RWC

WESTERN SYDNEY INSIGHTS

End of Financial Year Report FY24

2023-2024

RWC WESTERN SYDNEY

JUL 2024

Contents

End of Financial Year Report FY24

Foreword

Celebrating 5 years!

Looking back on this year, I am astounded again at how much we've managed to achieve, and how much potential we still see for this business, and for the immense opportunity that Western Sydney represents for the people who live, work and play here.

First and always, my greatest admiration and gratitude goes to our staff. This year we've grown to a team of 38, adding another 12 team members to support our growth.

Shout outs across the business are:

- Our Directors in Sales got some really landmark deals across the line this year. They continue to prove to me that it is not the state of the market, it's the strength of the Agent;
- We launched a specialist Industrial Sales team in 2nd Qtr 2023;
- We expanded our Asian Investment Services division with Tao Shi and Danny Shi joining us to support a strong push into the Residential Development sector; and
- Ray White Projects Western Sydney, under the leadership of Mark Bernberg continues to bring technological advances and marketing nous to the forefront, solidifying its position as a game-changing market leader.
- We hosted a very successful 2nd Annual RWC WS Group Retreat in the frosty Blue Mountains; and
- We celebrated a growing emphasis on charitable and sponsorship opportunities with our first RWC Western Sydney scholarship (for TPV/Refugee migrants to Australia) recipient at Western Sydney University; our ongoing support of Tina Rahimi's quest to bring home gold at the Paris Olympics and our continued involvement in The Champions.org mission to raise awareness around youth mental illness.

Phew!

Pete and I take great pride in watching RWC Western Sydney continue to increase its market share, diversify into new and exciting real estate sectors, grow its social and traditional media presence and truly step into its own as a 'business of attraction' amongst talented staff at all stages of their career. We put that down to the hard and persistent work of those we are privileged to work alongside, and to our own determination to succeed.. on our terms.

Finally, this year I'd like to use this platform to let you, our valued clients, know just what it is we stand for. These are the values we set for our business and the ones we believe are the key to why our clients continue to choose us. I hope that these resonate with you.

Trust

Successful businesses are built on strong relationships. Honesty, integrity and credibility are non-negotiables.

Diversity

We believe that our differences are our strength, and that embracing diversity and inclusion in all its forms helps us to build better relationships with our clients, partners and employees.

Hustle

We believe that internal motivation to succeed is either part of who you are – or not. In this business, luck is earned. We prize grit, determination and resilience over charm and connections every time.

Innovation

Innovation is the key to solid and sustainable growth, and tech is key to work/life balance. We are early adopters in our industry, so that we can work smarter, not harder.

Systems

High performance teams cannot exist without high performance systems. Successful businesses cannot grow without unity, role clarity and alignment amongst team members.

Until next time,

RUBY ROZENTAL
Owner & Director of Strategy
RWC Western Sydney

Executive Summary

The commercial property market has navigated a difficult landscape over the past 12 months.

Following a period of subdued investment activity in 2022/23, primarily driven by high interest rates and high inflationary pressures on expenditure (particularly in housing and construction), expectations were high for a rebound in 2023/24. This anticipated uptick was based on improved sentiment regarding financing, assets coming to market, and the construction industry being buoyed by population growth aiding in labour shortfalls.

However, the reality has fallen short of these expectations. Prolonged high inflation has put a dampener on hopes for interest rate reductions, which in turn has seen property owners once again adopt a cautious attitude. This “wait and see” strategy has resulted in reluctance to test the market and accept the new benchmark yields on offer, leading to a slower-than-anticipated recovery in market activity.

The hesitancy in the market has been reflected in limited transaction volumes across most asset classes. Institutional buying has been particularly slow, with these groups becoming net sellers in the current market. This has created opportunities for private investors looking to capitalise on potential distress in the market.

The prolonged period of uncertainty has led to a divergence in strategies:

Institutional investors: Generally taking a more cautious approach, often opting to divest assets that no longer align with their long-term strategies.

Private investors: More active in seeking opportunities, particularly where they perceive value or the potential for distressed sales.

Owner-occupiers: Showing increased interest in securing their own premises, driven by a desire for stability in uncertain times.

Each asset class has been faced with their own challenges:

Industrial: The industrial sector is the top-performing commercial asset. Despite higher finance costs impacting land values and yields, strong demand and limited land in Sydney have driven up rents and kept vacancies low. New projects are scarce but highly valuable.

Office: The office sector is currently the most challenging asset class. Work-from-home trends have made businesses hesitant to expand office space. High-quality offices with good amenities perform well but require high incentives, while the secondary market remains a concern.

Retail: Retail is improving after years of uncertainty, driven by strong population growth, especially in Western Sydney. Limited new retail space has increased pressure on availability. Retail trade, especially in supermarkets and food, has grown, benefiting smaller neighborhood centers. Strip retail performance varies by location and demand.

Childcare: The childcare property sector is performing well, with yields rising slowly. Leasing activity is increasing as operators expand. However, there is caution around childcare development site sales due to uncertainties in future demand linked to population growth.

Blocks of Units: Blocks of units are now highly sought after due to strong residential price gains. In Western Sydney, sales are scarce as owners hold properties to benefit from capital gains, rental increases, and low vacancies. This limited supply keeps yields tight and discounting low, with many owners focusing on long-term wealth rather than immediate profits.

It’s still a great time to be in **Western Sydney!**

PETER VINES
Managing Director,
RWC Western Sydney

WESTERN SYDNEY OFFICE MARKET

Office market turnover takes *another tumble.*

KEY POINTS

Major transactions were limited, and the average sale size dropped to $5.6 million, reflecting a market dominated by smaller assets and the private sector.

Elevated vacancy rates in the office sector, particularly in Western Sydney's Parramatta CBD with a 22.0% vacancy rate, have led to decreased rents and increased tenant incentives, with tenants becoming more selective in their requirements.

Many office tenants have moved out or downsized due to increased remote work, leading property owners to offer incentives for longer leases and empowering them to negotiate more favorable terms.

The persistence of remote and hybrid work is reducing office space demand, especially in CBDs, while non-CBD areas show better recovery. Leasing remains challenging due to abundant market choices, and property owners hesitate to list assets amid anticipated value changes and financing difficulties.

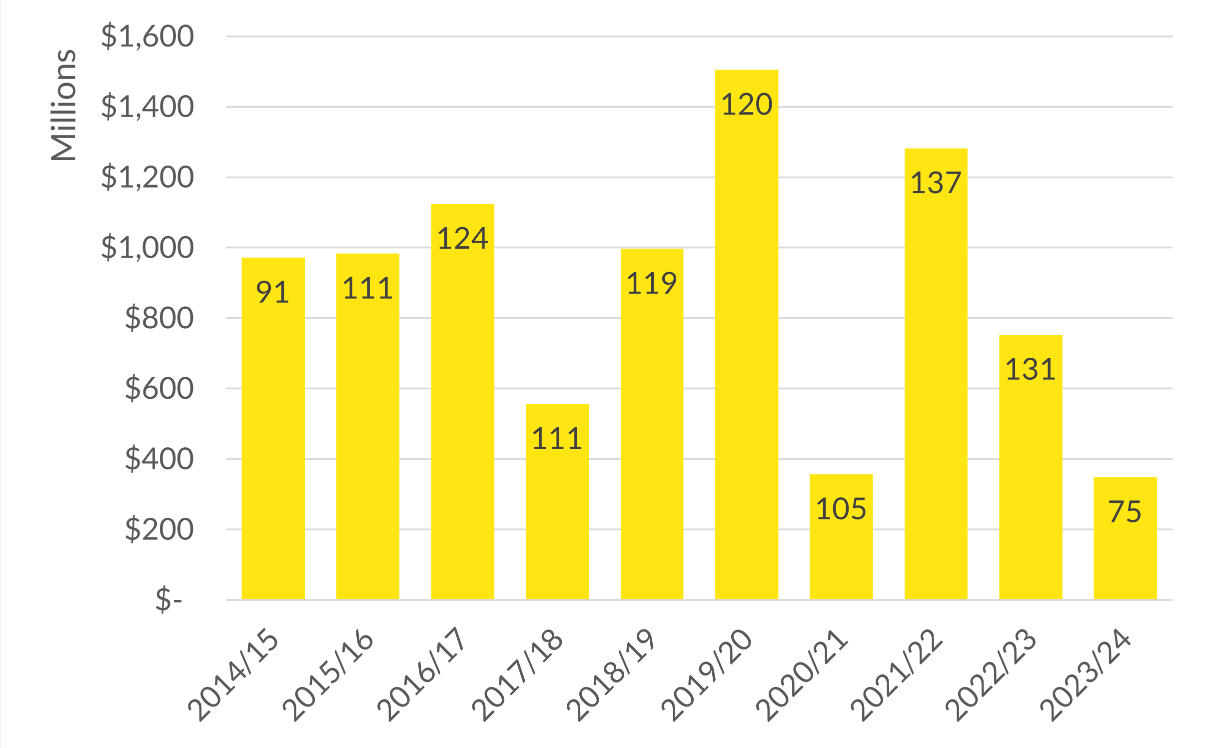
TRANSACTIONS

The commercial office sector has experienced significant shifts in recent years, with COVID-19 having a profound impact on this asset class as lockdowns altered how businesses engage with their office spaces.

In Western Sydney, Parramatta serves as the primary commercial hub, while Liverpool, Penrith, Blacktown, and the Hills districts offer substantial office accommodation options. Historically, interest in this sector has varied. Large institutional and listed funds, along with international groups, have focused on premium A-grade assets. Meanwhile, private investors, owner-occupiers, and developers have been more active in secondary-grade properties, both in terms of location and size/quality.

This financial year, $348.3 million has been recorded in sales transactions across the region. This represents a 53.7% decrease compared to last year, which itself was 41.3% below the peak results of 2021/22 when $1.28 billion in assets changed hands. This period there have been limited major transactions, the largest being The Bond at Bella Vista for over $70 million to Centuria Capital. This year the average sale size was recorded at just $5.6 million, indicative of smaller assets coming to market dominated by the private sector.

Western Sydney Office Market
Sales Volumes & No. of Transactions



SOURCE: RWCWS *2023/24 REPORTED TO 1 JUNE

LEASING

Leasing challenges have hit the office sector particularly hard.

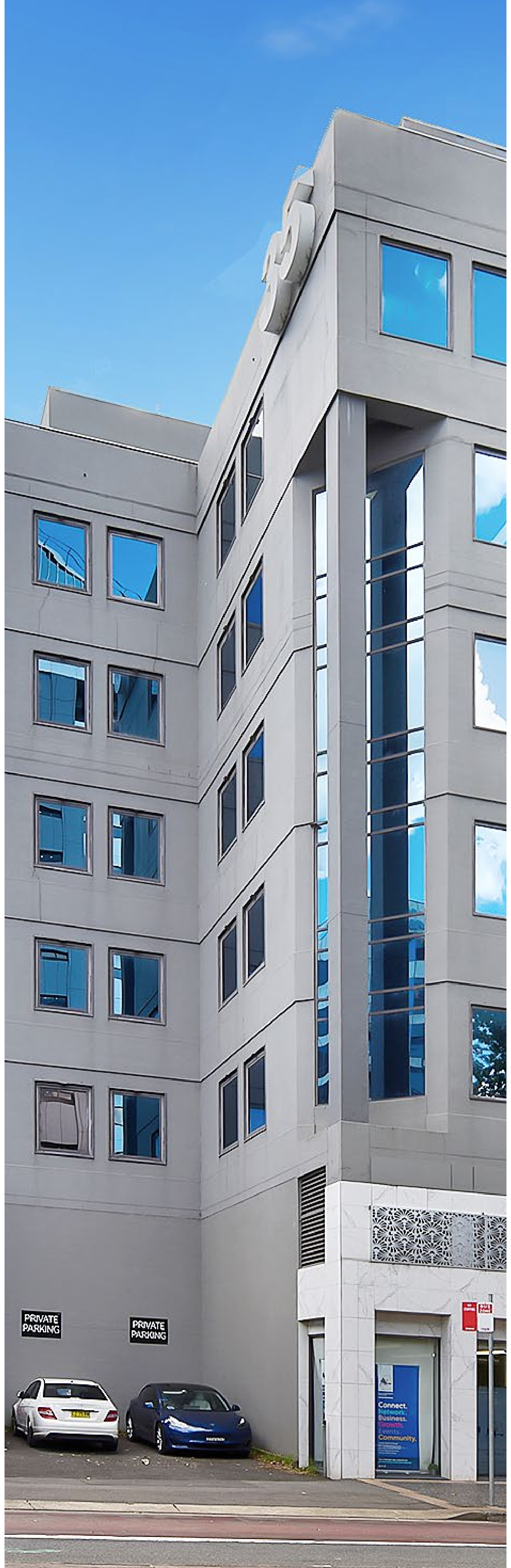
Elevated vacancy rates across Australian office markets have kept rents down and driven up incentives. Western Sydney follows this trend, with Parramatta's CBD experiencing a 22.0% vacancy rate. The wide array of options available to tenants puts ongoing pressure on property owners to occupy their spaces.

Consequently, effective rents have decreased, and tenants have become more discerning in their requirements. For premium grade assets, tenants may prioritise amenities such as end-of-trip facilities, ESG compliance, and on-site cafés. In contrast, cost remains the primary factor for secondary assets.

ASSET MANAGEMENT

The office market has experienced a significant transformation driven by the lasting effects of remote and hybrid work models. Traditional office space demand has decreased, creating a surplus in commercial real estate.

Property managers now face the challenge of maintaining occupancy rates, pushing them to offer flexible lease terms, enticing incentives, and cutting-edge amenities to stay competitive. Additionally, the emphasis on sustainable and smart buildings has surged, compelling landlords to adapt to these market demands. This evolution highlights the necessity for innovation and adaptability in navigating the rapidly changing office landscape.



OUTLOOK FOR FY24/25

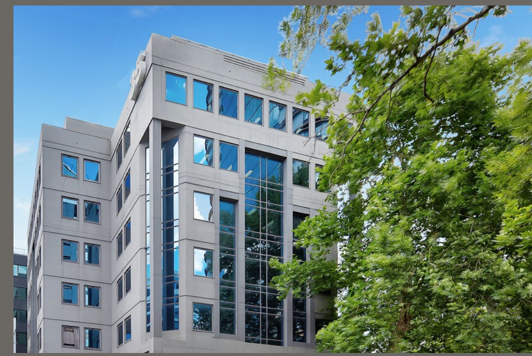
The ongoing prevalence of remote work continues to challenge businesses and property owners, with hybrid models likely persisting in the short term, thereby stifling demand for office spaces.

While CBDs in Melbourne and Sydney have experienced the slowest return-to-office trends, many non-CBD areas have shown more promising results. Employees are more inclined to return to offices with shorter commutes or available parking.

Although Parramatta's CBD has been slow to recover, smaller suburban markets are well-positioned to benefit from this shift, albeit for smaller business needs. However, the abundance of choices in the market will keep leasing challenging in the short term, maintaining stable rents and high incentives.

Many property owners are hesitant to list their assets due to anticipated changes in property values and yield increases. Interest rates remain a crucial factor for some buyers and sellers, as financing difficulties persist. This may lead to increased distress in the market, particularly for properties struggling with high vacancy rates.

Despite these challenges, there are areas of opportunity in the marketplace, particularly with the repositioning of vacant assets.



SOLD

35 Smith Street, Parramatta

Confidential

Freehold Office Building in Parramatta CBD

LEASED

Level 1, 1049 Victoria Road, West Ryde

$55,000p.a

220sqm* Office Space

MANAGED

20 Smith Street, Parramatta

Recent Management

Multi-level Office Building

WESTERN SYDNEY RETAIL MARKET

Retail sentiment improves, however, volumes remain *low*.

KEY POINTS

- Despite challenges in the retail sector, population growth in Western Sydney has driven demand for essential retail, maintaining strong occupancy levels.
- While low interest rates boosted transactions to nearly $2.2 billion in 2021/22, recent years have seen declines, with only $570.1 million recorded this period, largely due to smaller retail offerings and a single significant shopping centre transactions.
- Retail property success hinges on location, with food and services in demand, clothing struggling due to inflation, and well-located properties maintaining high occupancy and stable income.
- The retail market shows food and service businesses renewing leases, indicating resilience, while other sectors struggle, leading to lease surrenders. Property owners are prioritizing stable tenants and adapting by offering flexible lease terms and incentives to retain and support tenants.
- Despite rising yields, retail centres are attracting renewed interest due to population growth, with needs-based retail thriving, especially in Western Sydney, where high demand and limited supply make supermarket-anchored centers highly sought after.

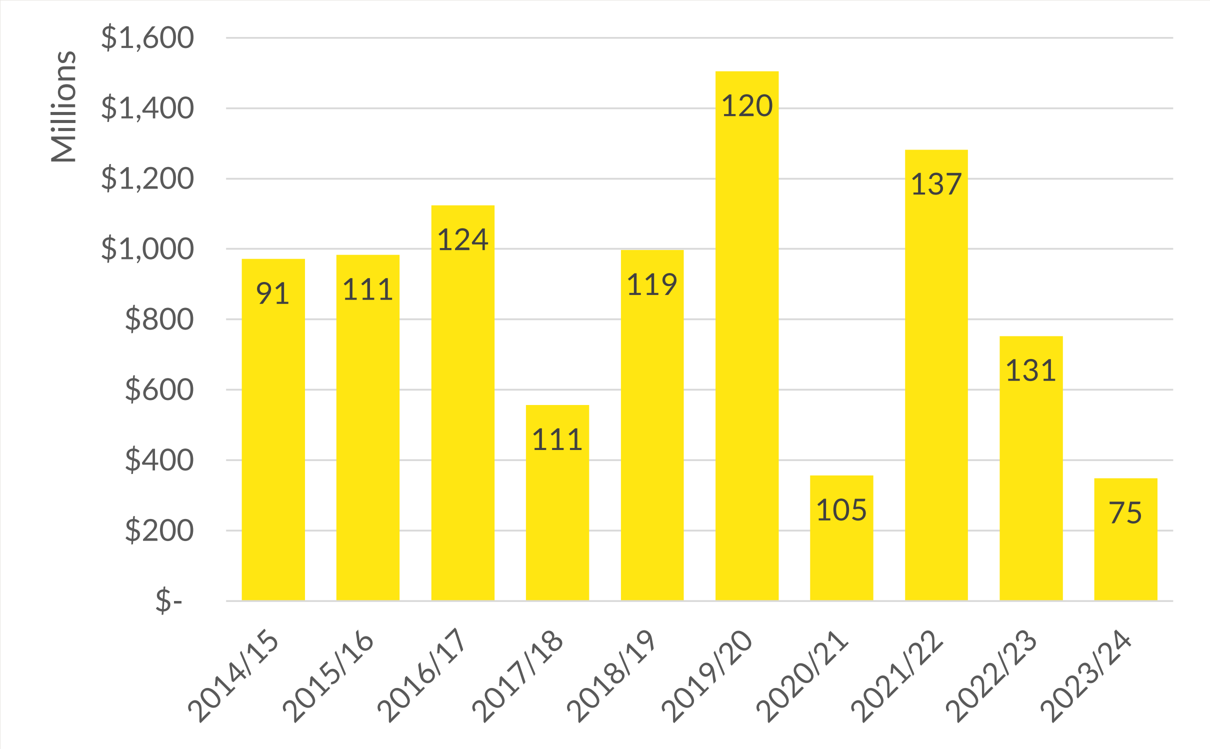
TRANSACTIONS

The retail sector has faced challenges for years, but rapid population growth, especially in Western Sydney, has had a positive impact. Despite changing consumer habits, limited new supply coupled with increased demand for essential retail (such as food) has maintained strong occupancy levels.

Low interest rates fueled transaction growth in 2021/22, with deals totaling nearly $2.2 billion across Western Sydney. This included a large portfolio of homemaker centres (benefiting from a robust residential market) and desirable neighborhood and sub-regional centres offering strong food retailing, convenience, and discount department store trade. Smaller stand-alone assets, strip shops, and arcades also attracted private investors looking to capitalise on low interest rates and inflation-driven rental growth.

The past two years have seen consecutive declines in transaction volumes, with the current period recording $570.1 million, down 48.6% from last year's already subdued results. This decrease is due to the prevalence of smaller retail strip or stand-alone retail offerings. The only shopping centre transaction was Schofields Village in July 2023, selling for $53 million at a reported 5.6% yield to a private buyer.

Western Sydney Retail Market
Sales Volumes & No. of Transactions



SOURCE: RWCWS *2023/24 REPORTED TO 1 JUNE

LEASING

The success of retail properties is heavily location-dependent, with leasing performance varying significantly based on catchment area and local competition. The food and services sectors continue to see growing demand for space. However, other retail categories such as clothing, soft goods, and personal items are facing challenges, particularly due to increased living costs due to high inflationary pressures.

Shopping centres maintain high occupancy rates with stable, fixed rental increases, although incentives are still offered. For strip retail properties, location and quality have become increasingly crucial. Many well-situated assets, especially those catering to the food sector, maintain high occupancy rates which has led to favorable rent increases and more stable income streams.

ASSET MANAGEMENT

The retail market has revealed a notable trend: food and service businesses are actively renewing leases, reflecting their resilience and ongoing demand.

With a surge in inquiries from prospective tenants, property owners are becoming less tolerant of arrears, prioritising the attraction of more viable and stable tenants. On the other hand, many other retail sectors are still struggling with economic challenges, leading to lease surrenders and business sales.

In response, property managers must adapt by focusing on retaining and supporting existing tenants while being discerning with new leases.

This involves offering flexible lease terms, providing incentives for lease renewals, and ensuring timely maintenance and upgrades to enhance tenant satisfaction.

OUTLOOK FOR FY24/25

In the current market, with a limited pool of buyers, many property owners are reluctant to list their assets due to rising yields.

However, on a national level, there has been a renewed interest in retail centre transactions off the back of population gains. Many of these transactions have shown only modest yield increases, supported by strong and stable income returns - a positive sign for the retail asset class.

While the growth of online shopping raised concerns about the viability of physical stores, needs-based retail continues to perform well. Western Sydney, with its projected high population growth, is expected to see increasing retail demand.

Given the limited new supply in this sector, the average GLAR per person will remain tight, potentially making retail in this region one of the better-performing asset classes. Smaller, supermarket-anchored neighborhood centers are likely to remain the most sought-after retail assets over the short to medium term.

SOLD

153-165 Parramatta Road, North Strathfield

$23,000,000

Iconic Blue Chip Investment

LEASED

Shop 1, 57 Liverpool Street, Sydney

$370,000p.a

320sqm Fully Fitted & Licensed Restaurant

MANAGED

2 Bakehouse Road, North Rothbury

Recent Management

Retail Precinct

WESTERN SYDNEY INDUSTRIAL MARKET

Industrial: Still the *golden child* across commercial markets.

KEY POINTS

The industrial sector has thrived over the past five years, especially during the COVID-19 pandemic, due to increased demand for logistics and rising construction costs.

Despite record transaction volumes of $6.5 billion in 2021/22, investment has declined, with $2.9 billion this past year. Private investors and owner-occupiers now dominate the market, seeking smaller, strategic assets.

The industrial leasing market remains strong with low vacancy rates under 1% and stabilised rent growth. Limited new supply keeps rental rates high, driving owner-occupiers to purchase facilities.

There is high demand for long-term leases, allowing owners to command higher rents and secure stable, predictable income as tenants commit to longer leases.

Western Sydney, particularly its Outer West and South West precincts, holds significant developable land and is expected to remain active, especially with the Western Sydney Aerotropolis nearing completion in 2026.

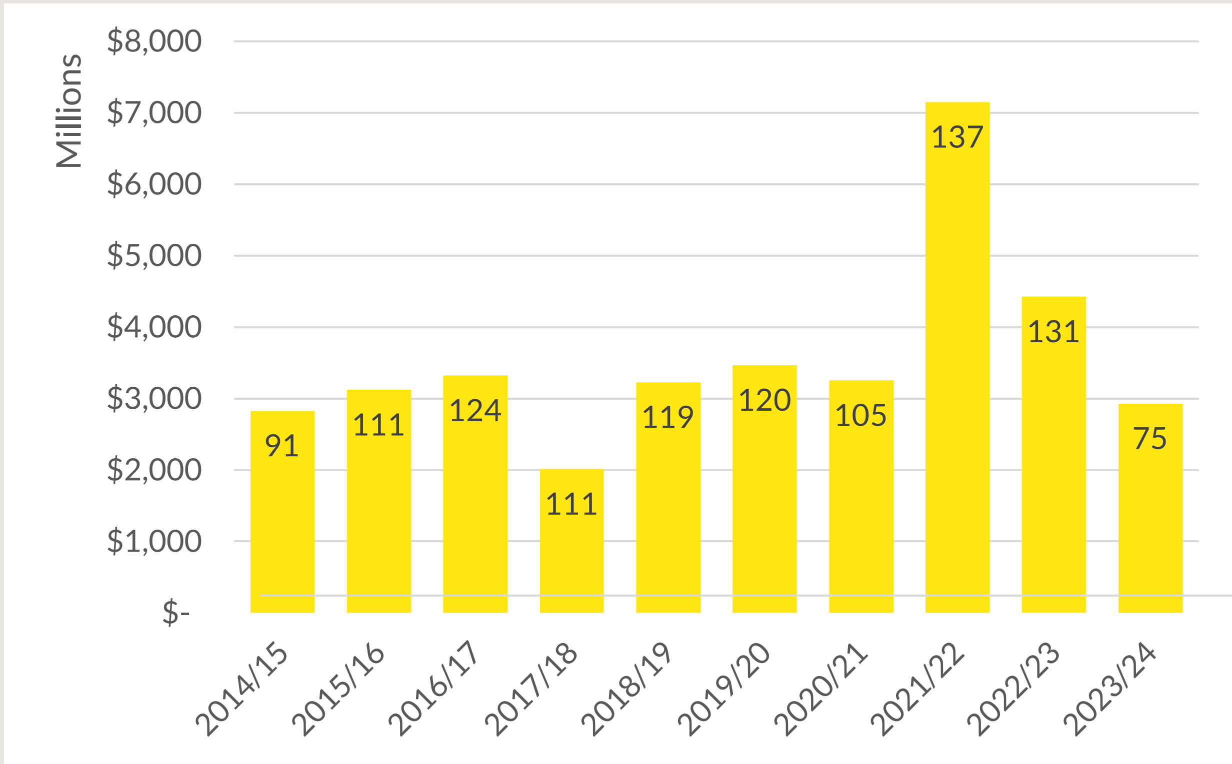
TRANSACTIONS

The industrial sector has been the top-performing asset class over the past five years, gaining even more popularity during the COVID-19 pandemic due to increased retail spending and growing demand for storage, distribution, transport, and logistics facilities. Additionally, rapid increases in construction costs and pandemic-related lockdowns at construction sites led to dwindling supply levels, resulting in sharp rent increases.

With a growing pool of investors focusing on industrial properties, it's unsurprising that transaction volumes in Western Sydney exceeded $6.5 billion in 2021/22, while investment yields reached new lows due to favorable financing conditions. Although industrial remains a popular choice among commercial investors, we've seen two consecutive years of declining investment. This past financial year recorded $2.9 billion in turnover; a 59.0% decrease compared to the peak year of sales.

This year's transactions have been dominated by the private sector, with a mix of owner-occupiers and private investors looking to secure assets. As a result, the average sale size decreased to $7.9 million this year, compared to $13.3 million in 2021/22. Many private funds are taking advantage of institutional asset divestments, as exemplified by the sale of Dexus-owned 51 Eastern Creek Drive, Eastern Creek for $87 million to a private group in December 2023.

Western Sydney Industrial Market
Sales Volumes & No. of Transactions



SOURCE: RWCWS *2023/24 REPORTED TO 1 JUNE

LEASING

The industrial leasing market maintains its strong performance.

Following unprecedented rent growth over the past three years, the rate of increase has stabilised.However, vacancy rates remain extremely low at under 1%. The limited completion of new supply projects will keep rental rates high, is has supported owner-occupiers seeking to purchase facilities to shelter from accommodation costs. While Sydney faces a shortage of vacant industrial land, Western Sydney is strategically positioned to provide the majority of new supply in the future. However, high construction costs will set new price benchmarks resulting in elevated rental rates which are expected to remain a feature of the market.

ASSET MANAGEMENT

This year, the industrial market has emerged as a prime investment landscape, fueled by a robust demand for long-term leases.

This surge has empowered property owners to command higher rental rates per square meter. Tenants, acutely aware of the limited availability of industrial properties, are keen to secure their positions by committing to longer-term leases or renegotiating existing agreements.

This dynamic has not only amplified rental income for property owners but has also fostered a stable and predictable investment environment, positioning the industrial sector as an exceptionally appealing choice for investors.

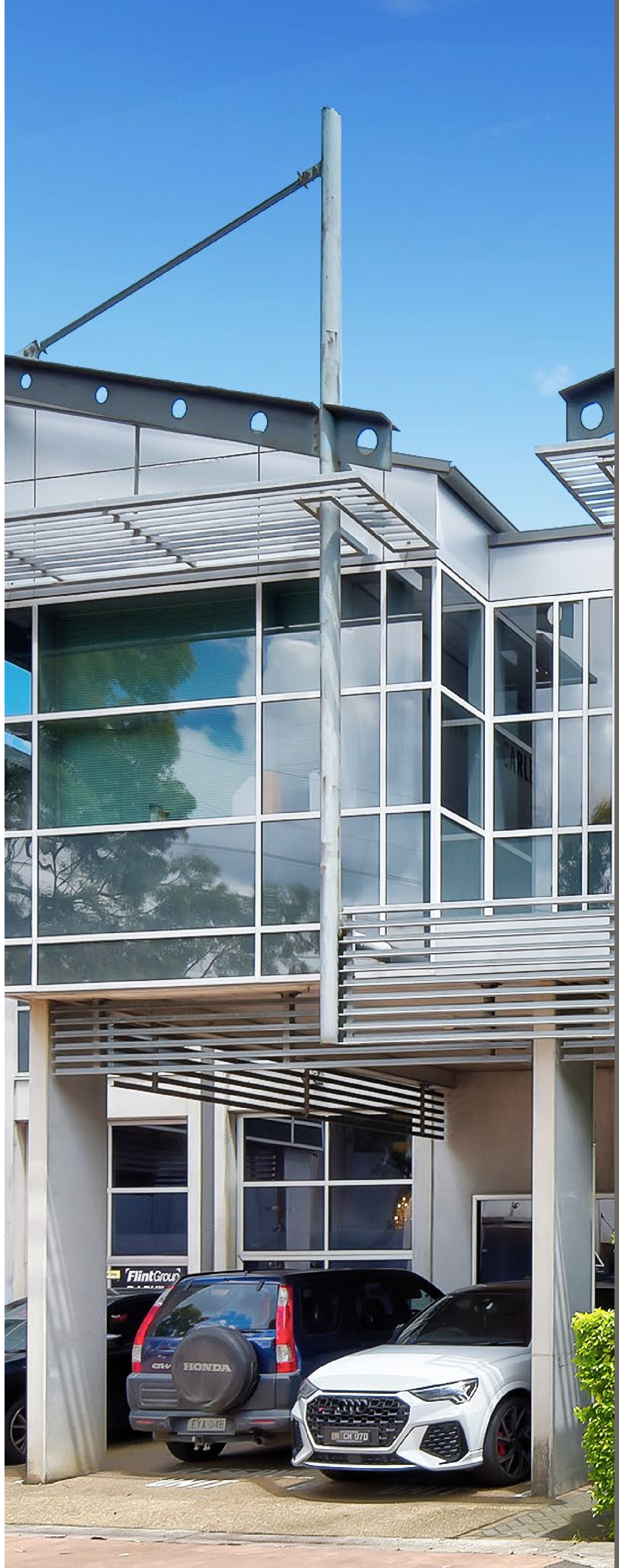
OUTLOOK FOR FY24/25

Industrial property remains the most sought-after commercial asset in today's market. Across Sydney, this sector continues to face a supply-demand imbalance, with low vacancy rates and ongoing rental growth.

While new construction lags, Western Sydney's Outer West and South West precincts hold the majority of developable land. These areas are expected to see continued activity, particularly in the lead-up to the Western Sydney Aerotropolis' first stage completion in 2026.

Although investment yields have moderated due to increased funding costs, industrial assets continue to attract a diverse range of buyers across various price points, maintaining their position in the spotlight.

The high cost of construction is likely to further drive investment into existing buildings, as secondary assets and their growth potential are gaining prominence when considering replacement value.



SOLD

1 Water Street, Werrington

Confidential

30,900sqm General Industrial in Werrington

LEASED

224 Young Street, Waterloo

$380,000p.a

1,464sqm* Industrial Warehouse

MANAGED

45-47 Parramatta Road, Lidcombe

Recent Management

Industrial Warehouse

Activity in development sites picks up *after* quiet construction periods.

KEY POINTS

- The development site market is rebounding from pandemic-related challenges, with $3.1 billion in transactions over the past year.
- Major deals have driven this increase in activity, despite ongoing concerns about labour and planning costs.
- Western Sydney's growing population and infrastructure projects are key factors driving development site activity.
- Significant challenges remain, including cost concerns, planning issues, and workforce shortages.

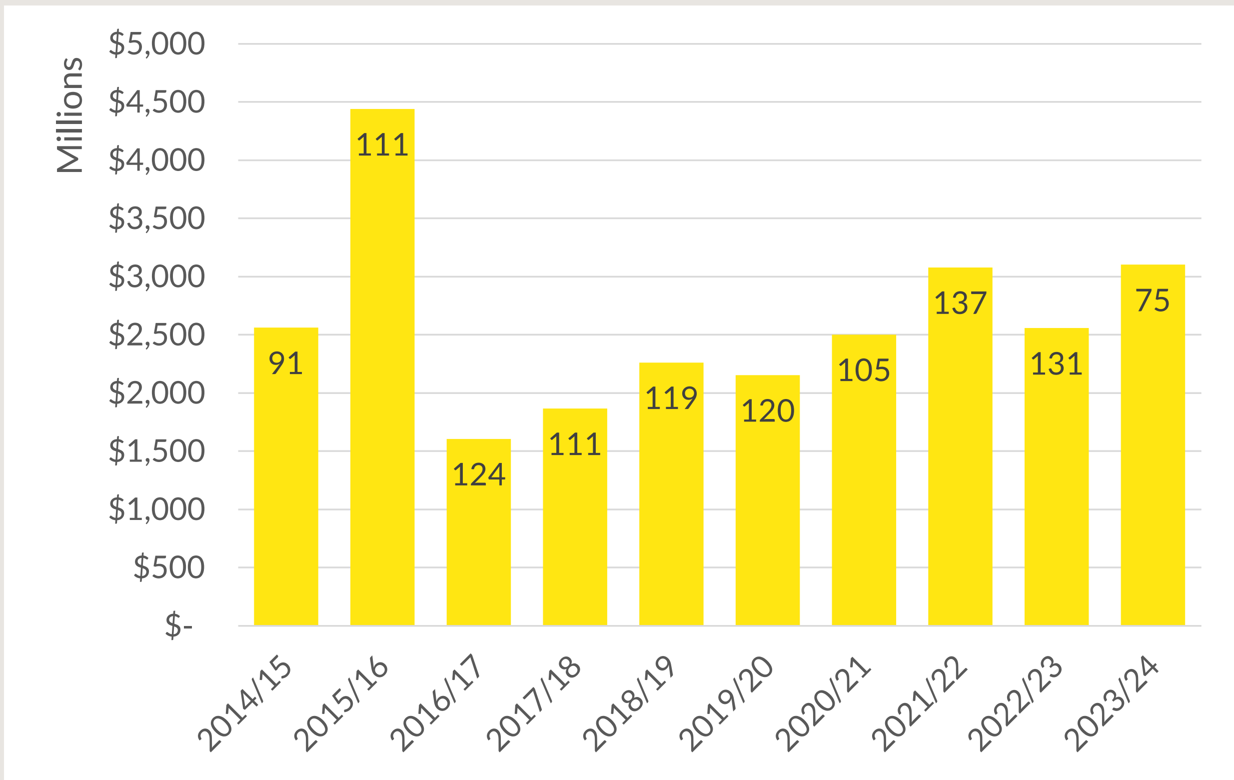
TRANSACTIONS

The development site market has faced challenges in recent years. The pandemic significantly impacted the construction industry, causing supply chain disruptions, increased raw material costs, and workforce shortages. These factors contributed to a slowdown in new development across all asset types. Due to heightened development expenses, investment in these assets didn't match the surge in transaction volumes seen in other asset classes during 2021/22.

Development site confidence is now rebounding as construction costs stabilise, though labour remains a significant concern. The past 12 months saw $3.1 billion in development site transactions, a 21.3% increase from the previous year and surpassing the ten-year average annual turnover of $2.6 billion. This uptick, however, was largely influenced by a few major deals, such as the $850 million Burra Park industrial development site sale in March 2024, which helped raise the average sale price to $47.7 million.

In the residential sector, housing shortages, particularly in Western Sydney due to significant population growth, have stimulated activity in both infill and greenfield locations. Ongoing infrastructure improvements, including the Aerotropolis project, have focused attention on developing employment lands throughout Western Sydney. However, planning issues and costs remain key concerns for developers.

Western Sydney Development Sites Sales Volumes & No. of Transactions



SOURCE: RWCWS *2023/24 REPORTED TO 1 JUNE

OUTLOOK FOR FY24/25

The significant increase in development site activity is promising, yet cost concerns continue to be a major hurdle for the successful completion of many projects.

Western Sydney's expanding population necessitates ongoing development, not just of residential and commercial spaces, but also supporting facilities like childcare centres, medical facilities, retail nodes and educational institutions.

Infrastructure investments are set to enhance transportation and accessibility, opening up new areas for development. However, the successful expansion of Western Sydney hinges on the advancement and accessibility of essential services such as water and power in greenfield locations.

Looking ahead, both public and private sectors are expected to maintain their long-term commitment to developing these precincts, aiming to create improved communities to live, work, and play.

Nevertheless, in the short term, challenges related to planning processes and workforce shortages will likely persist, continuing to exert upward pressure on costs.

SOLD

44-48 Windsor Road, Kellyville

$5,900,000

Mixed Use Development Site

SOLD

Lot 4, 96 Rickard Road, Leppington

$5,833,000

Unique Development Opportunity

SOLD

279 Garfield Road East, Grantham Farm

$5,751,000

Prime Land Banking Opportunity

A glut of projects *sit in approval phase,* with few under construction.

KEY POINTS

- Western Sydney has 872 active development projects for apartments and townhouses, potentially adding over 82,000 units to address housing shortages.
- Currently, 51 projects are under construction, expected to deliver 2,408 new homes within two years, with Parramatta, Canterbury/Bankstown, Liverpool, Camden, Campbelltown, Blacktown, and The Hills being key areas of development.
- The future of residential development is uncertain due to financial and labor challenges, with nearly half of Western Sydney's 82,000 planned dwellings unlikely to materialise within five years.
- The NSW government is working with the private sector to improve project viability, but immediate housing needs remain unmet.
- House prices and rents are expected to continue rising, pushing families toward more affordable areas like Western Sydney.

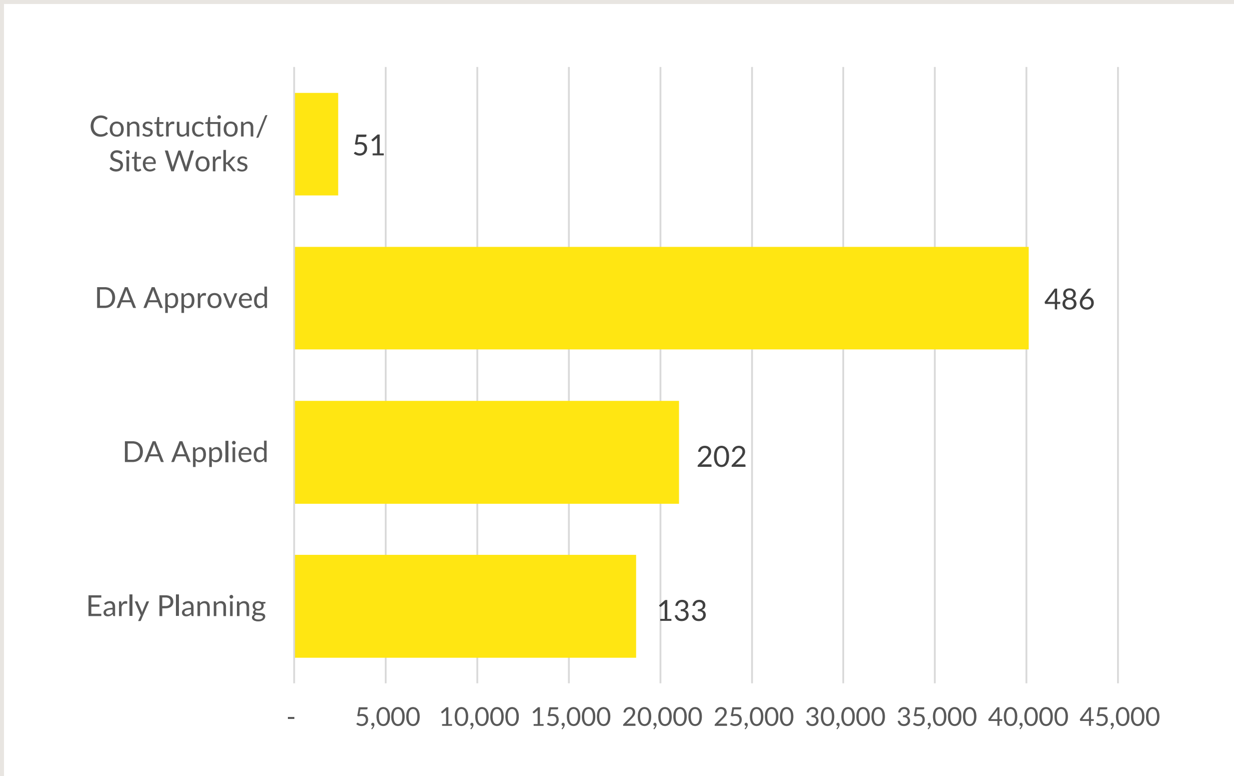
PROJECTS

The Western Sydney market currently has 872 active development projects for new apartments and townhouses. These projects have the potential to add over 82,000 dwelling units to the residential supply, helping address the current and anticipated ongoing housing shortage in Western Sydney, which is driven by low vacancy rates and high population growth.

Among these developments, 51 projects are currently in the construction phase, expected to deliver approximately 2,408 new homes within the next two years. Looking at the total development pipeline, the City of Parramatta is set to receive the largest share of new dwellings, with 17,801 potential units planned for this area, of which about 500 are currently under construction.

Canterbury/Bankstown is another significant location for infill supply. In the South West, Liverpool, Camden, and Campbelltown collectively account for over 12,000 potential dwellings, with 467 currently under construction. In the North West, Blacktown and The Hills have a further 24,605 apartment units in the pipeline for longer-term completion, with 453 currently under construction.

Western Sydney Apartment Development Pipeline
Sales Volumes & No. of Transactions



SOURCE: RWCWS *2023/24 REPORTED TO 1 JUNE

OUTLOOK FOR FY24/25

A growing gap between population growth and housing availability is becoming increasingly apparent, particularly in Western Sydney.

While over 82,000 apartment/townhouse dwellings are in the pipeline, it's likely that nearly half of these projects won't materialise within the next five years.

Many projects struggle to be financially viable due to labour pressures and overall challenges in the construction industry, leading to numerous business administrations. The increased costs and extended timelines render many projects unfeasible, yet the demand for housing persists.

The NSW government is attempting to collaborate with the private sector to streamline planning and approval processes and allow higher densities to improve project viability. Tax incentives for offshore investments in projects like build-to-rent schemes offer some relief, but their long timelines do little to address immediate housing needs.

In the near term, house prices are expected to continue rising, with ongoing pressure on the rental market keeping rents high and vacancies low. Affordability will become an increasing concern for many families, who may find themselves priced out of the market.

This trend is likely to drive more people towards more affordable options in areas like Western Sydney, a pattern that has already begun to emerge.

SOLD

14 Schofields Road, Schofields

Confidential

DA Approved Multi-Stage Resi Development

SOLD

85 Windsor Road, Norwest

Confidential

Medium Density Residential Development

SOLD

154-162 Stafford Street, Penrith

Confidential

R3-Zoned Land - DA Approved for Seniors Living

WESTERN SYDNEY CHILDCARE MARKET

Demand for quality childcare offerings *remains upbeat.*

KEY POINTS

- The childcare sector has grown significantly as a commercial property asset, attracting private investors and larger groups.
- Despite pre-pandemic development surges, rising construction costs have left many sites undeveloped, leading to an increase in DA-approved sites on the market.
- In Western Sydney, childcare center transactions totaled $53.1 million in 2023/24, a 27.4% decrease from the previous year, but this decline is less severe than the national trend.
- The childcare sector has seen a rise in leasing activity as operators expand and investor demand prices out potential owner-occupiers.
- With average sale prices under $5 million, childcare centers remain accessible investments, but affordability concerns for families highlight the need for thorough location research.

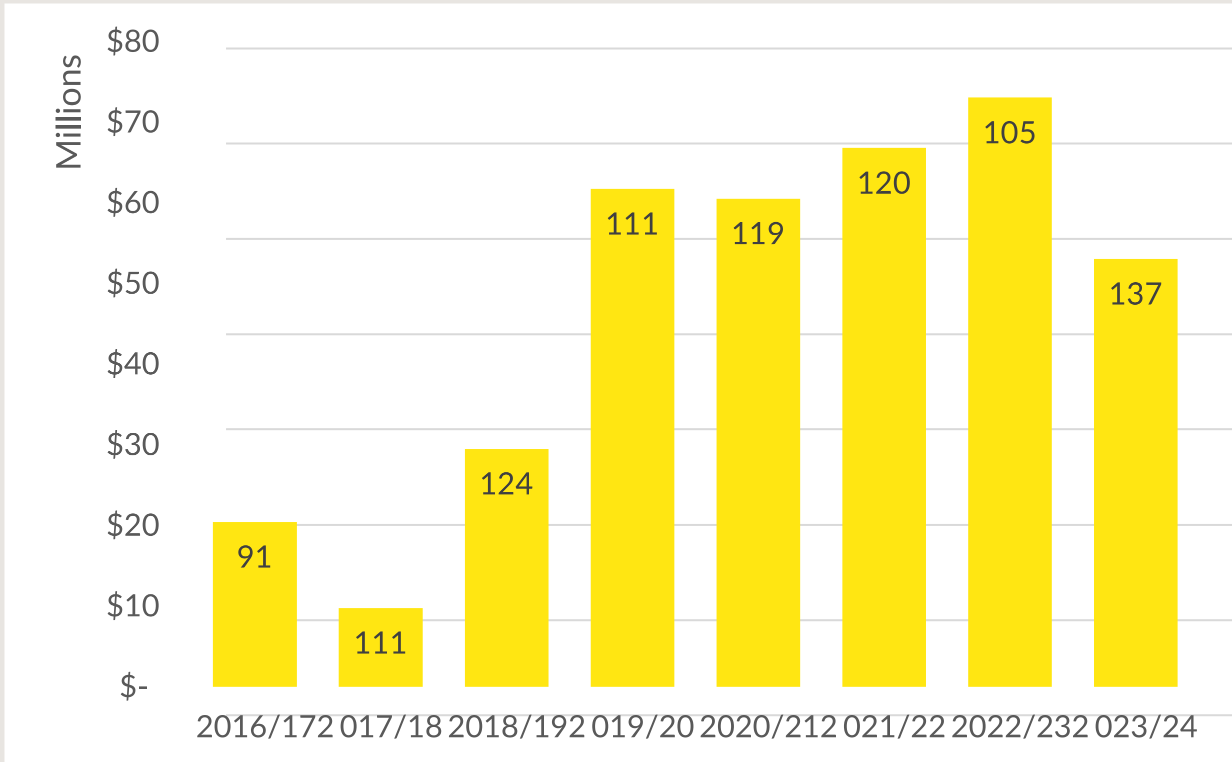
TRANSACTIONS

The childcare sector has seen remarkable growth as an alternative commercial property asset over the past ten years.

Its affordability has attracted private investors, while the sector's increasing sophistication has drawn funds, syndicates, and larger groups seeking to capitalize on this heavily subsidized income stream. Prior to the pandemic, there was a surge in development activity, particularly in Western Sydney, with rising approval levels as owners aimed to meet growing demand or on sell sites at premium values.

However, escalating construction costs in recent years have left many of these sites undeveloped, and these approvals may lapse as concerns around the viability of projects grow. Consequently, there have been an increase in DA-approved childcare sites coming to market, a trend expected to persist. Childcare center transactions in Western Sydney during 2023/24 have totalled $53.1 million, representing a 27.4% decrease compared to the previous year's results. While there has been a decrease in transactional activity, the rate of decline is limited compared to National results, where volumes decrease has been more substantial.

Western Sydney Childcare Market
Sales Volumes & No. of Transactions



SOURCE: RWCWS *2023/24 REPORTED TO 1 JUNE

LEASING

The childcare sector has experienced increased leasing activity in recent years. For operators seeking to expand, leasing has become a viable option, especially given the growing investor demand for these assets, which has often priced out many potential owner-occupiers. In new developments, securing a high-quality operator has been crucial. However, leasing rates have faced upward pressure due to rising construction costs. These increased expenses have established new economic rent levels necessary for the completion of these assets.

OUTLOOK FOR FY24/25

While Western Sydney continues to see robust population growth, this doesn't automatically equate to increased childcare demand.

The influx of overseas migrants and their families has brought about cultural shifts in some areas, altering the occupancy dynamics for this asset class. Nevertheless, with the average sale price remaining under $5 million, childcare centers continue to be an accessible investment option for investors looking to diversify their portfolios with commercial properties.

Affordability remains a key concern for many families, underscoring the importance of thorough location research to understand the long-term viability of a childcare investment, beyond just considering potential population growth. While competition and new developments can impact occupancy rates, the fundamental characteristics of childcare as a stable, income-generating asset class remain sound.

SOLD

152 Old Pitt Town Road, Box Hill

$3,350,000

DA Approved 83-Place Childcare Site

LEASED

47-51 Rosewood Avenue, Prestons

Confidential

80-Place Childcare Centre

MANAGED

102 Warrimoo Avenue, St Ives

Recent Management

Childcare Centre

WESTERN SYDNEY BLOCK OF UNITS MARKET

Owners opt to hold block of units, as residential values and rents *skyrocket.*

KEY POINTS

The block of unit market has grown in popularity, reducing discounting per unit due to pressures in the NSW housing market, especially in Western Sydney with its rapid population growth, rent increases, and low vacancy rates.

While transactional activity has increased in the eastern suburbs and inner-city markets, Western Sydney owners are reluctant to sell, aiming to retain generational wealth and income returns.

Sydney's outer ring faces a low vacancy rate of 1.3%, driving continued rent increases as new housing supply struggles to meet population demands. Rent for smaller units has surged up to 50% over two years, with two-bedroom units seeing a 27.7% increase.

There is high demand for long-term leases, allowing owners to command higher rents and secure stable, predictable income as tenants commit to longer leases.

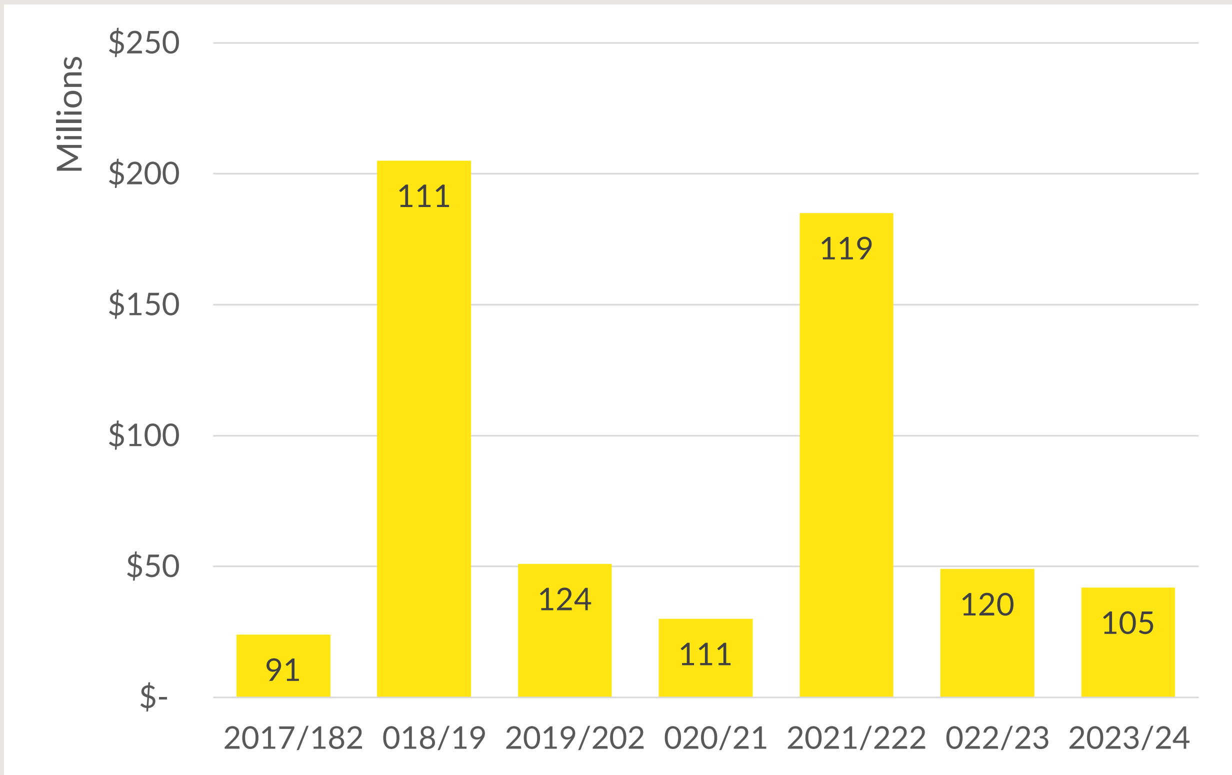
TRANSACTIONS

The block of unit market has gained popularity in recent years, leading to a shift in attitudes towards this investment type. This has reduced the typical discounting associated with these assets when considering value on a per-unit basis. The change in sentiment has been driven by ongoing pressures in the NSW housing market, particularly in Western Sydney, where housing supply additions have not kept pace with rapid population growth, resulting in rent increases and low vacancy rates.

In Western Sydney, these assets have been tightly held, with greater transactional activity observed this year in the eastern suburbs and inner-city markets. Many owners have been reluctant to sell, given the strong increases in the broader residential values, while looking to retain generational wealth and growing income returns. Transactions have totalled just $42.0 million, a similar rate to last year, but significantly down from the 2021/22 results.

Western Sydney Block of Units Market

Sales Volumes & No. of Transactions



SOURCE: RWCWS *2023/24 REPORTED TO 1 JUNE

LEASING

With Sydney's outer ring experiencing a low residential vacancy rate of 1.3%, continued upward pressure on rents is expected to persist. As new housing supply struggles to meet the demands of increased population, significant rent growth has been observed over the past few years, particularly in the outer ring, challenging affordability.

Consequently, rents for smaller bed-sits and one-bedroom units have surged by as much as 50% over the past two years. Families are being forced to downsize their accommodation expectations, leading to a 27.7% increase in rents for two-bedroom units over the same period. These robust growth fundamentals are highly attractive to block of unit owners, further reinforcing their desire to retain these assets in the current market environment.

OUTLOOK FOR FY24/25

A key attraction of this asset class is the potential for strata subdivision and value addition.

Many long-term private buyers appreciate the growing income and prospect of capital returns linked to the residential market. In the current climate, the high cost of replacement is making established dwellings, such as these, even more appealing.

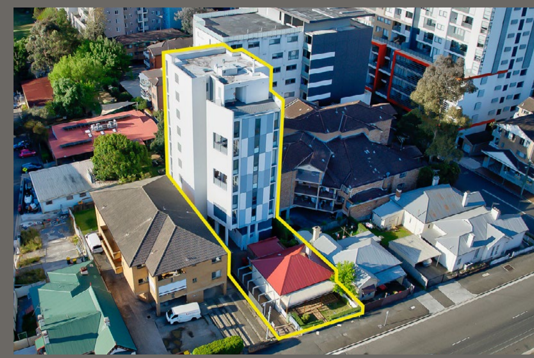
The mismatch between housing supply and demand resulted in the emergence of "build to rent" projects in Australia. This asset class, popular in Europe and the UK, along with multi-family homes in Asia, is gaining traction. The block of unit market can be seen as a precursor to these emerging market segments. It offers tenants long-term leasing security while providing owners with a regular, stable income stream, all while capitalising on the underlying growth in residential housing.

SOLD

530-533 Woodville Road, Guildford

$9,500,000

Entire Block of 25 Units



SOLD

26 Marion Street, Parramatta

$8,050,000

21 Residential Apartments + Retained Cottage

SOLD

7-9 Morton Street, Parramatta

$7,502,000

Entire Block of 13 Units

WESTERN SYDNEY MARKET

Our *future* projections:

The Western Sydney property market is poised for a dynamic period ahead, characterised by both challenges and opportunities across various sectors. This outlook is shaped by the region's robust population growth, ongoing infrastructure developments, and the broader economic landscape.

SUMMARY OF OUR PREDICTIONS FOR

- Residential
- Commercial
- Development

RESIDENTIAL

The residential market in Western Sydney is expected to remain under pressure due to a significant housing shortage.

With over 82,000 apartment/townhouse dwellings in the pipeline, but likely only half coming to market in the next five years, demand is set to outstrip supply considerably.

This imbalance will likely lead to:

- Continued upward pressure on house prices and rents.
- Persistently low vacancy rates
- Increased demand for affordable housing options

The shortage may be particularly acute in areas like Parramatta, Canterbury/Bankstown, and the South West growth corridor (Liverpool, Camden, and Campbelltown).

While we may see greater build to rent projects get off the ground the runway to completion is long and unlikely to solve current housing crisis.

These indicators will lead to blocks of units as an investment class to remain highly sought after by investors, with limited turnover as owners hold onto these assets for long-term capital appreciation and strong rental returns.

COMMERCIAL

The industrial property market in Western Sydney is expected to be driven by the fundamentals of limited land availability. Particularly so, in well-connected areas with ongoing infrastructure improvements enhancing the region's connectivity.

Despite this, across Western Sydney there is scope for both value and rents to plateau or potentially decline as space requirements settle and users hit their inflexion point with rents.

The office market faces more uncertainty, particularly for the secondary market where vacancies remain high. However, high-quality office developments, particularly those in key centers like Parramatta, may perform better as businesses seek modern, amenity-rich environments to attract employees back to the office.

Changes in unemployment levels in the medium term, may do much change working habits, bringing staff back into the office more regularly, providing an opportunity for further absorption of space.

Retail is showing signs of improvement, particularly in neighborhood centres and those catering to needs including food and services.

The limited new supply coupled with population growth is likely to support this sector's performance in the medium term.

DEVELOPMENT

The development landscape in Western Sydney faces several challenges:

- Rising construction costs and labour shortages putting pressure on project viability
- Planning and approval processes potentially slowing down new projects
- Financing constraints due to the higher interest rate environment

However, the NSW government's efforts to streamline planning processes and encourage higher density developments may help alleviate some of these issues. The focus on developing employment lands, particularly around the Aerotropolis, presents significant long-term opportunities for the region.

Ongoing infrastructure investments, including transport improvements and the development of the Aerotropolis, will continue to be key drivers of growth and property values in Western Sydney.

There will be an increasing need for community facilities such as childcare centers, medical facilities, and educational institutions to support the growing population.

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.

Our People are *Your Advantage.*

SALES


PETER VINES
Managing Director


JOSEPH ASSAF
Director


VICTOR SHEU
Director


JAI SETHI
Associate Director


TROY WANG
Sales Executive


OWEN WHITE
Sales Executive


KEVIN GALWEY
Sales Executive


DANNY SHI
Sales - AIS


TAO SHI
Sales - AIS


ANDREW SACCO
Sales Executive


VEE LI
Sales Executive


MINAL PATEL
Sales Associate


MARCUS AUDDINO
Sales Associate


JAYKY WU
Commercial Property Analyst


CHANTEL BRILLANTES
Marketing & Design


MONH LY
Campaign Manager


SARA COPTIL
EA to Peter Vines

LEASING


ROBERT NAPOLI
Senior Leasing Executive


SAMUEL GONG
Senior Leasing Executive

ASSET MANAGEMENT


JOYCE ELKOUBERCI
Director


CALLUM MCKAY
Asset Manager


ZEINA TAJIK
Accounts


AALIYAH CHAMI
Assistant


ADRIAN HARB
Assistant


MARCUS FUNG
Assistant

OPERATIONS


RUBY ROZENTAL
Director of Strategy


HANNAH CARNEY
Director of Operations


PAULINE WATERFORD
Finance Manager


CHRISTIAN BRILLANTES
Office Assistant

PROJECTS


MARK BERNBERG
Managing Director


LIAM SIMPSON
Senior Sales Executive


NATASHA SANDERS
Sales Associate


SHANI FERDMAN
Sales Assistant


BETTY NGUYEN
Marketing Coordinator

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

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