

Release the pressure:

**Alleviating taxes and charges
to build new homes**

12 June 2024



ACKNOWLEDGEMENT OF COUNTRY

Savills acknowledges the Gadigal people of the Eora Nation as the traditional and continuing Custodians of the land on which Savills is located and operates. We pay respect to Elders past, present and emerging and recognise their cultural and ancestral connections to the land, skies and waters of the sites under investigation throughout this report.

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RELEASE THE PRESSURE

Executive Summary

Executive Summary: Introduction

Everyone deserves access to quality housing and choice to suit their stage of life. Yet, housing is the single biggest cost for most of us. High housing costs mean too many people must live in housing stress which lowers productivity and threatens sustainability.

Many people worry whether they will ever be able to afford their own home. In fact, almost three quarters of young Australians believe they will never be able to buy a home⁵.

As home prices and rents have increased sharply, public attention has focused on what governments can do to make housing more affordable and reduce the costs of living. There is broad consensus among experts that the best way to improve housing affordability is to increase supply.

However, there are significant barriers in place constraining the development sector's ability to bring desperately needed homes to market.

To help shine a light on these barriers, the Property Council has engaged Savills to develop a three-part report examining the impacts of increased taxes and charges on housing supply and affordability across the six cities region.

Since 2018, NSW Government has introduced a swathe of new taxes and charges including Housing and Productivity Contributions, or HPC (up to \$12,000 for houses) and Sydney Water Development Servicing Plan (DSP) (up to \$45,000 per house). Many Councils have also increased the taxes and charges applied to residential projects with some Councils charging over \$60,000 per house.

The Property Council of Australia (Property Council) has commissioned this report to:

- identify the process, timing and cost of developing new housing;
- summarise residential activity between 2018 and 2024;
- clearly and simply establish the full extent of development costs and charges; and
- review the impacts of taxes and charges on residential development including impacts within the Housing Accord period under various scenarios such as capping, suspending or discounting costs and charges (temporarily and permanently).

The first instalment of the report, *Release the Pressure No. 1* (10 May 2024), examined the impact of taxes and charges on residential development feasibility in two locations, which 'traditionally' have been strong contributors to new housing in Sydney:

- Central River City (Parramatta, The Hills, Canterbury Bankstown, Cumberland, Blacktown and Georges River Local Government Areas); and
- Western Parkland City (Blue Mountains, Camden, Campbelltown, Fairfield, Hawkesbury, Liverpool, Penrith and Wollondilly Local Government Areas).

This report, *Release the Pressure No. 2*, is the second instalment and examines a further two locations, being:

- Eastern Harbour City (Bayside, Burwood, Canada Bay, Hornsby, Hunter's Hill, Inner West, Ku-ring-gai, Lane Cove, Mosman, North Sydney, Northern Beaches, Randwick, Ryde, Strathfield, Sutherland Shire, City of Sydney, Waverley, Willoughby and Woollahra Local Government Areas); and
- Illawarra-Shoalhaven City (Wollongong, Shellharbour, Kiama, Shoalhaven Local Government Areas).

Executive Summary: Hypothetical scenarios

Release the Pressure No. 1 modelled the following hypothetical developments in the Central River City and Western Parkland City:

- 250 infill apartment development; and
- 115 lot greenfield development.

Release the Pressure No. 2 modelled hypothetical developments in the Eastern Harbour City and Illawarra-Shoalhaven City as follows:

- 250 infill apartment development in the Eastern Harbour City;
- 80 infill apartment development in the Illawarra-Shoalhaven City; and
- 115 lot greenfield development in the Illawarra-Shoalhaven City.

All hypothetical developments have been modelled under four scenarios in 2018, 2024 and 2026. The scenarios are:

- Base Case – application of all taxes and charges, including the phased introduction of HPC and Sydney Water DSP contributions as per current NSW Government commitments.
- HPC Scenario – suspension of HPC charges only for the Housing Accord period (mid 2024-mid 2029). Sydney Water DSP charges are phased in as per NSW Government commitments.
- Sydney Water Scenario – suspension of Sydney Water DSP charges only for the Housing Accord period (mid 2024-2029). HPC charges are phased in as per NSW Government commitments.

- Suspension of both HPC and Sydney Water DSP charges for the duration of the Housing Accord period.

Preliminary results revealed that in most scenarios, development feasibility remained challenging. Accordingly, additional scenarios were modelled to investigate how development feasibility could be approved if planning approval timeframes were compressed.

In *Release the Pressure No. 2*, we explored even faster and streamlined planning approval timeframes to determine how greater certainty could boost developer confidence and support increased housing supply. Compressed planning approval timeframes of 9 months and 6 months were modelled.

Internal rate of return (IRR)

A metric used to calculate the return on funds invested. The IRR is the discount rate at which the net present value of all cash flows of an investment become zero. An IRR of 15-25% is typically acceptable at the early stage of a project by developers, financiers and investors, depending on risk, and has been adopted for the hypothetical scenarios tested in Section 6 of this Report.

Development margin (DM)

The development margin is the profit divided by the total development cost. It is not discounted to factor in the time value of money. Expressed as a percentage, a development margin of around 20% would typically be adopted and has been adopted for the hypothetical scenarios tested in Section 6 of this Report.

Executive Summary: **Key Findings**

Release the Pressure No. 1 found:

- Government taxes and charges make up:
 - 24% of greenfield development costs in the Central River City; and
 - 33% of greenfield development costs in the Western Parkland City.
- A typical 250-unit apartment development and a 115-lot greenfield development in both the Central River City and the Western Parkland City are no longer financially feasible in 2024 based on increased construction costs, interest rates and the cost of finance.
- Planned increases in taxes and charges (HPC and Sydney Water DSP charges) will make many residential developments even more unfeasible.
- Suspending Sydney Water DSP charges and HPCs within the Western Parkland City are the single biggest lever that can be pulled to make residential development feasible.
- Implementing a maximum 12-month planning approval pathway will reduce holding costs, increase developer certainty and further improve development margins, thereby unlocking projects that contribute to supply.
- Planning reforms that target even faster streamlined timeframes (eg: 6-9 months) will further boost developer confidence.

Release the Pressure No. 2 found:

- Government taxes and charges make up:
 - 11.3% of infill development costs in the Eastern Harbour City; and
 - 40% of greenfield development costs in the Illawarra-Shoalhaven City.
- In the Eastern Harbour City, planned increases in taxes and charges (HPC and Sydney Water DSP charges) will make many infill residential developments unfeasible. While some developers may elect to proceed based on an acceptable development margin, the lengthy planning approval timeframes result in a low IRR, which would be a strong deterrent to many developers. Consequently, many infill residential developments would not be commenced.
- In the Illawarra-Shoalhaven City, infill residential development becomes closer to being feasible when Sydney Water DSP charges and HPC charges are suspended.
- Neighbourhood Plans (Wollongong City Council) and the higher propensity for developments to be contested in the Land and Environment Court results in longer planning approval timeframes which contribute a higher degree of uncertainty and development risk. Lengthy planning approval timeframes result in a low IRR and are a strong deterrent to developers.
- Implementing a maximum 12-month planning approval pathway significantly reduces holding costs, increases developer certainty and improves development margins, thereby unlocking projects that contribute to supply.
- Planning reforms that target even faster streamlined timeframes (i.e.: 6-9 months) will further boost developer confidence and continue to increase development activity.

Executive Summary: Key Findings

Hypothetical Development	Development feasibility if HPC and Sydney Water DSP charges are suspended					Development feasibility if planning approval timeframes are compressed		
	2018	2024 Base Case	2024 No HPC	2024 No SW DSP	2024 No HPC + No SW DSP	12 months	9 months	6 months
Eastern Parkland City								
250 infill apartment	✓	x	x	x	x	✓ (Incl. No HPC or SW DSP)	✓ (Incl. No HPC or SW DSP)	✓ (Incl. No HPC or SW DSP)
Central River City								
250 infill apartment	✓	x	x	x	x	✓ (Incl. No HPC or SW DSP)	✓ (Incl. No HPC or SW DSP)	✓ (Incl. No HPC or SW DSP)
115 lot greenfield	✓	x	✓	x	✓	✓ (Incl. No HPC or SW DSP)	✓ (Incl. No HPC or SW DSP)	✓ (Incl. No HPC or SW DSP)
Western Parkland City								
250 infill apartment	✓	x	x	x	x	✓ (Incl. No HPC or SW DSP)	✓ (Incl. No HPC or SW DSP)	✓ (Incl. No HPC or SW DSP)
115 lot greenfield	✓	x	✓	✓	✓	✓	✓ (Incl. No HPC or SW DSP)	✓ (Incl. No HPC or SW DSP)
Illawarra-Shoalhaven City								
80 infill apartment	✓	x	x	x	x	x (Incl. No HPC or SW DSP)	✓ (Incl. No HPC or SW DSP)	✓ (Incl. No HPC or SW DSP)
115 lot greenfield	✓	✓	✓	✓	✓	✓	✓	✓

Eastern Harbour City: Infill feasibility results

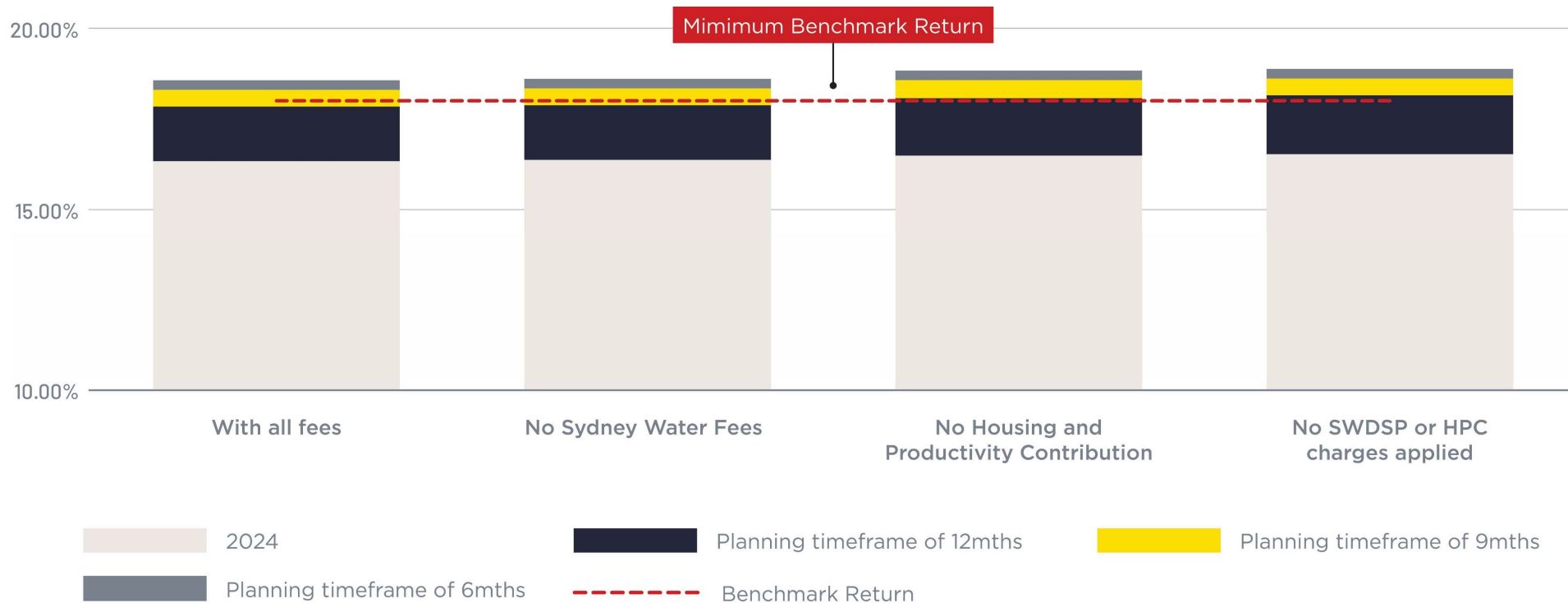


Figure 1 - The impact of changing State Government taxes and charges and faster planning approval timeframes c. 250-unit apartment project in Eastern Harbour City

Central River City: Infill apartment feasibility

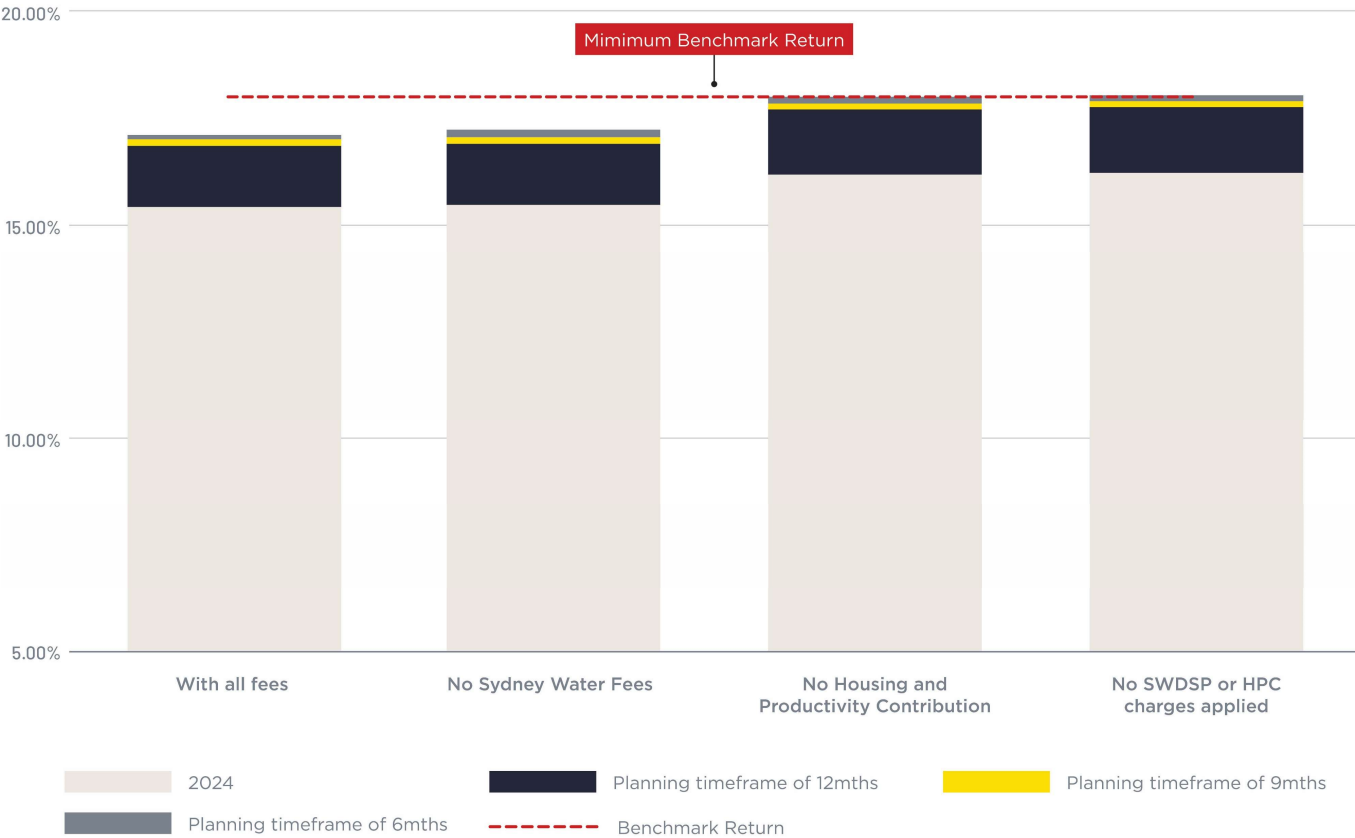


Figure 2 - The impact of changing State Government taxes and charges 2024 and faster planning approval timeframes c. 250-unit apartment project in Central River City

Central River City: Greenfield feasibility results

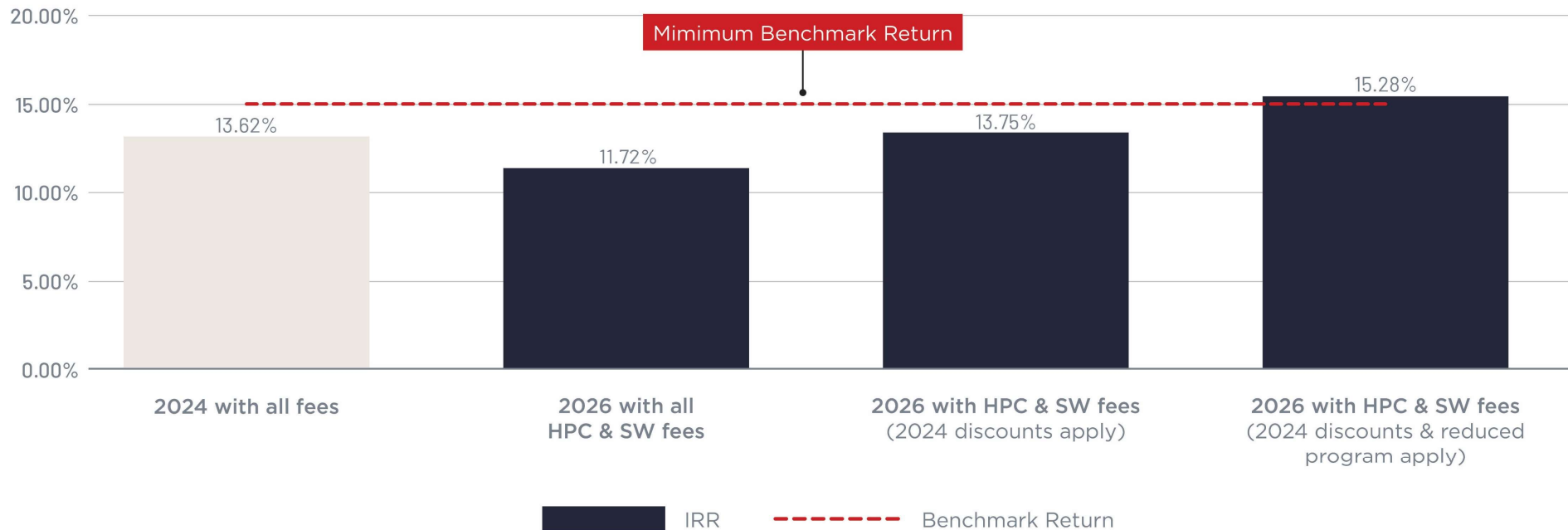


Figure 3 - Impact of changing taxes and charges and approval times in 2026 for a hypothetical Greenfield project in the Central River City

Western Parkland City: Infill feasibility results



Figure 4: The impact of changing State Government taxes and charges 2024 and faster planning approval timeframes c. 250-unit apartment project in Western Parkland City

Western Parkland City: Greenfield feasibility results

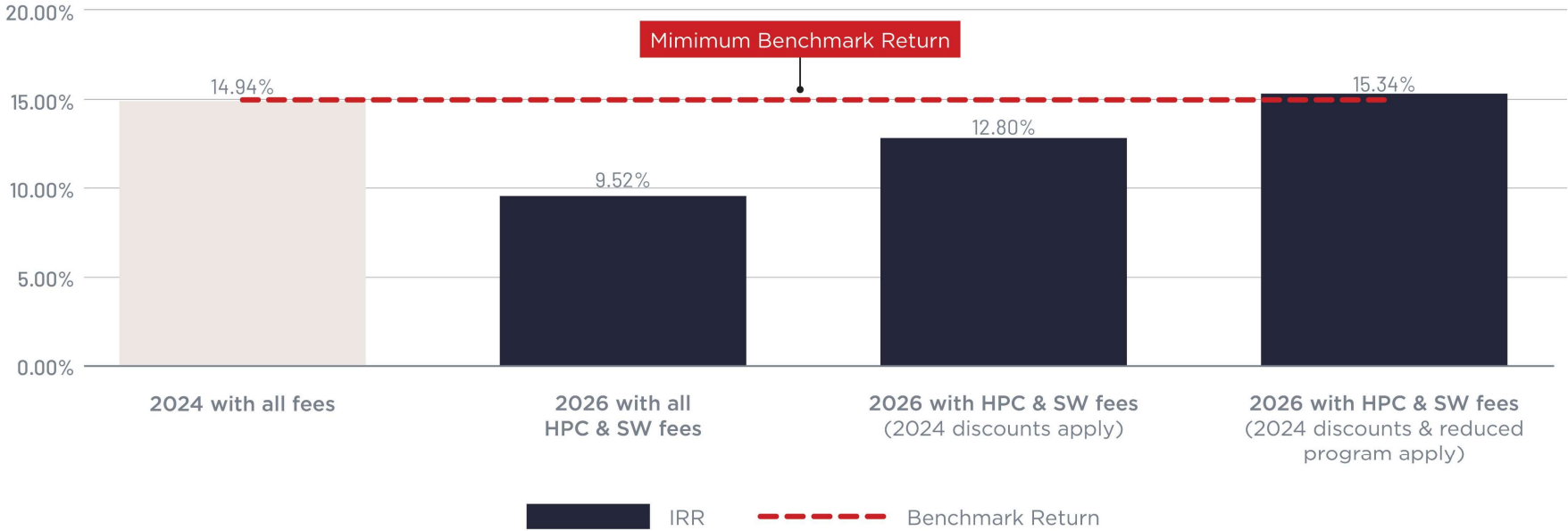


Figure 5: Impact of changing taxes and charges and approval times in 2026 for a hypothetical Greenfield project in the Western Parkland City

Illawarra-Shoalhaven City: Infill feasibility results

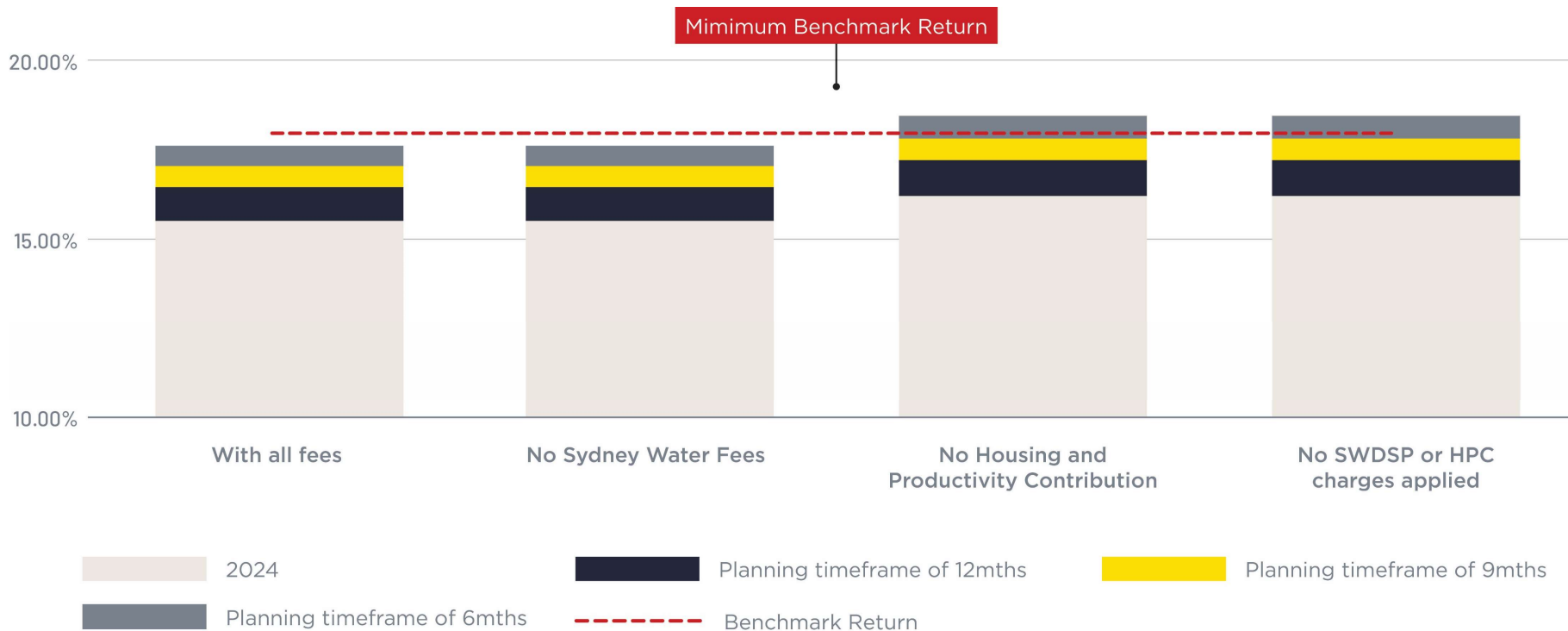


Figure 6: The impact of changing State Government taxes and charges 2024 and faster planning approval timeframes c. 80-unit apartment project in Illawarra-Shoalhaven City

Illawarra-Shoalhaven City: Greenfield feasibility results

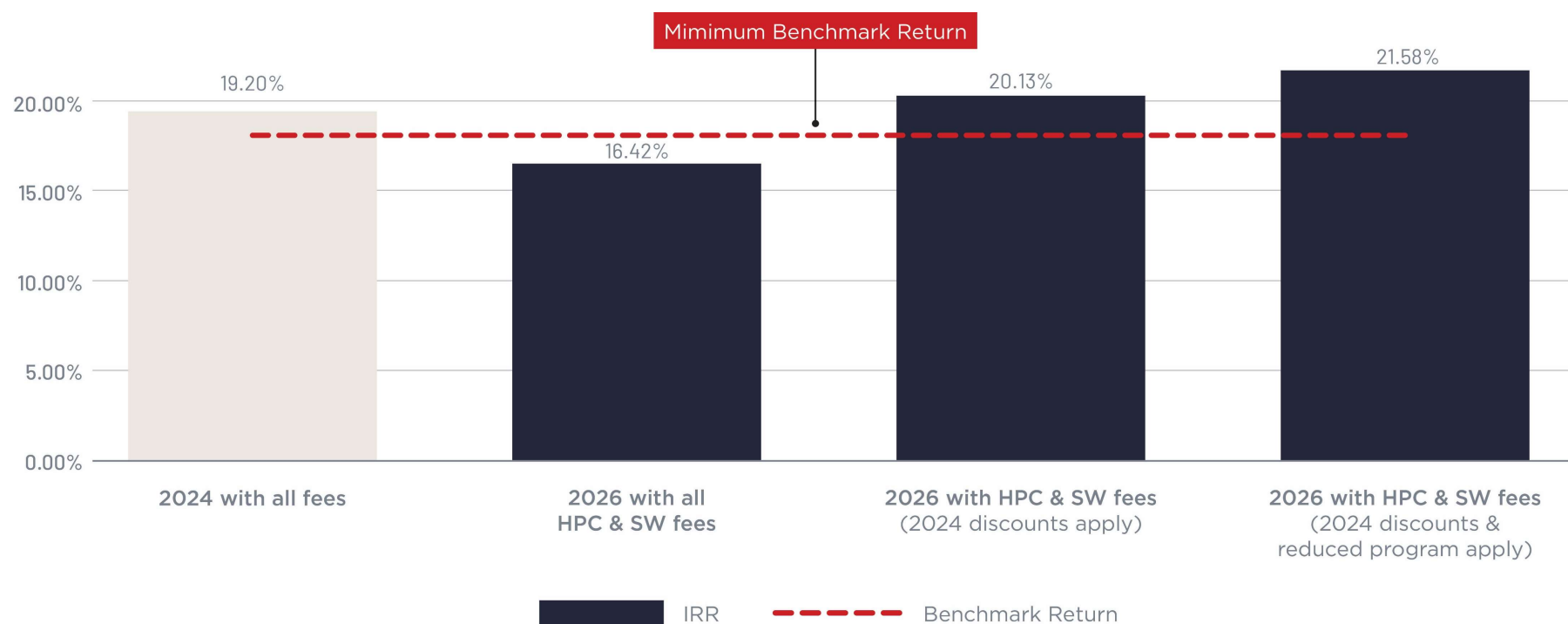


Figure 7: Impact of changing taxes and charges and approval times in 2026 for a hypothetical Greenfield project in the Illawarra-Shoalhaven City, including reducing planning timeframes to 9 months

The benefit of **Government action**

Savills forecasts that having **no increases in residential development taxes and changes and faster approvals during the Housing Accord period would help deliver almost 209,000 new homes in Sydney and the Illawarra in the 5 years to 2029.**

The delivery of 209,000 new homes by 2029 would contribute about 65% of the total Housing Accord commitment for the Six Cities region. The distribution of potential new homes as a proportion of the Housing Accord commitments and DPHI housing targets (June. 2024) is summarised below.

City	New Homes	% of City's proportional Housing Accord commitment	% of DPHI Housing Target
Eastern Harbour City	62,000	66%	58%
Central River City	77,500	61%	80%
Western Parkland City	50,000	61%	85%
Illawarra-Shoalhaven City	22,000	17% more than both the Housing Accord commitment and DPHI Housing Target, helping to make up historic shortfalls	

This is almost 60,000 more than the low forecast and almost 35,500 more than the high forecast in the Sydney Housing Supply Forecast across the Eastern Harbour, Western Parkland, Central River and Illawarra-Shoalhaven Cities.

The benefit of **Government action**

EASTERN HARBOUR CITY

No increases in taxes and changes, reductions in current state taxes and faster approvals in the Eastern Harbour City would help deliver **~62,000 new homes**.

- This is ~ 33,500 higher than a continuation of actual completions in 2022/23 (circa 28,000 extra dwellings forecast over 5 years).
- This is ~ 17,500 higher than the Sydney Housing Supply Forecast Low Scenario (circa 44,000 extra dwellings forecast over 5 years).
- This is ~ 8,000 higher than the SHSF High Scenario (circa 54,000 extra dwellings forecast over 5 years).

CENTRAL RIVER CITY

No increases in taxes and changes, reductions in current state taxes and faster approvals in the Central River City would help deliver **~77,500 new homes**.

- This is ~ 33,500 higher than a continuation of actual completions in 2022/23 (circa 44,000 extra dwellings forecast over 5 years).
- This is ~ 21,000 higher than the Sydney Housing Supply Forecast Low Scenario (circa 56,500 extra dwellings forecast over 5 years).
- This is ~ 11,000 higher than the SHSF High Scenario (circa 66,500 extra dwellings forecast over 5 years).

WESTERN PARKLAND CITY

No increases in taxes and changes, reductions in current state taxes and faster approvals in the Western Parkland City would help deliver **~ 50,000 new homes**.

- This is ~ 16,000 higher than a continuation of actual completions in 2022/23 (circa 34,000 extra dwellings forecast over 5 years).
- This is ~ 19,500 higher than the Sydney Housing Supply Forecast Low Scenario (circa 30,500 extra dwellings over 5 years), which is even lower than a continuation of 2022/23 which had the lowest completions in years).
- This is ~ 16,500 higher than the SHSF High Scenario (circa 33,500 over 5 years), which is around the same as a continuation of the number of completions in 2022/23, which had the lowest completions in years).
- Savills' view is our forecast for the Western Parkland City could potentially be higher, however we are concerned that getting more sites serviced is currently taking a long time.

ILLAWARRA / SHOALHAVEN

No increases in taxes and changes, reductions in current state taxes and faster approvals in the Illawarra-Shoalhaven City would help deliver **~20,000 new homes**.

- This is ~ 10,250 higher than a continuation of actual completions in 2022/23 (circa 9,750 extra dwellings forecast over 5 years).
- This is ~ 13,250 higher than the Sydney Housing Supply Forecast (circa 22,775 extra dwellings over 5 years).
- Savills' view is our forecast for the Illawarra-Shoalhaven could potentially be higher, however we are concerned that getting Development Applications approved and more sites serviced is currently taking a long time.

The benefit of **Government action**

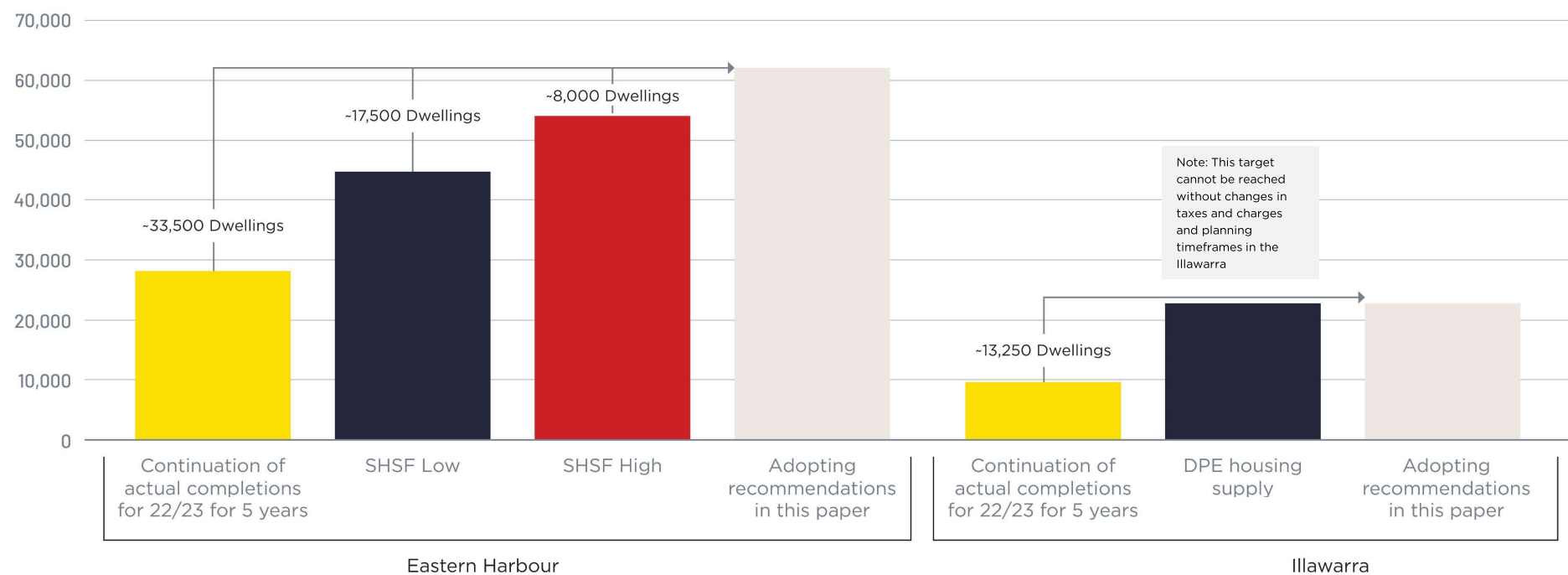


Figure 8 – The forecast impact on housing supply of reducing State Government taxes and charges and faster planning approval timeframes in Eastern Harbour City and Illawarra-Shoalhaven City

The benefit of **Government action**

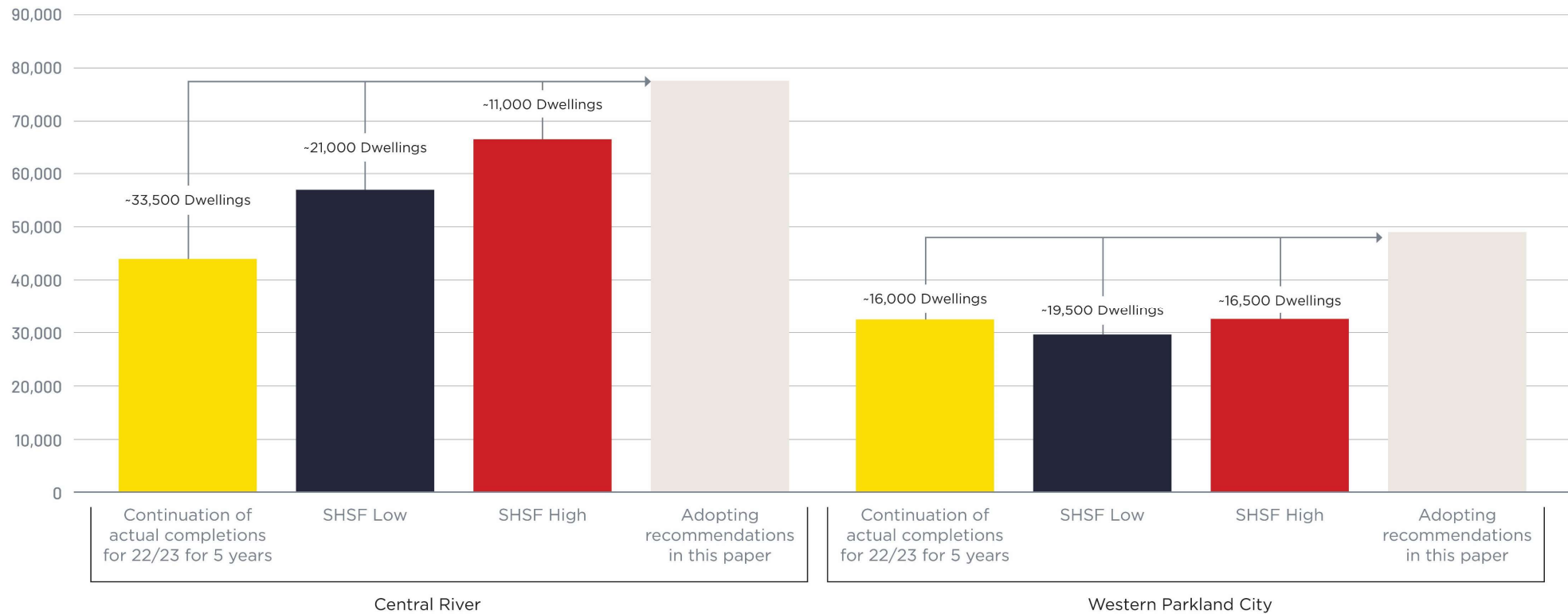


Figure 9 - The forecast impact on housing supply of reducing State Government taxes and charges and faster planning approval timeframes in Central River City and Western Parkland City

The cost of doing nothing

Continuing under current conditions is untenable. Without suspending residential development taxes and charges and compressing planning timeframes, housing supply in the Eastern Harbour City, Central River City, Western Parkland City, and Illawarra-Shoalhaven City is likely to remain suppressed, with completions hovering at recent historic lows.

Savills modelling indicates that without undertaking any action there would be around 109,000 dwellings built between June 2024 and June 2029 (the Housing Accord period) (or 34% of the overall Housing Accord target) as follows:

- Up to 28,000 new homes will be delivered in the Eastern Harbour City;
- Up to 44,000 new homes will be delivered in the Central River City;
- Up to 27,000 new homes will be delivered in the Western Parkland City; and
- Up to 10,000 new homes will be delivered in the Illawarra-Shoalhaven City.

Suspending residential development taxes and charges and compressing timeframes has the potential to significantly boost housing supply by almost doubling completions to over 209,000 dwellings, which is 100,000 dwellings more than if there is no action to reduce these. The opportunity loss of suppressing housing supply has negative flow-on impacts to the NSW economy and will contribute to the current housing affordability crisis. The loss of revenue as a direct result of reduced stamp duty will further tighten the NSW Government's spending power.

The adoption of this report's recommendations would contribute towards achievement of the Housing Accord targets and the DPHI's recently released aggregated housing targets.

The cost of doing nothing

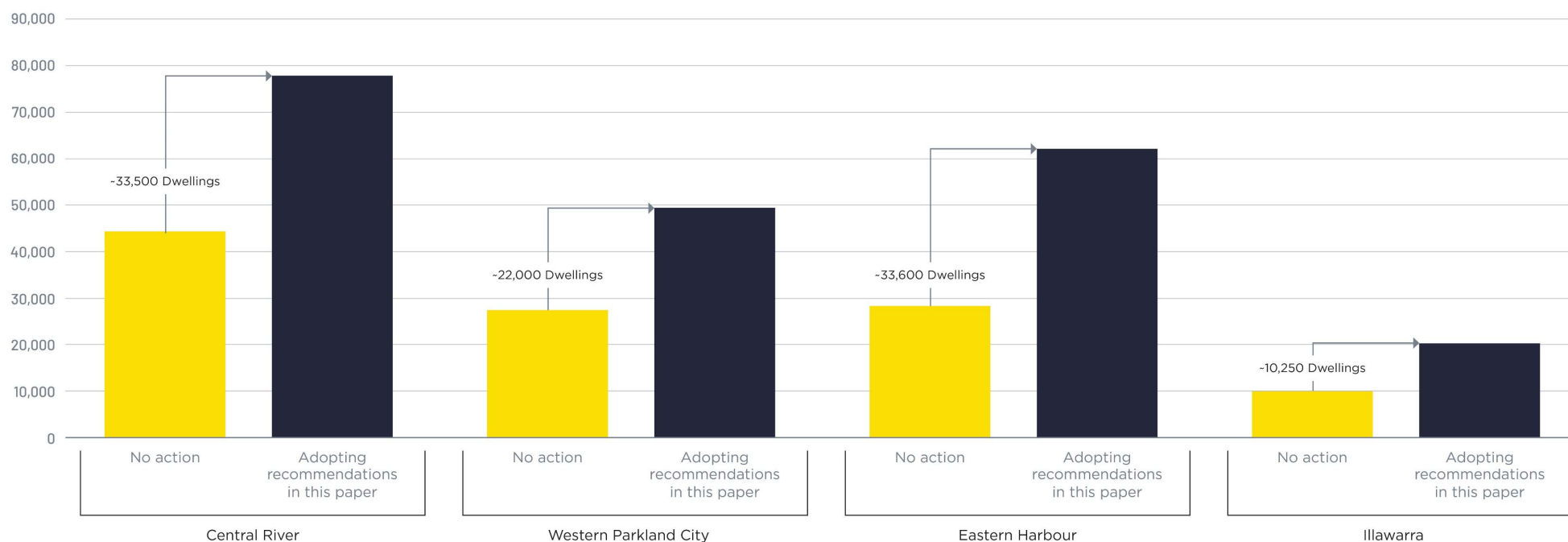


Figure 10 – Forecasting housing supply in Central River City, Western Parkland City, Eastern Harbour City and Illawarra-Shoalhaven City with and without action

What actions need to be taken

The Property Council recommends the NSW Government:

1. Introduce a moratorium on new taxes and charges for the duration of the Housing Accord period

The feasibility modelling by Savills indicates just the existing taxes and charges make many new residential developments in the Central River City, Western Parkland City, Eastern Harbour City and Illawarra-Shoalhaven City unfeasible. The development industry has broadly come to terms with the requirement for 2 per cent contributions for Affordable Housing where development uplift is provided under the Transport Oriented Development State Environment Planning Policy – but have concerns about the practical implementation of this charge. However, there is no capacity to absorb new taxes and charges with many new residential developments already unfeasible.

2. Suspend Sydney Water DSP and HPC charges for the duration of the Housing Accord period.

The feasibility forecasting by Savills indicates planned increases in taxes and charges on residential development have impacted present day feasibilities and will make many residential developments even more unfeasible in 2026. The NSW Government is currently discounting Sydney Water DSP charges and HPCs, however the phased introduction of these will result in charges more than doubling by 2026. Suspending Sydney Water DSP charges and HPCs would help make most apartment developments and more greenfield development in the Central River City, Western Parkland City, Eastern Harbour City and Illawarra-Shoalhaven City feasible.

3. Accelerate the implementation of planning processes that reduce planning approval timeframes to a maximum 9 months by December 2024 and a maximum 6 months by June 2025.

It is often taking longer to get a new apartment or greenfield project approved than it takes to build. Long development approval timeframes in some Council areas and significant delays including getting approvals and infrastructure completed by Transport for NSW and Sydney Water are adding years and substantial costs to projects. Getting planning approvals just 6 months quicker makes a significant difference to development feasibility. Reducing planning approval timeframes by 6+ months makes a significant difference to development feasibility.

What **actions** need to be taken

4. Implement process and systems improvements to accelerate significant residential projects which demonstrably contribute to the delivery of Government's dwelling targets and Housing Accord commitments.

The scale and rates of development required to achieve the Housing Accord commitments require procedural, systemic and structural changes. Current planning approval timeframes are lengthy and uncertain, equating to approximately a third of the total 5-year Housing Accord period. These timeframes followed by a typical construction period bring into question the ability for Sydney to achieve the Housing Accord commitments and the NSW Government's recently released housing targets. Efficiencies need to be found in the system to target a 6-month timeframe to ensure that significant and strategic residential projects which demonstrably boost supply can be determined and delivered expeditiously. Precedent shows that efficient planning approvals are achievable when effort, resources, processes and systems improvements reflect potential benefits and priorities.



01

RELEASE THE PRESSURE

Introduction

Introduction

Background

New South Wales is Australia's premier state – we have the largest economy, the largest population and attract the most tourists¹. We also have a severe housing crisis. There is not enough housing being built and housing is getting even more unaffordable. These housing problems are particularly bad in Sydney, the Illawarra, the Lower Hunter and the Central Coast (the Six Cities Region) where almost 80% of the population lives².

Housing is the single biggest cost for most of us. High housing costs mean too many people must live in housing stress which lowers productivity and threatens sustainability.

As home prices and rents have increased sharply, public attention has focused on what governments can do to make housing more affordable and reduce the costs of living. Many people worry whether they will ever be able to afford their own home. In fact, **almost three quarters of young Australians believe they will never be able to buy a home³.**

Initial interventions relied on financial levers such as reducing the size of mortgage deposits, increasing stamp duty concessions and expanding eligibility for the First Home Buyers Scheme and directly subsidising purchases through schemes such as the First Homeowner's Grant. At the same time, new taxes and charges on residential development and existing taxes have increased significantly.

Many taxes and charges increase with inflation which has grown at 3.6% per annum **while median prices for units have increased by only 1.5% per annum in the last five years⁴.**

New housing completions combined – across 43 Local Government Areas in Sydney, Central Coast, Lower Hunter and Illawarra - Shoalhaven – are at their lowest rate for over a decade and are not keeping up with demand. This has resulted in a housing shortfall of over 40,000 dwellings over the past 5 years⁵.

In August 2023, the National Cabinet, including NSW Government, agreed to a new National Housing Accord (Housing Accord) target to build 1.2 million new dwellings over 5 years from 1 July 2024 to 30 June 2029. Under the Housing Accord, the NSW Government has a goal to deliver:

- 377,000 extra homes or 75,400 each year in NSW; and
- 322,000 extra homes or 64,400 each year the Six Cities Region.

Government forecasts for the Six Cities Region show dwelling completions significantly below the Housing Accord Target. Supply forecast data indicates there is the potential to deliver around 182,000 extra homes or around 36,400 extra homes each year, which is at least 100,000 homes short of Housing Accord targets over the next 5 years⁶.

Introduction

The NSW Government is introducing welcome policies to combat the housing crisis, including Transport Oriented Development and the Low and Mid-Rise Housing reforms. However, given the scale of the historic shortfall and agreed targets in the Housing Accord, urgent additional action is needed to help industry deliver more well-located and more affordable homes in the right locations.

Essential infrastructure is critical to support communities. However, the combined impacts of housing, cost-of-living, and construction crisis is not the time to place additional taxes and levies on an industry struggling to deliver a once-in-a-generation ask to deliver more homes than ever before. Procedural, systemic and structural change is required to remove identified barriers and impediments to empower the industry to deliver the housing committed under the Housing Accord.

The implementation of the Housing Accord relies on an optimal regulatory and operating environment within which market and affordable housing can be boosted and accelerated. The NSW Government has limited direct impact on construction costs, consultant's fees or interest rates, which are set in a competitive market or via lenders.

The NSW Government can however have a major direct impact on government fees and charges applied to residential property development. These costs on homes have been rising as new taxes are introduced and existing charges increase rapidly with inflation. This is reducing project feasibility and contributing to the state's housing crisis.

To respond to the current crisis, the Property Council has engaged Savills to develop a three-part report examining the impacts of increased taxes and charges on housing supply and affordability across the six cities region.

Report Purpose

The report aims to:

- identify the process, timing and cost of developing new housing;
- summarise residential activity between 2018 and 2024;
- clearly and simply establish the full extent of development costs and charges; and
- review the impacts of taxes and charges on residential development including impacts within the Housing Accord period under various scenarios such as capping, suspending or discounting costs and charges (temporarily and permanently).

The first instalment of the report, *Release the Pressure No. 1* (10 May 2024), examined the impact of taxes and charges on residential development feasibility in two locations, which 'traditionally' have been strong contributors to new housing in Sydney:

- Central River City (Parramatta, The Hills, Canterbury Bankstown, Cumberland, Blacktown and Georges River Local Government Areas); and
- Western Parkland City (Blue Mountains, Camden, Campbelltown, Fairfield, Hawkesbury, Liverpool, Penrith and Wollondilly Local Government Areas).

Introduction

Release the Pressure No. 2 is the second instalment and examines a further two locations, being:

- Eastern Harbour City (Bayside, Burwood, Canada Bay, Hornsby, Hunter's Hill, Inner West, Ku-ring-gai, Lane Cove, Mosman, North Sydney, Northern Beaches, Randwick, Ryde, Strathfield, Sutherland Shire, City of Sydney, Waverley, Willoughby and Woollahra Local Government Areas), which as a sub-region is forecast to deliver the highest number of dwelling targets under the NSW Housing Accord; and
- Illawarra – Shoalhaven City (Wollongong, Shellharbour, Kiama and Shoalhaven Local Government Areas).

The Property Council plans to release the third and final reports for Central Coast City and Lower Hunter / Newcastle City.

Our methodology

Figure 11 outlines the process and key steps we have undertaken during the preparation of this Report.

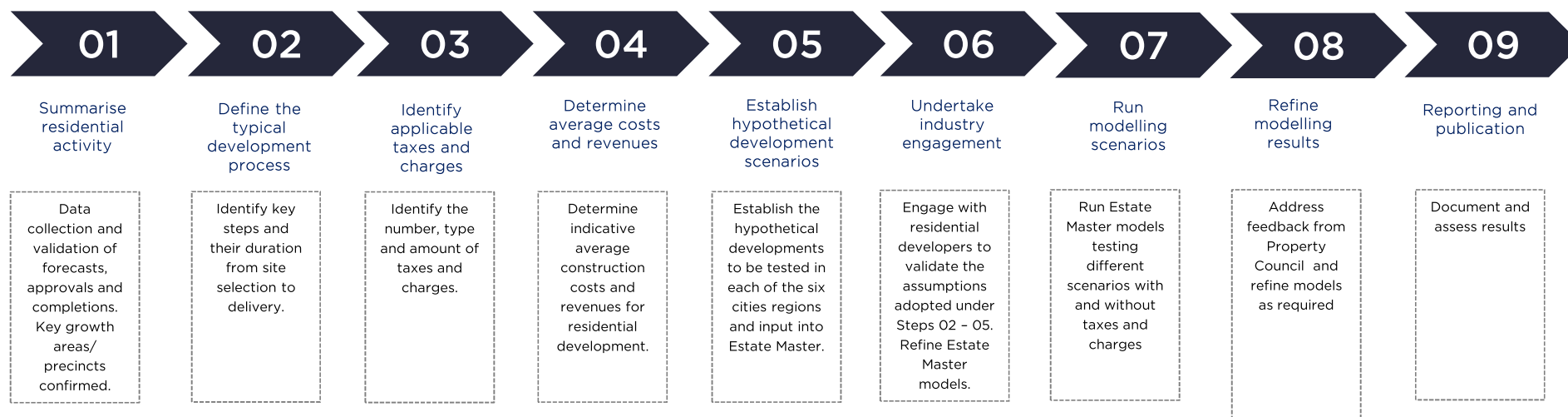


Figure 11 – Methodology



02

RELEASE THE PRESSURE

Housing Snapshot

Eastern Harbour City: Housing supply and demand

The NSW Government has set the following dwelling targets for the Eastern Harbour City in recent years:

Period	Dwellings	Avg per annum
5 Year Housing Target (16/17 - 20/21)	76,622	15,324
Housing Accord (target for the Eastern Harbour City 24/25 - 28/29)	94,349	18,870
DPHI Dwelling Target (June 2024 - June 2029)	107,100	21,420
Previous 6-10 Year Housing Target (21/22 - 25/26)	71,533-73,083	14,307-14,617
Previous 20 Year Housing Target (16/17 - 35/36)	264,450	13,223

The Eastern Harbour City's most productive year was FY 17/18/19 when approximately 18,000 dwellings were completed. This same 24-month period is the only time that the Eastern Harbour City met the dwelling target set by the NSW Government with ~5,500 more dwellings constructed than the target of 15,540 dwellings per annum.

The factors contributing to higher completions in FY 17/18/19 included lower taxes and charges on development than today, a static interest (cash) rate since 2016, lower APRA lending restrictions and lower foreign investment restrictions.

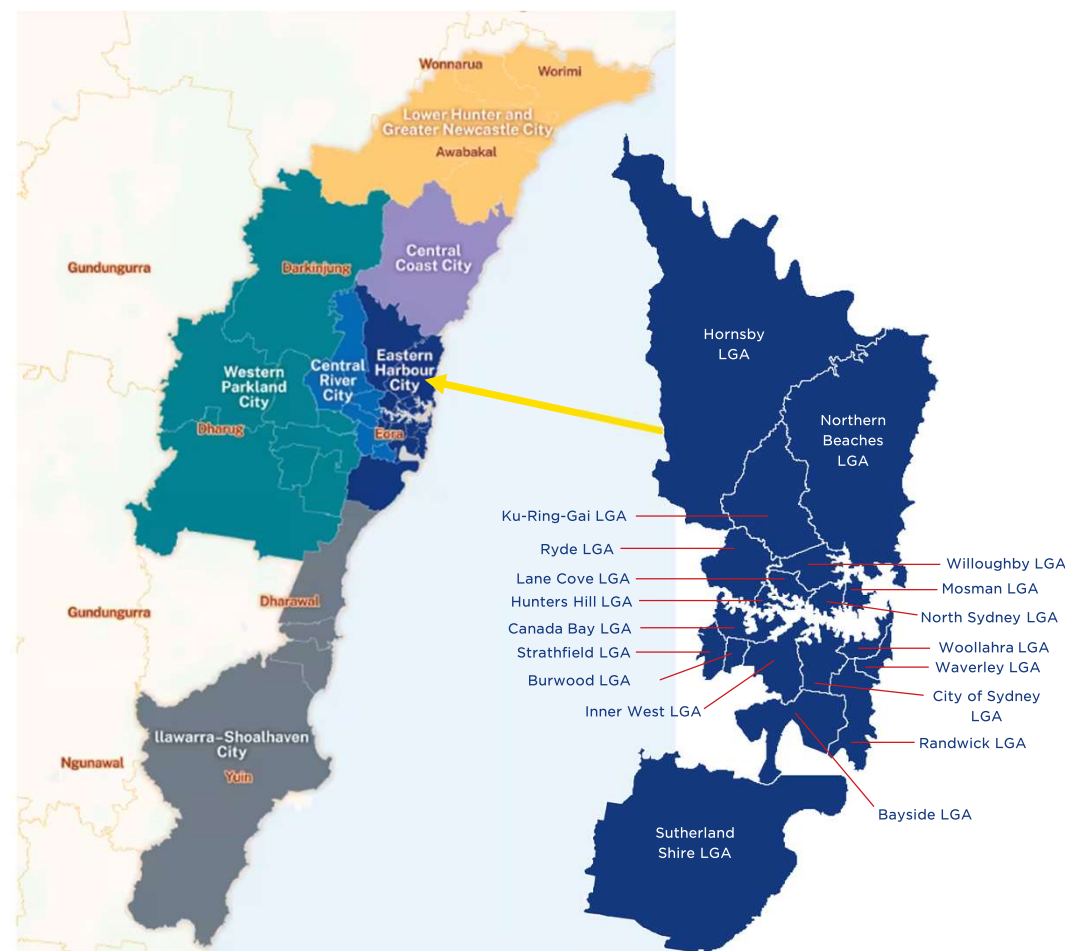


Figure 12- Eastern Harbour City

Eastern Harbour City: Housing supply and demand

Since 2021, completions in the Eastern Harbour City have consistently fallen short of the published dwelling targets, resulting in a cumulative shortfall of over 18,000 dwellings by 30 June 2023 (Figure 13).

The Six Cities share of the Housing Accord Target is 322,000 dwellings or 64,400 dwellings per annum. To achieve the Housing Accord, the Eastern Harbour City would need to contribute 94,349 extra dwellings, or over 18,870 extra dwellings each year from 2024 until 1 July 2029. The DPPI's recently released dwelling targets (June 2024) set a target of 107,100 dwellings for the same period.

By comparison, NSW Government forecasts for the Eastern Harbour City show dwelling completions are expected to be significantly below the Housing Accord target. The DPPI's Sydney Housing Supply Forecasts (SHSF) projects between ~44,000 and ~54,000 net completions or just over 8,800 to 10,800 extra homes each year. **This is a shortfall of over 50,000 dwellings just in the Eastern Harbour City over the next 5 years.**



Source: ABS, Greater Cities Commission and Savills

Figure 13 – Housing supply vs Government targets over the past 5 years

Central River City: Housing supply and demand

The NSW Government has set the following dwelling targets for the Central River City in recent years:

Period	Dwellings	Avg per annum
5 Year Housing Target (16/17 – 20/21)	71,550	14,310
Housing Accord (estimated target for the Central River City 24/25 – 28/29)	98,488	19,698
DPHI Dwelling Target (June 2024 – June 2029)	97,200	19,440
Previous 6-10 Year Housing Target (21/22 – 25/26)	85,000	17,000
Previous 20 Year Housing Target (16/17 – 35/36)	276,050	13,803

Source: Greater Cities Commission, DPHI and Savills adopting % of target to Eastern Harbour City

The Central River City's most productive year was FY 17/18 when just short of 15,000 dwellings were completed (10,164 multi units and 4,826 dwelling houses). This same 12-month period is the only time the dwelling targets set by the NSW Government were exceeded with 680 more dwellings constructed than the target of 14,310 dwellings.

Factors contributing to higher completions in FY 17/18 include lower taxes and charges on development than today, a static interest (cash) rate since 2016, lower APRA lending restrictions and lower foreign investment restrictions. Compared to a few years earlier sales in greenfield areas were typically lower than in 2012 – 2014, as the market became supply constrained.



Figure 14 – Central River City

Central River City: Housing supply and demand

Since 2018, completions in the Central River City have consistently fallen well short of the published dwelling targets, resulting in a cumulative shortfall of over 12,000 dwellings by 30 June 2023 (Figure 15).

The Six Cities share of the Housing Accord Target is 322,000 or 64,400 dwellings per annum. To achieve the Housing Accord, the Central River City would need to contribute 98,488 extra homes, or over 19,698 extra homes each year from 2024 until 1 July 2029. The DPHI's recently released dwelling targets (June 2024) set a target of 97,200 dwellings for the same period.

By comparison, NSW Government forecasts for the Central River City show dwelling completions are expected to be significantly below the Housing Accord target. The DPHI SHSF projects just over 60,000 net completions or just over 12,000 extra homes each year. **This is a shortfall of over 37,200 dwellings just in the Central River City over the next 5 years.**



Source: ABS, Greater Cities Commission and Savills

Figure 15 – Housing supply vs Government targets over the past 5 years

Western Parkland City: Housing supply and demand

The NSW Government has set the following dwelling targets for the Western Parkland City in recent years:

Period	Dwellings	Avg per annum
5 Year Housing Target (16/17 – 20/21)	39,850	7,970
Housing Accord (estimated target for the Western Parkland City 24/25 – 28/29)	65,825	13,165
DPHI Dwelling Target (June 2024 – June 2029)	59,100	11,280
Previous 6-10 Year Housing Target (21/22 – 25/26)	39,934 – 49,434	7,987 – 9,887
Previous 20 Year Housing Target (16/17 – 35/36)	184,500	9,225

Source: Greater Cities Commission, DPHI and Savills adopting % of GCC target to Central River City

The Western Parkland City's most productive year was FY 18/19 when just over 10,100 dwellings were completed, following a relatively strong 17/18 with over 9,000 extra dwellings.

The factors contributing to higher completions in FY 17/18 and FY 18/19 included lower taxes and charges on development than today, a static interest (cash) rate since 2016, lower APRA lending restrictions and lower foreign investment restrictions. However, compared to a few years earlier sales in greenfield areas were typically lower than in 2012 – 2014, as the market became supply constrained.

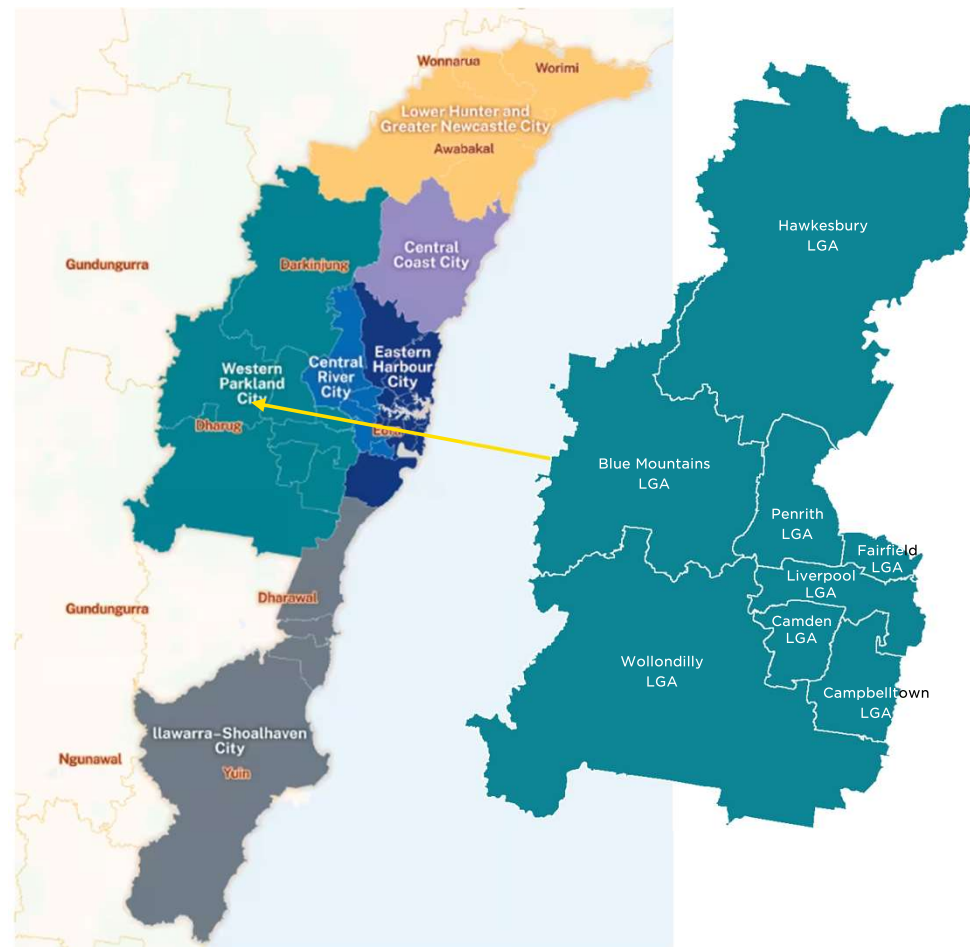


Figure 16: Western Parkland City

Western Parkland City: Housing supply and demand

Completions in the Western Parkland City have started to fall below published dwelling targets, resulting in a cumulative shortfall of almost 4,000 dwellings by 30 June 2023 (Figure 17).

The Six Cities share of the Housing Accord Target is 316,000 dwellings, or 63,200 dwellings per annum. To achieve the Housing Accord, the Western Parkland City would need to contribute 65,825 extra homes, or over 13,165 extra homes each year from 2024 until 1 July 2029. The DPHI's recently released dwelling targets (June 2024) for the Western Parkland City set a target of 59,100 dwellings for the same period.

By comparison, NSW Government forecasts for the Western Parkland City show dwelling completions are expected to be significantly below the Housing Accord target. The DPHI SHSF projects around 30,000 net completions or just over 6,000 extra homes each year. **This is a shortfall of over 29,100 dwellings just in the Western Parkland City over the next 5 years.**



Source: ABS, Greater Cities Commission and Savills

Figure 17 – Housing supply vs Government targets over the past 5 years

Illawarra-Shoalhaven City: Housing supply and demand

The NSW Government has set the following dwelling targets for the Illawarra-Shoalhaven City in recent years:

Period	Dwellings	Avg per annum
5-year housing target (2016 - 21)	14,500	2,900
Housing Accord (estimated target for the Illawarra Shoalhaven 24/25 - 28/29)	20,693	4,139
DPHI Dwelling Target (June 2024 - June 2029)	18,800	11,280
20 Year Housing Target (2021 - 2041)	58,000	2,900

Source: Greater Cities Commission and Savills adopting % of GCC target to Illawarra-Shoalhaven City

The most housing completions in the last 5 years in the Illawarra Shoalhaven was in FY 2020/21 when 2,636 dwellings were completed (878 multi units and 1,758 dwelling houses). However, the region did not meet the annual housing target

The factors contributing to higher completions in FY 20/21 included lower taxes and charges on development than today, a low interest (cash) rate, lower APRA lending restrictions and a higher level of contractors available.



Figure 18: Illawarra-Shoalhave City

Illawarra-Shoalhaven City: Housing supply and demand

Since 2018, completions in the Illawarra Shoalhaven have consistently fallen well short of the published dwelling targets, resulting in a cumulative shortfall of almost 3,500 dwellings by 30 June 2022 (Figure 19).

Our estimate is that the Illawarra-Shoalhaven City's share of the Housing Accord Target is 20,693 dwellings, or 4,139 dwellings per annum. The NSW Government's recently released dwelling target figures (June 2024) set the Illawarra-Shoalhaven City a target to deliver 18,800 new dwellings over the next 5 years from 30 June 2024.

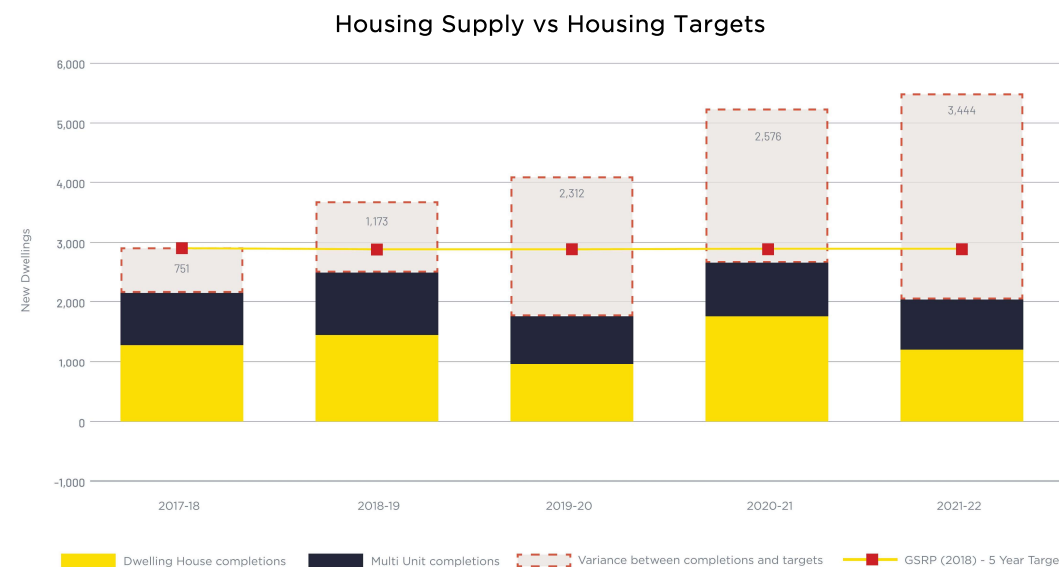
By comparison, the NSW Government forecasts for the Illawarra-Shoalhaven show the Government expects dwelling completions to be significantly above historic completions. The DPHI Urban Development Program projections show 22,775 net completions between 2022-23 and 2026-27 or just over 4,555 extra homes each year. If these targets are met the Illawarra-Shoalhaven City would be delivering around double the number of dwellings each year for the 5 years compared to the average from the last 5 years (4,555 dwellings per annum future versus 2,211 dwellings per annum historic).

The DPHI's forecast shows that between 2022-23 and 2026-27:

- Greenfield areas are expected to deliver 5,833 net dwellings with West Dapto expected to deliver 4,885 dwellings.

- Infill areas are expected to deliver 5,456 dwellings with over 200 dwellings expected to be delivered at Corrimal, over 350 dwellings expected in Dapto (infill areas) and Wollongong CBD a major area for unit supply.

Developers who are currently active in the Illawarra-Shoalhaven City have advised us that these supply forecasts appear high, particularly given proposed increased in s 7.11, HPC and Sydney Water DSP charges.



Source: ABS, Greater Cities Commission and Savills

Figure 19 – Housing supply vs Government targets over the past 5 years

Boosting **housing** supply

Initiatives to boost housing supply are critical to achieve the Housing Accord targets. Increasing the supply of well-located and well-designed housing is also important for a range of reasons including those put forward by the NSW Productivity Commissioner⁷.

Increasing housing supply:

- reduces the price of housing with a 10% increase in housing supply reducing the cost of housing by 25%;
- boosts the economy;
- supports more dwellings that are more affordable for lower- and middle-income households;
- potentially reduces homelessness through improved housing affordability;
- supports more families access good schools;
- boosts wages and innovation; and
- reduces commuting costs and emissions.

New housing will only be developed if it is feasible for developers, banks and occupiers. Developers regard a project as feasible when it generates an appropriate return. Given most developers need to borrow money to fund a new development, banks and financiers also want to ensure they will be repaid, and that a proposed development generates an appropriate return. Larger developers are also required to make a return for their shareholders, and many will compare investments across asset classes.

For both smaller and larger developers there are a range of risks associated with development and the return for a developer seeks to account for these risks and the lending and return requirements imposed by banks.

There are several factors which determine whether a property development is financially feasible:

- project timelines and delays;
- costs, including taxes and charges;
- revenues; and
- project risks.

The Government can directly control taxes and charges and approval and servicing timeframes which are acting as a handbrake to the supply of new housing.



03

RELEASE THE PRESSURE

Time is money

The typical development process

The old saying that 'time is money', applies to property development. A project delay means extra holding costs and interest costs and often an increase in building costs.

There are many stages involved in getting new homes built. In today's environment, delivering homes takes a long time and is subject to arduous planning and approval processes. Over the average project, a developer needs to pay interest costs and land holding costs.

As shown Figure 20, construction costs have increased exponentially. **Since the COVID pandemic building costs have increased by 6.0% per annum¹ and inflation has increased at over 3.4% per annum².** It is accordingly critical for Government to help reduce approval times to drive housing supply.

Previous research indicates that on average it takes 5-7 years from when an area is first identified for new houses to when new homes can be built. Given this report focuses on the next 5 years, the hypothetical scenarios assume the sites are zoned and serviced.

Apartments/Infill

The typical process for apartments in the Central River City is illustrated in Figure 21 while an extended timeframe, representing a worst-case scenario, is shown in Figure 22.

On average it takes over 4 years for a 250-unit project to be developed assuming the site is already zoned.

- Rezoning: DPHI's LEP Plan Making Guidelines indicate that the typical timeframe for a rezoning seeking a land use change and/or introduction of development controls is approximately 420 days. This would extend the development process if the site was not appropriately zoned.
- Planning / design - A developer needs to prepare DA plans and a host of studies to support the DA.
- Approvals - on average it takes between 200 - 600 days (9 - 18 months) for a local council to assess a development application for a new apartment. This can be longer than it takes to build the new apartments.
- Commencement (pre-sales) - the Australian Bureau of Statistics³ reports on average it take 6 months from the approval to the start of construction on new apartments in NSW. This varies according to the size of the development with larger projects taking longer to get pre-sales to satisfy lenders, engage the builder and complete site establishment activities.
- Construction - The Australian Bureau of Statistics reports⁴ that it takes an average 20 months from the start to the end of the construction stage of a new apartment in NSW. This depends on the size of the development with a longer period for the larger project.
- Land and Environment Court - during the consultation process undertaken for this report, Property Council members actively developing in the Illawarra-Shoalhaven City told us that there is a higher probability of a DA being contested in the Land and Environment Court, resulting in further extended timeframes. Property Council members are accordingly adopting longer planning approval timeframes in their feasibilities (i.e.: in the order of 6 additional months).

The typical **development** process

Greenfield

The typical process for greenfield development in the Central River City is illustrated in Figure 23 while an extended timeframe, representing a worst-case scenario, is shown in Figure 24. On average it takes over 2.5 years for a circa 100 lot subdivision to be developed assuming the site is already zoned and serviced.

- Rezoning: DPHI's LEP Plan Making Guidelines indicate that the typical timeframe for a rezoning seeking a land use change and/or introduction of development controls is approximately 420 days.
- Planning and design: This Report assumes the Greenfield development is a single stage in a larger estate / masterplan.
- Approvals: This Report assumes planning approvals take 13 months. This is a conservative assumption, as developers we engaged with advised approvals from Sydney Water are often taking longer.
- Commencement: The project would proceed once the developer has achieved sufficient pre-sales.
- Construction: The construction is assumed to potentially include civil works and internal servicing to make the site ready to sell to build a house.
- Land and Environment Court – DAs contested in the Land and Environment Court result in further extended timeframes (particularly in the Illawarra-Shoalhaven City).



Time is money

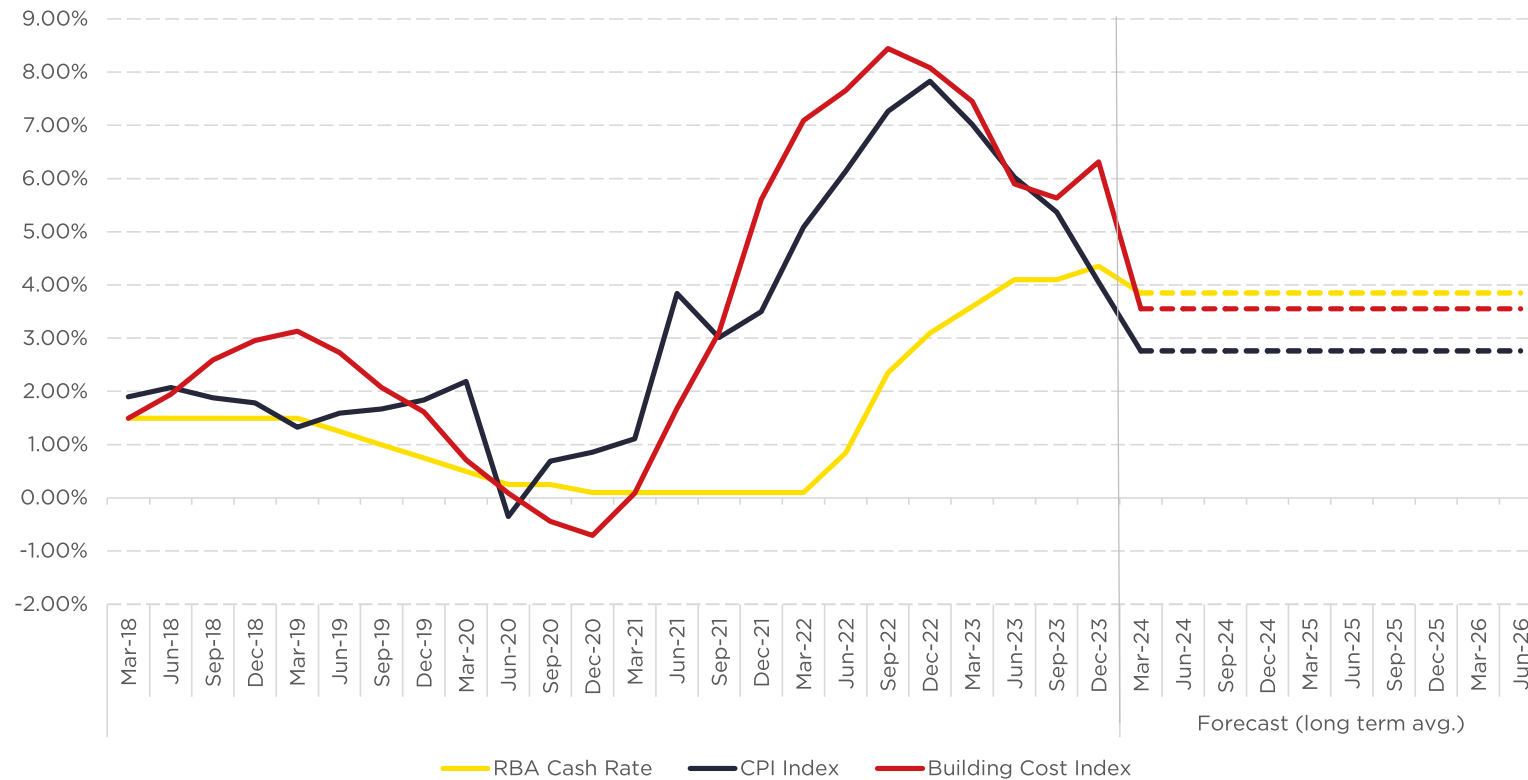


Figure 20 - Change in construction, interest and inflation since 2018

Figure 20 shows there has been a significant increase in construction costs and inflation (CPI) over the last couple of years. Interest rates have also increased from historic lows. As such the saying “time is money” applies to residential property development as these costs and taxes and charges, often tied to inflation, have been increasing quicker than the revenues developers receive for new apartments or land for housing.

Typical timeline Infill residential development

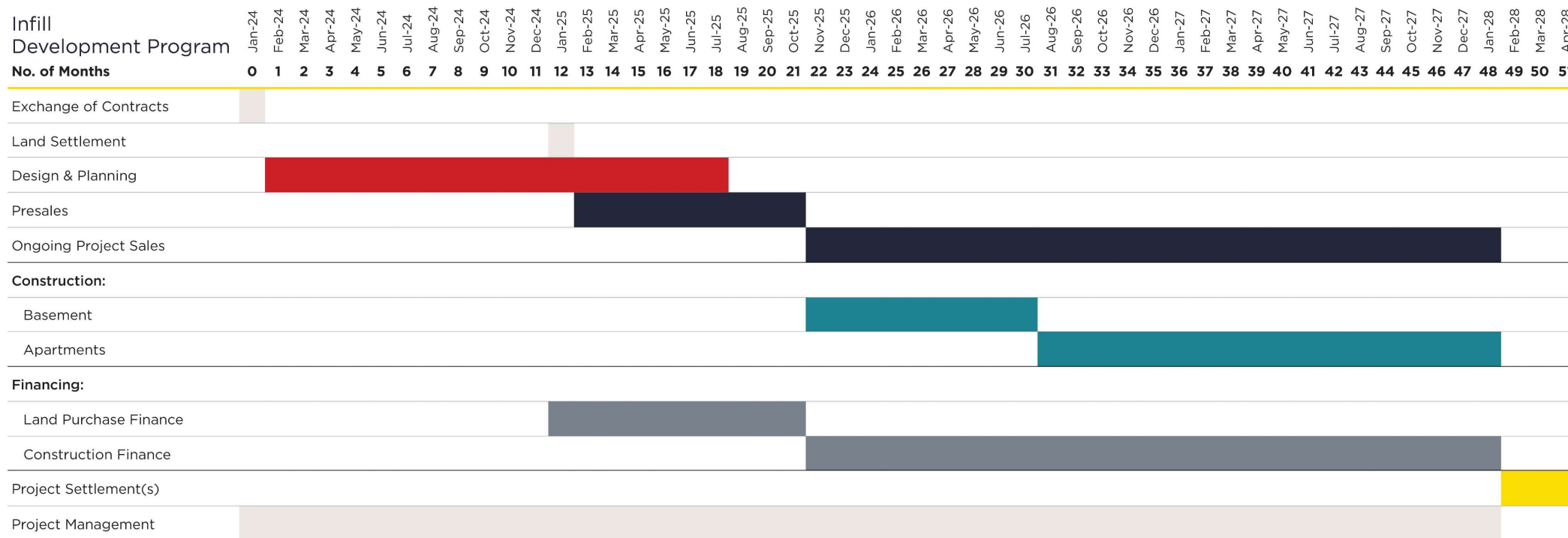


Figure 21 - Typical infill development timeline

Extended timeline

Infill residential development

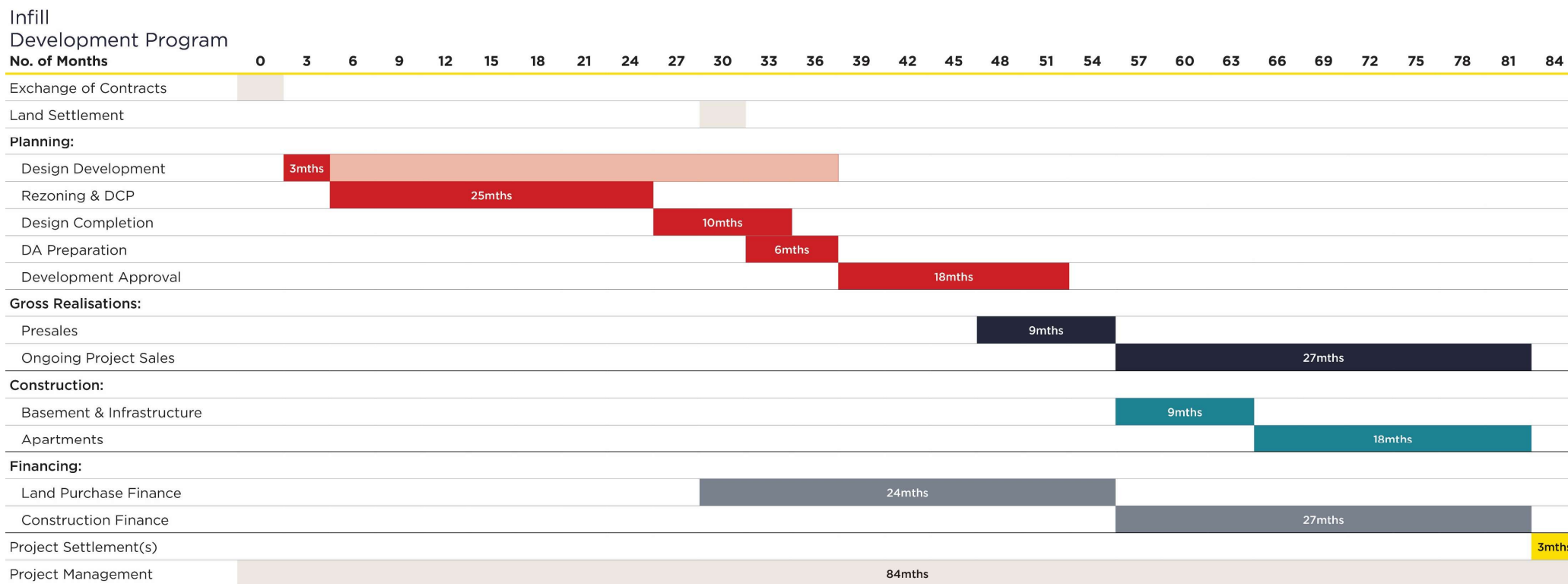


Figure 22 - Typical infill development timeline

Typical timeline Greenfield development

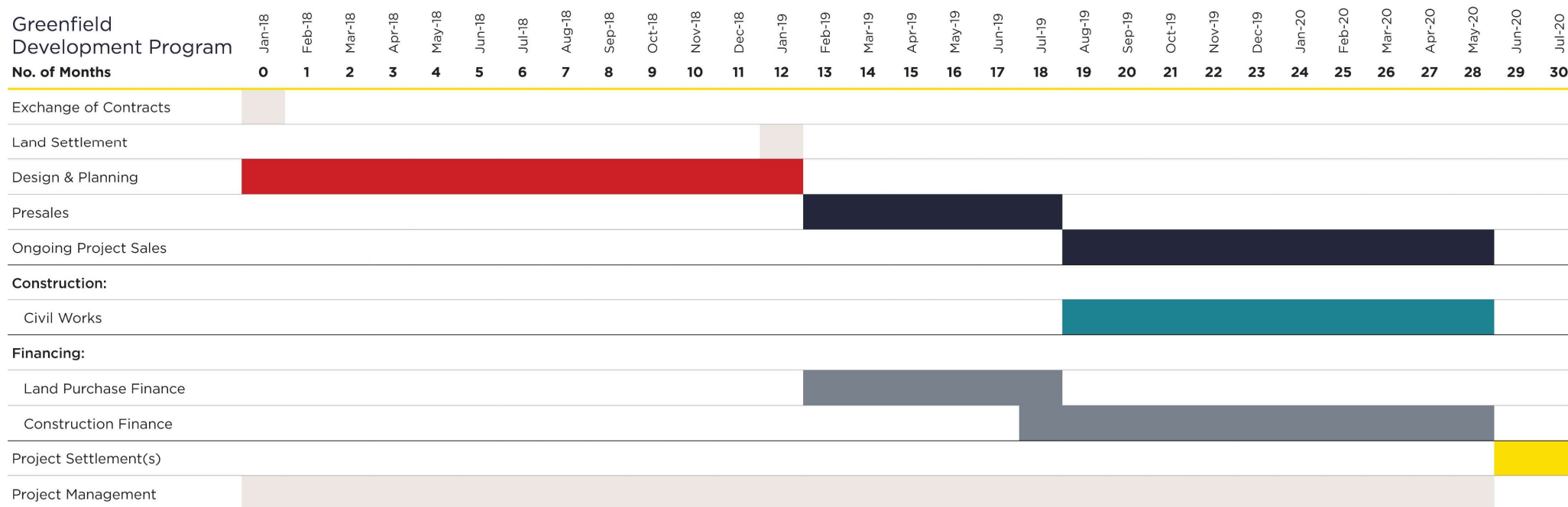


Figure 23 – Typical greenfield development timeline

Extended timeline

Greenfield development

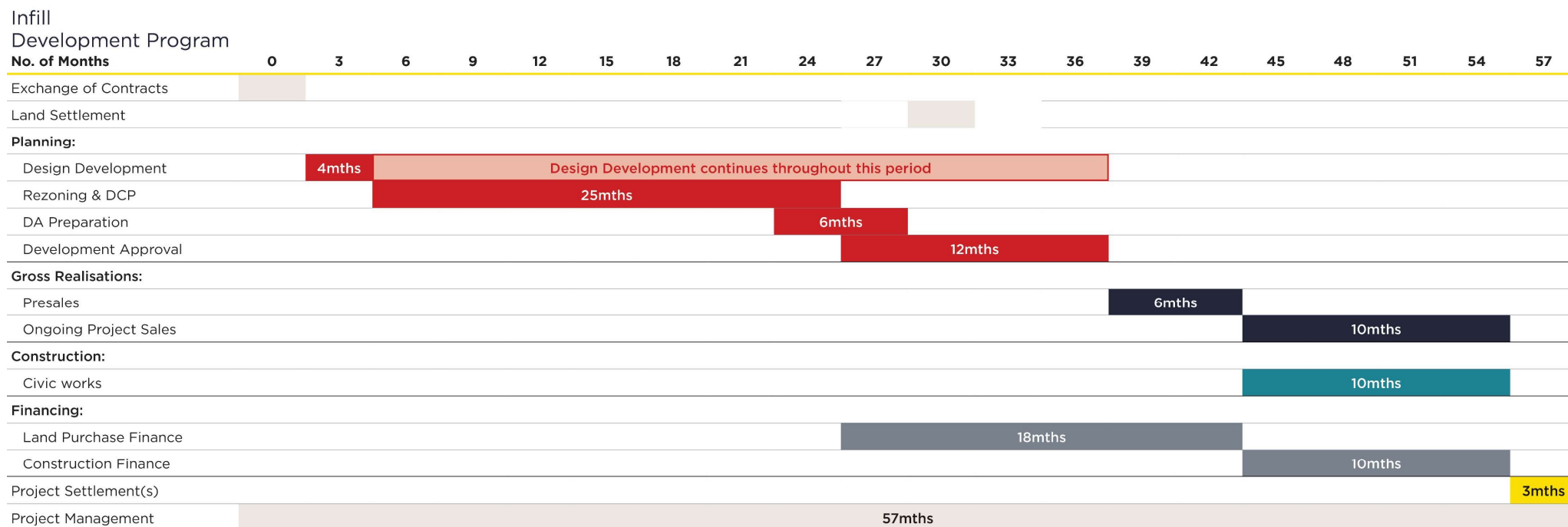


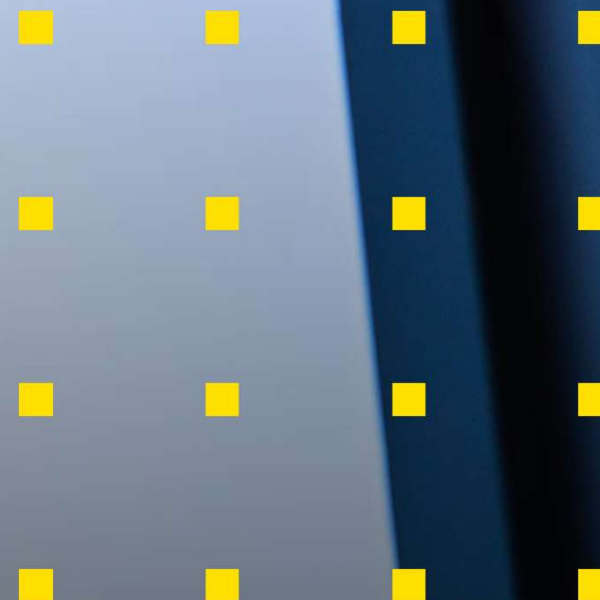
Figure 24 – Typical greenfield development timeline

- * For modelling purposes, Development Approval timeframes in the Illawarra-Shoalhaven City have been extended by an additional 6 months to account for the high number of DAs that are contested in the Land and Environment Court, particularly in the Wollongong City Council LGA. Feedback from local developers indicated that refusals are regularly challenged, and developers are increasingly relying on deemed refusal periods as a proxy planning approval pathway.

04

RELEASE THE PRESSURE

Residential Taxes and Charges



Residential development **taxes & charges**

Residential development in NSW can attract up to 15 different charges and taxes, which collectively reduce development feasibility.

Historically, taxes and charges were limited to Stamp Duty, Section 7.11 and GST, however, the introduction of new and increasing taxes and charges such as the HPC and Sydney Water DSP charges are reducing the viability of residential development across the Six Cities region. A Housing Australia report states “*funding a much wider array of social infrastructure through developer contributions deliver broader community benefits but confer fewer clear, direct and immediate private benefits to new home buyers. This means developer contributions increasingly act like a tax on new housing, which can impede new housing supply and reduce housing affordability for buyers and renters*”⁸.

Many taxes, duties, and levies are calculated as a percentage of either the purchase price, construction costs and/or increase in line with inflation, which has been growing faster than revenues. Residential development viability consequently falls foul of compounding costs.

The key taxes, duties and charges applying to residential development are illustrated in Figure 25 and described in Appendix A.

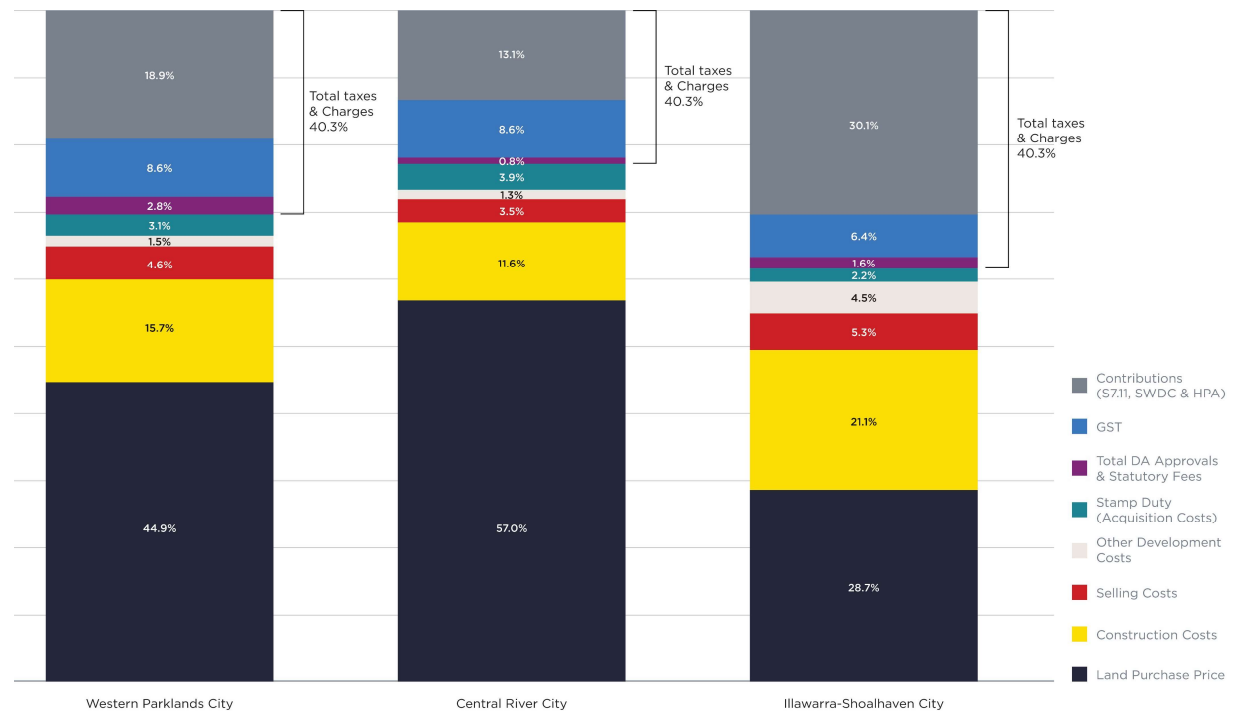


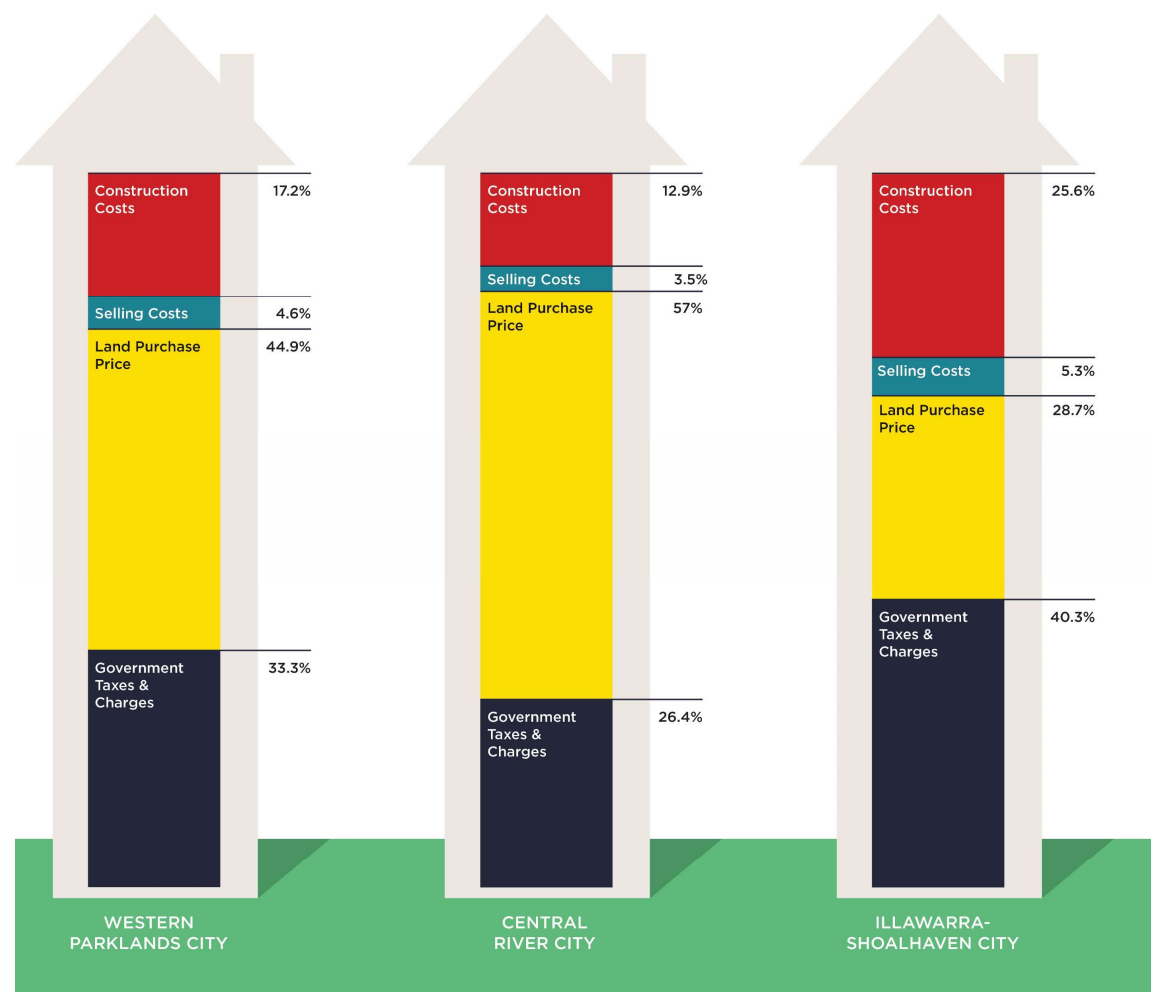
Figure 25 – Proportion of taxes and charges in the Western Parkland City, Central River City and Illawarra-Shoalhaven City (Greenfield Development)

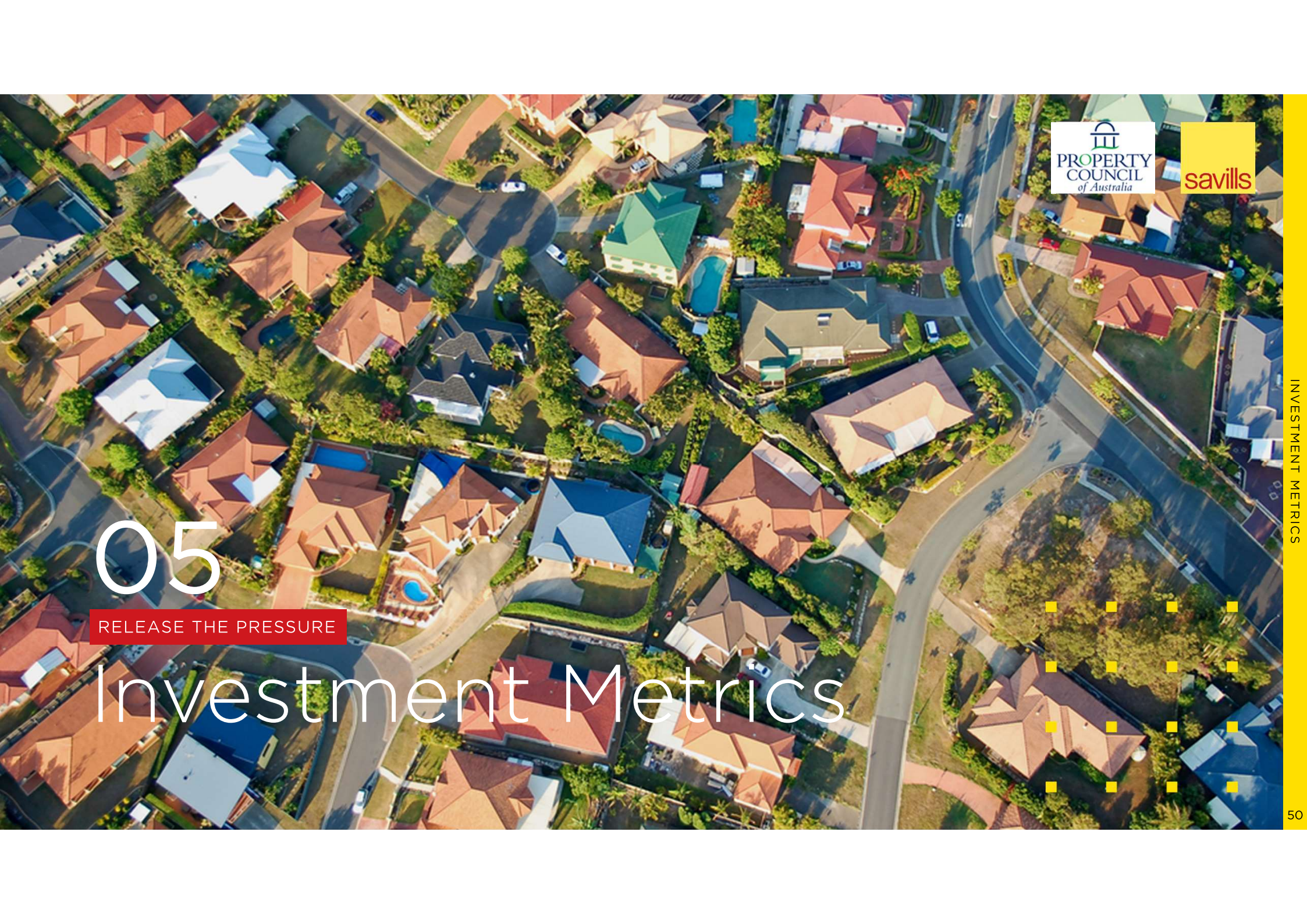
At least **25%** of housing costs are taxes and charges

- In the Eastern Harbour City, taxes and charges in 2026 will make up over 10% of the total infill development costs.
- In the Central River City, taxes and charges will make up more than a quarter (26.5%) of total greenfield development costs.
- In the Western Parkland City, taxes and charges in 2026 will make up a staggering one third (33.3%) of the total greenfield development cost.
- In the Illawarra-Shoalhaven City, taxes and charges in 2026 will make up 40% of the total greenfield development cost.

These costs are passed onto home purchasers and directly affect affordability and purchasing power. As taxes and charges continue to increase, affordability will continue to decrease and home ownership will become unattainable for an increasing proportion of the community.

Figure 26 – NSW Government taxes and charges as a proportion of greenfield housing costs in the Central River City, Western Parkland City and Illawarra-Shoalhaven City





05

RELEASE THE PRESSURE

Investment Metrics

Residential development **investment metrics**

There is misconception that developers make significant profit when undertaking development. The reality is development has many risks and is a business underpinned by a range of external factors such as planning approvals, material and labour cost changes and market trends. Development is also reliant on numerous third parties, such as financiers, consent authorities, regulators responsible for providing infrastructure, and community and resident action groups who often do not want to change in their local area.

To manage and mitigate these risks, developers, investors and particularly banks adopt a set of investment metrics to reflect the degree of development risk they are willing to take on. Often these target returns are not the profit a developer makes but a target at the start of a project before the developer is sure of approval timeframes, pre-sales rates and construction costs which some builders now only want to lock in for 30-90 days.

A critical step in determining whether to proceed with development is to establish the minimum acceptable rate of return that an investment project must achieve to be considered a financially viable and acceptable project, otherwise known as hurdle rates. The two most common indicators of hurdle rates are:

- **Internal rate of return (IRR)** – a metric used to calculate the return on funds invested. The IRR is the discount rate at which the net present value of all cash flows of an investment become zero. The forecast return has to be higher than a developer's target return for a project to start. The IRR is commonly used for projects of over 2yrs to account for the time value of money. An IRR of 15-25% is typically acceptable at the early stage of a project by developers, financiers and investors, depending on risk, and has been adopted for the hypothetical scenarios tested in Section 6 of this Report.
- **Development margin (DM)** – the development margin is the profit divided by the total development cost. It is not discounted to factor in the time value of money. Expressed as a percentage, a development margin of around 20% would typically be adopted and has been adopted for the hypothetical scenarios tested in Section 6 of this Report. Development margins are adjusted as the risk profile changes with higher margins adopted for riskier projects, and lower margins adopted for less risky projects 'develop and hold' where there is potential for strong investment covenants. Development margins are typically used to assess shorter term projects of less than 2 years.

A project will not start if the developer cannot achieve these target returns and/or the existing use value of a site is higher than what a developer can pay for the site.

06

RELEASE THE PRESSURE

Hypothetical Scenarios

Our **hypothetical** development scenarios

To assess the potential impacts from the various taxes, charges and duties on development feasibility, *Release the Pressure No. 1* modelled (2) hypothetical developments in both the Central River City and Western Parkland City. The hypothetical developments modelled under four scenarios in 2018, 2024 and 2026 were:

- Base Case – application of all taxes and charges, including the phased introduction of Housing Productivity Contributions and Sydney Water DSP charges as per current NSW Government commitments.
- HPC Scenario – suspension of Housing Productivity Contributions charges only for the Housing Accord period (mid 2024-mid 2029). Sydney Water DSP charges are phased in as per NSW Government commitments.
- Sydney Water Scenario – suspension of SWDSP charges only for the Housing Accord period (mid 2024-mid 2029). HPC charges are phased in as per NSW Government commitments.
- Suspension of both HPC and Sydney Water DSP charges for the duration of the Housing Accord period.

A shorter planning scenario was also modelled where the hypothetical infill apartment development was approved in 12 months rather than 18 months and the hypothetical greenfield development was approved in 9 months rather than 13 months.

Release the Pressure No. 2 takes a similar approach for the Eastern Harbour City and Illawarra-Shoalhaven City. In the Eastern Harbour City, the hypothetical infill apartment development was modelled. In the Illawarra-Shoalhaven City the infill apartment and greenfield hypothetical developments were modelled, albeit the infill apartment development was reduced in scale to reflect market conditions.

The hypothetical developments in *Release the Pressure No. 2* have been modelled under the same four scenarios and time periods (2018, 2024 and 2026) as adopted for *Release the Pressure No. 1*. The scenarios are:

- Base Case – application of all taxes and charges, including the phased introduction of HPC and Sydney Water DSP charges as per current NSW Government commitments.
- HPC Scenario – suspension of HPC charges only for the Housing Accord period (mid 2024-mid 2029). Sydney Water DSP charges are phased in as per NSW Government commitments.
- Sydney Water Scenario – suspension of SWDSP charges only for the Housing Accord period (mid 2024-2029). HPC charges are phased in as per NSW Government commitments.
- Suspension of both HPC and Sydney Water DSP charges for the duration of the Housing Accord period.

In addition, *Release the Pressure No. 2* modelled compressed planning approval timeframes across all four cities investigated to date, testing the benefits of a maximum 6-month and 9-month planning approval process.

Our **hypothetical** development scenarios

Under all scenarios:

- standard development approval processes are assumed, with no rezoning, design competition or similar processes required;
- the cost and revenue inputs are informed by averages and feedback from Property Council members who are active in the Eastern Harbour City, Central River City, Western Parkland City, and Illawarra-Shoalhaven City;
- while all developments and developers are different and the scenarios are hypothetical, they are based on market prices, sales rates and construction costs;
- s7.11 and/or s7.12 contributions are retained; and
- Affordable housing contributions are retained where an Affordable Housing Contribution Scheme is in place or there is another mechanism to levy for Affordable Housing.



Our **hypothetical** development scenarios

	Infill Development: Central River City and Western Parkland City	Greenfield Development: Central River City, Western Parkland City and Illawarra-Shoalhaven City
Type	Residential apartment building	Greenfield subdivision (single stage)
Yield	250 apartments	115 lot subdivision
Height	Between 10 and 20 storeys	n/a
Density	Floor space ratio 3:1	22 lots / ha
Parking rates	368	n/a
Lot size	Not applicable	154m ² - 576m ² (with most lots in the 300m ² - 400m ² range)
Staging	1 stage	1 stage

	Infill Development: Illawarra-Shoalhaven City
Type	Residential apartment building
Yield	80 apartments
Height	Between 5 and 10 storeys
Density	Floor space ratio 1.5:1
Parking rates	118
Lot size	Not applicable
Staging	1 stage

Eastern Harbour City: Infill assumptions



The hypothetical residential flat building development scenarios for the Eastern Harbour City adopt the following major average costs and revenues. It is important to note there are a range of prices across the suburbs in the Eastern Harbour City and the examples are indicative averages for locations which have accommodated apartment developments recently.

	2018	2024*
Land values (\$per unit)	E.g. Macquarie Park: \$150,000 - \$300,000 per unit	E.g. Macquarie Park: \$150,000 - \$300,000 per unit
Gross Realisable Value / Price (blended \$ per unit)	\$11,000 - \$15,000m ² (Net Saleable Area)	\$13,000 - \$18,000m ² (Net Saleable Area)
Unit construction (base) per Gross Floor Area	\$3,700m ² (with location allowance)	\$4,500m ² (with a location allowance)**
Parking construction	\$50,500 per space	\$65,000 per space
Balcony construction	\$1,125m ²	\$1,500m ²
Statutory	Savills averaged rates used in several former Development Contribution Plans published on the Ryde Council web-site + DA fees	Adopted Macquarie Park Contribution Plan by Ryde Council, Housing Productivity Contribution (discounted) and Sydney Water DSP charges (discounted) as per Government phase-in provisions + DA fees

- Escalated for the 2026 scenario by increasing costs and revenues based on historic trends and applying full HPC and Sydney Water DSP charges
- Both financial models include a range of other costs and charges. The costs and revenue noted are some of the material inputs adopted.
- ** Building costs can vary significantly. The RLB Riders Digest 2024 provides a cost range per GFA for 10-20 storeys of \$4,100 - \$5,500 per square metre. Increasingly, owner-occupier expectations are driving higher specifications and finishes, leading to increased construction costs⁹.

Central River City: Infill assumptions

The hypothetical residential flat building development scenarios for the Central River City adopt the following major average costs and revenues. It is important to note there are a range of prices across the suburbs in the Central River City and the examples are indicative averages for locations which have accommodated apartment developments recently.

	2018	2024*
Land values (\$per unit)	E.g. Parramatta / Carlingford / Castle Hill: \$100,000 - \$150,000 per unit	E.g. Parramatta / Carlingford/ Castle Hill: \$100,000 - \$150,000 per unit
Gross Realisable Value / Price (blended \$ per unit)	\$10,000 - \$10,500m ² (Net Saleable Area)	\$11,000 - \$12,000m ² (Net Saleable Area)
Unit construction (base) per Gross Floor Area	\$3,500m ² (with location allowance)	\$4,500m ² (with a location allowance)**
Parking construction	\$60,500 per space	\$75,000 per space
Balcony construction	\$1,125m ²	\$1,600m ²
Statutory	Savills averaged rates used in several former Development Contribution Plans published on the Parramatta Council web-site + DA fees	Adopted Outside CBD Contribution Plan (Amendment 1) by Parramatta Council, Housing Productivity Contribution (discounted) and Sydney Water DSP charges (discounted) as per Government phase-in provisions + DA fees

- Escalated for the 2026 scenario by increasing costs and revenues based on historic trends and applying full HPC and Sydney Water DSP charges
- Both financial models include a range of other costs and charges. The costs and revenue noted are some of the material inputs adopted.
- ** Building costs can vary significantly. The RLB Riders Digest 2024 provides a cost range per GFA for 10-20 storeys of \$4,100 - \$5,500 per square metre. Increasingly, owner-occupier expectations are driving higher specifications and finishes, leading to increased construction costs9.

Central River City: Greenfield assumptions



The hypothetical greenfield development scenarios have adopted the following average costs and scenarios. It is important to note there are a range of prices across the suburbs in the Central River City and the examples are indicative averages for locations which a couple of locations have accommodated Greenfield developments in the recent past.

	2018	2024*
Englobo land values (\$m ² GFA or per unit)	Circa Riverstone: \$275,000 per lot	Circa Riverstone: \$450,000 per lot
Retail land value	Circa Riverstone: \$420,000 per lot	Circa Riverstone: \$780,000 per lot
Civils (per lot)	\$50,000	\$70,000
Professional fees/development management	\$15,000	\$20,000
Sales and marketing	\$15,000	\$20,000
Statutory fees	Adopted historic s7.11 from Blacktown City Council and SIC from Growth Centres Commission	Adopted s7.11 from Blacktown City Council, Housing Productivity Contribution (discounted) and Sydney Water DSP charges (discounted) as per Government phase-in provisions.

* Escalated for the 2026 scenario by increasing costs and revenues based on historic trends and applying full HPC and SWDSP charges

Western Parkland City: Infill assumptions



The hypothetical residential flat building development scenarios for the Western Parkland City adopts the following major average costs and revenues. It is important to note there are a range of prices across the suburbs in the Western Parkland City and the examples are indicative averages for locations which have accommodated apartment developments recently.

	2018	2024*
Land values (\$per unit)	E.g. Liverpool / Leppington / Penrith: \$80,000 - \$100,000 per unit	E.g. Liverpool / Leppington / Penrith: \$80,000 - \$100,000 per unit
Gross Realisable Value / Price (blended \$ per unit)	\$6,000 - \$8,000m ² (Net Saleable Area)	\$7,000 - \$9,500m ² (Net Saleable Area)
Unit construction (base) per Gross Floor Area	\$3,500m ² (with location allowance)	\$4,500m ² (with a location allowance)**
Parking construction	\$60,500 per space	\$75,000 per space
Balcony construction	\$1,125m ²	\$1,600m ²
Statutory	Savills averaged rates used in several former Development Contribution Plans published on the Liverpool City Council web-site + DA fees	Adopted Leppington North/Austral Precincts Contribution Plan (2021) by Liverpool City Council, Housing Productivity Contribution (discounted) and Sydney Water DSP charges (discounted) as per Government phase-in provisions + DA fees

- Escalated for the 2026 scenario by increasing costs and revenues based on historic trends and applying full HPC and Sydney Water DSP charges
- Both financial models include a range of other costs and charges. The costs and revenue noted are some of the material inputs adopted.
- ** Building costs can vary significantly. The RLB Riders Digest 2024 provides a cost range per GFA for 10-20 storeys of \$4,100 - \$5,500 per square metre. Increasingly, owner-occupier expectations are driving higher specifications and finishes, leading to increased construction costs⁹.

Western Parkland City: Greenfield assumptions



The hypothetical greenfield development scenarios have adopted the following average costs and scenarios. It is important to note there are a range of prices across the suburbs in the Western Parkland City and the examples are indicative averages for locations which have accommodated significant Greenfield developments recently.

	2018	2024*
Englobo land values (\$m ² GFA or per unit)	Circa Austral: \$130,000 per lot	Circa Austral: \$230,000 per lot
Retail land value	Circa Austral: \$360,000 per lot	Circa Austral: \$570,000 per lot
Civils (per lot)	\$50,000	\$70,000
Professional fees/development management	\$12,750	\$17,000
Sales and marketing	\$10,000	\$17,000
Statutory fees	Adopted historic s7.11 from Liverpool City Council and SIC from Growth Centres Commission	Adopted s7.11 from Leppington North/Austral Precincts Contribution Plan (2021) by Liverpool City Council, Housing Productivity Contribution (discounted) and Sydney Water DSP charges (discounted) as per Government phase-in provisions.

- Escalated for the 2026 scenario by increasing costs and revenues based on historic trends and applying full HPC and Sydney Water DSP charges
- Both financial models include a range of other costs and charges. The costs and revenue noted are some of the material inputs adopted.

Illawarra-Shoalhaven City: Infill assumptions



The hypothetical residential flat building development scenarios for the Illawarra-Shoalhaven City adopts the following major average costs and revenues. It is important to note there are a range of prices across the suburbs in the Illawarra-Shoalhaven City and the examples are indicative averages for locations which have accommodated apartment developments recently.

	2018	2024*
Land values (\$per unit)	Wollongong CBD: \$50,000 - \$80,000 per unit	Wollongong CBD: \$50,000 - \$80,000 per unit
Gross Realisable Value / Price (blended \$ per unit)	\$6,500 - \$8,500m ² (Net Saleable Area)	\$7,500 - \$9,500m ² (Net Saleable Area)
Unit construction (base) per Gross Floor Area	\$3,600m ² (with location allowance)**	\$4,500m ² (with a location allowance)**
Parking construction	\$50,000 per space	\$60,000 per space
Balcony construction	\$1,000m ²	\$1,500m ²
Statutory	Savills averaged rates used in several former Development Contribution Plans published on the Wollongong City Council web-site + DA fees	Adopted Wollongong Contribution Plan by Wollongong City Council, Housing Productivity Contribution (discounted) and Sydney Water DSP charges (discounted) as per Government phase-in provisions + DA fees

- Escalated for the 2026 scenario by increasing costs and revenues based on historic trends and applying full HPC and Sydney Water DSP charges
- Both financial models include a range of other costs and charges. The costs and revenue noted are some of the material inputs adopted.
- ** Building costs can vary significantly. The RLB Riders Digest 2024 provides a cost range per GFA for up to 10 storeys of \$3,650 - \$5,000 per square metre. Increasingly, owner-occupier expectations are driving higher specifications and finishes, leading to increased construction costs.

Illawarra-Shoalhaven City: Greenfield assumptions



The hypothetical greenfield development scenarios have adopted the following average costs and scenarios. It is important to note there are a range of prices across the suburbs in the Illawarra-Shoalhaven City and the examples are indicative averages for locations which have accommodated significant Greenfield developments recently.

	2018	2024*
Englobo land values (\$m2 GFA or per unit)	Circa West Dapto: \$80,000 per lot	Circa Austral: \$80,000 per lot
Retail land value	Circa West Dapto: \$360,000 per lot	Circa Austral: \$460,000 per lot
Civils (per lot)	\$50,000	\$80,000
Professional fees/development management	\$13,500	\$20,000
Sales and marketing	\$12,500	\$18,000
Statutory fees	Adopted historic s7.11 from Wollongong City Council and the West Dapto Precinct Development Contributions Plan (2017)	Adopted s7.11 from West Dapto Contribution Plan (2020) by Wollongong City Council, Housing Productivity Contribution (discounted) and Sydney Water DSP charges (discounted) as per Government phase-in provisions.

- Escalated for the 2026 scenario by increasing costs and revenues based on historic trends and applying full HPC and Sydney Water DSP charges
- Both financial models include a range of other costs and charges. The costs and revenue noted are some of the material inputs adopted.

07

RELEASE THE PRESSURE

Feasibility Results

Eastern Harbour City: Infill apartment feasibility

The feasibility outcomes for the tested infill apartment scenarios illustrates the impact of Government fees and charges. In summary, the tested scenarios reveal:

- The feasibility modelling indicates apartment development was at a level that was considered marginally feasible in 2018.
- **In 2024, the same apartment development is not feasible** based on increased construction costs, interest rates and the cost of finance.
- **In 2024, the same apartment development does not become feasible when Sydney Water DSP charges and HPC charges are suspended.** Some developers would proceed as the development margin is acceptable, however the lengthy planning approval timeframes result in a low IRR, which would be a deterrent to other developers who would not start the project.
- **In 2024, if the apartment development could be approved in 12 months rather than 18 months, and Sydney Water DSP charges and HPC charges were suspended, development would be feasible for most developers.**
- **In 2024, reduced planning approval timeframes have the potential to significantly improve residential development feasibility.** The apartment development becomes feasible when the planning approval timeframe is limited to a maximum 9 months, even when HPC and Sydney Water DSP charges remain in place.
- We note the impact of removing the Sydney Water DSP charges is lower in Macquarie Park/Ryde than in many other areas as the discounted charge is \$1,002 per equivalent tenement (per dwelling) + CPI. In other areas in the Eastern Harbour City, the Sydney Water DSP charges is nil per dwelling.

Eastern Harbour City: Infill apartment feasibility

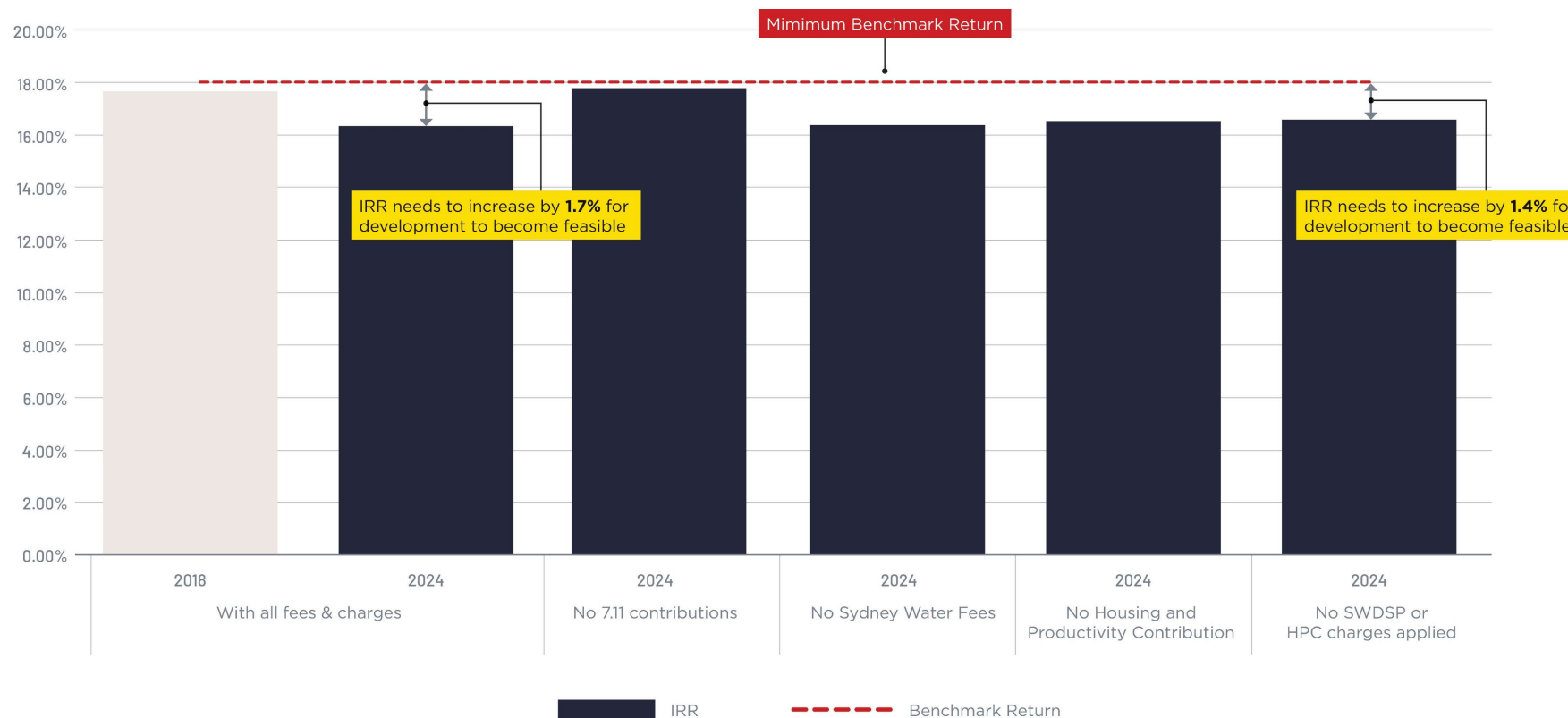


Figure 27 – Impact of changing State Government taxes and charges

Eastern Harbour City: Infill apartment feasibility

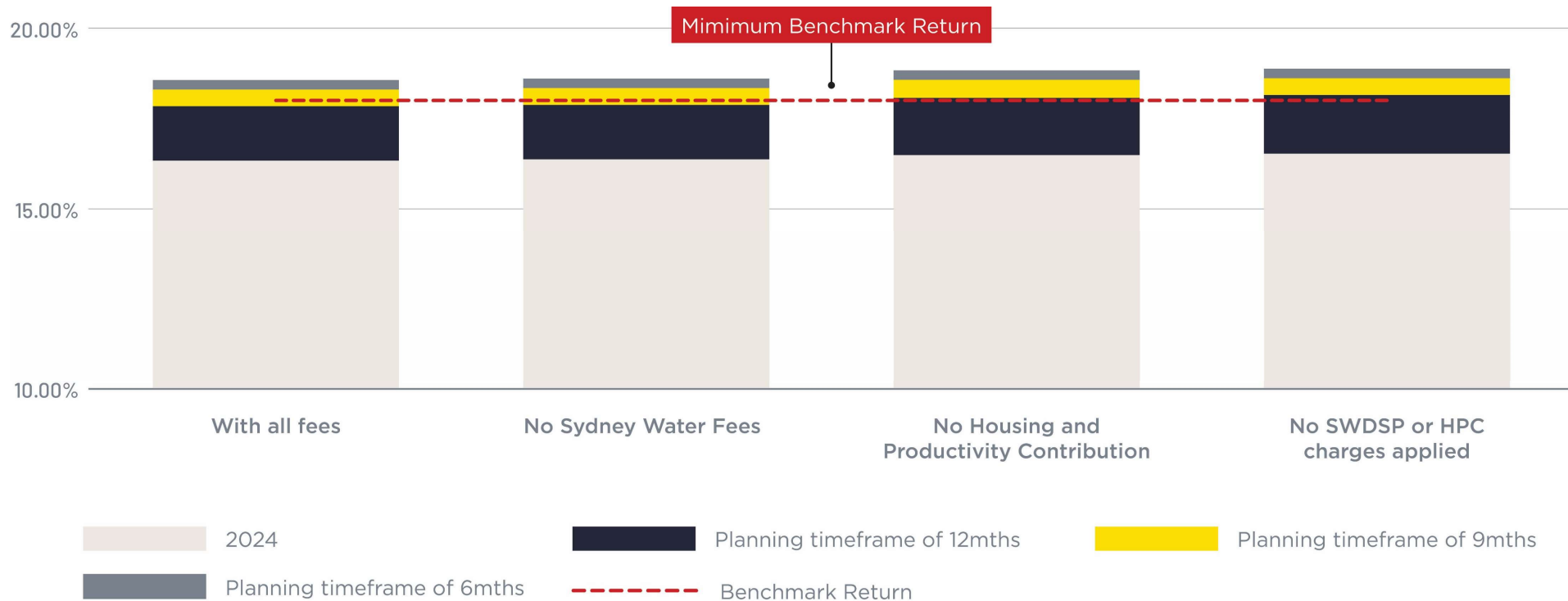


Figure 28 - Impact of changing State Government taxes and charges in 2024 and faster planning approval timeframes

Central River City: Infill apartment feasibility

The feasibility outcomes for the tested infill apartment scenarios illustrates the impact of Government fees and charges. In summary, the tested scenarios reveal:

- The feasibility modelling indicates apartment development was feasible in 2018.
- **In 2024, the same apartment development is not feasible** based on increased construction costs, interest rates and the cost of finance.
- **In 2024, the same apartment development becomes closer to being feasible when Sydney Water DSP charges and HPC charges are suspended.** Some developers would proceed as the development margin is acceptable, but due to a long planning period, the Internal Rate of Return is low, and some would not start the project.
- **In 2024, if the apartment development could be approved in 12 months rather than 18 months, and Sydney Water DSP charges and HPC charges were suspended, development would be feasible for most developers.**
- We note the impact of removing the Sydney Water DSP charges is lower in Parramatta/Carlingford than in many other areas as the discounted charge is \$967 per equivalent tenement (per house) + CPI. In other areas in the Central River City, the Sydney Water DSP charges are over \$9,465 per house.

Central River City: Infill apartment feasibility

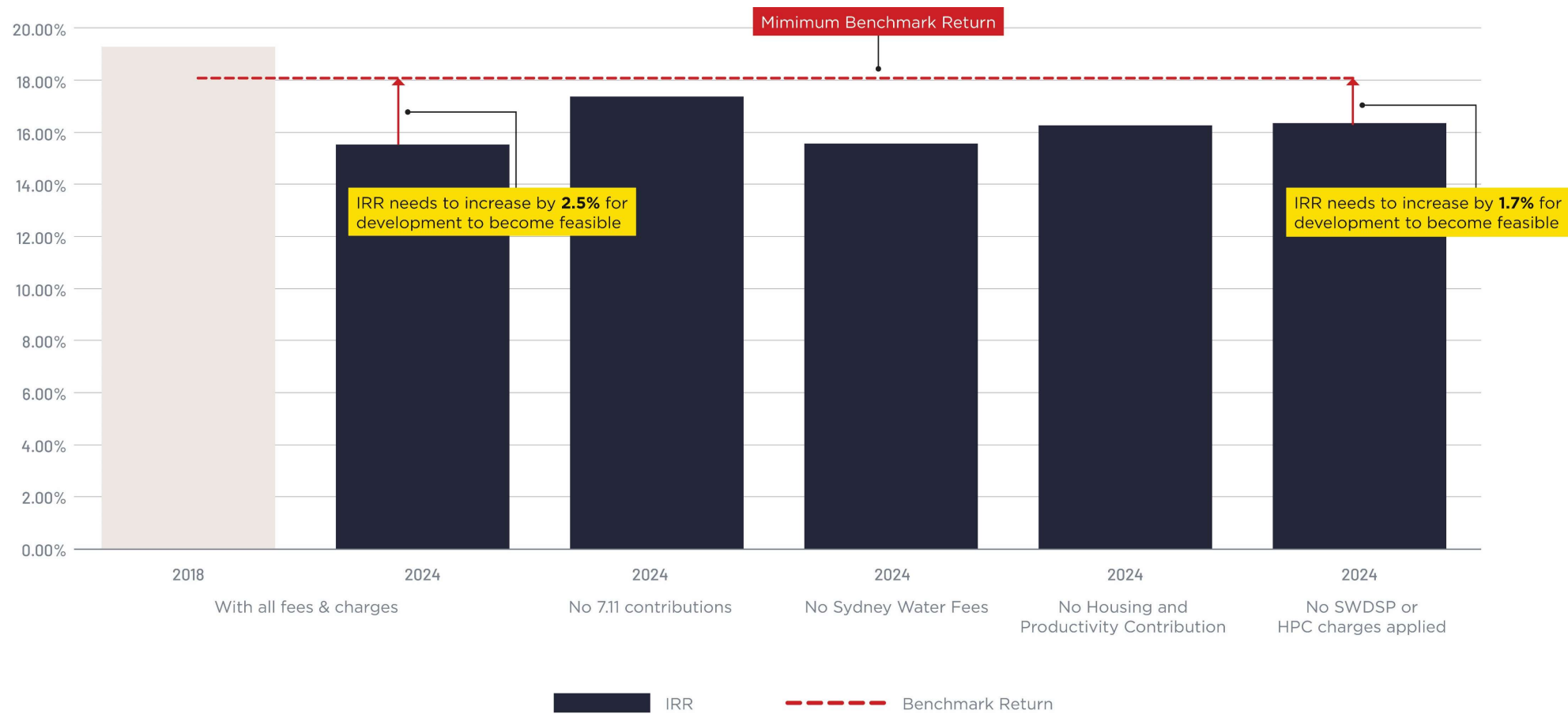


Figure 29 – Impact of changing State Government taxes and charges

Central River City: Infill apartment feasibility



Figure 30 – Impact of changing State Government taxes and charges 2024 and faster planning approval timeframes

Central River City: Greenfield development feasibility

The feasibility outcomes for the tested Greenfield scenarios illustrates the impact of Government fees and charges. In summary, the tested scenarios reveal:

- Typically, a zoned and serviced greenfield development of circa 115 lots has less risk and requires a lower return than a 250-unit apartment development, but these sites are very hard to find. There can be substantial delays with zoning and servicing (including roads and water and sewer) which increases risk.
- The feasibility modelling indicates greenfield development was feasible in 2018.
- **In 2024, the same greenfield development is not feasible** based on increased construction costs, interest rates and the cost of finance.
- **In 2024, the same greenfield development becomes feasible if Sydney Water DSP charges and HPC charges are suspended.**
- **However, by 2026 when full Sydney Water DSP charges and HPC charges apply, the greenfield development is very unfeasible (circa 11.7% IRR).** To ensure the Greenfield development was feasible in 2026, current discounts (25% HPC) and (50% Sydney Water DSP charges) would need to be maintained. Alternatively, to help the project achieve benchmark returns, the Government could also fast-track planning approvals by 4 months which also results in the development becoming feasible, enabling it to proceed.
- **In 2024, reduced planning approval timeframes have the greatest potential to significantly improve residential development feasibility.** The apartment development becomes feasible when the planning approval timeframe is reduced to 6 months, even when HPC and Sydney Water DSP charges remain in place.

Central River City: Greenfield development feasibility:

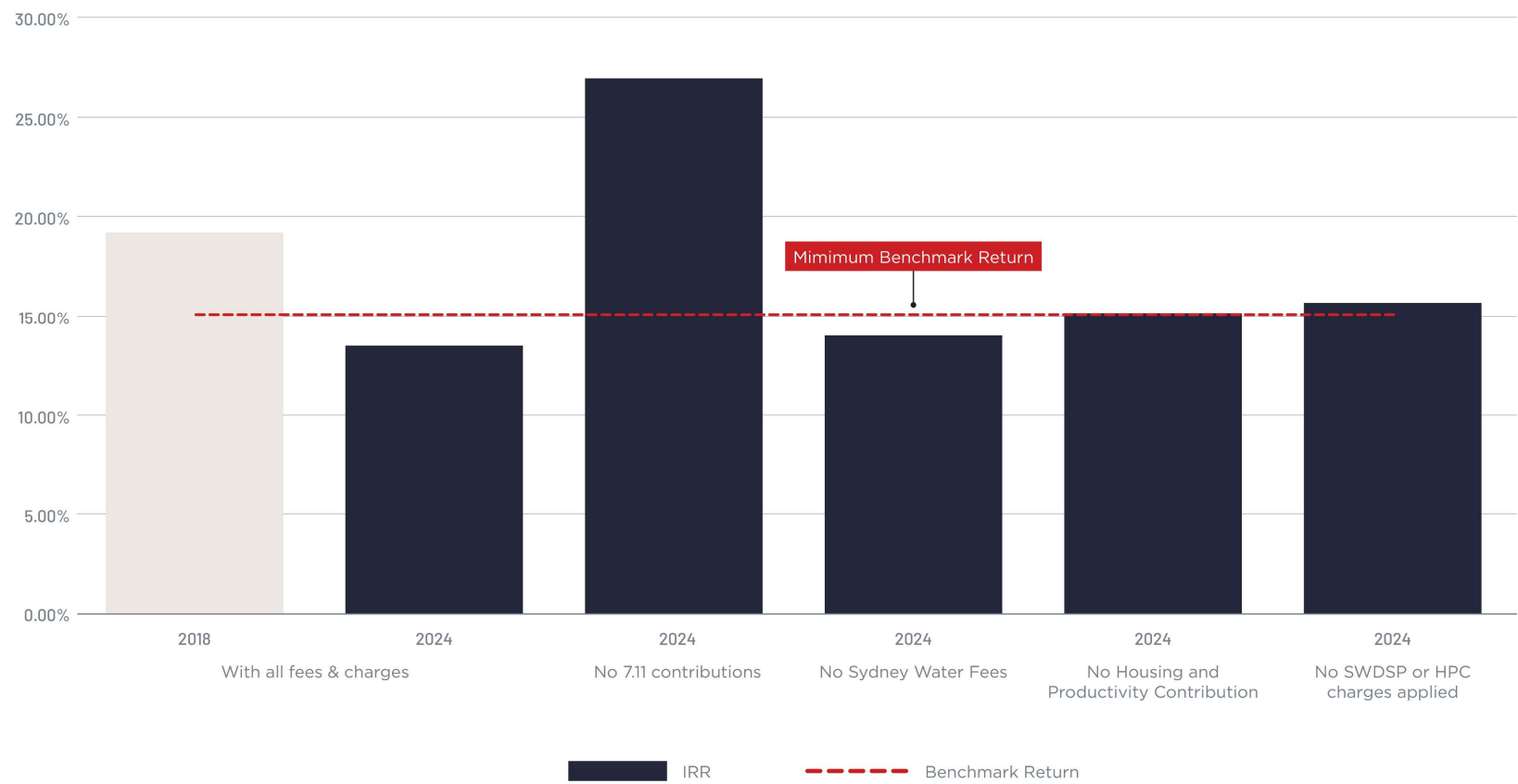


Figure 31 – Impact of changing State Government taxes and charges 2024

Central River City: Greenfield development feasibility:

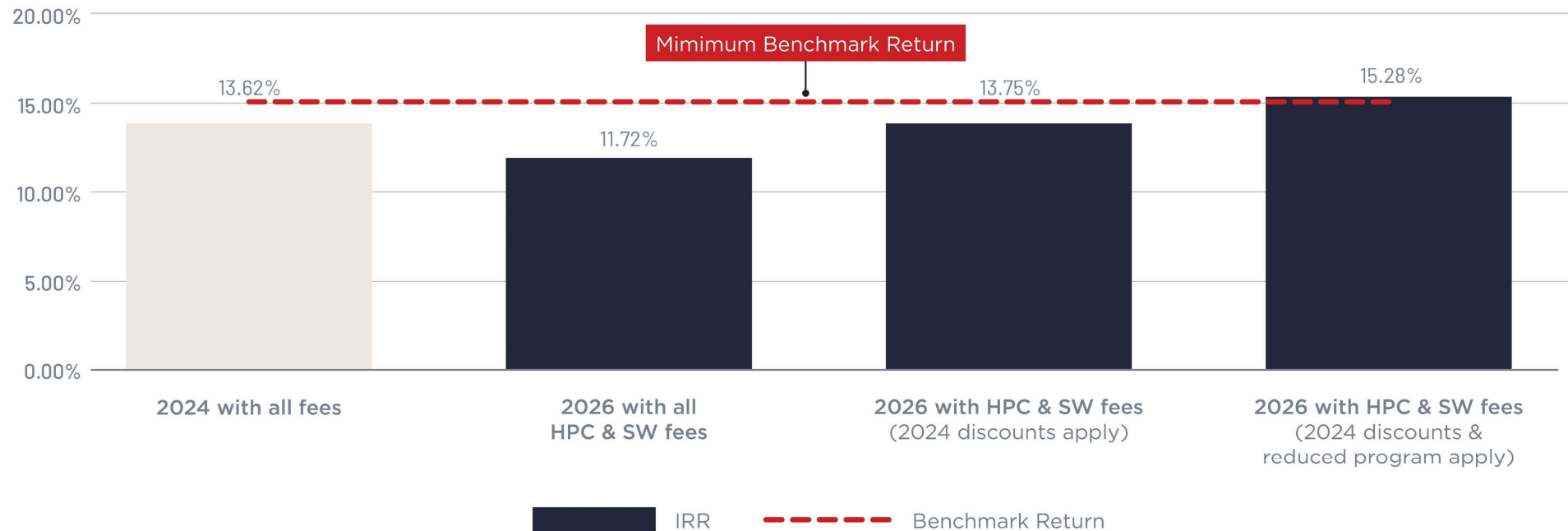


Figure 32 - Impact of changing taxes and charges and approval times in 2026

Central River City: Greenfield development feasibility:

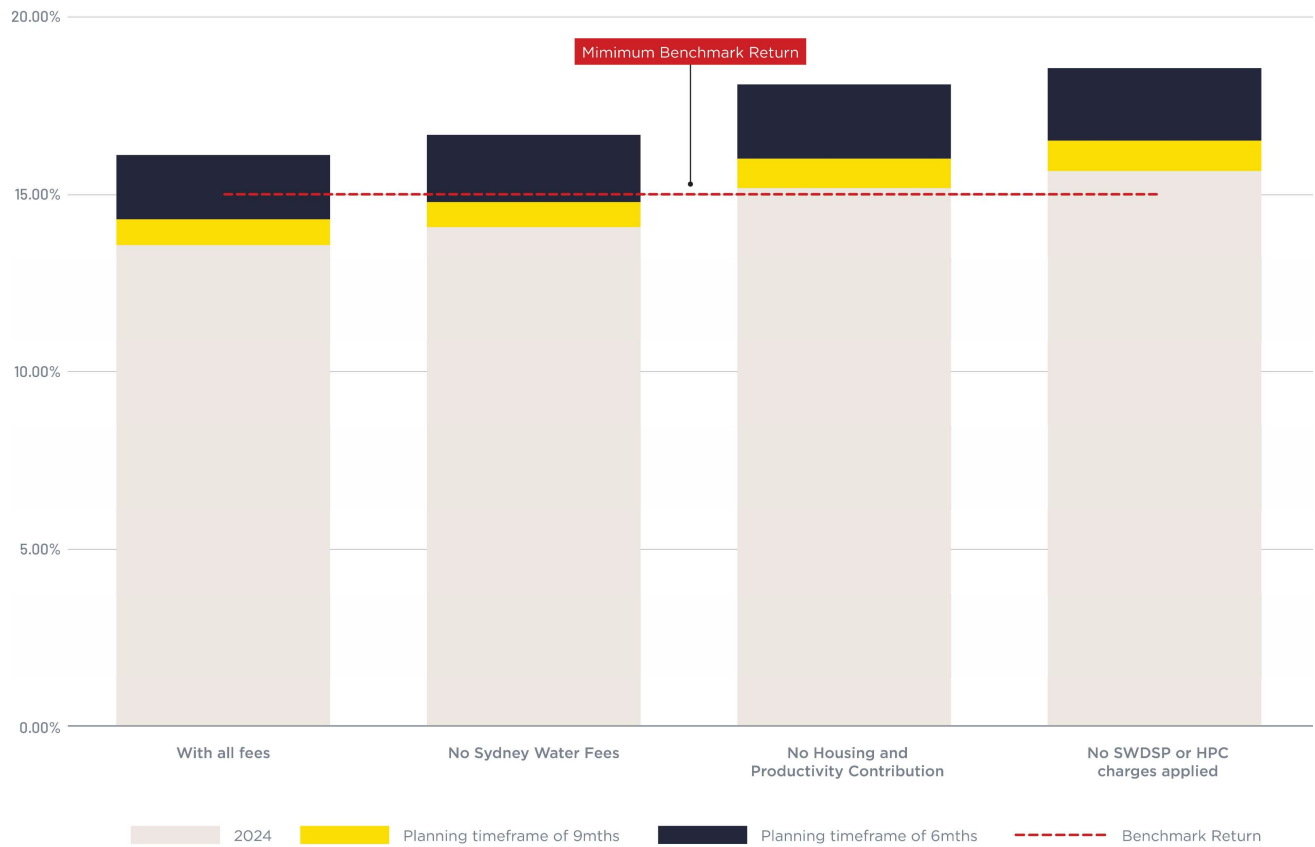


Figure 33 – Impact of changing State Government taxes and charges 2024 and faster planning approval timeframes

Western Parkland City: Infill apartment feasibility

The feasibility outcomes for the tested infill apartment scenarios illustrates the impact of Government fees and charges. In summary, the tested scenarios reveal:

- The feasibility modelling indicates apartment development was feasible in 2018.
- **In 2024, the same apartment development is not feasible** based on increased construction costs, interest rates and the cost of finance.
- **In 2024, the same apartment development becomes closer to being feasible when Sydney Water DSP charges and HPC charges are suspended.** Some developers would proceed as the development margin is acceptable, but due to a long planning period, the Internal Rate of Return is low, and some would not start the project.
- **In 2024, if the apartment development could be approved in 12 months rather than 18 months, and Sydney Water DSP charges and HPC charges were suspended, development would be feasible for most developers.**
- **In 2024, suspension of HPC and Sydney Water DSP charges combined with reduced planning approval timeframes have the potential to significantly improve residential development feasibility.**
 - Suspending HPC charges only (i.e.: retaining Sydney Water DSP charges) combined with a maximum planning approval timeframe of 6 months planning approval timeframe exceeds the minimum benchmark.
 - Suspending both the HPC and Sydney Water DSP charges with a maximum 9 months planning approval timeframe exceeds the minimum benchmark.
- We note the impact of removing the Sydney Water DSP charges is positive in Liverpool at is \$4,988 per equivalent tenement (per dwelling) + CPI. There are a range of Sydney Water DSP charges across the Western Parkland City from around \$1,000 per house to over \$45,000 per house.

Western Parkland City: Infill apartment feasibility

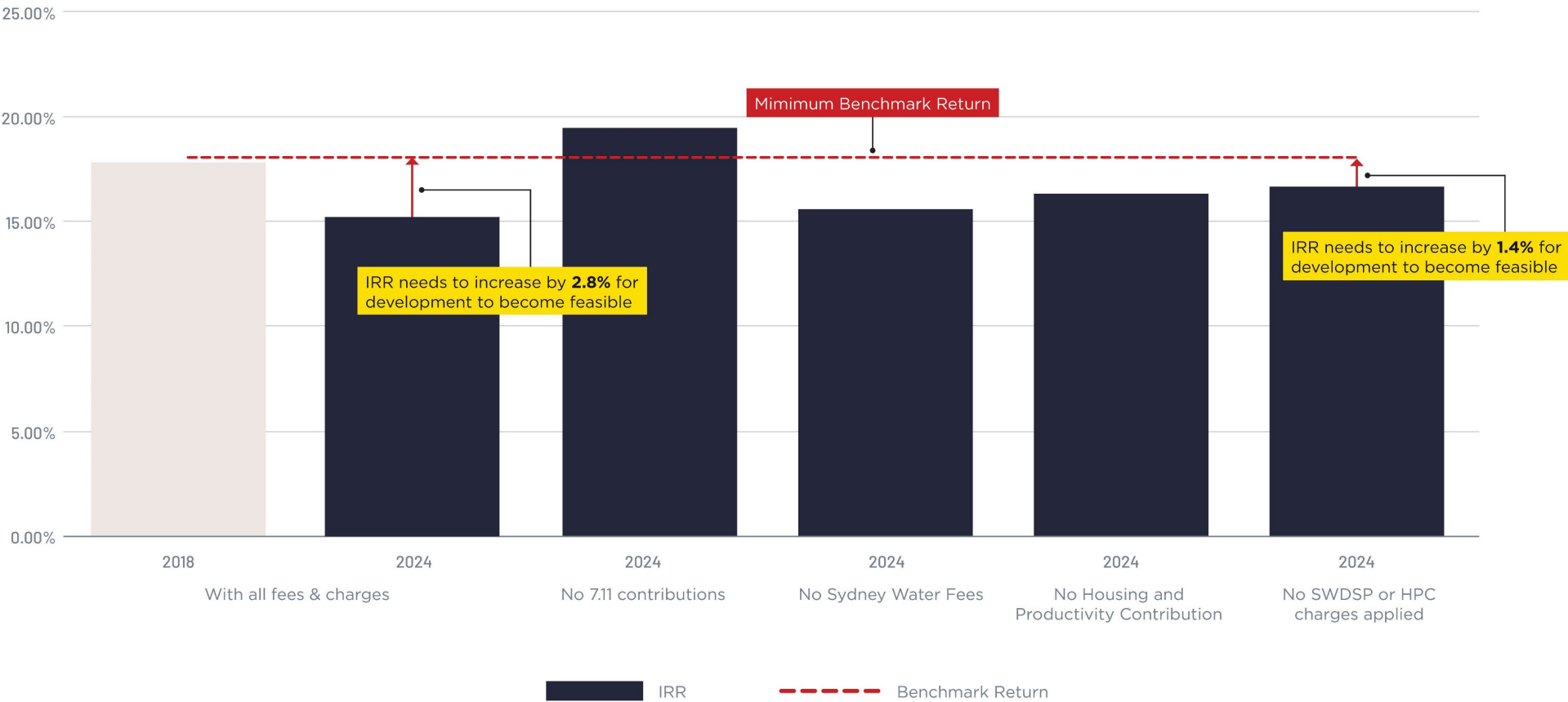


Figure 34 – Impact of changing State Government taxes and charges

Western Parkland City: Infill apartment feasibility



Figure 35 – Impact of changing State Government taxes and charges 2024 and faster planning approval timeframes

Western Parkland City: Greenfield development feasibility

The feasibility outcomes for the tested Greenfield scenarios illustrates the impact of Government fees and charges. In summary, the tested scenarios reveal:

- Typically, a zoned and serviced greenfield development of circa 115 lots has less risk than a 250-unit apartment development, but these sites are very hard to find. There are substantial delays with servicing (including roads and water and sewer) especially in new growth areas.
- The feasibility modelling indicates greenfield development was feasible in 2018.
- **In 2024, the same greenfield development is not feasible** based on increased construction costs, interest rates and the cost of finance.
- **In 2024, the same greenfield development just becomes feasible if Sydney Water DSP charges and HPC charges are suspended.**
- **By 2026 with full Sydney Water DSP charges and HPC charges the greenfield development becomes very unfeasible.** To ensure the greenfield development was feasible in 2026, current discounts (25% HPC) and (50% Sydney Water DSP charges) would need to be maintained. Alternatively, to help the project achieve benchmark returns, the Government could also fast-track planning approvals by 4 months which also results in the development becoming feasible, enabling it to proceed.
- **In 2024, reduced planning approval timeframes have the greatest potential to significantly improve residential development feasibility.**
 - Suspending Sydney Water DSP or HPC charges combined with a maximum planning approval timeframe of 6 months planning approval timeframe exceeds the minimum benchmark.
 - Suspending both HPC and Sydney Water DSP charges combined with a maximum 9-month planning approval timeframe makes development very feasible.

Western Parkland City: Greenfield development feasibility

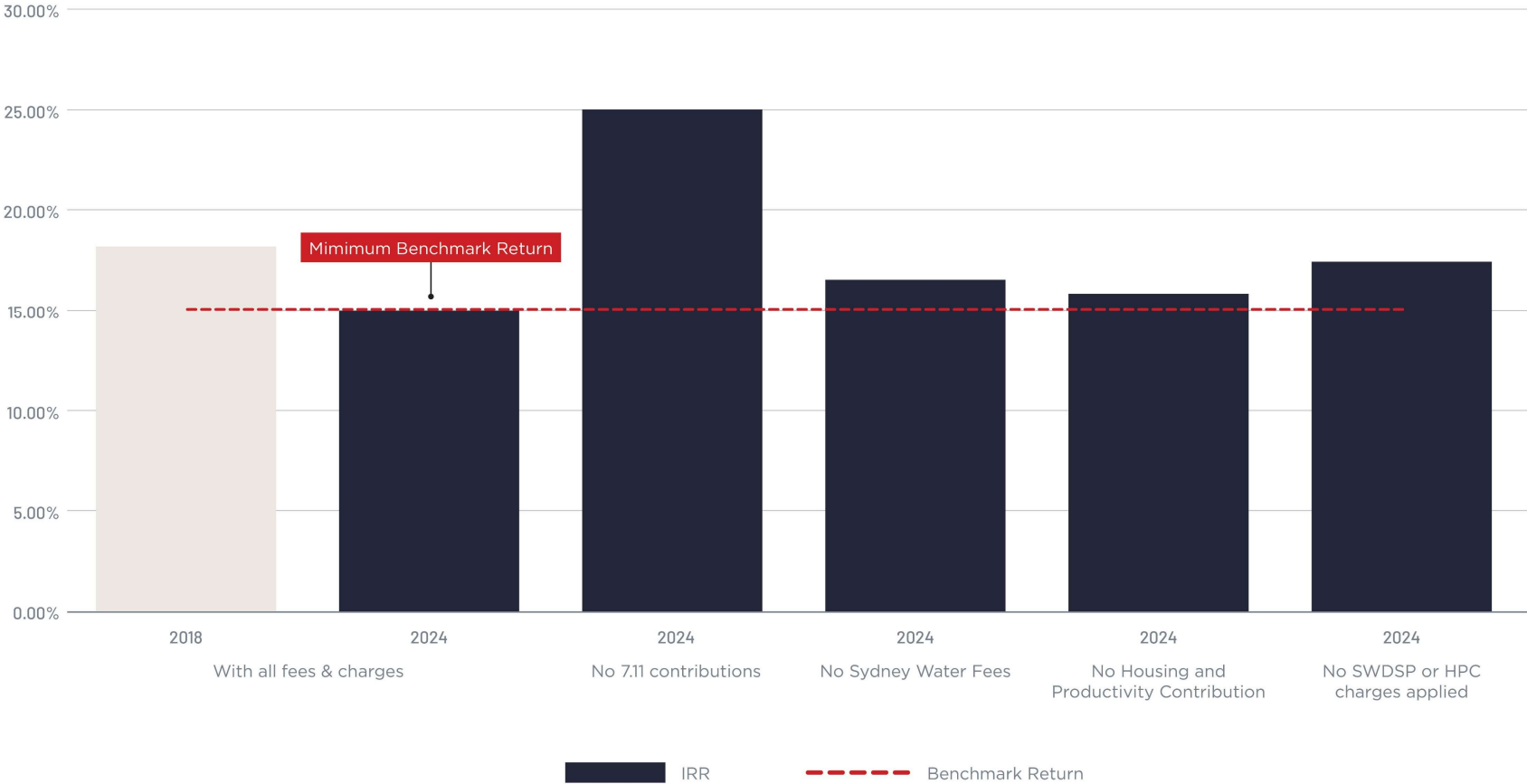


Figure 36 - Impact of changing State Government taxes and charges 2024

Western Parkland City: Greenfield development feasibility

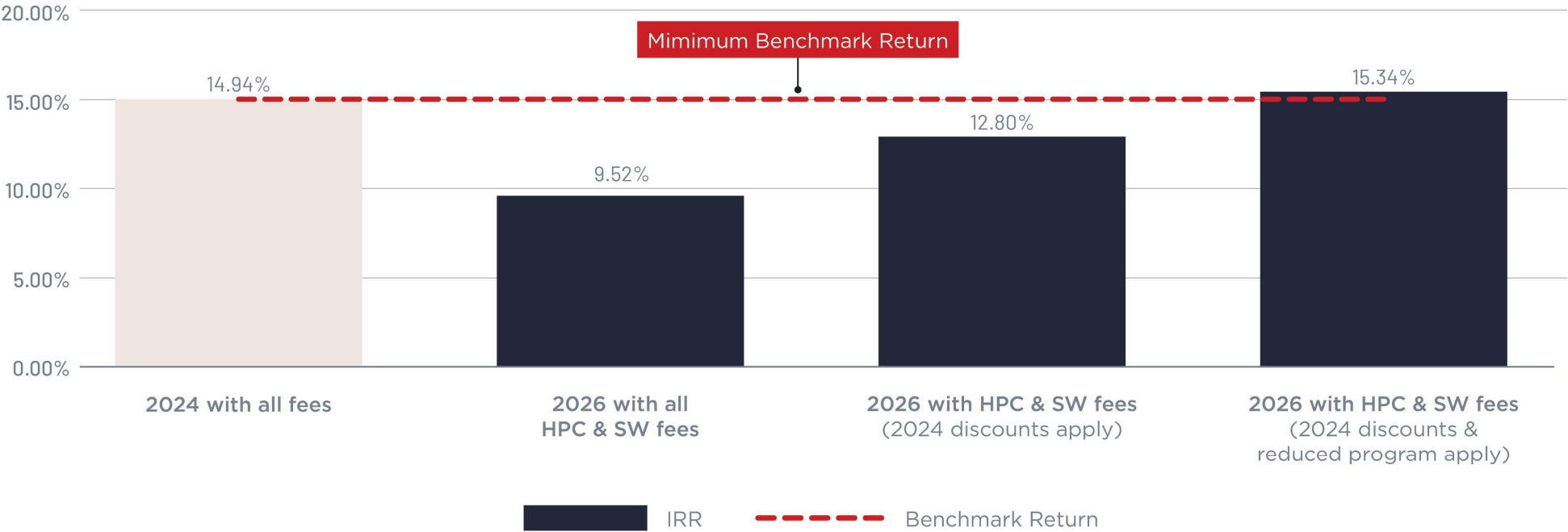


Figure 37 - Impact of changing taxes and charges and approval times in 2026

Western Parkland City: Greenfield development feasibility

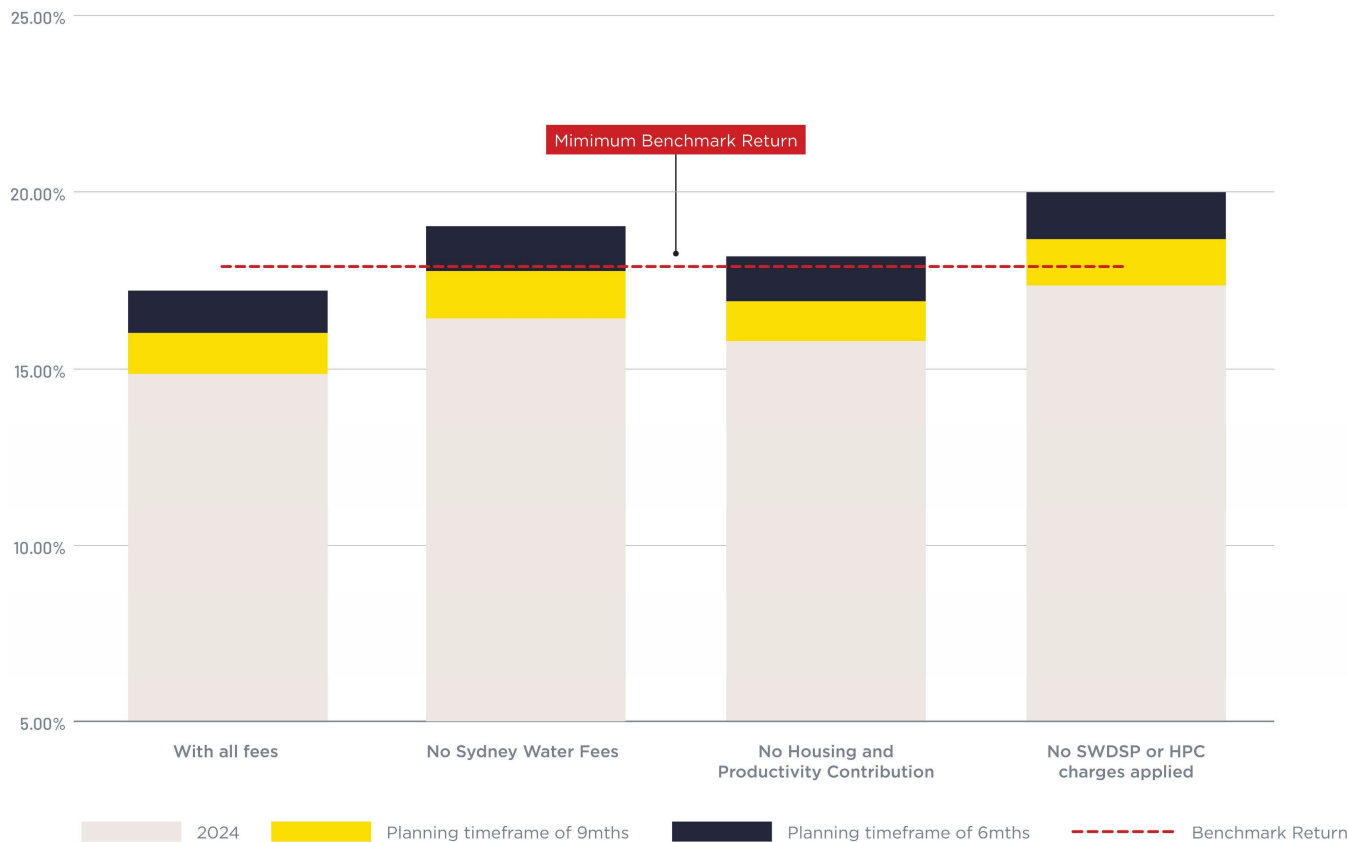


Figure 38 - Impact of changing State Government taxes and charges 2024 and faster planning approval timeframes

Illawarra-Shoalhaven City:

Infill apartment feasibility

The feasibility outcomes for the tested infill apartment scenarios illustrate the impact of Government fees and charges. In summary, the tested scenarios reveal:

- The feasibility modelling indicates apartment development was feasible in 2018.
- **In 2024, the same apartment development is not feasible** based on increased construction costs, interest rates and the cost of finance.
- **In 2024, the same apartment development becomes closer to being feasible when Sydney Water DSP charges and HPC charges are suspended.** Some developers would proceed as the development margin is acceptable, however the lengthy planning approval timeframes result in a low IRR, which would be a deterrent to other developers who would not start the project.
- **In 2024, if the apartment development could be approved in 6 months rather than 18 months, and Sydney Water DSP charges and HPC charges were suspended, development would be feasible for most developers.**
- We note the impact of removing the Sydney Water DSP charges in the Wollongong CBD than in many other areas no charges currently apply. In other areas in the Illawarra-Shoalhaven, the Sydney Water DSP charges are over \$17,318 per dwelling.

Illawarra-Shoalhaven City: Infill apartment feasibility

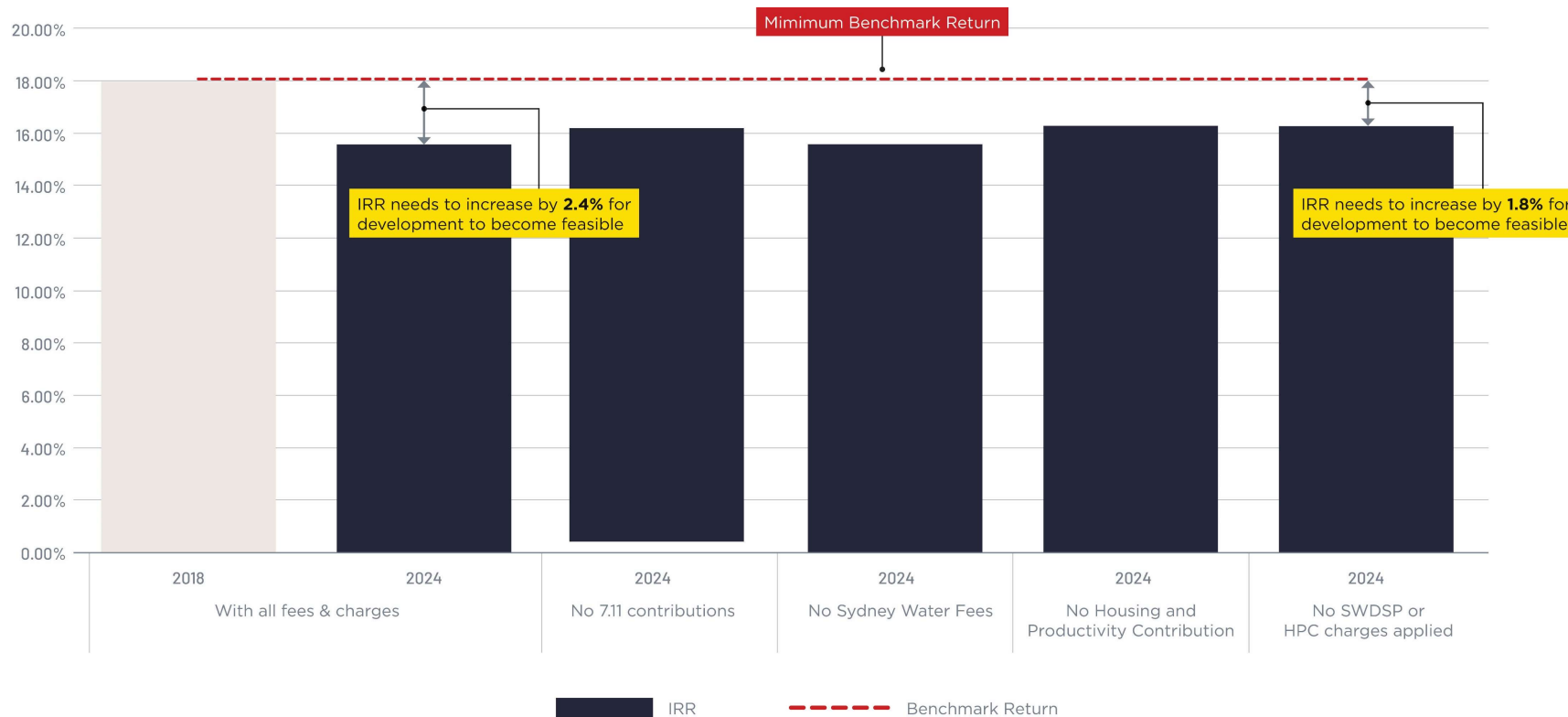


Figure 39 - Impact of changing State Government taxes and charges

Illawarra-Shoalhaven City: Infill apartment feasibility

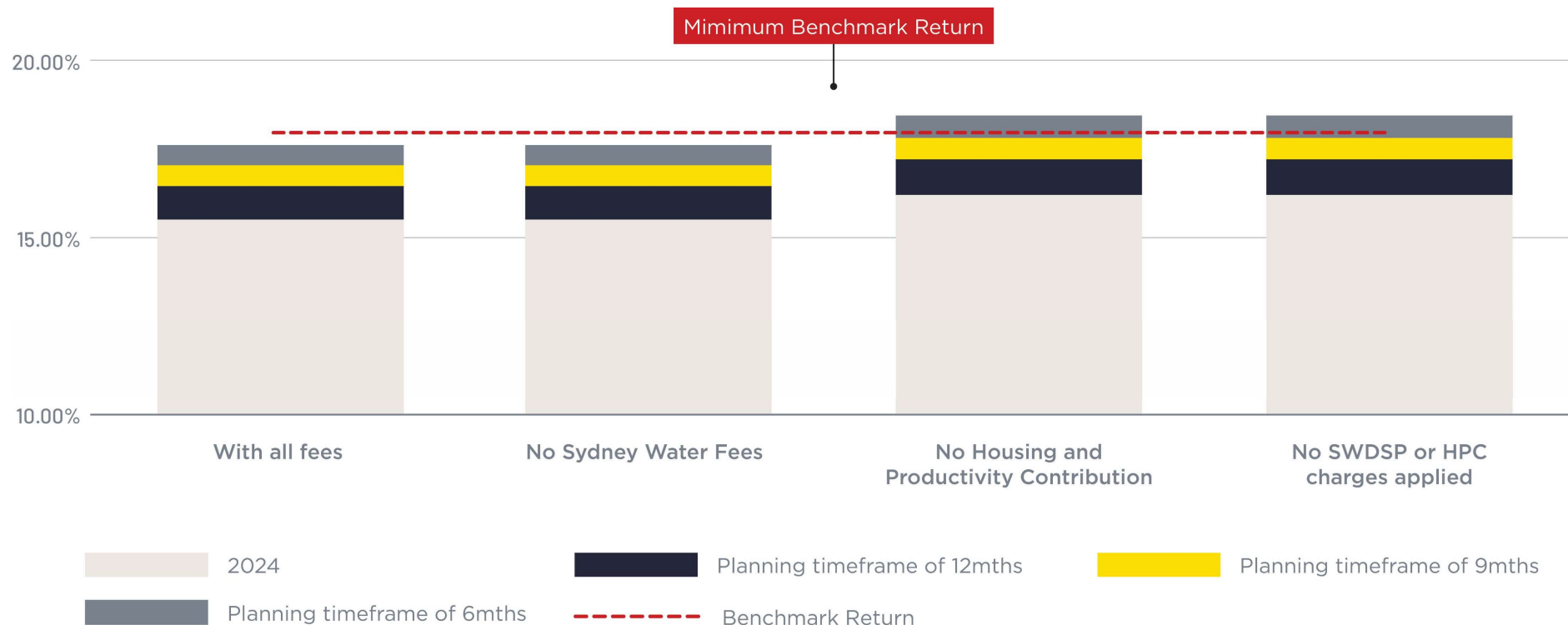


Figure 40 - Impact of changing State Government taxes and charges2024 and faster planning approval timeframes

Illawarra-Shoalhaven City: Greenfield development feasibility

The feasibility outcomes for the tested Greenfield scenarios illustrate the impact of Government fees and charges. In summary, the tested scenarios reveal:

- Typically, a zoned and serviced greenfield development of circa 115 lots has less risk and requires a lower return than an 80-unit apartment development, but these sites are very hard to find. Developers in Wollongong have noted that there can be substantial delays with zoning, planning approvals and servicing (including roads, water and sewer) which increases development risk.
- The feasibility modelling indicates greenfield development was feasible in 2018.
- In 2024, the same greenfield development remains just feasible.
- **In 2024, the same greenfield development is significantly more feasible if one or both of the Sydney Water DSP charges and HPC charges are suspended.**
- **By 2026, when full Sydney Water DSP charges and HPC charges apply, the greenfield development is very unfeasible (circa 16.4% IRR).** To ensure the greenfield development was feasible in 2026, current discounts (25% HPC) and (50% Sydney Water DSP charges) would need to be maintained. Alternatively, to help the project achieve benchmark returns, the Government could also fast-track planning approvals by 4 months which also results in the development becoming feasible, enabling it to proceed.
- **Fast-tracking planning approvals help achieve benchmark returns. Reducing the planning timeframes to a maximum 9 months results significantly reduces the holding costs and other development risks and improves the IRR and reduces holding.**

Illawarra-Shoalhaven City: Greenfield development feasibility

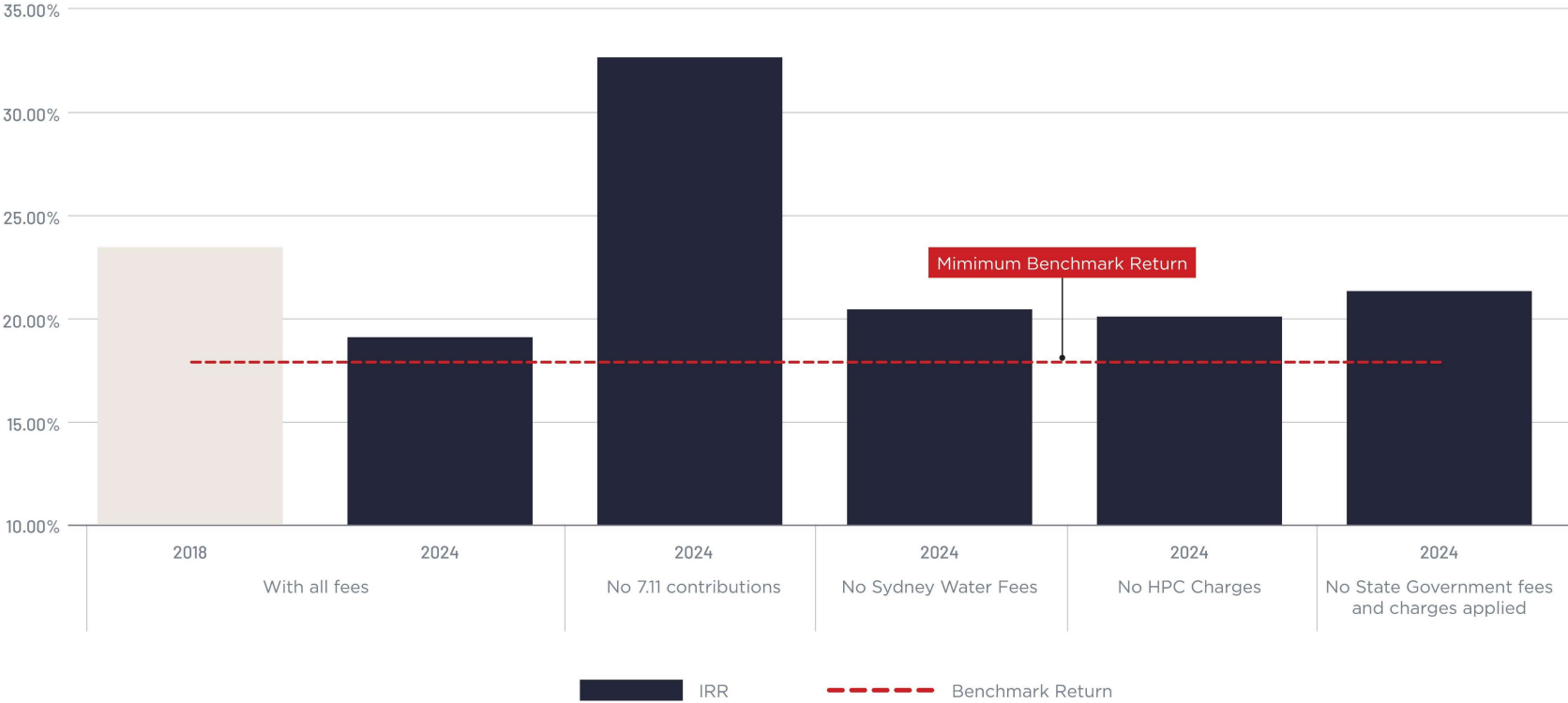


Figure 41 – Impact of changing State Government taxes and charges 2024

Illawarra-Shoalhaven City: Greenfield development feasibility

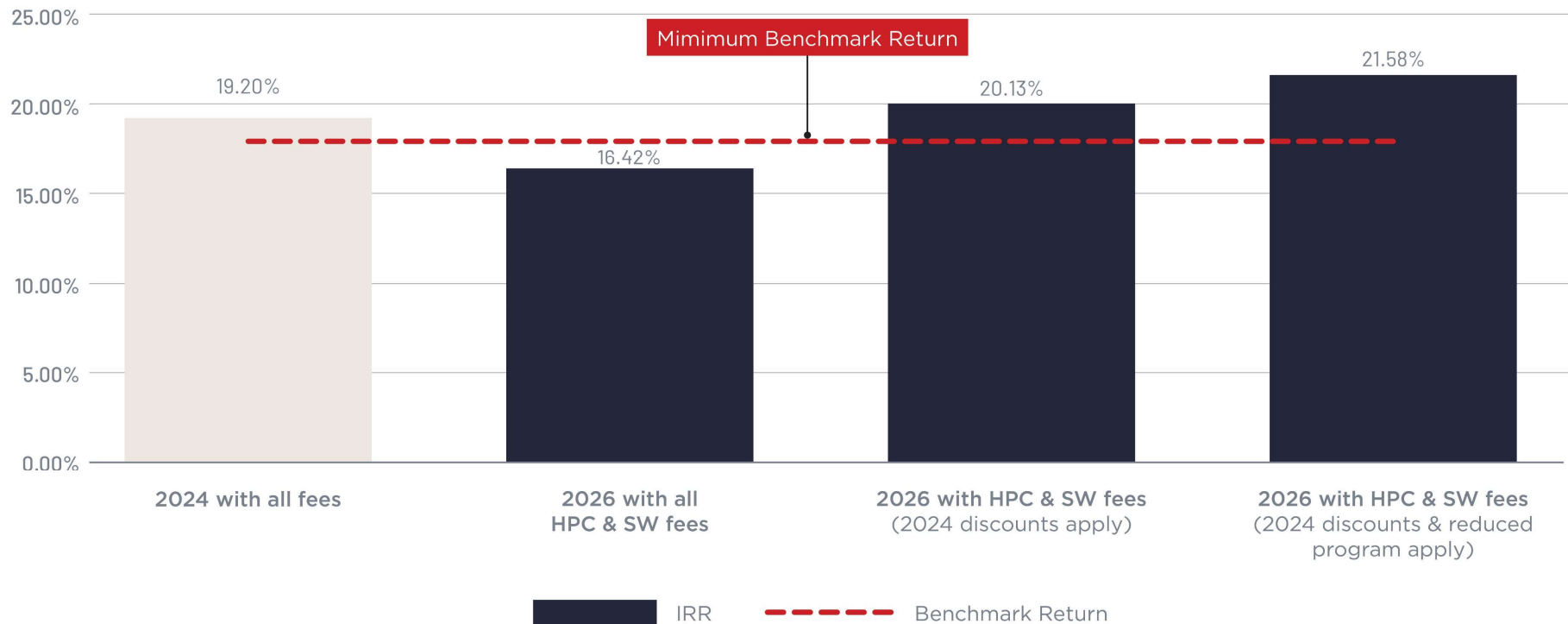


Figure 42 - Impact of changing taxes and charges and approval times in 2026

Illawarra-Shoalhaven City: Greenfield development feasibility

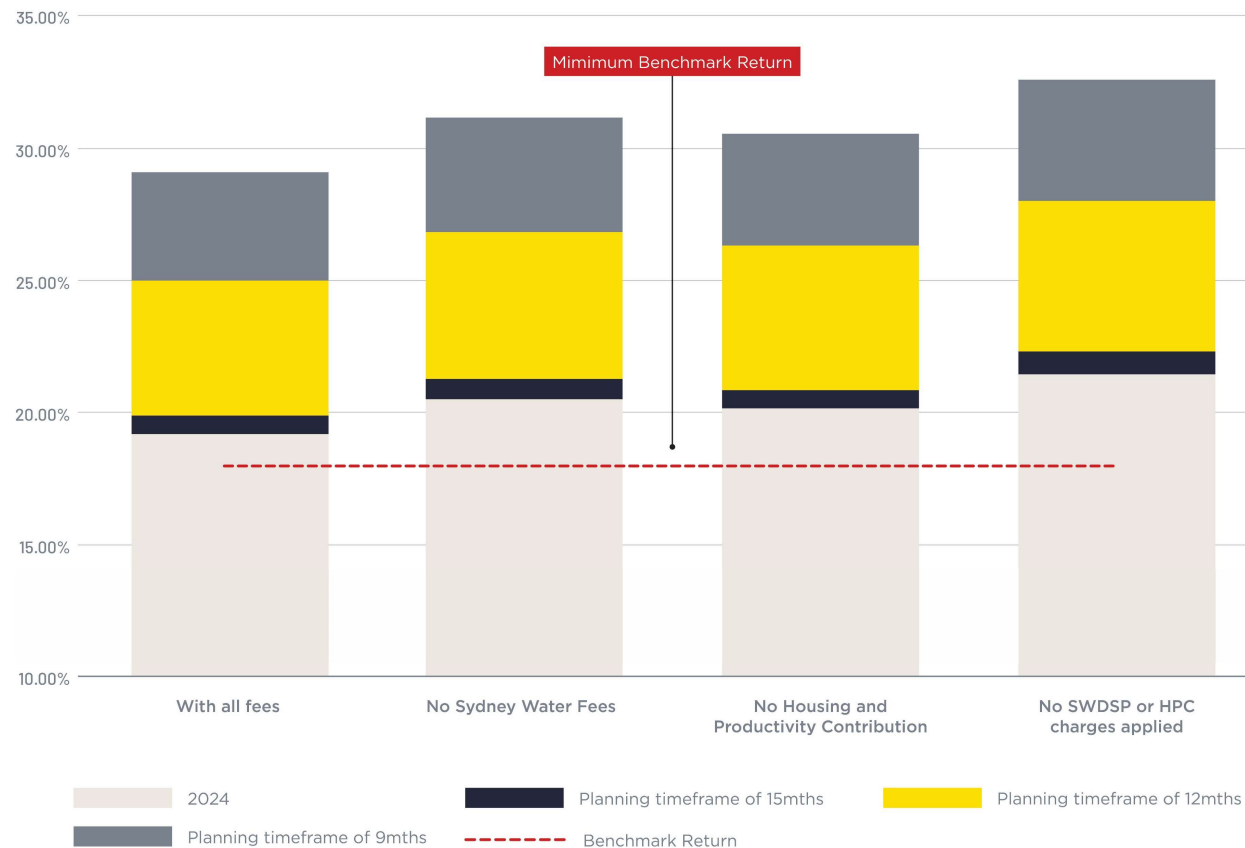


Figure 43 - Impact of changing State Government taxes and charges 2024 and faster planning approval timeframes

08

RELEASE THE PRESSURE

Conclusions & Recommendations

The benefit of **Government action**

Savills forecasts that having **no increases in residential development taxes and changes and faster approvals during the Housing Accord period would help deliver almost 209,000 new homes in Sydney and the Illawarra in the 5 years to 2029.**

The delivery of 209,000 new homes by 2029 would contribute about 65% of the total Housing Accord commitment for the Six Cities region. The distribution of potential new homes as a proportion of the Housing Accord commitments and DPHI housing targets (June. 2024) is summarised below.

City	New Homes	% of City's proportional Housing Accord commitment	% of DPHI Housing Target
Eastern Harbour City	62,000	66%	58%
Central River City	77,500	61%	80%
Western Parkland City	50,000	61%	85%
Illawarra-Shoalhaven City	22,000	17% more than both the Housing Accord commitment and DPHI Housing Target, helping to make up historic shortfalls	

This is almost 60,000 more than the low forecast and almost 35,500 more than the high forecast in the Sydney Housing Supply Forecast across the Eastern Harbour, Western Parkland, Central River and Illawarra-Shoalhaven Cities.

Conclusions: The benefit of Government action

EASTERN HARBOUR CITY

No increases in taxes and changes, reductions in current state taxes and faster approvals in the Eastern Harbour City would help deliver **~62,000 new homes**.

- This is ~ 33,500 higher than a continuation of actual completions in 2022/23 (circa 28,000 extra dwellings forecast over 5 years).
- This is ~ 17,500 higher than the Sydney Housing Supply Forecast Low Scenario (circa 44,000 extra dwellings forecast over 5 years).
- This is ~ 8,000 higher than the SHSF High Scenario (circa 54,000 extra dwellings forecast over 5 years).

CENTRAL RIVER CITY

No increases in taxes and changes, reductions in current state taxes and faster approvals in the Central River City would help deliver **~77,500 new homes**.

- This is ~ 33,500 higher than a continuation of actual completions in 2022/23 (circa 44,000 extra dwellings forecast over 5 years).
- This is ~ 21,000 higher than the Sydney Housing Supply Forecast Low Scenario (circa 56,500 extra dwellings forecast over 5 years).
- This is ~ 11,000 higher than the SHSF High Scenario (circa 66,500 extra dwellings forecast over 5 years).

WESTERN PARKLAND CITY

No increases in taxes and changes, reductions in current state taxes and faster approvals in the Western Parkland City would help deliver **~ 50,000 new homes**.

- This is ~ 16,000 higher than a continuation of actual completions in 2022/23 (circa 34,000 extra dwellings forecast over 5 years).
- This is ~ 19,500 higher than the Sydney Housing Supply Forecast Low Scenario (circa 30,500 extra dwellings over 5 years), which is even lower than a continuation of 2022/23 which had the lowest completions in years).
- This is ~ 16,500 higher than the SHSF High Scenario (circa 33,500 over 5 years), which is around the same as a continuation of the number of completions in 2022/23, which had the lowest completions in years).
- Savills' view is our forecast for the Western Parkland City could potentially be higher, however we are concerned that getting more sites serviced is currently taking a long time.

ILLAWARRA / SHOALHAVEN

No increases in taxes and changes, reductions in current state taxes and faster approvals in the Illawarra-Shoalhaven City would help deliver **~20,000 new homes**.

- This is ~ 10,250 higher than a continuation of actual completions in 2022/23 (circa 9,750 extra dwellings forecast over 5 years).
- This is ~ 13,250 higher than the Sydney Housing Supply Forecast (circa 22,775 extra dwellings over 5 years).
- Savills' view is our forecast for the Illawarra-Shoalhaven could potentially be higher, however we are concerned that getting Development Applications approved and more sites serviced is currently taking a long time.

Conclusions: The benefit of Government action

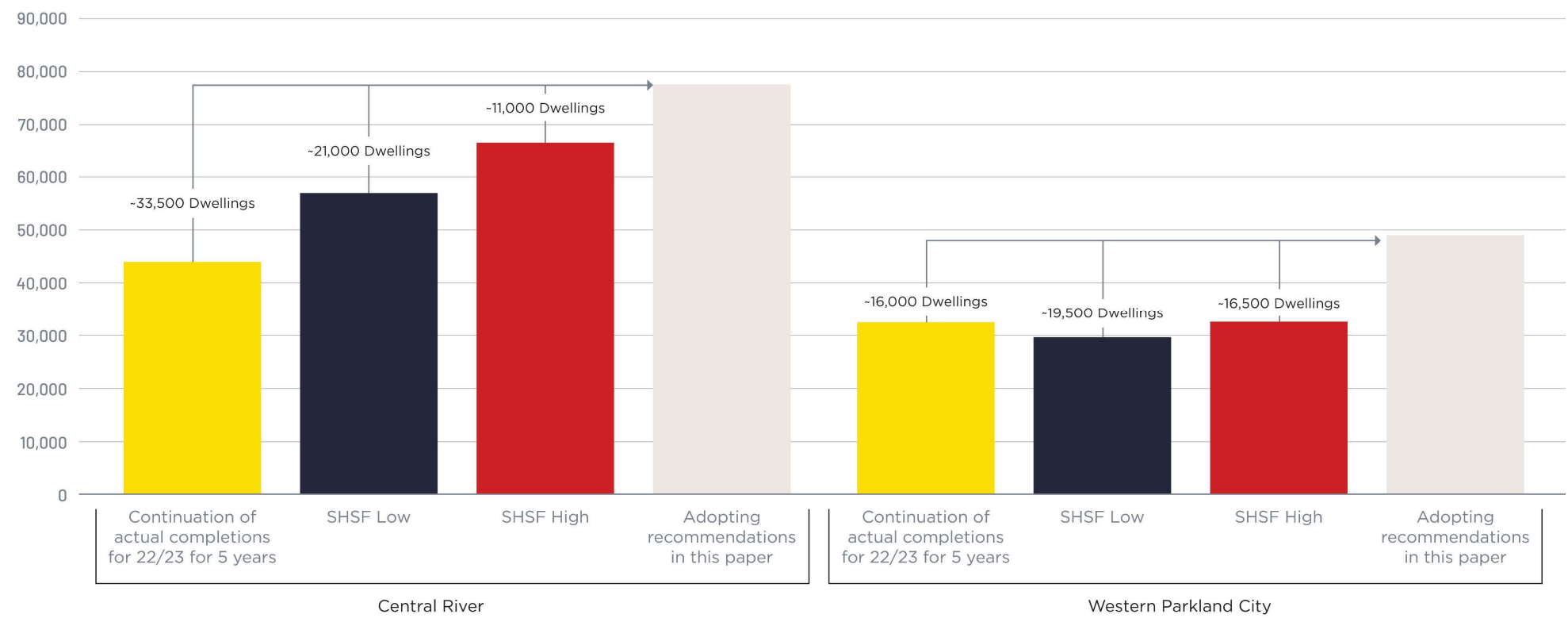


Figure 44 - The forecast impact on housing supply of reducing State Government taxes and charges and faster planning approval timeframes in Central River City and Western Parkland City

Conclusions: The benefit of Government action

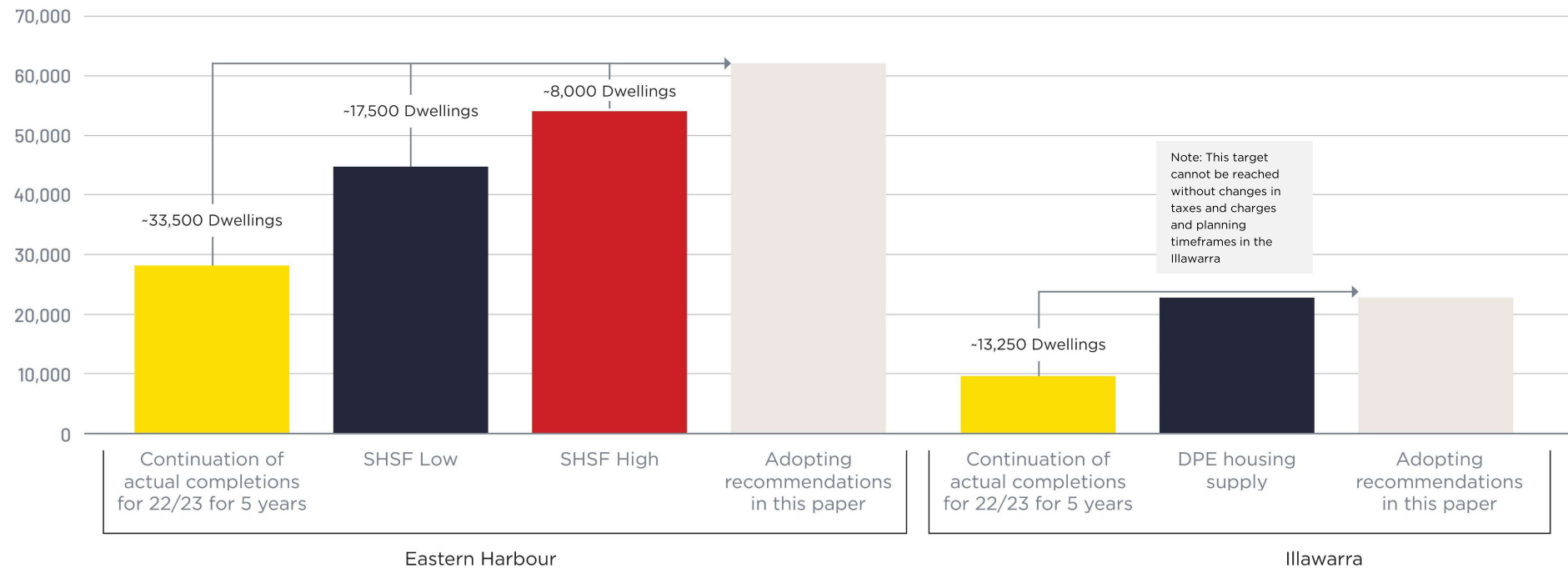


Figure 45 – The forecast impact on housing supply of reducing State Government taxes and charges and faster planning approval timeframes in Eastern Harbour City and Illawarra-Shoalhaven City

Conclusions: **The cost of doing nothing**

Continuing under current conditions is untenable. Without suspending residential development taxes and charges and compressing planning timeframes, housing supply in the Eastern Harbour City, Central River City, Western Parkland City, and Illawarra-Shoalhaven City is likely to remain suppressed, with completions hovering at recent historic lows.

Savills modelling indicates that without undertaking any action there would be around 109,000 dwellings built between June 2024 and June 2029 (the Housing Accord period) (or 34% of the overall Housing Accord target) as follows:

- Up to 28,000 new homes will be delivered in the Eastern Harbour City;
- Up to 44,000 new homes will be delivered in the Central River City;
- Up to 27,000 new homes will be delivered in the Western Parkland City; and
- Up to 10,000 new homes will be delivered in the Illawarra-Shoalhaven City.

Suspending residential development taxes and charges and compressing timeframes has the potential to significantly boost housing supply by almost doubling completions to over 209,000 dwellings, which is 100,000 dwellings more than if there is no action to reduce these. The opportunity loss of suppressing housing supply has negative flow-on impacts to the NSW economy and will contribute to the current housing affordability crisis. The loss of revenue as a direct result of reduced stamp duty will further tighten the NSW Government's spending power.

The adoption of this report's recommendations would contribute towards achievement of the Housing Accord targets and the DPHI's recently released aggregated housing targets.

Conclusions: **The cost of doing nothing**

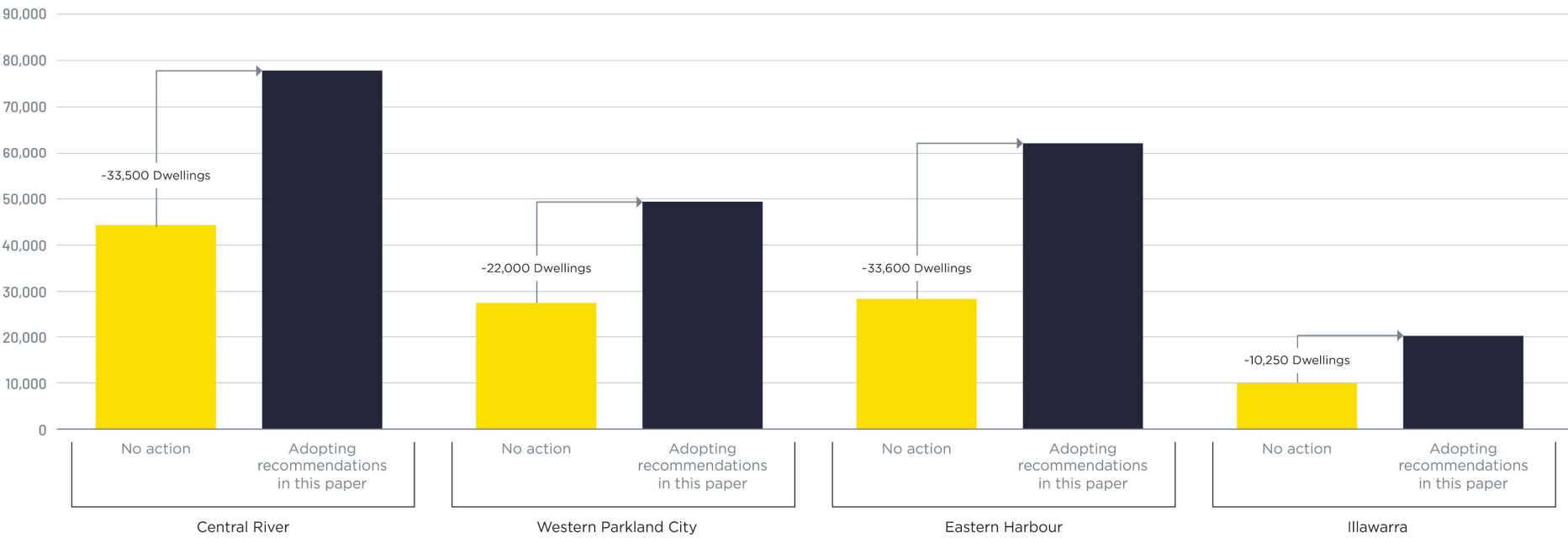


Figure 46 – Forecasting housing supply in Central River City, Western Parkland City, Eastern Harbour City and Illawarra-Shoalhaven City with and without action

What **actions** need to be taken

The Property Council recommends the NSW Government:

1. **Introduce a moratorium on new taxes and charges for the duration of the Housing Accord period**

The feasibility modelling by Savills indicates just the existing taxes and charges make many new residential developments in the Central River City, Western Parkland City, Eastern Harbour City and Illawarra-Shoalhaven City unfeasible. The development industry has broadly come to terms with the requirement for 2 per cent contributions for Affordable Housing where development uplift is provided under the Transport Oriented Development State Environment Planning Policy – but have concerns about the practical implementation of this charge. However, there is no capacity to absorb new taxes and charges with many new residential developments already unfeasible.

2. **Suspend Sydney Water DSP and HPC charges for the duration of the Housing Accord period.**

The feasibility forecasting by Savills indicates planned increases in taxes and charges on residential development have impacted present day feasibilities and will make many residential developments even more unfeasible in 2026. The NSW Government is currently discounting Sydney Water DSP charges and HPCs, however the phased introduction of these will result in charges more than doubling by 2026. Suspending Sydney Water DSP charges and HPCs would help make most apartment developments and more greenfield development in the Central River City, Western Parkland City, Eastern Harbour City and Illawarra-Shoalhaven City feasible.

3. **Accelerate the implementation of planning processes that reduce planning approval timeframes to a maximum 9 months by December 2024 and a maximum 6 months by June 2025.**

It is often taking longer to get a new apartment or greenfield project approved than it takes to build. Long development approval timeframes in some Council areas and significant delays including getting approvals and infrastructure completed by Transport for NSW and Sydney Water are adding years and substantial costs to projects. Getting planning approvals just 6 months quicker makes a significant difference to development feasibility. Reducing planning approval timeframes by 6+ months makes a significant difference to development feasibility.

What **actions** need to be taken

4. Implement process and systems improvements to accelerate significant residential projects which demonstrably contribute to the delivery of Government's dwelling targets and Housing Accord commitments.

The scale and rates of development required to achieve the Housing Accord commitments require procedural, systemic and structural changes. Current planning approval timeframes are lengthy and uncertain, equating to approximately a third of the total 5-year Housing Accord period. These timeframes followed by a typical construction period bring into question the ability for Sydney to achieve the Housing Accord commitments and the NSW Government's recently released housing targets. Efficiencies need to be found in the system to target a 6-month timeframe to ensure that significant and strategic residential projects which demonstrably boost supply can be determined and delivered expeditiously. Precedent shows that efficient planning approvals are achievable when effort, resources, processes and systems improvements reflect potential benefits and priorities.

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Appendix A - Taxes and charges

1

LOCAL CONTRIBUTIONS (s7.11 and s7.12)

Local contributions are financial levies imposed on developments that will lead to a net increase in population within a specific area. Local contributions are intended to address increased infrastructure demand resulting from development.

Expressed as either a rate per lot, dwelling or square meterage, local contributions are typically allocated to projects supporting the local community such as roads, parks, and community facilities.

Section 7.11 contributions are set rates, while s7.12 contributions are a proportion of development cost typically ranging from 1-5%.

Local contributions are payable prior to construction certificate.

4

GOODS AND SERVICES TAX (GST)

Goods and services tax (GST) applies to the supply of vacant residential land and new residential premises if the supplier (vendor) is registered or required to be registered for GST purposes.

GST is payable at settlement and most purchasers are required to pay a GST withholding amount from the contract price at the date of settlement. This impacts a project's Gross Revenue and subsequent Development Margins.

Developers registered for GST can claim GST throughout the construction program offsetting some of their GST liability.

2

HOUSING AND PRODUCTIVITY CONTRIBUTION

The Housing and Productivity Contribution (HPC) is a development charge intended to fund infrastructure delivery in high-growth areas. The HPC applies to residential development which intensifies land-use where new dwellings are created, such as houses, apartments, terraces and dual occupancies.

In the Central River City, HPC rates are:

- \$12,000 per dwelling/lot for detached, semi-detached and townhouse dwellings; and
- \$10,000 per dwelling for all other forms of residential development (residential flat buildings and units).

The HPC's implementation is phased with rates discounted for a period of two years from its introduction in October 2023. Full contributions apply from July 2025 and will be payable prior to construction certificate.

5

SYDNEY WATER DEVELOPER CONTRIBUTIONS

Effective from 1 December 2023, the NSW Independent Pricing and Regulatory Tribunal (IPART) has registered 14 wastewater infrastructure contribution prices and four drinking water prices to be levied by Sydney Water.

The water and wastewater infrastructure contributions will be implemented gradually from 1 July 2024. In 2024-25, prices will be capped at 25 per cent of the full price registered with IPART, rising to 50 per cent in 2025-26, with full contributions from 1 July 2026.

Water and wastewater infrastructure contributions are proposed to be paid prior to construction commencing.

3

SPECIAL INFRASTRUCTURE CONTRIBUTIONS

Special infrastructure contributions (SICs) are used by the NSW Government to fund infrastructure such as state and regional roads, open space, schools and health facilities in growth areas. They are intended to allow priority infrastructure to be delivered at the same time as development.

SICs are determined under the *Environmental Planning and Assessment Act, 1979* and apply to designate areas. A SIC is paid by a developer within a mapped Special Contributions Area to support to the cost of infrastructure delivery.

SICs are payable prior to construction certificate.

6

AFFORDABLE HOUSING CONTRIBUTIONS

Several councils across the Six Cities region have adopted Affordable Housing Contributions Schemes (ACHS). An ACHS requires developers to make financial or floor-space contributions towards new rental housing where there is a demonstrated affordable housing need.

The ACHS charge varies across LGAs ranging from 5-15%. Under the NSW's Transit Oriented Program, the NSW Government proposes to mandate a minimum 2% affordable housing contribution on new developments in 37 locations. The affordable housing contribution will gradually increase over time to make sure essential workers live closer to work.

Contributions are payable prior to construction certificate.

Appendix A - Taxes and charges

7

BUILDING COMMISSION BONDS

Since 1 January 2018, developers have been required to lodge a building bond for the building work that is 4 storey's or higher which is paid to NSW Fair Trading.

Building bonds are intended to secure funds up to the amount of the bond to pay for the costs of rectifying defective building works.

Building bonds equate to 2% of the contract price and are payable prior to application for occupation certificate.

10

LAND TAXES

Land tax is an annual tax levied at the end of each calendar year on all landholdings that are above certain land tax thresholds, which are not owned by a foreign person and not the landholders' primary place of residence.

Land tax is calculated on the unimproved value of all landholdings over a certain threshold. The unimproved value is essentially the value of the land, without any dwellings or other improvements.

Land tax is calculated annually based on total land value and ownership status.

8

LONG SERVICE LEVY

The NSW Government charges a levy on all building and construction works of \$250,000 or more to fund long service to eligible building and construction workers.

The Long Service Levy (LSL) is 0.25% of the total cost of the work.

The LSL is payable prior to construction certificate.

11

TRANSFER DUTY

When purchasing a property or transferring ownership of a property in NSW, transfer duty (stamp duty) must be paid on the purchase price. If the property is vacant land or new residential premises, stamp duty is payable on the GST inclusive price.

A foreign person and purchaser acquiring residential-related property must pay surcharge purchaser duty. Surcharge purchaser duty is calculated on the dutiable value and is paid in addition to the transfer duty payable on the acquisition of residential-related property.

9

DA ASSESSMENT FEES

Developers are required to pay development assessment fees at the time a development application is submitted to a local council or the Department of Planning, Housing and Industry.

A consent authority must, when determining the assessment fee, use the estimated development cost specified in the application, unless, in the consent authority's opinion, the specified estimated development cost is not genuine or accurate.

The development assessment fee is approximately 1% of the estimated development cost.

12

FOREIGN BUYER SURCHARGES AND TAXES

A foreign person or corporation may have to pay surcharge purchaser duty on a variety of property transactions involving residential-related property. These include but are not limited to:

- Transfer Duty on agreements for sale of land
- property transfers
- declarations of trust
- Land Tax

Appendix A - Taxes and charges



13

LAND OR STRATA REGISTRATION FEES

NSW Land Registry Services (LSR) operates the NSW land titles registry for the State Government and is the governing body responsible for the fees charged for products and services involving land titles, plans, property information and Water Access Licence Registers.

Registration of a land subdivision or strata plan is subject to a number of Registration Fees with the LSR. These fees can vary depending on the complexity of the subdivision and number of registrations required.

14

CONSTRUCTION CERTIFICATE FEES

A Construction Certificate is an approval that certifies that a proposed development is certified to commence construction. The certificate confirms that the construction plans and development specifications are consistent with the Development Consent (DA) and comply with the Building Code of Australia (BCA) including relevant associated structural standards, codes and other council requirements.

Construction Certificate fees are typically assessed as a percentage of construction cost and typically range from 0.2%- 0.5%.

15

OCCUPANCY CERTIFICATE FEES

The Occupation Certificate authorises the occupation and use of a new building once development is completed. The certificate confirms that the building was constructed as per the plans and development specifications and complies with the Building Code of Australia (BCA) and any other relevant codes.

Occupancy Certificate fees are typically assessed on a per a lot basis and typically range from \$1,000 to \$2,000 per a lot.

Appendix B - Factors influencing **hurdle rates**

1

COST OF CAPITAL

The cost of capital measures the cost a developer incurs to finance its development. It measures the cost of borrowing money from creditors, or raising it from investors through equity financing, compared to the expected returns on an investment or IRR.

In assessing a project's viability, the resultant IRR should exceed the cost of capital to deliver a profit for equity investors or the developer.

2

PROJECT RISK PROFILE

The Project Risk Profile is determined by assessing the level of risk within a project and influences the return a developer seeks to achieve.

A project in the early stages with no development approval is considered riskier than a project under construction. Therefore, a developer would typically be willing to accept a lower return for a development under construction than a development with no development approval.

Timeframes heavily influence the overall return on a project.

3

PREVAILING MARKET CONDITIONS

Prevailing market conditions can refer to macro and micro economic factors or events that can have a direct influence on a development project both financially and on a time basis.

An example of this is the recent changes in interest rates and sales rates. Other global events such as wars and pandemics also increase the price of building materials and confidence in the market.

4

OPPORTUNITY COST

Typically, when assessing a development's feasibility, a developer will want to achieve a return that outweighs investing in alternative asset classes that might have a lower risk profile.

For example, industrial development can be less risky than residential development due to the limited barriers of entry, typically single tenant occupancy profile and shorter development timeframes.

Conversely residential development is considered a more complex and risky development project and therefore requires a higher internal rate of return.

5

PROJECT SPECIFIC FACTORS

Several project specific factors or assumptions can negatively impact development feasibility and can extend timeframes, subsequently impacting a project's achievable Internal Rate of Return. Some of these include:

- Confidence in sales rates and achieving presales;
- No builder or construction contract locked in
- No development approval
- Unforeseen ground conditions (contamination/artefacts);
- Risk of financial market movements impacting presales and affordability (such as interest rates)
- Sufficient connections to Sydney Water or appropriate electricity connections; and
- Traffic impacts or potential upgrades required.

An experienced developer should be able to foresee and mitigate a many of these through experience working within a preferred location or building type.

6

SENSITIVITY TO COSTS (ESCALATION)

During initial feasibility assessments, developers can allow for additional escalation and contingencies to mitigate any future price risk in relation to professional fees or construction costs.

Typical escalation allowances are between 3-5%.

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