

TRANSCRIPT

LEGISLATIVE ASSEMBLY ENVIRONMENT AND PLANNING COMMITTEE

Inquiry into Apartment Design Standards

Melbourne—Wednesday, 24 November 2021

MEMBERS

Ms Sarah Connolly—Chair

Mr David Morris—Deputy Chair

Mr Will Fowles

Ms Danielle Green

Mr Paul Hamer

Mr Tim McCurdy

Ms Cindy McLeish

WITNESSES

Professor Ralph Horne,

Dr Andrew Martel,

Dr Louise Dorignon,

Dr Nicola Willand, and

Dr Megan Nethercote, Project HOME, Centre for Urban Research, School of Global, Urban and Social Studies, RMIT University.

The CHAIR: I advise that the sessions today are being broadcast live on the Parliament's website, and rebroadcast of the hearing is only permitted in accordance with Legislative Assembly standing order 234.

Thanks to all of you—I am looking across here; it is the largest group that we have had—for coming in to join us today at this public hearing for the Inquiry into Apartment Design Standards.

On behalf of our committee I acknowledge the traditional Aboriginal owners of this land, and we pay our respects to them, their culture, their elders past, present and future and elders from other communities who may be joining us here today.

I also extend again a very warm welcome to any members of the public and media who may be watching our live broadcast today. This is one of several public hearings that the Environment and Planning Committee will be conducting to inform itself about the issues relevant to this inquiry.

Before I begin, I need to point out a couple of things to you. All evidence taken today will be recorded by Hansard, and it is protected by parliamentary privilege. Now, this means that you can speak freely without fear of legal action in relation to the evidence that you give in this room, but it is really important to remember that parliamentary privilege does not apply to the comments that you make outside of this hearing, even if you are just simply restating what you said here today.

You will receive a draft transcript of your evidence in the next week or so, and that is for you to go ahead and read, check and approve. Corrected transcripts are published on the committee's website and may actually be quoted from publicly in our final report.

I will go with introductions this side and then we will jump across. My name is Sarah Connolly. I am the Chair of this committee, and I am also the Member for Tarneit, which is in Melbourne's outer west.

Mr FOWLES: I am Will Fowles. I am the Member for Burwood in the middle eastern suburbs.

Mr HAMER: And I am Paul Hamer. I am the Member for Box Hill.

The CHAIR: I am looking at you, Ralph, because you are sitting in the middle, right in my line of vision.

Prof. HORNE: I can go first if you like. I am Professor Ralph Horne, and I am a professor of geography at RMIT University.

Dr MARTEL: So Dr Andrew Martel, again, from the University of Melbourne.

Dr DORIGNON: I am Dr Louise Dorignon. I am a research fellow at RMIT University.

Dr WILLAND: I am Dr Nicola Willand, and I am a lecturer at RMIT University's School of Property, Construction and Project Management.

Dr NETHERCOTE: Hi, I am Dr Megan Nethercote. I am a senior research fellow at the Centre for Urban Research at RMIT as well.

The CHAIR: Fantastic. Okay, welcome. Am I handing over to anyone in particular that wants to—

Prof. HORNE: Yes, I will lead the statement, and then my colleagues will join in in bits. But I will just make a few minutes of a statement, if I might, and thank you for the invitation.

For our submission we are drawing on a large research project on apartment design and livability. It is called Project HOME, funded by the Australian Research Council and a number of industry partners and government partners, and it is focused really on the lived experience of living in apartments in four cities: Melbourne, London, Perth and Barcelona.

I will say a bit more about that in a moment, but just before I elaborate I would also like to acknowledge I am speaking on the unceded lands of the Woi Wurrong and Boon Wurrung language groups of the eastern Kulin nations and I pay my respects to ancestors and their elders past, present and emerging.

Turning to multiresidential housing, or what we tend to call apartments, I am just acknowledging that it is the most rapidly growing housing typology in Australia. Households increasingly live in apartments. The idea for this project came out of recognition that the households that are living in apartments are quite diverse, in fact more diverse than perhaps was originally kind of thought of by investors and developers and so on—particularly the post-millennium stock or the post-millennium boom, if you like. That is where we focused our research, on recently built apartments. We see this as very important. The design of these apartments is very important not just to Victorians now but to their livelihoods into the future.

There are two parts to this statement really. First, I just want to outline the rationale and approach to our research, and then I will go on and just make a few points. As I said, this is a large international multidisciplinary qualitative project. It started in 2016 and will finish in 2022. There are kind of two elements to the project. One is looking at design assessment tools and plans, and the major part of it is then going into those apartments once they have been built, recruiting households and having household tours with householders. We have been inside some 250 apartments over the last few years and had roughly an hour and a half kind of household tours where we have taken photographs—with their permission of course—and we have had open-ended semistructured discussions with them. The real benefit of this qualitative research is that it does not have any kind of predispositions around what the problem of apartments is, so it is a conversation led really by the households. They tell us how they live their lives. That gives us incredible depth and gives us answers to questions we would have never thought to ask, which can be quite challenging when it comes to analysing the data, because we have got stacks and stacks of it.

Anyway, each of our four cities—Melbourne, Perth, Barcelona and London—has experienced these booms, and each has used design guidelines in different ways and configurations to sort of guide design quality. All of these cities of course at the same time are facing quite significant demographic changes, and of course climate change increasingly. We selected two neighbourhoods in each city and then selected recently built apartment blocks. Then we recruited from them households across different tenures, and this is a very important point: social housing, private rental and owner-occupier of course.

The design assessment was focused on London and Melbourne primarily, and this kind of revealed how design guidelines frame matters. Even when they appear on the surface to be similar, they produce slightly different outcomes. So we compared through Alexa Gower's PhD—who is not with us today—the BADS, or *Better Apartments Design Standards*, and London's *Housing Supplementary Planning Guidance*. And although they talk about functional space in the same terms, when it comes to measurement they are slightly different and they produce different assessments of design quality, and this does matter. It matters because although the results show that obviously size matters, to quote the saying, in fact the quality of space—how spaces connect, how circulation and function is facilitated—matters at least as much. And so a smaller apartment could function, theoretically, even better than a larger, poorly designed apartment, so it comes to the question of what is poor design.

So really what we are saying from this is that a whole-of-apartment approach is required that can represent those kinds of qualitative relationships of one room, or one function area, one multifunction space, to another. And, you know, we found anecdotal evidence from this that in some cases there were social housing apartments we found in London that were basically cheaper to produce but produced better outcomes. So although our study is not primarily based on cost—and we have no economists in our team, so we are not professing expertise—our anecdotal observations are that cost is not necessarily the overriding problem. The huge part of this study was qualitative, and before I just summarise the findings I want to try to give a few hints

of what we think good design is by just reading a few quotes—10 short, one-sentence quotes of householders. We are going to do this in a random order, just so you get a bit of a sense of those apartment householders speaking.

Dr DORIGNON: ‘The wardrobes are very tiny. That’s probably one of the things I don’t like, because especially in my room the meter box sits in one half of the hanging space, so it’s taking up half of the clothes that I can hang. I find that to be really annoying’.

Dr NETHERCOTE: ‘We don’t actually use our dishwasher. We use it for storage because we don’t have enough cupboards. I put pasta containers and cooking things in there’.

Dr MARTEL: ‘My balcony has an outdoor storage box for stuff like camping equipment, like sleeping bags or chairs, and I’ve got a drill and some random tools. I also keep my wine out in the storage box because I’ve no space inside for it. That’s it’.

Dr WILLAND: ‘I have learned to live with eating from plastic, because I don’t have cupboard space. So I bought plastic plates and plastic glasses. Yeah, I’m harming the environment a lot, but yes, plastic that I throw away’.

Dr DORIGNON: ‘We’ve got no privacy. I begged the real estate for four years to put in those sort of privacy blinds that you see there—the grey ones. They refused to do it. They wanted me to take them to VCAT’.

Dr NETHERCOTE: ‘We also keep the two blinds closed, just based on the fact that we don’t want people seeing into our living room. We don’t really care about the bedrooms during the day, but we really don’t want people looking into our lives in the living room’.

Dr MARTEL: ‘My bedroom, it doesn’t have a window, so it’s dark. So I have to turn on the lights, even in daytime’.

Dr WILLAND: ‘No matter what it is, the recycling, it all goes into the one bin because we have the one waste company that comes and empties those bins. I have stopped separating the rubbish now because it all ends up in the one bin’.

Dr DORIGNON: ‘The dining table, which is a must—but because we do not have enough space, and if you put a dining table over there, it will be in the middle of stuff, entrance and everything, so we just don’t have a dining table’.

Dr NETHERCOTE: ‘I just use the downstairs cafe as my home, so when people come and visit we just go and sit downstairs, have a coffee, maybe have lunch or whatever—yep. Having the family here is not an inconvenience, it’s just not possible’.

Prof. HORNE: That was obviously pre COVID, so it makes you wonder what happened during COVID. We did do some follow-up interviews during COVID, by the way, but these are just 10 snippets. We have analysed hundreds and hundreds of such accounts to provide us with a really extensive experience-based definition of what is good design.

So what is good design? It produces apartments that feel like home. I am pausing on that, because I suspect not many of us live in apartments. We have a sense of what a home is but maybe not inside an apartment. Of course many of our households in Barcelona did not have the same cultural context as the case in Melbourne because the families, kids, older people and so on living in apartments is a tradition that goes back further. So, as well as providing functional requirements across diverse and flexible housing needs, from the basics of kitchens and bedrooms that we have talked about, adequate usable space, I would say sustainable design considerations such as cross-ventilation, natural light and insulation are all critical and will become more critical as our climate changes, amongst other things, as we manage our renewable energy transition and so on.

I will just briefly outline six short key points. First, I have foreshadowed that apartment dwellers in Victoria are far more diverse than the narrow stereotypes that we have tended to read about in the broadsheets. They are not generally mid-week execs and empty nesters anymore. These are people who are hardworking key workers who need to be close to things for various reasons—work or whatever else—and are prepared to trade off

space. They have very little choice often—they may be renters—about the configuration of that space. But they need places to raise a family, to flat-share, to accommodate guests—family who come and visit them—and places to maintain comfort and privacy.

The second point is that design assessment tools are crucial. They are essential. They provide a level playing field. They keep, if you like, costs down—of building—and again, as a non-economist, they lift the base. They provide a base for all in the industry to work to, and they ensure that we create long-lived, valuable dwellings for current and future Victorian households. I emphasise that because the people that buy apartments are not necessarily living in them, and if they are living in them, they are not living in them for their entire life. So I think of apartments more like a form of public infrastructure. They are not that reconfigurable, so you cannot just say, ‘Ah, I bought a crap house. I can get it changed. I can knock it down’, or whatever. You cannot do that with an apartment. It is more like public infrastructure and should be treated as such. Good apartment design promotes neighbourly interaction but also privacy. It promotes mutual support and physical and emotional wellbeing, and these are things that are materially configured. Poor design really is the antithesis. It amplifies inconvenience, discomfort, stress and anxiety.

The fourth point is that design and build quality are particularly important for lower income key worker rental apartment dwellers. Some households are much more equipped to live with and/or cope with poor-quality apartments, but that poor design disproportionately affects the most vulnerable, whether the disadvantage is financial, physical, psychological, social or a combination. These are the households that face less choice and that are affected the worst by poor design.

The fifth point is that COVID has challenged apartment dwellers in very specific ways. There is a wealth now of emerging evidence on this and, as I said, we did do a follow-up study and really found that the longer hours spent in small apartments has accentuated the inadequacies of these high-rise infrastructures. There is very variable infrastructure and services. So in one you have got a body corp that is really proactive around sanitising and so on and so forth; in another, not so. In one the waste management is much more well managed and in another, not so. These variations are not necessary. They can be avoided through the planning system.

The sixth point, and the last point, is that various approaches to design regulations lead to different sociomaterial conditions for the people who live in apartments, and the plan analysis that we did together with these lived-experience accounts show that in order to positively impact the way in which apartments are produced, design guides need to be more prescriptive rather than aspirational.

That is basically it. I would leave my statement by saying that we really cannot afford to build substandard apartments. Their nature means that they cannot easily be reconfigured, retrofitted or rebuilt, and as I said before, they are in this way a bit more like public infrastructure and they need to be thought of as such. They are co-dependent structures, and it is doubly important therefore to make sure that their design produces flexibility, sustainability and good design that will house current and future Australian households. So I will leave it there. Thank you.

The CHAIR: Thank you. I have heaps of questions, so I am just going to start and then you can jump in.

Mr FOWLES: You are the Chair; you are entitled to.

The CHAIR: Ralph, you talked about that the demand for apartments and stuff is increasing as people are looking for different ways to sort of live their lifestyle and for many reasons they choose an apartment. Why do you think that the demand for apartments is not driving the way in which architects and developers and whoever else are designing them? We have heard from a couple of groups today, earlier this morning, talking about families with children wanting to live in what looked to me to be single- or two-bedroom apartments—I was very surprised at some of the photos—and talking about livability for children in the apartment but also in communal areas. If there is this demand, why are the design standards not keeping up? Because you would think that investors or home owners, however long they stay there, are looking for particular things, and if the designs are not keeping up then that building tower will be left empty and not as profitable.

Prof. HORNE: Yes, it is a great question. I will go to Megan in a sec, but I will just preface our response by saying I think we have to question how well the markets are working in supply and demand in the apartments section of the industry. The reason I say that is, because of tenure and because of a range of other factors, the way in which finance and return, there are a bunch of different kinds of market failures, split incentives and so

on and so forth in the system, and that means that if you are a private renter you may have very few choices about where you can live. So it might not be a question of you openly choosing to live in a crappy apartment and raise your kids there, it might be in fact that as a key worker you really cannot afford to live 50 kilometres out of the city. You have very few choices. In fact you have what is called the opposite of choice basically. You are really just trying to get somewhere—a roof over your head. And I think that when I talk about housing markets, I talk about housing prices going up above inflation over decades. Then we can see where choice sits in that, and for many people there is very little choice about where they live. What I think the planning system can do is provide a floor that guarantees a basic minimum. Megan, did you want to add?

Dr NETHERCOTE: Yes, I would just add to that that we know that investors are a lot more active in the apartment market than in low-rise detached dwellings. So 60 per cent of apartments are owned by investors, and in areas like the CBD and inner-city Melbourne that is as high as 80 per cent in the new stock that has been developed in the last decade. So when we are talking about the market, like Ralph said, we are talking about private renters who are making choices between the affordability of a substandard quality apartment or a house much further out, and they are weighing up the cost of commuting and the logistics of child care or whatever it is with living conveniently close to work and other amenities.

The CHAIR: So do you think then that it is a slightly correct statement to say, about the reasons why apartment living is not innovating, is not sort of moving forward and meeting community and families' expectations going forward, that one of the reasons for that sort of glut is sitting because of the skew of investor versus home owner and living there is a changing thing? The investor is just looking for—

Prof. HORNE: Selling off the plan.

The CHAIR: Yes, eventually, and I guess renting it out and making money from it. They are not going to live in it themselves, so the quality and the innovation and the livability does not really mean a lot at the end of the day or is causing a problem with being able to move forward and look at things like light, windows, space on the balcony and, like previous groups have talked about, having children, in some of these places.

Prof. HORNE: In broad terms, yes. I think when you talk about investors, of course, you are talking about lots of different sorts of investors in different parts of the supply chain. So there are investors that buy apartments second-hand in the market because they are a mum-and-dad investor and they want an asset that they can pass on to their kids maybe at some point, or you have got an investor who is actually right in at the front end and actually involved in, if you like, the original design of the apartment. Investors, I think, are a mixed group, and they need to be kind of prised apart. But in terms of the basic interests, I agree with your sentiments; there are effectively split incentives. You know, what the energy bills are going to be or what the access to daylight is going to be is probably of varying interest to different people in that chain. It may be that if you imagine somebody in, say, a dwelling, an apartment that was built in 2010, can you imagine what family is going to be living there in 2040? They do not get a say in the design. We have to do that on their behalf right now.

The CHAIR: Like you said, it is like public infrastructure. You cannot just whip in there and totally renovate, add new rooms, fix everything up, whether it is because it is difficult to do that or whether it is dodgy—I am looking at Andrew; we were talking a lot about this—quality and design that makes it virtually impossible. It is there set in stone.

Prof. HORNE: And I am not pointing the finger of blame anywhere. I really do not think that developers or investors or speculators—they are all working within a set of rules—

The CHAIR: I forgot to mention government.

Mr FOWLES: You should blame us.

Prof. HORNE: and the most important thing is to get those rules right. That is an ongoing process of kind of learning as we do.

Dr MARTEL: A really good example of that is that up until recently you have been able to build a bedroom in an apartment without a window. No-one who is going to build their own dream house or apartment is going to have a bedroom with no window, but it was allowed under the regulations here in Victoria—although it is

not allowed in New South Wales. We saw apartment blocks with up to 30 per cent of the bedrooms with no windows. When that changed, when BADS came in, now that is just not an option, so developers work around that, builders work around that, and now every bedroom has a window. That is the role regulation can play because you take away that option of doing poor design. But again, those people were investors. They were working within the rules. It did not matter to them that the bedroom had no window, so that is what happened. So when the regulations changed, then the situation changed for the better.

Mr FOWLES: So is there any evidence of what impact that had on cost—those changes under surely the worst acronym in the history of government, the BADS?

Prof. HORNE: The sky did not fall in, let us put it that way.

Dr MARTEL: Yes, exactly. What we did not see was the cessation of apartment building in Melbourne.

Mr FOWLES: Correct.

Dr MARTEL: So what happens is costs get amortised over a whole range of things, and other things happen. So if it is up-front and you know that this is what you have to do in order to get your building certified, you build that into your profit margins and you pay what you will or will not pay for that block of land if you are a developer. It gets worked through the system. So in no way did it stop people building, but it did materially improve the quality of the apartments that got built.

Prof. HORNE: And I think we can speculate from that that whatever replaces BADS—maybe GOODS, I do not know—will also not halt that base demand for apartment building. We have more household formations in Australia; we are going to have demand for more housing. We have got decreasing amounts of land available that is proximal, near to where jobs and work are. We are going to have more apartments; we just make them good. I think even if there is a 1, 2, 3 per cent cost impost in the short-term, supply is what is going to make the difference, not quality, to those prices.

The CHAIR: Okay. I just have one more question. You will probably have heaps of examples, but I am looking for the best and the worst for us to go and have a look at if we decide to go and have a look. I am going to confine you to Victoria first, and then I want to do Australia. What do you think are some of the worst examples and the best that you would say, ‘We need more of that. That is where your direction needs to be heading’?

Mr FOWLES: And a reminder that you are covered by parliamentary privilege. You are allowed to be as honest as you like.

The CHAIR: Yes.

Prof. HORNE: I will defer to others, but I will start off the bidding by saying I think some of the stock, just Southbank and back there, is where a lot of the borrowed light shoeboxes sit.

Mr FOWLES: So the sort of Central Equity circa 2005.

Prof. HORNE: Yes, up to and beyond the GFC, so—

Dr MARTEL: There is a lot worse than Central Equity, to be honest. They cop a bit of a bad reputation, but if you actually look at their plans, there are much worse.

Mr FOWLES: Such as?

The CHAIR: Everyone can point to New South Wales, because then I will say in Australia, and then we can point to New South Wales because we see it reported all the time, but here to say, ‘You need to move away from that. That is the direction you need to be heading into’.

Prof. HORNE: I mean, I think the borrowed light is a great example. The problem is there is no silver bullet. There is no obvious—I do not want us to go down the approach of cookie-cutter anything. This is actually about diversity, so again giving the one example. But others might want to mention, I do not know, Nightingale or Commons or—

Mr FOWLES: A penny for your thoughts. I can see you thinking of an example.

The CHAIR: It is concerning that you cannot think of one.

Dr MARTEL: There are too many. The problem is there are so many that there is not one stand-out poor one. With almost anything that has been built since 2005, let us say, up until 2016 with BADS, if you look at it carefully, you will find that about a third of the apartments have a bedroom with no window, and to put it in—

Mr FOWLES: And borrowed light snorkel arrangements.

Dr MARTEL: Well, you have to borrow light in order to do that, and even when you do that, you wonder how the physics of light work because you see glass doors perpendicular to the light source expecting light to bounce around the corner into your room, which does not happen because people value privacy more than they value light. So any time you put a window in a door or a window in a room of a bedroom that you can see into from the apartment, that window gets covered with posters or newspapers or whatever because people value privacy more than they value light, so they will always do that. The way we used to characterise it a few years ago when I was going around and looking at a lot of these buildings is that in general our buildings are too fat but the apartments are too skinny, so you have a lot of these long, skinny apartments with only one wall of the apartment as an external wall. So you are trying to get all your light down into a deep apartment from one face.

The CHAIR: So you can fit more in.

Dr MARTEL: Yes, exactly. You fit them in, so you have a nice long corridor through the middle, you have an elevator in the middle and then you just go along the skinny apartments. But only one wall, a fairly narrow one, faces the outside—sometimes east, sometimes west, sometimes north, sometimes south—with very little differentiation in the design. But you are really working hard to get light down to the back of those apartments. Typically bathrooms and kitchens and everything are right at the back, so then you have issues with ventilation as well as with light.

The CHAIR: Just a direction for us to go, if we said to go and have a look in, do you think then in the CBD, if you move out—and you are thinking about sort of the ring road around, which will exclude my electorate—there is better design and better quality but it is coming at a much, much higher cost depending on where you are because it is architecturally designed, thinking about light, size, livability? But you are going to be paying a million bucks plus.

Prof. HORNE: I do not think you have to. I will just give one example of a place I know south of Madrid where apartments are going up all over the place, post-industrial land. This is working-class housing. It is built for €100 000. It is cheap housing. They are kind of duplex apartments, plenty of natural light. They are six- or eight-storey blocks. You can rent an extra room if you have family come to stay because there are rooms available in bookable space. There are function rooms available for functions. There are quadrangles in the middle for kids to play, people to grow plants et cetera, whatever it is. There is a community, there are committees. There is a life of this community. At grade—on the ground floor—on the outside there are shops, there are shopfronts, so you can walk down to get your bread in the morning. And I am not talking about luxury apartments; I am talking here about families, you know, on €15 000, €20 000 a year, with young kids. This is not hard to do, and it does not have to cost a million dollars. I think there are few examples in Melbourne of getting it right, but they are there. And yes, I did mention the Commons and Nightingale and so on, which are really brave, I think, attempts to try to break slightly out of the mould and produce a higher quality product, but they are not cheap either, and they do have, you know, some of their own challenges.

The CHAIR: Can I just ask you on that, Ralph: are they investors buying those, or are they—

Prof. HORNE: Generally not, because there are rules about them not being investors.

The CHAIR: Okay.

Prof. HORNE: And generally they have sort of a co-design element where some of the speculative aspects of development are kind of ameliorated, if you like. And there are covenants over trying to control speculation and profiteering, if you like. Niki?

Dr WILLAND: I think you can talk about the Nightingale model; I think you know more about this. I know more about the lived experience.

Dr NETHERCOTE: I mean, I think it could be a good example to look at for, like, a medium-rise; it is not a high-rise development like the apartments that we have been talking about in the city. But it does a lot of things that a lot of the apartments we have looked at do not do in terms of cross-ventilation, quality of windows, quality of the materials, acoustics, passive solar design and those kinds of things. But it should probably be looked at with an understanding of the very particular kind of co-design—the legal covenant that is surrounding the ownership arrangements there—which will help protect it from suffering some of the same fate as apartments elsewhere. And it is of a smaller scale, and a lot of the apartments we have looked that are much bigger complexes, like with 50-plus units in them, which are delivered to a different market at a different price point even when they are bought by owner-occupiers.

Mr HAMER: Yes. I mean, I think there is a big difference with what happened at Nightingale—there were very specific circumstances to create that. I guess the question that I would pose is: if you were charged with writing the policy, what would that policy look like? I mean, is it a more prescriptive design guide that goes into these details? Obviously not all apartments are going to be at the Nightingale stage, because that simply would not meet the market. So how would you see, I guess, some of the issues and problems you see arising? Is it an upgrade of the existing design standards to be more prescriptive, or is there another approach?

Prof. HORNE: I am happy to go, but does anybody else wants to start?

Dr NETHERCOTE: I mean, I think our research really does strongly suggest that prescription is the way to go, and there is a conversation there around what that does to innovation. We feel fairly confident that prescription in base-level design standards is not something that is going to limit architectural innovation.

Mr FOWLES: Is there any evidence you can point to to support that hypothesis that it is possible to prescribe without stifling innovation?

Prof. HORNE: Again, I think there are examples around the world. I do not know who is saying that SEPP 65 has stifled innovation, but further afield you could go to London and say, ‘Well, I can see plenty of innovative design but just not so many triangular-shaped rooms where you can’t fit a bed in’, where you meet the floor area requirements but you do not meet, frankly, the functionality requirements. That is what we want to avoid basically. But to your question, I think it is a combination. I do think it is revisiting the design guidelines, but it is also revisiting planning schemes. It is revisiting design assessment panels and dealing with the qualitative aspects of those developments and ensuring that those design guidelines do their job without encroaching on the business of architects.

Dr MARTEL: Innovation can work both ways. What we saw about five or six years ago with designs in high-rise here in Melbourne was a change from balconies that were rectangular balconies—where the longer axis, if you like, faced out—and were 1 metre deep, let us say, or 1.2 metres deep. We noticed a switch at a certain point in time where the balconies were being turned at 90 degrees, and so the metre was the bit that faced the outside and they went back 2 metres. It is the same size balcony. Have you got a balcony? Yes. Have you got the same size balcony? Yes. It ticks all of the boxes, but how do you use that balcony, which is now no longer facing outwards but effectively being pushed into the house to get a few extra square metres of internal space in the apartment?

So innovation works in both ways there, and I think what we are trying to drive and why we bring up examples of rectangular-shaped bedrooms and rooms with great big columns in the middle of them is because the basis of design guidelines should be ‘How do people live in them? How can you live in this apartment?’. The guidelines should come out of that thought, not ‘The room needs to be 12 square metres’, because what does it matter? If it is 2 metres wide and 6 metres deep, that is a really awkward bedroom for me, so how do I use that room? That is why when you say prescription it is sometimes putting minimums in, but the best design guidelines we have seen also include furniture, so they will say, ‘Okay, a minimum-size dining room or living room has to be x with a minimum depth of y, but it needs to be able to take a dining table that will seat four and have 800 millimetres of walking-around space in it’. That restricts architects to a certain extent, but it also liberates them in a way.

To be really frank, and under privilege, what shapes apartments are two things, and we point this out: where the structure is and how it is built internally and the shape of the external part of the building itself. So you look at every building here in Melbourne that has gone up in the last 10 years—they are all distinct colours and shapes and curves and everything because you sell the apartment building; you are not selling the apartment per se. It looks great, the architects get paid because they do the facade work and all those kinds of things, and then it just so happens that apartments sit behind those facades. That is why you get triangular bedrooms, because it is a nice shape on the outside, but you are not building it from the inside where you say, ‘What’s a great apartment? Okay, let’s build that’. Then, ‘How do we get our circulation systems working? Okay, let’s do that’, and then, ‘Okay, what does it look like on the outside?’. It works the other way around: this is what it looks like and then the apartments get jigsaw puzzled in—‘How can we get as many as we possibly can onto the floor plan?’.

So user experience is where we think—if you can build that in along with the technical aspects of sunlight and ventilation and emergency access and all those kinds of things you need, then you will really have an effective design guideline system.

Mr FOWLES: Do you have a follow-up, Paul?

Mr HAMER: It was just more thinking about how that is likely to impact costs.

Dr MARTEL: Again, with anything that happens in this industry typically the pushback comes with ‘It’s going to cost more. It’s going to hurt affordability’, although we know that affordability is an issue anyway. I think we mentioned in the last one, things proposed will alter cost profiles, but developers are businesspeople. The flow-through ultimately happens to who owns the land, because developers will do their metrics: ‘Can I make the profit that I want out of this? I can do that depending on how much x I pay for the land.’. Because all the other costs are pretty well known. The cost of land—as you know, there is no cost of land per se; it is what someone is willing to pay for it. So if developers will pay 2 per cent, 3 per cent, 5 per cent less for land because they know that their expenses are going to go up—and profit is simply the difference between what it costs you and what you can sell it for—then the price of land will reduce slightly but the apartments will ultimately be better apartments, here for 40, 50, 100 years.

Prof. HORNE: And I would emphasise that it is the amount of supply that determines price, not so much the quality or the 2 or 3 per cent of construction costs that make the difference. It is actually speculation on land and the shortage of housing up and down towns and cities that is driving up house prices—and apartment prices for that matter.

Dr WILLAND: I—

Dr MARTEL: Yes, because it is not a cost-plus issue—sorry, Niki. It is not a cost-plus issue. The developer does not go, ‘Okay, it’s cost me this much, so now I’m going to add 10 per cent onto that and that’s what I’m going to sell it for’. They go, ‘How much can I sell this for?’. And if they think they cannot get at least 10 per cent, they probably will not go ahead with the project, but it is not, ‘Oh, that’s the cap on the price because it only cost me this’. They will charge what they can get. Building better quality should not have an adverse effect on costs. Not to say the costs will not change, but the cost profile will simply change. Ultimately it comes back down to land, because that is the most flexible part of cost.

The CHAIR: I also think it is really difficult for purchasers or renters to really know what it is like to live for long periods of time in a room that has no windows, especially if it looks great on paper or they walk in and it is a lovely room—to know where light shifts during different times of the day. When you are purchasing a property you do not spend all day or night to see what that is like. The medium-term effect it has on your mental health, physical health, lifestyle—all of those kinds of things. I think you talked about the lady who loved the cafe downstairs—it must have been a good cafe—but probably when you went to purchase or rent you had not really factored that in in the beginning.

Dr MARTEL: Niki, you were going to say something.

Dr WILLAND: Yes, just on the question of cost, because we are always talking about cost as a big lump sum but it is actually that you have got the cost of the raw building—so the windows and the walls and the structure—and you have got the costs of the interior fittings. I find, coming from Germany, that a lot of money is spent on the Miele kitchen and the soft-close drawers and, you know, lights. So it is that sort of shiny kitchen

which is pushed, and a lot of money is put in there, rather than having proper ventilation or better windows for better energy efficiency. So it is actually altering how apartments are being marketed and what is put forward as being quality. Because it is very seldom about the energy efficiency or the acoustics of the place or the quality, it is very often about the shiny bits.

Prof. HORNE: Which are the things you can change. The things you cannot change are the things that we need to design for to make sure that future generations also benefit from that good design. Those things that you cannot change are literally the crossflow, the sort of hardware, if you like, that is built in.

Dr WILLAND: In a detached home, for example, the structure itself and the expensive windows and the insulation is about 40 per cent and 60 per cent is the fittings. So it is really about what kind of a floor do I pick or what kind of appliance when it comes to it. So you can have more expensive windows, but then you have laminate rather than pure wood parquet, for example.

The CHAIR: It is very interesting.

Mr FOWLES: I have a couple of questions. The first is: do you think there is a way of solving that tension between the apartment, particularly the off-the-plan apartment, as a financial product and as a home? They are trying to achieve very different things, and there is an inevitable tension between those. Are there ways we can relieve that tension or improve the outcome, particularly for the occupiers?

Dr NETHERCOTE: I mean, the split incentive that Ralph has been talking about. I think other alternative development models like build to rent do challenge that investor-home relationship, with the owner having an interest in the long-term operational costs of those apartment buildings. The claims at least are that that model of development will produce better outcomes for residents as well because there is an incentive there for the developer to get it right, but that has not been proven yet in the Australian market. So, I mean, alternative development—

Mr FOWLES: Most off-the-plan apartments of course are sold by financial planners, ultimately. They are the root to the capital, which tells you more about what they are designed to do—they are not designed to put people into homes, they are designed to create a return over a time frame and fit into some sort of holistic financial strategy for sort of mum-and-dad superannuants. But are there things that we can do that will not disrupt that inflow of capital, because there is a concern that disrupting that inflow of capital will ultimately be a drag on supply, which in turn will have an impact on affordability—perhaps more of an impact than, say, balconies facing the other way or windows in bedrooms?

Prof. HORNE: Yes, I would speculate actually that if the planning system can ensure that every apartment can be a home, then the cost impost that we have been talking about here of that on that particular model might mean that there might be more competition with build to rent. The build-to-rent model might become more viable in Melbourne, and that may or may not be a bad thing. Provided the apartments are homes or can be homes I am agnostic about whether it is spec built, whether those transactions that you are talking about take place the same way in the future as they do now or whether the forms of capital come bundled up as build to rent or whatever. Maybe it would be good for us to see some diversity in terms of tenure arrangements. The bottom line is that as long as what gets built can be a home, then I think the capital will find its way through the system.

Mr FOWLES: So at the moment the unitisation or the breaking down of investments into bite-size meaty chunks happens in a strata-titled development in terms of the expense or the value created by that individual apartment. The alternate model—let us say it is a build-to-rent building—you might still spend \$400 000, you might own the same percentage of the building, but you own it in some sort of unitised structure, a financial vehicle rather than physically owning one particular piece of the building. Do you have a view about what the tax system does to incentivise or disincentive—this is a Dorothy Dixier—the ability for us to unlock those other tenure models?

Prof. HORNE: Sure. I mean, it is a Dorothy Dixier, as you say. I am not an expert on the tax system, but I kind of read the papers like everybody else, and I can see that the systems that we have in place very, very strongly support a status quo model of landlord investors being able to defray all sorts of costs while other kinds of tenure arrangements are less supported by those tax arrangements. But I am speaking as a non-expert. I do not really have—

Dr MARTEL: Well, the other element of that: there are the tax breaks that are available primarily to mum-and-dad investors. It does not mean that they are not high-wealth individuals themselves, but they are individuals; they are not large companies. The other element with that, Will, that discourages the larger players getting in is the kind of return that a mum-and-dad investor is prepared to take. A typical mum-and-dad investor will take 2 or 3 per cent a year, but if you are taking a super fund, they are unable to invest in anything that will only generate 2 or 3 per cent a year, and so they are effectively pushed out of the system because of smaller investors who are taking advantage for other reasons of the tax system. So that does act as a disincentive for larger players who in their constitutions need to make 7, 8 or 10 per cent a year in their investments but have the ability to invest in whole buildings as opposed to one apartment. So there definitely is a tension there. The build-to-rent model is currently testing that, and I am not sure what kind of tax processes they are using to do that, but it has been a brake on that in the past.

Mr FOWLES: Can I just ask one final small question, which is: lots of people say they want to feel part of a community or want more interaction with their community, and yet these community spaces get under-utilised—this is probably a psychological question as much as anything. Why is that?

Prof. HORNE: For the same reason that most people very rarely use their spare rooms in their detached dwellings. They just want them to be there when they need them.

Mr FOWLES: Right. Because developers will look at that and say, ‘Well, there’s no point in us putting in a communal dining room because last year it got used for 17 hours.’

Prof. HORNE: There is.

Mr FOWLES: But we might argue that it is important to have the ability to host a party not inside your apartment.

Prof. HORNE: Many of these developments have got pools and gyms and they were sold on that basis. In fact the residents do not use them—Megan and I were talking about this just yesterday—but they want them to still stay there because they see that as part of the value proposition for their own individual apartment.

Dr NETHERCOTE: And even for renters as well. They will say it helps them justify particular high costs—‘Well, at least I’ve got access to these other things’. Even if they do not plan on using them, it helps them rationalise a rent in one building relative to another.

Dr DORIGNON: And, if I may add, it is that whole idea that they were sold on that. They were going to live in a kind of like luxury hotel where it is okay to be in a very small apartment because they have access to a luxury pool and a sauna and all these kinds of amenities. But then actually the flat is very small and there is no kitchen because why would you cook when you are a tourist in your own city? So it is kind of this idea that they were sold on in the first place.

The CHAIR: It is interesting. This week I was at a retirement village. They have a pool, I would say a mini cinema—literally—a gym and a billiards room, but they are used like crazy because it is seen as a community, a home. They all know each other, whereas apartment living is like siloed.

Prof. HORNE: It varies. I think it varies. It varies with tenure as well. So short-term renters are less likely to form a community. I mean, this is a kind of truism. But yes, there are apartments that are literally working as functional, vertical streets. They have a Facebook page, a community tool library, whatever—the sorts of stuff that you would find in a suburban street—in a vertical. So it can be done; it can work. I just think that shared infrastructure or that shared amenity is, again, often seen as being something that, if it is not fully utilised, is not worth doing. But in fact when we look up and down the country, people who live in detached dwellings often have spare rooms and they do not complain all the time about, ‘Well, we don’t sort of collectively have angst about the fact that there is all this urban space that’s not being used’. They can afford it. They can have the spare room. They might need it, and it is insurance, and I would say it is exactly the same with the amenity space in apartments, where you would say, ‘Yes, it’s not often used’. As I was talking about with those apartments in Getafe in Madrid, those collective bookable bedrooms may not be used very often, but they are always there. So if a family shows up from overseas or people come and want to stay and you have only got a two-bedroom place and you have already got two kids, there is somewhere they can stay. And that makes it just that much more livable. It just becomes a home basically, where you can accommodate and you can undertake

your cultural practices without saying, 'I'm really sorry. You're going to have to book into an Airbnb or into a hotel somewhere if you want to come and visit us, because we've got no space'.

Dr MARTEL: I think there is also an argument to keep them. Developers obviously want to get rid of them because it costs them money if they cannot turn them into apartments and sell them, but it does to a certain extent futureproof that building as much as anything with these buildings. We do not know whether in 40 years time those spaces, which are adaptable—whether it is a dining room or a gym or whatever—and can be reconfigured, may prove to be really valuable for families. If the planet is 2 degrees hotter and we need to do a lot more things inside, for example, they may actually be quite valuable spaces that at the moment are under-utilised. They are primarily used as PR to sell apartments but may prove to be quite valuable later on, so I would be hesitant to allow a lot of those things to be cut on the basis that they are not used right now.

Ralph just mentioned Airbnb. You talk about community. This is speculative on my behalf, but community and building a community within an apartment tower, for example, I think one of the great disruptors of that is the sort of short-term, Airbnb, rent-out, weekend sort of stuff, where you have quite loud people potentially coming in. They are not part of the community, not there for more than two nights but are potentially quite disruptive and are in those social spaces quite a bit. That is probably for another discussion, not around apartment guidelines but around what it means and how we use our rental system.

Prof. HORNE: It comes down to the apartment guidelines. So no line of sight as you go into your apartment, seeing people that you know—these types of things are really quite important. And to your point, Sarah, earlier, they may not be in the front of mind when you are going to look for somewhere to live, because they are kind of deeply embedded in your sense of self. So you do not really think about, 'Well, is it good or bad that I can see the neighbours' front door when I come out of my front door?', but actually designers can think through that and do that work and ensure that these are homes and that these homes facilitate, when relevant, interaction between households, and that interaction can be really productive.

The CHAIR: It is very interesting. We could talk to you all day about this, but I am going to have to call time because we have got another group to come through. Thank you. That was fantastic, really interesting.

Witnesses withdrew.