

Department of Planning and Environment

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# Housing Supply Insights

Quarterly Insights Monitor Q1 (July to September 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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# Housing Supply Insights

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.

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## The NSW housing supply pipeline

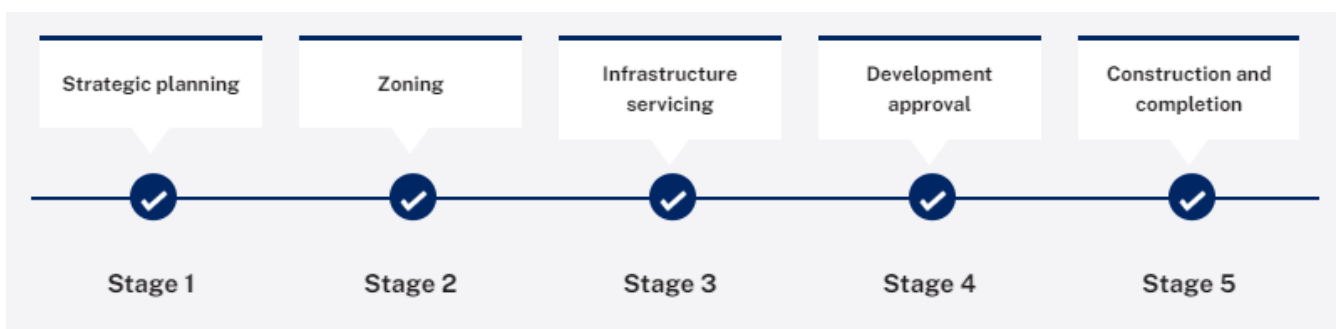
The NSW Government aims to create a healthy housing supply pipeline as part of its [package of measures to increase housing supply and affordability](#).

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

Some land in NSW is development-ready, with residential zoning and the enabling infrastructure (roads, water, sewage, etc.) in place. But we need good strategic planning and rezoning to unlock additional supply in the right locations to meet future growth.

The department’s analysis of greenfield developments in the key growth areas of Sydney found it takes on average 4 to 5 years for rezoned lots to deliver new completed dwellings, and not all approved housing projects go through to construction and completion. We need a healthy pipeline to meet future housing needs.

While local and global factors significantly influence the pipeline stages, the planning system plays an important role in supporting a good housing supply pipeline.



Stage	What happens?	The department's role
<b>Strategic planning</b>	The long-term housing needs for an area and infrastructure to support it are identified. This is reflected in regional and metropolitan plans, local strategic planning statements and local housing strategies.	We develop strategic plans for regions and help the Greater Cities Commission develop metropolitan strategic plans. We also help councils develop and implement their local strategic planning statements and local housing strategies.
<b>Zoning</b>	Land identified as suitable for new housing may need to be rezoned through state-led rezoning or planning proposal processes (changes to local environment plans).	We assess and determine state-led rezonings. Planning proposals may be assessed and determined by councils, independent planning panels or the department.
<b>Infrastructure servicing</b>	Critical infrastructure servicing brings forward housing supply by improving the readiness of land for development, including connecting it to electricity, water, roads and sewage. Schools and recreational infrastructure are also important.	We assess and determine large-scale infrastructure projects. However, most infrastructure projects that support new dwellings are smaller and are delivered by councils. We provide grant programs to help councils deliver necessary local infrastructure.
<b>Development approval</b>	New housing proposals are assessed for approval to ensure they meet requirements specific to the type of development and are appropriate for the local area.	<p>We assess and determine state-significant development applications.</p> <p>Regionally significant development applications are assessed by councils and determined by independent planning panels.</p> <p>Councils assess and determine local development applications.</p>
<b>Construction and completion</b>	A construction certificate or complying development certificate must be issued before construction starts. Once complete, new dwellings are certified as safe to occupy before people can move in.	<p>We play a limited role in the construction and completion stage.</p> <p>We have a compliance role for projects we determine. Councils or independent certifiers carry out assessments. Private developers or state entities such as Landcom carry out the construction.</p>

# Quarterly Insights Monitor Q1 (July to September 2022)

## Snapshot

- 2022 population projections show that NSW needs to deliver around 45,200 homes per year over the next 20 years to meet growing demand (that's 904,000 new homes in total).
- Since 2016, NSW has consistently completed more than 47,000 dwellings each year, but we now face challenges in the construction sector and broader economic conditions.
- In the first quarter of the 2022-23 financial year, the NSW Housing Package was announced. To end of September, over 2,500 rezoning lots were approved, and over 30,000 dwellings were approved under state significant development, regionally significant development or local development applications.
- The latest data shows that NSW continues to have the highest number of dwellings under construction (77,571 in June

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## Demand for housing in NSW

According to the [2022 NSW Population Projections](#), NSW will need to house an additional 85,000 people every year for the next 20 years. By 2041, the population will reach:

- 3.7 million in regional NSW
- 6.1 million in Greater Sydney.

We will need an additional 904,000 homes over the next 20 years to house this growing population. That means 45,200 new homes per year, including 28,500 in Greater Sydney and 16,700 in regional NSW.

These projections assume net migration returns to near pre-COVID levels by 2025. While the Australian Government has recently increased the number of permanent migration visas by 35,000 for FY 2022-23, bringing the ceiling to 195,000, broader economic conditions will affect how quickly migration returns. The sustained downturn in migration in 2022-23 could dampen additional housing demand in the short to medium term. In addition, the permanent migration program has historically played a relatively small role in overall population growth with most applicants already in Australia at the time of application.

Recognising the long lead times for housing, we need to plan now to meet the implied dwelling demand in NSW.

### Implied dwelling demand for NSW

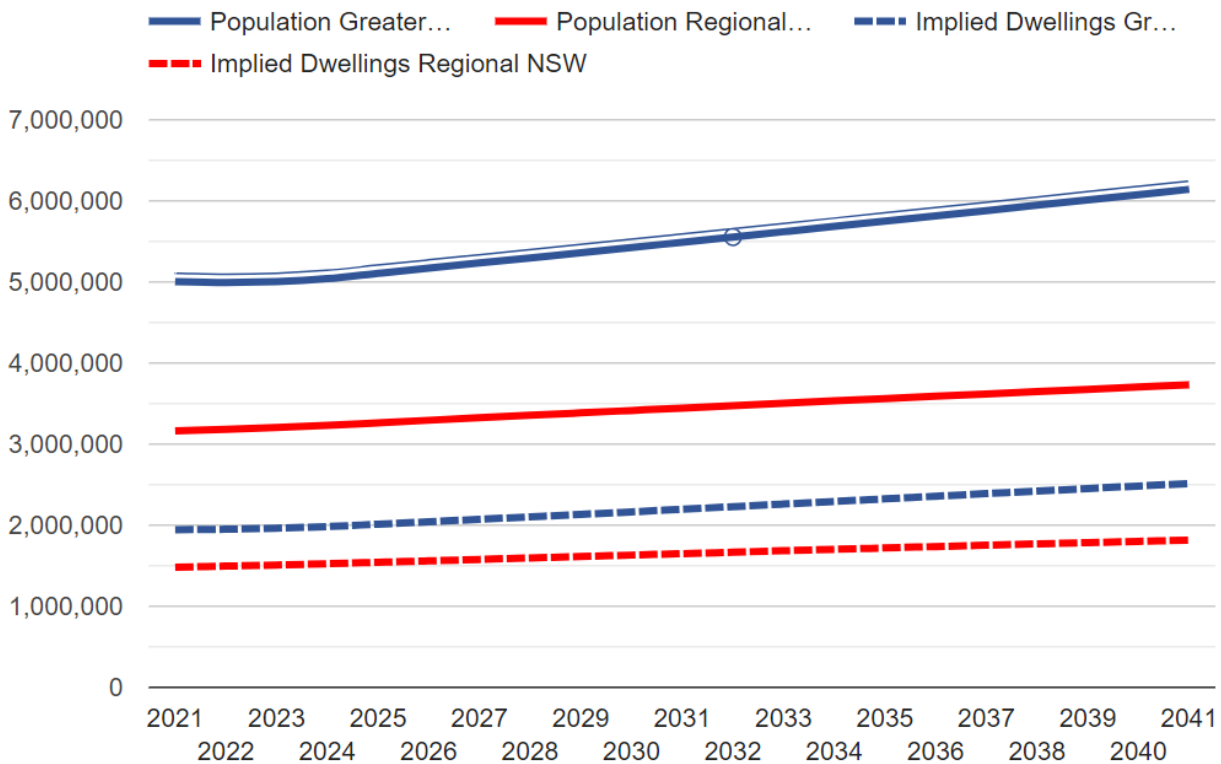
**904,000** Total new homes needed by 2041 in NSW

**45,200** homes per year

**28,500** homes per year in Greater Sydney

**16,700** home per year in regional areas

### Projected population growth and implied dwelling demand in NSW



Source: Department of Planning and Environment 2022 - NSW Population and Implied Dwelling Projections

## Trends in housing supply

Following rapid population growth in the late 2000s and early 2010s, NSW had an estimated shortfall of 100,000 dwellings in 2016. In 2021, the [NSW Productivity Commission white paper](#) found higher construction rates and declining net immigration during the COVID-19 pandemic had mostly absorbed this shortfall.

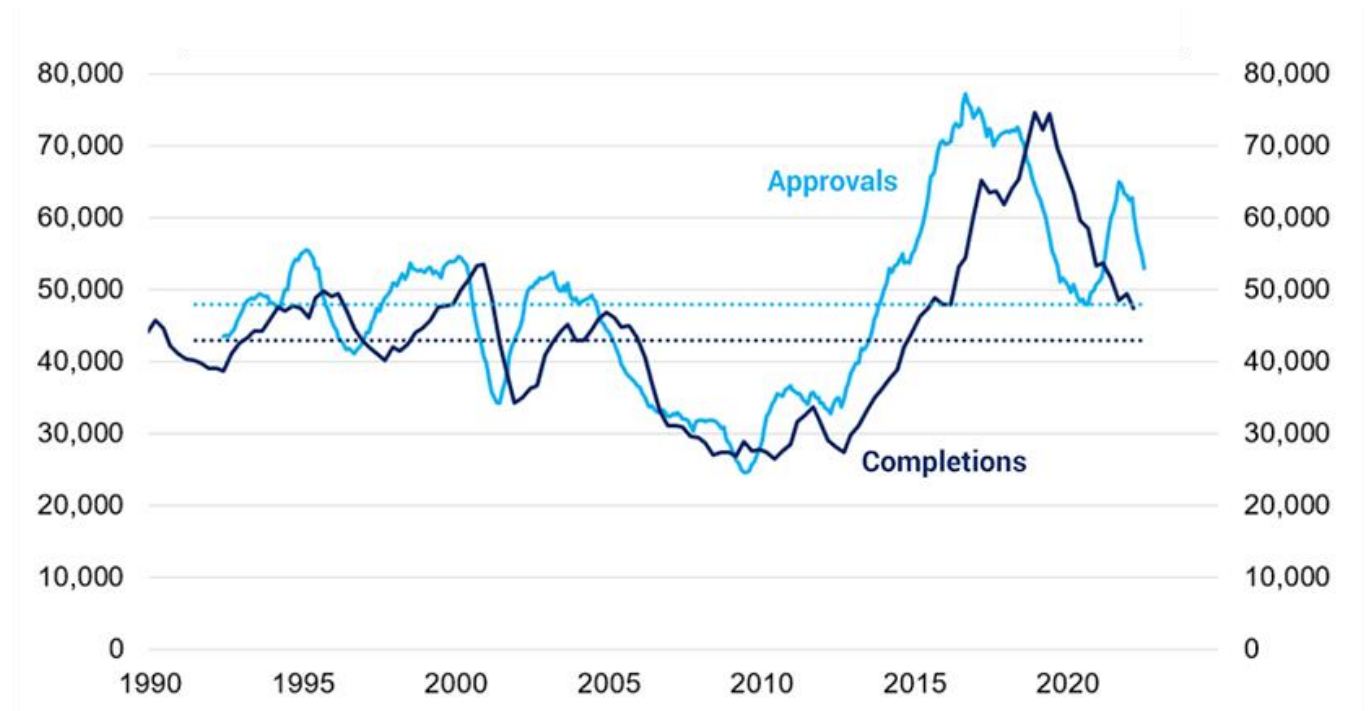
Historically, there is a lag of around 2 years between approvals and completions (more for large high-rise projects). About 97% of projects with construction approval are completed, with only a small proportion significantly delayed, changed or discontinued. This can be due to a range of factors such as changing market conditions (where projects are no longer feasible), difficulties accessing finance or shifting developer priorities.

Since 2016, NSW has consistently completed more than 47,000 dwellings each year. This suggests that the NSW housing market is on track to deliver the 45,200 new dwellings per year needed to accommodate projected future demand. However, we need a collective effort to monitor and maintain the pipeline of potential supply in the face of significant challenges.

For example, shortages of both materials and labour are currently affecting construction activity in NSW and are expected to remain a challenge in 2022–23.

A reliable pipeline of housing supply opportunities in the right areas will support accelerated housing delivery once market conditions stabilise. This will position NSW to contribute towards the proposed National Housing Accord target to deliver 1 million new homes across Australia over 5 years from mid-2024, announced in the October 2022 Federal Budget.

### Historic housing construction approvals and completions in NSW



Source: Australian Bureau of Statistics 2022, Department of Planning and Environment analysis



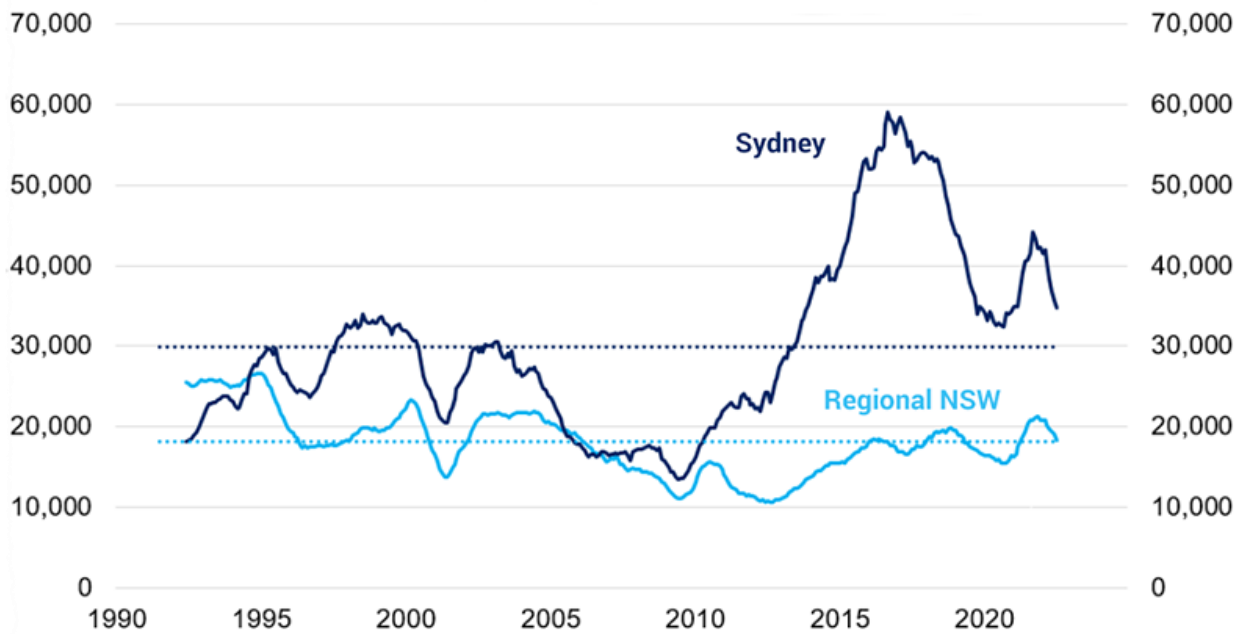
## Housing supply delivery in Greater Sydney

In Greater Sydney, an average of 30,000 dwellings were approved for construction each year over the past 30 years. In the past decade approvals have increased to 42,600 per year on average, due to improved economic conditions and new planning reforms. In 2021–22, there were 35,800 construction approvals and 24,600 completions.

## Housing supply delivery in regional NSW

Across regional NSW, construction approvals averaged 18,300 dwellings per year over the past 5 years, slightly above the long-term average. Construction approvals reached 19,200 in 2021–22.

### Historic housing construction approvals in Greater Sydney and regional NSW



Source: Australian Bureau of Statistics 2022, Department of Planning and Environment analysis

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## Housing package targets and programs

The NSW Housing Package outlines the government's commitment to actively managing the housing supply pipeline. Several new initiatives are underway across each stage of the pipeline to support the delivery of 4 new targets. As acknowledged recently by the [Productivity Commission](#), such targets play an important role in demonstrating state-level commitments to new housing supply.

Stage	Target	Programs
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)	<ul style="list-style-type: none"><li><a href="#">Planning for Growth Program</a></li><li><a href="#">Rezoned and Build Program</a></li><li><a href="#">Unblocking Homes Program</a></li></ul>
Infrastructure servicing	150,000 dwellings supported by departmental infrastructure programs by 2025–26 (progress against this target will be reported every 6 months)	<ul style="list-style-type: none"><li><a href="#">Regional Housing Fund</a></li><li><a href="#">Accelerated Infrastructure Fund Program</a></li></ul>
Development approval	32,500 dwellings unlocked by 2023–24 (from state-significant and regionally significant development approvals)	<ul style="list-style-type: none"><li><a href="#">Planning for Growth Program</a></li><li><a href="#">Unblocking Homes Program</a></li></ul>
Housing supply in regional NSW	127,000 dwellings delivered in regional NSW by 2031–32 (progress against this target will be reported annually)	<ul style="list-style-type: none"><li><a href="#">Regional Housing Program</a></li><li><a href="#">Unblocking Homes Program</a></li></ul>

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## Quarterly progress

### Stage 1: Strategic planning

As of July 2022, all 33 Greater Sydney councils had local housing strategies in place that identify strategic works to deliver housing in line with need for diversity and access to infrastructure, services and open space.

Following recommendations from the [Regional Housing Taskforce](#), a new [Regional Housing Development program](#) has been announced. The program will improve housing data and delivery support for high-growth regional areas over the next 2 years. In addition, round 1 of the [Regional Housing Strategic Planning Fund](#) will help councils undertake strategic planning activities such as technical studies and LEP amendments to support longer term housing delivery. Successful applications will be announced in December 2022.

## Stage 2: Zoning

The NSW Government has a target to unlock 100,000 dwellings through rezoning by 2023–24.

The [Rezone and Build program](#) prioritises state-led rezoning for 70,000 dwellings in key precincts over 2 years.

The [Planning for Growth program](#) will support an additional 30,000 new dwellings over 2 years through faster assessments, case management services and the planning concierge.

In Q1 2022–23, rezoning unlocked 2,560 potential dwellings, including 1,765 in metropolitan NSW and 795 in regional NSW. This quarter builds on the strong delivery since January 1 2022 that has seen a combined 28,696 potential dwellings unlocked by rezoning.

Most rezoning for 2022–23 is scheduled for Q2. Over 30,000 lots are scheduled to be finalised, putting NSW well on-track to meet an interim target of 50,000 by June 2023.

## Stage 3: Infrastructure servicing

The [State Infrastructure Strategy 2022–2042](#) identified that new housing supply can only be delivered where infrastructure keeps pace. It recommended that government agencies work together to fund and deliver enabling infrastructure.

In Q1 2022–23:

- 25 infrastructure projects were allocated grant funding through the [Regional Housing Fund](#), with the potential to support an estimated 23,704 new dwellings across regional NSW
- project nominations were received for round 3 of the [Accelerated Infrastructure Fund](#), which will help high growth councils deliver new infrastructure to support housing. Projects will be announced in December.

## Stage 4: Development approval

The [Planning for Growth program](#) aims to release 32,500 dwellings over 2 years through state and regionally significant development applications.

In Q1 2022–23, 9,558 potential dwellings have been unlocked via state and regionally significant development projects, including 6,799 in metropolitan NSW and 2,759 in regional NSW. This is more than half the interim target of 16,250 dwellings by June 2023.

In addition, 23,771 potential dwellings have been unlocked through more than 6,000 approved local development applications. More than two-thirds of these are multi-unit dwellings.

## Stage 5: Construction and completion

As of June 2022, the [ABS](#) recorded 77,571 dwellings under construction in NSW – higher than any other state.

However, all states were affected by a national decline in construction in 2022. The [Australian Performance of Construction Index](#) shows activity across the construction sector has fallen for 4

consecutive months, with the biggest declines in the housing and apartment sectors. Contributing factors include materials shortages, rising interest rates and global economic uncertainty.

In Q1 2022-23, 1,999 dwellings in NSW were approved for construction in regional NSW. This is below historical averages (around 4,500 per quarter) and likely reflective of the broader downturn.

The [Regional Housing Development program](#) is taking a long-term view of regional housing supply, including supporting upfront strategic planning, to unlock a targeted 127,000 new dwellings over 10-years.

The department is preparing new measures to unpack construction and completion activity in NSW using data from the NSW Planning Portal. These estimates will be included in the next Insights Monitor.

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## Flood impacts on new housing supply

The NSW Government commissioned an [independent expert inquiry](#) into the preparation for, causes of, response to and recovery from the 2022 catastrophic flood event across NSW. The [2022 NSW Flood Inquiry report](#) and recommendations from this inquiry have now been delivered.

We are continuing to work through the Flood Inquiry's recommendations and its impact for planning in relation to flood-prone land. This is part of our efforts to ensure the planning system is adaptive, responds to climate change and supports resilient communities.

Sustainable growth across NSW remains a priority, and we will support growth and the delivery of housing where it is appropriate.

## Feedback

The NSW Government continues to do all it can to support the housing supply pipeline. The department will focus on 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 and supported by infrastructure.

If you have any feedback or questions, please contact us at [quarterly.housing@dpie.nsw.gov.au](mailto:quarterly.housing@dpie.nsw.gov.au).