



RWC

WESTERN **S**YDNEY INSIGHTS

Residential Development Overview

ISSUE 1

RWC WESTERN SYDNEY

Executive Summary

Western Sydney is expected to be the major recipient of population growth over the next 20 plus years due to a combination of natural increase, interstate movements back to NSW, and international immigration. The numbers suggest

that Western Sydney could add close to 20,000 people per annum through until 2041. The South West is expected to be a major beneficiary of strong population gains due to the ability to provide housing, and employment which is echoed by the investment into infrastructure in this region. The North West is also expected to continue population growth at a high rate over the next ten years before its rate of growth softens in line with the absorption of developable land in the region.

With housing being a major issue in Sydney with vacancy rates at historic lows and affordability difficult particularly in this growing interest rate environment, new affordable housing stock will be important to the attractiveness of Western Sydney, to this growing population.

Over the 2021/22 period there was a strong need for housing despite the limited addition to the population, however given the lockdowns and high construction costs we did not see new supply meet the market, as such Sydney is now in a housing supply crisis with the pipeline needing to be rapidly advanced to meet the current and expected new population additions, particularly as the immigration tap is now fully turned on.

The Western precinct is expected to provide the bulk of housing stock over the next few years by being able to take advantage of existing infrastructure and align with the Cities Plan for Sydney with Parramatta CBD at its core.

First home buyers' commitments have continued to reduce since the peak of the market in early 2021. And with the consecutive increases in interest rates, buyers are now more cautious despite some compression in median values.

The NSW government's implementation of the First Home Buyer Choice in November 2022 is expected to aid the first home buyer market removing the need to fund stamp duty up front and defer its cost as an annual land tax bill. This has traditionally been a huge hurdle for first time buyers and is expected to increase demand to invest despite growing interest costs. On the investor front, lending has seen some decrease over the recent past, however with the combination of price compression and rising rents improving investment yields, there could be significant resurgence from this segment of the market in the coming years.

The Western Sydney precinct will be key to watch over the next 20 years given the strong investment into infrastructure, rising population which will make way for exciting employment and housing opportunities.



A handwritten signature in black ink, appearing to read 'Peter Vines', written in a cursive style.

PETER VINES

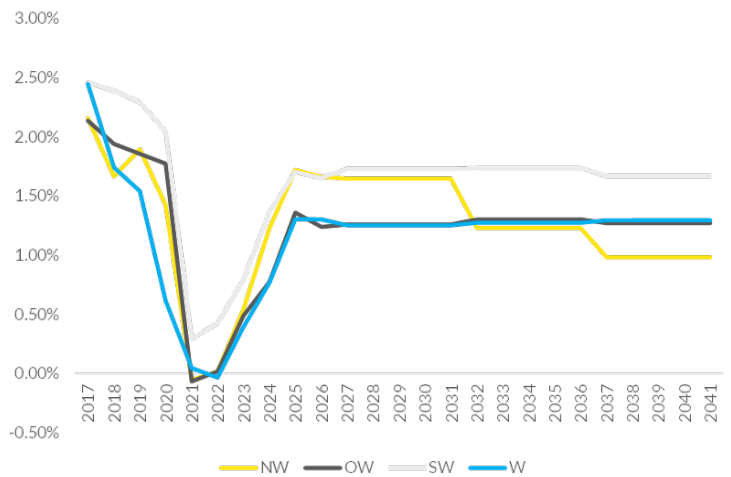
Managing Director, RWC Western Sydney



NSW Population Projections

Annual Population Growth by Western Sydney Precincts

While population suffered during the COVID-19 pandemic, there has been a swift increase of immigration together with natural increase which will see population uptick again in 2023 and beyond. Across NSW the population is expected to grow on average by 85,000 people per annum through to 2031, the bulk of people are anticipated to reside within the Western Sydney precincts. These precincts currently account for approximately 1.35million with annual growth expected stable over the next 20 years averaging 1.2% per annum which will trend to close to 20,000 new residents each year. The Outer West is currently the smallest of the Western precincts with current population estimates at 860,000; the rate of growth in this market is expected to mirror the West albeit the number of new residents will average sub 15,000 per annum. The South West is the precinct with the greatest opportunity, currently home to 805,000 residents, growth expectations are high at 1.6% per annum given the availability and affordability of further housing supply. The North West is somewhat constrained, and growth is expected to continue albeit at a lesser rate into the future.

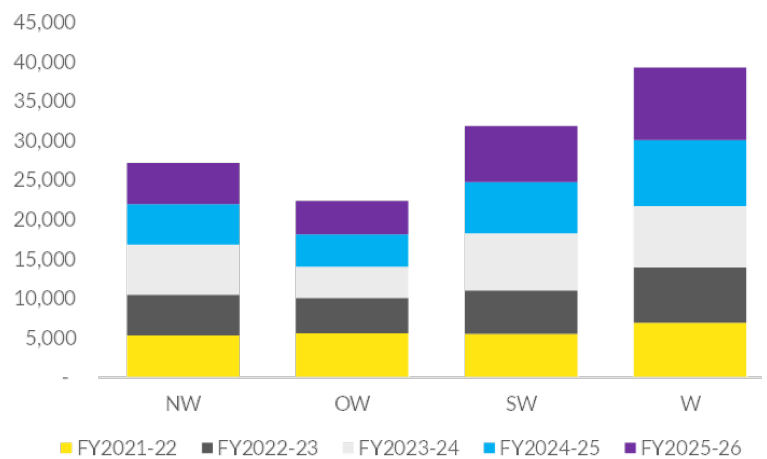


Source: Department of Planning, Industry & Environment

Housing Supply Projections

Medium Scenario by Precinct & Year

Following from the population expectations, the West is anticipated to require a high level of housing to meet the demand from new residents followed by the rapidly growing South West. The North West requirements will also remain high particularly in the short term, similarly for the smaller Outer West precinct which is geographically constrained making it difficult to add to the required housing supply. Over the 2021/22 period there was a strong need for housing despite the limited addition to the population, however given the lockdowns and high construction costs we did not see new supply meet the market, as such Sydney is now in a housing supply crisis with the pipeline needing to be rapidly advanced to meet the current and expected new population additions particularly as the immigration tap is turned on. Current rental vacancies at sub 1% across the State highlight the underlying need for housing stock particularly in the short term. Across the West there is a need for an average of 7,861 homes to be added per annum over the five years,



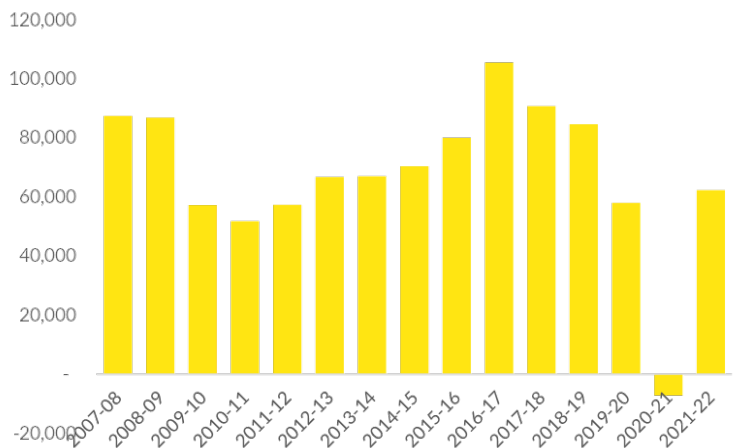
Source: Department of Planning, Industry & Environment

followed by the South West at 6,377 and North West at 5,445. However, looking further ahead into the medium and longer term we will see Outer West needs grow and extend past that of the North West precinct as land supply dwindles and population becomes more concentrated into the Western Sydney precincts as per the Smart Cities Plan.

Net Overseas Migration

NSW, No. People

Across Australia, we saw a halt to overseas migration during the pandemic period, with many residents leaving the country. Interstate migration to other states also grew to a long term high. However, this rebounded quickly as overseas migrants accounted for 171,000 of the population in 2021/22, of which 62,210 came to NSW. Encouragingly of 84% of all those who have sought to permanently relocate to Australia are skilled workers which will aid the current labour shortage felt across the country. Looking ahead the expectations surrounding overseas migration is that 235,000 people will enter Australia each year over the next two years which will further exacerbate the housing shortfall felt across the country. Over the past ten years prior to the pandemic, NSW welcomed over 73,000 immigrants per annum and the expectation is that NSW will remain one of the major recipients of this population going forward. Interstate migration however will continue to be a feature for NSW as it has historically lost population to states which offer greater housing availability and affordability particularly given the strong labour markets nationally.

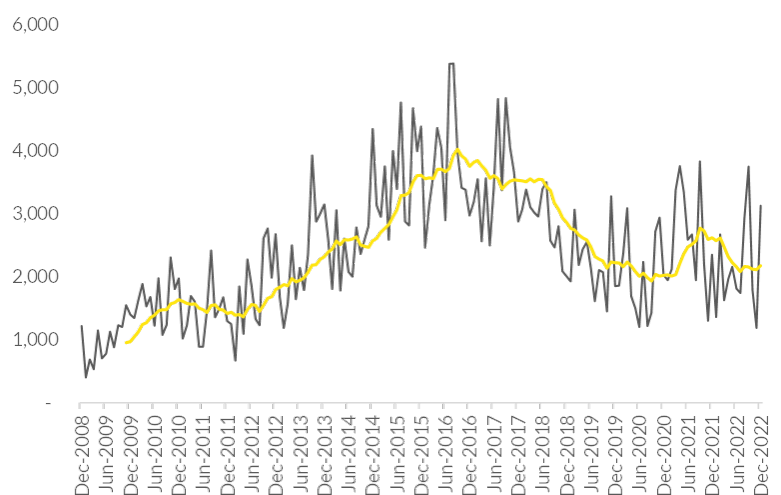


Source: ABS Cat.4307

NSW Dwelling Approvals

(EXCLUDING HOUSES) Monthly, 12 Month Rolling Average

Looking at dwelling approvals (excluding houses) we can see that multi-unit developments have seen some lag. During the COVID-19 period this was at a low given lockdowns, restrictions on the workforce together with the excessive cost to do businesses due to increased raw material with the international blockages in supply chain, high inflation and rising fuel costs all contributing to a lull in construction activity. We did however see some movement late in 2021 and into 2022 where DA activity grew in line with the rapid deterioration of the housing vacancy rates, the underlying need for housing stock spurring on developers to advance their projects through the development approval process. Late in 2022 there has been some volatility in activity however encouragingly this is starting to show some upward momentum despite the 12 month average reverting back to pandemic levels.



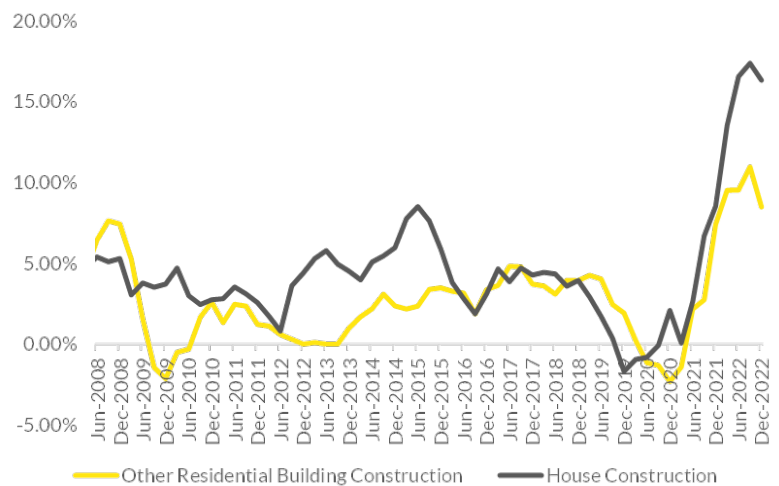
Source: ABS Cat. 8731



Construction Costs

Annual Index Growth

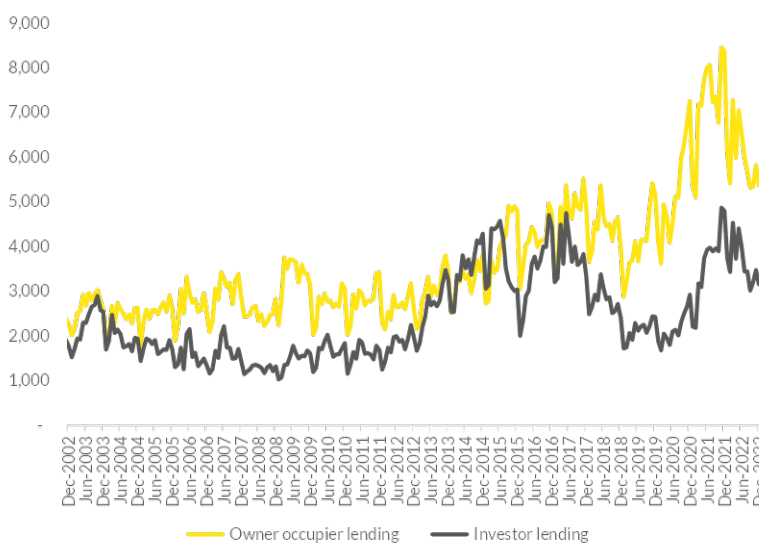
The major stumbling block for the addition of new housing stock has been the increased cost of construction. This has been growing rapidly over the last few years due to the increased cost of raw materials including timber, concrete, steel together with further upwards inflationary pressures. Furthermore, the cost of delivery, fuel and blockages in the supply chain and labour shortages have added to these expenses. Government grants and restrictions to travel during the pandemic period saw many people invest in their homes which aided in creating this high demand, however in the last six to twelve months this has started to dissipate particularly given interest rate rises. With the reduction in construction activity there has been an improvement in the availability of labour which has aided somewhat the overall price of construction. The annual growth index of construction costs highlights the high increase in housing construction up 17.4% in the 12 months to September 2022 before showing its first drop, for other residential construction growth averaged 11.0% before reducing albeit still growing but at a lesser rate.



Source: ABS Cat.6427

NSW New Housing Loan Commiments (EXCLUDING REFINANCING) \$Millions

After a prolonged low in interest rates, the subsequent interest rate increases in 2022 and 2023 has done much to dampen the residential market. The increased cost to finance had made new purchasing decisions difficult for buyers and has seen many investors (particularly first-time investors) leave the marketplace after peak borrowing levels in early 2022. As such we have seen residential sales volumes reduce together with median house prices, however the low vacancy environment has seen strong rental growth and improved rental yields could be a catalyst for the re-entry of experienced investors in the marketplace. High inflationary pressures have resulted in strong increases to non-discretionary goods and with wage growth not matching, we have started to see an increase of mortgage stress in the marketplace. Furthermore, with a high volume of fixed loans coming to an end over the



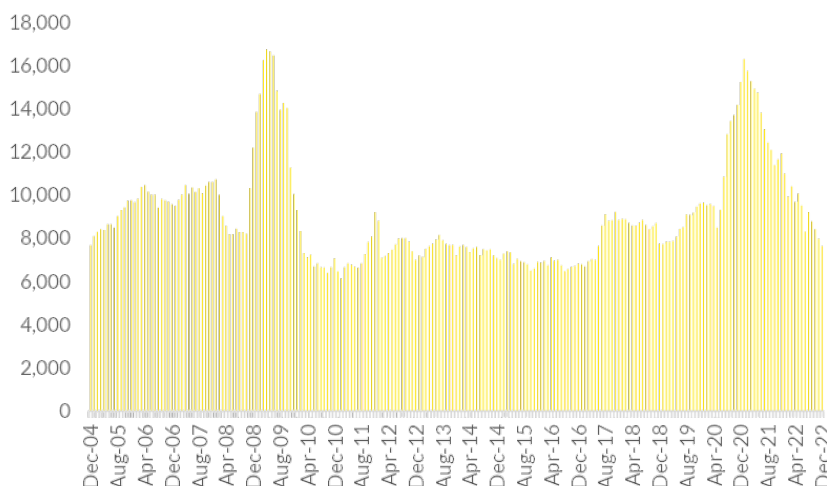
Source: ABS Cat. 5601

next 12 months a rapid increase in mortgage and interest expenses is expected to have a further dampening affect on the residential market in the short term.

NSW First Home Buyer Lending Commitment Number

First home buyers' commitments have continued to reduce since the peak of the market in early 2021 where over 16,000 buyers for the month were recorded. The rapid increase to median house prices resulted in many first-time buyers being priced out of the market and despite low interest rates there remained barriers to entry for many investors. However, with the consecutive increases in interest rates buyers are now more cautious despite some compression in median values, as a result less than 7,500 first home investors were recorded in late 2022 less than half the peak rate.

The NSW governments implementation of First Home Buyer Choice Scheme in November 2022 is expected to aid the first home buyer market, removing the need to fund stamp duty up front and defer its cost as an annual land tax bill. This has been a huge hurdle for first time buyers and is expected to increase demand to invest despite these



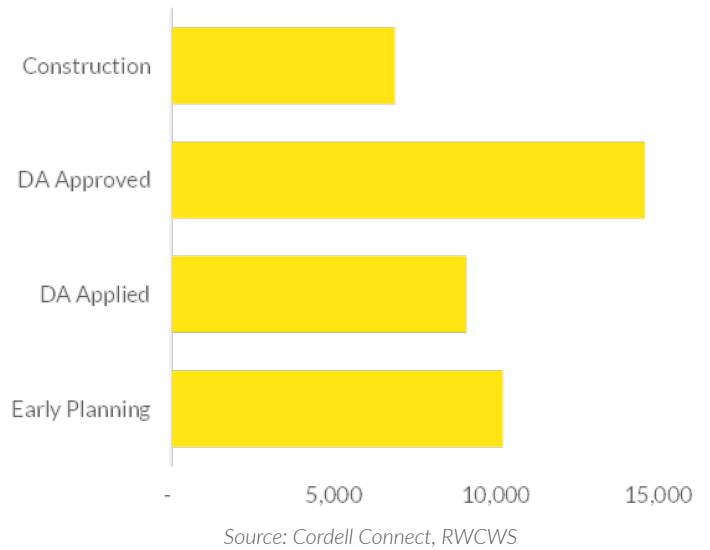
Source: ABS Cat.5601

growing interest costs. Low residential vacancies across Sydney have seen rental rates move upwards which may be the catalyst to reignite demand by first home buyers in 2023.

Residential Multi-Dwelling Pipeline

SYDNEY WEST

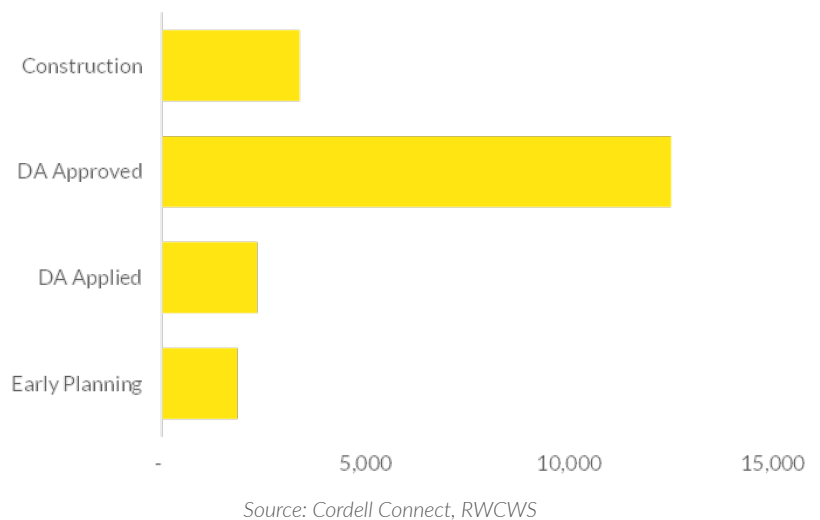
Across the Western Sydney precinct there are currently 487 projects in the development pipeline which have the potential to add 40,774 dwellings over the next three to five years. There are 6,889 units currently under construction which are likely to be completed within 18 months, the bulk of these are located in City of Parramatta (3,796 units) followed by the Cumberland LGA (1,576 units). The DA Approved segment is the largest with close to 15,000 units approved, many projects have been on a prolonged hold given lockdowns and increases in construction costs and labour shortages, it is expected that these projects will be advanced swiftly as demand for housing stock escalates. There is a further 19,295 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 2025 or beyond. The City of Parramatta accounts for the greatest expected volume of new stock additions with 22,087



units in the development pipeline, while projects are fewer in infill regions of Burwood, Strathfield, George's River. Demand for stock in these locations remain high given their location and access to amenities.

SYDNEY OUTER WEST

There are currently 20,075 units in the development pipeline across the Sydney Outer West region, this is represented by 248 projects; many of these projects remain in early planning phases and their scale and number of units are still unknown. There are currently 3,381 dwellings under construction, close to 80% of which are located in the vast Blacktown LGA with the majority of projects in the Marsden Park/Schofields precinct capitalizing on the growth along the North West corridor and nearby existing rail, new metro services as well as retail and employment infrastructure. With still a further 12,501 dwellings with DA Approval, again the bulk are within the Blacktown LGA notably in the North West including Rouse Hill. With Penrith constrained by the Blue Mountains we are seeing infill projects within Penrith, St Mary's and more modern suburbs such as Jordan

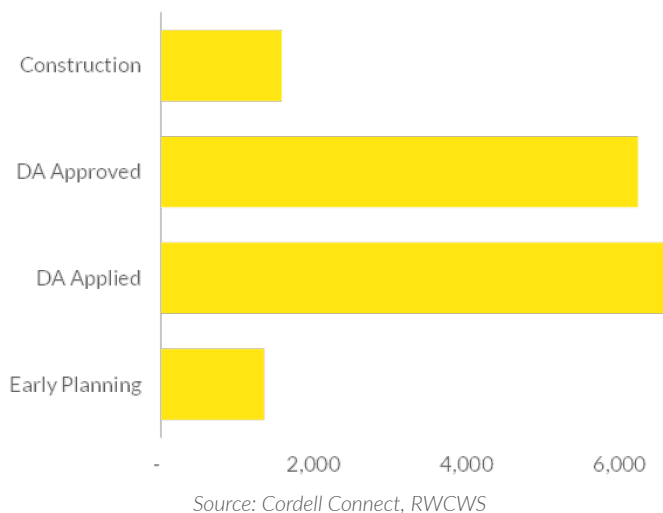


Springs. The access to rail transport as well as universities, retail and employment highlighting this region as a core node for NSW's Cities Plan for Western Sydney.

SYDNEY SOUTH WEST

Sydney's South West is projected to be one of the largest development opportunities for Sydney. This location has benefitted from the rezoning of land to residential uses and the proximity to the Western Sydney Aerotropolis, improving transport infrastructure as well as increased employment opportunities capitalizing on the vibrant industrial precinct along the M5 corridor. Currently there are 361 multi-unit projects offering 15,759 dwellings.

There are currently 1,584 dwelling units under construction, heavily weighted towards Liverpool and Camden LGA with completion likely within 18 months, the strong pipeline of DA Approved and DA Applied projects highlighting the longer term plans for this region to cater for the rapidly growing population. Liverpool currently has close to 5,000 units in these phases with projects across existing suburbs of Moorebank, Casula and Liverpool as

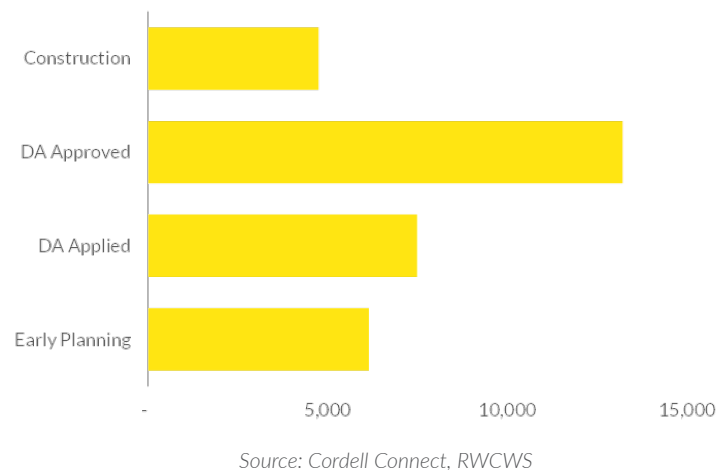


well as growth nodes of Edmondson Park and Austral. Campbelltown LGA also has over 4,700 dwelling units expected to expand its region capitalising on existing infrastructure within Campbelltown and Ingleburn, while Camden is rapidly expanding precincts such as Oran Park and Leppington.

SYDNEY NORTH WEST

The North West precinct is home to 304 multi-dwelling projects which will see 31,594 units be constructed across the region. Currently there are 4,751 dwellings under construction dominated in The Hills Shire Council area, this North West Corridor sharing zoning with Blacktown LGA which is in our West analysis. The Hills has already seen much development with suburbs of Kellyville, Castle Hill, Baulkham Hills and Rouse Hill historically, while suburbs with expansion opportunities include Box Hill and Gables with additional opportunities in those more established suburbs. Infill opportunities exist along the northern corridor such as Ryde LGA with over 8,600 units in its pipeline capitalizing on existing transport, retail and walkability features.

Similarly Ku-ring-Gai, Hornsby and Lane Cove have a steady supply of projects expected to move through the development cycle. With over 13,000 dwellings with DA approval, it is expected that these projects



will be advanced over the next few years after being put on hold during the pandemic assisting in the high demand for housing in this location.

Major Infrastructure Projects

Completed 2019

SYDNEY METRO NORTH WEST

Delivering 8 new railway stations and 4000 commuter car parking spaces to Sydney's growing North West

Completed 2021

PACIFIC HIGHWAY UPGRADE

One of the largest road infrastructure projects in NSW, connecting Sydney and Brisbane and contributing to Australia's economic activity.

Late 2023

PARRAMATTA LIGHT RAIL

A 12-kilometre light rail network with 16 stops will connect Westmead to Carlingford via Parramatta CBD and Camellia. It will serve new communities, connect places and help both locals and visitors move around and enjoy what the region has to offer.



Completed 2020

SYDNEY LIGHT RAIL

A 12 kilometre light rail network with 19 stops, extending from Circular Quay along George Street to Central Station, through Surry Hills to Moore Park, then to Kensington and Kingsford via Anzac Parade and Randwick via Alison Road and High Street.

Completed 2023

EASING SYDNEY'S CONGESTION

The Easing Sydney's Congestion Program Office is working to deliver significant improvements to reduce Sydney's congestion.

Esti

SYDNEY & SC

A 30-km extension from the end of West and Sydney CBD to Bankst

RAIL

network
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Estimated 2027

SYDNEY METRO WEST

Will deliver a direct connection between the CBDs of Parramatta and Sydney, linking communities along the way that have not been previously serviced by rail.



Estimated 2028

BEACHES LINK AND GORE HILL FREEWAY CONNECTION

This city-shaping motorway project will change the way you travel to and from the Northern Beaches, including new connections on the Gore Hill Freeway at Artarmon, Warringah Freeway at Cammeray, and direct access onto Burnt Bridge Creek Deviation at Balgowlah and Wakehurst Parkway at Seaforth.



Estimated 2024 SYDNEY METRO CITY SOUTH WEST

A 15-kilometre metro line linking metro rail from the Sydney Metro North at Chatswood under Sydney Harbour, through new stations and south west to the city.

Estimated 2027 WESTERN HARBOUR TUNNEL AND WARRINGAH FREEWAY UPGRADE

This major transport infrastructure project will create a western bypass of the Sydney CBD, taking pressure off the Sydney Harbour Bridge, Sydney Harbour Tunnel, Anzac Bridge and Western Distributor corridors – making it easier, faster and safer to get around Sydney.

Multiple Projects Completed Through to 2040 PRINCES HIGHWAY UPGRADE

We have a plan to deliver a safe, reliable, efficient, and connected network for all transport users.

Major Corridor Projects

OUTER SYDNEY ORBITAL STAGE 1 CORRIDOR INVESTIGATION

- A major transport link between the North West and South West Growth Areas, connecting with the planned Western Sydney Airport and future employment lands.
- Certainty for communities and land use planners to enable future impacts to be minimised.
- Support for growing communities, businesses and the creation of new jobs in Western Sydney.
- North South Rail Line and South West Rail Link Extension
- The corridors will provide for future passenger rail lines and
 - Provide a major transport link between the North West, Western Sydney Airport, South West and Greater Macarthur Growth Areas
 - Provide transport options to support population, jobs and economic growth across Western Sydney and for the planned Western Sydney Airport.
 - Support future town centres to be designed and planned around future transport infrastructure.



OUTER SYDNEY ORBITAL STAGE 2

- The Outer Sydney Orbital Stage 2 corridor investigation is identifying long-term transport connections between Western Sydney and the Illawarra-Shoalhaven region.
- Provides for future reduced inter-regional travel times for journeys between the Western Parklands City and the Illawarra-Shoalhaven region for work, study and leisure
- Provides for benefits for the movement of freight, including reducing the cost of moving goods between the Port of Port Kembla, the Western Sydney Aerotropolis and other logistic hubs in Western Sydney and the Illawarra-Shoalhaven.

WESTERN SYDNEY FREIGHT LINE STAGES 1 & 2

- Protecting land for a future freight rail link between the Western Parkland City and Port Botany.
- The Western Sydney Freight Line will provide for a future transport link, and will benefit local communities and industry by:
 - Providing for a dedicated freight rail connection between Port Botany and the Western Parkland City. More than 80% of import containers from Port Botany have an origin or destination in the Western Parkland City.
 - Supporting the movement of containers and bulk freight by rail across Greater Sydney.
 - Providing for freight rail connections to serve employment lands and future industries across the Western Parkland City.
 - Freeing up capacity on the Main West Line to accommodate more passenger rail services.
 - Connecting the Eastern Harbour City, Central River City and Western Parkland City through improved freight rail services.
 - Reducing the growth in road congestion on the Sydney Road Network with more options to move goods.
 - Creating access to the future Western Sydney Intermodal Terminal in the Mamre Road Precinct.



EAST WEST RAIL LINK

- The East West Rail Link will benefit local communities and industry by:
 - Helping to realise the 30-minute city vision.
 - Together with Sydney Metro West, providing a connection between Sydney's three cities: the Western Parkland City, Central River City and Eastern Harbour City.
 - Providing transport options to support population, jobs and economic growth across Western Sydney and for the Western Sydney (Nancy - Bird Walton) International Airport.

Summary

In conclusion, the Western Sydney Residential Development Report highlights the significant impact of population growth on the construction and infrastructure of the region.

With its population expected to reach 2.9 million by 2036, there is a growing need for increased housing and improved infrastructure to meet the demands of this expanding population. The report has highlighted the various measures being taken to address these challenges, including the construction of new residential developments and the implementation of various infrastructure projects.

In summary, the Western Sydney Residential Development Report highlights the remarkable growth and development of the region. This rapid expansion presents a wealth of opportunities for those looking to invest in the area, whether in residential or commercial real estate. With a range of government initiatives aimed at driving growth and development, and a dynamic and diverse economy, Western Sydney is poised to become one of the most exciting and rewarding regions in the country. Whether you're a first-time investor or an experienced developer, there has never been a better time to explore the possibilities that this dynamic region has to offer.

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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)	SW	Georges River (A)	W
Liverpool (C)	SW	Parramatta (C)	W
Sutherland Shire (A)	SW	Strathfield (A)	W
Wollondilly (A)	SW		

An architectural rendering of a modern residential development. The scene features several multi-story apartment buildings with a mix of light-colored facades and dark wood paneling. Each unit has a balcony with glass railings and some have small trees. A central paved walkway runs through the complex, flanked by lush landscaping including various plants and trees with purple blossoms. Two people are shown riding bicycles along the path. The sky is clear and blue, suggesting a bright, sunny day. A semi-transparent grey box in the center contains the text 'RWC' in a bold, white, sans-serif font.

RWC