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.

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.
## Contents

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minister’s Foreword</td>
<td>iii</td>
</tr>
<tr>
<td>Acknowledgement to Aboriginal people</td>
<td>iv</td>
</tr>
<tr>
<td>Terms and definitions</td>
<td>2</td>
</tr>
<tr>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>Establishing a vision for housing in NSW</td>
<td>10</td>
</tr>
<tr>
<td>Understanding housing in NSW</td>
<td>13</td>
</tr>
<tr>
<td>Housing supply in the right location at the right time</td>
<td>18</td>
</tr>
<tr>
<td>Diverse housing for diverse needs</td>
<td>40</td>
</tr>
<tr>
<td>Housing with improved affordability and stability</td>
<td>50</td>
</tr>
<tr>
<td>Responsive and resilient housing</td>
<td>70</td>
</tr>
<tr>
<td>Next steps</td>
<td>80</td>
</tr>
<tr>
<td>Appendix: Glossary</td>
<td>81</td>
</tr>
</tbody>
</table>
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.

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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.

### 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:

- 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

- Public exhibition of Discussion Paper: Mid-2020
- Review public feedback: Mid-2020
- Publish the NSW Housing Strategy and the first Action Plan: 2020–2021
- Implement the NSW Housing Strategy: 2021
- Monitor, report on and review the actions: Every 4 years
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).
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

- Population growth and rate
- Household composition
- Availability of housing types
- Take up rates
- Number of homes constructed
- Income growth
- Economic growth
- Interest rates
- Mortgage access, availability and cost
- Taxation settings
- Economic outlook
- Investor sentiment
- Anticipated market trends
- Infrastructure investment and delivery
- Proximity to centres/work
- Access to community services and facilities
- Open space
- Neighbourhood amenity and character
- Thermal comfort
- Access to natural environment
- Climate
- Housing policy
- Strategic frameworks
- Height and density controls
- Zoned land and ease of rezoning
- Approval rates
- Development contributions
- Community sentiment
- Cultural preferences
- Personal preference and aspirations
- Local culture
- Connection to Country
- Depth and size of industry
- Skills and expertise
- Access to and cost of materials and equipment
- Regulation and governance
- Increased global mobility of people
- Technological innovation
- More variable climates
- Greater competition for finite resources
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

<table>
<thead>
<tr>
<th>COORDINATED GROWTH</th>
<th>State Infrastructure Strategy 2018</th>
<th>Future Transport Strategy 2056</th>
<th>Planning reforms</th>
<th>Local strategic planning framework</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Greater Sydney Region Plan and District Plans</td>
<td>Regional Plans</td>
<td>Better Placed integrated design framework</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ENVIRONMENT</th>
<th>NSW Waste Strategy Discussion Paper</th>
<th>NSW Electricity Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Premier’s Priority – Greening our city</td>
<td>Premier’s Priority – Greener Public Spaces</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Future Directions for Social Housing in NSW</td>
<td>NSW Homelessness Strategy 2018-2023</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ECONOMIC GROWTH</th>
<th>Kickstarting the Productivity Conversation: NSW Productivity Commission</th>
<th>NSW 2040 Economic Blueprint</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20-year Economic Vision for Regional NSW</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ACCESS TO INFORMATION</th>
<th>Common Planning Assumptions</th>
<th>Digital NSW: Designing Our Digital Future</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NSW Open Data Policy</td>
<td>Internet of Things Policy Statement</td>
</tr>
</tbody>
</table>

NSW Housing Strategy

A Housing Strategy for NSW – Discussion Paper
Housing in NSW

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, 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).

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. 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.

9 DPIE analysis based on ABS Census internal migration statistics
Figure 5: Dynamics of housing choice

- **PREFERENCES** for different housing types and designs
- **AFFORDABILITY** of housing relative to income
- **LOCATION** of housing close to friends, family, services, and jobs
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. Sixty per cent of the population lived in Greater Sydney, 40 per cent in regional NSW. Based on historic trends and available evidence, the NSW population is expected to grow to 10.5 million people by 2041.

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.
More than 60 per cent of all housing development in Greater Sydney in the last five years has been apartments; three-quarters of these were four storeys or higher.\textsuperscript{14}

\textsuperscript{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
\(^{18}\) DPIE data based on Sydney Water Corporation water connections (2019)
Theme 1  
Housing supply in the right locations

What we should respond to

Sustained population growth

Greater Sydney is likely to reach a population of around 7 million by 2041, 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.

There were around 1.7 million homes in Greater Sydney in 2016.

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)

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

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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 cities\(^{25}\)

![Population density comparison between cities](image_url)

25 Smith D (2016), World Population Density Centre for Advanced Spatial Analysis, University College London. [http://luminocity3d.org/WorldPopDen](http://luminocity3d.org/WorldPopDen)
### Figure 10: Housing types

#### Low-rise housing

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

---

**Figure Description**

- **Low-rise housing**
  - **Form**
    - Moveable dwellings (caravans and tiny housing)
    - Shop-top housing
    - Secondary dwelling houses (granny flat)
    - Dwelling houses (detached)
  - **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.

- **Dwelling density (Dwg/ha)**
  - 12–15
  - 15–70
<table>
<thead>
<tr>
<th></th>
<th><strong>FLATS</strong></th>
<th><strong>APARTMENTS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
<td><strong>Moveable dwellings</strong></td>
<td><strong>Residential flat building</strong></td>
</tr>
<tr>
<td><strong>Form</strong></td>
<td><strong>Shop-top housing</strong></td>
<td><strong>Mixed use development</strong></td>
</tr>
<tr>
<td><strong>Description</strong></td>
<td><strong>A portable, self-contained structure that is not classified as a dwelling under the EP&amp;A Act.</strong></td>
<td><strong>A building with commercial or business premises on the ground floor.</strong></td>
</tr>
<tr>
<td></td>
<td><strong>A self-contained dwelling on the same lot as a primary residence.</strong></td>
<td><strong>A residential flat building of 4-8 storeys.</strong></td>
</tr>
<tr>
<td></td>
<td><strong>A traditional freestanding house on various sized lots.</strong></td>
<td><strong>A building with a commercial/business podium and residential flat building.</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Two dwellings on one lot either attached or detached. Does not include a secondary dwelling.</strong></td>
<td><strong>A residential flat building of over 9 storeys.</strong></td>
</tr>
<tr>
<td></td>
<td><strong>3 or more dwellings (attached or detached) on one lot of land each with ground level access.</strong></td>
<td><strong>A building containing 3 or 4 dwellings with shared walls.</strong></td>
</tr>
<tr>
<td></td>
<td><strong>A building containing 3 or 4 dwellings with shared walls.</strong></td>
<td><strong>Mixed use development</strong></td>
</tr>
<tr>
<td><strong>Dwelling density</strong></td>
<td><strong>12–15</strong></td>
<td><strong>4–8</strong></td>
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<td></td>
<td><strong>35–120</strong></td>
<td><strong>120–250</strong></td>
</tr>
<tr>
<td></td>
<td><strong>120–250</strong></td>
<td><strong>150–800</strong></td>
</tr>
</tbody>
</table>
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.

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.

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
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: Metropolitan-Satellite, Growth Centre, Coastal, Inland and Remote. Each of these regions share population and economic features and, in turn, similar housing dynamics.


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Theme 1: Housing supply in the right locations

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.

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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. 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 2016.

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33 Australian Bureau of Statistics (2016), Australian Census of Population and Housing, DPIE Analysis
Figure 12: Historical and projected annual population growth in NSW, 2006–2041

Historical (2006-2016) vs. Future (2016-2041)

**NSW Regions**

- **North Coast**: 0.9% (Future), 0.4% (Historical)
- **New England North West**: 0.5% (Future), 0.1% (Historical)
- **Far West**: -0.6% (Future), -0.8% (Historical)
- **Central West and Orana**: 0.7% (Future), 0.3% (Historical)
- **Hunter**: 1.1% (Future), 0.7% (Historical)
- **Central Coast**: 1.1% (Future), 1.0% (Historical)
- **Illawarra-Shoalhaven**: 1.1% (Future), 0.9% (Historical)
- **South East and Tablelands**: 1.0% (Future), 0.1% (Historical)
- **Central West and Orana**: 0.7% (Future), 0.3% (Historical)
- **Riverina Murray**: 0.5% (Future), 0.1% (Historical)

**Greater Sydney Districts**

- **Western City District**: 2.3% (Future), 1.5% (Historical)
- **Central City District**: 2.4% (Future), 2.3% (Historical)
- **North District**: 0.9% (Future), 1.4% (Historical)
- **South District**: 2.3% (Future), 1.3% (Historical)
- **Eastern City District**: 1.4% (Future), 1.3% (Historical)

**KEY**

- **Historical (2006-2016)**
- **Future (2016-2041)**

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

\begin{figure}[h]
\centering
\includegraphics[scale=0.5]{figure13.png}
\caption{Number of dwellings required in each region (as implied by NSW population projections)\textsuperscript{36}}
\end{figure}

\textsuperscript{36} NSW Department of Planning, Industry and Environment (2019) 2019 NSW Population Projections
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. 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).

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.

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.
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.
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?

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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

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 households.39

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.

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
\(^{45}\) 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
\(^{49}\) Australian Bureau of Statistics (2016), Disability, Ageing and Carers, Australia, Summary of Findings: 2015
Theme 2  Diverse housing for diverse needs
Figure 15: Dwelling types across NSW, 2016

**NSW Regions**

- Far West: 2% Detached, 1% Semi-detached, 5% Flats 1-3 storeys, 93% Apartments, shop-top
- New England North West: 6% Detached, 1% Semi-detached, 4% Flats 1-3 storeys, 89% Apartments, shop-top
- Hunter: 12% Detached, 2% Semi-detached, 8% Flats 1-3 storeys, 78% Apartments, shop-top
- Central Coast: 7% Detached, 2% Semi-detached, 7% Flats 1-3 storeys, 8% Apartments, shop-top
- Illawarra-Shoalhaven: 8% Detached, 3% Semi-detached, 1% Flats 1-3 storeys, 93% Apartments, shop-top
- South East and Tablelands: 9% Detached, 1% Semi-detached, 1% Flats 1-3 storeys, 84% Apartments, shop-top
- Riverina Murray: 6% Detached, 1% Semi-detached, 87% Flats 1-3 storeys, 5% Apartments, shop-top
- Central West and Orana: 6% Detached, 1% Semi-detached, 89% Flats 1-3 storeys, 1% Apartments, shop-top
- North Coast: 8% Detached, 2% Semi-detached, 78% Flats 1-3 storeys, 2% Apartments, shop-top

**Greater Sydney Districts**

- South District: 11% Detached, 1% Semi-detached, 2% Flats 1-3 storeys, 80% Apartments, shop-top
- Eastern City District: 13% Detached, 1% Semi-detached, 5% Flats 1-3 storeys, 86% Apartments, shop-top
- Western City District: 11% Detached, 1% Semi-detached, 1% Flats 1-3 storeys, 88% Apartments, shop-top
- Central City District: 9% Detached, 2% Semi-detached, 11% Flats 1-3 storeys, 78% Apartments, shop-top
- North District: 21% Detached, 9% Semi-detached, 17% Flats 1-3 storeys, 52% Apartments, shop-top

**KEY**

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

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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.

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51 Australian Bureau of Statistics (2016), Australian Census of Population and Housing, DPIE analysis
53 Australian Bureau of Statistics (2016), Australian Census of Population and Housing, DPIE analysis
54 Ibid
56 Ibid
Across NSW, the average size of apartments built in 2017–18 was 116.5 square metres.\textsuperscript{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.

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.

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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.

\textsuperscript{58} NSW Department of Planning, Industry and Environment (2019), 2019 NSW Population Projections
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 2041.  

Figure 16: Percentage change in population (total population and over 65 years), 2016–2041

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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.

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**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.

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\(^{64}\) Ibid

\(^{65}\) Ibid

\(^{66}\) National Disability Insurance Agency (2019) *COAG Disability Reform Council: Quarterly report*

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.
- **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)
- **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 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.  

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). Incomes are particularly low for younger households (Table 2).

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

<table>
<thead>
<tr>
<th>Income group</th>
<th>% of median income</th>
<th>Annual income range (Sydney)</th>
<th>Annual income range (Regional NSW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low</td>
<td>50%</td>
<td>$48,200</td>
<td>$40,900</td>
</tr>
<tr>
<td>Low</td>
<td>50% – 80%</td>
<td>$77,100</td>
<td>$65,500</td>
</tr>
<tr>
<td>Moderate</td>
<td>80% – 120%</td>
<td>$115,700</td>
<td>$98,200</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Age</th>
<th>Average household income</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25</td>
<td>$83,304</td>
</tr>
<tr>
<td>25–34</td>
<td>$128,804</td>
</tr>
<tr>
<td>35–44</td>
<td>$145,028</td>
</tr>
<tr>
<td>45–54</td>
<td>$164,528</td>
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<tr>
<td>55–64</td>
<td>$124,124</td>
</tr>
<tr>
<td>65+</td>
<td>$62,816</td>
</tr>
</tbody>
</table>

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

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