

HADRON GROUP

Rozelle Village Development

YIELD MIX ANALYSIS



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Executive Summary

Rozelle Village is a high-end mixed use development proposal by Heworth in the suburb of Rozelle in the Inner West Local Government Area. The development is impacted by clause 19(6) of the Leichhardt Local Environmental Plan (2000) which requires new flat or shop-top developments delivering more than four dwellings to provide a minimum of 25 per cent of those dwellings as studios/bedsits or one-bedroom typologies.

To assess the ongoing relevance of the diversity clause we have:

- Used census data to understand the extent to which one bedroom and studio dwellings in the identified locations are under or oversupplied compared to surrounding areas and how the composition of dwelling typologies / bedroom mixes in these locations has changed since the diversity clause was introduced
- Considered future demand and supply for different dwelling typologies / bedroom mixes in the LGA based on household projections and strategic plans
- Assessed the role of two and three bedroom dwellings in addressing underutilised dwellings based on current underutilisation rates and projected household composition
- Assessed whether there is a market for the proposed price-point ranges for one bedroom apartments in the Rozelle Village development.

The diversity clause was first introduced in the Leichhardt Council Local Environmental Plan 2000 and applied to all residential zoned land. The clause also applies to the remainder of the former Leichhardt LGA through the Inner West Local Environmental Plan 2023.

Based on a review of Census data:

- The diversity clause does not appear to have been introduced to address a contemporaneous mismatch between demand and supply as the levels of under- and over-occupancy of dwellings in Leichhardt LGA were comparable to the neighbouring Ashfield and Marrickville LGAs.
- The diversity clause was likely introduced to meet strong future demand for housing in a sought-after LGA with limited land availability in close proximity to the Sydney CBD and to meet a projected shift in household composition towards smaller households.
- The share of studios/bedsits and one-bedroom dwellings has increased slightly in the former Leichhardt LGA suburbs of Rozelle, Lilyfield, Balmain and Leichhardt since the introduction of the diversity clause. However, there has also been an increase in the share in Ashfield and Marrickville suburbs. The share in Rozelle suburb as at Census 2021 was 17 per cent, similar to Balmain and higher than the other selected suburbs.
- The share of flats or apartments in total housing supply in Rozelle suburb was broadly flat between 2006 and 2021, whereas the other former Leichhardt LGA suburbs and Ashfield and Marrickville suburbs saw increases ranging from 6 per cent in Balmain to 12 per cent in Ashfield.
- There has been little change in the overall levels of under- and over-occupancy of dwellings in Rozelle, the other selected former Leichhardt LGA suburbs or the suburbs of Marrickville and Ashfield since the introduction of the housing diversity clause.
- There has however been a slight increase in the share of under-occupation by lone person households in Rozelle, Lilyfield and Balmain suburbs which may suggest a role for two- and three-bedroom apartments to accommodate downsizers given the ageing population.

Based on the current propensity for different household types to reside in studio and one-bedroom dwellings and the projected growth in household types over the period 2021 to 2031, it is estimated that demand for studio and one-bedroom dwellings in Rozelle suburb will be around 17 per cent of projected supply (based on forecast id. household and residential supply projections), significantly less than the 25

per cent required under the housing diversity clause. For the Inner West LGA overall, demand for studio and one-bedroom dwellings is projected to account for 18 per cent of forecast supply.

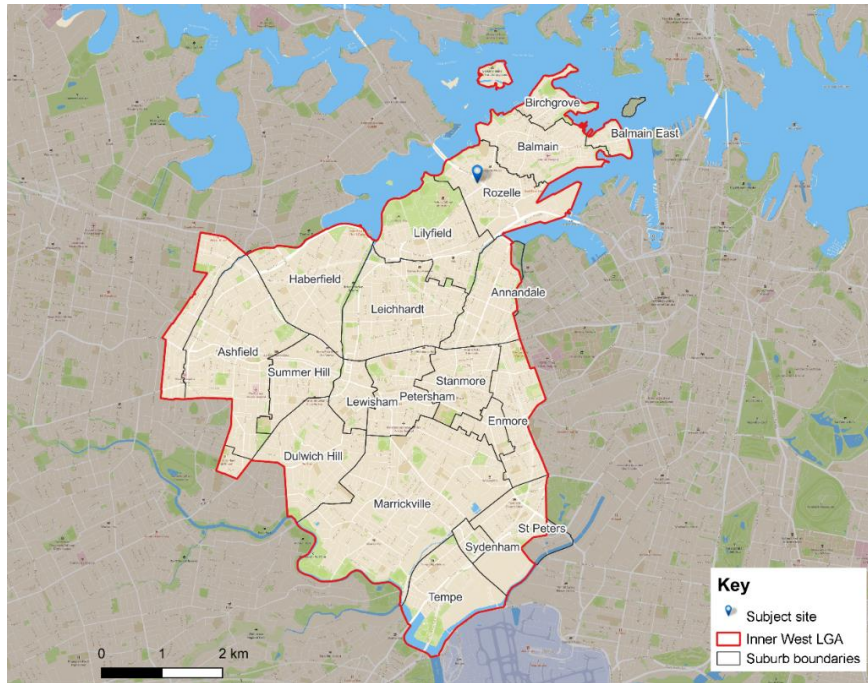
The proposed price range for one-bedroom units in Rozelle Village is \$1.15 million to \$1.55 million. This is a significant premium on the reported median sales price from *realestate.com.au* of \$785,000 over the 12 months to April 2023 based on 22 sales and comparable data from *domain.com.au* which indicates a median price of \$843,000 based on 24 sales, ranging from \$700,000 for an entry-level apartment to \$1.15 million for a high-end sale.

Overall, the analysis suggests that Rozelle suburb is not undersupplied with one-bedroom or studio dwellings compared to surrounding suburbs and that projected growth in household types supports delivery of a lower share of these bedroom mixes than required under the housing diversity clause over the period 2021 to 2031. The analysis also suggests there is a potential market for households looking to downsize in Rozelle and other former Leichhardt LGA suburbs and that the Rozelle Village development price-points for one-bedroom units represent a significant premium on the current market medians for Rozelle suburb.

1 Introduction

Rozelle Village is a high-end mixed use development proposal by Heworth in the suburb of Rozelle, NSW. The residential yield mix is currently being reviewed to determine if a reduction in the share of studio / one-bedroom apartments compared to that required under local planning legislation is justifiable, considering factors such as the projected supply of studios and one-bedroom apartments, current and future demographic trends and market appetite for high-end one bedroom apartments.

Figure 1: Rozelle Village site location and context



Source: Hadron Group

2 Yield Mix Analysis

2.1 HISTORICAL DEMAND AND SUPPLY IN LEICHHARDT LGA

At the time the diversity mechanism was introduced, the Leichhardt LGA was experiencing comparable levels of under-occupancy to the Ashfield and Marrickville LGAs, but higher levels than the Sydney and South Sydney LGAs (Table 1: Under-occupancy levels for selected LGAs as at Census 2001).

Table 1: Under-occupancy levels for selected LGAs as at Census 2001

Extra bedrooms	Leichhardt	Ashfield	Marrickville	Sydney	South Sydney
Separate house					
Two or more bedrooms than people	13.0%	15.7%	13.2%	0.0%	14.7%
One or more bedrooms than people	43.1%	43.4%	40.7%	15.8%	40.5%
Semi-detached, row or terrace house, townhouse etc					
Two or more bedrooms than people	8.9%	8.2%	9.0%	8.3%	10.9%
One or more bedrooms than people	39.4%	36.2%	37.4%	32.6%	39.8%
Flat, unit or apartment					
Two or more bedrooms than people	2.5%	1.5%	1.6%	2.0%	2.1%
One or more bedrooms than people	23.2%	26.3%	21.7%	18.8%	19.4%
Other dwelling					
Two or more bedrooms than people	4.2%	8.5%	4.1%	0.0%	7.8%
One or more bedrooms than people	21.3%	25.5%	20.3%	16.7%	22.4%
Total occupied private dwellings					
Two or more bedrooms than people	8.3%	8.1%	7.8%	2.5%	5.4%
One or more bedrooms than people	35.7%	34.3%	32.6%	19.7%	26.6%

Source: ABS Census 2001. Occupied private dwellings. Excludes dwelling types 'not stated'.

The Leichhardt LGA also had a comparable share of studio and one-bedroom dwellings to the Ashfield and Marrickville LGAs, but a lower share than both the Sydney and South Sydney LGAs.

Table 2: Dwelling bedroom composition for selected LGAs as at Census 2001

Number of bedrooms	Leichhardt	Ashfield	Marrickville	Sydney	South Sydney
Bedsit/studio	2.8%	0.8%	2.2%	4.1%	8.2%
One	14.5%	10.8%	12.7%	31.6%	27.3%
Two	41.2%	45.8%	43.4%	49.6%	40.5%
Three	31.9%	29.2%	30.9%	12.9%	17.6%
Four	7.8%	10.7%	8.4%	1.2%	4.7%
Five or more	1.9%	2.7%	2.3%	0.6%	1.6%

Source: ABS Census 2001. Occupied private dwellings. Excludes number of bedrooms 'not stated'.

The overall dwelling composition in the Leichhardt LGA was comparable to the Ashfield and Marrickville LGAs, but with a lower share of flat, unit or apartment typologies and a higher share of semi-detached, row or terrace house, townhouse etc. typologies. Just over 30 per cent of dwellings in the Leichhardt LGA were separate houses, slightly lower than in the Ashfield and Marrickville LGAs but significantly higher than in the Sydney and South Sydney LGAs where separate houses accounted for less than 5 per cent of dwelling stock and flats, units or apartments comprised the largest dwelling typology.

Table 3: Dwelling type composition for selected LGAs as at Census 2001

Dwelling Type	Leichhardt	Ashfield	Marrickville	Sydney	South Sydney
Separate house	31%	40%	35%	0%	4%
Semi-detached, row or terrace house, townhouse etc.	38%	13%	28%	7%	31%
Flat, unit or apartment:	29%	47%	35%	91%	64%
Other dwelling	1%	1%	2%	2%	1%

Source: ABS Census 2001. Occupied private dwellings.

The Leichhardt LGA had a lower share of couple families with children and higher share of couple families without children and lone person households than the Marrickville and Ashfield LGAs. However, it had a higher share of couple families with children than either the Sydney or South Sydney LGAs.

Table 4: Household composition for selected LGAs as at Census 2001

Household Type	Leichhardt	Ashfield	Marrickville	Sydney	South Sydney
Couple family with children	19%	30%	25%	9%	10%
Couple family without children	27%	22%	23%	27%	24%
One parent family	9%	9%	10%	6%	6%
Other family	2%	2%	2%	6%	2%
Group households	10%	7%	10%	15%	13%
Lone person households	33%	29%	30%	36%	45%

Source: ABS Census 2001. Occupied private dwellings.

Based on the above, the housing diversity clause was not introduced as a result of a contemporaneous mismatch between demand and supply, with relatively low prevailing levels of both under and over-occupancy. It is therefore most likely that it was introduced to meet strong future demand for housing in a sought-after LGA with limited land availability in close proximity to the Sydney CBD and to meet a projected shift in household composition towards smaller households.

2.2 IMPACT OF HOUSING DIVERSITY CLAUSE

The housing diversity clause also applies to the remainder of the former Leichhardt LGA through the Inner West LEP 2023. It does not apply to the former Marrickville or Ashfield LGAs. There has been a modest increase in the share of studios and one-bedroom dwellings in the former Leichhardt LGA suburbs as well as in Ashfield and Marrickville suburbs.

Table 5: Shares of studios and one-bedroom dwellings for selected suburbs

Census Year	Rozelle	Lilyfield	Balmain	Leichhardt	Ashfield	Marrickville
2006	16%	9%	17%	10%	14%	12%
2011	15%	10%	17%	11%	14%	13%
2016	17%	10%	17%	11%	13%	15%
2021	17%	11%	17%	13%	16%	16%

Source: ABS Census. Occupied private dwellings. Excludes not stated, not applicable.

The share of flats or apartments in total housing supply in Rozelle suburb was broadly flat between 2006 and 2021, whereas the other suburbs saw a significant increase in shares ranging from 6 per cent in Balmain to 12 per cent in Ashfield. In the absence of the dwelling diversity clause the share of studios and one-bedroom dwellings in Rozelle suburb would have been expected to decline.

Table 6: Shares of flats or apartments for selected suburbs

Census Year	Rozelle	Lilyfield	Balmain	Leichhardt	Ashfield	Marrickville
2006	36%	22%	34%	23%	60%	41%
2011	35%	23%	36%	25%	64%	41%
2016	38%	25%	37%	25%	68%	48%
2021	37%	30%	40%	32%	72%	51%

Source: ABS Census. Includes flat or house attached to a shop, office etc. Excludes not stated, not applicable and flat or apartment attached to a house.

Over-occupancy shares, measured as two or fewer bedrooms than persons resident, were broadly unchanged in Rozelle, Lilyfield, Balmain and Leichhardt suburbs between 2011 and 2021 but declined in Ashfield and Marrickville suburbs.

Table 7: Shares of dwellings with two or fewer bedrooms than residents for selected suburbs

Census Year	Rozelle	Lilyfield	Balmain	Leichhardt	Ashfield	Marrickville
2011	5%	6%	4%	6%	12%	11%
2016	5%	6%	5%	8%	14%	9%
2021	4%	5%	3%	6%	9%	6%

Source: ABS Census. Occupied private dwellings. Excludes not stated, not applicable.

There was not a significant increase the share of under-occupied dwellings, defined as dwellings with two or more bedrooms than persons residents, between 2011 and 2021. Total rates edged up in Rozelle, Lilyfield and Balmain suburbs and remained broadly flat in Leichhardt, Ashfield and Marrickville suburbs.

Table 8: Shares of dwellings with two or more bedrooms than residents for selected suburbs

Census Year	Rozelle	Lilyfield	Balmain	Leichhardt	Ashfield	Marrickville
2011	7%	10%	10%	8%	7%	7%
2016	8%	10%	9%	8%	7%	7%
2021	9%	12%	11%	8%	7%	8%

Source: ABS Census. Occupied private dwellings. Excludes not stated, not applicable.

There was a slight increase in the share of under-occupation by lone person households (in dwellings with three or more bedrooms) between 2011 and 2021 in Rozelle, Lilyfield and Balmain, whereas the shares in Leichhardt and Ashfield decreased slightly and the share in Marrickville was broadly unchanged.

Table 9: Share of lone person households in dwellings with three or more bedrooms for selected suburbs

Census Year	Rozelle	Lilyfield	Balmain	Leichhardt	Ashfield	Marrickville
2011	19%	24%	19%	25%	15%	17%
2016	20%	27%	18%	24%	15%	18%
2021	22%	28%	20%	21%	13%	17%

Source: ABS Census. Occupied private dwellings. Excludes not stated, not applicable

The increase in under-occupancy by lone person households partly reflects an ageing population in these suburbs, as well as the higher share of separate houses. This suggests there may be a role for two and three bedroom apartments in these suburbs to meet demand from downsizers.

Table 10: Median age of residents of selected suburbs

Census Year	Rozelle	Lilyfield	Balmain	Leichhardt	Ashfield	Marrickville
2011	36 years	38 years	38 years	36 years	35 years	37 years
2016	38 years	39 years	40 years	36 years	34 years	36 years
2021	40 years	41 years	42 years	37 years	36 years	37 years

Source: ABS Census

2.3 ONGOING NEED FOR THE DIVERSITY CLAUSE

Table 11 shows the shares of different household types in studios or one-bedroom dwellings as at Census 2021 for Rozelle, Lilyfield, Balmain and Leichhardt suburbs as well as for the overall Inner West LGA.

Table 11: Shares of household types in studios and one-bedroom dwellings, as at Census 2021

Household type	Rozelle	Lilyfield	Balmain	Leichhardt	Inner West
Couple families with dependents	1%	0%	1%	1%	1%
Couples without dependents	15%	7%	11%	12%	13%
Group households	2%	3%	4%	6%	4%
Lone person households	39%	31%	38%	35%	39%
One parent family	3%	1%	2%	1%	3%

Source: ABS Census. Occupied private dwellings. Excludes not applicable.

In Rozelle, 39 per cent of lone person households currently reside in studios or one-bedroom dwellings and 15 per cent of couple families without dependents.

The diversity clause will ensure a continued supply of studio and one-bedroom dwellings in future apartment and shop-top developments within the suburbs of the former Leichhardt LGA, including Rozelle.

Using a simplifying assumption that the share of household types in studios and one-bedroom dwellings remains unchanged over the 2021-2031 period, the demand for these dwellings can be estimated by applying these shares to projected growth in household types (source: forecast. id, small area projections).

This demand can then be compared to the projected supply of dwellings (source: forecast. id, small area projections) to see the required share of studios and one-bedroom dwelling typologies.

For Rozelle suburb, the forecast. id residential projections over the period 2021 to 2041 include the following developments:

- Planning Proposal for 469-483 Balmain Road, Rozelle.
- The Balmain Leagues Club site (D/2018/219) at 138-152 and 154-156 Victoria Road, 697 Darling Street, and 1-7 Waterloo Street, Rozelle.
- The potential for 1654 dwellings in the Rozelle investigation area (Bays Precinct), subject to further planning studies.

Whereas the Balmain Leagues Club site (subject site) and the development at 469-483 Balmain Road are subject to the diversity clause, the Bays Precinct is state-owned land and therefore does not need to comply with local planning requirements. However, the bulk of the Bays Precinct development will occur post-2031.

Table 12 shows the estimated demand for studios or one-bed dwellings based on applying the shares in Table 11 to the forecast.id projections of household types and supply of dwellings over the period 2021 to 2031.

Table 12: Projected demand and supply for studios and one-bedroom dwellings, 2021 - 2031

	Rozelle	Lilyfield	Balmain	Leichhardt	Inner West LGA
Increase in population	1891	870	147	1484	27050
Increase in households	913	441	117	845	12361
Inferred demand for studios / 1-bed dwellings	172	54	29	190	2416
Projected supply of dwellings	1015	479	155	958	13461
Required share of supply for studios / 1-bed dwellings	17%	11%	19%	20%	18%

Source: ABS (2021) Census. Occupied private dwellings. Excludes not applicable and not-stated; forecast.id (2023) Population and Household projections

This simplified analysis suggests that only 17 per cent of projected supply is required to meet demand for studio and one-bedroom dwelling typologies in Rozelle suburb and only 18 per cent of projected supply is required to meet overall demand for studios and one-bedroom dwellings in the Inner West LGA.

2.4 MARKET DEMAND FOR HIGH-END APARTMENTS

Property market insight data from *realestate.com.au* shows that one-bedroom units in Rozelle had a median sales price of \$785,000 over the period May 2022 to April 2023 based on 22 sales. Comparable data from *domain.com.au* indicates that the median price for one-bedroom apartments in Rozelle was \$843,000 based on 24 sales, ranging from \$700,000 for an entry-level apartment to \$1.15 million for a top floor apartment with extensive water views within the Balmain Shores complex. The approximate price range for a one-bedroom apartment in the Rozelle Village development will be \$1.15 million to \$1.55 million.

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