

# 20 WARUDA STREET KIRRIBILLI

## Market Appraisal

Prepared for Stable Innovations  
Sydney Harbour Pty Ltd

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## 1.0 INTRODUCTION

HillPDA was commissioned by Stable Innovations Sydney Harbour Pty Ltd to prepare this report demonstrating the demand for large 3 plus bedroom apartments in the Kirribilli suburb and North Sydney LGA. The client seeks development consent for a residential building with seven levels with each level comprising a single large 3-bedroom apartment.

We understand that the DA is not consistent with the provisions and controls in NSDCP 2013 because the proposed mix is 100% 3-bedroom units (100% of the total number of units). Section 1.2.1 of the DCP requires a minimum of 2 bedsit units, 2 1-bedroom units, 2 2-bedroom units and 2 3-bedroom units. For developments with 20 or more apartments the DCP requires a mix of 35% to 55% of bedsit and 1-bedroom units and no more than 20% of 3-bedroom.

This report provides a market evidence based assessment which demonstrates that contrary to the DCP there is an undersupply of 3-bedroom apartments in North Sydney relative to demand resulting in higher prices. This report demonstrates the following:

- The bedroom mix as proposed in the application is more in line with current market needs than the dwelling mix requirements in the NSDCP.
- Not all small households (single person and couple only) households demand 1-bedroom or studio apartments.
- Recent social and market trends since the gazettal of the NSDCP 2013 have shifted housing preferences towards more 3-bedroom apartments. Much of this demand is coming from large family households as well as from ageing downsizers.
- There is already a strong supply of studios and 1-bedroom apartments in the LGA, whereas there is a clear undersupply of 3+ bedroom apartments

## 2.0 THE HOUSING MARKET IN NORTH SYDNEY

The four LGAs in the lower North Shore – namely Mosman, North Sydney, Lane Cove and Willoughby have experienced growth in population from around 140,000 to 157,000 over the past two intercensal periods (2011 to 2021) – a growth of 12.5% over 10 years. This was achieved by the delivery of apartment buildings – particularly in the ‘boom period’ 2017-2020. There was a slight decline in the number of occupied detached homes – almost 1,000 over the past 10 years. However the number of apartments increased significantly from around 45,000 to around 55,000.

The slight decline in supply of detached homes is impacting affordability as shown in the table and charts immediately below. For the purpose of comparison we selected a few comparable suburbs in North Sydney shown in the table and chart immediately below.

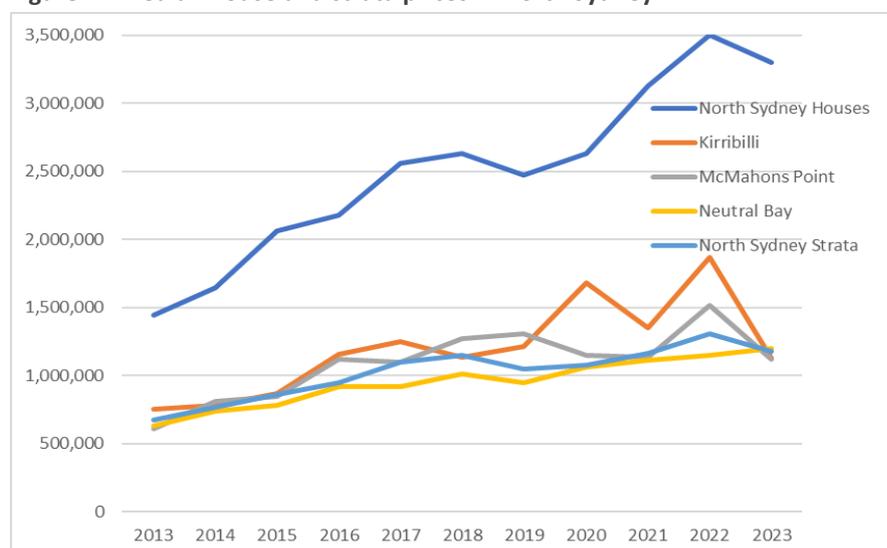
**Table 1: Median dwelling price in North Sydney LGA and selected suburbs**

	2013	2018	2023	% Growth from 2013 2018	
<b>Kirribilli</b>					
Houses (insufficient sales)			2,850,000		
Strata units	755,954	1,134,439	1,130,000	0%	49%
<b>McMahons Point</b>					
Houses	1,474,970	3,437,425	3,500,000	2%	137%
Strata units	610,988	1,274,908	1,120,000	-12%	83%
<b>Neutral Bay</b>					
Houses	1,325,106	2,055,038	2,880,000	40%	117%
Strata units	634,972	1,015,419	1,200,000	18%	89%
<b>North Sydney LGA</b>					
Houses	1,443,686	2,629,624	3,300,000	25%	129%
Strata units	674,018	1,149,513	1,180,000	3%	75%

\* Number of sales are too few to make record growth. Furthermore, a number of recent sales have been to developers for redevelopment to higher density housing which would distort any results.

Source: CoreLogic RPData Suburb report and HillPDA

**Figure 1: Median house and strata prices in North Sydney**



Source: CoreLogic RPData Suburb report and HillPDA

Over the past 10 years the median house price in North Sydney increased 126% whereas the median strata price increased by only 75%. This was a general trend across Greater Sydney where the growth rate of the median price of detached houses has been more than double the growth in the median price of strata dwellings. The strong rise in detached house prices during the COVID period was due to a combination low interest rates and the need for more space as more people were working from home and, to some degree, will continue to do so.

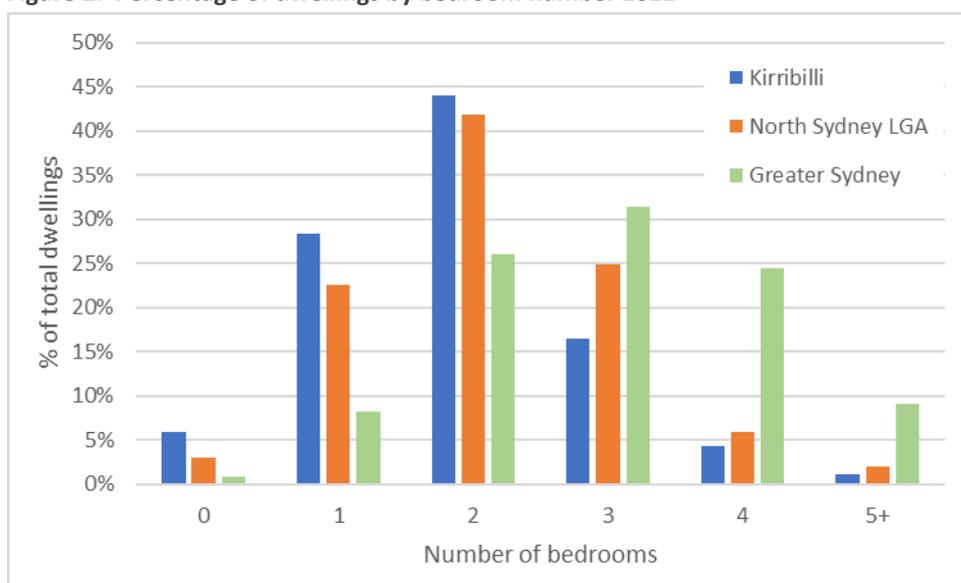
Never before has the gap between house and apartment prices been so wide. As a result there is a strong shift in housing preferences towards apartments that is likely to continue over the next 5 plus years and beyond. Given the recent interest rate rises this shift will be more pronounced simply due to affordability. That is, detached homes are getting beyond the reach of more home buyers and hence home buyers will need to shift their preferences to other higher density housing forms should they chose to live in the area. Given that many of these buyers will be family households with one and sometimes two persons working and sometimes working from home they will demand space.

### 3.0 HOUSING SUPPLY

Based on Census 2021 North Sydney had 32,395 occupied dwellings of which 76% were apartments compared to 31% in Greater Sydney. The overrepresentation of apartments is understandable given North Sydney’s central position in the metropolitan immediately to the north of City of Sydney.

North Sydney has a current overrepresentation of smaller dwellings compared to Greater Sydney as depicted in the figure immediately below.

**Figure 2: Percentage of dwellings by bedroom number 2021**

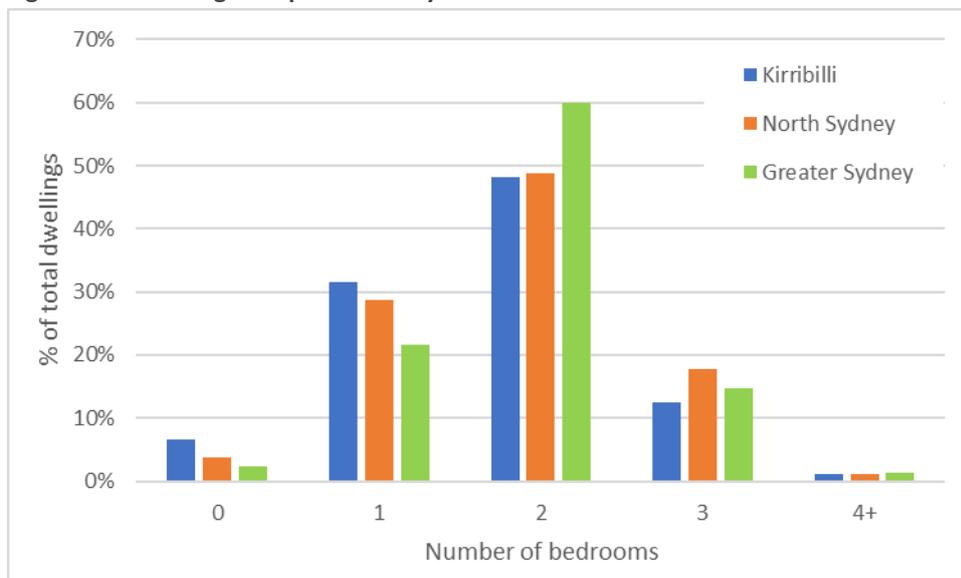


Source: ABS Census 2021

26% of North Sydney’s total dwellings are bedsit and 1-bedroom dwellings compared to 9% in Greater Sydney. The percentage in Kirribilli suburb is even higher at 34% - more than one third of total dwellings. More than two thirds of North Sydney’s dwellings have 2 or less bedrooms compared to 35% in Greater Sydney. Only 8% of dwellings in North Sydney have four or more bedrooms compared to 34% in Greater Sydney.

The bedroom mix of apartments is shown in the chart immediately below.

**Figure 3: Percentage of apartments by bedroom number 2021**



Source: ABS Census 2021

Of total apartments in North Sydney LGA 32.4% are bedsit or one-bedroom compared to 24% in Greater Sydney. In the suburb of Kirribilli that proportion is 38%, which is a significant overrepresentation compared to both North Sydney LGA and Greater Sydney.

## 4.0 DEMOGRAPHIC CHARACTER

Demand for housing by type of housing is derived from households, the demographic characteristics of these households and changes in those characteristics. The underlying changes in population, age, income and household characteristics in the Lower North Shore (defined as the LGAs of Lane Cove, Willoughby, North Sydney and Mosman), North Sydney LGA and Kirribilli is driving the need for apartment living in the area.

### 4.1 Population

Population in the wider Lower North Shore is increasing at a moderate rate of 1.2% per annum as shown in the table immediately below.

**Table 2: Population Growth**

	2011	2016	2021	Growth (%/ann)
Kirribilli	16,714	17,852	17,183	0.28%
North Sydney LGA	62,287	67,655	68,950	1.02%
Lower North Shore*	188,556	206,383	212,234	1.19%

\* Defined as the LGAs of Lane Cove, North Sydney, Mosman and Willoughby  
ABS Census 2011, 2016 and 2021

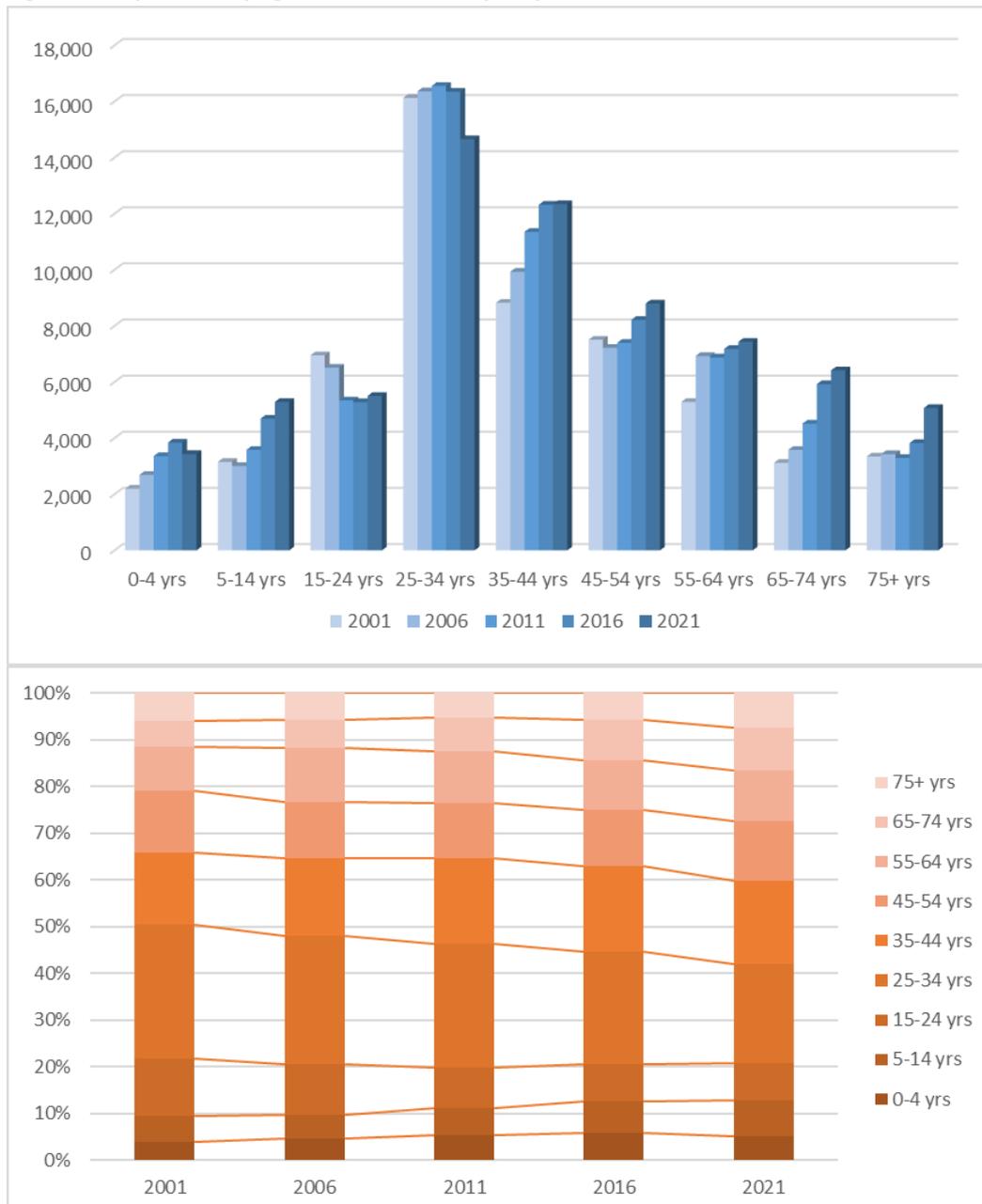
The growth in population is being accommodated by apartment building. This is expected to continue over the foreseeable future to 2041. The NSW Department of Planning and Environment estimates resident population in North Sydney LGA and the Lower North Shore in 2021 to be 75,190 and 227,660 respectively which is 9% and 7% higher than the Census count. This is due to an undercount in Census.

The NSW Department of Planning and Environment also project the population to continue to increase to 83,980 in North Sydney LGA and 252,002 in the Lower North Shore – an average annual growth rate of 0.55% and 0.50% respectively.

### 4.2 Age

The population in North Sydney LGA is ageing as depicted in the charts below

Figure 4: Population by age cohort in North Sydney LGA 2001-2021

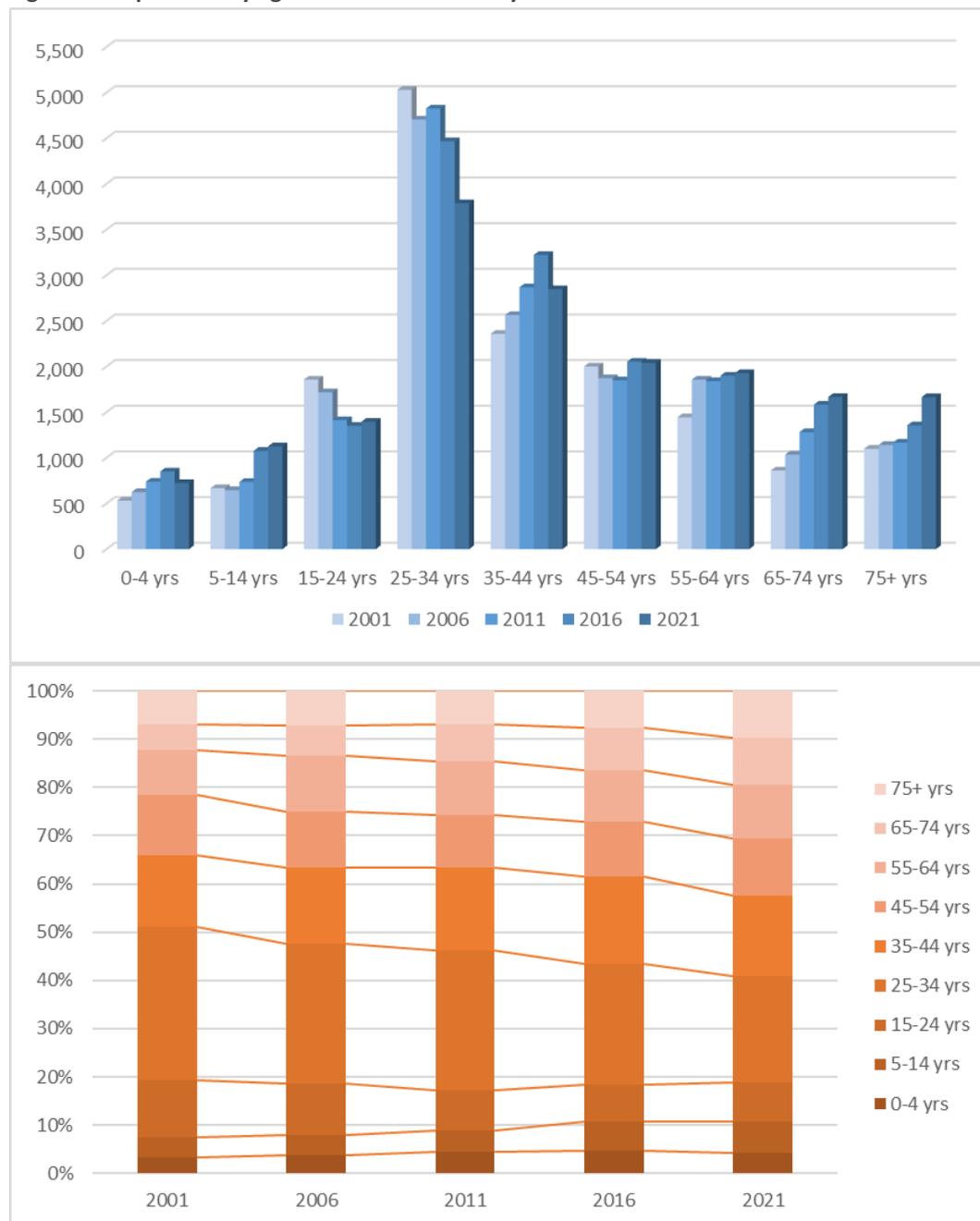


Source: ABS Census 2001 to 2021

The above charts demonstrate how the population of North Sydney has increased over the past couple of decades. The highest growth rates have been in older persons. The 65-74 years cohort has more than doubled and 75+ years cohort has increased 52%. There has also been a strong increase in the number of children. The 0-4 years cohort increased 56% while the 5-14 years cohort increased 68%. There were declines in the 15-24 years cohort of 21% and the 25-34 years cohort of 9%. The median age has increased from 34 to 38 over this period.

The same trend has occurred in Neutral Bay and Kirribilli as shown in the charts below.

Figure 5: Population by age cohort in Neutral Bay – Kirribilli SA2 2001-2021



Source: ABS Census 2001 to 2021

The 65-74 years cohort increased 93% and 75+ cohort increased 51%. The 0-4 years cohort increased 36% and the 5-14 years cohort increased 69%. There were declines in the 15-34 years cohorts of 25%. The median age increased from 34 to 40 over this period.

These trends demonstrate how the North Sydney area is changing from a working age population towards a higher proportion of retirees and families with children.

### 4.3 Income

Kirribilli and North Sydney LGA residents are considerably wealthy compared to Greater Sydney. The median personal income in Kirribilli is 80% higher than Greater Sydney. Median household income is closer to Greater Sydney due to smaller household sizes. There's been strong growth in personal and household incomes in all geographical areas as depicted in the table immediately below.

**Table 3: Income levels from 2011 to 2021 (\$/week)**

	Geographical Area	2011	2016	2021
<b>Personal Income</b>				
	Kirribilli	1,267	1,424	1,598
	North Sydney LGA	1,216	1,386	1,593
	Greater Sydney	619	719	881
<b>Family Income</b>				
	Kirribilli	2,905	3,355	3,744
	North Sydney LGA	2,767	3,210	3,743
	Greater Sydney	1,683	1,988	2,374
<b>Household Income</b>				
	Kirribilli	1,976	2,233	2,267
	North Sydney LGA	2,205	2,360	2,524
	Greater Sydney	1,447	1,750	2,077

Source: ABS Census 2011, 2016 and 2021

In particular the median family income has increased in the study area considerably, reflecting the growing level of affluence of family households<sup>1</sup> in the area.

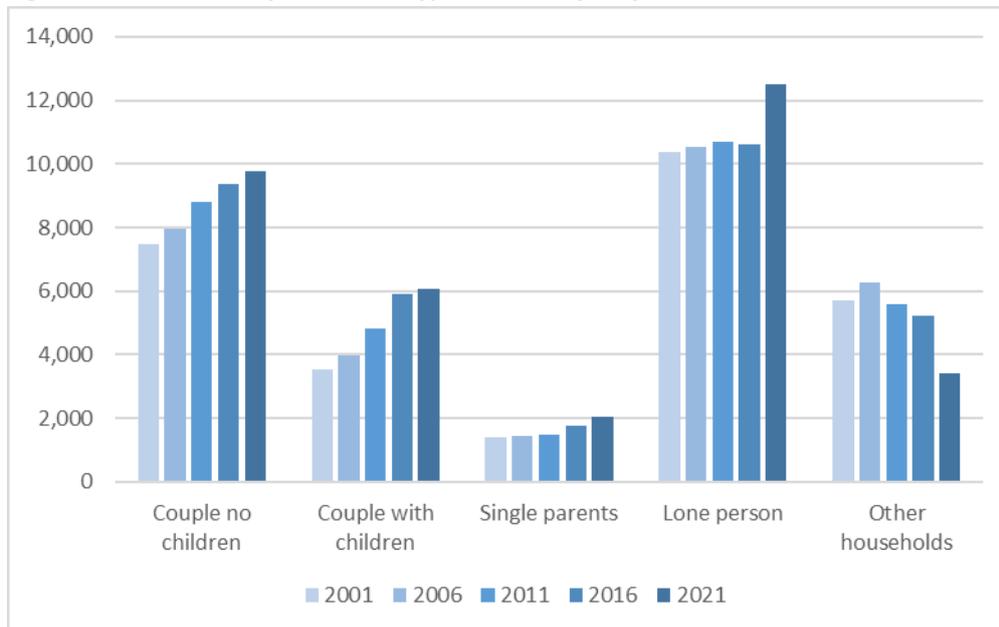
### 4.4 Household type

There has been considerable growth in all household types in the study area with the exception of 'Other household' types<sup>2</sup> as depicted in the chart immediately below. The strongest growth has been 'Couples with children' and 'Single parent' households with 34% growth from 2006 to 2021.

<sup>1</sup> Family households refer to households with related occupants – usually couples (including de-facto marriages), couples with children, single parents with children and extended families

<sup>2</sup> Households that are neither family households or lone person households including group households (ABS Census)

**Figure 6: Households by household type in North Sydney LGA 2006 to 2021**



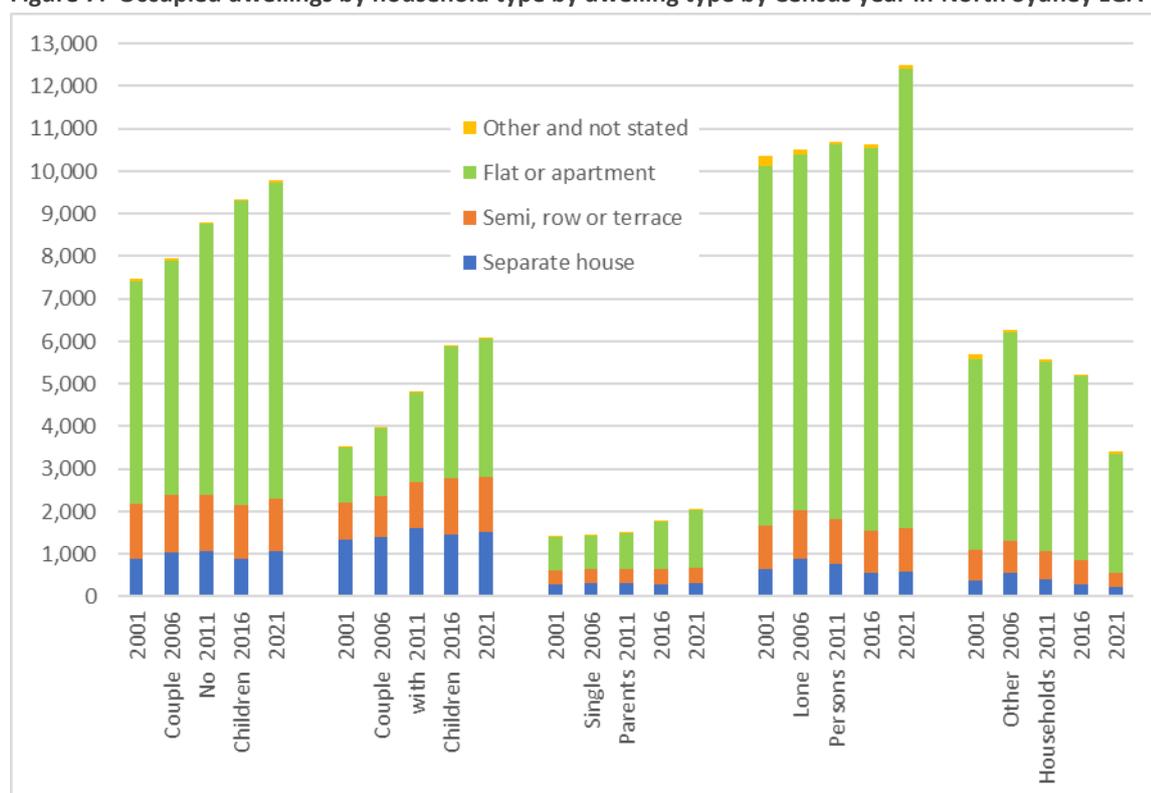
Source: ABS Census 2006, 2011, 2016 and 2021

‘Lone person’ households numbers were relatively static from 2001 to 2016 but spiked up from 2016, likely due to the delivery of a large number of small apartments during the apartment boom period from 2016 to 2020. Over the past 20 years growth in ‘lone person’ households was 20%. The largest growth rate has been ‘Couples with Children’ households which increased by 72%. Couples with children households, of course, have higher demand for larger size dwellings (3 or more bedrooms). This is discussed in the next section.

## 5.0 DEMAND FOR LARGER APARTMENTS

Demand for apartment living in North Sydney LGA has increased over the past couple of decades as depicted in the figure immediately below.

**Figure 7: Occupied dwellings by household type by dwelling type by Census year in North Sydney LGA**

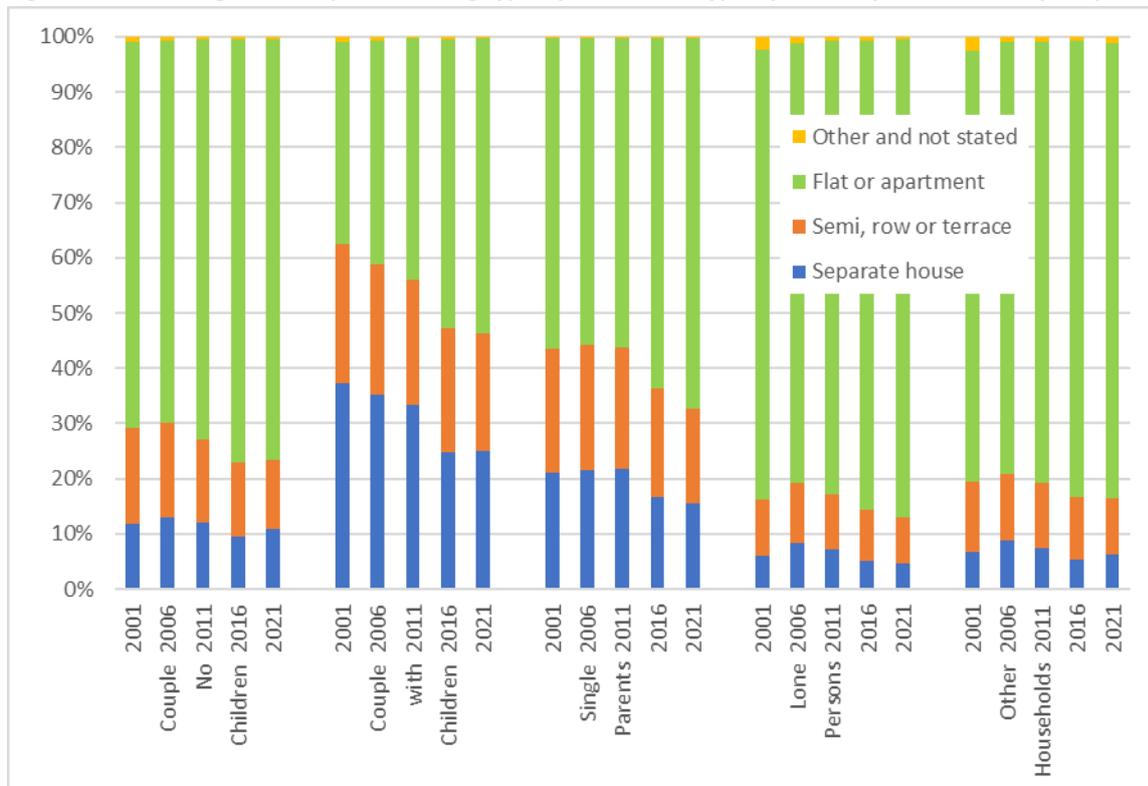


Source: ABS Census Time Series data

There has been strong growth in occupied apartments from 20,213 in 2001 to 25,672 in 2021 (27% growth) while the number of occupied detached houses has been relatively constant at around 3,700. The interesting depiction in the chart is the growth in family households from 12,427 in 2001 to 17,906 in 2021 – a growth of 44%. The growth in ‘couples with children’ families has been even stronger at 72% from 3,544 in 2001 to 6,082 in 2021. On the other hand ‘lone person households’ increased by only 20% over the same period from 10,369 to 12,487.

As depicted in the above figure and the figure immediately below there has been strong growth in larger families living in apartments. In 2001 36% of ‘couple with children’ households were living in apartments. By 2021 it increased to 54%.

**Figure 8: Percentage of Occupied dwelling type by household type by Census year in North Sydney LGA**



Source: ABS Census Time Series data

As land becomes increasingly scarce and redevelopment of detached homes for high density housing increases, the demand for apartments will further shift away from houses and towards apartments. We are also likely to lose more low density housing stock through redevelopment – for example in St Leonards South (Lane Cove LGA) where detached homes are being amalgamated and redeveloped for high density apartment living. The demand for apartment living will increase across all household types. Demand for apartments from ‘couple with children’ households will be particularly strong, but this demand can only be satisfied if appropriate housing is supplied to meet their needs.

### 5.1 Demand from larger households

Increasing scarcity of low-density housing and corresponding price rises is also impacting the demand for 3 plus bedroom apartments. In the established suburbs of Sydney, including the lower North Shore, it is very difficult to increase the supply of detached houses simply because land supply is fixed. Even medium density housing (such as villas and town houses) is difficult to procure due to high land costs and the lack of development feasibility. There are no development sites, or very few sites, available. This is a large factor in the high growth in house prices over the past 3 years compared to apartments. Little or nothing can be done about increasing land supply in the existing suburbs. This means that Sydney needs to grow upwards more than outwards, which has been occurring over the past couple of decades. As a result households must shift, and have been shifting, their dwelling preferences away from detached homes to higher density housing forms.

Whilst there may be a preference to live in detached dwellings in the lower North Shore, the high costs for these dwelling types have limited the ability of households to afford to do so. One choice is to live further away. Alternatively a household could shift its dwelling preference to say a town house or large apartment. A large new apartment has some advantages over a detached house – particularly lower maintenance and proximity to Sydney CBD, major public transport infrastructure, retail, commercial and other urban services. Even that shift is

recognised in the North Sydney Local Housing Strategy where it states on Page 21 that “*families are prepared to live in apartments to take advantage of proximity to schools, work, transport & amenities*”.

Smaller apartments (one and two-bedroom apartments) compete less with detached houses and medium density housing. Many households, particularly ‘couples with children’ households, require three or more bedrooms with two bathrooms and two car spaces and hence a small apartment is not an option.

It is this growing competition (demand substitution) between large apartments and low-density housing, combined with a low supply of large apartments, that has resulted in the premium prices being paid for detached houses and larger apartments which is discussed in the next section.

Put simply, developers are proposing more three and four bedroom apartments because consumers' preferences are changing towards these unit types.

## **5.2 Demand from an ageing population**

The proportion of young working age adults (15 to 34 years) in North Sydney LGA has declined from 40% of the population to 29% over the past 20 years. The retiring population (over 65 years) has increased from 11% to 17%.

Housing suitable for older persons is increasingly demanded. This is known as the ‘downsizer market’ where older singles and couples in the lower North Shore have lived most of their adult lives in large detached houses. They are asset rich and can afford the luxury of a large apartment from divesting their house. They are comfortable with space and unwilling to compromise their lifestyle in a small apartment. There is stronger potential for downsizers to relocate if suitable apartments were available which then frees up their house for a new family household or for redevelopment. There is stronger resistance for these older adults to downsize if suitable alternatives are not provided which further compounds the housing affordability issue.

## 6.0 RECENT APARTMENT SALES

By far the best measure of over or undersupply of any commodity relative to demand is the price that consumers are prepared to pay and movements in price over time. If the price of a particular housing type increases sharply, it is because there is strong growth in demand relative to supply. As shown in Section 2 the prices of detached houses increased significantly more than apartments over the last seven years due to growth in demand for larger dwellings combined with zero (or even negative) growth in supply.

To measure the impacts of demand on price we analysed apartment sales in selected suburbs from July 2015 to December 2022. These sales were separated into 1-bedroom, 2-bedroom and 3+ bedroom and the results plotted (refer to Appendix A). The prices show some growth over time which is consistent with the above suburb reports. In other words prices of apartments have increased over the past 6-7 years, although non-strata house prices rose more significantly.

The interesting comparison to be made is the prices being achieved between the different bedroom mixes, as well as growth in prices since 2015, which is summarised in the table immediately below.

**Table 4: Apartment prices in selected suburbs in North Sydney July 2015 to Dec 2022**

Location and Unit Size	Approx. No. of Sales	Median Price	Highest Quartile	Highest Decile	Approx. Avg \$/sqm	Price Rise (\$/ann)*	Price Rise (%)
<b>Crows Nest</b>							
1-bed	242	702,250	773,750	920,000	\$12,500	\$5,290	0.8%
2-bed	274	1,150,000	1,391,250	1,687,000	\$14,600	\$22,450	2.0%
3+ bed	64	1,715,000	2,011,250	2,459,500	\$16,600	\$44,530	2.6%
<b>St Leonards</b>							
1-bed	661	755,000	840,100	950,000	\$13,400	-\$510	-0.1%
2-bed	858	1,287,750	1,500,000	1,743,700	\$16,200	\$3,140	0.2%
3+ bed	258	1,822,500	2,450,000	3,151,500	\$18,700	\$44,170	2.4%
<b>Naremburn</b>							
1-bed	92	\$733,500	\$808,500	\$850,000	\$12,100	\$19,710	2.7%
2-bed	173	\$1,090,000	\$1,213,000	\$1,339,000	\$13,900	\$28,110	2.6%
3+ bed	123	\$1,650,000	\$1,915,000	\$2,216,000	\$15,800	\$61,690	3.7%
<b>Neutral Bay</b>							
1-bed	489	\$660,000	\$750,000	\$854,200	\$11,300	\$4,090	0.6%
2-bed	619	\$1,105,000	\$1,350,000	\$1,600,000	\$14,500	\$42,340	3.8%
3+ bed	332	\$1,850,000	\$2,400,000	\$2,999,500	\$18,900	\$85,780	4.6%
<b>Cremorne</b>							
1-bed	333	\$735,000	\$810,000	\$936,600	\$12,700	\$19,710	2.7%
2-bed	664	\$1,160,000	\$1,335,000	\$1,573,500	\$15,000	\$41,250	3.6%
3+ bed	351	\$1,830,000	\$2,283,750	\$2,630,000	\$17,900	\$106,580	5.8%
<b>McMahons Point</b>							
1-bed	112	\$882,500	\$1,085,000	\$1,450,000	\$16,700	\$43,400	4.92%
2-bed	226	\$1,580,000	\$1,900,000	\$2,295,500	\$20,200	\$74,800	4.73%
3+ bed	184	\$3,530,000	\$4,310,000	\$5,240,000	\$32,900	\$274,000	7.76%
<b>Kirribilli</b>							
1-bed	106	\$885,000	\$1,169,500	\$1,720,000	\$17,200	\$47,000	5.31%
2-bed	394	\$1,700,000	\$2,500,000	\$3,141,000	\$22,500	\$105,000	6.18%
3+ bed	199	\$3,135,000	\$4,187,500	\$7,465,000	\$32,000	\$197,830	6.31%

\* Linear trend line

Excludes sales with missing values (price and/or number of bedrooms not stated)

Source: CoreLogic RPData and HillPDA

Note that prices for one and two bedroom apartments in all the suburbs have averaged in the \$12,500 to \$17,000/sqm range. On the other hand three-bedroom apartments have averaged in the \$17,000 to \$32,000/sqm. The higher prices of the larger apartments reflects stronger demand relative to supply.

There has been stronger growth in the price of 3-bedroom apartments compared to 1 and 2 bedroom apartments. Prices of one and two bedroom units have experienced modest growth over the past 6-7 year – below 1% per annum around the train stations, around 3% to 3.5% in Neutral Bay and Cremorne and 5% in the harbourside suburbs. Three or more bedroom apartments have performed stronger, increasing at around 3% to 5% per annum in the non-harbour suburbs to 6% to 7.5% for Kirribilli and McMahons Point. These price rises clearly reflect the stronger growth in demand for 3+ bedroom apartments.

## 6.1 Prices for new apartments

Off the plan prices in North Sydney include the following:

### **The Newlands, 21 Canberra Ave, St Leonards NSW 2065**

- One-bedroom apartments range from \$865,000 to \$1,000,000 and size from 51 to 56 sqm. Prices per square metre is \$16,960 to \$17,857.
- Two-bedroom apartments range from \$1.39m to \$1.73m and size from 78 to 91 sqm. Price per square metre is a little higher than one-bedroom apartments at \$17,820 to \$19,010.
- Three-bedroom apartments range from \$2.50m to \$3.29m and size from 102 to 181 sqm. Price per square metre is \$18,177 to \$24,510.

### **The Landmark, 500 Pacific Highway, St Leonards NSW 2065**

- One-bedroom apartments range from \$955,000 to \$1.44m and size from 56 to 62 sqm. Prices per square metre is \$17,768 to \$23,226.
- Two-bedroom apartments range from \$1.99m to \$2.45m and size from 81 to 105 sqm. Price per square metre is a little higher than one-bedroom apartments at \$23,333 to \$24,568.
- Three-bedroom apartments range from \$3.45m to \$4.39m and size from 140 to 153 sqm. Price per square metre is considerably higher than 2-bedroom apartments at \$24,648 to \$28,693.

Brand new three bedroom apartments are consistently selling in a range of 10% to 20% more than 1 and 2-bedroom apartments in dollar per square metre rates, which demonstrates strong demand relative to limited supply.

## 7.0 COMMENTS ON THE DCP AND THE NSHS

Foremost to mention on the NSHS is that it was prepared in June 2019. In 2022 DoPE released revised population forecasts that are lower than the NSHS forecast with around 83,100 residents by 2036 (around 8,500 less than the NSHS).

The NSHS relied on 2016 DPE forecasts which showed an overrepresentation of lone person households (32.4%) and group households (6.1%) in North Sydney compared to NSW (22.4% and 3.9% respectively). This overrepresentation has not changed significantly in the revised forecasts. North Sydney also has an overrepresentation of 'couple no children' households (30% compared to 26% in NSW).

While the forecast household types suggest a high demand for smaller dwellings there are a few factors to consider. Firstly it is important to note that a proportion of 'lone person' households and 'couple only' households are retirees that generally show a strong preference for larger apartments. As mentioned above these are 'downsizers' that are reluctant to move into a small apartment having spent a large proportion of their adult lives living in a large house. These older persons and couples are asset rich (owning their detached houses outright) and would be happy to spend the premium prices on larger apartments.

The other important factor is that effective demand (sales) is limited by supply. Demand (sales) cannot exceed production. Larger households will not live in North Sydney if suitable housing to meet their needs is not available or is insufficient. In other words, the high proportion of smaller households forecast for North Sydney would appear to be influenced by the high proportion of smaller dwellings being delivered.

A higher proportion of larger apartments will attract larger households. Also attracting downsizers away from their existing detached dwellings will free up these houses making them available for new families to move into the area and/or making these houses available for redevelopment.

On a further matter the NSHS was prepared in June 2019 before COVID. COVID has accelerated the trend of increased flexibility in working arrangements and more people are now spending a higher proportion of their working time at home and this is expected to continue. This increases the demand for additional space requirements at home – a home office, study or additional bedroom that can be used as a home office.

If the bedroom mix ratios were altered by an increase in the proportion of 3 and 4 bedroom apartments, then the result would be an increase in the proportion of larger households. As stated above an underrepresentation of larger households in the area is due to the existing short supply of suitable housing in meeting their needs.

### 7.1 Objectives of the NSDCP

Section 1 of the NSDCP relates to residential development. The general objectives of Section 1 are to ensure that residential development:

1. reinforces the local planning priorities and actions of Council's Local Strategic Planning Statement;
2. reinforces the actions and targets of Council's Local Housing Strategy;
3. is consistent with the principles contained within the Integrated Land Use and Transport Policy;
4. provides a range of living opportunities that attract and cater for a diverse population;
5. does not have adverse impacts on residential amenity or environmental quality;
6. is in context with surrounding development;
7. contributes to the garden setting and lower scale character of North Sydney's residential neighbourhoods;

8. provides safe and comfortable accommodation;
9. is consistent with the character that is described in the relevant area character statements;
10. incorporates innovative sustainable design to reduce energy and water consumption, and meets or exceeds sustainability requirements, and
11. minimise stormwater runoff, maintain or improve stormwater quality and encourage recycling where possible.

Section 1.2 of the NSDCP includes the benefits of social amenity and population mix. It states that diversity *“extends the usefulness of an area and contributes to the sustainability of both community and the environment. A range of residential accommodation in terms of built form, tenure and affordability is needed to sustain a diverse population and to ensure that a range of services and facilities continues to be provided in the area. Council aims to maintain the existing diverse mix of residential accommodation in North Sydney, not lose this residential mix to other land uses and to allow for some increase in both the dwelling stock and population, in accordance with the NSW State Government policy of urban consolidation”*.

Under Section 1.2.1 Population mix two further objectives are listed being:

1. To provide a mixed residential population in terms of age, gender, household type and size, education, income and employment, and including households with children, households on low to moderate incomes, households with aged or disabled persons.
2. To ensure that dwelling yield achieves a density that contributes to energy efficient design and residential amenity.

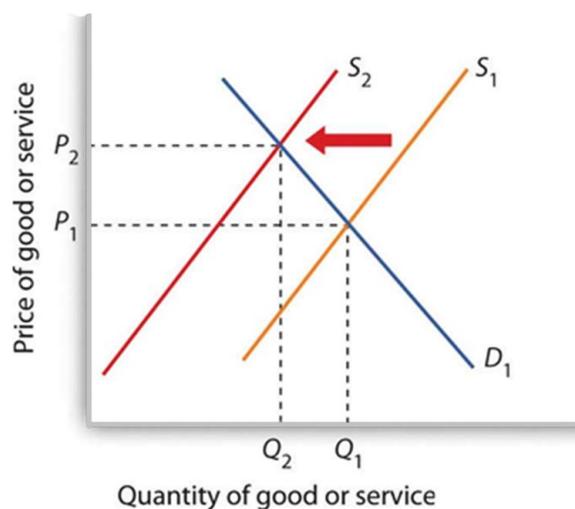
In the provisions a bedroom mix for apartment buildings is prescribed being 35% to 55% studios and 1-bedroom apartments and 10% to 20% being 3+ bedroom. The prescribed bedroom mix is not consistent with the above objectives of achieving diversity of households and household sizes. The above evidence has demonstrated that both the LGA and Kirribilli is overrepresented with studios and 1-bedroom dwellings which is providing ample accommodation for small (predominately single and couple) households. The area is currently underrepresented with 3+ bedroom dwellings which is driving up the price of this accommodation and undermining the housing needs for larger households and downsizers.

Notwithstanding the provisions of the DCP the proposed development clearly makes a strong contribution towards the objectives in the DCP of a diversified population and household mix by providing dwelling types that are currently undersupplied in the area.

## 8.0 THE IMPACT OF NSDCP

As discussed above in any market price is set by the demand and supply profiles as illustrated in the diagram below. The supply curve in the figure below is shown as  $S_1$ . The demand curve is shown as  $D_1$ . Equilibrium is where demand equals supply which sets the price at  $P_1$  and quantity at  $Q_1$ .

**Figure 9: Impact of restricting supply**



Imposing restrictions on supply shifts the supply curve to the left from  $S_1$  to  $S_2$ . This has the impact of reducing quantity (from  $Q_1$  to  $Q_2$ ) and increasing price (from  $P_1$  to  $P_2$ ).

By restricting the quantity (supply) of 3+ bedroom apartments the NSDCP is undermining affordability by pushing the price upwards. Consumer surplus (the area below the demand curve and above the equilibrium) is also reduced meaning that there is an overall reduction (disbenefit) in total welfare. It means fewer buyers paying higher prices for these apartments and more potential buyers missing out on the opportunity to purchase appropriate accommodation in the LGA to meet their needs/preferences.

## 9.0 CONCLUSION

To sum up sales for 3+ bedroom apartments is relatively low due to supply constraints. The most accurate measure of demand is price, and the larger apartments are attracting a considerably higher price in terms of \$/sqm which reflects a condition of undersupply relative to demand.

There is currently a strong supply of studios and one-bedroom apartments in North Sydney LGA (32.4% of total apartments compared to 24% in Greater Sydney). The supply of these smaller apartments is even stronger in the Kirribilli suburb (38% of total apartments). The strong supply is assisting in keeping prices down which is why these apartments generally sell for a lower price in terms of \$/sqm compared to 3+ bedroom apartments.

Bedsits, one-bedroom and two-bedroom dwellings comprise 67.2% of total dwellings in the LGA compared to 35.1% in Greater Sydney. The undersupply of larger dwellings relative to rising demand is resulting in price rises of both detached dwellings and larger apartments. This is expected to exacerbate in future, particularly as detached homes are redeveloped for apartments. It will be necessary to maintain an increasing supply of 3+ bedroom apartments to meet rising demand.

The demand for 3+ bedroom apartments is coming from larger family households and from downsizers. In the lower North Shore 19% of 'Couples with children' households were living in apartments and this has increased to 36% by 2021. We do not have the land to increase the supply of detached houses and so these larger family households need to shift, and have been shifting, their preferences towards higher density housing.

Demand for 2+ bedroom and 3+ bedroom apartments is also coming from downsizers. The proportion of older persons (65+ years) in the lower North Shore has increased from 13.3% to 16.7%. Many of these people are living in older homes and would be willing to downsize into an apartment if the offer was appropriate. These buyers are use to space and are unlikely to compromise space in small apartments. They are asset rich and can afford to pay premium prices for larger apartments given the equity in their own homes.

The best measure of undersupply (high demand relative to supply) is prices paid by buyers in the marketplace. The above analysis has shown that 3+ bedroom apartments have consistently sold between 10% to 20% above one and two bedroom apartments on a \$/sqm basis. Also the growth in prices of 3+ bedroom apartments since 2015 have been higher than the growth in prices of one and two bedroom apartments which implies that demand for this accommodation has been rising.

The NSDCP is imposing supply constraints on 3+ bedroom apartments (restricting it to below 20% of all new apartments). This is having a distortion on the market resulting in fewer 3+ bedroom apartments than market equilibrium. It means fewer buyers that are paying higher prices for these apartments and more potential buyers are missing out on the opportunity to purchase appropriate housing in the LGA.

Finally, the high proportion of studio and 1-bedroom apartments is not driven by a high proportion of smaller 1 and 2 person households. Rather it's the other way around. The high proportion of small households including lone person households is driven by the high proportion of studio and 1-bedroom apartments because these dwellings do not meet the housing needs and preferences of households that dwell in 3+ bedroom apartments.

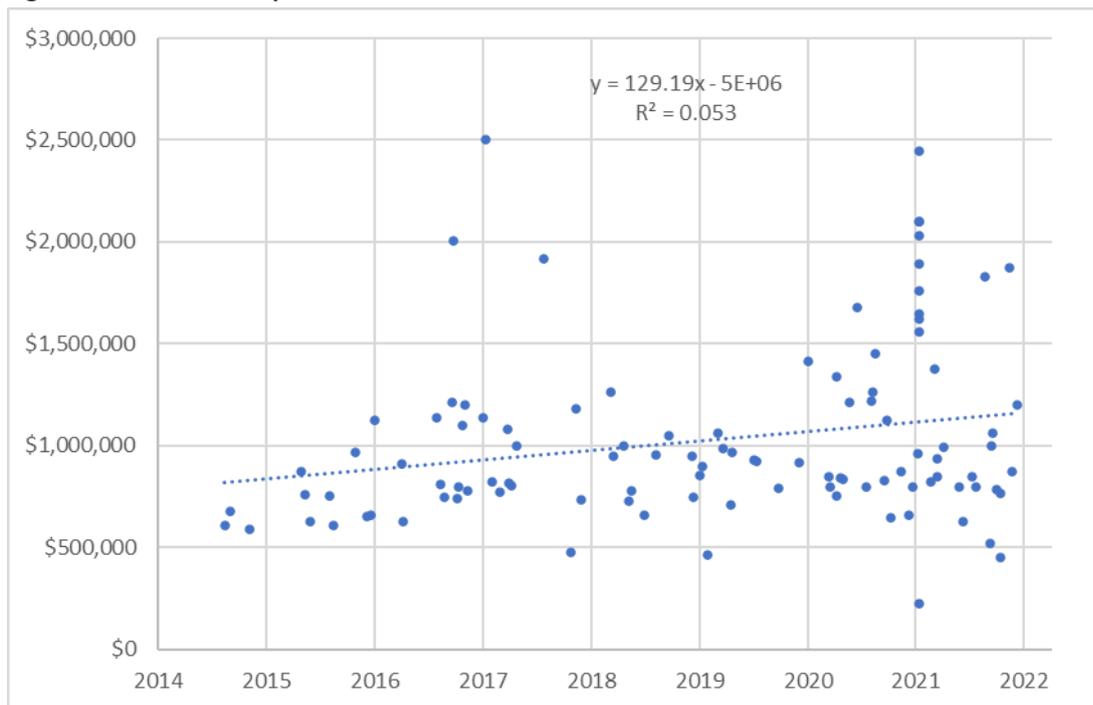
The NSDCP has objectives to encourage a range of residential accommodation in terms of built form, tenure and affordability to meet the needs of a diverse population. Notwithstanding the provisions in the DCP the proposed development clearly makes a strong contribution towards the objectives in the DCP of a diversified population and household mix by providing dwelling types that are currently undersupplied in the area.

## APPENDIX A : APARTMENT SALES

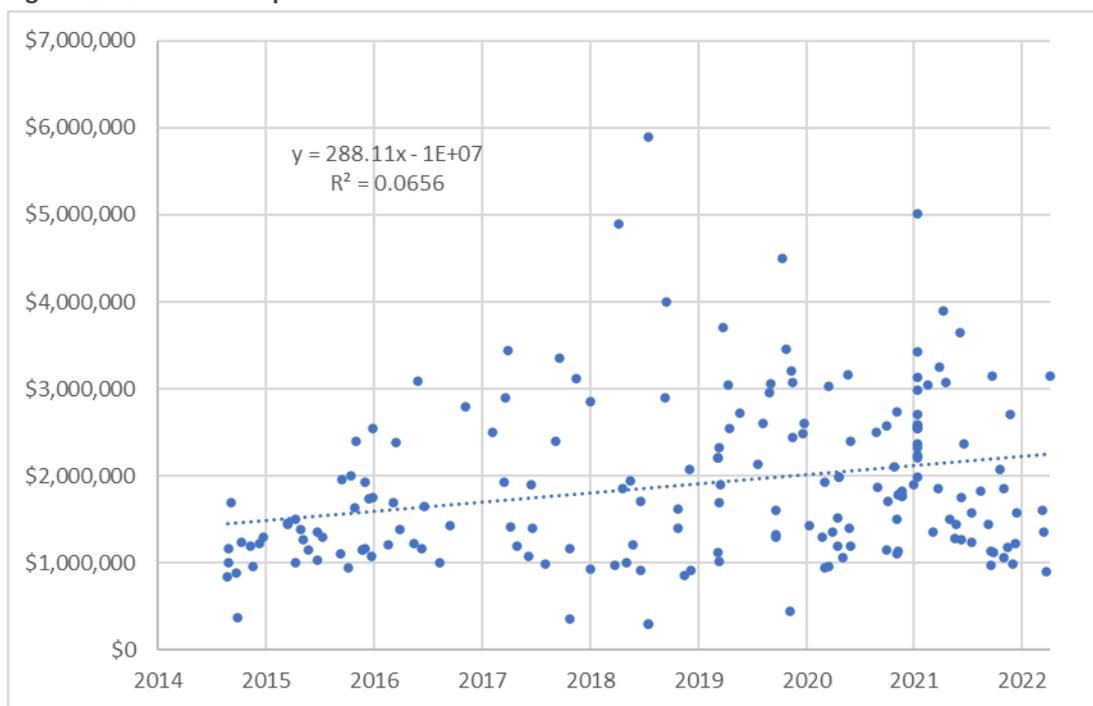
The following diagrams are scatter charts of price by sales date by bedroom number in each of the selected suburbs. The source of the data is CoreLogic RPData.

### Kirribilli

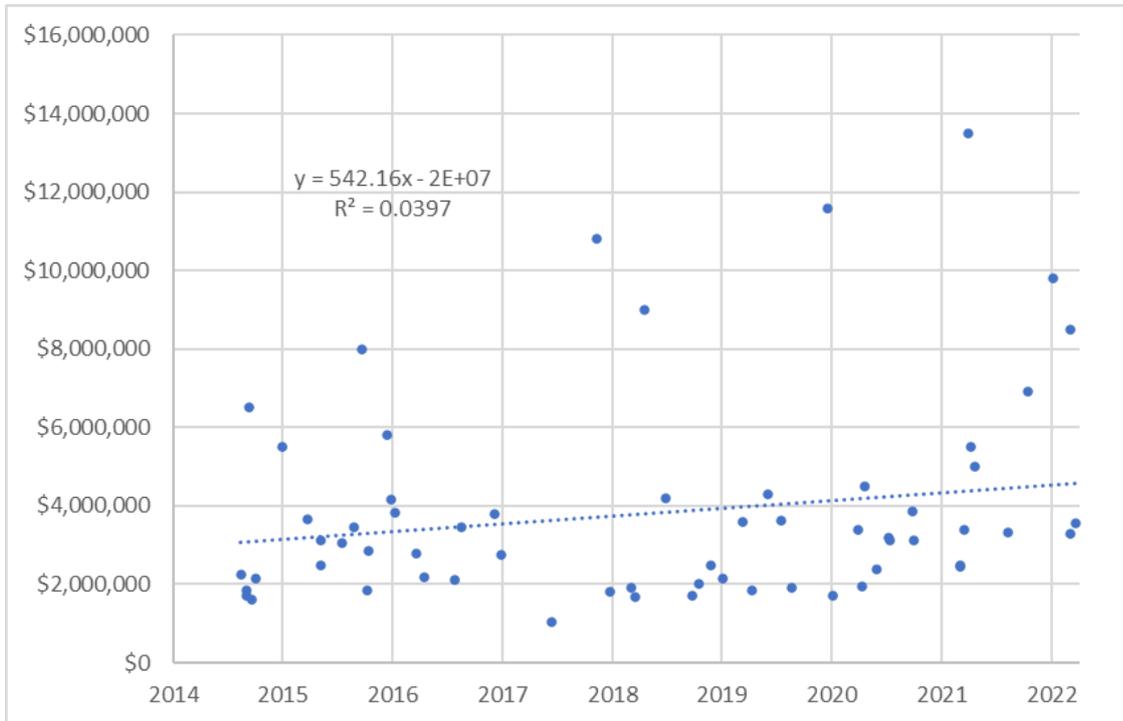
**Figure 10: 1-bedroom apartment sales in Kirribilli**



**Figure 11: 2-bedroom apartment sales in Kirribilli**

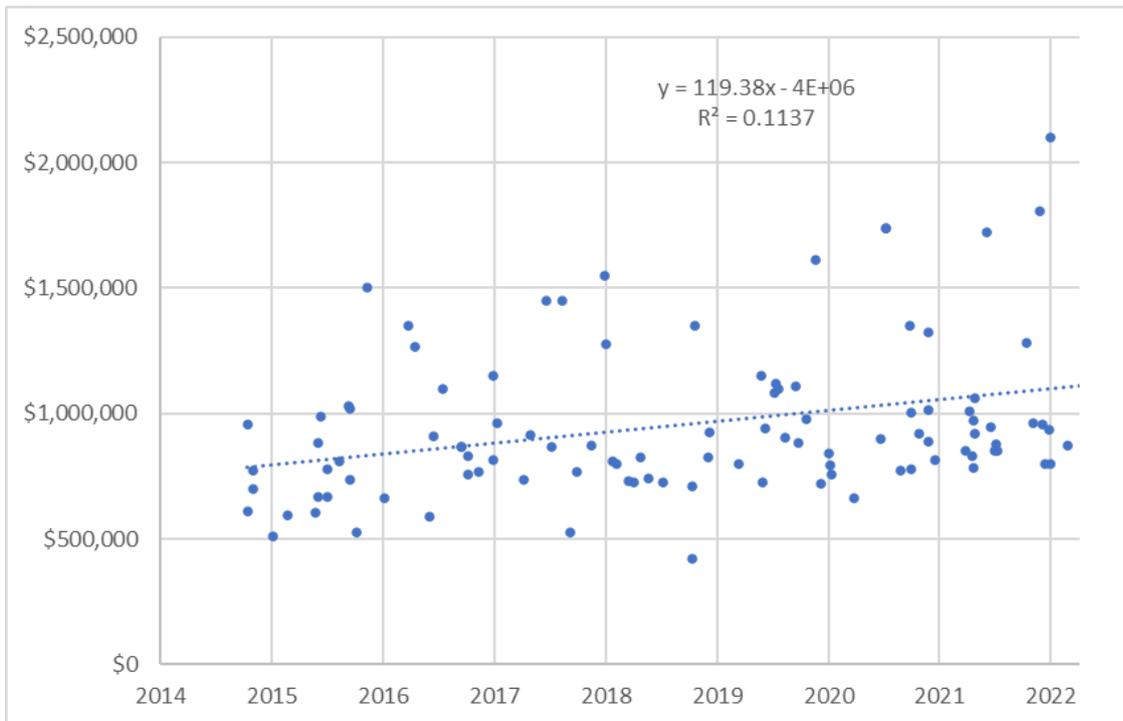


**Figure 12: 3-bedroom apartment sales in Kirribilli**

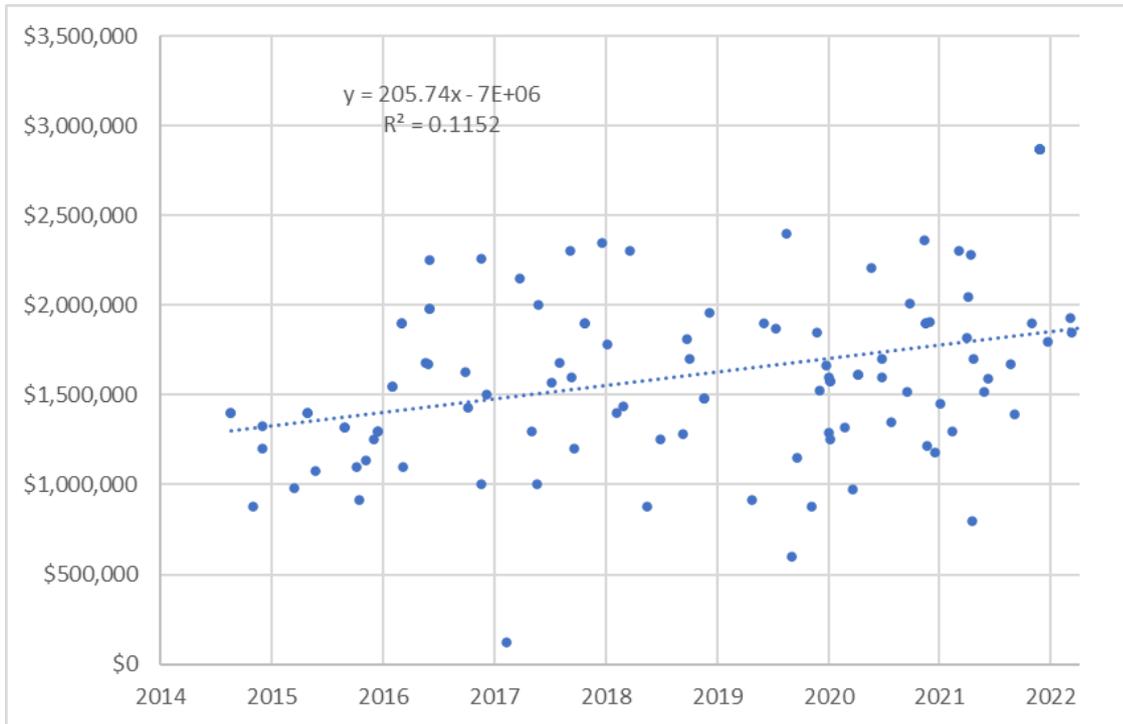


**McMahons Point**

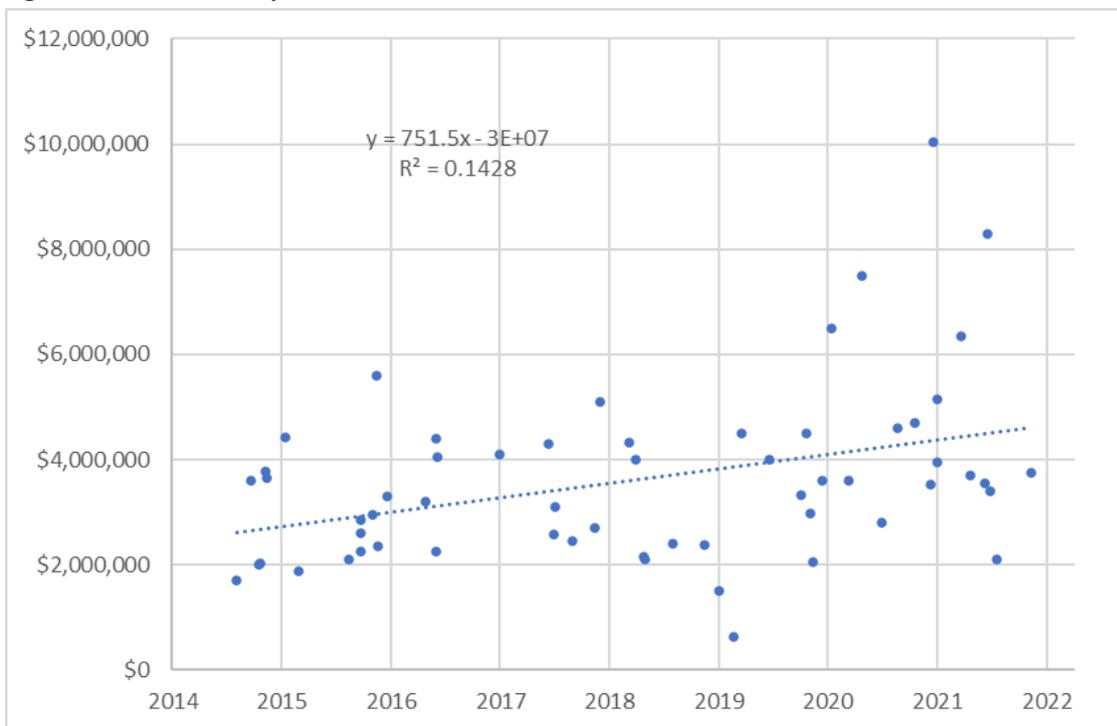
**Figure 13: 1-bedroom apartment sales in McMahons Point**



**Figure 14: 2-bedroom apartment sales in McMahons Point**

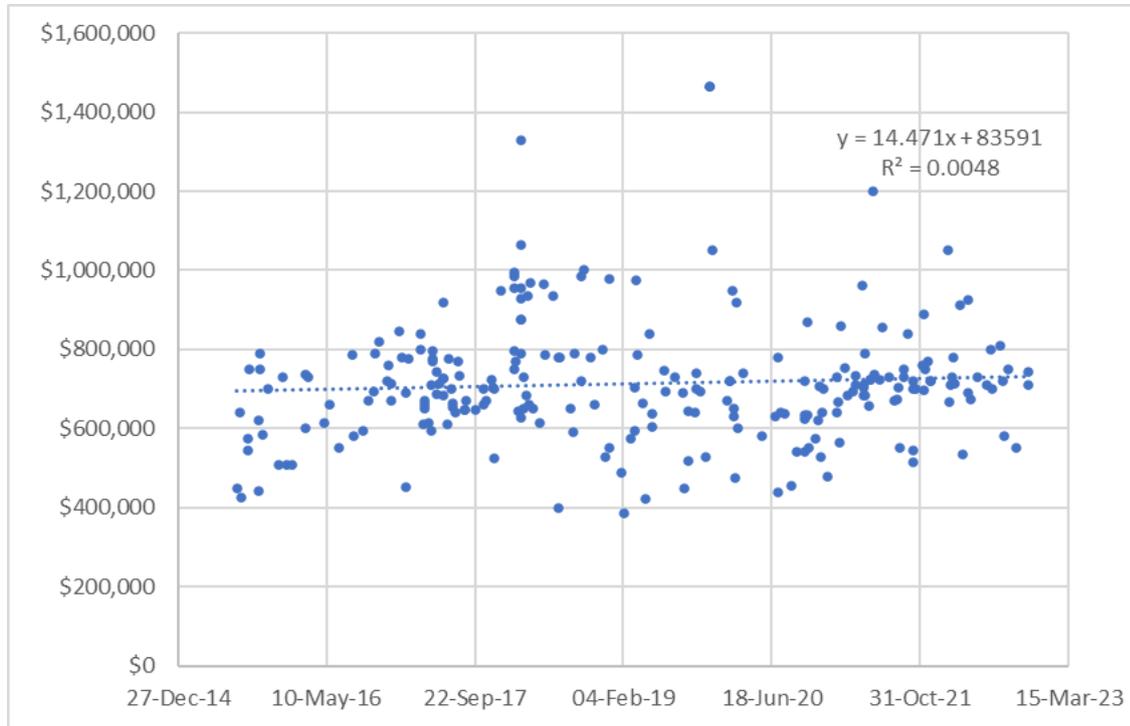


**Figure 15: 3-bedroom apartment sales in McMahons Point**

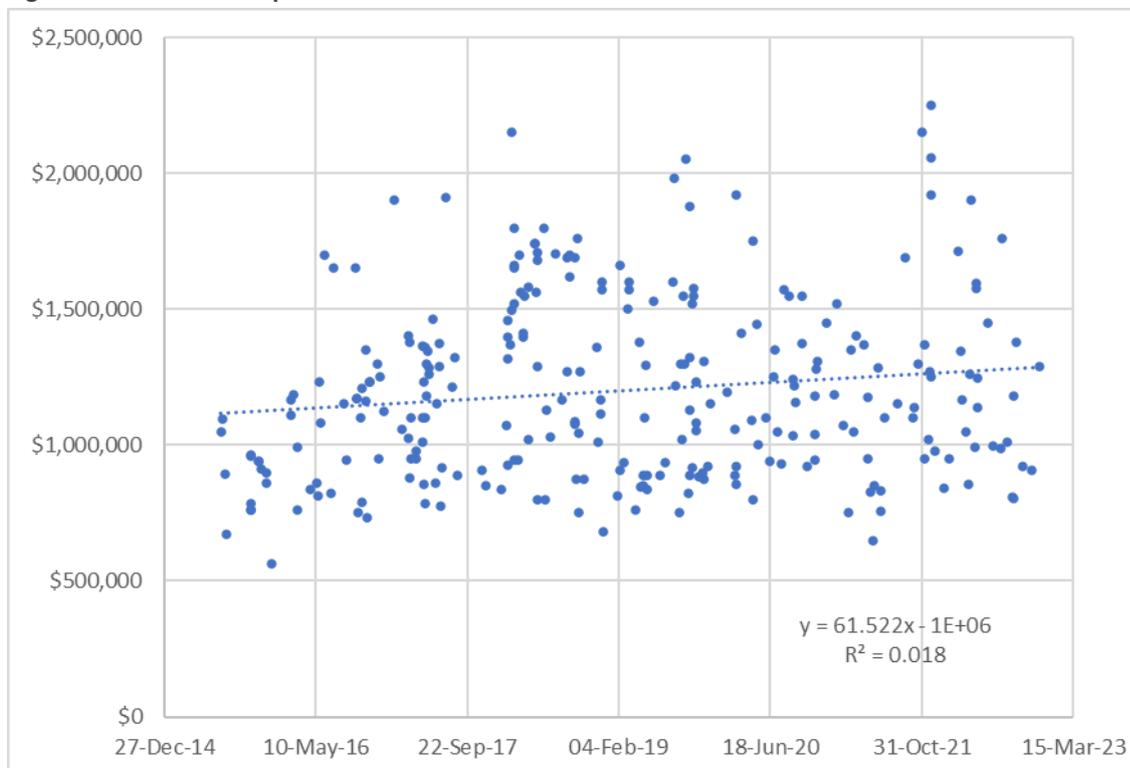


## Crows Nest

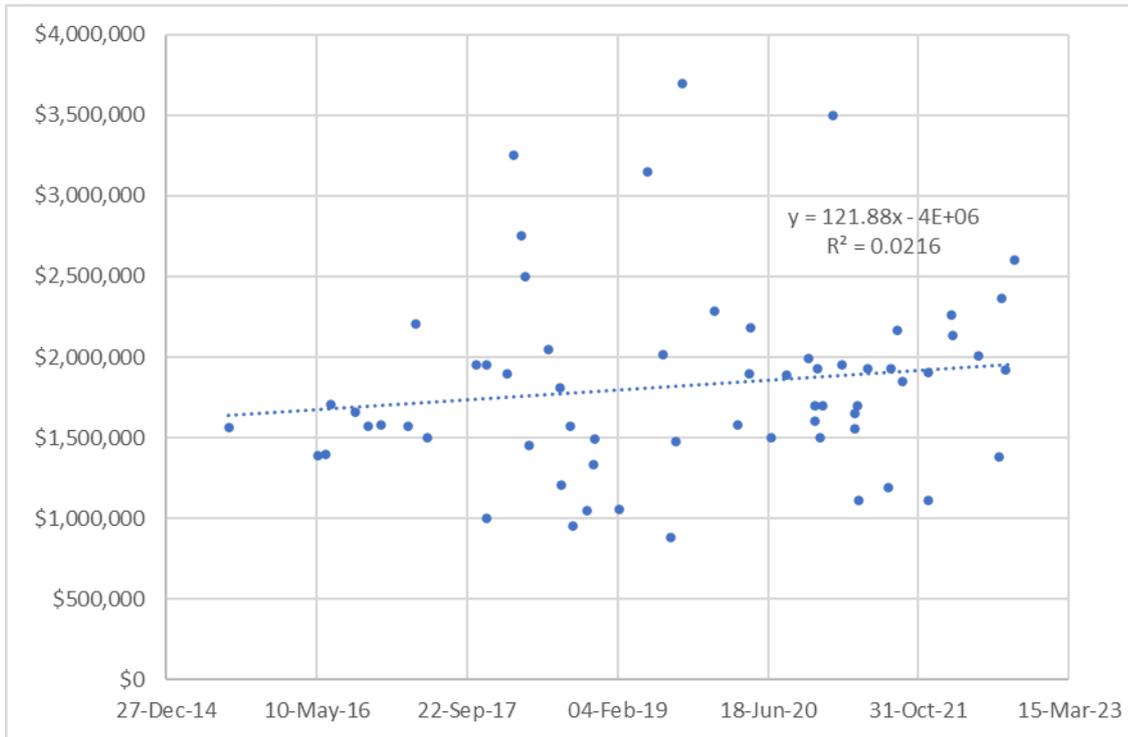
**Figure 16: 1-bedroom apartment sales in Crows Nest**



**Figure 17: 2-bedroom apartment sales in Crows Nest**

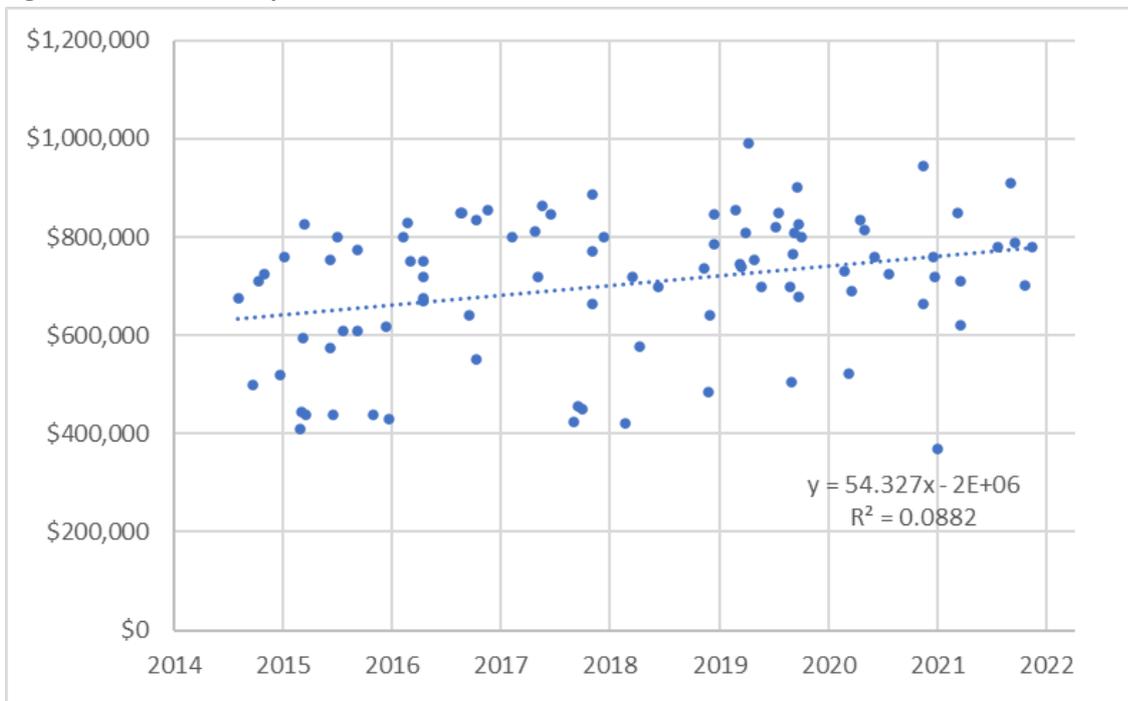


**Figure 18: 3-bedroom apartment sales in Crows Nest**

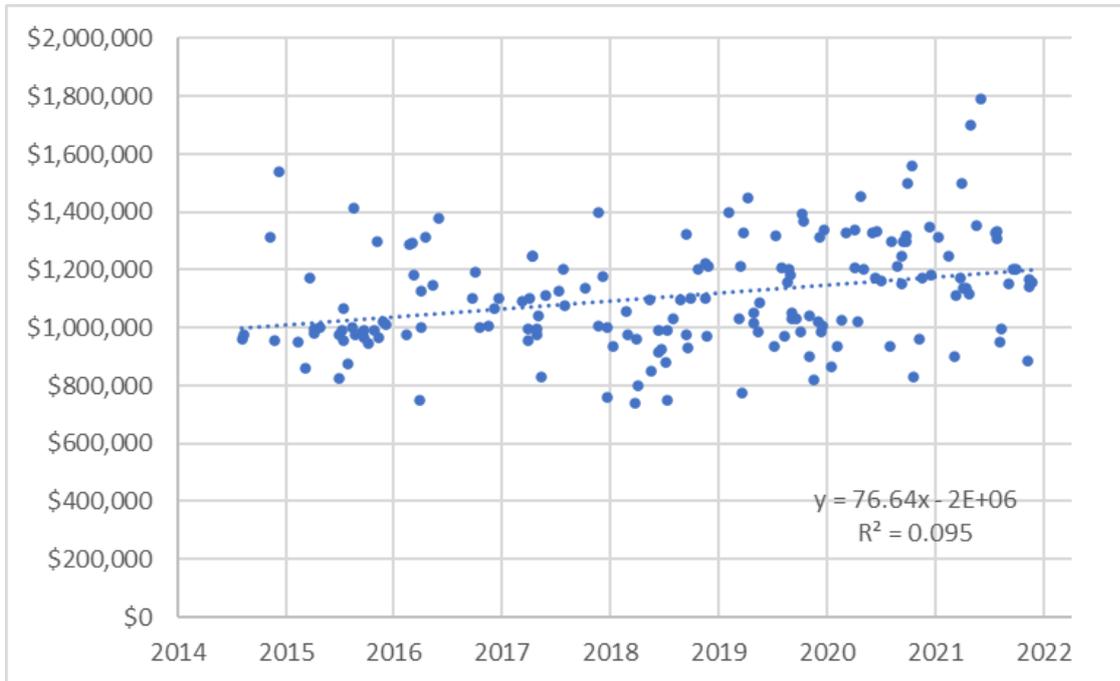


**Naremburn**

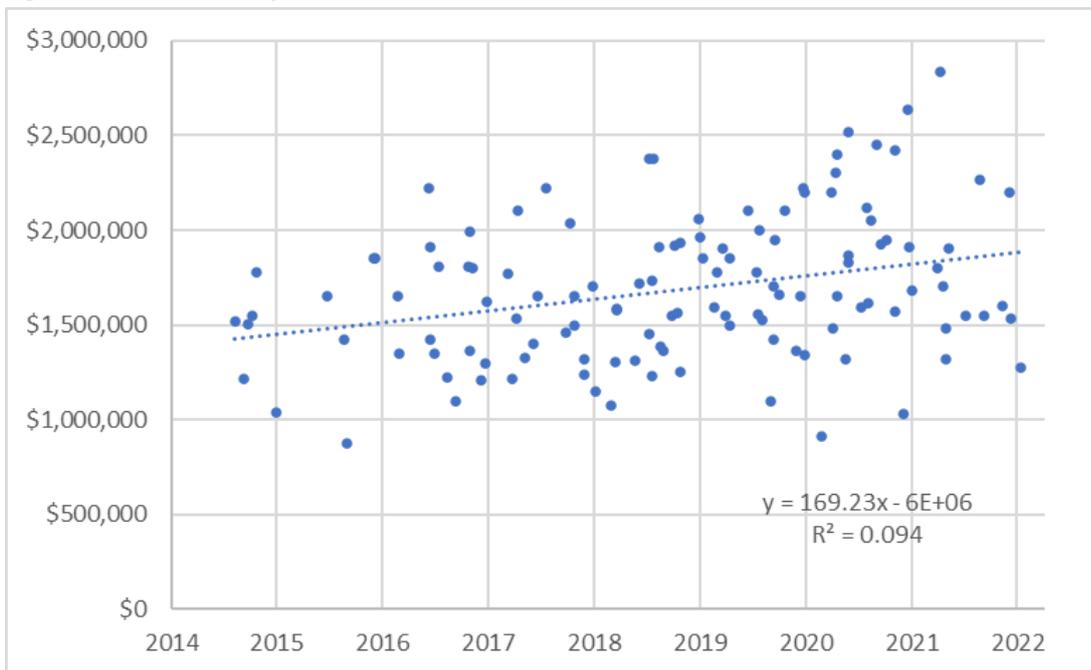
**Figure 19: 1-bedroom apartment sales in Naremburn**



**Figure 20: 2-bedroom apartment sales in Naremburn**

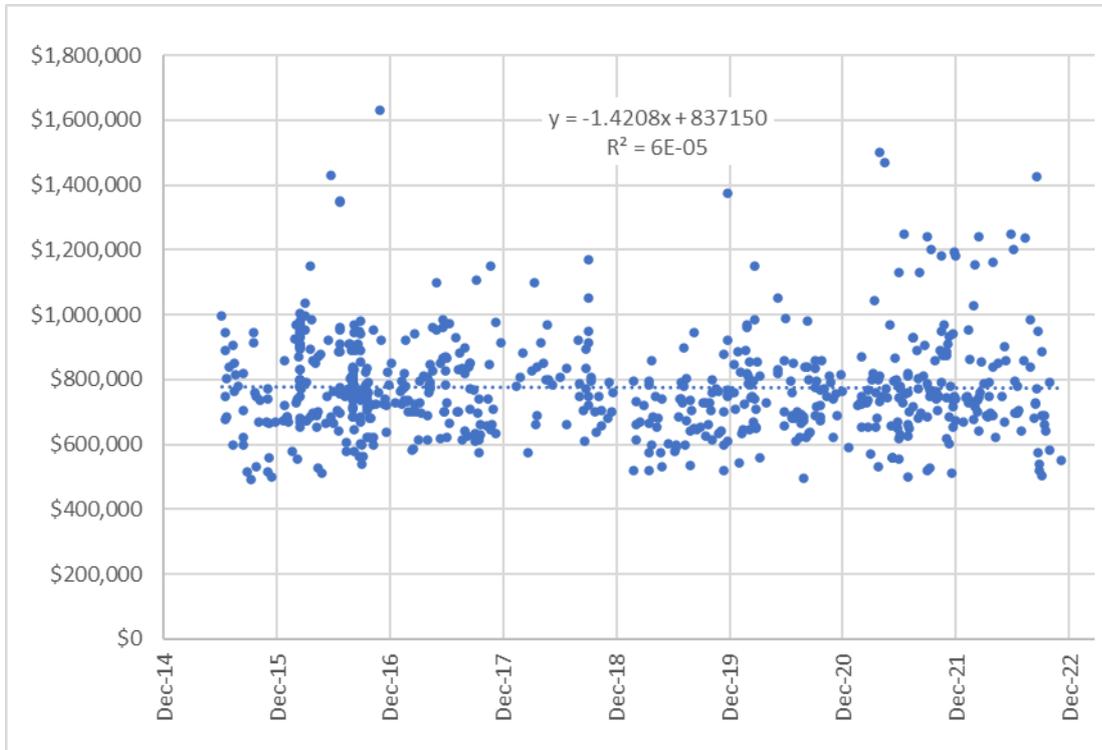


**Figure 21: 3-bedroom apartment sales in Naremburn**

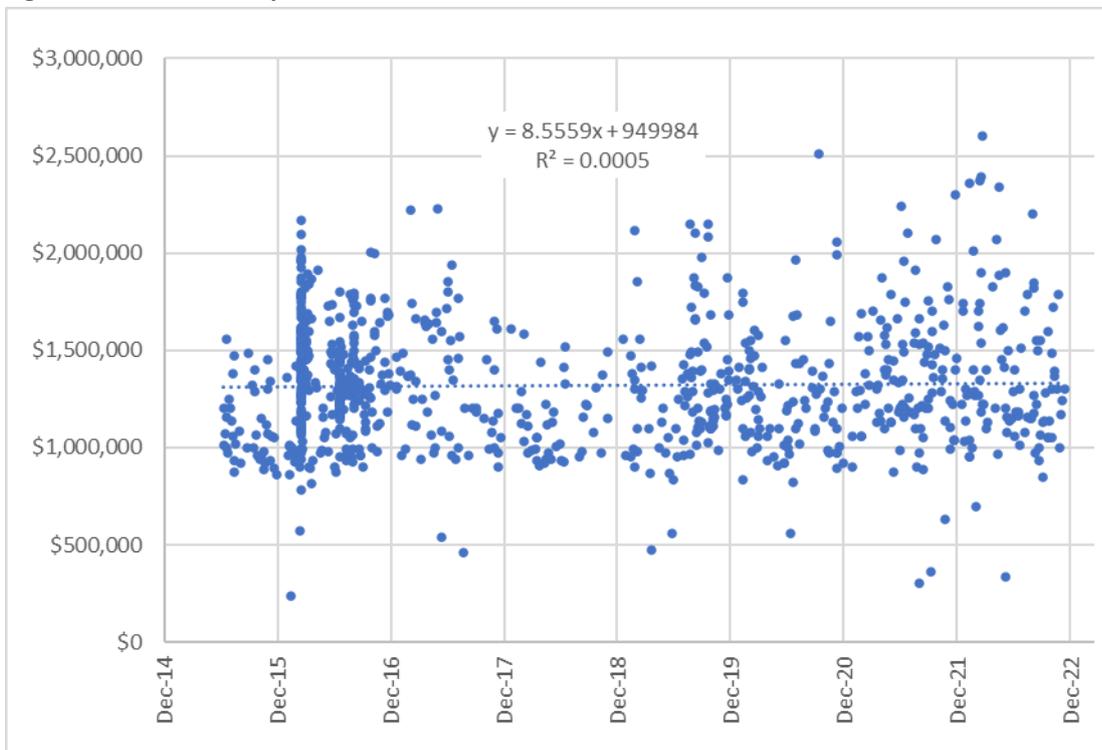


**St Leonards**

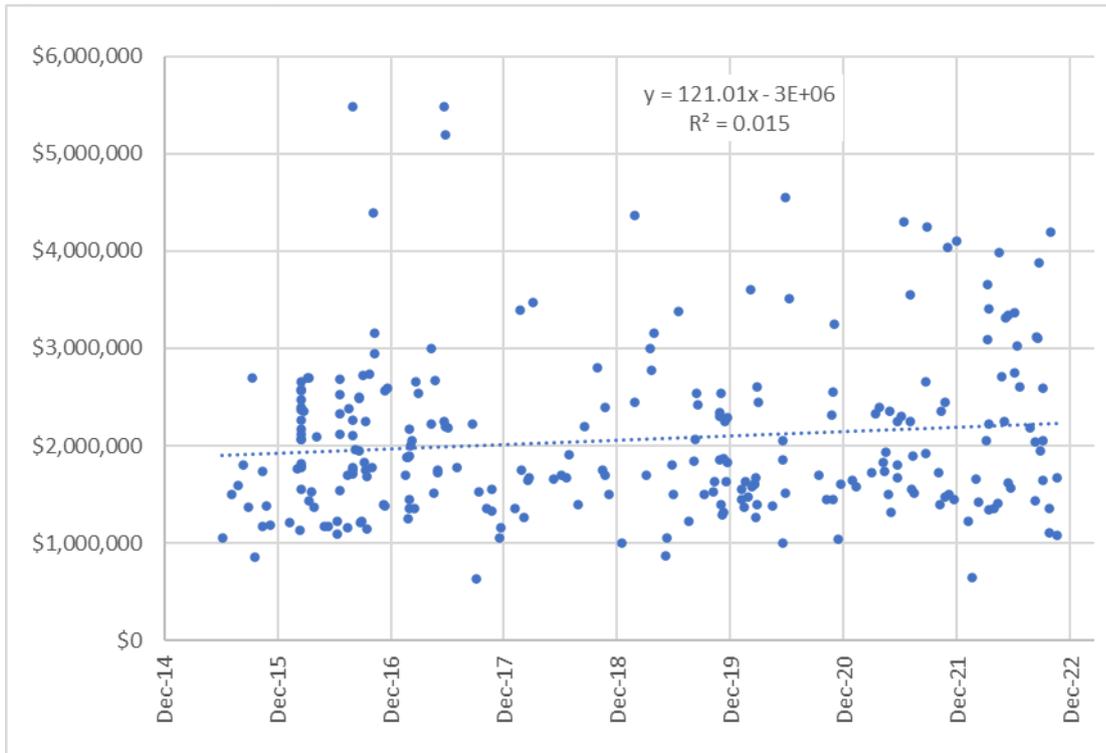
**Figure 22: 1-bedroom apartment sales in St Leonards**



**Figure 23: 2-bedroom apartment sales in St Leonards**

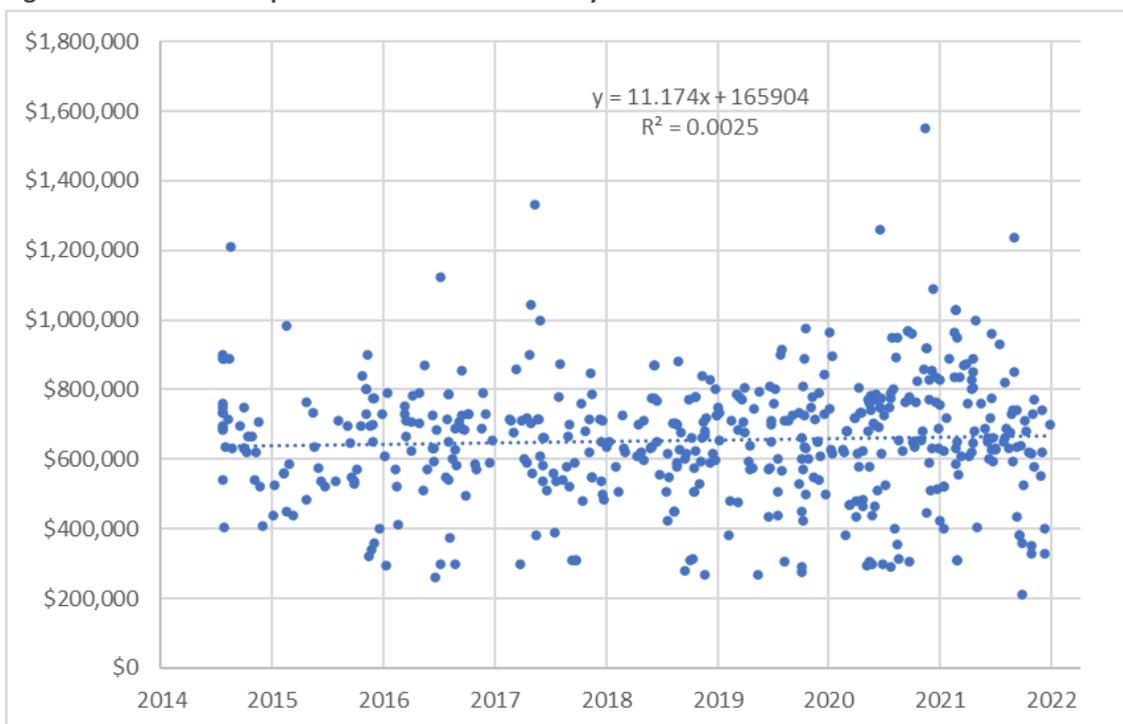


**Figure 24: 3-bedroom apartment sales in St Leonards**

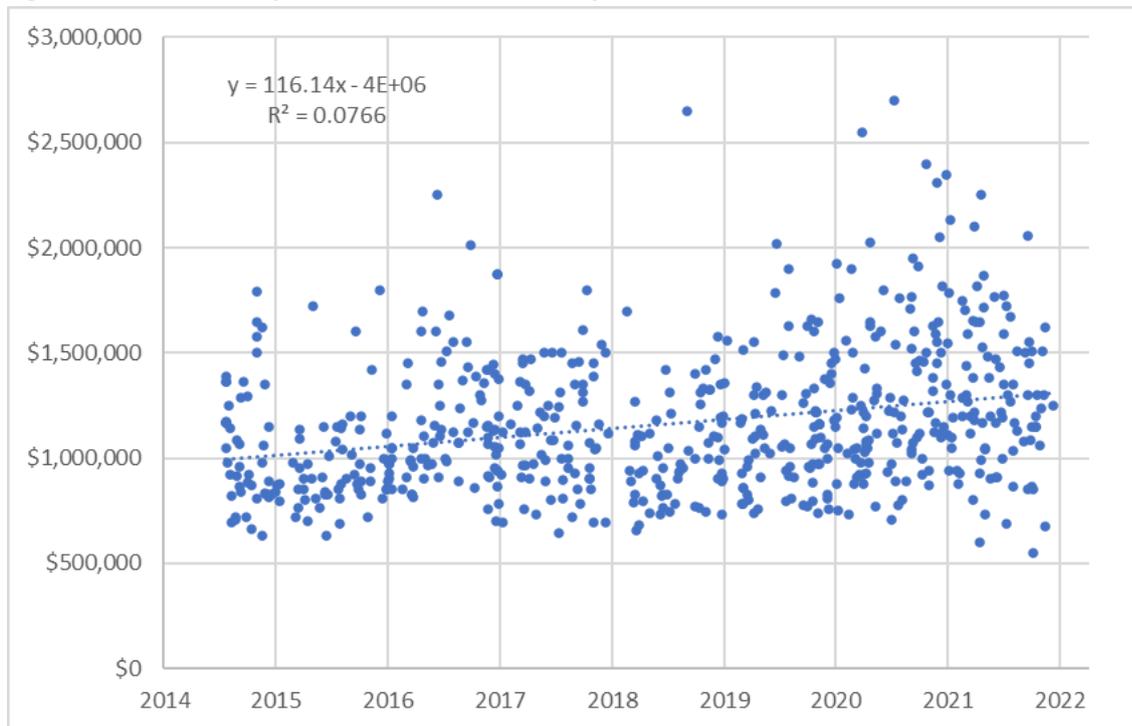


## Neutral Bay

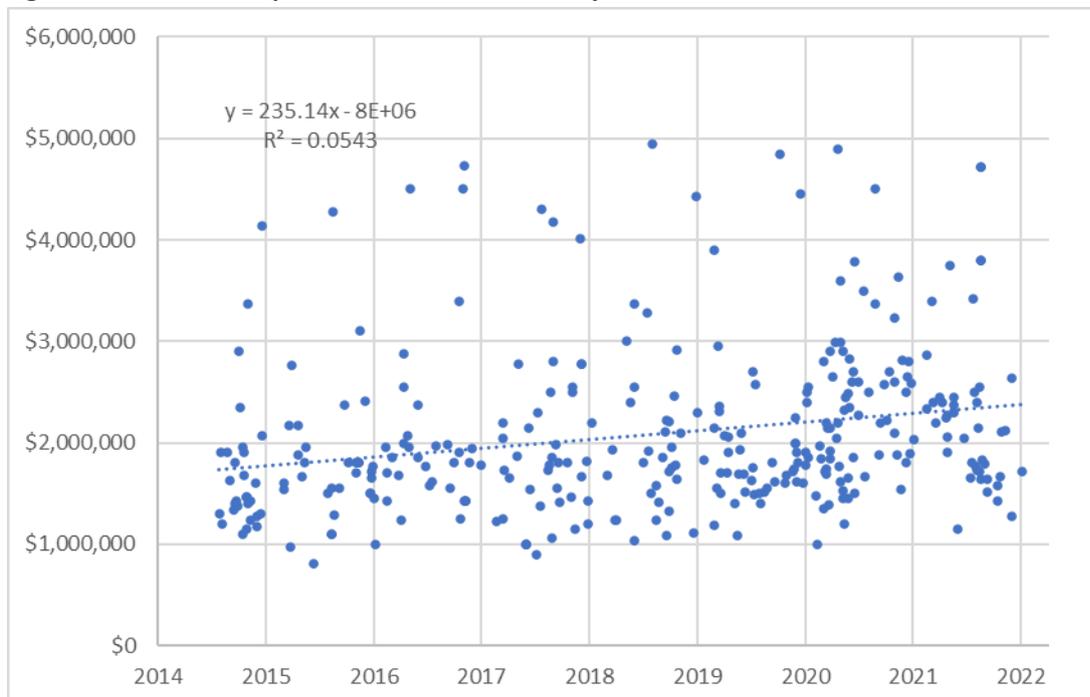
**Figure 25: 1-bedroom apartment sales in Neutral Bay**



**Figure 26: 2-bedroom apartment sales in Neutral Bay**



**Figure 27: 3-bedroom apartment sales in Neutral Bay**



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