Castle Hill 93-107 Cecil Ave
Market and Economic Assessment

Prepared for:
Alton Property Group
20 February 2026

HillPDA CONSULTING

Acknowledgment of Country

HillPDA acknowledges the Traditional Custodians of Country throughout Australia and their continuing connection to land, waters, culture, and community.

We acknowledge the Gadigal people of the Eora Nation and Wurundjeri Woi-wurrung and Bunurong / Boon Wurrung peoples of the Kulin Nation, the traditional owners of the land on which this report is prepared, and we show our respect for elders' past and present.

Disclaimer

Quality assurance

This document is for discussion purposes only unless finalised and approved by a Principal of HillPDA.

Version	Date	Prepared by	Reviewed by	Approved by
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1.1 Background

All levels of Government recognise that Australia is facing a 'housing crisis', with the National Cabinet announcing a National Housing Accord in October 2023 with the ambitious aim of delivering 1.2 million new dwellings over 2024-2029. In accordance with the Accord, the NSW Government is committed to facilitating 377,000 new dwellings by 2029 (around 75,000 new homes annually over five years). Based on current supply forecasts, there is an expected shortfall of around 170,000 homes to meet the National Housing Accord target.

In response to the housing crisis the NSW Government has significantly increased housing targets across Sydney as well as a range of measures in planning and approval processes. This includes the Transport Oriented Development (TOD) Program, the Low and Mid-Rise Housing Policy and the Housing Development Authority pathway. These measures aim to deliver more homes, more quickly, close to public transport, jobs and services.

1.2 The site

The site, which is the subject of this report, is known as 93-107 Cecil Avenue, Castle Hill and is depicted in the figure immediately below. Being 600 metres of Castle Hill Metro Station, the subject site provides a good opportunity for a transit orientated development which would make some contribution towards Council meeting its housing targets.

Figure 1: Subject site

Source: HillPDA

Our understanding is that the site is subject to a minimum 8,025 square metres of commercial floor space under Clause 7.18 of The Hills LEP, established through a planning proposal adopted in 2017.

1.3 The proposal

Alton Property Group aims to amend the development standards for the subject site to reduce the requirement for 8,025sqm of non-residential space to 3,500sqm.

1.4 The brief

HillPDA was commissioned by Alton Property Group to undertake a market and economic assessment based on the existing context and needs for the area.

The market and economic assessment has therefore been prepared in response to the existing housing crisis and the need for more housing in close proximity to existing transport infrastructure. Accordingly, given the existing context the analysis undertaken in this report, future development should align with the market demand and TOD objectives (including high density living near major public transport nodes). If not, redevelopment may not proceed or if it does proceed there is a high risk of long term commercial vacancies.

2.0 THE HOUSING CRISIS

This Chapter analyses the demographic and housing characteristics of the locality. The intent of the Chapter is to provide need for additional residential supply to meet the current and future needs of residents.

2.1 The current market

All levels of Government recognise that Australia is facing a 'housing crisis', with the National Cabinet announcing a National Housing Accord in October 2023 with the ambitious aim of delivering 1.2 million new dwellings over 2024-2029. In accordance with the Accord, the NSW Government is committed to facilitating 377,000 new dwellings by 2029 (around 75,000 new homes annually over five years).

Based on current supply forecasts, there is an expected shortfall ranging from over 166,000[1] to 462,000 homes[2] to meet the National Housing Accord target.

Notwithstanding strong demand for housing there has been significant difficulties in delivery. Rising construction costs, borrowing constraints, increasing compliance costs and development feasibility challenges are making it increasingly difficult for developers to deliver the required volume of new homes. This constrained supply has exacerbated the housing shortage and affordability concerns.

Economic, climatic, and demographic trends will further pressure construction costs and housing affordability. Additionally, an aging population and a growing number of individuals with disabilities will necessitate new homes tailored to their needs, intensifying the housing shortage.

Across Sydney and across the country we are experiencing declining housing affordability due to interest rate rises in the post-COVID period. Significant cost of living increases combined with slower rates of wage growth are also impacting affordability. Notwithstanding, house price have been steady or have continued to increase in many parts of Sydney. The primary reason for this has been a slowdown in dwelling completions and the inability for the industry to keep up with rising demand for housing from immigration.

The post-pandemic development landscape has been affected by economic volatility, supply chain disruptions, labour shortages, and inflated costs. As a result, numerous projects have experienced financial strain. Even where development may be theoretically viable, difficulties in procuring project finance have resulted in projects being delayed. This has resulted in fewer development applications and more projects abandoned, hastening the supply and demand gap.

The development industry has expressed this downturn ominously as the 'Perfect Storm'. The development viability challenge stated by the industry itself is related to the following current risks and market conditions:

- Sales risk where consumers are less inclined to buy off-the-plan. Higher interest rates and other factors have resulted in waning consumer confidence in off-the-plan developments prompting a wait-and-see approach.
- Procurement risk where the cost of work and delays in procuring materials and labour has increased. This was caused by local and global pressures, including inflation, supply, and skills shortages, building standards, bonds, building costs and issues with tendering. The lack of supply for certain building materials like steel has led to overall construction delays which in turn ripple out to additional financing and land holding costs all contributing to additional project risk and cost.

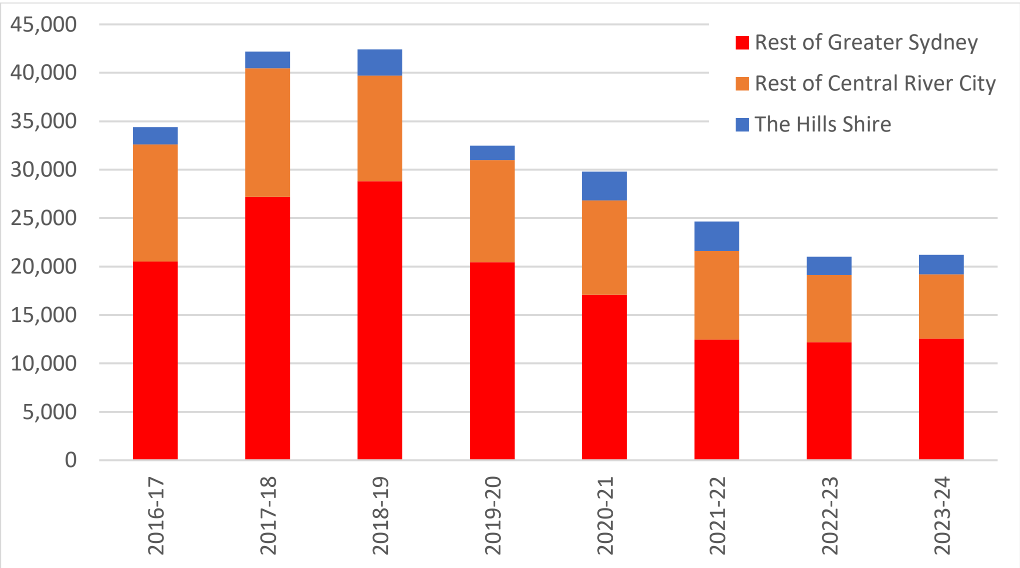
[1] Source: Master Builders Association (2024) Australia moves further away from National Housing Accord target
[2] Source: Property Council of Australia (2025) Smarter Incentives, More Homes research prepared by Mandala

- Additional developer charges such as the Housing Productivity Contribution which was introduced in May 2023 and the phasing-in of the contribution applied from October 2023. The full rate is now more than $10,000 per new apartment and more than $30/sqm of new commercial and retail GFA. Increasingly a component of affordable housing contribution is being imposed on development.
- Compliance costs which have increased the cost of consultants and timing of approvals including development consent and construction and occupation certification.
- Financial risk where the likelihood of obtaining construction finance has diminished significantly. Banks generally require an adequate proportion of pre-sales to reduce market risk and fixed-price contracts to cover procurement risk. In the current climate it has been very difficult for developers to meet the requirements of lenders, which is a primary reason why so many projects with development approval have failed to proceed.
- Cost of land. Rising interest rates, slow down in pre-sales, increasing building costs and procurement risk and difficulties in obtaining construction finance should result in declining residual land values (the maximum price a developer could pay for land). However, landowners are reluctant to sell at lower prices than what they could have previously sold their land for. As a result, more negotiations fail, and transactions do not proceed.

2.2 Dwelling completions

The unfortunate state of the market is shown clearly in the figure immediately below.

Figure 2: Net increase in dwellings



Source: NSW Urban Development Program

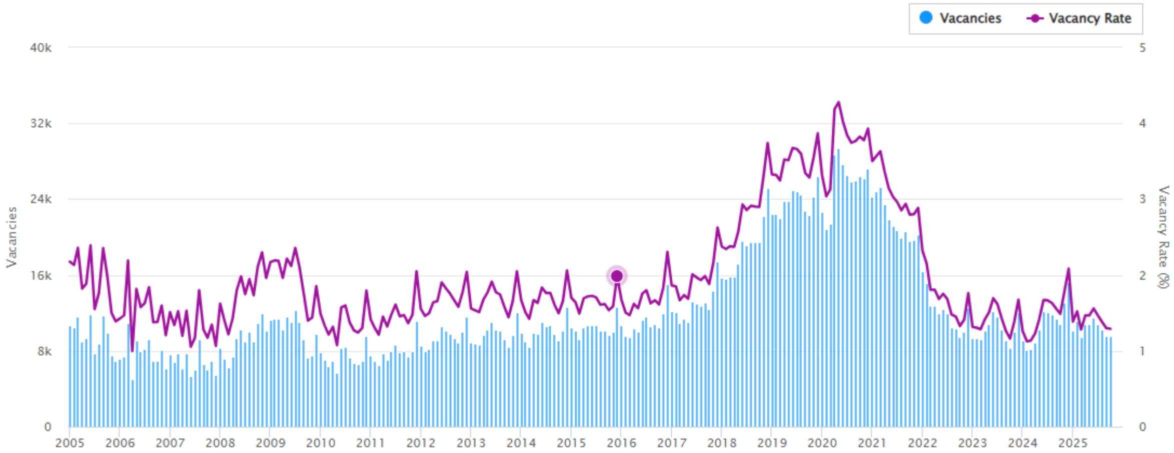
In 2018-19 Greater Sydney produced more than 42,400 dwellings. Production rates have declined since to just under half that level at 20,011 in 2022-23. The Hills Shire has maintained its level of production reasonably well compared to Greater Sydney. Nevertheless it's average rate of production over the past five years to 2023-24 has been 2,274 which is well short of target.

Under the Accord NSW Government has targeted 23,300 more dwellings for the Shire over the 5 years to 2029. This averages 4,660 more dwellings every year. Average production levels in the Shire are 48% of the target. Hence the Shire will need to double its production rate to meet target.

2.3 Housing undersupply and vacancies

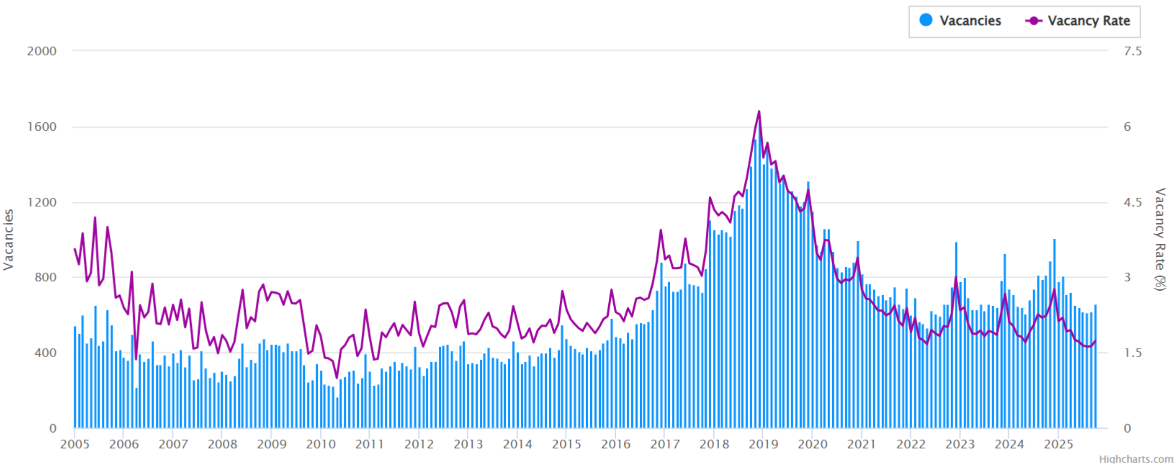
Sydney's ongoing housing undersupply is also evident in its persistently low vacancy rates of around 1.2% to 2.1% throughout 2024 as shown in the figure immediately below. During COVID, vacancy rates peaked at approximately 4.3% due to increased housing supply and reduced migration. However, these vacancies have since been absorbed, leading to the current tight rental market. A balanced market typically has a 3% vacancy rate, where supply meets demand without favouring landlords or tenants[3]. However, the current vacancy rate of approximately 1.3% in both The Hills and the broader Sydney region[4] signals an undersupply of rental housing and unbalanced market (refer to figures immediately below). Without a significant uplift in new housing supply, rental market pressures will continue to intensify, making it increasingly difficult for households to secure affordable accommodation.

Figure 3: Residential vacancy rates in Metropolitan Sydney



Source: SQM Research

Figure 4: Residential vacancy rates in The Hills



Source: SQM Research

[3] Source: www.suburbfinder.cm.au; Realestate.com.au; www.propetydirector.com.au
[4] As at October 2025 sourced from SQM Research

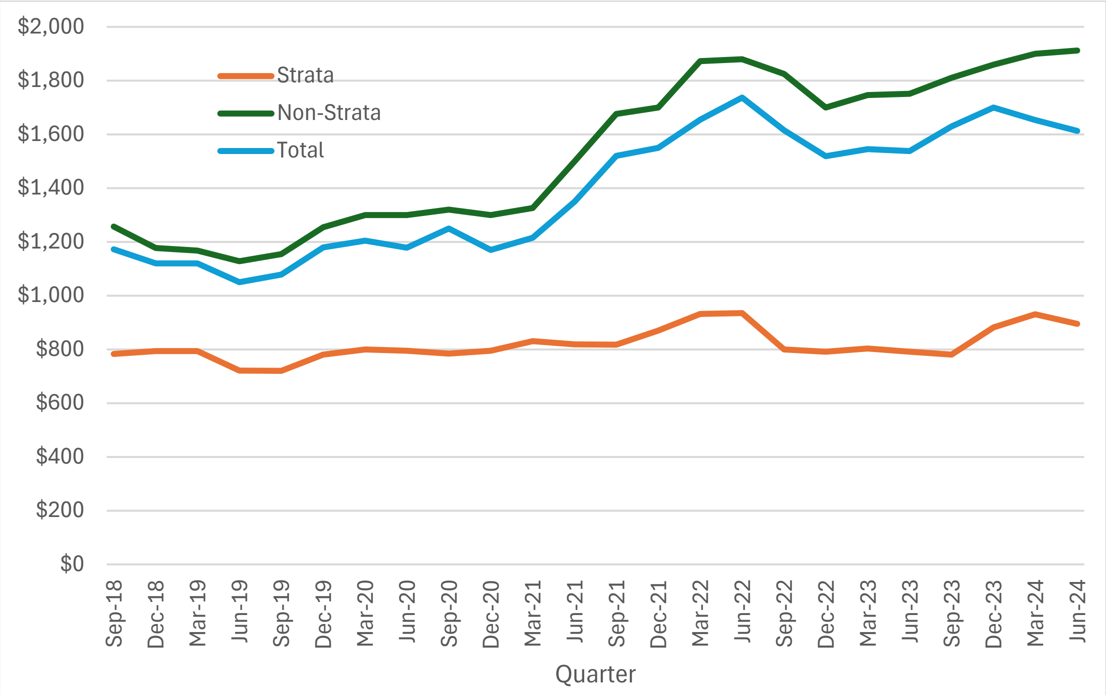
2.4 Dwelling Prices

By far the best measure of over or undersupply of any commodity relative to demand is the price that consumers are prepared to pay and movements in price over time. If the price of a particular suburb is high relative to the broader area (LGA or metropolitan) it is because there is a stronger desire to live in that suburb. Sharp upward movements in price in a particular suburb also reflects a sharp increase in demand for housing relative to constrained supply.

As mentioned above, notwithstanding declining affordability, there has been some recent increases in prices due simply to a lack of housing supply relative to rising demand from immigration.

In the June quarter 2019 the median house price in The Hills Shire was $1.128m and the median strata price was $721,000. That increased to $1.912m and $895,000 respectively in the June quarter 2024 as shown in the figure immediately below.

Figure 5: Median Sale Price in The Hills Shire



Source: NSW Rent and Sales Reports and HillPDA

House prices rose 52% while apartment prices far more modestly at 14%. Importantly mortgage interest rates increased from 1.8% to 2.2% in 2020-21 to around 6.0% by late 2023 – almost three times higher. This was the period where house prices rose steeply as shown in the figure above. To have that level of escalation in house values during a period of continuous increases in mortgage interest rates is unprecedented. It's a clear indication of housing shortage.

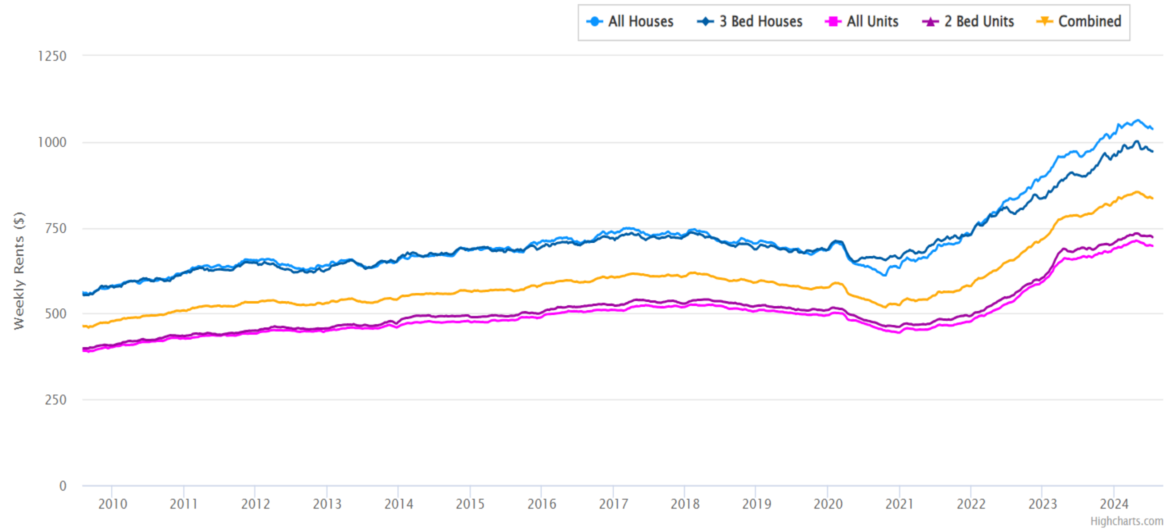
Sydney lost about 35,000 people aged 30-40 between 2016 and 2021, according to the NSW Productivity Commission. Those leaving cite housing affordability as a factor behind their decision. By far the biggest factor in house price rises has been lack of supply[5].

[5] https://www.abc.net.au/news/2024-02-13/sydney-house-prices-force-more-young-families-leave-nsw/103456198

2.5 Housing affordability

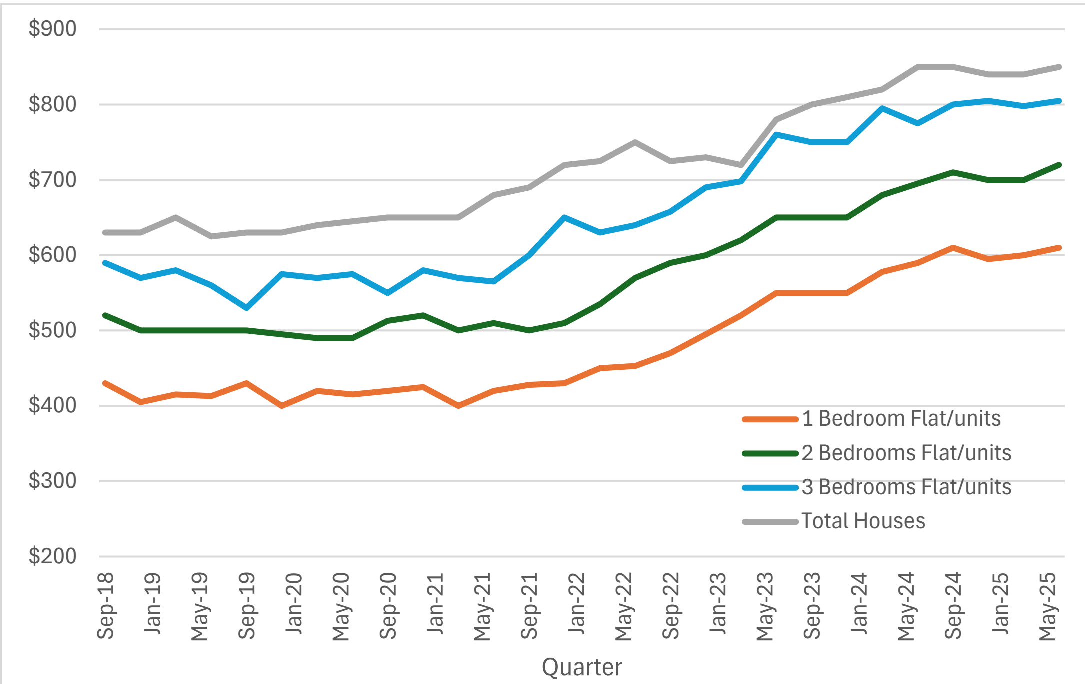
Rents have increased substantially across both Greater Sydney and The Hills Shire over the past five years as shown in the figures below.

Figure 6: Median rent in Metropolitan Sydney



Source: SQM Research

Figure 7: Median weekly rents in The Hills Shire



Source: NSW Rent and Sales Reports and HillPDA

Rents were reasonably flat over the five year period leading up to June 2021. Thereafter there were significant rises in rents across all dwelling types. The period of sharpest rise occurred in the three year period ending in the September quarter 2024 where apartment rents in The Hills increased 40% – 24% above inflation.

2.6 Key findings

All levels of government understand that we are in the midst of a housing crisis with historically high prices and low vacancies in a period of recent increases in interest rates. These factors, along with higher mortgage repayments and increasing cost of living pressures, are having detrimental impacts on affordability.

The National Cabinet agreed to a National Housing Accord to collectively deliver 1.2 million dwellings across Australia over 2024-2029. NSW would need to deliver 375,000 dwellings over this period to meet targets of the Accord.

There is an opportunity on the subject site to deliver more than 610 apartments which would make a significant contribution towards meeting the housing targets in the locality as well as providing an opportunity to delivering some active ground floor retail and food services as part of a mixed-use work and living precinct.

3.0 THE COMMERCIAL MARKET

3.1 The metropolitan office market

The office market has been one of the hardest hit in recent years largely catalysed by the COVID 19 pandemic. The impacts of COVID have been more than just short-term impacts. Combined with significant improvements in information technologies it has resulted in long term structural changes in the way we work and where we work.

Across the country the CBD office vacancy rate climbed to 14.8 per cent – the highest in almost three decades and 50 per cent higher than the average. Worsening the situation is the end of a wave of supply flowing into the market while demand weakens (Australian Financial Review 1 February 2024). As their leases expire, corporate tenants are reassessing their workspace needs, responding to the rise in hybrid work arrangements and an uncertain outlook for growth.

More and more companies are realising that the level of office space required before the pandemic is no longer required. "The Commonwealth Bank, Westpac and Telstra are among 19 Australia's largest companies that have cut their office needs by almost 200,000 square metres in the Sydney CBD since the pandemic, sending vacancy rates sky-high in the country's biggest market, Sydney" (Australian Financial Review 18 July 2024).

Rising vacancies combined with rising interest rates has resulted in market valuations falling more than 20% over the past couple of years. According to analysis conducted by The Australian Financial Review, 19 out of 25 of Sydney's biggest office occupiers have cut their footprints. These include Commonwealth Bank, Westpac, AMP, Telstra and Lendlease.

Record high vacancies and incentives has resulted in a significant decline in effective market rents. Combined with record high construction costs and the recent rises in interest rates these conditions have significantly undermined the feasibility of commercial office buildings in both Sydney CBD and the metropolitan markets. Property experts generally agree that it will be at least one decade, maybe two, before we see some return towards conditions where new office buildings would once again become feasible (Australian Financial Review 18 July 2024).

3.2 The office market in The Hills

Historically Macquarie Park was a popular location for businesses being close to the executive suburbs of the North Shore, good infrastructure and accessibility and ample parking with more affordable rents than Sydney CBD and North Sydney. It's currently going through a transformation towards a high-density mixed-use transit orientated precinct with three metro stations with frequent services to North Sydney and Sydney CBD. Tenants include wholesale businesses, information technology firms, life sciences and medical businesses.

Prior to COVID-19 the vacancy rate in Macquarie Park was as low as 6%. Today it has reached 22% which is its highest ever recorded level[6]. Similarly, Norwest was impacted by COVID, although to a slightly lesser degree, resulting in a vacancy rate of 14% in 2023. Today it has improved a little with a current vacancy rate of around 9%.[7] Across Sydney the non-CBD office market is around 17% to 18%. Usually a rate of around 6% is considered healthy where demand and supply closely match.

[6] Property Council of Australia Office Market Report 2025
[7] https://www.norwestcommercial.com.au/news/norwest-office-vacancy-report-november-2025

3.3 Implications for Castle Hill

Macquarie Park and Norwest are superior office markets than Castle Hill which has attracted corporations over the past several decades into stand-alone A-grade office buildings. Understandably Castle Hill is a different market where existing office space is B and C grade suites in older buildings on the fringe of the retail core or above shopfront space. The secondary commercial market differs notably from the prime commercial office space. It is generally focussed on providing services to the local population including finance and accounting practices, medical practices, dental surgeries, travel, real estate and the like) as well as day cares and colleges / education. Larger companies which require larger floorplates are typically drawn to locations such as Macquarie Park and Norwest which are attracted by business agglomeration. These larger companies generally locate in stand-alone A-grade office buildings and avoid mixed use areas and mixed-use developments.

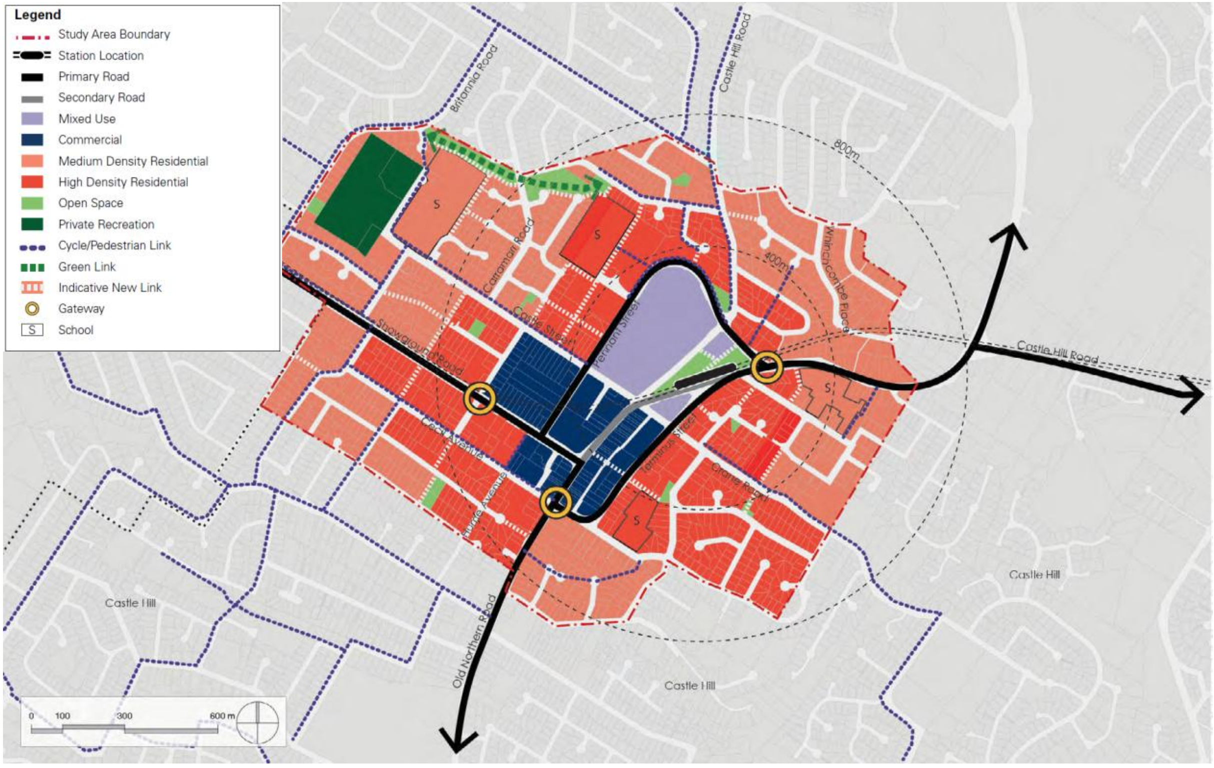
Historically, the commercial sub-markets have benefitted most from businesses centralisation, consolidation, economies of scale, or substitute business processes to drive profits. Older, less well-located office space and non-dominant shopping centres typically suffer during periods of low economic growth as businesses consolidate and upgrade. These assets typically struggle to hold occupancy rates which in turn undermine rents and sale values.

The subject site is located just outside the commercial precinct, with the new bypass, Terminus Street and Cecil Avenue, being a significant barrier due to heavy traffic and congestion and poor vehicle and pedestrian accessibility. The viability of commercial floorspace on the subject site and its ability to draw prospective commercial tenants is significantly compromised as a result. Simply put, the subject site is on the wrong side of the ring road. We do acknowledge that there are existing commercial buildings on east side of Terminus Street with existing tenants, but these buildings were constructed more than 30 years ago and pre-date the construction of the ring road around Castle Hill town centre.

3.4 Strategic Planning considerations

It is further worth noting that the Castle Hill Station Structure Plan was prepared by Planning NSW for the Castle Hill Station Precinct as part of the North West Rail Link Corridor Strategy. The Structure Plan considered the potential for the Sydney Metro Northwest to transform the Castle Hill Station Precinct by providing a new focal point for the community centred upon the station. Under the structure plan the commercial core is defined as the area bounded by Terminus Street, Pennant Street, Castle Street, Kentwell Avenue and Showground Road as depicted in the diagram below.

Figure 8: Castle Hill Structure Plan

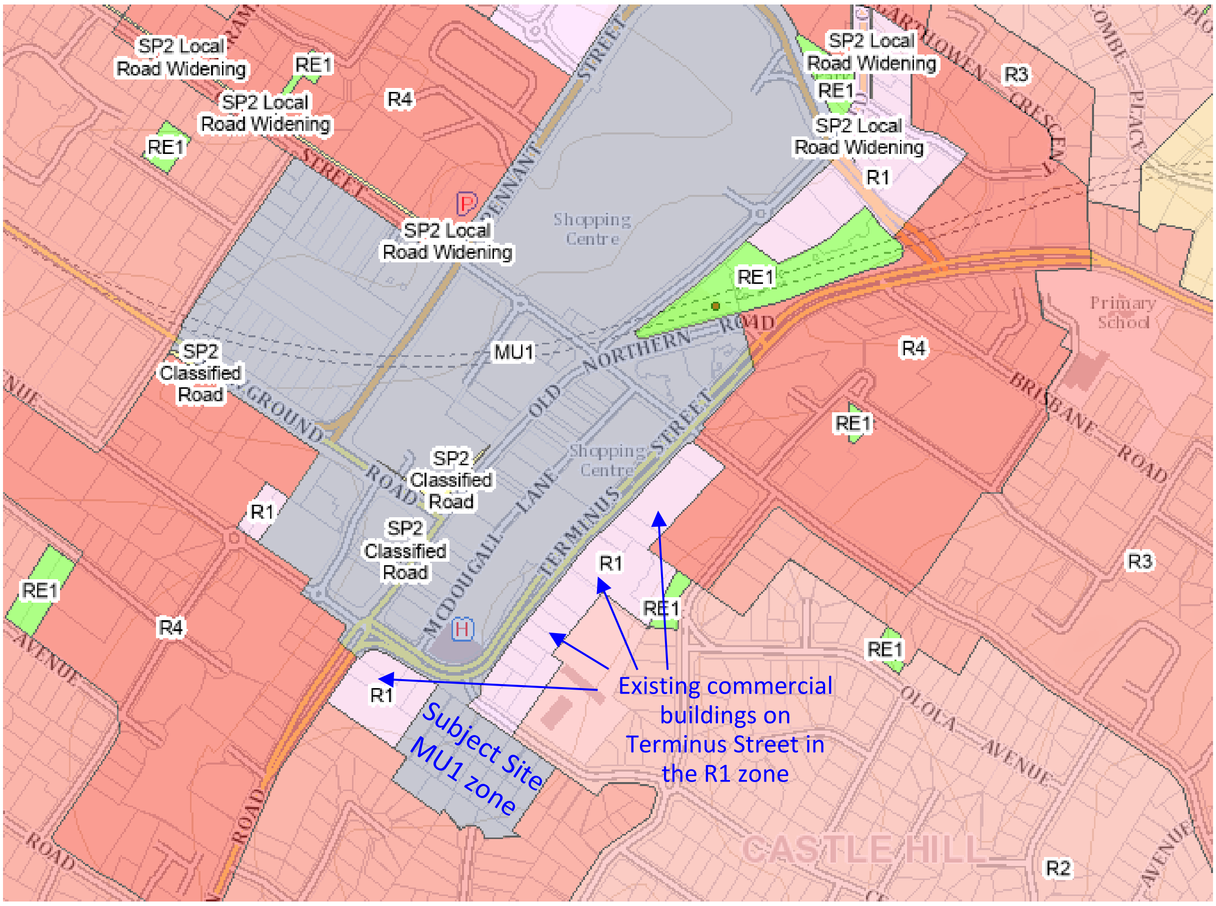


Source: Castle Hill Precinct Plan, NSW Department of Planning

Under the structure plan the area across Terminus Street is identified as future high density and medium density housing and not commercial or mixed use development.

There is an apparent and unusual anomaly in the LEP zoning map which has the subject land zoned MU1, yet all the existing commercial buildings along the east side of Terminus Street and on the southern side of Cecil Avenue and Old Northern Road intersection are zoned Residential R1. Residential R1 is prohibits a wide range of employment uses including commercial premises. Most of the existing uses in this zone are non-conforming. The subject site which is further from the town centre is zoned Mixed-use MU1 (refer to diagram immediately below).

Figure 9: Zoning Map



Source: NSW Planning Portal Spatial Viewer

We do not know the reasons for the apparent anomaly, only intuitively it would appear to be more sensible having the R1 area zoned Mixed Use MU1.

The sheer scale of the commercial space required on the subject site, being 8,025sqm, is a significant level of space. It is equivalent to say 80 suites at 100sqm per suite. This is a large volume of space in this location. Accommodating this level of space in a mixed-use development would involve two podium levels above ground floor. This space would be at a competitive disadvantage to professional suites in the commercial core on the Castle Towers site, the Castle Mall site or adjoining sites.

Average number of sales of commercial suites in the Castle Hill town centre since 1981 has been five per annum with an average size of 100sqm leasable floor space[8]. 8,025 square metres is a significant increase in floor space that is likely to take a long time for the market to absorb.

It is recommended that additional commercial supply should largely be confined to the designated Castle Hill Centre rather than dispersing and diluting commercial space to secondary locations (such as the subject site) which may result in a less desirable economic outcome for Castle Hill, particularly during economic downturns which are inevitable.

[8] CoreLogic RPData

3.5 Feasibility of commercial space

The feasibility of commercial on the subject site is highly challenging. Above ground floor office suites in the Terminus Street area rent for around $300 to $350/sqm net. Agents suggest around $400/sqm net for new office suites. There are 27 office suites advertised for rental in Norwest with an average asking of $448/sqm net, and Norwest is a superior office market. Given the cost to construct office space in a high-rise mixed-use building (at say $3,500 to $4,000/sqm fully enclosed building area) plus on-site car parking, land acquisition, design, fees, contributions, incentives, finance, etc means that above ground level office space would need to sell for $8,000 to $8,500/sqm (gross leasable area) to break even. At say a 6% yield, net rent would need to be around $450 to $500/sqm which is too high in this market.

Even if $8,500/sqm for above ground floor commercial suites was achieved on the subject site it would be well below the value of residential at say $12,000 or more per square metre. And it will take considerably longer for the market to absorb the commercial spaces compared to residential. There is a high risk of long-term vacancies which would undermine the objectives of the Low and Mid-Rise Policy and undermine the vibrancy of mixed-use development.

3.6 Retail space

Retail is also challenging on the subject site due to its location outside the prime retail area with Terminus Street and Cecil Avenue, being a significant barrier due to heavy traffic and congestion and poor vehicle and pedestrian accessibility. Being secondary or fringe location, rents will be much lower than typical rents in the prime retail location and are likely to be too low to be viable on its own. Notwithstanding there are good urban design reasons for the inclusion of ground floor retail space as it provides street activation and improved privacy and security for the residential from street level. With significant population growth in the LGA the demand for retail space in Castle Hill continues to increase and the subject site will make some contribution, albeit a small contribution, towards meeting this demand. Likely tenants would be a small convenience store, hair and beauty services, one or two restaurants, real estate services and the like.

4.0 ECONOMIC IMPACTS OF THE PROPOSAL

Development in total will provide around 610 apartments housing around 1,250 residents. Total spend generated by these residents on retail goods and services will be around $22.2m per annum which will benefit existing businesses in Castle Hill.

The proposed development will provide 3,789sqm of commercial spaces including 1,132sqm for retailers and food service providers. The remaining 2,657sqm would be for other (non-retail) commercial businesses. At say 25 square metres per worker, we expect around 150 workers on site[9]. A further 40 residents on site are likely to undertake the majority of paid work at home.[10] In total it is expected that development will generate 190 jobs on site. There are a couple of businesses currently on site – a beauty therapist and a chiropractor operating from existing cottages. Assuming 5 existing FTE positions the preferred option will result in a net increase in 185 jobs.

Reducing the scale of retail and commercial space below the required 8,025sqm to 3,789 sqm would result in 4,236 square metres less employment space than required. This would reduce potential jobs on site by around 150 to around 185 (based on 25sqm to 30sqm per worker)[11]. However as stated above these spaces would be largely speculative, and the risk of long-term vacancies is high under this option.

Development as proposed would result in 4,236 square metres less employment space which is equivalent to say 42 residential apartments. 42 additional apartments clearly make a further contribution towards meeting housing targets and improving supply. Theses apartments would house around 87 more residents that will each spend around $17,750 per annum on retail goods and services. Total net increase in expenditure amounts to $1.55m of which existing businesses in the Castle Hill locality will the main beneficiary of that additional expenditure.

The provision of high-density residential development on the subject site would increase the economic benefits of the scheme to surrounding businesses, services and the use and feasibility of public transport – particularly the existing Metro railway. The benefits of residential uses are recognised in planning policy. Residents would also create further demand for retail, commercial and transport services increasing the viability of these services.

With around 1,250 residents on site there would be increased day and night-time activation in the locality. The subject site's position 500m from Castle Towers, 300m from Castle Mall and 600m from the Metro Station would also contribute to the LMR and broader planning objectives of transport sustainability and land use transport integration.

The proposed development would create additional business opportunities in this locality associated with future residents and the commercial and retail uses on site. It would increase the profile of this area and in so doing potentially acting as a catalyst for further urban renewal.

Development of the subject site as proposed would provide a strong contribution towards LMR objectives providing housing for more residents in the Castle Hill town centre (or edge of centre).

[9] Various sources including NSW Common Planning Assumptions, IBIS World and HillPDA Research
[10] Assuming 1 working resident per 15 apartments (ABS Journey to Work data 2016 and 2021 - note that 2021 data was skewed by COVID)
[11] NSW Common Planning Assumptions. Job density would vary depending on the ultimate mix of uses – educational, medical, professional services and other industry types that generally occupy office spaces.

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