RWC

WESTERN SYDNEY INSIGHTS

NSW Block of Units

ISSUE 4 RWC WESTERN SYDNEY JUN 2025

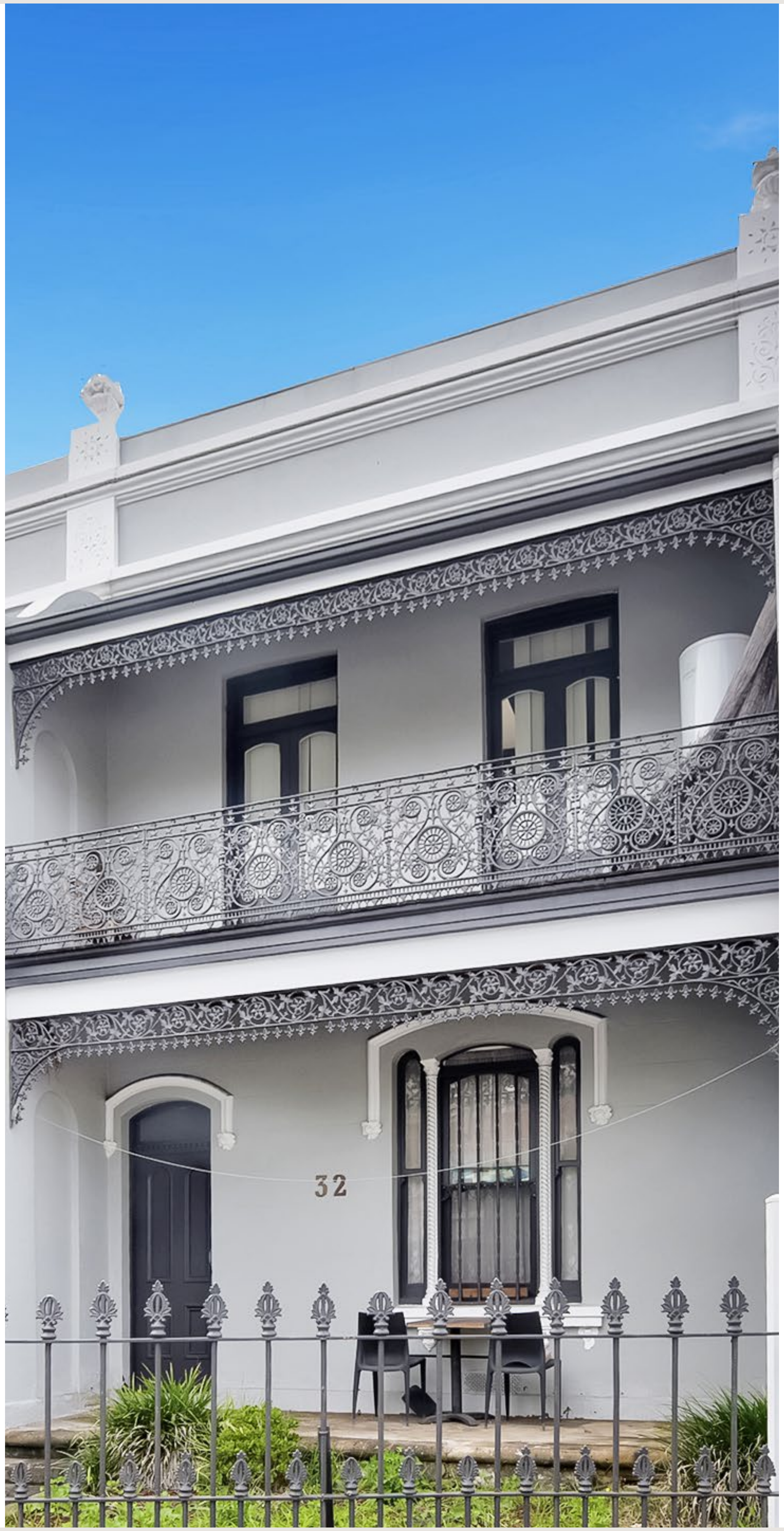
Executive Summary

The block of unit market in NSW has been the *stand-out investment option* in 2024–2025, showing meaningful shifts in transaction patterns, location preferences, and investor approaches.

After a strong comeback in 2024 with $300.6 million in sales (25.7% higher than 2023), early 2025 data points to changing market dynamics which have not gone unnoticed by savvy investors.

There has been a turnaround in where investment dollars are flowing this year. While Eastern Suburbs led activity with $114.8 million in 2024 transactions, Western Sydney has quickly emerged as the preferred metropolitan market in early 2025. At the same time, regional investments have increased dramatically from just 4.5% of 2024 volume to 31.2% of 2025 transactions so far, indicating investors are broadening their search for value in a competitive market as they did in 2023. However, as stock continues to be tightly held many of these patterns can show some fluctuations year-on year.

Vacancy rates reveal distinctly different conditions across Sydney's regions. Inner Sydney's vacancy rate has risen to 2.9% in March 2025, while middle and outer ring markets remain much tighter at 1.5% and 1.6% respectively. This ongoing supply shortage in growth areas, caused by a slowdown in new development and increasing population growth, continues to support strong investment performance.



The rental market shows both consistency and change. After holding steady at $700/week for most of 2024, median unit rents have recently increased to $720/week despite interest rates beginning to decrease. This highlights the fundamental supply-demand imbalance driving the market. Interestingly, the strong performance of larger units in outer areas has been identified, with two-bedroom units growing by 19.2% year-on-year, showing a shift in renter preferences toward shared living in more affordable locations.

Investment yields have shown impressive stability despite higher financing costs, averaging 5.00% in 2024 with a modest increase to 5.28% in early 2025. This stability contrasts sharply with expanding yields in other commercial property sectors, highlighting the defensive strength of block of unit investments. The expected series of interest rate cuts in 2025 should further improve returns for current owners while potentially reducing yields as competition increases.

Forward-thinking investors are increasingly focusing beyond current returns to consider value-add opportunities, including property reconfiguration, strata subdivision, and development potential. This sophisticated approach, combined with the sector's strong performance throughout the interest rate cycle, continues to drive investment activity despite challenging economic conditions and global uncertainties.

If you'd like to discuss this report in more detail, we would be delighted to engage in a conversation with you.

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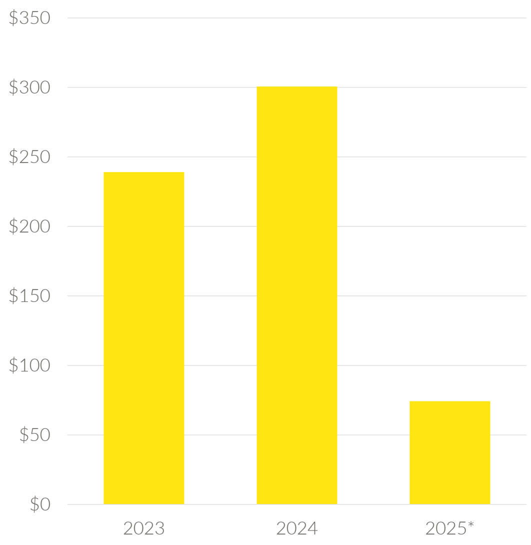
Block of Units
Key Statistics

TOTAL SALES TRANSACTIONS

$ MILLIONS



SALES	TRANSACTIONS
2023	$239.1M
2024	$300.6M
2025	$74.3M *TO 1 MAY 2025

AVERAGE TRANSACTION SIZE: $5.7M

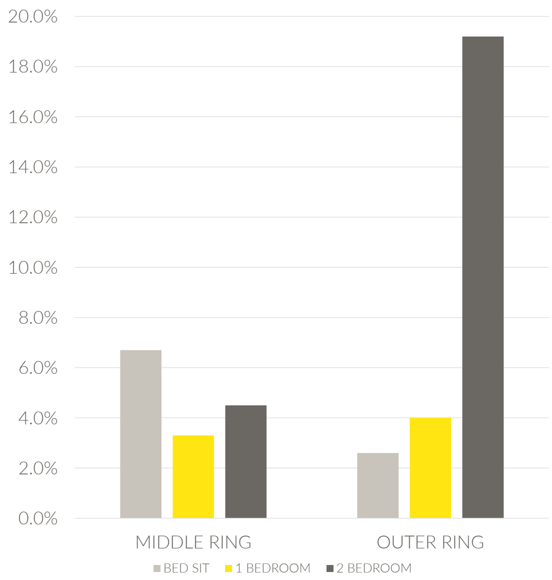
GROSS YIELD RANGE: 4.1%-6.7%

2.0%	1.5%	1.6%
SYDNEY TOTAL VACANCY	MIDDLE RING VACANCY	OUTER RING VACANCY

SOURCE: REINSW (MARCH 2025)

% ANNUAL GROWTH IN AVERAGE UNIT RENTS

% ANNUAL GROWTH



% ANNUAL GROWTH IN AVERAGE MIDDLE RING UNIT RENTS

(3 YEAR ANNUAL AVERAGE)

BED SIT	6.7% (12.4%)
1 BEDROOM	3.3% (7.2%)
2 BEDROOM	4.5% (8.3%)

SOURCE: FACS INSIGHTS (DECEMBER 2024)

% ANNUAL GROWTH IN AVERAGE OUTER RING UNIT RENTS

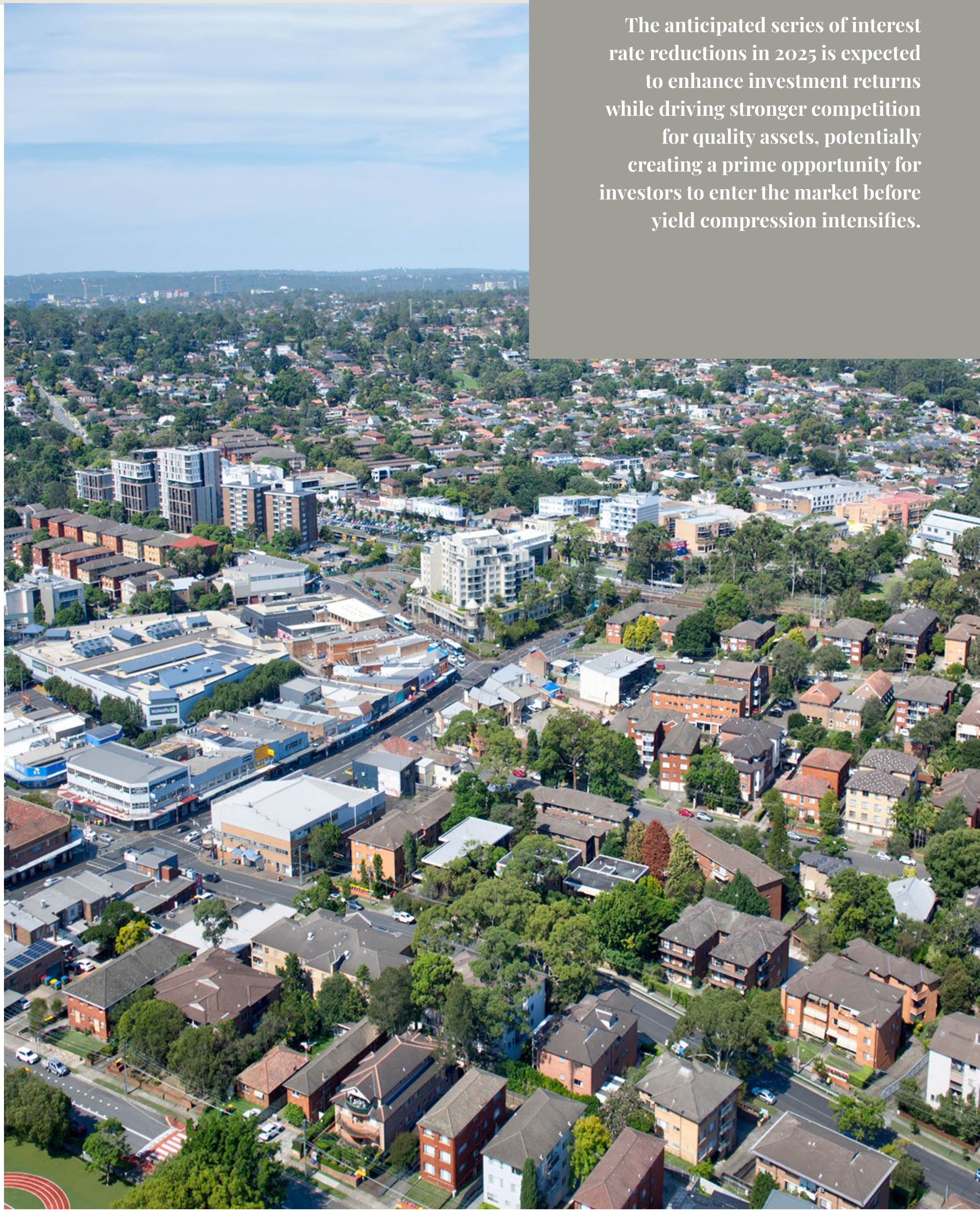
(3 YEAR ANNUAL AVERAGE)

BED SIT	2.6% (9.7%)
1 BEDROOM	4.0% (6.1%)
2 BEDROOM	19.2% (8.0)

SOURCE: FACS INSIGHTS (DECEMBER 2024)

6.4% - 6.5%
INTEREST INVESTMENT ONLY) RATES

SOURCE: RBA (FEBRUARY 2025)



The anticipated series of interest rate reductions in 2025 is expected to enhance investment returns while driving stronger competition for quality assets, potentially creating a prime opportunity for investors to enter the market before yield compression intensifies.

Transaction Insights

"Western Sydney leads 2025's metropolitan sales surge while regional investments rebound to historic levels, signalling investors' quest for value in an increasingly competitive block of unit market."

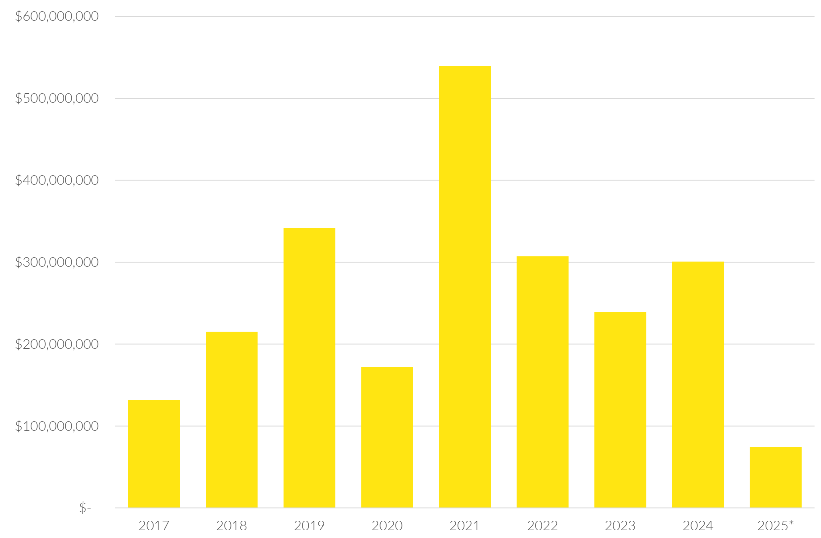
Subdued volumes expected this year after ***rebounding 2024***

The block of unit market has demonstrated robust performance in 2024, with transaction volumes reaching $300.6 million across 49 sales. This represents a significant increase from 2023, reflecting the sustained investor confidence in this asset class despite challenging economic conditions.

The 2024 data reveal a clear preference for metropolitan assets, with limited regional transactions representing just 4.5% of total volume. Eastern Suburbs led the way with $114.8 million in sales, followed by inner Sydney ($66 million), northern suburbs ($57.1 million), and Western Sydney ($49.2 million).

The early 2025 (through to 1 May) results present a notable shift in investment patterns, with approximately $74.3 million in sales across 13 transactions already recorded. Significantly, regional investments have surged to 31.2% of total volume ($17.65 million), marking a return to historical patterns. Within metropolitan areas, Western Sydney has emerged as the leading market with $17.7 million in transactions, outpacing both inner Sydney ($22.75 million) and eastern suburbs ($13.15 million).

NSW BLOCK OF UNIT TRANSACTIONS



*SOURCE: RWCWS *2025 REPORTED TO 1 MAY*

WESTERN SYDNEY: AN INVESTMENT HOTSPOT

Western Sydney's dominance in 2025's early transaction data reflects its growing appeal to investors, driven by:

- Stronger rental yields compared to eastern and northern suburbs
- Substantial population growth driving housing demand
- Critical undersupply of new housing developments
- Relative affordability attracting greater buyer pool

SHIFTING INVESTMENT PATTERNS

The average transaction size of $6.1 million in 2024, with a per-unit value of $788,429, demonstrates the continued upward trend in values. The 2025 data show a slightly lower average transaction size of $5.7 million, reflecting the greater regional sales evidence providing more diverse price points. These pricing trends continue to reflect investors' recognition of the block of unit market's fundamental strengths in providing stable income streams with capital growth potential.

Looking ahead, the block of unit assets remains tightly held by long-term investors who recognise their enduring value. The continued growth in the residential market, combined with limited new supply and the prospect of falling interest rates, suggests that quality assets will remain scarce. This scarcity is likely to maintain upward pressure on values, particularly in high-demand areas like Western Sydney, while potentially limiting the number of assets coming to market in the medium term.

Vacancy Insights

"While inner Sydney vacancy rates climb to pre-pandemic levels, middle and outer ring markets remain significantly undersupplied, creating enduring investment opportunities in block of units where population growth continues to outpace housing delivery."

Residential vacancy rates up in Inner Ring while *Outer & Middle falls*

Sydney's residential vacancy landscape has changed significantly throughout 2024 and into 2025, with the latest data revealing important location variations that signal changing market dynamics. After reaching historic lows in early 2024, vacancy rates have begun to stabilise and slightly increase across most areas.

Inner Sydney has seen the most pronounced shift, with vacancy rates climbing steadily from 1.3% in February 2024 to 2.9% by March 2025. This upward trend reflects changing resident preferences due heavily to affordability concerns.

MIDDLE AND OUTER RINGS MAINTAIN LOWER VACANCIES

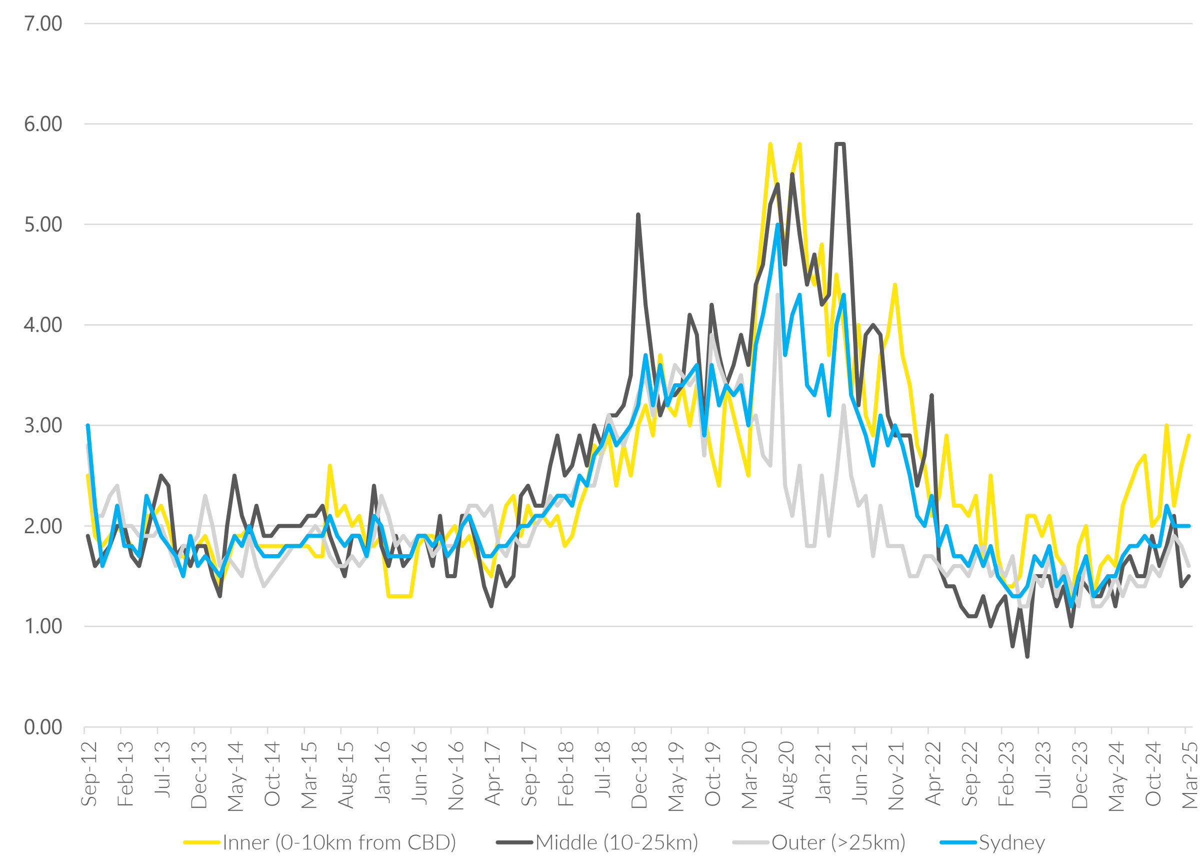
Despite the overall upward trend in Sydney, middle and outer ring markets continue to maintain tighter vacancy conditions:

- The outer ring (>25km from CBD) recorded 1.6% vacancy in March 2025
- Middle ring (10-25km) areas showed 1.5% vacancy in the same period
- Both areas consistently perform below the broader Sydney average of 2.0%

This pattern highlights the continued housing pressure in areas where population growth remains strongest and new supply constrained. Multiple factors contribute to this persistent undersupply, including the drawn-out development approval processes, escalating construction costs that stall new projects, and infrastructure limitations such as servicing that restrict development capacity in growth corridors.

Western Sydney's sustained lower vacancy rates highlight its increasing attraction for residents seeking affordability. With population projections indicating continued growth and housing supply struggling to keep pace, these areas represent particularly compelling investment opportunities for block of unit assets. The persistence of sub-2% vacancy rates in middle and outer rings, despite modest increases, signals ongoing rental demand pressure. For block of unit investors, this environment continues to support strong rental returns and creates a foundation for further capital appreciation, particularly in Western Sydney where demographic trends suggest continued demand pressures.

SYDNEY RESIDENTIAL VACANCY RATES (%)



SOURCE: REINSW

Rental Insights

"Sydney's unit rental market has broken through the $700/week barrier to reach new highs of $720/week, as supply shortages continue, pressure will remain on an already strained housing rental market."

Residential rent growth stalled briefly before continuing ***upward momentum***

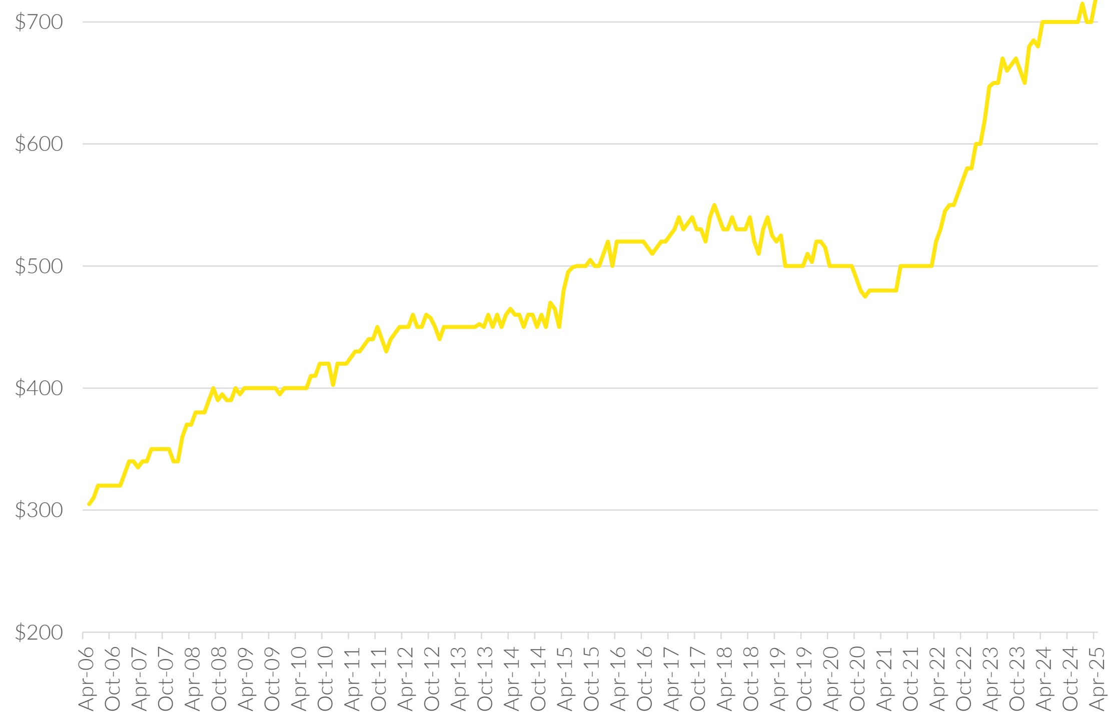
Sydney's unit rental market continues its remarkable trajectory, with median weekly rents for Greater Sydney units reaching $720/week in April 2025, pushing past the previous $700/week plateau established throughout most of 2024. This latest increase represents a 10.8% growth since April 2024, maintaining the strong upward momentum which has been a feature of the market over the last few years.

MARKET RESPONSE TO CHANGING ECONOMIC CONDITIONS

The rental growth pattern reveals interesting variations throughout the past 18 months. After stabilising at $700/week for much of 2024, the market has shown renewed upward movement in early 2025 despite the interest rate reductions that began in February. This suggests that even as borrowing costs decrease, the fundamental supply-demand imbalance remains the dominant force in Sydney's rental market.

GREATER SYDNEY RENTS

UNITS, $/WEEK



SOURCE: CORE LOGIC

LONG-TERM SUPPLY CHALLENGES

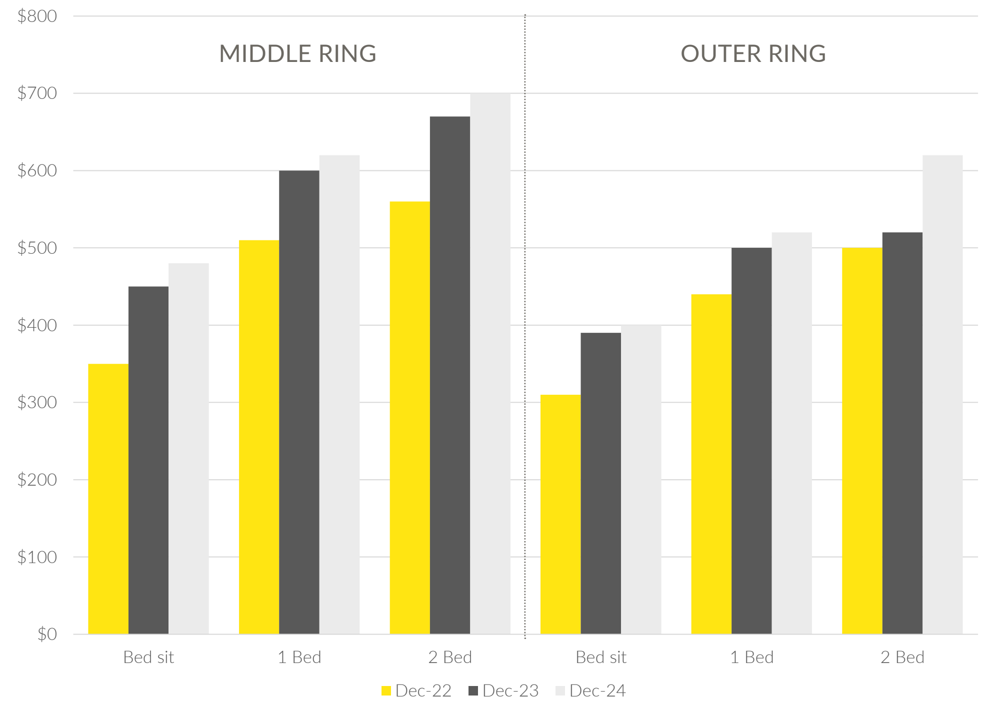
Despite the Labor government commitments to address housing supply, the fundamental challenges remain. Population growth continues to outpace housing delivery, particularly in Western Sydney. While policy initiatives may eventually increase housing stock, the implementation timeline means that supply constraints will likely continue in the medium term, supporting continued rental growth.

For block of unit investors, this environment offers compelling opportunities. The prospect of multiple interest rate reductions in 2025 could potentially attract more investors to the market, though this may take time to materially affect rental supply. In the interim, sustained rental growth combined with the value-add potential of block unit assets presents an attractive investment proposition, particularly in high-growth corridors where population pressures remain highest.

Rental growth ***jumps*** in larger Outer Ring offerings

GREATER SYDNEY MEDIAN UNIT RENTS

BY SIZE AND RING, $/WEEK



SOURCE: FACS INSIGHTS

The latest rental data across Sydney reveals significant shifts in tenant preferences and affordability constraints, with notable variations in performance by unit size and geographic location. These patterns provide important insights for block of unit investors seeking to maximise returns in the current market.

MIDDLE RING MAINTAINS PREMIUM POSITION

The middle ring (10-25km from CBD) continues to command premium rates across all unit sizes. In December 2024, bedsit accommodations achieved $480/week, 1-bedroom units reached $620/week, and 2-bedroom units topped $700/week. This represents significant growth over two years, with bedsits increasing 37.1%, 1-bedroom units rising 21.6%, and 2-bedroom units growing 25.0% since December 2022.

OUTER RING SHOWS STRENGTHENING PERFORMANCE

The outer ring market has demonstrated remarkable growth trajectories, particularly in larger unit formats. Two-bedroom units in these areas have seen the most dramatic growth at 19.2% year-on-year and 24.0% over two years, now commanding $620/week. This suggests a growing preference for more spacious accommodation in affordable locations, potentially indicating increased household sharing arrangements as tenants adapt to rising rental costs.

EVOLVING CONSUMER PREFERENCES

The data points to an evolving rental market where location preferences are increasingly balanced against space requirements:

- Initial migration to outer areas for affordability (2021-2022)
- Subsequent preference for smaller units in better locations (2022-2023)
- Current trend showing renewed demand for larger units in outer areas (2023-2024)

This latest shift suggests more tenants are choosing to share larger accommodations in more affordable locations rather than compromising on space in higher-priced middle ring areas.

> "Sydney's rental market reveals a fascinating evolution in tenant preferences, with growth in outer ring 2-bedroom units outpacing all other segments at 19.2% year-on-year, signalling a shift toward shared living arrangements in more affordable areas as renters adapt to persistent market pressures."

For block of unit investors, these trends highlight the importance of strategic asset selection. Properties with a mix of unit sizes that can be reconfigured to match evolving tenant preferences offer strong value. The continued performance of middle ring assets justifies their premium pricing, while outer ring properties with larger unit configurations present compelling value propositions with strong growth potential.

Investment Yield

"Block of unit investments demonstrate remarkable yield stability despite rising borrowing costs, with anticipated interest rate cuts in 2025 expected to enhance returns and drive competitive bidding in a market characterised by persistent supply constraints and strong rental fundamentals."

Investment yields narrow

The block of unit market continues to demonstrate exceptional stability in its investment yield profile, with 2024 yields averaging 5.00% despite significant upward pressure on financing costs. This represents only a marginal increase from the 4.73% average recorded in 2023, highlighting the sector's ability to maintain attractive returns in a higher interest rate environment.

YIELD COMPRESSION EXPECTED AS RATE ENVIRONMENT SHIFTS

Early 2025 data reveal an interesting trend, with average yields increasing to 5.28% despite a narrower range. This modest adjustment is indicative of greater Western Sydney and regional market sales however remains in stark contrast to the substantial increases in borrowing costs experienced throughout 2024. This yield performance demonstrates the unique value proposition of these assets compared to other commercial property investments.

With multiple interest rate cuts anticipated in 2025, the yield outlook appears particularly favourable for existing owners. As financing costs decrease while rental growth maintains momentum, the spread between yields and borrowing costs is expected to widen, enhancing investment returns and potentially driving further yield compression as competition for available assets intensifies.

STRATEGIC INVESTMENT CONSIDERATIONS BEYOND CURRENT RETURNS

Savvy investors continue to look beyond immediate yield alone when evaluating block of unit opportunities. The market increasingly recognises the value-add potential in these assets, including:

- Renovation and reconfiguration to match evolving tenant preferences
- Strata subdivision options in appropriate locations to on sell
- Development potential through exploration of air rights
- Enhanced rental returns through targeted unit improvements

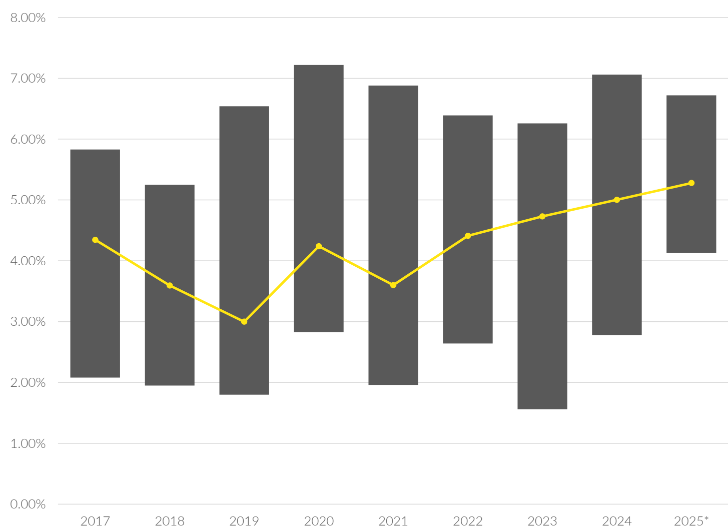
These strategic considerations often justify accepting lower initial yields for assets with superior long-term growth potential.

LIMITED SUPPLY DRIVES COMPETITIVE BIDDING

The persistent scarcity of quality block of unit offerings remains a defining market characteristic. Despite strong transaction volumes, many long-term owners remain reluctant to divest, recognising the unique wealth preservation and growth characteristics these assets provide. This tight supply environment, combined with improving investment fundamentals as interest rates decline, suggests intensifying competition for available assets throughout 2025.

The unique combination of stable yields, rental growth potential, and value-add opportunities continues to differentiate blocks of units from other commercial property investments, reinforcing their position as a preferred asset class for investors seeking defensive positions with growth potential.

NSW BLOCK OF UNIT GROSS YIELD RANGE



SOURCE: RWCWS *2025 REPORTED TO 1 MAY

Outlook

The block of unit market is set for an interesting phase in 2025-2026, with several key trends likely to shape both opportunities and challenges for investors. We expect transaction volumes to moderate after 2024's strong performance, the early 2025 pattern of increased regional investment and Western Sydney focus likely to continue. This geographic shift reflects both a search for better value and growing recognition of Western Sydney's fundamental strengths of stronger population growth, ongoing infrastructure development, and better affordability compared to eastern and northern suburbs.

The anticipated interest rate cuts throughout 2025 will further enhance block of unit economics. As borrowing costs come down while rents continue to grow, the gap between yields and interest costs will widen, improving cash flow returns for investors. This favourable environment could drive stronger competition for quality assets, potentially pushing yields lower in prime locations. Investors who bought during the higher interest rate period of 2023-2024 stand to benefit most from this shift.

Rental markets will continue to show different patterns depending on location and unit size. The strongest growth opportunities are likely in outer ring locations with larger unit configurations. The growing trend toward shared accommodations in more affordable areas represents an important shift in how tenants are adapting to housing affordability pressures. A trend smart investors can capitalise on through strategic property selection.

Western Sydney's rise as the dominant investment market is more than just a passing trend, it's a recognition of the region's long-term growth potential. With projections showing continued population concentration in this area and ongoing housing supply constraints, properties in Western Sydney offer particularly compelling growth prospects, especially those well-located near transport links and employment hubs.

As interest rates moderate, blocks of units will likely become even more attractive compared to other commercial property types, potentially drawing in new investor groups looking for defensive assets with growth potential. While institutional "build to rent" models continue to develop, traditional block of unit investments remains particularly appealing to private investors and small syndicates due to their accessibility and flexibility.

Despite the rising financing costs, block of unit investment yields has remained remarkably stable, demonstrating the sector's defensive strength compared to other commercial property types that experienced significant yield expansion.

The fundamental drivers supporting this market are that population growth is outpacing housing supply, changing household formation patterns, and the reliable returns of this asset class. These will remain firmly in place despite government initiatives aimed at increasing housing supply. The reality is that meaningful increases in housing stock will take years to materialise, ensuring that current favourable conditions for block of unit investments will continue throughout 2025 and beyond, supporting solid performance for quality assets.

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OUR OFFICE

With a strong foundation of experience and expertise, we bring a winning combination of dynamism and operational rigour to the commercial agency space.

We are *Western Sydney.*

Who we are, *what* we do, *why* we do it

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Managing Director


JOSEPH ASSAF
Director


VICTOR SHEU
Director


TROY WANG
Sales Executive


OWEN WHITE
Industrial Sales Executive


DANNY SHI
Sales - AIS


TAO SHI
Sales - AIS


ANDREW SACCO
Sales Executive


VEE LI
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TIM KO
Sales Executive


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Sales Associate


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Sales Associate


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EA to Peter Vines

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ROBERT NAPOLI
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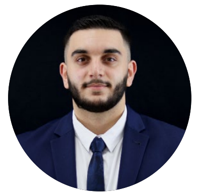
SAMUEL GONG
Senior Leasing Executive

ASSET MANAGEMENT


JOYCE ELKOUBERCI
Director


CALLUM MCKAY
Asset Manager


AALIYAH CHAMI
Junior Asset Manager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