

Table 18 indicates that it is not financially viable for lower quartile residents earning up to \$52,000 per year to rent a one bedroom flat. The maximum rent affordable is \$300 per week, \$100 less than the median price of \$400 per week for a one bedroom apartment.

Average and upper quartile income households can afford both single and double bedroom apartments, while detached housing (data was available only for a three bedroom detached houses) are available only to upper quartile income members.

The rental price points for projects in Ryde, Chatswood and Epping shown in the Case Studies in section 4.5, illustrate similar affordability issues. The Epping Park development has a one bedroom unit rate of \$470 while Top Ryde's cheapest one bedroom unit is available at \$350 per week. Both are above Lane Cove's lower income quartile's maximum affordable weekly rent. They illustrate that affordability issues for lower income groups extends beyond Lane Cove LGA and show that there are few rental options available.

Table 19 illustrates that for first home buyers seeking to purchase a dwelling in Lane Cove, price points over \$500,000 would result in housing stress (assuming the mortgage rate is maintained at 7%). For First Home Buyers in the upper income quartile this price point is at \$650,000.

The average median price point for Lane Cove LGA strata units is \$501,000, just above the threshold for first home buyers currently earning the LGA's average income. While just outside the affordable price range for this group, it would expose average income earners to significant interest rate risk and unsustainable mortgage debt if interest rates were to rise.

This indicates that median priced apartments are not a viable housing option for most first home buyers, making home ownership accessible mainly to upper quartile income first home buyers.

Table 20 illustrates the same affordability measures for established home owners and demonstrates that affordability changes significantly between the first home buyer and established-buyer markets. At a 7% mortgage rate housing stress occurs at a \$700,000 price point for households earning an average income, while the upper quartile can afford to purchase houses at \$1,000,000.

This shows that average and upper quartile established home owners can afford median priced apartments within Lane Cove. Detached separate housing however is not affordable for any of the income groups included in this analysis.

Looking at specific projects identified in section 4.5 the only affordable dwellings for first home buyers are smaller one bedroom units or studios because they are the only products below the maximum affordable price point of \$500,000 (assuming a 7% mortgage rate).

This indicates that in order to improve affordability for Lane Cove residents for mean income and first home buyer income groups, smaller, more affordable, dwelling types need to be made available.

5 Economic Impact of Proposed Development

This section provides detail on the impact on retail spending within the Lane Cove LGA and increased employment as a result of the proposed development and an indication of the impact on economic activity.

5.1 INCREASED CENTRE VITALITY AND VIABILITY

The per capita increase in spending provides an indication of the increased economic activity from the proposed development and the potential economic benefit for local businesses by increasing their local catchment market.

Table 21 provides the forecasted growth in retail spending between 2011 and 2026, across different product categories. Applying this per capita increase in spending per category to the expected population growth as a result of the proposed development indicates the amount of economic activity generated by the proposed development. The average number of people per bedroom in Lane Cove is 1.1 (according to ABS Census data), which, when applied to the mix of dwelling types in the proposed development generates an additional population of 163 residents.

As the completion date of the proposed development is not yet finalised, 2012 figures have been used. The result is an approximate increase in retail spending of \$2.26 million per annum.

This is unlikely to generate demand for a stand-alone retail centre but will contribute to the viability of local neighbourhood shops and act as a catalyst for new retail development that will improve offer for residents surrounding the Northwood Neighbourhood Centre. In contrast, the level of additional spending available for a development under current planning controls is significantly lower and would assist in supporting a much lower level of new retail development.

The debate around creating neighbourhood centres and ensuring best practice has been prevalent in our industry for many years. It appears that finding a balance between economically viable development for the developer and socially sustainable communities for residents in the long term is increasingly hard to establish. The paper *Liveable Centres – Regulations Shape Reality: Form First* prepared by the Urban Taskforce provides some insight on achieving liveable communities in NSW. Essentially the paper asserts that it is important for councils not to impose controls that undermine the viability of centres. Moreover, it would be more appropriate for planning consent authorities and other stakeholders to consider what consumers want in town centres, rather than what they don't. This practice is essentially known as a Form First approach. As the paper states:

"Form based codes attempt to capture that form in a straightforward way so that planners, the community, developers and other stakeholders can move easily towards a shared physical vision of a place to its built reality.....Adaptability over time is paramount; the current use is of secondary concern."

As such, considering aspects such as convenience, choice and vibrancy within a centre should be key considerations based on what the community wants, and mechanisms such as increased residential development around centres should be considered if it assists in meeting these ends.

TABLE 21 – PER CAPITA RETAIL SPENDING, LANE COVE LGA

Retail Spend

LANE COVE LGA, RETAIL SPEND FORECAST, 2011 TO 2026 EXCLUDING GST

Year	Food Ret.	Catering	Apparel	H'wares	Bulky	General/ Leisure	Services	Total	Food	Non-Food
2011	5,459	2,219	1,501	1,003	1,189	1,885	704	13,960	7,678	6,282
2012	5,453	2,202	1,478	990	1,170	1,856	701	13,849	7,655	6,194
2013	5,455	2,205	1,481	995	1,174	1,863	703	13,876	7,660	6,216
2014	5,480	2,234	1,507	1,039	1,210	1,927	728	14,124	7,713	6,411
2015	5,501	2,258	1,530	1,076	1,241	1,981	750	14,335	7,758	6,576
2016	5,519	2,279	1,549	1,108	1,268	2,028	768	14,520	7,798	6,722
2017	5,546	2,299	1,573	1,152	1,291	2,063	776	14,699	7,845	6,854
2018	5,574	2,319	1,596	1,197	1,314	2,098	784	14,881	7,892	6,989
2019	5,601	2,339	1,620	1,243	1,338	2,134	792	15,067	7,940	7,127
2020	5,629	2,359	1,644	1,292	1,362	2,171	800	15,256	7,988	7,268
2021	5,656	2,380	1,669	1,342	1,386	2,209	808	15,450	8,036	7,413
2022	5,684	2,401	1,693	1,395	1,411	2,247	816	15,647	8,085	7,562
2023	5,712	2,421	1,719	1,449	1,437	2,285	824	15,848	8,134	7,714
2024	5,741	2,442	1,744	1,506	1,463	2,325	832	16,053	8,183	7,870
2025	5,769	2,464	1,771	1,565	1,489	2,365	840	16,262	8,233	8,029
2026	5,797	2,485	1,797	1,626	1,516	2,405	849	16,475	8,283	8,193
Average Annual Growth¹										
2011-15	0.2%	0.4%	0.5%	1.8%	1.1%	1.2%	1.6%	0.7%	0.3%	1.2%
2015-20	0.5%	0.9%	1.5%	3.7%	1.9%	1.9%	1.3%	1.3%	0.6%	2.0%
2020-26	0.5%	0.9%	1.5%	3.9%	1.8%	1.7%	1.0%	1.3%	0.6%	2.0%
Resident Spend³	\$888,774	\$358,923	\$240,882	\$161,422	\$190,648	\$302,546	\$114,193	\$2,257,388	\$1,247,697	\$1,009,690

¹ Assumes average annual per capita growth of 0.7% in 2010-2015 and 1.3% thereafter, with different growth rates for each product group.² Current year is financial year. Forecast years are financial years.³ Resident Spend is the estimated spend generated by residents of the 4-8 Northwood Road, 274 & 274A Longview Road, Lane Cove Mixed Use Development.

Source: MDS, MarketInfo 2016, ABS, Australian National Accounts, National Income, Expenditure and Product Accounts (\$2016), URBIS.

5.2 RETAIL AND CONSTRUCTION EMPLOYMENT

Table 22 provides estimates for the total employment generated during construction for both the retail and residential components of the proposed development.

TABLE 22 – CONSTRUCTION EMPLOYMENT AND INCOME GENERATION

Construction Employment and Income Generation

4-16 NORTHWOOD ROAD, 274 AND 274A LONGUEVILLE ROAD, LANE
COVE MIXED USE DEVELOPMENT

Jobs and Wages	Construction
Total Jobs	122
Full Time Jobs	110
Part Time Jobs	12
Full time Equivalent (assuming ratio of 2-3 PT:1FT)	6
Total Full Time Equivalent	116
Average Weekly Wage (\$ Gross)	1,112
Total Annual Wages (\$M)	6.7

Source: ABS, 'Average Weekly Earnings' 6302 0 May 2005; Urbis

The proposed development is expected to generate 122 jobs, consisting of 110 full-time and 12 part-time jobs. For the purposes for deriving a total for annual wages from the development, the 12 part-time jobs have been treated as equivalent to 6 full-time jobs, as per the ratio assumption in Table 22.

Assuming a weekly wage of \$1,112 (gross) it is expected that total annual wages generated by construction of the proposed development is \$6.7 million.

Table 23 looks at the ongoing employment generated by the retail component of the proposed development. The table is based on a gross floor area to employment ratio, for type of retail use in the proposed development.

TABLE 23 – DIRECT EMPLOYMENT IMPACT FROM RETAIL

Direct Employment Impact from Retail Development

4-16 NORTHWOOD ROAD, 274 AND 274A LONGUEVILLE ROAD, LANE COVEMIXED USE
DEVELOPMENT

Type of Retail Use	Employment per '000 sqm	Gross Floor Area	Employment
Supermarket	40.8	1000	41
Speciality Retail	60.7	460	28
Total¹			69
Average Weekly Wage (\$ Gross)			\$1,007
Total Annual Wages (\$M)			\$3.6

1. Total employment - full time part time and casual
Source: Urbis

The retail component of the proposed development is expected to generate 69 jobs on an ongoing basis for the local community. Without knowing the mix of the speciality retail component, total wages derived from employment is assumed to be 'store based retailing' (non-food) which according to ABS 2010 Employee Earnings and Hours is \$971 gross earnings per week. Allowing for a 3.7% increase in private

sector wage growth since 2010, this is expected to equal \$1,007 per week for retail employees. The proposed development is therefore expected to generate ongoing annual wages of \$3.6 million.

5.2.1 COMPARISON WITH BASE PLANNING CONTROLS

The base Floor Space Ratio (FSR) controls for the proposed development allow for a 1:1 ratio. This restricts the potential dwelling production of the site and therefore both the employment gains from construction and increased retail spending which depend on a larger population in the centre.

TABLE 24 – FSR COMPARISON

FSR	DWELLING PRODUCTION	POPULATION	RETAIL SPENDING INCREASE (\$M)	CONSTRUCTION JOBS	ONGOING JOBS
2.5:1	▪ 105	▪ 163	▪ \$2.26	▪ 116	▪ 69
1:1	▪ 42	▪ 67	▪ \$0.90	▪ 46	▪ 28
Difference	▪ -63	▪ -96	▪ -\$1.36	▪ -70	▪ -41

Source: Urbis

Residential development complying with the 1:1 FSR would not activate the Northwood Centre to the extent of the current development proposal resulting retail spending would be 60% or \$1.36 million less retail spend than the current proposal.

The proposed 2.5:1 FSR would provide greater activation for the Northwood Centre, and the increased critical mass to support the viability of additional neighbourhood shops. This could trigger a larger trade catchment for the Northwood Centre drawing in more people from surrounding suburbs and improving the viability of local retail stores within the Northwood Centre.

6 Conclusion

The key findings from this assessment focus on the affordability of purchasing or renting in Lane Cove, the associated increase in price compared to other LGAs and wider Sydney region and the increased retail spend associated with population growth attributed to the proposed development. Specifically the study has found that:

- The average median price point for the Lane Cove LGA is \$506,000 for strata units, just above the threshold for first home buyers currently earning the LGA's average income. This restricts home ownership to upper quartile residents and established home owners.
- Rental market analysis indicates that lower quartile households will not be able to afford the median rental rate for apartments in the Lane Cove LGA, with a maximum rental expense of \$300 per week before housing stress occurs.
- Growth in rental rates for single bedroom and three bedroom apartments compared to North Sydney, while having a lower rental tenure type may indicate an untapped rental market for investors and developers for these particular dwelling types.
- Given that the predicted future demographic mix will feature an increase in both a younger (likely to be a first home buyer market) and retiree profile, it is likely that there will be demand for smaller more affordable products by the market. Given the lack of studio options, estimated to be only 1% of the current development pipeline within the Lane Cove LGA, the proposed development will provide a differentiated product that offers a more affordable option.
- Increased retail spend of \$2.26 million in the Northwood Neighbourhood Centre will help support existing or new ground floor retail.
- Employment during the construction phase of this project is estimated 116 full-time equivalent positions, generating an expected \$6.7 million annual wage. Employment once the retail component of the development is expected to create 69 jobs, generating \$3.6 million in wages per annum.
- Encouraging mixed use neighbourhood centres has several benefits that will help meet the objectives in Council's DCP Part D – Commercial and Mixed Use Localities (Locality 2 - Northwood Neighbourhood Centre). They are:
 - **Economic Benefits:** Improvement of housing choice and affordability and provision of local employment opportunities for residents. Improved retail choice and vitality through broadening the retail offer to include missing elements such as convenience supermarket and food & beverage.
 - **Health Benefits:** improving the overall offer of the Northwood Neighbourhood Centre, provides walkable access to retail facilities for the vast majority of Longueville and Northwood residents located over 1km from the next retail centre of Lane Cove. Increased walking leads to health benefits for the community.
 - **Environmental Benefits:** mixed use neighbourhood centres reduce the reliance on cars, by reducing the number of car trips, thereby reducing petrol consumption costs for residents and carbon emissions.
 - **Social Benefits:** well-serviced walkable mixed use centres encourage integrated public transport. The scale of the development will also create a landmark gateway for the Northwood Neighbourhood Centre.

The Northwood Neighbourhood Centre has failed to reach its potential with the current surrounding development and population profile. As such there is an opportunity to improve the overall vitality of the centre and its relevance to the local community by encouraging mixed use development at a scale that will help support a diverse local retail offer. Such development should be maximised on sites that can support it, particularly given the fragmented nature of the Centre. The population base provided by the proposed development at 4-16 Northwood Road, 274 & 274A Longueville Road will be essential to providing the catalyst for renewal of the Centre.

Sydney

Level 23, Darling Park Tower 2
201 Sussex Street
Sydney, NSW 2000
t +02 8233 9900
f +02 8233 9966

Melbourne

Level 12, 120 Collins Street
Melbourne, VIC 3000
t +03 8663 4888
f +03 8663 4999

Brisbane

Level 7, 123 Albert Street
Brisbane, QLD 4000
t +07 3007 3800
f +07 3007 3811

Perth

Level 1, 55 St Georges Terrace
Perth, WA 6000
t +08 9346 0500
f +08 9221 1779

Australia • Asia • Middle East
w urbis.com.au
e info@urbis.com.au

