

## SUMMARY

### 1. Position Summary

According to Plan Melbourne, Melbourne's population is expected to grow by 3.4 million people to 7.7 million by 2051. To accommodate this growth, Melbourne will need to provide 1.6 million more dwellings. As such, apartments have an important role in servicing the housing needs of our population now and in the future.

The Urban Development Institute of Australia (Institute) is supportive of a mixture of market based and policy/performance based approaches to delivering *Better Apartments*.

Urban development, as an industry, recognises that the liveability standards for some apartments need to improve and is supportive of the Victorian Government's agenda to address this in detail. In developing and implementing any approach, the Institute urges the State Government adopt the following principles:

- The significant role apartments play in delivering an affordable housing option in desired locations is to be maintained or improved;
- Development outcomes which are predominately driven by choice and preferences of the market are allowed to continue;
- Liveability is properly considered in the context of three components, being: interior amenities, building amenities and locational amenities; and
- Recognise the role of development outcomes which are largely driven by existing regulatory instruments and allow these to remain the responsibility of the relevant regulator (i.e. the Australian Building and Construction Board is responsible for the Building Code of Australia).

### 2. Recommendations

The following is a summary of the recommendations identified throughout our submission:

- The development and implementation of any approach to delivering better apartments, must take into account the:
  - Full scope of what makes apartments liveable, including interior amenities, building amenities and locational amenities;
  - Lifestyle choices made by occupants (both buyers and renters); and
  - Significant role apartments play on providing an affordable choice for homebuyers and renters.
- The development and implementation of any approach must not inhibit the growth and maturing of Melbourne's apartment market.
- The response to delivering better apartments should include a combination of market based approaches and policy/ performance based approaches.
- Market based approaches should be developed and implemented to:
  - Educate the market on all factors that affect liveability of apartments, including issues that are addressed by mandatory provisions (i.e. Building Code of Australia);
  - Guide the industry to provide better information to the buyer to promote a better understanding of the product; and
  - Increase services that provide off-the-plan buyers with advice on the design and construction of apartments (i.e. Buyer advisory resource.).

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- Avoid developing policies or performance based provisions which impose or suggest minimum or maximum requirements, sizes and ceiling heights.
  - Avoid imposing provisions for issues already addressed through existing mandatory standards (i.e. BCA addresses ventilation, noise, etc.).
  - Avoid imposing provisions that unnecessarily requires development which will meet the current and future needs for housing to be adaptable for a different use.
  - Develop market based approaches which informs the market of factors which increases the liveability of an apartment. Particularly access to direct sunlight and energy/ resource efficiency.
  - Develop policy or performance based provisions which:
    - Prioritise access to daylight for living rooms with a secondary focus for bedrooms;
    - Focus on flexibility and functionality of space;
    - Encourage the flexibility for additional storage and adequate bike storage based on need to be provided/ installed (i.e. less car parking increases the need for additional bike storage);
    - Focus on delivery of good outlook outcomes for living rooms;
    - Encourage the installation of operable windows in each habitable room where possible;
    - Allow for flexible outcomes in addressing the need for specific outdoor space. (i.e. Apartment buildings located within close proximity from a park have less need for outdoor space.);
    - Allow air-conditioning units to be located in outdoor spaces so long as they are properly screened;
    - Encourage landscaping outcomes suitable to the constraints of the development and its location;
    - Allow the development to demonstrate how a proportion of apartments can be retrofitted to meet universal design standards;
    - Encourage better waste management activities that could operate feasibly;
    - Encourage above ground carparking to be designed in a way which adds value to the amenity of the streetscape; and
    - Encourage and promote streetscape amenity and a sense of safety.
  - Replace minimum height provisions that identify maximum number of meters with height provisions identifying maximum number of storeys.
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## ABOUT US

### Urban Development Institute of Australia (Victoria)

The Urban Development Institute of Australia (Institute) is the peak industry body for the urban development sector. In Victoria, we provide over 320 member companies with the benefits of policy and advocacy, industry intelligence, networking and business building.

Our members include developers, consultants, financial institutions, suppliers, government authorities and utilities. Together we drive industry discussion and debate and inform all levels of government to achieve successful planning, infrastructure, affordability and environmental outcomes.

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## SUBMISSION

### 1. Role of Apartments

#### Liveability

Liveability needs to be considered in the context of three components:

- Interior amenities: the amenities located inside the walls of the apartment;
- Building amenities: the amenities that the building provide for apartment occupants situated within; and
- Locational amenities: the amenities provided by the location in which the apartment building is sited.

Due to locational amenities and building amenities that apartment dwellings within inner city locations provide, lesser interior amenities not seen in a suburban setting might be acceptable.

The *Better Apartments Discussion Paper (Discussion Paper)* places too much emphasis on the interior design of apartments, too little emphasis on building amenities and no emphasis on the amenities provided by an apartment building's location.

As stated within the *Ministers' Forum Context Report (Context Report)*, when choosing a dwelling, many households are willing to trade off dwelling size and type in order to access a preferred location and/or manage household costs. This is evident through research provided by Charter Keck Cramer (Charter). The research showed that the median sizes of one and 2 bedroom apartments are smaller within the central city than those outside the central city (i.e. 45m<sup>2</sup> one bedroom within central city, 50m<sup>2</sup> outside central city.)<sup>1</sup>

In recognising the choices that are made by homebuyers, any provisions should be efficiently flexible to enable households to trade off less internal space for access to convenient, nearby external amenities.

#### *Recommendation:*

- *The development and implementation of any approach to delivering better apartments, must take into account the full scope of liveability and choices made by occupants (both buyers and renters)*

#### Affordability

The discussion around apartments must first recognise that the most significant role apartments play is to provide affordable housing options. For many low and middle-income households, the price and rental cost of detached and semi-detached dwellings in Melbourne's inner and middle suburbs, means that an apartment is the only way they can afford to live in these areas.

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<sup>1</sup> Department of Environment, Land, Water & Planning, 2015, *"Better Apartments: Minister's Forum Context Report"*, July 2015, pp.20

# Industry Submission – Better Apartments Discussion Paper



According to research undertaken by Charter, the current median price for a 46-50m<sup>2</sup> one bedroom apartment is \$411,000. This is cheaper than 70% of detached housing and 58% of all existing units and flats sold in Melbourne last year.<sup>2</sup>

Furthermore, research conducted for the *Context Report* identified that in a survey of 70 new one-bedroom apartments sold in Melbourne's inner east, 49% were below 50m<sup>2</sup> and sold for less than \$500,000.

According to the Real Estate Institute of Victoria, in the June quarter of 2015, there were 78 suburbs with a median house price of more than \$1 million. Within areas such as these, apartments are the lowest cost option for residents.<sup>3</sup>

The *Discussion Paper* and the *Context Report* both discuss the apartment standards currently applied across other States and internationally. The discussion particularly referred to NSW's *State Environment Planning Policy 65 – Design Quality of Residential Flat Development* (SEPP 65).

While there has been evidence which suggests that the standard of apartments have been approved through SEPP 65, the mandatory implementation of standards such as cross ventilation and apartment size have contributed to the unaffordability of Sydney's housing market. Most recent figures have shown that the median unit price is now over \$650,000 in Sydney and less than \$450,000 in Melbourne.<sup>4</sup>

To ensure that the current role of apartments in providing affordable housing options is maintained, minimum and maximum requirements, sizes and ceiling heights must be avoided.

Furthermore, the implementation of guidelines and/or provisions should seek to deliver affordable housing options in middle suburbs that can compete with affordable options located in central and inner suburbs. As such, the Government's focus must be on liveability instead of specific measurements or requirements that could intentionally or unintentionally be imposed on apartment development.

## *Recommendation:*

- *The development and implementation of any approach must take into account the significant role apartments play on providing an affordable choice for homebuyers and renters.*

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<sup>2</sup> Department of Environment, Land, Water & Planning, 2015, "*Better Apartments: Minister's Forum Context Report*", July 2015, pp.11

<sup>3</sup> Real Estate Institute of Victoria, 2015, "Million Dollar Suburbs, last viewed 31 July 2015, <https://www.reiv.com.au/PROPERTY-DATA/High-Performers/Million-Dollar-Suburbs>

<sup>4</sup> Bleby M, 2015, "Median house price in Sydney tops \$1 million for first time", Australian Financial Review, last viewed 31 July 2015, <http://www.afr.com/real-estate/residential/median-house-price-in-sydney-tops-1-million-for-first-time-20150723-gihqjk>

## Economic Activity

According to Charter, Melbourne has accounted for almost 45% of new apartments delivered across Australia's capital cities since 2010. The apartment market is expected to maintain a similar share over the next 4 years. Across Melbourne, completed contemporary apartments have grown from 18,000 in 2000; 66,000 by 2010 and 123,000 by the end of 2015. Based on projections this stock will grow by 170,000 by the end of 2018.<sup>5</sup>

The Melbourne apartment market is still in its infancy. Less than 10 years ago average apartment approval rates were around 4,000 per annum. By 2010, this had grown to 10,000 approvals per annum. By 2014, approvals were over 14,000, making up nearly one third of all housing approvals in Melbourne.<sup>6</sup>

According to Charter, apartments in buildings (four storeys or more) as a percentage of total housing stock in Melbourne is only 3.3%. This figure is 10% in Sydney, 30% in Chicago, 35% in Greater London, 40% in Toronto and Vancouver and 35% in Los Angeles. As a relatively new market, the Institute cautions the use of regulatory instruments in Melbourne's apartment market and is of the view that they may potentially inhibit the growth of a market which is yet to mature.<sup>7</sup>

## Recommendation:

- *The development and implementation of any approach must not inhibit the growth and maturing of Melbourne's apartment market.*

## 2. Implementation Approach

The apartment market in Melbourne is still in the early stages of growth and is focussed on delivering an affordable housing products within Melbourne's well serviced locations. Any approach to delivering better apartments must balance the delivery of new and affordable housing supply and ensure that the type and quality of new supply will serve our current and future residents to a high standard.

### Policy and Performance based approaches

Currently, to meet financing requirements, developers are required to sell around 90% of their apartment stock before construction, thereby requiring majority of apartments to be sold off the plan. Due to this requirement, if an apartment type does not sell well early, it will unlikely be built in that form. For many considerations such as size, ceiling height, orientation, etc. the market ultimately decides. This is evident in the research highlighted in the *Context Report* showing a larger median size for apartments located outside the central city.

<sup>5</sup> Charter Keck Cramer 2015, Email exchanged on 21 July 2015 between the Institute and Charter Keck Cramer.

<sup>6</sup> Department of Environment, Land, Water & Planning, 2015, "*Better Apartments: Minister's Forum Context Report*", July 2015, pp.27

<sup>7</sup> Keck B, Demaio G & Holland Q 2015, "The great apartment design debate", last viewed 31 July 2015, <http://assemblepapers.com.au/2014/09/19/the-great-apartment-design-debate/>

As the market ultimately decides on the commencement of apartment development, the Institute cautions any approach which may create a ‘disconnect’ between what the market wants and what state or council planning and building regulations require. Any such disconnect will have an impact on affordability and the supply of new housing.

Additionally, design excellence and a high level of environmental sustainability comes at a price. This comes either by increased construction costs, forgoing sellable area, or forgoing revenue. In recognising this, policy that incentivises good design would potentially be more effective than policy that enforces it.

### **Market based approaches**

Government should take on a lead role in making information available to inform consumers. With a more sophisticated market, demand for better apartments will result in a supply of better apartments. A buyer advisory resource that provides advice and assistance to consumers in buying off the plan would give consumers what they need to better understand what they are buying and how it meets their liveability needs.

Furthermore, approaches that guide the industry on how to better inform the buyer and promote good outcomes could also lead to better outcomes across the state. In a competitive market, enabling good examples of development to better promote their product will incentivise the rest of the market to also compete on quality.

#### *Recommendation:*

- *Approach to delivering better apartments includes a combination of market based approaches intended to drive demand for Better Apartments (i.e. ratings, consumer guidelines, buyer advisory resource, etc.); and policy/performance based approaches to address non-market driven issues (i.e. flexibility of use, Privacy, safety, etc.)*

## **3. Discussion Issues**

### **Issue 1: Daylight**

Access to daylight does not have to be a priority for the entirety of an apartment. While living room areas should be prioritised to have access to daylight, access to daylight for bedrooms should be secondary. Ultimately, the market will determine if access to daylight in bedrooms, kitchens is critical. If an apartment with borrowed light is more affordable, the purchaser may trade off on price to allow them to enter the market rather than being locked out.

While the Institute would accept performance based provisions which promote access to daylight, there should be no mandatory provisions which require access to daylight for bedroom and other areas other than a living room area.

Ceiling height is a factor which can determine the amount of daylight entering a room. Under the current Building Code of Australia, minimum ceiling height for corridors, laundries and kitchens is 2.1m. The minimum standard for habitable rooms such as bedrooms and living areas is 2.4m.<sup>8</sup>

Many building height provisions set a height limit based on metres which incentives development to apply the minimum requirements. If state and local governments wanted to improve access to daylight through ceiling heights, removing provisions which incentivise lower ceiling heights should be replaced with provisions based on the maximum number of storeys.

#### *Recommendations:*

- *Develop policy or performance based provisions which prioritises access to daylight for living rooms with a secondary focus for bedrooms.*
- *Replace minimum height provisions that identify maximum number of meters with height provisions identifying maximum number of storeys.*

#### **Issue 2: Sunlight**

Requiring a proportion of apartments to have direct sunlight can have a significant impact on the density of most central and inner city areas, particularly where taller buildings are allowed. This will ultimately limit supply, and therefore choice and affordability. For example, land located to the south of taller buildings will have limited access to direct sunlight due to overshadowing. Furthermore, provisions could limit the number of south facing apartments which can further limit development yield. Considering Melbourne's housing supply pressures to meet the accommodation targets for an additional 100,000 people a year, any provisions which may limit the supply of new housing stock should be avoided.

The development industry should be given the flexibility to provide apartments with orientations preferred by the buyer. While in some circumstances this will include north facing apartments, in other instances where the outlook is greater, the market will prefer south facing apartments. Market preference generally guide the orientation of apartments within a building.

#### *Recommendation:*

- *Develop a market based approach which educates the purchaser to help in making an informed decision.*

#### **Issue 3: Space**

##### *Size*

The discussion on space needs to look beyond size and height and focus on flexibility and functionality of space. A 50m<sup>2</sup> apartment with a poor layout can be less liveable than a 40m<sup>2</sup> apartment with a well-designed layout. As such, the focus for delivering better apartments must be on the effective and flexible use of space as opposed to minimum size and height of apartments.

Imposing minimum sizes will likely limit the residential yield within Melbourne's central and inner suburbs where high density development is needed to assist in meeting Melbourne's housing needs.

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<sup>8</sup> Abis 2015, "Habitable room and legal ceiling heights", last viewed 31 July 2015, <http://www.abis.com.au/habitable-room-and-legal-ceiling-heights>



Additionally, minimum apartment sizes will add further pressure to affordability, driving the lower quartile price of apartments higher.

As highlighted in the *Context Report*, there is a direct positive correlation between apartment sizes and price. As such, requirements on size indirectly sets a minimum price range for new apartments adding pressure to Melbourne's affordability. Furthermore, imposing minimum sizes can result in an undersupply of more affordable apartments. This undersupply will create a higher demand for similar existing apartments, thereby making them less affordable.

Apartment sizes ultimately need to be led by the market. There wouldn't be a market for smaller apartments if buyers or renters didn't want to occupy smaller apartments.

### *Ceiling Height*

It is well understood that ceiling height can have a positive impact on the sense of space and access to daylight. However, current height provisions are counteractive to the development of apartments with increased ceiling heights. As many planning schemes impose a minimum height for buildings using meters as the unit of measurement, this creates a disincentive to developers seeking to increase yields. Replacing those provisions with a minimum height applying a maximum number of storeys would be more effective in increasing the height of ceilings.

### *Storage*

Apartments provide the flexibility for buyers and occupants to create additional storage based on their needs and wants. For example, many apartment developments provide additional storage cages in car parking areas. Furthermore, innovative options such as over bonnet units are often allowed to be fitted within a parking space for additional storage options.

Development should be able to provide buyers with the flexibility to obtain or create additional storage. Furthermore, adequate storage for bicycles should be encouraged particularly where reduced car parking is allowed.

### *Recommendation:*

- *Avoid setting or stating minimum sizes for apartment types and ceiling heights. Instead provisions should focus on flexibility and functionality of space.*
- *Develop policy or performance based provisions which encourages the flexibility for additional storage and adequate bike storage based on need to be provided/ installed (i.e. less car parking increases the need for additional bike storage).*
- *Replace maximum building height provisions that use meters with building height provisions using the maximum number of storeys.*

### **Issue 4: Outlook**

Privacy issues are currently addressed through other methods other than building separation. Many development's use frosted glass treatment, screening and blinds to enhance the privacy of occupants. As such, building separation should not be a requirement based on privacy.



While building separation can have a positive impact on outlook, it is not the only way. Narrow lots can be orientated in a way to provide a good outlook even when built hard up against a neighbouring property.

Minimum building separation will make some sites undevelopable and in some cases make a whole strip of sites undevelopable.

*Recommendation:*

- *Avoid setting or stating minimum building separation rules.*
- *Develop policy or performance based provisions which focuses on delivery of good outlook outcomes for living rooms.*

## **Issue 5: Natural Ventilation**

Building Code of Australia (BCA) provisions such as the requirements for sealing an apartment to comply with fire regulations makes natural ventilation problematic. Alternatively, air vents could be installed under the ceiling, but this could potentially cause wind, noise and other environmental and sustainable design issues.

Due to the conflicts that may occur between the BCA and other building requirements, ensuring proper ventilation needs to be a BCA issue. Until such time that the BCA properly balances the conflicts to providing adequate natural ventilation, apartments should focus on operable windows for each living room.

*Recommendation:*

- *Develop policy or performance based provisions which encourages the installation of operable windows in each habitable room where possible.*

## **Issue 6: Noise**

The BCA currently regulates noise. It is understood that the previous concerns regarding BCA standards were addressed in the 2004 amendment. While noise can occasionally be heard from other tenants within a building, this is no different to the occasions when noise can be heard from neighbours in a suburban house setting. In many instances, noise amelioration is of a higher standard than existing houses.

Notwithstanding this, any additional concerns with the standard of noise amelioration need to be addressed through the BCA.

*Recommendation:*

- *Noise amelioration and its subsequent standards remain an issue for the BCA.*

## **Issue 7: Outdoor Space**

Guidelines around the provision of outdoor space (private and communal) should be about fostering choice. For example, an apartment unit may have little to no private outdoor space but building and locational amenities makes it a desirable place to live.

In certain circumstance, the provision of outdoor space, particularly at the ground level is difficult due to conflicting provisions such a zero lot alignment.

Air-conditioning units located on apartment balconies can significantly reduce the cost per apartment due to the direct and indirect costs of providing plant equipment. Air-conditioning units on balconies should be allowed so long as they are properly screened.

#### *Recommendations:*

- *Develop policy or performance based provisions which allows for flexible outcomes in addressing the need for specific outdoor space. (i.e. Apartment buildings located within close proximity from a park have less need for outdoor space.)*
- *Develop policy or performance based provisions which allows air-conditioning units to be located in outdoor spaces so long as they are properly screened.*

#### **Issue 8: Adaptability**

According to Plan Melbourne, Melbourne’s population is expected to grow by 3.4 million people to 7.7 million by 2051. To accommodate this growth, Melbourne will need to provide 1.6 million more dwellings.

Considering the above statistics, apartments are critical to managing the growth of our city and servicing the housing needs of our population now and in the future. Due to the current and future demands for housing, requiring apartments to be adaptable to other uses is unnecessary, inefficient and costly.

#### *Recommendation:*

- *Avoid imposing provisions that unnecessarily requires development which will meet the current and future needs for housing to be adaptable for a different use.*

#### **Issue 9: Landscape**

Any requirements for landscaping needs to take the following into consideration:

- *Location:* near parks, gardens or other green areas;
- *Setting:* dense urban setting or leafy suburb; and
- *Density:* allow development to meet maximum density provisions to assist in meeting population demand.

#### *Recommendation:*

- *Develop policy or performance based provisions which encourages landscaping outcomes suitable to the constraints of the development and its location.*

#### **Issue 10: Universal design**

Due to financing requirements cited earlier, developers sell majority of apartments prior to the commencement of construction. Some developers when selling off the plan allow buyers to retrofit an apartment to meet their needs. The current Building Code of Australia provisions already ensure that a disabled person would have easy access from the ground floor to an apartment’s entrance or common facilities, the developer only needs to amend the layout of an apartment to meet the special needs for a variety of people.

Imposing a percentage of apartments to be universally designed adds additional costs to the development. Furthermore, as the seller does not discriminate potential buyers, there is no guarantee that a universally designed apartment will be used by a person with different needs. This will only serve to increase the price of other apartments again impacting on choice and affordability.

*Recommendation:*

- *Develop policy or performance based provisions which allow the development to demonstrate how a proportion of apartments can be retrofitted to meet universal design standards.*

## **Issue 11: Energy and Resources**

While current Building Code of Australia (BCA) standards require buildings to have a certain level of energy and water efficiency, many developments go beyond these standards due to demand from buyers. In the commercial sector, market driven approaches have been effective in reducing the energy efficiency of buildings.

In the residential sector, more and more consumers are becoming savvy to the operational costs of the household and the savings that an energy and water efficient household can deliver. While the Institute is supportive of market based approaches to improving energy and resource efficiency, mandatory requirements need to solely remain an issue for the BCA.

*Recommendation:*

- *Develop and implement market based approaches which educate the market on energy and resource efficiency and/or better promotes efficient apartments.*

## **Issue 12: Waste**

Waste management is primarily an occupant behavioural management issue. While there are many activities that can occur within a building, due to operational feasibility these operations are difficult to sustain.

Any approach to address waste management must consider the size and scale of the development and the feasibility of operations. Flexibility should be given to deliver outcomes which address waste management to encourage and allow activities to be feasibly maintained.

*Recommendation:*

- *Develop policy or performance based provisions which encourages better waste management activities that could operate feasibly.*

## **Issue 13: Car parking**

Predominately, the market will decide on the number of carparking spaces needed for an apartment development. While factors such as access to reliable public transport and services can have an impact on minimizing the number of spaces needed, demographic factors can have the reverse effect.

Instead of trying to impose minimum or maximum standards for carparking, development within specific locations should be allowed to provide the amount of parking required by the market.

While there may be amenity concerns that need to be addressed for above ground parking, provisions should avoid requiring all car parking to be provided underground as this option is not feasible for many developments.

*Recommendation:*

- *Develop policy or performance based provisions which encourages above ground carparking to be designed in a way which adds value to the amenity of the streetscape.*

## **Issue 14: Entry and Circulation**

The impact that the entry and circulation of a building can have on overall liveability is minimal. Notwithstanding this, the entry and circulation of buildings can have an impact on the sense of safety and visual amenity from the streetscape. However, the outcomes needed to maintain a level of amenity and sense of safety differs depending on the location of the building and its urban setting.

Development must be able to flexibly address visual amenity and sense of safety based on the specific characteristics of the building and urban setting.

*Recommendation:*

- *Develop policy or performance based provisions which encourages and promotes streetscape amenity and a sense of safety.*