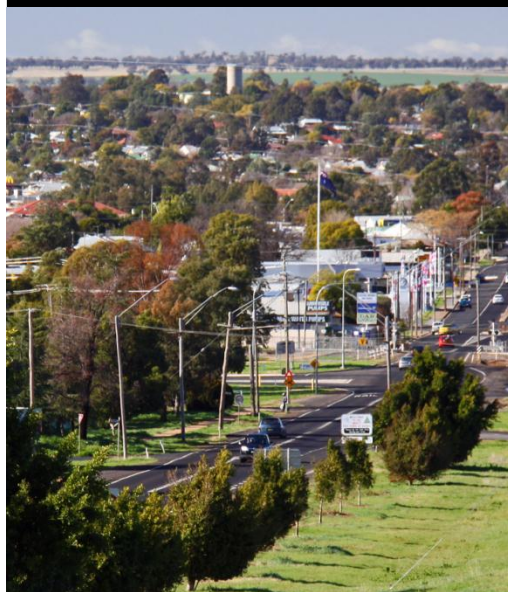


Review of Dubbo Residential Areas Development Strategy

PREPARED FOR

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1. INTRODUCTION

Dubbo City Council is undertaking an administrative review of the Dubbo Local Environmental Plan (2011) following the completion of its first 12 months of operation. Council has received submissions and representations from Dubbo's local development industry advocating release of land to the east of Dubbo CBD beyond the area contemplated for development by the Dubbo Urban Areas Development Strategy. The intention of this review is to facilitate an evidence-based response and review of current planning policy as appropriate.

1.1 STUDY BRIEF AND METHODOLOGY

Hill PDA has been specifically engaged to carry out:

1. Residential Supply and Demand Analysis; and
2. Assessment of the success of the Residential Areas Development Strategy in delivering appropriate housing in the City.

Hill PDA has been additionally requested to review selected submissions received in respect of further residential development to the east of Dubbo.

Residential Supply and Demand Analysis

Housing supply and demand are influenced by economic and labour conditions, as they are by demographic change over time. In order to understand the drivers of housing supply and demand in Dubbo, Hill PDA worked closely with Dubbo City Council (Council) to identify and understand the key drivers and challenges facing existing and proposed residential supply in Dubbo. Research was carried out to understand:

- Population growth and household characteristics over the past decade;
- Household incomes and affordability, and
- Housing need and types.

In addition to economic and demographic profiles, the following tasks were carried out to understand the current state of play of development activity, as development seeks to respond to market demand and need.

- An analysis of median house prices and rents was carried out to understand movement in these markets over time.
- An overview of ongoing residential projects in Dubbo to understand take-up rates, market sentiment / preference and purchaser profiles.
- Workshops and forums with Council, members of the development industry and the Real Estate Institute to gather perspectives on constraints and opportunities affecting housing supply in Dubbo.

The amount of residential zoned land in some instances bears little relationship to actual lot production. It is therefore necessary to understand activity and conditions in the development market as they directly impact on the production of housing lots. Market research was consequently undertaken to understand current lot production, consumption trends and expected future activity.

An analysis of the supply of both residential land and dwellings in Dubbo was carried out by examining historical supply as well as land capacity and availability to accommodate future lot production. The constraints / impediments to future supply (both of zoned land and serviced blocks) were analysed to distinguish structural challenges from market / cyclical factors, which cumulatively impact on housing supply.

The following tasks were carried out from a review of Council documents and information, market analysis and informal telephone interviews with major employers, developers and real estate agents active in Dubbo.

- Analysis of historical supply and dwelling production trends;
- Analysis of structural and cyclical factors that impact on housing supply;
- Identification and analysis of specific challenges for development in Dubbo;
- Feasibility analysis of infill development (i.e. villas) to determine the 'pressure points' required for feasible development.

Assessment of Success of Residential Areas Development Strategy

A review of Dubbo's Residential Areas Development Strategy (RADS) was carried out, with particular attention to *if* and the extent to which its objectives have been achieved by reference to findings from the above Residential Supply and Demand Analysis.

In 2005 Council commenced a strategic review of the Urban Areas Development Strategy and identified areas of concern and highlighted a range of potential changes that could improve the effectiveness of the strategy. This Study refers to the areas of concern as identified by the 2005 strategic review and assesses if they have since been addressed.

A review of the Dubbo LEP (2011) was also carried out to identify any matters that were potentially impeding the supply of appropriate and affordable housing in Dubbo.

A series of recommendations to planning policy are made as well as improvements to the Residential Areas Development Strategy suggested. A review of submissions is carried out in line with the Study's recommendations.

1.2 SCOPE OF DILIGENCE

In carrying out our analysis, we have relied on information provided to us by Dubbo City Council. Our investigations have included consultation and enquiries with the following parties:

- Dubbo City Council;
- Developers of ongoing residential projects;
- Major employers in Dubbo;
- Consultants involved in development projects;
- Real estate agents involved in the sale and lease of properties.

2. RESIDENTIAL SUPPLY AND DEMAND ANALYSIS

The housing market in many areas has been fragile since the GFC, with many markets beholden to interest rates and fluctuating confidence and sentiment. A slow housing market reflects sluggish effective demand and fragile confidence will necessarily beget a slowdown in development activity. Notwithstanding market conditions, there are other factors that influence housing supply and demand, including an area's demographic make-up, land capacity constraints, planning framework and controls.

Recognising that there are a myriad factors that influence supply and demand of housing, this Chapter examines the three main drivers of residential supply and demand in Dubbo: namely demographic factors, market factors and planning policy.

2.1 DEMOGRAPHIC TRENDS AND ANALYSIS

A comparative analysis of Dubbo and three Evocities (Tamworth, Albury and Wagga Wagga) is included in Appendix 1.

2.1.1 POPULATION

In 2011 Dubbo SLA's (Dubbo's) population was 36,083 representing an increase of 5.4% between 2001 and 2011 and 4.6% between 2006 and 2011, identifying that most of Dubbo's growth during the previous decade occurred between 2006 and 2011.

Table 1 - Dubbo, Population Growth (2001-2011)

	2001	2006	2011	#Δ01-11	%Δ 01-11	#Δ06-11	%Δ 06-11
Dubbo*	34,232	34,512	36,083	1,851	5%	1,571	5%
RNSW	2,372,820	2,436,707	2,527,510	154,690	7%	90,803	4%
NSW	6,371,745	6,585,736	6,958,812	587,067	9%	373,076	6%

Source: ABS Census, Time Series Profile, *Dubbo SLA

Population Projection

According to the NSW Department of Planning (DP&I) projections in the following table, Dubbo's population is expected to increase by 4,300 persons (2011-2036), as shown in the following table.

Table 2 - Dubbo, Population Projections (2011-2036)

	2011	2016	2021	2026	2031	2036
Dubbo*	37,300	38,700	39,900	40,800	41,400	41,600
Expected (% Δ)	3.9%	3.8%	3.1%	2.3%	1.5%	0.5%
Annual Expected (% Δ)	1.0%	0.9%	0.8%	0.6%	0.4%	0.1%

Source: Department of Planning 2010 *Dubbo Regional SLA

A study conducted by KPMG¹ in February 2012 disagreed with DP&I's projection citing the use of historic growth figures during a period of drought in 2001-2008, suggesting alternate growth figures. Although the figures were based on an LGA level, applying a similar growth figure to the Dubbo SLA reveals that the population could grow by 8,460 to 2036, or just over 1% per annum on average.

2.1.2 AGE CHARACTERISTICS

Between 2001 and 2011 the median age of residents in Dubbo increased from 33 years to 36 years. This indicates that the population of Dubbo is becoming increasingly older and is aligned with the widespread trend across RNSW and NSW. It is also evident that Dubbo is relatively young compared with RNSW and NSW which record median ages of 36 and 41 respectively.

Table 3 - Dubbo, Median Age (2001-2011)

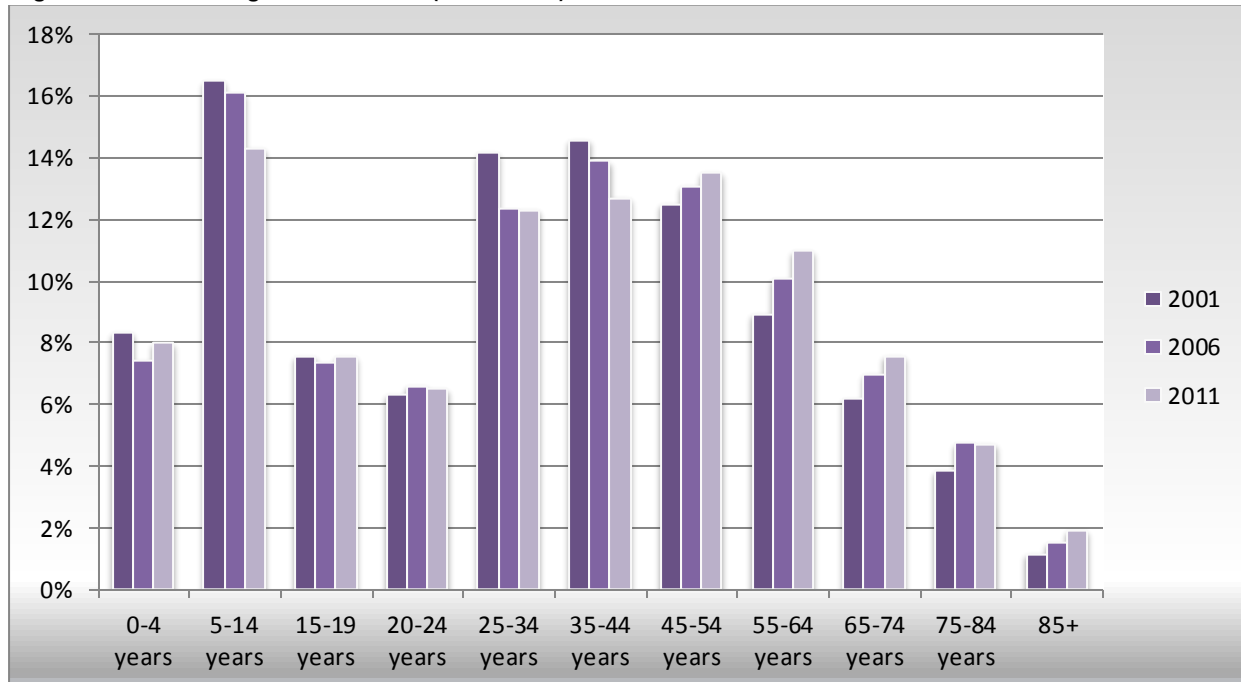
	2001	2006	2011	#Δ01-11	#Δ06-11
Dubbo*	33	35	36	3	1
RNSW	37	39	41	4	2
NSW	35	37	38	3	1

Source: ABS Census, Time Series Profile, *Dubbo SLA

Age Distribution

The age distribution in Dubbo is skewed to the right, identifying an increasing number of older residents. Moreover, the same period witnessed a decreasing number of persons aged between 5-14 years and 25-44 years. The age distribution also shows that across all three time periods there is a decline of persons in the 20-35 year age brackets with an increase in the older age brackets. This possibly suggests an exodus to metropolitan cities for education, travel and work during this period.

¹ KPMG, Population Outlook for Dubbo City Council, 3rd February 2012

Figure 1 - Dubbo, Age Distribution (2001-2011)

Source: ABS Census, Time Series Profile, *Dubbo SLA

2.1.3 HOUSEHOLD CHARACTERISTICS

Household Structure

In 2011 the proportion of family households located in Dubbo was 67.5%, slightly higher than the RNSW (66.6%), but lower than NSW (68.4%). Conversely, lone person households accounted for 25.3% of households in Dubbo, slightly lower than the RNSW (25.6%) but higher than NSW (23.1%).

Over the 2001-2011 period, the number of lone person households has increased from 22.1% to 25.3%. During this same period the number of family households decreased from 70.4% to 67.5%.

This higher proportion of lone person households in Dubbo is reflected in the median household size, which declined over the same period from 2.7 to 2.5. In 2011 the median household size was 2.4 in RNSW.

Table 4 - Dubbo, Household Structure (2001-2011)

	2001 #	2001%	2006 #	2006%	2011#	2011%	RNSW 2011	NSW 2011
Family	8,655	70.4%	8,643	67.6%	9,066	67.5%	66.6%	68.4%
Lone person	2,724	22.1%	2,890	22.6%	3,397	25.3%	25.6%	23.1%
Group households	441	3.6%	403	3.2%	420	3.1%	3.0%	3.6%
Other households	478	3.9%	849	6.6%	557	4.1%	4.8%	4.9%
Total	12,298	100.0%	12,785	100.0%	13,440	100.0%	100.0%	100.0%

Source: ABS Census, Time Series Profile, *Dubbo SLA

Household Ownership

In 2011 62.1% of persons in Dubbo owned or were purchasing a house while 31.2% of persons were renting. In both RNSW (66.3%) and NSW (63.8%) higher proportions owned or were purchasing their homes.

Over the period 2001 to 2011 there was a decrease in Dubbo of the number of persons who owned their home outright 34.1% to 28.0% with a sharp increase in the number of homes owned with a mortgage (from 27.3% in 2001 to 34.1% in 2011).

Table 5 - Dubbo, Dwelling Tenure (2001-2011)

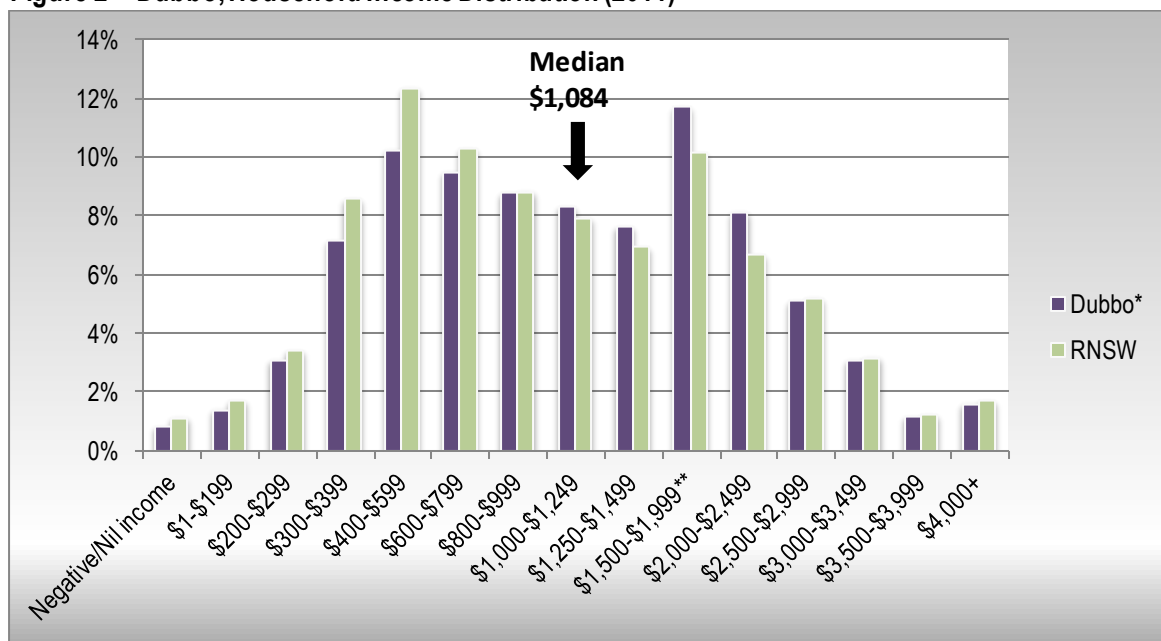
	2001#	2001%	2006#	2006%	2011#	2011%	RNSW 2011	NSW 2011
Owned outright	4,194	34.1%	3,740	29.2%	3,762	28.0%	36.6%	31.9%
Owned with a mortgage	3,359	27.3%	4,088	32.0%	4,589	34.1%	29.7%	31.9%
Rented	4,068	33.1%	3,794	29.7%	4,189	31.2%	27.0%	29.1%
Other or not stated	182	1.5%	132	1.0%	142	1.1%	0.93%	0.8%
Not Stated	486	4.0%	1,033	8.1%	756	5.6%	5.82%	6.3%
Total	12,289	100.0%	12,787	100.0%	13,438	100.0%	100.0%	100.0%

Source: ABS Census, Time Series Profile, *Dubbo SLA

Household Income

The median weekly household income in Dubbo was \$1,084, while in RNSW it was \$960. The income distribution diagram below demonstrates that Dubbo is wealthier than the RNSW with the income profile skewed to the right where the income cohorts are higher.

Figure 2 - Dubbo, Household Income Distribution (2011)



Note: Income brackets increase from \$250 to \$500 from \$1,500 of weekly income

Source: ABS Census, Community Profile, *Dubbo SLA

2.1.4 DWELLING CHARACTERISTICS

Dwelling Type

In 2011 separate houses remained the predominant dwelling type in Dubbo (82.3%) and slightly higher than the RNSW (82.1%). The proportion of units decreased over the period 2001 to 2011 (from 10.1% to 9.6%), however this figure is still higher than the RNSW (8.1%). Dubbo has marginally fewer townhouses, or terrace style accommodation at 6.0% compared with RNSW (6.2%) and NSW (10.7%).

Over the period 2001 to 2011 detached dwellings have been the most common form of new dwelling built with the absolute number rising 1,108 over the period or about 222 per year.

Table 6 - Dubbo, Dwelling Type (2001-2011)

	2001 #	2001%	2006 #	2006%	2011 #	2011%	RNSW 2011%	NSW 2011%
Separate house	9,955	80.9%	10,564	82.6%	11,063	82.3%	82.1%	68.2%
Townhouse	733	6.0%	866	6.8%	836	6.2%	7.4%	10.7%
Flat-unit-apartment	1,237	10.1%	1,110	8.7%	1,289	9.6%	8.1%	19.7%
Other	308	2.5%	233	1.8%	246	1.8%	2.3%	1.2%
Not stated	65	0.5%	12	0.1%	6	0.0%	0.2%	0.2%
Total	12,298	100.0%	12,785	100.0%	13,440	100.0%	100.0%	100.0%

Source: ABS Census, Time Series Profile. *Dubbo SLA

2.1.5 KEY FINDINGS

Local weather and economic conditions have influenced the demographic composition of Dubbo. Lower than expected population growth was experienced between 2001 and 2006, with growth recovering to an average annual rate of nearly 1% per annum between 2006 and 2011. A report by KPMG forecasts population growth to be sustained at a similar rate over the next 23 years, resulting in an increase of 200-300 new residents each year.

Like many other regional cities, Dubbo's population is ageing, the median age rising from 33 to 36 years over the 2001-2011 period. Owing to the location of health and social services within the town centre, older residents from the wider region have tended to cluster in Dubbo to be close to these services.

The leading industry of employment is health care and social assistance (15.3%), notably higher than the rest of NSW and can be attributed to expansions of health care facilities in the city. The second industry of employment is retail trade (12.9%) which is consistent with the city's role as a service centre for the Orana region with a catchment of almost 200,000 persons. The proportionate employment by industry could change in the future with the commencement of the Tomingley, Cobbora and Toongi mines with indirect impact on demand for services from other industries.

Detached dwellings remain the predominant housing type in Dubbo at 82.3% and resulting in an apparent mismatch between housing type and size of household. The household size in Dubbo has declined from 2.7 to 2.5 in the last decade (2001-2011) with a corresponding increase in the number of lone person households. This suggests a need for a greater number of smaller dwellings to suit smaller as well as ageing households.

There is a high proportion of renters in Dubbo (31.2%), attributed to a transient population, including persons attending university and who work in health care and social assistance services.

The median household income (\$1,084 per week) arguably makes it challenging for 50% of the population to afford housing. Assuming 30% of household income as the threshold of affordability for housing costs, this equates to \$325 per week on rent or mortgage repayments. The issue of incomes and affordability thresholds is detailed in a following section.

2.2 DWELLING SUPPLY

A primary driver of demand for dwellings is population growth. According to DP&I projections Dubbo is expected to increase modestly by 4,300 persons to 2036. A study by KPMG disagreed with DP&I's projection assumptions and suggest alternate growth figures, potentially an increase of 8,460 persons to 2036.

Population projections can vary substantially depending on their base assumptions. It is conceivable that KPMG forecasts have an aspirational element with actual population increase falling between the two estimates. The housing needs of an additional 6,000 persons would be equivalent to 2,667 dwellings (applying a projected average household size of 2.25) to 2036.

Council's Infrastructure Strategy (2011-2036) provides for approximately 9,500 additional persons by 2036, and on the basis that average household sizes would have fallen to 2.25 by then (they are currently at 2.5), around 4,220 new dwellings would be needed. Furthermore the Strategy allows for changeover by the existing population of 10%, the total number of new dwellings required is in the order of 6,090, say 6,100.

Overall development trends favour low density and dispersed development and depending on the extent of sprawl, this can be at odds with the concentration of employment and services within the CBD. Greenfield housing has historically represented the majority of new housing in Dubbo. In trying to address the pressures on infrastructure provision by residential growth, Council's Infrastructure Strategy provides for and budgets for the appropriate infrastructure services to cater to development within the existing and expected urban footprint.

The Infrastructure Strategy is premised on the basis that Council's current servicing envelope has adequate capacity to accommodate 6,100 new dwellings and formulated to "ensure efficient servicing practices can be maintained".

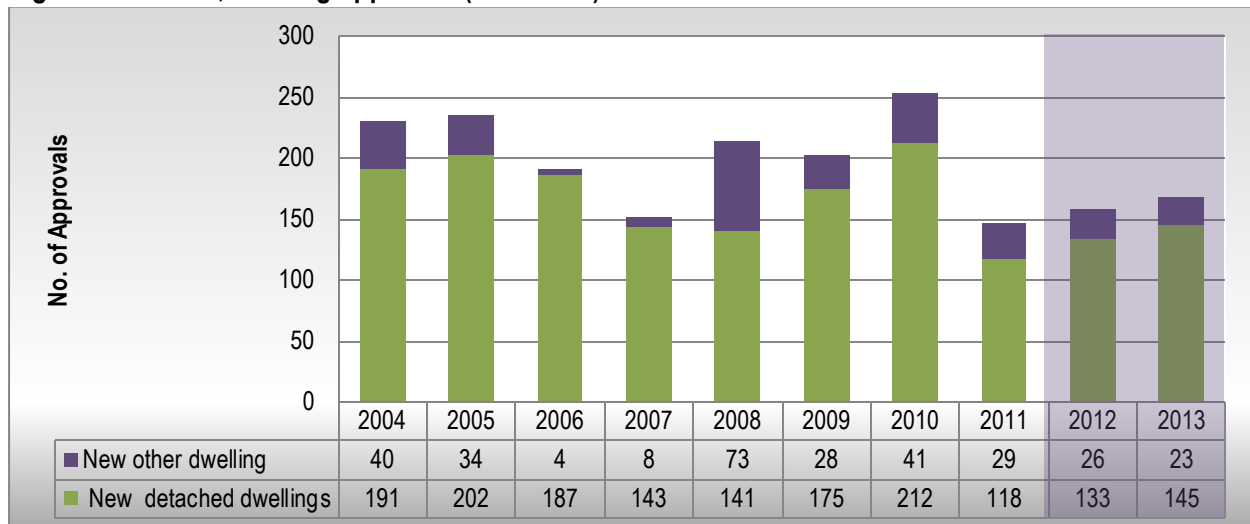
2.2.1 HISTORICAL SUPPLY

Data for residential dwelling approvals in Dubbo indicate a volatility and vulnerability to cyclical and market conditions. Notwithstanding, long term growth patterns are observed, indicative of strong underlying demand.

Over the 2001-2008 period of the drought, Dubbo experienced a decline in population growth with the 12 months to June 2003 recording the lowest population growth of 60 persons. Nevertheless, sustained employment prospects post-GFC has seen strong population growth return, with 690 and 590 persons respectively added to Dubbo's population in the 12 months to June 2009 and June 2010 respectively².

The historical decline in population growth was met with a commensurate fall in building approvals. This fall in development activity is observed in the following diagram.

² KPMG, Population Outlook for Dubbo City Council, February 2012

Figure 3 - Dubbo, Building Approvals (2004-2013)

Source: ABS Building Approvals (Cat. 8731.0) 2004-2013 *Note 2012-13 (shaded in purple) Change of geographical boundaries from SLA to SA2

Our research found that development activity declined significantly in recent years, a cumulative impact of the prolonged drought and the GFC. Poor business confidence coupled with the constraints of tight credit markets caused developer investment in Dubbo to fall substantially.

2.2.2 FACTORS AFFECTING DWELLING SUPPLY

Data for residential dwelling approvals in Dubbo indicates volatility, strongly influenced by weather conditions and cyclical market factors. Structural factors including effective demand and the planning regime also have the ability to influence dwelling supply. There are a considerable number of factors affecting dwelling supply and it is rarely a single factor the only cause for poor development feasibility.

Land Value and Site Assembly

There is limited availability of large contiguous sites suitable for development in the established / central areas of Dubbo. In order to economically acquire and develop land, the proposed use must translate into a higher value than the existing use including the value of any improvements to the land (or 'As Is' value). This is particularly relevant for infill development where existing improvements may be dated and due for replacement but yet still generate sufficient income / utility that prevents an owner selling at a price which reflects a proposed use.

In the case of Greenfield development, while land may be appropriately zoned for urban development, an 'agenda of development' may not necessarily align with that of landowners who have other interests for their landholdings.

Effective Demand

Although residential markets are acknowledged to be diverse, in cities where there is a predominance of lower density build there can be a market resistance to multi-dwelling housing. Nevertheless, owing to affordability (and to a lesser extent lifestyle) reasons, smaller format and medium density housing in Dubbo is growing in market acceptance and in capital growth. While many still prefer detached housing but due to the constraints of price settle for smaller lot and medium density housing (e.g. villas) when perceiving they are not compromising on

lifestyle and amenity. Notwithstanding affordability and lifestyle imperatives, existing median price levels for smaller and medium density housing are arguably not at levels to incentivise *large-scale* development as yet.

Following the GFC, financiers are not only selective with project funding, onerous conditions are also imposed on the project before drawdown can be effected. Lenders typically mandate a minimum of 50% sales prior to construction (off-the-plan) with some mandating 100% and in order for this requirement to be met there must be sufficient effective demand. It is effective demand that is relevant for feasibility rather than underlying demand. It is an undisputed fact that demand for housing exceeds supply, however demand is not always effective due to low affordability and income constraints.

Construction Costs

Recent difficulties in securing credit and relatively high statutory cost obligations have exacerbated the overall cost of development. In some cases it is a misconception that 'more is better': as floor space increases so does the number of storeys and hence construction cost increases.

In a market like Dubbo, low rise construction is generally the most economically viable format of building. In deciding the amount of capital to apply to a site, i.e. how intensely the site should be developed, developer capital will be applied to the point where incremental revenue is *equal* to incremental cost.

Planning / Development Controls

Planning policy is a major determinant of development costs, particularly relating to ensuring compliance with planning requirements³. Planning and development controls have the ability to affect feasibility through changes in land use zoning and densities but also through the costs associated with compliance with design requirements and securing planning controls. Codes for building / lot size, parking, open space, sustainability, etc. all have the ability to influence the cost of development.

2.2.3 HOUSING AND LAND SUPPLY

A common misconception is that if land is zoned, vacant and undeveloped that is available for immediate development. In practice, this may not be the case as the development potential of land is often collectively influenced by environmental, market or ownership constraints that can hinder development from occurring.

The adequacy of land release is therefore crucial for the supply of housing. From first principles the supply of housing directly impacts the cost / price of housing. A constrained supply of land will drive up landowner expectations making site assembly a high risk and high resource activity for developers. This ultimately increases the cost of development.

The following table is extracted from Council's Urban Area Subdivision Summary and outlines the number of lots in various subdivisions *currently* progressed in Dubbo.

³ AHURI, Planning, Government Charges, and the Costs of Land and Housing, October 2008

Table 7 - Dubbo Urban Area Subdivision Summary

	Subdivision	Lots Approved	Lots Constructed	Lots to be Constructed	Min Lot Sizes (sqm)
East Dubbo	Peart	5	0	5	600
	Regand Park Estate	64	64	0	600
	Southgate Estate	16	0	16	Community title
	Fairview Heights Estate	26	26	0	600
	Magnolia Grove Estate	163	0	163	600
	Spring Park Estate	35	35	0	600
	Dubbo Residential Estate	207	0	207	600, 2,000, 4,000
	Holmwood Estate	215	182	33	300, 600, 4,000
	Southlakes Estate	433	107	326	600, 2,000
	Keswick Estate	294	228	76	600
	Eykan	64	0	64	600
	Mrs Park	7	0	7	4,000
	Homestead Green	41	41	0	4,000
	Richmond Estate	123	123	0	1.5ha
	Firgrove Estate	181	181	0	1.5ha
		1,874	987	897	
West Dubbo	Rosewood Grove	492	492	0	600
	Horizons Retirement Village	217	37	180	Seniors living
	Delroy Park Estate	1,002	569	433	600
	Grangewood Estate	594	254	340	600
	Kintyre Estate	42	42	0	2,000, 4,000, 6,000
	Pioneer Spirit	87	0	87	Community title
		2,434	1,394	1,040	
		4,308	2,381	1,937	

Source: Dubbo City Council

There are almost 2,000 lots yet to be delivered to the market (46% in East Dubbo and 54% in West Dubbo), notably located in the 600sqm, 2,000sqm and 4,000sqm minimum lot size zones.

In regards the supply of new residential infill development, there has been a dearth of new projects. In the last two years, several projects proposing medium density dwellings have been approved. The largest of these projects is a 16 villa development at 19-21 Boundary Road which is currently under construction, a development at 3 Roper Street proposing 16 serviced apartments also having been approved.

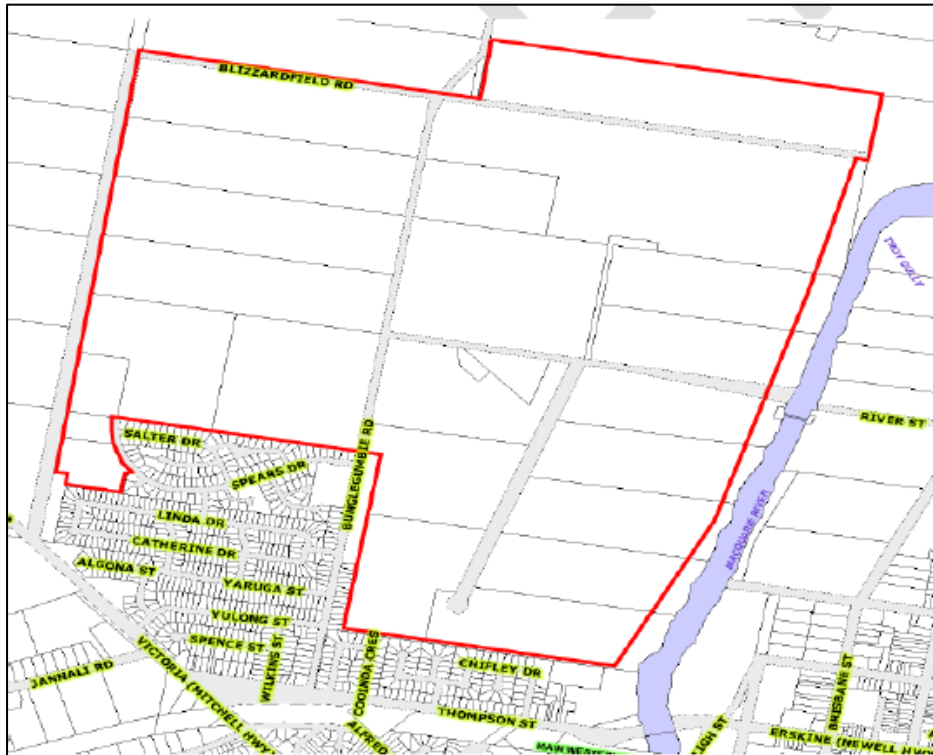
Draft Residential Release Strategies

In 2011 Council prepared two residential release strategies to guide the timing, design and nature of residential development in the west and southeast of the City. These release strategies relate to:

- West Dubbo (North-western and South-western subdistricts); and
- Southeast Dubbo.

The following diagrams depict the location of the new urban release areas.

Figure 4 - West Dubbo Urban Release Area (northwestern subdistrict)



Source: Draft Residential Release Strategy - West Dubbo Urban Release Area

The northwestern subdistrict (figure above) encompasses a site area of 312ha and is zoned R2 Low Density with a minimum 600sqm lot size designation.

Figure 5 - West Dubbo Urban Release Area (southwestern subdistrict)



Source: Draft Residential Release Strategy - West Dubbo Urban Release Area

The northwestern subdistrict (figure above) encompasses a site area of 951.5ha and is zoned R2 Low Density and R5 Large Lot Residential with various minimum lot sizes.

The release areas in Southeast Dubbo (below) encompass a site area of 246.8ha and are zoned R2 Low Density and R5 Large Lot Residential with various minimum lot sizes.

Figure 6 - Southeast Dubbo Urban Release Area



Source: Draft Residential Release Strategy - Southeast Dubbo Urban Release Area

The newly zoned urban release areas are estimated to have the following dwelling capacities:

Table 8 - Dwelling Capacity Estimates in Urban Release Areas

Urban Release Area	Site Area (ha)	Land Use Zone	Minimum Lot Size (sqm)	Potential Lots*	
North-western	312	R2 Low Density	600	2,600	
South-western	384	R2 Low Density	800	3,200	
	135	R5 Large Lot Residential	2ha	8	
	98	R5 Large Lot Residential	10ha	28	
	334.5	R5 Large Lot Residential	10ha	45	5,881
South-east	100	R2 Low Density	600	833	
	39.09	R2 Low Density	2,000	138	
	54.5	R2 Low Density	4,000	109	
	53.2	R5 Large Lot Residential	1.5ha	26	1,098

*Yield potential indicative only based on zoned lands and total area requirement assuming roads and public open space.

Source: Dubbo City Council

As stated earlier in the section and as observed in most markets, there is often a 'disconnect' between the amount of zoned land and actual delivery of housing lots. Lands that are rezoned for residential development may not necessarily be delivered to the market. This could be due to a variety of reasons. A combination of factors including planning constraints (e.g. statutory requirements, difficulties with infrastructure provision, fragmentation of ownership, etc.), capacity constraints (e.g. bushfire, flooding, slope and landslip, etc.) and commercial pressures has the potential to severely impede the supply response to demand pressures.

Assuming land in the urban release areas is fully developed and 100% delivery over time it would appear that Dubbo has sufficient capacity for 6,100 dwellings to 2036 as envisaged by the Infrastructure Strategy.

2.2.4 DEVELOPMENT ACTIVITY

While development in the past has tended to extend eastward of the CBD there does not appear to be major impediment to new development occurring in the west. As earlier mentioned, sale prices are generally reflective of the individual features of the property and less of the general area, save for those areas that may be ‘stigmatised’ by proximity to public housing estates.

The most common lot size in Dubbo is suggested to be 800sqm (20mx40m) and even though the minimum lot size in many areas is 600sqm, many developers have still elected to provide at least 800sqm blocks due primarily to a perception of market resistance below the traditional size of 800sqm.

There are a number of ongoing residential subdivisions across Dubbo and they tend to be aimed at different buyer groups. First home buyers tend to be attracted to either Keswick or the former Gordon Estate development Rosewood Grove while the upgrader market tends to be attracted to Southlakes, Grangewood Estate, or Delroy Park. Delroy Park is the only development that includes a diversity of housing stock that targets a range of buyers.

Keswick Estate

Located at Lot 67 Wheelers Lane in South Dubbo this parcel of land is currently being developed by Council. It has the potential to be developed into a large number of lots, potentially yielding 1,000 lots. The present subdivision is for 470 lots, with 350 lots understood to have been sold. The latest release is understood to require dwelling size to be minimum 180sqm, accordingly adding to the cost of development. Notwithstanding this market response is observed to be good with a notable proportion sold to project builders for on-sale as house and land packages.

The latest release maintains the standard size lot above 800sqm, ranging from 812sqm to 1,173sqm with sale prices at the lower end of the market between \$110,000 and \$145,000. The cheaper lots are understood to be most sought after and selling ahead of the others. The next stage will include a release of slightly smaller lots of 760sqm; to provide the market a product enabling house and land to be procured for under \$320,000. A review of the subsequent sales of earlier released lots suggests capital growth in the region of 5% to 7% per annum.

Table 9 - Keswick Estate House and Land Prices

Product	Site Area (sqm)	Sale Prices	\$/sqm of site area	\$/sqm (Average)
Land Lots	800-1,175	\$110,000-\$145,000	\$120-\$160	\$133
House & Land	840-900	\$360,000-\$410,000	\$400-\$480	\$440

Source: Red Square & Hill PDA Research, 2013

Southlakes Estate

Located south of Keswick Estate along Wheelers Lane, South Lakes Estate can be classified as a premium land subdivision in Dubbo with significant landscaping and an artificial lake system incorporated. The subdivision commenced in 2007 and consists of 366 residential lots with 142 currently completed.

The higher price points of this subdivision (between \$150,000 and \$160,000) conceivably preclude price-sensitive purchasers. The sizes of the lots are above 800sqm and are observed to be around 25% more expensive than the lots in Keswick Estate.

Prices have remained relatively flat compared with other estates commensurate with soft market conditions since release 2007. This is also a function of reduced marketability due to the less affordable prices.

Table 10 - South Lakes Estate House and Land Prices

Product	Site Area (sqm)	Sale Prices	\$/sqm of site area	\$/sqm (Average)
Land Lots	800-876	\$150,000-\$160,000	\$185-\$205	\$190
House & Land	800-1075	\$316,000-\$595,000	\$310-\$715	\$530

Source: Red Square & Hill PDA Research, 2013

Grangewood Estate

Located to the west of Dubbo and in close proximity to the Dubbo Golf Course, this premium subdivision is a long running land release in the Dubbo property market. The size of the lots is above the 800sqm common average for land release in Dubbo. The development has the capacity to deliver considerably more lots than the landowner chooses to release per year. To date 254 lots have been constructed and sold with evidence of previous sales appreciating at average rates of between 5% and 8% per year.

Table 11 - Grangewood Estate House and Land Prices

Product	Site Area (sqm)	Sale Prices	\$/sqm of site area	\$/sqm (Average)
Land Lots	890-1040	\$138,000-\$176,000	\$130-\$190	\$168
House & Land	1,050-1,300	\$420,000-\$660,000	\$370-\$650	\$460

Source: Red Square & Hill PDA Research, 2013

Delroy Park

Located to the west of the CBD, Delroy Park is a subdivision that has been ongoing since 1999. It consists of 570 lots released and marketed over 16 stages. The subdivision also included the 'Horizons' retirement village which was sold separately to an aged care developer in 2009.

Delroy Park is unique as it provides a diversity of housing at a variety of price points. These range from small lots (450sqm average) priced at \$110,000 to \$120,000 to premium lots that enjoy views because of the sloping gradient. Demand has reportedly been strong for the development, a combination of a diverse product offering and astute marketing.

As discussed previously the drought and the GFC had the cumulative impact of bringing many developments to a halt. The development of Delroy Park continued through the difficult conditions and is reaping the benefits of an apparent short-term supply in the market. Around a quarter of lots are identified to have sold to project builders intending to build on and on-sell as house and land packages. Similar to Grangewood prices are observed to have appreciated between 5% and 7% per annum.

Table 12 - Delroy Park House and Land Prices

Product	Site Area (sqm)	Sale Prices	\$/sqm of site area	\$/sqm (Average)
Land Lots (Small)	380-490	\$110,000-\$120,000	\$225-\$290	\$250
Land Lots (Large)	600-1,215	\$110,000-\$115,000	\$90-\$160	\$140

Product	Site Area (sqm)	Sale Prices	\$/sqm of site area	\$/sqm (Average)
Land Lots (Premium)	640-754	\$160,000-\$230,000	\$200-\$350	\$300
House & Land	600-1,215	\$350,000-\$360,000	\$300-\$580	\$500
House & Land (Early Stage)	800-1400	\$390,000-\$455,000	\$280-\$490	\$420

Source: Red Square & Hill PDA Research, 2013

Rosewood Grove

Rosewood Grove is a subdivision of 492 lots located in West Dubbo. The subdivision is an urban renewal initiative of the former Gordon Estate, a large community housing cluster that was dismantled in 2008. Values in the estate were initially set as low as \$25,000-\$40,000 for vacant lots and \$120,000 for house and land. All public housing residents were removed from the estate, however new contracts were subject to covenants mandating a minimum of 7 year period of owner occupation.

The residential home builder Hibbards is understood to have achieved success in the estate acquiring a number of vacant lots in 2010. These lots were subsequently constructed upon and targeted at the first home buyer market ranging in price between \$290,000 and \$320,000.

Table 13 - Rosewood Estate House and Land Prices

Product	Site Area (sqm)	Sale Prices	\$/sqm of site area	\$/sqm (Average)
Land Lots	540-700	\$35,000-\$58,000	\$65-\$85	\$70
House and Land	540-700	\$289,000-\$319,000	\$450-\$525	\$465

Source: Red Square & Hill PDA Research, 2013

There is notable construction activity in Rosewood Grove, indicative of increasing acceptance of the estate.

Horizons Retirement Village

Horizons Retirement Village is a new over 55's retirement estate in Dubbo. The village is held under community title and is currently selling Stage 5 with plans for Stage 6 lodged for development approval. The sales agent revealed that there was strong demand, largely due to purchasers having the ability to have input into the design of each villa, as well as proximity to the golf course and Delroy Park Shopping Village.

Table 14 - Horizons Retirement Village Entry Prices

Product	Type	Building Size (sqm)	Sale Price
Villa	2b	136sqm-170sqm	\$275,000-\$400,000
Villa	1b	93sqm	\$235,000

Source: Horizonsvillage.com.au & Hill PDA Research 2013

A comparative analysis of Dubbo's dwelling supply with Tamworth, Albury and Wagga Wagga is contained in Appendix 1.

2.3 DEMAND FOR HOUSING

A comparative analysis of housing markets in Dubbo and Tamworth, Albury and Wagga Wagga is contained in Appendix 1.

Demand for housing can be defined as “the quantity of housing that households are willing and able to buy or rent”⁴. The drivers of this (effective) demand for housing have been identified by Housing NSW as:

- The rate at which households are formed;
- Prices of housing in the local market and competing markets⁵;
- The economic circumstances of the households and of the local housing market;
- The perceived advantages of the local area in terms of its access to a range of goods and services; and
- The particular tastes or preferences of the consumers.

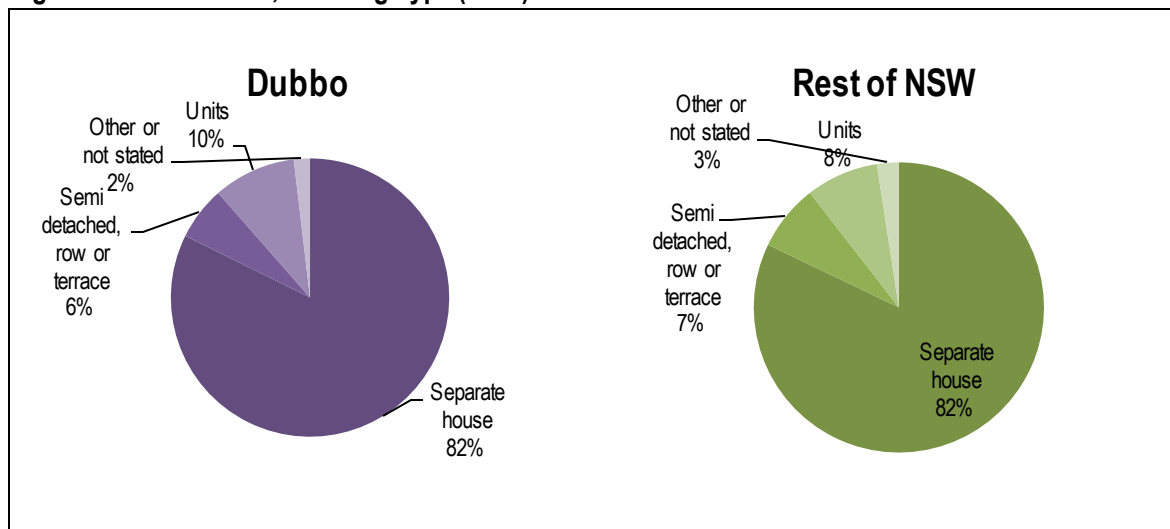
The following two sections will describe activity and demand in existing housing and rental markets, providing an indication of the demand for the type and nature of housing in Dubbo.

2.3.1 EXISTING HOUSING AND RENTAL MARKETS

Existing Housing Market

ABS Census Data 2011 data identified that there were 13,440⁶ private dwellings in Dubbo Statistical Local Area (SLA). Of these 82.3% of them were separate houses, 6.2% were townhouses, row or terrace houses and 9.6% were flat/unit/apartment accommodation. These proportions are consistent with the proportions across the Rest of NSW (RNSW).

Figure 7 - Dubbo SLA, Dwelling Type (2011)



Source: ABS Census Time Series Data, 2011

The residential market in Dubbo is underpinned by an increasing population, with a growth of 5.4% over the period 2001-2011, however most growth occurring in the 2006-2011 period. There has also been constrained supply in the market over the preceding number of years with a lack of new housing delivered to the market.

⁴ Housing NSW, Sustainable Communities: Home for All, 2005

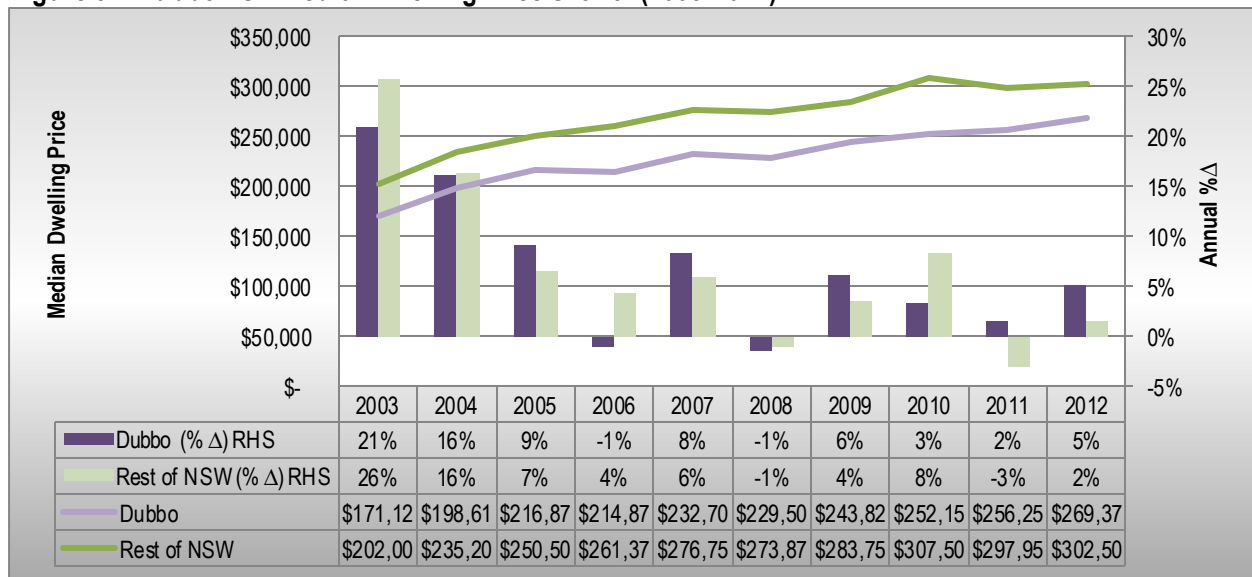
⁵ This is the principle of substitution, i.e. a buyer will pay no more for a property than an equally desirable property

⁶ ABS, Time Series Data, 2011 Dwelling Structure by Household Composition

Market activity appears to be quite diverse with both investors and owner occupiers actively purchasing dwellings. The last 6 months has witnessed market activity accelerated as the impact of several interest rates reductions is felt in the housing market. Agents have identified that investors from outside Dubbo have been showing increasing interest due to low vacancy rates and the potential for mining-driven demand in the housing market.

The figure below depicts the 10 year growth for Dubbo from 2003 to 2012 benchmarked against Rest of NSW. Similar to housing markets across NSW, Dubbo experienced significant median price growth over the 2003-2004 periods. In the years following there was a tempering of growth in the lead up to the GFC in 2008, followed by modest recovery to 2012.

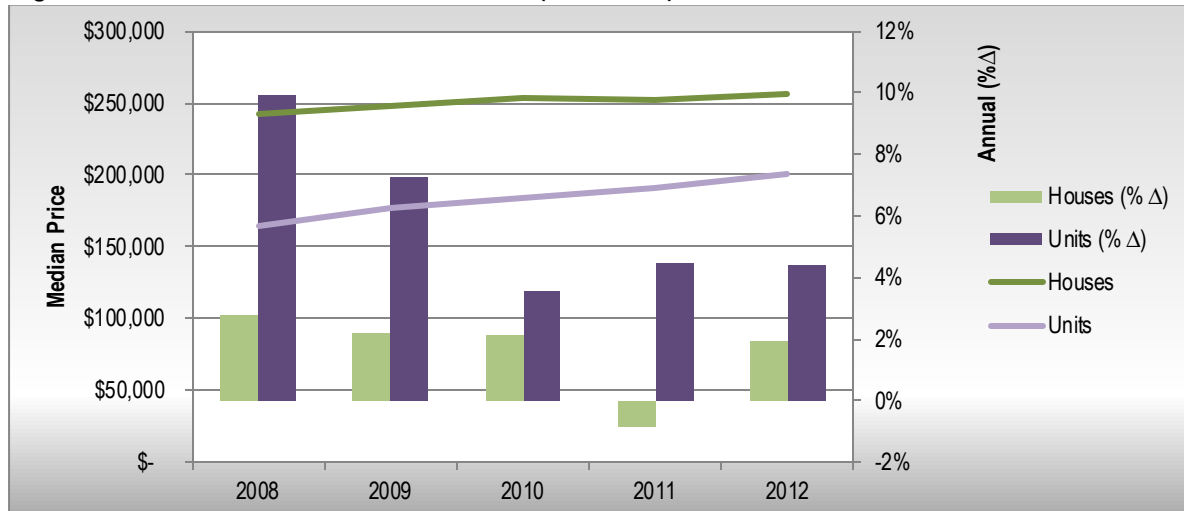
Figure 8 - Dubbo LGA Median Dwelling Price Growth (2003-2012)



Source: Housing NSW Rent and Sales Report, 2002-2012

The median house price in the June quarter 2013 was \$268,500, while it was \$208,500 for units. These median prices present implications for the viability of new development, particularly favouring certain building formats. Over the 12 month period to March 2013, the volume of sales was 661 for detached dwellings and 51 for residential units⁷.

⁷ Residex, *Market Commentary*, June 2013

Figure 9 - Dubbo House v Unit Price Growth (2008-2012)

Source: Residex Market Supplement, September 2012 & Hill PDA Research 2013

The figure above indicates that growth in unit prices has outstripped growth in house prices over the 2008 to 2012 period, suggesting either extraordinary demand or the presence of a supply shortage, or a combination of both. Moreover, during the June quarter 2013 annual capital growth of 3.07% was reported in the unit market⁸ indicating strong demand. Agents in Dubbo have identified a shortage of supply of new units exists as no new units have been completed over the preceding few years. Anecdotal evidence however suggests that small lot housing is a more economically viable format to produce in this market.

Informal discussions with agents have identified that volume is driven by existing stock in the \$250,000 to \$300,000 price range. This part of the market is highly competitive with first home buyers, second and third home buyers and investors equally keen.

In the market for new house and land packages, first home buyers tend to fall away after \$350,000, few with the ability to pay \$400,000 in some of the estates offering larger lots and greater amenity. There is also demand for a range of product, commensurate with different buyer group needs. For example, large lots located to the east and west in the 1,000sqm to 2,000sqm range attract the upsizing family.

While low maintenance is important for the downsizer market, this buyer group also have minimum space requirements, for example requiring a dual garage to store a campervan when it is not in use for six months of the year.

Existing Rental Market

As a regional city Dubbo benefits from a range and diversity of businesses and employers located therein. These include large agricultural service providers and exporters (including prominent Fletcher International Exports), hospital and ancillary medical businesses, Charles Sturt University, various government agencies and Western Plains Zoo as well as national retailers who serve the significant trade area.

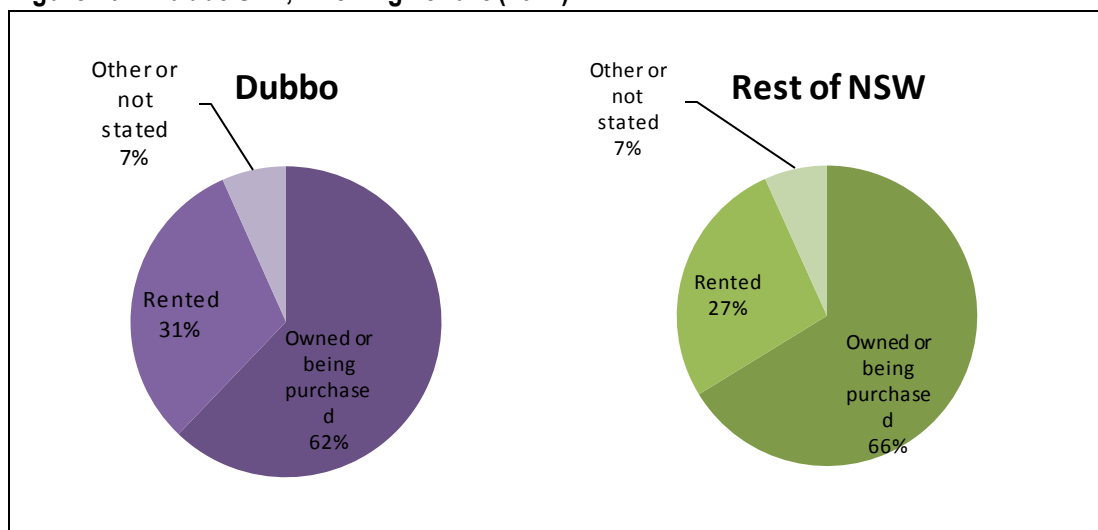
⁸ Ibid

Many organisations employ contract workers who may be on a 6 or 12-month post, this transient workforce accordingly generating demand for rental properties. Similar drivers of rental demand include that from young households who as yet cannot afford to purchase and to a lesser extent, students.

Demand for rental properties far outstrips supply in Dubbo, vacancy rates in the Orana region were recorded to be the lowest in NSW, i.e. 1.3% in June 2013⁹.

The figure below depicts the dwelling tenure mix in Dubbo compared with the rest of NSW. It is observed that the proportion of rented accommodation in Dubbo (31%) is greater than the 27% for the Rest of NSW. Furthermore observation of these proportions between 2006 and 2011 reveals a 4 percentage point increase in the proportion of households renting in Dubbo.

Figure 10 - Dubbo SLA, Dwelling Tenure (2011)



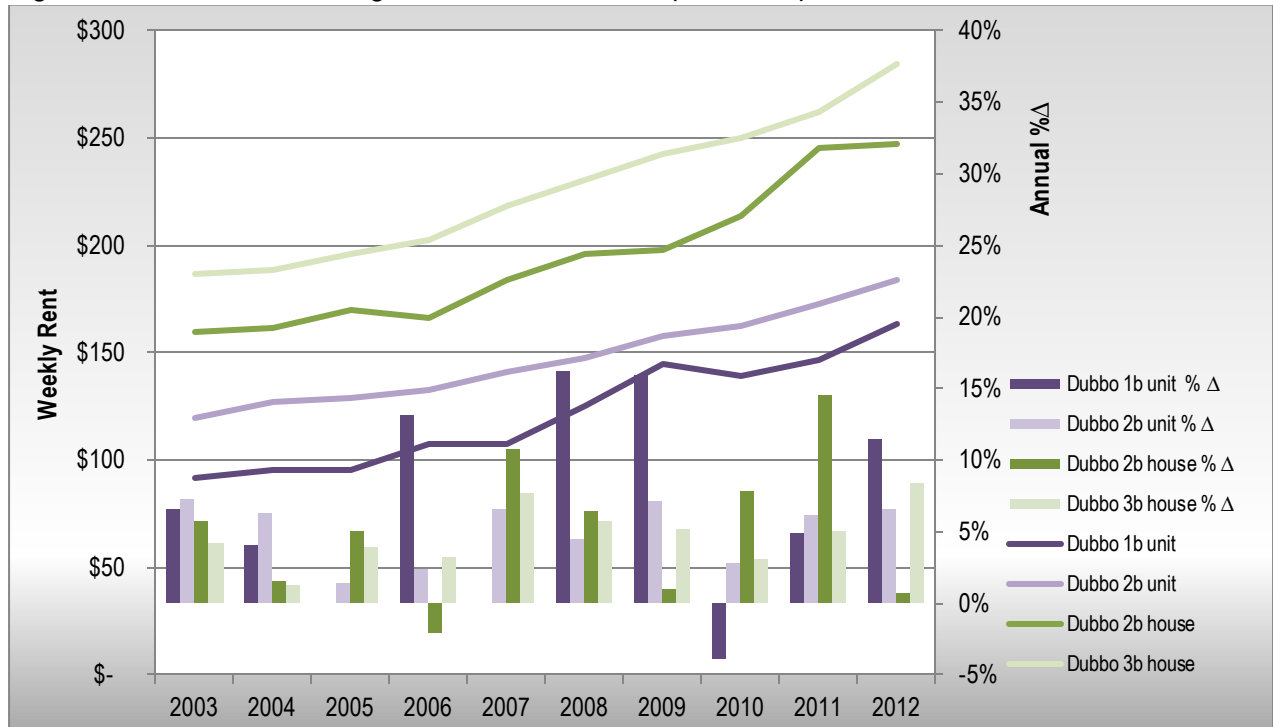
Source: ABS Census 2011, Time Series Data

Informal enquiries with leasing agents in Dubbo have revealed strong demand across all housing types in the market, with most properties leasing within one or two weeks of being advertised.

The median rent for houses (Dubbo suburb) in the June quarter 2013 was \$350 per week while the median rent for units was \$225 per week.¹⁰

⁹ REINSW Vacancy Rate Survey, June 2013

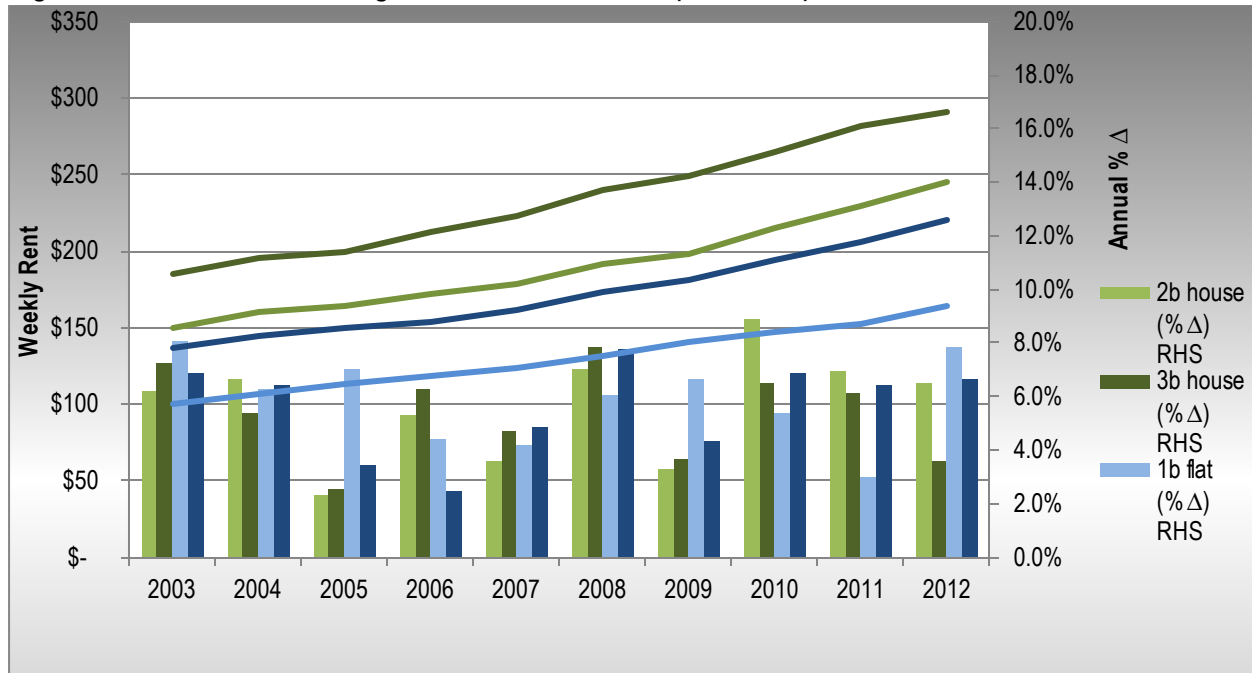
¹⁰ Residex, Market Commentary, June 2013

Figure 11 - Dubbo LGA, Average Annual Rental Growth (2003-2012)

Source: Housing NSW Rent and Sales Report, 2002-2011

The figure above indicates that median rents across Dubbo experienced positive growth over the previous 10 years, some periods witnessing stronger growth than others. Steady growth in weekly rents can generally be observed for 3 bedroom house and 2 bedroom flats (between 1% and 8%), however 2 bedroom houses and 1 bedroom flats displayed some volatility in growth over the period (rising as much as 15% in a year), the overall trend is nevertheless positive.

The figure below depicts the same growth period for regional NSW and it shows more steady (5%-8%) growth across all dwelling types.

Figure 12 - Rest of NSW Average Annual Rental Growth (2003-2012)

Source: Housing NSW Rent and Sales Report, 2002-2012

Hill PDA undertook a survey of advertised rental properties in Dubbo listed on www.realestate.com.au on 17 June 2013. Research indicated that there were approximately 71 rental properties available. Approximately 66% of available properties comprised detached homes and the remaining 34% comprised ground floor units / flats. There were no townhouses available for lease at the time of the survey.

For a summary of the above and details regarding asking rents, refer to the following table.

Table 15 - Dubbo Available Rental Property Survey

	Quantity	Asking Rent (\$/week)	Median Asking Rent (\$/week)	Bedrooms	Median
House	47	\$150-\$480	\$310	2-5	3
Units & Villas	24	\$145-\$420	\$213	1-3	2
Townhouses	-	-	-	-	-

Source: RealEstate.com.au (2013) & Hill PDA Research (2013)

The rental market is diverse with demand for a range of different households, from lone persons to larger families with steady income. It is not uncommon to have a large number of persons attend openings however some of these tenants may find it difficult secure rental accommodation due to a lack of established rental history.

As discussed earlier, there is relatively keen investor interest in Dubbo's residential market. The Residex Market Commentary report for June 2013 identifies gross median rental yields for houses at 6.27% and units at 5.81%, representing a comparatively attractive return.

2.3.2 MINE AND INDUSTRY EMPLOYMENT

According to information provided to us, there are several mines at various stages of planning and implementation. Some of these mines are to be located a distance from Dubbo, and will rely on Dubbo and other cities for private accommodation.

The following table illustrates the workforce anticipated to be associated with each of the mines during construction and operation.

Table 16 - Planned Mining Workforce (2014+)

Mine	LGA	Local Construction (2014-2016)	Operational (2016-2026)	% workers to Dubbo (during operation)	
Tomingley Gold Mine	Narromine	150	120	40%	48
Dubbo Zirconia Project, Toongi	Dubbo	350	230	100%	230
Cobbora Mine	Warrumbungle	206	590	60%	354

Source: Dubbo City Council, Alkane Resources

The Tomingley Gold Mine (8-10 year mine life) is currently under construction 50km south of Dubbo. During construction there will be some demand for rental housing in Dubbo. During the operational phase of the mine, the operational management team are expected to be based in Dubbo and will source housing from the private rental market.

The Dubbo Zirconia Project (80 year mine life) is expected to start construction in mid-2014 for 18-24 months. Thereafter during operation, a workforce of 230 persons will require accommodation in Dubbo (some of whom are expected to be locals). Given the long life of the project there may be demand to purchase housing from the operational workforce rather than to rent. Noting that wages and salaries of management may potentially be higher than the average for Dubbo, these persons would conceivably purchase more expensive forms of housing.

The Dubbo Base Hospital redevelopment will see Dubbo Hospital as the major rural referral centre and acute care hospital for specialty services to meet the growing demands in Dubbo and surrounding region. Construction has commenced with completion expected in 2015.

Hospitals are without doubt a centre of economic activity incorporating a hub of employment. They are a payer of wages, purchaser of goods and services and generator of tax revenue. With every hospital precinct a complex framework of relationships is therefore formed, with the hospital expected to generate demand for both suppliers and providers of health-related and non-health related products and services. This in turn will generate demand for various types of floor space.

A variety of residential types to cater to the diverse key worker population expected in the new hospital is necessary. While affordability will be key, housing types that convey lifestyle benefits of convenience and low maintenance will be sought after.

Demand for short-stay accommodation flows from any hospital precinct; depending on whether this will be met on-site in the hospital precinct, this land use (hotel / serviced apartments) should be considered for provision in the immediate neighbourhood. Short-stay guests could be patients and their families, visiting medical professionals and people undergoing training / courses in the hospital.

2.3.3 INCOME AND AFFORDABILITY THRESHOLDS

Dubbo is acknowledged to have a short term supply issue, a product of the slowdown in development activity in the few years preceding amid housing demand which was unabated. The impact of Dubbo's low housing supply and strong market demand has driven the cost of housing upwards, as can be seen in the strong growth witnessed in median prices and median rents (Figure 9).

ABS Census data mortgage costs as a percentage of household income for Dubbo residents rose 5.1%, from 26.8% in 2001 to 31.9% in 2011. This indicates little unexhausted capacity of households to tolerate further / substantial house price increases.

In order to understand the extent of the housing affordability issue in Dubbo, Hill PDA prepared an Excel based model 'Household Income Affordability Calculator'. The model profiles household income bands based on ABS Census data for Dubbo and the level of rent / debt that each household income level could afford to pay depending on key variables (i.e. interest rate, deposit and household income).

Table 17 - Hill PDA Household Income Affordability Calculator

Household Income	Household Income (Weekly)	Rental (% income)	Weekly Rental	Ownership (% income)	Monthly	Principal Loan	Deposit	Home Affordability
\$20,000	\$385	25%	\$96	30%	\$500	\$75,154	\$7,515	\$82,669
\$25,000	\$481	25%	\$120	35%	\$729	\$109,599	\$10,960	\$120,559
\$30,000	\$577	26%	\$150	35%	\$875	\$131,519	\$13,152	\$144,671
\$35,000	\$673	27%	\$182	37%	\$1,079	\$162,207	\$16,221	\$178,428
\$40,000	\$769	28%	\$215	38%	\$1,267	\$190,390	\$19,039	\$209,429
\$45,000	\$865	30%	\$260	40%	\$1,500	\$225,461	\$22,546	\$248,007
\$50,000	\$962	30%	\$288	40%	\$1,667	\$250,513	\$25,051	\$275,564
\$55,000	\$1,058	30%	\$317	40%	\$1,833	\$275,564	\$27,556	\$303,120
\$56,368	\$1,084	30%	\$325	30%	\$1,409	\$211,813	\$21,181	\$232,995
\$56,368	\$1,084	30%	\$325	40%	\$1,879	\$282,418	\$28,242	\$310,660
\$60,000	\$1,154	30%	\$346	40%	\$2,000	\$300,615	\$30,062	\$330,677
\$65,000	\$1,250	30%	\$375	40%	\$2,167	\$325,666	\$32,567	\$358,233
\$70,000	\$1,346	30%	\$404	40%	\$2,333	\$350,718	\$35,072	\$385,789
\$75,000	\$1,442	30%	\$433	40%	\$2,500	\$375,769	\$37,577	\$413,346
\$80,000	\$1,538	30%	\$462	40%	\$2,667	\$400,820	\$40,082	\$440,902
\$85,000	\$1,635	30%	\$490	40%	\$2,833	\$425,871	\$42,587	\$468,459
\$90,000	\$1,731	30%	\$519	40%	\$3,000	\$450,923	\$45,092	\$496,015
\$95,000	\$1,827	30%	\$548	40%	\$3,167	\$475,974	\$47,597	\$523,571
\$100,000	\$1,923	30%	\$577	40%	\$3,333	\$501,025	\$50,103	\$551,128

*Assumptions: 10% deposit, 7% interest rate, 30 year term

Based on the outputs from the Household Income Affordability Calculator, a household with the median income in Dubbo could only afford to purchase a home for \$233,000 assuming a debt service ratio of 30% of income. Assuming a higher debt service ratio of 40%, a household with the median income can afford to purchase a home for \$310,000. By the same token, households earning the median income could afford to pay \$325 per week in rent, which is just less than the median house rent (\$350 per week in Dubbo suburb).

Housing affordability is, unsurprisingly a key factor in whether a household purchases or rents. Housing NSW calculated the proportion of people on low incomes in the private rental market in receipt of Commonwealth Rent Assistance (CRA) and found that single person households are by far the largest group in housing stress, this

group comprising 75% of all households in receipt of CRA and in stress. The report particularly concluded that the private rental market in Dubbo is not catering well to the needs of smaller households¹¹.

2.3.4 HOUSING NEED AND TYPES

The lack of diversity in housing types arguably affects the ability of the diverse population to find accommodation that suitably meets their needs. The predominance of the detached, 800sqm block points to a homogenous housing solution for a diverse market comprised of lone and couple households, retirees / downsizers, renters, young and older families.

There is certainly a case for improving housing diversity to suit wide ranging need and circumstances. The following market trends are indicative that a greater diversity of housing is needed:

- Increasing popularity of the smaller lot (400-450sqm) due to lifestyle choice and low maintenance implications, and to a limited extent affordability. This is not dissimilar to trends observed in metropolitan markets.
- Declining household size from 2.7 (2001) to 2.5 (2011) which aligns with broader national trends leading to an increased demand for smaller format housing.
- Builders purchasing lots from developers to on-sell with house and land package with many seeking to do so at a ceiling of \$320,000.
- Builder developers specialising in targeting the investor market are active, indicative of keen investor demand due to strong rental conditions.
- A severe shortage of accommodation for seniors, particularly those in assisted care and nursing homes, is understood to exist. Long waiting lists are prevalent with demand from the wider region and some tree-change downsizers.
- While there is an underlying demand for housing owing to population growth and strong employment rates, there is a finite ability of the market to pay for housing. Higher sale prices beyond purchaser affordability causes purchasers to rent and thereby putting pressure on an already tight rental market.
- An examination into purchasers' housing requirements suggests that while larger building dimensions and generous block sizes may be viewed favourably ('nice to have') by some purchasers (i.e. those who can afford it), a large proportion of the market will ultimately purchase according to their needs and what they can afford.

The restrictive covenants for larger dwellings that subsist in some subdivision estates potentially reduce the affordability of dwellings, also conceivably amounting to an inefficient use of resources providing purchasers with more floor space than is necessarily required.

Townhouses and villas are often perceived as a compromise on reduced space yet affording benefits of lifestyle and convenience and are particularly popular with couple households and the retiree and downsizer market.

¹¹ Housing NSW, Information on Dubbo Housing Market, 2010

2.3.5 LARGE LOT RESIDENTIAL

Our research finds there is strong demand for premium lifestyle lots in Dubbo (1.5ha-20ha). Local selling agents report receiving enquiries for larger rural residential lots on the periphery of the town, these enquiries reportedly from various sources, persons looking to move to Dubbo from urban locations to embrace the country lifestyle and upgraders from within Dubbo looking for the lifestyle benefits associated with large space. Retired farmers from the region who seek proximity to medical facilities and town amenity are also a driver of demand for large lots.

The semi-rural large lot holding is accessible to a small segment of the market who are able to pay upwards of \$500,000 for a house and land but more often than not, this figure is closer to \$650,000, particularly if the house and land is new. The prolonged drought had impacted the agricultural industry, impeding growth in the premium rural lifestyle market. With the arrival of rains and the pickup in the agricultural sector demand has returned for lifestyle lots, with agents commenting on the strong interest received for this type of property.

The two main subdivisions Richmond Estate and Firgrove Estate located in East Dubbo have had limited sales in 2012 as they are fully subscribed. Re-sales in Firgrove Estate have recorded good capital growth between 5% and 7% per annum for vacant blocks. This trend has been confirmed by selling agents to be driven by a combination of increased demand in the last few years and a shortage of supply.

Table 18 - Dubbo Large Lot Rural Residential Sales (2012-2013)

Street Address	Property Type	Suburb/Project	Sale Prices		Size (ha)
			Low	High	
Various	House & Land	Richmond Estate	\$475,000	\$668,000	1.5-2.5
Various	House & Land	Firgrove Estate	\$500,000	\$570,000	1.5-1.85
Various	Land	Firgrove Estate	\$180,000	\$260,000	1.8-3.9
Belgravia Heights	House & Land	Dubbo	\$479,000	\$650,000	10-11
Ascot Park	House & Land	Dubbo	\$450,000	\$493,000	10-11.5
Boothenda	House & Land	Dubbo	\$475,000	\$550,000	13-16
Panai Avenue	Land	Dubbo	\$200,000	\$220,000	40
Pinedale Road	Land	Dubbo		\$320,000	5.2

Source: Realestate.com.au

Agents have identified that the lifestyle benefits associated with large lot residential product appear to be sought in two size ranges, blocks <3ha and >7ha. The blocks less than 3ha provide similar benefit to 4,000sqm lots where a tennis court pool and substantial house can be accommodated. Moving into the range greater than 7ha, lifestyle objectives include horses, motor bikes and a shed for farming equipment.

A survey of Realestate.com.au on 24/07/2013 revealed that there was limited offering in the 10ha size house and land offering, with no properties for sale between 2ha and 8ha.

Table 19 - Availability of Rural Residential Lots

Land Size (ha) (ha)	Land only	House and Land
1.5-2	0	2
2-8	0	0
8-12	4	11
14-40	2	2

Source: Realestate.com.au (24/7/13) & Hill PDA Research 2013

Our enquiries have identified that location preference for rural residential living is generally influenced by the availability of utilities and services, the cost of subdivision, clearing and construction are also important factors that influence demand. Subject to these factors the market would potentially consider various locations in Dubbo.

2.4 SUMMARY OF RESIDENTIAL SUPPLY AND DEMAND

Residential Supply

There is a view that across Australia, deteriorating affordability and the failure of housing supply to keep pace with underlying demand has likely slowed the historical trend to smaller household sizes. There is some anecdotal evidence of increased overcrowding, especially in more disadvantaged segments of the housing market and these trends are likely to continue unless there is an increase in the supply of affordable rental housing¹².

While dwelling approvals slowed during the period of the drought (2001-2008), dwelling supply has been gradually increasing over the last three years. Detached dwellings form the dominant type of housing in Dubbo (82.3%), with the 800sqm block suggested to be the most common lot size.

There are still a considerable number of lots within subdivisions approved but not yet constructed (in the order of 1,937 lots), the majority of these comprising lots sized 600sqm and larger (Table 20) while the newly released urban areas in West and Southeast Dubbo are estimated to have dwelling capacity for almost 7,000 lots.

Table 20 - Dubbo Urban Area Subdivision Summary

	Subdivision	Lots Approved	Lots Constructed	Lots to be Constructed	Min Lot Sizes (sqm)
East Dubbo	Peart	5	0	5	600
	Regand Park Estate	64	64	0	600
	Southgate Estate	16	0	16	Community title
	Fairview Heights Estate	26	26	0	600
	Magnolia Grove Estate	163	0	163	600
	Spring Park Estate	35	35	0	600
	Dubbo Residential Estate	207	0	207	600, 2,000, 4,000
	Holmwood Estate	215	182	33	300, 600, 4,000
	Southlakes Estate	433	107	326	600, 2,000
	Keswick Estate	294	228	76	600
	Eykan	64	0	64	600
	Mrs Park	7	0	7	4,000
	Homestead Green	41	41	0	4,000
	Richmond Estate	123	123	0	1.5ha
	Firgrove Estate	181	181	0	1.5ha
		1,874	987	897	
West Dubbo	Rosewood Grove	492	492	0	600
	Horizons Retirement Village	217	37	180	Seniors living
	Delroy Park Estate	1,002	569	433	600
	Grangewood Estate	594	254	340	600

¹² The National Housing Supply Council, Housing Supply and Affordability Issues, 2012-2013

Subdivision	Lots Approved	Lots Constructed	Lots to be Constructed	Min Lot Sizes (sqm)
Kintyre Estate	42	42	0	2,000, 4,000, 6,000
Pioneer Spirit	87	0	87	Community title
	2,434	1,394	1,040	
	4,308	2,381	1,937	

Source: Dubbo City Council

As can be seen from the above, there are almost 2,000 lots yet to be delivered to the market (46% in East Dubbo and 54% in West Dubbo), notably located in the 600sqm, 2,000sqm and 4,000sqm minimum lot size zones. Notably, there are only a small proportion of lots to be constructed under 600sqm in size.

The newly released urban areas of West and Southeast Dubbo have been zoned R2 Low Density and R5 Large Lot Residential and designated with a range of minimum lot sizes, i.e. 600sqm, 800sqm, 2,000sqm, 4,000sqm, 1.5ha, 2ha and 10ha. High-level capacity estimates suggest these lands together have the potential to produce 6,979 lots.

Table 21 - Dwelling Capacity Estimates in Urban Release Areas

Urban Release Area	Site Area (ha)	Land Use Zone	Minimum Lot Size (sqm)	Potential Lots*
North-western	312	R2 Low Density	600	2,600
South-western	384	R2 Low Density	800	3,200
	135	R5 Large Lot Residential	2ha	8
	98	R5 Large Lot Residential	10ha	28
	334.5	R5 Large Lot Residential	10ha	45
South-east	100	R2 Low Density	600	833
	39.09	R2 Low Density	2,000	138
	54.5	R2 Low Density	4,000	109
	53.2	R5 Large Lot Residential	1.5ha	26
				1,098

*Yield potential indicative only based on zoned lands and total area requirement assuming roads and public open space.

Source: Dubbo City Council

It can be seen from the above that Dubbo has adequate urban lands for residential development, however there is a glaring gap in the availability of lots under 600sqm.

Residential development in Dubbo has traditionally been focused to the east of the river. In recent years a number of subdivisions have been progressed to the west of the river, many of these met with good market acceptance and continue to establish West Dubbo as a residential locale. The completion of the Woolworths supermarket in Delroy Park has increased the prominence and desirability of West Dubbo as a place to live.

Newer subdivisions, particularly Delroy Park, appear to be providing a diversity of housing stock through a variety of lot sizes. Price points do not vary significantly between small (450sqm) and large lots (800sqm), indicating that at certain price points (\$110,000-\$120,000), the market is driven more by lifestyle choices rather than price.

Project builders are observed to exhibit interest for small lots to 'meet the market', delivering house and land for under \$320,000. This can be observed to be the 'ceiling of affordability' for households earning the median income and paying 40% of their income in mortgage payments (see Table 17).

Medium density infill development is expected to be sought after most in and around the CBD with sporadic developments of medium density occurring in the infill areas of central Dubbo, particularly where sites can be assembled at an appropriate price. The supply of medium density (e.g. villas, townhouses) is constrained primarily by feasibility issues, where expected sale prices are insufficient to justify total development costs and margins.

There is anecdotal evidence of a short supply of 'lifestyle lots' available for sale, particularly in the 2ha-10ha size bracket. This suggests a tightly held market and / or a shortage of adequately zoned lands.

Residential Demand

In some sectors of Dubbo, an extremely tight rental market has resulted in rapidly increasing rental rates, some renters priced out and forced to consider smaller housing that is within their affordability¹³. The supply of rental housing in Dubbo is at critically low levels. This is immediately pressing issue, considering that demand for housing from industry and employment is expected to increase with the completion of the Dubbo Base Hospital and various mines.

Dubbo's strong employment rates drive demand for rental housing and with vacancy rates at critical lows (1.3% in June 2013), the lack of available rental housing is a serious issue requiring immediate attention. While Dubbo's housing market's needs are varied (single persons, couples with and without children, families and retirees), the supply of housing in Dubbo is largely homogenous in nature. There is insufficient housing diversity, particularly in smaller format housing, to cater to the diverse needs of the community¹⁴.

Dubbo's demographic make-up is evolving, the median age rising from 33 to 36 years, household size declining from 2.7 to 2.5 and a corresponding increase in the number of lone person households. According to population forecasts, Dubbo is expected to require around 2,667 new dwellings to 2036, average of 106 dwellings per year.

Our research shows that demand for existing housing is greatest in the \$250,000 to \$300,000 price range, consistent with the affordability thresholds of at least 50% of households. With regards housing priced at this level, there is a distinct gap in the market with new stock generally exceeding this price bracket.

An examination into purchasers' housing requirements suggests that while larger building dimensions and generous block sizes may be viewed favourably ('nice to have') by some purchasers (those who can afford it), a large proportion of the market will ultimately purchase according to their needs and ability to pay.

There is a reported resurgence of interest in premium lifestyle lots following the end of the drought, many agents reporting receiving interest for lots in the 2ha-10ha size bracket.

Across Australia, the National Supply Housing Council notes signs of innovative responses to the shortage of affordable housing in the residential development and building industry including smaller allotments, smaller dwellings, and well-designed medium and higher density dwellings, including in greenfield locations¹⁵. Planning policy can help facilitate innovation by the development industry to respond to the structural issue of housing affordability.

¹³ Interviews with sales and leasing agents, members of Real Estate Institute

¹⁴ Also found by Housing NSW in its 'Information on Dubbo Housing Market', 2010

¹⁵ The National Housing Supply Council, Housing Supply and Affordability Issues, 2012-2013

3. STAKEHOLDER ENGAGEMENT

Hill PDA conducted two industry forums and a workshop with Council. The two industry forums were attended by a range of local developers, real estate agents, property valuers, lawyers and conveyancers, landowners and other local industry experts. The workshops sought to understand the key drivers to residential development from an industry perspective and to identify and issues / challenges that might be hindering development.

A list of attendees at each of the industry forums and Council workshop are appended to the rear of this report.

3.1 DUBBO CITY COUNCIL

A workshop was held with Councillors at Council chambers on 1 July 2013.

Some of the key observations made of the Dubbo residential market include:

- There is a shortage of housing and lack of diversity particularly at the lower end of the market. The last apartment building to have been constructed in Dubbo was noted to be in 1994.
- There is a changing perception of the market towards West Dubbo, with growing market acceptance observed and gaining momentum, the population having expanded to be as large as Forbes over the last 20 years.
- Productive farming lands should be protected as they underpin the wealth of a community.

Some of the key factors identified by Councillors to be influencing housing supply and development in Dubbo include:

- The availability of land particularly in central Dubbo, the fragmentation of site ownership and the high cost involved in purchasing existing dwellings;
- The feasibility of infill development is recognised to be challenging and perhaps Council could consider different options to encourage feasibility of this type of development.
- The R1 General Residential zone could help facilitate denser development (e.g. villas) around central Dubbo.
- Rental stock needs to be increased and Council should consider how it can help facilitate this type of residential stock.
- The supply of a diverse range of rural living options is necessary, including 25 acre (10ha) blocks. However it is recognised that this should be balanced against the impacts to productive farming lands and good alluvial soil that are yielding good agricultural returns.

Furthermore it was suggested that Council's roles as planning and consent authority and as developer are separate and distinct. It was felt that Council's role should be to facilitate development but ultimately it is for the market to decide what is viable.

3.2 DEVELOPMENT INDUSTRY

Workshop attendees identified some key market characteristics as follows:

- The difficulty in procuring rental accommodation due to tight market conditions.
- Difficult for first-time purchasers to enter the market due to a lack of entry-level properties at affordable prices.
- The lack of housing types and options makes it difficult to attract new residents to Dubbo.
- Gap in housing supply at entry-level, i.e. in \$250,000 to \$350,000 price bracket.

Attendees were distributed into groups and asked to note the opportunities and constraints they perceived to be affecting housing supply in Dubbo.

The following factors were identified as constraining housing supply in Dubbo:

- Inadequate zoning to facilitate infill development.
- Multi-level construction is too expensive considering the current sale prices of units, i.e. compliance to building code makes it difficult to feasibly develop units.
- Delicate profit margins with respect to unit development.
- Limited availability of large blocks suitable (at an appropriate price) for infill development.
- Affordability, people will ultimately buy what they can afford.
- Statutory fees and charges contributes to high development cost.
- Lack of awareness about permissibility of housing types within different land use zones.
- Minimum building size covenants imposed within certain subdivisions.
- Long lead time for planning approval, in some cases leading to a missed market opportunity.
- Large minimum block sizes precluding the supply of smaller and more affordable housing.
- The market for medium density (i.e. units) is generally confined to CBD and immediate surrounds.

Attendees identified the following supply opportunities for housing in Dubbo:

- An education campaign to educate landowners about what is permissible in current zones, e.g. granny flats, dual occupancies, etc.
- Availability of smaller blocks closer to CBD.
- Council could help drive supply in the entry-level of the market leveraging off its lands.
- Facilitate supply of units and smaller homes so that younger and older population have better housing choice.
- Good employment opportunities in Dubbo generate good demand for more housing supply.
- Council could review its fees and charges to encourage more development.

3.3 REAL ESTATE INSTITUTE

A workshop with the Real Estate Institute (REI) was attended by key members who identified the following factors as influencing housing market and development in Dubbo:

- Observed popularity with duplexes and villas, land often swiftly developed when available.
- Perception of traffic congestion on the bridge, associated with living in West Dubbo.
- High demand for and lack of entry-level housing, the majority of new stock accommodating large houses beyond the affordability of most.
- Rents rising rapidly for rental properties, larger 4 bedroom houses declining in demand due to affordability reasons.
- Apparent market resistance to strata titled properties due to fees and outgoings.
- Minimum building size covenants skews housing size to large buildings.
- Investment returns on large houses are not attractive enough to warrant large scale interest by investors.
- Duplexes that are confined to corner blocks do not necessarily result in the best urban design outcome.
- There is poor housing choice and diversity in Dubbo, ill-equipped to cater to the needs of the diverse market which will include mine employees in the coming years.
- Section 94 contributions are a large proportion of overall development costs, undermining the viability of development.
- Challenges in acquiring sites for redevelopment in established areas due to good utility associated with current improvements and use.
- The closure of Gordon Estate and dispersal of residents throughout Dubbo has increased the demand for rental housing.
- A general ignorance / lack of awareness in the market as to various uses permitted in residential zones.
- There is most demand for 2 and 3 bedroom villas, less demand for 1 bedroom accommodation.
- There is most demand for housing in the \$250,000-\$300,000 price bracket, indicative of market's affordability.
- Although Rosewood Grove still suffers from the legacy of the Gordon Estate, vacant subdivided blocks have sold well (<\$60,000).

The REI stresses that the issue of housing affordability needs urgent attention, with many of Dubbo's residents not having their housing needs met and a large proportion of whom are in housing stress.

4. FEASIBILITY ANALYSIS

The challenge with infill development is often feasibility, i.e. the ability of a developer to assemble a development site, construct the dwellings and pay for all development costs, and ultimately selling the completed dwellings at prices to enable a profit. The purpose of this Chapter is to test the feasibility of infill development in established areas of Dubbo.

Hill PDA has adopted the residual land value approach as the method of assessment and utilised its proprietary software Estate Master in the analysis. This involved assessing the value of the end product of the development, allowing for the development costs, and making a further deduction for the profit and risk that a developer would require to take on the project.

4.1 DEFINITION OF TERMS AND CONCEPTS

The development equation is set out in simple terms as follows:

$$\text{GDV} = \text{L} + \text{B} + \text{F} + \text{P}$$

where GDV = Gross Development Value, L = Land, B = Building, F = Finance, P = Profit

Development will be feasible to the extent that the components of Land, Building, Finance and Profit do not exceed the expected Gross Development Value (the total amount realised from completed built space).

One of the metrics surrounding the feasibility of development is the land value, a residual after all costs and revenues are taken into account. The figure must be of a sufficient amount to encourage the owner to sell or change the use of the land. Where there are improvements on the land these may or may not add to the value of the land depending on their obsolescence and income-producing capacity. The Residual Land Value must exceed the value of the land and improvements to incentivise a change of use or ownership.

The development equation can be rearranged to calculate land value as a form of residual value:

$$\text{L} = \text{GDV} - (\text{B} + \text{F} + \text{P})$$

where the Residual Land Value is the remainder after deducting all costs from revenue

The Residual Land Value associated with a development is considered a key indicator in understanding the appropriateness of development controls in encouraging redevelopment. A Residual Land Value that exceeds the 'As Is' value of a site suggests that a redevelopment would constitute a 'higher and better use' than the 'as is' use.

Economic Viability / Financial Feasibility

The assessment of economic viability of various density options can be assessed by comparing the resultant Residual Land Values with the 'As Is' land value of residential sites in Dubbo's established areas. Increasing the density or floor space ratio (FSR) specifies higher and more intensive built forms over a site.

By analysing historical sales evidence, land values ('as is') of residential properties in Dubbo are in the order of \$200/sqm to \$650/sqm of site area. Sites commanding more than \$300/sqm of site area in value imply the

buildings still enjoy a good economic useful life and are not as yet ripe for development unless a significant value uplift is experienced with medium density development.

We have not assessed the existing improvements on each site to determine individual acquisition values, but we consider sites at the lower end of the range (\$200/sqm-\$250/sqm) to be most likely targeted for development. (This equates to around \$160,000 for an 800sqm house.) Redevelopment options that return higher Residual Land Values than \$200/sqm-\$250/sqm are considered economically viable or financially feasible as it implies that they are a 'higher and better' use than current use, making redevelopment an attractive option. In reality a premium over and above market values is often required to incentivise landowners to part with their property, this premium can be as high as 25%.

Hurdle Rates

Target hurdle rates are dependent on the perceived risk associated with a project (planning, market, financial and construction risk). The more risk associated with a project, the higher the hurdle rate required by a developer.

A site that is covered by clear and unambiguous planning controls is less risky; good planning direction will contribute to mitigating planning risk and thereby reducing the lead-in time to development commencement. It could otherwise result in developer resistance and corresponding increases in required hurdle rates to compensate for increased risk and longer holding periods expected.

The feasibility analysis has assumed lower project returns (IRR) in the region of 16% to 18% on development recognising the nature of the market in current conditions and the likely participants / developers.

4.2 RESIDENTIAL DEVELOPMENT FEASIBILITY

This section provides an overview of our feasibility assessment of notional development schemes of single storey villas, considered to be the most viable format for infill development in Dubbo. The intention of this feasibility testing is to investigate the viability of medium density development in central and south Dubbo to determine the 'pressure points' required for feasible development.

In the absence of concept schemes, only notional / hypothetical development schemes are considered with the adoption of generic cost and revenue assumptions. Note that these schemes have not been capacity tested or been subject to urban design testing.

The feasibility of each notional development scheme has been measured by project Internal Rate of Returns (IRRs) and Residual Land Values (RLVs), the ranges of acceptability are indicated below:

Table 22 - Performance Criteria for Development Options

Performance	Project IRR¹	Residual Land Value²
Feasible	>16%-18%	>\$200/sqm
Marginally feasible	15%-16%	\$180-\$190/sqm

Notes:

1 - Project Internal Rate of Return (IRR): the discount rate where the Net Present Value (NPV) equals zero, 'As Is' land values of \$200/sqm assumed to be prevalent in the Study Area

2 - Residual Land Value (RLV): the purchase price for the land to achieve a zero Net Present Value (NPV)

While the project IRR has been adopted as the primary indicator of performance (feasibility), regard is also had to the following performance criteria:

- 1) **Residual Land Value:** Purchase price of the land whilst achieving a zero Net Present Value (NPV). For a use to be considered feasible, the corresponding Residual Land Value needs to be greater than the 'As Is' value* so as to make it (the proposed use a 'higher and better use'). There is little economic impetus for effecting land uses that return lower Residual Land Values than current values.
- 2) **Development Profit:** Total revenue less total cost including interest paid and received.

Sites that are achieving 'As Is' values under \$200/sqm-\$250/sqm of site area are considered most immediate redevelopment propositions. Other more valuable properties (>\$250/sqm) are unlikely to be redeveloped in the short term. As a consequence, we have adopted \$200/sqm as the base value by which to compare the feasibility of redevelopment against. In other words, development options that result in a Residual Land Value of greater than \$200/sqm of site area would be considered feasible, sufficient to displace the existing use worth \$200/sqm of site area.

Hypothetical Villa Development Option

In comparison to other infill development (e.g. residential flat buildings), single level villa development is likely the most viable option for re-development in current market conditions, owing to its economic cost of construction. Considering the level of house prices and price-sensitivity of the market, infill development in the form of 2 and 3 bedroom villas could potentially offer some densification of uses in central Dubbo in and around the CBD.

The following notional development schemes (of varying yields) have been subject to feasibility testing:

1. 3 villas on a 880sqm block;
2. 4 villas on a 880sqm block;
3. 7 villas on 1,600sqm block;
4. 11 villas on 2,400sqm block.

Table 23 - Hypothetical Villa Development Option

Townhouse Format	Option 1a	Option 1b	Option 2	Option 3
Site Area	880sqm	880sqm	1,600sqm	2,400sqm
Indicative Development Yield	3	4	7	11
2 bedroom villa (90sqm)	3	4	4	6
3 bedroom villa (110sqm)	-	-	3	5
Parking	6	8	14	22

Note that the above hypothetical development options *have not* been design tested for site capacity, setbacks and configuration.

4.3 SUMMARY OF FINDINGS

The key performance indicator for the assessment of feasibility performance is the project Internal Rate of Return (IRR) in applying the generic assumptions.

The following tables illustrate the results of the high-level, generic feasibility testing of various building formats. Note that the assumptions for this generic testing are not guaranteed to apply to *all* sites as the type of development, site factors and constraints all have an impact on cost and design.

The table below contains the findings of our generic feasibility modelling.

Table 24 - Summary of Feasibility Results of Hypothetical Villa Development

Site Specifics	Option 1a	Option 1b	Option 2	Option 3
Site Area	880sqm	880sqm	1,600sqm	2,400sqm
Gross Floor Area	270	360	690	1,090
Development Yield ¹	3	4	7	11
Performance Indicators:				
Gross Revenue ²	\$870,000	\$1,160,000	\$2,120,000	\$3,340,000
Total Costs ³	\$765,687	\$973,990	\$1,774,547	\$2,851,243
Development Profit	\$21,536	\$72,308	\$133,359	\$281,249
Project IRR	6.73%	14.36%	15.00%	15.20%
Residual Land Value (RLV)	\$130,126	\$181,176	\$290,548	\$495,226
RLV (\$/sqm of site area)	\$148	\$206	\$182	\$206
Feasibility	No	Marginal	Marginal	Yes

Notes:

1 - High level estimate in the absence of design /site testing

2 - Revenue based on end sales values of 2bedroom villa (90sqm) - \$290,000, 3bedroom villa (110sqm) - \$320,000

3 - Includes s64/s94 contribution rates of \$13,040 (2bedroom villa) and \$15,457 (3bedroom villa)

The feasibility testing reveals that the viability of this type of infill development is delicate with feasibility highly sensitive to cost. Option 3 which assumes amalgamation of three typical 800sqm lots to develop 11 villas is the most viable option, benefiting from economies of scale that accompany a larger development.

If Option 1 could accommodate a fourth villa (Option 1b), equating to 220sqm site area per villa feasibility improves significantly. Options 1b and 2 are marginal, however still representing development opportunities if sites can be procured cost-effectively and savings can be made in construction costs.

4.4 KEY DRIVERS OF FEASIBILITY

There are several key issues that impact on development feasibility outcomes, particularly of infill development in Dubbo.

4.4.1 LAND VALUES

The cost of land is critical for development feasibility. Provided sites can be assembled cost-effectively (whether vacant sites or with nominal improvements), redevelopment into higher densities will be insufficient to displace

existing uses. It is acknowledged that there are limited opportunities where sites can be assembled under the feasibility threshold of \$200/sqm of site area, particularly considering the current short supply of housing.

An example where a site has been procured under the feasibility threshold is 16-18 Edwin Street. A vacant site with an area of 4,489sqm, this block sold for \$330,000 (\$73/sqm of site area) with development consent for 9 villas.

Notwithstanding the limited availability of suitable development sites in central Dubbo, there are still site opportunities that exist, e.g. a vacant site advertised at 7 Reakes Avenue falls within the feasibility threshold range and appears to present a financially viable development option. The table below shows that there are a range of sites available and that if amalgamated with adjacent blocks, could potentially be viable to develop.

Table 25 - Sales of Detached Dwellings in Central Dubbo (2012-2013)

Address	Sale Date	Sale Price	Site Area (sqm)	\$/sqm	Comments
7 Reakes Avenue	Advertised	\$190,000	1,012	\$188	Vacant block advertised for sale. Zoned R2.
24 Alfred Street	22/11/2012	\$141,000	682	\$207	Older three bedroom house. Zoned R1.
4 Alam Street	11/01/2013	\$186,000	642	\$290	Older three bedroom house. Zoned R1.
323 Brisbane Street	17/08/2012	\$268,000	936	\$286	Good condition, house on larger block. Zoned R2.
281 Brisbane Street	26/03/2013	\$420,000	1,214	\$346	Good condition, house on large block. Unlikely to be developed due to 'as is' value. Zoned R2.

Source: Red Square & Hill PDA Research 2013

As discussed earlier, the adequacy of land supply is crucial for the supply of housing. Land supply is equally important for residential subdivisions as it is for more dense forms of housing, e.g. villas and townhouses. Land use zoning that facilitates this form of more dense housing is the R1 General Residential zone, which is represented in selected pockets to the north and south of the CBD.

4.4.2 DEVELOPMENT COST

A major factor for development feasibility is the cost of development, comprising construction cost, professional fees, developer contributions, finance, etc.

Most components of development cost are market-driven, in that they are priced according to demand and supply conditions that prevail in markets other than the property market, e.g. construction and building markets, finance and capital markets, employment and labour markets.

This section focuses on an analysis of s94 and s64 developer contribution rates. Developer contributions are necessary to enable the provision of additional infrastructure required by a new development. This could translate into an augmentation of existing infrastructure or require new infrastructure provision. Different council areas have unique infrastructure circumstances to address, hence there is a range of varied developer contribution rates.

A survey of developer contributions in the competing evocities of Albury, Tamworth and Wagga Wagga reveals that Dubbo's developer contributions fall within a similar range to those of the other evocities except for Albury. Albury is in fierce competition with Wodonga located across the border in Victoria, presumably influencing the lower charges for development.

Table 26 - Comparison of Section 64 / 94 Developer Contributions (combined)

Charge (ET)	Dubbo*	Tamworth	Albury	Wagga Wagga
Single Dwelling/Lot	\$21,765	\$8,309-\$20,286	\$6,798	\$18,919-\$24,089
1 bedroom unit	\$11,552	\$8,309-\$20,286	\$2,266	\$17,271-\$23,642
2 bedroom unit	\$13,040	\$8,309-\$20,286	\$4,532	\$17,271-\$23,642
3 bedroom unit	\$15,457	\$8,309-\$20,286	\$6,798	\$17,271-\$23,642

*Stormwater contributions are in addition, based on a per lot or per hectare depending on the catchment could range from \$57-\$3,900/lot
Source: Albury City Council, Tamworth Regional Council, Wagga Wagga City Council, Dubbo City Council

Further analysis of the developer contribution charges reveals that Dubbo generally has higher s64 rates than the competing cities.

Table 27 - Comparison of Section 64 Developer Contributions

Charge (ET)	Dubbo	Tamworth	Albury	Wagga Wagga
Section 64:				
Single Dwelling/Lot				
Sewer	\$5,339	\$1,832	\$2,875	\$3,538
Water	\$5,339	\$4,399	\$3,923	\$4,800**
1 bedroom unit*	\$3,577			
2 bedroom unit*	\$3,577			
3 bedroom unit*	\$3,577			
Section 94:				
Single Dwelling/Lot	\$11,029	\$2,079-\$14,055	\$2,428	\$7,139-\$17,335
1 bedroom unit	\$4,377	\$2,079-\$14,055	\$809	\$5,491-\$13,334
2 bedroom unit	\$5,859	\$2,079-\$14,055	\$1,619	\$5,491-\$13,334
3 bedroom unit	\$8,272	\$2,079-\$14,055	\$2,428	\$5,491-\$13,334

*\$3,577 each for sewer and water based on 0.67 per equivalent tenement

Source: Albury City Council, Tamworth Regional Council, Wagga Wagga City Council, Dubbo City Council *Riverina Council

Higher water and sewer charges in Dubbo are largely offset by lower s94 contributions which are comparatively lower for 1, 2 and 3 bedroom medium density development. Unlike Tamworth and Wagga Wagga, Dubbo and Albury charge a flat s94 contribution rate across the city. This potentially could be viewed as penalising infill development in areas where there could be existing / surplus infrastructure capacity.

4.4.3 OTHER OBSERVATIONS

The viability of infill development in the range of \$290,000 to \$320,000 in all the Evocities is marginal and has resulted in little occurrence of this type of development. This viability of infill development is invariably linked with the median detached dwelling price and the reasons as to why a buyer would select a new unit or villa over a detached dwelling. This mainly becomes a lifestyle choice as opposed to an affordability choice, more common to larger urban areas where detached dwelling are unaffordable to many buyers. The median all dwelling prices for the Evocities are shown below.

Table 28 - Comparative Evocities Median Dwelling Prices

Dubbo	Tamworth	Albury	Wagga Wagga
\$275,000	\$281,000	\$278,000	\$305,000

Source: HNSW Rent and Sales Report, March 2013

In Wagga Wagga and Albury there are a small number of multi-level, premium apartment blocks. The most recent example is Botanical Apartments development that was completed in Albury. This development is considered a success with 13 of the 15 residential units selling off-the-plan, the apartments priced between \$320,000 and \$480,000, the penthouse and sub-penthouses upwards of \$700,000. New townhouse and villa developments targeting the \$450,000-\$550,000 price range have also been observed in Albury.

An observed trend in Wagga Wagga has been the refurbishment and strata titling of existing unit stock that is in single ownership. An example of this is 49 Simmons Street, Wagga Wagga, where a developer purchased a two storey block of 17 units. The block was strata titled and sold individually between \$180,000 and 220,000, these prices below what it would cost to build new.

As witnessed in both Albury and Wagga Wagga medium density development becomes more viable at higher price points allowing the developer to add value through additional features. There is also increased risk associated with this type of development as the market that is able to afford premium product becomes smaller.

Notwithstanding the advantages of undertaking premium developments, the market ultimately has a finite ability to pay for housing. Acknowledging there is a market for premium product, certainly within central Dubbo, given median household incomes and affordability it is the housing need of the mass market that should be catered to.

5. REVIEW OF DUBBO PLANNING POLICY

In 1996 Dubbo City Council adopted the Urban Areas Development Strategy (UADS) to assist in monitoring the supply and demand for land across five main land uses types - residential, commercial, industrial, institutional and recreational land uses. The UADS contains a Future Directions Paper, Structure Plan and a Strategy for each of the aforementioned land use types.

In 2005 Council undertook a review to assess the effectiveness of the UADS and identify improvements. Both these documents informed the subsequent preparation of the Dubbo Local Environmental Plan 2011. The purpose of this Chapter is to:

- Audit the appropriateness and continued relevance of the Residential Areas Development Strategy (the residential component of the UADS) and the Dubbo LEP 2011; and
- Recommend changes to the Residential Areas Development Strategy (the Strategy) and the Dubbo LEP 2011 that will help meet the Dubbo's current and future housing needs.

5.1 RESIDENTIAL AREAS DEVELOPMENT STRATEGY

This section of the Study provides an overview of the Strategy, comments on its effectiveness and recommends areas for improvement.

5.1.1 OVERVIEW AND AUDIT OF THE RESIDENTIAL AREAS DEVELOPMENT STRATEGY

Residential Areas and Lifestyles

The Strategy begins by clearly positioning its role within Council's broader strategic framework at the time and stating its purpose, which is *"to provide a spatial, servicing and development control framework that will assure the timely provision of residential development opportunities which fit the needs of Dubbo and the region it services"*. The Strategy correctly acknowledges that Dubbo's housing needs are diverse and identifies these needs are influenced by:

- Housing income levels (low, middle and high income);
- Stage of lifecycle (youth, young adult and families, older families, empty nesters, retirees and elderly dependent); and
- Preferred lifestyle focus (inner urban, suburban, urban fringe and country).

The Strategy goes on to further describe the characteristics, roles, issues, target markets and appropriate zoning for each of the major categories and sub categories of lifestyle choice available in Dubbo. This important section establishes the foundation of the Strategy and much of it remains relevant today. However, it has been more than 15 years since the Strategy's adoption and as such it is timely a new residential strategy was prepared that better reflects Council's current strategic framework (i.e. Dubbo 2036, Dubbo Infrastructure Strategy 2036 and Dubbo LEP 2011) and the contemporary needs of Dubbo's housing market.

Residential Trends

This section of the Strategy briefly discusses the residential trends in Dubbo, which at the time were:

- Dubbo averaged 250 dwelling completes per annum from 1991 to 1995;
- The growth trend was flat over that time, decreasing relevant to the existing base;
- The split of new development between detached, semi's and residential flat buildings is approximately constant over that period, so the industry was not indicating a shift in demand between these housing types; and
- As of the latter half of 1996 there was an observed downturn in overall demand.

This section also states:

“Since urban densities in Dubbo are relatively uniform with detached dwellings comprising the overwhelming majority both of stock and new supply it is not intended to examine particular housing types within the major market segments or local variations in density or occupancy for their individual effect on demand for lot stock by Precinct.... Therefore, what this strategy will seek to do is to ensure that land supply in the major categories of Suburban and Urban Fringe zoning is adequate to maintain replacement stock and demand is met.”

In our view a major weakness of the Strategy is its failure to differentiate supply and demand for “*particular housing types within the major market segments or local variations in density or occupancy for their individual effect on demand for lot stock by Precinct*”. The Strategy identifies that the housing market is highly segmented in terms of income, stage of life and preferred urban lifestyle/location (page 15 of Strategy) but then fails to address how it will address the unique needs of those segments that are not typical in the Dubbo market. An updated version of the Strategy needs to take a more comprehensive approach to identifying the housing needs/demands of each market segment and include specific strategies to ensure each of those needs are being met.

Council's Dual Role

Council has a principal role as planning authority, this role manifest at the strategic planning level (policy development and control) and at the development assessment level (as consent authority). Council's role is to ensure planning and developments occur in an economically, environmentally and socially sustainable manner.

Council remains a major player in Dubbo's land development industry and as such it is essential Council's current and desired role be well explained and understood. An updated Strategy would benefit from an expanded description that:

- Explains Council's dual role and why it has both these roles;
- Acknowledges the challenges/potential conflicts associated with having dual roles and the operational and legislative means to mitigate them;
- Describes how Council's role as a developer differs from the private sector (e.g. not purely profit driven); and
- Identifies Council's aims and objectives as a developer and how it will achieve these without undermining the competitiveness of Dubbo's private development industry.

Land Supply Pipeline

This section of the Strategy outlines the six steps in the land supply pipeline and provides a detailed breakdown of land supply across Dubbo's precincts, including:

- Total dwellings;
- Percentage of detached, semi-detached and units;
- Occupancy ratios;
- Percentage of unoccupied dwellings;
- Population size;
- Available vacant lots;
- Land zoned for residential but not subdivided and equivalent vacant lots;
- Land not zoned;
- Potential capacity for additional residential lots (capacity); and
- Expected breakup of additional residential lots into dwelling type and total number of additional dwellings that could occupy remaining capacity in each precinct.

The Strategy brings together the above data to present the existing number of households (as at 1996) and potential capacity for new households across Dubbo. Whilst this level of analysis is worthwhile its presentation in the Strategy is complicated and would have benefited from simpler table, the use of maps and an explanation of what was being calculated, how it was done and what the findings were. This supply analysis could then be overlayed with a more detailed demand analysis into Dubbo's housing needs (as recommended above) to identify gaps and priority areas.

Residential Areas Strategy

This section of the Strategy outlines its goals, concepts, principles and objectives. The section concludes with a discussion that brings together the findings from Supply and Demand analysis undertaken in preceding chapters. In our view this section would have benefited from:

- A more logical and hierarchical framework;
- Explanation as to how the goals, concepts, principles and objectives related to each other and the rest of the Strategy; and
- Explanation of who is responsible for the various actions, when and how they should be implemented and how much they are likely to cost.

Urban / Development Footprint

The zoning and release of urban lands is generally based on the premise that it should be adjacent to existing residential uses in order to leverage off and utilise existing transport and services infrastructure. Where available, these release areas would also be able to benefit from town centre amenity and support services, e.g. neighbourhood shops and recreation areas.

Residential development in Dubbo has historically been focused to the east of Macquarie River. Residential estates like Holmwood, Keswick and Yarrawonga all contributed to establishing East Dubbo as a desirable place to live. The natural barrier posed by Macquarie River resulted in somewhat of a 'disconnect' between West Dubbo with the rest of the City. The existence of social housing estate, Gordon Estate exacerbated the undesirability of living in the west following some riots and incidents of unrest.

Since the dismantling of the Gordon Estate by Housing NSW, property prices have started to recover and while the stigma still endures in the Rosewood Grove Estate, by all accounts this is slowly dissipating as more families take up residence in what was the former Gordon Estate.

Despite initial resistance to development in West Dubbo, significant development has occurred in the last five years including the establishment of a Woolworths supermarket in Delroy Park. This trend of development in the west is encouraging, with demand and take-up of lots reportedly strong. West Dubbo currently accounts for more than 60% of lots produced.

Council's vision for urban development in Dubbo is premised on balancing the growth of the City to ensure efficient resource and infrastructure utilisation. Indeed the Infrastructure Strategy (2011-2036) has been formulated to ensure the urban development footprint (balanced between east and west) is adequately serviced based on existing and planned hard and soft infrastructure.

Building on already improved market acceptance of living in West Dubbo, there is an opportunity for Council to ensure that lands available in the west are appropriately positioned to meet market demand and need. Ensuring that a diverse range of housing options is available in the west will alleviate the pressure on extending the urban footprint further east.

Council's resistance to extending the urban footprint beyond the servicing envelope of the Infrastructure Strategy is understandable as public infrastructure services are capital intensive, primarily funded through developer contributions. As a consequence, in order to be economically sustainable these infrastructure services should be utilised to satisfy higher rather than low density development. That said, Council needs to ensure that available lands within the servicing envelope are of an appropriate size and type to meet market demand and need.

Residential Policies

This section of the Strategy focuses on each of Dubbo's precincts and sub districts. Breaking down Dubbo in this way is an effective means to ensure Council's policies reflect the particular opportunities and constraints faced by each area. This section may have benefited from fewer and better explained criteria. For example, the 'North Precinct' (pages 56-57) has eleven different sub-criteria and no explanation as to:

- How they relate to each other (e.g. what is the difference between opportunities, comments and policies?);
- How they relate to the Strategy's overarching vision, principles, goals and objectives;
- How the recommended objectives and policies for the precinct will address the identified housing needs of the community; and
- Who will action the objectives and policies, when they will be implemented and their cost.

In total the Strategy identifies 70 different policies for Dubbo's seven precincts and six sub-districts. The relevance of these local policies 17 years later is a matter for Council and the community to address in the preparation of a new Strategy. The next section of this Study will assist in this process by assessing the effectiveness of the Strategy and identifying some housing needs that are not being adequately addressed by it.

5.1.2 HOW EFFECTIVE HAS THE RESIDENTIAL AREAS DEVELOPMENT STRATEGY BEEN?

In 2005 Council commenced a review of the Urban Areas Development Strategy. Whilst the review did not result in a new Strategy it did:

- Identify issues of concern for the community and present potential means to address them;
- Highlight a range of potential changes to the UADS that could improve its functionality effectiveness; and
- Attempt to measure the success and failure of the UADS.

With regard to the Residential Areas Development Strategy component of the UADS, the primary role of the 2005 strategic review was to identify Dubbo's supply and demand position at that time as well as consider the form of residential development likely to be in future demand. The key findings of the review were:

- The number of dwellings had grown at an average rate of 315 dwellings constructed per year which exceeded the projected rate of 250 dwellings in the 1996 Strategy. However, the rate of dwelling constructions for the five years from 2001 to 2005 decreased to 216 dwellings per year;
- The stable population growth rate and household size provided a sound basis for suggesting that there is a consistent pattern to the demand for residential land;
- The data relating to land supply and demand suggested that at the (then) current and projected future demand rates, there was an adequate supply to meet demand, subject to current population growth and household size remaining generally static; and
- The market at that time tended not to accept residential development west of the Macquarie River with the focus of new development on the eastern side of the river.

The strategic review also identified a number of housing needs that were not being adequately addressed by the 1996 Residential Strategy, these were:

- **Aged care housing** - the review identified the need for more appropriately located and designed housing for Dubbo's growing aged population;
- **Medium density housing** - The review noted the Strategy made little reference to medium density housing, instead emphasizing detached housing. The review identified that more medium density housing was required to encourage a greater diversity and mix of dwellings in strategy locations to cater for a diversified population and more liveable communities in close proximity to the Dubbo CBD;
- **Affordable housing** - The review noted that the Strategy did not identify affordable housing as an issue and that it had since become a significant matter requiring attention; and
- **Housing diversity** - The review found that there was a strong and growing demand for greater housing diversity in Dubbo, particularly for one and two bedroom dwellings, affordable detached dwellings for low

to moderate income earners and, to a lesser extent, dwellings with five or more bedrooms. The review noted that whilst the demand for larger lot sizes and dwellings were being met this was not the case for the aforementioned housing types.

The review recommended that “sites be identified in new release areas to encourage greater diversity and mix of built forms in these locations to cater for a diverse population and more liveable communities”. To help achieve this the review highlighted a submission from the NSW Department of Housing which recommended that Dubbo’s future LEP should reduce barriers and provide greater incentives for development that meets the needs of all population sub-groups. The submission identified four key options that Council could adopt to provide greater housing diversity and affordable housing: planning incentives, planning agreements, joint projects with other organisations, and inclusionary zoning.

To conclude this section of our Study, an assessment is made of the Strategy’s 10 objectives. The following table identifies the Strategy’s 10 objectives and assesses the extent to which they have been achieved.

Table 29 - Assessment of Residential Areas Development Strategy Objectives

Objective	Outcome	Comment
1. Satisfy the residential land supply needs of the growing Dubbo population foreshadowed by the Dubbo 21 Plan so as to provide a range of lifestyle choices competitive with major coastal cities.		Whilst land supply needs of most segments of the housing market have been met, the needs of some population sub-groups have not, particularly those who need 1 and 2 bedroom dwellings and smaller detached housing for low to medium income earners.
2. Recognise segmentation of the residential market as an indicator of relevant residential lifestyles in Dubbo and adjust land supply in response to these.		Failure to identify specific needs of sub groups of housing market has resulted in shortage of smaller more affordable homes, rental accommodation and aged care housing.
3. Council to show leadership through its own participation in the residential land development picture in advancing the objectives of the Residential Areas Strategy and facilitating the Dubbo 21 Plan.		Council’s participation in Dubbo’s land development market has assisted in the market in meeting housing demand. Some of Council’s planning policies however have exacerbated the shortage of smaller more affordable housing options and rental accommodation.
4. Encourage and facilitate private developers to undertake residential development in support of the Dubbo 21 Plan and to provide for at least 70% of the market		Council has supported private developers to provide at least 70% of the housing market.
5. Place residential development within an integrated and efficient land use framework focused into the Central District.		Council’s LEP 2011 has assisted in implementing this objective.
6. Achieve a long term City Structure which places the CBD at its centroid by shifting locational emphasis to West Dubbo over the next decade.		Housing in West Dubbo has gained considerable market acceptance over the last decade. The number of approvals in West Dubbo over recent years indicates this objective has been achieved.

Objective	Outcome	Comment
7. Limit and consolidate the current phase of fully serviced residential development emphasising East Dubbo within the urban edge defined by Cobbora Road, Buninyong Road, Mitchell Highway, Sheraton Road, Hennessys Road.		The majority of urban development in East Dubbo has been confined within the defined urban footprint with the exception of Firgrove and Richmond Estates. Maintaining the integrity of the defined urban footprint is necessary to avoid sprawl resulting in pressure on infrastructure and services.
8. Residential development shall not be so located as to obstruct industrial development of lands designated for that purpose under the Urban Development Strategy.		By all accounts residential development has not obstructed industrial development to any significant degree.
9. Ensure that the development of residential neighbourhoods does not exceed their environmental and engineering capacity.		Council has endeavoured to facilitate sustainable communities through the assessment process.
10. Protect the environmental quality and amenity of established and new residential neighbourhoods.		Council has endeavoured to facilitate sustainable communities through the assessment process.

5.2 PRINCIPAL PLANNING INSTRUMENT (LEP)

Eight years after the 2005 strategic review of the UADS was initiated, a lack of diverse and affordable housing options remain major constraints on Dubbo's ability to become one of NSW's most affordable and liveable regional cities. This suggests Council's land use policies are failing to respond to these needs and may even be exacerbating them.

A review of Dubbo LEP 2011 has identified the following matters that may be detrimentally impacting housing diversity and affordability in Dubbo:

Land Use Zoning

The urban footprint as defined in the LEP was expanded in 2011 to include new release areas of West Dubbo and Southeast Dubbo. According to high-level capacity estimates, these new release areas (zoned R2 and R5) have capacity to accommodate almost 7,000 residential lots of varying sizes.

The widespread use of the R2 Low Density Residential zone in Dubbo is limiting flexibility and the opportunity for the market to provide medium density housing closer to the Dubbo CBD. In comparison to competing Evocities (Tamworth, Albury and Wagga Wagga), the quantum of R1 General Residential zoned lands in Dubbo is considered low.

A review of the LEP and land use maps in Tamworth, Albury and Wagga Wagga reveals that a large proportion of lands surrounding the respective CBDs are zoned R1 General Residential which facilitates a wide range of housing types.

Minimum Lot Size Controls

A minimum lot size of 600sqm across *most* of Dubbo's residential areas is limiting the market's ability to overcome the shortage of smaller more affordable detached houses, particularly in new release areas.

The next Chapter of this Study identifies a range of policy options available to Council to respond to Dubbo's current and future housing needs.

6. KEY FINDINGS AND RECOMMENDATIONS

6.1 DIVERSIFYING DUBBO'S HOUSING TYPES AND SIZES

Chapter 2 established that Dubbo's housing needs require a diverse range of housing types, locations and price points. Our research indicates that demand for the most popular segment of the market, i.e. three to four bedroom houses on 600sqm lots or larger, is generally being met. However, supply is not meeting growing demand for smaller forms of housing including units, attached dwellings (e.g. villas and townhouses) and smaller more affordable detached dwellings. This demand is being generated by the existing resident submarket that is ageing or seeking more affordable forms of accommodation as well as the emerging submarket of younger couples and relocating retirees seeking more manageable sized accommodation. This demand is likely to remain strong owing to the ageing of the population, declining household sizes, reduced rate of fertility, increasing house prices, investor demand and Dubbo's growing and sizable workforce.

With respect to the demands of the ageing population and demand for dwelling sizes, it is important to note some important research findings. Whilst it has been found that the vast majority of older people (aged 55 years and over) are living alone or as couples, many continue to value the benefit of space provided by medium to large dwellings (i.e. 2 to 3 bedrooms).

Previous work done by Hill PDA has found that the extra space afforded by larger dwellings (i.e. through additional bedrooms) is valued for a range of purposes including accommodating visiting friends, family and grandchildren; space for storage, a home office / study or hobbies; housing temporary or permanent residents for additional income¹⁶. For these reasons a study by the Australian Housing and Urban Research Institute in May 2010 found that 91% of older persons surveyed indicated a preference for staying in their own homes. Based on this analysis the presumption that the majority of the ageing population will 'downsize' or seek smaller accommodation (such as 1 bedroom apartments) may be an overestimate, with the majority of demand for dwellings of this size relating more to matters concerning affordability.

Demand for different sizes of lifestyle lots is driven by the upgrading family, by the downsizing family as well as persons from metropolitan locations seeking a lifestyle change. Our research indicates there appears to be limited availability of lots, particularly in the 2ha to 10ha size bracket of lifestyle lots.

Council has at its disposal two planning mechanisms through which it can facilitate greater housing diversity:

1. Minimum lot size controls and DCP controls; and
2. Land use zoning.

6.1.1 MINIMUM LOT SIZE CONTROLS

Council's LEP generally does not facilitate the production of smaller detached dwelling on lots less than 600sqm. Chapter 2 identified there are almost 2,000 lots within subdivisions that have been approved but not yet

¹⁶ Australian Housing and Urban Research Institute, How well do Older Australians Utilise their Homes?, May 2010

constructed, with most of these lots 600sqm or greater. Newly released urban areas in West and Southeast Dubbo are estimated to have dwelling capacity for almost 7,000 lots. Under Dubbo's LEP these lots are designated with minimum lot sizes ranging between 600sqm and 10ha. Furthermore our market research confirmed the most common lot size in Dubbo is around 800sqm (20mx40m) despite the minimum lot size in many areas being 600sqm, suggesting many developers still elect to provide at least 800sqm blocks due primarily to a perception of market resistance below this size. Recent prices for new house and land packages on lots 600sqm to 1,400sqm ranged between \$350,000 and \$660,000.

Demand for smaller detached dwellings on lots less than 600sqm is driven by two market subgroups:

- First homebuyers and lower income families who lack the ability to pay \$350,000+ required in new estates;
- Downsizers with minimum space requirements and demand a low maintenance property.

Council can help improve the range of housing types and price points in Dubbo by reducing its minimum lot size controls throughout Dubbo's current and future residential areas. The table shows the minimum lot sizes applied by other Evocities in the centres of Albury, Orange, Tamworth and Wagga Wagga.

Table 30 - Minimum Lot Size Controls for other Evocities

Evocity	Minimum Lot Size Control
Wagga Wagga	No minimum lot size controls on land zoned residential Subdivision lot sizes is merit based assessment using DCP controls
Orange	No minimum lot size controls on land zoned residential Subdivision lot sizes is merit based assessment using DCP controls
Albury	Minimum lot size is 300sqm in designated new subdivisions Minimum lot size is 450sqm in remaining residential areas
Tamworth	Minimum lot size is 600sqm for residential areas

Source: Hill PDA research 2013

The table shows minimum lot size controls do not apply to residential areas in Wagga Wagga or Orange. Instead, the subdivision lot sizes are a merit-based assessment using provisions within respective Development Control Plans. For example, section 7 of the Wagga Wagga DCP 2010 states *"Where no minimum lot size applies proposals for subdivision will be assessed on their merits against the Guiding Principles of the DCP, the subdivision design principles set out below, and the Objectives and Controls of this section"*.

In Albury the minimum lot size control is 300sqm in designated new subdivisions and 450sqm in remaining residential areas. Section 10.3 of Albury's DCP provides further provisions relating to new subdivisions. Controls relevant to delivering a diversity of housing include:

"Greenfield subdivisions, shall be consistent with local and district structure plans adopted for the subject locality."

"Greenfield subdivisions shall contain a variation in lot sizes and locations for dwelling houses, multi-dwelling developments, attached dwellings or residential flat buildings shall be provided, with medium density development generally located adjacent or in proximity to commercial and community facilities, major public and private transport routes and adjacent to linear open spaces which provide access to the central elements of the pedestrian and cycle network."

“Proposed subdivisions in greenfield areas (excluding land listed in this DCP or within the LEP which is subject to special low density residential subdivision controls) are to nominate 10% of all lots as potential multi dwelling housing and residential flat building sites.”

“Building envelopes are to be defined on subdivision plans where zero setbacks area proposed for lots less than 600m² in area.”

In summary, with the exception of Tamworth, the above Evocities have minimum lot size requirements less than Dubbo's (600sqm).

The advantage Wagga Wagga, Orange and Albury have with their minimum lots size controls is greater flexibility to deliver housing that meets the needs of its community, particularly those requiring one and two bedroom units and smaller more affordable detached dwellings on lots less than 600sqm. Comprehensive DCPs provide each council with the controls and discretion they need to ensure subdivision proposals are appropriate. Whilst these controls facilitate the provision of smaller lots they also continue to allow larger lots as required by the market. In other words, these controls would still permit a subdivision to be entirely made up of 800sqm lots if that is what the developer was inclined to provide due to market preferences.

Given the benefits to Council from such a flexible approach to lot size delivery, Hill PDA recommends:

- Reducing or removing its minimum lot size controls for Dubbo's residential areas;
- Amending its Development Control Plan to:
 - Require a minimum percentage of lots in new greenfield developments over a prescribed threshold to be allocated smaller detached housing; and
 - Provide guidance on the distribution of smaller lots allocated detached housing to avoid their clustering and ensure they are integrated amongst the new community.
- Encourage a diversity of dwellings of varying sizes in new greenfield developments. The practice of mandating minimum building sizes in residential subdivisions is observed to be widespread and entrenched in social attitudes. Acknowledging that it could be challenging for Council to remove minimum size covenants from its development at Keswick Estate which is advanced, Council could consider leading by example by developing other landbanks (in both West and East Dubbo) without any minimum building size requirements and into a variety of housing types and sizes. In time, as developments incorporating a mix of lot sizes and housing types attract purchaser interest by 'meeting the market' and accordingly gain market acceptance, it is conceivable that the development industry will follow suit.

Hill PDA is aware of Dubbo's history with public housing estates and that Council and the community wish to avoid any policy that may result in the reformation of concentrated disadvantage. The dismantling of the estates in recent years reflects a growing body of evidence that shows social mix as an effective means to reduce the issues frequently associated with disadvantaged public housing estates, i.e. unemployment, anti-social behaviour, poor educational performance and high levels of crime¹⁷.

¹⁷ Alan Morris, Michelle Jamieson, and Roger Patulny, Is social mixing of tenures a solution for public housing estates?, 2012

A recent study undertaken at the University of NSW argued that, “by dissipating the concentration of poverty and exposing public housing tenants to more mainstream residents, the opportunities of the public housing tenants will improve...”, and “social mix usually leads to an improvement of the urban fabric and housing stock, which in turn improves the atmosphere of the areas concerned.”¹⁸

Our recommendations above seek to balance the need to provide smaller lots for more affordable detached housing, whilst reducing the chance of this type of housing clustering and ensuring they are integrated amongst a new community. By controlling the extent of smaller lots in new greenfield developments Council can also limit the possibility of private developers over-producing small lots in the search of short term profits.

6.1.2 LAND USE ZONING

In metropolitan markets there are opportunities for the intensification of land uses to provide for increased density around transport nodes in and around major centres. There is widespread market acceptance for multi-dwellings and dense community living. However in regional markets, there can be some market resistance to demand for multi-dwellings and end sale values can be insufficient to justify large scale intensification of uses and urban renewal. Despite this generic observation, the market in Dubbo appears to have responded well to smaller format housing and medium density developments in recent years, indicative of shifting preferences.

A review of the LEP reveals that the R1 General Residential zoning has been applied in a limited manner. Several pockets of land in and around the CBD are zoned R1 compared to the majority of lands in Tamworth, Albury and Wagga Wagga around the respective CBDs.

Feasibility testing in Chapter 4 suggests that the feasibility of medium density, infill development is fragile and very much depends on the availability of suitable sites. By increasing application of the R1 General Residential zone, Council would be releasing more land for infill development thus facilitating more development opportunities (for vacant sites and sites with nominal improvements) for medium density.

Hill PDA recommends expanding the R1 General Residential zone to include:

- **South Dubbo** - the lands bounded by Cobra Street in the north, Macquarie Street in the west and the Dubbo-Molong railway line and Margaret Crescent in the east and excluding the RAAF base.
- **Remaining residential land** - bounded by Cobra Street to the south, Wheelers Lane to the east, the Dubbo-Molong railway line to the west and the Dubbo-Sydney railway line to the north.

It is acknowledged that even by expanding the coverage of the R1 zone in Dubbo, *large scale* development of medium density is unlikely to occur. This primarily due to the delicate feasibility presently associated with infill development. Notwithstanding, by increasing the supply of land capable of medium density development increased opportunities will be created for the development industry to respond to.

As a general principle, as more land is released for development, englobo land values are expected to fall, lowering landowner expectations which makes is more viable to acquire and consolidate sites. However in the

¹⁸ Ibid

case of expanding the coverage of the R1 General Residential zone, land values are not expected to be significantly impacted owing to the predominant, existing uses as single residential dwellings.

6.2 INCREASING THE SUPPLY OF AFFORDABLE HOUSING OPTIONS

Generally, the term “affordable housing” refers to housing that is managed by a Community Housing Provider (CHP) or other affordable housing provider to ensure that households on low to moderate incomes can continue to work and live in Dubbo. Conversely, “housing that is affordable” is often loosely used to describe housing that is within the affordability of most households.

Analysis of 2011 Census data reveals 46% of households are either low income or very low income households.

Table 31 - Dubbo Household Income Distribution

Category	Income Level	% of Dubbo households
Very low income households in area: Households with less than 50% of the area's median income	\$0-\$28,183	24%
Low income households: Households with incomes between 50% and 80% of the median income	\$28,184-\$45,093	22%
Moderate income households: Households with between 80% and 120% of the median income	\$45,094-\$67,642	11%
Higher income households: Households exceeding 120% of the given area's median	\$67,642+	43%

Source: ABS 2011 Census

Despite low and very low income households representing nearly half of all households in Dubbo, Housing NSW does not consider it as an area lacking affordable housing. This can largely be attributed to Dubbo's relatively low median dwelling prices. The median house price in the June quarter 2013 was \$268,500 and \$208,500 for units.

Table 17 in this Study illustrated that a household with the median income in Dubbo (\$56,368 per annum) could afford to purchase a home for \$233,000 assuming a debt service ratio of 30% of income. Assuming a higher debt service ratio of 40%, a household with the median income can afford to purchase a home for \$310,000. By the same token, households with the median income could afford to pay \$325 per week in rent.

This analysis has a number of major implications for Dubbo:

1. High income households and most moderate income households (as defined in the table above) can afford to purchase a dwelling in Dubbo;
2. It *would not be possible* for most low and very low income households (who represent nearly half all households in Dubbo) to purchase a property at the current median price of \$268,000 or higher without government assistance or some other form of subsidy; and
3. Renting is the only alternative for the large number of low and very low income households in Dubbo who cannot afford to purchase a property.

As a consequence, a multi-pronged approach is necessary to overcoming Dubbo's dwelling supply shortage issue: increasing the supply of dwellings that are affordable for purchase *and* facilitating large scale investment in

affordable rental accommodation to meet the housing needs of very low and low income households who are unlikely to be able to afford to purchase their own accommodation.

The extent to which Dubbo can remain a relatively affordable place to live depends both demand and supply factors. Housing prices will rise if the supply of new housing cannot meet demand across each market segment. The price of new housing supply will also impact on the affordability across the broader market. This Study has identified that the need for smaller bedroom dwellings and smaller detached houses are not currently being met. Furthermore the price of new dwellings in greenfield release areas is well in excess of what very low, low and most moderate income households can afford.

Dubbo's competitive advantage of plentiful affordable housing may potentially be at risk on account of a limited range of new affordably priced housing being supplied by Council and the market. This is in part due to inflexible planning provisions, minimum building size requirements for some new dwellings and a lack of incentives for the development industry. These constraints must be overcome if Dubbo is to meet the diverse needs of its housing market.

It is important to note that housing diversity alone cannot guarantee housing affordability, particularly for households earning low and very low incomes. For these market segments a greater amount of government assistance and intervention in the property market is required to meet the demand for affordable housing. A number of potential planning mechanisms that may be used to provide / secure affordable housing as part of new greenfield developments in Dubbo. These mechanisms include:

- Financial contributions by developers to Council or Community Housing Provider (CHP) towards affordable housing;
- Contribution of land (e.g. 3%) by developers to Council or CHP for the development of affordable housing;
- Provision of an appropriate proportion of developed housing (e.g. 1% -3%) by developers at a subsidised rate for rental or sale (i.e. with the support of NRAS); and
- Gifting or selling Council land to a CHP who would then build and manage dwellings as affordable housing.

As a major land owner and developer Council can also partner with a CHP to develop and manage affordable housing. Alternatively Council could sell land to a developer with a requirement for affordable housing to be provided on the site and managed by a CHP.

Rental versus Purchase of Housing that is Affordable

Subsidising the purchase of property tends to increase prices at the affordable end of the market as seen with the growth in values where first home buyers were encouraged to purchase through increased grants under the Federal Governments stimulus package in 2009. We therefore consider that rental accommodation offers the most flexible and immediate benefits to those most suffering from housing stress. By focusing on the delivery of rental accommodation in Dubbo, Council will have a larger impact on those who most need affordable housing than the alternative subsidisation of housing for purchase.

Management of Affordable Housing

For Council the most cost-effective option for management of affordable housing will be through a community housing provider which specialises in sourcing tenants and managing such tenants in accordance with the guidelines for affordable housing, including needs based priority housing. As a not-for-profit organisation it will have access to tax benefits and specialist knowledge and experience in the sector.

While the developer of housing may not be the same as the manager, this model is becoming the norm as CHP's take on new stock and embark on development projects with the benefit of NRAS incentives. As the specification of the housing should meet the CHP's standards and match demand within the area of development, it is preferred that the developer and manager are the same entity, although not essential. This will ensure that dwelling mix and sizes reflects demand in the area and is flexible to accommodate the range of tenants encountered within the area. This model is used by CHPs in NSW and has proven effective in building a sustainable portfolio which can grow organically, albeit well-funded by developer contributions.

In summary, the benefits to Council of affordable rental housing arrangements with a CHP are compelling from a policy perspective:

- The housing is retained as affordable housing in perpetuity through covenants on title and any capital gains on disposal are also retained in the affordable housing sector;
- Tenants whose income exceeds thresholds are requested to vacate to allow new tenants of lower income to benefit;
- The community housing sector thrives in other countries such as the UK and is able to maintain and build on initial investments in affordable housing;
- Strong growth in the community housing sector in Australia is being driven by significant initiatives including divestment of social housing to community housing providers;
- Incentives such as the National Rental Affordability Scheme (NRAS) offer significant leverage for development of new rental affordable housing; and
- Community housing providers are able to direct surpluses and growth in rental revenue towards further provision of accommodation or services, whereas the sale of affordable housing units delivers future growth to the purchaser.

6.3 OTHER INITIATIVES

Developer Contributions

Greenfield development and infill development each face a unique set of challenges, and in many instances feasibility can be delicate. Until recently and still a viability issue, high development costs coupled with developer contributions have eroded developer profits and margins, providing an effective disincentive in many cases.

The viability of greenfield development does not appear to be a major issue at present. While the combined developer contribution rate for single subdivided blocks is not insubstantial at almost \$22,000, it does not appear

to have stifled new residential subdivisions. We are however aware that Council has in the past provided concessions in relation to s94 and s64 contributions.

In the case of s64 contributions, Council entered in a Deed of Agreement with the former owners of Delroy Park Estate in 1979 to provide further credits for water and sewer contributions. In respect of Southlakes Estates, Council in 2004 provided the developer of the estate with approval for Section 94 Contributions for Urban Roads to be levied in accordance with the provisions of a former s94 Plan for Urban Roads. This was based on the requirement that Council was undertaking preparation of a Structure Plan for a component of the southeast residential area. This at the time meant that the development would be subject to the requirements of a new Section 94 Contributions Plan for Urban Roads with an increased contribution applicable.

In comparison to Tamworth and Wagga Wagga, Dubbo's total contribution rates do not appear unreasonable. However Dubbo's s64 charges do appear slightly higher than the three Evocities, owing to recent capital investment in hard infrastructure.

Offering a discount to the developer contribution rates may appear to be a logical incentive, not unlike the discount offered by the NSW State Government on the Special Infrastructure Contributions levy to encourage Greenfield development in Sydney's growth centres. However unless the resultant shortfall in funds can be met by alternate funds, a discount to the contribution rates could expose Council to financial risk. It then becomes a balancing act for Council to ensure developer contribution rates are not too onerous on development but also that future funding of infrastructure is not undermined.

We recommend that Council consider reviewing developer contribution rates for *infill development*¹⁹, to coincide with a rezoning of R1 General Residential lands to encourage market take-up of redevelopment opportunities. The period of discounted developer contributions could be specified to be for a set period of time, hence encouraging early and measurable participation. Another initiative Council could consider is to permit the deferred payment of contributions to assist with development cash flow.

Education Campaign

Following the adoption of the LEP in 2011 and associated land use zones, there appears to be a need for landowners to be educated and made aware of the various uses permissible within the residential zones. Hill PDA recommends that Council embark on an education and awareness campaign, potentially leveraging off the Real Estate Institute and its members for audience reach and penetration.

Educational issues include the range of permitted uses within the R1 and R2 residential zones including types of dwellings included under the definition of "residential accommodation", i.e. attached dwellings, boarding houses, dual occupancies, dwelling houses, group homes, hostels, multi-dwelling housing, residential flat buildings, rural workers' dwellings, secondary dwellings, semi-detached dwellings, seniors housing, shop top housing.

Different titling regimes (e.g. strata title, community title, Torrens title), their suitability and benefits in various scenarios could also be part of the education and awareness process.

¹⁹ Current contribution rates are at \$11,552 (1 bedroom), \$13,040 (2 bedroom), \$15,457 (3 bedroom)

Engagement with Development Industry

In order to promote and encourage interest within the development industry to develop more residential product within Dubbo, Council should develop an engagement strategy to inform the industry (both within and outside of Dubbo) of emerging and current development opportunities in Dubbo. Hill PDA recommends that Council consult and corporate with Regional Development Australia in leveraging off existing knowledge infrastructure in creating interest and stimulating developer investment.

Recognising that infill development is challenging and margins can be lean, it is conceivable that proponents of infill development will mostly be developers / builders already active in Dubbo. Nevertheless, the role of the wider development industry (beyond Dubbo) is important and increased participation will promote contestability between players and healthy competition. Areas of interest for participants from outside Dubbo are likely to be for a variety of residential product in greenfield areas where margins can be more attractive and critical mass can be more easily attained with less issue of site fragmentation.

Flexibility will be key to generating increased developer interest to enable them to respond to market demand and need. Overly prescriptive development controls (e.g. minimum lot sizes) can sometimes hinder the ability to 'meet the market'. Furthermore the capacity to provide a variety of housing types and sizes will help mitigate market risk and keep developments competitive.

Rezoning of Land Further East

Council has received several submissions from landowners requesting that minimum lot sizes in R5 Large Lot Residential zone be reduced to facilitate subdivision of these lots. Reasons cited include that of poor viability associated with servicing large lots and inappropriateness of size for hobby farming. A review of these submissions is included at Appendix 3 and should be read in conjunction with the commentary in this report.

Our market research indicates a healthy demand for large lot residential between 2ha and 10ha. Furthermore our research suggests a shortage of this type of blocks available for sale. Based entirely on a supply / demand imperative, it would appear that Council should consider making more 2ha-10ha blocks of land available and agree to these landowner requests.

While there are R5 zoned lands in the new release areas, they are limited in their size offering. An option would be to consider reducing the lot sizes of large lot residential lands in new release areas to better meet market demand.

In deciding whether to reduce the lot sizes of rural residential parcels and agricultural lands, Council would be cognisant of role that certain lands play as a buffer zone between agricultural and residential uses. Furthermore Council would be mindful of the importance of protecting valuable and high-yielding agricultural lands from subdivision, as this potentially undermines viable commercial agriculture. Another upshot of reducing lot sizes of rural residential parcels is the additional pressure it puts on infrastructure and servicing requirements as development sprawls away from the centre of the City. Council would also be conscious of potential land use conflicts when providing for rural and residential uses next to each other.

Acknowledging that reduction in lot sizes has occurred on an ad hoc basis east of the urban servicing envelope resulting in subdivision and development, Hill PDA recommends that rather than respond to ad hoc requests, Council consider adopting a holistic, city-wide approach to increasing the supply of large lot residential (particularly 2ha-10ha) by considering the implications on buffer zones, servicing infrastructure and impacts on productive agriculture yield as well as environmental constraints.

In assessing the need for further development in the R5 Large Lot Residential zone in East Dubbo, Council would need to review the Residential Areas Development Strategy to facilitate meeting demand by considering the following:

1. Identify a path forward to undertaking an amendment to the Strategy to facilitate future development in East Dubbo.
2. Review the form, characteristics and location of the buffer zone between the R5 Large Lot Residential land and land situated further to the east zoned E1 National Parks and Nature Reserves and RU1 Primary Production.

Following a review of the Residential Areas Development Strategy, Council would need to then undertake a review of the Dubbo LEP to consider the following:

1. Identify and analyse the environmental constraints that implicate development in the area, including bushfire, flooding, flora and fauna, topography, soils, salinity, groundwater, contamination and infrastructure.
2. Based on the constraints analysis, calculate the carrying capacity of the R5 Large Lot Residential area.
3. Based on the constraints analysis, identify developable areas that would support the carrying capacity earlier calculated.

Following the completion of the above investigations, Council can then look to progress an orderly release of lands in East Dubbo.

6.4 SUMMARY OF FINDINGS

Housing Choice and Affordability

Changing demographics and employment trends dictate that housing supply needs to accordingly respond to the diversity of needs. Whilst there has traditionally been market resistance to smaller lots (<600sqm), that is changing over time primarily due to affordability and lifestyle reasons. Outside of major centres like Dubbo CBD, people can be resistant to multi-dwelling type housing, still preferring detached living. As a compromise, people are coming to accept that a smaller, detached block would equally suit their needs.

Housing supply alone is insufficient in promoting housing choice and affordability. Flexibility in planning controls (e.g. minimum lot size requirements) should be reflective of the diversity of the market, enabling housing supply to cater to that diversity.

Land Release

Land supply has the potential to not only impact the demand for housing but also its price. In order to understand the impacts of land supply on demand, it is important to acknowledge that the impacts of englobo land supply compared to the impacts of serviced residential blocks are different. Additionally, impacts of land supply on demand differ in the short term compared to the longer term.

In the short term house prices will be demand-driven, with a structural change to supply necessary in the long term to have an impact on house prices. By increasing the supply of infill sites suitable for redevelopment into medium density, it is unlikely that a widespread increase to land values will be witnessed as the majority of lands in infill areas are already in their highest and best use, i.e. as single dwellings.

There is an argument that if too much land is released for development there is a risk of flooding the market. However given the lead-in time associated with developing in urban release areas (owing to site investigations, coordination of utility and servicing infrastructure) and also being cognisant of the fact that not all land released will be developed (particularly if development does not align with landowner objectives), land released in infill areas will allow a reduction in lead-in time required to access housing supply, should extraordinary demand conditions require it.

With a healthy supply of appropriately zoned land (with infrastructure capacity) available (Greenfield and infill), the development market will be in a position to respond to market demand and 'meet the market' as required. Development on several fronts improves competition and choice of product.

It is however crucial that the release of land is staged according to the development capacity of lands (taking into consideration environmental and physical constraints) but also to the capacity of service and utility infrastructure to accommodate development. This is particular relevant for Council if it considers undertaking a review and revision of the RADS to facilitate further development in East Dubbo. This approach would facilitate maximisation of existing networks and represent an economic use of resources. This is less likely to be an issue in infill areas where infrastructure networks already exist.

Recommendations

As previously identified, the current housing shortage is at critical levels; key workers and low and moderate income households cannot complete in a <1.5% vacancy market especially considering the ability of certain industries to pay a premium for rental accommodation. Furthermore the impending completion of several projects in Dubbo (mines and health precinct) will have implications for residential demand.

In the short term, the market can take a short term flooding due to significant pent-up demand. There is little room for upward price movement (due to structural and affordability factors) so small scale developments need to be extremely competitive.

Hill PDA's recommendations to policy change are summarised below:

1. Reduce or remove the minimum lot size controls for Dubbo's residential areas.
2. Amend the Development Control Plan (DCP) for use as a mechanism to guide lot size and mix to:

- Require a minimum percentage of lots in new greenfield developments over a prescribed threshold to be allocated smaller detached housing; and
 - Provide guidance on the distribution of smaller lots to avoid a clustering and ensure they are well integrated in the new community.
3. Encourage a diverse range of housing types in a range of lot sizes. Council could lead by example by developing its other landbanks (e.g. in West Dubbo) into a variety of housing types and sizes.
 4. Expand the coverage of the R1 General Residential zone to include South Dubbo (the lands bounded by Cobra Street in the north, Macquarie Street in the west and Dubbo-Molong railway line and Margaret Street in the east) and potentially the lands bounded by Cobra Street (south), Wheelers Lane (east), Dubbo-Molong railway line (west) and Dubbo-Sydney railway line (north).
 5. Undertake a review of the Strategy to investigate and identify opportunities for increasing supply of large lot residential (particularly 2ha-10ha) in East Dubbo. The review should consider the environmental constraints associated with the lands in question as well as the role of buffer lands between zones. As Council reviews and facilitates an increased supply of large lot residential (2ha-10ha) to meet the market, this will facilitate an orderly release of lands and conceivably alleviate the pressure from ad hoc requests to reduce lot sizes outside the urban footprint.
 6. Consider reviewing developer contributions (for infill development) to coincide with a rezoning of more R1 General Residential lands. A fixed period of discounted developer contributions could apply, encouraging early participation to build momentum. Council could also consider permitting deferred payment of developer contributions to assist with development cash flow.

Other recommendations, including to improvements to the Residential Areas Development Strategy are:

7. Set out a more logical hierarchical framework for Dubbo's residential policies and explain how the goals, concepts, principles and objectives relate to each other and the rest of the Strategy. Furthermore provide an explanation for the responsibility for various actions and how they are to be implemented.
8. Update the analysis on Dubbo's housing needs by market segment and include specific strategies to ensure each of those needs are being met.
9. Distinguish and explain Council's dual role as planning authority and developer, particularly Council's aims and objectives, acknowledging challenges and potential conflicts and the operational and legislative means by which to mitigate them.
10. Elevate an agenda of affordable housing as a matter of priority. Consider various mechanisms in which Council can intervene (in partnership with Community Housing Providers) to develop affordable housing.
11. Design and embark on an awareness campaign to educate landowners on the various uses permissible within the residential zones. This could be carried out in cooperation with the Real Estate Institute for better audience reach and penetration.
12. Develop an engagement strategy to generate interest within the development industry (from within and beyond Dubbo) to promote contestability between players and encourage competition.

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Appendix 1 - **COMPARATIVE ANALYSIS OF OTHER EVOCITIES**

Demographics Analysis

This Comparative Analysis examines demographic trends in the select Evocities of Tamworth, Albury and Wagga Wagga.

Population Growth

Dubbo (36,083) has the smallest population of the four Evocities while Wagga Wagga has the largest (55,480). Over the period 2001 to 2011, Dubbo recorded the weakest population growth of the four Evocities (5.4%), this attributed to low growth between 2001 and 2006 during a period of extended drought. Population growth rebounded over the period 2006 to 2011, recording 4.4% growth, overall comparable to Tamworth (4.4%) and Wagga Wagga (4.5%). Albury on the other hand recorded weak growth from 2006 to 2011 (2.4% compared to 7.6% from 2001 to 2006).

Table 32 - Comparative Population Growth (2001-2011)

Evocity*	2001	2006	2011	#Δ01-11	%Δ 01-11	#Δ06-11	%Δ 06-11
Dubbo	34,232	34,512	36,083	1,851	5.4%	1,571	4.4%
Tamworth	35,997	37,385	39,035	3,038	8.4%	1,650	4.4%
Albury	44,421	46,665	47,776	3,355	7.6%	1,111	2.4%
Wagga Wagga	50,634	53,086	55,480	4,846	9.6%	2,394	4.5%

Source: ABS Census, Time Series Data *Dubbo SLA, *Tamworth SUA, *Albury SLA, *Wagga Wagga SLA

Age Characteristics

Across all four Evocities and similar to RNSW the population is ageing which is represented in the growth of the median age over 2001 to 2011. However, there is a difference in the medians, with Wagga Wagga (33) having a median age five years lower than Tamworth (38) and Albury (38), while Dubbo (36) between the extremes.

Table 33 - Comparative Median Age (2001-2011)

Evocity*	2001	2006	2011	#Δ01-11	#Δ06-11
Dubbo	33	35	36	3	1
Tamworth	35	37	38	3	1
Albury	35	37	38	3	1
Wagga Wagga	31	32	33	2	1

Source: ABS Census, Time Series Data *Dubbo SLA, *Tamworth SUA, *Albury SLA, *Wagga Wagga SLA

Industry of Employment

Wagga Wagga (26,941) has the largest workforce followed by Albury (22,474), Tamworth (16,955) and Dubbo (16,900).

There are strong similarities between the main industries of employment in each Evocity, with health and social care the largest employer in all cities, linked with the public and private hospitals located in the cities. The second most dominant industry is retail industry employing over 12.0% of the workforce in all Evocities, not unexpected given their respective roles as service hubs to the greater regions. There is some difference in the third and fourth main industries of employment, with Tamworth and Albury maintaining larger manufacturing sectors, while Dubbo and Wagga Wagga have larger public administration sectors.

All four Evocities include education & training in their top four industries, anecdotal evidence suggests this is increasingly important as education in the major cities such as Sydney, is becoming too expensive as an option for many regional-based residents.

Table 34 - Top 4 Industries of Employment (2011)

Evocity*	1	2	3	4
Dubbo	Health & Social Care 15.3%	Retail 12.9%	Education & Training 9.2%	Public Administration 7.7%
Tamworth	Health & Social Care 15.0%	Retail 12.4%	Manufacturing 9.9%	Education & Training 8.6%
Albury	Health & Social Care 13.7%	Retail 12.6%	Manufacturing 12.5%	Education & Training 8.7%
Wagga Wagga	Health & Social Care 13.7%	Public Admin. 12.3%	Retail 12.0%	Education & Training 7.6%

Source: ABS Census, Time Series Data *Dubbo SLA, *Tamworth SUA, *Albury SLA, *Wagga Wagga SLA

Mining increasingly has an impact on regional areas across both NSW and Australia, particularly in terms of housing-related demand. Dubbo is expected to feel this impact in the near future, as several mines in the region become operational. Dubbo (140) already has the largest mining related workforce out of the four Evocities followed by Tamworth (93), while Albury (36) and Wagga Wagga (35) have the least exposure to mining.

Table 35 - Comparative Mining Employment (2011)

	Number of Persons	Proportion %
Dubbo*	140	0.8%
Tamworth*	93	0.5%
Albury*	36	0.2%
Wagga Wagga*	35	0.1%

Source: ABS Census, Time Series Data *Dubbo SLA, *Tamworth SUA, *Albury SLA, *Wagga Wagga SLA

Number of Dwellings and Type

The number of dwellings is closely related to the size of the population in each Evocity, Wagga Wagga (20,646) has the largest number of dwellings while Dubbo has the least number of dwellings (13,440). The average persons per dwelling are highest in Dubbo (2.5) and Wagga (2.5), and lowest in Albury (2.2).

Table 36 - Comparative Number of Dwellings and Average Household Size (2011)

	Dubbo*	Tamworth*	Albury*	Wagga Wagga*
Population	36,083	39,035	47,771	55,480
Number of dwellings	13,440	15,278	19,400	20,646
Average household size	2.5	2.4	2.2	2.5

Source: ABS Census, Time Series Data *Dubbo SLA, *Tamworth SUA, *Albury SLA, *Wagga Wagga SLA

Across the four Evocities 'dwelling type' is almost synonymous with 'separate dwelling', this being the most common form of housing. The most obvious difference across the cities is Albury, which has a greater proportion of units (16.9%). Across all the cities, townhouses or terrace style accommodation account for only a small proportion of dwelling types, ranging between 4.7% and 6.2% of housing stock.

Table 37 - Comparative Dwelling Type (2011)

	Dubbo*		Tamworth*		Albury*		Wagga Wagga*	
	#	%	#	%				
Separate house	11,063	82.3%	12,715	83.2%	14,856	76.6%	17,117	82.9%
Semi-detached, row or terrace	836	6.2%	814	5.3%	1,108	5.7%	979	4.7%
Flat-unit-apartment	1,289	9.6%	1,573	10.3%	3,286	16.9%	2,345	11.4%
Other dwelling	246	1.8%	147	1.0%	134	0.7%	185	0.9%
Not stated	6	0.0%	29	0.2%	16	0.1%	20	0.1%
Total	13,440	100.0%	15,278	100.0%	19,400	100.0%	20,646	100.0%

Source: ABS Census, Time Series Data *Dubbo SLA, *Tamworth SUA, *Albury SLA, *Wagga Wagga SLA

Household Structure

Household structure across the four cities is similar with only slight variance in the proportions across the different household structures. Albury, has the highest proportion of lone person households, consistent with the smaller household size and the higher number of flats and units observed. The levels are very similar to the proportions found in both RNSW and NSW.

Table 38 - Comparative Household Structure (2011)

	Dubbo*	Tamworth*	Albury*	Wagga Wagga*	RNSW 2011	NSW 2011
Family	67.5%	65.9%	62.9%	67.1%	67%	68.4%
Lone person	25.3%	26.8%	28.8%	25.4%	26%	23.1%
Group households	3.1%	2.9%	4.3%	4.7%	3%	3.6%
Other households	4.1%	4.4%	4.1%	2.8%	5%	4.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: ABS Census, Time Series Data *Dubbo SLA, *Tamworth SUA, *Albury SLA, *Wagga Wagga SLA

Dwelling Tenure

There are a substantially higher number of renters found across all of the Evocities compared than RNSW or NSW. This can be attributed to their respective roles as service cities for various industries such as health, education and retail resulting in a high number transient workers and students, who have a corresponding demand for rental properties over owner occupied accommodation.

Table 39 - Comparative Dwelling Tenure (2011)

	Dubbo*	Tamworth*	Albury*	Wagga Wagga	RNSW 2011	NSW 2011
Owned outright	28.0%	30%	28.3%	28.4%	36.6%	31.9%
Owned with a mortgage	34.1%	29%	33.1%	33.5%	29.7%	31.9%
Rented	31.2%	33%	31.9%	33.5%	27.0%	29.1%
Other or not stated	6.7%	7%	6.7%	4.6%	6.75%	7.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: ABS Census, Time Series Data *Dubbo SLA, *Tamworth SUA, *Albury SLA, *Wagga Wagga SLA

Household Income & Relative Affordability

Wagga Wagga (\$1,140) has the highest median weekly household income followed by Dubbo (\$1,084), Albury (\$1,021) and Tamworth (\$1,000). An assessment of house rents and sale prices reveals that Albury is slightly more affordable in terms of median weekly rental values, potentially related to the lower occupancy levels across the city.

In all cities, 30% of the median weekly household income is marginally sufficient to cover the corresponding median weekly rent for a 3 bedroom house.

An analysis of median house prices and the corresponding mortgage repayments²⁰ in each city reveals that it is slightly more affordable in Dubbo to purchase a property at the median price than the other Evocities. In Dubbo 23% equity deposit would be required if the home purchased was at the median price (\$275,000) by a household that was on the median weekly income (\$1,084).

In the other Evocities this equity deposit amount was closer to 30% of the price of the property, thus increasing the barrier to home ownership. In all of these Evocities including Dubbo, it would be difficult for households below the median income to be able to afford to own their home.

Table 40 - Comparative Median Income & Accommodation Cost

	Dubbo*	Tamworth*	Albury*	Wagga Wagga*
Median weekly household income	\$1,084	\$1,000	\$1,021	\$1,140
30% of weekly household income	\$325	\$300	\$306	\$342
Median weekly rent (3 bedroom house)**	\$300	\$300	\$280	\$310
Median house price**	\$275,000	\$281,000	\$278,000	\$305,000
Size of mortgage based on 30% weekly income	\$211,813	\$195,400	\$199,503	\$222,756
Size of equity deposit excl. stamp duty & ancillary costs	\$63,187	\$85,600	\$78,497	\$82,244

*Dubbo SLA, *Tamworth SUA, *Albury SLA, *Wagga Wagga SLA

**HNSW Rent and Sales report based on LGA, March 2013

Source: ABS Census, Time Series Data

²⁰ Mortgage based on 30% on weekly household income, 7% interest rate and 30 year loan term.

Market Appraisal

This comparative analysis considers the housing markets of Tamworth, Albury and Wagga Wagga, comparing and distinguishing them from Dubbo.

Tamworth

Tamworth benefits from a diversified economic base, with significant infrastructure projects recently completed. Dwelling composition in Tamworth is similar to Dubbo, separate houses the predominant type of dwelling (83%) followed by units (10%) and semi-detached or row houses (6%). While price growth was soft through 2012, a rebounding is observed in 2013 with an increase in interest from investors notable.

Median dwelling prices in Tamworth vary significantly depending on suburb. Units have generally shown the most sustained price appreciation (4%-6%), compared to houses which recorded positive and negative growth.

Like Dubbo, Tamworth is experiencing tight rental market conditions with minimal letting-up periods observed. Contrary to Dubbo, rental growth for houses in Tamworth has outperformed that of units. For example, median rental growth for a 2 bedroom house typically exceeds 4% per annum but approached 8% in 2012. In contrast 1 and 2 bedroom units grew by around 8% in 2010 but have fallen progressively since then to 2% and 5% respectively in 2012.

Albury

Albury is in a unique position, its property market influenced not only by factors from within Albury but equally affected by market characteristics and conditions that are prevalent in Wodonga, Victoria. Owing to the proximity of the cities (within 7km) to each other, residents of Albury commute freely between the cities for their employment, shopping and living needs, often living in one city and working in another.

Contrary to Dubbo and Tamworth and the rest of NSW, Albury experienced a period of decline in house and unit prices from 2009. While house prices rebounded in 2012, unit prices sustained a decline through 2012. This coincides with an augmentation of the First Home Owners Grant by the Victorian Government (2009-2012), particularly for newly constructed homes in regional Victoria. The total amount available to first home buyers for newly constructed homes in regional Victoria ranged from \$26,000 and peaked at \$36,500 in 2009.

Median dwelling prices in Albury also vary significantly depending on suburb. Lots sized between 600sqm and 700sqm are the most prevalent and properties under \$300,000 have the most market acceptance, often selling within weeks of marketing. Demand is noted to have shifted in recent years from established homes to new stock following the removal of incentives for established homes.

There appears to be more market acceptance of multi-living in Albury, as characterised by the higher proportion of flats and units. Demand for units is driven by investors and retirees, retirees generally seek higher quality stock (up to \$450,000) and investors showing interest in properties priced between \$220,000 and \$250,000 which return favourable yields.

While there has been a history of a tight rental market, rental conditions are reportedly easing with the availability of more units to cater to the local renter population.

Wagga Wagga

The market in Wagga Wagga is typical of many regional centres and is characterised by a large number of detached dwellings (83%). The market has been relatively soft the preceding few years with limited price growth. However local agents have identified an uptick in the last few months as a result of several interest rate drops making it easier to purchase dwellings.

The market is characterised by 3-4 bedroom homes, typically erected on blocks between 700sqm and 1,000sqm. However, while this typical product accounts for the volume in Wagga Wagga there is demand for a diversity of product across the market including townhouses to a limited extent and detached dwellings of all sizes. There are also a number of large lifestyle lots available on the fringe of the city.

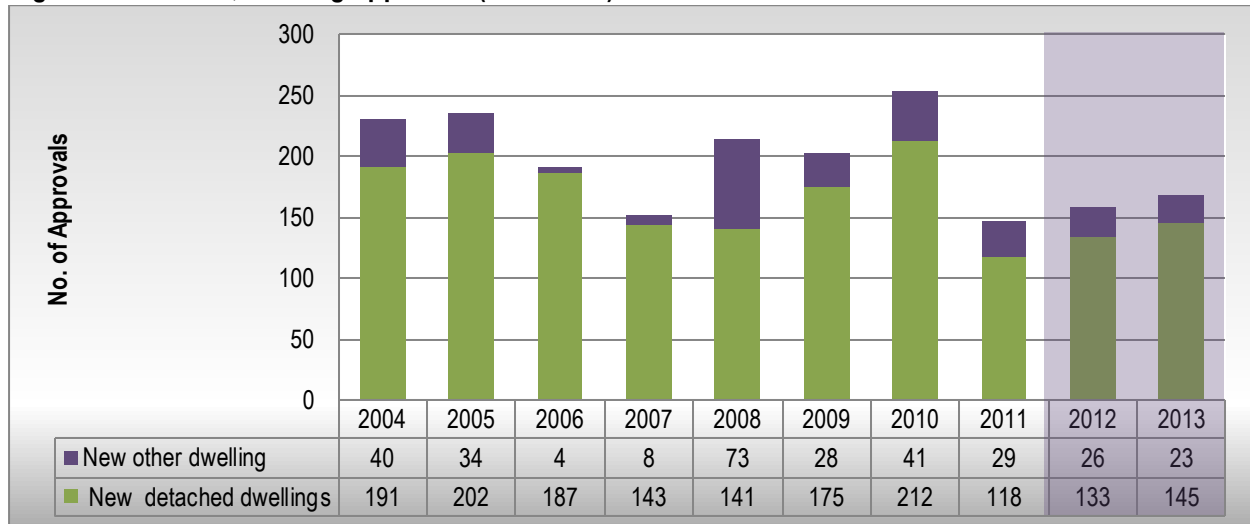
The market in Wagga Wagga is observed to be more 'traditional', favouring larger, detached blocks. In line with an apparent population growth stagnation, demand for housing and rental housing has accordingly abated. Over the last two years, rental conditions have eased with vacancy rates rising and rents falling. Concurrently, owing to weaker demand for housing, construction of new stock has slowed in recent years.

Residential Development Activity

Dwelling Production

Our research found that development activity declined significantly in recent years, a cumulative impact of the prolonged drought and the GFC. Poor business confidence coupled with the constraints of tight credit markets caused developer investment in Dubbo to fall substantially. This fall in development activity is observed in the following diagram.

Figure 13 - Dubbo, Building Approvals (2004-2013)



Source: ABS Building Approvals (Cat, 8731.0) 2004-2013 *Note 2012-13 (shaded in purple) Change of geographical boundaries from SLA to SA2

While there is underlying demand for new housing, research suggests that development is still challenging particularly with respect to securing suitable funding. Following the GFC, financiers are not only selective with project funding, onerous conditions are also imposed on the project before drawdown can be affected. Lenders typically mandate a minimum of 50% sales prior to construction (off-the-plan) with some mandating 100%. While this may be achievable in metropolitan markets it is a significant challenge in Dubbo and other regional markets. To a lesser extent, statutory developer contributions are also a challenge for development particularly in the timing of payment i.e. potentially a significant upfront cost to the project.

While development in the past has tended to extend eastward of the CBD there does not appear to be major impediment to new development occurring in the west. As earlier mentioned, sale prices are generally reflective of the individual features of the property and less of the general area, save for those areas that may be 'stigmatised' by proximity to public housing estates.

The most common lot size in Dubbo is suggested to be 800sqm (20mx40m) and even though the minimum lot size in many areas is 600sqm, many developers have still elected to provide at least 800sqm blocks due primarily to a perception of market resistance below the traditional size of 800sqm.

There are a number of ongoing residential subdivisions across Dubbo and they tend to be aimed at different buyer groups. First home buyers tend to be attracted to either Keswick or the former Gordon Estate development Rosewood Grove while the upgrader market tends to be attracted to Southlakes, Grangewood estate, or Delroy Park. Delroy Park is the only development that includes a diversity of housing stock that targets a range of buyers.

With demand for housing steady and a fall in development activity over the last five years, Dubbo now appears to have a short term supply issue.

Development activity appears to be constrained by the availability of suitable sites and project feasibility. Acquisition of sites in multiple ownerships can result in increased cost and protracted development periods. In recent times there has been the additional factor of credit cost and its availability.

The following factors have implications on housing supply in Dubbo:

- Business uncertainty and confidence.
- Availability and cost of finance is constrained, often accompanied by onerous lender requirements.
- Difficulty in selling off-the-plan.
- Limited availability of large contiguous land suitable for development in the town centre.
- Decisions of certain developer / landowners to develop a limited number of lots per year.
- Market preference for certain housing types. While planning controls may permit denser residential types, it is conceivable that there could be market resistance to apartments, the market generally preferring small lot housing to multi-unit living.
- Enduring stigma in certain parts of Dubbo a result of past development and use.

Our investigations revealed the existence of covenants in some estates, mandating minimum building sizes and / or requiring homes to be owner occupied for a minimum number of years post completion. Cumulatively, these covenants have the effect of discouraging the provision of rental stock and housing that is affordable.

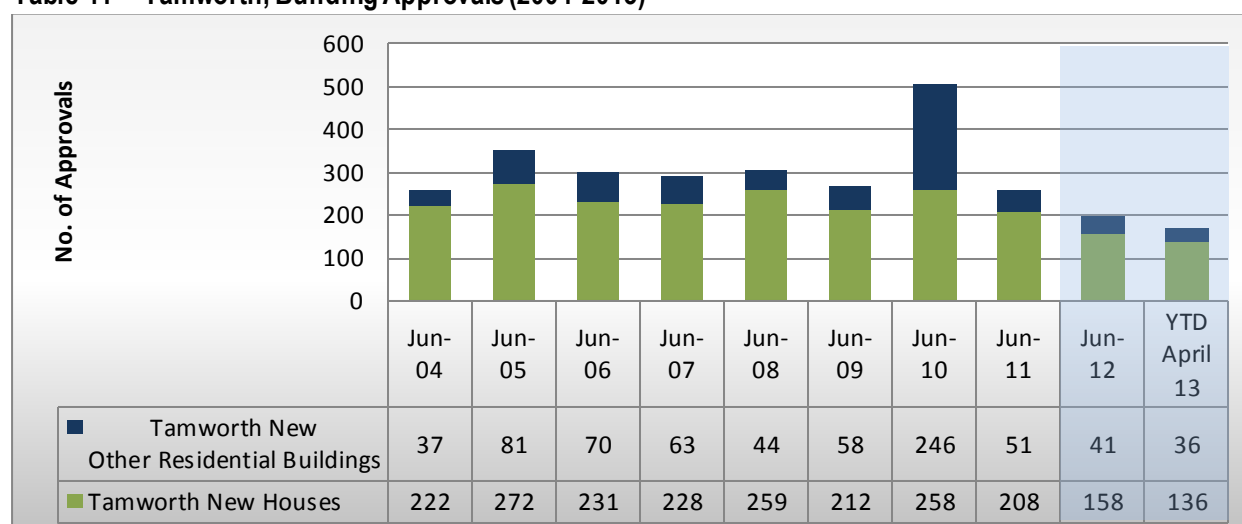
Tamworth

Demand for housing has been largely driven by employment in health and retail sectors and with minimal impact from the mining industry. There has been a steady decline in building approvals from 2010. While small lot housing was observed to have been popular some years ago, there is anecdotal evidence that popularity favours traditional lots between 600sqm and 800sqm.

The decline in development activity has been suggested to be a function of market conditions and delicate development feasibility. That said, active developers and builders continue to deliver housing to the market aimed largely at the first home buyers' market. Economies of scale can be achieved when costs are spread over various stages of development.

Housing aimed at the retiree market generally takes the form of rural residential lots (2ha-4ha), 1 acre lots (4,000sqm) observed to have popularity with the market. It has been suggested that the retiree market is resistant to multi-unit living, hence a limited volume of townhouse / unit developments have been proposed.

As indicated in the figure below the level of building approvals in Tamworth has been on a steady decline from 2011 to 2013. There appears to be an anomaly in the data where the number of building approvals spiked in 2010. The long term average of building approvals appears to be between 200 and 250 lots.

Table 41 - Tamworth, Building Approvals (2004-2013)

Source: ABS Census Time Series Data 2004-2013 Note 2012-13 (shaded in blue) change of geographical boundaries from SLA to SA2

Hill PDA's research indicates approximately \$12.7m worth of proposals of residential land estates in the pipeline. This is equivalent to 618 residential lots which are expected to be completed from early 2014 to early 2018.

There is also significant amount to be invested in the provision of aged care/retirement villages with \$44m worth of projects projected to supply an additional 476 aged care beds on the market from late 2014 to late 2016.

Table 42 - Tamworth Supply Pipeline

Type	Project & Value	Description	Status
Subdivision	Peel River Estate Subdivision Value: \$10.3M	Construction of 546 residential lots and associated road/infrastructure works at Calala Lane in South Tamworth. To occur in 3 stages, 104 lots to be released in March 2014, 46 lots in October 2014 and 396 lots in February 2018	
Subdivision	New Winton Road Subdivision Value: \$1.2M	Development of 34 residential lots and associated infrastructure on New Winton Road, west of Tamworth town centre. A development application has been submitted to council and should the proposal receive the appropriate planning approvals, it is expected to commence construction in August 2013 with an expected completion of January 2014.	Development Application Submitted Expected Completion: Early 2014
Subdivision	Goono Goono Road Subdivision Value: \$1.2M	38 lot subdivision and its associated roads and services on 329 Goona Goona Road in Hillvue, approximately 5km south west of Tamworth town centre. Although the application is pending, it has been indicated that development approval is imminent for the project. When approval is granted, it is expected that construction will commence in August 2013, with an expected completion of March 2014.	Application pending (approval imminent) Expected Completion: March 2014
Retirement & Aged Care	Tamworth Gardens Retirement Estate, Stages 1-18 Value: \$4.0M	Development by developers Gannon Lifestyle Group to construct a retirement estate on lots 101-102 Mulconda Close and Johnston Street, approximately 3km north west of Tamworth town centre. The development comprises the development of 235 individual dwellings which comprise single storey villas of 2 or 3 bedrooms. This project is expected to supply approximately 60 retirement units per year from 2014 to 2016.	DA Granted Expected Completion: Late 2016

Source: Cordell Connect & Hill PDA Research (2013)

Albury

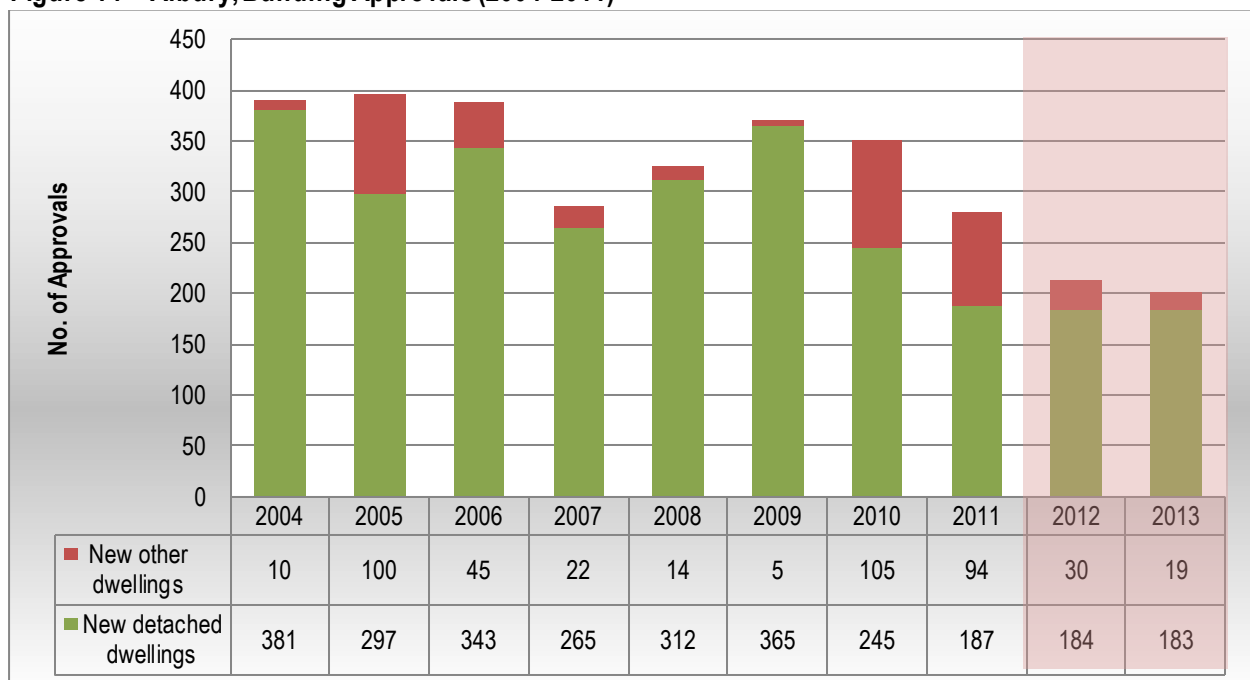
The Albury market is understood to be in fierce competition with sister city Wodonga located across the Murray river in Victoria. Due to its location on the NSW / Victoria boundary, Albury's development market operates in a challenging environment. It competes directly with Wodonga and is consequently subject to factors that drive development in Victoria including statutory regulations and incentives. These have had impacts on the supply-side and demand-side factors that collectively underpin development activity.

Anecdotal evidence suggests that between Albury and Wodonga annual demand for serviced lots is in the range of 500-600 lots. Traditionally the split has been 60% to Albury and 40% Wodonga. However after larger grants were made available to first home owners in Victoria (as high as \$36,000), a significant shift of demand away from Albury resulted with the split of overall demand suggested to be as low as 25%.

The volume of building approvals has dropped rapidly from 370 per annum (2009) to 214 (2012). This fall can be attributed to the impact of a higher capture of first home buyers by the Victorian market.

In addition to the more attractive grants made available by the Victorian government, developer contributions are understood to be relatively high in Albury compared to Wodonga. This has impacted housing supply as builders choose to develop in Wodonga.

Figure 14 - Albury, Building Approvals (2004-2011)



Source: ABS Census Time Series Data 2004-2013 Note 2012-13 (shaded in red) change of geographical boundaries from SLA to SA2

Following a reduction of the first home buyers grant to \$10,000 in Victoria, the development market appears to have rebounded slightly. Contrary to that observed in Dubbo, Tamworth and Wagga Wagga, development in Albury is more diverse, several unit and townhouse developments progressed in the town centre.

The Albury market has a strong development pipeline with proposals for the development of aged care, units and townhouses, as well as for substantial residential land subdivisions.

A planning proposal has been submitted to rezone 168ha at Thurgoona for residential and rural purposes with 151ha specifically rezoned for residential with lot sizes of 450sqm-1,400sqm. The expected completion is 2025 and the size of this project may have the potential to supply the Albury residential market to meet a large proportion of its demand over the years to 2025.

There are three proposals for aged care accommodation. Cumulatively the aged care projects propose to develop accommodation for 260 residents from early 2014 to late 2015, equivalent to approximately 130 dwellings per annum for this period. Proposals have also been submitted for the development of 15 townhouses and 40 units.

Table 43 - Albury Supply Pipeline

Type	Project & Value	Description	Status
Subdivision	Thurgoona Residential Subdivision Value: \$42.0M	A planning proposal has been submitted to rezone 168ha at Thurgoona for residential and rural purposes. 151ha will be rezoned for residential with lot sizes of 450-1,400sqm	Planning proposal submitted. Expected completion: Early 2025
Subdivision	Mitchell Park Estate Value: \$6.7M	Comprises stages 1.6 and 6 which seeks to develop 133 residential lots	Subdivision Application submitted Expected completion: Late 2014
Units	Dean Street Residential Building Value: \$12.0M	Construction of a 5 storey residential building comprising 40 units.	DA submitted Expected completion: Late 2014
Townhouses	Ebden St townhouses Value: \$1.5M	Construction of 8 townhouses and associated landscaping.	Development Approval Expected completion: Early 2014
Townhouses	Drysdale Street Terraces Value: \$1.2M	Construction of 7 townhouses	Development Approval Expected completion: Early 2014
Aged Care	Albury Valley Views Value: \$14.0M	Construction of 207 aged care and retirement villas	Early planning Expected completion: Late 2015
Aged Care	Lavington Lodge Value: \$4.8M	Construction of 21 single bed apartments for aged care and seniors.	Development Approval Expected completion date: Early 2014
Aged Care	Murrayvale Retirement Villas Value: \$2.5M	Development comprises the expansion of the existing village through development of an additional 32 self-contained units	Early planning Expected completion: Late 2014

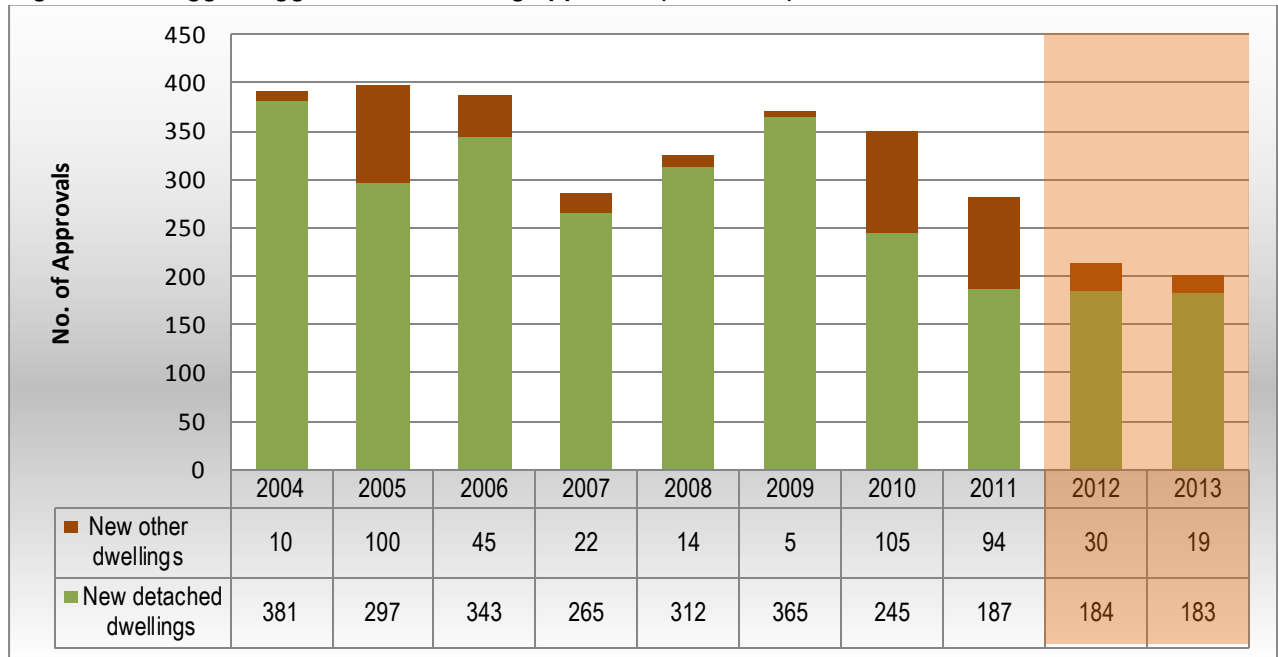
Source: Cordell Connect & Hill PDA Research (2013)

There are an additional seven smaller subdivision proposals seeking subdivision approval. The projects have a cumulative value of \$10.6M and have the capacity to supply approximately 226 lots from mid-2013 to late 2015.

Wagga Wagga

Development activity in Wagga Wagga has been in decline since 2010, coinciding with the softening of property prices over the same period. There does not presently appear to be a housing shortage, with development mainly constrained by weak demand. Environmental constraints on the developability of land including flood and terrain constraints and salinity issues have also made development challenging.

The graph clearly indicates a reduction in the number of new approvals since 2010. Moreover there has been a steady decline in the diversity of new dwellings with a contraction of other forms of dwelling such as townhouses and units.

Figure 15 - Wagga Wagga, Annual Building Approvals (2004-2013)

Source: ABS Building Approvals (Cat 8731.0). Note 2012-13 (shaded in orange) Change of geographical boundaries from SLA to SA2

Informal discussions with developers and marketing agents have revealed that the market in Wagga Wagga has a preference for larger lot sizes on average between 700sqm to 1,000sqm. While there is a diversity of development typology across Wagga Wagga many subdivisions have tended to provide lots sized above 800sqm. Developers indicated that it would be difficult to sell small lot housing in the 400sqm-450sqm size. Values in these subdivisions vary however once the values approach \$400,000, many first home buyers are effectively priced out of the market.

Development is taking place across the Wagga Wagga with the majority of development occurring in the north, northwest and south. The Wagga Wagga Spatial Plan 2013 identifies a supply capacity of 5,439 residential lots in land zoned R1 in, 350 lots zoned R5 and potential for infill housing of 400-455 lots. The Spatial Plan also expresses a desire for a containment area of 10km around the city, ultimately restricting supply to eventually force consolidation within established areas of the city.

The two areas for significant development activity include the suburb of Gobbagombalin, in the northwest of Wagga Wagga, the suburbs of Estella and Boorooma in the north and the suburb of Lloyd in the south. However Lloyd appears to be the least performing, located within area of recharge for the water table and development accordingly constrained by environmental factors.

Table 44 - Wagga Wagga Supply Pipeline

Type	Project & Value	Description	Status
Subdivision	Gobbagombalin Residential Subdivision Value: \$14.2M	Residential Subdivision of 327 lots located in the Northwest of Wagga Wagga.	Planning Stage DA Approved
Subdivision	Estella Estate Residential Subdivision Value: \$8M	Residential Subdivision of 322 lots located in the North of Wagga Wagga.	Planning Stage Expected completion 2019

Type	Project & Value	Description	Status
Urban Release Area	Lloyd urban release area Future residential subdivision	Release area located to the south/southwest of Wagga Wagga Capacity 1,450 Lots. Subject to water usage covenants because of salinity. Multiple developers developing.	Next 30 years
Urban Release Area	Gobbagombalin urban release area. Future residential subdivision	Release area located to the northwest adjoining Charles Sturt University. Capacity is 1,700 lots	Next 30 years
Units/Mixed Use	The Mill	Redevelopment of the former Murrumbidgee Milling Company. Mixed use 97 units over 3 buildings. Developer has found it difficult to pre sell enough apartments to start construction. Prices range from \$360,000 to \$470,000.	Approved Expected completion 2015
Retirement Village	The Grange Retirement Village	Located to the south of Wagga Wagga the development of 248 dwellings including detached dwellings units and assisted living units for over 55's. The development progresses in stages dependent on demand.	Commenced completion in 2015

Source: Cordell Connect & Hill PDA Research (2013)

Appendix 2 - **STAKEHOLDER ENGAGEMENT - ATTENDEES & PERSONS CONSULTED**

Dubbo City Council, 1 July 2013

Mark Riley	General Manager
Murray Wood	Director, Parks and Landcare Services
Tony Aikins	Manager, City Strategy
Jessica Holland	Strategic Planner
John Walkom	Councillor
Allan Smith	Councillor
Bill Kelly	Councillor
Ben Shields	Councillor
Kevin Parker	Councillor

Development Industry Forum, 2 July 2013

Matt Thorne	Geolyse
Mike Sutherland	Alkane Resources
Robert Duffy	MJ Duffy & Son
Robert Elliott	MJ Duffy & Son
Mark Andrews	Hibbards
Mark Searle	Landmark
Bob Berry	Bob Berry Real Estate
Tim Cullenward	Peacocks
Amanda Webb	Peacocks
Jim Sarantzouklis	Barnson
Rachel Lodding	National Australia Bank
David Elder	National Australia Bank
Bill Kelly	Councillor
George Rice	Bourke Securities
Michael Carolan	Andrew McDonald Commercial
Brian McAneney	Ray White
Eric Smith	Surveyor, Wellington
John Walkom	Councillor
Michael Butcherine	
Nicole Cannon	Ray White
Alexandra Murray	Design Tribe
Peter and Eleanor Poulton	
Josie Howard	
Stewart McLeod	
Kevin Parker	
Brian Croghan	
Kevin Walkom	
Graeme Astley	
Richard Tegart	
Margie Clatworthy	Dubbo City Council
Jessica Holland	Dubbo City Council
Tony Aikins	Dubbo City Council

Real Estate Institute, 2 July 2013

Mark Searle	Landmark
Bob Berry	Bob Berry Real Estate
Brad Williams	Century 21
Kim Hamilton	Raine and Horne
Andrew Toole	LJ Hooker
Graeme Stapleton	Elders Real Estate
Rod Crowfoot	Ray White Commercial
Ken Mongan	Raine and Horne
Shayna Coe	Bob Berry Real Estate

Other Enquiries

As part of our research and investigations, Hill PDA consulted with the following persons (by telephone, email or in person):

Mark Searle	Landmark
Bob Berry	Bob Berry Real Estate
Ken Mongan	Raine and Horne
Peter Johnson	ADW Johnson
Bill Kelly	Councillor
Mike Sutherland	Alkane Resources
Anne Lea	Greater Western Area Health Services
Various project marketing offices	Ongoing residential subdivisions in Dubbo
Various leasing and selling agents	

Appendix 3 - REVIEW OF SUBMISSIONS

Submission 39 - 34L Pinedale Road, Dubbo

Currently zoned R5 Large Lot Residential and subject to a minimum lot size of 8ha under the Dubbo LEP 2011, a submission was received from Rebecca Rice-Ward requesting a change to the minimum lot size from 8ha to 6ha.

The submission asserts that such a reduction in minimum lot size would not impact on Council's development strategies, particularly given the existence of an adjoining 5ha property, as well as the Richmond Estate to the west and Firgrove Estate to the south both of which are subject to minimum lot sizes of 1.5ha.

Submission 42 - 20L Peachville Road, Dubbo

Zoned R5 Large Lot Residential and subject to a minimum lot size of 8ha under the Dubbo LEP 2011, a submission was received from Maureen Muzycxka requesting a change to the minimum lot size from 8ha to 6ha or 4ha.

The submission is premised on the claim that it is not economically feasible to develop the infrastructure required for a block of this size.

Submissions 43-45 - 20 Mugga Hill Locality

The Mugga Hill locality is zoned R5 Large Lot Residential and subject to a minimum lot size of 8ha under the Dubbo LEP 2011.

Several submissions have been received from Ray Perkins and Chris Foyster on behalf of Mugga Hill Precinct Committee requesting a change to the minimum lot size from 8ha to 6ha. The following matters are raised:

- The size of the blocks is too small for "proper" or substantial farming and too large to be feasibly kept as a single dwelling or hobby farm.
- Infrastructure is available and ready for connection including sewage and power.
- The lands are not affected by the Troy Creek salinity issues and are suitable for residential building.

An earlier submission (8 November 2010) indicated a willingness to commission the relevant experts and consultants to carry out the necessary technical studies to support the proposal.

A submission (17 December 2012) reaffirms the suitability of soil for residential building by implication, following analysis and testing by Geolyse on land at the northern end of Buninyong Road (now 7 Bushland Drive). The testing is quoted to find no salinity issues with the land and sub-soil moisture found to be non-existent. The submission reiterates the suitability of the land for residential building purposes given its proximity to existing and available infrastructure as well as the absence of salinity or soil problems. The submission envisages development of 4,000sqm blocks on the eastern side of Buninyong Road, consistent with that on the western side of Buninyong Road.

A third submission (21 January 2013) notes the success of blocks sold within Homestead Green (average 4,000sqm blocks) and pointing to the high demand for this type of residential block.

Recommended Response

Our market research has found a healthy demand for large lots residential (or lifestyle lots) between 2ha and 10ha with a shortage of this block size observed to be available for sale. This suggests that Council should consider releasing more 2ha-10ha blocks of land available. This could be by reducing the lot sizes of large lot residential lands in the new release areas and / or consider more development in East Dubbo.

Notwithstanding the apparent shortage of smaller lifestyle lots, in line with findings of this Study and the recommendations contained in section 6.3 ("Rezoning of Land Further East") that Council consider a review and revision of the Residential Areas Development Strategy, until the review is completed it is recommended that Council does not consider further ad hoc requests for development in East Dubbo.

The recommendations in section 6.3 outline a series of steps and investigation necessary to progress an orderly release of lands in East Dubbo, including identification and analysis of environmental constraints, developable area and carrying capacity. The role, form, characteristics and location of the buffer zone/s would also need to be considered to minimise conflicts between land uses.

Following completion of the above and subject to the outcomes of site and environmental capacity, Council could consider the submission requests on a holistic basis taking into account the precinct of East Dubbo as a collective.