INNER WEST

Council's Alternate Approach for New Housing in the Inner West

APPENDIX 11

Feasibility Report

May 2025

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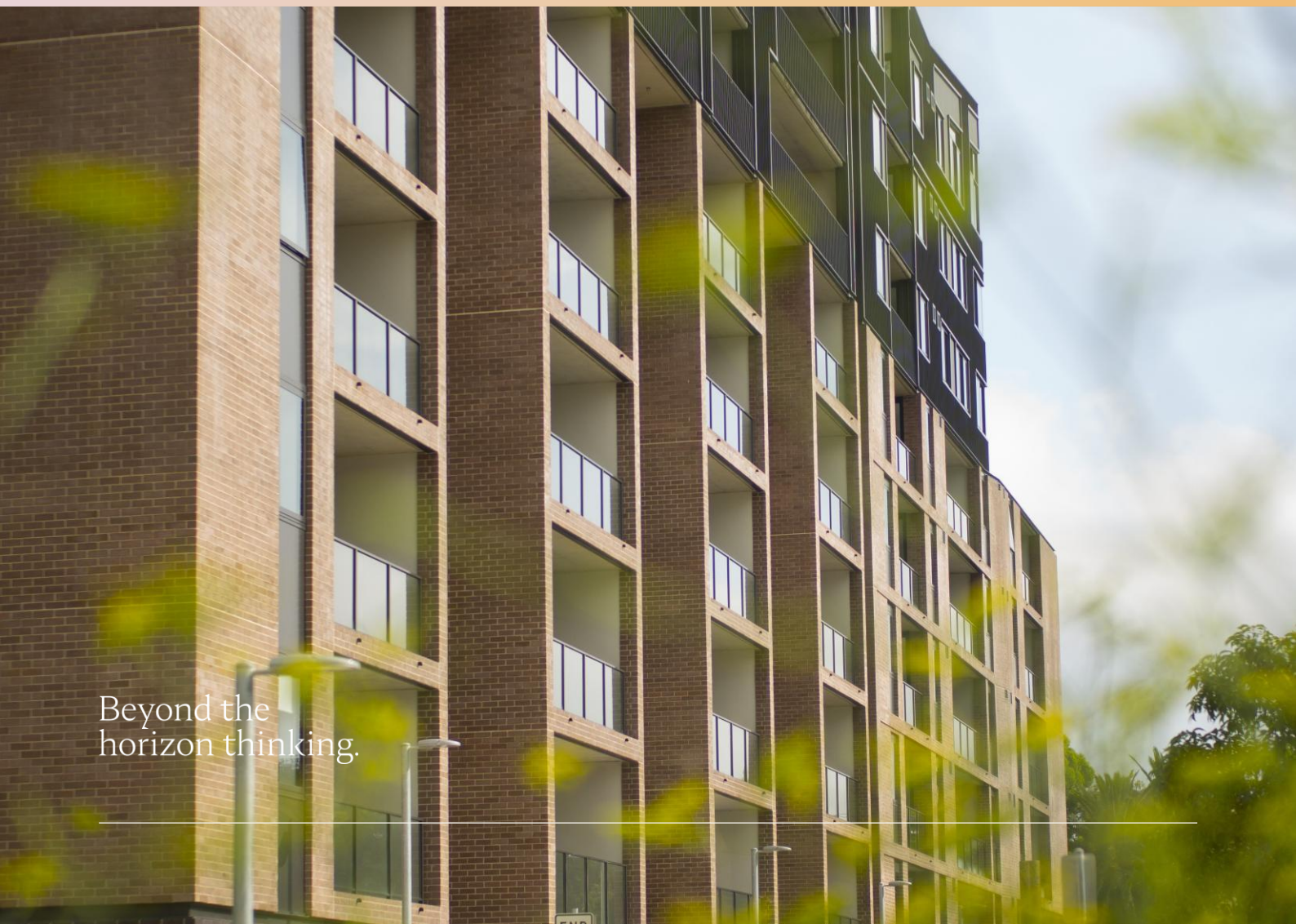
Atlas Economics

Inner West Housing Investigation Area

Economic Feasibility Study

INNER WEST COUNCIL

MAY 2025



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Introduction

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1.1 Background

In accordance with the National Housing Accord, the NSW Government has committed to facilitating the delivery of 377,000 new homes by 2029 (which is equivalent to approximately 75,000 new homes annually for five years).

In response, the NSW Department of Planning, Housing and Infrastructure (**DPHI**) introduced the Transport Oriented Development (**TOD**) program as part of a suite of planning initiatives to enable housing supply. There are two parts to the TOD program:

- Part I focuses on eight accelerated precincts, where land within 1,200 metres of rail and metro stations are rezoned by the NSW Government to increase development capacity. Seven of the precincts were rezoned in November 2024.
- Part II focuses on precincts within 400 metres of 37 selected stations, where land is rezoned through a new State Environmental Planning Policy (**SEPP**) commencing April 2024.

Part II of the TOD program included the precincts of Ashfield, Croydon, Dulwich Hill and Marrickville in the Inner West local government area (**LGA**). New planning controls allow for 6 storey residential flat buildings, including in Heritage Conservation Areas (**HCAs**). This is accompanied by an inclusionary zoning requiring 2% affordable housing contribution for all new development.

Over 2024 and 2025, another suite of planning reforms came into effect. A wider range of low and mid-rise housing development (subject to lot size and dimension requirements) in identified areas are now permitted. This includes dual occupancies, terraces, townhouses, residential flat buildings and shop top housing. Low and mid-rise (**LMR**) planning controls apply to residential areas within 800m walking distance of town centres and train/ light rail stations. There are 10 LMR areas within the Inner West LGA, namely the suburbs of Ashfield, Croydon, Dulwich Hill, Marrickville, Leichhardt, Lilyfield, Petersham, Annandale, Stanmore and St Peters.

The implementation of the TOD and LMR planning controls are collective referred to as '**the Baseline Scenario**'.

TOD PROGRAM

Part II of the TOD program permits residential flat buildings in all residential zones within 400m of train stations, in identified TOD precincts. The TOD controls enable development to achieve a floor-space-ratio (FSR) of up to 2.5:1 and require a 2% Affordable Housing contribution where the proposed Gross Floor Area (GFA) exceeds 2,000sqm. There are four TOD precincts in the Inner West LGA - Ashfield, Croydon, Dulwich Hill and Marrickville.

LMR PLANNING CONTROLS

The LMR planning reforms were implemented over 2024-2025, permitting a wide range of low and mid-rise housing development (subject to lot size and dimension requirements) in identified areas across NSW. This includes dual occupancies, terraces, townhouses, residential flat buildings and shop top housing.

The LMR planning controls apply to areas within 800m of town centres and train/ light rail stations. In the Inner West LGA, they apply to Annandale, Leichhardt, Ashfield, Croydon, Lewisham, Petersham, Dulwich Hill, Newtown, Lilyfield and Marrickville.

DEVELOPMENT CONSTRAINTS

Large parts of the Inner West LGA are constrained for development by a range of environmental factors, including flooding, airport noise and flight path height restrictions. Development is most constrained in locations closest to Sydney Airport.

ALTERNATE TOD PLANNING CONTROLS

In response to the TOD program, Inner West Council (**Council**) engaged Hassell to prepare Housing Investigation Area Masterplans (**HIA Masterplan**) where increases to density are focused in well-located and well-serviced parts of the LGA.

The HIA Masterplan takes a place-led approach to housing, leveraging transport nodes, parks and other key community facilities. The boundaries of planning change are expanded to include suitable areas within an 800m catchment of train stations. If implemented, new planning controls would replace the TOD program scenario and the previously made SEPP planning controls would be repealed.

Atlas Economics (**Atlas**) is engaged by Council to carry out financial feasibility analysis (**the Study**) to assist with development of the HIA Masterplan and enable a comparison between their deliverability compared to the Baseline Scenario.

THE STUDY AREA

The Study Area comprises the areas covered by the Stage 1 HIA Masterplan, which is focuses on parts of the Ashfield and Croydon suburbs (and a small part of Summer Hill) and parts of the Marrickville and Dulwich Hill suburbs. The areas are collectively referred to as '**the Stage 1 Study Area**'.

1.2 Scope and Approach

The overarching objective of the Study is to investigate the planning controls that would enable feasible development in the Study Area. Atlas provided advice to Council in two parts to:

- Inform development of the HIA Masterplan.
- Enable a comparison of deliverability under the HIA Masterplan compared to the Baseline Scenario.

To provide input to the HIA Masterplan, Atlas carried out the following tasks:

- A property market appraisal to examine existing uses and their values, the nature of market activity and the prices paid for development sites.
- Feasibility testing on select sites (31 sites) to solve for the minimum density controls required for development to be feasible. The feasibility testing considered a range of variables including:
    - Land use mix (incl. non-residential uses)
    - Development standards (sustainability and carparking requirements)
    - Affordable Housing contribution requirements
- Profiling and aggregation of site-level testing outcomes to make observations on the feasibility of development in the Study Area.

Following development of the HIA Masterplan, Atlas carried out the following tasks:

- Review of the feasibility of development under the Baseline Scenario compared to the HIA Masterplan.
- Estimate of development take-up having regard to the relative feasibility of development under each scenario as well as the development pipeline and historical patterns of development activity.

The Study is intended to assist Council with a place-based alternative to the NSW Government's housing reforms.

1.3 Assumptions and Limitations

The Study carries out a generic, desktop assessment which makes a number of assumptions to enable observations to be aggregated across the Study Area.

FEASIBILITY ANALYSIS

Atlas acknowledges the following limitations associated with the feasibility analysis.

- Property market and land use research is carried out at an aggregate level.
- Feasibility testing is carried out on generic development typologies on selected sample sites considered to be representative of the Study Area.
- While the methodology is considered appropriate for the objectives of the Study, we highlight the limitations to an aggregate study such as this:
    - Desktop appraisal of 'as is' property values without internal or site inspections.
    - Generic feasibility testing does not consider nuances of a site typically considered in detailed feasibility analysis.

Despite the limitations of generic feasibility analysis, the Study is considered to be instructive in understanding the minimum density required for housing typologies in the Study Area, and the capacity (if any) for development to contribute to Affordable Housing.

TAKE-UP ANALYSIS

Amendments to the planning framework (whether by virtue of SEPP amendments already made in the Baseline Scenario or if the HIA Masterplan were to be implemented) enable greater development capacity in the Study Area. There is in theory, greater potential and capacity for more development of housing. This is commonly referred to as 'theoretical capacity'.

Despite having theoretical development capacity, not all land will be developed for a broad range of reasons. High existing property values and fine grain lot patterns are two of the most common factors that impede the take-up of theoretical capacity by the market for conversion into actual supply in existing urban areas

Take-up estimates of development activity developed by precinct recognise that despite higher densities (and greater theoretical capacity for development), not all of that capacity will be taken up by the market.

While feasibility is a key factor to development take-up, it is equally important to recognise that development activity occurs in a competitive context. Extensive planning reforms have been underway across Greater Sydney, with higher densities enabling significantly greater theoretical capacity across the metropolitan area and parts of regional NSW. While not all theoretical capacity will be economically feasible or taken up by the market, there are now more development opportunities available to the market.

There are supply-side limitations to the volume of development that can be undertaken at any given time. The supply of labour, materials and capital collectively work to limit the quantum of capacity taken up and delivered.

The Study does not undertake modelling to consider the interconnectedness and competitive impacts of opportunities in Greater Sydney on the likely take-up of development in the Study Area. Additionally, the take-up estimates assume that supply chain disruptions and escalating construction costs that characterised the 2023-2025 period will largely begin to normalise from 2025.

2
Market Context

Beyond the
horizon thinking.

2.1 General Market Conditions

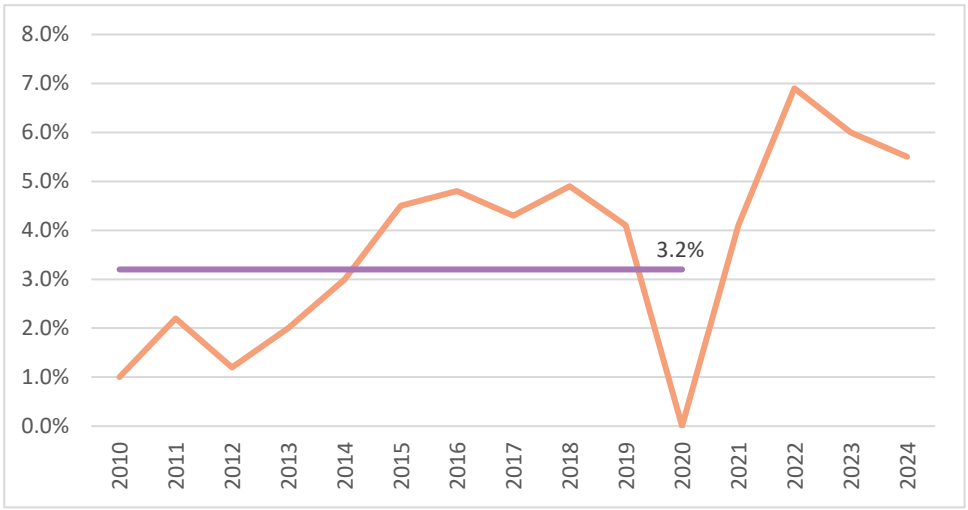
Recent market conditions have generally not been conducive to high density development in Sydney and nationally. An inflationary cost environment, high interest rates alongside soft apartment price growth has rendered many a development not feasible.

CONSTRUCTION COST

The cost of construction generally increases by 2.5% to 3.5% per annum, averaging 3.2% over the 10-year period to 2020. Global supply chain disruptions resulted in a spike in the cost of construction from 2021, with prices yet to normalise.

FIGURE 2-1 shows generic construction cost movements and the 10-year average over the 2010-20 period against cost movements over the last four years from 2021.

FIGURE 2-1: Construction Cost Movements, Greater Sydney (2009-2014)



Source: RLB

The cost of production for apartments increased significantly from 2021 due to the significant increase in the cost of construction and higher cost of capital (driven by interest rate rises).

Construction cost movements have begun to moderate - it does not mean that construction costs are declining. Rather, it means that construction costs are not increasing as rapidly as they were 24 months ago.

If increases in the cost of production can be offset by higher revenues, a project's development margin/ profit can be preserved as will the feasibility of development. Over the 2021-2024 period however, growth in apartment end sale values has been relatively flat owing to the reduction in household borrowing capacity from rising interest rates.

RESIDENTIAL SALE PRICES

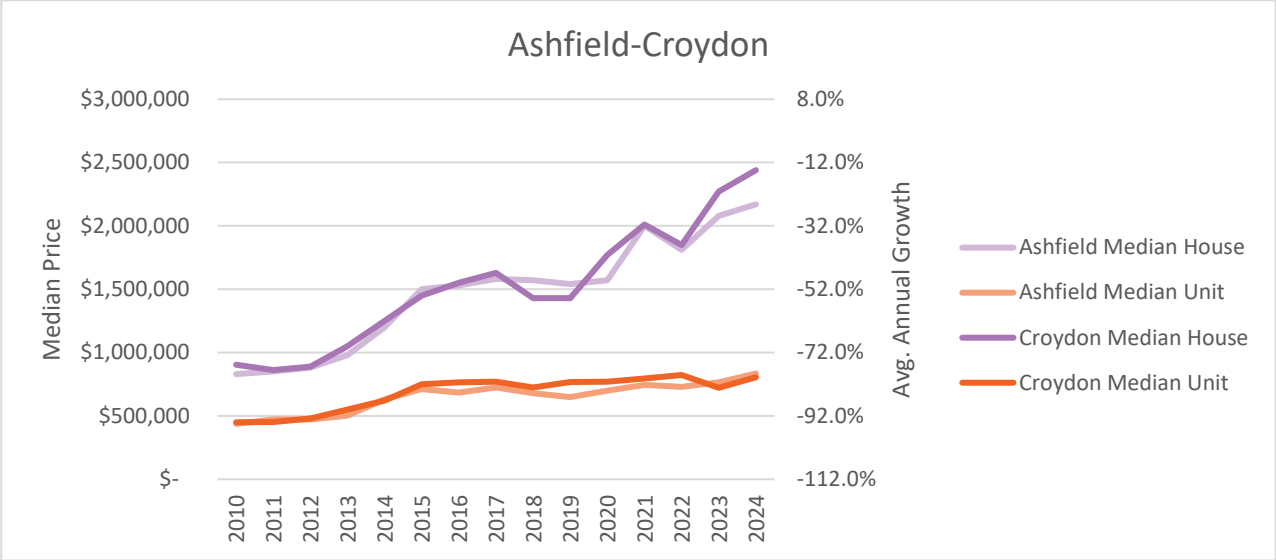
After the initial 'shock' of the COVID-19 outbreak, the cumulative impact of record low interest rates, improved household savings, low listing volumes, post-lockdown lifestyle changes, government incentives and strong consumer sentiment drove growth in the residential market to a decade-high in 2021. House prices in particular, experienced extraordinary growth in a single year (2021-2022). Unit prices also experienced strong growth, though not as significant as house prices.

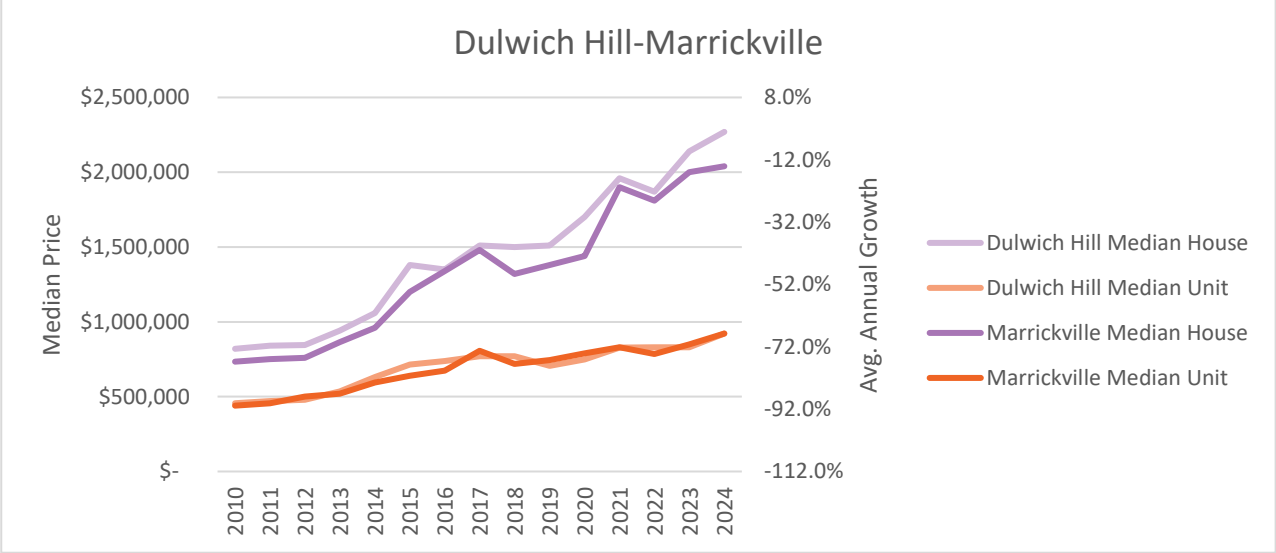
Following successive increases to the cash rate from 2022, residential price growth moderated. Despite that, house prices in the Inner West LGA have continued to rise, indicating an emerging structural preference for single dwellings over apartments. These price movements have direct implications for the feasibility of development, as:

- **House price growth** underpins the cost to consolidate existing dwellings for development. The stronger the growth in house prices, the higher the landowner expectations, and the greater the cost of land for development in existing residential areas.
- **Unit price growth** underpins the prices completed apartments in a development would be able to achieve. The stronger the growth in apartment prices, the better the prospects for development to be feasible. Apartment prices that cover the cost of production (cost of land and cost of development) and deliver a commercial return to the developer, are critical for development activity to occur.

A series of graphs in **FIGURE 2-2** show the relative growth in median house prices compared to median unit prices in the Study Area suburbs.

FIGURE 2-2: Median House Price and Median Unit Price (2010-2024), Study Area Suburbs





Source: Pricefinder

The analysis shows that from 2021, median house prices significantly outstripped median unit prices. The spread between house and unit prices is therefore greater today than a decade ago. This means that all things being equal, more units (greater density) are required to offset the cost of land from the assembly of sites currently with houses, for development.

TABLE 2-1 summarises the price movements, indicating that median house prices have almost trebled in the 15-year period, whereas median unit prices have doubled in Dulwich Hill and Marrickville but not in Ashfield and Croydon.

TABLE 2-1: Median House and Median Unit Prices (2010-2025), Study Area Suburbs

YEAR	ASHFIELD		CROYDON		DULWICH HILL		MARRICKVILLE	
	House	Unit	House	Unit	House	Unit	House	Unit
2010	$830,000	$438,000	$905,000	$450,000	$820,000	$456,000	$734,000	$440,000
2015	$1,500,000	$711,000	$1,450,000	$750,000	$1,380,000	$715,000	$1,200,000	$640,000
2020	$1,570,000	$700,000	$1,770,000	$770,000	$1,700,000	$748,000	$1,440,000	$790,000
2025	$2,170,000	$835,000	$2,440,000	$805,000	$2,270,000	$922,000	$2,040,000	$922,000
Growth	261%	191%	270%	179%	277%	202%	278%	210%
Avg. Annual	6.6%	4.4%	6.8%	4.0%	7.0%	4.8%	7.1%	5.1%

Source: Pricefinder

It is useful to consider the relativity of median price movements between median house and median units. **TABLE 2-2** shows the ratio of median house price to median unit price over the 15-year period.

TABLE 2-2: Median House Price to Median Unit Price Ratio (2010-2025), Study Area Suburbs

YEAR	ASHFIELD	CROYDON	DULWICH HILL	MARRICKVILLE
2010	1.9	2.0	1.8	1.7
2015	2.1	1.9	1.9	1.9
2020	2.2	2.3	2.3	1.8
2025	2.6	3.0	2.5	2.2

Source: Pricefinder

The following key observations are made:

- In 2010, the median house to median unit price was between 1.7 and 2.0 (i.e. a median house had a price 1.7 to 2.0 times a median unit in the same suburb).
- In 2020, the median house to median unit price ratio increased significantly, ranging from 1.8 to 2.3.
- In 2025, the median house to median unit price ratio is between 2.2 to 3.0.

This simple analysis shows that in 2025, the number of units needed to offset the cost of redeveloping land with houses is greater. Higher densities are therefore needed for development of existing residential areas to be feasible.

2.2 Analysis of Market Activity

EXISTING USES

The Study Area accommodates a range of existing uses. This generally includes retail strip and commercial uses in the town centres, as well as light industrial and residential uses beyond. It is relevant to understand the nature of existing uses in the Study Area as they underpin the cost of land for development.

Of the various land uses and property types, single dwellings that are aged and on large blocks generally have the lowest existing use values. They therefore represent the lowest cost of land for development. In the Study Area, single dwelling lot sizes are relatively small, ranging from 200sqm to 700sqm, and generally averaging 300sqm-400sqm. Smaller lot patterns are generally observed in areas such as Newton and Petersham and Tempe. Larger residential lots are located in areas including Croydon and Lilyfield.

A review of single dwelling sales activity in the Study Area indicates a broad range of sale prices, from ~$1.4m to $5m. They vary based on building finishes, lot size and location. Sale prices generally increase eastward along the rail line and to the north of Parramatta Road.

Non-residential uses (commercial, retail, industrial) have higher existing use values. Additionally, retail and commercial uses within town centres along the retail strip comprise compact lot sizes and can have the highest values on a $/sqm site area basis.

Where site consolidation is required in areas where there is lot/ ownership fragmentation (e.g. multiple single lots or strata-titled properties), a higher cost of land will result. The more fragmented the lot patterns, the greater the need for incentive premiums and the higher the cost of land to a developer.

NEW RESIDENTIAL UNITS

There are limited residential unit projects currently selling off-the-plan in the Study Area and the broader Inner West LGA. Newer apartment projects have been predominantly delivered in areas south of Parramatta Road, including buildings ranging up to 10 storeys. This includes areas such as Burwood, Strathfield and Homebush.

One example in the Study Area is 'AshLife' in Ashfield. The development will comprise a 5-storey building with 74 dwellings, in a mix of 1-, 2- and 3 bedroom units. The project is currently selling off-the-plan, with sale prices ranging from $785,000 to $1,800,000. This reflects a rate of ~$14,000/sqm to $19,000/sqm of Net Saleable Area (NSA). Higher sale prices would expectedly be achieved in Dulwich Hill and Marrickville, and other localities east of Ashfield.

There are no notable townhouse projects currently selling off-the-plan in the Study Area. A review of modern townhouse sales in the Study Area and surrounding localities indicate sale prices ranging from approximately $1.8m to $2.2m. Many of these are double storey, 3- bedroom, attached units with garage parking.

2.3 Prospects for the Take-up of Development

Based on the planning reforms in the Baseline Scenario and proposed planning amendments in the HIA Masterplan, the Study develops take-up estimates by precinct. The take-up estimates have regard to considerations of commercial reality, including:

- Historical development activity in the Study Area categorised by precinct over the 2011-2021 period.
- Lot and ownership patterns and implications for the cost of site consolidation.
- The feasibility of development under the range of State Government planning reform initiatives and Council's HIA Masterplan.
- Known development activity by precinct.

The Study highlights the importance of distinguishing between theoretical capacity (or planning capacity) and market capacity.

THEORETICAL CAPACITY V MARKET CAPACITY

- **Theoretical capacity** refers to the physical ability of land to be developed, considering permissibility under the planning framework and environmental constraints.
- **Market capacity** is determined by market-based factors including market demand and development feasibility. Existing use values, pricing levels, construction and infrastructure servicing costs collectively influence the feasibility of development and consequently the likelihood of market take-up of theoretical capacity.

Despite having theoretical development capacity, not all land will be developed for a broad range of reasons. High existing property values and fine grain lot patterns are two of the most common factors that impede theoretical capacity being converted into actual supply in urban areas. The significant price growth of single dwellings and tepid price growth of apartments means that where single dwellings are required to be consolidated for a residential development site, higher densities are required to offset the cost of land.

Closely linked to the concept of market capacity is the principle of highest and best use.

PRINCIPLE OF HIGHEST AND BEST USE AND PROPERTY VALUES

The principle of highest and best use is defined as "the use of an asset that maximises its potential and that is physically possible, legally permissible and financially feasible". Development is only viable where the value of a site as a development prospect exceeds its value in its existing use (and is physically and legally possible).

Feasibility testing indicates that the prospects of low-rise and medium-density development in the Study Area is limited. Older style detached housing continues to attract strong prices (>$2m), with smaller blocks (sub-350sqm) achieving pricing upwards of $6,000/sqm of site area. Consolidating a development block of at least 1,200sqm in area could potentially cost upwards of $10m. At these prices, development for low- and mid-rise housing would generally not be feasible, particularly if a further premium is required to incentivise multiple landowners to sell.

Accordingly, in most areas of the Study Area densities greater than FSR 2.5:1 are required for feasible development to be undertaken. This is because the 'highest and best use' of those properties is their existing use and are likely to remain 'as is'.

BASELINE SCENARIO

In the main, the planning reforms in the Baseline Scenario are not expected to result in large scale market take-up.

Owing to subdivision patterns and lot sizes in the Inner West LGA, the cost of land is high and generally requires densities greater than FSR 2.5:1 for development to be feasible. Consequently, the take-up of development opportunities is expected to be more modest as fewer sites would be feasible under existing planning controls.

That said, there will be instances where properties may be at the end of their economic useful life or where lot size are larger, removing the need to consolidate multiple single lots. Within any residential area, there is a range or 'bell curve' of property values – some properties have been extensively refurbished or are exceptionally well located which makes the more valuable, whereas poorly maintained or dilapidated properties attract lower prices. It is properties that fall within the lower end of the 'bell curve' of property values that have the greatest potential for redevelopment into low- and mid-rise housing.

2.4 Implications for Masterplan

The HIA Masterplan focuses housing opportunities and greater densities in particular localities that are well-located; additionally providing an incentive for minimum site area and lot amalgamation. In Stage 1, substantial increases to density are proposed in Ashfield and Marrickville town centres, Dulwich Hill village and Dulwich Hill station, as well as around open space and natural assets.

The HIA Masterplan offers better likelihood for the take-up of development. In some areas, the envisaged planning controls in the HIA Masterplan will not be sufficiently attractive to displace the existing use/s, however the more targeted approach of focusing higher densities in appropriate locations improves the prospects for take-up.

Expectedly, areas in the HIA Masterplan planned for higher densities ***and*** where a development site can be consolidated at an economic price (e.g. larger dwelling lot sizes and/ or existing buildings at the end of their economic useful life) are estimated to have a greater share of dwelling take-up.

3

Ashfield-Croydon and Marrickville-Dulwich Hill (Stage 1)

Beyond the
horizon thinking.

3.1 HIA Masterplan

Housing opportunities and higher densities are identified along primary street corridors and within areas where allotment sizes are larger. The HIA Masterplan proposes a range of development incentives to encourage various desired outcomes.

- Sustainability incentives to encourage higher sustainable standards in development.
- Minimum site area incentives to accommodate desired building forms.
- Public realm incentives on key sites to require delivery of public benefit in exchange for planning uplift.

Of particular relevance to the feasibility and likelihood of take-up are the minimum site incentives and key site incentives.

MINIMUM SITE AREA INCENTIVES

The minimum site area incentives encourage lot amalgamation and existing large lots to deliver the desired density and housing outcomes. They additionally seek to avoid site isolation.

Three sets of incentives by incentive area are proposed, summarised in **TABLE 3-1**.

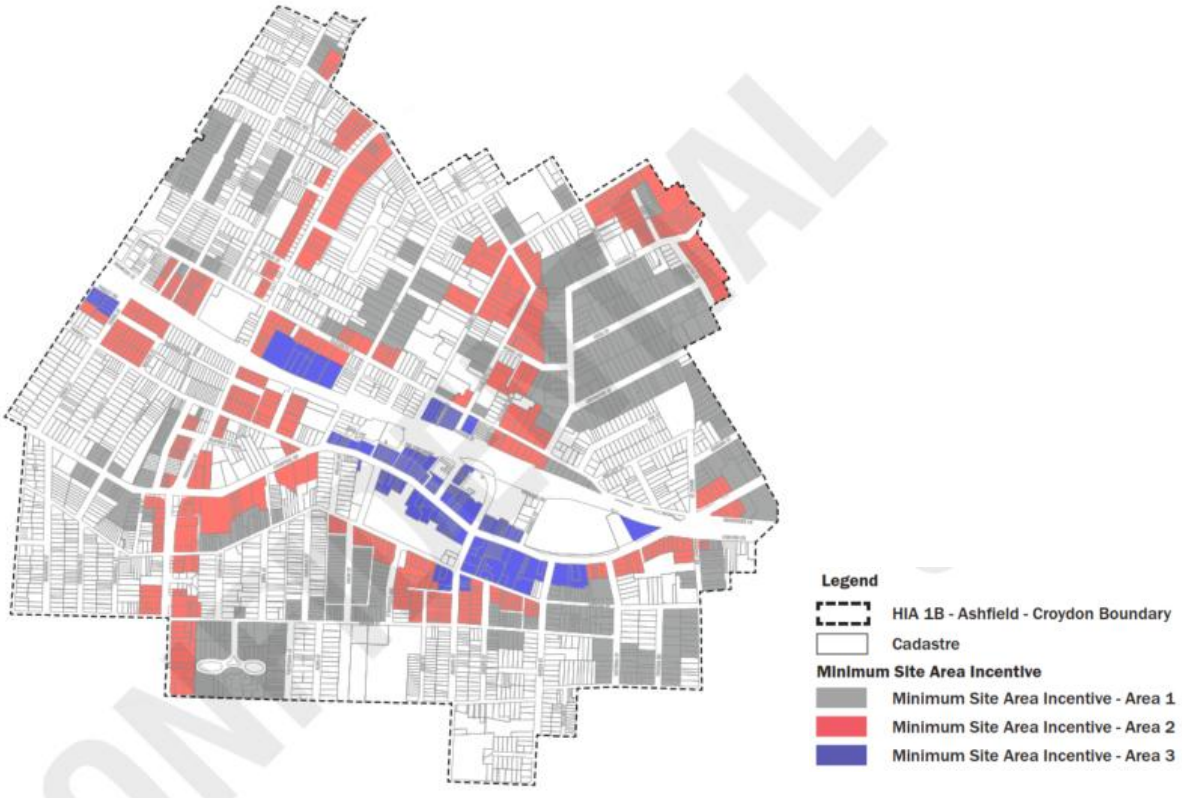
TABLE 3-1: Minimum Site Area Incentives

INCENTIVE AREA	MIN. SITE AREA	BONUS INCENTIVES
Area 1	1,200sqm	10%-15%
Area 2	1,200sqm	10%-20%
Area 3	1,500sqm	10%-25%

Source: Hassell

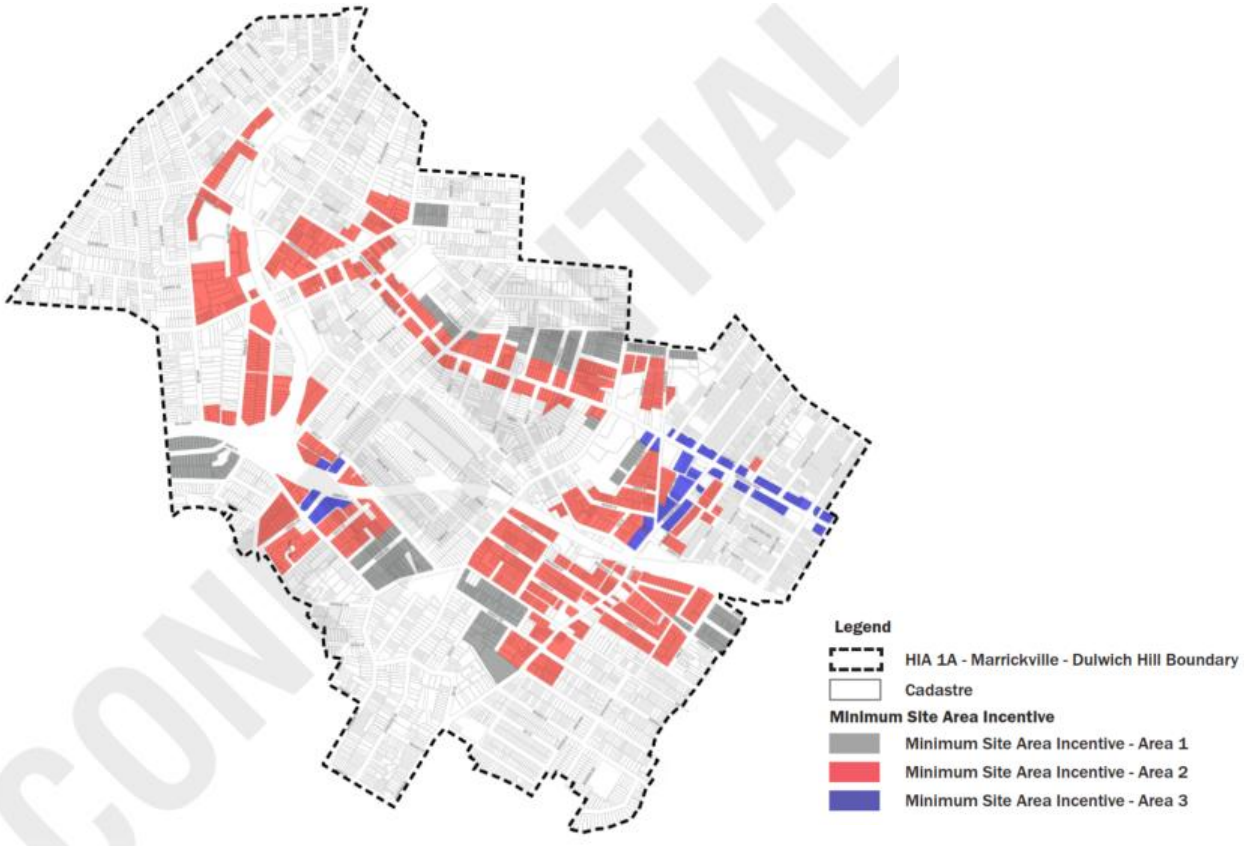
The distribution of incentive areas in the Stage 1 Study Area is illustrated in **FIGURE 3-1** and **FIGURE 3-2** respectively.

FIGURE 3-1: Minimum Site Incentives, Ashfield-Croydon



Source: Hassell

FIGURE 3-2: Minimum Site Incentives, Dulwich Hill-Marrickville



Source: Hassell

KEY SITES

A Key Sites map identifies maximum density controls (height and FSR) to incentivise the dedication of land for public use.

TABLE 3-2: Key Sites Proposed

ADDRESS	KEY SITE PUBLIC BENEFIT	MAX FSR	MAX HEIGHT OF BUILDING
45-53 Hercules St, Dulwich Hill	New open space, public realm (413sqm)	2.8:1	9 storeys
55-61 Hercules St, Dulwich Hill	New open space, public realm (319sqm)	2.8:1	7 storeys
63-71 Hercules St, Dulwich Hill	Extension of Hercules Ln, public realm (1,059sqm)	2.8:1	8 storeys
14-32 Seaview St, Dulwich Hill	Public plaza (2,000sqm) Community facility (3,200sqm)	3.5:1	14 storeys
374-376 New Canterbury Rd, Dulwich Hill	Mid-block active transport connection (6m wide)	3.0:1	14 storeys
358-365 Marrickville Rd and 2-6 Woodbury St, Marrickville	New public open space, public realm (1,003sqm)	3.0:1	15 storeys
Ashfield Mall 260A Liverpool Rd, Ashfield	Public plaza, public realm (2,000sqm) Active transport connections	4.0:1	8 storeys
68, 70A, 74, 76 John St, Croydon	Landscaped/ active transport corridor (6m wide)	2.5:1	8 storeys
2, 4, 6 Gregory Ave, Croydon	Landscaped/ active transport corridor (6m wide)	2.5:1	8 storeys

ADDRESS	KEY SITE PUBLIC BENEFIT	MAX FSR	MAX HEIGHT OF BUILDING
56-66 John St and 1, 3 Vine St, Ashfield	Landscaped/ active transport corridor (10m wide)	2.5:1	10 storeys
7-15 Hedger Ave and 5-7 Vine St, Ashfield	Landscaped/ active transport corridor (6m wide), public open space (min. 800sqm area and min. 20m dimension)	2.8:1	11 storeys
9-15 Gregory Ave and 1-5 Hunt St, Croydon	Landscaped/ active transport corridor (10m wide)	2.7:1	9 storeys
2-18 Hedger Ave and 80 Frederick St, Ashfield	Landscaped/ active transport corridor (10m wide)	2.8:1	11 storeys
1-9 Banks St, Ashfield	Landscaped/ active transport corridor (10m wide)	2.8:1	11 storeys
2-12 Banks St, Ashfield	Landscaped/ active transport corridor (10m wide)	2.8:1	11 storeys
25 Etonville Pde, Ashfield	Landscaped/ active transport corridor (10m wide), through-site link (min. 6m wide towards Frederick St for future connection to Albert Pde)	2.8:1	11 storeys
1-7 Mackay St, Ashfield	Landscaped/ active transport corridor (10m wide)	2.8:1	11 storeys
2-8 Mackay St and 4A Etonville Pde, Ashfield	Landscaped/ active transport corridor (10m wide), retention of existing right-of-way to 25 Etonville Pde, relocation along Mackay St allowed	3.3:1	11 storeys
179, 181 and 183 Elizabeth St, Ashfield	Landscaped/ active transport corridor (10m wide)	3.0:1	11 storeys

Source: Council

Overall, the Key Sites have a potential development capacity for more than 2,000 dwellings.

3.2 Feasibility Analysis

METHODOLOGY

The financial feasibility analysis relies on the Residual Land Value approach. The approach involves assessing the value of the completed product, making a deduction for development costs and making a further deduction for profit and risk while ensuring the development achieves a target profit margin and target return (or the 'target hurdle rates').

The amount that a development can afford to pay for land is a 'residual', i.e. the amount that remains after development costs are deducted and target hurdle rates are achieved. The residual land value (**RLV**) is therefore the maximum price a developer would be prepared to pay for a site for the opportunity to develop under the alternate planning controls whilst achieving target hurdle rates.

For there to be an incentive to develop, the RLV must exceed the cost of land. The cost of land includes: a site's existing value which is influenced by its improvements and ownership patterns, and the costs that may be necessary to secure vacant possession (e.g. incentive premium/s to landowner, lease break payments).

Accordingly, the value of existing uses, premium and any other costs that a developer may need to be pay to consolidate a development site, are fundamental to the feasibility equation of new development.

SELECTION OF SITES FOR TESTING

In the first part of the Study, a review of the nature of the Study Area and the patterns of existing uses was undertaken. Working with Council, a selection of sites in the Stage 1 Study Area was made for generic feasibility testing. The sites selected were intended to be representative of sites that would be subject to the alternate planning controls in HIA Masterplan.

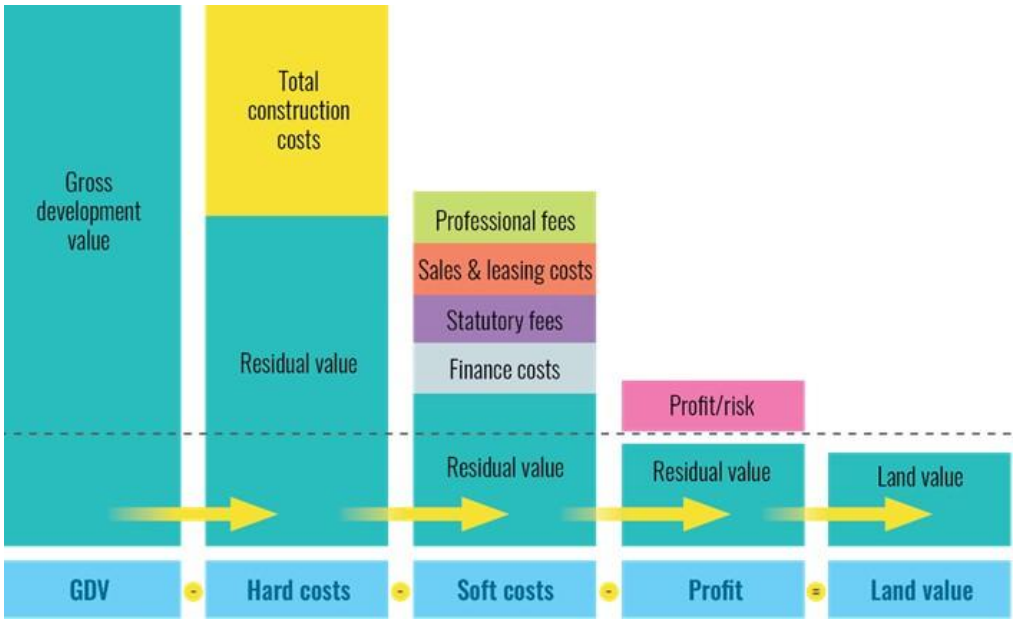
Notional development yields were formulated for the selected sites. The cost to purchase individual properties (including an incentive premium) within a development site was estimated from property market research into sales activity.

There were two key steps in the generic feasibility analysis:

- **Step 1**: Assess the 'as is' value of the selected sites under the current planning framework (i.e. existing use value) including an incentive premium a developer would likely need to pay in addition to secure the site. This is the assumed cost of land.
- **Step 2**: Carry out feasibility modelling to identify the RLV of the assumed development site. If the RLV is higher than the assumed cost of land (assessed in Step 1), the alternate controls are feasible to develop (assuming that a 2% Affordable Housing contribution would be required). If the RLV is lower than the assumed cost of land, there will be no incentive for a change in use and the site will remain 'as is'. The step is referred to as the 'baseline feasibility'.

FIGURE 3-3 illustrates the concept of the Residual Land Value (also known as the Hypothetical Development) approach.

FIGURE 3-3: The Residual Land Value Method



Source: Atlas

The findings of the feasibility analysis informed development and distribution of development typologies in the Stage 1 Study Area.

An analysis of property market activity and assumptions that underpinned the feasibility analysis is detailed in Schedule 1.

3.3 Likelihood of Development Take-up

In the second part of the Study, an estimate of development take-up is estimated under two scenarios:

- Baseline Scenario - implementation of the TOD and LMR planning controls.
- HIA Masterplan - implementation of alternate planning controls.

In both scenarios, a 2% Affordable Housing contribution requirement is assumed.

There is notable activity in the development pipeline. In the broader LGA there are almost 4,000 apartments at various stages of planning (e.g. application, assessment, approval and construction). In the suburbs of the Stage 1 Study Area, there are almost 1,800 apartments at various stages of planning. There is also a substantial pipeline of boarding house and co-living rooms in the pipeline.

The take-up estimates have regard to considerations of commercial reality, including:

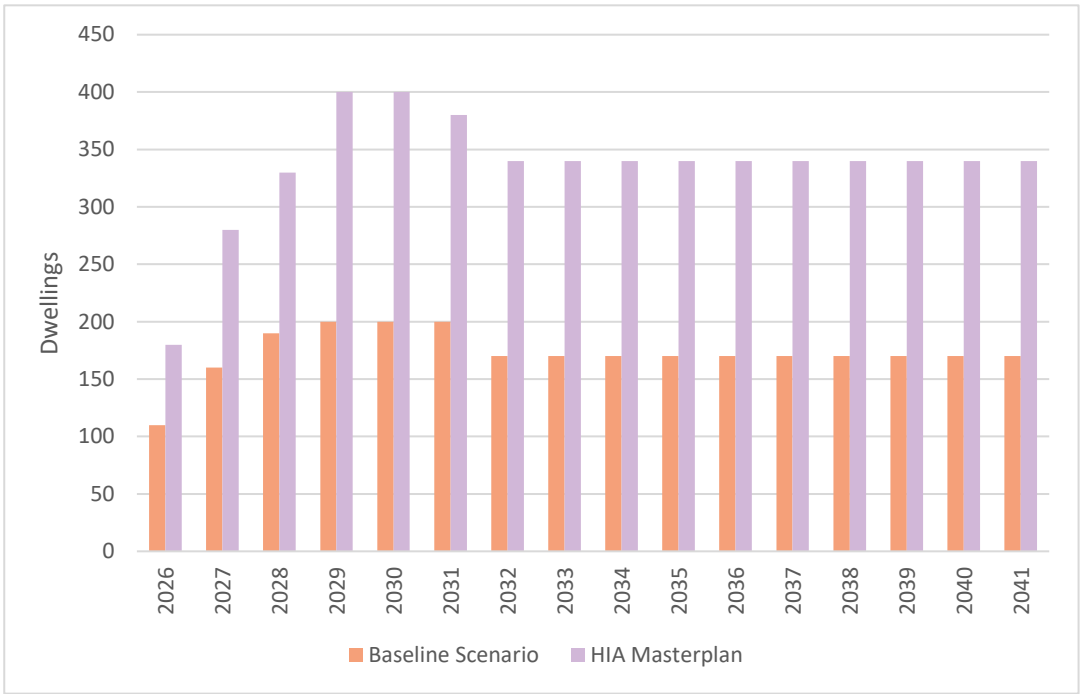
- Historical development activity over the 2011-2021 period.
- Lot and ownership patterns and implications for the cost of site consolidation.
- The feasibility of development under the Baseline Scenario and the HIA Masterplan.
- Known development activity by precinct.

The Study highlights that the estimate of development take-up seeks to demonstrate the difference between the Baseline Scenario and HIA Masterplan. The estimate of take-up ***is not*** representative of overall development activity, which may already be planned or in the pipeline regardless of the Baseline Scenario or the HIA Masterplan. In short, actual development take-up will be higher than that indicated in this section.

The estimate of take-up commences in 2026. It is assumed that the planning controls to implement the HIA Masterplan would be effective in 2025, with development applications received from 2026.

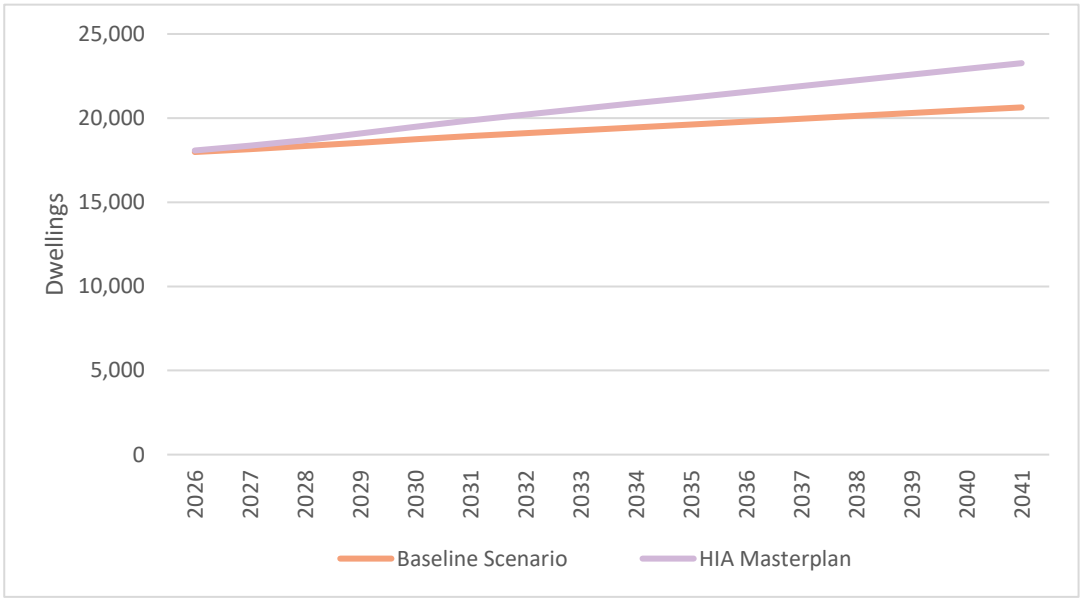
FIGURE 3-4 illustrates the estimate of annual take-up in each scenario, while **FIGURE 3-5** depicts the estimate of cumulative take-up. The scenarios are mutually exclusive, i.e. they represent a set of planning controls that would apply independently of each other.

FIGURE 3-4: Estimate of Annual Take-up (2026-2041), Stage 1 Study Area



Source: Atlas

FIGURE 3-5: Estimate of Cumulative Take-up (2026-2041), Stage 1 Study Area



Source: Atlas

When added to existing dwellings (~17,000), the estimate of annual take-up (**FIGURE 3-4**) produces a cumulative estimate of take-up (**FIGURE 3-5**). Over the estimate period to 2041, the following estimates are made of development that could be taken up:

- Baseline Scenario - 3,200 dwellings.
- HIA Masterplan - 5,900 dwellings.

In the four suburbs (Ashfield, Croydon, Dulwich Hill and Marrickville) that comprise the Stage 1 Study Area there is currently a notable pipeline of development activity. If all the development proposed eventuated into delivery and completion, there would be another 1,800 dwellings (apartments and townhouses) completed in addition to that estimated above.

By taking a nuanced approach and focusing density in targeted areas, take-up and delivery of development under the HIA Masterplan is expected to be greater. The inclusion of incentives to encourage minimum site areas and delivery of community infrastructure contributes positively to the nuanced approach taken by the masterplan.

SUMMARY OF FINDINGS

The take-up analysis indicates that the quantum of development that could be taken-up under the HIA Masterplan would be greater than under the Baseline Scenario. This is primarily due to the high cost of land in the Study Area (which is a function of its small allotments and valuable existing uses/ buildings).

Notwithstanding the feasibility challenges in the Baseline Scenario, there would nevertheless be land that would be developed where a site is economic to consolidate (e.g. aged/ dilapidated buildings at the end of the economic useful life, larger allotments, etc.). On an overall basis however, the take-up of development in the Baseline Scenario is likely to be modest. A large proportion of the theoretical capacity enabled by the recent planning reforms is expected to be unrealised.

By targeting density in areas most suitable to accommodate more housing and within areas where allotment sizes are larger, the HIA Masterplan takes a nuanced approach to increase densities based on the prospects for feasibility and environmental capacity for development. The use of development incentives to encourage site consolidation and delivery of public infrastructure will assist with the financial feasibility of development and delivery of infrastructure needed to support housing growth.

The Study Area is overall challenging for new development - owing to its generally fine grain lot and subdivision patterns and valuable existing uses. The HIA Masterplan is expected to have greater market capacity for development, with greater likelihood of its theoretical capacity being taken up and realised. Despite this, there will nevertheless be large portions of the Study Area where the theoretical capacity under the HIA Masterplan will remain unrealised.

Through targeted increase to density and use of planning incentives, the HIA Masterplan is expected to enable almost double the realisable (deliverable) capacity than the Baseline Scenario.

In all scenarios, development take-up is anticipated to gather momentum in 2026 as construction cost prices and supply chain disruptions begin to 'normalise' and new planning controls (pursuant to the HIA Masterplan) are made. Momentum is expected to build as the market begins to assemble feasible development opportunities and submit development applications. Development is expected to peak and subside as the 'easy' and low-hanging fruit is picked and realised. Over the longer term, the pace of development is expected to slow, a reflection of the 'more difficult' development opportunities that remain.

The Study reiterates that the estimate of take-up demonstrates the potential difference between the Baseline Scenario and HIA Masterplan. The estimate of take-up ***is not*** representative of overall development activity, which may already be planned or in the pipeline regardless of the Baseline Scenario or the HIA Masterplan. In short, actual development take-up will be higher than that estimated above. Furthermore, there will be housing opportunities in Stage 2 of the HIA Masterplan and in the broader LGA not considered here.

While feasibility is a key factor to development take-up, it is equally important to recognise that development activity does not occur in a vacuum. Capital is mobile and will gravitate to the most attractive investment opportunity. Extensive planning reforms have been underway across Greater Sydney (an indeed nationally). There is (and continues to be) significantly more development opportunities that are enabled as planning authorities across the country seek to enable housing supply. While not all theoretical capacity will be economically feasible or taken up by the market, there are now more development opportunities available to the market. It is beyond the scope of the Study to consider interconnectedness and competitive impacts of development opportunities elsewhere in Greater Sydney or indeed nationally.

The Study acknowledges that there are supply-side limitations to the volume of development that can be undertaken at any given time. The supply of labour, materials and capital collectively work to limit the quantum of capacity taken up and delivered. The take-up estimates assume that supply chain disruptions and escalating construction costs that characterised the 2023-25 period will largely begin to normalise from 2025/26.

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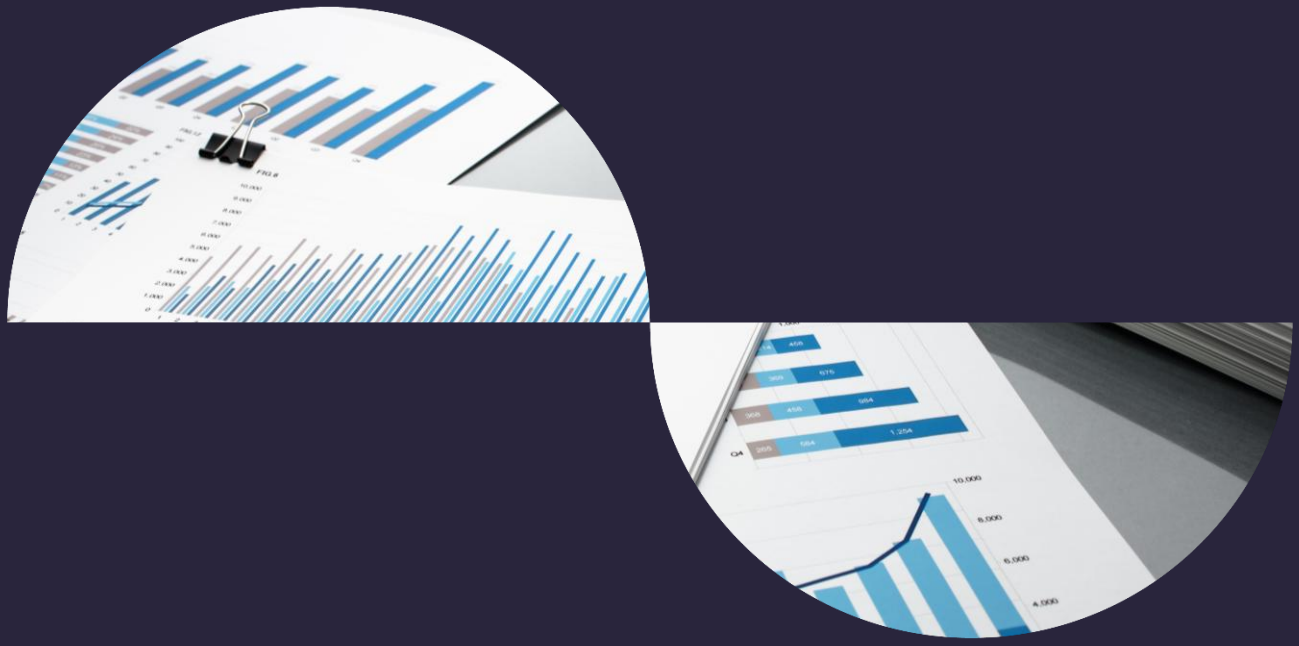
Schedules



Beyond the
horizon thinking.

SCHEDULE 1

Analysis of Market Activity

Existing Uses and Sales Activity

To understand the value of the selected sites' 'as is', the sales activity of comparable properties is analysed. The following tables provide a snapshot of sales activity for residential and non-residential uses in the Study Area.

AREA 1

TABLE S1-1: Sales Activity of Residential Uses

ADDRESS	SITE AREA (SQM)	SALE PRICE (SALE DATE)	($/SQM IMPROVED SITE AREA)	COMMENTS
2 Charlotte Ave, Marrickville	300	$2,100,000 (Jun 2024)	$7,100	Older dwelling with basic finishes. 400m of train station.
14 High St, Marrickville	230	$1,810,000 (Mar 2024)	$7,740	Aged dwelling with basic finishes. 450m of train station.
35 Kintore St, Dulwich Hill	340	$2,520,000 (Jul 2024)	$7,370	Updated double fronted brick/tile dwelling, 800m of train station.
354 New Canterbury Rd, Dulwich Hill	270	$1,500,000 (Dec 2024)	$5,520	Single storey brick/tile dwelling with basic finishes and landscaping.
52 Heighway Ave, Croydon	310	$1,900,000 (Mar 2024)	$6,130	Part two-storey dwelling with basic finishes. 400m of train station.
17-17a Edwin St, Croydon	460	$2,548,000 (Oct 2024)	$5,520	Single storey brick/tile dwelling with basic finishes. Neatly presented. 450m of train station.
1 John St, Ashfield	460	$2,2000,000 (Aug 2024)	$4,840	Single storey brick/tile dwelling with basic finishes. 900m of train station.
16 Arthur St, Ashfield	590	$2,450,000 (Jun 2024)	$4,150	Double fronted brick/tile dwelling with basic finishes. 750m of train station.

Source: Realestate.com.au

The Study adopts an existing-use value of $1.4m to $3.2m per detached dwelling in Area 1. This is equivalent to approximately $4,500/sqm and $7,300/sqm of overall improved site area. The lower value range reflects larger blocks in Ashfield and Croydon; the higher range reflects dwellings on smaller allotments in Marrickville and Dulwich Hill.

TABLE S1-2: Sales Activity of Non-Residential Uses

ADDRESS	SITE AREA (SQM)	SALE PRICE (SALE DATE)	($/SQM IMPROVED SITE AREA)	COMMENTS
276 Liverpool Rd, Ashfield	183	$2,320,000 (Dec 2024)	$12,680	Two storey retail strip with office fit-out.
190 Liverpool Rd, Ashfield	215	$1,750,000 (Mar 2024)	$8,140	Two storey shop and residential above. Sold with holding income, leased to restaurant.
192 Liverpool Rd, Ashfield	224	$2,020,000 (Aug 2023)	$9,020	Two storey shop and residential above.
76 Edwin St, Croydon	171	$2,530,000 (Sep 2024)	$14,800	Two storey corner commercial building in the Town Centre. Sold with vacant possession.

Source: various

There are few retail strip/ commercial property sales in the Study Area in the 12 months. The Study adopts existing-use values of between $10,000/sqm to $15,000/sqm of overall improved site area for retail strip properties in Area 1.

AREA 2

TABLE S1-3: Sales Activity of Residential Uses

ADDRESS	SITE AREA (SQM)	SALE PRICE (SALE DATE)	($/SQM IMPROVED SITE AREA)	COMMENTS
1 Daniel St, Leichhardt	190	$1,452,000 (Nov 2024)	$7,650	Updated, compact single storey dwelling with two bedrooms.
268 Norton St, Leichhardt	170	$1,650,000 (Sep 2024)	$9,650	Updated, compact single storey dwelling with two bedrooms.
79 James St, Leichhardt	310	$3,500,000 (Jul 2024)	$11,400	Updated, single storey dwelling. Good quality building finishes with inground swimming pool.
8 Russell St, Lilyfield	590	$4,300,000 (Apr 2024)	$7,350	Updated, double fronted weatherboard dwelling. Within 240m of the light rail station.
4 Edna St, Lilyfield	310	$3,375,000 (Jul 2024)	$10,990	Updated, freestanding dwelling within 600m of the light rail station.
22 Morgan St, Petersham	540	$4,040,000 (Mar 2025)	$7,470	Updated, single storey dwelling with swimming pool.
73 Morgan St, Petersham	590	$3,800,000 (Jun 2024)	$6,400	Single storey dwelling with basic finishes, 1km of the train station.

Source: Realestate.com.au

The Study adopts an existing-use value of $3.3m to $5.3m per detached dwelling in Area 2. This is equivalent to approximately $7,500/sqm to $11,000/sqm of overall improved site area. Generally, lower rates reflect dwellings on larger allotments whereas higher rates reflect dwellings with smaller site areas.

AREA 3

TABLE S1-4: Sales Activity of Residential Uses

ADDRESS	SITE AREA (SQM)	SALE PRICE (SALE DATE)	($/SQM IMPROVED SITE AREA)	COMMENTS
37 Edwin St, Tempe	450	$2,500,000 (Jul 2024)	$5,570	Single storey dwelling with basic finishes, including four bedrooms.
83 Station St, Tempe	240	$1,250,000 (Feb 2024)	$5,320	Single storey dwelling marketed to owner occupiers and investors.
2 Bent St, Petersham	230	$1,850,000 (May 2024)	$7,910	Single storey brick dwelling with basic finishes.
245 Trafalgar St, Petersham	260	$2,200,000 (Sep 2024)	$8,490	Compact Victorian-style terrace within 350m of train station.
80 Westbourne St, Petersham	180	$1,865,000 (Oct 2024)	$10,540	Single storey dwelling with basic finishes, 600m of train station.
12 Pearl Street, Newtown	150	$1,600,000 (Dec 2024)	$10,600	Single storey brick with two bedrooms.
105 Alice St, Newtown	190	$1,945,000 (Sep 2024)	$10,240	Freestanding, single storey dwelling

Source: Realestate.com.au

The Study adopts an existing-use value of $1.6m to $3.2m per detached dwelling in Area 3. This is equivalent to approximately $5,500/sqm to $11,000/sqm of overall improved site area. The higher value rates reflect the fine grain lot patterns in Area 3, where residential lot sizes range from approximately 150sqm to 300sqm.

Development Site Sales Activity

There is a dearth of development site sales in the Study Area in the 12-18 months. To understand the value of development site opportunities, the analysis considered a selection of development site sales, as outlined in **TABLE S1-5**. This includes site sales for medium density and apartment development opportunities.

TABLE S1-5: Sales Analysis of Development Site Sales

ADDRESS	SITE AREA (ZONE)	FSR (GFA)	SALE PRICE (SALE DATE)	$/SQM GFA ($/UNIT/SITE)	COMMENTS
22 Bennett St, Burwood	556sqm (R2)	0.55:1 (310sqm)	$3,070,000 (Apr 2025)	$10,040 ($1,535,000)	Aged single dwelling marketed as having dual occupancy development potential. Sold without DA consent.
2 Wyatt Ave & 23 Weldon St, Burwood	3,330sqm (R2)	0.55:1 (1,830sqm)	$11,000,000 (Feb 2025)	$6,000 (n/a)	Two single dwellings sold in one line. Marketed to developers and investors. Sold with vacant possession. Potential for medium density development.
462 New Canterbury Rd, Dulwich Hill	420sqm (MU1)	1.5:1 (640sqm)	$1,955,000 (Nov 2024)	$3,080 (n/a)	Corner, vacant site within 100m from Dulwich Grove light rail station. Sold without DA consent, marketed as having development potential of up to FSR 1.5:1.
36 Lonsdale St & 64-66 Brenan St, Lilyfield	1,680sqm (R1)	1.5:1 (2,980sqm)	$7,500,000 (Sep 2024)	$2,980 ($221,000)	Mortgagee in possession. Improved site with warehouse and two single dwellings. Sold without DA consent. Planning Proposal lodged in 2020 to increase the maximum FSR to 1.5:1. Sale price has been analysed on this basis.
280 & 282 Illawarra Rd, Marrickville	410sqm (E1)	2.6:1 (1,070sqm)	$3,900,000 (Nov 2023)	$3,650 (n/a)	Corner site with two aged semi-detached dwellings. Sold without DA consent, 270m of the Marrickville train station.
29 Tupper St, Enmore	980sqm (R1)	0.85:1 (830sqm)	$5,600,000 (Aug 2023)	$6,740 ($700,000)	Aged single dwelling. Off market sale, appears to have sold with DA consent for a 4-storey RFB with 8 units. Sale price is analysed on this basis.
75-79 Alice St, Newtown	1,390sqm (R2/R3)	0.6:1 (840sqm)	$2,500,000 (Nov 2022)	$3,070 (n/a)	Vacant site purchased in 2022 without DA consent. In 2024, a multi-dwelling development application was lodged for 6, two- and three-storey townhouses. A total ~921sqm GFA is proposed (FSR 0.7:1). The DA outcome has yet to be determined. Dated sale.
136 Liverpool Rd, Ashfield	580sqm (E2/R3)	1.8:1 to 2:1 (1,100sqm)	$3,000,000 (Nov 2022)	$2,670 ($270,000)	Vacant site sold with DA consent for a 6 storey RFB comprising 11 units. Some 650m of Ashfield train station.

Source: various

The analysis of development site sales indicates a price range of $2,700/sqm to $3,700/sqm of GFA for high density development opportunities in the Study Area and surrounding localities.

There are very limited medium density site sales. Where available, sale prices reflect a price range of ~$3,000/sqm to $6,000/sqm of GFA. Given the lack of recent site sales, the analysis likely reflects a lower range of site values in the current market context.

The Study considers site values to range between $2,000/sqm to $3,000/sqm of GFA for apartment development opportunities. For medium density development opportunities, the Study considers site values to be in the range of $4,500/sqm to $5,500/sqm of GFA.

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