PROPERTY COUNCIL of Australia | MacroPlanDimasi

MISSING THE MARK

AN AUDIT OF HOUSING TARGETS

PROPERTY COUNCIL
of Australia

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EXECUTIVE SUMMARY

New home construction is crucial to the State's economic fortunes — as it underpins growth, jobs and of course, affordability.

The industry generates one in 10 jobs in NSW and pays over $16 billion in wages to workers and their families.

It is crucial we focus on keeping house supply on track or else homebuyers are priced out of the market.

The recent uplift in approvals is encouraging — assisted by lower borrowing costs, smarter policy settings and ideal market settings. But we need to take a long-term view of the State's capacity to meet demand.

That is why the Property Council of Australia's NSW Division commissioned research to test progress against housing targets and prospects for the future.

We deliberately did so in each local government area for Sydney — and our three major regions — to test performance on the ground.

The numbers are alarming:

- the vast bulk of local government areas will not reach their targets
- almost **half of all councils will struggle to meet 50 percent of the approvals needed** to keep pace with population growth
- housing approvals across Sydney **fell 56,000 short of target** over the past decade
- the deficit is forecast to **widen by a further 140,000 homes** over the next decade
- our three biggest regions — the Hunter, Central Coast and Illawarra — all face housing shortages, and

It reinforces the case for radical surgery to the way we set targets and translate them into the delivery of new housing on the ground.

The opportunities arising from focusing growth in the right locations, greater densities and easing hurdles across the planning system are substantial. If we get it right, we can tilt the balance back in favour of homebuyers.

Glenn Byres

NSW Executive Director
Property Council of Australia

INTRODUCTION

The Property Council of Australia, NSW Division, engaged MacroPlan Dimasi in July 2014 to undertake an audit of housing target performance across metropolitan Sydney, the Lower Hunter and Illawarra local government areas (LGAs).

The purpose of this report is to compare building approvals against the housing targets assigned to the various LGAs and their composite subregions in the State's metropolitan 2005, 2010 and Draft 2013 Strategies for Sydney and the 2006 Lower Hunter and Illawarra Regional Strategies.

METHODOLOGY

The analysis for this report has involved the following documentation.

Metropolitan strategy review

Our assessment has required a review of previous metropolitan strategies alongside the recent *2013 Draft Metropolitan Strategy for Sydney* (2013 Draft Strategy) in order to:

- Correctly assign the specific targets that have been set, and to ensure that our measurement of performance aligns to the period of time relevant to the applicable targets; and to
- Provide a basis of understanding as to the relevance of the targets that have been set. Our report considers how Sydney, the Illawarra and the Hunter grew from a dwellings perspective, and the LGAs that have experienced the greatest amount of dwelling additions and population growth.

We use the housing targets that were introduced as part of the 2005 *City of Cities Strategy* (2005 Strategy) as the basis for the analysis in this report. The 2005 Strategy, and the suite of draft subregional strategies that spawned from it, set both subregional and specific LGA housing targets from a base year of 2004 to 2031.

The 2005 Strategy was the first metropolitan strategy developed with specific LGA-based housing targets. Subsequent metropolitan strategies (i.e. the 2010 Plan and 2013 Draft Strategy) have incorporated subregional targets only.

Our analysis also assesses performance against the subregional housing targets set by the *Metropolitan Plan for Sydney 2036* (2010 Plan). Subregional performance is examined against annualised targets from 2011 onwards, given that this latter strategy was released in December 2010.

In summary, this report:

- Provides a broad insight into council performance over the past decade by comparing dwelling approvals from 2004 to 2014, against the 2005 Strategy targets; and
- Assesses housing approvals since 2011 to understand performance against the 2010 Plan's subregional housing targets (over what has increasingly become a housing up-cycle).

Further explanation of the respective targets set by the various metropolitan and regional strategies is provided in the report appendices.

Survey of LGA dwelling approvals from 2004

We have sourced dwelling approval data from the Australian Bureau of Statistics (ABS) [1], with allowances made for knock-down-rebuilds and age-specific housing by LGA.

We have focused on dwelling approvals in our assessment given that local councils are not responsible for the construction of housing within their LGA boundaries, and therefore, should not be measured or compared on the basis of housing starts or completions.

Indeed, we also acknowledge that broader market forces (i.e. matters outside of the control of local governments) contribute significantly to the rate at which dwelling approvals are sought.

At the same time, however, dwelling approval data is a leading economic indicator of market sentiment and housing trends (and a strong indicator of where people wish to live). Historically, there is a high degree of correlation between dwelling approvals and commencements/completions.

ABS housing data provides a gross number of new dwelling approvals that has been generated in a particular LGA, based on building approval data sourced directly from local councils. However, the data does not account for the number of dwellings that may have been demolished to make way for new residential construction.

Accordingly and for the purpose of this report, we have refined the raw ABS data and applied a gross adjustment factor for knock-down-rebuilds based on each LGA's circumstances. For example, this has occurred where a single dwelling, several houses or older unit complexes are demolished to allow for the construction of a new dwelling, or housing offer at a higher density. Further information is outlined in Appendix B.

Similarly, ABS approval data is categorised by the following descriptions:

- Houses — meaning detached dwellings, a description that is obviously more relevant in middle and outer ring suburbs and regional locations; and
- Other dwellings — meaning all forms of housing other than detached houses, but incorporating the full spectrum of attached, medium and higher density forms of construction, as well as retirement living product but not including nursing homes/aged care, which are categorised as commercial construction.

The analysis in this report is informed by ABS housing approval data over the 2004 to 2014 period. Throughout the report, the figures in the tables may sum with a deviation of 1 due to rounding.

This report covers:

- Progress to date against allocated targets (over the past 10 years); and
- Performance against actual housing demand (over the same period).

The series of activity maps in this report illustrate the level of housing approval activity across the regions examined.

1 ABS 8731.0 – Building Approvals, Australia

Future housing need

This report examines future housing need based on 2014 NSW Government population projections, published by the NSW Department of Planning and Environment (DP&E).

The population forecasts have been used to assess the LGAs (and subregions) identified as accommodating the bulk of Sydney's future population, and those that have been assigned a low population growth expectation.

We extrapolate an estimate of indicative housing need based on assigned population levels for each of the LGAs to 2024 and examine the likelihood of meeting future housing need (for the next 10 years) based on past approval rates. Chapter 2: Housing targets review contains the full findings of our research.

Housing performance scorecard

Finally, this report applies a 'scorecard' approach to group and evaluate the relative performance of Sydney's metropolitan councils.

We have not included the Illawarra and Hunter Regions in the scorecard. Instead, comment is provided on the rate of housing additions in these areas on a regional basis, rather than on the basis of specific LGA contributions.

The housing performance scorecard relies on the following grading system and criterion (a detailed description of grade definitions and the measurements and qualifications applied to distinguish Council performance is in the appendices).

This approach has regard for the complementarity of the assigned targets to achieved outcomes. It reveals how well the housing targets that were set under the 2005 Strategy align with where people have actually chosen to reside.

See *Table 1. Grading system – relative performance scorecard below for full information.*

Table 1. Grading system – relative performance scorecard

Grade	Label	Description
A+	Standout performer	Convincingly achieved housing potential and population growth
A	Performed	Achieved housing potential and population growth
B+	Underperformed	Underperformed against housing potential, but achieved high population growth
B	Underperformed (low target)	Achieved 'low' housing potential and low population growth
C	Underperformed (low target, low pop)	Did not achieve housing potential and low population growth
D	Grossly underperformed	Well short of housing potential and extremely low population growth

HOUSING TARGETS REVIEW

This Chapter contains findings for:

- Council performance against the 2005 Strategy targets for the past decade and against subregional targets set by both the 2005 Strategy and the 2010 Plan;
- Council performance against indicative housing need over the decade (estimated on the basis of actual population growth across the LGAs); and
- Projected differences between projected indicative housing need for the next 10 years, based on the last decade's (2004 to 2014) rate of housing approvals.

HISTORICAL PERFORMANCE

Our examination of housing approvals the past decade indicates:

Housing approvals performance against targets set

For Sydney, over the past decade **17,000 approvals were issued (on average, per year) against a target of 22,178 per year** (based on the 2005 Strategy targets which included an expected significant contribution from both the North West and South West Growth Centres). This represents an **annual shortfall of 5,176 dwellings.**

- The areas of greatest discrepancy (i.e. where targets have not been met) occur in the **Central Sydney, North East, Inner West and West Central** subregions.
- On average, the City of Sydney has issued the highest number of dwelling approvals over the decade but remains shy of the 2005 Strategy's targets. All three LGAs in the North East underperformed. Pockets of the Inner West and West Central also underperformed against the set targets.
- The North West and South West subregions have lagged behind their allocated targets, as the **contribution from the Growth Centres has not occurred at the rate expected.** Housing production in these areas has ramped up, but only in the latter years i.e. since 2010 onwards.

For results, see *Table 2. Comparison between 2005 metro targets and actual approvals (projected differences).*

Table 2. Comparison between 2005 metro targets & actual approvals (projected differences)

Regions	LGA Precincts	Annual 2004-2014: Metro 2005 (2004-2031)[1]	Approvals 2005-2014	Housing Target Achieved (%)[5]	Difference between Targets and Approvals	Indicative Housing Need	Actual Surplus / Shortage	Actual Surplus / Shortage (%)	Annual 2014-2024: Projected Pop Growth 2014-2024	Projected Indicative Housing Need 2014-2024	Housing Shortage / Surplus	Actual Surplus / Shortage (%)
Central	Sydney	2,037	1,670	82%	-367	2,283	-614	73%	4,665	2,503	-833	67%
East	Botany Bay	241	507	210%	266	264	243	192%	727	301	206	169%
	Randwick	311	383	123%	71	846	-463	45%	1,846	711	-328	54%
	Waverley	81	157	193%	76	382	-225	41%	647	234	-77	67%
	Woollahra	107	51	47%	-56	248	-197	21%	519	214	-162	24%
South	Canterbury	263	324	123%	61	611	-287	53%	1,767	691	-366	47%
	Hurstville	152	250	164%	98	408	-159	61%	1,118	440	-190	57%
	Kogarah	94	177	188%	83	284	-107	62%	836	332	-155	53%
	Marrickville	154	199	129%	45	389	-190	51%	1,026	438	-239	45%
	Rockdale	259	474	183%	215	536	-62	88%	1,617	655	-181	72%
	Sutherland	374	312	83%	-62	462	-150	67%	2,396	1,011	-699	31%
Inner West	Ashfield	74	231	311%	157	163	68	142%	512	197	34	117%
	Burwood	285	105	37%	-180	161	-56	65%	700	257	-151	41%
	Canada Bay	370	741	200%	370	853	-112	87%	1,693	685	56	108%
	Leichhardt	74	52	71%	-22	315	-263	17%	582	259	-206	20%
	Strathfield	307	197	64%	-110	280	-83	70%	765	297	-100	66%
Lower North Shore	Hunters Hill	44	39	88%	-5	37	2	106%	177	84	-44	47%
	Lane Cove	144	272	188%	128	105	167	259%	546	207	65	132%
	Mosman	22	53	239%	31	107	-54	50%	288	133	-79	40%
	North Sydney	204	258	126%	54	504	-247	51%	963	488	-230	53%
	Ryde	444	473	106%	29	583	-110	81%	2,111	849	-376	56%
	Willoughby	252	137	54%	-115	372	-235	37%	998	410	-273	33%
North	Hornsby	407	553	136%	145	453	99	122%	1,823	789	-236	70%
	Ku-ring-gai	370	579	156%	208	497	82	116%	1,924	651	-72	89%
North East	Manly	89	66	75%	-22	254	-187	26%	517	191	-125	35%
	Warringah	381	241	63%	-140	690	-449	35%	1,633	632	-390	38%
	Pittwater	170	163	96%	-7	266	-103	61%	804	334	-171	49%
West Central	Parramatta	778	750	96%	-27	1,474	-724	51%	3,810	1,455	-704	52%
	Bankstown	815	566	69%	-249	927	-361	61%	2,516	925	-359	61%
	Fairfield	889	229	26%	-660	564	-335	41%	2,251	922	-693	25%
	Auburn	630	860	137%	231	751	109	115%	2,637	928	-67	93%
	Holroyd	426	831	195%	405	755	76	110%	1,611	608	223	137%
North West	The Hills Shire	796	639	80%	-157	919	-280	70%	5,225	1,803	-1,164	35%
	Blacktown	796	1,365	171%	569	1,967	-602	69%	7,726	2,860	-1,495	48%
	Blue Mountains	259	18	7%	-241	123	-105	15%	894	446	-427	4%
	Hawkesbury	185	232	125%	46	123	108	188%	782	370	-138	63%
	Penrith	926	528	57%	-398	577	-49	91%	3,846	1,569	-1,041	34%
	North West Growth Centre[4]	2,222		Absorbed								
South West	Camden	391	777	199%	386	524	253	148%	5,008	1,761	-983	44%
	Campbelltown	939	433	46%	-506	265	169	164%	3,374	1,313	-880	33%
	Liverpool	508	989	195%	482	1,066	-77	93%	5,109	1,856	-867	53%
	Wollondilly	199	121	61%	-78	243	-122	50%	638	277	-155	44%
	South West Growth Centre[4]	3,704		Absorbed								
Sydney Total		22,178	17,002	**77%**	**-5,176**	22,634	**-5,632**	**75%**	78,621	31,076	**-14,073**	**55%**
Central Coast[2]		2,240	645	**29%**	**-1,595**	845	**-200**	**76%**	-1,395	1,649	**-1,004**	**39%**
Lower Hunter[2]		4,600	2,270	**49%**	**-2,330**	2,411	**-141**	**94%**	2,944	2,944	**-673**	**77%**
Illawarra[3]		1,520	739	**49%**	**-781**	957	**-218**	**77%**	1,385	1,385	**-646**	**53%**
Central Coast + Lower Hunter + Ilawarra		8,360	3,654	**44%**	**-4,706**	4,212	**-558**	**87%**	2,933	5,978	**-2,323**	**61%**
Total		30,538	20,656	**68%**	**-9,881**	26,846	**-6,190**	**77%**	81,554	37,053	**-16,397**	**56%**

1 Based on the 2005 City of Cities Strategy and subsequent subregional and regional plans – these strategies use 2004 as a base and project to 2031
2 The relevant housing targets for these regions is 2006 – 2031 i.e. the strategies were released in 2007/2008 and set a 25 year targets using 2006 as a base
3 The housing targets for the Illawarra region are set by the Regional Strategy issued in January 2007 with a 25 year horizon from 2006 – 2031
4 Specific targets were set for the Growth Centres but achievements against those targets are absorbed into the LGA numbers
5 Percentage of dwelling approvals relative to housing targets – a 100 percent outcome means dwelling approvals were on par with housing targets
6 Figures in the table may not sum due to rounding
Source: ABS 8731.0 - Building Approvals, Australia; 2014 population projections, NSW Department of Planning & Environment; 2005 City of Cities Strategy

Indicative housing need (underlying demand vs. approvals)

When we consider the **indicative need for housing** (based on actual population growth and household formation) a different picture emerges — the majority of councils across metropolitan Sydney have not delivered housing where it is needed, nor have the allotted targets reflected actual demand.

- There are **large discrepancies between targets and demand in several inner and middle ring LGAs** (i.e. Randwick, Waverley, Canterbury, Marrickville, Rockdale, Canada Bay, Leichhardt, Mosman, North Sydney, Manly and Warringah).
- On this count, we estimate a total demand for housing of 22,634 (with demand in the North West and South West Growth Centres absorbed into the respective LGAs) and an **actual annual shortfall of 5,632 approvals.**
- This measure informs us that **a large share of housing demand in Sydney over the past decade has been absorbed through higher utilisation of existing housing stock, as reflected in low rental vacancies and high rental growth.**
- Interestingly, **a significant shortfall has occurred in areas where quite low targets were initially set** (i.e. Waverley, Kogarah, Marrickville, Leichhardt, Mosman and Manly).
- For the Lower Hunter and Illawarra we find that the rate of dwelling approvals has been considerably below target for the past decade, but only marginally below actual demand for these regions.

PERFORMANCE AGAINST SUBREGIONAL TARGETS

We consider performance against the subregional targets in the 2005 Strategy and the more recent 2010 Plan's targets.

As the 2010 Plan was released in December 2010, only the rate of approvals against annual targets for the period 2011 to 2014 is compared. Notably, the 2010 Plan sets Sydney-wide and subregional housing targets only.

Our analysis has found:

- **The annual rate of dwelling approvals for most councils has picked up substantially over the past 3 years.**
- Accordingly, the annual metropolitan subregional targets in total have been exceeded in total for this period, although **approvals still lag behind targets in the North East, North West, South West, and Central Coast.**
- The North East subregion and the Central Coast were the only areas in which the average annual rate of approvals during 2011 to 2014 declined from their decade average.
- The targets set in the 2006 Illawarra and Lower Hunter Strategies are yet to be adjusted. As a result, we have not recorded approvals for 2011 to 2014 as revised targets have not been set.
- We note that, even if the rate of approval that has been achieved over the past 3 years is maintained (i.e. at 23,350 approvals per year for the Sydney metropolitan councils) there will still be a shortfall in future housing provision, owing to Sydney's projected increased rate of growth (estimated to require 31,076 dwellings per year).

For full results, see *Table 3. Comparison between 2005 and 2010 subregional targets (actual approvals).* Further commentary on future housing need is provided later in this chapter.

Table 3. Comparison between 2005 and 2010 subregional targets (actual approvals)

	Annual 2004-2014			Annual 2011-14		
	Metro 2005 (2004-2031)[1]	Approvals 2005-2014	Difference between Target and Approvals	Metro Plan for Sydney 2036 (2006-2036)[2]	Approvals 2011-2014	Difference between Targets and Approvals
Central	2,037	1,670	**-367**	2,033	2,453	420
East	741	1,097	357	767	1,613	846
South	1,296	1,736	440	1,933	2,627	694
Inner West	1,111	1,326	215	1,167	1,627	461
Lower North Shore	1,111	1,231	120	1,467	2,155	688
North	778	1,131	354	967	1,463	496
North East	641	471	**-170**	967	442	**-525**
West Central	3,537	3,237	**-300**	3,200	4,039	839
North West	5,185	2,782	**-2,403**	5,633	3,559	**-2,074**
South West	5,741	2,321	**-3,420**	5,167	3,371	**-1,795**
Sydney Total	**22,178**	**17,002**	**-5,176**	**23,300**	**23,350**	**50**
Central Coast [3]	2,240	645	**-1,595**	2,333	516	**-1,817**
Lower Hunter [3]	4,600	2,270	**-2,330**			
Illawarra 4	1,520	739	**-781**			
Central Coast + Lower Hunter + Ilawarra	8,360	3,654	**-4,706**			
Total	**30,538**	**20,656**	**-9,881**			

1 Based on the 2005 City of Cities Strategy and subsequent subregional and regional plans – these strategies use 2004 as a base and project to 2031
2 Based on the 2010 Metropolitan Plan for Sydney 2036 – this strategy uses 2006 as a base and projects to 2036
3 The housing targets for these regions are 2006 – 2031 i.e. the relevant strategies were released in 2007-2008 and set 25 year targets using 2006 as a base
4 The housing targets for the Illawarra are set by the Regional Strategy issued in January 2007 with a 25 year horizon from 2006 – 2031
5 Figures in the table may not sum due to rounding

Source: ABS 8731.0 - Building Approvals, Australia; 2005 City of Cities Strategy; 2010 Metropolitan Plan for Sydney

DETACHED HOUSING APPROVALS PERFORMANCE

In this section, we present a series of maps of detached housing approvals based on ABS data.

- *Figure 1. Average annual house approvals (2006-2011)* represents approval activity occurring from 2006 to 2011, and is relevant to the 2005 Strategy's targets; and
- *Figure 2. Average annual house approvals (2011-2013)* highlights approval activity in more recent years from 2011 to 2013, and relates to targets in the 2010 Plan.

Maps of other dwelling approval activity are included in *Chapter 4: Housing — past lessons and future expectations.*

Figure 1. Average annual house approvals (2006-2011) Source: ABS 8731.0 - Building Approvals, Australia

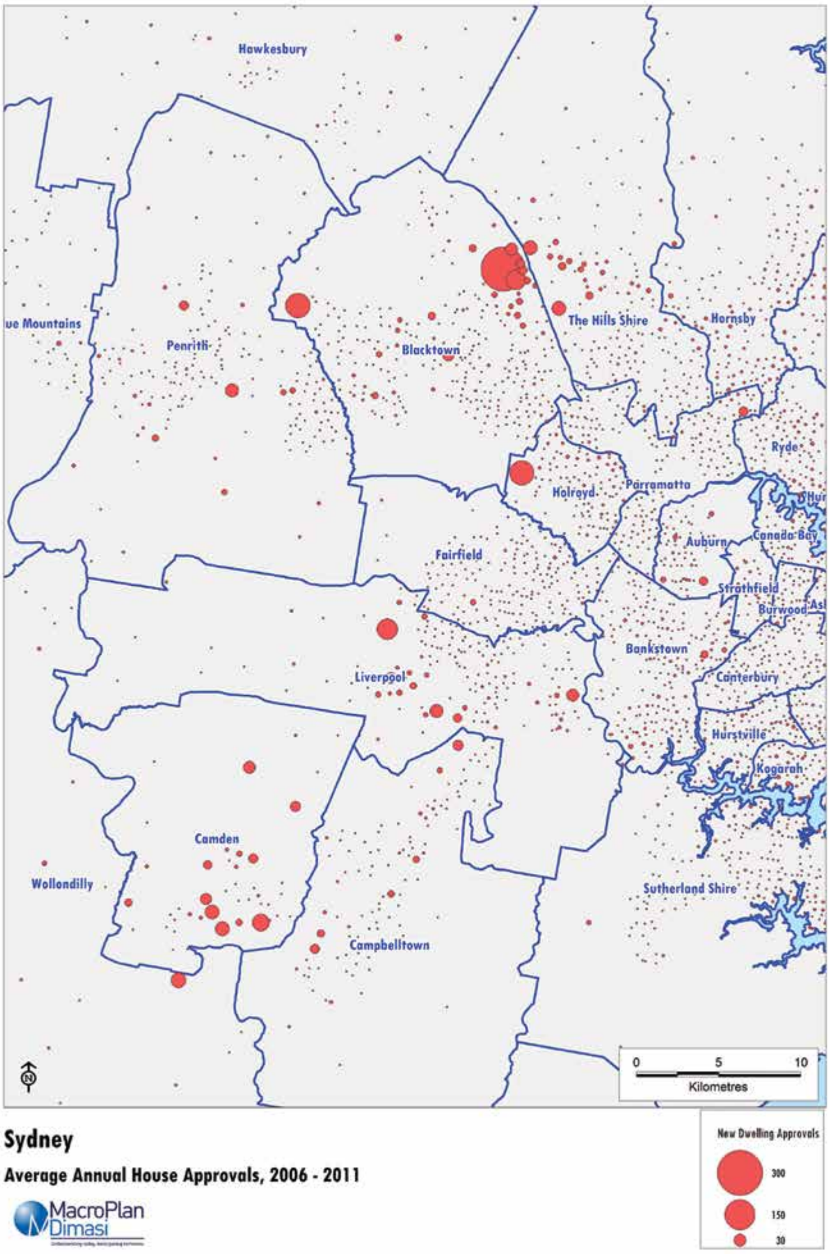
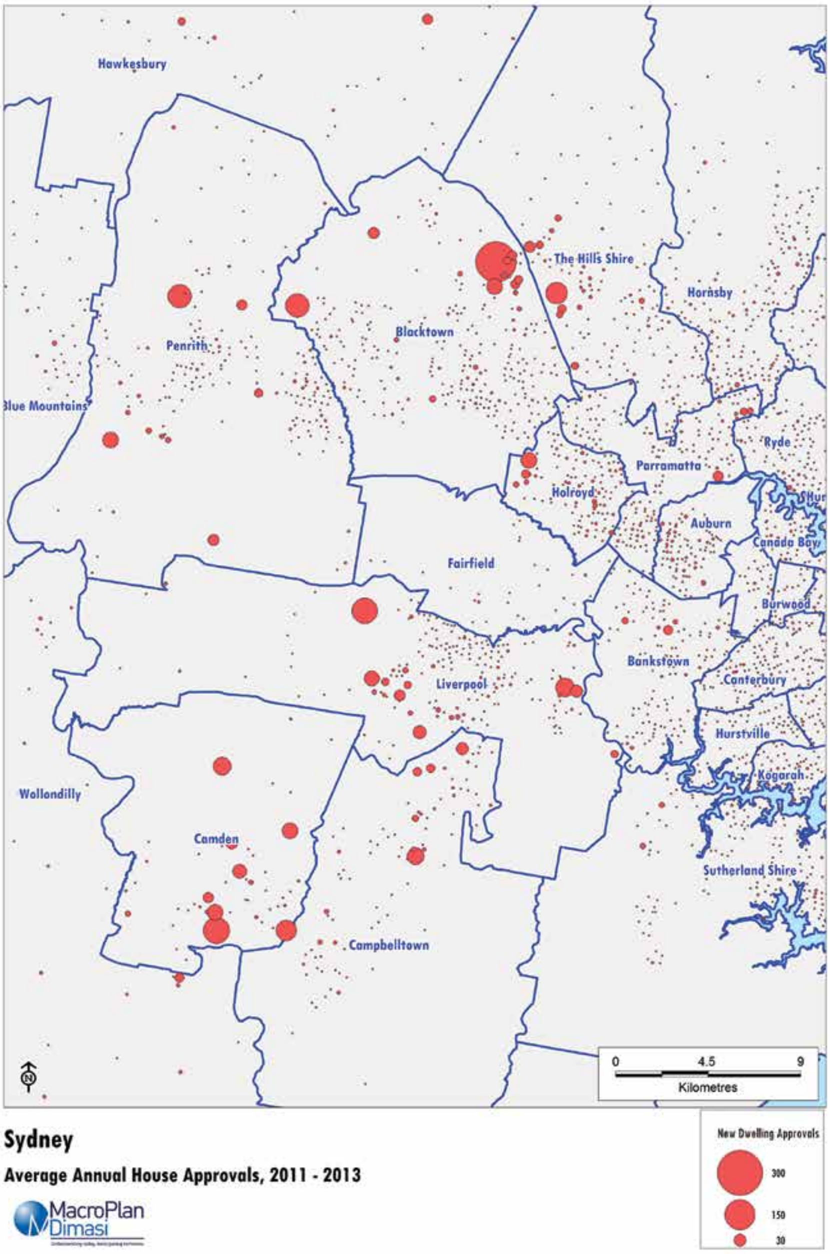


Figure 2.
Average annual house approvals (2011-2013)
Source: ABS 8731.0 - Building Approvals, Australia



FUTURE HOUSING NEED

Projecting forward, we see that if the last decade's rate of approvals is maintained over the next 10 years, the annual shortfall is projected to increase substantially to 14,073 approvals. This is based on an estimate of housing need utilising the official 2014 NSW Government population projections as published by the NSW Department of Planning and Environment.

We note the official population projections forecast that Sydney will grow at 1.7 percent per annum (2011 to 2021) compared to the last decade's average growth rate of 1.4 percent per annum (2003 to 2013).

By 2021, Sydney's population is expected to exceed 5 million. Clearly, a sustained improvement in the rate of approvals is required to meet the expected housing need for the next decade (2014 to 2024).

Our forward projections are included in *Table 2. Comparison between 2005 metro targets and actual approvals (projected differences) for full results.*

PERFORMANCE OF COUNCILS

This Chapter outlines a 'scorecard' assessment that evaluates the relative performance of Sydney's metropolitan councils in achieving their assigned housing targets over the past decade.

The scorecard has regard for both the achievement of specific targets and the relevance of the targets that have been assigned, i.e. it considers the complementarity of assigned targets to achieved outcomes. Full details of the performance gradings are explained in the appendices.

THE HOUSING SCORECARD

Our evaluation of relative performance for Sydney metropolitan councils has found:

- Auburn, Canada Bay and Holroyd councils have been **standout performers (Grade A+)** in terms of their housing achievements. Much of this delivery has been achieved through the gentrification of older industrial estates and suburbs.
- The **next group of performers (Grade A)** include Botany Bay, North Sydney, Kogarah, Randwick, Rockdale, Hurstville and Ryde. Some of these councils are anchored by large universities, hospitals and other employment hubs, and have proven to be popular housing destinations.
- Residential development has also been pronounced adjacent to major arterial road corridors and transport nodes (i.e. train stations and bus routes).
- Seven councils **incurred high population growth despite not achieving prescribed housing targets (Grade B+).** High growth was achieved through increased utilisation of existing housing stock, as evidenced by solid rental growth and tightening residential vacancy rates.
- Notably, approval activity in the Parramatta and the City of Sydney LGAs was high, but still fell short of assigned targets.
- Nine councils **achieved low housing targets (Grade B),** reflected by low population growth. Amongst this group, growth rates ranged between 0.7 percent and 1.2 percent per annum — at a lesser rate than the Sydney average for the decade (at 1.4 percent). Given their desirable location and proximity to centres of employment/transport services these councils could be expected to sustain a higher rate of population growth (through more development).
- There were seven **underperforming councils (Grade C).** Population growth amongst this group was weak, averaging 0.9 percent per annum (below the Sydney average).
- In the case of the **Grade D** councils, we note a relatively large deficit in approvals compared to assigned targets. Fairfield incurred the greatest approval deficit for the West Central subregion; likewise Penrith (North West) and Campbelltown (South West). Given the population base of these LGAs and available land, it could be expected that a higher rate of population growth could be achieved (especially when compared to the performance of the nearby Blacktown and Camden LGAs).

We note however, there is no overt relationship between geography and performance. Despite sharing a common boundary, for example, Fairfield and Holroyd performed quite differentially.

Varying performance can be attributed to a range of influencing factors, including: the underlying rate of population growth; the availability of development sites; property price levels (the value proposition of development); market appetite and council and community attitudes to higher density and rezoning proposals.

For full ratings, see *Figure 3. Scorecard results and Figure 4. Map of scorecard results.*

Figure 3. Scorecard results

STANDOUT PERFORMER (A+)

Auburn, Canada Bay and Holroyd

PERFORMED (A)

Botany Bay, North Sydney, Kogarah, Randwick, Rockdale, Hurstville and Ryde

UNDERPERFORMED BUT HIGH POPULATION GROWTH (B+)

City of Sydney, The Hills Shire, Blacktown, Camden, Liverpool, Bankstown, Parramatta, Willoughby, Strathfield and Manly

UNDERPERFORMED: ACHIEVED LOW TARGET BUT LOW POPULATION GROWTH (B)

Mosman, Hornsby, Lane Cove, Waverley, Ku-ring-gai, Pittwater, Canterbury, Marrickville, Ashfield, Wollondilly and Hawkesbury

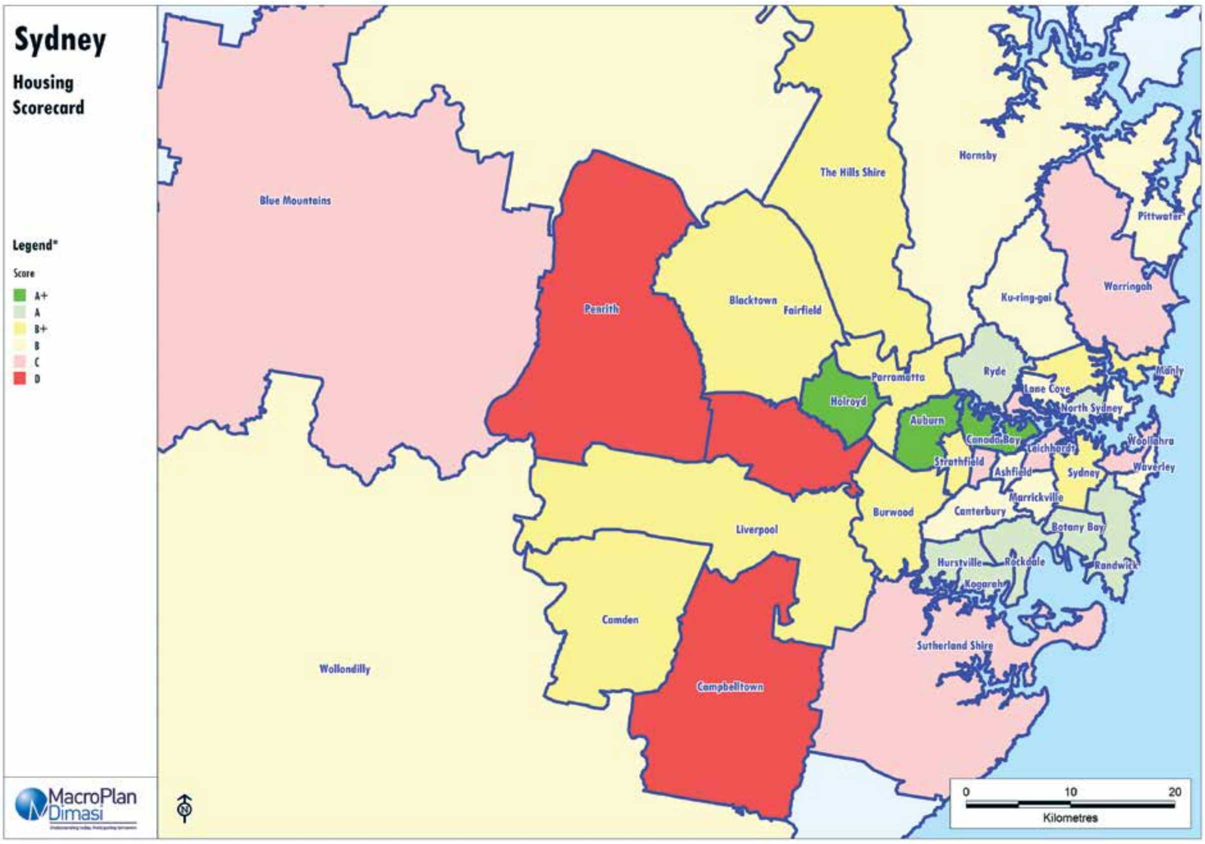
UNDERPERFORMED: LOW TARGET AND LOW POP (C)

Warringah, Hunters Hill, Leichhardt, Burwood, Woollahra, Sutherland Shire and Blue Mountains

GROSSLY UNDERFORMED (D)

Campbelltown, Penrith and Fairfield

Figure 4. Map of scorecard results



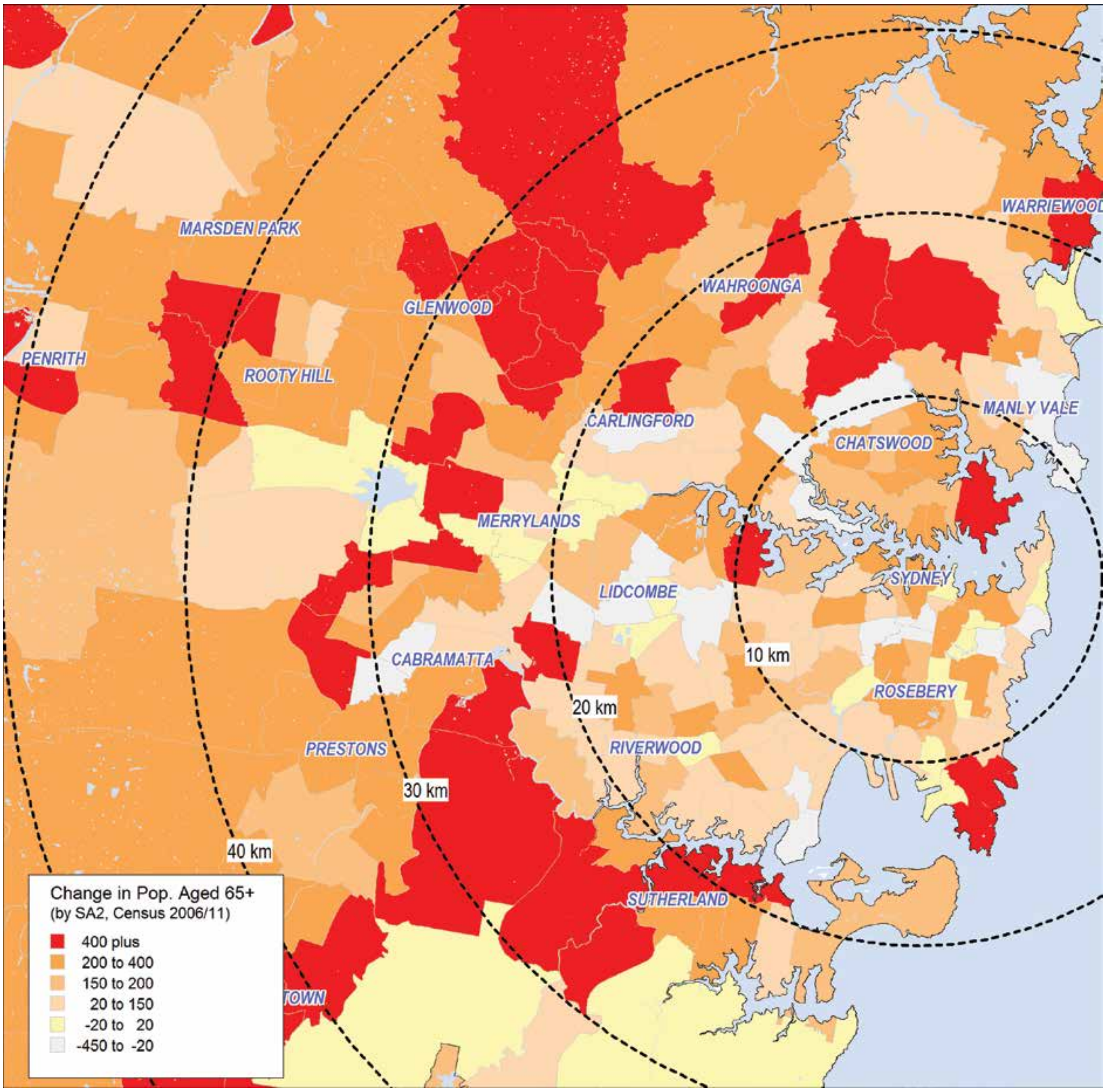
RETIREMENT CONSIDERATIONS

Sydney's population is ageing. Between 2006 and 2011, growth in persons aged 65 and over averaged 2.8 percent per annum, representing the fastest expanding age cohort.

Figure 5. Change in 65+ persons in metropolitan Sydney (2006 – 2011) demonstrates the change in population for the 65 plus age cohort between 2006 and 2011 across metropolitan Sydney.

Overall, ageing is widespread but our analysis below highlights the deficit in retirement housing that exists for this demographic shift.

Figure 5. Change in 65+ persons, metropolitan Sydney (2006 – 2011)

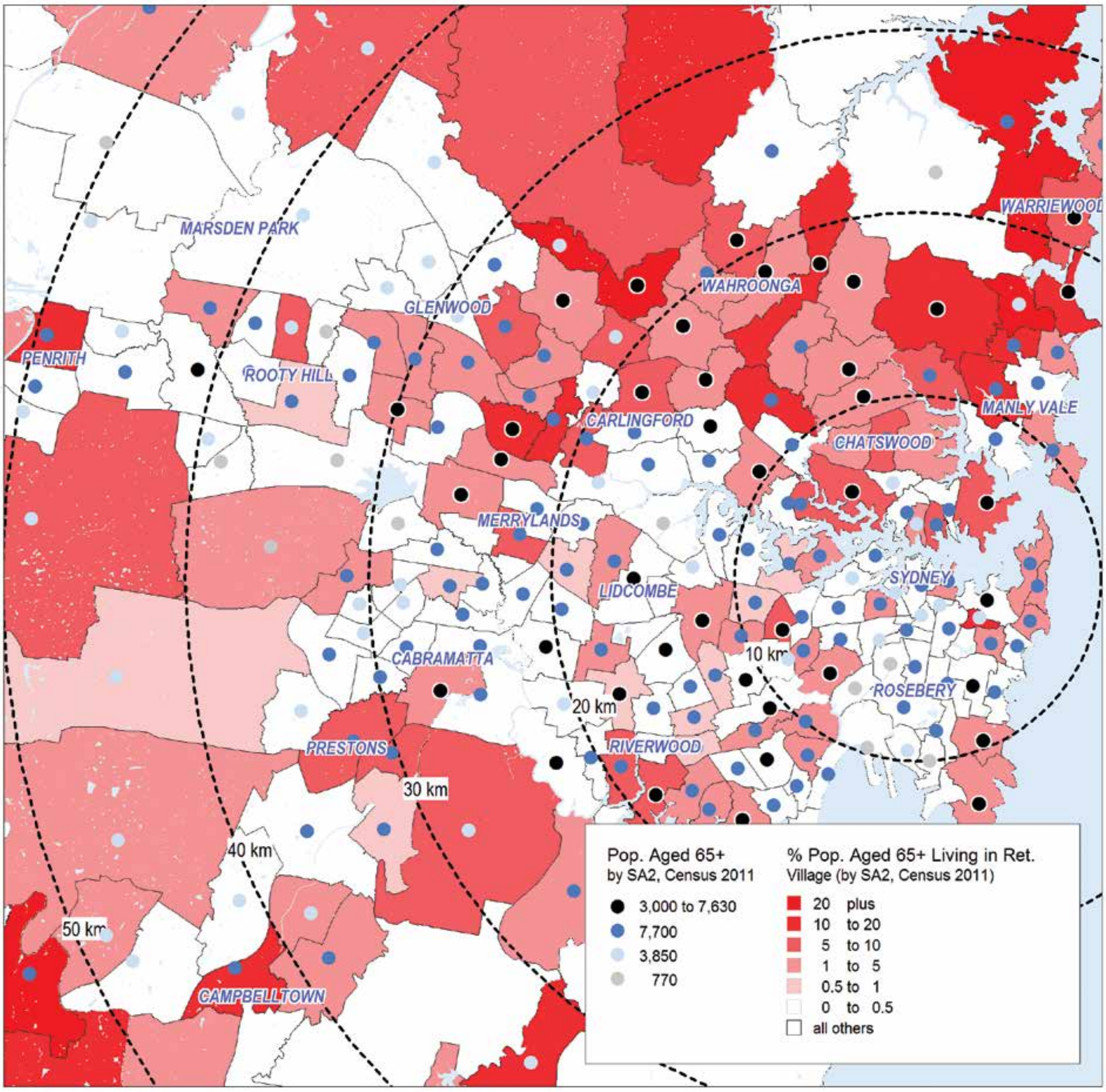


Source: ABS Census of Population and Housing 2011

According to the ABS Census on population and housing, the supply of retirement housing is concentrated in northern Sydney and urban fringe locations west of Sydney (as shown in *Figure 6. Proportion of 65+ persons living in retirement villages (2011) below).*

This mapping sequence reveals a clear mismatch in the supply and demand for age specific housing (i.e. retirement villages), with a substantial under-provision in middle and inner Sydney.

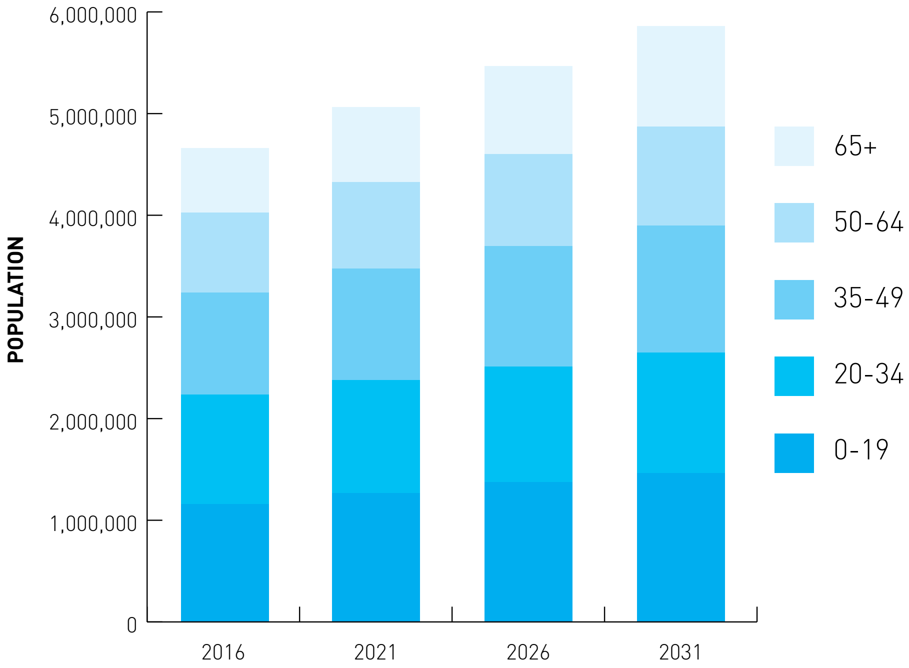
Figure 6. Proportion of 65+ persons living in retirement villages (2011)



Source: ABS Census of Population and Housing 2011

Projections from DP&E in 2014 indicate that Sydney's population is expected to continue to age. As at 2031, the number of 65 plus persons is expected to approach 1,000,000 people and account for 17 percent of Sydney's total population.

Figure 7. Population by age (2016-2031)



Source: 2014 population projections, NSW Department of Planning & Environment

HOUSING - PAST LESSONS AND FUTURE EXPECTATIONS

This Chapter considers the major forces that have driven Sydney's population growth over the past decade and identifies likely pressure points in coming years.

POPULATION GROWTH

The major factors driving Sydney's population from 2003 to 2013 have been:

- NOM — (net overseas migration), in particular skilled workers and students, most of whom are attracted to inner city locations close to services; and
- An ageing demographic, bringing down average occupancy levels and creating new demand for age-specific or age-appropriate housing.

Historically, solid population growth in underperforming LGAs has been enabled through a greater utilisation of existing housing stock. The capacity for a continued absorption of housing demand by Sydney's rental stock will become increasingly constrained without a persistent improvement in approvals and housing commencements.

The recent uplift in building activity is in part a response to a decade of supply shortages and relatively ideal market settings. These conditions are not expected to persist over the long term (up to 2031). Therefore, the ability to deliver on long-term housing targets cannot be assessed purely on the recent upturn in housing activity. It takes many years to realise gains.

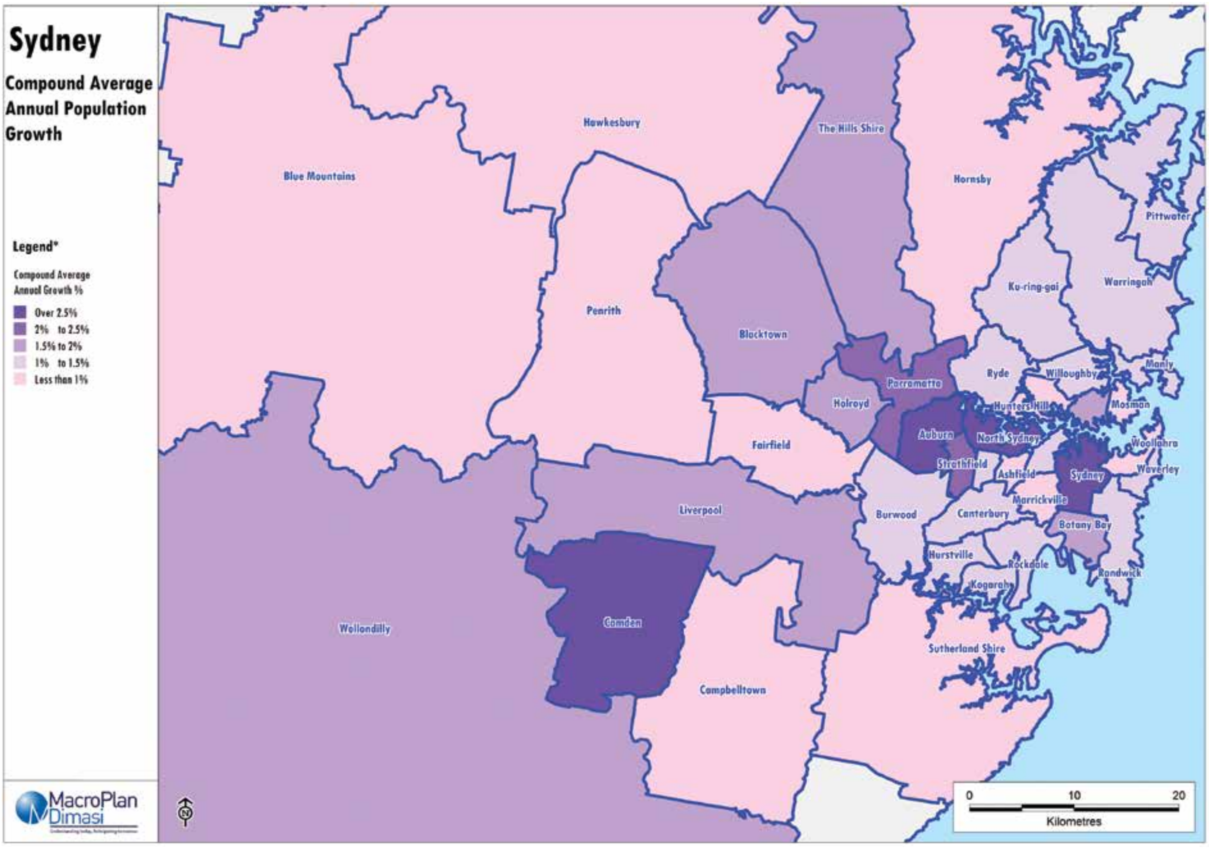
For instance, many years of preliminary work was undertaken by the property industry as a lead into the 2013 - 2014 rate of apartment approvals. There were numerous major infill projects that have taken years to assemble and work their way through the approval processes that are now delivering housing to the Sydney market.

In terms of housing typologies, it is evident that Sydney has developed an appetite for apartment living over the past decade. Since 2004, 65 percent[2] of new dwelling approvals have been for other dwellings.

Sydney's population growth over the decade to 2013 is depicted in the map provided at *Figure 8. Population growth in metropolitan Sydney LGAs.* The growth depicted demonstrates pressure points across the city in terms of housing demand. The concentration of population reflects pent-up demand which has flowed naturally into areas with the greatest availability of rental housing stock.

2 ABS 8731.0 - Building Approvals, Australia

Figure 8. Population growth in metropolitan Sydney LGAs (2003-2013)



Source: ABS 3218.0 - Regional Population Growth, Australia, 2012-13

A large proportion of these 'other dwellings' have been located in inner and middle ring locations proximate to public transport infrastructure (as shown in *Figure 9. Average annual other dwelling approvals (2006-2011) and Figure 10. Average annual other dwelling approvals (2011-2013)).*

However, there are limits to the continued supply of residential apartments at these locations — attributable to planning friction, price escalation (an affordability hurdle in both rental and purchase product), and a diminishing number of available sites for new production.

We expect a continued market appeal for near-city living but also an outward push into areas where there has been limited apartment additions to date.

Furthermore, we note that most 'low hanging' potential has already been absorbed, with the majority of the region's large housing projects fast approaching completion (i.e. Wolli Creek, Central Park and Harold Park.)

In addition to the announced Urban Activation Precincts (UAPs), policy settings will now need to replenish the stock of major sites for apartment projects, in line with official population expectations (particularly within middle ring locations).

WHAT GROWTH MEANS

For the next decade (2014 to 2024), Sydney's population is expected to grow at an increased rate (continually driven by net overseas migration) and will become considerably older. Consequently, the underlying demand for new housing will be greater than that experienced over the past decade.

Sydney's inner fringe and suburban middle ring locations — particularly those serviced by rail (or with good light rail/bus connectivity) — are expected to bear the brunt of apartment market demand.

This makes market sense, given that the viability for increased density development in these areas is guaranteed by their value proposition (i.e. market appetite for apartment living is more likely to be met in high value areas, where project feasibilities are best). The Department of Planning and Environment's Urban Feasibility Model can attest to this, and provides a useful policy indicator as to where housing pressures could prevail (given inputs are market sensitive).

ABS building approval data for the North West and South West Growth Centres indicates that buyers have returned to the greenfield housing market. Availability — as opposed to affordability — is a current inhibitor to sales. New land cannot currently be produced quickly enough to meet demand.

We also note that the policy shift to housing diversity — allowing for smaller lot sizes — in the Growth Centres has served market appetite. This was necessary to ensure cross-market appeal, and the ability of new greenfield estates to meet demand from first home buyers and downsizers.

Outer ring LGAs will continue to play an important role in their contribution to overall housing numbers, with production already showing a steady incline in response to comparative price trends and new infrastructure services.

However, rising fringe prices are expected to provide some push-back impetus over the decade, further adding to middle ring demand (both for affordable rental and older purchase stock). This expected trend further highlights the market-driven need for more housing to be provided in these areas.

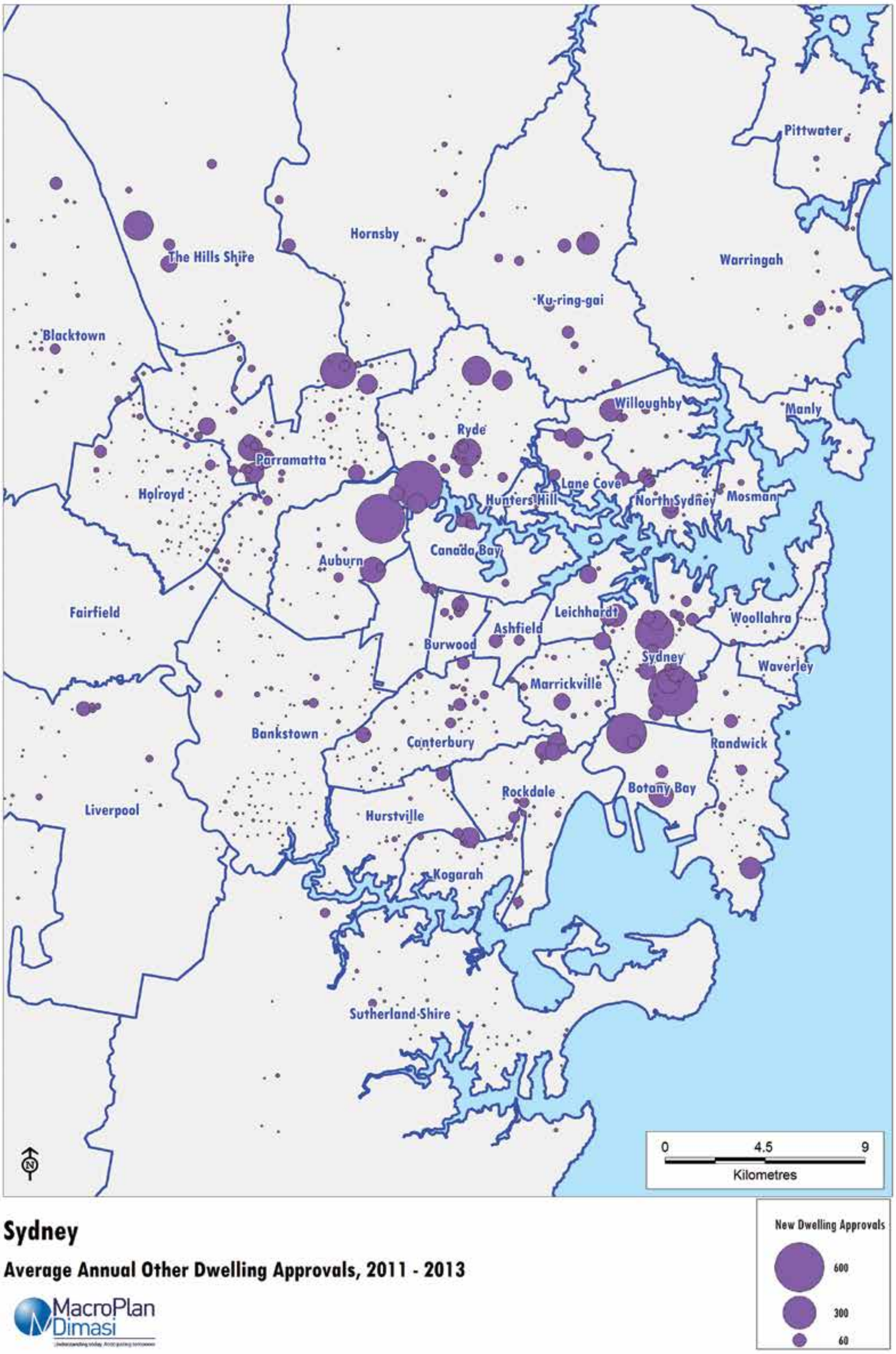
Our ageing demographic will also drive demand for middle ring apartments, as those that choose to remain local, may still opt to downsize to a smaller dwelling.

Overall, we expect **the city's underlying demand for housing will stabilise at a much higher level,** with resultant pressures to be exerted on the gaining and issuing of dwelling approvals. This is based on current demographic projections and trends outlined above and a continuation of the high price/low rental vacancy cycle.

Figure 9. Average annual other dwelling approvals (2006-2011)

Source: ABS 8731.0 - Building Approvals, Australia

Figure 10. Average annual other dwelling approvals (2011-2013)



Source: ABS 8731.0 - Building Approvals, Australia

THE IMPACT OF POPULATION FORECASTS

Our assessment of the NSW Government population projections (DP&E 2014) up to 2021 reveals that:

- There is an unequal allocation of population across LGAs. Forward projections seem to rely on LGAs that have achieved population growth in the past.
- In contrast, a lesser population expectation is attributed to those LGAs that have not achieved their housing targets in the past. This in effect rewards LGAs that have discouraged new development and growth.
- A potential risk of over-emphasis on new estate locations. Camden, for example, is expected to accommodate an extra 4,925 people per year to 2021. The required rate of housing approvals to meet this growth is significantly higher than has been achieved over the last decade (2004 – 2014) and in recent years (2011– 2014).
- Projections for the Lower Hunter region have been lowered from a population of 675,000 people in 2031 to 663,000, indicating a lower-growth trajectory.

We provide a revised set of population projections (see Table 4. *State Government and MacroPlan Dimasi population projections (2011-2021))* that are consistent with expected future market conditions.

Moreover, our projections consider that all councils have scope for redevelopment and infill housing activity, and are therefore able to accommodate Sydney's future growth.

In comparing these projections, broad observations include:

- Population projections are similar in magnitude — 78,630 (MPD) vs. 77,785 (DP&E) people per annum.
- The main difference is in the distribution across councils. In our projections the contribution to new housing is more dispersed.
- Fringe suburbs (i.e. Blacktown, The Hills, Penrith, Camden and Liverpool) remain central sources of housing supply, but a lesser reliance on new estate locations in delivering Sydney's housing needs is anticipated in our projections.
- A greater contribution from inner and middle ring councils is expected to be achieved through investment in employment and transport infrastructure.

Location specific observations include:

- In the absence of large reductions to minimum lot sizes outside the North West and South West Growth Centres (as the Housing Diversity Package is limited to those areas), the contribution from new estate locations is lower in our projections.
- A greater contribution from major apartment locations, particularly those that will be well served by new transport investment. Randwick, Parramatta and the City of Sydney are expected beneficiaries.
- Our projections rely less on LGAs that have performed in the past i.e. Auburn and Canada Bay, as site availability has been absorbed and is likely to contract.
- A greater output from inner and middle ring councils is anticipated. On average, population growth in these LGAs is projected to expand by 50 percent more than anticipated in NSW government forecasts. This is attributed to sustained demand for middle ring apartments.
- In our projections, population growth in Sutherland Shire has been increased by 44 percent. Consistent with its ageing population profile, we anticipate increased demand for age-specific housing or a broader supply of other dwellings such as apartments.

Table 4. State Government and MacroPlan Dimasi population projections (2011-2021)

Sydney Metropolitan LGAs	Performance Grade	2011-2021 DPE	2011-2021 MPD	MPD-DPE
New Estate Locations				
Blacktown	B+	7,570	6,434	**-1,136**
The Hills Shire	B+	5,090	4,326	**-764**
Camden	B+	4,925	4,186	**-739**
Liverpool	B+	4,885	4,152	**-733**
Penrith	D	3,930	1	**-590**
Campbelltown	D	3,560	3,026	**-534**
Development Locations				
Randwick	A	1,900	3,445	1,545
Parramatta	B+	3,660	4,370	710
Sydney	B+	4,890	4,582	**-308**
Over reliance				
Auburn	A+	2,635	1,167	**-1,468**
Canada Bay	A+	1,810	1,200	**-610**
Ryde	A	1,995	1,630	**-365**
Strathfield	B+	840	558	**-282**
Ku-ring-gai	B	1,985	1,719	**-266**
Rockdale	A	1,740	1,552	**-188**
Burwood	C	700	513	**-187**
Holroyd	A+	1,650	1,561	**-89**
Botany Bay	A	665	622	**-43**
A lot more is required				
Sutherland Shire	C	2,295	3,303	1,008
Fairfield	D	2,140	2,947	807
Hornsby	B	1,730	2,457	727
Warringah	C	1,630	2,226	596
Waverley	B	615	1,030	415
Woollahra	C	480	844	364
Blue Mountains	C	840	1,178	338
Leichhardt	C	565	834	269
Mosman	B	270	440	170
Manly	B+	490	642	152
More is required				
Canterbury	B	1,680	2,176	496
Bankstown	B+	2,390	2,862	472
Marrickville	B	985	1,216	231
Hawkesbury	B	740	965	225
Hurstville	A	1,095	1,242	147
Ashfield	B	525	653	128
Pittwater	B	810	906	96
Kogarah	A	795	883	88
Willoughby	B+	1,010	1,067	57
Wollondilly	B	620	669	49
Hunters Hill	C	180	208	28
Lane Cove	B	480	498	18
North Sydney	A	990	1,001	11
Total		**77,785**	**78,630**	**845**

Source: MacroPlan Dimasi 2014; NSW Department of Planning and Environment 2014

KEY FINDINGS

The major observations form our intrinsic assessment in this report of housing approval activity over the past ten years (2004 – 2014) and our analysis of what could be expected over the next decade to 2024 has demonstrated that:

- Sydney has under-produced new housing at an average rate of **5,632 dwellings per year** over the past decade.
- If the same rate of dwelling approvals was applied to the next 10 years, an **annual shortage of over 14,073 dwellings could be expected.**
- This would mean that over the two decades from 2004 to 2024, Sydney's cumulative housing shortage deficit will reach 197,050 homes.
- Much of Sydney's population growth over the past decade has been absorbed by existing housing stock. This comes at a considerable price as lower vacancies are reflected in increased rents.
- Sydney's population is forecast to grow at an increased rate over the next decade — official estimates indicate an additional 77,785 persons per annum up to 2021. Notably, our population will become increasingly older.
- Clearly, **a sustained increase in the rate of dwelling approvals is required over the next decade.** This will have implications for the identification of infill development sites and, importantly, on the capacity of local councils to process development approval requests.
- Looking ahead, we question the official population forecast's reliance on Sydney's Growth Centres to accommodate additional population growth. We suspect a lesser demand and supply capacity than is anticipated.
- Subsequently, we expect a greater demand focus on inner and middle ring locations, based on changing housing preferences and demographic conditions.

From a planning perspective, significant policy mileage could be gained from:

- A review for more widespread metropolitan medium density provisions (up to 6 storeys) — especially relevant to middle ring suburbs.
- Greenfield consistency — chiefly around small lot housing opportunities.
- A continued focus on urban activation opportunities — to counter an emerging lack of brownfield development sites.
- Strata reform to stimulate the redevelopment of older precincts.
- Flexible (mixed use) zonings to encourage innovative housing provision.
- A broad scale review of employment trends and new employment needs in conjunction with housing needs — to identify land-use opportunities for housing development such as rezoning disused industrial lands to residential.
- A new focus on the mechanisms of lot assembly — to assist private developers in putting together development packages in preparation for future housing supply.
- A more responsive development assessment system that curbs costs and recognises that 'speed to market' is crucial.

APPENDIX A: RELEVANT HOUSING TARGETS

Housing targets have been utilised as a broad planning tool since the introduction of Sydney's first regional strategy — *City of Cities – A Plan for Sydney's Future* — in December 2005 and its complementary series of Draft Subregional Strategies.

Although initially contested by many local councils, the concept of setting targets and distributing the share of Sydney's housing responsibility is now widely embraced as a necessary planning approach. Indeed today, individual council strategies actively seek to attract employment and create housing opportunities to capture their share of jobs and homes for current and future residents.

This report's assessment of LGA achievements over time is aligned to the applicable housing targets set in the successive metropolitan and draft strategies released since 2005.

2013 DRAFT STRATEGY

The *Draft Metropolitan Strategy for Sydney to 2031* was released in March 2013 and includes metropolitan wide targets for housing and employment and introduced mid-term targets for both.

The Strategy introduces six new subregions for Sydney and incorporates relevant targets.

The NSW Department of Planning and Environment's website advises:

"Once the new Metropolitan Strategy for Sydney is finalised, the Department will work in partnership with councils and the community to develop new subregional delivery plans for Sydney. These will be based on a new set of subregions. A proposed new arrangement for subregions was contained in the draft Metropolitan Strategy, and following analysis of submissions received during exhibition of the draft Strategy, a final set of subregions will be agreed."

The Draft Strategy anticipates a population increase of 1.3m people by 2031 (with Sydney's total population estimated to reach 5.3m by this time). The Draft Strategy plans for an additional 273,000 homes by 2021 and 545,000 homes by 2031 to accommodate this growth (at an average annual addition of 27,250 homes).

The targets outlined in the Draft Strategy were again revised in the recent release of A Plan for Growing Sydney – but no localised targets were nominated. As a result, it is neither feasible or practical to assess local council achievements against it.

THE 2010 PLAN

The previous *Metropolitan Plan for Sydney 2036* was released in December 2010.

It has a different timespan than the 2013 Draft Strategy — running to 2036 as opposed to 2031 — and sets subregional employment and housing targets, albeit for a different group of subregions than those incorporated in the 2013 Draft Strategy.

The 2010 Plan sets Sydney-wide and subregional housing targets only. The relevant subregional housing targets are provided below in *Table A1. 2010 draft subregional housing targets.*

The 2010 Plan expected Sydney to grow by an additional 1.7 million people between 2006 and 2036 and anticipated that an additional 769,000 homes would be needed to house this growth, at an average annual increase of 25,600 dwellings.

THE 2005 STRATEGY

Prior to the release of the 2010 Plan, the City of Cities – *A Plan for Sydney's Future* was produced in December 2005.

The 2005 Strategy forecast an additional 1.1m people by 2031, taking Sydney's population to 5.3 million people by this time. The Strategy targeted an additional 640,000+ new homes (for Sydney, including the Central Coast) to accommodate this growth, at an average annual addition of 25,600 homes.

The 2005 Strategy was accompanied by a series of Regional Cities Plans (for the six identified regional cities under the broader strategy) and ten Draft Subregional Strategies.

These strategies included specific housing targets for each of the LGAs within each subregion, fine-tuning those that were incorporated within the broader metropolitan strategy.

Whilst the Draft Subregional Strategies were not 'finalised' they were generally accepted and utilised as a formal State Government indication as to the expected proportional share of Sydney's housing load for the coming decades.

REGIONAL STRATEGIES

THE 2006 LOWER HUNTER STRATEGY

The *Lower Hunter Regional Strategy (2006-2031)* was released in October 2006.

The Strategy applies to the five local government areas of Newcastle, Lake Macquarie, Port Stephens, Maitland and Cessnock, and is one of a number of regional strategies prepared by the NSW Department of Planning at the time (consistent with its approach to the subregional areas of the Sydney metropolitan area).

The 2006 Lower Hunter Strategy planned for 160,000 additional residents and 115,000 additional dwellings up to 2031, 40 percent of which were expected to be accommodated within existing urban areas.

The following LGA targets were set below in *Table A1. 2006 Lower Hunter LGA targets*, incorporating a small contingency above the targeted total (i.e. allowing for a total contribution of 117,200 new dwellings vis-à-vis the 115,000 target).

Table A1. 2006 Lower Hunter LGA targets (Dwelling Capacity Projections)

	Centres & Corridors	Urban Infill	Total Infill	New Release	Total Dwellings
Cessnock	500	1,500	2,000	19,700	21,700
Maitland	2,000	3,000	5,000	21,500	26,500
Port Stevens	3,300	2,000	5,300	7,200	12,500
Newcastle	12,200	2,500	14,700	5,800	20,500
Lake Macquarie	14,000	7,000	21,000	15,000	36,000
Total	**32,000**	**16,000**	**48,000**	**69,200**	**117,200**

Note: The numbers in Table A2 provide a small excess of dwellings so that a contingency exists if dwelling yields are not able to be met. These projections will be continually reviewed and monitored as part of the Urban Development Program.
Source: Lower Hunter Regional Strategy 2006

THE 2006 ILLAWARRA STRATEGY

The *Illawarra Strategy (2006-2031)* was released in October 2006. It applies to the LGAs of Wollongong, Shellharbour and Kiama. The Strategy anticipates an additional 47,600 persons by 2031, requiring an additional 38,000 new homes.

The 2006 Illawarra Strategy anticipated an approximate mix of new dwellings required to meet regional housing needs as:

19,400 detached dwellings
14,800 medium density dwellings
3,800 high density dwellings

38,000 total new dwellings required by 2031

Rather than allocating targets to specific LGAs, the Strategy provides an appraisal of likely stock additions and provides an estimate of likely supply from greenfield and infill areas, recognising the need for additional supplies to meet the 38,000 target.

The estimated capacity of the region at the time is provided below in T*able A2. Housing stock capacity in the Illawarra, 2006.*

Table A2. Housing stock capacity in the Illawarra, 2006

	Detached	Medium Density	High Density	Total
West Dapto release area	8,250	2,750	-	11,000
Current new release areas	5,300	1,250	-	6,550
Zoned vacant infill land	4,600	300	-	4900
Redevelopment	3,550	3,750	3,900	11,200
Total	**21,700**	**8,050**	**3,900**	**33,650**

Source: The Illawarra Regional Strategy 2006

APPENDIX B: MEASURING APPROPRIATE TARGETS

Specific LGA housing targets were only introduced in the **2005 Strategy.**

Notwithstanding that other metropolitan strategies have since been developed, the 2005 Strategy (and the suite of draft subregional strategies spawned from it) have largely informed Local Government's response to the concept of housing targets over the past decade. These strategies set housing targets from 2004 to 2031.

Our analysis uses the housing targets included within the ten draft subregional strategies exhibited over the 2007 to 2008 period, and the finalised 2006 Lower Hunter and Illawarra Strategies, as a basis for assessing local council performance. The latter regional targets set 25 year plans for the provision of housing, from a 2006 base.

The targets for the Sydney metropolitan councils are included in *Table B1. 2005 Strategy housing targets*. They are presented in total and as annualised to indicate the yearly contribution that is expected from each LGA toward the longer term target.

Table B1. 2005 Strategy housing targets - total and annualised

	2005 Metro Strategy (2004-2031)[1]	
Region	**Total**	**Annual**
Central	55,000	2,037
East	20,000	741
South	35,000	1,296
Inner West	30,000	1,111
Lower North	30,000	1,111
North	21,000	778
North East	17,300	641
West Central	95,500	3,537
North West	140,000	5,185
South West	155,000	5,741
Sydney Total	**598,800**	**22,178**
Central Coast 2	56,000	2,240
Lower Hunter 2	115,000	4,600
Illawarra 3	38,000	1,520
Total	**769,800**	**29,018**

1 Based on the 2005 City of Cities Strategy and subsequent regional and subregional plans – using 2004 with projections to 2031
2 The housing targets for these regions are 2006 – 2031 i.e. the relevant strategies were released in 2007/2008 and set 25 year targets using 2006 as a base
3 The housing targets for the Illawarra region are set by the Illawarra Regional Strategy issued in January 2007 with a 25 year horizon from 2006 – 2031
4 Figures in the table may not sum due to rounding
Source: 2005 City of Cities Metropolitan Strategy and accompanying subregional strategies

The 2010 Plan sets subregional housing targets only, for the period from 2006 to 2036. As the subregions are comprised of individual councils, these targets are also worthy of assessment. We do this by separately examining subregional performance against these annualised targets since 2011, given the Plan was released in December 2010.

The subregional housing targets under the 2010 Plan are listed below in *Table B2. 2010 housing targets – total and annualised.*

Table B2. 2010 Plan housing targets – total and annualised

	2010 Metro Plan (2006-2036)[1]	
Region	**Total**	**Annual**
Central	61,000	2,033
East	23,000	767
South	58,000	1,933
Inner West	35,000	1,167
Lower North	44,000	1,467
North	29,000	967
North East	29,000	967
West Central	96,000	3,200
North West	169,000	5,633
South West	155,000	5,167
Sydney Total	**699,000**	**23,300**
Central Coast	70,000	2,333
Total	**769,000**	**25,633**

1 Based on the 2010 Metropolitan Plan for Sydney – these strategies use 2006 as a base and project to 2036
2 Figures in the table may not sum due to rounding
Source: 2010 Metropolitan Plan for Sydney

Whilst an assessment of housing approvals since 2011 is necessary to understand council performance against the 2010 Plan's targets (over what has increasingly become a housing up-cycle), a broader insight into overall regional performance is achieved by evaluating dwelling approvals over the longer period (over 2004 to 2014).

We say this because:

- The difference between the 2005 and 2010 targets is not significant – they account for a strategy update but do not represent a major shift in thinking about the rate of population growth or overall housing need; and
- A longer term analysis allows for a cross-cycle examination of approval activity and avoids the imbalance that might otherwise be presented by examination of the last few years of data only.

The similarity in the targets is illustrated by the data in below in *Table B3. 2005 Strategy and 2010 Plan housing targets – annualised.*

Table B3. 2005 Strategy and 2010 Plan housing targets – annualised

	2005 Metro Strategy (2004-2031)[1]	2010 Metro Plan (2006-2036)[2]
Region		
Central	2,037	2,033
East	741	767
South	1,296	1,933
Inner West	1,111	1,167
Lower North	1,111	1,467
North	778	967
North East	641	967
West Central	3,537	3,200
North West	5,185	5,633
South West	5,741	5,167
Sydney Total	**22,178**	**23,300**
Central Coast [3]	2,240	2,333
Lower Hunter [3]	4,600	
Illawarra 4	1,520	
Total	**29,018**	

1 Based on the 2005 City of Cities Strategy and subsequent subregional and regional plans – these strategies use 2004 as a base and project to 2031
2 Based on the 2010 Metropolitan Plan for Sydney 2036 – this strategy uses 2006 as a base and projects to 2036
3 The housing targets for these regions are 2006 – 2031 i.e. the relevant strategies were released in 2007-2008 and set 25 year targets using 2006 as a base
4 The housing targets for the Illawarra are set by the Regional Strategy issued in January 2007 with a 25 year horizon from 2006 – 2031
5 Figures in the table may not sum due to rounding
Source: 2005 City of Cities Strategy, 2010 Metropolitan Plan for Sydney

CALCULATING HOUSING APPROVALS AND INDICATIVE NEED

ABS approval data is categorised by the following descriptions:

- Houses — meaning detached dwellings, a description that is obviously more relevant in middle and outer ring suburbs and regional locations); and
- Other dwellings — meaning all forms of housing other than detached houses, but incorporating the full spectrum of attached, medium and higher density forms of construction, as well as retirement living product but not including nursing homes/aged care, which are categorised as commercial construction.

The analysis in this report is informed by ABS housing approval data over the 2004 to 2014 period.

ABS housing data provides a gross number of new dwelling approvals that has been generated in a particular LGA, based on building approval data sourced directly from local councils. However, the data does not account for the number of dwellings that may have been demolished to make way for new residential construction.

Accordingly and for the purpose of this report, we have refined the raw ABS data and applied a gross adjustment factor for knock-down-rebuilds based on each LGA's circumstances. For example, this has occurred where a single dwelling, several houses or older unit complexes are demolished to allow for the construction of a new dwelling, or housing offer at a higher density. Consequently, some reduction to the official ABS dwelling approval number is required.

There are knock-down rebuilds where a new housing is built on an existing lot (i.e. a replacement dwelling) and there are other townhouse and apartment projects which involve the consolidation of

lots and the demolition of several houses. However, there is no formal measurement of demolitions by which to allow for the quantum of this effect.

Accordingly, MacroPlan Dimasi has adopted two approaches to account for demolitions:

- For established urban areas it is assumed that all detached housing approvals involve knock-down rebuilds.
- For townhouse and apartment approvals in infill areas a reduction in official approval numbers has been factored in, based on estimates of the scale of projects and their location.

Our report also includes a basic projection of housing need based on an estimate which utilises:

- Official 2014 NSW Government population projections as published by the NSW Department of Planning and Environment; and
- Forward estimates of household occupancies for specific LGAs, as incorporated into the official population projections.

We use this projection of indicative housing need to forecast potential housing approval shortfalls, assuming a similar rate of approvals as was achieved over the past decade (2004 – 2014).

APPENDIX C: RELATIVE PERFORMANCE SCORECARD

A 'scorecard' approach has been used to evaluate the relative performance of Sydney metropolitan councils in terms of their rate of dwelling approvals. It also considers how low or high the prescribed housing targets are.

The scorecard system relies on a scaled grading system, with grades assigned based on relative performance in relation to housing targets and population growth. See *Table C1. Grading System – relative performance scorecard* for further details.

Table C1. Grading system – relative performance scorecard

Grade	Label	Description
A+	Standout performer	Convincingly achieved housing potential and population growth
A	Performed	Achieved housing potential and population growth
B+	Underperformed	Underperformed against housing potential, but achieved high population growth
B	Underperformed (low target)	Achieved 'low' housing potential and low population growth
C	Underperformed (low target, low pop)	Did not achieve housing potential and low population growth
D	Grossly underperformed	Well short of housing potential and extremely low population growth

The initial assignment of grades is based on three broad levels of performance:

- An "A" grade (or better) is assigned to councils that achieved set housing targets, as well as a rate of population growth in excess of the Sydney metropolitan region over the same period.
- A "B" grade is assigned to councils that underperformed in relation to housing targets or achieved low housing targets, and generally sustained low-moderate population growth (approximately one percent per annum).
- A "C" or "D" grade is assigned to councils that did not achieve set housing targets and registered low or negligible rates of population growth i.e. generally less than 0.9 percent per annum respectively.

Beyond this initial classification, three sub-categories were used to distinguish performance.

- Standout councils were allocated an "A+" grade. Representing the top 30 percent of performers, the number of building approvals in these councils surpassed the prescribed target by at least 140 percent. Moreover, population growth of at least 2 percent per annum (on average) was achieved during the examined period.
- A "B+" grade was assigned to 'underperforming' councils which register population growth in excess of Sydney's average rate during the assessed period.
- The distinction between a "C" and "D" grade relies on the relative rate of population growth incurred during the examined period. "C" grade councils achieved population growth rates that were below comparable LGAs, whilst "D" grade performers achieved very low population growth and were well short of their housing potential. In the case of councils identified as gross underperformers, average population growth rates were on average 1 to 1.4 percent below other comparable LGAs (as shown in Table C2. Observed average population growth rates).

Table C2. Observed average population growth rates

Average Annual Growth Rate	
Comparable LGAs	
Camden	2.7%
Blacktown	1.9%
Liverpool	1.8%
The Hills Shire	1.7%
Gross underperformers	
Penrith	0.8%
Campbelltown	0.4%
Fairfield	0.8%
Total	

Source: ABS 3218.0 - Regional Population Growth, Australia, 2012-13

MISSING THE MARK

AN AUDIT OF HOUSING TARGETS

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