Southern Sydney Region of Councils
Supplementary Affordable Housing Submission

Background Report Part 3:

Planning & Economics in Selected Precincts of the Sydenham-Bankstown Corridor

9 September 2016

This report has been prepared for

Southern Sydney Region of Councils

by

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1 Overview

Background Report Part 3 (this report) has been prepared to accompany a ***Supplementary Affordable Housing Submission*** by the Southern Sydney Region of Councils to the Greater Sydney Commission.

Background Report Part 3 provides additional information on the types of planning mechanisms and strategies most likely to be effective, feasible and equitable in selected Precincts of the Sydenham-Bankstown Urban Renewal Corridor (Canterbury, Campsie and Bankstown). It also draws upon research contained in *Background Report Part 1: Demographic and Housing Market Context* and *Background Report Part 2: Planning and Economics in Priority Precincts,* and should be read in conjunction with these reports, and the *Summary Background Report*.

Together with previous reports submitted to the Greater Sydney Commission, this *Report* provides the evidence base for the *SSROC Affordable Housing Submission* to the Greater Sydney Commission.

2 Housing Cost and Affordability

2.1 Housing Cost Analysis

2.1.1 Overview

This section provides an overview of longitudinal price trends for rent and sales in (former) LGAs along the Sydenham-Bankstown Urban Renewal Corridor in the 25 years to March 2016. These are the former Marrickville, Canterbury and Bankstown LGAs. This provides a context to later discussion about housing affordability and effective strategies in urban renewal precincts along the Corridor.

The former Canterbury LGA is one of the least expensive areas in the South District. Nonetheless, the price of real rents for strata units has accelerated over the past decade, experiencing a real increase of 46% which was in line with South District increases. Bankstown LGA also increased at a rate well above CPI over the decade, but was much lower that Canterbury (26% over the decade). Real rental increases for houses were above the Greater Sydney average for Canterbury and Bankstown LGAs and the South District, but were well behind the former Marrickville LGA, where real rents almost doubled.

The picture is somewhat different for home purchase. The peak in strata purchase prices in 2002/03 is evident in the graphs below, as is the more recent recovery of the purchase market. Over 25 years the South District and Canterbury have tracked Greater Sydney, with 150% real price increases. Marrickville again experienced significantly greater than average price increases (237%) and Bankstown significantly lower (113%).

The premium placed on the purchase of family friendly accommodation (separate houses) is also evident in the data, with each of the LGAs experiencing very large real increases in house prices from 1990, and higher than the Greater Sydney average. Interestingly, Canterbury LGA experienced by far the largest increase in real house prices (322%), and Bankstown LGA was also relatively high at 205% real growth.

The rapid gentrification of Marrickville LGA, and increasing gentrification of Canterbury more recently, are evident in these trends, with Bankstown likely to follow similar trends in the future. The demand for family friendly accommodation in most areas is also evident in this analysis amid the increasing supply of strata dwellings.

This is looked at in more detail below.

2.1.2 Rental Price Trends

Flats and Units

Across Greater Sydney, real (adjusted) rental prices for flats and units remained relatively unchanged between 1990 and 1996, though they did dip slightly over this time reaching a low of $291 in March Quarter 1992 (March Quarter 2016 dollars). Over the next four years (1996 to 2000) rental prices increased by $85 per week (28%) in real terms, remaining fairly stable over the

next six years to 2006 at around $380 per week. Over the last 10 years, rental prices for flats and units have increased by around $130 per week (34%), with a March 2016 rental price of $515 per week.

Marrickville LGA and the South Region have both followed trends similar to the Greater Metropolitan Area. However, while rental prices for flats and units in the South District were similar to Greater Sydney in 1990, by 2000 they were approximately $60 (16%) lower, with this gap in rental prices continuing to the present. While tracking Greater Sydney prices, rental prices in Marrickville LGA have been $50-$100 per week (10-20%) cheaper than those across Greater Sydney over the past twenty-five years.

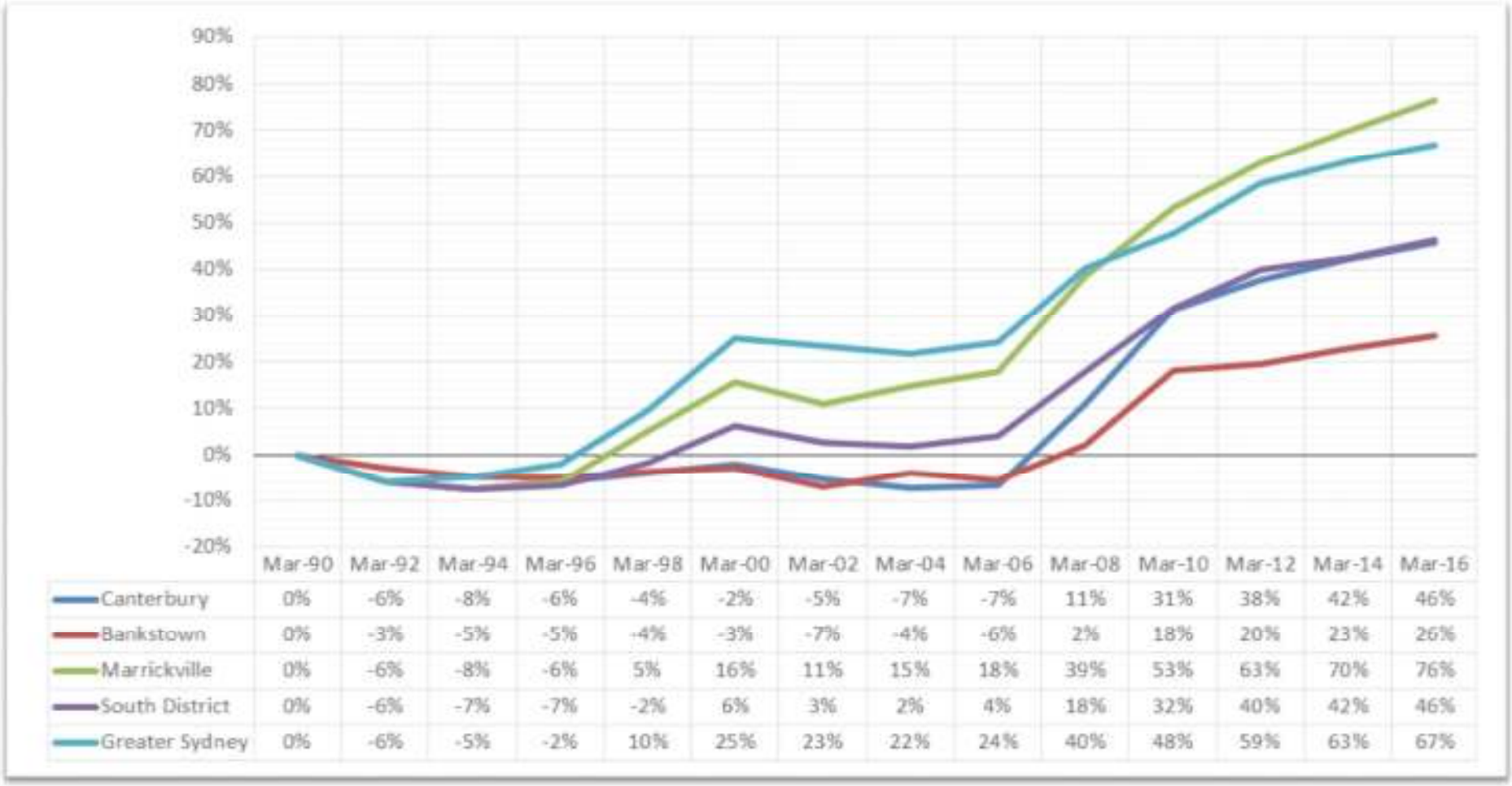
Canterbury and Bankstown LGAs, however, have followed quite different trends. Rental prices for both of these LGAs remained relatively stable from the early 90's up until 2006, with the median for Canterbury LGA remaining at around $240-$250 per week and the median for Bankstown LGA remaining at around $300-$310 per week over this period. Between 2006 and 2010 rental prices in both LGAs increased substantially in real terms, by $100 per week (41%) in Canterbury LGA and by approximately $75 per week (25%) in Bankstown LGA. Over the past six years rental prices in both LGAs have continued to steadily increase, by approximately $40 per week (11%) in Canterbury LGA and by approximately $20 per week (6%) in Bankstown LGA. Since 2000, median rental prices for flats and units in both Canterbury and Bankstown LGAs have roughly tracked Greater Sydney prices, with prices in Canterbury LGA generally being $130-$140 per week (25-35%) lower and prices in Bankstown LGA being $70-$110 per week (approximately 20%) lower than for the Greater Metropolitan Area.

Since 1990, the median rental price for flats and units across Greater Sydney has increased by 67% in real terms. While the median rental price in Marrickville LGA has increased by a comparable amount (76%), prices in the LGAs of Canterbury and Bankstown have increased by substantially smaller proportions (46% and 26% respectively). Across the South District, median rental prices have also increased by 46%.

	Mar-90	Mar-92	Mar-94	Mar-96	Mar-98	Mar-00	Mar-02	Mar-04	Mar-06	Mar-08	Mar-10	Mar-12	Mar-14	Mar-16
Canterbury	$261	$245	$241	$245	$250	$255	$247	$242	$243	$289	$343	$359	$371	$380
Bankstown	$319	$309	$303	$302	$306	$309	$296	$306	$301	$325	$377	$381	$391	$400
Marrickville	$261	$245	$241	$245	$274	$302	$289	$299	$307	$361	$400	$424	$443	$460
South District	$307	$289	$284	$286	$302	$326	$315	$313	$319	$362	$404	$430	$437	$449
Greater Sydney	$309	$291	$295	$302	$339	$387	$381	$376	$384	$433	$457	$490	$504	$515

Figure 2.1: Median Weekly Rent for New Bonds for March Quarter at Two-Year Intervals, CPI Adjusted to March Quarter 2016 Dollars, Flats and Units

Source: JSA 2016, based on data from Housing NSW Rent and Sales Report Issue 115, ABS Consumer Price Index 2016 (All Groups, Australia)



	Mar-90	Mar-92	Mar-94	Mar-96	Mar-98	Mar-00	Mar-02	Mar-04	Mar-06	Mar-08	Mar-10	Mar-12	Mar-14	Mar-16
Canterbury	0%	-6%	-8%	-6%	-4%	-2%	-5%	-7%	-7%	11%	31%	38%	42%	46%
Bankstown	0%	-3%	-5%	-5%	-4%	-3%	-7%	-4%	-6%	2%	18%	20%	23%	26%
Marrickville	0%	-6%	-8%	-6%	5%	16%	11%	15%	18%	39%	53%	63%	70%	76%
South District	0%	-6%	-7%	-7%	-2%	6%	3%	2%	4%	18%	32%	40%	42%	46%
Greater Sydney	0%	-6%	-5%	-2%	10%	25%	23%	22%	24%	40%	48%	59%	63%	67%

Figure 2.2: Median Weekly Rental Price for New Bonds for March Quarter at Two-Year Intervals, CPI Adjusted to March Quarter 2016 Dollars, Flats and Units, expressed as Percentage Growth from March Quarter 1990

Source: JSA 2016, based on data from Housing NSW Rent and Sales Report Issue 115, ABS Consumer Price Index 2016 (All Groups, Australia)

2.1.3 Separate Houses

In terms of separate houses, across Greater Sydney the median rental price has increased by approximately $160 per week (43%) since 1990. While rental prices fell between 1990 and 1996, by $40 per week (11%), they rose again between 1996 and 2000, by approximately $50 per week (16%). Between 2000 and 2004 prices fell again, by approximately $15 per week (4%), and then began rising again, with the median price increasing by approximately $160 per week (45%) from 2004 to the present.

This trend in the median rental price across Greater Sydney was tracked the South District, as well as by Canterbury and Bankstown LGAs. However, while the median prices in Canterbury LGA has typically been between $10 and $50 per week (5-10%) higher than for Greater Sydney, Bankstown LGA prices have been at times as much as $25 per week (7%) lower than Greater Sydney prices. South District prices have typically been $40-$90 per week (10-20%) higher than for Greater Sydney.

In terms of Marrickville LGA, while the median rental price for a separate houses were generally in line with Greater Sydney prices in the early 90's, after this time prices in the LGA began to increase quite rapidly. Between 1992 and 2000, the median rental price in Marrickville LGA increased by approximately $115 per week (30%), before decreasing to 2002 by approximately $40 per week (9%). Since 2006, rental prices for separate houses in Marrickville LGA have been increasing quite rapidly, with an increase of approximately $315 per week (65%) in real terms from 2006 to the present. In March Quarter 2016, the median rental price for a separate house was $800 per week, $275 per week (52%) higher than for Greater Sydney.

	Mar-90	Mar-92	Mar-94	Mar-96	Mar-98	Mar-00	Mar-02	Mar-04	Mar-06	Mar-08	Mar-10	Mar-12	Mar-14	Mar-16
Canterbury	$386	$364	$357	$360	$387	$402	$395	$396	$396	$457	$502	$544	$546	$580
Bankstown	$348	$345	$339	$343	$355	$371	$353	$336	$345	$409	$457	$490	$504	$500
Marrickville	$405	$382	$393	$409	$460	$495	$452	$457	$486	$578	$605	$653	$710	$800
South District	$409	$402	$396	$400	$423	$457	$431	$423	$432	$496	$555	$570	$580	$602
Greater Sydney	$367	$354	$339	$327	$355	$379	$367	$363	$371	$421	$468	$501	$515	$525

Figure 2.3: Median Weekly Rent for New Bonds for March Qtr at 2-Year Intervals, CPI Adjusted to March Quarter 2016 Dollars, Separate Houses

Source: JSA 2016, based on data from Housing NSW Rent and Sales Report Issue 115, ABS Consumer Price Index 2016 (All Groups, Australia)

	Mar-90	Mar-92	Mar-94	Mar-96	Mar-98	Mar-00	Mar-02	Mar-04	Mar-06	Mar-08	Mar-10	Mar-12	Mar-14	Mar-16
Canterbury	0%	-6%	-8%	-7%	0%	4%	2%	3%	3%	18%	30%	41%	41%	50%
Bankstown	0%	-1%	-2%	-1%	2%	7%	2%	-3%	-1%	18%	31%	41%	45%	44%
Marrickville	0%	-6%	-3%	1%	13%	22%	11%	13%	20%	43%	49%	61%	75%	97%
South District	0%	-2%	-3%	-2%	3%	12%	5%	3%	6%	21%	36%	39%	42%	47%
Greater Sydney	0%	-3%	-8%	-11%	-3%	3%	0%	-1%	1%	15%	28%	36%	40%	43%

Figure 2.4: Median Weekly Rental Price for New Bonds for March Quarter at Two-Year Intervals, CPI Adjusted to March Quarter 2016 Dollars, Separate Houses, expressed as Percentage Growth from March Quarter 1990

Source: JSA 2016, based on data from Housing NSW Rent and Sales Report Issue 115, ABS Consumer Price Index 2016 (All Groups, Australia)

2.2 Sales

2.2.1 Strata

Between 1995 and 2003, the median sale price for strata properties for Greater Sydney increased by approximately $242,000 (83%) in real terms, from $291,000 to $533,000. Following a slight dip from 2003 to 2005 of approximately $34,000 (6%), sale prices for strata properties remained relatively unchanged until 2011. Over the past four years, median prices in Greater Sydney have again been increasing rapidly, by $174,000 (34%) between 2011 and 2015. Overall, this equates to a $423,000 (158%) increase in real terms over the past 25 years.

In general, the South District, and to a lesser extent Bankstown LGA, has roughly tracked prices across Greater Sydney. While in the early 90's the median price for a strata property in the South District was similar to the Greater Sydney price, by 1997 a median strata property in the South District was around $60,000 (16%) cheaper than for Greater Sydney. Prices in the South District began to catch up in 2011, though have begun to fall behind again in recent times.

While median strata prices in Bankstown were in line with Greater Sydney prices in the early 90's, by 1999 a median strata property in the LGA was $110,000 (26%) cheaper than for the Greater Metropolitan Area as a whole. Since this time, Bankstown LGA prices for strata properties have generally been around $100,000-$150,000 (20-30%) cheaper than for Greater Sydney.

In the early 90's, the median sale price for a strata property in Canterbury LGA was approximately $70,000 (30%) cheaper than for Greater Sydney. However, since the late 90's, the median price has typically been $150,000-$200,000 (30-40%) cheaper than for Greater Sydney.

Marrickville, however, is a different matter. While during the 1990's the median sale price for a strata property in this LGA was typically $70,000-$100,000 (25-30%) cheaper than for Greater Sydney, during the 2000's it was typically $30,000-$50,000 (5-10%) cheaper than for the Greater Metropolitan Area. During the present decade, strata prices in Marrickville LGA have been generally in line with Greater Sydney prices.

	Dec-91	Dec-93	Dec-95	Dec-97	Dec-99	Dec-01	Dec-03	Dec-05	Dec-07	Dec-09	Dec-11	Dec-13	Dec-15
Canterbury	$196	$197	$193	$215	$232	$265	$343	$364	$307	$322	$369	$473	$501
Bankstown		$275	$262	$292	$306	$341	$435	$369	$360	$360	$381	$446	$586
Marrickville	$199	$209	$197	$270	$322	$403	$486	$467	$462	$489	$522	$570	$671
South District Average	$256	$261	$264	$309	$368	$398	$488	$434	$420	$453	$485	$558	$639
Greater Sydney	$268	$275	$291	$368	$416	$468	$533	$499	$506	$521	$517	$596	$691

Figure 2.5: Median Sale Price for December Quarter at Two-Year Intervals, CPI Adjusted to June Quarter 2016 Dollars, Strata ('000 Dollars)

Source: JSA 2016, based on data from Housing NSW Rent and Sales Report Issue 115, ABS Consumer Price Index 2016 (All Groups, Australia)

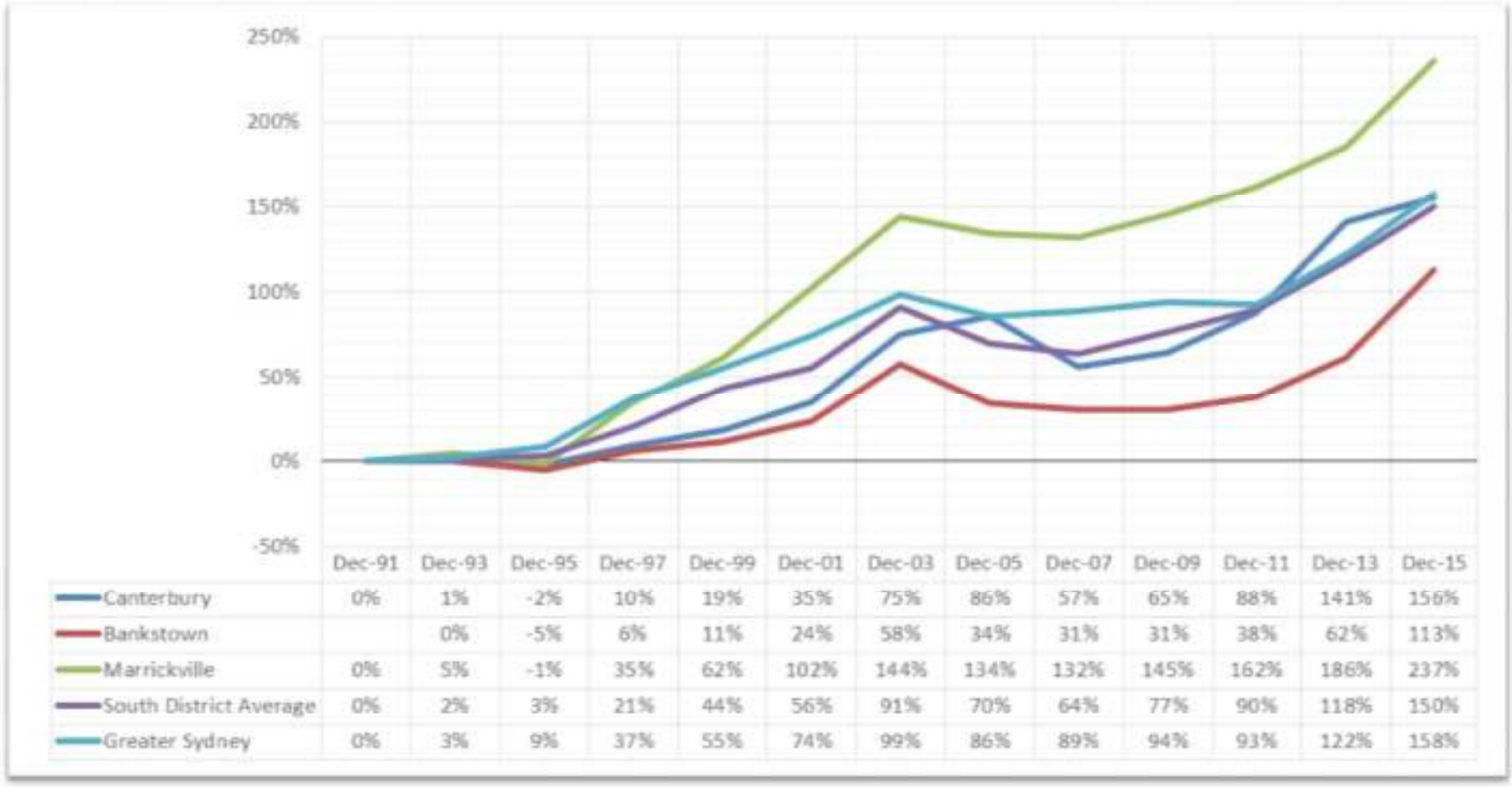


Figure 2.6: Median Sale Price for December Quarter at Two-Year Intervals, CPI Adjusted to June Quarter 2016 Dollars, Strata, expressed as Percentage Growth from December Quarter 1991

Source: JSA 2016, based on data from Housing NSW Rent and Sales Report Issue 115, ABS Consumer Price Index 2016 (All Groups, Australia)

Note: Median Sale Price for Bankstown LGA expressed as Percentage Growth from December Quarter 1993

2.2.2 Non-Strata

In terms of non-strata dwellings, again the median sale price for Greater Sydney began to rapidly increase in real terms from around 1995. Between 1995 and 2003, the median sale price roughly doubled from $329,000 to $690,000, an increase of $361,000. Non-strata sale prices for the Greater Metro were quite steady between 2005 and 2009, remaining at around $630,000-$670,000. Prices dipped to around $570,000 in 2011 before increasing to $902,000 in 2015, an increase of $336,000 (59%) over four years.

The South District, Canterbury LGA and Bankstown LGA, and to a lesser extent Marrickville, roughly tracked Greater Sydney prices. Between 1991 and 2003, median sale prices for non-strata properties in Bankstown LGA were typically $30,000-$40,000 (5-10%) cheaper than for Greater Sydney. This gap widened over the next four years, with prices being approximately $120,000 (15-20%) cheaper between 2007 and 2009. However, in more recent times non-strata prices in Bankstown LGA have been quite similar to Greater Sydney, with the December Quarter 2015 median being $45,000 (5%) cheaper than for Greater Sydney.

While the median sale price for non-strata in Canterbury LGA was typically the same or cheaper than for Greater Sydney in the early 90's, by 2003 it had risen to $776,000, which was $86,000 (12%) more expensive than for the Greater Metro. However, by 2005 prices in Canterbury had fallen back to Greater Sydney prices, though they began to rise again after 2011 to $1.08 million in December Quarter 2015, $181,000 (20%) higher than the Greater Sydney median.

In terms of Marrickville LGA, up until 1995 the median prices for non-strata was slightly lower than for Greater Sydney. However, since 1995 prices have been rapidly rising in the LGA, so that in the latest reported quarter a median non-strata property sold for $1.20 million, approximately $300,000 (33%) higher than for Greater Sydney.

Since the late 1990's, the median sale price for non-strata dwellings in the South District has typically been $100,000-$200,000 (20-30%) higher than the Greater Sydney median. The median in the South District peaked in 2003 at around $900,000, approximately $200,000 or 30% higher than for Greater Sydney, and has been rising since 2011 to the present. Between 2011 and the most recent reported quarter the median price increased by approximately $380,000 (50%) to $1.18 million in December Quarter 2015. During the most recent reported quarter the median price for non-strata in the South District was approximately $280,000 (30%) higher than the Greater Sydney median.

	Dec-91	Dec-93	Dec-95	Dec-97	Dec-99	Dec-01	Dec-03	Dec-05	Dec-07	Dec-09	Dec-11	Dec-13	Dec-15
Canterbury	$257	$324	$308	$421	$479	$543	$776	$622	$634	$684	$688	$850	$1,082
Bankstown	$281	$296	$292	$366	$424	$468	$648	$557	$524	$551	$566	$676	$857
Marrickville		$307	$313	$458	$514	$612	$794	$731	$789	$806	$834	$984	$1,202
South District Average	$342	$391	$383	$490	$591	$675	$907	$740	$753	$807	$798	$952	$1,181
Greater Sydney	$314	$319	$329	$398	$464	$508	$690	$632	$646	$665	$566	$746	$902

Figure 2.7: Median Sale Price for December Quarter at Two-Year Intervals, CPI Adjusted to June Quarter 2016 Dollars, Non-Strata ('000 Dollars)

Source: JSA 2016, based on data from Housing NSW Rent and Sales Report Issue 115, ABS Consumer Price Index 2016 (All Groups, Australia)

	Dec-91	Dec-93	Dec-95	Dec-97	Dec-99	Dec-01	Dec-03	Dec-05	Dec-07	Dec-09	Dec-11	Dec-13	Dec-15
Canterbury	0%	26%	20%	64%	87%	112%	202%	142%	147%	166%	168%	231%	322%
Bankstown	0%	5%	4%	30%	51%	67%	131%	98%	87%	96%	101%	141%	205%
Marrickville		0%	2%	49%	67%	99%	159%	138%	157%	163%	172%	221%	292%
South District Average	0%	14%	12%	43%	73%	98%	165%	117%	120%	136%	134%	179%	246%
Greater Sydney	0%	2%	5%	27%	48%	62%	120%	102%	106%	112%	80%	138%	187%

Figure 2.8: Median Sale Price for December Quarter at Two-Year Intervals, CPI Adjusted to June Quarter 2016 Dollars, Non-Strata, expressed as Percentage Growth from December Quarter 1991

Source: JSA 2016, based on data from Housing NSW Rent and Sales Report Issue 115, ABS Consumer Price Index 2016 (All Groups, Australia)

Note: Median Sale Price for Marrickville LGA expressed as Percentage Growth from December Quarter 1993

2.3 Housing Affordability

2.3.1 Rental Affordability

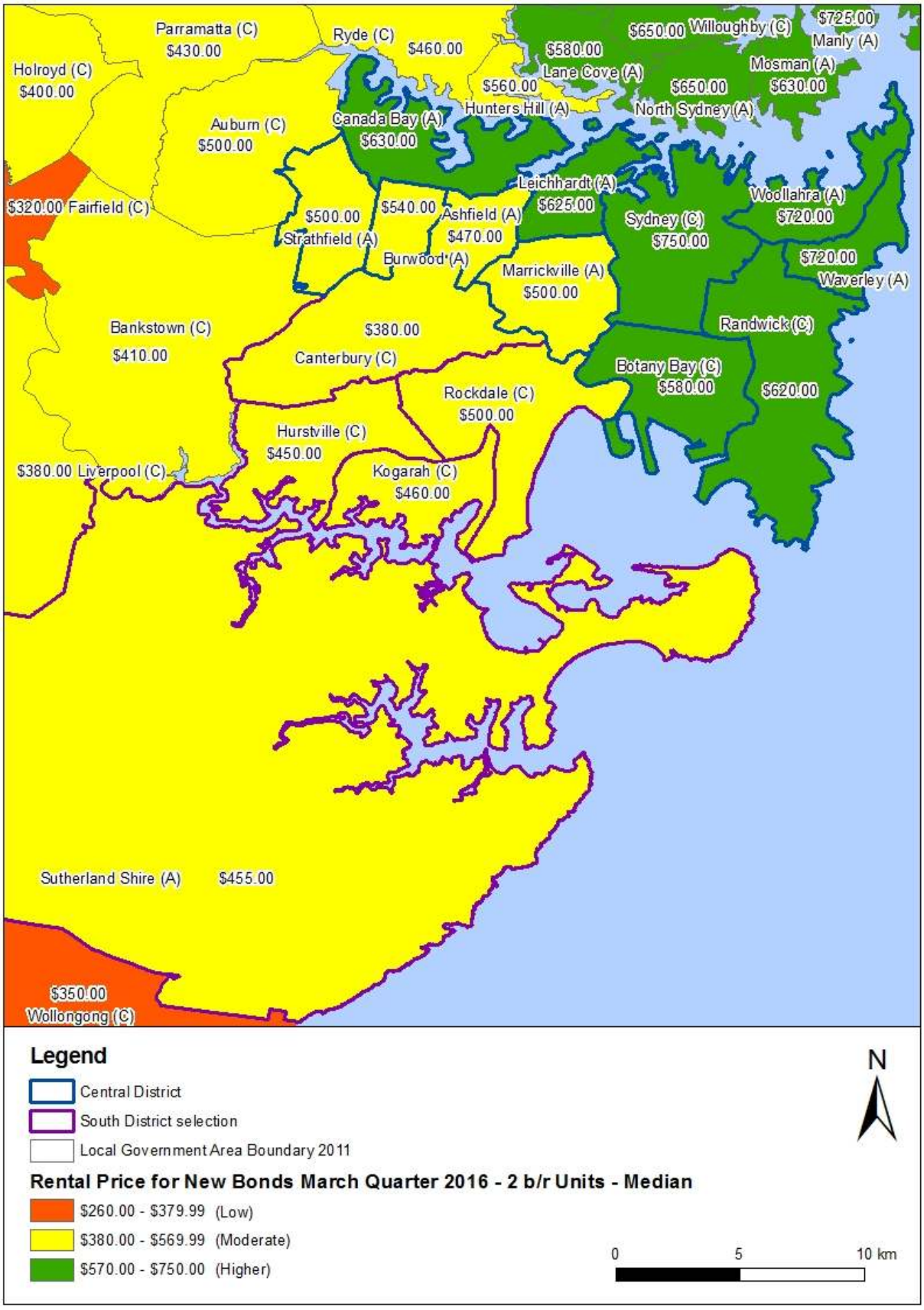
As noted in the *Background Report Part 2, r*ental affordability is a critical issue across the Central and South Districts, with 2 bedroom **strata dwellings** not affordable to any very low or low income households, even for lower amenity (first quartile) strata dwellings.

Even moderate income households would be priced out of newer strata dwellings in the Central District using third quartile dwellings as a proxy; whilst a newly constructed strata dwelling would be unaffordable to most moderate income households in the South District as well.

The map below, reproduced from *Background Report Part 2,* indicates that *some* moderate income households could affordably rent a median priced strata dwelling in the former Canterbury and Bankstown LGAs, but very low and low income households are generally excluded.

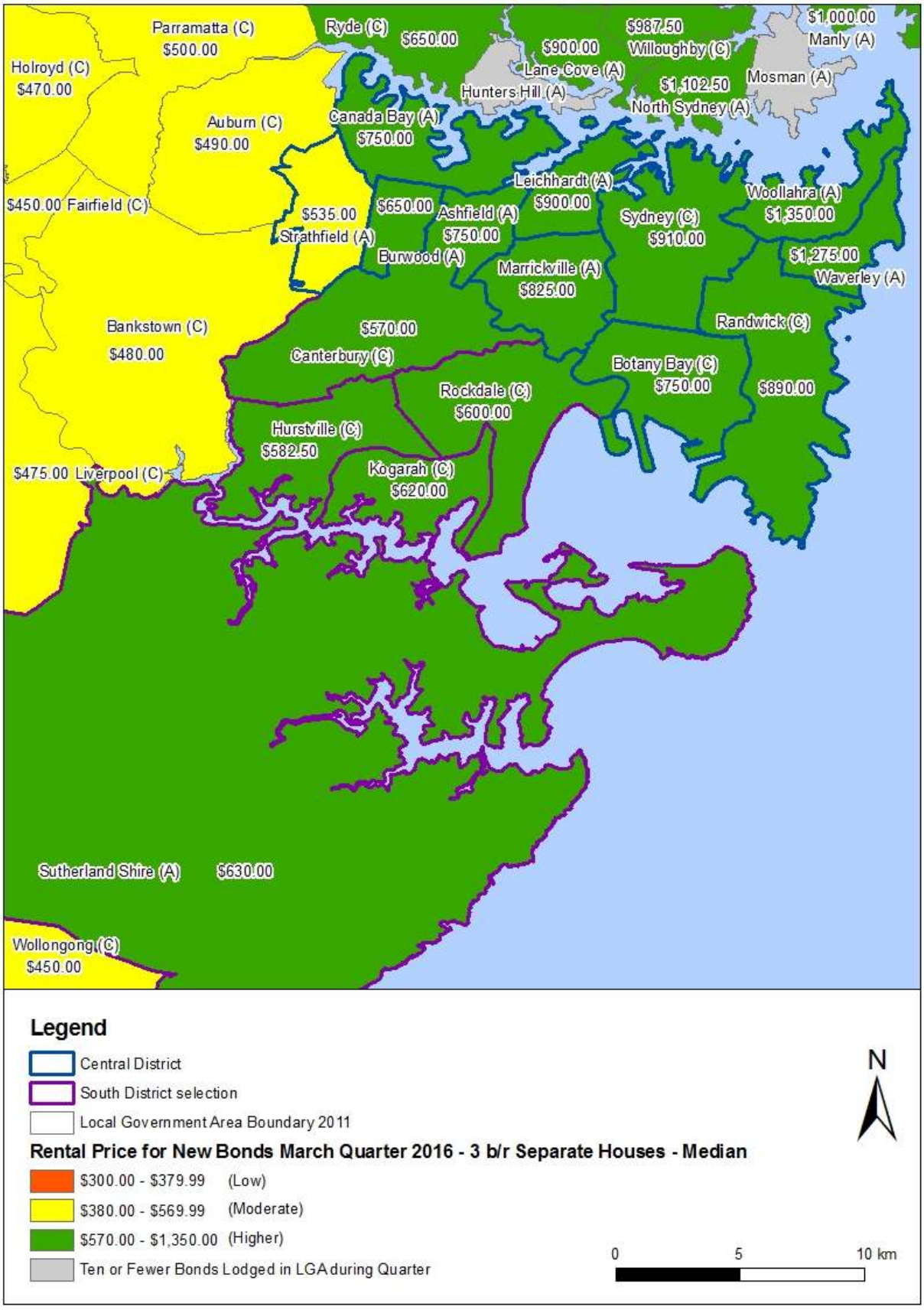
The situation is far worse for families needing a **separate house**. First quartile (older, lower amenity) three bedroom houses are only affordable to the upper 15% of moderate income households in the South District. As such, families would be unable to affordably rent any suitable accommodation, particularly more average or newer houses, and only high income families can be rent houses affordably across both Districts.

The map that follows indicates that any median priced house will only be affordable to the upper half of the moderate income households in Bankstown LGA, with only high income households able to affordably rent a house in all other areas in the Central and South District, including Canterbury LGA.



Map 2.1: Rental Affordability for Median Two Bedroom Unit by LGA, March Quarter 2016

Source: JSA 2016, based on data from Housing NSW Rent and Sales Report Issue 115



Map 2.2: Rental Affordability for Median 3 B/R Separate House by LGA, March Quarter 2016

Source: JSA 2016, based on data from Housing NSW Rent and Sales Report Issue 115

2.3.2 Home Purchase Affordability

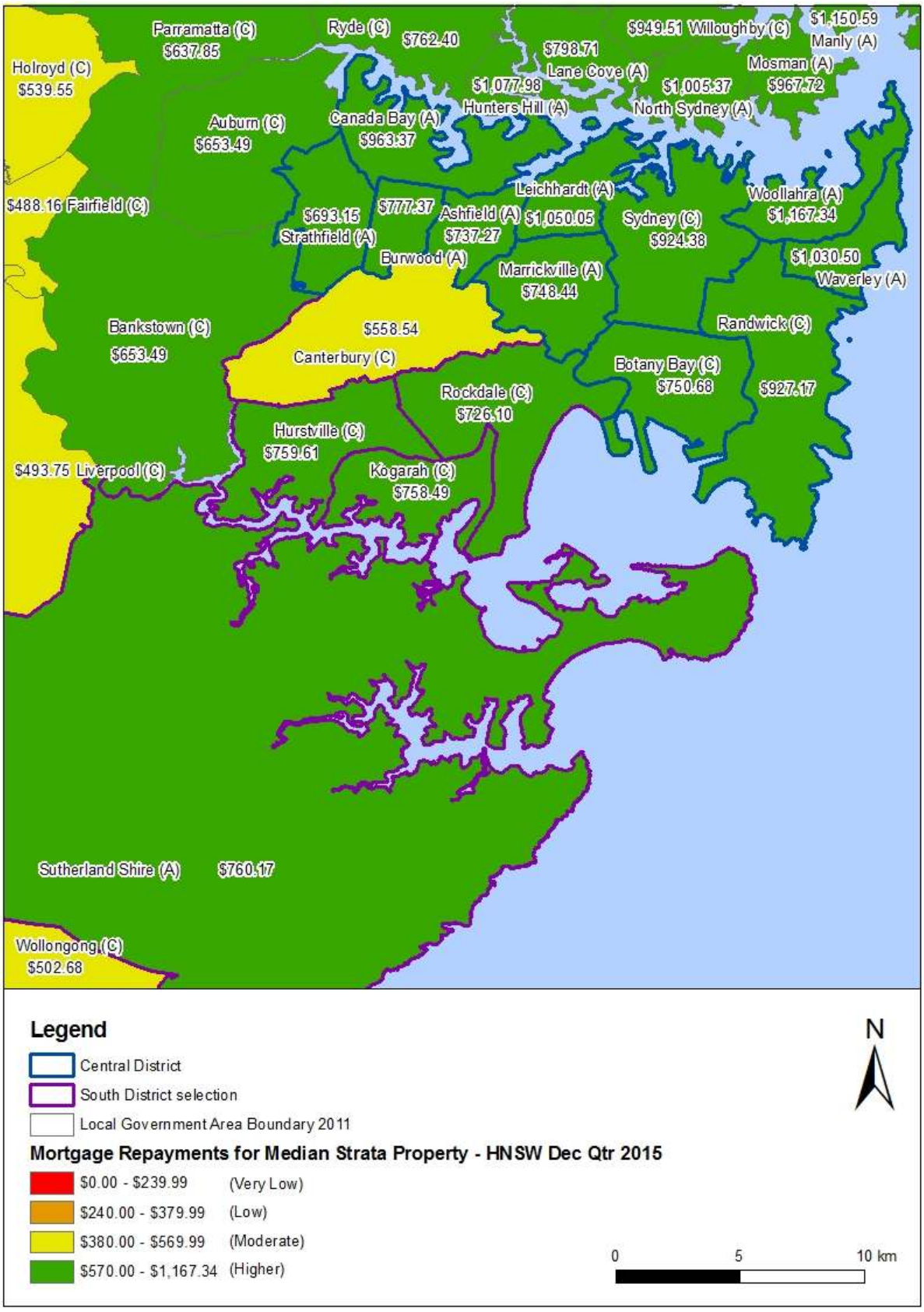
Affordable purchase is generally out of reach of all very low, low or moderate income households within the Central or South Districts, for both strata dwellings and separate houses.

The map below shows that the mortgage repayments[1] required to purchase **median priced strata dwelling** in any of the LGAs in the Central District, and in any of the LGAs in the South District apart from Canterbury, would be affordable only to higher income households, noting that the same is the case for even a first quartile dwelling. Affordable purchase was generally out of reach for all target groups.

The situation for **separate houses** is much worse, with no such housing products affordable to any very low, low or moderate income household is any LGA within the two Districts, and for the former Bankstown LGA. This is shown in the map that follows.

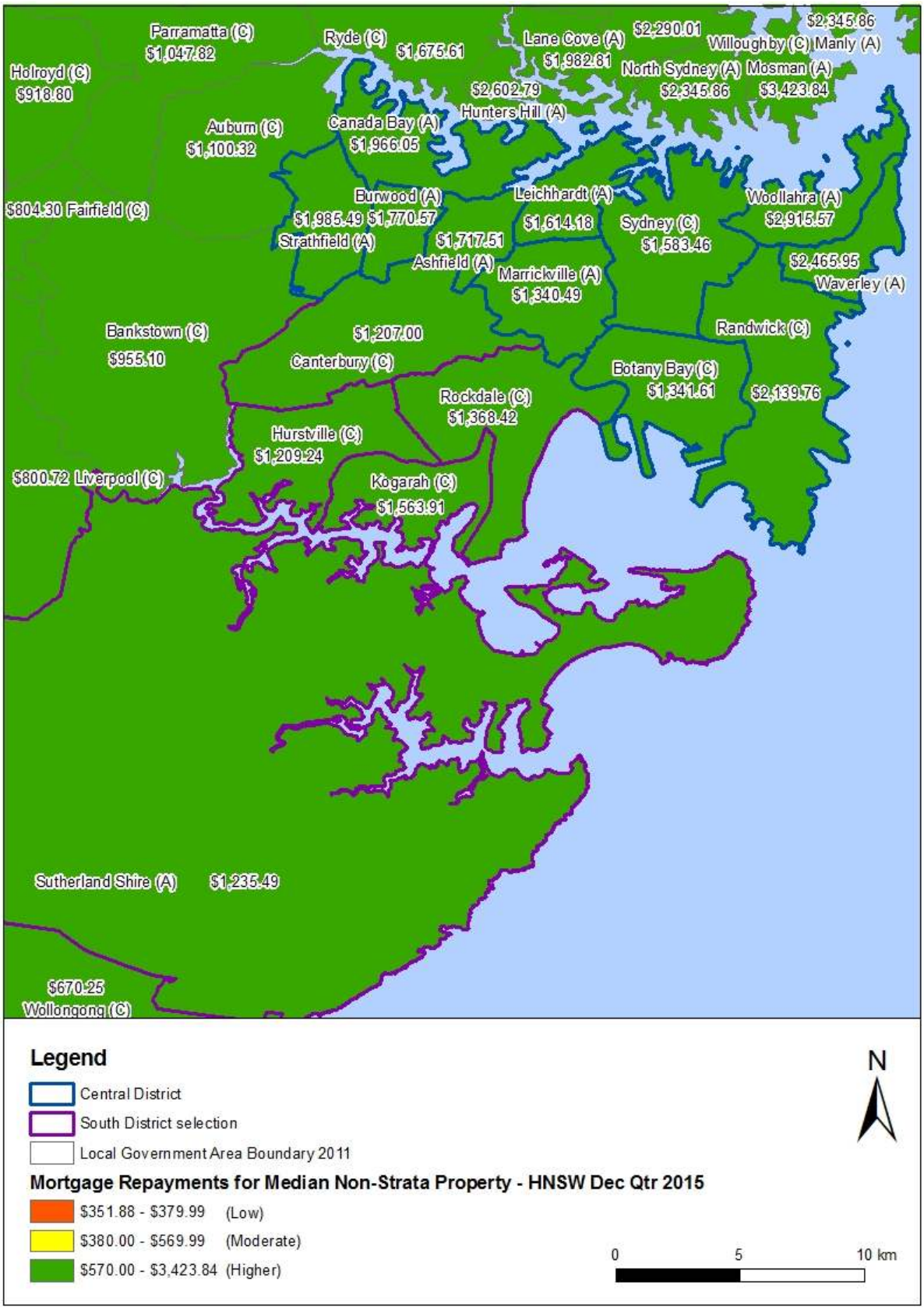
The crisis in affordable purchase is leading to **increasing rates of long-term private rental**, which is in turn increasing demand and upward pressure on the price of rental accommodation, particularly at the lower end of the market. The increase in long-term rental among older people in particular is likely to lead to increasing rates of after-housing poverty post-retirement.

[1] Mortgage Repayments calculated by JSA based on Housing NSW Rent and Sales Report Issue 115, using Commonwealth Bank Standard Variable Home Loan Interest Rate of 5.35% as at 26 July 2016, assuming the homebuyer has a 20% deposit and repays the loan over 30 years.



Map 2.3: Weekly Mortgage Repayment Required to Purchase Median Strata Dwelling December Quarter 2015, by Household Income Band

Source: JSA 2016, based on data from Housing NSW Rent and Sales Report Issue 115



Map 2.4: Weekly Mortgage Repayment Required to Purchase Median Non-Strata Dwelling December Quarter 2015, by Household Income Band

Source: JSA 2016, based on data from Housing NSW Rent and Sales Report Issue 115

3 Potential Mechanisms and Strategies to Deliver Affordable Housing

3.1 Overview of Effective Mechanisms & Strategies

As discussed in *Background Report Part 2: Planning and Economics in Priority Precincts,* there are a wide range of strategies available to State and local governments to promote affordable housing in the Central and South Districts. As shown in Figure 2.1 below, these strategies range from 'light' planning intervention in the market (Column 1) to strong intervention (Column 3), or direct provision of affordable housing (Column 4).

As noted above, it is unlikely that newly constructed strata dwellings or separate houses provided through the market will be affordable to any of the relevant target groups in most LGAs within the Central and South Districts, apart from to *some* moderate income households in a narrow range of areas (mainly Canterbury and Bankstown LGA for a few products). As such, **virtually all very low and low income households, and many smaller and family households on moderate incomes, will be excluded from affordable rental in these Districts in the future.**

It is important to note that the vast majority of those in housing stress are very low and low income households. The ongoing loss of social housing, its failure to keep pace with growing need, and the non-replacement of lower cost private rental through redevelopment and gentrification, are key issues facing these Districts.

The dramatic increase in the real cost of rents over the past decade, and the likelihood that a growing proportion of very low, low and moderate income households will remain in long-term rental due to the increasing unaffordability of home purchase is also noted. The growing number of asset poor older people also signals the need for well-located affordable housing in accessible, transit oriented developments in inner and middle ring suburbs of Greater Sydney.

As such, the most effective strategies will be those from 'Columns 3 and 4' in the table below, that is mandatory mechanisms including inclusionary zoning and mandatory contributions to create affordable housing for all very low and low income households in particular, and for moderate income families; and the direct creation of affordable housing through development and management partnerships on government-owned land.

This is the case for the three former LGAs along the Sydenham-Bankstown Urban Renewal Corridor, and within the Campsie, Canterbury and Bankstown Precincts, which are a particular focus of this *Report.*

The economic analysis reported below also indicates that these stronger market interventions are also likely to be economically feasible and equitable with regard to the distribution of costs and benefits in most of the areas analysed.

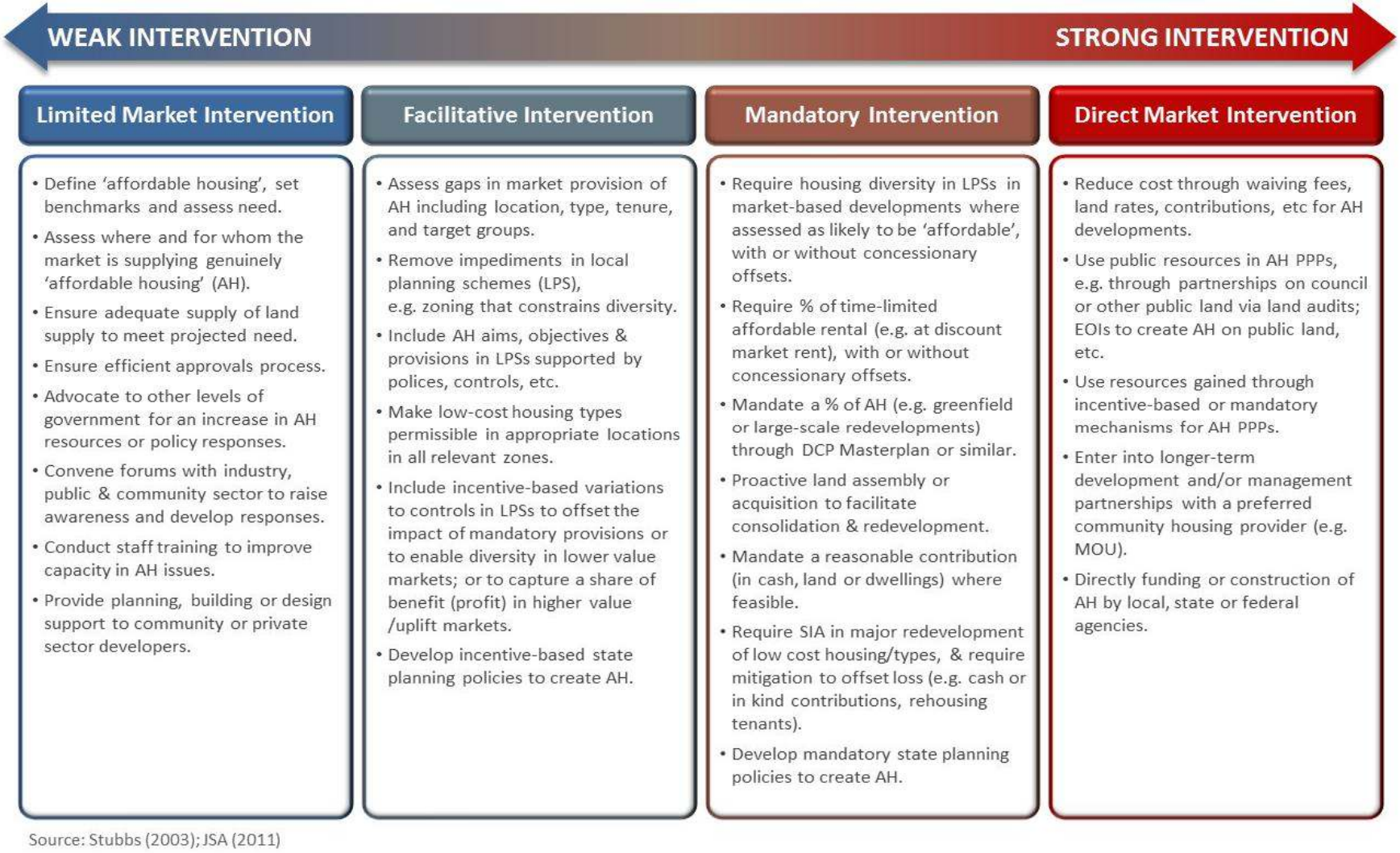


Figure 3-1: Mechanisms and Strategies to Create Affordable Housing along a Continuum of Planning Intervention

Source: JSA 2009

3.2 Overview of Findings

The following sections review the affordable housing context in the Canterbury, Campsie and Bankstown precincts, using the suburbs as a proxy and investigate the economics and feasibility of mandatory contributions for affordable housing.

It finds that affordability is a critical issue across the three suburbs, and will become much worse in the future without strong intervention through the planning system.

In summary:

- No strata products are affordable for **purchase** through the market for very low and low income households in **Canterbury, Campsie and Bankstown**. The vast majority of very low and low income households needing **affordable rental housing** are also excluded from affordable rental through the market. *Some* low income renters could only affordably rent a studio or one bedroom apartment in Campsie and Bankstown.
- Larger **moderate income households** are excluded from affordable rental in Canterbury and Campsie, but smaller households can affordably purchase a two bedroom apartment in Bankstown and rent a two bedroom apartment in Canterbury, Campsie and Bankstown and a three bedroom apartment in Bankstown.

It is likely that **affordability will worsen in the future** as redevelopment puts upward pressure on prices, and older, lower amenity stock is lost. The unaffordability of strata dwellings to most very low and low income purchasers and renters does not bode well for the future.

As such, strong planning intervention, in particular **Mandatory Affordable Housing Contributions**, will be needed to create affordable housing for relevant target groups in the future.

The economic analysis indicates that sharing a reasonable proportion of uplift through affordable housing levies is likely to be economically feasibility, reasonable and equitable in **Canterbury and Campsie**. However, the preliminary analysis indicates that there are likely to be limited opportunities for uplift in Bankstown Precinct at the present time given the current liberal zoning controls and high level of development. It is noted that modelling is preliminary using best available data, but would need preliminary architectural drawing and a site by site assessment of any major constraints to determine precise contribution rates.

Contribution rates in the order of 10-15% are justified in **Canterbury and Campsie** precincts. There is also evidence for significant value uplift associated with Voluntary Planning Agreements resulting in additional floor area, with mandatory contribution rates of between 15% and 20% of saleable area feasible and reasonable.

3.3 Sydenham to Bankstown Urban Renewal Area (Canterbury, Campsie and Bankstown)

3.3.1 Overview

This section provides a review of the mechanisms and strategies that are most likely to be effective in creating affordable housing in the suburbs of Canterbury, Campsie and Bankstown through an analysis of the economics of redevelopment, likely affordability of various housing products, and factors most likely to affect affordability in these geographic sub-markets.

3.3.2 Market Delivery of Affordable Housing

Overview

The first major strategy relates to facilitating market delivery of affordable housing, including with some minor intervention through the planning system, such as ensuring that there are no impediments to the development of affordable and low cost housing products, or providing incentives to reduce the cost of development such as reduced parking, developing smaller dwellings, etc.

The first step in understanding the effectiveness of such strategies is to understand where and for whom housing is currently affordable in the context of local housing markets, and where relevant products could be made more affordable regarding key determinants of cost and purchase price.

Understanding the extent to which the market *could* deliver affordable housing in the suburbs of Canterbury, Campsie and Bankstown also assists in the development of more effective strategies for the provision of affordable housing, in particular where greater intervention through the planning system, or the direct creation of affordable housing, would be necessary.

Affordable **Purchase** in Canterbury, Campsie and Bankstown

Overview

An analysis of **all sales in the suburbs of Canterbury, Campsie and Bankstown** was undertaken for the year ended March 2016 using EAC Red Square data base. This was to understand what areas and housing products would be affordable to very low, low and moderate income households currently, and key factors that would impact upon affordability, with the latter examined through a linear regression analysis.

A longitudinal analysis was also undertaken using all sales for the year ended March 2011 to understand the extent to which dwellings of different types in the suburbs have increased in real terms in order to understand likely supply and demand issues.

The context is first set by a comparison of real price increases in the suburbs from 2011 to 2016, again using all sales in the two periods from Red Square database.

Real Price Increases 2010 to 2015

The following table compares real (CPI adjusted) increases in median prices for separate houses and for strata dwellings in Canterbury, Campsie and Bankstown between 2011 and 2016.

It indicates that there has been considerable pressure for **separate houses** in suburbs closer to Sydney, with houses in Canterbury and Campsie experiencing real average annual increases that are nearly double the Greater Sydney average suggesting that the wave of inner west gentrification has reached these suburbs. Somewhat lesser, but still significant, growth occurred in Bankstown. Prices have also increased relative to the Greater Sydney Median particularly in areas closer to Sydney, with Canterbury and Campsie medians increasing from 1.2 to 1.5 times the Greater Sydney Median; and Bankstown increasing from 0.9 to 1.1.

The trend for **strata dwellings** is more consistent, with price increases above the Greater Sydney average in all suburbs, and possibly reflecting the availability of development opportunities in the three centres with extensive areas zoned B4, R3 and R4 and hence the construction of newer dwellings.

Bright orange shading indicates well above average increases in real costs, and lighter orange shading indicates substantially above average real price increases.

Table 3-1: Median price increase 2011-2016 for separate houses and strata properties for selected areas in Sydenham to Bankstown Urban Renewal Area

	Separate House ($)			Strata ($)		
Suburb	Median 2011 (inflation adjusted)	Median 2016	Annual increase	Median 2011 (inflation adjusted)	Median 2016	Annual increase
Canterbury	770000	1253000	10.2%	457000	650000	7.3%
Campsie	775000	1297000	10.9%	418000	578750	6.7%
Bankstown	616000	900000	7.9%	341000	492500	7.6%
Greater Sydney	**649000**	**855000**	**5.7%**	**520000**	**671000**	**5.2%**

Source: JSA 2016 using sales data from Red Square for years ended March 2011 and 2016, ABS CPI data.

Affordability Analysis

Quartile Analysis

The following table indicates that there were **no housing products** in the first, second or third quartiles that would have been affordable to very low or low income purchasers in Canterbury, Campsie and Bankstown in the year ended March 2016, with some strata dwellings in some suburbs affordable to moderate income households.

Specifically, no separate houses were affordable to any of the target groups. First quartile strata (likely older and/or lower amenity) dwellings in Campsie were affordable to around 20% of households in the moderate income band and to 50% of moderate income households in Bankstown. A third quartile strata dwelling in Bankstown was just affordable to households at the top of the moderate income band. New build is unlikely to be affordable to any moderate income household with the possible exception of lower amenity apartments in Bankstown.

This is shown in more detail in the following table.

Table 3-2: Sales prices for separate houses and strata by quartile for selected areas in Sydenham to Bankstown Urban Renewal Area

	Separate House ($)				Strata ($)			
Suburb	**n**	**Q1**	**Q2**	**Q3**	**n**	**Q1**	**Q2**	**Q3**
Canterbury	63	1113000	1253000	1435000	173	560000	650000	715000
Campsie	110	1100000	1297000	1561250	392	510000	578750	680000
Bankstown	188	770000	900000	1150250	393	455000	492500	542500

Affordable:	
Very Low Income	
Low Income	
Moderate Income	

Source: JSA 2016 using sales data from Red Square for calendar year 2015.

Detailed Product Analysis Based on Median Prices

The following table shows similar trends in affordability to the analysis above, but looks at product types in more detail. This indicates that:

- Median priced studio apartments were affordable to all moderate income households and to some low income households, with limited stock of such apartments.
- One bedroom strata dwellings were affordable to some moderate income households, again with limited stock of this product.
- Two bedroom strata dwellings were affordable to moderate income households in Bankstown.
- There were no opportunities for affordable purchase for other strata products, nor of houses in any area.

Table 3-3: Median sales prices for separate houses and strata by dwelling size for selected areas in Sydenham to Bankstown Urban Renewal Area

	Separate House Median ($)				Strata Median ($)							
Suburb	**n**	**2 BR**	**n**	**3 BR**	**n**	**0 BR**	**n**	**1 BR**	**n**	**2 BR**	**n**	**3+ BR**
Canterbury	9	987500	45	1300000	0		12	537500	63	670000	9	847000
Campsie	24	1105000	66	1280500	0		24	474500	254	569000	33	865000
Bankstown	16	880000	108	912500	3	375000	5	445000	67	480000	72	600500

Affordable:	
Very Low Income	
Low Income	
Moderate Income	

Factors Affecting Affordability

It is important to understand what factors affect the affordability of different housing products in different areas so that planning and design may take these into account when seeking to have an impact upon the market.

A linear regression analysis (LRA) was undertaken on the Red Square dataset for factors that were able to be isolated and controlled for in the statistical analysis, and where there was sufficient data to draw meaningful conclusions. These were time, number of bedrooms, number of bathrooms, parking, strata area where available and lot size (in the case of separate dwellings). This is reported in the following tables for separate houses and for strata dwellings.

Key findings include the following:

- Strata area is not a particularly good predictor of price for strata dwellings across the suburbs, however price increased with area in all cases.

- Similarly prices for strata dwellings in all suburbs increased with time, number of bedrooms, bathrooms and parking spaces.

- The current market for strata dwellings in Canterbury appears to have increased by around 8% over the last year, with Campsie increasing by around 10% and Bankstown increasing by around 7%.

- There was no discernible change in the price of separate houses over the most recent 12 month period across the three suburbs.

It should be noted that where a variable is shown as not statistically significant, this can be because it does not affect price, because it is strongly related to another variable (for example bedrooms and bathrooms could increase together) or there is insufficient variation in the data (for example all houses may have one bathroom).

Table 3-4: Linear regression analysis results for separate houses and selected precincts

Suburb	R^2	Days	Bed	Bath	Park	Area (m^2)	Constant
Canterbury	0.18	ns	ns	ns	ns	$920.93	$947,200
Campsie	0.32	ns	$118,710	ns	ns	$2,203.20	ns
Bankstown	0.32	ns	$90,148	ns	ns	$621.09	$301,125

Source: JSA 2016 using sales data from Red Square for year ended March 2016.

Notes: ns= not statistically significant

Table 3-5: Linear regression analysis results for strata properties and selected precincts

Suburb	R^2	Days	Bed	Bath	Park	Constant
Canterbury	0.53	$152	$113,830	$60,561	$75,239	$304,400
Campsie	0.68	$166	$73,272	$136,590	$49,511	$303,240
Bankstown	0.60	$93	$74,796	$30,175	$15,154	$324,570

Source: JSA 2016 using sales data from Red Square for year ended March 2016.

Notes: ns= not statistically significant

Table 3-6: Linear regression analysis results for strata properties and selected precincts

Suburb (Urban Growth Precinct)	R^2	Days	Area (m^2)	Constant
Canterbury	0.17	ns	$1,373.00	$481,480
Campsie	0.31	ns	$2,316.90	$428,560
Bankstown	0.49	ns	$1,408.90	$340,030

Source: JSA 2016 using sales data from RedSquare for year ended March 2016.

Notes: ns= not statistically significant

Products that *could* be 'Affordable'

Applying the results of the above analysis, 'cost' could be reduced and, in some cases 'affordability' increased, under certain conditions for new build products in *some* areas.

The following table shows that a major impost on the **cost of purchase** of strata dwellings across the board would be achieved by reduction in strata area including a reduction in parking requirements and number of bathrooms. **Affordability** could also be increased in *some* areas.

Affordable purchase could be increased for **low income households** under the following conditions:

- According to the regression analysis, **studio apartments with no parking** would be expected to be affordable to some low income households in Bankstown (upper 13%).

- While studio apartments are not found to be affordable to low income households in Canterbury and Bankstown, this is likely to be a limitation of the data, with no studio apartments sold during the period.

Affordable purchase could be increased for **moderate income households** under the following conditions:

- According to the regression analysis, **1 bedroom strata dwellings with one bathroom and no parking space** would be expected to be affordable to some moderate income households in Canterbury (upper 40%), Campsie (upper 20%) and Bankstown (upper 60%).

- **One bedroom strata dwellings with one bathroom and parking space** would be expected to be affordable to some moderate income households in Bankstown (upper 60%).

- **Two bedroom strata dwellings with one bathroom and parking space** would be expected to be affordable to some moderate income households in Bankstown (upper 15%).

Though providing benefit in terms of increased affordability to single person and couple moderate income households, even under optimistic scenarios with reduced amenity described above the benefit is relatively narrow in its impact, and will not make such products affordable to the vast majority of low and very low income households.

This is shown in summary in the following tables.

Table 3-7: Estimated market prices for selected strata properties by precinct using results of linear regression analysis

Suburb	Studio, 1 bathroom, no parking	Studio, 1 bathroom, 1 parking space	1 bedroom, 1 bathroom, no parking space	1 bedroom, 1 bathroom, 1 parking space	2 bedrooms, 1 bathroom, no parking	2 bedrooms, 1 bathroom, 1 parking space
Canterbury	$365,000 (1)	$440,000 (1)	$479,000	$554,000	$593,000	$668,000
Campsie	$440,000 (1)	$490,000 (1)	$513,000	$563,000	$586,000	$636,000
Bankstown	$346,000 (1)	$361,000 (1)	$430,000	$444,000	$505,000	$520,000

Source: JSA 2016 using sales data from Red Square for calendar year 2015.

Notes:

(1) Estimate unreliable as it extrapolates outside the range of data

Affordable to very low income households

Affordable to low income households

Affordable to moderate income households

Affordable **Rental** in Canterbury, Campsie and Bankstown

A snapshot of all rental properties advertised for rent in relevant suburbs was undertaken on 5-6 September 2016 using realestate.com.

The following table shows median rentals across the suburbs for various types of rental accommodation and the groups to whom median rental is likely to be affordable.

There was no accommodation affordable to very low income households.

Low income households can affordably rent a one bedroom or studio apartment in Campsie and Bankstown with this comprising 8% of rental stock in the two suburbs. There was no private rental accommodation affordable to low income households in Canterbury.

Moderate income households can affordably rent a one and two bedroom apartment in all suburbs, a two bedroom house in Campsie and a three bedroom house in Bankstown.

There is a very limited range of affordable rental choice for very low and low income households within these markets, and none for low and very low income families; and with larger moderate income households excluded from Canterbury and Campsie.

Table 3-8: Affordability of rental accommodation for selected Precincts

	Separate House Median				Strata Median							
Precinct	n	2BR	n	3+BR	n	0 BR	n	1 BR	n	2BR	n	3+BR
Canterbury	1	630	2	770			13	470	26	545	3	595
Campsie	3	550	11	610	2	290	7	330	44	430	4	690
Bankstown	1	330	12	470			3	300	42	420	21	500

Source: Rental snapshot 5-6 September 2016, realestate.com.au and JSA analysis

Affordability:

Very low income

Low income

Moderate income

The extent to which newly constructed apartments are likely to enter the rental market is also relevant.

The table below shows the proportion of owner occupied and rented apartments in suburbs across relevant suburbs and shows the likely take up of newly constructed apartments by investors. Take up ranges from 44% in Bankstown to 56% in Campsie, with an average across all areas of 50%.

Combined with the assessment of cost and affordability above, around 50% of newly constructed studio and one bedroom apartments in Campsie and Bankstown would be expected to provide affordable rental accommodation to low income households and moderate income households; and around 50% of newly constructed one and two bedroom apartments in Canterbury, Campsie and Bankstown and three bedroom apartments in Bankstown would provide affordable rental accommodation to moderate income households, with two bedroom apartments in Canterbury affordable to households at the top of the band.

Table 3-9: Proportion of rental apartments by all apartments by suburb

Suburbs	Owner occupied	Private rental
Canterbury	48%	52%
Campsie	44%	56%
Bankstown	56%	44%
All suburbs	50%	50%

Source: ABS Census 2011 (Tablebuilder) and JSA calculation

Strategic Implications

Facilitative Mechanisms

There are no opportunities to provide affordable purchase housing for very low and low income households under current market arrangements in Canterbury and Campsie. Smaller dwellings such as studio apartments may be affordable to low income households in Bankstown and to moderate income households in Canterbury and Campsie; while smaller two bedroom apartments may be affordable to moderate income households in Bankstown.

There are *some* opportunities to provide affordable and lower cost apartments through planning controls that facilitate a proportion of smaller strata dwellings with limited parking and reduced strata area.

As outlined above, there are a range of ways that affordable housing can be actively facilitated in the market context described above.

The first relates to **removing impediments** to the development of lower cost or affordable housing types. A detailed audit of local planning instruments of relevant Councils to ensure that there are no unintended impediments to the development of affordable and lower cost apartments in relevant areas is a useful strategy (e.g. increased strata area due to constraints on number of dwellings per hectare or excessive parking requirements, particularly for studio and one-bedroom apartments).

Two main forms of **incentives** are also relevant.

- The first are **market-based incentives**, where an opportunity to vary planning controls is provided to a developer and **tied to a demonstrated affordable housing outcome**. For example, reduced parking requirements may be provided where strata dwellings of a maximum size are provided in specified areas or precincts. These dwellings are provided through the market, but are more likely to remain lower cost or more affordable in the context of the local housing market, especially in lower cost/lower amenity localities.

- The second set of incentives are **non-market based variations to planning controls** that seek to capture a reasonable share of uplift or additional profit created through the planning system, for example, where a developer chooses to take up specified variations to controls provided they agree to make a contribution to affordable housing in perpetuity. This mechanism tends to be most effective and attractive to developers in high value/amenity precincts or gentrifying areas.

In each case, it is preferred that the mechanism is clearly set out in a **Council Policy** (for example, a Voluntary Planning Agreement Policy) for transparency and consistency, and is thus subject to a formal agreement.

Actively encouraging the use of SEPPARH to create **New Generation Boarding House** accommodation is particularly relevant for very low and low income singles and couples in these areas.

More detailed work would be required to examine detailed mechanisms that would be most effective in the diverse market conditions described above.

Mandatory Provisions

Mandating lower cost apartment types to be provided through the market would also be an effective mechanism for a narrow range of groups in some areas, particularly lower amenity/cost areas where prices increases would be more contained over time. For example, a proportion of smaller dwellings with appropriate standards could be mandated through the LEP or Council Policy, noting that a majority of such dwellings are likely to enter the private rental market, and more likely to remain at the lower cost rental end where they are in cheaper or lower value areas.

The economics of both incentive based and mandatory provisions are discussed further below, while mandatory contributions are also considered.

3.3.3 Opportunities for Capturing a Share of Land Value Uplift

Preliminary Modelling of Expected Profits from Redevelopment

Overview

We have carried out preliminary modelling of the expected land value uplift from the redevelopment of existing housing, existing residential flat buildings and commercial land for three, six, eight and fourteen story development across the various Precincts.

It provides a basis for a preliminary assessment of the likely feasibility of affordable housing levies or mandatory contributions in different Precincts under different development scenarios, discussed below.

We first provide an overview of results of the modelling. This is followed by detailed modelling and calculations from which these results are derived.

Mandatory Contributions

There appears to be considerable land value uplift associated with variations to planning controls around zoning, height and density for Canterbury and Campsie, providing an opportunity for **capturing a reasonable share of this uplift in the form of mandatory contributions** for the purpose of affordable housing however there are limited opportunities in Bankstown. This is considered on a precinct by precinct basis below.

For the purposes of assessment, we have assumed that 10% is a normal profit, which would provide sufficient incentive for a developer to proceed with a project, and taking into account all reasonable development costs. Assuming a 50% split of profit over a normal profit, we have estimated this as a proportion of apartments.

It is noted that this is a preliminary assessment based on best available data and would have to be considered on a case by case basis to examine site-based variations (e.g. the need for remediation), with preliminary architectural drawings to fully assess land value uplift and development costs in more detail.

Canterbury

The Canterbury Precinct is currently covered by Canterbury LEP 2012. Residential zoning in the area is R3 and R4, with a strip of B2 along Canterbury Road. Multi dwelling housing is permitted with consent in the R3 zone, residential flat buildings are permitted with consent in the R4 zone and shop top housing is permitted with consent in the B2 zone. FSRs range from 0.5 in the R3 zone to 0.75-0.9 generally in the R4 zones and with areas of higher density with FSR up to 3.0 in the B2 zone and parts of the R4 zone. Heights reflect the FSR, with the R3 zone 8.5 metres, and the R4 and B2 zone varying from 8.5 metres to 30 metres, with the greater heights along the railway line and Canterbury Road.

Much of the area consists of older single storey separate housing with one and two storey commercial buildings and older two storey residential flat buildings along Canterbury Road with recent development for high rise in areas with appropriate height to the south of the Railway line along Canterbury Road.[2]

There are limited opportunities for value capture in the B2 zoning as much of the area is zoned for 18 metres height or 5-6 stories. Lots A-C DP 32781 consisting of dilapidated commercial development in an area zoned for 18 meters height recently sold for $8,000/m^2.[3]

More generally across the precinct, the land use plan[4] shows heights in existing areas of single storey housing of 5-9+ storeys. Assuming appropriate FSR to allow use of this height, there are considerable opportunities for benefit capture from the redevelopment of separate houses with affordable housing contributions of 15% sustainable across the range of heights proposed.

Redevelopment of existing residential flat buildings is less likely to be viable, with heights above six storeys required as a minimum. This is likely to preserve existing residential flat buildings, and so likely to protect existing affordable and low cost housing.

[2] Based on an inspection of Google Maps, 8 September 2016.
[3] EAC Red Square data base and JSA calculation.
[4] NSW Planning and Environment (2015) *Canterbury Precinct Land Use and Infrastructure Analysis*, pages 12-13.

Modelling for development in commercial areas shows that redevelopment is viable at six storeys. This provides some confidence in the modelling below, as this is similar to existing controls and underlying land values would be expected to have absorbed much of the value uplift, and this appears to be the case.

The last scenario considers the impact of changes to planning controls allowing the construction of additional storeys over existing controls. Affordable housing contributions of 22% are sustainable.

Affordable housing contributions of 15% would appear to be sustainable in Canterbury in areas currently zoned R3 and in areas zoned R4 where height is currently 8.5 metres. In other areas, proposed planning controls are similar to existing planning controls and so there is little opportunity for value capture.

Campsie

The Campsie Precinct is currently covered by Canterbury LEP 2012. Residential zoning in the area is R3 and R4, with strips of B2 and some B5 along Canterbury Road and Beamish Street. Multi dwelling housing is permitted with consent in the R3 zone, residential flat buildings are permitted with consent in the R4 zone and shop top housing is permitted with consent in the B2 zone. FSRs range from 0.5 in the R3 zone to 0.75-0.9 generally in the R4 zones and with areas of higher density with FSR up to 1.8 in parts of the R4 zone. There is no FSR control in the business zoned area. Heights reflect the FSR, with the R3 zone 8.5 metres, and the R4 zone varying from 8.5-11.5 metres. The business zoned areas vary from 18 metres to 21 metres.

Much of the R3 zoned area consists of older single storey separate housing, while the R4 zoned area contains a mixture of separate housing and two storey residential flat buildings. The business zoned areas in Beamish Street are typically older two storey commercial buildings while those in Canterbury Rd typically contain single storey commercial buildings.[5]

There are limited opportunities for value capture in the B2 zoning as much of the area is zoned for 18 metres height or 5-6 stories. Lots 1/DP575837 and 1&2/DP4190 consisting of two storey commercial development in an area zoned for 21 meters height sold in late 2014 for $7,000/m^2.[6]

More generally across the precinct, the land use plan[7] shows heights in existing areas of single storey housing of 2-4 storeys and 5-9+ storeys. Development for 2-4 storeys is likely to be marginal in the current market with little opportunity for affordable housing contributions however in areas proposed for 5-9+ storeys, affordable housing contributions of 10% appear to be sustainable across the range of heights proposed.

Redevelopment of existing residential flat buildings is unlikely to be viable, with heights of six storeys and above required. This is likely to preserve existing residential flat buildings, and so likely to protect existing affordable and low cost housing.

[5] Based on an inspection of Google Maps, 8 September 2016.
[6] EAC Red Square data base and JSA calculation.
[7] NSW Planning and Environment (2015) *Campsie Precinct Land Use and Infrastructure Analysis*, pages 12-13.

Modelling for development in commercial areas shows that redevelopment is viable at six storeys. This provides some confidence in the modelling below, as this is similar to existing controls and underlying land values would be expected to have absorbed much of the value uplift, and this appears to be the case.

The last scenario considers the impact of changes to planning controls allowing the construction of additional storeys over existing controls. Affordable housing contributions of 18% are sustainable.

Due to the current levels of development of two storey residential flat buildings, the proposed controls and current market conditions, the draft Land Use and Infrastructure Plan provides restricted opportunities for redevelopment.

Affordable housing contributions of 10% would appear to be sustainable in residential zoned areas of Campsie where heights above four storeys are proposed. In other areas, proposed planning controls are similar to existing planning controls or the current market does not support redevelopment and so there is little opportunity for value capture.

Bankstown

The Bankstown Precinct is currently covered by Bankstown LEP 2015. Residential zoning in the area is R2, R3 and R4, with the central area zoned B4. Multi dwelling housing is permitted with consent in the R2 and R3 zones, residential flat buildings are permitted with consent in the R4 zone and residential flat buildings and shop top housing are permitted with consent in the B4 zone. FSRs range from 3.0-4.5 in the B4 zone, 1-1.5 in the R4 zone, 0.75 in the R3 zone and 0.5 in the R2 zone. Heights reflect the FSR, with the B4 zone varying from 35 metres to 53 metres, the R4 zone varying from 13 metres to 19 metres, the R3 zone 10 metres and the R2 zone 9 metres.

The B4 area is heavily developed, containing multi storey commercial and residential buildings and large retail developments such as malls. There are some possible redevelopment sites on the periphery of the area containing one and two storey commercial development. The R4 area typically contains three storey residential flat buildings with some pockets of residential housing, while the R3 and R2 areas contain separate houses.[8]

There are limited opportunities for value capture in the B4 zoning given current development controls. There are also few development opportunities available. Lots C DP 438656 consisting of a separate house in an area zoned for 35 metres height recently sold for $4,000/m^2. At these prices redevelopment would be viable at eight storeys or greater, compared to the current control of 35 metres or 11 stories. The discrepancy probably reflects the impacts of the Apartment Design Guide on a small odd shaped lot effectively restricting height to four storeys; and/or a margin for consolidation with adjacent lots to allow development.

[8] Based on an inspection of Google Maps, 8 September 2016.

More generally across the precinct, the land use plan[9] shows existing R2 areas as single dwelling areas. The economics of redevelopment in these areas is unfavourable and hence an affordable housing contribution is unlikely to be sustainable.

Redevelopment of existing residential flat buildings is also unlikely to be viable, with heights above eight storeys required as a minimum and compared with proposed controls of up to eight storeys. This is likely to preserve existing residential flat buildings, and so likely to protect existing affordable and low cost housing.

Similarly, given the current high level of development and liberal planning controls in the B4 zoning, there are likely to be few if any opportunities for value capture in this area.

The last scenario considers the impact of changes to planning controls allowing the construction of additional storeys over existing controls. Affordable housing contributions of 13% are sustainable. Again, give the liberality of development controls in the precinct, there may be little incentive to enter into Voluntary Planning Agreements to obtain additional floor area.

Due to the liberality of existing planning controls and the high level of development of the precinct, there is little opportunity for value capture in Bankstown Precinct.

Detailed Modelling (Redevelopment)

Overview

The modelling assumes the development of a block of land of 1,000 m^2, assumed to be 25 metres wide by 40 metres deep. Based on the setbacks of 6.0 metres in the apartment design guide, the developable area is 28 metres by 13 metres, or 364 m^2.

Three scenarios have been considered for the land purchase depending on the area, that is, the value of the land prior to the uplift in land values as a result of changes to planning controls.

In the first, it is assumed that separate housing consisting of a median priced house on a median sized block of land is amalgamated to achieve the developable block, and that a median price is paid, that is existing housing is purchased and demolished to enable high density residential flat development. The purchase price is calculated as:

Median house price X 1,000 / median lot size

In the second scenario, it is assumed that existing two storey residential flat buildings are demolished to enable high density residential flat development and that the purchase price is the median for two bedroom strata for the area. A footprint of 0.33 of the lot is assumed, giving around 4.5 70 m^2 two bedroom apartments per floor, or 9 apartments in total. The purchase price is calculated as:

Median two bedroom strata price X 9

For Bankstown, residential flat buildings are typically three storeys so that the purchase price is calculated as:

Median two bedroom strata price X 14

[9] NSW Planning and Environment (2015) *Bankstown Precinct Land Use and Infrastructure Analysis*, pages 12-13.

In the third scenario, the land cost is taken as an average price for business zoned land of 1,000 m^2 using recent sales data as described above.

In the fourth scenario, the marginal contribution associated with an additional floor, either through extra height or FSR, has been considered, and the land cost has been assumed to be amortised within the existing development controls.

The cost of construction has been estimated using rates from *Rawlinsons Australian Construction Handbook 2012*, multiplied by 1.5 to allow for GST, professional costs, inflation and financing costs. The estimate assumes five 70m^2 apartments per floor, based on the developable area of 364 m^2, and 1.2 underground car spaces per unit. The rates used were for underground parking and for lifted multi storey medium standard apartments.

Uplift has been estimated as Sales price less land purchase and construction cost, and has been estimated as a percentage of land purchase and construction cost.

Uplift in excess of a normal profit percentage of 10% has been treated as a windfall profit and hence the likely land value uplift, and an affordable housing contribution has been calculated based on a 50:50 split of the land value uplift between the developer and/or landowner and a contribution for affordable housing. The land value capture contribution has been shown as a proportion of gross floor area and is shown as AH% in the table. This has been shown as a proportion of GFA (or its equivalent in dwellings).

Modelling has been carried out for three stories (FSR 1.1, height 12.0 metres), six stories (FSR 2.2, height 21.0 metres), eight stories (FSR 2.9, height 27.0 metres) and fourteen stories (FSR 5.1, height 45.0 metres).

The results of the modelling are shown in the table below.

Table 3-10: Potential Redevelopment Scenarios for Selected Precincts

Scenario 1 ($ ' 000,000)

Suburb	Land purchase Scenario 1	Construction cost three stories	sale price	Uplift	Uplift %	AH %	Construction cost six stories	sale price	Uplift	Uplift %	AH %
Canterbury	$2.79m	$5.01m	$9.75m	$1.95m	25%	6%	$10.02m	$19.50m	$6.68m	52%	14%
Campsie	$2.70m	$5.01m	$8.68m	$0.98m	13%	1%	$10.02m	$17.36m	$4.64m	37%	10%
Bankstown	$1.61m	$5.01m	$7.39m	$0.77m	12%	1%	$10.02m	$14.78m	$3.14m	27%	7%

Suburb	Land purchase Scenario 1	Construction cost eight stories	sale price	Uplift	Uplift %	AH %	Construction Cost 14 stories	sale price	Uplift	Uplift %	AH %
Canterbury	$2.79m	$13.37m	$26.00m	$9.84m	61%	16%	$23.39m	$45.50m	$19.32m	74%	18%
Campsie	$2.70m	$13.37m	$23.15m	$7.09m	44%	12%	$23.39m	$40.51m	$14.42m	55%	15%
Bankstown	$1.61m	$13.37m	$19.70m	$4.73m	32%	8%	$23.39m	$34.48m	$9.48m	38%	10%

Scenario 2 ($ ' 000,000)

Suburb	Land purchase Scenario 2	Construction cost three stories	sale price	Uplift	Uplift %	AH %	Construction cost six stories	sale price	Uplift	Uplift %	AH %
Canterbury	$5.85m	$5.01m	$9.75m	-$1.11m	-10%	Nil	$10.02m	$19.50m	$3.63m	23%	5%
Campsie	$5.21m	$5.01m	$8.68m	-$1.54m	-15%	Nil	$10.02m	$17.36m	$2.13m	14%	2%
Bankstown	$6.90m	$5.01m	$7.39m	-$4.52m	-38%	Nil	$10.02m	$14.78m	-$2.14m	-13%	Nil

Suburb	Land purchase Scenario 2	Construction cost eight stories	sale price	Uplift	Uplift %	AH %	Construction Cost 14 stories	sale price	Uplift	Uplift %	AH %
Canterbury	$5.85m	$13.37m	$26.00m	$6.78m	35%	9%	$23.39m	$45.50m	$16.26m	56%	15%
Campsie	$5.21m	$13.37m	$23.15m	$4.57m	25%	6%	$23.39m	$40.51m	$11.91m	42%	11%
Bankstown	$6.90m	$13.37m	$19.70m	-$0.56m	-3%	Nil	$23.39m	$34.48m	$4.19m	14%	2%

Scenario 3 ($ ' 000,000)

Suburb	Land purchase Scenario 3	Construction cost three stories	sale price	Uplift	Uplift %	AH %	Construction cost six stories	sale price	Uplift	Uplift %	AH %
Canterbury	$8.00m	$5.01m	$9.75m	-$3.26m	-25%	Nil	$10.02m	$19.50m	$1.48m	8%	Nil
Campsie	$7.00m	$5.01m	$8.68m	-$3.33m	-28%	Nil	$10.02m	$17.36m	$0.34m	2%	Nil
Bankstown	$4.00m	$5.01m	$7.39m	-$1.62m	-18%	Nil	$10.02m	$14.78m	$0.75m	5%	Nil

Suburb	Land purchase Scenario 2	Construction cost eight stories	sale price	Uplift	Uplift %	AH %	Construction cost 14 stories	sale price	Uplift	Uplift %	AH %
Canterbury	$8.00m	$13.37m	$26.00m	$4.63m	22%	5%	$23.39m	$45.50m	$14.11m	45%	12%
Campsie	$7.00m	$13.37m	$23.15m	$2.78m	14%	2%	$23.39m	$40.51m	$10.12m	33%	9%
Bankstown	$4.00m	$13.37m	$19.70m	$2.33m	13%	2%	$23.39m	$34.48m	$7.08m	26%	6%

Scenario 4 ($ ' 000,000)

Suburb	Construction cost per storey	sale price per storey	Uplift	Uplift %	AH %
Canterbury	$1.67m	$3.25m	$1.58m	95%	22%
Campsie	$1.67m	$2.89m	$1.22m	73%	18%
Bankstown	$1.67m	$2.46m	$0.79m	47%	13%

Limitations of modelling

The modelling is necessarily general in nature using median prices and broad estimates, and outcomes for a particular site will depend on the details of the site and the details of the proposed development. The modelling assumes that the economics of redevelopment of low rise commercial sites will be similar to redevelopment of existing residential flat buildings, as there is little data available for commercial sites and commercial sites vary widely in size.

Assumptions have been made with regard to development controls and dwelling yield, and preliminary architectural design would be required to confirm these assumptions. Similarly, cost estimates on preliminary architectural design would be required to confirm estimates of construction cost.

Nonetheless, the modelling gives insight into likely sensitivities of development and broad insight into likely profit associated with uplift, and where such strategies are most likely to be effective in the context of housing markets within the proposed redevelopment areas.