

Department of Planning and Environment

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# Housing Supply Insights

Quarterly Insights Monitor Q3 (January to March 2023)





# 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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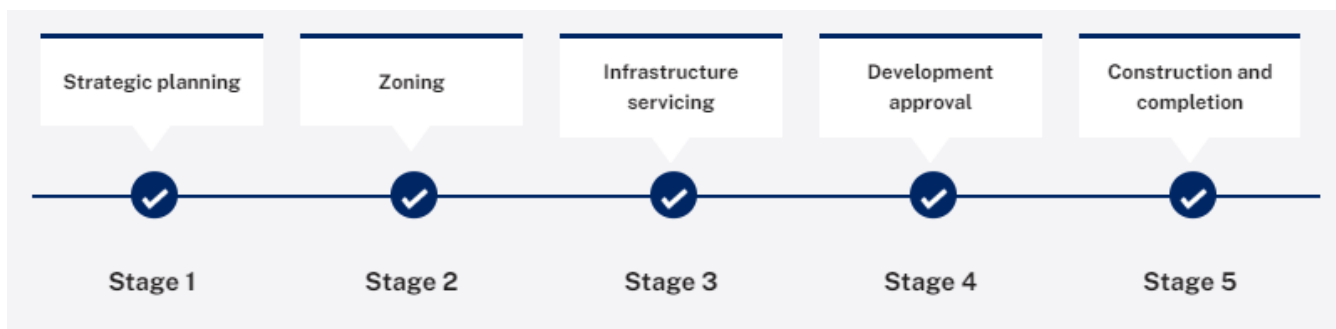
## About the monitor

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 Q3 (January to March 2023)

## Snapshot





In the March quarter:

- 3 new local housing strategy implementation and delivery plans were submitted to the department for review.
- 3,000 lots were rezoned for housing.
- 2,620 dwellings were approved as part of a state or regionally significant development, and 17,459 dwellings were approved as local development.
- 2,270 dwellings received construction approval in regional NSW.

## Quarterly pipeline progress

Many factors influence the volume of dwellings in the pipeline and the progress of dwellings from strategic planning to occupancy. The NSW Government is actively monitoring the housing supply pipeline in NSW across 5 stages: strategic planning, zoning, infrastructure servicing, development approval and construction and completion. In addition, four targets are used to monitor quarterly progress.

### NSW Housing targets 2022

	<b>Zoning</b>	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)	<b>Interim target:</b> 50,000 dwellings by June 2023
	<b>Infrastructure servicing</b>	150,000 dwellings supported by housing-focussed infrastructure programs by 2025–26	<b>Interim target:</b> 37,500 dwellings supported by June 2023
	<b>Development approval</b>	32,500 dwellings unlocked by 2023–24 (from state-significant and regionally significant development approvals)	<b>Interim target:</b> 16,250 dwellings by June 2023
	<b>Housing supply in regional NSW</b>	127,000 dwellings delivered in regional NSW by 2031–32	<b>Interim target:</b> 12,700 dwellings by June 2023

## Stage 1: Strategic planning

### 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.

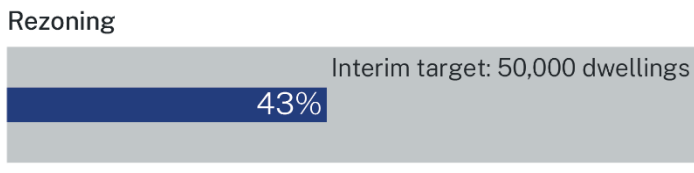
All Greater Sydney councils have a local housing strategy (LHS) in place. By 31 March, 32 out of 33 councils in Greater Sydney have submitted Implementation and Delivery Plans (IDP), or equivalent strategic works program, to implement their local housing strategies. One remaining council (Kuring-gai) has indicated it will not be submitting an IDP.

The IDPs outline investigations, studies, planning proposals and consultation required to deliver the local housing strategies and a budget and schedule for their delivery. The plans provide a clear roadmap for housing supply for Greater Sydney councils. Many regional councils are also reviewing their local housing strategies using the same approach to support a sustainable supply pipeline over the long term.

During the March quarter, the department engaged with councils on LHS implementation. These sessions provided useful insights into the challenges confronting councils in meeting housing targets, resourcing and funding strategic works programs and reporting on LHS implementation. The department is currently exploring how it might assist councils with these matters and will engage again with councils throughout 2023.

## Stage 2: Zoning

### State and council-led rezoning



*Financial year to date progress on interim rezoning target*

In the March quarter, 3,000 lots were rezoned in NSW, with 20% of these in Greater Sydney and 80% in regional NSW. This included:

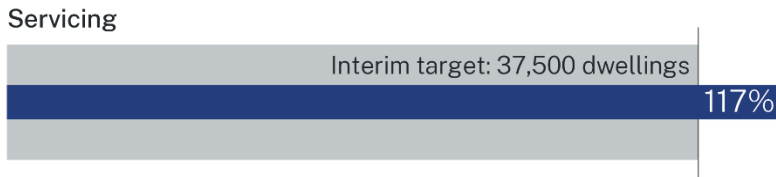
- 2,512 lots/dwellings from state-led rezoning approvals in [Redfern North Eveleigh](#) and [North Tuncurry](#).
- 488 lots/dwellings from 38 council-led rezoning approvals.

Since 1 July, 21,444 lots have been rezoned across NSW (43% of the interim target to June 2023).

An additional 55,000 lots are scheduled to be rezoned by June 2023, including in Canterbury-Bankstown, Randwick, Wollondilly and Campbelltown local government areas.

The department is closely monitoring scheduled rezonings that can contribute to the 2-year target of 100,000 lots rezoned by June 2024, and to provide a buffer to address the impact of rezonings that may not progress.

## Stage 3: Infrastructure servicing



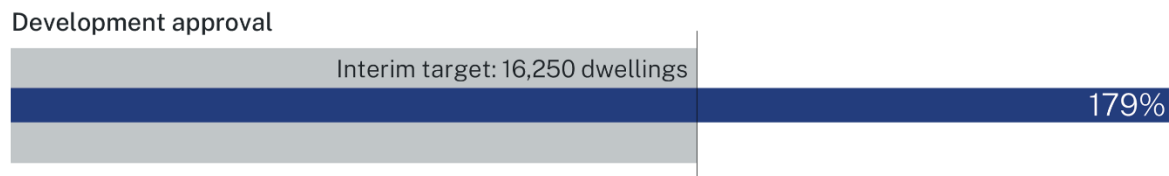
Financial year to date progress on interim infrastructure servicing target

In March, \$254 million in funding was announced and will be allocated to 36 projects (26 in Greater Sydney and 10 in regional NSW). Dwellings supported by these projects will be reported next quarter once funding agreements have been executed.

No other infrastructure funding agreements were executed by the Department this quarter.

## Stage 4: Development approval

### State and regionally significant approvals



Financial year to date progress on interim development approval target

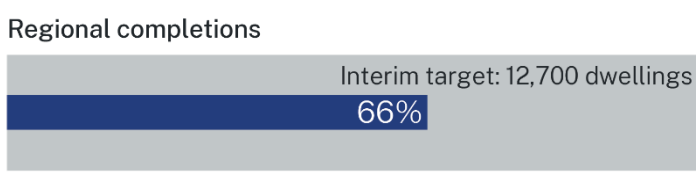
In the March quarter, 2,620 dwellings were approved as part of a state or regionally significant development. Of these approvals, 2,515 (96%) were in Greater Sydney and 105 (4%) in regional NSW. This includes 391 dwellings for a build-to-rent residential development in Parramatta, and 1,072 dwellings as part of a mixed-use development in Macquarie Park.

Since 1 July, 29,018 dwellings have been approved as part of a state or regionally significant development, with 87% in Greater Sydney and 13% in regional NSW. This exceeds the interim target for June 2023 by 79%.

### Local development approvals

In addition, councils approved 17,459 dwellings as local development during the March quarter. Since 1 July, over 63,000 dwellings have been approved as part of a local development assessment. Approximately 66% of these dwellings are part of a multi-unit development.

## Stage 5: Construction and completion



Financial year to date progress on interim regional dwellings target

In regional NSW, 2,270 dwellings received construction approval during the March quarter. Since 1 July, 8,373 regional dwellings have received construction approval – 66% of the interim target for 2022-23. Note this data reflects reporting from councils in the NSW Planning Portal and should not be compared to ABS data below which uses a different methodology.

Regional housing programs underway in NSW continue to support the long-term target of 127,000 dwellings over 10 years by fostering a sustainable pipeline of supply. However, slowing construction activity will mean the interim target for June 2023 will not be met.

ABS data on building approvals show construction approval was down 18% in the 12 months to March 2023 (49,478 dwellings) compared to the previous year. The decline for this period marks the lowest level of dwelling approvals in a decade. Currently, multi-dwelling approvals make up 47% of total construction approvals, whereas at the peak in 2016 this was around 60%.

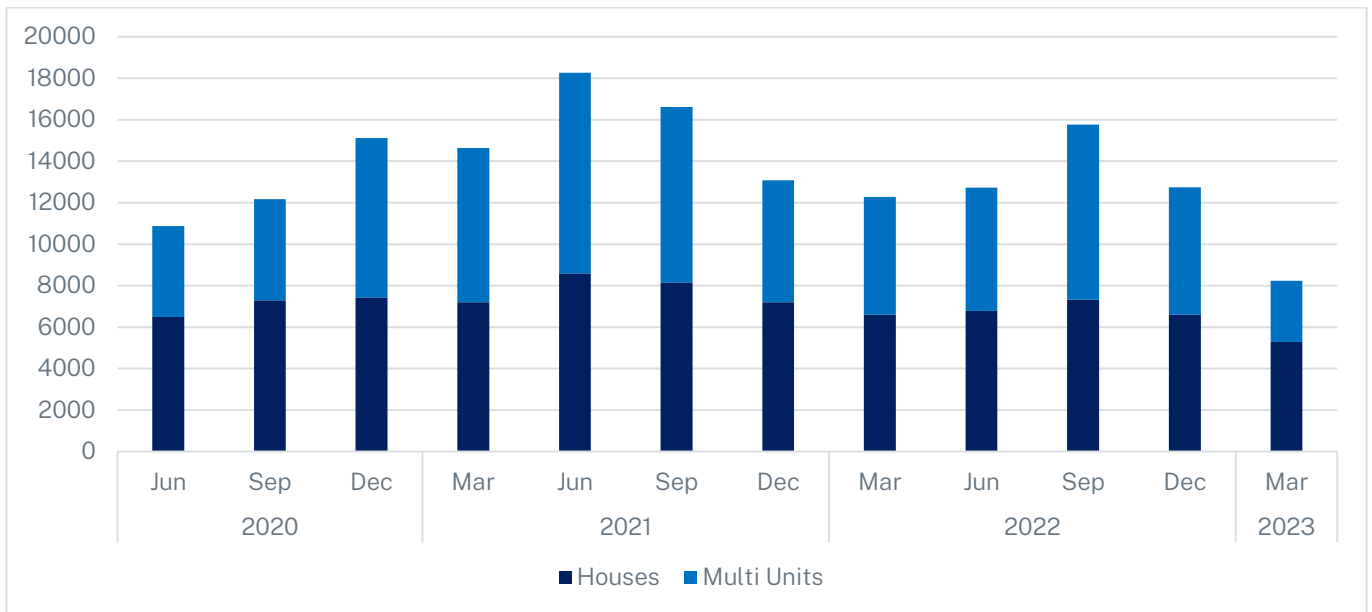
Residential building approvals have fallen since mid-2021, driven by multiple factors, including shortages of construction material and labour, rising interest rates, and falling housing prices.

Dwelling commencements were down 23% in the 12 months to December 2022 (48,538 dwellings) compared to the previous year. In addition, dwelling completions have fallen 7% in the 12 months to December 2022 (46,005 dwellings) compared to the previous year with further declines anticipated. As reported in Q2, the slowdown poses a significant risk to the pipeline of new dwellings.

Under the National Housing Accord, NSW has committed to contributing to the national aspirational target of delivering 1 million new 'well-located' homes between 2024 and 2029. Monitoring progress towards this target will require a greater focus on all stages of the housing supply pipeline through to dwelling completion, including expanded reporting and data collection to provide insights on performance.

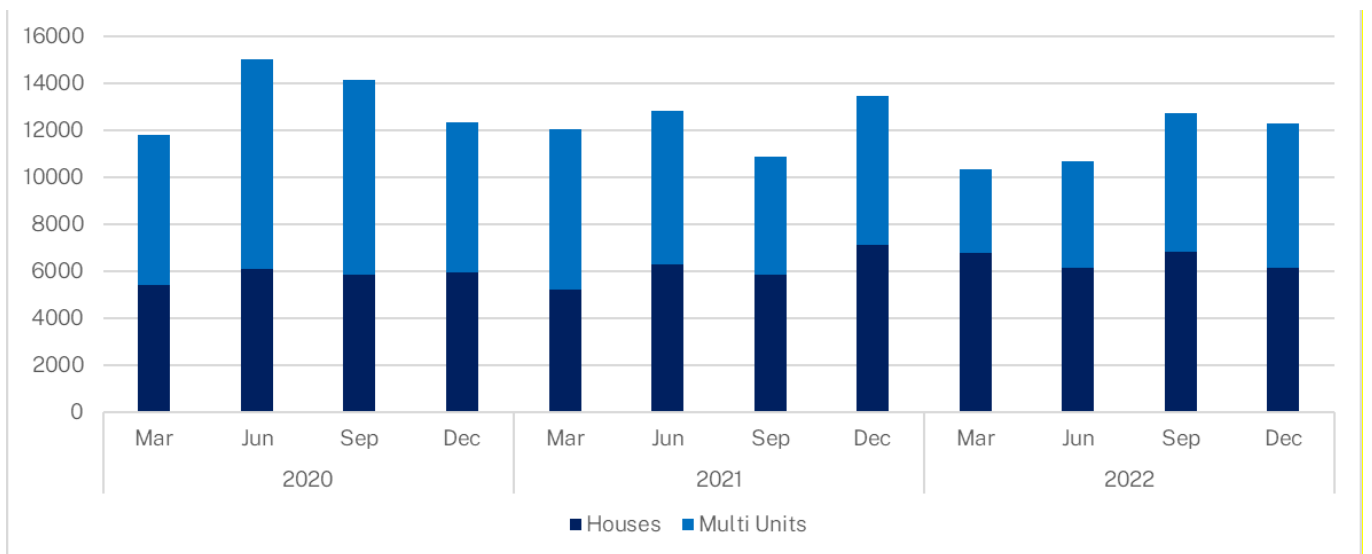


### NSW building approvals (quarterly)



Source: Australian Bureau of Statistics, Building Approvals, Australia (original) (data to March 2023)

### NSW building completions (quarterly)



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

## Housing supply pipeline – key indicators summary

Target		Q3 (Jan-Mar 2023)	YTD July 2022 to March 2023*
<b>Strategic Planning</b>	Number of IDPs submitted to DPE	3	<b>32</b>
<b>Zoning</b>	Potential dwellings unlocked through rezonings	3,000	<b>21,444</b>
<b>Infrastructure servicing</b>	Potential dwellings supported by housing-focussed infrastructure programs	0	<b>43,738</b>
<b>Approvals</b>	Potential dwellings unlocked through approvals (state and regionally significant)	2,620	<b>29,018</b>
	Potential dwellings unlocked through Local Development Applications	17,459	<b>63,397</b>
<b>Construction and completions</b>	Number of dwellings with construction approval in regional NSW	2,270	<b>8,373</b>

\*YTD totals include Q1 and Q2 decisions applied retrospectively in the Planning Portal.

## Infrastructure to support housing delivery

Infrastructure servicing is a key part of planning for new housing in local communities. Dwelling lots are considered ‘development-ready’ when they are both zoned for housing and serviced by enabling infrastructure – including roads, power, water and sewer servicing. Both infill and greenfield housing require new or upgraded infrastructure servicing to deliver housing, however servicing costs are typically higher in greenfield areas.

In 2021, the NSW Regional Housing Taskforce found misalignment to be a key issue affecting supply with rezoning decisions typically occurring prior to infrastructure needs being identified and funded. Infrastructure delays can impede housing construction, completion and occupancy adding to development costs and timeframes. Misalignment can also have direct financial impacts on councils or utility providers tasked with infrastructure provision.

To mitigate the risk of housing delays, housing-related infrastructure requires upfront coordination and secure funding as responsibilities are split between developers, local government and state governments.

The NSW Government is continuing work to support alignment of infrastructure and planning activities. This includes:

- Co-funding local infrastructure projects with councils to bring forward housing development activity has helped to bring forward delivery of roads, cycleways, critical infrastructure (e.g.

water, drainage and electricity) and open and public space to support both new and existing dwellings.

- Piloting new approaches to coordination of housing and infrastructure, for example through the Western Parkland City Urban Development Program (UDP) pilot. [The UDP approach](#) brings key NSW infrastructure agencies, council and developers together to provide clearer links between development priorities and investment decisions, and improve governance arrangements to better coordinate service delivery and private development.
- Strategically planning for new housing growth in areas that are already serviced by major infrastructure, particularly in well located areas around transport hubs.
- Working with NSW Treasury and Infrastructure NSW to develop a new place-based approach to infrastructure investment to align and simplify decision making. The model is being trialled for the Macquarie Park Innovation Precinct alongside the rezoning process.

Under the National Housing Accord, NSW has committed to new housing in well-located areas. This can help bring forward housing supply by leveraging existing infrastructure capacity and investments.

NSW Government is working with local government and industry to identify planning and infrastructure barriers to new housing and opportunities for innovative solutions.

## Urban Development Programs

The NSW Government has developed Urban Development Program (UDP) dashboards to help monitor land supply and development activity.

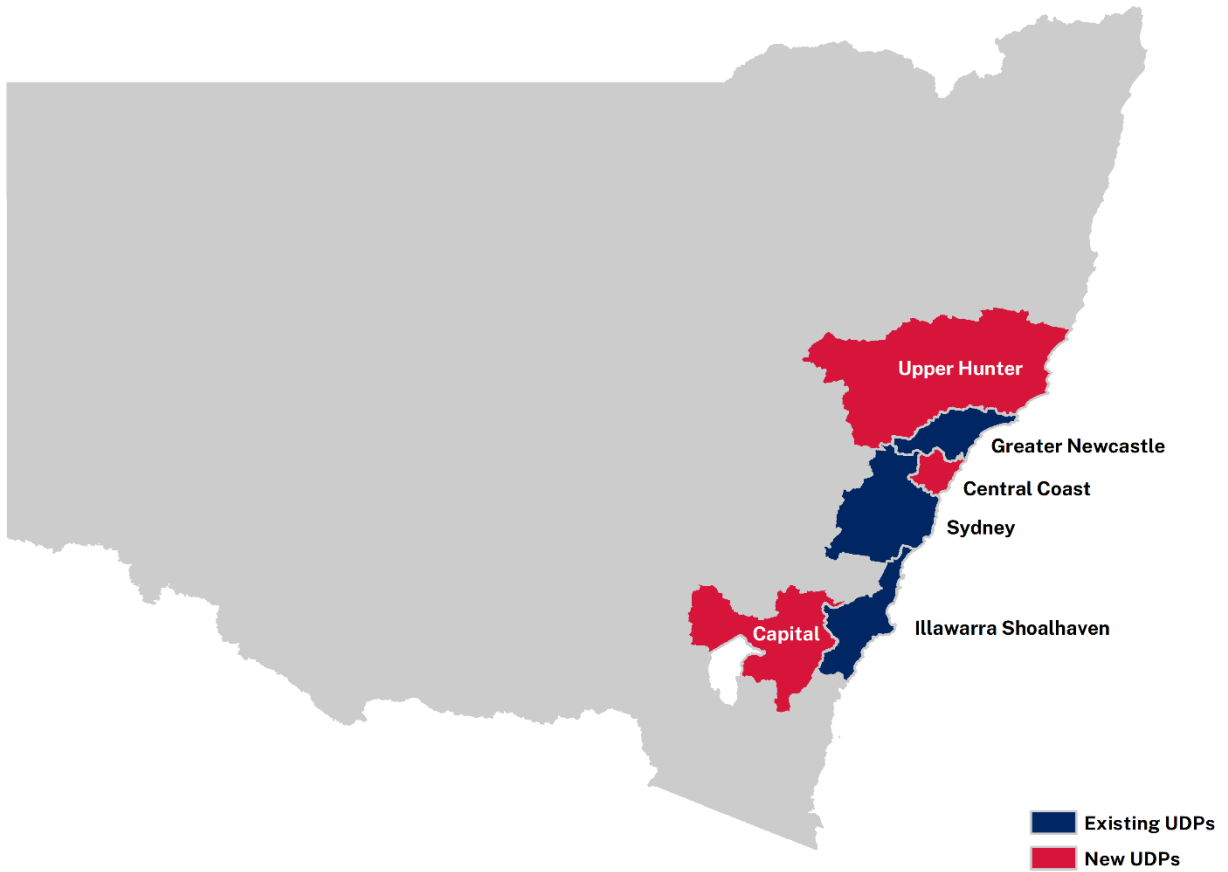
Existing UDP dashboards were already in place for [Greater Sydney](#) and [Illawarra-Shoalhaven](#) regions. [New UDP dashboards](#) were finalised in early 2023 for Greater Newcastle, Central Coast, Upper Hunter and Mid Coast, and a new housing dashboard for the North Coast.

Since the last quarterly insights monitor report, additional dashboards are being finalised for the Capital Region UDP (Goulbourn Mulwaree, Queanbeyan-Palerang and Yass Valley) and an updated dashboard for the existing Illawarra-Shoalhaven UDP.

Additionally, UDP Committees for the Central Coast and Upper Hunter and Mid Coast have commenced meeting to facilitate collaboration between industry, utility providers, and state and local government stakeholders and support better integration of land use and infrastructure planning and delivery.

A UDP Western Parkland City Pilot was established in January 2023 and is funded to run until 30 June 2023 to pilot an expanded UDP in the Western Sydney context. The pilot is stakeholder and solutions focused to target planning and infrastructure shortfalls and deliver a housing pipeline in the Western Parkland City. Outputs of the pilot have included improved data for decision making, and recommendations for the most efficient (cost and resourcing) way to sequence the delivery of infrastructure to support housing that is aligned with market needs and developer interest.

Reporting on zoned and serviced land for UDP regions will be included in future insights monitors.



Source: NSW Department of Planning and Environment 2023

# 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@dpi.nsw.gov.au](mailto:quarterly.housing@dpi.nsw.gov.au).