



No one looks after Granny better than NSW

May 2019

Key Points:

- 🕒 Granny flats could well become an increasingly important part of Australia's housing mix;
- 🕒 NSW leads the country in the number and proportion of granny flat commencements, reflecting a favourable planning environment;
- 🕒 More flexible planning frameworks are crucial in fostering the development of granny flats as a viable housing option around Australia.

Why granny flats?

There are a number of reasons why people build granny flats. There are also many reasons why it appears that granny flats are becoming increasingly popular.

Firstly, as Australia's population continues to age and grandparents live for longer, building a granny flat on the site of their existing property may be an increasingly viable option to many families. Granny flats have the potential to provide an affordable housing solution to Australia's ageing population and the associated intergenerational demographic challenges.

Secondly, the changing demographic structure of Australia's population will also drive demand for granny flats via the number of lone persons in the composition of Australia's household formation. The number of lone-person households in Australia is growing faster than couples and families (almost twice as fast from 2011-16), which of course is highly correlated with Australia's ageing population. Large family homes and small single person apartments won't always suit older generations who are single, or younger people who are staying single for a longer period than has historically been the case. Smaller detached dwellings like granny flats could fill a gap in demand for housing. Despite a smaller size, there is also considerable versatility in design options for granny flats.

Thirdly, the deterioration in housing affordability in recent years has been a natural driver of an increase in interest and demand for granny flats. It is an option to accommodate not only seniors, but also younger generations.

It is well documented that young people have been finding it increasingly difficult to break into the residential property market. Renting a property can be relatively expensive in key capital cities and encroach too much on the ability to save for a deposit. Over the last decade many younger generations have chosen to stay home for longer while they save a deposit for their own property. Granny flats provide an option for parents to assist their kids by providing them with their own 'starting space'. Along the way many blokes in their mid-20's might also have to discover for themselves how to remove lint from a dryer.

Fourthly, granny flats can be helpful from a local planning and sustainability perspective. These dwellings can encourage density and infill in a suburb without significant change to local amenities and character, one of the key concerns of the NIMBY ("not in my backyard") crowd. Overall, granny flats can help cities to better utilise existing infrastructure, services and amenities.

In due course there could be a sub-market that emerges for granny flats to be mobile, relocated from backyard to vacant block, wherever an individual desires and can afford. This kind of opportunity could only occur with appropriate planning laws and relevant regulations.

Finally, increased demand for granny flats would provide an extra boost to the home building industry, especially builders who are focused on the detached/semi-detached markets as opposed to medium/high density dwellings.



Granny Flats

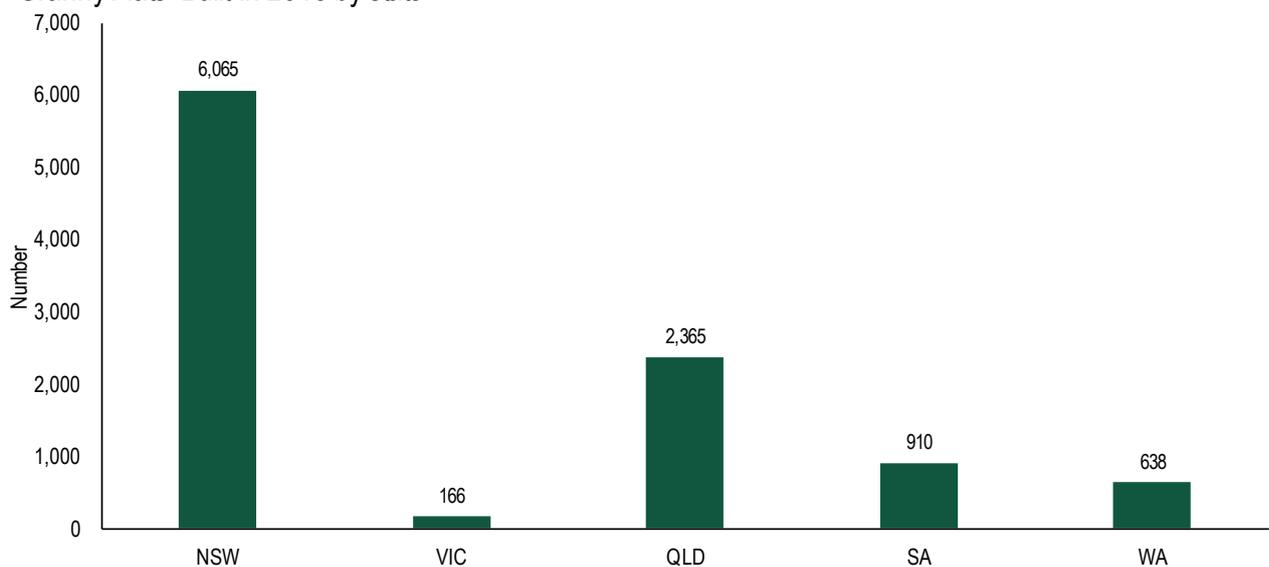
Where are these granny flats?

When it comes to building granny flats, NSW is in a league of its own. The state built more than 2.5 times as many of these dwellings in 2018 as second-placed Queensland; and almost 10 times as many as Western Australia.

This is not just because NSW is Australia's biggest state, as reflected in NSW building more granny flats as a share of total new dwelling commencements than any other state or territory.

Why does NSW hold this dominant position?

'Granny Flats' Built in 2018 by state



HIA Economics

Tasmania, NT and ACT are also excluded because of small sample sizes though are still included in the national numbers.

The importance of planning frameworks

A supportive and flexible planning environment is the key. NSW has this relative to other states and territories.

Planning frameworks are the largest single determinant of the number of granny flats constructed in each state. Restrictive rules in Victoria result in a very low number of granny flats for a state of its size – less than even SA and WA.

There are a host of other factors that could influence the volume of granny flats. These include:

- 🕒 **Population ageing** will increase the popularity of granny flats;
- 🕒 **Larger lots** are more conducive to the construction of granny flats and provide the potential for more design options – NSW has the largest new lot sizes.
- 🕒 **Conversely, more bedrooms per dwelling** may reduce the demand for granny flats. For example, WA has more beds per dwelling than NSW and even with an increase over time in the number of granny flats, WA would be expected to have a lower share of these dwellings in total new commencements.
- 🕒 **Multi-family dwellings, i.e. more than one generation living under one roof**, would increase the demand for granny flats. NSW has a considerably greater cultural diversity (principally, but not solely



Granny Flats

in Sydney) than, say WA. You would expect a higher share of total commencements being accounted for by granny flats in NSW than in WA.

What is clear from this data is that the strength of the granny flat market is directly related to state or local planning regimes. NSW has Australia's most supportive planning framework, as previously noted.

Granny is consequently better looked after in NSW with the number and share of granny flat commencements being higher than anywhere else.

Australia's changing demographic structure is consistent with increased demand for granny flats across Australia, obviously with differences in the emerging granny flat market between geographical jurisdictions. It is important that all states and territories adopt planning frameworks that are supportive of the construction of granny flats. ¹

¹ This data on granny flats was collected by HIA through a recent survey of members. The respondents to this survey built 10.2 per cent of the detached homes constructed in Australia in 2018, across all state and territories. The survey included builders, renovators and trade contractors, and other industry players. The survey results provide an insight into a market – that for granny flats – that is often talked about, but for which there is very little data. The size of the market has not been quantified before. Now that HIA has done this via a more than acceptable sample size we have a base from which to assess future growth in the demand for granny flats.