Urban Development Institute of Australia
New South Wales

Making TODs Work

June 2024

We are city-shapers.

Urban Development Institute of Australia NSW

ASTROLABE GROUP

Executive Summary

Under the National Housing Accord, the NSW Government has committed to the delivery of 377,000 new well-located homes between 2024-2029. The UDIA and the broader development industry are key delivery partners to achieving this goal. The UDIA welcomes the announcement of the TOD SEPP (Transport-Oriented Development State Environmental Planning Policy) as a policy intervention that contributes towards delivering much needed housing to the market.

To better understand the capacity of the TOD SEPP, to deliver medium density housing around identified Tier 2 Stations, UDIA engaged Astrolabe Group to prepare a high-level feasibility analysis.

The findings as referenced in this report, identifies limited short-term viability for development of medium density residential flat buildings. Only two (North Shore and Inner West) of the identified eleven submarkets show financial feasibility for build to sell models under current settings. Feasibility in all cases was directly influenced by the prevailing market conditions, having an upward influence on the cost to construct, and a downward influence on consumers ability and willingness to pay; creating a widening feasibility gap across nine of the submarkets analysed.

To identify potential solutions, a series of interventions were tested across the 11 submarkets, including removing fees, charges and levies, increasing

Gordon Quarter by Anglicare Sydney

development density, reducing development assessment time-frames and limiting cost of construction costs below the current industry standard. While each of these interventions improved feasibility, none of these interventions immediately shifted project feasibility to deliver housing. The analysis supports feedback from UDIA members and provides the evidence that there is no single solution for the current housing crisis.

The TOD SEPP is one of a range of measures for government and the industry to deliver housing, and whilst it has demonstrated limited short-term capacity to deliver housing within the National Housing Accord period, it remains an important initiative to solve the housing market crisis in the medium to long term, for when economic conditions and project feasibility improves.

Infill development around transport nodes is recognised globally as a proven mechanism to boost housing supply and the NSW Government is to be commended for introducing the TOD SEPP. Unfortunately, current economic conditions mean that the policy is unlikely to deliver at the ambitious scale the NSW Government has hoped for. This report makes recommendations aimed at improving project feasibility, unlocking as much new housing as possible in locations where projects are currently marginal. Implementing these changes will also improve feasibility of the TOD program in the medium term creating the right preconditions for it to catalyse development and unlock new housing at scale when the prevailing economic conditions improve.

In the period it will take for more TOD projects to become feasible, delivering the NSW Government's share of the National Housing Accord targets, it will require further policy interventions. This includes continued delivery of greenfield housing precincts, a greater emphasis on higher density precincts around transport nodes and working with the development sector to unlock housing on development ready land where planning approvals and rezoning have already occurred.

Acknowledgement of Country

UDIA NSW and Astrolabe Group Acknowledges the Traditional Owners of Country throughout Australia and their continuing connections to land waters and community.

We show our respect to elders past and present. We acknowledge that we stand on Country which was and always will be Aboriginal Land.

Jonson Lane by JD Property Group

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Introduction

The NSW Transport Oriented Development State Environmental Planning Policy (TOD SEPP) was announced in 2023 as part of the NSW Government's broader strategy to address the growing housing crisis.

The policy aims to enable the creation of 170,000 mid-rise and mixed-use dwellings within a 400-metre radius of 37 identified train and metro stations within the next 15 years.

To better understand the impact of the TOD policy settings, the Urban Development Institute of Australia (UDIA) NSW engaged Astrolabe Group to conduct a broad feasibility assessment of delivering build-to-sell residential flat buildings across the 37 identified precincts within Part 2 of the NSW TOD program.

The outcomes of the assessment provide a point in time analysis of current market conditions through the lenses of the development sector and buyers. It also identifies the delivery challenges and opportunities that industry and government can work collaboratively towards solutions to tackle the current housing crisis.

Methodology

The broad feasibility assessment model has been developed using actual project costings provided by members of the UDIA NSW and property sales data in respective locations. Further details about the model are presented in the Assessing Feasibility section.

Sentiment insights from industry were sourced desktop research and engagement with UDIA members.

UDIA NSW

The Urban Development Institute of Australia (UDIA NSW) is the peak body representing over 500 leaders in urban development industry across NSW. Our members span across the entire spectrum of the industry and include developers, consultants and researchers.

Since establishment in 1963, we have dedicated the last six decades advocating for viability and sustainability of urban development. We place a strong focus on securing housing supply and supporting our members to successfully deliver projects to create well-located, liveable, and sustainable communities.

Astrolabe Group

Astrolabe Group are the recognised experts in urban growth and planning. We deliver positive change for people and place by combining evidence, expertise and a uniquely empathetic approach. UDIA NSW commissioned Astrolabe Group to develop the broad feasibility assessment model used in this report.

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The Harrington Collection
by Hannas Group and Golden Age Group

Transport Oriented Development

Transport Oriented Development (TOD) is an urban development framework that maximises the amount of residential, business, and leisure space within walking distance of public transport. The goal of TOD is to ensure everyone has access to local and citywide opportunities through cost-effective and environmentally friendly transport options[1].

NSW Transport Oriented Development Program[2]

The TOD Program is designed to address housing shortages by delivering additional housing supply near 45 identified transport hubs. There are two parts to the program:

- Part 1 Accelerated Precincts: Rezoning the land within 1,200 metres of 8 stations within Greater Sydney to deliver high and mid-rise housing.
- Part 2 New Planning Controls: Introducing the Transport Oriented Development State Environmental Planning Policy (TOD SEPP) to allow more mid-rise housing within 400 metres of 37 stations across NSW.

This report considers Part 2 of the NSW TOD Program only. The rollout of TOD SEPP by NSW Department of Planning, Housing and Infrastructure began in May 2024 and is expected to be complete by June 2025.

The TOD SEPP[3]

The TOD SEPP aims to improve capacity of station precincts for sustainable urban growth by facilitating the development of 170,000 mid-rise and mixed-use dwellings within a 400-metre radius of 37 identified train and metro stations.

New planning controls

The newly introduced planning controls include permitting residential flat buildings in residential and local centre zones, increasing floor space ratio (FSR) to 2.5:1 and allowing buildings to reach 6 storeys with a maximum height of 22m (residential flat b uildings) or 24m (shop top housing).

The TOD SEPP also introduced a new affordable housing contribution. It applies to developments with a minimum Gross Floor Area (GFA) of 2,000 square metres and mandates a 2% affordable housing perpetual allocation on-site to be managed by a Community Housing Provider.

Where does the TOD SEPP apply?

The 37 identified station precincts were selected for their connectivity and existing infrastructure to support additional residential development.

They span across Metropolitan Sydney, Central Coast, Hunter and Illawarra regions in 13 Local Government Areas (LGA): Bayside, Georges River, Burwood, Canada Bay, Canterbury Bankstown, Central Coast, Cumberland, Inner West, Ku-ring-gai, Lake Macquarie, Newcastle, Penrith and Wollongong.

Industry sentiments support new policy settings

The development industry considers the TOD program a positive step towards increasing the housing supply of NSW.[4] It aligns with the government objective to create well-located homes with good access to public transport, amenities and jobs.

There are concerns that the current prevailing economic conditions and controls within the TOD SEPP will affect the ability to produce the expected number of housing units. This may be due to the existing land use zoning around the stations, heritage constraints, or the inability to achieve sufficient floor space ratio to make the development viable.

Key industry figures and researchers have also expressed concerns regarding the ability to uplift capacity, noting that existing property owners within these precincts must be willing to sell and vacate to allow higher density housing to be developed.[5]

These sentiments highlight the importance and strength of effective policy settings to support the development industry and accelerate housing development. Particularly at a time there is ongoing delivery pressures, with high interest rates and construction costs having risen 33% since 2020.[6]

Stage 3, The Gracewood Community by BaptistCare, designed by DKO

About the precincts identified for TOD

The 37 station precincts across NSW represent a wide range of local context, from inner city areas to seaside suburbs. To enable comparison, we have segmented the precincts into 11 submarkets based on their location and market characteristics.

Submarkets – how we've segmented the precincts

To create the submarkets we divided the station precincts into the 4 geographic regions: Metropolitan Sydney, Central Coast, Newcastle West and Lake Macquarie and Illawarra.

We then considered their proximity to one another and similarities in their market dynamics to form the second level of groupings (submarkets). For example, while Dapto is also located within the Illawarra region, it is considered a different submarket to nearby Wollongong as Dapto is predominately a greenfield development.

This process created 11 submarkets with distinct characteristics. See Appendix A for submarket profiles and detailed feasibility findings.

Locations of 37 station precincts identified in TOD Program Part 2

Region	Submarket	Train/Metro Stations
Metropolitan Sydney	Bankstown Submarket	Berala Canterbury Lidcombe Turrella Wiley Park Lakemba Punchbowl Belmore
	Inner West Submarket	Ashfield Croydon Dulwich Hill Marrickville North Strathfield Metro
	Penrith Submarket	St Marys Metro
	North Shore Submarket	Gordon Killara Lindfield Roseville
	St George Submarket	Banskia Kogarah Rockdale
Central Coast	Gosford and Woy Woy Submarket	Gosford Woy Woy
	Tuggerah and Wyong Submarket	Tuggerah Wyong
Newcastle West and Lake Macquarie	Newcastle West Submarket	Adamstown Hamilton Kotara Newcastle Interchange
	Lake Macquarie Submarket	Booragul Morisset Teralba Cardiff Cockle Creek
Illawarra	Dapto Submarket	Dapto
	Wollongong Submarket	Corrimal North Wollongong

Assessing Feasibility

To test the deliverability of the TOD policy we developed a rapid assessment tool based on the defined submarkets.

Rapid Assessment Model

The model has been developed to understand the broad feasibility of the policy within a submarket, and is not designed to consider site specific outcomes.

We focus on the two essential components that reflect sector and market conditions: cost to develop and willingness to pay.

Industry: Cost to develop

The cost to develop is based on a typical project under the TOD SEPP, including all associated development costs. It generates a 'must sell at' price using a desired hurdle rate, or margin on cost, set by developers to determine if a development is viable.

+

Market: Willingness to pay

The willingness to pay is determined by recent market prices for similar housing units in each of the submarket. It reflects the maximum prices property buyers are willing to pay under current market conditions.

=

Is development feasible?

Comparing the cost to develop with the willingness to pay, the model provides a short answer for the key question: will it sell?

Applying the Model

We used the following building blocks to calculate feasibility in this report:

The Reference Project

Using project data provided by UDIA members with direct interest in built and proposed sites, we developed a reference project that replicates a typical TOD development.

The reference project allows us to create a consistent and relevant baseline across the submarkets for ease of comparison. A key part of this is understanding the variance between developers and their diverse approaches to cost calculations.

Targeted consultation with UDIA members across NSW enabled us to capture a variety of project inputs and establish commonality to determine the features of the reference project. The reference project assumes the following attributes for a TOD development:

- Project configurations: a residential flat building up to 6 storeys with on-site parking on a 1900 sqm block of land
- Apartment configurations: 50 2-bedroom apartments at 95 sqm (including common areas)
- Construction cost: $5,500 per sqm

Standardised ancillary costs: other costs such as financing, legal services, project managers and marketing are calculated as a proportion of the construction cost.

Submarket Variables

The location of the development creates a difference in the amount of government contributions and charges incurred, as these figures are often LGA specific. This includes Local Development Contributions, known as the 7.11 and 7.12 levies, development service plan charges and Housing and Productivity Contribution (HAPC).

Our model takes into account this cost difference. For each submarket, we identified the highest possible government contributions payable, and used this as our estimate for the government contributions within the development cost across the submarket.

Hurdle Rate

A hurdle rate is the minimum return-on-investment a project must demonstrate to be considered feasible. This figure varies between developers and development types.

While the hurdle rate is only one metric to determine financial viability, UDIA members were confident that an 18% hurdle rate is an appropriate proxy for the purpose of rapid feasibility assessment.

Market willingness to pay

To understand the market willingness to pay for a specific type of dwelling within the TOD precincts, we captured a snapshot of the current market activities and the types of products available at various price points.

To reflect the nuance of each submarket, we identified three price points for comparable dwellings, from high-end new built apartments, mid-range standalone houses, to the lowest price point available for comparable configurations. We referenced the three price points separately in our calculations to provide further context and sensitivity.

- Price point A: A high-end new built apartment unit or an average house
- Price point B: A standard newly built or furbished apartment unit at a mid-range price point
- Price point C: The lowest price point identified for a newly built or furbished apartment unit.

Data Sources

The feasibility modelling has integrated an array of data sources to determine feasibility and willingness to pay outcomes. Sales data has been used to inform property market activity in each of the 11 submarkets for cost to acquire, dating back 12 months to yield a price per square metre basis. Additionally, these data were used to determine the submarket's willingness to pay by collating upper, middle, and lower price points of comparable housing products.

For the project specific inputs, engagement and validation from the UDIA members produced the data points that informed our reference project.

Limitations

The model does not account for changes in built form or site requirements and significant changes in the property markets. It provides a tool to understand how specific inputs affect the overall feasibility of a development across the identified submarkets.

The model has also not incorporated the 2% affordable housing contribution as the reference project is under the threshold of 2,000 sqm.

Of all market willingness to pay price points, comparable unit-apartment sales and listings as close to the TOD sites as possible were considered. In some instances, new medium density apartments are not available in some TOD precincts. In these cases price point analysis has been undertaken on products within the adjacent precincts to understand what the market is most likely to be willing to pay.

The model has not factored in the premium that may be required to acquire multiple adjacent properties to form a larger site for development.

The Isles, Drummoyne by Made Property with SJB

Feasibility Under the TOD SEPP

Will it sell?

The model demonstrates that development under the TOD SEPP is not currently feasible in 9 out of 11 submarkets across NSW.

This means apartments in accordance with the reference model cost more than what the market is currently paying for comparable housing (price point B) in most of the submarkets.

Metropolitan Sydney

The North Shore and Inner West submarkets in Metropolitan Sydney were the only two submarkets to achieve feasibility across all regions

- Despite having the highest selling prices, there is high willingness to pay for apartments located in North Shore and Inner West submarkets.

Submarket	Feasibility Outcome	Feasibility gap %
Bankstown	Not Feasible	-74%
Inner West	Feasible	3%
Penrith	Not Feasible	-81%
North Shore	Feasible	6%
St George	Not Feasible	-47%

Central Coast

The Tuggerah and Wyong submarket was the least feasible across all regions

- The cost of new TOD development exceeds the price for an existing detached house, making TOD development less desirable. Old housing stock in these locations also provides a cost-effective entry to the property market, further reducing the perceived value of TOD development.

Submarket	Feasibility Outcome	Feasibility gap %
Gosford and Woy Woy	Not Feasible	-75%
Tuggerah and Wyong	Not Feasible	-111%

Newcastle West and Lake Macquarie

Premium alternatives provide better value in Newcastle

- While the Newcastle West submarket is willing to pay high prices for apartments that match the cost of a new TOD development, the market expects high-end apartments with harbour views at this price point. The market is not willing to pay for a TOD development at current prices.

Submarket	Feasibility Outcome	Feasibility gap %
Newcastle West	Not Feasible	-39%
Lake Macquarie	Not Feasible	-71%

Wollongong and Dapto

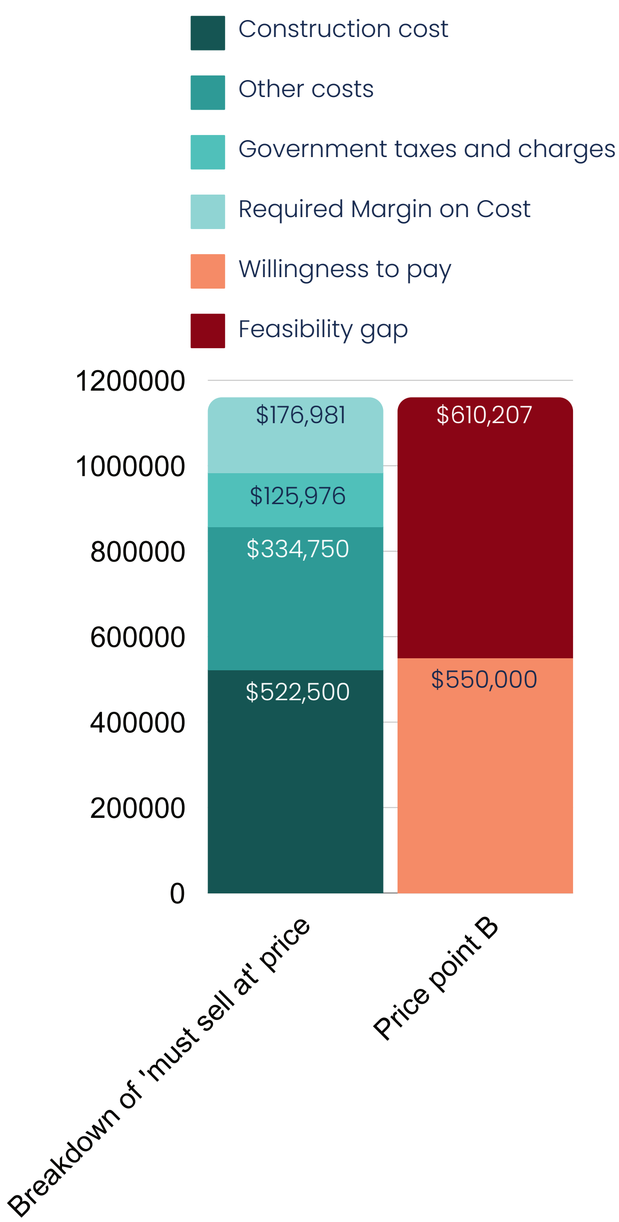
Demand for apartments may be extremely low in areas that are less connected

- In areas such as Dapto where public transport options are limited and car use are often necessary, the cost to develop sufficient on-site parking can make apartment development less viable.

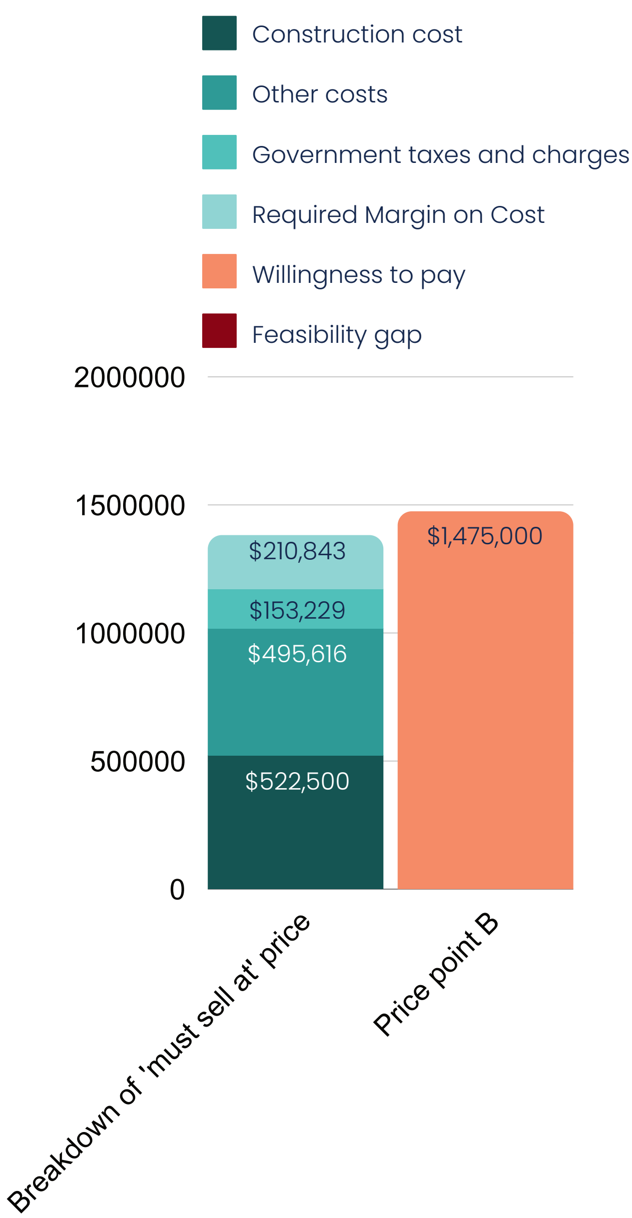
Submarket	Feasibility Outcome	Feasibility gap %
Dapto	Not Feasible	-76%
Wollongong	Not Feasible	-42%

What impacts feasibility?

Tuggerah and Wyong Submarket – least feasible



North Shore Submarket – most feasible



What we found

High construction costs pushing apartment prices over $1.1 million across all sites

As shown in the graph above, construction costs are the main contributor to the overall high cost to develop. Residential construction costs have risen 30% between 2020 and 2023[7], and this sharp rise has resulted in a disproportional increase in the cost to develop new housing. It is estimated that a new two-bedroom unit will require a selling price over $1.1 million to be feasible for development.

Comparing the $1.1 million figure with the current like-for-like housing options across the submarkets, development under the current market conditions is not feasible and unaffordable in most areas.

Location is paramount while cost of land plays a relatively insignificant role

Development under the TOD SEPP is feasible in inner city locations with higher population. Submarkets with existing high demand and higher than average housing prices create an opportunity for TOD development to enter the market at an acceptable price point, as seen in North Shore and Inner West. This demonstrates that the location, and their associated demand and market prices, play a key role in the viability of development under the TOD SEPP. In contrast, in submarkets where housing is more affordable, the TOD SEPP is unlikely to deliver expected outcomes as the cost of development will exceed what the market is willing to pay.

Land cost varies greatly across the submarkets and was expected to have a significant impact on feasibility. However, once the cost has been distributed across our reference point of 50 apartments within a development, the land cost proportion was small in comparison, and its impact on feasibility became minor.

Quality alternatives and substitutes are present

For $1.1 million, better value housing options can be found in many submarkets. This includes houses, townhouses and premium apartments with waterfront views, and older comparable stock that can be purchased at a much lower price. In these locations, development under TOD is unlikely to compete with existing housing stock, therefore reducing demand for new TOD products.

What we heard

UDIA members identified additional factors that can impact development feasibility.

- While there are large variations in construction costs depending on finishing and target market, project location does not typically impact construction costs across TOD precincts. This means there are no 'low cost' sites to develop, and areas with higher property prices and more demand are likely to be favoured amongst the TOD precincts.
- With the constrained market and narrow feasibility margins, developers identified a reluctance for new apartment products in untested markets, continuing to prefer detached homes where there was a demonstrated market.
- The time it takes to secure development approvals adds extra uncertainty and costs to developers. Certainty of timeframes can increase industry and consumer confidence and result in more buyers willing to purchase off-the-plan.
- While TOD precincts are well connected through public-transport, the broader connectivity across NSW has not been sufficiently addressed to entice developers to forgo car spaces. It is believed that the market will not opt for apartments without car spaces in most locations.

- The 2% community housing allocation poses a logistical challenge to developers and CHPs. Instead of the standard practice of having a block of units fully managed by a Community Housing Provider, this allocation requires the Providers to cover a larger area for a limited number of units, adding to their ongoing operational costs.
- The cost for financing is high at an estimated 8% or above, and financial institutions have drastically increased their Loan to Value ratio (LVR) making development harder to commence. This means that developers now have higher presale requirements to secure financing. Some developers are required to sell apartments off-the-plan to the value of 80% to 100% of their loan amount to receive approval from lenders. This can delay and limit independent developers and smaller operations' ability to commence construction.
- The recent focus on poor quality apartment developments and the increased regulatory environment has undermined broader consumer confidence in the industry. This has impacted the ability to sell off the plan products

Anden, Coogee by Central Element

Interventions to improve feasibility

To explore potential mechanisms that can strengthen and enhance the policy outcomes through the TOD SEPP, we conducted a sensitivity analysis using four interventions.

The data depicted the table below shows the gap in feasibility as a percentage difference. It compares the markets willingness to pay (price point B) to the must sell at price that is adjusted by each intervention.

Intervention 1: Reduce construction costs from $5,500 per square metre to $4,500 per square metre. This results in approximately an 18.5% reduction in construction costs, or $95,000 per unit, and has the biggest impact on feasibility.

Intervention 2: Remove all government taxes and contributions of construction. The reduces an average of $134,000 per unit.

Intervention 3: Double the floor-space-ratio (FSR) from 2.5:1 to 5:1, effectively doubling the number of dwellings on a development lot. This reduces the land cost per unit by half, resulting in a reduction of $22,000 to $96,000 per unit based on submarkets.

Intervention 4: Reducing DA timeframes from 7 months to 3 months to reduce the holding/financing costs on land purchase. The reduction of this is minimal financially at just over $2,000 per unit. However, the in terms of industry confidence, risk reduction and resourcing efficiency, a short DA timeframe could have a positive longer term impacts.

All interventions: Combine all interventions above to measure the total impact.

Market conditions heavily constrains policy outcomes

No interventions, alone or combined, are sufficient to challenge the status quo across the regions. Despite the ability to close the feasibility gap by an approximate 43% when all interventions are applied, development in 8 out of the 11 submarkets remain unfeasible.

This underlines that the ability of TOD development to deliver more housing is hindered by the broader economic climate, which dictates the rise in construction, labour and other costs. Under these market conditions, the intended policy outcome of TOD SEPP remain unviable.

Submarket	Must Sell At	Feasibility with no intervention	Intervention 1 reducing the gap by	Intervention 2 reducing the gap by	Intervention 3 reducing the gap by	Intervention 4 reducing the gap by	All interventions reducing the gap by*	Final Feasibility gap with all interventions
Bankstown	$1,235,508	-$523,508	$167,356	$170,871	$63,243	$2,645	$378,202	$145,306
Inner West	$1,323,509	Feasible	-	-	-	-	-	Feasible
Penrith	$1,178,675	-$528,675	$167,356	$173,483	$30,414	$1,281	$350,486	$178,189
North Shore	$1,382,188	Feasible	-	-	-	-	-	Feasible
St George	$1,246,790	-$396,790	$167,356	$174,087	$67,698	$2,831	$385,533	$11,257
Gosford and Woy Woy	$1,170,890	-$530,207	$167,356	$155,117	$36,257	$1,524	$337,519	$164,371
Tuggerah and Wyong	$1,160,207	-$530,207	$167,356	$154,106	$30,916	$1,302	$331,573	-$198,634
Newcastle West	$1,183,857	-$333,857	$167,356	$154,971	$43,500	$1,825	$344,063	Feasible
Lake Macquarie	$1,155,637	-$480,637	$167,356	$157,586	$26,470	$1,117	$330,946	$149,691
Dapto	$1,160,250	-$500,250	$169,097	$146,944	$35,270	$1,483	$328,087	$172,163
Wollongong	$1,168,018	-$343,018	$169,097	$147,247	$39,436	$1,656	$332,198	$10,820

*Cumulative financial impact of applying intervention 1, 2, 3 and 4 concurrently. Concurrent application of all interventions is adjusted to remove duplication of savings and the figure does not equate to the sum of applying intervention 1 to 4 individually.

Recommendations

The need for new housing stock is critical across NSW. This is reflected in policy interventions from all levels of government, and most notably, the Housing Accord which has set targets for delivery of new housing stock in our State.

Market conditions, the price of land and the cost of construction have created challenging feasibility across 10 of the Part 2 TOD submarkets for the construction industry, with construction of a standard 2-bedroom apartment in Sydney now costing an estimated $1 million to bring to market. More broadly, cost of living pressures and rising interest rates also put a stain on property buyers. The impetus behind the significant rise in costs is a multifaceted problem, with no single solution likely to significantly improve feasibility outcomes.

Multiple interventions and focus of delivery are needed to achieve our housing target. In the short term, high density developments across TOD Part 1 Accelerated Precincts can provide immediate and partial uplift. Greenfield development in targeted areas such as Western Sydney will also ensure housing production and affordability.

In the longer term, continued implementation of new planning controls to support Part 2 of TOD development in anticipation of future needs and improved market conditions. This ensures that the impact and benefits of the policy will be realised, and TOD will be a positive step forward in delivering new stock to people in need of homes.

Jonson Lane by JD Property Group

The UDIA has developed the following recommendations seeking to create positive changes within the broader ecosystem.

Independently they are not silver bullets to resolve the current apartment market crisis. Collectively, the recommended interventions can create improved conditions for the delivery of housing and contribute towards closing the feasibility gap at a time of unprecedented economic headwinds. The improved viability of apartment construction projects will motivate private capital to be deployed to enable delivery of government planning policies such as the TOD SEPP.

Ensuring that the broader systems associated with apartment delivery are improved now, will ensure that future market corrections will be a catalyst to bringing new apartment housing to market in a timely and efficient manner, and not constrained by current system settings.

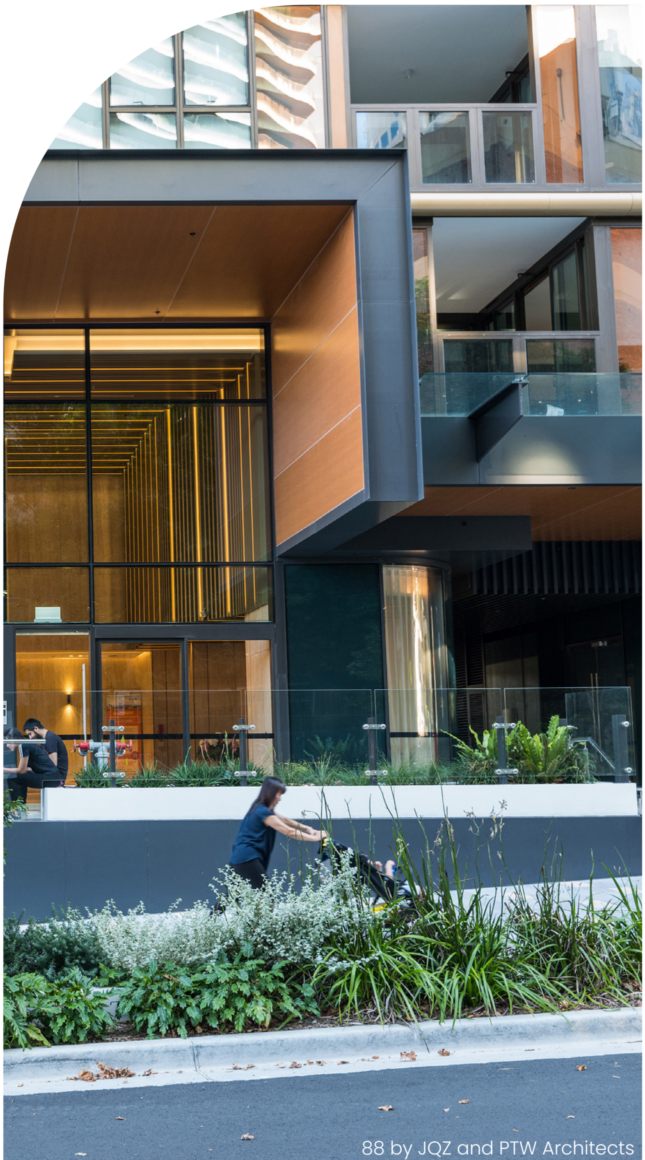
Recommendation 1 - Reducing the cost of construction is key

The levies and charges applicable to developments under the TOD SEPP on average make up 13% of overall costs. Infrastructure levies and DSP charges alone add between $15,000 and $35,000 per dwelling, depending on the local government area or HPC contribution region the development is located in.

Given that the TOD sites have been prioritised based on areas identified as having sufficient enabling and social infrastructure capacity, there is an opportunity for local and State government to look at a revised infrastructure funding model for these areas. This should include a modest, capped 7.12 levy to provide certainty regarding the value of contribution, and a freeze on HPC to improve short term viability. These incentives should be coupled with a targeted State government grants program available to local Councils to ensure the provision of infrastructure to support TOD sites is not at the cost of other sites and communities.

Policy Position - Part 2 TOD SEPP developments should be subject to a standard 7.12 contribution rate of 1% to provide certainty and consistency across the broader geographies.

Policy Position - State government to place a freeze on HPC levies for developments within Part 2 sites that commence construction within 4 years from the implementation of the TOD SEPP.



88 by JQZ and PTW Architects

Recommendation 2 - Ongoing support and funding for existing housing supply pipelines is essential

In the short term the Part 2 TOD sites have limited viability and are unlikely to increase the supply of dwellings to market. To ensure ongoing housing supply it is important that government continues to support the delivery of housing where there is an existing pipeline of approvals and investment in both land and infrastructure.

Government and industry investment in greenfield precincts and accelerated TOD 1 locations will help to sustain housing supply in the short term while prevailing market conditions correct themselves.

Policy Position - To create a resilient housing market, government and the industry must continue to support and deliver multiple supply pipelines and housing typologies.

Recommendation 3 - Development assessment timeframes must be enforced

The assessment timeframes for Residential Flat Buildings across Greater Sydney average 207 days. While these timeframes in themselves are not the sole determinant of development feasibility, they contribute to higher costs of development, requiring developers to increase prices to meet their required hurdle rate. Assessment delays and uncertainty also erode confidence in the industry and investors, disincentivising market activities. To provide confidence to the industry, Councils must be held accountable, and development applications considered within reasonable timeframes.

To facilitate this enforcement Councils subject to the TOD SEPP must be supported by government to ensure they have the capacity and capabilities to meet enforceable timeframes. Support could include comprehensive technical studies to support strategic assessment needs, resourcing assistance, and reducing referral requirements for integrated development. These councils should also be prioritised for support and access to technological advances to aid assessment such as AI Tools and platforms.

Policy Position - Tier 2 TOD SEPP developments that meet the standards specified within the SEPP are eligible for deemed approval within a 90 day period.

Recommendation 4 - Ensure continued high quality design outcomes through consolidated development controls

The multitude of development controls and design considerations continue to complicate the design and assessment process, adding additional cost and time to developments. Whilst the TOD SEPP has stipulated core controls including FSR, and height, key design and assessment criteria will remain within other documents including the Apartment Design Guideline, Council's Local Environmental Plan (LEP) and Development Control Plan (DCP). This is in addition to design and construction standards and requirements including that outlined in the Sustainability SEPP.

Simplifying and consolidating all controls into a single TOD DCP, including key outcomes of the ADG and Councils DCP's would provide simplicity and clarity to all stakeholders and the community. A single uniform DCP would also provide efficiencies in consideration of developments and create opportunities for the utilisation of assessment tools including AI.

Policy Position - Tier 2 TOD SEPP Developments should have standardised controls to improve viability and consistency across all identified TOD sites and reduce assessment and approval delays.

Recommendation 5 - Provide confidence to the broader construction industry

A range of factors have contributed to low confidence within the development industry and a decreased appetite for risk from financial institutions. Financing of projects was considered by industry members as a key barrier to the ongoing implementation of planning reforms such as the TOD SEPP. UDIA members have identified instances that 100% of units are required to be sold off the plan to secure construction funding.

While Government has limited direct influence on the finance and banking sector, it can adjust and influence policy settings and create a narrative that increases consumer and industry confidence, reducing the risk factors for investment.

Creating a positive narrative

The narrative plays an important role in broader consumer confidence and therefore willingness to pay for apartments. Confidence has been negatively influenced by a minority of developers producing poor quality stock and being publicly reprimanded through the certification process under the office of the Building Commissioner. Whilst the role the Commissioner plays is important, there must be balance in the narrative and recognition of quality outcomes and developments. A positive narrative helps restore consumer confidence in the industry and increase willingness to buy off the plan and unlock housing supply.

Policy Position - Government must invest in creating a balanced narrative, positioning the development industry as partners in providing housing solutions

A circuit breaker to de-risk investment

The changes recommended within this report are all contributing factors to improving certainty and confidence for the broader ecosystem. A key to getting new apartment stock to market is the willingness of the banking sector to finance developments.

Requiring developers to sell 100% apartments of the plan impacts development costs by increasing interest rates and holding costs. It also adds time to delivery which in turn deters consumers from off the plan purchases.

Government could provide a circuit breaker and de-risk financing by acting as a guarantor to development and accelerate the development lifecycle, allowing construction to commence earlier. This will create productivity for government more broadly, influence consumer willingness to buy and banks willingness to lend.

Policy Position - Government to consider policies to de-risk investment, including acting as a guarantor to development resulting in a reduced LVR required to gain finance.

Recommendation 6 - An affordable housing solution that works for all

The inclusion of a 2% onsite contribution towards affordable housing for sites above 2000sqm in this form is not a viable proposition for the development industry, or affordable housing providers. This is unlikely to result in an outcome that provides meaningful solutions.

For the development industry, removing 2% of saleable floor space for provision of on-site affordable housing further erodes the viability of development. Limiting the provision of affordable housing to only apply to sites above 2000sqm will undoubtably see sites under the threshold preferred to larger developments, which will see a reduction in overall supply as well as no triggers for affordable housing.

Government needs to reconsider the mechanism for affordable housing, to ensure the outcomes meet the needs of affordable housing providers and tenants, whilst incentivising development to deliver affordable housing.

Incentives including GST and stamp duty rebates, for developments that provide or contribute towards affordable housing will have the effect of increasing development feasibility. With the current market conditions and policy settings, it is unlikely any contributions will be made to affordable housing within the TOD sites.

Consideration also needs to be given to having a model that collects cash contributions towards offsite affordable housing. Single units scattered across regions is not a cost-effective management model for housing providers. A number of dwellings within a single development is preferable as it provides economies of scale in management.

Policy Position - Government to review current TOD SEPP requirements and consider financial incentives that provide improved outcomes for affordable housing provision without impacting development feasibility.

Recommendation 7 - Reducing the cost of construction will result in more housing

On average, the cost of construction contributes approximately 50% to the overall cost of delivering apartments to market across Greater Sydney. With such a substantial proportion of cost, even small increases in construction costs have a large impact on overall cost of delivery and therefore development feasibility.

A number of factors have contributed towards the rising cost of construction, including shortages of raw materials, inflationary pressures, and labour shortages, factors which mostly fall outside of the remit of State governments.

However, government does have a role to play from a regulatory perspective. Ensuring that construction practices are appropriately regulated to ensure ongoing quality and safety without eroding consumer confidence, and burdening good developers with unnecessary regulation and red tape, intended for the minority of developers trying to circumvent requirements.

With ongoing inflation and labour cost pressures government needs to be proactive with the industry to identify alternative building materials and methods and fast-track their certification within NSW.

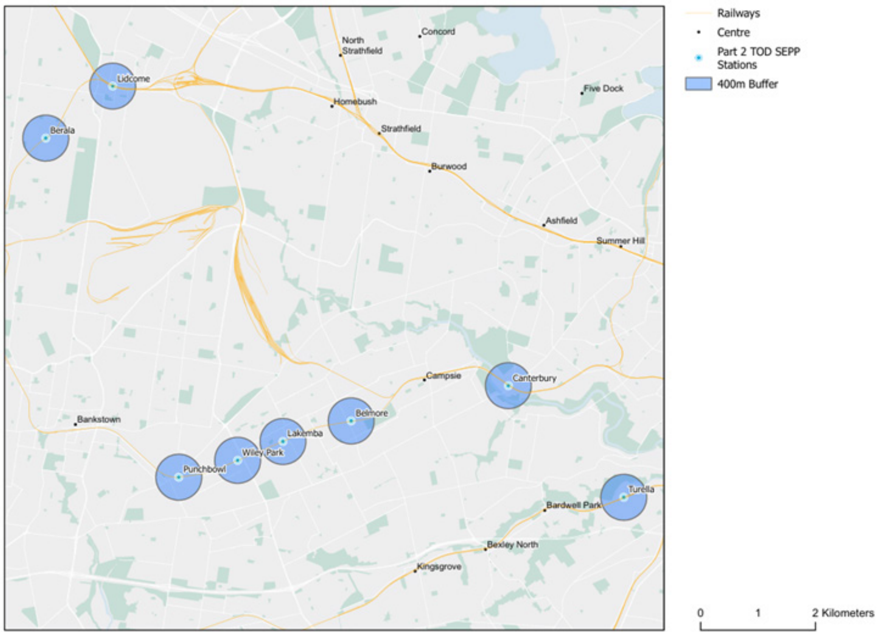
Policy Position - Review of construction regulation to ensure they are fit for purpose and adding value to construction outcomes

Policy Position - Government must lead the way into unblocking construction supply chains and removing barriers for alternative construction methods and materials.

Jonson Lane by JD Property Group

Appendix A
Submarket Profiles

Bankstown Submarket



Within this submarket, there are:

8 TOD Station Precincts	1 TOD Accelerated Precinct	3 Local Government Areas
Belmore, Berala, Canterbury, Lakemba, Lidcombe, Punchbowl, Turrella, Wiley Park	Bankstown	Cumberland, Canterbury-Bankstown, Bayside

Overview of the Local Government Areas within this submarket

Total Population	Cumberland LGA	Canterbury-Bankstown LGA	Bayside LGA
2024 Current	248,658	385,241	168,721
2041 Projection	304,595	446,102	195,269
Projected Growth	22%	16%	16%

Located in Western Sydney, the Bankstown submarket has high total population and density. The region is highly multicultural and is projected to experience significant population growth. This projected growth is likely to be intensified by the addition of one accelerated TOD precinct.

Is development feasible under the TOD SEPP?

Development is not currently feasible under the TOD SEPP in Bankstown submarket. The submarket also features heritage and conservation areas within its precincts which may impact its ability to redevelop.

	Must sell at	Willingness to pay	Feasibility gap $	Feasibility gap %
Price Point A	$1,235,508	$800,000	-$435,508	-54%
Price Point B		$712,000	-$523,508	-74%
Price Point C		$595,000	-$640,508	-108%

Definitions:

- Must sell at: the estimated sale price under reference model conditions to achieve a 18% margin-on-cost ratio.
- Price points A, B, and C: the current market rates for comparable products. All units referenced have a minimum of 2 bedrooms, 1 bathrooms, and 1 car space
  - A: A high-end new built apartment unit or an average house
  - B: A standard newly built or furbished apartment unit at a mid-range price point
  - C: The lowest price point identified for a newly built or furbished apartment unit
- Feasibility gaps: the price and percentage differences from the 18% margin-on-cost sale price to the markets willingness to pay

How can feasibility be improved?

We applied five potential interventions to understand their impact on the feasibility of development.

- Intervention 1: Reducing construction cost per square metre by $1,000, from $5,500 to $4,500
- Intervention 2: Removing all government contributions, including taxes and Council and State contributions
- Intervention 3: Increasing FSR from 2.5:1 to 5:1, effectively doubling the number of dwellings produced in our calculations
- Intervention 4: Reducing DA timeframes from 7 months to 3 months to reduce the holding/financing costs on land purchase
- All interventions: Combine all interventions above to measure the total impact

The interventions are not sufficient to produce feasible development in this submarket.

Definitions:

- Must sell at (no intervention): The estimated sale price to reach 18% margin on cost under the reference model conditions
- Must sell at (adjusted): The sale price estimated with interventions applied to achieve an 18% margin on cost
- Feasibility gaps: Total price and percentage differences compared to the adjusted sale price and willingness to pay
- Change: The percentage change of the lever adjusted sale price and the base sale price

Inner West Submarket

Within the boundary of the submarket, there are:

5 Tier-2 stations	2 Tier 1 Stations	4 Local Government Areas
Ashfield, Croydon, Dulwich Hill, North Strathfield Metro, Marrickville	Bays West, Homebush	Burwood, Canada Bay, Inner West, Strathfield

Overview of the Local Government Areas within this submarket

Total Population	Burwood	Canada Bay	Inner West	Strathfield
2024 Current	43,650	98,334	196,661	49,490
2041 Projection	58,178	108,176	212,283	56,259
Projected Growth	33%	10%	8%	14%

Located 6-8km west of the Sydney CBD, the region contains multiple transport hubs such as Strathfield and Marrickville and has good overall connectivity to other city and regional areas. The region contains Homebush train station, which is included in the accelerated TOD program, so population growth is likely to higher than projected.

Is development feasible under the TOD SEPP?

Development is feasible above price point B under the TOD SEPP in the Inner West Submarket. The submarket also features heritage and conservation areas within its precincts which may impact its ability to redevelop.

	Must sell at	Willingness to pay	Feasibility gap $	Feasibility gap %
Price Point A	$1,323,509	$1,400,000	$76,491	5%
Price Point B		$1,365,000	$41,491	3%
Price Point C		$1,001,000	-$322,509	-32%

Definitions:

- Must sell at: the estimated sale price under reference model conditions to achieve a 18% margin-on-cost ratio.
- Price points A, B, and C: the current market rates for comparable products. All units referenced have a minimum of 2 bedrooms, 1 bathrooms, and 1 car space
    - A: A high-end new built apartment unit or an average house
    - B: A standard newly built or furbished apartment unit at a mid-range price point
    - C: The lowest price point identified for a newly built or furbished apartment unit
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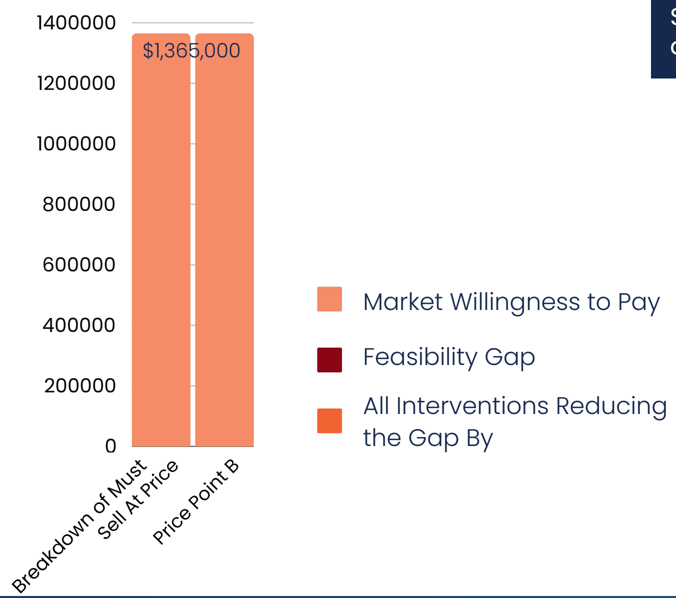

How can feasibility be improved?

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- Intervention 1: Reducing construction cost per square metre by $1,000, from $5,500 to $4,500
- Intervention 2: Removing all government contributions, including taxes and Council and State contributions
- Intervention 3: Increasing FSR from 2.5:1 to 5:1, effectively doubling the number of dwellings produced in our calculations
- Intervention 4: Reducing DA timeframes from 7 months to 3 months
- All interventions: Combine all interventions above to measure the total impact

Development is currently feasible within Inner West Submarket, applying interventions will further enhances development feasibility and housing affordability.

Penrith Submarket

Within the boundary of the submarket, there are:

1 Tier-2 stations	1 Local Government Area
St Mary's	Penrith

Overview of the Local Government Areas within this submarket

Total Population	Penrith LGA
2024 Current	218,109
2041 Projection	270,477
Projected Growth	24%

Located roughly 8km east of the Penrith city centre, The region is a prime strategic location for employment, as it is close to the Mamre Road Precinct within the Western Sydney Aerotropolis. The precinct is expected to generate 17,000 new jobs upon completion and projected to grow in population by 24%.

Is development feasible under the TOD SEPP?

Development is not currently feasible under the TOD SEPP in Penrith submarket.

	Must sell at	Willingness to pay	Feasibility gap $	Feasibility gap %
Price Point A	$1,178,675	$685,000	-$493,675	-72%
Price Point B		$650,000	-$528,675	-81%
Price Point C		$549,999	-$628,676	-114%

Definitions:

- Must sell at: the estimated sale price under reference model conditions to achieve a 18% margin-on-cost ratio.
- Price points A, B, and C: the current market rates for comparable products. All units referenced have a minimum of 2 bedrooms, 1 bathrooms, and 1 car space
  - A: A high-end new built apartment unit or an average house
  - B: A standard newly built or furbished apartment unit at a mid-range price point
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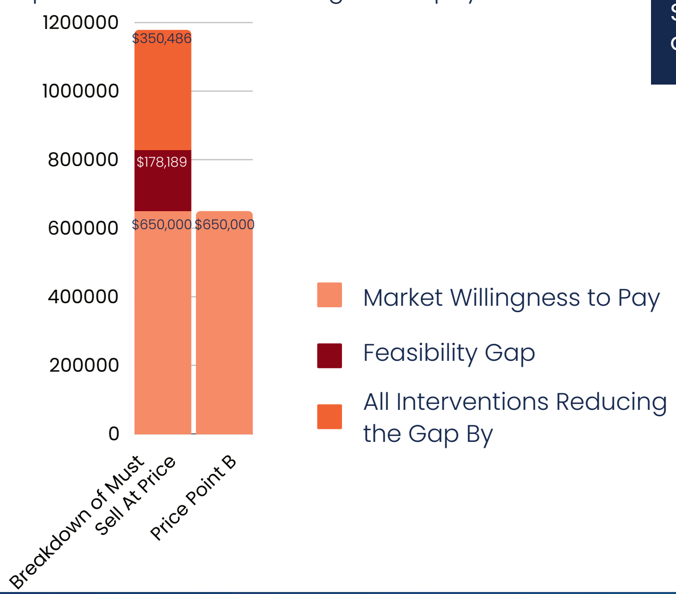

How can feasibility be improved?

We applied five potential interventions to understand their impact on the feasibility of development.

- Intervention 1: Reducing construction cost per square metre by $1,000, from $5,500 to $4,500
- Intervention 2: Removing all government contributions, including taxes and Council and State contributions
- Intervention 3: Increasing FSR from 2.5:1 to 5:1, effectively doubling the number of dwellings produced in our calculations
- Intervention 4: Reducing DA timeframes from 7 months to 3 months
- All interventions: Combine all interventions above to measure the total impact

Development is currently feasible within Inner West Submarket, applying interventions will further enhances development feasibility and housing affordability.

North Shore Submarket

Within the boundary of the submarket, there are:

4 Tier-2 stations	1 Local Government Area
Gordon, Killara, Lindfield, Roseville	Ku-ring-gai

Overview of the Local Government Areas within this submarket

Total Population	Ku-ring-gai LGA
2024 Current	128,526
2041 Projection	140,760
Projected Growth	10%

Located approximately 11km north of the Sydney CBD, the North Shore submarket has the highest price per square metre for house sales in comparison to other TOD precincts and is project to grow by 10% by 2041.

Is development feasible under the TOD SEPP?

Development above price point B is feasible under the TOD SEPP in the North Shore submarket.

	Must sell at	Willingness to pay	Feasibility gap $	Feasibility gap %
Price Point A	$1,382,188	$2,800,000	$1,417,812	51%
Price Point B		$1,475,000	$92,812	6%
Price Point C		$965,000	-$417,188	-43%

Definitions:

- Must sell at: the estimated sale price under reference model conditions to achieve a 18% margin-on-cost ratio.
- Price points A, B, and C: the current market rates for comparable products. All units referenced have a minimum of 2 bedrooms, 1 bathrooms, and 1 car space
  - A: A high-end new built apartment unit or an average house
  - B: A standard newly built or furbished apartment unit at a mid-range price point
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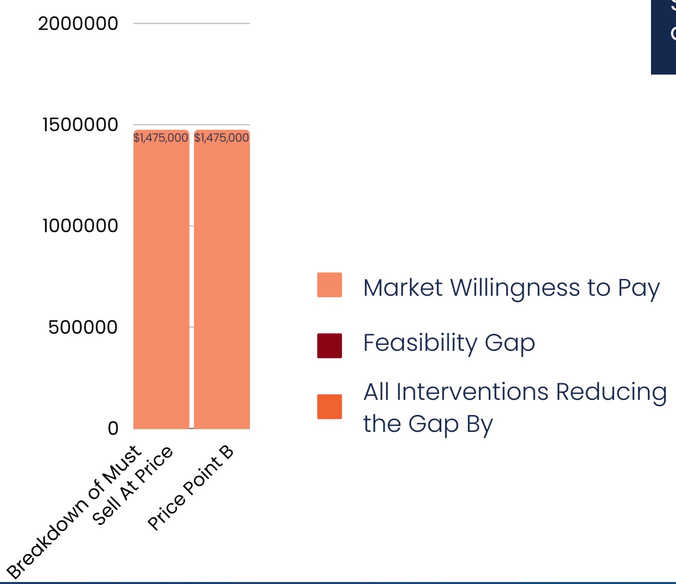

How can feasibility be improved?

We applied five potential interventions to understand their impact on the feasibility of development.

- Intervention 1: Reducing construction cost per square metre by $1,000, from $5,500 to $4,500
- Intervention 2: Removing all government contributions, including taxes and Council and State contributions
- Intervention 3: Increasing FSR from 2.5:1 to 5:1, effectively doubling the number of dwellings produced in our calculations
- Intervention 4: Reducing DA timeframes from 7 months to 3 months
- All interventions: Combine all interventions above to measure the total impact

Development is currently feasible within the North Shore Submarket, applying interventions will further enhances development feasibility and housing affordability.

St George Submarket

Within the boundary of the submarket, there are:

3 Tier-2 stations	2 Local Government Areas
Banksia, Kogarah, Rockdale	Bayside, Georges River

Overview of the Local Government Areas within this submarket

Total Population	Bayside LGA	Georges River
2024 Current	168,721	155,150
2041 Projection	195,269	180,720
Projected Growth	16%	16%

Located roughly 11km south of the Sydney CBD, the St George submarket has significant projected growth and is located near to major employment zones such as Port Botany and Sydney International Airport. The precincts are well located to regions such as Wollongong and Cronulla.

Is development feasible under the TOD SEPP?

Development is not currently feasible under the TOD SEPP in St George submarket. The 'must sell at' price is above what the market expects to pay for a high-end apartment.

	Must sell at	Willingness to pay	Feasibility gap $	Feasibility gap %
Price Point A	$1,246,790	$1,205,000	-$41,790	-3%
Price Point B		$850,000	-$396,790	-47%
Price Point C		$718,000	-$528,790	-74%

Definitions:

- Must sell at: the estimated sale price under reference model conditions to achieve a 18% margin-on-cost ratio.
- Price points A, B, and C: the current market rates for comparable products. All units referenced have a minimum of 2 bedrooms, 1 bathrooms, and 1 car space
  - A: A high-end new built apartment unit or an average house
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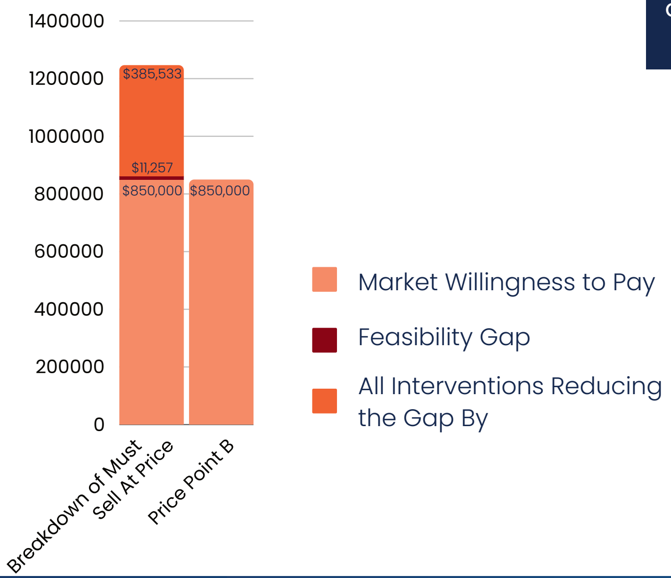

How can feasibility be improved?

We applied five potential interventions to understand their impact on the feasibility of development.

- Intervention 1: Reducing construction cost per square metre by $1,000, from $5,500 to $4,500
- Intervention 2: Removing all government contributions, including taxes and Council and State contributions
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- Intervention 4: Reducing DA timeframes from 7 months to 3 months
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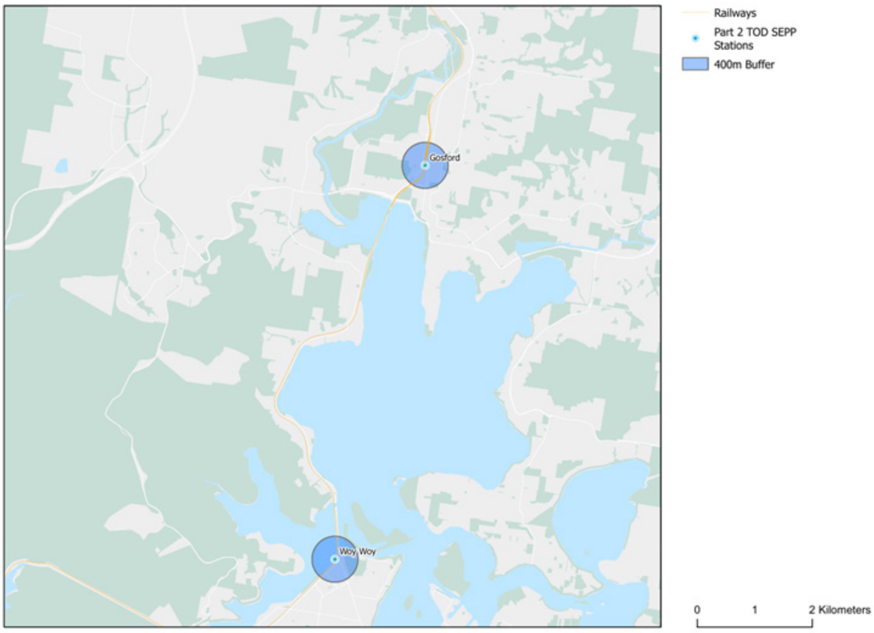
The interventions are not sufficient to produce feasible development in this submarket.

Gosford and Woy Woy Submarket



Within the boundary of the submarket, there are:

2 Tier-2 station	1 Local Government Area
Gosford, Woy Woy	Central Coast

Overview of the Local Government Areas within this submarket

Total Population	Central Coast LGA
2024 Current	354,206
2041 Projection	404,265
Projected Growth	14%

Located approximately a 1.5 hour train ride to Central Station. Approximately 1 in 4 workers in the Central Coast leave the LGA for work, with most travelling to Greater Sydney.[8] This situates the submarket in an ideal location for Sydney workers looking to locate into a more affordable market with inner-city-like living conditions.

Is development feasible under the TOD SEPP?

Development is not currently feasible under the TOD SEPP in Gosford and Woy Woy submarket. Woy Woy lacks like-for-like products, and the willingness to pay reflects an new build 2-bedroom, 2-bathroom unit apartment in the Gosford precinct.

	Must sell at	Willingness to pay	Feasibility gap $	Feasibility gap %
Price Point A	$1,170,890	$820,000	-$350,890	-43%
Price Point B		$669,000	-$501,890	-75%
Price Point C		$480,000	- $690,890	-144%

Definitions:

- Must sell at: the estimated sale price under reference model conditions to achieve a 18% margin-on-cost ratio.
- Price points A, B, and C: the current market rates for comparable products. All units referenced have a minimum of 2 bedrooms, 1 bathrooms, and 1 car space
    - A: A high-end new built apartment unit or an average house
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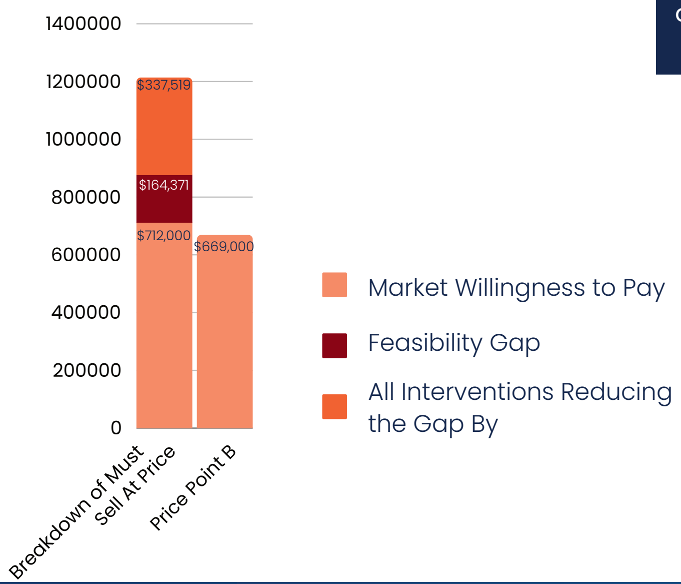

How can feasibility be improved?

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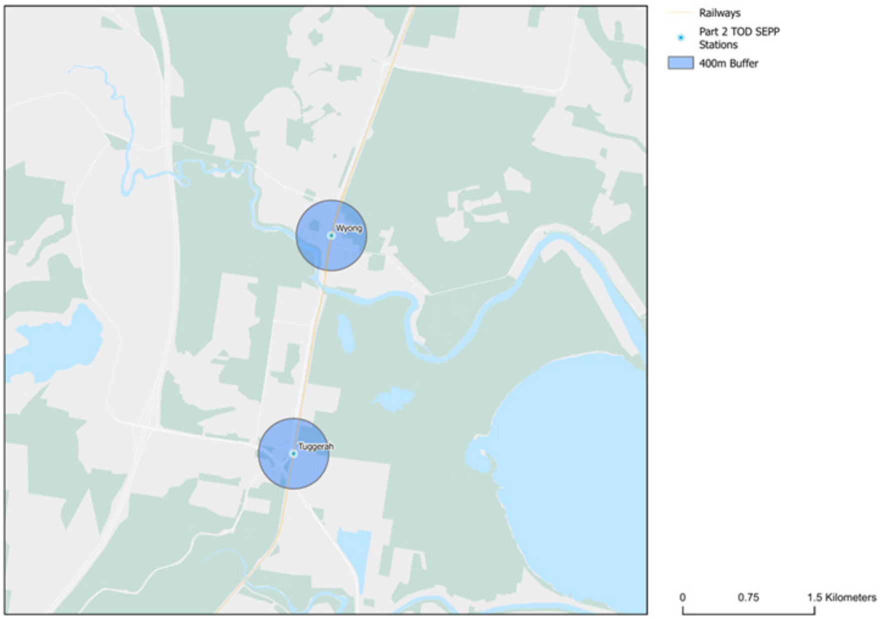
- All interventions: Combine all interventions above to measure the total impact

The interventions are not sufficient to produce feasible development in this submarket.

Tuggerah and Wyong Submarket



Within the boundary of the submarket, there are:

2 Tier-2 stations	1 Local Government Area
Tuggerah, Wyong	Central Coast

Overview of the Local Government Areas within this submarket

Total Population	Central Coast LGA
2024 Current	354,206
2041 Projection	404,265
Projected Growth	14%

The Central Coast B submarket is situated in key economic zones of the Central Coast. Tuggerah and Wyong contain large employment and industrial zones. The region is well located for Central Coast workers or workers travelling to both Sydney and Newcastle and population is projected to grow by 14% across the LGA.

Is development feasible under the TOD SEPP?

Development is not currently feasible under the TOD SEPP in Tuggerah and Wyong submarket. There are additional constraints that can impact development in the Tuggerah precinct such as large residential re-zoning to accommodate TOD developments.

	Must sell at	Willingness to pay	Feasibility gap $	Feasibility gap %
Price Point A	$1,160,207	$630,000	-$530,207	-84%
Price Point B		$550,000	-$610,207	-111%
Price Point C		$380,000	-$780,207	-205%

Definitions:

- Must sell at: the estimated sale price under reference model conditions to achieve a 18% margin-on-cost ratio.
- Price points A, B, and C: the current market rates for comparable products. All units referenced have a minimum of 2 bedrooms, 1 bathrooms, and 1 car space
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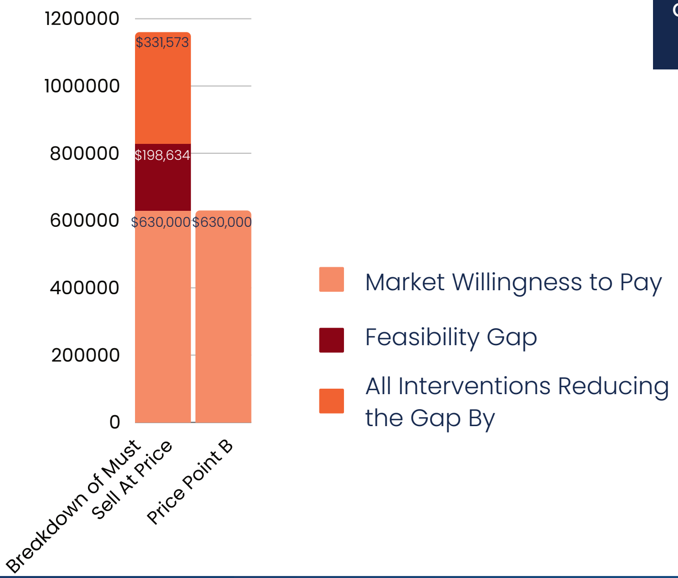

How can feasibility be improved?

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- Intervention 4: Reducing DA timeframes from 7 months to 3 months
- All interventions: Combine all interventions above to measure the total impact

The interventions are not sufficient to produce feasible development in this submarket.

Newcastle West Submarket

Within the boundary of the submarket, there are:

4 Tier-2 stations	1 Local Government Area
Adamstown, Hamilton, Kotara, Newcastle Interchange	Newcastle

Overview of the Local Government Areas within this submarket

Total Population	Newcastle LGA
2024 Current	169,858
2041 Projection	201,668
Projected Growth	19%

Located approximately 3 hours north of Central Station by train, the Newcastle LGA is projected to grow by 19%. The region is a lifestyle, transport, and economic hub with direct links to other regional centres such as Maitland, Port Stephens, Lake Macquarie, and the Central Coast.

Is development feasible under the TOD SEPP?

Development is not currently feasible under the TOD SEPP in Newcastle West submarket. At price point A, the market expects luxury products in high rise buildings with harbour views.

	Must sell at	Willingness to pay	Feasibility gap $	Feasibility gap %
Price Point A		$1,150,000	-$33,857	-3%
Price Point B	$1,183,857	$850,000	-$333,857	-39%
Price Point C		$739,990	-$443,867	-60%

Definitions:

- Must sell at: the estimated sale price under reference model conditions to achieve a 18% margin-on-cost ratio.
- Price points A, B, and C: the current market rates for comparable products. All units referenced have a minimum of 2 bedrooms, 1 bathrooms, and 1 car space
    - A: A high-end new built apartment unit or an average house
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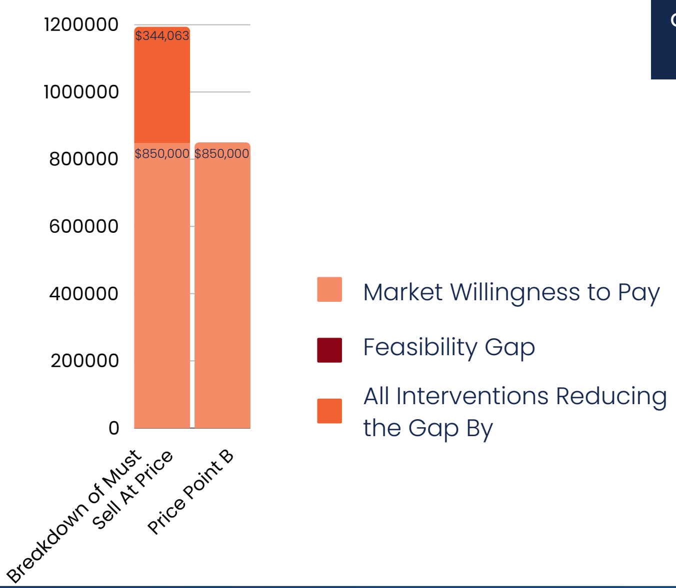

How can feasibility be improved?

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- Intervention 4: Reducing DA timeframes from 7 months to 3 months
- All interventions: Combine all interventions above to measure the total impact

The interventions are not sufficient to produce feasible development in this submarket.

Lake Macquarie Submarket

Within the boundary of the submarket, there are:

5 Tier-2 stations	1 Local Government Area
Booragul, Cardiff, Cockle Creek, Morisset, Teralba	Lake Macquarie

Overview of the Local Government Areas within this submarket

Total Population	Lake Macquarie LGA
2024 Current	213,905
2041 Projection	244,462
Projected Growth	14%

Located 13km to 30km south-west of Newcastle Interchange, Lake Macquarie is known for its growing entertainment district Cedar Mill and contains high growth greenfield areas such as Teralba and Boolaroo and the LGA is projected to experience significant growth by 14%.

Is development feasible under the TOD SEPP?

Development is not currently feasible under the TOD SEPP in Lake Macquarie submarket.

	Must sell at	Willingness to pay	Feasibility gap $	Feasibility gap %
Price Point A	$1,155,637	$795,000	-$360,637	-45%
Price Point B		$675,000	-$480,637	-71%
Price Point C		$575,000	-$580,637	-101%

Definitions:

- Must sell at: the estimated sale price under reference model conditions to achieve a 18% margin-on-cost ratio.
- Price points A, B, and C: the current market rates for comparable products. All units referenced have a minimum of 2 bedrooms, 1 bathrooms, and 1 car space
    - A: A high-end new built apartment unit or an average house
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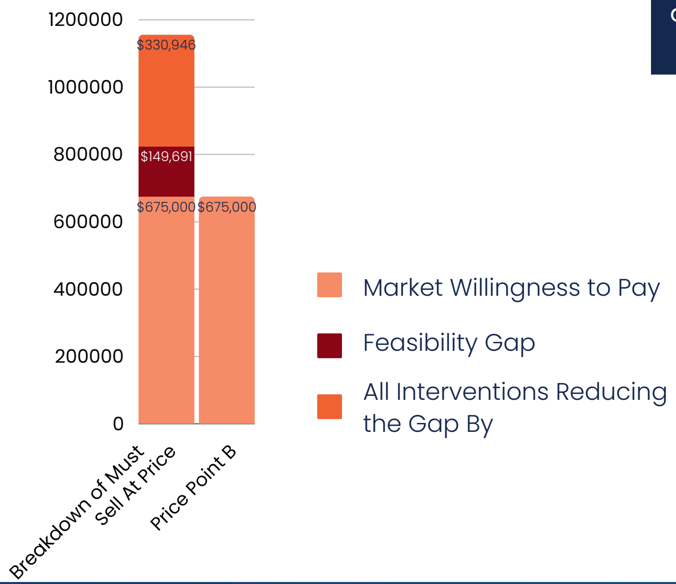

How can feasibility be improved?

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- Intervention 3: Increasing FSR from 2.5:1 to 5:1, effectively doubling the number of dwellings produced in our calculations
- Intervention 4: Reducing DA timeframes from 7 months to 3 months
- All interventions: Combine all interventions above to measure the total impact

The interventions are not sufficient to produce feasible development Lake Macquarie submarket.

Dapto Submarket

Within the boundary of the submarket, there are:

1 Tier-2 station	1 Local Government Area
Dapto	Wollongong

Overview of the Local Government Areas within this submarket

Total Population	Wollongong LGA
2024 Current	224,706
2041 Projection	276,936
Projected Growth	23%

Located roughly 12km south-west of the Wollongong CBD, the Dapto submarket is near West Dapto, one of the fastest growing residential areas of NSW outside of Sydney and a 23% projected population growth. The submarket is close to the Port Kembla and Wollongong CBD employment zones.

Is development feasible under the TOD SEPP?

Development is not currently feasible under the TOD SEPP in Dapto submarket.

	Must sell at	Willingness to pay	Feasibility gap $	Feasibility gap %
Price Point A	$1,160,250	$1,009,000	-$151,250	-15%
Price Point B		$660,000	-$500,250	-76%
Price Point C		$630,000	-$530,250	-84%

Definitions:

- Must sell at: the estimated sale price under reference model conditions to achieve a 18% margin-on-cost ratio.
- Price points A, B, and C: the current market rates for comparable products. All units referenced have a minimum of 2 bedrooms, 1 bathrooms, and 1 car space
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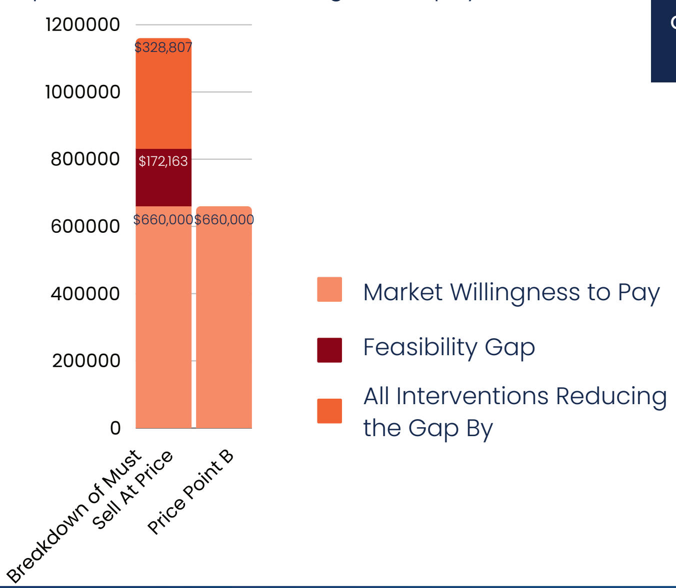
    - C: The lowest price point identified for a newly built or furbished apartment unit
- Feasibility gaps: the price and percentage differences from the 18% margin-on-cost sale price to the markets willingness to pay



How can feasibility be improved?

We applied five potential interventions to understand their impact on the feasibility of development.

- Intervention 1: Reducing construction cost per square metre by $1,000, from $5,500 to $4,500
- Intervention 2: Removing all government contributions, including taxes and Council and State contributions
- Intervention 3: Increasing FSR from 2.5:1 to 5:1, effectively doubling the number of dwellings produced in our calculations
- Intervention 4: Reducing DA timeframes from 7 months to 3 months
- All interventions: Combine all interventions above to measure the total impact

The interventions are not sufficient to produce feasible development in this submarket.

Wollongong Submarket

Within the boundary of the submarket, there are:

2 Tier-2 stations	1 Local Government Area
Corrimal, North Wollongong	Wollongong

Overview of the Local Government Areas within this submarket

Total Population	Wollongong LGA
2024 Current	224,706
2041 Projection	276,936
Projected Growth	23%

Located approximately 1.75 hours south of Central Station by train. The region offers similar market characteristics to Gosford and Newcastle and is attractive to young and single people. The submarket is near Port Kembla, and has a unique coastal opportunity for development projected to grow by 23%.

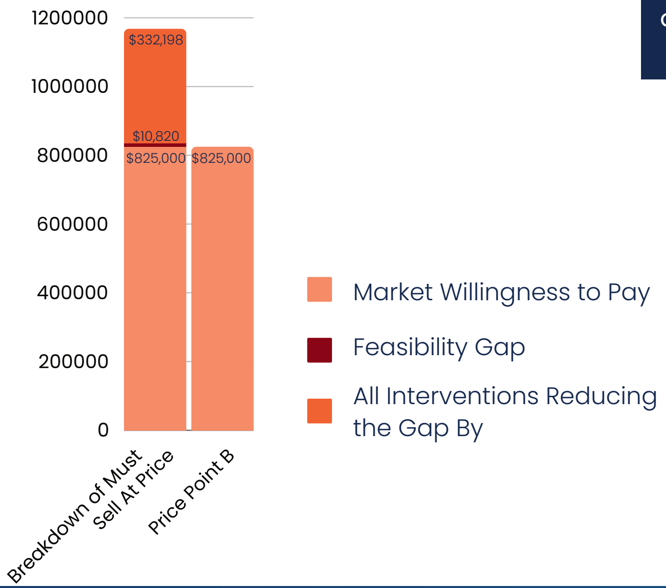
Is development feasible under the TOD SEPP?

Development is not currently feasible under the TOD SEPP in Wollongong submarket.

	Must sell at	Willingness to pay	Feasibility gap $	Feasibility gap %
Price Point A	$1,168,018	$1,260,000	$91,982	7%
Price Point B		$825,000	- $343,018	-42%
Price Point C		$749,000	- $419,018	-56%

Definitions:

- Must sell at: the estimated sale price under reference model conditions to achieve a 18% margin-on-cost ratio.
- Price points A, B, and C: the current market rates for comparable products. All units referenced have a minimum of 2 bedrooms, 1 bathrooms, and 1 car space
    - A: A high-end new built apartment unit or an average house
    - B: A standard newly built or furbished apartment unit at a mid-range price point
    - C: The lowest price point identified for a newly built or furbished apartment unit
- Feasibility gaps: the price and percentage differences from the 18% margin-on-cost sale price to the markets willingness to pay



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The interventions are not sufficient to produce feasible development in this submarket.

The Wollongong submarket contains no comparable products to those offered by the TOD SEPP. The market's willingness to pay reflects a newly built high-rise 2-bedroom apartment. Similarly, with all interventions adjusted, the required sale price is higher than that of an off-the-plan 2-bedroom, 2-bathroom apartment.

Appendix B. Glossary

Glossary

Margin on Cost (MOC)	The percentage of development profit to total development cost
Floor Space Ratio (FSR)	The ratio of GFA to total lot size
Gross Floor Area (GFA)	The total floor area of the development
Loan to Value Ratio (LVR)	The ratio of the borrowing amount to the value of the asset
Request for Information (RFI)	Request for construction costs and critical information contained in the model
State Environmental Planning Policy (SEPP)	Policy that guides land use and development across NSW
Transport-Orientated Development (TOD)	Development centred around well-located areas, lowering vehicle dependency

Footnotes

[1] https://itdp.org/library/standards-and-guides/tod3-0/what-is-tod/#:~:text=TOD%2C%20or%20transit%2Doriented%20development,the%20rest%20of%20the%20city.

[2] https://www.planning.nsw.gov.au/policy-and-legislation/housing/transport-oriented-development-program/transport-oriented-development

[3] https://www.planning.nsw.gov.au/policy-and-legislation/housing/transport-oriented-development-program/transport-oriented-development

[4] https://ethosurban.com/insights/unlocking-potential-nsws-transport-oriented-development-tod-program/

[5] https://www.smh.com.au/national/nsw/magic-maths-and-the-truth-about-how-many-homes-sydney-s-transport-oriented-plan-will-deliver-20240503-p5fou5.html

[6] https://udia.com.au/wp-content/uploads/2024/03/UDIA-National-Policy-Platform-2024-Supply.-Support.-Sustainability.pdf

[7] https://kpmg.com/au/en/home/media/press-releases/2023/05/new-builds-shelved-as-construction-costs-surge-may-2023.html

[8]Highlighted in the Central Coast Strategy report: https://greatercities.au/sites/default/files/2023-06/Central_Coast_Strategy_Jan2023.pdf


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