WESTERN SYDNEY INSIGHTS

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WESTERN SYDNEY COMMERCIAL MARKETS

2025 Predictions

ISSUE 4

DEC 2024

Contents

Predictions for 2025

Executive Summary

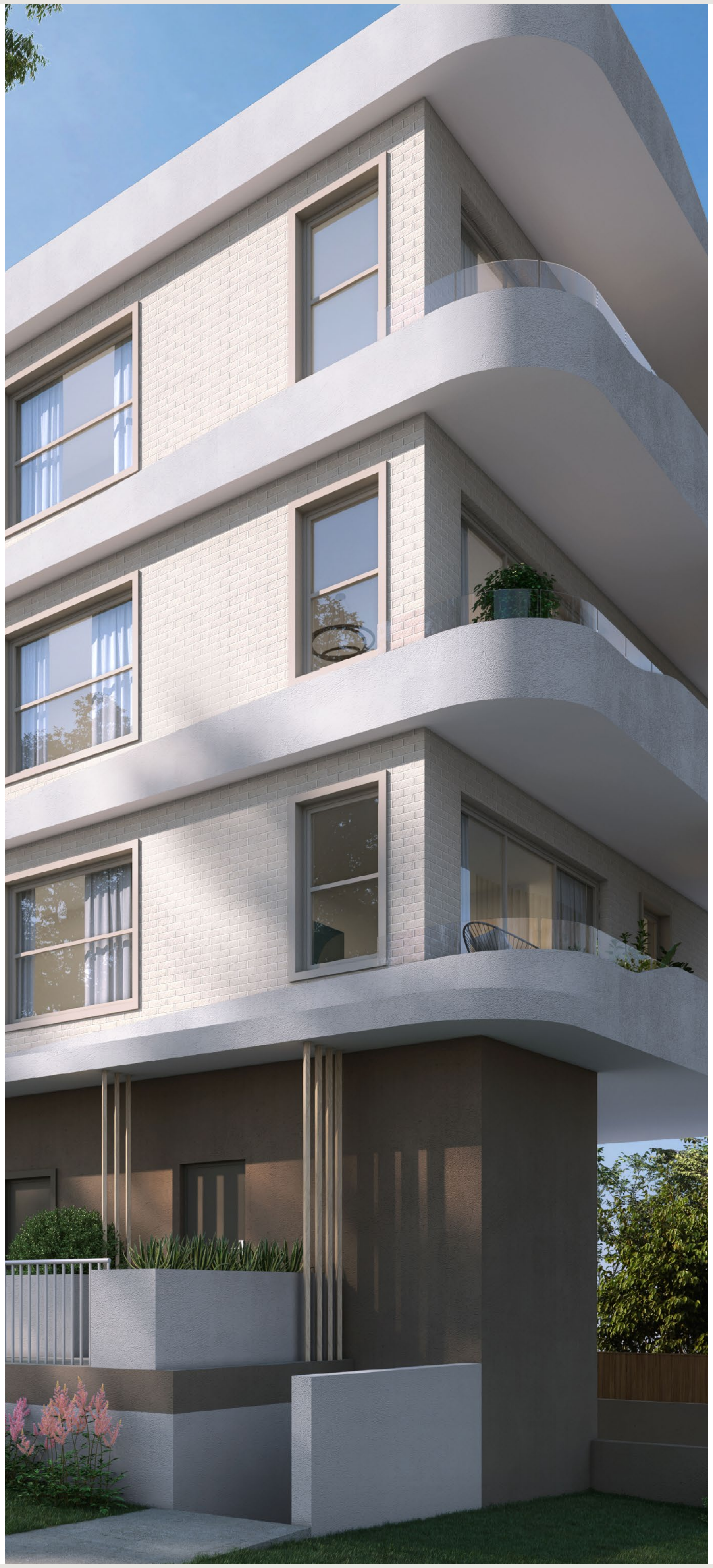
RWC Western Sydney is pleased to present our Predictions for the Western Sydney Commercial Markets 2025.

In 2024, Western Sydney's commercial property market faced a challenging economic landscape marked by:

- Sustained peak interest rate of *4.35* basis points
- Construction cost *pressures*
- Shifting investor *expectations*

Despite these difficulties, population growth and significant infrastructure investments supported steady demand across the market, with the region's long-term potential and appeal remaining strong. As developers and investors adapted to economic pressures, Western Sydney's strategic location and continued growth reinforced its position as a resilient and attractive commercial hub.

Each asset class has experienced unique challenges and opportunities, resulting in a varied outlook for the next 12 months.The industrial market is set for potential opportunity with steady long-term growth, driven by strong Cdemand for logistics and distribution facilities. While supply constraints persist, investment and development in outer precincts and around the Aerotropolis are expected to create new opportunities in this evolving landscape.



DEVELOPMENT SITES

With strong population growth and high housing demand, Western Sydney's development site market remains attractive despite approval and construction challenges. Legislative reforms may ease project timelines, and rising rental rates are driving interest in high-density, adaptable housing like co-living and build-to-rent. This evolving market offers promising opportunities for investors seeking innovative housing solutions in well-connected areas.

BLOCK OF UNITS

The block of units market is set for sustained growth, fueled by strong rental demand, low vacancy rates, and limited new housing supply as well as higher new property values dragging up 2nd hand market. This asset class appeals to investors and developers alike, offering income stability and long-term growth potential. The continual rise in rents, combined with interest in strata subdivision, boarding houses, and refurbishment opportunities, makes this asset class a strategic investment, especially as population-driven demand in areas like Western Sydney continues to bolster rental growth.

OFFICES

Assets such as Offices will continue to face challenges from flexible work trends and high vacancy rates, particularly in older, less adaptable spaces. However, demand for premium, tech-enabled, and sustainable offices remains strong, especially in sought-after locations. Landlords are likely to offer incentives to remain competitive, with Sydney's prime areas seeing stable rental levels supported by a consistent interest from sectors like finance and tech. We anticipate that although we are likely to see more people return to the office that demand from new business will stay subdued.

RESIDENTIAL DEVELOPMENT

The residential development sector will see strong demand in suburban areas fueled by population growth and improved transportation links. While these growth corridors present promising opportunities for families and investors, limited housing supply and affordability concerns remain significant challenges. Meeting the market's needs will require ongoing efforts to balance supply with demand in well-connected, accessible communities as well as government intervention to facilitate development of new housing supply.

ASIAN INVESTMENT

Asian Investment will remain a significant player in Australian real estate, with investors anticipated to target sectors like logistics, high-quality offices, and mixed-use developments. Western Sydney's growth corridors, supported by major infrastructure projects, are set to draw substantial investment interest from Asian buyers in the coming year.

RETAIL

Retail remains resilient, with growing demand from owner-occupiers and investors. Increased consumer confidence and potential rate cuts are expected to drive interest in high-quality assets. We are also not likely to see much new supply coming through as current economics will restrict development.

CHILDCARE

The childcare sector is set for steady growth, driven by strong investor demand for stable, low-risk assets and robust leasing activity. Rising construction costs and potential oversupply may lead investors to focus on strategic, well-located sites, yet the sector's long-term growth prospects remain positive.

Looking ahead, Western Sydney's commercial market is set for resilient growth, driven by population increases, major infrastructure projects, and demand for adaptable, well-connected spaces. The anticipated interest rate easing cycle could serve as a catalyst, boosting investor confidence and activating the development pipeline. While challenges remain, such as construction costs and economic uncertainties, ongoing infrastructure investment and a focus on sustainable, flexible developments are expected to sustain demand, presenting attractive opportunities as Western Sydney's landscape continues to evolve.

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

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Industrial Market

Western Sydney's industrial market is set to enter a period of adjustment and potential opportunity amid ongoing economic uncertainties. Although the remarkable growth and demand fueled by the pandemic are levelling off, the market's core strengths continue to provide a resilient foundation for long-term growth.

KEY PREDICTIONS FOR 2025

DEMAND, SUPPLY CONSTRAINTS & LAND VALUES

The inner central western areas are expected to remain supply-constrained, keeping upward pressure on land values and rents for prime assets. Meanwhile, the outer western and southwestern precincts—where land is more available—will likely attract increased development activity and interest from businesses seeking affordable options. Strong demand drivers persist, including the expansion of e-commerce and the need for efficient logistics networks, which continues to fuel the requirement for large-scale distribution facilities. Simultaneously, smaller last-mile logistics assets near urban centres are seeing growing interest, benefitting both inner and outer precincts of Western Sydney.

The Western Sydney Aerotropolis continues to be a catalyst for growth, with significant infrastructure improvements poised to attract further investment and create new opportunities for the industrial sector.

CONSTRAINED LAND MARKET & CONSTRUCTION CHALLENGES

The constrained nature of the industrial land market will remain a short-term concern due to the high costs of servicing land, and the difficulty of obtaining approvals. Additionally, high construction costs and labour competition are slowing new stock additions, which will result in a tight market in the short-term. Consequently, the value of established, fit-for-purpose assets is expected to rise, particularly for infill locations where redevelopment potential can command premium rents and asset values.

INVESTMENT TRENDS

Investment trends are likely to lean toward assets offering stable income streams and long-term growth potential. Institutional investors may maintain a more selective approach, while owner-occupiers and private investors, particularly in the smaller asset segment, are expected to stay active.

YIELD EXPANSION

Investment yields are likely to continue their upward trend in the short term, potentially reaching the 6-7% range for prime assets as the market adjusts to higher interest rates and economic uncertainties.

RENTAL GROWTH MODERATION

The outer western regions will likely see a significant increase in new industrial development, potentially adding 2-3 million sqm of new space over the next 5 years.

LAND VALUE STABILISATION

After years of rapid growth, industrial land values are projected to stabilise, with annual growth rates settling in prime locations.

LAST MILE LOGISTICS BOOM

Demand for smaller, strategically located facilities for last-mile logistics will increase, driving development of multi-level warehouses in inner and central western areas.

SUSTAINABILITY FOCUS

There will be an increased emphasis on sustainable and energy-efficient industrial facilities, with "green" buildings commanding premium rents and attracting environmentally conscious tenants.

INSTITUTIONAL INVESTMENT SHIFT

Institutional investors may pivot towards value-add opportunities, focusing on upgrading older assets to meet modern logistics requirements rather than competing for premium priced new developments.

TECHNOLOGY INTEGRATION

The adoption of automation and AI in warehouse operations will accelerate, potentially leading to changes in building designs and specifications for new industrial developments.

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Development Sites

Following a period of slow growth during the pandemic, New South Wales is now experiencing a resurgence in population, fueled largely by a strong influx of overseas arrivals. With housing demand still outpacing supply, NSW continues to face a housing crisis, however residential development sites remain desirable among investors, provided the pricing is reasonable.

The Western Sydney commercial development site market is poised for significant growth, driven by strong population increases and rising demand for housing. Despite ongoing challenges in development approvals, rental rates are set to climb, making adaptable housing types like co-living and student accommodation increasingly attractive. Affordability concerns are also likely to shift buyers towards high-density projects in prime areas. With a steady market recovery, Sydney's residential sector offers promising opportunities for investors and developers seeking to meet evolving needs.

KEY PREDICTIONS FOR 2025

DEVELOPMENT APPROVAL CHALLENGES

Development approvals will likely continue to encounter delays and restrictions due to a shortage of staff within approval authorities and increasingly stringent planning requirements. However, recent legislative reforms may expedite approvals for specific projects, particularly those aligned with the Transport-Oriented Development (TOD) program. These reforms could help address some of the existing bottlenecks, offering developers potential relief and quicker project timelines.

RENTAL MARKET TRENDS

The rental market is set to tighten, with vacancy rates projected to decline further, although this trend may vary by region. Oxford Economics Australia projects that median rents for three-bedroom houses will rise at an average rate of 4% annually through June 2026. The demand from new migrants and foreign students is also expected to push up unit rents, with two-bedroom units anticipated to see an annual growth rate of 5.6% over the same period. This strong rental demand will likely boost interest in development types such as co-living and student accommodation, which align with evolving demographic trends.

PROPERTY MARKET RECOVERY AND GROWTH OUTLOOK

Sydney's property market demonstrated a stronger-than-expected recovery following the downturn in late 2022, although the pace has recently slowed. House prices are expected to stabilise by the end of FY2025, with Oxford Economics Australia forecasting a modest 1% growth. Over the long term, house prices are expected to grow at an annual rate of 4.3% through to June 2026, maintaining strong investor confidence in low to medium-density residential developments as viable options.

UNIT SITE MARKET OUTLOOK

The unit market is expected to remain steady over the coming six months. Affordability challenges are prompting more buyers to consider apartments or townhouses. Oxford Economics Australia forecasts unit prices to grow by 5.2% in FY2025, with annual growth of 7.6% in median unit prices anticipated through to June 2026. Prime locations could see new high-density projects, where average resale values might surpass $13,000 per square metre, adding appeal to well-located, high-quality developments.

CONSTRUCTION CONSTRAINTS

The construction sector in New South Wales faces both promising reforms and ongoing challenges. Following the State Premier's recent election promise, a dedicated building regulator has been established to uphold quality and compliance standards across the industry, enhancing safety and durability in new developments.

While these efforts aim to address housing supply and quality, industry stakeholders are navigating several obstacles. In particular rising inflation which is set continue through 2025, influenced by multiple factors:

- Unstable global economic conditions
- Heightened geopolitical tensions
- Persistent supply chain disruptions
- Growing insurance costs impacting consultants and trades
- Shortages of skilled labour due to immigration constraints

These pressures are driving up construction costs and contributing to an increase in insolvencies within the sector, which will likely continue.

BUILD-TO-RENT

The build-to-rent (BTR) sector is gaining momentum as traditional build-to-sell models face feasibility challenges. Increasingly, developers are focusing on strategically located sites along major transport corridors rather than CBD-adjacent suburbs. In Sydney, the newly operational Sydney Metro has halved travel times to the CBD, enhancing the appeal of areas like Macquarie Park, Chatswood, North Ryde, and North Sydney for high-quality BTR developments. Interest from international institutional investors, especially from Japan, Singapore, and the Middle East, is rising as Australia's BTR market offers strong rental returns. This trend is expected to intensify, underscoring BTR's role in meeting housing demand in key urban locations.

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Block of Units

As we approach 2025, the Block of Units market is poised for continued growth, driven by demand for secure, income-generating residential assets amid a backdrop of population growth, limited new housing supply, and low vacancy rates. This asset class stands out as a strategic choice for both investors seeking long-term stability and developers aiming to capitalise on Sydney's flourishing residential market. Rising rents, combined with constrained housing options, have solidified Blocks of Units as highly desirable investments.

KEY PREDICTIONS FOR 2025

PREFERENTIAL ASSET CLASS

The Blocks of Units sector has emerged as a preferred investment class, particularly as Sydney's rental market faces significant pressures from low vacancy rates and population-driven demand. Limited new supply, compounded by rising construction costs, has heightened the appeal of these assets for both income stability and long-term growth potential. Investors increasingly recognize the security these assets offer, even at lower yields, as demand for rental housing remains resilient.

STRATA SUBDIVISION & REFURBISHMENT

With construction costs remaining volatile, many investors and developers are exploring strata subdivision and refurbishment opportunities, which offers a lower-risk approach to increasing property value without the full exposure to high-density residential construction costs.

YIELD TRENDS AND STABILITY

Yields in the Block of Units market are anticipated to remain stable within the 4-7% range, drawing interest from a diverse group of investors seeking long-term income and stability.

EMERGENCE OF BOARDING HOUSES

Boarding Houses, which were never historically desirable, are now gaining traction in the broader market as affordable rental options become increasingly scarce. With government investments like the $2 billion Social Housing Accelerator, boarding houses are receiving new attention from investors seeking dependable income streams and from tenants in need of an affordable solution. Boarding Houses stand to benefit from enhanced infrastructure and policy support, further elevating their appeal as a resilient and strategic asset class.

CONTINUED RENTAL GROWTH

Population growth, largely fueled by overseas migration, continues to support strong rental demand, particularly in areas such as Western Sydney, expected to accommodate a substantial portion of incoming residents. Constrained housing supply will likely drive further rental rate increases, enhancing the income potential of Block of Units assets. As these dynamics unfold, the sector is well-positioned to capture the growth momentum into 2025 and beyond.

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Office

In 2025, Sydney's commercial office market will likely be shaped by cautious demand growth, with the trend toward flexible, tech-enabled, and sustainable office spaces remaining strong. High vacancy rates are expected to continue, especially in traditional office spaces without modern amenities or flexibility. Rising interest rates may constrain investment, but if the RBA lowers rates, demand could rebound, especially in premium spaces. Landlords will need to adapt by offering incentives, embracing sustainability, and focusing on flexibility to capture tenants in a competitive market. Some of the key trends that continue to evolve in the office sector include;

OFFICE DEMAND AND VACANCY RATES

Sydney's office market has been facing a high vacancy rate, a trend likely to persist into 2025. The CBD and fringe areas currently report a vacancy rate around 13-15%, primarily driven by an increase in remote work and hybrid-work models. Western Sydney, particularly around key areas like Parramatta, Macquarie Park, and other emerging hubs, has reflected broader challenges in the office market, including shifts in remote work and an evolving preference for prime locations over suburban options. Western Sydney has seen a vacancy rate hovering around 15-18%, influenced by both new supply and tenant relocation towards newer, more adaptable spaces in central business districts or prime locations. However, in recent months, we have seen an increase in leasing activity across Western Sydney which should see a stronger recovery and rebound in 2025.

RENT AND INCENTIVE TRENDS

As the vacancy rate remains elevated, landlords may continue to offer attractive leasing incentives, such as rent-free periods, fit-out contributions, or flexibility in lease terms, to entice tenants. This approach is particularly relevant for older buildings or spaces that lack modern amenities. However, for premium spaces in sought-after locations, rental levels may remain stable, supported by limited high-quality supply and ongoing demand from sectors like finance, technology, and professional services.

SHIFT TOWARDS FLEXIBILITY & FLIGHT TO QUALITY

One of the most profound shifts in recent years has been the move toward hybrid work models, which has significantly impacted demand for traditional office spaces in core CBD locations such as Sydney CBD and North Sydney CBD. Many companies are re-evaluating their need for large, centralised offices, opting instead for smaller or more flexible spaces closer to employees' residences or within suburban hubs. There will be opportunity in the Western Sydney office market particularly with the ongoing infrastructure network such as Sydney Metro and major road upgrades being delivered providing connectivity between Western Sydney and the traditional core CBD locations.

The demand for shorter lease terms and fitted out offices are likely to persist, as business tenants seek to adapt to a workforce that may only use office space part-time. Due to this change, we foresee the shift may lead to a bifurcation in the office market, with high-quality, adaptable spaces attracting stable demand, while older, less flexible buildings face higher vacancy rates.

BUYER MANDATES & YIELD MOVEMENT

In 2025, Sydney's residential new homes market is anticipated to be shaped by robust demand in suburban areas, driven by population growth and expanding transportation networks. Developers and investors are expected to focus on growth corridors and middle-ring suburbs, where accessibility, affordability, and the potential for long-term capital growth present compelling opportunities. However, the sector faces a critical challenge: the supply of new homes remains insufficient to keep pace with demand. Addressing this imbalance will be essential as the market continues to evolve and adapt.

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Residential Development

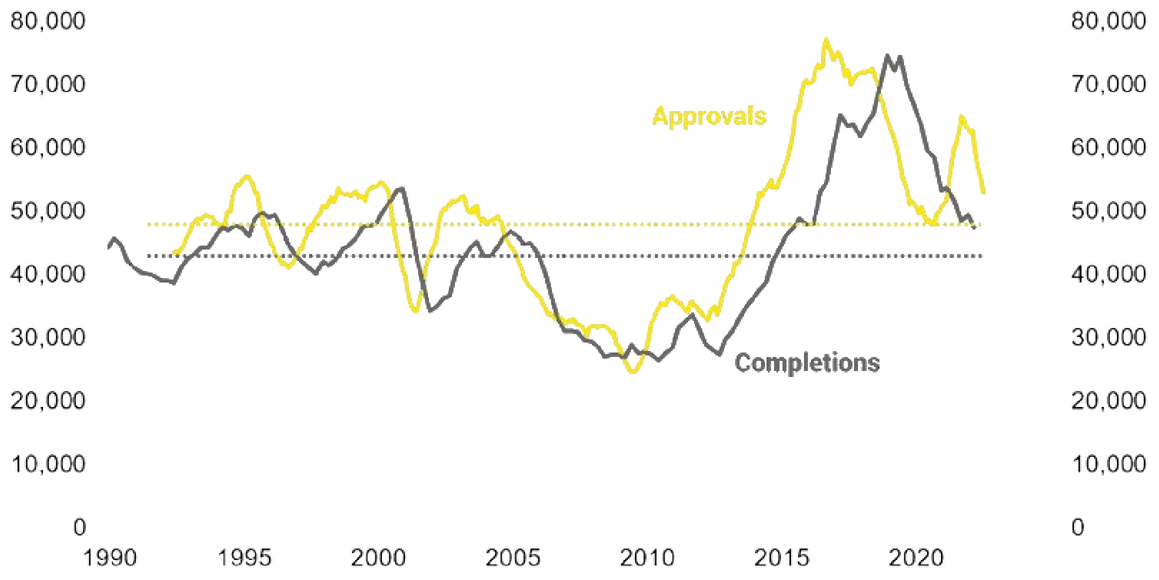
In 2025, Sydney's residential new homes market is anticipated to be shaped by robust demand in suburban areas, driven by population growth and expanding transportation networks. Developers and investors are expected to focus on growth corridors and middle-ring suburbs, where accessibility, affordability, and the potential for long-term capital growth present compelling opportunities. However, the sector faces a critical challenge: the supply of new homes remains insufficient to keep pace with demand. Addressing this imbalance will be essential as the market continues to evolve and adapt.

KEY PREDICTIONS FOR 2025

DEMAND DRIVEN BY POPULATION GROWTH & IMMIGRATION

Sydney's population growth remains a primary driver for the new homes market with 15,000 new residents each month arriving through immigration. This population influx is particularly concentrated in Western and Southwestern Sydney suburbs, including areas like Penrith and Marsden Park, which offer new developments, larger housing options, and proximity to upcoming infrastructure projects like the Western Sydney Airport and Sydney Metro West.

Experts expect that demand in 2025 will be particularly focused on family-friendly apartments and townhouses, reflecting the broader shift toward suburban living that has become prominent since the pandemic.



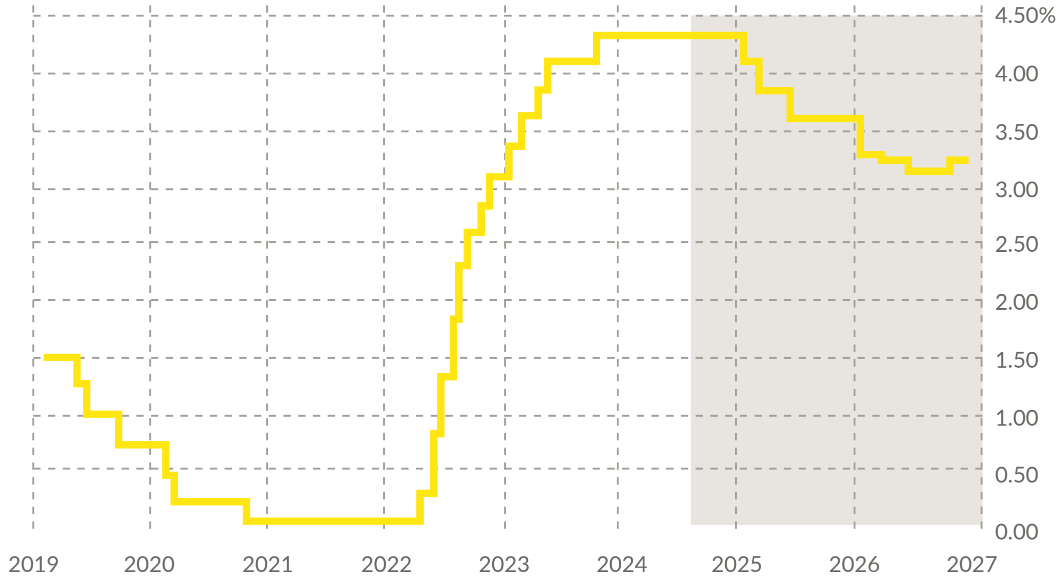
Source: Australian Bureau of Statistics 2022. Department of Planning and Environment analysis

INTEREST RATES & ECONOMIC IMPACT ON BUYER ACTIVITY

The current high-interest rate environment, with the RBA's cash rate at 4.35%, is challenging for housing affordability. However, economic forecasts suggest a possible rate reduction in early to mid-2025, depending upon inflation and economic stability. If rates decrease as anticipated, buyer affordability and market activity are expected to improve.

In summary, demand is expected to strengthen in 2025 as improving economic conditions and strong migration trends collide. This, however, underscores a critical challenge in meeting the market's growing needs.

RBA CASH RATE



Source: Bloomberg RBA

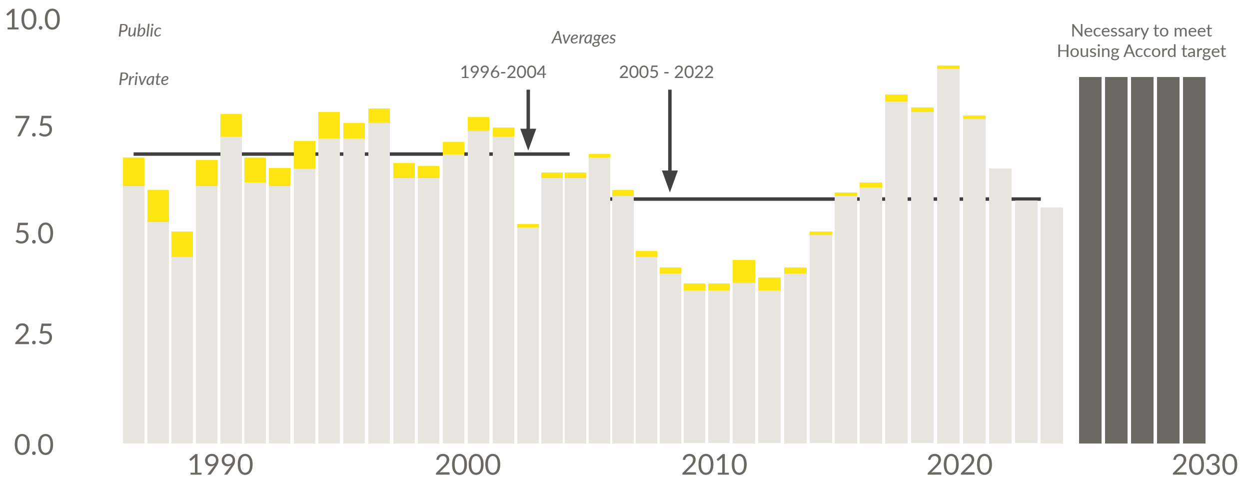
SUPPLY CONSTRAINTS AND GOVERNMENT INITIATIVES

While demand is expected to remain strong, Sydney faces significant supply constraints that may hinder market growth. In 2024, housing approvals in NSW declined by nearly 19%, reaching their lowest levels since 2013. Key growth corridors like Blacktown, Liverpool, and Camden are set to benefit from infrastructure projects like the Western Sydney Airport and Sydney Metro West. These projects are expected to boost the livability and appeal of these suburbs, driving demand from both homebuyers and investors.

As housing preferences shift toward larger apartments, particularly in family-oriented neighbourhoods, middle-ring suburbs near Sydney's major transportation hubs are anticipated to perform strongly. Investors targeting these areas may benefit from solid long-term capital growth, driven by developments in public transportation and community infrastructure that continue to drive value to these locations.

ANOTHER PERSPECTIVE

NSW BUILDS PER 1000 PEOPLE, ACTUAL & PROJECTED



Source: ABS National State and Territory Population

Overall, the residential development market in 2025 will likely continue to thrive in growth-oriented, well-connected suburbs that offer family-friendly amenities and access to quality schools and public transportation. However, affordability will remain a key issue, particularly for first-time buyers and young families underscoring the need for continued efforts to address housing supply constraints.

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Asia Markets

By the end of the 2024 financial year, Asian investment—including major markets like China, Japan, and Singapore—accounted for 13.7% of total investment into Australia, showcasing significant five-year growth despite challenging foreign monetary policies.

Alongside top investors from the US and UK, Asian capital continues to flow into Australia's commercial real estate sector, with interest particularly strong among individuals, syndicates, and family offices looking to reinvest their returns that they have accumulated over the past decade of development and active local market involvement.

In 2025, Asian investment is expected to maintain a steady trajectory with a focus on quality assets in major cities and growth regions. Sectors like logistics, high-quality offices, and mixed-use properties are likely to dominate, while sustainability and adaptability in office formats will play an increasingly central role. From an international investment perspective - Japan, Singapore, and South Korea are expected to lead in investments, with Chinese interest likely to be more selective amid geopolitical considerations. Driven by stable returns and value in a low-risk market, Australia's commercial property sector should continue to attract significant Asian investment capital focused on long-term, resilient assets.

KEY MARKET MOVEMENTS

DRIVE FOR INCOME & RETURN

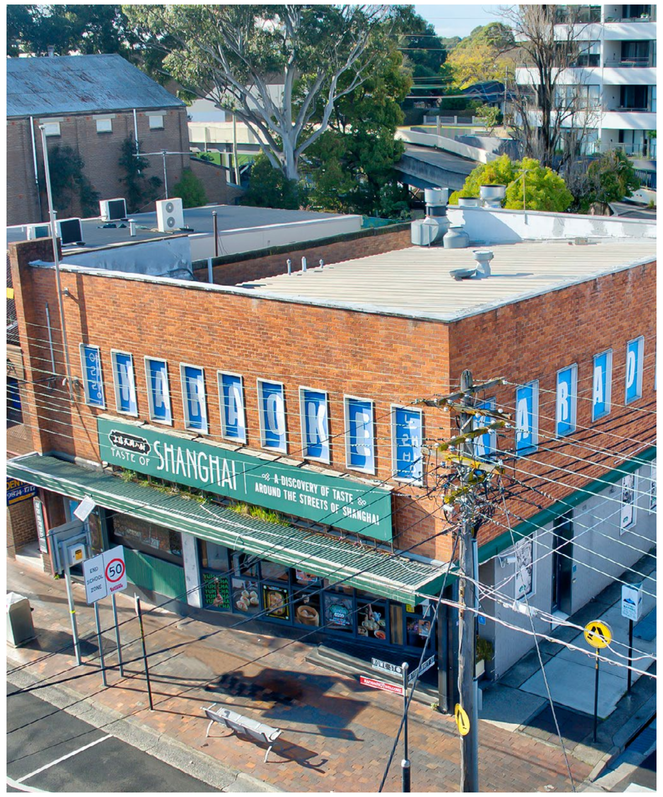
We're seeing a drive for income, and the return requirements vary vastly depending on circumstances – but stability is an absolute must. Blue chip tenants, childcare centres or long-established leases are often far more sought after than riskier investments with higher returns or projects that require active management. It is very common across these communities to see wealth preservation being far more important than return generation.

INTEREST IN WESTERN SYDNEY & GROWTH CORRIDORS

Whilst the core markets that are highly Asian influenced such as the North Shore will continue to receive high levels of interest. Western Sydney is likely to be a key target for Asian investors in 2025, spurred by the region's ongoing development and major infrastructure projects, such as the Western Sydney Airport and Sydney Metro West. As the investment demand continues to decentralise from CBD locations, assets in high-growth areas like Burwood, Parramatta, Sydney Olympic Park and Macquarie Park could be particularly attractive.

CONTINUED INTEREST IN RETAIL PROPERTIES IN HIGH-DEMAND LOCALE

The appeal of established high-demand locations such as Chatswood, Eastwood and Burwood remains highly sought after. These centralised hubs provide multi-functional spaces, which cater to live, work, and play environments, align with evolving urban lifestyles and the preferences of a younger, more urban population. Retail assets that have been repurposed or can accommodate experiential retail may attract further investment as these formats align with lifestyle trends in both Australia and Asia. Even though the general yield expectation has increased across Sydney, these markets have held up to be exceptionally resilient with assets trading at significantly sharper yields despite the general economic downturn



GROWING INTEREST IN INDUSTRIAL AND LOGISTICS PROPERTIES

The shift towards e-commerce and demand for supply chain efficiency is likely to drive Asian investors toward industrial and logistics assets. Australian logistics properties have become a core investment for Asian capital, with both institutional as well as local private interest. The rise of logistics hubs, especially in Western Sydney, aligns well with the needs of major Asian investors looking to expand their logistics portfolios to meet the demands of cross-border trade and domestic distribution.

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Retail

Sydney's retail commercial real estate market continues to demonstrate resilience, with adaptability seen across key segments, particularly in assets priced below $20 million, despite challenges derived from the broader market.

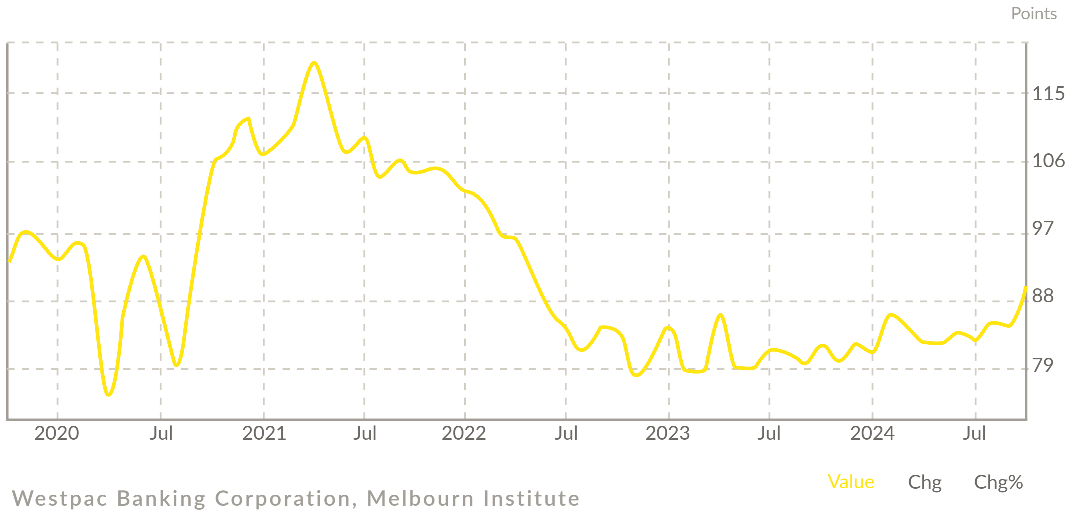
The retail market in Sydney has observed a rise in owner-occupier interest for well-established neighbourhood centres and prominent retail strips, as seen in recent campaigns. For instance, a freestanding building at 5 Barbara Street, Fairfield, attracted five owner-occupier bidders. Similarly, 144 Merrylands Road, Merrylands, saw 14 registered bidders, with eight local business owners competing for a foothold in this area.

At the higher end of the market, buyers are increasingly receptive to sub-5% net yields for assets with strong fundamentals—such as prime locations, high foot and vehicle traffic, or stable, long-term leases. Across Metropolitan Sydney and regional NSW, reputable tenants like fast-food brands, supermarkets, and automotive dealerships are particularly attractive for investors to acquire at low yields and offer opportunities for long-term equity growth.For example, 153-165 Parramatta Road, North Strathfield—a substantial land holding leased to Hyundai Genesis—transacted for $23 million at a 4.78% net yield with a short settlement. This transaction underscores the value placed on quality assets, with buyers willing to navigate complex deal structures to secure high-performing properties.

KEY PREDICTIONS FOR 2025

CONSUMER CONFIDENCE & RETAIL ACTIVITY

Heading into 2025, market indicators suggest that consumer confidence is likely to strengthen due to potential rate cuts and a stronger employment landscape. This positive outlook is anticipated to bolster retail business performance, enhancing demand for both sales and leasing of retail assets.



Westpac Banking Corporation, Melbourn Institute

FORESEEABLE INCREASED PROPERTY SUPPLY

With renewed market confidence and the entry of new businesses since the financial year, 2025 is expected to see an influx of properties coming to market. However, high financing costs, construction expenses, and rising holding costs remain key considerations for both buyers and sellers. Premium assets are expected to perform well, but vacant freehold and strata retail assets at less desirable retail locations may experience longer market times and slower deal closures.

INVESTOR RE-ENTRY INTO THE MARKET

With what appears to be a stabilising CPI and potential rate cuts on the horizon, investor confidence is likely to see a resurgence. Retail remains an accessible and familiar asset class, appealing to a broad range of buyers, including first-time investors and private wealth entities. As economic conditions improve, this influx of capital into retail could drive a competitive landscape, especially for assets in high-demand locations.

Sydney's retail commercial real estate market is positioned for growth, with strong interest from both owner-occupiers and investors. The coming year presents an opportunity for investors to be active in the retail commercial market as more capital is expected to flow into the sector, and property supply is anticipated to expand.

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Childcare

The childcare investment market in New South Wales has demonstrated resilience and adaptability, positioning itself as a robust asset class in the face of economic challenges. By September 1st, 2024, transaction volumes reached $191.2 million, underscoring investor confidence following a record-breaking 2023 turnover of $293.8 million, even surpassing the 2021 pandemic-driven peak.

The sector continues to attract a diverse range of investors, from first-time commercial buyers to seasoned funds and developers. In a challenging economic environment, childcare investments have shown remarkable stability, with metropolitan markets offering a yield ranging from 4.93% to 5.75%. Despite significant hikes in the cash rate, yields have only modestly increased by approximately 83 basis points since 2021, emphasising the sector's strong positioning within the commercial property landscape.

CHILDCARE INVESTMENT

With a variety of high-quality childcare investment opportunities currently available, the sector has gained popularity alongside fast-food outlets as a preferred asset. Mid to late 2024 saw attractive cap rates, which are expected to remain strong, especially should we see a reduction in cash rates. This is largely due to long-term net leases, fixed rent increases, and minimal landlord involvement, offering investors consistent cash flow with low risk.

"We anticipate brand new investments sub $7 million will continue to attract significant interest across NSW, driven by a broad buyer pool at this price point, likely leading to premium returns for landlords."

"Strategically located and efficiently designed childcare development sites are still favoured by developers"

CHILDCARE DEVELOPMENT SITES

The market for childcare development sites has seen a shift, more development opportunities have become available as a result of the increased construction costs and the economic climate. For an ideal childcare development site, location is essential, along with an efficient design to reduce construction costs whilst still being efficient for the operation. Certain areas are witnessing an oversupply of childcare developments which may lead to properties being repurposed for alternative uses in order to achieve optimal value. However, developers are still actively seeking strategically located childcare developers specifically in growth corridors or with a high demand requirement.

LEASING TRENDS AND TENANT EXPANSION

Rents have surged by 20%-30%, with tenants showing strong interest in expanding their market presence. This trend is expected to continue as occupiers prioritise the cost and time savings of leasing over new construction. Additionally, new operators entering the market are driving competition, pushing rental rates higher and benefiting landlords.

"Leasing activity will remain robust in 2025, as competition among operators will drive up rental values."

KEY CONSIDERATIONS FOR SUCCESS IN CHILDCARE PROJECTIONS

STRATEGIC LOCATION

Proximity to schools and commercial centres is key for visibility, and convenience, enhancing site appeal to families.

DEMAND-SUPPLY BALANCE

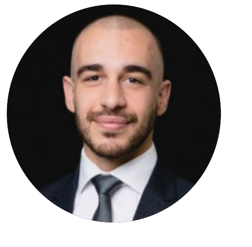
Identifying high-demand areas with low supply ensures sustainability. Experienced agents aid in this due diligence process.

GROWTH AREAS

Childcare centres/sites in emerging growth regions benefit from an influx of young families, increasing the demand for childcare services.

COST-EFFECTIVE CONSTRUCTION

Favouring single-level sites or those without basements can significantly reduce construction costs, making developments more feasible.



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OUR OFFICE

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

Our People are *Your Advantage.*

SALES


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Managing Director


JOSEPH ASSAF
Director


VICTOR SHEU
Director


TROY WANG
Sales Executive


OWEN WHITE
Sales Executive


DANNY SHI
Sales - AIS


TAO SHI
Sales - AIS


ANDREW SACCO
Sales Executive


VEE LI
Sales Executive


ALEX EL HAZOURI
Sales Associate


MARCUS AUDDINO
Sales Associate


JAYKY WU
Commercial Property Analyst


CHANTEL BRILLANTES
Marketing & Design


MONH LY
Campaign Manager


MARINA STAVRAKIS
EA to Peter Vines

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

LEASING


ROBERT NAPOLI
Senior Leasing Executive


SAMUEL GONG
Senior Leasing Executive

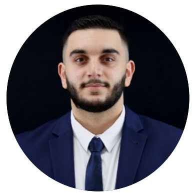
ASSET MANAGEMENT


JOYCE ELKOUBERCI
Director


CALLUM MCKAY
Asset Manager


SUZIE NIU
Asset Manager


AALIYAH CHAMI
Assistant


ADRIAN HARB
Assistant


MARCUS FUNG
Assistant


ANNIKA WARD
Assistant


ZEINA TAJIK
Accounts

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
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