

SYDENHAM-BANKSTOWN CORRIDOR

DWELLING TAKE-UP ANALYSIS

DEPARTMENT OF PLANNING & ENVIRONMENT
OCTOBER 2016

aecgrouppltd.com

DOCUMENT CONTROL

Job ID: 18576SYD
Job Name: Sydenham-Bankstown Corridor Dwelling Take-up Analysis
Client: Department of Planning & Environment
Client Contact: Simon Bennett
Project Manager: Esther Cheong
Email: esther.cheong@aecgrouppltd.com
Telephone: 02 9283 8400
Document Name: Sydenham-Bankstown Corridor Dwelling Take-up Analysis Final.docx
Last Saved: 19/1/2017 12:16 PM

Version	Date	Reviewed	Approved
Draft	12/10/2016	EC	EC
Revised Draft	30/11/2016	EC	EC
Final	18/01/2017	EC	EC

Disclaimer:

Whilst all care and diligence have been exercised in the preparation of this report, AEC Group Pty Ltd does not warrant the accuracy of the information contained within and accepts no liability for any loss or damage that may be suffered as a result of reliance on this information, whether or not there has been any error, omission or negligence on the part of AEC Group Pty Ltd or their employees. Any forecasts or projections used in the analysis can be affected by a number of unforeseen variables, and as such no warranty is given that a particular set of results will in fact be achieved.

EXECUTIVE SUMMARY

BACKGROUND

The Department of Planning and Environment is progressing to finalise and implement the Sydenham to Bankstown Urban Renewal Corridor Strategy, in line with A Plan for Growing Sydney's identification of the Sydenham-Bankstown Corridor as an urban renewal corridor. DPE worked with councils to identify suitable areas for housing intensification and urban renewal, including existing employment lands around priority precincts, established and new centres and transport corridors.

As DPE progresses finalisation and implementation of the Strategy, DPE is keen to understand the likely take-up of development opportunities in the Corridor following amendments to existing planning controls.

AEC Group (AEC) is engaged by DPE to carry out Dwelling Take-up Analysis to understand demand for dwellings in the future and the likely take-up of development opportunities along the Corridor, specifically in the station precincts of Sydenham, Marrickville, Dulwich Hill, Hurlstone Park, Canterbury, Campsie, Belmore, Lakemba, Wiley Park, Punchbowl and Bankstown.

This Study seeks to understand the following:

- Projected dwelling demand in each station precinct, 2011-2036.
- Additional dwelling capacity that is unlocked by amended planning controls.
- Following implementation of amended planning controls, the likelihood of land in each precinct being developed to accommodate increased dwellings.
- Estimate of dwelling take-up, that is, take-up of development opportunities and delivery of new dwellings over the 2011-2036 period.

APPROACH AND KEY CONSIDERATIONS

Anticipating likely dwelling take-up is a nuanced issue. Even though the Strategy may unlock development opportunities through amended planning controls, it is not a given that all opportunities will be taken up.

The capacity of residential zoned land to accommodate new dwellings can be thought of as two-fold: planning capacity and market capacity.

- **Planning capacity** (or theoretical capacity) refers to the physical ability of land to be developed, taking into account permissibility under planning framework, environmental and infrastructure constraints, etc.
- **Market capacity** refers to issues of commercial viability - whether pricing levels, development costs, etc. make development a commercial proposition, i.e. if development is financially feasible.

In some instances constraints to new development could be as a result of market capacity, relating to market and economic factors, in which case those impediments are beyond the control of planning authorities.

The estimate of dwelling take-up is undertaken in two broad steps in each precinct:

- **Dwelling demand**
 - Understanding market demand and preference and market attitudes to different types of dwellings.
 - Projecting demand in each station precinct.
- **Market capacity**

Approximating market capacity involves understanding a number of factors, *inter alia*:

 - If the market is willing to pay for higher density living in station precincts,
 - The availability of suitably priced development sites, and ultimately
 - Whether planning controls permit feasible development.

FINDINGS

Dwelling Demand

Market attitudes and conditions are important for understanding dwelling demand. To investigate the relative desirability of precincts along the Corridor as well as understand the ability of these precincts to accommodate increased dwellings in the future, each of the station precincts were profiled by group or sub-market:

- **Inner** - Sydenham, Marrickville, Dulwich Hill station precincts.
- **Middle** - Hurlstone Park, Canterbury, Campsie, Belmore station precincts.
- **Outer** - Lakemba, Wiley Park, Punchbowl, Bankstown station precincts.

Profiling of the station precincts reflects 'substitutability' of the precincts within a sub-market grouping. For example, owing to comparable locational qualities and pricing levels (rents and sale prices), it is conceivable that if a household seeking accommodation in Marrickville is unsuccessful, that household would consider options in Dulwich Hill.

Inner Precincts (Sydenham, Marrickville, Dulwich Hill)

Our research and investigations suggest market demand within the Inner station precincts and their broader suburbs is healthy and sustained, consistent with observations across inner ring suburbs where a variety of public transport options are available as well as access to an amenity-rich environment.

While demand for new dwellings is healthy in the Inner station precincts (consistent with inner ring suburbs across Sydney), the lack of large scale opportunities for development has hindered the supply of new housing. While some developers have been able to acquire and consolidate former industrial sites, these opportunities are few and far between. As a consequence, competition for the limited new masterplanned stock that is brought to the market is keen (as demonstrated by the experience of Arlington Grove in Dulwich Hill).

Despite strong levels of demand, historical dwelling growth has been modest in the Inner station precincts. This is more a function of limited supply opportunities rather than a lack of demand. Accordingly, supply-led demand is expected to occur in the Inner station precincts as the Strategy unlocks feasible development opportunities. New supply is expected to also meet demand from outside the station precincts.

Middle Precincts (Hurlstone Park, Canterbury, Campsie, Belmore)

Canterbury and Campsie are two precincts that have been growing in market acceptance for higher density living, as evidenced by the number of developments currently progressed and those in the pipeline. Concurrent with a growing residential population in these areas, retail and commercial services have also benefitted from an overall revitalisation which has cumulatively resulted in an enriching of the living amenity around the station precincts.

Future dwelling take-up in Canterbury and Campsie is expected to be dominated by unit-type developments as market depth and capacity to pay for this type of residential product is establishing well. Though located not far to the south west of Canterbury and Campsie, the market for higher density living in Belmore is less established compared to Canterbury and Campsie. As acceptance for higher density living grows the attractiveness of progressing new development will continue to increase in depth.

Similar to the Inner station precincts, supply-led demand could occur in Canterbury and Campsie (to a lesser extent in Belmore) as development opportunities are unlocked.

Outer Precincts (Lakemba, Wiley Park, Punchbowl, Bankstown)

The Outer station precincts (with the exception of Bankstown) are challenged by the issue of effective demand. With the availability of low and medium density residential on the fringes of the station precincts, price levels of new residential units are limited by the price of a detached dwelling. Until market preferences shift and households view unit living as a lifestyle choice rather than a 'lesser option', feasibility of tall buildings will be fragile.

Identified earlier, market attitudes towards higher density living is less established in the Outer station precincts. Accordingly we expect in the near to medium term, development activity will in the main comprise of buildings under 10 storeys until such time revenue levels justifying the cost of constructing taller buildings.

Over time, we expect market attitudes towards higher density living in the Outer station precincts to align with those observed in the Inner and Middle station precincts. This will result in the lifting of end sale prices of residential units, making it more financially attractive for developers to pursue redevelopment opportunities.

Assessment of Market Capacity to Meet Dwelling Demand

The Strategy envisages amendments to planning controls that will unlock development opportunity across the Corridor. It is however not realistic to assume that 100% of development will occur. Even though new development may be financially feasible to undertake, unless landowner objectives align with development objectives, the capacity of a site to accommodate new development is only theoretical.

This Analysis is concerned with the *market capacity* of the Corridor following implementation of amended planning controls. The assessment of market capacity relies on feasibility modelling carried out by DPE's UFM team which calculates the likely percentage of development likely to be feasible by development typology and by precinct.

Table ES.1 compares the planning capacity and market capacity of the Corridor against projected demand to 2036.

Table ES.1: Market Capacity (UFM Results) v Projected Dwelling Demand, 2011 and 2036

Precinct	Projected Demand		Supply Capacity			Surplus (Shortfall) Capacity to meet Demand (d-b+e)
	Dwelling Demand (2036) (a)	Additional Demand (2011-2036) (b)	Additional Potential (Planning Capacity) (c)	Dwellings Feasible (Market Capacity) (d)	Current Development Pipeline in Delivery* (e)	
Sydenham	3,593	966	715	589	18	(359)
Marrickville	5,254	838	8,195	6,931	82	6,175
Dulwich Hill	5,096	893	2,781	2,337	15	1,464
Hurlstone Park	2,521	840	891	340	250	(249)
Canterbury	4,139	1,780	9,078	6,770	2,250	7,240
Campsie	13,156	5,240	15,856	10,444	108	5,312
Belmore	4,914	1,127	11,234	9,115	434	8,422
Lakemba	7,214	2,043	8,885	4,853	333	3,143
Wiley Park	6,322	2,296	5,380	2,934	291	930
Punchbowl	6,715	2,408	9,782	5,923	71	3,586
Bankstown	11,077	5,156	18,465	8,511	719	4,074
Total	70,002	23,586	91,262	58,747	4,571	39,732

*Dwellings under construction and with development approval

**Estimated capacity is 'net additional', i.e. over and above existing dwellings

Note totals may not sum due to rounding

Source: DPE (2016c), AEC

Feasibility modelling demonstrates that while the Strategy may provide planning capacity for 91,262 new dwellings (column c), not all development opportunities are financially feasible to pursue (compare with assessed market capacity of 58,747 dwellings in column d).

Notwithstanding the assessed market capacity, **Table ES.1** suggests that station precincts in the Corridor have the capacity to accommodate more dwellings than the projected demand, resulting in a surplus (market) capacity of 39,732 dwellings. The analysis demonstrates that should the Strategy be implemented, the new planning controls could unlock surplus market capacity of nearly 40,000 dwellings to 2036.

Surplus capacity in the planning framework is important as it allows the market to respond as required, and not have to face a situation of constrained supply opportunities which have the effect of pushing up the price of land. Surplus market capacity also allows supply-led demand to occur and could provide opportunities for new dwellings along the Corridor to meet demand that may be unmet elsewhere (outside the Corridor).

Forecast of Dwelling Take-up

Projections of dwelling demand and assessment of market capacity are combined to consider the prospects for dwelling take-up along the Corridor.

Dwelling demand does not occur in a vacuum. Even though dwelling demand may be projected for a station precinct, that demand is capable of being met in that station precinct as well as outside the precinct. Equally, demand from outside could be met within a Corridor station precinct particularly if there is unmet demand outside the Corridor.

Table ES.2 contains a forecast of dwelling take-up in each precinct (in five-year increments) to 2036. The forecast is based on the following rationale:

- **Total market capacity**

Each station precinct is limited by total market capacity (per market capacity in column d, **Table ES.1**).

- **Established market acceptance of higher density living**

There is the most market acceptance in Inner station precincts with Middle station precincts also growing in acceptance of higher density residential product. Greater take-up rates in the short term are assumed for Inner station precincts followed by Middle, then by Outer station precincts.

Over time, as market attitudes change and there is more acceptance of higher density living in the Middle and Outer station precincts, take-up rates are then assumed to increase to exceed take-up in Inner precincts which begin to approach capacity by 2036.

- **Completion of metro**

Conversion of the existing rail line and delivery of new metro trains is understood to be targeted for around 2024. It is reasonable to assume that development interest and dwelling take-up will gain momentum as completion of improved transport facilities become imminent. Market capacity for high take-up in Inner station precincts is assumed to be occur immediately, with take-up in Middle and Outer station precincts assumed to be incremental now but to equal that of Inner station precincts from 2021.

- **Average annual take-up rates**

Average annual take-up rates of 20 dwellings to 350 dwellings assumed depending on estimated market capacity as well as historical development. While a glance into the past is generally a good indication of the future, this is not always relevant where planning interventions could result in a new growth trajectory.

In some station precincts (particularly in Marrickville and Dulwich Hill) where key opportunity sites are contemplated for housing delivery, future dwelling take-up is likely to exceed historical take-up rates which has in the past been hindered by limited development opportunities.

Table ES.2: Dwelling Take-up Forecast (to 2036)

Precinct	2011	2036	Additional Dwelling Take-up (to 02036)					Total
			2016	2021	2026	2031	2036	
Sydenham	2,627	3,145	18	188	150	88	75	518
Marrickville	4,416	10,498	82	2,250	1,800	1,050	900	6,082
Dulwich Hill	4,203	6,218	15	750	600	350	300	2,015
Hurlstone Park	1,682	2,032	250	18	33	28	23	350
Canterbury	2,359	8,609	2,250	700	1,300	1,100	900	6,250
Campsie	7,916	14,024	108	1,050	1,950	1,650	1,350	6,108
Belmore	3,787	7,221	434	525	975	825	675	3,434
Lakemba	5,171	8,504	333	150	375	1,050	1,425	3,333
Wiley Park	4,026	6,717	291	120	300	840	1,140	2,691
Punchbowl	4,307	6,778	71	120	300	840	1,140	2,471
Bankstown	5,921	12,640	719	1050	1,950	1,650	1,350	6,719
Total	46,415	86,386	4,571	6,920	9,733	9,470	9,278	39,971

*totals may not sum due to rounding
Source: DPE, AEC

A number of observations are made from the forecast of dwelling take-up:

- **Supply-led demand**

The forecast in the majority of station precincts exceeds that of projected demand (column b, **Table ES.1**). The exception is in Sydenham and Hurlstone Park where market capacity is modest.

Where there is already keen developer interest and demonstrated activity in a station precinct, an element of supply-led demand is assumed to occur (mostly notably in the Inner station precincts). In these instances, dwelling take-up is assumed to cater for demand not just within the local station precinct but also assist in meeting demand from a broader area.

- **Surplus market capacity**

The estimates of dwelling take-up (39,971 dwellings) exceed the total projected demand for the Corridor (23,586 dwellings). This suggests the Strategy could facilitate dwelling take-up to meet housing demand from beyond the Corridor, leveraging the government's investment into improved train services (Sydney Metro City & Southwest infrastructure project) to the broader area.

The estimates of take-up imply there is surplus capacity of nearly 19,000 new dwellings beyond the forecast period. A surplus supply of development opportunities allows 'friction' in the market and facilitates stability in pricing of development sites.

Aside from a select number of centres where high density living is demonstrated to have market acceptance, it would be desirable for DPE to work with councils to encourage continued infill development across the Corridor. Incremental infill development will in time bring about a renewal of suburbs, thereby generating a lift to profile contributing to a shift in market attitudes and thereby resulting in increases to property prices. Eventually the prices of medium and higher density product will then be able to justify and sustain their development.

TABLE OF CONTENTS

DOCUMENT CONTROL.....	I
EXECUTIVE SUMMARY	II
TABLE OF CONTENTS	VII
1. INTRODUCTION.....	1
1.1 BACKGROUND	1
1.2 SCOPE AND APPROACH.....	1
1.3 ASSUMPTIONS AND LIMITATIONS	2
2. SYDENHAM-BANKSTOWN CORRIDOR	3
2.1 URBAN RENEWAL CORRIDOR STRATEGY	3
2.2 REVIEW OF PLANNING CONTROLS	3
2.3 FUTURE LAND USE	4
3. DEMAND FOR RESIDENTIAL USES	6
3.1 TRENDS AND DRIVERS	6
3.2 PROPERTY MARKET CONTEXT	7
3.3 DWELLING DEMAND PROJECTIONS	12
4. ACCOMMODATING FUTURE GROWTH	14
4.1 EXISTING LAND USES	14
4.2 SYDENHAM-BANKSTOWN URBAN RENEWAL CORRIDOR STRATEGY.....	14
4.3 DWELLING DEMAND V DWELLING TAKE-UP	17
REFERENCES.....	23
APPENDIX A: PROJECTIONS APPROACH	24

1. INTRODUCTION

1.1 BACKGROUND

A Plan for Growing Sydney (DPE, 2014) identifies Sydenham-Bankstown as an urban renewal corridor and outlines delivery of the Sydney Metro City & Southwest (formerly known as the Sydney Rapid Transit) linking Bankstown to the Sydney CBD and the North West Rail Link (NWRL).

A Plan for Growing Sydney (The Plan) seeks to work with councils to identify suitable areas for housing intensification and urban renewal, including existing employment lands around priority precincts, established and new centres and transport corridors. The Sydenham-Bankstown Corridor (the Corridor) is comprised of 11 station precincts along the rail line, being Sydenham, Marrickville, Dulwich Hill, Hurlstone Park, Canterbury, Campsie, Belmore, Lakemba, Wiley Park, Punchbowl and Bankstown.

The Department of Planning and Environment (DPE) publicly exhibited the draft Sydenham to Bankstown Urban Renewal Corridor Strategy (the Strategy) in October 2015 and is in the process of reviewing submissions received. An amended Strategy incorporating feedback from the community, councils and other government agencies is expected to be released in late 2016.

AEC Group (AEC) is engaged by DPE to carry out dwelling demand and take-up projections across specific precincts along the Sydenham-Bankstown Corridor.

1.2 SCOPE AND APPROACH

As DPE progresses finalisation and implementation of the Strategy, DPE is keen to understand the likely take-up of development opportunities in the Corridor following amendments to existing planning controls.

The scope of this analysis includes consideration of the following:

- Projected dwelling demand in the Precincts, 2011-2036.
- Additional dwelling capacity provided as a consequence of amended planning controls.
- Following revised planning controls, the likelihood of land in each Precinct being developed to deliver increased number of dwellings.
- Projected take-up of development opportunities and potential new dwellings in each Precinct over 2011-2036 projection period.

In order to address the requirements of the brief, AEC worked with DPE to understand the structure plan envisaged for each precinct and in particular where change to planning controls was contemplated. The following tasks are carried out:

- Review of planning framework to understand existing land use and density permitted.
- Corridor audit (desktop-based) of station precincts to understand:
 - Current residential market activity and the nature of market demand, particularly of market attitudes and how they influence the type of product demanded and prices paid.
 - Developer interest and markets' supply response to demand for residential dwellings.
- Projections to assess potential demand for dwellings along the Corridor in the future.
- Review of DPE assessed market capacity (UFM results) to deliver additional dwellings and development feasibility.
- Comparison of projected dwelling demand and assessed market capacity to deliver dwellings as envisaged by the Strategy.

AEC relied on the findings of DPE's feasibility modelling by precinct and by development typology which informed the assessment of market capacity to deliver dwellings over the period to 2036.

1.3 ASSUMPTIONS AND LIMITATIONS

AEC highlight the limitations of the desktop nature of the study. The data limitations of changed LGA boundaries are also acknowledged.

- **LGA boundaries**

The Corridor was formerly within the LGAs of Marrickville, Canterbury and Bankstown. Following council amalgamations in 2016, the Corridor now falls within the boundaries of Inner West Council and City of Canterbury-Bankstown.

Dwelling data relied on in this analysis is based on historical census information which aligns with former LGA boundaries. Recently released DPE population projections though, align with the newly formed LGAs of Inner West Council (comprised of the former LGAs of Marrickville, Ashfield and Leichhardt) and City of Canterbury-Bankstown (comprised of former LGAs of Canterbury and Bankstown). DPE projections for the new LGAs are used.

- **Corridor boundaries and travel zone (TZ) boundaries**

Dwelling demand is projected relying on the individual BTS travel zones (TZs) that make up each precinct. In most cases the combined TZs are larger than the station precincts and as a result demand projected covers an area larger than the station precincts in the Corridor.

Dwelling demand is mobile and does not occur in a vacuum or within specific boundaries. Small area demand projections (where only a few travel zones are used) can be subject to a high degree of volatility and consequently be unreliable indicators of demand. This is because markets are substitutable, i.e. even though the market may demand housing in a certain TZ, if no suitable options are available the market will consider other comparable markets which may be just outside the TZs examined.

- **Market investigations and desktop observations**

Market investigations and gathering of market intelligence is carried out at a desktop level, including analysis of sale prices and rents achieved as well as extensive discussions with leasing and sales agents active around each station precinct.

- **Aggregation of findings**

Observations made from market analyses are aggregated to inform the assessment of market dwelling capacity in the Corridor as well as in each station precinct. Individual site inspections were not undertaken.

- **Market capacity and development supply pipeline**

The market capacity of the Corridor to accommodate projected demand is considered from the perspective of likelihood of delivery, i.e. the presumption being that new dwellings will only be developed if they are a commercially feasible proposition.

DPE's UFM modelling results are relied upon to aggregate the likelihood of development occurring in the Corridor. This is an aggregate approach to approximating deliverability of the proposed planning controls, it does not predict landowner objectives (which are not always financial in nature).

Dwellings currently in the development supply pipeline (at various stages in the planning and development process) are incorporated into the market capacity analysis as these contribute to accommodating some of the projected demand. This assumes sites currently in the development pipeline are not included in the UFM modelling, i.e. there is no double counting. Not all development that is proposed will eventuate into delivery. For the purposes of the market capacity analysis only dwellings under construction and approved are included.

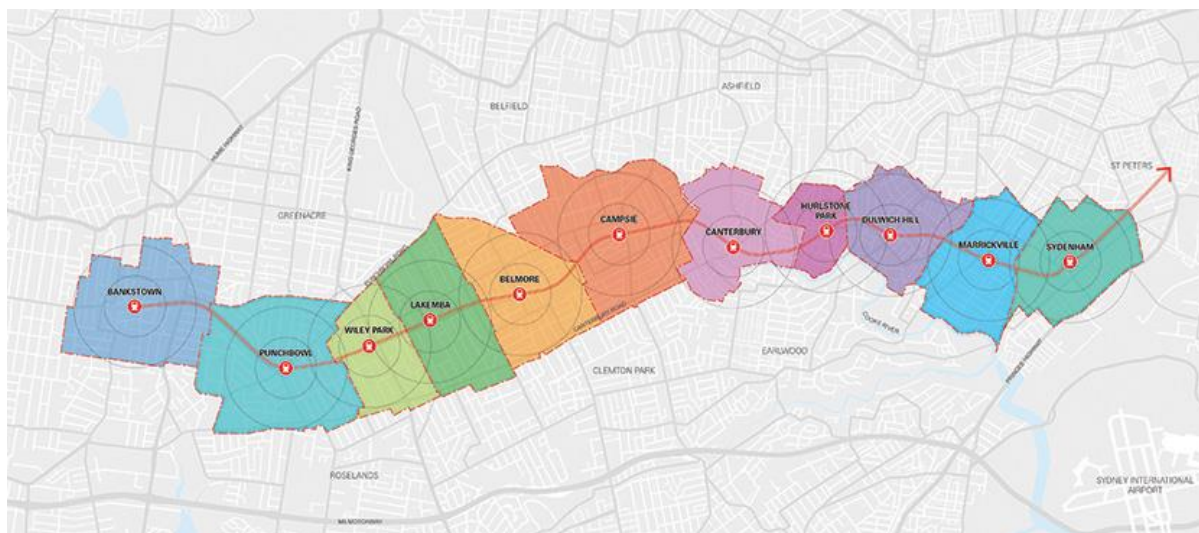
Despite the limitations of a desktop study, the analysis is considered to be instructive in understanding the Corridor, its markets and sub-markets in aggregate and its potential to deliver new housing in the Corridor.

2. SYDENHAM-BANKSTOWN CORRIDOR

2.1 URBAN RENEWAL CORRIDOR STRATEGY

The Sydenham-Bankstown Urban Renewal Corridor Strategy (the Strategy) establishes a strategic planning framework to guide future development and infrastructure delivery within the Corridor over the next 20 years.

Figure 2.1: The Corridor Precincts



Source: DPE (2016a)

The Corridor extends across 11 station precincts and straddles the LGAs of Marrickville, Canterbury and Bankstown, now known as the Inner West Council and City of Canterbury-Bankstown.

- Sydenham, Marrickville, Dulwich Hill (Marrickville, now Inner West Council).
- Hurlstone Park, Canterbury, Campsie, Belmore, Lakemba, Wiley Park (Canterbury, now City of Canterbury-Bankstown).
- Punchbowl, Bankstown (Bankstown, now City of Canterbury-Bankstown).

The next section examines key areas within each precinct particularly relevant for the analysis, the existing planning controls and existing built form.

2.2 REVIEW OF PLANNING CONTROLS

The Strategy envisages an intensification around station precincts, however not all areas within each station precinct are envisaged to change, i.e. to be subject to new planning controls. **Table 2.1** summarises key areas within each precinct, in particular existing planning controls and built form.

Table 2.1: Existing Planning Controls

Station Precinct	Zone	FSR	Description
Sydenham	IN1, IN2, B7	0.95:1	Industrial, commercial-type buildings Retail strip, some residential uses above
	B1, B2	1.5:1, 2.5:1	
Marrickville	IN1, IN2, B7	0.95:1	Industrial buildings Low density residential
	R2	0.6:1	
Dulwich Hill	IN2	0.95:1	Industrial, commercial-type buildings Retail strip, some commercial/residential uses above Low density residential
	B1, B2, B4	1.2:1, 1.5:1, 2.2:1	
	R1, R4	0.6:1	
Hurlstone Park	B2	N/A	Retail strip, some residential uses above Low density residential
	R3, R4	0.75:1, 0.9:1	

Station Precinct	Zone	FSR	Description
Canterbury	B2	2.5:1, 3.0:1	Retail strip, some residential uses above Industrial, commercial-type buildings Low and medium density residential
	B5	N/A	
	R3	0.5:1	
Campsie	B2	N/A	Retail strip, commercial uses above Industrial, commercial-type buildings Low and medium density residential
	B5	N/A	
	R3, R4	0.5:1, 0.9:1	
Belmore	IN2	1.0:1	Industrial buildings Retail strip, commercial uses above Industrial, commercial-type buildings Low and medium density residential
	B2	N/A	
	B5, B6	N/A	
	R3, R4	0.5:1, 0.9:1	
Lakemba	IN2	1.0:1	Industrial buildings Retail strip, commercial uses above Industrial, commercial-type buildings Low and medium density residential
	B2	N/A	
	B5	N/A	
	R3, R4	0.5:1, 0.9:1	
Wiley Park	B2	N/A	Retail strip, some residential uses above Low density residential
	R4	0.9:1	
Punchbowl	B1, B2	N/A	Retail strip, commercial uses above Industrial, commercial-type buildings Low and medium density residential
	B5, B6	N/A	
	R3	0.5:1, 0.9:1	
	R4	0.75:1, 0.9:1	
Bankstown	B4	3.1:1, 4.5:1	Commercial buildings, retail strip, medium and high rise mixed use development

Source: AEC

The next section examines the future land use contemplated by the Strategy and various building typologies that will be accommodated by new planning controls.

2.3 FUTURE LAND USE

The Strategy outlines the future vision and character for each station precinct following the completion of urban design and a range of technical studies.

Some precincts are envisaged to accommodate greater intensity of development while new uses are proposed for opportunity sites in certain precincts. **Table 2.2** summarises proposed development typologies, uses and densities.

Table 2.2: Future Land Use and Typologies

Precinct	Description
Sydenham	Extension of retail uses along Marrickville Road to accommodate medium rise, medium-high rise housing and shop top housing. Opportunity sites proposed for rezoning along Gerald Street.
Marrickville	Retention of low scale buildings along Illawarra Road and Marrickville Road with apartments set back behind building façades. Buildings of 6-12 storeys around Marrickville train station. New mixed use residential precinct around opportunity site on Carrington Road proposed to be rezoned.
Dulwich Hill	Retention of low scale character of buildings along New Canterbury Road and Marrickville Road with apartments set back behind building façades. Mix of low and medium rise (5-8 storeys) around Dulwich Hill train station. Opportunity site along New Canterbury Road proposed for rezoning for medium rise housing.
Hurlstone Park	Retention of low scale character of neighbourhood. Buildings of up to 5 storeys.
Canterbury	Accommodation of medium to medium-high rise housing throughout the precinct with high rise/mixed use in and around Canterbury train station.
Campsie	Retention of low scale character of buildings along Beamish Street with apartments set back behind building façades. Accommodation of a high rise/mixed use in and around the Campsie train station. Opportunities for medium and medium-high rise (up to 8 storeys) along key arterial roads.
Belmore	Retention of low scale character of buildings along Burwood Road with apartments set back behind building façades. Opportunities for tall buildings (12-15 storeys) along Burwood Road and a mix of medium and medium-rise housing in and around Belmore train station.

Precinct	Description
Lakemba	Retention of low scale character of buildings along Haldon Street with apartments set back behind building façades. Medium and medium-rise housing (6-8 storeys) around Lakemba train station. Opportunity for tall buildings (12 storeys) on key sites.
Wiley Park	Mix of medium and medium-rise building close to Wiley Park train station with opportunity for taller buildings (12 storeys) on key sites.
Punchbowl	Retention of low scale character of buildings along Punchbowl Road and The Boulevarde with apartments set back behind building façades. Mix of medium and medium-rise housing (up to 8 storeys) around Punchbowl station. Taller buildings (15 storeys) on key sites.
Bankstown	Retention of lower scale Bankstown City Plaza shops with apartments set back behind building façades. Accommodation of taller buildings within close proximity of Bankstown train station that have potential for mixed use residential that will contribute to public realm at street level.

Source: DPE (2016a)

A number of opportunity sites are proposed to be rezoned from industrial to facilitate accommodation of housing. These sites are in the station precincts of Sydenham, Marrickville and Dulwich Hill.

The next chapter examines the nature of demand for housing in each precinct and the extent to which new residential dwellings could be required in the future.

3. DEMAND FOR RESIDENTIAL USES

3.1 TRENDS AND DRIVERS

The long term outlook for the Sydney residential market is good, underpinned by strong fundamentals including:

- Strong population growth.
- Low interest rates.
- Relatively low unemployment rates.
- Historic undersupply resulting in significant housing shortfall and pent up demand.
- Changing lifestyle and market preferences in favour of higher density living.

These core fundamentals ultimately form the core drivers to demand. It is an undisputed fact that dwelling completions over the last decade have fallen well below the number needed to meet underlying demand. This has resulted in rapidly rising house and rental prices as competition is fierce between purchasers and renters alike.

The growing housing affordability issue in Sydney has been the subject of much commentary and analysis. The changing dynamic of housing affordability has evoked responses from both households and the development industry with respect to demand and supply respectively.

Recognising the finite ability of households to pay for housing, industry innovation has assisted with the challenges of housing affordability. Research into the supply responses to changes in affordability identifies a notable shift to smaller dwellings and lot sizes, also occurring amid rising land prices.

Different Sub-markets within Sydenham-Bankstown Corridor

In order to investigate the relative desirability of precincts along the Corridor as well as understand the ability of these precincts to accommodate increased dwellings in the future, each of the station precincts were profiled by group or sub-market:

- **Inner** - Sydenham, Marrickville, Dulwich Hill station precincts.
- **Middle** - Hurlstone Park, Canterbury, Campsie, Belmore station precincts.
- **Outer** - Lakemba, Wiley Park, Punchbowl, Bankstown station precincts.

Profiling of the station precincts reflects 'substitutability' of the precincts within a sub-market grouping. For example, owing to comparable locational qualities and pricing levels (rents and sale prices), it is conceivable that if a household seeking accommodation in Marrickville is unsuccessful, that household would consider options in Dulwich Hill.

There are two key factors driving a shift in the nature of demand in the Corridor - housing affordability and lifestyle preferences. Discussions with real estate agents active in sub-markets along the Corridor suggest a prominent investor market for residential product in and around train stations.

Purchaser interest and demand in the Middle and Outer station precincts is reportedly from owner occupiers and investors alike, very much subject to affordability constraints. Buyers typically look to purchase what they can afford, potentially compromising on requirements such as size, location and amenity.

A distinct difference in market attitudes may be observed in the various station precinct groupings. Markets in the Inner station precincts are driven mainly by lifestyle (residents seek an amenity-rich environment close to the Sydney CBD and lifestyle options). The attractiveness of low density residential is in many instances observed to be a secondary influence, with multi-unit living attractive to these residents for reasons other than affordability.

Multi-unit living in markets in the Outer station precincts (with the exception of Bankstown) is less established, their desirability conceivably linked to the pricing and availability of detached housing. Households may therefore choose higher density living where a house is beyond their financial capacity. Though, the sub-market of Bankstown is

different from other Outer precincts, as residents appear to choose city living and its benefits over the availability of lower density dwellings even at comparable pricing.

Markets in the Middle station precincts are observed to sit between the market preferences and attitudes of the Inner and Outer precincts. Higher density living is gaining acceptance, particularly where the retail and commercial offer in centres is revitalised, the market thereby awakening to the benefits of higher density living.

Over time, we expect market attitudes towards higher density living in the Outer station precincts to align with those observed in the Inner and Middle station precincts. This will result in the lifting of end sale prices of residential units, to making it more financially attractive for developers to pursue redevelopment opportunities.

3.2 PROPERTY MARKET CONTEXT

The property market has a role to play through provision of quality buildings and places. An understanding of the market dynamics that prevail in each relevant market sector is critical in understanding the environment within which new development could occur (and accommodate additional dwellings).

This section details the findings of our property market analysis which enable an appreciation of the dynamics that subsist in each market sector which consequently underpin the attractiveness of current and future development.

The majority of the station precincts are characterised by low/medium density residential and local strip retail with the exception of several precincts that have industrial uses. The characteristics and market dynamics that underpin the respective markets that operate across the precincts are nuanced and varied.

In addition to market activity, the nature and quantum of *development activity* in each station precinct is useful in understanding market preference as well as market capacity, i.e. residential typologies that have market acceptance and are financially feasible to develop. This section highlights key observations of market activity and development activity in each sub-market grouping.

Inner Precincts (Sydenham, Marrickville, Dulwich Hill)

The Inner station precincts have the most market acceptance for high density unit living compared to the rest of the Corridor. The Marrickville and Dulwich Hill suburbs already accommodate many unit developments.

The desirability of these suburbs is a double edged sword - there is demand for higher density product, though existing-use values are commensurately high and making it challenging for developers to consolidate sites for feasible development. Accordingly, the fine grain pattern and valuable nature of residential lots in the Inner station precincts makes it challenging for large scale redevelopment to occur.

Sydenham

The precinct incorporates a large industrial area, the area north east of Marrickville Road expected to remain an employment area. A number of streets south west of Marrickville Road (along Gerald Street) are envisaged to be renewed into medium and high rise housing. A small main street with shop top housing is envisaged along Marrickville Road. The streets envisaged for renewal accommodate a mix of residential and industrial/commercial uses.

While the Sydenham suburb is less known as a residential destination in comparison to its surrounding suburbs, it is characterised by small lot housing (small detached blocks, semi-detached and terrace housing blocks). Owing to its proximity to the Sydney CBD and employment areas of South Sydney and the airport, market activity is keen despite the suburb's location directly under the flight path.

The most recent market activity in the station precinct is in 2015. The sale of 12 Gerald Street for \$2.3m (March 2015) and 26 Sydney Street for 890,000 (June 2015) suggest existing-use values to be in the order of \$3,500/sqm-\$5,500/sqm of site area. Existing lot patterns are fine grained and fragmented.

Development activity is small in scale, reflective of existing permissibility under the planning framework and small lot patterns. Several small sites along Unwins Bridge Road and Railway Road are observed to have been acquired and progressed for development in the recent years.

- **66 Railway Road**

This site (306sqm) was purchased in 2010 for part demolition of existing buildings and for construction of a 3 storey building at the rear of the site (4 units) to co-exist with the existing shop and 2 storey unit at the front of the site.

- **286 Unwins Bridge Road**

This site (304sqm) was purchased in 2012 at \$1.35m (\$4,440/sqm of site area) for development into a 3 storey building (6 units and ground floor commercial space). All the units have been sold at prices ranging from \$630,000 to \$760,000 (over 2014-2016 period).

- **264 Unwins Bridge Road**

This site (164sqm) was purchased in 2014 for \$1.11m (\$6,707/sqm of site area) for development into a 4 storey building (4 units and ground floor commercial space).

Development take-up in Sydenham precinct has been modest, not due to lack of demand but rather a function of its mostly industrial nature as well as modest permitted densities.

Marrickville

The suburb of Marrickville has been growing in market acceptance over the last decade. A number of prominent residential projects (along Marrickville Road and around the Marrickville train station) has successfully lifted the area's profile and contributed to a rejuvenation of the Marrickville Road retail strip.

Following the success of mixed use developments along Marrickville Road, increasingly sites along Illawarra Road are observed to be progressed for development. With the exception of Marrickville Community Hub (313-319 Marrickville Road and 174-186 Livingstone Road), developments are generally less than 50 dwellings in size.

Several townhouse developments are being progressed within the suburb of Marrickville (outside the station precinct) generally on sites which have been owned for a number of years and where existing buildings have deteriorated. Several warehouse conversions are also being progressed in the suburb of Marrickville, these converted dwellings typically enjoy good market acceptance.

The gentrification of Marrickville has lifted its desirability and profile. While overall a desirable suburb for multi-living residential, the fine grain lot pattern and valuable existing uses in the station precinct nevertheless make it challenging to assemble a development site.

The industrial area of Carrington Road is fairly tightly held with limited turnover of properties. Acquisition activity by developers is observed to achieve prices from \$3,000/sqm-\$5,500/sqm of site area. The Strategy identifies the Carrington Road precinct as a potential opportunity site that could accommodate a mix of uses including residential. The large site dimensions will facilitate a masterplanned approach to development and could deliver a different quality of development not usually witnessed on other smaller development sites.

Dulwich Hill

Following the completion of the light rail to Dulwich Hill, the suburb's profile and market desirability increased significantly. A number of developments in the area contribute to its renewal including new developments on New Canterbury Road.

Like the Marrickville station precinct, developments are mostly less than 50 dwellings in size owing to the size and configuration of existing lot patterns. Existing uses are mostly fine grain in lot pattern. Recent sales indicate existing uses are valuable, depending on building and location they can range from \$3,500/sqm-\$6,000/sqm of site area.

Acquisition of former industrial properties in the area (e.g. Arlington Grove and Waratah Mills) has enabled developers to deliver a masterplanned approach to development in the area, otherwise having to consolidate multiple blocks, an activity which is high in risk and cost.

Arlington Grove (24 Grove Street) is currently under construction and due for completion late 2016/early 2017. Off-the-plan sales were launched in mid-2015, with 80 of the total 246 units purchased in a weekend (with owner occupiers outnumbering investors). Comprising a high proportion of 1 bedroom units (43%), the most popular units are understood to be 1 bedroom units (with study) and 2 bedroom units. The market's reception to Arlington Grove is not surprising, a product of an environment of high demand and limited supply options.

A small number of medium density developments are observed to be progressed in the Dulwich Hill suburb, these generally on sites that have been owned for a number of years and where existing buildings have deteriorated. There is a dearth of medium density sites which have transacted in recent years.

Middle Precincts (Hurlstone Park, Canterbury, Campsie, Belmore)

Development and market activity in the Middle station precincts is observed to be significant in the last 24 months. The appeal of these precincts is driven by their relative affordability and good public transport accessibility. Where planning controls have facilitated higher density development (e.g. Canterbury and Campsie), take up of these opportunities has been strong. In other areas such as Hurlstone Park, existing planning controls do not permit higher density residential uses and as a result there has been limited growth, this limited growth having adverse implications for the vibrancy of its retail strip.

Hurlstone Park

The Hurlstone Park precinct is characterised by a local retail strip and low density residential. Properties are relatively tightly held however a number of recent residential sales indicate existing-use (residential) values of up to \$4,000/sqm of site area. Retail/commercial buildings (generally 2 storey) are recorded to have achieved prices in the order of \$3,500/sqm of site area in 2015. There are no recorded transactions in 2016. Additionally, existing lot patterns are fine grain and fragmented.

There has been limited development in the precinct, not due to lack of demand but rather a function of modest permitted densities. Development activity is primarily focused along Old Canterbury Road where larger sites (many of which have been previously industrial in use) are able to be consolidated at lower prices.

Canterbury

The Canterbury precinct and its surrounds have witnessed notable development activity in recent years. A number of industrial sites along Old Canterbury Road have been redeveloped into residential buildings. Aside from former industrial sites, existing uses (both residential and some commercial) are generally valuable.

The Canterbury precinct has experienced a revitalisation in recent years, in line with the completion of new residential developments in and around the train station and along Old Canterbury Road. Demand for non-residential floorspace is equally strong, although the aesthetic presentation of a number of properties along Old Canterbury Road might suggest otherwise. Demand for well located (and visible) properties in the B5 and B6 zones is observed to be healthy.

Recent sales in the precinct indicate detached houses (circa 300sqm in site area) selling for over \$1.3m to \$1.6m, equivalent to \$4,500/sqm to \$5,500/sqm of site area. Though, developers are observed to be focusing acquisition and development activity along Old Canterbury Road where large sites are able to be consolidated from fewer owners (as opposed to consolidating a number of detached houses) at lower cost.

Similar to other precincts, medium density development (e.g. townhouses and duplexes) is scarce. Many townhouse developments are unsurprisingly pursued by landowners who have owned sites for a number of years, with this type of medium density development in many cases not sufficient to offset the high cost of land. Exceptions are observed where a site is able to be consolidated for under \$2,500/sqm of overall site area. An example is 18-22 Northcote Street which is submitted for a development of 11 townhouses.

A number of significant development projects along Old Canterbury Road have delivered and will continue to deliver a large proportion of dwellings (some of which accommodate more than 200 units in a single development). The Canterbury precinct (and overall suburb) is expected to continue to increase in overall attractiveness to the market.

Campsie

The Campsie main street is vibrant and well patronised. The proposed controls contemplate relatively high densities in this precinct, predicated on the ability of developers to mainly consolidate residential blocks. Sales activity in the area indicates detached houses (400sqm-600sqm) sell for \$1.3m to \$1.5m, equivalent to \$3,000/sqm to \$3,500/sqm of site area.

Similar to Canterbury, development activity in Campsie is notable. The already established market for unit and higher density living is commensurate with a comparatively high degree of market acceptance for higher density

living. These market attitudes are reflected in the prices that are achieved and the pipeline of development projects. A major constraint to development activity is the relatively high cost to consolidate sites particularly those in close proximity to the Beamish Street retail strip.

The Campsie local population includes a large proportion of persons of Chinese and Korean descent and acts as an attractor for households of these ethnic backgrounds.

There is a moderate level of medium density development occurring in the Campsie suburb, where older houses are consolidated for 3 storey residential flat buildings as well as for townhouses and villas in some instances. The nature of development activity in the Campsie suburb is more diverse compared to say Marrickville and Dulwich Hill where the cost of land is higher.

An analysis of development site sales in Campsie shows where sites are acquired for less than \$3,000/sqm of overall site area, they are progressed for 3-4 storey residential flat buildings (e.g. 32-38 Second Avenue). Where sites are acquired for less than \$2,000/sqm of overall site area, they are able to be progressed for townhouses and villas (e.g. 2-6 Thorncraft Parade). This illustrates a distinct hierarchy of prices, i.e. where the cost of land is high, high density development is required to offset that cost. Conversely, where sites are able to be consolidated for lower cost, development at lower densities can be feasible.

Belmore

The Belmore main retail strip is moderately vibrant and enjoys good levels of local patronage. In recent years development activity of higher density residential has intensified to the extent current planning controls permit.

There is notable acquisition and development activity along Burwood Road that extends to Old Canterbury Road in the south, many an old strip property progressed for redevelopment. A number of mixed use developments with shop top housing have been completed or in the pipeline along Burwood Road (5-8 storeys).

A strip shop at 335 Burwood Road (242sqm of site area) sold in May 2016 for \$4.75m (\$19,628/sqm of site area). It is understood the site was purchased by a local developer intending a mixed use development with residential above. The rate of nearly \$20,000/sqm of site area paid for the site indicates the strength of market demand in the retail/commercial centre.

Recent sales indicate detached houses (400sqm-600sqm) sell for \$1m to \$1.5m, equating to around \$2,500/sqm to \$3,500/sqm of site area. Similar to Campsie, there are a number of 2-4 storey developments pursued in the Belmore suburb, particularly where sites are consolidated for less than \$3,000/sqm of overall site area.

Notable activity by developers to consolidate residential/cottage sites is observed in the precinct and Belmore (suburb), particularly where cottages may be dated and approaching the end of the economic useful life. Higher density development (more than 6 storeys) is unsurprisingly witnessed along Burwood Road where the cost of land is higher.

Outer Precincts (Lakemba, Wiley Park, Punchbowl, Bankstown)

The Outer station precincts are distinctly low density in character with the exception of the Bankstown CBD. Higher density living is experiencing an incremental increase in market acceptance. Low rise residential comprises a large proportion of development activity which is delivered at affordable price points, particularly offering an entry product to young households. Market values of existing residential sites are lower than those in the Inner and Middle station precincts, overall equivalent to \$1,500/sqm to \$3,000/sqm, with existing dwellings in Lakemba observed to be at the higher end of the range and Wiley Park and Punchbowl at the lower end of the range.

Particularly in station precincts where higher density product is less established (e.g. Wiley Park and Punchbowl), the modest end sale values of completed residential units effectively mean the feasibility of developing to greater densities is marginal or negative in many instances. This is consistent with many markets in Western Sydney where medium density typologies (rather than higher density) are sought after as a compromise on space and price on detached dwellings. These medium density typologies (e.g. townhouses and villas) are cheaper to construct and respond well to the limited capacity of households to pay for housing.

Even though Wiley Park and Punchbowl are less established markets for higher density residential living, the relatively cheap cost to assemble sites makes them attractive investment propositions for developers.

Lakemba

Lakemba is renowned for its Middle Eastern food and retail offer, attracting visitation from beyond the local catchment. Existing retail and commercial properties are understood to be tightly held with limited leasing activity given the dearth of space available.

A recent sale of the former Lakemba Cellars at 109 Haldon Street for \$2.35m (\$7,730/sqm site area) is reflective of the strength of the retail and commercial market. The residential market in the precinct is no less strong, with multi-unit living already well established in Lakemba.

Analysis of development activity in the Lakemba suburb indicates a notable focus on developments of a lower density compared to say Canterbury. This is a function of planning permissibility as well as the lower cost of land. For example, 44 Colin Street was sold in 2015 for \$1.02m (\$1,378/sqm of site area) and subsequently approved for a 3 storey building (8 units). 78 Colin Street sold in 2016 for \$1.166m (\$1,572/sqm of site area) with development approval for 2 townhouses and a villa.

A number of mixed use developments are progressed in the precinct (including on Haldon Street and Old Canterbury Road) generally to less than 10 storeys. Large scale market acceptance of higher density living (beyond 9 storeys) is yet to be tested.

Wiley Park

In comparison to the other Outer station precincts, Wiley Park is small and of relatively low profile. Commensurate with this is lower existing-use values and a lower cost of consolidating a development site.

In recent years there has been incremental activity for development of low and medium rise residential buildings (2-4 storey buildings, townhouses, villas, duplexes) where developers are able to assemble development sites at suitable prices.

There is a moderate amount of development activity in the Wiley Park station precinct. There are no townhouses or duplexes currently proposed in the pipeline. Developments are generally dominated by buildings proposed for 2-4 storeys.

- **39-41 Shadforth Street**

This site consolidates two detached dwellings at a combined price of \$2.57m in 2016 (\$2,206/sqm of overall site area), subsequently gaining approval for 14 units in a 3 storey building.

- **40-42 Shadforth Street**

This site was also assembled from two detached dwellings at a combined price of \$2.65m in 2015 (\$1,824/sqm of overall site area), subsequently approved for 16 units in a 3 storey building.

- **5 Shadforth Street**

This single detached dwelling was purchased at \$1.1m in 2015 (\$1,667/sqm of overall site area). A DA has been submitted for development of 9 units in a 4 storey building.

Analysis of the foregoing development site sales indicates low-rise development (3-4 storeys) is feasible where developers are generally able to consolidate sites for \$2,200/sqm or under, of overall site area and development to FSR 0.9:1 is permitted.

In order for lower densities (<FSR 0.9:1) to be feasible to pursue, the corresponding cost of land needs to be lower than the above range of \$1,600/sqm-\$2,200/sqm of site area. As an example, 10-12 Faux Street was purchased in 2016 for \$2.12m (\$1,520/sqm of overall site area) and was subsequently approved for 16 units in a 2 storey building (FSR 0.5:1).

The most prominent development proposed in the precinct is at 280-300 Lakemba Street and 68-70 King Georges Road wherein 124 residential units, ground floor retail (supermarket and retail specialties) and first floor commercial suites are proposed. The site of 5,310sqm was sold in 2015 for over \$9m (\$1,700/sqm of site area). It is unknown if development will proceed in its current approved form.

Overall, Wiley Park is traditionally a low and medium density suburb with higher density living yet to be market-tested.

Punchbowl

Development activity in the Punchbowl precinct is limited. Development activity within the Punchbowl suburb is more notable, though generally low in scale, similar to Wiley Park. Buildings observed to be proposed and developed are 2-3 storeys and up to 5 storeys. Development within the Punchbowl suburb (closer to the boundary with Bankstown) and along Old Canterbury Road are pursued to higher densities (up to 6 and 8 storeys).

Our enquiries suggest that as a retail/commercial centre, Punchbowl's profile and desirability has lifted since completion of the Broadway Plaza, which is anchored by Woolworths and complemented by 30 specialty retailers. 1-9 Broadway is the precinct's most prominent mixed use development with residential units above.

Several row house and townhouse developments are observed to be in progress in the Punchbowl suburb, many of those sites acquired some years ago and for under \$1,000/sqm of site area (ranging from \$600,000 to \$1,000,000 per detached dwelling). In more recent times (owing to increase in land values), recently consolidated sites are observed to cost in excess of \$2,000/sqm of site area, necessitating development to higher densities to offset the cost of land.

While traditionally an area incorporating low density uses, research suggests market attitudes have begun to shift and acceptance of multi-unit living is growing.

Bankstown

The Bankstown market presents an attractive proposition to developers of higher density residential. While a large proportion of the Bankstown CBD has already been developed with higher density residential and mixed use buildings, there are nevertheless still opportunities to the south of the train station where developers are observed to be actively acquiring sites. Old cottage sites are observed to be keenly targeted due to their lower price point compared to sites where existing buildings comprise retail or commercial uses.

Our enquiries suggest market interest in higher density living in Bankstown is healthy as residents of varying ages seek the convenience and lifestyle associated with city living. Downsizers are commented to be driving a notable proportion of market activity.

The vibrancy of the Bankstown CBD has been lifted following the completion of Little Saigon Plaza at 462 Chapel Road, understood to be experiencing a strong uptake of leased space. The take-up of development opportunities and delivery of new development is expected to continue over the long term.

3.3 DWELLING DEMAND PROJECTIONS

BTS provides dwelling and population projections by TZ for the Sydney Metropolitan region (BTS, 2014) however these projections do not include consideration of recent major infrastructure projects, nor or recently designated urban renewal areas. To better reflect the potential impacts of Sydney Metro infrastructure project, AEC carried out projections to estimate potential dwelling demand for the Sydenham to Bankstown Corridor by incorporating most recent issue of population projections by DPE (September 2016).

A description of the approach to dwelling demand projections is contained in Appendix A.

Based on the approach set out above (and in Appendix A), the projections in **Table 3.1** have been developed in each precinct. The projections demonstrate that the precincts are envisaged to have a notable amount of dwelling growth, particularly in the Middle and Outer precincts of Canterbury, Campsie, Punchbowl and Bankstown.

Table 3.1: Dwelling Demand Projections, 2011-2036

Precinct	2011	2016	2021	2026	2031	2036	Change (2011-2036)
Total Dwellings							
Sydenham	2,627	2,832	2,899	3,127	3,359	3,593	966
Marrickville	4,416	4,857	4,900	5,000	5,115	5,254	838
Dulwich Hill	4,203	4,342	4,451	4,633	4,858	5,096	893
Hurlstone Park	1,682	1,786	1,932	2,105	2,313	2,521	840
Canterbury	2,359	2,599	2,886	3,268	3,705	4,139	1,780

Precinct	2011	2016	2021	2026	2031	2036	Change (2011-2036)
Campsie	7,916	8,617	9,468	10,586	11,874	13,156	5,240
Belmore	3,787	3,942	4,121	4,352	4,629	4,914	1,127
Lakemba	5,171	5,479	5,771	6,210	6,709	7,214	2,043
Wiley Park	4,026	4,255	4,720	5,174	5,749	6,322	2,296
Punchbowl	4,307	4,647	5,014	5,534	6,125	6,715	2,408
Bankstown	5,921	6,672	7,687	8,752	9,879	11,077	5,156
Total	46,415	50,027	53,849	58,742	64,315	70,002	23,586
Net Additional Dwellings							
Sydenham		205	67	228	232	234	966
Marrickville		441	44	99	116	139	838
Dulwich Hill		139	109	181	225	238	893
Hurlstone Park		104	146	174	208	208	840
Canterbury		239	287	382	437	434	1,780
Campsie		701	851	1,119	1,288	1,282	5,240
Belmore		155	179	231	278	285	1,127
Lakemba		308	292	439	499	505	2,043
Wiley Park		229	464	455	574	573	2,296
Punchbowl		340	367	520	590	590	2,408
Bankstown		751	1,015	1,065	1,127	1,198	5,156
Total		3,612	3,821	4,893	5,573	5,686	23,586
Average Dwellings Growth (per annum)							
Sydenham		1.5%	0.5%	1.5%	1.4%	1.4%	1.3%
Marrickville		1.9%	0.2%	0.4%	0.5%	0.5%	0.7%
Dulwich Hill		0.7%	0.5%	0.8%	1.0%	1.0%	0.8%
Hurlstone Park		1.2%	1.6%	1.7%	1.9%	1.7%	1.1%
Canterbury		2.0%	2.1%	2.5%	2.5%	2.2%	1.8%
Campsie		1.7%	1.9%	2.3%	2.3%	2.1%	1.5%
Belmore		0.8%	0.9%	1.1%	1.2%	1.2%	0.5%
Lakemba		1.2%	1.0%	1.5%	1.6%	1.5%	0.8%
Wiley Park		1.1%	2.1%	1.9%	2.1%	1.9%	1.3%
Punchbowl		1.5%	1.5%	2.0%	2.0%	1.9%	1.3%
Bankstown		2.4%	2.9%	2.6%	2.5%	2.3%	2.0%
Total		1.5%	1.5%	1.8%	1.8%	1.7%	1.3%

*Note totals may not sum due to rounding
Source: BTS (2014), DPE (2016b), AEC (2016)

The following observations are made of the dwelling projections:

- Inner station precincts (Sydenham, Marrickville and Dulwich Hill) are projected to have relatively modest growth, cumulatively totalling nearly 2,700 additional dwellings to 2036.
- The Middle and Outer station precincts are projected to have greater growth in comparison to Inner station precincts. This is consistent with the observation that affordable price points are critical for demand.
- The precincts of Canterbury, Campsie and Bankstown lead dwelling demand, averaging 2.0%-2.5% per annum over the projection period.
- Nearly 24,000 additional dwellings are demanded over the 2011-2036 projection period.

The next chapter considers how this projected dwelling demand could be accommodated by the Strategy along the Corridor.

4. ACCOMMODATING FUTURE GROWTH

4.1 EXISTING LAND USES

Development and renewal in established urban centres can be challenging, particularly where land use patterns are established and existing buildings are still functional and valuable. Additionally, lot and ownership patterns can be of a fine grain and fragmented, making it difficult and expensive for developers to consolidate development sites.

Existing uses along the Corridor are improved by a variety of built forms including fibro, weatherboard and brick homes as well as strip retail and various types of commercial buildings. Some properties have undergone refurbishments which have resulted in higher sale prices. Sales values depend on size, location and quality of improvements with those properties in a state of disrepair expectedly achieving lower prices.

Development activity along the Corridor is generally characterised by small and medium size developments (<100 residential units). This reflects the developer profile that is active in the area (smaller builder/developers who are based locally) but also the scale of development opportunities and sites able to be consolidated. Larger developments require significant debt funding, pre-sales, increased equity and higher developer margins to reflect the higher risks in the construction and sales process. Higher density developments also require larger/amalgamated sites due to setbacks and carparking requirements, etc.

The reality of brownfield or infill development is that sites are typically smaller in size and owned by a number of parties, often necessitating payment over and above market value to consolidate a site. Existing lot patterns and land uses along the Corridor can present significant impediments to renewal given the challenges of consolidating sites from multiple landowners. Nevertheless, incremental infill development will in time bring about a renewal of suburbs, thereby generating a lift to profile and to end sale values required to make new development attractive.

4.2 SYDENHAM-BANKSTOWN URBAN RENEWAL CORRIDOR STRATEGY

The Strategy outlines the future vision and character for each station precinct, with some precincts envisaged to accommodate greater densities and new uses proposed for opportunity sites in certain precincts. When implemented, the Strategy is expected to unlock development opportunities in each of the station precincts, available to be taken-up when sites are ripe for development.

Subject to a range of technical considerations (including urban design and traffic), greater densities and heights are envisaged in parts of each station precinct to provide incentive for redevelopment and unlock renewal opportunities. Notwithstanding, if existing uses are valuable and in fragmented ownership, or if landowner objectives do not align with development, it is conceivable even high densities will not displace existing uses in favour of redevelopment.

4.2.1 Market Considerations affecting Deliverability

The last 24-30 months have witnessed unprecedented levels of development activity in metropolitan Sydney, particularly in locations in and around transport nodes and established town centres. Fierce and frenzied competition between players resulted in compressed development margin as a result of high prices paid for development sites. Many purchasers are observed to pay high speculative prices and assume high planning risk for rezoning of sites, etc.

A number of market factors are relevant in considering the ability of the Strategy to accommodate dwelling demand and future growth.

Development Typology and Construction Cost

The cost of construction increases as buildings become taller. Service requirements dictate that more lifts will be required so that vertical transportation times are not compromised. Service shafts and fire escapes are correspondingly wider too. Fire safety requirements are also more onerous for taller buildings.

While the market has moderated in recent months the demand for well-located and well-priced product endures. The market for higher density living is arguably most established in the Inner station precincts, these markets having the most capacity to pay for housing in taller buildings. The market for higher density living is growing in depth in Middle station precincts, as evidenced by market response to developments in Canterbury and Campsie.

In contrast, in Outer station precincts except Bankstown, medium density (rather than high density) has wide market acceptance owing to the availability of freestanding houses at comparatively lower prices than in Inner and Middle station precincts.

In areas like Punchbowl, Wiley Park and Lakemba where end sale values of completed product are relatively low, feasibility may not necessarily respond to density as well as Inner station precincts might. In order for more dense development to be feasible, the incremental cost of buildings needs to be sufficiently offset by incremental revenue of higher density units. As a consequence, the designation of higher densities does not always result in more feasible development.

There is arguably less market depth for high density residential in the Outer station precincts which affects the price the market is prepared to pay for completed higher density product. The viability of high rise development can therefore be fragile where expected revenue does not offset the higher cost associated with developing taller buildings. This dynamic can be observed in station precincts of Lakemba, Wiley Park and Punchbowl, where despite the comparatively low cost to consolidate a site, development to >FSR 3:1 and more than 10 storeys can be a marginal proposition.

Ownership Fragmentation and Landowner Expectations

The issue of landowner expectations is a challenging one, not just along the Corridor but in infill areas. Often the number of sites required to assemble a development block is critical to whether a development proposition proceeds. Fragmented ownership patterns generally result in the payment of a premium over and above market value to a number of landowners to incentivise them to sell.

Landowner expectations are often directly linked to planning controls, value expectations moving in tandem with upzoning of areas (often even prior to formal change in planning controls). This further exacerbates the issue of ownership fragmentation, making it even more difficult for the issue of development feasibility.

Our research shows where possible, developers are targeting large sites which may have formerly accommodated industrial-type uses. The cost of land (which includes any premium that may have been paid over market value) underpins the type of development that may be feasible to pursue. Where the cost of land is high, greater densities are required for development to be financially feasible.

Existing 'As Is' Uses

Where sites in their existing use are still performing well and offering good functional utility, property values are typically more reflective of existing, 'as is' uses. In Hurlstone Park for example, the areas designated for change are proposed for a mix of low and medium rise development. Existing dwellings are neat and well presented and accordingly in many instances are too valuable for low and medium rise development to be feasible to deliver.

While Inner and Middle station precincts such as Sydenham, Marrickville, Dulwich Hill, Canterbury and Hurlstone Park enjoy good levels of market demand for higher density product, existing-use values are also high. As a consequence, permitted densities required to displace these valuable existing uses needs to be sufficiently high for development to be feasible. Where development typologies contemplated are relatively modest in density (e.g. Hurlstone Park), development feasibility is fragile.

Observations across the Outer precincts of the Corridor (in particular Lakemba, Wiley Park and Punchbowl) indicate sites are successfully acquired and consolidated as development sites where they are either vacant or the buildings are dilapidated/nearing the end of their economic useful life. Where the buildings are yielding an attractive rental return and/or provide a good level of functional utility, higher densities are required to displace those existing uses and for the sites to redevelop.

Effective Demand

Residential markets are diverse. Market acceptance for higher density product is good within most inner suburbs of Sydney, hence end sale prices of the completed product justify the higher cost of construction.

Effective demand, rather than underlying demand, is relevant for development feasibility. The ability of households to pay for housing underpins the type and nature of development the market can respond with.

In Outer station precincts such as Lakemba, Wiley Park and Punchbowl where the cost of land is cheaper compared to Inner and Middle station precincts, lower densities are sufficient to make development financially feasible. Household incomes are generally lower in the Outer station precincts. Furthermore, market attitudes and preference for freestanding homes or homes with a yard constrain the price potential for residential units in these areas. If for example, a 3 bedroom detached cottage on the fringe of the station precinct is available at \$800,000, there is limited potential for a 3 bedroom unit to achieve the same level of pricing. This market dynamic accordingly influences the type of development that will be pursued.

Amenity Requirement for Marketability of Residential Product

Market attitudes generally favour residential units where they are located within or in close proximity to a major centre where retail and transport facilities are present. In Outer precincts further away from centres and public transport links, owing to the demographic composition of the resident population, high-priced residential units can struggle for market acceptance where larger formats of housing are available at prices not too much more expensive.

4.2.2 Development Feasibility

The capacity of residential zoned land to accommodate new dwellings can be thought of as two-fold: planning capacity and market capacity.

- **Planning capacity** (or theoretical capacity) refers to the physical ability of land to be developed, taking into account permissibility under planning framework, environmental and infrastructure constraints, etc.
- **Market capacity** refers to issues of commercial viability - whether pricing levels, development costs, etc. make development a commercial proposition, i.e. if development is financially feasible.

In some instances constraints to new development could be as a result of market capacity, relating to market and economic factors, in which case those impediments are beyond the control of planning authorities.

In order to understand the feasibility implications of various development typologies, AEC carried out generic feasibility testing on sample sites to examine the likelihood of development at planning controls envisaged by the Strategy. The results of the generic feasibility testing were then supplemented with feasibility modelling outcomes by DPE's UFM team which are carried out on a precinct-wide basis.

UFM Feasibility Modelling Outcomes

Feasibility modelling by DPE's UFM team considered if the envisaged typologies and densities by the Strategy are likely to be feasible to deliver, assigning percentages to represent the number of dwellings that could be financially feasible to deliver. This is compared against the additional dwelling potential as envisaged in the Strategy.

The additional dwelling potential envisaged by the Strategy is considered in 'net additional' terms and is referred to as 'planning capacity' while the estimated number of dwellings that could be feasible to deliver is referred to as 'market capacity', as defined above.

Table 4.1: UFM Outcomes

Precinct	Additional Potential* (Planning Capacity)	Dwellings Feasible* (Market Capacity)	% Feasible
Sydenham	715	589	82%
Marrickville	8,195	6,931	85%
Dulwich Hill	2,781	2,337	84%
Hurlstone Park	891	340	38%

Precinct	Additional Potential* (Planning Capacity)	Dwellings Feasible* (Market Capacity)	% Feasible
Canterbury	9,078	6,770	75%
Campsie	15,856	10,444	66%
Belmore	11,234	9,115	81%
Lakemba	8,885	4,853	55%
Wiley Park	5,380	2,934	55%
Punchbowl	9,782	5,923	61%
Bankstown	18,465	8,511	46%
Total	91,262	58,747	64%

*Estimates are of 'net additional' dwellings, i.e. over and above existing dwellings
Source: DPE (2016c)

UFM feasibility modelling outcomes suggest around 64% of total dwellings (58,747 new dwellings of a total net dwelling potential of 91,262) contemplated under the Strategy could be financially feasible to develop.

The next section considers the prospects for development in each station precinct and estimates dwelling take-up to 2036.

4.3 DWELLING DEMAND V DWELLING TAKE-UP

It is a truism that capital in search of investment is mobile and will gravitate to the opportunity that offers the most attractive return. Recognising that each site is unique with a different set of circumstances and challenges, in considering an aggregated position, the take-up of development opportunities is underpinned by the presumption that land will be put to its highest and best use.

4.3.1 Prospects for Development Take-up

Dwelling demand does not occur in a vacuum. We highlight that the analysis area (travel zones) for dwelling demand projections covers an area larger than the station precincts in the Corridor. As a consequence, demand projected is capable of being met in station precincts in the Corridor as well as outside the station precincts, which may be within the travel zone or outside the travel zone. Equally, demand from outside the analysis area could be met within the Corridor station precincts particularly if there is a shortfall in market capacity outside the Corridor. This demonstrates the principle of the 'substitutability of markets' at work.

Accordingly, given that demand for dwellings is mobile and property markets are substitutable, i.e. even though the market may demand housing in a certain area, if no suitable options are available the market will consider other comparable markets. The 'profiling' of station precincts into Outer, Middle and Inner reflects this principle, that households will consider other markets within a sub-market grouping. For example, if a household seeking accommodation in Dulwich Hill is not successful, that presumption is that household will consider options in Marrickville.

Earlier projections of dwelling demand (section 3.3) and feasibility modelling outcomes (section 4.2.2) are combined to consider the prospects for dwelling take-up along the Corridor.

Inner Precincts (Sydenham, Marrickville, Dulwich Hill)

Development prospects are generally favourable, with ownership fragmentation and high existing-use values the main impediments to development feasibility. Notwithstanding, areas designated for higher densities (FSR 2:1 and higher) are conducive for redevelopment outcomes. In contrast, only incremental take-up of development opportunities in areas with lower densities is likely. Medium density product (e.g. townhouses, villas, duplexes) are unlikely to be delivered as a sole product unless a site is vacant and/or can be acquired at a low cost.

While demand for new dwellings is healthy in the Inner station precincts (consistent with inner ring suburbs across Sydney), the lack of large scale opportunities for development has hindered the supply of new housing. While some developers have been able to acquire and consolidate former industrial sites, these opportunities are few and far between. As a consequence, competition for the limited new masterplanned stock that is brought to the market is keen (as demonstrated by the experience of Arlington Grove in Dulwich Hill).

Dwelling demand projections are in part influenced by past trends. Owing to a lack of available development sites that are large in size, historical dwelling growth in those travel zones in the Inner station precincts has been modest. This has corresponding implications for future dwelling demand projections in these station precincts, collectively at less than 2,700 dwellings projected to 2036 (**Table 3.1**).

Development take-up is subject to both demand-side and supply-side factors. The direct relationship between population growth and housing demand requires no explanation. In deciding where and what they will be accommodated in, households will have regard to factors including cost, location and convenience to their place of work by selecting accommodation of the type and quality within their financial capability.

In some instances, demand for housing can be supply-led, i.e. the market responds to development that meets their requirements, potentially in a location not otherwise demanded due to perception of insufficient supply. Supply-led development will only occur when it is feasible.

Our research and investigations suggest market demand within the Inner station precincts and their broader suburbs is healthy and sustained, consistent with observations across inner ring suburbs where a variety of public transport options are available as well as access to an amenity-rich environment.

Despite relatively modest demand projected for the Inner station precincts, it is conceivable that these station precincts will serve to accommodate unmet demand from areas outside the station precincts. Supply-led demand is expected to occur in the Inner station precincts as feasible development opportunities are unlocked.

Middle Precincts (Hurlstone Park, Canterbury, Campsie, Belmore)

Projected demand is strong, with the largest potential for dwelling growth identified in the station precincts of Canterbury, Campsie and Belmore. Owing to relatively low densities envisaged in Hurlstone Park, the likelihood of development take-up is modest. Compared to the number of dwellings in 2011, according to UFM results - Canterbury, Campsie and Belmore have the market capacity to nearly treble the number of existing dwellings.

Dwelling growth in Hurlstone Park has been modest (except along Old Canterbury Road), not due to a lack of demand but rather a function of limited development opportunities that are feasible. The Strategy envisages a modest number of new dwellings in the Hurlstone Park station precinct, and accordingly the assessed market capacity (340 dwellings) is insufficient to meet projected demand (840 dwellings to 2036).

Canterbury and Campsie are two precincts that have been growing in market acceptance for higher density living, as evidenced by the number of developments currently progressed and those in the pipeline. Concurrent with a growing residential population in these areas, retail and commercial services have also benefitted from an overall revitalisation which has cumulatively resulted in an enriching of the living amenity around the station precincts.

Future dwelling take-up in Canterbury and Campsie is expected to be dominated by unit-type developments as market depth and capacity to pay for this type of residential product is already established. Though located not far to the south west of Canterbury and Campsie, the market for higher density living in Belmore is less established compared to Canterbury and Campsie. As acceptance for higher density living in these station precincts grows the attractiveness of progressing new development will continue to increase in depth.

Similar to the Inner station precincts, it is conceivable the market capacity in Middle station precincts (with the exception of Hurlstone Park) will serve to accommodate unmet demand from areas outside the station precincts. Supply-led demand could occur in Canterbury and Campsie (to a lesser extent in Belmore) as development opportunities are unlocked.

Outer Precincts (Lakemba, Wiley Park, Punchbowl, Bankstown)

Projected demand is strong, with Lakemba, Wiley Park and Punchbowl identified with demand for additional 6,700 dwellings to 2036. Bankstown alone is projected to demand more than 5,000 additional dwellings to 2036.

The Outer station precincts (with the exception of Bankstown) are challenged by the issue of effective demand. With the availability of low and medium density residential on the fringes of the station precincts, price levels of new residential units are limited by the price of a detached dwelling. Until market preferences shift and households

view unit living as a lifestyle choice rather than a 'lesser option', development feasibility of tall buildings will be fragile.

Identified earlier, market attitudes towards higher density living is less established in the Outer station precincts. The UFM modelling results affirm this observation, with tall buildings (>10 storeys) rarely feasible to develop. Accordingly we expect in the near to medium term, development activity will in the main comprise of buildings under 10 storeys until such time revenue levels justifying the cost of constructing taller buildings.

4.3.2 Existing Development Supply Pipeline

There is a fair amount of development in the pipeline along the Corridor, with projects at various stages in the planning and development process. Not all proposed development will eventuate into delivery, however these nevertheless contribute to accommodating dwelling demand.

Table 4.2: Development Supply Pipeline

Precinct	Under Construction	Approval	Total in Delivery	Under Assessment
Sydenham	6	12	18	-
Marrickville	31	51	82	303
Dulwich Hill	-	15	15	28
Hurlstone Park	208	42	250	117
Canterbury	1,427	823	2,250	191
Campsie	58	50	108	398
Belmore	196	238	434	478
Lakemba	215	118	333	497
Wiley Park	35	256	291	30
Punchbowl	61	10	71	25
Bankstown	272	447	719	516
Total	2,509	2,062	4,571	2,583

*Note development supply pipeline does not exactly align to Study Area
Source: AEC

More than 7,000 dwellings are proposed for the Corridor and are at various stages in the planning and development process. Recognising that not all dwellings proposed will eventuate into construction, for the purposes of considering the capacity of proposed development to contribute to accommodating some of the projected demand, only those under construction and approved are considered in the assessment below (these total some 4,571 dwellings).

4.3.3 Assessment of Market Capacity to Meet Projected Demand

Even though new development may be financially feasible to undertake, unless landowner objectives align with development objectives, the capacity of a site to accommodate new development is only theoretical.

This Analysis is concerned with *market capacity* rather than theoretical planning capacity. The assessment of market capacity relies on feasibility modelling results of DPE's UFM team which considers the likely percentage of development likely to be feasible by development typology and by precinct.

Table 4.3 compares the planning capacity and market capacity of the Corridor against projected demand to 2036. Pipeline supply is also incorporated in the comparison of Corridor capacity to deliver.

Table 4.3: Market Capacity (UFM Results) v Projected Dwelling Demand, 2011 and 2036

Precinct	Projected Demand		Supply Capacity			Surplus (Shortfall) Capacity to meet Demand (c-b+e)
	Dwelling Demand (2036) (a)	Additional Demand (2011-2036) (b)	Additional Potential (Planning Capacity) (c)	Dwellings Feasible (Market Capacity) (d)	Current Development Pipeline in Delivery* (e)	
Sydenham	3,593	966	715	589	18	(359)
Marrickville	5,254	838	8,195	6,931	82	6,175
Dulwich Hill	5,096	893	2,781	2,337	15	1,464
Hurlstone Park	2,521	840	891	340	250	(249)
Canterbury	4,139	1,780	9,078	6,770	2,250	7,240
Campsie	13,156	5,240	15,856	10,444	108	5,312
Belmore	4,914	1,127	11,234	9,115	434	8,422
Lakemba	7,214	2,043	8,885	4,853	333	3,143
Wiley Park	6,322	2,296	5,380	2,934	291	930
Punchbowl	6,715	2,408	9,782	5,923	71	3,586
Bankstown	11,077	5,156	18,465	8,511	719	4,074
Total	70,002	23,586	91,262	58,747	4,571	39,736

*Dwellings under construction and with development approval

**Estimated capacity is 'net additional', i.e. over and above existing dwellings

Note totals may not sum due to rounding

Source: DPE (2016c), AEC

Feasibility modelling demonstrates that while the Strategy may unlock planning capacity for 91,262 new dwellings (column c), not all development opportunities are financially feasible to pursue (compare with assessed market capacity of 58,747 dwellings in column d).

Table 4.3 suggests that station precincts in the Corridor have the market capacity to accommodate more dwellings than the projected demand, resulting in a surplus (market) capacity of 39,736 dwellings. The analysis demonstrates that should the Strategy be implemented, the new planning controls could unlock surplus market capacity of nearly 40,000 dwellings to 2036.

Surplus capacity in the planning framework allows the market to respond as required, and not have to face a situation of constrained supply opportunities which have the effect of pushing up the price of land. Surplus market capacity also allows supply-led demand to occur and could provide opportunities for new dwellings along the Corridor to meet demand that may be unmet elsewhere (outside the Corridor).

4.3.4 Looking Forward

This section considers the likely take-up of development opportunities that could potentially be unlocked by the Strategy in the context of our analysis of the market environment in the various station groupings.

We make the following observations:

- Planning capacity v market capacity**
 Even though the Strategy allows for 91,262 additional dwellings to be delivered across the Corridor, feasibility modelling by the UFM team suggests 58,747 dwellings will be feasible to deliver. It is not uncommon for 'market capacity' to be significantly less than 'planning capacity' in urban areas that are already established.
- Projected demand v market capacity**
 Total projected demand to 2036 in the Corridor is an additional 23,586 dwellings. After adding development that is in the pipeline (4,571 dwellings) to estimated market capacity (58,747 dwellings), this implies the Strategy could unlock surplus market capacity of 39,736 dwellings in the Corridor.
- Supply-led demand**
 Projected demand in the Inner station precincts is modest if compared to the Middle and Outer station precincts. This is conceivably influenced in part by historical trends which have been modest. Notwithstanding

the modest demand projected in the Inner station precincts, this analysis has highlighted that dwelling demand does not occur in a vacuum. Market intelligence gathered suggests that despite modest projected demand in the Inner station precincts, take-up will likely exceed demand projections owing to strong and healthy market conditions in these inner suburbs.

Markets are substitutable and where housing is not available in an area, households will substitute comparable areas (generally those in close proximity) when seeking suitable accommodation. Accordingly, we expect that where opportunity sites (particularly in Marrickville and Dulwich Hill) are unlocked for housing delivery, dwelling and demand will be “supply-led” and take-up is likely to exceed projected demand. This implies a contribution to meeting demand originating from outside the station precincts.

- **Surplus market capacity**

The availability of surplus capacity in the planning framework is beneficial for two key reasons:

- The supply of development opportunities allows ‘friction’ in the market and has the impact of keeping the price of development sites stable. Where there are constraints to land supply (for example from infrastructure servicing constraints) in an environment of high demand, upward pressure on the cost to consolidate sites can be particularly challenging for new development.
- Surplus capacity allows supply-led demand to occur and for developers to respond to any unmet demand that may exist elsewhere (outside the station precincts). As this analysis highlights, the isolation of demand in small travel zone areas can be misleading as market behaviour operates more around market boundaries, not travel zone boundaries.

Forecast of Dwelling Take-up

Having consideration to the foregoing, **Table 4.4** contains a forecast of dwelling take-up in each precinct (in five-year increments) to 2036. The forecast is based on the following assumptions:

- Dwelling take-up to 2016 incorporates development already in the pipeline (4,571 dwellings in **Table 4.2**).
- Estimates of take-up beyond 2016 are underpinned by the following:
 - **Total market capacity**
Each station precinct is limited by total market capacity (per number of feasible dwellings in **Table 4.1**).
 - **Established market acceptance of higher density living**
There is the most market acceptance in Inner station precincts with Middle station precincts also growing in acceptance of higher density residential product. Greater take-up rates in the short term are assumed for Inner station precincts followed by Middle, then by Outer station precincts.

Over time, as market attitudes change and there is more acceptance of higher density living in the Middle and Outer station precincts, take-up rates are then assumed to increase to exceed take-up in Inner precincts which begin to approach capacity by 2036.
 - **Completion of metro**
Conversion of the existing rail line and delivery of new metro trains is understood to be targeted for around 2024. It is reasonable to assume that development interest and dwelling take-up will gain momentum as construction and completion of improved transport facilities become imminent. Market capacity for high take-up in Inner station precincts is assumed to occur immediately, with take-up in Middle and Outer station precincts assumed to be incremental now but to equal that of Inner station precincts from 2021.
 - **Average annual take-up rates**
Average annual take-up rates of 20 dwellings to 350 dwellings assumed depending on estimated market capacity as well as historical development. While a glance into the past is generally a good indication of the future, this is not always relevant where planning interventions could result in a new growth trajectory.

In some station precincts (particularly in Marrickville and Dulwich Hill) where key opportunity sites are contemplated for housing delivery, future dwelling take-up is likely to exceed historical take-up rates which has in the past been hindered by limited development opportunities.

Application of the above rationale results in a forecast of dwelling take-up to 2036.

Table 4.4: Dwelling Take-up Forecast (to 2036)

Precinct	2011	2036	Additional Dwelling Take-up (to 02036)					Total
			2016	2021	2026	2031	2036	
Sydenham	2,627	3,145	18	188	150	88	75	518
Marrickville	4,416	10,498	82	2,250	1,800	1,050	900	6,082
Dulwich Hill	4,203	6,218	15	750	600	350	300	2,015
Hurlstone Park	1,682	2,032	250	18	33	28	23	350
Canterbury	2,359	8,609	2,250	700	1,300	1,100	900	6,250
Campsie	7,916	14,024	108	1,050	1,950	1,650	1,350	6,108
Belmore	3,787	7,221	434	525	975	825	675	3,434
Lakemba	5,171	8,504	333	150	375	1,050	1,425	3,333
Wiley Park	4,026	6,717	291	120	300	840	1,140	2,691
Punchbowl	4,307	6,778	71	120	300	840	1,140	2,471
Bankstown	5,921	12,640	719	1050	1,950	1,650	1,350	6,719
Total	46,415	86,386	4,571	6,920	9,733	9,470	9,278	39,971

*totals may not sum due to rounding
Source: DPE, AEC

A number of observations are made from the forecast of dwelling take-up:

- Supply-led demand**

The forecast in the majority of station precincts exceeds that of projected demand in **Table 3.1**. The exception is in Sydenham and Hurlstone Park where market capacity is modest.

Where there is already keen developer interest and demonstrated activity in a station precinct, an element of supply-led demand is assumed to occur. To this end, dwelling take-up is assumed to cater for demand not just within the local station precinct but also assist in meeting demand from a broader area, particularly in the Inner and Middle station precincts.

- Surplus market capacity**

The estimates of dwelling take-up (39,971 dwellings) exceed the total projected demand for the Corridor (23,586 dwellings). This suggests the Strategy could facilitate dwelling take-up to meet housing demand from beyond the Corridor, leveraging the government's investment into improved train services (Sydney Metro City & Southwest infrastructure project) to the broader area.

The estimates of take-up imply there is surplus capacity of nearly 19,000 new dwellings beyond the forecast period. A surplus supply of development opportunities allows 'friction' in the market and facilitates stability in pricing of development sites.

Aside from a select number of centres where high density living is demonstrated to have market acceptance, it would be desirable for DPE to work with councils to encourage continued infill development across the Corridor. Incremental infill development will in time bring about a renewal of suburbs, thereby generating a lift to profile contributing to a shift in market attitudes and thereby resulting in increases to property prices. Eventually the prices of medium and higher density product will then be able to justify and sustain their development.

REFERENCES

BTS (2014). *Population Forecasts 2011-2041, September 2014 Release*. Bureau of Transport Statistics, Transport for NSW, NSW Government, Sydney.

DPE (2016a). *Sydenham to Bankstown Draft Urban Renewal Corridor Strategy*. Department of Planning and Environment, NSW Government, Sydney.

DPE (2016b). *2016 NSW Population Projections Data*. Department of Planning and Environment, NSW Government, Sydney.

DPE (2016c). *UFM Modelling Tables*. Department of Planning and Environment, NSW Government, Sydney

APPENDIX A: PROJECTIONS APPROACH

The NSW Government provides population and dwelling projections at a travel zone (TZ) level through the Bureau of Transport Statistics (BTS, 2014). However, these projections were released in September 2014, and as a result do not wholly reflect current market conditions and expectations for growth in the Study Area. In particular, these projections do not incorporate consideration of catalytic transport infrastructure projects such as Sydney Metro and Westconnex.

Population and dwelling projections were recently released in September 2016 (DPE, 2016b). The smallest geographic level these projections are available for is by local government area (LGA). These projections incorporate known and committed transport infrastructure projects that are anticipated to have a positive and considerable impact on infrastructure capacity and travel times to and from the study area, and thereby influence commuting and residential preferences.

To understand a potential scenario of population growth and demand for housing in the precincts, the following approach was adopted:

- 1 Population projections by the Department of Planning and Environment (DPE, 2016b) were used as a baseline for population growth in the precincts. The Corridor is within the newly formed local government areas of Inner West Council and City of Canterbury-Bankstown, accordingly projections for the new LGAs was used.
- 2 All TZs within the newly formed Inner West and Canterbury-Bankstown LGA were identified¹, and population and dwelling projections by the Bureau of Transport Statistics (BTS, 2014) collated for these TZs. Using this data, the following was calculated:
 - a An aggregated total population and dwelling projection for the Inner West and Canterbury-Bankstown LGAs.
 - b An average household size for each TZ.
 - c The proportion that each TZ was projected to contribute to total population in the Inner West and Canterbury-Bankstown LGAs.
- 3 Five yearly population growth rates from DPE projections were applied to the 2011 estimate for the LGA using the BTS projections (i.e. the aggregate of TZs within Inner West and Canterbury-Bankstown LGAs).
- 4 Population estimates by TZ were developed by applying the proportion each TZ was projected to contribute to the aggregate Inner West and Canterbury-Bankstown LGAs projection (from Step 2c) to the updated Inner West and Canterbury-Bankstown LGAs projection developed in Step 3.
- 5 Total occupied dwelling estimates by TZ were developed by applying average household size (from Step 2b) to the revised TZ population projections from Step 4.
- 6 Total dwelling estimates (including occupied and unoccupied dwellings) were developed by applying the projected average occupancy rate from DPE (2016b) projections for the LGA in which each TZ is located.

The above approach provides a scenario for dwelling demand and growth by TZ, reflecting projected population growth for Inner West and Canterbury-Bankstown LGAs by DPE. This approach acknowledges TZs used do not exactly align with precinct boundaries.

¹ TZs do not perfectly align with Council boundaries. Where TZs cross Council boundaries, TZs were allocated to the Council in which the majority of its area was within.

THIS PAGE INTENTIONALLY LEFT BLANK

BRISBANE

Level 5, 131 Leichhardt Street
Spring Hill QLD 4000
Australia
T: +61 (0)7 3831 0577

MELBOURNE

Level 13, 200 Queen Street
Melbourne VIC 3000
Australia
T: +61 (0)3 8648 6586

SYDNEY

Level 14, 25 Bligh Street,
Sydney NSW 2000
Australia
T: +61 (0) 2 9283 8400

BANGKOK

2024/129-130 Sukhumvit 50
Prakanong Klongtoey,
Bangkok, Thailand 10260
T: +66 2 107 0189

DARWIN

Level 1, 48-50 Smith Street
Darwin NT 0800
Australia
T: 1300 799 343

PERTH

Level 2, 580 Hay Street
Perth WA 6000
Australia
T: +61 (0) 8 6555 4940

TOWNSVILLE

233 Flinders Street East
Townsville QLD 4810
Australia
T: +61 (0)7 4771 5550

SHANGHAI

46F Hongkong New World Tower
300 Huahai Road Central
200021 China
T: +8621 6135 2310

aecgrouppltd.com

OUTCOME DRIVEN

