016, p. 20, Graph 2.

<sup>3</sup> Kelly, J. F. and Donegan, P. (2015), City Limits: Why Australia's cities are broken and how we can fix them. Melbourne University Publishing.

<sup>4</sup> Giles-Corti, B., Ryan, K., Foster, S. (2012), Increasing density in Australia: Maximizing the health benefits and minimizing the harm, Commissioned by the National Heart Foundation, University of Western Australia, School of Population Health, Centre for the Built Environment and Health, Perth, WA, pp. 84-85.

<sup>5</sup> Reserve Bank of Australia (2017), Houses and Apartments in Australia, Bulletin: June Quarter 2017.

<sup>6</sup> City of Melbourne (2015), Homes for People: Housing Strategy, p. 34.

<sup>7</sup> Ong, R., Dalton, T., Gurrán, N., Phelps, C., Rowley, S. and Wood, G. (2017), Housing supply responsiveness in Australia: distribution, drivers and institutional settings, AHURI Final Report No. 281, Australian Housing and Urban Research Institute Limited, Melbourne.

<sup>8</sup> City of Melbourne (2015), Homes for People: Housing Strategy, p. 41.

<sup>9</sup> Gurrán, N., Gilbert, C., Gibb, K., van den Nouweland, R., James, A. and Phibbs, P. (2018), Supporting affordable housing supply: inclusionary planning in new and renewing communities, AHURI Final Report No. 297, Australian Housing and Urban Research Institute Limited, Melbourne

<sup>10</sup> City of Melbourne (2015), Homes for People: Housing Strategy, p. 36.

<sup>11</sup> Giles-Corti, B., Ryan, K., Foster, S. (2012), Increasing density in Australia: Maximizing the health benefits and minimizing the harm, Commissioned by the National Heart Foundation, University of Western Australia, School of Population Health, Centre for the Built Environment and Health, Perth, WA.

<sup>12</sup> Taylor, E. (2018), City of Melbourne Transport Strategy Refresh Background Paper – Car Parking, City of Melbourne.

<sup>13</sup> Bank expectations of 80% apartment pre-sales help to mitigate investment risk. See also Sharam, A., Bryant, L., & Alves, T. (2015), 'De-risking development of medium density housing to improve housing affordability and boost supply', Australian Planner, 52(3): 210-218.

<sup>14</sup> See for example The Urban Coup (<http://www.urbandev.com.au/>)

<sup>15</sup> See for example: The Urban Developer, 'Developer backs innovative Build-to-Rent-to-Buy Model', 5 July 2018 (<https://theurbandev.com/articles/competitive-build-to-rent-model-emerges-in-melbourne>); the Assemble Model (<https://assemblecommunities.com/>).

<sup>16</sup> The Nightingale housing model can be accessed at: <http://nightingalehousing.org/model/>