

Secondary Dwellings in Central and Southern Sydney

A research report commissioned by Southern Sydney Regional Organisation of Councils (SSROC)

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May 2020



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Published by: City Futures Research Centre, UNSW Built Environment, UNSW Sydney

First published May 2020

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This report is based on research commissioned by Southern Sydney Regional Organisation of Councils (SSROC).

Executive Summary

This research, commissioned by the Southern Sydney Regional Organisation of Councils (SSROC), investigated the occupant outcomes of secondary dwelling which have been enabled through complying development provisions in the State Environmental Planning Policy (Affordable Rental Housing) 2009. Despite being a key part of the planning system for over a decade, little is known about the dwelling and occupant outcomes. This report offers some initial insights on:

- the scale of the secondary dwelling segment of the housing system;
- its suitability as an affordable rental option;
- the housing needs being met; and
- the implications of the segment's growth for local government strategic planning and service provision.

Through a mix of research methods, including site visits across three key areas, interviews with key stakeholders, statistical analysis of key housing and demographic datasets and an occupant survey of 8,000 secondary dwellings, the project attempted to answer four key questions:

What factors are driving the take-up of the secondary dwelling provisions?

Despite uncovering an incredibly diverse set of patterns in the use and form of secondary dwelling, two key factors emerged. The first, perhaps most obvious, is the prevalence of large lots with older houses. The large lots provided the necessary space to build the secondary dwellings. And, more speculatively, the older dwellings were less likely to meet contemporary housing needs of the occupants.

The second factor was the presence of established, multicultural communities. Partly cultural, and partly economic, this was a strong predictor of the take-up of secondary dwellings. The intersection of cultural and economic related to the need to capitalise on the value of their family home property, with motivations mostly personal (to accommodate changing family conditions), but also financial (or to generate income through rents). Other factors, though not universal, did emerge through the research. This included a demand for short term lettings, and high demand for lower-cost rental properties in some areas.

How are secondary dwellings being used?

Consistent with the above drivers, a significant proportion of secondary dwellings (around four in ten) were effectively used as extensions to the main dwelling, and another one in ten were for short term accommodation. The remaining half were occupied by separate households, with the majority of the separate households renting the secondary dwelling. So, despite a high rate of attrition, secondary dwellings were adding to the rental supply.

However, a sizeable minority of the separately occupied secondary dwellings (one quarter of the rented secondary dwellings) were rented informally. And, between 20% and 40% and two fifths of the separately occupied secondary dwellings were sharing bins, letterboxes, utilities, etc. with the main dwelling. Respondents reported, however, a fair degree of satisfaction with the amenity of the secondary dwellings.

The exception to the level of satisfaction was price, at least relative to the importance of price in the decision to live in a secondary dwelling. The median rents reported were above a level affordable to low-income households, and almost all low-income occupants of secondary dwellings were in rental stress. So, while secondary dwellings did add to the rental housing supply, they did not add to the affordable rental housing supply.

Who is living in the new secondary dwellings?

Secondary dwelling occupants were demographically diverse – with representation of seniors, students and families, and representation of long-standing local residents and recent migrants. The occupant profile did skew younger, more educated and lower-income compared with the population generally, which is consistent with renters generally. Also consistent with renters generally, secondary dwelling occupants were more mobile (around one quarter expecting to live there for less than two years). They were quite geographically stable, with over half previously living within 5km and over half not planning to move, or moving within the same suburb.

One unexpected cohort were families with children, which accounted for around one quarter of the secondary dwelling occupants. While not explored in detail, this is perhaps somewhat unexpected, given secondary dwellings are intended to provide more diverse housing options in suburbs dominated by family homes and are supposed to be significantly smaller than a standard family dwelling.

What markets are supporting the take-up of secondary dwellings?

Secondary dwelling take-up was mostly driven by suitable land parcels, over and above any other market factors. However, the take-up in low-to-middle income regions points to some other market drivers: on the demand side, a higher proportion of households will be in the private rental sector and will be seeking lower cost rental options.

On the supply side, there is likely to be an ‘asset rich, income poor’ cohort capitalising on their property value. This could be through supply of rental housing to meet the above described demand. Or it could translate to accommodating changing family conditions in the most cost-effective way, particularly if more traditional paths of household formation are cost prohibitive. That is, in an unaffordable market, extended families will be accommodated within a single household.

Implications of the research on policy

A new approach is needed to generate a supply of affordable housing

These findings point to the limited effectiveness of the AHSEPP in generating an adequate supply of affordable rental housing. Low-income households’ needs are not being met through the AHSEPP.

The shortcomings of these provisions of the policy are threefold.

1. Many secondary dwellings are not reaching the rental market.
2. Many of those being rented are done so in an informal way; creating security, safety and legal protection risks to occupants.
3. Almost all of those rented formally are done so at a price point that is not affordable to those on low-incomes.

Consistent with the recommendations of previous research commissioned by SSROC, it shows the shortcomings of the AHSEPP’s overarching expectation that the market can deliver housing that is affordable to this low-income cohort. Second, particularly in light of the informal rental sector that is emerging through secondary dwellings, AHSEPP may further marginalise occupants of the housing forms promoted under the policy.

Secondary dwellings are worth supporting

Despite not meeting the stated AHSEPP objectives, the secondary dwellings are meeting a housing need. They provide much needed flexibility for multi-generational and/or culturally specific households. And they provide options for asset-rich-income-poor households whose wealth lies in their own home.

Further, satisfaction among occupants of secondary dwellings is fair. Much of this satisfaction derives from the neighbourhoods within which they are situated – pointing to the importance of allowing established communities to meet their own growing housing demand (cf. housing supply in other parts of the city).

However, the findings show that secondary dwellings are often much closer to other forms of development, which are regulated in entirely separate ways. At one end of the spectrum are alterations and additions – with secondary dwellings often serving a functionally identical role to house additions. More flexible extensions, which some secondary dwellings are, need to be integrated into controls regulating alterations and additions.

At the other end of the spectrum are dual occupancies and duplexes (and, by extension, other forms of incremental infill or ‘missing middle’ redevelopments). The overlap with these other forms of housing, and their separate treatment in policy, is more significant. The extent to which secondary dwellings are meeting housing targets is not well understood. Similarly, the extent to which these additions to neighbourhoods creates strains on local infrastructure is not well understood.

Local councils need to be better equipped to respond to these pressures on local services and infrastructure. A history of councils not supporting this kind of growth arguably underpinned their regulation shifting to state policy. However, the increase in permissibility under the AHSEPP has not been matched with resourcing to:

1. Predict, or control, locations where take-up will be high
2. Understand population changes associated with secondary dwellings, or
3. Pay for the infrastructure associated with those changes.

Policy Recommendations

Overall four policy recommendations are offered, based on the findings contained in this report. Each are expanded on in the conclusion. The recommendations are:

1. Establish a genuine planning response to the shortage of affordable housing
2. Embed secondary dwellings within related controls that regulate the redevelopment of established suburbs
3. Further develop methods for local jurisdictions to predict volume, location and function of secondary dwellings
4. Investigate implications of planning controls on other regulations

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1. Introduction

This report has been prepared for Southern Sydney Regional Organisation of Councils (SSROC), and aims to offer initial insights into the scale of the secondary dwelling segment of the housing system, its suitability as an affordable rental option, the housing needs being met and the implications of the segment's growth for local government strategic planning and service provision (including revenue raising)

Specifically, the project:

1. Profiles factors in the uptake of secondary dwellings; such as cultural, socio-economic, physical and financial factors;
2. Profiles the most common patterns of use of secondary dwelling use, such as for single households, extended households, formal rental, informal rental and commercial lettings, and the extent to which these meet affordable housing requirements;
3. Profiles occupants of secondary dwellings; and
4. Profiles housing market drivers of secondary dwelling development in different areas of SSROC, including an understanding of the motivations of lot owners and the nature of the real estate and building trades that support this process.

This report was based on the findings from several different sources of data. The challenges in identifying secondary dwellings with distinct address or the general nature of their use meant that a number of different approaches were implemented to ensure that survey questions and delivery could be as targeted as possible and account for a variety of dwelling outcomes. The analysis presented in this report is based on street audits across parts of three local government areas, demographic profiling of the SSROC region in combination with key dwelling variables, interviews with key informants in secondary dwelling development and finally the occupant survey of all known lots with secondary occupancy approvals.

Following an overview of the methods employed, the main findings of the report are separated into four parts reflecting each of the research questions listed above.

Background

The NSW state government introduced the 2009 Affordable Rental Housing State Environmental Planning Policy (AHSEPP) with the central aim of increasing the supply and diversity of affordable rental and social housing in the state. One of the central features of the AHSEPP was to allow 'secondary dwellings', including through complying development processes, across a number of residential and mixed-use zones. The changes were broadly justified on the basis that such built forms would contribute to affordable rental supply in different housing markets across NSW because they could be rented out as separate dwellings, but not sold separately.

In a previously published Department of Planning and Environment information statements about secondary dwellings, their desirability is specifically linked to the flexibility of secondary dwellings, and the ability of existing homeowners to increase the value and capacity of their properties. The AHSEPP created a set of parameters within which secondary dwellings were permissible without council approval, with the implication being that within these parameters they will have little impact on surrounding neighbourhoods. As such, the growth of secondary dwellings has largely been under the strategic planning radar.

Preliminary work, commissioned by SSROC and completed by City Futures (Troy *et al* 2018), noted a considerable increase in the construction of secondary dwellings under the AHSEPP, but found that a large proportion were concentrated in three council areas. This analysis indicated that up to 8,000 new secondary occupancy units had been approved over the decade from 2007 to 2017, with much of these being approved following the introduction of the

AHSEPP in 2009. The volume of approvals in certain areas potentially represents around 1/3rd of housing growth across a decade, yet it is unclear the extent to which these dwellings were being counted as additional supply, whether they were in fact being used as additional dwellings, whether they formed part of wider strategic discussions about housing supply, desirability of this form of housing in meeting wider housing targets, or cumulative impact on services and infrastructure across the SSROC region. In other words, apart from a hope that they would contribute some diversity to housing stock and provide a stream of low cost rental options, there was consideration of what the outcomes of this policy would likely be, or how they would intersect with other planning policies and ambitions.

The relative concentrations of secondary dwelling approvals also throw up several questions about drivers in different locations. Secondary dwelling approvals are potentially a function of cultural and demographic characteristics of the community, of the local land and housing markets, and of the morphology and suitability of land parcels. This preliminary research also found that only a minority of the secondary dwellings were reaching the formal rental sector, as evidenced by a tenancy agreement being in place for the property. This suggested that many lots – perhaps even a majority – were used for other purposes, either by the household in the principal dwelling or through informal rental arrangements.

A more recent study by Gurran *et al* (2019) examined informal housing arrangements in Fairfield and Waverley and which highlighted a number of risks and vulnerabilities of residents who find themselves living in informal and often illegal living arrangements in parts of Sydney. This research noted the role of secondary dwellings as one of the key typologies in which informal living has been allowed to operate. However, the extent to which the formal secondary dwelling space intersects with informal dwellings and tenures is not clear. While this research does not intend to address informality as a specific set of issue, it does suggest there a range of outcomes that intersect with the secondary dwelling sector that need to be better understood.

Despite the large volumes of this type of development, there continues to be little understanding about the mix of housing outcomes that have materialised. This spectrum of possible roles of secondary dwellings is very broad. So too, therefore, are the implications both for the suitability of secondary dwellings as a means of meeting the need for affordable rental options, and for the types of services and infrastructure needed to support their development across established suburbs. This is particularly the case where concentrations of these incremental changes have significant cumulative impacts on the demand for such services, in the context of established suburbs that have not otherwise been slated for growth.

In the first instance, there is a need for strategic planning processes to better understand local housing needs, and the extent to which secondary dwellings can help meet those needs, in terms of location, price point, tenure, dwelling type and household formation. Further, if deemed desirable, strategic planning processes are needed to identify the services and infrastructure needed to ensure this growth is within the carrying capacity of the communities they are being developed in.

This project aims to address the above gaps in policymaker understanding of the housing outcomes of secondary dwellings across the area of South Sydney Regional Organisation of Councils.

2. Data and Methodology

Implementing a research approach to study the secondary dwelling market presents a number of practical and conceptual challenges. To begin with, while the disposition and nature of development approvals for secondary dwellings can be derived from council records, the disparate nature of secondary dwellings and the processes that have enabled growth in the sector – such as through complying development certificates – makes it difficult to identify both the proponents of these developments or gain access to the occupants. But without knowing the occupant profile, it is impossible to know whether secondary dwellings are meeting community needs for affordable rental options, or to assess what impact these may have on increase demand for local services and infrastructure.

According to the Department of Planning, Industry and Environment's Housing Forecast Group, secondary dwellings are not considered part of meeting housing targets across Sydney's regions and are generally not counted as a separate dwelling¹. Sydney Water is the main source of dwelling completion data that is supplied to the Department of Planning Industry and Environment, however secondary dwellings are not required to have separate water metres and therefore wouldn't necessarily register in this data. There is some ambiguity here, which is reflected in the results of the survey, in that separate water connections can be installed if requested, in which case may register as a second dwelling. Australian Bureau of Statistics dwelling counts rely on address files to form the basis of their census form distribution and dwelling counts, yet there is no clear way of knowing the extent to which secondary dwellings are being captured through this process. Collectively this means there is generally no clear way of identifying both dwelling outcomes in terms of supply, nor identifying and profiling households themselves.

Aside from the policy challenges in relation to housing supply and housing targets, this poses a number of practical issues. First and foremost, having a viable mechanism to systematically identify occupants of secondary dwellings on a lot, and in the case where they are not a separate household, the occupants of the principal dwelling on the lot, presents a considerable challenge to ensure any survey of residents reaches the target population. The approach used here combines development approval data with other secondary data sources (such as small area census records and rental bond records) to statistically identify predictors of secondary dwelling growth, complemented with a qualitative interview approach to validate preliminary conclusions from this analysis and a physical and visual survey of areas where secondary dwellings are concentrated to determine the nature of the development that has resulted. As well as useful information about the secondary dwelling market, the first three components of this research were designed to assist identifying the best method to approach occupants and in framing the survey questions. The final stage of the research therefore involved a survey of secondary dwelling occupants to better understand their composition and market position.

Statistical analysis

This first stage was a desk-based analysis to better understand, at a statistical level, the predictors of secondary dwelling growth, and types of host neighbourhoods. This includes analysing local community, built-form and housing market characteristics in neighbourhoods that have experienced a disproportionate growth in secondary dwellings.

The purpose of this analysis was to use statistical correlations to help identify the likely reasons behind secondary dwelling development, such as whether – and where – it is more likely to be used by the occupants of the principal dwelling, to accommodate extended family of the occupants of the principal dwelling, be rented out by the owner-occupant, or serve as a dual-income stream for landlords renting out both the principal and secondary dwelling.

¹ See <https://www.planning.nsw.gov.au/Research-and-Demography/Sydney-Housing-Supply-Forecast>

The analysis used a regression modelling technique, based on a set of variables expected to be associated with secondary dwelling developments. The following variables based on Statistical Area Level 2 (SA2) aggregations were incorporated:

- Number of secondary dwelling approvals (dependent variable)
- Average residential lot size (excluding strata lots)
- Median rent price (Rent and Sales Report)
- Median sales price (Rent and Sales Report)
- Airbnb listings 2018 (AirDNA)
- Multi family households (2016 census)
- Place of birth (2016 census)
- Household incomes (2016 census)
- Dwelling composition, i.e. detached houses, apartments, etc. (2016 census)
- Non English speaking household heads (2016 census)

Stakeholder interviews

This second stage built on the insights from the initial analysis, through interviews with secondary dwelling developers, private certifiers and council planning officers at the key council areas in the SSROC region. The aim of the interviews is to better understand the interviewees' clients, in terms of the most common patterns of anticipated use of the secondary and principal dwellings, the connection between construction activity and recent purchases or long-standing owners, and of landlords or owner occupants.

Structured observations

As part of this fieldwork, the research team undertook visits to instances of the neighbourhoods identified in the statistical analysis, to better understand the built-form outcomes and contexts of secondary dwelling developments. Sites visits were undertaken in areas of Canterbury-Bankstown, Sutherland and Georges River council areas, in locations where there are high concentrations of secondary dwelling approvals. The aim of this stage was to assess the presence of second entrances, letter boxes, bins and parking spaces on the properties with secondary dwellings, and the level of other development activity – such as dual occupancies, knock-down rebuilds, and other activity – in the surrounding properties. This fieldwork was supplemented with a review of up-to-date high-resolution aerial imagery of each of the areas. In conjunction with the statistical analysis, these observations gave significant insight into the profile of secondary dwelling developments, their location, use and presentation to the street.

Secondary dwelling occupant survey

The final and central component of this research was an occupant survey that aimed to understand the occupant profile, rent profile, views on appropriateness of dwellings, relationship of occupants to main residence, relationship of physical structures to main residence (i.e. separate entries, fencing, presentation to the street) and car parking. A final list of questions was developed in conjunction with SSROC and the project Working Group.

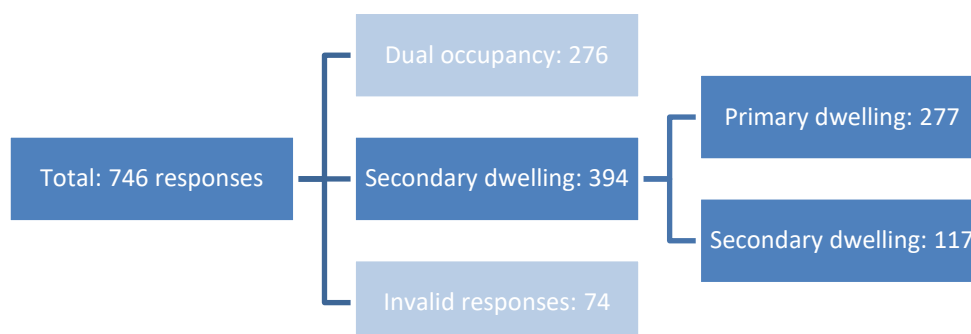
The survey was distributed through Australia Post targeting all 8,200 lots that have had a secondary occupancy DA approved over the past 10 years, as identified in previous research completed for SSROC (see Troy et al 2017). Respondents were offered the opportunity to complete the form on-line or via a pre-paid postal return. The 8,200 applications were geocoded using the Geocoded National Address File (GNAF) and matched to cadastral parcels, which were then used to extract all addresses in the GNAF databased. The purpose of this was to identify any lots that had a formal second address registered (i.e. 1a and 1b). The address sample for the survey used the secondary address if it could be identified and the primary address if there was none listed in the GNAF database. The resultant database was manually inspected for any errors, with any results that linked to known strata lots removed or other anomalies indicator errors in geocoding. Overall, this means the survey was sent directly to the secondary dwelling for approximately 7,719 addresses, with 44% being sent to a secondary address, as summarised in table 1.

Table 1 Address matching distribution

	Number of addresses	Proportion of total sample
One address matched	4,289	56%
More than one address matched	3,430	44%
TOTAL	7,719	100%

A follow up reminder letter was sent out approximately 3 weeks after the first invitation and a prize incentive of four \$250 cash card prizes was offered to increase the response rates. Overall, 746 responses were collected, representing a 9.7% response rate. The margin of error for this sample at 50% based on a 95% confidence level was $\pm 3.40\%$.

The secondary occupancy data from the Department Planning, Industry and Environment does not distinguish between a secondary dwelling and a dual occupancy. Both these types of development are in tenure terms the same as they potentially represent two dwellings on one land title, however their form may be different in that it is hard to ascribe a primacy of one dwelling over another for dual occupancies. Their function is likely to more akin to a duplex (on separate titles) than perhaps a secondary dwelling, though not necessarily the case. Similarly, there is nothing inherently different about a secondary dwelling used as a functionally separate dwelling and a dual occupancy, both in essence being two dwellings on a single title. However, for many parts of the reporting on survey results, we have chosen to separate, and in some case exclude, data on dual occupancies to show various factors related to secondary dwellings only, such that it aligns more directly with the approval pathway for secondary dwellings in the AHSEPP. For the purposes of completeness, the Figure 1 below shows diagrammatically the distribution of responses related to each of these housing types. In reporting on responses throughout this report, the primary focus will be on the secondary dwelling component, and will be indicated as where relevant.

Figure 1 Survey response distribution

Area classification

In reporting on some of the survey findings, the data has been classified into three areas. It was not possible to disaggregate the data into council or suburb areas because there weren't sufficiently high response rates to provide statistically rigorous samples at these scales. While many of these areas justifiably group for a range of reasons, there were a number that could have been placed in different groupings. Georges River was placed in the west group partly because the survey responses indicated a closer affinity to Canterbury-Bankstown rather than Sutherland. The following table details which local government areas were classified as either Inner, South or West:

Table 2 Council area survey classification

Inner	South	West
Canada Bay	Bayside	Burwood
Inner West	Sutherland Shire	Canterbury-Bankstown
Randwick		Georges River
Sydney		
Waverley		
Woollahra		

3. Influences on take up and use of secondary dwellings

The following section details the factors affecting the take up of secondary dwellings, such as cultural, socio-economic, physical and financial factors, and is based on two core components of the research. The first is the statistical regression analysis of key variables that may drive the development of secondary dwellings. The second is the responses from the occupant survey. The statistical analysis has been conducted across the Greater Sydney Region as a whole as this provides a more statistical rigorous sample upon which to conduct the analysis. The survey focuses and on the SSROC region only, as noted above.

Overall, some of the key conclusions of this chapter are:

- Rates of secondary dwelling approvals are mostly driven by multiculturally diverse households in established suburban areas.
- Approval rates are associated with neighbourhoods with more rental households.
- Airbnb is an important factor in some limited coastal locations.
- The ability to accommodate extended family formations was the most significant motivation of survey respondents for building a secondary dwelling.

Statistical predictors

The regression modelling aimed to explore variables that influenced overall secondary occupancy 'take up rate' across Sydney (measured as number of secondary occupancy approvals relative to the total number of dwellings in each area). Figure 1 shows the geography of take up rate mapped out using quintile bands to highlight the relative differences in concentrations across the Sydney region. As noted in previous research there is a clear spatial trend into western and southern parts of Sydney. This geography no doubt reflects where existing land and house typologies enable secondary occupancies to occur, understanding why households are investing in these types of outcomes may vary across the region.

The regression modelling found that just two variables could account for the half of the variation in the take up rate (see Appendix B). These variables indicate secondary occupancy approvals were higher in areas where there were (a) more houses than apartments, and (b) more non-English speaking household heads. The presence of more houses is expected given that other dwelling types automatically prohibit secondary occupancies as a possibility, but does indicate that the opportunity for development is a core driver, rather than some other demographic or market pressure. The second factor – that of non-English speaking household heads – does suggest that there are some more socio-economic dimensions to the take up of these types of dwellings than physical form of different areas alone.

Figure 2 visualises the house/apartment mix across the Sydney region, while Figure 3 visualises the prevalence of non-English speaking household heads. The former shows a 'cold spot' in the east, where apartments are more prevalent, and the latter shows a 'hot spot' from, roughly, Georges River to Fairfield council areas. Combined, the spatial patterns of these factors can be seen to correlate with the spatial patterns of the observed take up rate, in Figure 1: with similar hot and cold spots. This reflects the regression analysis that found these variables to be good predictors of secondary occupancy take up.

Once a relationship between the take up rate and these two variables is quantified through the modelling, the model can predict the take-up rate, as shown in Figure 4. It does strongly resemble Figure 1, reflecting the fact that model is a good fit. Figure 5 homes in on the residuals between predicted and observed rate of approvals: highlighting the areas where this model is not a good predictor of the observed rate of approvals.

Figure 2 Secondary occupancy approvals by SA2, 2007-2017

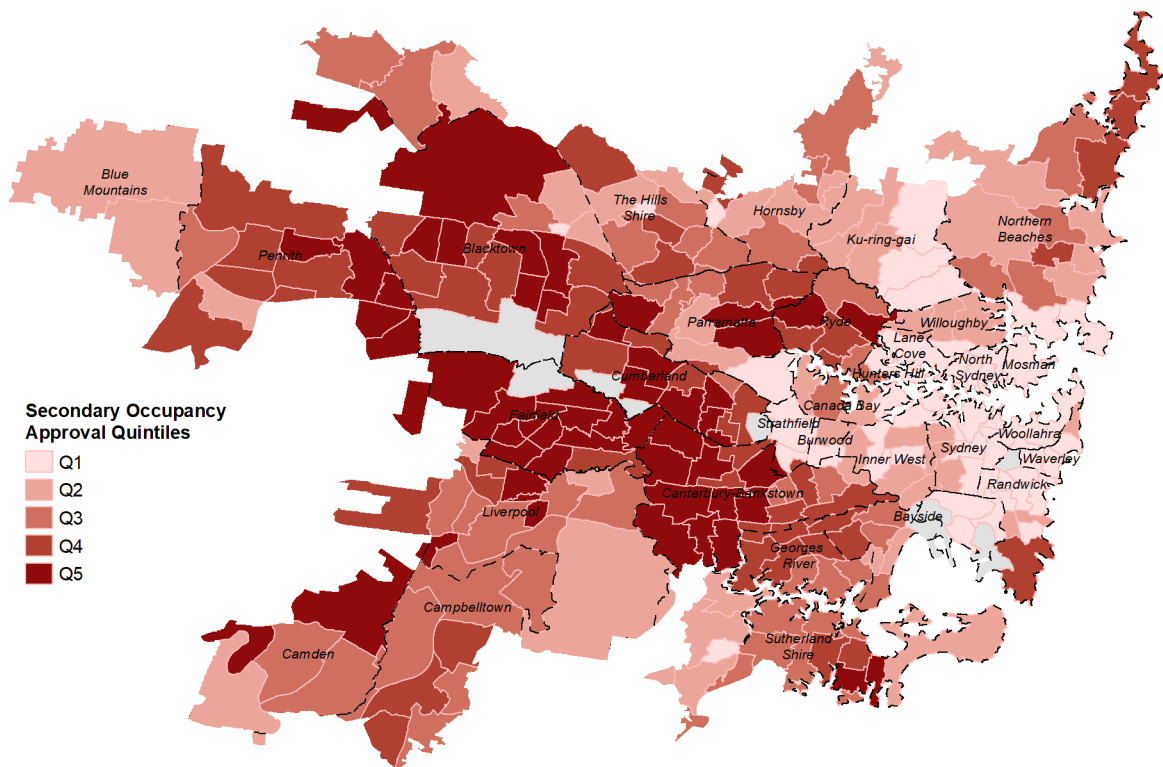


Figure 3 Houses as proportion of total stock by quintile, 2016

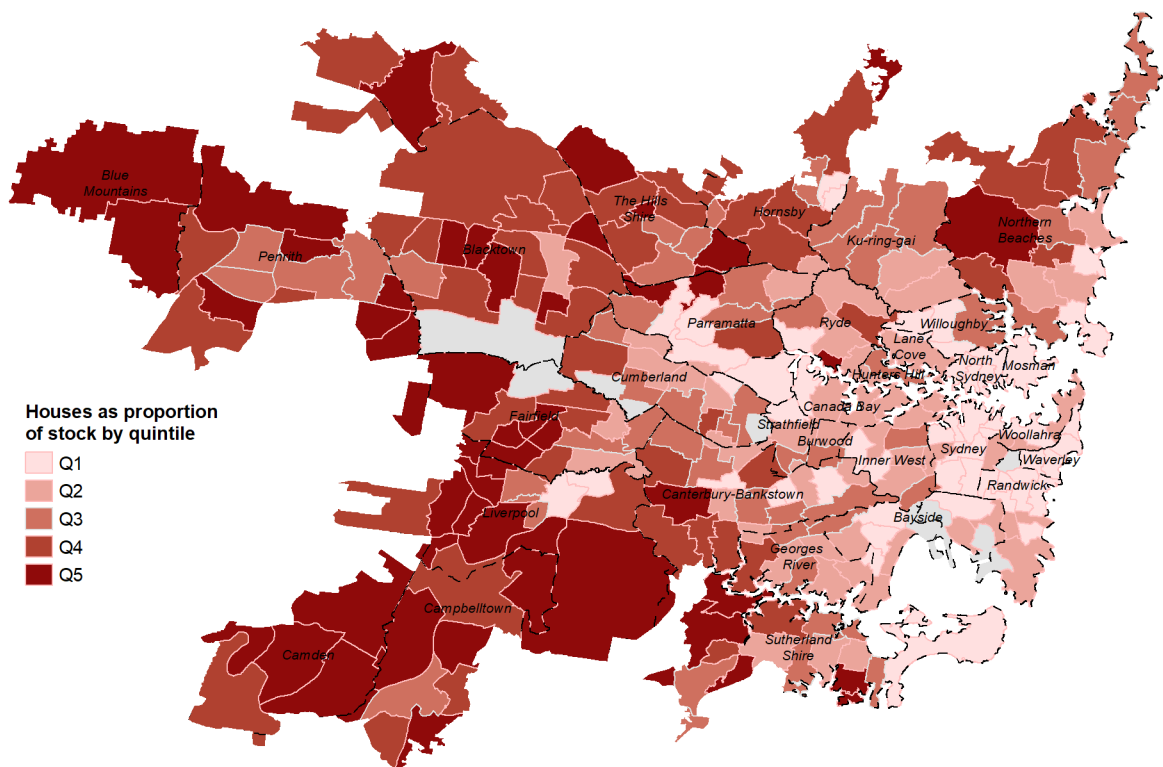


Figure 4 Non-English speaking household heads as proportion of all households, 2016

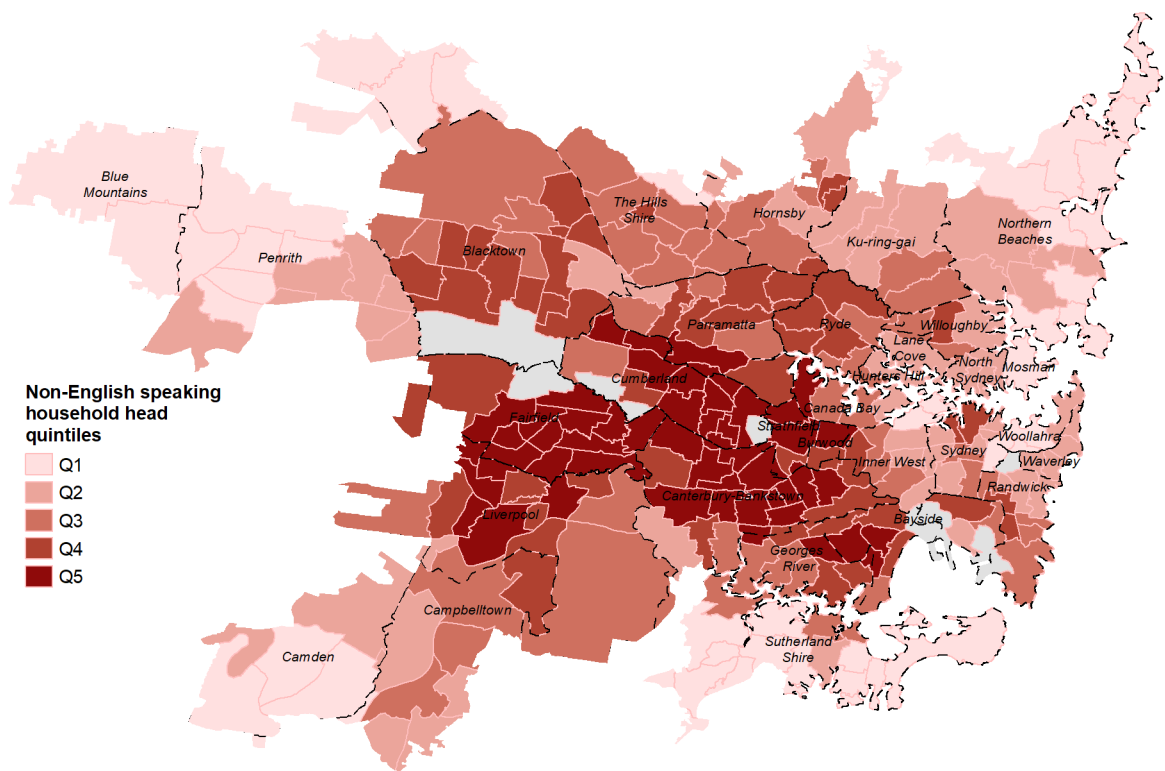


Figure 5 Predicted rate of take up of secondary occupancy

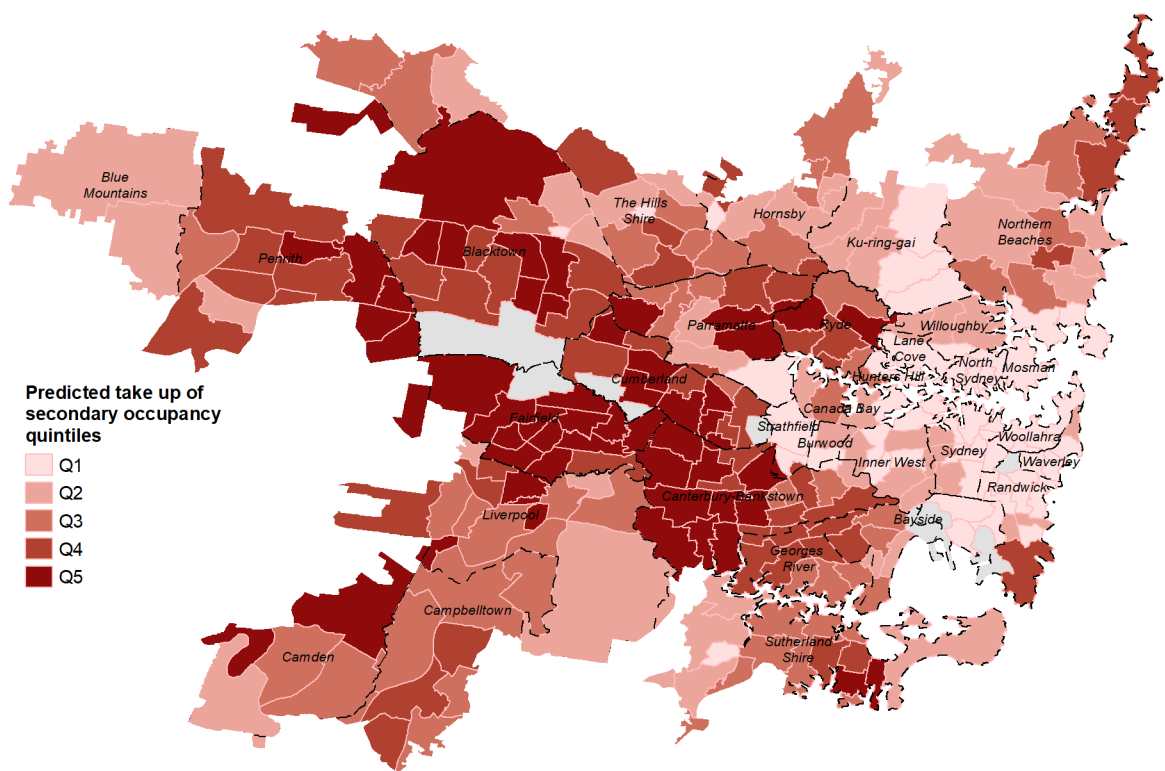
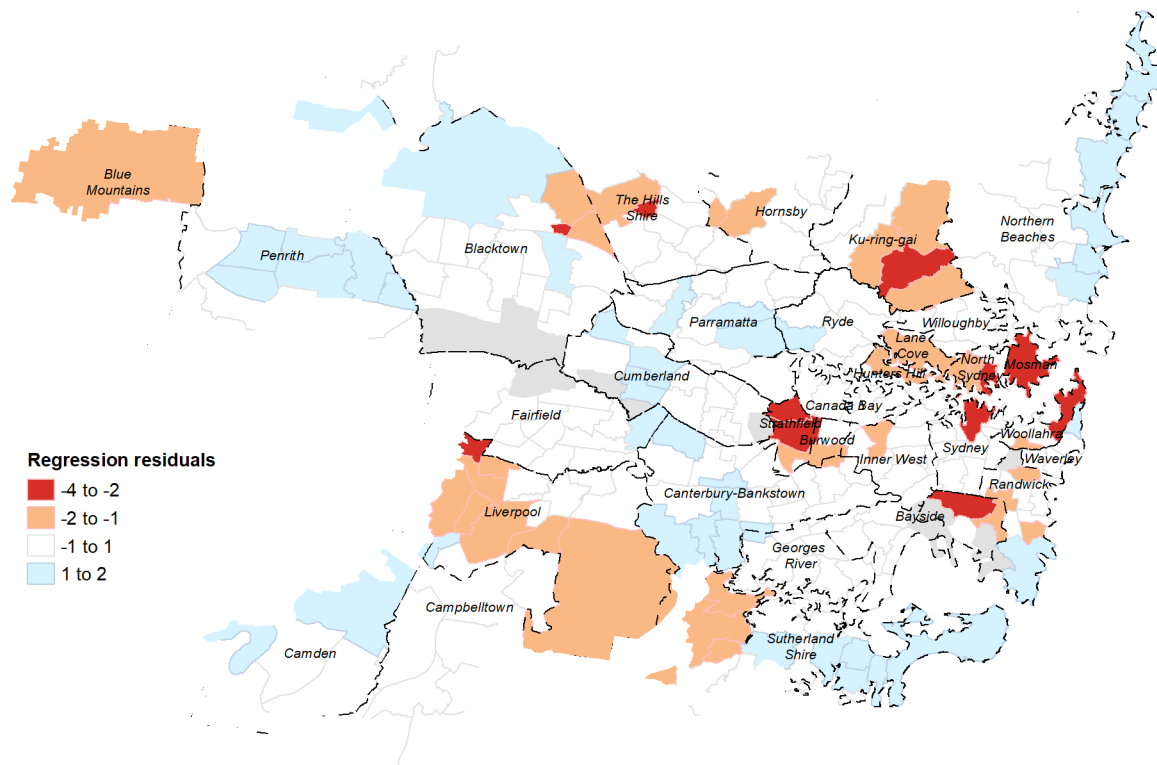


Figure 6 Difference between observed and predicted rates of take up of secondary dwellings



A more detailed model was developed, and accounted for over 60% of the variation in the dependent variable (See Appendix B). In this model, additional variables contributed to a better fit: that is, better explained the variation in take up rates. In decreasing order of impact, these were:

- Neighbourhoods with fewer household heads born overseas
- Neighbourhoods with larger typical residential lots
- Neighbourhoods with higher rates of rental
- Neighbourhoods with higher rates of AirBNB listings
- Neighbourhoods with lower rents
- Neighbourhoods with more multi-family households

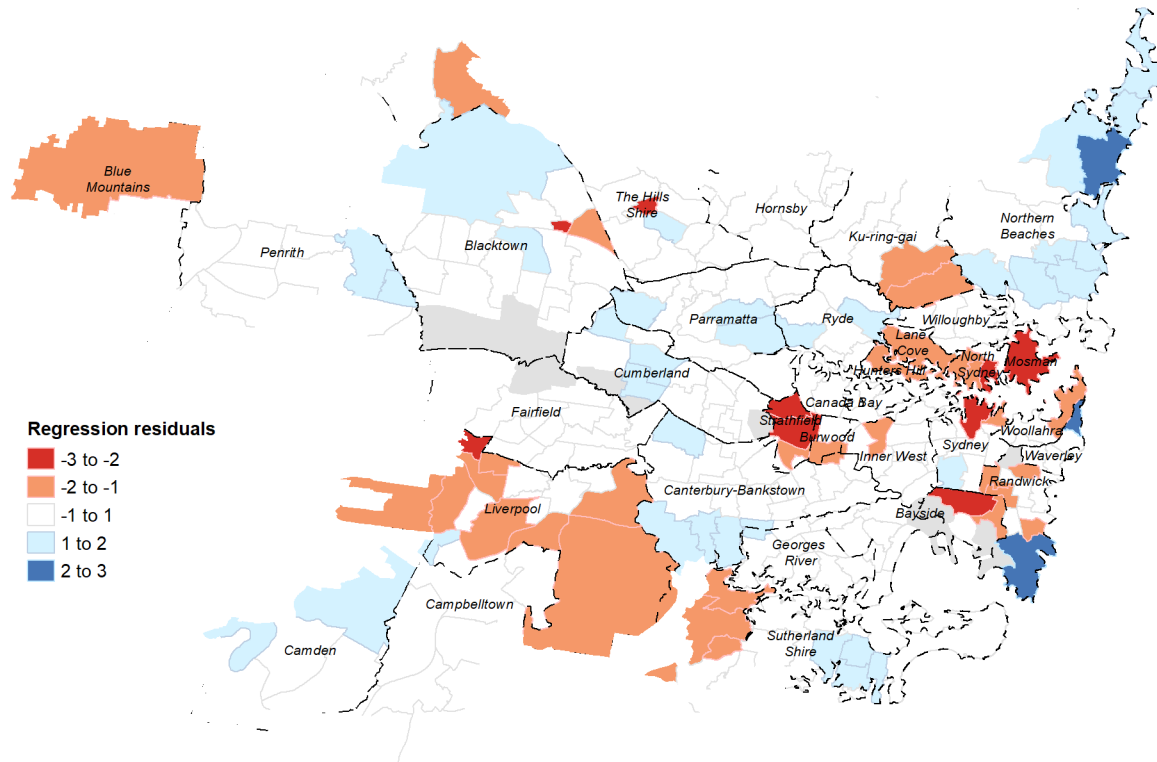
The first point seems slightly contrary to the observation above that higher rates of non-English speaking household heads account for higher rates of secondary occupancy take up. However, this combination of neighbourhoods with fewer household heads born overseas with non-English speaking heads indicates that it is established multi-cultural communities that are driving take-up rather than more recent arrivals.

The rate of rental and multi-family household variables were not significant on their own, but did improve the explanatory power of the overall model overall, see Figure 6. This suggests that in different parts of the city rates of secondary occupancy variable intersect with say higher rates of rental or the presence of Airbnb. To illustrate, the geography of Airbnb clearly indicates it is concentrated into specific sub-market areas (Crommelin *et al*, 2018) and is fairly insignificant in other areas. Airbnb did improve outliers in the model, for example near the coast, but overall had little impact.

Some of the outer suburban overestimating is likely a factor of building age. However, there was no data set available to test this as a variable. It is assumed that newer lots (and buildings) are less likely to be the subject of expansion through secondary occupancy because their form are already more likely to have maximised development capacity, and is likely a disincentive for reinvestment if the building itself is newer and therefore commanding a premium in the local

market. Other variables, such as overcrowding, delayed household formation (i.e. adult children at home longer) were also modelled, but found to have no statistically significant impact.

Figure 7 Difference in observed and predicted take up of secondary dwellings based on detailed model



Overall the regression modelling suggests that secondary occupancy take up is associated with three core factors.

- Mostly driven by multiculturally diverse households in established suburban areas.

This suggests that they are likely to be adapting the dwelling to meet the needs to changes in the primary household. In other words that they are being used as an extension to the main house, or actually granny flats.

- Neighbourhoods with more rental households do appear to be a driver, but not as significant.

This tends to be in areas with areas of lower rents, but does suggest that there is opportunity to rent these dwellings out, and so acts as a driver of take up. Combined, though, these variables (i.e. high rate of rental and low rental prices) suggest take up is less likely in higher rent areas, thus limiting the potential for secondary occupancies to provide a lower cost option in there.

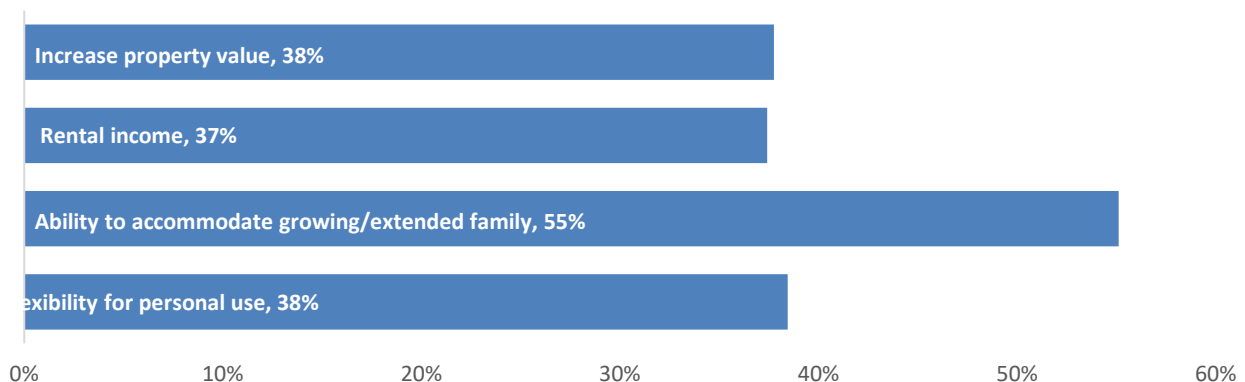
- AirBNB, or commercial holiday letting generally, is also a minor driver.

This did not come through clearly in the model as the data does not distinguish house/apartment listings, so high rates of AirBNB apartment listings in the CBD, would likely affect the potential for this variable to cleanly correlate with take up of second occupancies. Airbnb did improve the model residuals overall suggesting some explanatory power in some areas across the city.

Motivations for secondary dwellings

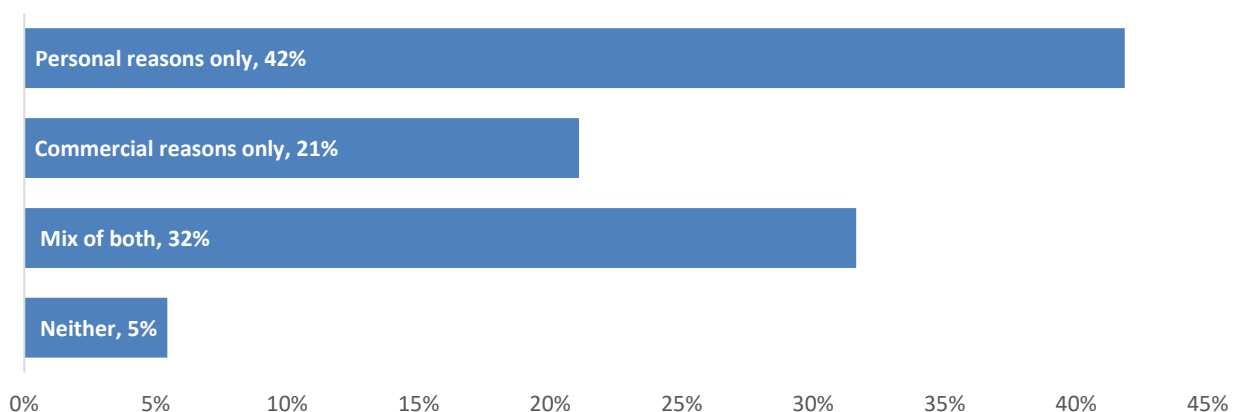
As part of the survey, we asked owners of properties that have secondary dwellings what was appealing about “buying/building a property that has two homes”. The most cited reason (Figure 7), with 55% of respondents identifying this as a reason, was to accommodate a growing/extended family. That is, a good proportion of the secondary dwellings were for use by the main household, rather than to accommodate a second household.

Figure 8 Appeal of owning a property with a secondary dwelling (excluding dual occupancy) (N=294)



When looking into the combinations of responses, a similar pattern emerges. Considering the first two reasons in the figure above to be ‘personal’ and the second two reasons to be ‘commercial’: then 42% cited only personal reasons for having a secondary dwelling, twice the proportion for whom the appeal was solely financial (21%) (Figure 8).

Figure 9 Interpreting motivations for owning a property with a secondary dwelling (excluding dual occupancy) (N=294)



As seen in the figure above, around 5% of respondents did not give a reason for the appeal of a property with two dwellings. Also, in addition to the options available for selection in the survey (as shown above), a handful of respondents identified other reasons, with the appeal connected to specific personal circumstances – marriage breakdown or disability affecting the suitability of a single, large family home.

4. Common built outcomes of secondary dwellings

The aim of this section is to profile the most common patterns of use of secondary dwelling use, such as for single households, extended households, formal rental, informal rental and commercial lettings, and the extent to which these meet affordable rental housing requirements. Beyond size limitations of secondary dwellings, there is no specific requirements about physical street access, separate utility connections, letterboxes, in other words elements that may make these functionally distinct of separate dwellings, rather than an extension of the main house. This section focuses on the visual street audits, combined with the data from the survey.

Overall, some of the key conclusions of this chapter are:

- Secondary dwelling approvals resulted in a range of form outcomes from extensions of main house to physically and functionally separate dwelling.
- Only half of secondary dwellings were being used to accommodate separate households.
- Short term/visitor uses were an important aspects in inner local government areas.
- 75% of secondary dwellings occupied by separate households were rented.

Street audit

The street audit of known secondary occupancy approvals was undertaken across three areas, one in each Canterbury-Bankstown, Georges River and Sutherland LGAs. These LGAs were chosen given the relatively higher number of approvals in these areas. The purpose of the audits was to visually identify different characteristics of the resulting development to qualitatively understand patterns of outcomes across the different areas, as well inform the construction of the survey questions. The audit tried to identify the type of dwelling outcomes, relationship to main house, presence of indicators that the dwelling is separately occupied (separate entry, separate letterbox). The audit was not comprehensive, but did give an overall impression of what is being produced in different locations. Each area is discussed separately below.

Canterbury-Bankstown

The area that was targeted stretched from Regents Park in the north west corner of the Canterbury-Bankstown LGA down to the Bankstown town centre. The majority of the locations that were visited in this area took the form of secondary dwellings located at the rear of a main house structure, while there were also a number that presented as dual occupancies and are a result of removing older structures and replacing with a new pair. The secondary dwellings took a few different forms.

Second dwellings: The first, as reflected in Figures 9 to 14, had distinctive separate entries from the main street frontage to the rear of the lot and appear that they could function as separate house occupancies. Many of these had driveways to the rear dwelling, with visible space for car parking, see Figure 9. There were a number of secondary dwellings that had been built on corner lots, which enable access to the rear of the property from the second street frontage, with some, such as illustrated Figure 13, presenting as a normal, albeit, small dwelling. A large number of the secondary dwellings inspected had separate letterboxes visible on the street with letter suffixes to distinguish from the main address, suggesting that they were being used to accommodate functionally separate households.

Granny flats: The second set of the outcomes were more akin to older ideas of granny flats, being in effect extensions of the main house. For these locations, no distinctive separate access could be identified, and it appears that the rear of the property could only be accessed by traversing the main property's internal or external areas. In these cases it is expected that the form these had taken would likely limit their ability to be used to house a separate household.

New build granny flats: The main dwellings appear to have been newly built with a granny flat at the rear. The numbers of these types appeared small, and the ones that were identified suggest that the secondary dwelling was forming part of a larger house rather than being set up to accommodate a second distinct household with separate entries.

Finally, though smaller in number, there were a number of new build dual occupancies. When combining these with cadastral boundaries, most of these seemed to be located on single parcels of land, that is still under a single title. Those that were identified as dual occupancy mostly had common driveways with separate parking and mostly symmetrical in presentation.

Figure 10 Secondary dwelling at rear with separate driveway in Canterbury-Bankstown area



Figure 11 Secondary dwelling with separate letterbox and accessway in CB area



Figure 12 Old main house for corner lot secondary dwelling in CB area



Figure 13 Secondary attached dwelling with separate entry way and parking in CB area



Note: this photo is of the rear of the property of the 2 above.

Figure 14 Corner lot secondary dwelling with street frontage in CB area



Figure 15 Secondary dwelling with driveway access and limited separation from main dwelling in CB area



Georges River

The area of Georges River covered extended from Riverwood down through Peakhurst to Oatley train station. In the selected areas a large number of the properties surveyed were dual occupancy rather than secondary dwelling. The dual occupancies were mostly large two-story dwellings. Dual occupancies grew in prevalence in the Peakhurst area with some streets consisting of nearly all dual occupancy properties.

Nearly all the dual occupancy properties were new in appearance, had exposed brick and two separate driveways. Most had the same frontage however, those on a corner block tended to frontage on different streets. All had separate mail boxes were labelled with different letters 1A and 1B.

Of the secondary dwellings surveyed a large majority appeared as a granny flat with many not visible from the street and only having pedestrian access that more often lead through the primary property. Private access points to the secondary dwellings were to the side to the house or were not accessible without primary dwelling access, and most did not have their own separate mailbox. Of the few secondary dwellings that had their own mailbox they were labelled with a letter A to indicated property difference (I.e. 1A). Viewing and photographing these was difficult.

Figure 16 Secondary dwelling at rear in Georges River area



Figure 17 Secondary dwelling at rear with no separate access in Georges River area



Figure 18 New dual occupancy with shared driveway in Georges River area



Figure 19 New dual occupancy with shared driveway in Georges River area



Figure 20 New dual occupancy with shared driveway in Georges River area



Sutherland

The area of Sutherland Shire survey generally covered Woollooware, Caringbah, Miranda and Gymea. In these areas many of the properties surveyed were dual occupancy rather than secondary dwelling. Most were large two-story dwellings however some were one story on one half and two story on the other. These tended to be away from a train station and on very large residential lots.

Many of the areas visited, the blocks of land were very long with some extending/backing onto the streets behind them. In these instances, the dual occupancy would have completely different street access points and are more akin to secondary dwellings in their form. Like secondary dwellings, they did not appear to have been formally subdivided. If the dual occupancy was on a corner block the access points would similarly be on separate streets. Again, given they appeared to be on the same land titled, there was nothing inherent that suggested they were dual occupancy as opposed to secondary dwelling, apart from the relative sizes between the houses. A few sites around the area also had a notice for construction and indicated that approval had been granted for dual occupancy. All had separate letter boxes, and most indicated different occupants with letters following the number (i.e. 1a and 1b).

Of the secondary dwellings surveyed, most were not visible from the street, or if they were, the original dwelling would be older looking or unrenovated, whilst the secondary dwelling was very new. Mostly the rear dwellings were only accessible to pedestrians. From what could be discerned, they appeared to be rented out separately, with private access points. Some secondary dwellings were so large in size they could be confused with a dual occupancy, as the property sizes enabled this. All properties surveyed did not appear to have large backyards, instead sacrificing this space to add more dwelling space.

Overall the distinction between dual occupancy and secondary dwelling was somewhat blurry given the sizes between the two dwellings, and single land titles. In many respects that only distinguishing feature is orientation on the lot, being side by side as opposed to front and back. From a housing outcome point of view, there is little difference.

Figure 21 Secondary dwelling at rear of property in Sutherland area



Figure 22 Secondary dwelling at rear of corner lot with separate access in Sutherland area



Figure 23 Secondary dwellings at rear of existing houses with driveway access in Sutherland area



Figure 24 Secondary dwelling at rear with separate access in Sutherland area



Figure 25 Secondary dwelling at rear with separate driveway access in Sutherland area



Figure 26 New dual occupancy with shared driveway access in Sutherland area



Informing survey design

The aim of the street audit was not to provide a comprehensive overview of the development across SSROC, but inform the design of the survey such that the questions could accommodate a range of building typologies and household living arrangements. A key outcome was a decision to try and target the second dwelling using the geocoded national address file where possible. To do this, any lot that had an official second address registered (i.e. 1a and 1b), then the survey would be sent to that address, however in the absence of the second address, the survey was sent to the main house. Questions were designed to reflect the possibility that respondents could live in either dwelling. While this created complexity in the survey, it was instructive in that it was clear that a large share of the secondary occupancies were in fact being used as second occupancies and that the forms this took were varied. It reinforces previous research highlighting the need to better monitor both the intention of the dwellings at DA stage, and the final outcomes in terms of offering additional dwelling stock across the region.

Surveyed usage profile of secondary dwellings

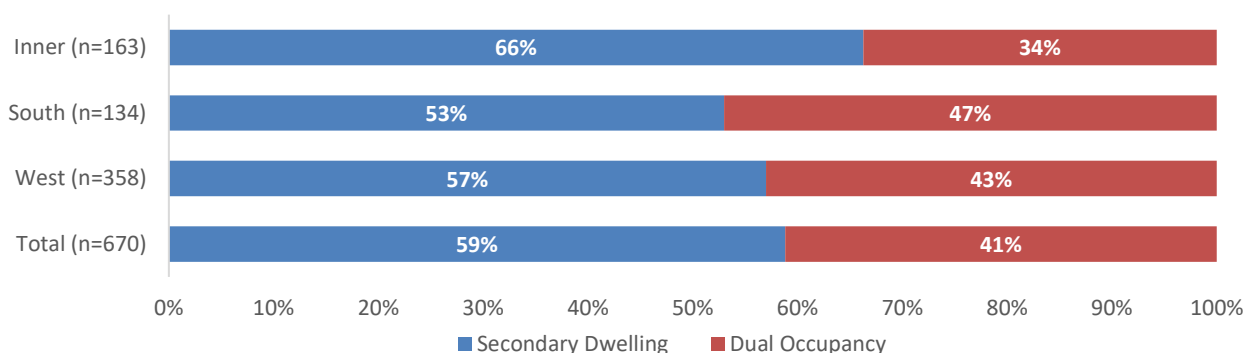
A core aspect of the survey was to establish the usage patterns of secondary dwellings. Previous work had noted that while data exists on how many may have been developed, there was little reliable information on what secondary dwellings were being used for. The use was addressed in a number of ways in the survey, first by interrogating occupant relationship between the primary and secondary dwelling, and second by ascertaining some of the physical aspects of the dwellings that might enable a more traditional idea of separate occupancy.

Based on a question about which dwelling the respondents lived in, 59% of survey responses came from lots identified as containing a primary (or main) and secondary (subsidiary) dwelling, while 41% were from lots where dual occupancies (two dwellings of equal primacy on a single title) exist, see Figure 27. Notably, the rate of secondary dwellings was higher (66%) in the Inner areas, compared with dual occupancy, which is likely due to the type of existing housing and whether it might enable dual occupancy.

Figures 28 to 31 focus on secondary dwellings only, and on average around 49% reported that they were being used as separate or secondary occupancy, while the remaining half were being used as either an extension to the main dwelling or for short term accommodation (visitors and lettings), see Figure 28. Including short term accommodation, this means that around 58% of all dwellings took the form of a secondary dwelling. It should however be noted that the rate of short-term accommodation was three times higher in inner areas as compared with western and southern areas accounting for 18% of the secondary dwellings, in other words, just under 1 in 5.

This pattern of clear separation between primary and secondary dwellings is reinforced by responses to the shared aspects of the dwellings. Figure 29 shows some of the different aspects or amenity of dwelling that may or may not be shared with the primary house. This figure only includes responses stating that there was a secondary dwelling present (not dual occupancies) and that either that or the main houses was being occupied by a separate household (not where both dwellings are occupied by the same household). Around one third of the all responses (31%) said they shared a letterbox while 85% reported having a separate entrance and 49% having separate driveway access. This suggests that around half of these dwellings may presented as distinctly separate dwellings akin to a 'battle axe lot' arrangement. A surprising element in these responses was the rate of shared utility bills with 33% reported a shared arrangement. Given secondary dwellings are not required to be separately metered, that two thirds appear to have separate bills suggest that most have been established in a way to accommodate a separate household. A small, though significant number of responses (15%) reported not having a separate entrance to the primary dwelling, suggesting that there are a number of secondary dwellings that do not offer separate living arrangements.

Figure 27 Dwelling type by area



Note: Total includes responses that could not be coded to a specific location in the SSROC region

Figure 28 Use of secondary dwellings (excluding dual occupancy) by area

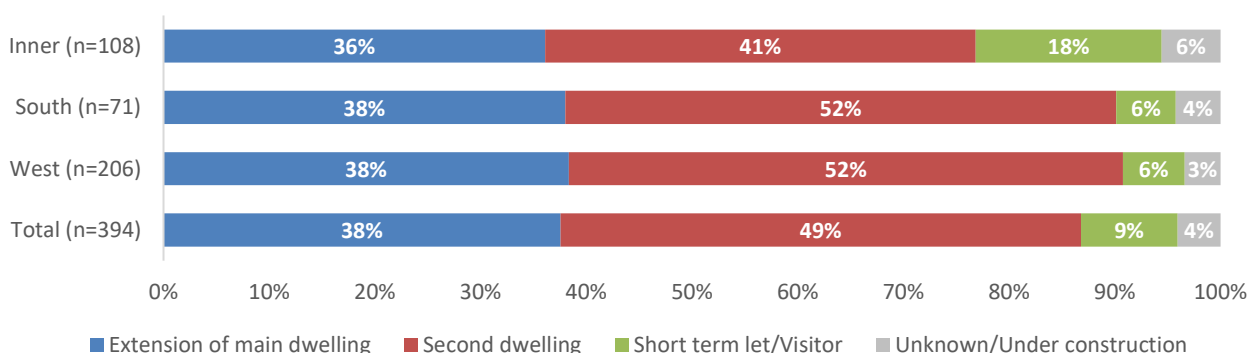
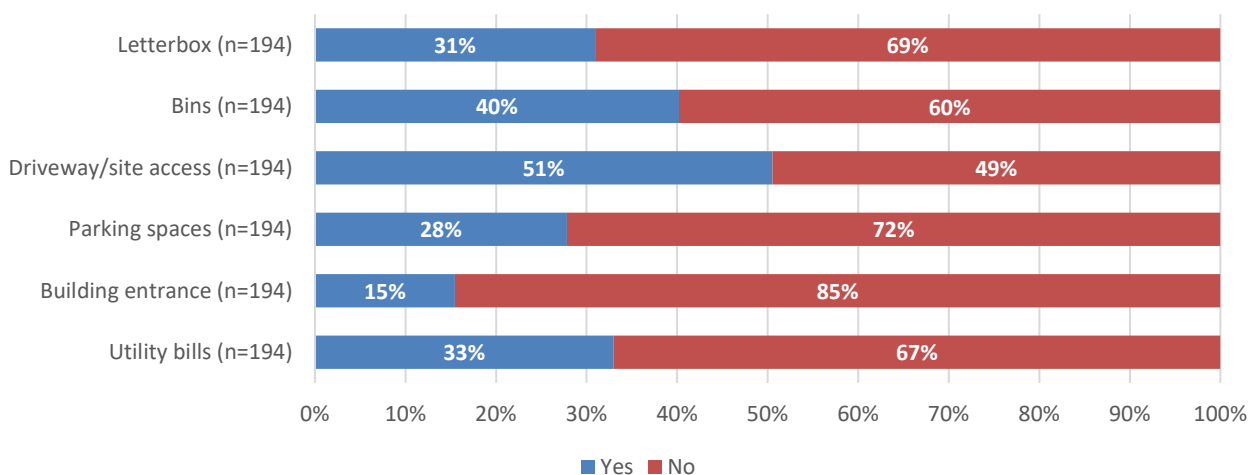


Figure 29 Shared living arrangements of properties with separately occupied secondary dwellings (excluding dual occupancy)

Which of the following are shared between the houses on the property?

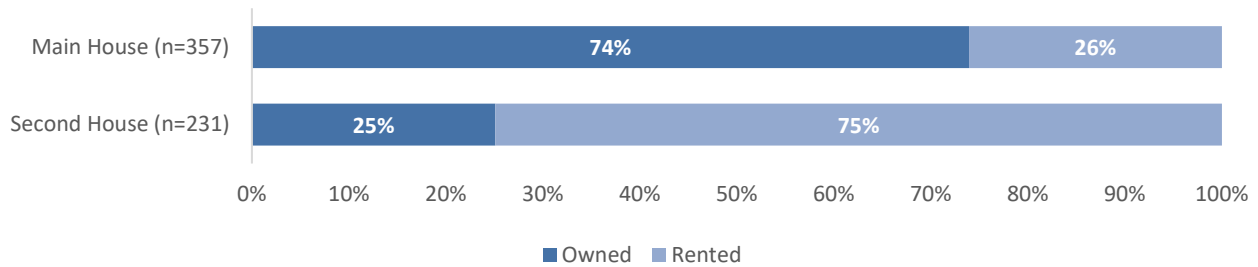


Tenure outcomes of secondary dwellings

One of the justifications for secondary dwellings is because they are thought to provide a supply of rental housing. As noted in Figure 28 above, around half of second dwelling approvals were resulting in a dwelling used by a separate household. In other words, above half of approvals are resulting in new supply of rental housing. Understanding tenure outcomes however is complex because there are potentially two dwellings on a lot, and there are a number of combinations of rental and ownership. The survey targeted one dwelling per lot and asked questions that enabled a tenure category to be associated to each of the dwellings on the lot. Based on these responses, around 26% of the primary houses were rented and around 75% of secondary dwellings occupied separately were rented, see Figure 30. What is perhaps most notable here is that 25% of secondary dwellings were being occupied by owners of the property, with the main house being used for a variety of other purposes.

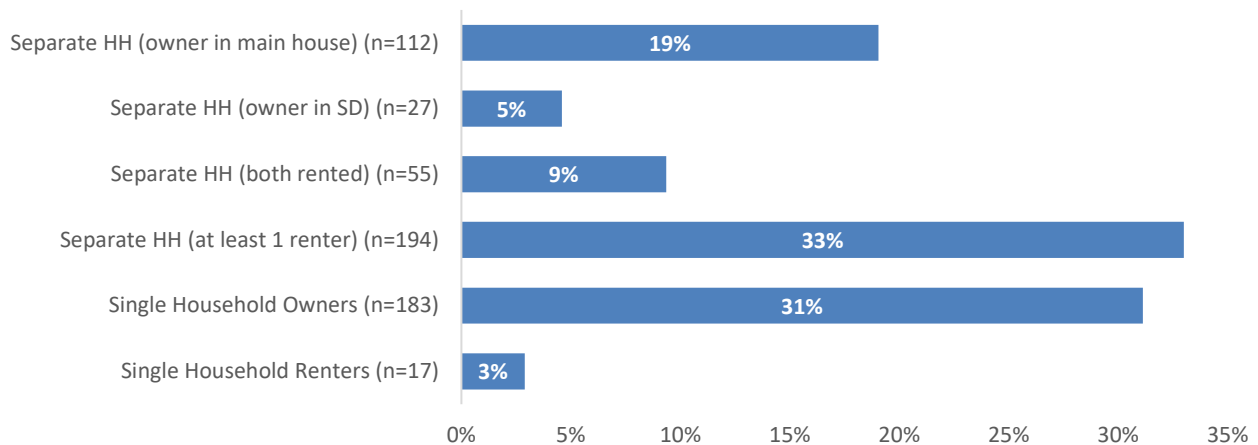
The tenure classifications can be further broken down to reflect the occupancy of each of the dwellings and tenure relations within a lot. Figure 31 shows the tenure breakdown by occupancy status and reveals that 19% of the households surveyed reflected separate households living on the same lot where the owner lived in the front or primary dwelling. 9% represented primary and secondary dwellings that were both being rented to separate households. Around one third (34%) of households occupied the whole lot, with the majority (31%) owning the property.

Figure 30 Tenure of all surveyed dwellings



Note: dwelling tenures have been inputted for non-surveyed dwellings (either primary or secondary) based on survey responses on tenure and relationship to other dwelling located on the property. The total number (n) will therefore be higher than the number of survey responses and represents a double count of responses that identified separate households in either the primary or secondary house.

Figure 31 Tenure and dwelling structure of all surveyed dwellings



Note: dwellings tenure and structure have been inputted for non-surveyed dwellings (either primary or secondary) based on survey responses on tenure and relationship to other dwelling located on the property. The total number (n) will therefore be higher than the number of survey responses and represents a double count of responses that identified separate households in either the primary or secondary house.

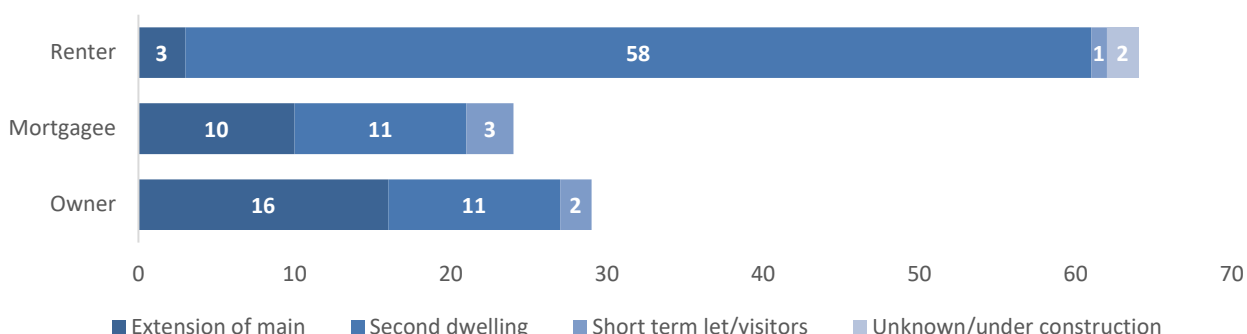
5. Secondary dwelling occupant profiles

One key question the survey sought to answer is ‘who is living in the secondary dwellings?’ As noted in the method section, above, this question has remained elusive as the dwellings are not consistently recognised in, for example, the census counts. This section outlines the findings of the survey responses from those living in secondary dwellings. Some of the key conclusions are that:

- Not all respondents living in the secondary dwelling were renters. Nearly 50% were owners and mortgagees living in secondary dwellings, who were in turn split evenly between separate households from the main dwelling and being part of the main dwelling’s household. This meant their profile differed from renters of secondary dwellings, who were almost all separate from the main dwelling.
- Renters in secondary dwellings have a similar profile to renters in the general population, being slightly younger (56% under 35yo), more well educated (61% with 4-year degree or more, more culturally diverse (58% born overseas), and having lower car ownership (72% with one or no car), among other traits.
- Incomes of secondary dwelling occupants were typically low (~60% in the bottom two quintiles for Australian households by income), and based on their reported rents, low-income households were almost all (84-87%) in rental stress.
- Although duration of occupancy suggested turnover in line with rental generally, secondary dwelling occupants were typically local: 50% previously lived within 5km and 75% either had no plans to move or expected to move somewhere within 5km.
- Other than price, occupants were generally satisfied with both their neighbourhood and dwelling. Features identified as important – quiet neighbourhood with public transport access, secure building in good condition – were also the features with the highest levels of satisfaction.

This cohort were, as expected, the most difficult to reach through the survey – just 117 of the 672 responses were occupants of secondary dwellings. Further, the survey revealed (as described above) many responses from occupants of secondary dwellings showed they identify as being part of the same household as the main dwelling. This was found to be particularly prevalent among owners, who own both dwellings but live in the secondary dwelling (Figure 32). This is in stark contrast to the intent of the AHSEPP that permits secondary dwellings: that is, to generate a supply of affordable, rental dwellings for people on low incomes. As such, the results outlined below also present the 64 responses of renters living in secondary dwellings. Given the low numbers, the data should be taken with some caution – as indicative rather than definitive. But these indicative patterns are revealing in any event.

Figure 32 Breakdown of survey responses from those living in secondary dwellings only (n=117) by tenure and household type



NB: In contrast to Figures 30 and 31, this only shows responses from secondary dwelling occupants (cf. derived characteristics of secondary dwelling occupants based on responses from primary dwelling occupants). The different sub-samples have, therefore, slightly different patterns: ~25% one household across both dwellings, cf. ~33% in Fig 31, and ~55% renting, cf. ~75% in Fig 30. This is likely a sampling bias, and part of the reason occupants of the main dwelling were surveyed, given many secondary dwellings were hard to reach.

Demographics

Generally, there was no skew in the gender of the occupants (Figure 33), although there was a small (within margin of error) indication that the renters are more likely to be female. With respect to age (Figure 34), occupants are spread across the age brackets but did skew younger, with half of respondents under 35 years. Reflecting the ‘granny flat’ moniker, around one quarter of occupants were 55 years or older. Notably, though, this tended to be owners of both dwellings, suggesting an ‘empty nest’ move into the smaller dwelling to free up the main house for either rental income or for family (as noted above, a proportion of secondary dwelling occupants lived in households spanning both dwellings). Among renters, this cohort was much less significant, with three quarters under 35 years of age. As noted below (Figure 37), a significant proportion of secondary dwelling households (including one quarter of renters) included children, who were not surveyed.

Figure 33 Gender of secondary dwelling occupants, all responses (L) (n=117) and renters (R) (n=64)

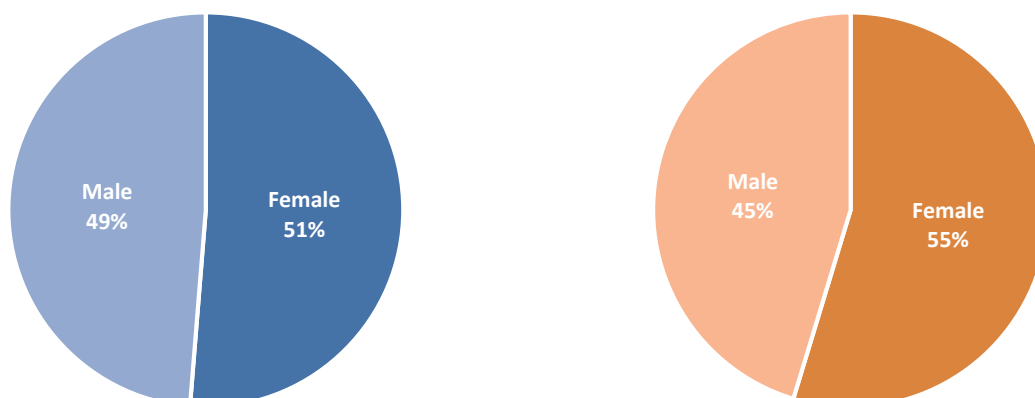
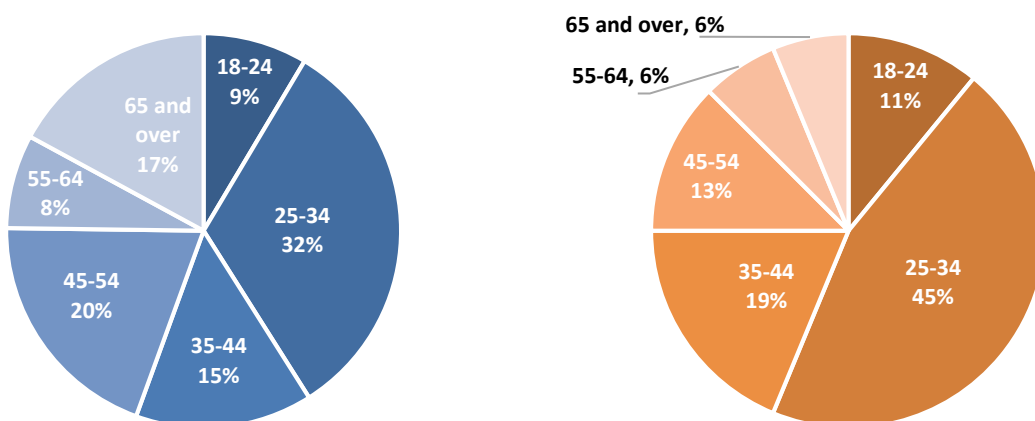


Figure 34 Age of secondary dwelling occupants, all responses (L) (n=117) and renters (R) (n=64)



The occupant profile also skewed towards the more culturally diverse – with over half being born overseas (Figure 35). The responses did reveal two evident cohorts within the overseas born population – recent arrivals (e.g. post 2015) more likely among the renters and established migrants (e.g. arriving pre 2000) implicitly more likely among owners/purchasers. This speaks to the pattern of asset-rich, income-poor established migrants capitalising on the value of their property by splitting it into two households and aligns with the statistical patterns revealed in section 3, above. Consistent with the ‘older, established migrant’ and ‘younger, recent migrant’ cohorts is a small (within margin of error) difference in education level (Figure 36), with the overall secondary dwelling population less likely to have tertiary qualifications compared with renters.

Figure 35 Birthplace of secondary dwelling occupants, all responses (l) (N=117) and renters (r) (N=64)

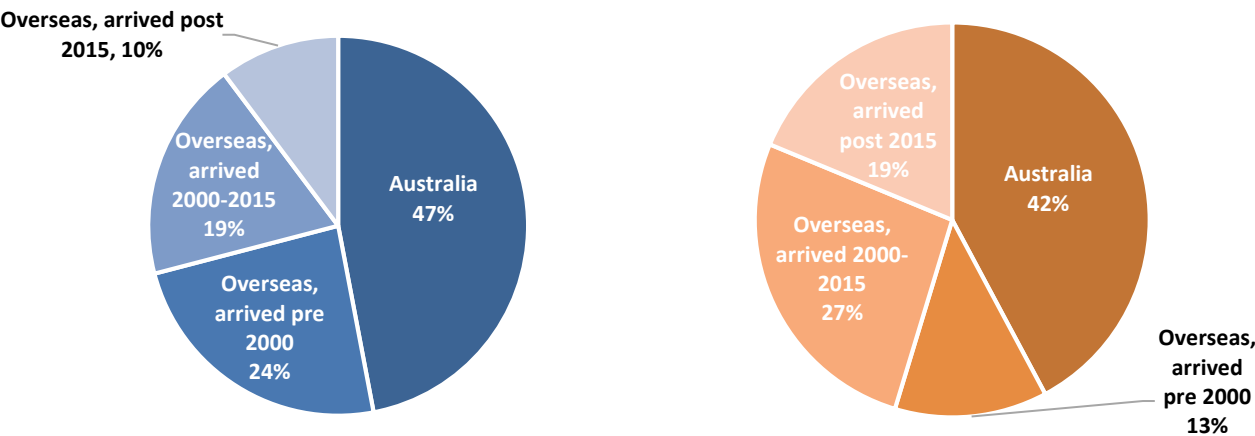
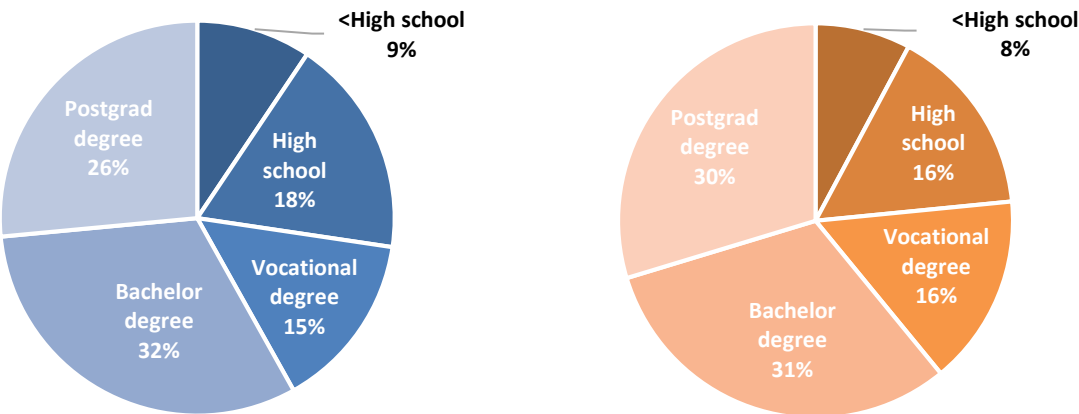


Figure 36 Education level of secondary dwelling occupants, all responses (l) (N=117) and renters (r) (N=64)



As already noted above, owners living in the secondary dwelling were much more likely to identify as part of a single household that includes the main dwelling. The household structure (Figure 37) indicated by responses reflects this, with a significant 15% of secondary dwelling occupants stating they lived with extended family. When excluding owners and purchasers, this proportion dropped to 5%, offset by larger proportions of, primarily, lone person and couple households. A similar distinction can be seen in the rates of car ownership (Figure 38), with renters having higher proportions with fewer cars. Notably, the secondary dwelling occupants almost always owned a car, and respondents indicated they use them, with only a very small number reporting they did not drive to the shops and leisure activities.

Figure 37 Household structure of secondary dwelling occupants, all responses (l) (N=117) and renters (r) (N=64)

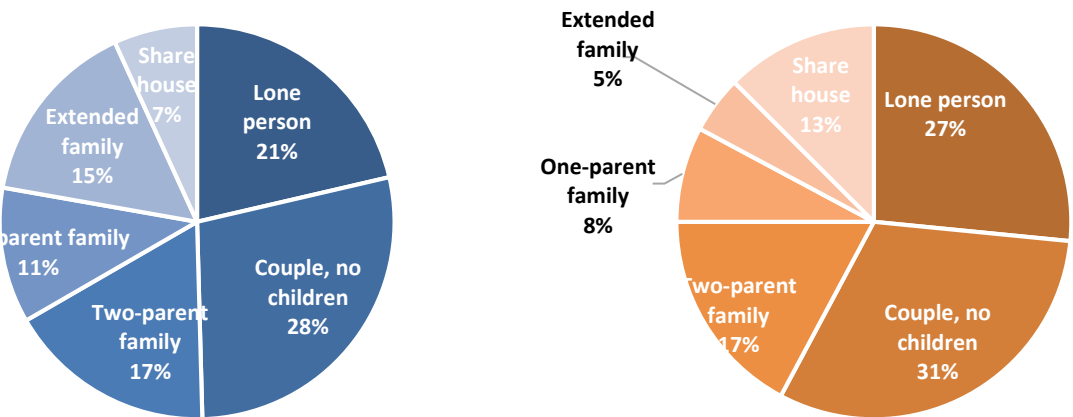
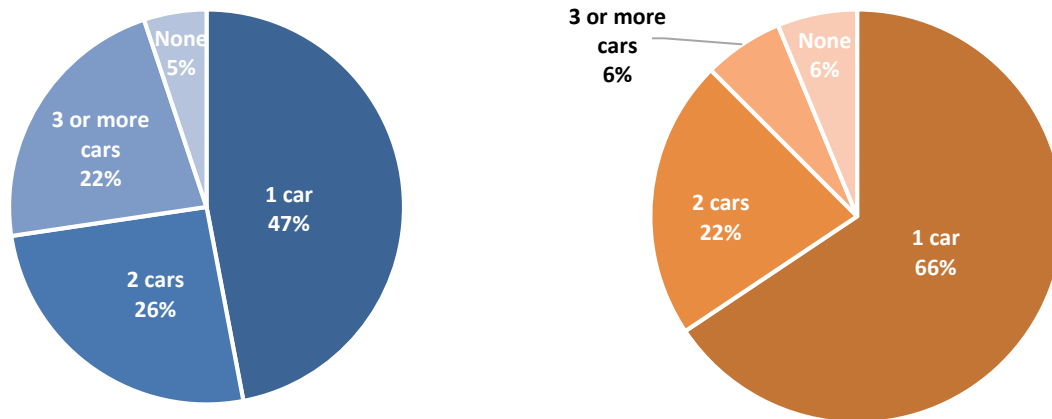


Figure 38 Car ownership of secondary dwelling occupants, all responses (l) (N=117) and renters (r) (N=64)



The majority of occupants were working (Figure 39) at least part time, with a significant proportion currently studying. Among owners and purchasers, consistent with the ‘granny flat’ cohort, was a high proportion outside the workforce (most likely retired). The source of income of occupants (Figure 40) corresponded with these labour force patterns. The majority earning wages, but a small but significant proportion (particularly among owners and purchasers) on government pensions. Despite predominantly working, secondary dwelling occupants were typically low-income households (Figure 41) with, approximately, two thirds earning less than \$1250/week and so placing them in the bottom two quintiles of Australian households by income.

Figure 39 Labour force status of secondary dwelling occupants, all responses (l) (N=117) and renters (r) (N=64)

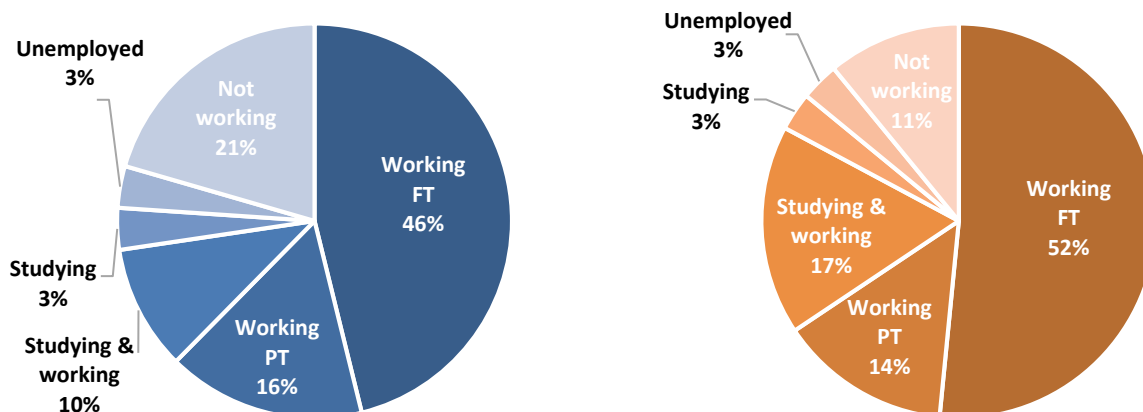


Figure 40 Income source of secondary dwelling occupants, all responses (l) (N=112) and renters (r) (N=63)

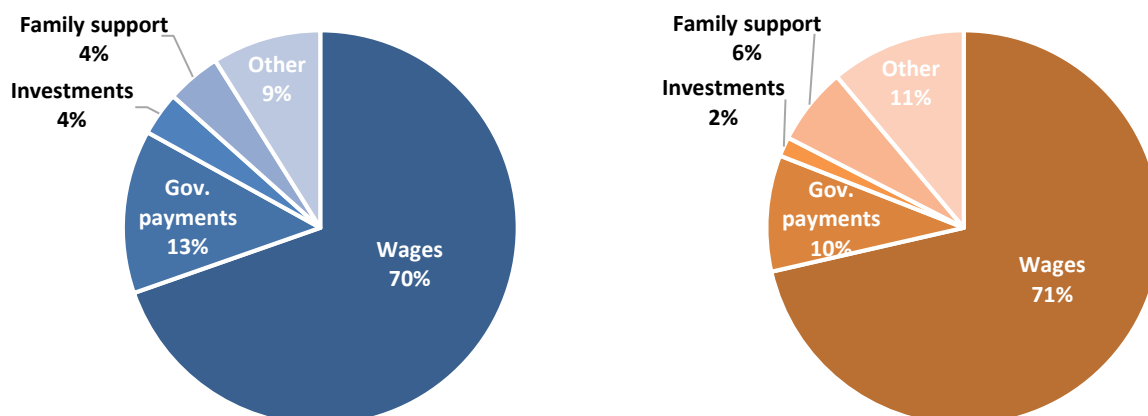
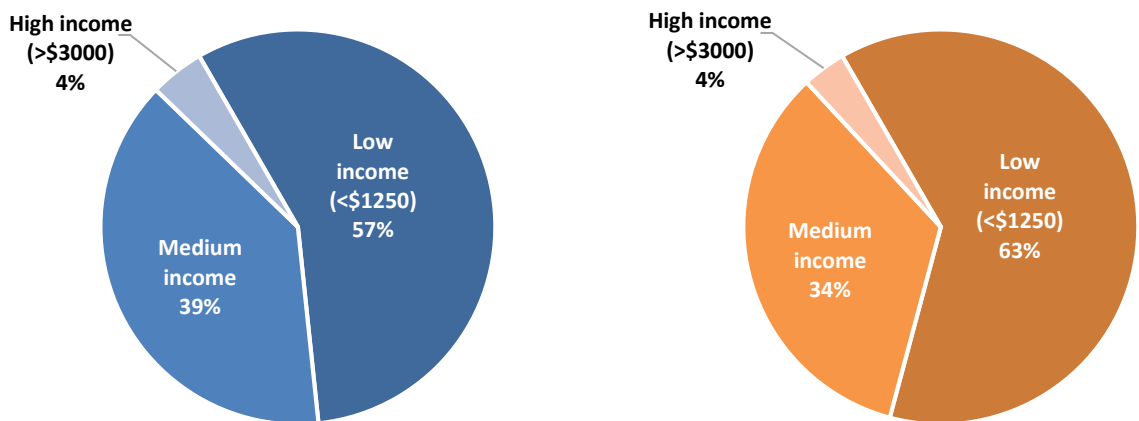


Figure 41 Household income of secondary dwelling occupants, all responses (l) (N=90) and renters (r) (N=56)



Affordability

The rents for secondary dwellings were provided both by the renters themselves, and by the owner-occupants of the primary dwelling who were renting the secondary dwelling, revealing rents to typically be \$430 (Figure 42). The median rent varies from \$400 in the western areas to \$500 in the inner areas. A rent of \$430 equates to over 30% of all households in the bottom two quintiles by income (earning <\$1250). (And note that the quintile thresholds would be even lower for smaller households, as typify secondary dwelling households).

This is borne out when comparing directly the incomes and rents of secondary dwelling occupants. Very few respondents (N=51) met all the criteria to be included in this calculation (i.e. must be renting a secondary dwelling and must have disclosed rents and incomes). However, the results (Figure 43) indicate that only around one in ten low income households renting a secondary dwelling were not in rental stress (paying more than 30% of their income on rent).

Finally, the tenure arrangements, even among those identifying the secondary dwelling as a separate household (rather than an extension of the main household) had a significant minority (around one quarter) in informal tenure, without a formal tenancy agreement (Figure 44).

Figure 42 Median rents for secondary dwellings, by SSROC area



Figure 43 Proportion of secondary dwelling renters in rental stress, by income range

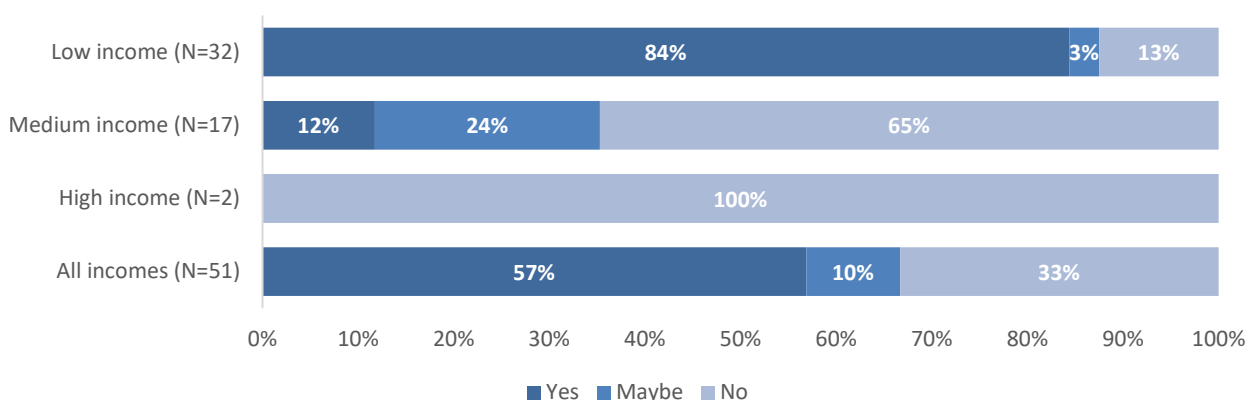
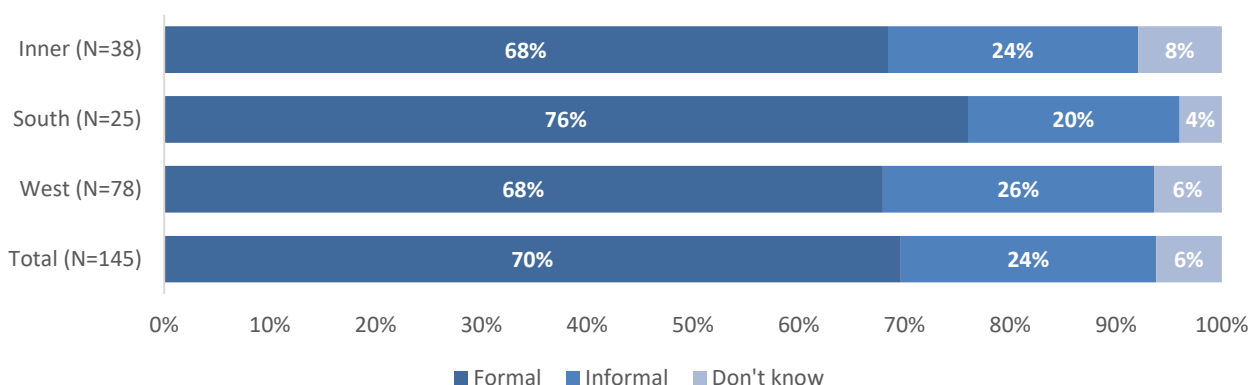


Figure 44 Proportion of secondary dwelling renters under formal rental agreements, by SSROC area



Duration of occupancy and 'catchment' of occupants

The secondary dwellings were considered fairly stable places to live overall with most having lived there for over two years already (Figure 45, left). In some instances, this likely included time living in the main dwelling, but was fairly stable nonetheless. A similar proportion expected to live there for at least two more years (Figure 46, left).

In contrast, around three quarters of renters had lived in the secondary dwelling for less than two years (Figure 45, right), around two thirds expected to live there for less than two years longer (Figure 46, right), and (calculating from combined responses) one quarter of renters expected to live there below two years in total. While this may be because the survey came from a sample of dwellings that are relatively new, more likely it reflects broader patterns in rental housing which is generally more itinerant and less permanent than owner occupied housing.

Figure 45 Duration of occupancy (so far) of secondary dwellings, for all occupants (l) and renters (r)

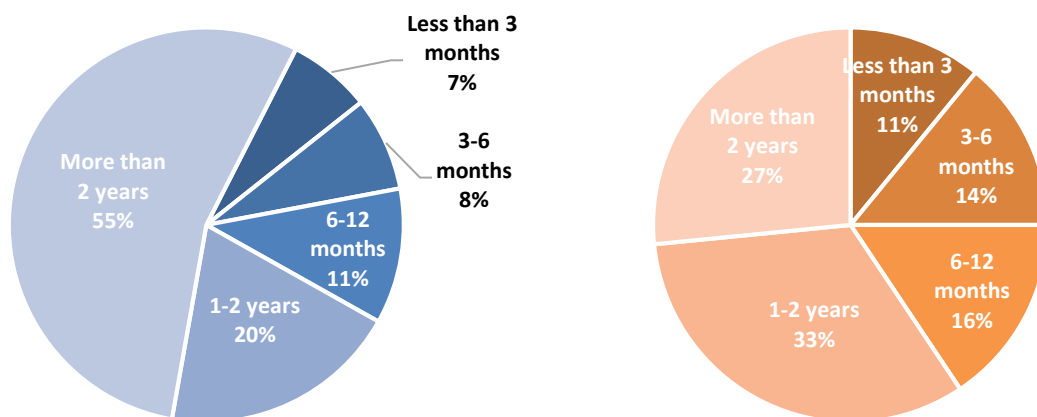
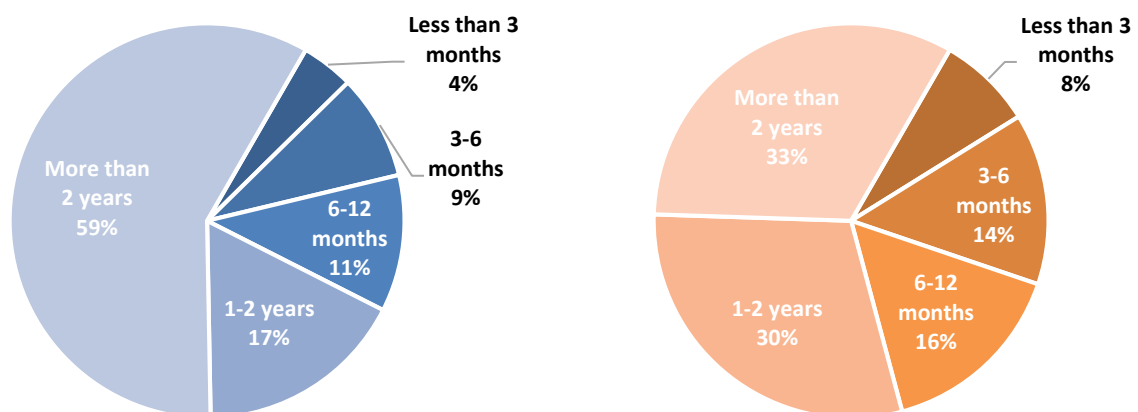


Figure 46 Expected additional duration of occupancy (from now) of secondary dwellings, for all occupants (l) and renters (r)



The secondary dwellings were, to a large extent providing homes for people already living in the local area, with over half previously living within 5km of their current home (Figure 47, left). Further, over four fifths were existing Sydney residents. This characteristic 'localness' of the secondary dwelling occupant extended to their future home expectations (Figure 48, top) – over half were not contemplating moving and, of those that were, half were expecting to stay within 15km of their current home. Among renters, the patterns of origin and anticipated destination were not significantly different (Figure 47, left and Figure 48, bottom), with some suggestion that renters were more likely to come from and expect to move outside of Sydney.

Figure 47 Proportional split of the location of the previous home of secondary dwelling occupants, all (l) and renters (r)

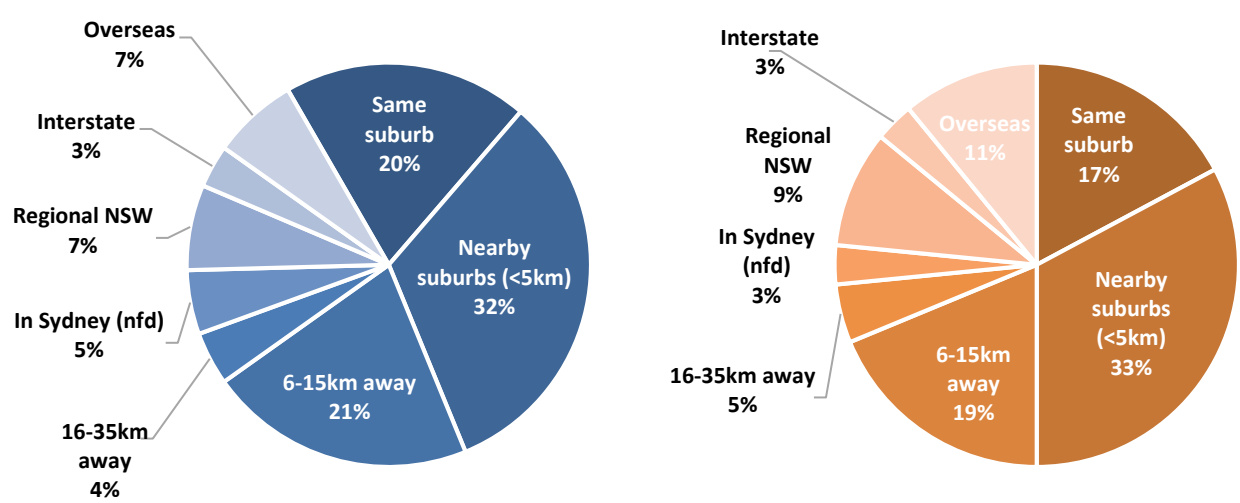
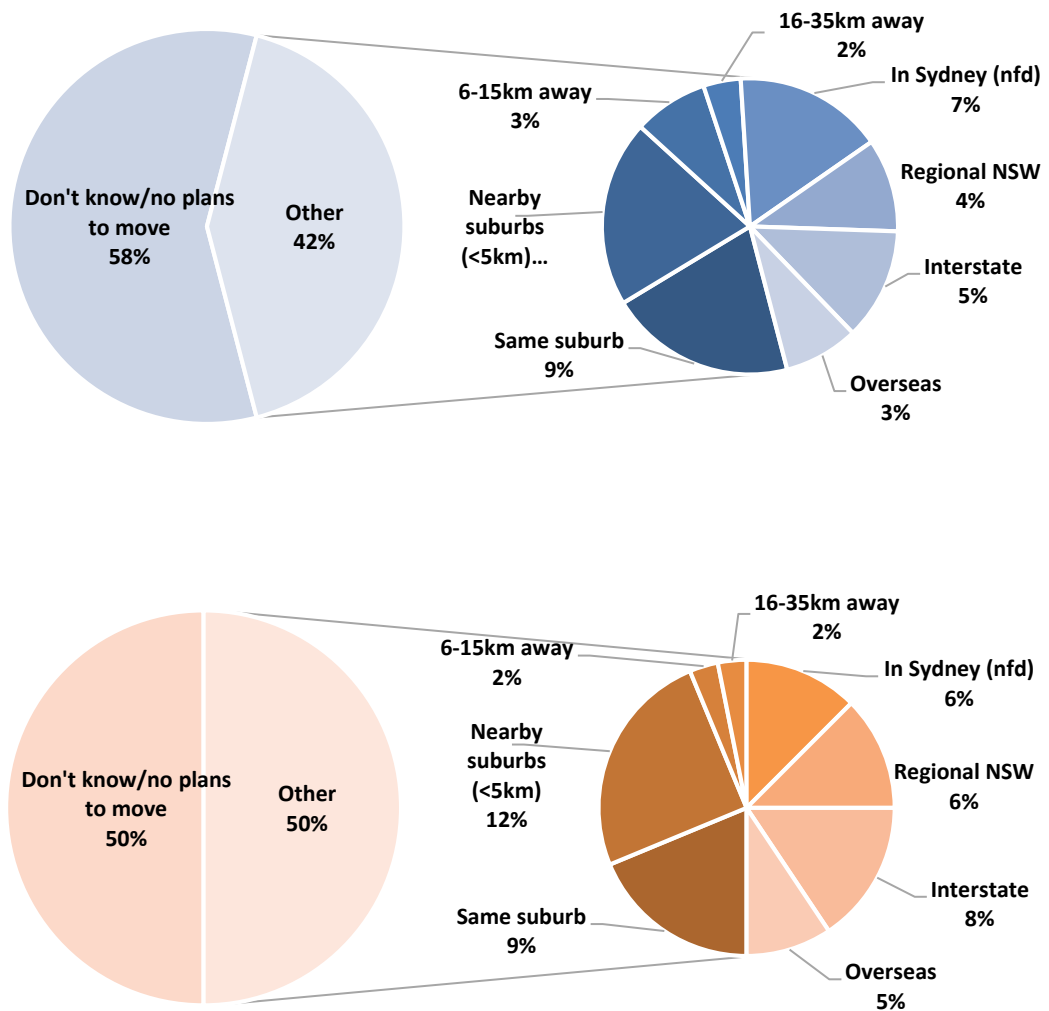


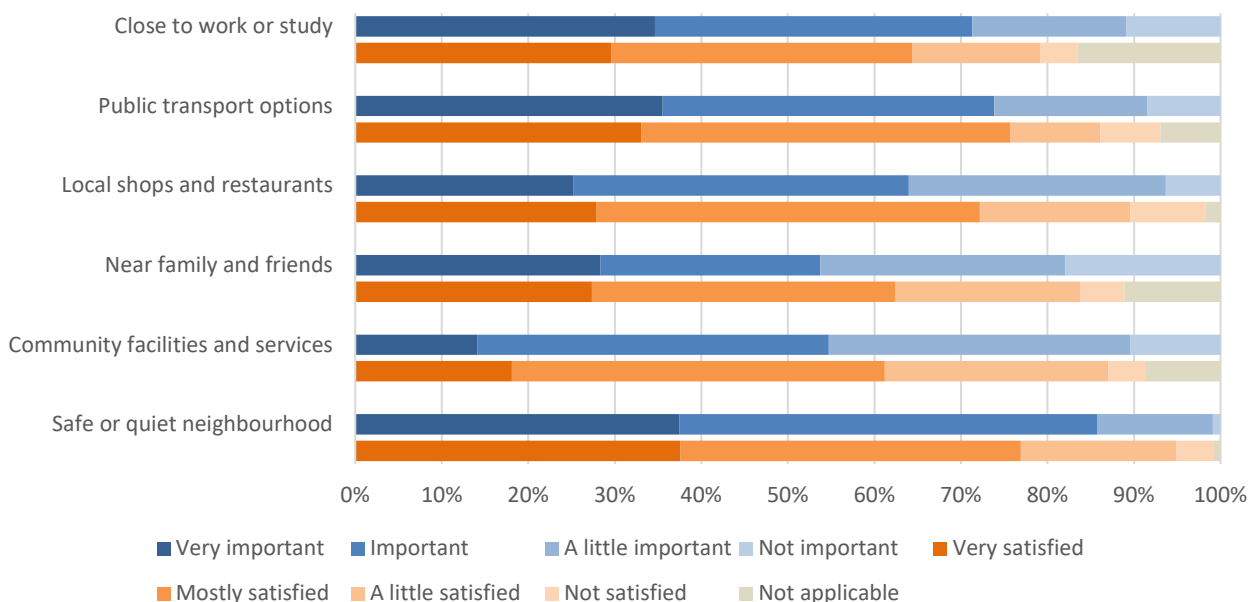
Figure 48 Proportional split of the location of the previous home of secondary dwelling occupants, all (top) and renters (bottom)



Priorities and satisfaction

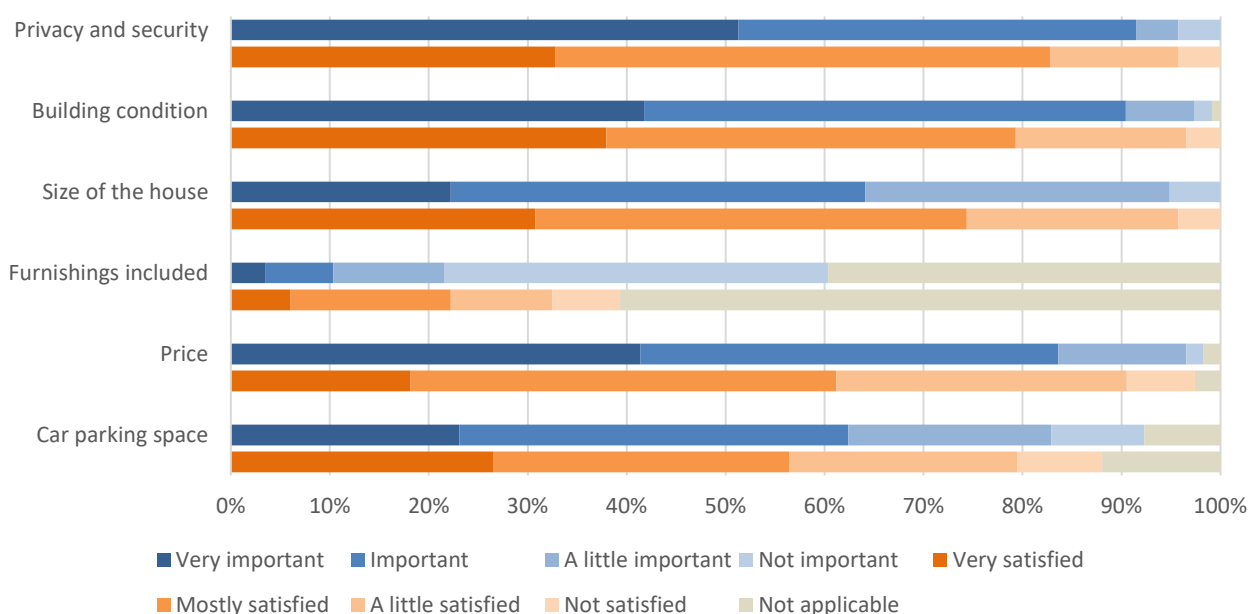
The survey asked secondary dwelling occupants about what was important when choosing to live in their current home, as well as a parallel question asking their satisfaction with those factors. At the neighbourhood scale (Figure 49), the most important factors were the neighbourhood being safe and quiet, close to work or study and close to public transport. In all cases, these were the aspects of the neighbourhood respondents were most satisfied with.

Figure 49 Importance of, and satisfaction with, neighbourhood features among secondary dwelling occupants (N=117)



At the dwelling scale (Figure 50), there were some more nuanced results. Privacy and security was the most important feature of the dwelling, followed by building condition and price. While occupants were mostly satisfied with the first two of these, there was a lower level of satisfaction with price. Conversely, size of the dwelling and availability of parking were not as important, but the level of satisfaction with these was higher (relative to importance).

Figure 50 Importance of, and satisfaction with, building features among secondary dwelling occupants (N=117)



6. Conclusions and Recommendations

This report has provided an empirical analysis of dwelling and tenant outcomes of secondary dwellings delivered under the AHSEPP. The evidence presented was based on an occupant survey that was distributed to all dwellings that have had a secondary occupancy approved between 2007 and 2017. The survey aimed to explore the lived outcomes of secondary dwellings across the Central and Southern Sydney region.

The aim of the AHSEPP is to provide a supply of affordable rental housing across NSW and is one of the key policy responses of the planning system to the problem of housing affordability across NSW. However, regulation of secondary dwellings within the planning system focuses on the physical form of the dwellings in terms of size, location, relationship to primary dwelling, and the aim of the AHSEPP is to provide a particular kind of *social* outcome in the form of low-cost rental housing. This overall produces a misalignment between the intention of the SEPP and the physical outcomes in which planners have no few to regulate what these dwellings can ultimately be used for. While it may be entirely inappropriate for planners to have that kind of role in regulating what occupants can and cannot do with part of their house, it does point to a logical failing of the AHSEPP as the centre piece of the planning system in addressing affordable housing options. As is explored in more focus below, flexible housing outcomes and the diversity of arrangements that have actually been produced, may in fact be desirable, these do not inherently increase supply of affordable rental housing.

Flexibility and diversity also ought not to be confused with unpredictability and the unknown. The reason for undertaking this survey was that there were potentially large numbers of new dwellings and additional households placing pressure on local amenities and services, yet strategic planning in a broad way has not engaged with the implications of this on local and strategic planning. The incremental changes underway as a result of this type of development has the potential to radically reshape suburbs in unpredictable and inconsistent ways. One of the main conclusions below points to a diversity of outcome that intersects with physical location, household composition, and local market context. This makes it difficult to incorporate these outcomes into long term planning across areas of the Sydney that sit outside strategic planning zones such as the range of precincts and centres.

Overall, there are many positive aspects to the development of secondary dwellings potentially providing some more flexible housing solutions to wider affordability pressures and increasingly diverse household formations. However this is not the same as providing a solution to the lack of supply of affordable rental housing, nor necessarily delivering on wider housing targets. That there is no real way within the AHSEPP to ensure that social policy objectives are achieved, and the lack of consistency in outcomes in social terms, suggests a rethink of AHSEPP's role in relation to affordable housing policy, housing targets and relationship to metropolitan strategic planning is needed.

Reflecting these overall general comments, the following section provides a brief summary of the core findings, discussion on implications and policy recommendations.

Summary of findings

1. Secondary dwellings are extraordinarily diverse

At the outset of this project, it was known that there are a number of potential differences in the form, function and occupant profile of secondary dwellings. One aim of the project was to untangle these variations and understand their relative dominance. Yet, the heterogeneity of the dwellings remains quite striking from the evidence gathered, making 'secondary dwelling' a difficult dwelling type to adequately support or regulate. The recommendations below outline possible ways to better define the different types secondary dwellings, and so incorporate them with other related development patterns.

Regarding form, secondary dwellings were found to be, at one end of the spectrum, entirely standalone dwellings with separate entrances, services and private open spaces. These dwellings approached, in many respects, independent dwellings like dual occupancies (rather than subsidiary to a main dwelling). At the other end of the spectrum of form, secondary dwellings were found to be almost entirely integrated into the main dwelling, with little external evidence to differentiate them from extensions or alterations.

2. A large proportion of secondary dwellings are not adding to rental housing stock

Regarding function, much like the 'form spectrum' above, at one end were secondary dwellings that were used for storage, as an office or otherwise entirely outside the notion additional housing. When functioning as an extension to the main dwelling, it was more likely that secondary dwellings were to accommodate changing household conditions, and so serve to meet housing needs in some sense. Importantly, the predominance of secondary dwellings in multi-cultural, lower-to-middle class neighbourhoods suggests secondary dwellings are a means of so-called 'asset rich, income poor' households to accommodate changing family circumstances (adult children, etc.) by capitalising on the value of their property and provide their families with alternative accommodation options than renting or purchasing separate dwellings locally.

At the other end of the spectrum were secondary dwellings that housed entirely independent households from the main dwelling. In this respect, there was little to differentiate them from dual occupancies or even battle-axe subdivisions, other than (notionally) their size. That they cannot be sold separately to the main dwelling did mean they were providing rental options, but at times this included both informal (potentially illegal) rental arrangements and commercial rental arrangements (such as short-term lettings).

Combined, these functions accounted for over half of the secondary dwellings, a very high attrition rate for a policy response that aimed to increase long term rental housing supply.

3. When reaching the rental market, very few secondary dwellings are affordable

Regarding occupant profile, again there was found to be much diversity. At one end, there was evidence secondary dwellings were providing student accommodation and at the other end (of the age spectrum, at least) there was evidence of secondary dwellings aligning with their colloquial appellation of 'granny flat'.

Notably, but not anticipated or explored in detail, a significant minority of secondary dwellings were occupied by families with children. While there are secondary dwelling products on the market that clearly demonstrate two-bedroom dwellings can be built within the permitted 60m², it is outside most common interpretations of secondary dwellings that they serve as independent family homes. As noted above, this likely reflects the fact that there is little to distinguish some secondary dwellings from duplexes and other medium density housing stock. The presence of families in such dwellings has implications (pressures on schools and other local facilities, for example) that are 'under the radar', effectively unplanned, making this type of development problematic, particularly in areas with high rates of take up.

A commonality among the diverse occupants was a low (or medium) income. Incomes skewing to the lower end of the Australian household income distribution is to be expected in such small dwellings. And secondary dwellings were, evidently, providing housing options at a lower cost than, say, the primary dwelling on the property. However – and this is perhaps the starkest finding of the research – the secondary dwellings were not affordable to households on such low incomes. Median rents were above an affordable level for the very top of the low-income range (\$1,250 per week), let alone all those on incomes well below this threshold, and almost all low-income occupants were in rental stress.

4. Other than price, occupants are, overall, fairly satisfied with the level of amenity secondary dwellings provide

There was a high level of satisfaction with secondary dwellings, particularly those aspects occupants identified as important in their choice to live there. This included the qualities of the neighbourhoods, highlighting the ongoing

appeal of suburban lifestyles against much rhetoric around the high-density future of urban living as household structures diversify. Many of the occupants were local to the area before living in their current home, and many plan to stay in both their home and the neighbourhood in the future.

There was also, importantly, a high degree of satisfaction with the dwellings themselves, including the level of privacy, security and condition of the buildings. The notable exception being the satisfaction with price, relative to its importance in housing choices of occupants. Again, this satisfaction supports the NSW Government and many councils' longstanding policy of enabling the incremental renewal of older suburbs with newer, more diverse, quality building stock. There is also a clear parallel with the experience of secondary dwellings in the mode of rolling out the 'missing middle' provisions (of the NSW Government's low-rise, medium density housing code). That secondary dwellings are not more well integrated into those controls is a problem, as outlined below.

5. A lack of strategic expectation around the role of secondary dwellings has limited their effective use in housing strategies and neighbourhood planning

A final conclusion, although perhaps the first conclusion reached, is that there remain alarming gaps in policy makers' understanding of the types of secondary dwellings being built, their use and occupant profile, and the additional infrastructure and amenity demands they create on their host neighbourhoods. This conclusion could be drawn solely on the need for this research, but it remains an important point to make moving forward, with this research raising as many questions as it answers.

Recommendations

Establish a genuine planning response to the shortage of affordable housing

It is essential that the affordable rental housing needs, which cannot be met by additional market housing supply, be considered in strategic planning policies. The most pertinent finding of the research is that the secondary dwelling provisions of AHSEPP are not contributing to the supply of affordable rental housing. The lack of adequate policy response to supply genuinely affordable housing is a major policy failure in NSW. The problem is relying on market housing to be delivered at a price point affordable to low-income households. The recent commitment, through the Greater Sydney Commission, to generate affordable housing through inclusionary zoning goes some way to overcoming that policy failure. Further, the current efforts within the Department of Planning, Industry and Environment to develop a broader housing strategy is promising, especially if it moves to address the shortcoming in affordable rental housing supply.

Embed secondary dwellings within related controls that regulate the redevelopment of established suburbs

The recently introduced NSW 'missing middle' housing code is a logical location to position this housing typology, alongside other similar developments. 'Secondary dwelling' appears to be too nebulous a concept to effectively translate into important functions of planning: from realising housing targets to setting local rates. Yet given the scale and potential value to dwelling supply, a way of defining and counting this contribution needs to be quickly found for the state managing and co-ordinating growth and councils providing services and managing their cumulative impacts.

The blurred boundary between secondary dwellings and dual occupancies, in particular, could be overcome by incorporating secondary dwellings within the broader land use controls regulating suburban properties. Secondary dwellings that approach such independent dwelling forms could then be formalised through provision of adequate amenity (access, utilities, etc.) and appropriate servicing. More speculatively, this would also decrease the likelihood of secondary dwellings being built on lots anticipated to accommodate a dual occupancy (i.e. to realise their full development potential).

More guidance, clarity and even permissibility regarding extensions to existing family homes should be considered. Again, housing codes that have been introduced subsequent to the AHSEPP present a more logical location to position guidance and regulation around the expansion and adaptation of single-family dwellings into more versatile arrangements. To be clear, these are not necessarily prohibited currently, but incorporating guidance around potential for common granny flat-style (or teenager retreat-style) extensions under those codes could be warranted.

There could be merit in positioning these controls alongside existing controls for duplexes and dual occupancies in local development controls. As outlined further below, uniform state-wide regulations pay scant attention to local market conditions, built-form characteristics, local character as well as the carrying capacity of local infrastructure. Local controls – even local adjustments to complying development codes – could address this.

Further develop methods for local jurisdictions to predict volume, location and function of secondary dwellings

Much more strategic work must be undertaken to better understand the dynamics affecting take-up of secondary dwellings. This includes better understanding the expected volumes, the expected locations and, furthering the above point, the expected function and occupants of the secondary dwellings.

The take-up of secondary dwellings is far from uniform, with spikes of activity focused on particular neighbourhoods, even streets. These spikes of development have the potential to exceed local carrying capacities, in terms of servicing and provisions of local infrastructure and amenities. The findings suggest that this has not caused problems to date, with most occupants enjoying the amenity of low-density suburban environments.

As the number of secondary dwellings accrue over the next decade, however, the likelihood of locations experiencing dreaded ‘overdevelopment’ (where local carrying capacity is exceeded) will grow. And yet the additional impact of each new secondary dwelling is going to be small, making management of the cumulative impacts, or cumulative demand for, say, transport, open space, community facilities, utilities, etc. difficult to plan for.

In the absence of such planning, not only are there risks of government having to ‘play catch up’ to support the new development, there is the more detrimental risks of disrupting existing communities that experience unplanned rapid change and triggering further distrust and political opposition to well-planned incremental development.

Investigate implications of planning controls on other regulations

A number of other, seemingly niche, housing outcomes were revealed through the study.

The survey identified many dual occupancies. This, in turn, revealed the use of company title to circumvent restrictions on subdivision of dual occupancies. The extent to which such a ‘loophole’ could be exploited to have secondary dwellings sold separately warrants investigation.

The survey also identified instances of ‘lifetime tenancies’ being purchased by occupants of secondary dwellings (evidently as part of the sale/transaction of ownership of the property and main dwelling). It was outside the scope of this research to fully understand this arrangement, but the interaction of planning policy promoting secondary dwellings and life estates should be more fully understood.

There is some suggestion that tax treatment of secondary dwellings being rented (on an otherwise primary residence) will discourage landlords from formally renting properties, thus denying occupants tenancy rights.

In addition to warranting investigation in their own right, these issues speak to the need for the interaction of planning policy – in this case promoting the development of multiple dwellings on a single title – to be more fully considered with respect to other laws and regulations.

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Appendix A - Occupant Survey



City Futures Research Centre Housing Survey: New homes in old suburbs

Dear Resident

City Futures Research Centre at UNSW would like your help with a **study on new homes being built in existing suburbs of Sydney**. In particular, we are interested in the growth of secondary houses, like granny flats. The aim is to investigate resident satisfaction with this housing.

Council data indicates that the property you live at includes a secondary dwelling or dual occupancy. We are inviting everyone who lives in this type of housing across southern and central Sydney, to complete the survey.

The survey only takes about 5 to 10 minutes to complete. Once you have completed and submitted the survey you will go into a draw for **1 of 4 \$250 Eftpos Cash Cards**. To participate either:

1. Complete this paper version of the survey and return using the reply-paid envelope.
2. Complete the survey online by scanning the QR Code or entering the web address:

cityfutures.be.unsw.edu.au/housing_survey



On newer phones and tablets, open the camera app and point it at the code to be redirected to the online survey.

Please complete the survey by **Sunday, 3 November 2019**.

You must be **over the age of 18 years old** to participate. Participation in the survey is **voluntary**. By completing the survey, you consent to the information you provide being used by UNSW for research into housing and planning policy outcomes. We will **never** use or disclose the information other than for research purposes, unless required by law. When we publish the research, we will **not** publish any information that may identify you or another person, or any particular property.

If you would like further information about the project before deciding to participate, or to view a participant information sheet, please follow the link above or contact Dr Ryan van den Nouwelant by email (ryan.v@westernsydney.edu.au) or phone (02) 4736 0177.

Thank you for your time.

Prof Bill Randolph

Director,
City Futures Research Centre



Section A. Tell us about your house

We've identified there are multiple houses on the property you live on, where there used to be just one.

Note that it might seem like yours is the only house, if the other one has a separate entrance (like a battle-axe, rear lane or corner lot, or duplex presentation to the street).

Q1. How would you best describe the house **you live in**?

- ☐ The main house
(e.g. either attached or separate from the secondary house)
- ☐ The secondary house, e.g. a granny flat
(e.g. either attached or separate from the main house)
- ☐ One of two 'duplexes' or dual occupancies
(e.g. where neither is 'secondary' to the other)

Q2. Which of the following are shared between the houses on the property? **(Select all that apply)**

- ☐ Letter box
- ☐ Bins
- ☐ Driveway or site access
- ☐ Parking space
- ☐ Building entrance
- ☐ Utility bills (e.g. electricity or gas)
- ☐ Fence between the houses

Q3. What is the normal use of **the other house**?

- ☐ Other people live there
- ☐ Part of our household lives there
(e.g. grand parent, teenager, house mate)
- ☐ A workspace or office
- ☐ For visiting family or friends
- ☐ Occasional sub-letting (including AirBNB)
- ☐ Storage
- ☐ Spare space, not really used
- ☐ Unsure
- ☐ Other _____

Q3a. If other people live there, do you know the people living in the other house?

- ☐ Yes, extended family
- ☐ Yes, friends
- ☐ Yes, just neighbours
- ☐ Yes, my landlord/tenant
- ☐ No, I don't know them
- ☐ Not applicable, no one lives there

Q4. Do you own or rent your house?

- ☐ Own outright..... go to **Section B2**
- ☐ Purchasing with mortgage go to **Section B2**
- ☐ Rent go to **Section B1**

Section B1: For Renters

Q5. How did you find this house?

- ☐ Direct from the owner
- ☐ Personal recommendation or word-of-mouth
- ☐ Real estate website (e.g. domain, realestate.com.au)
- ☐ Other website (e.g. gumtree, flatmates.com.au)
- ☐ Other _____

Q6. How much rent do you pay **each week**?

\$ _____ rent/week

Q6a. Does this rent include utilities (like electricity)?

- ☐ Yes
- ☐ No

Q6b. What is the nature of the rental?

- ☐ A formal rental agreement
- ☐ An informal or 'verbal' contract
- ☐ I don't know

Q7. Do you know who owns your property?

- ☐ Yes, they live in the other house on the property
- ☐ Yes, but they do not live at this property
- ☐ No, I rent through an agent/sublet

..... go to **Section C**

Section B2: For Owner/Purchasers

Q8. Did you build the houses on the property?

- ☐ Yes, I demolished the old and built both the houses
- ☐ Yes, I added a second house but kept the main house
- ☐ No, I bought it like this

Q9. What was the appeal of buying/building a property that has two homes? **(Select all that apply)**

- ☐ Flexibility for personal use
- ☐ Ability to accommodate growing/extended family
- ☐ Rental income
- ☐ Increase property value
- ☐ Other _____

Q10. If you rent out the house that you don't live in, how much is the rent?

- ☐ Not applicable..... go to **Section C**

\$ _____ rent/week

Q10a. Does this rent include utilities (like electricity)?

- ☐ Yes
- ☐ No

Q10b. What is the nature of the rental?

- ☐ A formal rental agreement
- ☐ An informal or 'verbal' contract
- ☐ I don't know

Section C.
Tell us about your choice to live here

Q11. How important were the following features of the neighbourhood in your choice to live here?

Not applicable	Not important	A little important	Important	Very important	
☐	☐	☐	☐	☐	Close to work or study
☐	☐	☐	☐	☐	Public transport options
☐	☐	☐	☐	☐	Local shops and restaurants
☐	☐	☐	☐	☐	Near family and friends
☐	☐	☐	☐	☐	Community facilities and services
☐	☐	☐	☐	☐	Safe or quiet neighbourhood

Q12. How important were the following features of the house in your choice to live here?

Not applicable	Not important	A little important	Important	Very important	
☐	☐	☐	☐	☐	Privacy and security
☐	☐	☐	☐	☐	Building condition
☐	☐	☐	☐	☐	Size of the house
☐	☐	☐	☐	☐	Furnishings included
☐	☐	☐	☐	☐	Price
☐	☐	☐	☐	☐	Car parking space

Q13. What else was important in your choice to live here?
(Please specify or go to the next section.)

Section D.
Tell us about your satisfaction with living here

Q14. How satisfied are you with the following features of the neighbourhood?

Not applicable	Not satisfied	A little satisfied	Mostly satisfied	Very satisfied	
☐	☐	☐	☐	☐	Close to work or study
☐	☐	☐	☐	☐	Public transport options
☐	☐	☐	☐	☐	Local shops and restaurants
☐	☐	☐	☐	☐	Near family and friends
☐	☐	☐	☐	☐	Community facilities and services
☐	☐	☐	☐	☐	Safe or quiet neighbourhood

Q15. How satisfied are you with the following features of the house?

Not applicable	Not satisfied	A little satisfied	Mostly satisfied	Very satisfied	
☐	☐	☐	☐	☐	Privacy and security
☐	☐	☐	☐	☐	Building condition
☐	☐	☐	☐	☐	Size of the house
☐	☐	☐	☐	☐	Furnishings included
☐	☐	☐	☐	☐	Price
☐	☐	☐	☐	☐	Car parking space

Section E.
Tell us about living here

Q16. Who do you live with in this house?
(Select all that apply)

- ☐ By myself
- ☐ With my partner
- ☐ With my children
- ☐ With other extended family
- ☐ With friends or other people

Q17. How long have you lived here?

- ☐ Less than 3 months
- ☐ 3-6 months
- ☐ 6-12 months
- ☐ 1-2 years
- ☐ More than 2 years

Q18. Where did you live before you lived here?

- ☐ Overseas
- ☐ Interstate
- ☐ Regional NSW
- ☐ In Sydney _____ (specify suburb)

Q19. How much longer do you expect to live here?

- ☐ Less than 3 months
- ☐ 3-6 months
- ☐ 6-12 months
- ☐ 1-2 years
- ☐ More than 2 years

Q20. Where do you plan to live after you leave here?

- ☐ I don't know
- ☐ Overseas
- ☐ Interstate
- ☐ Regional NSW
- ☐ In Sydney _____ (specify suburb)

Q21. What is the main form of transport you use for the following purposes?

- | Walk or bicycle | Bus or train | My own car | Taxi or ride share | Other | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---|
| ☐ | ☐ | ☐ | ☐ | ☐ | To and from work or study |
| ☐ | ☐ | ☐ | ☐ | ☐ | Doing the shopping |
| ☐ | ☐ | ☐ | ☐ | ☐ | Leisure (e.g. seeing friends or a film) |

Section F. Tell us about you

Q22. What area do you live in?

_____ Suburb of your house

Q23. What is your age?

- ☐ 18-24
☐ 25-34
☐ 35-44
☐ 45-54
☐ 55-64
☐ 65 and over

Q24. What is your gender?

- ☐ Male
☐ Female
☐ Other _____

Q25. Were you born in Australia or overseas?

- ☐ Australia
☐ Overseas, and moved here before 2000
☐ Overseas, and moved here 2000-2015
☐ Overseas, and moved here after 2015

Q26. What is your **highest** level of education completed?

- ☐ Did not go to school, or left before Year 12
☐ High school (Year 12 or equivalent)
☐ Vocational certificate or trade qualification
☐ Bachelor degree
☐ Postgraduate degree

Q27. How many cars are owned by your household?

- ☐ None
☐ 1 car
☐ 2 cars
☐ 3 or more cars

Q28. Are you working or studying?

- ☐ Working only, full time
☐ Working only, part time
☐ Studying only
☐ Studying and working
☐ Not working or studying (but available for work)
☐ Not in the labour force (e.g. retired, caring for family)

Q29. What is the source of **most** of your household's income? (**optional**)

- ☐ Wages (my job)
☐ Scholarship stipends/payments
☐ Government payments (e.g. Newstart, Austudy, pension)
☐ Parents/family support
☐ Investment/trust funds
☐ Other _____

Q30. What is your **weekly household** income from all sources? (**optional**)

- ☐ Less than \$300
☐ \$300-\$399
☐ \$400-\$499
☐ \$500-\$649
☐ \$650-\$799
☐ \$800-\$999
☐ \$1,000-\$1,249
☐ \$1,250-\$1,499
☐ \$1,500-\$1,749
☐ \$1,750-\$1,999
☐ \$2,000-\$2,499
☐ \$2,500-\$2,999
☐ \$3,000-\$3,499
☐ \$3,500-\$3,999
☐ \$4,000-\$4,499
☐ \$5,000 or more

You have completed the survey. Thank you very much for participating.

Would you like to go in the prize draw, or learn about this survey's outcomes?

Note: We will only use your phone number or email address for purposes indicated by you below (please select as many as apply):

- ☐ I would like to be placed in the prize draw, for one of four \$250 cash vouchers
☐ I would like to be sent updates on the outcomes of this survey
☐ I am happy to be contacted about other research related to this survey

What is the best phone number or email address to contact you?

Telephone _____ (please write clearly)

Email _____ (please write clearly)

Appendix B: Statistical summary of the regressions

Regression 1: Ln(SA2 secondary dwelling approval/total dwelling); minimal independent variables

Regression Statistics	
Multiple R	0.72
R Square	0.52
Adjusted R Square	0.52
Standard Error	0.69
Observations	263.00

ANOVA	df	SS	MS	F	Significance F
Regression	2.00	137.05	68.53	142.59	0.00
Residual	260.00	124.95	0.48		
Total	262.00	262.00			

Variable	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	0.00	0.04	0.00	1.00	-0.08	0.08
Houses/All dwellings	0.65	0.04	15.00	0.00	0.56	0.74
Non-English speaking hhd ref/All hhds	0.43	0.04	9.94	0.00	0.35	0.52

IVs all standardised

Regression 2: Ln(SA2 secondary dwelling approval/total dwelling); expanded set of independent variables

Regression Statistics	
Multiple R	0.79
R Square	0.63
Adjusted R Square	0.62
Standard Error	0.62
Observations	263.00

ANOVA	df	SS	MS	F	Significance F
Regression	8.00	164.40	20.55	53.48	0.00
Residual	254.00	97.60	0.38		
Total	262.00	262.00			

Variables	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	0.00	0.04	0.00	1.00	-0.08	0.08
Houses/All dwellings	0.51	0.10	5.04	0.00	0.31	0.71
Non-English speaking hhd ref /All hhds	1.14	0.18	6.23	0.00	0.78	1.50
AirBNB listings/All dwellings	0.17	0.06	2.73	0.01	0.05	0.29
Privately rented dwellings/All dwellings	0.19	0.10	1.86	0.06	-0.01	0.40
Overseas born hhd ref/All hhds	-0.89	0.17	-5.22	0.00	-1.23	-0.56
Average lot size	0.21	0.06	3.59	0.00	0.09	0.32
Median rent	-0.15	0.06	-2.50	0.01	-0.27	-0.03
Multifamily hhds/All hhds	0.14	0.08	1.76	0.08	-0.02	0.30

IVS all standardised