

# Speculative Housing and the Individual: Diversifying the Australian Dream

Essay by Jasmine Palmer

Australia's housing market is becoming increasingly dominated by speculative multi-unit provision, shaped over time by the interests of property developers. Jasmine Palmer considers alternative

models for design, funding and ownership, and explores the architectural profession's great capacity to provide housing diversity for the benefit of residents.

Coming on seventy years ago my grandparents had a home constructed on what was then the outskirts of an Australian city. Supported by postwar subsidies for returned soldiers, this young working-class couple purchased plans for a contemporary home from a magazine and contracted a local builder. "A Boyd," as Irene was fond of noting. With some minor modifications in response to material availability and a good deal of weekend sweat equity on Harry's part, they constructed a weatherboard family home on a double block with a small orchard, vegetable patches, flowerbeds, a workshop and the inevitable private car. Irene and Harry moved with their three boys from a small cottage brimming with extended family to their "Australian Dream." Two more children arrived and the golden ash saplings dropped their leaves year after year, providing a climbing playground for the many future grandchildren. Harry and Irene had constructed a home that addressed their personal needs and preferences within their relatively limited financial capacity. Installation of fixtures and fittings was completed progressively. Their home was shaped and adapted over time, both internally and externally, and became the gathering place for five generations. I recall lending a hand to repaint the weatherboards and to wallpaper the living room.

Living primarily in freestanding dwellings, Australians currently have the capacity to individualize their homes more than other home-owning nations. "Every Australian purchaser of a new detached dwelling has the ability to mould it to their individual needs and tastes in a way that

only the very affluent can do in other societies."<sup>1</sup> Not only has the composition of Australian households changed in recent generations, but so too has the process of housing provision. Many of Harry and Irene's descendants wish to engage with the lifestyle and environmental benefits promoted by current urban consolidation plans and are willing to embrace a multi-unit Australian Dream.<sup>2</sup> However, in doing so, they are compelled to enter the world of speculative housing provision. In this process, housing is increasingly commodified and future residents are not afforded the capacity to influence the design or function of their future dwellings, to stage construction in response to personal finances or to benefit from the Australian ritual of DIY, as their grandparents and great-grandparents did before them. In the absence of an alternative to speculative multi-unit housing provision, the urban consolidation agendas of our cities indirectly ask households to forgo the capacity for individualization so deeply entrenched in the Australian housing psyche.

A great capacity exists within the architectural profession to design a diversity of multi-unit housing. Designs embracing spatial flexibility and employing efficiencies afforded by prefabrication have been demonstrated time and again. As designers, we are capable of providing housing diversity for the benefit of residents. However, in speculative housing provision design decisions are ultimately made by the speculator (developer or investor), not the resident – a situation of great frustration to many architects and residents alike.

Other nations currently dominated by speculative provision have introduced policies aimed at increasing the number of "collective custom build" projects (to use the term adopted by the UK government) to counteract the negative outcomes of speculative multi-unit markets. Such negative outcomes include poor design, price escalation, low environmental ambitions, lack of diversity, lack of innovation and less than desirable construction standards. While others seek to diversify their housing markets by providing alternatives to speculative provision, Australia is moving in entirely the opposite direction – with a small number of exceptions.

In discussing housing diversity, it is essential we consider the challenges that come with this shift to speculative provision, as achieving housing diversity on the ground is not purely a question of design.

Speculative multi-unit provision has been shaped by the interests of property developers over time, generating a relatively stable process that is understood and trusted by most parties involved, particularly financiers. This makes it extremely difficult to propose (and fund) alternatives. A small number of Australian projects have broken the speculative development mould in recent times, seeking to engage future residents in design decision-making. Each project approaches this process differently, some involving future owners prior to land purchase and others inviting owners to express preferences after a design proposal is generated for a specific site. The former results in "community-initiated

projects” and the latter in “project-initiated communities.” There exists a spectrum of options relative to owners’ decision-making, some enabling more input than others, with a diversity of community outcomes. An interrelated spectrum exists relative to the location of risk. Development risk, construction risk, settlement risk and speculation risk are typically borne by parties other than future owners, and those parties justly seek financial return for the risks they bear. Given that the greatest capacity for design decision-making ultimately rests with those parties exposed to greatest risk, for multi-unit households to have an influence on the design and function of their housing, they need to bear some (if not all) of the project risk.

The concept of future residents collectively developing multi-unit housing for their own use is garnering an increasing amount of attention globally, with German Baugruppen (literally “building groups”) often cited as ideal examples. In reality there is no single German building group template in relation to design, funding or ownership models; a spectrum of possibilities exists there also and individual groups employ processes and structures that reflect their collective values. In locations such as Berlin, where building groups have been shown to be a viable alternative to speculative development over time, evolution continues as new financial products and legal structures are negotiated. Currently, some Berlin groups propose ownership structures that limit capital gains, with the objective of de-commodifying housing and reducing the impact of “the market” on dwelling design and affordability.

In a previous *Architecture Australia* article (“Finance and development,” Jan/Feb 2017), Andrea Sharam discussed financial impediments to and risks associated with past “deliberative developments,” one of the multiple terms employed to describe non-speculative housing projects in Australia. In the context of escalating housing costs in Australian cities, overcoming such impediments and risks can provide “more affordable”<sup>3</sup> housing options and increase diversity while at the same time reducing the functional mismatches between household needs and speculative housing products. In theory, “deliberative development,”

“Baugruppen,” “non-speculative development,” “collective custom build” or whatever term you choose (let’s leave that discussion for another day) has the potential to allow Harry and Irene’s grandchildren and great-grandchildren to embrace multi-unit lifestyles, to diversify the Australian Dream without forgoing opportunities for individualization. What stands in the way of realizing this potential in practice? Firstly, there are the obvious challenges of accessing finance and establishing legal structures for development and ownership. Secondly, it is difficult to acquire suitable land in high-demand markets. These challenges are relatively consistent globally and Australia has much to learn from international policies in this regard. Thirdly, there are some challenges particular to the Australian context. Our longstanding tradition of housing individualization has left us with little experience of collaboration and collectivity in the housing arena compared to other societies. As a nation of homeowners we rely on increasing property values and housing equity to fund retirement and are reluctant to engage with previously unproven processes, particularly in a collaborative context where risk is ultimately shared across households.

Architects can design diverse housing. Let’s also be a part of designing provision systems that return design decision-making to the residents and reduce housing commodification, remembering that there is no single solution, but a spectrum of alternatives.

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**Footnotes**

1. Terry Burke and Kath Hulse, “The Institutional Structure of Housing and the Sub-prime Crisis: An Australian Case Study,” *Housing Studies* 25 (6), 2010, 821–838, 828.
2. I use the term “multi-unit housing” here to refer to non-freestanding dwellings of various densities.
3. I use the term “more affordable” here rather than “affordable.” With savings of 10–20 percent on market price demonstrated by projects “developing without developers” in the UK, Germany and Melbourne, they can deliver lower cost housing; however, the cost of these dwellings remains well above many definitions of “affordable.”

→ The capacity for individual projects to contribute to housing diversity is intrinsically linked to three variables or spectra.

Spectrum 1: The earlier future residents are involved in the development process, the greater their capacity to influence housing outcomes.

Spectrum 2: Those who bear financial risk also hold key decision-making positions. Housing is more likely to meet the diverse needs of residents if the residents themselves bear financial risk.

Spectrum 3: The freedom to build to individual household needs possible in free-standing housing is yet to be replicated in any of the multi-unit cases studied here. However, the collective action of future residents may increase capacity to do so.

## Comparison of a diversity of multi-unit housing projects from Berlin, London and Australia

	Project Initiator	Community 'Type'	Spectrum 1 Future resident involvement and influence on design form Early → Late	Spectrum 2 Location of financial risk and design decision-making Investors → Residents	Spectrum 3 Potential for individual needs to be specifically addressed Low → High
Australian Status Quo	Freestanding houses	Future residents	● Prior to land purchase	● Future residents	● Unlimited
	Multi-unit housing	Developer/ investor	● Not applicable	● Speculator	● Negligible
International Examples	Berlin co-operative building group	Core resident group	● Prior to land purchase	● Future residents	● Unlimited, varies with project budget and collective intent.
	Berlin professional-led building group	Architect and/or project manager	● Post land negotiation and sketch design	● Future residents	● Unlimited, varies with project budget and collective intent.
	London community-led co-housing with NFP developer	Core resident group	● Site planning	● NFP developer	● Some specific needs addressed
	London privately commissioned co-housing	All future residents	● Prior to land purchase	● Future residents	● Unlimited, varies with project budget and collective intent.
Completed Australian Projects	Nightingale 1	Architect	● Post land negotiation and sketch design	● Architect, directors of project specific development company and equality investors	● Individualisation possible, with cost implications
	Property Collectives	Project manager and future residents	● Prior to land purchase	● Future owners	● Unlimited, varies with project budget and collective intent.
Australian Projects in Progress	WGV 'baugruppen'	Building and development professionals	● Post land negotiation and sketch design	● Future owners	● High potential to influence individual spatial layout
	Co-housing community in collaboration with Nightingale Housing	Core resident group	● Collective briefing prior to land negotiations	● Architect, directors of project specific development company and equity investors	● High potential to influence spatial design collaboratively and individually

Diagram Jasmine Palmer