Franklin St.

28th August 2025

Planning Review: Unit Typologies

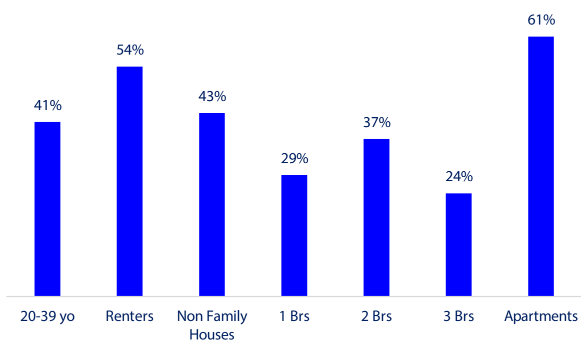
SITE A, CROWS NEST, SYDNEY

CROWS NEST: STARVED OF STUDIOS

This report outlines that the proposed Build-to-Rent development in Crows Nest is necessary, appropriate, and beneficial for the local area and the North Sydney Council as discussed below:

- The Crows Nest housing market is characterized by a large proportion of single households, high rental demand, and a shortage of small dwellings. This development directly addresses that gap by delivering over 500 new market rental apartments geared towards that segment.

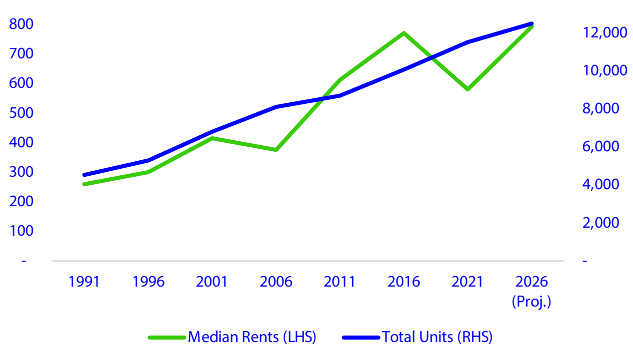
Crows Nest Demographics



- There is clear evidence of demand for studio and one-bedroom rentals in this location, driven by young professionals, students, and key workers who are currently underserved by new housing supply. At the same time, affordability challenges make the lower rents of studios highly attractive and socially beneficial.

- The median weekly rent in Crows Nest (all units) has increased by 7.5% annually for the past 3 years, reflecting a post-COVID dislocation where demand has rebounded, but new supply remains constrained. The outcome has been record-high rents and declining affordability.

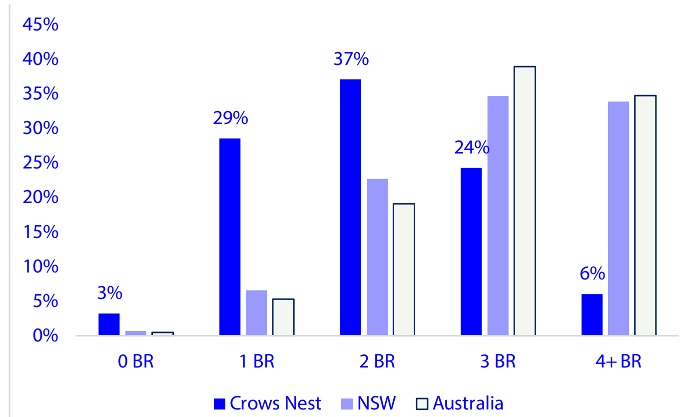
Rents Outpacing Supply



- According to 2021 Census data, out of ~2,345 occupied dwellings in Crows Nest, only 76 were studios (no bedroom) – that is just 3.2% of the housing stock. For the North Sydney Council overall, studios were about 3.0% of dwellings (950 out of ~32,146). The historical undersupply of studios in Australia is a market failure attributed to the Build-to-Sell model's funding constraints.

- The next graph puts the lack of Studio's into perspective and shows the work required to create a diverse housing market. The Build-to-Rent model, as employed in this proposal, effectively overcomes these limitations – enabling the inclusion of 31% studios without compromising financial viability or quality.

Dwelling Size Distribution by Bedrooms (2021 Census)



- Although a project consisting of 86% small unit typologies may seem disproportionately comprised of these formats, it is justified in this specific context because other developments in the area are delivering the family-sized units, whereas virtually none are delivering studios. In essence, our project will complement the overall mix of housing in the precinct.

- The proposed 31% studio mix is justified on planning grounds as it supports housing diversity and affordability, consistent with NSW Government objectives under the Housing SEPP (2021). The policy allows flexibility in apartment mix for Build-to-Rent projects, supported by Section 4K of the Apartment Design Guide. In Crows Nest—a designated TOD precinct—this approach delivers well-designed, smaller units in a high-amenity, transit-rich location. The inclusion of studios aligns with State goals to increase diverse, affordable housing around key transport hubs.

Overall, the proposal represents a well-considered response to local housing needs, offering a planning outcome that is in the public interest.

It leverages the Build-to-Rent model to achieve what traditional developments can't – a significant supply of quality studio apartments in inner Sydney – and in doing so, helps address housing affordability and supply challenges with over rail station housing.

North Sydney Council is actively facilitating urban growth while defending diversity and liveability. This Build-to-Rent project supports that ambition by delivering a well-considered mix of small-scale, inclusive housing that enhances community amenity, sustainability, and social cohesion.

Source: Australian Bureau of Statistics, SQM Research

LOCAL DEMOGRAPHICS AND HOUSING NEEDS

Population and Household Characteristics

Crows Nest and the broader North Sydney Council (NSC) exhibit demographic patterns that drive the need for smaller, affordable dwellings.

Young Adult Population:
The area is home to a large number of young adults. The median age in NSC is 38 (about 1 year younger than the NSW median), and Crows Nest median age is just 36.

A significant share of residents are in the 20–39 age brackets – for example, 41% of Crows Nests population is 20–39. This “young working adult” demographic typically consists of students, singles and young professionals, often prioritizing inner-city living and more likely to rent.

High Proportion of Singles and Small Households:
Crows Nest has an exceptionally high rate of single-person households. In the 2021 Census, 38.5% of Crows Nest households were loneperson households, compared to only about 25% across NSW.

North Sydney Council overall is also elevated at 38.6% single-person households. Further, over half of all households (51.8%) in Crows Nest consist of couples with no children.

This indicates a strong local demand for one-bedroom and studio apartments, as most households do not require multiple bedrooms, nor do they, or can they, pay for them. The prevalent household types in the area (singles, childless couples, share-houses) align with smaller dwellings and the proposed unit mix.

Predominantly Rental Population:
The broader LGA has far more renters than the metropolitan average. In Crows Nest, 54.2% of occupied dwellings are rented (private or social) – nearly double the state average of ~32.6% The implication is a strong market for rental accommodation and a municipal interest in ensuring sufficient rental housing supply. Build-to-Rent directly responds to this, delivering dedicated rental stock in a city where renters are the norm.

Socio-Economic Mix and Housing Stress:
The LGA is characterized by a mix of higher-income professionals and lower-income residents. On average, Crows Nest residents have relatively high incomes (median household income ~$3,773/wk, nearly double the NSW average), and levels of education, yet about 25.3% of Crows Nest households experience housing stress (paying >30% of income on housing).

The presence of many single-income households means even moderate rent levels can strain budgets. There is thus a clear need for more affordable rental options in the area, especially for single persons (who generally have lower total household income than dual-income couples).

Population Growth and Urban Renewal:
Crows Nest is undergoing structural change driven by population growth, infrastructure investment, and rezoning. While Census data shows modest growth of around 3.7% between 2016 and 2021, the area is now positioned within one of Sydney’s key Transport-Oriented Development (TOD) precincts, with State-led rezoning enabling higher density residential outcomes alongside the new Metro station.

Forecasts indicate the Crows Nest–St Leonards corridor will deliver the highest volume of new dwellings in the North Sydney LGA by 2036—approximately 1,242 dwellings, a 29% uplift in housing stock. Despite this pipeline, demand continues to outpace supply, with Inner Sydney vacancy rates persistently in the 1.5–2.0% range, well below equilibrium.

These conditions make Build-to-Rent a critical intervention, providing institutional-grade, well-managed rental stock where it is most needed. In particular, the strong prevalence of single-person and couple-without-children households, combined with affordability pressures, justifies a higher proportion of studios.

Smaller, well-designed dwellings directly respond to the demographic profile of the area and align with State and Council objectives to deliver diverse, accessible housing in well-connected locations.

Rental Vacancy Rates

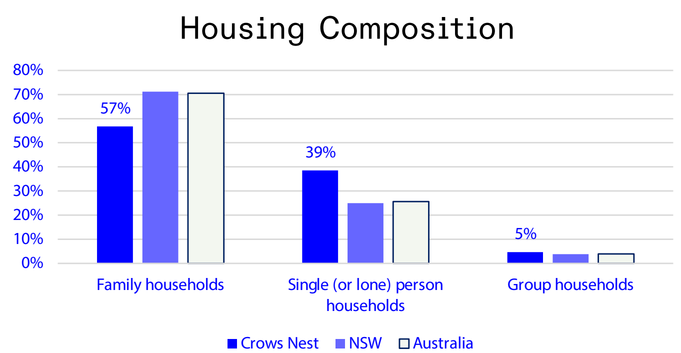
Source: SQM Research, ABS

Demand for Smaller Housing Types

Given the above demographics, it is evident that demand for small apartment typologies (studio and 1-bedroom) in the area is high. Several points underscore this demand:

Mismatch Between Household Size and Dwelling Stock:
A comparison of household composition versus the existing dwelling mix suggests an undersupply of small dwellings. In Crows Nest, 43% of households are either single persons or share-house groups, yet only about 32% of the housing stock has zero or one bedrooms. The vast majority of current dwellings have 2 or more bedrooms (e.g. 37% are 2BR units).

In the broader LGA, only ~25% of dwellings are 0-1 bedroom (3% Studios, 22% 1-Bedroom), whereas ~39% of households are single persons. This discrepancy means many one-person households end up occupying larger units (and paying higher rents) than they might ideally need, simply due to lack of choice.



The data points to latent demand for more studios and one-bed apartments to better align housing supply with the smaller household sizes and budgets.

Rental Market Indicators:
The popularity of inner-north areas like Crows Nest among renters is extremely high.

Crows Nest, with its proximity to the CBD and strong transport links, experiences significant rental pressure. The high demand for share accommodation and room rentals is effectively a proxy for unmet demand for small, affordable self-contained units. Many renters would prefer a private studio if one were available at an accessible rent.

The rental crisis (low vacancies, soaring rents) is pushing more people to seek compact living arrangements in accessible locations, exactly what this development provides.

Council Housing Strategy:
North Sydney Council's housing strategies and submissions on State-led rezoning emphasise the need for diversity in new housing, including smaller dwellings, to meet the needs of singles, couples without children, and downsizers. Council has acknowledged that a balanced mix of apartments is essential for affordability and choice in the LGA, especially in precincts such as Crows Nest where proximity to transport makes smaller formats highly suitable.

The proposed development directly answers this policy direction by introducing a large number of studios, a format historically scarce in North Sydney's new housing supply.

Market Affordability Factors:
The cost-of-living and housing affordability crisis is generating greater demand for smaller, more affordable units.

Many prospective tenants (students, service industry workers, recent graduates, etc.) who wish to live in Crows Nest cannot afford the median rent of a standard 1 or 2-bedroom apartment in a new development.

Studios, being smaller, are expected to have lower weekly rents, thus broadening the range of people who can live in the area.

Rental market evidence shows that one-bedroom rents in inner Sydney have been rising faster than larger units (up ~4.2% annually as of March 2025), highlighting intense competition for a limited pool of smaller dwellings. At the same time, national demographic trends confirm that single-person households are the fastest-growing household type, further driving long-term demand for studio-style housing.

The proposed BTR project will significantly boost the share of 0-bedroom (studio) dwellings in the local mix, addressing a segment that is currently underrepresented.

Precedent for Smaller Apartments as Solution:
There is growing acceptance that well-designed smaller units can be part of the housing affordability solution.

Industry research notes that compact apartments, when paired with high-quality shared amenities, provide a more affordable inner-city option without sacrificing liveability. The proposed studios adopt the principles of BTR: efficient private space supported by shared facilities. This model suits those who prioritise location and lifestyle over dwelling size—a common preference in inner Sydney markets.

The proposed studios emphasise this requirement for affordable housing: compact private space + great shared facilities = lower cost housing without sacrificing amenity. This model appeals to those who prioritize location and lifestyle over space, a common trade-off in inner Sydney.

The demand analysis clearly indicates a strong market need for the type of housing proposed –small, well-located rental apartments.

The development's dwelling mix is not only supportable but preferable in this context, as it will fill a niche (quality studios) that is currently not being met by the housing market in Crows Nest.

SUPPLY TRENDS AND UNDERSUPPLY OF STUDIOS

Dominance of Build-to-Sell Model and Its Limitations

Historically, nearly all apartment developments in Sydney (including North Sydney) have been Build-to-Sell (BTS), where developers construct units to sell individually to owner-occupiers or investors. This model has led to certain housing types being under-delivered – studios in particular – for several reasons:

Undersupply Evidence:
According to 2021 Census data, out of ~2,345 occupied dwellings in Crows Nest, only 76 were studios (no bedroom) – that is just 3% of the housing stock. For North Sydney Council overall, studios were also around 3% of dwellings (950 out of ~32,146).

These figures are minuscule, especially compared to the one-bedroom and two-bedroom stocks. It underscores that studios have barely been built in the last decade under the prevailing development model. In new projects across inner Sydney, studios often made up 0%–5% of total units, if any.

Even one-bedroom apartments have seen limited supply in recent years. Industry analysis shows a clear slowdown in BTS delivery of smaller apartments, with most of the recent supply of studios and 1-beds concentrated in BTR pipelines rather than BTS projects. This indicates that the BTS model is increasingly failing to produce the smaller formats demanded by renters, particularly singles.

Financing and Buyer Constraints:
Most banks impose minimum size thresholds for apartment mortgages, typically around 45–50 square metres internal area (not including balconies). Many lenders also require that an apartment have at least one separate bedroom (i.e. not be an open-plan studio).

Studios, by definition smaller and often open-plan, frequently fall below these thresholds and are deemed unacceptable security by lenders. This drastically shrinks the pool of potential buyers, as anyone needing a loan will struggle to finance a studio purchase. For example, units under 40 m² usually require a large deposit (20–30% or more) and attract lower loan-to-value ratios.

As a result, developers in a BTS context avoid building studios because prospective buyers can't get loans to buy them, making them harder to sell and thus a risk to project viability.

Market Preferences:
The traditional off-the-plan apartment market in Sydney has been geared either toward investors (who prefer units that are easy to rent out) or owner-occupiers (who often desire larger spaces).

Studios have often been viewed as less attractive for both groups: owner-occupiers typically want at least a one-bedroom for future flexibility, and investors historically favored one-bedroom units over studios due to the above financing issues and a perception of limited tenant market. Even when investors might be interested, many worry about resale value of an ultra-small unit in a BTS context. Thus, developers focusing on saleability have tended to provide mostly 1-bed, 2-bed, and some 3-bed units, largely omitting studios from the mix.

Planning/Design Disincentives:
Until recently, very small units were associated with poor design outcomes (e.g. inadequate light, ventilation, storage). The NSW Apartment Design Guide (ADG), supporting SEPP65 (now Chapter 4 of the Housing SEPP), provides minimum design standards to safeguard amenity, though notably no minimum size is mandated beyond the 35 m² threshold.

While councils previously expressed concern about "micro-apartments," there is now increasing recognition that well-designed studios form a legitimate part of the housing mix. Nonetheless, the legacy stigma has meant many BTS developers voluntarily steered clear of studios to avoid planning contention or perceived marketability issues—further entrenching undersupply.

Case Study – Recent BTR vs BTS Mix:
The contrast is clear when comparing BTR to BTS projects. Recent Sydney BTR proposals, such as those by major institutional platforms, commonly include 15–20% studios and a majority of one-bedrooms, reflecting genuine rental demand.

By contrast, a BTS project of comparable scale would rarely include more than 5% one-beds and almost no studios, with the mix skewed heavily toward 2-beds for owner-occupiers. State planning policies now explicitly allow BTR developers greater flexibility in unit mix, recognising their different purpose and user profile.

Trend Toward BTR

BTR developers design for the rental market's needs directly, rather than the constraints of individual unit purchasers. This has enabled new BTR schemes to deliberately include higher proportions of smaller units—responding to renters who need lower-cost options.

The NSW planning system has adapted to facilitate this, through the Housing SEPP (2021) and associated ADG provisions that allow flexibility in apartment mix for BTR projects. These reforms encourage models that deliver for single-person households, key workers, and downsizers who are otherwise underserved by the BTS pipeline.

As both Council and the State seek to tackle housing affordability, enabling BTR developments with non-traditional unit mixes (including a higher proportion of studios) is increasingly viewed as positive. Our proposal represents precisely this shift: a purpose-built, renter-focused project that fills a structural gap left by the BTS model.

JUSTIFICATION FOR HIGH PROPORTION OF STUDIOS

Why Build to Rent Enables More Studios

The Build-to-Rent structure of the project is fundamental to why such a high percentage of studios is viable and beneficial:

Single Ownership = No Individual Sales Necessary:
In BTR, the developer/investor retains ownership of all units and rents them out. This means there is no requirement to market and sell each apartment to individual buyers. The problematic lender restrictions that plague studio sales are irrelevant – the financing is based on the project's overall income and value, not on each unit's mortgage.

An institutional investor can obtain development finance and long-term loans based on the rental yield of the whole building. As long as there is rental demand (which we have demonstrated), the size of units is not a barrier. Thus, studios that would be "unsellable" in a BTS project become perfectly acceptable in a BTR. The proponent effectively sidesteps the 40m² loan rule that deterred studios

Design and Amenities Tailored to Renters:
A BTR developer plans the building program to appeal to renters' preferences, which are often different from owner-occupiers'. Renters may prioritize location, convenience, and lower cost, and may be willing to live in a smaller private space if the building offers compensatory features (like communal areas or furnished units).

This project will include shared facilities that extend the living space beyond the individual apartment – e.g. co-working space for those who work from home, communal lounge/kitchen for socializing, perhaps a rooftop or outdoor area. These amenities make studio living highly attractive, because tenants still have access to comfort and utility when needed, without paying for extra space they don't use full-time. This BTR will operate on exactly that principle of "community-focused shared spaces" to support compact living

Long-Term Investment Perspective:
Because the BTR operator will hold the asset for the long term, there is an incentive to ensure the unit mix matches enduring rental demand and that all units remain leasable with low vacancy. The analysis clearly indicates enduring demand for studios (singles are not going away as a demographic).

By including many studios, the building taps into a broad tenant pool (students, single professionals, couples starting out, etc.). The long-term nature also means the developer will ensure the studios are of good quality (to reduce maintenance issues and churn) and can adjust rents over time to maintain full occupancy.

This differs from a BTS developer who might worry that too many small units will depress their upfront sales prices. In BTR, if studios prove very popular, it simply results in stable occupancy and steady rental yield – a desirable outcome for the owner.

Meeting Market Needs and Policy Objectives

Delivering this many studios through BTR is not only feasible, but also strategically advantageous for meeting various housing objectives:

Housing Diversity and Choice:
The project materially expands the choice of dwelling types in Crows Nest. A single development delivering 160 studios would more than triple the number of studios in the suburb (from just 76 in 2021), yet still account for only ~1% of all dwellings in the LGA. This is a significant diversification of stock, ensuring singles and couples have an option beyond student lodgings or dated bedsits.

This aligns with NSW Housing SEPP objectives and the Apartment Design Guide (Section 4K), which explicitly allow flexibility in unit mix for BTR projects to respond to demographic need. It also reflects North Sydney Council's housing strategy, which emphasises housing diversity and the provision of smaller dwellings for single-person and couple households. Rather than every new project delivering a majority of 2-bedroom units for owner-occupiers, this project fills a clear market niche and complements surrounding developments that target family housing.

Affordability and Key Worker Housing:
By virtue of lower rents, studios effectively function as an affordability measure for the "missing middle" – households that don't qualify for social housing but are increasingly priced out of private rental markets.

Think of hospitality staff working in the Crows Nest dining precinct, recent graduates in North Sydney's office economy, or health workers at Royal North Shore Hospital. These are essential workers and community members who often have limited housing options close to employment. Well-designed, modern studios in a managed BTR asset provide an ideal solution, and are a model increasingly adopted in global cities facing housing pressure.

The result is not only affordable rental housing in an inner-Sydney location, but the preservation of a socially mixed community.

In conclusion, the BTR model is not only suitable but advantageous for delivering the proposed unit mix. It overcomes the financing and market barriers that have historically prevented studios, and it directly targets the demographic need present in Crows Nest.

The justification for 31% studios lies in the convergence of: local demand, policy support for diversity, the ability of BTR to maintain quality and financial viability, and the broader benefit of providing affordable rental options in an inner-city location.

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