

## Sydney housing supply forecast 2020—inputs and standard framework

*The Sydney housing supply forecast provides an estimate of future housing supply that developers will build over the next five years. The Department of Planning, Industry and Environment prepares it to inform not only infrastructure planning and service delivery, but also decisions on future land-use zoning.*

The forecast is an estimate of the number of new dwellings that could be built under **current** zoning and planning controls. It also looks at, current programs and initiatives and various market conditions and demand factors. It reflects current trends in residential construction and approval activity. These trends could potentially change in the future, as a variety of economic, social of other factors—many of which we cannot foresee—influence housing development. The applied forecast methodology depends on the development type and geography, which highlights the nuanced approach built in to the forecasting process.

**Figure 1. Construction along the Parramatta River from James Ruse Drive, Parramatta, NSW**



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In previous years the forecast has been prepared as a single baseline forecast. In 2020 the department has prepared a forecast made up of **three scenarios**. This was done in response to the COVID-19 pandemic and its impact on market conditions and demand factors. Any change in current circumstances may lead to a higher or lower growth and housing scenario. The three scenarios are:

- **central base case scenario**, which reflects the market conditions and demand factors at the time the forecast was prepared in October 2020.
- **high-growth scenario**, which reflects the outcome under improved market conditions and demand factors that are more favourable to housing development.
- **low-growth scenario**, which reflects the outcome under a deterioration in market conditions and demand factors that are less favourable to housing development.

## Key forecast inputs

The forecast is based on currently zoned land, current programs and initiatives and various market conditions and demand factors. It reflects current trends in residential construction and approval activity and counts estimated dwelling completions. Several key inputs help determine these trends and inform the forecast.

## Upcoming developments

We measure upcoming developments based on residential development pipeline data and a greenfield audit.

The residential development pipeline is a Sydney-wide database of current residential development projects, which has one of three classifications (see Figure 2).

**Figure 2. Three stages of development**



The greenfield audit tracks recently subdivided residential lots and residential subdivision development projects in key re-zoned greenfield areas.

Proposed developments in both the greenfield audit and the residential pipeline are allocated an assumed forecast year based on the size and cost of proposed development, as well as the development and approvals stage. These contribute significantly to the five-year forecast. The department creates these by collecting and refining data from the following sources:

- **CoreLogic's Cordell Connect Australia Projects database**—this monitors current and future construction projects from pre-approval to completion. The department collects, geocodes and verifies the data annually
- **new lots from NSW Land Registry Services**—the department extracts new lots from the cadastre database by the department in key greenfield areas



- **Nearmap**—helps identify the construction status of a project by providing near-real-time aerial photography
- **development application tracking through consent authority websites**—these include local council development application trackers, NSW major projects website and Sydney and local planning panels.

### Dwelling potential

‘Dwelling potential’ refers to the number of new dwellings that a site could generate under existing conditions. The department measures this in urban areas using its Urban Feasibility Model, which is based on current zoning, planning controls, and cadastre and existing dwellings data within a residential area. The department annually updates this information to ensure it is current for each forecasting year. We only use dwelling potential for forecasting—development feasibility is not used.

### Historic net dwelling completions

Historic net dwelling completions are measured through Sydney Water connections data. This data indicates past levels of development. Sydney Water regularly provides private dwelling connections data to the department. It is geocoded to identify the location and size of each new residential connection. The data serves as a proxy for net additional dwelling completions. Completions data clearly indicates past levels of development. The dataset dates to 1998.

**Figure 3. Apartment construction in Strathfield in Sydney’s Inner West**



## Approach to scenarios

A key assumption for the 2020 forecast is that although population growth may slow in the short term, underlying demand for and market take-up of housing in Greater Sydney will continue. Simultaneously, there continues to be unmet demand for housing. To meet these demands, we need to keep building houses for a growing and ageing population.

The department created the scenarios by adjusting variables affecting growth rates in the next five years. These variables include:

- distribution of the residential development pipeline and greenfield audit across Sydney (representing the impact of external factors on getting approvals and gathering finance to support a development)
- calculation and application of market take-up in infill areas
- adjustment of realisation rates to account for changing market conditions for developments under assessment and approved but not yet commenced in infill areas and some strategic precincts (representing speculative development and varying the likelihood of approvals that can convert to completions).

## Forecast coverage

### Dwelling types

The Sydney housing supply forecast applies generally to private dwellings that are detached houses, medium-density development (townhouses, terraces and villas) and apartments. It does not explicitly forecast, or include in the forecast, the following dwelling types:

- secondary dwellings
- boarding houses
- student accommodation
- group homes
- seniors living developments including retirement villages, hostels and aged care facilities
- manufactured housing estates

### “Other dwellings”

In response to feedback from our stakeholders, we recognise that these other forms of housing will help meet the needs of Sydney’s growing population. We have made available a pipeline of ‘other dwellings’—excluding secondary dwellings and manufactured home estates—using CoreLogic’s Cordell Connect Australia projects database. The pipeline refers to development applications lodged for assessment with a consent authority, development applications approved but not yet commenced, and developments under construction.

### Policy currency

The Sydney housing supply forecast reflects all current land-use zonings to October 2020. The forecast also considers State led, council-led and collaboration precincts.

### Geographic areas

The forecast covers all 33 local government areas in Greater Sydney, including the newly proclaimed councils of 12 May 2016 and 9 September 2016.

In 2020, the forecast is for the first time also available at a suburb level for Sydney.

Greater Sydney includes the following local government areas:

Bayside, Blacktown, Blue Mountains, Burwood, Camden, Campbelltown, Canada Bay, Canterbury–Bankstown, Cumberland, Fairfield, Georges River, Hawkesbury, Hornsby, Hunters Hill, Inner West, Ku-ring-gai, Lane Cove, Liverpool, Mosman, North Sydney, Northern Beaches,



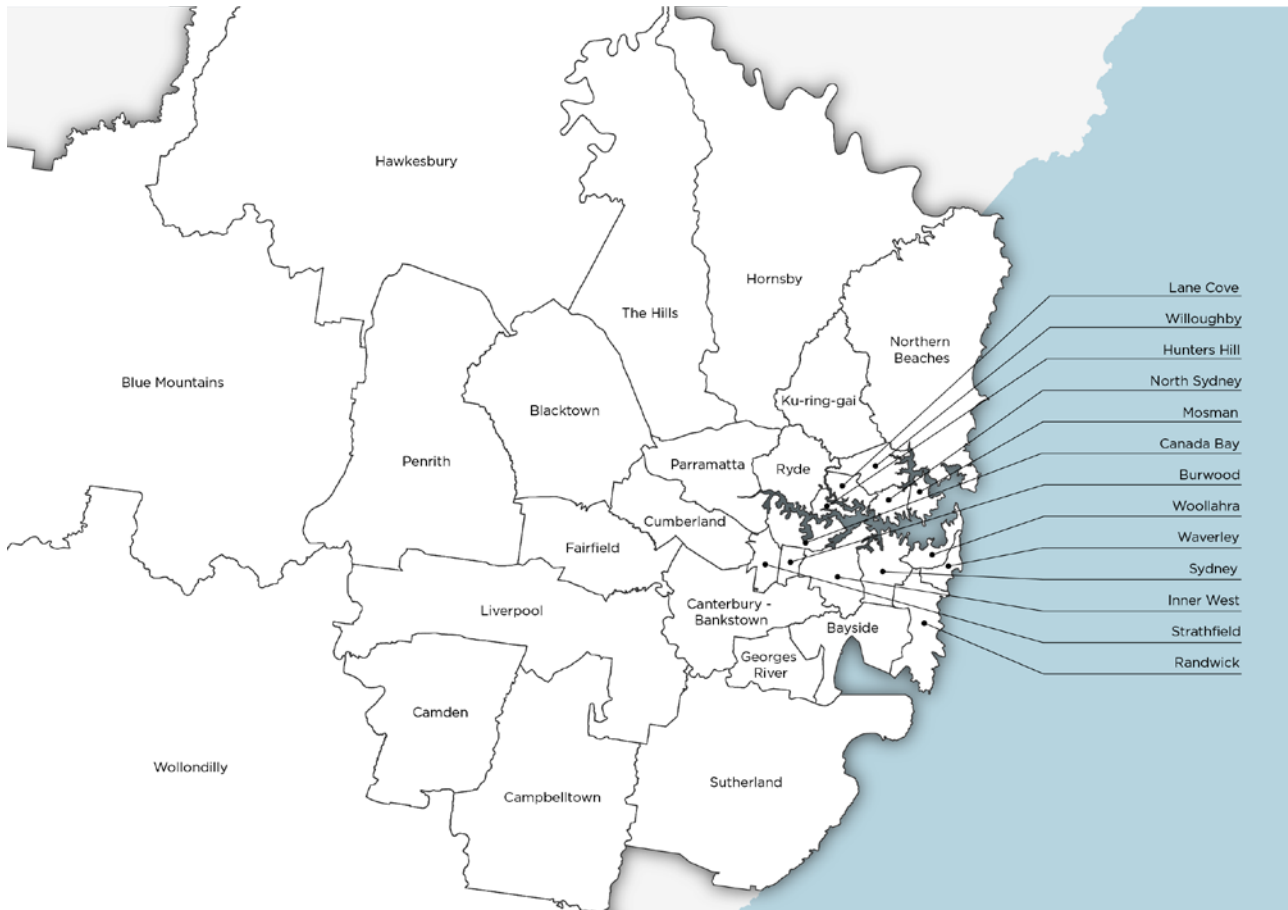
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Parramatta, Penrith, Randwick, Ryde, Strathfield, Sutherland, Sydney, The Hills, Waverley, Willoughby, Wollondilly and, Woollahra.

**Figure 4. Greater Sydney local government areas**



## Glossary of terms

**Approved:** refers to development approval, where a consent authority has granted permission for a project has been granted permission to commence development

**Commencement:** a residential building commences when the first physical building activity happens on the site, whether that is materials fixed in place, labour expended or both

**Completion:** a residential building is complete when building activity has progressed to having a water connection and the building can be occupied

**Forecast:** an estimate of the number of new houses or dwellings that are likely to be built in the future

**Greater Sydney:** the Sydney Statistical Division (this excludes the Central Coast and Wollongong local government areas)

**Greenfield:** 'raw' land that is not used (or initially zoned) for urban purposes but identified for future urban development

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**Housing demand:** the need for housing based on the number of households in the population and their willingness and ability to buy or rent in the housing market

**Housing supply:** the production and supply of housing

**Infill urban areas:** residential development occurring in residential suburbs within the existing urban area

**Market take-up:** the estimated take up of capacity within a zone over the medium and long term, based on past construction activity and projected future residential development for each zone in all local environment plans

**Residential development pipeline:** the annual snapshot of new dwelling activity across Sydney, measured in potential dwellings in one of three categories: under assessment, approved not constructed and under construction

**Sydney housing supply forecast:** the annual estimate of housing supply for Greater Sydney

**Under construction:** a residential building that has commenced construction but has not yet been completed to a stage that allows occupation

**Urban Feasibility Model:** a model based on current zoning and planning controls, as well as cadastre and existing dwellings data within a residential area; the database receives annual updates to ensure it is current for each forecasting year

**Urban renewal:** the transformation of existing underused, brownfield or low-density urban areas to accommodate higher density and often mixed-used developments

**Zoning and planning controls:** legislative framework for regulating land use and development, including the location, density, height and type of new residential development

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