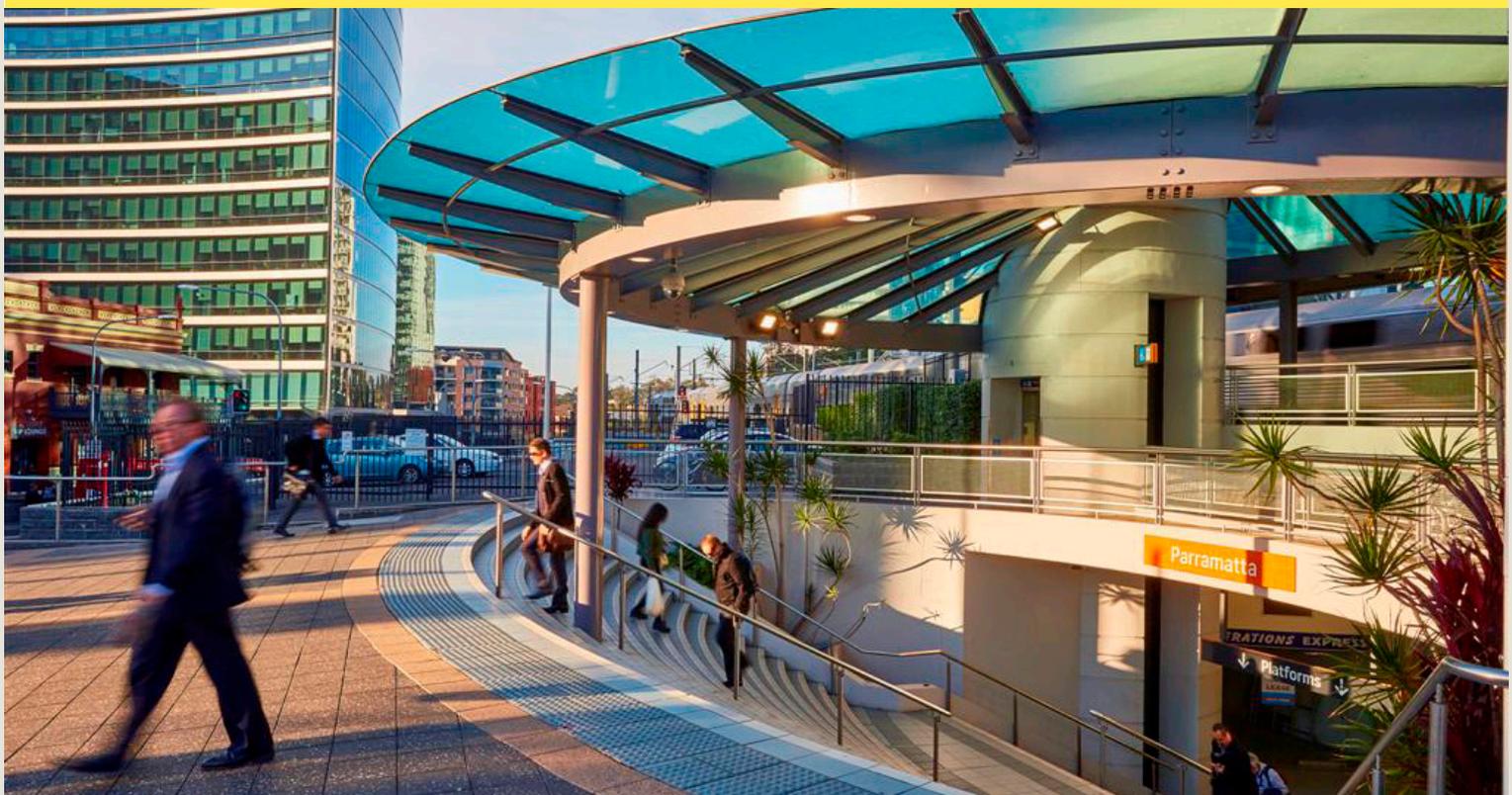


Spotlight Residential Property in Parramatta

2017



SUMMARY

How the changing landscape in Parramatta is impacting residential property

75%

Forecast increase in Parramatta's population over the next 20 years

124%

Increase in Parramatta's property prices in the past 10 years

2nd

Oldest colonial settlement in Australia

4.1%

Average yield for units

\$10bn

Being spent on infrastructure

45%

Of residents are aged between 20 and 34

→ OVERVIEW

Parramatta Residential

The combination of infrastructure improvements, development activity and population growth have transformed Parramatta into a vibrant city, which is popular with renters, first time buyers, young families and investors alike.

Parramatta is the second oldest colonial town in Australia, founded shortly after Sydney. The city was initially established as a farming settlement and the population grew rapidly as new settlers arrived by river and subsequently road and railway. Since then, Sydney has expanded and today Parramatta is located in the centre of Greater Sydney.

Forecast to be vital to Sydney's future, Parramatta is now a city in transition with significant residential and commercial development activity taking place. The centre of Parramatta is already considered Sydney's second CBD with an extensive commercial centre with substantial retail amenities.

The suburb has benefitted from a number of government agencies and private sector companies relocating or opening new offices in the area. These moves mean there is a greater number of high earning professionals,

not just working, but often living in the area as well as utilising the retail, dining and leisure facilities.

Aside from the ongoing development activity and popular dining precinct, Parramatta will continue to evolve into more of a destination due to the infrastructure improvements due to take place.

The State Government has committed \$10 billion for infrastructure investment for Parramatta and Western Sydney, which includes the new Sydney Metro West, Light Rail network, integrated and upgraded roads, rail, buses and ferry services.

Property Prices

Property values in Parramatta have experienced strong growth over the past decade. House prices have increased by 133 percent and apartment prices by 123 percent, outperforming the average growth seen across Sydney as a whole. However, over the past year, the rate of annual growth has slowed to one percent and four percent for houses and units respectively, reflecting a more subdued housing market seen across Sydney.

Despite this rise in value, Parramatta remains a relatively affordable location to buy residential property. The median price of a house in the suburb of Parramatta in July 2017 was \$1.17 million. This is slightly higher than

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Savills Research

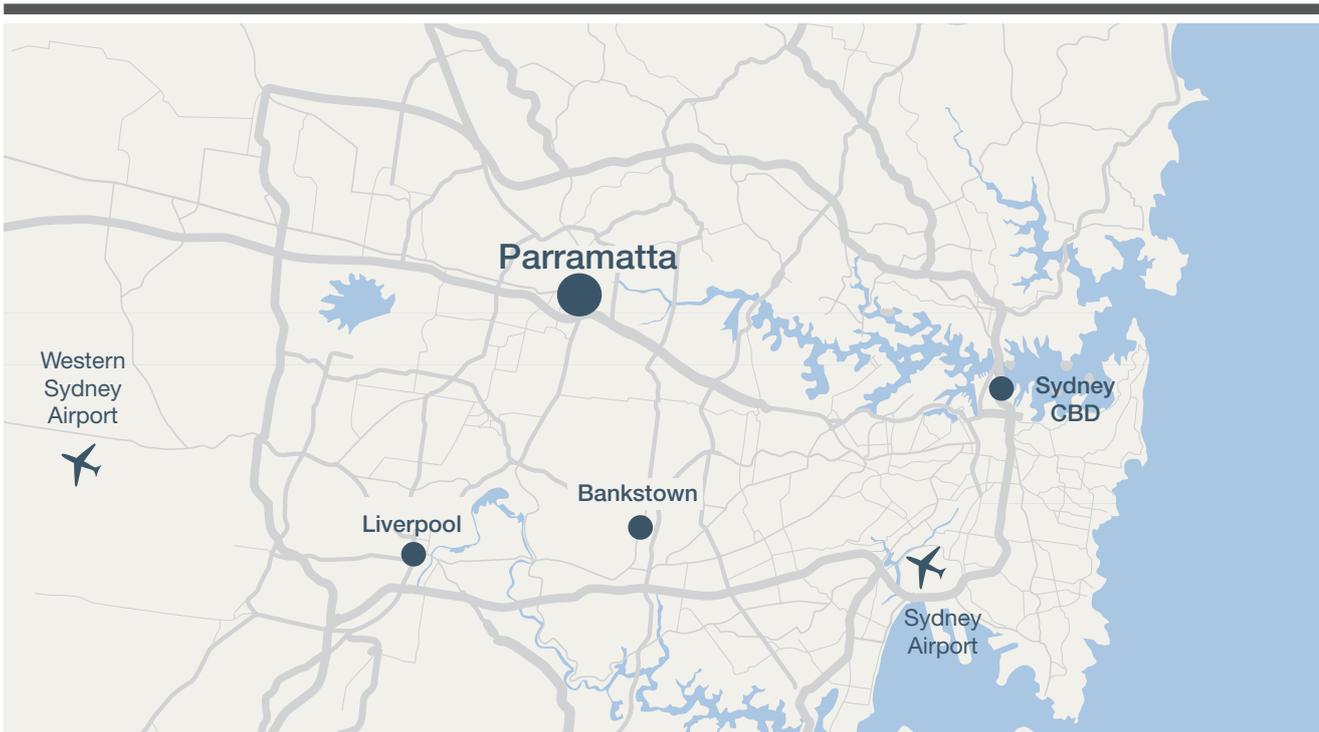
average across all of greater Sydney but offers a substantial discount when compared to Central Sydney, the Inner West and the north western suburbs.

Units in Parramatta have a median price of \$609,000, which is a discount of 19 percent compared to the Sydney average. This is due to a higher concentration of units in central, more expensive locations.

Across the wider area of the City of Parramatta, prices can vary significantly. Oatlands, a suburb with prestigious schools and high quality, family housing stock, is the most expensive location with the median house price over \$1.5 million. By comparison, areas to the south east of Parramatta, such as Granville and Rosehill are cheaper.

Investment

In response to the increased demand and changing demographics of the area, there has been a significant amount of residential development activity in Parramatta including a



number of large-scale unit blocks. These apartments are popular with investor buyers and have increased the number of rental properties available.

The proportion of private renters in Parramatta is already significantly higher than average, accounting for half of the population compared to a quarter across Greater Sydney. Tenants are attracted to the cheaper rents available. The median weekly rent in July 2017 was \$500 for houses and \$480 for units, around 15 percent cheaper than the Sydney average, resulting in average yields of 2.2 percent and 4.1 percent respectively.

Despite this new stock coming to the market, vacancy rates in Parramatta are in line with the average across Sydney. The rental market remains active and the median rent has remained relatively stable over the past two years, following large increases.

Demand

Parramatta has one of the fastest growing populations of any local government area in Sydney. From 2011 to 2016, estimates show the population across the city of Parramatta has increased 17.6 percent, twice the rate of growth seen across Greater Sydney. This has significantly added to the demand for real estate in the area, equating to 7,150 new residents a year.

Employment opportunities are a key reason people are drawn to live in an area. The City of Parramatta provides a wide range of employment options for both residents and surrounding locations. There are currently 92,000 residents of the city who are employed, but there is a daily work population of over 157,000, indicating at least 40 percent of the workforce lives outside Parramatta. Health care and social assistance is the dominant employment industry, with almost 25,000 employees, primarily driven by the Westmead health precinct.

Across the city of Parramatta, there is a similar breakdown of household type to the Sydney average. However, in the suburb of Parramatta there is a lower proportion of families with children, compensated by higher numbers of lone person and group households.

This reflects the increasing number of young people moving to the area. Across the suburb, nearly half of residents are aged between 20 and 34 compared to a quarter across greater Sydney.

Parramatta is a culturally diverse city and has a large international community. In the suburb, 21.3 percent of residents describe their ancestry as Indian and a further 21.2 percent as Chinese. Just 19.3 percent describe it as Australian or English compared to over half across Greater Sydney.

As such, many international buyers are attracted to the area, providing an important source of demand for the housing market as both owner-occupiers and investors.

"By 2021, Parramatta's economic growth rate is anticipated to nearly double from 2.4% to 4.6%."

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OUTLOOK

The Parramatta CBD has seen a surge of residential and commercial development in recent years. If the projected development pipeline is realised, the Parramatta landscape is expected to continue this significant transformation over the next decade.

This should contribute to strong population growth for the region and an increase of much needed supply of both commercial and residential properties. Forecasts suggest the population is set to increase by 74.5 percent over the next 20 years, to 416,750 people compared to a 37 percent increase across Greater Sydney. This is the third largest increase forecast of all Sydney's Local Government Areas (LGA) following Camden and The Hills.

The major investment in infrastructure and the ongoing commercial development is expected to create more jobs in the area and therefore an increase in demand for residential property. By 2021, Parramatta's economic growth rate is anticipated to nearly double from 2.4 percent to 4.6 percent, taking the total employment to 186,000 people. The financial and insurance services sector is projected to see the most concentrated economic growth.

The increased residential supply in Parramatta, combined with substantial government investment in infrastructure has increased general awareness of the Parramatta region. Whilst many buyers are still expected to be local to the western suburbs of Sydney, the ongoing changes and development activity are expected to broaden the range of interest and appeal to a larger catchment area, which is already starting to take place.



DEVELOPMENT AND INFRASTRUCTURE



Roads

WestConnex

The \$16.8 billion WestConnex is Australia’s largest road transport project. By 2023, it is anticipated to provide 33 kilometres of motorway to link western and south-western Sydney with the city, Kingsford Smith Airport and Botany Bay Precincts. This is forecast to reduce the travel time between Parramatta and Kingsford Smith Airport by up to 40 minutes, bypassing up to 52 sets of traffic lights.

The project will be delivered in stages. The first stage, set to be operational by 2019, will link Parramatta and Haberfield through the widening of the existing M4 and the creation of a new tunnel underneath Parramatta Road.



Rail

Sydney West Metro & Parramatta Light Rail

The recently announced Sydney West Metro is expected to be a new metro rail line running from Parramatta to Sydney CBD via The Bays Precinct and Sydney Olympic Park. Construction on the line is expected to begin within the next five years and should be up and running between 2025 and 2029.

The Parramatta Light Rail will consist of more than 20 kilometres of newly laid track connecting Westmead, Parramatta, Sydney Olympic Park and Strathfield. Still in the early planning stages, the NSW Government has allocated an initial funding package of \$1 billion, predicting construction to start in 2018. It is expected to be operational by 2023.



Air

Badgerys Creek

Announced in 2014, Badgerys Creek will be the location for Sydney’s much anticipated second airport. Expected to open in the mid 2020’s, the airport will initially support an estimated 5 million passengers annually.

The West of Sydney is predicted to experience huge benefits, with 11,000 jobs expected to be created over the construction period, generating an additional \$1.9 billion in value add to the economy. Parramatta itself will see a significant long term impact, with estimates showing between \$599 million and \$787 million in additional output by 2050.



Urban Renewal

Parramatta Square

Parramatta Square is a \$2 billion urban renewal project designed to revitalise the Parramatta CBD. Spanning 3ha of mixed use development, the project will be delivered in six stages.

The first stage is the flagship Western Sydney University vertical campus, which was recently completed in early 2017. The new campus comprises 14 storeys and will support over 10,000 students annually.

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