

Doran Drive Precinct Housing Market Analysis



Deicorp

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Executive Summary

BACKGROUND AND OVERVIEW

Deicorp are progressing a development application (DA) (the Proposal) to facilitate a mixed use development at 2 Mandala Parade, Castle Hill (the Site) within the Showground Station precinct (the Precinct) in Castle Hill. The Proposal is prepared subsequent to a concept plan approval of a State Significant Development Application of three development blocks in the Precinct which includes the Site.

The Hills Shire Council (Council) takes a pro-active strategic planning approach of ensuring the delivery of housing opportunities in the right locations that is supported by appropriate services and infrastructure. Council's Local Strategic Planning Statement and draft Housing Strategy identify the importance of housing that is appropriate, diverse and affordable.

Part 9 of the Hills Local Environmental Plan 2019 (LEP) incorporates an incentive floorspace provision to encourage a stated mix of apartment types and sizes in the Showground Station Precinct. Large residential development sites in the Precinct can access incentive floorspace if the development provides for a certain dwelling mix and if a minimum proportion of dwellings are built to specified minimum internal floor area sizes.

The Site benefits from a concept approval (SSD-9653) for the Showground Station Precinct which was approved by the Minister for Planning in January 2021. The Proposal seeks approval to deliver a mixed use development as one of the three development lots in the SSDA concept approval. The Proposal does not seek to access the Clause 9.7 incentive floorspace clause in the LEP.

Notwithstanding the Proposal's non-reliance on Clause 9.7, Deicorp seek to understand if and how the Proposal would contribute to Council's requirements for housing to be appropriate, diverse and affordable.

Atlas Urban Economics ('Atlas') are engaged by Deicorp to prepare a Housing Market Analysis that investigates the need for the housing envisaged in the Proposal.

RESIDENTS AND DWELLINGS

The Hills LGA is characterised by a relatively homogenous housing market which consists of detached houses. Dwelling sizes are typically large (3+ bedrooms) catering for an equally homogenous buyer cohort of family households.

In 2016, separate houses accounted for 75% of dwellings in Castle Hill. In the apartment and townhouse market, approx. 70% were 3 and 4 bedroom dwellings. Studio and 1 bedroom dwellings accounted for less than 2% of total dwellings.

In terms of dwelling size (number of bedrooms), the Hills LGAs housing market is generally comparable to Greater Sydney, with 3-bedroom dwellings accounting for the majority of total stock at around 34%, though the Hills LGA has a larger concentration of 4-bedroom dwellings at 31% compared to 22% across Greater Sydney.

In Castle Hill however, smaller housing accounts for just 14.7% of total housing stock. This significantly in contrast to both the Hills LGA (33%) and Greater Sydney (31%).

Table ES.1 summarises the mix of dwelling sizes across Castle Hill at 2016.

Table ES.1: Dwelling Sizes (2016), Castle Hill

Dwelling Size	Castle Hill	The Hills LGA	Greater Sydney
0 or 1 bedrooms	3.7%	8.1%	7.8%
2 bedrooms	11.0%	24.8%	23.7%
3 bedrooms	23.8%	33.8%	32.1%
4 bedrooms	59.7%	30.9%	22.0%
Not stated	1.7%	2.4%	7.1%
Total	100.0%	100.0%	100.0%
Average bedrooms per dwelling	3.6	3.0	2.8

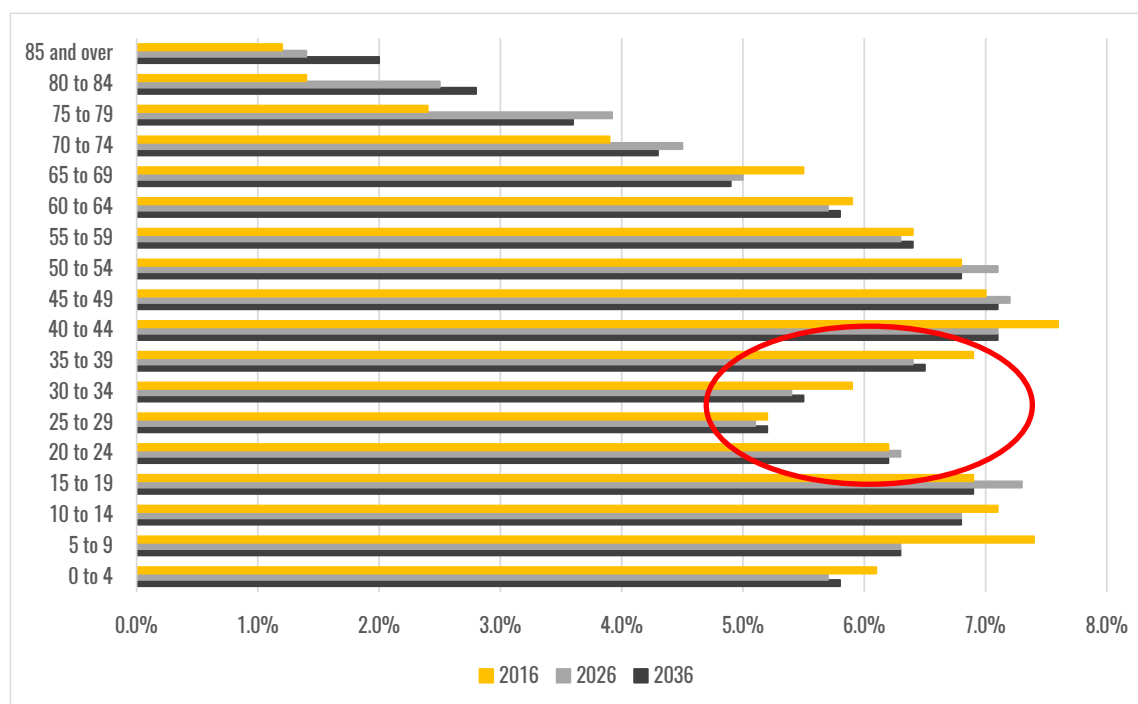
Source: ABS (2017)

Castle Hill's population is dominated by family households. The population is forecast to grow by some 9,000 additional residents over the 2016-2036 period (.ID). Around 50% of this growth is expected from residents aged 50 years and older. About a quarter (26%) of this growth is from residents aged 25 to 49 years.

Figure ES.1 shows a 'hole' in the 20 to 39 years age brackets (indicated by red circle) in Castle Hill. The forecasts anticipate that by 2036, the 'hole' will be even more pronounced with the proportion of residents in the 20 to 39 years age brackets reducing even further. These observations are mirrored at the Hills LGA level.

In its draft Housing Strategy, Council observed that young persons tend to move away from the Hills LGA conceivably due to a lack of employment opportunities and suitable housing. The population age profile data affirms this observation.

Figure ES.1: Population Forecasts by Age (2016-2036), Castle Hill



Source: The Hills Shire LGA and .id (2021)

- There is a lack of housing diversity across Castle Hill (and the broader Hills LGA) not only in terms of housing format (overwhelming high proportion of separate houses) but also of dwelling size and dwelling accommodation (number of bedrooms).
- This limits the choice of both new residents looking for accommodation as well existing young residents looking to move out of home or older residents wanting to downsize and remain in the local area.
- The current age profile of Castle Hill residents and residents in the broader LGA (2016) indicate distinctly low representation in the 20 to 39 years age brackets. This trend is forecast to grow and exacerbate itself to 2036.

Observations of the existing population age profile are important to identify any disproportionate representation in age cohorts. Together with forecasts of population and future age profiles, strategic planning and development planning can take steps to address factors which may be contributing to an outflow/ loss of residents.

NEED FOR THE PROPOSAL

There are nearly 4,300 smaller households (i.e. couples without children, lone person households) residing within Castle Hill, accounting for almost 38% of all households. However, analysis of 2016 ABS data suggests there are just over 1,700 dwellings comprising 2-bedrooms or smaller in the area, accounting for only 14.7% of total dwelling stock.

This suggests a clear mismatch in housing supply and likely housing need as smaller households residing in larger 3 and 4-bedroom houses having little local choice should young residents wish to move out of home or if older residents wish to downsize. A similar observation was made in the Hills draft Local Housing Strategy (Hills Shire Council, 2019), which found the number of lone person households in the Hills LGA significantly outnumbered the supply of smaller dwellings.

Household Capacity to Pay for Housing

The draft Hills Local Housing Strategy (Hills Shire Council, 2019) identified the affordability challenges facing the Hills LGA housing market. It noted that increasing prices in the private housing market is increasingly limiting buyer participation to households in the upper income quartiles. The rental market was found to be equally challenging, with only those households on moderate or greater incomes being able to afford rents without entering housing stress.

An analysis of household incomes suggests that:

- Households in the lowest income quartile (annual incomes of \$65,000 and lower) could not afford to rent or purchase at median prices in Castle Hill.
- Households in the second quartile (annual income of \$65,000 to \$104,000) would be able to rent houses or units but afford to purchase a 1 or 2 bedroom apartment.
- Households in the third quartiles (annual income of \$104,000 to 156,000) have a range of rental options and can afford to purchase residential units and townhouses.
- Only households in the upper quartile (annual incomes of >\$156,000) have a broad range of housing options available.

The analysis shows that Castle Hill households who have relatively high incomes (compared to Greater Sydney) have relatively broad housing options available to them.

The pricing environment of the housing market however, is not accessible to young households and those on lower incomes. It is therefore not surprising that younger residents and those of 'household formation' age are not well represented in Castle Hill or the broader Hills LGA. These younger residents who may have grown up in the Hills LGA move away to where there are suitable housing options.

Diversity and Affordability of Housing Supply

Most of the Hills region is characterised by homogenous, lower-density housing with limited options for households seeking alternate housing typologies. Residential unit typologies and higher density living is increasingly being delivered around station precincts, however a large proportion of these units are larger in accommodation (>3 bedrooms) and larger in size (>110sqm for 2 bedrooms and >135sqm for 3 bedrooms).

Figure ES.1 shows a distinct 'hole' in the age cohorts of 20 to 39 years (as highlighted in red). These age cohorts comprise a large proportion of a person's productive employment years. This 'hole' in the age profile has implications for the overall productivity of the Hills LGA.

Whilst not every location should be 'everything to everyone' and not every area can accommodate higher density housing, ensuring local areas provide a base level of housing diversity is important from both a social and economic standpoint.

Role for the Proposal

Council's Local Strategic Planning Statement and draft Housing Strategy identify the importance of housing that is diverse and affordable, in the right locations and supported by appropriate services and infrastructure.

Suburban Lifestyle

The Hills LGA has historically accommodated low density housing, providing a suburban lifestyle to households seeking the space and amenity associated with large residential blocks and generous backyards. Over time, this has led to a homogenous residential market, where low density and large accommodation has dominated the residential offer. This has consequently led to homogeneity of household composition - with the young and the old are poorly represented in the region.

The incentive floorspace provisions in the LEP that seek to encourage large accommodation and large sizes contribute to the lack of housing diversity that was already present.

Young households (particularly those in the 20 to 39 years age brackets) are poorly represented in the Hills LGA. The lack of suitable residential options and employment opportunities are key factors for the 'hollowing-out' of the resident age profile. The need to address the outflow/ loss of young and older residents was recognised in Council's Housing Strategy.

Accessibility and Transition

With the opening of the Northwest Metro network, residential markets in the Hills LGA (those along metro stations) compete with other station locations in Sydney (e.g. Epping, North Ryde). It is an unfortunate reality that larger units attract higher pricing. Feedback from marketing agents indicates that households (whether owner occupiers or renters) who gravitate toward train station locations are generally driven by the 'convenience factor' and affordability. While larger units and more space are 'nice-to-have', the commercial realities of higher price points can make larger units less appealing.

Those who can afford to pay the higher price for a larger residential unit will consider whether they instead select a house. Those who cannot afford to pay the higher price for a larger residential unit will consider other higher density locations (such as Epping, North Ryde, etc.) where smaller units at lower price points are available.

Downsizers could have better capacity to pay higher pricing for larger residential units (depending on proceeds from sale of the family home). This household is however only one cohort of participant. Housing choice and diversity is needed to ensure residential markets have appeal to a broad range of household cohorts. This would help improve the competitiveness of residential markets and mitigate the risk of resident outflows and foregone productivity to the Hills LGA.

While the residential units proposed in the Castle Hill pipeline are in line with Council's draft Housing Strategy that expects high density units in infill areas/ station precincts to accommodate smaller dwellings (1, 2 and 3 bedrooms), the Study notes that the diversity of a population base is influenced not only by household type (family or non-family).

The diversity of a population is underpinned by the following characteristics:

- Household type (family or non-family).
- Household size (one person, two persons).
- Households' capacity to pay for housing (a function of their incomes).
- Household living preferences (e.g. households who desire convenience may desire smaller dwellings).

The Proposal plays an important role in facilitating a broader range of housing choice in Castle Hill. Comprising some 431 dwellings, the Proposal represents around 6% of the existing development pipeline in the Metro station precincts.

Delivery of the Proposal would contribute to supply of residential units of a mix and internal sizing that responds to the market. In contrast, residential units provided pursuant to incentive floorspace provisions in the LEP respond to a planning requirement, not necessarily aligning to economic and market demand.

The Proposal would complement other larger dwellings delivered in the Northwest station precincts pursuant to the LEP incentive provisions. The offer of 'regular' and large sized units would contribute to the critical market requirements of housing diversity and housing choice.

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1. Introduction

1.1 Background and Overview

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The Hills Shire Council (Council) takes a pro-active strategic planning approach of ensuring the delivery of housing opportunities in the right locations that is supported by appropriate services and infrastructure. Council's Local Strategic Planning Statement and draft Housing Strategy identify the importance of housing that is appropriate, diverse and affordable.

Part 9 of the Hills Local Environmental Plan 2019 (LEP) incorporates an incentive floorspace provision to encourage a stated mix of apartment types and sizes in the Showground Station Precinct. Clause 9.7 of the LEP provides that large residential development sites in the Precinct can access incentive floorspace if the development provides for a certain dwelling mix and if a minimum proportion of dwellings are built to specified minimum internal floor area sizes.

The Site benefits from a concept approval (SSD-9653) for the Showground Station Precinct which was approved by the Minister for Planning in January 2021. The Proposal seeks approval to deliver a mixed use development as one of the three development lots in the SSDA concept approval. The Proposal does not seek to access the Clause 9.7 incentive floorspace clause in the LEP.

Notwithstanding the Proposal's non-reliance on Clause 9.7, Deicorp seek to understand if and how the Proposal would contribute to Council's requirements for housing to be appropriate, diverse and affordable.

Atlas Urban Economics ('Atlas') are engaged by Deicorp to prepare a Housing Market Analysis that investigates the need for the housing envisaged in the Proposal.

1.2 The Site and the Proposal

2 Mandala Parade, Castle Hill (the Site) measures almost 8,000sqm and is a regularly shaped development site within the Precinct. More specifically, the Site comprises the Doran Drive Precinct, one of three development blocks in the SSDA. Doran Drive Precinct is the first of the development lots created by the concept approval to be developed.

Figure 1.1 illustrates the location of the Site in the context of the Precinct and Metro station immediate network.

Figure 1.1: The Site



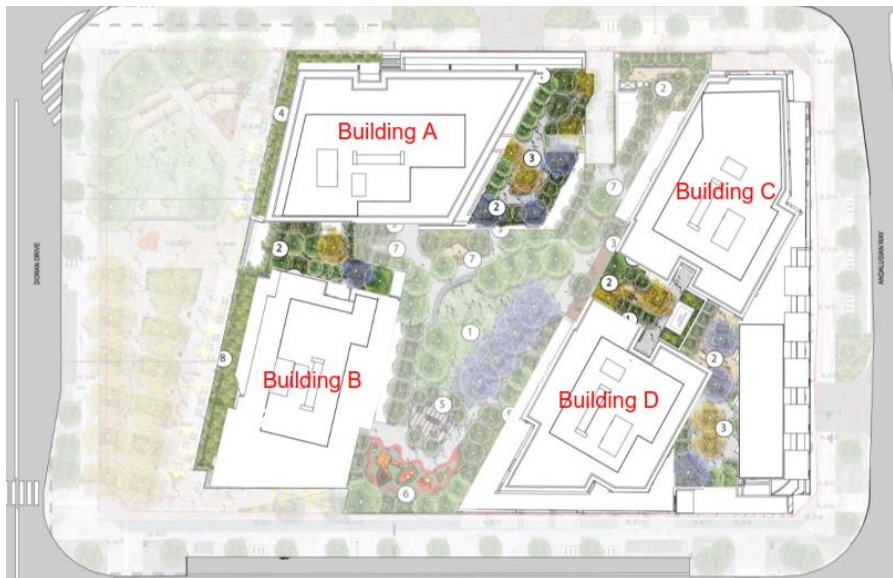
Source: City Plan

The Proposal seeks to development approval for a mixed use development that comprises:

- Residential towers that accommodate 431 residential units.
- 2-4 storey commercial podium comprising supermarket, liquor store, retail and commercial tenancies, community spaces, amenities, communal open space and associated landscaping.
- Basement car parking.
- Infrastructure and public domain works.

Figure 1.2 shows the buildings envisaged in the Proposal for the Doran Drive Precinct.

Figure 1.2: The Site and the Proposal



Source: Deicorp

1.3 Scope and Approach

The objective of the Housing Market Analysis (the Study) is to examine if and how the Proposal and its residential product will contribute to Council's requirement for housing that is appropriate (in the right location), diverse and affordable.

In order to fulfill the requirements of the brief, Atlas undertook the following tasks:

- Socio-demographic profiling and analysis and their implications for housing need/ demand.
- Identification of residential demand drivers in the Precinct (and broader catchment area) and their implications for housing need/ demand.
- Profiling of the nature of housing supply in the Precinct (and broader catchment area), noting existing supply and proposed supply in the development pipeline.
- Observations on if the proposed residential product would contribute to a diversity of housing in the right location.

1.4 Structure of the Study

The Study is structured in the following chapters:

- Chapter 1 provides an overview of the Site and the Proposal, scope and approach, assumptions and limitations.
- Chapter 2 considers the planning and socio-demographic context of the Site.
- Chapter 3 carries out a residential market appraisal to examine the drivers of demand in the Castle Hill and Precinct market, price thresholds for different housing types and the housing supply pipeline. The chapter additionally examines the residential offer available in competitor markets to the Precinct.
- Chapter 4 synthesises the findings of the Study to evaluate the Proposal's contribution to Council's housing aspirations of housing that is diverse and affordable in the right locations.

1.5 Assumptions and Limitations

Atlas acknowledges a number of limitations associated with the Study.

- The COVID-19 induced recession is resulting in significant economic impacts across Australia with the true economic ramifications challenging to accurately quantify. The long-term impacts of COVID-19 on socio-demographic trends and property markets is yet to be fully understood.
- Data from third party sources is assumed to be correct and is not verified.
- Desktop market research has been undertaken without physical site surveys and inspection.

Notwithstanding the above, all due care, skill and diligence has been applied to this Study as is reasonably expected.

2. Castle Hill Strategic Context

This Chapter examines the strategic context of the Site, including relevant planning considerations and household/ dwelling characteristics in its catchment area.

2.1 Planning Context

While the Proposal does not seek approval for development pursuant to the LEP provisions (rather pursuant to an SSDA concept plan approval), the LEP provisions that apply to the Precinct are detailed for context.

The Site is zoned B2 Local Centre under The Hills LEP 2019. Part 9 of LEP contains provisions that are applicable in the Showground Station Precinct. Planning controls of relevance to the Study are summarised as follows:

- A **minimum lot size** applies to shop top housing developments in the B2 Local Centre zone of 3,600sqm.
- Sites within the Showground Station Precinct with a site area greater than 3,600sqm require preparation of a **Development Control Plan**.
- Development approval is subject to an **architectural design competition**, **Design Excellence Guidelines** and a **Design Review Panel**.
- **Active street frontages** are required in developments in the B2 Local Centre zone.
- Mandatory **residential development yields** on certain land that has a site area of at least 10,000sqm.
- **Incentive floorspace** will be available for development land if it complies with the following conditions:
 - Maximum 25% of total dwellings are to be studio or 1 bedroom dwellings (or both);
 - Minimum of 20% of total dwellings are to be 3 or more bedroom dwellings;
 - Minimum of 40% of all 2 bedroom dwellings will have a minimum internal floor area of 110sqm;
 - Minimum of 40% of all 3 bedroom dwellings will have a minimum internal floor area of 135sqm;
 - Minimum of one car space per dwelling and minimum of one visitor car space per five dwellings.
- The precinct is approved for a **maximum of 5,000 dwellings**.

The provisions at (clause 9.7) are designed to incentivise the provision of larger residential units with additional/ incentive floorspace.

2.2 Key Resident Characteristics

This section reviews key resident characteristics of the Castle Hill suburb.

Castle Hill is characterised by a relatively similar demographic profile as compared to the broader Hills LGA:

- **Average aged population** with a median age of 37 years compared to 38 years.
- **Similar concentration of family households** at 88% of total households compared to 87%.
- **Similar proportion of high skilled white collar workers** such as professionals and managers.
- **Comparable income levels** with a median household income of around \$2,400, some 37% greater than Greater Sydney at over \$120,000 per annum compared to ~\$91,000.
- **High levels of home ownership** though more dwellings with a mortgage (47%) than dwellings owned outright (32%).

Table 2.1 summarises the key demographic characteristics of Castle Hill compared to the Hills LGA at 2016.

Table 2.1: Key Demographic Characteristics of Residents (2016), Castle Hill

Characteristics	Castle Hill	The Hills LGA
<u>Population</u>		
Estimated Resident Population (2020)	36,339	183,791
Median Age	37 years	38 years
Residents ≤34 years (%)	46.2%	45.1%
Residents 35 years - 64 years (%)	41.4%	41.4%
Residents ≥65 years (%)	12.4%	13.5%
<u>Household Composition</u>		
Family households	88.1%	87.1%
Lone person household	10.6%	11.3%
Group household	1.2%	1.5%
<u>Key Occupations (Top 3)</u>		
Professionals	27.6%	29.0%
Managers	18.1%	17.6%
Clerical and Administrative Workers	16.2%	16.2%
<u>Method of Travel to Work</u>		
Car (driver and passenger)	67.9%	65.7%
Train	-	-
Bus	9.0%	10.6%
<u>Income</u>		
Median weekly household income	\$2,423	\$2,363
Median monthly mortgage repayments	\$2,600	\$2,500
Median weekly rent	\$585	\$562
<u>Dwellings</u>		
Owned outright	32.4%	34.5%
Owned with a mortgage	47.5%	45.7%
Rented	17.3%	17.1%
Average persons per household	3.0	3.2
Average motor vehicles per dwelling	2.2	2.2

Source: ABS (2020, 2017)

2.3 Dwelling Characteristics

The Hills LGA is characterised by a relatively homogenous housing market which consists of detached houses built in 1970's and 1980's. Dwelling sizes are typically large (3+ bedrooms) catering for an equally homogenous buyer cohort of family households.

In 2016, separate houses accounted for around 75% of total dwellings in Castle Hill. In the apartment and townhouse market, approximately 70% were 3 and 4 bedroom dwellings. Studio and 1 bedroom dwellings accounted for less than 2% of total dwellings.

In terms of dwelling size (number of bedrooms), the Hills LGAs housing market is generally comparable to Greater Sydney, with 3-bedroom dwellings accounting for the majority of total stock at around 34%, though the Hills LGA has a larger concentration of 4-bedroom dwellings at 31% compared to 22% across Greater Sydney.

In Castle Hill however, smaller housing accounts for just 14.7% of total housing stock. This significantly in contrast to both the Hills LGA (33%) and Greater Sydney (31%).

Table 2.2 summarises the mix of dwelling sizes across Castle Hill at 2016.

Table 2.2: Dwelling Sizes (2016), Castle Hill

Dwelling Size	Castle Hill	The Hills LGA	Greater Sydney
0 or 1 bedrooms	3.7%	8.1%	7.8%
2 bedrooms	11.0%	24.8%	23.7%
3 bedrooms	23.8%	33.8%	32.1%
4 bedrooms	59.7%	30.9%	22.0%
Not stated	1.7%	2.4%	7.1%
Total	100.0%	100.0%	100.0%
Average bedrooms per dwelling	3.6	3.0	2.8

Source: ABS (2017)

A review of the development pipeline reveals that approx. 2,300 apartments are at various stages of planning for Castle Hill over the next 3-5 years. Analysis of the apartment pipeline is summarised in **Table 2-3**.

Table 2-3: Development Pipeline Dwelling Sizes, Castle Hill

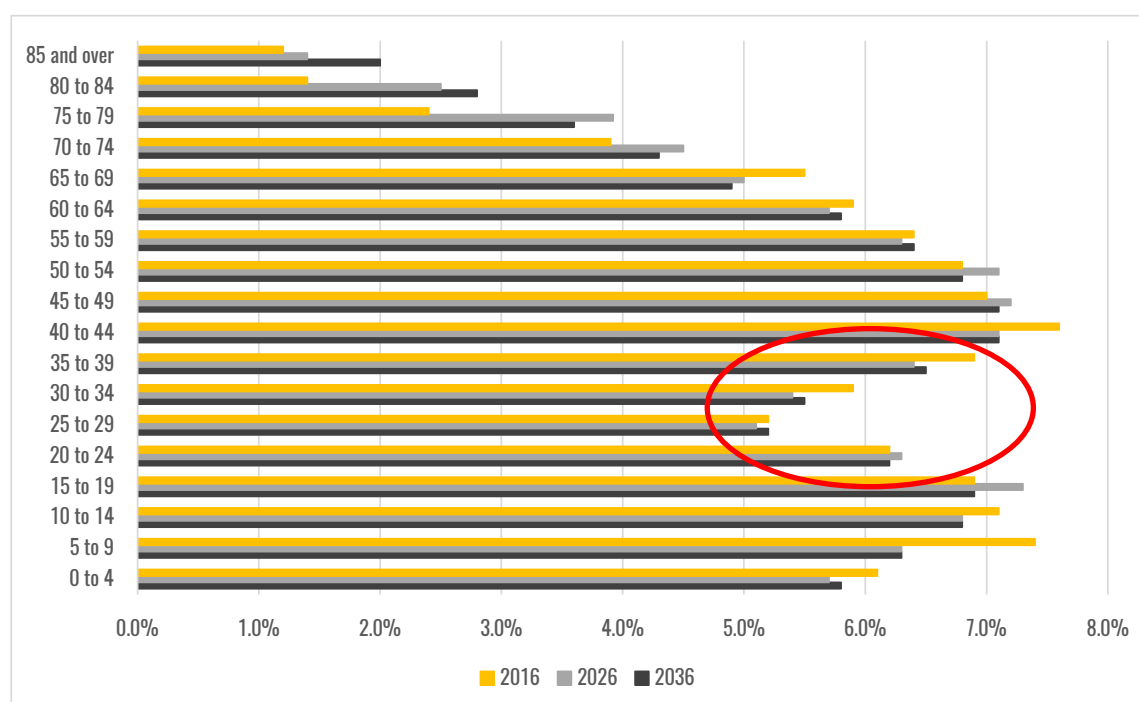
	Concept Approved	DA Submitted	DA Approved	Under Construction	Total	% of Total
1 bedroom	57	141	205	55	458	20%
2 bedroom	91	341	486	159	1,077	47%
3 bedroom	80	139	493	52	764	33%
4 bedroom	-	2	-	-	2	-
Total	228	623	1,184	266	2,301	100%

Source: Cordell Connect/ Atlas

Almost 67% of the planned dwellings comprise one and two bedrooms. A third of the dwellings planned comprise three bedrooms. This would contribute to greater diversity of smaller dwellings in Castle Hill.

2.4 Population Forecasts and Age Profile

Castle Hill is forecast to grow by some 9,000 additional residents over the 2016-2036 period. Around 50% of this growth is expected from residents aged 50 years and older. About a quarter (26%) of this growth is from residents aged 25 to 49 years.

Figure 2.1: Population Forecasts by Age (2016-2036), Castle Hill

Source: The Hills Shire LGA and .id (2021)

Figure 2.1 shows a 'hole' in the 20 to 39 years age brackets (indicated by red circle). This affirms Council's observations in the draft Housing Strategy that young persons tend to move away from the Hills LGA conceivably due to a lack of employment opportunities and suitable housing.

The forecasts anticipate that by 2036, the 'hole' will be even more pronounced with the proportion of residents in the 20 to 39 years age brackets reducing even further. These observations are mirrored at the Hills LGA level.

Observations of the existing population age profile are important to identify any disproportionate representation in age cohorts. Together with forecasts of population and future age profiles, strategic planning and development planning can take steps to address factors which may be contributing to an outflow/ loss of residents.

2.5 Implications for the Proposal

Housing markets accommodate a wide range of prospective occupiers. The factors influencing the thought process of prospective occupiers will vary and, in turn, determine demand for different housing typologies. Whilst not every location should be 'everything to everyone', an LGA as a whole, should provide for a range of low and higher density housing formats.

The density of housing (separate house v apartment) is not the only contributor to housing diversity. Housing characteristics such as dwelling size (internal area and number of bedrooms) are equally important for housing diversity.

Ensuring local housing markets provide a baseline level of housing diversity is important to accommodating a diverse population - residents of different ages, professional and socio-economic backgrounds.

This chapter makes the following observations:

- There is a lack of housing diversity across Castle Hill (and the broader Hills LGA) not only in terms of housing format (overwhelming high proportion of separate houses) but also of dwelling size and dwelling accommodation (number of bedrooms).
- This limits the choice of both new residents looking for accommodation as well existing residents looking to downsize and remain in the local area.
- The current age profile of Castle Hill residents and residents in the broader LGA (2016) indicate distinctly low representation in the 20 to 39 years age brackets. This trend is forecast to grow and exacerbate itself to 2036.

This lack of housing diversity was identified in Council's draft Housing Strategy (The Hills, 2019b). It noted there was a lack of smaller dwelling sizes to meet the needs of lone person households or empty nesters - which was contributing to the risk of these population cohorts leaving the LGA. The population data (and forecast) affirm this observation.

The next Chapter considers the market environment within which the Castle Hill and broader Hills LGA markets operate.

3. Residential Market Appraisal

3.1 Key Demand Drivers

The Hills LGA accommodates both infill and greenfield housing markets with a predominance of separate houses (82% in 2016) compared to 73% in Greater Sydney. The unlocking of development opportunities in station precincts along the Northwest Metro corridor is expected to contribute to a larger proportion of higher density dwelling formats.

Demand for housing is generally influenced by a myriad of factors with different household cohorts placing varying levels of importance on each of these factors. For instance, proximity to public transport may be a key selection factor for investors/renters or households who commute to employment centres for work (e.g. Macquarie Park, North Sydney). Other household cohorts, such as those who commute to places of work not accessible by public transport and those who work from home may place less importance on proximity to public transport.

Key demand drivers for different owner occupier cohorts include:

- **First Home Buyers** are the most price sensitive of the major buyer cohorts and demand is generally driven by affordability. In the Hills LGA, townhouses and apartments are commonly sought after by this contingent given their respective price points. Stamp duty concessions for first home buyers, currently capped at \$800,000, will influence demand from this cohort.
- **Upgraders and Relocators** are commonly characterised by middle aged couples and/or families. These buyers are less price sensitive compared to First Home Buyers with greater importance placed on housing size, public transport accessibility, school catchments and proximity to retail amenity.
- **Downsizers** are typically older aged couples and/or singles and are generally the least price sensitive compared to other cohorts. Downsizers place significant value on the quality and location of new housing, which must be attractive enough to justify relocation from their existing accommodation. This cohort generally places high importance on retail amenity and proximity to local services.

Owner occupiers are not the only household cohort that have a need for housing. Renters made up more than 40% of households in Greater Sydney in 2016 (though less in Castle Hill and the Hills LGA at just over 17%).

Key demand drivers for renter households are equally relevant to consider when assessing the nature of housing need and dwelling demand. Affordability, suitability for household size, proximity to employment opportunities, local services and public transport infrastructure are key factors that drive renter demand for housing.

The disproportionately small renter population in Castle Hill and the Hills LGA can be in part attributed to historical patterns of dwelling supply and its lack of public transport accessibility. With the advent of the Northwest Metro network, the housing demand profile for Castle Hill and other station precincts is conceivably in transition.

3.2 Competitive Context

The Hills LGA has a predominance of separate/ detached houses, though the dwelling composition is expected to slowly shift as higher density developments are delivered in station precincts along the Northwest Metro corridor.

3.2.1 Dwelling Prices

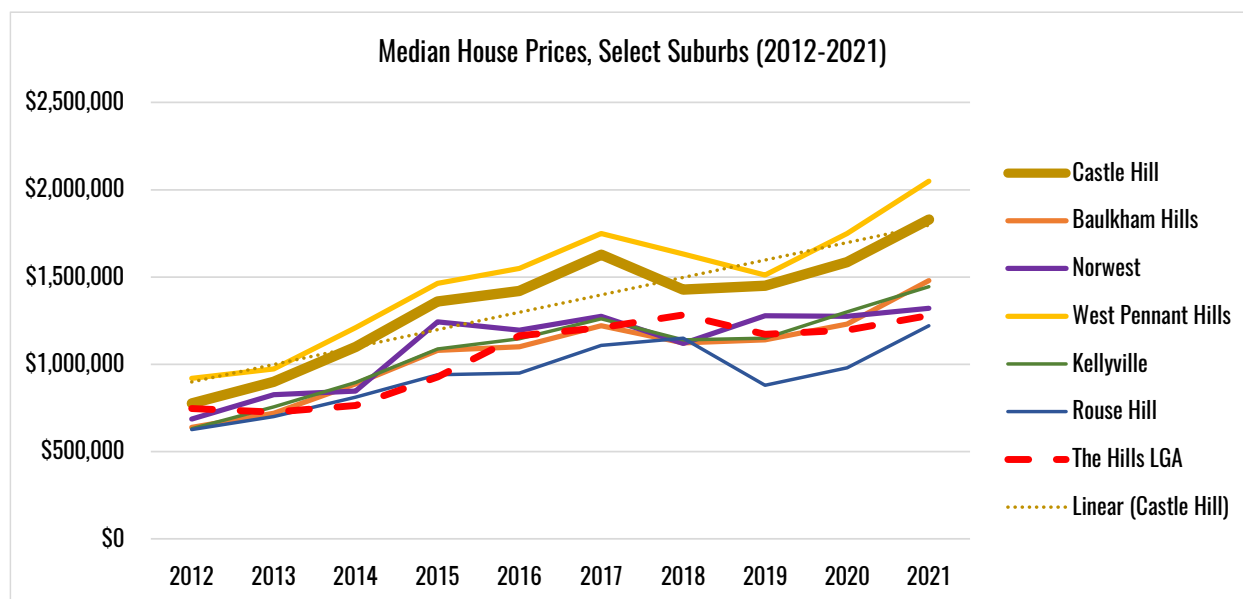
Median dwelling prices vary across the Hills LGA. Houses in West Pennant Hills have the highest median prices (\$2.1 million) while units in Castle Hill have the highest median prices (\$1 million) in the LGA.

Pennant Hills has the highest median house values, followed by Castle Hill (\$1.8 million), Baulkham Hills (1.5 million), Kellyville (\$1.4 million) and Norwest (\$1.3 million). At the LGA level, median house prices are almost \$1.3 million. This compares to a median house price of \$1.3 million for Greater Sydney.

A price hierarchy is also observed in the Hills LGA's residential unit market, with apartments in Castle Hill (>\$1 million) approaching the LGA median house price. The median unit price in the Hills LGA is recorded at more than \$800,000 in 2021, which is higher than the median unit price of \$780,000 recorded for Greater Sydney.

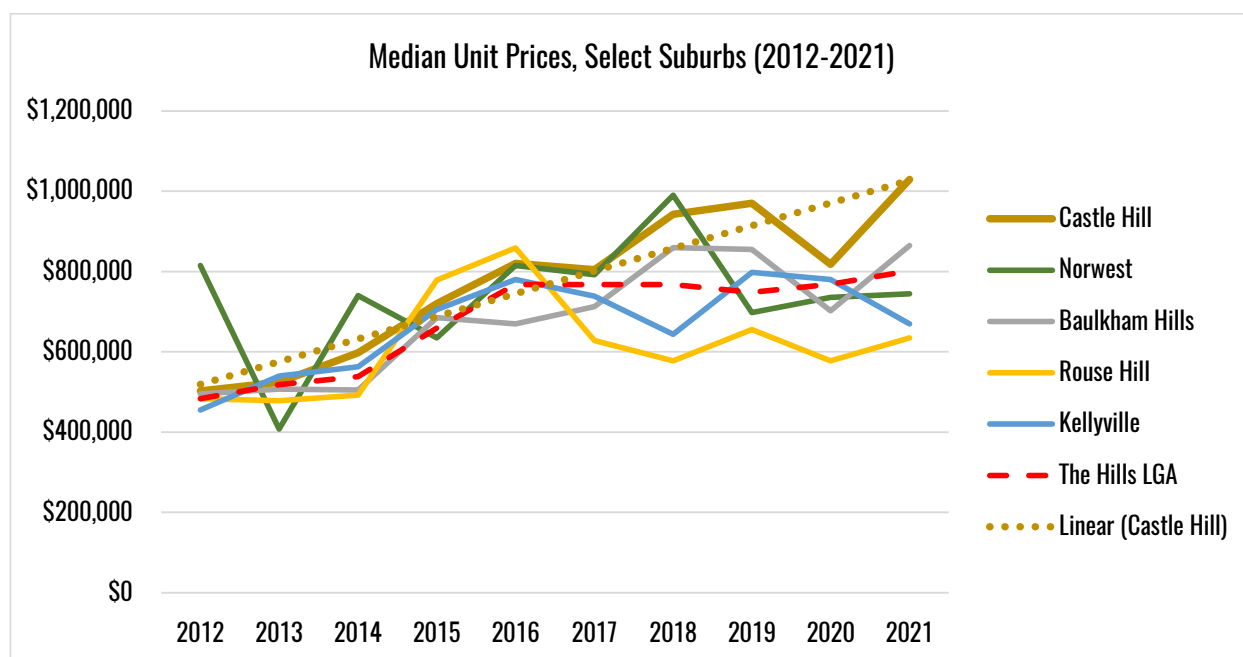
Figure 3-1 and Figure 3-2 illustrate growth trajectory of house and unit prices in select suburbs of the Hills LGA.

Figure 3-1: Median House Prices (2012-2021)



Source: Pricefinder/ RP Data

Figure 3-2: Median Unit Prices (2012-2021)



Source: Pricefinder/ RP Data

Table 3-1 shows the average annual dwelling price growth observed in the select suburbs over the 2016-2021 period. Castle Hill in particular has experienced among the strongest growth at 5.2% and 4.7% for houses and units respectively.

Table 3-1: Average Annual Dwelling Price Growth (2016-2021)

Period	Median House Prices (\$'000)						Median Unit Prices (\$'000)					
	Castle Hill	Norwest	Baulkham Hills	Rouse Hill	Kellyville	The Hills LGA	Castle Hill	Norwest	Baulkham Hills	Rouse Hill	Kellyville	The Hills LGA
2016	\$1.42	\$1.2	\$1.1	\$0.95	\$1.15	\$1.16	\$0.82	\$0.82	\$0.67	\$0.87	\$0.78	\$0.77
2021	\$1.83	\$1.3	\$1.5	\$1.2	\$1.1	\$1.3	\$1.0	\$0.75	\$0.87	\$0.64	\$0.67	\$0.80
Avg. Ann.	5.2%	2.0%	6.1%	5.1%	4.7%	1.9%	4.7%	-1.8%	5.2%	-5.9%	-3.0%	0.9%

Source: Cordell Connect/ Atlas

3.2.2 Rents

The median weekly rent in the Hills LGA and Castle Hill was \$590 and \$580 respectively in March 2021 (FACS, 2021).

Table 3.2: Median Weekly Rents (March 2021)

	Bedsitter	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedrooms or more	Total
The Hills LGA	n/a	\$390	\$490	\$600	\$700	\$590
House	n/a	n/a	\$450	\$600	\$700	\$750
Townhouse	n/a	n/a	\$490	\$600	\$690	\$600
Flat/ Unit	n/a	\$400	\$500	\$570	n/a	\$490
2154 postcode (Castle Hill)	n/a	\$415	\$510	\$598	\$800	\$580
House	n/a	n/a	\$510	\$598	\$820	\$680
Townhouse	n/a	n/a	n/a	\$645	n/a	\$640
Flat/ Unit	n/a	\$420	\$520	\$560	n/a	\$530

Source: FACS (2021)

The median weekly house rent in the Hills LGA was recorded at \$750, townhouse rents at \$600 and unit rents at \$490.

In Castle Hill postcode (2154), median weekly house and units were recorded at \$680 and \$530 respectively. This suggests renting a detached house is some 30% more expensive in the postcode.

As was illustrated in section 2.3, the predominant form of housing in Castle Hill is detached housing. With less than 15% of dwellings with two bedrooms or less, there is limited choice for renter households looking for affordable accommodation.

3.2.3 Competitive Positioning

The opening of the Northwest Metro network provides accessibility benefits by connecting residents in the North West region to Sydney's North Shore and to the Sydney CBD. It also connects residents elsewhere in Sydney to the North West region. This has far-reaching implications for the demand for housing and demand for business/ employment opportunities.

Housing product in the Hills LGA (in particular housing in the station precincts) no longer operate in a local context; they operate and compete with residential product on offer along the Northwest Metro network. This means that residential markets at Castle Hill, Showground, Bella Vista, etc. compete with other markets with train services (e.g. Epping, North Ryde).

The type of housing available (and price points) will influence how residential markets in the Hills LGA 'stack up' and compete with other residential markets that are as accessible along the Northwest Metro network.

Table 3.3 shows the impact of size on apartment pricing in Epping due to limited diversity of apartment sizes in the Northwest. The Study acknowledges that Epping residential market is more established (and more expensive) than residential markets in the Hills LGA, however the purpose of the analysis in **Table 3.3** is to illustrate the impact of unit size on sale price.

Table 3.3: Analysis of Sales of Apartments by Size, Epping (2019-2020)

Unit Type	Internal Area (sqm)	Sale Price Range	Analysis (\$/sqm internal area)	Average Sale Price	
				Sale Price	\$/sqm internal area
1 bedroom	50-55	\$650,000 to \$705,000	\$11,800 to \$13,600	\$680,000	\$12,900
2 bedroom	75-86	\$850,000 to \$1,120,000	\$10,700 to \$14,300	\$985,000	\$12,200
2 bedroom + study	97	\$1,260,000 to \$1,330,000	\$12,900 to \$13,900	\$1,295,000	\$13,300
3 bedroom	148	\$2,500,000	\$16,890	\$2,500,000	\$16,890
3 bedroom + study	115-156	\$1,458,850 to \$2,360,000	\$12,600 to \$15,200	\$1,900,000	\$14,100
4 bedroom	167	\$2,750,000	\$12,100	\$2,750,000	\$12,100

Source: Atlas

Table 3.3 shows that two bedroom units in Epping range from 75sqm to 86sqm, and up to 97sqm (with study). The larger unit (+circa 20sqm) adds some \$300,000 to the sale price. Two bedroom units in Epping are smaller (up to 97sqm) than the 110sqm required by clause 9.1 of the LEP. An additional 10sqm+ would conceivably add >\$100,000 to the sale price.

Feedback from marketing agents CBRE indicates that households (whether owner occupiers or renters) who gravitate to locations in and around train station are generally driven by the 'convenience factor' and affordability. While larger units and more space are 'nice-to-have', the commercial realities of higher price points can make larger units less appealing.

Those who can afford to pay the higher price for a larger residential unit will consider whether they instead select a house. Those who cannot afford to pay the higher price for a larger residential unit will consider other higher density locations (such as Epping, Macquarie Park, etc.) where smaller units at lower price points are available.

Downsizers could have better capacity to pay higher pricing for larger residential units (depending on proceeds from sale of the family home). This household is however only one cohort participant. Housing choice and diversity is needed to ensure residential markets have appeal to a broad range of household cohorts. This helps ensure they are successful and sustainable.

3.3 Supply Analysis

The Hills LGA

A review of the development pipeline indicates there are some 18,700 dwellings proposed for delivery across the Hills LGA. **Table 3.4** indicates the housing supply pipeline.

Table 3.4: Development Pipeline (June 2021), The Hills LGA

	Under Assessment	Development Approval	Under Construction	Dwellings
The Hills LGA	2,442	12,351	3,898	18,691

Source: Atlas/Cordell Connect

A large proportion of dwellings in the pipeline are proposed in greenfield areas. While housing formats in greenfield areas vary in lot size (with smaller lots increasing in proportion), they are predominantly house typologies (low and medium density).

Northwest Metro Station Precincts

A review of the development supply pipeline in around the Metro station precincts indicates a large volume of residential units at various stages in the pipeline. Current active development applications are summarised in **Table 3-5**.

Table 3-5: Development Pipeline Dwelling Sizes, Northwest Metro Station Precincts

Station Precinct	Concept Approved			DA Submitted/ Approved			Under Construction			Total	% of Total		
	1b	2b	3b	1b	2b	3b	1b	2b	3b		1b	2b	3b
Bella Vista	-	-	-				4	19		23	17%	83%	0%
Kellyville	-	-	-	97	400	93				590	16%	68%	16%
Tallawong/ Rouse Hill	176	419	35	961	2,988	487	363	1,046	137	6,612	23%	67%	10%
Total	176	419	35	1,058	3,388	580	367	1,065	137	7,225	22%	67%	16%

Source: Cordell Connect/ Atlas

At an aggregate level there are over 7,200 apartments planned in station precincts along the Northwest Metro corridor. Two-thirds (67%) of dwellings are of two bedroom accommodation, followed by one bedroom (22%) and three bedroom (16%).

Similar to clause 9.7 of the LEP which provides for incentive floorspace in the Precinct, clause 7.11 encourages (via incentive floorspace) development in the Sydney Metro Northwest Renewal Corridor to provide a specified mix of dwellings and dwellings of a minimum internal floor area. This is intended to promote development that accommodates larger households.

More specifically, clause 7.11 provides incentive floorspace if a development provides:

- Maximum 25% of total dwellings are to be studio or 1 bedroom dwellings (or both);
- Minimum of 20% of total dwellings are to be 3 or more bedroom dwellings;
- Minimum of 40% of all 2 bedroom dwellings will have a minimum internal floor area of 110sqm;
- Minimum of 40% of all 3 bedroom dwellings will have a minimum internal floor area of 135sqm.

Referring to **Table 3-5**, the dwelling mix and unit sizes in developments in receipt of incentive floorspace under the LEP's incentive provisions would contain a mix of 'regular' and larger units (to minimum internal floor areas specified in the LEP).

It is therefore reasonable to conclude that of the two and three bedroom dwellings in the development pipeline, a notable proportion of them would comprise larger internal floor areas (>110sqm and >135sqm respectively).

3.4 Implications for the Proposal

With a diverse product offering, housing markets can accommodate a broad range of residents and households. The lack of diversity in housing stock in the Hills LGA is widely acknowledged, including by Council in the draft Housing Strategy.

The diversity of a population base is influenced not only by household type (family or non-family) but is also influenced by household size (one person, two persons), households' capacity to pay for housing and their living preferences. These factors influence the thought process of prospective occupiers which, in turn, determine demand for different housing typologies.

Based on the findings of the residential market appraisal, the residential units envisaged in the Proposal are considered to meet a clear market need. The following observations are relevant to note:

- Housing product in the Hills LGA (in particular housing in the station precincts) no longer operate in a local context; they operate and compete with residential product in other train station locations. This means that residential markets at Castle Hill, Showground, Bella Vista, etc. will be evaluated by the market in the context with residential product in other markets with train services (e.g. Epping, North Ryde).
- Castle Hill commands the highest dwelling prices - above both the broader Hills LGA and Greater Sydney medians.
- Median weekly rents for residential units in Castle Hill are at \$530 - renting a house is some 30% more expensive. Chapter 2 demonstrates that most housing stock in Castle Hill is 3-4-bedroom detached houses, providing little alternative for households looking for more smaller or more affordable accommodation in the local area.
- Future housing supply is overwhelmingly focused in greenfield areas of the North West Growth Area.
- Whilst there is large supply of units proposed along the Northwest Metro corridor, it is reasonable to expect that a large proportion of these residential units would be of larger accommodation and sizing.

It is an unfortunate reality that larger units attract higher pricing. Feedback from marketing agents indicates that households (whether owner occupiers or renters) who gravitate toward train station locations are generally driven by the 'convenience factor' and affordability. While larger units and more space are 'nice-to-have', the commercial realities of higher price points can make larger units less appealing.

Those who can afford to pay the higher price for a larger residential unit will consider whether they instead select a house. Those who cannot afford to pay the higher price for a larger residential unit will consider other higher density locations (such as Epping, Macquarie Park, etc.) where smaller units at lower price points are available.

Downsizers could have better capacity to pay higher pricing for larger residential units (depending on proceeds from sale of the family home). This household is however only one cohort participant. Housing choice and diversity is needed to ensure residential markets have appeal to a broad range of household cohorts. This would help improve the competitiveness of residential markets and mitigate the risk of resident outflows/ loss out of the Hills LGA.

Comprising some 431 dwellings, the Proposal represents around 6% of the existing development pipeline in the Metro station precincts. Delivery of the Proposal would contribute to supply of residential units of a mix and internal sizing that responds to the needs of the market.

The next Chapter evaluates the need for the Proposal based on the foregoing analysis.

4. Need for the Proposal

4.1 Housing Characteristics and Housing Need

The demographic characteristics of an area provide insight into local housing demand. Chapter 2 showed that the majority of households in Castle Hill were family households. A more detailed breakdown is shown in **Table 4.1**.

Table 4.1: Household Types (2016), Castle Hill

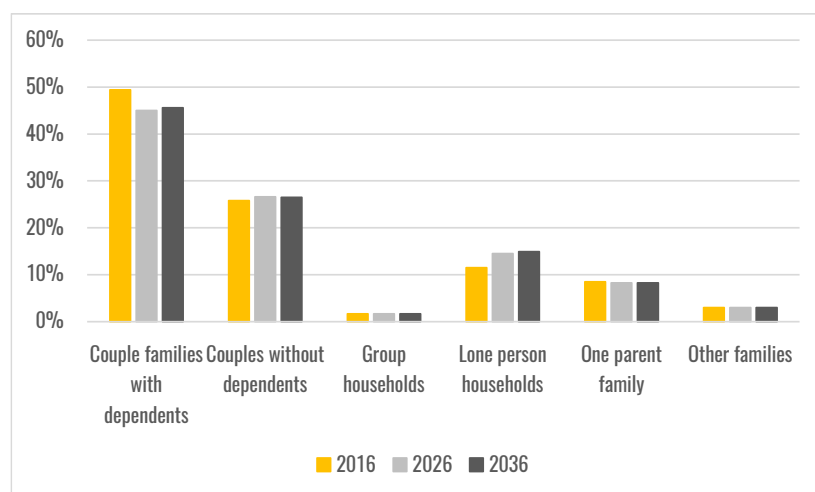
Household Type	2016	% of Total	2026	% of Total	2036	% of Total
Couple family with dependents	5,682	49.4%	6,033	45.9%	6,883	45.6%
Couples without dependents	2,969	25.8%	3,494	26.6%	4,003	26.5%
Group households	201	1.7%	221	1.7%	255	1.7%
Lone person households	1,329	11.5%	1,903	14.5%	2,241	14.9%
One parent family	982	8.5%	1,087	8.3%	1,242	8.2%
Other families	346	3.0%	398	3.0%	460	3.0%
Total households	11,509	100.0%	13,136	100.0%	15,084	100.0%

Source: .ID (2021)

The forecast of household types shows that as a proportion of total households, lone person households will approach 15% (compared to 11.5% in 2016). Conversely, family households with children will decline to 45.6% (from nearly 50% in 2016).

Figure 4-1 illustrates the change in forecast household types over the 2016-2036 period.

Figure 4-1: Forecast Household Types (2016-2036)



Source: .ID (2021)

Table 4.2 extracts dwelling size information from **Table 2.2** and applies them to the total number of dwellings in Castle Hill to infer the number of dwellings by bedrooms.

Table 4.2: Dwelling Sizes and Dwellings (2016), Castle Hill

Dwelling Size	% of Total	Dwellings
0 or 1 bedroom	3.7%	433
2 bedrooms	11.0%	1,289
3 bedrooms	23.8%	2,788
4 bedrooms	59.7%	6,994
Not stated	1.7%	199
Total	100.0%	11,715

Source: ABS (2017), .ID (2021)

As shown in **Table 4.1**, there are nearly 4,300 smaller households (i.e. couples without children, lone person households) residing within Castle Hill, accounting for almost 38% of all households. However, as shown in **Table 4.2**, there are just over 1,700 dwellings comprising 2-bedrooms or smaller in the area, accounting for only 14.7% of total dwelling stock.

This suggests a clear mismatch in housing supply and likely housing need as smaller households residing in larger 3 and 4-bedroom houses having little local choice should they wish to downsize. A similar observation was made in the Hills draft Local Housing Strategy (Hills Shire Council, 2019b), which found the number of lone person households in the Hills LGA significantly outnumbered the supply of smaller dwellings.

4.2 Household Capacity to Pay for Housing

Housing diversity has important implications for housing affordability. Smaller housing formats are in most markets more affordable compared to established, detached housing and play an important role in managing housing stress. The accepted definition of housing stress is where 30% or more of household income is required to pay for housing accommodation.

The draft Hills Local Housing Strategy (Hills Shire Council, 2019b) identified the affordability challenges facing the Hills LGA housing market. It noted that increasing prices in the private housing market is increasingly limiting buyer participation to households in the upper income quartiles. The rental market was found to be equally challenging, with only those households on moderate or greater incomes being able to afford rents without entering housing stress.

A review of income distributions across the Hills LGA shows that households in the upper quartiles could afford to spend \$600 or more on weekly rent before entering mortgage stress.

As indicated in section 3.2 the median weekly rents for houses, townhouses and apartments in post code 2154 (Castle Hill) are \$750, \$600 and \$490 respectively. This suggests that:

- Only households in the two upper income quartiles (59% of households) could afford to rent a house.
- Townhouses could be rented by more households (65% of households).
- Median rent units could be within reach of about 70% of households.

The median house price in Castle Hill is currently recorded at some \$1.8 million. Using a basic mortgage calculator benchmark, this suggests that only households across the Hills' upper income quartile could afford to purchase a dwelling in Castle Hill. Given the lack of alternative housing typologies, this has limited the Castle Hill housing market to more affluent households compared to elsewhere across the Hills LGA.

Table 4.3 summarises the analysis of the Hills LGA households' capacity to pay for housing.

Table 4.3: Household Incomes and Housing Affordability (2016), Hills Shire Residents v Castle Hill Housing Stock

Description	Quartile 1 (\$0-\$65k pa)	Quartile 2 (\$65k-\$104k pa)	Quartile 3 (\$104k-\$156k pa)	Quartile 4 (>\$156k pa)
Households (% of total)	24.0%	16.6%	22.8%	36.6%
Household Income (Range), per week	Nil to \$1,249	\$1,250 to \$1,999	\$2,000 to \$2,999	>\$3,000
Housing Affordability Threshold (30%)	Nil to \$375	\$375 to \$600	\$600 to \$900	>\$900
Rental Options				
Maximum Rental Threshold (at 30%)	Nil to \$375	\$375 to \$600 per week	\$600 to \$900 per week	>\$900 per week
Castle Hill Housing Options	Nil	1, 2, 3 bedroom unit 2, 3 bedroom house	1, 2, 3 bedroom unit 3 bedroom townhouse 2, 3, 4 bedroom house	1, 2, 3 bedroom unit 3 bedroom townhouse 2, 3, 4 bedroom house
Purchase Options				
Maximum Purchase Price* (at 30%)	Nil to \$440,000	\$440,000 to \$890,000	\$890,000 to \$1,200,000	>\$1,200,000
Castle Hill Housing Options	Nil	1, 2 bedroom unit	1, 2, 3 bedroom unit 2, 3 bedroom townhouse	1, 2, 3 bedroom unit 2, 3 bedroom townhouse 3-4-bedroom house

*Assuming a 30-year loan with an 90% LVR with an annual interest rate of 2.3% compounded monthly and annual fees of \$120
Source: ABS (2017)/Atlas/MoneySmart (2021)

The analysis in **Table 4.3** suggests that:

- Households in the lowest income quartile (annual incomes of \$65,000 and lower) could not afford to rent or purchase at median prices in Castle Hill.
- Households in the second quartile (annual income of \$65,000 to \$104,000) would be able to rent houses or units but afford to purchase a 1 or 2 bedroom apartment.
- Households in the third quartiles (annual income of \$104,000 to 156,000) have a range of rental options and can afford to purchase residential units and townhouses.
- Only households in the upper quartile (annual incomes of >\$156,000) have a broad range of housing options available.

The analysis shows that Castle Hill households who have relatively high incomes (compared to Greater Sydney) have relatively broad housing options available to them. The pricing environment of the housing market however, is not accessible to young households and those on lower incomes. It is therefore not surprising that younger residents and those of 'household formation' age are not well represented in Castle Hill or the broader Hills LGA.

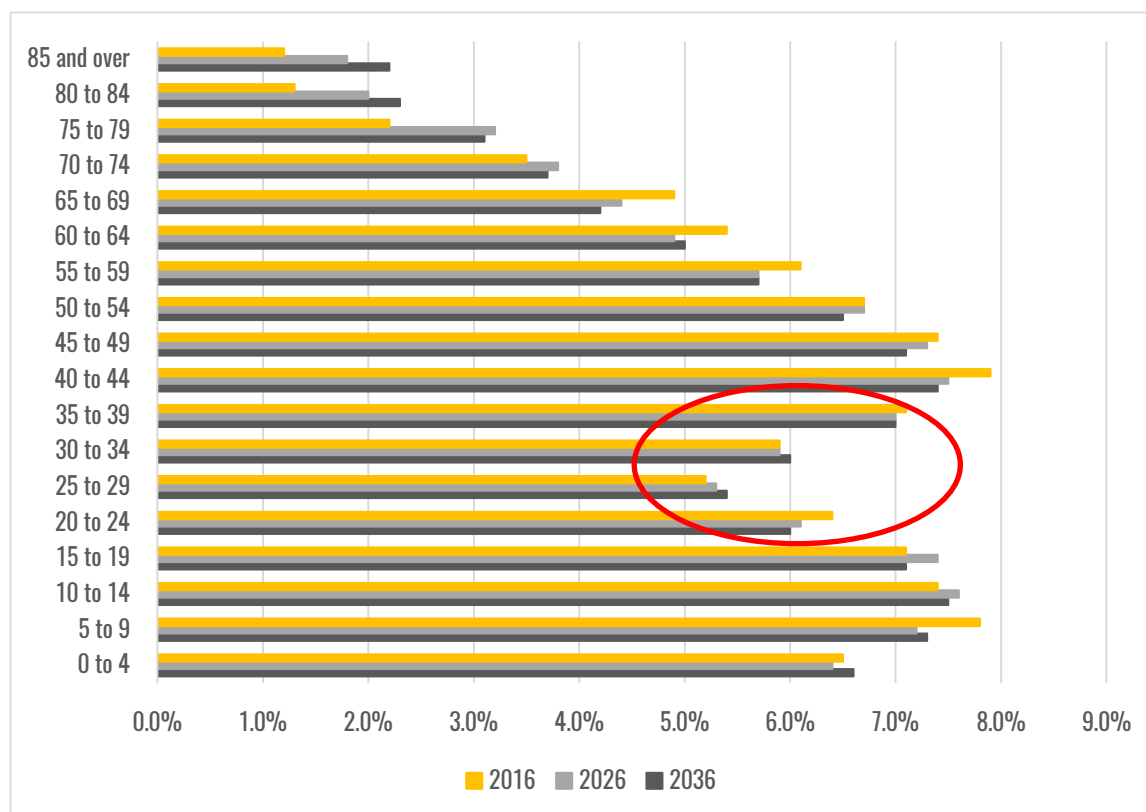
4.3 Diversity and Affordability of Housing Supply

As demonstrated, and recognised by Council's strategic planning policy, the Hills housing market lacks a diversity of product.

Most of the region is characterised by homogenous, lower-density housing with limited options for households seeking alternate housing typologies. Residential unit typologies and higher density living is increasingly being delivered around station precincts, however a large proportion of these units are larger in accommodation (>3 bedrooms) and larger in size (>110sqm for 2 bedrooms and >135sqm for 3 bedrooms).

Figure 4.2 shows a distinct 'hole' in the age cohorts of 20 to 39 years (as highlighted in red). These age cohorts comprise a large proportion of a person's productive employment years. This 'hole' in the age profile has implications for the overall productivity of the Hills LGA.

Figure 4.2: Population Forecasts by Age (2016-2036), The Hills LGA



Source: The Hills Shire LGA and .id (2021)

Whilst not every location should be 'everything to everyone' and not every area can accommodate higher density housing, ensuring local areas provide a base level of housing diversity is important from both a social and economic standpoint.

4.4 Role for the Proposal

Council's Local Strategic Planning Statement and draft Housing Strategy identify the importance of housing that is diverse and affordable, in the right locations and supported by appropriate services and infrastructure.

Suburban Lifestyle

The Hills LGA has historically accommodated low density housing, providing a suburban lifestyle to households seeking the space and amenity associated with large residential blocks and generous backyards. Over time, this has led to a homogenous residential market, where low density and large accommodation has dominated the residential offer. This has consequently led to homogeneity of household composition - with the young and the old are poorly represented in the region.

The incentive floorspace provisions in the LEP that seek to encourage large accommodation and large sizes contribute to the lack of housing diversity that was already present.

Young households (particularly those in the 20 to 39 years age brackets) are poorly represented in the Hills LGA. The lack of suitable residential options and employment opportunities are key factors for the 'hollowing-out' of the resident age profile. The need to address the outflow/ loss of young and older residents was recognised in Council's Housing Strategy.

Accessibility and Transition

With the opening of the Northwest Metro network, residential markets in the Hills LGA (those along metro stations) compete with other station locations in Sydney (e.g. Epping, North Ryde). It is an unfortunate reality that larger units attract higher pricing. Feedback from marketing agents indicates that households (whether owner occupiers or renters) who gravitate toward train station locations are generally driven by the 'convenience factor' and affordability. While larger units and more space are 'nice-to-have', the commercial realities of higher price points can make larger units less appealing.

Those who can afford to pay the higher price for a larger residential unit will consider whether they instead select a house. Those who cannot afford to pay the higher price for a larger residential unit will consider other higher density locations (such as Epping, North Ryde, etc.) where smaller units at lower price points are available.

Downsizers could have better capacity to pay higher pricing for larger residential units (depending on proceeds from sale of the family home). This household is however only one cohort participant. Housing choice and diversity is needed to ensure residential markets have appeal to a broad range of household cohorts. This would help improve the competitiveness of residential markets and mitigate the risk of resident outflows and foregone productivity to the Hills LGA.

While the residential units proposed in the Castle Hill pipeline are in line with Council's draft Housing Strategy that expects high density units in infill areas/ station precincts to accommodate smaller dwellings (1, 2 and 3 bedrooms), the Study notes that the diversity of a population base is influenced not only by household type (family or non-family).

The diversity of a population is underpinned by the following:

- Household type (family or non-family).
- Household size (one person, two persons).
- Households' capacity to pay for housing (a function of their incomes).
- Household living preferences (e.g. households who desire convenience may desire smaller dwellings).

The Proposal plays an important role in facilitating a broader range of housing choice in Castle Hill. Comprising some 431 dwellings, the Proposal represents around 6% of the existing development pipeline in the Metro station precincts.

Delivery of the Proposal would contribute to supply of residential units of a mix and internal sizing that responds to the market. In contrast, residential units provided pursuant to incentive floorspace provisions in the LEP respond to a planning requirement, not necessarily aligning to economic and market demand.

The Proposal would complement other larger dwellings delivered in the Northwest station precincts pursuant to the LEP incentive provisions. The offer of 'regular' and large sized units would contribute to the critical market requirements of housing diversity and housing choice.

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