Sydney Residential – Unlocking the West

November 2025

IN A NUTSHELL

- More than half of Metropolitan Sydney's population live in Western Sydney, which has displayed incredibly strong population growth over recent years
- Challenged purchase affordability against lack of rental supply continues to underpin growth in rents
- The Sydney Build-To-Rent (BTR) market is the second largest in Australia, though limited to a handful of larger assets, we believe there is considerable opportunity to deliver new assets to this market
- Future expansions of the Sydney Metro appears set to transform locations such as **Parramatta** and **Bankstown** into key commuter locations, with areas such as **Liverpool** benefiting from proximity to the new Western Sydney Airport.

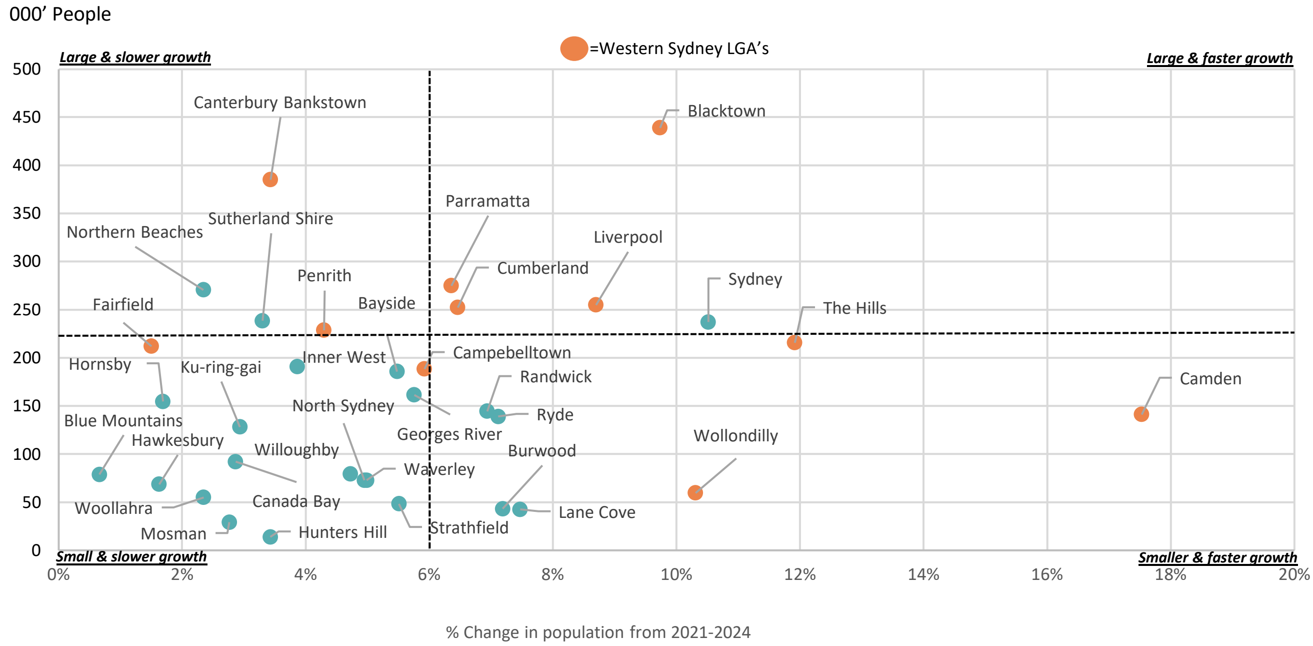
Sydney Overview

Sydney is Australia's largest and most populous capital city home to 5.2 million people[1], renowned for its landmark Harbour, numerous beaches and thriving multi-cultural communities. Metropolitan Sydney, which extends from Sydney's Eastern suburbs to the Blue Mountains, is a significant contributor to the New South Wales economy, accounting for around 70%[2] of the state's Gross State Product, with much of this driven by the 'Western Sydney region'.

In recent years, New South Wales has experienced substantial population growth, with an additional +395,000 people over the three years to June 2024, with close to 70% of this growth concentrated in Metropolitan Sydney[1]. Population inflows have largely been driven by overseas migration, with Sydney absorbing a third of the nation's share[3]. While it is often perceived that most of Sydney's residents live with harbour views or walking distance to Bondi Beach, in fact more than half of Metropolitan Sydney's population live in Western Sydney[1], which continues to absorb the bulk of demand. (Exhibit 1).

[1] Estimated Residential Population (ERP) by Local Government Area (LGA) reflects Metropolitan Sydney (June 2024)
[2] Bureau of Communications, Arts and Regional Research (BCARR) (February 2025)
[3] Australian Bureau of Statistics (ABS) National State and Territory Population (June 2024)

Exhibit 1: Metropolitan Sydney population growth and size by LGA



Source: ABS ERP by LGA 2021 & 2024 (cross sections are population weighted)

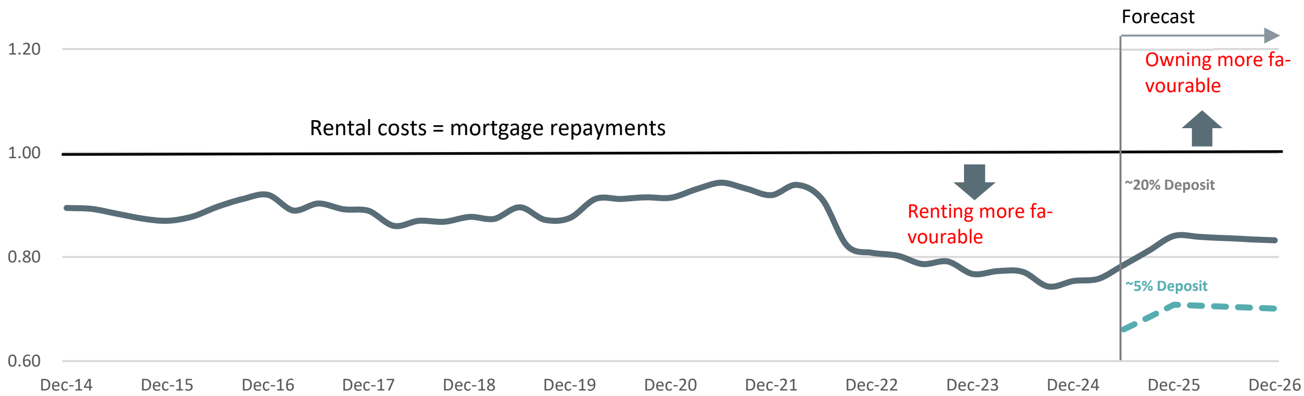
Sydney's rental market

Buying a place to live in Sydney is a challenge for many. Affordability is stretched driving an increasing number of people into the rental market.

Sydney's purchase market is the most expensive nationally, with the median apartment value at a 20% premium to the nearest capital city (Brisbane)[4]. Over the 5 years to June 2025, apartment values have increased by a further 24%[4] placing pressure on deposits requirements, with the median household taking more than 9 years to save for an apartment deposit[5] (assuming 20%) and much longer for houses. While we acknowledge the recently expanded 5% first home buyer scheme may assist some aspirational owners in entering the market sooner, serviceability requirements may restrict borrowing capacity, with the cost of renting at a significant discount to that of servicing a mortgage (Exhibit 2). With the local population spending longer in the rental market, continued immigration inflows and a favorable cost trade off, we anticipate strong upwards pressure on rental demand to continue.

[4] PropTrack Home Price Index by GCCSA units to (June 2025)
[5] Cotality (October 2025)

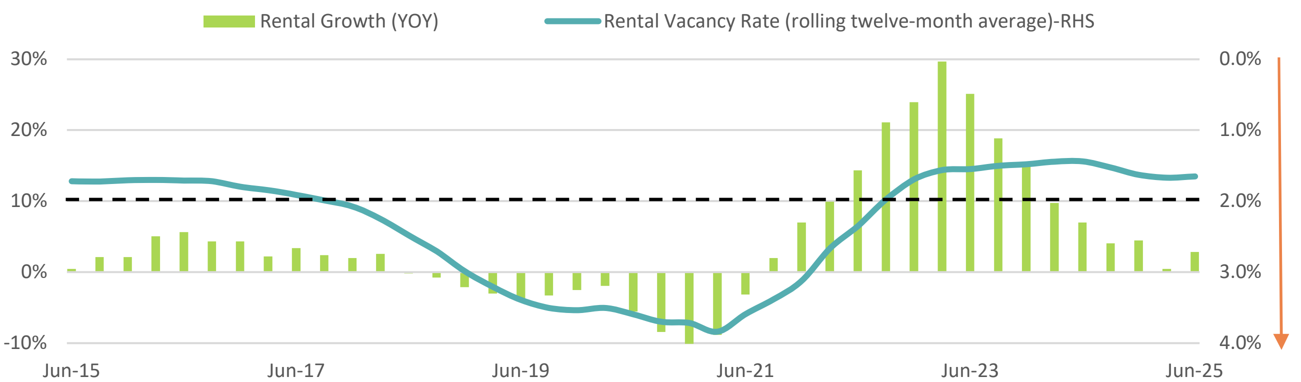
Exhibit 2: Sydney's rent-to-own cost ratio – Apartments



Source: SQM Research, DWS Research (June 2025)

The fundamentals of Sydney's rental market are underpinned by stretched purchase affordability against lack of rental supply. Dwelling approvals have struggled to keep pace with a rebound in Sydney's population growth, the DWS Real Estate Research team estimate that dwelling approvals have fallen short of implied demand by 30-40% over the past couple of years. This has led to a material decline in Sydney's rental vacancy rate to sub 2%, with apartment asking rents surging more than 60% over the five years to June 2025[9] (Exhibit 3). While rental affordability rates are now sitting closer to 30% of median household income, the Sydney market has begun to see a re-acceleration of rental growth supported by personal tax cuts, minimum wage increases and a boost to rental assistance payments.

Exhibit 3: Rental vacancy rate vs Apartment rental growth



Source: SQM Research (June 2025)

[9] SQM Research (June 2025)

The supply equation

The DWS Real Estate Research team estimate that Metropolitan Sydney requires an additional 140,000 dwellings by mid-2029 to account for 'excess demand' in the market and future growth in population (Exhibit 4). Over the 12 months to June 2025, Metropolitan Sydney saw 30,000 dwellings approved for construction with around 40% reflecting apartment product[10].

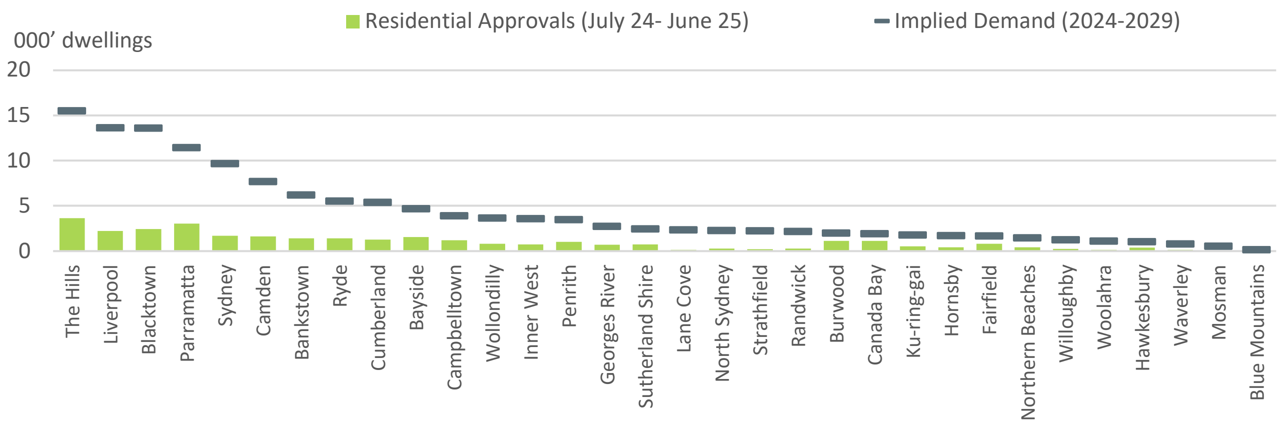
Local government areas (LGA's) including The Hills, Liverpool, Blacktown and Parramatta have the largest supply requirements over the next 5 years, which are forecast to house around half of Metropolitan Sydney's growth in population. Smaller LGA's such as Lane Cove, Strathfield and Woollahra are running at significant supply deficits with implied demand more than 10x the annual dwelling approval rate.

The geographical constraints of the Sydney market create challenges for planning, with the ocean to the east, mountains to the west and bordered by national parks. The inner ring suburbs around the Central Business District (CBD) are largely built out, requiring increased densification, while transport and infrastructure investment is required to support expansion to the west.

The state and local governments have made efforts to improve the delivery of housing supply including the Housing Delivery Authority (HDA), the State Significant Development (SSD) pathway and Transport-Orientated-Development (TOD) re-zonings, however lengthy planning processes, higher construction costs and labor constraints continue to be a major barrier.

The Sydney market has seen the greatest increase in time taken from approval to completion, with the construction of new apartments taking more than 3 years[11]. We anticipate this time lag to see vacancy remain lower over the short to medium term, particularly for locations with a higher proportion of apartment supply.

Exhibit 4: Metropolitan Sydney- residential supply requirements by LGA



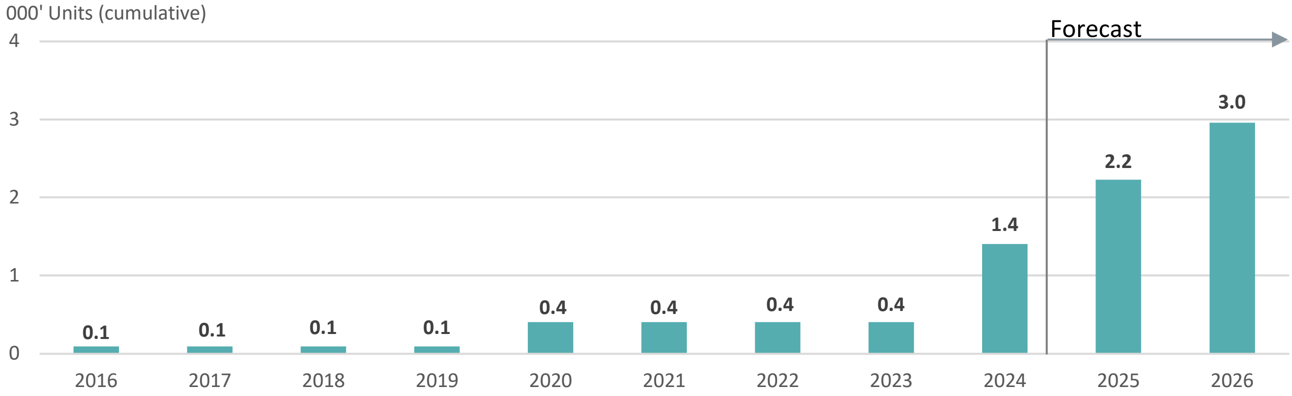
Source: ABS (June 2025), DWS Research

[10] Australia Bureau of Statistics, Building approvals (July 2025)
[11] Master Builders Australia 2023-2024

Built-to-Rent Opportunity

The Sydney Build-To-Rent (BTR) market is the second largest in Australia accounting for around 14% of all operational BTR stock nationally, though is limited to a handful of larger assets. Supply is largely reflective of higher amenitised 'Premium' product with locations much more spread out from the inner ring suburbs compared to other capital cities. Looking forward, only 8% of the projected supply pipeline is due for completion over the next two years with the balance largely reliant on planning approval. While there is uncertainty on timing beyond 2026, around 20% of the potential supply pipeline is earmarked for Parramatta.

Exhibit 5: Sydney BTR market size by total stock

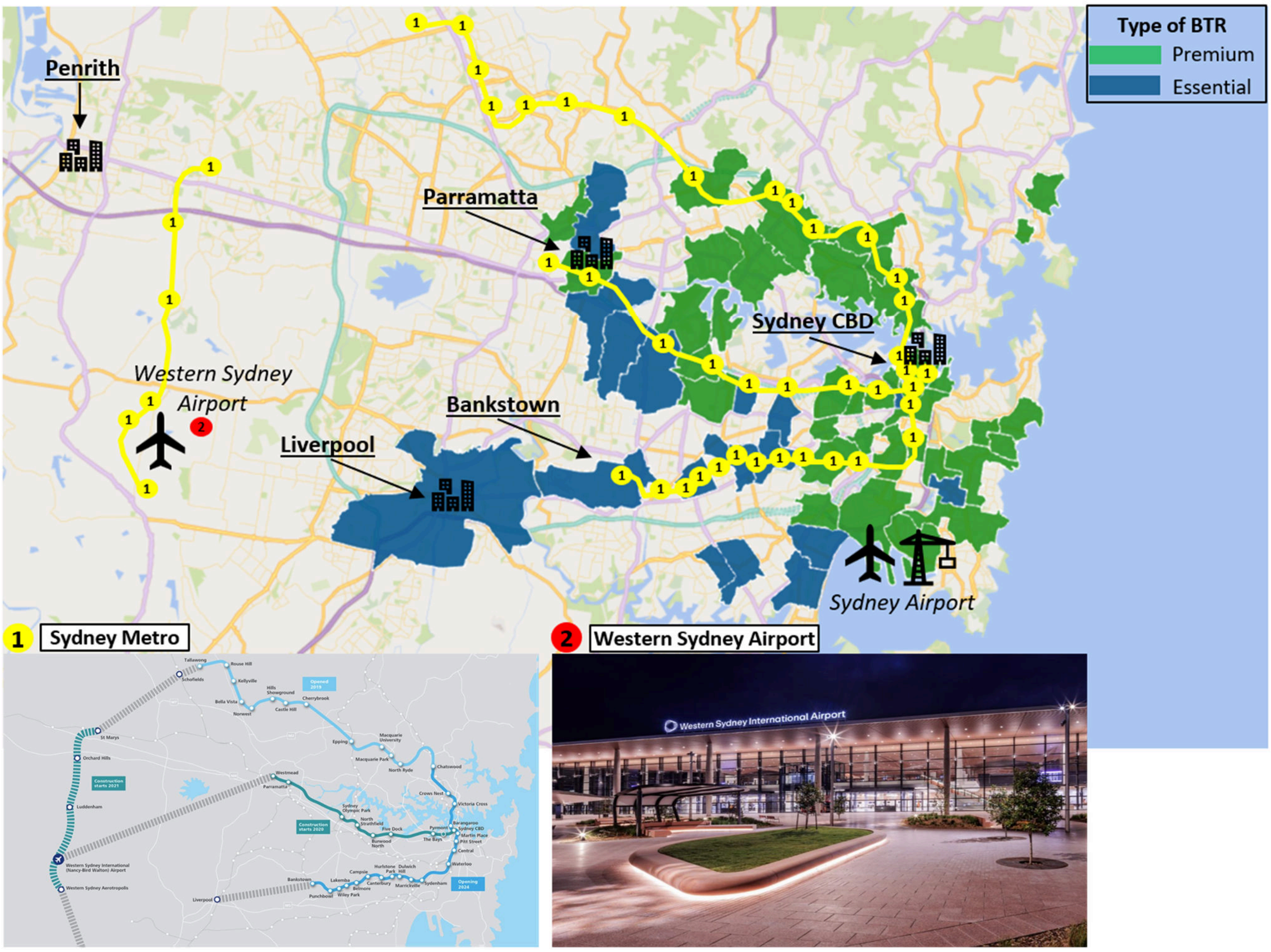


Source: Franklin Street H1 2025, EY, DWS

Build-To-Rent preferred locations

Build-To-Rent (BTR) developers are becoming increasingly interested in locations along key commuter rail lines and emerging CBD hubs, particularly in Western Sydney. A demographic analysis undertaken by the DWS Real Estate Research team has identified the top 50 BTR locations across Metropolitan Sydney out of more than 200+ individual post codes. These locations have a median age below 40yrs, as well as a higher proportion of renters living within apartment product, which demonstrates existing demand. Relatively higher incomes (Green) support the underwrites for higher amenitised 'Premium' BTR product, while there remain select opportunities for a lower amenitised 'Essential' product, which may better reflect localised income levels (Blue).

Exhibit 6: Preferred BTR locations & key transport/infrastructure investment



Source: DWS Research, Areasearch, NSW Government

Metropolitan Sydney is projected to benefit the emergence of a 'Three City Strategy' with significant transport and infrastructure investment to make the city one of the most well connected in Australia.

The 'Three City Strategy' is a vision to establish three CBD regions across Metropolitan Sydney being: "The Eastern City" – centered around Sydney CBD as the gateway financial capital, "The Central River City" – centered around Parramatta as the geographical centre of Metropolitan Sydney and The "Western Parkland City" – which will encompass the new Western Sydney Airport, leveraging surrounding the city centres such as Penrith, Macarthur and Liverpool. The three-city strategy is intended to re-balance employment and economic opportunities more broadly across Metropolitan Sydney, allowing residents to live within 30-minutes of their work, education and health facilities, whilst supporting the natural sprawl of population growth towards the west.

The Sydney Metro is a key piece of transport infrastructure in bringing the three-city vision to life. The rail project is Australia's largest public transport project consisting of 46 new stations along 133km of rail serviced by autonomous trains running every 4 minutes (peak times). Success can already be seen through the recently completed North-West and Metro-City rail lines by establishing rail connectivity to Sydney's North-West suburbs & reducing commute times to the Sydney CBD. Future expansions of the Metro project look to further 'unlock the west' including the Metro-West and South-West lines transforming locations such as **Parramatta** and **Bankstown** into key commuter locations, while the Western Sydney Airport line will connect the new airport to the broader metropolitan train network.

The new Western Sydney Airport will be Sydney's first 24/7 Airport at almost twice the size of Sydney Airport (Kingsford). Demand for aviation services are forecast to double over the next 20 years[12], with the current capacity of Sydney Airport (Kingsford) airport unable to support future growth alone. The strategic position of the new airport in the fast-growing Western Parkland region is crucial for job creation and job retention for the broader Western Sydney region, complemented by commercial, retail and business park development. With the first runway set to become operational by late 2026, surrounding city centres such as **Liverpool** could likely benefit as the first point of contact for a portion of international tourism, skilled migrants and students.

Locations such as Parramatta and Liverpool are both emerging CBD hubs which cater to a diverse tenant pool underpinned by their strong healthcare employment, world class university offerings and established family household compositions. Strong population growth and infrastructure investment further support the attractiveness of these markets. As Sydney's market grows to the west opportunities may follow, it may be time to look beyond the harbour bridge.

[12] Australian Government, Western Sydney Airport 2020

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