

20 March 2025

Helen Wilkins  
City of Canada Bay Council

Sent via email: [helen.wilkins@canadabay.nsw.gov.au](mailto:helen.wilkins@canadabay.nsw.gov.au)

Dear Helen,

## Re: 3B-11 Loftus St, 1-5 Burton St and 10-12 Gipps St, Concord - Affordable Housing Contributions Analysis

The City of Canada Bay Council (**Council**) has received a planning proposal for 3B-11 Loftus Street, 1-5 Burton Street and 10-12 Gipps Street, Concord (**the Site**) from Think Planners on behalf of LFD Concord Pty Ltd (**the Proponent**). The Site measures approximately 8,360sqm and is comprised of 14 single dwelling allotments. The planning proposal contemplates:

- Rezoning from R2 Low Density Residential to R4 High Density Residential.
- Amending the maximum FSR to 5:1.
- Amending the maximum building height to 75m.
- Amending Schedule 1 to include additional permitted uses of restaurant and café.

The planning proposal is accompanied by a draft letter of offer to enter a Voluntary Planning Agreement (**VPA**).

- 4% of total GFA delivered as affordable housing in perpetuity to Council or a community housing provider (**CHP**).
- Publicly accessible and embellished landscaped through-site links (north-south and east-west).
- Publicly accessible and embellished park.

Atlas Economics (**Atlas**) is engaged by Council to review the proposed contribution to Affordable Housing and provide advice whether it is reasonable and represents value-for-money. This is referred to as '**the Review**'.

Atlas has provided advice to Council since Parramatta Road Corridor Urban Transformation Strategy (**PRCUTS**) Stage 1. Atlas prepared a feasibility analysis for PRCUTS Stage 2 in 2024, identifying the Affordable Housing contribution rates that could apply to sites therein.

## Scope and Purpose

The objective of the Review is to assess if the proposed Affordable Housing contribution (4%) is reasonable.

Atlas reviewed the planning proposal (as submitted) as well as an urban design review by Studio GL commissioned by Council. The capacity of the Site to contribute is underpinned by the development that will ultimately be permitted and undertaken.

The Review considers the financial feasibility of development and carries out the following:

- Review of the Site in its existing use to assess its existing-use-value (i.e. the opportunity cost of land).
- Feasibility modelling of development as proposed and as recommended in the urban design review (by Studio GL).
- Assessment of the capacity of the Site to contribute to Affordable Housing in a VPA.

For development to be feasible to undertake, a site's value as a development opportunity must exceed its value in existing use, and also provide an incentive for the existing uses to be displaced. The value of the Site in its existing use is also referred to the opportunity cost of land, i.e. the value that is foregone if the Site were to be rezoned and redeveloped.

Beyond the  
horizon thinking.

[atlaseconomics.com.au](http://atlaseconomics.com.au)

## LIMITATIONS AND ASSUMPTIONS

Atlas highlights the necessity for assumptions and acknowledges the limitations of a desktop analysis such as this.

- Searches of titles, plans or planning certificates have not been carried out.
- A desktop estimate of site value in existing use is made. We have not carried out site visits nor sighted any financial information (e.g. tenancy schedules, leases, option deeds).
- Generic feasibility modelling is based on numerical assumptions applied to conceptual development yields.
- Generic feasibility modelling is based on high-level revenue and cost assumptions and does not consider nuances of a site typically considered in detailed feasibility analysis.
- The feasibility analysis assumes there are no extraordinary costs (e.g. contamination, geotechnical constraints, asbestos removal, etc.) that would be applicable in a development of the Site.

Atlas would be pleased to revisit the analysis should further site information be received from the Proponent.

## Proposed Development and Urban Design Review Recommendations

The planning proposal contemplates various buildings that range in height from 8 to 23 storeys. An urban design review by Studio GL makes a series of recommendations to improve the design, amenity and land use outcomes. **TABLE 1** summarises key parameters of the planning proposal and Studio GL's recommendations which include reduction in the overall density of development.

**TABLE 1: Development Yields (Proposed and Recommended)\***

PARAMETERS	PLANNING PROPOSAL	STUDIO GL
FSR	4.2:1**	3.0:1
RESIDENTIAL GFA (SQM)	34,960	24,972
NON-RESIDENTIAL GFA (SQM)	371	314
TOTAL GFA (SQM)	35,331	25,286
DWELLINGS	387	277
CAR SPACES	383	275
NUMBER OF STOREYS	8, 20, 23	8, 10, 15

\*some parameters are approximated based on Planning Proposal metrics

\*\*while the planning proposal notes an FSR of 5:1, analysis by Studio GL observes the built form that is equivalent to FSR 4.2:1

**FIGURE 1** and **FIGURE 2** show the proposed distribution of building heights and those recommended by Studio GL.

**FIGURE 1: Proposed Buildings and Storeys**



Figure 45 South-western View: Planning Proposal

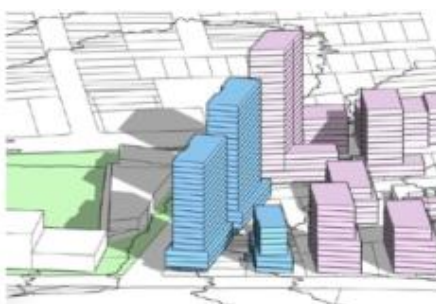


Figure 46 Southern View: Planning Proposal

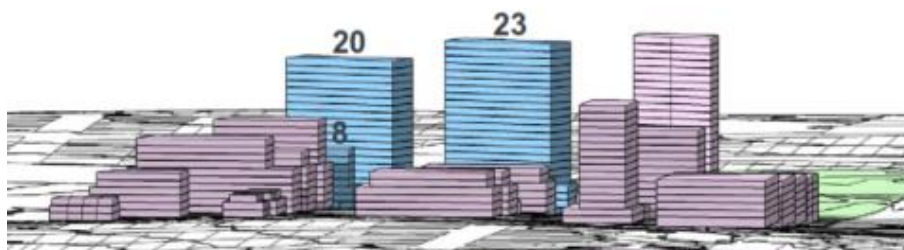


Figure 47 Eastern View: Planning Proposal with annotated building heights in storeys

Source: extracted from Studio GL



**FIGURE 2: Recommended Buildings and Storeys**



Figure 49 South-western View: SGL Recommendation

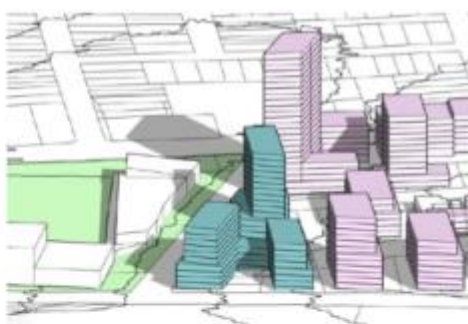


Figure 50 Southern View: SGL Recommendation

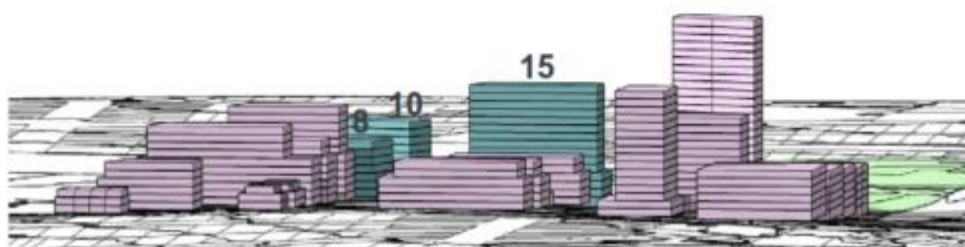


Figure 51 Eastern View: SGL Recommendation with proposed building heights in storeys

Source: Studio GL

## Existing-use Value of the Site

The value of the Site is underpinned by the substantial size of the land, its location, the utility of the existing single dwellings.

The Site is comprised of 14 single dwellings of varying allotment sizes, ranging from 329sqm to 1,000sqm in area. The values of single dwellings in the locality can range from \$2 million to \$5 million, with influencing factors including location, block size, quality and size of the improvements (i.e. number of bedrooms, bathrooms, etc.). When analysed on a dollar rate per square metre of overall improved site area, the sale prices generally reflect a range as summarised in **TABLE 2**.

**TABLE 2: Single Dwellings Existing-use Values, Concord**

BLOCK SIZE (SQM)	AVERAGE SALE PRICE		ANALYSIS (\$/SQM IMPROVED SITE AREA)	
	Low	High	Low	High
250-350	\$1,700,000	\$2,500,000	\$6,800	\$7,200
400-500	\$1,800,000	\$2,600,000	\$4,500	\$5,200
500-600	\$2,100,000	\$2,800,000	\$4,200	\$4,700
600-800	\$2,800,000	\$5,000,000	\$4,700	\$6,000

Source: Atlas

The analysis of sale prices against lot sizes is relevant to the feasibility analysis as there is an inverse relationship between the value of land (with a single dwelling) and block size. That is, the larger the block, generally the lower the property value (per square metre of site area). This has direct implications for the cost of land to a developer.

The Review ascribes existing-use values generally between \$2.2 million and \$3.2 million per dwelling, with larger lots between \$3.5 million and \$4.5 million, before any premium incentive/ inducement to the landowner. This averages \$3.2 million per dwelling and is equivalent to approximately \$6,000/sqm and \$7,000/sqm of overall improved site area for smaller blocks and \$4,000/sqm to \$5,000/sqm for larger blocks. This is based on an analysis of market activity; the sales of a selection of single dwellings are contained in Schedule 1.

A premium of 30% is assumed as inducement to incentivise sale. This amount is intended to cover the cost of stamp duty for a replacement property elsewhere as well as incidental expenses. The premium is equivalent to an average of \$800,000 per dwelling. Including the allowance for a premium, the cost of land assumed averages \$4.0 million per dwelling.

The assumed cost of land, which is comprised of the estimated value of the single dwellings plus a premium equates to \$55.4 million.



## Generic Feasibility Analysis

The feasibility analysis utilises the residual land value or hypothetical development approach which assumes a gross realisation for the completed development, deducting all development costs and makes a further deduction for profit and risk. The residual land value (RLV) that remains is the value of the Site as a development site. If the RLV exceeds the assumed cost of land \$55.4 million, the development is considered feasible.

### TESTED SCENARIO

This modelling tests two development scenarios to observe the capacity (affordability) to contribute to items of public benefit (Moreton Street extension and affordable housing contributions) in a VPA. The tested scenarios are - 'as proposed' and 'as recommended' by Studio GL

**TABLE 3: Development Yields Modelled**

PARAMETERS	PLANNING PROPOSAL	STUDIO GL
FSR	4.2	3.0
RESIDENTIAL GFA (SQM)	34,960	24,972
NON-RESIDENTIAL GFA (SQM)	371	314
TOTAL GFA (SQM)	35,331	25,286
DWELLINGS	387	277
1 BEDROOM	20%	20%
2 BEDROOM	60%	60%
3 BEDROOM	20%	20%
CAR SPACES	341	243

The feasibility modelling was informed by property market research into sales activity of residential and mixed-use developments. This provided insight into sale prices that could be achieved for completed residential units and commercial space on the Site.

Key performance indicators relied upon are hurdle rates (development margin and project IRR). Benchmark hurdle rates and their 'feasible' ranges are indicated in **TABLE 4**.

**TABLE 4: Benchmark Hurdle Rates**

PERFORMANCE INDICATOR	FEASIBLE	MARGINAL TO FEASIBLE	NOT FEASIBLE
DEVELOPMENT MARGIN	>20%	18%-20%	<18%
PROJECT RETURN (IRR)	>18%	17%-18%	<17%

Source: Atlas

### BEFORE AFFORDABLE HOUSING CONTRIBUTIONS

Before considering contributions to items of public benefit, Atlas modelled a scenario where no public benefits are made (**TABLE 5**).

**TABLE 5: Modelling Outcomes (before Public Benefit Contributions)**

PARAMETERS	PLANNING PROPOSAL	STUDIO GL
FSR	4.2	3.0
RESIDENTIAL GFA (SQM)	34,960	24,972
NON-RESIDENTIAL GFA (SQM)	371	314
TOTAL GFA (SQM)	35,331	25,286
DWELLINGS	387	277
ASSUMED COST OF LAND	\$55,375,000	\$55,375,000
RESIDUAL LAND VALUE (RLV)	\$105,334,838	\$68,723,278
DEVELOPMENT MARGIN	18%-20%	18%-20%
FEASIBLE?	Yes	Yes

Source: Atlas



The modelling suggests that the proposed development (as submitted) has an RLV of \$105.3 million. This is equivalent to \$3,000/sqm GFA which is consistent with the prices paid for development sites (**TABLE S1-2**).

The smaller development scheme (as recommended by Studio GL) is also feasible, with the RLV of \$68.7 million (\$2,740/sqm GFA) while lower, also exceeding the assumed cost of land of \$55.4 million.

#### AFTER AFFORDABLE HOUSING CONTRIBUTIONS

In this section, contributions to items of public benefit are tested. These are:

- Road extension to Moreton Street, estimated at a cost of \$1,120,000<sup>1</sup>.
- Affordable Housing contributions.

There are two methods in which affordable housing contributions could be made. These include:

- As a cash contribution at the current dollar amount of \$12,222/sqm residential GFA.
- As completed dwellings that are gifted to Council or nominated CHP. In this scenario, the gross residential revenue is reduced by the proportion contributed. This assumes that a proportion of residential GFA will be constructed by the Proponent and on completion 'gifted' to Council or a CHP.

After iterative testing of different affordable housing contribution rates, the Review finds under the Studio GL recommended scheme, the development could have capacity to make a 4% affordable housing contribution along with delivering Moreton Street extension.

Under the proposed scheme equivalent to FSR 4.2:1, the testing finds the development could have the capacity to make a 10% contribution affordable housing along with delivering an extension to Moreton Street.

**TABLE 6** shows the impact of contributions to public benefit on the feasibility of development.

**TABLE 6: Modelling Outcomes (after Affordable Housing Contributions)**

PARAMETERS	STUDIO GL		PLANNING PROPOSAL	
AFFORDABLE HOUSING	DWELLINGS (4%)	CASH (4%)	DWELLINGS (10%)	CASH (10%)
FSR	3.0:1	3.0:1	4.2:1	4.2:1
RESIDENTIAL GFA (SQM)	24,972	24,972	34,960	34,960
NON-RESIDENTIAL GFA (SQM)	314	314	371	371
TOTAL GFA (SQM)	25,286	25,286	35,331	35,331
DWELLINGS	277	277	387	387
AFFORDABLE HOUSING	\$13,776,898	\$12,107,822	\$48,314,545	\$42,461,222
MORETON STREET EXTENSION	\$1,120,000	\$1,120,000	\$1,120,000	\$1,120,000
ASSUMED COST OF LAND	\$55,375,000	\$55,375,000	\$55,375,000	\$55,375,000
RESIDUAL LAND VALUE (RLV)	\$55,423,248	\$55,495,456	\$56,045,987	\$56,299,215
DEVELOPMENT MARGIN	18%-20%	18%-20%	18%-20%	18%-20%
FEASIBLE?	Yes	Yes	Yes	Yes

Source: Atlas

The feasibility modelling shows that in circumstances where Affordable Housing contributions are made 'in-kind' (i.e. in the form of completed dwellings), the impact to development feasibility can be less. This is because the 'contribution' is made at the end of the development period when the completed dwellings are gifted/ dedicated. The contribution in-kind is also assisted by local (s7.11) and regional (HPC) infrastructure contributions being exempt.

In contrast, a cash payment would be required prior to construction commencement and well before any proceeds of sale are received. This cash payment (\$12.1 million or \$42.5 million as the case may be) is a cash flow burden on the development.



<sup>1</sup> Sourced and pro-rated from Council's infrastructure cost estimates carried out for the Parramatta Road Corridor Urban Transformation Strategy Stage 2

The modelling finds the following:

- If the Site is developed as proposed (FSR 4.2:1), development is feasible if 10% Affordable Housing contributions were made alongside delivery of the Moreton Street extension.
- If the Site is developed as recommended by Studio GL (FSR 3.0:1), development has less capacity to contribute to Affordable Housing, having a tolerance of 4% alongside delivery of the Moreton Street extension.

## Recommendations

The Planning Proposal contemplates a rezoning that would facilitate a development equivalent to FSR 5:1 (although, Studio GL's review of the proposed scheme suggests an FSR of 4.2:1). This however is not supported by the urban design review, which recommends a lower density equivalent to FSR 3:1.

If the Site were developed to Studio GL's recommended FSR 3:1 and endorsed by Council, a 4% contribution to Affordable Housing could be received by Council as completed dwellings or in cash. Feasibility modelling shows that the former would be more financially attractive for the Proponent, however it is possible if given the choice that the Proponent would prefer to contribute in cash.

### POST-COMPLETION OF REVIEW

Subsequent to completion of the Review, Atlas has been provided with information from Proponent wherein it advises that a total purchase price of \$85m has been agreed with the landowners of the 14 single dwellings. This would be equivalent to an average of \$6m per dwelling, representing a premium of 100% to the landowners (or a doubling of market value).

The Review assumed a 30% premium could be included over and above market value, thereby totalling an assumed cost of land of \$55.4m. The advised cost of land is significantly higher than that assumed in the Review.

If the Site has the environmental capacity of a higher density built form than FSR 3:1, detailed validation of the reasonableness of the advised cost of land could be undertaken. If however, higher density buildings would result in unacceptable environmental impacts, a lower cost of land would need to be achieved.

We trust this assists Council in its consideration of the Planning Proposal and proposed VPA offer.

Yours sincerely

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Director

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SCHEDULE 1

# Analysis of Market Activity

## Existing-use Sales Activity

To understand the value of the selected sites' 'as is', the sales activity of comparable residential property is analysed. **TABLE S1-1** provide a snapshot of the sales of single residential dwellings in Concord.

**TABLE S1-1: Sales Activity of Residential Uses**

ADDRESS	SUBURB	SITE AREA (SQM)	SALE PRICE	ANALYSIS (\$/SQM IMPROVED SITE AREA)	SALE DATE	ACCOMMODATION
11 Gipps St	Concord	297	\$1,700,000	\$5,724	Dec 2024	2 x 1 x 2
7 Lansdowne St	Concord	766	\$4,450,000	\$5,809	Nov 2024	5 x 5 x 2
8 Sydney St	Concord	581	\$5,000,000	\$8,606	Oct 2024	5 x 5 x 2
36A Gipps St	Concord	379	\$1,750,000	\$4,617	Oct 2024	2 x 1 x 1
66 Gipps St	Concord	581	\$1,300,000	\$2,238	Oct 2024	3 x 2 x 1
61 Gipps St	Concord	416	\$2,120,000	\$5,096	Dec 2023	3 x 2 x 1
34 Gipps St	Concord	460	\$1,855,000	\$4,033	Dec 2023	3 x 1 x 1
23 Burwood Rd	Concord	350	\$2,335,000	\$6,671	Oct 2023	5 x 2 x 2
40 Burwood Rd	Concord	500	\$2,100,000	\$4,200	June 2023	3 x 1 x 4
72A Gipps St	Concord	289	\$2,080,000	\$7,197	Feb 2023	4 x 4 x 2
3 Loftus St	Concord	297	\$2,350,000	\$7,912	Sept 2022	3 x 1 x 1
2A Loftus St	Concord	253	\$2,437,000	\$9,632	Sept 2022	3 x 1 x 1
31 Burton St	Concord	335	\$2,460,000	\$7,343	Aug 2022	4 x 2 x 2
5 Lansdowne St	Concord	766	\$3,700,000	\$4,830	Jul 2022	4 x 3 x 2

Source: various

The Study adopts existing-use values generally between \$2.2 million and \$3.2 million per dwelling, with larger lots between \$3.5 million and \$4.5 million. This is equivalent to approximately \$6,000/sqm and \$7,000/sqm of overall improved site area for smaller blocks and \$4,000/sqm to \$5,000/sqm for larger blocks.





## Development Site Sales

There is a dearth of development site sales in the Concord locality in the 12-18 months. To understand the price developers are prepared to pay, the analysis considered a selection of development site sales, as outlined in **TABLE S1-2**.

**TABLE S1-2: Sales Activity of Development Site Sales**

ADDRESS	SITE AREA (SQM)	GFA (SQM)	FSR	SALE PRICE	ANALYSIS (\$/SQM GFA)	SALE DATE
1-9 MARQUET ST & 4 MAY ST RHODES	2,917	23,002	7.9:1	\$65,500,000	\$2,848	May 2024
2-4 POPE ST RYDE	1,447	2,605	1.8:1	\$7,500,000	\$2,879	Nov 2023
1-20 RAILWAY RD & 50 CONSTITUTION RD MEADOWBANK	7,773	21,950	2.8:1	\$65,000,000	\$2,961	Oct 2023
129-153 PARRAMATTA RD & 53-75 QUEENS RD FIVE DOCK	31,200	93,618	3.0:1	\$260,000,000	\$2,777	Aug 2023
363 VICTORA RD GLADESVILLE	1,650	4,231	2.6:1	\$11,000,000	\$2,600	May 2023
20-24 RAILWAY PDE & 2-4 BURLEIGH ST BURWOOD	1,315	7,890	6.0:1	\$28,750,000	\$3,644	May 2022
52-56 RAMSAY RD FIVE DOCK	1,670	4,175	2.5:1	\$13,800,000	\$3,310	Apr 2022

There has been a dearth of development site sales transacted in recent years; though the prices paid fall within a relatively 'tight' range of \$2,600/sqm to \$3,600/sqm GFA for sites with development potential.

The analysis of development site sales observes a residential site value range of \$3,000/sqm to \$3,500/sqm GFA. Sites with a non-residential floorspace component disclose lower rates, ranging from \$2,000/sqm to \$2,500/sqm GFA depending on the proportion of residential available. Relevantly, many of the sale prices would not reflect any obligation for Affordable Housing contributions.





## SCHEDULE 2

# Generic Feasibility Modelling Assumptions

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### PROJECT TIMING

The site is assumed to be appropriately zoned. Planning and design are assumed to be progressed immediately upon settlement. Thereafter a development application is assumed to occur with pre-sales occurring shortly thereafter.

Demolition and construction are assumed from Month 21 in stages spanning 18-21 months per stage. The project is assumed to be completed in 2-3 years following the commencement of off-the-plan sales.

### REVENUE ASSUMPTIONS

Average end sale values are adopted based on market research and analysis. The Site's proximity to the future Burwood North Metro station. Accordingly, sale prices achieved are likely to be more attractive than those currently achieved.

- Non-residential - \$8,000/sqm
- Residential:
  - 1 bedroom units - \$14,000/sqm to \$15,000/sqm
  - 2 bedroom units - \$14,500/sqm to \$15,500/sqm
  - 3 bedroom units - \$15,500/sqm to \$16,500/sqm

It is assumed that 50% of the apartments would be pre-sold prior to completion of construction and the balance would be sold post completion at an average rate of 5-10 units per month.

Other revenue assumptions:

- GST is excluding on non-residential sales and included on the residential sales.
- Sales commission at (2.5% residential, 2.0% non-residential) and marketing costs of 0.5% on gross sales.
- Legal cost on sales included at \$1,500 per unit.

### COST ASSUMPTIONS

- Assumed cost of land based on deemed opportunity cost of land (\$104 million).
- Legal costs, valuation and due diligence assumed at 0.25% of land price and stamp duty at NSW statutory rates.
- Construction costs are estimated with reference to cost publications and professional experience:
  - Residential construction assumed \$4,500/sqm of building area (110% of GFA), balconies at \$1,000/sqm.
  - Basement car parking at \$60,000 per car space.
- Construction contingency at 5%.
- Professional fees and application fees at 9% of construction costs.
- Development management fees at 1% of construction costs.
- Statutory fees:
  - DA and CC fees at statutory rates.
  - Long service levy of 0.25% of construction costs.
  - s7.11 contributions at \$12,555 (1 bedroom), \$18,932 (2 bedroom) and \$20,000 (3 bedroom).
  - Housing and Productivity contributions at \$30/sqm (retail/ commercial) and \$10,000/dwelling.
- Finance costs:
  - Land value assumed as equity contribution with balance funded at interested capitalised monthly at 7% per annum.
  - Establishment fee at 0.35% of peak debt.



## **HURDLE RATES AND PERFORMANCE INDICATORS**

Target hurdle rates are dependent on the perceived risk associated with a project (planning, market, financial and construction risk). The more risk associated with a project, the higher the hurdle rate.

Key hurdle rates assumed for the feasibility modelling are development margin and project return (IRR).

- Development margin - 20%.
- Discount rate/ project return - 18%.

If the resulting profit from this feasibility analysis is sufficient to meet the target hurdles (target development margin and discount rate), the project is considered financially feasible for development.

