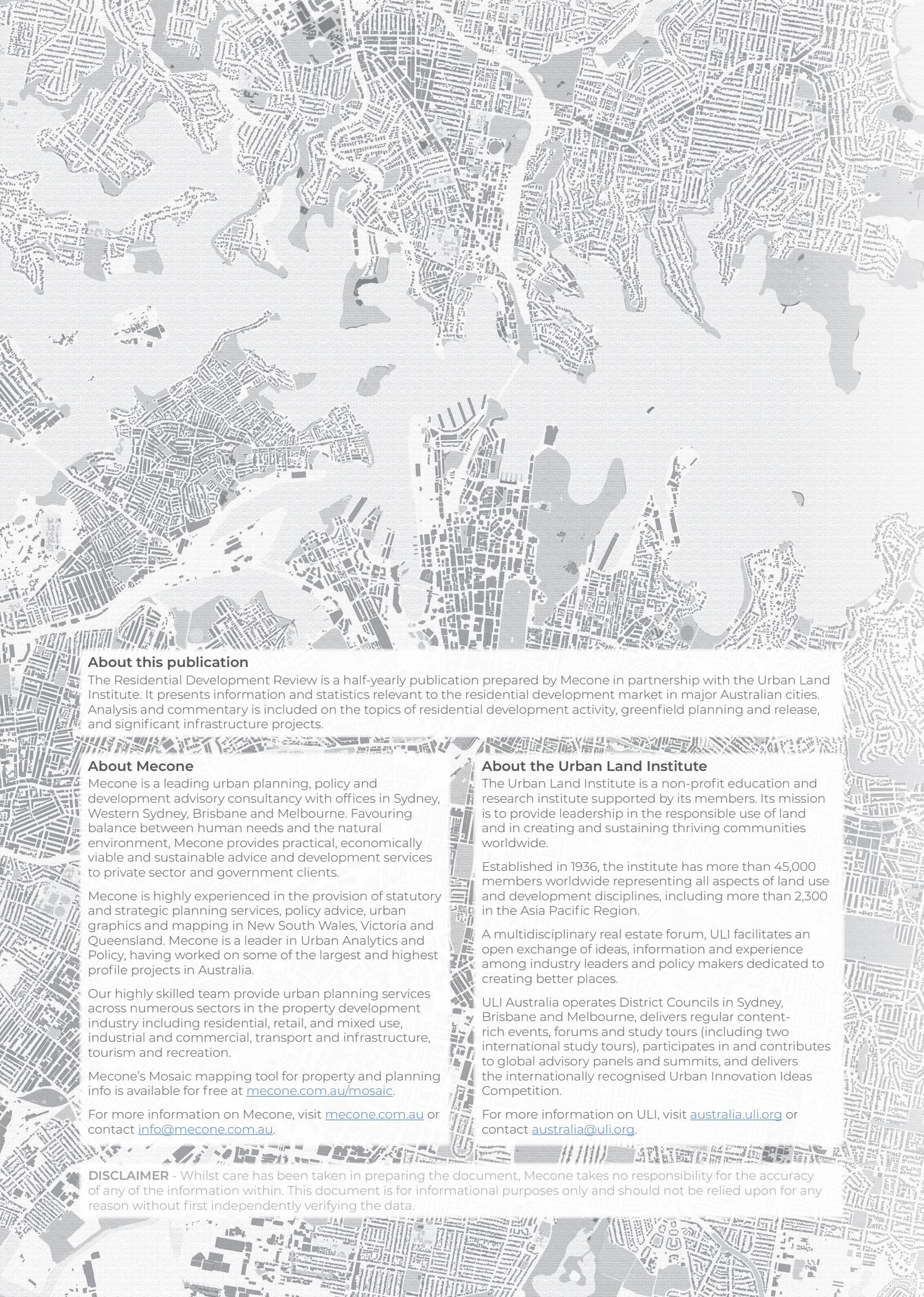


Residential Development Review

A monitor of housing development,
land release and transport infrastructure
in the growing metropolis

Sydney Edition
January–June 2019



About this publication

The Residential Development Review is a half-yearly publication prepared by Mecone in partnership with the Urban Land Institute. It presents information and statistics relevant to the residential development market in major Australian cities. Analysis and commentary is included on the topics of residential development activity, greenfield planning and release, and significant infrastructure projects.

About Mecone

Mecone is a leading urban planning, policy and development advisory consultancy with offices in Sydney, Western Sydney, Brisbane and Melbourne. Favouring balance between human needs and the natural environment, Mecone provides practical, economically viable and sustainable advice and development services to private sector and government clients.

Mecone is highly experienced in the provision of statutory and strategic planning services, policy advice, urban graphics and mapping in New South Wales, Victoria and Queensland. Mecone is a leader in Urban Analytics and Policy, having worked on some of the largest and highest profile projects in Australia.

Our highly skilled team provide urban planning services across numerous sectors in the property development industry including residential, retail, and mixed use, industrial and commercial, transport and infrastructure, tourism and recreation.

Mecone's Mosaic mapping tool for property and planning info is available for free at mecone.com.au/mosaic.

For more information on Mecone, visit mecone.com.au or contact info@mecone.com.au.

About the Urban Land Institute

The Urban Land Institute is a non-profit education and research institute supported by its members. Its mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

Established in 1936, the institute has more than 45,000 members worldwide representing all aspects of land use and development disciplines, including more than 2,300 in the Asia Pacific Region.

A multidisciplinary real estate forum, ULI facilitates an open exchange of ideas, information and experience among industry leaders and policy makers dedicated to creating better places.

ULI Australia operates District Councils in Sydney, Brisbane and Melbourne, delivers regular content-rich events, forums and study tours (including two international study tours), participates in and contributes to global advisory panels and summits, and delivers the internationally recognised Urban Innovation Ideas Competition.

For more information on ULI, visit australia.uli.org or contact australia@uli.org.

DISCLAIMER - Whilst care has been taken in preparing the document, Mecone takes no responsibility for the accuracy of any of the information within. This document is for informational purposes only and should not be relied upon for any reason without first independently verifying the data.

Highlight

January-June 2019



We are pleased to draw on our planning and analytics expertise to present you this update on residential development in Sydney.

In the first half of 2019, the residential development market continued to cool off as approvals extended their decline, falling further below the long-term target. On the other hand, the supply pipeline remains exceptionally strong with completions sustained at a record level well above the long-term target.

Several LGAs including Sydney have fallen more than 50% below their five-year average approval rate. The drop in dwelling approvals has been most acute among multi-unit dwellings, which are down 40% from the peak of 2016.

The market has not completely collapsed as greenfield and detached dwelling activity is still strong. Blacktown and Parramatta LGAs together accounted for 19% of dwelling approvals in 2019 H1, more than the entire Eastern City district.

Alongside the housing boom, Sydney has been experiencing an infrastructure boom all around the city. Several major projects have opened including Sydney Metro Northwest and Westconnex M4 East. The next year will see more openings including Westconnex New M5, Northconnex, and CBD & SE Light Rail. The end of disruption and improvement to transport and accessibility will be greatly welcome.

Ben Hendriks
Managing Director
Mecone

Mehra Jafari
Director, Policy & Analytics
Mecone

Contents

04

Growth Outlook

A summary of actual and projected growth in population, households, and dwellings in metropolitan Sydney

06

Recent Dwelling Approvals

Planning approvals of dwellings per local government area across metropolitan Sydney

08

Greenfield Development Capacity

The status and development capacity of Growth Areas in Sydney's outer metro area

10

Infrastructure Pipeline

An overview of transport infrastructure projects under planning or construction across metropolitan Sydney

Growth Outlook

A summary of actual and projected growth in population, households, and dwellings in metropolitan Sydney across a longer timeframe

Source: NSW Department of Planning and Environment; Mecone estimate of required approvals; Mecone projections of approvals and completions 2019-2024

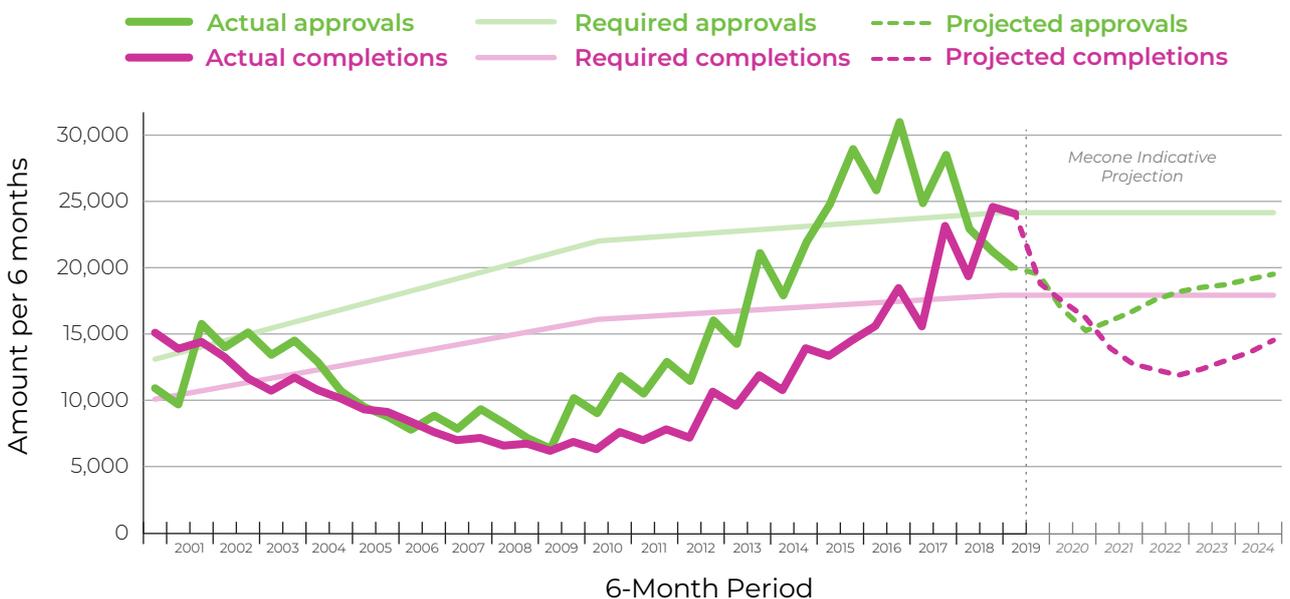
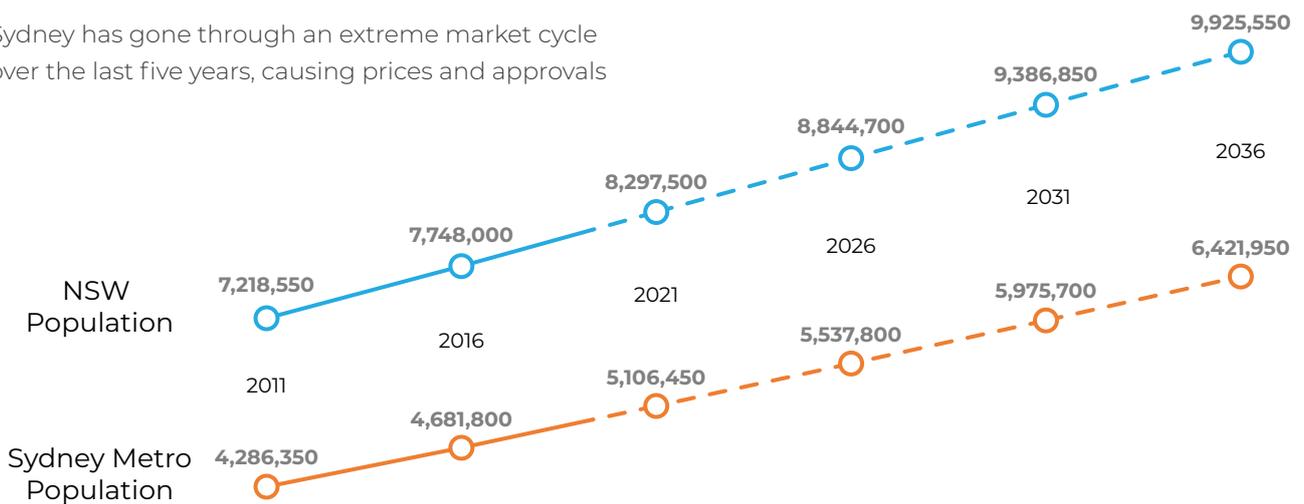
Sydney's housing market is driven by several macro trends, the main one of which is population growth. The population trends affecting Sydney include international and domestic net migration as well as natural births and deaths. Including all these factors, the state government projects Sydney's population to grow by an average of 85k per year during 2011-2036.

When trends in persons per dwelling are considered, the projection implies that 35k new dwellings must be completed every year to maintain occupancy rates and household size. Approximately 70% of dwelling approvals become completions, so an approvals rate of 48k per year is required to achieve the completions target.

Sydney has gone through an extreme market cycle over the last five years, causing prices and approvals

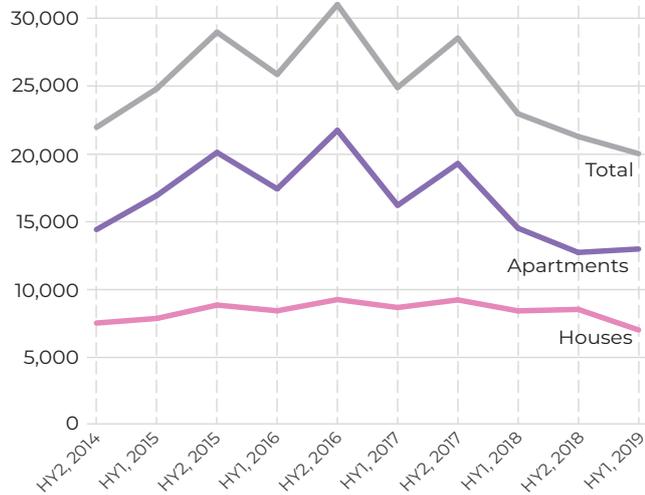
to surge to a peak in 2016 and 2017. Development approvals declined sharply in 2018 and 2019 as developers sought to avoid a supply overhang and price declines. The delay in bringing dwellings to completion means that a peak in completions is just now occurring in 2018-19. Because of the approvals decline from 2017 to 2019, it can be expected that completions will also decline from now through the next 2-3 years.

Total approvals exceeded the population growth target in 2016-17, and total completions are now exceeding the target and will continue to do so for another 1-2 years.



Five-Year Trends in Approvals by Type

July 2014 – June 2019, per six months

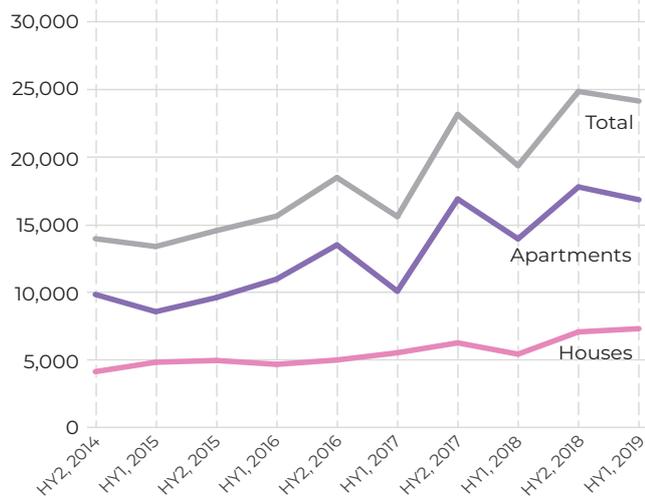


The drop-off in approvals across Sydney that began in 2017 has continued a steady decline into 2019. From a peak of 31k approvals in 2016 H2, the metro total has fallen to just 20k approvals in 2019 H1. There is no sign yet of a bottom or uptick in the approvals counts, signifying that the development market is still cold.

While apartments have been the bulk of approvals across Sydney over the five-year period, their numbers have come down significantly from the 2016 H2 peak of 22k to a 2019 H1 count of 13k. Detached dwelling approvals have not fallen as hard, but the most recent six-month period did show a clear dip to just 7k approvals.

Five-Year Trends in Completions by Type

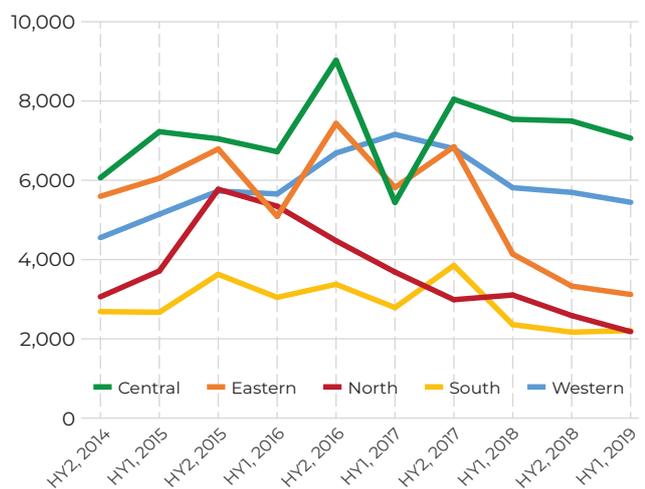
July 2014 – June 2019, per six months



Total dwelling completions across Sydney reached an all-time record in 2018 H2 and continued at nearly the same pace in 2019 H1. This data illustrates the average two to three year lag between approval and completion for new dwellings. Completions can be expected to fall from this point forward, though the strong supply will continue to put downward pressure on new dwelling prices for some time.

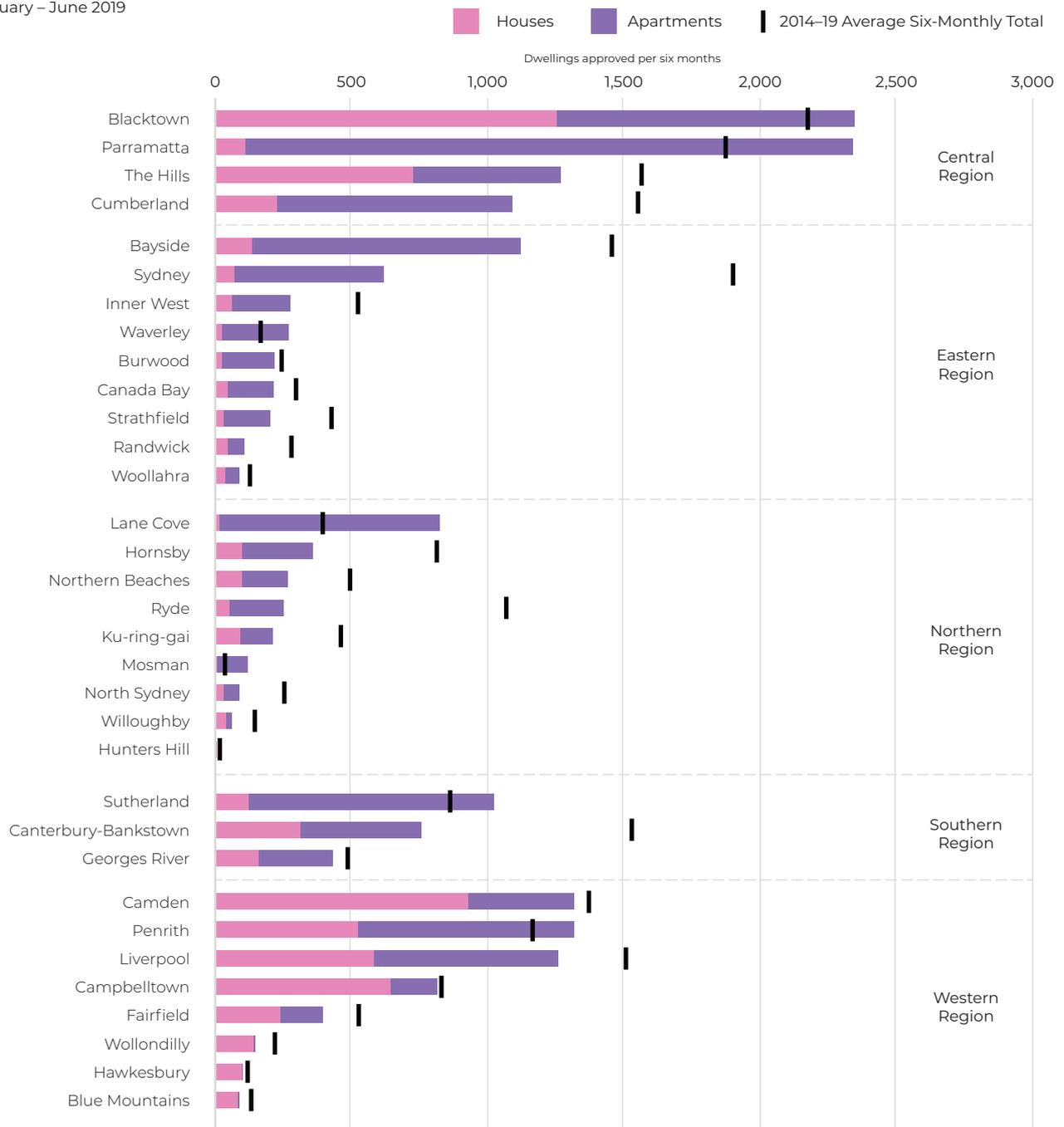
Five-Year Trends in Approvals by District

July 2014 – June 2019, per six months



The dwelling approvals trends across the last five years are not the same in all districts. The Eastern and North districts have been the most sensitive to market conditions, possibly reflecting the higher prices and narrower market for dwellings there. Both districts have seen approval counts fall by more than half from their peak. On the other hand, the Central and Western districts, driven by lower-priced greenfield growth, have shown more stability in their approval counts.

Recent Dwelling Approvals January – June 2019



In the half year ending June 2019, many LGAs had dwelling approval totals lower than their five-year averages, with only 7 exceeding their averages. The greatest shortfalls compared to five-year average were in Sydney, Canterbury-Bankstown, Strathfield, Ryde, and Hornsby, all of which are in the Eastern or North districts. This aligns with multi-unit dwelling approvals decreasing more than detached dwelling approvals. Blacktown, Penrith, and Parramatta all exceeded their five-year average approval counts, showing some strength in greenfield areas and Sydney's 2nd CBD.

The highest quantity of multi-unit dwelling approvals per LGA was in Parramatta with 2,238, and surprisingly Blacktown had the 2nd most with 1,099. The highest quantity of detached dwelling approvals per LGA was in Blacktown with 1,254; the 2nd-highest was 928 in Camden.

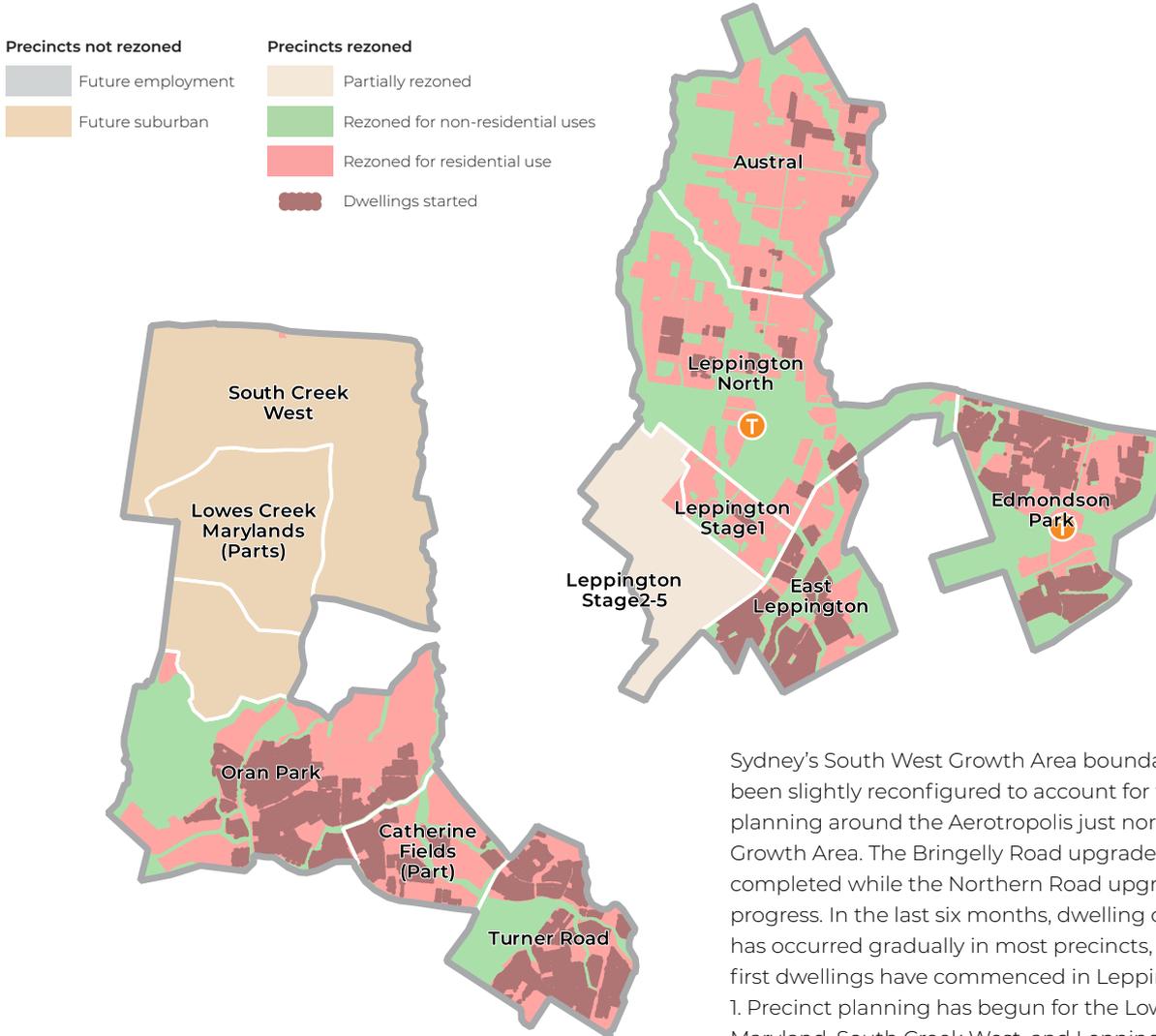
The lowest proportion of detached dwelling approvals vs all approvals occurred in the Parramatta, Mosman, Lane Cove, and Waverley LGAs. The highest proportion of detached dwelling approvals occurred in Wollondilly, Blue Mountains, and Hawkesbury LGAs.

Growth Area Development Capacity

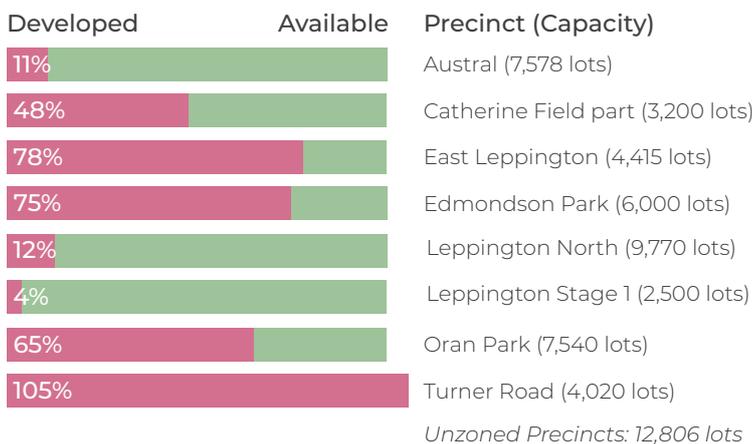
The status and development capacity of Growth Areas in Sydney's outer metro area

Source: Geocoded National Address File (G-NAF) Aug 2019; NSW cadastre from Land and Property Information (LPI); LZN Land Zoning map and Greenfield Housing Monitor from NSW Department of Planning, Industry, and Environment (DPIE); Mecone manual survey based on Nearmap imagery

South West Growth Area



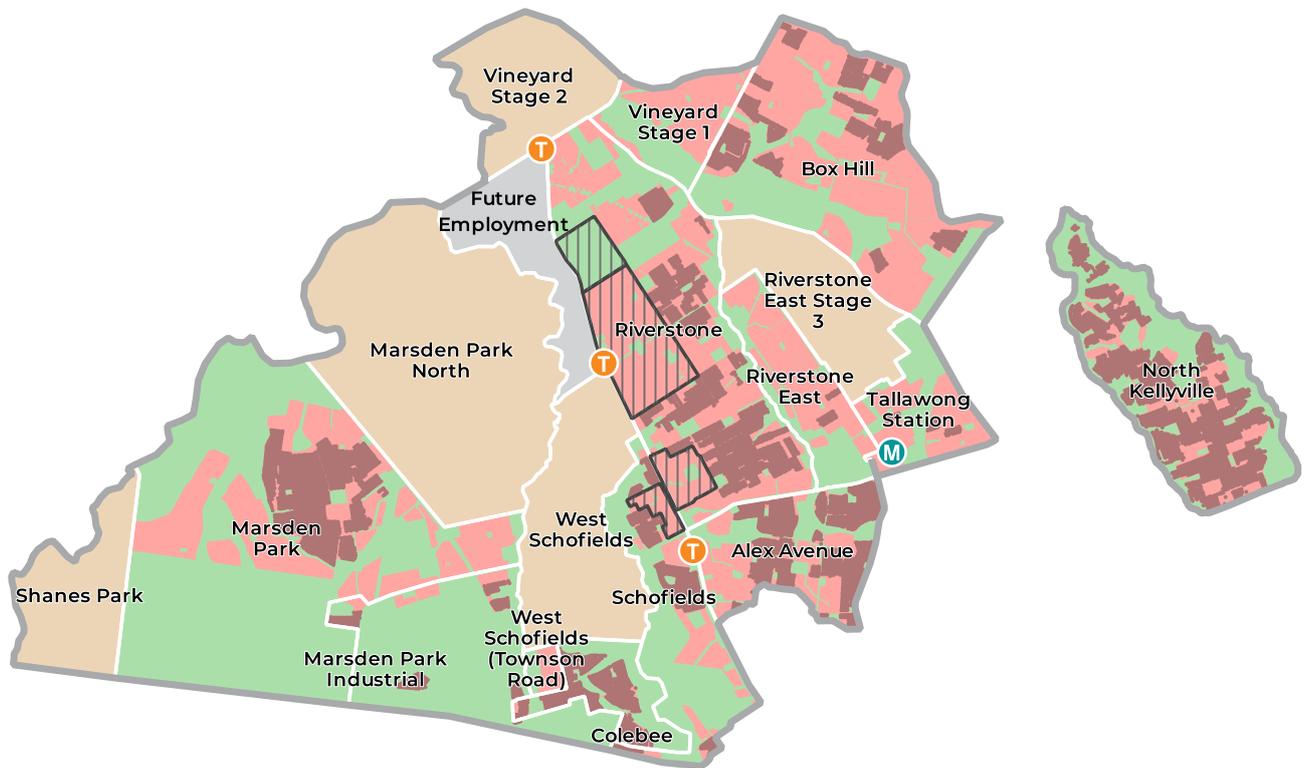
Sydney's South West Growth Area boundaries have been slightly reconfigured to account for future planning around the Aerotropolis just north of the Growth Area. The Bringelly Road upgrade has been completed while the Northern Road upgrade is still in progress. In the last six months, dwelling construction has occurred gradually in most precincts, and the first dwellings have commenced in Leppington Stage 1. Precinct planning has begun for the Lowes Creek Maryland, South Creek West, and Leppington Stage 2-5 precincts.



Sydney Metro Growth Centres

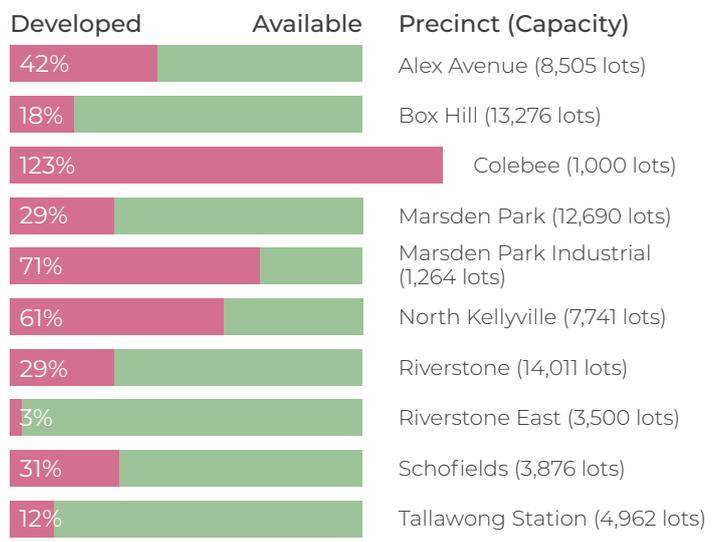


North West Growth Area



The Sydney Metro Northwest rail link, terminating in the Tallawong Station precinct, opened in May 2019 and has already proven very popular. A corridor has been protected for an extension of the rail line through Schofields and Marsden Park.

In the last six months, major building activity has been occurring in the Marsden Park, Schofields, and Box Hill areas. Around the newly open Tallawong Station, several residential flat buildings have been built, representing the first ones in the Growth Area outside of North Kellyville. Additionally, a 1,100-unit mixed-use town centre project adjacent to Tallawong station has been approved.



Unzoned Precincts: 13,336 lots

Infrastructure Pipeline

An overview of the current transport infrastructure projects under planning or construction across metropolitan Sydney

Source: various public documents and articles

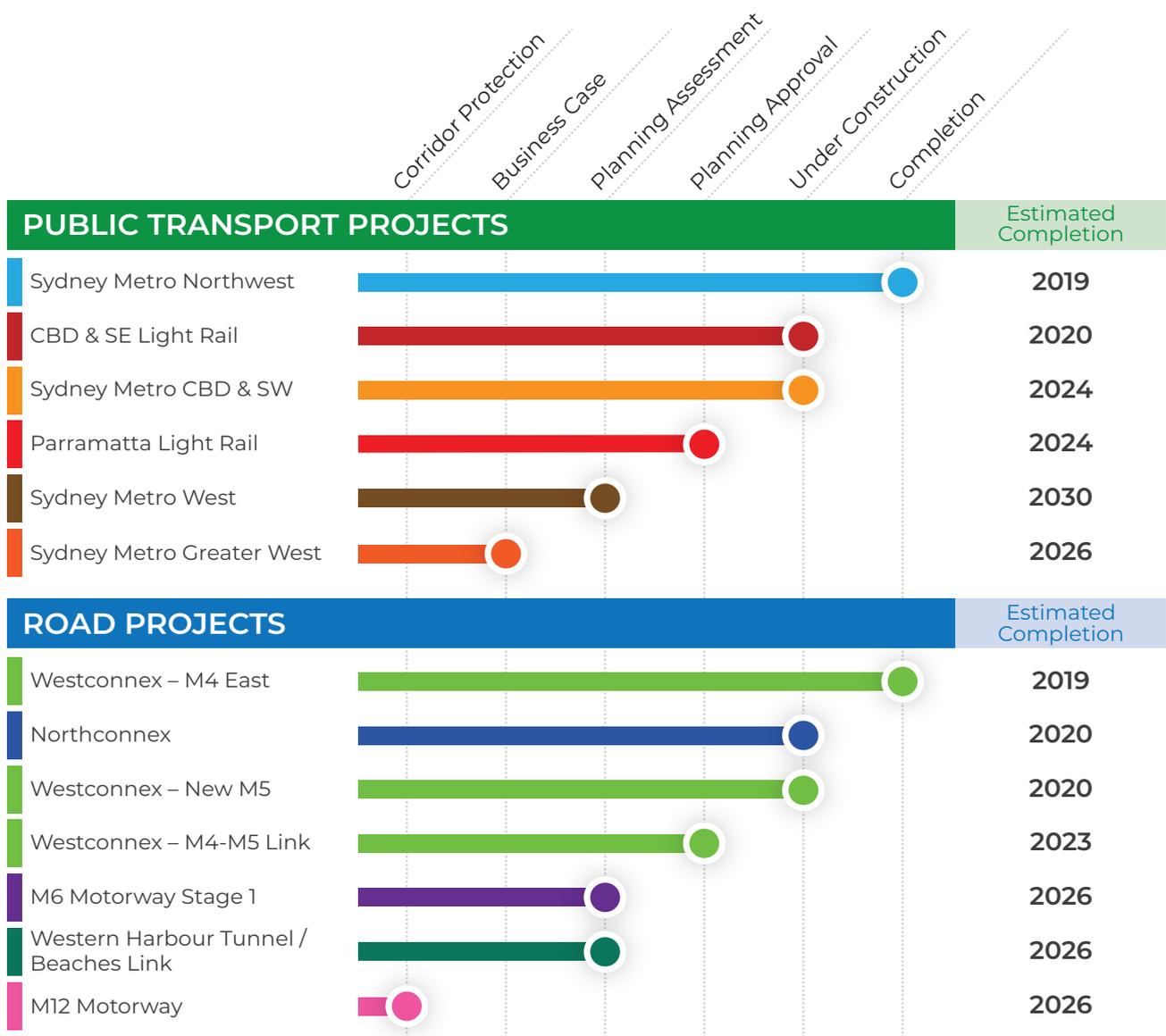


The process for major transport infrastructure projects takes 2-3 years for design and approval plus 3-6 years of construction. This makes it critical to look ahead at projected growth and plan out the infrastructure required to support the growth by maintaining productivity and quality of life.

Sydney's infrastructure boom is well under way with several major projects about to be opened after years under construction and many more in planning. The first major projects to be completed were the Sydney

Metro Northwest line and the Westconnex M4 East tunnel. In the next year, several more projects will be opening including Northconnex, the CBD & SE Light Rail, and Westconnex New M5 tunnels.

Construction has started for Sydney Metro CBD & Southwest, Parramatta Light Rail Stage 1 and the Westconnex M4 to M5 Link. The Sydney Metro West alignment and station locations were confirmed and the approval process has begun. The new M12 Motorway is planned to connect to WSA.



Selected Project Updates

Sydney Metro Northwest

The new rail line to the Hills area opened in May 2019 and has had strong patronage. Development has been slow to ramp up around the new stations.

Sydney Metro West

The state government announced confirmed station locations with two optional stations still under consideration. The line is expected to open by 2030.

Parramatta Light Rail

The existing Carlingford line will close early in 2020 to be converted. The full Stage 1 will open in 2023. The design and funding for Stage 2 are not yet finalised.

CBD & SE Light Rail

Construction has finished on all sections of the line except the Kingsford branch. Testing is under way and an initial opening is expected in Dec 2019.

Westconnex – M4 East

The M4 East opened to traffic in July 2019 offering significant time savings compared to Parramatta Road, where urban renewal is still being planned.

Westconnex – M4-M5 Link

The final section of Westconnex has started construction in Haberfield. The tunnels will link the M4 East and the New M5 in an all-underground route.

M6 Motorway Stage 1

The tunnel project in Sydney's south has been opened for tender, and the latest timeline has construction beginning in 2022 and finishing in 2025.

M12 Motorway

This critical motorway will link the new Western Sydney Airport to the M7 and the rest of Sydney's motorway network. The EIS is currently on exhibition.



mecone

Committed to the creation of **better urban environments**.



Urban Analytics
and Policy



Strategic
Planning



Statutory
Planning



Urban Graphics
and Mapping

Sydney

Level 12
179 Elizabeth Street
Sydney NSW 2000
(02) 8667 8668

Brisbane

Level 23
307 Queen Street
Brisbane QLD 4000
(07) 3556 4005

Western Sydney

Level 2
3 Horwood Place
Parramatta NSW 2150
(02) 8073 4677

Melbourne

Level 7
333 Collins Stret
Melbourne VIC 3000
(03) 8547 9510

mecone.com.au

info@mecone.com.au

Discover **Mosaic**

Mecone's latest online mapping
tool of planning information

mecone.com.au/mosaic

Clear thinking
Smarter solutions
Better outcomes