Westmead South Precinct

Economic Feasibility Study

Cumberland Council

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Atlas ECONOMICS
ANALYSIS. INSIGHTS. OUTCOMES.

Document Control

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Executive Summary

BACKGROUND

The Westmead Place Strategy (**the Place Strategy**) outlines the vision, structure plan and principles to guide detailed land use planning. The Place Strategy was finalised in August 2022 and is supported by a s9.1 Ministerial Direction. Following preparation of the Place Strategy, Cumberland Council (Council) commenced strategic planning for Westmead South.

Atlas is engaged by Cumberland City Council (**Council**) to support development of a Master Plan for Westmead South (**the Precinct**) which will implement the Place Strategy. Atlas worked iteratively with Council and the project team, providing land use and feasibility advice over the course of masterplan development.

The Economic Feasibility Study (**the Study**) summarises the research and input provided to assist development and refinement of masterplan options. The Study additionally reviews and comments on the preferred Master Plan option.

Strategic Context

The Precinct is positioned immediately adjacent Australia's largest health precinct and proximate Sydney's second CBD. It has strong public transport accessibility, which will be further enhanced with the completion of the Parramatta Light Rail in 2024, and Sydney Metro West metro line in ~2030.

Accommodating a young, highly educated and ethnically diverse resident base, the Precinct already comprises a broad mix of housing typologies and has been a focal point for high-density development in recent years.

Despite its strengths, the Precinct does face challenges to its future renewal. Existing high-density residential uses south-east of the Westmead Train Station limit the potential for future redevelopment. Parts of the Precinct are characterised by small residential lots, which present challenges for development feasibility due to the cost of site consolidation.

The Study's baseline research demonstrates the opportunities for revitalisation though the Study acknowledges the need to be cognisant of the characteristics of the Precinct (e.g. fragmented land ownership, fine grain lot patterns) which could make site consolidation difficult. Appropriate planning controls would assist in mitigating the risk of these challenges.

GROWTH AND LAND USE EXPECTATIONS

Retail Land Uses

The Precinct does not currently comprise a large retail centre, with residents travelling to other centres for most shopping needs. The principal retail centre is the Parramatta CBD which is a Metropolitan Centre and accordingly plays a significant regional role. The Local Centres of Wentworthville and Merrylands are also major retail hubs proximate Westmead South.

Notwithstanding, the significant population growth necessitates a Local Centre. This larger centre would play a localised role in servicing the needs of the Precinct's resident population, with higher order shopping still directed to Parramatta.

New retail floorspace would be best focused at the Metro Station to maximise the potential for commuter trading, whilst establishing a critical mass given the location of existing retailers on the northern side of the Westmead train station.

Over the longer term, population growth will generate demand for a large supermarket. A large site within the northern end of the Precinct could be identified. It will be important that residential uses are supported in the short term to enable the establishment of a larger resident base.

The Precinct is not anticipated to play a major commercial office role. Notwithstanding, there will be a need to provide space for local commercial services. This includes uses such as banks, post office, small legal and financial services, gyms and recreational services and a mix of medical services.

Residential Land Uses

The Precinct is already an established high-density housing market, as evidenced by strong take-up of new apartment development. There is an opportunity to deliver new housing within the Precinct in the context of its location, proximity to existing and future public transport nodes and nearby employment precincts.

FEASIBILITY CONSIDERATIONS

The Study finds a number of factors that make it challenging for renewal in the Precinct, a key one being the cost of land.

Existing urban areas (such as the Precinct) have established lot and ownership patterns and are improved with a variety of buildings (e.g. single dwellings, strata-titled unit blocks, commercial buildings, etc.) that may be functional and accordingly be valuable to purchase for consolidation into a development site.

Notwithstanding the challenges of urban renewal in existing urban areas, there are opportunities for infrastructure (such as a green grid and Affordable Housing) to be delivered concurrently with development following rezoning of the Precinct.

Delivery of Public Amenity with Increased Height and Density

Some sites may have the environmental capacity to accommodate the densities required for feasible development as well as the capacity to contribute land to public infrastructure. Provided the associated development potential (GFA) can be retained on the remainder of the site (after dedication of land), there could be an opportunity for precinct infrastructure to be delivered on-site and currently with development.

Depending on the environmental capacity of a site, there could be capacity to dedicate land ***and*** embellish the land as part of its development. The Study has identified the various FSR thresholds needed for land dedication and/ or embellishment.

In parts of the Precinct where no change to planning controls is foreshadowed there is no opportunity for public infrastructure to be delivered as part of development. In these circumstances, the infrastructure would need to be funded from s7.11 or s7.12 development contributions plans.

Land Use Mix and Spatial Distribution

The spatial distribution of land uses (horizontally and vertically) is a critical consideration for the Masterplan. Active street frontages are only effective if there is sufficient demand to support ground floor retail and commercial uses.

There is approximately 550 metres of length between Hawkesbury Road (between the Metro station in the north) and the Oakes Centre. For context, the following high street lengths are relevant for consideration:

- Station Street (Wentworthville) - 400 metres.
- Church Street (Parramatta) - 470 metres.

The Study cautions against the dilution of retail/ commercial activity along Hawkesbury Road between the Metro station and the Oakes Centre. Destinational uses will likely continue to be required at the Oakes Centre for it to be sustainable.

PREFERRED MASTER PLAN OPTION

The revised Master Plan (revised in April 2024 following feedback received at the Local Planning Panel) focuses residential density in the north of the Precinct along the existing rail corridor and around the future Westmead Metro station, Westmead Train Station and Westmead Light Rail Stop.

Some areas are envisaged for a significant increase in density, particularly those in fragmented strata ownership. It is a commercial reality in existing urban areas that not all sites will be redeveloped. Regardless of whether development is feasible, landownership patterns, individual circumstances/ motivations influence the take-up of development and renewal.

Land in a potential heritage conservation area is not proposed for planning change, along with land on the northeastern edge of the Precinct (where there is a dominance of existing unit blocks).

Land just east of Sydney Smith Park and in the south of the Precinct are envisaged for low-rise/ medium density. Permitting medium density forms of housing in the Precinct would contribute to housing diversity and enable development to occur where sites are suitable from a lot geometry (shape and dimensions) and financial feasibility perspective.

The proposed land uses, typologies and densities seek to enable delivery of green spaces and a new green link through development. The co-location of new retail and commercial floorspace around the metro station along Hawkesbury Road will concentrate activity therein and contribute to economic vibrancy. Visitation/ patronage from the north (Westmead health and education precinct) will contribute to pedestrian footfall, meeting demand for local service commercial needs.

The revised Master Plan envisages delivery of public amenity in conjunction with increased heights and density, a key tenet consistent with the Place Strategy's key place outcomes.

Figure ES-1 illustrates the land use plan of the draft structure plan and spatial distribution land use typologies and densities.

Figure ES-1: Westmead South Revised Master Plan

Source: Architectus (2024)

KEY RECOMMENDATIONS

Matters for Consideration

The Study acknowledges the challenges of development in existing urban areas where lot and ownership patterns are established and can be fine grain in nature. The consolidation of multiple sites adds to the cost and risk of development.

The Study tested and found that in circumstances where there is significant planning uplift, there could be capacity to contribute to Affordable Housing at 5%. Affordable housing contributions at 10% and 15% could also be considered, though would require a commensurate uptick in density. Not all sites are proposed for change. It would therefore be important to distinguish these sites from sites that are envisaged for change in the requirements for planning contributions (Affordable Housing, community and on-site infrastructure).

The Study recommends that sites that are not proposed for change and sites that are envisaged for medium density development are not subject to Affordable Housing contributions.

Medium density development is generally opportunistic, occurring where a developer can secure a suitably shaped site at an economic price. This type of development is likely to occur 'in the background' and not at large scale.

The Study recommends an on-site infrastructure contributions table that identifies where dedication (and embellishment, if required) is to occur through development. It is conceivable that amalgamation patterns may be different to those envisaged in the revised structure plan - for example, area B1 and B3 may be comprised of a different set of allotments than shown in the Master Plan.

A flexible approach to accommodate different amalgamation patterns and the position of key open space/ green link would therefore be necessary.

Recommendations

The Study makes the following recommendations for Council to consider when implementing the Preferred Masterplan into the planning framework:

- **Adopt the Draft Masterplan Density Controls**

  The density (FSR) controls proposed in the draft Masterplan are generally the minimum densities needed to facilitate development within Westmead South. These densities should be adopted to ensure future development is feasible.

- **Prepare a Key Sites Mechanism**

  To incentivise site amalgamations and the delivery of new public open space, planning mechanisms such as a 'key sites' controls should be investigated.

  Sites would only be able to access the new density controls if they meet a defined site amalgamation pattern and deliver identified items of public infrastructure. The type of public infrastructure (i.e. public open space) would be specified in the key site mechanism. This approach mitigates the risk of development occurring without the provision of adequate public infrastructure and open space.

  Examples of such mechanisms include Green Square (City of Sydney) and St Leonards South (Lane Cove Council).

- **Prepare an On-site Infrastructure Controls Mechanism**

  An on-site infrastructure contributions table that identifies where dedication (and embellishment, if required) is to occur through development will provide certainty to the market and community around expected infrastructure delivery. There should be flexibility 'built-in' to this mechanism to allow for different amalgamation patterns and the position of key open space/ green link as development progressively occurs across the Study Area.

- **Implement a 5% Affordable Housing Contribution**

  A 5% Affordable Housing Contribution (delivered in-kind) should be implemented in the Study Area where sites benefit from changes to planning controls.

  However, the Study recommends that sites that are not proposed for change and sites that are envisaged for medium density development are not subject to Affordable Housing contributions.

- **Phase-in Affordable Housing Contributions**

  Clear notice to the market Council's intention to require affordable housing contributions is essential. Notwithstanding this clear notice, Council could consider a staged implementation of the contribution rate in the following manner:

  - First 12 months: no increase.
  - Month 13-24: 3% contribution rate.
  - Month 25 onwards: 5% contribution rate.

  The first 12 months would allow for developments in the pipeline to be delivered and for sites already acquired to be planned and submitted for development assessment. This avoids 'shocking' the market, allowing the market to first adjust to a modest levy then to a greater levy of after a 2-year period of adjustment.

- **Ensure Active Retail Frontages and Risks of Dilution**

  Careful consideration to the spatial distribution of retail land uses within the Study Area will be critical. Successful centres ensure retail activity is 'tight' and not diluted across an expansive area. An active frontages approach which designates the key areas in the Study Area which retail should be focused would reduce the risk of retail dilution.

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1. Introduction

1.1 Background

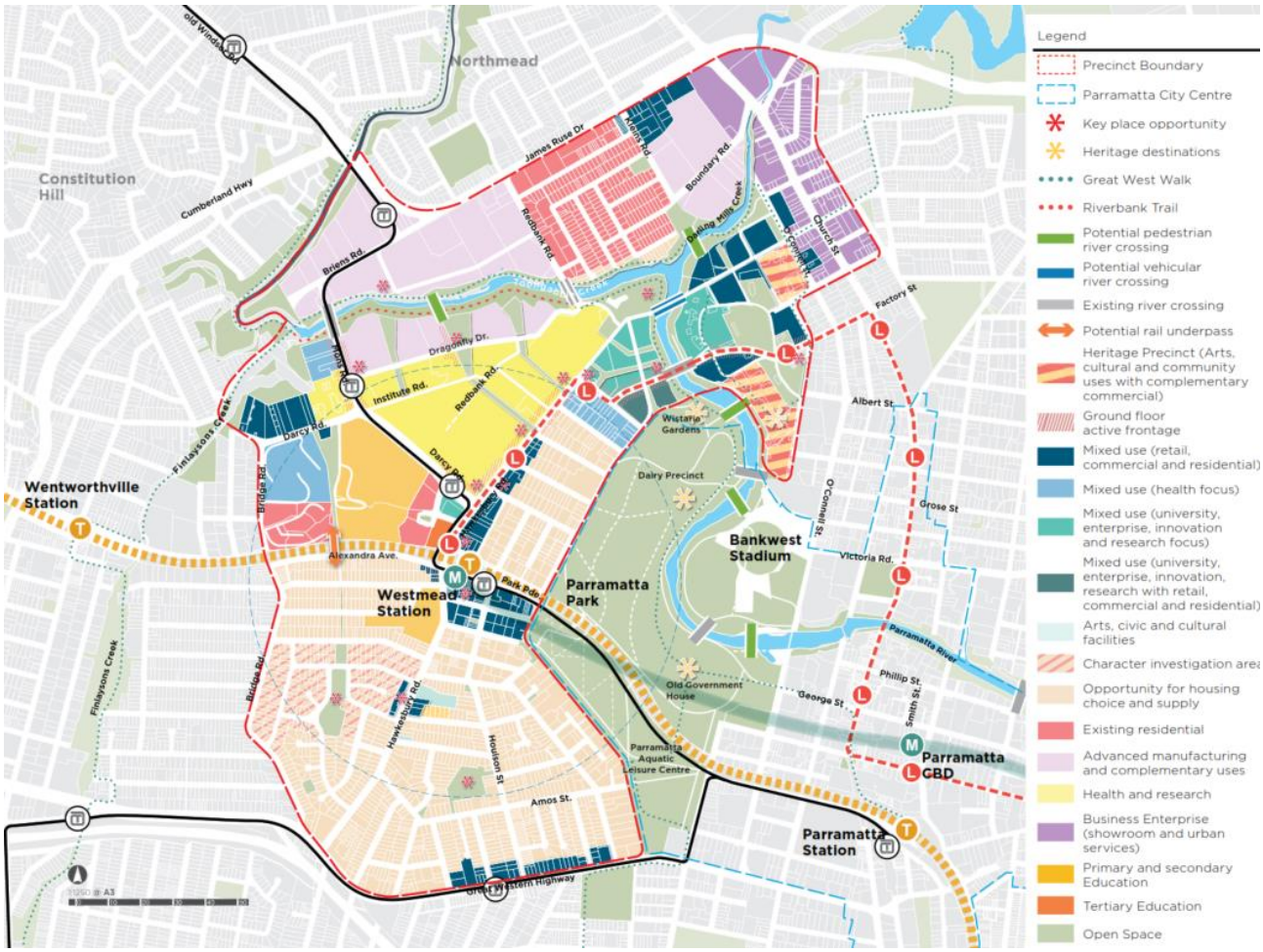
Westmead is the beneficiary of new infrastructure investment of the Parramatta Light Rail (Stage 1) and Sydney Metro West. Completion of the light rail is due in 2024 and would facilitate better connectivity with the Parramatta CBD and parts of Greater Parramatta. Completion of the metro station would enable broader regional connections within Greater Sydney.

Westmead has Australia's largest concentration of hospital and health services. The NSW Government has identified a vision for Westmead to be Australia's premier health and innovation distribution - given its potential for economic growth and job creation focused on health care, medical research and commercialisation, education and training.

Westmead Place Strategy

The Westmead Place Strategy (the Place Strategy) outlines the vision, structure plan and principles to guide detailed land use planning. The Place Strategy was finalised in August 2022 and is supported by a s9.1 Ministerial Direction. Future rezonings will be initiated by councils, landowners or agencies and will require preparation of requisite technical studies.

Figure 1.1: Westmead Precinct

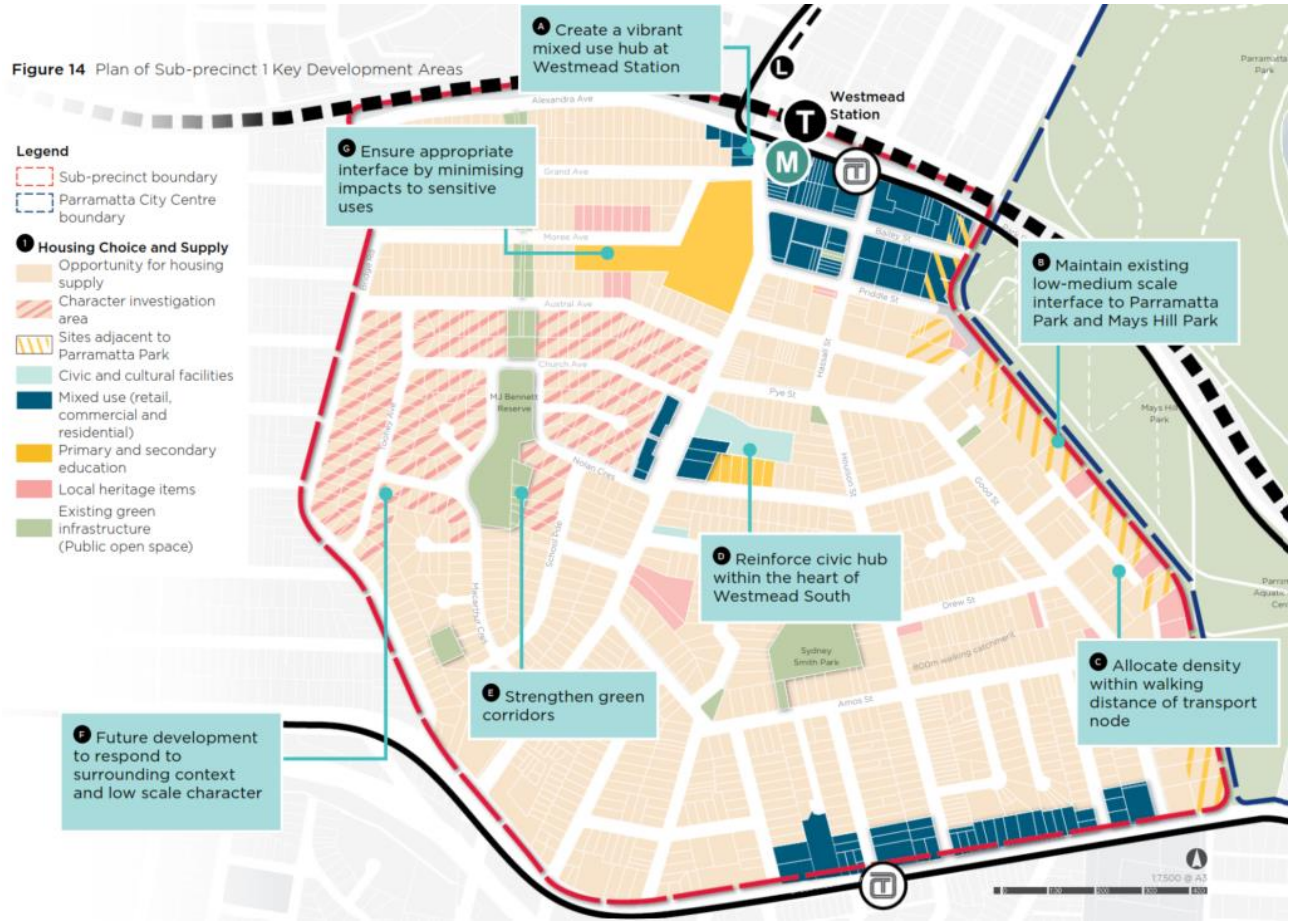


Source: DPE (2022)

The Place Strategy identifies seven neighbourhoods across the Westmead Precinct including Westmead South. The Westmead South sub-precinct is just south of the Westmead train station bounded by the Great Western Highway to the south. The sub-precinct is residential in character and will be transformed by the Metro station and Parramatta Light Rail.

Figure 1.2 illustrates key development areas and respective land use and built form principles expressed for the Westmead South sub-precinct.

Figure 1.2: Westmead South Sub-precinct Key Development Areas, Land Use and Built Form Principles



Source: DPE (2022)

The Place Strategy identifies the opportunity for Westmead South to enable housing choice and supply. In particular, it identifies the need to increase residential density and choice within a 10-minute walk to Westmead station, concentrating density adjacent to the rail corridor and station as well as investigating opportunities for small scale intensification through consolidation and medium density development.

The Place Strategy envisages key place outcomes in the Westmead South sub-precinct, described in **Table 1-1**.

Table 1-1: Westmead South Sub-precinct Key Place Outcomes

Place Outcome	Description
Activity spine and nodes	• Reinforce Hawkesbury Road as the main pedestrian activity and movement spine. • Create vibrant activity nodes with active ground floor uses at the Metro station, while reinforcing the exiting retail area between Nolan Crescent and Church Street. • Concentrate density in proximity to the metro station and amenity, and improve quality of built form of future development in Westmead South. • Provide variation in building heights along Hawkesbury Road with an emphasis on tall, slender building envelopes rather than short squat massing.
Amenity-led development	• Improve the quality of existing open spaces through upgrades to their functionality, connectivity and landscape character. • Provide amenity-led development that maximises access to existing open spaces. For Sydney Smith Park, explore embellishment and improvement opportunities through site amalgamation to improve its address and usability. • Explore opportunities for potential green infrastructure open space and social infrastructure subject to further analysis of projected population growth and funding.

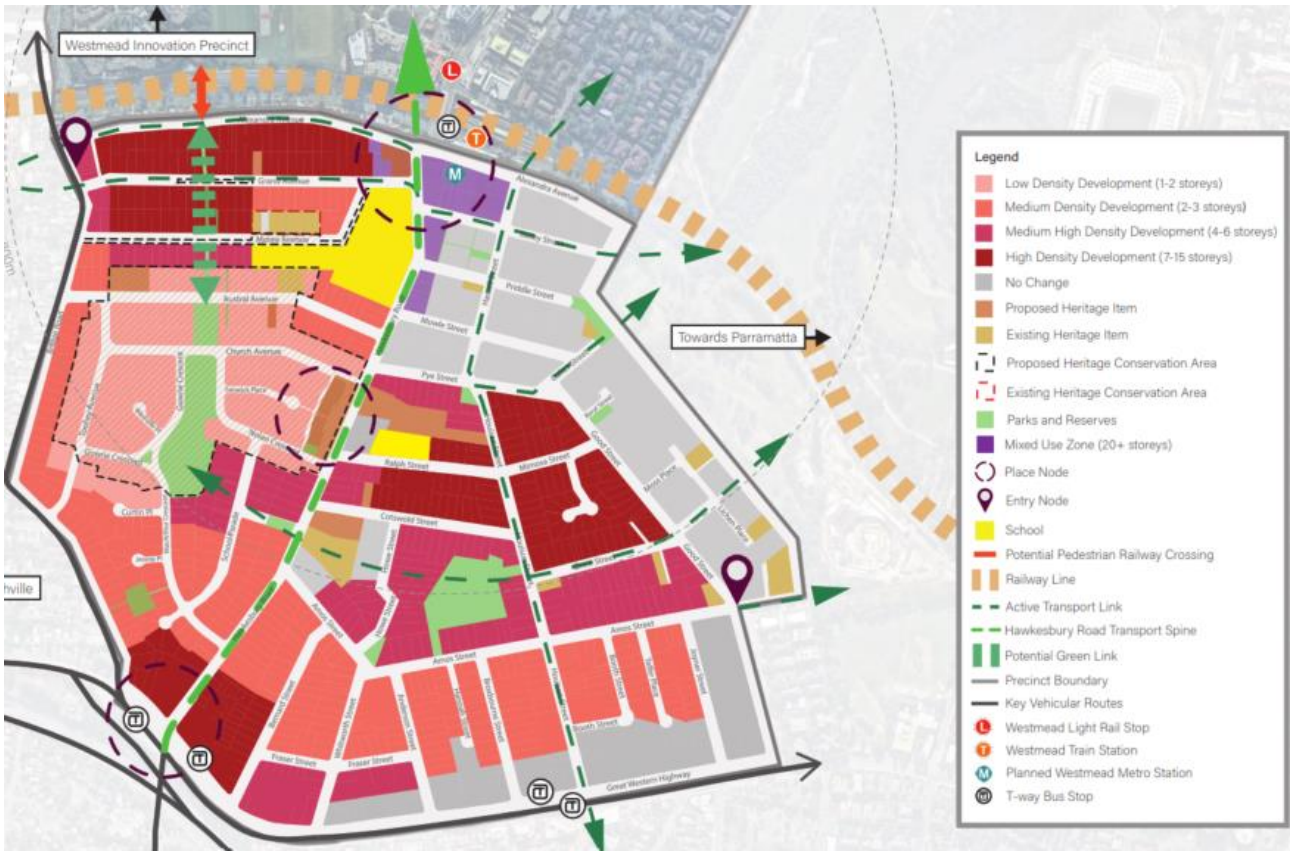
Place Outcome	Description
Green grid connections	• Connect the green grid and improve walkability through existing and new green streets that improve access to pocket parks scattered within Westmead South, Parramatta Park, Mays Hill, Sydney Smith Park, MJ Bennett Reserve, the new Metro station, and other key destinations.
North-South connections	• Investigate opportunity for improved connections between North and South Westmead through a new pedestrian underpass at Alexandra Avenue and a Green Link that connects Austral Avenue Reserve to Alexandra Avenue. • Future widening of existing road over rail bridge at Bridge Road to accommodate future vehicle capacity, bus services and opportunities to enhance pedestrian amenity.
Wayfinding and placemaking	• Protect sightlines along Hawkesbury Road as well as view corridors to heritage sites in Parramatta Park. • Investigate opportunities to introduce pedestrian cross block links to improve permeability of the precinct by foot. • Improve the pedestrian experience through new place-making interventions such as public art, signage, seating, or new public spaces for gathering.

Source: DPE (2022)

Westmead South Concept Land Use Plan

Following preparation of the Place Strategy, Cumberland Council (Council) commenced strategic planning for Westmead South. A Concept Land Use Plan indicates at the location and distribution of different built form typologies.

Figure 1.3: Westmead South Concept Land Use Plan



Source: Cumberland Council (2022)

Council invited local community members to provide feedback in a Community Voice Panel, the last of three sessions concluding in September 2023. Council has commenced a range of technical investigations to inform a draft Masterplan.

Atlas Economics (**Atlas**) is engaged by Cumberland Council (**Council**)) to carry out an Economic Feasibility Study to support development of the Westmead South Masterplan and rezoning package.

1.2 Scope and Approach

Atlas is engaged by Cumberland City Council (Council) to support development of a Master Plan for Westmead South (**the Precinct or Study Area**, which are used interchangeably) which will implement the Place Strategy. Atlas worked iteratively with Council and the project team, providing land use and feasibility advice over the course of masterplan development.

This advice provided guidance on the following masterplan issues:

- Demand for various land uses (residential, retail and commercial).
- Westmead South's competitive context, its challenges and opportunities for development.
- The feasibility of various development/ built form typologies.
- The viable spatial distribution of land uses and development density.
- The opportunity for:
    - Delivery of public domain and infrastructure requirements.
    - Contributions to Affordable Housing by development in the Precinct.
- The likely pace and take-up of development in the Precinct.

Atlas attended various workshops and provided advice over a number of months. The Economic Feasibility Study (**the Study**, this report) summarises the research and input provided to assist development and refinement of masterplan options. The Study additionally reviews and comments on the preferred Master Plan option.

The Study is structured in two parts:

- Part A undertakes baseline research of the Precinct. This section:
    - Analyses the composition of the local resident and worker population.
    - Investigates its market context and considers its competitiveness from a development investment perspective.
    - Analyses growth expectations and considers the role the Precinct could play in accommodating residential, retail and commercial floorspace.
    - Carries out generic feasibility analysis to understand the built form typologies that would be feasible to develop and their capacity to contribute to public infrastructure and Affordable Housing.
- Part B reviews the preferred Master Plan and considers the opportunity to deliver key place outcomes envisaged in the Place Strategy.

1.3 Assumptions and Limitations

Atlas acknowledges a number of limitations associated with the Study.

- The macro-economic outlook is currently subject to significant uncertainty due to, *inter alia*, global and domestic inflation, labour shortages and various military conflicts.
- Desktop market research has been undertaken without physical site surveys and inspections.
- Notional development yields are developed for the purposes of generic feasibility testing. The development yields are based on numerical assumptions of site area and FSR and are not urban design or engineering tested.
- Generic feasibility testing is based on high-level revenue and cost assumptions and does not consider site-specific nuances typically considered in detailed feasibility analysis.

The observations from the generic feasibility testing are aggregated to consider the site-specific and/ or location-specific factors that influence the feasibility of the tested development typologies.

Despite the assumptions made and limitations of generic feasibility testing, the analysis is considered to be appropriate in examining the feasibility of the range of development typologies at a strategic and generic level in the Precinct.

PART A: BASELINE ANALYSIS

2. Baseline Research

2.1 Precinct Profile

2.1.1 Land Use Characteristics

The Study Area is largely characterised by residential land uses, with the R2 Low Density Residential zone applying across most of the precinct in addition to smaller clusters of R3 Medium Density Residential and R4 High Density Residential on the eastern side of Hawkesbury Road.

The mix of housing typologies is accordingly diverse and aligns with historical zoning patterns:

- **Western side of Hawkesbury Road**: predominantly Post-War brick veneer detached housing interspersed with more recently constructed detached housing and duplexes. There is a large cluster of social housing located throughout this part of the Study Area, with Land and Housing Corporation (LAHC) being a major landowner.
- **Eastern side of Hawkesbury Road**: mix of detached housing and older, low-rise 'walk up' unit blocks.

More recently, new mixed use buildings and residential flat buildings have been developed within the E3 Productivity Support zone along the Great Western Highway and R4 High Density Residential zone (e.g. Good Street). These newer developments have generally ranged from 6 to 7 storeys and have primarily delivered smaller dwellings (i.e. 2-bedrooms).

Figure 2.1: Common Housing Typologies, Study Area

Source: Realestate.com.au

The Study Area is not a major retail or commercial centre. There is a small cluster of E1 Neighbourhood Centre land along Hawkesbury Road comprising some 0.6ha, occupied a small strip of neighbourhood shops known as 'The Oakes Centre'.

There is a larger (3ha) strip of E3 Productivity Support located along the Great Western Highway, though non-residential uses are limited to ground level retail suites at the base of recently developed mixed use buildings.

In addition to these non-residential uses, several detached houses in the R2 Low Density Residential zone have been converted into business premises. The majority of these are used for medical and health (e.g. medical centres, specialist clinics), childcare centres and education (i.e. home tutoring) uses.

Westmead Public School is a major K-6 primary school within the Study Area, accommodating over 1,600 students.

2.1.2 Resident Profile

The basis of demographic analysis is the Australian Bureau of Statistics (ABS) Census. The ABS define a series of geographies known as Statistical Areas (SA) which vary in size and range from SA4s (large regions) to SA1s (often smaller than a suburb). Census data can be extracted based on these statistical areas to understand local resident profiles.

A Resident Catchment Area which broadly aligns with the Study Area has been selected for the purposes of analysis and is illustrated in SCHEDULE 1.

Understanding the current and historical socio-demographic profile of residents in the Study Area is critical to planning for Westmead South. A review of the socio-economic profile of the Study Area using 2021 Census data shows:

- A **large and dense existing population**, with around 8,200 residents reflecting a population density of ~60.7 persons/ha. This makes it one of the most densely populated areas in the Cumberland LGA.
- It is **quickly growing**, with an additional 1,150 residents recorded over 2016-2021 (reflecting average annual growth of 3.1%). This was faster than the rate of population growth recorded in the Cumberland LGA (1.0% per annum).
- **A large proportion of young adults and middle-aged residents**, with a median age of just under 36 years.
- **An ethnically diverse community**, with over 67% of residents born overseas (particularly from India and Sri Lanka). This is markedly higher than both Cumberland LGA (53%) and Greater Sydney (39%).
- **A highly qualified resident pool**, with 50% of residents holding a university qualification.
- **A large family household cohort,** with almost half of all households being couples with children. Lone persons are also a major household cohort at 20% of all households.
- **Smaller average household sizes** at 2.9 persons per household, compared to 3.0 in the Cumberland LGA.
- A **diverse mix of housing typologies**, with 30% separate houses, 23% medium-density dwellings and 47% apartments.

Figure 2.2 illustrates some of the key socio-demographic characteristics of the Study Area as at the 2021 Census.

Figure 2.2:Common Socio-Demographic Characteristics, Westmead South

Source: ABS (2022)/Atlas Economics

2.1.3 Employment Profile

The smallest ABS geographies which can be used to source detailed employment data are known as Destination Zones (DZs). An Employment Catchment Area which broadly aligns with the Study Area has been selected for the purposes of analysis and is illustrated in SCHEDULE 1.

This section analyses the employment profile of local workers within the Study Area (as opposed to the profile of residents).

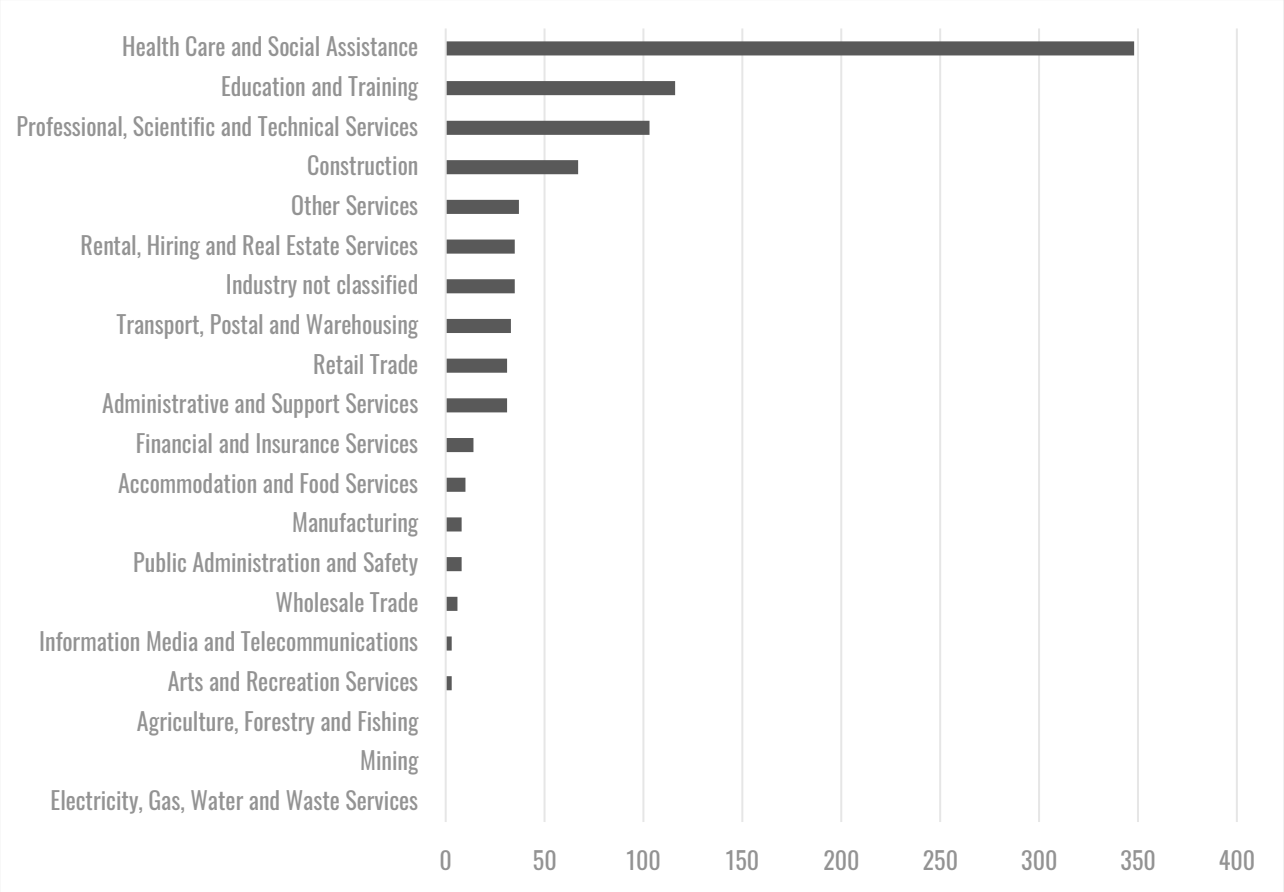
As at 2021, approximately 890 jobs were recorded in the Study Area. The largest industry sectors included:

- Health care and social assistance at 39% of total jobs.
- Education and training at 13% of total jobs
- Professional, scientific and technical services at 11% of total jobs.
- Construction at 7% of total jobs.

Despite being a small local centre, the Study Area does not have a large population-serving sector (which includes industries such as retail trade and food services and accommodation), accounting for just 17% of total employment. This limited offering of population serving sectors suggests local residents would need to travel elsewhere for retail and services, such as Wentworthville and/or Parramatta.

Figure 2.3 illustrates the industry composition of the Study Areas as at the 2021 Census.

Figure 2.3: Employment by Industry (2021), Study Area



Source: NIEIR (2022)

2.2 Market Activity

This section provides a brief overview of recent market and development activity across the Study Area,

Residential Land Uses

There has been a steady level of market activity within Westmead's housing market over the past 12-18 months. Aligning with the broader Greater Sydney market, house prices declined marginally over the 12-months to June 2023. Landowners have accordingly opted to delay planned sales, with sale volumes down by some -15% (CoreLogic, 2023).

Despite this dip in activity, Westmead's median house price of $1.61 million remains almost 35% higher than that recorded 3-years earlier and is over 24% higher than the Greater Sydney median of $1.3 million (CoreLogic, 2023).

A review of sales activity within the Study Area shows a broad range of prices paid for detached housing – prices ranging from $1.0 million to $2.3 million and dependent upon, *inter alia*, land and building size, age of existing improvements and proximity to Westmead train station. On a dollar per square metre of site area basis, these sale prices equate to values ranging from $1,800/sqm to $3,000/sqm of improved site area.

A similar dip in prices and sale volumes in Westmead's unit market has been observed over the past 12-months. The median unit price of $550,000 has fallen by around 3% in the year to June 2023, and represents a discount of some 27% compared to the Greater Sydney median of $755,000.

Older style apartments in the Study Area have been attracting sale prices ranging from $480,000 to $550,000 (for two bedroom apartments). More recently developed apartments along Great Western Highway have been achieving slight premiums compared to older stock, with two bedroom apartments attracting prices from $550,000 to $600,000.

Immediately north of the Study Area, the new 'Highline' development opposite the Westmead Innovation Quarter has set new apartment pricing benchmarks for Westmead and attracted strong interest from a mix of young families, couples and investors. Remaining Stage 1 apartments ranging from $750,000 to $850,000 for two bedroom units, whilst three bedroom units range from $900,000 to $1.15 million.

Figure 2.4: 'Highline' (Stage 1), Hawkesbury Road (North of Study Area)

Source: Deicorp

Retail and Commercial Land Uses

There has been limited recent retail or commercial market activity across the Study Area over the past 12-months. Retail suites at the 'Oakes Centre' are tightly held, with few sales observed.

There are currently no commercial or retail vacancies observed across the Study Area, reflective of a dearth of new supply and the number of long-term operators in the Study Area.

Development Activity

Residential and mixed use development activity in the Study Area over the past 5-7 years has primarily been focused in the R4 High Density Residential and E3 Productivity Support zones along and around the Great Western Highway.

Developers have been acquiring and consolidating multiple detached houses in these areas to progress high-density development of circa 6-7 storeys. Smaller scale, incremental forms of development (e.g. duplexes, secondary dwellings) have also been observed throughout other parts of the Study Area.

A review of the development pipeline indicates that there are currently 9 projects within the Study Area at various stages of planning, approval and delivery.

Almost all projects in the pipeline are apartment projects (mix of shop top housing and residential flat buildings), with the exception of a boarding house and group home development. No retail or commercial development is currently proposed within the Study Area.

As shown in **Table 2-1**, these development pipeline have the potential to deliver ~180 dwellings.

Table 2-1: Development Pipeline (April 2023), Study Area

Project	Typology	Status	Dwellings
102-108 Great Western Hwy	Shop top housing	Construction	50
11-17 Joyner St	Residential flat	Construction	46
8-12 Good St	Shop top housing	Development application	31
LAHC Seniors Housing	Residential flat	Construction	18
Priddle St	Residential flat	Early planning	12
47 Houison St	Boarding house	Development approved	12
49 Alexandra Ave	Group home	Development application	7
24 Priddle St	Residential flat	Construction	5
160 Bridge Rd	Mixed Use	Construction	1
Total			**182**

Source: BCI

A review of development site sale activity in the Study Area and comparable areas (e.g. Wentworthville) demonstrates that developers have been paying between $1,200/sqm to $1,800/sqm of gross floor area (GFA) potential for high-density and mixed use development sites.

The most recent development site sale in the Study Area was 8-12 Good Street which sold for $6 million in March 2021. Based on a recent DA lodged for the site which proposes an 8-storey residential flat building including 31 units, this sale analyses to a rate of $2,300/sqm of proposed GFA.

Smaller scale development is also being observed within the Study Area. For instance, 24 Priddle Street is a small scale (4-storey) residential flat building comprising 5 apartments which was delivered on a single site.

2.3 Competitive Context

All property markets operate in a competitive environment and are influenced by the principle of substitutability. If accommodation (e.g. housing, retail or commercial space, etc.) cannot be secured in one particular market, the market will seek out space in the most comparable substitute market.

In the context of the Study Area, the most comparable markets from both a housing and commercial/ retail perspective are other key sub-precincts within the Westmead Precinct, namely the Health and Innovation Precinct and Westmead East. The growing suburb of Wentworthville will also be a key competitor precinct moving forward.

Health and Innovation and Westmead East Sub-Precincts

Located immediately north of the Study Area on the northern side of the T1 Western Line, the Westmead East and Health and Innovation sub-precincts as defined in the Westmead Place Strategy will be the key competitors from an investment and development perspective to Westmead South.

Both precincts benefit from closer proximity to the health and education facilities (centred around Westmead Hospital), retail amenity and the future Parramatta Light Rail.

Development activity is already being observed and proposed in both sub-precincts, with two key projects underway:

- **Westmead Innovation Quarter**

  Located in the Health and Innovation sub-precinct, the Westmead Innovation Quarter is a new mixed use precinct being jointly delivered by the Western Sydney University (WSU) and Charter Hall. The development is set to comprise a new WSU campus, 39,000sqm of office floorspace, 4,000sqm of retail floorspace and some 400 apartments.

  Stage 1 (university building, retail) was completed in Q4 2022, with the remaining stages to be completed by Q4 2025.

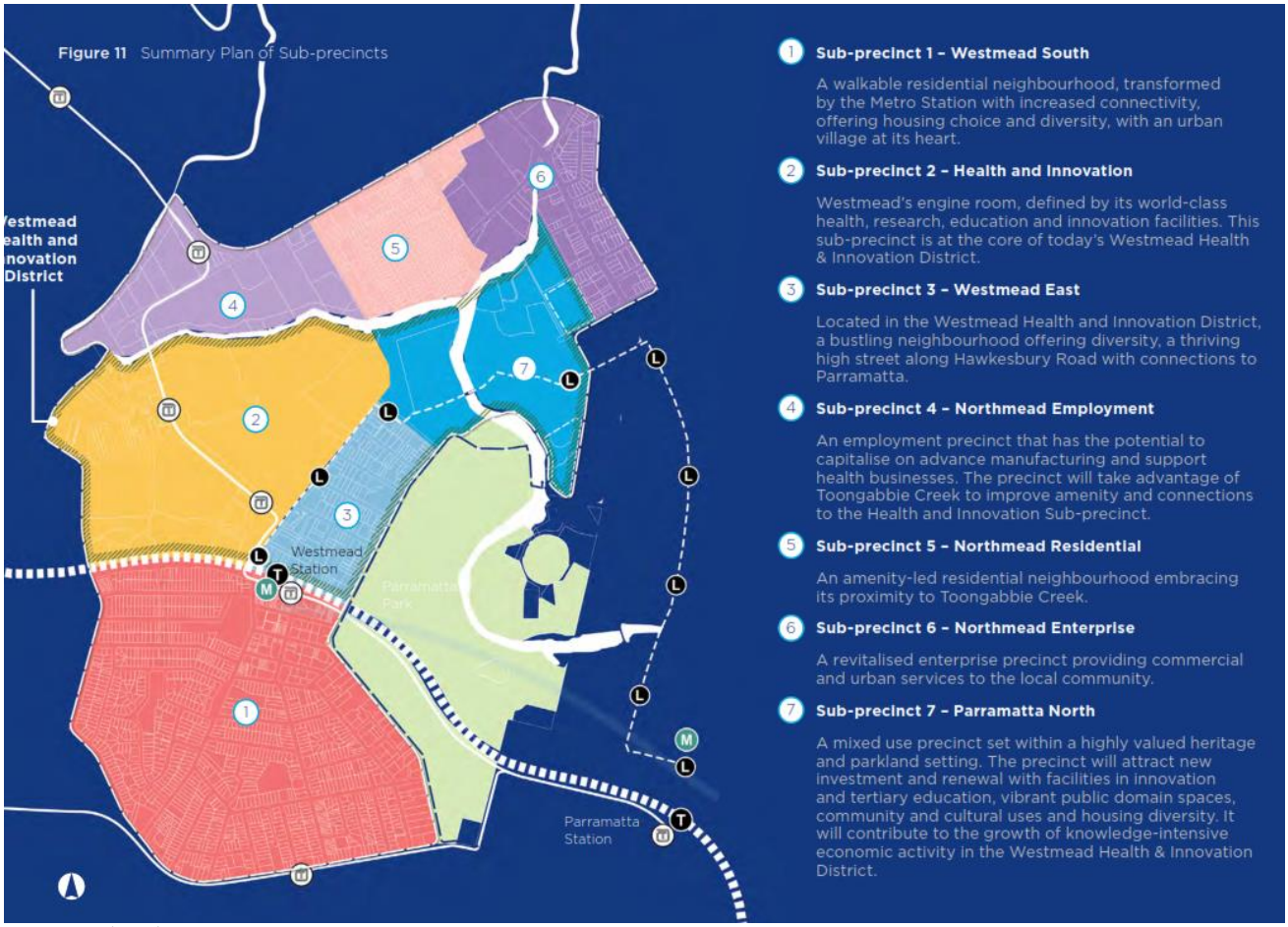
- **West Grove**

  Located in the Westmead East sub-precinct, 'West Grove' is the planned redevelopment of the existing Westmead Shopping Village opposite Westmead train station. The project would comprise a 100-room hotel, 2,300sqm of retail floorspace (including a metro-style supermarket) and other specialty uses. Informal discussions with the developer indicate the project has been deferred due to inflationary conditions in the construction sector.

Both projects alone are expected to deliver some 6,300sqm of new retail floorspace.

Overall, the Westmead Precinct's northern sub-precincts are expected to drive significant growth over the coming decades, with a target of 50,000 jobs and 10,000 university students over the coming decades (Westmead Alliance, 2020).

Figure 2.5: Westmead Precinct, Sub-Precincts



Source: DPE (2022)

Wentworthville

Wentworthville is located immediately west of the Study Area and is another key competitor from a housing, retail and commercial perspective.

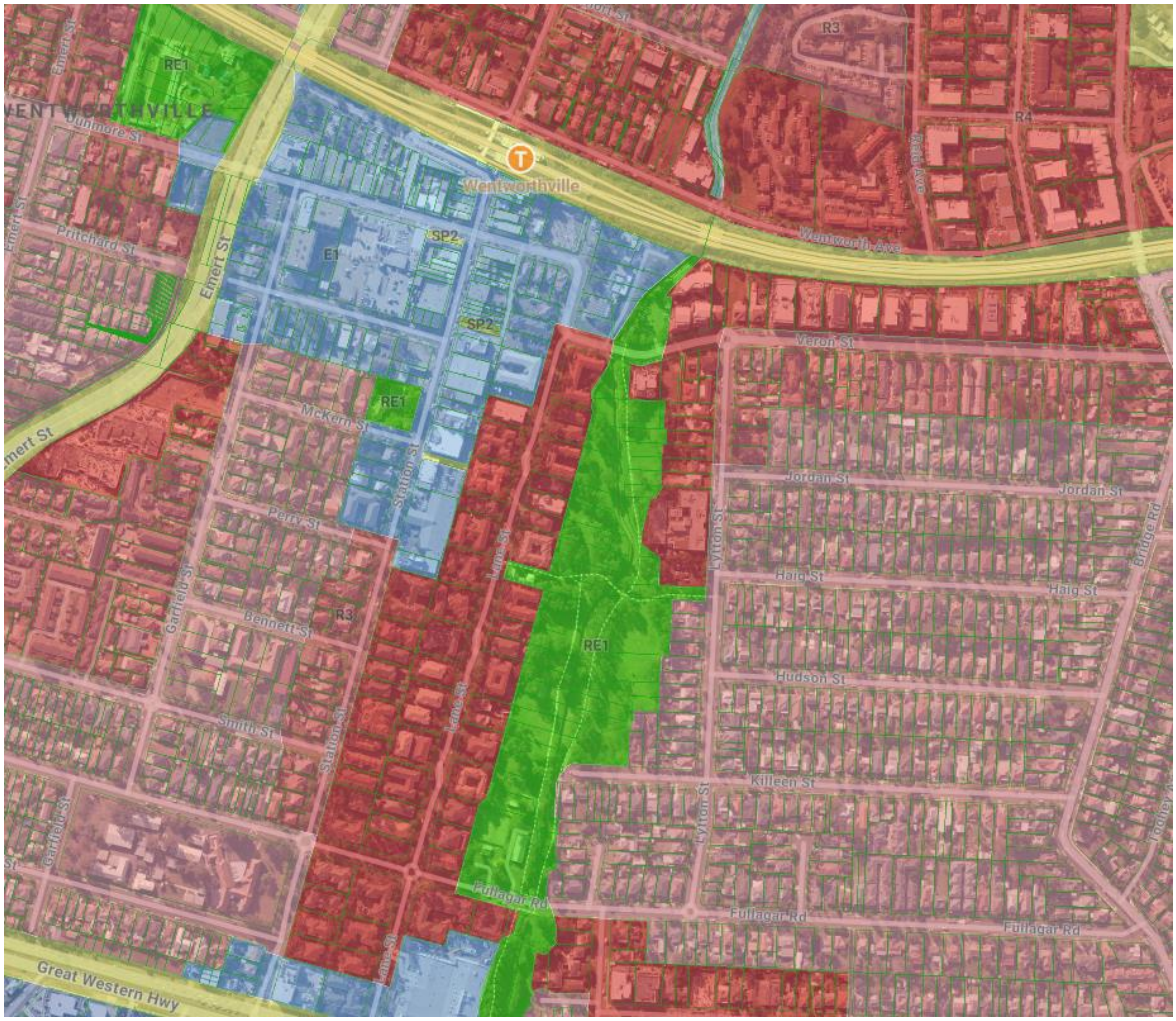
Like Westmead, Wentworthville has historically played an 'overflow' role from Parramatta. Limited supply of new apartment development in Westmead has meant that the two precincts have not historically been major competitors from a residential perspective. Wentworthville Town Centre does however have a significantly larger cluster of retail and commercial services compared to Westmead and is the primary centre for many of Westmead's residents.

In 2020, the Wentworthville Town Centre Planning Proposal was finalised by Council. The Planning Proposal unlocks capacity for an additional 1,800 new dwellings, retail facilities and public domain improvements throughout the town centre. The Planning Proposal includes an incentive mechanism to encourage provision of commercial floorspace (FSR 0.5:1).

A review of the development pipeline indicates there is a large amount of housing supply in the pipeline, many projects which have been 'unlocked' by the Planning Proposal.

Following the completion of masterplanning in the Study Area (which will unlock greater development opportunities), Wentworthville will more directly compete with Westmead from a housing and investment lens.

Figure 2.6: Wentworthville Town Centre and Surrounds



Source: Mecone Mosaic

2.4 Implications for Master Plan

SWOT Analysis

The Study Area is positioned immediately adjacent Australia's largest health precinct and proximate Sydney's second CBD. It has strong public transport accessibility, which will be further enhanced with the completion of the Parramatta Light Rail in 2024, and Sydney Metro West metro line in ~2030.

Accommodating a young, highly educated and ethnically diverse resident base, the Study Area already comprises a broad mix of housing typologies and has been a focal point for high-density development in recent years.

Despite its many strengths, the Study Area does face several challenges to its future renewal. Existing high-density residential uses south-east of the Westmead Train Station limit the potential for future redevelopment. Pockets of the Study Area are also characterised by small residential lots, which present challenges for development feasibility due to the cost of site consolidation.

Neighbouring precincts, particularly those immediately north of the Study Area, will also compete from an investment and market perspective.

Table 2-2 includes a SWOT analysis for the Study Area in the context of its future development prospects.

Table 2-2: SWOT Analysis, Westmead South

INTERNAL ORIGIN	**STRENGTHS**	**WEAKNESSES**
	• Strong existing public transport accessibility • Proximity to major employment hubs • Highly educated and diverse resident base • Established high-density apartment market • Proximity to regional public open space	• Existing high-density residential uses (particularly around train station) and heritage conservation areas which limit potential for redevelopment • Fine grain lot and ownership patterns throughout much of the Study Area • Lack of retail amenity with no major retail anchor • Poor connectivity between public open space
EXTERNAL ORIGIN	**OPPORTUNITIES**	**THREATS**
	• Sydney Metro West station located in Study Area • Improved public transport accessibility via the Parramatta Light Rail • Much of Study Area zoned R2 Low Density Residential – presents good opportunity for value uplift • Existing investor and developer interest • Leverage future growth of the Westmead Innovation Precinct • Increased population density would further increase demand for retail and services	• Ongoing development on the northern side of the T1 Western Line shifts the focal point of activity away from Study Area • Competition from neighbouring precincts (e.g. Westmead, Wentworthville) 'crowding out' investor and developer interest • Increase in density controls results in a loss of character

Source: Atlas Economics

Implications for Precinct Planning

Much of the baseline research demonstrates that the Study Area's strengths and opportunities largely outweigh the potential challenges to its revitalisation as envisaged in the Westmead Place Strategy.

Masterplanning will however need to be cognisant of the characteristics of the Study Area (e.g. fragmented land ownership, fine grain lot patterns) which could make site consolidation difficult. Appropriate planning controls could assist in mitigating the risk of these challenges.

There is also a potential need for masterplanning to accommodate additional retail uses given the lack of existing retail and services observed in the Study Area. This is explored in further detail in the next Chapter.

3. Growth Expectations and Land Use Implications

3.1 Growth Projections

Population and employment projections are carried out by Transport for NSW's Transport, Performance and Analytics (TPA) division. The NSW TZP 2022 (TZP2022) projections are a long-term view of the future patterns of population, dwellings, workforce and employment across NSW.

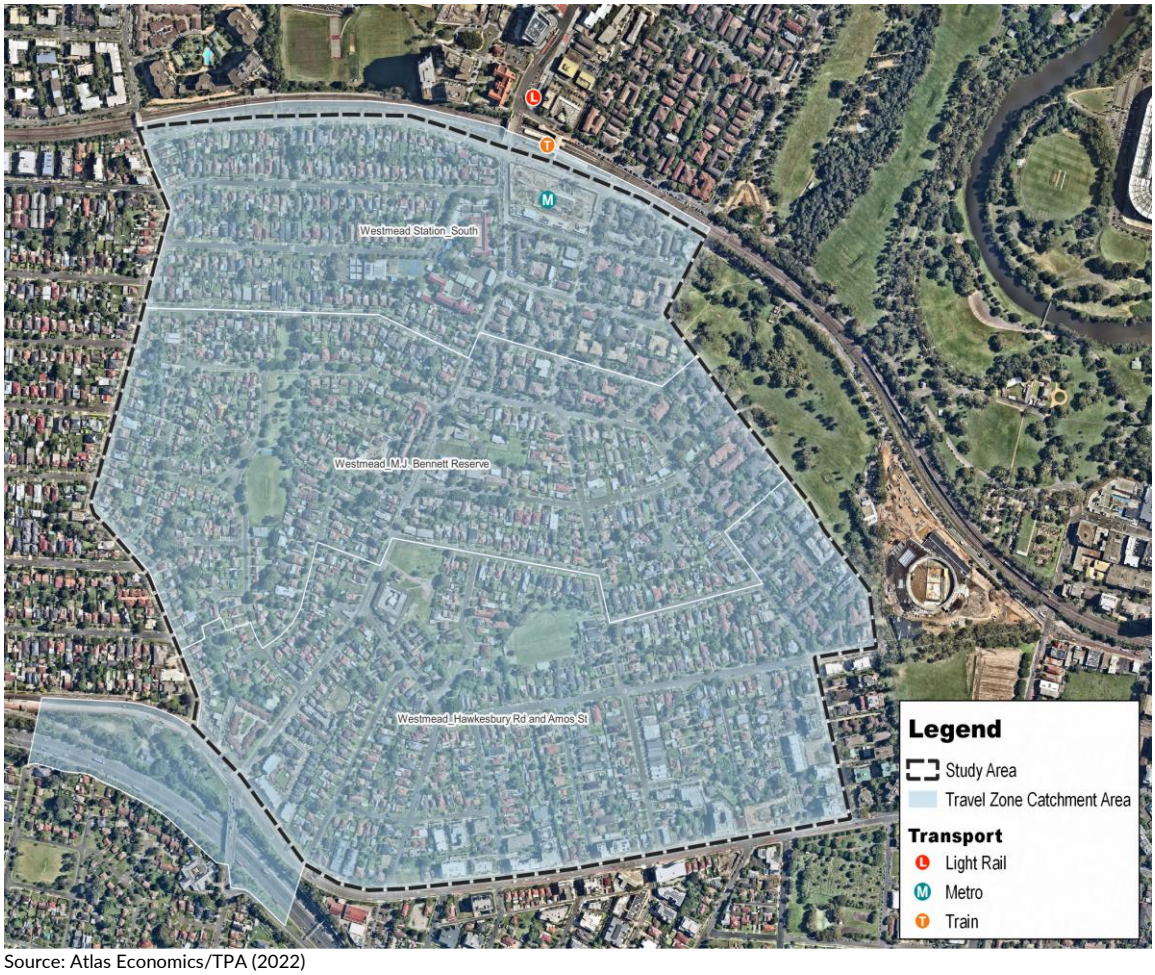
These projections are carried out at a large, regional level and disaggregated into small geographies known as Travel Zones (TZs). TZP022 are an important input into the NSW Governments Common Planning Assumptions and consider a series of major infrastructure, housing and employment projects. Major projects included in TZP22 relevant to the Study Area are:

- Sydney Metro West;
- Parramatta Light Rail;
- The expansion of Westmead Hospital;
- The future University of Sydney Westmead Campus .

Growth in the Study Area as envisaged in the Westmead Place Strategy ***was not*** considered in TZP2022.

To understand the 'baseline' growth expected in the Study Area, three TZs have been selected which broadly align with the Study Area. These are illustrated in **Figure 3.1**.

Figure 3.1: TZ Catchment Area



Source: Atlas Economics/TPA (2022)

3.1.1 Population Growth

Under TZP22, the Study Area was not anticipated to record a significant level of population growth over the coming decades. By 2041, the local resident base was expected to reach a total of just over 10,000 residents. This is reflective of growth of around 2,500 residents over the 2022-2041 period.

The majority of population growth was anticipated to occur in the southern section of the Study Area (i.e. along Great Western Highway) as development opportunities in the R4 and E3 zones were 'taken up'. Very little growth was anticipated in the northern part of the Study Area (around the train station). This shows that precinct planning for Westmead South ***was not*** considered in TZP2022.

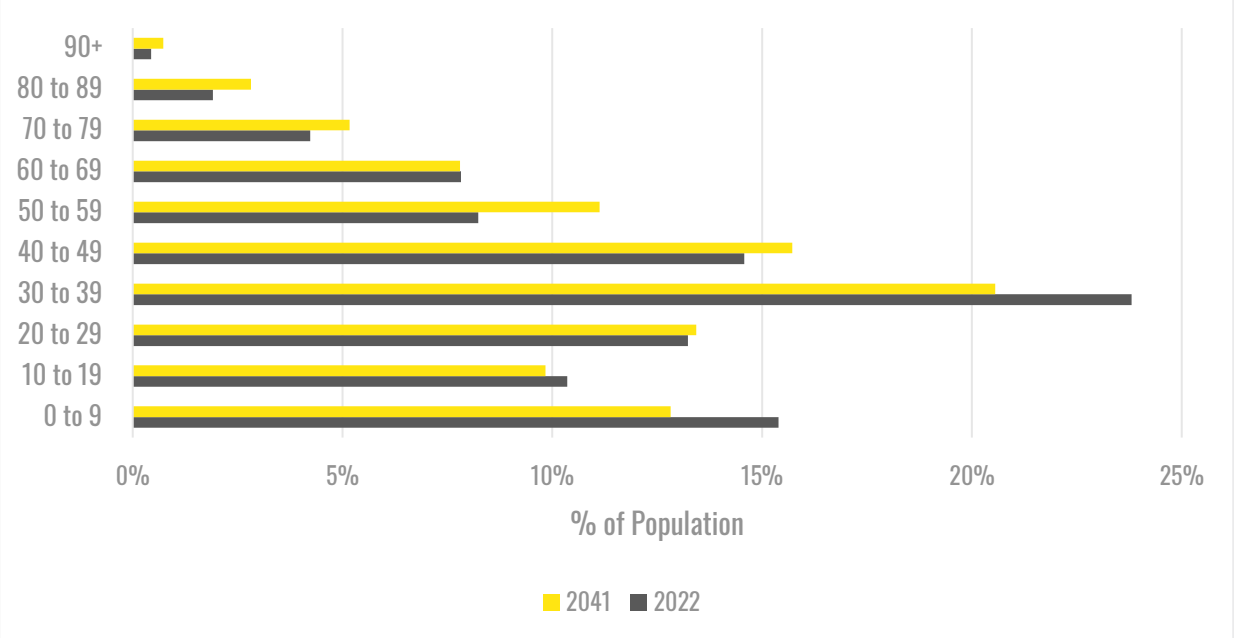
Aligning with NSW-wide trends, TZP22 anticipated the Study Area's resident base to progressively age over the years to 2041. The proportion of residents aged 50 years and over was expected to grow by 23% in 2022 to almost 30% in 2041.

Figure 3.2 illustrates projected population growth in the TZ Catchment Area over 2016-2041, with **Figure 3.3** depicting the expected change in age profile in 2041 compared to 2022.

Figure 3.2: Population Projections (2016-2041), TZ Catchment Area

Source: TPA (2022)

Figure 3.3: Age Projections (2016-2041), TZ Catchment Area



Source: TPA (2022)

3.1.2 Employment Growth

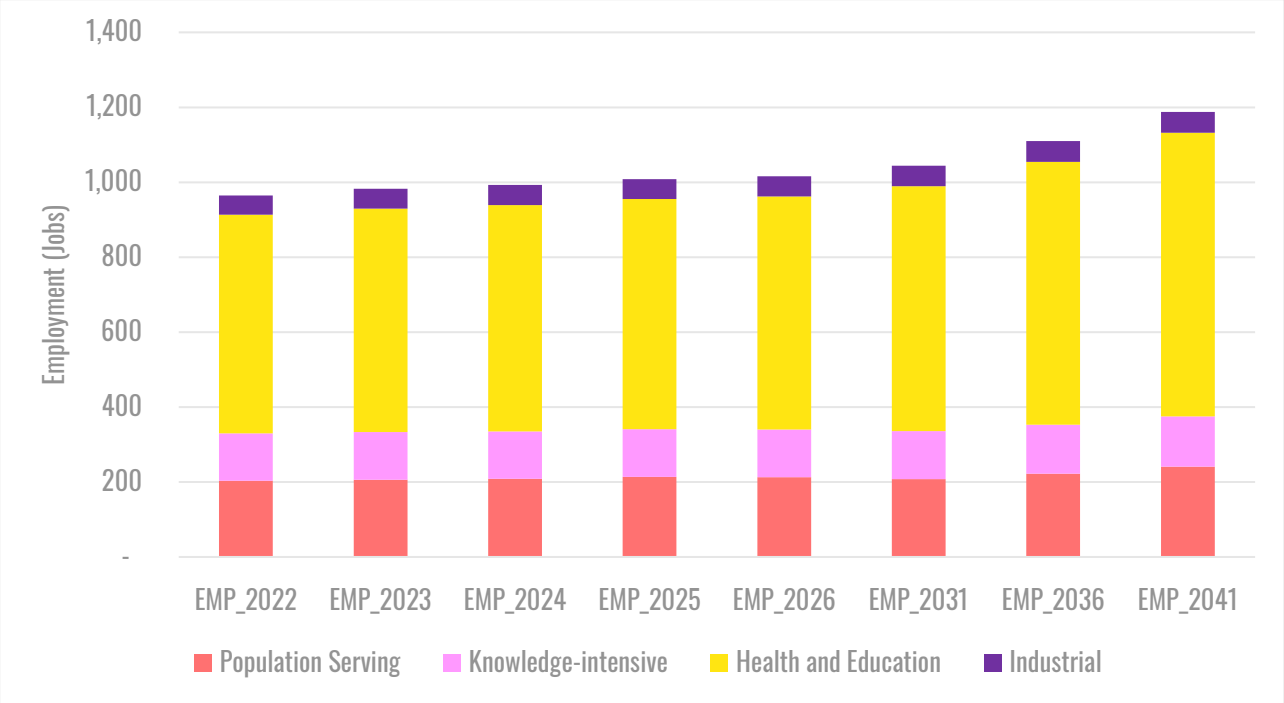
Aligning with moderate population growth, TZP22 anticipated limited employment growth in the Study Area over the 2022-2041 period. An additional ~220 jobs were expected over the period, reaching a total jobs base of ~1,200 jobs.

The health and education sectors were expected to remain the key employing industries within the Study Area, accounting for 65% of jobs in 2041. These sectors were also expected to be the key drivers of employment growth, accounting for almost 80% of jobs growth.

Notably, TZP22 did not anticipate much growth in population-serving employment (which includes industries such as retail trade, accommodation and food services, etc.). This would mean residents in the Study Area would need to continue travelling outside the Study Area for retail services.

Figure 3.4 illustrates projected population growth in the TZ Catchment Area over 2016-2041.

Figure 3.4: Employment Projections (2016-2041), TZ Catchment Area



Source: TPA (2022)

3.1.3 Competing Precincts

To understand the baseline level of growth expected in the areas immediately surrounding the Study Area, population growth in the competing precincts of Westmead (north of rail line) and Wentworthville has also been considered. A series of TZs which represent both these precincts have been selected and are depicted in SCHEDULE 1.

In Westmead (north of rail line), TZP22 anticipates a higher level of population growth in the years to 2041. The resident population is expected to reach circa 13,700 residents following growth of ~3,500 residents over 2022-2041. Much of this growth is expected in the Health and Innovation sub-precinct.

In neighbouring Wentworthville precinct, an even strong level of population growth is anticipated. Over 2022-2041, an additional ~4,700 residents are expected with the local resident base reaching ~11,600 residents. This is largely expected in the Wentworthville Town Centre.

Overall, TZP22 projects growth of ~8,200 additional residents in the areas immediately north and west of the Study Area.

3.2 Role for Retail and Commercial Uses

3.2.1 Retail Land Uses

This section considers the potential role for retail land uses in the Study Area based on demand and supply-side factors.

Australian Retail Provision

Historically, there has been around 2.2sqm of retail floorspace provided for every resident across Australia. This is a widely accepted ratio used throughout the Australian retail industry, based on the last ABS Retail Census undertaken in 1991/92. Retail demand has progressively risen over the past 20-30 years, aligning with real income growth and retail spending.

More recently, a 2015 retail survey concluded Greater Sydney provided an average of 2.4sqm of retail floorspace per person (Deep End Services, 2016). These rates cover all types of retail, including shopping centres, large format and strip shops.

Retail benchmarks will expectedly vary across metropolitan areas. For instance, retail benchmarks in inner suburban locations are typically around 1sqm per person, where larger format retailers are less commonly located.

Trends and Influences on Retail Demand

The retail sector has been at the forefront of structural change over the past 24-36 months following the outbreak of COVID-19 in March 2020. There is general expectation that retail demand has been re-set downward, following the rapid uptake of online retail during and after the COVID-19 pandemic.

Strategic planning for new precincts such as the Study Area should have regard to these trends as they will influence the type and quantum of retail floorspace needed over the coming decades. Some of the more obvious longer-term impacts more likely to persist include:

- **Higher retail penetration rates**, providing greater competition for some physical retailers.
- **Changing shopping habits**, with a growing desire for experience-based shopping.
- **Changing customer location**, with working from home practices driving higher levels of demand at suburban centres.

Key Requirements of Retail Uses

The viability of retail land uses is intrinsically linked to the size and characteristics of their surrounding resident, worker and visitor populations. From a development perspective, retail uses are considered '**followers**' – they will only be viable after a local resident or worker population catchment has been established.

Different types of retailers have different trade catchment area requirements, which also influence where they can viably locate. Some retailers depend on exposure to pedestrian or vehicular traffic to operate viably. Locating in areas with strong exposure to these movements is critical for such businesses. For instance, many fast food restaurants typically look for sites along arterial roads subject to average annual daily traffic (AADT) volumes upwards of 40,000 vehicles.

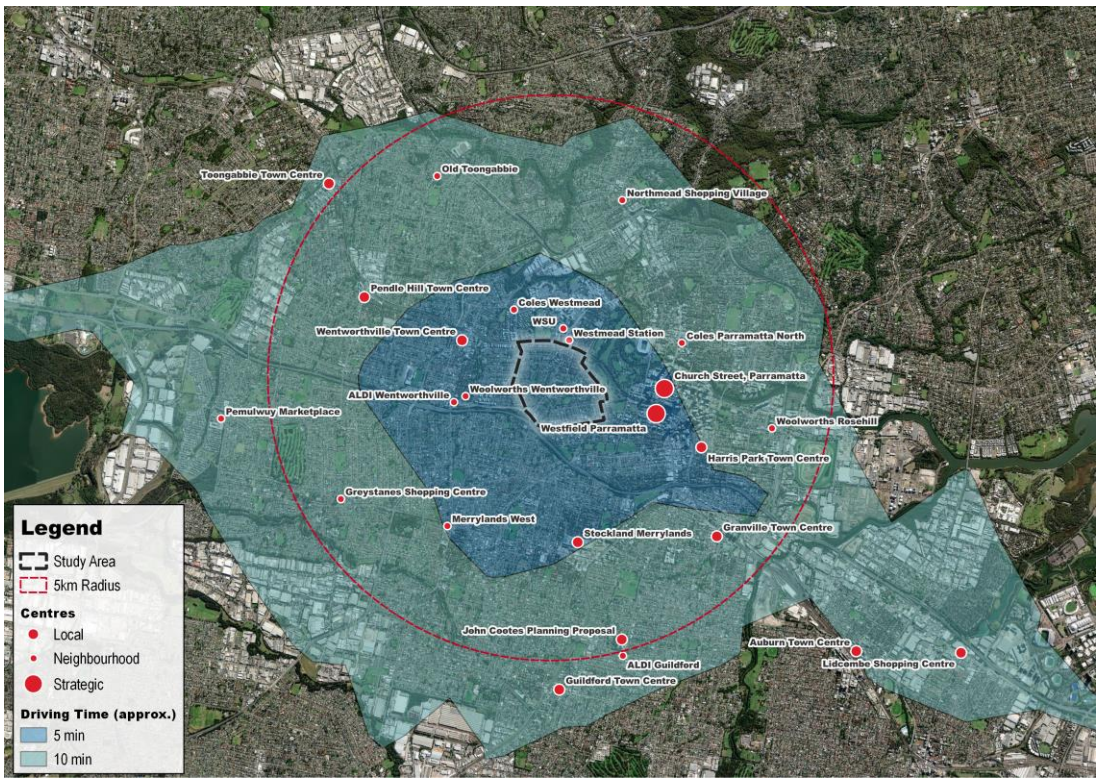
Existing Retail Hierarchy

Notwithstanding the population size of the immediate trade catchment area, the designated role of a centre within a broader hierarchy is also a key determinant of retail floorspace provision. Metropolitan Centres and Strategic Centres play a much greater role in servicing the retail needs of the broader region, thus encompassing significant trade catchment areas. Local and neighbourhood centres play a more localised role servicing the day to day needs of their surrounding catchments.

The Study Area is located within 2km of the Parramatta CBD – a major Metropolitan Centre as defined in the Greater Sydney Region Plan (GCC, 2018). The Parramatta CBD is a major shopping destination, anchored by multiple shopping centres, national retailers and large dining and entertainment precinct.

The Study Area is also surrounded by a large network of Local and Neighbourhood Centres, including Westmead (north of rail line), Wentworthville, Parramatta North and Merrylands. Market investigations suggest that existing residents typically travel to Wentworthville or Parramatta CBD for their 'weekly shop', with Parramatta CBD the primary option for discretionary shopping. **Figure 3.5** illustrates the network of centres surrounding the Study Area and compares their accessibility to the residents in the Study Area based on an estimate of drive time.

Figure 3.5: Retail Centre Hierarchy by Drive Time from Study Area



Source: Atlas Economics/OSM/Nearmap

Role of the Study Area

Based on the land use mix proposed in the Westmead Concept Plan, the Study Area could potentially accommodate a total resident population of over 25,000 residents upon build out. With a local resident population of this size, the Study Area would likely require retail uses reflective of a Local Centre.

To estimate the likely *quantum* of retail floorspace that could be needed in the Study Area upon build-out, high-level retail benchmarking has been carried out. Based on these estimates, the Study Area could require some ~10,100sqm of retail floorspace upon buildout, in addition to ~2,500sqm of non-retail floorspace (e.g. service commercial uses).

Table 3-1: High-level Retail Demand Estimates (Build Out), Study Area

Item	No.
Residents	
Study Area	25,773
Neighbouring Catchments	25,316
Total	52,876
Workers	
Study Area	1,187
Neighbouring Catchments	28,753
Total	29,940
Retail Floorspace Needed	
Supermarket	~3,700sqm
Non-Supermarket	~6,400sqm
Total Retail	**~10,100sqm**
Non-Retail	**~2,500sqm**

Source: Atlas Economics

3.2.2 Commercial Land Uses

This section considers the potential role for commercial land uses based on demand and supply-side factors.

Sydney's Commercial Office Markets

There are a variety of commercial markets located across Greater Sydney. These can be distinguished by their size, role, function and occupier profile and can be categorised as CBD, Major and Suburban. These are summarised in **Table 3-2**.

Table 3-2: Types of Office Markets, Greater Sydney

Precinct Type	Examples	Size (sqm NLA)
CBD Market	Sydney	>5,000,000
Major	North Sydney, Macquarie Park, Parramatta, Sydney CBD Fringe, North Shore	500,000-1,200,000
Suburban	Norwest, South Sydney, Sydney Olympic Park, Rhodes, Bankstown, Liverpool, Penrith	70,000-300,000

Source: Atlas Economics

There are also numerous minor commercial office markets interspersed throughout Greater Sydney within local centres, typically comprising less than 50,000sqm of commercial office floorspace (e.g. Campbelltown, St Marys, Neutral Bay).

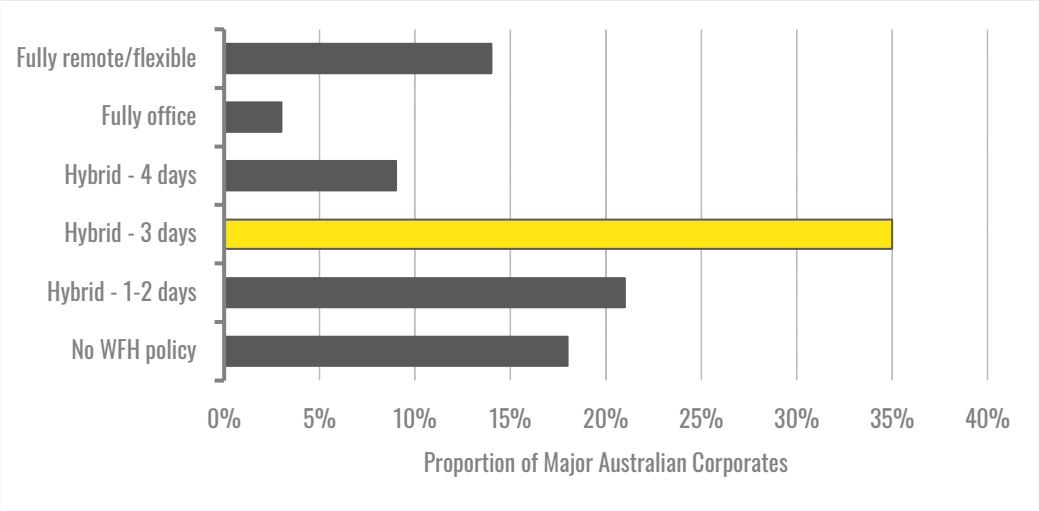
The CBD and Major markets are distinct given the scale of commercial development, typically comprising standalone office buildings in excess of 10 storeys. This intensity of development is illustrative of local market dynamics; tall buildings occurring where commercial rents are sufficient to offset the cost of constructing taller office buildings.

The Study Area is located within 2km of the Parramatta CBD – one of Greater Sydney's largest Major office markets.

Structural Shift in Demand

In the wake of the COVID-19 pandemic, there has been a structural shift in office demand across Greater Sydney's office markets. Hybrid working is now the default position for Australian corporates with office-based workers. Two-thirds of corporate occupiers have a hybrid working policy and 14% are fully remote. Just 3% are in the office 5 days a week. As a result, the average Australian worker now spends over a quarter of their working week (27%) at home or in a third space[1].

Figure 3.6: Australian Corporate Working-from-home (WFH) Policies Breakdown



Source: The Aussie Corporate, March 2023

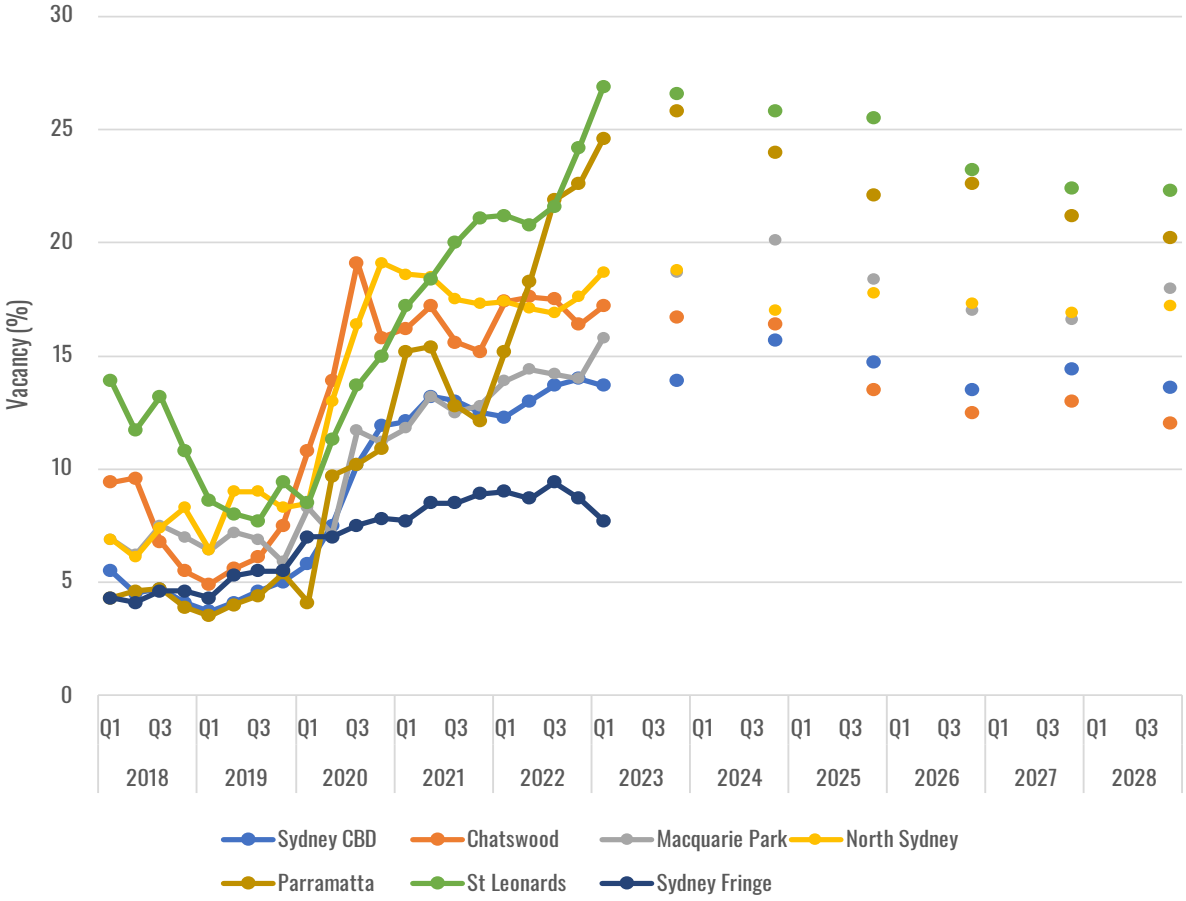
Today, office employment activity is more dispersed, taking place between the office, the home and a third place (which could be a co-working space, library or other place). The dispersed nature of office employment activity has meant lower occupancy rates in the office, and consequently less aggregate demand for purpose-built office space. This has conversely meant more demand for locally-based services in residential areas.

[1] Transport Opinion Survey, March 2023, The University of Sydney Institute of Transport and Logistics Studies

These structural changes are resulting in high levels of sustained office vacancy across Sydney. As shown in **Figure 3.7**, the Parramatta CBD in particular is suffering with historically high vacancy levels of ~25% which are anticipated to remain above 20% for next 5-years.

In particular, secondary grade space is under significant stress with occupiers opting for prime office space to attract and retain skilled labour.

Figure 3.7: Current and Projected Office Vacancy, Sydney's Key Office Markets



Source: PCA (2023), JLL

These structural trends and ongoing market conditions in the major office markets have implications for new planned precincts such as Westmead South. The market will be 'cycling' through existing vacant office floorspace for some time, whilst demand for office space (on a per worker basis) is expected to be lower.

Role of the Study Area

The Study Area is not anticipated to play a major commercial office role moving forward. This is due to several factors:

- The structural shift in demand for commercial floorspace.
- The Study Area's proximity to the Parramatta CBD.
- The future commercial role of Westmead's Health and Innovation sub-precinct which is expected to accommodate a significant amount of commercial floorspace.

That said, there will be a need to provide for commercial floorspace that can accommodate 'non-retail' uses typically observed in Local Centres (e.g. banks, post office, medical, childcare, etc).

As shown in **Table 3-1**, there could be potential for ~2,500sqm of this commercial-type floorspace in the Study Area (upon build out). This would ideally be co-located with future retail uses to avoid dispersion of activity and ground plane activation.

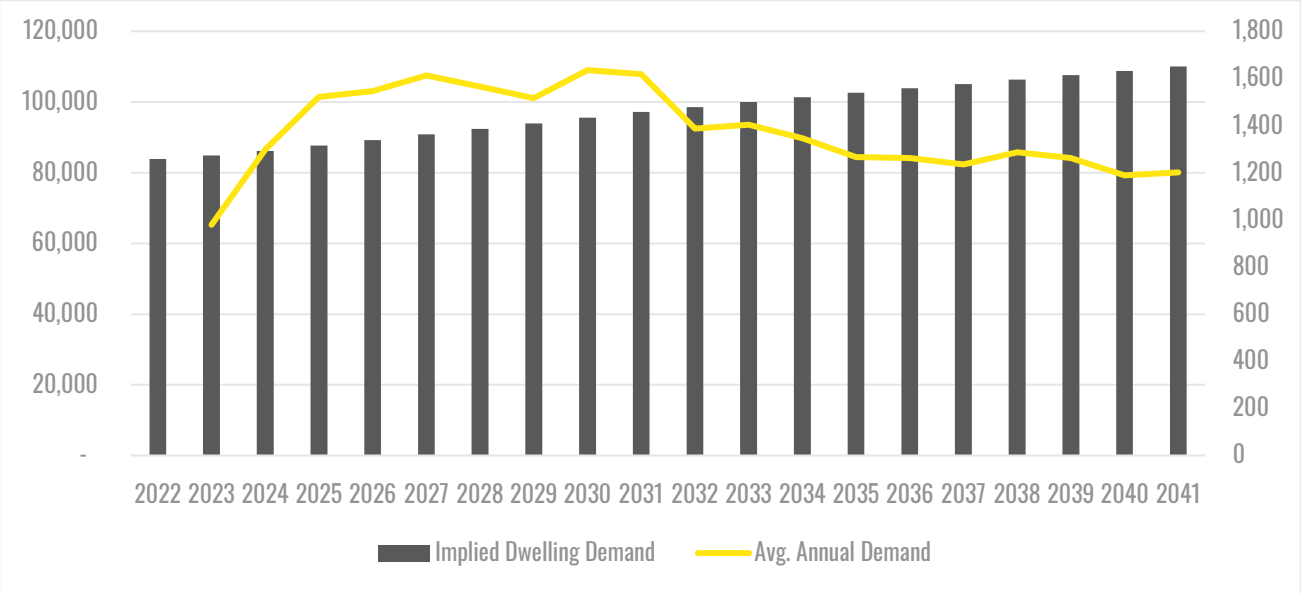
3.3 Role for Residential Uses

3.3.1 Demand for Housing

Looking forward, the Cumberland LGA is anticipated to require an additional ~26,000 dwellings over the coming years to 2041 to support population growth. This is equivalent to an additional ~1,370 dwellings per annum.

Based on the most recent Sydney Housing Supply forecast (DPE, 2023), the Cumberland LGA is estimated to deliver around 1,320 dwellings over the next 5-years. This shortfall will place additional pressure on development post 2027 to deliver the quantum of housing needed to support population growth.

Figure 3.8: Implied Dwelling Demand (2022-2041), Cumberland LGA



Source: DPE (2022)

Accordingly, the Study Area could play a significant role in meeting the housing needs of the Cumberland LGA in the coming years to 2041.

3.3.2 Shifting Demand for Higher Density Housing

Over the last decade, there has been a surge in demand for medium and high-density housing formats. This demand has spread from the Eastern Harbour City with apartment typologies now viable in the Central River City and parts of the Western Parkland City. This is directly observed in the Cumberland LGA, notably in Westmead.

Numerous factors have contributed to this increasing demand for medium and high-density housing options across Greater Sydney. Some of these factors include:

- **Persistent Housing Affordability Pressure**

  The cost of standalone homes in many parts of Greater Sydney has risen to the point where they are no longer affordable for a large number of households.

- **Shifting Lifestyle Preferences**

  Many households now prefer smaller housing formats due to changes in their life stages (like downsizing) or a desire for residences with lower maintenance requirements. These households often prioritise living in high-amenity areas, such as the inner city and its fringes, even if it means sacrificing dwelling size.

- **Migration Patterns**

  A significant portion of new migrants come from countries where living in medium and high-density housing is more common and accepted, thus influencing their preferences in the Australian market.

The Study Area's proximity to public transport and job opportunities makes it an ideal location for higher density living.

3.4 Implications for Master Plan

Retail Land Uses

The Study Area does not currently comprise a large retail centre, with existing residents travelling to neighbouring centres for most shopping needs. Looking forward, the Westmead South Concept Plan envisages a significant amount of residential development and could accommodate a resident population of over 25,000 residents upon build out.

The following recommendations would assist in guiding the provision of retail uses throughout the Study Area.

- **Role of Westmead South in Existing Centre Hierarchy**

  The principal retail centre proximate the Study Area is the Parramatta CBD, which is designated as Metropolitan Centre and accordingly plays a significant regional role. The neighbouring Local Centres of Wentworthville and Merrylands are also major retail hubs proximate Westmead South.

  Notwithstanding these key centres nearby, the significant population growth that will be facilitated in Westmead South necessitates a Local Centre. This larger centre would play a localised role in servicing the needs of the Study Area's resident population, with higher order shopping still directed to Parramatta.

- **Quantum of Retail Floorspace**

  Applying retail benchmarks to the future resident population of the Study Area enables a high-level estimate of the amount of retail floorspace that could be needed upon 'build-out'.

  Given higher order shopping needs will likely be serviced in the larger centres of Parramatta, there will expectedly be some 'leakage' of resident retail demand to these centres.

  As shown in **Table 3-1**, it is estimated that the Study Area could require ~10,100sqm of retail floorspace upon buildout, in addition to ~2,500sqm of non-retail floorspace (e.g. service commercial uses).

- **Distribution of Retail Floorspace**

  New retail floorspace will be best focused proximate the future Westmead Metro Station to maximise the potential for commuter trading, whilst establishing a critical mass of retail uses given the location of existing retailers on the northern side of the Westmead train station.

  Over the longer term, population growth in the Study Area will generate demand for a large supermarket operator. A large site within the northern end of the Study Area will need to be identified for this use.

- **Timing and Staging**

  Retail uses are 'followers' – they will only be viable after a local resident or worker population catchment has been established. In the short term, the viability of a large quantum of retail floorspace will be limited. Accordingly, it will be important that residential uses are supported in the short term to enable the establishment of a larger resident base.

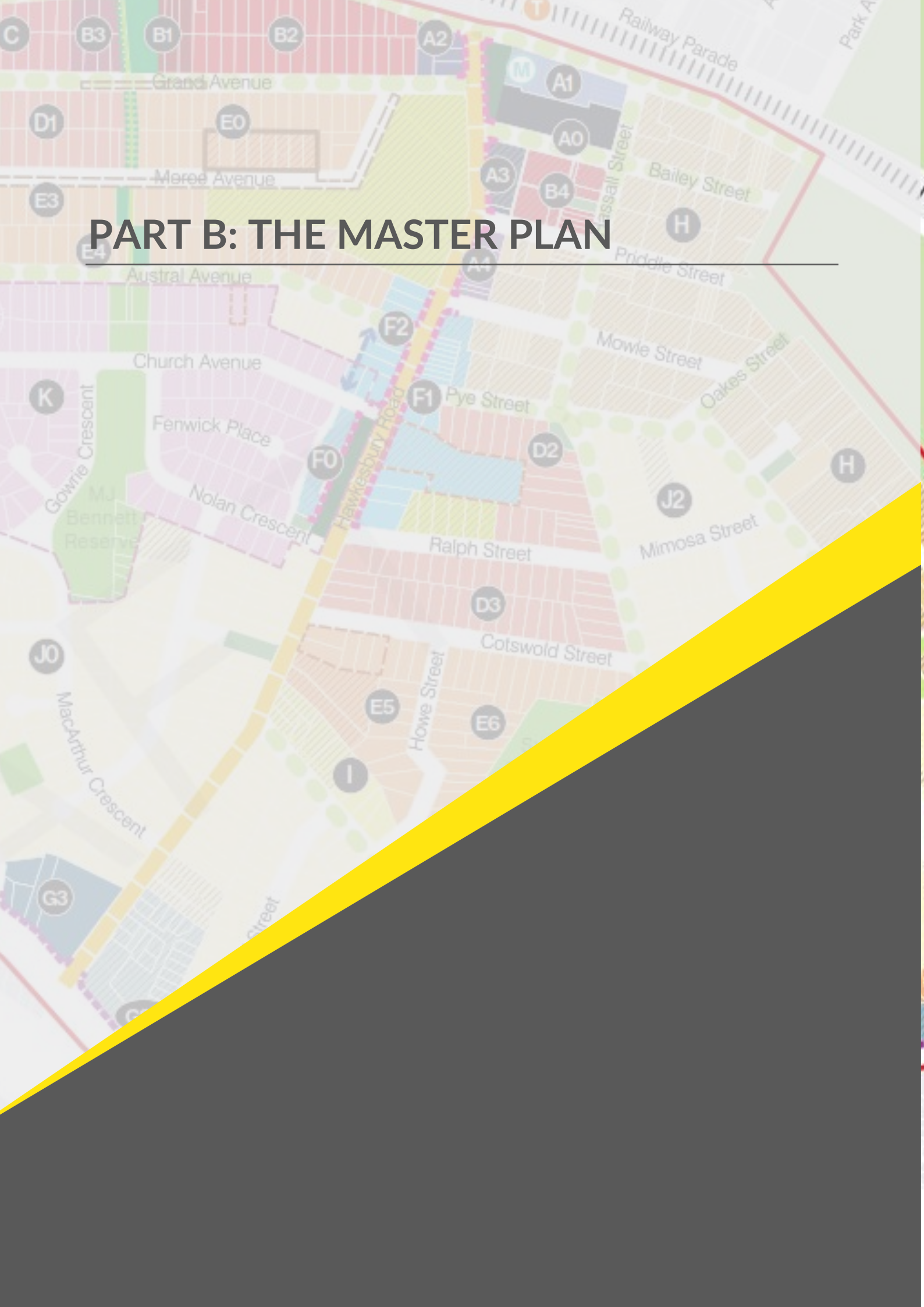
Commercial Land Uses

The Study Area is not anticipated to play a major commercial office role moving forward. Whilst the Study Area is unlikely to play a major office role, there will be a need to provide commercial space for a mix of 'non-retail' uses which provide commercial services to local residents. These include uses such as banks, post office, small legal and financial services, gyms and recreational services and a mix of medical services.

Residential Land Uses

Greater Sydney is experiencing significant demand for new housing. The Study Area is already an established high-density housing market, as evidenced by strong take-up of new apartment development.

It is recommended that masterplanning maximises the opportunity to deliver new housing within the Study Area in the context of its location, proximity to existing and future public transport nodes and nearby employment precincts.



PART B: THE MASTER PLAN

4. Westmead South Master Plan

4.1 Preferred Master Plan Option

The revised Master Plan (revised in April 2024 following feedback received at the Local Planning Panel) focuses residential density in the north of the Precinct along the existing rail corridor and around the future Westmead Metro station, Westmead Train Station and Westmead Light Rail Stop.

Non-residential uses (retail and commercial) are generally focused in nodes - along Hawkesbury Road in proximity to the Metro station, in and around the Oakes Centre and along the Great Western Highway. This acknowledges the importance of 'focusing' retail/ commercial activity rather than dispersing them across a large area. In areas where there is not high foot traffic volumes, dispersal of retail/ commercial floorspace across a broad area can risk poor market interest and vacancies.

Figure 4.1 illustrates a land use plan and the spatial distribution land use typologies and densities.

Figure 4.1: Westmead South Revised Master Plan

Source: Architectus (2022)

Some areas are envisaged for a significant increase in density, particularly those in fragmented strata ownership. It is a commercial reality in existing urban areas that not all sites will be redeveloped. Regardless of whether development is feasible, landownership patterns, individual circumstances/ motivations influence the take-up of development and renewal.

Land in a potential Heritage Conservation Area is not proposed for planning change, along with land on the northeastern edge of the Precinct (where there is a dominance of existing unit blocks).

Land just east of Sydney Smith Park and in the south of the Precinct are envisaged for low-rise/ medium density development. Medium density development activity is generally opportunistic, occurring where a developer may be able to secure a site (existing single dwelling) at the end of its economic useful life.

Permitting medium density forms of housing in the Precinct would contribute to housing diversity and enable development to occur where sites are suitable from a lot geometry (shape and dimensions) and financial feasibility perspective.

Key Place Outcomes

The proposed land uses, typologies and densities seek to enable delivery of green spaces and a new green link through development. The co-location of new retail and commercial floorspace around the metro station along Hawkesbury Road will concentrate activity therein and contribute to economic vibrancy. Visitation/ patronage from the north (Westmead health and education precinct) will contribute to pedestrian footfall, meeting demand for local service commercial needs.

The revised Master Plan envisages delivery of public amenity in conjunction with increased heights and density, a key tenet consistent with the Place Strategy's key place outcomes.

4.2 Matters for Consideration

The Study acknowledges the challenges of development in existing urban areas where lot and ownership patterns are established and can be fine grain in nature. The consolidation of multiple sites adds to the cost and risk of development.

The Study tested and found that in circumstances where there is significant planning uplift, there could be capacity to contribution to Affordable Housing at 5%. Not all sites are proposed for change. It would therefore be important to distinguish these sites from sites that are envisaged for change in the requirements for planning contributions (Affordable Housing, community and on-site infrastructure).

The Study recommends that sites that are not proposed for change and sites that are envisaged for medium density development are not subject to Affordable Housing contributions. Medium density development is generally opportunistic, occurring where a developer can secure a suitably shaped site at an economic price. This type of development is likely to occur 'in the background' and not at large scale.

The Study recommends an on-site infrastructure contributions table that identifies where dedication (and embellishment, if required) is to occur through development. It is conceivable that amalgamation patterns may be different to those envisaged in the revised Master Plan - for example, area B1 and B3 may be comprised of a different set of allotments than shown in the Master Plan. A flexible approach to accommodate different amalgamation patterns and the position of key open space/ green link would therefore be necessary.

4.3 Key Recommendations

The Study makes the following recommendations for Council to consider when implementing the Preferred Master Plan into the planning framework:

- **Adopt the Draft Master Plan Density Controls**

  The density (FSR) controls proposed in the revised Master Plan are generally the minimum densities needed to facilitate development. These densities should be adopted to ensure future development is feasible.

- **Prepare a Key Sites Mechanism**

  To incentivise site amalgamations and the delivery of new public open space, planning mechanisms such as a 'key sites' controls should be investigated.

  Sites would only be able to access the new density controls if they meet a defined site amalgamation pattern and deliver identified items of public infrastructure. The type of public infrastructure (i.e. public open space) would be specified in the key site mechanism. This approach mitigates the risk of development occurring without the provision of adequate public infrastructure and open space.

  Examples of such mechanisms include Green Square (City of Sydney) and St Leonards South (Lane Cove Council).

- **Prepare an On-site Infrastructure Controls Mechanism**

  An on-site infrastructure contributions table that identifies where dedication (and embellishment, if required) is to occur through development will provide certainty to the market and community around expected infrastructure delivery. There should be flexibility 'built-in' to this mechanism to allow for different amalgamation patterns and the position of key open space/ green link as development progressively occurs across the Study Area.

- **Implement a 5% Affordable Housing Contribution**

  A 5% Affordable Housing Contribution (delivered in-kind) should be implemented in the Study Area where sites benefit from changes to planning controls.

  However, the Study recommends that sites that are not proposed for change and sites that are envisaged for medium density development are not subject to Affordable Housing contributions.

- **Phase-in Affordable Housing Contributions**

  Clear notice to the market Council's intention to require affordable housing contributions is essential. Notwithstanding this clear notice, Council could consider a staged implementation of the contribution rate in the following manner:

  - First 12 months: no increase.
  - Month 13-24: 3% contribution rate.
  - Month 25 onwards: 5% contribution rate.

  The first 12 months would allow for developments in the pipeline to be delivered and for sites already acquired to be planned and submitted for development assessment. This avoids 'shocking' the market, allowing the market to first adjust to a modest levy then to a greater levy of after a 2-year period of adjustment.

- **Ensure Active Retail Frontages and Risks of Dilution**

  Careful consideration to the spatial distribution of retail land uses within the Study Area will be critical. Successful centres ensure retail activity is 'tight' and not diluted across an expansive area. An active frontages approach which designates the key areas in the Study Area which retail should be focused would reduce the risk of retail dilution.

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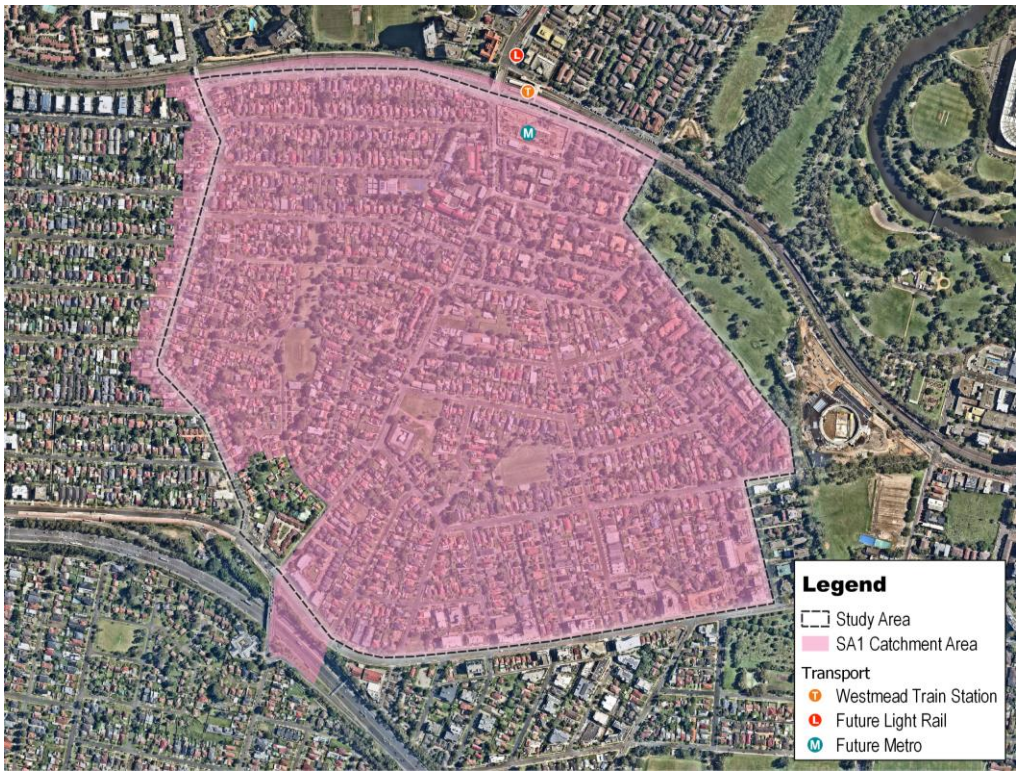
Schedules

SCHEDULE 1

Catchment Area Definitions

Figure S1-1:Resident Catchment Area, SA1 Geographies

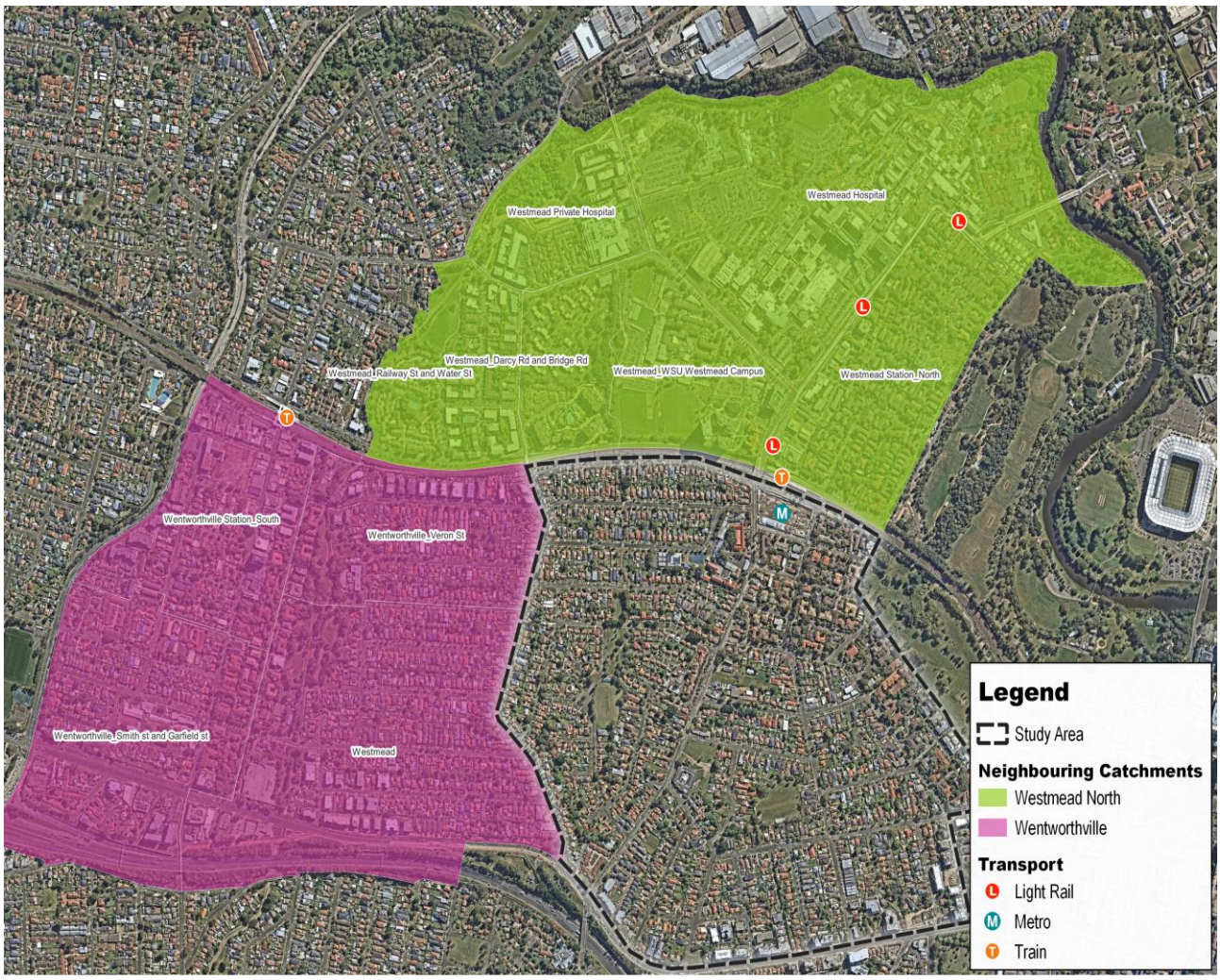


Source: ABS/Atlas Economics/Nearmap

Figure S1-2: Employment Catchment Area, DZ Geographies

Source: ABS/Atlas Economics/Nearmap

Figure S1-3: Competing Precincts, TZ Geographies



Source: Atlas Economics/Nearmap/TPA (2022)

SCHEDULE 2

Generic Feasibility Analysis

Objectives of Feasibility Modelling

This chapter outlines the feasibility modelling undertaken on a sample of selected sites in the Precinct to test if:

- If after allowing for various planning requirements (i.e. Affordable Housing contributions, local and state infrastructure contributions), development is feasible.
- If development is not feasible, vary various inputs to observe if the development feasibility outcomes improve.

The overarching objective of the feasibility modelling is to identify the residential typology and the corresponding density that is required for the selected sites to be feasible for redevelopment. Particular sites in the Precinct play a strategic role for delivery of key infrastructure owing to their position/ location within the Precinct.

Atlas worked iteratively with Council and the project team to test iterations of draft Master Plan options which varied the spatial distribution of land uses and density across the Precinct. Advice was provided in workshops and meetings.

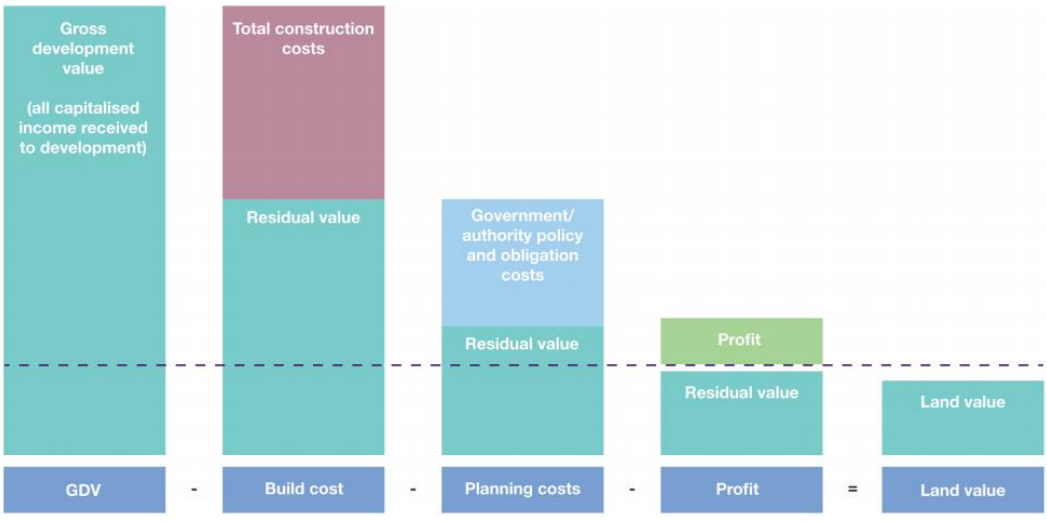
Methodology

The financial feasibility analysis relied on the Residual Land Value (RLV) method.

The RLV approach involves assessing the value of hypothetical development, considering total potential revenue and development costs, and making a further deduction for the profit and risk a developer would require in delivering the project. The RLV can be defined as the maximum price a developer would be prepared to pay for a site in exchange for the opportunity to develop a particular development scheme whilst achieving target hurdle rates for profit and project return.

Table S2-1 illustrates the concept of the Residual Land Value (Hypothetical Development) approach.

Table S2-1: The Residual Land Value Method



Source: RICS (2019)

For there to be an incentive to develop, the RLV must exceed the value of a site in its existing use as to 'displace' that use. Accordingly, the value of existing uses and any premium that a developer may need to be pay in order to consolidate a development site, are fundamental to the viability of new development.

There are three key steps in the generic feasibility analysis:

- **Step 1:** Assess the value of each site under the current planning framework (i.e. existing use value) including a premium allowance a developer would need to pay in addition to secure the site. This is the assumed cost of land for each site.
- **Step 2:** Feasibility modelling to identify the RLV. If lower than the assumed cost of land, development is not feasible.
- **Step 3:** If not feasible, carry out additional testing to vary planning controls and development standards.

Assumptions and Hurdle Rates

Cost and revenue assumptions are generic. Revenue assumptions adopted are informed by a property market appraisal and consultation with selling agents active in the Precinct. Cost assumptions adopted are derived from standard industry publications and past experience.

In assessing if a development is feasible, the key performance indicators relied on are development margin and project IRR.

The objective of feasibility testing is to assess if, at various residential densities and configurations, development margin and project IRR are within acceptable range. Where either development margin or project IRR falls below the acceptable range, it is concluded that development is not feasible and the site is more valuable 'as is', in its existing low density use.

Benchmark hurdle rates and their 'feasible' ranges for each development typology are indicated in **Table S2-2**.

Table S2-2: Benchmark Hurdle Rates

Hurdle Rates	Feasible	Marginal to Feasible	Not Feasible
Development Margin/ Profit Margin	>20%	18%-20%	<18%
Project IRR	>18%	16%-18%	<16%

Source: Atlas

The adopted cost and revenue assumptions are detailed in SCHEDULE 3.

Affordable Housing Contributions

Premise of Affordable Housing Contributions

Affordable housing schemes (contributions) may be applied in NSW under Division 7.2 of the *Environmental Planning and Assessment Act 1979* (the EP&A Act). The Act permits consent authorities (e.g. local Councils) to impose mandatory affordable housing contributions under *State Environmental Planning Policy (Housing) 2021* (Housing SEPP).

The monetary amount of affordable housing contributions is typically based on the cost of procuring an affordable housing dwelling in the private market, with the proportion (%) of affordable housing contributions sought be planning authorities often determined by the capacity of development contribute.

Baseline Cost of Affordable Housing

A base cost for delivering Affordable Housing can be inferred from the market value of a completed strata dwelling in any given particular area. This base cost effectively represents the cost which would be incurred by Council to purchase a strata-titled dwelling in the private market for the purposes of use as Affordable Housing.

The median sale price for strata dwellings in Cumberland LGA is a useful proxy for this base cost. As at March 2023, the median strata dwelling price in the Cumberland LGA was $537,000 (as per the NSW Department of Communities and Justice *Sales and Rents Report*).

For the purposes of this Study, an average unit size of 90sqm is assumed and a generic cost of procuring an Affordable Housing dwelling (strata) is calculated as follows:

= Median Strata Price ÷ Average Strata Dwelling Size (GFA)

= $537,000 ÷ 90sqm GFA

= $5,967/sqm of GFA

A 90sqm average unit size has been adopted to reflect that the median strata price identified in the NSW Department of Communities and Justice *Sales and Rents Report* includes all forms of strata-titled housing (i.e. townhouses, units, etc).

Based on the above steps the cost of Affordable Housing in the Cumberland LGA is calculated as $5,967/sqm GFA.

Converting Baseline Cost into Contribution Rates

Once a generic cost of Affordable Housing (on a $/sqm GFA basis) is established, the percentage cost of Affordable Housing contributions can be calculated. This is done by applying percentage rates to the generic cost, as shown in **Table S2-3**.

Table S2-3: Hypothetical Affordable Housing Contribution Rates

Contribution Rate Methodology		
Median Strata Dwelling Price	(a)	$37,000
Assumed Strata Dwelling Size	(b)	90sqm GFA
$/sqm GFA @ 90sqm GFA	(c) = (a ÷ b)	$5,967
Contribution Rates	(d) = (c x % rates)	
1%		$59.7
3%		$179.0
5%		$298.4
10%		$596.8
15%		$895.2

Source: Atlas/FACS (2022)

Several Councils across Greater Sydney with existing or draft Affordable Housing Contribution Schemes utilise the median strata sale price from DCJ's Rent and Sales Report as a proxy for the base cost of affordable housing.

The key benefit of utilising this method is it provides simplicity in administration and indexation, enabling the application of a uniform rate across an entire municipality.

A disadvantage of this methodology is that it utilises the median value of existing strata dwellings across an LGA - it does not represent the value of *new* dwellings in a particular area, which could be substantially higher or lower than that captured in a median LGA value rate for strata dwellings. It also does not differentiate by dwelling type (e.g. townhouse, villa, apartment, etc) or sub-market, which could also represent different values compared to a generic median value rate.

Indexation of Contribution Rates

Affordable housing contribution rates are commonly indexed annually. The City of Sydney updates their affordable housing contribution rates within one week of the first of July, with new rates published on their website.

Rates are adjusted according to movement in the median price of dwellings within a local government area. Movements in median prices can be observed quarterly in the NSW Department of Communities and Justice *Sales and Rents Report*.

Calculating an updated contribution rate is relatively straightforward and shown below:

Calculation:

Updated Contribution Rate ($/sqm) = Initial Contribution Rate x (Updated Median Price/Former Median Price)

Existing Policy Position

Adopted in July 2021, the Cumberland Affordable Housing Policy (AH Policy) outlines Council's formal policy position on the delivery of affordable housing within the Cumberland LGA (building upon the position adopted in the Planning Agreements Policy and Guidelines). The AH Policy adopts two key affordable housing 'targets':

- 5% to 10% of additional residential floorspace to be dedicated to very low income and low-income households. This target is to be applied to planning proposals, subject to development viability.
- 15% of additional residential floorspace to be dedicated to very low income, low-income and moderate-income households. This target is to be applied to strategic urban renewal locations, subject to development viability.

The AH Policy notes affordable housing contributions should be provided as in-kind dwellings, dedicated to Council, and managed by local CHPs. Monetary contributions will be accepted to make up the remainder of the target floorspace area.

Sites and Built Form Typologies Tested

Working with Council and the project team, a selection of sites was made, and notional development yields formulated for the purposes of generic feasibility testing. The cost to purchase individual properties (including an amalgamation incentive premium) within the development sites was estimated from research into property markets and recorded sales activity.

Table S2-4: Sites Tested

Masterplan Area	Site No.	Site	Opportunity Identified and Testing Objectives
A2	1	152-156 Hawkesbury Rd 30-31 Alexandra Ave 3-5 Grand Ave	• Consolidation of multiple properties and feasibility thresholds • Potential for commuter carpark, supermarket and community facility • Density required for the desired land use mix
B1	2	45-49 Alexandra Ave 39-41A Grand Ave	• Consolidation of multiple properties including strata-titled unit blocks • Potential to deliver public open space (part of Green Link) • Density required to facilitate development and delivery of public open space
E0	3	38-42 Grand Ave 25-27 Moree Ave	• Consolidation of multiple properties including those owned by LAHC • Potential to deliver public open space (part of Green Link) • Density required to facilitate development and delivery of public open space
H	4	24 Bailey St 34-38 Hassall St	• Consolidation of multiple properties including strata-titled unit blocks • Density required for residential development and renewal of strata schemes
F1	5	89 Hawkesbury Rd 19 Pye St	• Consolidation of multiple properties including those owned by LAHC • Potential to activate Hawkesbury Road and area proximity to Oakes Centre • Density required for residential development
E6	6	3-7 Howe St	• Feasibility thresholds and development potential around Sydney Smith Park
B3	7	50-52 Alexandra Ave 43-47 Grand Ave	• Consolidation of multiple properties and feasibility thresholds • Potential for commuter carpark, supermarket and community facility • Density required for the desired land use mix

Source: Architectus. Atlas

Iterative feasibility testing of affordable housing contribution rates identified that a 5% affordable housing contribution was the most tolerable contribution rate across the sites tested.

152-156 Hawkesbury Road, 30-31 Alexandra Avenue and 3-5 Grand Avenue (Area A2)

Site 1 (measuring 3,878sqm) is at the southwestern corner of Hawkesbury Road and Alexandra Avenue, diagonally opposite the Westmead train station and directly opposite the future Metro station. Due to its strategic position within the Precinct, Site 1 is identified as having the potential to accommodate a commuter carpark, supermarket and/ or community facility.

Figure S2-1: Site 1 Aerial Diagram

Source: Architectus

Table S2-5 lists the properties which are comprised within Site 1, current zoning and existing improvements.

Table S2-5: Composite Properties, Site 1

Properties	Site Area (sqm)	Zone	FSR	Existing Improvements
152 Hawkesbury Rd	534	R2	Nil	1 storey single dwelling
154 Hawkesbury Rd	501	R2	Nil	1 storey single dwelling
156 Hawkesbury Rd	658	R2	Nil	1 storey single dwelling
30 Alexandra Ave	514	R2	Nil	1 storey single dwelling
31 Alexandra Avee	499	R2	Nil	1 storey single dwelling
3 Grand Ave	538	R2	Nil	1 storey single dwelling
5 Grand Ave	634	R2	Nil	2 storey single dwelling

Source: Atlas

Based on property market research and aerial imagery observations of the composite properties within Site 1, a cost of land assumption of $13.9 million is made. This includes a 25% premium assumed to be paid to individual landowners as incentive to sell. If a higher premium was required (say 50%), the land cost assumption could be higher at $16.7 million.

Feasibility Testing Outcomes

Table S2-6 shows the scenarios tested and results of the feasibility testing for Site 1.

Table S2-6: Site 1 and Scenarios Tested

Scenario	Development Typology	Affordable Housing	FSR Required	
			25% Premium	50% Premium
Mixed use development	• 5%-10% retail • shop top housing	• 5%	FSR 3.2:1 to 3.4:1	FSR 3.9:1 to 4.1:1
		• 10%	FSR 4.2:1 to 4.3:1	FSR 5.1:1 to 5.2:1
		• 15%	FSR 5.6:1 to 5.8:1	FSR 6.8:1 to 7:1
Inclusion of commuter carpark (assuming delivered free-of-cost as part of development)	100 basement spaces	n/a	Additional FSR 1.4:1	Additional FSR 1.4:1
Inclusion of community facility (assuming cold shell delivered free-of-cost as part of development)	1,500sqm GFA	n/a	Additional FSR 1:1	Additional FSR 1:1

Source: Atlas

The results indicate that:

- Assuming a 25% premium is paid to consolidate the site from 7 landowners, a minimum FSR of 3.2:1 to 3.4:1 would be needed for feasible development into residential flat buildings. This assumes usual statutory fees and charges are payable including a 5% Affordable Housing contribution.
- If a higher affordable housing contribution was required (10% and 15%), the required density corresponding increases to FSR 4.2-4.3:1 and FSR 5.6:1 to 5.8:1 respectively.
- Assuming a 100-car basement carpark was required and delivered free-of-cost as part of the development, an additional FSR of 1.4:1 would be required. This would increase the overall FSR to 4.6:1 to 4.8:1.
- Assuming a 1,500sqm GFA community facility was required, delivery of a cold shell as part of the development, an additional FSR of 1:1 would be required. This would increase the overall FSR to 5.6:1 to 5.8:1.

Depending on the environmental capacity of Site 1, it may not be possible to include a 100-car commuter car park as well as a 1,500sqm GFA community facility alongside the GFA needed for development to be feasible. If delivery 'free of cost' was not in fact required and the infrastructure items could be funded from elsewhere, Site 1 could still play a role in accommodating these infrastructure facilities provided there was still development capacity for FSR 3.2:1 to 3.4:1.

Inclusion of a full line supermarket is not tested as a scenario due to the relatively small dimensions of Site 1. Full-line supermarkets generally require at least 3,500sqm to 4,000sqm which could be challenging to accommodate along with development yields needed for feasible redevelopment.

45-49 Alexandra Avenue and 39-41A Grand Avenue (Area B1)

Site 2 (measuring 6,352sqm) is on the southern side of Alexandra Avenue. It is identified as having the potential to deliver a green space (approx. 3,000sqm) that is part of a North-South green grid connection.

Figure S2-2: Site 2 Aerial Diagram

Source: Architectus

Table S2-7 lists the properties which are comprised within Site 2, current zoning and existing improvements.

Table S2-7: Composite Properties, Site 2

Properties	Site Area (sqm)	Zone	FSR	Existing Improvements
45 Alexandra Ave	747	R2	Nil	1 storey single dwelling
46 Alexandra Ave	360	R2	Nil	2-storey modern duplex
46a Alexandra Ave	358	R2	Nil	2-storey modern duplex
47 Alexandra Ave	713	R2	Nil	1 storey single dwelling
48 Alexandra Ave	661	R2	Nil	1 storey single dwelling
49 Alexandra Ave	561	R2	Nil	2 storey single dwelling
37 Grand Ave	651	R2	Nil	2 storey single dwelling
39 Grand Ave	651	R2	Nil	2 storey single dwelling
41 Grand Ave	645	R2	Nil	2 storey single dwelling
41A Grand Ave	1,005	R2	Nil	2 storey unit block

Source: Atlas

A cost of land assumption of $24.3 million is made. This assumes a 25% incentive is paid to individual landowners. If a higher premium was required (say 50%), the land cost assumption could be higher at $29.1 million.

Feasibility Testing Outcomes

Table S2-8 shows the scenarios tested and results of the feasibility testing for Site 2.

Table S2-8: Site 2 and Scenarios Tested

Scenario	Development Typology	Affordable Housing	FSR Required	
			25% Premium	50% Premium
Residential development	Residential flat building	5%	FSR 3.5:1 to 3.6:1	FSR 4.2 to 4.4:1
Embellishment of 2,929sqm of green link	Dedication of land ***and*** embellishment	n/a	Additional FSR 0.2:1	Additional FSR 0.2:1

Source: Atlas

The results indicate that:

- Assuming a 25% premium is paid to consolidate the site from 6 landowners, a minimum FSR of 3.5:1 to 3.6:1 would be needed for feasible development into residential flat buildings. This assumes usual statutory fees and charges are payable including a 5% Affordable Housing contribution.
- At a higher (50%) premium, the minimum FSR required increases to 4.2 to 4.4:1.

Depending on the environmental capacity of Site 2 and if an additional FSR 0.2:1 could be accommodated for residential GFA, there could be potential to require dedication ***and*** embellishment of the green link space of 2,929sqm. For the purposes of the feasibility testing an embellishment cost of $1,000/sqm is assumed.

If embellishment of the green link was not in fact required by the development (i.e. to be funded from elsewhere), Site 2 could still play a role in land dedication (2,929sqm) provided there was still development capacity for FSR 3.5:1 to 3.6:1 on the remainder of the site.

38-42 Grand Avenue and 25-27 Moree Avenue (Area E0)

Site 3 (measuring 3,979sqm) is on the southern side of Grand Avenue. It is identified as having the potential to deliver an embellished through-site link (approx. 200sqm) that is part of a North-South green grid connection.

Figure S2-3: Site 3 Aerial Diagram

Source: Architectus

Table S2-9 lists the properties which are comprised within Site 3, current zoning and existing improvements.

Table S2-9:Composite Properties, Site 3

Properties	Site Area (sqm)	Zone	FSR	Existing Improvements
38 Grand Ave	643	R2	Nil	1 storey single dwelling
40 Grand Ave	757	R2	Nil	2 storey single dwelling
42 Grand Ave	606	R2	Nil	1 storey unit block
25 Moree Ave	650	R2	Nil	2 storey single dwelling
25A Moree Ave	780	R2	Nil	1 storey single dwelling
27 Moree Ave	543	R2	Nil	1 storey single dwelling

Source: Atlas

A cost of land assumption of $15.4 million is made. This assumes a 25% incentive is paid to individual landowners. If a higher premium was required (say 50%), the land cost assumption could be higher at $18.4 million.

Feasibility Testing Outcomes

Table S2-10 shows the scenarios tested and results of the feasibility testing for Site 3.

Table S2-10: Site 3 and Scenarios Tested

Scenario	Development Typology	Affordable Housing	FSR Required	
			25% Premium	50% Premium
Residential development	Residential flat building	1%	FSR 3.0:1 to 3.1:1	FSR 3.6:1 to 3.8:1
		3%	FSR 3.4:1 to 3.5:1	FSRS 4.0:1 to 4.1:1
		5%	FSR 3.5 to 3.7:1	FSR 4.2:1 to 4.4:1
Embellishment of 200sqm of green link	Dedication of land ***and*** embellishment	n/a	Additional FSR 0.04:1	Additional FSR 0.04:1

Source: Atlas

The results indicate that:

- Assuming a 25% premium is paid to consolidate the site from 6 landowners, a minimum FSR of 3.0:1 to 3.1:1 would be needed for feasible development into residential flat buildings. This assumes usual statutory fees and charges are payable including a 1% Affordable Housing contribution.
- If a higher affordable housing contribution was required (3% and 5%), the required density corresponding increases to FSR 3.4-3.5:1 and FSR 3.5:1 to 3.7:1 respectively.
- At a higher (50%) premium, the minimum FSR required increases to 4.2:1 to 4.4:1 (assuming a 1% Affordable Housing Contribution).

Depending on the environmental capacity of Site 3, there could be potential to require dedication ***and*** embellishment of the green link space of 200sqm. For the purposes of the feasibility testing an embellishment cost of $1,000/sqm is assumed.

If embellishment of the green link was not in fact required by the development (i.e. to be funded from elsewhere), Site 3 could still play a role in land dedication (200sqm) provided there was still development capacity for FSR 3.5:1 to 3.7:1 on the remainder of the site.

24 Bailey Street and 34-38 Hassall Street (Area H)

Site 4 (measuring 2,773sqm) is at the intersection of Bailey Street, Hassall Street and Priddle Street. The properties comprise two strata schemes, each appearing to comprise 14 strata-titled units. Site 4 is located in an R4 zone and is designated with an FSR of 1.2:1.

Figure S2-4:: Site 4 Aerial Diagram

Source: Architectus

Table S2-11 lists the properties which are comprised within Site 4, current zoning and existing improvements.

Table S2-11: Composite Properties, Site 4

Properties	Site Area (sqm)	Zone	FSR	Existing Improvements
24 Bailey St	1,379	R4	1.2:1	14 strata-titled units in 1990's residential flat building
34-38 Hassall St	1,394	R4	1.2:1	14 strata-titled units in older style building 'The Nile'

Source: Atlas

A cost of land assumption of $24.5 million is made. This assumes a 50% incentive is paid to strata holders (estimated to be 28 in total). If a lower premium was required (say 25%), the land cost assumption could be lower at $20.4 million.

Feasibility Testing Outcomes

Table S2-12 shows the scenarios tested and results of the feasibility testing for Site 4.

Table S2-12: Site 4 and Scenarios Tested

Scenario	Development Typology	Affordable Housing	FSR Required	
			25% Premium	50% Premium
Residential development	Residential flat building	5%	FSR 6.8:1 to 7.0:1	FSR 8.0:1 to 8.4:1

Source: Atlas

The results indicate that:

- Assuming a 50% premium is paid to consolidate the site from 28 strata holders, a minimum FSR of 8.0:1 to 8.4:1 would be needed for feasible development into residential flat buildings. This assumes usual statutory fees and charges are payable including a 5% Affordable Housing contribution.
- At a lower (25%) premium, the minimum FSR required reduces to 6.8:1 to 7.0:1.

The feasibility testing results demonstrate the challenges of strata scheme renewal, particularly when there is a large number of strata holders (almost 30).

89, 91-99 Hawkesbury Road and 19 Pye Street (Area F1)

Site 5 (measuring 3,580sqm) is at the intersection of Hawkesbury Road with Pye Street and Mowle Street. Due to its proximity to the Oakes Centre, Site 5 was identified as having the potential to activate Hawkesbury Road.

Figure S2-5:: Site 5 Aerial Diagram

Source: Architectus

Table S2-13 lists the properties which are comprised within Site 5, current zoning and existing improvements.

Table S2-13: Composite Properties, Site 5

Properties	Site Area (sqm)	Zone	FSR	Existing Improvements
89 Hawkesbury Rd	553	R4	1.2:1	2 storey single dwelling
91-99 Hawkesbury Rd	1,212	R4	1.2:1	2 older style dwellings, likely development site value
19 Pye St	1,815	R4	1.2:1	2x Torrens title residential flat buildings (18 units)

Source: Atlas

A cost of land assumption of $18.3 million is made. This assumes a 25% incentive is paid to the landowners (many of whom are LAHC). If a higher premium was required (say 50%), the land cost assumption could be higher at $21.9 million.

Feasibility Testing Outcomes

Table S2-14 shows the scenarios tested and results of the feasibility testing for Site 5.

Table S2-14: Site 5 and Scenarios Tested

Scenario	Development Typology	Affordable Housing	FSR Required	
			25% Premium	50% Premium
Residential development	Residential flat building	5%	FSR 3.8:1 to 4.0:1	FSR 4.6:1 to 4.8:1

Source: Atlas

The results indicate that:

- Assuming a 25% premium is paid to consolidate the site, an FSR of 3.8:1 to 4.0:1 would be needed for feasible development. This assumes usual statutory fees and charges including a 5% Affordable Housing contribution.

If Affordable Housing contributions were not required (of LAHC properties), the FSR thresholds required would be lower.

The Study highlights the importance of 'focusing' retail activity in nodes rather than along the length of Hawkesbury Road.

3-7 Howe Street (Area E6)

Site 6 (measuring 4,171sqm) is backs onto Sydney Smith Park and comprises four single dwelling allotments.

Figure S2-6: Site 6 Aerial Diagram

Source: Architectus

Table S2-15 lists the properties which are comprised within Site 6, current zoning and existing improvements.

Table S2-15: Composite Properties, Site 6

Properties	Site Area (sqm)	Zone	FSR	Existing Improvements
3 Howe St	1,401	R2	Nil	2 storey single dwelling
5 Howe St	1,439	R2	Nil	1 storey single dwelling
7A Howe St	656	R2	Nil	1 storey single dwelling
7 Howe St	675	R2	Nil	1 storey single dwelling

Source: Atlas

A cost of land assumption of $10.9 million is made. This assumes a 25% incentive is paid to the 4 landowners. If a higher premium was required (say 50%), the land cost assumption could be higher at $13.1 million.

Feasibility Testing Outcomes

Table S2-16 shows the scenarios tested and results of the feasibility testing for Site 6.

Table S2-16: Site 6 and Scenarios Tested

Scenario	Development Typology	Affordable Housing	FSR Required	
			25% Premium	50% Premium
Residential development	Residential flat building	5%	FSR 1.8:1 to 2.0:1	FSR 2.4:1 to 2.6:1

Source: Atlas

The results indicate that:

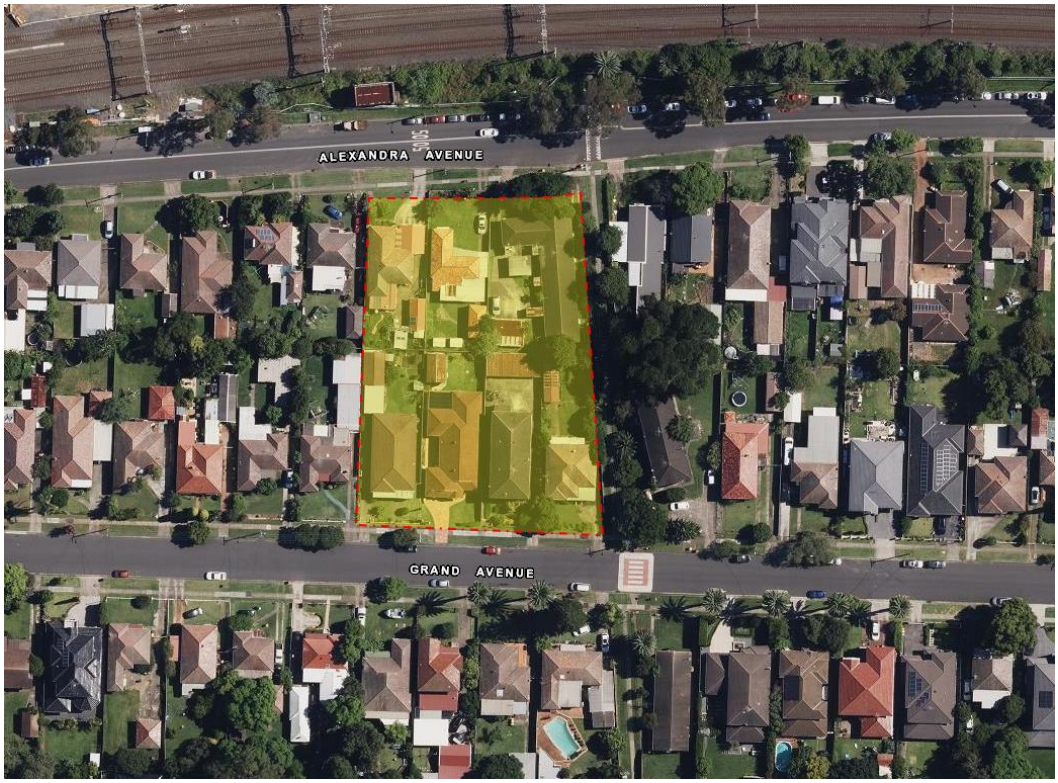
- Assuming a 25% premium is paid to consolidate the site from the landowners, a minimum FSR of 1.8:1 to 2.0:1 would be needed for feasible development into residential flat buildings. This assumes usual statutory fees and charges are payable including a 5% Affordable Housing contribution.

Depending on lot size and geometry, smaller consolidation patterns could be pursued. With less amalgamation required, the feasibility thresholds required for feasible development could reduce.

50-52 Alexandra Ave, 43-47 Grand Ave (Area B3)

Site 7 (measuring 4,596sqm) is located midway along Alexandra Avenue and Grand Avenue in close proximity to Westmead Train Station (and future Metro Station). Similar to Site 1, Site 7 is identified as having the potential to accommodate a commuter carpark given its strategic location.

Figure S2-7: Site 7 Aerial Diagram



Source: SixMaps

Table S2-17 lists the properties which are comprised within Site 1, current zoning and existing improvements.

Table S2-17: Composite Properties, Site 7

Properties	Site Area (sqm)	Zone	FSR	Existing Improvements
50 Alexandra Ave	933	R2	Nil	Older-style villa complex comprising five 2-bedroom single storey villas.
51 Alexandra Ave	596	R2	Nil	1 storey single dwelling
52 Alexandra Ave	582	R2	Nil	1 storey single dwelling
43 Grand Ave	599	R2	Nil	1 storey single dwelling
43a Grand Ave	596	R2	Nil	1 storey single dwelling
45 Grand Ave	652	R2	Nil	1 storey single dwelling
47 Grand Ave	638	R2	Nil	2 storey single dwelling

Source: Atlas

Based on property market research and aerial imagery observations of the composite properties within Site 7, a cost of land assumption of $15.9 million is made. This includes a 25% premium assumed to be paid to individual landowners as incentive to sell. If a higher premium was required (say 50%), the land cost assumption could be higher at $19.1 million.

Feasibility Testing Outcomes

Table S2-18 shows the scenarios tested and results of the feasibility testing for Site 7.

Table S2-18: Site 7 and Scenarios Tested

Scenario	Development Typology	Affordable Housing	FSR Required	
			25% Premium	50% Premium
Mixed use development	• 5%-10% retail • shop top housing	• Nil	FSR 2.7:1 to 2.8:1	FSR 3.2:1 to 3.3:1
		• 1%	FSR 2.8:1 to 2.9:1	FSR 3.3:1 to 3.4:1
		• 3%	FSR 3.0:1 to 3.2:1	FSR 3.6:1 to 3.8:1
		• 5%	FSR 3.2:1 to 3.3:1	FSR 3.8:1 to 4.0:1
Inclusion of commuter carpark (assuming delivered free-of-cost as part of development)	100 basement spaces	n/a	Additional FSR 1.4:1	Additional FSR 1.4:1

Source: Atlas

The results indicate that:

- Assuming a 25% premium is paid to consolidate the site from 11 landowners, a minimum FSR of 2.7:1 to 2.8:1 would be needed for feasible development into residential flat buildings. This assumes usual statutory fees and charges are payable, however excludes an Affordable Housing contribution. The density required expectedly increases with commensurate increases in Affordable Housing.
- Assuming a 100-car basement carpark was required and delivered free-of-cost as part of the development, an additional FSR of 1.4:1 would be required. If a smaller amount of carparking was required (e.g. 50 spaces), the amount of additional floorspace required to offset its delivery would be smaller (i.e. FSR 0.7:1).

Depending on the environmental capacity of Site 7, it may not be possible to include a 100-car commuter car park without a significant increase in basement construction costs. Feasibility testing has assumed no extraordinary basement costs.

Implications for Master Plan

The Study finds a number of factors that make it challenging for renewal in the Precinct, a key one being the cost of land.

Existing urban areas (such as the Precinct) have established lot and ownership patterns and are improved with a variety of buildings (e.g. single dwellings, strata-titled unit blocks, commercial buildings, etc.) that may be functional and accordingly valuable to purchase for consolidation into a development site.

Notwithstanding the challenges of urban renewal in existing urban areas, there are opportunities for infrastructure (such as a green grid and Affordable Housing) to be delivered concurrently with development following rezoning of the Precinct.

Cost of Land

The feasibility modelling assumes a 25% incentive premium are paid to incentivise landowners to sell. This assumption could be inadequate in some instances where there are many landowners involved who may require a greater incentive if responding to a developer's door-knock. In some instances however, a site may be put on the market for sale and a developer may be able to purchase it without payment of an incentive over market value. In those circumstances, the FSRs required for feasible development would be lower than identified in this Study.

High land costs are a major issue for development feasibility. The Study Area is not unique; this is a challenge in most established urban areas.

Cost of Construction

The cost of construction has been under significant upward pressure in the last 24 months. Some industry commentators expect cost rate escalations to return to trend from 2025. This does not mean construction cost prices will return to their previous levels, merely that annual cost rises will be circa 3%-4% down from their current rises in excess of 10% per annum.

Proposed Fees and Charges

A raft of new fees and charges are proposed to be introduced - HPC and water infrastructure charges. Being in the Sydney catchment, the proposed water charge is relatively nominal at $2,060 per equivalent tenement. The HPC charge at $10,000 per apartment is more substantial. Both charges are proposed to be phased-in over several years.

Delivery of Public Amenity with Increased Height and Density

Some sites may have the environmental capacity to accommodate the densities required for feasible development as well as the capacity to contribute land to public infrastructure. Provided the associated development potential (GFA) can be retained on the remainder of the site (after dedication of land), there could be an opportunity for precinct infrastructure to be delivered on-site and currently with development.

Depending on the environmental capacity of a site, there could be capacity to dedicate land ***and*** embellish the land as part of its development. The Study has identified the various FSR thresholds needed for land dedication and/ or embellishment.

In parts of the Precinct where no change to planning controls is foreshadowed there is no opportunity for public infrastructure to be delivered as part of development. In these circumstances, the infrastructure would need to be funded from s7.11 or s7.12 development contributions plans.

Land Use Mix and Spatial Distribution

The spatial distribution of land uses (horizontally and vertically) is a critical consideration for the Master Plan. Active street frontages are only effective if there is sufficient demand to support ground floor retail and commercial uses.

There is approx. 550 metres of length between Hawkesbury Road (between the Metro station in the north) and the Oakes Centre. For context, the following high street lengths are relevant for consideration:

- Station Street (Wentworthville) - 400 metres.
- Church Street (Parramatta) - 470 metres.

The Study cautions against the dilution of retail/ commercial activity along Hawkesbury Road between the Metro station and the Oakes Centre. Destinational uses will likely continue to be required at the Oakes Centre for it to be sustainable.

SCHEDULE 3

Generic Feasibility Modelling Assumptions

Project Timing and Development Parameters

A development site is progressed immediately upon settlement.

Pre-sales marketing for the apartments commences in Month 6-9 following finalisation of design. Construction time frame varies from 18-24 months depending on the scale of development.

Generic unit mix assumptions are used to develop notional development yields for the purposes of the feasibility modelling.

Table S3-1: Residential Mix

Unit Type	Net Saleable Area (sqm)	Unit Mix	Min. Parking Rates
1b	50	30%	1.0 space
2b	75	50%	1.0 space
3b	95	20%	1.5 space
Visitor			0.25 space

Source: Atlas, Cumberland DCP

A minimum parking requirement of 1 space per 50sqm of business floorspace is assumed.

Revenue

Average end sale values are adopted based on Atlas' market research and analysis.

Table S3-2: Revenue Rates

Land Use/ Unit Type	Net Saleable Area (sqm)	Revenue	
1b	60	$11,500	$575,000
2b	80	$11,500	$862,500
3b	105	$11,500	$1,092,500
Retail		$7,000	

Source: Atlas

It is assumed that 50% of the residential yield would be pre-sold prior to commencement of construction and the balance would be sold prior to completion of construction at an average rate of 10-12 units per month.

Other revenue assumptions:

- GST is included on the residential sales.
- Sales commission at 2.5% of residential gross sales and 1.5% on non-residential sales.
- Marketing costs of 0.5% on gross sales.
- Legal cost on sales included at $1,500 per dwelling.
- Land holding costs:
    - Land tax applied at statutory rates.
    - Council and water rates assumed at statutory rates.
- Finance costs:
    - 100% debt funding at 5% interest rate.
    - Establishment fee at 0.35% of peak debt.

Costs

- Land purchase cost is assumed based on a review of existing improvements plus an incentive premium.
- Legal costs, valuation and due diligence was assumed at 0.5% of land price and stamp duty at NSW statutory rates.
- Construction costs are estimated based on Rawlinsons Construction Cost Handbook and professional experience:
    - Demolition at $100/sqm.
    - Residential build costs at $2,800/sqm GBA.
    - Balconies at $1,000/sqm.
    - Basement parking at $60,000 per space.

Other cost assumptions include:

- Professional fees at 7.5% of construction cost.
- Construction contingency at 5.0% of construction cost.
- Statutory fees:
    - DA fees of 1% of construction cost
    - CC fees of 0.5% of construction costs
    - Long service levy of 0.35% of construction costs
- s7.11 contributions under the s7.11 Development Contributions Plan:
    - 1 bedroom units - $11,075
    - 2 bedroom units - $17,859
    - 3 bedroom units - $20,000
- Housing and Productivity contributions (HPC):
    - $10,000 per unit
    - $30/sqm retail/ commercial floorspace
- Proposed Sydney Water infrastructure charges of $2,060 per ET.
- Land holding costs:
    - Land tax applied at statutory rates.
    - Council and water rates assumed at statutory rates.

Hurdle Rates

Target hurdle rates are used in RLV modelling to measure the performance of a project.

Key performance indicators relied upon are target development margin and discount rate assumed as follows:

- Development margin: 20%
- Discount rate: 18%

Where:

- Development margin is profit divided by total development costs (including selling costs).
- Discount rate refers to the project internal rate of return (IRR) where net present values of an investment is zero.

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