28 September 2021

Nicole Topple
Walker Corporation

Sent via email: Nicole.Topple@walkercorp.com.au

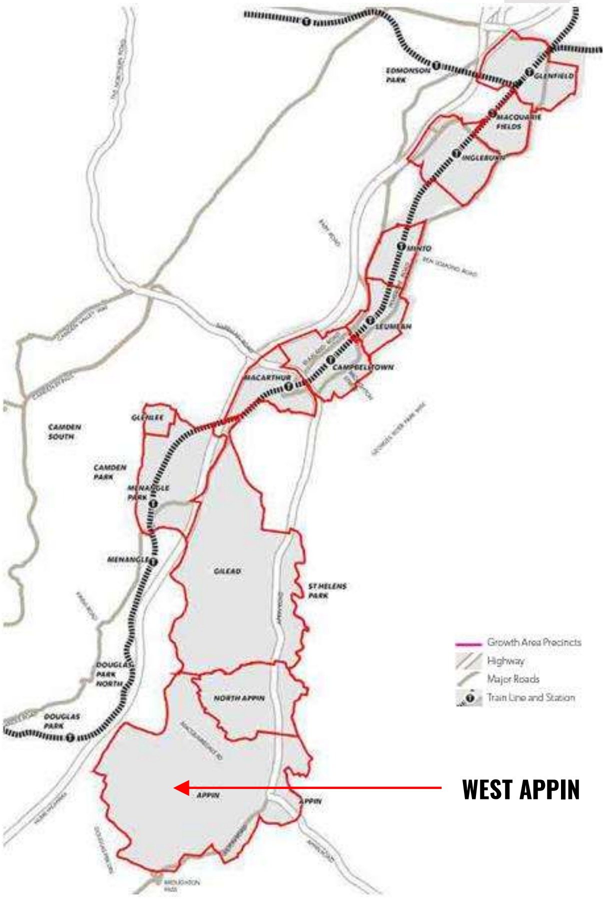
Dear Nicole,

Re: West Appin Investigation Area – Residential Density Discussion Paper

The Greater Macarthur Growth Area (GMGA) is one of the Greater Sydney's largest housing release areas, including a mix of urban infill precincts (Glenfield to Macarthur) and greenfield land release precincts.

There are four main land release precincts within the GMGA, including Gilead, Menangle Park, North Appin and West Appin. The West Appin precinct has been identified for up to 15,000 new dwellings and is depicted in **Figure 1**.

Figure 1: Greater Macarthur Growth Area



Source: Greater Macarthur 2040 Interim Plan (DPIE, 2018)

Walker Corporation (Walker) is the predominant landowner in the West Appin precinct. Walker is currently in pre-planning proposal discussions with the NSW Department of Planning, Industry and Environment (DPIE). A focus of these discussions has been around future residential densities within the West Appin precinct.

Atlas Urban Economics (Atlas) have been engaged by Walker to examine residential densities (and their corresponding dwelling typologies) observed elsewhere across Greater Sydney to inform discussions with DPIE. This will also include considering the potential dwelling densities and typologies suited for West Appin.

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RESIDENTIAL DENSITY ANALYSIS

Residential density is often measured as the number of dwellings per hectare of land area and is a common metric for planning authorities when planning new residential areas.

Residential densities correlate with residential typologies as more dense formats of housing (e.g. apartments) exhibit a higher number of dwellings per hectare. Similarly, more intense formats of housing (small lot detached houses) will reflect higher residential densities than large lot residential for example.

To assist in contextualising residential densities in the context of West Appin, a benchmarking review of Western Sydney localities has been carried out. This analysis has considered a sample of case study areas grouped into two categories:

- **Established Areas:** areas which were primarily developed in 2016, facilitating the use of 2016 Census data for benchmarking analysis.
- **Planned Areas:** newly developed and/or planned areas where residential development remains ongoing.

Both groups of case study areas are examined in turn.

Established Areas

A total of 15 established case study areas across Western Sydney were examined for analysis. These case study areas comprised a broad mix of existing land use zones and residential typologies which influence their respective residential densities. As shown in **Table 1**, the case study analysis indicates:

- Rural residential areas are characterised by very modest residential densities (sub 3 dwellings/ha).
- Low density residential areas comprise residential densities from ~9 dwellings/ha to ~12 dwellings/ha.
- Medium-density residential areas have residential densities ranging from ~12 dwellings/ha to 31 dwellings/ha.
- High-density residential areas exhibit the highest residential densities of ~42 dwellings/ha to 60 dwellings/ha.

Table 1: Residential Densities (2016), Select Case Study Areas (Western Sydney)

Precinct	LGA	Land Use Zone	SA1 Area (ha)	Dwellings (2016)	Dw/ha (2016)	Housing Typologies
Large Lot Residential/Environmental Living						
Picton	Wollondilly	R2/R5	201.5	592	2.9	• Large, detached housing on lots from 700sqm-4,000sqm
Silverdale	Wollondilly		390.1	832	2.9	
Low-Density Residential						
Harrington Park	Camden	R2	77.4	876	11.3	• Detached housing on lots 450sqm-800sqm • Single and 2-storey duplexes • Detached housing with secondary dwellings
Claremont Meadows	Penrith		104.4	1,117	10.7	
St Marys	Penrith		720.4	6,531	8.8	
Cabramatta West	Fairfield		182.8	2,092	11.4	
Acacia Gardens	Blacktown		100.13	1,151	11.5	
Medium-Density Residential						
The Ponds	Blacktown	R3	128.6	1,478	11.5	• Detached housing on small lots (330sqm to 500sqm) • Townhouses and villas • Low-rise apartment buildings (3-4 storeys)
Fairfield	Fairfield		80.7	2,502	31.0	
Castle Hill	The Hills		113.1	2,203	19.5	
Macarthur	Campbelltown	R4	75.5	1,192	15.8	
Mount Druitt	Blacktown	R3/R4	91.5	2,546	27.8	
High-Density Residential						
Westmead	Parramatta	R4	26.6	1,489	55.9	• Townhouses and villas • Low and medium rise apartment buildings (3-8 storeys)
Liverpool	Liverpool		101.2	6,070	59.9	
Parramatta (South)	Parramatta		84.9	3,610	42.5	

Source: ABS (2017)/Atlas

It is important to note that the residential densities analysed in **Table 1** are inclusive of areas not permitted for residential development, such as public open space and local streets. In some instances, land permitted for residential development is utilised for alternate permitted uses. For instance, land zoned R2 Low Density Residential may be occupied by a school.

Planned Areas

Greater Sydney's Growth Areas are subject to minimum residential density targets as outlined in the State Environmental Planning Policy (Sydney Region Growth Centres) 2006 (Growth Centres SEPP). These density targets are based on net developable area (NDA); including land zoned for residential purposes as well as internal streets and access roads (part).

Residential densities in planned (greenfield) areas are often grouped into five main categories and are discussed below:

- **Large lot residential: 10dw/ha to 12.5dw/ha**
  Large lot residential, also referred to as executive housing and/or environmental living, are the largest housing formats typically offered in new housing estates. Housing formats are predominantly single and/or double storey detached houses with lot sizes ranging from ~540sqm to ~675sqm in site area.

  Large lot residential subdivisions were the 'norm' for much of the decade following the release of the Growth Centres SEPP in 2006. Large lot residential formed a large component of the overall 'density mix' of several major estates within and outside the Growth Areas, such as Catherine Park (Camden LGA), Bingara Gorge (Wollondilly LGA), Menangle Park (Campbelltown LGA) and Macarthur Heights (Campbelltown LGA). New subdivisions in much of Wollondilly's Picton-Tahmoor-Thirlmere New Urban Lands also heavily feature these residential densities.

- **Low density residential: 15dw/ha to 25dw/ha**
  The majority of contemporary residential estates across Greater Sydney comprise low density residential housing formats (15dw/ha to 25dw/ha). Housing formats within this density band range from detached houses, semi-detached houses and multi-dwelling housing (no high-density housing formats). Lot sizes typically range from ~270sqm to ~450sqm in site area within this dwelling band, with most lots >300sqm capable of accommodating a detached house.

  This density band is well represented across much of the North West and South West Growth Areas in precincts such as Schofields, Alex Avenue and Marsden Park (Blacktown LGA) as well as Oran Park and Gregory Hills (Camden LGA). Looking forward, the majority of new dwellings at the Lowes Creek Marylands (LCM) are expected to fall in this band.

- **Medium density residential: 25dw/ha to 35dw/ha**
  Medium-density residential (25dw/ha to 35dw/ha) is becoming an increasingly larger component of overall housing mixes in new estates across Greater Sydney. Unsurprisingly, this density band predominantly features medium-density housing formats and some low rise (3 storey) residential flat buildings. Lot sizes for medium-density housing formats would generally range from ~190sqm to ~270sqm in site area.

  Examples of this density band across new subdivisions are observed in Alex Avenue and Marsden Park (Blacktown LGA), Edmondson Park (Liverpool LGA), Bardia (Campbelltown LGA) and parts of Oran Park (Camden LGA).

- **Medium to high density residential: 35dw/ha to 45dw/ha**
  Medium to high-density residential bands (35dw/ha to 45dw/ha) are also becoming more common in new estates across the Growth Areas and generally limited to estates where there is an established town centre and/or train station.

  In addition to more intense medium-density housing formats (e.g. multi-dwelling housing), residential densities of up to 45dw/ha would include medium to high-rise residential flat buildings and shop top housing. Examples of such development underway is observed in Edmondson Park and Oran Park (Camden LGA) and Schofields (Blacktown LGA).

- **High density residential: 45dw/ha and greater**
  High-density residential housing formats in excess of 45dw/ha have begun to gain some momentum in new estates across Greater Sydney's Growth Areas and broader Western Sydney market more generally. Example locations in newer areas include Edmondson Park, Oran Park and Schofields where amenity and/or train accessibility is strong.

  Unlike low and medium-density housing typologies, the relationship between high-density housing typologies and residential density controls (dw/ha) is not as clearly demonstratable and is highly influenced by overall site area and apartment sizes. For instance, an apartment/townhouse development (216-units across 4-storey apartment buildings and 25 two storey townhouses) in Narellan would equate to a residential density of just over ~73dw/ha. Conversely, a 48-unit, 6-storey apartment building opposite Oran Park Town Centre has a residential density equating to over 100dw/ha. This is a direct reflection of the difference in site areas.

MARKET DEMAND AND PREFERENCES

Market Context

Residential development across the greenfield precincts in Greater Sydney's South West and Greater Macarthur Growth Areas has traditionally focused on low-density, detached housing product. This enduring preference coupled with escalating housing affordability constraints has seen developers respond by progressively delivering smaller lot sizes throughout much of the past decade. For instance, the medium lot size in Greater Sydney's Growth Areas has fallen by 28% over the 2009-2020 period, whilst the median lot price has grown by some 77% (UDIA, 2021).

The onset of the COVID-19 pandemic in Q1 2020 further amplified this preference for detached housing typologies in the Growth Areas, primarily due to historically low interest rates and a variety of government financial incentives. The South West Growth Area recorded amongst its highest sales volumes over the course of 2020, with Q1 2021 representing the highest number of quarterly sales on record.

In closer proximity to West Appin, several new estates have been brought to market and witnessed high levels of demand:

- The initial release of the 379-lot subdivision **'The Village' at Menangle** commenced marketing in Q2 2021. Stage 1 comprised a total of 28 lots which sold out upon weekend release in May 2021. It is understood there were enquiries from over 150 prospective purchasers with the ~500sqm lots attracting prices from $445,000 to $506,000.
- Dahua's 4,000-lot subdivision in **Menangle Park** commenced marketing in 2018 with all initial stages (~400 lots) having been sold. Strong interest is understood to have been witnessed over the past 12-months, with lots ranging from 300sqm to 650sqm and attracting prices from $385,000 to $650,000.
- **Wilton Greens** is one of the first new estates to be released within the Wilton New Town Growth Area. Marketing for the 1,600-lot subdivision commenced in Q3 2020 and it is understood that over 350 lots have sold to date following a strong response from prospective owner occupiers.

Emerging Housing Typologies

Medium-density housing typologies (i.e. townhouses, villas) are increasingly being progressed across the SWGA. In Oran Park, there are multiple townhouse developments being progressed. For instance, Villa World – Oran Park features a mix of 2, 3 and 4-bedroom, two-storey townhouses. Since October 2020, approximately 100 sales have been recorded with marketing agents noting demand has been primarily observed from owner occupier purchasers unable to afford land or house and land packages elsewhere across the SWGA. Further north in Edmondson Park, two and three-storey 'townhomes' are a key component of the 'Ed. Square' development and are achieving sale prices on par with some house and land packages.

Some of the first higher density apartment developments in the SWGA are also beginning to emerge. Projects such as Ed. Square (992 apartments), Oran Park Town Centre (53 apartments) and Somerset Rise, Narellan (100 apartments) have all recorded good interest to date, particularly Ed. Square and Somerset Rise where there is strong retail amenity and rail transport accessibility.

Housing Preferences in Appin Region

Looking forward, changing lifestyle preferences (which was already occurring pre-COVID) and growing affordability constraints are expected to result in a greater 'step change' towards smaller (and more affordable) housing typologies in the Growth Areas. This will predominantly include smaller lot detached housing and medium-density typologies.

Demand for apartment typologies is also expected to further mature, though more limited to areas of high amenity and accessibility.

In markets such as West Appin where affordability constraints are not as severe as observed in the North West or South West, these trends are nonetheless expected albeit at a slower rate.

The following preliminary comments are made in respect to potential residential densities in West Appin:

- Larger detached housing on rural/environmental lots remain in strong demand across Wollondilly, though by virtue of their size (e.g. 1,000sqm and greater) are generally beyond the purchasing capacity of most buyers, particularly First Home Buyers. These formats would have a minor role to play at West Appin.

- Detached housing typologies with large lot and low residential densities (10dw/ha-12.5dw/ha and 15dw/ha to 25dw/ha) will be the preferred housing formats in the Appin locality for some time. Masterplanning could focus the majority (40%-60%) of housing in these formats. Research suggests purchasers are less sensitive to lot sizes as long as ***detached*** housing formats can be well-designed and delivered.
- Demand for medium-density housing typologies (25dw/ha to 35dw/ha) is expected to grow significantly over the coming years. If designed well, medium-density formats could comprise 30% to 40% of future housing stock.
- Higher-density housing formats such as apartments are unlikely to be well-received at scale in West Appin given its lack of rail accessibility. Shop top housing in local centre settings would be considered appropriate, though it will be critical such centres have a high-level of amenity. No more than 5% of total dwelling stock would be required at West Appin.

These recommendations have been made on preliminary market investigations and industry knowledge. Refined recommendations should be carried out moving forward in conjunction with a more detailed market appraisal and supply assessment.

We trust Walker finds the foregoing useful. Please contact the undersigned should you require any further information.

Yours sincerely

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References

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