

Housing Demand, Supply and Feasibility Study



Planning proposal for mixed use residential development
High Street, Penrith

September 2015 ■ 15073

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1.0 Introduction

UrbanLink Apartments have submitted a Planning Proposal to Penrith City Council seeking amendments to the development standards which apply to a large landholding on the corner of High Street and Mulgoa Road, Penrith (see **Figure 1**). Penrith City Council has requested, amongst other information, additional detail regarding:

- Demand and supply of residential development within the city centre; and
- Feasibility analysis of the existing and proposed planning controls to explain the relationship between the development yield and the ability to provide new open space and publicly accessible through-site links within the site.

In order to provide this advice, JBA has examined the characteristics of the existing and projected future population of the area, existing residential sales activities, and the anticipated local development pipeline. In addition, Davis & Langdon have reviewed the feasibility of developing the site under both the existing and proposed development controls.

This report provides:

- a summary of the existing demographic profile of the Penrith LGA;
- a summary of the NSW Department of Planning and Environment's (DP&E's) projections for population growth in the Penrith LGA up to 2031;
- a summary of key strategic planning and infrastructure influences on Penrith's growth, drawing on information from *A Plan Growing Sydney*;
- an overview of existing residential market activity in Penrith (suburb);
- a summary of significant development projects that are planned for the Penrith area that would impact upon dwelling supply; and
- High level feasibility analysis of development scenarios under the existing and proposed planning controls that apply to the site.



Figure 1 – Site location and proposed built form controls

2.0 Penrith LGA – Housing Profile

This section provides an overview of the current population and dwelling stock provision within the Penrith LGA. Information within this section has been sourced from the ABS census data.

2.1 Population

At the time of the 2011 census the population of the Penrith LGA was **178,467** comprising, 88,089 (49%) male and 90,378 (51%) female persons. The average age of Penrith's population was **34 years old** and Penrith's families had an average of **1.9 children**.

Age Distribution

The median age of Penrith LGA (34) is slightly lower than for metropolitan Sydney (35).

Figure 2 shows that, when compared to the age distribution in Metropolitan Sydney and NSW more broadly, there is a substantially higher representation of young (0-19 year olds) and middle-aged (50-64) people living in the Penrith LGA. Conversely there are fewer older people in Penrith LGA with the number of people over 65 years old falling behind that seen in Metropolitan Sydney and NSW as a whole.

Fewer persons in their 20s and 30s currently live in the Penrith LGA compared to the Sydney metropolitan area. Importantly, we note that statistically people in this age bracket are more likely to reside in apartments. Apart from this group, the other age-bracket that is statistically over-represented are 'empty-nesters', being single parents and couples in their 50s and 60s whose children have matured and left the family home. The representation of this age-group in the Penrith LGA is generally consistent with patterns across metropolitan Sydney, although we note that there are proportionally more persons in their 50s which is balanced by proportionally less persons aged in their 60s.

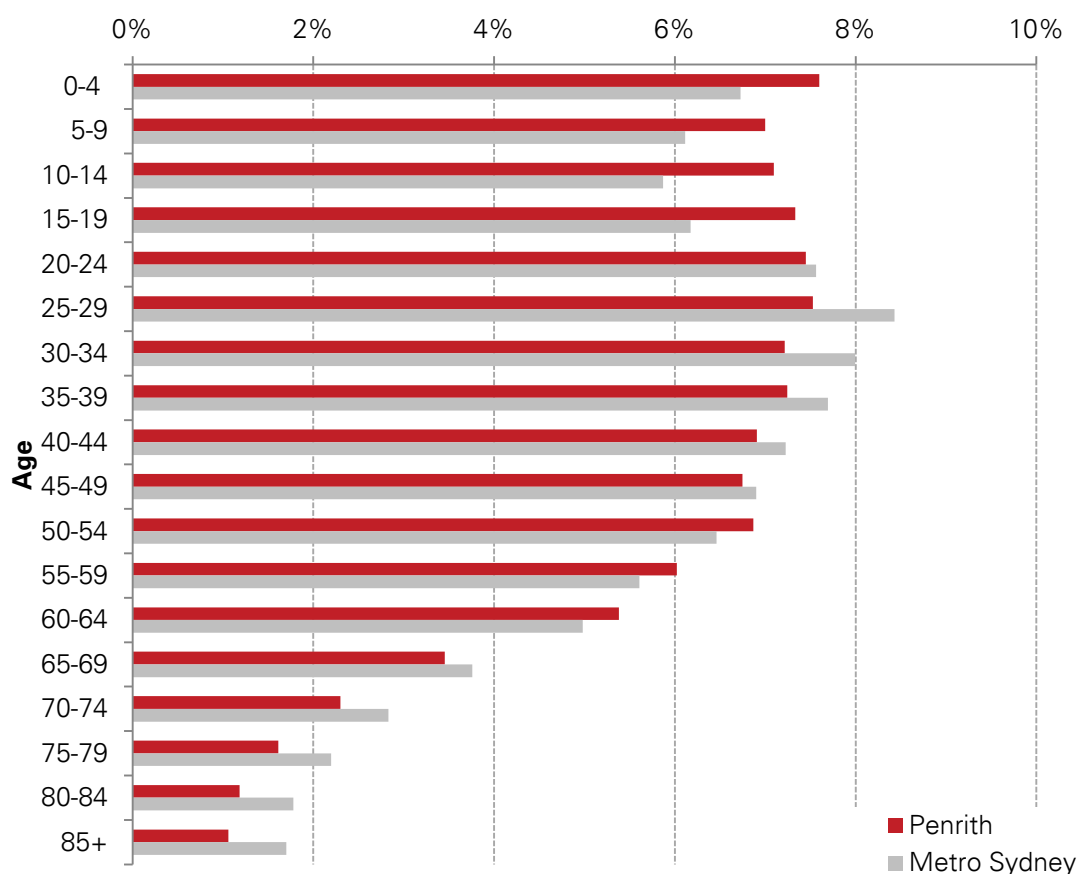


Figure 2 – Composition of existing populations by age in 2011
Source: ABS

We note that a majority of residential development activity in the Penrith LGA over the past decade has favoured detached dwelling houses. This has attracted families to the area, which has distorted the natural demographic change.

Household Composition

Figure 3 below illustrates the proportional representation of different households in the Penrith LGA.

Apartments tend to be purchased and occupied by couples without children and lone person households. In the Penrith LGA, these two household types presently comprise 38% of total households, which is substantially lower than the Sydney average of 44.1%. Single parent families, who are less likely than the preceding two groups, are also more likely to occupy apartments than two-parent families, and their representation in the Penrith LGA is comparable to metropolitan Sydney.

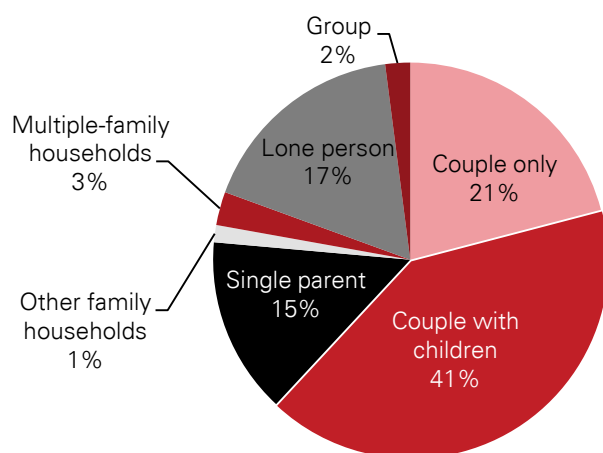


Figure 3 – Household composition of Penrith LGA
Source: ABS

Household Income and Expenditure

Household income has a direct influence on the ability to afford rental costs and mortgage repayments for different dwelling typologies and standards. **Figure 4** compares the distribution of weekly household incomes within the Penrith LGA against the metropolitan Sydney average. The majority of households in Penrith have an income of between \$78,000 to \$104,000 bracket. Households in Penrith are over-represented in the median income brackets between \$78,000 and \$130,000 and are substantially under-represented in annual incomes above \$130,000.

The labour force participation rate for Penrith LGA is 66.0%, which is above the metropolitan Sydney average of 61.7%. Workers are also marginally more likely to be employed in full-time positions compared to the overall Sydney workforce. This indicates that whilst there is higher employment participation, residents are more likely to be employed in occupations or positions that pay below the Sydney average.

The predominance of 'middle-income' households in the Penrith LGA indicates that there may be a greater appetite for more affordable household typologies such as apartments. However, it is also noted that this also constrains the purchasing power, particularly for new housing product.

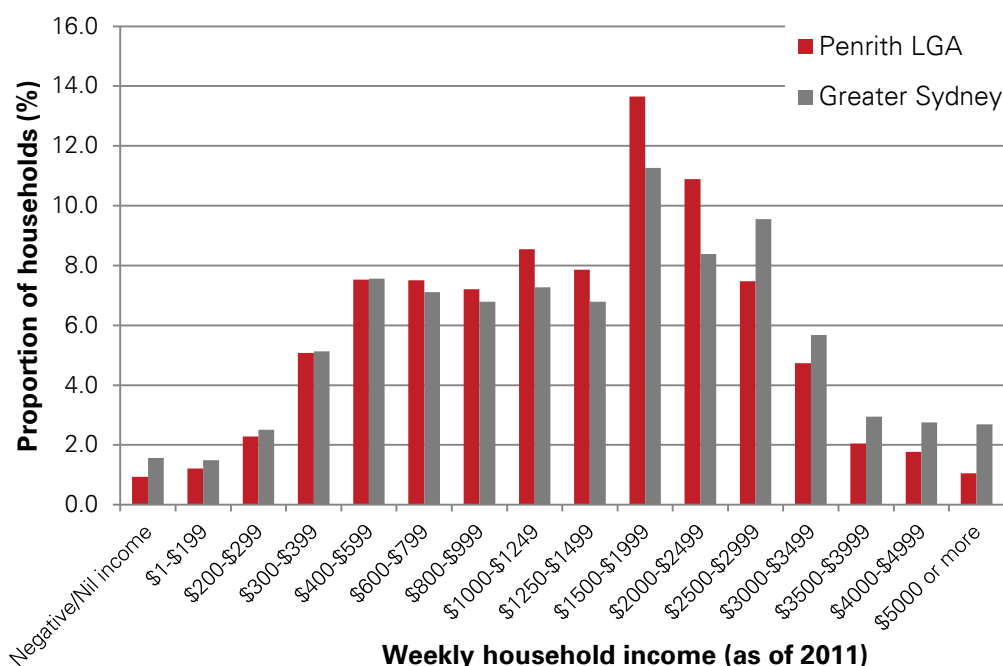


Figure 4 – Distribution of weekly household income
Source: ABS

Summary

Based on our high level review of 2011 ABS Census data, the following conclusions can be made Penrith's existing residential population:

- the majority of dwellings are occupied by family households, most of which are two-parent families;
- the predominance of family households is reflected in the age distribution of the population, with more persons in the age brackets corresponding with parenthood and children;
- single parent households, lone person households and couple only households combined constitute 43% of all households in Penrith; and
- Penrith is a predominately middle-income area, with a higher proportion of households in the \$78,000-104,000 income band (above Sydney average) but with only 5% of households having a total income of more than \$180,000 (lower than Sydney average).

The above factors have a number of implications for future housing demand from the existing population. The predominance of family-with-children households in existing housing stock is likely to result in a substantial number of maturing children looking to exit the family household (first home buyers) and parents left living in over-sized dwellings (empty-nesters). These two demographics have a higher predisposition to considering apartment living, whether it be as owner-occupiers or tenants.

We do note, however, that households' incomes in the existing population are lower on average than the overall Sydney metropolitan area. Penrith is a middle-income area, and whilst the data does not indicate a substantially higher level of disadvantage, there is clearly a reduced ability to afford more expensive (new) housing stock. This could create an opportunity for investors to purchase buy to let properties. Conversely, this may generate greater interest in new apartment development that has the potential to offer smaller dwellings than are currently on the market, and allow existing house-owners to free up capital by down-sizing.

2.2 Dwelling Stock

The following sections provide an overview of the characteristics of existing dwelling stock as of the 2011 ABS Census.

Dwelling Mix

Figure 5 below shows the percentage of different dwelling types in Penrith when compared to the proportion of those dwelling types more broadly in Metropolitan Sydney and in NSW. With 80% of the existing dwelling stock consisting of separate houses, Penrith presently has a much lower proportion of apartments than the Sydney average. The lack of diversity in the local housing market reflects the traditional development patterns in greenfield areas around Sydney's edge. As the area's demographic changes and matures over time, and as critical mass thresholds in the local population are reached to support higher levels of amenity in centres, it is likely that the diversity of dwelling stock will increase to include a greater proportion of apartments that respond to underlying market needs.

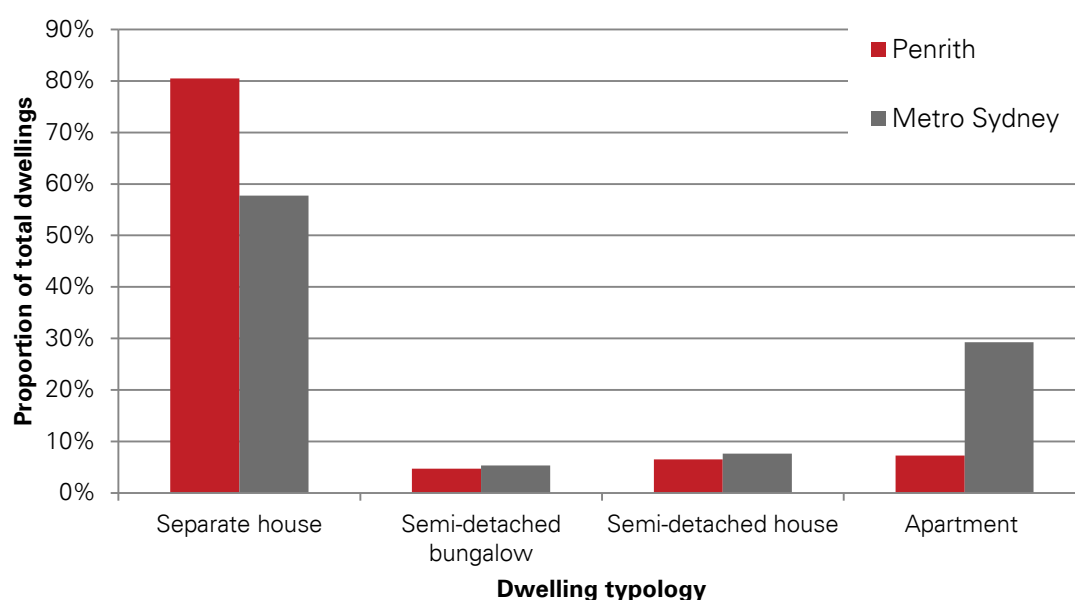


Figure 5 – Dwelling Typologies (%)
Source: ABS

Number of Bedrooms

Figure 7 illustrates the composition of all households by dwelling size (measured by bedroom numbers) based on the existing dwelling stock in the Penrith LGA and metropolitan Sydney area.

Reflecting the predominance of separate houses, there are substantially more 3 and 4 bedroom dwellings in Penrith than in metropolitan Sydney. This provides a substantial point of differentiation in the market from established dwelling stock for new apartment supply. It also provides an opportunity to provide a smaller product that is not presently widely available in the local market.

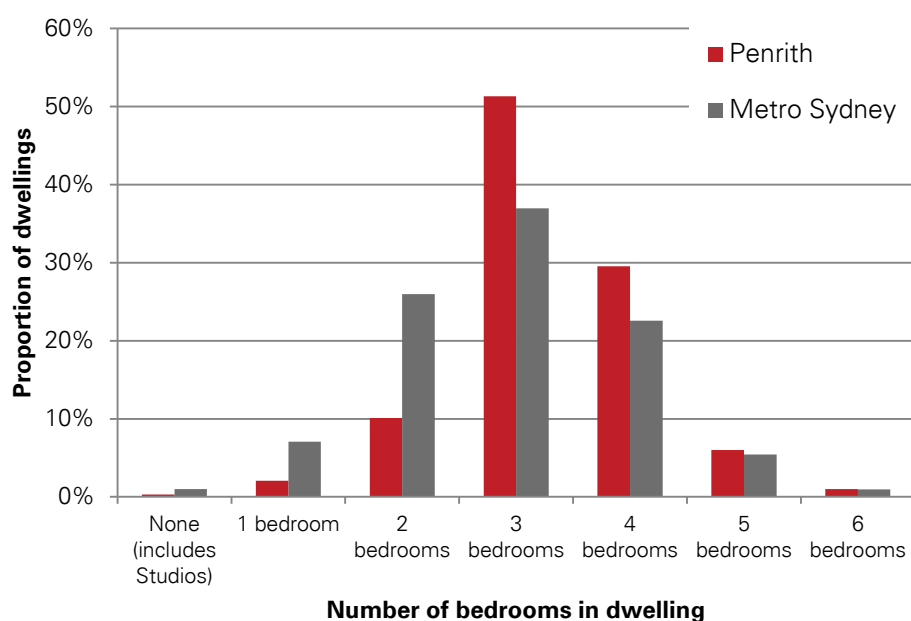


Figure 6 – Number of Bedrooms (%)
Source: ABS

Housing costs

Rents for all dwellings in the Penrith LGA are significantly lower than other areas of Sydney and the metropolitan Sydney average (**Figure 5**). Our analysis identified that over 50% of households renting in the LGA paid on average \$250-\$374/week in 2011. This is particularly low given the predominance of separate dwelling houses within the Penrith LGA.

Consistent with rental values, **Figure 6** also illustrates that mortgage repayments were substantially lower than the metropolitan Sydney average. This is indicative of the existing population having a lesser financial means than other areas of Sydney, and the lower property values.

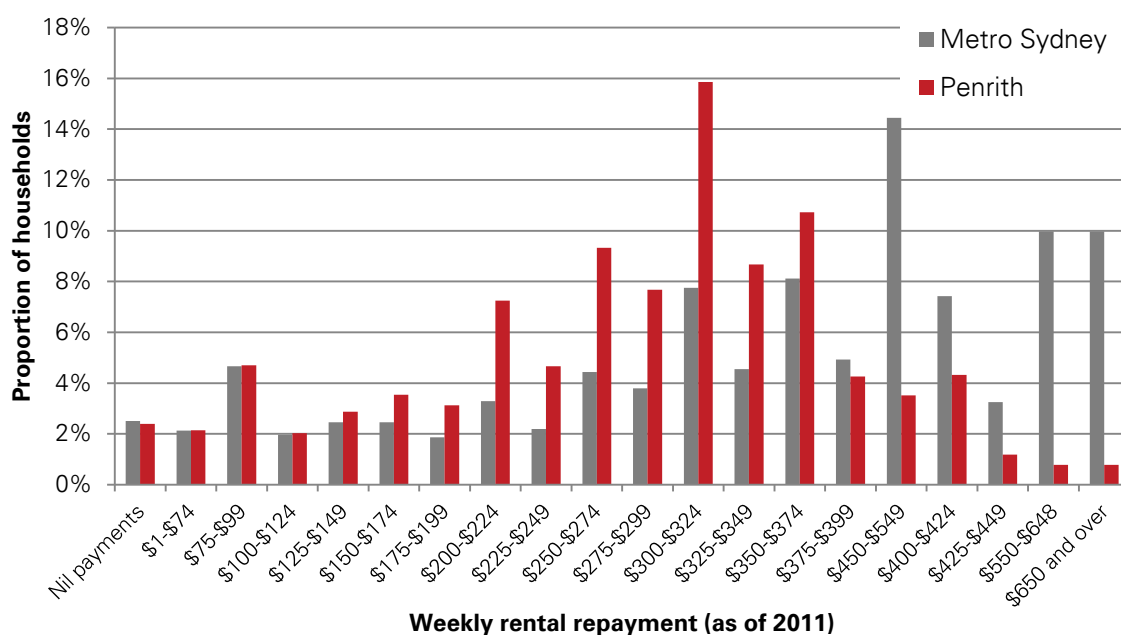


Figure 7 – Rental Payments in Penrith and Metropolitan Sydney
Source: ABS 2011

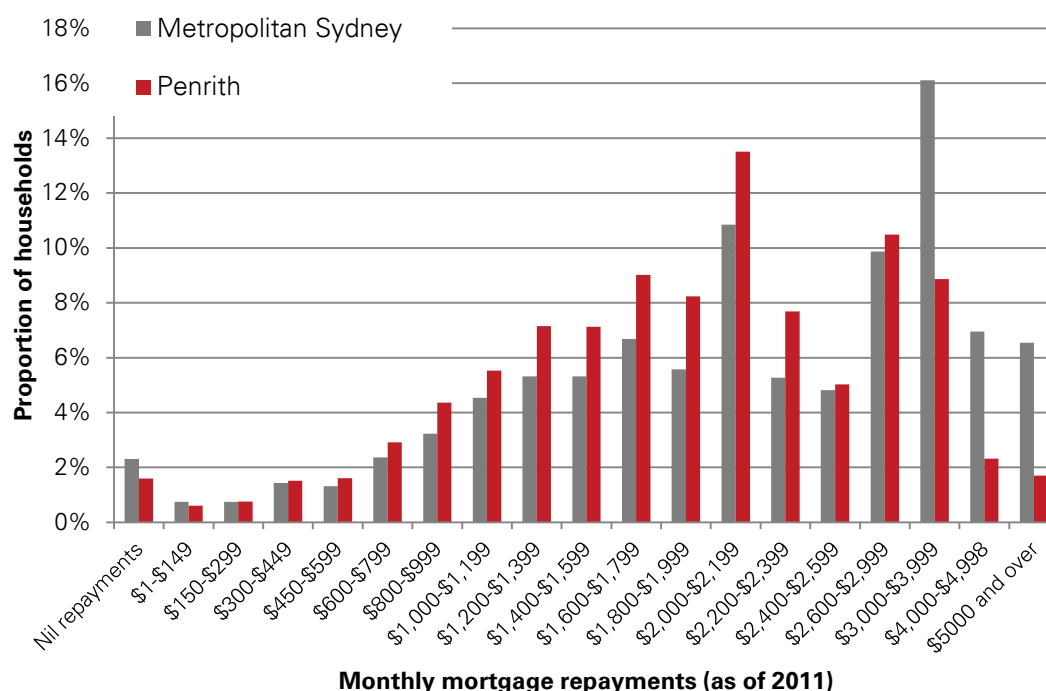


Figure 8 – Monthly Mortgage repayments in Penrith and Metropolitan Sydney
Source: ABS

Summary

Based on 2011 ABS Census data, the following conclusions can be made about the existing dwelling stock in the Penrith LGA:

- separate dwelling houses comprise 80% of existing housing stock, with only 7% of dwellings being apartments;
- existing dwellings tend to be in the 3-4 bedroom range, with 1 and 2 bedroom stock representing only 2% and 10% of existing supply respectively;
- notwithstanding the fact that houses in the Penrith LGA are substantially larger than the Sydney average, and tend to be separate houses rather than attached-dwellings or apartments, housing costs are substantially lower in Penrith than they are in Sydney metropolitan area.

The low-cost of existing detached houses could influence resident and investor interest in apartment-living, particularly for new stock. Whilst this is the case our analysis has indicated that there is a clear gap in the existing housing market for the supply of smaller dwelling typologies. Such a product may be able to capitalise on first home buyers and empty-nesters seeking housing options that are more appropriate for their everyday needs and financial position. Given the predominance of detached dwelling houses it is likely that there will also be a need to educate the local market about the benefits of apartment-living.

3.0 Strategic Planning Considerations

3.1 Strategic Plans

3.1.1 NSW 2021: A Plan to Make NSW Number 1 (2011)

The NSW State Plan, 'NSW 2021: A Plan to Make NSW Number 1', provides the goals, actions and targets for growing NSW over a 10 year period.

As a component of this strategy, the Western Sydney and Blue Mountains Regional Action Plan (RAP) offers specific strategic direction for the Penrith LGA including dealing with the projected population growth for the area. It established the strategic intent for the region in 2011 and predicted an increase of 449,000 people requiring homes in the Western Sydney area over the 10 year period to 2021.

Whilst the majority of required actions to realise and accommodate such growth were to be finalised by 2013, the data and strategies from this plan have been carried forward and updated as part of the newly released metropolitan strategy '*A Plan for Growing Sydney*', which we discuss below.

3.1.2 A Plan for Growing Sydney (2014)

A Plan for Growing Sydney was recently published in December 2014 and sets the new strategic vision for Sydney's metropolitan area to be implemented over the next 20 years. The plan predicts that Sydney's population will grow by approximately 1.6 million people, with 900,000 of these to be within Western Sydney. Accordingly, Western Sydney is expected to be the fastest growing region in NSW, which presents a significant challenge for future housing, employment and infrastructure in the region during this period.

Recognising the challenge of accommodating an additional 1.6 million people, requiring 664,000 new homes and 689,000 new jobs, the plan sets out the broad vision and principles to guide such growth.

Housing Growth

In providing 664,000 new dwellings by 2031, the plan emphasises the importance of delivering diverse housing choices throughout Sydney to accommodate the needs of fast growing household types. These key household types are identified as being single-parent families, couples, and lone person households, who typically prefer smaller housing typologies with low maintenance and good amenity.

The breakdown of housing numbers required to meet this expanding population for each subregion of Sydney are yet to be provided, but are expected to be released later this year. In the interim, we note that the draft western subregional plan published by the Department of Planning in 2012, indicates that an additional 39,000 dwellings will be required in this subregion of Sydney (comprising of the Penrith, Blue Mountains, and Hawkesbury LGAs) by 2031. Based on subsequent population projections released by the NSW Department of Planning & Environment, we understand that the dwelling targets are expected to increase by approximately 20% under the new subregional plans.

Centre-based Growth

A Plan for Growing Sydney continues the long-standing government policy of concentrating new density within existing centres and corridors. Penrith is identified as a Regional City Centre, earmarked for additional housing, employment and services to service the North West Growth Centre. In addition, the Penrith Health and Education Precinct comprising of the new Neapean Hospital, University of Western Sydney campuses, and the South Werrington Urban Village, is identified to provide additional mixed-use development. In light of this, it is evident that the State government expects there to be increased opportunities and demand for higher density and more diverse forms of housing in the Penrith LGA.

Western Subregion

The Western Subregion comprises the Blue Mountains, Hawkesbury and Penrith LGAs. Whilst the detailed subregional plans are yet to be released, this component of A Plan for Growing Sydney specifies that Penrith will be a focus for housing and jobs growth, particularly in professional services, health and education.

Accordingly, a stated priority of the region is to accelerate housing supply, choice, and affordability, and build great places to live through:

- *Working with councils to identify suitable locations for housing intensification and urban renewal, including employment agglomerations – particularly around established and new centres and along key public transport corridors including the Western Line and the Blue Mountains Line.*

This emphasises the support for strategically located transport-orientated development.

- *Enabling the transition of land uses at Penrith Lakes through long-term strategic planning.*

The Penrith Lakes Scheme is a significant greenfield development site earmarked to deliver approximately 4,900 dwellings, as discussed in Section 5 of this advice.

Further strategic direction is also provided for the two significant centres in the Penrith LGA, as follows:

- **Penrith Regional City Centre:**
 - *retain a commercial core in Penrith as required for long term employment growth;*
 - *provide capacity for additional mixed use development in Penrith including offices, retail, services, and housing;*
 - *improve walking and cycling connections between Penrith and the Nepean River; and*
 - *use best available information about flood risk in the Hawkesbury- Nepean Valley when planning for future growth in Penrith.*
- **Penrith Health and Education Strategic Centre:**
 - *support health related land uses and infrastructure around Nepean Hospital;*
 - *support education related land uses and infrastructure around the University of Western Sydney;*
 - *investigate the potential to integrate Penrith Education and Health with a future northerly extension of the South West Rail Link;*
 - *work with council to provide capacity for additional mixed-use development in Penrith Education and Health Precinct including offices, retail, services and housing;*
 - *work with council to investigate opportunities for a greater concentration of retail, services and housing around Kingswood train station, and for connecting Kingswood train station and centre to Nepean Hospital; and*
 - *work with council to improve walking and cycling connections between Penrith, Nepean Hospital, Kingswood train station and higher education facilities.*

3.2 Future Infrastructure

A Plan for Growing Sydney acknowledges the importance of delivering sufficient infrastructure in conjunction with housing. The State government recognises the links between infrastructure provision and strategic land use will help unlock development opportunities at a local level and support housing delivery. There are several significant major infrastructure projects and initiatives occurring in the surrounding area that are likely to facilitate such development opportunities.

Coordinated investment and delivery of this infrastructure by the Government, councils, utility providers and the development industry will maximise housing supply and ensure that well serviced and liveable communities are created in the future. In line with this, the Government has committed to, or is investigating, providing significant infrastructure upgrades in the Penrith LGA

and Western Sydney region spurred by the announcement of Badgerys Creek as Sydney's second airport and the predicted population and employment growth in Western Sydney.

Key infrastructure upgrades and projects relevant to the Penrith LGA are shown in **Figures 10 and 11** and include:

- **Transport Infrastructure:**
 - Upgrades to Bringelly Road. Works are presently underway to widen the road between Upper Canal and Eastwood Road, with the remaining upgrade works between King Street to the Northern Road expected to go to tender this year.
 - Upgrades to The Northern Road between Narellan and the M4 Motorway including intersections with Elizabeth Drive, and Bringelly Road. The planning process has been commenced for this upgrade.
 - The construction of Werrington Arterial Road that will link the Great Western Highway with the M4 Motorway. The tender for the construction of this road closed in November 2014 and as such these works are considered to be imminent.
 - The potential for the South West Rail Link to be extended from Leppington and/or Narellan through Badgerys Creek to St Marys. Preliminary investigations into the potential transport corridor options are presently underway. The alignment of this potential rail line is not confirmed.
 - The potential construction of a new four lane motorway connecting the M7 Motorway and the Northern Road, known as the Elizabeth Drive Corridor.
 - The potential for a major local roads overhaul within the Penrith LGA. The Government has committed to providing \$20mil each year for specific Council roads projects within Western Sydney, calling for expressions of interest this year for round 2 of the funding.
- **Social Infrastructure:**
 - \$61mil was committed to extending and refurbishing Nepean Hospital as a joint venture between the State and Federal Government, with construction beginning in mid-2010 and completed in early-2012. The upgrade includes the following new facilities: six operating theatres, two 30-bed surgical wards, extra day only and extended day only beds, a 12-bed intensive care pod including 5 additional ICU beds, and a multi-faith chapel.
 - The University of Western Sydney (UWS) received \$13.5 million to support the development of a \$29.5 million Werrington Park Corporate Centre in Penrith. The centre will create a focal point for new employment and new industry sectors in the region and trigger the longer term development of a comprehensive business park in Penrith.

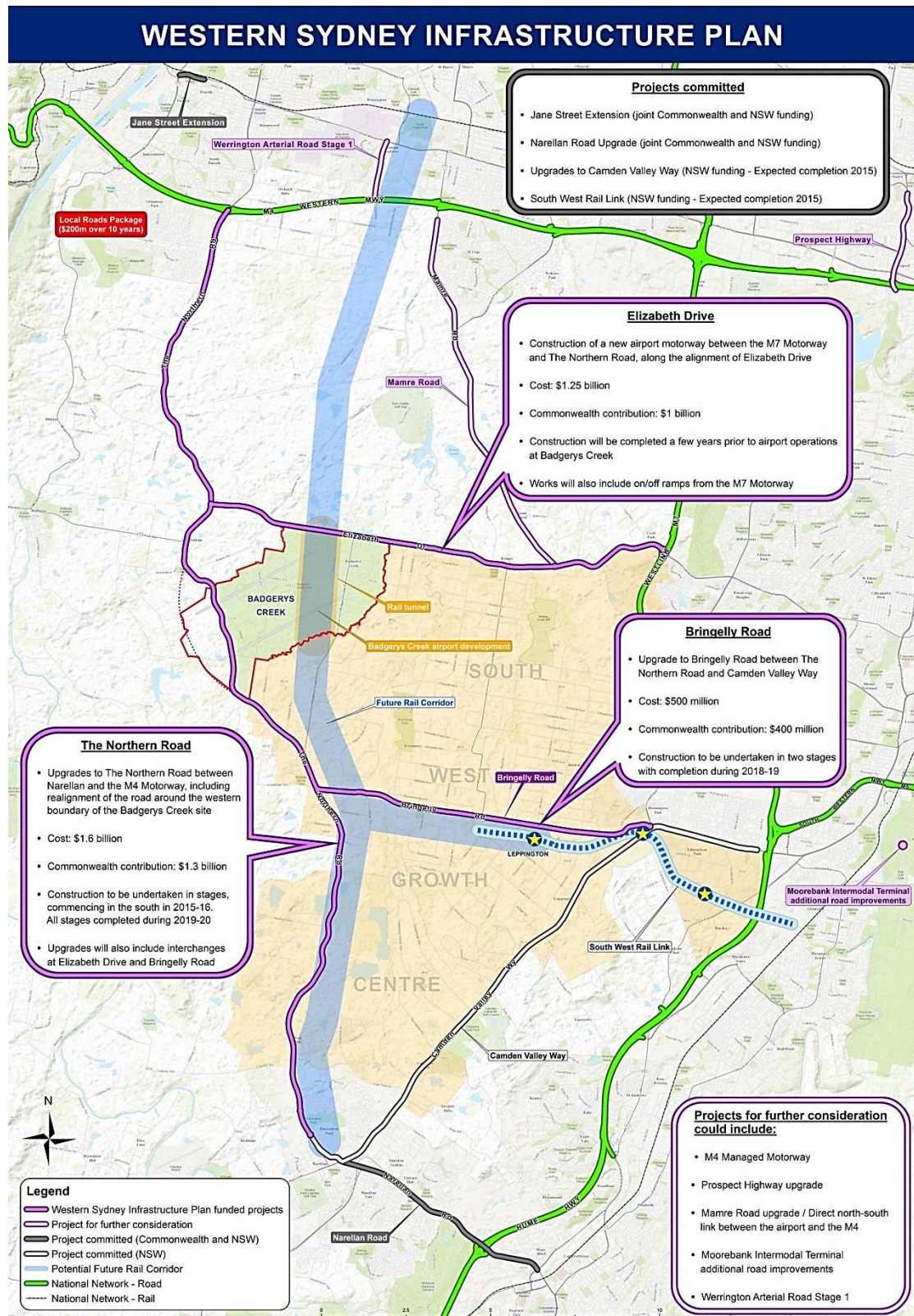
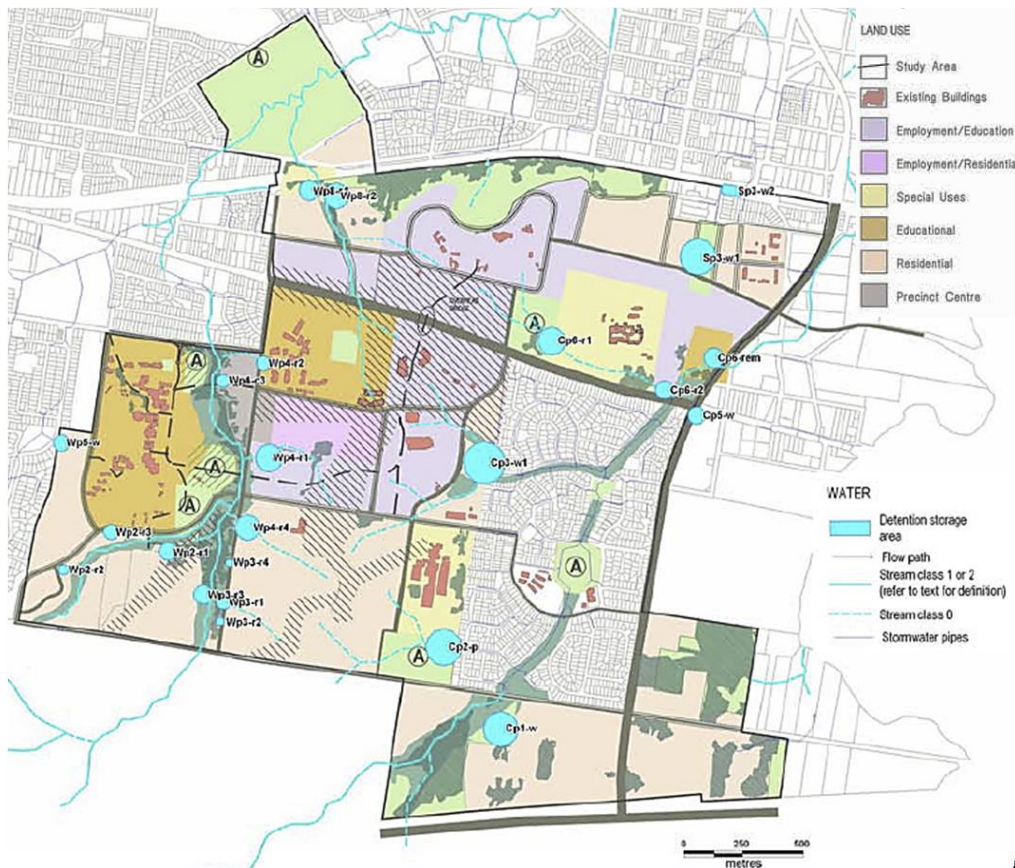


Figure 9 – Federal Governments proposed Western Sydney Infrastructure Plan
 Source: Infrastructure Australia



4.0 Projected Apartment Demand

In September 2014 the Demographic Unit of DP&E released updated forecasts for future growth in Sydney's population at the LGA level¹. These official forecasts are the most up to date forecasts available and will form the basis for the delivery of government services, and also for targeted planning for new housing production and delivery. It is noted that these projections capture existing and planned population growth, but do not take into account any unforeseen catalyst or major projects.

The following section outlines and interprets the projections for the Penrith LGA in the context of demand for apartments.

4.1 Projected Population Change

Population Growth

Based on DP&E's population projections, which are made from the 2011 ABS Census reference year, Penrith is expected to grow significantly and at a faster rate than the overall Sydney metropolitan area. As illustrated in **Tables 1** and **2** below, average annual population growth over the period to 2021 is forecast to be in the order of 3,900 persons per annum. This equates to:

- 39,300 extra people by 2021 (compared to 2011).
- 76,850 extra people by 2031 (compared to 2011).

The implications of this projected population growth for housing demand are discussed in **Section 4.2** below.

Table 1 – Penrith population projections

Year	2011	2016	2021	2026	2031
Population	184,600	203,950	223,900	242,150	261,450
Total increase from 2011 (%)	-	10%	21%	31%	42%

Source: DP&E

Table 2 – Projected annual growth rate

Year	2011-2016	2016-2021	2021-2026	2026-2031
Per annum population growth (persons)	3,870	3,990	3,650	3,860
Average annual growth rate (%)	1.99%	1.87%	1.57%	1.53%
Sydney Metro Average annual growth rate (%)	1.66%	1.67%	1.53%	1.39%

Source: DP&E

Shift in Age Range

Natural population change (ageing) and migration will influence the age composition of the future population of the Penrith LGA. As illustrated in **Figure 12** below, this change will predominately be through an overall ageing of the population due to the longer expected lifespans of current generations. Most of this shift will be in the 65+ age brackets, with most of the residents in this age bracket in 2031 already presently living in the Penrith area. Notably, DP&E project that people in the 20-29 age brackets will comprise a smaller proportion of the population, however, in light of the overall population growth described above the total number of persons in this bracket will still grow by some 15% to 2031.

¹ <http://www.planning.nsw.gov.au/enus/deliveringhomes/populationandhouseholdprojections/data.aspx>

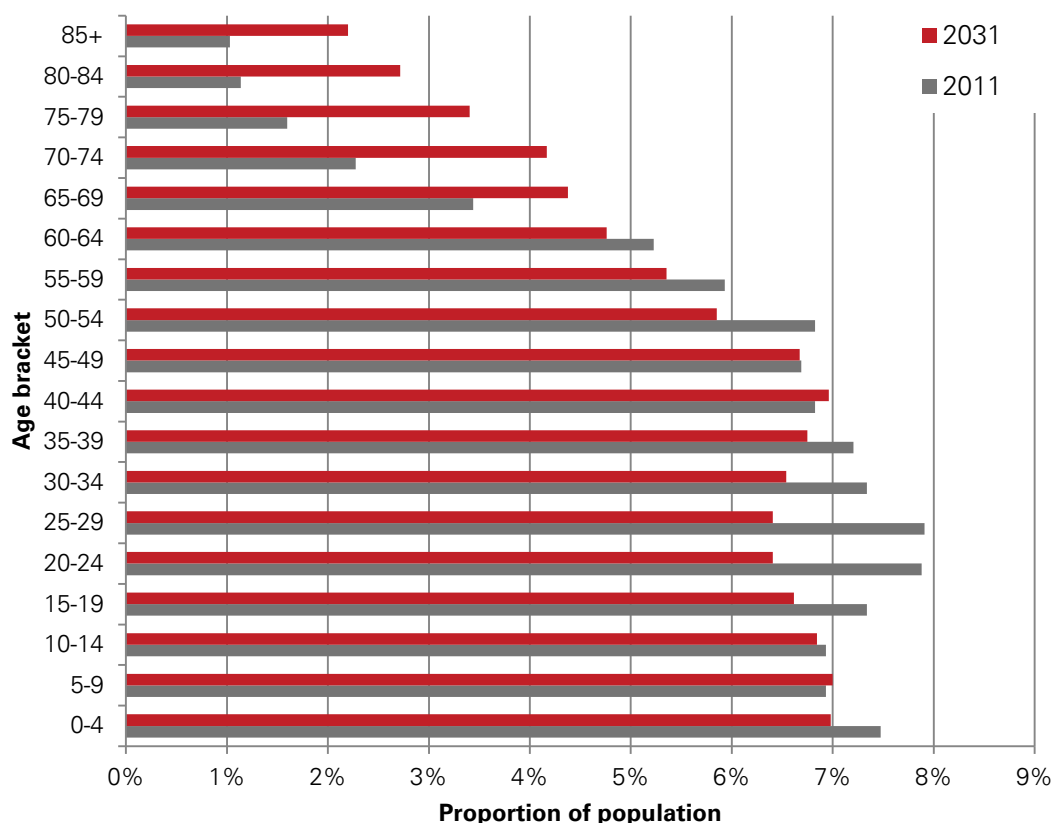


Figure 11 – Change in Age Dispersion (%) in Penrith LGA in 2011 - 2031

Source: DP&E

Shift in Household Composition

DP&E have projected the growth of different household types in the Penrith LGA to 2031, as illustrated in **Figures 13 and 14**. The fastest growth in household types (in %) will be in lone-person households, which will grow in number by nearly 80% by 2031. Proportionally, the next highest growth will be in couple-only (54%) and single-parent (50%) households.

In particular, the following growth is expected between 2011 and 2026:

- the number of 'couple only' households is expected to increase from 13,350 to 18,800 which is **an increase of 5,450 couple only households;**
- the number of 'lone person' households is expected to increase from 11,100 to 17,400, which is **an increase of 6,300 lone person households;**
- the number of 'single parent' households is expected to increase from 9,250 to 12,700, which is **an increase of 3,450 single parent households.**

Based on our experience and understanding of local market conditions the three aforementioned household types are substantially more likely to consider living in an apartment than other household types. Using the demographic projections above, it is therefore anticipated that there will be an additional 15,200 households in these categories by 2026 (compared to 2011). The implications of this growth for dwelling demand is discussed in **Section 4.2** below.

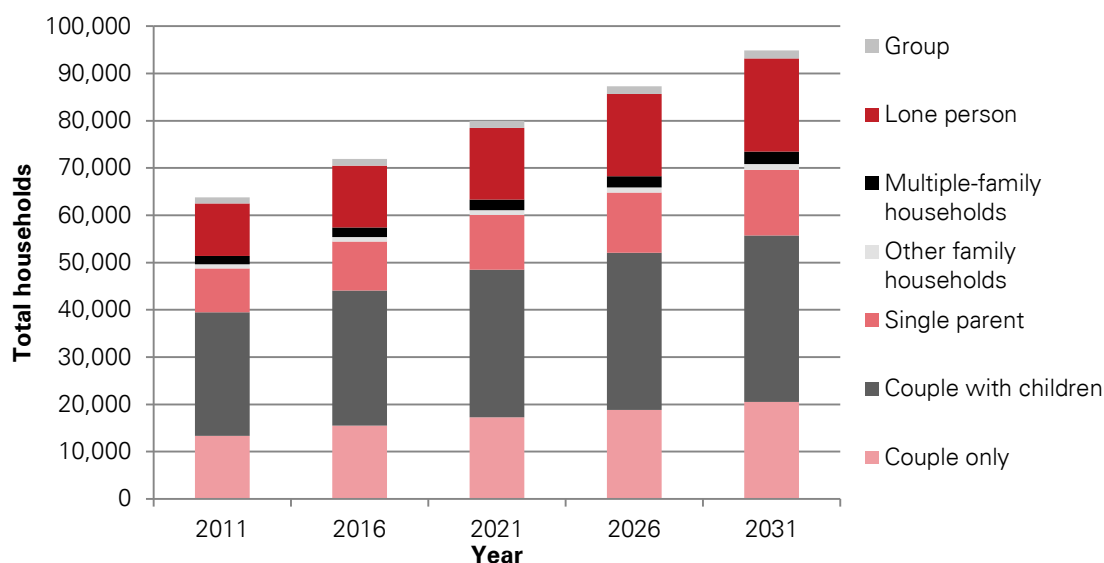


Figure 12 – Change in Household Composition 2011 – 2031
Source: DP&E

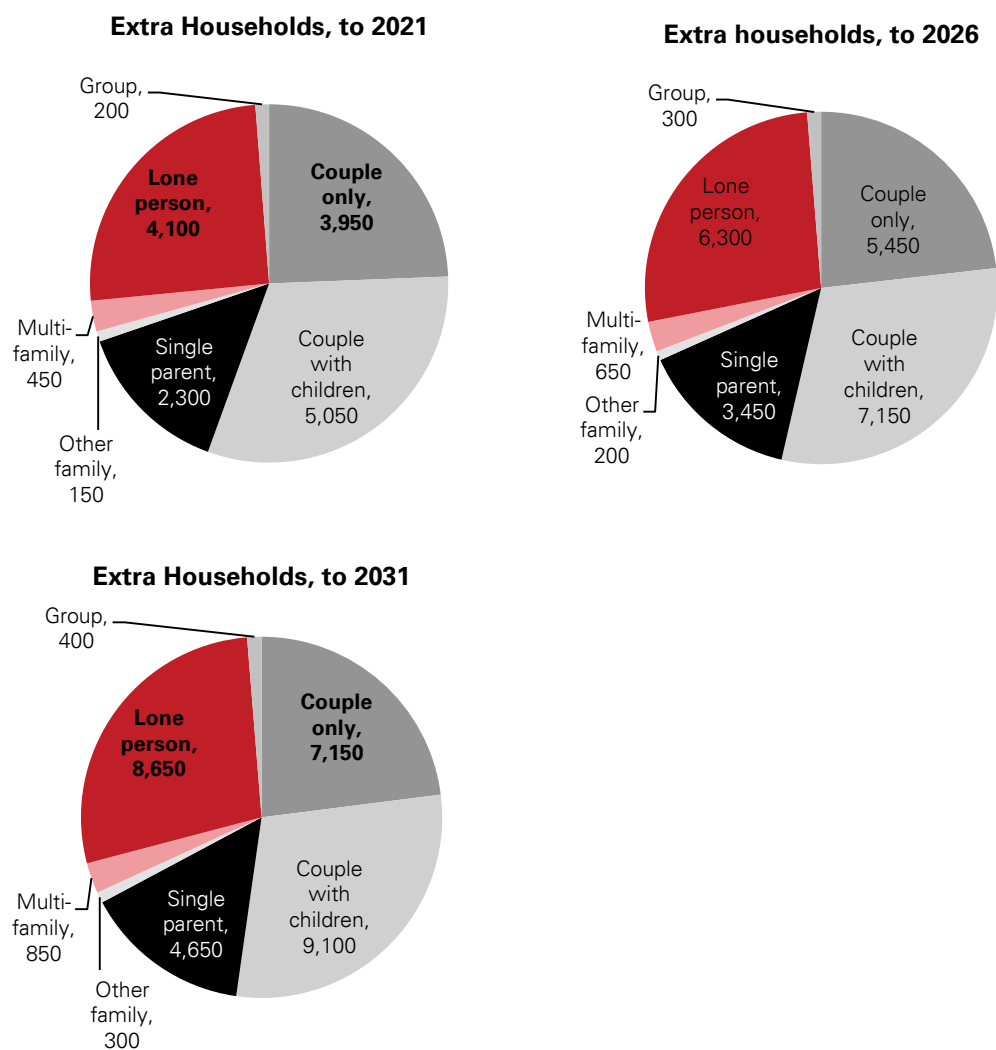


Figure 13 – Projected number of additional households, by composition, from 2011
Source: DP&E

Summary

This section has shown that, according to DP&E projections, the demographic composition of the Penrith LGA is expected to change between 2011 and 2031 in the following ways:

- the overall population of the Penrith LGA is expected to increase by 42% or 76,850 people;
- this equates to approximately an additional 4,000 people every year;
- consistent with the Australia-wide trend, the population is expected to age with more people living longer; and
- the composition of households in the LGA is expected to shift slightly, with the proportion of households classified as lone person, single parent or couple only households (i.e. those more likely to prefer apartment living) expected to increase from 52% to 58%.

The projected population and household growth is expected to result in a significant increase in the number of persons and households who could traditionally be expected to consider apartment living. These groups typically comprise smaller household typologies and older persons who are willing to accept smaller house sizes and/or prefer the facilities and services provided by apartment living (organised maintenance of grounds, proximity to centres, gymnasiums/pools etc.). However, these household types commonly reside in separate houses in the Penrith LGA at present, so the growth in these household types does not necessarily guarantee an equivalent growth in demand for apartments.

4.2 Required Dwelling Delivery

Based on the population growth and household characteristics projected, DP&E have forecast the number of dwellings that will be required at the LGA-level to accommodate forecast growth. These forecasts are for total dwellings, and are not broken down by typology. The forecasts for the Penrith LGA are discussed below.

Number of Required Dwellings

To take into account the expected proportional increase in lone person households, single parent households and couple only households, the expected average household size in the Penrith LGA is expected to fall between 2011 and 2031 from 2.86 persons per dwelling in 2011 to 2.71 persons per dwelling in 2031. As a result, although the population is expected to increase by only 42% by 2031 (see **Table 2**), the number of dwellings that required to accommodate the population is projected to increase by 49% over the same period as illustrated in **Table 3**.

Table 3 – Projected dwelling growth to 2031 for Penrith LGA

	2011	2016	2021	2026	2031
Average Household Size	2.86	2.80	2.76	2.73	2.71
Implied Dwellings	67,150	75,750	84,200	91,850	99,850
Additional Dwellings (from 2031)	-	8,600	17,050	24,700	32,700
% Change	-	13%	25%	37%	49%

Source: DP&E

The information within **Table 3** can be further interpreted to provide a guide to the total number of additional dwellings that must be delivered each year to meet the projected demand. **Table 4** provides this total for each five-year bracket.

Table 4 – Annual projected dwelling growth for Penrith LGA to 2031

Period	Additional Dwellings	Additional Dwellings per Year
2011 – 2016	8,600	1,720
2016 – 2021	8,450	1,690
2021 – 2026	7,650	1,530
2026 – 2031	8,000	1,600

Source: DP&E

Typology of Required Dwellings

Based upon the above projections of demographic shift and required dwelling delivery, an additional 32,700 dwellings will be required in Penrith by 2031. As shown in **Table 4**, variation in this demand is predicted to be relatively stable throughout this period, with between 1,530 and 1,720 additional dwellings required each year. This is subject to the broader economic cycle, which has resulted in significant fluctuation in the rate of dwelling delivery over the past decades and is not factored into the projected growth rates.

As shown in **Figure 14** the proportion of households who fall into a category that is likely to prefer apartment living is expected to increase from 52% to 58% over this same time.

We consider the Penrith LGA to be ‘an immature market’ in terms of the scale and extent of development, as well as the typologies that have been delivered to date. The majority of development to date has been on greenfield land, and as such historic patterns are not considered to be a good basis for forecasting future growth. As a designated Regional City under *A Plan for Growing Sydney*, we would expect Penrith to follow a path of development not dissimilar to that of Parramatta in its emergence as a regional city in western Sydney. In this respect, we consider Penrith to currently be about 10-20 years behind Parramatta’s development and as such Parramatta’s current state of development is useful for projecting Penrith’s growth forward over the next two decades.

For this reason, we have referenced occupation patterns from the Parramatta LGA to assist with forecasting future demand for new apartment dwellings in the Penrith LGA. **Table 5** below provides a snapshot of apartment occupancy rates in the Parramatta LGA and Penrith LGAs as of the 2011 ABS Census.

Based on these findings, the far-right column of this table represents our forecast of the proportion of new households (by household type) in the Penrith LGA who could be expected to reside in an apartment (subject to supply being available). This forecast is an estimate only.

Table 5 – Disposition of household types to reside in apartments

Household Type	% of total households who reside in apartment (as of 2011)		Growth Forecast Penrith LGA
	Parramatta LGA	Penrith LGA	
Couple without children	37%	18%	35% ¹
Couple family with children	22%	14%	18% ²
Single-parent	26%	5%	15% ³
Other family	45%	3%	20% ⁴
Lone person	49%	6%	45% ⁵
Group	53%	10%	35% ⁶

Basis of assumptions in **Table 5**:

1. Stronger growth estimate, noting that whilst some couples without children will continue to prefer detached dwellings either because a) they intend to grow their family, or b) they do not

wish to down-size from their existing dwellings, the availability of new apartment stock and growing market acceptance of this product by both young couples and down-sizers is likely to be well in excess of historic occupancy rates..

2. Middle-ground estimate between Penrith existing and Parramatta, noting that family-households are still largely expected to continue to reside in detached dwellings.
3. Middle-ground estimate between Penrith existing and Parramatta, noting that where detached dwellings are affordable these dwelling typologies continue to be preferable to all families with children.
4. Middle-ground estimate between Penrith existing and Parramatta. These households represent a very small proportion of total households.
5. Stronger growth in apartment living, noting that the cost, lifestyle and low existing availability of small dwellings is likely to see lone-person households prefer apartments. This is particularly the case given that the majority of new stock catering to new households is likely to be in the form of apartments.
6. Middle-ground estimate between Penrith existing and Parramatta. These households represent a very small proportion of total households.

Based on our assumptions in **Table 5** above, we have used the household projections provided by the DP&E to provide an estimate of the proportion of new apartment dwellings that could be expected to be willing to live in apartments.

Table 6 – Projected apartment demand for Penrith LGA to 2031

Household Type	Additional households (2011 to 2031)	% to live in apartment	Projected Apartment Demand (2011 to 2031)
Couple only	7,150	35%	2,502
Couple with children	9,100	18%	1,638
Single parent	4,650	15%	698
Other family households	300	20%	60
Multiple-family households	850	35%	298
Lone person	8,650	45%	3,893
Group	400	30%	120
Total	30,250		9,210

Based on our assumptions, we estimate that there will be future demand in the Penrith LGA for approximately 9,210 additional apartments by 2031 (from 2011). **This equates to a total demand for approximately 461 apartments per year across the Penrith LGA. However, we note that 461 apartments were not provided annually between 2011 and 2015, which will increase the actual annual requirement over the remaining period to 2031.** We would expect that the majority of apartments delivered within the Penrith LGA will be located within the major transit-oriented centres – predominately around the Penrith city centre and to a lesser extent in St Marys, Werrington and Kingswood – in accordance with the relevant state planning directions and locations within Penrith where residential flat buildings are permitted.

5.0 Projected Dwelling Supply

The Penrith LGA has undergone significant growth and change over the past decade. Since 2007, a number of greenfield development sites have been earmarked to deliver new urban centres comprising of over 10,000 dwellings. These master planned suburbs have all been developed in stages, delivering up to 7,000 dwellings to date.

Based on our review of the existing development pipeline, we believe that there are approximately 1,915 apartments that are approved and/or in the development pipeline for the Penrith LGA at present. These projects are predominately being developed over the next 2-4 years, however, some larger projects (e.g. the former Panasonic site) are likely to be delivered over a long timeframe (5-10 years).

We note, however, that there is a significant number of major greenfield development precincts that are not yet fully planned and have development timeframes extending (in some instances) out past 2031. These do not currently have any significant apartment components and would predominately comprise subdivided vacant lots intended for detached houses. Some of these approvals however do include scope to change in response to market conditions.

On the basis of the above, the existing development pipeline provides for somewhere between 270 and 383 apartments per year over the next five years, with the upper range assuming that all of the projects identified in **Table 7** will be delivered fully within the next five years. This falls well short of the annual demand identified in **Section 4.0** of 461 apartments per year.

As noted in **Section 4.0**, approximately 9,210 additional apartments are required in Penrith by 2031 to meet projected demand. We also note that the delivery of dwellings on the proposed High Street site is likely to extend beyond the immediate five year horizon, when new sites will need to be developed to keep pace with long-term demand. In light of this, there is clear capacity within the market to absorb a further 950 apartments on the High Street to be delivered across a number of stages over the next 5-10 years.

Table 7 – Apartment pipeline

Location	Type	Details	Expected Apartment Yield
Station Street, Penrith (former Panasonic site)	Higher density urban infill.	Master planned area for 12 buildings. Part 3A Concept Approval.	570 apartments
Thornton Central (North Penrith)	Combination of greenfield detached dwellings and higher density development.	450 apartments (342 apartments in Stages 1 & 2 already sold in 2015)	450 apartments
Coreen Avenue (North Penrith)	Higher density urban infill.	3 residential flat buildings north of the commuter car park, including some affordable housing units.	302 apartments
12 Carson Lane, St Marys	Higher density urban infill.	4 residential flat buildings in the St Marys centre.	289 apartments
240-250 Great Western Highway, Kingswood	Higher density urban infill.	A mixed use development in a single high-rise building.	97 apartments
39-45 Henry Street, Penrith	Higher density urban infill.	8 Storey mixed use development in a single building.	80 apartments
Glenmore Park Stage 2	Combination of greenfield detached dwellings and higher density development.	A total of 1,628 dwellings across the site including 127 apartments and studios.	127 apartments
Total			1,915 apartments

6.0 Feasibility Analysis

A Feasibility Analysis has been prepared by Davis & Langdon which compares the development feasibility of the existing controls versus the proposed development controls included in the current planning proposal using a residual land value method. This advice, including the assumptions and calculation undertaken to arrive at the conclusions, is provided at **Appendix A** of this report.

In summary, the Feasibility Analysis concludes that:

“The existing controls do not produce a commercially viable outcome. The total cost of delivering the project is \$208m against net sales income of \$207m.

The proposed controls show a delivery cost of \$343m against income of \$365m. This produces a residual land value of \$22m which is slightly below the stated acquisition cost of \$25m. Therefore this option can be considered to be close to commercially viable.”

On this basis, it can be concluded that the proposed uplift in the planning controls is required to ensure that a viable redevelopment of the site can be achieved whilst continuing to deliver the public benefits desired (through-site link and publicly accessible open space). Without the proposed amendments to the floor space ratio and building height controls, it would not be commercially viable to redevelop the site whilst providing these amenities.

7.0 Findings and Conclusions

Forecast Population Growth and Projected Dwelling Demand

According to the NSW Department of Planning & Environment's recent demographic projections, which have been endorsed by Cabinet for the purpose of infrastructure delivery and growth planning, the population of the Penrith LGA is expected to grow by 42% from existing levels by 2031. This equates to an extra 76,850 people by 2031. Proportionally, the fastest growth in household types will be in lone-person, couple-only and single-parent family households.

Based on the projected characteristics of household occupancy and dwelling structure demand, we anticipate that there is demand in the Penrith LGA for approximately 9,210 additional apartments by 2031 (from 2011), which equates to a forecast demand for approximately 461 apartments per year across the Penrith LGA.

Recent sales evidence in precincts such as Thornton Central illustrates strong underlying demand for apartments in the Penrith LGA, particularly as buyers seek a range of more diverse and affordable housing typologies.

Apartment Supply and Market Capacity

A review of planned apartment development projects within the Penrith LGA identifies a potential pipeline of 1,915 apartments which would be delivered over the next 2-10 years. Over a best-case delivery pipeline assuming all of these projects are completed in the next five years, this would provide only 383 apartments per annum. This falls well short of the projected demand for 461 apartments per year until 2031.

The planning proposal is seeking to amend controls on the High Street site in order to facilitate the delivery of approximately 900 apartments within the Penrith city centre. These dwellings would be delivered in stages, with a best-case scenario likely seeing the first stages delivered in three to four years from now. As such, the redevelopment of this site is more likely to contribute to the longer term demand for apartments within Penrith beyond the current approval/planning pipeline. Given the accumulated shortfall in apartment supply since 2011, the expectation that this will continue in light of the current pipeline, and future projected demand to accommodate population growth, we would expect that there is ample capacity within the market for the additional dwellings that would arise from this project progressing.

Feasibility of Existing and Proposed Planning Controls

The feasibility analysis undertaken by Davis & Langdon finds that the proposed uplift in the planning controls is required to ensure that a viable redevelopment of the site can be achieved whilst continuing to deliver the public benefits desired (through-site link and publicly accessible open space). Without the proposed amendments to the floor space ratio and building height controls, it would not be commercially viable to redevelop the site whilst providing these amenities.