1 Barrack Lane and 81-83 George St, Parramatta

Response to Submissions (Economic Analysis)

March 2026
Prepared for Freecity Parramatta Development No 1 Pty Ltd

Acknowledgement of Country

Urbis acknowledges the Traditional Custodians of the lands we operate on.

We recognise that First Nations sovereignty was never ceded and respect First Nations peoples continuing connection to these lands, waterways and ecosystems for over 60,000 years.

We pay our respects to First Nations Elders, past and present.

The river is the symbol of the Dreaming and the journey of life. The circles and lines represent people meeting and connections across time and space. When we are working in different places, we can still be connected and work towards the same goal.

Urbis is committed to incorporating our respect for First Nations cultures, peoples and storytelling in our work across the Country. We are proud to have partnered with Darug Nation artist, **Hayley Pigram**, and to profile her artwork - **Sacred River Dreaming.**

Contents

Freecity Parramatta Development No 1 Pty Ltd (Freecity) owns the site at 1 Barrack Lane and 81-83 George Street, Parramatta. The site comprises three separate commercial office buildings up to three storeys. The Site is strategically positioned within the Parramatta CBD Core, ~290 metres northwest of the Parramatta Train Station.

Previously approved concept plans for a new commercial office tower on the site are no longer being pursued and a new State Significant Development Application (SSDA) for an alternative land use is being assessed under SSD-79439459.

The SSDA involves the proposed demolition of existing structures and erection of a 40-storey build-to-rent (BTR) development comprising 383 apartments (including 235 dual key apartments).

Urbis have been engaged by Freecity to prepare a response to submissions (RTS) in relation to economic and market matters.

This report provides an overview of the apartment and office market context within the Parramatta CBD, addressing key economic questions such as:

- Does the proposed apartment mix address apartment diversity requirements for the locality?
- Does the proposed development consider the potential job loss and economic impact resulting from the shift from office to residential?
- The jobs growth imperative in Parramatta.

Introduction

Freecity Parramatta Development No.1 Pty Ltd (Freecity) has submitted a State Significant Development Application (SSD-79439459) for a Build-to-Rent (BTR) development at 1 Barrack Lane and 81–83 George Street, Parramatta.

Following exhibition of the application, the Department of Planning, Housing and Infrastructure (the Department) issued a Key Issues Letter requesting further information to assist in its assessment of the proposal. This report has been prepared in response to that request, specifically addressing the economic and market matters identified.

The Department's key issues relevant to this report relate to:

- The proposed apartment mix, including the proportion and size of studio dwellings, and the need for supporting market evidence;
- The extent to which the proposal provides an appropriate diversity of housing within the Parramatta CBD context; and
- The economic implications associated with the transition from the previously approved commercial office concept to a Build-to-Rent residential outcome.

This report provides a focused and proportionate response to these matters, having regard to the nature of the issues raised and the information required to support the Department's assessment.

In doing so, the report:

- Provides a concise overview of the Parramatta CBD housing and rental market context;
- Demonstrates that the proposed apartment mix is consistent with local demand characteristics and contemporary Build-to-Rent delivery models; and
- Outlines the current commercial office market conditions and the role of residential development in supporting the evolving function of the Parramatta CBD.

This report is intended to be read alongside the broader Response to Submissions and supporting technical documentation. It does not seek to revisit the full merits of the proposal, but rather to provide targeted clarification in response to the specific issues identified by the Department.

1 Apartment Market Context

Strategic Overview: Housing and Parramatta CBD Context

Council's submission raises concern regarding the introduction of residential uses within the Parramatta CBD, citing a policy position that prioritises commercial floor space. While this position is supported in many of Council's own plans and strategies, it is not entirely consistent with the suite of strategic planning documents which establish the Parramatta CBD context. Plans and strategies consistently identify Parramatta as a mixed-use, transit-oriented CBD, where employment growth is supported by a proximate resident population.

Across metropolitan and local strategies, there is a clear and consistent emphasis on integrating jobs and housing, improving labour market accessibility, and delivering a vibrant, activated city centre. In this context, well-located residential development—including build-to-rent (BTR)—is strategically aligned with the intended role and function of the CBD.

The strategic framework does not envisage Parramatta CBD as a purely commercial precinct. Rather, it supports a balanced, mixed-use centre, where residential development plays a critical enabling role. The most recent strategic plan for Sydney, the *draft Sydney Plan* that went on exhibition in early 2026, outlines in its centre typologies that CBD locations such as Parramatta should have employment and residential land use ranges in a ratio of approximately 80:20, in opposition to Council's position against any residential development in the CBD.

Well-located housing:

- Supports labour market efficiency and business competitiveness
- Drives after-hours activation and economic vitality
- Enables talent attraction and retention
- Maximises the value of major transport investment

The introduction of build-to-rent housing within the Parramatta CBD is consistent with elements of the Relevant Strategic Planning Framework and supports the realisation of Parramatta as a globally competitive, mixed-use Central City. It should be seen as complementary to, not in conflict with, the CBD's commercial function.

Relevant Strategic Planning Framework

Greater Sydney Region Plan (2018)

- Positions Parramatta as the Central River City CBD, requiring coordinated delivery of jobs and housing.
- Supports housing close to employment to improve productivity and accessibility.

Central City District Plan (2018)

- Promotes Parramatta as a diverse, mixed-use centre.
- Encourages residential density in accessible locations to support a 24-hour economy.

Parramatta LSPS (2020)

- Supports the CBD as an economic hub while recognising the role of mixed-use development and housing diversity.

Draft Parramatta Economic Development Strategy (2026)

- Highlights the need to attract and retain talent and sustain a vibrant, activated CBD, supported by a resident population.

Housing SEPP (2021)

- Promotes increased housing supply and diversity, including rental housing, in well-located centres.

Sydney Metro and Transport Investment

- Reinforces Parramatta as a highly accessible centre, supporting transit-oriented residential development.

Parramatta: Catering for Population Growth

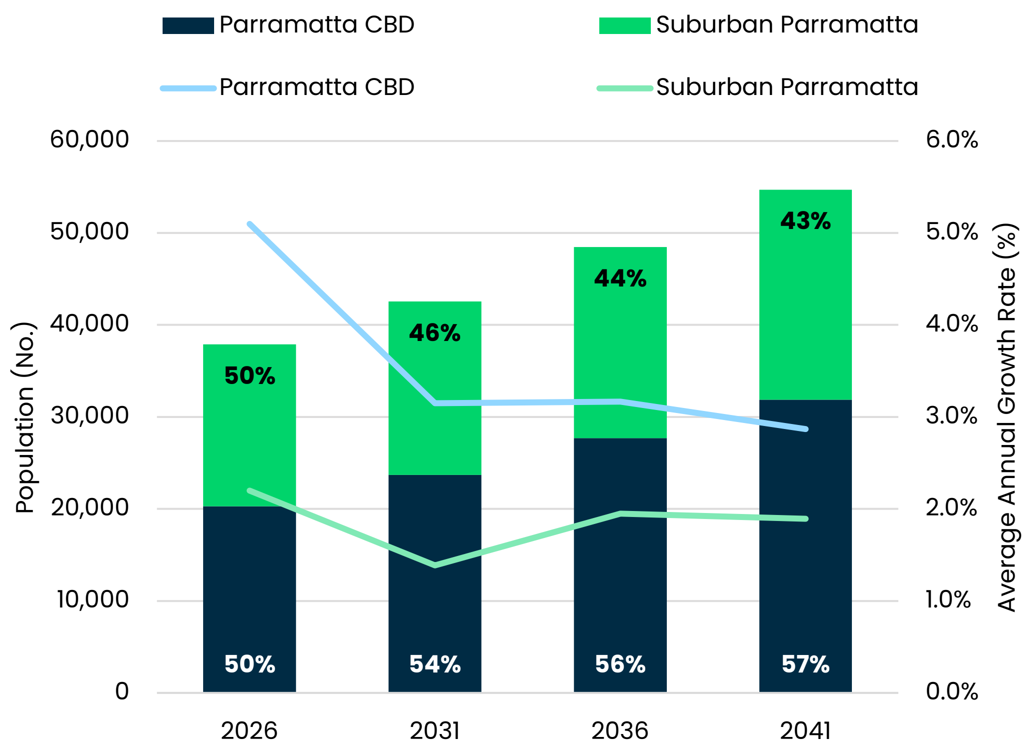
The suburb of Parramatta is set for steady long-term population growth, pointing to sustained demand for suitable housing. According to official DPHI population projections, between 2026 and 2041, Parramatta is anticipated welcome an additional ~16,810 residents. The Parramatta CBD is expected to account for ~70% of this growth with projected growth rates well above the suburban Parramatta average.

Much of this growth is expected to be driven by Parramatta's strategic location and continued infrastructure investment, reinforcing its role as a major metropolitan centre with strong access to employment, services and public transport. Parramatta sits within the geographic heart of Greater Sydney, functioning as a key hub for western Sydney's economic activity, residential population and transport connectivity.

Located at 1 Barrack Lane and 81-83 George Street, the Subject Site benefits from immediate proximity to the employment, retail, civic and cultural amenities within the Parramatta City Centre, as well as excellent access to transport networks connecting to broader Sydney. Recent and ongoing infrastructure investments, including the Parramatta Light Rail Stage 1 and Sydney Metro West, will further enhance connectivity and reinforce Parramatta's role as a major transit-oriented centre, increasing its attractiveness as a place to live and work.

There is an opportunity to unlock key sites in highly accessible locations to support the projected population growth within the Parramatta CBD and contribute to a more vibrant, mixed-use city centre.

Parramatta Population Projections, 2026 - 2041



Source: ABS; DPHI; Urbis

Demographic Overview

Parramatta residents typically skew young and this is particularly pronounced within the CBD where 49% of residents are aged 25–39. Coupled with the high proportion of white-collar workers in Parramatta (82%), relative to the Greater Sydney average (78%), this indicates a strong concentration of young professionals attracted to employment opportunities within and around the CBD.

Both Parramatta CBD and suburban Parramatta feature above-average proportions of lone person and couple households, supporting demand for smaller apartment typologies. The area is also strongly renter-dominated, particularly within the CBD where 72% of households are renting. This likely reflects the area's relatively young demographic and the presence of residents who have not yet entered the housing market.

Parramatta features a high proportion of tertiary students, relative to Greater Sydney, driven by proximity to the WSU's Rydalmere and CBD campuses. BTR serves as a key alternative to traditional student accommodation, with studio apartments offering a private, yet relatively affordable, rental option for students.

Parramatta is largely characterised by young professional couples, singles and students seeking rental apartments, which are key target markets for smaller BTR products.

Demographic Overview, 2021

		Parramatta CBD	Suburban Parramatta	Greater Sydney Average
Resident Age	Aged 15-24	12%	11%	12%
	Aged 25-39	49%	40%	23%
	Aged 40-54	13%	17%	20%
	Aged 55-64	5%	7%	11%
	Retirees (65+)	5%	8%	15%
Household Type	Families with Children	28%	30%	36%
	Couples without Children	26%	25%	24%
	Lone Person Household	25%	28%	23%
	Other Household	21%	18%	16%
Dwelling Tenure	Owned Outright	8%	12%	29%
	Owned with a mortgage	16%	21%	34%
	Rented	72%	62%	32%
Dwelling Type	Separate House	3%	12%	51%
	Semi-detached and units	1%	11%	12%
	Apartment	80%	67%	28%
Other	Tertiary Student	12%	11%	8%
	White Collar Workers	82%	82%	77%
	Household Income over $208,500	16%	11%	20%

Source: Census of Population and Housing 2021 (ABS)

Demographic Overview

The table right presents a demographic comparison of key BTR markets, based on an analysis of where existing and proposed BTR supply is concentrated. Key findings include:

- Parramatta has the largest renter market (72%), relative to all identified BTR markets, indicating an established rental market with significant market depth.
- Parramatta features a high proportion of residents living in apartments, in line with Sydney CBD fringe markets such as Crows Nest and North Sydney.
- At 45%, Parramatta also features some of the highest concentrations of young adults aged 25-39. This likely reflects Parramatta's relatively affordable rental entry market, compared to inner Sydney markets for younger residents. BTR is a key alternative to traditional private rentals for this transient market as it offers greater security of tenure and flexible leasing arrangements.
- Consistent with other markets, most households in Parramatta (51%) are lone person or couple households who drive demand for smaller dwellings.
- Parramatta and Macquarie Park feature the largest proportions of tertiary students, relative to other BTR markets, reflecting the presence of major universities. BTR studio apartments can provide a private and relatively affordable rental option for students.

Demographic Overview, BTR Markets

	Suburb					
	Parramatta	**Macquarie Park**	**Chatswood**	**Crows Nest**	**North Sydney**	**Greater Sydney**
Proportion of Renter Households (%)	72%	68%	52%	55%	63%	37%
Proportion Living in Apartments (%)	74%	60%	54%	72%	75%	28%
Residents Aged 25-39 (%)	45%	45%	26%	36%	38%	23%
Couples with No Children (%)	25%	31%	26%	29%	30%	24%
Lone Person Households (%)	26%	35%	24%	39%	42%	23%
Tertiary Students (%)	12%	21%	10%	8%	9%	8%
White Collar Workers (%)	86%	86%	91%	91%	81%	77%

Source: Census of Population and Housing 2021 (ABS)

Rental Market Analysis

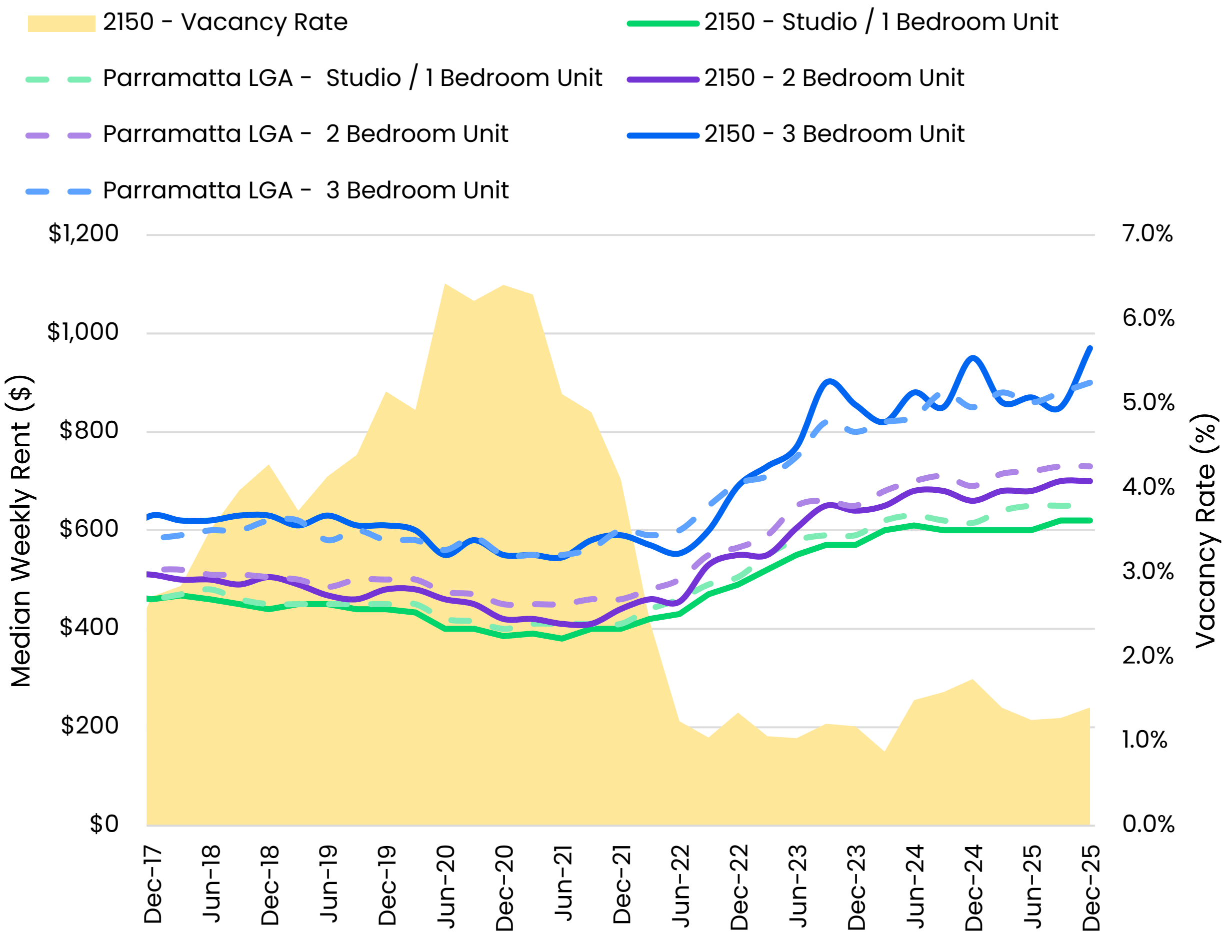
Between December 2017 and March 2020, rents in Parramatta (Postcode 2150) contracted across all product types, averaging 2.0% per annum. This reflected the significant rise in vacancy rates within the suburb during this period, from 2.7% in December 2017 to 6.4% by March 2020.

Rents in Parramatta (2150) and the broader LGA declined further through to December 2020, driven by the onset of the pandemic. Parramatta was heavily impacted by international border closures, given its high proportion of overseas-born residents.

Vacancy rates then declined sharply to reach just 1.2% by June 2022 and have since remained below 2.0%. Over the past 5 years, rents grew by an average of 10.0% to 12.0% per annum across all product types.

Although rental growth has slowed over the year to December 2025, strong population growth, coupled with limited dwelling supply could see a continued pressure on vacancy rates and, in turn, rental growth, resulting in growing rental unaffordability for residents.

Median Unit Rents



Source: Department of Communities and Justice; SQM Research; Urbis

Historical Residential Supply

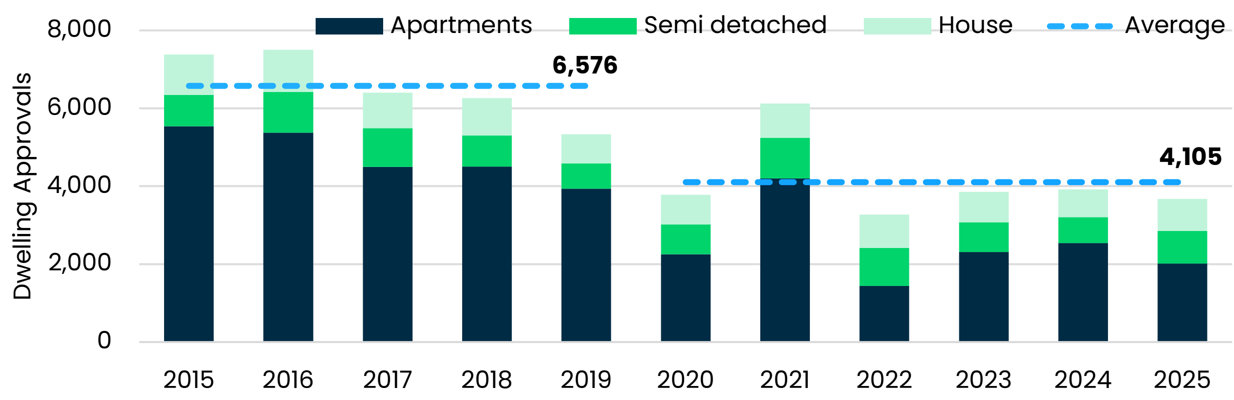
Under the National Housing Accord, the NSW Government has set a target of 19,500 new dwellings to be completed within the Parramatta LGA over the 5 years to 2029. This equates to the delivery of 3,900 dwellings annually. **Based on an analysis of historical supply, this target is unlikely to be reached.**

Based on ABS data, between 2015 and 2019 (i.e. prior to COVID-19), the Parramatta LGA recorded an average of ~6,580 dwelling approvals annually. Since 2020, the LGA recorded a significant 38% decline in dwelling approvals, averaging just ~4,100 approvals annually.

Similarly, based on DPHI data, dwelling completions have declined significantly over the decade to FY24. Prior to the pandemic (i.e. FY14 to FY19), the Parramatta LGA recorded an average of ~3,190 dwelling completions annually, which has since fallen by 42% to reach an average ~1,830 completions between FY20 and FY24.

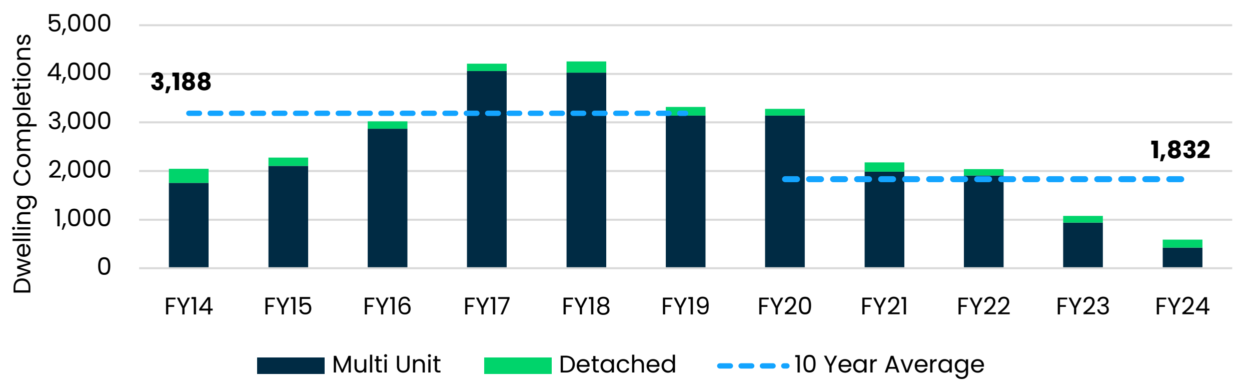
Based on annual historical completions trends, the LGA could deliver ~9,150 dwellings by 2029, ~10,350 dwellings short of the dwelling completions target.

Residential Dwelling Approvals – Parramatta LGA



Source: ABS; Urbis

Residential Dwelling Completions – Parramatta LGA



Note: FY25 data unavailable. Source: DPHI; Urbis

Flexible Living to Meet the Needs of Future Renters

Across Sydney, the existing stock of BTR is weighted towards two-bedroom apartments (52%), with studio and one-bedroom units accounting for 39% and three-bedroom units comprising a smaller 9%.

In contrast, future supply of BTR is proposing a greater proportion of smaller dwellings, with studios and one-bedroom apartments accounting for 65% of proposed supply, while two- and three-bedroom apartments account for just 35%. This highlights a clear shift in market sentiment towards delivering smaller dwelling formats, in line with household composition trends.

Dual-key apartments offer a practical response to this trend by providing greater flexibility to accommodate changing tenant demand and household structures over time. These units can operate either as two separate rental dwellings or as a single, larger apartment, allowing operators to adjust the effective product mix in response to market conditions.

This flexibility enables BTR operators to respond to shifts in renter demographics, including increased demand from share households, multi-generational families, students or key workers, without the need for major physical reconfiguration.

Overall, dual-key configurations enhance operational flexibility and support housing diversity, enabling operators to respond more effectively to evolving rental market conditions.

BTR Product Mix Comparison

<table>
<tr><th></th><th>Sydney Average Built BTR</th><th>Sydney Average Proposed BTR</th><th>Parramatta Average Built BTR</th><th>Subject Site Proposed Mix – 0% Dual Key</th><th>Subject Site Proposed Mix – 100% Dual Key</th></tr>
<tr><td>Studio</td><td rowspan="2">39%</td><td rowspan="2">65%</td><td rowspan="2">24%</td><td>19%</td><td>46%</td></tr>
<tr><td>1 Bedroom</td><td>8%</td><td>30%</td></tr>
<tr><td>2 Bedroom</td><td>52%</td><td>29%</td><td>72%</td><td>19%</td><td>21%</td></tr>
<tr><td>2 Bedroom – Dual Key</td><td></td><td></td><td></td><td>37%</td><td>0%</td></tr>
<tr><td>3 Bedroom</td><td>9%</td><td>6%</td><td>4%</td><td>4%</td><td>3%</td></tr>
<tr><td>3 Bedroom – Dual Key</td><td></td><td></td><td></td><td>13%</td><td>0%</td></tr>
<tr><td>Total</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
</table>

Source: Urbis Apartment Essentials, Freecity

"Future housing supply will need to... Provide housing choice for parents and homebuilders, including family homes and large apartments for couples with/without children while acknowledging the decline in average household size may reduce demand for large family homes."

- Parramatta LHS (2020)

Flexible Living to Meet the Needs of Future Renters

Across the major BTR markets, between 37% to 50% of households had one or more spare bedrooms, as at the ABS 2021 Census. In comparison, just 4% to 14% needed additional bedrooms. This imbalance highlights a mismatch between the existing housing stock and the needs of smaller households, suggesting an undersupply of smaller dwelling typologies and limited housing diversity.

Relative to other BTR markets, Parramatta features a comparatively low proportion of studio and one-bedroom dwellings (17%). At 2%, there is very limited stock of studio apartments in Parramatta, relative to Crows Nest (7%) and North Sydney (3%). This indicates an opportunity to deliver smaller housing formats to better align with the household composition and demand of similar markets.

Dual key apartments can further enhance this flexibility by allowing dwellings to function either as smaller independent units or larger combined apartments, depending on household needs. This adaptability enables BTR operators to respond to changing renter demand over time, while providing residents with more flexible living arrangements.

Given its location within the heart of the CBD with convenient access to public transport, employment and urban amenities, the proposed BTR development is well positioned to appeal to smaller households seeking an apartment lifestyle while contributing to a more diverse and adaptable supply of housing in Parramatta.

Household Bedroom Requirements by Suburb, 2021

	Parramatta	Macquarie Park	Chatswood	Crows Nest	North Sydney
One or more bedrooms spare	41%	37%	50%	43%	49%
No bedrooms spare or needed	45%	54%	40%	52%	47%
One or more bedrooms needed	14%	9%	10%	5%	4%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Source: ABS; Urbis

Number of Bedrooms by Suburb, 2021

Bedrooms	Parramatta	Macquarie Park	Chatswood	Crows Nest	North Sydney
Studio	2%	1%	1%	7%	3%
1 Bedroom	15%	34%	18%	32%	29%
2 Bedroom	65%	55%	39%	39%	37%
3 Bedroom	14%	9%	23%	18%	24%
4+ Bedroom	4%	1%	18%	4%	6%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Source: ABS; Urbis

Growth of Compact Living Models

Smaller studio apartments increase the diversity of housing typologies within a precinct and respond directly to the needs of single-person households, which represent a growing proportion of renter households across metropolitan Sydney.

While the proposed studios are smaller than Apartment Design Guide (ADG) numerical guidelines, this is offset by a substantial provision of communal amenity, including a gym, wellness facilities, co-working areas and flexible function spaces. The shared environments are a core component of the compact living model, effectively extending usable living areas beyond the private dwelling and enhancing overall resident amenity.

Importantly, the ADG standards were primarily developed for strata-titled apartment developments, rather than alternative housing models such as institutionally managed rental housing. This distinction is acknowledged in the State Environmental Planning Policy (Housing) – 2021, which provides greater flexibility for alternative housing models, such as BTR. Therefore, a performance-based approach to design is appropriate, with amenity delivered holistically across both private and shared spaces.

The proposed compact studios are also expected to provide a more affordable rental product relative to larger apartments within the precinct, thereby supporting broader housing affordability objectives. By lowering the entry price point, the proposed development broadens access to well-located, high-amenity housing for smaller households who may otherwise be priced out of the market.

Evidence of market acceptance for compact living is well established through comparable models such as co-living (e.g. UKO), affordable housing (e.g. Nightingale Marrickville) and purpose-built student accommodation, where studio sizes typically range from 17 to 25 sq.m. These precedents demonstrate both the viability and desirability of well-designed, smaller-format dwellings when supported by high-quality shared amenity.

Overall, the proposed development delivers a contemporary, flexible housing product that aligns with evolving renter preferences, improves affordability outcomes and achieves the intent of the ADG through a high-amenity, design-led BTR model.

In the context of urban densification and declining affordability, compact living models play a key role in expanding housing choice in accessible, high-demand locations such as Parramatta's CBD.

BTR Amenity Provision Comparison

Project	Amenity Provision (sq.m per apartment)
NOVUS on Harris – 39-43 Hassall Street, Parramatta	2.5 sq.m
Subject Site – 100% Conversion	3.4 sq.m
GQ Parramatta – 12 Hassall Street, Parramatta	3.9 sq.m
Subject Site – 0% Conversion	5.1 sq.m
Triniti Lighthouse, North Ryde	5.5 sq.m
WestConnex Dive Site, Annandale	5.9 sq.m
146 Arthur Street, North Sydney	7.9 sq.m

Source: Freecity; Urbis

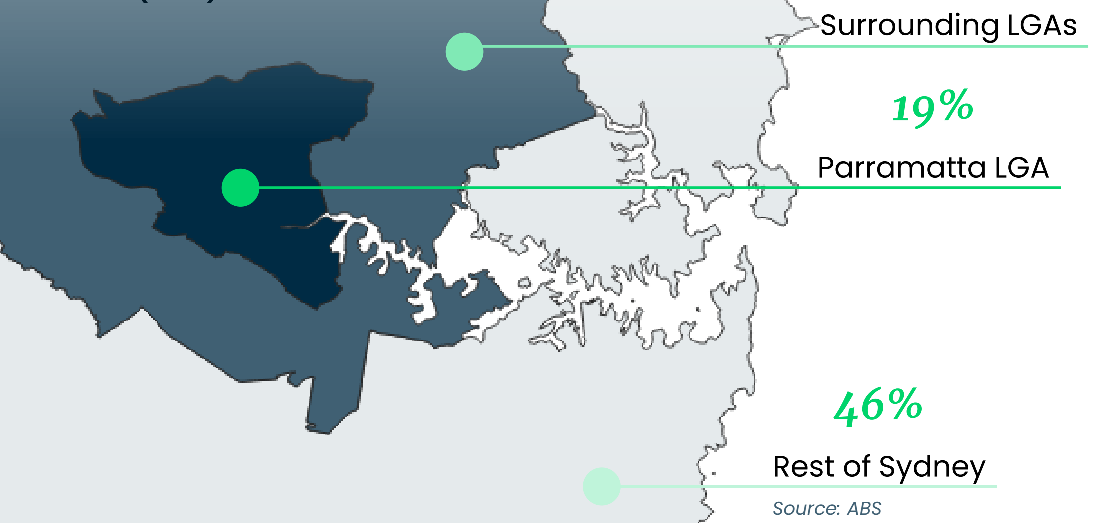
Key Workers

Key workers, such as healthcare workers, teachers and emergency services employees, represent an important and growing market for BTR, particularly near health and education precincts, such as Westmead.

Key workers typically earn a moderate but stable income and rely on rental housing, given they are often priced out of home ownership across Sydney. Given the population-serving nature of key worker occupations, there is little incentive for key workers to reside in areas with expensive housing. However, proximity to work is particularly important in time-sensitive roles that require employees to quickly respond to increases in service demand.

As Australia's housing affordability crisis continues, the cost of living in major cities will make it increasingly difficult for key workers to access appropriate and affordable housing close to work.

Where do Parramatta LGA's Key Workers Live? (2021)



Source: ABS

Therefore, it is critical to provide sufficient housing suited to key workers close to major areas of key worker occupations, including hospitals and schools.

In 2021, there were ~11,020 workers employed in the three key worker sectors, of which only 19% both lived and worked in the Parramatta LGA. Around 35% resided in surrounding LGAs while the remaining 46% lived further away. Job containment varied significantly across the sectors, with public administration and safety employees showing the lowest rate, at 12%.

Given its location, within a short walking distance from Parramatta Public School, Arthur Phillip High School, Western Sydney University and NSW Police Headquarters, as well as being close to the Westmead Health Precinct, delivering housing suited to key workers across the Parramatta LGA will help to increase key worker job containment rate.

Delivering smaller, flexible housing typologies can help improve housing affordability and accessibility for critical key workers and support greater job containment in the Parramatta LGA.

Parramatta LGA Job Containment by Industry (2021)

of employees in these sectors live and work in the Parramatta LGA.

Source: ABS

2 Office Market Context

Market Challenges Persist for Parramatta's Office Market

The 'flight-to-quality' trend continues to weigh on Parramatta's secondary-grade commercial office stock (B, C and D-grade), with vacancy rates rising across lower-quality assets. Occupiers are increasingly seeking newer, well-located and sustainable workplaces with convenient access to transport and local amenity.

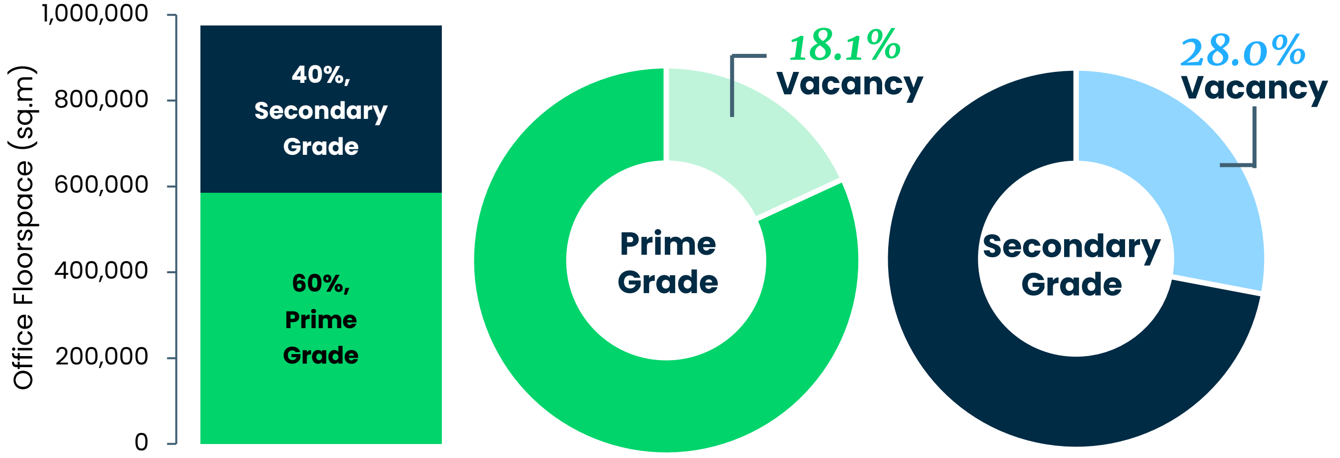
As of January 2026, the Parramatta CBD is Sydney's second largest office market, supplying ~974,400 sq.m of commercial office floorspace, of which 40% is secondary-grade stock.

Over the decade to January 2026, demand trends highlight a clear divergence between asset classes. Prime grade office space recorded an average annual net absorption of ~21,070 sq.m while secondary grade floorspace demand contracted by ~9,560 sq.m annually. This underscores the ongoing flight-to-quality with weakening demand for older buildings.

This structural imbalance has contributed to elevated vacancy rates in Parramatta's secondary market. As at January 2026, secondary-grade v vacancy reached ~28%, significantly higher than the 18% vacancy across prime-grade stock.

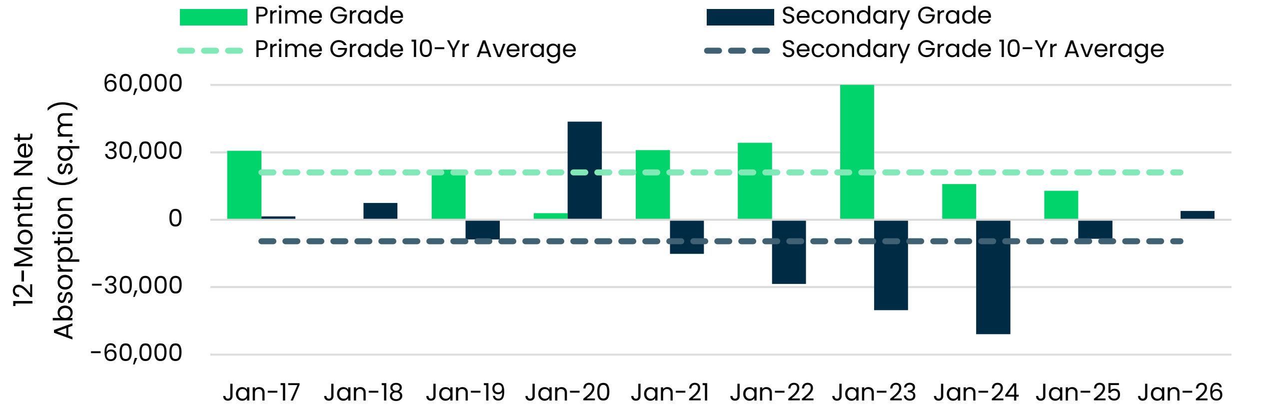
The sustained oversupply and declining competitiveness of secondary-grade stock supports the strategic repositioning of underperforming buildings to reduce structural office vacancy.

Parramatta CBD Office Floorspace and Vacancy, Jan-26



Note: Parramatta CBD contains no premium-grade stock. Prime grade reflects A-grade stock only. Source: PCA; Urbis

Prime Rental Performance in Sydney Office Markets, Q4 2025



Source: PCA; Urbis

Market Challenges Persist for Parramatta's Office Market

Other than the Sydney CBD, net effective rents across all suburban markets have contracted over the year to Q4 2025, reflecting the elevated incentives being offered by landlords to attract or retain tenants. High incentives often indicate a competitive leasing environment where supply is outpacing current occupier demand, prompting landlords to offer larger rent-free periods, fit-out contributions and other concessions to secure tenants.

In Parramatta, prime rents recorded no growth over the year to Q4 2025, while incentives remained elevated at 38% (net), significantly eroding net effective rents. These conditions reflect softer tenant demand, elevated vacancy rates and a market adjusting to recent supply additions.

On a gross rent basis, Parramatta remains one of the most affordable office markets outside of the Sydney CBD. However, when incentives are considered, net effective rents position Parramatta as the third most expensive market in metropolitan Sydney, reducing its relative cost advantage and potentially weakening its competitiveness to attracting occupiers.

Overall, occupier demand within Parramatta's office market remains subdued, with sustained high vacancy rates, flat prime rental growth and high incentive levels, supporting the strategic conversion of underperforming assets to alternative uses.

Prime Rental Performance in Sydney Office Markets, Q4 2025

Office Market	Gross Prime Rent ($/sq.m)	YoY Growth (%)	Incentives[1] (%)	Net Effective Prime Rent ($/sq.m)	YoY Growth (%)
Parramatta	**$575**	**0.0%**	**38% (n)**	**$355**	**0.0%**
Sydney	$1,397	5.5%	36% (g)	$809	7.1%
North Sydney	$945	1.8%	40% (g)	$495	-2.0%
St Leonards	$671	0.4%	42% (g)	$326	-4.5%
Chatswood	$647	0.8%	42% (g)	$312	-8.5%
Macquarie Park	$480	2.1%	41% (g)	$283	-1.7%

[1](n) = net; (g) = gross. Source: Knight Frank; Urbis

Proposed Commercial Office Supply

As of January 2026, ~106,200 sq.m of A-grade floorspace was vacant in Parramatta CBD, representing a prime-grade vacancy rate of 18.1%.

There is only ~9,080 sq.m of new office floorspace currently under construction within the CBD, with the remaining ~294,430 sq.m in the earlier approval or planning stages. The limited pipeline of firm new office developments reflects a market constrained by weak demand, elevated construction costs and deteriorating feasibility conditions. There is a further 45,800 sq.m of secondary-grade office floorspace in the pipeline for refurbishment, representing ~12% of secondary grade stock.

Additionally, businesses are increasingly prioritising floorspace efficiency in response to remote and hybrid working patterns. This is particularly evident among State Government agencies, with a strategy to consolidate floorspace. For example, the ATO and DHA each reduced their footprint by ~35% during their most recent relocations.

Based on net absorption trends over the decade to January 2026, it could take ~19 years to absorb all currently vacant floorspace in the Parramatta CBD. If all proposed supply were delivered, it could take an additional ~28 years.

Repurposing underutilised office floorspace offers a practical and timely response to Parramatta's chronic housing undersupply while relieving pressure on a structurally oversupplied office market.

Proposed Major Office Supply, Parramatta CBD

	New[1]	Refurbishment	Total
Construction	9,084	10,800	19,884
Development Approval	201,918	35,000	236,918
Development Application	39,429	0	39,429
Early Planning	44,000	0	44,000
Total	**294,431**	**45,800**	**340,231**

[1] Represents net addition to existing commercial office floorspace.. Source: PCA; Urbis

Recent Tenant Movements

Company	Movement
Australian Tax Office (ATO)	A 39% reduction in office floorspace from ~26,680 sq.m at Macquarie Street, Parramatta to ~17,550 sq.m at 6 Parramatta Square.
Department of Home Affairs	Downsized its Sydney footprint across three offices (~22,440 sq.m) to ~14,000 sq.m at 101 George Street, Parramatta

Source: Urbis

Evolving Economic Role of Parramatta CBD

Historically, Parramatta CBD primarily served as Western Sydney's employment core, driven by government, professional services and corporate office tenants. **However, the growth of remote and hybrid working models have reshaped the role and function of the Parramatta CBD.**

Under recent hybrid working trends, train patronage has softened. According to TfNSW, prior to the pandemic, Parramatta Station averaged ~44,000 station entries and exits daily between 2016 and 2019. Patronage declined to ~26,000 between 2020 and 2022 during peak lockdown periods and has since recovered to ~34,000 daily entries and exits between 2023 and 2025, although remaining well below pre-COVID levels.

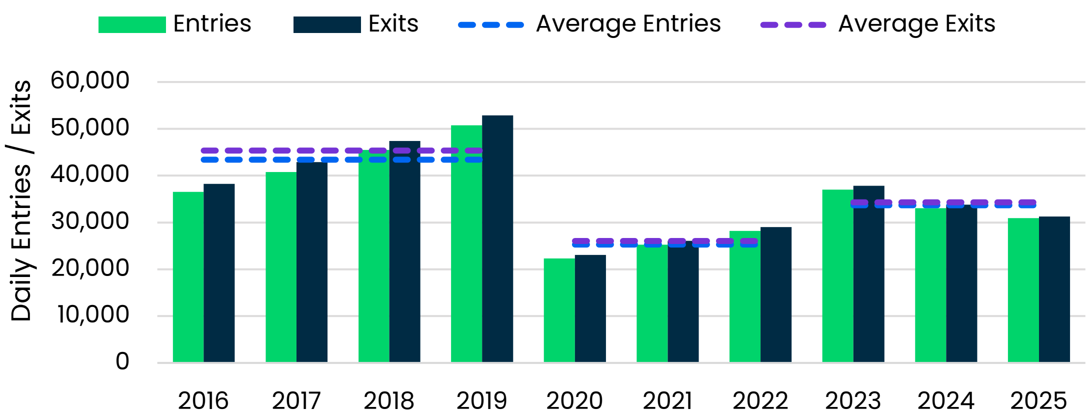
Workplace policies also reflect structural shifts toward hybrid work. A report released by the Australian HR Institute revealed that just 18% of surveyed employers mandated staff to attend the workplace four to five days a week.

Reduced worker activity impacts daytime vibrancy within the CBD, with potential implications for retail, hospitality and services that typically rely on the worker population.

These shifts suggest that Parramatta's long-term resilience will rely less on office-based employment growth alone and increasingly on a diversified mix of land uses. Major investments into the Powerhouse Museum, Parramatta Light Rail and Metro West will strengthen the CBD's role as a mixed-use destination to attract a critical mass of workers, residents and visitors.

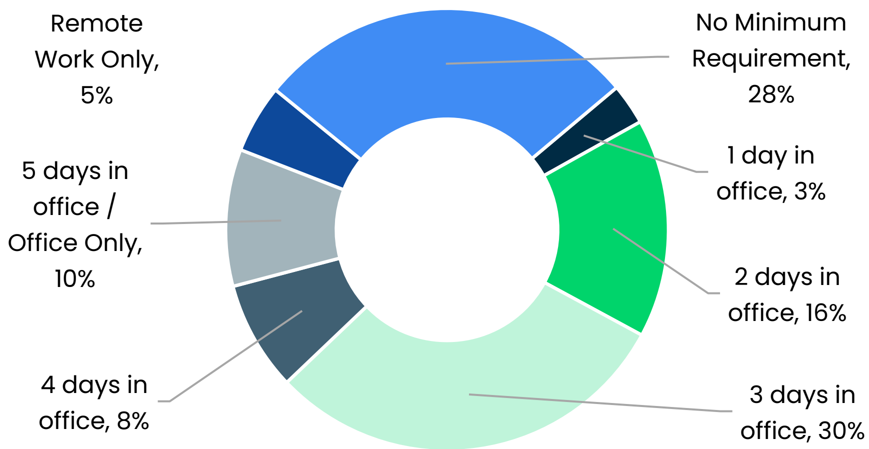
Increasing the residential population within the CBD will further support demand for retail, hospitality and services beyond weekday peaks, offset softened office vacancy rates and contribute to activation and vibrancy throughout the city centre.

Parramatta Station Average Daily Entries and Exits, 2016-2025



Source: TfNSW

Distribution of Hybrid Working Models, 2025



Source: Australian HR Institute

Office Supply Exceeds Employment Target

Over the past few decades, office job densities have decreased, contributing to the declining demand for occupied office floorspace over time. For example, the Australian Government Office Occupancy Annual Reports saw a notable decline in occupational density from 20.7 sq.m per job in 2014 to 13.1 sq.m per job by 2024.

This trend was underway prior to COVID-19, with the onset of the pandemic further accelerating the decline in job densities. The increased adoption of hybrid and remote working have seen tenants expand their workforce without increasing floorspace requirements.

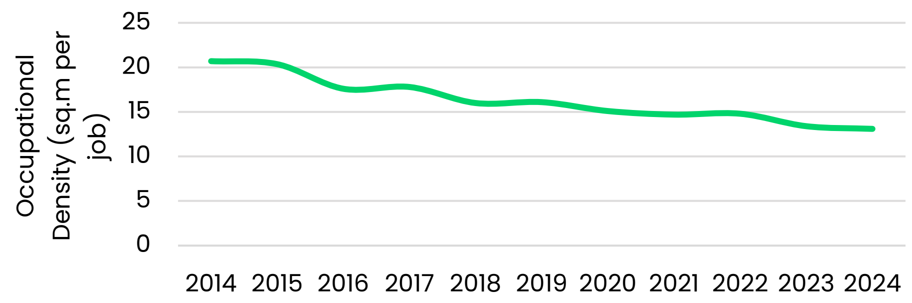
There is currently ~974,400 sq.m of office floorspace in the Parramatta CBD. When considering net proposed office supply, this equates to almost 1.27 million sq.m of office floorspace that could be delivered.

The Parramatta Local Strategic Planning Statement (2020) sets out a target of 68,350 jobs by 2026, growing to 85,600 jobs within the Parramatta CBD by 2036. Based on an assumed job density of 13 sq.m per job, this equates to an implied employment capacity of almost 75,000 jobs in 2026 (~6,600 jobs above target).

If all proposed office developments were delivered, by 2026, this could accommodate an excess of 12,000 jobs above target. Urbis notes that it is unlikely that all proposed developments will proceed to construction. However, even if half of the proposed floorspace (~150,000 sq.m) were delivered, there would be sufficient floorspace to meet the jobs target.

There is ample vacant and proposed office floorspace within the Parramatta CBD to cater for office-based employment growth, particularly as tenants continue to downsize their office footprint.

Occupational Density for Australian Government Tenancies (2014-2024)



Source: Australian Government Department of Finance; Urbis

Parramatta CBD Employment Capacity Analysis

Parramatta CBD	Floorspace (sq.m)	Assumed Job Density (sq.m per job)	Implied Employment Capacity (jobs)	Parramatta LSPS Job Target (jobs)	Difference from Target (jobs)
Total Office Floorspace (January 2026)	974,405	13 sq.m	74,954	68,350[1]	**+6,604**
Proposed Net Floorspace Additions	*294,431*				
Total Net Floorspace (2036)	1,268,836		97,603	85,600	**+12,003**

[1]Parramatta LSPS (2020) estimates there were 51,500 jobs within the Parramatta CBD in 2016. A straight-line approach was used to estimate a 2026 employment figure.
Source: Parramatta Council; Australian Government Department of Finance; Cordell Connect; Urbis

3 Conclusion

Key Findings

This report responds to the economic and market matters raised in submissions to the SSDA for the proposed redevelopment of 81-83 George Street, Parramatta (refer to appendix for a list of specific concerns). The report focuses on apartment mix, housing diversity and the transition from commercial to Build-to-Rent.

Key findings in response to concerns raised include:

Parramatta CBD Market Context

Parramatta CBD exhibits a well-established rental market, underpinned by a younger demographic profile and a high concentration of smaller households. The CBD functions as a key residential location for workers, students and mobile professional cohorts seeking proximity to employment and transport.

72% of households in the Parramatta CBD are renters, with 49% of residents aged 25-39, indicating a strong and established demand base for smaller, rental apartments.

Flexible Living and Dual Key Typology

The inclusion of dual key apartments enables flexibility within a fixed built form, allowing dwellings to operate as either separate smaller units or combined larger apartments depending on tenant demand.

This approach is consistent with emerging BTR delivery models, which prioritise adaptability over time.

Future BTR supply is increasingly weighted toward smaller dwellings (65%), compared to 39% in existing stock, reflecting a clear market shift toward compact and flexible formats.

Apartment Mix and Housing Diversity

The proposed mix aligns with the observed structure of households in Parramatta, where lone person and couple households represent most residents. These cohorts are the primary drivers of demand for studio and one-bedroom apartments.

Across comparable BTR markets, a similar shift towards smaller dwellings is evident in forward supply.

51% of Parramatta households are lone person or couple households, yet only ~17% of existing stock comprises studio and one-bedroom dwellings, highlighting a structural undersupply of smaller dwellings.

Access and Rental Pressures

Rental conditions in Parramatta have tightened significantly, driven by population growth and unconstrained supply. Vacancy rates remain low and rental growth has been sustained over the years.

Within this context, smaller apartment formats provide an important lower entry point into well-located housing.

Vacancy rates in Parramatta fell to ~1.2% in 2022 and have remained below 2%, with rents increasing by 10-12% per annum over the past five years.

Key Findings

Commercial Office Market Context

Parramatta's office market is currently characterised by elevated vacancy, particularly within secondary-grade stock, and subdued net absorption.

Structural shifts in workplace demand, including hybrid working, have reduced the need for additional floorspace and impacted feasibility for new office development. Even with prime-grade assets, incentives remain elevated and rental growth has stalled.

Secondary-grade office vacancy in Parramatta is ~28%, with net absorption declining by ~9,500 sqm per annum, indicating sustained oversupply in parts of the market.

Role of Residential in the CBD

As Parramatta evolves, its economic function is increasingly supported by a balance of employment, residential and cultural uses. A growing residential population supports activation, local services and economic resilience.

Residential population growth supports retail, hospitality and service demand beyond traditional work hours, strengthening CBD activation and resilience.

Office Capacity and Employment Growth

Existing and potential office floorspace within the Parramatta CBD is sufficient to accommodate projected employment growth without requiring additional supply on this site.

Existing and proposed office floorspace could accommodate employment levels exceeding Parramatta's 2036 job targets, even under conservative delivery assumptions.

In Summary

The proposed development represents a considered response to both market conditions and the evolving role of the Parramatta CBD.

The proposal aligns with observed demand, addresses gaps in housing supply and supports the transition of Parramatta toward a more balanced, mixed-use metropolitan centre.

Conclusion

This report provides a targeted response to the economic and market matters identified in the Department's Key Issues Letter, with a focus on the proposed apartment mix, housing diversity, and the transition from a commercial office concept to a Build-to-Rent outcome.

The analysis confirms that the proposed development represents a deliberate and evidence-based response to the Parramatta CBD context.

In particular:
- The proposed apartment mix is aligned with the prevailing rental profile and demand characteristics of the Parramatta CBD, where smaller households, renters and mobile professional cohorts form a significant component of the market;
- The inclusion of studio and dual key typologies supports housing diversity and flexibility within a managed BTR model, enabling the development to respond to a range of household types over time; and
- The shift from a commercial office scheme to residential BTR reflects current market conditions, including elevated office vacancy, changing workplace dynamics, and the increasing role of residential population in supporting a vibrant and economically resilient CBD.

Importantly, the proposal should be understood within the context of Parramatta's evolving role as a mixed-use metropolitan centre, where employment growth is supported by the provision of well-located housing.

The introduction of a permanent residential population within the CBD:
- Enhances labour market accessibility;
- Supports local businesses and services beyond traditional working hours; and
- Contributes to the long-term activation and resilience of the city centre.

The economic considerations raised in submissions have been addressed through this report in a proportionate and evidence-based manner, without reliance on speculative assumptions or broad policy reinterpretation.

Overall, the proposed development:
- Responds appropriately to local market demand;
- Supports a more diverse and adaptable housing supply;
- Does not jeopardise the ability for Parramatta CBD job targets outlined in the Parramatta LSPS 2020 to be met; and
- Aligns with the broader economic function of the Parramatta CBD as a connected, mixed-use centre.

Parramatta's Skyline in 2050 (from Parramatta 2050 Vision)

Image Credit: City of Parramatta

> *"CBDs will shift from acting primarily as places of work towards being mixed-use destinations, capitalising on being at the heart of transport networks and complemented by a captivating array of educational, government and cultural institutions."*
>
> *JLL (2023) – The Future of the Central Business District: Creating Dynamic Urban Centres.*

4 Appendix

Response to Submission

Ref.	Submission	Response
DPHI-2	The proposed apartment mix includes 50% studio dwellings when in their sole occupancy configuration, which is reduced to 19.3% when leased as dual key. Together with 1-bedroom units, this represents 83.7% of the total proposed apartment mix. This proposed mix is not considered to satisfactorily address apartment diversity requirements for the locality. The Department also notes that the City of Parramatta Council (Council) have indicated a need to provide larger units in the Parramatta City Centre due to the average household size being 2.35, and the dominant household type being couples with children. In addition to the high proportion of studio units, the Department notes the proposal includes numerous variations to the Apartment Design Guide (ADG) requirements, particularly for studio units, for unit area, living room dimensions, storage, and private open space, which raises concern regarding long-term resident amenity. To ensure the development provides for adequate diversity of housing mix and amenity for future residents, the Department requests that the proposal be amended to revise the apartment mix to reduce the proportion of studio units, and increase the proportion of 2- and 3 -bedroom unit typologies, or amend studio units so that they are permanently combined in their dual key configuration	Refer to pages 12 to 14.
DPHI-4	provide detailed market analysis, including locality, site and project specific justification and evidence, to support the proposed apartment mix and sizes	Refer to pages 7 to 15.
DPHI-10	Provide consideration into the potential job loss and economic impact resulting from the shift from the existing Concept Approval for a 40 storey commercial office premises to the proposed residential development.	Refer to page 21.
COP-1	Job Loss / Economic Impact – Council resolved at its meeting on 9 December 2024 to oppose build to rent development in the E2 Commercial Centre zone as per extract follows: "(f) That Council continue to oppose the application of Build to Rent provisions within the Housing SEPP to the Parramatta CBD's E2 Commercial Core zone and call on the NSW State government to immediately exempt Parramatta from those provisions, recognising that they are inconsistent with decades of planning for Parramatta's CBD and are prejudicial to creating a world-class railway terminus and employment centre in Parramatta." The objective of the E2 Commercial Core zone is to prioritise the role of the Parramatta CBD in employment generation and as a regional centre for business, retail, community and cultural activity. The inclusion of build to rent housing within the commercial core of the Parramatta CBD is at the expense of realising its regional economic role. Council's current strategic framework allows for sufficient future housing delivery, including within the Parramatta CBD.	Refer to pages 20 to 21.

Response to Submission

Ref.	Submission	Response
COP-9	Jobs Growth Imperative in Parramatta It is recommended that the SSD is not supported on strategic grounds due to the following: • Council has resolved to continue to oppose the application of Build to Rent provisions within the Housing SEPP to the Parramatta CBD's E2 Commercial Core zone. • The zone objectives for the E2 Commercial Core zone clearly prioritise the role of the CBD in employment generation and as a regional centre for business, retail, community, and cultural activity. • Council's strategic framework clearly identifies other zones for housing delivery, and Council is meeting housing capacity targets	Refer to pages 20 to 21.
COP-10	Notwithstanding our objection to the proposal, and acknowledging this proposed land use is currently permitted under the Housing SEPP, Council provides the following recommendations: • That the proposal should maximise commercial floor space, with the predominant share of total floorspace dedicated to commercial uses permissible in the E2 zone. • That in addition to a majority commercial scheme, there needs to be considerable community benefit (beyond the provision of housing where Council is already achieving its targets) to warrant any residential uses at this site. • That the applicant clearly demonstrates how any residential and above ground car parking floor space proposed is convertible to future quality grade commercial uses appropriate for this location in the CBD. • That the applicant provides a rigorous assessment of the proposal against the E2 zone objectives per the Parramatta Local Environment Plan.	Refer to pages 17-21
COP-11	Retail Demand Generated and Not Met It is recommended that an Economic Impact Statement be completed which must: • Provide a clear breakdown of existing GFA proposed to be replaced, by land use type. • Provide a clear breakdown of GFA by land use type in the original approved proposals (concept), and estimate the jobs created in each land use component. • Assess and justify any difference in jobs numbers between the previously approved and current proposal, including long-term economic impacts to the City that might result. • Provide a clear analysis of demand for retail and other population-serving uses generated by the proposal This should include greater emphasis on the role of retail in developing a precinct that serves and reflects the scale of the proposal and population in-situ, regardless of eventual use. The proposal should be justified in light of this analysis, ensuring the proposal responds to retail demand.	N/A

Urbis staff responsible for this report were:

Director	Richard Gibbs
Associate Director	Ricardo Martello
Senior Consultant	To Tran Thai
Research Analyst	Kaylene Tan

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