

**Sydney Office**

Level 9, 17 York Street, GPO Box 4401, Sydney NSW Australia 2001

T +61 2 8270 8300 F +61 2 8270 8399 E [sydney@rpsgroup.com.au](mailto:sydney@rpsgroup.com.au) W [rpsgroup.com.au](http://rpsgroup.com.au)

**Our Ref:** PR107832  
**Date:** 12 February 2014

Attn: Simon Truong  
Department of Planning and Infrastructure  
23-33 Bridge Street  
Sydney NSW 2000

**Via:** email

Dear Simon Truong

**RE: RESPONSE TO ADDITIONAL INFORMATION REQUEST NO. 2:****SSD 4949-2011 MOD 6, 157-163 CLEVELAND STREET, REDFERN**

This letter provides additional information in relation to the above Section 96 application as requested in your email received on 29 January 2014. The email stated:

*In reviewing Urbanest's website, the department notes that a number of student accommodation types rental pricing does not satisfy the Housing NSW definition of Affordable Housing. In addition, the rental pricing is significantly higher than the rental pricing offered at other student accommodation on the University of Sydney's website. In this regard the department requests the following:*

- *a breakdown of costs for the student accommodation pricing for the various types of student accommodation and other relevant information to demonstrate how the proposal satisfies the definition of Affordable Housing; and*
- *further justification and clarification as to how housing affordability will be maintained through competition, as contended in the response to issues raised, to be consistent with the Housing NSW definition of Affordable Housing.*

Additional information provided in this letter responds to these issues. However, it is important to reiterate that irrespective of the information provided in this letter, the original modification demonstrated that the Section 94F contributions should not apply to Urbanest Cleveland Street on the basis that the facility would assist in alleviating pressure on other forms of affordable housing, and would not contribute further to demand on local affordable housing. This position was clearly supported by the Planning and Assessment Commission in their determination of the Abercrombie Street Precinct (ASP) student accommodation development MP07\_0158, which was exempted from the requirement to pay s94F contributions on the basis that *the student housing will go some way to relieving pressure on local demand for housing*. This determination was not based on the ASP demonstrating consistency with the Housing NSW definition of affordable housing nor any consideration of the student accommodation rents.

The Urbanest Cleveland Street and ASP student accommodation facilities are directly comparable, and there is no reason why there should be a different approach to levying s94F contributions to either facility.

Nevertheless, additional information has been provided in this letter to assist the Department in their assessment of this application. This letter demonstrates that the cost of living (i.e. affordability) at Urbanest Cleveland Street is comparable to affordable housing (as defined by Housing NSW). It also demonstrates that it is comparable, if not more affordable, than university provided housing and how affordability at the Urbanest Cleveland Street facility will be maintained in the longer term.

This response further supports the case that Section 94F contributions should not apply to Urbanest Cleveland Street.

#### ***Urbanest Cleveland Street rental pricing***

An overview of the Urbanest Cleveland Street student accommodation rental pricing has been provided in Table 3-1 of the Section 96(1A) report submitted with this application. Further detail and a breakdown in relation to these rental figures is provided below.

The student accommodation prices on Urbanest's website are for a fully furnished room and inclusive of all utilities, including internet and contents insurance. These inclusions are essential ancillary costs of living but do not allow for a direct comparison against the Housing NSW residential rental statistics which represent rent only.

The breakdown of Urbanest Cleveland Street rental charges in Table 3-1 are exclusive of the utility charges provided on Urbanest's website (approximately \$30 a week) but include all furniture. In Table 1 below we have further revised the rents to remove the cost of furnishing which accounts for \$5 a week based on the cost of basic furnishings for an apartment (including kitchen) over a 4 year period being \$1000. With these adjustments made to Urbanest's advertised rents, it is then possible to undertake a direct comparison with the Housing NSW affordable housing rental thresholds.

**Table 1: Revised rents**

<b>Room Type</b>	<b>Number of students per room type</b>	<b>Weekly rent per person (excl. utilities &amp; furniture)*</b>	<b>NSW Affordable Housing Rent (20% below median)**</b>	<b>% below the Sydney LGA median (\$520/wk)**</b>
3 bed suite	3	<b>\$384</b>	\$416	<b>-26%</b>
4 bed ensuite	4	<b>\$374</b>	\$416	<b>-28%</b>
5 bed ensuite	43	<b>\$364</b>	\$416	<b>-30%</b>
6 bed ensuite	252	<b>\$359</b>	\$416	<b>-31%</b>
Twin share studio	56	<b>\$264</b>	\$416	<b>-49%</b>
8 bed twin share rooms	56	<b>\$264</b>	\$416	<b>-49%</b>

Single share studio	34	\$482	\$416	-7%
	<b>TOTAL: 448 students</b>	<b>MEDIAN: \$356 pp</b>	N/A	<b>-31%</b>

*\*To enable a comparison with the Housing NSW rents, utilities and the cost of furniture must be removed from urbanest rents. \$30/wk for utilities (justified by university websites) and assumed \$5/wk for furniture being \$1000 cost of basic furnishings for an apartment including kitchen amortised over a 4 year period, or the length of a typical university course).*

*\*\* Discussed in following section*

The rents in Table 1 are also fully inclusive of the use of all of the communal facilities and services at Urbanest Cleveland Street including:

- Gym
- Cinema room
- Games rooms (playstations etc)
- Outdoor communal spaces
- Study rooms
- Laundromat
- Bike store
- Communal kitchen
- Student activities and support programs
- Fully secure building with 24hr assistance
- Contents insurance for students' personal items to \$3000

The above inclusions represent further value for money with respect to comparison between Urbanest's rents and the Housing NSW affordable rent thresholds.

### ***Housing NSW 'Affordable Housing'***

As detailed in the Section 96(1A) report submitted with this application, the Housing NSW definition of affordable housing is where the rent is 20% below the median. The December 2013 Quarter rental statistics have since been released which show the median rental price for one bedroom apartments/units in the Sydney LGA to be \$520/week<sup>1</sup>. Twenty percent below this is \$416 a week.

Table 1 (above) shows that 92% of the Urbanest Cleveland Street accommodation rent prices are more than 20% below than the median rent for the LGA (\$520). The vast majority of these are significantly below the median, being 30% to 49% below. These therefore satisfy the Housing NSW definition of affordable housing, i.e. a minimum 20% discount on the median local market rent. The only exception is the 34 single studio apartments which are 7% below

<sup>1</sup> Housing NSW Rent December Quarter 2013

(<http://www.housing.nsw.gov.au/About+Us/Reports+Plans+and+Papers/Rent+and+Sales+Report/s/Latest+Issue/>)

the median. Although these fall short of 20% below the median, they are consistent with the price of similar studio accommodation at University of Sydney operated International House (discussed in following section). Further, considering that these prices at Urbanest Cleveland Street also include other items that have not been discounted from Table 1 that are not typically included in a residential flat building (such as contents insurance, games room and full time management), the facility is providing a very affordable accommodation option for students within the broader housing market. Overall, the Urbanest Cleveland Street facility's costs are comparable with the Housing NSW definition of affordable housing.

### ***Pricing Comparison with Similar University of Sydney Accommodation***

Student accommodation is provided in various forms with differing package inclusions and exclusions in the weekly rent. In order to draw a more direct comparison between the rents of facilities, their characteristics, inclusions and exclusions also have to be identified and adjustments made accordingly to compare the affordability. A table has been prepared which achieves this, comparing the Urbanest Cleveland Street student accommodation facility 2014 rents against the 2014 rents of the most comparable University of Sydney (USyd) facilities, including accommodation run by USyd and a not-for-profit college (table attached).

The table demonstrates that the Urbanest Cleveland Street rents are not only comparable with the rents of similar USyd accommodation but are, in most instances, more affordable. The Urbanest basic single bed accommodation is the most affordable against all the compared accommodation, at \$394 to \$414 a week. This accounts for all beds in the 3 to 6 bed apartments, being 67% of the overall beds in the facility. Likewise, the Urbanest twin share accommodation is also more affordable, accounting for 25% of the overall number of beds. The remaining 8% are the studio apartments which are priced on par with both the Sydney University Village and USyd International House studio accommodation.

Urbanest has proved affordability against other accommodation providers including USyd providers while no value has been attributed to the quality and age of the various comparisons. Given that urbanest is brand new and high quality, represents further affordability when compared against the university accommodation stock which ranges from 5 to 35 years old and is of lower standard quality in all respects.

### ***Maintaining Affordability***

It has been demonstrated that the 2014 rents applied to the Urbanest Cleveland Street are comparable with the pricing of similar USyd and not-for-profit operated student accommodation. As was discussed in the Response to Issues report, competition with facilities such as these are a key driver of maintaining the affordability of the accommodation. Certainty that affordability will be maintained demonstrated by the rental growth profile of the student accommodation market in comparison to the rental growth profile of the general residential markets, upon which Housing NSW establishes affordability.

In reviewing Housing NSW's statistical records for rental trends over the last 24 years<sup>2</sup>, the market has demonstrated a compound annual rental growth rate for 1 bedroom flats in Sydney of 5.2%pa. Based on research undertaken by Urbanest and Landmark White Valuers, the vast majority of student accommodation providers have demonstrated long term rental growth below 5% pa and thus below the residential rental market average, upon which housing affordability is based. The information is provided in Table 2 below.

**Table 2: Annual rental growth rate of student accommodation**

Provider	Period	Compound Annual Growth Rate
Sydney University Village	2005 - 2014	6.6%
Darlington House	2009 - 2014	5.6%
University Terraces	2009 - 2014	7.6%
International House	2005 - 2014	5.6%
Mandelbaum House	2008 - 2014	4.6%
St Andrew's College	2009 - 2014	4.0%
St John's College	2009 - 2014	3.9%
St Paul's College	2008 - 2014	4.2%
Sancta Sophia College	2009 - 2014	4.4%
Wesley College	2009 - 2014	4.7%
Women's College	2009 - 2014	4.5%
Unilodge Sydney	2008 - 2014	6.1%
Unilodge UNSW	2005 - 2014	5.7%
Gumal Ngurang	2005 - 2014	4.1%
Bulga Ngurra	2005 - 2014	4.7%
Geegal	2005 - 2014	4.7%

Source: Urbanest and Landmark White Valuers Research

The fundamental principle of operating a business is that to remain financially viable, Urbanest must remain competitive in the student accommodation market and so cannot exceed the market trends. The student accommodation is therefore capable of self regulation to maintain affordability.

### **Summary**

This response provides further support to the case that Section 94F contributions should not apply to Urbanest Cleveland Street. Key points made include:

- 92% of the Cleveland Street accommodation rents are significantly less than the amount required to classify it as affordable housing under the Housing NSW definition. This is without discounting many rental inclusions that are not included in the wider residential market rents.

<sup>2</sup> Housing NSW Rent December Quarter 2013

(<http://www.housing.nsw.gov.au/About+Us/Reports+Plans+and+Papers/Rent+and+Sales+Reports/Latest+Issue/>)

- A detailed comparison with USyd and not-for-profit run accommodation has shown that the Urbanest Cleveland Street rents are not only comparable with the rents of these facilities, but in most instances more affordable.
- The affordability of the Urbanest Cleveland Street facility will not only be maintained through competition but through consistency with the market rental annual growth. While the growth rate for the residential market is 5.2%pa, student accommodation growth is at a lesser rate which will further secure its affordability against the general residential market.

We trust this information is sufficient for your purposes, however should you require any further details or clarification, please do not hesitate to contact the writer by telephone.

Yours sincerely  
**RPS**



Belinda Lewis  
Planning Manager

Attached: Urbanest Cleveland Street Rent Comparison Table, Rev 0

**Urbanest Cleveland Street Rent Comparison Table**

Urbanest Cleveland St & University of Sydney (USyd) Student Accommodation	Advertised 2014 Rent Per Week	Area	Ensuite	Internet	Utilities Included	Air Cond	Contents Insurance	One Off Fees	Kitchen Facilities in Room	Catered	Comparable Rent (adjusted)
<b>Urbanest Standard Ensuite Room Comparison</b>											
<b>Mandelbaum House</b> (Usyd operated) Standard bedroom	\$494	18m <sup>2</sup>	No, hand basin only.  +\$24/wk <sup>3</sup>	Yes	Yes	No  +25/wk <sup>1</sup>	No  +\$6.7/wk <sup>4</sup>	\$1443  \$27.75/wk	No	Yes  -\$105/wk <sup>2</sup>	<b>\$472</b>  \$494 + \$24 (ensuite) + \$6.70 (ins) + \$25 (air cond) + \$27.75 (fees) - \$105 (cater)
<b>International House</b> (Usyd operated) D Room - Single with Full Ensuite	\$509	15m <sup>2</sup>	Yes	Uni Internet Account	Yes	No  +\$25/wk <sup>1</sup>	No  +\$6.7/wk <sup>4</sup>	\$560  \$10.70/wk	Yes	Yes  -\$105/wk <sup>2</sup>	<b>\$446</b>  \$509 + \$6.70 (ins) + \$25 (air cond) + \$10.70 (fees) - \$105 (cater)
<b>St John's College</b> (Not-for-profit organisation) Single room with ensuite	\$513	18m <sup>2</sup>	Some	Yes	Yes	No  +\$25/wk <sup>1</sup>	No  +\$6.7/wk <sup>4</sup>	\$2100  \$40/wk	No	Yes  -\$105/wk <sup>2</sup>	<b>\$480</b>  \$513 + \$6.70 (ins) + \$25 (air con) + \$40 (fees) - \$105 (cater)
<b>Sydney University Village</b> 1 Bedroom Studio	\$384	16m <sup>2</sup>	Yes	\$180pa	Yes	No	No	\$205	No	No	<b>\$423</b>

**Urbanest Cleveland Street Rent Comparison Table**

Urbanest Cleveland St & University of Sydney (USyd) Student Accommodation	Advertised 2014 Rent Per Week	Area	Ensuite	Internet	Utilities Included	Air Cond	Contents Insurance	One Off Fees	Kitchen Facilities in Room	Catered	Comparable Rent (adjusted)
				+\$3.50/wk		+\$25/wk <sup>1</sup>	+\$6.7/wk <sup>4</sup>	\$4/wk			\$384 + \$6.70 (ins) + \$3.50 (int) + \$25 (air cond) + \$4 (fees)
<b>Urbanest Cleveland St</b> Single Bed Ensuite in 3 to 6 bed apartments	\$394 to \$414	14m <sup>2</sup> -18m <sup>2</sup>	Yes	Included	Yes	Yes	Yes	\$0	No	No	<b>\$394 to \$414</b>
<b>Urbanest Studio Comparison</b>											
<b>Sydney University Village</b> 1 Bedroom Apartment	\$475	30m <sup>2</sup>	Yes	\$180pa  +\$3.50/wk	Yes	No  +\$25/wk <sup>1</sup>	No  +\$6.7/wk <sup>4</sup>	\$205  \$4/wk	Yes	No	<b>\$514</b>  \$475 + \$3.50 (int) + \$6.70 (ins) + \$25 (air cond) + \$4 (fees)
<b>USyd International House</b> Studio Maze Unit	\$438	20m <sup>2</sup>	No  +\$24/wk <sup>3</sup>	Uni Internet Account	Yes	No  +\$25/wk <sup>1</sup>	No  +\$6.7/wk <sup>4</sup>	\$560  \$10.70/wk	Yes	No	<b>\$504</b>  \$438 + \$24 (ens) + \$25 (air cond) + \$6.7 (ins) + \$10.70 (fees)
<b>Urbanest Cleveland St</b> Studio	\$517	25-30m <sup>2</sup>	Yes	Included	Yes	Yes	Yes	\$0	Yes	No	<b>\$517</b>



**Urbanest Cleveland Street Rent Comparison Table**

Urbanest Cleveland St & University of Sydney (USyd) Student Accommodation	Advertised 2014 Rent Per Week	Area	Ensuite	Internet	Utilities Included	Air Cond	Contents Insurance	One Off Fees	Kitchen Facilities in Room	Catered	Comparable Rent (adjusted)
<b>Urbanest Twin Share</b>											
<b>USyd International House</b> Twin Share with shared bathroom	\$367	15m <sup>2</sup>	No  +\$24/wk <sup>3</sup>	Uni Internet Account	Yes	No  +\$25/wk <sup>1</sup>	No  +\$6.7/wk <sup>4</sup>	\$560  \$10.70/wk	Yes	Yes  -\$105/wk <sup>2</sup>	<b>\$328</b>  \$367 + \$24 (ensuite) + \$25 (air cond) + \$6.70 (ins) + \$10.70 (fees) - \$105 (catered)
<b>Urbanest Cleveland St</b> 8 Bed Twin Share and Twin Share Studio	\$299	16m <sup>2</sup>	Yes, Shower and toilet shared between 2	Included	Yes	Yes	Yes	\$0	Yes	No	<b>\$299</b>

<sup>1</sup> Unilodge Sydney referenced as valuing air conditioning at \$30-\$35 but say \$25 to be conservative (<http://www.unilodge.com.au/locations/pricing.asp?Location=Sydney>)

<sup>2</sup> International House charges \$15/meal for a guest. Assume \$5/meal as part of accommodation package which equates to \$105/wk. This is considered conservative based upon St John's College own valuation of weekly food allowance of \$80/wk (<http://www.stjohnscollege.edu.au/prospective-students/fees/>)

<sup>3</sup> International House charges an additional \$24/wk for full ensuite accommodation relative to partial ensuite (wash basin and toilet in room. \$24/wk premium is conservative on the basis that the twin share rooms with communal bathroom facilities have no wash basin or toilets in room ([http://sydney.edu.au/internationalhouse/future\\_residents/accommodation/catered.shtml](http://sydney.edu.au/internationalhouse/future_residents/accommodation/catered.shtml))

<sup>4</sup> Cheapest contents insurance policy premium available is \$29/month or \$6.70/wk through youi.com.au