

Strong price growth in Outer Sydney over the past four years has buoyed demand and led to record levels of lot production over this period. Demand for land has also been supported by low interest rates, improved land availability and better transport infrastructure. However, surging prices has seen housing affordability become increasingly constrained with the market nearing a turning point.

This paper profiles the various indicators relating to demand, dwelling and lot supply, and prices, in the Outer Sydney land market, with a focus on the North West and South West growth corridors as well as the Central Coast. The regions are defined as follows:

- **North West** (The Hills Shire, Blacktown and Penrith LGAs)
- **South West** (Wollondilly, Camden, Campbelltown and Liverpool LGAs)
- **North East** (Northern Beaches LGA)
- **Central Coast** (Gosford and Wyong LGAs).

STOCK DEFICIENCY

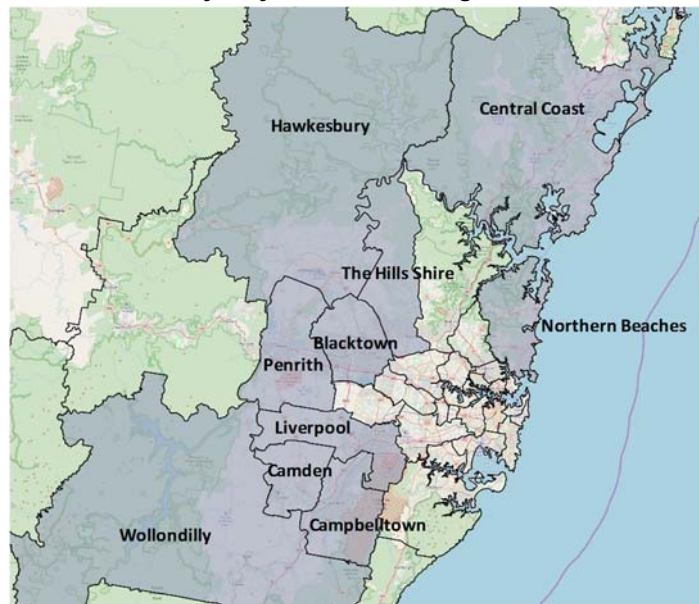
Underlying demand for dwellings has picked up over the three years to June 2017, underpinned by overseas migration inflows driving population growth. Low interest rates have also allowed pent up demand to be released into the market. Underlying demand has risen to an estimated peak of 42,500 dwellings over 2016/17 far above the preceding ten year average of 27,600 dwellings per annum.

On the supply side, dwelling completions have surged, rising in response to demand with 47,200 dwellings completed over 2016/17. This compares to the average of 22,800 dwellings per annum over the previous ten year period. This has seen the underlying dwelling deficiency eroded, estimated to have fallen to 35,300 dwellings at June 2017, from its peak of 44,300 at June 2015. Over 2017/18, underlying demand is forecast to ease slightly while the supply pipeline is estimated to remain strong. This will see the dwelling deficiency further eroded.

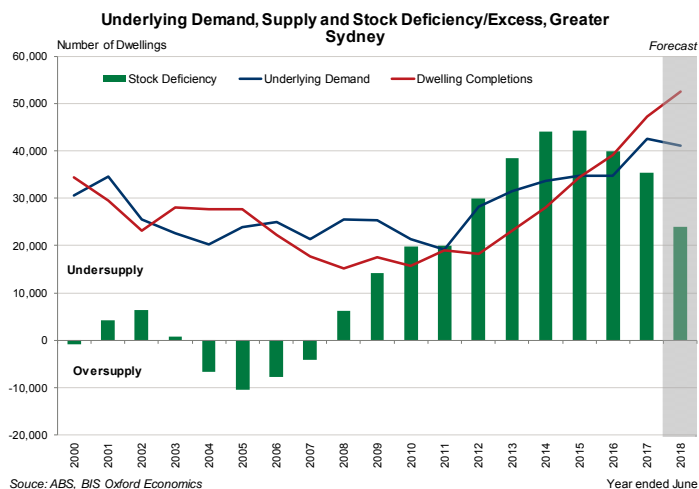
HOUSE APPROVALS

The number of new detached house building approvals in Outer Sydney surged, driven mainly by activity in the North West and South West corridors. Total growth has averaged 17% per annum over the past four years with 12,600 house approvals over the year to June 2017. Over this period, the North West and South West have accounted for an increasing share of total house approvals, accounting for a combined 87% share of the total. In comparison, the combined share was 77% of the total in 2009/10. There has also been a recent small uptick in approvals in the Central Coast region since 2013/14, while the rest of the Growth areas have seen largely flat growth.

Sydney Land Market Regions



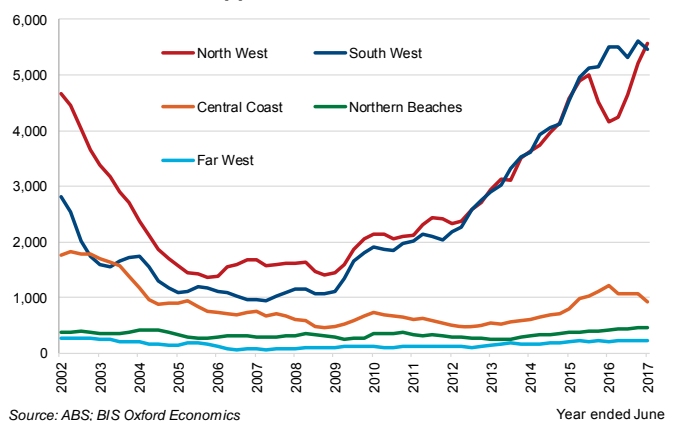
Source: OpenStreetMap



Source: ABS, BIS Oxford Economics

Forecast

House Approvals Growth Areas, MAT



Source: ABS; BIS Oxford Economics

Year ended June

LOT PRODUCTION

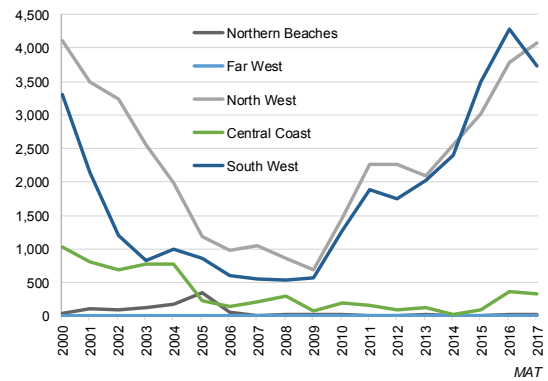
Total lot production in Outer Sydney ramped up sharply over the three years to 2015/16, reaching 8,500 lots in the year to June 2016. Lot production has levelled out at 8,100 lots over 2016/17. Notably, this level remains well above long term averages and is almost double of the level of lot production in 2011/12.

The North West and South West growth corridors have accounted for an increasing share of total Growth Area lot production. The North West region accounted for 50% of total lots produced in 2016/17, while the South West accounted for a 46% share. While there has been some growth in lot production in Central Coast, its share of total lot activity has remained minimal.

MEDIAN PRICES

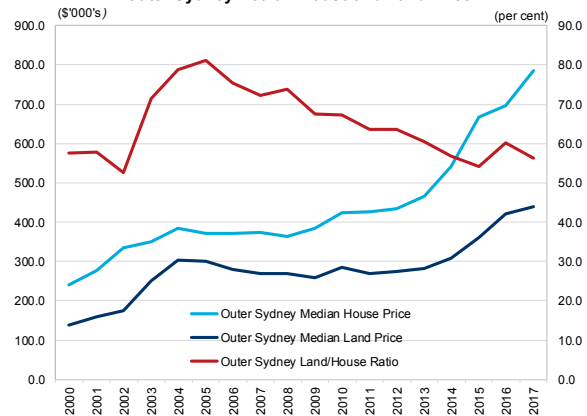
The median land price in Outer Sydney rose to \$440,000 at June quarter 2017, an annual rise of 5%. In comparison, the median house price grew 13% over the year to reach \$784,000. This would suggest that land is becoming more affordable versus the established dwelling stock. The ratio of median land to house price has fallen to 56% over 2016/17. This has been a considerable improvement and has the potential to divert demand towards the new house market. Furthermore, demand may be supported by the First Home Owners Grant Scheme assisting first home buyers into the new house market. Notably, the Outer Sydney median house price at June 2017, was just over the threshold of \$750,000 for eligibility of the Grant.

Lot Production Growth Areas



Source: ABS, Department of Planning and Infrastructure; BIS Oxford Economics

Outer Sydney Median House and Land Price



Source: PriceFinder, ABS, BIS Oxford Economics

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