

**ANGEL PLACE  
LEVEL 8, 123 PITT STREET  
SYDNEY NSW 2000**

URBIS.COM.AU  
Urbis Pty Ltd  
ABN 50 105 256 228

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Diana Mestrovic  
Development Manager  
Stockland  
Level 25, 133 Castlereagh Street  
SYDNEY NSW 2000

Lisa Danker  
Special Projects Rezoning  
Allam Property Group  
Level 3, 11-13 Brookhollow Avenue  
NORWEST NSW 2153

Dear Diana and Lisa,

## **WEST GABLES LOT SIZE ANALYSIS**

Stockland and Allam Property Group (the Proponents) are seeking to rezone an ~80 hectare site located in Gables, in the Hills Shire Local Government Area (LGA).

The ultimate objective for the site is to deliver a new residential community which comprises a range of housing through a residential subdivision and associated public open space. Therefore, the proposed rezoning comprises a mix of R2 Low Density Residential, R3 Medium Density Residential and RE1 Public Recreation.

The target dwelling yield for the site is approximately 1,200 - 1,300 dwellings. However, achieving this yield relies on adopting smaller lot sizes than what has previously been delivered in the older estates located adjacent to the site (e.g. Gables).

Urbis have been engaged to assess the suitability of the proposed development, including lot sizes, at the subject site from an economic perspective.

Our analysis is structured as follows:

- **Section 1** – Subject Site and Proposed Development
- **Section 2** – Alignment with Key Strategic Documents
- **Section 3** – Residential Supply and Demand
- **Section 4** – Residential Lot Size Trends
- **Section 5** – Residential Lot Prices and Affordability
- **Section 6** – Planning Barriers
- **Conclusion.**

# 1. SUBJECT SITE AND PROPOSED DEVELOPMENT

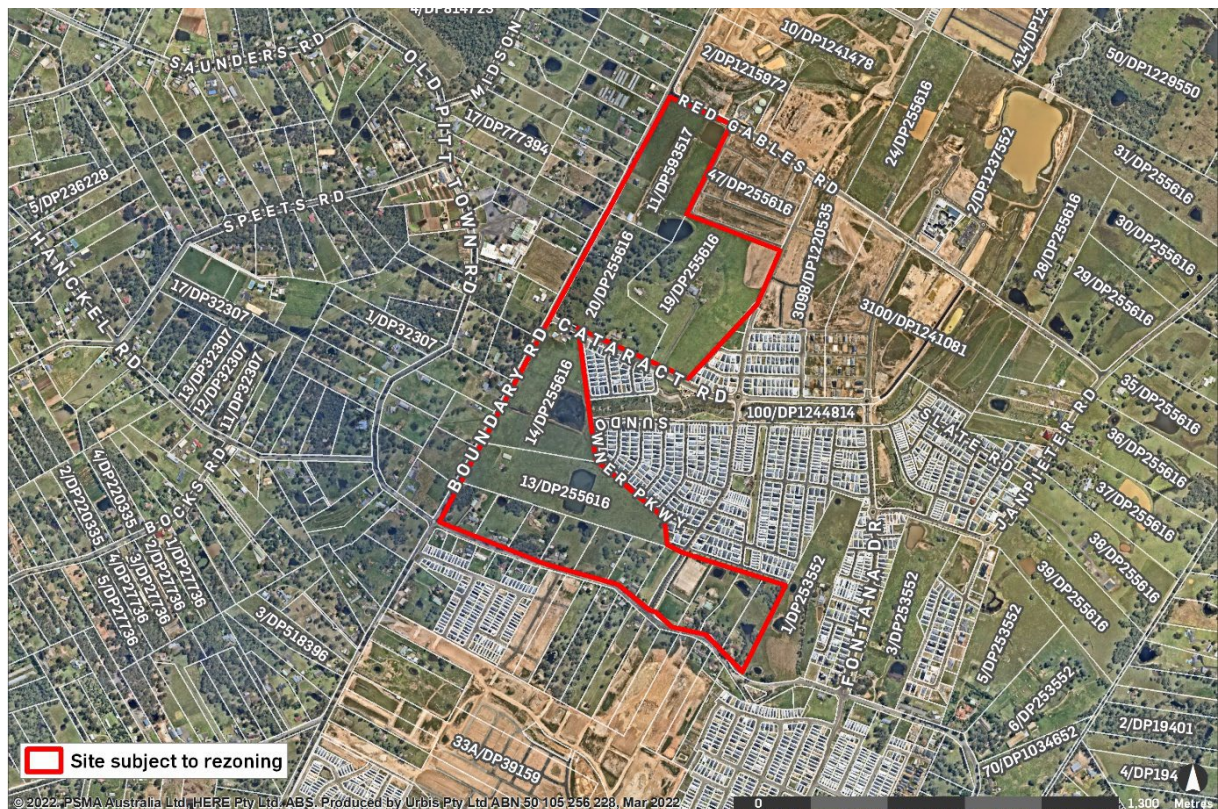
## 1.1. SUBJECT SITE

The subject site comprises 11 contiguous lots situated at the corner of Old Pitt Town Road and Boundary Road in the suburb of Gables. It is located approximately 53 km north of the Sydney CBD, in the Hills Shire LGA.

The site is situated 10 km north-west of Rouse Hill Metro Station, which provides access southeast to Sydney CBD via Epping. The Rouse Hill Village Centre is the closest supermarket centre and Rouse Hill Town Centre is the closest sub-regional shopping centre, located 10 km south-east of the subject site. However, a new town centre is also proposed within The Gables. The closest health facility is Hawkesbury Hospital, situated 10 km north-west of the site.

The subject site represents a 'greenfield infill' site as part of a logical extension of The Gables residential development which the site directly adjoins.

**Map 1.1 – Subject Site**



## 1.2. PROPOSED DEVELOPMENT

The proponents are seeking to rezone the ~80 hectare site to a mix of R2 Low Density Residential, R3 Medium Density Residential and RE1 Public Recreation zoning. Under the proposed rezoning, the site would be subdivided into approximately 1,200 - 1,300 residential lots ranging in size from 225 sq.m up to 700 sq.m (refer Table 1.1).

**Table 1.1 – Proposed Residential Lot Types, Subject Site**

Lot Type	Lot Size (sq.m)
Standard	300 - 450 sq.m
Small	225 sq.m
Large	700 sq.m
<b>Total Yield</b>	<b>1,200 - 1,300 lots</b>
<b>Average Area per Lot (excl. Large Lots)</b>	<b>~365 sq.m</b>
<b>Average Area per Lot (All Lots Types)</b>	<b>~375 sq.m</b>

Source: Urbis

## 2. ALIGNMENT WITH KEY STRATEGIC DOCUMENTS

The proposed development of a new residential community of 1,200 - 1,300 detached dwellings at the subject site is strongly aligned with a number of the key priorities set out in both Hills Future 2036: The Hills Shire Local Strategic Planning Statement (LSPS) and The Hills Shire Housing Strategy.

The following Table 2.1 highlights the proposal's key points of alignment with these two key strategic documents.

**Table 2.1 – Alignment with The Hills Shire Local Strategic Planning Statement and Housing Strategy**

Priorities	Description	Proposed Development
<b>Planning Priority 6</b> – Plan for New Housing to Support Greater Sydney's Growing Population	The Hill Shire's population is expected to grow by 128,000 persons, or almost 80%, between 2016 and 2036, requiring an additional ~38,000 dwellings across the LGA.	The proposed development has potential to make a significant contribution towards the housing targets for Box Hill North and the LGA overall.
	Residential growth to 2036 is planned to mainly occur in the existing greenfield areas of Box Hill, North	The proposed 1,200 - 1,300 dwellings at the subject site alone would account for

Priorities	Description	Proposed Development
	<p>Kellyville and Balmoral Road, within defined precincts close to Castle Hill, Rouse Hill and Norwest, and around Sydney Metro Northwest stations.</p> <p>Specifically, an additional 3,200 dwellings will be required in Box Hill North (Gables) between 2016 and 2036.</p>	<p>~37.5% – 40.6% of the dwelling targets for Box Hill North, and ~3.2% - 3.4% of the dwelling targets of the overall LGA.</p>
<b>Planning Priority 7</b> – Plan for New Housing in the Right Locations	<p>The greenfield areas of North Kellyville, Box Hill, Box Hill North and Balmoral Road will continue to provide low and medium density housing, supported by existing and planned infrastructure, to meet demand for detached dwellings, which have been the core of The Hills housing market to date.</p> <p>Given the amount of land already zoned residential or identified for rezoning for residential development, Council intends to avoid the need to convert employment, industrial, rural or environmental zoned land for residential uses.</p>	<p>By virtue of its location within the largely-developed Box Hill North precinct, the subject site presents a key opportunity to provide a substantial quantum of detached housing in an established greenfield area with access to existing and planned infrastructure.</p> <p>Maximising the delivery of as many detached dwellings as possible at the subject site will help ensure there is no need to convert employment, industrial, rural or environmental zoned land for residential uses in the future.</p>
<b>Planning Priority 8</b> – Plan for a Diversity of Housing	<p>It is anticipated that most new households in The Hills will comprise family groups and the average household size may increase slightly beyond 3.2 people per household.</p> <p>However, the dwelling mix of the LGA is expected to shift to from 80% detached dwellings, 14% medium density and 6% apartments in 2016 to 57% detached dwellings, 13% medium density and 30% apartments in 2036.</p>	<p>While the dwelling mix of the LGA is expected to shift away from detached dwellings and towards apartments, there will continue to be a need and demand for detached dwellings, particularly among family groups and larger households.</p> <p>The proposed detached dwellings at the subject site are ideally placed to accommodate</p>

Priorities	Description	Proposed Development
	<p>In any case, Council acknowledges that new housing in the LGA needs to suit a range of budgets and lifestyles.</p> <p>In particular, Council intends to recognise the variety of needs and preferences of different cultural groups through expanding the variety of dwellings that can be built in greenfield areas.</p>	<p>these family groups and larger households which will comprise the majority of new households in the LGA over the next 15 years.</p> <p>The proposed development at the subject site will also help ensure a diversity of housing in the LGA by balancing the strong pipeline of proposed apartment developments.</p>
<b>Planning Priority 16</b> – Manage and Protect the Rural / Urban Interface	<p>Land at the interface between urban and rural areas provides a transition between rural and other more intense uses associated with urban development.</p> <p>However, there is pressure on land at the rural/urban fringe to be developed for residential uses. This impacts the availability of viable land for rural activities and threatens the character of rural areas.</p> <p>Limiting the extent of more intense development preserves rural values and protects environmentally sensitive areas predominantly located in rural areas.</p> <p>Council intends to implement an Urban Growth Boundary that largely follows the boundary of the RU6 Transition zone and will not support development seeking to intensify urban land uses above the Urban Growth Boundary line.</p>	<p>The subject site is located within Gables (Box Hill North) which sits at the very edge of the urban fringe.</p> <p>Council does not intend for land further north and west to be developed for residential uses, but rather to retain their rural character.</p> <p>Therefore, it is critical that locations such as the subject site maximise their ability to accommodate residential dwellings to help ensure there is no need to for residential uses to encroach beyond the urban fringe in the future.</p>

Source: Hills Future 2036: The Hills Shire Local Strategic Planning Statement; The Hills Shire Housing Strategy; Stockland; Allam Property Group; Urbis

### 3. RESIDENTIAL SUPPLY AND DEMAND

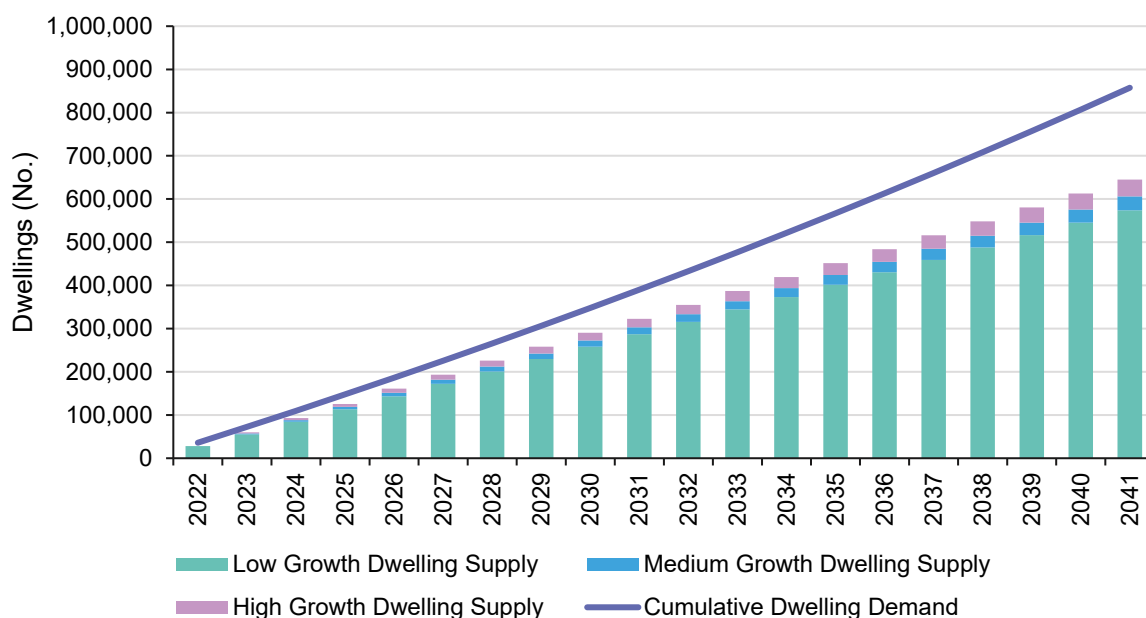
The New South Wales Department of Planning and Environment (DPE) publishes population projections for each LGA in New South Wales (NSW). These projections represent the NSW Government's view of where population growth is likely to occur and the likely rate of growth.

In addition to projecting the population, DPE also provides projections of implied dwelling need based on the population projections and average household size assumptions. The latest projection published by DPE show that the population of Greater Sydney is projected to grow from 5.2 million persons in 2021 to 7.1 million persons in 2041. This reflects an average annual increase of 92,500 persons, or 1.5% growth per annum.

This strong population growth is projected to drive equally strong demand for new dwellings. As shown in Chart 3.1, DPE projects demand for an additional ~858,000 dwellings in Greater Sydney between 2021 and 2041. However, based on DPE's dwelling supply projections for the next five years extrapolated out to 2041, there is expected to be a dwelling shortage of between ~212,000 dwellings (under the high growth dwelling supply scenario) and ~284,000 dwellings (under the low growth dwelling supply scenario) in Greater Sydney by 2041.

This significant projected shortfall clearly indicates a pressing need to deliver more dwellings across Greater Sydney, including in areas such as the Hills Shire which account for a significant quantum of Sydney's greenfield land supply (e.g. North West Growth Area).

**Chart 3.1 – Greater Sydney Dwelling Supply and Demand, 2021-41**



Source: NSW DPE; Urbis



### 3.1. FUTURE DWELLING NEED IN THE HILLS SHIRE LGA

The Hills Shire Housing Strategy identifies a requirement for 38,000 additional dwellings in the Hills Shire LGA between 2016 to 2036. As noted in Section 3 of the Strategy, this dwelling requirement has been calculated by applying an average household size assumption of 3.3 persons per dwelling to the projected population growth of 128,000 additional residents by 2036.

However, data from the 2016 ABS Census (current at the time the Strategy was developed) indicates that the Hills Shire LGA had an average household size of ~3.2 persons per dwelling in 2016. Additionally, in Appendix B of the Hills Shire Housing Strategy, it is noted that average household sizes in the LGA are expected to decline to ~3.1 persons per dwelling by 2036.

Additionally, data from the 2021 ABS Census has revealed a trend of declining average household sizes across the Hills Shire LGA over the last five years, consistent with the projections provided in Appendix B of the Strategy. As shown in Table 3.1, average household sizes in the Hills Shire have fallen from ~3.2 persons per dwelling in 2016 to ~3.1 persons per dwelling in 2021.

While the decline in average household sizes between 2016 and 2021 can partly be attributed to the increasing number of apartments relative to houses (or detached dwellings) across the LGA, the average household size of detached dwellings also experienced a decline from 3.34 to 3.29 over the same period. As such, there is an evident trend of declining household size across the LGA.

**Table 3.1 – Trends in Average Household Size, Hills Shire LGA**

	2016 Census	2021 Census	Change
Average Household Size – All Dwellings (persons per dwelling)	3.21	3.13	-0.08
Average Household Size – Detached Dwellings (persons per dwelling)	3.34	3.29	-0.05

Source: ABS; The Hills Shire Council; Urbis

Given both the supporting data for The Hills Shire Housing Strategy and recent observed data indicates that household sizes in the Hills Shire are declining, it is inappropriate to estimate future dwelling need in the LGA based on an assumed 3.3 persons per dwelling as has been done in the Strategy.

Table 3.2 shows that if a more realistic assumption of 3.1 persons per dwelling is applied to the expected population growth of 128,000 persons, the Hills Shire LGA is estimated to have a future dwelling requirement of 41,000 dwellings by 2036. This reflects a 3,000-dwelling increase to the target of 38,000 dwellings currently adopted in the Strategy.

Given the actual need for dwellings in the Hills Shire in the next 15 years is likely to be above that envisaged in the Strategy, it is critical that land is used efficiently and that locations such as the subject site maximise their ability to accommodate residential dwellings.

**Table 3.2 – Future Dwelling Requirements, Hills Shire LGA, 2016-36**

	<b>Projected Population Growth, 2016-36 (persons)</b>	<b>Household Size Assumption (persons per dwelling)</b>	<b>Dwellings Required (No.)</b>
The Hills Shire Council Local Housing Strategy	128,000	3.3	38,000
Trend Household Size Assumption	128,000	3.1	41,000
<b>Difference</b>	<b>-</b>	<b>-0.2</b>	<b>+3,000</b>

Source: ABS; The Hills Shire Council; Urbis

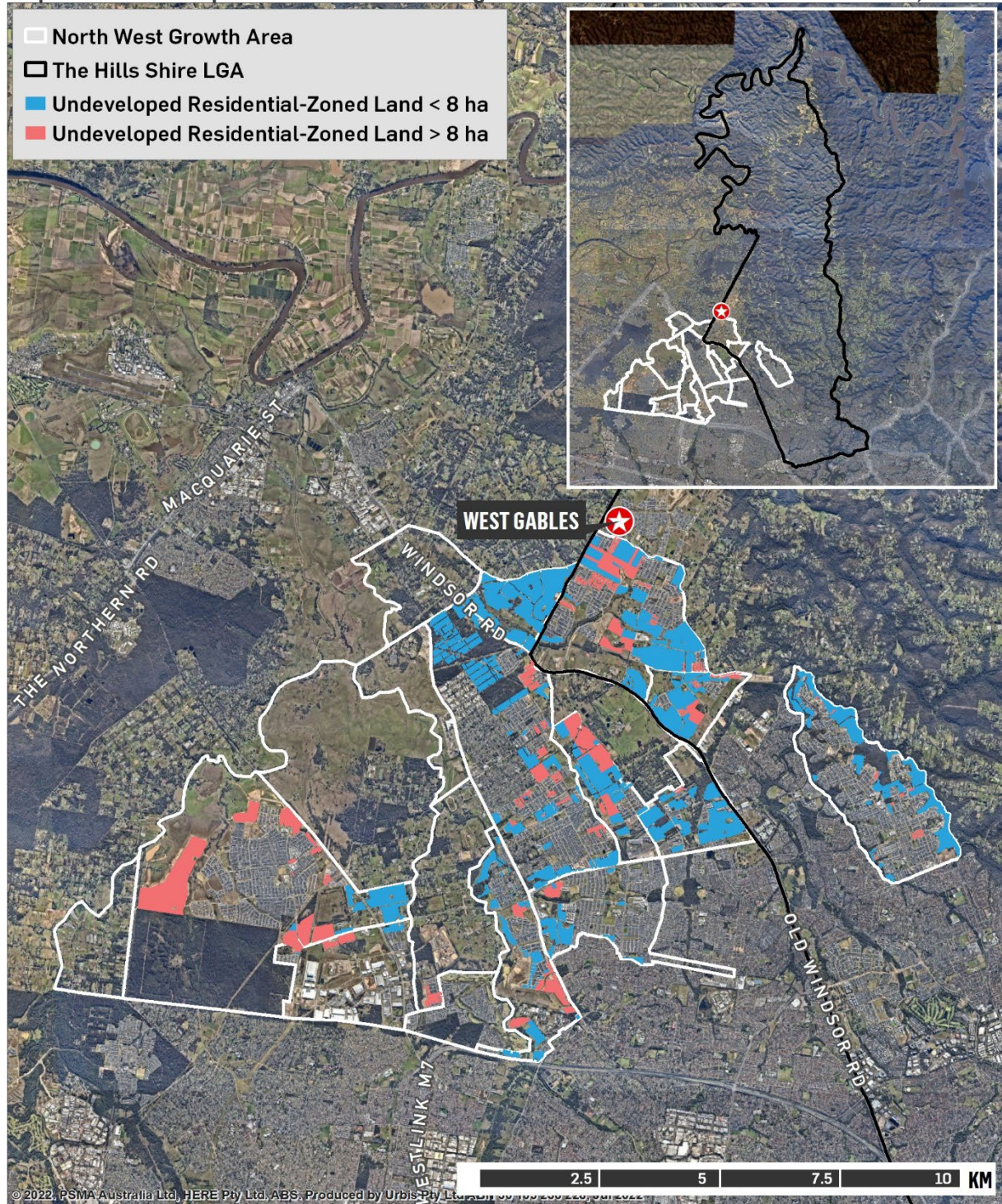
## 3.2. CONSTRAINTS IN THE NORTH WEST GROWTH AREA

Although the North West Growth Area (NWGA) is envisaged to play a substantial role in supplying new dwellings to help meet the needs of the Hills Shire and Greater Sydney's growing population, it is inhibited by significant fragmentation (refer Map 3.1). This fragmentation severely inhibits the ability for the land to be developed quickly.

As such, it is critical that suitable large-scale sites in the area, such as the subject site, be unlocked for substantial residential development to ensure that the pressing need for additional dwellings in Greater Sydney and the NWGA can be met. Enabling higher dwelling yields per hectare will also ensure these large-scale sites maximise their contribution to housing supply.



Map 3.1 – Undeveloped Residential Land Fragmentation in the North West Growth Area, 2022



Note: Undeveloped residential-zoned lands have been categorised based on their area. Sites with an area of less than 8 ha are considered fragmented as they are of insufficient scale for major developers to feasibly develop.



### 3.3. IMMEDIATE NEED FOR ADDITIONAL DWELLINGS

While medium-longer term dwelling supply in the Hills Shire LGA and across Greater Sydney clearly needs to be addressed in order to meet future dwelling requirements, there is also a critical immediate need for additional dwellings in Greater Sydney to address current pressures.

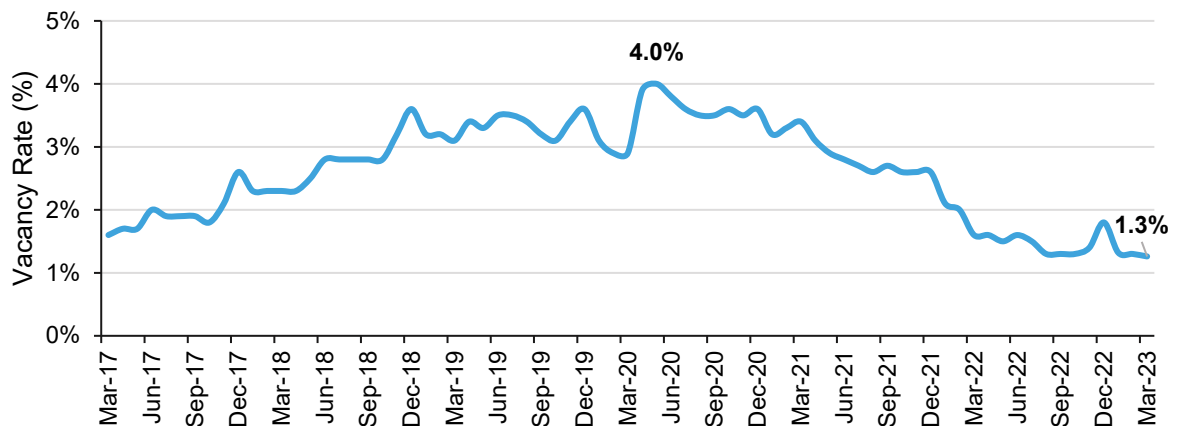
The unprecedented COVID-19 pandemic has had substantial impacts on many sectors. One of the hardest impacted sectors is the residential development sector which experienced a temporary decrease in development approvals and construction activity during the pandemic due to significant uncertainty in the market.

While consumer confidence and market demand has since returned, the development sector continues to suffer from labour shortages and increasing costs for building materials as a result of ongoing global supply chain disruptions. This has resulted in construction timeframes being extended and projects not proceeding due to cost increases rendering them no longer commercially feasible.

Given these constraints impacting the supply of new residential dwellings, residential vacancy rates across Greater Sydney have fallen well-below pre-pandemic levels.

As shown in Chart 3.2, residential vacancy rates in Greater Sydney were 3.0-3.5% in the 12 months prior to the pandemic, peaked at 4.0% in May 2020 (during the pandemic), and have since steadily fallen to 1.3% as of March 2023. These current vacancy rates are well-below the levels experienced prior to the pandemic and indicate a critical shortage of housing.

**Chart 3.2 – Residential Vacancy Rates, Greater Sydney (March 2017 – March 2023)**



Source: SQM; Urbis

The housing shortage alongside increasing interest rates is resulting in increases to rents and mortgage payments which is leading to worsening housing affordability. Without a significant injection of additional housing supply in the short term, conditions are likely to further deteriorate as immigration returns to pre-pandemic levels.

Therefore, it is critical that steps be taken to fast-track the delivery of additional housing in Greater Sydney, including in important greenfield supply areas such as the Hills Shire LGA.

## 4. RESIDENTIAL LOT SIZE TRENDS

As noted above, a mix of residential lot types are proposed at the subject site ranging in size from 225 sq.m up to 700 sq.m. Overall, the proposed subdivision has an average residential lot size of approximately 375 sq.m. However, if the large 700 sq.m lots are excluded, this average lot size drops to approximately 365 sq.m.

As outlined below, the proposed mix of residential lot sizes is consistent with what is currently being delivered in the market, both within and outside the NWGA.

### 4.1. NORTH WEST GROWTH AREA

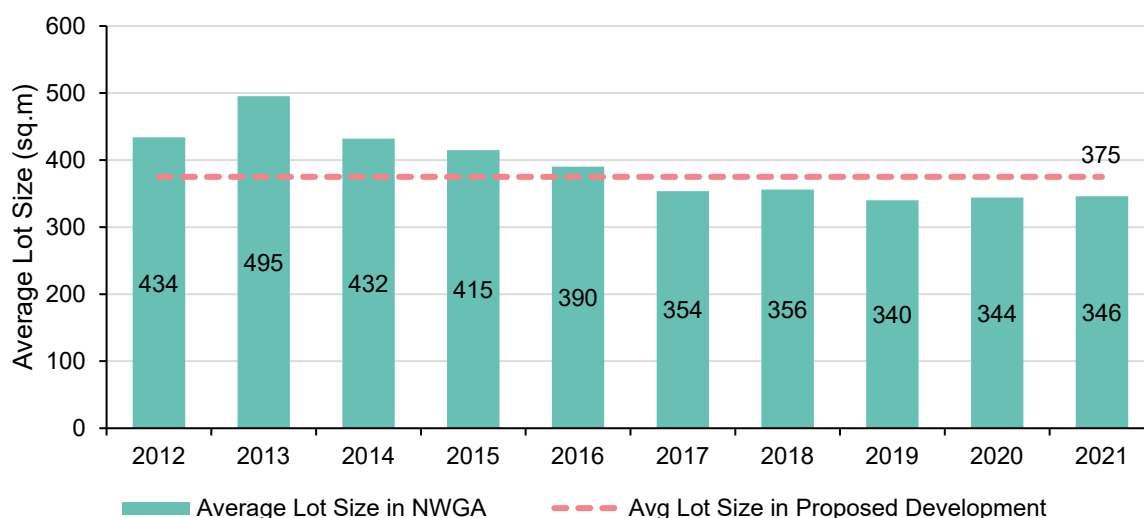
As shown in Chart 4.1, average residential lot sizes in the NWGA have been declining over time. Over the past decade, lot sizes peaked at 495 sq.m in 2013 and have progressively declined to an average of 346 sq.m in 2021. This reflects an average annual decrease in average size of 4.4% per annum between 2013 and 2021.

Importantly, the decline in average lot sizes in the NWGA is enabling higher dwelling yields per hectare to be achieved. These higher dwelling yields are contributing towards boosting housing supply and filling the projected gap between dwelling supply and demand as noted above.

Furthermore, continually growing demand for detached dwellings in Greater Sydney has meant that these smaller lot sizes have been readily accepted by the market.

In any case, the average lot sizes proposed at the subject site are slightly above the average residential lot size that have been delivered in the NWGA over the past five years.

**Chart 4.1 – Average Residential Lot Sizes in North West Growth Area, 2012-21 (sq.m)**



Source: NSW DPE; Urbis

## 4.2. OUTSIDE THE NORTH WEST GROWTH AREA

In addition to being consistent with what is currently being delivered in the market within the NWGA, the mix of lot sizes proposed at the subject site are also in-line with what is currently being delivered in other parts of the Hills Shire LGA (or nearby) outside of the NWGA.

We have profiled three current greenfield housing developments, comprising:

- Menin Road Estate (Oakville, Hawkesbury LGA) by Crownland Developments
- Essentia (Bella Vista, Hills LGA) by Mulpha
- Sierra Residences (Kellyville, Hills LGA) by Alceon and Metro Property Development.

These developments offer both house and land packages and vacant residential lots (which are often sold to smaller scale developers who then market their own house and land package).

Of the profiled developments, Menin Road Estate shares the most similar locational characteristics with the subject site as it is within 800 metres of the site, on the opposite side of Boundary Road and only just outside the Box Hill precinct of the NWGA. It is also the most recent development with a launch date in 2022. The other two profiled developments are situated further south and more closely located to the North Kellyville precinct of the NWGA, with earlier launch dates in 2018.

Table 4.1 provides a summary of these profiled developments. It shows that the majority of lots in these developments have an area between 240 sq.m and 449 sq.m, with 100% of lots in Sierra Residences, 81% of lots in Menin Road Estate and 57% of lots in Essentia being 449 sq.m or smaller. This is highly consistent with the mix of lot sizes proposed at the subject site.

Additionally, take-up rates for the smaller lots in these developments have exceeded take-up rates for the larger lots, indicating a market preference for the smaller and more affordable lots. As such, the lots proposed at the subject site are aligned with market demand.

**Table 4.1 – Summary of Profiled Developments**

Project	Launch Year	240 – 449 sq.m Lots		450 – 1,000 sq.m Lots		Total Lots	
		Yield	Monthly Take-Up	Yield	Monthly Take-Up	Yield	Monthly Take-Up
Menin Road Estate	2022	107 (81%)	11.3	25 (19%)	2.8	132 (100%)	14.1
Essentia	2018	41 (57%)	1.2	31 (43%)	0.7	72 (100%)	1.5
Sierra Residences	2018	51 (100%)	1.3	-	-	51 (100%)	1.3

Source: Agent Discussions; Pricefinder; Cordell; Urbis

## Menin Road Estate



<b>Address</b>	Boundary and Menin Roads, Oakville (Hawkesbury LGA)			
<b>Developer</b>	Crownland Developments			
<b>Completion Date</b>	December 2022			
<b>Launch</b>	February 2022			
<b>Yield</b>	132 (vacant lots)			
<b>Achieved Sales</b>	127			
Size Breakdown	Yield		Sales	
	No.	%	No.	%
240 – 449 sq.m	107	81%	102	80%
450 sq.m – 1,000 sq.m	25	19%	25	20%
Total	132	100%	127	100%
<b>Take-Up Rates*</b>				
240 – 449 sq.m	11.3 lots per month			
450 sq.m – 1,000 sq.m	2.8 lots per month			
Total Take-Up	14.1 lots per month			

*Note: \*indicates take-up period of 9 months from launch in February 2022 to October 2022.  
Source: Agent Discussions; Cordell; Urbis*

## Essentia



<b>Address</b>	Ernesta and Strangers Creek Place, Bella Vista (The Hills LGA)			
<b>Developer</b>	Mulpha			
<b>Completion Date</b>	June 2022			
<b>Launch</b>	June 2018			
<b>Yield</b>	72 (48 house and land packages, 24 vacant lots)			
<b>Achieved Sales</b>	72			
Size Breakdown	Yield		Sales	
	No.	%	No.	%
240 – 449 sq.m	41	57%	41	57%
450 sq.m – 1,000 sq.m	31	43%	31	43%
Total	72	100%	72	100%
<b>Take-Up Rates</b>				
240 - 449 sq.m*	1.2 lots per month			
450 sq.m - 1,000 sq.m**	0.7 lots per month			
Total Take-Up	1.5 lots per month			

*Note: \*indicates sale period of 35 months from launch to last sale \*\*similarly indicates a sale period of 48 months*  
*Source: Agent Discussions; Pricefinder; Urbis*



## Sierra Residences



<b>Address</b>	Stone Mason Drive and Chloe Circuit, Kellyville (The Hills LGA)			
<b>Developer</b>	Alceon and Metro Property Development			
<b>Completion Date</b>	June 2022			
<b>Launch</b>	June 2018			
<b>Yield</b>	51 (house and land packages)			
<b>Achieved Sales</b>	51			
Size Breakdown	Yield		Sales	
	No.	%	No.	%
240 – 449 sq.m	51	100%	51	100%
Total	51	100%	51	100%
<b>Take-Up Rates*</b>				
240 – 449 sq.m	1.3 lots per month			
Total Take-Up	1.3 lots per month			

*Note: \*indicates sale period of 38 months from launch to last sale  
Source: Agent Discussions; Pricerfinder; Urbis*



## 5. RESIDENTIAL LOT PRICES AND AFFORDABILITY

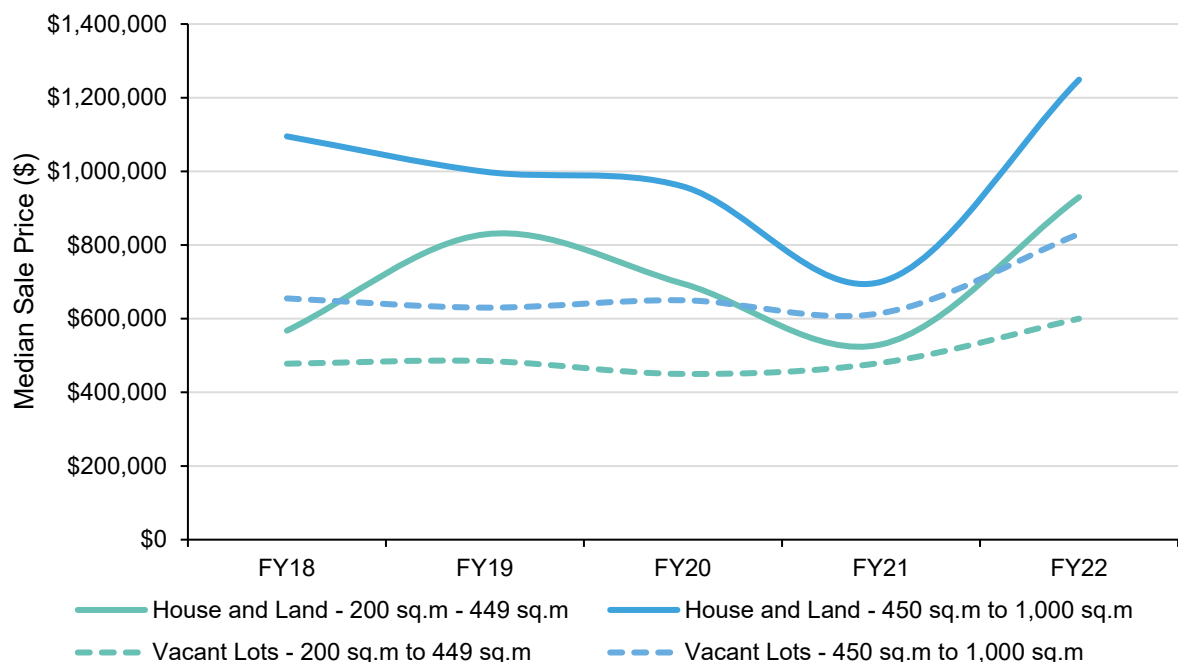
In addition to being strongly aligned with a number of the key priorities set out in both Hills Future 2036: The Hills Shire LSPS and The Hills Shire Housing Strategy, and consistent with lot size trends and market preferences, the subject site proposal has potential to deliver enhanced affordability benefits.

As shown in Chart 5.1, we have compared the differences in the median sale prices of greenfield residential lots (including vacant and house and land packages) in the Hills Shire LGA sized 200 sq.m - 449 sq.m and those sized 450 sq.m - 1,000 sq.m.

Over the past five years, the median sale prices for house and land packages sized under 450 sq.m have ranged from being ~17% to ~48% less than the median sale prices for those sized 450 sq.m - 1,000 sq.m. Similarly, the median sale prices for vacant residential lots under 450 sq.m have ranged from being ~22% to ~31% less than the median sale prices for vacant residential lots sized 450 sq.m - 1,000 sq.m.

Therefore, residential lots sized under 450 sq.m clearly offer a more affordable price point compared to larger sized lots in the Hills Shire LGA.

**Chart 5.1 – Median Sale Prices of Greenfield Residential Lots and Houses within the Hills Shire LGA by Size**



Source: Pricefinder; Urbis

## 5.1. AFFORDABILITY ANALYSIS

Poor housing affordability is a key issue being faced across Greater Sydney and NSW more broadly. Housing is generally considered affordable when annual housing costs (i.e. mortgage repayments, rents) represent no more than 30% of a household's annual income.

Over the past 12 months, The Hills Shire LGA recorded median sale prices of \$930,000 for house and land packages for 200 sq.m - 499 sq.m lots, and \$1.25 million for house and land packages for 450 sq.m - 1,000 sq.m lots. As shown in Table 5.1, the indicative debt repayments for the smaller lots represent 30.1% of the average household income of households in the Hills Shire LGA, compared to 40.4% for larger lots. Therefore, the larger lots are clearly unaffordable for Hills Shire residents while the smaller lots are borderline unaffordable.

**Table 5.1 – Median House and Land Sale Prices vs Average Household Income, Hills Shire LGA, FY22**

	<b>House and Land 200 sq.m – 449 sq.m</b>	<b>House and Land 450 sq.m – 1,000 sq.m</b>
Median Sale Price	\$930,000	\$1,249,000
Deposit (20% of Sale Price)	\$186,000	\$249,800
Borrowing Amount	\$744,000	\$999,200
Interest Rate*	6.1%	6.1%
Term (Years)	30	30
Total Loan Repayments**	\$1,623,097	\$2,179,836
Average Annual Repayment	\$54,103	\$72,661
Average Household Income	\$179,900	\$179,900
Debt Share of Household Income	30.1%	40.4%

*Note: \*interest rate is the Commonwealth Bank Standard Variable Rate Home Loan as at October 2022*

*\*\*calculated using the Commonwealth Bank repayment calculator which takes into all expected fees and rates*

*Source: Pricerfinder; ABS; Commonwealth Bank of Australia; Urbis*

In Table 5.2 we have estimated the minimum household income required to be able to afford the smaller and larger lots without experiencing mortgage stress. As shown in the table, a minimum household income of around \$180,000 is required to be able to afford lots sized 200 sq.m - 449 sq.m, compared to around \$242,000 for lots sized 450 sq.m - 1,000 sq.m.

Comparing these minimum household incomes to the income breakdown of households across the Hills Shire LGA as per the 2021 Census reveals that ~39% of households would be able to afford the smaller lots while only ~24% of households would be able to afford the larger lots.

Therefore, by setting minimum residential lot sizes, Council is effectively:

1. Reducing the potential supply of housing in the Hills Shire LGA
2. Mandating the delivery of relatively more expensive housing that over 75% of Hills Shire households would be unable to afford during a period of historically poor housing affordability.

**Table 5.2 – Household Income Threshold for Mortgage Stress, Hills Shire LGA FY22**

	<b>House and Land 200 sq.m – 449 sq.m</b>	<b>House and Land 450 sq.m – 1,000 sq.m</b>
Average Annual Repayment	\$54,103	\$72,661
Mortgage Stress Ratio (%)	30%	30%
Household Income Threshold	\$180,344	\$242,204
Share of Hills Shire LGA Able to Afford Loan	38.8%	24.0%

*Note: \*based on the household income breakdown of the Hills LGA from the ABS 2021 Census provided, which is provided in Appendix B of this report*

*Source: PricewaterhouseCoopers; ABS; Commonwealth Bank of Australia; Urbis*

## 6. PLANNING BARRIERS

While the preceding clearly demonstrates strong economic rationale in support of the proposed development at the subject site and its proposed lot sizes, the current planning approval pathway (Integrated Development Application Process) presents a significant barrier to the delivery of the proposed residential lots.

### 6.1. INTEGRATED DEVELOPMENT APPLICATION PROCESS

Currently, in order to secure planning approval pathway for lots smaller than 450 sq.m in the R3 zone in the Gables, proponents are required to submit an 'Integrated Development Application' pursuant to Clause 4.1B of the Hills LEP 2019. Clause 4.1B of the Hills LEP permits lots equal to or greater than 240 sq.m subject to the following:

- The subdivision is for three or more lots
- The erection of an attached dwelling or dwelling house on the lot.

While these requirements seek to provide certainty of a positive dwelling outcome in terms of built form, they create a number of practical issues:

1. Result in extended assessment timeframes due to the number of individual proposed dwellings requiring assessment at once by Council – this causes significant delays to actual delivery of housing (the Proponents note these delays have generally been in the realm of 12 months)

2. Expose customers to builder risk (both in terms of delivery and costs) which is currently already high and continuing to increase as material shortages, labour shortages and increasing interest rates place increasing cost pressure on construction companies
3. Limit ability for customers to inform dwelling designs to ensure they meet their needs, and do not enable customers to determine when their home is to be constructed.

As noted in Section 3.3, there is a critical immediate need for additional dwellings in Greater Sydney to address current pressures given residential vacancy rates are currently well-below pre-pandemic levels (1.3% as of March 2023). Without a significant injection of additional housing supply in the short term, conditions are likely to further deteriorate as immigration returns to pre-pandemic levels.

Therefore, it is prudent to consider how the Integrated Development Application requirements can be amended to reduce their delays on housing delivery and the limit the exposure of customers (who are already suffering from worsening cost of living pressures) to increasing builder risk.

## 6.2. PROPOSED SITE-SPECIFIC CLAUSE

To address the issues caused by the current requirements under Clause 4.1B of the Hills LEP, the Proponents are proposing a new site-specific clause.

The proposed clause would allow for lots between 300 sq.m and 450 sq.m, and still require applicants to demonstrate the built form outcome. However, rather than construct the dwelling, applicants would instead be required to submit high-level Building Envelope Plans.

These Building Envelope Plans would outline the dwelling footprint, dimensions, setbacks, site coverage, and the location and dimensions of the garage and private open space. Importantly, they would provide certainty of a positive dwelling outcome in terms of built form and dwelling diversity.

The proposed clause would also provide various safeguards and parameters, including:

- The Building Envelope Plan is to be generally consistent with the DCP for Box Hill North – this would ensure the dwellings would be consistent with the already established residential built form within the precinct
- No more than four contiguous lots in a row will have the same frontage width – this will ensure diversity of lots (and ultimately dwellings).

Critically, the proposed site-specific clause would avoid the practical issues faced under the current Clause 4.1B. Specifically, it would avoid the significant delays to the actual delivery of housing experienced under the Clause 4.1B process by not requiring the preparation and assessment of development applications for each proposed dwelling. This fast-tracking of dwelling supply will help to address the current housing shortage and worsening housing affordability.

The proposed site-specific clause would also enable customers to inform dwelling designs and construction timeframes to ensure they meet their needs, rather than locking them into an already approved and constructed dwelling. This would also reduce the exposure of customers to increasing builder risk.

Therefore, there is clear economic rationale in support of the proposed site-specific clause as it is likely to enable faster delivery of dwellings to meet the immediate and critical need for additional housing to address supply shortages and worsening affordability, reduce the exposure of customers to increasing builder risk, while still ensuring positive built form and dwelling diversity outcomes are achieved that reflect customer needs.

## 7. CONCLUSION

There is strong economic rationale supporting the proposed development of a new residential community of 1,200 - 1,300 detached dwellings at the subject site.

First, the proposal is strongly aligned with a number of the key priorities set out in both Hills Future 2036: The Hills Shire Local Strategic Planning Statement and The Hills Shire Housing Strategy. This includes making a significant contribution towards the housing targets for Box Hill North and the LGA overall, and ensuring there is no need to for residential uses to encroach beyond the urban fringe in the future.

Secondly, the subject site represents a large-scale site which be unlocked for substantial residential development to ensure that the significant projected dwelling shortage in Greater Sydney and the NWGA can be met. Enabling a higher dwelling yield per hectare will also ensure the site maximise its contribution to housing supply.

Additionally, the proposed lot sizes at the subject site are consistent with what is currently being delivered and demanded in the market, both within and outside the NWGA.

Furthermore, the smaller lot sizes of the proposed development are relatively more affordable than larger lots and therefore present an opportunity to mitigate the housing affordability crisis being experienced across Greater Sydney and in the Hills Shire LGA.

Finally, the proposed Site-Specific Clause is likely to enable faster delivery of dwellings to meet the immediate and critical need for additional housing to address supply shortages, alleviate affordability pressures and reduce the exposure of customers to increasing builder risk, while still ensuring positive built form and dwelling diversity outcomes are achieved.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Alex Stuart".

Alex Stuart  
Director  
+61 2 8233 9992  
astuart@urbis.com.au