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A Housing Strategy for NSW -
Discussion Paper

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Discussion Paper

A Housing Strategy for NSW

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Minister's Foreword



My priority as Minister for Housing is to have keys in doors for as many people in NSW as possible. To achieve this, we need to remain vigilant in responding to persistent housing supply, diversity and affordability trends so that everyone can access the benefits of a stable housing market.

As the Member for Oxley on the Mid North Coast of NSW with great housing needs, I have seen the life-changing effects and positive long-term impacts that a secure home can have for individuals, families and communities.

Our housing policy must adapt to changing trends – with the next generation entering the housing market and as our population ages – so that we have the right type of housing in the right location delivering benefits to our communities.

Together, we've faced the worst drought in our State's history, catastrophic bushfires, flooding and now economic uncertainty due to COVID-19. If there was ever a time to realise how central housing is to our lives – it's now.

Through this Discussion Paper, we will develop NSW's first Housing Strategy. This Strategy is an opportunity to create a platform for our future.

It is important that industry, government and community have a say in crafting the development of a 20 year end-to-end housing strategy which covers everything from homelessness to home ownership.

This Discussion Paper acknowledges that both State and Local Governments, as well as industry and communities, have a role in delivering the housing we need.

Since 2011 more than 1 billion dollars has been invested in critical infrastructure funding, including through the Fair Go for First Home buyers, where almost 68,000 home buyers saved almost \$25,000 each on stamp duty.

Housing supply and infrastructure continue to be coordinated for population growth and local strengths, under our Regional Economic Vision for NSW, Regional Plans for all parts of NSW and the Greater Sydney Regional Plan.

Concurrently, we are supporting key needs in our communities through 'Future Directions for Social Housing in NSW', a strategy that aims to increase the quality and supply of social housing, and the new NSW Homelessness Strategy 2018, which sets a five-year plan to improve the way we respond to homelessness.

It gives us the opportunity to shape the way housing is developed and continues to support security, comfort and choice for all people at all stages of their lives.

A handwritten signature in black ink, reading 'Melinda Pavey'.

The Hon. Melinda Pavey,
Minister for Water, Housing and Property

Acknowledgement to Aboriginal people

The NSW Department of Planning, Industry and Environment acknowledges that it stands on Country which always was and always will be Aboriginal land. We acknowledge the Traditional Custodians of the land and waters, and we show our respect for elders past, present and emerging. We are committed to providing places in which Aboriginal people are included socially, culturally and economically through thoughtful and collaborative approaches to our work.



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Terms and definitions

We use many terms and definitions in this Discussion Paper which some people may not be familiar with. You can find out more about these in the Glossary at the end of the Paper.

The following terms, used throughout, are worth understanding early:

- **Households:** We use the term ‘household’ to describe the people living in a home – this could be a person who lives on their own, a family, or a group of students. Each household’s requirements will change depending on what they collectively earn, how many people live there and the different relationships between those people.
- **Affordable rental housing versus housing affordability:** Affordable rental housing is a type of housing that can be provided for people on lower incomes. In this way, it is a housing ‘product’ just as social housing or privately-owned housing is. Housing affordability describes the ability of a household to afford the cost of housing.
- **Housing development pipeline:** This describes our understanding of what new housing is being planned, the order in which land is released for new housing and market take up.
- **Housing typology or dwelling type:** This is the shape and form of housing – how many bedrooms a home contains, its built form (for example, a standalone home versus an apartment), and whether it can be easily accessed by people who live in or visit it.

We also use the following shortened terms:

- BTR: Build to Rent
- CHP: Community Housing Provider
- DPIE: Department of Planning, Industry and Environment
- EP&A Act: *Environmental Planning and Assessment Act 1979*
- LAHC: Land and Housing Corporation
- LGA: Local Government Area
- LHS: Local Housing Strategy
- LSPS: Local Strategic Planning Statement
- SAP: Special Activation Precinct
- SEPP: State Environmental Planning Policy
- SHS: Specialist Homelessness Services.

Introduction

The NSW Government is preparing a new state-wide, 20-year Housing Strategy. This Discussion Paper is an important step in refining a vision for housing, developing directions, and identifying actions that can be achieved now and into the future.

Why we need a NSW Housing Strategy

Housing is essential to wellbeing

Housing benefits everyone – from individuals to households, communities and the economy. When people live in a home they can afford and feel comfortable in, where they can easily access school or work, they will feel safer and part of a community. This has mental and physical health benefits.

More broadly, housing shapes the character of cities and towns across the State and, when located in the right places, creates economic opportunities through development and construction jobs and broader productivity benefits.

People's housing needs are dynamic

People's housing needs change throughout their lives as they move back and forward along the housing continuum (Figure 1). This will depend on their circumstances and preferences.

A holistic approach across housing – from homelessness to home ownership – helps us to plan for more people to be able to access the right type of housing at the right time, and to support people into the best housing option available.

Figure 1: Housing continuum



Housing must respond to population and other changes

We know that:

- **The NSW population is growing, but unevenly.** In Greater Sydney, where rates of growth are highest, the 30–40,000 homes expected to be built each year for the next five years will meet the needs of the growing population. However, Greater Sydney needs to accommodate an additional 1 million homes by 2041. Meanwhile, more moderate regional population growth is driven by a drift from smaller towns to regional centres, as well as the number of older people moving to the coast. In some areas, the population is in decline.¹
- The number of **people aged 65 and over will increase by 85 per cent** in the next 25 years.² This has implications for the type of housing people need, especially if they wish to stay in their local area as they get older, or if Aboriginal people want to return to or remain on Country.
- **NSW will have more children than ever before.** By 2041, there will be about 26 per cent more children in NSW, and 23 per cent more people aged 15–24. The increase in children is mainly in Greater Sydney, where the number of children will increase by 45 per cent.³
- **People's living arrangements will continue to be diverse.** We expect to see more people living on their own or as a couple, but we will also need housing for the growing number of families with children and kinship obligations. We are seeing an increase in the number of larger households (such

as family, multi-generational and shared households), although these types of households make up just eight per cent of households overall.

- **Affordability will remain an important issue.** Low income growth compared to the rising cost of housing has, among other factors, increased mortgages, decreased home ownership and placed pressure on social housing and homelessness services.⁴ For example:
 - Between 1988 and 2017 the proportion of 25–34-year-olds who owned their home dropped from 54 per cent to 35 percent.⁵
 - In 2016, 22 per cent of over 55-year-olds had a mortgage.
 - The proportion of renting households in NSW increased from 25 to 28 per cent in the 10 years to 2016.⁶
 - Further, by 2016, around 36 per cent of households in the private rental market were in rental stress.⁷

Several emerging trends also require agile responses. For example:

- **Technology is always advancing.** New materials, innovations and systems (such as autonomous vehicles, off-site manufacturing and prefabrication, local energy generation and storage, and 'smart' homes and cities) have the potential to change how houses are built, how people gather and use information, and how people make connections.
- **People use their homes in increasingly diverse and innovative ways.** This includes the sharing economy, alternative home ownership, and new rental or shared development models.

1 NSW Department of Planning, Industry and Environment (2019), *NSW Population Projections*, <https://www.planning.nsw.gov.au/Research-and-Demography/Populationprojections>. Note: The latest NSW population projections were released in December 2019. The Department will be seeking advice from a range of experts to assess 2020 population trends and longer term population growth implications for NSW.

2 Ibid

3 Ibid

4 DPIE calculations based on ABS household surveys from 1981 to 2018, including the Survey of Income and Housing and Household Expenditure Survey; CoreLogic Research Indices, median dwelling price series (2019); ABS Cat. 5206.0 Australian National Accounts: National Income, Expenditure and Product, Dec 2019, Table 20. Household Income Account, Current prices; ABS Census number of households (various years)

5 Australian Bureau of Statistics (various dates), *Australian Census of Population and Housing*, DPIE analysis

6 Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE analysis

7 Ibid

- **Urban and natural environments are changing.** As we saw during the 2019–20 bushfire season, threats from natural hazards are increasing. We are seeing an increase in the intensity of flooding in some areas, drought, storms, coastal and soil erosion, wind and heat.

Responsibility for housing policy and planning is shared

Many factors influence how we plan for housing in NSW. A coordinated response within and beyond the NSW Government will provide clarity and certainty to those who build housing or deliver housing services, as well as the wider community who depend on housing.

Some issues need to be managed across NSW, or may be common across regions – these require responses best led by the NSW Government. Other issues will best sit with our delivery partners, with NSW Government support, if needed. Specific local issues, for example, should be managed locally.

TO MAXIMISE THE BENEFITS OF HOUSING FOR EVERYONE, AND TO UNIFY OUR EFFORTS AND RESPOND TO CURRENT, EMERGING AND FUTURE ISSUES, WE NEED:

- a clear vision for housing that unifies efforts across government and provides greater certainty and clarity to our delivery partners
- the right tools, data and approach to anticipate, understand and meet changing community and market needs
- a clear framework for how we will achieve our vision.

The NSW Housing Strategy will present a coordinated, proactive and responsive approach to housing needs over the next 20 years. This Discussion Paper is the first step.

What a NSW Housing Strategy will cover

The NSW Housing Strategy will:

- set an overarching 20-year vision for housing in NSW, providing an ‘end-to-end’ NSW Government position on all housing, from homelessness to home ownership
- include action plans that:
 - identify actions for State agencies
 - will be updated every four years to reflect the changing environment
- recognise the contribution of councils, industry and communities
- be supported by:
 - data collection and consultation
 - monitoring and evaluation against intended outcomes
 - a network of agencies responsible for action plans, with opportunities for joint delivery approaches between the NSW Government and our delivery partners.

Our objectives in preparing a NSW Housing Strategy are to:

- coordinate diverse housing policy to most effectively respond to challenges
- ensure an agile, timely and evidence-based response to new opportunities and issues
- provide certainty to councils, industry and communities about our direction for housing in NSW
- provide a foundation to communicate with and complement the work of State Government agencies, including the Greater Sydney Commission, and other levels of government, including councils and the Australian Government
- ultimately, best plan for housing that responds to environmental, population and affordability changes and the preferences and needs of the community – now, over the next 20 years and beyond.

The role of Government

By considering and aligning the key elements of NSW Government housing policy into a single guiding framework, the NSW Housing Strategy will focus on the levers we can use to influence the supply, location and type of housing in NSW. These levers include:

- proactively planning for future housing through robust strategies and policies
- providing and maintaining legislation, policies and data to enable the market to develop housing in the right locations and to an acceptable standard
- providing incentives and planning approval pathways to encourage a diversity of housing forms and types to maximise consumer choice and affordability
- investing in and coordinating the infrastructure, open space and services such as schools, hospitals and transport that people need
- directly intervening or providing appropriate housing when the market cannot or where this will promote best practice (for example, crisis and social housing)
- improving how data is used and collected to better understand the needs and preferences of the housing market, and to respond proactively to opportunities and challenges
- establishing outcomes and indicators to measure progress.



Working with our partners

Success requires collaboration with delivery partners such as councils, industry and the community housing industry. The NSW Housing Strategy will draw on the expertise and responsibilities of these partners.



Councils in NSW have the best knowledge of their local areas. They strategically plan for and assess housing and provide local community infrastructure, services and facilities. Councils that own land may also be responsible for building housing. Local Strategic Planning Statements and Local Housing Strategies (where required), and other strategic planning processes, set out how councils will plan for housing in their area. The NSW Housing Strategy should not be an additional consideration to this strategic work. Instead, its actions will inform strategic planning and support councils in their implementation.

Industry designs, manages, finances or builds housing – this includes developers, builders, planners, urban designers, architects, real estate companies, strata corporations, financial institutions, service providers (such as water, electricity and internet) and representative peak bodies. Guided by the State's legislative and policy frameworks, industry is essential to our ambitions for affordable, well designed housing and places.

The **community housing industry** builds and manages a growing volume of housing for lower income earners and vulnerable families across NSW. Aboriginal and mainstream community housing providers can leverage NSW and Australian Government investment in the sector to increase their contribution to housing supply and tenant support.

The NSW Housing Strategy must acknowledge the **Australian Government's** policy settings, such as those around international and regional migration, taxation (including capital gains and negative gearing), interest rates, financial regulation, social security programs (such as Commonwealth Rent Assistance) and grants and funding support (such as the National Housing Finance and Investment Corporation). The National Disability Insurance Scheme (NDIS) and the National Housing and Homelessness Agreement also influence the supply of housing for vulnerable people in NSW.

The NSW Housing Strategy will also consider how **individuals and communities** can influence the future of their area for themselves and future generations. This includes landowners who may live in or rent out property, thus providing comfortable and stable accommodation for many.

FOR DISCUSSION

- What influence would you or your organisation have in contributing to the joint delivery of a NSW Housing Strategy? What data or insights could you provide to support responsive action plans?

A discussion to inform the NSW Housing Strategy

This Discussion Paper is the first step in a conversation that will shape the first whole-of-government, whole-of-State housing strategy for NSW. We want to use it to gain insights from across NSW so we can refine our vision for housing in NSW, develop directions and identify specific and measurable actions for the short, medium and longer term.

Arranged around the four interrelated themes of supply, diversity, affordability and resilience, this Paper sets out:

- **a proposed vision** for housing in NSW and the broad outcomes this seeks to achieve
- **factors that influence housing** in NSW and the strategic context in which the NSW Housing Strategy will be developed
- a summary of **key trends** across housing and how the NSW Government responds to these key trends
- **preliminary directions** that could be explored in the NSW Housing Strategy's first Action Plan, noting these Action Plans would be monitored and updated in future stages
- **discussion questions** to help formulate your feedback or submissions.

The Discussion Paper draws on a range of inputs, including data, economic analysis, policy expertise and analysis, sector studies, literature reviews, and stakeholder feedback. A Fact Book accompanying this Discussion Paper details some of the data analysed.

The Discussion Paper is designed to obtain your input on the issues a NSW Housing Strategy should respond to and the different ways the NSW Government can respond.

We cannot create a robust, workable strategy without the support of our partners. We want to learn about your vision for housing in NSW, the future housing needs and opportunities you think are important, and your suggestions for practical steps we and others can take to respond.

You can provide your feedback by:

- Making a submission or completing the survey at www.planning.nsw.gov.au/AHousingStrategyforNSW
- Writing to:
Housing Strategy Implementation Unit
Land and Housing Corporation
Department of Planning, Industry and Environment
Locked Bag 4009
Ashfield BC, NSW 1800

Figure 2: Process for developing a NSW Housing Strategy





Establishing a vision for housing in NSW

A proposed vision

The NSW Housing Strategy will establish a shared, 20-year vision. Drawing on our existing policy, experience and research, we share a proposed vision for discussion:

Housing that supports security, comfort and choice for all people at all stages of their lives, achieved through supply that meets the demand for diverse, affordable and resilient housing and responds to environmental, cultural, social and economic contexts.

Intended outcomes

This proposed vision seeks to achieve several broad outcomes:

- **Housing supply in the right locations and at the right time:** A pipeline of housing that creates a choice of housing for people and households at different price points to live in well-serviced locations and positively shape the places of NSW. Certainty and efficiency can support more stable and predictable supply patterns and market conditions to leverage investment, infrastructure and geography, and respond to changing conditions, needs and preferences.
- **Diverse housing for diverse needs:** New and existing housing must meet the changing and varied needs of NSW residents. This includes housing for people earning low to very-low incomes, older people, younger households, multi-generational households, people working in essential services and people with disability. Culturally appropriate housing must be available for people of all backgrounds, including Aboriginal people.

- **Housing that is more affordable:** We need to remain vigilant in responding to persistent housing affordability challenges so that everybody can access the benefits of stable housing. Whether people own their own home with a mortgage, rent in the private market or live with support, they should be able to cope financially and live near local facilities, jobs and their networks. We need to provide support and opportunity across the housing continuum, from supporting people in crisis, social housing residents, tenants and people who aspire to or own their own home.
- **Enduring and resilient housing:** As a long-lived and dominant asset, housing must be located away from high risk areas, and be safe and built to a high quality. Housing must be designed to respond to its environment, which includes a changing climate, natural hazards and the character of the local area. Planning for housing and infrastructure should go hand-in-hand and the way we plan for new homes should shape the characteristics that make a great community or place. This could include new technologies.

FOR DISCUSSION

- What are your views on this vision?
- What outcomes should a NSW Housing Strategy focus on?





Understanding housing in NSW

When we talk about ‘housing needs’ in this Discussion Paper, we mean:

- the number of new and existing houses needed relative to the population
- the location of housing relative to opportunities
- the configuration, size, design and density of housing
- how housing meets the requirements of diverse households
- the cost of housing, relative to people’s income
- the proportion of people lacking access to housing of an acceptable standard at an affordable cost.

In this Discussion Paper, the ‘housing system’ is the framework through which we can work with our partners to meet these needs – the policies, processes and participants.

Four themes

We have grouped the diverse characteristics of housing needs into four themes that reflect the intended outcomes of the proposed vision: supply, diversity, affordability and resilience. Although we address each theme individually, they are interrelated; action in one area influences others.

For example, simply providing enough housing (**Theme 1**) is not enough. We need to plan for the right type and size of housing (**Theme 2**), and housing in the right locations, relative to infrastructure, the market and environmental factors (**Theme 4**). What happens with supply also impacts the affordability of housing (**Theme 3**).



SUPPLY

This theme is about the amount, location and timing of the supply of new housing. Planning for the supply of new housing should respond to environment, employment and investment considerations, and population dynamics.



DIVERSITY

This theme considers different types of housing and looks at how a diverse choice of housing can reflect the needs and preferences of households.



AFFORDABILITY

This theme recognises people live in diverse tenures based on their income and circumstances, and that housing should be affordable, stable and supportive of their aspirations and wellbeing.



RESILIENCE

This theme is about matching housing to community and environmental issues, so people, communities and their homes are safe, comfortable and resilient.

Housing supply and demand

Before we start to explore NSW Government policy levers, we need to understand the wider context in which housing policy operates. The supply, diversity, affordability and resilience of housing is the product of a range of interrelated factors. Some of these factors can be influenced by government, some are influenced by our delivery partners, and others are personal preferences or broader societal changes and trends.

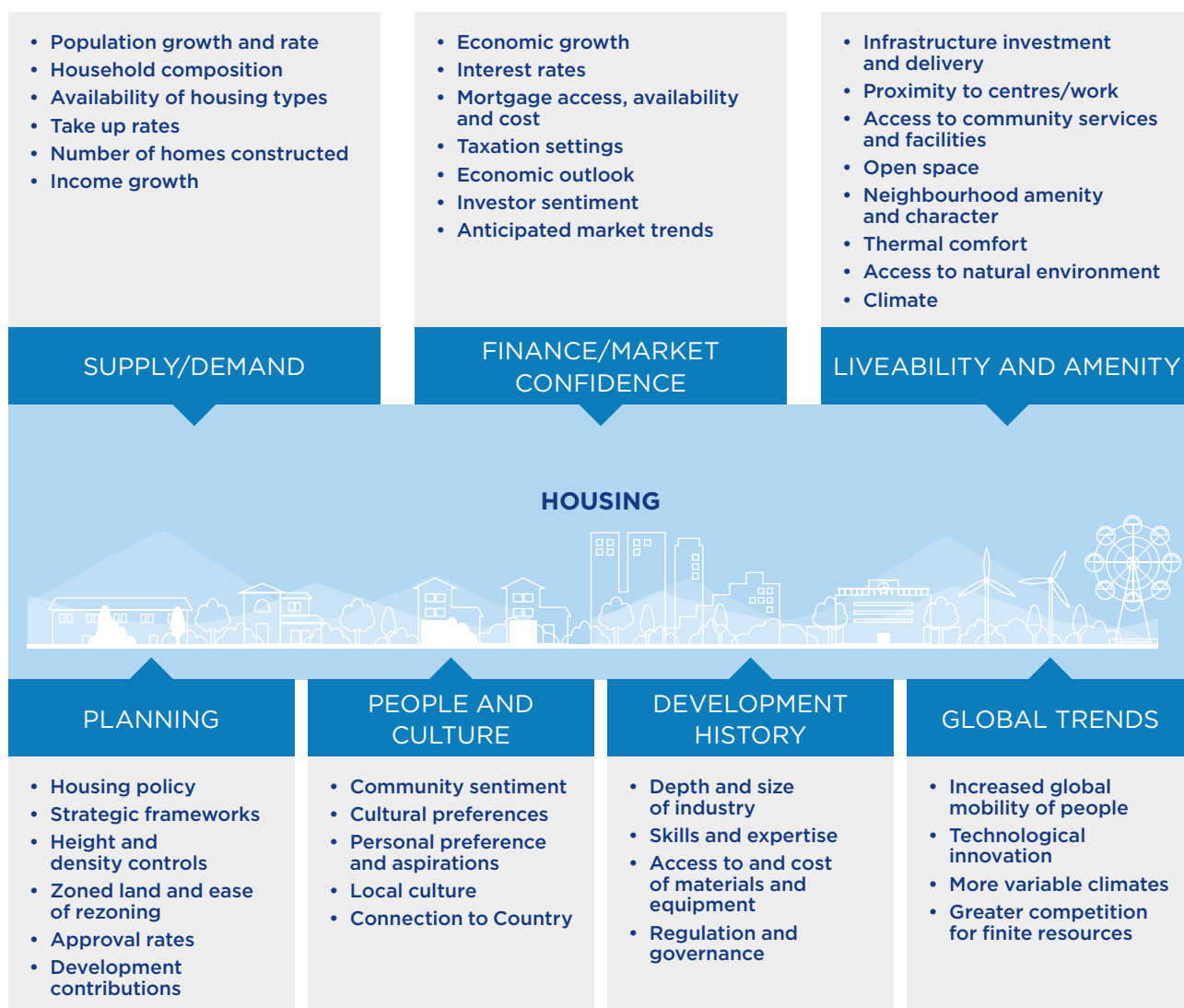
Demand for housing is largely driven by factors such as:

- population dynamics – where people live, and migration and immigration flows

- the NSW economy, which attracts people to new jobs and business investment
- the State's rising living standards, yet also the fact that people's economic experiences vary across NSW, particularly for vulnerable and low-income families
- each individual or household's diverse needs, which vary from place to place and over time.

Other trends – such as the State's transition to knowledge-based industries, changing workforce participation or an older population – influence housing, as do economic factors such as lending conditions, labour availability, household incomes, Commonwealth taxation settings, interest rates and housing finance regulation, and global markets.

Figure 3: Factors that influence housing

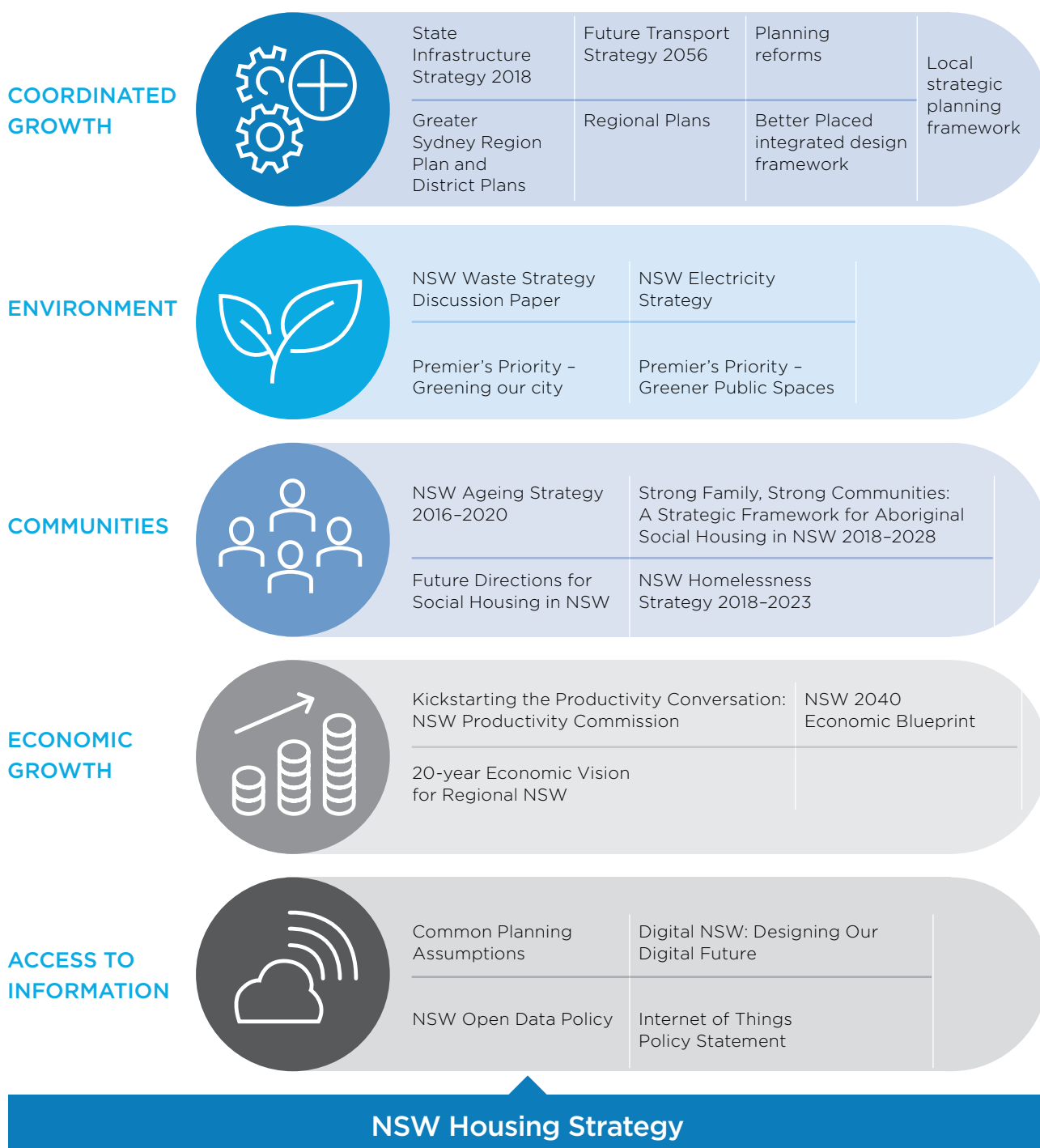


Strategic policy context

The housing system is beyond the responsibility of a single State agency or the NSW Government on its own. It is affected by and affects most other policy areas, including environment, economy, infrastructure, social services and health.

Where we can influence housing, we do so across multiple agencies within Government, drawing from a strong framework of policy that has directly informed this Discussion Paper. The NSW Housing Strategy will aim to unify these activities.

Figure 4: Strategic framework



Housing preferences and trade-offs

People's needs are influenced by their circumstance, lifestyle, and culture – as their circumstances change or their preferences evolve, they might change where they live or the type of home they live in.

For example, in Greater Sydney, people are generally willing to travel for up to 60 minutes a day,⁸ and so are likely to live in or move within this range of their job, family or study. Most people in NSW move within only 15 kilometres of their former residence, particularly in Greater Sydney (around 70 per cent of people).⁹

Traditionally, most Australians aspire to home ownership, with historical trends indicating a preference for a large, detached house with ample living space, located in a safe neighbourhood close to family, friends, shopping and public transport.¹⁰ As new generations enter the housing market, new preferences may emerge as people's aspirations and values shift. This may increase demand for alternative housing types and densities, ownership and living arrangements, or finance models.

However, people's preferences do not always match availability and what they can afford. When planning for a diversity of housing, this difference between housing aspirations (what people ideally want) and expressed demand (where people choose to live) requires us to acknowledge various factors including financing, land availability, planning controls, infrastructure and higher demand in areas near centres, jobs or services. People often need to make trade-offs, usually related to affordability or other factors (Figure 5). In practice, this could mean a larger home in the suburbs, or a higher density home to be nearer to centres, transport and services.

For Aboriginal people, their connection to Country and upholding cultural and kinship responsibilities influence where and how someone chooses to live. Under former government policies, many Aboriginal families were placed on missions, stations or reserves. Although most of these places were closed or the reserve status revoked, many Aboriginal families continue to live on or close to these areas that have significant meaning.

Overall, this means that while we are planning for a diversity of housing, we need to acknowledge that where and how someone chooses to live is about more than just the dwelling itself.

8 Committee for Sydney (2018), *The Geography of Time: Mapping Sydney's Effective Job and Service Density*, <https://www.sydney.org.au/publication/the-geography-of-time/>

9 DPIE analysis based on ABS Census internal migration statistics

10 Grattan Institute (2011), *The Housing We'd Choose*, https://grattan.edu.au/wp-content/uploads/2014/04/090_cities_report_housing_market.pdf

Figure 5: Dynamics of housing choice





Housing supply in the right location at the right time



SUPPLY

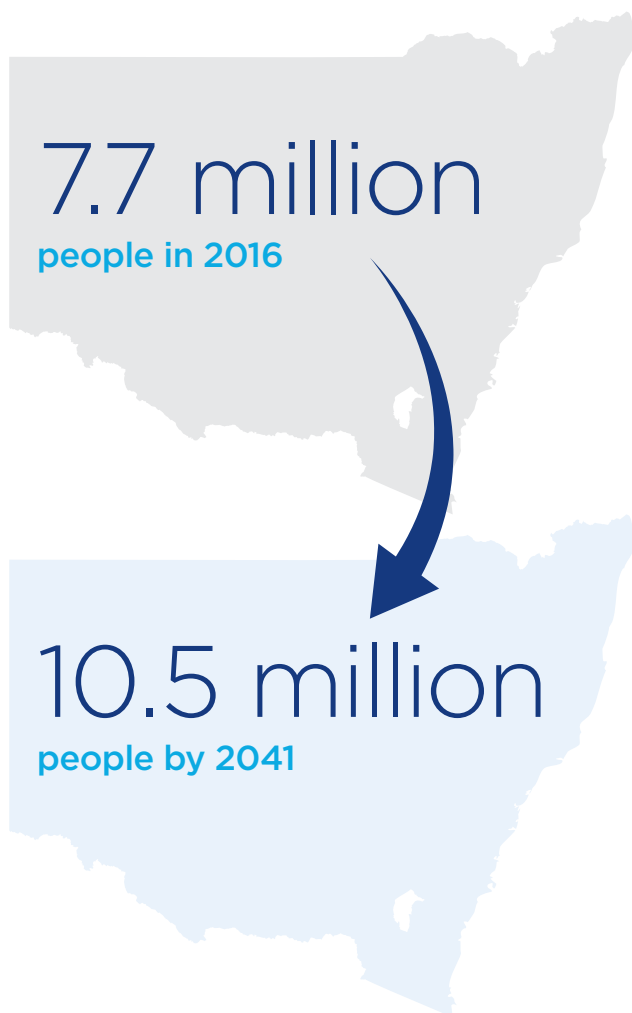
This theme is about the amount, location and timing of the supply of new housing. Planning for the supply of new housing should respond to environment, employment and investment considerations, and population dynamics.

NSW is home to many diverse and vibrant communities and settlements – from major centres to smaller rural and remote towns – as well as varied landscapes and local economies. Communities are made up of people of all ages, life stages, incomes and cultural backgrounds, including the largest Aboriginal population of any jurisdiction across Australia. Across this range of places and people, there are unique housing needs, opportunities and challenges.

In 2016, 7.7 million people lived in NSW. This was an increase of 15 per cent from 10 years earlier.¹¹ Sixty per cent of the population lived in Greater Sydney, 40 per cent in regional NSW.¹² Based on historic trends and available evidence, the NSW population is expected to grow to 10.5 million people by 2041.¹³

We can plan for housing in many ways, whether based on geographic or administrative boundaries, common characteristics, economic relationships or shared infrastructure and features. This Discussion Paper describes State-wide trends in housing, as well as notable differences in the housing needs of Greater Sydney and regional NSW. The Paper does not provide a local government area (LGA), district or region-specific analysis. This data can be found through sources such as the Australian Bureau of Statistics or documents such as Regional Plans, District Plans or council plans and strategies.

- ¹¹ Australian Bureau of Statistics (2016), *Australian Census of Population and Housing via TableBuilder*, DPIE Analysis
- ¹² Australian Bureau of Statistics (2019), *Regional Population Growth*, Australia
- ¹³ NSW Department of Planning, Industry and Environment (2019), *2019 NSW Population Projections*



Greater Sydney

Greater Sydney is recognised for its opportunities and quality of life. The region has changed from a low density city with larger suburban areas to a more urbanised metropolis.

The *Greater Sydney Region Plan* describes Greater Sydney as a metropolis of three cities:

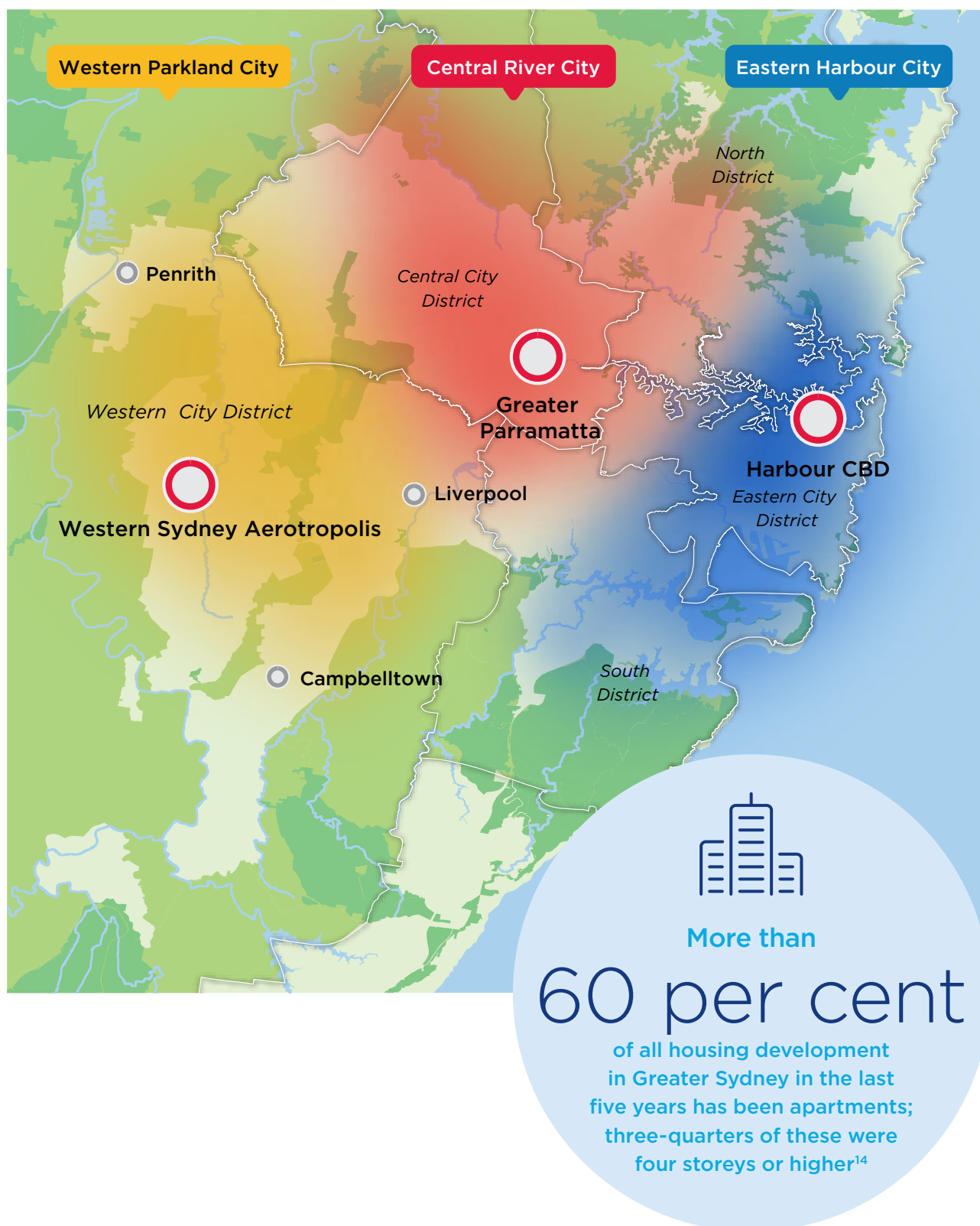
- the Eastern Harbour City centred around Sydney Harbour CBD and Australia's global gateway and financial capital
- the Central River City, with Greater Parramatta at its core, and unprecedented public and private investment in transport and economic infrastructure
- the Western Parkland City, with established centres and the planned Western Sydney International Airport and Western Sydney Aerotropolis driving transformation.

District Plans for five districts in Greater Sydney – the Central City, Eastern City, North, South and Western City districts – act as a link between the vision for Greater Sydney and local council planning.

Local council planning is undertaken for 33 LGAs. Councils develop Community Strategic Plans in consultation with their community. Local Strategic Planning Statements and Local Housing Strategies are in various stages of completion. This is in addition to local planning instruments.



Figure 6: Three cities, five districts



14 Australian Bureau of Statistics (2020), *Building Approvals, Australia*

What we know

- Like many thriving global cities, Greater Sydney's population is increasing – the population increased by 1.7 per cent per year between 2006 and 2016, equating to 735,200 more people.¹⁵
- There was an estimated undersupply of 100,000 homes in Greater Sydney in 2016.¹⁶ The number of homes built in 2017–18 represented the first time for more than a decade that enough new homes were built to accommodate population growth.¹⁷ We need to maintain this given the expected increase in population numbers.
- Sydney's growth patterns are changing. Historically, rail lines or major roads and a desire for 'garden-suburb' lifestyles saw new housing on the city's fringe and a population shift away from the CBD. This trend has slowed in recent decades, due to changing lifestyle preferences, employment centralisation, land availability and transport.
- For example, in the last five years, 80 per cent of new housing in Greater Sydney was built in infill areas (areas within Greater Sydney's existing urban area) and 20 per cent in land release areas on the fringe.¹⁸
- New housing in existing areas tends to be apartment buildings and some medium density, whereas detached and some medium density housing has predominantly been built in land release areas.

UNDERSTANDING HOUSING:

WHAT DOES THE COST OF HOUSING TELL US ABOUT DEMAND?



Housing prices are driven by a range of factors, including but not limited to, underlying demand from a changing population compared to housing supply, as well as household incomes and interest rates. However, investor sentiment and other cyclical factors will mean that housing prices are not necessarily the best way to tell if supply and demand are in balance.

Arguably the cost of renting a home, rather than buying, is in some ways a better indicator of whether supply is meeting demand. The rental vacancy rate, which is an indication of the relationship between housing supply and underlying demand, is calculated as the number of available rental properties divided by the total number of rental properties. A vacancy rate below three per cent indicates a relatively tighter market where rents increase faster than average. Given the large amount of housing supply currently being delivered, the vacancy rate has risen in Sydney and rent increases have moderated.

Of course, renting and mortgage payments can also be compared to the general cost of living and household incomes to help us understand housing affordability.

15 Australian Bureau of Statistics (2019), *Regional Population Growth, Australia*

16 NSW Department of Treasury (2016), *Intergenerational Report*, <https://www.treasury.nsw.gov.au/nsw-economy/intergenerational-report>

17 DPIE data based on Sydney Water Corporation water connections (2019); NSW Department of Planning, Industry and Environment (2019), *Population Projections*, <https://www.planning.nsw.gov.au/Research-and-Demography/Populationprojections>; Real Estate Institute of New South Wales (2019), *Vacancy Rate Survey Results*, https://www.reinsw.com.au/Web/Members/Property_data/Vacancy_Rates_Survey.aspx

18 DPIE data based on Sydney Water Corporation water connections (2019)



The 2041 population of
7 million
will require an additional
1 million homes



From November 2018 to November 2019,

34,765
homes
were approved in Greater Sydney,
14 per cent higher than the average
of the last 20 years
(30,373 homes)¹⁹

What we should respond to

Sustained population growth

Greater Sydney is likely to reach a population of around 7 million by 2041,²⁰ due to both natural growth (when people who live here have children) and the migration of skilled migrants and international students.

Figure 7 illustrates the need for a sustained pipeline of housing so that enough homes are built to meet demand. This equates to an estimated 1 million additional homes by 2041.²¹ There were around 1.7 million homes in Greater Sydney in 2016.²²

19 Australian Bureau of Statistics (2016), *Australian Census of Population and Housing via TableBuilder and DPEC net completions from Sydney Water* – DPIE Analysis

20 NSW Department of Planning, Industry and Environment (2019), *2019 NSW Population Projections*

21 Ibid

22 Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE analysis

Figure 7: Actual housing supply and projected housing demand (Greater Sydney, 1990–2040)²³

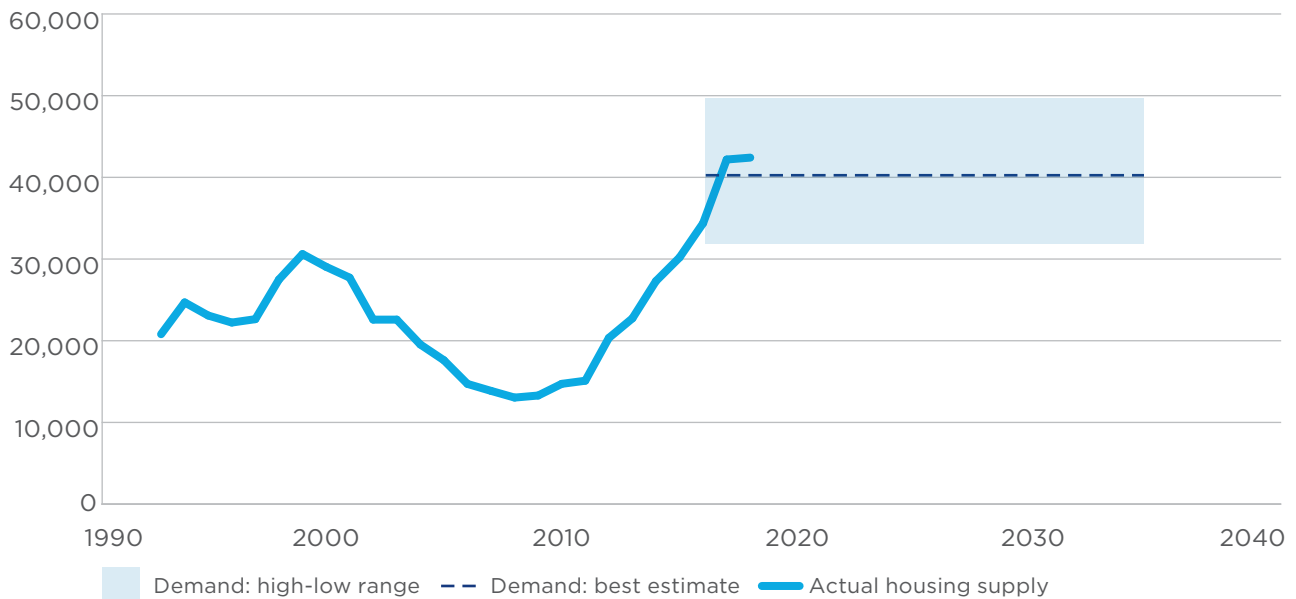
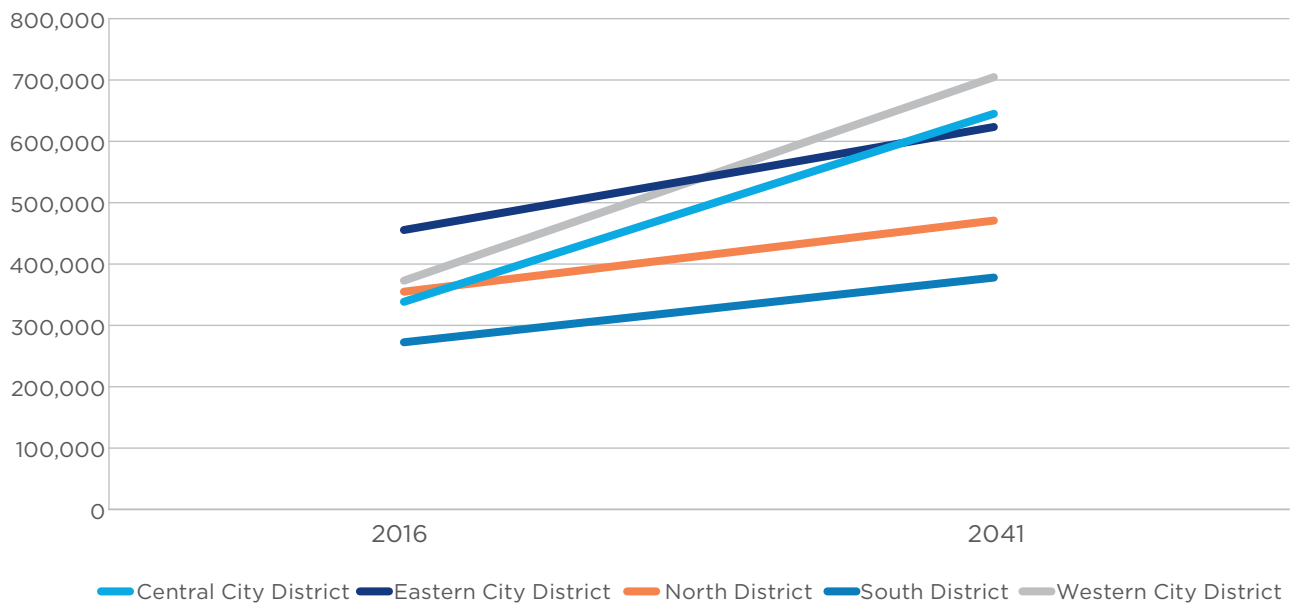


Figure 8: Number of dwellings required in each District (2016–2041) (as implied by NSW Population Projections)²⁴



²³ DPIE analysis based on Sydney Water Corporation water connections (2019). Note: Projected housing demand is calculated based on the projected change in population and living arrangements, averaged over the 20 year period. This is theoretical and underlying demand and so does not account for affordability challenges or market fluctuations.

²⁴ NSW Department of Planning, Industry and Environment (2019), *NSW Population Projections*

**UNDERSTANDING HOUSING:****WHAT CAN APPROVALS DATA TELL US ABOUT HOUSING SUPPLY IN GREATER SYDNEY?**

The NSW Government, councils and the development industry have done much in recent years to help address the historical undersupply of 100,000 homes in Greater Sydney.

Data suggests that over the immediate/short term there will be enough new homes to keep pace with population growth.

However, housing approvals have recently declined. Planning reforms have been designed to stimulate growth, attract investment and drive stronger employment, housing, environmental and liveability outcomes for the people of NSW. It will build on the ongoing modernisation of the NSW planning system, including the establishment of the Greater Sydney Commission and 2017 legislative changes to improve strategic planning capacity and improve community input through Community Participation Plans.

The decline in approvals is influenced by policy and/or regulatory frameworks beyond the planning system. This includes market fluctuations in response to diverse economic drivers, the availability and high cost of land, market uncertainties, private sector decision-making, and changing finance conditions. It also reflects that housing supply is generally not quick to respond to changes in conditions in Greater Sydney, with higher housing prices leading to a less than proportional increase in new housing.

The decline in approvals means there could be fewer new homes built relative to the increase in population. Figure 7 estimates that around 40,000 new homes are needed each year to continue to meet expected population growth over the next 20 years. Though market fluctuations are inevitable, efforts to facilitate a consistent and stable housing supply in Greater Sydney remain essential.

The location of new housing

Providing new supply to meet demand considers the availability of land (a finite resource) relative to other land uses, the environment, geography and local assets (such as cultural considerations, agricultural resources, views and vistas, waterways and the urban skyline). While new suburbs on the city's fringe will continue to accommodate new development, more homes are needed in Greater Sydney's existing areas. This requires a greater range of densities – the number of dwellings in a given area, which take a variety of forms and housing types (see Figure 10, overleaf).

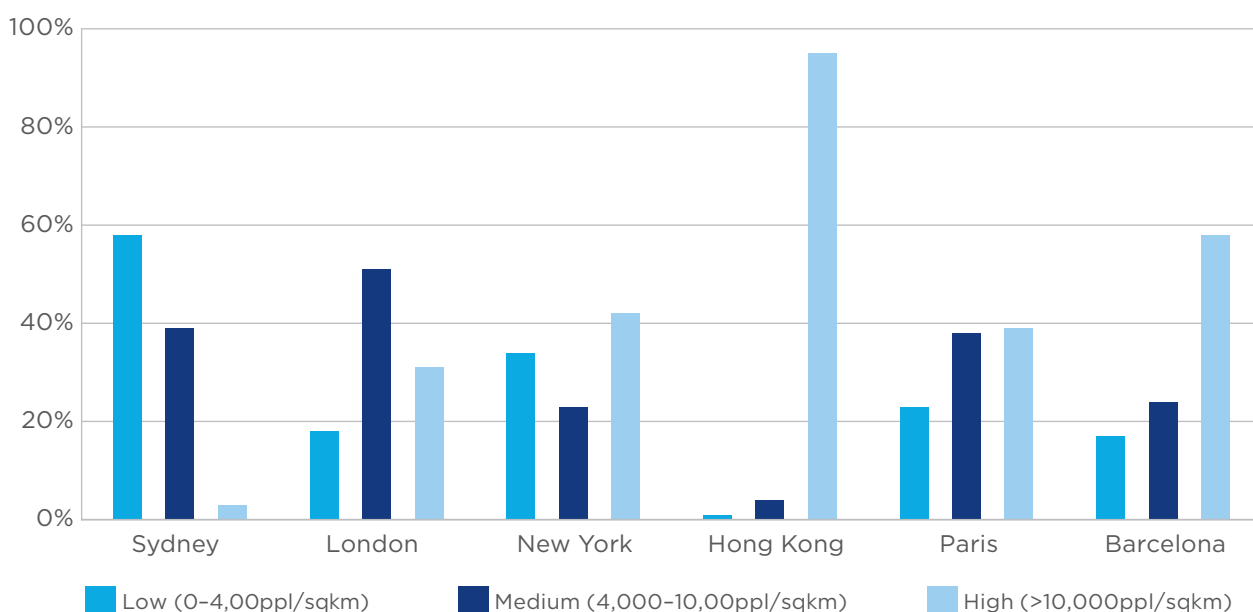
In terms of the number of people living in a square kilometre (a measure of a city's density), Greater Sydney is not a dense city by global standards (Figure 9). There are generally higher densities in the CBD and other pockets across the city but still large areas of freestanding houses in the suburbs. New housing on the outskirts have smaller lot sizes; apartments and medium density housing are replacing some existing freestanding houses; some secondary dwellings in backyards; and in some inner ring areas the population is

growing even though housing is unchanged. This means that on average, more people are living in the same place. This could include students or share houses.

Higher density does not only mean high-rise housing. Medium density housing types such as dual occupancies, manor houses and terraces, as well as three and four-storey developments, can also achieve greater densities when compared to development patterns in Sydney's middle and outer suburbs. When viewed from street level, these developments match local design and character.

Density can elicit a range of views. Some people are concerned that higher density housing will make an area less attractive or change the local character. Councils may be concerned they cannot fund the required infrastructure or services needed when more people move into an area. On the other hand, higher densities in the right locations can create potential for local improvements and more housing options.

Figure 9: Population density comparison between cities²⁵



²⁵ Smith D (2016), *World Population Density* Centre for Advanced Spatial Analysis, University College London. <http://luminocity3d.org/WorldPopDen>



Figure 10: Housing types

| Low-rise housing | | | | | | |
|---------------------------|---|--|---|---|--|--|
| Type | DETACHED | | | | SEMI-DETACHED | |
| Form | Moveable dwellings (caravans and tiny housing) | Shop-top housing | Secondary dwelling houses (granny flat) | Dwelling houses | Dual occupancies | Terraces or townhouses and villas (row housing) |
| Figure | | | | | | |
| Description | A portable, self-contained structure that is not classified as a dwelling under the EP&A Act. | Residential apartment(s) located above commercial or business premises. Can also be semi-detached housing. | A self-contained dwelling on the same lot as a primary residence. | A traditional freestanding house on various sized lots. | Two dwellings on one lot either attached or detached. Does not include a secondary dwelling. | 3 or more dwellings (attached or detached) on one lot of land each with ground level access. |
| Indicative storeys | 1 | 2 | 1 | 1-3 | 1-3 | 1-2 |
| Dwelling density (Dwg/ha) | | | 12-15 | 12-15 | 12-15 | 15-70 |

| | Mid-rise housing | | High-rise housing | | |
|---|---|--|---|--|--|
| | FLATS | | APARTMENTS | | |
| Manor houses | Residential flat buildings | Mixed use development | Apartment building | Mixed use development | Apartment building |
| | | | | | |
| A building containing 3 or 4 dwellings with shared walls. | Generally, a walk-up apartment building with more than 3 dwellings. | A building with commercial or business premises on the ground floor. | A residential flat building of 4-8 storeys. | A building with a commercial/ business podium and residential flat building. | A residential flat building of over 9 storeys. |
| 2 | 3-5 | 4-8 | 4-8 | Above 9 | Above 9 |
| 15-70 | 35-120 | 120-250 | 120-250 | 150-800 | 150-800 |



Infrastructure to support housing

Wherever new homes are built, infrastructure should also be part of the planning. This includes schools, libraries, community centres, open spaces and new transport. Access to these opportunities and services lead to a greater sense of community and mean people are less likely to need to travel long distances. This is in addition to essential infrastructure such as sewerage and water, which also needs to be resilient.

Infrastructure is funded through many mechanisms, including infrastructure contributions. Approximately \$900 million in contributions is collected each year,

including \$800 million in contributions to local government and \$100 million to pay for State and regional infrastructure through special infrastructure contributions collected by the NSW Government.²⁶

The Greater Sydney Commission is trialling a new way of planning for and sequencing infrastructure called a 'place-based infrastructure compact' in the Greater Parramatta and the Olympic Peninsula (GPOP) area. This process sets out scenarios based on expected jobs, housing growth, and identified supporting infrastructure (including green infrastructure) and services as well as natural hazards.

UNDERSTANDING HOUSING:

HOW CAN WE BETTER PLAN FOR JOBS AND HOUSING?



People want to live where they can easily get to where they work or study. Over the past 30 years, most new and higher paying jobs have been in Sydney CBD, creating an uneven distribution of where people live and where they work. We describe this as the 'job containment rate' – the proportion of residents who live and work within their local area.

The highest job containment rate is in the Eastern City District, where 78 per cent of residents also live in the District. In the Western and Central districts, just 57 per cent and 52 per cent of residents live and work in their district.

A mismatch between the location of jobs and housing that people can afford lowers productivity, increases transport costs and decreases the number of workers available.²⁷

Lengthy commutes mean people spend less time at home or in their communities.

The *Greater Sydney Region Plan* sets a vision for a '30-minute city', where more people live within 30 minutes by public transport to a metropolitan or strategic centre – the larger centres of Greater Sydney that contain more jobs, activity and transport options.

Major employment areas such as GPOP, Liverpool Innovation Precinct or Meadowbank Education Precinct will also include housing, illustrating how we can plan to coordinate economic and housing growth.

Digital connectivity and opportunities for flexible working are expected to influence where people live relative to where they work.

WHAT THIS MEANS FOR THE NSW HOUSING STRATEGY

The NSW Housing Strategy needs to consider not only the amount of housing needed in Greater Sydney but also how best to plan for new homes near infrastructure and with access to jobs and services.



²⁶ NSW Department of Planning, Industry and Environment

²⁷ MacLennan, Duncan, et al, (2019), *Strengthening economic cases for housing policies*, <https://cityfutures.be.unsw.edu.au/research/projects/strengthening-economic-cases-housing-productivity-gains-better-housing-outcomes/>

Regional NSW

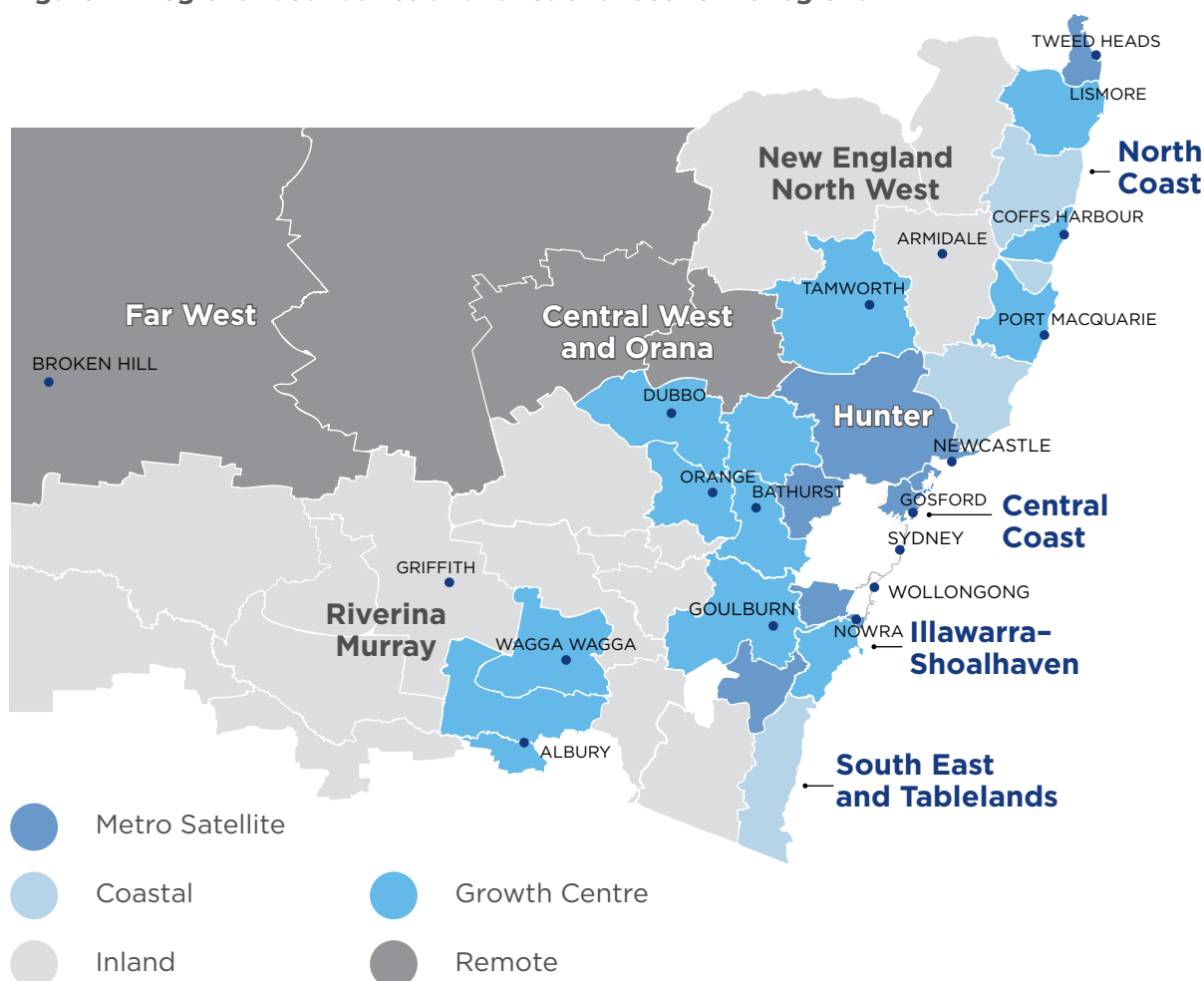
Regional NSW describes the dynamic and interrelated communities living in the 95 LGAs outside Greater Sydney. This includes higher growth areas such as Greater Newcastle and the Illawarra. These communities vary in terms of residents, their history and culture, growth patterns, natural environment, industries and resources.

We use geographic and economic considerations when planning for regional NSW (Figure 11). Geographically, NSW contains nine regions: the Central Coast, Central West

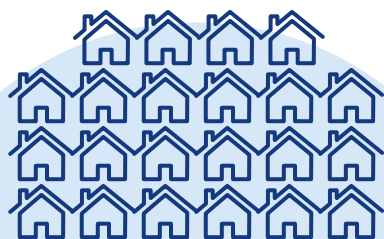
and Orana, Hunter, Illawarra-Shoalhaven, New England-North West, North Coast, Riverina-Murray, South East and Tablelands, and Far West. Regional Plans set a vision and direction for land use planning priorities and decisions addressing each region's future needs, including housing.

We also group regional economies into five functional economic regions:²⁸ Metropolitan-Satellite, Growth Centre, Coastal, Inland and Remote. Each of these regions share population and economic features and, in turn, similar housing dynamics.

Figure 11: Regional boundaries and functional economic regions



²⁸ NSW Government (2018) *A 20-Year Economic Vision for Regional NSW*.
<https://static.nsw.gov.au/nsw-gov-au/nsw-gov-au/Regional-vision/1532654855/20-Year-Vision-for-RNSW-accessible.pdf>



290,000
homes

The number of additional
homes needed in regional
NSW by 2041



3.5 million
people in regional NSW by
2041, a 425,000 person
increase from 2016

What we know

- By 2041, around 3.5 million people are likely to live in regional NSW, 425,000 more people compared to 2016. However, this growth is uneven between regions, and we expect these trends to continue²⁹ (Figure 12).
- Although most of the State's Aboriginal people live in Greater Sydney, Aboriginal people represent a higher proportion of the population in most regional and remote centres.³⁰
- By 2041, Greater Newcastle is projected to grow from 560,000 to 700,000, and Greater Wollongong will likely be home to more than half a million people.³¹
- Other areas of regional NSW experience various levels of population growth, including some areas in decline.
- A changing climate is likely to influence the distribution and productivity of some industries in NSW, and the creation of new industries.

What we must respond to

Uneven population change

As some regions' populations and economies grow, others face different dynamics in terms of population decline, economic change and distance. Based on these population patterns, we expect regional NSW will require an additional 290,000 homes by 2041.³² Demand varies across regions, broadly in line with the scale of population growth (Figure 13).

Population growth and housing supply in regional NSW is, like Greater Sydney, affected by affordability constraints; environmental conditions, such as widespread drought; and the impact of economic dynamics. For instance, in many areas of regional NSW, water security may influence population or industry in a region, while economic growth and employment patterns drive short and long-term changes in population and housing demand.

29 NSW Department of Planning, Industry and Environment (2019), *2019 NSW Population Projections*

30 Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE analysis

31 NSW Department of Planning, Industry and Environment (2019), *2019 NSW Population Projections*

32 Ibid

Growth is more pronounced in major regional centres, particularly metropolitan satellites such as Greater Newcastle, and Greater Wollongong. Greater Newcastle and Greater Wollongong are subject to population growth and development demand, due in part to their proximity to Greater Sydney. Greater Sydney residents can migrate to take advantage of relatively lower housing prices, concentrations of employment, or education and lifestyle opportunities.

Meanwhile, some LGAs, such as Byron Shire and Goulburn Mulwarree, experienced higher population growth between 2011 and 2016, whereas regional centres like Wagga Wagga and Armidale grew moderately. Some remote towns have seen a decline in population.

Despite overall growth, data suggests younger people are leaving regional towns.³³ This may be due to a perceived lack of employment or education opportunities and less access to public transport.

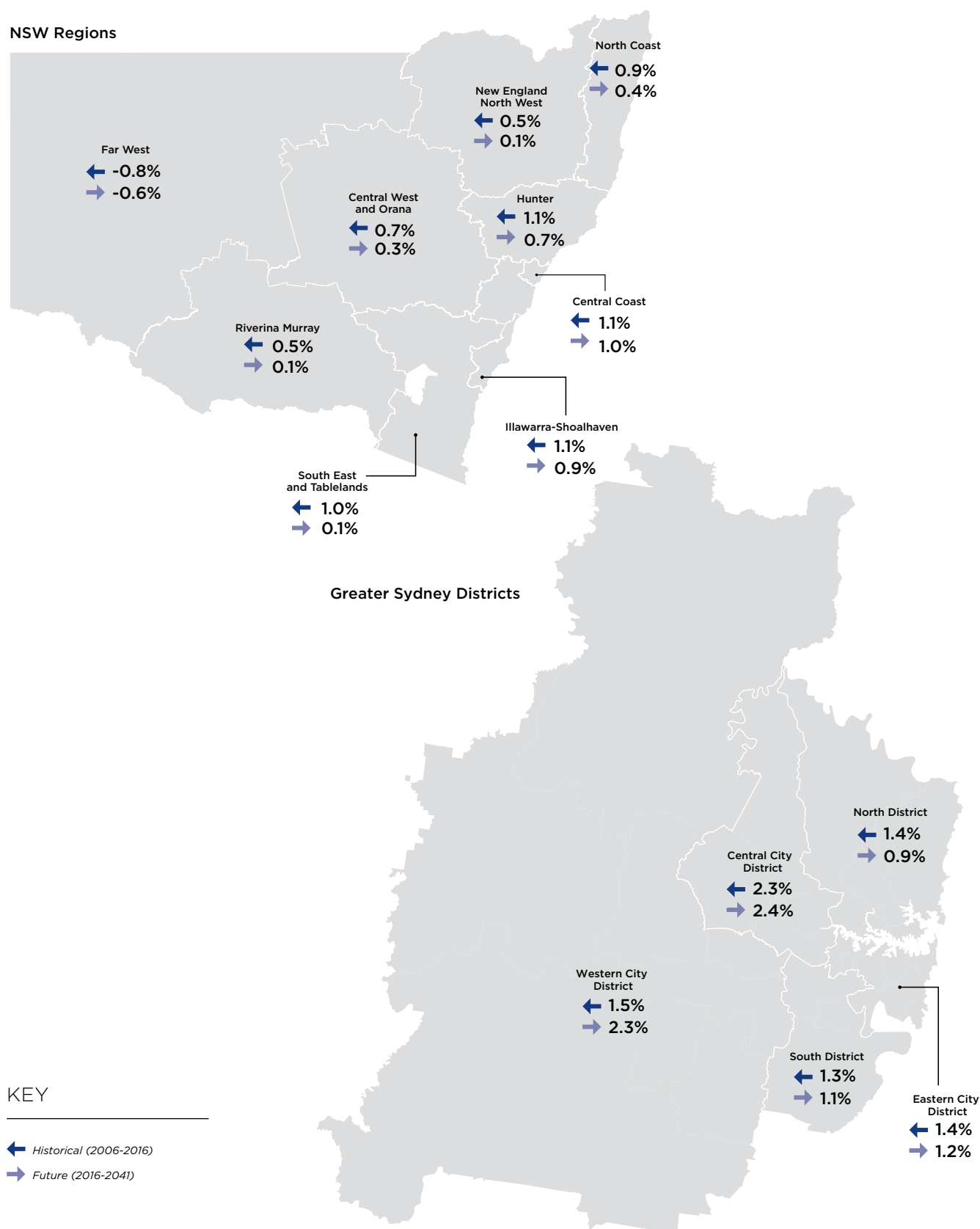


**In 2041 the proportion of
people in Regional NSW aged
12–24 years is expected to be around
13 per cent,
down from 15 per cent
in 2016³⁴**

³³ Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE Analysis

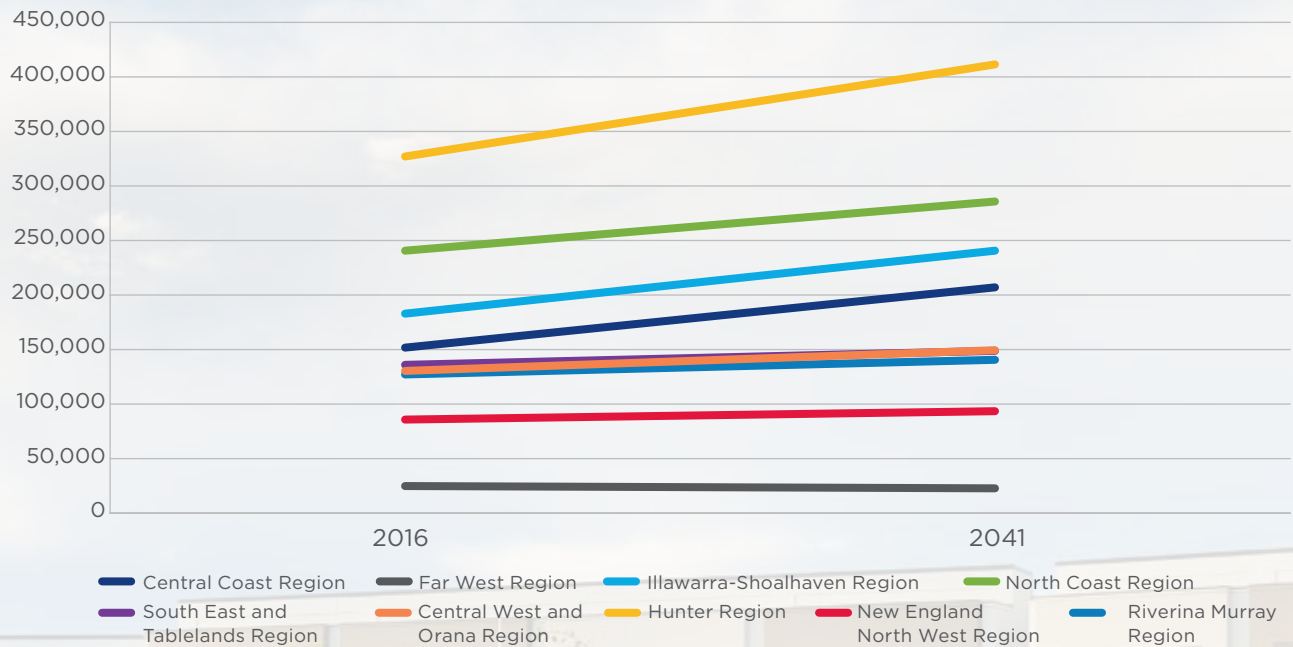
³⁴ 2016 Population – ABS Estimated Resident Population; NSW Department of Planning, Industry and Environment (2019) *2019 NSW Population Projections*



Figure 12: Historical and projected annual population growth in NSW, 2006–2041³⁵

³⁵ Australian Bureau of Statistics (2019), Regional Population Growth, Australia; NSW Department of Planning, Industry and Environment (2019), *2019 NSW Population Projections*

Figure 13: Number of dwellings required in each region (as implied by NSW population projections)³⁶



³⁶ NSW Department of Planning, Industry and Environment (2019) *2019 NSW Population Projections*



UNDERSTANDING HOUSING:

HOW SHOULD WE BEST PLAN FOR REGIONAL ECONOMIC GROWTH?



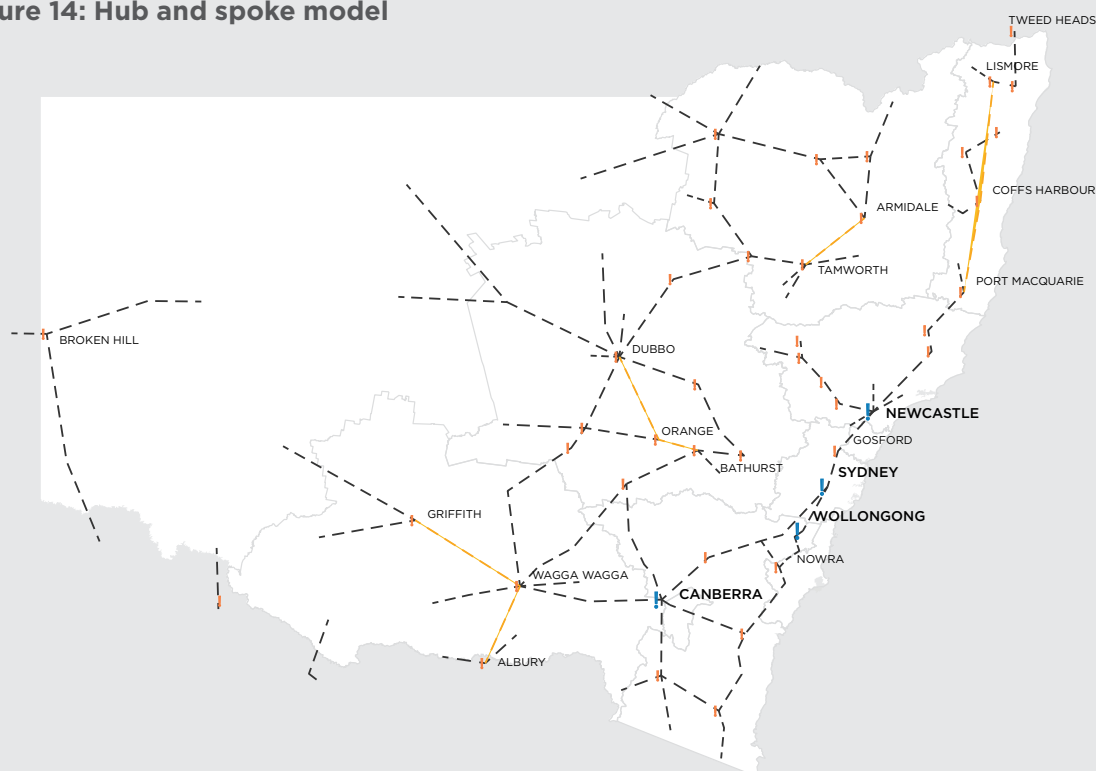
Responding to regional issues and planning for future environmental and population changes can facilitate regional economic development. Our integrated strategies for regional NSW articulate a vision for a strong network of connected and vibrant regional hubs, with sustained economic growth and services to support communities.

We are using a 'hub and spoke' model that seeks to build connections to regional centres and services from surrounding towns, between regional centres, and across regions and borders (Figure 14). Our Regional Economic Vision for NSW and Regional Economic Development Strategies target investment in those centres we expect will grow, so that efforts are prioritised towards sustainable growth.

Collaboration with the Australian Government on projects such as Inland Rail provide opportunities to establish intermodal hubs. Initiatives such as Special Activation Precincts (SAPs) in Parkes and Wagga Wagga seek to leverage this opportunity – with coordinated planning and investment – to drive economic growth and jobs. Programs such as our Regional Investment Attraction Package will offer relocation assistance and financial incentives.

New housing opportunities will be created as regional economies grow. The NSW Housing Strategy will help us further integrate housing with these initiatives, including through updates to Regional Plans.

Figure 14: Hub and spoke model



Housing viability

While regional centres generally have enough zoned land to accommodate new housing, feasibility can be a challenge. Feedback suggests this is due to a variety of factors, such as the low rate base from which councils can draw to fund infrastructure and the difficulty and cost of servicing land. A lower availability of builders, labour and material in regional NSW can also increase build costs and delays.

These issues are pronounced for diverse housing types and higher density housing. For example, services (such as water and electricity) may not have the capacity for this type of housing, or skills and materials may not be suitable.

Building new housing in regional areas will only be viable if an area's population is growing, creating greater demand. Planning for housing growth must complement economic growth initiatives in regional areas.

The market value of higher density homes in regional areas often means this kind of housing is not financially feasible, particularly where lower density housing is available at affordable prices.

Options like prefabrication and modular design may help to address shortages and delays. However, any planning to encourage more diverse types of housing must consider an area's existing and future character.

Employment in regional NSW

Regional economies – and what we do to support them – shape population dynamics and housing demand. Around 90,000 people moved to regional NSW in 2015–16, nearly half of whom came from Greater Sydney.³⁷

Regional NSW produces one-fifth of NSW's gross state product through diverse industries across agriculture, energy, resources, manufacturing, tourism and service provision. With regional NSW comprising many smaller economies, local characteristics and competitive advantages dictate dominant industries and, in turn, employment patterns.

Regional variation in employment patterns is based on the size of economies. Significant regional centres (termed 'metro satellites', 'growth centres' and 'inland centres') have lower unemployment rates of around six per cent; whereas coastal areas and remote areas have higher unemployment at around 8.5 per cent (reflecting the older population in coastal areas and declining populations in remote areas).³⁸

Regional NSW also differs from Greater Sydney in its patterns of temporary and seasonal workers, who often travel to regional areas to work in agriculture or resource sectors. This creates peaks in housing demand that drop as work patterns change. While some temporary work is based on a dominant local industry, major projects such as infrastructure or mining and energy projects can also contribute to peaks in demand.

Like Greater Sydney, digital connectivity may support new ways of working in regional NSW.

Residential and agricultural land use conflict

Land use conflict manifests differently in regional areas. In line with the concept of 'right to farm', planning for housing needs to be balanced with the need to preserve prime agricultural land and minimise land use conflict with established and lawful agricultural operations, particularly as the urban-rural interface shifts in growing regional centres.

³⁷ NSW Government (2018) *A 20-Year Economic Vision for Regional NSW*.

<https://static.nsw.gov.au/nsw-gov-au/nsw-gov-au/Regional-vision/1532654855/20-Year-Vision-for-RNSW-accessible.pdf>

³⁸ Ibid



WHAT THIS MEANS FOR THE NSW HOUSING STRATEGY

Fluctuation in population rates and trends specific to regional NSW require an approach that responds to shared challenges (such as development feasibility and employment patterns), while respecting significant diversity across regions.



What is already underway?

The NSW Housing Strategy should build on current initiatives:

- **Planning reforms** will address barriers to supply, particularly around process, timeframes and decision-making. We are now working to streamline planning processes to reduce complexity and improve assessment times, provide more transparency over planning decisions, and provide clarity around infrastructure contributions to boost jobs and investment.
- **Infrastructure investment** in the 2019–20 Budget is the biggest in NSW history, representing \$93 billion over the next four years.
- **Local responses** to housing supply will be more certain as councils develop Local Strategic Planning Statements and Local Housing Strategies.
- **Infrastructure contributions system** improvements will make it more transparent and easier to use. The Productivity Commission will consider reform options.
- **Funding critical infrastructure** such as transport, water, wastewater, drainage and community infrastructure through the Housing Acceleration Fund has equated to more than \$1 billion since 2012 for more than 50 projects in metropolitan and regional areas.
- **A strong housing development pipeline** is helping to meet residents' needs to areas well served by infrastructure. The *Greater Sydney Region Plan* and District Plans set five-year targets for Greater Sydney and for each LGA. The Greater Sydney Commission has provided Greater Sydney councils with draft indicative housing target ranges for the next six to 10 years.
- **NSW Regional Plans** identify strategic supply needs and considerations. As part of this strategic work, plans for new hubs across NSW will build on local strengths and could include new jobs and housing.
- **Government-owned land** is being used for social housing and for precinct-based integrated land use and infrastructure planning, design and development.
- The **ePlanning Program** provides digital planning services on the NSW Planning Portal. All councils will use ePlanning in 2020, reducing determination times and enabling deeper insights into the planning system. This may be further facilitated by digital twin technologies that will help more people to understand strategic planning and involve more people in the planning system.
- **Exempt and complying development** processes streamline approval processes for low impact housing in appropriate locations.
- **The Kaldas Review of Governance in the NSW Planning System** will inform the development of better decision-making processes.
- **Information on population dynamics and housing activity**, including through the NSW population projections, the Sydney housing supply forecast, Metropolitan Housing Monitor, Local Government Housing Kit and other monitoring and reporting programs assist the planning for and understanding of housing supply patterns.

What should the NSW Housing Strategy address?

The NSW Housing Strategy needs to drive our ability to achieve a sustained and responsive housing supply that manages short-lived peaks and troughs. Housing supply needs to draw on the right context and evidence, be innovative, align with infrastructure provision and encourage diverse ways of supplying housing. We will need to maintain the right conditions for our activities and those of our delivery partners and encourage housing supply.

Knowing the existing work underway, and the levers available to both the NSW Government and our delivery partners, we have developed several directions to help to build greater housing supply when and where it is needed.

1.1 Maintain a housing development pipeline in Greater Sydney

While Greater Sydney is able to accommodate enough new housing for the next few years, the NSW Housing Strategy should consider opportunities for development to create a stable housing development pipeline. This can be achieved through infrastructure and service provision, as well as appropriate development controls.

Development in existing areas – infill development – is essential to the vision for a 30-minute city. It requires investment in transport, hospitals, schools, and green and open space. We need to continue to work with councils and industry on strategic planning and infrastructure contributions, including understanding the best locations to focus new growth relative to strong markets and the right infrastructure.

1.2 Improve data collection, use and access

All parties involved in planning for the state's housing supply will make better decisions if we can draw from relevant, accurate and robust evidence. The NSW Housing Strategy should consider how data about housing supply and population pressures, demand fluctuations, employment opportunities and housing diversity can inform better policy, investments and administration.

This will require an open, accessible and secure data ecosystem supported by strong governance – where existing initiatives are unified to build a rich evidence base.

The NSW Housing Strategy could consider additional functionalities in ePlanning, new smart digital tools, or expanding NSW Government housing-related monitoring programs and incorporating them into a wider, public repository of housing related evidence. This repository could provide:

- easily accessible and user-friendly platforms
- a broader and deeper set of data that accords with the NSW Open Data Policy
- enhanced data analytics, including predictive analysis
- greater ability to share data between State agencies and delivery partners
- better partnerships with academic and industry-based research and analytics groups
- understanding about what the data is saying and how decisions made now may influence the future of the housing system.

The NSW Housing Strategy could consider smart solutions such as sensor technologies, 3D visualisations and mapping, and digital twins to collect, express and analyse data, capitalising on the potential of 5G internet connections.

**SNAPSHOT:****WHAT IS THE WESTERN SYDNEY CITY TECHNOLOGY TRIAL?**

We have released one of the world's largest spatial 'digital twins', which includes all of Western Sydney. The digital twin – a digital replica of the area – will allow us to work with our partners to better plan for infrastructure, precincts and communities by providing historical and real-time information and visualisations. Continued development will seek to expand the capacity of the technology beyond Western Sydney.

Additionally, as part of the Western Sydney City Deal (a collaboration between the Australian Government, NSW Government and local councils to unlock education, business and employment opportunities in Western Sydney), we will trial 5G technology across the Western Parkland City to connect communities and support creative, digital and technology businesses to establish or expand their presence in Western Sydney.

1.3 Coordinate regional development and investment

The NSW Housing Strategy could consider how housing supply needs to be planned to respond to moderate growth and decline in regional communities as part of a wider economic response. It could also consider how to localise responses: for example, how a greater diversity of housing might encourage young people to remain in regional communities. Similarly, Aboriginal people have a strong connection to Country, and require a supply of appropriately designed and affordable housing, particularly given the growth of the Aboriginal population in regional areas.

The NSW Housing Strategy should look to maximise investment in regional NSW. This could include projects to support growth where the evidence tells us it is needed. A contemporary social housing renewal program could also be investigated for key regional centres.

1.4 Better utilise available NSW Government-owned land

While some NSW Government-owned land is already used for housing, the NSW Housing Strategy should consider how best to utilise other government-owned land that is appropriate for housing, either through a direct delivery, or by partnering with community housing providers and the wider housing sector.

SNAPSHOT:

GOVERNMENT-LED DEVELOPMENT



The NSW Government contributes to housing supply by delivering housing on its own land. In this role, Government can promote environmental, public space, design and quality, and social housing outcomes by delivering best practice and housing innovation in Government-led residential development.

The NSW Housing Strategy could consider benchmarks for large-scale, government-led residential development projects, which could allow developments to qualify for a faster rezoning and development approval pathway. These developments could showcase best practice, deliver pilot projects; or provide long-term access to Government land for innovative approaches.

FOR DISCUSSION



There are a range of actions we could take to support supply. Which ones should be prioritised in the NSW Housing Strategy?

What data able to be collected or held by the NSW Government could help you deliver new housing?

How could Government help to enable a greater supply of new housing in both Greater Sydney and Regional NSW?

How can Government better facilitate housing in regional communities?

What role can you play as a member of industry, council or community to deliver additional housing supply? How can the NSW Government support you to do this?

Our partners must also be involved:

- **Councils** can partner with industry and community housing providers to facilitate the supply of new homes through policy or use of council land.
- **Industry** can continue to provide housing within local and State frameworks, while striving for innovative methods of delivery.
- **Councils and industry** can access and share data to inform good decision making by all.



Diverse housing for diverse needs



DIVERSITY

This theme considers different types of housing and looks at how a diverse choice of housing can reflect the needs and preferences of households.

People have different housing needs, in terms of the size or configuration of their home, how accessible it needs to be, how much they can afford to pay for it, and where they want to live. We can plan for a diversity of housing by understanding people's living arrangements and the types and locations of housing in NSW.



The most common
households

in NSW are families with
children, followed by couples
and single-person
households³⁹



³⁹ Australian Bureau of Statistics (2016), *Australian Census of Population and Housing via TableBuilder*, DPIE Analysis

What we know

- In the next 20 years to 2041, we expect a 30 per cent increase in the number of households in NSW to just over 4 million households.⁴⁰
- While there will be more households by 2041, the broad profile is likely to remain about the same, as will the overall share of different household types.
 - There will be more children in NSW in the future, with about 26 per cent more children and 23 per cent more young people aged 15–24 in NSW by 2041.
 - We expect an increase in the number of people living alone or with their partner. This corresponds with an older population – as people live longer and the baby boomer generation ages, older people make up a growing share of the community. In 2018, approximately 1.28 million NSW residents were aged over 65.⁴¹
 - Households with eight or more people only account for less than one per cent of all households in NSW, yet there's been a steep increase in their number – rather than their proportion – in the 10 years to 2016.⁴² These households tend to be family households with children.
- Detached dwellings make up two-thirds of all homes in NSW, and most of these have more than three bedrooms.⁴³ We're more likely to find detached dwellings in regional NSW compared to Greater Sydney. As much as 90 per cent of stock is single detached housing in some regional areas.⁴⁴ The number of apartments has increased since the early 1980s, mainly in Greater Sydney, where apartments now make up 32 per cent of housing.⁴⁵
- Aboriginal people make up about three per cent of NSW's population. The number of Aboriginal people is projected to increase at about two per cent a year over the next 20 years, particularly in north eastern NSW.⁴⁶ While more Aboriginal households live in urban areas, they make up 21 per cent of all households in remote regions.⁴⁷
- NSW is home to increasingly diverse cultural and linguistic communities. From 2006 to 2016, the proportion of people born overseas increased from 24 per cent to 28 per cent particularly in Greater Sydney (increasing from 32 to 37 per cent over the same period).⁴⁸
- About a fifth of people in NSW had a disability in 2016, and this is higher in regional areas where access to support is less common.⁴⁹ Disability is a broad term that captures a diverse range of experiences.

40 NSW Department of Planning, Industry and Environment (2019) *NSW Population Projections*

41 Australian Bureau of Statistics (2019), *Regional Population Growth*, Australia

42 Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE analysis

43 Ibid

44 Australian Bureau of Statistics 2011, *Census of Population and Housing*, Canberra, *New England North West Regional Plan*, <https://www.planning.nsw.gov.au/Plans-for-your-area/Regional-Plans/New-England-North-West>

45 Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE analysis

46 AHO (2017), *Aboriginal Population and Household Projections, 2016–2036*

47 Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE analysis

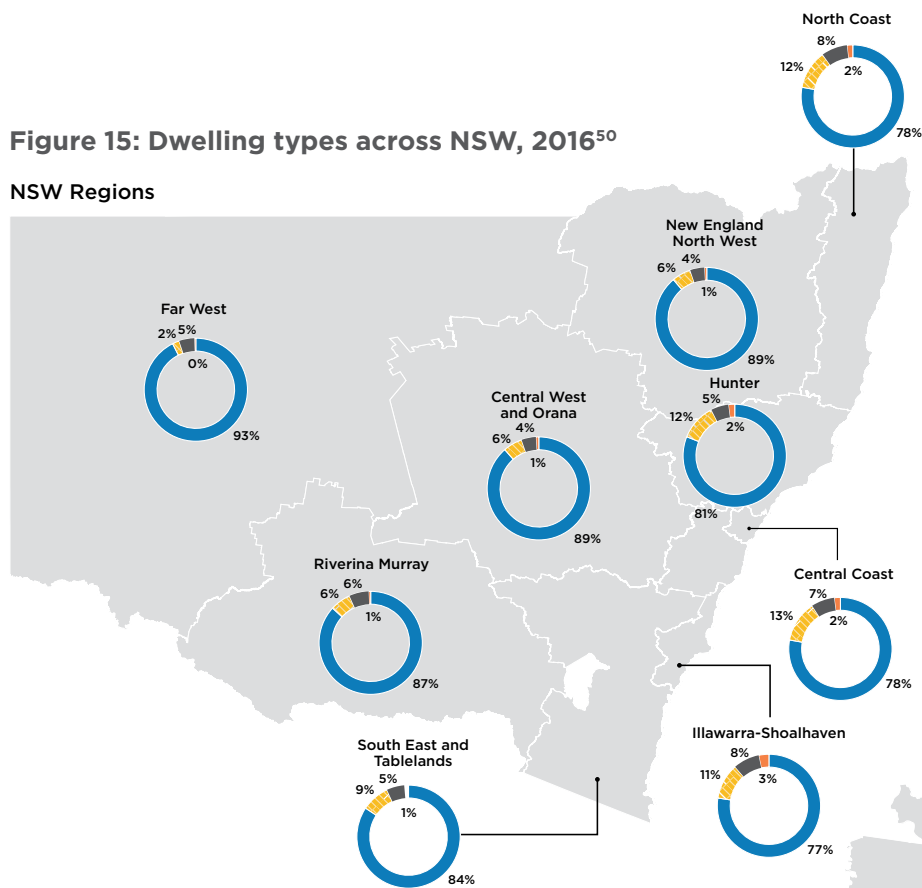
48 Multicultural NSW Community Profile, based on Australian Bureau Census 2016 data, <https://multiculturalnsw.id.com.au/multiculturalnsw?WebID=30&EndYear=2006>

49 Australian Bureau of Statistics (2016), *Disability, Ageing and Carers, Australia, Summary of Findings: 2015*



Figure 15: Dwelling types across NSW, 2016⁵⁰

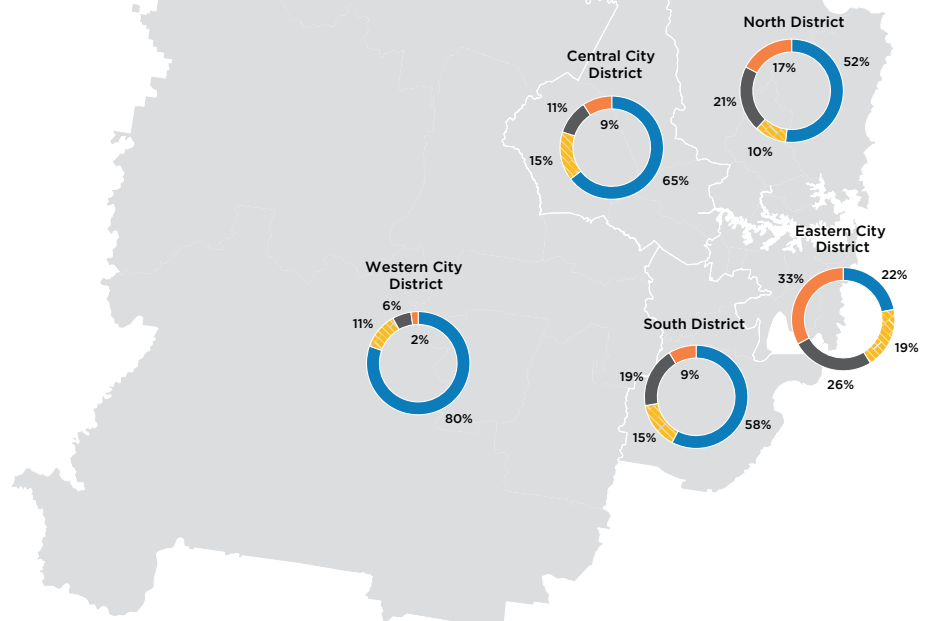
NSW Regions



Greater Sydney Districts

KEY

- Detached house
- Semi-detached, terrace, townhouse
- Flats 1-3 storeys
- Apartments, shop-top



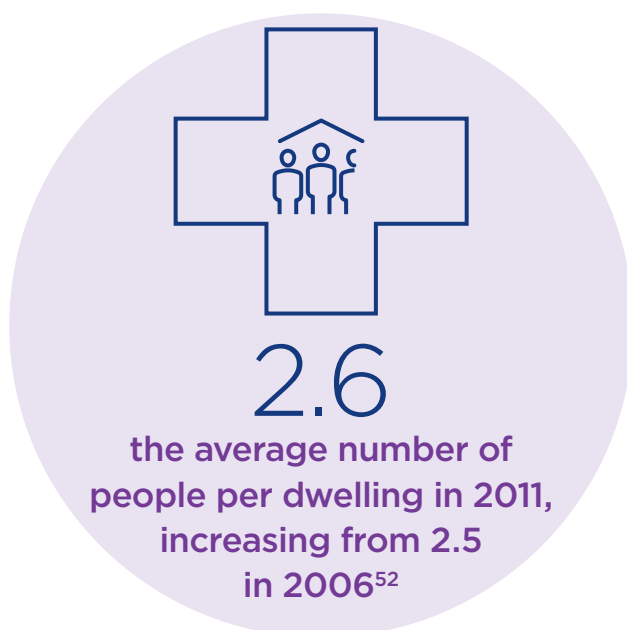
⁵⁰ Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE analysis



What we should respond to

Larger households

Multiple and other family households make up just four per cent of all households in NSW, and group households of unrelated people (such as friends or students) account for a further four per cent of households. However, we have seen an increase in their number.⁵¹



Larger households may be a reflection of housing undersupply, affordability issues or more innovative living arrangements and delivery models, such as co-housing.

Understanding where these households live shows the importance of local needs. For example, in Greater Sydney, group households make up 11 per cent of all households in the Eastern City District,⁵³ requiring a different type of housing stock and clarity around influencing features of the area, such as universities.

Families in apartments

Families with children are more likely to live in detached or medium density homes. However, there is a growing proportion of families living in apartments, particularly with children aged under five.⁵⁴ These new living arrangements may require consideration for how the design of apartments and places can support positive outcomes for families.

Housing configuration

The proportion of three-bedroom homes within the mix of all homes has fallen for at least 20 years, particularly in Greater Sydney. Conversely, the proportion of smaller dwellings (studio and one-bedroom homes) increased in Greater Sydney between 1996 and 2016.⁵⁵ Financial incentives for individual investors to purchase smaller dwellings, coupled with affordability challenges and lower rates of downsizing by older people, have contributed to this trend.

The proportion of larger dwellings (four or five bedrooms) also increased in Greater Sydney between 1996 and 2016. These types of homes dominate new stock in regional NSW, where one-bedroom homes made up less than 10 per cent of housing stock in 2016.⁵⁶

However, more people in regional areas – including students, seasonal workers, young couples or older people – need access to greater housing diversity and choice. Some of the Regional Plans outline a need to increase housing choice and diversity in regional communities.

Housing configuration, housing mix and the extent to which they match vary by location; we do not always see a balanced mix of supply in every location.

51 Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE analysis

52 NSW Department of Treasury (2016), *Intergenerational Report*, <https://www.treasury.nsw.gov.au/nsw-economy/intergenerational-report>

53 Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE analysis

54 Ibid

55 Australian Bureau of Statistics, *Census of Population and Housing 1996 and 2016*, via Profile.Id <https://profile.id.com.au/australia/bedrooms>

56 Ibid

UNDERSTANDING HOUSING: WHAT IS THE MIX OF APARTMENT SIZES IN NSW?



Across NSW, the average size of apartments built in 2017–18 was 116.5 square metres.⁵⁷

More diversity in apartment sizes offers several benefits: smaller apartments make more efficient use of space, create a greater choice of housing and can bring down prices, with reduced construction and operating costs.

The NSW Housing Strategy may present opportunities to support greater diversity in apartment sizes, including compact apartments, so long as these are attractive, well designed and provided in the right locations, such as close to railway stations or bus interchanges or close to social infrastructure and facilities and public open space.

Providing space for people in the home without causing overcrowding is important for many families. In some communities, the meeting place for community and/or family may be in a particular house. Because of this, larger living rooms is a consideration when designing new housing in Aboriginal communities.

An older population

The proportion of older people living in NSW is increasing and the proportion of older people living in coastal and regional areas will also continue to increase.⁵⁸ We expect to see more single-person and couple-only households, including empty nesters who live in large family homes.

We describe the desire among older people to continue to live in their communities as they get older as ‘ageing in place’. This influences how we plan for housing diversity as people may want to stay in their home, or community, and delay options such as retirement villages and aged care. Reflecting this, only about 10 per cent of people aged over 65 live in a retirement village or nursing home.⁵⁹

Older people are more likely to move from their current home if they do not own their own home, do not have their children living with them, live alone or require care and assistance with core activities.⁶⁰

Consideration for Aboriginal people aged 55 and older is essential as Aboriginal people have a lower life expectancy rate and higher risk of health issues at younger ages than the non-Aboriginal population. Evidence also suggests a high need for purpose-built housing for Aboriginal elders in communities and on Country.

Aboriginal people

Housing is a key factor in the health and life expectancy gap between Aboriginal and non-Aboriginal Australians, and a key mechanism for continued intergenerational disadvantage.

Different housing types generally need to be considered when understanding the housing needs of Aboriginal people. Often homes with more bedrooms, larger bedrooms or larger living rooms are necessary to meet family, kinship or cultural obligations. Aboriginal people may move around but could return to Country or for obligations around Sorry business and will move in with family in those locations for varying periods.

57 ComSec (2018), *Economic Insights*, https://www.comsec.com.au/content/dam/EN/ResearchNews/2018Reports/November/ECO_Insights_191118_CommSec-Home-Size.pdf

58 NSW Department of Planning, Industry and Environment (2019), *2019 NSW Population Projections*

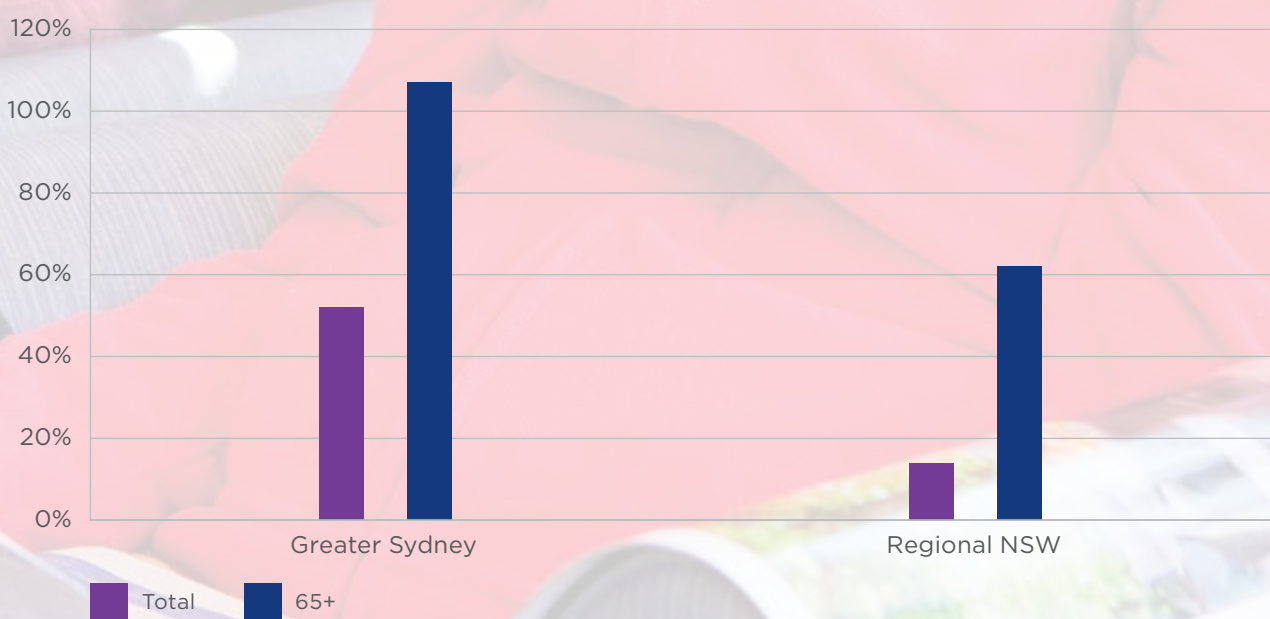
59 NSW Department of Communities & Justice (2018), *NSW Ageing Strategy Research Report*, <https://www.facs.nsw.gov.au/download?file=631888>

60 NSW Department of Treasury (2016), *Intergenerational Report*, <https://www.treasury.nsw.gov.au/nsw-economy/intergenerational-report>



We expect the number of people aged 65 and over will increase by
85 per cent
in the next 25 years – from 16 per cent of the population in 2016 to 21 per cent by 2041⁶¹

Figure 16: Percentage change in population (total population and over 65 years), 2016–2041⁶²



61 NSW Department of Planning, Industry and Environment (2019), *2019 NSW Population Projections*

62 Ibid

People with disability

In NSW, only five per cent of people with disability live in a non-private dwelling such as a group home or aged care facility where care is provided (excluding social housing). While those with a profound limitation are more likely to live in a non-private dwelling, most live in private housing.⁶³

Despite the prevalence of disability and statutory protections, people with disability can experience higher levels of disadvantage in housing. For instance:

- Home ownership rates are lower for people with disability aged under 64.⁶⁴
- People with disability are more likely to live in social housing.⁶⁵
- Homes are often not designed to be accessible and are not easily adapted to suit specific needs, which can be more challenging when people are renting.

The National Disability Insurance Scheme (NDIS) provides funding for Specialist Disability Accommodation (SDA). There were 4,784 active NDIS participants with SDA support in NSW as at 30 June 2019.⁶⁶ Research indicates an additional 3,290 SDA places were needed in NSW in 2018.⁶⁷

If appropriate independent housing is not available, young people with disability may end up living in aged care facilities.

63 Australian Bureau of Statistics (2016), *2015 Survey of Disability, Ageing and Carers*, <https://www.abs.gov.au/ausstats/abs@.nsf/mf/4430.0.10.001>

64 Ibid

65 Ibid

66 National Disability Insurance Agency (2019) *COAG Disability Reform Council: Quarterly report*

67 SGS Economic and pPlanning on behalf of *Summer Foundation (2018), Specialist disability accommodation: Market insights*, <https://www.summerfoundation.org.au/resources/sda-market-insights/>

SNAPSHOT:



INNOVATIVE HOUSING ACTIVITIES

New ways of using traditional housing stock are emerging as technology changes, preferences change and new financial models become available. Approaches such as Rent to Buy, Build to Rent and Meanwhile Use are discussed elsewhere in the Paper, but other innovations we are seeing include:

Collective redevelopment: The *Strata Schemes Development Act 2015* allows strata committees to collectively sell or redevelop a site and share the higher value. This could include modest density increases that provide new residences as additions to the existing building.

Short-term rental accommodation:

Online booking services allow for shorter-term rentals, drawing on the principles of the sharing economy and bringing economic benefits to many communities, particularly in regional areas. Benefits must be balanced with impacts on local areas, community cohesion and housing availability.

Collaborative housing or co-housing:

Co-housing is community living with a mix of private and communal spaces that could help more people to own their home or meet the needs of older people. The NSW Ageing Strategy considers co-housing models.

Community land trusts: These trusts are a form of shared ownership of a property. While land is owned by a community-based not-for-profit organisation, people either own or long-term lease the dwellings. Removing land costs makes housing more affordable and means tenants enjoy greater control over their home, have greater security of tenure and may more easily be able to save money.



WHAT THIS MEANS FOR THE NSW HOUSING STRATEGY

Diverse needs across households, backgrounds and ages highlight the importance of a variety of housing types and configurations, and the value of alternative delivery models



- 2009, and manufactured homes through the *Local Government (Manufactured Home Estates, Caravan Parks, Camping Grounds and Moveable Dwellings) Regulation 2005*.
- **Older tenants and those with disability can make minor adjustments** to their homes under amendments to the *Residential Tenancies Act 2010*.

What is already underway?

The NSW Housing Strategy needs to build on current initiatives:

- **Councils have strengthened strategic planning powers** under recent amendments to legislation to plan for their communities' unique needs.
- **Housing for the ageing population** is considered in the NSW Ageing Strategy and through the *State Environmental Planning Policy (Housing for Seniors and People with a Disability) 2004*.
- **Disability-appropriate housing** is encouraged through accessible design provisions in the Apartment Design Guide, Low Rise Medium Density Design Guide, and *State Environmental Planning Policy (Housing for Seniors and People with a Disability) 2004*.
- **The \$5 billion of NSW and Australian Government funding for the co-delivery of the NDIS in NSW** includes housing. Investment will create a more diverse sector, jobs growth and business opportunities.
- **Demonstrating diverse housing types** through our own developments, such as Build to Rent at the Redfern Communities Plus site, and houses of different price points, sizes and densities in other NSW Government-led developments such as Edmondson Park.
- **Diverse housing types**, such as secondary dwellings and boarding houses, can be developed under *State Environmental Planning Policy (Affordable Rental Housing)*

What should the NSW Housing Strategy address?

The NSW Housing Strategy should complement existing initiatives by supporting a mix of housing types, sizes and densities in new supply, and making best use of existing housing. The NSW Housing Strategy should also consider how best to plan for housing for older people and people with disability.

Knowing the existing work underway, and the levers available to both the NSW Government and our delivery partners, we have identified several potential directions to support greater diversity of housing.

2.1 Improve housing options for older people

Helping older people to stay in their local area may require accessibility supports – physical or virtual healthcare or lower maintenance in their own home – and a greater mix of choices near easy-to-access places for people seeking to downsize. The NSW Housing Strategy could consider specialist housing for seniors, including encouraging this development in regional areas. Retirement living or high care facilities must be well located and integrated into communities, so that people can retain family, community and cultural connections.

The NSW Housing Strategy could consider universal design to make housing suitable for all potential residents, planning provisions that will help to create housing appropriate for older people, or innovative options such as home sharing platforms and digital technology to enable more people to live independently.

2.2 Improve housing options for people with disability

People with disability should have housing choice, amenity, affordability and stability, as well as independence and dignity. The NSW Housing Strategy could look at how best to incentivise NDIS-funded housing while creating more choice for people not eligible for funding.

The NSW Housing Strategy could also consider the planning controls that will facilitate SDA housing, as well as requirements that will create non-SDA housing alternatives – such as homes that are designed to be accessible for everyone – in the broader market.

2.3 Support a range of housing types and sizes

The NSW Housing Strategy should support the ability for the market to provide the right mix of housing in an area, based on unique community needs.

Beyond existing local strategic planning by councils, this could include State-level controls that ensure an appropriate baseline is met and respond to needs identified by councils. Importantly, this could consider the needs of younger people who may seek greater choice and flexibility in housing.

Our partners must also be involved

- **Councils** can plan for their community in their Local Strategic Planning Statements, Local Housing Strategies and Community Strategic Plans.
- **Industry** can take advantage of local and state policies and strive for best practice diversity in delivery models, tenures, design and dwelling mix.
- **Communities** can better understand their neighbourhood's needs and support housing that enables a variety of people to live in their area.

FOR DISCUSSION



There are a range of actions we could take to support housing diversity. Which ones should be prioritised in the NSW Housing Strategy?

How can the NSW Government best support councils and industry to deliver housing for people with disability and other complex needs such as mental health, domestic violence and substance abuse?

What additional support could the NSW Government provide to drive innovation in the housing sector, including diverse dwellings types and models?



Housing with improved affordability and stability



AFFORDABILITY

This theme recognises people live in diverse tenures based on their income and circumstances, and that housing should be affordable, stable and supportive of their aspirations and wellbeing.

Stable and affordable housing supports people's sense of wellbeing. Living in an affordable situation supports people to move into new households, allows households to spend on discretionary items, helps people to feel part of their community, and leads to a more even distribution of wealth in the community. When people face affordability pressures, there are flow-on impacts on demand for social housing and homelessness services.

We need to support good housing outcomes for people in all circumstances, so that where they live aligns with their aspirations as best as possible.

What we know

- Two-thirds of NSW households owned their home in 2016. Rates are higher in regional NSW compared to Greater Sydney (71 per cent compared to 64 per cent), where homeowners are also more likely to have a mortgage.⁶⁸
- Of the remaining households, most rent in the private market. Renting is more common in Greater Sydney than regional NSW (31 per cent of households, compared to 25 per cent), although the proportion of renters has increased across NSW.⁶⁹
- Around five per cent of households live in social or affordable rental housing.⁷⁰

⁶⁸ Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE analysis

⁶⁹ Ibid

⁷⁰ Ibid



- On Census night 2016, 37,800 people experienced homelessness in NSW – a jump from 28,100 people in 2011 and 22,200 people in 2006. Of the estimated 2,600 people who were sleeping rough, 1,500 lived in regional NSW and 1,100 people in Greater Sydney.⁷¹
- Each household's income influences where people live and the type of home they live in. In NSW, about 1.3 million households are considered very-low and low-income households, and just under 1.8 million households are moderate and high-income earning (Table 1).⁷² Incomes are particularly low for younger households (Table 2).

Table 1: Median household income levels by income band (2019–20)⁷³

| Income group | % of median income | Annual income range (Sydney) | Annual income range (Regional NSW) |
|--------------|--------------------|------------------------------|------------------------------------|
| Very low | 50% | \$48,200 | \$40,900 |
| Low | 50% – 80% | \$77,100 | \$65,500 |
| Moderate | 80% – 120% | \$115,700 | \$98,200 |

Table 2: Household income by age of reference person, 2015–16 (NSW)⁷⁴

| Age | Average household income |
|-------|--------------------------|
| <25 | \$83,304 |
| 25–34 | \$128,804 |
| 35–44 | \$145,028 |
| 45–54 | \$164,528 |
| 55–64 | \$124,124 |
| 65+ | \$62,816 |

71 Australian Bureau of Statistics (2018), *Census of Population and Housing: Estimating homelessness, 2016*

72 Australian Bureau of Statistics (2016), *Australian Census of Population and Housing via TableBuilder*, DPIE analysis

73 NSW Department of Communities & Justice (2019), *NSW Affordable Housing Ministerial Guidelines 2019–20*, <https://www.facs.nsw.gov.au/download?file=332789>

74 Australian Bureau of Statistics (2017), *Household Income and Wealth, Australia, 2015–16*, <https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/6523.0-2015-16-Main%20Features-Introduction-2>

**SNAPSHOT:****WHAT ARE COMMUNITY HOUSING PROVIDERS?**

Community Housing Providers (CHP) and Aboriginal Community Housing Providers (ACHP) are not-for-profit organisations that build and/or manage housing for eligible people who are unable to access appropriate housing in the private market. They are independent of, but regulated by the NSW Government. As registered charities, they benefit from various tax and other concessions. CHPs managed around a third of NSW's social housing at June 2019.⁷⁵ Some CHPs also manage affordable rental housing.

In 2018, there were 145 registered CHPs operating across 42 LGAs in Greater Sydney and 73 LGAs in regional areas (as defined in 2018), as well as 100 organisations offering housing choice for Aboriginal people.⁷⁶

The ACHP sector provides culturally appropriate housing services to meet the needs of Aboriginal people and communities. Current and future investment in the capacity building initiatives, as well as supporting a transition to the National Regulatory System for Community Housing (NRS), will improve outcomes for Aboriginal people.

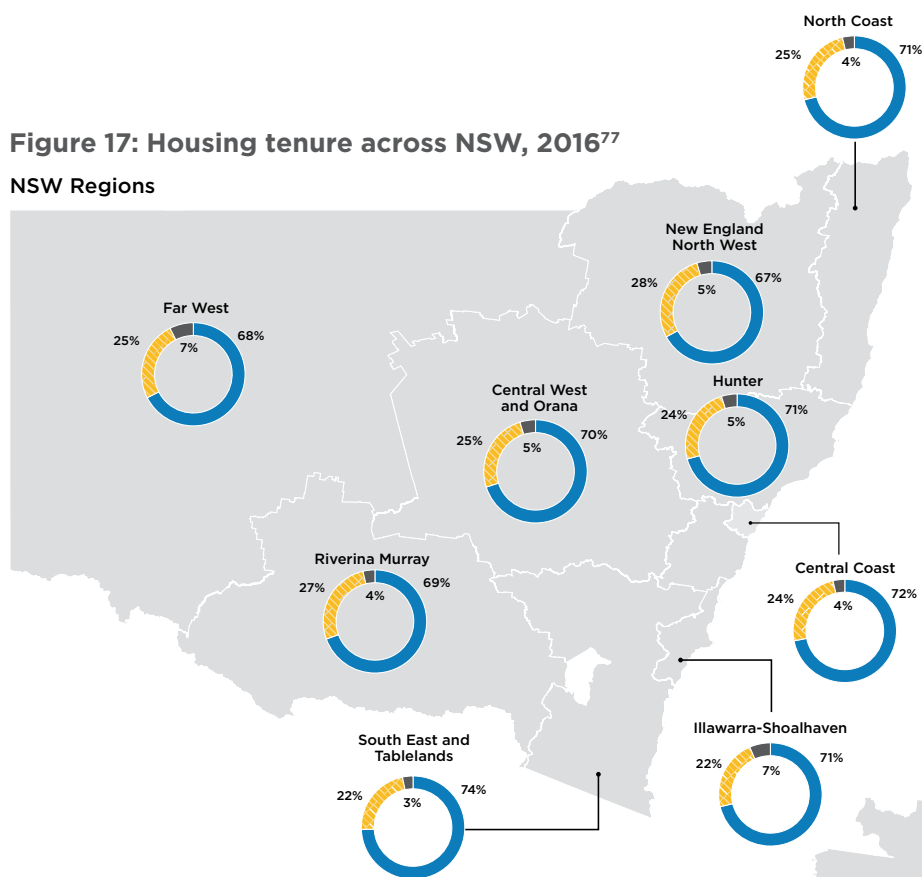
The community housing industry is growing with support from our Social and Affordable Housing Fund and the Social Housing Management Transfer Program. The National Housing Finance and Investment Corporation also supports the sector.

⁷⁵ NSW Department of Planning, Industry and Environment

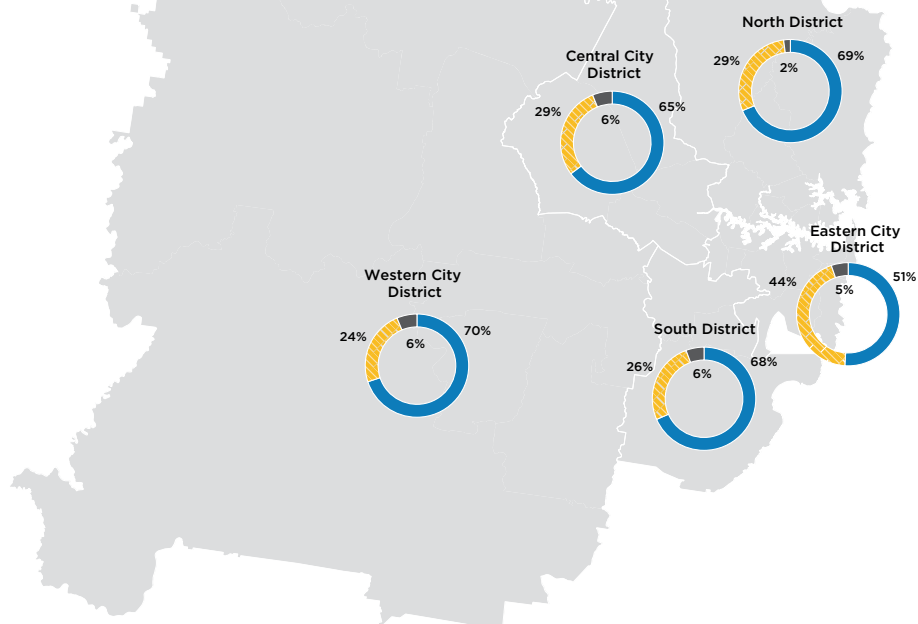
⁷⁶ Community Housing Industry Association (2018) *State of the Industry 2018: Community Housing in NSW*. https://communityhousing.org.au/about_us/industry-data/

Figure 17: Housing tenure across NSW, 2016⁷⁷

NSW Regions



Greater Sydney Districts



KEY

- Owned
- Rented (Private)
- Rented (Social)

⁷⁷ Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE analysis



UNDERSTANDING HOUSING:

WHAT IS HOUSING STRESS?



This Discussion Paper defines housing stress as occurring when a household has an income in the bottom 40 per cent of either Greater Sydney's or regional NSW's income distribution and is paying more than 30 per cent of its income in housing costs.

UNDERSTANDING HOUSING:

WHAT IS THE CHALLENGE FOR FIRST HOME BUYERS?



High property prices, competitive markets and comparatively lower income growth make it more difficult for first home buyers to get their foot on the housing ladder. Research tells us that first home buyers need 5.7 years to save 20 per cent of their gross income for a deposit in NSW overall and 8.4 years in Greater Sydney.⁷⁸

While it might be easier for people to afford to buy in regional NSW, unemployment rates are higher, and wages are generally lower, impacting the ability to meet repayments. First home buyers face tightening credit standards and competition from investors due to tax settings and wider economic conditions. Owner-occupiers made up 80 per cent of lending for housing in the early 90s; by the peak of the boom in 2015, this fell to about 40 per cent.⁷⁹

What we should respond to

Falling home ownership

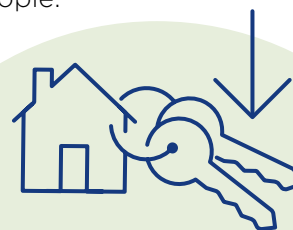
Housing prices have risen faster than incomes over the last few decades due to lower income growth, population growth, the undersupply of housing and investor demand.⁸⁰

Looking across various house price points relative to incomes, the price to income ratio for NSW is now double what it was in 1980. Housing in Greater Sydney is expensive compared to other global cities (relative to income).⁸¹



Housing prices
nearly doubled
in Greater Sydney between
2012 and 2017⁸²

Home ownership rates are dropping in NSW, particularly in Greater Sydney and among younger people.



Between 2002 and 2014, the proportion
of Greater Sydney residents aged 18 to 40
who own their home fell from

**29 to 20
per cent**

78 Bankwest (2017) *First Home Buyer Deposit Reports*. (no longer publicly available)

79 Australian Bureau of Statistics (2019), *Housing Finance, Australia, November 2018*, <https://www.abs.gov.au/ausstats/abs@.nsf/mf/5609.0>

80 Australian Bureau of Statistics, (2019), *Housing Finance, Australia, November 2018*, <https://www.abs.gov.au/ausstats/abs@.nsf/mf/5609.0>

81 Ibid

82 Corelogic (2019), *Home Property Value Indices*, DPIE analysis

Among other groups:

- The rates of home ownership among people aged over 55 who own their homes outright has dropped from 77 per cent in 1995–96 to 58 per cent in 2017–18.⁸³
- Home ownership is also lower among Aboriginal households compared to non-Aboriginal households in NSW (44 per cent, compared to 68 per cent).⁸⁴ While many Aboriginal people have home ownership aspirations, intergenerational disadvantage and dispossession of land creates barriers. Many Aboriginal people trying to leave social housing and move into private rental or affordable housing face additional challenges and prejudices in these markets.

SNAPSHOT:

WHAT IS RENT TO BUY?



Rent to Buy seeks to support home ownership, through helping tenants to save a deposit. This can take a variety of forms, such as arrangements where buyers 'lock in' a sale price for the rental home they are living in for a contract period, while they accrue equity needed to secure a home loan.

Other approaches leverage the benefits of co-living facilities (such as a private studio with communal services and spaces), where extended leases (e.g. three to five years) and partnerships with financial institutions allow people to save for a home while living near work and lifestyle areas. A portion of the rent 'saved' can form the deposit and the buyer's rental history and savings history can assist in securing a mortgage.

Shared equity is another model supporting first home buyers. The buyer purchases a proportion of a property, with an equity partner investing in the remainder of the loan, recouped at sale or refinancing.

SNAPSHOT:

HOW CAN WE SUPPORT COUNCILS TO DEVELOP THEIR LAND?



Councils often own land in their LGAs. Some have indicated an interest in providing affordable rental housing on their own land.

The NSW Housing Strategy offers the opportunity for councils to further develop affordable housing projects on council-owned land. This could include innovative housing models such as co-living, community land trusts and housing cooperatives. The NSW Housing Strategy could consider capacity building, partnership brokerage or planning assistance to drive this process.

⁸³ Australian Bureau of Statistics (1997, 2019), Survey of Income and Housing

⁸⁴ Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE analysis



UNDERSTANDING HOUSING:

IS HOME OWNERSHIP VIALE FOR LOWER INCOME EARNERS?



Owning a home is challenging for lower income earners in terms of amassing a deposit (Table 4) and servicing a mortgage (Table 5).⁸⁵ Deposit requirements and mortgage repayments are comparatively achievable for moderate-income earners (though still within unaffordable ranges). Home ownership is virtually out of reach for all low and very low-income earners.

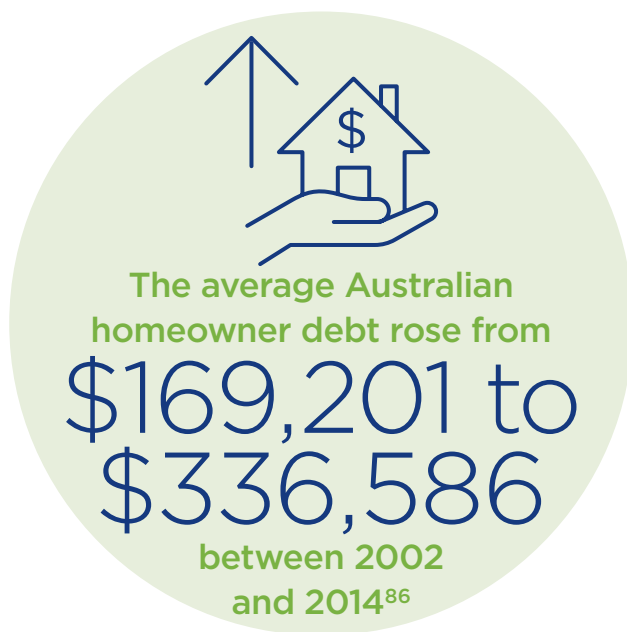
Table 4: Years to save a 20% deposit by saving 20% of household income per year on the average priced home

| Income group | Years | |
|--------------|----------------|--------------|
| | Greater Sydney | Regional NSW |
| Very low | 22 | 13 |
| Low | 14 | 8 |
| Moderate | 9 | 5 |

Table 5: Share of gross income needed to service a 'typical' mortgage

| Income group | Indicative household income (annual) | | Proportion of income required to pay off a 'typical' mortgage (on 4% interest rate, 25 year loan, 20% deposit, average priced home) | |
|--------------|--------------------------------------|--------------|--|--------------|
| | Greater Sydney | Regional NSW | Greater Sydney | Regional NSW |
| Very low | \$48,200 | \$40,900 | 112% | 66% |
| Low | \$77,100 | \$65,500 | 70% | 41% |
| Moderate | \$115,700 | \$98,200 | 47% | 27% |

⁸⁵ DPIE calculations, based on household incomes defined in NSW Department of Communities & Justice (2019), *NSW Affordable Housing Ministerial Guidelines 2019-20*, <https://www.facs.nsw.gov.au/download?file=332789>



Larger and longer household debt

Households that do own their home take on higher household debts. In 2020, historically low interest rates mean lower mortgage costs, and mortgage stress is lower for moderate and high-income owners. However, if interest rates increase, mortgage affordability may change.

With larger mortgage debt, households of all incomes take longer to pay off their home. More people are reaching retirement age with a mortgage. In 2016, 19 per cent of over 55-year-olds had a mortgage. The debt to income ratio of these households tripled to 211 per cent between 1987 and 2015.⁸⁷ Older people with a mortgage may be vulnerable to mortgage stress and or may be required to remain in work for longer.

The rise of renting

The proportion of renting households in NSW increased from 25 to 28 per cent in the 10 years to 2016. This was slightly more pronounced in Greater Sydney.⁸⁸ This may be due to delayed or falling home ownership rates.

People do not always rent out of necessity – one study found around two fifths of Greater Sydney renters do so by choice.⁸⁹ Renting can offer flexibility in location, the ability to easily relocate, and the choice to invest in a more diverse asset portfolio.

One study found that in the five years to 2018, nearly half of Greater Sydney renters experienced at least one involuntary move.⁹⁰ Coupled with unanticipated moving costs and the need to provide upfront rental bonds, this can be a stressful and disruptive rental experience.

The dominance of small-scale investors in NSW who own rental housing contributes to this rental instability, as owners can end tenancies quickly, may neglect necessary repairs and contribute to landlord-tenant conflicts. While some households, regardless of income, prefer not to have a formal lease, as many as one in seven low-income renter households in Australia do not have one.⁹¹ Further, the number of new bonds lodged by low-income households reduced between 2006 and 2017.⁹² This lack of stability can increase pressure on social housing and negatively impact personal and community wellbeing.

86 Grattan Institute (2018) *Housing Affordability Re-imagining the Australia Dream*, <https://grattan.edu.au/wp-content/uploads/2018/03/901-Housing-affordability.pdf>

87 AHURI, *Mortgage stress and precarious home ownership: implications for older Australians*, 2019, https://www.ahuri.edu.au/_data/assets/pdf_file/0025/44953/AHURI-Final-Report-319-Mortgage-stress-and-precarious-home-ownership-implications-for-older-Australians.pdf

88 Australian Bureau of Statistics (2016) *Australian Census of Population and Housing*, DPIE analysis

89 SMPR analysis for NSW Government, unpublished

90 Ibid

91 Productivity Commission (2019), *Vulnerable Private Renters: Evidence and Options*, <https://www.pc.gov.au/research/completed/renters/private-renters.pdf>

92 NSW Department of Communities & Justice (2016), *NSW Local Government Housing Kit*, <https://www.facs.nsw.gov.au/resources/nsw-local-government-housing-kit>

**SNAPSHOT:****WHAT IS THE PURPOSE-BUILT STUDENT RENTAL HOUSING?**

The growing purpose-built student accommodation sector, particularly in Greater Sydney, often adopts a room-based rental approach and uses NSW Government boarding house provisions. This in part responds to the growing number of international students who can only work 20 hours a week during university semesters, impacting their capacity to afford housing. International students make a significant contribution to the NSW economy. The international education sector is the chief export service sector in NSW, earning \$12.18 billion in export income in 2017–18 for the state.⁹³

UNDERSTANDING HOUSING:**WHAT WERE THE RECENT REFORMS FOR TENANTS?**

Recent reforms to the *Residential Tenancies Act 2010* strengthen tenants' rights while ensuring landlords can effectively manage their rental properties:

- Rent increases are limited to once every 12 months for periodic leases and the kind of minor changes a tenant can make to their home has been clarified.
- The standard form tenancy agreement now encourages landlords and tenants to consider longer term leases.
- It is easier for a tenant to end their tenancy immediately, without penalty, if they or their dependent child are in circumstances of domestic violence. Victims can also more easily find new housing by restricting the information that can be displayed on a tenancy database. These new laws acknowledge the central role of housing for victims in stabilising their own and their children's lives and reconnecting with the community.
- The reforms introduced seven minimum standards that a rented property must meet to be fit to live in and give NSW Fair Trading the power to investigate and issue rectifications.

⁹³ NSW Department of Industry (2019) *Study NSW International Education Strategy*, http://www.study.sydney/___data/assets/pdf_file/0003/214959/2019-20-Study-NSW-International-Education-Strategy.pdf



Rental stress

In Greater Sydney, private rental stress is highest in the Western (47 per cent) and Southern (45 per cent) districts. In regional NSW it is highest in the North Coast (43 per cent) and Illawarra-Shoalhaven (37 per cent) regions. Rental stress is highest among single parents and single-person households.⁹⁴

The cost of renting in Greater Sydney is high compared to other cities in Australia: rent for a two-bedroom unit costs nearly 30 per cent more in Greater Sydney than in Melbourne and Brisbane, and nearly double that of Adelaide.⁹⁵ Rent is remaining relatively stable, due to high vacancy rates (3.5 per cent in the first half of 2019) owing to the greater supply of rental housing in recent years.⁹⁶ Regional NSW has not seen the same increase in supply, and vacancy rates are lower, averaging 1.7 per cent, for instance, in the Hunter in the same period.⁹⁷

Rental affordability is a challenge for lower income earners, and most significantly for very-low and low-income earners. This includes young people and key workers – the

people who work in essential services such as emergency or health services – as well as older tenants on the Age Pension or who rely on inadequate superannuation. As the proportion of lower income earners renting in Greater Sydney increases and the stock of low-cost rental housing decreases due to redevelopment, gentrification and renovation, there will be a shortage of affordable rental properties for low-income households. The deficit of private rental housing that is affordable and available to renters earning an income in the lowest quartile increased by 26 per cent to 56,000 in the 10 years to 2016.⁹⁸

Only one in ten rental properties in NSW are affordable for very-low income households and less than one in three are affordable for low-income households.⁹⁹ Affordability is marginally better for moderate-income earners, who can afford 69 per cent of rental stock; however, a proportion remain at risk of rental stress. Rental affordability in each location also reflects the types of dwellings available, relative to what people seek. This is highlighted in Figure 18 which shows considerable affordability constraints for low and very-low income groups along the east coast.

UNDERSTANDING HOUSING: WHAT IS AFFORDABLE RENTAL HOUSING?



Affordable rental housing is a housing product for households earning very low, low and moderate incomes. It is distinct from 'housing affordability' which more generally refers to the ability of a household to afford the cost of housing. Affordable housing is delivered by councils and industry through a range of incentives and planning policies.

94 Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE analysis

95 Corelogic (2019), *Rental Indices*, DPIE analysis

96 Real Estate Institute of Australia (2019), *Real Estate Market Facts*

97 Real Estate Institute of New South Wales (2019) *Vacancy Rate Survey Results*

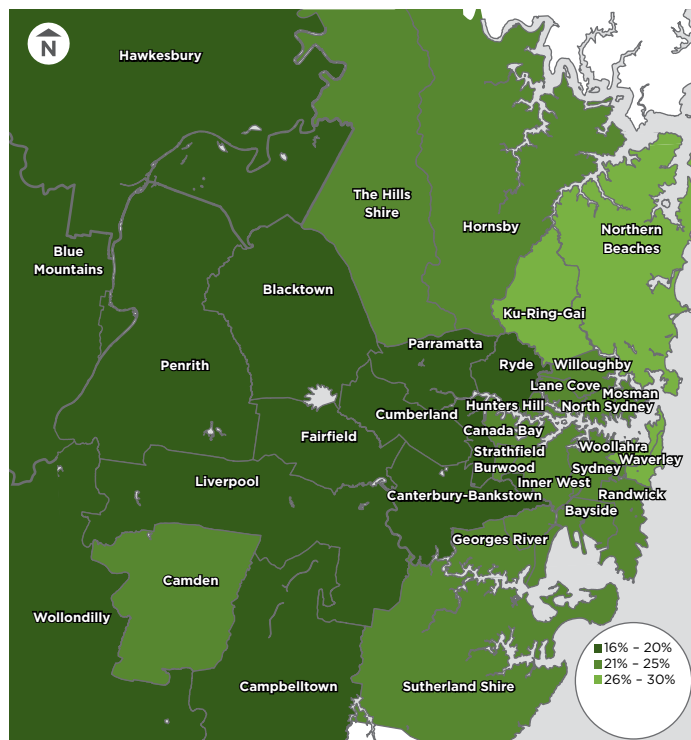
98 AHURI (2019) *The supply of affordable private rental housing in Australian cities: short-term and longer-term changes*, <https://www.ahuri.edu.au/research/final-reports/32>

99 NSW Department of Communities & Justice (2016), *NSW Local Government Housing Kit*, <https://www.facs.nsw.gov.au/resources/nsw-local-government-housing-kit> 3

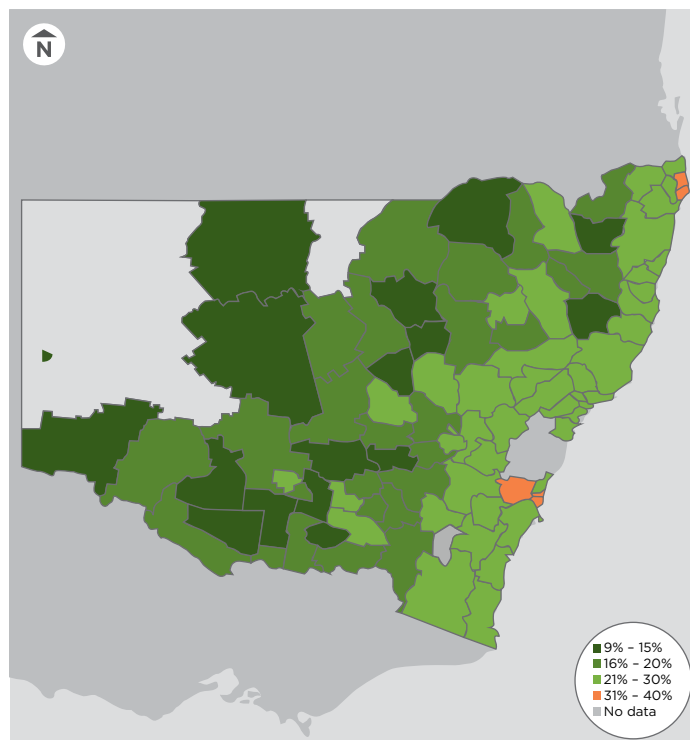
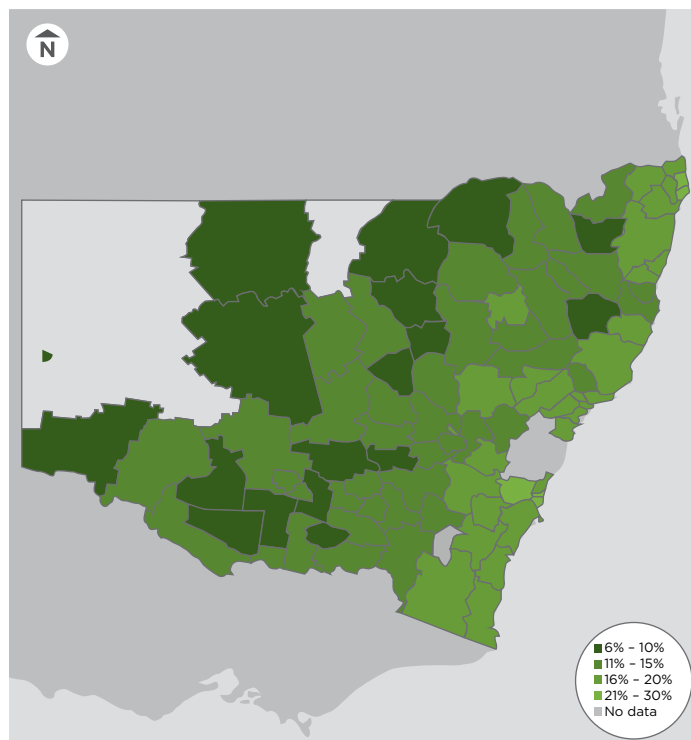
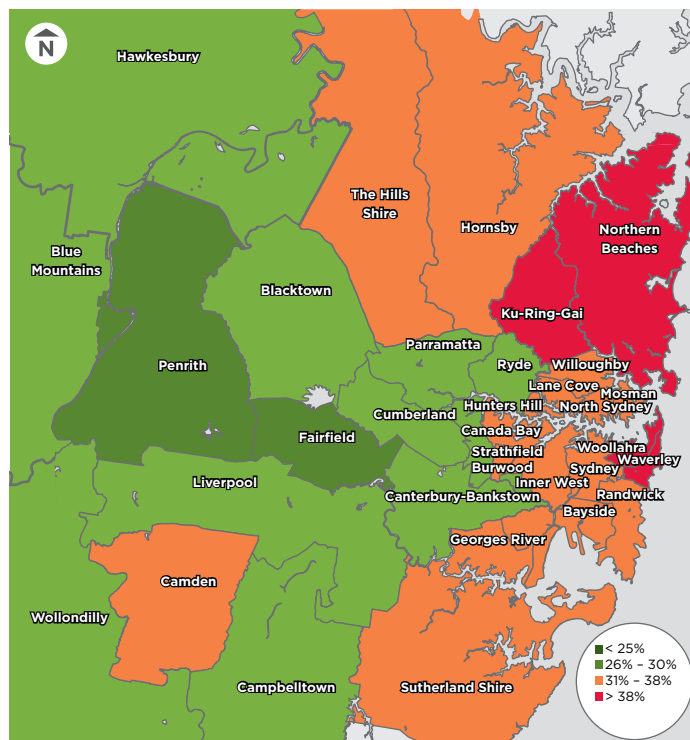


Figure 18: Percentage of income spent on rent by income level, for rental properties offered at the lowest rents (bottom 25%)

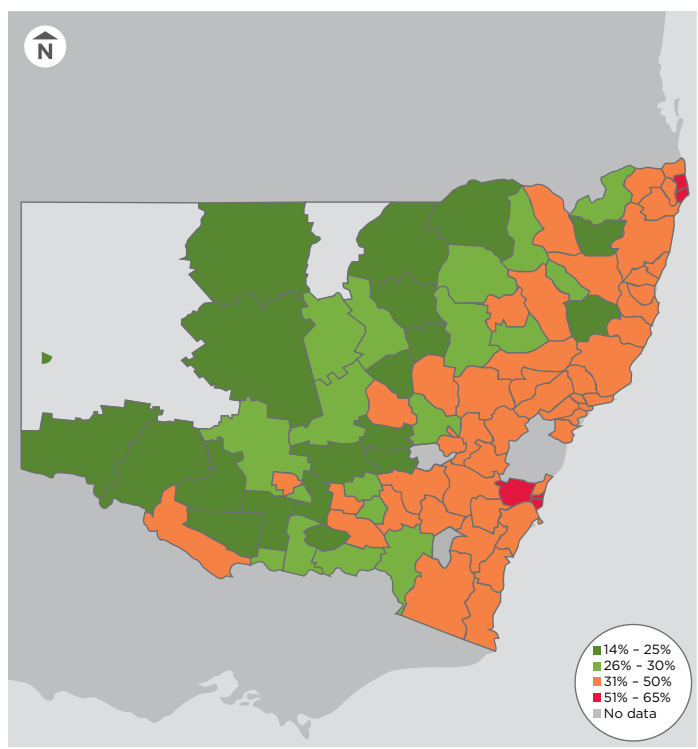
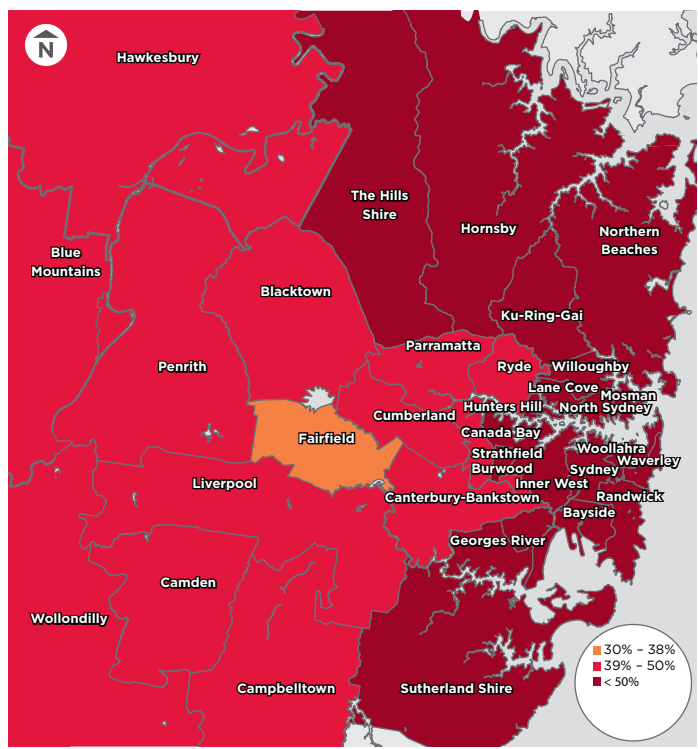
Moderate-income earner



Low-income earner



Very-low income earner





Social housing



NSW has the largest social housing system in Australia, with around

151,000 dwellings,

of which about 131,000 are NSW Government-owned¹⁰⁰

The NSW Government provides social housing through the Land and Housing Corporation (LAHC) and the Aboriginal Housing Office (AHO). Mainstream and Aboriginal community housing providers, and a small number of private organisations, also provide social housing.

Social housing has evolved from supporting mostly working class families to now supporting very-low income and pension-dependent households whose long-term housing needs are not being met in private rental housing.¹⁰¹

- Older people make up more than half of all social housing tenants (as at June 2019) – in public (63 per cent), community (56 per cent) and Aboriginal housing (58 per cent).

About one in seven applicants on the NSW Government's priority housing register are over 65 with a severe medical condition or disability.

- About 20,000 Aboriginal families live in social housing in NSW – about half are housed by LAHC, more than 4,000 by the AHO and more than 4,000 by Aboriginal community housing providers.
- In 2018–19, the average length of tenure of people and families living in public housing was 11 years.

Supply of social housing has not kept pace with demand. For example, in the late 1990s there were about 145,000 social housing dwellings and there has been little increase since, in a period when the State's population grew by approximately 27 per cent.¹⁰²

Currently, about 4.1 per cent of the NSW population lives in social housing, down from 4.8 per cent in 2006–07.¹⁰³ Despite this drop, more than 50,000 households remain on the waitlist for NSW Government-owned social housing; more than 4,000 of these are priority applicants.¹⁰⁴ Aboriginal and mainstream community housing providers and many Local Aboriginal Land Councils also have long waiting lists.

About one in five social housing properties is more than 50 years old, leading to high maintenance costs.¹⁰⁵ Older NSW Government-owned houses were built for larger families, creating a mismatch between the type and size of housing available and what people on waiting lists need.

¹⁰⁰ Australian Government Productivity Commission (2020), *Report on Government Services*, <https://www.pc.gov.au/research/ongoing/report-on-government-services/2020/housing-and-homelessness/housing>

¹⁰¹ NSW Land and Housing Corporation

¹⁰² NSW Auditor-General's Report Performance Audit (2013), *Making the Best Use of Public Housing: Housing NSW, NSW Land and Housing Corporation*, https://www.audit.nsw.gov.au/sites/default/files/pdf-downloads/2013_Jul_Report_Making_the_Best_Use_of_Public_Housing.pdf

¹⁰³ Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE analysis

¹⁰⁴ NSW Land and Housing Corporation

¹⁰⁵ NSW Department of Communities and Justice (2016), *Future Directions for Social Housing*, <https://www.facs.nsw.gov.au/about/reforms/future-directions/about-future-directions>

Homelessness

There was a 37 per cent increase in the number of people experiencing homelessness in 2016, from 2011.¹⁰⁶ Homelessness refers not just to those rough sleeping, but also those living in improvised dwellings, in supported accommodation for the homeless or staying temporarily with other households.

Most of the increase in homelessness was in Greater Sydney, where rates exceeded the rate of population growth. This was largely due to an increase in the number of people in 'severely' crowded dwellings. In regional areas, the increase has been in people sleeping rough.

The number of people assisted by Specialist Homelessness Services (SHS), a NSW Government service, increased by 43 per cent between 2013-14 and 2016-17.¹⁰⁷ The complexity of issues is increasing, meaning that many people will require more than just a shelter to help resolve their situation. This may include, but is not limited to, support for mental and physical health, substance use, domestic and family violence, education, employment or financial stress.

Homelessness solutions are important for specific segments of the community:

- Aboriginal disadvantage and homelessness are closely linked, with homelessness increasing the social and economic disadvantage that Aboriginal people face. The *NSW Homelessness Strategy 2018-2023* outlines that Aboriginal people make up almost eight per cent of the NSW homelessness population and almost 30 per cent of people accessing SHS. They are 14 times more likely to experience homelessness.¹⁰⁸ Seven in 10 Aboriginal people who experience homelessness have a parent who experienced homelessness at some point.

- The number of older people experiencing homelessness and requiring acute housing assistance is likely to grow. Women aged 65 and over account for the fastest growing cohort of people experiencing homelessness (after men aged 20-34)¹⁰⁹ and often experience homelessness for the first time in later life.
- People leaving institutional care are also at risk of homelessness. For example, 16 per cent of inmates with a planned exit from custody reported living in 'unstable accommodation' prior to entering custody, 7.4 per cent of these were homeless.¹¹⁰

Evidence supports that a Housing First model is effective when tackling homelessness, particularly for people with complex needs. Housing First seeks to offer affordable housing to people experiencing homelessness as quickly as possible, removing potential barriers and providing the supports they need to avoid returning to homelessness for as long as supports are needed. Some homelessness initiatives in NSW are inspired by this model and attempt to replicate it where possible.

Accommodation may include crisis or emergency accommodation in shelters, or temporary accommodation such as group homes and boarding houses in combination with SHS where appropriate.

106 NSW Department of Communities and Justice (2018), *NSW Homelessness Strategy 2018-2023*. <https://www.facs.nsw.gov.au/about/reforms/homelessness/overview>

107 Australian Institute of Health and Welfare (2014), *Specialist Homelessness Services 2013-2014*; Australian Institute of Health and Welfare (2017), *Specialist Homelessness Services 2016-17*: New South Wales

108 NSW Department of Communities and Justice (2018), *NSW Homelessness Strategy 2018-2023*. <https://www.facs.nsw.gov.au/about/reforms/homelessness/overview>

109 Australian Bureau of Statistics (2018), *Census of Population and Housing: Estimating homelessness, 2016*

110 NSW Department of Communities and Justice



WHAT THIS MEANS FOR THE NSW HOUSING STRATEGY



Addressing housing supply will support tenants, especially those on lower incomes. The NSW Housing Strategy will need to acknowledge financial factors, such as the difficulties faced by first home buyers and higher rates of debt, especially for older people who may be forced to downsize and for renters, particularly those on lower incomes.

Demand for social housing will increase – this requires the NSW Housing Strategy to focus on opportunities to match social housing to current need, while also looking at how the housing system can reduce the demand for social housing.

What is already underway?

The NSW Housing Strategy needs to build on current initiatives:

- **First home buyers** can access provisions of the *Fair Go for First Home Buyers* package, which provides various financial concessions and grants. At September 2019, over 67,800 home buyers had accessed concessions, saving more than \$1 billion in stamp duty.¹¹¹
- **The First Home Loan Deposit Scheme**, led by the Australian Government and administered through the National Housing Finance and Investment Corporation, reduces the required home loan requirement from 20 per cent to five per cent for first home buyers with an income of up to \$125,000, or couples with a joint income of up to \$200,000.
- **Laws governing the diverse range of rental arrangements** including residential tenancy agreements and boarding houses have been reviewed.
- **Rental stock is improving** through reforms to occupancy laws, such as the *Residential Tenancies Act 2010*.
- **Affordable rental housing** for very-low, low and moderate-income households is planned for through:
 - incentives for developers
 - targets of 5–10 per cent for housing for very-low and low-income earners, where viable in areas of uplift, as established in District Plans
 - state planning policies that enable councils to seek contributions for new affordable rental housing (*State Environmental Planning Policy No. 70 – Affordable Housing (Revised Schemes)*) or compensate for the loss of affordable rental housing (*State Environmental Planning Policy (Affordable Rental Housing) 2009*).
- **Housing affordability and diversity requirements** in some NSW Government development is guided by Landcom's *Housing Affordability and Diversity Policy*.
- **The social housing sector** is being renewed under *Future Directions for Social Housing in NSW*, which aims to increase the quality and supply of social housing through:
 - the **Communities Plus** program
 - the **Social Housing Community Improvement Fund** for local organisations to improve the setting and facilities of social housing communities or estates
 - the over \$1 billion **Social and Affordable Housing Fund**, a building and community service provision program to increase residents' independence.
- **NSW Homelessness Strategy 2018–2023** sets a five-year plan to improve the way we respond to homelessness. The Premier has set a priority to 'reduce street homelessness across NSW by 50 per cent by 2025'.

¹¹¹ NSW Government Department of Premier and Cabinet (2019), *First home buyer bonanza! Stamp duty savings top \$1 billion*, Media Release, <https://www.nsw.gov.au/your-government/the-premier/media-releases-from-the-premier/first-homebuyer-bonanza-stamp-duty-savings-top-1-billion/>

What should the NSW Housing Strategy address?

The NSW Housing Strategy will aim to ensure all households have access to safe, secure, and stable housing that is affordable, close to employment and education opportunities, transport and social networks, and matches their housing aspirations.

Knowing the existing work underway, and the levers available to both the NSW Government and our delivery partners, possible ways to support better affordability and stability for all tenures could include:

3.1 Provide additional support for first home buyers

Some believe the First Home Owners Grant increases housing prices, and may not be the only solution to supporting people into home ownership. The NSW Housing Strategy could consider opportunities to offer first home buyers first right of purchase in NSW Government-led projects or those on NSW Government-owned land, or other tenure models to help first home buyers into the market.

The NSW Housing Strategy should take a broader approach to addressing disadvantage for Aboriginal communities, with culture and local knowledge at its core. This could include opportunities to support homeownership and better social housing for Aboriginal people, particularly around the future opportunities presented by the *State Environmental Planning Policy (Aboriginal Land) 2019*.

3.2 Ensure appropriate rights, responsibilities and choice for tenants

The private rental sector provides housing for people in changing circumstances who want flexibility or are saving for their own home.

Rental arrangements can vary, from renting an entire house, to renting a room with shared kitchen and bathrooms.

Building on recent reforms to the *Residential Tenancies Act 2010*, and noting that for a growing proportion of the population private renting is long-term, the NSW Housing Strategy could continue to monitor occupancy laws, drawing on the current review of the *Boarding Houses Act 2012*.

Other potential initiatives could include new housing models, new financial concessions, or lease arrangements that reflect emerging arrangements, such as Build to Rent.

SNAPSHOT:

WHAT IS BUILD TO RENT?



An established housing product in the UK and the US, Build to Rent (BTR) has the potential to support and provide a better housing experience for the growing proportion of renters in NSW. BTR offers increased security of tenure, more choice, professional property management and higher quality places to live.

An established BTR sector¹¹² has the potential to provide wider benefits to housing supply and affordability by creating a more stable housing supply pipeline that is less affected by market cycles. It may also expand the property industry's funding base and create new sources of employment.

Early BTR developments are emerging in NSW, particularly in Greater Sydney. Industry has identified some challenges that could be addressed through government intervention, including adjusting policy and tax settings.

¹¹² Landcom (2019), *Build-to-rent in Australia: Product feasibility and potential affordable housing contribution*, https://cityfutures.be.unsw.edu.au/documents/558/LCOM_0000_Build_to_Rent_Report_WEB.pdf



3.3 Modernise affordable housing policies and schemes

The provision of affordable rental housing requires us to leverage a highly capable community housing industry and integrate affordable rental housing with the broader supply of homes. The NSW Housing Strategy could consider greater private sector involvement, encouraged by better incentives and a pool for affordable housing contributions.

The NSW Housing Strategy will assist councils and community housing providers to provide affordable housing in regional areas where the ability to deliver new affordable rental housing is impacted by low land values, low certainty and a small private housing market.

The NSW Housing Strategy could also address Aboriginal housing need through initiatives that support the growth of the ACHP sector.

3.4 Increase and improve how social housing is built and managed

The renewal of social housing needs to address rising demand, the age of housing, and the need for smaller, accessible dwellings.

Building on the work underway in *Future Directions for Social Housing in NSW*, the NSW Housing Strategy should look at improvements to the whole housing sector and how best to build partnerships with Aboriginal and mainstream CHPs to stimulate growth. Additionally, the NSW Housing Strategy could consider how social housing can be included in future NSW Government-led residential and infrastructure projects.

SNAPSHOT:



HOW CAN SOCIAL HOUSING BETTER MATCH TENANT NEEDS?

Older detached three or four-bedroom cottages make up a large proportion of the State's social housing, while not necessarily matching the needs of current social housing tenants.

A greater diversity in new social housing stock – including diversity in its location, type and size – could better meet tenant need while using land more efficiently.

For example, low-rise (two-storey) housing types, such as dual occupancies, terraces and manor houses, can offer this diversity, while being well designed and complementary to the local character of an area. This form of low scale housing can be approved as complying development, a fast-tracked approval pathway under the Low Rise Medium Density Housing Code.

The NSW Housing Strategy could explore opportunities to deliver greater housing diversity to meet social tenant needs by providing more of these types of homes. This could include through pilot programs or partnerships with project home builders.

SNAPSHOT:

WHAT IS SOCIAL HOUSING RENEWAL?



Renewal of social housing reduces maintenance costs, provides more and better homes, and enables more vulnerable families to access a safe and affordable place to live. Of the LAHC's \$50 billion asset portfolio of around 126,000 homes, most homes were built before the 1980s. This means there is a need to renew more of the older social housing properties.

Several large-scale Communities Plus renewal projects will increase social housing stock over time. A focus on smaller-scale renewal projects will deliver more 'keys in doors' sooner. We can look to use LAHC land and partnerships with the community housing industry and the Australian Government's National Housing Finance and Investment Corporation to renew old social housing.

There could be opportunities for other land holders or financing entities to contribute to innovative small-scale social housing renewal.

3.5 Better utilise available government-owned land to address homelessness

The NSW Government has committed more than \$1 billion to homelessness services over the next four years to support new and existing initiatives.

Building on existing initiatives, the NSW Housing Strategy could look at using NSW Government-owned land for meanwhile use for accommodation for people experiencing homelessness. It could also consider how we can support private landowners to make meanwhile use of their land or temporarily vacant dwellings.

SNAPSHOT:

WHAT IS MEANWHILE USE?



Meanwhile use is the temporary use of vacant land or dwellings for alternative uses until they are required for their end purpose. In NSW, a particular area of opportunity relates to homelessness or crisis accommodation, which provides short-term housing support for those in most need. There are a number of successful examples in NSW and across Australia of how public and private land has been temporarily used for such accommodation.



Our partners must also be involved

- The **Australian Government** can continue to support first home buyers, provide funding for social and affordable housing and homelessness services, and support for tenants.
- **Councils** can adopt Affordable Housing Contribution Schemes and demonstrate innovation on their landholdings.
- **Industry** can provide new housing models and tenures that support affordability, including for first home buyers. Industry can also consider 'meanwhile uses' on vacant landholdings for homelessness accommodation.
- **Community housing providers** will continue to increase their capacity by leveraging available policies and concessions.
- **Communities** can understand the local economic and social benefits that a mix of tenures provides.

FOR DISCUSSION



There are a range of actions we could take to support housing affordability and/or the supply of affordable housing. Which ones should be prioritised in the NSW Housing Strategy?

What new or improved measures, subsidies or otherwise, could assist first home buyers?

What role can you play as a member of industry, council or community to improve housing affordability? How can the NSW Government support you in this?







Responsive and resilient housing



RESILIENCE

This theme is about matching housing to community and environmental issues, so people, communities and their homes are safe, comfortable and resilient.



Housing is more than the number and types of homes people need, and more than the ability of everyone in the community to access safe and stable accommodation. Homes are a long-lived asset – their construction and design needs to be resilient in the face of environmental and resource pressures, while also being able to respond to and complement the surrounding community, services and sense of place.

Resilient housing can be considered in four ways:

- **Homes that support people's comfort**, not just because people value it but because it reduces their exposure to extreme heat and cold and lowers their cost of living.
- **Homes that keep people safe** from extreme weather and that are built safely, to address local risks and to last.
- **Homes located in the context of their local area** including the open spaces that allow people to connect to their neighbourhood and people in their community.
- **Homes designed to minimise environmental impacts** through water sensitive design or by using less water, energy and other resources.

Resilient housing requires us to think about the broader environment and community issues that housing impacts and is impacted by.

What we know

- Many natural hazards are increasing in frequency and/or intensity. Bushfire, flooding, erosion, heat and drought can affect the resilience of a home.
- The average life of a brick home is around 88 years,¹¹³ meaning established housing dominates much of the State's housing stock. In Greater Sydney, for example, new homes make up just over two per cent of all homes.¹¹⁴
- Many existing houses and apartments are not energy or water efficient. While information is not available for NSW, in Victoria, homes constructed prior to 1990 have an average energy rating of 1.5 stars.¹¹⁵
- The housing sector in NSW:
 - uses around 27 per cent of total NSW gigawatt hours of electricity¹¹⁶
 - produces about 26 per cent of NSW's total greenhouse gas emissions (including electricity and car use), the largest contributor overall¹¹⁷
 - accounts for 75 per cent of total water consumption in Greater Sydney, though this is falling.¹¹⁸

- Despite more than half of all waste being recycled, household waste comprises 33 per cent of total waste in NSW, while residential construction and demolition comprised 37 per cent.¹¹⁹

What we should respond to

Environment and resource availability

The energy and water efficiency of housing contributes to how people can live sustainably, affordably and comfortably – particularly as environmental conditions change.

While electricity demand from NSW's grid is relatively stable due to advances in technology, we expect this to increase again in five years as the population grows and electric vehicles become more prevalent.¹²⁰ Reliable energy supply becomes challenging in the context of the ageing and closure of coal-fired generators toward 2035, along with associated increases in household electricity bills and risk of blackouts during heatwaves.

113 Department of Climate Change and Energy Efficiency (2013) *Adapting to climate change*. <https://www.yourhome.gov.au/housing/adapting-climate-change>

114 DPIE data based on Sydney Water Corporation water connections (2019); Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*

115 COAG Energy Council (2018), *Report for Achieving Low Energy Homes*, <http://www.coagenergycouncil.gov.au/sites/prod.energycouncil/files/publications/documents/Report%20for%20Achieving%20Low%20Energy%20Homes.pdf>

116 State of NSW and Office of Environment and Heritage (2016), *A Draft Plan to Save Energy and Money*, <https://www.environment.nsw.gov.au/-/media/OEH/Corporate-Site/Documents/Climate-change/a-draft-plan-to-saveenergy-money-160642.pdf>

117 NSW Environment Protection Agency (2018), *State of the Environment, Greenhouse Gas Emissions*, <https://www.soe.epa.nsw.gov.au/all-themes/climate-and-air/greenhouse-gas-emissions>

118 NSW Environment Protection Agency (2018), *State of the Environment, Urban Water Supply*, <https://www.soe.epa.nsw.gov.au/all-themes/human-settlement/urban-water>

119 NSW Environment Protection Agency (2018), *State of the Environment, Waste and Recycling*, <https://www.soe.epa.nsw.gov.au/all-themes/human-settlement/waste-and-recycling>

120 NSW Environment Protection Agency (2018), *State of the Environment, Energy consumption*, <https://www.soe.epa.nsw.gov.au/all-themes/human-settlement/energy-use>



Drought is a feature of Australia's variable climate, and NSW is experiencing a prolonged period of severe drought. Some 92 per cent of NSW was in drought as this Discussion Paper was published,¹²¹ impacting productivity and quality of life. Access to sufficient and quality water supply is a key issue that many communities face – this is already occurring for people living in the Dubbo region, for example.

Regional Water Strategies will respond to these issues, balance water needs and consider how people and businesses can have access to the right amount of water. Water efficiency in housing should be considered in these strategies.

Urban areas create their own microclimates. Localised warming (caused by factors such as buildings, roads and other hard and dark surfaces that absorb and store heat) can create what is described as 'urban heat island effect'. In Western Sydney, for example, the number of days over 35°C increased from 9.5 days in 1970 to 15.4 days on average each of the last decade.¹²²

The NSW Housing Strategy will need to consider these issues as, across government, we plan for a changing climate and increasing natural hazards, including heatwaves, bushfires, droughts, flooding and storms. Estimated impacts on the environment of about 1°C of warming by 2030 is expected to result in more heatwaves, cause up to 20 per cent more months of drought, contribute to a 25 per cent increase in days of very high or extreme fire danger, and produce an increase

in storm surges, severe weather events, and a sea level rise of about 15cm.¹²³ Accommodating future housing away from high risk hazard areas will need to be considered.

The sustainability of housing stock also has a bearing on wellbeing:

- **Comfortable housing:** More than 80 per cent of home buyers identified liveability and comfort as a high priority, and around two-thirds prefer homes that provide energy efficient features. Thermal comfort provides protection to people during heatwaves and extreme cold.¹²⁴
- **Healthy homes:** Good design influences physical health in the home. Improvements to thermal insulation, access to adequate sunlight and sufficient natural ventilation have positive health and visual comfort impacts. Conversely, condensation, mould and damp, for example, are associated with illnesses like bronchitis, pneumonia, asthma and influenza.¹²⁵ In apartment buildings, exposure to air and noise pollution on busy roads can also impact health and wellbeing.¹²⁶
- **Potential savings:** The average electricity cost for households in Greater Sydney is approximately \$1,500–\$2,000 a year.¹²⁷ Water costs are \$1,000–\$1,400 a year.¹²⁸ Higher bills disproportionately impact lower-income households. However, developers and investors have few incentives to reduce resource use or invest in retrofitting.

121 NSW Department of Primary Industries (2019), *NSW State Seasonal Update – March 2020*, <https://www.dpi.nsw.gov.au/climate-and-emergencies/seasonal-conditions/ssu/march-2020>

122 Browne, B., Hughes, T. & Ogge, M (2018), *Heat Watch: Extreme heat in Western Sydney*, The Australia Institute, [https://www.tai.org.au/sites/default/files/Western%20Sydney%20Heatwatch%20\[WEB\].pdf](https://www.tai.org.au/sites/default/files/Western%20Sydney%20Heatwatch%20[WEB].pdf)

123 Australian Government (2013), *Adapting to Climate Change*, <https://www.yourhome.gov.au/housing/adapting-climate-change>

124 Low carbon living CRC (2019), *Growing market for sustainable homes*, http://www.lowcarbonlivingcrc.com.au/sites/all/files/publications_file_attachments/growing_market_for_sustainable_homes_final.pdf

125 Haddad, S., Pignatta, G., Paolini, R., Synnefa, A., & Santamouris, M. (2019) "An extensive study on the relationship between energy use, indoor thermal comfort, and health in social housing: the case of the New South Wales, Australia". *IOP Conference Series: Materials Science and Engineering*, vol. 609. <https://iopscience.iop.org/article/10.1088/1757-899X/609/4/042067/meta>

126 Foster, S., Hooper, P., Kleeman, A., Martino, E., & Giles-Corti, B. (2020) "The high life: A policy audit of apartment design guidelines and their potential to promote residents' health and wellbeing". *Cities*, Vol 96. <https://doi.org/10.1016/j.cities.2019.102420>

127 Ausgrid (2018), *Average Electricity Use*, <https://www.ausgrid.com.au/Industry/Our-Research/Data-to-share/Average-electricity-use>

128 Sydney Water (2016), *Prices for Customers 2016–20*, http://www.sydneywater.com.au/web/groups/publicwebcontent/documents/document/zgrf/mdc0/-edisp/dd_074314.pdf

SNAPSHOT:

WHAT ARE DISTRIBUTED ENERGY OR MICROGRIDS?



Distributed energy refers to electricity generated from sources, often renewable sources, near a home or business instead of centralised sources such as power plants.

As renewable energy technologies (including solar, wind, biomass and tri-generation units) have improved and been widely adopted, opportunities to generate local energy at lower costs has emerged. Better battery storage technologies provide further opportunities for communities to generate and store excess energy for future use, such as emergency situations and power outages.

These 'microgrids' can operate independently of the main electrical grid and supplement power supply to the central market if needed.

These technologies reduce an individual or community's emissions and cut household costs.

SNAPSHOT:

HOW WILL SMART TECHNOLOGY BE INCORPORATED INTO HOMES?



Technological advancements mean people and places are more digitally connected than ever before. As more devices are connected to the internet, the ability of residents to integrate, monitor and control their home appliances and services has increased - offering both liveability and efficiency benefits.

Integrating smart technologies such as sensors throughout new buildings and precincts will help planners and designers to better respond to how homes, buildings and places are used.



Accessibility and liveability

Where people live, relative to their work or other opportunities, influences transport patterns. Drivers comprise nearly two-thirds of travel to work in Greater Sydney, for example, and this is higher still in the regions, where more than 70 per cent of people drive to get to work.¹²⁹

When people rely on their car there are broader impacts, such as:

- higher household costs, with average weekly transport costs for NSW households at around \$218, compared to \$40 for domestic fuel and power (energy)¹³⁰
- long commutes and productivity impacts, with an average commute of 71 minutes in Greater Sydney and 51 minutes a day in regional NSW¹³¹
- higher greenhouse gas emissions, as car use is a key contributor to greenhouse and air quality impacts
- higher development costs, given the high costs of building and maintaining basement parking.

Better integration between where people live and the places they work and visit can support the environment and productivity while generating valuable personal and community benefits. Public transport and options such as cycling and walking, as well as the location of new housing relative to transport, all support this. These are the underlying ambitions of a 30-minute city.

New approaches such as car sharing and emerging technologies such as automated vehicles could also change how people move around their communities.

SNAPSHOT:



WHAT ARE AUTONOMOUS VEHICLES?

Historically, cars have drastically changed the design and form of urban places and how people move and interact with their surroundings.

Autonomous vehicle technology (or self-driving cars) presents an opportunity to reduce road congestion and pollution, especially if used as a shared resource rather than an individual asset. It also has the potential to create a more people centric design approach by reducing the presence of cars in our public spaces.

How housing impacts place

Each community in NSW has a distinct identity and function, produced by a combination of local people, Country, culture, history, climate and natural features. The built environment, including housing, is part of this. The type of activities and services available, and the design of buildings, influence each community's character, which contributes to a place's broader attractiveness.

As a major land use, housing shapes local identity through its design – not just how it responds to the environment, but also how it complements local character and surrounding public areas. Different densities, architectural styles and materials can contribute to character. Well designed homes are typically better cared for, contribute to an area's attractiveness and reiterate local affiliations.

A variety of dwelling sizes and types, accessible and specialist accommodation, and diverse price points and tenures can also create demographically and economically diverse communities.

¹²⁹ Australian Bureau of Statistics (2016), *Australian Census of Population and Housing*, DPIE analysis

¹³⁰ Australian Bureau of Statistics (2017), *Household Expenditure Survey*, Australia., <https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6530.02015-16?OpenDocument>

¹³¹ Melbourne Institute: Applied Economic & Social Research (2019), *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 17*, https://melbourneinstitute.unimelb.edu.au/___data/assets/pdf_file/0011/3127664/HILDA-Statistical-Report-2019.pdf

What people enjoy about their home is also influenced by place and community – whether they can reach transport or social infrastructure to feel physically, digitally, culturally and economically connected. If people can easily walk around their local area, take transport to other places, easily get to work or other facilities, enjoy local recreation and cultural opportunities or open spaces, their way of life will improve. Local streets and different types of centres and neighbourhoods combine with these factors to create sustainable, liveable and attractive communities.

Longevity of housing

Housing provides shelter and can be people's largest financial investment. The quality, durability and safety of housing is essential.

An existing national system, the National Construction Code, sets minimum necessary technical requirements for the design, construction and performance of buildings and is administered in NSW by the NSW Government, alongside other policies that promote safe homes.

Recent events in Australia have highlighted concerns about the building construction industry and building quality. A review of compliance and enforcement systems for the building and construction industry by Peter Shergold and Bronwyn Weir highlighted national challenges, including the lack of competence and training in building practitioners, instances of non-compliance, inadequacy of documentation and limitations in compliance and enforcement action.

Examples such as the defects at the Opal Tower in Sydney Olympic Park and at Mascot Towers, and the fires at the Lacross Building in Melbourne and at London's Grenfell Tower, have diminished public confidence in the construction industry, the safety of buildings, and the public policies that oversee them. This must be addressed to ensure safety and to restore confidence, particularly given higher densities are increasingly necessary and popular.

WHAT THIS MEANS FOR THE NSW HOUSING STRATEGY



The NSW Housing Strategy needs to plan for how housing contributes to and is affected by its environment – broadly its social, economic and environmental context. This includes the resilience of housing over time and to a changing climate, its contribution to environmental impacts and how it shapes a community's character and wellbeing.





What is already underway?

Planning for both the environment and housing considers the appropriate location of new housing relative to constraints, hazards and resources, as well as supporting infrastructure. In each development, the siting of the building and its design features can contribute to environmental sustainability, safety and liveability.

A range of initiatives are underway in addition to broader policy reform, such as the NSW Climate Change Policy Framework:

- **The NSW Electricity Strategy** will improve competition, cost-effective technologies and implement an ambitious reliability target.
- **The NSW Net Zero Plan Stage 1: 2020–2030** sets the foundation for NSW's goal to reach net zero emissions by 2050.
- **Building Sustainability Index (BASIX)** sets benchmarks and criteria relating to water, energy and thermal comfort in residential development. To 2017–18, BASIX has been used to assess 460,000 dwellings, saving 281 billion litres of water and 8.8 million tonnes of greenhouse gas emissions.¹³²
- **The National Construction Code** sets minimum requirements for the design, construction and performance of buildings and is administered by the NSW Government.
- **Other national approaches** to improve sustainability in housing include the National Australian Built Environment Rating System (NABERS), which measures the energy efficiency, carbon emissions, water consumption and waste produced in buildings; and the Trajectory for Low Energy Buildings, a national plan to deliver zero energy buildings to lower bills, improve comfort and reduce pressure on the electricity grid.
- **Improving sustainability** in NSW Government-owned housing includes plans by the AHO to use solar power on 65 per cent of its portfolio and a trial of hydro panels in the Far West region to produce water.¹³³
- **Wider environmental reforms**, include developing a 20-year Waste Strategy for NSW.
- **Integrated and responsive design** is promoted through *Better Placed*, an integrated design policy for the built environment of NSW as well as *Planning for Bush Fire Protection 2019*.
- Planning for **quality apartments** is subject to *State Environmental Planning Policy No 65 – Design Quality of Residential Apartment Development* and the accompanying Apartment Design Guide.
- **Precinct planning**, including with and led by councils, requires new homes and jobs to be planned for close to public transport, services and public spaces.
- We have committed to **planting five million trees** by 2030 in Greater Sydney to increase tree canopy by over 40 per cent of the city.
- **Public spaces are a priority of government**, as evidenced by the Premier's Priority to 'increase the proportion of homes in urban areas within 10 minutes' walk of quality green, open and public space by 10 per cent by 2023' and 'increase the tree canopy and green cover across Greater Sydney by planting one million trees by 2022'.
- **Building and construction safety** will be improved with the appointment of the NSW Building Commissioner, consultation on reforms to implement the national review of compliance and enforcement and the combustible cladding regulation.

¹³² NSW Department of Planning, Industry and Environment

¹³³ NSW Aboriginal Housing Office (2019), *Strong Family, Stronger Communities 2018–2028 Implementation plan 2010–2022*, <https://www.aho.nsw.gov.au/download?file=669563>

What should the NSW Housing Strategy address?

The NSW Housing Strategy should consider how housing and urban environments can be designed and constructed and located to ensure resilience, reduce resource use and costs and contribute positively to communities.

Knowing the existing work underway, and the levers available to both the NSW Government and our delivery partners, we propose a number of potential directions for the NSW Housing Strategy.

4.1 Continually improve the quality and resilience of new housing

As technologies develop and prices for materials and appliances that improve environmental performance fall, we can continually improve BASIX to keep up with best practice. Any proposed updates should be considered against potential paybacks for owners.

We expect the 2022 updates to the National Construction Code to include new thermal and other environmental performance measures. BASIX targets should aim to meet or exceed those set in the Code.

The NSW Housing Strategy could look to broaden BASIX's focus to the resources people use in the home, the impacts of building design on urban heating, and how tree planting around buildings can create shade and attractive areas. Place-focused variations to BASIX could be considered to improve environmental performance in regional areas.

4.2 Improve the environmental sustainability of existing housing

There are a variety of options to better inform residents and, where possible, improve the environmental performance of existing housing. For example, we could look to implement or extend the disclosure of energy performance for dwellings and energy standards for rental properties. This could incentivise sellers and landlords to improve building standards and utilise reporting requirements, technology standards or incentives.

The NSW Housing Strategy may also look at sustainability outcomes in strata buildings, including apartments to make it easier for strata schemes to implement sustainability infrastructure like solar panels or improve the energy efficiency of common areas such as lifts and lobbies, car parks, gyms, pools or air conditioning. Common areas of apartment buildings account for up to 60 per cent of the total building's energy consumption.¹³⁴ The NABERS common areas tool could be an option to measure and improve energy consumption in apartments.

4.3 Improve environmental sustainability and resilience in residential precincts

Many environmental performance technologies are more efficient at a precinct scale than at the individual dwelling scale as the cost technology can be shared.

Technologies may include precinct-scale batteries for energy, anaerobic digestion plants for waste, or precinct-scale water reuse and waste management. Smart technologies also help with resource management, such as the capacity to monitor energy and water consumption in real time and remotely control the operation of electrical appliances such as air conditioners.

¹³⁴ National Australian Built Environment Rating System (2019), *Our ratings, NABERS Energy*, <https://www.nabers.gov.au/ratings/our-ratings/nabers-energy>



The NSW Housing Strategy could consider how direct government support or regulation can create opportunities for precinct-scale initiatives. This could mean direct intervention to establish foundations for smart technology, including building platforms for data collection and sharing, or piloting projects to build an evidence base for future investment.

Precinct-based planning approaches in Greater Sydney and strategic planning in growing regional areas could present opportunities to promote precinct-wide improvements.

4.4 Support housing and residential precincts that are responsive to natural hazards

The NSW Housing Strategy could consider options to be incorporated into new housing and precincts. For example:

- using bush fire-resistant materials and designs
- using light coloured roofing to minimise heat
- raising floor levels that may flood
- using heat resistant materials in telecommunications or electrical equipment
- using roofing materials that reduce impacts of hail damage
- using the planning system to locate new housing away from flood-prone land or land at risk from bushfires and other natural hazards
- designing the landscape around housing to provide shading and reduce temperatures.

Implementing these options would need to consider potential impacts on housing cost and any associated insurance requirements.

While there is considerable need to ensure resilient new housing in the immediate future, future planning needs to respond to changing conditions over the medium and long term.

4.5 Consider alternative transport approaches in major centres

Access to public transport can reduce the need for cars and corresponding reduced car ownership could reduce the number of car parking spaces in developments near transport hubs. This offers environmental and affordability benefits.

Our partners must also be involved

- **Councils** and **industry** can create housing that is more resilient and increases people's comfort.
- **Industry** can adopt approaches to improve thermal comfort, energy and water efficiency, while designing places that complement their local area.
- **Homeowners** and **finance providers** can invest in features that improve a home's efficiency and build resilience.

FOR DISCUSSION

There are a range of actions we could take to support housing sustainability, resilience and safety trends. Which ones should be prioritised in the NSW Housing Strategy?

What role can you play as a member of industry, council or community to improve sustainability, resilience and safety trends? How can the NSW Government support you in this?



Next steps

We want more people to be able to access homes that they can afford – places where they feel stable and live close to their networks and plenty of opportunities.

This Discussion Paper has explored the diverse and changing needs of residents across the State. Our next step is to build on what we hear from you in response to these findings and our proposed directions to develop a NSW Housing Strategy that can:

- take action to provide the right kind of housing in the right locations
- support the work of our delivery partners

Once consultation finishes, we will consider your feedback and how it can be incorporated into the NSW Housing Strategy. What we hear will be critical to creating a Strategy that reflects collective needs and ultimately achieves better housing outcomes.

You can provide your feedback by:

- Making a submission or completing the survey at www.planning.nsw.gov.au/AHousingStrategyforNSW
- Writing to:
Housing Strategy Implementation Unit
Land and Housing Corporation
Department of Planning, Industry and Environment
Locked Bag 4009
Ashfield BC, NSW 1800

Appendix: Glossary

| Term | Definition |
|--|---|
| Affordable rental housing/ Affordable housing | <p>Housing affordable for households on very low to moderate incomes as defined in the <i>Environmental Planning and Assessment Act 1979</i> and <i>State Environmental Planning Policy No 70—Affordable Housing (Revised Schemes)</i>:</p> <ul style="list-style-type: none"> • very low – 50% of median income • low – 50–80% of median income • moderate – 80–120% median income. |
| Ageing in place | The ability for someone to stay living in their local area, close to their established networks and known services, as they get older. |
| Dwellings | All types of housing, whether a granny flat or studio to an apartment, townhouse, terrace, semi-detached or standalone home. |
| Home ownership | When people own where they live, either outright or with a mortgage. |
| Homelessness | <p>The lack of a ‘home’, not the lack of a ‘roof’, where the space someone lives lacks security, stability, privacy and safety. Includes people rough sleeping, living in improvised dwellings or tents, living in temporary shelters or temporary shelters or couch surfing.</p> |
| Housing affordability | The ability of a household to afford the cost of housing. |
| Housing continuum | Describes people’s diverse housing experiences from homelessness to home ownership, renting and the needs of seniors or people with disability. People move back and forth along the continuum depending on life events or their aspirations or capacity. |
| Housing pipeline | The forecast housing supply for an area based on its zoning patterns, growth patterns, market patterns and the sequencing of construction. |
| Housing typologies | <p>The shape and form of housing: the varying scale, layout, number of bedrooms and whether housing is usable and accessible by all people.</p> <p>The availability of different housing typologies depends on an area’s landscape, topography, planning controls and proximity to centres, services and facilities, and transport.</p> |

| Term | Definition |
|---|--|
| Infrastructure contributions | Contributions of money or land, or sometimes as agreements for the equivalent 'works in kind', collected by the NSW Government and councils from the beneficiaries of development – usually developers of new housing – to help fund the infrastructure that will be needed for the people living in that development and the surrounding community. |
| Key workers | Someone who provides a vital service, especially in the police, health or education sectors. |
| Knowledge-intensive workers/industry/economies | The types of jobs, services or industries that draw on knowledge as its key commodity in areas such as education, health, communications, finance and insurance, and professional business services. |
| Liveability | What a place is like to live in, in terms of comfort, safety, the environment, and the types of nearby services or opportunities. |
| Local character | What makes a neighbourhood distinctive or the identity of a place, including the way it looks and feels. It is created by a combination of land, people, the built environment, history, culture and tradition. |
| Local Housing Strategies | Local Housing Strategies may be required by Regional or District Plans. They establish the future housing needs for an LGA and aspirations of the community. All Greater Sydney councils and some regional councils are required to develop Local Housing Strategies. Other councils may choose to develop one for their area. |
| Local Strategic Planning Statements | Local Strategic Planning Statements are 20-year visions for land uses in each LGA. They outline how growth will be managed, special characteristics that contribute to local identity and shared community values. Greater Sydney councils were required to have finalised and released their statements by March 2020 while regional councils have until July 2020. |
| Private rental | Rental accommodation provided in the private market. |
| Rental stress | Occurring when a household has an income in the bottom 40 per cent of either Greater Sydney's or regional NSW's income distribution and pays more than 30 per cent of this income in housing costs. |
| Social housing | Housing for people on low incomes or people in housing crisis, owned or managed by government or community housing providers. Rents are based on income. |
| Specialist housing | Accommodation designed for unique needs such as housing for people with disability (including group homes) or older people (such as residential care units). |
| Universal design | Designing homes to meet resident needs across their lifetime. A universally designed home should be easy to enter, easy to move around and capable of easy and cost-effective adaptation. |



