

Density Deals: The unequal value of the In-fill Affordable Housing density bonus

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Executive Summary

The New South Wales In-fill Affordable Housing density bonus scheme (*IAH Policy*) provides property owners with up to a 30% extra density in exchange for providing up to 15% of the project's dwellings at 20% below market rent for 15 years.

A key policy design question is this: How much value does the density bonus provide to property owners compared to the value of the discounted rents contributed in return?

To answer that question, we estimate the value of the additional rights to higher density granted by the *IAH Policy* on a *per affordable dwelling provided* basis. We compare this value to an estimate of the value of the rental discount provided for each affordable dwelling to produce a ratio of bonus value contributed.

Our baseline estimates across a sample of nine suburbs with large recently approved *IAH Policy* projects suggest that the proportion of density bonus value contributed in the form of rental discount value falls in the range of 21% and 92%. This means that, conservatively, between 8% and 79% of the value is retained by the property owner using the *IAH Policy* (less conservative assumptions give a range of 34% to 83%).

The most crucial economic finding is that the lowest proportion of density bonus value is contributed as discounted rent in high-value locations, and the highest proportion in low-value locations.

This means that the policy will be most popular in high-value locations as property owners retain the highest share of the density value. Yet in these locations the value of the rental discount is low compared to the value of bonus density, and even the discounted rent is often unaffordable for qualifying low-income households.

An implication of this economic pattern is that blunt policy changes to increase the proportion of bonus value contributed, such as increasing the provision of affordable housing to 30 years, may render the *IAH Policy* unviable in lower value locations where the contribution is already a high proportion of the value of bonus density.

More tailored approaches could be considered so that contributions in return for higher density better match the market value of that density while also better matching the needs of low-income households.

Background

In December 2023 the New South Wales government clarified its *In-fill Affordable Housing policy* (Chapter 2, Part 2, Division 1 of State Environmental Planning Policy (Housing) 2021) via a new practice note that allows for property owners to receive up to a 30% density bonus above what is in local zoning codes if up to 15% of the dwellings (by floor area) are provided at a 20% discounted rent for 15 years.¹

An important economic element of this policy's design (henceforth the *IAH policy*) is the value of the density bonus to property owners relative to the cost of supplying the 15-year rental discount.

This matters for a couple of reasons.

First, a density bonus will only be accessed by a property owner if the value of the extra density is higher than the cost of the discounted rent being offered. Which market conditions make this viable? And where it is viable, how much is the cost of discounted rental relative to the value of the density bonus?

Second, if the value of the bonus far exceeds the cost of the discounted rental, are there mechanisms that can better match the costs and benefits of the policy, such as extending the 15-year commitment?

Economic principles

The *IAH Policy* is designed around the fact that additional property rights that enable higher density above existing allowable limits can be valuable to property owners. This is the case in areas with high value housing relative to existing land use controls on density, where privately chosen building densities would be above current limits.

Rather than grant the value of rights to higher density for free to current property owners, the *IAH Policy* puts a price on that value in the form of the rental discount of affordable dwellings at a minimum of 20% below market rent for at least 15 years.

Figure 1 illustrates the source of the value for the right to higher density. This illustration also clarifies why the *marginal value* gained from the density bonus to property owners is lower per additional unit than the *average value per unit* of the site, which is an important consideration in any valuation exercise.

The blue line represents the *marginal development cost per dwelling* as site density is increased. For example, if the total development cost rises from \$10 million for 20 dwellings to \$17 million for 30 dwellings, the average cost per unit in the 20-dwelling case is \$500,000, and in the 30-dwelling case is \$567,000. But the *marginal cost*

¹ Practice Note available at: <https://www.planning.nsw.gov.au/sites/default/files/2023-12/in-fill-affordable-housing-practice-note.pdf> See p6 for an example of how extra floor space ratio (building internal floor space across all levels divided by the site area) is applied as the density bonus, with a minimum 20% bonus for 10% affordable housing. The affordable dwellings are usually managed by a registered community housing provider for the required period.



considers only the *extra* cost. In this simple example, there are an *extra* 10 dwellings for an *extra* \$7 million of costs, so the *marginal development cost* of these 10 extra dwellings is \$700,000 each—a much higher figure than \$567,000 average.

Increased costs for building at higher density occur because many unsaleable parts of the project rise in cost at higher density, such as structural building elements, service connections, foundations, circulation spaces, and more.

For a property owner, the density that maximises their private value is when the *marginal development cost per dwelling* equals the *market price*. This is illustrated in Figure 1 by the intersection of the red high price per dwelling with the blue marginal cost curve at a high site density, and the intersection of the low price per dwelling at a lower site density.

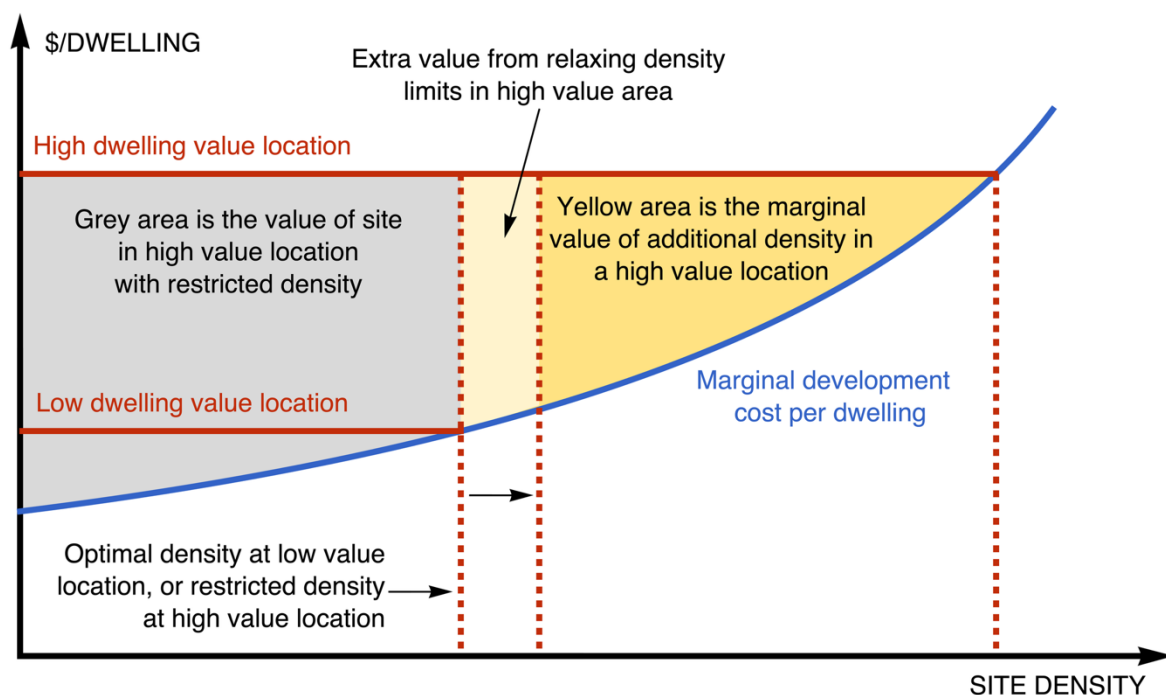


Figure 1: Illustration of the source of private value from the density bonus

In high-value locations where density is restricted by planning controls, there is value to be gained. This is indicated by the rightward shift of the dashed red density line. The value gained by the property owner is represented by the light-yellow shaded area, which represents the difference between the price (red) and the cost (blue) of that extra density. Note that on a per-dwelling basis (per unit on the x-axis), this light-yellow area is smaller than the grey area (i.e. the average vertical distance between the price and marginal cost curves is less).

The light yellow is the private value of extra density rights (the marginal value), which, on a per dwelling basis, is lower than the previous average per dwelling shown in grey.

The *IAH Policy* gives property owners the value a maximum of 30% more density (in terms of height and gross floor area), but only requires 15% of the dwelling area to be contributed to affordable housing at a 20% rental discount for 15 years. That means, in

effect, that the *IAH Policy* provides to property owners 1.54 extra dwellings on the site per affordable dwelling provided.²

Our subsequent analysis accounts for the economic principles noted here in this way.

1. Lower marginal value compared to average value is accounted for by scaling development costs based on established empirical trends.
2. The 1.54x extra dwellings per affordable dwelling is adjusted for by presenting relative values on a *per affordable dwelling* basis, rather than a *per additional project dwelling* basis.

Use of the In-fill Affordable Housing policy

A current search of the New South Wales Planning Portal shows widespread use of the *IAH Policy*, particularly on larger projects in high value locations. We have compiled a sample of recently approved projects in Table A.1 of the Appendix, which highlights ten recent projects with a total of 2,764 dwellings, including 497 affordable dwellings across nine different suburbs.

These projects represent a wide range of locations and a broad range of local asking rents and prices. Asking rents in project postcodes vary by around 100%, from \$610 per week to \$1185 per week. Asking prices show even more variation, from \$610,000 for the suburb-wide average price of a two-bedroom unit, to \$1.7 million, or a factor of 2.8x.³ Comparable new apartments will have rents and prices above these suburb averages.

Table 1: Rent and price range of sample project locations using IAH policy

Suburb	Postcode	Weekly Asking rents	Asking prices
Edgecliff	2027	1,185	1,700,000
Crows Nest	2065	1,030	1,400,000
North Sydney	2060	1,100	1,300,000
Dee Why	2099	800	1,170,000
Roseville	2069	860	1,070,000
Lindfield	2070	890	1,040,000
Rhodes	2138	950	920,000
Wollongong	2500	680	780,000
Regents Park	2143	610	610,000

² See table of examples on p6 here <https://www.planning.nsw.gov.au/sites/default/files/2023-12/in-fill-affordable-housing-practice-note.pdf>. Basically, 15% of 1.3x the previous density is 19.5% of the initial density, meaning out of the 30% extra density, 19.5% must be affordable dwellings and 10.5% (i.e. ~54% more) are extra dwellings with no affordability requirements. The minimum density bonus is 20% with a 10% affordable housing contribution, and the policy scales proportionally between this and the maximum density bonus of 30%.

³ Postcode level asking rents are available here: <https://sqmresearch.com.au/weekly-rents.php?t=1>. Asking prices are available here: <https://sqmresearch.com.au/asking-property-prices.php?postcode=2000&t=1>. These asking rents are consistent with new tenancy rent data from NSW Department of Communities and Justice Rent and Sales report, available here: <https://dcj.nsw.gov.au/about-us/families-and-communities-statistics/housing-rent-and-sales/rent-and-sales-report.html>.



Blue shading shows high-value locations in terms of rents and prices, with yellow showing moderate-value locations

Given its recent popularity, the *IAH Policy* could, over time, create a large and growing pool of below-market affordable housing. But it is worth noting some policy risks and issues regarding its overall design and use.

First, the *IAH Policy* relies on the existence of strict density limits in the planning system. Raising density limits city-wide would undermine the function of the *IAH Policy*, and even some approved projects may seek revised planning approvals to remove their affordable housing obligations.

Second, a market correction may lead to lobbying for reduced costs of new housing development. This could lead to policy changes that provide a density bonus without the affordable housing inclusion.

Third, in high-value areas, a 20% rental discount based on comparable luxury new apartments is likely to be far above the suburb or city average price and potentially still too expensive for households that meet income criteria for affordable housing rental.

For example, a one-bedroom apartment at Bondi Beach provided as an affordable dwelling is priced 20% below the market at \$925 per week, or \$48,000 per year.⁴ But the before-tax income limit for a couple is \$121,000, meaning at most a \$100,000 after-tax income. This apartment would still be a minimum of 48% of the household's net income. Another example is a Coogee three-bedroom apartment for \$1,400 per week, or \$73,000 per year, which is 20% below the prevailing market rent for new comparable apartments.⁵ The income limit for a family with two children is \$170,000 per year, which is around \$140,000 after tax. Again, this apartment would cost a qualifying family more than half their net income.

There is thus a design “bluntness” to the current *IAH Policy* and a risk from future changes to planning controls.

Valuation of property rights to higher density

It is possible to leverage known economic relationships to establish indicative valuations of the marginal density rights by working backwards from simple data on suburb-wide averages prices that were reported in Table 1. Doing this allows us to establish a representative value of the density bonus on a *per affordable dwelling basis* for the sample of nine suburbs with recent *IAH Policy* projects.

Our procedure relies on several key assumptions that are chosen to be conservative (i.e. more likely under-value bonus density rather than over-value it). For example, we overlook that higher density might provide access to valuable views at higher levels, vastly increasing the marginal value of these density bonus rights. We count only typical

⁴ See this one-bedroom example <https://www.welcomemat.com.au/affordable-housing-rental-apartment-bondi+beach-2026-223d92b50b108922>

⁵ See this three-bedroom example <https://www.welcomemat.com.au/affordable-housing-rental-apartment-coogee-2034-d89b836af0112876>



two-bedroom apartments and ignore larger and more expensive apartments, penthouses, and other project design choices. We describe those assumptions here and detail further the calculations in the Appendix.

First, we assume that project margins are bid towards a risk-reflective rate of profit via higher land prices. For such large projects, we assume a 30% risk premium (which is 23% of the project's final value or gross realisation). Essentially this means that the all-in costs of development, including the site purchase price, will generally converge by market trading so the most willing buyer of the site will undertake a development of that scale if they can achieve a 30% return on all costs—a rate that reflects the risk of market, cost and timing changes over large projects. This assumption allows us to establish that typical costs are 77% of the market price, which includes the site, construction, fees, and design. Our valuation procedure preserves this margin on all extra dwellings provided for by the density bonus.

Second, we make assumptions about average site value. We base our land value share assumption on an observed relationship in a sample of recent site sales across Sydney. We first apply a 20% premium to the average asking price for a two-bedroom apartment in the suburb to represent the value of new dwellings.⁶ We then determine a linear best fit relationship between this 20% above suburb average price and the site value per dwelling in our sample of projects. This fitted model is applied to the 20% inflated suburb average price for each of the nine suburbs we assess.

Third, we assume that development costs increase with density, as earlier described. After subtracting the risk margin and land value per dwelling from the market price based on previous assumptions, we scale the remaining *average development cost* to *marginal cost* using the observed relationships in construction cost data. This avoids over-valuing extra density by reference to *average* value rather than *marginal* value (as earlier described). That scaling factor is 1.12 in our baseline analysis, and we also conduct some scenario analysis.

Applying these assumptions, we subtract the risk margin and the marginal cost from the market value to determine the marginal site value per additional dwelling for a representative two-bedroom apartment. Since there are 1.54 times as many extra dwellings in the density bonus as there are affordable dwellings, we scale up this valuation to be a *per affordable dwelling provided* value by multiplying by 1.54.⁷

⁶ Recent research suggests that new one-bedrooms have a 16% price premium, new two-bedrooms a 30% price premium, and new three-bedrooms a 45% premium, so a 20% average assumption seems close to representative given we compare to suburb-wide averages that include new builds. See CBRE's 2024 apartment vacancy and rent outlook <https://mktgdocs.cbre.com/2299/92862460-3b54-463b-800f-b9ea7d43d6ca-1468905347/v032024/cbre-apartment-vacancy-and-rent-outlook-sep-2024-final.pdf>

⁷ The superseded version of the policy allowed only a 20% density bonus for 50% affordable housing, meaning an 0.42 (0.5/1.2) ratio of extra dwelling density per affordable home. <https://legislation.nsw.gov.au/view/html/repealed/current/epi-2009-0364#sec.13>

This approach is detailed completely in the Appendix. The main outcome of this procedure is to value the density bonus on a *per affordable dwelling basis* as a function of the suburb average two-bedroom apartment asking sale price, as follows:

$$\text{Density bonus value} = 0.664 \times \text{Suburb apartment price} - 308,500$$

This suggests that in a suburb where a typical 2-bedroom apartment sells for \$600,000, the private value of the density bonus per affordable dwelling provided is about \$90,000 per included affordable dwelling. In an area where a 2-bedroom apartment sells for \$1.8 million, the private value of the density bonus is \$887,000. Notice the value of density bonus scales more than proportionally to price, so that when the market price is three times higher, at \$1.8million rather than \$600,000, the value of the density bonus is nearly ten times higher.

Valuation of rental discount

The required rental discount is 20% below the market for 15 years. What is the present value of the cost of this rental discount? Three key assumptions are needed to estimate the scale of this effect.

First is the rental price. We take the suburb average asking rent for a two-bedroom dwelling and again add a 20% new dwelling premium. For the first year, of the 15-year rental discount obligation, 20% of this is the value of the rental discount, which is 24% of the suburb asking rent.⁸ We assume that no discounts in excess of the minimum are offered.

Second is the discount rate. This is how we translate future costs to the present value. Think of this as the interest rate a person receives on a lump sum deposited in a savings account today. That interest rate determines how much you need to save today to pay a recurring cost over 15 years. Given that even bank savings accounts can generate 5% interest presently, this is a conservative lower bound on the discount rate. The *lower* this discount rate, the *higher* the present value of the rental discount. We take as a baseline a 6% discount rate, but also test 7% in our scenario analysis. Commercial interest rates are generally higher than this, so this assumption will tend to overestimate the value of the rental discount.

The third assumption is the rental growth rate. According to ABS CPI measures, Sydney rents have risen 24% in the past decade (2.2% per year nominally on average).⁹ Asking rents for apartments in Sydney have risen by 45% according to SQM Research (3.7% per

⁸ The *IAH Policy* requires a discount with reference to median rents reported in the NSW Rent and Sales report. At a postcode level, these are on average 8.7% lower than the asking rents we report, so our rental discount is 26% of these reference rents average. In practice, the actual discount from true market for comparable dwellings could be larger or smaller than our assumption here.

⁹ See Table 9 of this Australia Bureau of Statistics release:

<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release#data-downloads>



year nominally on average).¹⁰ Reality will likely fall between these as we know asking rents from online advertising records vary substantially more than actual rents paid, while ABS data on actual rents paid incorporates changes in rent assistance as net reductions in rental prices. We assume 3% as our baseline rental growth rate over our 15-year rental discount period.

Together, these assumptions are conservative. Higher discount rates and lower rental growth will produce lower estimates of the value of the rental discount and thus a lower proportion of density bonus value contributed.

Summary of results

Using the nine suburb locations of our sample of *IAH Policy* projects, we show in Figure 2 the estimated value of the density bonus per affordable dwelling provided and the cost of providing the 15-year rental discount, under our baseline assumptions.¹¹

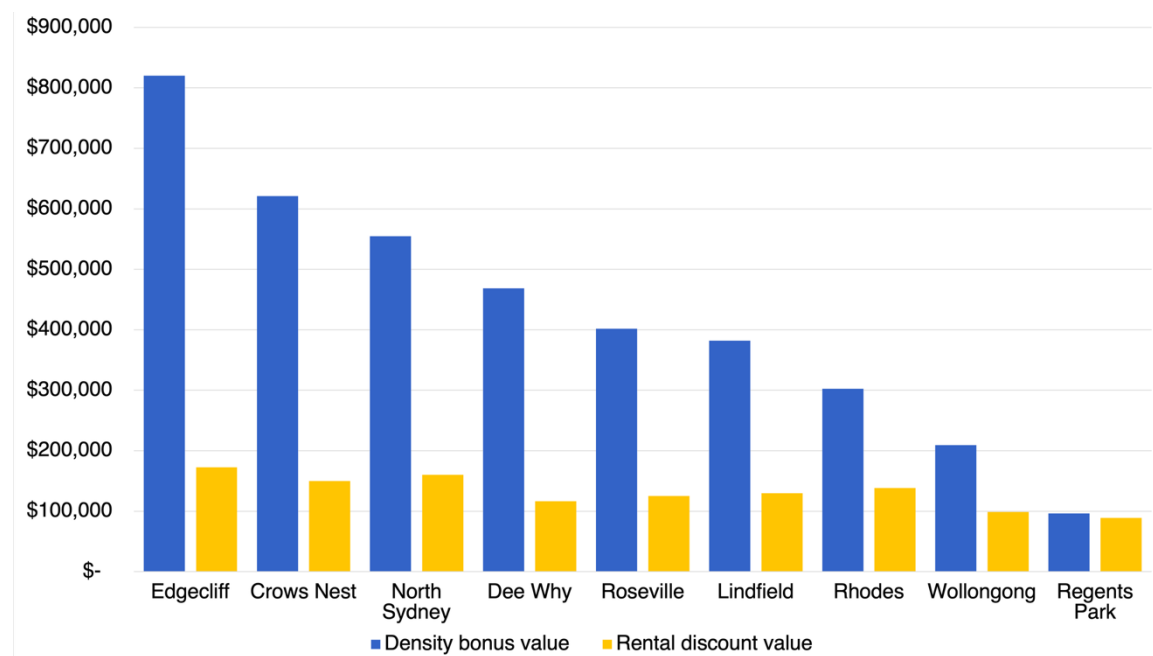


Figure 2: Baseline valuation results per dwelling

The share of value provided in the form of affordable rental at a 20% discount to market rent ranges between 21% to 92% of the value of the density bonus. In other words, the value of the bonus is between 1x and 5x the value of the affordable housing contribution. This is why the policy has been popular across a wide range of high value areas, with many project owners modifying existing planning approvals to take advantage of it.

Notably, the value of extra density varies much more than the value of the rental discount. This suggests that there are likely to be some lower-value locations across the state where the *IAH policy* will be unviable in its current form, especially when existing

¹⁰ Data available here: <https://sqmresearch.com.au/weekly-rents.php?region=nsw%3A%3ASydney&type=c&t=1>

¹¹ All spreadsheets and calculations are available upon request to the authors.

planning controls allow for high density. It also implies that there will be much higher take-up of the *IAH Policy* in high value areas where the density bonus is worth many times the affordable housing commitment (see Box 1).

To test the robustness of these calculations, Table A.2 of the Appendix presents some scenario analysis that varies the marginal cost scaling factor, profit and risk margin, rental growth rate, and discount rate.

A combination of less conservative, and perhaps even more realistic, assumptions would be as follows: a 42% risk margin (meaning that the margin is 30% of gross realisation), 1.1 marginal cost scaling, 7% discount rate and 2% rental escalation. These plausible assumptions decrease the range of bonus value sharing estimates to be 17% to 66% (an 8-percentage point average decline in the estimates).

The strongest evidence that our baseline estimates are at the conservative end of a plausible range is that our bonus value sharing result is 92% in Regents Park. Any result near 100% show our valuation method to be conservative, as the projects in our sample voluntarily took up the *IAH Policy*. Project owners will only take up the density bonus if the relative value of the affordable housing contribution (i.e. cost) is clearly below 100% of the benefit in the form of the density bonus.

Box 1: High-value site in high-value location case study

The North Sydney project site in our sample of *IAH Policy* projects recently sold for \$240 million, or \$1 million per dwelling for the 239 dwellings.¹² Yet our conservative analysis puts the marginal value of extra density for a typical project in this suburb at \$533,000 per additional dwelling, and therefore \$820,000 per affordable dwelling provided.

Although the marginal site value should be slightly lower than the average, the large discrepancy arises because the project will likely be priced far above a 20% premium on the suburb average for site-specific reasons, such as views and local amenity, and include a range of dwelling sizes and types that are not captured in our approach of counting representative two-bedroom apartments.

This project illustrates that even within suburbs there is substantial variation in the value of the density bonus. It also illustrates a core economic trade-off in the *IAH Policy* design. The *IAH Policy* is most financially attractive to the highest value projects in the highest value suburbs, but this also means that affordable housing provided in those projects is potentially renting for more than qualifying low- and middle-income households can afford, even at a 20% discount on market rent.

In projects and places where the density bonus value is highest, the 20% affordable housing rental discount is perhaps the least helpful.

¹² See reporting here <https://www.realcommercial.com.au/news/cbus-sells-off-north-sydney-site-in-240m-deal-to-aland>

Regardless, the variation in relative value of the density bonus across locations is much higher than the plausible variation due to the assumptions in our valuation method and is hence the key economic feature of this policy.

There are many changes that could be made to capture more of the value granted by the density bonus. One is to increase the length of the rental discount period. Figure 3 presents the results of applying a 30 year the rental discount instead of 15 years. Here, the range of value recouped rises to 35% to 152%. This means that in lower value areas, the density bonus value is likely to be worth less than a 30-year commitment to affordable housing. Thus, any change in the scope of provision of affordable housing in the *IAH Policy* will need to be sensitive to the value variation across locations to remain viable.

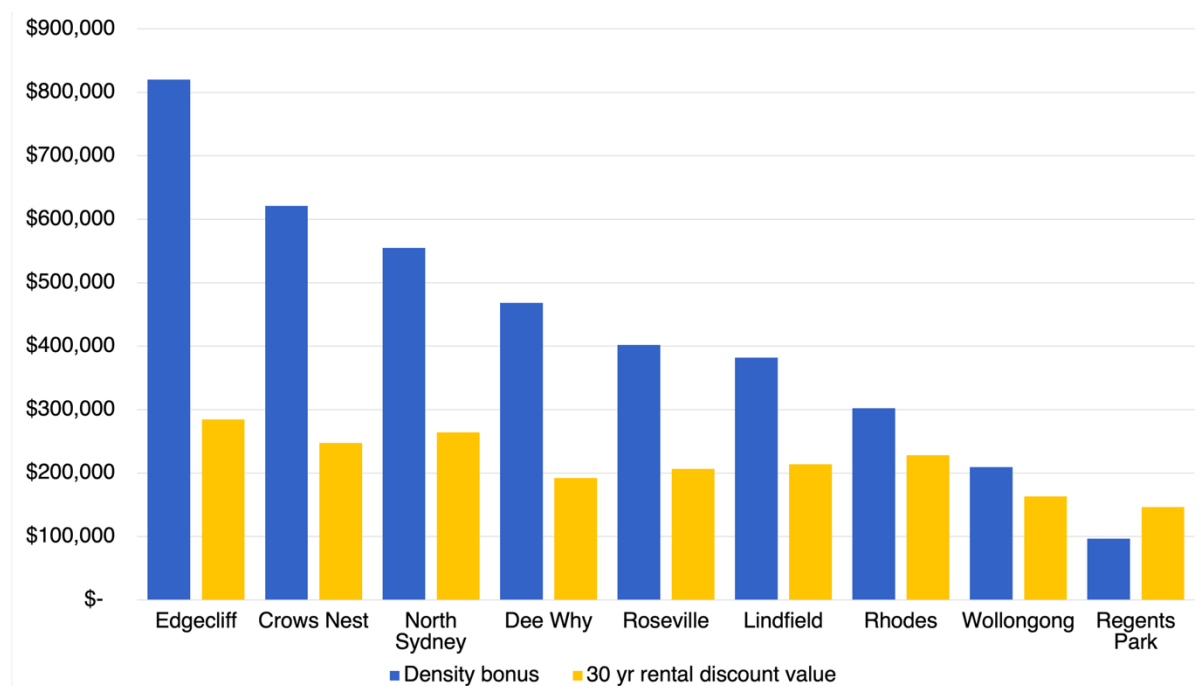


Figure 3: Density bonus values compared to 30 years of discounted rental

Another way to achieve a similar outcome is to require a cash payment that scales in proportion to local market prices rather than in-kind affordable housing at 20% below market rent. The revenue can then be used to subsidise affordable housing providers or their tenants directly. Charging a fee of 10% of the market price per extra dwelling for a density bonus would earn 50% of the value in our sample of locations, rather than the 34% as in-kind affordable housing, as shown in Table 2. Note that these are the suburb averages for a project of this size and not site-specific estimates.

Across projects of this size in markets reflective of the prices in these suburbs (i.e. not these site-specific projects), the value of the density bonus is conservatively \$190 million, and the value of affordable housing contributions is \$64 million, or 34% on average. Charging 10% of the margin price of every extra dwelling in the density bonus would instead raise \$96 million in revenue, or 50% on average.

Unfortunately, the same economic limitations apply to this simple pricing approach as they do to the simple inclusionary zoning rules in the *IAH Policy*. In lower value areas, the marginal value of additional density can be less than 10% of the dwelling value, which is the case in our modelled scenario in a market like Regents Park.

To get a higher share of the value of density bonus from the *IAH Policy* requires more sophisticated pricing approaches that reflect the more-than-proportional relationship between marginal site value and market value of dwellings.

Table 2: Illustration of 10% density charge and IAH policy

Sample Project	Value of density bonus	Value of affordable housing	Share of density value	Value of a 10% charge
Edgecliff	17,226,000	3,622,000	21%	6,597,000
Regents Park	7,725,000	7,104,000	92%	9,018,000
Wollongong	5,236,000	2,475,000	47%	3,604,000
North Sydney	37,165,000	10,728,000	29%	16,096,000
Rhodes 1	18,144,000	8,297,000	46%	10,201,000
Crows Nest	29,813,000	7,197,000	24%	12,419,000
Dee Why	20,141,000	5,007,000	25%	9,297,000
Roseville	15,678,000	4,882,000	31%	7,712,000
Lindfield	21,396,000	7,255,000	34%	10,763,000
Rhodes 2	17,539,000	8,021,000	46%	9,861,000
Total	190,063,000	64,588,000	34%	95,568,000

Conclusion

We have shown that between 8% to 79% of the value of the *IAH Policy* density bonus is retained by the property owner when the density bonus is conservatively valued. Any approach that tries to increase the value of the affordable housing contributed must contend with the high degree of variation in the value of the bonus density. This applies to approaches such as increasing the length of time affordable housing is provided, increasing the quantity of affordable housing, or using direct value capture payments set in proportion to market prices.

More tailored approaches could be considered. For example, in high value locations, contributions in exchange for a density bonus might take the form of cash payments that are used to subsidise affordable housing in other lower-value existing buildings or locations. Alternatively, the contribution of affordable housing could be provided by developers in other locations or buildings where the rental discount provides better value to low-income households.

Appendix

The density bonus valuation procedure is represented visually in Figure A.1. First, the risk margin is subtracted from the market value, which we take as 20% above the suburb average for a two-bedroom apartment (shown in red and described as Step 1). Then the average site value is subtracted (shown in yellow and described as Step 2). The remaining share of value is the average development cost (blue).

To determine the marginal site value per additional dwelling, this average development cost amount is scaled by 1.12 to reflect rising marginal cost with density (noted as Step 3). This scaled amount, and the risk margin, are subtracted from the market value to determine the marginal site value per additional dwelling (Step 4).

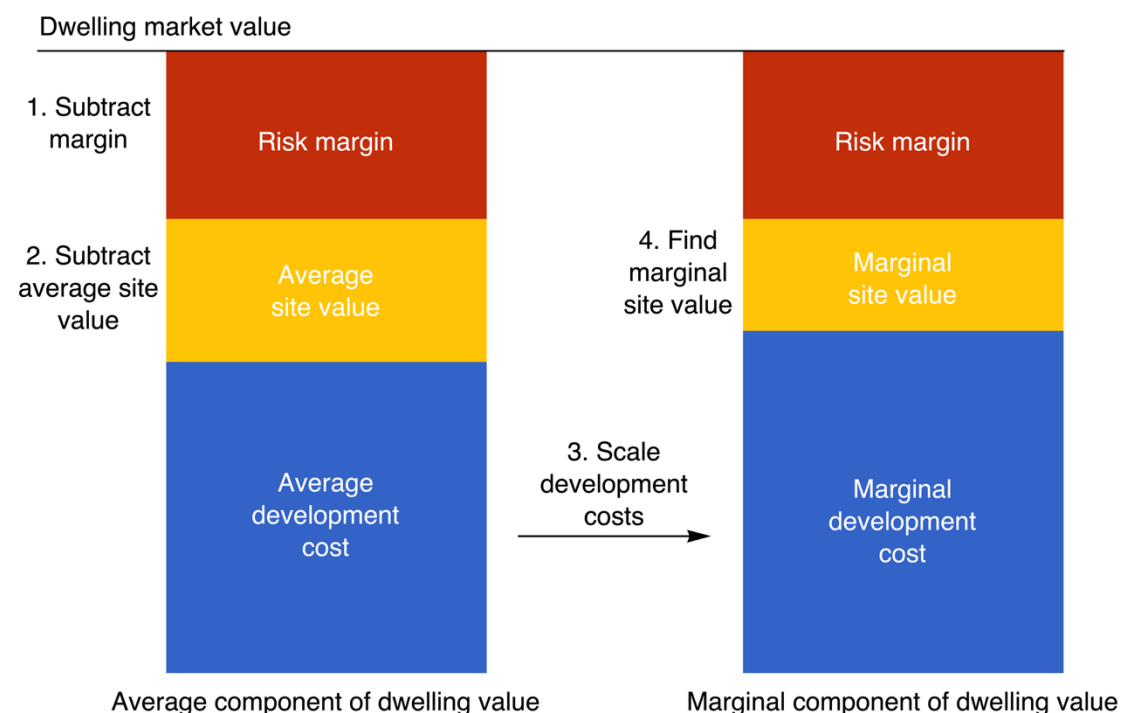


Figure A.1: Visual illustration of the method for estimating marginal site value

To determine the average site value per dwelling for Step 2, we capitalise on the tight relationship between a 20% premium on the suburb average asking price and the site value per dwelling in a sample across twelve major site sales. While the relationship may ultimately be non-linear, across a sensible range of dwelling values the linear relationship gives a close fit, as per Figure A.2. This sample of site sales data is available upon request.

To scale the development cost in Step 3, we rely on construction cost figures in the 2025 RLB Digest to estimate the typical marginal cost to average cost ratio across residential apartment density ranges in Sydney.¹³ These fall between 1.12 and 1.14 for low and high reports quality benchmarks projects, respectively. As these reported costs do not

¹³ Source data is available here: https://www.rlb.com/oceania/wp-content/uploads/sites/1/2024/12/2025-RLB-Rider-Digest_Sydney_Digital.pdf

account for many fixed siteworks costs, they will be at the high end of the range. A 12% cost escalation is adopted as a conservative baseline.

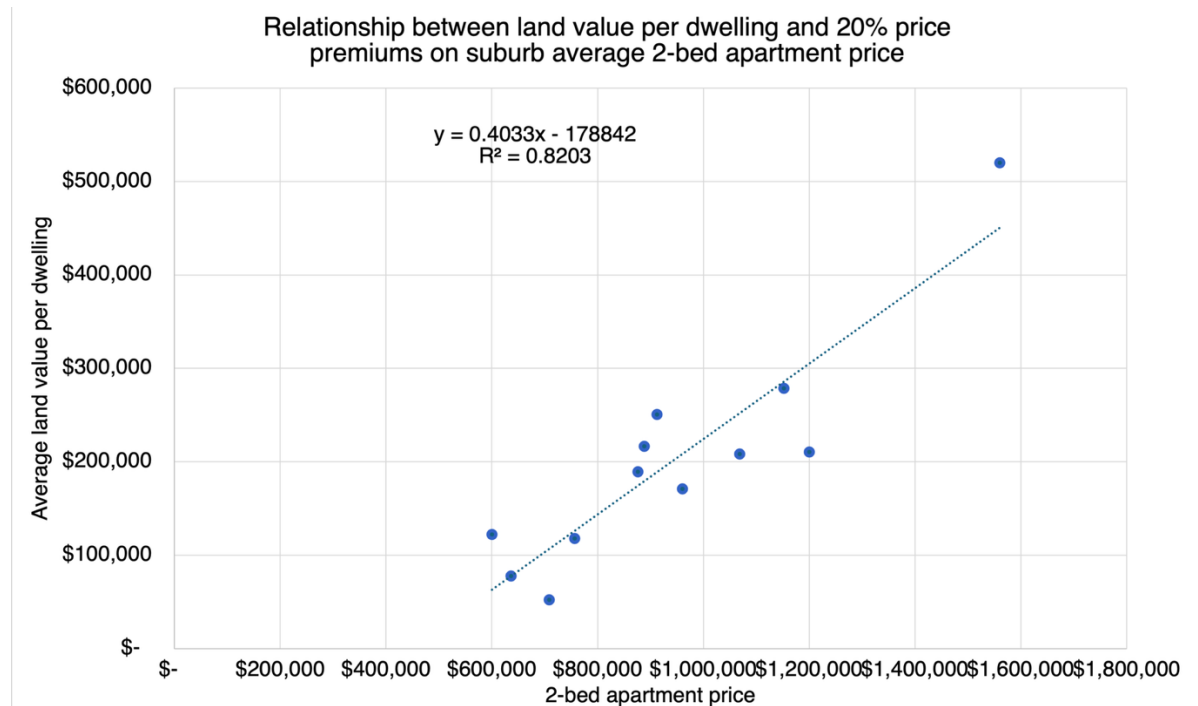


Figure A.2: Suburb average dwelling price and average site value per dwelling show a clear relationship

All the baseline assumptions that we use to translate a market value (of 20% higher than the suburb average) to a marginal site value are as follows:

1. $Risk\ margin = Market\ value\ (MV) \times 0.23$
2. $Average\ site\ value = 0.4033 \times Market\ value\ (MV) - 178,842$
3. $Average\ development\ cost = Market\ value\ (MV) - Risk\ margin - Average\ site\ value$
4. $Marginal\ development\ cost = 1.12 \times Average\ development\ cost$
5. $Marginal\ site\ value = Market\ value\ (MV) - Risk\ margin - Marginal\ development\ cost$
6. $Density\ bonus\ value = 1.54 \times Marginal\ site\ value$

This provides the following relationship between market value and the value of the site density bonus per affordable dwelling provided:

$$Density\ bonus\ value = 0.553 \times Market\ Value - 308,500$$

Substituting in the suburb average price instead of the market value at a 20% price premium gives:

$$Density\ bonus\ value = 0.664 \times Suburb\ apartment\ price - 308,500$$



Table A.1: Sample of recent In-fill Affordable Housing projects using the density bonus

Company name	Est. total cost	GFA (sqm)	Total Dwell-ings	Afford. Dwell-ings	Percent afford.	Site area (sqm)	Site address	LGA	Application date	Amended date	Approved date
LENDLEASE (ONE DARLING POINT) PTY LTD	\$10m	13,000	60	21	15%	1,746	136 – 148 New South Head Road, Edgecliff	Woollahra	17/1/2025	NONE	30/6/2025
PACIFIC PLANNING PTY LTD	\$200m	55,000	558	80	15%	17,857	30-46 Auburn Road, Regents Park	Canterbury-Bankstown	15/12/2022	16/8/2024	15/5/2025
Urban Property Group	\$54m	15,587	145	25	15%	6,530	106, 120-122 Smith Street and 3A Charlotte Street	Wollongong	19/3/2024	27/11/2024	4/4/2025
CBUS PROPERTY R3 PTY LTD	\$256m	31,340	239	67	15%	3,952	173-179 Walker Street and 11-17 Hampden Street, North Sydney	North Sydney	21/6/2024	1/11/2024	1/4/2025
BBG MANAGEMENT PTY LTD	\$295m	32,099	313	60	15%	1,537	9 Blaxland Road and 424 Concord Road, Rhodes	City of Canada Bay	12/7/2024	NONE	21/3/2025
DEICORP CONSTRUCTION PTY LTD	\$154m	24,135	188	48	15%	3,200	391-423 Pacific Highway, 3-15 Falcon Street, and 8 Alexander Street, Crows Nest	North Sydney	23/1/2024	12/9/2024	23/12/2024
LANDMARK GROUP	\$98m	24,948	280	43	15%	7,791	4 Delmar Parade and 812 Pittwater Road, Dee Why	Northern Beaches	26/3/2024	6/6/2025	20/12/2024
AQUALAND PRESTIGE 2 UNIT TRUST	\$172m	20,702	178	39	15%	6,539	2, 4, 6, 8, 10, 12, 14 and 16 Pockley Avenue	Ku-ring-gai	30/4/2025		NOT YET APPROVED
DEICORP PTY LTD	\$270m	40,864	373	56	11%	13,386	9 - 21 Beaconsfield Parade, Lindfield	Ku-ring-gai	14/5/2025		NOT YET APPROVED
BILLBERGIA PTY. LTD	\$191m	36,636	340	58	15%	11,692	25-27 Leeds Street, Rhodes	City of Canada Bay	30/6/2025		NOT YET APPROVED



Table A.2: Scenario analysis with various input assumptions

	Baseline Values	High Marginal Cost	Low Risk Margin	Low Rent Escalation	High Discount Rate
Marginal cost scaling	1.12	1.15	1.12	1.12	1.12
Profit and risk margin	77%	77%	79%	77%	77%
Rent escalation	3%	3%	3%	2%	3%
Discount rate	6%	6%	6%	6%	7%
Density bonus value (1)					
Edgecliff	820,000	777,000	813,000	820,000	820,000
Regents Park	97,000	76,000	94,000	97,000	97,000
Wollongong	209,000	185,000	206,000	209,000	209,000
North Sydney	555,000	520,000	549,000	555,000	555,000
Rhodes	302,000	275,000	298,000	302,000	302,000
Crows Nest	621,000	584,000	615,000	621,000	621,000
Dee Why	468,000	436,000	463,000	468,000	468,000
Roseville	402,000	372,000	397,000	402,000	402,000
Lindfield	382,000	353,000	377,000	382,000	382,000
Rental discount value (2)					
Edgecliff	172,000	172,000	172,000	162,000	161,000
Regents Park	89,000	89,000	89,000	83,000	83,000
Wollongong	99,000	99,000	99,000	93,000	92,000
North Sydney	160,000	160,000	160,000	150,000	149,000
Rhodes	138,000	138,000	138,000	130,000	129,000
Crows Nest	150,000	150,000	150,000	141,000	140,000
Dee Why	116,000	116,000	116,000	109,000	109,000
Roseville	125,000	125,000	125,000	118,000	117,000
Lindfield	130,000	130,000	130,000	122,000	121,000
(2)/(1)					
Edgecliff	21%	22%	21%	20%	20%
Regents Park	92%	117%	95%	86%	86%
Wollongong	47%	54%	48%	44%	44%
North Sydney	29%	31%	29%	27%	27%
Rhodes	46%	50%	46%	43%	43%
Crows Nest	24%	26%	24%	23%	23%
Dee Why	25%	27%	25%	23%	23%
Roseville	31%	34%	31%	29%	29%
Lindfield	34%	37%	34%	32%	32%

