159 – 167 Darley Street West, Mona Vale

Economic Assessment and Justification Report

PREPARED FOR INTREC MANAGEMENT

July 2021

macroplan

macroplan staff responsible for this report:

Dr Nigel Stapledon, Chief Economist

Lainey Haratsis, Consultant – Economics

Version	Version No.	Author(s)	Review
Draft report	1.0	NS, LH	DV
Final report	1.0	NS	DV

Contact
Level 10
580 George Street
Sydney NSW 2000
(02) 9221 5211
info@macroplan.com.au

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Executive Summary

- Macroplan were commissioned by Intrec to undertake an economic assessment of the proposed Planning Proposal to rezone land at 159-167 Darley Street West, Mona Vale from low density residential to medium density residential. The report was to determine if there was economic justification and demand to support the proposed development concept including changes to the planning controls.
- The subject site is within 600-700 metres of the Mona Vale Retail Centre and is located immediately adjacent to a substantial amount of medium density housing i.e., land zoned R3 Medium Density Residential zone. The subject site is currently zoned R2 Low Density Residential.
- The Northern Beaches local government area (LGA) population is projected to rise from 265,500 in 2016 to 288,400 in 2036, and 296,600 in 2041 (see Tables in Appendix). These projections are the Department of Planning, Industry and Environment's (DPIE's) 2019 projections – and also include projections for households, (private) dwellings and population living in non-private dwellings. Based on these projections, the final draft Northern Beaches Local Housing Strategy Paper (LHS) dated April 2021 sets out the projected demand for (private) dwellings which are to grow from 106,500 in 2016 to 121,300 in 2036, and 126,400 in 2041. These estimates of demand are taken as targets.
- More recently, the COVID-19 pandemic has seen the Australian Treasury's Centre for Population (CfP 2020) release projections for lower growth for Australia, NSW and Greater Sydney in 2021 and the next few years. However, COVID's impact varies markedly across locations, with sharply lower growth in inner areas dependent on international students. By contrast, outer locations with high quality amenities, such as the Northern Beaches, have been positively impacted. The DPIE (2020) update, which considered the CFP (2020) report on the impact of COVID-19 on population growth with specific reference to Sydney, has noted this divergence in impact between locations, with a low and declining rental vacancy rate in the Northern Beaches LGA signalling a positive impact on demand. It also notes that this positive impact could be long lasting.
- Even before that boost from COVID, growth in the 4 years to 2020 has been higher than projected which reflects stronger than expected demand in Northern Beaches LGA. The population in 2020 had risen to 274,040 (June 2020) which already surpasses the DPIE (2019) projection for 2021 (269,600) by 4,440 or 1.6%. With minimal growth (0.4%) the projection for 2026 (275,200) will be passed five years early. With the working from home factor – a strong positive for the Northern Beaches – yet to be factored into the recorded numbers, the outlook is for the higher-than-expected growth to continue, certainly in the next period 2021-26.
- Given these considerations, it seems clear that the population and demand projections are significantly understated in the LHS.
- While DPIE has not changed its projections, the DPIE (2020) update and the evidence indicates that DPIE demand estimates will highly likely be substantially upgraded for the Northern Beaches LGA. The risk for the LHS in relying on the old projections and not taking account of the increased demand, is that the limited supply will be absorbed more quickly, tightening the market and adding further to upward pressure on prices.

- A broad indicator of the strength of demand for living in the Northern Beaches has been the rise in price of dwellings, and in particular the price premium (versus Sydney prices) for the area which has risen to over $200,000 for units and over $900,000 for detached houses in 2020. The preliminary indicators are that the premium has since increased further in 2021, to comfortably over $1 million and rising.
- As a place to work, the Northern Beaches is not a high-income area. However, in terms of its residents (as a place to live) it is a high-income, high-wealth area. Almost half (48%) of its residents work outside the LGA with a significant number in high-paid occupations in the CBD and North Sydney. With an increased propensity to work from home, this has increased the value placed by high income earners on locations like the Northern Beaches. Its marginal disadvantage in terms of transport access is lessened and the value of its amenity is increased. The increased demand from high-income workers and their households is a significant factor at present driving growth and prices in the Northern Beaches and will be so going forward.
- At present in terms of the mostly low-paid local jobs, 77% of the jobs in the LGA are filled by local residents, with only 23% commuting in. However, as more of the earlier generation of high-income working households move into retirement – 105% of the population growth to 2041 is accounted for by seniors - but stay in the Northern Beaches while another generation of high-income working households seek to move in, if supply remains constrained both in terms of number and diversity, the squeeze on middle and low-income households will only be accentuated.
- The likelihood is that the number of these low-income workers commuting in will only increase. In the competition for the available and limited supply, it will be the high-income households which prevail. This is not a new phenomenon but more young family households, including those of the young generation which grew up in the Northern Beaches, will be forced to move elsewhere.
- Now the first point to make is that, given the growth of Greater Sydney, these forces at play are to some extent not something that planning policy can counter-act, nor should planning policy expect to. However, to the extent that policy restricts supply and the mix of supply, it can add substantially to the pressures.
- The rise in the premium on Northern Beaches dwellings – both in terms of prices and rents – is the outward manifestation of these pressures. It is also evident in the affordability gap and housing stress measures. The high premiums for 2-bed and 3-bed units compared with the broader Sydney market, which relate to the supply being skewed away from offering smaller units, highlights how the lack of diversity is linked to the affordability issue.
- The DPIE projections have the demand for private dwellings requiring an additional 12,000 dwellings between 2020 and 2036, and (we note) another 5,100 by 2041. The LHS compares the demand in 2036 with the potential supply given current planning rules (i.e., a potential supply of about 11,800 dwellings) and finds a shortage of 275 dwellings by 2036, which we note would rise substantially to over 5,400 by 2041. Those estimates will significantly understate the shortage in 2036 and 2041 if, as has been the case in 2016-20, demand continues to run well ahead of the DPIE demand projections.
- The final LHS acknowledges the looming shortage requires changes to planning rules to accommodate that growth. The LHS estimates the additional stock which could be developed with desired changes in planning rules. In the case of the five strategic centres other than Frenchs Forest and including Mona Vale it envisaged changes could add 1,550-2,900. That would still leave the market very tight in 2036 (leading to upward pressure on prices) and a shortage when looking out to 2041.

- In terms of the timeline for changes to planning controls that would increase capacity, the LHS appears to see no urgency, notwithstanding evidence (on which the LHS is silent) that demand is running ahead of expectations and that price pressures are becoming more extreme.
- A significant risk for the Northern Beaches Council is that to the extent that sites that are developed in the near future are under-utilised, since many of these sites are the same ones which would be targeted by rule changes for higher utilisation, the capacity to address the looming shortfall will be made more difficult. And with demand currently running well ahead of projections, and absorbing development sites, those risks are only growing.
- The Frenchs Forest Health Precinct has a stated capacity for 4,360 medium/high-rise dwellings which the Northern Beaches Council has indicated it would prefer to use to meet the LGA's housing targets, particularly in the short term. In addition, in the April 2021 final LHS, it has allocated 1,000 new dwellings to Ingleside and used that 1,000 to reduce targets for other areas including Mona Vale. The problem with that argument is that separate targets for the Frenchs Forest and Ingleside areas – while attractive in their own right - are distinct from the coastal beach suburbs in the Northern Beaches LGA, which have such strong appeal. This would skew the market and see the price premium in the coastal suburbs only rise.
- The Northern Beaches Council is committed to building and strengthening the commercial and retail activity in the five major centres. However, the employment generating capacity of the major centres is tied in with the population in their orbits. The final LHS decision to use growth in Ingleside to pare back growth in Mona Vale will only weaken the prospects for the Mona Vale strategic centre. Additional population in Frenchs Forest and Ingleside is going to do little for businesses operating in the Mona Vale centre.
- The LHS looks at four different approaches in terms of where it would be desirable for changes in planning policy to allow new housing to be built. Its preferred approach is the Centres Renewal Framework (CRF) which identifies "core centres" and "mixed housing precincts" in developable (unconstrained) areas around a centre or public transport stop or a 10-15 minute walk. Mona Vale has been identified as one of five Central Investigation Areas (CIA) for renewal under the CRF framework. The area contains around 4,410 dwellings, with capacity for approximately 920 under the existing planning controls, and up to an additional 400 dwellings with more liberal planning rules under the CRF.
- The site is highly accessible to Mona Vale's town and retail centre, located less than 800m from the town centre. Based on the CRF, the subject site would be located within the "Mixed housing" area as the site is located within 800m from Mona Vale centre and public transport, has good amenity and is suitable for townhouse and small-scale apartment development similar to the existing streetscape, Consistent with the descriptors of the precincts described under the CRF, the site's relevant features are:
  - Highly accessible – only a 9-minute walk or 700 metres to the middle of the town centre, which has an abundance of amenities by way of shops and other services.
  - In terms of public transport, it is a 5-minute walk to the 156 bus service stops on Pittwater Road (400m walk) and a 13-minute walk to the B-Line bus stop on Barrenjoey Road opposite Village Park.
  - In terms of recreational amenity, it is over the road from the Bayview Golf Course which also has other facilities e.g., tennis courts. While a good walk, it is within walking distance to the beach at the opposite end of Darley Street, the park with a playground opposite the beach, and to the ocean walks

to the south. The beach has an ocean pool and is a patrolled beach which is important, particularly for families with children but also for retirees and people generally;

  - Includes larger sites suitable for redevelopment, or areas with potential for site amalgamations to host additional development.
  - The area contains a mix of detached houses, townhouses and apartments, but there is ample potential for additional housing; and
  - Most of the detached houses are on lots larger than 600 sqm, which would have the potential for small scale developments of townhouses and apartments of 2-4 stories.

- Notwithstanding this, the latest version of the LHS (dated April 2021) has amended the centre location for the CIA which has resulted in the site now being located just outside the CIA. No justification has been provided for changing the CIA for Mona Vale. The site is consistent with the CRF and therefore should be included in the Mona Vale CIA.
- Clause 4.5A of the Pittwater LEP, which allows a maximum of one dwelling per 200 sqm of site area, is, in the opinion of Macroplan, a planning restriction which impacts on the provision of housing diversity in the former Pittwater LGA and therefore Mona Vale. Sites of 600-750 sqm would be restricted to a maximum of three dwellings if the land was permitted to be developed for medium density housing. This is inconsistent with 600 sqm being suitable for "small scale apartments of 2-4 storeys" which on any reasonable reading implies substantially more than three dwellings. The LHS did not identify this as a current planning barrier/restriction to address for CIAs in the former Pittwater LGA and therefore it could be assumed that such a restriction would not apply once the Northern Beaches Comprehensive LEP comes into effect.
- To the extent that clause 4.5A is continued to be used to limit development, it will also be inconsistent with Council's policy to address the related issues of a looming shortage circa 2036 and the affordability of housing issue which is present today.
- Clause 4.5A encourages a small number of large apartments on sites, and these apartments will be correspondingly expensive dwellings, with high prices and high rents. It will thus directly contradict the intention to address affordability and to encourage the market to offer a more diverse range of dwellings. These dwellings will be out of the price range of key workers - nurses, teachers, let alone the hospitality and retail workers – providing the services which the residents of the area desire.
- New housing in Frenchs Forest and Ingleside may meet the targets in terms of numbers, but targets do not necessarily equate to demand. Mona Vale and Frenchs Forest are different markets and are not direct substitutes. In the final Local Housing Strategy, the Council added in 1,000 for Ingleside and used that to decrease the numbers from other parts, including reducing the target for Mona Vale from 240-520 to 180-400.
- Affordability issues are exacerbated by policies such as Clause 4.5A, which skew supply towards larger dwellings, which price out low-income households and do not offer the diversity which some retirees seek. The proposal specifically includes a mix of smaller dwellings which will directly address that affordability issue.
- The proposed development concept for the site could add up to a net 10 additional dwellings, if the site was rezoned to R3 and clause 4.5A was not applicable to the site. That would go towards meeting the forecast housing needs for the LGA and allow for a more diverse mix of unit sizes.

- There are two risks if the proposed Planning Proposal is not accepted by Council and the requested amendments are not made. One is that new developments will be deferred pending changes, and that this delay will add to the shortage and intensify affordability issues. The second is that to the extent that the resultant high prices and rents lead to some developments going ahead under the old rules, the path dependence of property means areas which would be expected to generate additional new housing under (later) changes to the planning rules, will be lost, adding to future pressures on affordability.

Section 1: **Introduction**

Macroplan were commissioned by Intrec to complete an economic assessment of the proposed Planning Proposal to rezone land at 159-167 Darley Street West, Mona Vale from low density residential to medium density residential to accommodate a mix of approximately 41 dwellings (i.e. apartments and townhouses) as follows (Figure 1):

Proposed dwelling mix:

- 12 x 1 Bedroom apartments
- 20 x 2 Bedroom apartments
- 6 x 3 Bedroom apartments
- 3 x Townhouses

However, the current planning controls do not permit the proposed development scheme, that is medium density housing and a mix in type and size of apartments. This purpose of this report was to determine if there was economic justification and demand to support the proposed development concept and changes to the planning controls.

Figure 1. Proposed Concept Plan

Source: Giles Tribe (2021)

Intrec currently own properties 161-165 Darley Street West (approximately 3,700m^2) and are in discussions with the landowners of 159 and 167 Darley Street West to purchase these sites. The total site area of all five allotments is approximately 6,120m^2. Intrec and Macroplan met with Northern Beaches Council in September 2020 to discuss the Planning Proposal concept and Council provided meeting minutes and advice regarding the concept on 13 October 2020. Council raised the following matters which are of relevance to the proposed scope of works:

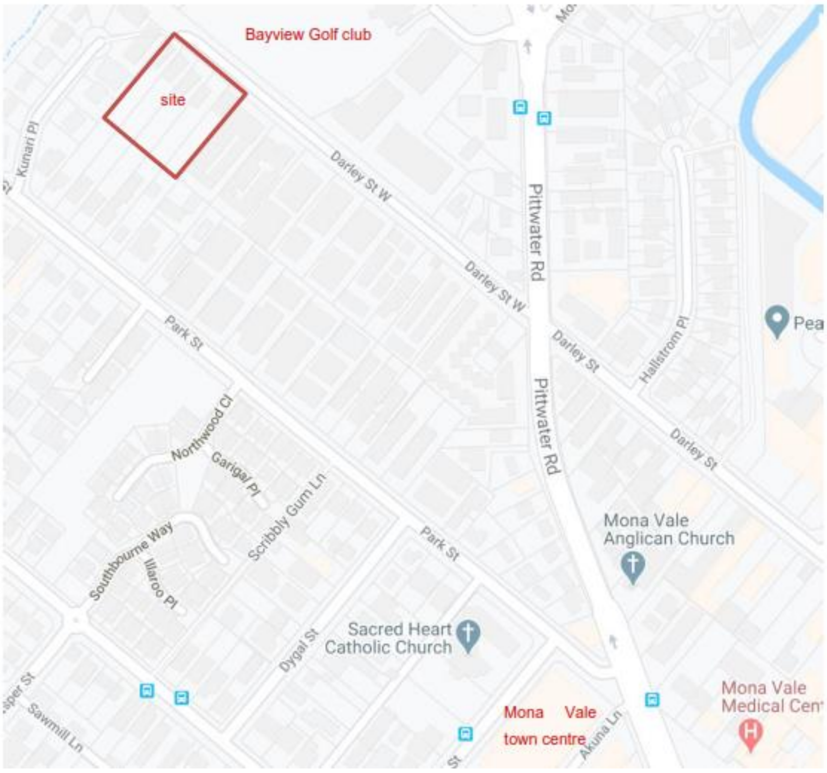
- The Planning Proposal should not proceed before Council's Housing Strategy has been released (a draft of this Strategy has now been released).
- The rezoning is not needed to meet the LGA's housing targets, particularly in the short term. Council want to focus new housing in Frenchs Forest.
- Not supportive of the removal of clause 4.5A of the LEP which limits the number of dwellings that can be constructed on the site.

This report provides strong economic justification addressing Council's initial feedback on the Planning Proposal and why the site should be rezoned to allow for medium density housing.

1.1 Locational Context

The subject site is located at the end of a cul-de-sac on Darley Street West, opposite the Bayview Golf Club (Figure 2). The site is within 600-700m walking distance of Mona Vale town centre and is located 280m from the intersection of Pittwater Road. The closest bus stop is just over 400m from the site on Pittwater Road. Darley Street West is characterised by 2-3 storey residential flat building and multi dwelling housing developments.

Figure 2. Site Context



Source: Macroplan (2021), Google Maps (2021)

1.2 Property Description

The site is located in the Northern Beaches local government area (LGA), formerly Pittwater LGA. The site comprises five properties and is legally described as:

- Lot 5 DP11108 (159 Darley St W)
- Lot 4 DP11108 (161 Darley St W)
- Lot 3 DP11108 (163 Darley St W)
- Lot 2 DP11108 (165 Darley St W)
- Lot 1 DP11108 (167 Darley St W)

Figure 3. Properties

Source: Macroplan (2021), Google Maps (2021)

1.3 Zoning

The subject site is zoned R2 Low Density Residential under PLEP (refer to Figure 4). The objectives of the R2 zone are outlined below:

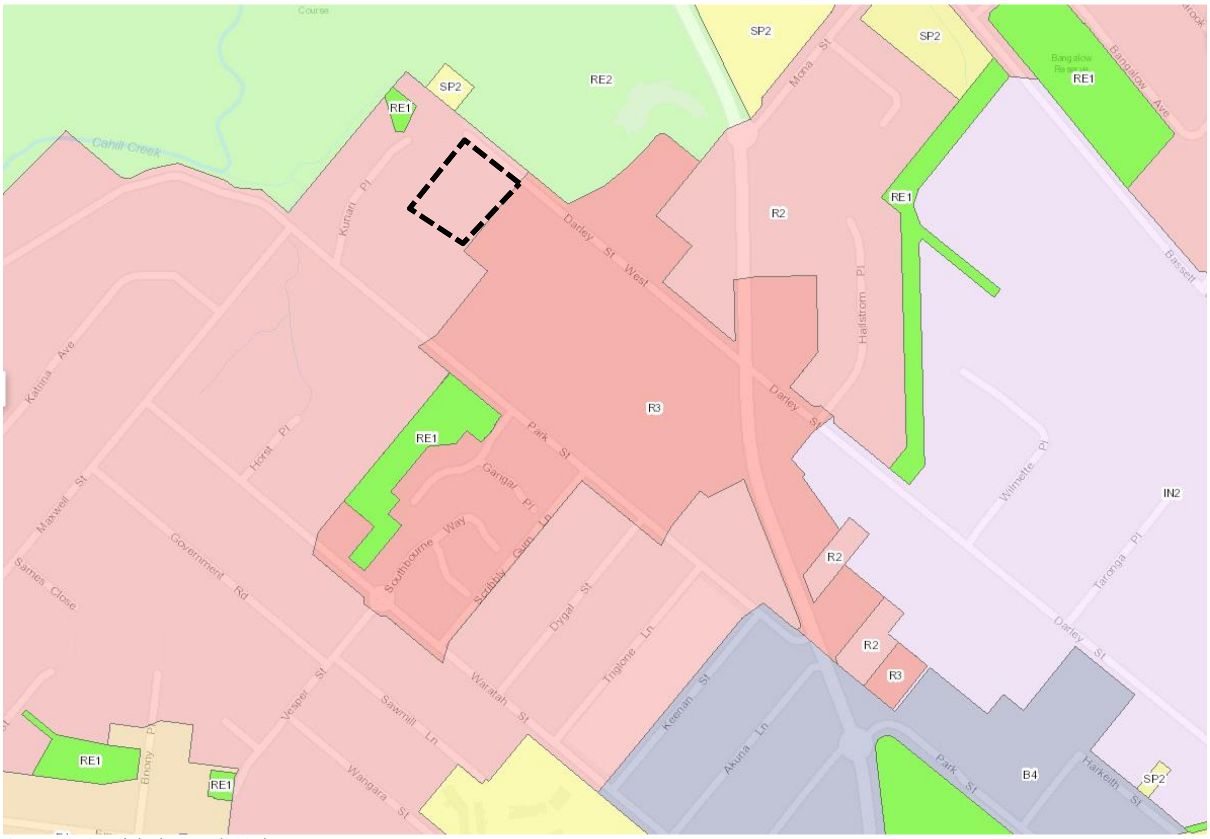
Zone R2 Low Density Residential

1 Objectives of zone

- *To provide for the housing needs of the community within a low-density residential environment.*
- *To enable other land uses that provide facilities or services to meet the day to day needs of residents.*
- *To provide for a limited range of other land uses of a low intensity and scale, compatible with surrounding land uses.*

Land directly to the east of the site is zoned R3 and permits the proposed housing style proposed for the site.

Figure 4. Zoning Map



Source: eSpatial Planner (2021)

Section 2: **Residential Property Market**

In this section we look at long term trends in prices in the Greater Sydney and Northern Beaches LGA housing markets, and the factors which have driven those trends. We also observe the rise in the price premium, which housing in the Northern Beaches commands, compared with the Greater Sydney market.

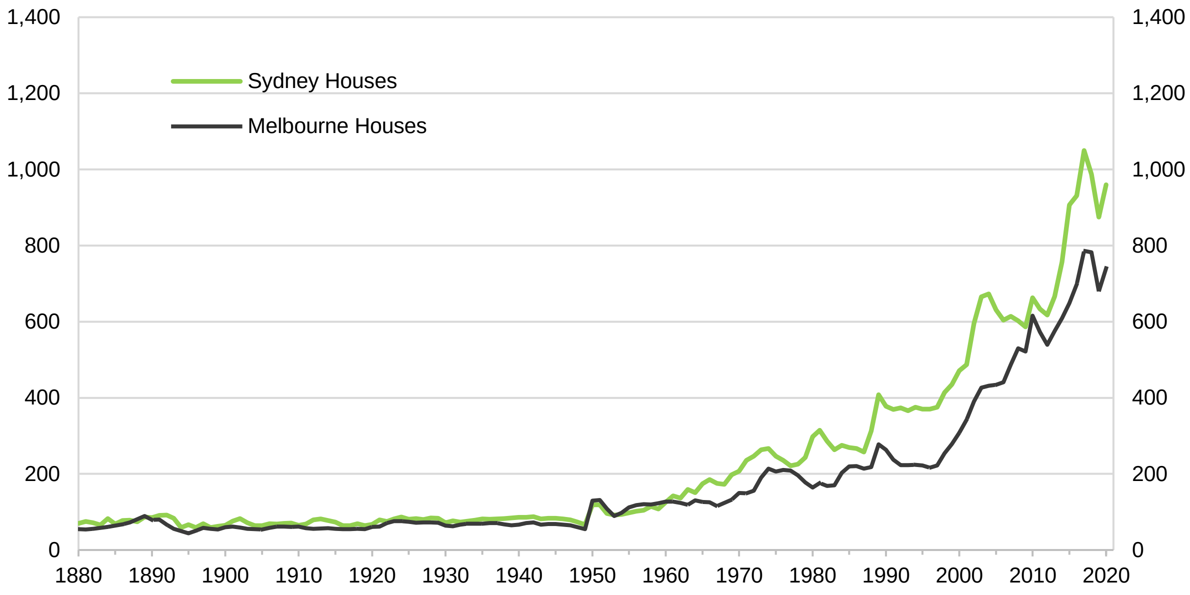
2.1 Long-term Price Trends

2.1.1 Price Trends in the Sydney House Market

While Sydney house prices exhibited a negligible upward trend prior to 1960 (Figure below), over the period 1960-2021, established housing prices have risen by 3.5% per annum in real terms[1]. Excluding improvements (and knock-down and rebuild) to the existing housing stock, which add 0.5-1% per annum to the value of the housing stock, the capital gain is 2.5-3% per annum and this reflects very largely the rise in land value.

The cost of constructing dwelling structures has risen but can only explain a small part of the rise in cost of housing. Over the period,1960-2020, costs in real terms have risen on average at 0.6% per annum, well short of explaining the rise in established house prices over the same period.

Figure 5. Annual Prices $'000, real terms (June 2019 prices)



Source: Dr Nigel Stapledon UNSW

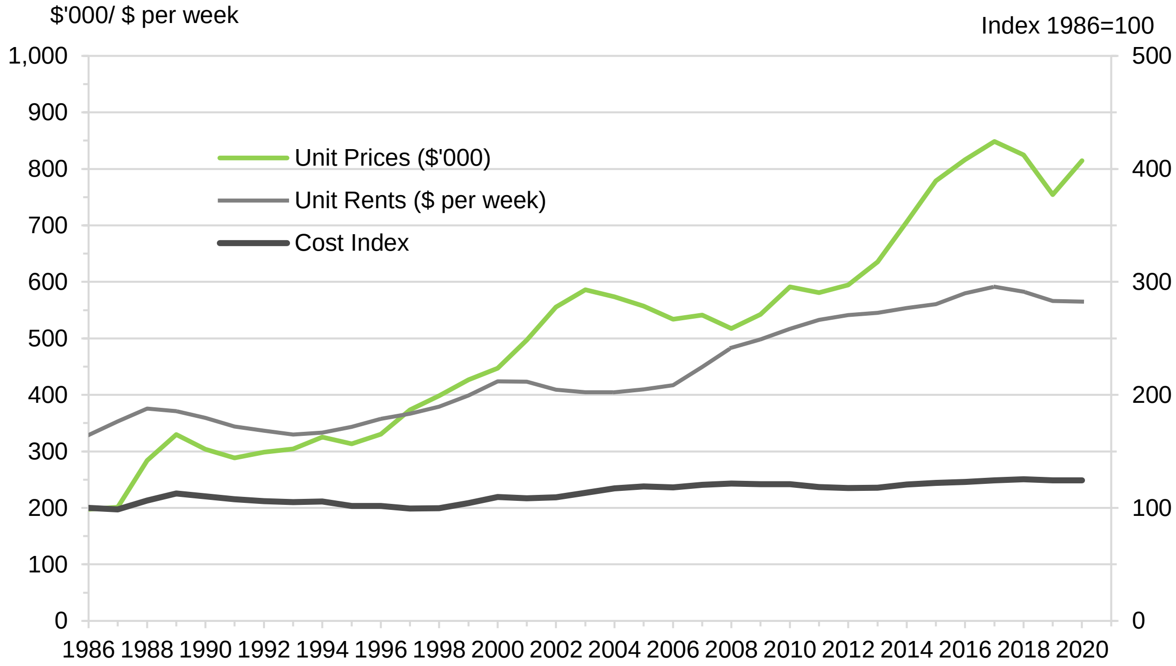
2.1.2 Price Trends in the Unit Market

Since 1986 (when data on the apartment market became available) the upward trend in house prices has also been experienced in the apartment market. The upward appreciation has been at a lesser rate – 4.2% per annum average vs 4.5% per annum for houses over the same period. However, this can be explained in terms of the lesser component of land in the value of individual apartments and also the lesser improvements made to the stock of existing apartments. Note also that period since 1986 is one when house price growth has been above

[1] All pricing is reported in real terms, that is, nominal prices that have been adjusted for inflation.

the longer-term trend rise of 3.5%, in part because the starting point (1986) was a cyclical low. Longer term growth for units might be closer to 3%.

Figure 6. Sydney Units – Prices, Rents and Costs for Units 1986-2020 (Real terms - June 2019 prices)



Source: Dr Nigel Stapledon UNSW using various sources including NSW DCJ Data

2.1.3 Market Factors, Policy and Prices

As the population of cities grow, and the incomes of households rise (increasing demand for space), the value of land rises as the cost of commuting from the outer to the centre (CBD) rises. As the value of land rises, there is a natural pressure for the land to be used more intensively. This implies a higher density of dwellings, including apartments in inner areas and on/around stations on rail lines – locations which have the advantage of shorter commuting times to the CBD. In cities such as Sydney with high concentrations of high-income jobs in their CBD, these pressures will be more pronounced. In addition, in cities in locations which offer high levels of natural amenity (e.g., beaches, national parks) there are added price premiums. The Northern Beaches is an example of an area within Sydney with a significant premium for its location due to the high level of natural amenity it offers.

Where cities are constrained geographically – as Sydney is by ocean (to its east) and national parks to its north, south and west, the upward pressure on land prices will also be higher. In addition, where cities are constrained by policy, the value of land also rises faster. In the case of Sydney, policies which limit density (zoning of land for low density and impediments to rezoning for higher density) in the inner areas means that the land which is 'selected' for (allowed to be) developed contains a scarcity premium. It also means the unsatisfied demand pressures are pushed out to the middle and outer areas. At the same time, policies which constrain the outward expansion of the city (urban growth boundaries) serve to create a scarcity premium in fringe land prices which feeds through into the value of land in all areas. The Productivity Commission has highlighted the rigidity of the planning system in NSW as a problem and studies by the RBA have highlighted the impact of this on the cost of housing in Sydney.

It is the combination of population and income growth, against a constrained supply, which largely explains the long-term rise in prices in the Sydney market. Sydney is not unique. Globally, cities such as San Francisco (and most Californian cities) and Vancouver in Canada share a very similar combination of factors and have experienced similar long-term rises. In the US this contrasts with inland cities where supply is not constrained and growth has been lower, and where prices have shown little long-term movement. Studies of US cities have highlighted that cities such as San Francisco are more volatile than other markets, and Sydney is also a market which is subject to volatility.

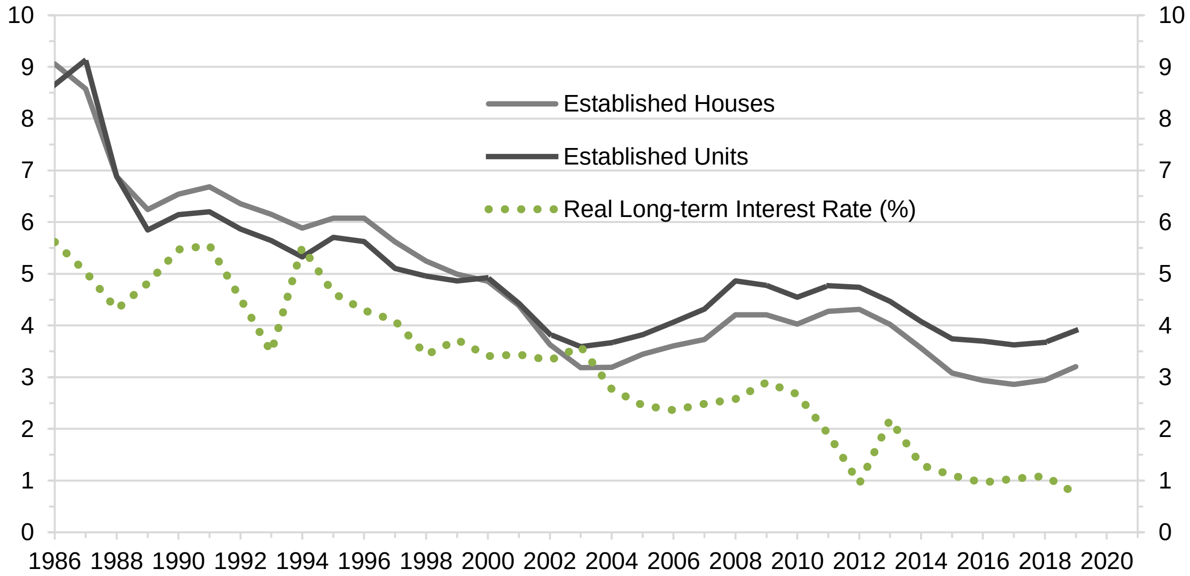
Due to the time taken to construct housing, it is a market naturally and historically observed to be subject to cyclical swings. In the case of Sydney, when demand is strong, the significant time required for developers to obtain approvals means there is a long lead time before decisions to develop a site translates into supply. This makes the market prone to over-shooting.

2.1.4 Interest Rates and House and Apartment Prices

In the period since the 1989-91 recession there has been an on-going structural decline in interest rates (see the Figure below) which has taken interest rates to historical lows. This has boosted asset prices generally. It has accentuated the rise in dwelling prices in Australian dwelling markets which have run well ahead of rent growth. In the case of the Sydney apartment market, in the period from 1996, rents rose by 1.9% per annum in real terms, while over the same period prices rose by 3.8% per annum – about double the rate. Correspondingly, yields on residential property have declined to low levels. Over this period, the average yield declined from about 5.5% to below 4%. The decline was more extreme in the house market, principally because of the higher land content in the value of houses – higher yields are required on the structure versus the land component of dwelling properties.

Looking ahead, with interest rates at levels which leave little scope to go lower and some risk of moving higher at some point (when economic growth is stronger), this means that the high rates of price growth experienced in the last two decades are not a guide to likely – or achievable - price growth going forward. However, the last step in the decline in interest rates in 2020 may not yet be fully factored into prices, so prices could still rise further in 2021.

Sydney – Gross Rental Yields for Houses and Units 1986-2019



Source: Dr Nigel Stapledon UNSW using various sources including NSW DCJ Data

2.2 Market Cycles

While there is a clear long-term upward trend in property prices, this has been punctuated by periods of boom (high rates of price growth) and bust (periods of decline). The impact of COVID-19 on net overseas migration (NOM) - a significant negative demand shock - raised the risk of a fall in prices in 2020. This did not eventuate with fiscal stimulus and the further round of interest rate cuts more than offsetting that shock, but the risk posed by this demand shock still remains. In this section, we look at past boom-bust cycles, their drivers and their links to cycles in activity, and what the implications might be for the outlook for the property market in the period ahead – both short and long term.

2.2.1 Housing Cycles

The Sydney and Melbourne housing markets have experienced some very significant booms and busts over the past century or more. In the more recent history (post-1970), the housing cycles have been closely aligned with cycles in the commercial property market and these are discussed below.

In terms of earlier cycles, demographic factors have played a part. In the case of the Spanish flu which occurred at the end of WW1, the war period had caused a cessation in net overseas migration so the flu itself simply extended a period of weakness (in prices and activity) in the housing market. There was then an extended rebound in the 1920s.

The most significant boom-bust period was in the 1990s. A population boom in the 1980s had ignited demand for property which fed into a self-reinforcing boom which saw output of new land lots and housing at levels which proved unsustainable. Then when the bubble burst, net overseas migration collapsed in response to the sharp rise in unemployment which the collapse in housing activity precipitated. The oversupply in land took more than a decade to clear, longer in the case of Melbourne where the boom-bust was most extreme.

In terms of relevance to the present COVID experience, this episode provides an extreme example of how shifts in NOM can have significant impacts on the housing market. By comparison, the COVID-19 experience is likely to be significantly less severe. Firstly, because the magnitude and swings in NOM are less severe/more even in the current period. Secondly, the economy is more broadly based today, with the housing sector playing a lesser role in the overall economy. That is, the impact of swings in the housing sector on overall economic activity is significantly less. In addition, Governments today have more levers to pull to support economic activity. In turn, with economic activity less affected, the resilience of economic activity itself provides valuable support to housing demand.

2.3 The Current Residential Cycle

2.3.1 The Price Cycle

The Sydney residential market is, as observed in sections above, a highly cyclical market. This reflects the constraints on supply (discussed above), swings in population growth and the impact of changes in interest rates. While some different factors are at play, by and large the apartment market and the house market price cycle move very closely together.

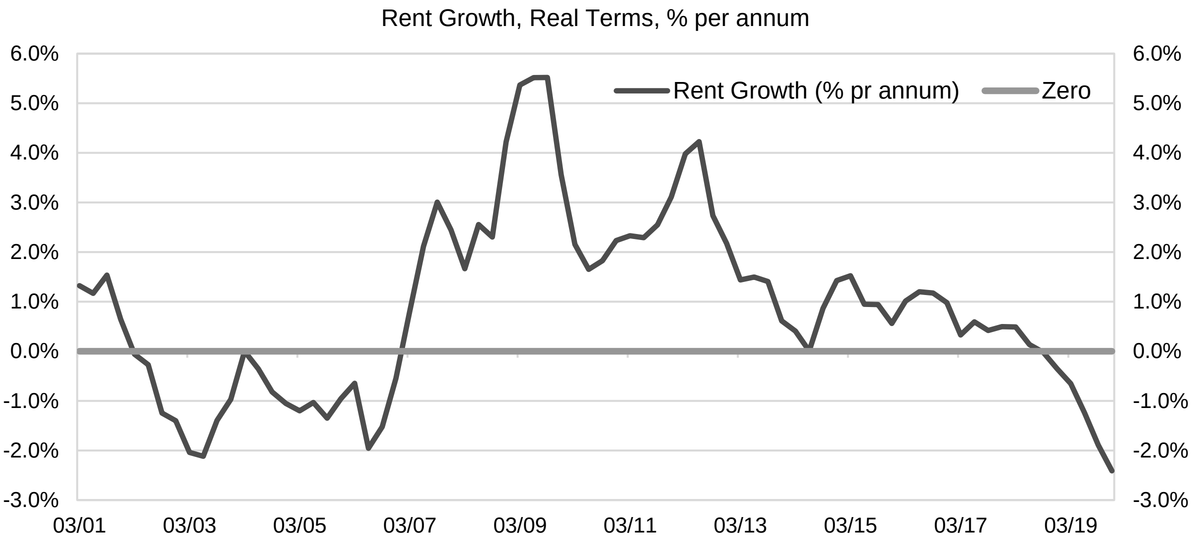
The Sydney market experienced a long upswing in prices in the period 1996-2004 which largely reflected the impact of a structural decline in interest rates and the sustained recovery in the economy after the recession of the early 1990s. By 2004, after a period in which high levels of activity had growth in stock well above growth in population (underlying demand), the shift to over-supply was placing downward pressure on rents and with the impact of interest rates fading, the market weakened (see Figures 8 & 9).

The under-supply proved short-lived in this period, in part because there was a surge in population growth (immigration) in 2007 which was linked to the resources boom which Australia was experiencing. The shift back to under-supply saw a surge in rents. However, this was countered by a rise in interest rates which suppressed prices until about 2012.

Figure 7. Sydney Established House and Unit Prices 2001-2019, (Real Terms - June 2019 Prices)

Source: ABS Residential Prices and macroplan

Figure 8. Sydney Market Dwelling Rent Growth 2001-2019, (Real Terms,) % Annual Growth



Source: ABS data and macroplan

The pressure on prices from rising rents and then subsequent falls in interest rates saw the market experience a significant boom in the period 2012-17. Other factors which drove the strong price gains in the period 2012-17 were the lag effects of sustained period of high population growth (the principal component of 'underlying demand') which had demand outpacing supply growth. For Australia, the lift in immigration was initially stimulated by the resources boom. While the end of the resources boom had seen total immigration inflows off their peak levels, it had also seen the distribution of the inflows change, with a switch in the flows to the Melbourne and Sydney markets.

In 2014, growth in stock again caught up with underlying demand and with a lag this saw the upward pressure on rents start to moderate. This moderation and with the then low interest rates fully factored into prices, the market lost momentum and prices fell in the period 2017-19. The period of property market weakness in prices across Sydney in the two years 2017-19, following the sharp rise from 2012-17, came to an end with prices for houses rising quite strongly in the second half of 2019 and momentum carrying that into the first half of 2020 before COVID came along.

The COVID shock in early 2020 then saw expectations for sharp falls in prices. While there were some initial declines in prices, these proved short-lived. The magnitude of the fiscal stimulus meant that the rise in unemployment which occurred in 2020 was significantly less than expected and the income support provided by the Government largely offset the rise in unemployment that did occur. Equally importantly, the Reserve Bank cut interest rates to 0.1%, or effectively zero, and in conjunction with Australian Prudential Regulation Authority (APRA) further encouraged a loosening in lending conditions. While the decline in interest rates in 2020 was small compared with previous cycles, the proportionate decline was still significant and coming on top of the cuts in 2019, the boost to the market has been significant.

In the short term, the decline in interest rates is probably not yet fully factored into prices, so prices are likely to rise further into 2021 impacting on housing affordability, particularly for those trying to enter the market.

2.4 Northern Beaches LGA Residential Property Market

In December 2020, the median house price in the Northern Beaches LGA was recorded at $1.85 million, compared with $0.92 million for Sydney, while units had a median price of $944,000, which compares with $712,000 for Sydney. Clearly, in the Northern Beaches, while units are typically smaller than houses, at about half the price, units are the more affordable option.

Between 2017 and 2019, Greater Sydney's median dwelling prices dropped significantly. This trend was mirrored in the price of dwellings in the Northern Beaches LGA. However, the decline in dwelling prices in the Northern Beaches was less pronounced in that period and the lift in prices in 2020 has seen prices (in real terms) back to close to their peak in 2017.

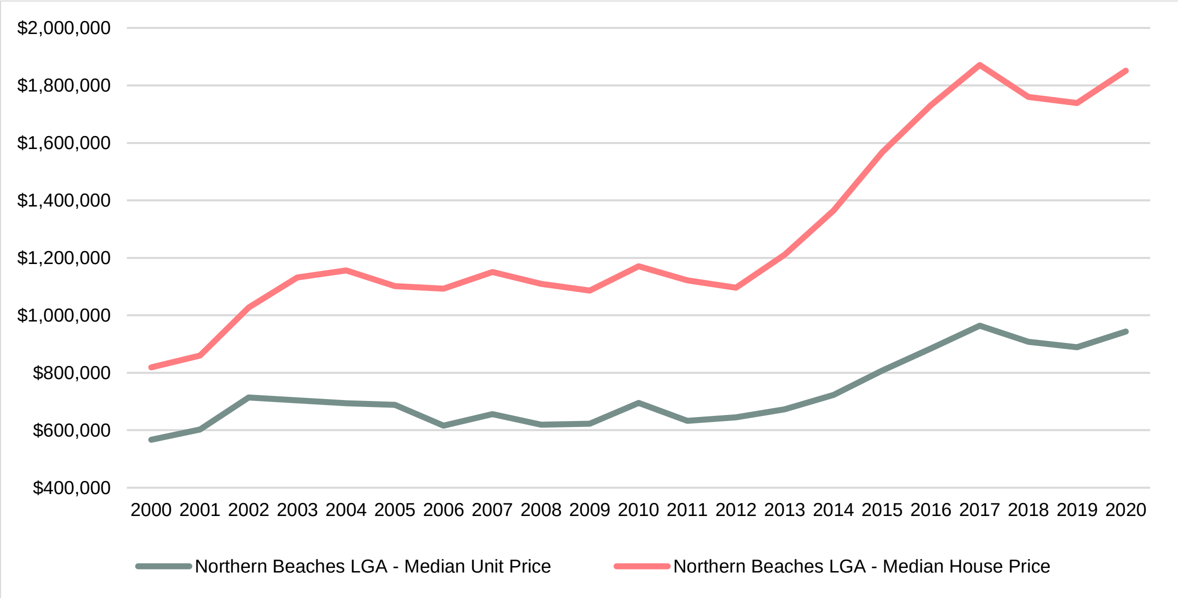
Overall, the Northern Beaches market has performed more strongly compared with the overall Sydney market and partial indicators point to that being the case in 2021. Corelogic estimates for the first half of 2021 (latest May 2021) have the median house price rising to over $2 million.

Taking a longer-term view, since 2000 the median house price in the Northern Beaches LGA has risen significantly compared with the median for Greater Sydney. The Northern Beaches market has historically carried a premium over the broader Sydney market. The price premium associated with the area is a reflection of its desirable location with its eastern boundary a coastline of quality beaches and waterways and its western boundary a national park. These natural boundaries also restrict supply however these natural supply constraints are added to by policy constraints on the numbers and type of dwellings that can be built and this scarcity is a major factor in the premium. In the 20-year period 2000-2020, the value of the Northern Beaches premium has risen from $346,000 (in 2019 dollars) in 2000 to $932,000 in 2020, almost a trebling. Most of that gain has been in the last five years. In 2021, the Corelogic numbers suggest the premium is heading towards the million dollar mark.

The rise in the price premium has also been reflected in the rise in the ratio of Northern Beaches prices to Greater Sydney prices which was steady at about 1.7 from 2000-2014 before jumping towards a ratio of 2.

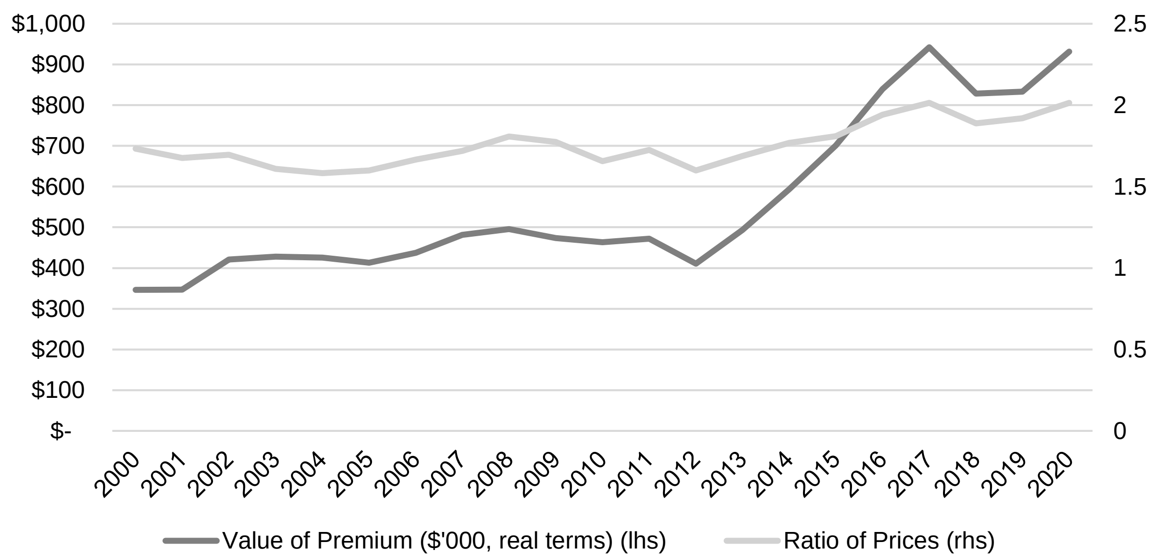
With unit prices having a lower land and higher building content in its value, prices are not expected to rise as fast as houses (see Figures below) and the price premiums are expected to be less, which is also the case. For units, the premium in 2020 was $232,000, which is about 30% of the house premium. After appearing to decline in the period to 2015, reflecting similar demand drivers to detached houses, the Northern Beaches premium for units has risen sharply in the last five years.

Figure 9. Residential Median House Prices, 2010-2020 ($'000 Real Terms 2019 dollars)



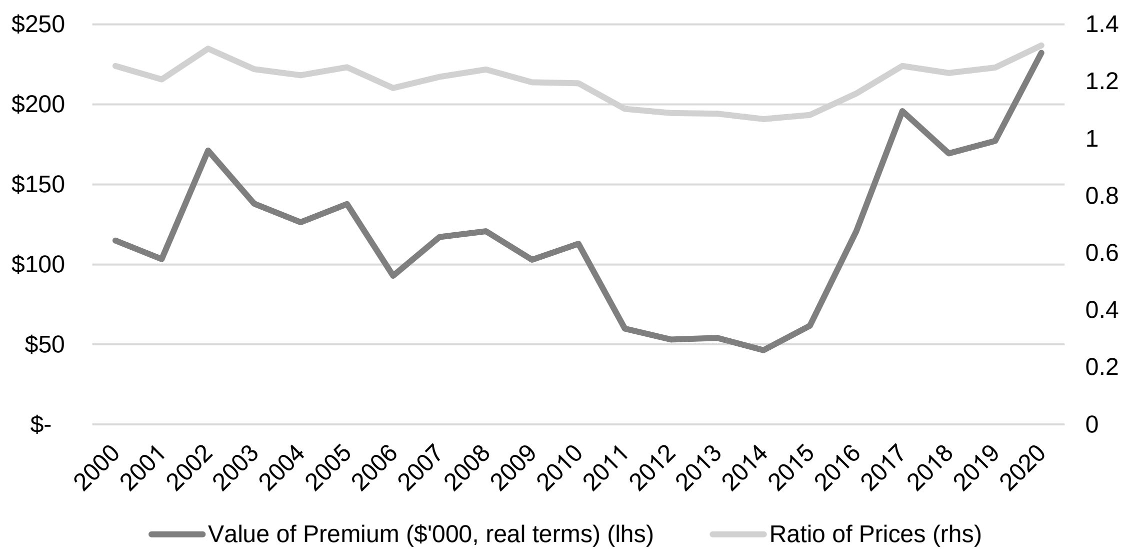
Source: CoreLogic (2020), Macroplan (2021)

Figure 10. Northern Beaches House Prices vs Greater Sydney



Source: CoreLogic (2020), Macroplan (2021)

Figure 11. Northern Beaches Unit Prices vs Greater Sydney

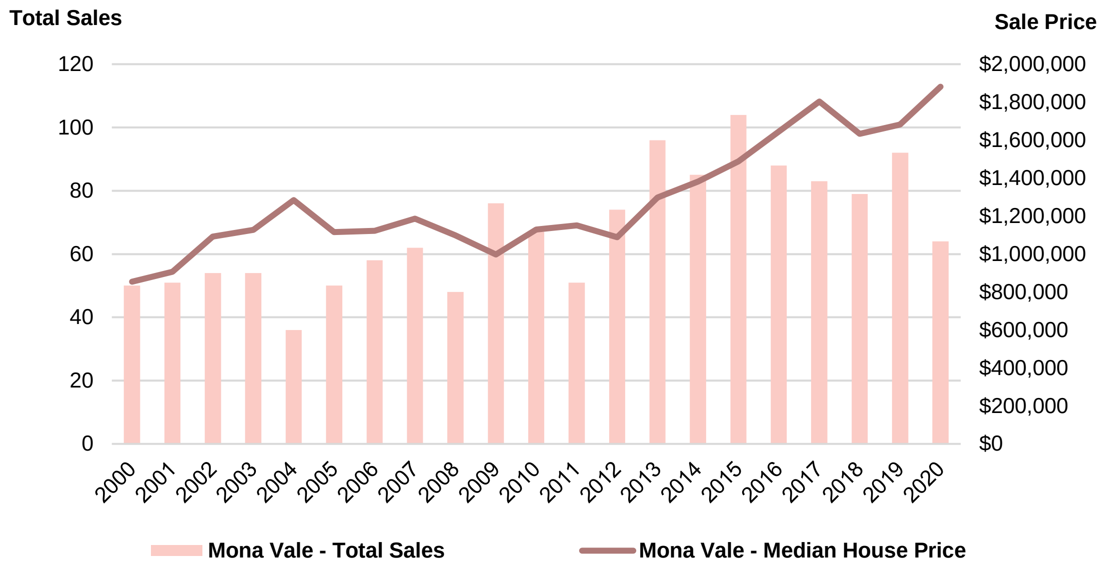


Source: CoreLogic (2020), Macroplan (2021)

2.4.1 Mona Vale Property Market

Unlike the metropolitan area where prices had been falling 2017-19, prices in Mona Vale began recovering in 2019 (see Figure below) with house price increasing 3.0% between 2018 and 2019. Increasing prices continued into 2020 with the median house price in Mona Vale recorded at $1.88 million in December 2020.

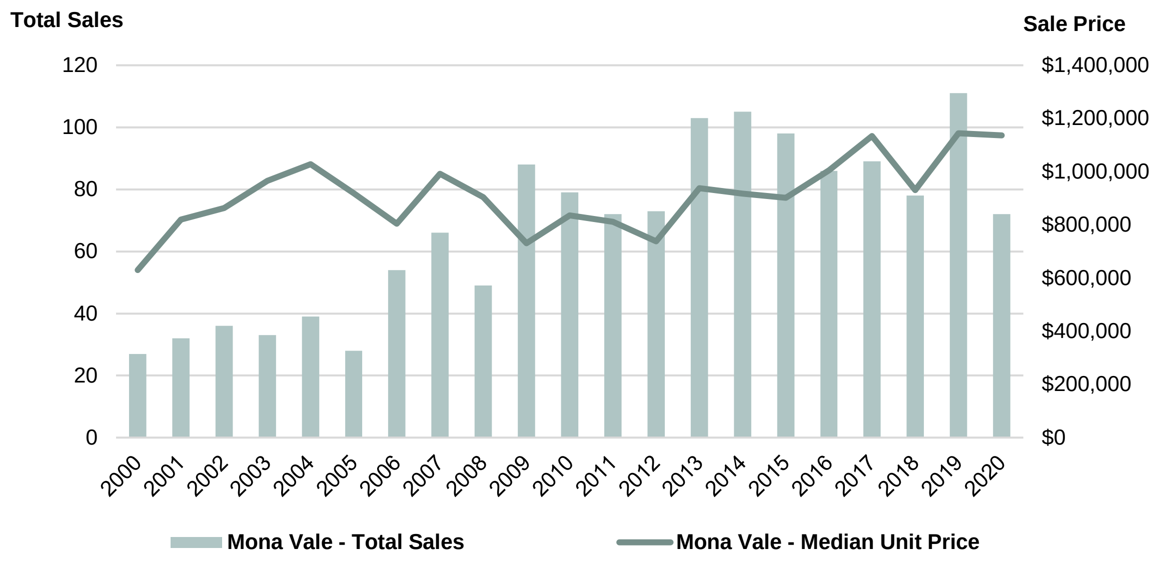
Figure 12. Mona Vale Housing Market, 2000-2020, (Real Terms 2019 dollars)



Source: CoreLogic (2020), Macroplan (2021)

There is some statistical volatility in unit prices for Mona Vale, so some caution is required in interpreting yearly movements. Preceding that, the numbers show a sharp fall in 2018 followed by a more than offsetting sharp rise in 2019 which had the median unit price still above its 2017 peak. While the house market rose in 2020, the numbers said it was only a steady year for units. There is a preference in the current COVID-affected market for detached houses but the anecdotal evidence suggests that the unit market is firmer than implied by the numbers. In December 2020, the median unit price in Mona Vale was $1.4 million which was around $193,000 more than the wider Northern Beaches area. This premium for Mona Vale units could reflect locational factors (more in proximity to beach) but it is also likely to reflect the larger average size of units in Mona Vale which as discussed below (section on rents following) makes the unit market in Mona Vale less affordable.

Figure 13. Mona Vale Unit Market, 2000-2020, (Real Terms 2019 dollars)

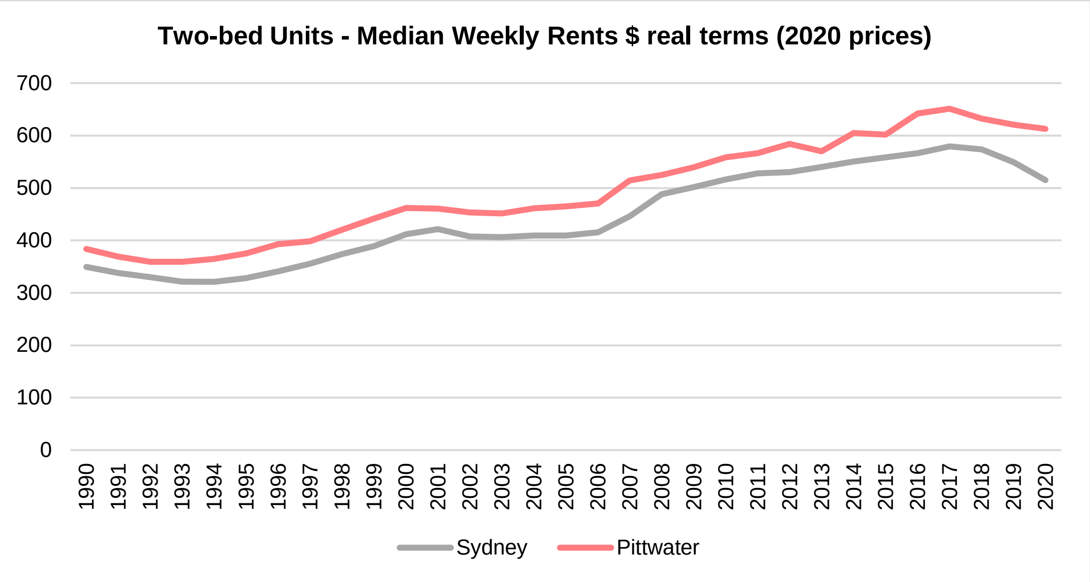


Source: CoreLogic (2020), Macroplan (2021)

2.5 The Rental Market

If we observe the rental market (figure below), NSW Government data on unit rents in the (old) Pittwater LGA area (which includes Mona Vale) have over the long term grown at a similar pace to the broader Sydney market. However, rents in the past five years have diverged with Pittwater rents rising marginally faster to 2019. In 2020, while the negative demand shock wrought by COVID has caused rents in the Sydney metro market to decline by over 5% overall and more sharply in inner city markets where rents are down well over 10%. That would normally expect to have some flow-on negative impact on rents in Pittwater but, reflecting higher demand, rents have actually risen in the Pittwater area. From generally running at about 10% over Sydney rents, rents are now showing closer to a 20% premium. Data for the Mona Vale sub-market (of Pittwater) indicates that it has matched the overall Pittwater performance.

Figure 14. Unit Market Rents for Sydney and Pittwater 1990-2020



Source: NSW DCJ and Macroplan (2021)

The other interesting feature, when observing the unit market is the relative rents on units by size. Across the Sydney metro market, rents on 2-bed units have over the past 5 years (2016-20) averaged just over 10% more than 1-bed units, while 3-bed units have averaged about 35% above 2-bed units.

Table 1. Comparative Rents in the Unit Market by Bed Size

Ratios	Sydney Metro	Pittwater
2 Bed vs 1 Bed	1.135	1.414
3 Bed vs 2 Bed	1.379	1.578

Source: NSW DCJ and Macroplan (2021)

In the Pittwater market, the relativities are more extreme, with 2-bed units 38% higher than 1-bed units, and 3-bed units 53% above 2-bed units. One factor which might explain this is the age of stock, with Clause 4.5A of the Pittwater LEP 2014 encouraging the development of larger dwellings and discouraging new 1-bed units, leading to an aging of the 1-bed stock. The share of 1-bed units and semi-detached dwellings in Pittwater (14%) is clearly lower than in the old Warringah LGA area (23%) within the Northern Beaches, whereas the share of larger 3+ bed units is higher at 41% versus 17%. This is the natural consequence – even if not the implied intent - of the policy, so it should not surprise.

This has implications for affordability. There will be households who, for a variety of reasons, would like the option of a 1-bed unit at a lower rent. This would be the case for key workers employed in e.g., Mona Vale strategic centre and not earning high incomes or low-income retirees who have been living in the area, or young couples trying to save to later buy into the housing market. With limited and aging (lower quality) stock, these households will either have to pay more for a larger unit or, if that is outside their budget, rent in locations further away and, in the case of key worker, commute into Mona Vale. New 1-bed stock would likely have higher rents than prevailing on the old stock but it would still be at welcome discounts to the rents on larger units.

Table 2. Share of Medium Density Dwellings by No. of Bedrooms

	Pittwater			Warringah		
	Units	**Other Medium**	**All**	**Units**	**Other Medium**	**All**
None (bedsitters)	0.7%	0.9%	0.8%	1.1%	2.8%	1.4%
One bed	16.3%	8.6%	13.4%	23.3%	16.0%	22.0%
Two bed	57.0%	25.9%	45.4%	65.5%	31.3%	59.7%
Three bed	23.3%	52.5%	34.2%	9.3%	39.9%	14.5%
Four bed	2.0%	10.3%	5.1%	0.6%	8.4%	2.0%
Five bed	0.8%	1.4%	1.0%	0.1%	0.9%	0.3%
Six + beds	0.0%	0.9%	0.3%	0.1%	0.7%	0.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other medium density is semi-detached, row or terrace house, townhouse						
Units are flats or apartments						

Source: NSW DoH and Macroplan (2021)

The affordability issue raised highlights the inherent problems with clause 4.5A of the Pittwater LEP which allows a maximum of one dwelling per 200 sqm of site area (discussed in more specific detail in section 6). The policy encourages a small number of large apartments on sites, and these apartments will be correspondingly expensive dwellings, with high prices and high rents. It thus sits at odds with the often-stated intention to address affordability and to encourage the market to offer a more diverse range of dwellings.

Section 3: **Housing affordability**

As highlighted in Section 2, the Northern Beaches and Mona Vale carry a significant price premium over Greater Sydney. Coinciding with that, the population of the Northern Beaches contains a large proportion of high income and high wealth households. The high proportion of retirees means some previously high-income households have lower incomes in retirement but are high wealth. The final draft Northern Beaches Local Housing Strategy (Strategy Paper) discusses the affordability problem but here we outline the underlying forces behind the affordability issue in the Northern Beaches.

3.1 Impacts of affordability - Changing nature of Northern Beaches LGA

Northern Beaches LGA's price premium has trebled over the last 20 years. As a result, the socio-demographic profile of Northern Beaches LGA has shifted driven by the wealth required to reside in the region. Below details some of the key shifts seen in the 10 years to 2016.

3.1.1 Age profile.

In the 10 years to 2016 the age profile of Northern Beaches LGA has shifted. The share of young persons aged 20-29 and 30-39 years has fallen by 1.2% and 2.5% respectively. This in part reflect these cohorts' inability to afford to reside in the LGA. The share of the LGA's older population has increased significantly. In 2006, persons aged 50+ years accounted for just 47.8% of the population, by 2016 that share had increased to 50.9%.

Table 3. Northern Beaches LGA Age Profile (2006-2016)

	2006	2011	2016
0-14	19.0%	19.9%	19.7%
15-19	5.7%	5.5%	5.7%
20-29	11.5%	10.7%	10.3%
30-39	15.9%	15.0%	13.4%
40-49	15.3%	15.7%	15.8%
50-59	12.4%	12.4%	13.1%
60-69	9.1%	9.8%	10.0%
70-79	6.1%	6.0%	7.1%
80+	5.0%	5.0%	4.9%

Source: ABS (2006, 2011, 2016)

3.1.2 Occupation

Between 2006 and 2016, the trend toward white collar employment amongst people living in the Northern Beaches continued to strengthen. As seen in the table below, since 2006 the proportion of residents employed as managers and professionals has continued to increase. Over a 10-year period, managers total share of employment increased from 16.8% to 18.6% while professionals share grew from 26.6% to 28.6%. However, the share of those working in blue collar jobs continued to fall. In 2006, those working as technician and trades worker accounted for 12.3% of those employed, by 2016 they accounted for just 11.3%. Similarly, the share of labourers and machinery operators and drivers fell.

Table 4. Northern Beaches LGA Resident Occupation (2006-2016)

	2006	2011	2016
Managers	16.8%	17.3%	18.6%
Professionals	26.6%	28.1%	28.6%
Technicians and Trades Workers	12.3%	11.9%	11.3%
Community and Personal Service Workers	8.2%	8.8%	9.4%
Clerical and Administrative Workers	15.7%	15.0%	13.5%
Sales Workers	9.9%	9.3%	9.1%
Machinery Operators and Drivers	3.1%	2.9%	2.7%
Labourers	5.7%	5.1%	5.1%
Inadequately described/Not stated	1.6%	1.6%	1.6%
Total	**100.0%**	**100.0%**	**100.0%**

Source: ABS (2006, 2011, 2016)

3.1.3 Income

Median incomes of people living in the Northern Beaches LGA have consistently been above Greater Sydney medians. However, the variation between the LGA and Greater Sydney has been increasing. In 2006, median total personal incomes were 26.4% higher in the Northern Beaches than Greater Sydney, in 2016 this had increased to 27.4% higher. The change in median household incomes was more pronounced. In 2006, median total household incomes in the LGA were 21.7% higher, in 2016 this had increased to 24.5%.

Table 5. Northern Beaches LGA - Historic Median Incomes (nominal)

	2006	2011	2016
Median total personal income ($/weekly)	$655	$779	$916
Var. from Greater Sydney	*26.4%*	*25.8%*	*27.4%*
Median total household income ($/weekly)	$1,428	$1,770	$2,173
Var. from Greater Sydney	*21.7%*	*22.6%*	*24.5%*

Source: ABS (2006, 2011, 2016)

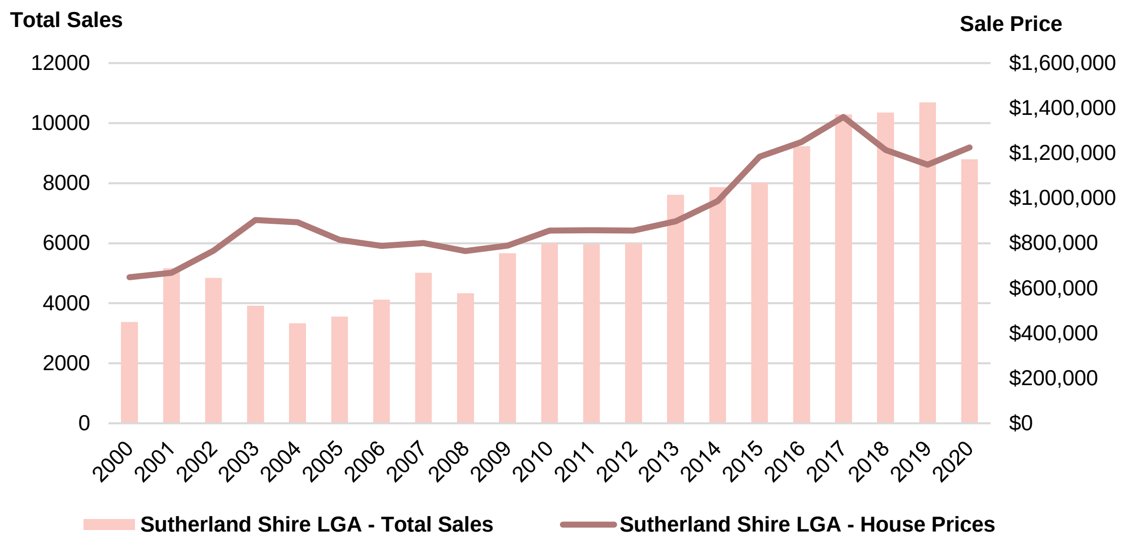
3.1.4 Sutherland Shire

This changing socio-demographic profile is not unique to Northern Beaches LGA with other areas of Greater Sydney experiencing similar shifts in places where house prices have increased significantly. Sutherland Shire LGA is another good example of this, although not as extreme as in the Northern Beaches. It contains a coastal area like the Northern Beaches with beachside suburbs with similar prices to the Northern Beaches beachside suburbs, but the Local Government Area includes a larger proportion of inland suburbs which explains its lower overall prices.

Between 2012 and 2020 house prices in Sutherland Shire LGA increased 43% in real terms with the median in December 2020 at $1.23 million.

Like the Northern Beaches LGA, the increase in unaffordability in Sutherland Shire LGA has contributed to a changing socio-demographic profile. As per trends in the Northern Beaches LGA, the number of residents aged 50+ increased (+4.7%) while those aged in the 20-39 bracket fell (-2.7%).

Figure 15. Sutherland Shire LGA Housing Market, 2000-2020, (Real Terms 2019 dollars)



Source: CoreLogic (2020), Macroplan (2021)

Table 6. Sutherland Shire LGA Resident Age Profile (2006-2016)

	2006	2011	2016
0-14	19.43%	19.14%	19.07%
15-19	7.03%	6.39%	6.01%
20-29	12.67%	12.43%	11.64%
30-39	14.37%	13.49%	12.70%
40-49	14.96%	14.36%	14.34%
50-59	13.27%	13.50%	13.47%
60-69	8.48%	10.24%	10.95%
70-79	5.98%	5.83%	6.88%
80+	3.81%	4.61%	4.93%

Source: ABS (2006, 2011, 2016)

In terms of occupation, the percentage of technicians and trades workers in the Sutherland Shire LGA fell from 14.2% in 2006 to 13.5% in 2016. Similarly, the share of labourers and machinery operators and drivers fell. On the other hand, the percent of the workforce working as professionals and managers increased, with professionals rising from 21.7% to 24%.

Unlike the income gap between Northern Beaches LGA and Greater Sydney medians, Sutherland Shire LGA median income gap has not widened. Despite this, incomes in the Sutherland Shire have consistently been above those in Greater Sydney

Table 7. Sutherland Shire LGA Resident Occupation (2006-2016)

	2006	2011	2016
Managers	14.23%	14.27%	15.06%
Professionals	21.73%	22.98%	24.02%
Technicians and Trades Workers	14.17%	13.88%	13.47%
Community and Personal Service Workers	8.84%	9.79%	10.49%
Clerical and Administrative Workers	18.62%	18.41%	16.68%
Sales Workers	10.60%	9.87%	9.48%
Machinery Operators and Drivers	4.22%	3.98%	3.85%
Labourers	6.01%	5.37%	5.38%
Inadequately described/Not stated	1.57%	1.47%	1.58%
Total	100.00%	100.00%	100.00%

Source: ABS (2006, 2011, 2016)

Table 8. Sutherland Shire LGA - Historic Median Incomes (nominal)

	2006	2011	2016
Median total personal income ($/weekly)	601	718	837
Var. from Greater Sydney	*16.02%*	*15.99%*	*16.41%*
Median total household income ($/weekly)	1,354	1,650	1,976
Var. from Greater Sydney	*15.43%*	*14.27%*	*13.17%*

Source: ABS (2006, 2011, 2016)

3.2 Employment and Income

As a place to work, the Northern Beaches is not a high-income area. However, household incomes for working households living in the area are relatively high. By way of explanation, if we look at the workforce, we observe that a high proportion - almost half (48%) - of workers living in the Northern Beaches work outside the LGA. Of those 48%, the Sydney LGA which contains the CBD accounted for 40% (19% of the NB workforce) and North Sydney another 10% (5%).

As detailed in the table below, those residents living in the Northern Beaches and working in Sydney (Sydney CBD) and North Sydney LGAs, earn much higher incomes than those living and working in the Northern Beaches LGA.

In 2016 there was around 88,000 people working in Northern Beaches LGA, of whom 77% also lived within the LGA and 23% commuted in. While incomes of those people living and working in the LGA is generally not high, some will belong to two-income households where the other worker has a higher-paid job in the CBD, so household incomes will be high. In terms of people commuting to work in Northern Beaches LGA from outside of the LGA, around 39% have personal incomes less than $64,999 per annum (see table below). As more of the high-income working households move into retirement but stay in the Northern Beaches while another generation of high-income working households move in, the likelihood is that the numbers of these low-income workers commuting in will only increase.

For local businesses, these trends will likely result in businesses finding it difficult to find, or alternatively and more likely pay more to employ, workers to compensate for the time and cost of commuting to the Northern Beaches. This will feed into higher prices for local goods and services.

Table 9. Northern Beaches Residents – Top 3 Places of Work & Income Brackets (>$41,600 p.a.)

	Northern Beaches (A)	Sydney (C)	North Sydney (A)
$800-$999 ($41,600-$51,999)	20.5%	5.7%	7.4%
$1,000-$1,249 ($52,000-$64,999)	**21.6%**	9.1%	11.5%
$1,250-$1,499 ($65,000-$77,999)	15.4%	9.2%	10.6%
$1,500-$1,749 ($78,000-$90,999)	13.1%	9.7%	10.7%
$1,750-$1,999 ($91,000-$103,999)	8.3%	8.9%	8.5%
$2,000-$2,999 ($104,000-$155,999)	12.0%	22.7%	21.9%
$3,000 or more ($156,000 or more)	9.1%	**34.7%**	**29.5%**
Total	100.0%	100.0%	100.0%

Source: ABS Census (2016)

Table 10. Persons Employed in Northern Beaches and Commuting In – Income Brackets (>$41,600 p.a.)

	Place of Work - Northern Beaches excl. Usual Residents
$800-$999 ($41,600-$51,999)	18.0%
$1,000-$1,249 ($52,000-$64,999)	**20.8%**
$1,250-$1,499 ($65,000-$77,999)	15.4%
$1,500-$1,749 ($78,000-$90,999)	12.9%
$1,750-$1,999 ($91,000-$103,999)	9.4%
$2,000-$2,999 ($104,000-$155,999)	14.6%
$3,000 or more ($156,000 or more)	8.9%
Total	100.0%

Source: ABS Census (2016)

With the workforce in high-paid jobs set to rise by about 15%[2] between 2021-36 then, if a similar proportion have a preference for living in the Northern Beaches (with housing supply projected to grow 11%) and, allowing for high-income retirees staying meaning the available stock grows less than 11%, the numbers suggest the risk is that the pressures to squeeze out low-income workers and households will only grow. To the extent that planning policies constrain housing supply and the mix of supply, these pressures to exclude low-income workers are only exacerbated.

3.3 Seniors versus Family Households

The other factor at play is the competition between retiree/senior households and family households in the detached housing market, bearing in mind that the supply of detached houses in the Northern Beaches LGA has very limited scope to grow. While a proportion of seniors do downsize out of their family/detached house, a high proportion choose to stay, in part because of the lack of options.

With the senior population projected by DPIE (2019) to account for about 105% of the projected population growth in the Northern Beaches in the period to 2036, and then beyond, if the proportion of seniors staying in the family/detached house remains the same, then simple math says that the proportion of detached houses occupied by family households (with children) must decline. In the competition for the available supply, it will be the high-

[2] Greater Sydney's workforce projected to grow 11% over the period 2021-36 (post-COVID) but in line with past trends the share of higher paying jobs in the CBD will rise faster than this.

income households which prevail. Young family households, including those of the young generation which grew up in the Northern Beaches, will be forced to move elsewhere.

Table 11. Dwelling Type by Age of Residents (2016)

	20-29 years	30-39 years	40-49 years	50-59 years	60-69 years	70-79 years	80+	Total
Semi-detached Dwelling	5.5%	7.5%	7.0%	6.9%	9.1%	12.2%	15.5%	14.8%
Apartment Dwelling	38.2%	45.0%	21.1%	19.7%	21.7%	22.1%	29.1%	28.5%
Other Dwelling	0.6%	0.7%	0.5%	0.6%	0.8%	0.8%	0.4%	0.5%
Separate house	55.6%	46.9%	71.4%	72.9%	68.4%	64.9%	55.0%	56.2%

Source: ABS Census (2016)

3.4 Policy and Affordability

Now, in terms of these pressures in the market squeezing out young family households, the first point to make is that, given the growth of Greater Sydney, these forces at play are to some extent not something that planning policy can fully counter-act, nor should planning policy expect to. However, to the extent that policy restricts supply and the mix of supply, it can add to the pressures.

The rise in the premium on Northern Beaches dwellings – both in terms of prices and rents – is the outward manifestation of these competitive pressures in the housing market. It is also evidenced in the affordability gap and housing stress measures. As outlined in Section 2, the high premiums for 2-bed and 3-bed units compared with the broader Sydney market, which relate to the supply being skewed away from offering smaller units, highlights how the lack of diversity is linked to the affordability issue.

3.5 Housing Strategy position on Affordability

The Northern Beaches Local Housing Strategy Paper (discussed in detail in Section 5 of this report) discusses the affordability issue and provides estimates of the number of households under stress. However, beyond describing the issue, the Paper does not attempt to outline and provide an understanding of the underlying drivers (as discussed above) of the affordability problem. Secondly, the Paper appears to be conceding that the problem is too hard when it projects that the affordability gap is likely to rise. And that is probably a reasonable projection. With supply in the Northern Beaches projected to tighten substantially over the period to 2036, that is only going to see the price premium in the Northern Beaches LGA rise even further in the future.

The Strategy Paper does reference developer contributions to support social housing. However, the quantum is not specified and is likely to be small. Moreover, there is no acknowledgement that to some or perhaps to a large degree, developer contributions will be passed through to higher prices and rents in the broader market, accentuating the affordability problem for the low-income renting households that do not qualify for social housing – which is most low-income households.

The Strategy Paper also is focused on housing affordability being addressed through boarding houses and seniors accommodation, although the Paper acknowledges that rental accommodation in boarding houses is not necessarily affordable. The Paper does not adequately address matters surrounding cheaper forms of entry level housing and that housing density and ‘smaller’ dwellings including apartments would assist in providing more affordable options. As such, the Paper does not address the existing planning controls that could be contributing to housing affordability issues such as Clause 4.5A of the Pittwater LEP.

Policy can mitigate the pressures and thereby make some impact on the affordability issue. That is policy can be more pro-active in changing the planning rules in the direction of allowing additional housing capacity and a more diverse range of housing. For example, the foreshadowed changes to planning rules in the five Centre Investigation Areas – including Mona Vale – could be brought forward to relieve some pressure in the shorter term. Specific to Mona Vale and the old Pittwater LGA area, as discussed elsewhere, we would note that Clause 4.5A requires urgent revisiting. In the interim, the direction of policy underpinning the Centres Renewal Framework (CRF) should inform planning decisions now. Master planning exercises and plans to do more plans will only impact on the current supply pressures. Bringing on housing supply well before the demand is required will assist with addressing price surges.

Section 4: Growth Projections for the Greater Sydney and the Northern Beaches

4.1 Pre-COVID Demand Scenario

The NSW Government Department of Planning, Infrastructure and Environment (DPIE) publishes detailed projections of population, households and dwelling demand out 20 years to 2041 by LGA. The latest set of projections released in 2019 included minor updates on the DPIE 2017 projections which were closely aligned with the ABS 2017 projections for Australia's population which are published by State and with splits by capital cities and regions (rest of State).

The DPIE projections had Greater Sydney's population growing from 5.36 million in 2019, by 2.17 million, to 7.53 million in 2041. Growth rates were projected to decline but average just under 1.6% per annum.

This population growth was expected to lead to the number of households growing by 0.89 million over the same period. By household type, reflecting the aging of the population, single households were expected to show the fastest growth. Couples without children were also expected to grow faster than the average, while couples with children were expected to remain the largest cohort but grow at a slower rate. This household growth implied demand for 0.95 million dwellings to be added to the stock of dwellings in Greater Sydney.

As cities grow, there is a natural propensity for them to become denser. Reflecting that, the share of detached housing in Greater Sydney has tended to decline while the share of apartments has tended to rise. The period 2016-2020 in Sydney saw a period of rapid growth in the supply of higher density housing which has appeared to accelerate that trend. However, more recently that apartment boom has ended, suggesting that while the trend to higher density would continue, the pace of change might not be as strong as the boom period suggested.

The DPIE projections did not disaggregate by dwelling type but based on long-term trends in the Greater Sydney market, but discounting for the boom, Macroplan estimates that 40% of this growth would be accounted for by detached dwellings, about 40% by apartments and the balance from other medium-density dwellings (e.g., townhouses).

These projected shares reflect a combination of demand and supply factors. On the one hand, supply-side constraints on greenfield expansion constrain demand for detached housing, while constraints imposed on increases in density impact on demand for apartments.

4.2 Post-COVID Demand Scenario

The COVID-19 pandemic has a had a major impact on net overseas migration (NOM) into Australia and, with Greater Sydney a major destination for new migrants – particularly international students - into Australia, the impact on growth in Greater Sydney is substantial, albeit mostly in the short term.

The Centre for Population (CfP) (2020) projections – released in early December 2020 – have negative NOM for Australia in 2020/21 and 2021/22, before a gradual recovery in the following two years and return to pre-COVID levels of NOM from about 2024/25 onwards (Figure 17 for NSW). Given that NOM has accounted for about 60% of population growth in the past decade, these declines will have a significant short-term impact on population growth.

The CfP has noted that there will be no catch-up of lost NOM when the position normalises in the second half of the 2020s. That is, it expects the growth rate to recover but coming off a lower base, in numbers terms the amount of annual growth heading into the 2030s will very likely still be lower. Macroplan has extended the CfP demographic assumptions out to 2041.

For Australia, the population in 2031 will be 1.54 million lower, compared with the previous set of projections, and 1.82 million lower in 2041. Importantly however, to put that in perspective, Australia's population will still grow by 6.8 million over these two decades – making it probably still the fastest growing of the OECD economies.

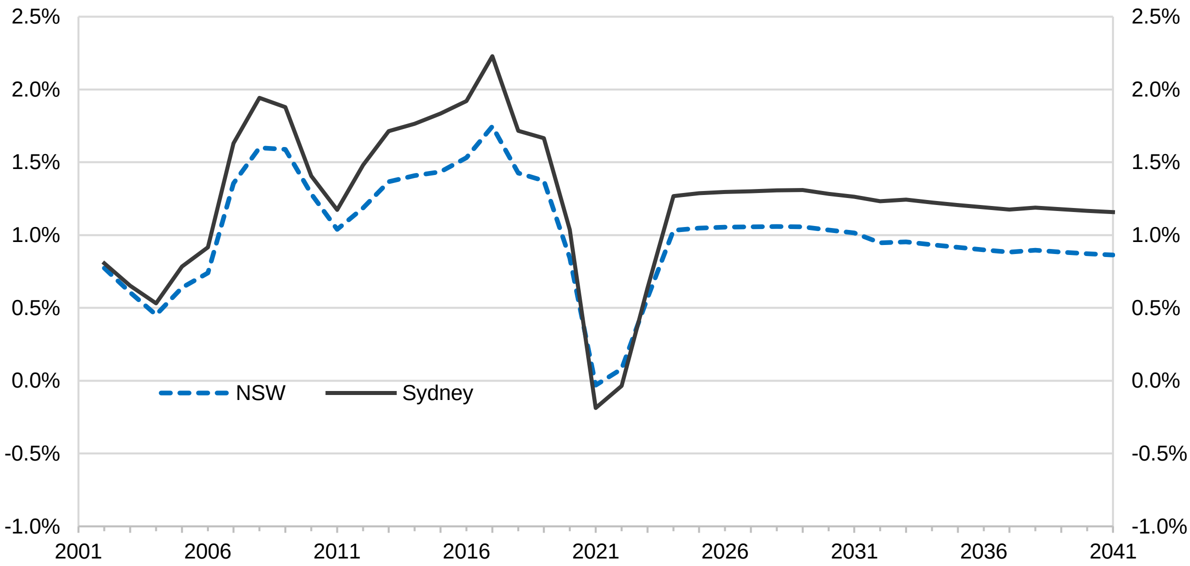
For Greater Sydney, the impact is relatively larger (See tables Appendix A). The CfP projections have negative NOM causing its population to actually contract in 2020/21 and 2021/22. It then recovers back to positive growth over the next two years. It is more vulnerable to the decline in international students but then is more likely to benefit when these numbers bounce back when international travel normalises. In terms of growth rates, the position has recovered back to pre-COVID growth rates by 2024/25.

In terms of demand for housing, the NHFIC State of the Nation's Housing Report for 2020 – released in early December 2020 - has highlighted the significant adverse impact on underlying housing demand out to 2025/26, including for Greater Sydney. Over that period, lower population translates to lesser growth in households and correspondingly lower underlying demand for new dwellings. Over the period 2019/20-2025/26, underlying demand will be for 209,000 fewer dwellings, when compared with demand under the pre-COVID scenario.

Macroplan's housing demographic demand model extends those demand estimates out to 2040/41. The lower population translates to demand for 45,000 fewer dwellings over the period 2025/26-2030/31, and 73,000 fewer dwellings over the following ten years to 2040/41. Lower migration means a marginally faster aging of the population, so that lone households – of which over-70s are a major factor – will contract less and their share of the lower growth will be higher, while couples with children will contract marginally faster.

It should be noted that in the two years 2020/21-2021/22 actual levels of construction and completion of new dwellings is expected to hold up quite strongly despite the decline in underlying demand. In part this reflects the positive impact of Government fiscal measures to support activity in the housing industry. Historically, there have been significant gaps between underlying demand and actual levels of new dwelling completions (supply) but beyond the short term, rates of growth in underlying demand and supply have converged. The NHFIC report notes that housing activity is likely to fall in 2022/23.

Figure 16. NSW Population Growth Rate 2001-2020 Actual and Projected 2021-41



Source: ABS (for actual), Centre for Population for projections to 2031 and Macroplan 2032-41

4.3 Implications for Housing Demand Within Greater Sydney

In the short- to medium-term, the impact of COVID on Net Overseas Migration (NOM) translates to a significant impact on growth in younger adult cohorts but a limited impact on older age cohorts, Directly, the inflow of international students – concentrated in the age cohorts 20-24 and 25-29 - was a significant factor driving inner city apartment demand. Skilled migration is heavily concentrated in the 20-34 age cohort. Family reunion will include a component of older people however, beyond the period when borders are effectively closed, this component of migration will be the least affected by COVID. Overall, the impact of COVID will see the little impact on the growth trajectory for the seniors age cohort (70+) over the decade or more. It will only be when the smaller younger age cohorts caused by COVID start to move into retirement that the longer-term impact on senior's demand will emerge. That will be beyond 2041.

The different impacts on the age cohorts has implications for demand by location and by housing type. The significant impact on the young age cohorts – in particular, international students – means small apartments in inner city areas have been bearing the brunt of the COVID-driven decline in NOM. COVID has also caused people to rethink the value of outer areas which have the downside of longer commutes but the upside of more space. Long commutes matter less when people can work from home, while the value of space rises. Pre-COVID there was a trend for retirees to move to inner urban areas, trading down to smaller dwellings in exchange for the proximity to inner city living. Retirees, as with all household groups, are now rethinking.

Households are the principal ingredient driving underlying demand for housing. Reflecting the higher share of single households in the 70+ age cohort, seniors demand has accounted for a higher share of growth in households and hence demand for housing in the Greater Sydney market. While growth in seniors demand is roughly unchanged in post-COVID scenario, with demand from younger cohorts lower, it will account for a higher share of housing demand in this period.

4.4 Implications of working from home

Macroplan recently prepared a report which reviewed the impacts of remote, mobile and working from home in Australia. Our research indicated that in the short term (0 to 5 years), the total of people working from home nationally could increase from 30% working from home to 36%. This would translate into approximately 20% of workers spending more time in the suburbs or regions and less in the office which could have profound impacts on urban and regional economies in the short term. For example, the shift to working from home during the pandemic has resulted in more people shopping at local shopping villages and high streets.

Other economic impacts include changing relative house prices.

Working from home (WFH) arrangements have left many households questioning whether they need to live within a convenient commuting distance of the CBD. Locations outside the inner ring offer many lifestyle advantages (e.g., quieter, more natural landscape, safer, more space). However, up until recently, people could only enjoy their local community on weekends, so historically many households opted for the convenient commute.

It is conjectured that post-pandemic many employers will support employees working from home two to three days a week, potentially even full-time. With the prospect of commuting only a few days (if any) a week, more and more households seem willing to accept longer travel times on those days they do commute.

These WFN issues and their impact on relative prices are global. A US study (The Donut Effect of Covid-19 on Cities) by Ramani and Bloom (2021) finds that outer suburbs across major US cities have risen 15% relative to inner areas (hence the donut description), as WFH has seen a shift in preference to living in the suburbs. In terms of workers moving, they observe that it is high income workers doing most of the moving. The phenomena described in the US study appears to apply equally to the Australian and Northern Beaches experience.

The Northern Beaches and within the LGA locations such as Mona Vale fit very much into the ideal for those high-income workers able to work from home (fully or partly) and seeking a lifestyle change. Mona Vale is amenity rich, it is within easy walking distance to the beach, supports numerous parks, has two golf courses and provides access to ocean walks. The Mona Vale strategic centre offers a large range of supermarkets, personal services, cafes and other speciality retailers, as well as a large range of large box retail and wholesale traders within the adjacent business park. Pittwater High School is located in close proximity to the strategic centre, while Mona Vale Public School is essentially within the strategic centre. The old Mona Vale hospital remains as a support facility to the new Northern Beaches hospital at Frenchs Forest.

4.5 Implications for Housing Demand in the Northern Beaches

DPIE publishes population projections for all LGAs and based on those population projections, publishes corresponding projections for demand for new housing. The Northern Beaches Local Housing Strategy Paper has, set out in the next Section, adopted the DPIE 2019 projections. For the reasons set out below, whilst COVID has been negative overall for Greater Sydney, the projections for the Northern Beaches LGA appear to understate demand.

The age profile in the Northern Beaches LGA is older than for Greater Sydney as a whole. As of 2016, whereas 9.8% of the Greater Sydney population was aged 70+, 11.6% of the population in Northern Beaches was aged 70+ (see Table below). It can also be observed that only 11.1% of the population is aged 20-29, compared with 16.7% for Greater Sydney as a whole. This very different demographic profile explains one reason why the Northern Beaches will likely be relatively less impacted by COVID. It has a low share of the 20-29 age cohort and this cohort in the NB being more local and much less driven by overseas migration, can be expected to be much more stable. The older age cohorts, by life cycle are more settled and less prone to moving, are also a stabilising influence in the face of COVID.

Table 12. Greater Sydney and Northern Beaches Population Age Profiles (2016 Census)

	Northern Beaches LGA		Greater Sydney	
Age Group	**No.**	**%**	**No.**	**%**
0-19	67,343	25.4%	1,243,408	26.4%
20-29	29,458	11.1%	788,587	16.7%
30-54	95,807	36.1%	1,462,724	31.0%
55-69	42,090	15.9%	753,855	16.0%
70-84	23,774	9.0%	367,572	7.8%
85+	6,996	2.6%	95,925	2.0%
	265,468		**4,712,071**	

Source: ABS Census

In addition, as discussed above, the behavioural response to COVID has seen an increased preference for outer versus inner areas and for areas which offer proximity to the recreational amenities offered by open space and beaches. The Northern Beaches has most of these attributes in abundance and hence is strongly favoured by the changed preferences wrought by COVID. Some of these changes may prove short-lived or be diluted somewhat when the COVID threat passes but, particularly as COVID will likely be an over-shadowing influence for at least two years, some impacts are likely to be enduring. In addition, there are some non-COVID factors which have been driving demand in the area. The new Northern Beaches hospital brings a higher level of medical care closer to the residents of the Northern Beaches – an important consideration in location choice for senior residents and a consideration only emphasised by COVID. And the recent and coming improvements to the transport connectivity of the Northern Beaches can only add to the attractions of living in the area and boosting demand.

4.6 DPIE (2020) Population Insights

DPIE (2020) has released an update which has referenced the Centre for Population (CfP 2020) population projections and the NHFIC (2020) report on housing demand in discussing the impact of COVID-19 on the outlook for growth in NSW's and Greater Sydney's population. The update has outlined the CfP estimates of the potential impact of COVID-19 on population growth which we have discussed above. The update notes the very large negative impact on the Eastern Harbour City of Greater Sydney, areas heavily dependent on international students and international tourism, leading to an "imbalance of supply and demand – and therefore increased vacancy rates". However, DPIE (2020) notes that "the patterns are uneven across metropolitan Sydney, and suburbs in the middle and outer rings have seen vacancy rates decline." Table 7 in the paper has the Northern Beaches LGA as one of the areas benefitting positively from the shift in demand. In reference to that shift, the paper noted "this may become a long-term shift, especially if businesses can maintain flexible work arrangements."[3]

4.7 Conclusion – Northern Beaches Demand

The broad conclusion is that, while Greater Sydney will be adversely impacted for a number of years, there is a clear case that the impact on housing demand in the Northern Beaches will be positive. Indeed, as DPIE (2020) has also observed, it is currently firmly positive and is likely to continue to stimulate demand. As highlighted in the Housing Market section, the price premium in the Northern Beaches LGA has increased significantly in the last five years and has strengthened in 2020 and 2021. In addition, whereas rents have fallen in the Sydney metro market overall, rents are staying high and rising in the Northern Beaches. This reflects the strength of demand. It also indicates a degree of unmet demand for housing in the LGA. That is, if supply were more responsive to demand, we might have seen less of the shift in demand feeding into prices.

Macroplan also notes that the latest population estimate for 2020 has the population in the Northern Beaches at 274,040, or already 4,540 or 1.6% above its projected level for 2021 of 269,500. By 2021, it is highly likely to be above its projected level for 2026 of 275,200, a full five years early. The higher population growth over 2016-20 also translates to higher numbers of households and higher underlying demand for dwellings. Macroplan estimates that for 2016-20, net demand for new dwellings is about 3,400, compared with the LHS estimate of supply of about 2,000 new dwellings. The demand-supply gap would be reflected in a tightening in the vacancy rate which is reflected in the upward pressure on rents.

With the working from home factor – a strong positive for the Northern Beaches – yet to be factored into the recorded numbers, the outlook is for the higher-than-expected growth to continue, certainly in the next period 2021-26. This is notwithstanding that growth for Greater Sydney will be lower, as the shift in locational preference particularly by high income earners, strongly favours the Northern Beaches.

Given these considerations, it seems clear that the population and demand projections in the NB Local Housing Strategy are significantly understated.

[3] 2020 Population Insights pages 9-10.

While DPIE has not changed its projections, the DPIE (2020) update, and the evidence, indicates that DPIE demand estimates will highly likely be substantially upgraded for the Northern Beaches. The risk for the NB LHS in relying on the old projections and not taking account of the increased demand, is that the limited supply will be absorbed more quickly, tightening the market and adding further to upward pressure on prices.

Section 5: **Northern Beaches Local Housing Strategy**

The final Northern Beaches Local Housing Strategy (Strategy Paper) dated April 2021, sets out the overall framework for growth in housing supply in the Northern Beaches to 2036. Specifically, the key elements it outlined are:

- Projections for growth in demand for housing in the 15 years to 2036, and projections for growth in demand for seniors housing.
- Projected potential supply based on current planning rules and the result demand-supply gap that this would create in the 15 years to 2036. It also looked at the projected shortfall in affordable housing.
- The proposed approach to planning for the location of growth in housing and economic activity centres within the Northern Beaches. This is discussed in the next Section.

5.1 Demand

For potential demand, the Strategy Paper uses the DPIE (2019) projections. While the Strategy Paper only includes the dwelling projections, these DPIE projections give detailed estimates for growth in the population, including by age; the number in private households and type of households; the numbers and projected need for private dwellings, and the numbers living in non-private dwellings (boarding houses, nursing homes). The DPIE projections extend out 20 years to 2041. These projections are set out in Appendix A.

The Strategy Paper uses those projections for the number of private dwellings out to 2036 and uses past trends to expand that to include projections by type of dwelling. Macroplan has extended that to incorporate 2041 projections.

The key points in the DPIE projections (key numbers set out in Attachment A) are:

- Population is projected to rise from 265,500 in 2016, by 31,100, to 296,600 in 2041 (by 11.7%), while reflecting slightly smaller numbers of persons per household, households are projected to grow by 18.7%.
- Whilst couples with children will remain the largest cohort, its share will decline as the population ages. Reflected that older population, single households and couples with no children are expected to account for about 80% of the growth in the number of households.
- Based on the growth in number of households being matched by dwellings, the number of dwellings is projected to rise from 106,458 in 2016, to 126,403 in 2041.

In the Strategy Paper, SGS have used net completions to estimate actual dwelling stock in 2020 (an increase of 2040 on the 2016 estimate – see below). As already noted, the latest population estimate for 2020 has the population in the Northern Beaches at 274,040, or already well above its projected level for 2021 and approaching its 2026 projected level. As outlined in the previous section, the higher population growth over 2016-20 translates to growth in dwelling demand of 3,400, or about 70% above the estimate for growth in supply over the same period.

Looking ahead, while COVID is negatively impacting on population growth for Greater Sydney, for the reasons outlined in the previous Section, it is proving distinctly positive for Northern Beaches and the demand projections in the NB Local Housing Strategy are potentially significantly understated.

While DPIE has not changed its projections, the DPIE (2020) update, and the evidence, indicates that DPIE demand estimates will highly likely be substantially upgraded for the Northern Beaches.

5.2 Supply

For the Strategy Paper SGS estimated potential new supply in the Northern Beaches under current planning controls. They estimated there was potential for the housing stock to rise by about 6,385 (Tables 13). These estimates take total developable potential and then exclude developments that are not considered feasible but include developments which are marginally feasible. Adding in 4,360 dwellings for the Frenchs Forest Health Precinct and 1,000 for Ingleside, and the total capacity is 11,745. Of these 11,745 potential new dwellings, almost all are medium and high-density housing types, with minimal scope for detached housing.

Taking the DPIE (2019) demand estimates out to 2036 and these supply estimates, the Report estimated the supply shortfall. To 2036, the supply shortfall is estimated at 275 dwellings but rises to 965 if the marginally feasible are excluded. The Strategy Paper notes that "feasibility" might change but does not discuss the factors which would drive that change. A key factor would be prices, with higher prices and rents making the financial case for demolition of old low-density stock and construction of medium/high density dwellings more compelling.

While the Strategy Paper is Towards 2040, the report did not include the DPIE projections for housing demand to 2041. However, while this focus only to 2036 is in line with DPIE guidelines, Macroplan is of the opinion that this longer period is relevant to consider in the Strategy Paper given the rising supply gap. In the period 2036-41, demand for dwellings is projected to rise by an additional 5,140. This would lift the shortfall to 5,415. To accommodate that demand, all properties that are not considered feasible would need to be developed. There are environmental factors which mean that cannot happen but even for a portion that would require sharply higher prices. Even then, however, it is not clear that this supply would be forthcoming.

There is an assumption that all property owners of the properties identified as having (feasible) capacity for denser housing under current planning controls would initiate or agree to allowing redevelopment within the timeframe to 2036, or 2041. It is likely that a proportion would not. This could mean that the effective shortfall in 2036 and 2041 is potentially larger than indicated.

5.3 New Supply

The Strategy Paper concludes that ***'If the feasible capacity is insufficient, changes to planning controls will be required to accommodate future growth. However, this is not considered necessary in Northern Beaches LGA in the very short term.'***

Based on Macroplan's experience from the time to initiate changes to planning controls, obtain planning approval and construct a development, this process on average takes approximately 5 years before housing supply is available to come onto the market. Changes to planning controls would need to commence well before housing demand was required to not add any additional price pressures into the Northern Beaches housing market.

In terms of the timeline for changes to planning controls that would increase capacity, the Paper says that Council will review Brookvale in the near term (2021-25) but for the other four strategic centres, including Mona Vale, the timeframe is 2025-35. There is no apparent concern about the implications of current strong demand which risks taking sites with higher capacity (under rule changes) out of the market as they are developed (under old rules) to meet this strong demand.

In terms of urgency required, we would note the following. There is an average of potentially 4,500 additional dwellings for each 5-year period to 2036. If courtesy of strong demand more like 5-6,000 dwellings rather than 3,900 are built in the next five years, this will occur in areas which currently have capacity under current policies but highly likely correspond with areas identified as having potential for renewal and additional capacity. That is, if 6,000 dwellings are approved, it will reduce the area which under new policies would generate additional capacity.

And bearing in mind that the projected population growth for 2026 is already close to being achieved in 2021 (five years ahead), this scenario is not unlikely.

Whether it be from the five strategic centres or the other centres earmarked for later renewal, the path dependence of development means the potential to add capacity will diminish. Path dependence is the simple point that once new structures are built, those structures (and their density) are locked in for a long time and it would take extreme price pressures to justify knocking down relatively new structures – apart from the waste of resources.

With time a factor eroding the capacity to add potential supply, it follows that the Northern Beaches Council needs to consider the implication of decisions today which diminish the potential to add capacity. Otherwise, the capacity to plug the longer term identified shortfall will be compromised.

The Council cannot legally prohibit developments which comply with existing rules simply to leave room for future demand but denying current demand. That would lead to upward pressure on prices. But, at the very least, it needs to consider applying current policy to maximise the quantity (and diversity) of supply consistent with the direction of policy.

5.4 Diversity of Supply

Aside from the quantum of housing supply, the Strategy Paper also states that ***'Noting the deficit in capacity of around 275[4], the current planning framework is not sufficiently addressing the need for more diverse housing choices, including medium density housing. Increased diversity will address people's changing needs and provide more affordable smaller housing to help address affordability.'***

When policy restricts the ability of developers to build a diversity of supply, it has clear implications for affordability. The Northern Beaches is an attractive location for downsizers – without the need to commute to CBD, the lifestyle its coastal location offers is attractive and, while retirees like their space, they will be prepared to trade-off location for space. However, in the absence of scope for building dwellings which would be attractive (in terms of size or location) for downsizers, retirees will tend to stay in the large, detached house which has been the family home. The result then is that the supply of these larger detached dwellings available to the next generation of couples with children will be more limited. Higher income couples with children will be able to bid for this limited stock but middle-income households – including those with family connections in the area – will be priced out of the market. The socio-economic profile of the Northern Beaches will become more skewed.

Table 13. Northern Beaches Housing Demand-Supply Shortfall Estimates

Including Marginally Feasible	No. of Dwellings	Excluding Marginally Feasible	No. of Dwellings
Notional Capacity	11,745	Notional Capacity	11,055
Projected Demand to 2036	12,020	Projected Demand to 2036	12,020
Shortfall	-275	Shortfall	-965
Projected Demand to 2041	17,160	Projected Demand to 2041	17,160
Shortfall	-6,415	Shortfall	-7,105

Source: Draft Northern Beaches Housing Strategy April 2021 Table 12; Macroplan for 2041

[4] as discussed above, understated in our view

Section 6: Policy and Planning Context

The State Government has identified the need for Councils to plan for and facilitate the provision of housing for Greater Sydney's growing population. To meet this growing housing need, each council must prepare a housing strategy. The housing strategy needs to be aligned with an LGA's local strategic planning statement (LSPS).

The housing strategy is also required to consider the capacity and feasibility of the existing planning controls providing housing supply for the LGA. This would include a review of the existing Local Environmental Plan (LEP) and for the Northern Beaches there are three LEPs to be considered i.e., Pittwater LEP 2014; Warringah LEP 2011; and Manly LEP 2013. There are subtle but important differences in the planning controls in those three LEPs which have the ability to impact on providing housing diversity and also addressing housing affordability issues in the Northern Beaches. For example, clause 4.5A of Pittwater LEP places a restriction on the density of dwellings that can be constructed on a site which impacts on the type and size of dwelling(s) that will be provided by the market and hence the price and affordability of these dwelling(s).

Council has acknowledged that housing affordability is a major issue for the LGA with additional housing supply needed to address affordability issues and to provide a greater choice of housing options to a changing and ageing community. Addressing the impact of clause 4.5A of the Pittwater LEP is relevant to dealing with this matter and the Northern Beaches Council's housing strategy has neglected to address this matter or justify why the northern part of the LGA should continue to impose such restrictions. Without such commentary and advice regarding the implications of a restrictive density clause, there is no clear direction for Council regarding future amendments to the planning controls. The proposed Planning Proposal aims to address this at a site-specific level however, a broader policy review is required in the housing strategy.

6.1 Northern Beaches Local Strategic Planning Statement (LSPS)

The Northern Beaches "Towards 2040" Local Strategic Planning Statement (LSPS) sets a 20-year land use vision for the Northern Beaches LGA and how the LGA will sustainably manage growth and change. The LSPS gives effect to the strategic direction set by the Greater Sydney Commission's (GSC's) Greater Sydney Region Plan and North District Plan.

The LSPS identifies that the population of the LGA is older than the Greater Sydney average and Council expects that this trend will continue. The LSPS also notes that the LGA has a lower proportion of young adults compared to Greater Sydney however, Council has identified that this could change provided matters impacting this trend are addressed to reduce the number of young adults leaving the LGA such as affordable housing options.

In addition, the LSPS states that "significant additional housing supply is not needed to address projected population growth, but is needed to address affordability issues and to provide a greater choice of housing options to a changing and ageing community" (p128).

6.2 Final draft Northern Beaches Local Housing Strategy (Strategy Paper)

As discussed in Section 5 of this report, the Strategy Paper confirms that there is a need to provide additional housing for the growing population and to address housing affordability issues. The Strategy Paper, amongst other recommendations, states that higher density is required to address affordability issues (p78).

To address the location for additional housing supply, the Strategy Paper looks at four different approaches in terms of where it would be desirable for changes in planning policy to allow new housing to be built. Its preferred approach is the Centres Renewal Framework (CRF) which is outlined below. Mona Vale is earmarked for investigation using the CRF approach.

6.3 Centres Renewal Framework (CRF)

This CRF framework outlined in the April (2021) draft identifies different housing precincts in developable (unconstrained) areas around a centre or public transport stop, within 800 metres, or a 10-15 minute, walk. The CRF framework as outlined in the December (2020) version referred to “within 1 kilometre”. These areas are defined as Centre Investigation Areas (CIAs). The reasons for the narrowing in the radius from 1 kilometre to 800 metres are not clear but it reflects a decision to use additional housing supply in Frenchs Forest to reduce the amount of new housing that can be developed in CIAs.

The two key areas within a CIA identified for renewal are a centre core and a mixed housing area as shown in Figure 17.

The Centre Core is:

- Highly accessible and in town centre areas - less than 800m to public transport;
- Areas that are logical extensions of a centre where people can easily walk to the centre without facing physical barriers;
- Includes larger sites suitable for redevelopment, or areas with potential for site amalgamations to host additional development; and
- Suited to mixed use developments (with ground floor retail) and higher density housing such as apartments.

Mixed Housing Areas are:

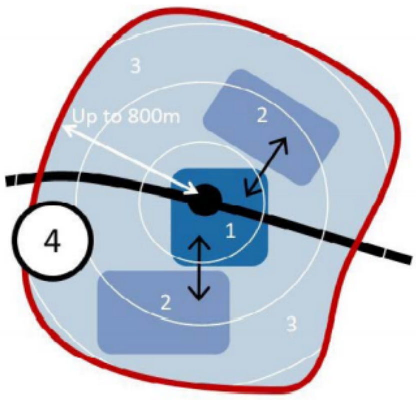
- Up to 800m from centres and public transport;
- Good amenity, representing opportunity areas closest to assets such as parks and shops;
- Suited to larger lot sizes, typically over 600 sqm, ready for redevelopment without site amalgamations; and
- Suitable for housing such as townhouses and small-scale apartments of 2-4 storeys.

In reference to mixed housing areas, we would note that the December (2020) definition had the mixed housing area “around 800 metres to 1 kilometre from centres and public transport”. That is these mixed housing areas were outside the centre core. The new April 2021 definition in Figure 17 has the mixed housing areas and centre core overlapping, raising a source of potential confusion.

Figure 17. Centres Renewal Framework

Defining the investigation area boundary:

- Areas within 800 metres of centres
- Exclude areas with heritage, topography or environmental constraints



Precincts

1. Centre core

- Highly accessible and in town centre areas - less than 800m to public transport.
- Areas that are logical extensions of a centre where people can easily walk to the centre without facing physical barriers.
- Includes larger sites suitable for redevelopment, or areas with potential for site amalgamations to host additional development.
- Suited to mixed use developments (with ground floor retail) and higher density housing such as apartments (such as within Brookvale and Frenchs Forest).

2. Mixed housing

- Up to 800m from centres and public transport.
- Good amenity, representing opportunity areas closest to assets such as parks and shops.
- Suited to larger lot sizes, typically over 600 sqm, ready for redevelopment without site amalgamations.
- Suitable for housing such as townhouses and small scale apartments of 2-4 storeys.

3. Influence areas

- Located within within 800m walk of centres,
- Suitable for housing that match the character of existing detached housing areas, such as dual occupancies, terraces, semi-detached dwellings or manor homes.
- Ideally creating Torrens (not strata) titled properties.

4. Excluded areas

- Heritage conservation areas, sites with high environmental hazards and risks, and areas zoned for E4 Environmental Living.

Source: Northern Beaches draft Local Housing Strategy (April 2021)

6.4 Mona Vale Central Investigation Area

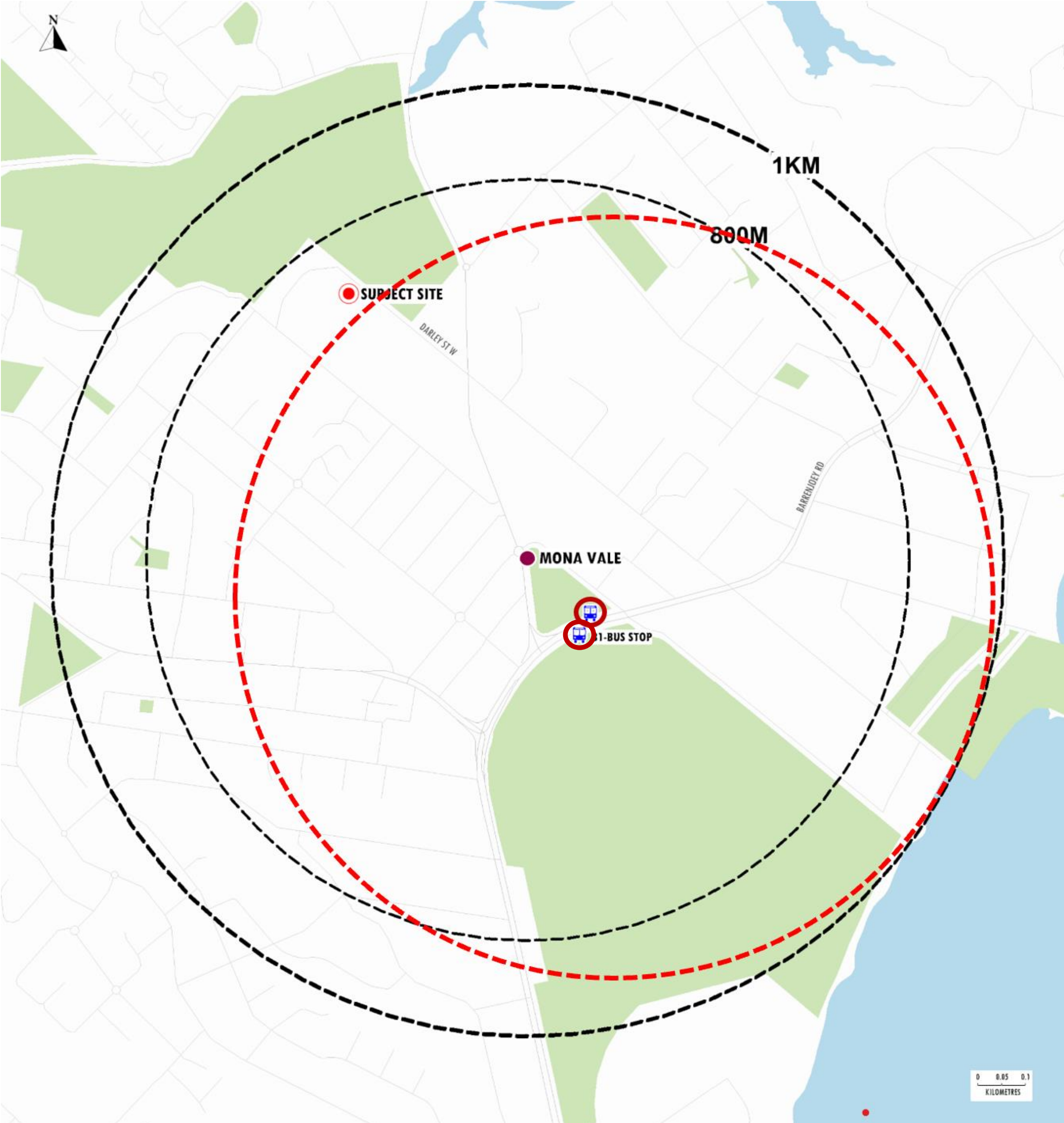
Mona Vale, referred to as the urban heart of the north, has been identified for renewal in the medium term, along with four other strategic centres as discussed above. Under the CRF, the centre core would logically be the Mona Vale Strategic Centre (B4 Mixed Use zoned land) and land within an 800m radius of the strategic centre. The subject site is located within the 800m radius and therefore could be considered as part of the centre core (see Figure 18 below).

Consistent with that, the December 2020 draft Strategy identified the centre of the CIA as being in the middle of the strategic centre. On that basis, whether the radius was 1 kilometre or 800 metres, the subject site would have been within the mixed housing area within the CIA.

However, the Council has then decided to interpret public transport narrowly as being the B1 line, and then moved the central point for the radius away from the middle of the strategic centre to the B1 bus stop on Barrenjoey Road. A substantial area within 800 metres and easy walking distance of the commercial precinct was thus excluded.

While the overall changes in the CRF were said to "better reflect walkable distances", no real justification has been provided for changing the CIA for Mona Vale and excluding locations within 800 metres (a walkable distance) of the town centre.

Figure 18. Changes in the CIA boundary for Mona Vale



Source: Macroplan (2021)

6.4.1 Darley Street West fits CRF design objectives

If we look at the proposed development site in Darley Street West, its relevant features appear to neatly fit the CRF descriptors are:

1. Highly accessible – only a 9-minute walk or 700 metres to the middle of the town centre, which has an abundance of amenities by way of shops and other services. That is, within walkable distance.

2. In terms of public transport, it is a 5-minute walk to the 156 bus service stops on Pittwater Road (400m walk) and a 13-minute walk to the B-Line bus stop on Barrenjoey Road opposite Village Park. That is, within walkable distance.
3. In terms of recreational amenity, it is over the road from the Bayview Golf Course which also has other facilities e.g., tennis courts. While a good walk, it is within walking distance to the beach at the opposite end of Darley Street, the park with a playground opposite the beach, and to the ocean walks to the south. The beach has an ocean pool and is a patrolled beach which is important, particularly for families with children but also for retirees and people generally.
4. The area contains a mix of detached houses, townhouses and apartments, but there is ample potential for additional housing.
5. Includes larger sites suitable for redevelopment, or areas with potential for site amalgamations to host additional development.
6. Most of the detached houses are on lots larger than 600 sqm, which would have the potential for small scale developments of townhouses and apartments of 2-4 stories.

In short, the features of the site are fully consistent with the intent of the CRF framework. It follows therefore that locations such as this should be included in the Mona Vale CIA.

6.4.2 Amalgamation of Sites

The CRF framework talks about small scale developments (point 6 above). In relation to that point, we assume this does not preclude the amalgamation and development of larger sites which can offer the potential for more efficient and aesthetic design which is consistent with the existing street character of Darley Street West. So, while the ability to develop without site amalgamation should be allowed – presumably seen as addressing the costs sometimes involved in amalgamating sites - it is assumed there would be no constraint on larger sites including proposals to amalgamate sites.

In relation to amalgamation costs, these are exacerbated in situations where the supply of land permitted to be developed is restricted. If there is a more competitive supply, the ability of landowners to extract a ransom from developers is diminished and in a competitive market, that lower cost of amalgamated sites is passed on in lower prices.

6.4.3 Mona Vale CIA and Diversity of Housing

Mona Vale overall has a high share of detached housing but has a mix of detached houses, townhouses, and apartments in the areas west and east of the strategic centre. These locations provide a more diverse range of housing but have ample scope for additional medium density housing to add to the diversity. In terms of affordability, the area towards the beach (east end of Darley) will attract a substantial “beach” premium so while that should not negate additional housing being developed, the west end of Darley Street is going to offer more potential in terms of more affordable housing. As noted, apartment prices are significantly lower than prices for detached housing, so these mixed housing areas offer more affordable housing.

The western end of Darley Street can already be described as a “mixed housing area”. It contains areas zoned R2 and R3 and reflecting that contains a mix of housing. It would be a logical candidate for a “mixed housing area” under the Strategy Paper which would support the proposed changes being requested under the subject Planning Proposal

6.4.4 Mona Vale as Employment Hub

Here we would note that a key objective in the Strategy Paper is "retaining employment uses around Mona Vale is essential as it is the major centre for the northern part of the LGA". The issue for landowners and businesses operating in the strategic centre is a market sufficiently large to sustain profitable operations and hence be able to offer employment opportunities. For particular types of businesses, the size of market required for a viable business has increased over time, so a larger population would be positive for the on-going health of the Mona Vale strategic centre. From that perspective, some mixed-use development, including a high-rise residential component could be consistent with retaining employment uses but, clearly options which add to housing in adjacent mixed housing areas will boost the economic viability, employment prospects and vitality of the strategic centre.

For businesses, the other issue is obtaining employees and for employees the availability of housing is a crucial issue for them. Housing options within walking distance of the major employment areas should probably be a consideration when defining the central point of the CIA. Defining it relative to the B1 bus stop appears to make the assumption that it is high-income residents who will be commuting to work out of Mona Vale to the CBD. And yet a key discussion point in the Strategy Paper is the need for housing for the low/middle income earners.

6.5 Pittwater LEP Clause 4.5A

The implications of clause 4.5A of the Pittwater LEP to the provision of housing in the northern part of the LGA has not been addressed in the Strategy Paper. This clause in effect limits the number of dwellings which can be built on a site, which in most instances would not change the building footprint or scale of a medium density residential development. That is, visually the FSR and height controls determine the building footprint and scale of the development while clause 4.5A influences whether the development site has a mixture of 1, 2 and 3 bed units or is dominated by 3+ bed units. Hence under the proposed concept development, and subject to the site being rezoned R3 Medium Density Residential, visually the development would present the same whether there was 30 or 40 units within the development envelope based on the height and FSR remaining unchanged.

Specific to Mona Vale strategic centre, which is located in the old Pittwater LGA, the CRF framework highlights the inherent problems with clause 4.5A of the Pittwater LEP which allows a maximum of one dwelling per 200 sqm of site area, a planning restriction which impacts on the provision of housing diversity. Continuing to permit this planning control to apply in Mona Vale would result in sites of 600-750 sqm being restricted to a maximum of three dwellings. This is inconsistent with 600 sqm being suitable for "small scale apartments of 2-4 storeys" which on any reasonable reading implies substantially more than three dwellings. It is therefore unclear whether the Strategy Paper considered this in its future density and yield calculations.

To the extent that clause 4.5 is continued to be used to limit development, it will also be inconsistent with Council's policy to address the related issues of looming shortage circa 2036 and the affordability issue:

- To the extent that sites with capacity for more dwellings under the new CRF policy are developed under these restrictive policies, the shortage in 2036 will only be exacerbated. For each site with capacity for say eight dwellings, if it is restricted to three, that will be taking five dwellings out of supply. Across the old Pittwater LGA area that could translate to a substantial loss of future supply.
- The policy encourages a small number of large apartments on sites, and these apartments will be correspondingly expensive dwellings, with high prices and high rents. It will thus directly contradict the intention to address affordability and to encourage the market to offer a more diverse range of dwellings.
- These dwellings will be out of the price range of key workers - nurses, teachers, let alone the hospitality and retail workers – providing the services which the residents of the area desire.

Section 7: **Additional Economic Benefits**

Mona Vale has been identified as a strategic centre in the North District Plan. The expectations for strategic centres include:

- High levels of private sector investment;
- Flexibility, so that the private sector can choose where and when to invest;
- Co-location of a wide mix of land uses, including residential;
- High levels of amenity and walkability and being cycle friendly; and
- Areas identified for commercial uses, and where appropriate, commercial cores.

Mona Vale strategic centre is a mixed-use area including retail, commercial, community, light industrial and residential uses. Mona Vale's connectivity to Brookvale, Dee Why and the Harbour CBD has improved with the commencement of the B-Line bus service which operates more frequent buses both during the day and into the evening.

The Greater Sydney Commission's North District Plan identifies the actions that need to be taken to support the strength of Mona Vale as one of the Northern Beaches key strategic centres. These actions include:

a) protect and enhance the commercial and retail function of the centre to provide employment growth and maintain high job containment
b) ensure sufficient retail and commercial floor space is provided to meet future demand
c) leverage Mona Vale's role as a north-south and east-west bus interchange to facilitate a greater diversity of employment and mixed-uses in the centre
d) improve access and linkages to local destinations, such as Mona Vale Hospital, through priority pedestrian networks
e) promote walking and cycling to and within the centre
f) retain and manage the industrial precinct to the north of the centre to serve the growing population
g) prioritise place-making and urban activation, including enlivening the centre.

Allowing the development of medium density in Mona Vale will support the intentions of a 'strategic centre' as well as the delivery of the actions specifically identified.

Action a) pertains to employment growth and job containment. Currently most local jobs exist to service the local population. Therefore, allowing the population to grow through density will help to support this outcome with more people requiring more service providers.

Across the Greater Sydney region, there is an expectation that strategic centres be flexible allowing the private sector to choose where to direct investment. Flexibility in the case of 159-67 Darley Street West is logical with the subject site within 600-700m walking distance of Mona Vale Centre making it walkable, cyclable and supportive of local economic activity.

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Appendix A: Growth Projections

Greater Sydney Growth Projections

	Population (million) as at June							Period growth				
	2016 (a)	2019 (e)	2021	2026	2031	2036	2041	2016-21	2021-26	2026-31	2031-36	2036-41
NSW Government (Pre-COVID)	5.02	5.36	5.61	6.13	6.61	7.08	7.53	0.59	0.52	0.48	0.47	0.46
Centre for Population and Macroplan (Post-COVID)	5.02	5.36	5.36	5.60	5.97	6.34	6.73	0.33	0.24	0.37	0.37	0.38

	Households (thousand) as at June							Period growth				
	2016 (a)	2019 (a)	2021	2026	2031	2036	2041	2016-21	2021-26	2026-31	2031-36	2036-41
NSW Government (Pre-COVID)	1,803	1,924	2,031	2,236	2,430	2,625	2,818	227	205	194	195	193
Macroplan (Post-COVID)	1,803	1,924	1,939	2,043	2,196	2,352	2,515	136	104	152	157	163

	Dwellings and Dwelling Demand (thousand) as at June							Period growth				
	2016 (a)	2019 (a)	2021	2026	2031	2036	2041	2016-21	2021-26	2026-31	2031-36	2036-41
NSW Government (Pre-COVID)	1,946	2,075	2,189	2,408	2,616	2,823	3,029	243	219	208	208	205
Macroplan (Post-COVID)	1,946	2,075	2,090	2,201	2,363	2,530	2,704	144	111	163	167	173

Table 14. Northern Beaches LGA: Key DPIE (2019) Growth Projections

				Population (thousand) as at June						Period growth		
	2016 (a)	2019	2020(a)	2021	2026	2031	2036	2041	2016-36		2016-41	
Population	265.5	273.5	274.0	269.6	275.2	281.8	288.4	296.6	23.0	8.7%	31.2	11.7%
Population in Private Dwellings	262.1	269.9	270,4	266.0	271.2	277.1	283.1	290.5	20.9	8.0%	28.3	10.8%
Households	96.9	99.8 (e)	100.0 (e)	99.0	102.3	106.3	110.4	115.1	13.5	13.9%	18.2	18.7%
Demand for Dwellings (private)	106.5	109.7 (e)	109.9 (e)	108.7	112.3	116.7	121.3	126.4	14.8	13.9%	19.9	18.7%
Supply of Dwellings	106.5	108.3	108.5									
Population in Non-Private Dwellings	3.3	3.6	3.6	3.6	4.1	4.7	5.4	6.2	2.0	61.1%	2.8	85.0%
Estimates of supply are from LHS (SGS). Estimates of households and demand from dwellings are from Macroplan based on population growth												

Source: DPIE (2019) Macroplan (2021)

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MELBOURNE

Level 16
330 Collins Street
Melbourne VIC 3000
(03) 9600 0500

SYDNEY

Level 10
580 George Street
Sydney NSW 2000
(02) 9221 5211

BRISBANE

Level 1
310 Edward Street
Brisbane QLD 4000
(07) 3221 8166

GOLD COAST

Level 2
89-91 Surf Parade
Broadbeach QLD 4218
(07) 3221 8166

PERTH

Level 1
89 St Georges Terrace
Perth WA 6000
(08) 9225 7200

www.macroplan.com.au

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