

**Submission
No 28**

INQUIRY INTO APARTMENT DESIGN STANDARDS

Organisation: Property Council of Australia

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Australia's property industry
Creating for Generations

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29 October 2021

The Committee Manager
Legislative Assembly Environment and Planning Committee
Parliament House, Spring Street
EAST MELBOURNE VIC 3002

By email: apartmentdesign@parliament.vic.gov.au

Dear Committee Manager,

Property Council submission to Inquiry into Apartment Design Standards

The Property Council of Australia is pleased to make this submission to the Victorian Parliament's Environment and Planning Committee's inquiry into apartment design standards in Victoria.

The Property Council of Australia is the leading advocate for Australia's property industry and Victoria's biggest industry and employer, contributing \$58.8 billion to Gross State Product (13.8 per cent), employs more than 390,000 people and accounts for 59 per cent or \$17.9 billion of Victoria's tax revenue. Many of our members are involved in apartment design, building and construction throughout Victoria.

Apartments provide affordable housing options for Victorians in our most well-serviced areas. They are more than 36 per cent cheaper than the average house in Melbourne¹, and are an accessible and affordable housing option that keeps Victoria's overall housing affordability levels in check. The Property Council firmly believes that to protect Melbourne's affordability advantage and apartment supply pipeline, apartment design requirements should be flexible enough to respond to the changing desires and affordability levels of purchasers.

As our population growth resumes in coming years, apartments will continue to be an important part of our housing mix. Design standards should support quality resident

¹ Real Estate Institute of Victoria Market Insights, Q3 2021, <https://reiv.com.au/market-insights/victorian-insights>



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experiences while at the same time not imposing significant burdens on future development prospects.

Victoria must actively plan and deliver a mix of housing that facilitates its ongoing growth, in the suburbs and the inner city. A solid supply of apartments and higher density housing will ensure that housing affordability does not spiral out of control in our established suburbs.

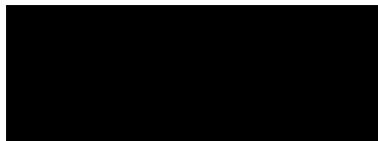
In our submission, we respond at a high level to the outlined terms of reference to examine the impact of current Victorian apartment design standards, current design trends and comparisons to other Australian jurisdictions, to examine where future improvements can be made.

We also outline a current state of the apartment market to provide full context to this sector's current challenges, and outline how the emergence of Build-to-Rent apartment housing will require new thinking in design standards to ensure continued growth, which will be crucial to providing thousands of quality and secure dwellings to the market in coming years.

We would be pleased to provide any further commentary, data, or analysis to support the committee in its work.

If you require more information, please contact Andrew Lowcock, Victorian Policy Manager, on [REDACTED] or [REDACTED], or Eric Allilomou, Senior Policy and Media Advisor, on [REDACTED] or [REDACTED].

Kind regards,



Danni Hunter
Executive Director, Victoria
Property Council of Australia

State of the market

The apartment market is facing significant challenges, particularly in inner Melbourne. The demand and supply dynamics have been severely altered by the COVID-19 pandemic. Short-term demand is very weak with the absence of international students and new migrants, and short-term supply is taking time to clear the market, with settlement rates and sales rates significantly lower than historical trends.

The apartment market has not been anywhere near as supported by HomeBuilder or stamp duty incentives to the same extent as the Greenfield residential market. This is reflected in the number of detached dwelling approvals falling 76 per cent from January 2018 to January 2021 in Victoria.

An Urbis report for the Property Council in June 2021 found that anticipated 2024 supply for the Sydney, Melbourne, Brisbane and Perth apartment markets is only 20 per cent of 2018 levels. This decline in construction activity for 2020-24 from 2016-20 levels is estimated to be about \$1.1 billion in Melbourne, equating to more than 6000 FTE jobs. Given that apartment projects typically take 3-5 years to complete, this significant reduction in apartment activity is expected to continue without significant stimulus and attraction of investment.

More than 158,000 new apartments have been delivered in metro Melbourne since 2009, but Charter Keck Cramer summarises in its latest State of the Market snapshot on residential apartments for October 2021 that:

"...new completions will begin to fall dramatically with only 6,200 apartments launched in FY2020 and 5,800 in FY2021. This will translate to significantly lower completions in the coming years..."

Charter Keck Cramer also forecasts where apartment demand will emanate from:

"The next decade will be characterised by the movement of the Millennial population into the 'couple' and 'family-forming' life stage. There will be a place for apartments to meet the needs of those in this group that do not want the traditional 'quarter acre block', but there will likely be a shift away from the volume of 'investor grade' stock that has dominated apartment supply over the last decade.

"The ageing of the Baby Boomers also means that the number of downsizers and empty-nester households will also accelerate. Delivering the required product type at price points that are attractive to these increasing occupier groups will be imperative if Melbourne's housing requirements are to be met."

With this in mind, market factors and consumer preferences will drive apartment design to evolve as these cohorts explore their next big housing move, and will need to be flexible

enough to be desirable from a design perspective to younger and older alike to ensure their attractiveness to the market.

Current apartment living standards in Victoria

The Better Apartment Design Standards (BADS) were developed over a two-year period through collaboration with industry, including the Property Council, and launched in 2017. Throughout the consultation process, the Property Council was keen to ensure the aspiration of delivering high quality apartment product was realised, while keeping the price of new apartments within reach for everyday Victorians, especially those looking to enter the housing market.

Given that it takes more than a year and a half on average to complete an apartment, we argued that the BADS should have stayed in place for longer to fully assess its impact on the market, but updates to BADS were finalised and released early in 2021. The Property Council again supported the intent of the updated standards, but sought to ensure clarity over some of the updated requirements, especially relating to:

- Additional communal open space and landscaping requirements for smaller apartment developments (under 40 dwellings); and
- Wind impact analysis, and specifically the lack of availability of suitably qualified wind engineers to provide an assessment for developments of five or more storeys.

The updated BADS also imposed more specific requirements on building facades, publicly accessible outdoor space and street frontages.

A long-standing concern for the Property Council has been the potential for the standards to restrict developers' flexibility and how they add further costs to the delivery of apartments. For instance, the mandating of requirements on apartment size, ceiling heights and building setbacks without flexibility to consider location or consumer preference can escalate costs and therefore restrict affordability.

Examples of potential flexibility within the standards, that would not reduce quality of product, could include for instance:

- Communal open space: could also more explicitly encourage a combination of internal and external spaces, particularly noting the climatic conditions – it is currently too skewed towards external only.
- Adaptability: standards currently require the provision of at least one adaptable bathroom in at least 50 per cent of dwellings, when in reality a lot of purchasers don't require this, and would prefer not to pay for the extra cost of this – the requirement is disproportionate to the actual need.

- Deep soil planting: requirements are excessive in the context of fragmented land parcels in and along the majority of metro Melbourne 'high streets' and the standard is targeted at these areas versus successful canopy landscaping within planters, which the majority of developments now do (and is shown in the precedent images for communal open space in the Preview of the 2021 Apartment Design Guidelines for Victoria (pages 23-25)). An alternative is to provide more landscaped area rather than mandating it as deep soil planting.
- Minimum bedroom sizes: master and secondary bedroom minimums may not be suitable for all users, such as apartments occupied by sharing professionals, and a reduction in the master bedroom size.

Apartments provide alternative and more accessible housing options in areas of greatest amenity, helping to deliver the vision for a 20-minute city and Plan Melbourne's aspiration target of 70 per cent of new development in existing areas.

The implementation of standards for apartment design should always consider costs and the and requirements already placed on residential developers, such as infrastructure and open space contributions.

There is no strong data yet that indicates the success or otherwise of the BADS in delivering high quality and high in demand apartments. The COVID-driven population migration from Melbourne into the regions will make this harder to measure and is a driving factor behind the downturn in expected apartment completions. Many of the recently added apartments to the market were in development before the first iteration of BADS was finalised.

While we welcome the committee's decision to examine design standards, it is important to note that many of the recent changes to requirements have not yet firmly been evidenced through practical completion of new apartments. Therefore, the industry's firm preference is largely for embedding of the current standards and working through general implementation issues to provide further clarity to industry.

An example of an issue where standards may need adaptation for clarity are conflicting requirements around wind in private and common open space: as prevailing winds in Melbourne tend to be northerlies, which coincides with preferred orientation for solar access, this makes dealing with external spaces extremely challenging, especially to podiums/rooftops. Sometimes there is no choice but to locate open space south of a building podium or site due to poor existing wind conditions, which does not satisfy solar access requirements. Where located north, wind mitigation structure and /canopies are introduced which have been viewed by councils as inhibiting solar access even where transparent or glazed materials are adopted. Further clarity on scenarios and alternatives to provide workable solutions would be welcomed within the current standards.

Emergence of Build-to-Rent and need for consideration in standards

A key driver of new apartment housing in Melbourne is the emergence of the Build-to-Rent (BTR) sector in Australia.

BTR is purpose-built residential accommodation that is held for long-term rental, rather than sold to strata purchasers. While new to Australia, the asset class is well-established in the United States and Europe, and more recently the United Kingdom.

According to EY, Victoria currently accounts for more than 60 per cent of the total number of Australian institutional BTR projects comprising nearly 10,000 new apartments.

"The emerging Inst-BtR sector has the potential to support construction of thousands of apartments across Australia, boost housing stock and employ thousands of people. To demonstrate the significance of the economic activity that could be unlocked nationally, we have modelled the current pipeline of confirmed Inst-BtR projects... Indicating a national pipeline of 40 projects comprising around 15,630 apartments."

EY estimates that BTR will provide a boost to GDP between 2022-23 and 2024-25 of about \$2.9 billion with more than 17,000 jobs created, and Victoria will benefit from much of this economic injection.

The Victorian Government has recognised the potential of this sector in creating new housing supply with the commitment to provide 50 per cent land tax concessions to eligible BTR developments for up to 30 years. At the time of providing this submission, the BTR tax concessions were currently before Parliament and have not been formally legislated yet.

In the next section of our response, we will outline some preferred design characteristics of effective BTR developments, but it is important to note that some of the unique elements of BTR are not effectively catered for within general apartment design standards and would benefit from incorporating unique content catered for BTR audiences.

Improving liveability in apartment buildings

We have noted areas of current apartment design standards where we believe further flexibility should be contained to meet the desires of different customer segments and to support feasibility and affordability of future apartment developments, where the entire design solution should be considered as a whole rather than as aspects in isolation, including in the Build-to-Rent context.

Where there is far greater communal amenity provided, this can and should offset some of the private amenity that design requirements can enforce, or planning concessions should be provided that enable increased height and/or density and reduced balcony

(private amenity) requirements to incentivise the establishment of this new communal amenity.

Secondly, for BTR especially which is primarily developed in the inner city, with very good public transport connections and established community amenity, apartment design standards should recognise this through things such as reduced car parking requirements within the development, acknowledging that some BTR residents won't need to own a car, or may use a car-share service such as Flexicar or GoGet for the occasions when they do need private car travel.

There is currently little scope under apartment design requirements to enable this. We would urge the committee to look at NSW's recent changes and much more flexible application of the Apartment Design Guide under State Environmental Planning Policy (SEPP) 65 on Design Quality. In February this year, SEPP 65 was amended and the design criteria concerning private open space, balconies, storage and apartment mix are now to be applied much more flexibly. Consent authorities are now required to assess a proposed BTR development against this revised version of the Apartment Design Guide and give additional consideration to additional common spaces and shared facilities and services to be provided.

The best example of this can be seen in the treatment of balconies and storage areas, where SEPP 65 enables far greater consideration of the provision of common space within the development in mandating minimum spaces in these areas.

Table 1.1: Balconies – NSW v VIC requirements

Dwelling	NSW		VIC	
	Area	Min Depth	Area	Min Depth
Studio	4m ²	-	8m ²	1.8m ²
1 Bed Apartment	8m ²	2m ²	8m ²	1.8m ²
2 Bed Apartment	10m ²	2m ²	8m ²	2m ²
3 Bed Apartment	12m ²	2.4m ²	12m ²	2.4m ²

Table 1.2: Storage Areas – NSW v VIC requirements

Dwelling	NSW		VIC	
	Area	Within Apartment	Area	Within Apartment
Studio	4m ³	2m ³	8m ³	5m ³
1 Bed Apartment	6m ³	3m ³	10m ³	6m ³
2 Bed Apartment	8m ³	4m ³	14m ³	9m ³
3 Bed Apartment	10m ³	5m ³	18m ³	12m ³

SEPP 65 states that “By accommodating a range of household types, apartment buildings support the needs of the community now and into the future”. We would welcome a similar approach to flexibility within Victorian standards.

The NSW Experience

We have highlighted an example above of a positive change in NSW and how it could be replicated in Victoria, but there are many other elements of the NSW apartment design framework that should be actively avoided in Victoria. The NSW Apartment Design Guide have generally stifled innovative design and effective site use, and at the time of making this submission, are undergoing a significant review through the Design and Place SEPP development process, due to be finalised towards the end of 2021.

The NSW Apartment Design Guide has been used to bluntly as a compliance tool and not, as its name would otherwise suggest, as a guide to achieving good design objectives. Its implementation has also varied depending on the determining authority, with many councils insisting on objectives that go beyond what is outlined in the guide.

As the Guide is undergoing review, we recommend that the committee examine the updated contents once the NSW Design and Place SEPP has been finalised.

Going forward

The Property Council, both at a national and a state level, has identified the residential apartment sector as a part of the industry requiring significant attention and policy focus to ensure we are not facing a future undersupply of new homes. It is imperative that apartment design can deliver quality outcomes for occupiers without further constraining supply.

We are working with our members, including apartment developers and architects, to support the creation and promotion of quality new apartment products.