

Chatswood East, Sydney
Response to Council Request

Prepared for Woolworths Property Group
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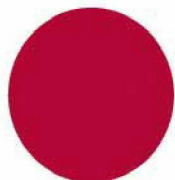
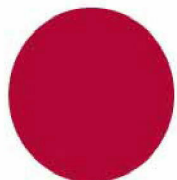


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INTRODUCTION

This report provides additional information in relation to a proposed Woolworths supermarket development at Smith Street in Chatswood. It addresses a number of issues raised by Willoughby Council regarding the development and is prepared in addition to the Economic Impact Assessment previously prepared by this office for Woolworths Property Group in May 2010.

This report is structured and presented as follows:

- **Section 1** outlines a brief summary of the background information relating to key Council issues.
- **Section 2** provides a summary of existing industrial precincts within the Willoughby Municipality including Chatswood East and Artarmon. An outline of the various tenants, types of uses and number of vacancies within each precinct is provided. This section also outlines a detailed review of the existing workforce within the key Willoughby industrial areas and the changes that are likely to occur following the development of the proposed Woolworths supermarket at Chatswood East.
- **Section 3** presents an analysis of existing ‘Business’ zoned land within the Willoughby municipality that could potentially support additional supermarket floorspace. This will include reviews of key land parcels within the Chatswood Central Business Area (CBA), Northbridge and other relevant areas.
- **Section 4** provides a summary of the key findings of this report.

EXECUTIVE SUMMARY

- i. A number of key issues were raised by Willoughby Council regarding the possible development of a Woolworths supermarket at the Smith Street location in Chatswood East. The core issues that will be addressed in this report include:
 - Council wishes to maintain the supply of existing industrial land within the Willoughby Local Government Area (LGA).
 - Council indicates that there are adequately zoned areas within Chatswood to accommodate a supermarket.
 - Council has concerns regarding the likely impact on the economic viability of strip centres at High Street markets and Penshurst Street/Victoria Avenue.
- ii. While it is important that a provision of industrial land remains within the Willoughby municipality, it is equally important to recognise which areas would represent the optimal location for these types of facilities. It is clear that Chatswood East represents a key employment generating region within Willoughby and this should be maintained in the future, however, an analysis of the Chatswood East industrial area indicates a significant shift from traditional industrial uses, such as manufacturing and the like, to more varied uses, including traditional offices, light industrial, showrooms and bulky goods operators as well as retail facilities.
- iii. Chatswood East no longer represents a core industrial precinct and instead provides a variety of uses. Within Chatswood East, key industrial/warehouse facilities contain high levels of vacancies which reflect the fact that these types of facilities are no longer attracted to this region. Instead, major operators who would locate within industrial/warehouse areas prefer regions with increased main road exposure and accessibility, easier access to public transport and larger land parcels.
- iv. The proposed Chatswood East site occupies some 4,389 sq.m, which represents only 1.7% of the total 264,456 sq.m of industrial zoned land within Chatswood East. In addition, the proposed Chatswood East supermarket development would generate

more jobs in a single development than the growth in employment that is projected to occur within Chatswood East over the period to 2036 based on projections by New South Wales Department of Transport and Infrastructure.

- v. The addition of a supermarket at Chatswood East would represent an optimal use of the land and would provide a major employment generator within Chatswood East. The development would help to rejuvenate the surrounding area, leading to increased employment and viability within the overall precinct, whilst still maintaining Chatswood East as a key employment generating region of Willoughby.
- vi. An analysis of 'Business' zoned land within the Willoughby municipality that could potentially support additional supermarket floorspace indicates that there are no alternative locations that could viably support a full-line supermarket.
- vii. Existing zoned land that could easily support additional supermarket floorspace within the Willoughby municipality is limited. In order to accommodate a full-line supermarket centre, a land parcel of between 6,000-7,000 sq.m would be required. At a minimum, a block size of 4,500-5,000 sq.m would be required in order to accommodate a supermarket alone with basement level carparking. As such, the addition of a supermarket would require the amalgamation and consolidation of several land parcels and owners in order to be established.
- viii. Furthermore, each possible site currently accommodates a number of structures and existing uses including office buildings, residential properties, retail tenancies, mixed use developments and multi-storey apartments. It would not be viable to acquire and demolish these facilities in order to accommodate a supermarket facility.
- ix. The development of a proposed supermarket at Smith Street in Chatswood East would not impact on the viability or continued operation of any surrounding retail facility, including those along High Street, Penshurst Street and Victoria Avenue. These retail strips provide a range of convenience based retail facilities, however, do not include full-line supermarkets. The proposed Chatswood East development is planned to include supermarket only, with no supporting retail specialty floorspace

to be provided. As such, the proposed development will effectively serve a different market to the convenience and specialised shopping focus of traders within High Street, Penshurst Street and Victoria Avenue.

- x. As the proposed Chatswood East supermarket development will not include any supporting specialty stores, only the nearby food and grocery operators may compete with the proposed development. Based on a floorspace survey undertaken by this office in May 2010, there are some 16 tenants provided within the High Street Market precinct and 84 tenants provided within the Penshurst Street, Victoria Avenue precinct. Within these precincts some 4 and 6 food and grocery tenants are provided within each precinct respectively, translating to around 25.0% of traders within the High Street Market precinct and 7.1% of traders within the Penshurst Street, Victoria Avenue precinct. This further reinforces the viability of these precincts, with only a small proportion of tenants likely to compete with the proposed Chatswood East development.
- xi. These stores and facilities will continue to serve the needs of the surrounding population. In addition, these precincts are located along major roads within the locality and form key retail destinations for the surrounding population, attracting business from local residents and also passing traffic. These retail precincts are located over 1 km from the proposed Chatswood East site and as such, will continue to serve their location population catchments. A proposed supermarket at Chatswood East would complement these nearby retail precincts, allowing residents to undertake a full weekly shop locally instead of travelling to the large supermarkets within the Chatswood CBA or Northbridge.
- xii. Projected impacts on each of these facilities were represented in the Economic Impact Assessment prepared by this office in May 2010, indicating that likely impacts would be in the order of 5% on surrounding Willoughby facilities. At 5%, the projected impact would be minimal and is well within the normal competitive range of less than 10%.

- xiii. As outlined in the May 2010 Economic Impact Assessment, there is a substantial undersupply of supermarket floorspace within the region currently. The addition of a supermarket facility within Chatswood East would not only generate additional employment opportunities but would also provide an additional full-line supermarket offer to surrounding residents within the local area, increasing choice and price competition as well as reducing travel times, fuel costs and congestion at surrounding supermarket precincts such as the Chatswood CBA and Northbridge.

1 COUNCIL INFORMATION REQUEST

- i. This office previously prepared an Economic Impact Assessment for the proposed supermarket development at Smith Street, Chatswood East in May 2010. This report provides additional information regarding the proposed development and assesses the existing composition of industrial precincts within the Willoughby municipality as well as possible alternative locations for supermarkets within the Council area.
- ii. The report has been prepared taking into account the key issues raised by Council regarding the proposed development, including:
 - *“Council has consistently strived to maintain the supply of existing industrial land particularly for service industry in the LGA and subregion.”*
 - *“There are other opportunities for supermarket development in Willoughby including:*
 - *Council has approved a supermarket (Woolworths) adjoining the Chatswood Interchange;*
 - *The Royal North Shore Hospital Divestment lands at St Leonards.*
 - *Redevelopment and expansion of the Northbridge Plaza Woolworths.”*
 - *“The Smith St proposal would not satisfy the ‘net community benefit test’ under the draft Centres policy due to ... the likely impact on the economic viability of strip centres at High St Markets and Penshurst St/Victoria Avenue.”*
- iii. This report will now address each of these key issues.

2 INDUSTRIAL AREA SUMMARY

This section reviews the composition of existing industrial zoned land within the Willoughby municipality, including Chatswood East and Artarmon. The review of industrial zoned land includes the following land zonings defined under the Willoughby Local Environmental Plan (LEP) 1995:

- 4(a) General Industrial
- 4(b) Light Industrial
- 4(c) Industrial Park.

Information provided in this section is based on a survey of each of the precincts, undertaken by this office on the 21st January 2011.

2.1 Chatswood East

- i. The Chatswood East industrial precinct is incorporated within the region bounded to the north by Boundary Street, to the east by Eastern Valley Way, to the south by Victoria Avenue and to the west by Barcoo Street and Warrah Street.
- ii. The Chatswood East industrial precinct encompasses some 264,456 sq.m of industrial land. The entire Chatswood East precinct is currently zoned 4(b) – Light Industrial. In order to assess the composition and uses within this precinct, each of the individual blocks has been assigned a number as illustrated in Figure 2.1.
- iii. A detailed summary of the composition of each block, including the site area, existing tenant, type of usage, number of storeys and the condition of the structure is provided in Appendix 1 (Table 1).
- iv. The Chatswood East industrial precinct encompasses 104 individual land parcels and incorporates some 420 tenancies. The majority of tenants comprise office/warehouse/industrial uses with the breakdown of tenant uses including:
 - Office/warehouse/industrial – 241

- Office – 33
 - Bulky goods – 19
 - Automotive – 17
 - Retail – 15
 - Other - 19
- v. In addition to the above, some 76 tenancies are currently vacant, representing a vacancy rate of around 18.1% (76 divided by 420). The 76 vacancies are estimated to total some 29,594 sq.m of floorspace (as compared to land size). As shown, this provision represents a significant provision of vacant floorspace.
- vi. Over time, there has been an increasing shift away from traditional warehouse/industrial units towards traditional office floorspace, smaller business operators as well as showrooms, bulky goods and retail facilities at Chatswood East. This shift is reflected in the composition of new developments within the region, including the new Bunning's Warehouse under construction along Gibbes Street and Smith Street, new storage facilities and facilities such as Fitness First Platinum.
- vii. The move away from traditional industrial warehouse facilities within the Chatswood East precinct is due, in part, to the current composition of the area, including a more affluent surrounding residential population, increasing land value, smaller block sizes and distance to major arterial roads and public transport facilities.
- viii. The addition of a supermarket development at Smith Street Chatswood would represent the optimal use of land and would provide a key employment generator within the region.

FIGURE 2.1 – CHATSWOOD EAST INDUSTRIAL PRECINCT



2.2 Artarmon

- i. The core Artarmon industrial precinct is generally bounded to the north by the Gore Hill Freeway/Lane Cove Tunnel, to the east by the railway line, and to the south and west by the Pacific Highway.
- ii. The Artarmon industrial precinct comprises some 638,718 sq.m and consequently is some 2.4 times larger than the Chatswood East precinct. Industrial land within Artarmon encompasses several industrial zonings including:
 - 4(a) General Industrial
 - 4(b) Light Industrial
 - 4(c) Industrial Park
- iii. The Artarmon industrial precinct has been broken down into a number of key land parcels as indicated on Figure 2.2. Some 50 parcels have been defined. A detailed breakdown indicating the land parcels, size and tenants within the Artarmon industrial precinct are provided in Appendix 1 (Table 2).
- iv. Similarly to Chatswood East, the majority of tenants provided within the Artarmon industrial precinct are generally focused on office/warehouse/industrial uses. Some 648 tenants are provided within the precinct, including some 34 bulky goods tenants and 29 retail tenants.
- v. Within the Artarmon industrial precinct there are 54 vacancies, which represent a vacancy rate of 8.6% (56 divided by 648). As shown, the Artarmon vacancy level is significantly below the Chatswood East provision.
- vi. While the Artarmon industrial precinct still includes several vacancies, the lower vacancy rate reflects the more successful nature of the precinct as compared with Chatswood East.