Department of Planning and Environment

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Housing Supply Insights

Quarterly Insights Monitor Q2 (October to December 2022)

Acknowledgement of Country

The Department of Planning and Environment acknowledges that it stands on Aboriginal land. We acknowledge the Traditional Custodians of the land and we show our respect for Elders past, present and emerging through thoughtful and collaborative approaches to our work, seeking to demonstrate our ongoing commitment to providing places in which Aboriginal people are included socially, culturally and economically.

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Housing Supply Insights

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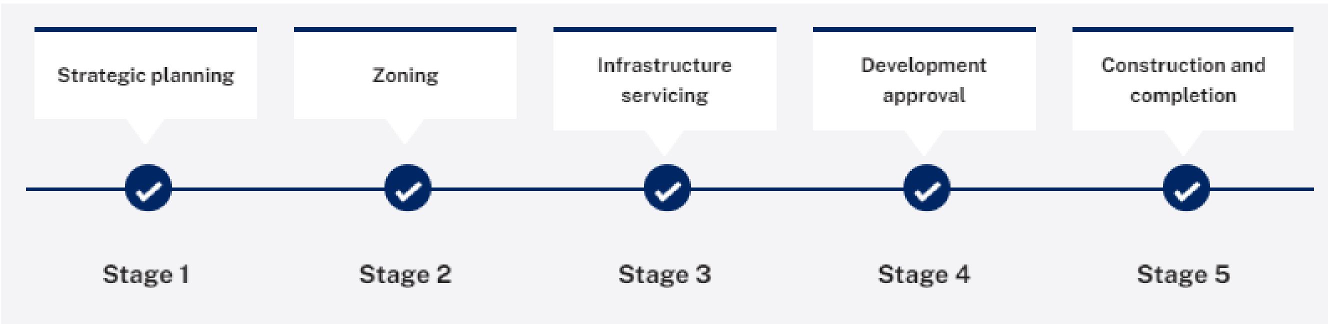
About the monitor

The Quarterly Insights Monitor includes the most recent data and analysis across each stage of the housing supply pipeline, and monitors the progress of key NSW housing supply initiatives. The monitor helps the government, councils, regulators and developers maintain a healthy pipeline of development-ready land over the medium-to-long term.

About the NSW housing supply pipeline

The NSW Government aims to create a healthy housing supply pipeline as part of its package of measures to increase housing supply and affordability.

The pipeline covers potential lots and dwellings across 5 stages – strategic planning, zoning, infrastructure servicing, development approval, construction and completions.



Further information can be found at: https://www.planning.nsw.gov.au/Policy-and-Legislation/Housing/Housing-Supply-Insights

Quarterly Insights Monitor Q2 (October to December 2022)

Snapshot

- In the December quarter, an additional 16,312 rezoning lots were approved for housing in NSW. Infrastructure servicing for 20,034 new dwellings was supported by NSW infrastructure programs, and 25,769 dwellings were approved under state and regionally significant development applications.
- Residential construction costs rose by 14.2% in 2022, contributing to the fall in building approvals and completions in NSW. Declining feasibility of residential construction projects poses a significant risk to the dwelling pipeline.
- The NSW Government is expanding its Urban Development Program to support coordination of housing delivery across the pipeline by all stakeholders. The expansion will assist NSW regions to monitor and manage land supply and residential development activity.

Current housing pressures in NSW

Increasing residential rents and borrowing costs saw housing costs rise across Australia in 2022, particularly for renters and new home buyers.

Rental prices in NSW increased 11% in the 12 months to September 2022. Rental vacancy rates remain low, averaging 0.9% for regional NSW and 1.8% for Greater Sydney over the 12 months to December 2022. For owner occupiers with a mortgage, cumulative interest rate rises (from 0.1 to 3.1% over eight months) have sharply increased repayments. In regional NSW, 2022 flood events have increased housing costs with thousands of homes lost and many households in temporary accommodation.

Increased borrowing costs have also slowed dwelling construction across Australia. Tighter access to finance, coupled with ongoing materials and skills shortages, have dampened construction feasibility. Residential construction costs increased 14.2% in the year to December 2022. A recent report by Infrastructure Australia found rising construction insolvencies, fewer construction businesses available to deliver projects, and many of these operating at reduced capacity. These trends suggest further delays are expected and outcomes are increasingly uncertain.

While housing supply pipeline indicators for the December quarter demonstrate new dwelling capacity has been unlocked by the planning system in NSW, private capacity to deliver new housing remains a risk to dwelling supply. An innovative and collaborative approach will be critical to enabling new dwelling supply in NSW in the coming years.

Quarterly pipeline progress

The NSW Government has a number of programs underway as part of the 2022-23 Housing Package to actively manage the housing supply pipeline. Supporting indicators across the housing supply pipeline are also monitored, noting that beyond state government, many other factors and drivers influence how quickly new housing is delivered.

Four targets are used to monitor NSW Government program impacts from July 2022 to the present.

NSW Housing Package targets 2022		
Zoning	100,000 dwellings unlocked by 2023–24 (including 70,000 dwellings from state-led rezoning approvals and 30,000 dwellings from council-led rezoning approvals)	**Interim target:** 50,000 dwellings by June 2023
Infrastructure servicing	150,000 dwellings supported by housing-focussed infrastructure programs by 2025–26	**Interim target:** 37,500 dwellings supported by June 2023
Development approval	32,500 dwellings unlocked by 2023–24 (from state-significant and regionally significant development approvals)	**Interim target:** 16,250 dwellings by June 2023
Housing supply in regional NSW	127,000 dwellings delivered in regional NSW by 2031–32	**Interim target:** 12,700 dwellings by June 2023

Stage 1: Strategic planning

Regional Housing Strategic Planning Fund

In the December quarter, the NSW Government announced 20 successful projects under the first round of the Regional Housing Strategic Planning Fund. A total of $4 million will be shared by 19 councils across 20 projects that bring forward strategic planning for new housing in regional NSW.

Successful projects include preparation of local housing strategies, master planning initiatives, affordable housing contribution schemes and infrastructure plans. This will assist councils to be better placed to provide housing opportunities to meet the long term needs of their area.

The fund is part of the NSW Government's response to the Regional Housing Taskforce.

A second round will commence in mid-2023.

Local Housing Strategies

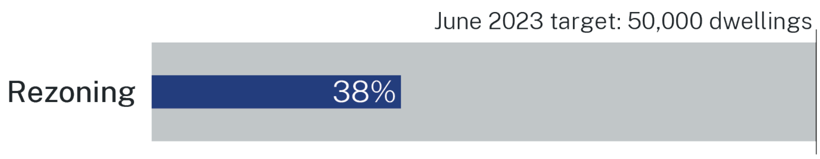
The department is working closely with Greater Sydney councils to help them reach local housing supply targets through implementation of the local housing strategies.

By 31 December, 29 out of 33 councils in Greater Sydney had submitted Implementation and Delivery Plans (IDP), or equivalent strategic works program, to implement their local housing strategies. This includes an additional 11 IDPs submitted in the December quarter.

Over the next few months, the department will commence direct engagement with councils to provide support and advise on the strategic works required to deliver new housing, in alignment with their local housing strategies. It will provide an opportunity to discuss any updates to IDPs required to reflect planned strategic works.

Stage 2: Zoning

State and council-led rezoning



In the December quarter, 16,312 rezoning lots were approved in NSW, with 79% of these in Greater Sydney and 21% in regional NSW.

Since 1 July, 18,872 lots have been rezoned – 38% of the interim target to June 2023.

Close to 48,000 lots are scheduled to be rezoned to end June 2023.

The department is closely monitoring scheduled rezonings that can contribute to the 2-year target to June 2024 of 100,000 rezoning lots approved, and to provide a buffer to mitigate against rezonings that may not progress.

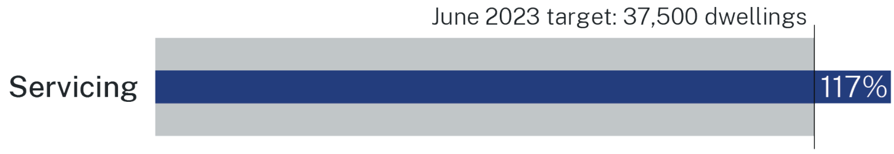
Rezoning Pathways program

The pilot State-Assessed Planning Proposal pathway, announced in December 2022 as part of the Rezoning Pathways program, will help prioritise assessments that contribute to housing supply. Successful applicants for initial state-assessment will be informed in the first half of 2023.

Stage 3: Infrastructure servicing

NSW agencies and infrastructure providers are responsible for delivering critical infrastructure and capital works for land to progress through the housing supply pipeline. In addition, beyond this, NSW Government also co-fund a pipeline of local and enabling infrastructure to improve the supply of development-ready land for housing. Current programs include Special Infrastructure Contributions, Accelerated Infrastructure Fund, State Voluntary Planning Agreements, Low Cost Loans Initiative and Housing Acceleration Fund.

In 2022, 153 projects were funded, supporting approximately 380,000 new and existing dwellings. You can read more here.



In the December quarter, 20,034 potential new dwellings were supported by NSW Government infrastructure programs. The programs provided a total of $75.6 million in co-funding to councils to deliver critical housing-enabling infrastructure. Once delivered, the infrastructure will support 13,834 dwellings in Liverpool under the Low Cost Loans Initiative and 6,200 potential dwellings in Parramatta under the Housing Acceleration Fund.

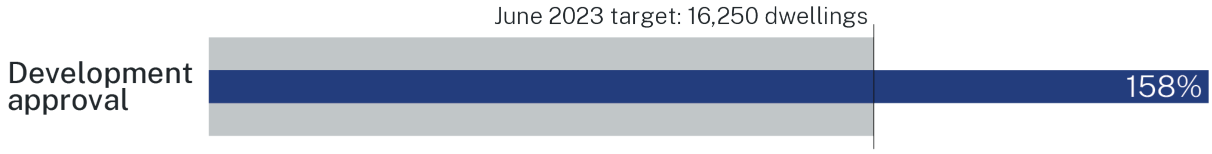
Since 1 July 2022, 43,738 potential new dwellings have been supported by NSW local infrastructure programs, exceeding the interim target for June 2023 target by 17%.

The Department is planning to announce successful projects under Round 3 of the Accelerated Infrastructure Fund in early 2023. Following quarterly Monitors will include the contribution of these projects to the interim target.

The department will begin to report on project delivery and dwelling outcomes in late 2023.

Stage 4: Development approval

State and regionally significant approvals



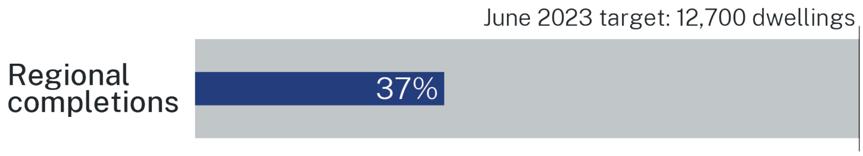
In the December quarter, 16,211 dwellings were unlocked via state and regionally significant development projects. Of these approvals, 15,169 (94%) were in Greater Sydney and 1,042 (6%) in regional NSW.

Since 1 July, 25,769 dwellings have been approved under state and regionally significant developments, exceeding the interim target for June 23 by 58%.

Local development approvals

In addition, councils approved 21,223 dwellings through local DA approvals during the December quarter. Since 1 July, close to 45,000 dwellings have been approved through Local DAs. Approximately 64% of these dwellings are multi-unit dwellings.

Stage 5: Construction and completion



ABS data shows that building approvals (to commence construction) across NSW were down 15.1% in the 12-months to December 2022 (53,312 dwellings), and dwelling commencements were down 19.2% in the 12 months to September 2022 (51,683).

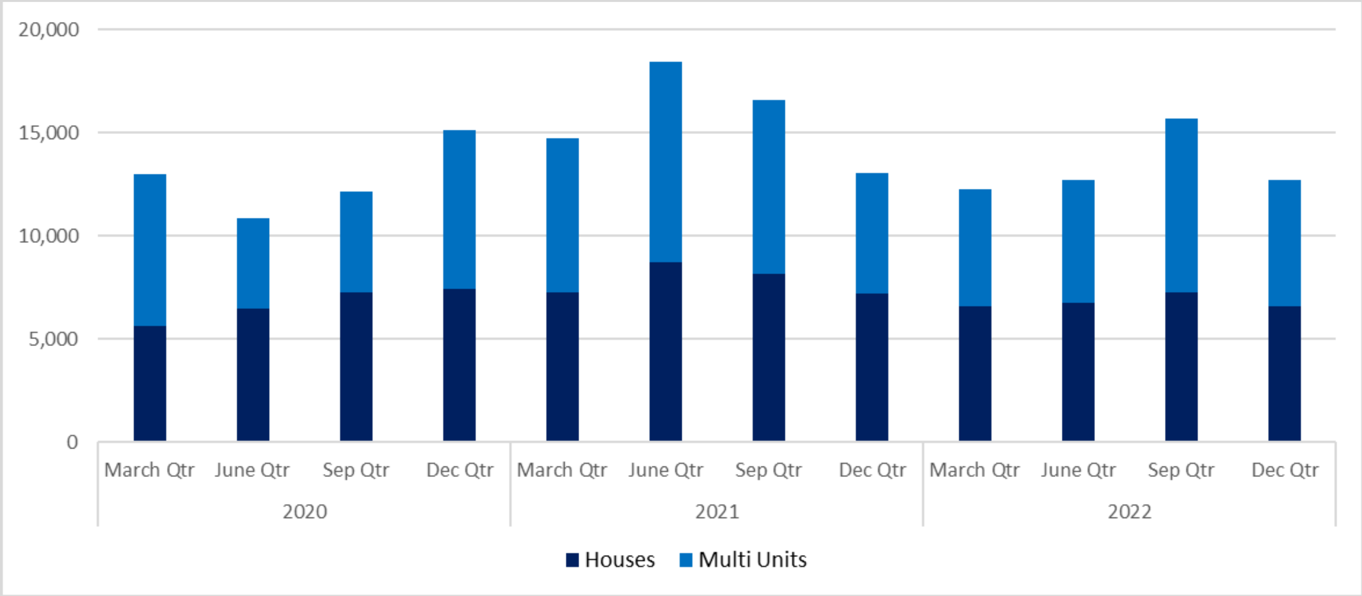
While completions had only fallen 1.4% in the 12-months to September 2022 (47,459) compared to the previous year, the construction activity slowdown poses a significant risk to the pipeline of new dwellings. Reduced project feasibility and increasing circumstances of project delays and abandonment reported by industry mean the short-term outlook remains of particular concern.

In the December quarter, 2,672 dwellings were approved for construction in regional NSW. Since 1 July, 4,671 regional dwellings have received construction approval — 37% of the interim target for

2022-23. Note this data reflects reporting from Councils into the NSW Planning Portal and should not be compared to ABS data which has a different methodology.

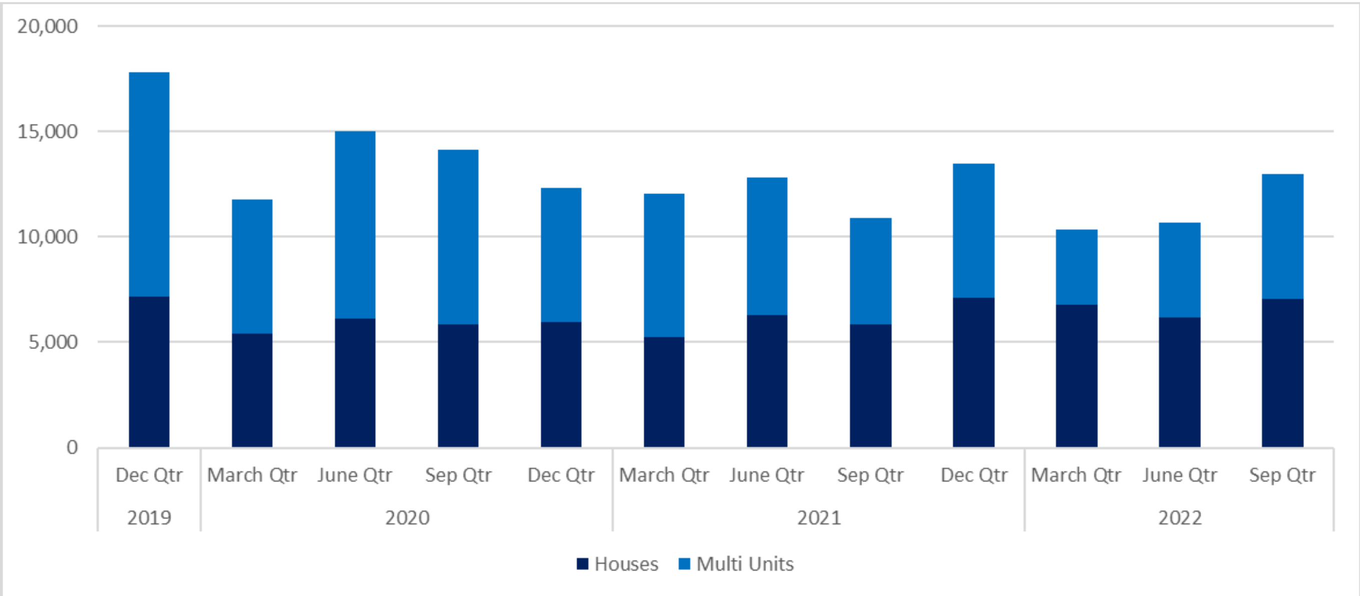
Despite a large volume of projects with development approval, NSW is unlikely to deliver enough construction activity in the short-term, to meet the interim target of 12,7000 dwellings in regional NSW by June 2023. However, the Regional Housing Program continues to support a sustainable pipeline of supply in Regional NSW to meet the target of 127,000 dwellings by 2030-31.

NSW building approvals (quarterly)



Source: Australian Bureau of Statistics, Building Approvals, Australia (original) (data to December 2022)

NSW building completions (quarterly)



Source: Australian Bureau of Statistics, Building Approvals, Australia (original) (data to September quarter 2022)

Housing supply pipeline – key indicators summary

Target		Q1 Jul-Sept 2022	Q2 Oct-Dec 2022	2022-23 year-to-date
Strategic Planning	Number of IDPs submitted to DPE	18	11	**29**
Zoning	Potential dwellings unlocked through rezonings	2,560	16,312	**18,872**
Infrastructure servicing	Potential dwellings supported by housing-focussed infrastructure programs	23,704	20,034	**43,738**
Approvals	Potential dwellings unlocked through approvals (state and regionally significant)	9,558	16,211	**25,769**
	Potential dwellings unlocked through Local Development Applications	23,771	21,223	**44,994**
Construction and completions	Number of dwellings with construction approval in regional NSW	1,999	2,672	**4,671**

Improving coordination of housing delivery

New housing supply is directly influenced by efforts across each pipeline stage by state and local governments, development industry, finance sector, community housing providers and communities. External market, economic and local environmental conditions also help or hinder progress.

As market and economic conditions constrain residential construction, the NSW Government and industry will need to further collaborate to prioritise planning, infrastructure and development activity towards areas of high need and impact.

Urban Development Programs

In 2023, NSW is expanding its place-based Urban Development Programs (UDP), to assist in monitoring and managing land supply and residential development activity for regions and sub-regions. The expansion is part of the NSW Government's response to the recommendations of the Regional Housing Taskforce.

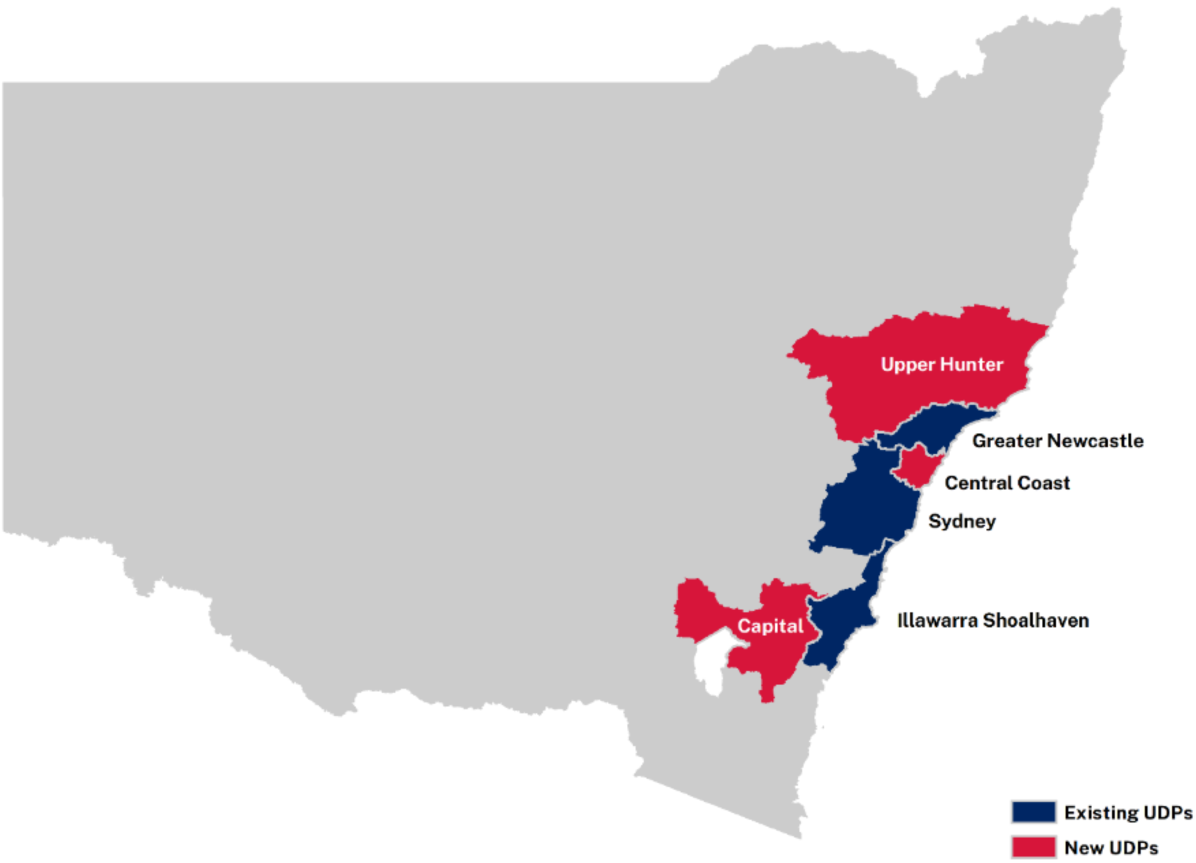
NSW already has established UDP dashboards in Greater Sydney and Illawarra-Shoalhaven regions. New UDP dashboards are being established for Greater Newcastle, Central Coast, and Upper Hunter and Mid Coast. Monitoring has also begun for the North Coast region. A dashboard is under development for the Capital region (Queanbeyan-Palerang and Yass Valley).

Beyond the first stage of sharing data and reporting through a dashboard, the UDPs will also support early engagement between industry, utility providers, and state and local government stakeholders through regional committees.

Committees supporting UDPs are already established for the Illawarra-Shoalhaven and Greater Newcastle. Work is underway to strengthen the Greater Sydney UDP with establishment of a pilot committee and new governance for Western Sydney, and to commence forming new UDP committees for the Central Coast, Upper Hunter and Mid Coast and Capital regions. This approach aims to remove bottlenecks and provide greater certainty for infrastructure and investment decisions.

A new guide to regional Urban Development Programs released in December describes the standardised data, reporting and governance framework underpinning the expansion and evolution of regional UDPs in NSW.

Urban Development Program regions in NSW



Source: NSW Department of Planning and Environment 2022

Data from existing Urban Development Program dashboards shows variations in building approval and completion activity across parts of NSW. For example, the Upper Hunter and Mid Coast region has experienced growth in both building approvals and completions in 2021-22, albeit from a low base. Building approvals in the North Coast and Central Coast increased between 2020-21 and 2021-22.

Building approvals and completions in Urban Development Program regions

Region	Approvals			Completions		
	5-year average (FY 2017-18 to FY 2021-22)	FY2020-21	FY2021-22	5-year average (FY 2017-18 to FY 2021-22)	FY2020-21	FY2021-22
Australia	203,358	222,298	200,688	194,708	180,134	172,788
NSW	58,894	60,387	54,618	59,270	51,377	45,379
Central Coast	1,600	1,416	1,496	1,462	1,314	1,169
Greater Newcastle	4,854	5,381	4,699	4,127	4,442	3,851
Greater Sydney	40,617	40,812	36,432	34,279	29,785	24,641
Illawarra-Shoalhaven	3,253	3,362	3,263	2,211	2,636	2,032
North Coast	2,922	2,965	3,076	2,620	2,486	2,165
Upper Hunter and Mid Coast	664	695	833	607	561	803

Sources: ABS 2022, Building Approvals, Australia; ABS 2022, Building Activity, Australia; DPE 2022; Completions for Greater Sydney and Illawarra-Shoalhaven are inferred from water connection information provided by Sydney Water.

Feedback

The NSW Government supports the housing supply pipeline by providing clarity and certainty to the community, councils and industry so projects can proceed, homes are unlocked and new communities are built in the right places, supported by infrastructure.

If you have any feedback or questions, please contact us at quarterly.housing@dpie.nsw.gov.au.