HillPDA CONSULTING

MILTON-ULLADULLA

Residential market analysis & demand

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EXECUTIVE SUMMARY

At the time of this study, Shoalhaven City Council was developing an updated Structure Plan for the Milton-Ulladulla locality. The intent of the Structure Plan was to identify and manage the supply and availability of residential and employment land in the Milton-Ulladulla locality to 2051 (hereby referred to as the study area from Milton and Narrawallee to the north to Dolphin Point to the south). This report provides the projected demand for dwellings and land requirements to accommodate forecast growth for housing and employment uses to 2051.

Influences on housing demand (Section 2)

Recent strong growth in the demand for detached homes on the South Coast has led to significant rises in house prices despite no immigration and a stagnant population across Australia during the COVID-19 period. This has been driven by several factors including:

- a shortage of supply of detached housing
- record low interest rates
- increasing preference in the market for sea change
- affordability by comparison to the Sydney market
- improved workplace flexibility (remote working)

Interest rates are expected to remain at record lows but the recent rises in house prices are unsustainable. Price rises are expected to be more mundane or possibly plateau through 2022.

Study area characteristics (Section 3)

Population in the study area increased by 1,520 from 13,743 from 2006 to 2016 (11% growth). The population aged significantly with 1,879 more people over 50 years old (30% increase) and 359 less people under 50 years old (5% decline).

In 2016 there were 6,521 households. The largest household type was couples without dependents comprising 35% of total non-visitor households (excluding non-classifiable households). Lone person households comprised 30% of total households. These two household types also represent the fastest growing household types making up 67% and 25% respectively of all new households from 2006 to 2016. Average household size has declined from 2.55 to 2.33.

Almost 80% of new households in the study area to 2051 are expected to be lone persons and couples without dependents households.

The population will continue to age while new households will predominantly consist of lone persons, single parents, and couples without dependents. Smaller dwellings including semi-detached, villas, townhouses, apartments and shop-top housing, could better align or meet the needs of future households. However recent development patterns have favoured detached dwellings in greenfield locations. From August 2016 to December 2020, 511 new dwellings were completed and the majority of these (76%) were detached houses. Around 17% were dual occupancies / semi-detached and only 7% were medium density housing.

The forecast growth in the number of older residents also suggests that infill developments of semi-detached/apartments dwellings could provide an opportunity for older residents to relocate to more suitable dwellings (compact, easier to maintain etc) and “age in place” freeing up the existing stock of detached dwelling for other households.

A difficulty in procuring medium density housing is the likely cost when compared to the purchase price of detached dwellings in the greenfield areas. Currently it is more feasible for developers to develop low density housing in the greenfield areas than to procure infill sites and design and construct higher density housing on them. Also, despite the growth in smaller households a strong preference for detached Torrens title housing will prevail until multi-unit forms become more price competitive.

Housing market profile (Section 4)

The study area residential property market is experiencing strong price growth, with demand outweighing supply. The strongest sectors of the market are for new and renovated houses in Milton and Mollymook which can sell for prices above $1,500,000 while new units in Ulladulla have been achieving $750,000 to $1,175,000.

Due in part to rising cost of infrastructure developers have been increasingly reducing the size of blocks of land (from around 500 to 300 square metres) to produce land packages of around $400,000-$550,000 to meet a larger more price conscience target market.

Strong demand for housing has been driven by record low interest rates and migration from Sydney given the lower house prices, sea-change lifestyle and improvements in ability to remote work. Migration from Greater Sydney makes up 50% of Shoalhaven's net migration gain and overseas arrivals make up 26%. Migration over the next 2-3 years will be more influenced by intrastate migrations.

A lack of smaller multi-unit dwellings has been an obstacle to meeting housing diversity. Retirees are occupying larger dwellings which is undermining supply and affordability for family households.

The ageing of the population is the single most important population trend predicted to occur in Australia in the next 25 years and beyond. Demand for coastal lifestyle properties for older residents downsizing/migrating out of Greater Sydney is expected to remain or increase as a "bubble" of baby boomers come into retirement looking for similar lifestyle opportunities. This demographic shift will drive changes in consumption, expenditure and employment patterns across Australia. The ageing of the population is expected to lead to strong growth in the service industries, particularly in the health and aged care sectors and will increase the need for universal dwelling design to accommodate the needs of the changing population.

Residential land and dwelling supply (Section 5)

The study area provides 943 hectares of land zoned which allows for residential development. Of the 943 hectares approximately:

- 558 hectares or 59% is zoned as R2 - Low Density Residential
- 202 hectares or 21% is zoned as R1 - General Residential
- 111 hectares or 12% is zoned as R5 - Large Lot Residential
- 44 hectares or 5% is zoned as R3 - Medium Density Residential
- The balance 3% is B4 – Mixed use zone.

There were 8,846 dwellings in the study area in 2016. Since 2016 a further 511 dwellings were delivered and a further 209 dwellings were under construction (at the time of this report) bringing the total to 9,566 dwellings. Of the new dwellings since 2016 (including under construction) 70% are detached houses, 22% are semi-detached and 8% are multi-unit dwellings.

Residential dwelling demand (Section 6)

Based on Profile.ID forecast the study area will require an additional 2,618 new dwellings by 2051 – an average rate of 75 new dwellings each year. It is understood that this forecast was based on current zonings and known planning proposals, so it represents a "constrained forecast.

In comparison, it has been found that an average of 119 new dwellings each year have been delivered in the study area since 2011. At that rate, and assuming no supply constraints, the study area could require 3,347 additional dwellings by 2051 (number only includes private separate, medium and high-density dwellings). To ensure an adequate supply of housing and thereby maintain affordability and diversity the higher forecast was adopted.

The distribution of future supply by dwelling type will depend on the degree to which the propensity to live in medium to high density housing increases over time. Two scenarios are given as follows:

Table 1: Demand for new dwellings by dwelling type 2021 to 2051

Dwelling Type	No shift in dwelling preference	Shift towards medium and high density housing
Separate dwellings	2,850	1,971
Medium density (semi-detached, villas and townhouses)	375	870
High density (apartments)	123	506
Total	**3,347**	**3,347**

An increasing propensity to live in medium to high density housing may occur largely for three reasons:

- Increasing land scarcity (supply constraints).
- Increasing cost of detached housing (which is linked to the first point above) and hence non-detached housing providing a more affordable option).
- Increasing desire from occupiers (owners and renters) for place rather than space (water views, proximity to retail and commercial services, etc).

Maximum capacity and gap assessment (Section 7)

Surplus capacity refers to appropriately zoned land for new housing less demand for new housing to 2051. This is shown in the table immediately below.

Table 2: Capacity assessment (potential dwellings) to 2051

Dwelling Type	No shift in dwelling preference	Shift towards medium and high density housing
Separate dwellings	-1,308	-429
Medium density (semi-detached, villas and townhouses)	-114	-609
High density (apartments)	3,211	2,827
Total	**1,789**	**1,789**

Based on current dwelling preferences the amount of zoned lands is insufficient to meet demand to 2051 falling short by 1,308 detached dwellings and 114 medium density dwellings. This implies a need for an additional 82 hectares of land for detached dwellings and around 4 hectares for medium density dwellings.

Some of this demand could shift towards higher density housing, which is likely to happen, particularly if further land is not rezoned. There is a strong supply of appropriately zoned land for high density housing relative to demand. It is also possible that some demand could shift to other localities altogether as supply falls short of the forecast 3,347 new dwellings.

If Council wants to meet housing demand to 2051 then it would need to rezone a minimum 48 hectares of land for low and medium density housing (429 detached houses at around 15 dwellings per hectare and 609 medium density dwellings at 32 dwellings per hectare).

Commercial centres demand assessment (Section 8)

There are 11 commercial centres in the study area accommodating almost 100,000sqm of occupied retail floorspace of which 63% is retail and the balance is occupied by non-retail commercial uses. Around two thirds of this space is in Ulladulla. Total vacancies in May 2021 were 5,900sqm (5.7%).

Under the high growth scenario, a total 2,817 new jobs will be generated in the study area between 2021 and 2051 of which 1,079 will be accommodated in the commercial centres. This will generate demand for a further 32,100sqm of commercial space.

Current vacant sites in the commercial centres could be developed for 41,500sqm of space. Furthermore, some sites have capacity to be redeveloped which would effectively double the capacity to around 82,000sqm. Either way there is sufficient capacity to meet demand to 2051. Some centres however have no capacity for expansion including Bannisters Point, Mollymook and Burrill Lake Local Centres. While there is some modest demand for growth in these centres that demand could redirected to other centres within same districts.

Employment lands demand assessment (Section 9)

The study area has 82 hectares of IN industrial and B5 Business Development zoned land. These lands provide 107,000sqm of floor space of which 91% is occupied for employment uses. Under the high growth scenario an additional 641 workers will need to be accommodated between 2021 and 2051. Around 19 hectares (say 24 gross hectares) would be required to accommodate these workers.

There is currently just over 32 hectares of land that is vacant across Milton-Ulladulla's employment precincts. 0.6 hectares is located in Milton industrial precinct while 31.8 hectares is located in Ulladulla industrial precinct. While this should be more than sufficient to accommodate projected growth in demand (and hence no further rezoning of employment land is necessary at this time) Council has advised that around 20 hectares of the vacant land is affected by environmental and land ownership constraints.

INTRODUCTION

1.0 INTRODUCTION

At the time of this study, Shoalhaven City Council was developing an updated Structure Plan for the Milton-Ulladulla locality. The intent of the Structure Plan is to identify and manage the supply and availability of residential and employment land in the Milton-Ulladulla locality to 2051.

In preparing the Structure Plan, the need for a residential market analysis was identified to understand dwelling supply and demand, characteristics of the current residential market and any emerging changes that would impact future demand.

To provide this analysis, HillPDA was commissioned to undertake a study into the local residential market and demand in the locality which Milton-Ulladulla Structure Plan encompasses (refer to Figure 1).

1.1 Milton-Ulladulla study area

The Milton-Ulladulla Structure Plan, and hence the study area for this study, is comprised of eight suburbs. These are Burrill Lake, Dolphin Point, Kings Point, Milton, Mollymook, Mollymook Beach, Narrawallee and Ulladulla. The study area can be seen in Figure 1.

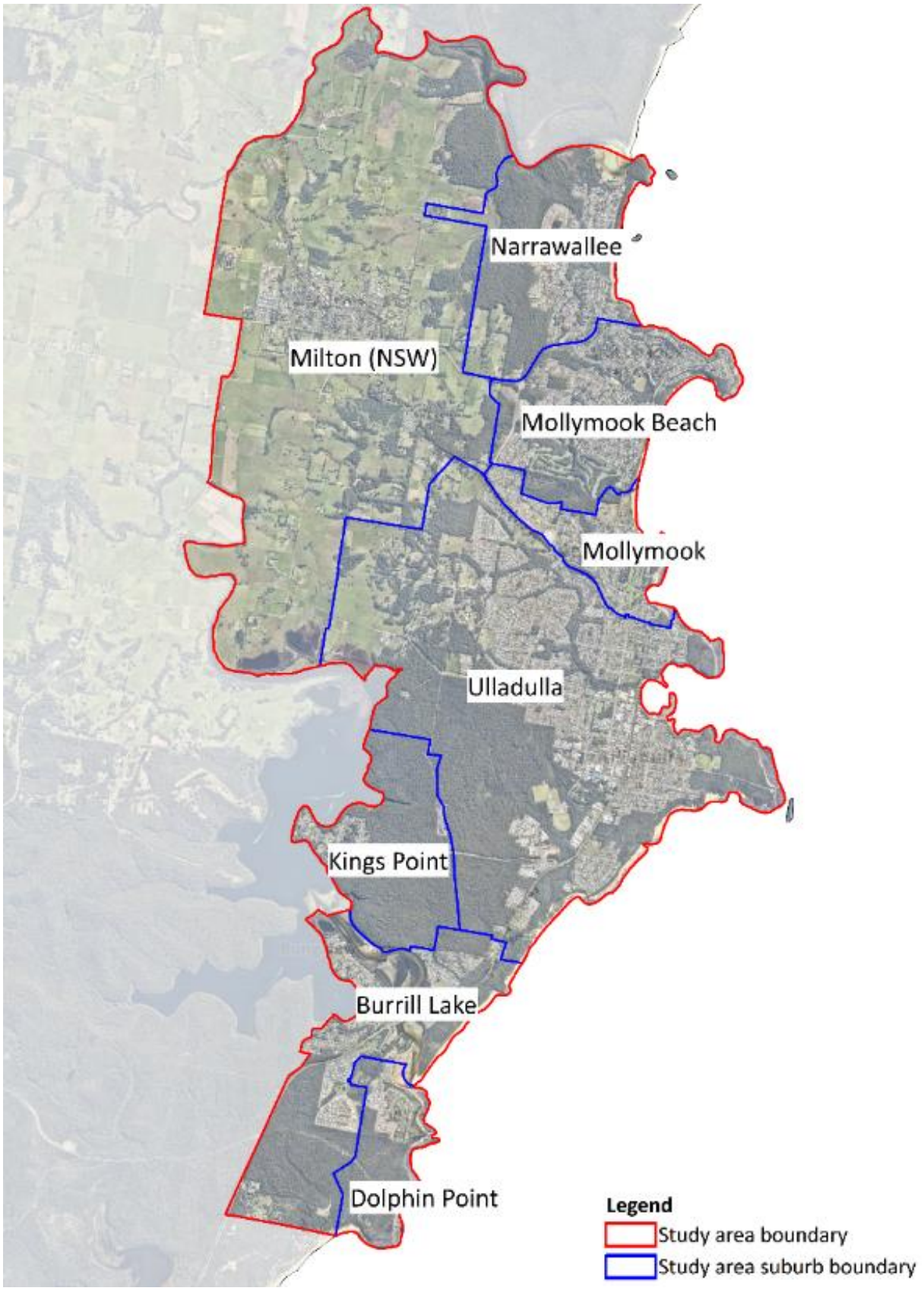
In preparing the Milton-Ulladulla Structure Plan, Council identified the need to better understand the dwelling market within the study area. This included an understanding of the current and future profile of households, projected demand for dwellings to 2051 and land requirements to accommodate the forecast growth.

There are a number of land uses and zonings which are also present in the study area, including commercial and industrial lands. To appropriately plan for enough land to accommodate urban services and other employment uses, the study also projects the demand for commercial, retail and industrial space and subsequent land requirements.

The study aims to provide Council with an understanding on the above. To meet the requirements of the brief, the study is set out in the following manner:

- **Chapter 2 | Influences on housing demand:** undertakes a review of macro and micro-economic trends and forces that influence the demand for housing at the national and regional level.
- **Chapter 3 | Study area characteristics:** undertakes a review of current and forecast socio-economic characteristics of the study area. This review aims to identify unique characteristics that may influence the demand for new dwellings and different types of dwellings.
- **Chapter 4 | Housing market profile:** undertakes a review of the housing market within the study area.
- **Chapter 5 | Residential land and dwelling supply:** undertakes a review of land zoned for residential purposes within the study area. The Chapter also estimates the current (by the end of 2021) stock of dwellings in the study area.
- **Chapter 6 | Housing demand:** forecasts the demand for new dwellings in the study area to 2051. The likely type of these dwelling is also estimated.
- **Chapter 7 | Maximum capacity and GAP assessment:** assesses the theoretical capacity of the study area's existing zoned land stocks to accommodate the projected demand for dwellings to 2051.
- **Chapter 8 | Commercial centre demand assessment:** Based on State employment projections, the Chapter projects the demand for retail and commercial space within the study area and the amount of land likely required to support this demand.
- **Chapter 9 | Industrial land requirements:** Based on State employment projections, the Chapter projects the demand for industrial space within the study area and the amount of land likely required to support this demand.

Figure 1: Milton-Ulladulla study area



Source: HillPDA

2.0 INFLUENCES ON HOUSING DEMAND

This section sets out a review of macro and micro-economic trends and forces that generally influence the demand for housing. Macro and micro-trends provide indicators and a guide as to the health of and factors influencing the market. However, it must be noted that past performance and trends are not always a certain indicator or predictor for the future. As such, continued monitoring, reviewing and analysis should be undertaken at regular intervals.

2.1 Introduction

The median house price in Australia over 12 months to August 2021 was 18.4 per cent higher than the previous year — making it the fastest annual rate of growth in 32 years (since July 1989 to be exact)[1].

Historic conditions have been driven by a range of factors including record low mortgage rates, a surge in consumer confidence as the economic recovery beats expectations, a range of additional stimulus measures which have incentivised home buying and building, and persistently low levels of stock on the market.

While there are some early signs the exuberance in the housing market may be peaking, capital values are not about to reverse but more likely move through a peak rate of growth with the pace of capital gains gradually tapering over the coming months.

2.2 Macroeconomic trends

The following outlines the main macroeconomic indicators and how these impact the property market:

- **RBA cash rate:** While it seems the pace of growth in housing values has peaked, low interest rates are likely to keep upward pressure on housing values.
- **Consumer sentiment:** The rapid economic recovery and low interest rates are likely to keep consumer spirits high for a prolonged period of time. The correlation between sentiment and housing activity is high as long as consumers remain in a buoyant mindset. We should continue to see housing activity holding up.
- **Clearance rates:** Clearance rates have edged to their highest levels in over 10 years increasing from 42.8% in February 2019 to 79.3% in February 2021. Across Australia the auction clearance rate peaked at 83% in October 2021 before quieting down to 76% in November[2]. Historically there has been a strong positive correlation between auction clearance rates and the pace of appreciation in housing values.
- **Vendor activity:** Recently there has been an increase in new listings coming to the market relative to prior years as more vendors take advantage of the strong selling conditions. The four weeks ending April 18th saw 26,470 newly advertised capital city properties added to the market, which was the largest number of new listings for this time of year since 2016 and 17% above the five year average.
- **Housing supply:** Approvals for new dwelling construction are at record highs, and dwelling commencements over the December quarter were almost 20% higher than a year earlier and 5.5% above the decade average. The surge in new building activity is skewed towards houses rather than units, however, the larger cities are still showing a unit supply overhang, with 46,166 units under construction across NSW over the December quarter last year and 43,032 under construction in Victoria.
- **Population growth:** While the increase in new home building will gradually add to the overall housing supply levels it occurs at a time when population growth, which is an important component of housing demand, has turned negative. Due to closed borders and stalled overseas migration it is the first time

[1] ABC News based on CoreLogic data
https://www.abc.net.au/news/2021-09-01/property-housing-corelogic-house-prices-rise/100423896
[2] https://www.businessinsider.com.au/australian-property-clearance-rates-corelogic-report

since 1916 that population growth has been negative. It is uncertain whether increased housing demand via population growth will return once international travel and migration resumes.

- **Fiscal stimulus:** Further to the demand side, Australia is moving into a new phase of the economic recovery where there is substantially less fiscal support which could result in a reduction of housing market activity. Arguably, housing demand has been brought forward by incentives such as the HomeBuilder grant and income support as well as state-based initiatives such as stamp duty concessions. As these stimulus measures expire, along with less migration and rising affordability constraints, it's reasonable to expect housing demand could be negatively impacted.
- **Housing affordability:** Acceleration in housing prices compared to wages growth has a substantial impact on housing affordability. Recent growth in housing values is substantially outpacing incomes, which means a growing deposit hurdle for first home buyers. Based on data to September 2020 (which has worsened considering the 8.2% lift in national housing values since then) it would take the typical Australian household 8.6 years to save a 20% deposit (assuming 15% of gross household income saved). Given growth of almost 20% in the past 12 months to October 2021 the time to save the deposit would now be around 10.2 years. Households in the most expensive capital cities, Sydney and Melbourne, would take 13.7 and 11.7 years respectively to save a deposit.

2.3 Microeconomic trends

The following outlines the main microeconomic indicators and how these impact the property market:

- **COVID-19 and population growth:** It has been suggested that the impacts of COVID-19 will likely see lower population growth across Australia and NSW than previously forecasted. Overseas migration is a key component of population growth in NSW. In the year ending in March 2020, around 73,835 or 78% of the net growth in population in NSW was from overseas migration. International border closures implemented to reduce the spread of COVID-19 resulted in a net loss to overseas migration of around 13,485 persons in the year ending in March 2021[3]. In fact, the June quarter in 1993 was the last time negative growth from overseas migration was recorded in NSW.
- **Sea-change and tree-change:** Taking these migration patterns in mind the dual market of older residents and young/established families is set to dominate in Shoalhaven. Demand for coastal lifestyle properties for older residents downsizing/migrating out of Greater Sydney is expected to remain or increase as a "bubble" of baby boomers come into retirement and look for similar lifestyle opportunities.
- **Housing affordability:** Shoalhaven City's housing market competes with nearby coastal areas and with some places in the corridor from Sydney offering affordable housing to young families wanting to remain close to their communities or employment. In 2020, residential approvals and median sale figures did record a slowdown. Continued growth, in approvals and sale prices, was driven by recent arrivals (pre-2020) and existing residents, anticipating an opportunity in a "slower market".

2.4 Future growth rates

CoreLogic outlines that although conditions remain strong, there are mounting signs that the housing market has moved through a peak rate of growth. Growth conditions over the past six months have been unsustainable and are now succumbing to a gradual slowdown due to worsening affordability constraints, a rise in fresh inventory, higher levels of new detached housing supply and less government stimulus.

CoreLogic expects housing values will continue to rise throughout 2022, but at a much slower pace and there may even be a correction or fall in 2023[4]. Demand should be supported by an expectation that mortgage rates

[3] ABS National, state and territory population, March 2021 release
[4] https://www.theguardian.com/australia-news/2021/nov/22/twilight-for-australias-housing-boom-as-prices-to-fall-10-in-2023-cba-says

will remain at their record lows for an extended period of time, as well as ongoing high levels of consumer confidence as the economy expands at a faster than average pace.

The risks associated with the expiry of mortgage deferrals and less fiscal support have become far less significant. The proportion of home loans that remained on a deferral arrangement at the end of March 2021 was just 0.7%, comprising only 0.07% of bank mortgage books[5]. Consequently, expectation around any material lift in distressed listings is low. For borrowers that remain in a distressed situation, the lift in housing values has reduced the risk of selling at a loss. In the most recent Financial Stability Review, the RBA estimates only 1.25% of Australian properties are in a situation where the loan amount exceeds the value of the home.

The trend in labour markets will provide an important bearing for housing market outcomes. Labour markets have shown a 'V'- shaped recovery through the COVID period to-date; although there may be some reversal in the trend due to the end of JobKeeper, this is likely to be temporary. Further tightening in labour markets post JobKeeper should help to keep consumer sentiment high and provide a positive flow-on effect for housing demand.

The possibility of tighter credit policies remains a key risk to the housing market outlook. At the time of reporting the RBA and APRA have reiterated they are watchful for any signs of slipping credit standards but have also noted there has been little evidence of a deterioration in lending standards to-date. A rise in the proportion of riskier types of lending or higher risk loans could be met with a new round of credit policies. We know from earlier periods of macroprudential intervention that this would likely dampen market activity and the pace of capital gains.

In summary recent strong growth in the demand for detached homes on the South Coast has lead to significant rises in house prices despite no immigration and stagnant population across the Country during the COVID-19 period. This has been driven by several factors including:

- a shortage of supply of detached housing
- record low interest rates
- increasing preference in the market for sea change
- affordability by comparison to the Sydney market
- improved workplace flexibility (remote working)

Interest rates are expected to remain at record lows but the recent rises in house prices are unsustainable. Price rises are expected to be far more mundane or plateau through 2022.

[5] CoreLogic *Hedonic Home Value Index* April 2021

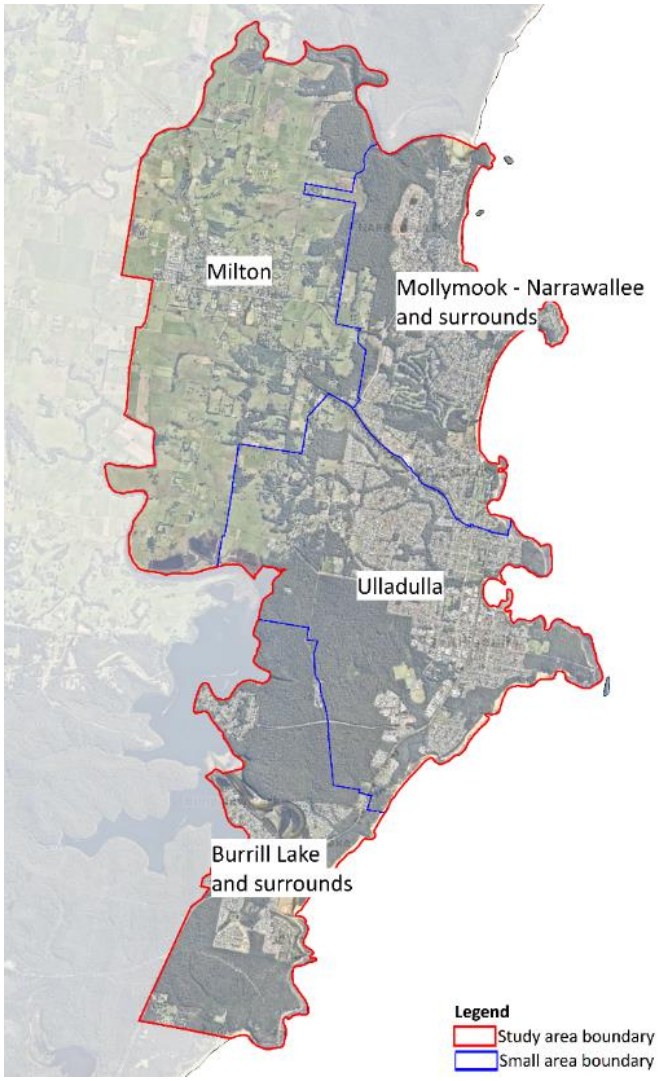
3.0 STUDY AREA CHARACTERISTICS

This section undertakes a review of the socio-demographic status of the resident population and dwelling characteristics within the study area. The purpose of this analysis is to identify key characteristics that may influence the demand for housing and the type of housing and the demand for employment land within the study area. Sections 3.1 & 3.2 examine current data while sections 3.3 to 3.5 provide forecast data.

To examine the study area closely, it has been disaggregated into four precincts based on a common geography and to better align with forecast data provided by Profile.id[6]. These four precincts are as follows:

- Burrill Lake and surrounds: comprises Burrill Lake, Dolphin Point and Kings Point suburbs
- Milton: comprises Milton suburb
- Mollymook-Narrawallee and surrounds: comprises Mollymook Beach, Mollymook and Narrawallee suburbs
- Ulladulla: comprises Ulladulla suburb.

Figure 2: Resident community analysis boundaries



Source: HillPDA, community id

[6] Profile.id is an industry source that uses Census data and other sources to provide historic and forecast socio-demographic data for Councils (LGAs) across Australia

3.1 Current resident socio-demographic characteristics

The following information has been sourced from Profile.id and the ABS Census. Profile.id uses Census information and other sources and a detailed understanding of the development and planning activity in the local area to forecast likely socio-demographic and dwelling trends. Between 2006 and 2011 suburb boundaries changed making direct comparisons difficult. It is understood that Profile.id accounts for this by breaking down the 2006 data into its smallest geographical units and aggregating them into the 2011-16 boundaries.

3.1.1 Population and age structure

The population of the study area increased from around 13,745 in 2006 to 15,265 in 2016, an increase of around 1,520 residents or 11% over the period. This net growth represented around 11% of the LGA growth over the period. From the table below, the following key characteristics can be deduced:

- The population grew in all four precincts in the study area.
- Ulladulla and Milton had the highest population growth in both absolute numbers and in proportion.
- The high population growth in Ulladulla and Milton has resulted in a corresponding higher demand for additional housing.
- The age distribution was reasonably similar between precincts and with the wider LGA.
- The study area population was older than the wider LGA, with a median age of 53 compared to 48 years for the wider LGA.
- There has been an ageing of the population across the study area. For example, between 2006-16 residents aged 60 years and over increased by around 1,655 persons or 38
- Over the period, residents aged 12 to 49 years, across the study area decreased by 395 residents.

Table 3: Population growth and age structure by precinct

Age group	Burrill Lake & surrounds			Milton			Mollymook-Narrawallee & surrounds			Ulladulla			Study area			LGA
	2006	2016	Change	2006	2016	Change	2006	2016	Change	2006	2016	Change	2006	2016	Change	2016
0-4 years	97	118	21	57	71	14	169	190	21	288	321	33	611	700	89	5,122
5-11 years	166	172	6	153	129	-24	349	341	-8	524	498	-26	1,192	1,140	-52	7,914
12-17 years	181	163	-18	134	107	-27	409	299	-110	568	449	-119	1,292	1,018	-274	6,624
18-24 years	108	86	-22	63	54	-9	216	181	-35	330	403	73	717	724	7	6,585
25-34 years	167	224	57	79	101	22	360	336	-24	419	507	88	1,025	1,168	143	9,309
35-49 years	386	324	-62	288	225	-63	798	742	-56	1,084	993	-91	2,556	2,284	-272	15,880
50-59 years	323	362	39	201	218	17	671	697	26	751	895	144	1,946	2,172	226	14,075
60-69 years	303	398	95	149	333	184	748	938	190	796	1,112	316	1,996	2,781	785	16,164
70-84 years	253	311	58	176	270	94	775	907	132	919	1,184	265	2,123	2,672	549	14,807
85+ years	30	78	48	79	142	63	90	147	57	86	237	151	285	604	319	3,160
Total	**2,014**	**2,236**	**222**	**1,379**	**1,650**	**271**	**4,585**	**4,778**	**193**	**5,765**	**6,599**	**834**	**13,743**	**15,263**	**1,520**	**99,640**

Source: ABS and Profile.id

The table below shows the proportion of growth by age cohort. From it we can see that all locations experienced a significant ageing of the population, with Milton and Mollymook-Narrawallee and surrounds having the highest rate. The youngest age cohort (0-24 years) experienced a decline in all precincts.

Table 4: Age cohorts' proportional allocation of total net change 2006-16

Age group	Burrill Lake & surrounds	Milton	Mollymook-Narrawallee and surrounds	Ulladulla	Study area	LGA
0-24	-6%	-17%	-68%	-15%	-5%	-6%
25-59	15%	-9%	-28%	6%	17%	15%
60+	91%	126%	196%	109%	88%	91%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: ABS and Profile.id

3.1.2 Household structure

The table below summarises household composition in 2016 by broad categories and the proportional growth over a ten-year period from 2006.

Smaller households are a combination of lone person, couples without dependents and one parent families. Larger households are a combination of couples with dependents , while other is a combination of group, other families and visitor only households.

From the table below, the following key characteristics can be deduced:

- Proportionally, the structure of households was relatively similar across the analysed areas
- Smaller households were the dominant household type
- Milton and Ulladulla had the highest growth in smaller households over the period (113 and 333 households, respectively)
- Larger households (couples with children) decreased in the locations of Milton and Mollymook-Narrawallee and surrounds. In comparison, larger households increased in Burrill Lake and surrounds and Ulladulla (22 and 4 households, respectively)
- Across the study area, 70% of the new households were couples without dependents and lone persons. This was highest in Mollymook-Narrawallee and surrounds, where 98% of new households were couples without dependents and lone persons.

The increasing proportion of smaller households could indicate an increasing preference/requirement for smaller style dwellings which are more aligned to the community's needs.

Table 5: Household structure

Household group	Burrill Lake & surrounds		Milton		Mollymook-Narrawallee and surrounds		Ulladulla		Study area		LGA	
	2016	change 06-16	2016	change 06-16	2016	change 06-16	2016	change 06-16	2016	change 06-16	2016	change 06-16
Couples with dependents	203	22	140	-9	395	-2	555	4	1,293	15	8,849	7
Couples without dependents	292	-3	190	48	794	21	866	90	2,142	156	12,775	1,433
One parent family	110	26	47	-3	153	-28	334	5	644	0	4,358	432
Other families	3	-3	3	3	4	-5	26	14	36	9	302	67
Group household	25	2	7	1	44	1	58	26	134	30	980	163
Lone person	237	18	165	44	573	120	869	238	1,844	420	10,913	2,124
Other not classifiable	35	23	32	16	60	-3	126	80	253	116	1,952	941
Visitor only households	25	12	5	-1	94	40	51	23	175	74	798	253
Total	**930**	**92**	**592**	**98**	**2,118**	**143**	**2,885**	**477**	**6,525**	**810**	**40,927**	**5,420**

Source: ABS and Profile.id

3.1.3 Median weekly household income

Household income is one of the most important indicators of socio-economic status. in 2016 the median weekly household income across the study area ($907/week) was around $85 or 9% lower than that recorded for Shoalhaven LGA.

In fact, as a whole households across the study area had become slightly less affluent between 2006-16. This is firstly evident in the median weekly household income increasing proportionally at a lower rate over the period, when compared to Shoalhaven LGA (44% and 51%, respectively). Secondly, in 2006 the study area's median weekly household income was 4% lower than that recorded for Shoalhaven LGA, by 2016 this gap had increased to 9%.

From the table below, the following key characteristics can be deduced:

- Milton 's median weekly household income ($1,110) was around $420 or 42% higher than Shoalhaven LGA's median ($992). Proportionally, Milton's median had increased at a higher rate over the 2006-16 period when compared to Shoalhaven LGA (61% and 51%, respectively).
- All other precincts, when compared to the LGA, had lower median weekly incomes which had proportionally increased at a lower rate over the period.

Table 6: Median weekly household incomes 2006-16

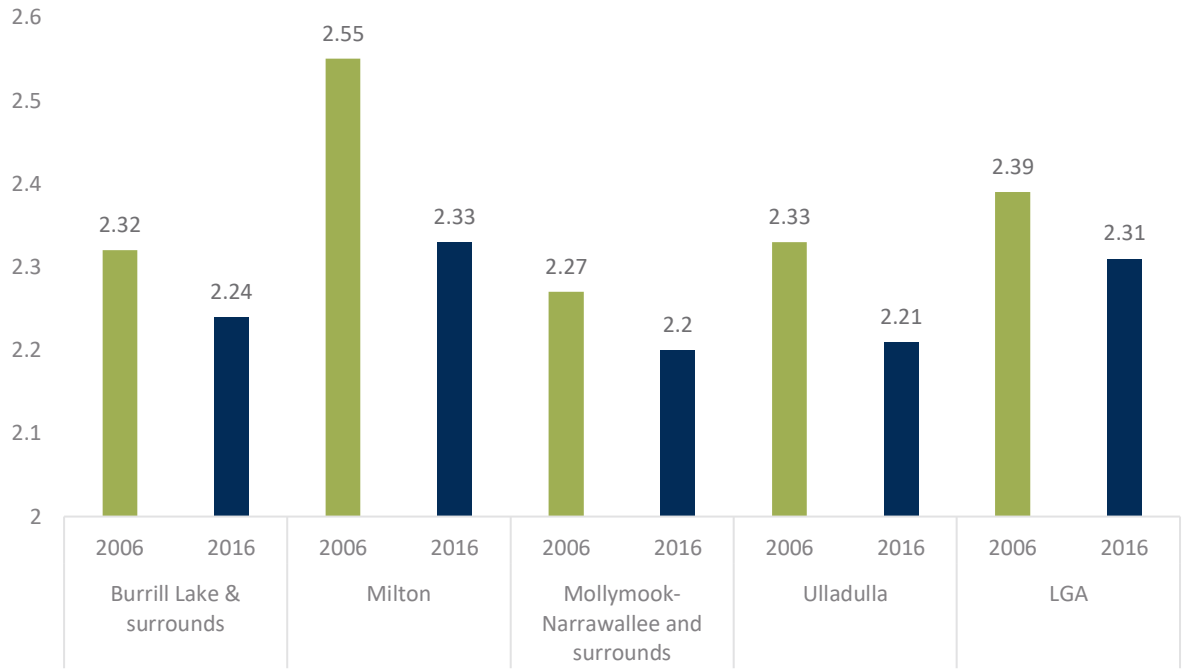
Precinct	2006	2016	% change
Burrill Lake & surrounds	$614	$916	49%
Milton	$689	$1,110	61%
Mollymook-Narrawallee and surrounds	$672	$976	45%
Ulladulla	$593	$813	37%
Study area	$631	$907	44%
Shoalhaven LGA	$659	$992	51%

Source: ABS quick stats, HillPDA

3.1.4 Average household size

Over the ten-year period to 2016, the average household size decreased in all four precincts in the study area and the wider LGA. This is reflective of the higher growth in smaller households over the period. Milton had the greatest reduction in average household size, from 2.55 to 2.33 persons. This was followed by Ulladulla, which decreased by 0.12 to around 2.21 persons per dwelling. The other two locations reduced in line with the LGA's reduction of 0.8 over the same period.

Figure 3: Average household size 2006-16



Source: Profile.id, HillPDA

3.2 Current dwelling characteristics

The following information is sourced from ABS 2011 and 2016 Census data. As previously stated, suburb boundaries changed between 2006 and 2011. This makes direct comparison difficult. As such, changes in dwelling characteristics have been made between 2011-16.

Recent dwelling completion data supplied by Council has been used to analyse dwelling characteristics post 2016.

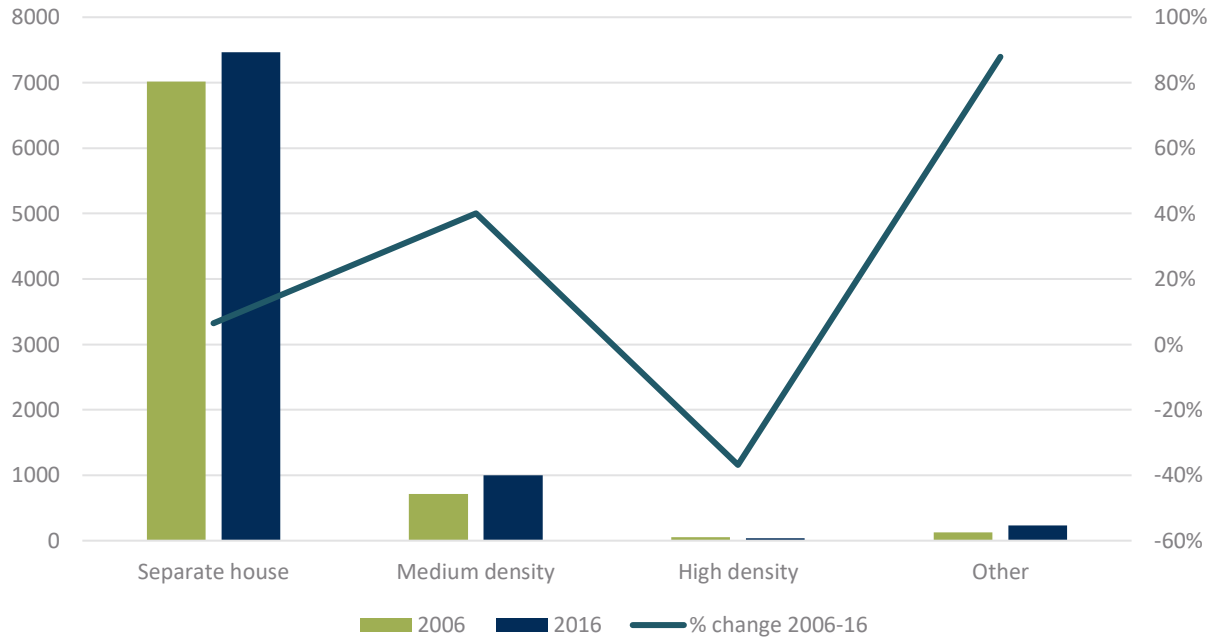
3.2.1 Dwelling typologies 2011-16

As seen in the graph below, detached houses by far remained the overall dominant dwelling type in the study area. Of the around 820 new dwellings between 2006-16, around 450 or 55% were detached houses.

Despite medium density dwellings comprising only 9% of dwelling stocks in 2006, they recorded a significant increase over the ten-year period, increasing by around 285 dwellings. This represented 35% of the study areas increase in dwelling stocks over the period. In fact, medium density dwellings increased by 40% over the ten-year period. This is compared to detached dwellings, which only increased by 6%.

This trend aligns with the observed increase in smaller households over the last ten years, with the market providing more affordable options which are more aligned with the community's needs. Analysis of dwelling completion data between 2016-21 shows this trend has not continued with 76% of new dwelling stock being detached dwellings.

Figure 4: Study area dwelling typology 2006-16



Source: Profile.id – other category includes Caravans, cabin, houseboat and Other, figure and statistics excludes dwellings not stated

In 2016, detached dwellings were the dominant dwelling type in all four precincts – 94% of dwellings in Burrill Lake & surrounds, 86% in Mollymook-Narrawallee and surrounds, 87% in Milton and 81% in Ulladulla.

However, when analysing development trends across these precincts, it is noted that medium density dwellings comprised 35% of the growth. While in the precincts Burrill Lake & surrounds and Mollymook-Narrawallee and surrounds the number of new medium density dwellings was greater than separate dwellings.

This may indicate a growing preference for dwellings that are more aligned to changing family and household types.

Table 7: Study area dwelling typology 2006-16 by precinct

Dwelling type	Burrill Lake & surrounds		Milton		Mollymook-Narrawallee and surrounds		Ulladulla		Study area		Shoalhaven LGA	
	2006	2016	2006	2016	2006	2016	2006	2016	2006	2016	2006	2016
Separate house	1,170	1,214	464	589	2,860	2,917	2,523	2,745	7,017	7,465	43,874	47,651
Medium density	8	68	48	64	283	390	374	477	713	999	3,625	4,945
High density	0	0	0	0	35	36	22	0	57	36	111	93
Other	45	15	9	26	16	39	54	153	124	233	881	1,380
Total	**1,223**	**1,297**	**521**	**679**	**3,194**	**3,382**	**2,973**	**3,375**	**7,911**	**8,733**	**48,491**	**54,069**

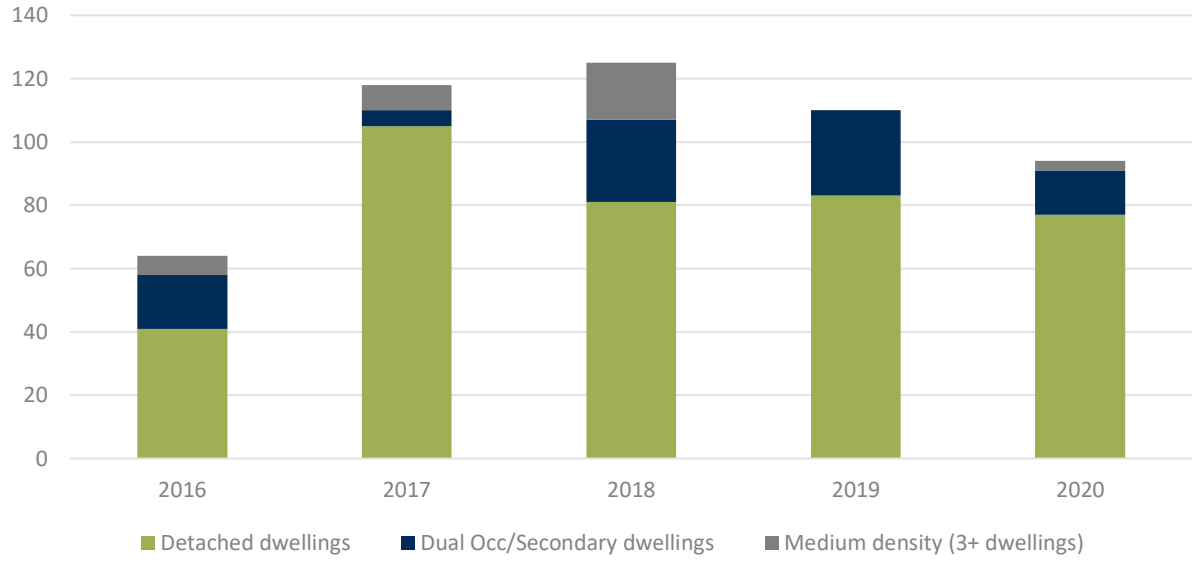
Source: Profile.id – other category includes Caravans, cabin, houseboat and Other, figure and statistics excludes dwellings not stated

3.2.2 Dwelling completions by dwelling type 2016-2020

Across the study area, around 511 dwellings were completed between August 2016[7] and December 2020. Of these 76% were detached dwellings while 17% were dual occupancy/secondary dwellings, and 7% were medium density (three or more attached dwellings).

Despite a growing preference for semi-detached dwellings between 2011-16, there was a recent surge in detached dwellings from 2016 to the present. The main reason is that detached dwellings in greenfield areas are cost effective in meeting market expectations. Price rises in the production of infill medium density housing has made this dwelling type less competitive to greenfield development in recent times. This has increased the number of larger dwellings over smaller medium and higher density dwellings in recent years.

Figure 5: Study area dwelling completions by dwelling type 2016-2020



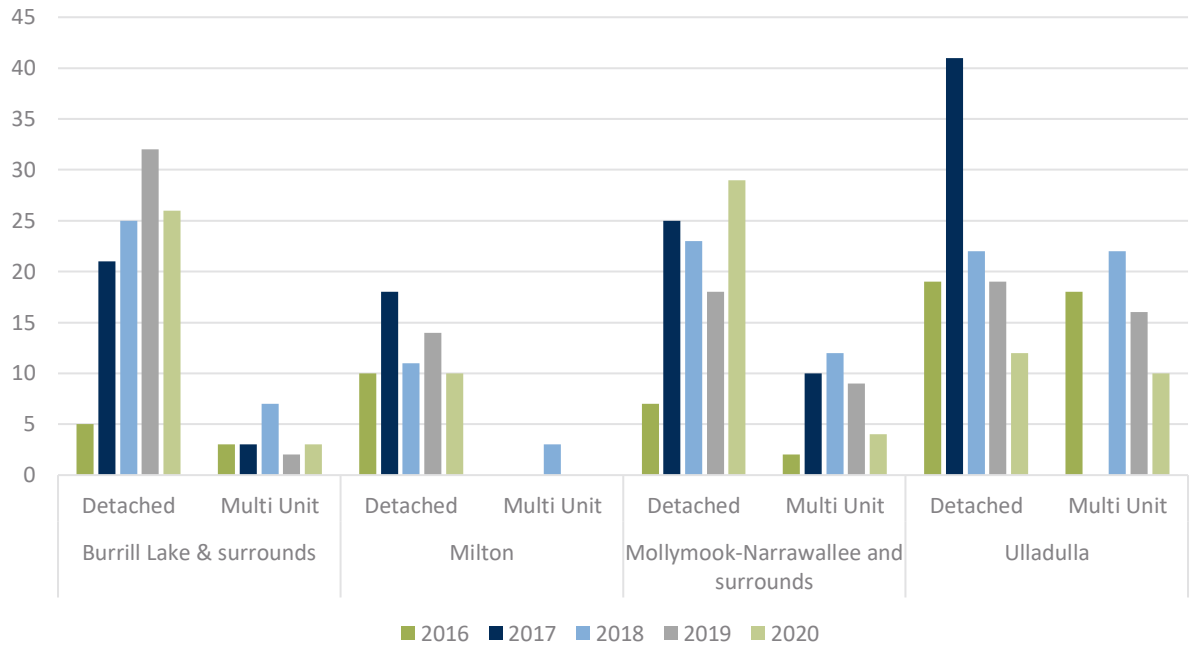
Source: Shoalhaven City Council 2021

From Figure 6 below, the following observations can be made:

- Recent development trends (post 2016) have favoured detached dwellings.
- Post 2016, detached dwellings generally comprise the bulk of new dwellings each year across the four precincts
- Multi-unit housing was mostly provided in the Mollymook-Narrawallee and surrounds and Ulladulla precincts.

[7] Date of the 2016 Census

Figure 6: Study area –dwelling completions by typology and precinct 2016-2020

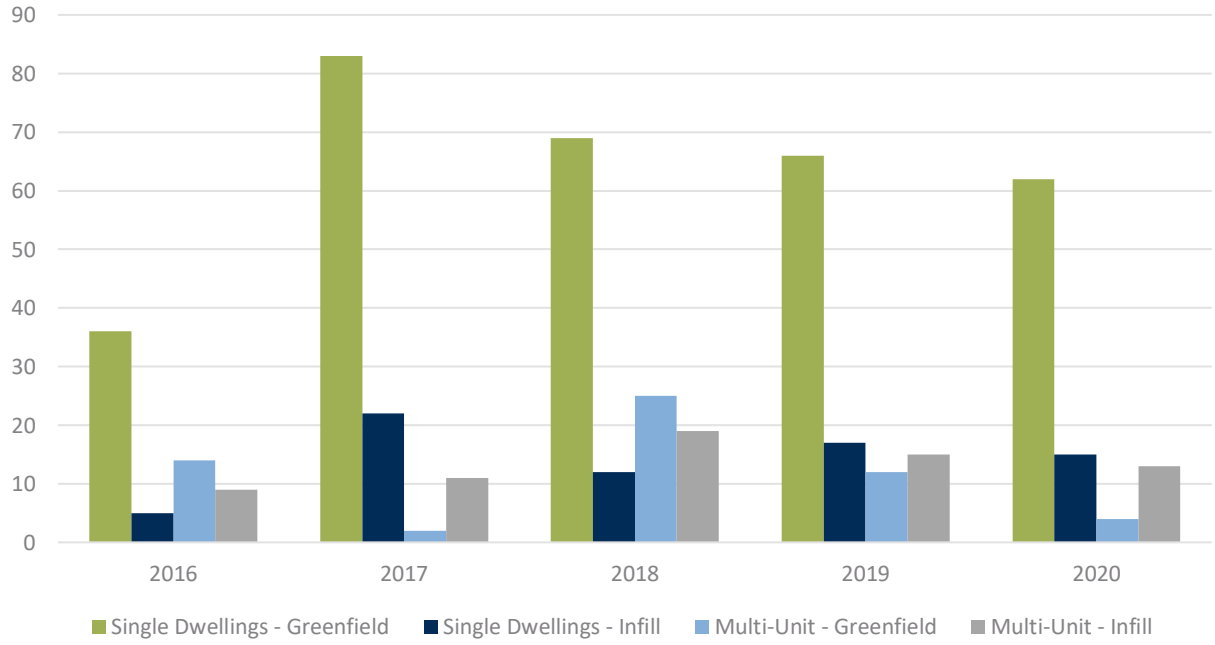


Source: Shoalhaven City Council 2021

3.2.3 Study area dwelling completions by land development type 2016-2020

The graph below shows dwelling completions within the study area between August 2016 and December 2020 by their dwelling type and location (greenfield and infill). This shows that over the four-year period 82% of detached dwellings and 46% of multi-unit dwellings were greenfield developments.

Figure 7: Study area dwelling completions by land development type 2016-2020



Source: Shoalhaven City Council 2021

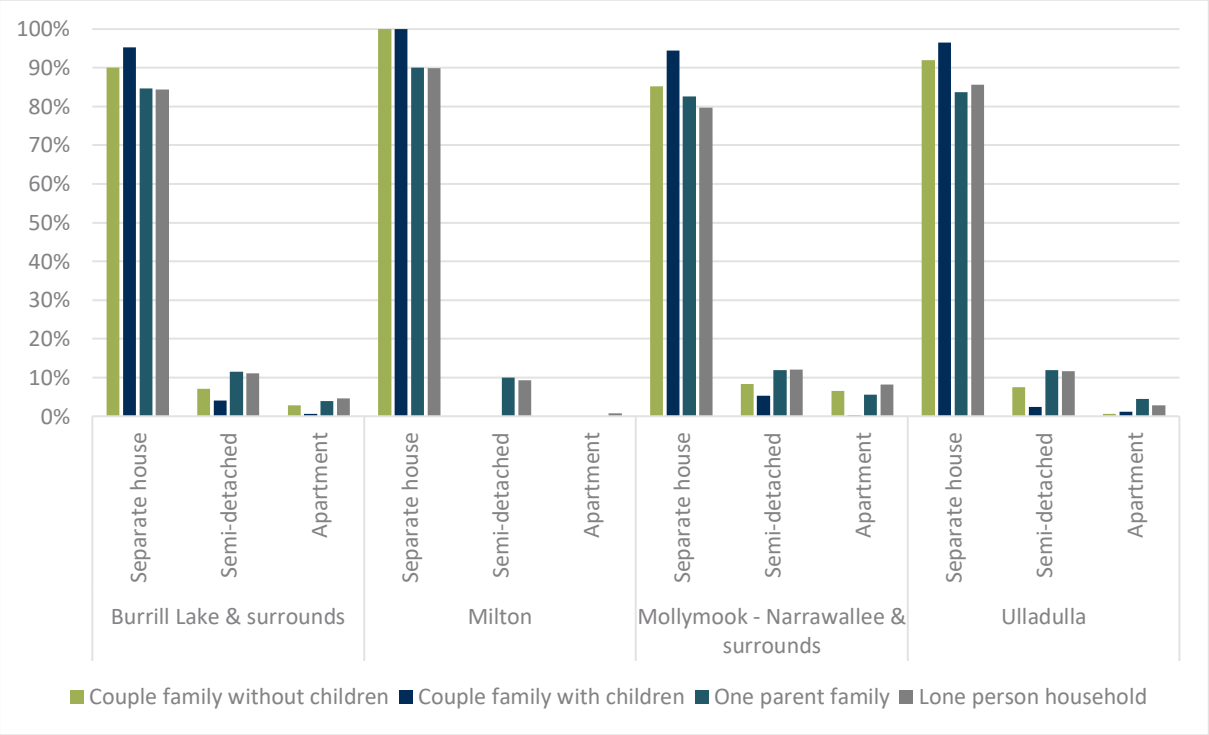
3.2.4 Dwelling type by household structure

In 2016, across the study area, 84% of the selected household groups resided within detached dwellings, 11% lived in semi-detached dwellings while only 5% lived in apartments. A closer look at each household group across the study area reveals the following:

- Over 65% of lone person households lived in detached dwellings, 23% in semi-detached dwellings, while 12% lived in apartments.
- Almost 85% of one parent households lived in detached dwellings, 12% in semi-detached dwellings, while 4% lived in apartments.
- 90% of couple family without children households lived in detached dwellings, 7% in semi-detached dwellings, while 3% lived in apartments.
- Over 95% of couple family without children households lived in detached dwellings, 4% in semi-detached dwellings, while 1% lived in apartments.

Although the analysis shows that detached dwellings are the most common type of dwelling occupied by each household type this maybe a result of availability rather than choice. Increased supply of smaller dwellings, such as apartments and semi-detached dwellings, would provide a more appropriate (and potentially a more affordable option) for smaller households (one and two person households).

Figure 8: Dwelling type by household structure 2016



Source: 2016 ABS

3.2.5 Housing suitability

As described by the ABS: *housing suitability is a dwelling variable that is derived from responses to the number of bedrooms in a dwelling, relationship in the household, sex and age questions for persons who are usually resident.*

The criteria used to derive the variable are based on the Canadian National Occupancy Standard for housing appropriateness and are sensitive to both household size and composition. The measure assesses the bedroom requirements of a household by specifying that:

- *there should be no more than two persons per bedroom*
- *children less than five years of age of different sexes may reasonably share a bedroom*
- *children less than 18 years of age and of the same sex may reasonably share a bedroom*
- *single household members 18 years and over should have a separate bedroom, as should parents or couples and*
- *a lone person household may reasonably occupy a bed sitter.*

The housing suitability variable compares the number of bedrooms required with the actual number of bedrooms in the dwelling. It can be used to analyse the under or over utilisation of dwellings and the dwelling's suitability for the resident household[8].

The table below shows the proportion of dwellings which have one or more bedrooms spare. Across the study area a significant number (87%) of dwellings have spare rooms. Looking at housing suitability for the various dwelling types shows that 89% of detached dwellings, 80% of semi-detached dwellings and 61% of apartments have one or more spare bedrooms.

This may indicate that the study area dwellings are underutilised or inefficient. This is more predominant in detached dwellings while smaller dwellings such as semi-detached and apartments are comparably more efficiently utilised.

Table 8: Housing suitability by typology, proportion of dwelling with one or more bedrooms spare

Precinct	Detached dwelling	Semi-detached	Apartment	Total
Burrill Lake & surrounds	85%	74%	0%	85%
Milton	86%	69%	71%	83%
Mollymook-Narrawallee and surrounds	92%	89%	42%	91%
Ulladulla	88%	78%	0%	86%
Study area	**89%**	**80%**	**61%**	**87%**

Source: 2016 ABS Census table builder, HillPDA

3.2.6 Housing stress

Housing stress is a metric used to describe a situation where the cost of housing is high relative to the household income. As a rule of thumb, housing stress is defined as where housing costs (rent or mortgage repayments) are 30% or more of gross household income[9].

While this figure provides a useful benchmark of housing affordability, the definition of affordability varies according to a household's individual circumstances.

Using 2016 census data, it is estimated that on average, 37% of the income of a household with a mortgage is directed towards repayments, while 32% of a renting households' income is directed to rental payments.

Analysis of the study area's precincts highlights:

- Ulladulla had the highest proportion of household income being directed towards mortgage and rental payments (43% and 36%, respectively)
- Burrill Lake & surrounds had the second highest proportion of household income being directed towards mortgage and rental repayments (35% and 31%, respectively)
- On average, households renting in Milton are considered not to be in stress
- Households in the precincts of Milton and Mollymook-Narrawallee and surrounds have on average higher incomes than the average across the study area ($57,720, $52,080, and $47,630, respectively).

[8] ABS
[9] NSW Affordable Housing Ministerial Guidelines 2016-2017

If left unabated, the housing affordability gap will continue to widen. Increased residential supply can place downward pressure on housing prices and rents. Increased dwelling supply and capacity within the study area would contribute to helping alleviate the housing affordability gap and rental stress.

Table 9: Housing stress 2016

Precinct	Median household income	Median monthly mortgage repayments	Median weekly rent	% of income to repayments	
				Mortgage	Rent
Burrill Lake & surrounds	$47,714	$1,388	$285	35%	31%
Milton	$57,720	$1,500	$270	31%	24%
Mollymook-Narrawallee and surrounds	$52,078	$1,461	$305	34%	30%
Ulladulla	$42,276	$1,500	$290	43%	36%
Study area	**$47,627**	**$1,466**	**$292**	**37%**	**32%**

Source: 2016 ABS Census, HillPDA

3.2.7 Housing affordability

The following has been sourced from a report undertaken by .id consultants for Shoalhaven Council. This report is entitled Milton-Ulladulla Structure Plan: Assessment of current and future demographic and housing trends April 2021.

Please note the following definition for household income groups used in the study:

- Very low | less than 50% of the Regional NSW median income. This translates to *less than $833 per week.*
- Low | *between 50% and 80% of Regional NSW median income*. *This translates to $834-$1,333 per week.*
- Moderate | between 80% and 120% of the Regional NSW household income. *This translates to $1,334-$1,999 per week.*

Purchasing a home

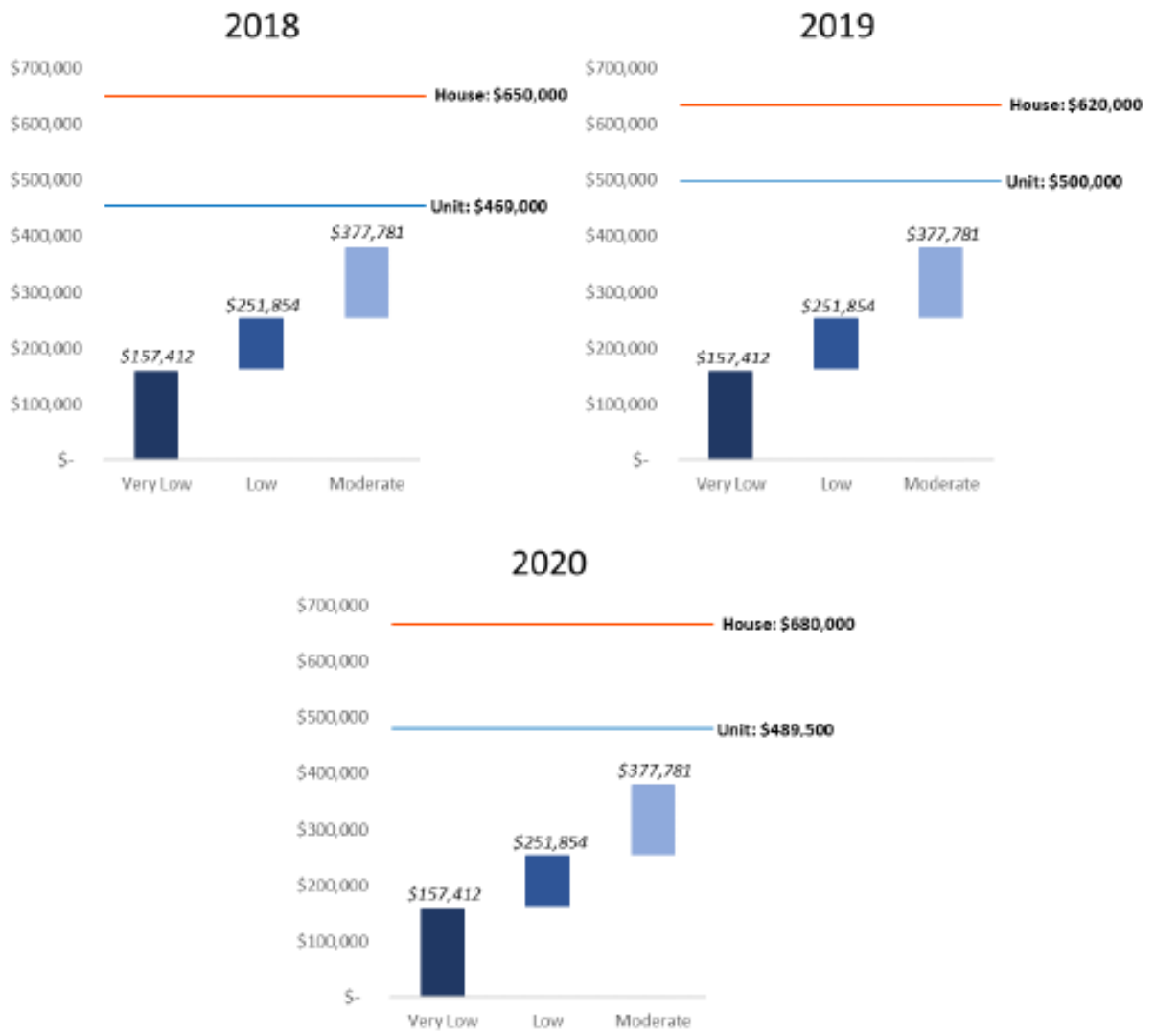
The report estimates the affordability of housing based on several assumptions, including interest rates, loan period, deposit requirement and affordability threshold.

The report found that in the study area:

purchasing a home has become less affordable over time, with neither the median house nor unit price being within affordability range for very low, or moderate household income groups in the (study) area.

Compared to houses, units provide a more affordable dwelling option for residents. However, the median price for units remains unaffordable for the analysed median household groups.

Figure 9: Median house and unit sale prices, compared to different household income levels 2018-20



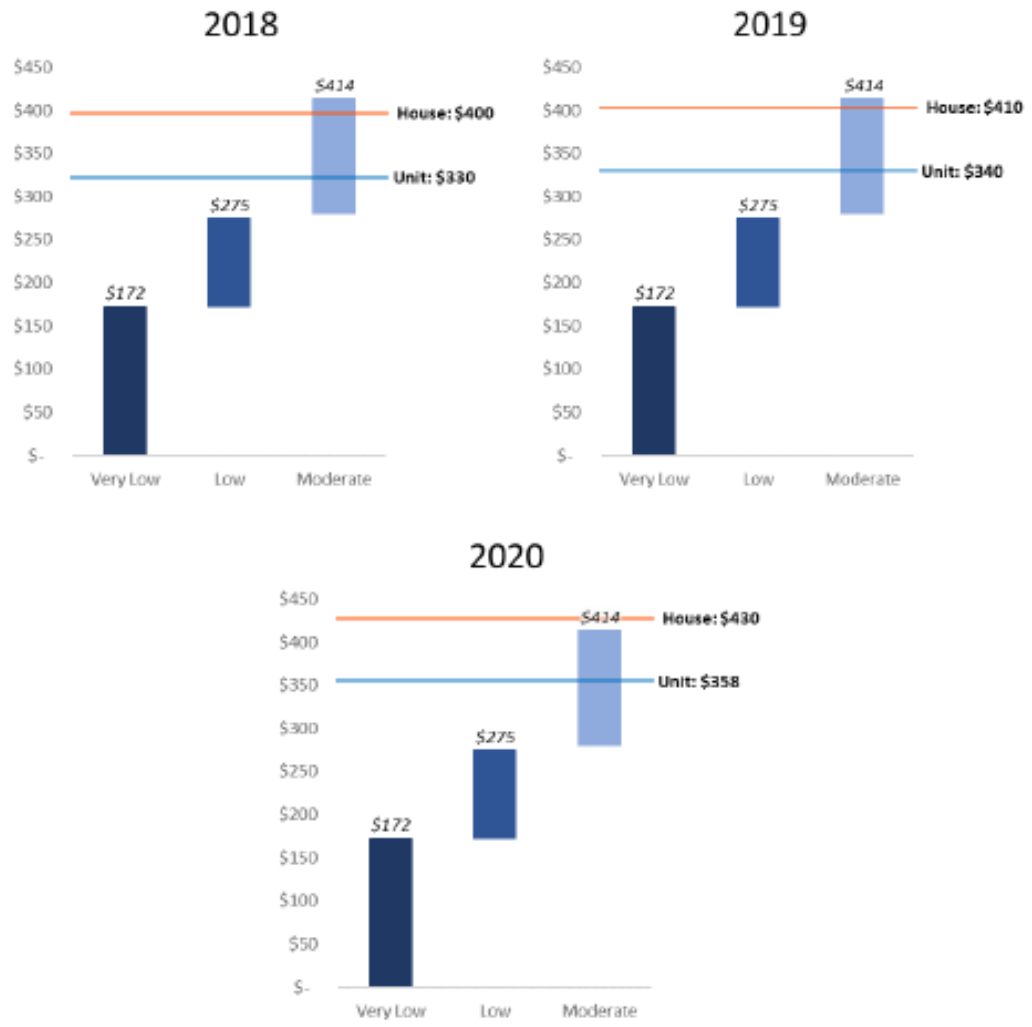
Source: Assessment of current and future trends in Ulladulla, Milton and surrounds report undertaken by .id

Renting a home

Regarding rental affordability in the study the report found that:

both house and unit rental listings have been affordable to those with moderate household incomes, but affordability decreases over time. Unlike sales, a much higher proportion of rental listings are affordable to at least moderate-income households.

Figure 10: Median house and unit rental, compared to different household income levels 2018-20



Source: Assessment of current and future trends in Ulladulla, Milton and surrounds report undertaken by .id

3.3 Future resident and dwelling characteristics

The projections have been sourced from Profile.id. These population, household and dwelling projections are based on existing zonings and known planning proposals, so the forecasts are "constrained". As such they form a "lower bound" estimate of future growth potential and additional "planning activity" would be necessary to cater for higher growth in the long term.

3.3.1 Population projections

According to Profile.id, the population of the study area is forecast to increase from around 15,620 persons[10] in 2016 to 20,760 persons by 2051. This represents an increase of around 5,145 persons or 33% over the 35-year period. The study area's population is forecast to continue to "age" with around 3,990 or 78% of its forecast net growth being residents aged 60 years and above. This is compared to the wider LGA, in which residents aged 60 plus years will comprise 57% of its net 35,700 resident growth.

The table below summarises the net change between 2016-51 across broad age cohorts. The table also shows what proportion these age cohorts comprise of the net change in population. Please note the Profile.id data combines the two precincts of Milton and Mollymook-Narrawallee & surrounds into a combined precinct.

From the table below, the following key characteristics can be deduced:

- Milton - Mollymook - Narrawallee & surrounds is forecast to continue to experience the highest rate of ageing of its population within the study area.
- Burrill Lake & surrounds is forecast to experience an ageing of its population although its lower age cohorts are also forecast to experience significant growth, comparable to the other precincts. This may imply a mix of dwelling types will be required to appropriately cater for all family types, stages in life and price points.

Table 10: Forecast net population growth 2016-51 and proportion of change

Age cohort	Burrill Lake & surrounds		Milton - Mollymook - Narrawallee & surrounds		Ulladulla		Study area		LGA	
	Change #	% of net change	Change #	% of net change	Change #	% of net change	Change #	% of net change	Change #	% of net change
0-24	298	24%	34	2%	218	12%	550	11%	6,269	18%
25-59	436	35%	-68	-3%	237	13%	605	12%	9,046	25%
60+	497	40%	2,135	102%	1,357	75%	3,989	78%	20,386	57%
Total	**1,231**	**100%**	**2,101**	**100%**	**1,812**	**100%**	**5,144**	**100%**	**35,701**	**100%**

Source: Profile.id, March 2021 projections, HillPDA

3.3.2 Household projections

Analysis of household projections across the study area shows that of the 2,587 additional households, 87% are expected to be smaller households (lone persons, single parent, and couples without children). Only 13% of the net growth in households are expected to be larger household types (couples with children).

In fact, across the study area, almost 80% of the net growth in households is forecast to be lone person and couples without children. This implies that there will be a growing demand for smaller style dwellings which are aligned for one and two-person households.

Analysis of the forecast net growth in households within the precincts shows:

[10] Please note, the differing estimate of persons in the study area as of 2016 is likely a result of the census generally being considered an undercount. Profile ID has likely accounted for this in their 2016 estimated residential population.

- Most of the growth (95%) in Milton - Mollymook - Narrawallee & surrounds is forecast to be smaller households – of which 53% are lone person households
- Most of the growth (87%) in Ulladulla is forecast to be smaller households – of which 43% are lone person households
- Burrill Lake & surrounds has a notable increase in larger households with these comprising 27% of new households.

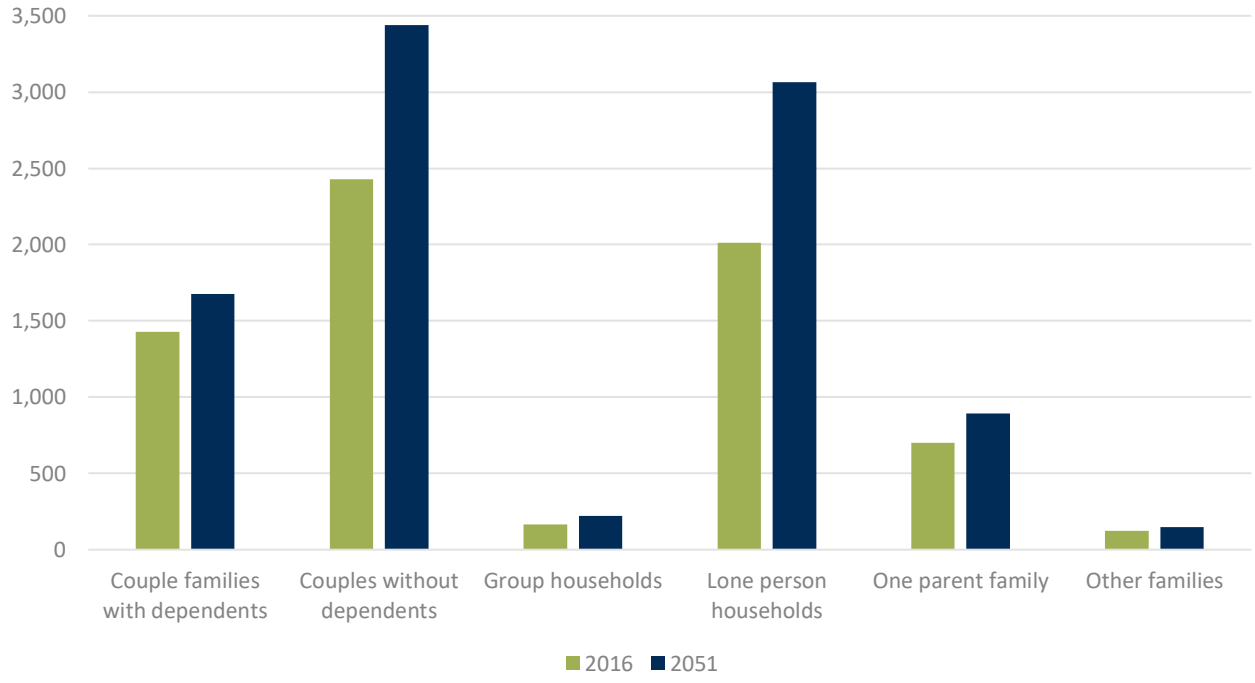
Table 11: Household projections by broad type 2016-51

Household group	Burrill Lake & surrounds		Milton - Mollymook - Narrawallee & surrounds		Ulladulla		Study area		LGA	
	Net change	% of total change	Net change	% of total change	Net change	% of total change	Net change	% of total change	Net change	% of total change
Couple families w dependents	129	23%	27	3%	94	10%	250	10%	3,019	18%
Couple w/o dependents	182	33%	421	40%	407	42%	1,010	39%	6,021	35%
Group households	17	3%	22	2%	18	2%	57	2%	297	2%
Lone person households	159	28%	526	50%	368	38%	1,053	41%	6,381	37%
One parent family	68	12%	50	5%	75	8%	193	7%	1,228	7%
Other families	4	1%	7	1%	13	1%	24	1%	261	2%
Total	**559**		**1,053**		**975**		**2,587**		**17,207**	

Source: Profile.id - March 2021projections HillPDA

The figure below shows that lone person households and couples without dependents are expected to experience significant growth (+2,065 households or 80% of total households).

Figure 11: Study area household projections 2021-51



Source: Profile.id, HillPDA

3.3.3 Dwelling projections 2016-51

Profile.id project that between 2016-51 the study area will require an additional 2,618 dwellings, an increase of around 27% over the 35-year period. This equates to around 75 new dwellings per annum, which is lower than the 110 per annum developed between 2011-20.

Of the net growth in dwellings:

- 568 dwellings or 22% are identified for the Burrill Lake & surrounds precinct, equating to 16 dwellings per annum.
- 1,007 dwellings or 38% are identified for the Milton – Mollymook - Narrawallee & surrounds precinct, equating to 29 dwellings per annum.
- 1,043 dwellings or 40% are identified for the Ulladulla precinct, equating to 30 dwellings per annum.

The above dwelling projections form the basis of our supply and demand modelling.

Table 12: Dwelling projections by precinct

Precinct	2016	2021	2026	2031	2036	2041	2046	2051	Change	% growth
Burrill Lake & surrounds	1,317	1,490	1,605	1,720	1,827	1,855	1,870	1,885	568	43%
Milton – Mollymook - Narrawallee & surrounds	4,106	4,385	4,595	4,805	4,986	5,033	5,073	5,113	1,007	23%
Ulladulla	3,417	3,680	3,855	4,030	4,205	4,290	4,375	4,460	1,043	28%
Total	**8,840**	**9,555**	**10,055**	**10,555**	**11,018**	**11,178**	**11,318**	**11,458**	**2,618**	**27%**

Source: Profile.id - March 2021 projections

3.4 Key socio-demographic findings

From the above analysis, the key findings are:

- The study area has an older population when compared to Shoalhaven LGA.
- There has been an ageing of the population across the study area. For example, between 2006-16 residents aged 60 years and over increased by 1,655 persons or 38%.
- Older residents occupying larger dwellings rather than downsizing could be an issue for younger families looking for appropriate housing in the area.
- Across the study area, 70% of the new households were couples without dependents and lone person.
- Across the study area 84% of the selected household groups resided within detached dwellings, 11% in semi-detached dwellings while only 5% lived within an apartment.
- When detached dwellings are excluded, lone person and single parent households had a greater propensity to live in semi-detached dwellings.
- Detached dwellings are the dominant dwelling type across the study area.
- Between 2006-16, 55% of new dwelling stocks across the study area were detached dwellings. The preference for detached dwellings has increased with 76% of new dwelling stock being detached dwellings between 2016-20.
- Dwelling affordability is an issue for the study area.
- Between 2016-51, the study area's population will increase by 5,145 persons or 33%.
- Of the net growth in population between 2016-51, around 3,990 or 78% are forecast to be residents aged 60 years and above.
- Between 2016-51, it is estimate that households in the study area will increase by 2,587 households. Of these, 87% are expected to be smaller households (lone persons, single parent, and couple without children).

- Between 2016-51, it is estimated that the study area requires, and has the capacity for, an additional 2,618 dwellings. This equates to around 75 new dwellings per annum.

3.5 Implications for the demand for dwellings

The above analysis suggests that the study area's population will continue to age while new households will predominantly consist of lone persons, single parents, and couples without children.

Recent development patterns have favoured detached dwellings in greenfield locations. Future demographics suggest that smaller style dwellings, such as semi-detached dwellings, could better align or meet the needs of future households.

The forecast growth in the number of older residents also suggests that infill developments of semi-detached/apartments dwellings could provide an opportunity for older residents to relocate to more suitable dwellings (compact, easier to maintain etc) and "age in place" freeing up the existing stock of detached dwelling for other households.

A difficulty in procuring medium density housing in the existing urban area is the likely cost when compared to the purchase price of detached dwellings in the greenfield areas. Currently it is more feasible for developers to develop low density housing in the greenfield areas than to procure existing sites within centres and design and construct higher density housing on them. From the consumer's point of view, why buy a smaller medium density attached dwelling when they can pay no more for a larger Torrens title house. As such, it makes more sense to purchase a large dwelling with additional rooms than a smaller attached dwelling. This is explored further in the next section.

4.0 HOUSING MARKET PROFILE

This section undertakes a review of the housing market dynamics within the study area. The unique dwelling characteristics and trends of Milton-Ulladulla and its sub-markets are discussed through this review.

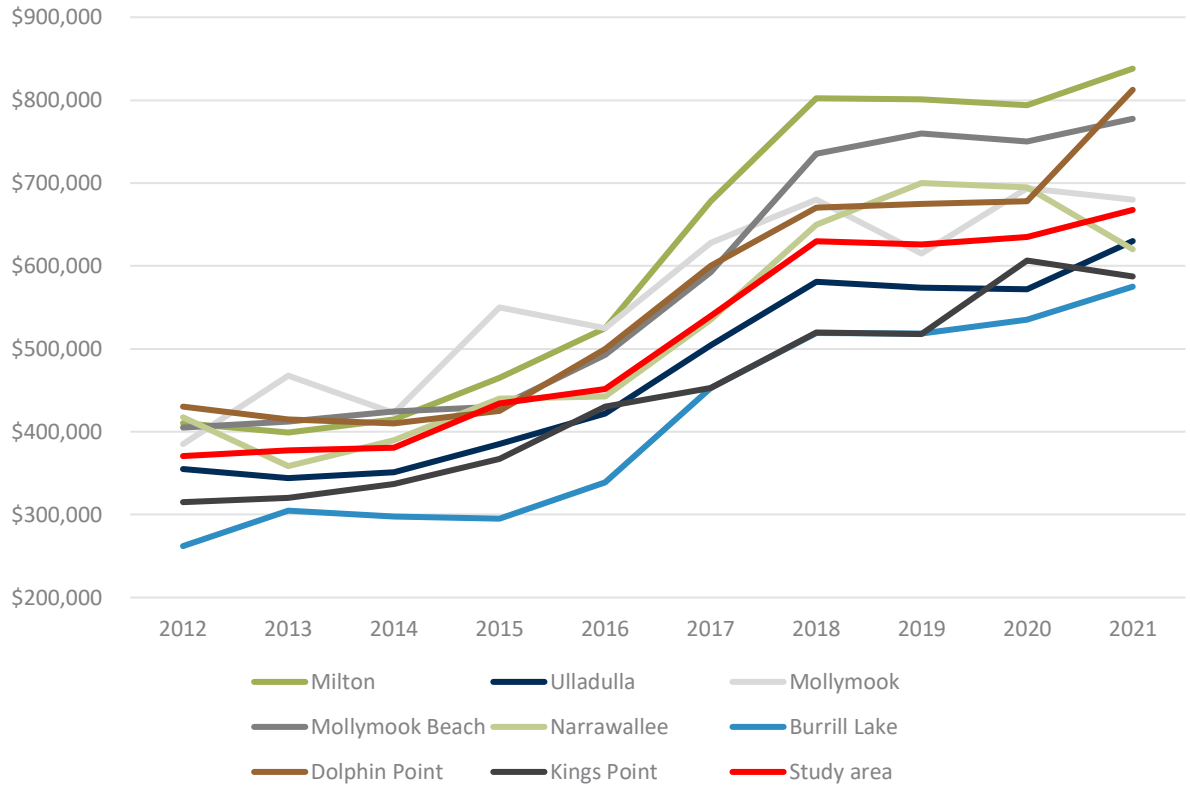
4.1 Median house price trends

The residential market in the study area has been performing well, evidenced by strong take-up rates on most developments. Over the past ten years, median house price growth in study area has been strong, with an average annual growth rate of 7.0% per annum. Price growth for strata dwellings has been a little lower at 6.4% per annum.

In 2020, the median house price in the study area was $668,000 while the median strata unit price was $513,000. While there were limited transactions to May 2021, early indications suggest a rise in the median house and strata unit price of 5.2% and 12.6% respectively.[11]

Recent trends in median house prices are shown below for the study area. The pattern of change is similar across the suburbs although prices in the Burrill Lake and Kings Point suburbs are a little lower than the study area average. This is a function of distance to the closest commercial centre/ Ulladulla town centre, availability of amenities and transport and extent of gentrification.

Figure 12: Median house price trends, study area (January 2012-May 2021)



Source: RPData, as at May 2021

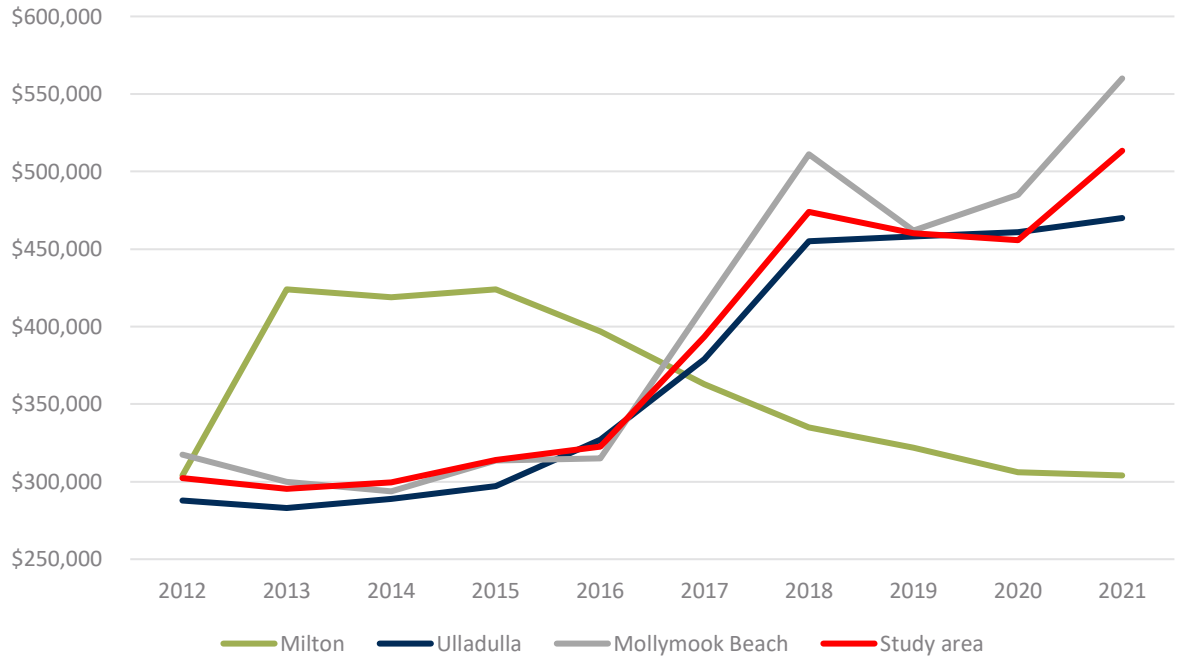
[11] Limited data in 2021 may skew growth rates

4.2 Median unit price trends

The below data is based on strata titled property transactions which includes apartments, townhouses and villas.

The figure below shows growth in Ulladulla and Mollymook Beach and nominal decline in Milton. This is not due to such shifts in those markets but rather a function of the limited sales data available (only eight transactions in previous four years). Additional data analysed for this project shows that over the last ten years the study area had an average annual compound growth rate in strata unit prices of 6.4%.

Figure 13: Median unit price trends, study area (January 2012-May 2021)

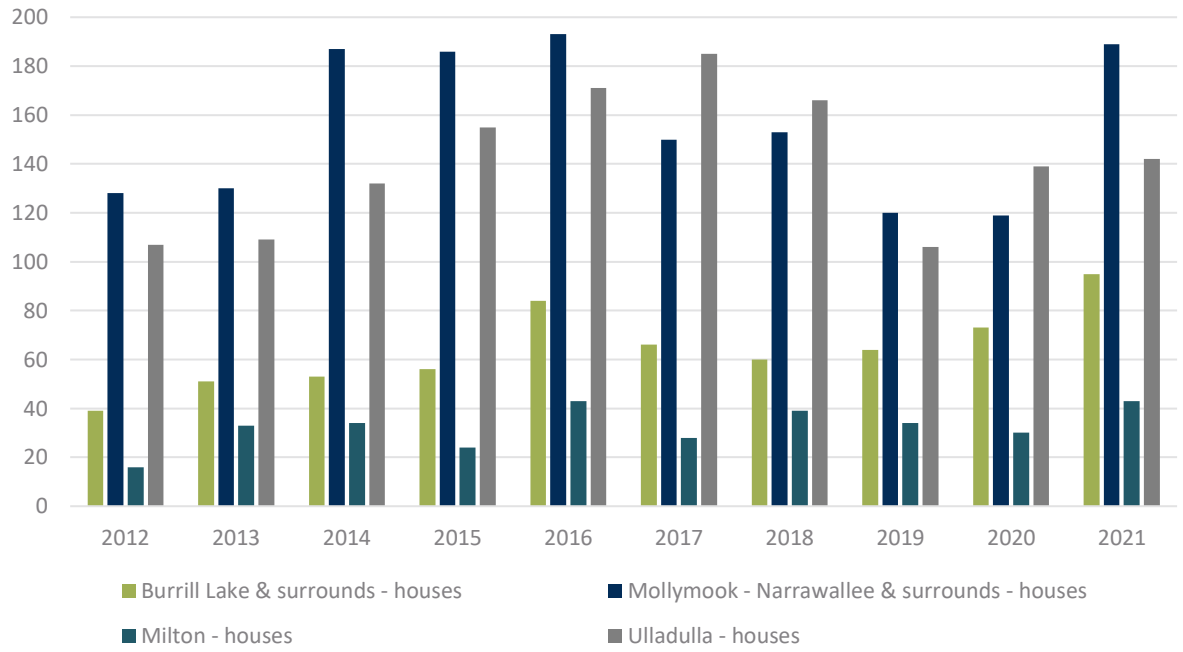


Source: RPData, as at May 2021

4.3 Sales rates

The figure below highlights the number of house sales transacted in the study over the past ten years. The data shows a sustained level of houses transacting over the period with a slight reduction from 2018-20 in all markets. Between January 2012 and May 2021, the study area recorded a total of 3,932 house sales with Ulladulla comprising just over a third (36%) of sales.

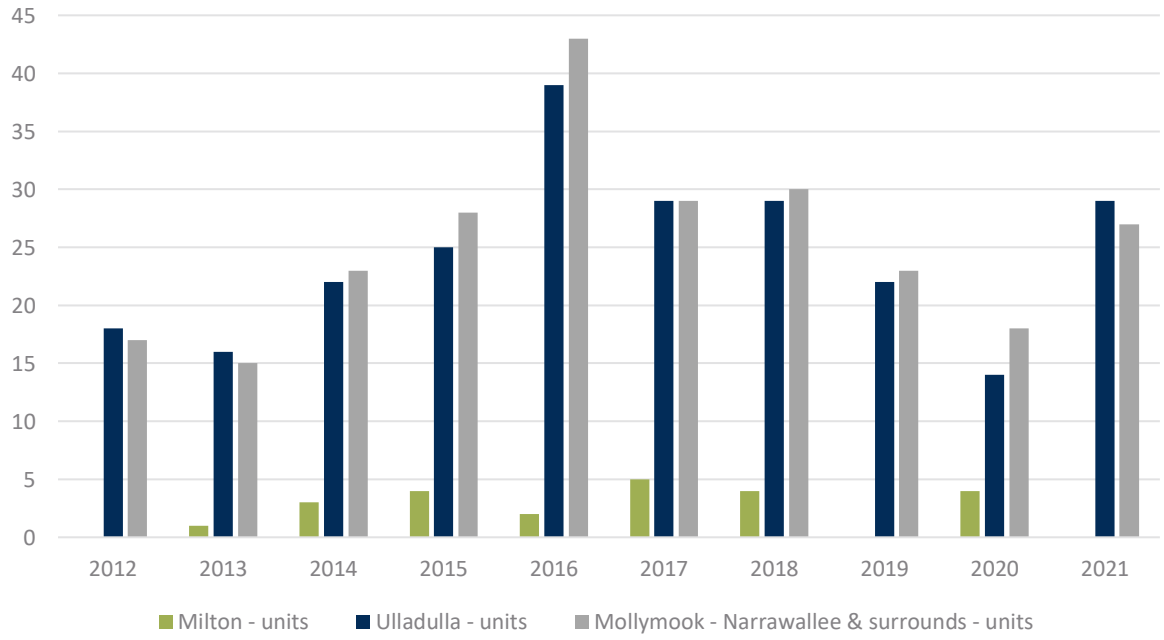
Figure 14: House sales trends, study area (January 2012-May 2021)



Source: RPData, as at May 2021

The figure below highlights the number of unit sales transacted within the study area over the past ten years. The data shows a sustained level of units transacting over the period with a substantial increase in 2016 and slight reduction from 2018-20 in all markets.

Figure 15: Unit sales trends, study area (January 2012-May 2021)



Source: RPData, as at May 2021

4.4 Broad housing market trends and drivers

The following information was collated from the findings of consultation with residential real estate agents from across the region and a review of available housing market literature.

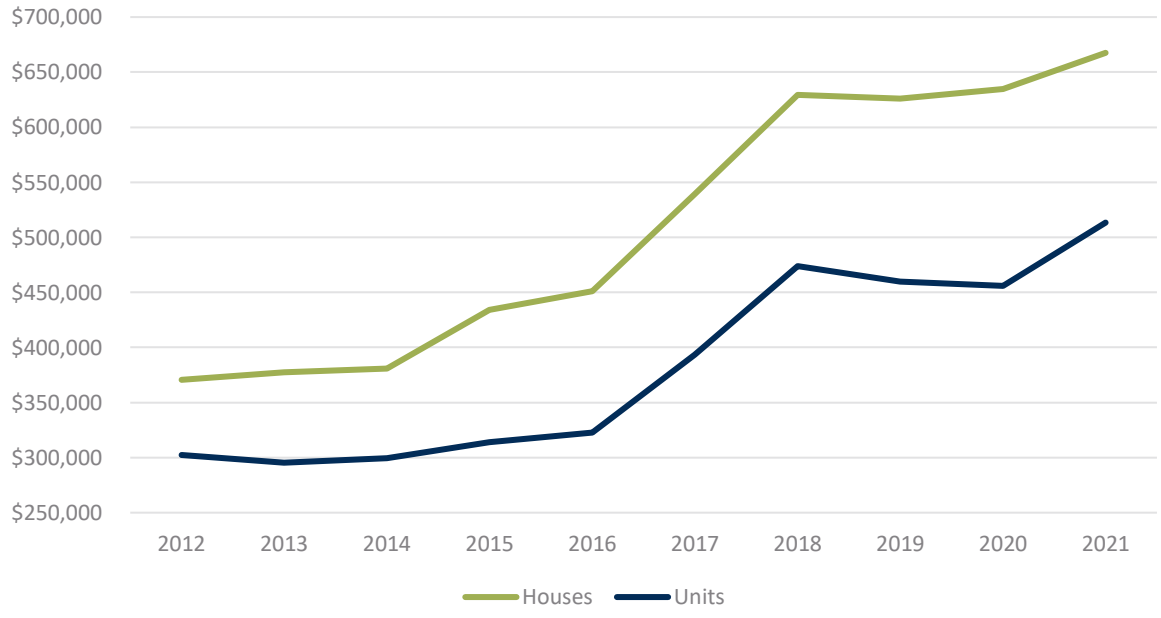
The study area residential property market is experiencing strong price growth, with demand outweighing supply.

In May of 2021, the median price for a house in the study area is $668,000 compared with $513,000 for units. Between January 2012 and May 2021, the median value of houses has increased by 80.1% while units have increased by 69.8%. While these rates of growth have been strong, they are still not close to the median price in Sydney ($1,147,352 for houses and $771,859 for units) making accommodation for retirees and young families reasonably affordable.

The strongest sectors of the market include houses in Milton and Mollymook costing around $750,000-$850,000 while strata unit costs between $450,000-$600,000 in Ulladulla and Mollymook Beach. Renovated houses in these areas can sell for prices above $1,500,000 while new units in Ulladulla have been achieving $750,000 to $1,175,000.

The rise in remote working and recent strong investment and rising prices is creating a challenge for first home buyers trying to enter the market. High levels of demand are also evident in the fast turnover of properties across the board (generally around 50-70 days). Advice from consultation revealed that between 30-60 days is considered average for the study area.

Figure 16: Median house and strata unit price trends in the study area (January 2012-May 2021)



Source: RPData, as at May 2021

Infrastructure costs have been cited as a major 'blockage' in the region and has been contributing to the supply shortage

Infrastructure costs associated with servicing new land has been reported as a major cost for developers and has been allegedly restricting supply. Developers have been increasingly reducing the size of blocks of land (from around 500 to 300 square metres) to produce land packages of around $400,000-$550,000 to meet the target market. Costs associated with council studies, GST and holding charges for land are claimed to contribute to supply constraints.

Low rental vacancies.

In the study area, agents suggest that rental vacancies are currently under 3% and have been for an extended period (this does not align with 2016 ABS data above; most likely due to the inclusion of holiday home vacancies included within the Census). Low rental vacancies are related to increased demand for regional homes along with the continued lack of supply within the region.

Demand has been driven by interest rates, lifestyle choice (especially given COVID-19) and lower prices compared to Sydney

A low interest rate environment which has seen the cash rate reduced to its lowest level in history (0.1%) has been a major macroeconomic driver of residential demand and has continued to encourage investment in property in the study area.

Demand has also been driven by lifestyle choice which has been stimulated by COVID-19 with people opting to live in regional areas but continue to work in Sydney given improvements in remote working technology (National Broadband, 4G, 5G, Microsoft Teams, Zoom). The lifestyle in terms of amenity and attractions (beaches, parks, open space) is also a driver of demand and investment.

Lower sale prices are another driving factor for the residential population to choose to live in the study area over Sydney. A comparison between the median price in the study area compared with Sydney showed a $480,000 difference for houses and $258,000 difference for units.

The Royal Australian Navy's only Air Station in Nowra is another reason for continued demand for housing in this region.

In a residential market traditionally characterised by detached dwellings, demand for apartments has been growing

Agents suggested that demand for apartments is strongest in Ulladulla and Mollymook Beach, with empty nesters seeking to downsize and some retirees opting to live in apartments close to services and major centres. Housing in these areas is too expensive and was developed prior to services and facilities, and so many empty nesters and retirees prefer to live in an apartment in the centre of these areas for the amenity and proximity to employment and services.

Local agents outlined that recent price increases in the study area have led to increased levels of purchases from investors looking for a positive yield.

Agents expect this preference to continue with inner-city living becoming increasingly popular

A mixture of amenity and historical factors create a 'unique environment' and rich atmosphere that increase the desirability of living in inner city areas. The trend toward inner-city apartment has seen it promoted as a symbol of affluent living, and vital for ensuring cities are economically, socially and environmentally sustainable. Studies have found that residents of mixed-use residential area, with opportunities to walk to places and with good access to local services and amenities, have higher levels of social capital and social cohesion[12].

Intra-regional migration is occurring with people increasingly moving from Sydney to Shoalhaven

In terms of internal migration, empty nesters are moving within Shoalhaven from the outer suburbs towards beaches within Ulladulla and Mollymook, and young & established families with children are moving into Milton and Burrill Lake. This is also the case in Narrawallee where retirees are increasingly moving from Sydney to the coast to enjoy the lifestyle and amenity.

[12] Henderson-Wilson 2008

COVID-19 will continue to drive inter-regional migration with people increasingly moving from Sydney to Shoalhaven

While migration from Greater Sydney makes up 50% of Shoalhaven's net migration gain and overseas arrivals make up 26%, migration over the next 2-3 years will be more influenced by intrastate migrations.

.id forecast that settlement patterns are set to be dominated by a dual market of older residents and young/established families. Families, both local, from other nearby places or from Greater Sydney will also seek housing here. This part of the housing market may be more volatile and affected by local affordability, regional price point competitiveness and availability of other, similarly priced housing in other areas, if housing is affordable.

Demand for coastal lifestyle properties for older residents downsizing/migrating out of Greater Sydney is expected to remain or increase as a "bubble" of baby boomers come into retirement are and looking for similar lifestyle opportunities.

Lack of smaller dwelling typologies and impacts on housing affordability

A current obstacle to housing suitability in the study area is not having enough smaller dwellings for older residents to migrate to, if they want to downsize. The result of this is older residents occupying larger dwellings more suitable to families, therefore preventing families from occupying larger dwellings, and affecting affordability.

Competing demand for housing by these two main groups of migrants is expected to sustain or worsen housing affordability in the future, especially if some currently observed employment and commuting trends such as "remote working" persist or increase.

In the future, the ageing population will likely be the key demographic change that will have the greatest impact on the dwelling supply mix in the Illawarra Shoalhaven region

The ageing of the population is the single most important population trend predicted to occur in Australia in the next 25 years and beyond. Demand for coastal lifestyle properties for older residents downsizing/migrating out of Greater Sydney is expected to remain or increase as a "bubble" of baby boomers come into retirement looking for similar lifestyle opportunities. This demographic shift will drive changes in consumption, expenditure and employment patterns across Australia. The ageing of the population is expected to lead to strong growth in the service industries, particularly in the health and aged care sectors as well as life insurance and superannuation and will increase the need for universal dwelling design to accommodate the needs of the changing population[13].

It has also been suggested that we will see an increase in the consumption of leisure and recreation-based goods and services, and less on household items[14]. Some predict that the ageing population may affect employment patterns with potential shortages of skilled labour[15].

4.5 Housing market profiles

4.5.1 Milton

Local agents who specialise in the area outlined how there has been a substantial increase in demand for detached dwellings over recent years with mainly retirees moving into the area to take advantage of the lifestyle and cheaper house prices. While these purchasers have been able to buy houses well below Sydney prices the substantial growth of 72.4% between 2015-18 has pushed prices up.

[13] BIS Shrapnel (2012, July). Long Term Forecasts 2012-2027, 38th Ed, p.33
[14] Access Economics, 2010; Lührmann, 2005
[15] BIS Shrapnel (2012, July). Long Term Forecasts 2012-2027, 38th Ed, p.33

Agents also outlined there would be demand for rural one, five and ten acre blocks in this area. There are 40 hectare land blocks in the area that could be broken up into smaller land parcels and sold to provide additional housing in years to come. Most of the population in Milton area retire in the area compared to your Sydneysiders buying a weekender given the proximity to the beach. To ensure this part of the future population growth is supported, the area would benefit from additional land subdivisions.

4.5.2 Mollymook – Narrawallee & surrounds

Local agents who specialise in the area outlined how there has been a substantial increase in demand for unit dwellings over recent years with mainly retirees moving into the area to take advantage of the lifestyle and cheaper house prices. While these purchasers have been able to buy houses well below Sydney prices the substantial growth of 53.5-60.2% between 2015-18 has pushed the price of houses upwards and increased the demand for units as more affordable alternatives.

The increase in demand for units is reflective of the growth in the population of older residents aged 60 and older. These retirees want to live close to the beach and services but do not want to have to maintain an entire house and garden.

Local agents said the weekender market has been running hot off the back of COVID-19 with multiple sales transacting between $1.5-$2.5mil bracket. They outlined while this has been fantastic for the existing owners in the area the issue of affordability is becoming increasingly apparent.

4.5.3 Ulladulla

Local agents who specialise in the area outlined how there has been a substantial increase in demand for detached and unit dwellings over recent years with mainly retirees and young families moving into the area to take advantage of the lifestyle and cheaper median house and prices. While these purchasers have been able to buy houses below Sydney prices the substantial growth of 61.5% between 2015-18 has made housing less affordable and increased the demand for units.

The increase in demand for units is reflective of the growth in the population of older residents aged 60 and older. These retirees want to live close to the beach and services but don't want to have to maintain an entire house and garden.

While some of the agents outlined that Pier 32 has been a success, other agents stated their dislike for development given its size, shape and location. They said while there is a need to support population growth within the area there are better ways than constructing a four to five storey development down by the water.

4.5.4 Burrill Lake & surrounds

Local agents who specialise in the area outlined how there has been a substantial increase in demand for detached dwellings over recent years with mainly retirees and young families moving into the area to take advantage of the lifestyle and cheaper median house prices. While these purchasers have been able to buy houses for less than Sydney prices the substantial growth of 46.3-62.3% between 2015-18 has pushed house prices upwards.

The agents said since construction of the bridge the market within Burrill Lake has seen significant improvement with the take-up of houses improving over time. They outlined that this is the cheapest market given its location to amenity and transport but will continue to improve as the suburb expands.

Local agents outlined the area would benefit from attached dwellings such as townhouses and apartments to cater for the future demand within the area. Given there are no unit developments within these areas Council could look at up-zoning areas to accommodate these housing types.

4.5.5 Summary

The table below summarises all the information gathered from our research and discussions with local agents.

The information highlights there is limited available land within the study area which has led to recent price rises. The information also highlights the relatively similar price for strata properties and detached dwellings.

Overall, there is need and demand for additional zoned land for detached, semi-detached and attached housing in all suburbs within the study area.

Table 13: Residential median end sale values 2021

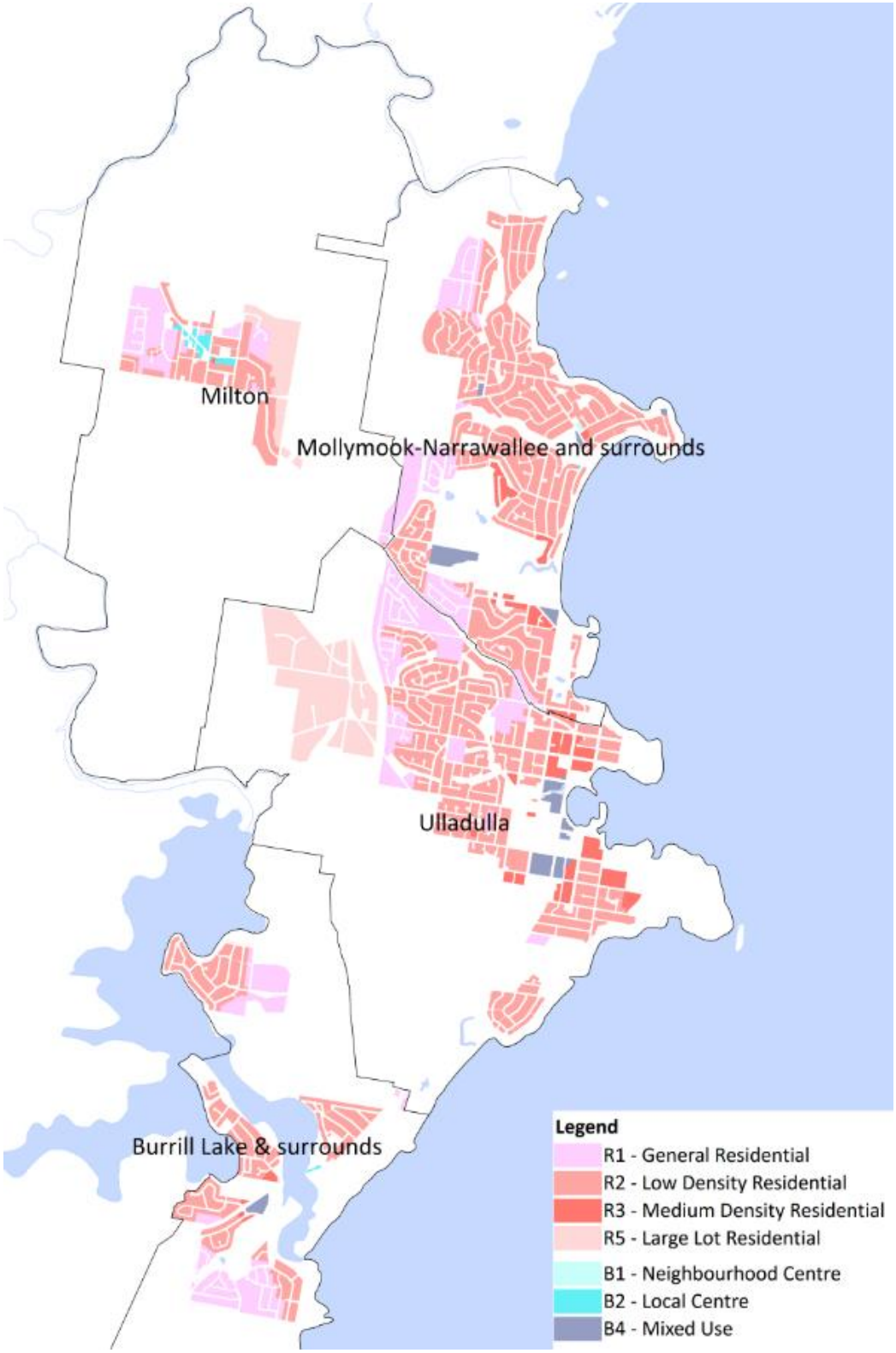
Location	Separate house	Strata	Detached to strata difference	Dwelling typology demand
Milton	$838,000	$304,000	$534,000	Additional land and detached dwellings
Mollymook-Narrawallee and surrounds	$676,230	$560,000	$116,230	Units and detached dwellings
Ulladulla	$630,000	$470,000	$160,000	Units and detached dwellings
Burrill Lake & surrounds	$629,211	n/a	n/a	Detached dwellings
Study area	$667,541	$513,393	$154,148	Land, detached and attached dwellings
Shoalhaven LGA	$839,895	$517,798	$322,097	Land, detached and attached dwellings

Source: RPData, as of May 2021

5.0 RESIDENTIAL LAND AND DWELLING SUPPLY

This section undertakes a review of land zoned for residential purposes within the study area. The Chapter also estimates the current stock and pipeline of dwellings.

Figure 17: Study area residential zonings



Source: HillPDA

5.1 Residential land supply

The following undertakes a review of land in the study area for which its predominant purpose is residential development or allows for significantly residential supply. The R1 - General Residential, R2 - Low Density Residential, R3 - Medium Density Residential, R5 - Large Lot Residential, B1 – Neighbourhood, B2 - Local Centre and B4 - Mixed Use are considered residential zonings and are referred to as residential land zones collectively. These residential land zonings across the study area can be seen in the figure below.

The study area provides 943 hectares of land zoned which allows for residential development. Of the 943 hectares approximately:

- 558 hectares or 59% was zoned as R2 - Low Density Residential
- 202 hectares or 21% was zoned as R1 - General Residential
- 111 hectares or 12% was zoned as R5 - Large Lot Residential
- 44 hectares or 5% was zoned as R3 - Medium Density Residential
- 24 hectares or 3% was zoned as B4 - Mixed Use
- 5.1 hectares or 1% was zoned as B2 - Local Centre
- 0.5 hectares or 0.05% was zoned as B1 – Neighbourhood.

Table 14: Study area residential land supply by zoning and precinct (hectares)

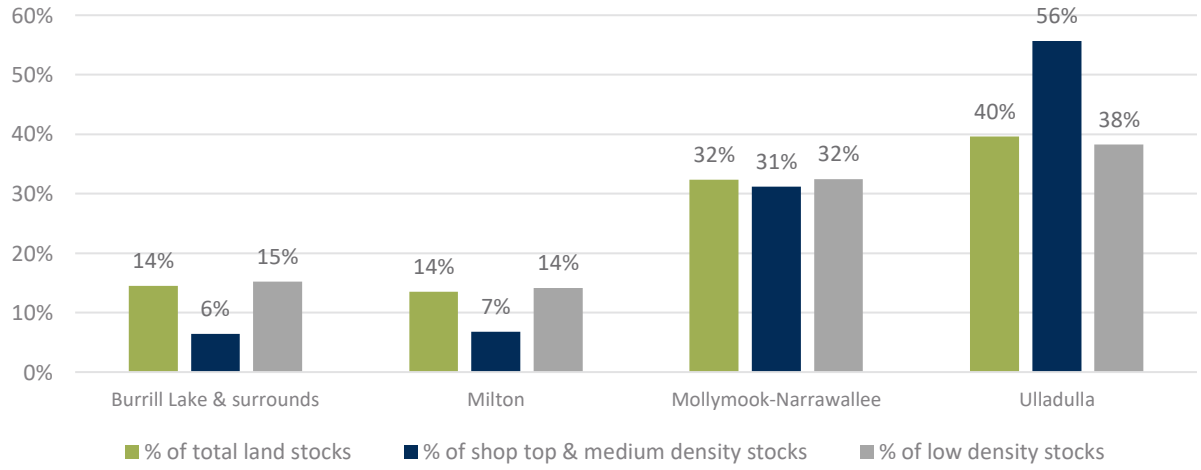
Precinct	Land zoning (ha)							Total
	B1	B2	B4	R1	R2	R3	R5	
Burrill Lake & surrounds	0.1	0.3	2.3	46.5	85.5	2.0	0.0	**136.7**
Milton	0.0	4.7	0.0	51.5	45.5	0.2	25.8	**127.7**
Mollymook-Narrawallee	0.4	0.1	9.5	37.9	244.6	12.8	0.0	**305.3**
Ulladulla	0.0	0.0	11.9	66.0	182.0	28.8	84.9	**373.6**
Total	**0.5**	**5.1**	**23.7**	**201.9**	**557.6**	**43.8**	**110.7**	**943.3**

Source: HillPDA, GIS layers provided by Council April 2021 – excludes waterway and road classifications

From the analysis of residential zoned land, it was found that:

1. Around 92% of land stocks across the study area are a low residential density (R1, R2 and R5)
2. Over 70% of residential land stocks are in the two precincts of Mollymook-Narrawallee and Ulladulla
3. Over 87% of shop top and medium density residential land stocks are in the two precincts of Mollymook-Narrawallee and Ulladulla.

Figure 18: Residential land stocks by broad type and precinct



Source: HillPDA

5.2 Study Area dwelling stock 2022

According to Profile.id the study area contained around 8,846 dwellings as at the 2016 Census. Between August 2016 and the 19th of February 2021, 537 additional dwellings that were completed across the study area[16]. As of the 19th of February 2021, a further 209 dwellings are currently under construction. This equates to an additional stock of around 746 dwellings since the first of August 2016. The stock by dwellings in each precinct and the study area can be seen in Table 15 immediately below.

Table 15: Dwelling completions and under construction post August 2016

Precinct	Dwelling stock (August 2016-Feb 2021)	Dwellings under construction**	Total
Burrill Lake & surrounds	145	51	196
Milton - Mollymook - Narrawallee & surrounds	209	120	329
Ulladulla	183	38	221
Study area	**537**	**209**	**746**

Source: Shoalhaven City Council, * dwellings completed between the 1st of August 2016 to December 2020 and dwellings provided with an occupation certificate between 1/1/21-19/2/21, includes dwellings ** dwellings under construction as identified on the 19/02/21

Assuming the dwellings that are currently under construction (as identified on the 19/02/21) are completed by the end of 2021, over the five and a half period (2016-2022) the annual dwelling completion rate would be around 136 dwellings. To meet the constrained dwelling forecasts set out in Section 3.3.3, an annual completion rate of only 75 dwellings is required. Accordingly, if recent development rates continue an annual dwelling completion rate of 136 dwellings would be achieved. As such, the study area would attain its dwelling forecasts ahead of time, even with fluctuations in the housing market.

Including dwellings completed between August 2016 and December 2020, there are an estimated 9,383 dwellings across the study area. With the inclusion of the 209 dwellings that were under construction as of the 19/02/21 (estimated to be completed by 2022), this will increase to just over 9,592 dwellings by 2022.

The breakdown of dwelling stock o across the study area's precincts can be seen in Table 16 immediately below.

Table 16: Total dwelling stock – study area and precinct

Precinct	2011	2016	2020	Under construction*	Total dwelling stock 2022
Burrill Lake and surrounds	1,245	1,327	1,472	51	1,523
Milton - Mollymook - Narrawallee & Surrounds	3,903	4,109	4,318	120	4,438
Ulladulla	3,132	3,410	3,593	38	3,631
Total	**8,280**	**8,846**	**9,383**	**209**	**9,592**

Source: Shoalhaven City Council, Profile.id and HillPDA,* dwelling currently under construction as of 19/02/21 and expected to be completed by the end of 2021

It is estimated that an additional 1,312 dwellings have been accommodated in the study area between 2011 to 2022. This equates to an average of 119 dwellings per annum over the 11-year period.

[16] Shoalhaven City Council includes dwellings provided with an occupation certificate between 1/1/21-19/2/21

5.3 Shoalhaven Council dwelling stock and capacity assessment (2020)

Shoalhaven City Council undertook an internal review dwelling stock and potential capacity for the study area in late 2020 and early 2021. A summary of the assessments key findings has been provided to HillPDA. This is provided below.

Subdivision of land

Development activity within the study area (was) reviewed, based on current subdivision assessments and approvals and dwelling completions for the 5-year period from 2015 to 2019.

In summary, at December 2020, there were existing approvals in place for a total of 317 lots, with some of these under construction or pending registration. A further 73 lots were under assessment.

Based on a desktop analysis, and factoring in constraints where known, there appeared to be an additional capacity of approximately 575 greenfield lots within the study area, providing a total greenfield capacity of approximately 965 additional lots.

Development activity monitor

At the time of the greenfield supply assessment, dwelling completions data for the whole of 2020 were not available; therefore, five-year trend data were drawn from the 2015-2019 period.

Development activity throughout the study area has been generally steady over the five-year period from 2015-2019, with additional dwelling completions averaging about 115 per year. On average, approximately 74% of these are single dwellings and 26% are multi-unit dwellings (dual occupancy and medium density).

Based on a potential capacity of 965 lots in the study area and an average uptake of 115 dwellings per year, there appears to be capacity for about 8 years' supply in the study area if all dwellings were constructed in the low-density R1 and R2 zones. The potential supply timeline could be extended depending on the extent of higher-density construction

Greenfield capacity estimate

- The Audit concluded that on average, based on Council approval records, about 115 detached dwellings are approved each year in the study area. This translates to an estimated 8-year supply. However, factors such as landowner intentions may impede the ability to realise this potential in the short-term.
- This confirms the need to progressively identify additional opportunities for greenfield housing to meet potential demand to 2050.

Medium density capacity estimate

- As part of the internal assessment, a desktop assessment of the existing R3 zones in the study area was undertaken to identify realistic short-term medium density development potential (within the next 10 years) based on:
    - land ownership
    - The availability of large, vacant sites
    - Existing approvals that remain unconstructed, and
    - Existing development patterns.
- The desk top assessment was validated by site inspection.
- Existing approvals and estimated development opportunities indicate an overall capacity for about 575 medium density homes in R3 zones in the study area. However, current ownership patterns may impact on the ability to realise this potential.

- Additional capacity may be feasible, but is unknown, in areas zoned B3 Commercial Core (such as shop-top housing) and B4 Mixed Use.
- If current development trends continued, it could be predicted that an additional 3,330 dwellings may be required by 2050.

Key outcomes

From the above summary the following key observations are made:

1. Between 2021-2050, based on an average annual demand of 115 dwellings, a total of 3,330 additional dwellings would be required
2. At this rate there appears to be about eight years supply in the study area's low-density zones
3. A medium density capacity of around 575 dwellings, likely provided in infill locations
4. A requirement to progressively identify additional opportunities for greenfield housing to meet potential demand to 2050
5. A likely requirement for additional medium density capacity.

The assessment undertaken by Council and its conclusions are considered reasonable. The assessment provides a good indication as to the supply and capacity of the study area. However, using more recent data and a detailed assessment of current land stocks, Chapters 6 and 7 of this report undertakes a detailed and independent assessment of the demand and capacity of the study area.

6.0 RESIDENTIAL PRIVATE DWELLING DEMAND

This section forecasts the demand for dwellings within the study area and sub-precincts to 2051.

6.1 Method for calculating housing demand

The following outlines the methodologies and scenarios applied to forecast (1) the total number of dwellings within the study area and precincts and (2) demand by dwelling type.

6.1.1 Method for projecting total dwelling demand

There are two sources/methods for projecting dwelling within the study area, these being:

- **Method 1 - Profile.id** The first applies the Profile.id's dwelling projections which reflect current zonings and known planning proposals.
- **Method 2 - Dwelling completions trend** This method provides Council with an alternative scenario based on recent development trends, using the annual dwelling completion rate experienced between 2011-21. Dwellings currently under construction (as of the 19/02/2021 and estimated to be completed by end of 2021) are also included (refer to Table 16). This is a rate of around 119 dwellings per annum completed over the 11-year period which is considerably higher than the 75 per annum required to achieve Profile.id's projections.

6.2 Total dwelling demand

This section identifies the total demand for additional dwellings under each of the forecast methods.

6.2.1 Method 1 (Profile.id)

As outlined in Section 3.3.3, Profile.id forecasts that the study area will require an additional 2,618 dwellings between 2016-51, based on current zonings and known planning proposals. This represents a demand for around 75 dwellings per annum over the period.

The breakdown for each precinct is provided in the table below.

Table 17: Method 1 (Profile.id) - net dwelling projections by precinct

Precinct	Net demand 2016-51
Burrill Lake & surrounds	568
Milton – Mollymook - Narrawallee & surrounds	1,007
Ulladulla	1,043
Total	**2,618**

Source: Profile.id

6.2.2 Method 2 (Dwelling completions trend)

If the study area were to maintain its dwelling completion rate recorded between 2011-2022, it is estimated that the area would require around 3,451 additional dwellings or around 119 per annum between 2022 to 2051 (29 years).

Since 2011 around 97% of dwellings within the study area have been detached houses, semi-detached, villas, townhouses and apartments. Around 3% form other dwelling types such as caravans, cabins and houseboats and

non-private dwellings such as nursing homes. This report focuses on the supply of detached houses, semi-detached, villas, townhouses and apartments. Therefore, demand for new dwellings by 2051 is around 3,347.

The breakdown for each precinct is provided in Table 18.

Table 18: Method 2 (Dwelling completions trend) - net dwelling projections by precinct

Precinct	Additional dwellings 2011-2022*	Average per annum rate**	Net dwelling demand to 2022-2051***
Burrill Lake & surrounds	278	25	703
Milton - Mollymook - Narrawallee & Surrounds	535	49	1,378
Ulladulla	499	45	1,266
Total	**1,312**	**119**	**3,347**

Source: HillPDA, *please refer to Table 14, **11-year average, ***excludes around 3% to account for non-private dwellings and caravans, cabin, houseboat or other dwelling types, totals rounded

6.2.3 Appropriate forecast method

A conservative approach would be to take the higher demand forecasted under Method 2. This is more appropriate as the social and economic impacts of a shortage of residential dwelling supply are far greater than those caused by a minor over supply.

Method 2 also more appropriately reflects the long-term development trends experienced in the locality and, as such, the demand for an additional 3,347 dwellings over the period to 2051 has been assessed in the subsequent supply and demand modelling.

6.3 Total housing demand by dwelling type

For the purpose of this assessment, medium density housing is defined as dual occupancies, semi-detached dwellings, town houses and villas, while apartments are defined as high-density housing.

The net demand for dwellings described in Section 6.2 above has been allocated to broad dwelling types under two different scenarios as described immediately below.

6.3.1 Scenarios for projecting demand by dwelling type

Two scenarios have been applied to projected demand for particular dwelling types in the study area, these scenarios being:

- **Scenario 1 - Continuing development trend** This scenario extrapolates the historic and current supply trends experienced within each precinct between 2001-20 to forecast the future demand for dwelling types in the study area. This has been based on ABS Census data and recent dwelling completion data provided by Council and discussed in Chapter 3.
- **Scenario 2 - Shift to multi-unit dwellings** Over the coming decades, the study area is forecast to experience strong growth within lone person, couple with no children and one parent households. This scenario responds to these forecast changes in household composition by increasing the proportion of multi-unit dwellings. This is achieved by changing the propensity of households to live in different dwelling types over time.

  A benchmark location, in this case Wollongong LGA, was analysed for this trend. Wollongong has been used as a benchmark given the high proportion of smaller households present in the LGA; the higher proportion of medium and higher density dwellings present; and the fact that Wollongong has a high forecast growth in smaller households similar to Shoalhaven and the study area.

6.3.2 Dwelling type demand results

Applying the above dwelling type demand scenarios, Table 19 immediately below provides a summary of what the estimated composition of the 3,347 additional dwellings..

Table 19: Dwelling type demand by scenario

Dwelling type	Actual*		Forecast						Net demand 2022-51
	2016	2022	2026	2031	2036	2041	2046	2051	
Dwelling type demand Scenario 1 (continuing development trend)									
Separate dwellings	7,465	8,356	8,757	9,255	9,749	10,238	10,724	11,206	2,850
Medium density	999	1,265	1,308	1,367	1,429	1,495	1,566	1,640	375
High density	36	102	119	140	161	182	204	225	123
Total	**8,500**	**9,723**	**10,185**	**10,762**	**11,339**	**11,916**	**12,493**	**13,070**	**3,347**
Dwelling type demand Scenario 2 (shift to multi-unit dwellings)									
Separate dwellings	7,465	8,356	8,639	9,004	9,366	9,671	9,990	10,327	1,971
Medium density	999	1,265	1,363	1,482	1,611	1,783	1,961	2,135	870
High density	36	102	183	276	361	463	542	608	506
Total	**8,500**	**9,723**	**10,185**	**10,762**	**11,339**	**11,916**	**12,493**	**13,070**	**3,347**

Source: Profile id, Shoalhaven City Council, HillPDA, *2016 sourced from Profile.id actual dwelling count exclude non-private and caravans, cabin, houseboat or other dwelling types (excluding separate, medium and high-density dwelling)

7.0 MAXIMUM CAPACITY & GAP ASSESSMENT

This section analyses the capacity for additional housing in the study area under current planning controls. The Chapter then assesses if the resulting capacity is sufficient to accommodate the projected demand.

7.1 Theoretical maximum capacity methodology

To assess the study area's capacity to provide additional residential dwellings a four-step process was undertaken. These steps were:

- **Step 1 | Redevelopment of greenfield and vacant lots**: Step 1 assessed the capacity of vacant land stocks within the study area (greenfield and existing urban areas). Step 1 included B1, B2, B4 and B5 zoned land stocks. Sites and yields were confirmed by Council against existing development applications. Sites that were currently under construction were removed.
- **Step 2 | Medium density redevelopment**: Excluding sites in Step 1, Step 2 assessed the development potential of the study area's existing R3 – medium density land stocks. As R3 allows for residential flat buildings, this type of development was favoured in locations close to centres and which had an associated FSR control.
- **Step 3 | Subdivision:** Excluding sites in Step 1 and 2, Step 3 assessed the subdivision potential of R1 and R2 zoned land. Minimal lot sizes were applied with sites that provided two additional dwellings being considered.
- **Step 4 | Commercial centre redevelopment:** Step 4 assesses the redevelopment potential of the properties within the study areas centres that is land zoned B1, B2, B4 and B5. Shop top housing is considered with a broad assumption that a minimum of FSR 0.5 of non-residential floor space would be required.

For a more detailed description of the above steps and assumptions applied, please refer to Appendix C.

7.2 Theoretical maximum capacity limitations

The theoretical maximum capacity assessment does not consider constraints to development. For example, the feasibility of development, market conditions, environmental and site-specific constraints and/or land ownership patterns are not considered. For this reason, the assessment should be seen as providing the maximum theoretical potential under the current planning framework and assuming no impediments to development.

To provide a greater understanding as to the likelihood of development and therefore capacity within the study area, particularly high-density capacity, it is recommended that a detailed feasibility assessment be undertaken to determine at which stage redevelopment becomes viable or what controls could be implemented to incentivise the desired development outcomes. This would provide a better indication as to the actual redevelopment capacity of the study area's commercial zones for high and medium density. For example, it is understood that there has been little redevelopment of sites within the commercial zones over the last decade. This could indicate that redevelopment to include shop top housing is not feasible given the level of market and project risk, and as such, the theoretical maximum capacity of high-density dwellings is unlikely to be achieved.

7.3 Theoretical maximum capacity results

Based on current planning controls and assuming no constraints to development, the theoretical maximum assessment indicates that the study area could accommodate around 5,135 additional dwellings. Of these around 1,540 or 30% are detached dwellings, 260 or 5% are medium density homes, while the remaining 3,333 or 65% are higher density dwellings.

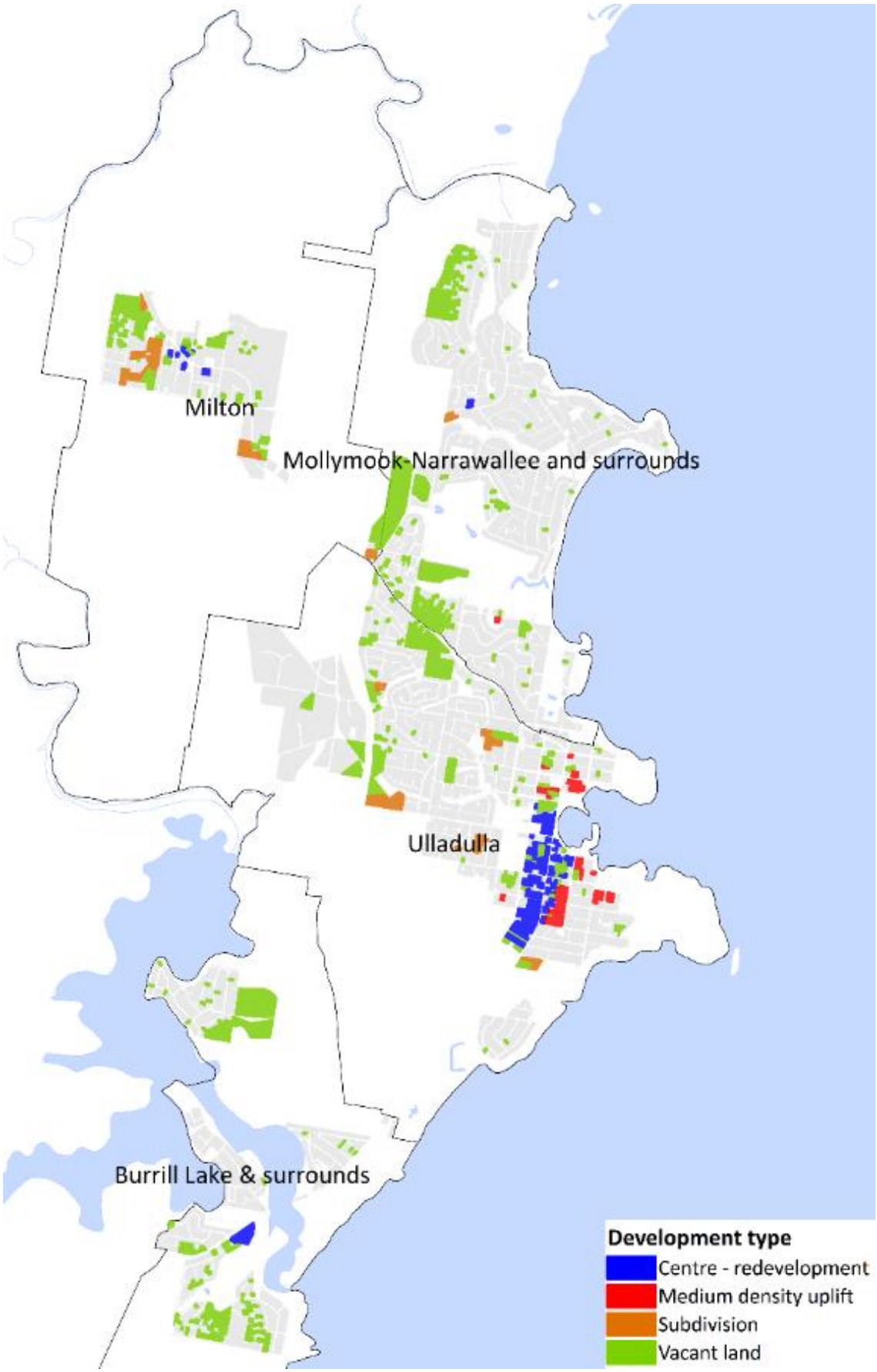
A breakdown of the study areas additional capacity under each step, precinct and dwelling type is provided in the table below.

Table 20: Study area theoretical maximum capacity assessment by precinct, step and typology (dwellings)

Precinct	Vacant land	Medium density	Subdivision	Centre redevelopment	Total dwellings
Burrill Lake & surrounds					
Separate dwellings	326	0	0	0	326
Medium density	27	0	0	0	27
High density	0	0	0	57	57
Total dwellings	**353**	**0**	**0**	**57**	**410**
Milton - Mollymook - Narrawallee & surrounds					
Separate dwellings	591	0	173	0	764
Medium density	59	8	0	0	67
High density	232	0	0	44	276
Total dwellings	**882**	**8**	**173**	**44**	**1,107**
Ulladulla					
Separate dwellings	290	0	162	0	452
Medium density	87	81	0	0	167
High density	560	583	0	1,857	3,000
Total dwellings	**937**	**664**	**162**	**1,857**	**3,620**
Total					
Separate dwellings	1,207	0	335	0	1,542
Medium density	172	89	0	0	261
High density	792	583	0	1,958	3,333
Total dwellings	**2,172**	**672**	**335**	**1,958**	**5,136**

Source: HillPDA

Figure 19: Study area capacity assessment (as of April 2021)



Source: HillPDA

7.4 GAP analysis

The purpose of a residential GAP analysis is to ensure that there will be sufficient supply of appropriately zoned land to cater for forecast demand in dwellings by their type to 2051. The GAP analysis shows that under each scenario of demand by dwelling type there is an overall surplus capacity of around 1,789 dwellings. However, this is primarily a result of the significant theoretical surplus capacity in high density dwellings.

It is more prudent to examine the GAP assessment for each dwelling type. This shows that under each scenario there is a shortfall in capacity of the study area to meet its demand for separate and medium density dwellings.

This indicates that the study area would have a shortfall in the capacity for separate dwellings of between 429 and 1,308 dwellings and 114 to 609 medium density dwellings by 2051, depending on the demand scenario. It is unlikely that these would be taken up given the uncertainly around development feasibility, recent development tends and the preference for detached dwellings in the locality.

Therefore, additional land supply could be required to accommodate this shortfall or revised planning controls to incentivise appropriate development.

Table 21: Dwelling GAP analysis by dwelling type demand scenario

Precinct	Net demand 2022-51	Capacity	GAP
Dwelling type demand Scenario 1 (continuing development trend)			
Separate dwellings	2,850	1,542	-1,308
Medium density	375	261	-114
High density	123	3,333	3,211
Total	**3,347**	**5,136**	**1,789**
Dwelling type demand Scenario 2 (shift to multi-unit dwellings)			
Separate dwellings	1,971	1,542	-429
Medium density	870	261	-609
High density	506	3,333	2,827
Total	**3,347**	**5,136**	**1,789**

Source: HillPDA, totals may not total due to rounding

7.5 Additional land requirements to meet projected shortfall

The GAP assessment indicates that there is sufficient capacity to accommodate the study area's high-density requirements. In contrast, there is a combined shortfall in the capacity for separate and medium density housing of between 1,038 to 1,422 dwellings.

This section assesses the amount of additional land required to accommodate this shortfall in capacity. This is achieved by applying minimal lot sizes to each dwelling type. In this case, a minimum lot size of 500sqm has been applied for detached dwellings (in line with the LEP for R2 land) and 250sqm for medium density which is around 40 dwellings per hectare. This is based on recent development applications and development yields provided by Council.

Forward planning exercises for employment land must also consider the accommodation of services (such as roads and utilities), open space and buffers. Benchmarks indicate requirements for services of approximately 20% of the total area. An additional 20% demand has been factored into the minimum lot sizes applied to account for this.

Applying this methodology, it is estimated that between 48 and 85 hectares of additional appropriately zoned residential land would be required to meet the identified shortfall in capacity.

A breakdown of land requirements by scenario, precinct and dwelling type can be seen in the table below.

Table 22: Method 2 detached and medium density additional land requirements

Precinct	Dwelling GAP	Additional land requirements to meet GAP (ha)
Dwelling type demand Scenario 1 (continuing development trend)		
Separate dwellings	-1,308	81.7
Medium density	-114	3.6
Total	**-1,422**	**85.3**
Dwelling type demand Scenario 2 (shift to multi-unit dwellings)		
Separate dwellings	-429	28.5
Medium density	-609	19.0
Total	**-1,038**	**47.5**

Source: HillPDA

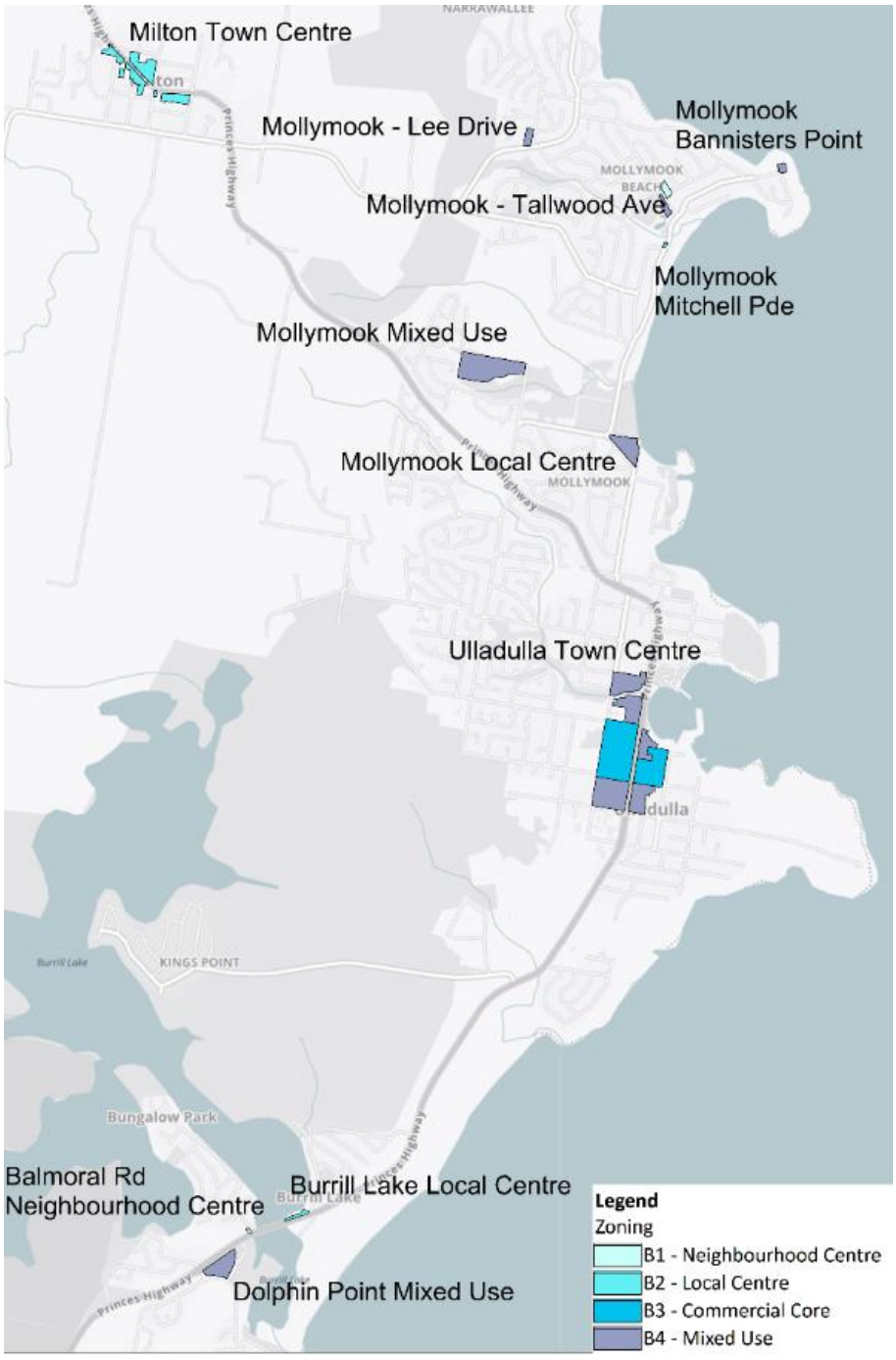
8.0 COMMERCIAL CENTRE DEMAND ASSESSMENT

This section projects the demand for retail and commercial space within the study area and the amount of land likely to be required to support this demand.

8.1 Milton-Ulladulla commercial centres

There are 11 commercial centres located across the Milton-Ulladulla study area. The location of these centres is provided in the figure below.

Figure 20: Milton-Ulladulla commercial centres



Source: HillPDA

Combined these centres provided around 38 hectares of appropriately zoned land. These land zonings and the amount of land zoned included:

- B1 - Neighbourhood Centre with 0.5 hectares or 1% of total centres land stocks
- B2 - Local Centre with 5.1 hectares or 13% of total centres land stocks
- B3 - Commercial Core with 9.9 hectares or 26% of total centres land stocks
- B4 - Mixed Use with 22.7 hectares or 60% of total centres land stocks.

The largest centre by zoned land is Ulladulla town centre with around 22 hectares or 57% of land stocks. The centre is the main retail, employment and visitor centre in the Milton-Ulladulla study area. The size and mix of services provided extend its trade area across the study area and beyond.

The second largest centre by land area is Milton town centre with around 5 hectares or 14% of total centres land stocks. The centre extends along the Princes Highway and predominantly services the surrounding community of Milton and visitor economy.

Table 23: Milton- Ulladulla study area commercial centres land area by zoning (Hectares)

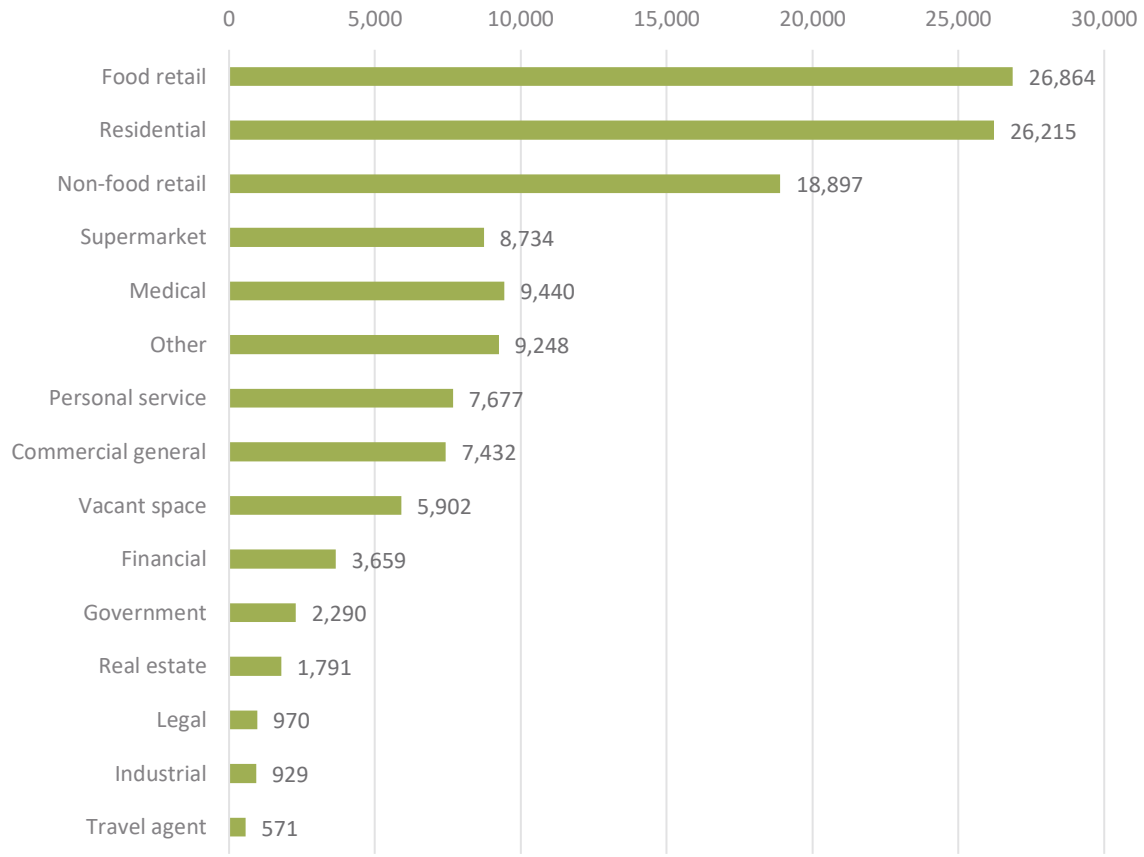
Precinct	Centre name	B1	B2	B3	B4	Total
Burrill Lake & surrounds	Balmoral Road Neighbourhood Centre	0.1	0.0	0.0	0.0	**0.1**
	Burrill Lake Local Centre	0.0	0.3	0.0	0.0	**0.3**
	Dolphin Point Mixed Use	0.0	0.0	0.0	2.3	**2.3**
Milton	Milton Town Centre	0.0	4.7	0.0	0.0	**4.7**
Mollymook-Narrawallee and surrounds	Mollymook - Tallwood Ave	0.4	0.0	0.0	0.5	**0.9**
	Mollymook Bannisters Point	0.0	0.0	0.0	0.4	**0.4**
	Mollymook Lee Drive	0.0	0.0	0.0	0.6	**0.6**
	Mollymook Local Centre	0.0	0.0	0.0	1.5	**1.5**
	Mollymook Mitchell Pde	0.0	0.1	0.0	0.0	**0.1**
	Mollymook Mixed Use	0.0	0.0	0.0	5.5	**5.5**
Ulladulla	Ulladulla Town Centre	0.0	0.0	9.9	11.9	**21.7**
Total		**0.5**	**5.1**	**9.9**	**22.7**	**38.1**

Source: HillPDA

Shoalhaven City Council undertook a floorspace survey in May of 2021 which shows that the 11 commercial centres provide around 130,620sqm of floorspace. Of this, around 98,502sqm or 75% is occupied employment space, 26,215sqm or 20% is residential and 5,900sqm or 4.5% is vacant. Excluding the residential floorspace the vacancy rate is 5.7%.

Of the total occupied employment space, the largest portion was related to retail uses comprising food retailing occupying 26,865sqm or 27% of the total occupied employment space. The next largest industry was speciality non-food retailing with around 18,900sqm or 19% and supermarket/grocery stores with around 8,735sqm or 9% of occupied employment space.

Figure 21: Commercial Centre total floorspace by broad category (GFA sqm)



Source: Shoalhaven City council land use audit 2021

Combined, the 11 commercial centres contained around 99,500sqm of occupied retail floorspace. Of this 63,170sqm or 63% was occupied by retail uses while the remaining 36,330sqm or 37% was occupied by non-retail uses.

The largest amount was contained within Ulladulla town centre with around 67,315sqm or 68% of all surveyed occupied employment space. Within Ulladulla 37,645sqm or 56% was retail uses. The next top five centres were:

- Milton Town Centre with 13,713sqm or 13.9% of all occupied space
- Mollymook Local Centre with 8,595sqm or 8.7% of all occupied space
- Mollymook Bannisters Point with 3,792 sqm or 3.8% of all occupied space
- Mollymook - Tallwood Ave with 3,524 sqm or 3.6% of all occupied space
- Burrill Lake Local Centre with 700 sqm or 0.7% of all occupied space.

The vacancy rate across the centres was around 5.7% which is considered a healthy rate. Typically, a healthy vacancy rate ranges between 3 to 8%. Burrill Lake local centre had the highest vacancy rate (10%) however, this is only 74sqm and likely consists of one shopfront premises. Ulladulla had the next highest vacancy rate of 7%, which is still within a healthy range although on the higher side. Given the likely impacts of the recent bushfires and COVID-19, the vacancy rates across the centres are not considered abnormal.

The table on the next pages provides a summary of each audited centre's floorspace across broad land use categories.

Table 24: Milton-Ulladulla commercial centres floorspace provision by broad category (GFA sqm)

Category	Burrill Lake - Kings Point - Dolphin Point			Milton	Mollymook - Mollymook Beach - Narrawallee & Surrounds						Ulladulla	TOTAL
	Burrill Lake Local Centre	Balmoral Road Neighbourhood Centre	Dolphin Point Mixed Use	Milton Town Centre	Mollymook Mitchell Pde	Mollymook Mixed Use	Mollymook - Tallwood Ave	Mollymook Local Centre	Mollymook Bannisters Pt	Mollymook Lee Drive	Ulladulla Town Centre	
Supermarket, convenience store	0	364	0	733	0	0	326	0	0	0	7,311	8,734
Food retail	370	46	0	2,626	0	0	2,258	8,240	3,792	0	9,533	26,864
Non-food retail	87	46	0	3,898	0	0	217	85	0	0	14,564	18,897
Personal service	0	0	0	1,090	0	0	123	0	0	227	6,238	7,677
Commercial general	244	0	0	1,903	0	0	38	0	0	0	5,247	7,432
Financial	0	0	0	377	0	0	0	0	0	0	3,281	3,659
Government	0	0	0	251	0	0	0	0	0	0	2,039	2,290
Legal	0	0	0	196	0	0	0	0	0	0	774	970
Medical	0	0	0	2,336	0	0	235	0	0	0	6,869	9,440
Real estate	0	0	0	73	181	0	130	0	0	0	1,407	1,791
Travel agent	0	0	0	0	0	0	57	0	0	0	514	571
Industrial	0	0	0	0	0	0	0	0	0	0	929	929
Other	0	0	0	229	0	0	140	269	0	0	8,610	9,248
Total occupied	**700**	**455**	**0**	**13,713**	**181**	**0**	**3,524**	**8,595**	**3,792**	**227**	**67,316**	**98,502**
Residential	520	0	644	2,940	0	0	0	620	0	0	21,492	26,215
Vacant space	74	0	0	631	0	0	130	0	0	0	5,066	5,902
Total	**1,294**	**455**	**644**	**17,284**	**181**	**0**	**3,655**	**9,214**	**3,792**	**227**	**93,874**	**130,620**
Total retail	456	455	0	8,347	0	0	2,924	8,325	3,792	227	37,646	62,172
Total non-retail*	244	0	0	5,366	181	0	600	269	0	0	29,670	36,330
Vacancy rate*	9.60%	0.00%	0.00%	4.40%	0.00%	0.00%	3.60%	0.00%	0.00%	0.00%	7.00%	5.70%

Source: Shoalhaven City Council land use audit 2021, *excludes residential space

8.2 Employment projections

Commercial and retail floorspace requirements are based on Transport for NSW 2019 employment projections released in September 2020. These are provided at the small area (Travel Zone or TZ) level for NSW. The study area comprises TZ6157, TZ6158, TZ6159, TZ6160, TZ6161 and TZ6162.

Transport for NSW (TfNSW) employment and population projections are lower than Profile.id. TFNSW forecast 1,772 less persons than Profile.id by 2051 and 4,085 persons less than our high growth scenario (refer to Section 6.2).

Table 25: Population projections

Projection	2021	2026	2031	2036	2041	2046	2051	Change 2021-51
TFNSW population'	16,247	16,762	17,088	17,304	17,837	18,273	18,355	2,108
Profile.id	16,881	18,240	19,085	20,103	20,408	20,551	20,761	3,880
Dwelling completions scenario	17,178	18,432	19,362	20,537	21,549	22,427	23,370	6,192

Source: TFNSW 2019 population projections, Profile.id and HillPDA

A lower resident population would likely impact the number of employment opportunities demanded locally. As such, we have adjusted/pro-rated the TFNSW employment projections based on the higher population estimates.

As seen in the table below, TFNSW projects 1,103 more jobs between 2021-51. Under the revised Profile.id scenario, around 1,850 additional jobs would be required, while under the high scenario, 2,815 additional jobs would be required over the period.

The table below provides a breakdown of the net change in employment by industry and projections scenario. Please refer to Appendix D for a more detailed breakdown of employment across each scenario and precinct.

Table 26: Revised net change in employment by industry 2021-51 by scenario

Industry	TFNSW	Profile.id	Higher growth scenario
Agriculture, Forestry and Fishing	41	55	72
Mining	0	0	0
Manufacturing	30	56	90
Electricity, Gas, Water and Waste Services	6	12	18
Construction	71	158	273
Wholesale Trade	14	23	34
Retail Trade	62	165	301
Accommodation and Food Services	183	299	449
Transport, Postal and Warehousing	23	40	63
Information Media and Telecommunications	7	12	18
Financial and Insurance Services	20	33	49
Rental, Hiring and Real Estate Services	53	75	103
Professional, Scientific and Technical Services	136	192	262
Administrative and Support Services	41	71	109
Public Administration and Safety	42	67	99
Education and Training	117	189	283
Health Care and Social Assistance	147	243	368
Arts and Recreation Services	39	57	80
Other Services	71	104	145
Total	**1,103**	**1,850**	**2,817**

Source: TFNSW 2019 employment projections, HillPDA

8.3 Commercial and retail employment projections

The following methodology was applied to project employment within the commercial and retail sectors. Please note Journey to Work (JTW) data relates to employment by place of work.

1. 2016 ABS JTW data was analysed to remove employees that worked from home. This was done for each industry at the ANZSIC 1-digit level and for each forecast year.
2. For the knowledge industries[17] an analysis of 2016 ABS JTW data was undertaken to determine the proportion of workers with an occupation of either a Manager, Professionals or Clerical and Administrative Worker. These occupations were determined to be predominantly office workers. The resulting proportion of workers with these occupations, to the corresponding industries total employment, was applied to the forecast years to estimate office workers in each precinct.
3. Construction related commercial space was estimated using the method applied in Step 2.
4. Café and restaurant employment was estimated in the ANZSIC 1-digit industry of Accommodation and Food Services through analysis of ANZSIC 2-digit JTW data. The proportion that café and restaurant employment comprised in each precinct as of 2016 was then applied to the forecast years.
5. Allied health employment was estimated in the ANZSIC 1-digit industry of Health Care and Social Assistance through analysis of ANZSIC 4-digit JTW data. The proportion that allied employment comprised in each precinct as of 2016 was then applied to the forecast years.

Using the above methodology, under the Profil.id and higher growth scenarios, it is estimated that the current number of commercial and retail related jobs in the study area is between 2,790 and 2,840. This is forecast to increase to between 3,485 and 3,920 by 2051, representing an increase of between 690 and 1,079.

Applying the estimated employment in 2021 to the floorspace audit results reveals and average office floorspace provision of around 26sqm GFA per worker and an average retail floor area of 35sqm GFA per worker.

Table 27: Commercial and retail estimated and forecast employment by scenario

Broad industry	Profile.id			Higher growth scenario		
	2021	2051	Change	2021	2051	Change
Knowledge intensive	570	775	205	580	873	293
Construction	160	189	29	163	213	50
Allied health	271	347	76	276	390	115
Total commercial workers	1,001	1,311	310	1,019	1,476	457
Cafes and restaurants	786	1,011	225	800	1,138	338
Retail general	1,006	1,161	156	1,023	1,307	284
Total retail	1,791	2,172	381	1,823	2,445	622
Total	**2,792**	**3,483**	**690**	**2,842**	**3,921**	**1,079**

Source: ABS 2016 JTW data, TFNSW 2016 employment projections, HillPDA

A conservative approach would be to plan for the higher demand that would eventuate from the high growth scenario. This is appropriate to mitigate the adverse social and economic impacts of undersupply.

For this reason, the following section estimates the demand for floorspace that would eventuate from the growth in employment under the high growth scenario. The capacity of the study area to accommodate this demand is also assessed.

[17] This is a combination of the following ANZSIC 1-digit codes Financial and Insurance Services, Rental, Hiring and Real Estate Services, Professional, Scientific and Technical Services, Administrative and Support Services and Public Administration and Safety.

8.4 Office and retail floorspace projections by scenario

Employment is converted to floorspace requirements by applying average employment densities. That is the average amount of floorspace occupied by one employee for a particular industry.

For this study, an average employment density of 25sqm GFA per office job has been applied while 30sqm GFA per café/resultant job and 35sqm GFA for general retail have been applied. An allowance for a vacancy rate of 5% has also been included to ensure the availability of space across the study area.

Using this method, it is estimated that under the higher growth employment scenario, an additional 31,500sqm of occupied retail and office space would be required across the study area. Of this, around 20,080sqm or 64% is retail space and the balance is non-retail commercial (office) uses.

Accounting for the current amount of vacant space and a target of 5% the result shows a net increase in required floor space of 32,100sqm. Demand by precinct is provided in the table below.

Table 28: Net total floorspace demand by scenario (GFA sqm)

Broad industry	Burrill Lake & surrounds	Milton	Mollymook-Narrawallee & surrounds	Ulladulla	Total
Retail space demand	396	4,216	3,833	11,636	20,082
Non-retail commercial demand	618	2,115	2,098	6,592	11,422
Total space demand	1,014	6,331	5,931	18,228	31,504
Current vacant space	74	631	130	5,066	5,902
Add in target vacancy - say 5%	108	1,002	1,113	4,277	6,500
Net resulting demand	**1,048**	**6,702**	**6,914**	**17,439**	**32,102**

Source: HillPDA

8.5 Floorspace demand by commercial centre

The following table distributes the net demand forecasted under the high growth scenario to each individual commercial centre. This has been done assuming each centre maintains its market share over the coming decades.

It is noted that currently, the two centres of Dolphin Point Mixed Use and Mollymook Mixed Use zones are undeveloped and/or contain no employment space. As such, demand has not been allocated to these centres. There is the option for these localities to absorb some of this growth in demand.

Table 29: High growth scenario floorspace demand by commercial centre (sqm)

Commercial centre	2021 current space					2021-51 net increase	Total space 2051
	Retail	Office	Other employment space	Vacant	Total		
Burrill Lake Local Centre	456	244	0	74	774	635	1,409
Balmoral Rd Neighbourhood Centre	455	0	0	0	455	413	868
Dolphin Point Mixed Use	0	0	0	0	0	0	0
Milton Town Centre	8,347	5,137	229	631	14,344	6,702	21,046
Mollymook Mitchell Pde	2,924	461	140	130	3,655	1,493	5,148
Mollymook Mixed Use	3,792	0	0	0	3,792	1,606	5,398
Mollymook - Tallwood Ave	227	0	0	0	227	96	323
Mollymook Local Centre	8,325	0	269	0	8,595	3,641	12,236
Mollymook Bannisters Point	0	181	0	0	181	77	258
Mollymook Lee Drive	0	0	0	0	0	0	0
Ulladulla Town Centre	37,646	20,130	9,539	5,066	72,382	17,439	89,821
Total	**62,172**	**26,153**	**10,177**	**5,902**	**104,404**	**32,103**	**136,508**

Source: HillPDA

8.6 Commercial centre capacity assessment

Three capacity scenarios have been developed to test the ability of each commercial centre to accommodate the projected net growth in demand to 2051.

Under each scenario the following general steps were taken:

- Sites with residential space were excluded from calculations. The exception to this was Dolphin Point mixed use centre, which was included in the calculations as the 2.3-hectare site contained one detached dwelling.
- Sites without an FSR were allocated an FSR of 0.75:1
- Non-residential component of a redevelopment was assumed to be 0.5:1 of its allocated FSR
- Sites with an uplift in non-residential space of less than 100sqm were excluded from calculations
- Sites which have already exceeded their development capacity were excluded
- Sites identified as having a general heritage constraint were excluded.

Please note, this assessment does not consider constraints such as land ownership patterns, amalgamation requirements, the feasibility of development, servicing requirements and environmental constraints.

With the above in mind, the following scenarios were developed:

- **Capacity Low |** under this scenario it is assumed that all vacant lots including open car parks without buildings could be developed for non-resident uses at an FSR of 0.5:1.
- **Capacity 50% |** includes vacant sites (Capacity low scenario) as well as sites that have been developed to less than 50% of the allowable FSR. The scenario assumed these sites could be developed at a non-residential FSR of 0.5:1. The amount of audited non-residential space is subtracted from the total to determine the net uplift in space.
- **Theoretical maximum |** assumes every site could be developed or redeveloped with a non-residential FSR of 0.5:1. The amount of audited non-residential space is subtracted from the total to calculate the net uplift in space.

The results are as follows:

- **Capacity Low |** under this scenario just under 41,500sqm of additional employment space is available across three centres. Of this total increase 27,505sqm is available in Mollymook mixed use centre, 9,630sqm in Ulladulla town centre and the remaining 4,335sqm is available in Milton town centre.
- **Capacity 50% |** under this scenario around 86,000sqm of additional employment space is available across the centre network.
- **Theoretical maximum |** under this scenario a total theoretical maximum development capacity of just under 500,000sqm GFA exists across the centre network. Of this, 309,330sqm is allocated to residential purposes while the remaining 190,625sqm is assumed to be occupied by non-residential uses. Subtracting the current amount of non-residential space present in each centre leaves a residual net-capacity of around 86,200sqm.

The net additional capacity for each centre and under each capacity scenario is provided in the table below.

Table 30: Commercial centres net increased capacity assessment by scenario (sqm)

Centre	Capacity scenario (net additional space)		
	Vacant land	Capacity 50%	Theoretical maximum
Balmoral Road Neighbourhood Centre	0	0	-50
Burrill Lake Local Centre	0	0	839
Dolphin Point Mixed Use	0	11,429	11,429
Milton Town Centre	4,335	6,718	9,161
Mollymook - Tallwood Ave	0	1,167	1,017
Mollymook Bannisters Point	0	0	-2,026
Mollymook Lee Drive	0	2,804	2,804
Mollymook Local Centre	0	0	-959
Mollymook Mitchell Pde	0	243	243
Mollymook Mixed Use	27,504	27,504	27,504
Ulladulla Town Centre	9,628	32,411	36,257
Total	**41,468**	**82,276**	**86,219**
Precinct	**Vacant land**	**Capacity 50%**	**Theoretical maximum**
Burrill Lake & surrounds	0	11,429	12,218
Milton	4,335	6,718	9,161
Mollymook-Narrawallee & surrounds	27,504	31,718	28,583
Ulladulla	9,628	32,411	36,257
Total	**41,468**	**82,276**	**86,219**

Source: HillPDA

8.7 Commercial centre capacity GAP assessment

This section assesses the ability of each centre and precinct to accommodate the projected demand for commercial floorspace (the net increase column in Table 29). This is achieved by subtracting the demand (the net increase column in Table 29) from the capacity to accommodate growth (from Table 31) under each capacity scenario.

The results provided in the table below indicates either a surplus (positive number) or deficit (negative number) in floorspace available in each centre to meet the projected local demand. The table also provides this at the precinct level as a deficit in capacity in any one centre could be made good by a surplus in another centre.

The results indicate that across the centre network, there is a combined surplus in the capacity of between 15,600sqm to 60,355sqm across the scenarios.

The most reasonable scenario is the Capacity 50% scenario which indicates a surplus in non-residential floorspace of around 55,000sqm across the centre network. Under this scenario, the following centres are likely to have a deficit in capacity:

- Balmoral Rd Neighbourhood Centre - with a deficit of around 625sqm
- Burrill Lake Local Centre - with a deficit of around 370sqm
- Mollymook - Tallwood Ave - with a deficit of around 190sqm
- Mollymook Bannisters Point- with a deficit of around 1,410sqm
- Mollymook Local Centre - with a deficit of around 3,195sqm.

Table 31: Commercial centre capacity GAP assessment (sqm)

Commercial centre	Net demand	Capacity scenario (net additional space)			GAP assessment		
		Vacant land	Capacity 50%	Theoretical maximum	Vacant land	Capacity 50%	Theoretical maximum
Balmoral Rd Neighbourhood Centre	635	0	0	-50	-635	-635	-685
Burrill Lake Local Centre	413	0	0	839	-413	-413	426
Dolphin Point Mixed Use	0	0	11,429	11,429	0	11,429	11,429
Milton Town Centre	6,702	4,335	6,718	9,161	-2,367	16	2,459
Mollymook - Tallwood Ave	1,493	0	1,167	1,017	-1,493	-326	-476
Mollymook Bannisters Point	1,606	0	0	-2,026	-1,606	-1,606	-3,632
Mollymook Lee Drive	96	0	2,804	2,804	-96	2,708	2,708
Mollymook Local Centre	3,641	0	0	-959	-3,641	-3,641	-4,600
Mollymook Mitchell Pde	77	0	243	243	-77	166	166
Mollymook Mixed Use	0	27,504	27,504	27,504	27,504	27,504	27,504
Ulladulla Town Centre	17,439	9,628	32,411	36,257	-7,811	14,972	18,818
Total	**32,103**	**41,467**	**82,276**	**86,219**	**9,364**	**50,173**	**54,116**
Study area precinct summary							
Burrill Lake & surrounds	1,048	0	11,429	12,218	-1,048	10,381	11,170
Milton	6,702	4,335	6,718	9,161	-2,367	16	2,459
Mollymook-Narrawallee & surrounds	6,914	27,504	31,718	28,583	20,591	24,805	21,670
Ulladulla	17,439	9,628	32,411	36,257	-7,811	14,972	18,818
Total	**32,103**	**41,467**	**82,276**	**86,219**	**9,364**	**50,173**	**54,116**

Source: HillPDA

As stated previously, it important to look at the capacity at the precinct level as the demand for space in any one centre could be transferred to another centre in the locality. For example, at the centre level Balmoral Rd neighbourhood centre Burrill Lake local centre each would have a deficit in capacity under the Capacity 50% scenario. However, the nearby Dolphin Point mixed use centre could accommodate almost 11,430sqm of employment space. This is more than enough to accommodate the precinct's total net demand to 2051.

At the precinct level, under the Capacity 50% scenario, there is some surplus in capacity in each precinct. Specifically:

- Burrill Lake & surrounds - would have a surplus in capacity of around 10,400sqm
- Milton - would almost reach its capacity
- Mollymook-Narrawallee & surrounds - would have a surplus in capacity of around 24,800sqm
- Ulladulla – would have a surplus in capacity of around 15,000sqm.

This assessment indicates that currently there is no need to zone additional land for commercial and retail uses across the study area. If Council required additional capacity, it is recommended that this could be achieved through a review of planning controls such as FSRs and minimal non-residential space requirements.

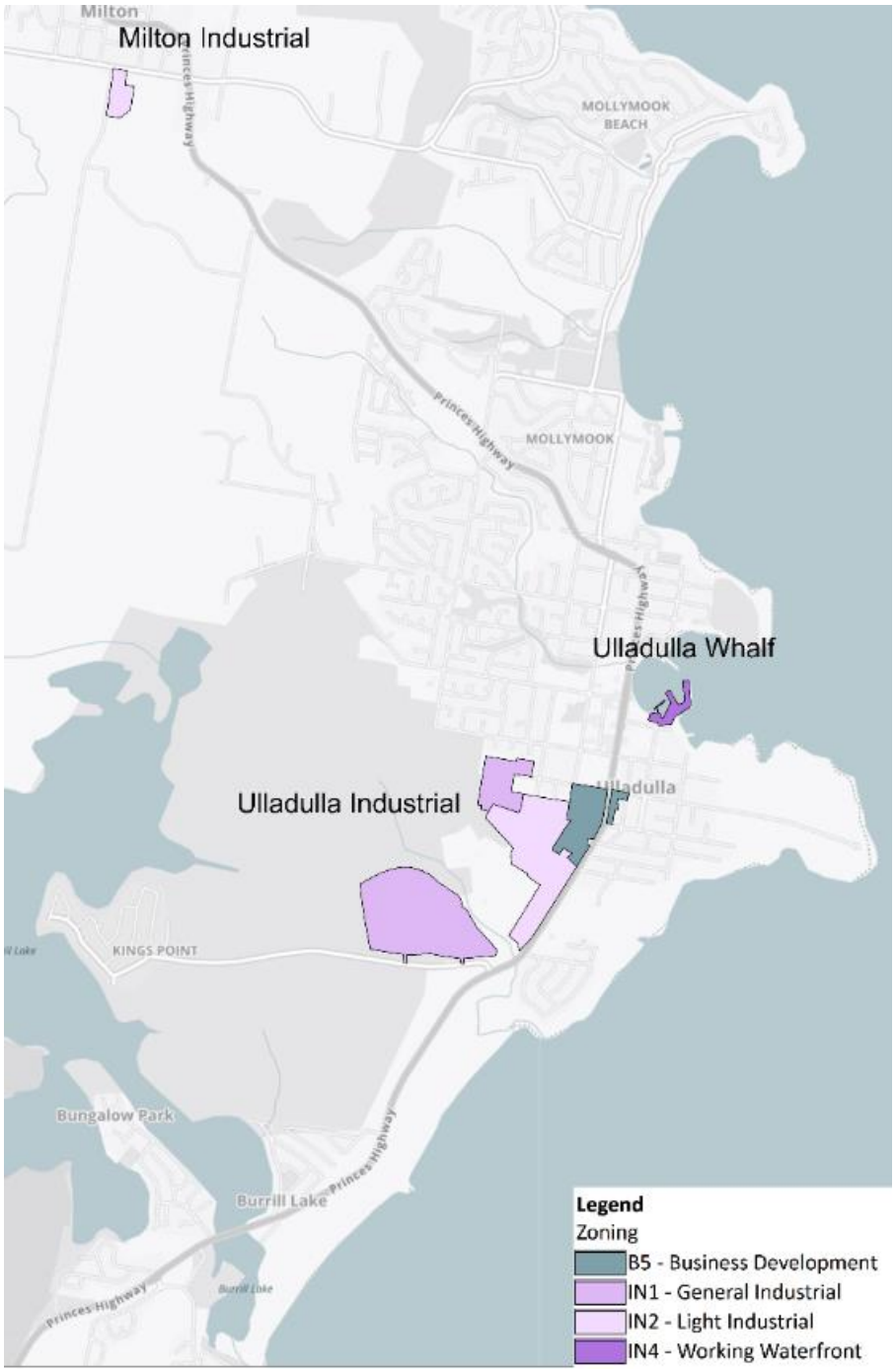
9.0 EMPLOYMENT LAND DEMAND ASSESSMENT

This section projects the demand for employment space within the study area and the amount of land likely to be required to support this demand.

9.1 Milton-Ulladulla employment precincts

There are three employment precincts located in the Milton-Ulladulla study area. The location of these is provided in the figure below.

Figure 22: Milton-Ulladulla employment precincts



Source: HillPDA

Combined these precincts provide around 82 hectares of appropriately zoned land. These land zonings and the amount of land zoned include:

- IN1 – General Industrial with 42 hectares or 51% of total centres land stocks
- N2 - Light industrial with 30 hectares or 36% of total centres land stocks
- IN4 – Working Waterfront with 1 hectare or 1% of total centres land stocks
- B5 – Business Development with 10 hectares or 12% of total centres land stocks.

The largest precinct by zoned land is Ulladulla industrial, with around 77 hectares or 94% of land stocks. The precinct has a mix of IN1, IN2 and B5 zoned land. This is followed by Milton industrial with 4 hectares or 5% of land stock. Milton industrial is entirely comprised of IN2 zoned land. The smallest precinct is Ulladulla Wharf which comprises 1 hectare of IN4 zoned land.

Table 32: Milton- Ulladulla study area commercial centres land area by zoning (Hectares)

Precinct	Centre name	IN1	IN2	IN4	B5	Total
Milton	Milton Industrial	0.0	3.9	0.0	0.0	3.9
Ulladulla	Ulladulla Industrial	41.6	25.8	0.0	9.7	77.1
	Ulladulla Wharf	0.0	0.0	1.0	0.0	1.0
Total		**41.6**	**29.7**	**1.0**	**9.7**	**82.0**

Source: HillPDA

The audit also found that the study area contained just over 32 hectares of vacant employment land stocks. The breakup of this by precinct and zoning type is provided in the table below.

Table 33: Milton- Ulladulla study area commercial centres vacant land area by zoning (Hectares)

Precinct	Centre name	IN1	IN2	IN4	B5	Total
Milton	Milton Industrial	0.0	0.6	0.0	0.0	0.6
Ulladulla	Ulladulla Industrial	22.9	8.9	0.0	0.0	31.8
	Ulladulla Wharf	0.0	0.0	0.0	0.0	0.0
Total		**22.9**	**9.4**	**0.0**	**0.0**	**32.4**

Source: HillPDA, excludes vacant land being used as storge

Shoalhaven City Council undertook a floorspace survey of the three employment precincts in May of 2021. The results were provided to HillPDA for analysis.

The results of the floorspace audit indicate that the three employment precincts provide a total of around 107,100sqm of floorspace, of which 97,925sqm or 91% was employment space. The top five land uses by ANZSIC 1-digit industries across the three precincts were:

- Other Services occupying around 34,105sqm of space
- Retail Trade occupying around 23,600sqm of space
- Construction occupying around 10,700sqm of space
- Manufacturing occupying around 7,920sqm of space
- Transport, Postal and Warehousing occupying around 5,760sqm of space.

The land use audit shows that the study area's employment precincts contain a mix of land uses, a trend reflective of our findings across NSW. This highlights that employment precincts, which are predominantly comprised of industrial zoned land, are not solely occupied by manufacturing, warehousing and other traditional industrial uses but rather are comprised of a wide range of urban support, community, retail, recreational and commercial uses. As such, in projecting future land and floorspace requirements, consideration as to the wide range of uses present in the study areas precincts needs to be accounted for.

A summary of the land use audit undertaken by Shoalhaven City Council representatives in May of 2021 and provided to HillPDA is presented in the following table (Table 34).

Table 34: Milton-Ulladulla employment precincts floorspace provision by ANSIC 1-digit industries (GFA sqm)

Industry	Milton Industrial	Ulladulla Industrial	Ulladulla Wharf	Total
Agriculture, Forestry and Fishing	-	-	1,359	1,359
Mining	-	-	-	-
Manufacturing	1,405	6,514	-	7,919
Electricity, Gas, Water and Waste Services	523	-	-	523
Construction	158	10,540	-	10,698
Wholesale Trade	-	1,790	-	1,790
Retail Trade	2,204	21,396	-	23,600
Accommodation and Food Services	-	1,648	284	1,932
Transport, Postal and Warehousing	-	5,758	-	5,758
Information Media and Telecommunications	-	61	-	61
Financial and Insurance Services	-	556	-	556
Rental, Hiring and Real Estate Services	-	158	-	158
Professional, Scientific and Technical Services	-	1,559	777	2,336
Administrative and Support Services	-	61	-	61
Public Administration and Safety	-	4,923	488	5,411
Education and Training	-	-	-	-
Health Care and Social Assistance	-	518	-	518
Arts and Recreation Services	-	1,143	-	1,143
Other Services	874	33,229	-	34,103
Occupied employment space sub-total	**5,165**	**89,853**	**2,909**	**97,926**
Vacant land being used for storage	-	2,956	-	2,956
Residential	-	2,475	-	2,475
Other	-	3,680	61	3,740
Total	**5,165**	**98,963**	**2,969**	**107,097**

Source: Shoalhaven City Council land use audit 2021, *excludes residential space

9.2 Employment projections

Forecasts for the provision of floorspace within Milton-Ulladulla's employment precincts are based on Transport for NSW 2019 employment projections released in September 2020. These are provided at the small area (Travel Zone or TZ) level for NSW. The study area consists of TZ6157, TZ6158, TZ6159, TZ6160, TZ6161 and TZ6162.

The TFNSW's employment projections have been prorated to reflect the higher resident population forecast by Profile.id and that under the higher dwelling competition scenario (referred to as the higher growth scenario). Please refer to Section 8.2 for a more detailed explanation.

A lower resident population would likely impact the number of employment opportunities, and subsequent floorspace demanded locally. As such, we have adjusted/prorated the TFNSW's employment projections based on the higher population estimates.

As seen in the table below, under the TFNSW projections, employment across the study area would increase by around 1,103 jobs between 2021-51. Under the revised Profile.id scenario, around 1,850 additional jobs would be required, while under the high scenario, 2,815 additional jobs would be required over the period.

The table below provides a breakdown of the net change in employment by industry and projections scenario. Please refer to Appendix D for a more detailed breakdown of employment across each scenario and precinct.

A conservative approach would be to plan for the higher demand that would eventuate from the high growth scenario. The scenario of oversupply is better than undersupply as undersupply would undermine job opportunities and economic development.

For this reason, the following section estimates the demand for floorspace that would eventuate from the growth in employment under the high growth scenario. The capacity of the study area to accommodate this demand is also assessed.

Table 35: Revised net change in employment by industry 2021-51 by scenario

Industry	TFNSW	Profile.id	Higher growth scenario
Agriculture, Forestry and Fishing	41	55	72
Mining	0	0	0
Manufacturing	30	56	90
Electricity, Gas, Water and Waste Services	6	12	18
Construction	71	158	273
Wholesale Trade	14	23	34
Retail Trade	62	165	301
Accommodation and Food Services	183	299	449
Transport, Postal and Warehousing	23	40	63
Information Media and Telecommunications	7	12	18
Financial and Insurance Services	20	33	49
Rental, Hiring and Real Estate Services	53	75	103
Professional, Scientific and Technical Services	136	192	262
Administrative and Support Services	41	71	109
Public Administration and Safety	42	67	99
Education and Training	117	189	283
Health Care and Social Assistance	147	243	368
Arts and Recreation Services	39	57	80
Other Services	71	104	145
Total	**1,103**	**1,850**	**2,817**

Source: TFNSW 2019 employment projections, HillPDA

9.3 Employment precinct job and floorspace forecasts

The land use audit applied the 19 industry classifications as used by the ABS and TFNSW are known as the ANZSIC 1-digit codes (Australian New Zealand Standard Industry Classification). ANZSIC 1-digit codes are the most utilised categories used when analysing an areas employment profile.

It is often more useful to consider employment composition in broader industry terms. Broad industry classifications (BICs) developed by the Greater Sydney Commission, group the 19 ANZSIC 1-digit codes into four main industry categories. These categories are, population-serving, knowledge intensive, health and education and industrial. These BIC groupings and their corresponding ANZSIC 1-digit codes are in the table below.

Broad industry classifications and ANZSIC 1-digit categories

Health and education	Industrial	Knowledge intensive	Population serving
Education and training	Agriculture, forestry and fishing	Information media and telecommunications	Construction
Health care and social assistance	Mining	Financial and insurance services	Retail trade
	Manufacturing	Rental, hiring and real estate services	Accommodation and food services
	Electricity, gas, water and waste services	Professional, scientific and technical services	Arts and recreation services
	Wholesale trade	Administrative and support services	Other services
	Transport, postal and warehousing	Public administration and safety	

This Chapter applied the above BICs to project the demand for employment precinct related floorspace. The following methodology was applied to project employment and floorspace within the study area's employment precincts:

1. Analyse land use audit to understand the type of employment likely present within the study areas precincts
2. Allocate the net-growth in employment under each growth scenario that would likely be accommodated within employment precincts at the ANZSIC 1-digit level
3. Ensure that any double counting with employment directed to commercial centres has not been made
4. Convert employment to floorspace requirements by applying average employment densities at the ANZSIC 1-digit level
5. Aggregate ANASIC 1-digit employment forecast into BICs.

Using the above methodology, it is estimated that employment accommodated in the study area's employment precincts would increase by around 640 jobs between 2021-51. This represents around 23% of the net growth in employment under the high growth scenario.

Table 36: Estimated net growth in employment precinct jobs by BIC (2021-51)

BIC	Higher growth scenario	
	Net change in jobs	% of total net change in jobs
Health and education	33	5%
Industrial	194	70%
Knowledge intensive	109	17%
Population serving	305	24%
Total	**641**	**23%**

Source: HillPDA

Employment is converted into floorspace requirements by applying average employment densities at the ANZSIC 1-digit level. By applying average employment densities and accounting for a 5% vacancy rate, it is estimated that the study area's employment precincts would accommodate an additional 45,155sqm of employment space.

Assuming this is directed towards Milton and Ulladulla industrial precincts, and they maintain their market share, it is estimated that around 2,260sqm would be accommodated in Milton industrial precinct and 42,890sqm in Ulladulla industrial precinct.

Table 37: Net floorspace demand requirements – employment precincts

BIC	Higher Forecast	Resulting average BIC sqm/job
Health and education	1,953	60
Industrial	21,361	110
Knowledge intensive	4,450	41
Population serving	15,134	50
Total occupied	**42,898**	**67**
Vacancy allowance	2,258	
Total	**45,155**	

Source: HillPDA

9.4 Employment land requirements

Employment land requirements are estimated by applying average developable Floor Space Ratios (FSRs) to the projected demand for floorspace

Currently, FSRs for industrial zonings are 1:1 and 1.5:1 for B5 zoned land. Typically, industrial areas are developed at considerably lower FSRs. This is because multi-level construction costs are higher and because of site specific requirements such as setbacks from property boundaries and the need for truck turning areas, parking areas, loading and unloading, etc.

Our research shows typical built FSRs across various employment land zonings range between 0.3:1 to 0.75:1. The table below provides an analysis of built FSRs across Milton-Ulladulla's employment precinct by its various zonings. The analysis reveals an average built FSR of 0.22:1 across the precincts and zonings, the breakdown by zoning was:

- IN1 averaging around 0.24:1
- IN2 averaging around 0.16:1
- IN4 averaging around 0.29:1
- B5 averaging around 0.28:1.

Table 38: Average built FSRs by zoning and precinct

Developed land stocks (ha)					
Precinct	IN1	IN2	IN4	B5	Total
Milton Industrial	0.0	3.3	0.0	0.0	3.3
Ulladulla Industrial	18.2	15.0	0.0	9.7	42.8
Ulladulla Wharf	0.0	0.0	1.0	0.0	1.0
Total	**18.2**	**18.3**	**1.0**	**9.7**	**47.2**
Total floorspace (sqm)*					
Precinct	IN1	IN2	IN4	B5	Total
Milton Industrial	5,165				5,165
Ulladulla Industrial	38,849	29,670		27,488	96,007
Ulladulla Wharf			2,969		2,969
Total	**44,013**	**29,670**	**2,969**	**27,488**	**104,141**
Resulting average built FSR (X:1)					
Precinct	IN1	IN2	IN4	B5	Total
Milton Industrial	0.00	0.00	0.00	0.00	0.16
Ulladulla Industrial	0.21	0.20	0.00	0.28	0.22
Ulladulla Wharf	0.00	0.00	0.29	0.00	0.29
Total	**0.24**	**0.16**	**0.29**	**0.28**	**0.22**

Source: Shoalhaven City Council audit 2021, HillPDA – *excludes vacant storge floorspace

With the above in mind and to be conservative, we have applied an average ratio of 0.3:1 to the projected additional industrial floorspace demand.

Using this methodology, it is forecast that the study area is likely to absorb just under an additional 15.1 hectares of employment land between 2021-51.

It is prudent to provide an additional supply of land (or contingency) above that projected in the interest of maintaining a healthy market with price competition and future proofing. Without some level of vacancies, land values could be inflated, undermining further economic growth and investment. A healthy positive supply of land (or contingency level) is considered to range between 20% and 40% and we have adopted a contingency level of 25%.

With this contingency, just under 19 hectares of employment land (24 hectares gross) would be required to meet demand over the next 30 years.

Table 39: Employment land additional requirements 2021-51

Precinct	Net floorspace demand	Developable FSR (X:1)	Land requirements (ha)	Total land requirements (ha)*	Gross Land Area Required**
Milton industrial	2,258	0.3	0.8	0.9	1.2
Ulladulla industrial	42,898	0.3	14.3	17.9	22.3
Total	**45,155**	**0.3**	**15.1**	**18.8**	**23.5**

*includes 25% contingency

** includes local roads at 20%

Source: HillPDA,

9.5 Employment land supply and demand GAP assessment

As identified in Table 33, there is currently just over 32 hectares of land that is vacant across Milton-Ulladulla's employment precincts. Of this, 0.6 hectares is located in Milton industrial precinct while 31.8 hectares is located in Ulladulla industrial precinct.

Our demand modelling suggests just under 19 hectares (24 gross hectares) would be required to accommodate the projected demand over the next 30 years. As such, the current 32 hectares of vacant land stocks hectares is sufficient to accommodate the projected growth in demand and no further rezoning of employment land is necessary at this time.

There is a slight undersupply in Milton industrial precinct, which currently contains 0.6 hectares of vacant land and is forecast to require 0.8 hectares of land. However, this is not a concern given that (1) the modelling is considered conservative (2) there is sufficient land stock in Ulladulla industrial precinct, which can easily accommodate any overflow/redirection from Milton industrial precinct.

APPENDIX A: INFLUENCES ON HOUSING DEMAND

A.1 Market overview

A.1.1 Australian market

Australian housing values lifted by 1.8% in April according to CoreLogic's national home value index, with the monthly pace of capital gains easing from a 32-year high in March (2.8%). Although growth conditions have slowed, housing values are still rising at a rapid pace, up 6.8% over the past three months to be 10.2% higher than the COVID low in September last year.

CoreLogic's research director, Tim Lawless, says the pace of capital gains could slow further over the coming months as inventory levels rise and affordability constraints dampen housing demand.

"The slowdown in housing value appreciation is unsurprising given the rapid rate of growth seen over the past six months, especially in the context of subdued wages growth. With housing prices rising faster than incomes, it's likely price sensitive sectors of the market, such as first home buyers and lower income households, are finding it harder to save for a deposit and transactional costs."

There is already some evidence of fewer first time buyers in the market, with the Australian Bureau of Statistics reporting a -4.0% fall in the value of first home buyer home loans through February, the first drop since May last year.

Despite the slowdown, positive housing market conditions remain geographically broad-based with every capital city and 'rest-of-state' region continuing to record a lift in dwelling values over the month. Darwin (2.7%) and Sydney (2.4%) recorded the largest month-on-month rise in dwelling values, while Perth values recorded the lowest rate of growth amongst the capital cities at 0.8%.

The four smallest capital cities recorded double digit annual growth (Adelaide 10.3%, Hobart 13.8%, Darwin 15.3% and Canberra 14.2%), reflecting a smaller COVID-related disruption and an earlier start to the growth phase last year. Melbourne is recording the lowest level of annual growth (2.2%) due to a larger downturn, attributable to the extended lockdown period last year.

The broad trend of houses outperforming the unit sector continued through April as higher density styles of housing experienced less demand amidst elevated supply across some inner city precincts. At the combined capital city level house values (8.6%) have risen at double the pace of unit values (4.3%) over the first four months of the year.

Table 40: Change in dwelling values, April 2021

State	Month	Quarter	Annual	Total return	Median value
Sydney	2.4%	8.8%	7.5%	10.1%	$950,457
Melbourne	1.3%	5.8%	2.2%	5.3%	$744,679
Brisbane	1.7%	5.6%	8.3%	12.8%	$558,295
Adelaide	2.0%	4.3%	10.3%	14.9%	$492,285
Perth	0.8%	4.2%	6.7%	11.5%	$513,598
Hobart	1.0%	7.0%	13.8%	19.2%	$561,254
Darwin	2.7%	5.8%	15.3%	21.4%	$465,976
Canberra	1.9%	6.7%	14.2%	18.7%	$734,107
Combined capital	1.8%	6.8%	6.4%	9.8%	$705,107
Combined regional	1.9%	6.6%	13.0%	18.2%	$457,938
National	**1.8%**	**6.8%**	**7.8%**	**11.4%**	**$624,997**

Source: CoreLogic, as at April 2021

The broad trend of houses outperforming the unit sector continued through April as higher density styles of housing experienced less demand amidst elevated supply across some inner-city precincts. At the combined

capital city level house values (8.6%) have risen at double the pace of unit values (4.3%) over the first four months of the year.

"A preference shift away from higher density housing during a global pandemic is understandable, however a rise in flexible working arrangements also seems to be supporting greater demand for houses around the outer-fringes of capital cities. Relatively weak investor activity, compounded by a supply overhang in some high-rise precincts, is also dampening price growth in unit markets," Mr Lawless said.

A.2 Macroeconomic trends

The pace of capital gains across Australian housing markets has been close to record breaking, with the national growth rate in March the fastest since 1988.

Historic conditions have been driven by a multitude of factor including record low mortgage rates, a surge in consumer confidence as the economic recovery beats expectations, a range of additional stimulus measures which have incentivised home buying and building, and persistently low levels of stock on the market.

While there are some early sings the exuberance in the housing market may be peaking, capital values are not about to reverse but more likely move through a peak rate of growth with the pace of capital gains gradually tapering over the coming months.

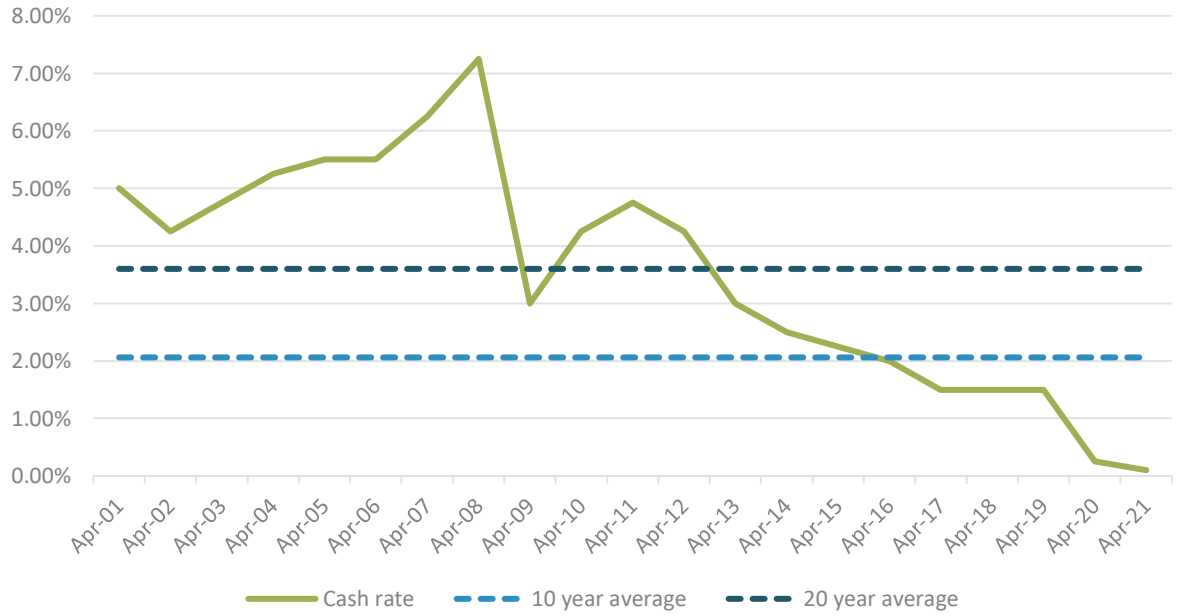
The following outline the main indicators and how these impact on the property market:

A.2.1 RBA cash rate

While it seems the pace of growth in housing values has peaked, low interest rates are likely to keep upward pressure on housing values.

Governor Lowe reiterated the message of long term low interest rates in their April meeting, stating that record low interest rates will be here for an extended period of time and it is their view that the cash rate won't lift "until 2024 at the earliest"

Figure 23: RBA cash rate



Source: CoreLogic, RBA

A.2.2 Consumer sentiment

The rapid economic recovery trend and low interest rates are likely to keep consumer spirits high for a prolonged period of time.

The correlation between sentiment and housing activity is high as long as consumers remain in a buoyant mindset, we should continue to see housing activity holding up.

Figure 24: Consumer sentiment v volume of dwelling sales

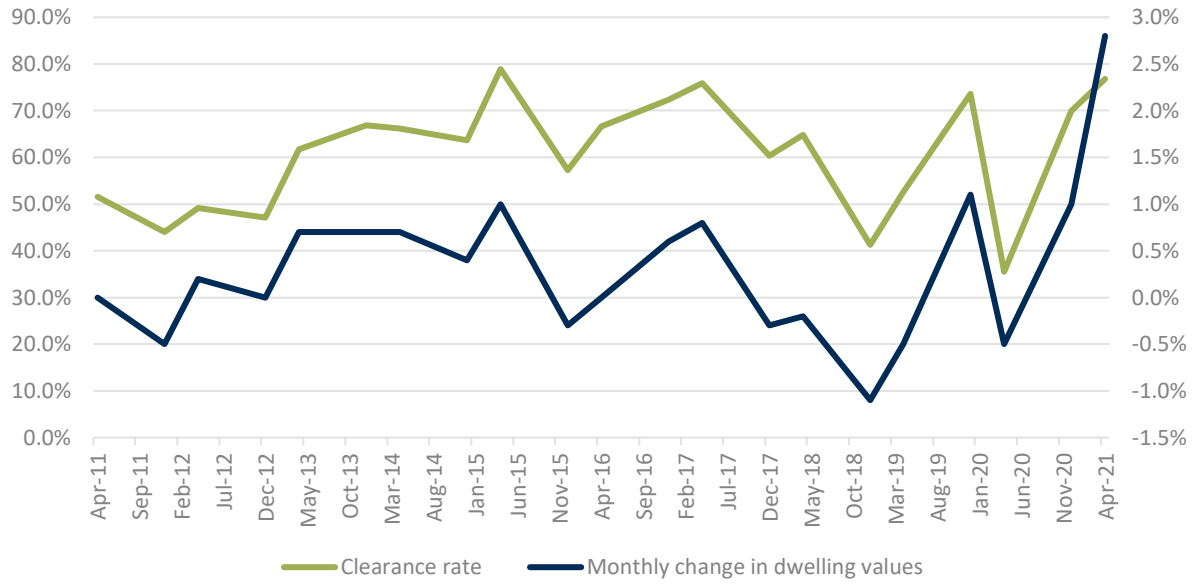
Source: CoreLogic, WesTfNSWc Melbourne Institute

A.2.3 Clearance rates

Clearance rates have edged to their highest levels in over 10 years increasing from 42.8% in February 2019 to 79.3% in February 2021.

Historically there has been a strong positive correlation between auction clearance rates and the pace of appreciation in housing values.

Figure 25: Final auction clearance rate v change in dwelling values, national



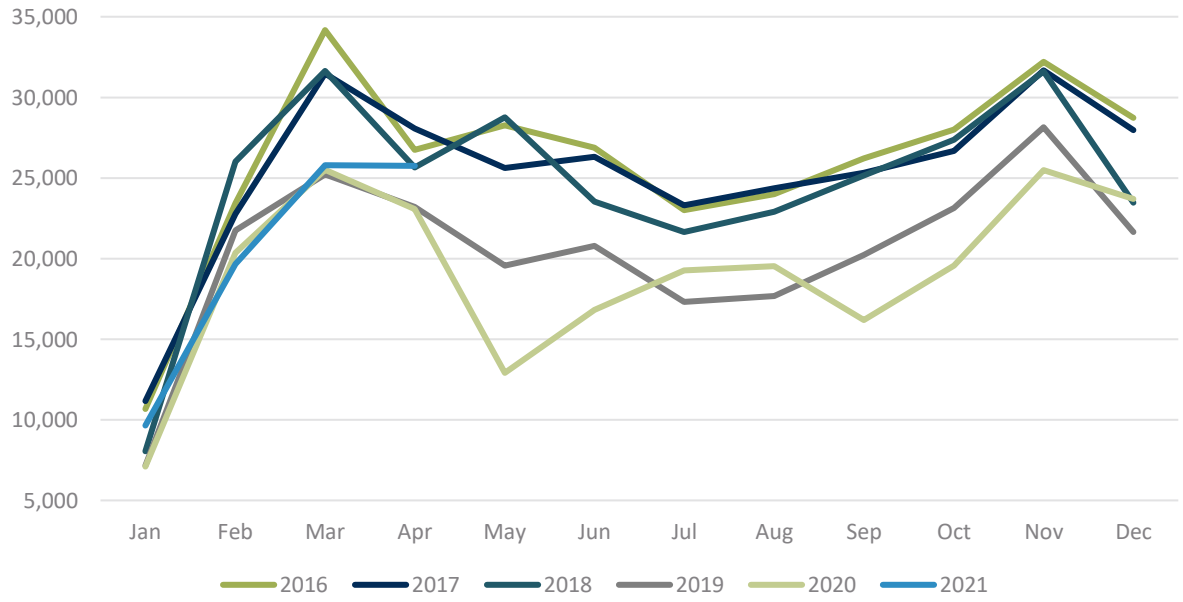
Source: CoreLogic, as at April 2021

A.2.4 Vendor activity

Recently there has been an increase in new listings coming to the market relative to prior years as more vendors take advantage of the strong selling conditions. The four weeks ending April 18th saw 26,470 newly advertised capital city properties added to the market which was the largest number of new listings for this time of year since 2016 and 17% above the five year average.

While there has been a strong upswing in listing the total advertised stock levels (i.e. new listings plus re-listings) remain low, tracking -17.5% below the five year average, that implies buyers are still likely to feel some urgency, but the lift in stock additional should gradually support a rebalancing between buyers and sellers. This will especially be the base if buyer activity slows as new supply levels lift.

Figure 26: Number of new listings, combined capitals



Source: CoreLogic, as at April 2021

A.2.5 Housing supply

Approvals for new dwelling construction are at record highs, and dwelling commencements over the December quarter were almost 20% higher than a year earlier and 5.5% above the decade average.

The surge in new building activity is skewed towards houses rather than units, however the larger cities are still showing a unit supply overhang, with 46,166 units under construction across NSW over the December quarter last year and 43,032 under construction in Victoria.

The unprecedented pipeline of new housing supply will take some time to work through to completions, however it is occurring at a time when demand from population growth has recently turned negative which could progressively create an imbalance between demand and supply.

Figure 27: Dwellings commenced, national

Source: CoreLogic, ABS

A.2.6 Population growth

While the increase in new home building will gradually add to the overall housing supply levels it occurs at a time when population growth, which is an important component of housing demand, has turned negative. Due to closed borders and stalled overseas migration it is the first time since 1916 that population growth has been negative. It is uncertain whether increased housing demand via population growth will return once international travel and migration resumes.

Stalled migration particularly from the lack of students has had a more direct impact on rental markets, due to the fact that around 70% of Australia's overseas migrants arrive on a temporary basis. The remaining 30% who arrive in Australia with permanent intentions usually elect to rent before proceeding to buy therefore the impact on buying demand is more gradual.

A.2.7 Fiscal stimulus

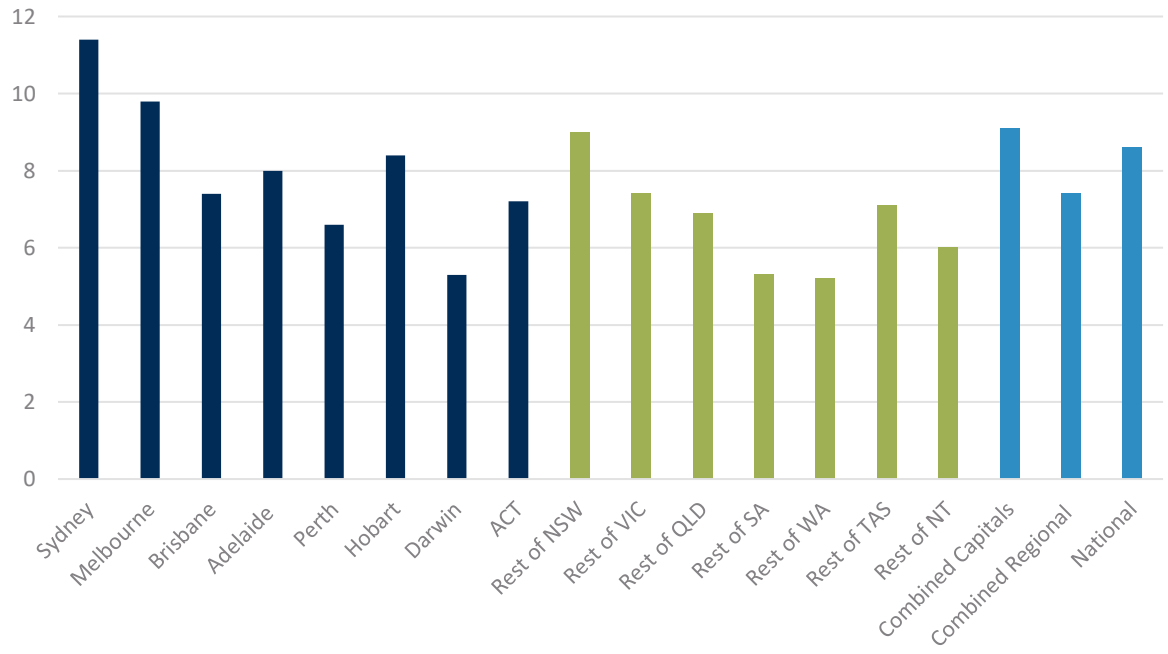
Further to the demand side, Australia is moving into a new phase of the economic recovery where there is substantially less fiscal support which could result in a reduction of housing market activity.

Arguably, housing demand has been brought forward by incentives such as the HomeBuilder grant and income support as well as state-based initiatives such as stamp duty concessions. As these stimulus measures expire, along with less migration and rising affordability constraints, it's reasonable to expect housing demand could be negatively impacted.

A.2.8 Housing affordability

Acceleration in housing prices compared to wages growth has a substantial impact on housing affordability. Recent growth in housing values is substantially ouTfNSWcing incomes, which means a growing deposit hurdle for first home buyers. Based on data to September 2020 (which has worsened considering the 8.2% lift in national housing values since then) it would take the typical Australian household 8.6 years to save a 20% deposit (assumed 15% of gross household income saved). Households in the most expensive capital, Sydney and Melbourne, taking 11.4 and 9.8 year to save a deposit.

Figure 28: Years to save 20% deposit



Source: CoreLogic, ANU as at September 2020

A.2.9 Future growth rates

CoreLogic outlines that although conditions remain strong, there are mounting signs the housing market has moved through a peak rate of growth. Growth conditions over the past six months have been unsustainable and are now succumbing to a gradual slowdown in demand due to worsening affordability constraints, a rise in fresh inventory, higher levels of new detached housing supply and less government stimulus.

CoreLogic expect housing values will continue to rise throughout 2021 and into 2022, albeit at a gradually slower pace. Demand should be supported by an expectation that mortgage rates will remain at their record lows for an extended period of time, as well as ongoing high levels of consumer confidence as the economy expands at a faster than average pace.

The risks associated with the expiry of mortgage deferrals and less fiscal support have become far less significant. The proportion of home loans that remained on a deferral arrangement at the end of March was just 0.7%, comprising only 0.07% of bank mortgage books[18]. Consequently, expectation around any material lift in distressed listings is low. For borrowers that remain in a distressed situation, the lift in housing values has reduced the risk of selling at a loss. In the most recent Financial Stability Review, the RBA estimates only 1.25% of Australian properties are in a situation where the loan amount exceeds the value of the home.

The trend in labour markets will provide an important bearing for housing market outcomes. Labour markets have shown a 'V'- shaped recovery through the COVID period to-date; although there may be some reversal in

[18] CoreLogic *Hedonic Home Value Index* April 2021

the trend due to the end of JobKeeper, this is likely to be temporary. Further tightening in labour markets post JobKeeper should help to keep consumer sentiment high and provide a positive flow-on effect for housing demand.

The possibility of tighter credit policies remains a key risk to the housing market outlook. The RBA and APRA have reiterated they are watchful for any signs of slipping credit standards but have also noted there has been little evidence of a deterioration in lending standards to-date. A rise in the proportion of riskier types of lending or higher risk loans could be met with a new round of credit policies. We know from earlier periods of macroprudential intervention that this would likely dampen market activity and the pace of capital gains.

A.3 Microeconomic trends

A.3.1 COVID-19 and population growth

The impacts of COVID-19 will see Australia and NSW population 868,000 and 314,000 people lower than previously forecasted. A total ban of travel and migration has seen net overseas migration decrease to -72,000 for 2020-21. A reduction in net overseas migration will have the following flow-on effects:

- Low levels of net overseas migration not only affect population growth in Australia but particularly the future age structure and need for age-based services.
- By 2031, there will be 15,000 fewer school-based children expected in Australia, equivalent to 300 primary schools.
- The proportion of 15-64 year old's to 65+ year old's will also change, accelerating dependency ratio.
- Expectation that fewer people will need to leave Sydney for housing affordability reasons – latest sale figures don't align.
- Migration from Greater Sydney males up 50% of Shoalhaven's net migration gain and overseas arrivals make up 26%.
- While overseas migration will be limited, migration in the next 2-3 years will be heavily influenced by intrastate with possible increases of Sydney-to-Shoalhaven migration.
- If Australians departing to migrate overseas do not return to pre-COVID-19 levels but net overseas migration increase this will have a negative impact on housing affordability but could result in increased migration to areas like Shoalhaven.
- Not all overseas arrivals to Australia who live in Shoalhaven City necessarily moved there immediately. Some might have lived elsewhere first (in Greater Sydney, for example) before moving to Shoalhaven some years later. This means that a prolonged reduction in NOM could result in a reduced volume of relatively new arrivals to Australia moving to Shoalhaven beyond 2025.
- No significant losses of industry or local employers are expected by the TfNSW or NIEIR economic forecasts, therefore local job market not expected to affect housing demand more than now.

A.3.2 Sea-change and tree-change

Shoalhaven benefits from the unique natural landscape whereby it can offer potential citizens the opportunity to take advantage of a sea or tree-change. A sea-change is a form of human migration where individuals abandon city living for a perceived easier life in rural coast communities. Whereas a tree-change describes when humans migrate to live in a more rural/country setting.

Taking these migration patterns in mind the dual market of older residents and young/established families is set to dominate in Shoalhaven. Demand of coastal lifestyle properties for older residents downsizing/migrating out of Greater Sydney expected to remain or increase as a "bubble" of baby boomers come into retirement are and look for similar lifestyle opportunities.

Families, both local, from other nearby places or from Greater Sydney will also seek housing here. This part of the housing market may be more volatile and affected by local affordability, regional price point competitiveness and availability of other, similarly priced housing in other areas, if housing is affordable.

A.3.3 Housing affordability

Shoalhaven City's housing market competes with nearby coastal areas and with some places in the corridor from Sydney offering affordable housing to young families wanting to remain close to their communities or employment.

Residential approvals in NSW did not slow down in 2020 and median sales figures have continued to rise. Recent demand has been by recent arrivals (pre-2020) and residents who live here, anticipating an opportunity in a "slower market". It is possible if low net overseas migration continues beyond 2022-23, demand decreases, and current housing market slows down, thus making housing more affordable in the 2023-25 period before high NOM increases demand again.

A.3.4 Future growth rates

In the next five to ten years, the following factors will influence on future growth rates:

- Migration levels remain low given COVID-19 restrictions leading to decreased competition for housing
- Interest rates remain at low levels allowing potential purchasers increased borrowing capacity
- Government-led support for first home buyers to keep construction industry healthy (supply outweighs demand)
- Construction levels mooted to sustain existing demand
- Labour market conditions – increase in unemployment lead to reduced ability to borrow money
- While more housing stock is expected when net overseas migration levels return to pre-COVID-19 levels it is the type of dwelling and its suitability to what the Shoalhaven market demands which is key

APPENDIX B: HOUSING MARKET PROFILE

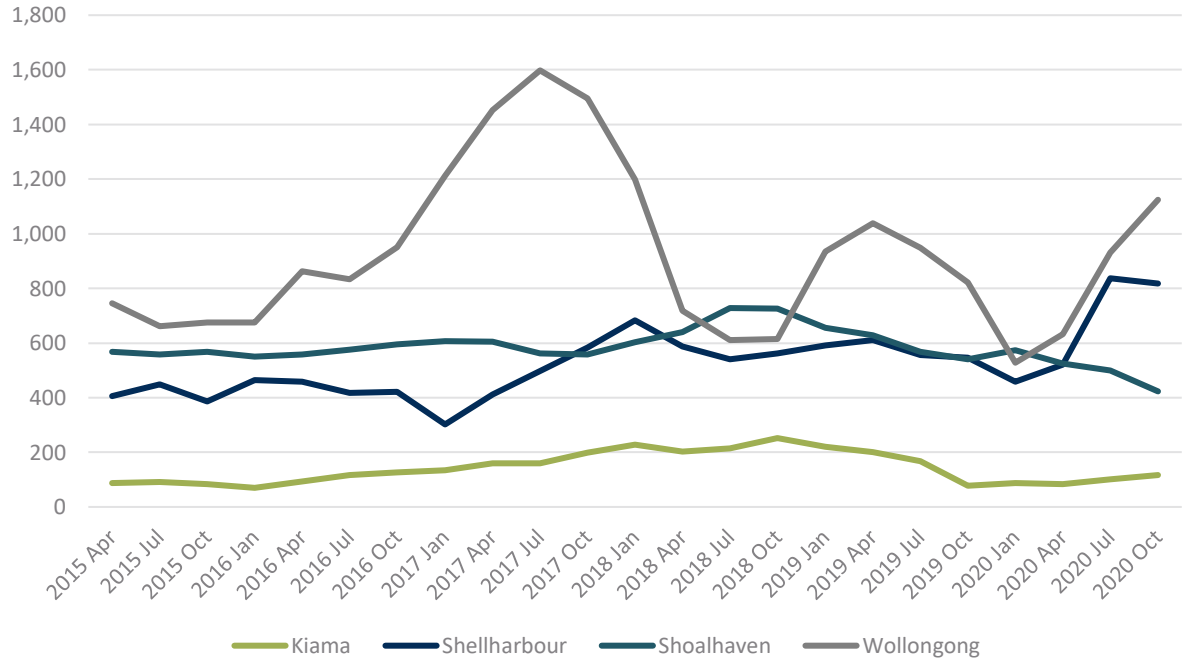
B.1 Illawarra-Shoalhaven region demand-supply balance projections

This section looks at the future demand-supply balance within the Illawarra-Shoalhaven region[19] based on dwelling projections from the NSW Department of Planning, Industry & Environment (NSW DPI&E), historical dwelling activity and the current development pipeline.

The 2019 NSW DPI&E implied dwelling requirements forecasts suggest that the Illawarra-Shoalhaven region needs to provide an additional 2,409 dwellings per annum, on average, to accommodate population growth over the next 20 years (forecasts are pre-COVID-19).

Figure 29 shows that the annual total number of net dwelling completions (net of demolitions of existing stock) in the Illawarra-Shoalhaven region has actually been cyclical in the past few years. This reflects the fact that dwelling activity has largely remained in line with the rest of NSW over the period.

Figure 29: Net dwelling completions (moving annual total), Illawarra-Shoalhaven region

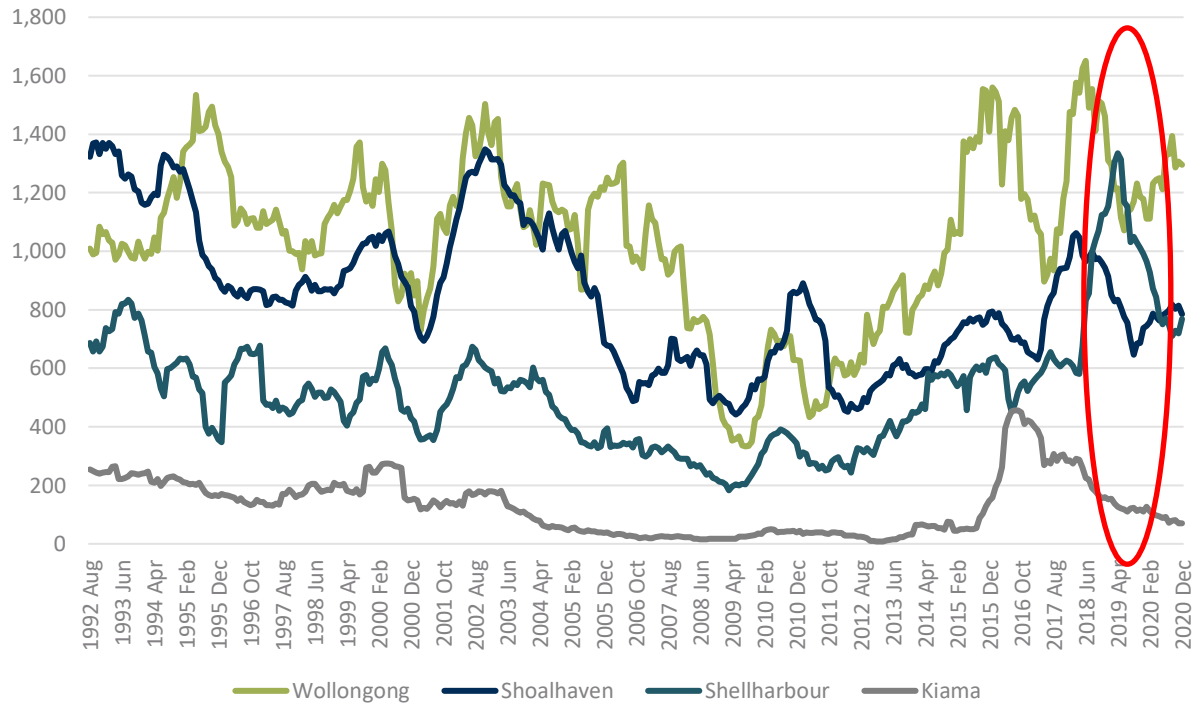


Source: NSW DPI&E Sydney Housing Activity

In contrast, Figure 30 shows that approval activity slowed up during COVID-19 (March-December 2020); this shows developer sentiment in a bear market. It is likely the turn of the market will strengthen activity beyond 2021. Much of the upturn has been driven by low interest rates, increase in consumer confidence and the increase in remote working capabilities.

[19] Kiama LGA, Shellharbour LGA, Shoalhaven LGA and Wollongong LGA

Figure 30: Net dwelling approvals (moving annual total), Illawarra-Shoalhaven region



Source: NSW DPI&E Sydney Housing Activity

While the Shoalhaven remains one of the strongest markets within the region recent market conditions more broadly are strengthening which is reflective in current approvals. There is a considerable pipeline of activity which will sustain strong growth levels through 2021; however, the combination of macroprudential measures to increase housing credit growth, reduced uncertainty and relatively stable construction costs are starting to impact positively on the feasibility of multi-unit and detached developments.

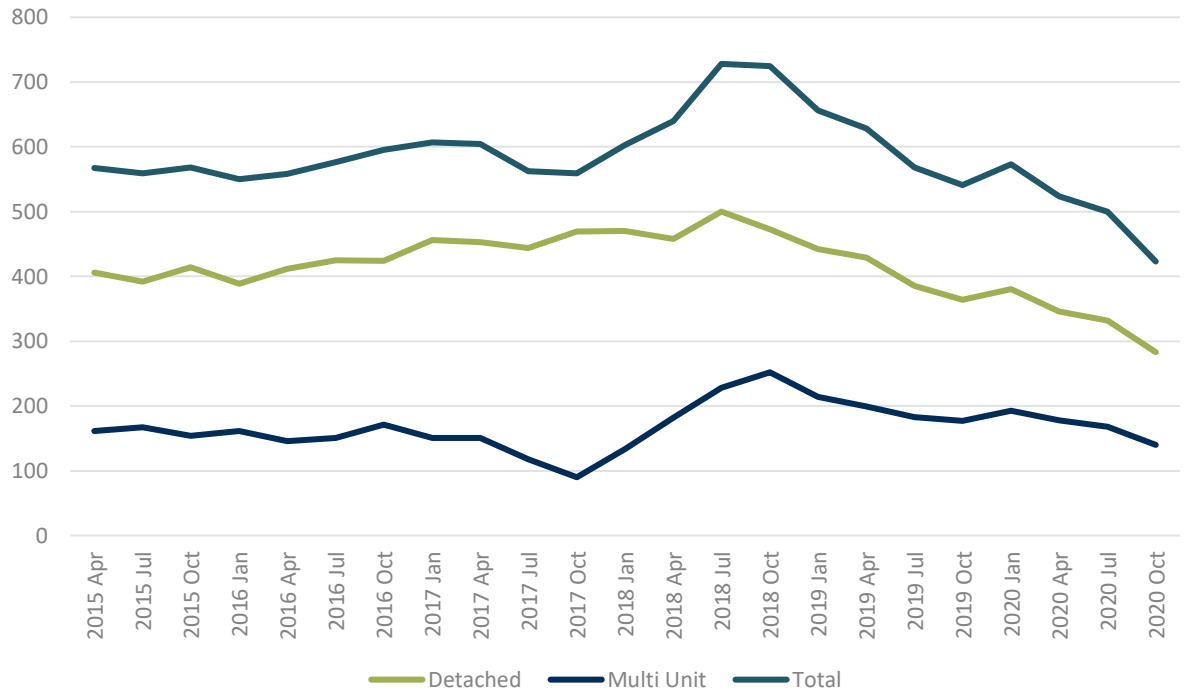
B.2 Shoalhaven LGA demand-supply balance projections

This section looks at the future demand-supply balance within the Shoalhaven LGA based on dwelling requirement projections from the NSW Department of Planning, Industry & Environment (NSW DPI&E), historical dwelling activity and the current development pipeline.

The 2020 NSW DPI&E implied dwelling requirements forecasts suggest that the Shoalhaven LGA needs to provide an additional 583 dwellings per annum, on average, to accommodate population growth over the next 20 years.

Figure 31 shows that the annual total number of net dwelling completions (net of demolitions of existing stock) in the Shoalhaven LGA has also been cyclical in the past few years. This reflects the fact that dwelling activity has largely remained in line with the rest of NSW over the period.

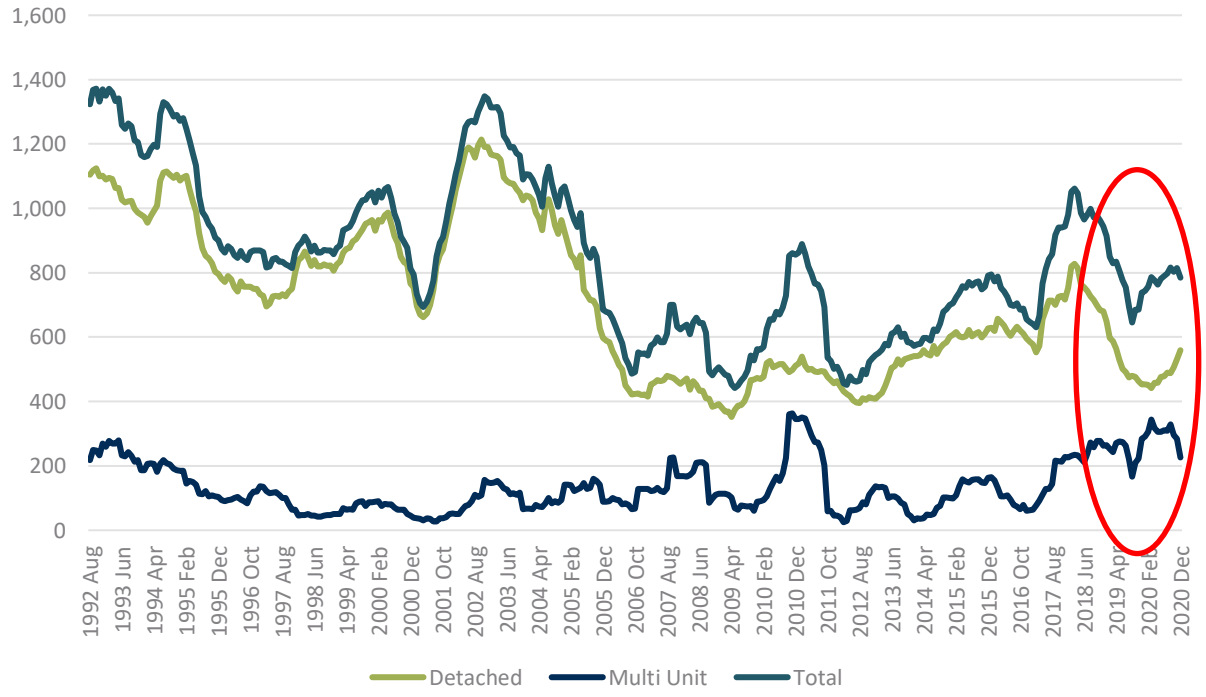
Figure 31: Net dwelling completions (moving annual total), Shoalhaven LGA



Source: NSW DPI&E Sydney Housing Activity

In contrast, Figure 32 shows that approval activity slowed up during COVID-19 (March-December 2020); this shows developer sentiment in a bear market. It is likely the turn of the market will strengthen activity beyond 2021. Much of the upturn has been driven by low interest rates, increase in consumer confidence and the increase in remote working capabilities.

Figure 32: Net dwelling approvals (moving annual total), Shoalhaven LGA



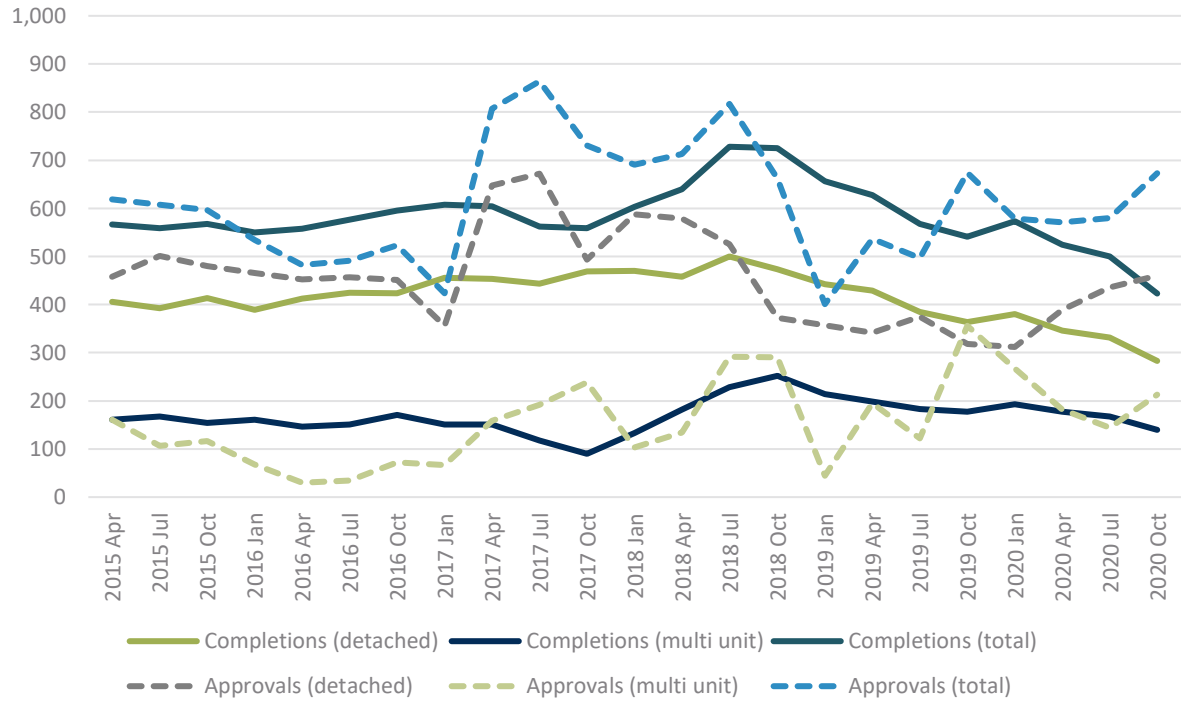
Source: NSW DPI&E Sydney Housing Activity

Not all approvals translate into commencements/completions but in a strengthening market the fall-off rate tends to decrease. In the case of apartments where construction can span multiple years, the impact of improvements in conditions will, on average, flow through to the economy over a much longer time period than for detached houses.

The lag time between approval and completion varies from site to site but usually multi-unit developments take 2-3 years while detached development can take 1-2.5 years.

The figure below shows this relationship between approvals and completions, whereby the line cross over every 1-3 years.

Figure 33: Net dwelling completions v approvals (moving quarterly total), Shoalhaven LGA



Source: NSW DPI&E Sydney Housing Activity

B.3 Milton

Milton is a village in the South Coast region of New South Wales, Australia, within the City of Shoalhaven. It was founded in 1860, named after the property of postmaster George Knight and became an important regional centre during the 19th Century. Today, Milton remains one of the two main commercial centres of the Milton-Ulladulla district, with a population at the 2016 census of 1,663. It is a popular stopping place for travellers on the Princes Highway which runs through the centre of town.

In recent years, Milton has undergone a resurgence largely influenced by the local tourism industry and an influx of residents to the district seeking a sea-change. Several new housing estates are being developed on the fringes of the village and new boutique stores, cafes and bed and breakfast type businesses have located in the town.

B.3.1 Median house and unit sale price trends

Much like the broader Sydney metropolitan area, the Milton residential market was noted to be performing well, evidenced by strong take-up rates on most land subdivision developments located in the area. Over the past ten years, median house price growth in Milton has been strong, with an average annual growth rate of 7.5% per annum. Price growth has been more muted for units at 0.7% per annum.

In 2021, the median house price in Milton was $838,000 while the medium unit price was $304,000.[20] While there were limited transactions contained in RPData's property sales data in 2021 early indications of an increase in the residential house market and subdued unit market after COVID-19 was shown through a year-on-year increase in the median house price of 5.5% and decrease in the median unit price of -0.7%.[21]

The trend of decline from late 2019 to mid-2020 seems to have slowed on the back of decreased interest rates, increased consumer confidence and the COVID-19 vaccine.

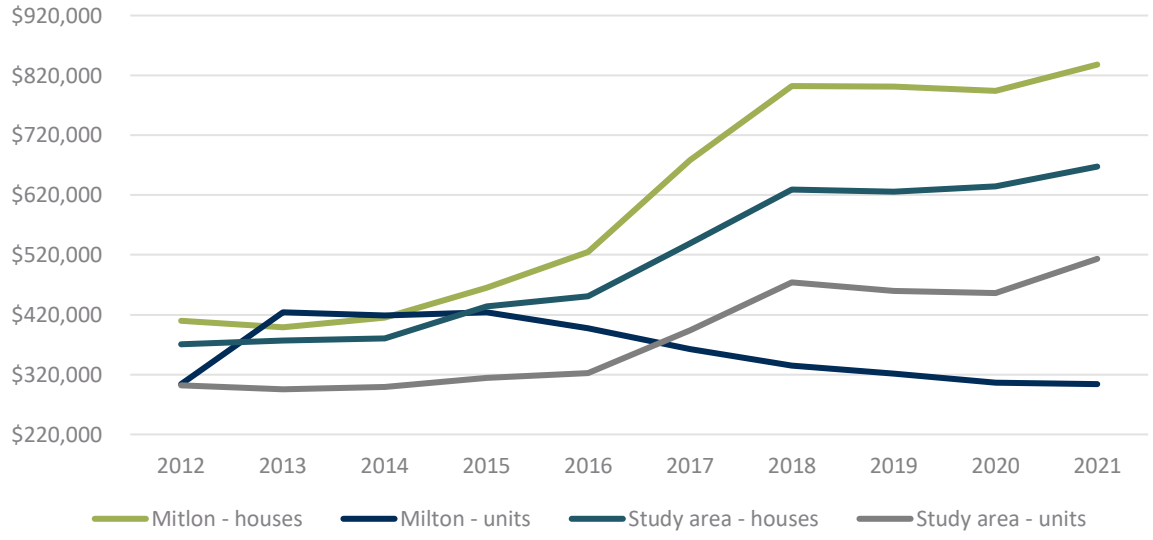
A comparison of recent trends in median house and unit prices in Milton compared with the study area show movement being similar for houses but different for units. Although, the Milton market is structurally more expensive than the study area average this is a function of the larger land sizes, distance to the city centre and perceived level of amenity. The difference in unit prices could be related to the relatively low level of unit sales year to year which makes it difficult to compare the data.

The large difference in median sale price for houses compared to units is largely due to the limited number of units within the suburb along with the limited sale activity. Between 2012-21 a total of 23 units transacted compared to 324 houses.

Local agents who specialise in the area outlined how there has been a substantial increase in demand for detached dwellings over recent years with mainly retirees moving into the area to take advantage of the lifestyle and cheaper median house prices. While these purchasers have been able to buy houses for cheaper than Sydney prices the substantial growth of 72.4% between 2015-18 has made housing less affordable.

Agents also outlined there would be demand for rural one, five and ten acre blocks in this area. There are varies 100-acre land blocks in the area that could be broken up into smaller land parcels and sold to provide additional housing in years to come. Most of the population in Milton area retirees compared to your Sydneysiders buying a weekender given the proximity to the beach. To ensure this part of the future population growth is supported, the area would benefit from additional land subdivisions.

Figure 34: Median house and unit price trends, Milton



Source: RPData, as at May 2021

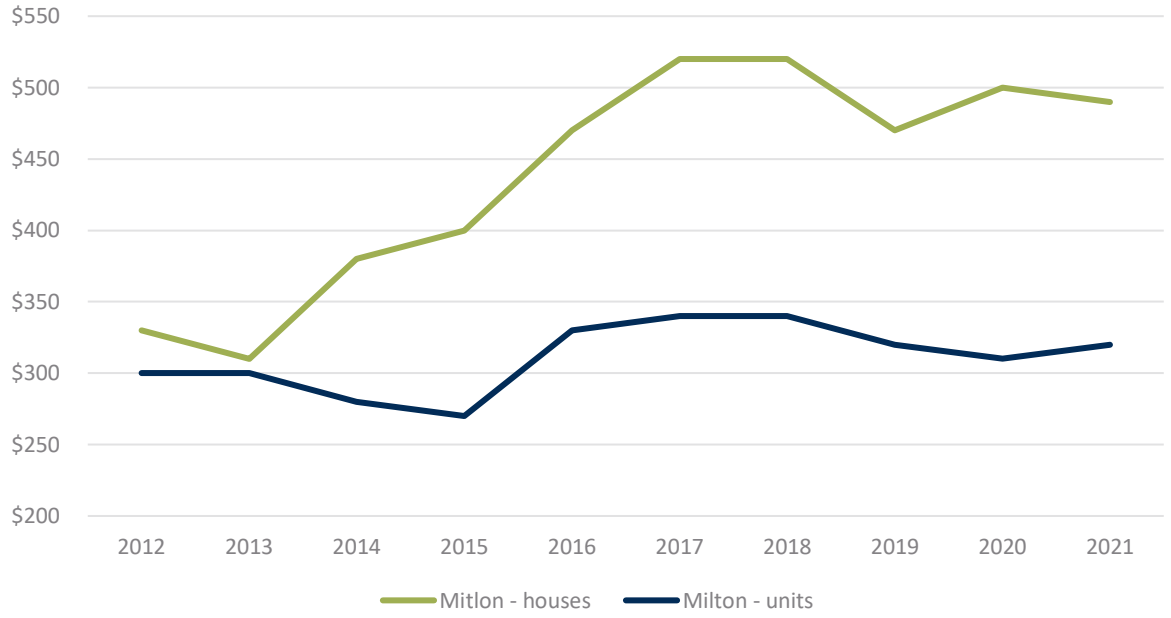
[20] The unit data below is based on strata property transactions where there is no delineation by unit typology and therefore includes apartments, townhouses and villas

[21] Limited data in 2021 may skew growth rates

B.3.2 Median house and unit rent price trends

The figure below highlights the sustained increase in rents over the past ten years within Milton. The increase in rent follows a relatively similar trend to house and unit price increases. The rents for Milton show an existing yield for houses of circa 3.0% (down from 4.2% in 2012) and 5.5% (up from 5.1% in 2012) for units.

Figure 35: Median house and unit rental trends, Milton



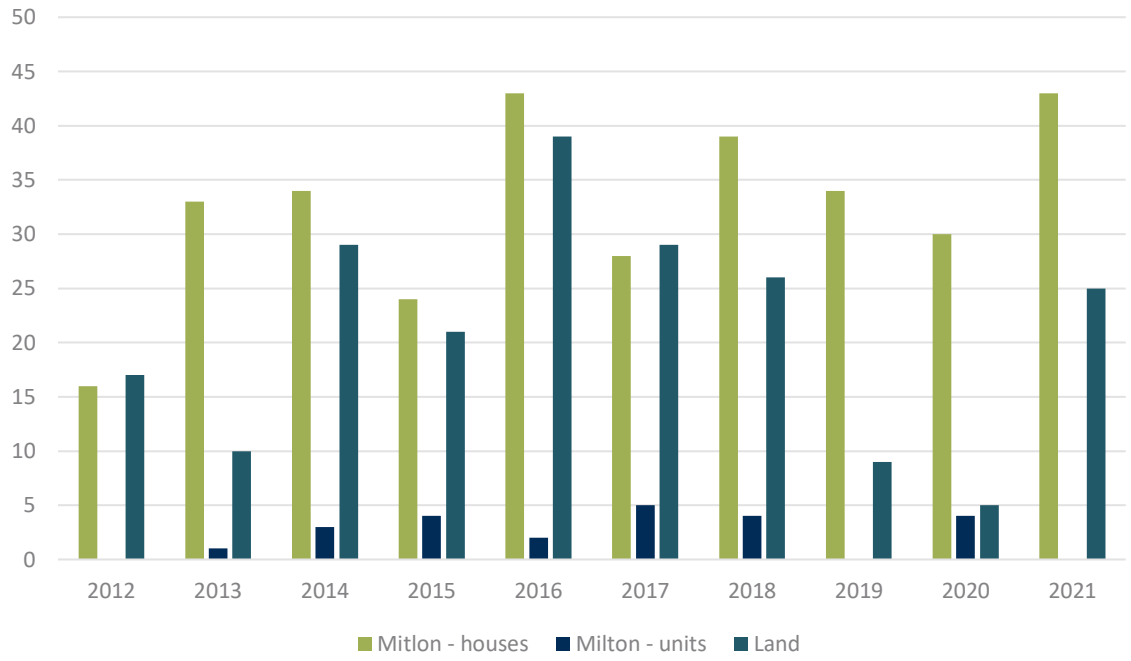
Source: RPData, as at May 2021

B.3.3 Sales rates

The figure below highlights the number of sales transacted within Milton over the past ten years. The data shows a sustained level of houses transacting over the period with limited unit sales taking place. Since 2014, there has been an average of 23 sales of vacant land blokes.

In our discussions with local sales agents, they recommended Milton would benefit from additional housing/land supply over the next few years to adapt with the increasing demand created by COVID-19.

Figure 36: House, unit and land sale trends, Milton



Source: RPData, as at May 2021

B.4 Mollymook – Narrawallee & surrounds

This section looks at the market trends in Mollymook, Narrawallee and Mollymook Beach.

Mollymook is located on the South Coast of NSW approximately three hours' drive south of Sydney within the City of Shoalhaven local government area. Geographically, Mollymook is considered part of the Milton-Ulladulla district, a coastal corridor of urban development stretching from Burrill Lake, south of Ulladulla to Mollymook's northern neighbour, Narrawallee and the historic town of Milton a few kilometres inland. Narrawallee is predominantly a residential suburb, bordered by a tidal inlet to the north and Matron Porter Drive.

The area collectively referred to as Mollymook is formed by two distinct localities; Mollymook Beach – a mostly residential area incorporating Bannister Headland adjoining Narrawallee, and Mollymook – containing the Mollymook golf and surf lifesaving clubs, motels and serviced apartments.

B.4.1 Median house and unit sale price trends

Much like the broader Sydney metropolitan area, the Mollymook – Narrawallee & surrounds residential market was noted to be performing well, evidenced by strong take-up rates on most land subdivision and house and land package developments located in the area. Over the past ten years, median house price growth in Mollymook – Narrawallee & surrounds has been strong, with an average annual growth rate of 6.6% per annum. Price growth has been higher for units at 6.7% per annum (noting there are only units available in Mollymook Beach).

In 2021, the median house price in Mollymook – Narrawallee & surrounds was $686,000 while the medium unit price was $560,000.[22] While there were limited transactions contained in RPData's property sales data in 2021 early indications of a decrease in the residential house market and substantial increase in the unit market after

[22] The unit data below is based on strata property transactions where there is no delineation by unit typology and therefore includes apartments, townhouses and villas

COVID-19 was shown through a average year-on-year decrease in the median house price of -3.0% and an increase in the median unit price of 15.5%.[23]

The trend of decline from late 2019 to mid-2020 seems to have slowed on the back of decreased interest rates, increased consumer confidence and the COVID-19 vaccine.

A comparison of recent trends in median house and unit prices in Mollymook – Narrawallee & surrounds compared with the study area show movement being similar for houses but different for units. Although, the Mollymook – Narrawallee & surrounds market is structurally more expensive than the study area average this is a function of distance to the city centre, availability of amenities and transport and extent of gentrification.

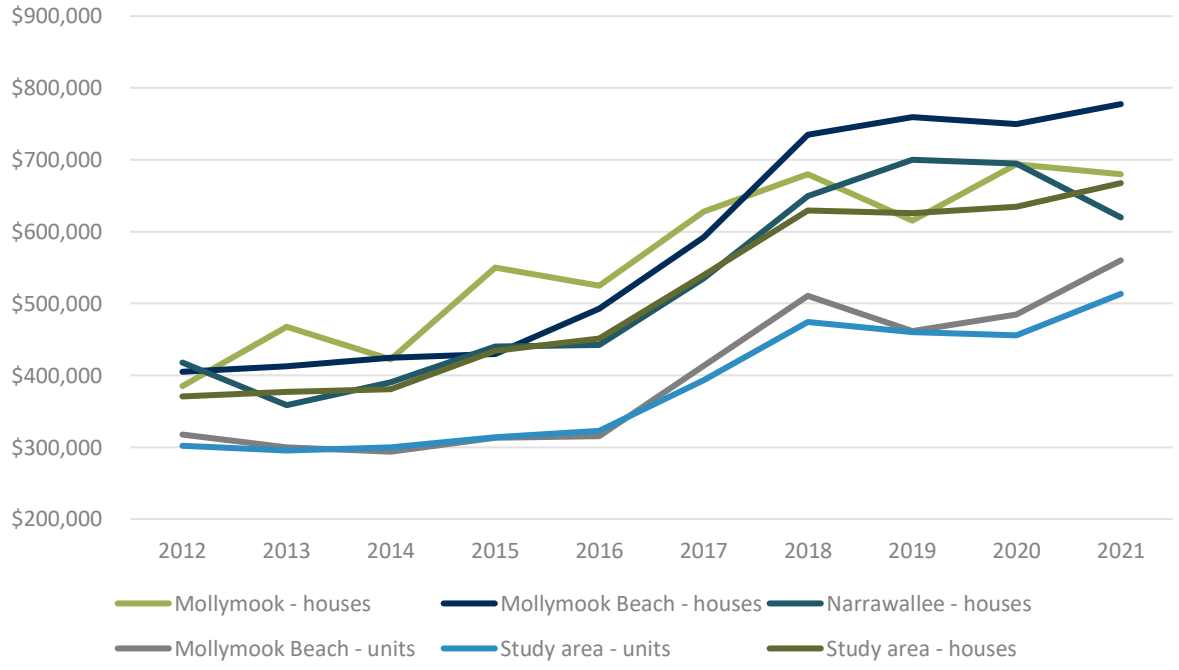
The small difference in median sale price for houses compared to units is largely due to the quality of the units within the suburb. There is a relatively high percentage of units transacting (44%) compared to houses within Mollymook Beach.

Local agents who specialise in the area outlined how there has been a substantial increase in demand for unit dwellings over recent years with mainly retirees moving into the area to take advantage of the lifestyle and cheaper median house and prices. While these purchasers have been able to buy houses for cheaper than Sydney prices the substantial growth of 53.5-60.2% between 2015-18 has made housing less affordable and increased the demand for units.

The increase in demand for units is reflective of the growth in the population of older residents aged 60 and older. These retirees want to live close to the beach and services but do not want to have to maintain an entire house and garden.

Local agents said the weekender market has been running hot off the back of COVID-19 with multiple sales transacting between $1.5-$2.5mil bracket. They outlined while this has been fantastic for the existing owners in the area the issues of affordability are becoming increasingly apparent.

Figure 37: Median house and unit price trends, Mollymook – Narrawallee & surrounds



Source: RPData, as at May 2021

[23] Limited data in 2021 may skew growth rates

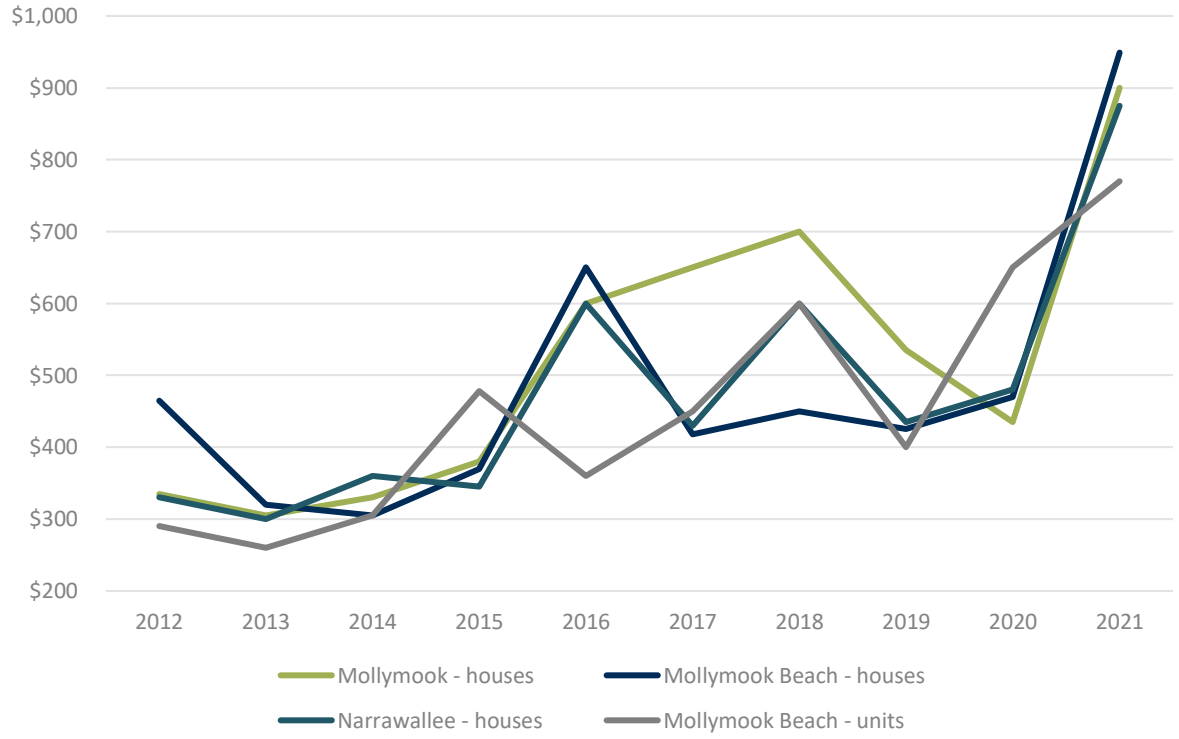
B.4.2 Median house and unit rent price trends

The figure below highlights the fluctuating rents over the past ten years. It is clear the positive impact that COVID-19 had on the rental market with rents in each of the markets reporting up to 100% growth in rents.

While there has been an overall sustained increase the year-to-year fluctuations may be reflective of the varying levels of quality being offered within these markets.

The rents for Mollymook, Mollymook Beach and Narrawallee show an existing yield for houses of circa 6.9% (up from 4.5% in 2012), 6.3% (up from 6.0% in 2012) and 7.3% (up from 4.1% in 2012). Mollymook beach recorded an existing yield on units at 7.2% (up from 4.7% in 2012).

Figure 38: Median house and unit rental trends, Mollymook – Narrawallee & surrounds



Source: RPData, as at May 2021

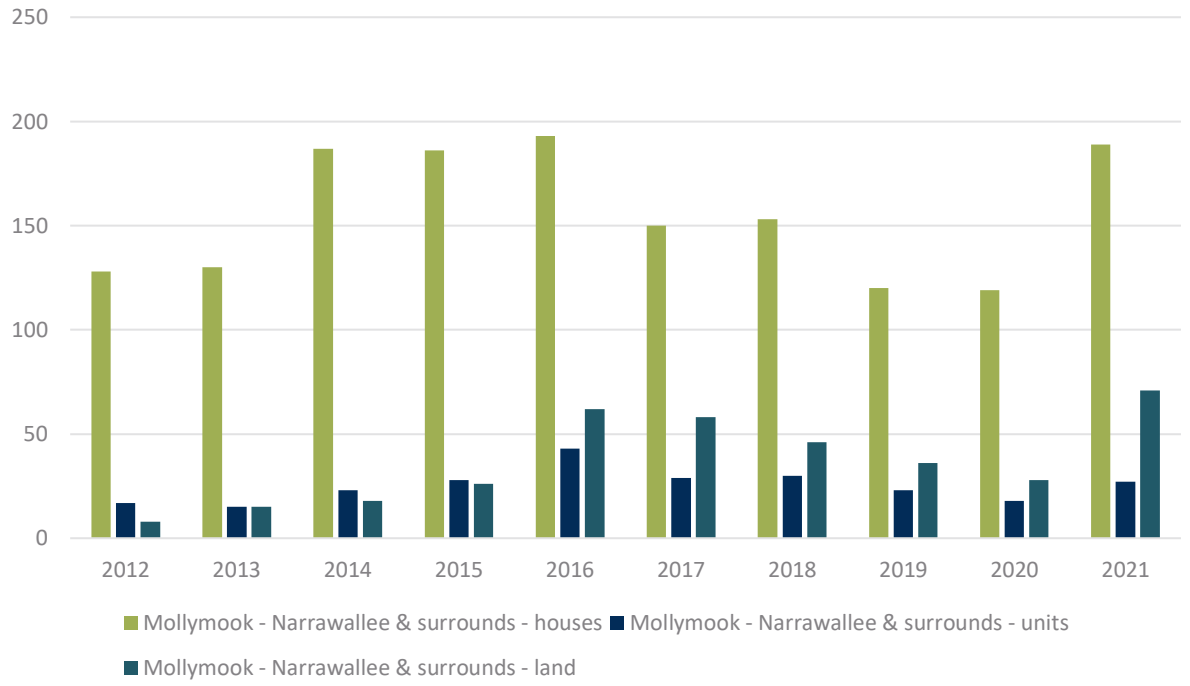
B.4.3 Sales rates

The figure below highlights the number of sales transactions within Mollymook – Narrawallee & surrounds over the past ten years. The data shows a sustained level of around 150 house transactions per annum and around 50 unit transactions per annum. Since 2014, there has been an average of 37 sales of vacant land blokes.

The increase to 71 total land transactions in 2021 shows the increase in demand off the back of COVID-19 and supports the argument for additional land being potentially being zoned for residential.

In our discussions with local sales agents they recommended Narrawallee would benefit from additional housing/land supply over the next few years to adapt with the increasing demand created by COVID-19.

Figure 39: House, unit and land sale trends, Mollymook – Narrawallee & surrounds



Source: RPData, as at May 2021

B.5 Ulladulla

Ulladulla is a coastal town in New South Wales, Australia in the City of Shoalhaven local government area.[2][3] It is on the Princes Highway about 230 kilometres south of Sydney, halfway between Batemans Bay to the south and Nowra to the north. Ulladulla has close links with the nearby historic settlement of Milton and many services are shared between these towns.

Ulladulla's commercial area is located along Princes Highway and in surrounding streets featuring numerous clusters of shops. Ulladulla Shopping Centre feature a Woolworths supermarket and 8 speciality stores. Dolphin Court contains a Coles supermarket and 7 speciality stores. Ulladulla also has an Aldi supermarket, Best & Less, Harris Scarfe and a K Hub store (formerly Target Country). Ulladulla's arcades are located on Princes Highway including Rowen's Arcade which contain a cinema, Funland arcade and 23 speciality stores. Eastside Mall, Plaza, Riviera Arcade, Phillip Centre and Bellbrook Arcade are also located along Princes Highway.

B.5.1 Median house and unit sale price trends

Much like the broader Sydney metropolitan area, the Ulladulla residential market was noted to be performing well, evidenced by strong take-up rates of all types of developments located in the area. Over the past ten years, median house price growth in Ulladulla has been strong, with an average annual growth rate of 76.2% per annum. Price growth has been strong but more muted for units at 4.8% per annum.

In 2021, the median house price in Ulladulla was $630,000 while the medium unit price was $470,000.[24] While there were limited transactions contained in RPData's property sales data in 2021 early indications of an increase in the residential house market and unit market after COVID-19 was shown through a year-on-year increase in the median house price of 10.1% and increase in the median unit price of 2.0%.[25]

[24] The unit data below is based on strata property transactions where there is no delineation by unit typology and therefore includes apartments, townhouses and villas
[25] Limited data in 2021 may skew growth rates

A comparison of recent trends in median house and unit prices in Ulladulla compared with the study area show movement being similar for houses and units. Although, the Ulladulla market is slightly less expensive than the study area average this is a function of the quality of amenities, extent of gentrification and smaller block sizes. The difference in unit prices could be related to the relatively low level of unit sales year to year which makes it difficult to compare the data.

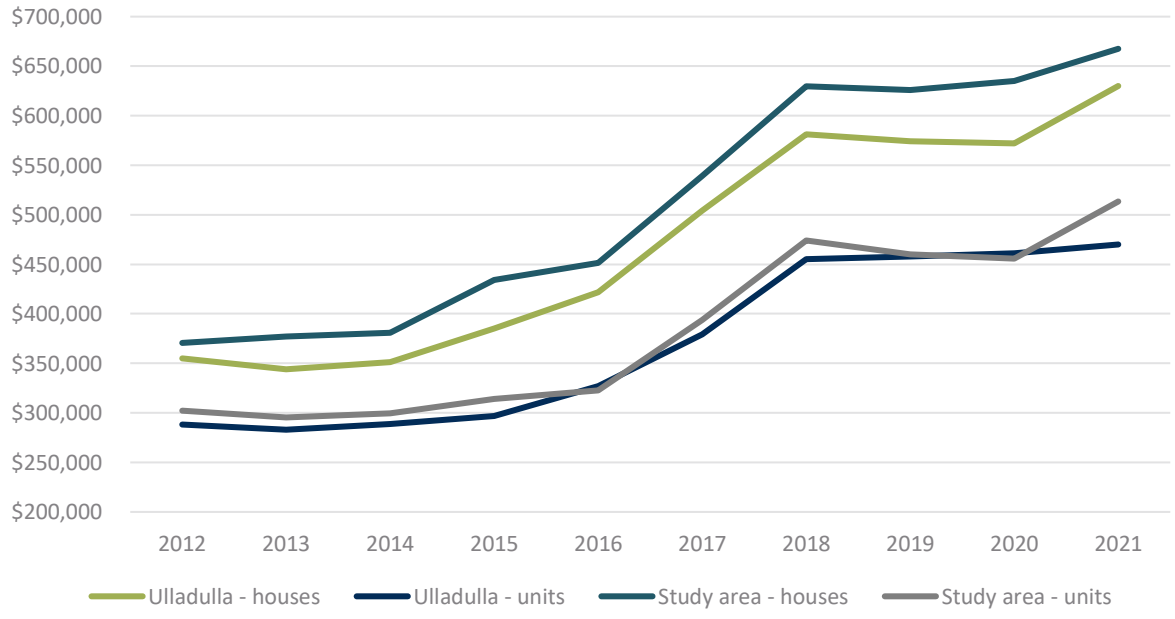
The relatively small difference in median sale price for houses compared to units is largely due to the quality of the units on offer (Pier 32) and the increase in demand for units in recent years. Discussion with agents said the area would be able to sustain another development like the Pier 32 given the significant demand for the area given COVID-19, Sydneysiders buying weekenders and retirees. Between 2012-21 a total of 243 units transacted equating to almost half (46%) of the total unit sales in the study area.

Local agents who specialise in the area outlined how there has been a substantial increase in demand for detached and unit dwellings over recent years with mainly retirees and young families moving into the area to take advantage of the lifestyle and cheaper median house and prices. While these purchasers have been able to buy houses for cheaper than Sydney prices the substantial growth of 61.5% between 2015-18 has made housing less affordable and increased the demand for units.

The increase in demand for units is reflective of the growth in the population of older residents aged 60 and older. These retirees want to live close to the beach and services but don't want to have to maintain an entire house and garden.

While some of the agents outlined that Pier 32 has been a success, while other agents stated their dislike for development given its size, shape and location. They said while there is a need to support population growth within the area there are better ways than constructing a four to five storey development down by the water.

Figure 40: Median house and unit price trends, Ulladulla

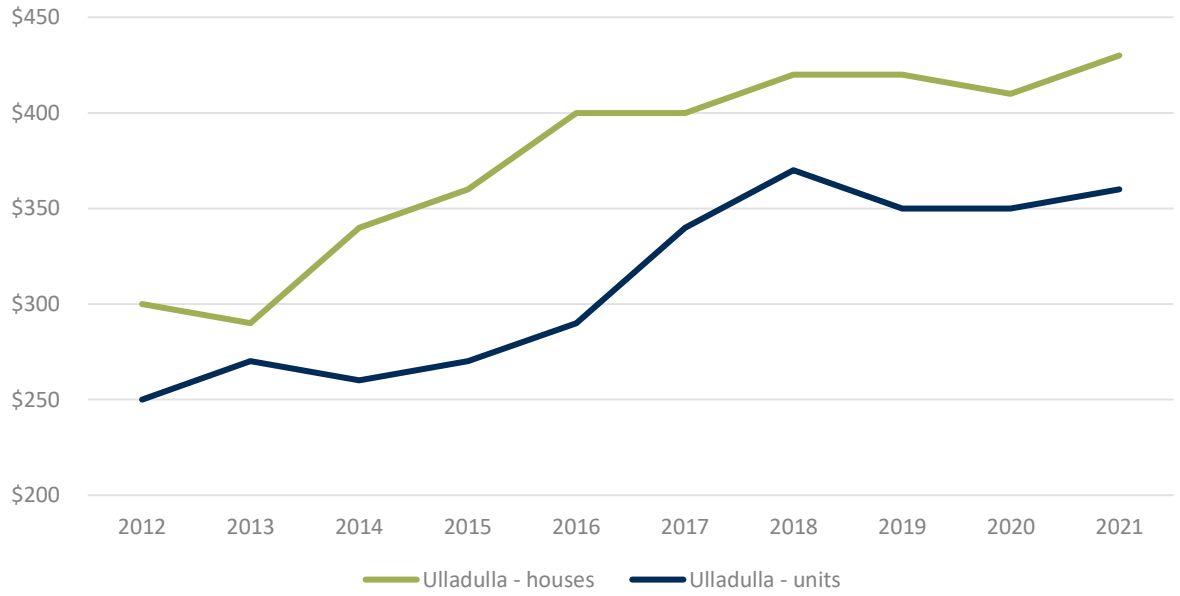


Source: RPData, as at May 2021

B.5.2 Median house and unit rent price trends

The figure below highlights the sustained increase in rents over the past ten years within Ulladulla. While the increase in rent follows a relatively similar trend to house and unit price increases it has not increased as substantially. The rents for Ulladulla show an existing yield for houses of circa 3.5% (down from 4.4% in 2012) and 4.0% (up from 4.5% in 2012) for units.

Figure 41: Median house and unit rental trends, Ulladulla



Source: RPData, as at May 2021

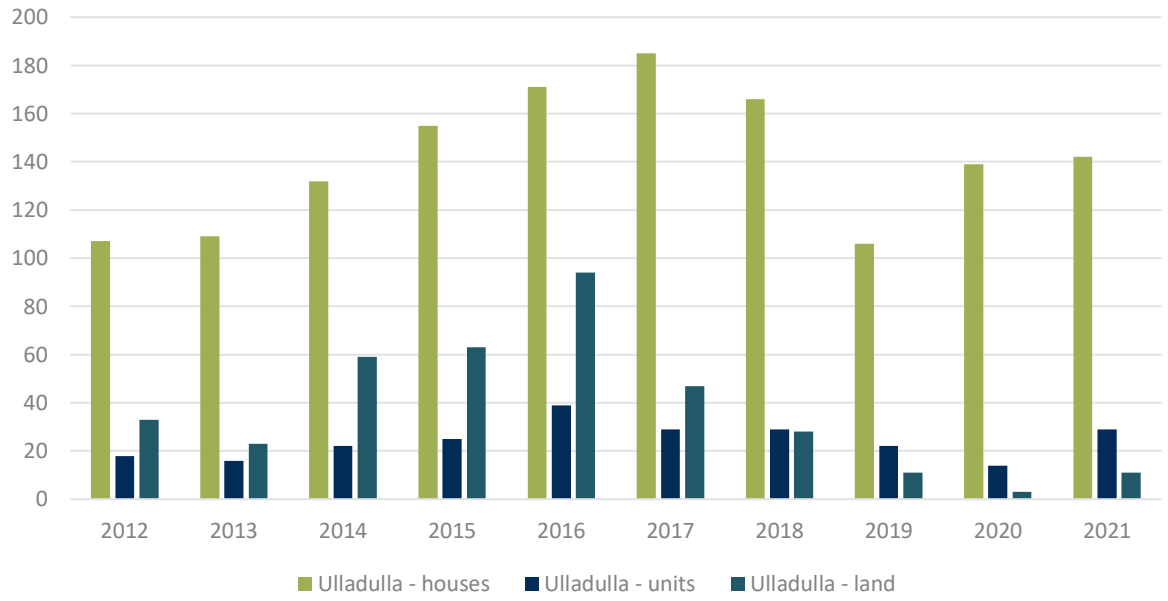
B.5.3 Sales rates

The figure below highlights the number of sales transacted within Ulladulla over the past ten years. The data shows a sustained level of houses transacting over the period with varying levels of unit sales taking place. Since 2014, there has been an average of 40 sales of vacant land blokes.

In our discussions with local sales agents, they recommended Ulladulla would benefit from additional apartment supply over the next few years to adapt with the increasing demand created by COVID-19. The impacts of COVID-19 have shown an increase in the number of prospective purchasers from Sydney looking for weekenders or a second home they can rent out but also use.

The sales agent from Pier 32 agreed there should be additional apartment development within the area on the back of the successful sales campaign. Although, it took a few years to achieve pre-sales for the development the prices increased between 2016-18 sparked additional interest in the area that was supported by recent population movements as a result of COVID-19. They stated there would be sufficient demand for additional quality medium/high density developments in the coming years.

Figure 42: House, unit and land sale trends, Ulladulla



Source: RPData, as at May 2021

B.6 Burrill Lake & surrounds

This section looks at the market trends in Burrill Lake, Dolphin Point and Kings Point.

Burrill Lake: Burrill Lake is a small village on the Princes Highway in the South Coast region of New South Wales, Australia. It is a seaside suburb of the Milton-Ulladulla district, a part of the City of Shoalhaven local government area and surrounds the lake of the same name.

Dolphin Point: Dolphin Point is a beach settlement in the City of Shoalhaven, New South Wales, Australia. It is located about 7 km south of Ulladalla and to the east of Burrill Lake on the shore of the Tasman Sea.

Kings Point: Kings Point village forms part of the Milton Ulladulla urban area in the southern Shoalhaven. Kings Point is predominantly a residential suburb on the shores of Burrill Lake. A small light industrial area to the east separates the village from Ulladulla. The lakeside location makes Kings Point popular for fishing and water sports - the Ulladulla Water Ski Club and public boat ramp facilities allow locals and visitors to take full advantage.

B.6.1 Median house and unit sale price trends

Much like the broader Sydney metropolitan area, the Burrill Lake & surrounds residential market was noted to be reasonable well, evidenced by a sustained increase in median house prices. Over the past ten years, median house price growth in Burrill Lake & surrounds has been strong, with an average annual growth rate of 7.3% per annum. There are currently no units within this market.

In 2021, the median house price in Burrill Lake & surrounds was $732,000. While there were limited transactions contained in RPData's property sales data in 2021 early indications of an increase in the residential house market and subdued unit market after COVID-19 was shown through a year-on-year increase in the median house price of 8.1% across the three suburbs.

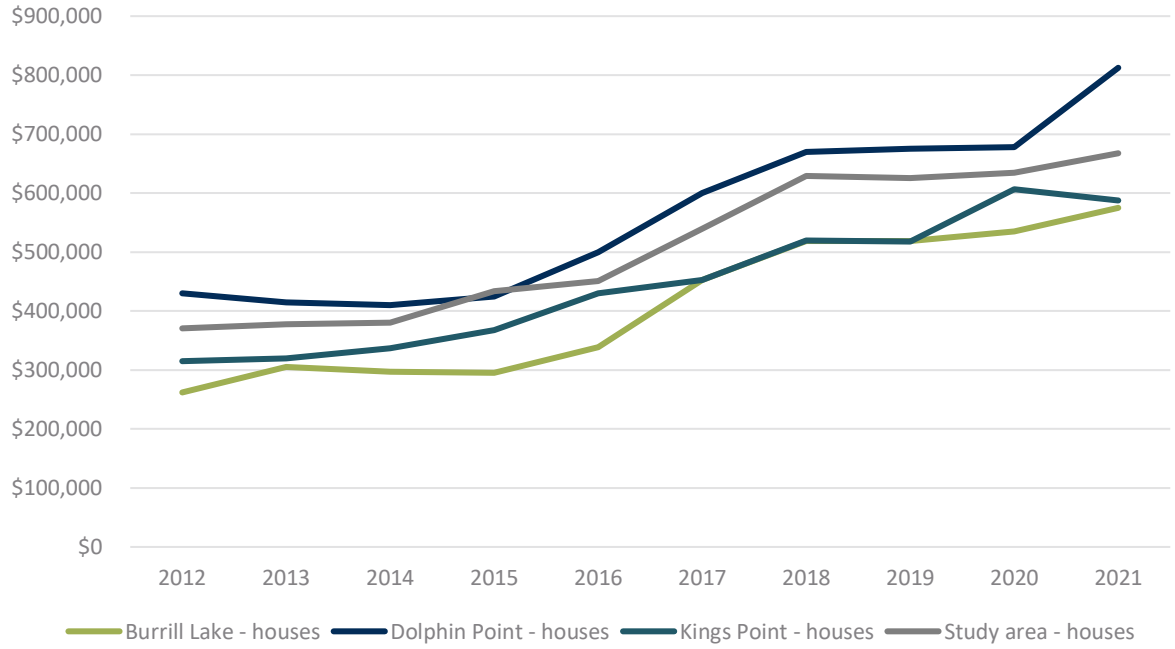
A comparison of recent trends in median house and unit prices in Burrill Lake & surrounds compared with the study area show movement being similar for houses. Although, the Dolphin Point market is structurally more expensive than the study area average, Burrill Lake and Kings Point are cheaper. This is a function of distance to the city centre, availability of amenities and transport and extent of gentrification.

Local agents who specialise in the area outlined how there has been a substantial increase in demand for detached dwellings over recent years with mainly retirees and young families moving into the area to take advantage of the lifestyle and cheaper median house prices. While these purchasers have been able to buy houses for cheaper than Sydney prices the substantial growth of 46.3-62.3% between 2015-18 has made housing less affordable.

The agents said since the construction of the bridge the market within Burrill Lake has seen significant improvement with the take-up of houses improving over time. The outlined that this is the cheapest market given its location to amenity and transport but will continue to improve as the suburb expands.

Local agents outlined the area would benefit from attached dwellings such as townhouses and apartments to cater for the future demand within the area. Given there are not unit developments within these areas Council could look to upsize to accommodate these trends.

Figure 43: Median house and unit price trends, Burrill Lake & surrounds

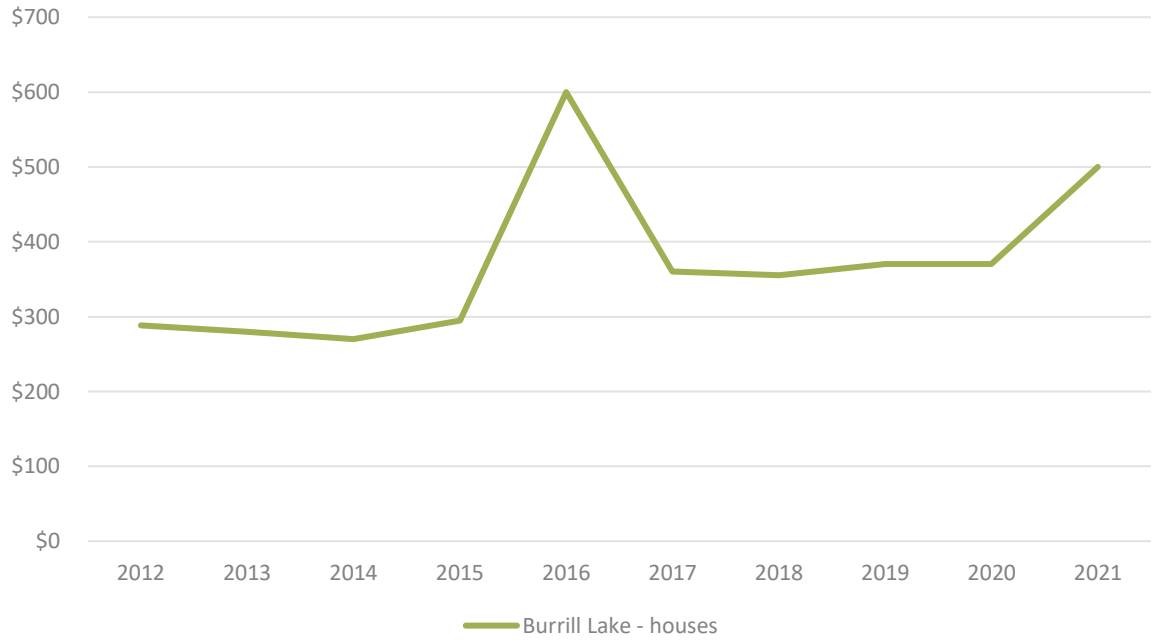


Source: RPData, as at May 2021

B.6.2 Median house and unit rent price trends

The figure below highlights the sustained increase in rents over the past ten years within Burrill Lake. While the increase in rent follows a relatively similar trend to house increases it has not increased as substantially. The rents for Burrill Lake show an existing yield for houses of circa 4.5% (down from 5.7% in 2012).

Figure 44: Median house rental trends, Burrill Lake

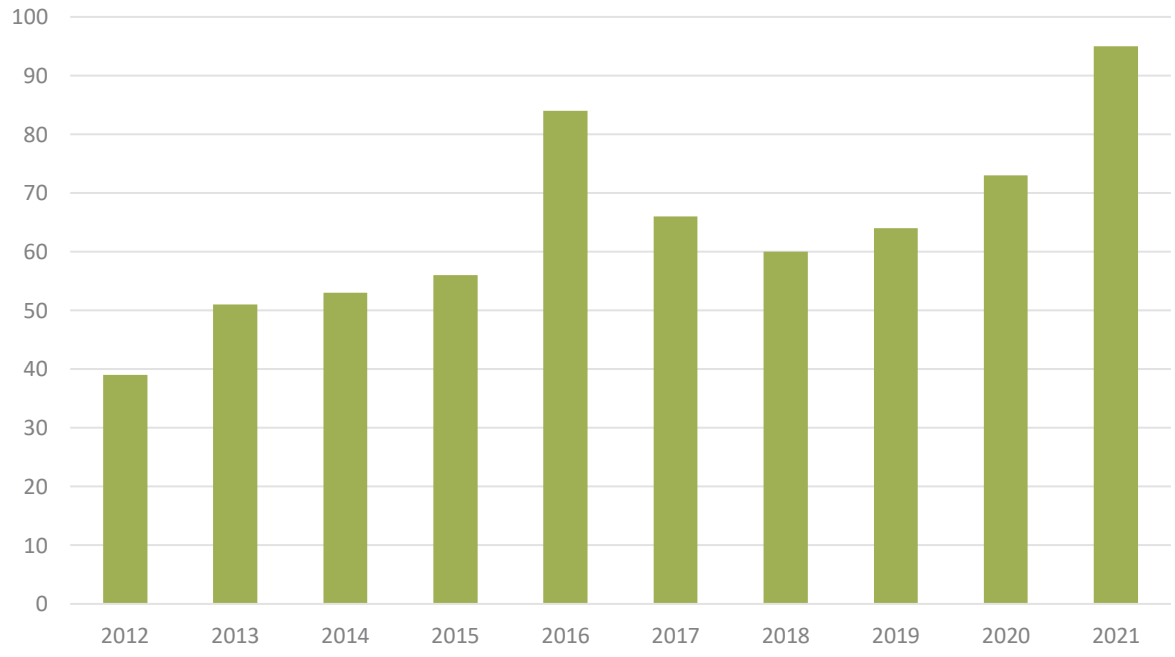


Source: RPData, as at May 2021

B.6.3 Sales rates

The figure below highlights the number of sales transacted within Burrill Lake & surrounds over the past ten years. The data shows a sustained level of houses transacting over the period with limited unit sales taking place. Since 2014, there has been an average of 64 house sales.

Figure 45: House trends, Burrill Lake & surrounds



Source: RPData, as at May 2021

B.7 Summary

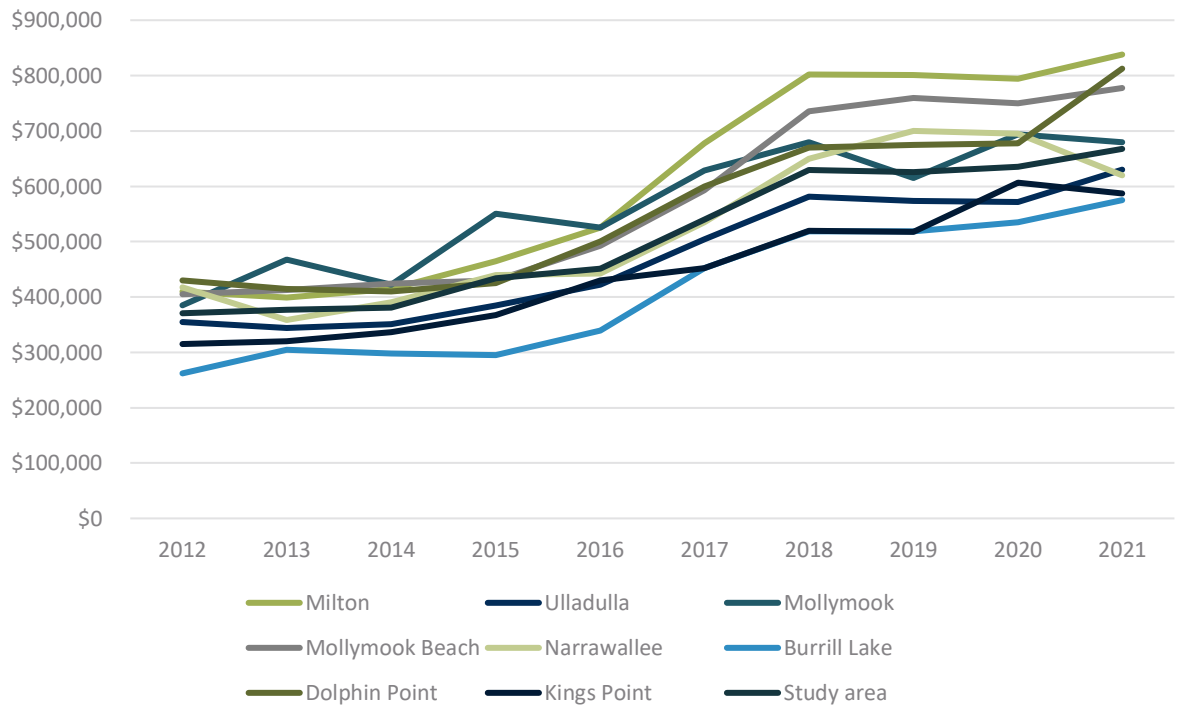
B.7.1 Median house price trends

Much like the broader Sydney metropolitan area, the study area residential apartment market was noted to be performing well, evidenced by strong take-up rates on most developments located in the area. Over the past ten years, median house price growth in study area has been strong, with an average annual growth rate of 7.0% per annum. Price growth has been more muted for units at 6.4% per annum.

In 2020, the median house price in the study area was $668,000 while the medium unit price was $513,000. While there were limited transactions contained in RPData's property sales data in 2021 early indications of an increase in the residential housing market after COVID-19 was shown through a year-on-year increase in the median house and unit price by 5.2% and 12.6%.[26]

Recent trends in median house prices are shown below for the study area. The pattern of change is the same across these market areas although the Burrill Lake and Kings Point market is structurally cheaper than the study area average. This is a function of distance to the city centre, availability of amenities and transport and extent of gentrification.

Figure 46: Median house price trends, study area



Source: RPData, as at May 2021

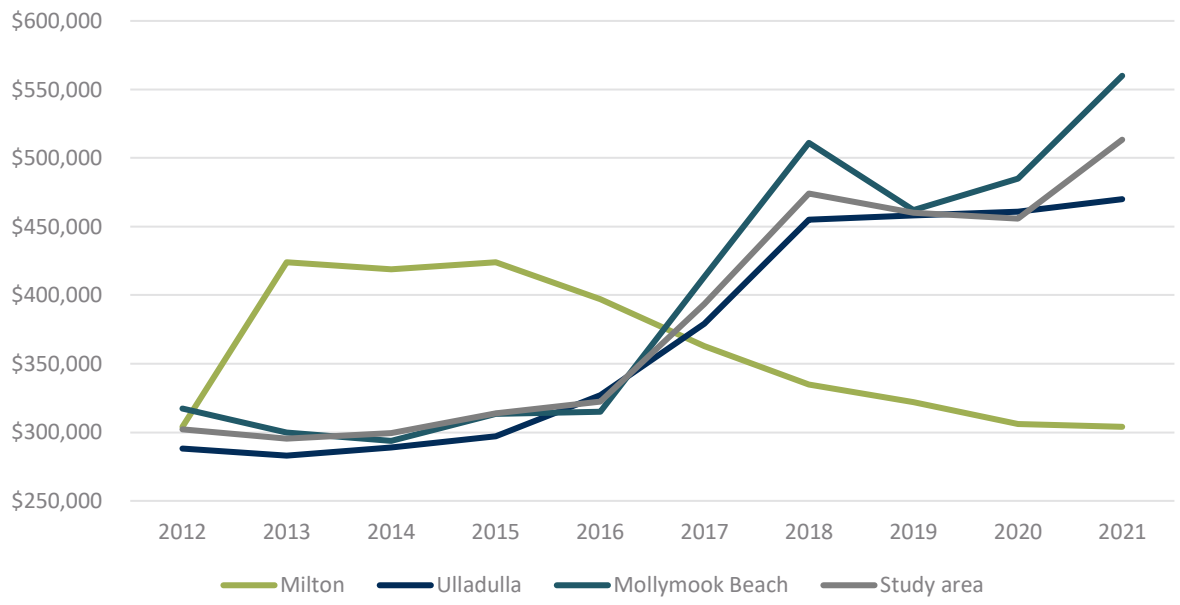
B.7.2 Median unit price trends

The below data is based on strata property transactions where there is no delineation by unit typology and therefore includes apartments, townhouses and villas.

The figure below shows growth in Ulladulla and Mollymook Beach and nominal decline in Milton. This is not due to such shifts in those markets but rather a function of the limited sale data available (only eight transactions in previous four years). Additional data analysed for this project shows that over the last ten years the study area had an average compound growth rate of 6.4%.

[26] Limited data in 2021 may skew growth rates

Figure 47: Median unit price trends, study area

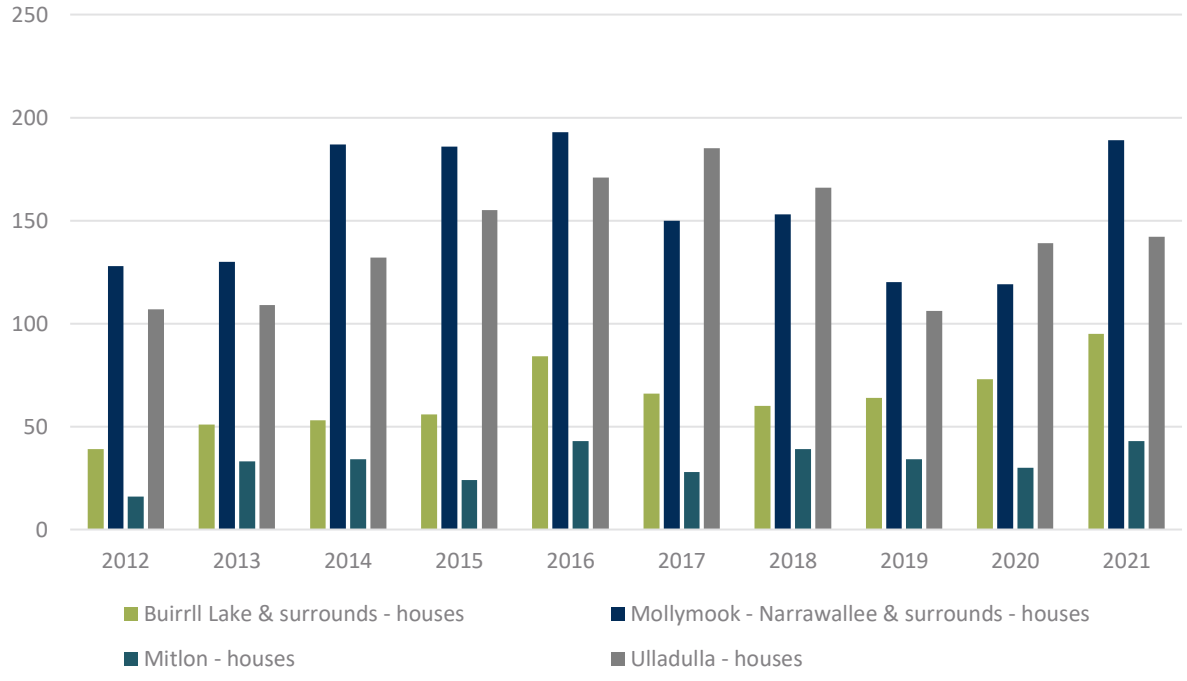


Source: RPData, as at May 2021

B.7.3 Sales rates

The figure below highlights the number of house sales transacted within the study over the past ten years. The data shows a sustained level of houses transacting over the period with a slight reduction from 2018-20 for all markets. Since 2012, there has been a total of 3,932 sales with Ulladulla marking up just less than half (36%).

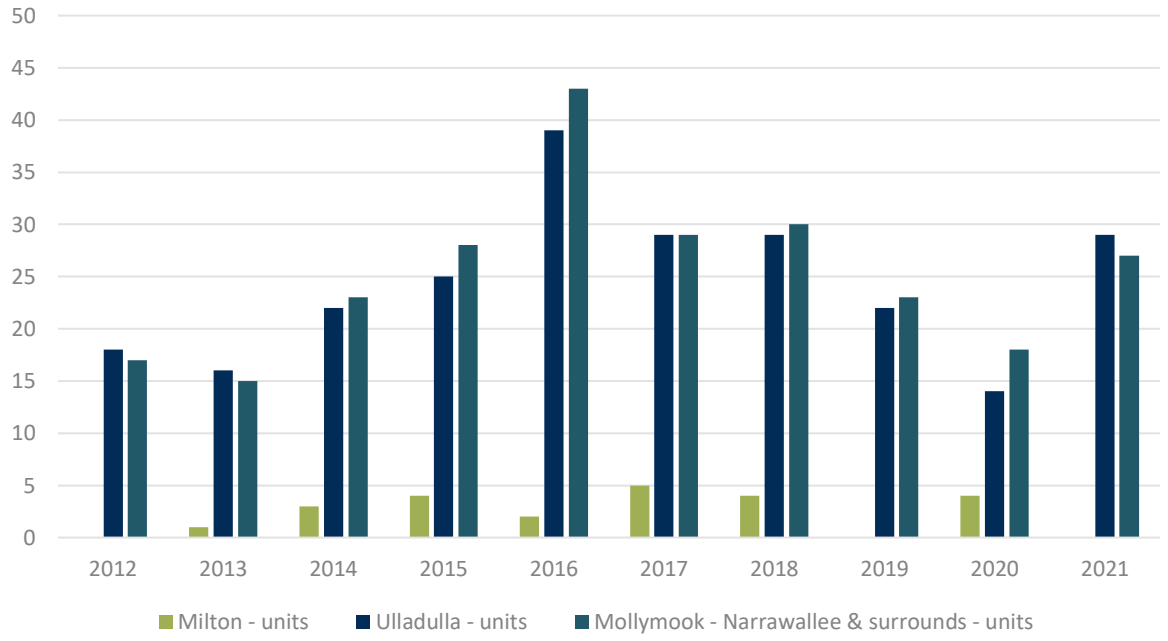
Figure 48: House trends, study area



Source: RPData, as at May 2021

The figure below highlights the number of unit sales transacted within the study over the past ten years. The data shows a sustained level of units transacting over the period with a substantial increase in 2016 and slight reduction from 2018-20 for all markets.

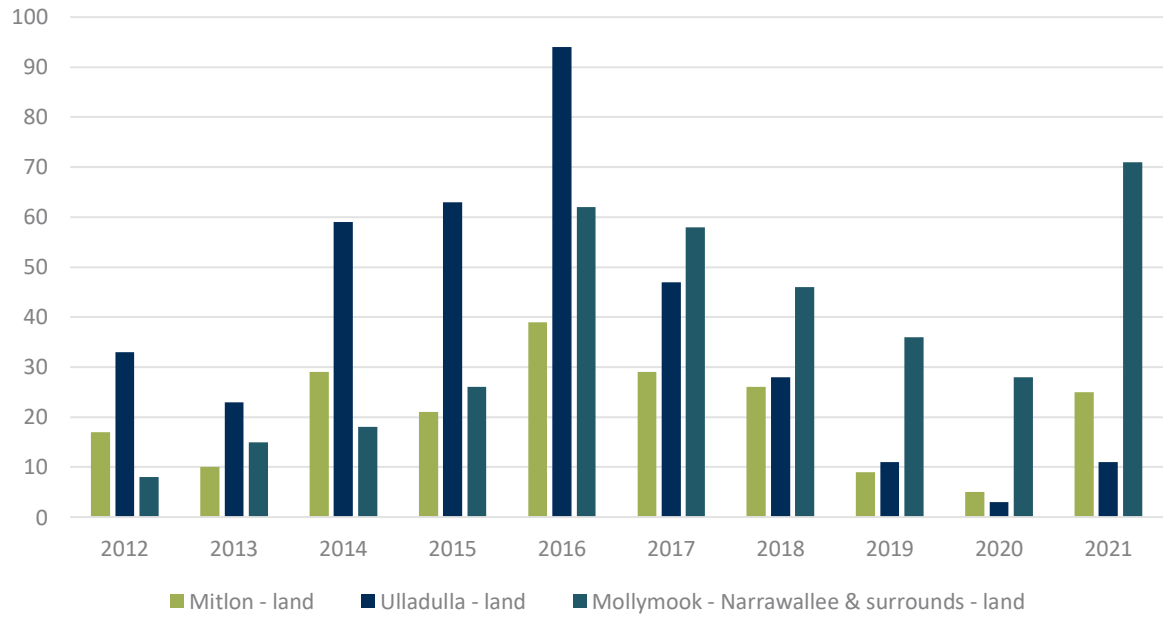
Figure 49: Unit trends, study area



Source: RPData, as at May 2021

The figure below highlights the number of land sales transacted within the study over the past ten years. The data shows fluctuating levels of land transactions over the period with a substantial increase in 2016 and slight reduction from 2018-20 for all markets. Recent sales have increased substantially in Mollymook Beach and Narrawallee on the back of recent development and the increased demand from COVID-19.

Figure 50: Land trends, study area



Source: RPData, as at May 2021

B.8 Broad housing market trends and drivers

The following information was collated from the findings of consultation with residential real estate agents from across the region and a review of available housing market literature. The findings are summarised below.

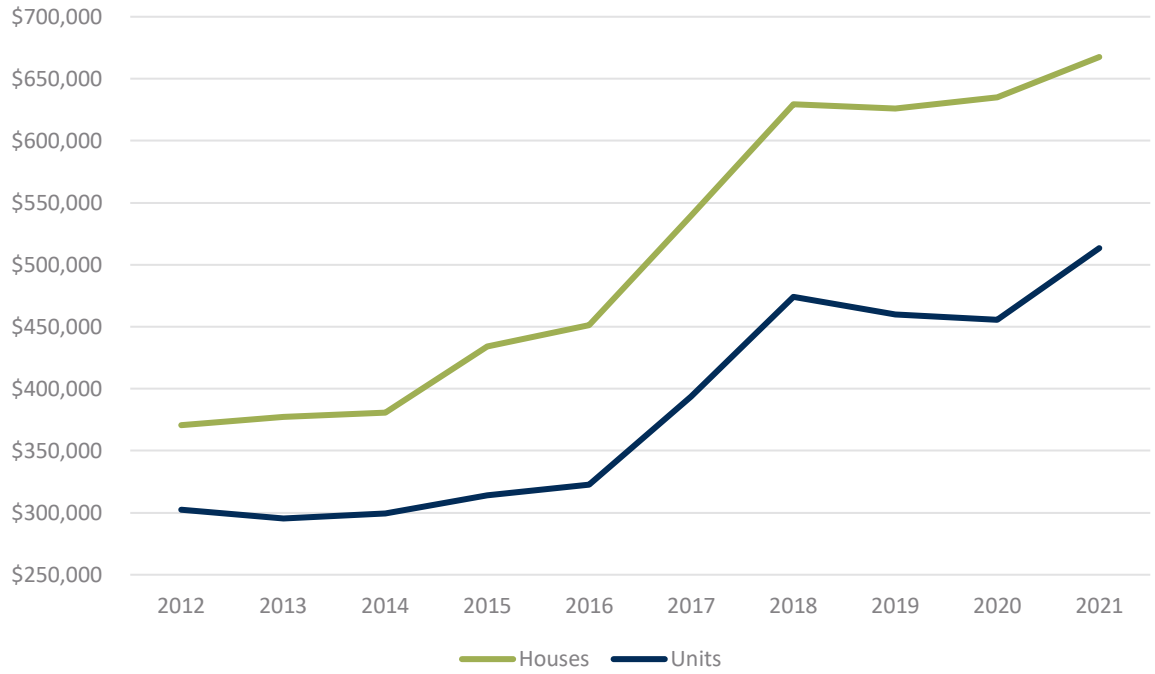
The study area residential property market is experiencing strong price growth, with demand outweighing supply

The median price for a house in the study area is $668,000 compared with $513,000 for units. Over the past ten years the median value of houses has increased by 80.1% while units have increased by 69.8%. While these rates of growth have been strong, they are still not close to the median price in Sydney ($1,147,352 for houses and $771,859 for units) making accommodation for retirees and young families reasonably affordable.

The strongest end of the market is around $750,000-$850,000 in Milton and Mollymook Beach with strong demand for houses and around $450,000-$600,000 in Ulladulla and Mollymook Beach for units. Renovated houses in these areas can sell for prices north of $1,500,000 while new units in Ulladulla have been achieving $750,000 to $1,175,000.

The rise in remote working and recent strong investment is driving the low vacancies, rapid turnover and high prices, in turn creating a challenge for first home buyers trying to enter the market. High levels of demand are also evident in the fast turnover of properties across the board (generally around 50-70 days). Advice from consultation revealed that between 30-60 days is considered average for the study area.

Figure 51: Median house and unit price trends, study area



Source: RPData, as at May 2021

Infrastructure costs have been cited as a major 'blockage' in the region and has been contributing to the supply shortage

Infrastructure costs associated with servicing new land has been reported as a major cost for developers and has been allegedly restricting supply. Developers have been increasingly reducing the size of blocks of land (from around 500 to 300 square metres) to produce land packages of around $400,000-$550,000 to meet the target market. Costs associated with council studies, GST and holding charges for land also contribute to supply constraints.

Low rental vacancies.

In the study area, agents suggested that rental vacancies are currently under 3% and have been for an extended period (this does not align with 2016 ABS data above; most likely due to the inclusion of holiday home vacancies included within the Census). Low rental vacancies are related to increased demand for regional homes along with the continued lack of supply within the region.

Demand has been driven by interest rates, lifestyle choice (especially given COVID-19) and lower prices compared to Sydney

A low interest rate environment which has seen the cash rate reduced to its lowest level in history (0.1%) has been a major macroeconomic driver of residential demand and has continued to encourage investment in property in the study area.

Demand has also been driven by lifestyle choice which has been stimulated by COVID-19 with people opting to live in regional areas but continue to work in Sydney given improvements in remote working technology (Microsoft Teams, Zoom) The lifestyle in terms of amenity and attractions (beaches, parks, open space) is also a driver of demand and investment.

Lower sale prices are another driving factor for the residential population to choose to live in the study area over Sydney. A comparison between the median price in the study area compared with Sydney showed a $480,000 difference for houses and $258,000 difference for units.

The Australian Royal Navy's only Air Station in Nowra is another reason for continued demand in housing in this region.

In a residential market traditionally characterised by detached dwellings, demand for apartments has been growing

Agents suggested that demand for apartments is strongest in Ulladulla and Mollymook Beach, with empty nesters seeking to downsize and some retirees opting to live in apartments close to services and major centres. Housing in these areas is too expensive and was developed prior to services and facilities, and so many empty nesters and retirees prefer to live in an apartment in the centre of these areas for the amenity and proximity to employment and services.

Local agents outlined that recent price increases in the study area have lead to increased levels of purchases from investors looking for a positive yield.

Agents expect this preference to continue with inner-city living becoming increasingly popular

A mixture of amenity and historical factors create a 'unique environment' and rich atmosphere that increase the desirability of living in inner city areas. The trend toward inner-city apartment has seen it promoted as a symbol of affluent living, and vital for ensuring cities are economically, socially and environmentally sustainable. Studies have found that residents of mixed-use residential area, with opportunities to walk places and with good access to local services and amenities, have higher levels of social capital and social cohesion[27].

Intra-regional migration is occurring with people increasing moving from Sydney to Shoalhaven

In terms of internal migration, empty nesters are moving within Shoalhaven from the outer suburbs towards beaches within Ulladulla and Mollymook, and young & established families with children are moving into Milton and Burrill Lake. This is also the case in Narrawallee where retirees are increasingly moving from Sydney to the coast to enjoy the lifestyle and amenity.

COVID-19 will continue to drive inter-regional migration with people increasingly moving from Sydney to Shoalhaven

[27] Henderson-Wilson 2008

While migration from Greater Sydney makes up 50% of Shoalhaven's net migration gain and overseas arrivals make up 26%, migration over the next 2-3 years will be more influenced by intrastate migrations.

.id informed decisions forecast that settlement patterns are set to be dominated by dual market of older residents and young/established families. Families, both local, from other nearby places or from Greater Sydney will also seek housing here. This part of the housing market may be more volatile and affected by local affordability, regional price point competitiveness and availability of other, similarly priced housing in other areas, if housing is affordable.

Demand of coastal lifestyle properties for older residents downsizing/migrating out of Greater Sydney expected to remain or increase as a "bubble" of baby boomers come into retirement are and look for similar lifestyle opportunities.

Lack of smaller dwelling typologies and impacts on housing affordability

A current obstacle to housing suitability in the study area is not having enough smaller dwellings for older residents to migrate to, if they want to downsize. The result of this is older residents occupying larger dwellings more suitable to families, therefore preventing families from occupying larger dwellings, and affecting affordability.

Competing demand for housing by these two main groups of migrants is expected to sustain or worsen housing affordability in the future, especially if some currently observed employment and commuting trends such as "remote working" persist or increase.

In the future, the ageing population will likely be the key demographic change that will have the greatest impact on the dwelling supply mix in the Illawarra region

The ageing of the population is the single most important population trend predicted to occur in Australia in the next 25 years and beyond. Demand of coastal lifestyle properties for older residents downsizing/migrating out of Greater Sydney expected to remain or increase as a "bubble" of baby boomers come into retirement are and look for similar lifestyle opportunities. This demographic shift will drive changes in consumption, expenditure and employment patterns across Australia. The ageing of the population is expected to lead to strong growth in the service industries, particularly in the health and aged care sectors as well as life insurance and superannuation and will increase the need for universal dwelling design to accommodate the needs of the changing population[28].

It has also been suggested that it will see an increase in leisure and recreation-based consumption goods and services, and less emphasis on household items[29]. Some predict that the ageing population may affect employment patterns with potential shortages of skilled labour[30].

[28] BIS Shrapnel (2012, July). Long Term Forecasts 2012-2027, 38th Ed, p.33
[29] Access Economics, 2010; Lührmann, 2005
[30] BIS Shrapnel (2012, July). Long Term Forecasts 2012-2027, 38th Ed, p.33

APPENDIX C: DEVELOPMENT METHODOLOGY

The following provides a detailed description of the steps taken and assumptions applied when assessing the residential development capacity of the study area.

1) Redevelopment of vacant lots

1. vacant sites chosen - these were sites with no dwelling present. This included at grade carparks in centres.
2. sites were zoned either for residential or B1, B2, B4, B5 purposes. These allowed for residential dwellings.
3. sites deemed not developable by Council were removed, for example, sites zoned residential but were in fact dedicated reserve sites or environmentally sensitive.
4. medium density zones were redeveloped an average lot size of around 250sqm or roughly 40 dwellings per hectare. This is based on recent development applications and development yields provided by Council.
5. medium density sites that were (1) close to Ulladulla town centre and (2) had an associated FSR were assumed to be redeveloped as high density with an average unit size of 100sqm GFA.
6. low density sites (R1, R2) were developed to their minimum lot size. If no minimum lot size was present an average lot size of 500sqm for R2 and or one per hectare for R5 zones was assumed.
7. commercial zones developed at their corresponding FSR, of which 0.5:1 was assumed to be employment space. Sites with no associated FSR were redeveloped at 0:75:1 with 0.5:1 being non-residential space. Average unit size was 100sqm GFA.
8. for sites that had a development application yields were checked by council. If yields differed, those identified in the development application yields were used.
9. sites currently under construction were removed.

2) Medium density zone redevelopment

1. sites in R3 zones which had one detached dwelling were picked for assessment.
2. developable at an average lot size of around 250sqm or roughly 40 dwellings per hectare. This is based on recent development applications and development yields provided by Council.
3. lots assessed feasible returned a net-uplift in dwellings of at least three (that is, three additional dwellings).
4. sites which were close to Ulladulla town centre and that had an FSR were assumed to be redeveloped as high density. Sites which provided four net dwellings were considered feasible. An average unit size of 100sqm GFA was assumed.

3) Subdivision

1. R1 and R2 land were assessed
2. minimum lot size applied to each site
3. where uplift was two additional dwellings sites was considered feasible

4) Commercial centre redevelopment

1. assessed Milton and Ulladulla town centres (including B5 zone)
2. One site in Burrill Lake and another in Mollymook Lee Drive were also assessed
3. removed any sites in vacant land assessment
4. removed any site with residential space
5. Sites that were currently developed to 35% and over of their development potential, under current controls, were excluded.
6. sites were redeveloped to their current FSR controls with 0.5:1 being attributed to employment space. Sites with no associated FSR were redeveloped at 0:75:1 with 0.5:1 being non-residential space. Average unit size was 100sqm GFA.

APPENDIX D: EMPLOYMENT PROJECTIONS

The following provides a summary of the TFNSW employment projections for each precinct. these are compared to the revised employment projections prorated against Profile.id's higher population projections and our higher scenario.

Table 41: TFNSW employment projections

Industry	Burrill Lake & surrounds			Milton			Mollymook-Narrawallee and surrounds			Ulladulla			Total		
	2021	2051	Change	2021	2051	Change	2021	2051	Change	2021	2051	Change	2021	2051	Change
Agriculture, Forestry and Fishing	5	7	2	54	77	23	0	0	0	35	50	15	93	134	41
Mining	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Manufacturing	0	0	0	90	99	9	8	9	2	141	161	20	239	269	30
Electricity, Gas, Water and Waste Services	0	0	0	6	7	1	0	0	0	40	46	6	46	52	6
Construction	166	180	14	204	221	17	247	268	21	231	250	19	848	919	71
Wholesale Trade	8	9	1	8	10	1	12	15	2	49	58	9	77	91	14
Retail Trade	16	16	1	214	227	13	78	83	5	717	760	44	1,024	1,087	62
Accommodation and Food Services	44	52	8	166	197	30	399	471	72	396	468	72	1,005	1,188	183
Transport, Postal and Warehousing	0	0	0	13	14	2	0	0	0	145	165	21	157	180	23
Information Media and Telecommunications	7	8	1	0	0	0	20	23	3	15	17	2	41	48	7
Financial and Insurance Services	0	0	0	15	18	3	19	23	4	74	88	14	108	128	20
Rental, Hiring and Real Estate Services	0	0	0	27	35	8	49	64	16	91	119	29	166	219	53
Professional, Scientific and Technical Services	18	23	6	86	114	28	119	158	39	189	251	63	410	547	136
Administrative and Support Services	16	19	3	34	39	5	95	110	15	115	133	18	260	301	41
Public Administration and Safety	4	4	1	4	5	1	42	51	8	161	193	32	211	254	42
Education and Training	6	7	1	184	219	35	45	53	8	386	459	73	621	738	117
Health Care and Social Assistance	0	0	0	447	526	78	131	154	23	259	305	45	838	985	147
Arts and Recreation Services	11	14	3	12	15	3	49	62	13	71	90	19	142	181	39
Other Services	9	11	2	46	59	13	29	37	8	171	218	47	255	326	71
Total	**308**	**351**	**43**	**1,610**	**1,882**	**272**	**1,341**	**1,580**	**240**	**3,285**	**3,833**	**548**	**6,544**	**7,647**	**1,103**

Table 42: TFNSW employment projections prorated to Profile population projections

Industry	Burrill Lake & surrounds			Milton			Mollymook-Narrawallee and surrounds			Ulladulla			Total		
	2021	2051	Change	2021	2051	Change	2021	2051	Change	2021	2051	Change	2021	2051	Change
Agriculture, Forestry and Fishing	5	8	3	56	87	31	0	0	0	36	57	21	97	152	55
Mining	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Manufacturing	0	0	0	94	112	18	8	10	2	147	182	35	248	304	56
Electricity, Gas, Water and Waste Services	0	0	0	6	8	1	0	0	0	41	51	10	48	59	12
Construction	172	203	31	212	250	38	257	303	46	240	283	43	881	1,040	158
Wholesale Trade	8	10	2	8	11	2	13	17	4	51	66	15	80	103	23
Retail Trade	16	19	2	223	257	34	81	93	13	745	860	115	1,064	1,229	165
Accommodation and Food Services	46	59	13	173	222	49	414	533	119	412	530	118	1,045	1,344	299
Transport, Postal and Warehousing	0	0	0	13	16	3	0	0	0	150	187	37	163	204	40
Information Media and Telecommunications	7	9	2	0	0	0	21	26	6	15	19	4	43	55	12
Financial and Insurance Services	0	0	0	15	20	5	20	26	6	77	100	23	112	145	33
Rental, Hiring and Real Estate Services	0	0	0	28	40	12	51	73	22	94	135	41	172	247	75
Professional, Scientific and Technical Services	18	26	8	89	129	40	123	179	55	196	284	88	426	618	192
Administrative and Support Services	17	22	4	35	45	9	98	124	26	119	151	31	270	341	71
Public Administration and Safety	4	5	1	4	6	1	44	57	13	168	219	51	220	287	67
Education and Training	6	8	2	192	248	56	47	60	14	401	519	118	646	835	189
Health Care and Social Assistance	0	0	0	465	595	130	137	175	38	269	345	75	871	1,114	243
Arts and Recreation Services	11	16	4	13	17	5	51	70	19	73	101	28	148	204	57
Other Services	9	13	4	48	67	19	30	42	12	177	247	69	265	368	104
Total	**320**	**397**	**77**	**1,673**	**2,129**	**456**	**1,393**	**1,787**	**394**	**3,413**	**4,335**	**922**	**6,799**	**8,649**	**1,850**

Table 43: TFNSW employment projections prorated to higher dwelling completions rate population projections

Industry	Burrill Lake & surrounds			Milton			Mollymook-Narrawallee and surrounds			Ulladulla			Total		
	2021	2051	Change	2021	2051	Change	2021	2051	Change	2021	2051	Change	2021	2051	Change
Agriculture, Forestry and Fishing	5	9	4	57	98	41	0	0	0	37	64	27	99	171	72
Mining	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Manufacturing	0	0	0	95	126	31	8	12	4	149	205	56	252	343	90
Electricity, Gas, Water and Waste Services	0	0	0	6	9	2	0	0	0	42	58	16	48	67	18
Construction	175	229	53	216	281	66	262	341	80	244	319	75	897	1,170	273
Wholesale Trade	8	11	3	9	12	4	13	19	6	52	74	22	82	116	34
Retail Trade	16	21	5	227	289	63	82	105	23	758	968	210	1,083	1,384	301
Accommodation and Food Services	47	66	20	176	250	74	421	600	178	419	596	177	1,063	1,512	449
Transport, Postal and Warehousing	0	0	0	13	18	5	0	0	0	153	211	58	166	229	63
Information Media and Telecommunications	7	10	3	0	0	0	21	30	9	15	22	6	44	61	18
Financial and Insurance Services	0	0	0	16	23	7	20	29	9	78	112	34	114	163	49
Rental, Hiring and Real Estate Services	0	0	0	28	44	16	52	82	30	96	152	56	175	279	103
Professional, Scientific and Technical Services	19	30	11	91	145	55	125	201	76	199	320	120	434	696	262
Administrative and Support Services	17	24	7	36	50	14	100	140	40	122	170	48	275	384	109
Public Administration and Safety	4	6	2	4	6	2	45	64	20	171	246	76	223	323	99
Education and Training	6	9	3	195	279	84	47	68	20	408	584	176	657	940	283
Health Care and Social Assistance	0	0	0	473	669	196	139	197	58	274	388	114	886	1,254	368
Arts and Recreation Services	12	18	6	13	20	7	51	79	27	75	114	40	150	230	80
Other Services	9	15	5	49	75	26	31	47	17	180	278	97	269	415	145
Total	**326**	**447**	**122**	**1,702**	**2,396**	**694**	**1,418**	**2,012**	**595**	**3,473**	**4,880**	**1,407**	**6,919**	**9,736**	**2,817**

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   This valuation is prepared on the assumption that the lender or addressee as referred to in this valuation report (and no other) may rely on the valuation for mortgage finance purposes and the lender has complied with its own lending guidelines as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risk for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that the lender is providing mortgage financing at a conservative and prudent loan to value ratio.
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