



RWC



WESTERN **S**YDNEY INSIGHTS

Western Sydney Residential Development Overview

ISSUE 3

RWC WESTERN SYDNEY

APR 2024

Executive Summary

Australia is amidst a housing shortage. It's almost the perfect storm!

After a number of years of subdued construction activity due to the pandemic putting pressure on construction costs and labour, coupled with record high immigration to the country, the mismatch between housing supply and demand is really starting to widen.

NSW is feeling the full force of these shortfalls being the recipient of the greatest increase in population in 2022/23. Projections from NSW Planning identify the Western Sydney precincts will cater for 57% of the total State population increase which will result in an average need for 21,478 dwellings to be added to the market each year through to 2041.

The data shows that in their first 5 years on Australian soil, over 70% of migrants look to own or rent an apartment. Sydney can cater for the continued increase in population, however there are many roadblocks to the successful and timely addition of homes particularly across the Western Sydney region.

Ongoing planning delays, high developer levies, issues of land serviceability, and uncertainties surrounding the building sector have all reduced the viability of many projects.

Then of course, one has to take the 'lag effect' into account. While we have seen larger projects progress through the planning process, these developments can take between three and five years from conception to completion, resulting in a negative accumulative effect when it comes to housing requirements.

DA approval levels across the State are currently at historically low levels with many developers unable to make projects "stack up" given the high fees, and uncertainty in building costs despite the strong increases in median house and unit prices seen across Sydney.

We have been witness to the fastest and most aggressive rate-rise period in history, yet despite this, we are still seeing consumers keen to get into the property market, with lending levels starting to increase, even from first home buyer groups.

You have to have been living under a rock not to have seen the news about ongoing rising rentals, with Charter Keck Cramer even suggesting that 10% increases per annum for the next couple of years, are well within reason. With vacancy rates at time lows, this rent-rise environment is a major factor driving demand from individuals and families, keen to get into the market before affordability worsens.

Across the four monitored Western Sydney precincts, we have identified 5,055 dwelling units under construction (excluding houses) likely to be completed over the next 18 months. This will not satisfy the ongoing annual implied housing need as identified by NSW Planning for 2024.

However, there are a further 45,514 dwellings within active projects with DA approval, these need to be advanced and completed by the end of 2026 to avoid a further shortfall in housing stock, a result unattainable in the current environment, with only 17,801 approvals this year and an average of less than 22,000 per year over the last five years, underscoring a severe housing shortage that is likely to persist.

However, with impending tax cuts, the potential for an interest rate cut either later this year or early in 2025, and construction costs starting to normalise marking an environment conducive to development, Sydney's West precinct is poised for a remarkable surge in population and housing growth.

This growth will be fueled by its robust infrastructure, abundant employment opportunities, and diverse housing options. From sleek high-rise apartments to BTR projects and stylish infill townhouses, the area is set to transform.

And the area that stands out as having the best near-term opportunity is the South West precinct, strategically positioned to leverage developments around the new Western Sydney Aerotropolis, along with new infrastructure and land rezoning initiatives.

They say it's always darkest just before dawn, and we firmly believe that the dawn is just beginning to break over the Western Sydney residential market.

If you're interested in talking about this report or have questions about how a customised market analysis can contribute to your success, we'd be happy to have a conversation with you.

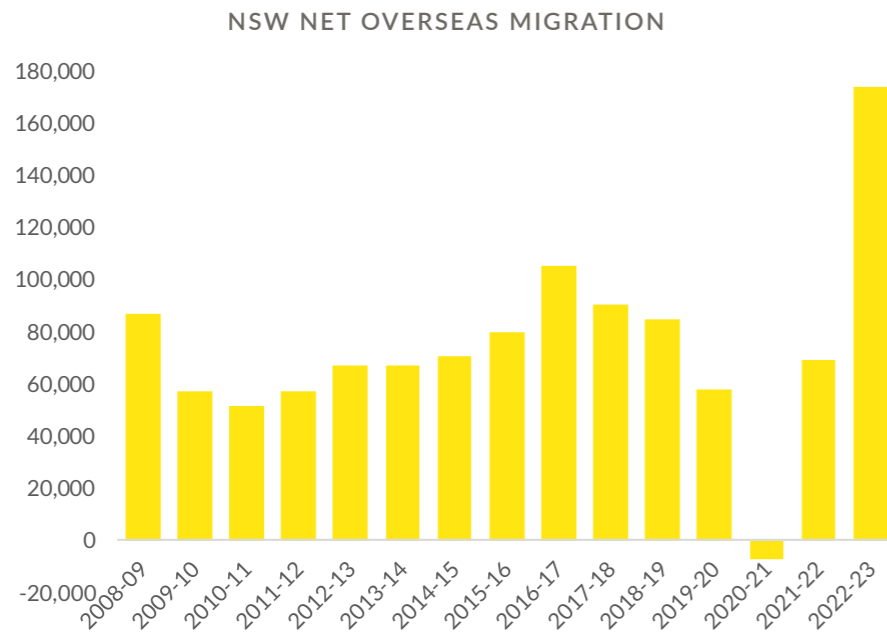


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Migration *Insights*



SOURCE: ABS CAT.3407

Overseas migration has reached 518,090 people in 2022/23 across Australia, a significant increase from just 203,590 the prior year.

NSW remains the recipient of the greatest number of immigrants, representing 33.6% of the national result or 174,200 people. Victoria features close behind as the other major recipient of overseas migrants. This year we have seen some change in the make-up of those coming to Australia, the greatest volume coming from Indian and Chinese ethnicities followed by Nepal, all of which feature strong communities across Western Sydney.

While NSW grows its population via overseas immigrants, the state continues to lose others via interstate migration, featuring a decline of 34,160 people over the same period. The move out of NSW is a historic trend, however the losses have shown some decline more recently.

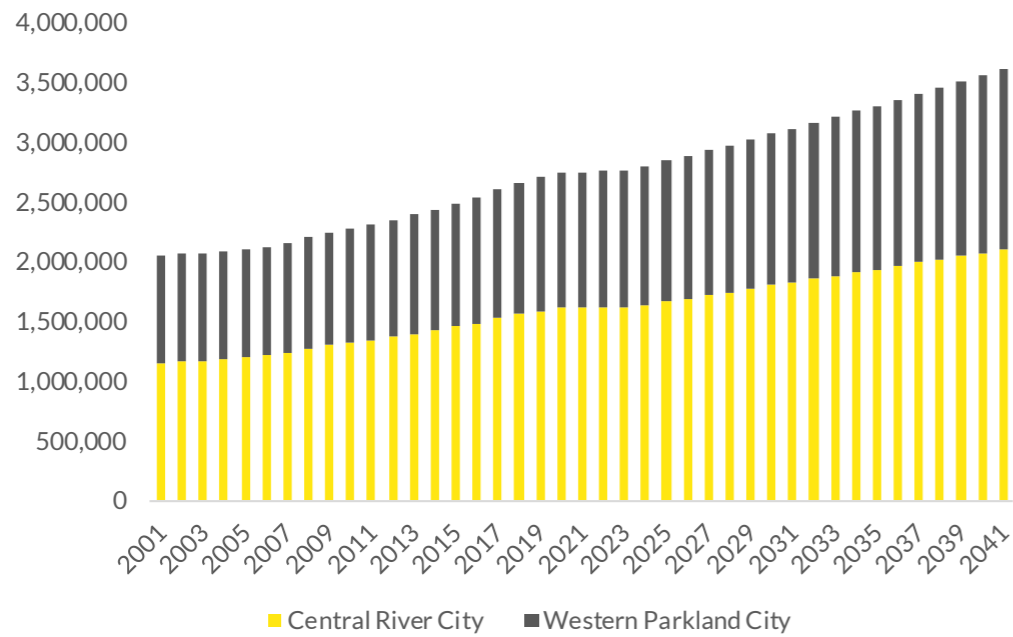
Many of these interstate migrants relocate to Queensland which can offer greater affordability in housing and strong employment fundamentals particularly given the infrastructure pipeline in the lead up to the 2032 Olympic Games.

The high levels of immigration for Australia are expected to revert back to pre-pandemic levels in 2024 and beyond with expectations of annual increases of 235,000 nationally, a welcome relief for the ongoing housing shortage felt across the country.



Population Breakdown

GREATER CITIES COMMISSION POPULATION PROJECTIONS



SOURCE: DEPARTMENT OF PLANNING & ENVIRONMENT

Despite the dissolution of the Greater Cities Commission in 2023 which moved NSW strategic planning functions back to the Department of Planning, Housing and Infrastructure the focus of planning surrounding the cities concept is likely to remain.

The two regions identified as part of the Greater Cities plan which impacted Western Sydney included Central-River City (Blacktown, Canterbury-Bankstown, Cumberland, Georges River, Parramatta, The Hills Shire LGA) and Western Parkland City (Blue Mountains, Camden, Campbelltown, Fairfield, Hawkesbury, Liverpool, Penrith, Wollondilly LGAs).

Population growth in these two centres through to 2041 is expected to increase by 1.33% and 1.40% per annum respectively, in addition, these two locations

are expected to be home to the youngest age cohort averaging 36 with a higher-than-average birth rate and home to a high volume of net overseas migration.

This age range and relationship status has been identified to determine the appropriate housing mix for future dwelling required to meet demand of these additional people. In an effort to fast-track quality planning solutions and advance projects through to construction and completion stages the elimination of an additional regulatory layer is a welcome result for Western Sydney.

ANNUAL POPULATION GROWTH BY WESTERN SYDNEY PRECINCTS (2024-2041)



SOURCE: DEPARTMENT OF PLANNING & ENVIRONMENT, RWCWS

Population projections for NSW expect the State population to grow to 9,872,934 by 2041, representing a rate of 0.95% per annum or 94,208 people. State forecasts suggest that 57.66% of population growth between 2024 and 2041 will reside in Sydney's Western precincts.

These expectations align with the strong growth in overseas migration by the Indian, Chinese, Nepalese communities which have strong ties to Western Sydney.

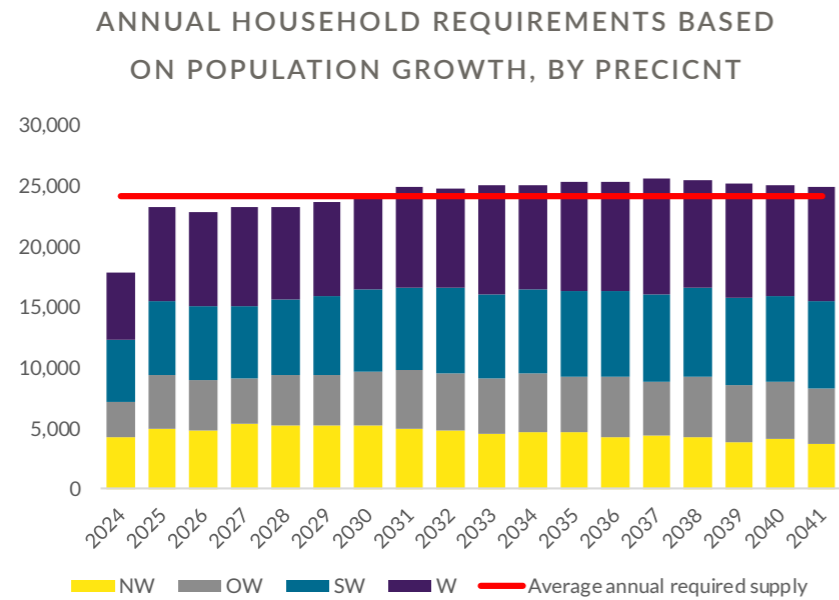
Sydney's West precinct has the largest existing population of all four regions which have been investigated, currently home to 1,361,219 people with an expectation of an annual increase of 18,521 through to 2041. Representing an annual growth rate of 1.23% for the West, the LGA of Parramatta is expected to grow by over 7,000 people alone.

Sydney's South West is expected to be home to the greatest rate of growth, increasing by 1.64% or 15,354 people per annum. Camden LGA is home to the largest share of this population, up 4,829 per annum, followed by Liverpool LGA increasing by 4,297 annually.

Western Sydney is home to major infrastructure projects to support the growing population, the south west precinct and its proximity to the Western Sydney Aerotropolis will see the advancement of land release and changed planning densities to support housing and employment demand.

After many years of housing and population increase across the North West and Outer West regions, levels of growth will be reduced going forward compared to other precincts. Growth is expected at 1.29% and 1.22% per annum totaling close to 20,000 people through 2041, however they will remain key areas for employment and housing for the region.

Housing Demands



SOURCE: DEPARTMENT OF PLANNING & ENVIRONMENT, RWCWS

IMPLIED HOUSING DEMAND

Based on the population growth anticipated, the requirement for homes will collectively grow on average at 24,178 dwellings per annum, with the West and South West home to the greatest need for dwellings for these new households.

The housing supply shortage continues to be an issue impacting much of the country with NSW feeling the brunt of increased population and lacklustre completion of new dwellings. This limited new supply is due to a combination of factors including the rapid increase in construction costs during the pandemic which continues to hamper projects today.

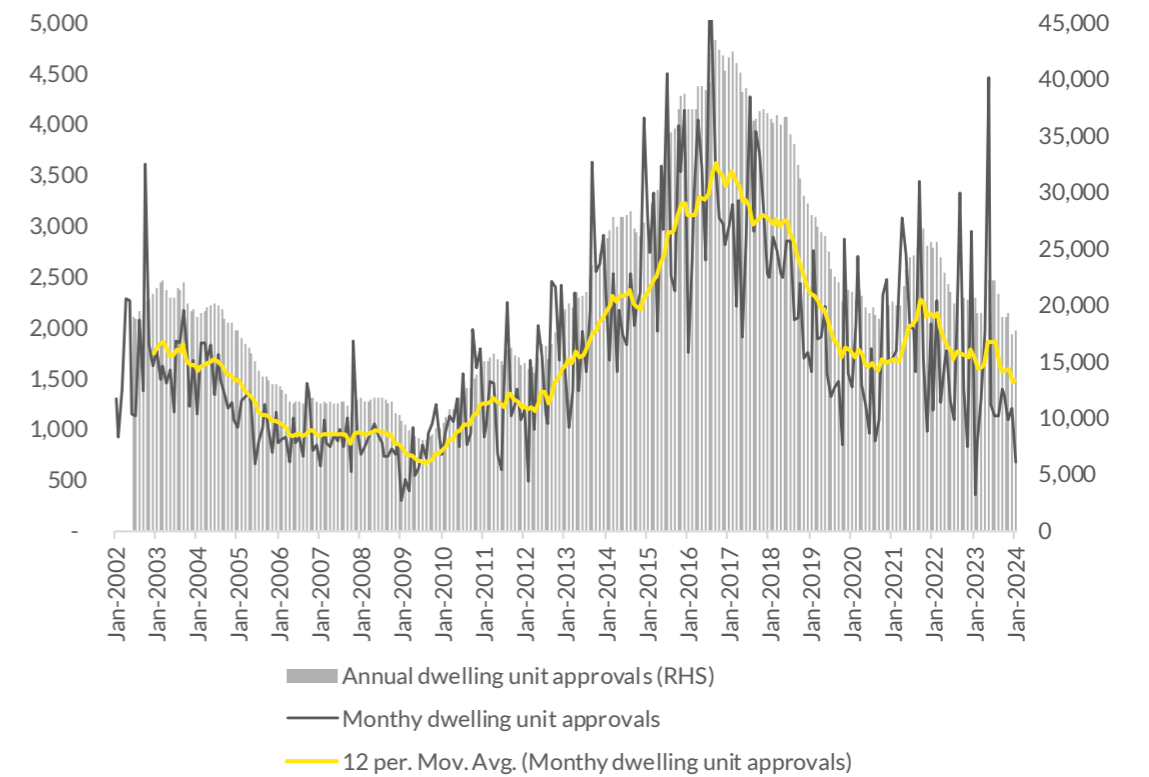
Furthermore, difficulty across the construction sector, which has seen many builders in receivership, has put more pressure on the cost of labour and the viability of projects, availability of finance, reducing the output of projects.

The continued mismatch between population and housing stock has resulted in strong increases in house and unit prices across Sydney as well as ongoing pressure on the rental market with vacancies remaining low at 1.2% for Outer Sydney and 1.3% in Middle Sydney.

With planning still being a roadblock for many developers, it's encouraging that the Government has implemented a number of strategies to aid in fast-tracking development, with a range of programs and initiatives to help combat this supply issue which aligns with the Housing 2041 Plan.

Improved taxation benefits have also been announced for offshore groups looking to invest in housing solutions such as **build to rent**, given the sophistication of multi-family assets as an investment class in many other nations. **In 2024, the expectation of housing completions is 5,465 in the West, 5,149 in South West, 4,240 in North West and 2,940 in the Outer West.**

ANNUAL & MONTHLY RESULTS (EXCLUDING HOUSES)



SOURCE: ABS CAT.8731

GREATER SYDNEY DWELLING UNIT APPROVALS

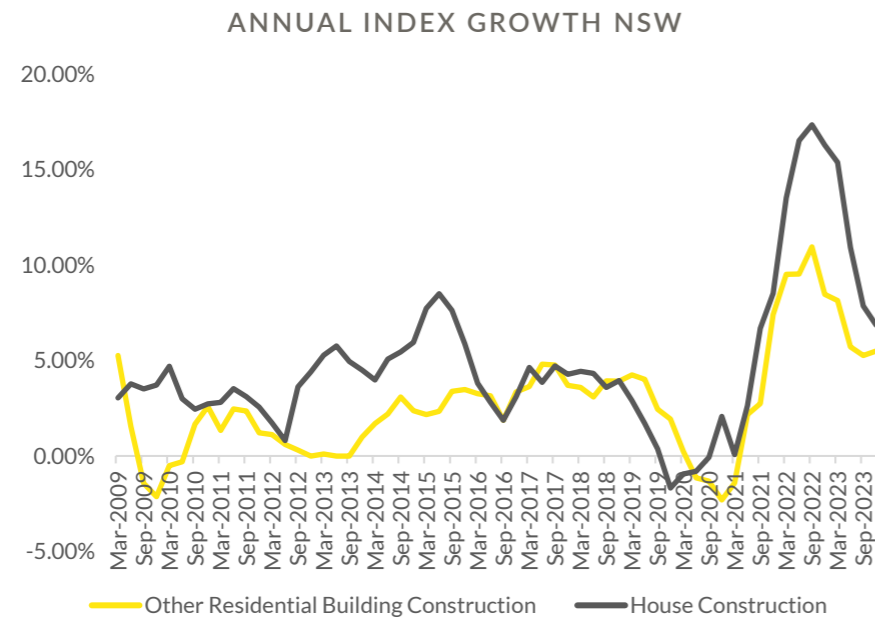
NSW dwelling unit approvals have seen significant fluctuations on a monthly basis, however considering annual dwelling approvals these results continue to fall back lower than those seen during the pandemic period.

A reluctance to commit, notably due to the labour issues associated with builders, make it difficult to arrange financing despite the slowdown in cost growth associated with raw materials and overall construction.

In the latest data provided by the ABS in January 2024, we saw annual dwelling unit approvals at 17,801, a figure unseen since the 2012 period. Encouragingly, the commencement data for the State highlight 34,617 dwelling units in the 12 months to September.

The slowdown in approvals seen most recently need to increase in order to meet the requirement of the state's housing demand of close to 50,000 dwelling units per annum, with population growth anticipating 57.66% of which is needed for the Western Sydney region.

Construction Cost & Finance



SOURCE: ABS CAT.6427

CONSTRUCTION COSTS

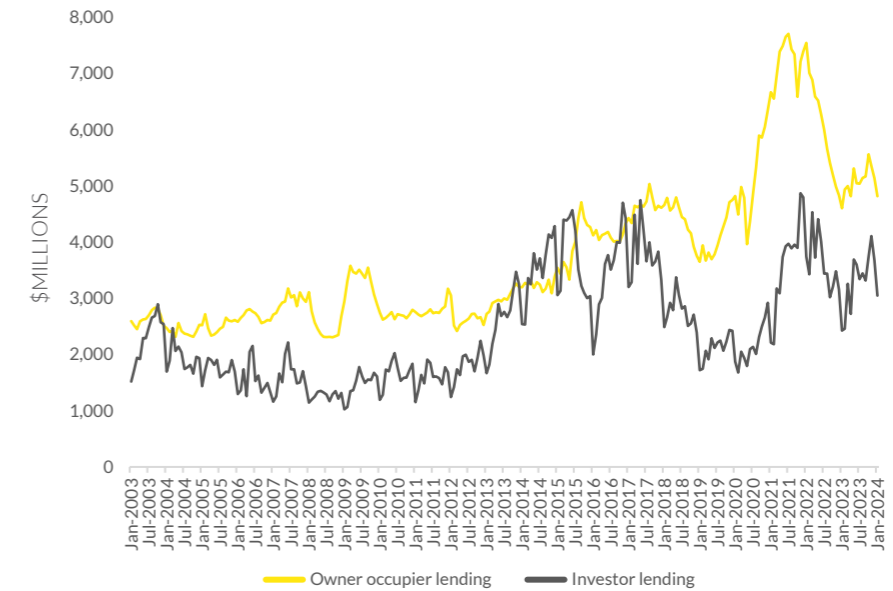
Construction costs continue to be one of the major issues impacting the building industry, the ongoing increase in raw materials has put pressure on the viability of new projects and affected many builders who have not been able to sustain fixed price contracts and have entered administration.

While the rate of growth has started to ease with the improvement in supply chain issues, the cost of materials and labour has continued to increase making it difficult to commence projects which has been the greatest inhibitor to the supply of homes across the State.

Despite this, skilled labour shortages are the primary factor influencing price increases this latest quarter, with joinery trades, mechanical trades, electricians and tilers in high demand. Increased risk due to labour supply, labour costs and economic performance place upward pressure on project costs, with the impact of potential cost blow-outs factored into higher contractor margins and ongoing project costs.

Data from ABS for December 2023 has seen an annual increase in materials in house construction of 6.87%, well down from the multiple periods of over 15% increase during 2021 and 2022, for "other construction" growth remains up, 5.50% annually.

NSW NEW HOUSING LOAN COMMITMENTS (EXCL. REFINANCING)



SOURCE: ABS CAT. 5601

FINANCE

There has been some more recent volatility in the lending levels across NSW. After the rapid increases in interest rates in 2022 there was a distinct drop in financing levels and in turn residential listing numbers hit a long term low.

Despite interest rates not improving for buyers, there has been a gradual increase in loan activity as median price movement continued upward resulting in many buyers wanting to commit before affordability worsened despite the higher finance cost; particularly as those in the rental market felt strong increases in rents.

This year, inflation results have moved closer towards the 2-3% band which the RBA are seeking, which has given confidence to buyers that there will be two or three rate cuts this year resulting in growth in listings, transactions and lending activity.

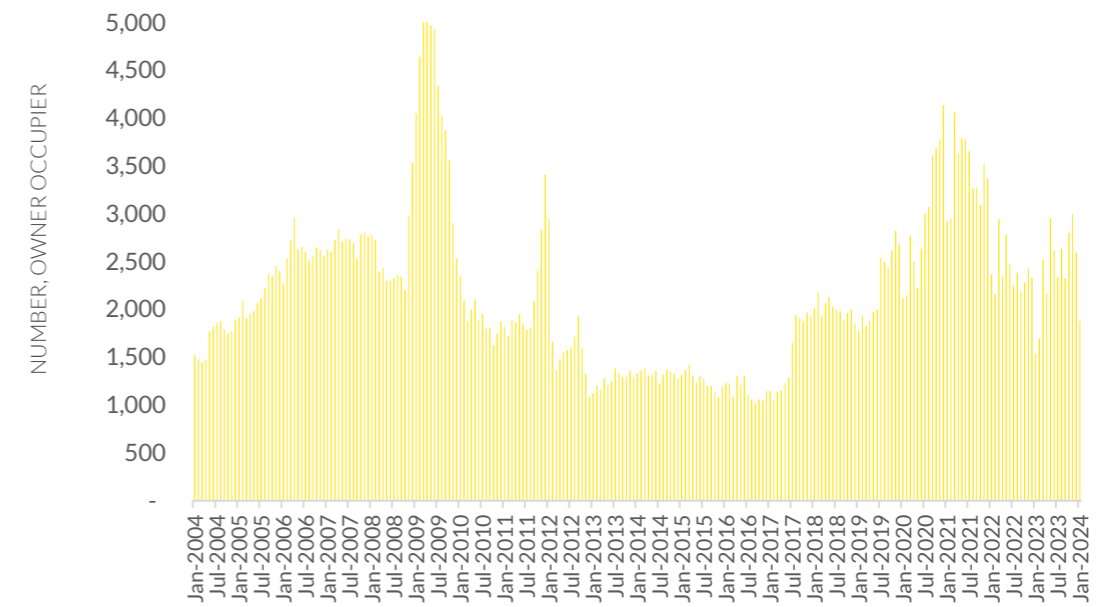
Investor activity continues to show a stable gap compared to owner occupier lending levels, which has yet to turn in this high rental growth environment. Upon more favourable financing costs emerging and prolonged low vacancies, we could see investors rapidly revisit the market if yields are attractive.

The private investment market is a key requirement for our economy to provide housing within our communities with limited public housing on offer. The institutionalisation of the investment market by way of build-to-rent will grow across Australia however with limited projects there are many years until this fills the gap in housing shortfall felt today.



Construction Cost & Finance

NSW FIRST HOME BUYER LENDING COMMITMENT



SOURCE: ABS CAT.6427

The first home buyer market segment has had some difficulty during the period after interest rate increases in 2022. The rapid growth in cost of finance coupled with the increase in median house and unit prices saw a swift reduction by this buyer type.

More recently we have seen ongoing growth in first home buyer lending despite the continued high interest rate environment, the reduction in inflation has signalled confidence that interest rates will see multiple cuts this year. First home buyers have been more active with 27,308 new commitments in the last year, a large increase compared to the prior 12 months, 23,794.

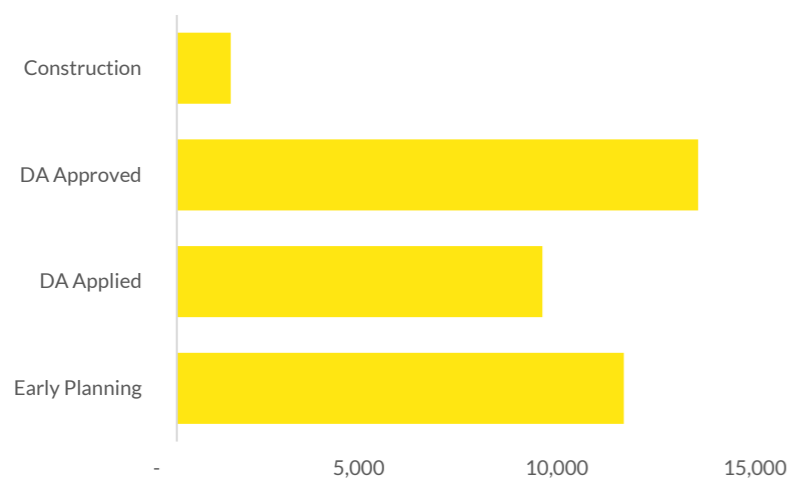
A new trend of rent-vesting has emerged over this period as first-time buyers look to get on the

property ladder and buy assets in areas they may not want to live, add the property into the rental market and rent in their desired location. The NSW government has strategies to aid owner occupier buyers including the First Home Buyers Assistance Scheme which allows flexibility regarding the high stamp duty usually payable on the purchase of an asset.

To also assist in the new housing market, the First Home Owners Grant provides assistance when buying or building a new home, looking to stimulate the construction sector and the much-needed development of housing. However, the most radical improvements for a selected workforce have been the announcement of Share Equity Home Buyer Helper, seen overseas for many years, this scheme will allow some of the population enter the housing market with a minimal deposit.

Residential Pipeline

SYDNEY WEST



SOURCE: CORDELL CONNECT, RWCWS

Across the Western Sydney precinct there are currently 267 projects active in the development pipeline which have the potential to add 35,011 dwelling units over the next three to five years.

There are however only 1,359 units currently under construction (and due for completion within 18 months) compared to the required 5,465 units needed for the West to sustain population growth in 2024.

The bulk of this new activity is in the Parramatta LGA (465 units) followed by Cumberland LGA (411 units). The DA Approved segment is the largest with 13,173 units approved, despite this approval status projects can take anywhere up to five years to complete, placing further strain on the ongoing mismatch in supply and demand.

There have been many projects put on a prolonged hold due to increases in construction costs and

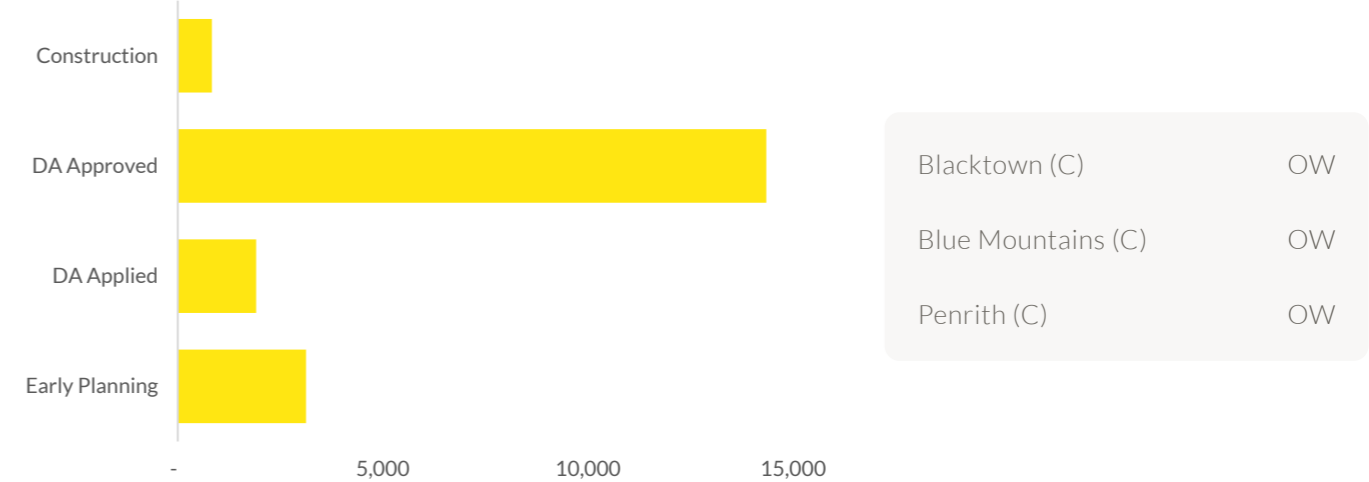
Burwood (C)	W
Canterbury-Bankstown (A)	W
Cumberland (A)	W
Fairfield (C)	W
Georges River (A)	W
Parramatta (C)	W
Strathfield (A)	W

labour shortages, however as gross realisations improve, we are starting to see more projects move through the development phases as construction costs and labour availability improve.

There are a further 20,499 units in early planning and DA application phases, these projects could still be amended as they make their way through the planning process and are unlikely to be advanced until 2027 or beyond. The City of Parramatta accounts for the greatest expected volume of new stock additions with 18,071 units in the development pipeline with a strong weighting towards large high rise unit projects including build-to-rent.

While projects are fewer in infill regions of Burwood, Strathfield, George's River, and are dominated by townhouse development or smaller sub-30-unit projects. Demand for stock across the West precinct is high given the established nature of this market making access to amenities and transport high, echoing the strong expected population growth.

SYDNEY OUTER WEST



SOURCE: CORDELL CONNECT, RWCWS

The Outer West region has been a quiet market over the last few years as land availability starts to reduce after strong development in the early 2000's.

While there are 184 active projects offering a potential of 20,002 dwellings in the development pipeline, many of these projects remain in the planning phase.

There are currently only 830 dwelling units under construction, far from the implied demand of 2,940 this year based on NSW Plannings forecasts. 94% of these dwelling units are in the vast Blacktown LGA with most projects in the Marsden Park/Schofields precinct and Rouse Hill capitalising on the growth along the North West corridor and nearby existing rail, new metro services as well as retail and employment infrastructure.

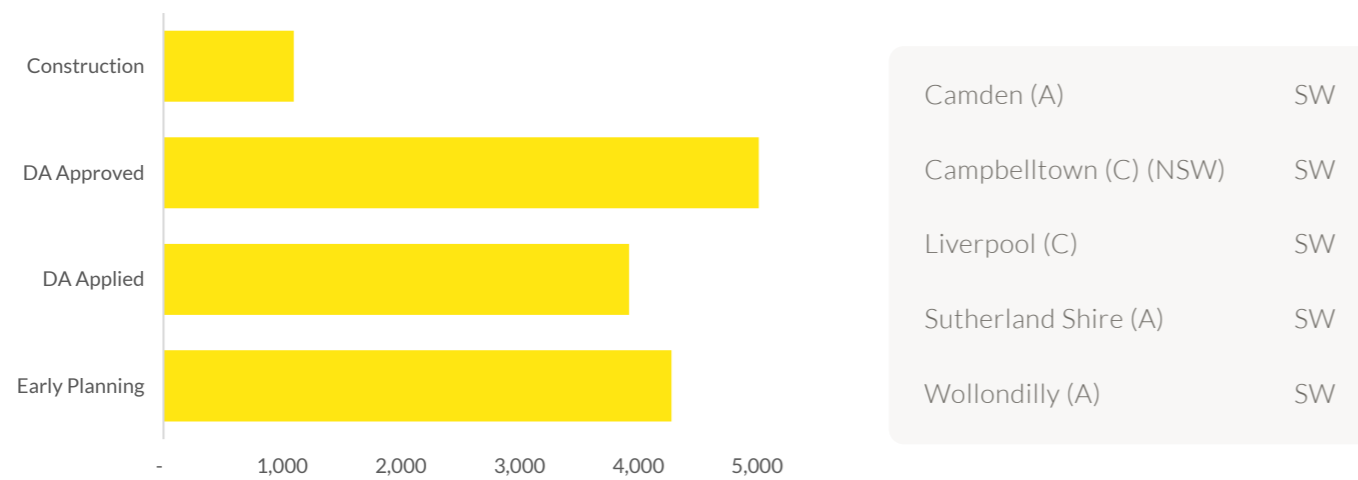
Blacktown (C)	OW
Blue Mountains (C)	OW
Penrith (C)	OW

In total, 14,340 dwellings have DA Approval within the Blacktown LGA, notably in the North West including Rouse Hill and Schofields, which are poised to benefit from the next metro extension through to the Western Sydney Airport Precinct.

Looking further west, the Penrith LGA, bordered by the Blue Mountains, features a blend of city centre apartments and townhouse infill projects in Penrith, St Mary's, and Kingswood. With Western Sydney's airport set to commence operations in 2026, along with excellent rail transport, universities, retail, and employment opportunities, this region is emerging as a key residential hub.

Residential Pipeline

SYDNEY SOUTH WEST



SOURCE: CORDELL CONNECT, RWCWS

Sydney's South West is projected to be one of the largest development opportunities for Sydney catering for both residential and employment uses.

This location has benefitted from the rezoning of land, however, much of it is still road blocked by lack of servicing, high development levies and planning red tape prolonging its advancement.

This location is poised for success given the proximity to the Western Sydney Airport, improving transport infrastructure including rail as well as increased employment opportunities capitalising on the vibrant industrial precinct along the M5 corridor.

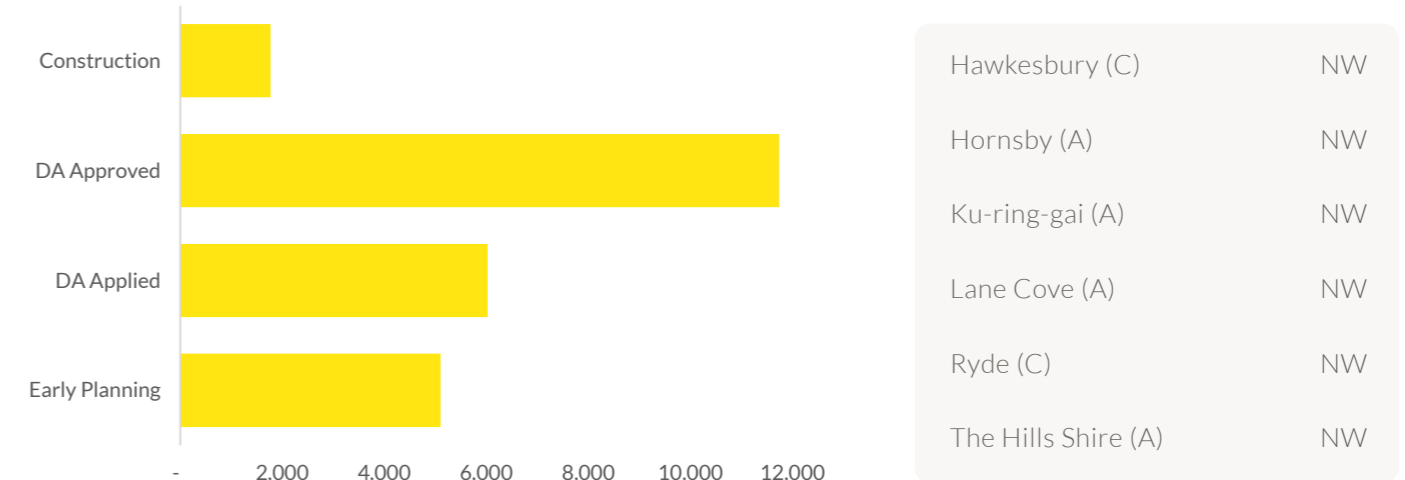
Currently there are 312 multi-dwelling projects offering 15,577 dwellings which could take as long as five years to move through the pipeline.

There are currently 1,096 dwelling units under construction, only one fifth of the required completions needed for the South West sector in 2024 according to the NSW Planning dwelling forecast.

Liverpool and Camden LGAs are expected to provide the majority of housing to accommodate the rapidly growing population in this region. While the current construction projects are limited, the development pipeline is more robust. Liverpool, for instance, boasts 3,207 approved dwellings, with an additional 2,371 in the early stages of planning.

In many suburbs, such as Austral, Moorebank, and Leppington, lower-density housing options are available. In Camden LGA, the planning phases include nearly 3,000 units throughout the region. This planning also encompasses englobo land releases for attached and semi-detached homes.

SYDNEY NORTH WEST



SOURCE: CORDELL CONNECT, RWCWS

Many of the projects in the more outer regions of the North West are within the Blacktown LGA and are represented in the Sydney West region.

The North West precinct alone is home to 249 active multi-dwelling projects which will see 24,632 units constructed across the region. Currently there are 1,770 dwellings under construction dominated by The Hills Shire and Lane Cove Council areas which include infill projects within St Leonards.

The Hills district has already seen considerable development, particularly in suburbs such as Kellyville, Castle Hill, Baulkham Hills, and Rouse Hill. Meanwhile, suburbs like Box Hill and Gables still offer significant expansion opportunities, as do some more established areas.

Infill development is increasing along the northern corridor, with the Ryde and Lane Cove LGAs now collectively boasting a pipeline of 9,090 units. These projects capitalise on existing transport infrastructure, improved metro connectivity, retail options, and walkability features.

With 11,379 dwellings currently having DA approval, it is anticipated that many of these projects will progress, provided that suitable funding and builders are available. This is due to the high demand for housing in this area and the diverse mix of projects in the pipeline. Additionally, the significant growth in median property prices across most of Sydney has enhanced the viability for developers to commit to new projects, particularly within established suburbs in this region.

DEFINITIONS

NB PRECINCTS ARE:

Hawkesbury (C)	NW	Blacktown (C)	OW
Hornsby (A)	NW	Blue Mountains (C)	OW
Ku-ring-gai (A)	NW	Penrith (C)	OW
Lane Cove (A)	NW	Burwood (C)	W
Ryde (C)	NW	Canterbury-Bankstown (A)	W
The Hills Shire (A)	NW	Cumberland (A)	W
Camden (A)	SW	Fairfield (C)	W
Campbelltown (C) (NSW)	SW	Georges River (A)	W
Liverpool (C)	SW	Parramatta (C)	W
Sutherland Shire (A)	SW	Strathfield (A)	W
Wollondilly (A)	SW		



OUR OFFICE

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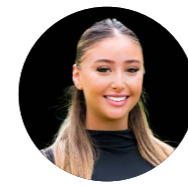
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JAMES CHEUNG
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HANNAH CARNEY
Director of Operations



PAULINE WATERFORD
Finance Manager



CHRISTIAN BRILLANTES
Office Assistant

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





The logo consists of the letters 'RWC' in a bold, italicized, sans-serif font, centered within a white square.

RWC

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