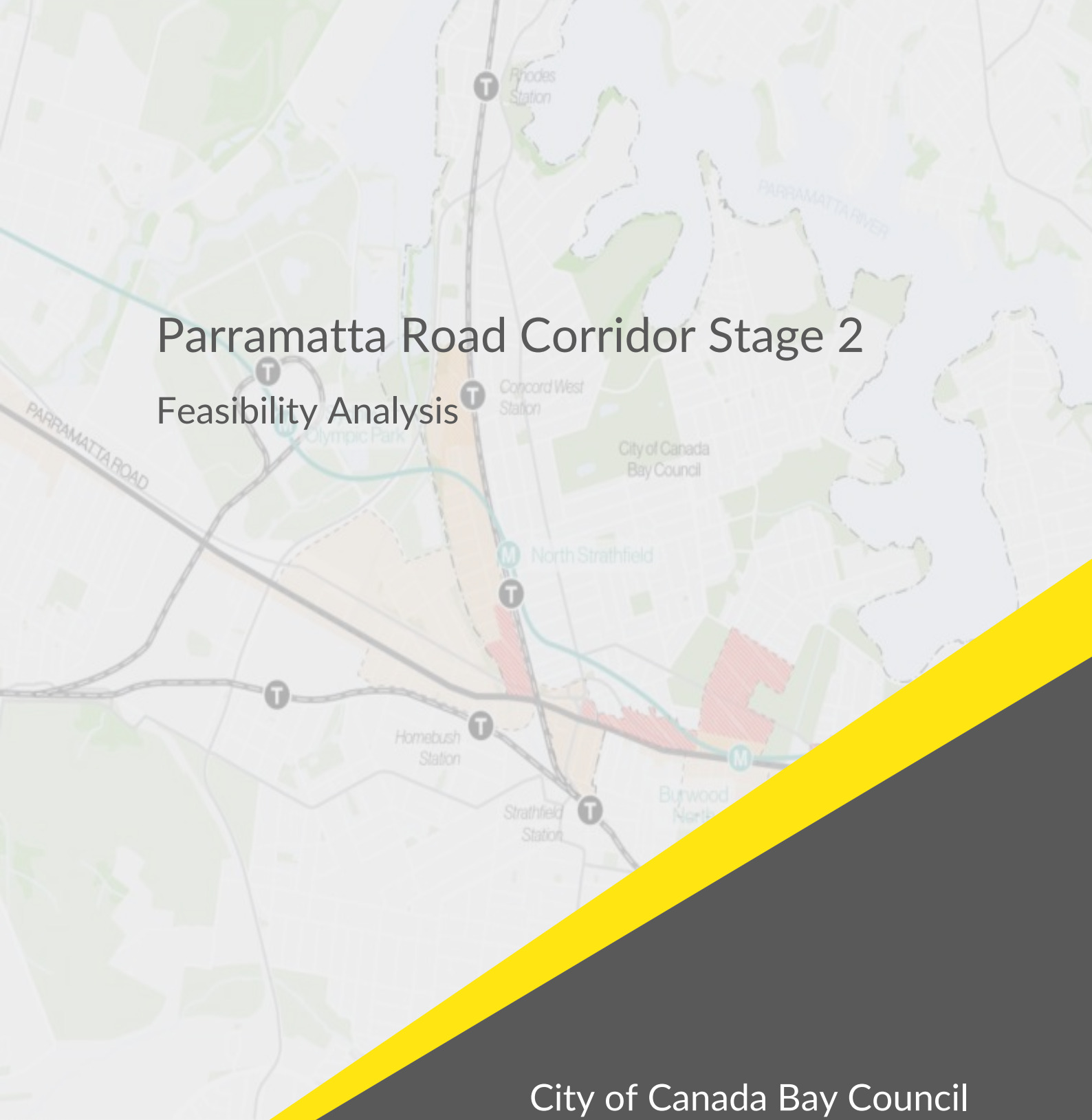


Parramatta Road Corridor Stage 2 Feasibility Analysis



City of Canada Bay Council

July 2024

Document Control

Version	Date	Prepared by	Reviewed by
Draft	12 July 2024	Lynelle Chua	Esther Cheong

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Executive Summary

BACKGROUND

The Parramatta Road Corridor Urban Transformation Strategy (**PRCUTS**) was commissioned by Urban Growth NSW in 2016, to set out a 30-year plan for infrastructure and future land uses along Parramatta Road from Granville to Camperdown. PRCUTS precincts include the Homebush, Kings Bay and Burwood/Concord precincts within the Canada Bay LGA.

In the Canada Bay LGA, Stage 1 of PRCUTS has been finalised and revised planning controls made in the Canada Bay Local Environmental Plan (**LEP**) 2013.

The City of Canada Bay Council (**Council**) has prepared a planning proposal to implement Stage 2 of PRCUTS, with precinct Masterplans recently finalised for public exhibition (GroupGSA, April 2024).

Atlas Economics (**Atlas**) is engaged by Council to prepare a Feasibility Analysis (**the Study**) to understand the financial feasibility of precinct Masterplans for Stage 2 of PRCUTS (Burwood-Concord precinct and Kings Bay precinct) and investigate opportunities to receive Affordable Housing contributions.

The overarching objective of the Study is to assess whether the proposed land use controls in the precinct Masterplans will likely result in feasible outcomes and provide opportunity for Affordable Housing contributions to be made.

The Study will accompany a Planning Proposal by Council for public exhibition to amend the LEP.

PRECINCT MASTERPLANS

The Planning Proposal seeks to amend the LEP to implement PRCUTS in the Stage 2 Area. **Table ES-1** provides a comparison of key land use and density control amendments sought.

Table ES-1: Existing and Proposed Planning Controls, Stage 2 PRCUTS

Precinct	Current Zone	Proposed Zone	Current FSR (n=1)	Proposed Bonus FSR (n=1)	Current HOB	Proposed Bonus HOB
Burwood-Concord	E3	R3	1, 1.35, 2.0	0.9, 1.1, 1.8, 1.9, 2.0, 2.3, 2.4, 3.2	12m, 18m	12m, 12.5m, 19.5m, 22.5m
	R3	R3	0.5	0.8, 1.1, 1.2, 1.3, 1.4, 1.5, 1.7, 1.8, 1.9, 2.0, 2.3, 2.4	8.5m	2.5m, 9m, 12m, 15m, 15.5m, 18m, 21.5m, 22.5m, 40m
	R2	R3	0.5	1.6, 1.7, 1.9, 2.0, 2.1, 2.2, 2.5, 2.4	8.5m	2.5m, 9m, 19m, 21.5m, 34m, 40m
Kings Bay	E3	R3	1	1.4, 1.5, 1.6, 1.8, 1.9, 2.0	12m	2.5m, 16m, 19m, 22m
	R2	R3	0.5	1.5, 1.6, 1.8, 1.9, 2:1	8.5m	2.5m, 18m, 19m, 21m, 22m

Source: Canada Bay Council (2024)

Among the criteria for eligibility to access the bonus density provisions is the requirement for new developments to provide identified on-site infrastructure items.

The Planning Proposal is also accompanied by a draft Development Control Plan amendments package.

SITES AND SCENARIOS TESTED

The Study worked with Council to select a sample of sites in each precinct for the purposes of feasibility testing. The cost to purchase individual properties (including an amalgamation incentive premium) within a development site is estimated from research into property markets and sales activity.

Table ES-2: Key Sites for Feasibility Testing

Site No.	Masterplan Lot	Masterplan Precinct	Existing Controls		Proposed Controls	
			Zone	FSR	Zone	FSR
1	B G3	Burwood	R2	1.4	R3	1.7
2	B I3	Burwood	R2/R3	1.9	R3	2.4

Site No.	Masterplan Lot	Masterplan Precinct	Existing Controls		Proposed Controls	
			Zone	FSR	Zone	FSR
3	B I4	Burwood	R2	0.5	R3	2.4
4	C A4	Concord	R3	2.1	R3	2.1
5	C G1	Concord	R3	0.5	R3	1.3
6	KB B1	Kings Bay	R2	1.0 to 1.4	R3	1.9
7	KB D1	Kings Bay	R2/E3	0.9	R3	1.6

Source: Atlas/City of Canada Bay

AFFORDABLE HOUSING CONTRIBUTIONS

Table ES-3 summarises the feasibility testing outcomes of the planning controls proposed in the Masterplans and their capacity to make Affordable Housing contributions at various rates.

Table ES-3: Feasibility Testing Outcomes, Selected Sites

Site	Masterplan Lot	Site Area (sqm)	Existing Buildings	FSR Tested	Capacity for Affordable Housing Contributions
1	B G3	2,996	Single dwellings	1.7	Nil
2	B I3	12,098	Single dwellings, townhouses, aged units	2.4	Nil
3	B I4	9,941	Single dwellings	2.4	5%*
4	C A4	2,184	Single dwellings, RFB	2.1	Nil
5	C G1	3,055	Boarding house, single dwellings	1.3	Nil
6	KB B1	5,820	Single dwellings	1.9	1%*
7	KB D1	2,391	Single dwelling, showroom/light industrial	1.6	Nil

Source: Atlas

*Subject to successful amalgamation

The feasibility of development in the Study Area is varied - some sites (at a lower FSR) have capacity to contribute to modest rates of Affordable Housing, while others at a higher FSR are not even feasible to develop (let alone contribute to Affordable Housing). This demonstrates the challenge of the high cost of land on development feasibility - sites that are more expensive to consolidate for development have more limited capacity to contribute to Affordable Housing.

Site 3 (Masterplan Lot B I4) is suggested for a 5% Affordable Housing contribution. This is equivalent to a contribution rate of \$609/sqm of residential GFA. The feasibility analysis finds that were Site 3 able to be successfully consolidated for development, there could be capacity for development to contribute to Affordable Housing at 5%. This is a function of the existing uses (single dwellings) and higher contemplated FSR of 2.4:1.

The Study acknowledges that landowner motivations and expectations may not necessarily align with development. For example, a landowner may have recently invested large amounts of money into an 'inground pool' or may have sentimental attachment to their property. In these circumstances, landowners may expect much higher premiums to incentivise sale of their property to a developer.

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1. Introduction

1.1 Background

The Parramatta Road Corridor Urban Transformation Strategy (**PRCUTS**) was commissioned by Urban Growth NSW in 2016, to set out a 30-year plan for infrastructure and future land uses along Parramatta Road from Granville to Camperdown. PRCUTS precincts include the Homebush, Kings Bay and Burwood/Concord precincts within the Canada Bay LGA.

In the Canada Bay LGA, Stage 1 of PRCUTS has been finalised and revised planning controls made in the Canada Bay Local Environmental Plan (**LEP**) 2013.

The City of Canada Bay Council (**Council**) has prepared a planning proposal to implement Stage 2 of PRCUTS, with precinct Masterplans recently finalised for public exhibition (GroupGSA, April 2024).

Atlas Economics (**Atlas**) is engaged by City of Canada Bay Council (**Council**) to prepare a Feasibility Analysis (**the Study**) to understand the financial feasibility of precinct Masterplans for Stage 2 of PRCUTS (Burwood-Concord precinct and Kings Bay precinct) and investigate opportunities to receive Affordable Housing contributions.

The Study will accompany a Planning Proposal by Council for public exhibition to amend the LEP.

1.2 PRCUTS Stage 2 Masterplans

Burwood-Concord Precinct

The PRCUTS Stage 2 Masterplan for the Burwood-Concord precinct (Burwood-Concord Masterplan) outlines the strategic and locational context of the Burwood and Concord precincts to identify development opportunities and constraints. This includes a list of potential development sites for various land use opportunities, building densities and proposed FSRs.

Working with Council, Atlas selected a sample of sites within the Burwood-Concord Masterplan for feasibility testing. These sites were chosen to test the financial feasibility of development considering existing land uses and lot and ownership patterns. The sites predominantly comprise low density residential uses on the northern side of Parramatta Road. The Masterplan envisages redevelopment for higher density residential uses, including townhouses and apartments.

Figure 1-1: Burwood-Concord Precinct Boundaries and Recommended Land Uses

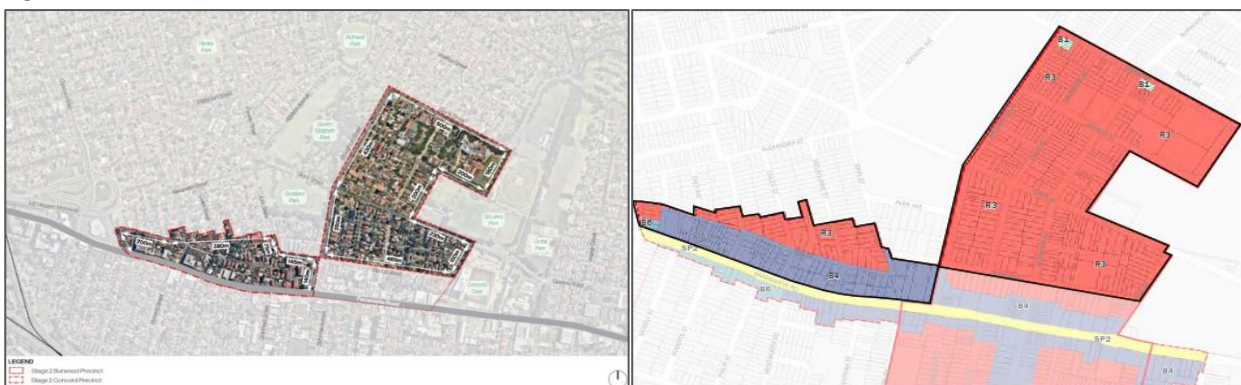
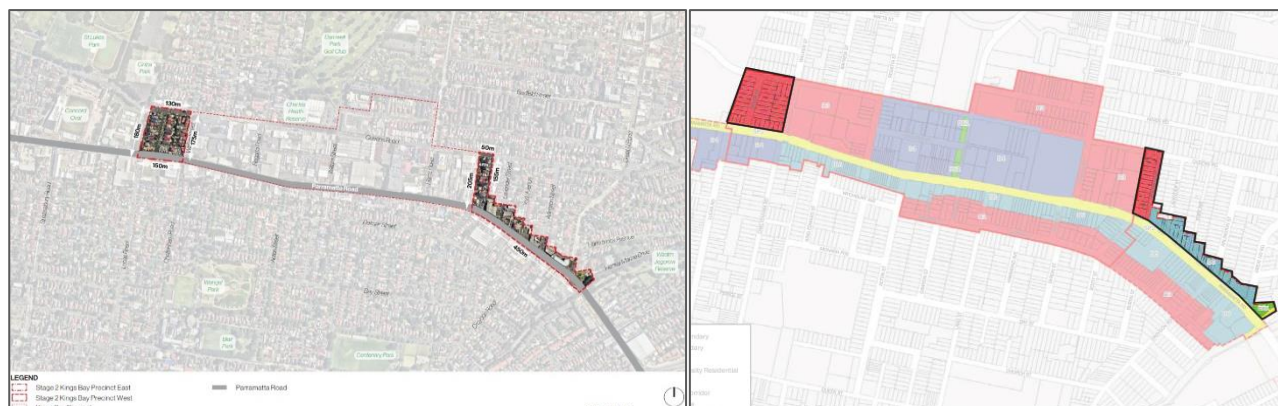


Figure 1-2 illustrates the Kings Bay Precinct as defined in the Masterplan.

Figure 1-2: Kings Bay Precinct Boundaries and Recommended Land Uses



Source: GroupGSA (2024)

1.3 Scope of Work and Approach

The overarching objective of the Study is to assess whether the proposed land use controls in the precinct Masterplans will likely result in feasible outcomes and provide opportunity for Affordable Housing (AH) contributions to be made.

To fulfil the requirements of the brief, Atlas carried out the following tasks:

- Market appraisal, carrying out an analysis of the patterns of supply and demand for various permissible land uses.
- Feasibility testing of selected sites to identify if development is feasible and has capacity to make AH contributions.

Assumptions and Limitations

The feasibility analysis is a generic assessment which makes observations at an aggregate level across the tested locations. The following limitations are highlighted:

- It is not possible to examine the feasibility of every site in the selected locations. Sample sites are selected and notional development typologies assumed (based on the urban design work commissioned by Council).
- 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. If there are contamination, adverse ground conditions or geotechnical issues that affect the cost of development, the analysis would require revision.
- A desktop appraisal of 'as is' or existing property values is carried out without the benefit of site inspections or property financial information (i.e. rental income and investment returns). The estimates of existing-use property values are made in the absence of site-specific financial information and are accordingly high-level estimates only.

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

2. Property Market Appraisal

2.1 General Market Conditions

Like most advanced economies, the Australian economy has experienced sustained levels of high inflation over the past 12-18 months. Inflation reached its highest levels observed since the 1990s in late 2022, peaking at 7.8% year-on-year (YoY) in December 2022. The inflationary pressures have generated significant pressure on household budgets, notwithstanding an uptick in wages growth.

In response to a perceived overheating economy, the Reserve Bank of Australia (RBA) has been tightening monetary policy with successive increases to the official cash rate, rising from 0.1% in April 2022 to 4.35% in November 2023. No further increases to the cash rate have been made in the past five months, as inflation has been softening (last recorded at 3.6% in March 2024) and the RBA looks to avoid unnecessarily decelerating the economy beyond that required.

Whilst the RBA has thus far managed to secure a 'soft landing' across the Australian economy, the rapid increases to interest rates have begun to affect many parts of the economy – notably with substantial declines in investment activity, dwelling approvals and household consumption.

Against this backdrop, the housing and development sector has been impacted to varying degrees over the past 12-months:

- Dwelling values across Greater Sydney softened over the 2022-2023 period in response to the swift increase in interest rates, however, have more recently rebounded with **house and unit values rising by 11.7% and 7.8%** respectively in the year to February 2024 (CoreLogic, 2024).
- A **clear divergence in the rate of price growth between houses and strata titled dwellings** has been observed, as buyers place much greater value on space as work from home practices become increasingly entrenched.
- The robustness of housing demand has been supported by strong population growth, with NSW recording **net overseas migration of ~174,000 people** in the year to June 2023 (ABS, 2024a).
- Demand for housing has been most felt in the rental market, with a **chronic undersupply of rental properties** (resulting from a rise in owner occupiers during the COVID-19 period) driving historically low residential vacancy rates across Greater Sydney (SQM Research, 2024).
- Driven by **significant increases in the cost of building material and labour**, residential construction prices have increased by over 30% in the past 24-months across Greater Sydney (Rider Levett Bucknall, 2024).
- Owing to these rising cost pressures, **new dwelling commencements have been rapidly declining** and are now at their lowest levels seen in the past decade (ABS, 2024b).
- This is particularly acute in Greater Sydney, with the **predicted number of dwelling completions** over 2022-2027 **expected to be some 15% below** that previously observed in the previous period (DPHI, 2024).

Accordingly, the influence of current economic conditions on property markets is nuanced. Despite a softening in dwelling prices over 2022-2023, strong demand drivers are driving a rebound in prices. At the same time, increases in the cost of development has resulted in significant drop in supply.

Collectively, these conditions have resulted in Greater Sydney remaining the least affordable capital in Australia (ANZ/CoreLogic, 2023), and is now only outranked by Hong Kong in terms of unaffordability (Demographia, 2023).

All levels of Government recognise that Australia is facing a 'housing crisis', with the National Cabinet announcing a National Housing Accord in October 2023 with the ambitious aim of delivering 1.2 million new dwellings over 2024-2029.

It is against this economic backdrop that precinct planning (and ultimately future development) within the Masterplan precincts must be cognisant.

2.2 Market Overview

This section provides a brief overview of market dynamics in the Burwood-Concord and Kings Bay precincts (**the Study Area**), including recent sales activity and the key implications for precinct planning.

Industrial and commercial property in the Study Area remains tightly held despite pressures over the last 24-30 months resulting from the COVID-19 pandemic. Limited development sales activity has been observed across the Study Area in the last 24 months.

Retail uses, particularly showrooms along Parramatta Road, continue to face challenging conditions which pre-date the outbreak of COVID-19. Some landowners along Parramatta Road remain bullish on the prospects for redevelopment under the PRCUTS framework and are resistant to offering longer-term leases to tenants, contributing to the lack of occupier interest and activity.

Understanding property values across the Study Area is relevant because they underpin the cost of land (i.e. what a development site will cost) and influence the type of development activity that will likely be undertaken.

A review of recent sales activity is analysed by zone and location (in SCHEDULE 1 **Table S1-1**). When analysed on a dollar rate per square metre of overall improved site area, the sale prices reflect a wide range of overall improved site area:

- **Kings Bay Precinct:**
 - Single dwellings (R2 zone) - \$4,500/sqm to \$4,900/sqm. This mostly reflects single dwellings with basic finishes, situated on allotments ranging from 375sqm to 500sqm.
 - Light industrial/ showrooms (E3 zone) - \$4,700/sqm to \$6,700/sqm, reflecting large format warehouses.
- **Burwood-Concord Precinct:**
 - Single dwellings (R2/ R3 zones) - \$3,900/sqm to \$6,050/sqm, reflecting dwellings on lot sizes ranging from 325sqm to 560sqm.
 - Strata-titled townhouses (R3 zone) - \$925,000 to \$1,350,000 per unit. These reflect circa 1990s townhouse units, where the lower end of price range of original, 2- bedroom units. Updated 2-bedroom units and larger 3-bedroom floorplans in the Burwood-Concord precinct typically exceed the \$1m price point.

On average, dwellings which provide a basic finishing generally attract sale prices equating to \$4,000/sqm to \$4,500/sqm of overall improved site area. Dwellings which exceed \$5,000/sqm of site area rate reflect those that are in excellent condition, that have been upgraded and/ or are arranged over double storey. The Burwood-Concord precinct comprises a mix of dwellings of various standards of finishing and large format showrooms on Parramatta Road.

2.3 Analysis of Market Activity

This section examines market activity and historical price movements including construction costs and median dwelling prices. These represent key cost and revenue considerations for developers and provide an understanding of feasibility.

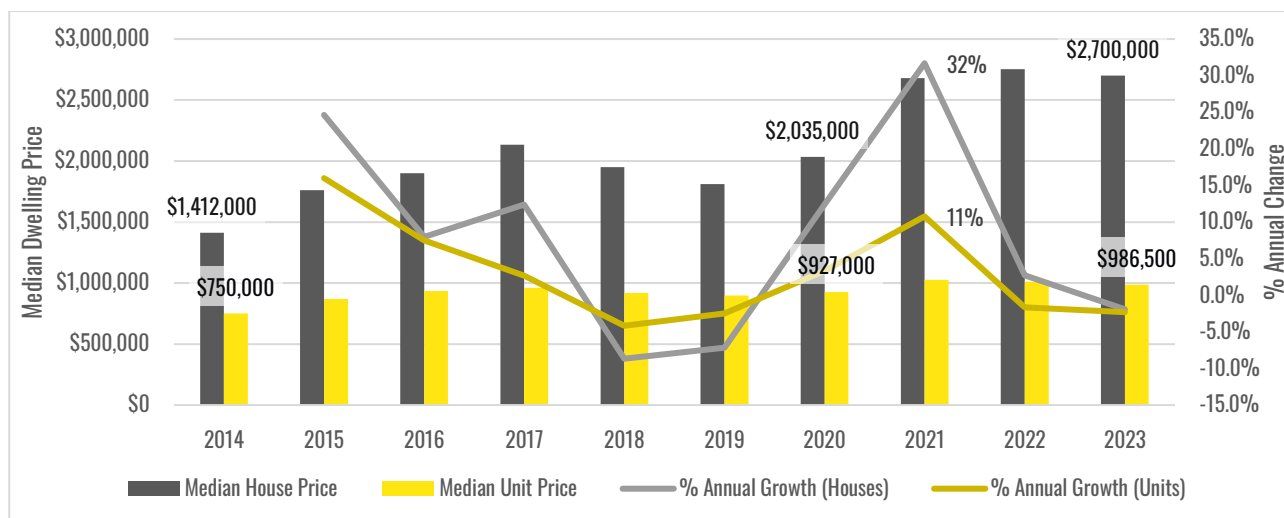
Residential Market Activity

After the initial 'shock' of the COVID-19 outbreak, the cumulative impact of record low interest rates, improved household savings, low listing volumes, post-lockdown lifestyle changes, government incentives and strong consumer sentiment drove growth in the residential market to a decade-high in 2021. House prices in particular, experienced extraordinary growth in a single year (2021-2022). Unit prices also experienced strong growth, though not as significant as house prices.

Following the RBA's lifting of the cash rate in 2022, residential price growth moderated. Notwithstanding, the median house price in the Canada Bay LGA in 2023 (\$2.7m) is over 30% higher than the ~\$2m recorded in 2020, pre-COVID. While the median unit price in the Canada Bay LGA in 2023 (~\$987,000) is generally higher than 2020 (\$927,000), the price gains were more modest at 6%.

The disproportionate increase in house and unit prices is a challenge for development feasibility, as development sites in established low density residential areas generally require the amalgamation of multiple single dwellings. The disparity in house and unit price movements is illustrated in **Figure 2-1**.

Figure 2-1: Median House and Unit Prices, Canada Bay LGA (2014-2023)



Key observations include:

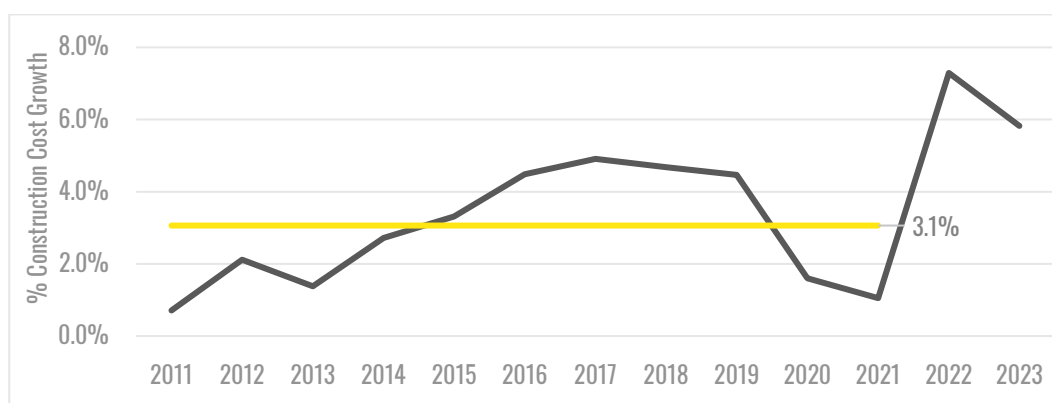
- Widening price gap between houses and units. In 2014, the median house price in the Canada Bay LGA was ~\$1.4m. This was nearly **90%** higher than the median unit price of \$750,000.
- Over the 2014-2023 period, the median house price grew by over 90% to reach \$2.7m in 2023. In comparison, the median unit price grew at a far more modest rate of ~30%, reaching \$986,500 in 2023. This implies a price difference of over **170%** between the median house and unit prices in 2023.

The cost of acquiring a single dwelling site is now equivalent to almost three residential units, before considering any amalgamation premium, construction costs, site-specific constraints or required Affordable Housing contributions. This means that greater density is now needed to offset the cost of acquiring single dwellings for development. This is a challenge in most established urban areas that are subject to high levels of market demand.

Construction Cost Movements

The cost of construction generally increases by 2.5% to 3.5% per annum, averaging 3.1% over the 10-year period to 2021. Global supply chain disruptions resulted in a spike in the cost of construction from 2021. **Figure 2-2** shows generic construction cost movements and the 10-year average over the 2011-2021 period.

Figure 2-2: Construction Cost Movements, Sydney (2011-2023)



Source: RLB

Whilst the growth in construction costs has slowed in the last 12 months, construction prices remain at higher levels compared to pre-pandemic levels. Pricing remains generally unsettled, with a strong project pipeline under construction keeping cost pressures elevated, despite a slowdown in dwelling approvals.

The cumulative effect of disproportionate price growth affecting the cost of land (house prices) relative to potential end sale values (unit prices) has negative implications for the feasibility of development. The next chapter applies these observations in a feasibility analysis.

3. Feasibility Modelling

3.1 Objectives of Feasibility Modelling

This section undertakes feasibility modelling on a sample of sites in the Study Area to test if:

- If development is feasible under the precinct Masterplans.
- Where development is feasible, the Affordable Housing contributions that could be made while remaining feasible.

The overarching objective of the feasibility analysis is to understand the nature of development feasibility, potential for Affordable Housing contributions and likelihood of development in the Study Area.

Methodology

The financial feasibility analysis relies 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.

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.

The key steps in the generic feasibility analysis are:

- **Step 1:** Assess the value of selected sites under the current planning framework (i.e. existing use value) plus 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:** Carry out feasibility modelling to identify if development under the precinct Masterplans is feasible and if Affordable Housing contributions can be viably made.

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 Study Area. 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 current use.

Benchmark hurdle rates and their 'feasible' ranges for development are indicated in **Table 3-1**.

Table 3-1: 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 2.

3.2 Sites and Scenarios Tested

Working with Council, a sample of sites is selected in each precinct for the purposes of feasibility testing. The cost to purchase individual properties (including an amalgamation incentive premium) within a development site is estimated from research into property markets and sales activity.

Table 3-2: Key Sites for Feasibility Testing

Site No.	Masterplan Lot	Masterplan Precinct	Existing Controls		Proposed Controls	
			Zone	FSR	Zone	FSR
1	B G3	Burwood	R2	1.4	R3	1.7
2	B I3	Burwood	R2/R3	1.9	R3	2.4
3	B I4	Burwood	R2	0.5	R3	2.4
4	C A4	Concord	R3	2.1	R3	2.1
5	C G1	Concord	R3	0.5	R3	1.3
6	KB B1	Kings Bay	R2	1.0 to 1.4	R3	1.9
7	KB D1	Kings Bay	R2/E3	0.9	R3	1.6

Source: Atlas/City of Canada Bay

3.2.1 Burwood Precinct

Existing Uses

The Burwood precinct is broadly bound by Crane Street to its north, Broughton Street to its west, Burton Street to its south and parklands to its east. The precinct is situated on the northern side of Parramatta Road, where it is predominantly zoned for residential uses. This includes a mix of R2 Low Density Residential and R3 Medium Density Residential zoned land under the existing Canada Bay LEP 2013. The Burwood precinct also accommodates a small portion of land zoned E1 Local Centre to its northern boundary, along Crane Street.

Figure 3-1 illustrates the Burwood precinct boundaries in the precinct Masterplan and existing land zones within.

Figure 3-1: Existing Land Zones, Burwood Precinct



Source: Atlas

As illustrated in Figure 3-1, the **R3 zoned area** is mostly north of Gipps Street, where existing uses predominantly reflect 1-2 storey, detached dwellings. Many of which are aged dwellings, interspersed with few having been upgraded/ renovated.

There are few higher density developments (medium and high density dwellings) in the R3 zone, mainly situated on Crane Street, Burwood Road and Broughton Street. These include 2-storey townhouses, dual occupancies and residential flat buildings which reflect a mix of aged and modern built-forms.

In the **R3 zoned area** south of Gipps Street, existing uses are highly fragmented, including several strata-titled developments. These reflect aged villa/ boarding house/ townhouse units which comprise 5 to 52 units each.

In the **R2 zone**, existing uses are predominantly low density dwellings, with few apartment blocks situated along Burton Street. These reflect 2-3 storey, circa 1970s developments.

Retail uses within 2-storey low-rise commercial buildings in the **E1 zone** on Crane Street appear mostly in original condition.

Proposed Uses

The Burwood-Concord Masterplan proposes revised planning controls in the Burwood precinct, including rezoning of R2 zoned land to the R3 zone. Accordingly, the proposed FSRs in the Masterplan represent potential for higher density outcomes compared to existing FSR controls.

Figure 3-2 illustrates the proposed FSR controls for Burwood precinct as outlined in the Masterplan.

Figure 3-2: Proposed FSR Controls, Burwood Precinct



Source: GroupGSA/Canada Bay Council (2024)

The Masterplan envisages a mix of townhouse and apartment developments within the Burwood precinct. Proposed FSR controls range from **0.7:1 to 2.5:1**. Higher density controls are generally proposed in the existing R3 zone (south of Gipps St), where apartment buildings of up to 12- storeys are envisaged. Medium density (i.e. townhouses) is proposed in the northern end of the precinct.

Overall, the proposed planning controls seek a diversity of housing forms in the precinct, with density gradually increasing from low to medium density in the north to higher density in the south.

Existing FSR controls in the Burwood precinct range from FSR 0.5:1 in the residential zones (R2, R3) to FSR 1.5:1 in the E1 zone. The Masterplan FSRs are equivalent to a planning uplift of up to FSR 2:1, enabling more intensive use of Burwood precinct sites.

3.2.2 Concord Precinct

Existing Uses

The Burwood-Concord Masterplan broadly defines the Concord precinct as the area immediately north of Parramatta Road (zoned E3 and R3). **Figure 3-3** illustrates precinct boundaries against existing land use zones.

Figure 3-3: Existing Land Zones, Concord Precinct



Source: Atlas

The Concord precinct accommodates a diverse mix of building types on Parramatta Road (**E3 zoned land**). This includes large format showrooms, attached 1-2 storey retail/ commercial buildings, mid-rise and modern apartment developments and a refurbished 3-storey office building. Other uses include a primary school, church, service station and heritage buildings.

Residential uses are located in the areas beyond the E3 zone, including the R3 zone immediately to its north. Housing types in the **R3 zone** are a mix of single dwellings and older-style townhouse units on Ada/ Melbourne Streets. Detached dwellings are mostly situated on lot sizes ranging from 400sqm to 600sqm on average. Overall, existing dwellings in the R3 zone are generally of low density, where higher density developments are limited to 2-3 storey townhouses.

Proposed Uses

The Burwood-Concord Masterplan envisages the Concord precinct as a mixed-use locality, with potential for medium and high density. The Masterplan predominantly delivers residential uses, given the proximity to the Burwood Town Centre.

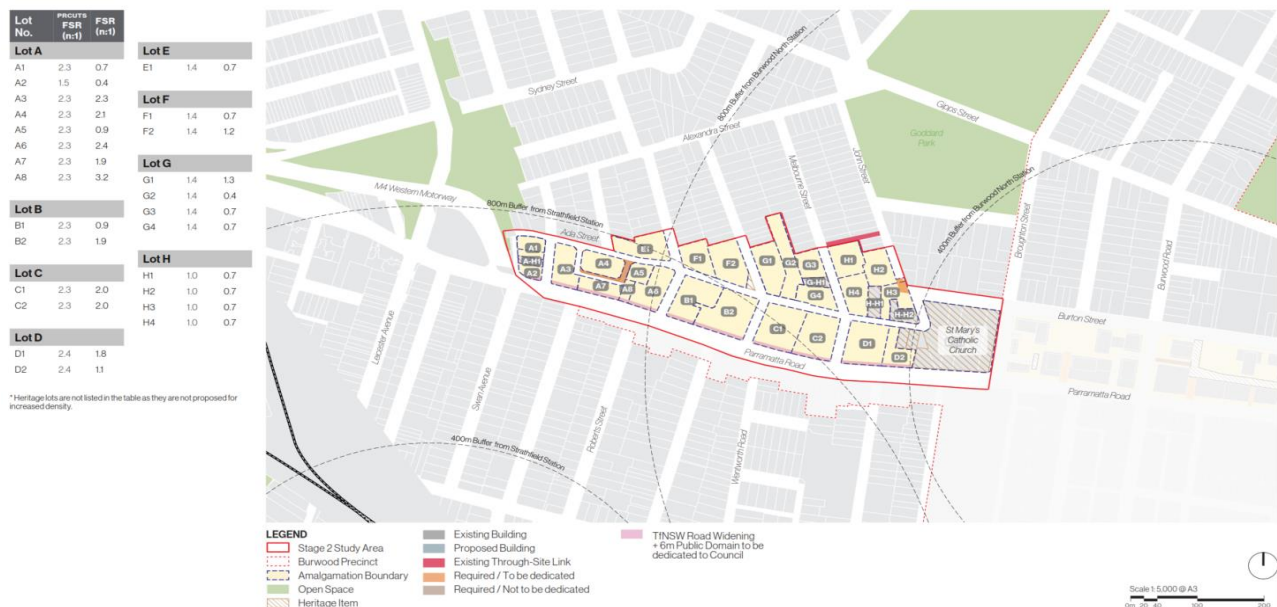
Proposed FSR controls indicate the highest densities within the existing E3 zoned land, in the precinct's south. This applies to sites comprising modern, mid-rise apartment buildings (Lots A3, A6, A8), where proposed FSRs range from 2.3:1 to 3.2:1.

Higher FSRs are also proposed in the R3 zone which is generally improved with strata-titled residential. This includes Lots A4 and C1, currently improved with townhouses. Other sites are generally proposed for FSRs ranging from 0.7:1 to 2:1.

Overall, the Masterplan FSRs seek to locate higher density (up to 6 storeys) on the southern side of Ada Street and medium density (i.e. 2-storey townhouses) in the northern end of the precinct.

Figure 3-4 illustrates the proposed FSR controls for the Concord precinct as outlined in the Masterplan.

Figure 3-4: Proposed FSR Controls, Concord Precinct



Source: GroupGSA/Canada Bay Council (2024)

3.2.3 Kings Bay Precinct

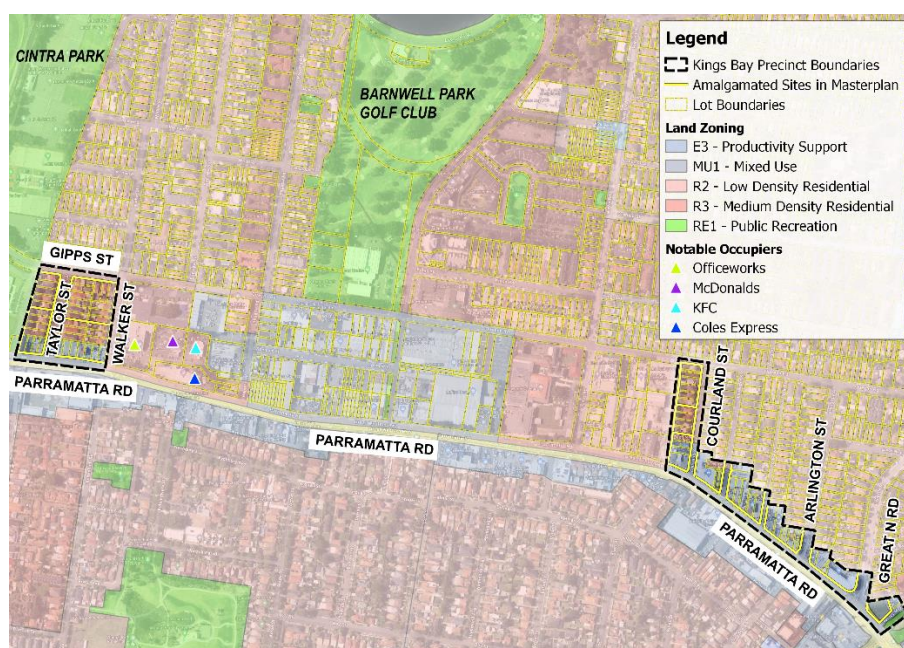
Existing Uses

The Kings Bay Precinct is situated in Five Dock, between the Burwood and Five Dock activity centres. It accommodates a mix of residential and light industrial uses within the **R2 Low Density Residential** and **E3 Productivity Support** land zones respectively. Light industrial uses are focused along Parramatta Road, mostly reflecting automotive-related businesses such as car dealerships and automotive repair services. These businesses mostly occupy large-format, 1-2 storey showrooms.

Few anchor occupiers are located in the eastern end of the precinct, namely Hertz Car Rental and Audi dealership. More broadly, the Kings Bay precinct forms the western and eastern boundaries of the Five Dock town centre, anchored by a range of occupiers including Officeworks, major fast food restaurants (i.e. McDonalds, KFC) and Coles Express.

Figure 3-5 illustrates the Kings Bay precinct boundaries in Council's Masterplan and existing land zones within.

Figure 3-5: Existing Land Zones, Kings Bay Precinct



Source: Atlas

Residential uses are predominantly characterised by detached dwellings situated on lot sizes averaging 400sqm-500sqm. The existing dwellings in the precinct are aligned with its existing R2 land use zoning.

Proposed Uses

The Kings Bay Masterplan seeks to deliver diverse housing typologies in the precinct, including a mix of low, medium and high density dwellings. The Masterplan proposes a rezoning from R2 Low Density Residential and E3 Productivity Support to **R3 Medium Density Residential**. This includes the inclusion of commercial/ light industrial uses as additional permitted uses in the proposed R3 zone, along Parramatta Road.

Higher density residential developments are proposed in the western end of the Kings Bay Precinct (Kings Bay West), where buildings could range up to 6 storeys. This includes potential for ground floor retail uses which front Parramatta Road.

Figure 3-6 illustrates the proposed FSR controls for the Kings Bay precinct as outlined in the Masterplan.

Figure 3-6: Proposed FSR Controls, Kings Bay Precinct (West and East)



Source: GroupGSA/Canada Bay Council (2024)

The proposed Masterplan FSRs range from **1.8:1 to 2:1** compared to existing FSRs of 0.5:1 to 1:1. Accordingly, the Kings Bay West precinct is identified as having potential to accommodate large-scale developments comprising up to 125 units.

In the eastern end of the precinct (Kings Bay East), the Masterplan proposes FSRs ranging from **1.4:1 to 1.8:1**, up from the existing FSR of 0.5:1 to 1:1. Building typologies include residential/ mixed use developments ranging from 2 to 5 storeys, with potential development yields of up to 65 apartments.

3.2.4 Implications for Development Feasibility

This section reviewed land uses, building types and existing-use-values within the Study Area. This assists an understanding if existing uses are likely to be displaced by development that is envisaged under the precinct Masterplans.

Lots in the Burwood-Concord and Kings Bay Masterplans are currently improved with a diverse range of buildings. The **Burwood precinct** mostly comprises residential uses. This includes a mix of detached dwellings, villa/ townhouse units and aged residential flat buildings (RFBs). Dwellings are mostly basic and range up to 3 storeys (RFBs).

The **Concord precinct** accommodates a mix of residential and non-residential buildings, including retail, light industrial and commercial along Parramatta Road. This can be challenging for redevelopment where the buildings are functional and yield attractive returns. For lots along a retail strip, the fine-grain nature of lots requires the amalgamation of many more sites to consolidate a viable development site. There are single detached dwellings on the **northern side of Ada Street** proposed at density around FSR 0.7:1.

The **Kings Bay precinct** accommodates a mix of light industrial/ commercial uses on Parramatta Road and low density residential uses immediately to the north. **Kings Bay East** predominantly comprises residential uses south of Queens Road. The area is also identified for high density development, recording the highest range of proposed FSRs in the precinct.

Development feasibility will ultimately depend on the required scale of amalgamation (which directly influences the cost of land) and the densities proposed under the precinct Masterplans, in particular if they are sufficient to offset the cost of land and displace the existing uses.

3.3 Feasibility Modelling Results

As an initial step, the cost of consolidating the selected development sites is estimated (the 'assumed cost of land'). Feasibility testing is undertaken to test if the sites are feasible to develop to the proposed FSRs. If the residual land values (RLV) are lower than the assumed cost of land, development to the tested FSR is not feasible.

Table 3-3 illustrates the feasibility testing outcomes of the FSRs proposed in the Masterplans and their capacity to make AH contributions at various rates. If a site is not feasible even before making AH contributions, development is unlikely to occur and the existing uses will remain 'as is'.

Table 3-3: Feasibility Testing Outcomes, Selected Sites

Site	Masterplan Lot	Site Area (sqm)	Existing Buildings	FSR Tested	Capacity for Affordable Housing Contributions
1	B G3	2,996	Single dwellings	1.7	Nil
2	B I3	12,098	Single dwellings, townhouses, aged units	2.4	Nil
3	B I4	9,941	Single dwellings	2.4	5%*
4	C A4	2,184	Single dwellings, RFB	2.1	Nil
5	C G1	3,055	Boarding house, single dwellings	1.3	Nil
6	KB B1	5,820	Single dwellings	1.9	1%*
7	KB D1	2,391	Single dwelling, showroom/light industrial	1.6	Nil

Source: Atlas

*Subject to successful amalgamation

The following observations can be made from the feasibility testing outcomes:

- The densities in the precinct Masterplans are generally at levels lower than is needed for feasible development.
- The more fragmented lot and ownership patterns are, the greater the time and cost required to consolidate a viable development site. All things being equal, the more fragmented a development site is, the higher the densities needed for development to be feasible. Many of the sites tested are fragmented in ownership (including strata-titled units) and require multiple lot amalgamation.
- Single dwellings in parts of the Study Area could be feasible to develop provided they can be consolidated into a development block of viable scale.

The Study acknowledges that landowner motivations and expectations may not necessarily align with development. For example, a landowner may have recently invested large amounts of money into an 'inground pool' or may have sentimental attachment to their property. In these circumstances, landowners may expect much higher premiums to incentivise sale of their property to a developer.

4. Implications for PRCUTS Stage 2 Precinct Planning

The Study finds that a number of headwinds make it very challenging for the proposed planning controls to be feasible, as a result of the cumulative influence of high existing-use values (and therefore the cost to consolidate a development site), elevated construction costs and relatively soft end sale values of completed apartments.

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 landowners 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.

There are instances where sites have been owned by developers for many years (since the time of PRCUTS or prior to). In some cases these sites could have been acquired at a price much higher than what they are worth today (given softer market conditions, higher construction costs and additional fees and charges). In these circumstances a developer may decide to pursue a planning proposal or delay development until economic conditions are more favourable.

The Study finds that the disproportionate increase in the cost of land, particularly where the current zoning is a low density residential zone (driven by significant price growth of single dwellings) compared the more modest growth of residential unit (apartments) price has resulted in a situation where much higher densities are now required to displace existing uses.

Whilst the impacts vary within each precinct, the high cost of land is a major issue for feasible development in the Study Area. The Study Area is not unique; this is a challenge in most established urban areas that are subject to high levels of market demand.

Along Parramatta Road, the tested FSRs could be marginally feasible, depending on how much a developer pays for a site. Developers who have owned sites for many years (since the time of the preparation of PRCUTS) could be willing to progress a development based on historically paid prices including some holding costs.

Cost of Construction

The cost of construction has been under significant upward pressure in the last 24-36 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.

Affordable Housing

The feasibility of development in the Study Area is varied - some sites (at a lower FSR) have capacity to contribute to modest rates of Affordable Housing, while others at a higher FSR are not even feasible to develop (let alone contribute to Affordable Housing). This demonstrates the challenge of the high cost of land on development feasibility - sites that are more expensive to consolidate for development have more limited capacity to contribute to Affordable Housing.

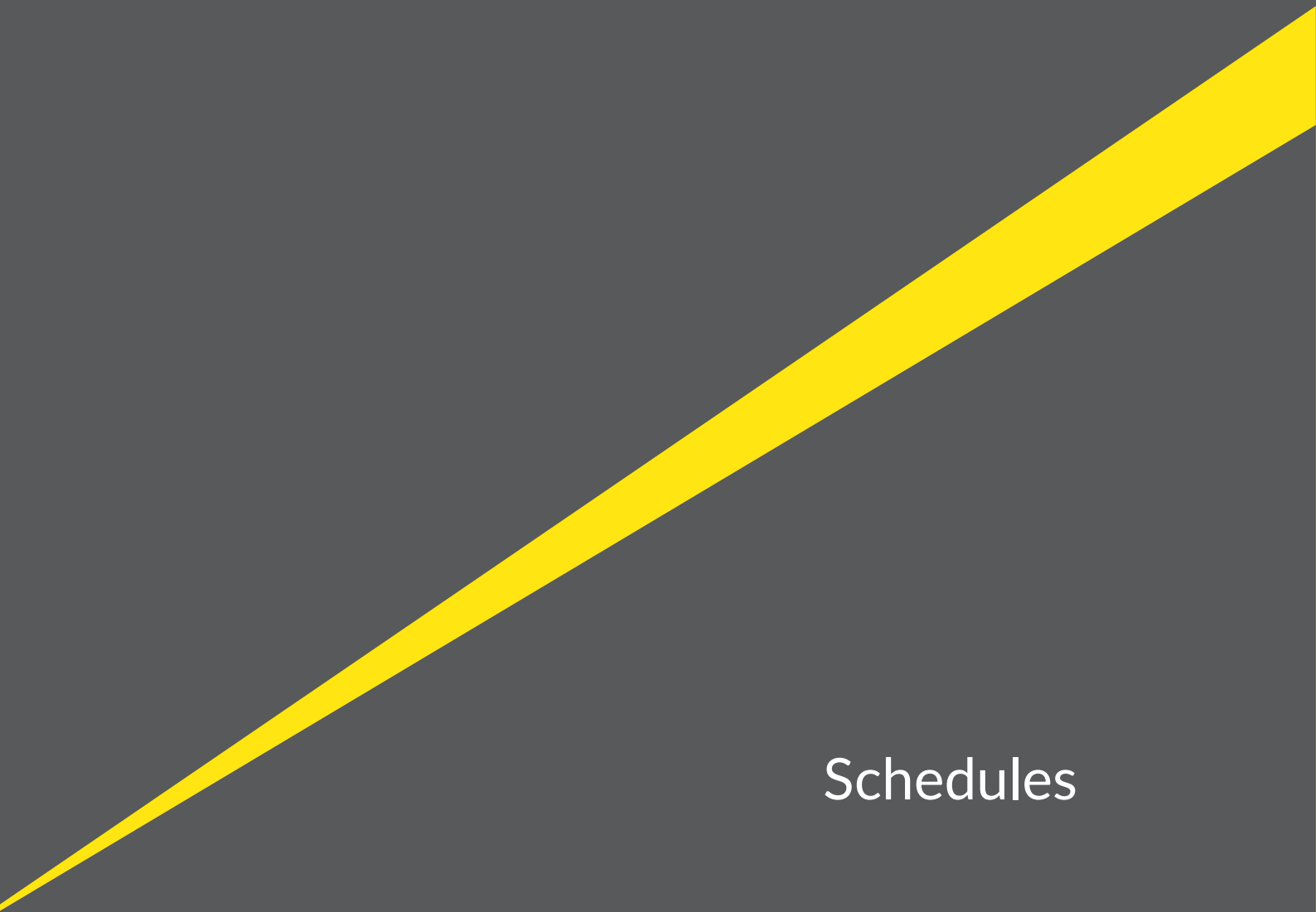
Site 3 (Masterplan Lot B 14) is suggested for a 5% Affordable Housing contribution. This is equivalent to a contribution rate of \$609/sqm of residential GFA (**Table S2-5**). The feasibility analysis finds that were Site 3 able to be successfully consolidated as a development site, there could be capacity for development to contribute to Affordable Housing at 5%. This is a function of the existing uses (single dwellings) and higher contemplated FSR of 2.4:1.

References

GroupGSA (2024). *PRCUTS Stage 2 Burwood-Council Precinct: Master Plan Report*. Prepared for Canada Bay Council.

GroupGSA (2024). *PRCUTS Stage 2 Kings Bay Precinct: Master Plan Report*. Prepared for Canada Bay Council.

RBA (2023). *Inflation Target*. Accessible from:
<https://www.rba.gov.au/inflation/inflation-target.html>



Schedules

Analysis of Recent Sales Activity

A selection of recent sales activity is provided in **Table S1-1** arranged by precinct. This assists with assumptions made on the cost of land for sites selected for feasibility testing.

Existing Uses Sales Activity

Table S1-1: Recent Sales Activity, Five Dock and North Strathfield

Address	Site Area (sqm)	Land Use Zone	Existing Use	Sale Price	Sale Date	Analysis (\$/sqm site area)
Kings Bay Precinct						
11 Taylor St, Five Dock	462	R2	Single dwelling (basic finishes)	\$2,100,000	Jun 23	\$4,545
17 Taylor St, Five Dock	500	R2	Singe dwelling (mostly original)	\$2,450,000	Jun 23	\$4,900
30 York Ave, Five Dock	375	R2	Single dwelling (mostly original)	\$1,775,000	Sep 22	\$4,730
21-23 Parramatta Rd, Five Dock	1,429	E3	Light industrial/showroom (appears mostly original)	\$9,500,000	Dec 22	\$6,650
Burwood-Concord Precinct						
10 Coles St, Concord	631	R3	Single dwelling (1/s, renovated)	\$2,900,000	Mar 24	\$4,600
48 Burwood Rd, Concord	325	R3	Single dwelling (basic finishes)	\$1,385,000	Jun 23	\$4,260
108 Burwood Rd, Concord	816	R2	Single dwelling (part 2/s, renovated)	\$3,700,000	Aug 23	\$4,530
45 Broughton St, Concord	462	R2	Single dwelling (basic finishes)	\$1,960,000	Nov 23	\$4,240
14 Coles Ave, Concord	562	R2	Single dwelling (2/s, renovated)	\$3,400,000	Jun 22	\$6,050
4/18 Gipps St, Concord	-	R3	Strata-titled townhouse (Circa 1990s, 2b unit, updated)	\$1,090,000	Jun 22	-
1/12 Flavelle St, Concord	-	R3	Strata-titled townhouse (Circa 1980s, 3b unit, original)	\$1,350,000	Aug 23	-
11/2 Greenless Ave, Concord	-	R3	Apartment (2b, mostly original)	\$925,000	Feb 23	

Source: Various

Development Site Sales

An analysis of development site sales indicates the prices the market could be willing to pay for residential development opportunities in the Study Area.

Table S1-2: Sales Evidence of Development Sites

Address	Site Area (Zone)	Development Type	Dwelling Yield	FSR (GFA)	Sale Price (Sale Date)	Analysis (\$/sqm GFA)
223 Great North Rd Five Dock	1,260sqm (MU1)	Apartments	34	2.6:1 (3,264sqm)	\$9.25m (Jan 18)	\$2,834
Main retail strip location. Existing 2-storey, freestanding retail building with holding income. Advertised as a development site with planning approval sought thereafter. Development comprises 2 buildings ranging 4-6 storeys, including ground floor retail.						
195-199 Great North Rd Five Dock	1,150sqm (MU1)	Apartments	30	2.5:1 (2,871sqm)	\$9.4m (Jun 18)	\$3,274
Main retail strip location. Three lots sold in-one-line. Appears to be an off-market transaction without development consent. Development comprises a 5-storey apartment complex including ground floor retail.						
52-56 Ramsay Rd Five Dock	1,670sqm (MU1)	Apartments	26	2.5:1 (4,175sqm)	\$13.8m (Apr 22)	\$3,305
Amalgamated site comprising 3 aged RFBs sold in-one-line within the Five Dock Town Centre. Proposal is a 4-storey apartment complex with ground floor retail.						

Address	Site Area (Zone)	Development Type	Dwelling Yield	FSR (GFA)	Sale Price (Sale Date)	Analysis (\$/sqm GFA)
129-153 Parramatta Rd, 53-75 Queens Rd Five Dock	31,200sqm (MU1)	Apartments	1,000	3:1 (93,600sqm)	\$260m (Aug 23)	\$2,778

Amalgamated site marketed as a mixed use development site, with a concept scheme for 4 towers incl. over 1,000 apartments. Sold tenanted, improved with industrial uses. Proposal is a build-to-rent development in early planning stages.

Source: Various

There has been a dearth of development site sales transacted in recent years; though the prices paid fall within a relatively 'tight' range of \$2,800/sqm to \$3,300/sqm GFA.

End Sale Values

A review of residential unit sales activity indicates the prices that could be achieved on completion of new residential development in the Study Area. Developers' expectations of the prices that could be achieved on completion of new development are a critical factor in the market's evaluation of development opportunities.

Table S1-3: Sales Evidence of Modern Apartments, Study Area and Surrounds

Address	Suburb	Sale Price (\$/sqm internal)	Sale Date	Comments
1-bedroom Units				
13/64 Majors Bay Rd	Concord	\$688,000 (\$13,760)	May 2024	Circa 2017 apartment with ground floor retail. Retail strip location. Level 2 unit, total of 35 units in the complex. Provides one bathroom, balcony and one car space.
405/8 Burwood Rd	Burwood	\$630,000 (\$13,700)	Aug 2023	Circa 2019, 10-storey building with ground floor retail. Level 4 unit with one bathroom, balcony and one car space.
27/316 Parramatta Rd	Burwood	\$618,000 (\$12,880)	Aug 2023	Circa 2016, 4-storey building, southern side of Parramatta Road. Includes one bathroom, balcony and one car space.
112/4 Garfield St	Five Dock	\$670,000 (\$13,400)	Feb 2024	Circa 2008, 5-storey building with ground floor retail. Renovated with bathroom, study nook, balcony and car space. District views.
2-bedroom Units				
332/3 McKinnon Ave	Five Dock	\$965,000 (\$12,370)	Oct 2023	Circa 2017, 4-storey apartment complex. Modern, with two bathrooms, decked balcony and tandem basement car space.
20/46-48 East St	Five Dock	\$960,000 (\$12,470)	Aug 2023	Circa 2019, 5-storey apartment complex. Top floor unit with two bathrooms, balcony and tandem basement carparking. Good district views incl. distant city skyline.
305/3-7 Burwood Rd	Burwood	\$875,000 (\$12,500)	Mar 2024	Circa 2017, 8-storey apartment complex with ground floor retail. Retail strip location. Provides two bathrooms, balcony, one basement carpark. Mostly internal views.
604B/18 Parramatta Rd	Strathfield	\$690,000 (\$8,960)	Apr 2024	Circa 2014, 9-storey residential building with main road frontage. Provides two bathrooms, balcony and one basement carpark. Average presentation. Mostly internal views.
3-bedroom Units				
302/56 Fairlight St	Five Dock	\$1,510,000 (\$15,100)	Jun 2024	Circa 2020, 4-storey 'The Mirage' apartments with ground floor retail. Fronts 4-way thoroughfare, next to petrol station. Penthouse unit with two bathrooms, private rooftop terrace with spa and two basement carparking. Well-presented.
308/63 Ramsay St	Five Dock	\$1,500,000 (\$16,850)	Oct 2023	Circa 2020, penthouse unit within 'The Mirage'. Provides two bathrooms, private rooftop terrace and two car spaces.
19/9 Clarence St	Burwood	\$1,250,000 (\$12,330)	Aug 2023	Near new, 6-storey boutique apartment complex. Includes two bathrooms, balcony and one car space. Good district views.
3/20 Homebush Rd	Strathfield	\$1,100,000 (\$11,000)	Mar 2024	Circa 2016, 4-storey apartment complex. Level 1 unit, with two bathrooms, dual balconies and tandem car space. Average fit-out.
G06/68-72 Railway Pde	Burwood	\$1,021,000 (\$10,750)	Dec 2023	Circa 2021, 10-storey apartment complex. Ground floor unit, with two bathrooms, courtyard and one car space. Some 550m east of Burwood station.

Source: various

Existing apartments are generally characterised by older style units within low-rise buildings. Newer residential developments in Concord and Five Dock are mostly limited to those clustered around respective local centres (i.e. Majors Bay Rd in Concord/ Great North Road in Five Dock).

Newer apartment projects have been predominantly delivered in areas south of Parramatta Road, including buildings ranging up to 10 storeys. This includes areas such as Burwood, Strathfield and Homebush. These developments mostly include a mix of smaller unit types (i.e. 1- and 2- bedroom apartments). In the Study Area, larger 3- bedroom units typically reflect premium units in the development, situated on top floors and/or are split-level units with private terraces.

Apartment developments generally include carparking provision for 1+ bedroom units, with some 2- and 3- bedroom units providing up to two car spaces. Overall, recent market activity indicates sale prices ranging from approximately \$9,000/sqm to \$16,850/sqm of net saleable area (NSA). The lower value range mostly reflects units with main road location; with 3- bedroom penthouse units representing the top range of observed prices.

Similarly, there are limited apartment projects currently selling off-the-plan in and around the Study Area (i.e. north of Parramatta Road). New apartment projects are predominantly focused in areas south of Parramatta Road.

Table S1-4 outlines few examples of these new residential projects.

Table S1-4: Off-the-Plan Apartment Sales, Study Area and Surrounds

Address	Starting Price	Avg. NSA (sqm)	Avg. \$/sqm NSA	Comments
'The Halston' 25 George St, North Strathfield				Situating 950m north of North Strathfield station. Development will comprise a 4-storey apartment complex with 127 units across three buildings. This includes a range of one- to four- bedroom floorplans. Over 60% of units have sold to date, with one- bedroom units fully sold. Features include a central courtyard and no additional notable on-site amenity. Currently under construction, with expected completion early 2025.
1b	\$614,000 to \$694,000	50	\$13,000 to \$14,000	
2b	\$1.05m	76	\$13,000 to \$14,000	
3b	\$1.35m	103	>\$13,000	
'Ara Leichhardt' 141 Allen St, Leichhardt				The development will deliver 139 apartments across six, low-rise buildings. This includes a mix of studio, 1-, 2- and 3-bedroom units. Communal facilities include a ground floor landscaped podium and BBQ area. The development will predominantly comprise 1- and 2-bedroom units. Only eight 3- bedroom units will be delivered, only one of which remains available for sale. These 3- bedroom units are situated on the top floor (Level 3) and include two bathrooms and tandem carparking. Completion is imminent.
1b	\$755,000 to \$870,000	55	\$13,500 to \$16,000	
2b	\$1.07m	74	\$14,500 to \$15,500	
3b	\$2.45m to \$3.2m	106-125	\$23,000 to \$25,000	

Source: various

Analysis of off-the-plan apartment sales reflect values ranging from some \$13,000/sqm to \$14,000/sqm NSA in North Strathfield ('The Halston'). This represents a price premium of ~10% compared to established, modern apartments in the locality, and is aligned with the premium expected to be paid for 'brand new' dwellings. Informal discussions with the selling agent indicate that the development has received very strong market interest, attributed to limited supply of modern apartments in the locality.

In particular, smaller units were swiftly taken up, with one- bedroom units fully sold out within the early stages of marketing. This is attributed to its proximity to public transport and amenity, situated ~1km from North Strathfield station and retail shops along Queen Street.

'Ara Leichhardt' is situated east of the Study Area, with sale prices ranging from ~\$13,700/sqm to \$25,000/sqm. Pricing is higher than that of 'The Halston', reflecting its superior location in Leichhardt. The higher value range represents 3- bedroom units, which are top floor apartments comprising two bathrooms and two car spaces. These units comprise oversized internal areas (110sqm+), including split-level floorplans and/or with private terraces, reflecting the top end of likely values in the locality.

Overall, new apartments in the Study Area are likely to achieve values between 'The Halston' and 'Ara Leichhardt'. Feasibility testing has adopted revenue assumptions in the order of \$12,000/sqm to \$18,000/sqm NSA.

Generic Feasibility Testing Assumptions

Feasibility modelling examines if development is likely to be feasible on select sites within the Study Area.

Sites Selected

Table S2-1 shows the sample of sites selected in the Study Area along with the assumed cost to purchase (after including 25% incentive premium).

Table S2-1: Key Sites and Assumed Cost of Land

Site	Masterplan Lot	Site Area (sqm)	Assumed Cost of Land (rounded)
1	B G3	2,996	\$17,525,000
2	B I3	12,098	\$91,585,000
3	B I4	9,941	\$49,660,000
4	C A4	2,184	\$18,455,000
5	C G1	3,055	\$21,500,000
6	KB B1	5,820	\$31,320,000
7	KB D1	2,391	\$18,050,000

Source: Atlas

Development Yields

Table S2-2 outlines the development yields assumed on the selected sites for the purposes of feasibility testing. The Study highlights that the development yields are based on numerical assumptions of site area and are not urban design tested.

Table S2-2: Sites Selected and Assumed Development Yields

Precinct	Site	Masterplan Lot	Development Type	FSR Tested	GFA (sqm)	Non-residential GFA (sqm)	Residential GFA (sqm)	Units
Burwood-Concord	1	B G3	RFB	1.7	5,022	-	5,022	57
	2	B I3	RFB	2.4	28,326	-	28,326	322
	3	B I4	RFB	2.4	24,328	-	24,328	275
	4	C A4	RFB	2.1	4,586	-	4,586	51
	5	C G1	RFB	1.3	4,014	-	4,014	45
Kings Bay	6	KB B1	RFB	1.9	10,983	-	10,983	125
	7	KB D1	MXU	1.6	3,512	299	3,811	40

MXU = mixed use development, RFB = residential flat building

Source: Atlas

Revenue Assumptions

Residential revenue assumptions are based on a hypothetical unit and size mix as follows:

- 1-bedroom unit (60sqm internal area) - 25%.
- 2-bedroom unit (76sqm internal area) - 60%.
- 3-bedroom unit (100sqm internal area) - 15%.

Average revenue assumptions adopted for each site are based on the findings of the market appraisal.

Table S2-3 outlines the revenue assumptions for the Study Area.

Table S2-3: Average Revenue Assumptions

Unit Type	Avg. Internal Area (sqm)	Burwood-Concord		Kings Bay	
		\$/sqm internal area	Sale Price	\$/sqm internal area	Sale Price
1 bedroom	60	\$14,000 to \$16,000	\$840,000 to \$960,000	\$12,000 to \$14,000	\$720,000 to \$840,000
2 bedroom	75	\$14,000 to \$16,000	\$1,050,000 to \$1,200,000	\$12,000 to \$14,000	\$900,000 to \$1,050,000
3 bedroom	95	\$16,000 to \$18,000	\$1,520,000 to \$1,710,000	\$14,000 to \$15,000	\$1,400,000 to \$1,500,000

Source: Atlas

Other revenue assumptions:

- GST is included on the residential sales and excluded from non-residential sales.
- Marketing costs are assumed at 1% of gross sales revenue.
- Legal costs are assumed at \$1,500 per dwelling.
- Sales commission on sales included at 2.5% of gross residential sales.

Cost Assumptions

Cost assumptions are generic in nature and based on experience and industry cost publications.

- Legal and due diligence costs assumed at 0.5% of land cost and is assumed to be paid on exchange in Month 1.
- The site is assumed to be appropriately zoned with design occurring immediately upon settlement.

Building areas are calculated by applying a generic 110% ratio to gross floor area (GFA) against which construction build costs are applied.

Construction build costs assumed are shown in **Table S2-4**.

Table S2-4: Build Cost Assumptions

Item	Study Area
Demolition	\$30,000 per existing dwelling
Apartment buildings	\$3,000/sqm to \$4,000/sqm
Balconies	\$1,000/sqm
Basement parking	\$60,000 per space

Source: Atlas (various)

Other cost assumptions:

- Professional fees at 11% of construction cost expensed as follows:
 - 6% pre-construction (during design and DA documentation).
 - 4% pro-rated with construction.
 - 1% development management fee.
- Construction contingency of 5% of construction cost.
- Statutory fees and charges:
 - DA, CC and long service levy at statutory rates.
 - Local contributions per Canada Bay s7.11 plan - \$12,375.57 (1 bedroom), \$18,660.96 (2 bedroom) and \$20,000 (3 bedroom).
 - Housing and Productivity Contribution (HPC) rates at \$10,000 per dwelling, \$30/sqm retail GFA
 - Proposed water infrastructure charges at \$833.68/ET from July 2026.
- Holding costs including land tax, Council and water rates.

Other cost assumptions:

- 100% debt funded with interest capitalised monthly (nominal 7% per annum)
- Finance establishment cost of 0.35% of peak debt.

Affordable Housing Contribution Rates

Where development is tested to be feasible, the feasibility modelling iteratively includes Affordable Housing contributions to examine development's capacity to contribute. **Table S2-5** outlines the equivalent cash contribution at different Affordable Housing contribution rates.

Table S2-5: Affordable Housing Contribution Rates

% Contribution	Dollar (\$) Rate (\$/ sqm GFA)
1%	\$122
2%	\$243
3%	\$365
4%	\$487
5%	\$609

Source: City of Canada Bay

Hurdle Rates and Performance Indicators

Target hurdle rates are subject to perceived risk of a project (planning, market, financial and construction risk). The higher the project risk, the higher the hurdle rate. The following performance indicators are relied upon:

- 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.
- Residual Land Value is arrived at by assessing the maximum land value a developer is willing to pay based on both hurdles of development margin and discount rate being met.

The following benchmark hurdle rates are assumed.

Table S2-6: Benchmark Hurdle Rates

	Feasible	Marginal	Not Feasible
Development Margin	>20%	18%-20%	<18%
Project IRR	>18%	16%-18%	<16%

Source: Atlas

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