

Clause 4.6 Variation Request

Variation to Lake Macquarie Local Environmental Plan clause 4.3

65 Glendale Road, Glendale

Transport Asset Holding Entity of NSW (TAHE)

20 December 2024

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Attachment A – Macroplan advice dated 1 October 2024

Overview

This clause 4.6 variation request has been prepared on behalf of the Transport Asset Holding Entity of NSW (TAHE) who are the proponents of a Concept Development Application (Concept DA) to Lake Macquarie City Council (Council) for a mixed use development at 65 Glendale Road, Glendale (the site).

Clause 4.6 of the Lake Macquarie Local Environmental Plan 2014 (Lake Macquarie LEP) enables Council to grant consent for development even though the development contravenes a development standard. The clause aims to provide an appropriate degree of flexibility in applying certain development standards to achieve better outcomes for and from development.

The Department of Planning, Housing and Industry (DPHI) issued the *Guide to Varying Development Standards* in November 2023 to assist applicants in applying to vary development standards. This Clause 4.6 variation request has been prepared in accordance with that guide.

Clause 4.6(3) of Lake Macquarie LEP requires that before granting consent to a development that contravenes a development standard the consent authority is satisfied that the Applicant's written request has adequately demonstrated that:

- a) *compliance with the development standard is unreasonable or unnecessary in the circumstances of the case; and*
- b) *there are sufficient environmental planning grounds to justify contravention of the development standard.*

This request seeks a variation to Clause 4.3 maximum height of buildings in Lake Macquarie LEP. It demonstrates that compliance with the height of buildings is unreasonable and unnecessary in the circumstances of the case and that there are sufficient environmental planning grounds to justify contravention of the standard.

This clause 4.6 variation request demonstrates that, notwithstanding the technical non-compliance with the Clause 4.3 height of buildings development standard, the proposed development:

- With reference to the methods for demonstrating that a development standard is unreasonable or unnecessary each objective of clause 4.3(1) is achieved. Specifically:
 - the objectives of 4.3 will be achieved by better urban outcomes that will acknowledge the landmark development, enable a greater diversity of built form, broader mix of dwelling types and the potential to retain existing mature vegetation
 - there are existing examples in the vicinity of the site where the height of residential buildings has exceeded the statutory limit.
- There are sufficient environmental planning grounds to justify contravening the development standard. The proposed arrangement remains consistent with the objects of the EP&A Act, specifically the proposed increase will:
 - ensure the vitality of the local centre and enhance the existing community
 - promote good design and amenity
 - result in orderly and economic use of the site
 - promote the delivery of affordable housing, and
 - increase the level of avoidance of impact on native fauna and flora.

Therefore, the Concept DA should be approved with the variation as proposed in accordance with the flexibility allowed under clause 4.6 of the Lake Macquarie LEP.

It is also noted that under section 4.33(1) of the Environmental Planning and Assessment Act 1979 (EP&A Act) a consent authority must not:

- a) refuse its consent to a Crown development application, except with the approval of the Minister, or
- b) impose a condition on its consent to a Crown development application, except with the approval of the applicant or the Minister.

Site and proposed development

Site description

The subject site shown in Figure 1 below is largely vacant, except for a small portion of land to the south, which is being used by Sydney Trains for project operations and is to be retained for this purpose.

The site is legally described as Lot 1, DP 1286424 and comprises land part zoned E2 Commercial Centre, MU1 Mixed Use and C2 Environmental Conservation (refer Figure 2).



Figure 1 The subject site shown bounded by dashed yellow line

Description of the proposed development

The development application comprises both a Concept DA and first stage of development under s4.22 of the EP&A Act. This clause 4.6 variation request specifically relates to the Concept DA. The combined application comprises the following elements.

A Concept DA outlining the proposed arrangements for:

- the internal vehicular and active transport network
- connections and alterations to the adjacent street network
- civil and stormwater management
- bulk earthworks
- landscaped and public open space areas

- bushfire management
- ecological management
- heritage management
- future development parcels, and
- land use and development envelopes associated with each parcel.

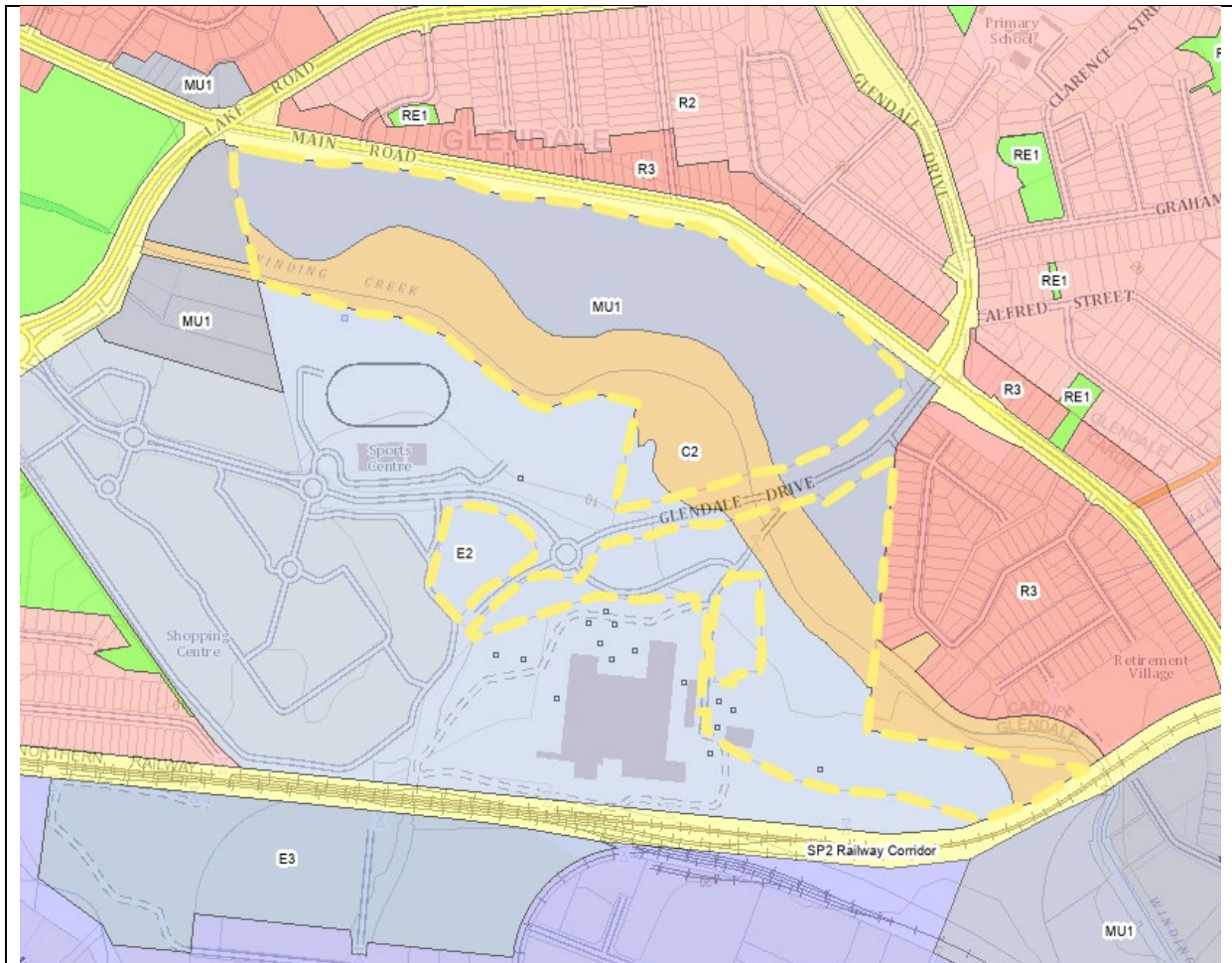


Figure 2 Lake Macquarie LEP zoning map – extent of site shown by dashed yellow line

Source: ePlanning Spatial Viewer

A first stage of development comprising:

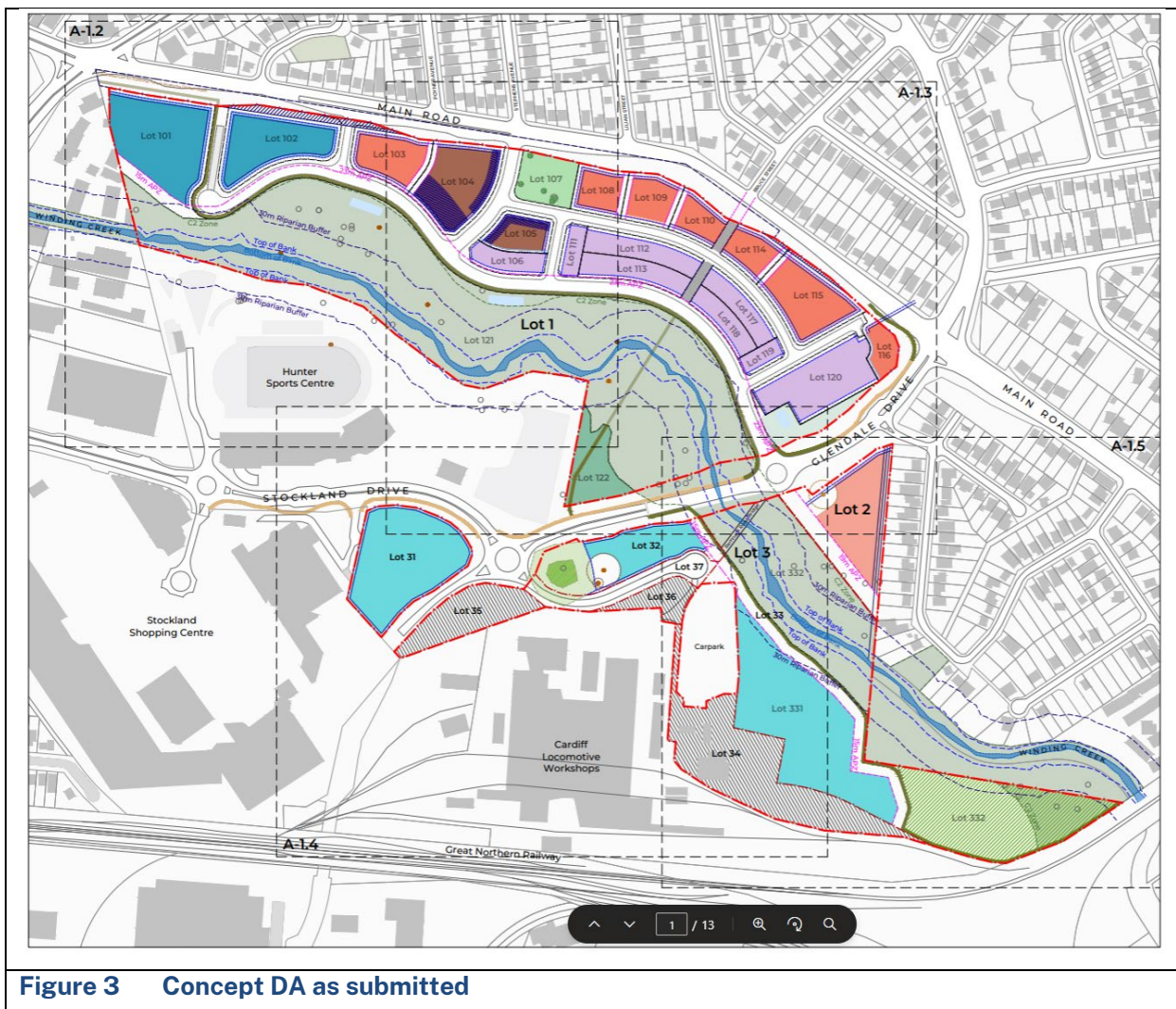
- subdivision in two phases:
 - Phase 1: Three (3) lots (north and south of Glendale Drive), and
 - Phase 2: Subdivision of Lot 3 created at Phase 1 into seven (7) lots (refer below)
- works to facilitate the second subdivision phase, including (but not limited to):
 - bulk earthworks
 - civil (stormwater and road) infrastructure; and
 - servicing infrastructure.

The Concept DA **as lodged** (see Figure 3) proposed the following uses for each lot:

- Lot 1 (north of Glendale Drive)
 - development on 19 parcels comprising:
 - two lots for mixed use buildings

- seven lots for residential flat buildings
 - eight lots for multi dwelling housing
 - two lots for commercial space, and
 - public open space
- Lot 2 (north of Winding Creek and east of Glendale Drive)
 - a development parcel comprising residential flat buildings
- Lot 3 (south of Glendale Drive)
 - development on 7 parcels comprising:
 - three lots with a permissible use (Lot 31, Lot 32 and Lot 33)
 - one lot for dedication as road reserve (Lot 37), and
 - three lots to be retained by TAHE for existing transport operational purposes (Lot 34, Lot 35 and Lot 36).

In accordance with Section 4.22 of the EP&A Act, further approvals will be sought for the detailed design and construction of the proposed uses.



Following a preliminary assessment of the application, Council issued a request for information (RFI) to TAHE dated 22 August 2024. In response to the RFI, TAHE has revised the Concept DA to the extent shown in Figure 4.

The proposed revisions arise from matters raised in the RFI by the Hunter and Central Coast Regional Planning Panel (Panel) and Council specifically in relation to the possibility of varying building heights to enable further protection of biodiversity, express the commercial precinct and better address the relationship to Main Road. All the proposed changes are generally consistent with the prevailing planning controls, except for the increase in height. The RFI response explains the reasoning behind the changes and provides further details. The change in height results in a non-compliance that is addressed herewith.

The revised Concept DA (refer Figure 4) proposes the following revisions shown in ~~strikethrough~~/**bold underline**:

- Lot 1 (north of Glendale Drive)
 - development on 19 parcels comprising:
 - ~~two~~ **three** lots for mixed use buildings
 - ~~seven~~ **six** lots for residential flat buildings
 - eight lots for multi dwelling housing, and
 - two lots for commercial space
 - **relocated** public open space (away from Main Road)
- Lot 2 (north of Winding Creek and east of Glendale Drive)
 - a **reduced** development parcel comprising a residential flat building
 - **additional public open space** (in part to protect the nesting tree)

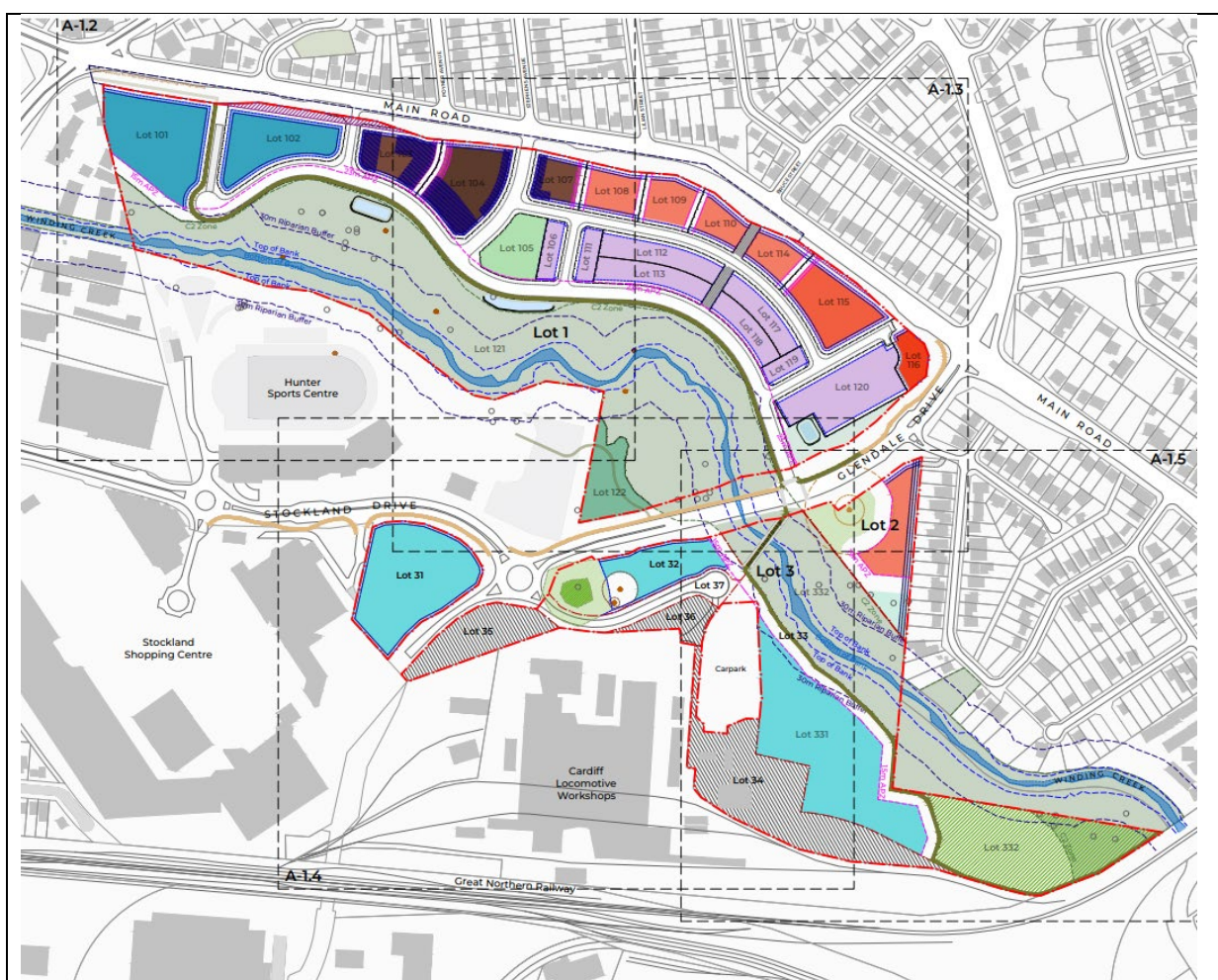


Figure 4 Revised Concept DA

Proposed variation

This clause 4.6 variation request seeks to justify a part contravention of the height of buildings development standard set out in clause 4.3(2) of the Lake Macquarie LEP.

Lake Macquarie LEP

Under the Lake Macquarie LEP those portions of the site zoned MU1 Mixed Use and E2 Commercial Centre (refer Figure 2) have a height limit of 13m as illustrated at Figure 5. While the 13m height limit applies to the whole of those zones, this variation request relates only to Lots 103, 104, 105, 115 and 116 (refer to Figure 4 and Table 1).

Clause 4.3 Height of buildings states:

- (1) *The objectives of this clause are as follows –*
 - (a) *to ensure the height of buildings are appropriate for their location,*
 - (b) *to permit building heights that encourage high quality urban form.*
- (2) *The height of a building on any land is not to exceed the maximum height shown for the land on the Height of Buildings Map.*

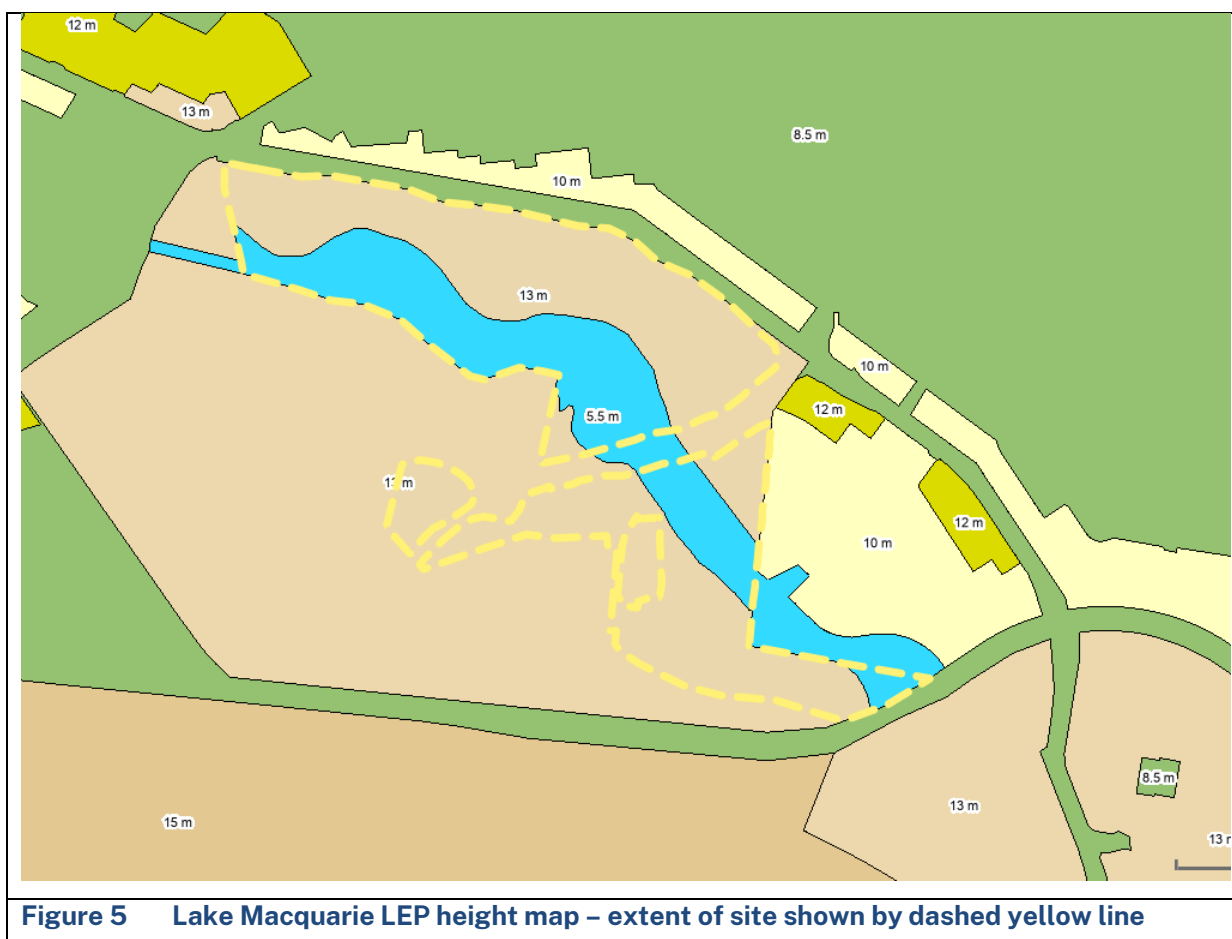


Figure 5 Lake Macquarie LEP height map – extent of site shown by dashed yellow line

Source: ePlanning Spatial Viewer

Extent of proposed variation

In response to comments from the Panel and Council, it is proposed to increase the maximum height of buildings on 5 of the 20 parcels from 4 storeys to up to 6-8 storeys as shown on Figure 4 and as set out in the table below. Note that Lot 107, omitted from the table, is the repositioned local park based on Council's preference for the new location adjacent to the proposed Winding Creek riparian corridor rather than facing Main Road.

Despite initial concerns, Tetra Tech confirmed that notwithstanding the current 4 storey height limit in the LEP, the practical height limit set by mine subsidence is up to 8 storeys. They advise that *structurally, for construction costs versus floor space, there is little difference in designing for subsidence for 4 storeys and 8 storeys, given the rock is at a depth of 6m* (refer Attachment D to the RFI).

Importantly, in addition to the urban design and environmental benefits outlined below, Macroplan confirmed that *there would be market demand for higher level apartments in 6-8 storeys apartment buildings in Glendale* (refer attached advice).

Based on the advice that higher building heights were technically and financially feasible and seeking to achieve a better urban design outcome and increase environmental benefits, the urban design team re-examined the distribution of building heights across the site.

Table 1: Proposed changes to height limit

Lot No	Current height (storeys)	Proposed height (storeys)
101	4	4
102	4	4
103	4	4-6
104	4	4-8
105	4	4-6
106	4	4
108	4	4
109	4	4
110	4	4
111	4	4
112	4	4
113	4	4
114	4	4
115	4	4-6
116	4	4-8
117	4	4
118	4	4
119	4	4
120	4	4
2	4	4

The proposed increases in building height are focussed in two locations:

- the proposed new local centre where it is to intersect with Main Road (Lots 103, 104 and 105) and
- at the Glendale Road entrance to the precinct (Lots 115 and 116).

Increased building heights in these locations acknowledge that development of the precinct will be landmark development. They will give expression to the new landmark by signifying the eastern gateway at the Glendale Drive intersection and marking the new local centre when approaching from the west.

Not only does the proposed increase in building heights create the opportunity to give greater definition to the precinct they will also enable a greater diversity of built form and broader mix of dwelling types.

The resulting minor increase in housing yield, consistent with NSW Government policy, will also enable consideration of affordable housing to increase in locations and provide opportunities address the interface with Main Road and the potential to retain existing mature vegetation along this frontage in subsequent development applications.

Furthermore, the revised concept plan has also resulted in a marginal expansion of native vegetation areas on Lot 2 together with minimising the potential impact on the existing nesting tree, by decreasing the developable envelope.

Justification of proposed variation

Clause 4.6(3) of the Lake Macquarie LEP sets out the following:

4.6 Exceptions to development standards

- (3) *Development consent must not be granted for development that contravenes a development standard unless the consent authority is satisfied the applicant has demonstrated that:*
 - a) *compliance with the development standard is unreasonable or unnecessary in the circumstances, and*
 - b) *there are sufficient environmental planning grounds to justify the contravention of the development standard.*

The relevant matters in relation to these considerations are detailed below.

How is compliance with the development standard unreasonable or unnecessary in the circumstances of this case?

The *Guide to Varying Development Standards* (November 2023) was prepared by DPHI to assist applicants seeking to vary development standards. It sets out that there are five common ways that compliance with a development standard may be demonstrated to be unreasonable or unnecessary as established by the NSW Land and Environment Court in determining whether the objection to the development standard is well founded.

The *Guide to Varying Development Standards* also establishes that a Clause 4.6 application is not required to meet all the tests.

The proposed height variation is considered against each of the tests in Table 2 below.

Table 2: Five ways to demonstrate compliance is unreasonable or unnecessary

Objectives	Consideration
The objectives of the standard are achieved notwithstanding non- compliance with the standard.	The objectives of Clause 4.3 Height of Buildings and the objective of the MU1 Mixed Use zone can be achieved, as outlined in Tables 3 and 4, notwithstanding the non-compliance.
The underlying objective or purpose of the standard is not relevant to the development.	This test is not applicable in this instance.
The underlying objective or purpose would be defeated or thwarted if compliance was required.	This test is not applicable in this instance.
The development standard has been virtually abandoned or destroyed by the council’s own actions in granting consents departing from the standard.	There are examples in the vicinity where the height limit has recently been exceeded, such as Sturt Road Cardiff.
The zoning of the land on which the development is proposed was unreasonable or inappropriate.	This test is not applicable in this instance.

Satisfaction of the objectives of the development standard

The proposed development is consistent with the objectives of Clause 4.3 Height of Buildings as shown in Table 3 and the objectives for the MU1 Mixed Use zone which applies to the site as shown in Table 4.

Table 3: Consideration of Clause 4.3 Height of buildings objectives

Height of building objectives	Consistency
(a) to ensure the height of buildings are appropriate for their location	<p>The Lake Macquarie City Local Strategic Planning Statement identifies Glendale within the North West Growth Area as a strategic economic centre, one of only three in the LGA. It is part of the North West Lake Macquarie Catalyst Area, which is said to <i>present opportunities for transformational urban development in a convenient central location with considerable existing economic endowments.</i></p> <p>Increasing the density of residential development, in terms of height, in the vicinity of the existing shopping centre will enable the Glendale strategic economic centre to strengthen and grow. Allowing some variety on the height of buildings will increase the diversity of built form and available dwelling types and assist in defining the precinct within the wider area and the proposed gateway corner and local centre on Main Road.</p>
(b) to permit building heights that encourage high quality urban form	<p>Supporting a variety of building heights encourages high quality urban form by:</p> <ul style="list-style-type: none"> • creating opportunities to present variation in the bulk and scale of the urban form in a manner that establishes variety and enhances visual amenity and character • providing an opportunity for increased product diversity supporting opportunity to establish a more diverse social demographic • providing capacity to establish signature buildings within the urban landscape that signify presence of development (local centre/gateway) and visual place markers • enabling flexibility to retain existing mature vegetation where possible.

Table 4: Consideration of MU1 Mixed Use zone objectives

Objectives	Consideration
To encourage a diversity of business, retail, office, and light industrial land uses that generate employment opportunities.	Provision of an enhanced urban residential form in desirable location near an existing shopping centre, open space and recreation facilities can benefit the local economy and contribute to reinforcing Glendale's role as a significant urban centre and play a role in encouraging further economic development of adjoining employment land uses.
To ensure that new development provides diverse and active street frontages to attract pedestrian traffic and to contribute to vibrant, diverse and functional streets and public spaces.	Provision of an enhanced urban residential form reinforces the features of the Concept DA as lodged that seeks to provide diverse and active street frontages and vibrant streets and open spaces.

Objectives	Consideration
To minimise conflict between land uses within this zone and land uses within adjoining zones.	Proposed distribution of land uses across site minimises land use conflicts; the proposed increase in building heights does not affect this outcome. Proposed change of use of Lot 103 to shop top housing strengthens the form of the proposed urban landscape through continuity of employment generating land use at ground level.
To encourage business, retail, community and other non-residential land uses on the ground floor of buildings.	Ground floor business uses to be concentrated around proposed new local centre (refer to s.4.6 lodged with Concept DA that makes this case).
To enable development that complements and enhances the core retail function and trading performance of Zone E1 Local Centre and Zone E2 Commercial Centre.	Increased yields of proposed development will complement and reinforce adjoining development.

Are there sufficient environmental planning grounds to justify contravening the development standard?

The *Guide to Varying Development Standards* sets out the following in relation to consideration of environmental planning grounds:

The term ‘environmental planning grounds’, while not defined in the EP&A Act or the Standard Instrument – Principal Local Environmental Plan, refer to grounds that relate to the subject matter, scope and purpose of the EP&A Act, including the objects in section 1.3 of the EP&A Act. The scope of environmental planning grounds is wide as exemplified by the court decisions in this area.

Sufficient environmental planning grounds need to be established by the facts of the request. The request must justify the contravention of the development standard, not simply promote the benefits of the development. The grounds must:

- *be sufficient to justify the contravention*
- *focus on the aspect of the development that contravenes the development standard, not the development as a whole.*

Environmental planning grounds may not be sufficient to justify the contravention of a development standard if the variation results in unsatisfactory planning outcomes.

Avoiding adverse impacts may constitute sufficient environmental planning grounds as it promotes ‘good design and amenity of the built environment’ one of the objects of the EP&A Act. However, the lack of impact must be specific to the non-compliance to justify the breach.

Other examples of environmental planning grounds include:

- *Responding to flood planning levels*
- *Responding to topography*
- *Achieving equal or better amenity outcomes (solar access, privacy, views/outlook).*

The environmental planning grounds are considered in below.

Consistency with the objects of the EP&A Act

The proposed contravention of the height of buildings control does not result in any inconsistency with the objects of the EP&A Act as detailed in Table 5 below.

Table 5 Assessment of proposed Concept DA against the Objects of the EP&A Act

Object	Assessment
(a) to promote the social and economic welfare of the community and a better environment by the proper management, development and conservation of the State's natural and other resources	<p>The proposed minor increase in residential uses resulting from the proposed increase in height in part of the MU1 zoned land will promote the economic and social welfare of the community by increasing the supply of housing and ensuring the vitality of the proposed local centre and the existing commercial space south of the MU1 zoned land.</p> <p>The increase in density resulting from the increase in height is consistent with the NSW government policy to increase housing in appropriate locations.</p>
(b) to facilitate ecologically sustainable development by integrating relevant economic, environmental and social considerations in decision making about environmental planning and assessment	<p>The proposed increase in height on some of the development parcels in the MU1 zoned land represents sound economic decision making in that it promotes good design and amenity of the built environment, by enabling greater variety of built form and diversity of dwelling types. Development that meets the needs for housing and commercial space, as proposed, meets the ESD principle of efficiency of building use.</p>
(c) to promote the orderly and economic use and development of land	<p>The proposed increase in height on some of the development parcels in the MU1 zoned land represents the orderly and economic use and development of the subject site.</p>
(d) to promote the delivery and maintenance of affordable housing	<p>The proposed increase in height on some of the development parcels in the MU1 zoned increases the opportunity for future development lots to contain affordable housing.</p>
(e) to protect the environment, including the conservation of threatened and other species of native animals and plants, ecological communities and their habitats	<p>The revised Concept DA decreases the potential impacts on threatened species or ecological communities by increasing the buffer zone around the nesting tree off Glendale Road, increasing the open space on Lot 2 and enhancing the level of avoidance of impact on native vegetation.</p>
(f) to promote the sustainable management of built and cultural heritage (including Aboriginal cultural heritage)	<p>The proposed increase in height on some of the development parcels in the MU1 zoned land does not represent any change to potential impacts on Aboriginal cultural heritage. There are no listed non-Aboriginal heritage items within the MU1 zoned land on the subject site.</p>
(g) to promote good design and amenity of the built environment	<p>The proposed increase in height on some of the development parcels in the MU1 zoned land promotes good design and amenity of the built environment, by enabling greater variety of built form and diversity of dwelling types.</p>

Object	Assessment
	Future development of residential and mixed use development parcels will be required to consider environmental impacts including local character, bulk and scale, overshadowing, privacy and view loss.
(h) to promote the proper construction and maintenance of buildings, including the protection of the health and safety of their occupants	This proposed variation does not preclude future development within parcels defined by the Concept DA from complying with all relevant BCA codes nor diminish the health and safety of future occupants.
(i) to promote the sharing of the responsibility for environmental planning and assessment between the different levels of government in the State	Not relevant to this proposed development.
(j) to provide increased opportunity for community participation in environmental planning and assessment.	The proposed development including this Clause 4.6 Variation Request will be assessed in accordance with Council requirements.

Consideration of environmental impacts of the variation

The environmental impacts of the variation are minimal and positive. See Figures 6 and 7 below extracted from the Urban Design Addendum at Attachment C to the RFI.

There will be some minor impact from the increase in building heights on adjoining properties as illustrated in the shadow diagrams on pages 72-79 of the Urban Design Addendum at Attachment C to the RFI. These will be further addressed and refined in subsequent development applications.

However, there will be positive impacts due to the variety of built form that will result in:

- better urban design outcomes:
 - acknowledging development of precinct will be landmark development
 - giving expression to the landmark by signifying the eastern gateway' and marking the new local centre to west
 - enabling greater diversity of built form and broader mix of dwelling types
- a minor increase in yields that enable consideration of affordable housing
- potential to retain existing mature vegetation along the Main Road frontage, and
- an enhanced response to biodiversity with the reduction of the building envelope on Lot 2 to increase the level of avoidance of impact on native fauna and flora.

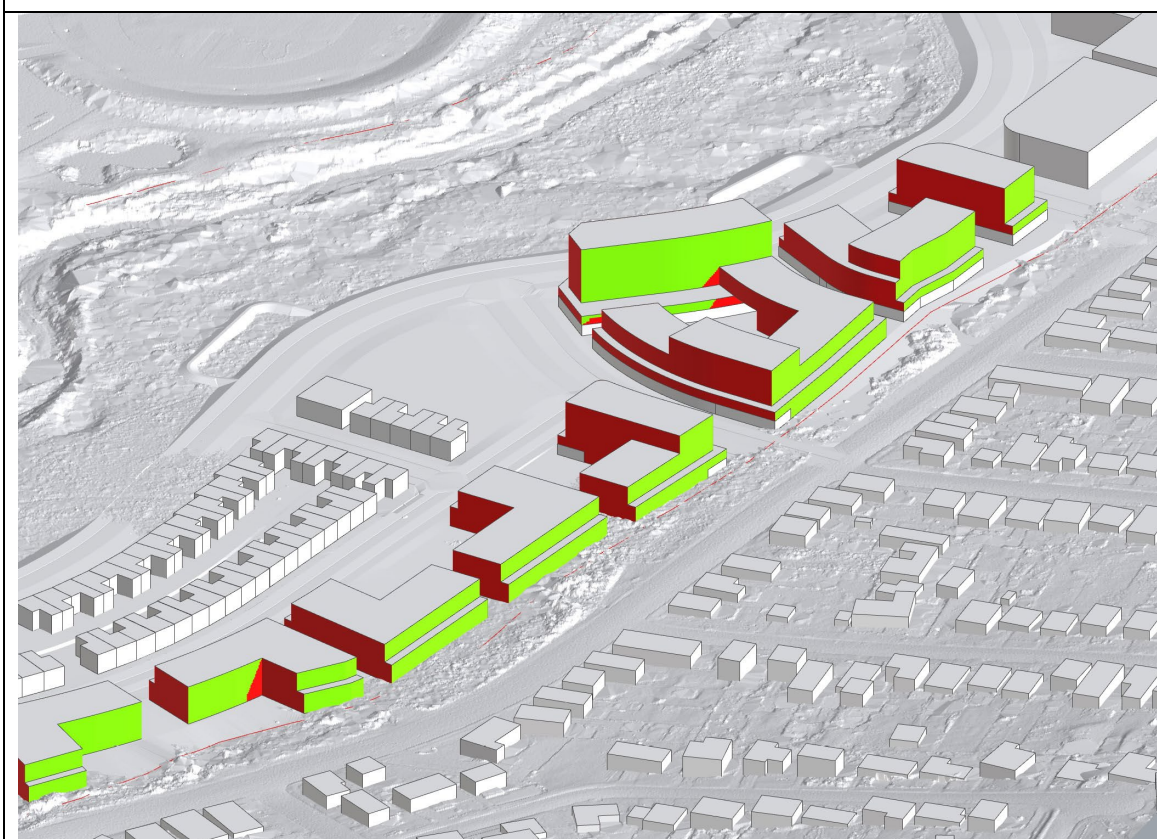
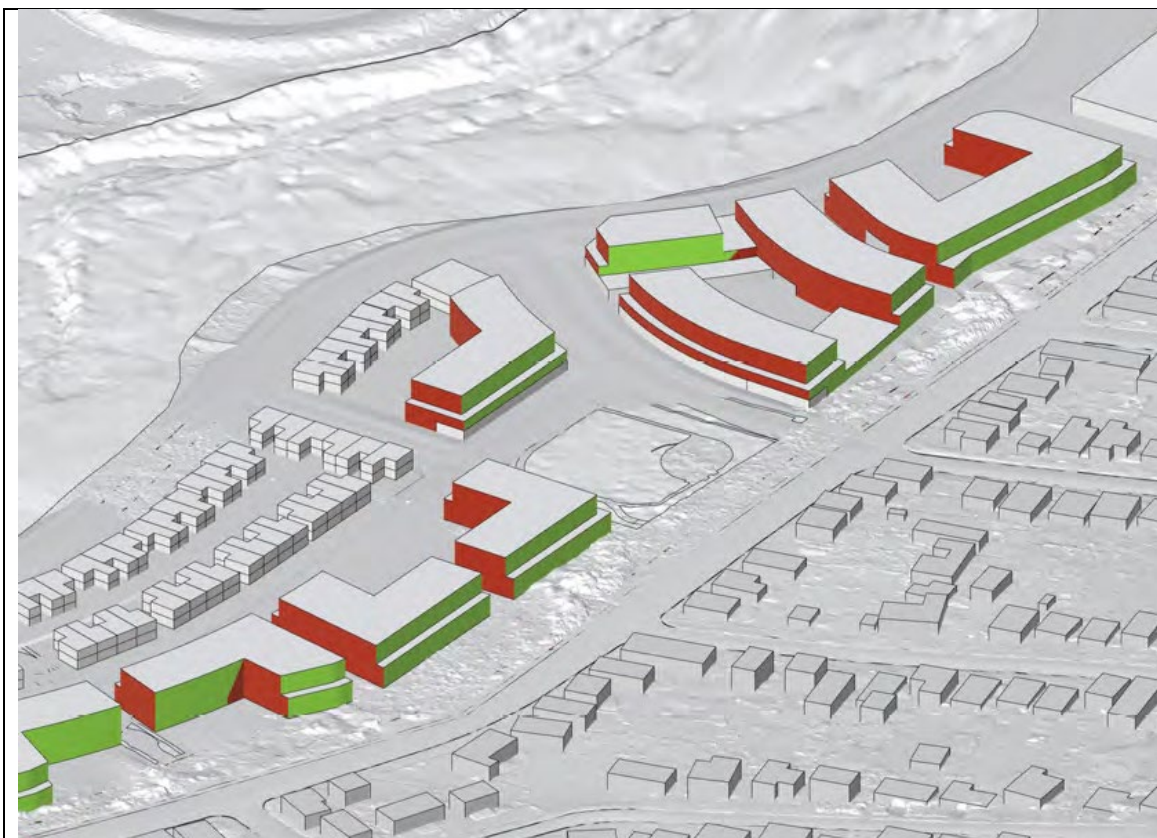


Figure 6 Main Road intersection with new local centre – top as lodged and below as revised

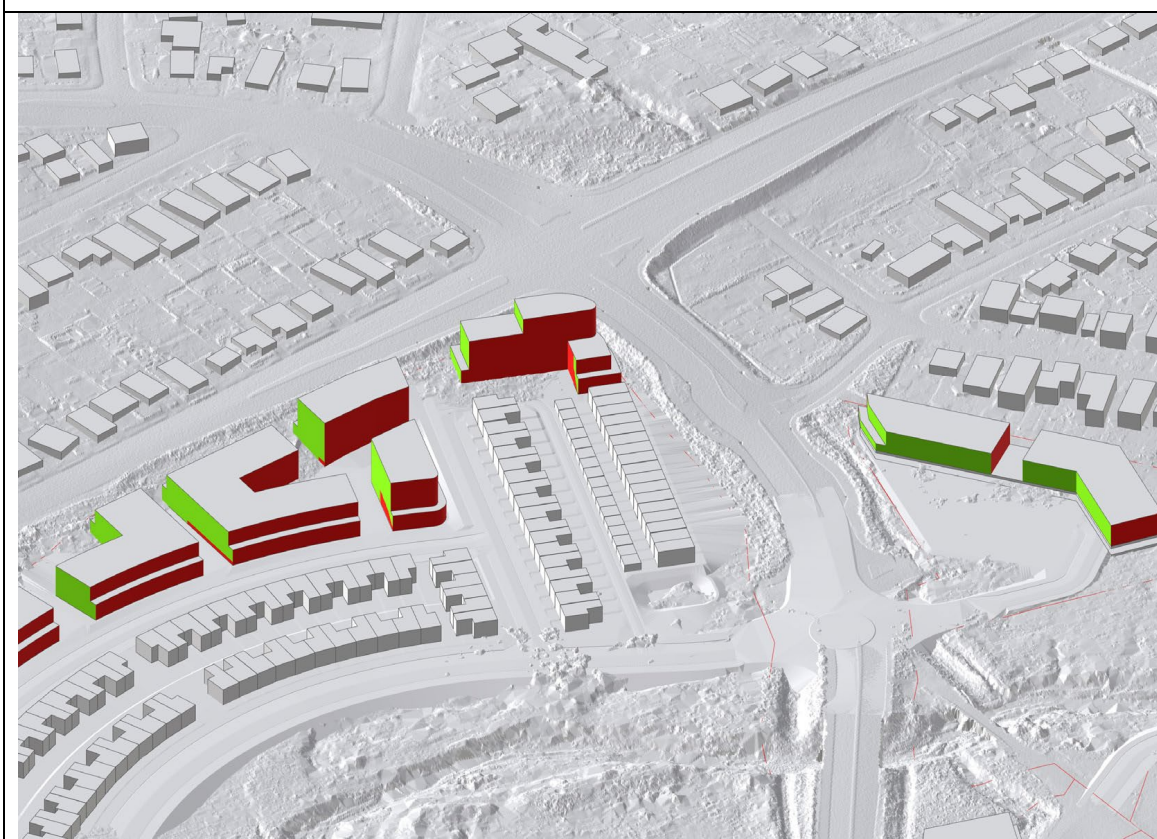


Figure 7 Main Road and Glendale Drive intersection – top as lodged and below as revised

Conclusion

The assessment of the variation request outlined above demonstrates that compliance with the development standard contained in clause 4.3 of the Lake Macquarie LEP is unreasonable and unnecessary in the circumstances of the case and that the justification is well founded. It is considered that the variation allows for the orderly and economic use of the land in an appropriate manner, whilst also allows for a better overall outcome in planning terms.

This clause 4.6 variation demonstrates the following, notwithstanding the non-compliance of the development standard on 5 of the development parcels in the MU1 zone:

- With reference to the methods for demonstrating that a development standard is unreasonable or unnecessary each objective of clause 4.3(1) is achieved. Specifically:
 - the objectives of 4.3 will be achieved by better urban outcomes that will acknowledge the landmark development, enable a greater diversity of built form, broader mix of dwelling types and the potential to retain existing mature vegetation
 - there are existing examples in the vicinity of the site where the height of residential buildings has exceeded the statutory limit.
- There are sufficient environmental planning grounds to justify contravening the development standard. The proposed arrangement remains consistent with the objects of the EP&A Act, specifically the proposed increase will:
 - ensure the vitality of the local centre and enhance the existing community
 - promote good design and amenity
 - result in orderly and economic use of the site
 - promote the delivery of affordable housing, and
 - increase the level of avoidance of impact on native fauna and flora.

Therefore, the DA should be approved with the variation as proposed in accordance with the flexibility allowed under clause 4.6 of the Lake Macquarie LEP.

Attachment A – Macroplan advice dated 1 October 2024

MACROPLAN; BRIEFING NOTE ON DEMAND FOR 6-8 STOREY APARTMENTS IN GLENDALE

The current plan for Glendale has a component of 4-storey apartment buildings.

The question is whether, if instead of 4-storey apartments, there was a combination of 4-, 6- and 8-storey buildings, would there be a lesser or greater demand from the market?

In assessing this question, Macroplan has drawn from work done for developers in the outer Sydney markets which target the middle market (not inner/expensive markets), and from informal survey of them on cost and pricing. Note that their pricing strategies in these markets are also informed by feedback from real estate agents which are also incorporated in Macroplan's reports for these clients.

Cost Per Apartment

The building costs per square metre tend to rise with height. The additional stories increase average costs due to a need for stronger reinforcing, more space for lift wells and extra safety requirements. Partially offsetting these, larger construction projects benefit from economies of scale such as specialisation in labour and machinery and the sharing of utility connections, walls and other fixed costs. While we have referenced cost estimates from Rawlinsons, from work/discussion with several developer/builders operating in the middle market (costs below Rawlinsons), in terms of all these factors, the transition from 4-storey to 6-8 storey buildings is not significant in terms of cost per square metre.

However, with land costs given, extra apartments lower the average cost of land per apartment. In the Sydney market, a study by Jenner and Tulip (2020) finds that in the Sydney market, the sweet spot from a cost perspective is between 10-20 storeys. That is, after 20 storeys cost per apartment (even with the benefit of lower land costs), costs rise with more storeys. In a market such Glendale, where the cost of land is lower, our initial estimate is that the sweet spot would be more like 8-10 storeys.

For a given site, an 8-storey vs 4-storey apartment building can reduce the cost per apartment. However, in this case, if that efficiency saving is consumed by an equivalent site being lost to development, then across the whole development, the cost per apartment will be unchanged.

Market Demand or Value

One point to make is that the high presence of 4- and 5-storey apartment buildings in some middle markets is more a function of regulatory controls (land zoned medium density) than it is necessarily of market preference or an assessment of what the market might absorb.

In our informal survey of developers in Sydney focused on the middle market, with the State Government now pushing supply, this is being used to push for increased heights in apartments.

In terms of assessing demand, if the market is prepared to pay a premium for apartments at a higher level, this indicates demand.

In the literature, studies (see Hansen and Benson (2013) in References) have focussed on the value of views of water so that in the inner Newcastle market, higher levels of apartments which have water views (harbour, ocean, beach) carry a significant premium.

However, even in outer suburban markets such as Glendale where there is not a water premium, there is evidence that buyers are prepared to pay more for apartments on higher floors and (as advised) developers expect to charge (and receive) a premium for higher levels. Developers accept that in middle markets (which are typically in-land markets), the buyers will not pay the level of premiums that higher-income buyers will in say the premium markets in Sydney or in the inner Newcastle market. Nonetheless, there will be demand in market like Glendale for the additional amenity which 6-8 storey apartments will offer.

There are quite a few reasons for this. The level of amenity (quality of life) will tend to be better at higher levels in an apartment building. The factors at play will be:

- views – even if not water views, views towards the green space in the Glendale have a value.
- better ventilation and quality air.
- lower noise levels from traffic; and
- better privacy in an apartment which is on the higher floor.

One aspect of a mix of 4-, 6- and 8-storey buildings is that it offers potential for a more interesting visual appearance. This visual appeal can add to the market value for all apartments in a complex.

In terms of the level of amenity offered to all apartments in a complex, more height can (other things equal) allow more open recreation space, which also can add to the market value for all apartments in a complex.

Investors vs Owner-occupier Buyers.

We would note that investors (supplying the rental market) will generally be less interested in paying for the higher value offered by views. In part that reflects the likelihood that renters in this market will tend not to be interested in – or have the capacity – to be paying premiums.

However, given apartments at higher levels also tend to appreciate more (capital gain), or investors might be intending to owner-occupy the apartment in the future, some investors will be prepared to pay extra for apartments at the higher levels.

However, owner-occupiers will be the primary source of demand for the apartments with a higher level of amenity

In the Glendale market, its location means that it is targeted at the middle-income market. This is a market which is sensitive to costs/prices. However, while sensitive to price, the experience of our sample of developers – applied to markets comparable to Glendale - is that the Glendale market would support a (modest) premium for 6- to 8-storey apartments.

Summary

In short, Macroplan's assessment is that there would be market demand for higher-level apartments in 6-8 storey apartment buildings in Glendale.

This is a market which is sensitive to costs/prices. This will limit the premium which buyers are prepared to pay but given that building costs are only marginally higher but overall costs (including land) lower, a modest premium still adds up.

Current Market Conditions

In assessing demand, we are looking through the current weakness. This weakness reflects the combination of sticker shock to the rise in construction costs, declines in real incomes, and higher interest rates.

That is, our assessment is based on a return to normal market conditions when the Glendale project comes to market.

Dr Nigel Stapledon,
Chief Advisor, Macroplan

Brian Haratsis,
Chairman, Macroplan

1 October 2024

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Hansen and Benson (2013) summarised previous studies (mostly in the US but still applicable to Australia) as tending to show that "world-class" water view premiums for homes that are near the coastline tend to be adding about 45 to 70% to residential values, relative to no view residences (incl. apartments).