



CESSNOCK HOUSING PREFERENCES STUDY



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EXECUTIVE SUMMARY

Study purpose

SGS Economics and Planning was engaged by Cessnock Council to prepare a Housing Preference Study.

This study provides insights into the housing preferences of residents of Cessnock in terms of particular types of properties, their features and location that are most important to them, and the trade-offs they might make between these attributes given their financial constraints. More importantly, it compares these preferences to the current supply of housing in the municipality to identify where there is a mismatch between demand (preferences) and supply.

Background

In choosing where to live, households make decisions and typically trade-offs based on what they value in relation to location, dwelling size and type and other characteristics. These decisions are made in the context of individual housing budgets and the housing products available on the market at any one time. Improved understanding of the types of housing people want (and the trade offs they are willing to make) will help to better match new housing supply with housing demand. These insights into the community's decision making regarding housing choices will assist in shaping Council's Housing Strategy, which is currently being prepared.

Misalignment between the housing preferences and the existing housing stock can and do arise. On the demand-side, misalignment can happen as preferences change over time with lifestyles and local household demographics. Demographic shifts include an ageing population, the rise of single person households, and changes to 'traditional' family structures.

On the supply side, misalignment can happen when property developers build too much or too little of particular housing types. Developers might not have enough information about residential preferences or there could be certain business and risk factors associated with certain housing types. Reluctance to change a proven business model can mean that developers are hesitant to change the type of housing product they have been delivering which is typically 3-4 bedroom dwellings. Planning regulations and land supply can also cause supply side factors if they restrict or favour housing types and locations.

As houses typically have long life spans, at least 50 years, there can be a lag between the supply of appropriate dwellings to meet changing demand. Market price changes can also affect the type of housing that households can afford. The community profile as a whole can change, but only a small proportion of housing stock will be new housing that can respond to such changes.

Study method

The study has three components: a housing preference survey, a choice modelling survey and choice simulation, based on findings from the choice modelling.

Preference survey

- Identifies why respondents choose to live where they do, what they like about their homes and neighbourhoods, and, if they were to move, what location and type of dwelling they might move to.

Choice model

- Analyses the relative value respondents place on various attributes (e.g. dwelling location, type, size) through a series of "choice tasks" exercises.

Choice simulation

- Uses the choice model values to simulate what survey participants would choose in a new unconstrained market that has all available housing types; it shows what housing people would choose *if* it was available on the market and within their budget.

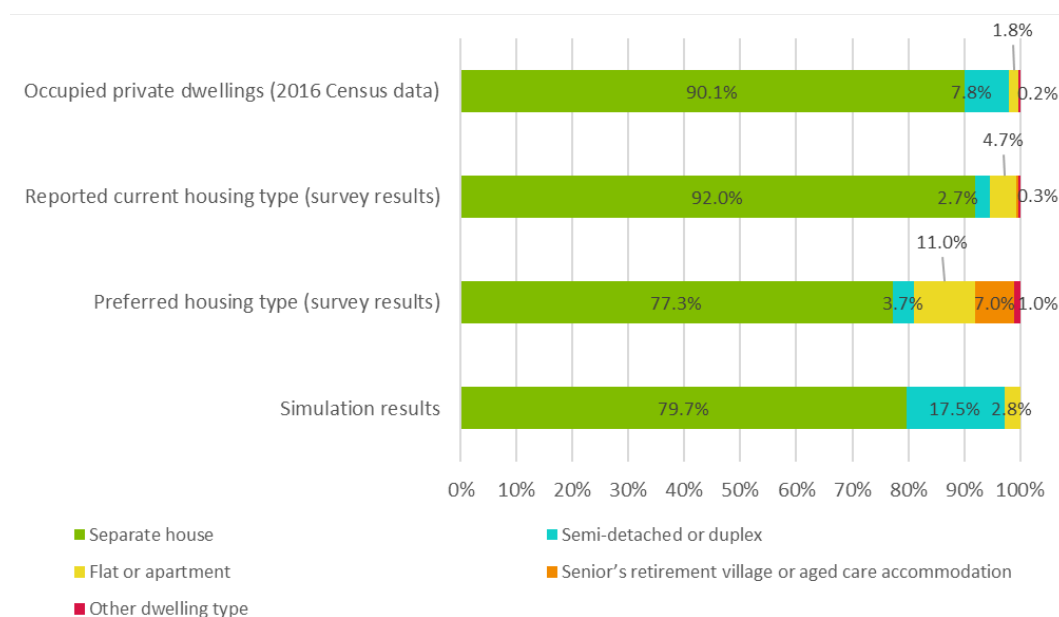
Key findings

The housing preference survey, choice modelling exercise and simulation provide three different approaches to understanding the housing preferences of the Cessnock community. From these analyses we can draw the following key findings:

- **There is unmet demand for more compact dwellings:** While most residents prefer to live in detached housing, both the survey preference and the simulation results indicated that a significant share of households would prefer more compact forms of housing (semi-detached dwellings, villas, duplexes or apartments), than is currently available in Cessnock.

The simulation results indicate that 20.3 per cent of households would choose semi-detached dwellings or flats and apartments, which is significantly higher than the current provision – in 2016 only 9.9 per cent of all housing stock was not a detached house. Results from the simulation also showed an appetite for smaller lot sizes for detached dwellings due to their lower maintenance, lower cost and accessibility.

FIGURE 1: EXISTING HOUSING MIX, SURVEY AND SIMULATION RESULTS



Source: SGS Economics and Planning; Myriad Research; Prescience Research; ABS Census

- **Price and affordability drive location and housing choice:** Affordability was a reason for people moving to Cessnock (as it was cheaper than Newcastle and Sydney) and for deciding which part of Cessnock to live in. Affordability is an important determinant of housing preference shifting towards more compact dwellings.
- **Housing preferences vary considerably with age and household type:** Younger households and families tend to prefer detached housing but the preference for semi-detached dwellings and apartments increases with age.
- **Affordability is the main barrier to obtaining preferred housing:** Low income households (those with household incomes less than \$50,000 per year) were more likely to state lack of affordable housing as a barrier than medium and high income households. Older people were also more likely to see affordability as a barrier.
- **People value rural living on large blocks:** The study highlighted that a large proportion of the community currently lives in what they see as rural areas and would prefer to continue living in rural areas. This reflects the high value placed on large houses and spacious lots, and is one of the reasons to (continue to) live in Cessnock.

Concluding remarks

There is a mismatch between the demand (preference for) and supply of different housing types in Cessnock, and these preferences vary across demographic cohorts. The current supply of housing is predominantly in the form of detached houses. More people live in detached housing than want to, and with other pressures like congestion building over time lifestyle will be compromised without more compact living options.

The number of **older person** and **lone person households** is expected to grow significantly in the future, and these household types revealed a preference for more compact, semi-detached housing, that is currently not being met in the housing market. **Couple households with no children** are also more likely to prefer semi-detached and apartment housing than other cohorts. There are opportunities to better match housing supply to the preferences of these groups.

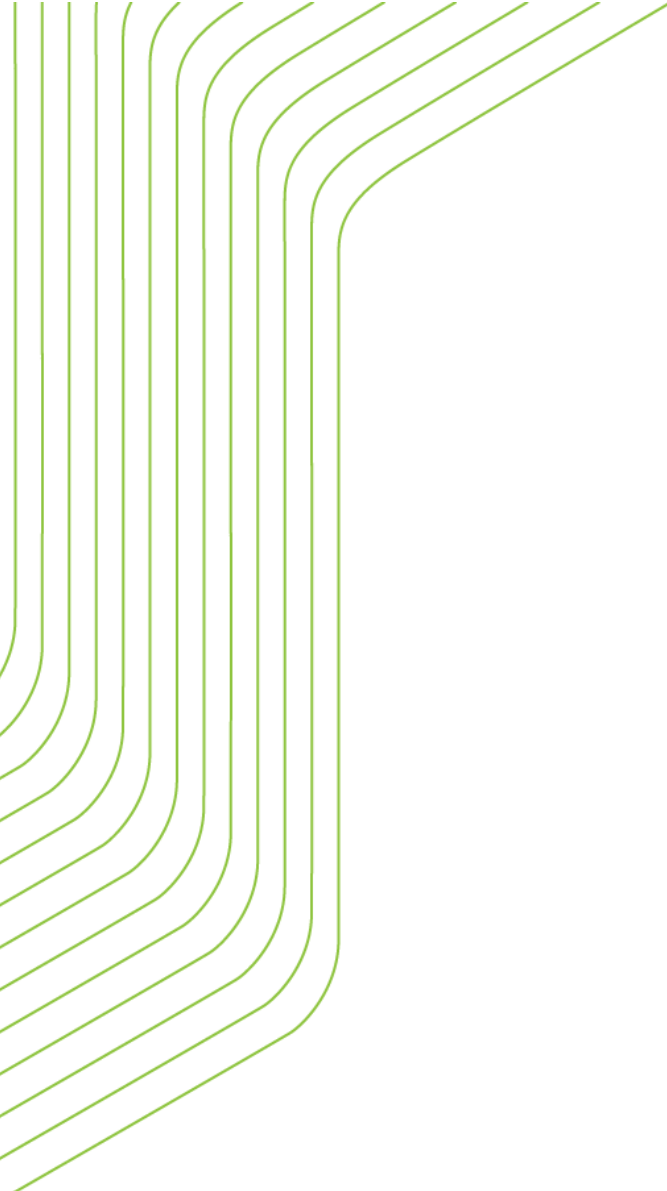
Opportunities need to be provided for older households to move into housing that is not only compact, but also low maintenance and accessible, and located in well serviced areas. This would have the added advantage of freeing up existing detached housing stock for younger families and alleviate the pressure to build more detached houses.

Housing costs are a major concern for residents, and people recognise that townhouses/villas and apartments are more affordable than detached housing. The households that are more likely to prefer semi-detached housing are also households that are typically more price sensitive. New semi-detached housing aimed at responding to this demand should be affordable.

Council has a role to play in facilitating the supply of new housing that better match the community's preferences- urban development can better meet the needs of people moving within the LGA, as well as those who are moving into the LGA.

Council should consider steps to encourage greater diversity in housing types in Cessnock to meet the unmet demand for semi-detached and apartment dwellings. While this study has not considered supply side factors in detail, Council has two main avenues it can take to encourage housing diversity:

- Providing information to the property development sector about the demand for greater housing diversity in the municipality. This project provides a clear evidence base to send strong messages about the market potential for semi-detached dwellings in particular.
- Ensuring planning controls aren't creating barriers to development of more compact forms of housing. For example, through zoning controls or restrictions on amalgamating small lots that make development of more diverse housing unfeasible.
- Ensuring planning controls aren't promoting excessive development of detached housing in poorly serviced areas.



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