



THE HOUSING WE'D CHOOSE:

a study for Perth and Peel

Summary report • May 2013



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Supported by



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The document must be attributed as *The Housing We'd Choose: a study for Perth and Peel*.

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This summary booklet and the more detailed report of the study performed by Curtin University Business School and Hames Sharley can be accessed via the following websites:

www.housing.wa.gov.au

www.planning.wa.gov.au

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INTRODUCTION

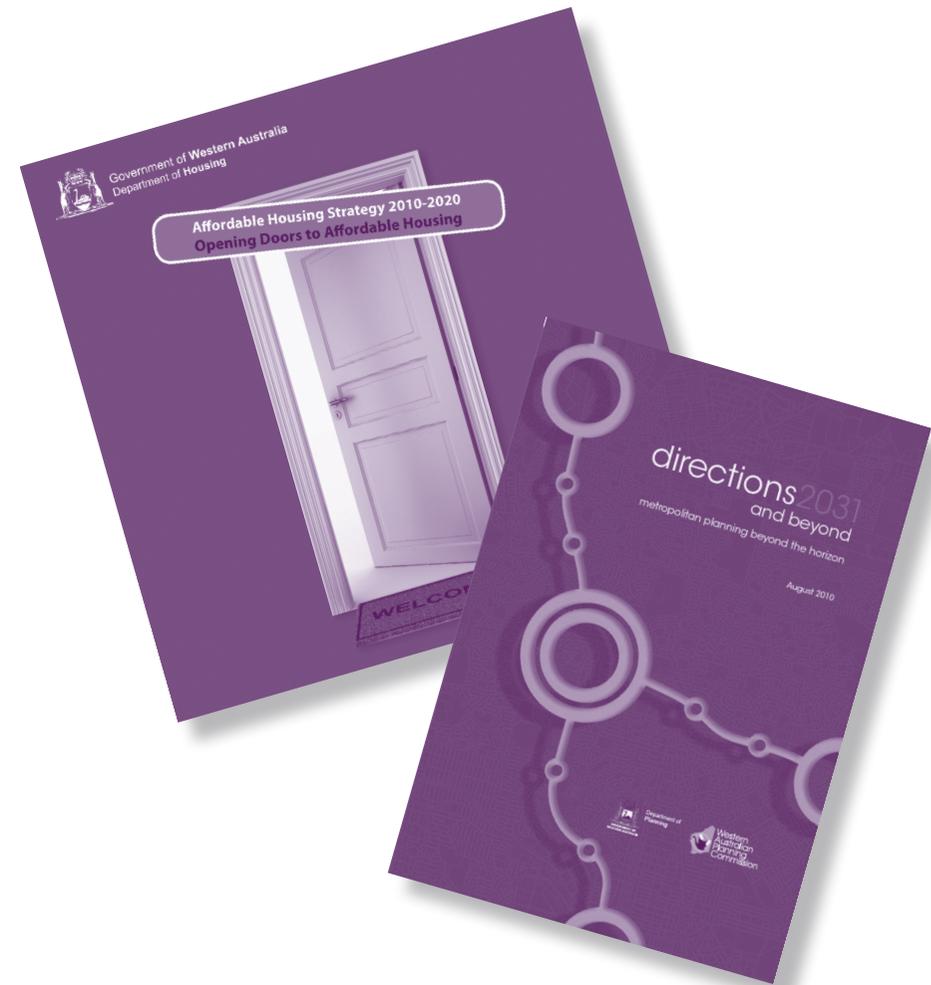
Perth is in the midst of an unprecedented transformation. In the face of dramatic population growth and demographic change, it is critical to examine whether current and planned housing stock meets the needs of Perth's present and future residents.

The Housing We'd Choose: a study for Perth and Peel was inspired by the Grattan Institute's study *The Housing We'd Choose*, which was conducted in Melbourne and Sydney during 2011 and found a mismatch between the stock residents said they would choose and what was planned or available to them. Part of this study sought to understand whether a similar mismatch existed in Perth.

Perth's current housing stock is largely characterised by detached homes in the suburbs, many of which have four or more bedrooms. While this meets the needs of many, it is problematic for others who need something small and affordable in which to form a new household, or who may want to downsize to a smaller dwelling in the location they have come to know over many years. In addition, it is becoming less socially, economically or environmentally viable to continue Perth's traditional pattern of development that focuses on providing large, detached dwellings on the urban fringe.

Both *Directions 2031 and Beyond* and the *State Affordable Housing Strategy 2010 to 2020; opening doors to affordable housing* recognise the importance of improving the density and diversity of our housing stock. This study was commissioned by the Departments of Planning and Housing to test the appetite of the residents of Perth and Peel for these concepts and to understand the factors that influence the types of housing they chose.

The research was conducted by Curtin Business School with project management by Hames Sharley and support from the Western Australian offices of the Housing Industry Association, Planning Institute of Australia and the Property Council of Australia.



THE APPROACH

The study was conducted in four stages:

Focus groups which were used to develop and rank the variables used in the first on-line survey and to develop an initial indication of unconstrained housing preferences.

“What Matters Most?” on-line survey which identified the housing attributes that people valued most when not constrained by income.

“Housing Preferences and Trade-Offs” on-line survey which aimed to examine the choices made by households when constrained by income.

Matching demand and supply which is a comparison of existing supply with the preferences derived from the Housing Preferences and Trade-Offs survey.

This research was based on the methodology used by the Grattan Institute with some modifications to take into account the findings from focus groups and Western Australian terminology. Care should be taken when comparing results between the two studies.

Focus groups

- 5 held in Perth, 1 in Peel
- Total of 62 participants - full cross section of age, income and household type
- 18 dwelling types considered

What Matters Most? online survey

- Not constrained by income
- 866 respondents to online survey
- 76 attributes provided. Participants asked to select the most important, and then rank their top 4

Housing Preferences and Trade-Offs online survey

- Constrained by income
- 1,071 respondents
- 16 house-types, notionally available across 9 regions
- Respondents presented with a range of house types affordable to them and then asked to rank their top 4

SURVEY 1: WHAT MATTERS MOST?

What features or attributes matter most to people and motivates their choice of housing when unconstrained by finances?

Ownership dream remains strong

Overwhelmingly, people want to own their home with 98% preferring owner occupation and only 2% preferring to rent.

The strong desire to purchase a dwelling and perception that renting is a short term solution is an entrenched Australian cultural tradition. Home ownership is seen to provide financial security, whilst the stability of location it offers also helps to build better ties with family, friends and the local community.



A safe neighbourhood

Safety was uppermost in the minds of respondents with a safe neighbourhood being the most important housing attribute. A secure dwelling also featured highly.



Diversity

In focus group discussions, older homes were regarded as having more character and being of better quality than new homes. Established neighbourhoods, where there are mature trees and a variety of dwellings of differing ages and styles, were perceived as more attractive than newly constructed suburbs which were generally considered to lack character.



Building materials

88% of people said that building materials mattered when they were choosing a home. Around half of these respondents preferred double brick; however a substantial proportion (26%) of respondents wanted their homes to be built using alternative materials to traditional double brick.



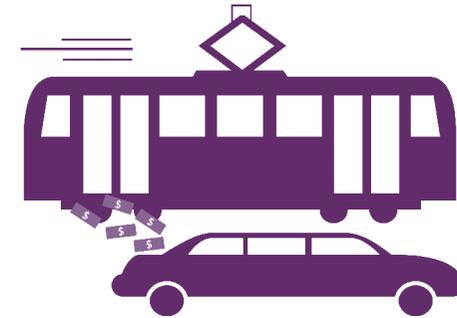
Getting to work

Easy access (not necessarily close proximity) to work was regarded as very important to most people.



Public transport

The importance of public transport varied depending on income. People on lower incomes rated it as a more important issue than wealthier people.



Work life balance

In focus group discussions people indicated that the ability to drop their children at childcare or school and easily get to work, shops or services (ie. the daily run) was an important factor in their housing choice.



Sustainable homes and cost

People often listed sustainable housing features in the top 10 things that mattered most to them when choosing a home.

However, when they had to rate these according to their importance, sustainable housing features did not rate highly compared to other features, like number of bedrooms.



SURVEY 2: PREFERENCES AND TRADE OFFS

What housing choices will people make when constrained by a realistic budget?

LOCATION

Where would people prefer to live, and how do they trade-off to achieve the best outcome?

Location, location, location!

Location was the most important factor driving housing choice in the 'Housing preferences and trade-offs' survey. Three quarters of respondents nominated the factor above house type and house features. This result was common across all demographic groups and household structures.



Inner areas preferred but less affordable

A clear majority of people preferred to live in the inner central and outer central regions of Perth. Only half of respondents could choose this location when constrained by household budget.



Life cycle and location

Younger people (18-34 years) had an overwhelming preference (76%) to live in the inner central, outer central and river/coastal regions.

A lower proportion (though still a majority) of people over 55 years (54%) also expressed a preference for these regions.

Younger people were attracted to these regions due to the entertainment offer and concentration of opportunities to access work.



WHAT SIZE OF DWELLING?

What size and type of dwelling do different households want?

Three bedrooms is the sweet spot!

44% of people preferred a three bedroom dwelling and set this as the minimum size of home they were prepared to live in. This barely changed (46%) when their choice of home was constrained by household budget.

44% of people who initially preferred a four bedroom dwelling were willing to trade-off to a smaller, three bedroom dwelling.



McMansions off the menu

Only 15% of people said a four bedroom dwelling was their minimum requirement, and only 8% chose a five bedroom house when constrained by household budget.



What is too small?

Only 16% of participants chose a house with two bedrooms, and only 2% chose a one bedroom dwelling.

Investors, who comprise a large proportion of purchasers of smaller housing (particularly apartments), were not surveyed in this study.



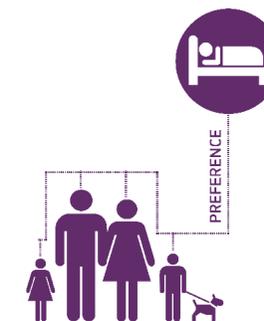
Bedroom vs house type

People were less willing to trade-off the number of bedrooms than house type.



Families with children prioritise more bedrooms

Families with children were less likely to trade-off the number of bedrooms, whereas all other demographic groups were more flexible on this criterion.



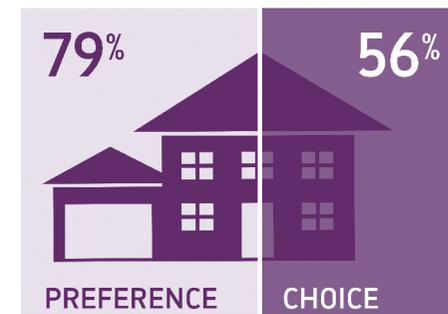
WHAT TYPE OF DWELLING?

What type of house do people prefer, compared to what they choose when constrained by budget?

“The great Australian dream” vs reality

79% of people initially preferred to live in a separate house, however, only 56% chose this type of house when constrained by location and affordability factors.

The three most popular housing choices, when constrained by household income, were all separate houses.



Semi-detached housing – way of the future?

Just under 16% of people had an initial preference to live in a semi-detached house. However, this increased to 35% when their choice was constrained by household income. Almost half of all people listed semi-detached housing in their top four choices.

People who chose semi-detached housing were more likely to be aged under 35 years old, middle income earners, working in the inner city and without children, and therefore required fewer bedrooms. They were also more likely to have lived outside of WA at some stage in their lives.

For many, semi-detached housing was a trade-off from separate housing in order to meet affordability and location constraints.



Apartments: living and design

Focus group participants associated a number of negative aspects with apartment living, including noise, lack of privacy and strata fees. However, people were far more amenable to renting apartments than being long term owner occupiers.

Only 16% of people who currently live in an apartment would prefer to remain in an apartment.



Housing aspirations and expectations

People who have lived outside WA had the same preference for separate houses as people who only lived in WA. However, people who have lived outside of WA were twice as likely to trade-off to an apartment if it meant being able to live in their preferred location. With over 1,000 people moving to WA each week, this means that there is likely to be a growing number of people willing to live in apartments.



Lifecycle and trade-offs

Singles are most likely to trade-off their preferred housing type for other factors such as location, with 66% changing their preferred housing type from a separate house to a semi-detached house or an apartment, when constrained by household budget.

Couples without children were the second most likely cohort to trade-off their preference for separate housing, with 30% choosing a semi-detached house or an apartment when constrained by income.

Families with children were the least likely to trade-off to a semi-detached house or an apartment. This could be attributed to the fact that the choices available in the survey for the largest semi-detached house or apartment had three bedrooms, whereas the choice of separate houses had four or five bedrooms.



MATCHING DEMAND AND SUPPLY

How does the housing people want compare to the housing stock available, and is it affordable within budget constraints?

Housing stock vs housing preference

The survey results suggest that Perth's current housing stock closely matches people's preferred housing type when not constrained by location and affordability factors.

Housing stock vs housing choice

When comparing the current housing stock to people's financially-constrained housing choices, we find that separate housing is oversupplied, and there is an undersupply of semi-detached housing.

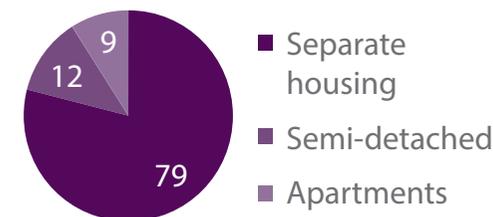
Unmet demand for semi-detached

According to people's housing choice, it appears that there is a significant role for semi-detached housing to play in meeting Perth's population growth over the next 20 years.

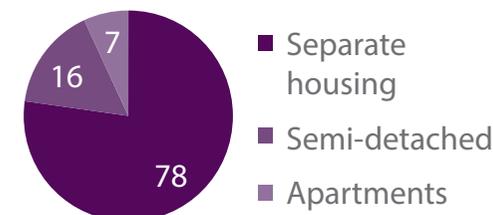
Investigate apartments further

Apartments were the least favoured form of housing in both initial preference and then constrained choice results. However, it is important to note that this study did not survey investors, who purchase a large proportion of the apartment market. Also, renters were much more amenable to living in apartments than owner occupiers, suggesting that there is demand for this type of product.

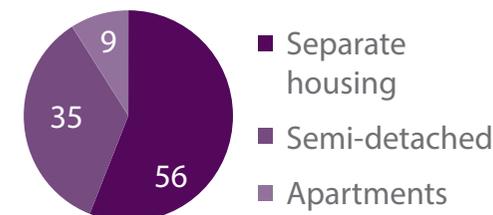
Current stock



Preference



Choice



Overall, the survey suggests that the balance of new supply needs to shift from the existing pattern of 80% separate houses to a much more even spread of around 56% separate houses, 35% semi-detached and 9% apartments. The actual spread would be determined by location (see table 1). The biggest changes required to current supply patterns would need to occur in Inner Central, River/Coastal and the South West, with supply generally switching from separate houses in outer regions to semi-detached dwellings in inner areas, with some additional separate housing supply in coastal regions. This pattern of supply would deliver a much more diverse product and provide a far greater choice for Perth and Peel households, permitting location and house type/size trade-offs.

Table 1 Current stock compared to first choice housing options

Area	Separate (detached) house	Semi-detached, row or terrace house, townhouse	Flat, unit or apartment
North West	7%	-1%	0%
North West Coastal	-4%	-2%	0%
River/Coastal	-6%	-5%	-1%
Inner Central	3%	-6%	2%
Outer Central	6%	-2%	2%
North East	5%	-1%	0%
South East	5%	-3%	-1%
South West	4%	-5%	-1%
Peel	2%	0%	0%
Perth and Peel	22%	-23%	1%

A negative figure indicates that current supply is below the demand expressed through survey choices. A positive figure indicates that supply is above the demand expressed through the survey choices.

CHALLENGES AND OPPORTUNITIES

The findings of *The Housing We'd Choose: a study for Perth and Peel* highlights a number of issues for government and industry as they seek to provide a housing profile that better matches sustainable urban development and policy objectives as well as Perth residents' housing choices.

Community safety

Safety was one of the most important factors people identified when choosing where they preferred to live and the type of home they wanted. Both industry and government need to ensure that neighbourhoods and individual homes are designed in a way that provides both real and perceived security to residents, although community safety is a much bigger issue than housing design.

Dwelling size and design

The relatively low appetite for four and five bedroom dwellings suggests a shift in emphasis towards small and medium-sized dwellings is needed. This will not only cater for existing demand, but also the changes in household types that are forecast for the future. Lone person households are expected to form an increasing proportion of Perth's population. While the need for storage space and amenity may maintain their appetite for medium-sized dwellings, they are less likely to want four and five bedroom homes.

Separate housing traded off for a semi-detached when affordability and location considered

Many people chose semi-detached housing as a trade-off from separate housing in order to meet affordability and location constraints. The willingness to accept this form of housing over apartments may in part reflect Perth residents' perceptions about

apartment living and their lack of experience with this kind of dwelling when compared to semi-detached housing. Industry has both a challenge and an opportunity to address these perceptions by designing and building apartments that provide a high-quality living environment.

The study also revealed a desire for greater diversity of housing within both existing and new neighbourhoods, which translates into an opportunity to develop a mix of varied and affordable housing in all suburbs in the future.

Activity centres and apartments

People's reluctance to accept apartments and the high cost of construction in Perth can make them difficult to deliver, and less appealing to the market particularly in areas with limited amenity. As congestion increases in Perth and Peel, and the resultant travel time and costs escalate, some people may seek to move closer to their place of work. In so doing, they may be more prepared to 'trade-off' their preferred housing type for a smaller dwelling in a more amenable location.

At face value, apartments in the right location present an opportunity to improve both diversity and affordability.

Statement of planning policy SPP 4.2 - Activity Centres for Perth and Peel aims to increase housing in and around appropriate centres as well as create a greater diversity of entertainment, social and transactional uses in centres.

Incentives for infill?

People's strong preference is to live in a separate house, however,

many have indicated that they will trade-off to denser forms of housing in the right set of circumstances. Price is one of the most important drivers of these decisions.

State and local government and the housing industry need to encourage opportunities for supplying a greater diversity of housing types such as through partnerships, use of incentives, and the application of higher densities in locations with good amenity and access to quality public transport.

Sustainable features: overcoming up-front costs

Delivery of housing with sustainable features such as solar panels and water tanks was identified as important to study participants, however, they were not prepared to shoulder the upfront costs. Smarter packaging and pricing of sustainable features will be key to increasing demand for all sustainable homes. People have a clear desire for climate responsiveness and reducing household running costs. The challenge is delivering these at a cost that people are willing and able to pay up front.

Planning strategies

The findings of the study confirm that many Perth residents are prepared to choose the compact housing types - particularly semi-detached homes - required to meet the 47% infill target identified by *Directions 2031*. The challenge will be to create planning frameworks that respond to and deliver the types of housing that meet this demand, while meeting infill housing targets.

Housing strategies

The findings indicate a lack of affordable housing options for both

purchasers and renters with a number of respondents unable to afford any of the housing options available to either buy or rent.

The results also suggest that a significant proportion of future housing demand will come from renters seeking to switch tenure, indicating a strong demand for affordable purchase alternatives.

The State Affordable Housing Strategy 2010 to 2020: opening doors to affordable housing aims to increase the availability of affordable housing for low to moderate income households. Among the intended outcomes of the Strategy is increased density and diversity of housing, more use of affordable construction techniques and better alignment of housing stock to the number of occupants. This research provides greater certainty about the appetite for these concepts and will help to inform industry as well as local and state government in the delivery of their housing strategies.

CONCLUSION

The Housing We'd Choose: a study for Perth and Peel marks the beginning of an important conversation about Perth's future. Both government and the development industry now have a much better understanding of the real life choices that Perth residents are prepared to make when deciding the location, size and type of house that they want to live in. The collective challenge is to deliver housing that responds to these choices.

All levels of government and developers will need to find opportunities to remove the barriers, reduce the costs and increase the efficiency of delivery of the diversity and density of housing, particularly closer to the Perth CBD.

To see the full report, visit www.housing.wa.gov.au or www.planning.wa.gov.au

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