

**Submission  
No 38**

## **INQUIRY INTO APARTMENT DESIGN STANDARDS**

**Organisation:** Housing Industry Association

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HOUSING INDUSTRY ASSOCIATION



# Housing Australians



**Submission to Inquiry into Apartment Design Standards**  
October 2021



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## ABOUT THE HOUSING INDUSTRY ASSOCIATION

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry.

As the voice of the residential building industry, HIA represents a membership of 60,000 across Australia. Our members are involved in delivering more than 170,000 new homes each year through the construction of new housing estates, detached homes, low & medium-density housing developments, apartment buildings and completing renovations on Australia's 9 million existing homes.

HIA members comprise a diverse mix of companies, including volume builders delivering thousands of new homes a year through to small and medium home builders delivering one or more custom built homes a year. From sole traders to multi-nationals, HIA members construct over 85 per cent of the nation's new building stock.

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into the manufacturing, supply and retail sectors.

Contributing over \$100 billion per annum and accounting for 5.8 per cent of Gross Domestic Product, the residential building industry employs over one million people, representing tens of thousands of small businesses and over 200,000 sub-contractors reliant on the industry for their livelihood.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry. HIA's mission is to:

*"promote policies and provide services which enhance our members' business practices, products and profitability, consistent with the highest standards of professional and commercial conduct."*

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population. New policy is generated through a grassroots process that starts with local and regional committees before progressing to the National Policy Congress by which time it has passed through almost 1,000 sets of hands.

Policy development is supported by an ongoing process of collecting and analysing data, forecasting, and providing industry data and insights for members, the general public and on a contract basis.

The association operates offices in 22 centres around the nation providing a wide range of advocacy, business support services and products for members, including legal, technical, planning, workplace health and safety and business compliance advice, along with training services, contracts and stationary, industry awards for excellence, and member only discounts on goods and services.

## 1. INTRODUCTION

HIA is pleased to have the opportunity to lodge our submission to the Inquiry into Apartment Design Standards. HIA has read and understands the Terms of Reference (ToR) and notes these are quite broad, thereby providing the opportunity for a wide-range of matters as they relate to apartment design to be discussed.

Housing is a first order necessity to peoples' regular and active functioning and participation in society. All levels of government should be looking at the roles they need to be playing to address the shortage of housing stock in most Australian cities. But a balance of policies and market forces is required to ensure that different types of housing stock can be developed to meet the needs of a growing population.

There are many factors in creating higher density living options beyond the design of a building that contribute to its economic viability and therefore the probability that it will be built. Whilst industry builds a product that complies with relevant planning and building regulation, it must also take into consideration the needs and preferences of the market and ultimately build it at a cost that the market will bear for that particular product. Builders do not build product that consumers and investors will not or cannot purchase.

As the Committee may be aware, since 2014 with the phasing out of the Guidelines for Higher Density Residential Development, HIA has regularly and actively taken part in the Better Apartments design consultation and discussion with the Victorian Government. HIA's feedback has been detailed and comprehensive, aimed at assisting the Government and DELWP to develop appropriate apartment design standards.

The Better Apartments Design Guidelines were introduced in 2017 and introduced through Clause 58 of the Victorian Planning Provisions. They aim to create a state based assessment measure for new apartment buildings. The Guidelines were further updated as recently as 2019 and included a number of additional elements such as green space, building appearance, wind impacts, street interface and construction impacts together with accessibility requirements.

Whilst some may consider that the current Clause 58 Apartment Developments as adequate, it is questionable whether the number of applications assessed against this clause is sufficient to truly determine its effectiveness or otherwise. It is unclear as to whether this inquiry could result in future changes to Clause 58 but HIA looks forward to being further involved as matters develop.

HIA has also previously provided feedback to government emphasising the need for council planners to have the appropriate skills to be able to professionally assess and determine apartment applications. It is submitted should council planners have the appropriate skills this would enable them to thoroughly understand the impacts of their decision making, such as all fiscal and economic impacts when recommending design changes that result in a significant reduction of dwelling yield.

It is also important that council planners fully understand the consequence of time delays created when attempting to work through technical and or specialist design elements with the applicant. Often due to unnecessary protracted time delays it is not uncommon for many apartment applications to go before the Victorian Civil and Administrative Tribunal for review due to councils' failure to determine the application within the required statutory time frame or for a review of council's decision. HIA consider in many instances this may be able to be avoided if council planners were equipped with the appropriate skills to be able to professionally assess and determine apartment applications.

As part of responding to this inquiry HIA has not attempted to reiterate all that we have said previously, if requested HIA is willing to provide this to the Committee. This response focuses on



high level commentary as to other responses we have provided to other jurisdictions regarding this matter.

However it is important to note throughout HIA's feedback to the Victorian Government regarding Better Apartments the following points have been consistently maintained:

- It is not appropriate that regulation mandate a minimum apartment size. Owners and occupiers of apartments have a diverse range of needs that must be catered for. This is reflected in an occupants need for a particular size dwelling, and the market will provide what the market needs. Designers and builders of apartments are incredibly adept at producing a range of apartment product with good amenity that satisfy the varying price points within the apartment market.
- As apartment buildings are often required to be constructed on heavily constrained sites, that being typically dense urban environments with built form constraints on each boundary, it is not appropriate that planning and building regulation be written in a prescriptive and or mandatory form. In order to achieve an efficient and effective use of the site and achieve an optimal design outcome planning and building regulation must be written such to allow a tailored design response depending on the particular features of the site and the surrounds.
- HIA does not support technical regulation being introduced into the planning system in any capacity. It is considered of vital importance that a clear separation is kept between matters governed by the planning regulatory environment and the technical, building environment.
- In developing any future Design Guidelines, the right performance standards are required to ensure government objectives are met whilst developments are viable and a product can be built at an affordability price point that the market can bear so that new apartments can actively contribute towards meeting Victorian's housing needs.

HIA remains particularly interested in the implementation of Clause 58 Apartment Developments and the Apartment Design Guidelines for Victoria (Department of Environment, Land, Water and Planning, 2017) particularly when referenced as a policy document in Clause 15.01-2S Building design and Clause 16.01-1S Housing supply.

It is imperative that as metropolitan Melbourne and Victoria's larger regional centres recover from the economic impacts of COVID-19 timely and good planning decisions regarding apartment developments are made and market demand is able to be met.



## 2. KEY PLANNING CONSIDERATIONS RELATING TO APARTMENT DESIGN STANDARDS

Increasingly apartment design standards in varying forms are beginning to be developed and implemented across several Australian states / territories and local government jurisdictions. These vary from a relatively light approach in the form of guidance material to more of a stringent regulatory approach, such as has been adopted in the Victorian Planning Provisions. Whilst it can be difficult to be definitive as to which approach will deliver a better outcome, HIA submit clear concise objectives must be the primary focus when considering apartment design planning tools and regulation, codes etc. typically included as standards must be kept to a minimum and used only in exceptional circumstances to address complex and technical requirements.

However, even when standards are used, governments must be unequivocal that the standards being written are not creeping into what is the domain of building regulation as this creates regulatory duplication that unnecessarily adds time to the assessment and determination of an application, one of the most significant effects being a negative impact on housing affordability.

Common to most apartment development is that the site proposed to be developed with an apartment building is required to consider many external factors imposed from adjoining sites. It is for this reason that when apartment design standards are being produced and or reviewed, HIA consider it is imperative there is adequate scope provided within the regulations (codes etc.) to ensure a one size fits all approach is not applied. It is very likely that a one size fits all regulatory approach will unintentionally result in designs that are overly responsive to the regulation not the site and surrounds producing apartment outcomes that lack diversity and innovation.

Regulation must provide adequate and reasonable opportunity for a design response that legitimately takes into account all design opportunities and constraints, genuinely providing opportunity for innovative design. Prescriptive and mandated requirements particularly with regard to setbacks, height, articulated design features, tree planting and landscaping and interface between the public and private domain are often counterproductive to good design.

HIA does not support technical regulation being introduced into the planning system in any capacity. It is considered of vital importance that a clear separation is kept between matters governed by the planning regulatory environment and the technical, building environment, which is controlled through the National Construction Code.

Recently HIA has provided comment and feedback to the following:

### Northern Territory Planning Commission – Better Design

With the exception of Special landscape treatments HIA was generally supportive of the six ideas presented in this paper:

- Fronting the street
- Contextual response
- Special landscape treatments
- Outdoor living
- Making great places, and
- Innovation and variety.

It was considered grouping of these six ideas was eminently sensible and when implemented would allow a logical approach in formulating an appropriate design response to the apartment building as a whole without being required to focus too much on the typology of each individual apartment dwelling. HIA submit to a large extent building typology of each individual dwelling must



be left to the developer / builder with minimal influence from government. Developers spend much time carrying out extensive market research to understand and deliver on market demand.

#### Cairns Regional Council - Designing for Density in the Tropics

This document covers a range of development settings, not only apartments, where density greater than a detached dwelling on a lot is to be assessed. HIA considers the document provides adequate guidance without over regulating the fine grain design details that are often best determined by the developer / builder and regulated as part of the building approvals system.

One of the positive aspects of *Designing for density in the tropics* is the focus on defining strong Objectives that guide and create an understanding of what is being sort with lesser emphasis on standards that must be met or are preferred to meet the Objective

#### New South Wales – current exhibition of the Design and Place State Environment Planning Policy

HIA is currently in the process of engaging with the NSW government regarding this draft SEPP that will incorporate an amended version of the Apartment Design Guide.

HIA is mindful that proposed new design requirements may be too stringent such that many apartment designs, particularly those typically designed to cater for the low to mid-range market, may not viable. Engagement is ongoing and it is understood the Government Architect NSW is considering matters raised by industry with a view to allowing alternative design solutions as a means of addressing those requirements that may be too stringent.



### 3. APARTMENT DESIGN STANDARDS AND ECONOMIC CONDITIONS

The COVID-19 pandemic has had a significant impact on Melbourne’s apartment sector. Victoria became very reliant on the inflow of interstate and overseas migrants, tourists and students in recent years. These arrivals tend to favour apartment-style living, at least initially. The closure of international borders and the exodus of Victorians out of Melbourne during the pandemic has hit three of the most important sectors for the state: it deprived the local economy of tourism dollars; it deprived the universities of international students; and it deprived the apartment sector of occupants.

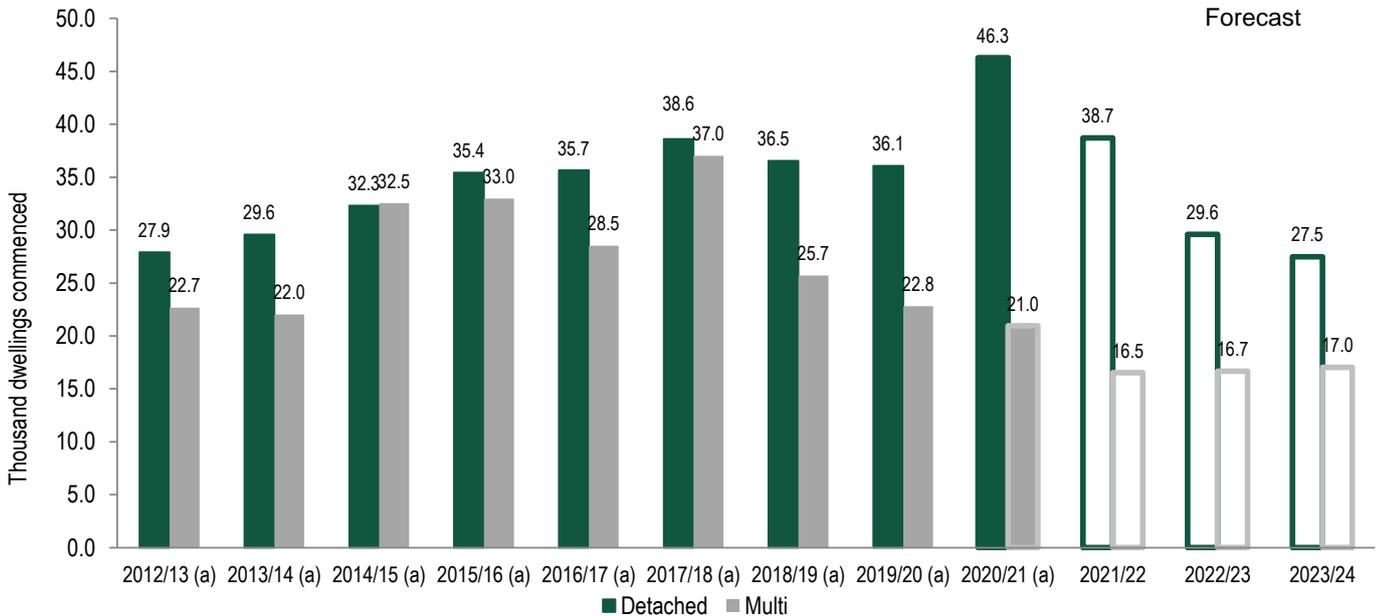
In addition to the loss of overseas and interstate arrivals, a shift in homebuyer preferences has occurred. With Australians spending more time under lockdown and/or working from home, they started to demand larger living spaces. This led to a shift in demand towards lower density housing in the outer metropolitan and regional areas of Victoria, at the expense of higher density living in more central areas.

The Reserve Bank will also increase interest rates eventually, currently expected in 2024 but potentially sooner. This will naturally add another weight to the housing market – both the multi-units and detached sectors.

This is why we expect the multi-units sector to be hit harder in Victoria than anywhere else. HIA’s August 2021 forecasts have the multi-units market reaching a trough of 16,528 commencements in the 2021/22 financial year, down by 55.3 per cent from the 2017/18 peak of 37,014 commencements as outlined in the chart below. This sector was already coming down from the previous peak, as previous housing shortages were being met by new supply, and the weight of the credit squeeze accelerated this decline. The COVID-19 pandemic and associated closure of international borders made the situation for the multi-units market worse.

#### VIC HIA Housing Starts Forecasts

Source: HIA Economics



There is potential upside risk to the multi-units market as international borders re-open. A resurgence in migrant, student and tourist numbers could revive the multi-units market faster than we are currently forecasting.

Land and construction costs are also creating affordability issues in the detached market. A continuation of these trends may start pushing people back to medium density and apartment-style living in existing suburbs. There has also been a modest increase in demand for multi-units in regional Victoria in 2021, suggesting people leaving the city may be bringing their taste for medium density housing into the regions.

If there is a sudden resurgence in demand, led by overseas migration, builders will only be able to respond with a lag. There is currently around a year between sale and completion for detached housing. Apartments take even longer. A steady inflow of new housing in the meantime is crucial to ensure a recovery in demand doesn't lead to a rapid deterioration in housing affordability.



## 4. CONCLUSION

In conclusion, HIA has raised some key points in this submission as follows:

- The timing of any review of current apartment guidelines may be too early as not many apartment buildings have been constructed as yet under the provisions of Clause 58 of the VPP's;
- HIA does not support technical regulation being introduced into the planning system in any capacity. It is considered of vital importance that a clear separation is kept between matters governed by the planning regulatory environment and the technical, building regulatory environment which is provided through the National Construction Code.
- It is not appropriate that regulation mandate a minimum apartment size and references to minimum apartment sizes in regulation are not supported. Owners and occupiers of apartments have a diverse range of needs that must be catered for. This is reflected in an occupants need for a particular size dwelling and the market will provide what the market needs. Designers and builders of apartments are incredibly adept at producing a range of apartment product with good amenity that satisfy the varying price points within the apartment market.
- In developing any future Design Guidelines, the right performance standards are required to ensure government objectives are met whilst developments are viable and a product can be built at an affordability price point that the market can bear so that new apartments can actively contribute towards meeting Victorian's housing needs.
- As apartment buildings are often required to be constructed on heavily constrained sites, that being typically dense urban environments with built form constraints on each boundary it is not appropriate that planning and building regulation be written in a prescriptive and or mandatory form. In order to achieve an efficient and effective use of the site and achieve an optimal design outcome planning and building regulation must be written such to allow a tailored design response depending on the particular features of the site and the surrounds.
- HIA expects the multi-units sector in Victoria to be hit harder from the impact of COVID 19 than anywhere else. This sector was already coming down from the previous peak, as previous housing shortages were being met by new supply, and the weight of the credit squeeze accelerated this decline. The COVID-19 pandemic and associated closure of international borders made the situation for the multi-units market worse.
- There is potential upside risk to the multi-units market as international borders re-open. A resurgence in migrant, student and tourist numbers could revive the multi-units market faster than we are currently forecasting.
- Land and construction costs are also creating affordability issues in the detached market. A continuation of these trends may start pushing people back to medium density and apartment-style living in existing suburbs.
- There has also been a modest increase in demand for multi-units in regional Victoria in 2021, suggesting people leaving the city may be bringing their taste for medium density housing into the regions.
- If there is a sudden resurgence in demand, led by overseas migration, builders will only be able to respond with a lag. There is currently around a year between sale and completion for detached housing. Apartments take even longer. A steady inflow of new housing in the



meantime is crucial to ensure a recovery in demand doesn't lead to a rapid deterioration in housing affordability.

HIA will further contribute as this Inquiry continues and thank you for the consideration of our submission. We would like to request that from this point forward we be consulted on its progression.

Please do not hesitate to contact Mike Hermon – Executive Director, Planning & Development on [REDACTED] should you require anything further.

