

18 November, 2012
Jane Hosie
Willoughby City Council
Strategic Planner
PO Box 57
Chatswood NSW 2057

Dear Jane,

Re: 219-247 Pacific Highway, Artarmon Independent Review of Planning Proposal

Willoughby City Council (Council) has appointed Hill PDA to provide independent economic planning advice regarding a Planning Proposal for land at 219-247 Pacific Highway, Artarmon. The Planning Proposal seeks to amend a prior development approval for a mixed use technology park¹.

Of particular note to this assessment, the proposal seeks to:

1. Amend the allowable uses of Lots 5 and 6 (which are presently zoned IN2 Light Industrial) to include office premises; and
2. Increase the Gross Floor Area (GFA) of Lot 6 from 39,597sqm to 46,132sqm.

The Council has envisioned the subject site becoming a modern high technology business park. As part of the original development approval in 2008, a range of community facilities were to be built and delivered by the developer on the subject site to Council. Since 2008 the needs of the Willoughby community have been clarified and Lindsay Bennelong Developments (LBD) has identified the need to alter the development approval (through additional office floorspace) so as to offset the greater cost of providing the facility.

In light of the proposed increase in standalone commercial office floorspace, Council has requested Hill PDA provide independent economic and market advice concerning the potential short and longer term economic impacts of the Planning Proposal to the viability of existing commercial office markets in Willoughby LGA. More specifically Hill PDA has been requested to provide advice concerning the potential impacts to Chatswood Major Centre and St Leonards Specialised Centre.

In addressing these matters, this letter has taken the following approach.

- Section 1.1 An overview of the subject site and Planning Proposal
- Section 1.2 A review of Chatswood and St Leonard's / Crows Nest Office Markets
- Section 1.3 A review of issues raised in the Planning Proposal
- Section 1.4 A discussion of the Planning Proposal's implications
- Section 1.5 Conclusions and recommendations

¹ DA 2008/42 For a mixed-use technology business park comprising high technology industry, motor showroom / workshops, community facilities and ancillary retail use. As VPA was entered into as part of the consent for the provision of community and recreational facilities were to be provided in the approved Building B on Lot 3.

1.1 The Subject Site and Planning Proposal

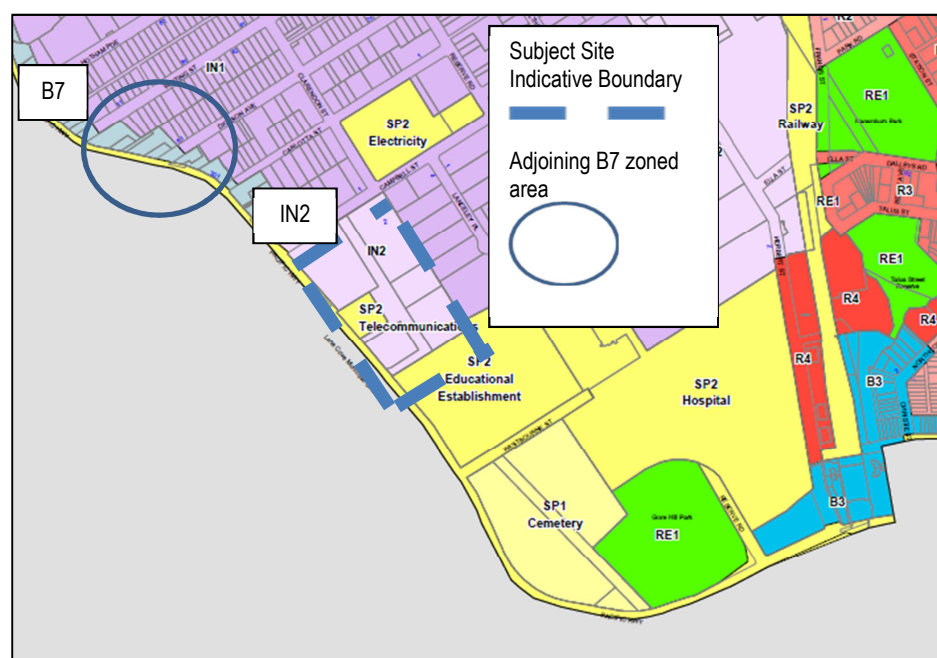
The subject site is commonly known as the former ABC Gore Hill television studios and extends from the intersection of the Pacific Highway and Broadcast Way to the west and the intersection of Campbell Street and Broadcast Way to the north. It lies adjacent to the NSW TAFE (Northern Sydney Institute) and land zoned IN1 General Industrial which forms part of the existing Artarmon Industrial Estate. The draft Willoughby LEP 2012 designates land to the north of the subject site and Campbell Street, along the Pacific Highway within the B7 Business Park Zone.

Figure 1 - Subject site and Context



Source: Nearmap. Accessed 31/10/2012

Figure 2 - Extract from 2012 WLEP



Source: Willoughby City Council Draft LEP 2012

A development application was approved for the subject site in 2008. It is understood that over 40% of the DA has been built (i.e. buildings B1 and C) with Buildings A, D (Lot 6) and B (Lot 3) yet to be built.

Of particular relevance to this assessment, the Planning Proposal seeks to:

1. Allow office premises as a permissible use across the existing Building C (Lot 5) which is part occupied by Fox Sports. Should the Planning Proposal be supported, the resulting potential office premises would be in the order of 14,720; and
2. Allow office premises as a permissible use within Building D (Lot 6) which is yet to be built. Lot 6 is presently approved for 39,597sqm GFA however the Planning Proposal seeks to increase the GFA to 46,132sqm in order to build three distinct buildings in business park / campus style. Allowing for other uses within the building (i.e. a 4,500sqm gym, a medical centre and approximately 1,000sqm of retail floorspace) this could result in approximately 40,000sqm of office floorspace.

Combined the Planning Proposal, subject to Council's support, could provide approximately 54,720sqm - 60,858sqm of standalone office premises.

1.2 Chatswood and St Leonards Centres

Of relevance to this assessment, the draft Inner North Subregional Strategy states that:

"In order to accommodate potential future demand, there may be some intensification of employment lands in select precincts. However this must not undermine the integrity of the employment lands in servicing the local and broader needs of Sydney or threaten the strength and role of centres, particularly the Strategic Centres".

The same Strategy designates Chatswood CBD as a Major Centre and St Leonards as a Specialised Centre. The latter has been categorised on account of its focus on health and education facilities (i.e. Royal North Shore Hospital, North Shore Private and TAFE Campus). Chatswood Centre has a focus on social and cultural facilities centered around its Civic Place Development. Both centres presently provide a mix of commercial office premises, retail and residential uses and are served by excellent rail connections.

Chatswood and St Leonards are both located within the Global Economic Arc of Sydney and are 'prestige office markets'. Chatswood continues to play a strategic role as an employment centre providing 284,855sqm² of commercial office floorspace and close to 26,000³ jobs. Chatswood had a vacancy rate of 17% as at July 2011.

The Crows Nest / St Leonards office precinct combined is larger than Chatswood with an estimated 366,461sqm of office floorspace. The precinct is however spread over three LGAs and had a vacancy rate of 12.5% as of July 2011.

² Property Council Office Market Report July 2011

³ Ministry of Transport Employment Forecasts for 2006 Released October 2009

Hill PDA research indicates that Chatswood and Crows Nest/ St Leonards attract smaller companies or divisions of large companies as the relatively small floorplates (less than 1,000sqm) limit the ability for tenants to take contiguous tenancies of more than 5,000sqm.

Prior Research

By way of background, in 2009 Hill PDA prepared economic advice for Council focusing on the Chatswood Commercial Precinct. The 2009 Study reviewed the factors that were influencing the financial viability and market attraction of the Chatswood Office Precinct, having particular regard to the influence of residential uses. Of relevance to this assessment and Chatswood Centre in particular, Hill PDA's 2009 Study concluded:

- *The threat to Chatswood posed by North Ryde/Macquarie Park is not likely to abate in the short-term, with tenants citing competitive prices and flexibility offered by the space therein overriding the impact of the lack of staff amenity;*
- *Although Macquarie Park is a cheaper alternative, offering tenants flexibility for large requirements, the flurry of development activity is likely to continue albeit at a slower pace in the short-term, until it is fully developed over the next 10-15 years;*
- *Residential uses are recognised by developers as the higher and better valuation use within Chatswood. With significantly greater sale rates on a per square metre basis and a more ready demand for owner / occupiers, it follows that there is significantly greater interest in this form of development than commercial office;*
- *Building design is also an important factor. A major deterrent to new market entrants was the visual appearance of the Chatswood Office Precinct given the adjacent residential buildings. The residential building design was considered to undermine the prestigious commercial character of the precinct.*

In relation to the St Leonards Precinct, the Study concluded:

- *Although Crows Nest / St Leonards is a larger sub-market with more than 350,000sqm of stock (compared to Chatswood's 283,900sqm), like North Sydney, 75% of its stock is of secondary grade and contributing most to its current double digit vacancy rates. Prime rents are slightly higher than those in Chatswood, conceivably due to a perception of superior quality (as discussed above). Not unlike Chatswood, vacancy rates in this sub-market have risen in the last six months to January 2010 to currently stand at 15.2%.*

We note that as at July 2011 the volume of non-A grade office space in Crows Nest / St Leonards remained unchanged at 75%. The vacancy rate had however improved from 15.2% to 12.5% at July 2011.

In order to inform this assessment, we have reviewed some of the key market factors that underpin these conclusions and how they have altered since 2009. These factors have been outlined in greater detail in Appendix 1.

1.3 Response to Matters raised in the Planning Proposal

Knight Frank (on behalf of LBD) submitted an Economic Viability Analysis in support of the Planning Proposal.

With respect to Chatswood CBD the Knight Frank assessment identified that *“the market has come to see the Town Centre as a vibrant hub to live however not the first choice for employment, with large space users discounting this location despite the relative affordability compared to other traditional North Shore office markets”*⁴. The letter recognises that Chatswood’s stock levels are at their lowest since 1995 (280,845sqm) whilst vacancy rates have been reported as having increased to 13.7% for office floorspace within this Centre over the past 6 months. Knight Frank contends that this is a likely short term increase owing to the recent refurbishment of one property at 465 Victoria Avenue without full commitment.

The Knight Frank letter also identifies that *“the Crows Nest / St Leonards market has similar issues with predominantly refurbished stock the only new stock recently added to this core traditional office hub.”* It highlights an improvement in vacancy rates for this market from 13.0% to 10.7%

In comparison, the letter identifies the strength of markets such as Macquarie Park (approximately 820,000sqm of stock) and its competitive advantage for providing campus style development. It also recognises the approved commercial office pipeline⁵ in North Sydney however the longer time frames and greater costs associated with the realisation of this stock.

In light of the summary above, as well as analysis of existing and proposed commercial office space along the North Shore, the Knight Frank letter identifies a number of challenges associated with tenanting the existing and proposed buildings on the subject site as high tech uses which comply with the IN2 light industrial zone. The following section responds to the issues raised by the Knight Frank letter and expanded upon in the BBC submission.

In preparing our response we have reviewed our research and market assessment provided in the Chatswood Commercial Precinct Study. We have also undertaken some high level desktop research and applied our industry knowledge which we have cross checked with interviews with local industry experts.

Issue 1: The first matter raised by Knight Frank relates to the existing challenge of finding a suitable tenant (i.e. one that meets the criteria for uses permitted within the IN2 Light Industrial Zone) for part of Building C and the yet to be constructed Building D. This matter was discussed in the BBC submission which states that *“Significant obstacles are consistently encountered because of the inability for these prospective tenants to satisfy the definition of high technology industry or light industry in both Willoughby LEP 1995 or 2012.”*⁶ In essence the case is made by the Planning Proposal for a broader range of uses to be permitted in order to find a tenant(s) for Buildings D and C.

⁴ Page 6, Knight Frank letter dated 16th August 2012

⁵ Four approved commercial office buildings ranging in size from 15,000sqm to 40,000sqm

⁶ Page 7, BBC Submission

Response: The issue raised by Knight Frank appears to be valid as our research indicates that high technology and light industrial users are increasingly seeking to co-locate office premises with industrial uses. The existing IN2 zoning of the subject site prevents office premises and therefore significantly limits the pool of potential tenants.

By amending the zoning to B7 Business Park, the subject site would be able to accommodate office premises broadening the pool of potential tenants for the site. Our planning recommendations outlined in section 1.4 seek to ensure that allowing office premises on the subject site would not adversely affect the existing centres of Chatswood and Crows Nest / St Leonards.

Issue 2: *Within Willoughby City Council Area there is unmet demand and insufficient opportunities for A grade campus style office product with floor plates in excess of 1,500sqm and combined space of around 7,000sqm.*

Response: Hill PDA research and discussions with local commercial real estate agent supports the assertion that large floorplates (1,000sqm+) are not currently provided in Chatswood and St Leonards.

Our research indicates that at any given time there are a limited number of tenants which require tenancies of more than 5,000sqm. These tenants do however come to market at times and currently the Willoughby LGA is not in a position to provide this scale of office floor space in a campus style building.

Our research indicates that office premises are currently available at 35 Chandos Street St Leonards and this provides a good example of existing Chatswood and St Leonards stock. The floorplates within the building are 360sqm which would not be sufficient for campus style office requirements. There are four floors vacant within the building which means the maximum tenancy which could be accommodated would be 1,440sqm. This compares with a campus style office which would accommodate more than 5,000sqm on floorplates of approximately 1,500sqm.

In summary, the issues raised by Hill PDA in the Chatswood Commercial Precinct Study regarding small floorplates and residential encroachment are still affecting Chatswood and is also an issue for St Leonards office market. In particular, residential encroachment in the Chatswood and St Leonards office precincts has resulted in a focus that is not purely commercial unlike areas such as North Sydney. This has detracted from one of the key attributes of a major office location.

Despite Chatswood and St Leonards offering excellent staff amenity, our research⁷ suggests that small floorplates and residential encroachment is a significant factor for the lack of tenant demand in Chatswood, as occupiers deem the introduction of residential uses as lowering the prestige associated with the location as a business hub as well as potential conflicting interests. There is much ageing secondary stock in both Chatswood and St Leonards, with leasing demand reportedly poor and an owner-resistance to upgrade and refurbish without any tenant pre-commitment.

Issue 3: *The subject site provides an opportunity to introduce green star rated office product into Willoughby LGA.*

⁷ Hill PDA discussions with occupiers and real estate agents undertaken October 2012.

Response: We agree that buildings C and D at Gore Hill provide excellent opportunities for large scale green star rated office buildings. We note however that the subject site is not the only opportunity for such buildings within the Willoughby LGA.

Many of the tenants of buildings such as those proposed at Gore Hill are increasingly environmentally conscious and looking to secure tenancies which achieve NABERS ratings of 3 stars and above. The NABERS ratings of buildings are becoming increasingly important as regulation such as the Building Energy Efficiency Disclosure Act 2010 (Commonwealth) comes into effect for leases, sub-leases and sales of more than 2,000sqm mandating that the NABERS rating be disclosed.

As an example, campus style offices such as those located at 11 Talavera Road Macquarie Park provide green star rated buildings and floor plates of up to 3,000sqm. The building has a 3.5 star NABERS Energy rating and currently has 6,300sqm of available floorspace. By allowing green star rated office space on the subject site, the Willoughby LGA will be providing similar green star rated office premises to those that are increasingly becoming available in neighbouring LGAs.

Issue 4: *To retain employment within the Willoughby City Council, attractive, larger, purpose built, A grade stock will need to be provided to the market at an affordable price point to keep this area competitive with neighbouring office locations which feature high supply of this type⁸.*

Response: Referring to Table 1 below, average A grade net face rents in Chatswood are around \$360-480/sqm, St Leonards is similar at \$420-480/sqm. Chatswood and St Leonards are still considered to be 'prestige office markets' with rents and prices above those of North Ryde, Macquarie Park and Norwest. Average A grade net face rents for North Ryde, Macquarie Park, Rhodes and Norwest are \$310-385/sqm for the same grade of tenancy. This shows that the rental for Chatswood and St Leonards is significantly higher than that of comparable areas which are business parks.

Our research indicates that tenants who are seeking large amounts of floorspace are price sensitive and the relative rental levels would have an impact on the relative appeal of each area. Office market indicator data for all non-CBD Sydney office precincts is provided in Appendix 1.

Table 1 - Office Market Indicators as at September 2012

Market	Grade	Average Net Face Rents (\$/sqm p.a.)		Average Outgoings (\$/sqm p.a.)		Average Incentives (%)		Average Capital Values (\$/sqm)		Average Market Yield (Based on reversionary yield %)	
		Low	High	Low	High	Low	High	Low	High	Low	High
Chatswood	A	360	480	90	105	25	33	4,000	5,550	8.25	9.00
	B	280	320	85	95	31	36	2,300	3,500	9.00	10.00
Crows Nest/ St Leonards	A	420	480	90	100	22	26	5,000	6,250	8.25	9.00
	B	280	340	85	95	25	30	2,300	4,000	9.00	10.00
North Ryde/ Macquarie Park	A	310	325	75	90	24	28	3,750	4,250	7.50	8.75
	B	265	285	75	90	30	35	2,300	2,800	9.00	10.00
Rhodes	A	340	385	70	85	15	20	3,800	4,750	7.75	8.75
Norwest	A	330*	340*	65	70	25	30	3,500	3,750	8.50	9.75

* Includes car parking costs at a ratio of 1:25

Source: Property Council of Australia Office Market Report 2012 and Colliers International.

Other Councils are also experiencing demand for office campuses with floorplates greater than 1,000sqm. This is exemplified by a project which Laing O'Rourke is preparing to develop at 100 Mount Street North Sydney. The project is intended to achieve design excellence and create a new benchmark for corporate accommodation in the North Sydney CBD.

The project includes in excess of 40,000sqm of leasable floorspace over 32 storeys with average floorplates of more than 1,200sqm. The project also focuses on low energy consumption and is aiming to achieve a 5 Star Greenstar V3 rating and a 6 Star NABERS energy. Laing O'Rourke have indicated that the project has been well received by potential tenants in part due to a limited amount of premium quality office space with large floorplates (more than 1,000sqm) currently available the North Sydney area.

Issue 5: *"The Gore Hill technology business park will attract different users than sites in Chatswood and St Leonards. It will accommodate larger space users, whilst the existing centres in Chatswood and St Leonards, due to their current restrictions on these areas cannot accommodate companies that require large floorplates."*

⁹The proposal will not therefore have an adverse impact to the viability of Chatswood or St Leonard's centres.

Response: Research undertaken by Hill PDA indicates that with the exception of the Gore Hill Precinct, all new and proposed office premises in Chatswood and St Leonards would have floorplates of / or less than 1,000sqm. This means that tenants who are seeking newly constructed or refurbished green star rated buildings with floorplates of more than 1,000sqm are not currently catered for within the Willoughby LGA and will therefore need to seek alternative locations.

Tables 2 and 3 below detail the development pipeline for Chatswood and St Leonards. The data has been extracted from the Property Council of Australia (PCA) Office Market Report. The data indicates that the current development pipeline does not include any buildings with floorplates greater than 1,000sqm. As a result, we conclude that the proposed 1,500sqm floorplates on the subject site would differ notably from the existing and proposed stock in both Chatswood and St Leonards.

We note that Buildings C and D at Gore Hill are expected to introduce approximately 54,720sqm - 60,858sqm of office space to the Willoughby LGA. The current combined office space available in Chatswood and Crows Nest / St Leonards is approximately 651,000sqm. The addition of 54,720sqm – 60,858sqm represents the equivalent of 8% - 9% of the office supply in Chatswood and Crows Nest / St Leonards. We believe that this additional space would not adversely impact the Willoughby LGA as the proposed large floorplates are intended to meet tenant requirements which are not currently catered for in the Chatswood and Crows Nest / St Leonards CBDs.

Section 1.4 includes our proposed planning requirements to ensure that the introduction of a significant volume of office space to the Willoughby LGA would not adversely affect Chatswood and Crows Nest / St Leonards. The intention is that the large floorplates would attract office tenants who would currently choose to locate in alternative LGAs with office buildings which can provide large floorplates.

Table 2 - Chatswood Office Development Pipeline as at July 2011

Market	Construction Type	Due for completion	Project Address	Development Stage	Office NLA (sqm)	Retail GLA (sqm)	Other Use Type	No. of Office Levels	Avg. Floorplate size (sqm)	No. of car parking spaces
Chatswood	Full refurbishment	2012	457-471 Victoria Avenue	DA Approved	14,412	-	-	15	1,000	235
Chatswood	New	2011	63A Archer Street	Complete	955	200	Residential	1	955	-
Chatswood	New	2013+	7 Railway Street	Under Construction	4,900	100	-	5	900	30
Chatswood	New	Proposed	Albert Avenue	DA Approved	24,155	395	-	26	930	500

Source: Property Council of Australia Office Market Report 2011

Table 3 - Crows Nest / St. Leonards Office Development Pipeline as at July 2011

Market	Construction Type	Due for completion	Project Address	Development Stage	Office NLA (sqm)	Retail GLA (sqm)	Other Use Type	No. of Office Levels	Avg. Floorplate size	No. of car parking spaces
Crows Nest / St. Leonards	Full refurbishment	2011	99 Alexander Street	Complete	1,200	-	-	3	420	15
Crows Nest / St. Leonards	New	2011	296-304 Pacific Highway	Under Construction	1,183	435	-	3	400	9
Crows Nest / St. Leonards	New	Proposed	5-7 Atchison Street	DA Approved	552	258	Residential	1	552	40

Source: Property Council of Australia Office Market Report 2011

1.4 Assessment and Planning Implications

In light of the discussion in the preceding Section and our independent market research, we agree with a number of matters postulated by Knight Frank concerning the nature of the local office stock and tenant market. More specifically we agree that there is limited existing or prospective office premises providing over 5,000sqm of combined office floorspace with 1,200sqm - 1,500sqm single floorplates within Willoughby LGA.

Notwithstanding this, we strongly recognise the importance of protecting the Chatswood and St Leonards Centres and the need for planning to intervene to achieve this. In recognition of this objective, LBD has recommended that the subject site be rezoned to B7 Business Park to provide a different type of commercial offer to Willoughby's Centres.

Whilst the draft Inner North Subregional Strategy states that one of the key requirements of the B7 Business Park Zone is to support existing centres¹⁰, in reality this can be a challenge particularly where the provision of office floorspace within business parks is unrestricted and therefore competes for the same tenants as a centre. As discussed in Hill PDA's 2009 Study of the Chatswood Commercial Precinct, this situation has arisen in relation to Macquarie Park and we recognise that the issues could be exacerbated when a competing office building is located within close proximity of Chatswood and St Leonard's Centres (i.e. the subject site).

Therefore in order to protect the viability of the Chatswood and St Leonards / Crows Nest office markets, whilst enabling a new development that has the potential to attract a major organisation and job generator to the LGA, it will be important to ensure that the subject site provides a type of stock that is distinct from and complementary to the Centres. In this scenario the intent would be for the Planning Proposal to support the Centres and the Global Economic Corridor by reinforcing the attractiveness of Willoughby LGA as a place for larger / major organisations to invest. How the balance may be achieved between a complementary and competing scenario is discussed further below.

Planning Alternatives to Protect and Enhance Centres

With respect to amendments to planning controls, the letter submitted by Knight Frank seeks to include office premises as a permissible use within the IN2 Light Industrial Zone. From an economic planning perspective we do not support this proposition as it would result in a flow on impact to all land zoned IN2 Light Industrial in the LGA. That is, all such land would also have office premises as a use that would be permitted with consent and this could have significant untested implications to the retention of employment lands in the LGA.

We do however support the proposed rezoning of the subject site's Lots 5 and 6 to the B7 Business Park Zone in principle for the following reasons:

- Light industrial and high technology uses would still be permitted with consent within this zone. Accordingly any proposed changes to the zoning of Lots 5 and 6 would not preclude the potential for

¹⁰ Page 31, Action A1.8 Establish a Framework for the Development of Business Parks

these uses, nor undermine the objective of A2.2.1 of the draft Subregional Strategy which states that *‘The development of the Gore Hill Technology Park will further support the development of high tech clusters within the Subregion’*. Conversely, the B7 Business Park Zone would extend the range of permissible uses on the subject site and thereby prospects for successfully tenanted the building;

- The subject site is located adjacent to the proposed ribbon of B7 Business Park zoned land along the Pacific Highway. The rezoning of the subject site would thereby create a logical extension of this zone along the highway up to the boundary with the TAFE Site;
- The adjacent TAFE and North Shore Private Hospital sites could create an appropriate synergy with the subject site and its potential office tenants. The TAFE could act as an industry magnet reinforcing St Leonards role in accordance with the characteristics of a business park to *“Build on existing knowledge clusters such as universities and hospitals”*¹¹. Similar to specialised centres such as Westmead, campus style accommodation in this location could facilitate predominantly office based bio-medical and research tenants reinforcing the nature of the specialised centre;
- The rezoning of Lots 5 and 6 only would still allow for a transitional buffer of light industrial land / uses to the rear of the subject site with the IN1 General Industrial Zone of the Artarmon Employment Lands;
- The Planning Proposal and the attraction of a major tenant would act as an investment stimulus and incentive for the redevelopment of the smaller lots located along the Pacific Highway within the proposed B7 Business Park corridor. This may be an important catalyst for the investment in and thereby amalgamation of these smaller sites to realize their development potential as a higher employment yield business park; and
- The Planning Proposal would increase employment densities and business options within the Global Economic Arc consistent with the Actions of the draft Inner North Subregional Strategy.

Notwithstanding the broader merits of applying the B7 Business Park Zone to the subject site, we recommend a number of planning mechanisms so that these merits do not come at a price to the economic viability and competitiveness of the Chatswood and St Leonards Centres. In this respect we recommend that the nature of the tenancies be restricted to those that can show that they require single floorplates of 1,200sqm or over. Furthermore the onus should be on the Proponent to demonstrate that there are no suitable alternative locations in Chatswood or St Leonards Centres at the time of the application or within a reasonable future period (i.e. similar to a sequential test approach applied to out of centre retail developments).

To effectively design such a control we have had regard to the wording and approach taken by the draft Willoughby LEP 2012. More specifically we have reviewed the wording applied to local clauses as well as the phrasing of the objectives for the IN2 Light Industrial Zone as follows:

“To accommodate uses that because of demonstrated special building or site requirements or operational characteristics, cannot be or are inappropriate to be located in other zones.”

¹¹ Page 31, Action A1.8 Establish a Framework for the Development of Business Parks

Consistent with this wording, should Council be minded to support the Planning Proposal, we propose a local clause be included within the draft LEP for Lots 5 and 6 of the subject site as follows:

- (1) This clause applies to Lots 5 and 6 of 219-247 Pacific Highway, Artarmon Zoned B7 Business Park.**
- (2) Development consent for the purposes of Office Premises must not be granted unless the consent authority is satisfied that:**
 - a. The occupant requires and will solely occupy a single floorplate of 1,200sqm as a minimum;**
 - b. The applicant has demonstrated that owing to special building or floorplate requirements suitable land or premises is not available for development or occupation within any nearby business centre including Chatswood and St Leonards CBDs; and**
 - c. The development would not detrimentally affect the viability of the Chatswood or St Leonards office precincts.**

We do not recommend this as a wholesale change to the objectives of the B7 Business Park Zone as it could preclude smaller scale uses that are already permissible within the Business Park Zone coming forward on smaller, more fragmented sites (such as those already proposed as B7 Business Park adjacent to the subject site along the Pacific Highway).

In summary, in economic planning terms, by applying the recommended tenancy restrictions, the benefits would be twofold as follows:

1. The Planning Proposal could provide an attractive opportunity for new tenants that were not able to find suitable floorspace elsewhere in the LGA (i.e. single floorplates over 1,200sqm). That way new employment opportunities and investment could be attracted to the LGA helping *“to enable higher intensity employment uses”*¹², to enhance job containment and to raise the profile of the LGA as a place to invest; and
2. The nature of tenants would be restricted so that they do not compete with those that would find suitable space in either Chatswood or St Leonards Centres.

1.5 Conclusion

In conclusion, LBD has made the case that the provision of A grade, green-star rated, campus style commercial office floorspace would help to offset the cost of a larger multi-court sports facility on the subject site. Knight Frank have undertaken market research (on behalf of LBD) to show that there is a lack of office facilities with floorplates of more than 1,000sqm within the existing Chatswood and St Leonards Centres.

¹² Page 32 IN A1.9.1 *Willoughby Council and the Department of Planning to implement its review of planning controls for the Artarmon Industrial Area to enable higher intensity employment uses in areas with good public transport access*

Our independent analysis of the market and existing stock / opportunities presented within the Chatswood and St Leonards / Crow Nest office precincts supports this position. As a consequence we believe that the proposed rezoning and development of the subject site, subject to the application of specified controls, would present an opportunity to increase business and employment opportunities in the LGA without adversely affecting the viability of the two strategic centres. To achieve this outcome, we suggest that Lot 5 and 6 be rezoned to B7 Business Park and that Council applies a new local clause to the LEP that requires prospective tenants to demonstrate that they require and are committed to occupying contiguous floorspace of more than 1,200sqm.

The successful application of such an approach would create a competitive market for business parks in alternative locations within the Inner North whilst creating a point of difference between the type of commercial space located on the subject site and within the Chatswood and St Leonards Centres. This could in turn create a complementary investment opportunity for a major organisation in the economic corridor between the Centres thereby helping to reinforce and reinvigorate the attraction and proposition of the LGA as a place to invest.

We trust that this advice is of assistance and should you have any questions concerning our recommendations, please do not hesitate to contact me in our Sydney office on 02 9252 8777.

Yours sincerely,



Sarah Hill
Director
Hill PDA

APPENDIX 1 - MARKET RESEARCH

Hill PDA has undertaken market research to support our findings as outlined in section 1.3. Research sources included the Property Council Office Market Report, research reports completed by Colliers and Jones Lang LaSalle, interviews with office leasing agents and commercial real estate sales agents and information provided by developers.

Table 4 - Office Market Indicators as at September 2012

Market	Grade	Average Net Face Rents (\$/sqm p.a.)		Average Outgoings (\$/sqm p.a.)		Average Incentives (%)		Average Capital Values (\$/sqm)		Average Market Yield (Based on reversionary yield %)	
		Low	High	Low	High	Low	High	Low	High	Low	High
Chatswood	A	360	480	90	105	25	33	4,000	5,550	8.25	9.00
	B	280	320	85	95	31	36	2,300	3,500	9.00	10.00
Crows Nest/ St Leonards	A	420	480	90	100	22	26	5,000	6,250	8.25	9.00
	B	280	340	85	95	25	30	2,300	4,000	9.00	10.00
North Sydney	Prime	590	730	105	120	11	18	8,100	8,500	7.25	7.50
	A	470	590	105	120	16	20	6,500	7,000	7.50	8.25
	B	350	460	105	120	25	30	4,200	4,600	9.50	9.75
North Ryde/ Macquarie Park	A	310	325	75	90	24	28	3,750	4,250	7.50	8.75
	B	265	285	75	90	30	35	2,300	2,800	9.00	10.00
Parramatta	Newly Constructed A	430	485	95	105	10	15	4,750	6,000	7.50	8.00
	A	340	385	90	100	15	20	3,250	4,750	8.00	9.00
	B	295	320	90	100	17	27	2,750	3,500	9.00	10.50
South Sydney	A	300	400	70	90	10	20	3,600	4,500	7.75	8.75
	B	220	290	40	60	10	20	2,300	3,400	9.00	10.50
Sydney CBD Fringe	A	420	490	85	95	20	25	4,750	5,800	7.75	8.75
	B	330	400	75	90	15	25	3,500	4,500	9.00	10.25
Sydney Olympic Park	A	340	375	70	85	15	20	3,600	4,950	8.00	8.75
Rhodes	A	340	385	70	85	15	20	3,800	4,750	7.75	8.75
Norwest	A	330*	340*	65	70	25	30	3,500	3,750	8.50	9.75

* Includes car parking costs at a ratio of 1:25

Source: Property Council of Australia Office Market Report 2012 and Colliers International.

Table 5 - Sydney Metropolitan Office Market Supply by Region as at July 2011

Region	Total Market		A Grade		B Grade	
	Volume (sqm)	Total Vacancy (%)	Volume (sqm)	Total Vacancy (%)	Volume (sqm)	Total Vacancy (%)
North Sydney	860,473	9.2	186,296	4.8	431,216	10.2
St. Leonards / Crows Nest	366,461	12.5	88,599	14.7	65,885	10.4
Chatswood	284,855	17.0	157,584	20.7	80,584	15.3
North Ryde / Macquarie Park	807,527	9.8	551,918	8.4	232,318	10.2
Parramatta	685,171	9.3	229,967	2.4	158,656	5.6

Source: Property Council of Australia Office Market Report 2011.

Table 6 - Inner North Industrial Land Stock Changes 1987-2006 (HA)

Local Government Area	Zoned Land	Additions to Zoned Land	Deletions of Zoned Land
Willoughby	94.4	11.0	17.8
Lane Cove	65.1	0.2	0.6
Ryde	31.9	13.3	154.8
North Sydney	2.4	0	17.8
Mosman	0	0	0
Hunters Hill	0	0	8.3
Total	193.8	24.5	199.3

Source: Table 6, Economy and Employment Key Directions, Inner North Subregion Strategy. NSW Government Metropolitan Strategy.

Note: Table in Strategy document indicates total deletions of zoned land was 187.2 but does not provide commentary for the variation between LGA data (199.3) and total (187.2).