



Council's Alternate Approach for New Housing in the Inner West

APPENDIX 7

Economic Feasibility Report

Our Fairer Future Plan 2

September 2026

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Inner West Our Fairer Future Plan 2

Market and Economic Feasibility Study

INNER WEST COUNCIL

SEPTEMBER 2026



Beyond the
horizon thinking.

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Executive Summary

OUR FAIRER FUTURE PLAN

In response to the TOD and LMR planning controls, Inner West Council (Council) resolved to prepare an alternative approach titled 'Our Fairer Future Plan'. This includes place-based master planning to enable housing opportunities in locations that are well-connected and well-integrated with the existing urban environment.

- Our Fairer Future Plan 1

In September 2025, Our Fairer Future Plan 1 was adopted by Council and has been submitted to NSW Department of Planning, Housing and Infrastructure (DPHI) for final review and approval. This proposes new housing uplift in Ashfield, Dulwich Hill, Marrickville, Leichhardt, Stanmore, Petersham, Lewisham and St Peters.

- Our Fairer Future Plan 2

This plan proposes new housing uplift in Leichhardt, Lilyfield, Annandale, Stanmore, Enmore, Petersham, Lewisham and St Peters, at locations not already investigated under Our Fairer Future Plan 1. It also includes locations in Ashfield, Croydon and Marrickville deferred from consideration under Our Fairer Future Plan 1, as well as certain sites owned by Homes NSW.

Atlas Economics (Atlas) is engaged by Council to provide economic feasibility analysis (the Study) to assist preparation of Our Fairer Future Plan 2.

Feasibility Analysis

The feasibility of development depends on many factors, including the cost of land, which is a function of its existing use, which could be:

- In residential areas - single dwellings, attached dwellings and residential unit blocks.
- In town centres - retail strip, low-rise office, service commercial premises or residential strata buildings.

The Study acknowledges the reality that despite the increased development capacity in Our Fairer Future Plan 2, not all land will be developed. Sites where existing buildings are functional and valuable may not be economic to consolidate. There will be other sites (e.g. less intensely developed or at the end of their economic useful life) that could be economic to consolidate, yet will not be developed as landowner motivations do not align with development.

A selection of sites in the Study Area is tested to examine if development is likely to be feasible, and if so, the capacity of development to enable affordable housing, community infrastructure or specified land use outcomes.

The feasibility analysis shows that where sites can be secured at an economic price, the proposed planning controls would be feasible. The higher the density, the greater the headroom for affordable housing contributions.

The methodology, assumptions and testing outcomes are contained within the Study and in the schedules.

KEY SITES

Key Sites are identified for development incentives subject to required on-site public infrastructure and land use outcomes. Where key site requirements are not achieved, the existing planning controls will continue to apply.

The Study acknowledges that the feasibility of development and that development's capacity to contribute to affordable housing varies according to:

- The existing uses/ buildings and the likely cost to consolidate a development site.
- The value of a development opportunity (as enabled by Our Fairer Future Plan).
- The ability of a Key Site to 'harvest' floorspace associated with land that may be required for dedication and for that "harvested floorspace" to be developed elsewhere on the site.
- The other planning obligations imposed (e.g. delivery of on-site community infrastructure, etc.)

The Study carries out feasibility testing to examine the capacity of the key sites to deliver the specified infrastructure and land use outcomes (in addition to affordable housing contributions).



AFFORDABLE HOUSING CONTRIBUTION RATES

An LEP clause to enable affordable housing contributions will authorise Council to require an affordable housing contribution that is equivalent in value to the percentage (%) requirement.

A default 2% affordable housing contribution rate is applied, with some exceptions.

The Study takes a nuanced approach to the feasibility of development in the Study Area. This approach acknowledges that land use and density (using FSR as a proxy) is not necessarily the only indicator of a development's capacity to contribute to affordable housing.

The nuanced setting of affordable housing contribution rates seeks to avoid a disproportionate impact on feasibility, which affects the likelihood of development occurring.

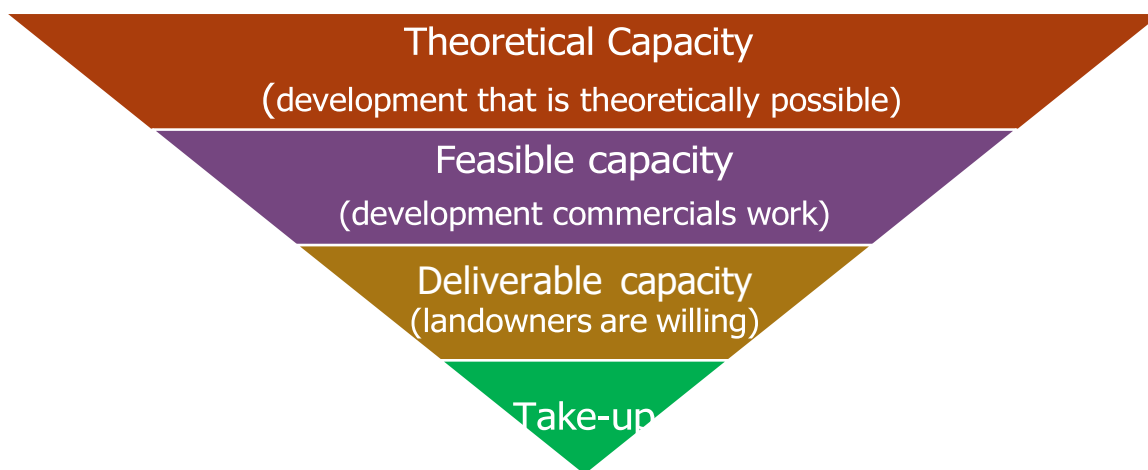
Development Take-up Analysis

Development take-up (i.e. development of land) will only occur if that development is feasible to undertake. Despite planning change to permit higher densities, development feasibility (and therefore take-up) is not always a given. When land is rezoned or permitted for higher density, it means there is theoretical capacity for development. That theoretical capacity will only be taken up (delivered) if it is:

- Feasible for the developer; and
- The landowners of the land are interested in selling to a developer.

Figure ES-1 illustrates the concepts of theoretical capacity, feasible capacity and deliverable capacity.

Figure ES-1: Theoretical Capacity and Development Take-up



Source: Atlas

The Study develops take-up estimates to understand the level of development activity that could occur under Our Fairer Future Plan compared to the Baseline Scenario (the current planning framework - LEP, TOD and LMR controls).

Estimates of development take-up are developed under two scenarios:

- Baseline Scenario - which is subject to the LEP, TOD and LMR planning controls.
- Our Fairer Future Plan - implementation of alternate planning controls in the Study Area.

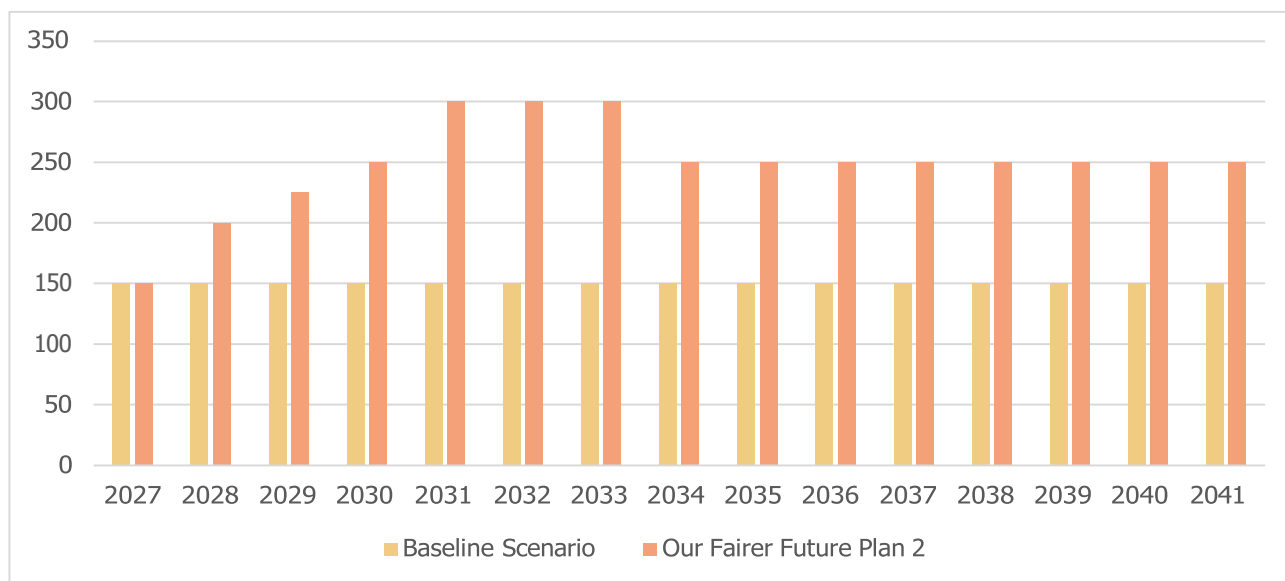
In both scenarios, a 2% Affordable Housing contribution requirement is assumed.

The Study highlights the estimate of development take-up seeks to demonstrate difference between the Baseline Scenario and Our Fairer Future Plan, including development activity that may already be planned or in the pipeline.

The estimate of take-up commences in 2028. It is assumed that the planning controls to implement Our Fairer Future Plan would be effective in 2027, with development applications received from 2027.

Figure ES-2 illustrates the estimate of annual take-up in the Study Area. The two scenarios (Baseline and Our Fairer Future Plan) are mutually exclusive, i.e. they represent a set of planning controls that are independent of each other.

Figure ES-2: Estimate of Annual Take-up, Study Area (2026-41)



Source: Atlas

Compared to the Baseline Scenario, Our Fairer Future Plan is expected to result in a greater pace of take-up. This is because greater density is enabled in targeted areas, particularly around town centres and transport hubs.

Under the Baseline Scenario and since the TOD and LMR planning controls were made, there has been negligible take-up of the planning reforms. The modest rate of take-up (shown in Figure ES-2) arises more so from development enabled by the LEP controls.

Under Our Fairer Future Plan, the take-up of development is expected to gather momentum following gazettal, with 'low-hanging fruit' picked first. As feasible and deliverable opportunities are exhausted, the take-up of development is expected to temper to a long-term steady pace.

The Study assembles various sources of information as available, having regard to known development activity/interest and the commercial realities of development. Professional judgement is applied in developing the take-up estimates. They are not a forecast and should not be viewed as such.

The Study acknowledges the uncertainty associated with the development pipeline.

Further, the Study highlights that there are supply-side limitations to the volume of development that can be undertaken at any given time. The supply of labour, materials and capital collectively work to limit the quantum of capacity taken up and delivered.

Notwithstanding the uncertainties associated with development take-up, the Study's analysis demonstrates that development capacity under Our Fairer Future Plan has much better prospect of take-up compared to the Baseline Scenario (which includes the TOD and LMR planning controls).

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Glossary of Terms and Abbreviations

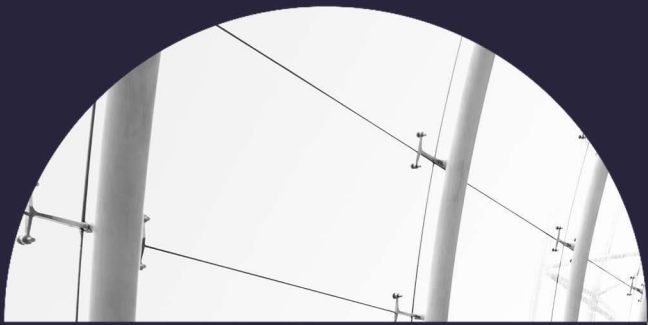
Terms

Affordable Housing	Housing for Very Low-, Low- and Moderate-income households, being such households as are prescribed by the regulations or are provided for in an environmental planning instrument, as defined by the <i>Environmental Planning and Assessment Act 1979</i> . The Housing SEPP further defines Very Low-, Low- and Moderate-income households into those who either pay no more than 30% of gross income in rent, or those eligible under NRAS and pay no more rent than would be charged under NRAS.
Economic rent/ price	The price needed to cover the cost of production and an economic return for the developer.
Feasibility	Whether the commercials of a development work under the applicable planning controls. A development is feasible when it meets the minimum hurdle rates for development margin and project return. For development to occur it needs to be both viable and feasible.
Residual land value	The maximum price a development can afford to pay for a development site while achieving commercial hurdle rates and remain feasible to develop.
Viability	Whether there is market demand for a development: whether there are buyers, tenants or users willing to pay an economic price. Development is viable when the market is willing to pay an economic price, i.e. a price that supports its delivery. For development to occur it needs to be both viable and feasible.

Abbreviations

ADG	Apartment Design Guide
DA	Development application
DCJ	Department of Communities and Justice
DPHI	Department of Planning, Housing and Infrastructure
EP&A Act	Environmental Planning and Assessment Act 1979
EP&A Regs	Environmental Planning and Assessment Regulations 2021
EPI	Environmental planning instrument
FSR	Floor space ratio
Housing SEPP	State Environmental Planning Policy (Housing) 2021
LAHC	Land and Housing Corporation
LGA	Local government area
MXU	Mixed use development
RFB	Residential flat building
SEPP	State Environmental Planning Policy





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1.1 Background

In accordance with the National Housing Accord, the NSW Government has committed to facilitating the delivery of 377,000 new homes by 2029 (which is equivalent to approximately 75,000 new homes annually for five years).

In response, the NSW Department of Planning, Housing and Infrastructure (DPHI) introduced the Transport Oriented Development (TOD) program as part of a suite of planning initiatives to enable housing supply. There are two parts to the TOD program:

- Part I focuses on eight accelerated precincts, where land within 1,200 metres of rail and metro stations are rezoned by the NSW Government to increase development capacity. Seven of the precincts were rezoned in November 2024.
- Part II focuses on precincts within 400 metres of 37 selected stations, where land is rezoned through a new State Environmental Planning Policy (SEPP) commencing April 2024.

Part II of the TOD program included the precincts of Ashfield, Croydon, Dulwich Hill and Marrickville in the Inner West local government area (referred to as 'the LGA' and 'Inner West' interchangeably). New planning controls allow for 6 storey residential flat buildings, including in Heritage Conservation Areas. This is accompanied by an inclusionary zoning requiring 2% affordable housing contribution for all new development.

Over 2024 and 2025, another suite of planning reforms came into effect. A wider range of low and mid-rise housing development (subject to lot size and dimension requirements) in identified areas are now permitted. This includes dual occupancies, terraces, townhouses, residential flat buildings and shop top housing. Low and mid-rise (LMR) planning controls apply to residential areas within 800m walking distance of town centres and train/ light rail stations. In the Inner West LGA, they apply to Annandale, Leichhardt, Ashfield, Croydon, Lewisham, Petersham, Dulwich Hill, Newtown, Lilyfield and Marrickville.

The implementation of the TOD and LMR planning controls are collectively referred to as 'the Baseline Scenario'.

OUR FAIRER FUTURE PLAN

In response to the TOD and LMR planning controls, Inner West Council (Council) resolved to prepare an alternative approach titled 'Our Fairer Future Plan'. This includes place-based master planning to enable housing opportunities in locations that are well-connected and well-integrated with the existing urban environment.

- Our Fairer Future Plan 1

In September 2025, Our Fairer Future Plan 1 was adopted by Council and has been submitted to NSW Department of Planning, Housing and Infrastructure (DPHI) for final review and approval. This proposes new housing uplift in Ashfield, Dulwich Hill, Marrickville, Leichhardt, Stanmore, Petersham, Lewisham and St Peters.

- Our Fairer Future Plan 2

This plan proposes new housing uplift in Leichhardt, Lilyfield, Annandale, Stanmore, Enmore, Petersham, Lewisham and St Peters, at locations not already investigated under Our Fairer Future Plan 1. It also includes locations in Ashfield, Croydon and Marrickville deferred from consideration under Our Fairer Future Plan 1, as well as certain sites owned by Homes NSW.

Large parts of the LGA are constrained for development by a range of environmental factors, including flooding, airport noise and flight path height restrictions. Development is most constrained closest to Sydney Airport.

Our Fairer Future Plan takes a place-led approach to housing, leveraging transport nodes, parks and other key community facilities while respecting Heritage Conservation Areas and heritage items. The boundaries of planning change include suitable areas generally within an 800m catchment of train stations, light rail stops and local centres.

Atlas Economics (Atlas) is engaged by Council to provide economic feasibility analysis (the Study) to assist preparation of Our Fairer Future Plan 2.

THE STUDY AREA

The Study Area comprises the areas covered by Our Fairer Future Plan 2, which is focused on:

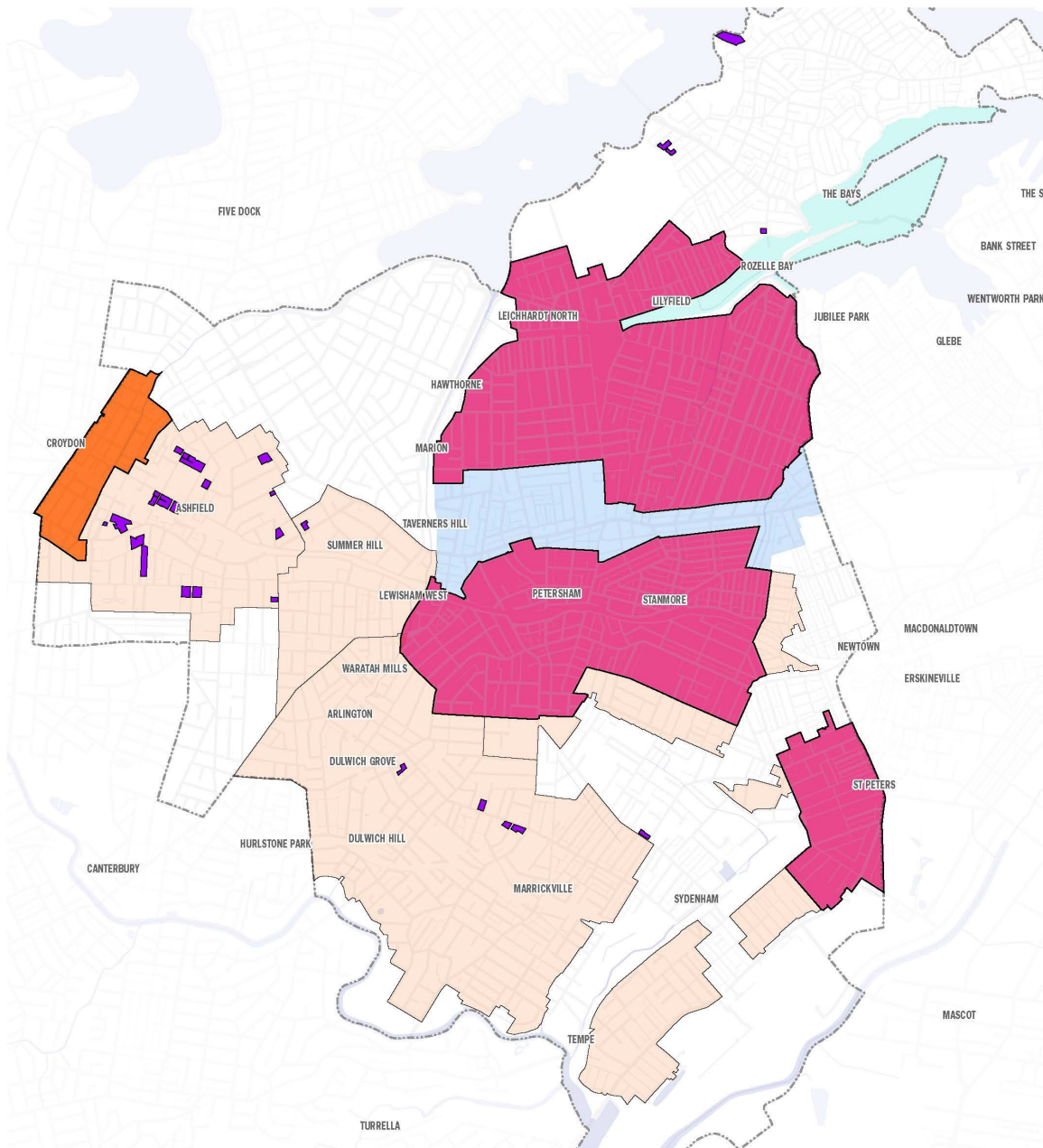
- Parts of Leichhardt, Lilyfield, Annandale, Lewisham, Petersham, Stanmore, Enmore, Newtown and St Peters.
- Previously deferred sites in Our Fairer Future Plan 1 located in Marrickville, Ashfield and Croydon.



Figure 1-1 illustrates the various housing investigation areas in Our Fairer Future Plan 1 and 2.

Figure 1-1: Our Fairer Future Plan 1 and 2 Study Areas





Our Fairer Future Plan 1

Our Fairer Future Plan 1 Investigation Areas

Our Fairer Future Plan 2

HIA 1A and 1B Deferred Sites and Additional Opportunity Sites

HIA 1B: Croydon and Iron Cove Precincts

HIA 2: Part of Lilyfield, Leichhardt, Annandale, Lewisham, Petersham, Stanmore, Enmore, Newtown and St. Peters

State-Led Rezoning Projects

SLR - Inner West Precinct (Parramatta Road corridor)

SLR - Bays West Precinct



1.2 Scope and Approach

Atlas Economics (Atlas) is engaged to assist Council in Our Fairer Future Plan, providing land use, economics and development feasibility input to support preparation of Our Fairer Future Plan 2 in the Study Area.

The Market and Economic Feasibility Analysis (this Study) provides land use and feasibility advice on development typologies and densities, land use mix and amalgamation patterns as well as the opportunity for community infrastructure and Affordable Housing.

APPROACH OF THE STUDY

The Study provides land use and feasibility input to assist with development of Our Fairer Future Plan 2, advising on development typologies and provision of different land uses. Atlas provided advice to Council in two parts to:

1. Inform development of the Our Fairer Future Plan 2; and
2. Consider the deliverability of housing under Our Fairer Future Plan 2 compared to the Baseline Scenario.

To provide input to Our Fairer Future Plan 2, Atlas carried out the following tasks:

- A property market appraisal to examine existing uses and their values, the nature of market activity and the prices paid for development sites.
- Feasibility testing on select sites to solve for the minimum density controls required for development to be feasible. The feasibility testing considered a range of variables including:
 - Land use mix (including non-residential uses).
 - Development standards (sustainability and carparking requirements).
 - Affordable Housing contribution requirements.
 - 'Key Sites' and opportunity to deliver on-site community infrastructure.
- Profiling and aggregation of site-level testing outcomes to make observations on the feasibility of development in the Study Area.

Following development of Our Fairer Future Plan 2, Atlas carried out the following tasks:

- Review of the feasibility of development under the Baseline Scenario compared to Our Fairer Future Plan 2.
- Estimate of development take-up having regard to the relative feasibility of development under each scenario as well as the development pipeline and historical patterns of development activity.

The Study is an informing piece of advice to precinct planning and also contains an appraisal of the likely take-up of the preferred urban design scenario in Our Fairer Future Plan 2.

STRUCTURE OF THE STUDY

The Study is structured in the following chapters:

- Chapter 1 provides an overview of the Study, purpose and scope as well as the key assumptions and limitations.
- Chapter 2 summarises the land use context of the Inner West, economic and market factors that drive demand for various land uses in the Study Area.
- Chapter 3 carries out a feasibility analysis of development, considering the factors that influence feasibility and the planning controls required for development to be feasible. The chapter also tests for the capacity of identified sites to deliver on-site infrastructure and/ or to contribute to Affordable Housing.
- Chapter 4 develops an estimate of development take-up having regard to the feasibility of development, the development pipeline and historical patterns of development activity.



1.3 Assumptions and Limitations

The Study carries out a generic, desktop assessment which makes a number of assumptions to enable observations to be aggregated across the Study Area.

ECONOMIC UNCERTAINTY

Heightened global uncertainty and geopolitical risks have the potential to affect domestic inflation, interest rate expectations and investment confidence.

After trending downwards to reach a low of 1.9% in June 2025, inflation began to trend upwards towards the end of 2025. This was not helped by the Middle East conflict which had a major impact on oil prices and global markets. This led to three cash rate increases (in early 2026). Inflation is still 'sticky' and keeping pressure on monetary policy.

The residential property market has shown signs of softening, coinciding with interest rate rises and inflationary conditions. The recent Federal Budget is showing early signs of dampening market pricing in established residential markets, with lower transaction volumes and price declines observed in historically investor-dominated locations. In higher priced/ prestige markets (not generally the domain of investor stock), softening market conditions are also observed, albeit separate from investor activity and tax policy changes.

FEASIBILITY ANALYSIS

The Study carries out a generic feasibility assessment which makes a number of assumptions to enable observations to be made at an aggregate level across the Study Area. The following limitations are highlighted:

- Feasibility testing is carried out on generic development typologies on selected sample sites considered to be representative of the Study Area.
- While the methodology is considered appropriate for the objectives of the Study, we highlight the limitations to an aggregate study such as this:
 - Desktop appraisal of 'as is' property values without internal or site inspections.
 - Generic feasibility testing does not consider nuances of a site typically considered in detailed analysis.
- The cost of on-site infrastructure items required on Key Sites is estimated at a conceptual level from industry cost publications. These are expected to be subject to more detailed scoping and cost planning when delivered.

Despite the limitations of generic feasibility analysis, the Study is considered to be instructive in understanding the minimum density required for housing typologies in the Study Area, and the capacity (if any) for development to contribute to Affordable Housing and the delivery of on-site community infrastructure.

TAKE-UP ANALYSIS

Amendments to the planning framework (for example increase to density controls) enable greater development capacity in the Study Area. There is in theory then, greater potential and capacity for more development of housing. This is referred to as 'theoretical capacity'.

Despite having theoretical development capacity, not all land in established urban areas will be developed. High existing property values and fine grain lot patterns are two of the key factors that prevent the take-up of theoretical capacity by the market for conversion into actual supply in existing urban areas.

The take-up estimates of development activity recognise this, acknowledging that despite higher densities (and greater theoretical capacity for development), not all of that theoretical capacity will be taken up by the market.

While feasibility is a key factor to development take-up, it is equally important to recognise that development activity occurs in a competitive context. Extensive planning reforms have been underway across Greater Sydney, with higher densities enabling significantly greater theoretical capacity across the metropolitan area and parts of regional NSW. While not all theoretical capacity will be economically feasible or taken up by the market, there are today many more development opportunities available to the market.

Further, there are supply-side limitations to the volume of development that can be undertaken at any given time. The supply of labour, materials and capital collectively work to limit the quantum of capacity taken up and delivered.

The Study does not undertake modelling to consider the interconnectedness and competitive impacts of opportunities in Greater Sydney on the likely take-up of development in the Study Area.





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2.1 Overview

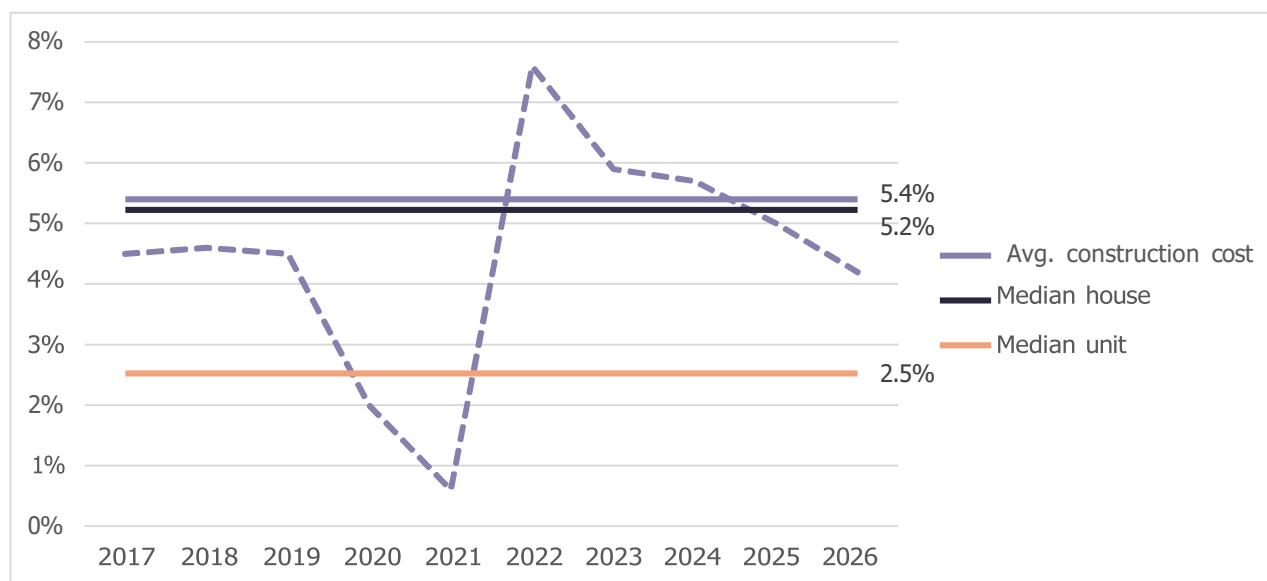
This section provides a brief overview of the economic context and market dynamics in the Study Area.

Understanding property values is relevant because they underpin the cost of land (i.e. what a development site could cost) as well as how much the developed product (residential or commercial) could sell for on completion. This section also examines construction cost movements, which have been elevated in the last five years. Costs have begun to stabilise, though construction costs are today much higher than they were prior to 2021.

These factors collectively influence the type of development activity that will likely be undertaken.

Figure 1-1 shows median house and median unit price growth in the Inner West against Greater Sydney construction cost movements (dotted line) and the 10-year average over the 2016-26 period.

Figure 2-1: Median House and Unit (Inner West) and Construction Cost Movements (Greater Sydney) (2016-16)



Source: Pricefinder, RLB

Recent market conditions have generally not been conducive to high density development. An inflationary cost environment, high interest rates alongside soft apartment price growth has been challenging for feasibility. In the Inner West more particularly, its historic settlement patterns and small lot sizes contribute to a high cost of land.

These price movements have direct implications for the feasibility of development, as:

- House price growth underpins the cost to consolidate existing dwellings for development. The stronger the growth in house prices, the higher the landowner expectations, and the greater the cost of land for development in existing residential areas.
- Unit price growth underpins the prices completed apartments in a development would be able to achieve. The stronger the growth in apartment prices, the better the prospects for development to be feasible. Apartment prices that cover the cost of production (cost of land and cost of development) and deliver a commercial return to the developer, are critical for development activity to occur.

From 2021, median house prices significantly outstripped median unit prices. The spread between house and unit prices is therefore greater today than a decade ago. This means that higher densities are needed for development of existing residential areas to be feasible.

The cost of production is comprised of the cost of land (which could be improved by existing dwellings) and the cost of construction. The cost of production for apartments increased significantly from 2021 due to the disproportionate increase in the cost of land and the cost of construction relative to apartment end sale values. Yet, in the post-2021 period, growth in apartment end sale values across Greater Sydney has been relatively flat owing to the reduction in household borrowing capacity from rising interest rates.

The above has resulted in a situation where to overcome the high cost of production, higher densities are needed and wherever possible, the market seeking to position development at the luxury end of the market.



2.2 Land Use Context

This section provides an overview of market activity and the key implications for precinct planning in the Study Area.

EXISTING RESIDENTIAL USES

The value of land in the Study Area is influenced by a myriad factors (i.e. location, scale and quality of buildings). Principally though, the value of land is different depending on:

- Block (allotment) sizes.
- Whether existing buildings are residential or commercial.

In the Study Area, land is subject to residential land use zones (R1 General Residential, R2 Low Density, R3 Medium Density, R4 High Density) and employment land use zones (E1 Local Centre and MU1 Mixed Use). Land could be improved with single or medium density dwellings, apartments, retail strip, commercial or warehouse buildings.

Focusing firstly on existing uses in the residential zones, the factors that influence the value of residential land include location, block size, quality and size of the improvements (i.e. number of bedrooms, bathrooms, etc.).

The values of existing dwellings (detached or attached) vary in the Study Area and can range from \$1.5 million (small lot) to upwards of \$4.5 million (larger block). When analysed on a dollar rate per square metre of overall improved site area, the sale prices generally reflect a range as summarised in Table 2-1.

Table 2-1: Detached/ Attached Dwellings Existing-use Values

SUBURBS	SALE PRICE RANGE		ANALYSIS (\$/SQM IMPROVED SITE AREA)	
	Large block (>300sqm)	Small block (<300sqm)	Large block (>300sqm)	Small block (<300sqm)
LEICHHARDT, LILYFIELD, ANNANDALE	\$2.2m to \$2.8m	\$1.6m to \$2.5m	\$5,000 to \$8,000	\$10,000 to \$15,000
LEWISHAM, PETERSHAM, STANMORE	\$2.5m to \$3.3m	\$1.7m to \$2.8m	\$4,000 to \$7,000	\$7,000 to \$13,000
NEWTOWN, ST PETERS	n/a	\$1.7m to \$2.7m	n/a	\$10,000 to \$14,000
MARRICKVILLE, DULWICH HILL	\$2m to \$3.6m	\$1.4m to \$2m	\$5,000 to \$7,000	\$7,000 to \$11,000
ASHFIELD, CROYDON	\$2m to \$3m	n/a	\$4,000 to \$7,000	n/a

Source: Atlas

There are two key observations to note:

- There is a price hierarchy on a per square metre of site area basis. All things being equal, Leichhardt, Lilyfield and Annandale have higher residential values compared to Marrickville and Dulwich Hill, which in turn have higher values than Ashfield and Croydon. This affects the cost of land (for existing dwellings) and the prices achievable for completed dwellings.
- There is an inverse relationship between the value of land (with an existing dwelling) and block size. That is, the larger the block, generally the lower the property value (per square metre of site area). Also, the larger the block, the less need for site consolidation of multiple allotments. In Newtown and St Peters for example, allotment sizes are overwhelmingly small. This has direct implications for the cost of land to a developer.

If a large single dwelling block was able to be secured, no amalgamation may be necessary. If smaller blocks were secured, there could be two or three lots required for development site of workable scale. It could conceivably cost upwards of \$15,000/sqm of overall improved site area, before any premium incentive/ inducement to the landowner.

The values of existing apartment blocks vary depending on whether they are held under Torrens title or strata title, if they are newly constructed or are older. A small sample of unit block sales is analysed and summarised.

Table 2-2: Residential Unit Blocks Existing-use Values

TENURE	SALE PRICE RANGE		ANALYSIS (\$/SQM IMPROVED SITE AREA)
	Large block (>500sqm)	Small block (<500sqm)	
TORRENS TITLE	\$7m to \$8m	\$4m to \$6m	\$10,000 to \$12,000
STRATA TITLE	\$6m to \$12m	\$10m to \$20m	\$15,000 to \$30,000

Source: Atlas



There are two key observations to note:

- Apartment blocks held under Torrens title are lower in cost to purchase compared to those under strata title.
- Newer apartment blocks are naturally more expensive to purchase.

Apartment blocks in the Inner West can be located on relatively small blocks, which could then require amalgamation with adjoining properties to a development site of workable scale. It could conceivably cost upwards of \$25,000/sqm of overall improved site area, before any premium incentive to the landowner/s.

EXISTING COMMERCIAL USES

The Study Area comprises a diverse range of commercial land uses. Along Percival Road (Stanmore) and Booth Street (Annandale) there are fine grain, retail strip properties and low-rise commercial buildings. There are additionally residential unit blocks interspersed among existing commercial uses.

The values of existing commercial properties vary according to location, the quantum of lettable floorspace and the level of functional utility - which is a function of exposure, visibility and quality of accommodation. When analysed on a dollar rate per square metre of improved site area, the sale prices reflect a range summarised in Table 2-3.

Table 2-3: Commercial Existing-use Values

PRECINCT	SALE PRICE RANGE (\$/SQM IMPROVED SITE AREA)	
	Low	High
LARGE BLOCK (>300SQM)	\$5,000	\$9,000
SMALL BLOCK (<300SQM)	\$14,000	\$15,000

Source: Atlas

Similar to residential property, there is an inverse relationship between the value of land (with existing commercial buildings) and block size. That is, the larger the block, generally the lower the property value (per sqm of site area). This has direct implications for the cost of land to a developer.

Existing commercial properties are generally more expensive compared to existing residential properties. All things being equal, higher densities are therefore required in commercial zones (E1, MU1) to enable feasible development.

Schedule 1 contains more detailed information on the analysis of market activity in the Inner West.

2.3 Demand for Land Uses

2.3.1 Retail and Commercial

The existing retail and commercial floorspace is distributed in varied built forms, with different types of floorspace (e.g. retail, non-retail, commercial office, service commercial) distributed in various parts of the Study Area. How the existing floorspace is distributed is reflective of the different roles they play and catchments they service.

Before considering if there is a need for more commercial floorspace to support growth, it is first necessary to consider the sufficiency/ level of existing non-residential floorspace provision. It is also necessary to consider the broader context in which the Study Area operates, i.e. retail and commercial floorspace outside the Study Area that services the Study Area.

Retail and non-retail floorspace responds directly to population need. There is direct relationship with population growth, that is, the more people, the more retail and non-retail floorspace (e.g. medical and allied health, gym, childcare centres, travel agency, etc.) that is needed in a particular area. That floorspace could play a convenience role and serve a small local catchment, or it could play a higher order role and serve a large catchment, drawing patronage from a larger geographic region.

From a range of sources, Atlas have reviewed the configuration and quantum of existing non-residential floorspace in the Study Area. There are limitations of the estimates due to varying source methodologies and is therefore indicative only. A floorspace audit and survey would yield the most accurate count of existing floorspace.

Purpose-built shopping centres (each with full-line supermarkets) are found in the Study Area:

- Marketplace Leichhardt (along Marion Street) - 18,000sqm.
- Norton Plaza (along Norton Street) - 12,000sqm.



Outside the Study Area, Marrickville Metro and Ashfield Mall (both sub-regional centres with upwards of 25,000sqm) are within the Inner West and play an important role in meeting higher order shopping needs.

Historically, there has been around 2.2sqm of retail floorspace provided for every resident. This is a widely accepted ratio used throughout the Australian retail industry, based on the last ABS Retail Census undertaken in 1991/92. The per person rates encompass all types of retail, including purpose-built shopping centres, large format retail and strip shops. While real incomes have grown since 1991/92, driving greater demand for retail floorspace, the take-up of online retail has simultaneously acted to temper demand for retail floorspace.

The Study considers the gap (if any) in retail provision in the Study Area in the context of existing provision, that is, existing purpose-built shopping centres at Leichhardt, Marrickville and Ashfield as well as local neighbourhood shops throughout the Inner West.

Leichhardt accommodates a significant cluster of retail and non-retail floorspace clustered around four supermarket brands - Coles, Woolworths, Aldi and Harris Farm. These facilities service a catchment broader than their immediate locality, also drawing from neighbouring areas of Lilyfield and Annandale as well as to the south of Parramatta Road.

Parramatta Road forms a natural barrier, with access from areas in the Study Area south of Parramatta Road slightly less convenient to Leichhardt. Within the Study Area, the areas of Lewisham, Petersham and Stanmore fall within this category. Each is served by local/ small supermarkets, however required to travel further afield to access full-line supermarkets and more comprehensive retail service facilities either at Leichhardt, Marrickville or Ashfield.

Being at the western edge of the Study Area, Lewisham is closer the Summer Hill village and Ashfield Mall where there is a range of retail and non-retail options available.

There is an opportunity for supermarket-based convenience retail offer in the Study Area at Stanmore/ Petersham. Any supermarket would require associated speciality floorspace to be viable. A full-line supermarket and associated speciality retail could be co-located within a mixed use development. It would be important for the augmentation in retail offer to leverage and complement existing retail provision in an 'active node' to avoid a dilution of foot traffic.

In established urban areas, it is generally challenging for sites be large enough to accommodate a supermarket along with the required speciality floorspace. It would therefore be important to explore opportunities where sites could be consolidated and that have the potential to provide for retail uses. The distribution of non-residential floorspace will need to balance viability of that floorspace and the feasibility of development.

2.3.2 Residential

A review of select few existing developments in the area indicates that the typical composition of the bedrooms is:

- One-bedroom or studio units (10%-30%).
- Two-bedroom units (50%-60%).
- Three-bedroom units (10%-30%).

Smaller scale developments (fewer than four storeys) typically record a higher proportion of larger apartments (three or more bedrooms). On the other hand, larger buildings generally have more one- and two-bedroom apartments.

Table 2-4 shows a comparison of multi-dwelling unit sizes in the Inner West LGA compared to Greater Sydney. This information is sourced from the issue of BASIX certificates on new dwelling completions. As shown, the average size of multi-dwelling units in the Inner West LGA is typically smaller (5% to 15%) than Greater Sydney.

Table 2-4: Average Unit Sizes* (sqm GFA), Inner West LGA and Greater Sydney (2017-2020)

YEAR	INNER WEST LGA	GREATER SYDNEY
2017	81	94
2018	85	101
2019	89	103
2020	97	103

Source: DPHI (2021)

*excludes co-living housing (which includes student accommodation) developments

Owing to the accessible nature of the Inner West and its desirable local amenity, there is corresponding robust demand for residential opportunities. Over the last decade, net dwelling completions have generally averaged 700-800 annually, with multi-unit housing (not single/ detached houses) comprising 90%-95% of all completions.



The market is expected to where possible, deliver residential product aimed at the luxury end of the market. This is due to the challenge of development feasibility. A prescribed unit mix would assist to ensure housing diversity is preserved. The Inner West Local Environmental Plan 2022 imposes a diverse housing control for development with at least four dwellings on land to the north of Parramatta Road (excluding Haberfield). At least 25% of dwellings are required to be studio or 1-bedroom units and no more than 30% to be 3-bedroom units. The planning proposal to implement Our Fairer Future Plan Stage 1 proposes a replacement diverse housing clause to support family friendly sized apartments.

Council's housing diversity controls impose a dwelling mix as well as maximum parking rates on new development in accessible locations. The designation of car parking rates is intended to balance environmental constraints and encourage the use of active transport.

2.4 Implications for the Our Fairer Future Plan

The Study Area is an established, attractive location with a high degree of amenity, market appeal and acceptance. Price points for residential product are commensurate with the nature of market demand observed. Apartments in the Study Area and the Inner West more broadly, tend to attract a broad mix of resident cohorts - from professionals, young and established families, single households and investor purchasers.

The opportunity (and challenge) for development in an existing urban area such as the Study Area would be to:

- Enable development that is feasible, acknowledging that existing uses are established, dense and valuable. The Study notes that despite development being theoretically feasible (on paper), a development outcome is not a given. Landowner motivations may not always align with development, and it is therefore reasonable to expect that not all development opportunities will be taken up.
- Facilitate supporting infrastructure to occur alongside development. This includes incentivising the provision of on-site infrastructure (e.g. public open space, through-site links, community facilities) with planning incentives.
- Facilitate non-residential floorspace (retail and commercial) in and around Stanmore/ Petersham where the established cluster of retail facilities in Leichhardt and Marrickville are less convenient. This ensures new residents have access to local facilities, travelling elsewhere for higher order, discretionary shopping.

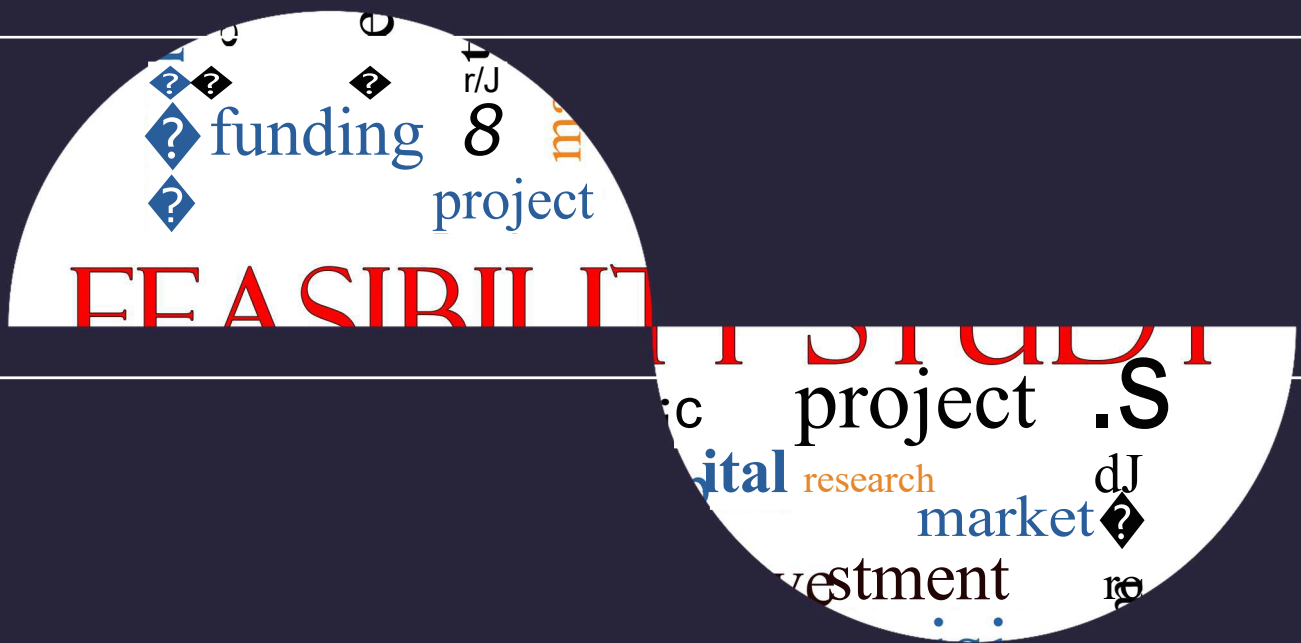
Our Fairer Future Plan 2 has an opportunity to enable more intense land use and housing opportunities within an established urban area close to public and transport infrastructure, that is within 10 minutes of the Sydney CBD. The capacity for additional residential should be accompanied by concurrent provision of business floorspace (retail/commercial) and community infrastructure.

Our Fairer Future Plan 2 also has an opportunity to facilitate affordable housing outcomes that can be separately delivered (by the community housing sector), pursuant to Council's Affordable Housing Policy.



3

Feasibility Analysis



Beyond the
horizon thinking.

Inner West Our Fairer Future Plan 2

3.1 Objectives and Overview

This chapter undertakes a feasibility analysis to examine if development under Our Fairer Future Plan 2 is feasible. The analysis assumes the usual statutory fees and charges are applicable and a broad-based affordable housing contribution of 2%. The feasibility analysis relies on an analysis of property market activity in the Inner West.

METHODOLOGY

The financial feasibility analysis relies on the Residual Land Value approach. The approach involves assessing the value of the completed product, making a deduction for development costs and making a further deduction for profit and risk while ensuring the development achieves a target profit margin and target return (or the 'hurdle rates').

The amount that a development can afford to pay for land is a 'residual', i.e. the amount that remains after development costs are deducted and target hurdle rates are achieved. The residual land value (RLV) is the maximum price a developer could pay for a development site whilst achieving target hurdle rates.

For there to be an incentive to develop, the RLV must exceed the cost of land. The Cost of Land includes: a site's existing value which is influenced by its improvements and ownership patterns, and the costs that may be necessary to secure vacant possession (e.g. incentive premium/s to landowner, lease break payments). Therefore, the value of existing uses, premium and any other costs that a developer may need to be pay to consolidate a development site, are fundamental to the feasibility equation of new development.

The Study selects a sample of sites considered to be representative of sites in the Study Area.

Notional development yields are formulated for the purposes of generic testing. The cost to purchase individual properties (including an incentive premium) within a development site is estimated from an analysis of sales activity.

There are three key steps in the generic feasibility testing:

- Step 1: Assess the 'as is' value of a selected site under the current planning framework including an incentive premium a developer would likely need to pay in addition to secure the site.
- Step 2: Carry out feasibility modelling to identify the RLV of a development site (at the assumed testing parameters and planning obligations). If the RLV is higher than the assumed cost of land (in Step 1), the tested development typology is feasible to develop. If the RLV is lower than the assumed cost of land, there will be no incentive for a change in use and the site will remain 'as is'. The step is referred to as the 'baseline feasibility'.
- Step 3: If feasible, iteratively test for affordable housing contributions that could be made. Affordable housing contributions can be made as a completed dwelling/s (effectively representing sales revenue that is forgone) or as an equivalent monetary contribution.

SELECTION OF SITES FOR TESTING

A selection of sites in the Study Area is tested to examine if development is likely to be feasible, and if so, the capacity of development to contribute to affordable housing.

In a series of graphs, the feasibility of development is shown and compared against:

- the assumed cost of land for selected sites (value of site plus incentive premium) - denoted by horizontal lines.
- the RLV of development (under the proposed planning controls and assumed planning obligations), with
 - No affordable housing contributions.
 - Affordable housing contributions at 2%.

The RLV represents the price a developer could afford to pay for the site for development. If the RLV is higher than the assumed cost of land, development is feasible as it is valuable enough to 'displace' the existing uses. If the RLV is lower than the assumed cost of land, there will be no incentive for development and the site will remain 'as is'.

KEY SITES TESTING

The chapter separately tests sites identified for potential incentive planning controls in exchange for on-site delivery of community infrastructure and/ or affordable housing contributions.

Refer to Schedule 1 for an analysis of market activity which underpins the revenue assumptions in the feasibility modelling. Schedule 2 contains more detailed information on the assumptions made in the feasibility modelling.



3.2 Study Area

The Study focuses on areas within Housing Investigation Area 2 (HIA) which includes parts of Leichhardt, Lilyfield, Annandale, Lewisham, Petersham, Stanmore/ Enmore, Newtown and St Peters.

MINIMUM DENSITY REQUIRED

This section examines the feasibility of sites within the identified Study Area by testing a sample of representative sites and making observations at the broader precinct level. The feasibility testing solves for minimum densities (tipping points) required for development to be feasible, before and after contributions to affordable housing.

The typologies tested are:

- Residential flat buildings (RFB) - 100% residential.
- Shop top housing or mixed use development (MXU) - ground floor non-residential, upper levels residential.

The tipping points are influenced primarily by the Cost of Land, which is a site's existing-use value plus an incentive premium. There is an inverse relationship between block size and the Cost of Land. That is, where lot patterns are small, the Cost of Land is higher. Therefore, all things being equal, higher densities are required for feasible development where block sizes are small.

The feasibility testing finds that:

- The existing uses (and hence the existing-use value) have significant implications on the density required for development to be feasible. Holding everything else equal, the higher the existing use value, the higher the required FSR to enable feasible development.
- Our Fairer Future Plan 2 envisages that ground floor non-residential uses would be required in the E1 and MU1 zones. This has direct implications for the financial feasibility of development given that residential floorspace is generally more valuable than non-residential floorspace.

Taking a place-based approach and having regard to the environmental capacity of sites within the Study Area, Our Fairer Future Plan 2 recommends built form at densities that are appropriate from an urban design perspective. The next sections appraise the recommended built form densities and the opportunity for affordable housing contributions.

Where development is not feasible or marginal, a default affordable housing contribution rate of 2% is applied.

3.2.1 Lilyfield, Leichhardt and Annandale

LILYFIELD

Our Fairer Future Plan 2 envisages the highest densities in and around the existing IGA supermarket on Catherine Street. The key changes are broadly as follows:

- Rezoning of R1 General Residential to R4 High Density Residential at density of FSR 2.5:1.
- Rezoning of R1 General Residential to R3 High Density Residential at densities of FSR 1.2:1 to 2.2:1.
- Extension of E1 Local Centre zone along Lilyfield Road and Norton Street with density up to FSR 2.5:1.

Two sites are identified as 'Key Sites', that is, having the potential to deliver on-site infrastructure and/ or affordable housing in return for a planning incentive. The Key Sites are 1-11 Edward Street, 3 Helena Street and 111 Lilyfield Road and 14 Edward Street and Edward St Road Reserve.

LEICHHARDT

The greatest change is generally proposed along Norton and Macauley Streets. Key changes are broadly as follows:

- Rezoning of R1 General Residential to R4 High Density Residential to permit residential flat building development along Marion, Foster, Francis and Hubert Streets at density of FSR 2.2:1 or FSR 2.5:1.
- Extension of E1 Local Centre zone along Norton and Macauley Streets with density of FSR 2.2:1 to FSR 3:1.
- Extending the E1 Local Centre zone to 1-5 Wetherill Street (currently zoned SP2 Special Infrastructure).
- A new E1 Local Centre zone along Darley Road opposite the Hawthorne Light Rail stop with an FSR up to 4.5:1.



Two sites are identified as 'Key Sites', that is, having the potential to deliver on-site infrastructure and/ or affordable housing in return for a planning incentive. The Key Sites are 7 Darley Road (opposite Leichhardt North light rail stop) and 237 Marion Street.

ANNANDALE

Planning change is primarily envisaged along Booth and Johnston Streets. The key changes include:

- Rezoning of R1 General Residential to R4 High Density Residential along Booth Street at FSR 3.5:1.
- Rezoning of R1 General Residential to R3 Medium Density Residential along Booth Street at FSR 2.2:1.
- Extension of E1 Local Centre zone to permit mixed use development along Booth, Wells, View and Trafalgar Streets with density of FSR 1.8:1 to FSR 3:1.

No Key Sites are identified in Annandale.

TESTING OUTCOMES

A selection of sites in the Study Area is tested to examine if development is likely to be feasible, and if so, the capacity of development to contribute to affordable housing.

In this section, a series of graphs show the feasibility testing outcomes of residential flat buildings in the R3 and R4 zones and mixed use development (shop top housing) in the E1 zone:

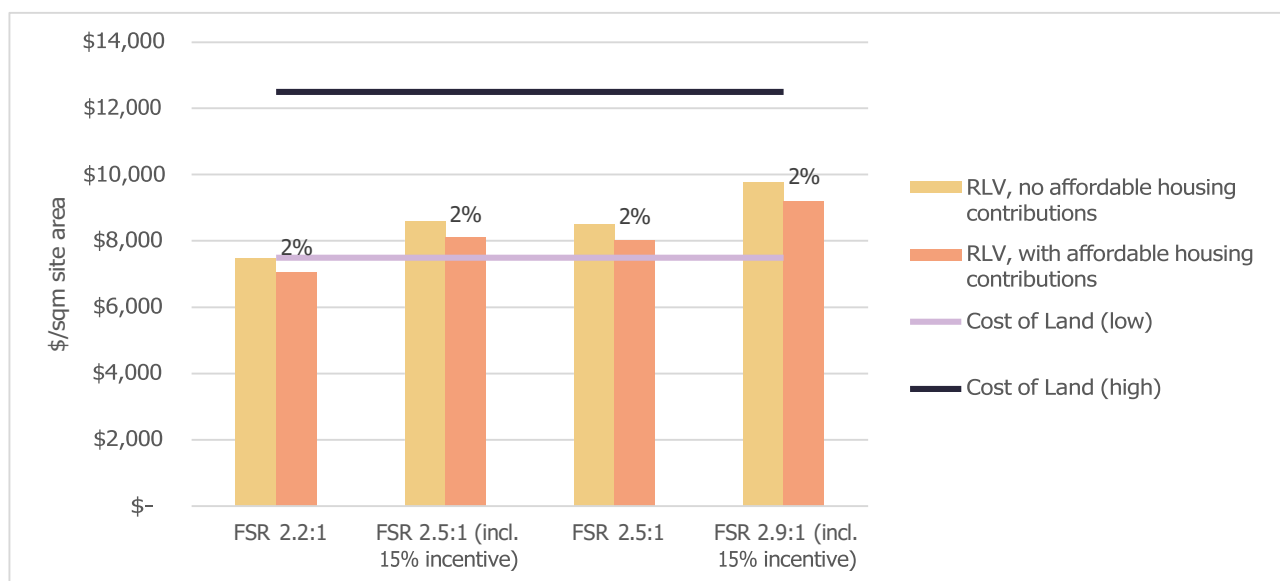
- Baseline feasibility (with no affordable housing contributions) - comparing an assumed cost of land (value of the site plus incentive premium) against the RLV of development at the planning controls proposed in Our Fairer Future Plan 2.
- Feasibility of development with affordable housing contributions - comparing the assumed cost of land against the RLV of the development, including affordable housing contributions.

The RLV represents the price a developer could afford to pay for the site for development. If the RLV is higher than the assumed cost of land, development is feasible as it is valuable enough to 'displace' the existing uses. If the RLV is lower than the assumed cost of land, there will be no incentive for development and the site will remain 'as is'.

Where there is an affordable housing contribution requirement, the RLV is lower compared to the baseline feasibility. That is, the amount a developer can afford to pay for a development is reduced. If the lower price still represents an incentive over and above the existing-use value of a site, development is considered to be feasible.

Figure 3-1 shows the feasibility of residential flat buildings at the proposed densities, with no affordable housing contributions (baseline) *and* with affordable housing contributions (at rates tolerable). The graph additionally shows feasibility outcomes where the maximum development incentive (for minimum site area) is available.

Figure 3-1: Feasibility of Residential Flat Buildings, R3/ R4 Residential zone



Source: Atlas

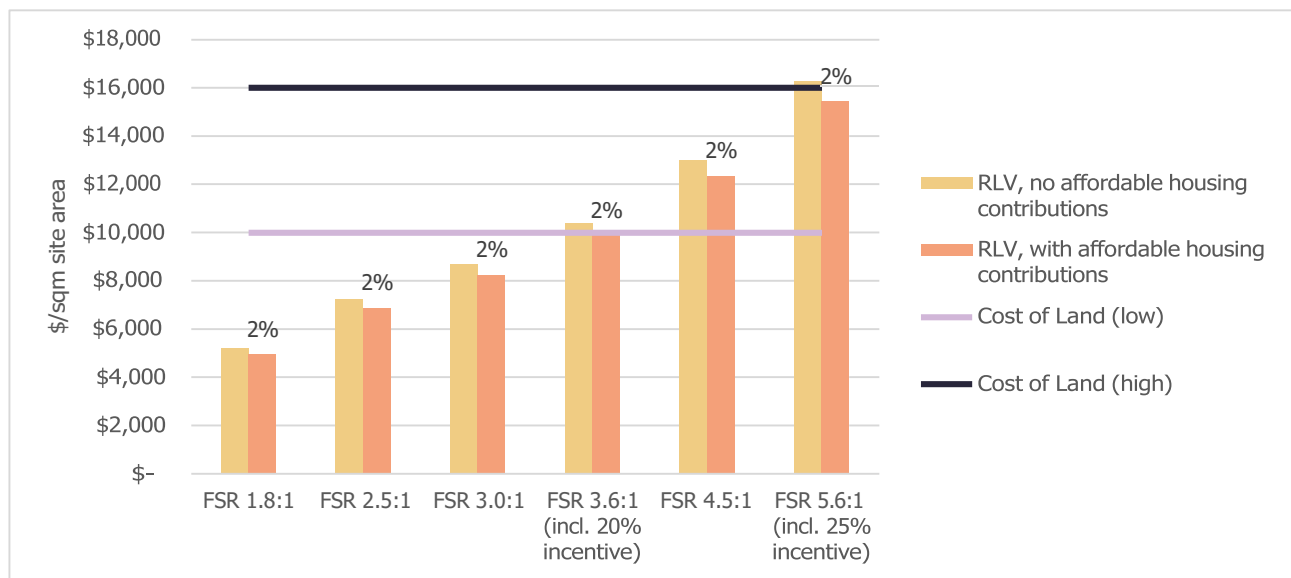


The testing shows that the feasibility of development varies depending on the cost of land, which is a function of its existing use (which could be single dwellings on varying block sizes or residential unit blocks).

- The cost of land is influenced by many factors, including that of block size. If a series of small allotments is consolidated for development and the price paid for land is at the upper end of the range (as denoted by the black line), the density of the proposed planning controls would be insufficient for development to be feasible. This is because the RLV is lower than the Cost of Land (high). In this circumstance, there is no incentive for the existing uses to be displaced and would remain 'as is'.
- Where the cost of land can be secured at the lower end of the range (as shown by the lavender line), development under the proposed planning controls could be feasible. A nominal affordable housing rate of 2% could be required.

Figure 3-2 shows the feasibility of mixed use development, with no affordable housing contributions (baseline) *and* with affordable housing contributions. The graph additionally shows feasibility outcomes for higher densities where the maximum development incentive (for minimum site area) is available.

Figure 3-2: Feasibility of Mixed use Development, E1 zone



Source: Atlas

Similar to that observed in the residential zone, the feasibility of mixed use development varies depending on the cost of land. The cost of land is a function of its existing use (which along Catherine Street, Norton Street, Booth Street and Johnston Streets could be retail strip, low-rise commercial, service commercial or residential unit blocks).

Figure 3-2 shows that even where sites can be secured at the lower end of the range (as denoted by the lavender line), densities upwards of FSR 3.6:1 are needed for development to be feasible. A nominal affordable housing rate of 2% is applied.

The density threshold (using FSR as a proxy) for feasibility is generally higher where the existing uses are commercial in nature. In some instances the proposed planning controls would be insufficient to displace the existing uses, i.e. the RLVs do not exceed the assumed cost of land. This could be where the existing buildings are substantial, relatively new and or very fine grained and in fragmented ownership. In those circumstances, if development is not feasible, the sites will likely remain 'as is'.

OBSERVATIONS

The feasibility of development in the Study Area portions of Lilyfield, Leichhardt and Annandale depend principally on the cost of land. That is, the sum a developer would have to pay to secure a site/ s for development. The cost of land is the composite of the value of the existing use/s, any incentive to induce sale and any cost to secure vacant possession (which could involve lease break payments, etc.).

A lower cost of land is generally associated with single dwellings on large blocks held under Torrens title. A higher cost of land is generally associated with buildings that use a site intensively (e.g. commercial building with multiple levels, multi-level residential unit block) and/ or where ownership is fragmented and multiple lots are required for consolidation into a development site.



In and around existing commercial clusters, sites are intensively improved with multiple storey commercial buildings and residential unit blocks. The fine grain patterns require multiple lots consolidated at prices which include incentive premiums.

The Study acknowledges the reality that despite Our Fairer Future Plan, not all land will be developed. There are sites where existing buildings are functional and valuable, and therefore not economic to consolidate for development. There will be other sites (e.g. less intensely developed or at the end of their economic useful life) that could be economic to consolidate for development, yet will not be developed as landowner motivations do not align with development.

3.2.2 Stanmore, Petersham and Lewisham

STANMORE

Our Fairer Future Plan envisages the highest densities along Stanmore Road, Cambridge, Douglas and Trafalgar Streets.

- Rezoning of existing R1 General Residential to R3 Medium Density Residential to permit residential flat buildings along Stanmore Road at density of FSR 2.2:1.
- Rezoning of R2 Low Density Residential to R4 High Density Residential to permit development at FSR 2.5:1.
- Extension of E1 Local Centre zone to permit mixed use development at FSR 3:1 along Trafalgar/ Douglas Street.

PETERSHAM

The key changes envisaged for Petersham include:

- Rezoning of R1 General Residential to R3 Medium Density Residential at density of FSR 1.5:1 to FSR 2.2:1.
- Rezoning of R2 Low Density Residential to R3 Medium Density Residential at density of FSR 1.2:1 to FSR 2.2:1.
- Rezoning of R4 High Density Residential to R3 Medium Density Residential at FSR 2.2:1.

One Key Site is identified at 12-24 Gordon Street and 49-57 West Street.

LEWISHAM

Our Fairer Future Plan envisages the highest densities proposed along New Canterbury Road and McGill Street.

- Rezoning of R1 General Residential to R3 Medium Density Residential at a density of FSR 1.2:1 to FSR 2.2:1.
- Rezoning of R2 Low Density Residential to R3 Medium Density Residential at density of FSR 1.2:1 to FSR 2.2:1.
- Rezone 110-112 Old Canterbury Road from E3 Productivity Support to MU1 Mixed Use at a density of FSR 3:1.
- Rezone 2-4 McGill Street from MU1 Mixed Use to R4 High Density Residential at a density of FSR 3:1.

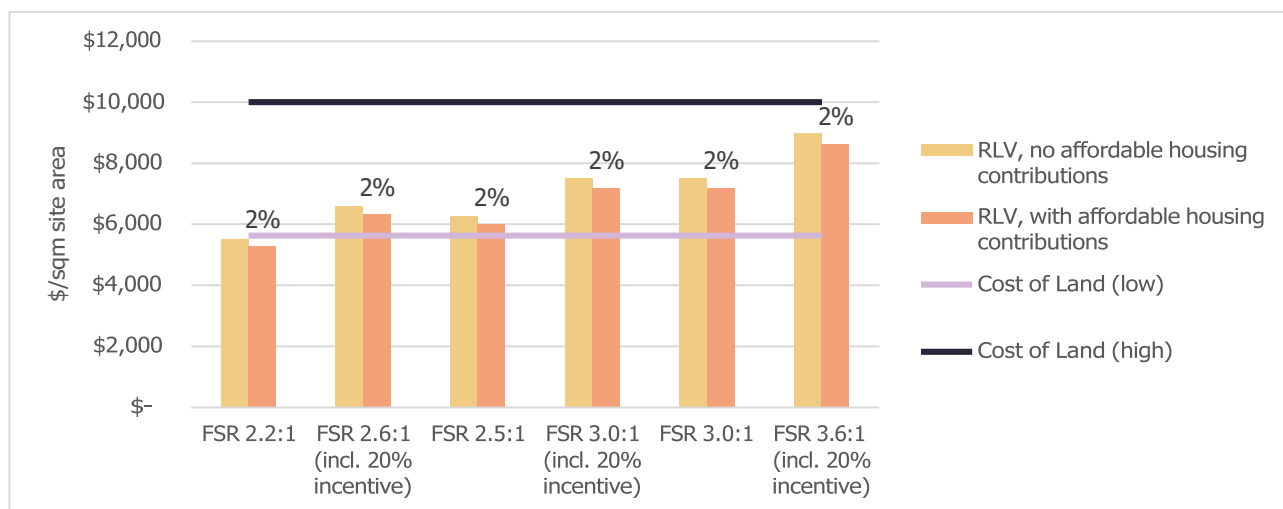
No Key Sites are identified in Lewisham.

TESTING OUTCOMES

Figure 3-3 shows the feasibility of residential flat buildings in residential zones with no affordable housing contributions (baseline) *and* with affordable housing contributions (at rates tolerable). The graph additionally shows feasibility outcomes where the maximum development incentive (for minimum site area) is available.



Figure 3-3: Feasibility of Residential Flat Buildings, R3/ R4 Residential zone

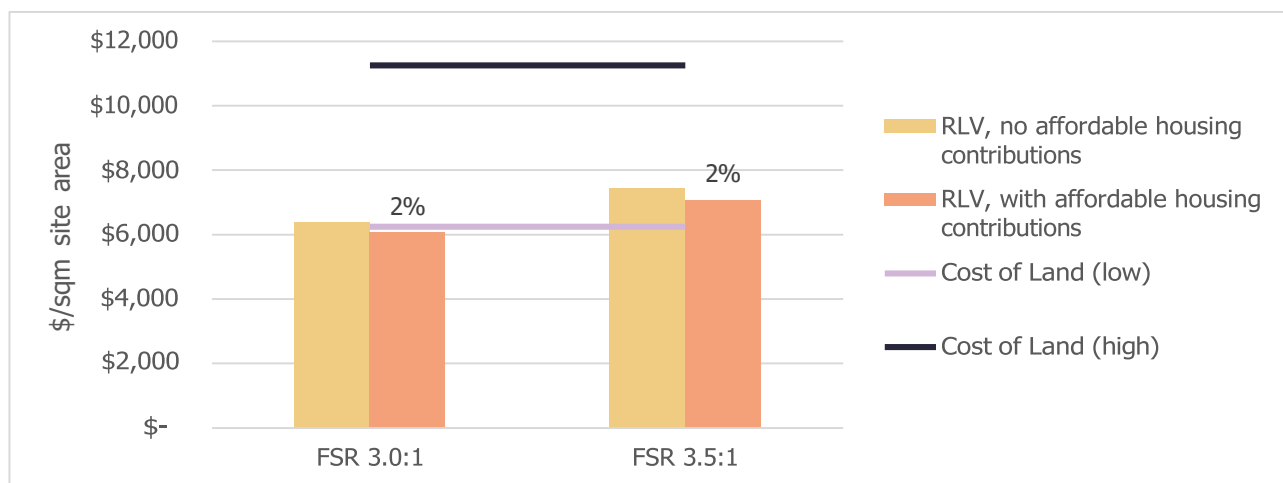


Source: Atlas

The testing shows that the feasibility of development varies depending on the cost of land, which is a function of its existing use (which could be single dwellings on varying block sizes or residential strata buildings). The higher the cost of land, the higher the density needed for development to be feasible.

Figure 3-4 shows the feasibility of mixed use development (shop top housing) at the proposed densities, with no affordable housing contributions (baseline) *and* with affordable housing contributions (at rates tolerable).

Figure 3-4: Feasibility of Mixed use Development, E1/ MU1 zone



Source: Atlas

At the proposed densities, the feasibility of mixed use development is challenging. A nominal (default) affordable housing contribution rate of 2% is applied.

3.2.3 Newtown and St Peters

Our Fairer Future Plan envisages the highest densities proposed along Crown Street and Princes Highway in St Peters. The key changes are broadly as follows:

- Rezoning of R1 General Residential to R3 and R4 to permit residential flat buildings at FSR 1.2:1 to FSR 2.5:1.
- Rezoning of R2 Low Density Residential to R3 Medium Density Residential at density of FSR 1.2:1 or FSR 2.2:1.
- Rezoning of R4 High Density Residential to R3 Medium Density Residential at a FSR 1.2:1 or FSR 2.2:1.
- Increase permitted density along Crown Street and Princes Highway to FSR 4:1.

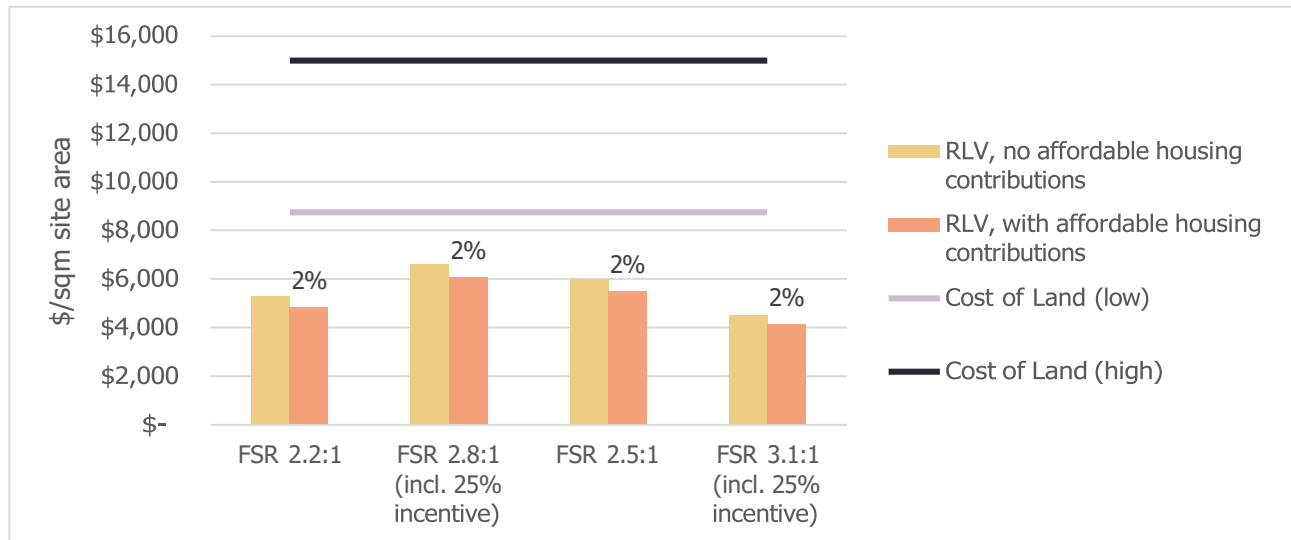
No Key Sites are identified in Newtown or St Peters.



TESTING OUTCOMES

Figure 3-5 shows the feasibility of residential flat buildings in the residential zones with no affordable housing contributions (baseline) *and* with affordable housing contributions.

Figure 3-5: Feasibility of Residential Flat Buildings, R3/ R4 Residential zone

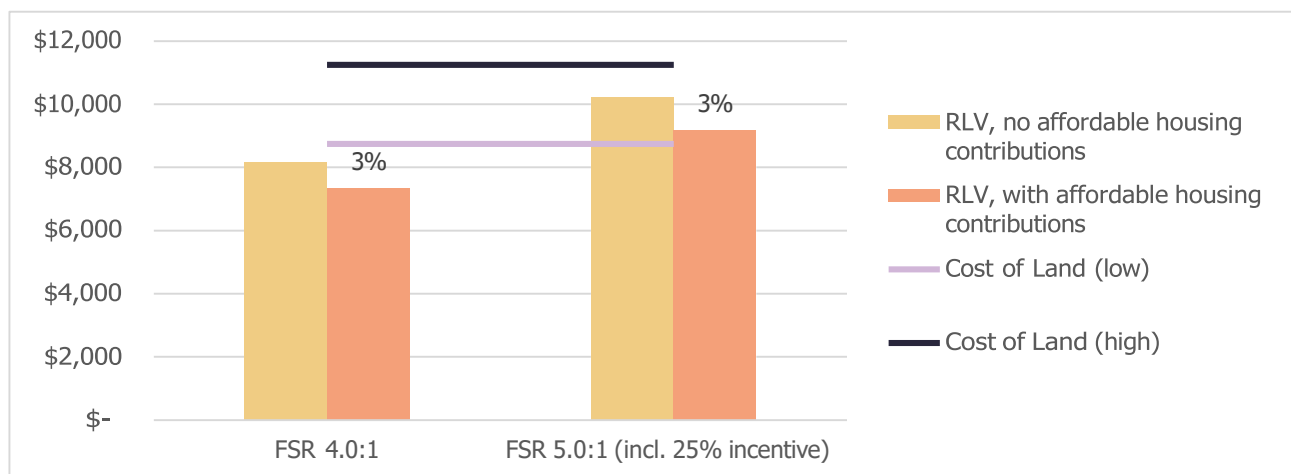


Source: Atlas

At the proposed densities (and even at the maximum development incentive for minimum site area), the feasibility of development is challenging. This is generally due to the even finer grain lot patterns in Newtown and St Peters, which have a direct relationship with the cost of land. A nominal (default) affordable housing contribution rate of 2% is applied.

Figure 3-6 shows the feasibility of mixed use development (shop top housing) at the proposed densities, with no affordable housing contributions (baseline) *and* with affordable housing contributions (at rates tolerable).

Figure 3-6: Feasibility of Mixed use Development, MU1 zone



Source: Atlas

The testing shows that at Princes Highway and Crown Street, the feasibility of development can support an affordable housing contribution rate of 3% where a development site incentive (minimum site area) can be achieved.



3.2.4 Ashfield

Our Fairer Future Plan envisages the highest densities proposed along Nixon Avenue and Bland Street. The key changes are broadly as follows:

- Rezoning of R2 Low Density Residential to R3 Medium Density Residential to permit residential flat buildings at FSR 1.5:1 to FSR 2.2:1.
- Rezoning of R2 Low Density Residential to R4 High Density Residential at density of FSR 2.2:1 or FSR 4:1.
- Rezoning of R3 Medium Density Residential to R4 High Density Residential to permit residential flat buildings at FSR 2.2:1 to FSR 2.5:1.
- Rezoning of SP2 Infrastructure to R3 Medium Density Residential and R4 High Density Residential to permit residential flat buildings at FSR 2.2:1 or FSR 2.5:1.
- Rezoning of R2 Low Density Residential and R3 Medium Density Residential to MU1 Mixed Use or E1 Local Centre at a FSR 1.5:1 or FSR 2.2:1.

There are several Key Sites are identified in Ashfield.

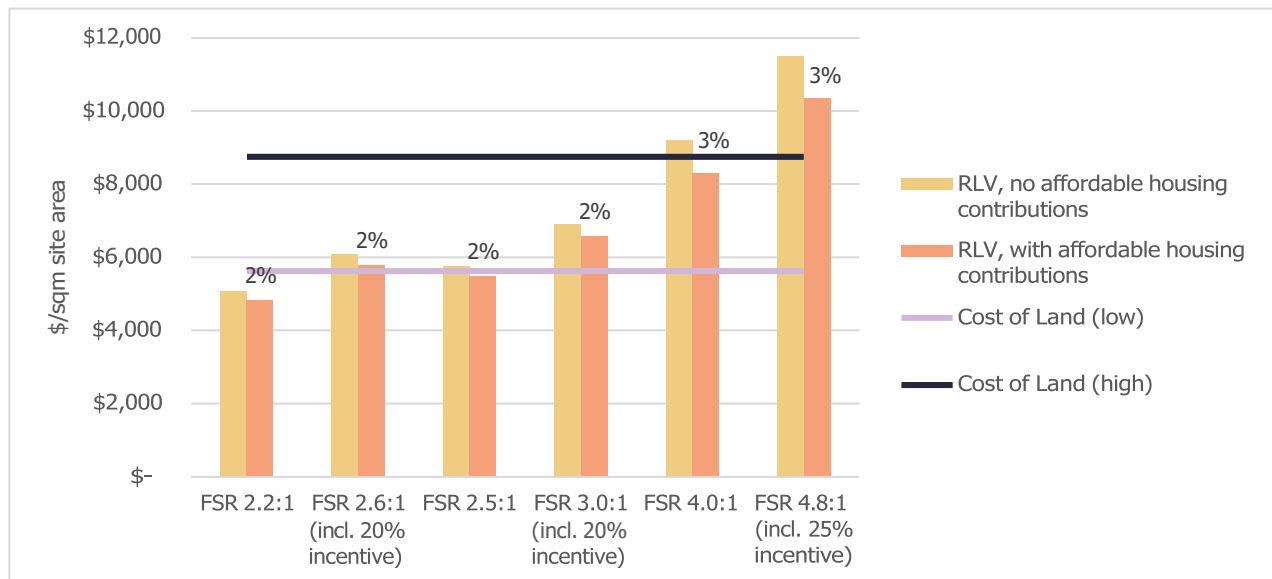
TESTING OUTCOMES

Figure 3-7 shows the feasibility of residential flat buildings in the residential zones with no affordable housing contributions (baseline) *and* with varying affordable housing contributions (at rates tolerable).

The testing shows that the feasibility of development is more favourable at higher densities, and there is therefore more scope/ opportunity for affordable housing contributions.

A nominal (default) affordable housing contribution rate of 2% is applied at lower densities where feasibility is challenging. An affordable housing contribution rate of 3% is applied at density of FSR 4:1 and upwards.

Figure 3-7: Feasibility of Residential Flat Buildings, R3/ R4 Residential zone

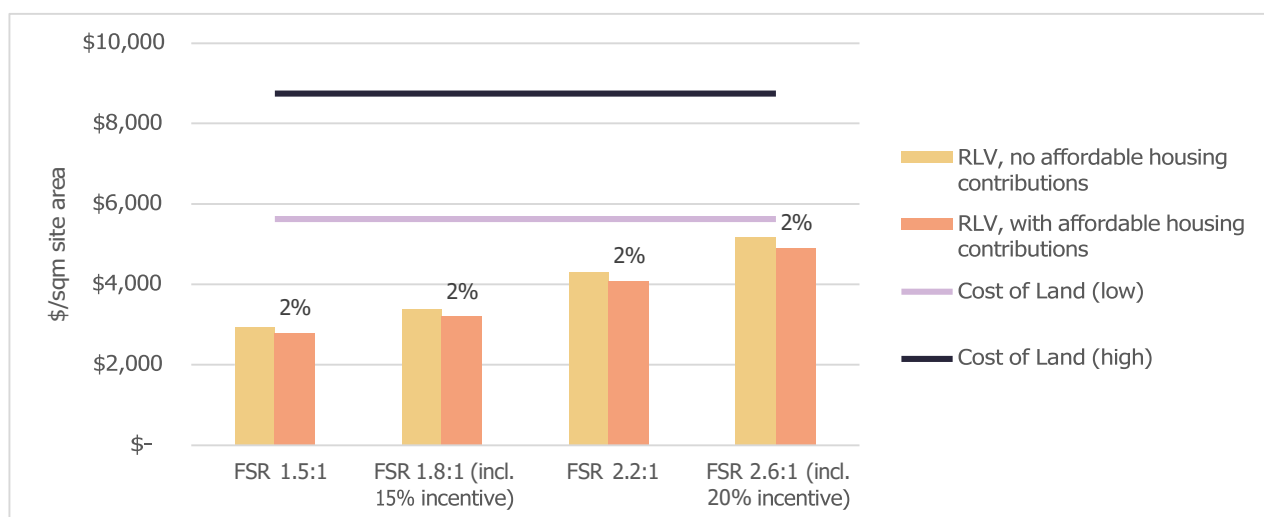


Source: Atlas

Figure 3-8 shows the feasibility of mixed use development (shop top housing) at the proposed densities, with no affordable housing contributions (baseline) *and* with varying affordable housing contributions.



Figure 3-8: Feasibility of Mixed use Development, E1/ MU1 zone



Source: Atlas

The testing shows that the feasibility of mixed use development is challenging at the proposed densities. A nominal (default) affordable housing contribution rate of 2% is applied.

3.3 Key Sites

Our Fairer Future Plan 2 identifies a number of sites that could deliver on-site public/ community infrastructure and/ or affordable housing in exchange for greater density. The densities proposed range from FSR 3:1 to 4.9:1.

SPECIFIED INFRASTRUCTURE AND LAND USE OUTCOMES

The Study carries out feasibility testing to examine the capacity of the key sites to deliver the specified infrastructure and land use outcomes (in addition to affordable housing contributions).

Table 3-1 lists key sites identified for their potential to deliver specified on-site infrastructure and/ or land use outcomes. Unless specifically noted, the feasibility testing assumes the usual statutory fees and charges (including local development contributions) are applicable.

Table 3-1: Key Sites proposed under Our Fairer Future Plan 2

ADDRESS	KEY SITE PUBLIC BENEFIT	MAX. FSR	MAX. HEIGHT OF BUILDING
359-365 MARRICKVILLE RD 2-6 WOODBURY ST MARRICKVILLE	Land dedication (free of cost) for new public open space of minimum 1,000sqm along Marrickville Road.	3.1:1	15 storeys
68, 70A, 74, 76 JOHN ST CROYDON	Land dedication for a landscaped active transport corridor along Iron Cove Creek (6m wide)	3.5:1	11 storeys
2-6 GREGORY AVE CROYDON	Land dedication for a landscaped active transport corridor along Iron Cove Creek (6m wide)	3.5:1	11 storeys
56-66 JOHN ST 1-5 VINE ST ASHFIELD	Land dedication for a landscaped active transport corridor along Iron Cove Creek (10m wide)	3.5:1	13 storeys
7-15 HEDGER AVE 7 VINE ST ASHFIELD	- Land dedication for a landscaped active transport corridor along Iron Cove Creek (10m wide) - Land dedication for new public open space of minimum 700sqm and 20m minimum dimension.	3.75:1	15 storeys
9-15 GREGORY AVE 1-5 HUNT ST CROYDON	Land dedication for a landscaped active transport corridor along Iron Cove Creek (10m wide)	3.5:1	12 storeys



ADDRESS	KEY SITE PUBLIC BENEFIT	MAX. FSR	MAX. HEIGHT OF BUILDING
4-18 HEDGER AVE 80 FREDERICK ST ASHFIELD	Land dedication for a landscaped active transport corridor along Iron Cove Creek (10m wide)	3.5:1	13 storeys
3-9 BANKS ST ASHFIELD	Land dedication for a landscaped active transport corridor along Iron Cove Creek (10m wide).	3.5:1	13 storeys
4-12 BANKS ST ASHFIELD	Land dedication for a landscaped active transport corridor along Iron Cove Creek (10m wide)	3.5:1	13 storeys
25 ETONVILLE PDE 1-7 MACKAY ST ASHFIELD	Land dedication for a landscaped active transport corridor along Iron Cove Creek (10m wide) A minimum 6m wide through-site link on the northern boundary of 25 Etonville Parade.	3.5:1	14 storeys
4-8 MACKAY ST 4A ETONVILLE PDE ASHFIELD	Land dedication for a landscaped active transport corridor along Iron Cove Creek (10m wide)	4:1	15 storeys
179-183 ELIZABETH ST ASHFIELD	Land dedication for a landscaped active transport corridor along Iron Cove Creek (10m wide)	3.75:1	15 storeys
1-11 EDWARD ST 3 HELENA ST 111 LILYFIELD RD LILYFIELD	A minimum 6m wide through site link between Helena Street and Edward Street.	3:1	8-20 storeys
14 EDWARD ST EDWARD ST ROAD RESERVE LILYFIELD	A minimum 6m wide through site link between Balmain Road and Edward Street.	2.5:1	8-12 storeys
7 DARLEY RD LEICHHARDT	- Provision of a publicly accessible plaza connecting Darley Road and Leichhardt North light rail stop, of approximately 580sqm, aligned to and having a minimum width of Francis Street. - Retention of the approximately 2,700sqm (the existing quantum of commercial / retail floor space). Provision of commercial / retail floor space wholly below ground floor is excluded from FSR calculation. - Provision of a minimum 1,000sqm community facility and associated car parking. - Land dedication of approximately 850sqm to facilitate the community facility provision.	3.1:1	20 storeys
237 MARION ST LEICHHARDT	Provision of a publicly accessible through site link between Hawthorne Street and Marion light rail stop (6m wide)	3:1	14 storeys
2A, 12-24 GORDON ST 49-57 WEST ST PETERSHAM	- Provision of a minimum 2,600sqm of commercial / retail uses at ground level. - Provision of commercial/ retail floor space wholly below ground floor is excluded from FSR calculation. - Provision of approximately 500sqm, with a minimum dimension of 15m, of publicly accessible open space addressing Gordon Street and Petersham Presbyterian Church and retention of existing mature trees. - Active street frontage along Gordon Street. - Provision of a publicly accessible pedestrian link between West Street and Gordon Street at all times. - Dedication of a part 1m and part 7m wide accessway between West Street and Gordon Street along the southern boundary. - Provision of accessway along the southern boundary to connect existing laneway.	4.2:1	10-17 storeys

Source: Council

Key sites are identified for incentive planning controls subject to required on-site public infrastructure and land use outcomes. Where key site requirements are not achieved, the existing planning controls will continue to apply.



The Study takes a nuanced approach to the feasibility of development in the Study Area. It acknowledges that the feasibility of development and that development's capacity to contribute to affordable housing varies according to:

- The existing uses/ buildings and the likely cost to consolidate a development site.
- The value of a development opportunity (as enabled by Our Fairer Future Plan 2).
- The ability of a Key Site to 'harvest' floorspace associated with land that may be required for dedication and for that "harvested floorspace" to be developed elsewhere on the site.
- The other planning obligations imposed (e.g. delivery of on-site community infrastructure, etc.)

An LEP clause will detail the additional incentive floorspace and height available in the Study Area subject to the provision of on-site infrastructure and/ or land use outcomes on specified sites.

AFFORDABLE HOUSING CONTRIBUTIONS

An LEP clause to enable affordable housing contributions will authorise Council to require an affordable housing contribution that is equivalent in value to the percentage (%) requirement. A default 2% affordable housing contribution rate is applied in the Study Area, with some exceptions Our Fairer Future Plan 2.

3.4 Affordable Housing Contributions

This chapter examined the potential/ capacity for development (residential and non-residential floorspace) under Our Fairer Future Plan to contribute to affordable housing. Council's resolution of 30 September 2025 established requirements for the preparation of a new Affordable Housing Policy and investigation of certain contribution rates. This included:

That Council base our policy regarding acquisition of affordable housing through private development in upzoned areas on the City of Sydney's principles that have been successfully implemented. This is to include:

- Adoption of the officers recommendation for a 2% affordable housing contribution, moving to 3% after 3 years, across all privately owned land in upzoned areas;*
- Consideration of a 1% affordable housing contribution on all non-residential lands within the local government area, with the plan for phasing and introduction of this to be included in the studies for Stage 2 of the Our Fairer Future Plan;*

APPLICATION TO NON-RESIDENTIAL FLOORSPACE

The City of Sydney's Affordable Housing Program requires broad-based affordable housing contributions as follows:

- 3% on residential floorspace; and
- 1% on non-residential floorspace.

The Sydney Affordable Housing Program is the only local council affordable housing program that requires an affordable housing contribution on non-residential floorspace. The affordable housing contribution would be calculated with reference to the equivalent monetary contribution rate.

The City of Sydney Affordable Housing Program contains an equivalent monetary contribution rate (\$) that is applicable LGA-wide. The City is proposing to move away from a single dollar rate to a precinct-based dollar rate. Table 3-2 lists the City's proposed precinct-based rates when fully implemented.

Table 3-2: Equivalent Monetary Contribution Rate (\$) by Sydney Location

SOUTH	EAST	WEST	CENTRAL
\$12,500/sqm GFA	\$20,000/sqm GFA	\$15,000/sqm GFA	\$17,500/sqm GFA
Waterloo Zetland Rosebery Alexandria Camperdown Newtown	Surry Hills Darlinghurst Elizabeth Bay Rushcutters Bay Paddington Woolloomooloo	Pymont Ultimo Glebe Forest Lodge	Sydney CBD Haymarket The Rocks

Source: City of Sydney



In the draft Inner West Affordable Housing Policy, equivalent monetary contribution rates are specified by location. These dollar rates are listed in Table 3-3 and would apply to the calculation of affordable housing contributions if required on non-residential floorspace.

Table 3-3: Equivalent Monetary Contribution Rate (\$) by Inner West Location

NORTH	CENTRAL	WEST	EAST	WATERFRONT
\$15,000/sqm GFA	\$13,000/sqm GFA	\$12,000/sqm GFA	\$11,000/sqm GFA	\$17,000/sqm GFA
Annandale Camperdown Leichhardt Stanmore	Dulwich Hill Lewisham Marrickville Petersham Summer Hill	Ashbury Ashfield Croydon Croydon Park Hurlstone Park	Enmore Newtown St Peters Sydenham Tempe	Balmain Balmain East Birchgrove Haberfield Lilyfield Rozelle

Source: Council

Requiring a contribution on non-residential floorspace requires consideration of its cost (based on the relevant equivalent monetary contribution rate) relative to revenue/ value that could be achieved for the floorspace.

COST IMPLICATIONS

In the Inner West, non-residential floorspace is generally delivered as part of a mixed use development (commonly on the lower levels of a mixed use residential development) or within a low-rise commercial or light industrial development. Rents and prices achieved are generally lower in value compared to the Sydney LGA.

By comparison in the Sydney LGA, there are significant commercial and employment centres (including the Sydney CBD), with these areas the beneficiary of a depth of market demand for commercial, retail, industrial and other non-residential floorspace. These areas can command premium rents and prices, owing to the critical mass of businesses, amenity and agglomeration benefits associated with locating therein.

Table 3-4 undertakes a comparison of the cost of a 1% contribution levied on non-residential floorspace against the capital value of that floorspace. While the construction cost of floorspace varies according to whether the floorspace is in a 20-storey premium office tower or on the ground floor of a 20-storey mixed use residential development, the construction cost is not significantly different.

Table 3-4: Contribution Cost v Revenue by Sydney Location

LOCATION	CAPITAL VALUE (\$/SQM)	PROPOSED EQUIVALENT MONETARY CONTRIBUTION RATE (\$/SQM GFA)	CONTRIBUTION (\$/SQM)	COST RELATIVE TO CAPITAL VALUE
	(a)	(b)	(c) = (1% x b)	(d) = (c ÷ a)
SYDNEY LGA				
SYDNEY CBD	\$30,000	\$17,500	\$175	0.6%
HAYMARKET	\$18,000	\$17,500	\$175	1.0%
ZETLAND	\$12,000	\$12,500	\$125	1.0%
PYRMONT	\$16,000	\$15,000	\$150	0.9%
DARLINGHURST	\$18,000	\$20,000	\$200	1.1%
INNER WEST LGA				
LEWISHAM	\$10,000	\$13,000	\$130	1.3%
LILYFIELD	\$8,000	\$17,000	\$170	2.1%
LEICHHARDT	\$11,000	\$15,000	\$150	1.4%
ST PETERS	\$7,000	\$11,000	\$110	1.6%
ASHFIELD	\$7,500	\$12,000	\$120	1.6%

Source: Atlas

In Sydney CBD and Haymarket, new office floorspace could carry a capital value of \$18,000/sqm to \$30,000/sqm. Utilising the City's proposed equivalent dollar contribution rates (on full implementation), a 1% contribution to affordable housing represents between 0.6% to 1.0% of the capital value of that floorspace. Elsewhere in the Sydney LGA, a 1% contribution to affordable housing is equivalent to 0.9% to 1.1% of the capital value of that floorspace.



In the Inner West, due to the lower capital values associated with non-residential floorspace, a 1% contribution to affordable housing represents a higher proportion of the capital value of that floorspace. The cost relative to revenue is between 1.4% and 2.1% (disproportionately more than the cost imposed in locations in the Sydney LGA).

There is therefore less opportunity for the application of affordable housing contributions on non-residential floorspace. It could rather, result in a perverse outcome of discouraging business and employment floorspace.

3.5 Implications for Our Fairer Future Plan 2

The feasibility analysis examined if, development under Our Fairer Future Plan is feasible, and if so, its capacity to contribute to affordable housing and/ or public infrastructure and land use outcomes. The feasibility analysis finds:

- Feasibility is challenging particularly where:
 - Land is expensive to consolidate for development (a function of existing buildings which are valuable and lot patterns which are small in scale).
 - Proposed densities are lower than what is needed for development to be economic.
- If achieved, development incentives (in particular the minimum site area incentives) can assist development feasibility. However, this is not a given. In instances where the proposed densities are significantly lower than that needed for development to be economic, the development incentives are of less assistance.
- Across the Study Area, a broad-based contribution rate of 2% is applied except in specified instances where higher rates of 3% to 5% are recommended.

The Study finds that sites with the greatest prospect for development under Our Fairer Future Plan are generally those with existing single dwellings on larger blocks (in the R2 and R3 zones).

In commercial zones, the existing uses (e.g. retail strip, commercial, residential units) generally have a higher value threshold, given their more valuable buildings and fine grain lot patterns. Accordingly, existing commercial properties generally require higher densities to displace the existing uses and for development to be feasible. This is not unique to the Study Area but is generally observed in existing town centres.

The Study acknowledges that while higher density planning controls are needed for development to be feasible, Our Fairer Future Plan takes a place-based approach which has regard to the environmental capacity of land in the Study Area. Our Fairer Future Plan necessarily balances the deliverability of supply with built forms that are appropriate from an urban design perspective.





Beyond the
horizon thinking.

4.1 Approach

Development take-up (i.e. development of land) will only occur if that development is feasible to undertake. Despite planning change to permit higher densities, development feasibility (and therefore take-up) is not always a given.

Existing lot and ownership patterns and the value of existing uses (which could be single dwellings or residential unit blocks in residential areas and low-rise commercial buildings or strip retail in town centres) collectively influence the price a developer could be required to pay for land. This is the Cost of Land to a developer.

When land is rezoned or permitted for higher density, it means there is theoretical capacity for development. That theoretical capacity will only be taken up (delivered) if it is:

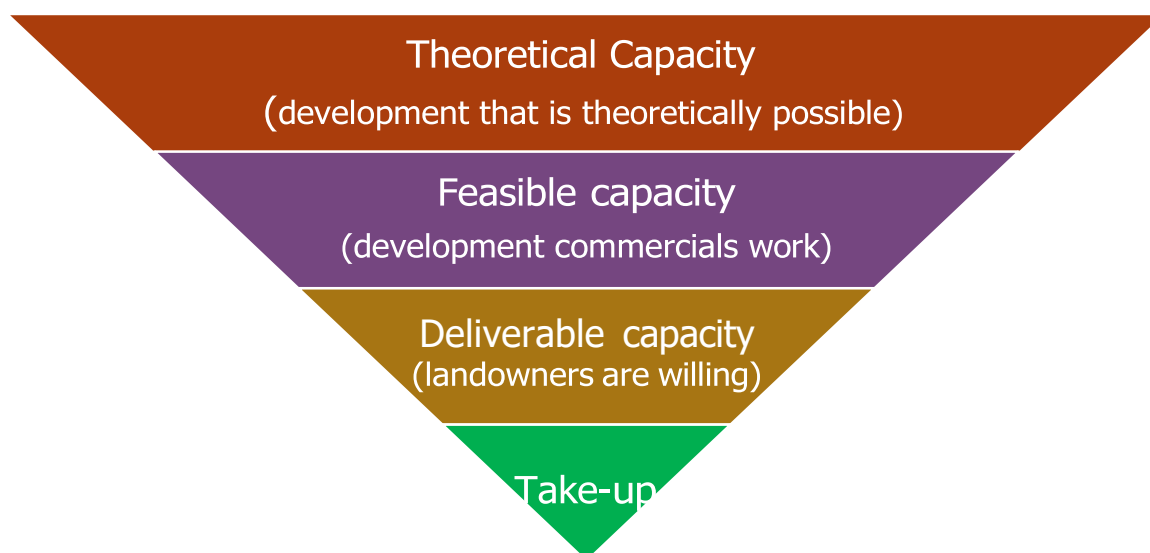
- Feasible for the developer; and
- The landowners of the land are interested in selling to a developer.

Landowners will only be motivated to sell if they can achieve a premium over what they can get from selling their property individually.

From a developer's perspective, the commercials must work - if the revenue achievable on completion covers the cost of land, the cost of development and an acceptable project return, the development is feasible.

Figure 4-1 illustrates the concepts of theoretical capacity, feasible capacity and deliverable capacity. In established urban areas (like the Inner West), not all theoretical capacity will be delivered or 'taken-up'.

Figure 4-1: Theoretical Capacity and Development Take-up



Source: Atlas

The Study develops take-up estimates to understand the level of development activity that could occur under Our Fairer Future Plan compared to the Baseline Scenario (which is the current planning framework).

LIMITATIONS

While feasibility is a key factor to development take-up, it is important to recognise that development activity does not occur in a vacuum. Capital is mobile and will gravitate to the most attractive investment opportunity. Extensive planning reforms have been underway across Greater Sydney (as indeed nationally). There is (and continues to be) significantly more development opportunities that are enabled as planning authorities not just in Greater Sydney but across the country seek to enable housing supply.

While not all theoretical capacity will be economically feasible or taken up by the market, there are today many more development opportunities available to the market. It is beyond the scope of the Study to consider the interconnectedness and competitive impacts of development opportunities elsewhere.

The Study acknowledges that there are supply-side limitations to the volume of development that can be undertaken at any given time. The supply of labour, materials and capital collectively work to limit the quantum of capacity taken up and delivered.



4.2 Development Take-up

4.2.1 Drivers

There are various economic and market drivers that influence land use and the rate of development take-up. The take-up estimates therefore have regard to considerations of commercial reality, including:

- Historical development activity in the Study Area by stage.
- The feasibility of development under the proposed controls.
- Known development activity (as represented by the development pipeline) by precinct.

It is important to distinguish between theoretical capacity (or planning capacity) and market capacity.

THEORETICAL CAPACITY V MARKET (FEASIBLE) CAPACITY

- Theoretical capacity refers to the physical ability of land to be developed, considering permissibility under the planning framework and environmental constraints.
- Market (feasible) capacity is determined by market-based factors including market demand and development feasibility. The Cost of Land (which is influenced by existing-use values, lot patterns and the necessity to amalgamate multiple lots), pricing that is achievable for a completed development and the cost of construction collectively influence the feasibility of development, which in turn affects the likelihood of market take-up.

Despite having theoretical capacity *and* feasible capacity, if landowner motivations do not align with development, the land will not be developed .

HISTORICAL DEVELOPMENT ACTIVITY

According to DPHI net completions data, dwelling completions in the Inner West LGA averaged approximately 900 annually over 2016-2021. Net dwelling completions fell, to average 500 dwellings annually over 2021-2025.

The fall in dwelling completions in the five-year period of 2021-26 compared to the preceding five-year period coincided with the onset and aftermath of the COVID-19 pandemic.

DEVELOPMENT FEASIBILITY

Whether development is feasible depends on two key factors:

- The price a developer would need to pay to consolidate a development site. This is influenced by the existing buildings and the associated property value.
- The land uses and density permitted and if revenue from the permitted development would cover the cost of production (i.e. the cost of land and the cost of development) and provide a commercial return to a developer.

Atlas undertook a sieving exercise wherein properties in the Study Area were filtered according to:

- Whether they are held under Torrens title or strata title.
- Lot sizes and patterns.
- Their existing use values (based on a desktop review of existing buildings).
- The proposed planning controls (particularly FSR).

A sieving exercise reveals the distribution of:

- Lot patterns and ownership type (Torrens title v strata title), which influence the cost of land.
- Proposed planning controls (particularly FSR), which influence whether permitted development would cover the cost production *and* provide a commercial return to a developer.

By matching both sets of information, the Study is able to take an informed view of the likelihood of feasible capacity and development take-up by precinct.

Table 4-1 shows the number of Torrens title lots against strata title lots by suburb location and by stage.



Table 4-1: Lot Ownership by Location

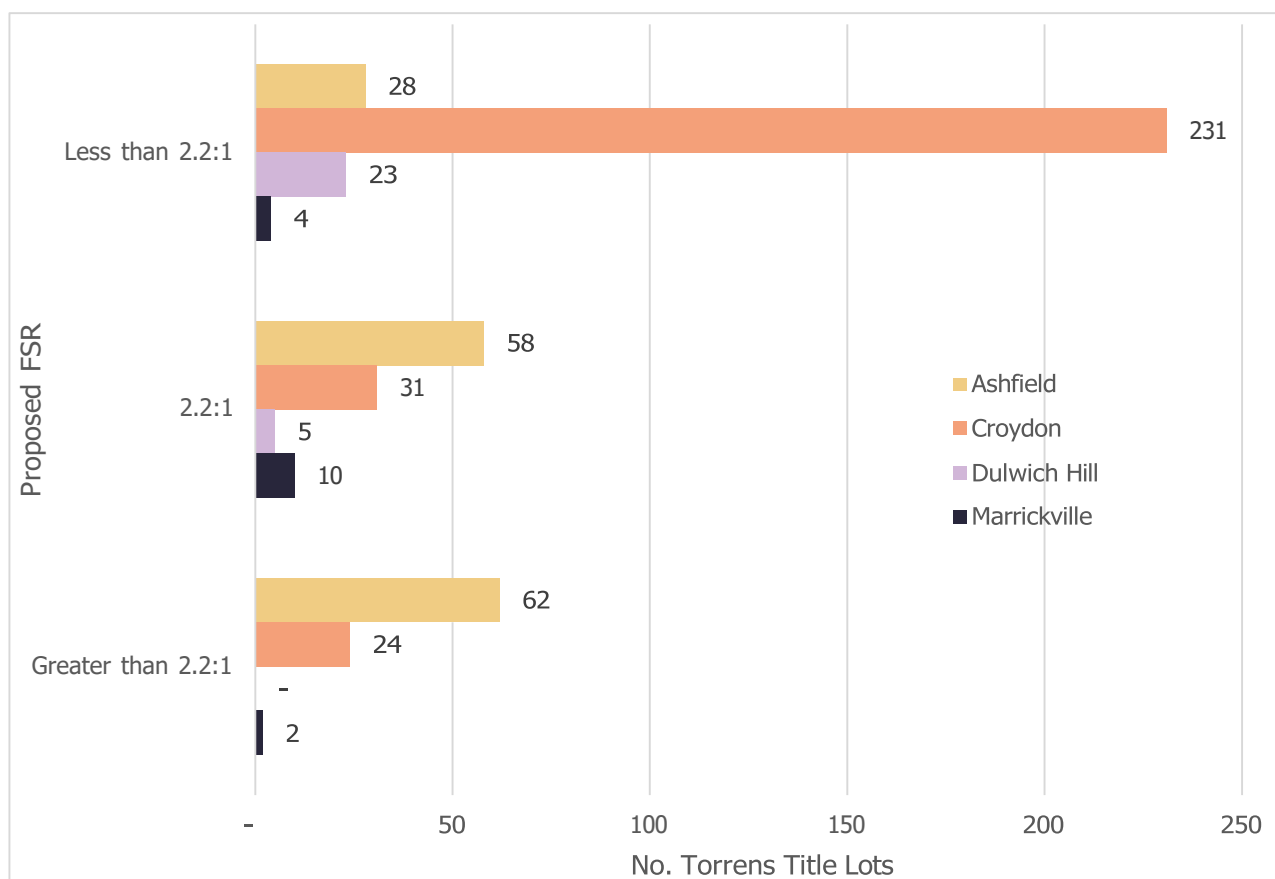
LOCATION	TORRENS TITLE	STRATA TITLE	TOTAL	TORRENS TITLE %
STAGE 1				
ASHFIELD	214	27	241	89%
CROYDON	326	21	347	94%
DULWICH HILL	28	1	30	93%
MARRICKVILLE	23	-	23	100%
STAGE 2				
ANNANDALE	127	6	133	95%
ENMORE	107	5	112	96%
LEICHHARDT	1,036	65	1,102	94%
LEWISHAM	157	12	169	93%
LILYFIELD	1,302	41	1,344	97%
NEWTOWN	297	13	310	96%
PETERSHAM	302	27	330	92%
ST PETERS	65	8	73	89%
STANMORE	302	30	332	91%
SUMMER HILL	2	-	2	100%

Source: Council

The higher the proportion of Torrens title properties (rather than strata title), the less fragmented the ownership patterns are. That said, despite the presence of Torrens title properties, lot patterns that are fine grain in nature necessitate consolidation of multiple lots even those held under Torrens title.

Figure 4-2 and Figure 4-3 show the distribution of Torrens title lots against proposed density (FSR).

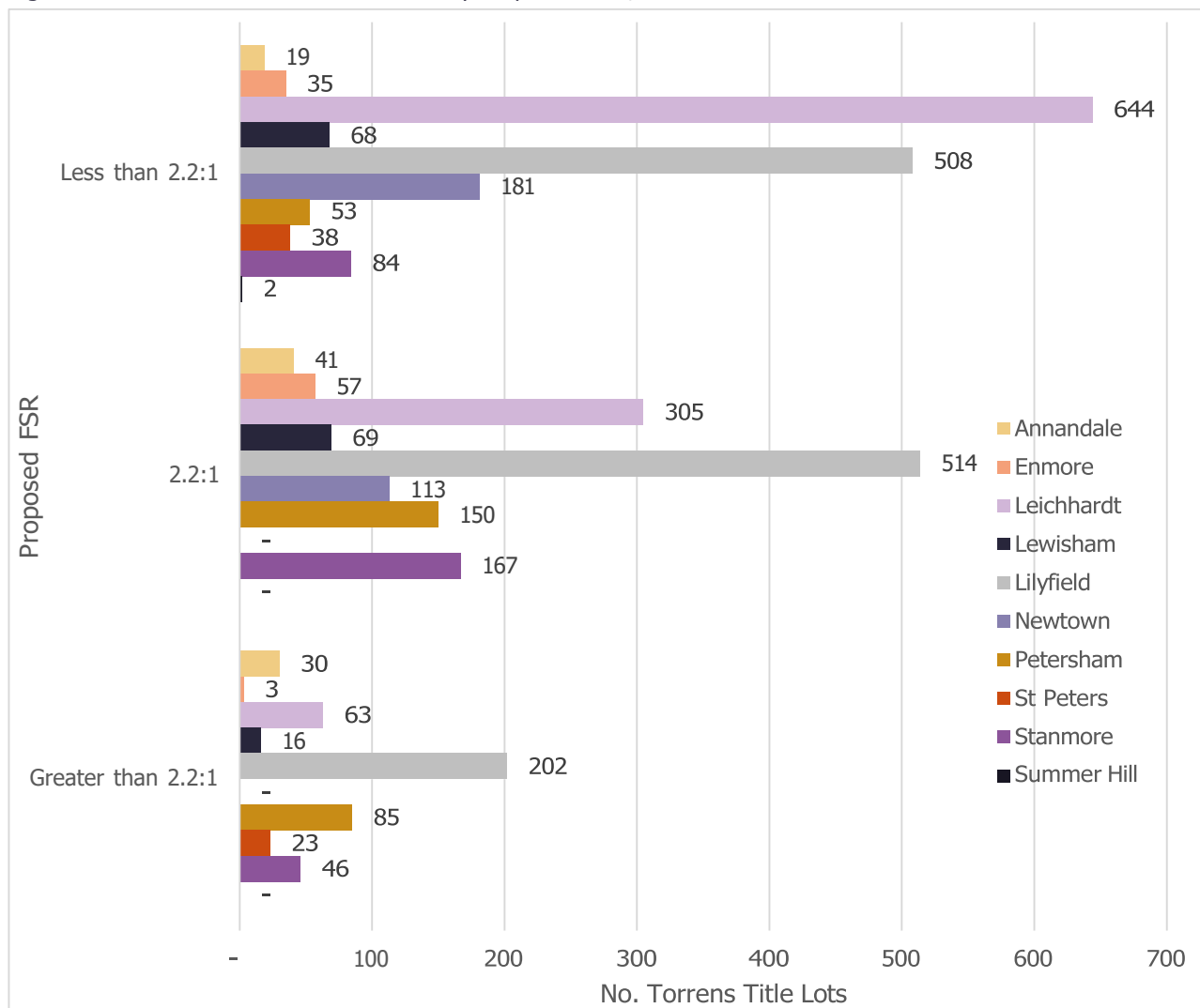
Figure 4-2: Number of Torrens Title Lots by Proposed FSR, HIA 1



Source: Council



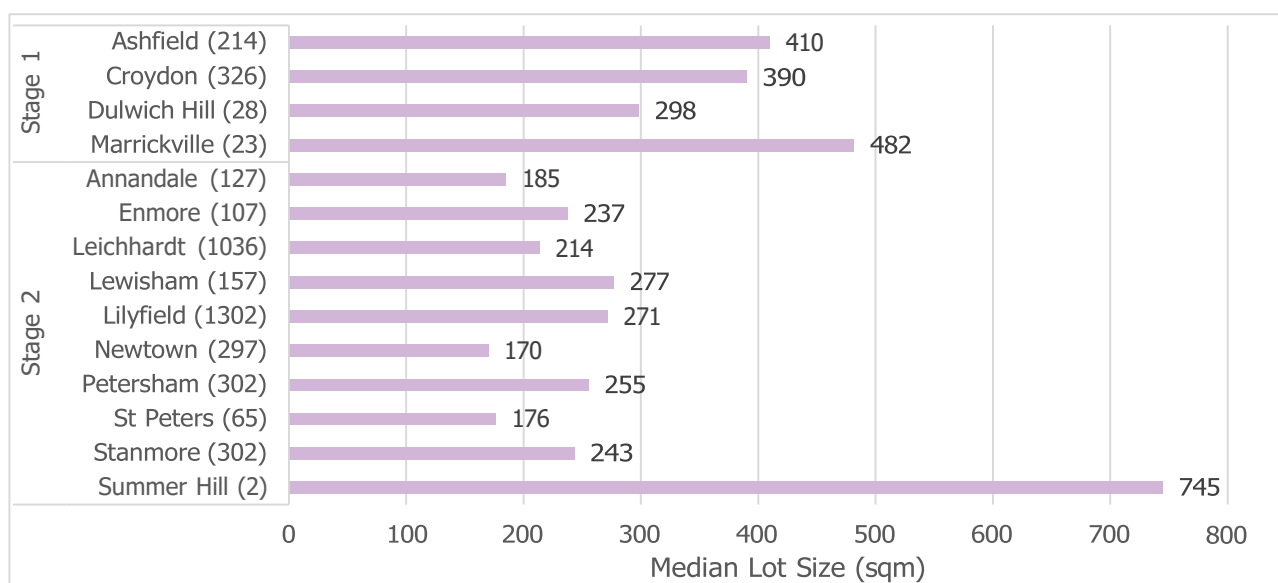
Figure 4-3: Number of Torrens Title Lots by Proposed FSR, HIA 2



Source: Council

Only a small number of lots are proposed for density greater than FSR 2.2:1 - in Lilyfield, Petersham and Leichhardt.

Figure 4-4: Median Lot Size (sqm) of Torrens Title Lots by Location

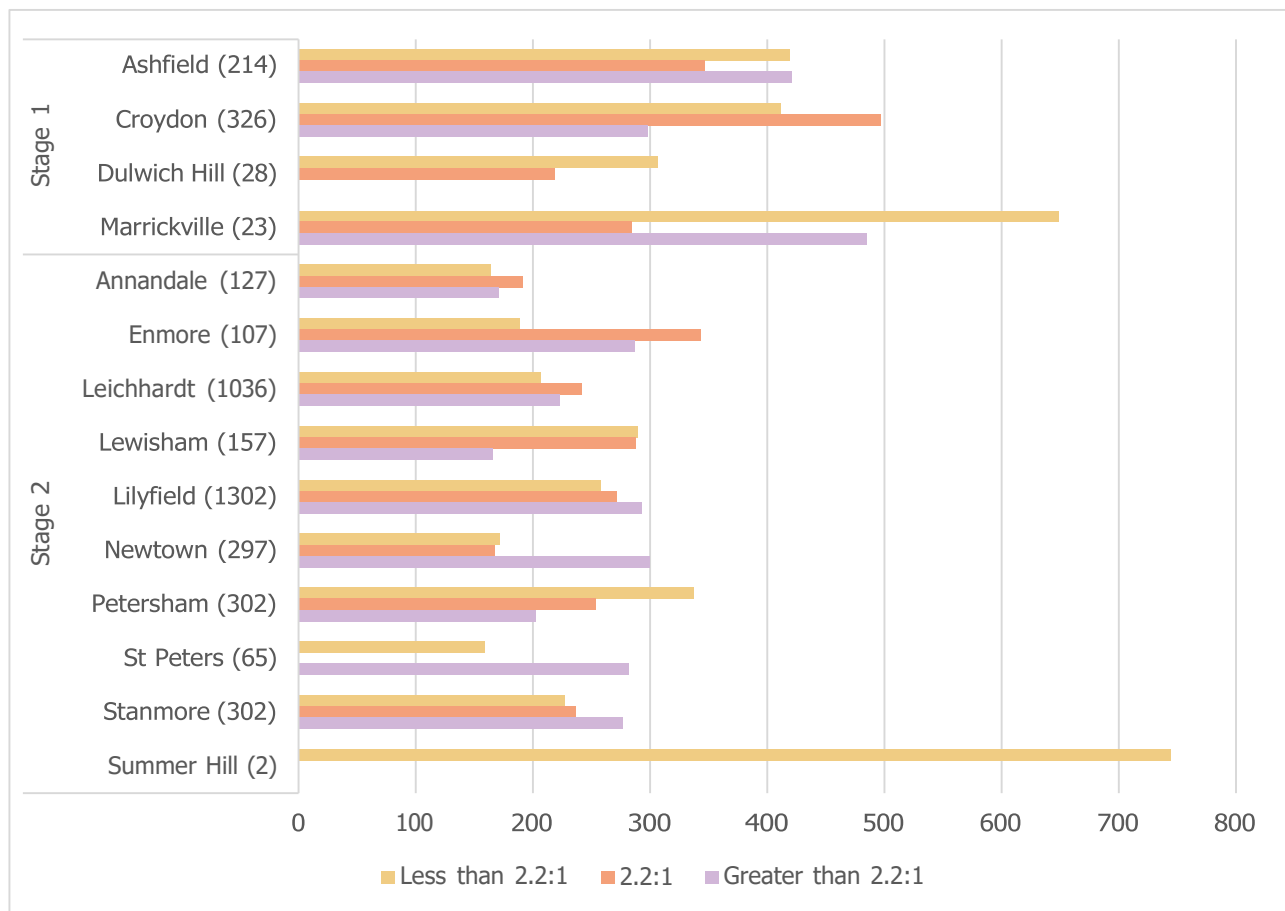


Source: Council Figure in brackets denotes number of Torrens title lots.



Figure 4-5 graphs median lot size against proposed density (FSR).

Figure 4-5: Median Lot Size (sqm) of Torrens Title Lots by Proposed FSR



Source: Council

*note figure in brackets denotes number of Torrens title lots

It is evident that the majority of median lot sizes falls between 200sqm and 400sqm. It is important to consider the number of lots proposed for increased development capacity against the density envisaged. Higher densities are generally envisaged in areas where there are fewer Torrens title blocks.

The patterns of tenure, ownership and median lots sizes have direct implications for 'feasible capacity' and 'deliverable capacity'.

4.2.2 Estimates of Take-up

Estimates of development take-up are developed under two scenarios:

- Baseline Scenario - which is subject to the LEP, TOD and LMR planning controls.
- Our Fairer Future Plan 2 - implementation of alternate planning controls in the Study Area.

In both scenarios, a 2% Affordable Housing contribution requirement is assumed.

The estimates of development take-up have regard to:

- Lot and ownership patterns and consequent implications for site consolidation and the cost of land.
- The feasibility of development under the Baseline Scenario and Our Fairer Future Plan.
- Known development activity by precinct.

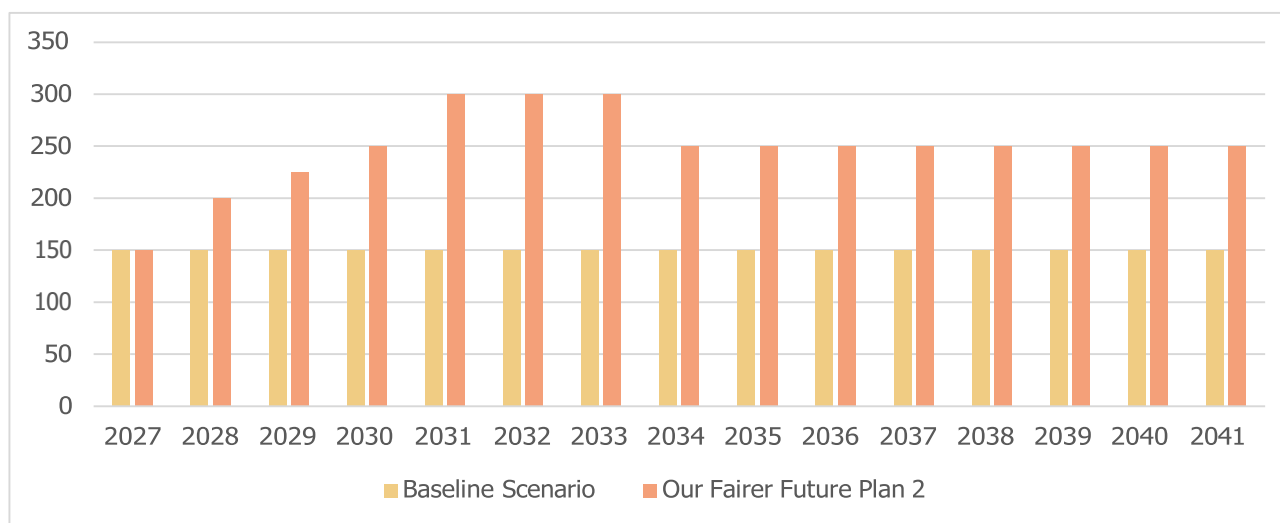
The Study highlights the estimate of development take-up seeks to demonstrate difference between the Baseline Scenario and Our Fairer Future Plan 2, including development activity that may already be planned or in the pipeline.

The estimate of take-up commences in 2028. It is assumed that the planning controls to implement Our Fairer Future Plan would be effective in 2027, with development applications received from 2027.



Figure 4-6 illustrates estimates of annual take-up in the Study Area. The two scenarios (Baseline and Our Fairer Future Plan 2) are mutually exclusive, i.e. they represent a set of planning controls independent of each other.

Figure 4-6: Estimate of Annual Take-up, Study Area (2026-41)



Source: Atlas

Compared to the Baseline Scenario, Our Fairer Future Plan is expected to result in a greater pace of take-up. This is because greater density is enabled in targeted areas, particularly around town centres and transport hubs.

Under the Baseline Scenario and since the TOD and LMR controls were made, there has been negligible take-up of the planning reforms. The modest rate of take-up (in Figure 4-6) arises from development under the LEP controls.

Under Our Fairer Future Plan, the take-up of development is expected to gather momentum following gazettal, with 'low-hanging fruit' picked first. As feasible and deliverable opportunities are exhausted, the take-up of development is expected to temper to a long-term steady pace.

4.3 Implications for Our Fairer Future Plan 2

The take-up analysis indicates that the quantum of development that could be taken-up under Our Fairer Future Plan 2 would be greater than under the Baseline Scenario. This is primarily due to the targeted approach taken by Our Fairer Future Plan 2, which acknowledges the challenge associated with the high cost of land in the Study Area.

The Study Area is overall challenging for new development - due to generally fine grain lot and subdivision patterns and valuable existing uses. Our Fairer Future Plan 2 is expected to have greater market capacity for development, with greater likelihood of its theoretical capacity being taken up. Despite this, there will nevertheless be large portions of the Study Area where the theoretical capacity under Our Fairer Future Plan will remain unrealised.

The use of development incentives to encourage site consolidation and delivery of public infrastructure will assist with the financial feasibility of development and delivery of infrastructure needed to support housing growth.

In all scenarios, development take-up is anticipated to gather momentum in 2027/28 as new planning controls (pursuant to Our Fairer Future Plan 2) are made. Momentum is expected to build as the market begins to assemble sites and submit development applications. Development is expected to peak and subside as the 'easy' and low-hanging fruit is picked. Over the longer term, the pace of development is expected to slow, a reflection of the 'more difficult' development sites that remain.

The Study acknowledges the uncertainty associated with the development pipeline. The Study assembles various sources of information as available, having regard to known development activity/ interest and the commercial realities of development. Professional judgement is applied in developing the take-up estimates. They are not a forecast and should not be viewed as such.

The Study reiterates that there are supply-side limitations to the volume of development that can be undertaken at any given time. The supply of labour, materials and capital collectively work to limit the quantum of capacity taken up and delivered. Notwithstanding the uncertainties associated with development take-up, the Study's analysis demonstrates that development capacity under Our Fairer Future Plan 2 has much better prospect of take-up compared to the Baseline Scenario (which includes the TOD and LMR planning controls).



References

DPHI (2026). *Housing Supply Dashboard*. Accessible here: <https://planning.nsw.gov.au/data-and-resources/housing-supply/housing-supply-dashboard>

DPHI (2021). *BASIX Dwelling Certificates 2011-2020*. Accessible here: https://www.planningportal.nsw.gov.au/opendata/dataset/basix_dwelling_certificates_2011-2020





Beyond the
horizon thinking.

SCHEDULE 1

Analysis of Market Activity

The analysis of market activity underpins the assumptions adopted in the generic feasibility testing.

Existing-use Values

The Inner West accommodates a range of existing uses, including detached dwellings, strata-titled unit blocks and low-rise retail and commercial uses. Each of these typologies have been analysed and is presented below.

RESIDENTIAL

The analysis of existing-use values of single dwellings shows a distinct inverse relationship to block size. That is, the smaller the block size, the higher the sale price (on a rate per square metre of improved site area):

- Leichhardt, Lilyfield and Annandale:
 - Small blocks \$1.6m to \$2.5m (equivalent to \$10,000/sqm to \$15,000/sqm of overall improved site area).
 - Larger blocks \$2.2m to \$2.8m (equivalent to \$5,000/sqm to \$8,000/sqm of improved site area).
- Lewisham, Petersham and Stanmore:
 - Small blocks \$1.7m to \$2.8m (equivalent to \$7,000/sqm to \$13,000/sqm of overall improved site area).
 - Larger blocks \$2.5m to \$3.3m (equivalent to \$4,000/sqm to \$7,000/sqm of overall improved site area).
- Newtown and St Peters:
 - Small blocks \$1.7m to \$2.7m (equivalent to \$10,00/sqm to \$14,000/sqm of overall improved site area).
- Marrickville and Dulwich Hill:
 - Small blocks \$1.4m to \$2m (equivalent to \$7,000/sqm to \$11,000/sqm of overall improved site area).
 - Larger blocks \$2m to \$3.6m (equivalent to \$5,000/sqm to \$7,000/sqm of overall improved site area).
- Ashfield and Croydon:
 - Large blocks \$2.0m to \$3.5m (equivalent to \$4,00/sqm to \$7,000/sqm of overall improved site area).

Within the Study Area, the suburbs of Annandale, Newtown and St Peters generally have smaller block sizes and accordingly display higher property values on a per square metre site area basis.

For existing apartment blocks, a price hierarchy is observed according to whether the blocks are held under Torrens title or strata title, and whether they are new or older.

- Torrens title blocks trade at the lower end of the range - \$10,000/sqm to \$12,000/sqm of improved site area.
- Strata title blocks (if sold in one-line) are more expensive - \$15,000/sqm to \$30,000/sqm of improved site area. Newly completed apartment blocks are naturally more expensive to purchase.

The analysis of existing residential property sales is relevant as they influence the cost of land for development.

COMMERCIAL

For commercial property, existing-use values depend on the location and scale (e.g. number of storeys, site coverage, etc.). An analysis of sales indicates a range \$5,000/sqm to \$15,000/sqm of improved site area.

Retail shopfronts are the most common type of commercial property in the Inner West.

Strip retail property on small allotments is observed to be as high as \$15,000/sqm of improved site area, while larger commercial property can trade for prices equivalent to \$5,000/sqm to \$9,000/sqm of improved site area.

Similar to residential property, a distinct inverse relationship between block size and sale price is observed. That is, the smaller the block, the higher the sale price on a rate per square metre of site area basis.

The analysis of completed floorspace (residential and non-residential) assists with estimating the prices (or end sale values) of completed (built) product which could be achieved.



RESIDENTIAL

An analysis of apartment sales is carried out to understand the likely end sale values of (new) residential product. The sales are analysed on a net saleable area (NSA) basis.

Table S1-1: Sales Activity of New and Off-the Plan Apartments

ADDRESS	SALE PRICE (DATE)	NET SALEABLE AREA (\$/SQM)	COMMENTS
141 Allen St, Leichhardt (Ara) Ara is a 3-5 storey residential development comprising 139 apartments. Spread across six buildings, the development was completed in 2023 with 1-bedroom, 2-bedroom and 3-bedroom units still for sale.			
G08/224 Flood St	\$925k (Mar-26)	52sqm (\$17,788/sqm)	Ground level apartment with 1 bedroom, 1 bathroom and 1 car space.
F502/141 Allen St	\$2.8m (for sale)	102sqm (\$27,353/sqm)	Top floor apartment with 3 bedrooms, 2 bathrooms and 2 car spaces. The rooftop terrace provides views of Sydney CBD. Apartment is yet to sell.
328-336 Liverpool Road, Ashfield (AshLife) AshLife is on the fringe of the Liverpool Road retail strip and around 500m from the Ashfield train station. The project comprises a total of 86 apartments across seven storeys.			
G09/328-336 Liverpool Rd	\$1.95m (Mar-26)	79sqm (\$15,127/sqm)	Ground level apartment with 2 bedrooms, 2 bedrooms and 1 car space. The apartment has a large outdoor area of 231sqm.
706/328-336 Liverpool Rd	\$1.48m (Mar-26)	95sqm (\$15,526/sqm)	Top floor apartment with 3 bedrooms, 2 bathrooms and 2 car spaces. It features an 18sqm balcony with skyline views.
138-152 Victoria Road, Rozelle (Rozelle Village) Rozelle Village occupies the former Balmain Leagues Club and is currently marketed off-the-plan as a mixed use development across 16 storeys. The development will comprise 227 dwellings with a mix of studios (2), 1-bedroom (28), 2-bedroom (126) and 3-bedroom (68) apartments. Rozelle Village will include a Coles supermarket and shops on the ground level. Rozelle Village is a unique development given the availability of harbour views and its retail amenity proposition.			
Studio	\$950k (for sale)	46sqm (\$20,652/sqm)	Lower level studio is offered without a car space. This is indicated to be an entry level studio within Rozelle Village.
3 bedroom unit	\$3.68m (for sale)	126sqm (\$29,167/sqm)	Mid-tier 3 bedroom unit with 2 bedrooms and 1 car space. This apartment is indicated to include harbour views.
186 Victoria Road, Marrickville (Wicks Place) Wicks Place is a mixed-use development completed in 2024. The TOGA development comprises a total of 272 apartments across five buildings with up to 12 storeys. The ground level includes a Harris Farm Markets and shops across 2,616sqm.			
503/186A Victoria Rd	\$820k (Jul-25)	52sqm (\$15,769/sqm)	Generously sized 1 bedroom apartment without a car space. Located on the 5 th floor, the north facing apartment has district views overlooking Wicks Park.
123/186C Victoria Rd	\$1.4m (May-24)	86sqm (\$16,279/sqm)	Ground level apartment with two oversized bedrooms, 2 bathrooms and 1 car space.
825-829 New Canterbury Road, Dulwich Hill (Zara) Zara is a 4 storey apartment building comprising 18 units. Construction was completed in 2025 with one 2 bedroom unit currently being marketed for sale.			
302/825-829 New Canterbury Rd	\$1.67m (Nov-25)	97sqm (\$17,268/sqm)	Third floor apartment features 3 bedrooms, 2 bathrooms and 1 car space. The unit includes a north facing balcony of 21sqm.
A401/825-829 New Canterbury Rd	\$2.13m (Apr-26)	118sqm (\$18,008/sqm)	Top floor apartment with 3 bedrooms, 2 bathrooms and 2 car spaces. The whole floor apartment includes a large wraparound balcony of 109sqm.

Source: Atlas

End sale prices achieved will be influenced by location, height/ views and amenity available. Based on an analysis of sales activity, end sale values can be grouped by location as follows:

- Waterfront (Rozelle and Lilyfield) - \$17,000/sqm to \$25,000/sqm NSA.
- North (Annandale and Leichhardt) - \$15,000/sqm to \$20,000/sqm NSA.
- Central (Marrickville, Dulwich Hill, Lewisham, Petersham and Summer Hill) - \$15,000/sqm to \$20,000/sqm NSA.
- West (Ashfield and Croydon) - \$12,500/sqm to \$17,500/sqm NSA.



The availability and quality of views alongside on-site amenity influence the prices that could be achieved for completed residential floorspace. The development at Rozelle Village is an example, where the combination of harbour views and expected on-site amenity (retail and leisure offer) translates to higher values (in excess of \$25,000/sqm of internal area) compared to locations that lend themselves to a more basic product.

NON-RESIDENTIAL

An analysis of retail and commercial sales is carried out to estimate the likely end sale values of retail and commercial floorspace in the Inner West. Sales are analysed on a Net Lettable Area (NLA) basis and presented in Table S1-2.

Table S1-2: Sales Activity of Retail/ Commercial Suites

ADDRESS	SALE PRICE (DATE)	LETTABLE AREA (SQM)	ANALYSIS (\$/SQM)	COMMENTS
G03, 1-5 McGill St Lewisham	\$715k May-25)	75	\$10,000	Ground level space with tenant in place.
132 Marion St Leichhardt	\$1.3m (Nov-21)	96	\$13,333	Single level shopfront with gross passing income of \$84k (equating to a gross passing yield of 6.5%).
96 Audley St Petersham	\$2.0m (Nov-21)	149	\$13,423	3 tenants with net passing income of \$70k (equating to a net passing yield of 3.5%).
555a King St Newtown	\$1.5m (May-26)	178	\$8,713	2 storey building sold as vacant possession with ground retail and a residential unit above.
Shops 1-4, 111-115 Percival Rd Stanmore	\$2.0m (Dec-21)	204	\$10,049	3 tenants with net passing income of \$124k (equating to a net passing yield of 6%).
6/641-647 King St St Peters	\$2.0m (Oct-25)	222	\$9,144	Single level shopfront with gross passing of \$117k (equating to a gross passing yield of 5.8%).
402 Catherine St Lilyfield	\$4.6m (Dec-21)	617	\$7,374	IGA sold with a lease until December 2029 (with three 5-year options).

Source: Atlas

Prices paid for retail and commercial suites across the Inner West are observed as follows:

- High foot-traffic area - \$10,000/sqm to \$15,000/sqm lettable area.
- Low foot-traffic area - \$8,000/sqm to \$10,000/sqm lettable area.

All things being equal, the larger the floorspace the lower the rate achievable.

Depending on location and exposure of the property, non-residential floorspace could conceivably achieve rates of \$10,000/sqm to \$15,000/sqm lettable area.

Development Site Sales

To understand the price a developer could be prepared to pay for a development site in the Inner West, an analysis of a selection of development site sales is outlined in Table S1-3.

Table S1-3: Analysis of Inner West Development Site Sales

ADDRESS	SALE PRICE (DATE)	SITE AREA (GFA, FSR)	ANALYSIS (\$/SQM GFA)	COMMENTS
2C Gladstone St Newtown	\$9.6m (Oct-23)	1,330 (2,702, 2.0)	\$3,553	Site zoned E3 Productivity Support. Mixed-use development approved for 12 apartments and commercial space of 1,454sqm.
2 Hay St Leichhardt	\$4.3m (Dec-25)	1,132 (1,132, 1)	\$3,807	Vacant E1 Local Centre site sold without approval. The site is within 150m of Norton Street.
129-155 Parramatta Rd & 53-75 Queens Rd Five Dock	\$260m (2023)	31,300 (128,173, 4.09)	\$2,029	MU1 Mixed Use zoned site was purchased with approval. The site was occupied by various warehouses.
149-163 Milton St Ashbury	\$45.0m (Jun-23)	16,450 (17,578, 1.06)	\$2,560	Site zoned R4 High Density Residential. Sold with approval for 68 townhouses and 59 apartments.



ADDRESS	SALE PRICE (DATE)	SITE AREA (GFA, FSR)	ANALYSIS (\$/SQM GFA)	COMMENTS
				The 127 dwelling project is located adjacent to W H Wagner Oval.
328 Liverpool Rd Ashfield	\$11.0m (Aug-19)	3,170 (5,657, 1.78)	\$1,944	R3 Medium Density Residential. Sold as strata unit complex and medical clinic without approval.
843 New Canterbury Rd Hurlstone Park	\$3.5m (Jul-19)	815 (1,426, 1.75)	\$2,479	E1 Local Centre. Sold as a single dwelling with approval.
378 Liverpool Rd Ashfield	\$4.6m (Jul-21)	848 (1,696, 2)	\$2,712	MU1 Mixed Use. Sold vacant and without approval.

Source: Atlas

The prices paid for development sites are driven by similar drivers to the end sale values of residential floorspace. That is, a key driver of the prices of development site sales is the location and planning controls (height limitations) which can enable quality views.

There is a distinct grading of prices paid for development site opportunities, as follows:

- Leichhardt and Newtown - \$3,000/sqm to \$4,000/sqm GFA.
- Five Dock, Ashfield, Ashbury and Hurlstone Park - \$2,000/sqm to \$3,000/sqm GFA.

The observations drawn from the analysis of market activity underpins the inputs and assumptions made in the feasibility analysis.



SCHEDULE 2

Generic Feasibility Testing Assumptions

Methodology

The financial feasibility analysis relies on the Residual Land Value approach. The approach involves assessing the value of the completed product, making a deduction for development costs and making a further deduction for profit and risk while ensuring the project achieves a target profit margin and target return (or the 'target hurdle rates').

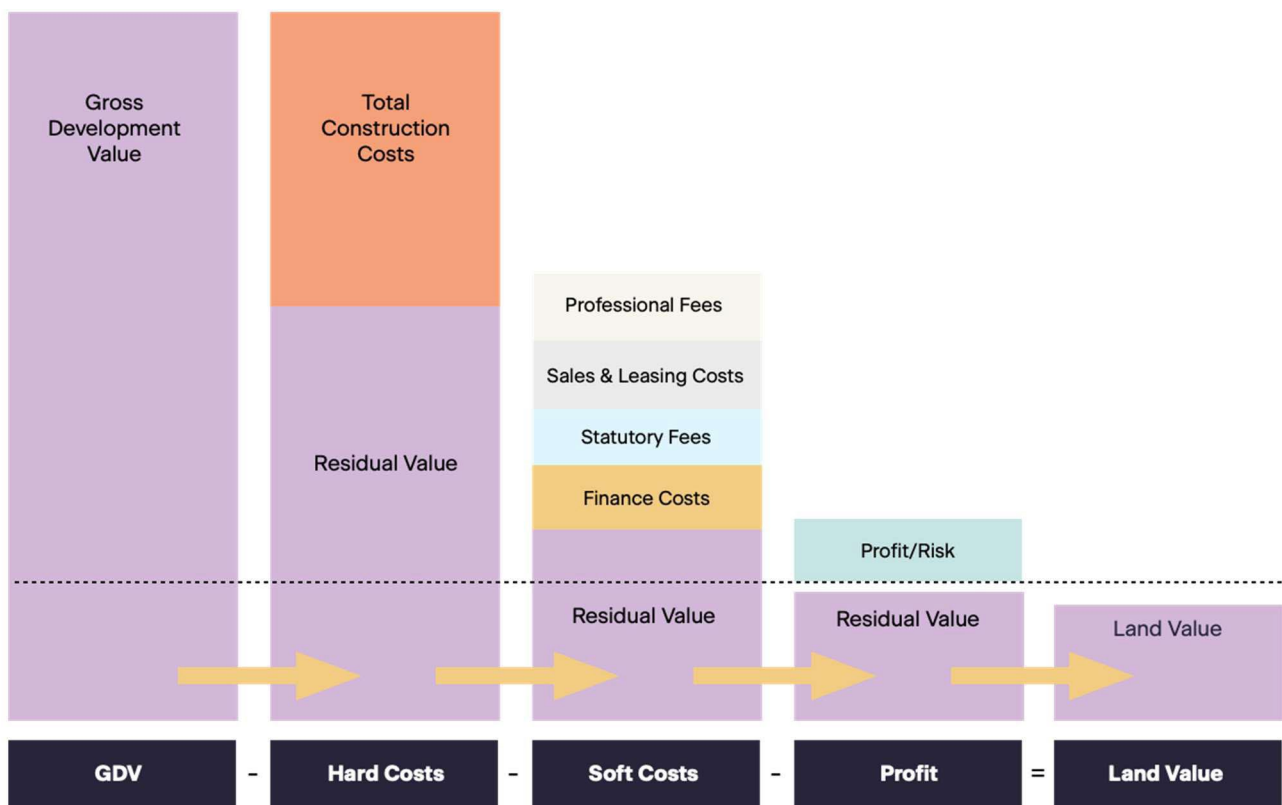
The amount that a development can afford to pay for land is a 'residual', i.e. the amount that remains after development costs are deducted and target hurdle rates are achieved. The residual land value (RLV) is therefore the maximum price a developer would be prepared to pay for a site for the opportunity to develop under the planning controls whilst achieving target hurdle rates.

For there to be an incentive to develop, the RLV must exceed the cost of land. The cost of land includes: a site's existing value which is influenced by its improvements and ownership patterns, and the costs that may be necessary to secure vacant possession (e.g. incentive premium/s to landowner, lease break payments).

Accordingly, the value of existing uses, premium and any other costs that a developer may need to be pay to consolidate a development site, are fundamental to the feasibility equation of new development.

Figure S2-1 illustrates the concept of Residual Land Value (also known as the Hypothetical Development) approach.

Figure S2-1: The Residual Land Value Method



Source: Atlas

SELECTION OF SITES FOR TESTING

The Study reviews the nature of planning change in the Study Area and the patterns of existing uses, and identifies a selection of sites for generic feasibility testing. The sites selected are intended to be representative of sites that would be subject to amended planning controls within the Study Area.

Notional development yields are formulated for the selected sites. The cost to purchase individual properties (including an incentive premium) within a development site is estimated from research into market sales activity.



There are three key steps in the generic feasibility testing:

- Step 1: Assess the 'as is' value of a selected site under the current planning framework including an incentive premium a developer would likely need to pay in addition to secure the site.
- Step 2: Carry out feasibility modelling to identify the RLV of a development site (at the assumed testing parameters and planning obligations). If the RLV is higher than the assumed cost of land (in Step 1), the tested development typology is feasible to develop. If the RLV is lower than the assumed cost of land, there will be no incentive for a change in use and the site will remain 'as is'. The step is referred to as the 'baseline feasibility'.
- Step 3: If feasible, iteratively test for affordable housing contributions that could be made. Affordable housing contributions can be made as a completed dwelling/s (effectively representing sales revenue that is forgone) or as an equivalent monetary contribution.

The purpose to assess if development under Our Fairer Future Plan (and associated planning obligations) is feasible.

ASSUMPTIONS AND LIMITATIONS

The Study carries out a generic feasibility assessment which makes a number of assumptions to enable observations to be made at an aggregate level across the Study Area. The following limitations are highlighted:

- It is not practically viable to examine the feasibility of every site. Sample sites are selected and notional development typologies are assumed for generic feasibility testing.
- Generic feasibility testing is based on high-level revenue and cost assumptions and does not consider site-specific nuances typically considered in detailed feasibility analysis.
- A desktop appraisal of 'as is' or existing property values is carried out without the benefit of site inspections or property-specific financial information (e.g. rental income, lease break clauses). The estimate of existing property values is made in the absence of site-specific information and is accordingly high-level and indicative.

The observations of the generic feasibility testing are aggregated to consider the capacity of development in the Study Area to contribute to affordable housing, on-site community infrastructure (where relevant) and specified land use outcomes.

Testing Assumptions

TESTED SCENARIOS

The Study develops hypothetical development scenarios for the purposes of testing the feasibility of the sites selected and their capacity for affordable housing contributions (if any).

A selection of sites is tested to examine if development is likely to be feasible, and if so, the capacity of development to contribute to affordable housing, on-site community infrastructure (where relevant) and specified land use outcomes. The notional development yields for feasibility testing are shown in Table S2-1.

Table S2-1: Development Typologies

DEVELOPMENT TYPE	TOTAL FSR	NO. STOREYS
RESIDENTIAL FLAT BUILDING (RFB)	2.2:1, 2.5:1	7-8
	3.0:1	12
MIXED USE DEVELOPMENT (MXU), SHOP TOP HOUSING	1.8:1	4
	2.2:1, 2.5:1	6-8
	4.0:1, 4.5:1	12-18

Table S2-2 illustrates the assumed unit mix and sizes. An efficiency ratio of 85% to gross floor area (GFA) is adopted.

Table S2-2: Unit Mix and Average Unit Sizes

UNIT TYPE	UNIT MIX	NET SALEABLE AREA (NSA)
1-BEDROOM	20%	60
2-BEDROOM	60%	80
3-BEDROOM	20%	100

Source: Atlas



REVENUE ASSUMPTIONS

Revenue assumptions are developed based on a market appraisal undertaken. Based on an average unit net saleable area of 80sqm, average residential end sale values for each precinct are outlined in Table S2-3.

Table S2-3: Key Revenue Assumptions

STUDY AREA	REVENUE (\$/SQM INTERNAL AREA)	AVG. PRICE RANGE
ANNANDALE, LEICHHARDT, STANMORE	\$16,000 to \$18,000	\$1,280,000 to \$1,440,000
DULWICH HILL, LEWISHAM, PETERSHAM	\$15,000 to \$17,000	\$1,200,000 to \$1,360,000
ASHFIELD, CROYDON	\$14,000 to \$16,000	\$1,120,000 to \$1,280,000
NEWTOWN, ST PETERS	\$13,000 to \$15,000	\$1,040,000 to \$1,200,000
LILYFIELD	\$18,000 to \$20,000	\$1,440,000 to \$1,600,000

Other revenue assumptions:

- GST is included on the residential sales.
- Transaction costs of 5.5% on land purchase cost.
- Sales and marketing costs at 2.5% of gross residential sales and 1.5% of non-residential sales.

COST ASSUMPTIONS

Cost assumptions are adopted based on cost publications and professional experience.

- Demolition at \$100/sqm estimated building area.
- Residential construction at \$4,000/sqm to \$5,500/sqm GBA (which is grossed-up from GFA at 115%).
- Balconies are assumed at \$1,000/sqm.
- Basement car parking at \$100,000 per car space.
- Construction contingency at 5%.
- Professional fees and application fees at 10% of construction costs.
- Statutory fees, charges, levies and contributions:
 - DA and CC fees at scheduled rates.
 - Long service levy of 0.25% of construction costs.
 - s7.11 contributions at \$20,000 per dwelling.
 - Housing and Productivity contributions at \$10,812/dwelling.
 - Water infrastructure charges at \$888 per equivalent tenement (ET). This is assumed to be equivalent to \$710 per apartment, based on a unit conversion rate of 1 ET per 0.8 apartments.
- Finance costs: Interest capitalised monthly at 6% per annum.

HURDLE RATES AND PERFORMANCE INDICATORS

Target hurdle rates are subject to perceived risk of a project (planning, market, financial and construction risk). The higher the project risk, the higher the hurdle rate. The following performance indicators are relied upon:

- Development margin is profit divided by total development costs (including selling costs). A target margin of 20% is adopted.
- Residual Land Value is arrived at by assessing the maximum land value a developer is willing to pay based on both hurdles of development margin and discount rate being met.

If after making affordable housing contributions and a development achieves the hurdle rates, the development is considered financially feasible.



