4 March 2016

Belford Land
Level 2, The Terraces
155 George Street
The Rocks NSW 2000

Re: Draft Hunter Regional Plan 2015

In this document we consider the implications of the recently exhibited Draft Hunter Regional Plan with respect to the timeliness and sufficiency of proposed residential land releases to service the Hunter region.

We focus on two major issues:

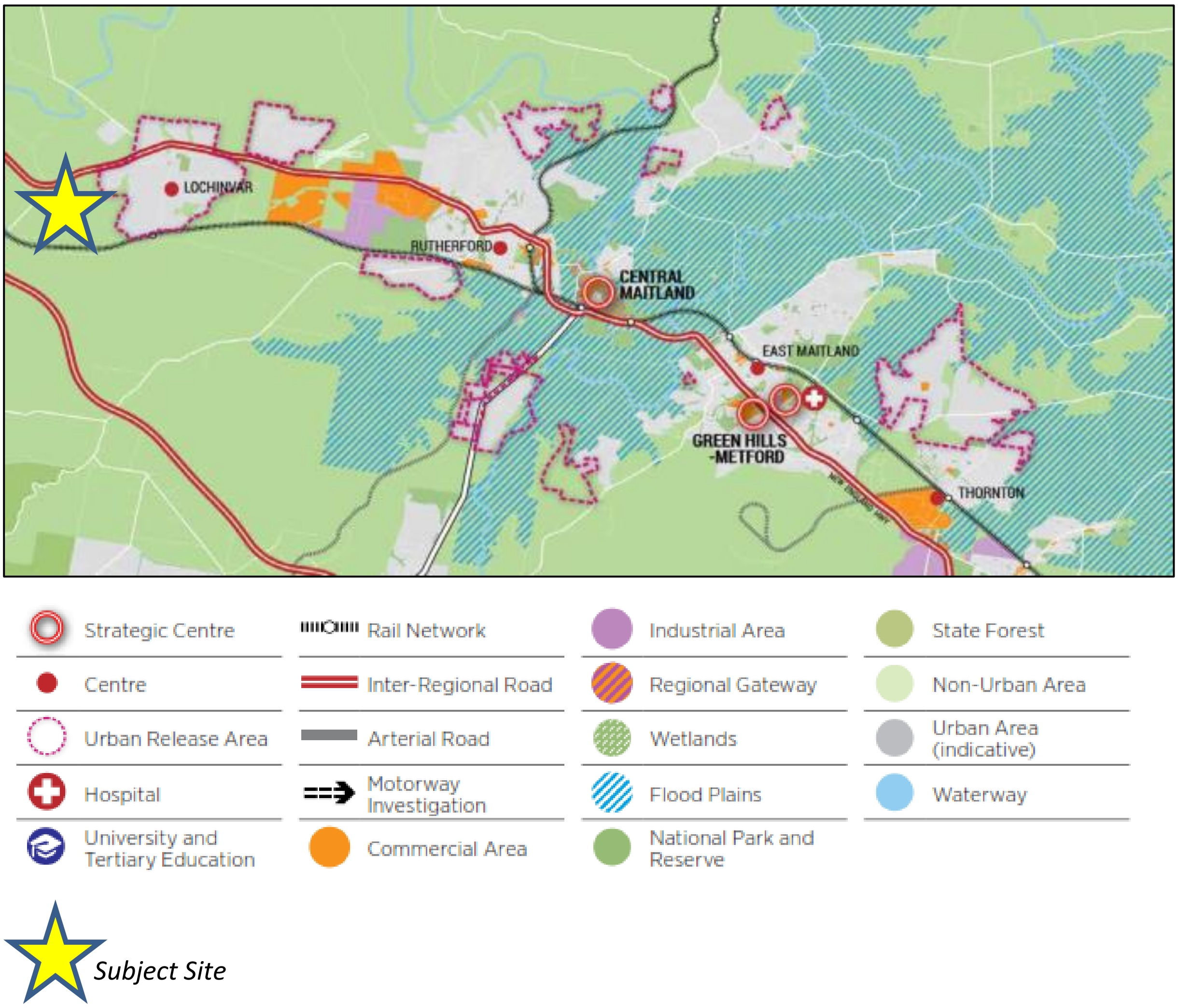
- the importance of land supply in driving developer competition and placing downward pressure on prices; and
- the importance of well-located land releases that leverage from recent and proposed infrastructure expenditure and support jobs growth in the region

1. Housing supply is required to increase competition and limit lot price growth

Housing affordability has been erased as a key objective from the draft Hunter Regional Plan. In fact, the word 'affordability' does not appear in the draft plan. There is a simply stated view that land supply is sufficient.

The draft Plan suggests that the Hunter already has a sufficient supply of land available in established and new release areas to meet anticipated demand (p.63). We note, however, that there is no validation of this statement provided in the strategy. There is no analysis of the rate of lot production, or the degree of progress on development of land areas previously included in urban release area.

The existing set of urban release areas that are close to Maitland town centre are shown in the map below, extracted from the Draft Plan for Growing Hunter City.



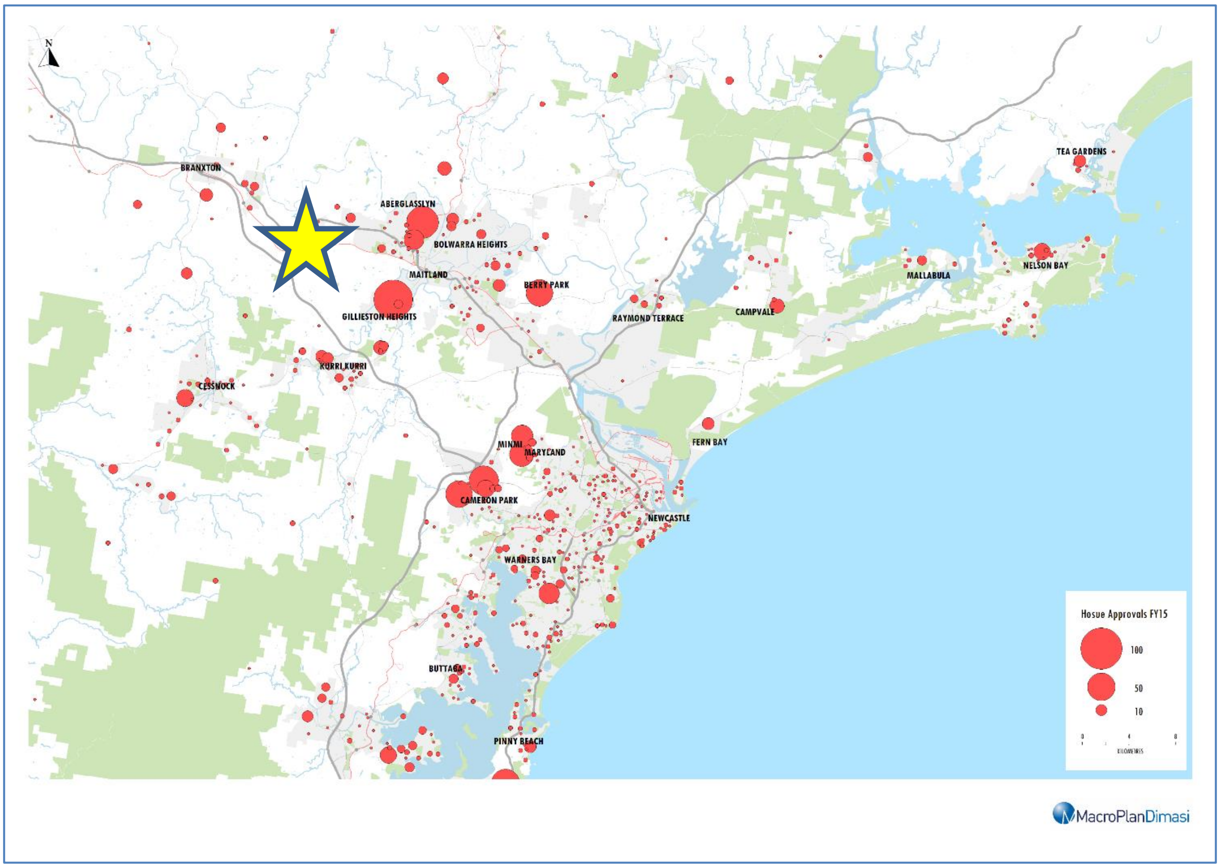
Source: Draft Plan for Growing Hunter City, page 36

Progress with respect to most of the identified urban release areas has been slow. The map below shows the distribution of new house approvals across the Lower Hunter during FY2015.

The dominant locations for lot sales in FY2015 were the same as those in FY2010. Cameron Park and Fletcher continue to do most of the 'heavy lifting', while Aberglasslyn and Gillieston Heights remain solid.

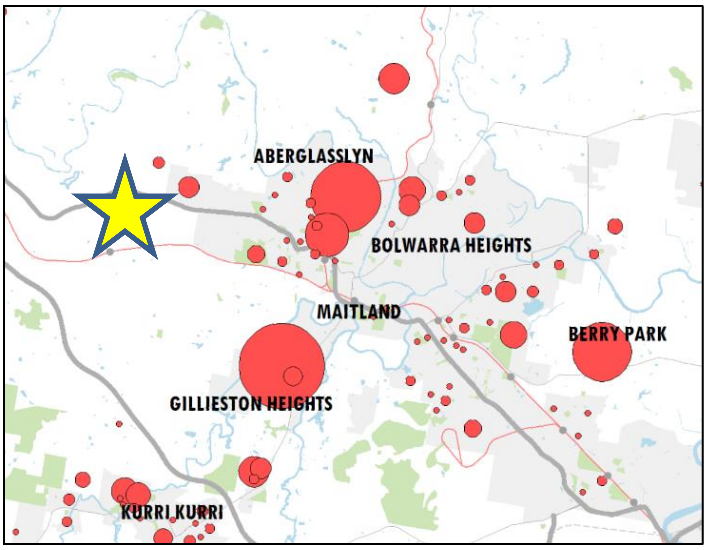
The rate of lot sales is not high, and has not improved over the past five years, demonstrating difficulties in bringing new land to market, particularly that which displays a high degree of fragmentation in ownership.

Distribution of detached house approvals, FY2015

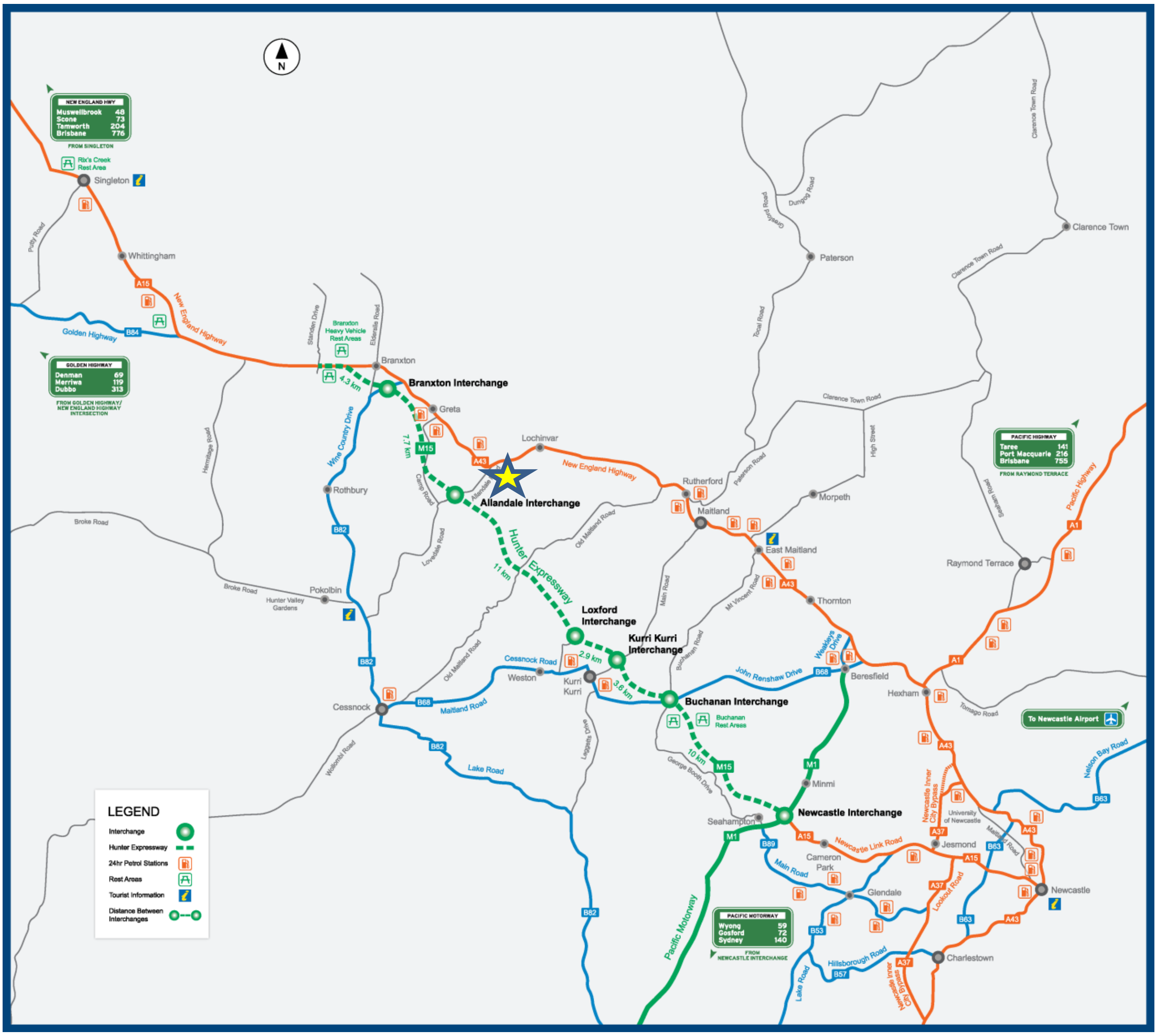


Source: ABS, MacroPlan

Notably, the leverage from the ***Hunter Expressway*** as a support to population growth remains very limited. Most of the Maitland area development is located to the east of the New England Highway, which continues to add pressure onto an already congested road.



Hunter Expressway - Route and Interchanges



Source: RMS, 2016

- *The Hunter Expressway is a four lane freeway linking the F3 Freeway near Seahampton and the New England Highway, west of Branxton.*
- *The project provides over 40kms of dual carriageway freeway, 52 bridges and 6 x grade separated interchanges located at the F3, Buchanan, Kurri Kurri, Loxford, Allandale and Branxton.*
- *The project significantly reduces travel times between Newcastle and the Upper Hunter by an estimated 28 minutes and congestion at Branxton and Maitland and supports the growing Hunter region.*

Previous Strategy Approach

As a point of reference we consider the previous Lower Hunter Regional Strategy (LHRS), released by the NSW Government in 2006, which aimed to ensure that adequate land was available and appropriately located to sustain the region's population over 25 years.

The key elements of the previous Strategy included the following:

- Provide for up to 115,000 new dwellings by 2031, meeting the changing dwelling demands of existing households and the housing needs of an additional 160,000 people.
- Promote Newcastle as the regional city of the Lower Hunter, supported by a hierarchy of major regional centres at Charlestown, Cessnock, Maitland and Raymond Terrace, emerging major regional centres at Morisset and Glendale–Cardiff as well as specialised centres and lower order centres.
- Boost the economic and housing capacity of key centres by refocusing a higher proportion of new housing in these centres, ***maximizing the use of existing and future infrastructure and achieving a more sustainable balance of existing to new urban release area development***.
- ***Enable the release of up to 69,000 new release lots*** in a coordinated way, with improved neighbourhood design and more efficient use of infrastructure.

To achieve the estimated share of new urban release area housing, the following targets for each of the LGAs within the region were set:

LGA	*New Release Area Lots*
Cessnock	19,700
Maitland	21,500
Port Stephens	7,200
Newcastle	5,800
Lake Macquarie	15,000
Total	**69,200**

The housing expectations of the LHRS equate to a total provision of 4,600 dwellings per year across the region, and almost 2,800 new release housing lots per annum to 2031.

It is noteworthy that, unlike the identification of new urban release land in Sydney where only two growth corridors have been established primarily to contain growth, the allocation of new land potential across the Lower Hunter is much more geographically sporadic – new release areas are identified from North Port Stephens to the lower reaches of Lake Macquarie, west along the Hunter rail route and throughout the many regional centres across the Hunter Valley.

Notably, not all identified new urban release area allocations represent large tracts of land contiguous to existing urban or regional centres. Allocations vary in size, with many smaller areas adding to those areas where housing has traditionally located as well as augmenting the role of both major and smaller centres.

Major priority release areas identified by the LHRS and where planning for release is well advanced are:

- Thornton North (up to 7,000 dwellings)
- Cooranbong (up to 3,000 dwellings)
- Bellbird (up to 4,000 dwellings)
- North Raymond Terrace (up to 5,000 dwellings)

Other major release sites include:

- Lochinvar (up to 5,000 dwellings)
- Anambah (up to 4,000 dwellings)
- Wyee (up to 2,000 dwellings)
- Branxton–Huntlee (up to 7,500 dwellings)

In reality, there has been muted progress on many of the identified major release sites, due to a combination of many factors, including:

- Finance or funding constraints, including infrastructure charging
- Fragmented land ownership
- Litigation on development
- Environmental constraints
- Aircraft noise
- Mismatch between incoming supply and demand profile of potential market

We note that the subject site is situated immediately west of Lochinvar and is readily able to be developed and has a substantial yield potential. The release of this land would stimulate market activity and provide a necessary impetus for other more fragmented land to be 'unlocked'.

Constraints on Development of Urban Release Areas

In 2009, HDB Town Planning & Design generated estimates of the developable land for the LHRS urban release areas. We have drawn on these estimates to generate projections of dwelling potential, which can be compared with the current NSW government projections.

HDB suggests that the 69,200 lots expected to be achieved from designated urban release sites is more likely to yield only 48,200 lots due to specific site constraints including undevelopable portions of sites and normal development take-out requirements relating to roads, open space, drainage land etc. In particular, the urban area currently identified for Lochinvar was estimated to comprise undevelopable land across 35% of its total area.

For ease of discussion, we focus on the ten largest urban release areas, which should account for the majority of the dwelling potential. The combined land area for this set of 10 sites adds to 3,936 hectares. Assuming that the entire land is developable, and a yield of 13 dwellings per hectare is achieved, the total production would be about 51,200 dwellings.

However, large proportions of the identified land are found to be undevelopable. Across the ten largest urban release areas, it is estimated that 41% of the land is undevelopable. Assuming a yield of 13 lots per hectare, the total yield from the ten largest sites would be reduced to about 29,400 dwellings. If the yield only achieves 10 lots per hectare, then the yield would be limited to about 22,600 dwellings.

Clearly, accounting for land that is undevelopable fundamentally alters the potential dwelling production from the 10 largest urban release areas.

Based on this analysis, we suggest that there is an urgent need to increase the number of large sites for urban release areas across the Lower Hunter.

Table 1. Potential dwelling production from 10 largest urban release areas in LHRS

Urban release area	*Total area (hectare)*	*Total undevelopable (%)*	*Developable land (hectares)*	*Yield - 13 lots (per hectare)*	*Yield - 10 lots (per hectare)*
Thornton North	704	45	387	5,026	3,866
West Wallsend	553	45	304	3,948	3,037
Kings Hill	533	55	240	3,123	2,402
Anambah	523	65	183	2,381	1,832
Bellbird North	328	0	328	3,500	2,692
Lochinvar	308	35	200	2,603	2,002
Medowie	291	55	131	1,687	1,298
Huntlee Branxton	269	0	269	3,500	2,692
Aberglasslyn	238	55	107	1,392	1,071
North Cooranbong	190	0	190	2,258	1,737
Sub-total	**3,936**	**41**	**2,339**	**29,418**	**22,629**

Source: MacroPlan

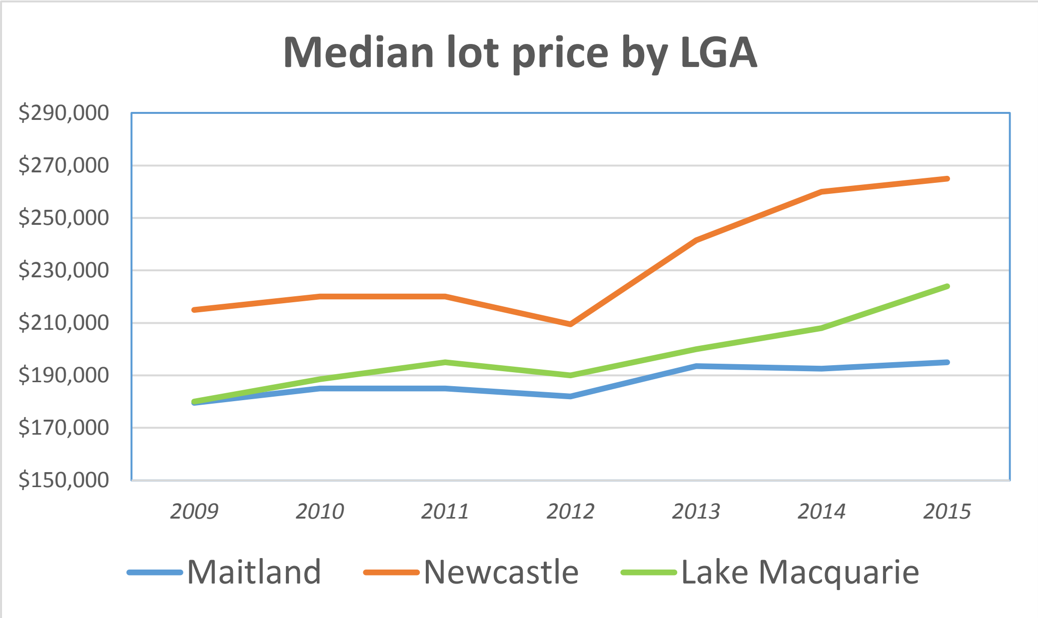
Implications for the subject site at Lochinvar as an Urban Release Area

An increase in the number of urban release areas in the Lower Hunter region is necessary to achieve expected rates of population growth. Our analysis suggests that the subject site at Lochinvar has the potential to add significantly to supply within the precinct, and can have a positive effect on land affordability.

The evidence from the past decades indicates that the current urban release areas are not delivering sufficient competition in the land development process.

Consequently, demand remains heavily concentrated at Fletcher (Newcastle LGA) and Cameron Park (Lake Macquarie LGA). There is pronounced upward pressure on lot prices at these locations, as shown in the chart below.

If additional urban release areas are included in the planning process, then it is likely that the positives (associated with greater competition amongst development fronts) would outweigh any negative spill-over effects on existing communities.



Source: CoreLogic, MacroPlan

2. Housing supply is required to support jobs growth – tourism & health care

The draft Hunter Regional Plan contends that housing supply needs to be flexible, given the region's diverse economies:

- *It supports towns and villages across the region to adapt to the changing needs of their residents and the industries that sustain them, while also maintaining an array of lifestyle choices and high standards of living. (p.63)*

Understandably, the pronounced cycles for activity in the mining industry are singled out as a key driver across the region. Our contention is that the tourism opportunities associated with the Wine Country need to be much more prominent within the Regional Plan. In turn, land supply needs to be provided in support of new jobs from the Wine Country.

The table below shows the recent history of jobs growth by sector, for residents of the Newcastle and Lake Macquarie LGAs. Notably, the Accommodation and Food Services sector is a major source of jobs growth. On the other hand, the Manufacturing sector continues to suffer major job losses.

Jobs growth for Newcastle & Lake Macquarie region, 2010 to 2015

SECTOR	Jobs p.a.
Construction	720
Accommodation and Food Services	640
Health Care and Social Assistance	540
Mining	440
Retail Trade	420
Other Services	160
Wholesale Trade	-360
Manufacturing	-820
Education and Training	-860
TOTAL	**880**

Note: region is place of worker residence, not place of work.

Source: ABS Small Area data, MacroPlan

The table below shows the recent history of jobs growth by sector, for residents of the rest of the Hunter (which includes Maitland and Cessnock). Notably, the Accommodation and Food Services sector is the dominant source of jobs growth. The decline of the Manufacturing sector is also evident in this region.

Strong growth for the Accommodation & Food Services is a welcome trend, in the face of difficult and uncertain times for the mining and manufacturing sectors. This sector's growth is consistent with the extended upturn in overseas tourism arrivals to Sydney, which is generating a comparable boom in the city's Accommodation & Food Services sector.

In addition, weakening of the Australian dollar is now pushing locals away from overseas holidays, and towards the local market.

The Hunter Region stands out as a key beneficiary of tourism development. It provides a clear cultural attraction for tourists, and has the scale and diversity to capitalise on visitation.

It is vital to observe that jobs in the Wine Country are spread out geographically, due to the incidence of facilities. In addition, there are many tasks that require services across the region – for example, cleaning, equipment hiring and wholesale distribution are specialised tasks provided by contractors. These jobs require mobility, both within the Wine Country and down to Newcastle and Lake Macquarie.

Jobs growth for Hunter ex. Newcastle & Lake Macquarie region, 2010 to 2015

Accommodation and Food Services	980
Health Care and Social Assistance	800
Mining	760
Other Services	120
Education and Training	-60
Retail Trade	-360
Wholesale Trade	-380
Construction	-500
Manufacturing	-900
TOTAL	460

Note: region is place of worker residence, not place of work

Source: ABS Small Area data, MacroPlan

Time is money. Housing affordability means more than the price of land – it is defined by travel costs and congestion. The Hunter Expressway represents a critical benefit to improvement of housing affordability, by reducing travel times. Housing located close to the Hunter Expressway is essential to support jobs growth in the services sectors that are driving the regional economy.

We further expect that the prospects for tourism growth for the Hunter will improve greatly, once the NorthConnex road & tunnel project is completed in 2019. This project will connect the M2 motorway directly with the Pacific Motorway. It will allow for direct travel from the Sydney CBD to Lochinvar without a single traffic light. The greatly reduced travel times are set to provide a turbo-charge to the Wine Country's tourism industry, with spill over effects into the wider region.

This context needs to be incorporated into the evaluation of urban land at Lochinvar and Branxton. There is a clear opportunity to provide more housing close to the axis of the Hunter Expressway and Allandale Road.

This location is strongly supportive of jobs growth in the tourism services sector. There is efficient access to Wine Country Drive and to the Pacific Motorway, due to the interchanges onto the Hunter Expressway. The specified properties will provide a definitive boost to the regional economy.

The Health Care sector is also a dominant source of jobs growth across the region, rising by 1,340 jobs per annum between 2010 and 2015. Some of these new health care jobs will be attached to major hospitals and ancillary facilities. However, there is a clear trend towards mobile services for the health care sector. Consequently, the efficiency of movement is also important to housing affordability of key workers in the Health Care sector.

Mobile health care is a core service in delivery of aged care assistance across the region. Many of the older residents live in the Upper Hunter, and obtain assistance in their own home. Workers are trained specifically in the provision of care for the aged, and services are charged on an hourly rate.

In addition, the proposed new Lower Hunter Hospital at Metford will be a driver for housing demand. Access to the new hospital can be linked to the subject site, given the close access to the Hunter Expressway. The Metford site which Hunter Expressway access through Buchanan for patients from Cessnock through to Muswellbrook.

For mobile health care workers, the Lochinvar location provides a very attractive place to live, as the movement into the Lower Hunter and Upper Hunter is made much easier by the Hunter Expressway.

I hope that the above analysis and observations assist your needs. Should you require clarification, please do not hesitate to contact myself at our Sydney office on 9221-5211.

Regards,

Wayne Gersbach
General Manager - NSW