



Building sustainable neighbourhoods

LIVEABILITY AND DIVERSITY FOR FUTURE GENERATIONS

Local Planning Strategy Review

Issue Paper 4

Issue Category: Housing supply, demand and affordability

April 2024

Issue	Phase 2 Action
Reduced housing affordability.	Investigate housing affordability broadly and identify whether there are any planning mechanisms available to local government to support housing affordability.

Key Findings:

- Housing in Australia has become less affordable over time due to a number of supply, demand and economic influences.
- Housing affordability in Western Australia has followed similar trends, although affordability issues are not as acute as they are in eastern states markets.
- Local Governments have minimal influence in housing affordability beyond ensuring capacity for additional housing supply within a Local Planning Strategy and Scheme.
- Opportunities exist for further measures to be implemented to remove barriers and incentivise/mandate the provision of affordable housing through new developments.
- Additional approaches need to be considered in the context of their limitations.

Affordability trends and influences:

The following summarises housing affordability metrics and trends which are included in [CoreLogic's Housing Affordability Report 2023](#) to measure and track housing affordability nationally.

Affordability Metrics:

- Value to income ratio
 - Median household income vs. median dwelling value
- Years to save deposit
 - Measure of affordability for households that do not yet own a home.
- Serviceability
 - Measure of mortgage serviceability for median income households
- Rent to income ratio
 - Measure of the percentage of gross annual income required to rent on new leases.

Affordability Trends:

- The value of a dwelling with an affordable loan amount for the median dwelling incomes was \$479,000 in September 2023, while the actual median house price during that period was \$700,000 nationally. In Perth, the dwelling value to income ratio increased from 4.7 in March 2020 to 5.9 in September 2023 meaning that average house prices have risen at a higher rate than median incomes over the same period, thus reducing the purchasing power of prospective home buyers.
- The number of years required to save a 20% deposit has increased to over 10 years nationally for the median dwelling value as house prices have increased. This is up from 8.7 in March 2020. The number of years required to save a 20% deposit in Perth sits currently at 7.8 years, up from 6.3 years in March 2020.

- Serviceability for mortgages has deteriorated nationally with the portion of income required to service a new home loan, rising to 46.2% from 29.9% in March 2020. This is reflected in the increases to the cash rate since the record low in March 2020 to respond to the Covid-19 pandemic. The portion of income required to service a new mortgage in Perth rose from 21.4% in March 2020, to 36.1% in September 2023.
- Advertised rent values nationally have increased 28.4% since March 2020. The portion of income required to service rent on a new lease in Perth has increased from 21.8% in March 2020 to 29.8% in September 2023.

The above trends are interlinked, wherein the historic trend of households transitioning from renting to home ownership has been disrupted by rising rental costs depleting savings and making it harder to secure a loan. This is further impacted by rising deposit requirements as home values rise, and the cost of finance increasing in recent years with interest rate rises. These conditions have resulted in a fall in home ownership for lower income households over time and reduced buying power for non-homeowners.

Affordability Influences:

The following outlines broad factors which have influenced trends in affordability across the Perth metropolitan area and Australia.

- Increased demand for housing influenced by:
 - High net migration and population growth over time.
 - Changes in average household sizes since the Covid-19 pandemic.
 - Historic long term income growth and low interest rates driving demand for individual home ownership.
 - Tax concessions for property investment driving demand for housing.
 - First homebuyer grants and economic stimulus grants offered through the Covid-19 pandemic driving demand for housing.
- Under-supply of housing influenced by:
 - Planning constraints in the provision of development-ready greenfield land and slow uptake of infill development in existing suburbs.
 - Interest rate increases due to cash rate rises imposed by the reserve bank reducing borrowing power and keeping more of the population on the rental market for longer, reducing rental supply.
 - Labour and materials shortages increasing construction costs and therefore the cost of building new housing, reducing the supply of overall housing and keeping more of the population on the rental market for longer, also reducing supply.

Local government opportunities:

The ability of a local government to influence housing affordability is limited beyond ensuring a supply of additional housing is not unduly hindered through the Local Planning Strategy and Scheme.

Notwithstanding this, the below outlines opportunities for additional measures which could be undertaken to influence affordability. These opportunities have in-part been informed by the State Government's Planning Provisions for Affordable Housing Discussion Paper 2013.

Opportunities	Key Considerations
Barrier reduction strategies	<ul style="list-style-type: none"> • Barrier reduction strategies seek to remove or reduce controls that inhibit the development of affordable housing. These controls may include restrictions on the development of smaller development types, minimum dwelling sizes, or provisions that require expensive finishes or materials on dwellings. • Planning provisions which implement additional design requirements for dwellings above those required within the Residential Design Codes can in some cases require design changes for dwellings which result in an overall increased build cost. Whilst this does not impact the provision of affordable housing specifically, it can impact on the affordability of new houses developed. • It is noted that development controls also play an important role in ensuring good liveability and sustainability outcomes, and this should be factored in when considering barrier reduction strategies.
Planning incentives	<ul style="list-style-type: none"> • Affordable housing incentives could be incentivised through local planning policy by allowing for density or height bonuses for the provision of housing through partnership agreements with the Housing Authority (now Department of Communities) or non-profit housing providers recognised by the Housing Authority. • It is noted that the responsibility for the delivery of social and affordable housing sits under the responsibility of the State Government. • Other Local Government experience with affordability incentives of this nature have not resulted in the successful uptake implementation of such policy provisions. • Incentives would need to be considered to ensure their intended outcomes are workable within the local housing market and do not have adverse impacts on the amenity of the location for other residents.
Sale of surplus City owned land for affordable housing projects	<ul style="list-style-type: none"> • This approach is similar to the City's current approach for aged and dependent persons dwellings. • Would need to consider the need for affordable housing in the City and if this is great enough to consider this approach. • Would need to consider best practice for the delivery of social and affordable housing wherein it is not best delivered entirely within one development on a single site.
Increase supply of housing	<ul style="list-style-type: none"> • Creating capacity for additional supply of housing in established areas to meet increased demand can contribute to improvement in housing affordability in WA. The City has a role in planning for additional housing supply through its Local Planning Strategy and Scheme. The City's current Local Planning Strategy provides capacity for additional dwellings through activity centres and Housing Opportunity Areas in order to meet the infill and additional dwelling requirements of the Sub-Regional Planning Framework. • Delivery of additional housing in an infill context needs to be managed carefully to ensure development outcomes are in alignment with community expectations with respect to liveability and sustainability.

Recommendation:

The Local Planning Strategy, as a land use planning document has limited influence over housing affordability, beyond planning for capacity for additional housing supply. As such it is recommended that the City does not take further action in relation to this issue beyond ensuring that the revised Local Planning Strategy continues to plan for additional dwelling capacity.

It is noted that feedback from the Department of Communities indicates a number of current actions being taken by the State Government to invest in social housing and homelessness measures to contribute to addressing housing affordability issues in Western Australia.

Issue	Phase 2 Action
<p>Limited access to housing.</p>	<p>Investigate planning mechanisms available to local government to:</p> <ul style="list-style-type: none"> • Incentivise higher density housing in activity centres • Support a diversity of dwelling types • Address the requirements of the WAPC <i>Residential Accommodation for Ageing Persons Position Statement</i>

Key Findings:

- Housing supply is influenced by a broad range of factors, some of which are outside of the influence of Local Government
- The City will need to plan for a greater diversity of housing options to cater for future demographic changes
- The City's current local planning strategy provides sufficient capacity for additional housing to be delivered through the market.
- Market conditions and buyer preferences present obstacles for the development of a greater diversity of dwelling typologies.
- Provisions included within the amended Residential Design Codes (medium density codes) provide additional incentives for increased diversity in housing typologies through small dwellings provisions.

Consultation outcomes reporting and the supply and demand analysis indicated the following issues in relation to the supply of housing in the City:

- Too little housing available for purchase or rent in the City.
- Limited diversity in housing typologies and location to meet community needs.
- Undersupply of 'downsizing' housing options which prevents empty nesters from retiring in place.
- Limited supply of aged care accommodation.

Factors influencing housing supply

Limited access to housing is a complex issue which is influenced by a number of factors, many of which are outside of the control of Local Governments. Factors impacting the current supply of housing at a State level and more broadly at a national level are summarised below:

- Historic under-supply of housing to meet population growth:
 - Data provided by .id informed decisions demonstrates how new housing supply since 2002 has not adjusted to meet demand driven by fluctuations in population growth in Australia over that period.
- Economic policy:
 - Income growth coupled with low interest rates and tax incentives which drive investment in housing have led to increased demand for housing in Australia over time.

- Changing household trends:
 - Average household sizes in Australia following the COVID-19 pandemic have resulted in an increased demand for housing, which is not influenced by net population growth.
- Affordability constraints:
 - CoreLogic reports that house prices in Australia have risen 193% over the last 20 years, while wages have only increased by 82% concurrently. This has impacted housing affordability nationally as it makes it harder for home buyers to accumulate the required 20% deposit, and to service mortgage repayments therefore driving up demand in rental markets.
- Labour and material constraints:
 - Labour and material constraints influenced by the COVID-19 pandemic and global supply chain issues have affected the ability of the building industry to meet demand for construction of new dwellings. This therefore increases demand for established housing on the market.

State Government actions

Economic Incentives:

The State Government has introduced a number of taxation concessions for apartment developments to reduce roadblocks for apartment developments and increase the rate of housing supply. These are summarised below:

- Expansion of the off-the-plan duty concession scheme to include apartments under construction to provide duty relief for people who purchase apartments and new developments.
- Introduction of the 50% land tax exemption for built-to-rent projects.
- Introduction of the \$10,000 incentive for property owners to transition existing short-term rental accommodation to long term rental homes.
- Introduction of the Infrastructure Development Fund to assist with enabling infrastructure such as water, wastewater and electricity for eligible apartment projects.

Planning Reform:

The following summarises recent state government planning reform which has been implemented to accelerate the delivery of additional housing through the planning system:

- A new permanent significant development pathway for projects valued over \$20million.
- Reforms to clarify decision making in local government for single houses.
- Reforms to Development Assessment Panels.
- Improving existing planning processes to cut unnecessary red tape.
- Reform of the Western Australian Planning Commission.

City of Joondalup housing supply

The supply and demand analysis undertaken in Phase 1 of this project for the City's residential housing profile sets out the following relevant key findings:

- 87% of the current housing supply in City of Joondalup is single houses, followed by 11% medium density and 1% high density.
- Families were the most common household type.
- The greatest growth to 2042 in household type is expected for couples and singles.
- Younger and ageing populations will create future demand for medium density housing typologies.
- Dwelling forecasts estimate the need for between 5,273 and 8,065 additional dwellings by 2041.
- 2.3% of households had an unmet need for affordable housing.

These attributes were reflected in the commentary provided through community consultation in relation to a lack of diverse housing options available for first home buyers and downsizers.

Market conditions for apartment developments are currently poor, with market demand analyses showing a drop in apartment sales in Perth since 2015. This presents as an obstacle to the provision of a diverse supply of housing given apartment style developments commonly provide alternative housing typology options compared to single dwelling developments.

Currently the City's Local Planning Strategy and Scheme provides capacity for additional housing through the following mechanisms:

Planning area	Yield at buildout (additional dwellings)	Remaining capacity (additional dwellings)
Joondalup Activity Centre	10,102	6,941
Whitfords Activity Centre	739	724
Sorrento Activity Centre	77	77
Ocean Reef Marina	1,300	1,300
HOA 1	4,883	4,629
HOA 2	1,283	1,234
HOA 3	485	443
HOA 4	2,890	2,814
HOA 5	5,109	4,776
HOA 6	2,451	2,365
HOA 7	1,954	1,891
HOA 8	1,616	1,578
HOA 9	936	889
HOA 10	626	620

The above indicates capacity for an additional 30,281 dwellings to be developed through the market within the City's current Local Planning Strategy and Scheme should the ultimate buildout scenario occur.

The current strategy and scheme use zoning to guide dwelling typologies, however there are currently no policy provisions which set out a requirement for a dwelling typology mix to be provided in developments at a higher density.

Mechanisms in place

The following outlines planning policy mechanisms currently in place to require or incentivise a greater dwelling typology mix for new developments.

Planning instrument	Summary of requirements
R-Codes Vol 1 – Part C	<ul style="list-style-type: none"> Part C of the Residential Design Codes includes provisions relating to small dwellings. Provisions allow for a reduction in site area by up to 35 per cent for the development of a 'small dwelling' meaning a single house with an internal floor area no greater than 70m².
R-Codes Vol 2	<ul style="list-style-type: none"> R-Codes volume 2 includes provisions relating to dwelling mix. Provisions set out that developments of greater than 10 dwellings should include at least 20% of apartments of differing bedroom numbers where there are no established dwelling mix provisions within a local planning strategy or instrument already.

Opportunities to address housing supply issues further

The following sets out opportunities for the City to improve access to housing.

Opportunities	Key Considerations
Zoning changes to allow for greater dwelling typology mix	<ul style="list-style-type: none"> Given the City of Joondalup has a dwelling mix of 87% single houses, 11% medium density and 1% high density, a greater diversity in dwelling typologies would be achieved through the creation of more medium and high-density developments (i.e. grouped and multiple dwelling developments). This can be planned for through the appropriate zoning of land for higher density development. Zoning of land to higher densities needs to also consider the appropriate co-location of density with transport infrastructure and access to amenities such as activity centre land uses and high quality open space. It also needs to be considered in the context of the established urban environment and how development controls would need to be implemented to manage transitional impacts on adjoining established low density properties.
Incentivise higher density developments in activity centres	<ul style="list-style-type: none"> Amendments to activity centres could include incentive provisions to make high density development more viable for developers. Incentives to increase housing diversity set out in <i>Perth and Peel @ 3.5 million</i> include: <ul style="list-style-type: none"> Parking or height concessions for developments well located with public transport infrastructure which provide a diversity of dwelling typologies. Ensuring efficient and timely assessment for major developments. Incentivising amalgamation of lots for multiple dwelling developments (e.g. density bonuses for amalgamations). Identifying opportunities for higher density housing developments on urban zoned land.

Opportunities	Key Considerations
Residential accommodation for ageing persons position statement	<ul style="list-style-type: none"> • The position statement forms part of the strategic consideration of aged persons accommodation in the City. • Includes statutory requirements for Local Planning Strategies and Schemes. • Opportunity therefore exists for the following to be contemplated and included within the Local Planning Strategy to address future need for residential aged care facilities and independent living complexes, including the following: <ul style="list-style-type: none"> ○ Identification of demographic profile trends to anticipate projected demand for aged persons housing and residential care needs. ○ Medium to long-term aged persons' housing and residential aged care beds provision targets aligned to demand. ○ Analysis of the gaps in the existing provision of aged persons housing and residential aged care and opportunities and constraints for the delivery of land use options to facilitate future provision. ○ Identification of specific sites associated densities and applicable development standards for residential aged care facilities and independent living complexes. ○ Incentives intended to be outlined in the local planning scheme to facilitate increased supply including incentives.

Recommendation:

The City's current Local Planning Strategy provides capacity through density zoning that allows for the development of additional dwellings, and additional dwelling typologies. It is therefore recommended that in reviewing the City's Local Planning Strategy, this capacity is maintained through any changes made to the spatial allocation, and intensity of density codes. This approach has been confirmed through advice provided by the WAPC.

It is noted that provisions included within the revised Residential Design Codes are intended to act to incentivise the future development of a diverse range of housing typologies to cater for future community need.