

# R3 Economic Viability: a Residents' Perspective

Our proposition is that the existing R3 Zoning and Controls:

- Do not create opportunities that are economically viable for residents or developers, therefore
- Little will sell, and
- Little will be developed

The opportunity to develop master planned precincts with inter-connecting open spaces, liveable areas etc. will have been lost.

Lack of economic viability is the Achille's heel of the existing plans.

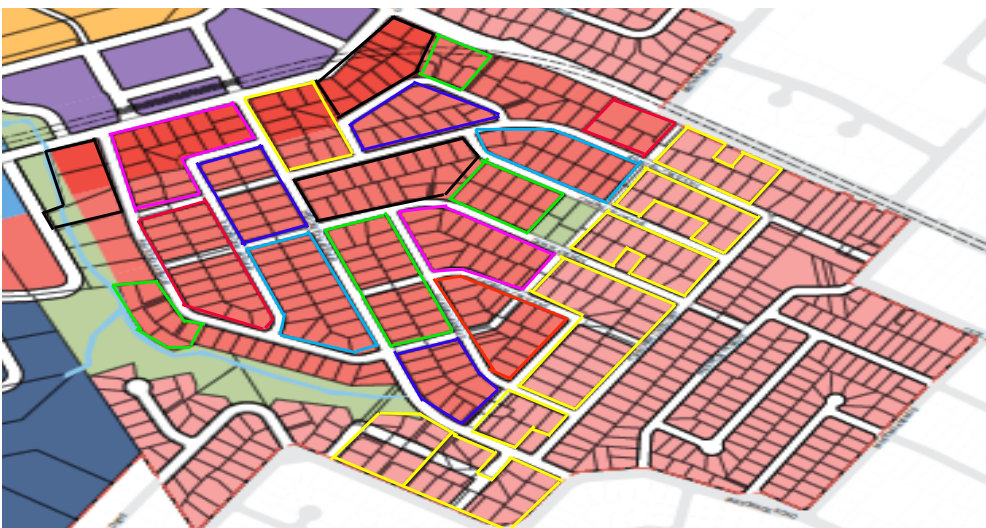
Solution:

- Adjust zoning and controls to make it viable
- Encourage residents and developers to behave in ways that are conducive to master planned outcomes
- That involves appropriate incentives to all parties: Appropriate margins to get over the 'tipping point'
- Also need to encourage master planned 'connections' across parcels of land across the precinct.

## Residents do care about good planning outcomes



We are organised and involved.



## Our Case

You simply produce an equation that works. Unfortunately the equation does not yet produce the right solution.

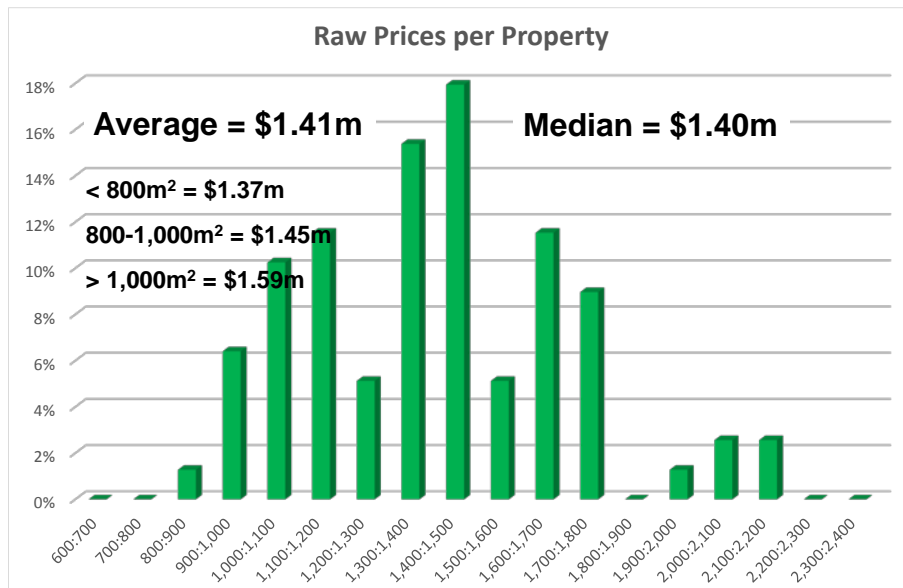
$$\text{Sell} - \text{Buy} = \text{Incentive} > \text{enough}$$

$$\text{Sell} - \text{Buy} \leq \text{Zero}$$

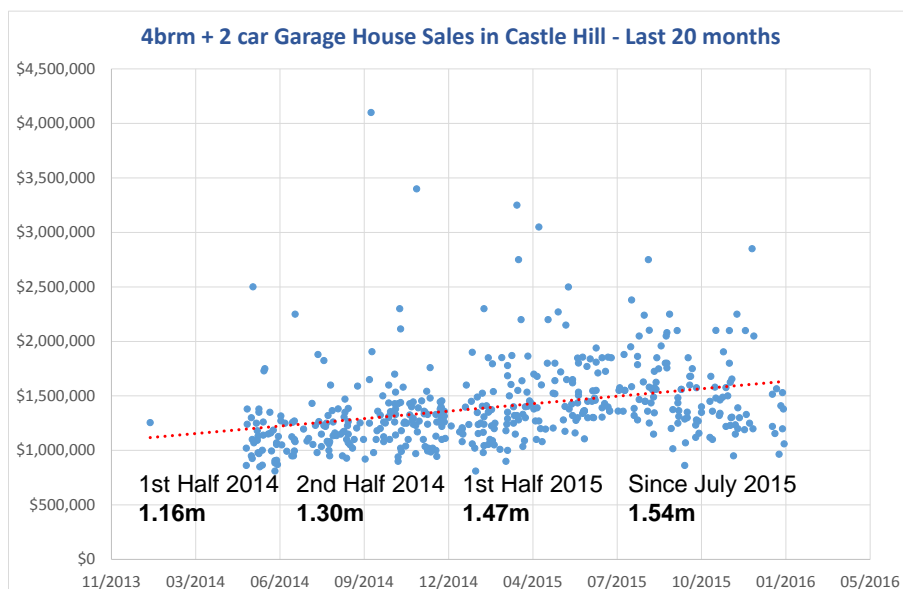
## Buying

If we are to move from existing properties we need to go somewhere that will provide comparable living standards as the benchmark. All the evidence shows that **\$1.5m** is the likely buy price for such a move.

www.realestate.com.au for Castle Hill & nearby – 78 current ads for 4brm + 2 car garage 700m<sup>2</sup> to 1100m<sup>2</sup>

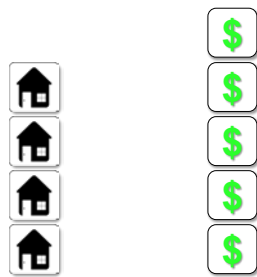


www.realestate.com.au for Castle Hill – 461 sales 4brm + 2 car garage 2014-15



# Selling

We need to have enough dwellings at the right price.



$$\text{Sell} = \text{Yield} \times \text{Unit Price}$$

Theoretical Maximum Yield per 1000m<sup>2</sup>. Source: Appendix B Recommended Development Control Plan Amendments Figure 15 Attached Dwellings on minimum 240m<sup>2</sup> Lots



**144 m<sup>2</sup> per attached dwelling**

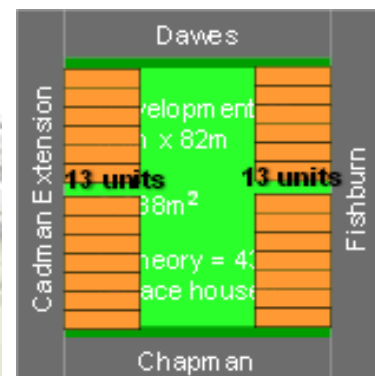
$$144 \text{ m}^2 + \frac{1}{2} 6\text{m laneway} = 162\text{m}^2$$

$$1000/162 = 6.17 \text{ yield (in theory)}$$

**2-3 storey terrace house would be small 3brm and ~215m<sup>2</sup>**

The problem is that the blocks do not have the dimensions that allow such a density to be achieved. **5 dwellings per 1,000m<sup>2</sup> is absolute maximum.** Theoretically you can get 6 attached dwellings per 1,000m<sup>2</sup> but practically you can never achieve more than about 4.8.

For example in this block you cannot even achieve 4 terrace houses per 1,000m<sup>2</sup>:

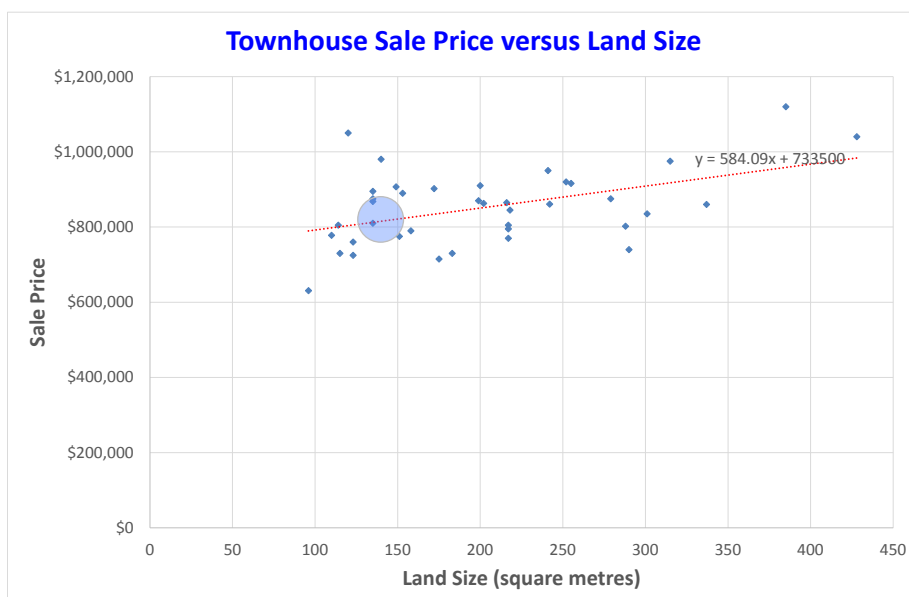
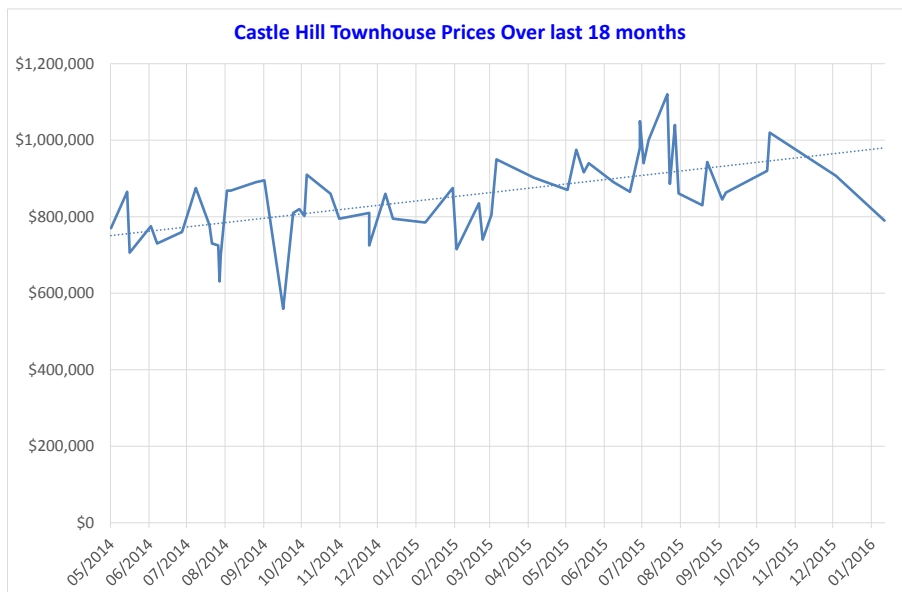
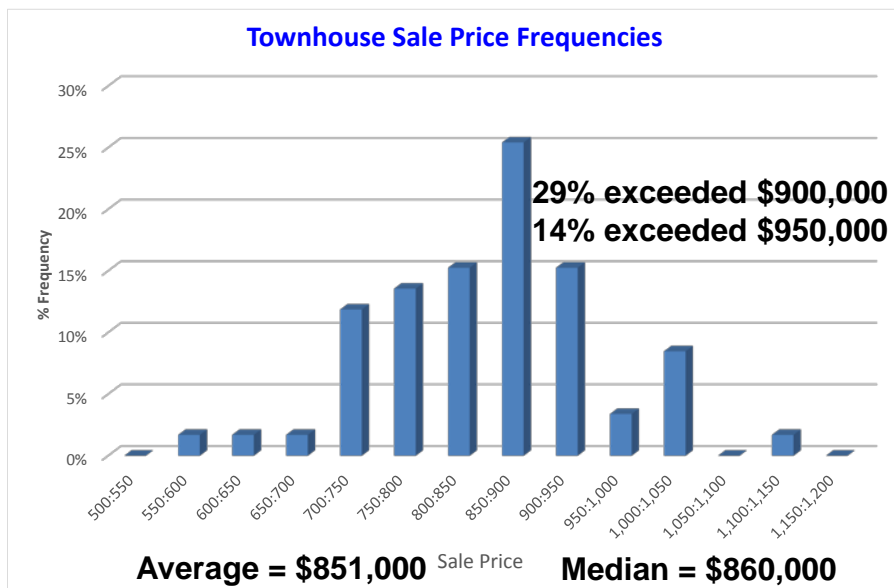


$$26 \div 43 = 60\%$$

**Not 6.17 but 3.73**

## Likely price for product on 144m<sup>2</sup> plots is \$850,000

59 townhouses: [www.realestate.com.au](http://www.realestate.com.au) for Castle Hill, May 2014 till Jan 2016 supplemented by [www.propertyvalue.com.au](http://www.propertyvalue.com.au)



## How much could you get?

A \$1.125m townhouse in Bella Vista:



**Land area is 247m<sup>2</sup>**

**247 / 144 = 71% more**

**Home area is 250m<sup>2</sup>**

**250 / 215 = 16% more**

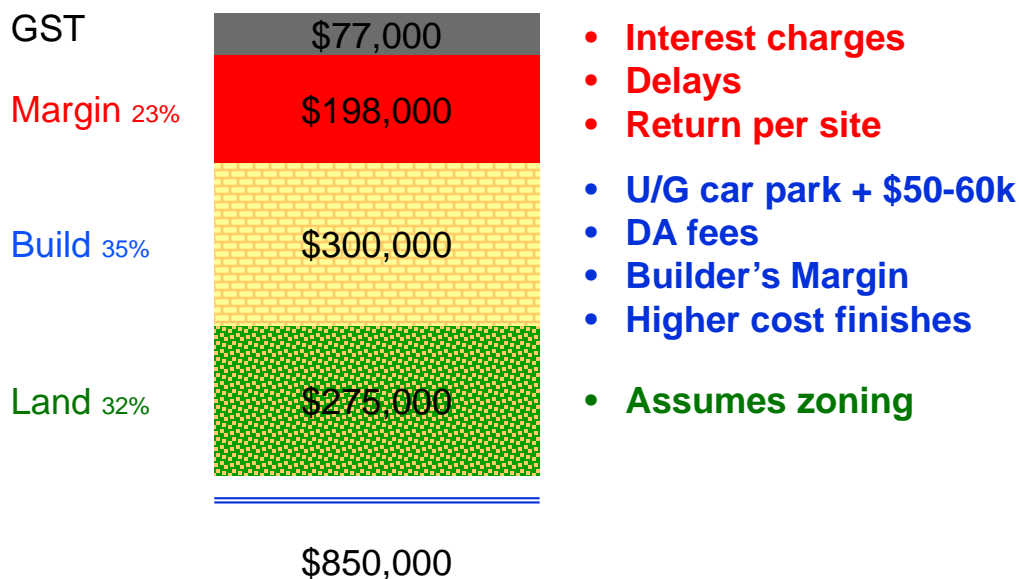
**Sell pricing is:**

**1,125 / 850 = 32% more**

**A lower rate per land sqm!  
i.e. land up by 71%, price only 32%**

Source: realestate.com.au – looking at premium level townhouses

## How much will you get?



## The viability equations do not work:

$$\text{Sell} = \text{Yield} \times \text{Unit Price}$$

$$\text{\$1,375,000} = 5 \times \text{\$275,000}$$

$$\text{Sell} - \text{Buy} = \text{Incentive} > \$750k$$

$$\text{\$1.4m} - \text{\$1.5m} = \text{\$-0.1m} \quad \text{X}$$

Time to look at how to make R4 work across the precinct and how to make master planning a reality.