Economic Impact Assessment

133 Bigge St, 26-28 Elizabeth St & 148 George St, Liverpool

August 2014

urbis

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STUDY BACKGROUND

The proposed development is located at 133 Bigge Street, 26-28 Elizabeth Street and 148 George Street, Liverpool within the Liverpool LGA.

The main frontage of the subject site is along Elizabeth Street, and extends to the corners of Bigge and George Streets, and is currently used as a car dealership.

The subject site is in close proximity a number of key facilities / amenity that underpin both residential and worker amenity:

- Westfield Liverpool
- Bigge Park
- All Saints College (Primary and High School)
- Liverpool Council Libraries
- Liverpool Hospital
- TAFE NSW (on Moore Street)
- Liverpool Public School
- Liverpool Plaza
- Liverpool Station.

The subject site is well located being diagonally opposite Westfield Liverpool and is within the city centre core. The land use surrounding the site is fairly fragmented however, including older style low density commercial buildings, car showrooms, parks, strip retail and a high school.

PROPOSED DEVELOPMENT SCHEME / PLANNING CONTROLS

Urbis have been provided with a preliminary development scheme for the redevelopment of 133 Bigge Street, 26-28 Elizabeth Street, and 148 George Street, Liverpool. The redevelopment will involve the redevelopment of 3 lots which aggregate to a site area of 10,189sq.m.

The preferred design option for the proposed development contains the following mix of uses, outlined in Table E.1 below.

TABLE E1 – PROPOSED DEVELOPMENT SCHEME

LAND USE	GROSS FLOOR AREA (SQ.M)
Residential	60,500 (605 units)
Office	38,800
Retail	2,700
Total	**102,000**

Source: architectus; Urbis

The proposed planning controls for the subject site include a change in zoning from B3 Commercial Core to B4 Mixed Use, and an increase in FSR from 8.0:1.0 to 10.0:1.

The FSR increase represents an increase of potential floor area from 81,152sq.m to 101,890sq.m of Gross Floor Area (GFA), while the change in zoning will permit the development of residential use.

EMPLOYMENT AND WORKFORCE ANALYSIS

Liverpool Regional City

The Liverpool Regional City (Liverpool CBD and surrounds) currently accommodates 15,110 jobs. Industry sectors that dominate the Liverpool Regional City include:

- Healthcare and Social Services (37%)
- Retail Trade (13%)
- Public Administration (9%)
- Administrative Support Services (6%).

According to the Bureau of Transport Statistics Journey to Work data the Liverpool Regional City accommodates 3,562 employed residents. The Liverpool Regional City accommodates workers primarily in the following sectors:

- Manufacturing (16%)
- Health care and social assistance (16%)
- Construction (11%).

The Liverpool Regional City provides more jobs that there are working residents residing within it, meaning it is a net importer of employment for the broader Liverpool LGA and surrounds.

Liverpool Local Government Area (LGA)

As at 2011, the number of Liverpool LGA resident workers exceeded the number of locally provided jobs by approximately 36,850. Both local jobs and workers reflect the job opportunities located within the Liverpool Regional City and within the Liverpool LGA. It is also reflective of the place of work of local residents illustrating that a large number of Liverpool LGA workers are employed in key business park / CBD's and industrial parks outside the Liverpool LGA.

There are a range of industry sectors that have a deficit of jobs for local resident wrokers, however there appear to be a surplus of jobs in industry sectors that deliver services to the local population and therefore attract a higher number of net workers from outside the Liverpool LGA to fulfil these positions, including:

- Health Care and Social Assistance (+864)
- Education and Training (+636).

It illustrates that there is a jobs deficit for local residents in many of the industry sectors accommodated in office based employment. Jobs growth in the sectors that have a jobs gap are more likely to utilise a local labour force allowing businesses in these sectors to employ labour from within the Liverpool LGA. Achieving this outcome would increase the job opportunities for local residents. It is noted however that it also requires business and/or government to decide to locate within Liverpool in order to provide the opportunity for new jobs to be created, which is influenced by a wide range of location factors including location of customer groups, transport access, access to appropriate staff, agglomeration opportunities with like businesses, etc.

EMPLOYMENT IMPACTS

The draft Metropolitan Strategy identifies Liverpool as a Regional Centre, with a target of 9,000 new jobs by 2031.

Liverpool is identified as the South West Subregions Regional City in the draft Metropolitan Strategy. In addition to Liverpool, the South West Subregion includes the following LGAs:

- Bankstown
- Camden
- Campbelltown
- Fairfield
- Wollondilly.

There has been lower tenant take-up amongst traditional office tenants, with job creation within the Liverpool Regional City likely to be drawn from a diversity of industry sectors. Based on draft Metropolitan Strategy employment targets and Bureau of Transport employment this is expected to be driven by the following sectors:

- Health Care and Social Assistance (+5,555)
- Retail Trade (+719)
- Administrative and Support Services (+565)
- Public Administration (+476)
- Professional Scientific and Technical Services (+384).

The above jobs targets comprise a diverse range of sectors reflecting a mix of businesses / jobs servicing both local and regional markets and government departments. However, there is a focus on Health Services, reflecting the presence of the Liverpool Hospital within the Liverpool Regional City.

Office-based jobs are expected to comprise 28.5% of the total 9,000 targeted jobs. The primary source of jobs growth is driven by Health Services. The additional office-based jobs estimated to be created in Liverpool over the period 2011 to 2031 would generate demand for an estimated 38,475sq.m of office space if these targets can be achieved.

The commercial component of the proposed development comprises close to 100% of the commercial space required by the Liverpool Regional City to achieve the Liverpool Regional City's draft Metropolitan Strategy's 2031 jobs targets.

Whilst this comprises a large component of the jobs growth targeted for the Liverpool Regional City, these targets are treated as *minimum targets* in the draft Metropolitan Strategy and do not preclude the Regional City attracting more tenants / jobs than targeted in the draft Metropolitan Strategy.

The relatively low vacancy of the South Subregion's office market, noted lack of A Grade office space, the proposed development if able to secure a suitable anchor tenant could conceivably revitalise the Liverpool CBD's office market.

It is important to note however that unless this form of office development is incorporated within a mixed use concept, the likely feasibility of developing a standalone office of this scale is likely to be difficult to support in the foreseeable future. The rentals applicable to A Grade office accommodation in Liverpool is not likely to be sufficient to provide for an economic development without some form of cross subsidy from higher value components such as ground floor retail and residential development.

In addition, the proposed development is expected to generate the following employment benefits:

- 847 construction jobs, 1,333 indirect supplier jobs during the development phase of the project
- The 38,208sq.m of office floorspace is expected to accommodate an estimated 2,547 ongoing jobs, supporting an additional 2,028 indirect supplier jobs
- The 2,700sq.m of retail floorspace is expected to accommodate an estimated 164 ongoing retail jobs, supporting an additional 130 indirect supplier jobs.

In addition to this, the following development controls are proposed within the planning proposal:

- Apply a minimum FSR restriction on the subject site, resulting in a minimum of 14,460sq.m (with an yield of approximately 958 jobs)
- Rezoning all B3 Commercial Core zoned land in the Liverpool City Centre to B4 Mixed Use
- Apply a minimum FSR of 1.5:1 for non-residential uses across B4 Mixed Use zones
- Removal of 'residential flat building' as a permissible uses of a B4 Zone.

Overall, this assessment indicates that the proposed development will generate a total of 2,194 jobs during its construction phase, and 4,940 jobs on an ongoing basis.

Clearly, the employment impacts and the positive benefit to the community from the proposed development would be substantial.

In addition, the proposed planning controls ensure a minimum job generation from developments within the Centre's Core, while continuing to permit 'shop top housing' encouraging a commercial / retail development scale that complements market expectation.

This comprises of an increase in permissible FSR and zone change, a minimum FSR of 1.5:1 for non-residential uses across any B4 Mixed Use zoned site and a minimum of 14,460sq.m on the subject site. This will have the effect of:

- Ensuring a minimum employment yield of 958 jobs on the subject site, achieving approximately 10% of the draft Metropolitan Strategy minimum jobs target for the Liverpool Regional City
- Allow for cross subsidisation of employment floor area, by residential developments
- Allow for increased housing supply within the centre, close to transport and amenity
- Encourage development activity, revitalising Liverpool's centre.

RESIDENTIAL ANALYSIS

Liverpool is becoming a more attractive residential location for both local residents and overseas migrants.

There is strong underlying demand for infill residential development, compatible with the demographic profile of market catchment residents, and evidenced by strong capital and rental growth, strong sales rates for competing developments and ongoing population growth.

Based on an affordability analysis for First Home Buyer (FHB) households within a market catchment, the average FHB Household is only on the cusp of being able to afford dwellings that are in line with the current median price for apartments is $350,000 (as outlined in Section 4.5.3). This means that if housing price pressures continue, the number of people that will be forced out of the market due to affordability constraints could increase over time. This price pressure could be exacerbated by a limit to the supply of housing within the catchment.

Based on an analysis of proposed developments within the defined housing catchment, between 2013 and 2016 the housing deficit is estimated at approximately 293 dwellings, which is expected to increase further in 2016-2021 to a housing deficit of over 1,000 dwellings (i.e. there are not currently a sufficient number of dwellings in planning within the residential catchment to meet projected new household growth).

A housing deficit will decrease access to housing for lower income groups in the catchment area, exacerbating affordability issues for FHBs on average household incomes.

As such, the proposal to incorporate mixed use elements within the development will meet some of the overall housing demand in the region and will also assist in supporting the project feasibility of the overall mixed use concept.

Introduction

Urbis have been appointed to undertake an Economic Assessment of the proposed redevelopment of 133 Bigge Street, 26-28 Elizabeth Street and 148 George Street, Liverpool (the subject site) to allow for their redevelopment as a mixed use project containing residential, commercial and retail uses.

Specifically the purpose of this report is to support rezoning the subject site from Zone B3 Commercial Core to Zone B4 Mixed Use, to allow for the construction of a mixed use development.

In addition, the planning proposal seeks to increase the permitted Floorspace Ratio (FSR) from 8.0:1.0 to 10.0:1.

The economic impact assessment will consider the future need for office development to support the targeted employment growth within Liverpool Regional City outlined in the draft Metro Strategy, the capacity for the existing tenant market to take-up additional supply and the ongoing demand for housing within the Liverpool LGA and its surrounds.

This report will include:

- **Section 1** will provide an overview of study area and local context
- **Section 2** will conduct an analysis of historic, existing and future employment within the Liverpool Regional City and Liverpool LGA that underpin ongoing demand for office floorspace. This section will identify the changing nature of employment and the ramifications for the demand for commercial floorspace from local businesses
- **Section 3** will provide an overview of the Liverpool office market, specifically focusing on the existing capacity within the centre to accommodate targeted employment growth, and the impact of the proposed development on jobs growth within the Centre
- **Section 4** will consider the future demand for housing within a defined residential catchment. This will make reference to:
  - Forecast population growth
  - Demographic drivers for housing demand
  - Local residential amenity and demand drivers (e.g. access to services, public transport, journey to work / access to employment etc.)
  - Future housing supply / pipeline of residential projects
  - The amenity associated with the proposed cultural / retail services included in the concept plan, and the benefits of a high quality mixed use development on the subject site.
- **Section 5** will summarise the conclusions and recommendations arising out of the report.

1 Study Background

1.1 STUDY BACKGROUND

The proposed development is located at 133 Bigge Street, 26-28 Elizabeth Street and 148 George Street, Liverpool within the Liverpool LGA. The subject site includes 3 lots which aggregate to a site area of 10,189sq.m.

The main frontage of the subject site is along Elizabeth Street, and extends to the corners of Bigge and George Streets, and is currently used as a car dealership.

It is in close proximity a number of key facilities / amenity:

- Westfield Liverpool
- Bigge Park
- All Saints College (Primary and High School)
- Liverpool Council Libraries
- Liverpool Hospital
- TAFE NSW (on Moore Street)
- Liverpool Public School
- Liverpool Plaza
- Liverpool Station.

The subject site is well located being diagonally opposite Westfield Liverpool and is within the city centre core. The land use surrounding the site is fairly fragmented however, including older style low density commercial buildings, car showrooms, parks, strip retail and a high school.

PICTURE 1 – SUBJECT SITE – ELIZABETH STREET

Westfield Liverpool is located diagonally opposite and provides an extensive discretionary, food and beverage offer. The centre is anchored by a Myer, Target, Big W, Coles and Woolworths Supermarkets. In addition to this, there a number of gyms within 500 metres of the subject site the closest including Anytime Fitness.

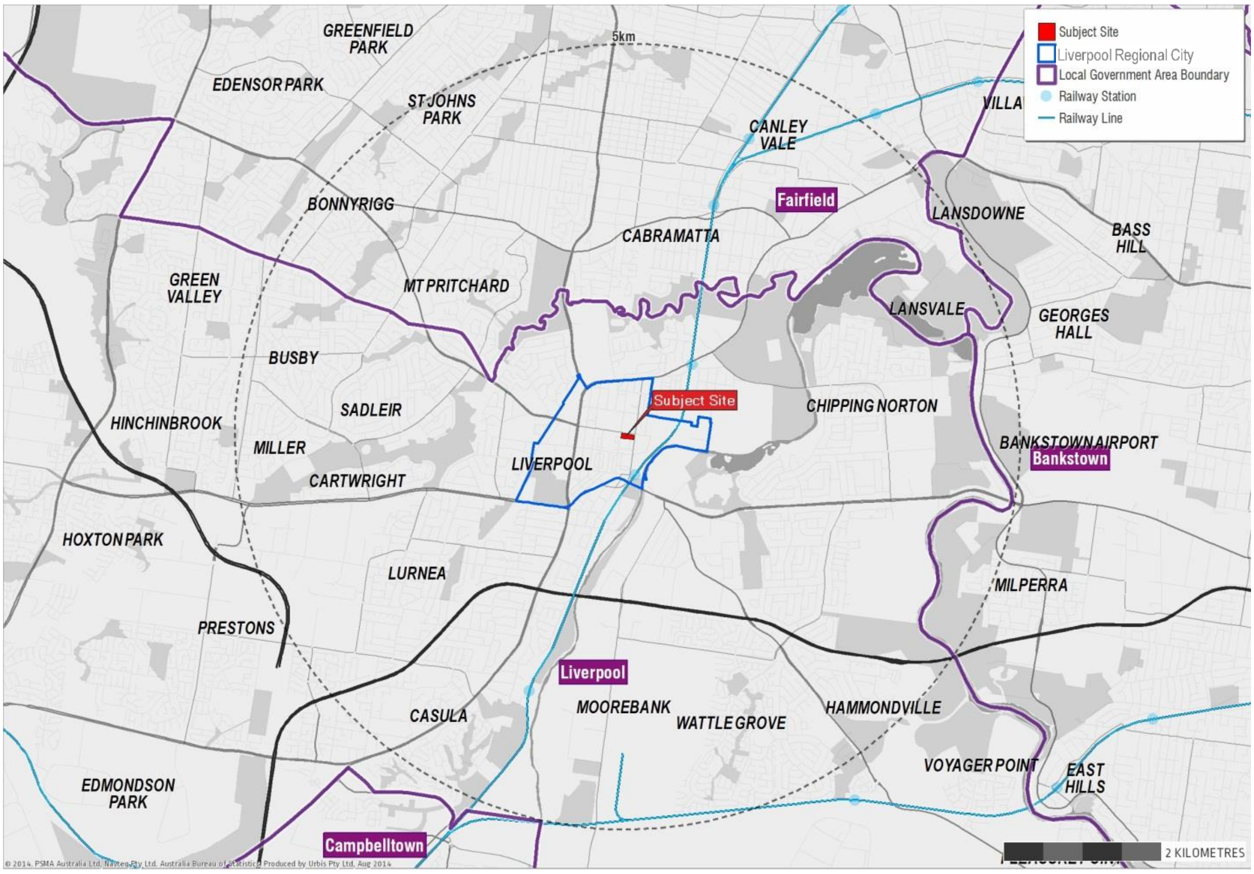

Surrounding Land Uses
Education
Hospital
Municipal
Open Space
Retail
Station
HUME HWY
WARWICK FARM
500m
Westfield Liverpool
Westfield Liverpool
All Saints Primary School
ELIZABETH DR
ELIZABETH ST
Subject Site
Liverpool Hospital
LIVERPOOL
Liverpool Plaza
Liverpool Plaza
Library
BIGGE ST
Bigge Park
Liverpool Public School
TAFE NSW
MOOREBANK
COPELAND ST
Liverpool Station
SCOTT ST
SPEED ST
TERMINUS ST
PIRIE ST
NEWBRIDGE RD
0
500
Meters

The Liverpool Regional City is identified in the draft Metropolitan Strategy, is defined in the Bureau of Transport Statistics (BTS) Journey to Work Centre Summary at a Travel Zone level (refer to Map 1.2 blue outlined area).

The Regional City will form the study area for this economic assessment. According to the draft Metropolitan Strategy the NSW DP&E have identified a target of 9,000 new jobs between 2011 and 2031.

The subject site is currently zoned B3 Commercial Core, which does not allow for residential development. If fully developed under its zoning at the current FSR controls of 8.0:1 the commercial yield would be over 80,000sq.m (Gross Floor Area), well in excess of existing commercial developments located in the Liverpool Regional City.

LIVERPOOL REGIONAL CITY MAP 1.2



1.2 PROPOSED SCHEME / PLANNING CONTROLS

Urbis have been provided with a preliminary development scheme for the redevelopment of 133 Bigge Street, 26-28 Elizabeth Street, and 148 George Street, Liverpool. The redevelopment will involve the redevelopment of 3 lots which aggregate to a site area of 10,189sq.m.

The preferred design option for the proposed development contains the following mix of uses, outlined in Table 1.1 overleaf.

TABLE 1.1 – PROPOSED DEVELOPMENT – PREFERRED OPTION

LAND USE	GROSS FLOOR AREA (SQ.M)
Residential	60,500 (605 units)
Office	38,800
Retail	2,700
Total	**102,000**

Source: architectus; Urbis

The proposed planning controls for the subject site include a change in zoning from B3 Commercial Core to B4 Mixed Use, and an increase in FSR from 8.0:1.0 to 10.0:1.

The FSR increase represents an increase of potential floor area from 81,152sq.m to 101,890sq.m of Gross Floor Area (GFA), while the change in zoning will permit the development of residential use.

2 Workforce and Employment Analysis

Section 2 will conduct an analysis of existing and future employment within the Liverpool Regional City and the Liverpool LGA, assessing the population employment drivers and outcomes that could foreseeably impact future demand for office floor area within the Liverpool LGA.

This will consist of both an analysis of residents and local workers, and will include:

- The size and profile of the study area's resident workforce, in terms of industry sector and occupation
- The size and profile of the study areas employment base, including industry sector and occupation
- Journey to work / place of residence of the local resident workforce and workers employed within the study area
- The gap between study area jobs and resident workers.

This will consider the links between workforce, resident workforce and growth in employment and subsequent future demand for office floorspace.

2.1 LOCAL EMPLOYMENT ANALYSIS

The Liverpool Regional City currently accommodates 15,110 jobs.

Employment sectors represented in the Liverpool Regional City are displayed in Chart 2.1 overleaf, which shows Healthcare and Social Services (37%), Retail Trade (13%), Public Administration (9%) and Administrative Support Services (6%) make up the majority provided locally.

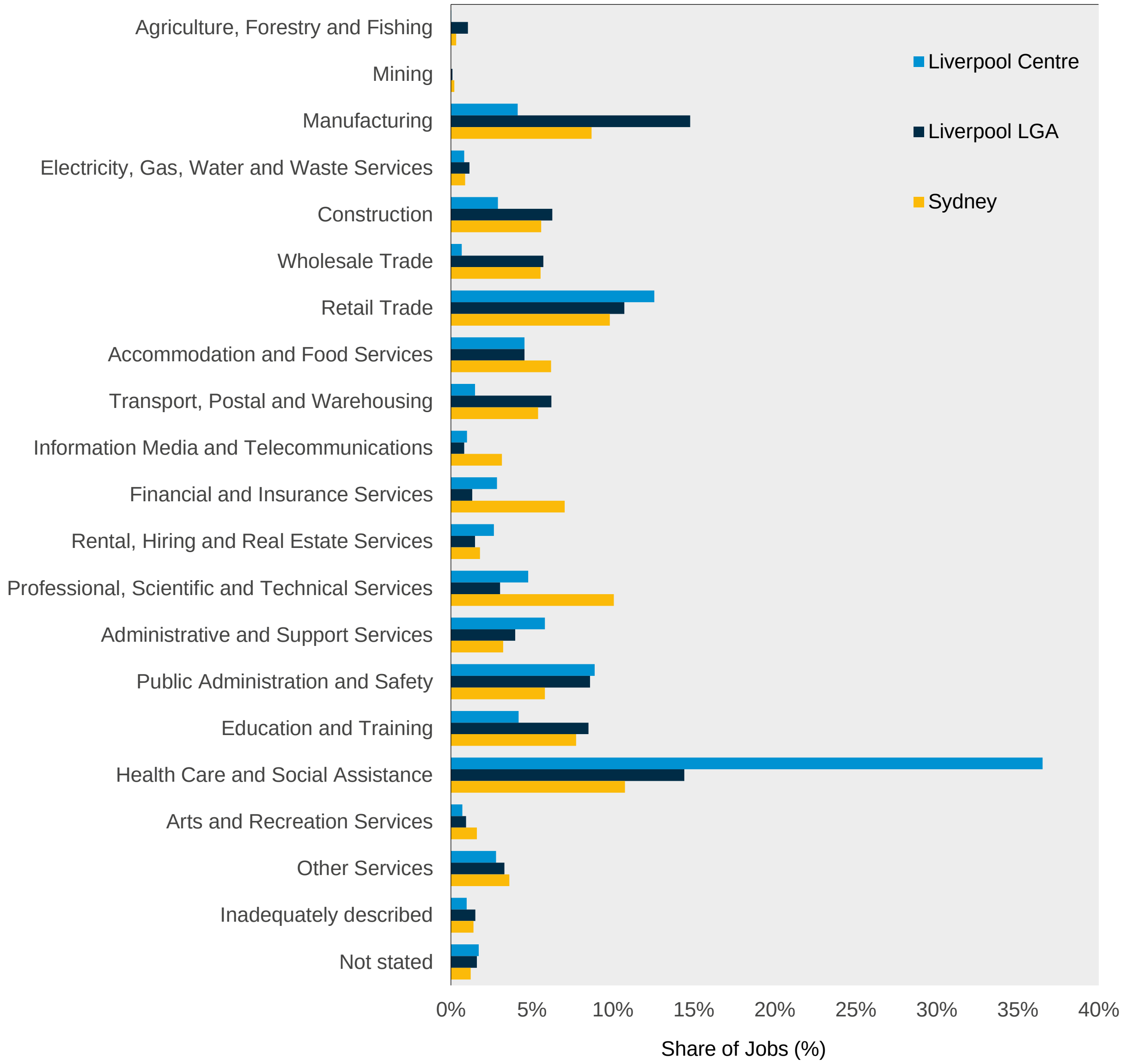
The higher proportion of Health Services jobs in Liverpool Regional City is aligned to the presence of the Liverpool Hospital, South Western Sydney Local Health District and medical services businesses located in the Liverpool Centre. There is a lower representation of other industry sectors that are typically well represented in business park / CBD locations such as Information Media and Telecommunications (1%), Financial and Industrial Services (3%), Professional and Scientific Services (5%).

By comparison Parramatta, which is an established suburban CBD, contains a higher proportion of these jobs, with 2% of jobs in Information, Media and Telecommunications, 19% in Financial and Insurance Services and 8% Professional, Scientific and Technical Services.

The smaller representation of these services illustrates that while Liverpool Regional City is a commercial hub, is not currently a major CBD in Sydney's west with a diversified business tenant base.

Jobs by Industry

LIVERPOOL CENTRE, LIVERPOOL LGA AND SYDNEY CHART 2.1



Source : ABS Census 2011 ; Urbis

2.2 RESIDENT WORKFORCE ANALYSIS

According to the Bureau of Transport Statistics Journey to Work data the Liverpool Regional City accommodates 3,562 employed residents, with their industry of employment outlined in Chart 2.2 overleaf.

Chart 2.2 shows that the Liverpool Regional City has a higher proportion of manufacturing (16%), health care and social assistance (16%) and construction (11%), than the Liverpool LGA and broader Sydney GMA.

This effectively represents the 'job demand' by the local workforce, across different industry sectors.

The industry distribution illustrates the contrasting industry profile of the Liverpool Regional City residents compared to the broader Liverpool LGA distribution:

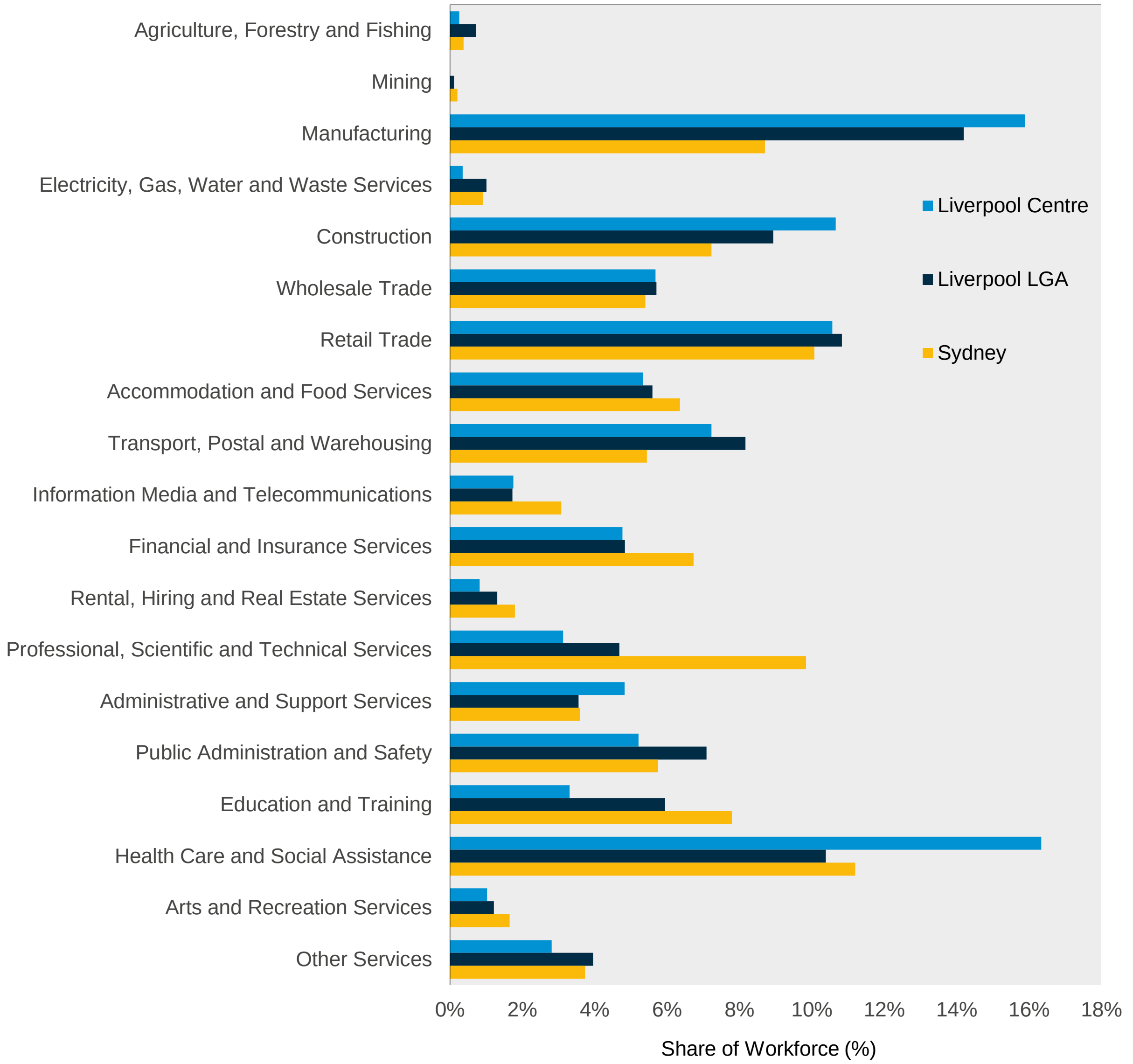
- A lower proportion of residents working in education and training (-3%), public and administration (-2%), professional, scientific and technical services (-2%)

- Liverpool Regional City resident workers have a higher representation in manufacturing (+2%), construction (+2%), health care and social assistance (+6%)

- The resident worker industry profile indicates that residents in the Liverpool Regional Centre are employed across a range of industry sectors both in the Regional Centre (e.g. Health Services, likely associated with the Liverpool Hospital and associated support services) and located in the balance of the LGA (e.g. Manufacturing, in industrial precincts such as the Moorebank Business Park).

Resident Workers by Industry

LIVERPOOL REGIONAL CITY, LIVERPOOL LGA AND SYDNEY CHART 2.2



Source : ABS Census 2011 ; Urbis

2.3 JOURNEY TO WORK ANALYSIS

Table 2.1 overleaf shows both place of resident and place of work for the Liverpool Regional City. Place of residence, represents where people who work in Liverpool Regional City live. It shows that jobs in the Liverpool Regional Centre attracts workers from a relatively local catchment, with surrounding Statistical Areas (SA2) comprising the majority of workers.

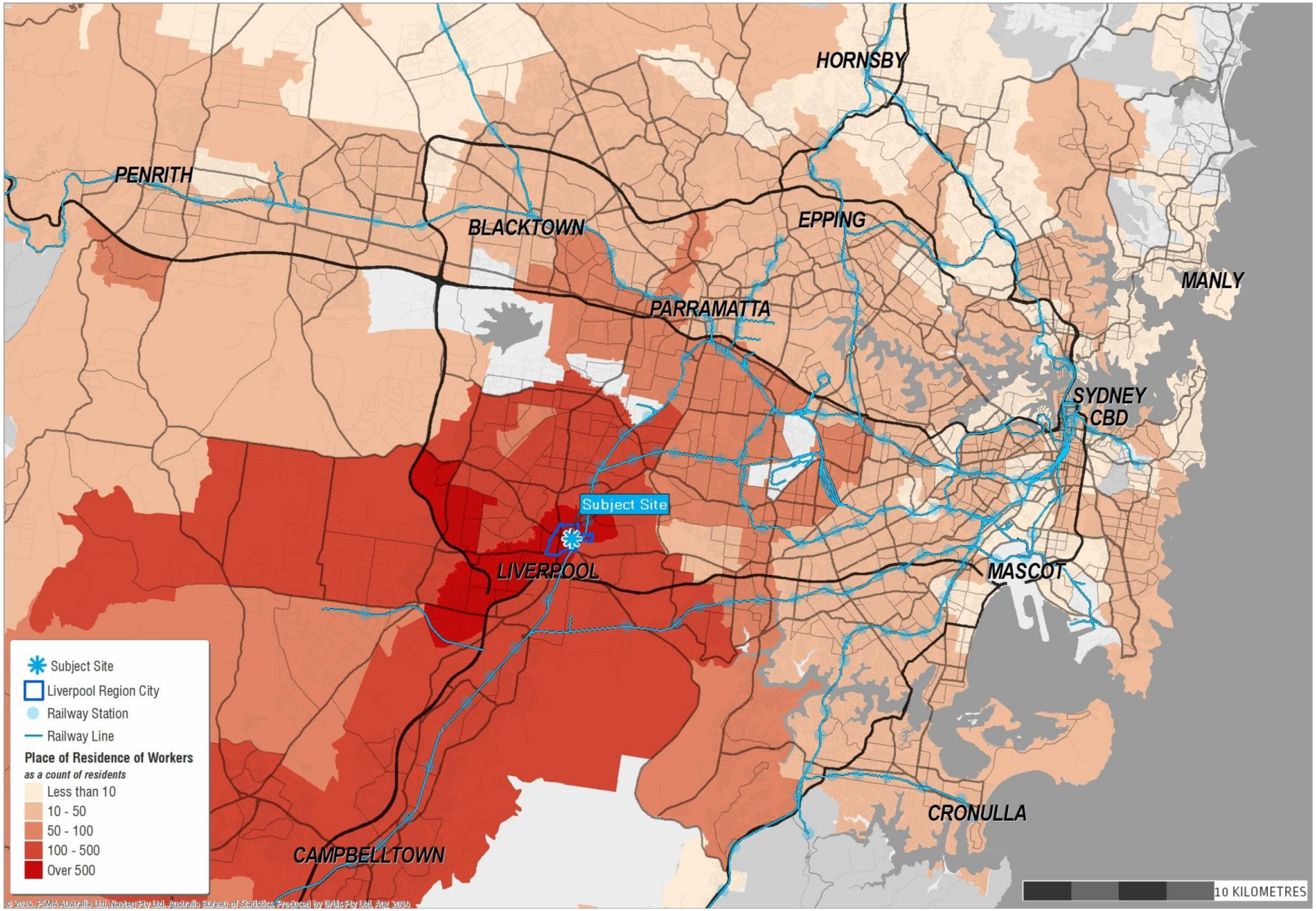
Place of work shows where local residents work, and illustrates that the majority of local workers are employed in key business park / CBD locations.

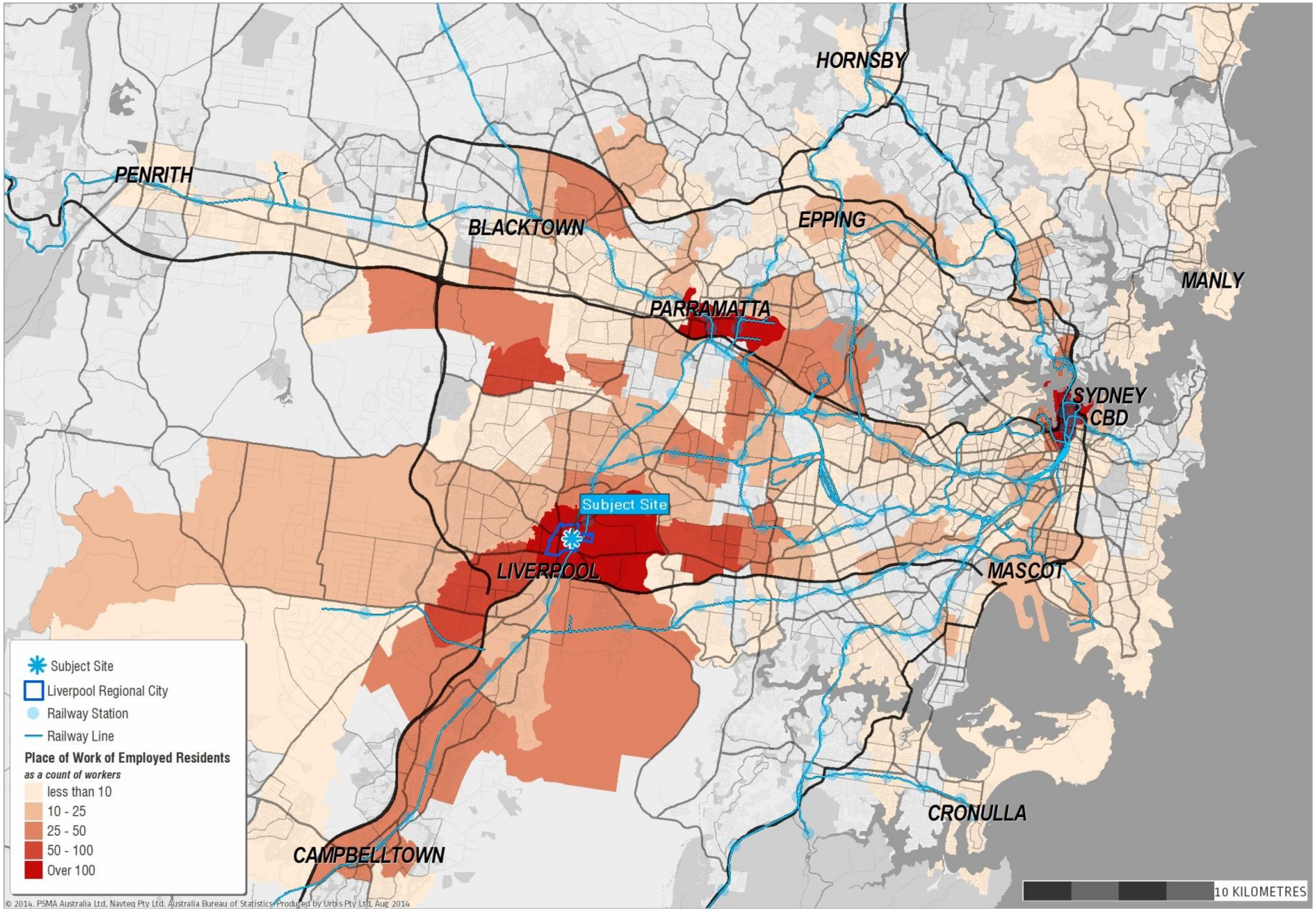
Journey to Work

LIVERPOOL REGIONAL CITY TABLE 2.1

Destination - Place of Work			Origin - Place of Residence		
Location (SA2)	**Number**	**%**	**Location (SA2)**	**Number**	**%**
Liverpool - Warwick Farm	625	21%	Liverpool - Warwick Farm	1,153	8%
Sydney - Haymarket - The Rocks	172	6%	Green Valley - Cecil Hills	740	5%
Parramatta - Rosehill	124	4%	Prestons - Lurnea	699	5%
No fixed work address (GMA)	123	4%	Hoxton Park - Horningsea Park	490	3%
Chipping Norton - Moorebank	122	4%	Holsworthy - Wattle Grove	487	3%
Condell Park	53	2%	Casula	474	3%
Prestons - Lurnea	53	2%	Chipping Norton - Moorebank	441	3%
Wetherill Park Industrial	51	2%	Mount Annan - Currans Hill	374	2%
Bankstown	47	2%	Macquarie Fields - Glenfield	368	2%
Prospect Reservoir	46	2%	Ashcroft - Busby - Miller	323	2%
Balance	1,496	51%	Balance	9,534	63%
Total	**2,912**	**100%**	**Total**	**15,083**	**100%**

Source : BTS JTW 2011 ; Urbis


HORNSBY
PENRITH
BLACKTOWN
EPPING
MANLY
PARRAMATTA
SYDNEY CBD
Subject Site
LIVERPOOL
MASCOT
CRONULLA
CAMPBELLTOWN
Subject Site
Liverpool Region City
Railway Station
Railway Line
Place of Residence of Workers
as a count of residents
Less than 10
10 - 50
50 - 100
100 - 500
Over 500
10 KILOMETRES


HORNSBY
PENRITH
BLACKTOWN
EPPING
MANLY
PARRAMATTA
SYDNEY CBD
Subject Site
LIVERPOOL
MASCOT
CRONULLA
CAMPBELLTOWN
Subject Site
Liverpool Regional City
Railway Station
Railway Line
Place of Work of Employed Residents
as a count of workers
less than 10
10 - 25
25 - 50
50 - 100
Over 100
10 KILOMETRES
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2.4 JOBS GAP ANALYSIS

As at 2011, the number of Liverpool LGA resident workers exceeded the number of jobs by approximately 36,849 outlined in Chart 2.3 below.

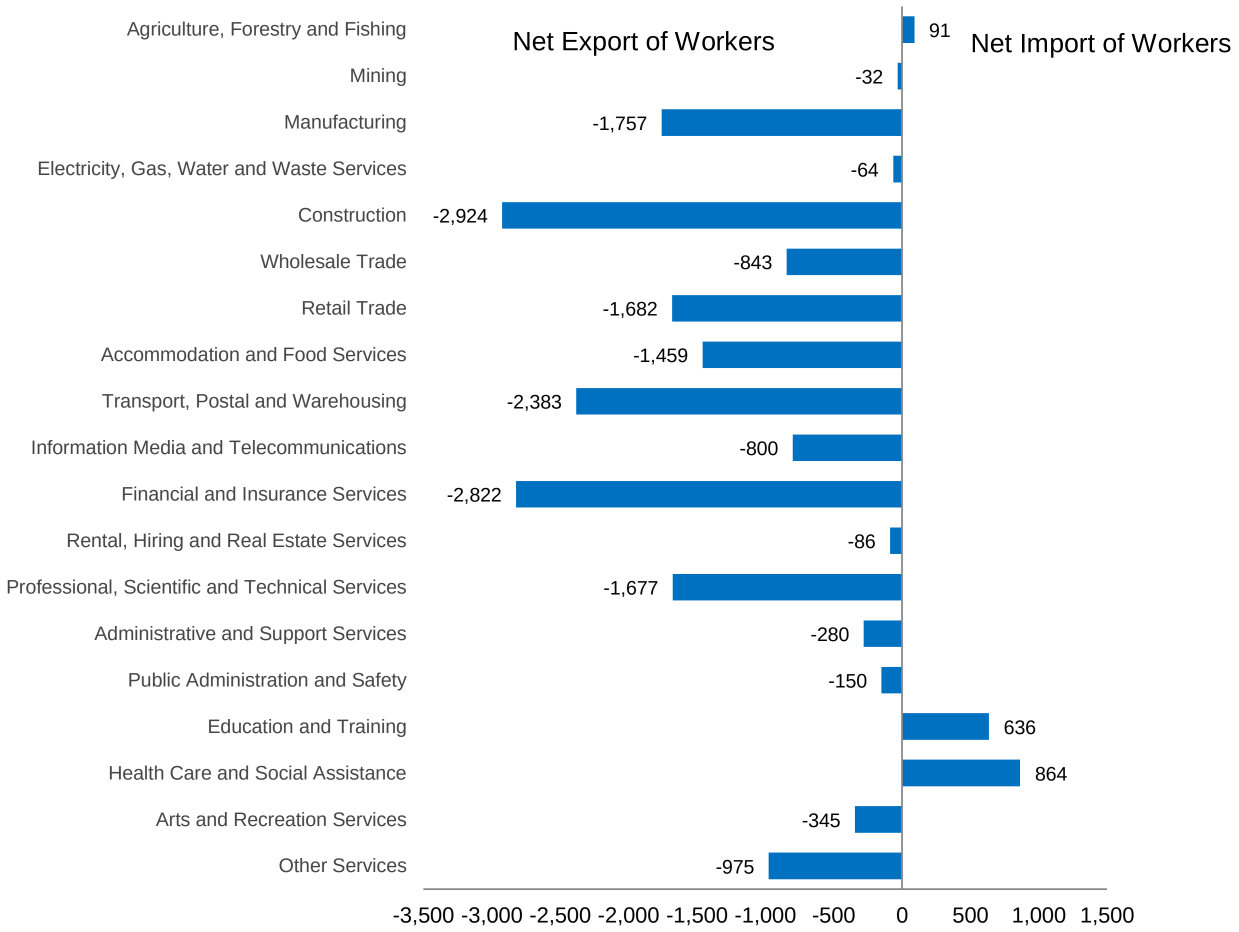
The industry sectors that have a deficit of jobs in a range of sectors, however there appear to be a surplus of jobs in industry sectors that deliver services to the local population requiring a net importation of workers to deliver these services:

- Health Care and Social Assistance (+864)
- Education and Training (+636).

It illustrates that there is a jobs deficit in many of the industry sectors accommodated in office based employment. Jobs growth in the sectors that have a jobs gap are more likely to utilise a local labour force allowing businesses in these sectors to employ labour from within the Liverpool LGA. Achieving this outcome would increase the job opportunities for local residents.

It is noted however that it also requires business and/or government to decide to locate within Liverpool in order to provide the opportunity for new jobs to be created, which is influenced by a wide range of location factors including location of customer groups, transport access, access to appropriate staff, agglomeration opportunities with like businesses, etc.

Jobs Gap
LIVERPOOL LGA
CHART 2.3



Source : ABS Census 2011 ; Urbis

3 Employment and Economic Impacts

3.1 LIVERPOOL REGIONAL CITY – COMMERCIAL CENTRE OVERVIEW

As discussed in Section 1, the draft Metropolitan Strategy identifies Liverpool as a Regional Centre, with a target of 9,000 new jobs by 2031.

Liverpool is identified as the South West Subregions Regional City in the draft Metropolitan Strategy. The South West Subregion includes the following LGAs:

- Liverpool
- Bankstown
- Camden
- Campbelltown
- Fairfield
- Wollondilly.

Different industry sectors have different needs when it comes to the type of floorspace required to operate their respective businesses. The provision of floorspace compatible with business / tenant demand is an enabler of economic and employment growth, and will be a principle enabler in the achievement of targeted jobs growth outlined in the draft Metropolitan Strategy in the Liverpool Regional City.

The commercial office leasing market in Liverpool is dominated by local business and government tenants. Government tenants such as the Department of Housing and Centrelink occupy a high proportion of the A grade accommodation. The remaining supply of secondary stock is tenanted by local businesses typically offering floorplates of no greater than 500sq.m per level and with limited parking provision.

The Liverpool CBD sits within the South West region. The broader South West region includes areas from Liverpool in the North, Bankstown in the East and Campbelltown in the south, contains approximately 229,544sq.m of office accommodation (Knight Frank, March 2014). Vacancy in the South West region, while remaining comparatively low for a suburban region has increased between March 2013 and March 2014 from 5.1% to 6.7% (Knight Frank – March 2013 and March 2014). This represents approximately 15,379sq.m up from 12,550sq.m in 2013, of vacant space in the regions total office stock of approximately 229,544sq.m.

While vacancy has increased over this period, the South Subregion still has a lower vacancy rate than what has been observed across Suburban Metropolitan Sydney, estimated to be 8.7% as of January 2014 (Knight Frank, March 2014).

In addition to this, the Liverpool office market appears to be more affordable than other competing suburban centres. The average net face rent (per sq.m) is outlined in Table 3.1 overleaf illustrates this.

Market Rents

A GRADE STOCK — TABLE 3.1

MARKET	AVERAGE NET FACE RENT (PER SQ.M) (EXCL. OUTGOINGS)
North Sydney	$628
Parramatta[1]	$498
St Leonards / Crows Nest	$466
Chatswood	$429
North Ryde/Mac Park	$340
Liverpool	$312

Source: Knight Frank; Urbis

[1]Based on October 2013

The South West region's commercial market provides the most affordable commercial opportunities within the Sydney Metropolitan area as a result of the following factors:

- A high content of older commercial stock and limited new developments
- Limited supply of A grade space in commercial centres
- Modest demand levels from new tenants
- Less desirable location for many corporate entities; demand primarily emanates from local business services and government agencies
- Significant expansion and growth of centres such as Parramatta and business parks at Norwest, Rhodes and Macquarie Park. Business Parks within the south west region are still dominated by industrial use (logistics/distribution) comparative to those in the North West which are primarily focussed on the provision of modern commercial space
- Skew of south west residents towards blue collar employment rather than white collar employment relative to other areas in Sydney.

3.2 OFFICE MARKET

Liverpool LGA over the past 10 years has supported some of the most significant residential development (and therefore population growth) of all LGA's Australia wide. However, this population growth has not appeared to translate into an increased requirement for localised office accommodation with only modest new additions noted over the past 10 years.

Comparatively, the content of industrial development has grown considerably due in part to transport infrastructure improvements but also due to the South West region containing a relatively high proportion of blue collar workers (tradespersons and related workers and labourers, production and transport workers). Comparatively the area supports a very low proportion of professional and managerial workers.

To this end the NSW Government's Metropolitan Strategy has placed considerable focus on releasing additional 'employment lands' (industrial areas and business technology parks) within the South Western region which broadly extends between Liverpool and Campbelltown. In addition, the draft South West Sub Regional Strategy focuses primarily on employment lands with limited focus given to commercial expansion.

This has been reflected in both the workforce and employment analysis in Section 2, which illustrates that the Regional City and LGA both accommodate a largely industrial and local services based workforce.

The majority of premises recently leased are typically less than 500sq.m in size reflecting the modest content of larger stock available. It is evident that most of the good quality larger space is taken up by government tenants. Examples include 23-31 Moore Street, 33 Moore Street and 211-231 Northumberland Street.

One of the more recent leasing deals to government was 588 sq.m located at Level 1, 5-7 Secant Street leased to the Department of Community Services in late 2013 at $315 per square metre net. This was for a 2 year term with two 4 year options and 8 car parking bays. This is a relatively modern office building located opposite Westfield Liverpool.

Liverpool generally remains a less desirable commercial location due to the quality of stock and location towards the edge of the city. As such, capital growth has remained nominal with this trend likely to continue.

Key points to note on the commercial market in Liverpool are as follows:

- The market provides one of the most affordable commercial opportunities in Sydney in terms of rent and capital values
- The market features a high content of older commercial stock and limited new developments
- There is a limited supply of A grade space
- The Liverpool LGA is not seen as a desirable location for many corporate entities, and has received little attention from institutional developers, with most development focus having been on the local industrial markets (which is the focus for the area in the South West Sub Regional Strategy)
- The area has not benefitted from recent population growth in the south west region, with little additional commercial demand being generated by tenants despite the population growth
- The area supports a very low proportion of professional and managerial workers and has the lowest proportion of managers and professionals going to the subregion as their work destination
- There is only one recently completed building in Liverpool located at 269-273 Bigge Street, comprising an office space of approximately 3,797 sq.m. (a current listing on Elders Real Estate website indicates that up to 2,454 sq.m of the building is presently vacant, with asking rents of $390/sq.m gross, including all outgoings other than air conditioning maintenance & waste removal)
- It is therefore unlikely that the existing tenant market within Liverpool will support the development of the subject site under existing zoning and FSR - which permit a commercial development containing in the order of 80,000sq.m of office Gross Floor Area (GFA), more than 40,000sq.m in excess of floor area required to accommodate job targets.

3.3 JOBS GROWTH

Given the lower tenant take-up amongst traditional office tenants and upcoming government tenant relocation, job creation within the Liverpool Regional City will likely be drawn from a diversity of industry sectors.

Table 3.2 overleaf illustrates the job targets outlined in the Draft Metropolitan Strategy for the Liverpool Regional City apportioned across different industry sectors (based on Bureau of Transport employment forecasts). Employment growth is expected to be driven by the following sectors:

- Health Care and Social Assistance (+5,555)
- Retail Trade (+719)
- Administrative and Support Services (+565)

- Public Administration (+476)
- Professional Scientific and Technical Services (+384).

The above jobs targets comprise a diverse range of sectors reflecting a mix of businesses / jobs servicing both local and regional markets and government departments.

Jobs Growth

LIVERPOOL REGIONAL CITY

TABLE 3.2

	2011	2016	2021	2026	2031	Growth (2011-2031)	
						Number	%
Agriculture, Forestry and Fishing	3	2	1	1	1	-2	-73%
Mining	0	0	0	0	0	0	0%
Manufacturing	623	626	591	622	662	39	6%
Electricity, Gas, Water and Waste Services	125	44	12	13	15	-110	0%
Construction	440	528	517	467	435	-5	-1%
Wholesale Trade	102	114	118	130	141	39	38%
Retail Trade	1,898	2,192	2,222	2,424	2,617	719	38%
Accommodation and Food Services	686	748	739	791	846	160	23%
Transport, Postal and Warehousing	225	255	270	295	326	101	45%
Information Media and Telecommunications	149	168	162	168	174	25	17%
Financial and Insurance Services	429	498	538	604	665	236	55%
Rental, Hiring and Real Estate Services	401	485	529	605	697	296	74%
Professional, Scientific and Technical Services	720	834	892	1,006	1,104	384	53%
Administrative and Support Services	876	1,115	1,183	1,320	1,441	565	65%
Public Administration and Safety	1,341	1,564	1,575	1,695	1,817	476	35%
Education and Training	633	695	742	825	897	264	42%
Health Care and Social Assistance	5,522	6,994	7,982	9,510	11,077	5,555	101%
Arts and Recreation Services	108	118	120	135	150	42	39%
Other Services	421	456	455	494	538	117	28%
Inadequately Described / Not Stated	408	453	463	482	507	99	24%
Total	**15,110**	**17,888**	**19,110**	**21,588**	**24,110**	**9,000**	**60%**

Source : Bureau of Transport Statistics; Urbis

3.4 FLOORSPACE DEMAND

Different industry sectors have different needs when it comes to the type of floorspace required to operate their respective businesses. The provision of floorspace compatible with business / tenant demand is an enabler of economic and employment growth.

Table 3.3 outlines the type of floorspace required to accommodate the jobs growth targeted in the Draft Metropolitan Strategy of 9,000 jobs by 2031. It illustrates that office-based jobs comprise a 28.5% of the jobs target in the Liverpool Regional City. The primary source of jobs growth is driven by Health Services, which is largely hospital or community based.

The additional office-based jobs estimated to be created in Liverpool over the period 2011 to 2031 would generate demand for an estimated 38,475sq.m of office space based on an average workspace ratio of 15sq.m per person.

TABLE 3.3 – JOBS GROWTH BY LAND USE, 2011 TO 2031

LAND USE	JOBS GROWTH (2011 TO 2031)	SQ.M / JOB	FLOORSPACE
Industrial *Includes industrial components of 'non-industrial' sectors such as retail, wholesale trade and information technology.*	118	150	17,700
Office *Includes office components of sectors where majority of employment is accommodated in 'non-office' floorspace, such as education and training, health and arts and recreational services and industrial industries such as construction and urban services.*	2,565	15	38,475
Retail *Includes retail components of accommodation and food services and wholesale trade.*	695	25	17,375
Education *Does not include office based education services.*	251	25	6,275
Health *Does not include office based health services.*	5,000	10	50,000
Other	231	10	2,310
Offsite	26	-	-
Home	16	-	-
Total Jobs Growth	**9,000**		

Source: Bureau of Transport Statistics 2012; Urbis

3.5 EMPLOYMENT IMPACTS

The proposed scheme for the redevelopment of 133 Bigge Street, 26-28 Elizabeth Street and 148 George Street, Liverpool will deliver employment benefits during with the construction phase of the development and from ongoing operations.

The proposed development scheme is expected to generate the following employment benefits:

- 847 construction jobs, 1,333 indirect supplier jobs during the development phase of the project
- The 38,208sq.m of office floorspace is expected to accommodate an estimated 2,547 ongoing jobs, supporting an additional 2,028 indirect supplier jobs
- The 2,700sq.m of retail floorspace is expected to accommodate an estimated 164 ongoing retail jobs, supporting an additional 130 indirect supplier jobs.

In addition to the proposed scheme, the following development controls are included within the planning proposal, to ensure a minimum employment yield:

- Rezoning all B3 Commercial Core zoned land in the Liverpool City Centre to B4 Mixed Use
- Apply a minimum FSR of 1.5:1 for non-residential uses across B4 Mixed Use zones
- Apply a minimum FSR restriction on the subject site, resulting in a minimum of 14,460sq.m (with an yield of approximately 958 jobs)
- Removal of 'residential flat building' as a permissible uses of a B4 Zone, while still permitting 'shop top housing'.

The proposed planning controls ensure a minimum job generation from developments within the Centre's Core, while encouraging a commercial / retail development scale that complements market expectation.

3.5.1 ONGOING EMPLOYMENT - PROPOSED SCHEME

Ongoing jobs generated by the proposed development scheme are estimated to be 2,751 total ongoing jobs. The office floor area is expected to accommodate up to 2,587 workers, while the ground floor retail is expected to accommodate 164 workers, as outlined below in Table 3.4.

The proposed development's ongoing employment yield represents approximately 30.6% of the draft Metropolitan Strategy's minimum job targets for the Liverpool Regional City.

The viability of the non-residential component of the proposed scheme will be predicated on attracting an anchor tenant, which will be required to help attract project financing. However its combination with the development of 605 units in the residential component of the project, underpin its feasibility.

Ongoing Employment
PROPOSED DEVELOPMENT SCHEME
TABLE 3.4

Employment Type	Floor Area	Jobs per Sq.m	Jobs[1]
Office	38,800	15	2,587
Retail	2,700	16	164
Total	**41,500**		**2,751**

1. Total Employment - full-time, part-time and casual

Source: Urbis

3.5.2 DIRECT AND INDIRECT EMPLOYMENT – PROPOSED SCHEME

In addition to the direct employment generated from the construction and ongoing operation of the proposed development, there are multiplier effects felt throughout the local economy. Indirect employment impacts are measured using employment multipliers derived from the Australian National Accounts Input-Output tables, 1996-97.

These multiplier effects are a result of increased demand for materials, services and products from a range of suppliers, as a result of increased consumption generated by the wages of new employees. In economic terms, it represents the absorption of excess supply in other parts of the economy driven by an increase in aggregate demand in the retail industry.

When using these multipliers, a number of issues need to be kept in mind:

- The multipliers reflect how the economy was structured in 1996-97. Since then, the structure of the economy has changed, and the actual impacts are likely to have changed.
- The multipliers are based on a static view of the economy, and do not consider price changes driven by changes in demand. This means that results from Input-Output multiplier analysis are likely to represent the upper bound of employment impacts.
- The multipliers are national multipliers, not regional. Therefore, while many of the directly created jobs will be filled by locals, many of the indirect jobs are likely to be filled elsewhere.
- While more difficult to measure precisely, there will also be significant positive indirect employment impacts for the region as a whole.

Economic Impacts

PROPOSED DEVELOPMENT SCHEME TABLE 3.5

Employment Type	Direct Employment	Supplier Employment *Multiplier Effects*	Total Jobs[2]
Construction Employment	853	1,342	2,194
Ongoing Employment	2,751	2,189	4,940
Total	**3,603**	**3,531**	**7,134**

1. Total Employment - full-time, part-time and casual

2. Indicates the estimated number of jobs over the life of the construction project plus ongoing multiplier effects.

Jobs are for the equivalent of one year of employment.

3. Indicates the estimated number of ongoing jobs as a result of the proposed expansion (ie the floorspace increase)

Source : Urbis

Overall, this assessment indicates that the proposed scheme would generate a total of 2,194 jobs during its construction phase, and 4,940 jobs on an ongoing basis.

Clearly, the employment impacts and the positive benefit to the community from the proposed development would be substantial.

3.5.3 MINIMUM NON-RESIDENTIAL FSR REQUIREMENTS

In addition to the proposed scheme, a minimum FSR of 1.5:1 across any B4 Mixed Use zoned site, while applying to the subject site a minimum of 14,460sq.m of non-residential floorspace. This will have the effect of:

- Ensuring a minimum employment yield of 958 jobs on the subject site, achieving approximately 10% of the draft Metropolitan Strategy minimum jobs target for the Liverpool Regional City

- Allow for cross subsidisation of employment floor area, by residential developments

- Allow for increased housing supply within the centre, close to transport and amenity

- Encourage development activity, revitalising Liverpool's centre.

The proposed scheme combines both commercial space and residential units. As discussed the leasing market in Liverpool for office space is limited, with the rental income unlikely to justify the feasibility of large scale, stand-alone commercial towers. The proposed zone change and minimum FSR control are designed to ensure that appropriately scaled commercial development can be delivered in concert and cross-subsidised by high density residential development. This will underpin the viability of additional employment generating floorspace within the Centre's Core and a greater resident population underpinning demand for services and retail, providing additional employment opportunities.

As such the viability of new commercial space will need to be underpinned by more than potential tenant demand for developers to invest in new commercial product.

3.6 CONCLUSION AND RECOMMENDATIONS

The floorspace demand analysis indicates that the existing zoning and FSR for the site, if fully developed for office, is unlikely to be a viable development option for the subject property as the target demand for office is substantially less than the development that would be achievable on the site. The current planning controls permit a commercial development containing in the order of 80,000sq.m of office Gross Floor Area (GFA) more than 40,000sq.m in excess of floor area required to accommodate job targets.

Further to this, the existing FSR controls reflect an unrealistic employment uplift, equating to around 45% of the draft Metropolitan Strategy's targeted employment for the Liverpool Regional City.

The proposed 38,208sq.m of office floor area is the maximum scale of development that could be contemplated for the subject site in any reasonable time frame, remaining an ambitious commercial development scheme given the existing commercial market.

The proposed commercial component of the proposed development comprises 99% of the commercial space required by the Liverpool Regional City to achieve the Liverpool Regional City's draft Metropolitan Strategy's 2031 jobs targets. It would therefore be heavily dependent on the attraction of a major external tenant such as a government department seeking to decentralise.

While this comprises a large component of the jobs growth targeted for the Liverpool Regional City, these targets are treated as *minimum targets* in the draft Metropolitan Strategy and do not preclude the Regional City attracting more tenants / jobs than targeted in the draft Metropolitan Strategy.

In addition, the minimum non-residential FSR for the subject site will ensure an employment yield of 958 (10% of the draft Metropolitan Strategy minimum jobs target for the Liverpool Regional City). While a lower yield than the existing FSR controls, the minimum 14,460sq.m of commercial space is more compatible with the market for commercial floorspace within Liverpool.

The relatively low vacancy of the South Subregion's office market, noted lack of A Grade office space, the proposed development if able to secure an anchor tenant could conceivably revitalise the Liverpool CBD's office market.

Another key factor affecting the development of new office in Liverpool is the relatively low rental rates achieved in A Grade office stock. Research by Knight Frank from March 2014 indicated an average net market rental of $312 per square metre, with the highest noted asking rental rate being $390 per square gross for office space at 269-273 Bigge Street (which has had a high level of vacancy since completion in early 2013). Given that office building construction rates in Sydney for office buildings 7-20 stories are approximately $3,190 to $3,435 per square[1] metre for a finished lettable building excluding car parking, it is highly improbable that the development would achieve sufficient development return thresholds without the tenant paying a significant premium over the prevailing market rates to justify construction.

[1] Rawlinsons Construction Cost Guide 2014, Page 49

As the market is unlikely to be able to absorb the full development potential of the site in the foreseeable future solely for office development and that development viability would be in question, we recommend that it is appropriate to consider alternative uses for the land, particularly if those alternative uses may be able to help support or cross subsidise the office development and maintain a suitable overall level of return. Residential and supporting ground floor retail uses would form uses that could potentially assist to progress the viability of the projects further.

As such, the following section contemplates the need for residential development within Liverpool.

4 Residential Analysis

In addition to considering the employment impacts of redeveloping the subject site, an assessment of the residential market will be conducted. This will consider:

- The geographic market that the redevelopment will draw on
- The profile and demographics of this geographical market and implications for housing demand
- Future population growth which will impact on underlying demand for housing
- The market catchment's housing market compared to the broader Sydney GMR
- Historic development patterns and where the majority of infill development occurs
- The affordability of existing developments and the average unit price to different market segments
- Future supply and demand of housing in the market catchment.

The assessment of the residential market, and underlying supply of demand for housing compared to what is being delivered by the market, concludes that:

- Liverpool is becoming a more attractive residential location for both local residents and overseas migrants
- There is strong underlying demand for infill residential development, compatible with the demographic profile of market catchment residents, and evidenced by strong capital and rental growth, strong sales rates for competing developments and ongoing population growth
- Based on an analysis of income, housing prices and mortgage rates, the median unit price in the market catchment is on the cusp of being unaffordable for First Home Buyers on average incomes, indicating the need for additional housing supply to maintain relative affordability levels
- There is market demand to support the absorption of the 525 residential units proposed on the subject site. The proposal will also contribute to moderating house prices in Liverpool LGA by increasing supply and assisting to meet the housing needs of the growing population.

4.1 RESIDENTIAL DEMAND DRIVERS

FACTORS	COMMENTS	IMPLICATIONS FOR THE SUBJECT SITE
1. Access to amenities	Locations that have easy access to shops, public transport, parks, entertainment and dining options, medical facilities and schools will be highly demanded as residential locations. These factors remain high on the priority lists of those looking to rent or buy.	▪ The subject site is located in the Liverpool CBD, providing excellent access to a diverse range of amenities. Amenities located within 200m of the site include Westfield Liverpool and the Macquarie Mall. ▪ The Liverpool Hospital is located 300m from the subject site. Liverpool All Saints Catholic College school is located opposite the site, while Liverpool Public School and a TAFE is a 400m walk from the site.
2. Access to employment	Residents can often prefer to live close to work, enabling them to minimise travel times and improve work life balance.	▪ The Liverpool Hospital, Macquarie Mall, Westfield Liverpool and TAFE and schools provide a diverse range of employment opportunities in the health, retail and education sectors.
3. Transport and Infrastructure	Access to good public transport and road infrastructure are important to potential purchasers and renters. Particularly, linkages to the CBD, airport and major employment centres. Future infrastructure projects can revitalise areas, improve connectivity and linkages, create new jobs and reshape the existing community.	▪ Liverpool Train Station is 550m walk from the subject site. The train station has access to six CityRail lines, providing convenience for people travelling in and out of Liverpool. ▪ Buses also service the Liverpool CBD, including the Metrolink, Transitfirst and Westbus. The T-way also connects Liverpool to Parramatta.
4. Population growth	Population growth is a key indicator of demand for apartments.	▪ Population growth is forecasted to grow steadily beyond 2013, with an average annual growth of 1.7% between 2013 and 2016 and 1.8% from 2016-2021. ▪ This will continue to drive demand for dwellings in the market catchment, particularly in locations situated close to amenities, transport and infrastructure and employment hubs.

FACTORS	COMMENTS	IMPLICATIONS FOR THE SUBJECT SITE
5. Competing supply	Competing residential developments provide an indication of market preferences in terms of price points, size, mix and scale of development. The amount of competing supply, quality and location of other apartment developments in the area can influence demand on the subject site.	▪ There are a number of other developments, particularly near the Liverpool CBD ▪ However, the forecasted population growth in the Market Catchment will likely see the demand for new housing exceeding the housing supply.

4.2 MARKET CATCHMENT ANALYSIS

The market catchment for a new residential development is essentially the main geographical area from which new residents/potential purchasers are likely to come from.

As the subject site is located in the Liverpool – Warwick Farm Statistical Area Level 2 (SA2), historic patterns of migration into the LGA have been used to determine the proposed development's market catchment.

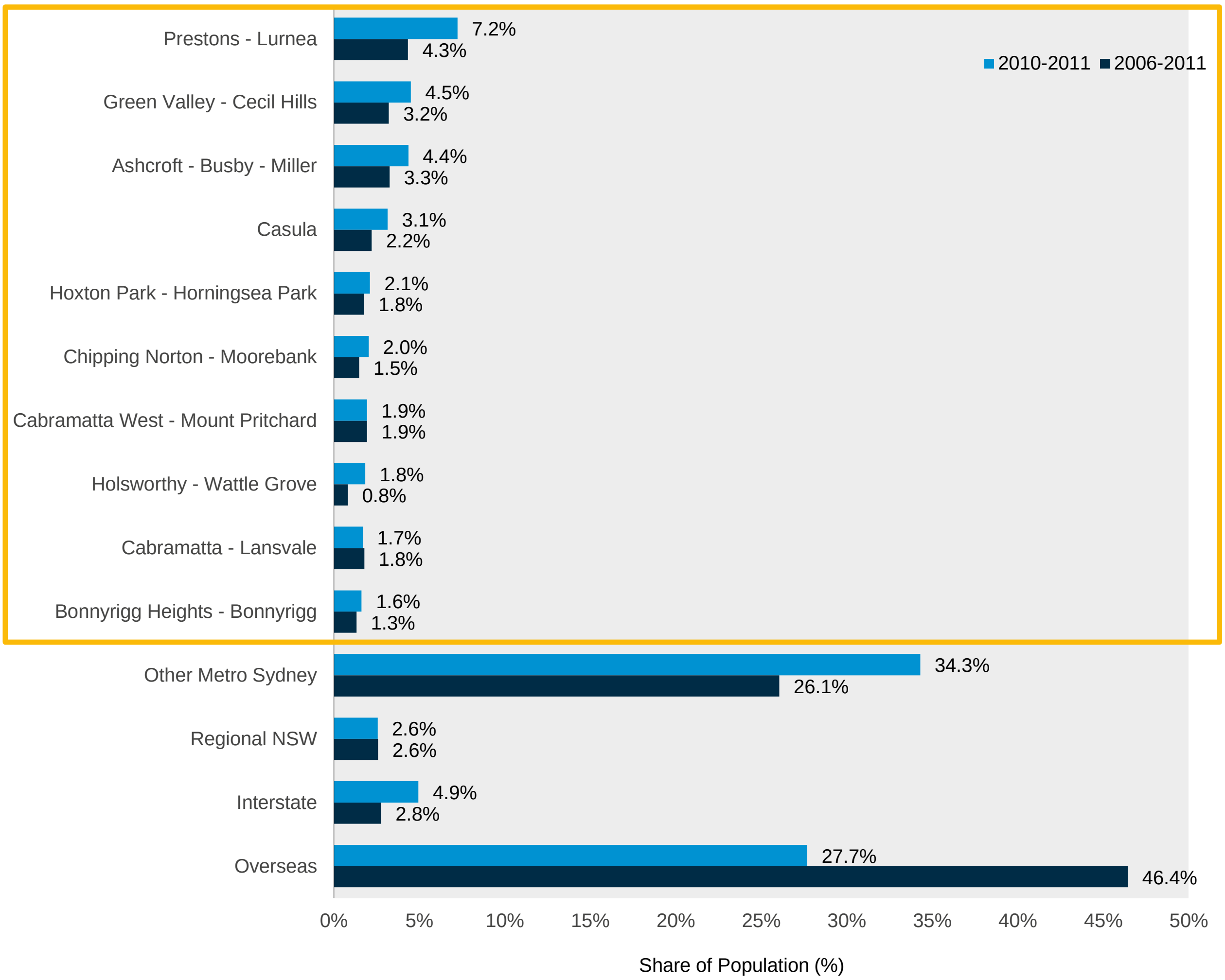
Chart 4.1 below illustrates the change in migration patterns into the Liverpool – Warwick Farm SA2, illustrating that:

- Recent migration patterns (2010-11) are skewed towards a local catchment, rather than an overseas market, which comprised a higher proportion of migration between 2006-11
- While overseas migration is likely to continue to comprise a proportion of the market for residential developments, the growing local market is evidenced in historic migration patterns
- The identified local catchment area is focused on the surrounding SA2s highlighted by the yellow box on Chart 4.1.

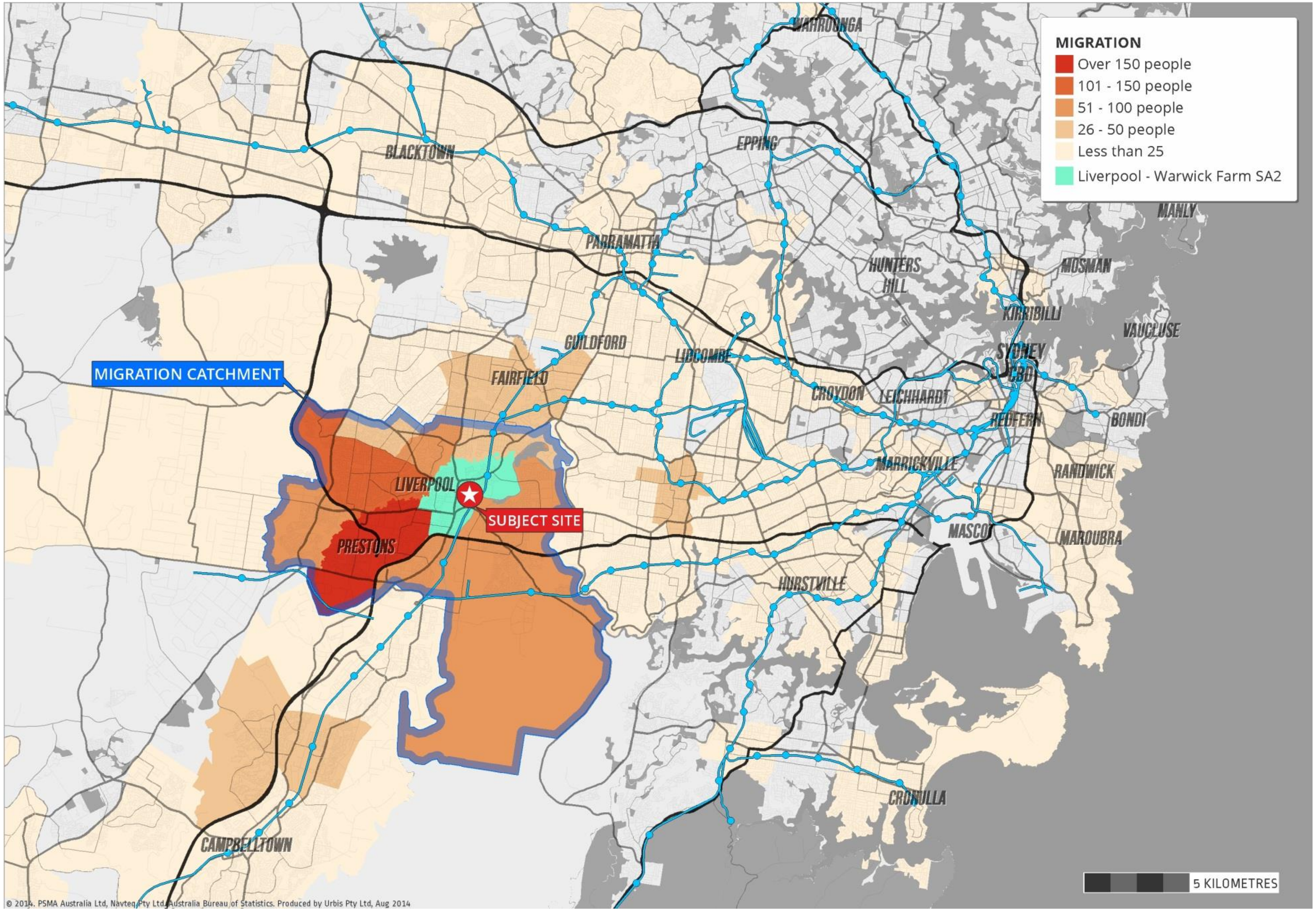
Migration into catchment area

1 YEAR AND 5 YEARS AGO

CHART 4.1



Source : ABS Census 2011 ; Urbis


MIGRATION
Over 150 people
101 - 150 people
51 - 100 people
26 - 50 people
Less than 25
Liverpool - Warwick Farm SA2
MIGRATION CATCHMENT
SUBJECT SITE
WAHROONGA
BLACKTOWN
EPPING
MANLY
PARRAMATTA
HUNTERS HILL
MOSMAN
KIRRIBILLI
VAUCLUSE
GUILDFORD
LIDCOMBE
SYDNEY CBD
FAIRFIELD
CROYDON
LEICHHARDT
REDFERN
BONDI
MARRICKVILLE
RANDWICK
LIVERPOOL
PRESTONS
MASCOT
MAROUBRA
HURSTVILLE
CRONULLA
CAMPBELLTOWN
5 KILOMETRES
© 2014. PSMA Australia Ltd, Navteq Pty Ltd, Australia Bureau of Statistics. Produced by Urbis Pty Ltd, Aug 2014

4.3 DEMOGRAPHIC ANALYSIS

The demographics of an area can indicate the market profile of potential purchasers.

A comparative profile of demographic characteristics has been undertaken to identify specific residential property buyers segments and needs within the market catchment.

Comparing the identified market catchment (consisting of the ten SA2s mentioned earlier) and the broader Sydney Greater Metropolitan Region (GMR) provides an indication of the type of market that is available within the market catchment relative to the broader Sydney GMR.

Age: Chart 4.2 shows that overall the market catchment has a younger population than the Sydney GMR benchmark.

The market catchment has a higher proportion of residents aged 0-13 years and 14-24 years, making up 21% and 16% of the population respectively. The market catchment also has a significantly lower proportion of residents aged 60+ years, representing just 14% of the population compared to 18% in this age group across the wider Sydney region. This suggests a lower proportion of retirees within the market catchment area, with a higher proportion of families and children.

Chart 4.3 reflects the age distribution of the market catchment, which has consistently had a lower average age than the Sydney Benchmark, despite trending upwards across the 2001, 2006 and 2011 Census years. The average age for the market catchment in 2011 was 34.2 years, compared to 37.1 years for the Sydney benchmark.

Income: Table 4.1 illustrates that the market catchment has a lower average household income than the Sydney GMR, with the market catchment having an average household income of $78,024 which is 17.4% below the Sydney benchmark. This highlights the need for a relatively affordable dwelling product such as apartments within the catchment area, and the importance of developing residential supply to accommodate the market catchment's growing population.

The lower average income observed in the market catchment area is driven by its lower proportion of households (16.2%) earning above $130,000, than across the broader Sydney GMR (26.4%).

Household Composition: The household structure profile in Table 4.4 illustrates that the market catchment has a significantly higher proportion of family households (82%) than the broader Sydney GMR (72%). Furthermore, the market catchment has a lower proportion of lone person households, making up just 16% of households compared to 23% for the Sydney benchmark.

Family Composition: The majority of family households within the market catchment are couple families with dependent children (aged less than 15 years) making up 36% of families. This is followed by couples with no children, making up 23% of families.

This composition is generally in line with the broader Sydney GMR, highlighting the need for a dwelling product catering to both couples and younger families.

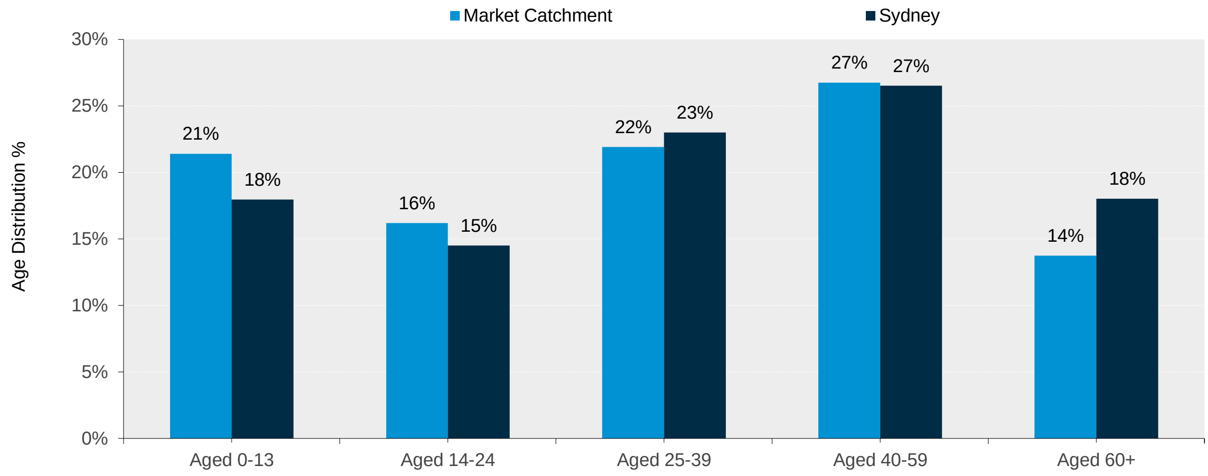
Housing Structure: Reflecting the underlying need for larger dwellings by family households, separate houses make up 73% of all dwellings in the market catchment.

Furthermore, the market catchment has a significantly lower proportion of apartments than the broader Sydney GMR, making up 14% of households compared to 26% across Sydney. Of the existing apartments within the market catchment, the majority are located around train stations and town centres.

Employment: Employment participation amongst residents in the market catchment is lower than the broader Sydney GMR, along with a higher unemployment rate (8%) than the Sydney GMR (6%). Of those working within the catchment area, 40% are in blue collar industries compared to just 26% across Sydney. The mix of blue and white collar residents means that journey to work patterns are spread across both CBD (Liverpool, Sydney and Parramatta) and industrial precincts (such as Wetherill Park).

Age Distribution

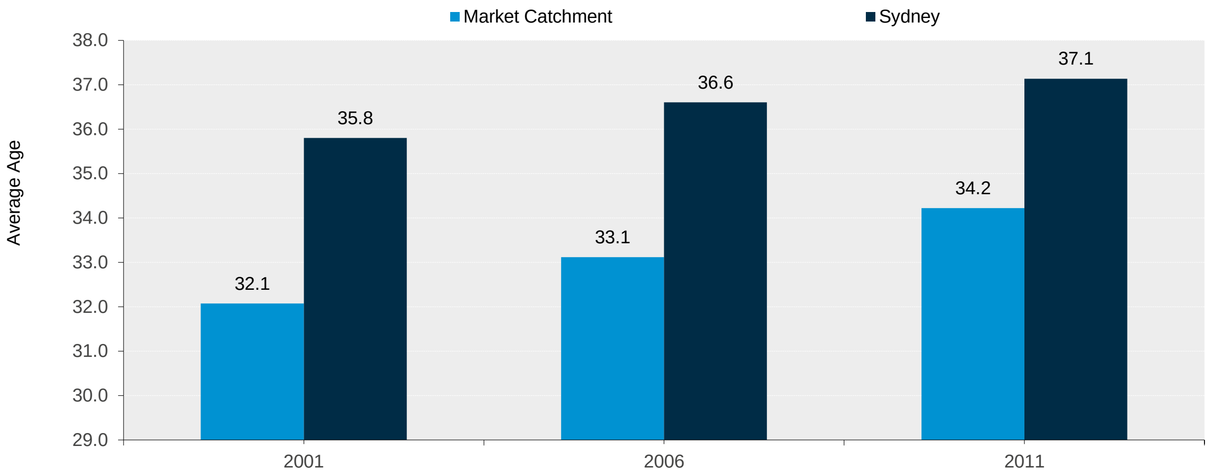
CATCHMENT AREA AND SYDNEY AVERAGE CHART 4.2



Source : Urbis; ABS Census 2011

Average Age

CATCHMENT AREA AND SYDNEY AVERAGE CHART 4.3



Source : Urbis; ABS Census 2011

Income Distribution

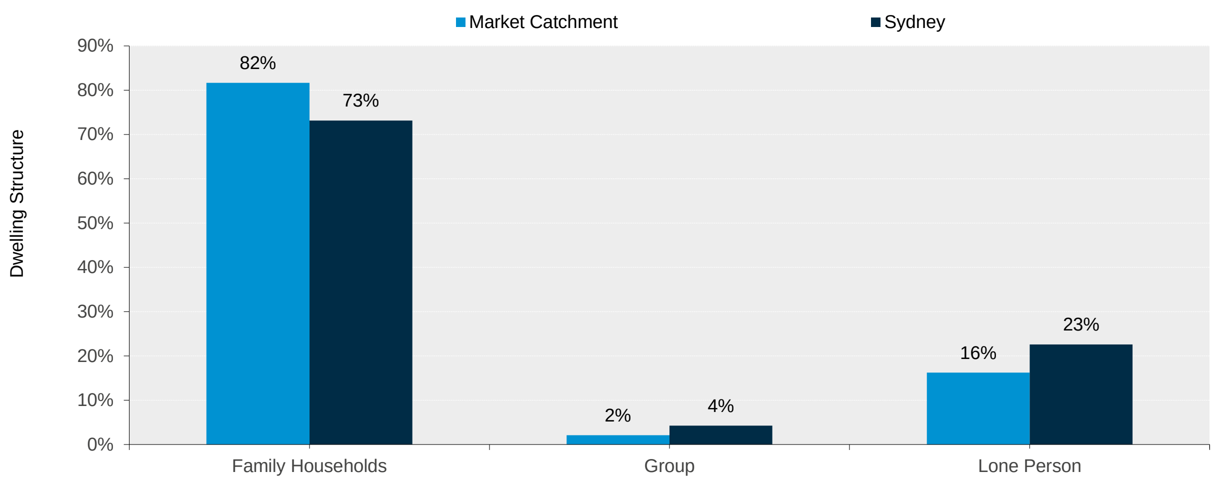
CATCHMENT AREA AND SYDNEY AVERAGE — TABLE 4.1

	Market Catchment	Sydney
$Neg/Nil	1%	2%
$1-$10,400	2%	2%
$10,400-$15,600	4%	3%
$15,600-$20,800	6%	6%
$20,800-$31,200	10%	8%
$31,200-$41,600	10%	8%
$41,600-$52,000	8%	8%
$52,000-$65,000	10%	8%
$65,000-$78,000	9%	8%
$78,000-$104,000	13%	13%
$104,000-$130,000	10%	9%
$130,000-$156,000	7%	11%
$156,000-$182,000	4%	6%
$182,000-$208,000	2%	3%
$208,000 plus	3%	6%
Average Household Income	**$78,024**	**$94,428**
Household Income Variation	**-17.4%**	

Source : Urbis; ABS Census 2011

Household Structure

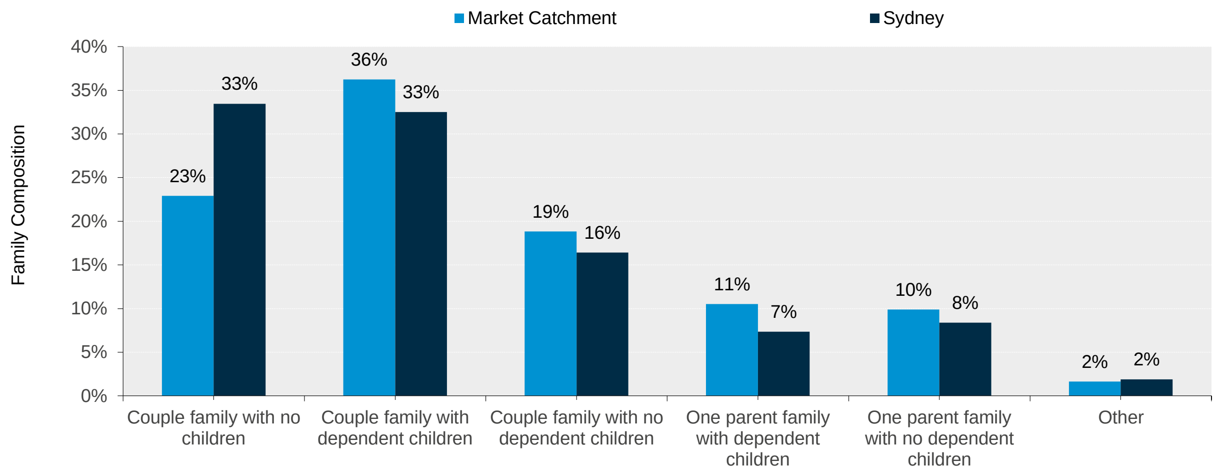
CATCHMENT AREA AND SYDNEY AVERAGE — CHART 4.4



Source : Urbis; ABS Census 2011

Family Composition

CATCHMENT AREA AND SYDNEY AVERAGE CHART 4.5



Source : Urbis; ABS Census 2011

Dwelling Structure

CATCHMENT AREA AND SYDNEY AVERAGE TABLE 4.2

	Market Catchment	Sydney
Separate House (%)	73%	61%
Semi-detached (%)	13%	13%
Flat, Unit or apartment (%)	14%	26%
Other dwelling (%)	0.1%	0.5%

Source : Urbis; ABS Census 2011

Employment

CATCHMENT AREA AND SYDNEY AVERAGE TABLE 4.3

	Market Catchment	Sydney
Employment Rate (%)	37%	43%
Labour Force Participation (%)	60%	66%
Unemployment Rate (%)	8%	6%
White Collar	60%	74%
Blue Collar	40%	26%

Source : Urbis; ABS Census 2011

Journey to Work

MARKET CATCHMENT RESIDENTS — TABLE 4.4

Statistical Area 2 (SA2)	Market Catchment	%
Liverpool - Warwick Farm	7929	9%
Sydney - Haymarket - The Rocks	5383	6%
Chipping Norton - Moorebank	3898	4%
No fixed work address (GMA)	3817	4%
Prestons - Lurnea	3253	4%
Holsworthy - Wattle Grove	2943	3%
Wetherill Park Industrial	2903	3%
Parramatta - Rosehill	2506	3%
Cabramatta - Lansvale	2491	3%
Bankstown	1785	2%
Balance	51,138	58%
Total	**88,046**	**100%**

Source : BTS JTW 2011 ; Urbis

4.4 POPULATION GROWTH

Population growth provides an indication of the underlying demand for housing in a particular area.

The NSW Department of Planning and Environment (DP&E) is responsible for the development and regular review of the official population projections. These forecasts provide the main source of population analysis undertaken by the NSW Government.

Population Growth

CATCHMENT AREA AND SYDNEY AVERAGE — TABLE 4.5

	Historic Estimated Residential Population (ERP)			Population Forecasts			
	2006	**2011**	**2013**	**2016**	**2021**	**2026**	**2031**
Market Catchment	213,342	232,789	240,812	253,951	278,564	305,383	327,901
	2001-06	**2006-11**	**2011-13**	**2013-16**	**2016-21**	**2021-26**	**2026-31**
Additional Residents	10,901	19,447	8,023	13,139	24,613	26,819	22,518
Average Annual Change (no)	2,180	3,889	4,012	4,380	4,923	5,364	4,504
Average Annual Change (%)	1.1%	1.8%	1.7%	1.8%	1.9%	1.9%	1.4%
	2006	**2011**	**2013**	**2016**	**2021**	**2026**	**2031**
Sydney Average	4,256,161	4,608,949	4,757,083	4,995,750	5,418,950	5,838,750	6,248,750
	2001-06	**2006-11**	**2011-13**	**2013-16**	**2016-21**	**2021-26**	**2026-31**
Additional Residents	153,581	352,788	148,134	238,667	423,200	419,800	410,000
Average Annual Change (no)	30,716	70,558	74,067	79,556	84,640	83,960	82,000
Average Annual Change (%)	0.7%	1.6%	1.6%	1.6%	1.6%	1.5%	1.4%

Source : ABS Census 2011 ; DP&I 2014 NSW Population Projections ; Urbis

The key findings from the historical and forecast population growth include:

- In the period between 2001 and 2011, the population within the catchment area grew by approximately 30,348, or 15% over the ten years

- This exceeded the growth rate seen across the broader Sydney GMR population, which grew by 12.3% over this period at an average annual population growth of 1.2%

- The population of the catchment area is forecast to exceed 320,000 residents by 2031, which would see the 2011 population grow by over 95,000 residents or 41% over 20 years

- Annual population growth that is expected to fluctuate between 1.4% and 1.9% between 2011 and 2031, exceeding what was achieved between 2001 and 2011.

4.5 DWELLING SUPPLY

The following section considers the existing supply of residential dwellings within the market catchment area, including the performance of the housing market, its affordability relative to catchment incomes and competing residential projects.

The future supply of residential dwellings has also been considered compared with the forecast demand for residential housing.

4.5.1 HOUSING MARKET TRENDS

This section will provide an indication of the performance of housing market within the market catchment, reviewing median unit prices, capital growth, transaction volumes and demand for rental accommodation. From this analysis, the following points were observed:

- Since 2004 the Sydney unit market has experienced stronger capital growth than the Liverpool LGA, which grew by 3.9% per annum compared to 2.4% per annum in Liverpool.

- More recently however the Liverpool LGA has seen capital growth above the broader Sydney GMR. Since 2010 the Liverpool LGA has seen capital growth of 5% per annum compared to 3.6% across the Sydney GMR, pointing to growing demand for apartments within Liverpool whilst also coming from a lower base.

- The number of unit transactions in the market catchment has fluctuated significantly between 2004 and 2014, with annual unit transactions ranging from 601 transactions in 2006 to 1,008 transactions in 2009.

- The sales transaction observed in 2009 illustrate a strong recovery after the GFC, transacting 32% above the average for 2004 to 2014.

- Sales transactions in 2013 were also strong relative to the 10 year average with 876 units sold, 14% above average.

- The market catchment is located in the outer ring market measured by the REINSW for rental vacancy, with vacancy rates of 1.7% in April 2014:

  - The outer ring vacancy is slightly above its long-run rate of 1.5% (since January 2007)

  - However vacancy under 2.5% has traditionally been taken to indicate a ‘supply constrained’ market, usually leading to increasing rental rates over time

  - A vacancy of 1.7% suggests that the Liverpool rental market does not currently have a lot of capacity to accommodate a dramatic increase in residential tenant demand

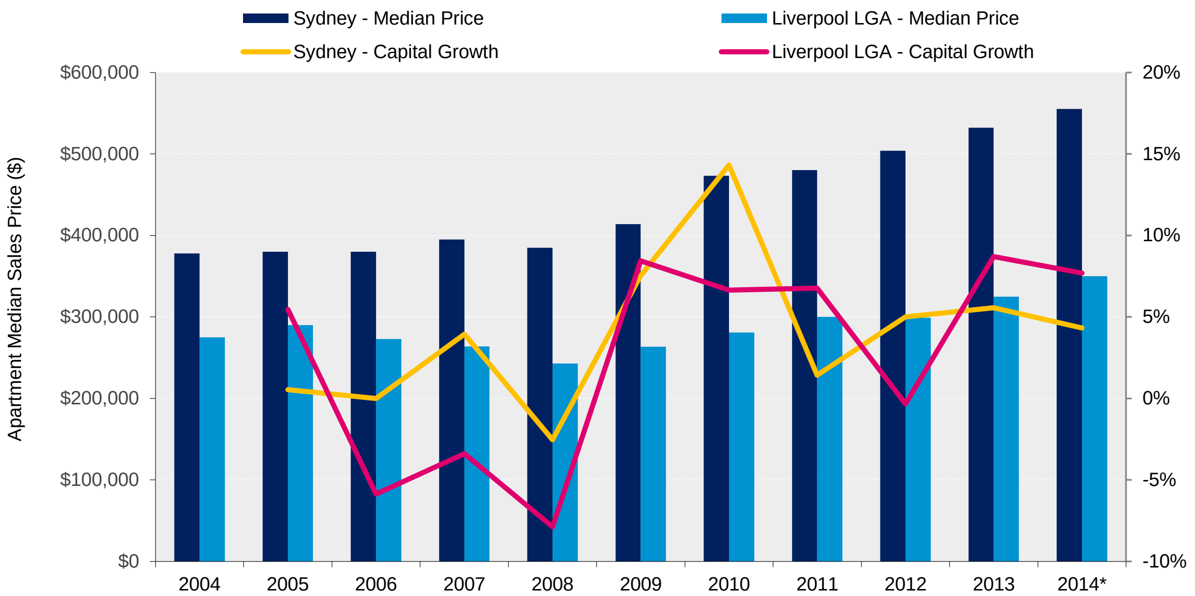
  - The risk associated with a tight rental market is ongoing rental rate appreciation, negatively impacting the affordability of rental stock over time as the rental rate is bid up by strong competition for rental housing

  - The impact of a tight rental market disproportionately impacts lower income groups, who do not have the income to enter the housing market as purchasers. In addition to this, higher rental rates impact their ability to enter the market in the future, and their capacity to save a deposit.

- The low rental vacancy rates witnessed in Sydney's outer ring have influenced the steady rental growth in Liverpool LGA. The Liverpool rental rate for units has grown faster over the last 10 years than the Sydney average.

Apartment Price and Transactions

LIVERPOOL LGA AND SYDNEY CHART 4.6

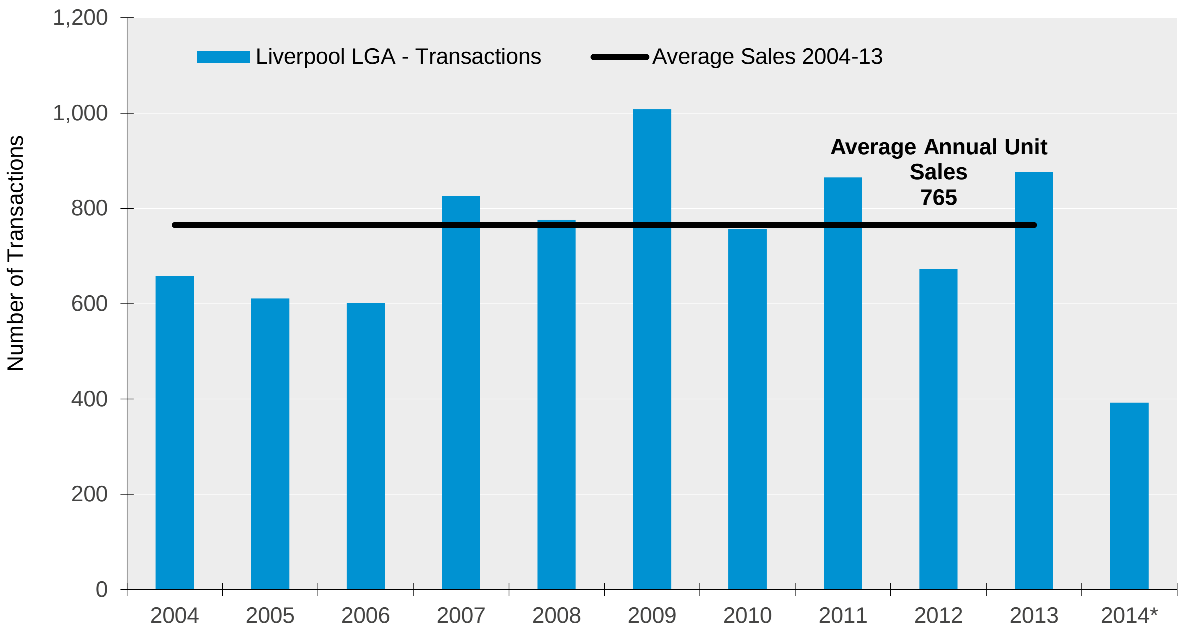


**2014 is a part year*

Source : Urbis; RPData 2014

Apartment Transactions

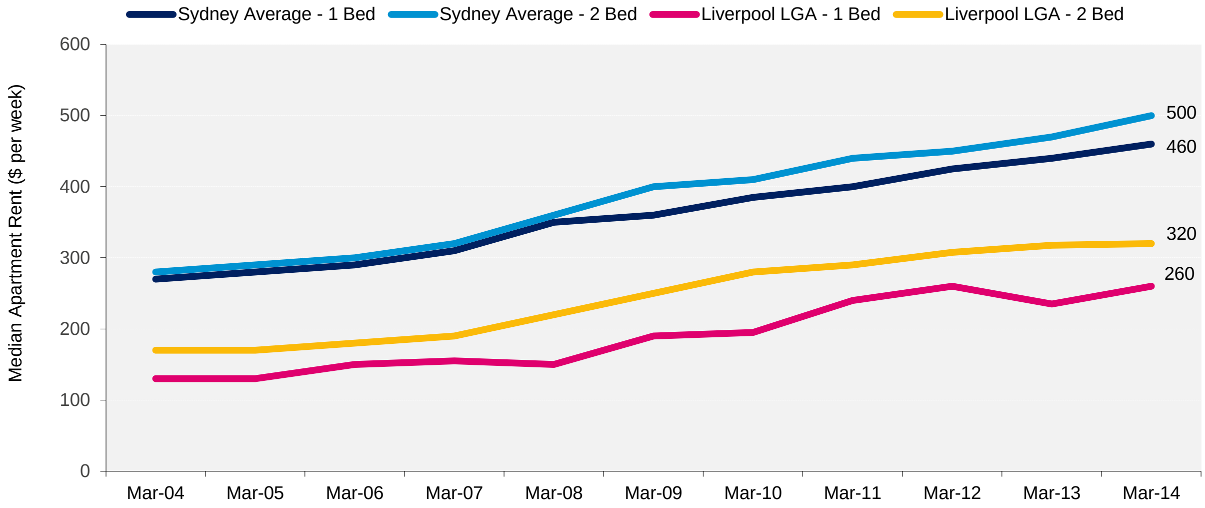
LIVERPOOL LGA AND SYDNEY CHART 4.7



**2014 is a part year*

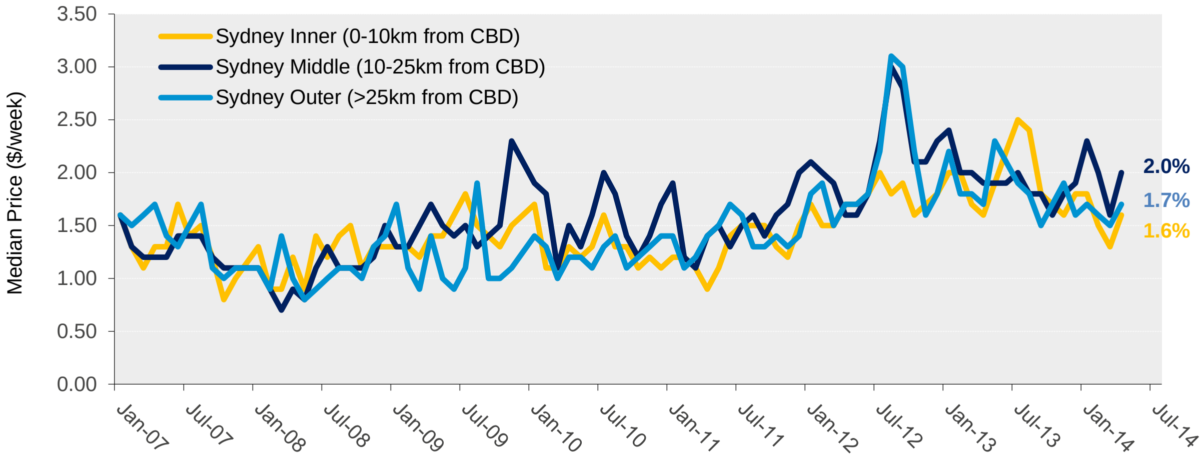
Source : Urbis; RPData 2014

Median Rents
1 BED AND 2 BEDS
CHART 4.8



Source : Housing NSW, Urbis

Rental Vacancy
INNER, MIDDLE AND OUTER SYDNEY
CHART 4.9



Source : Urbis; REINSW 2014

4.5.2 HISTORIC DWELLING APPROVALS

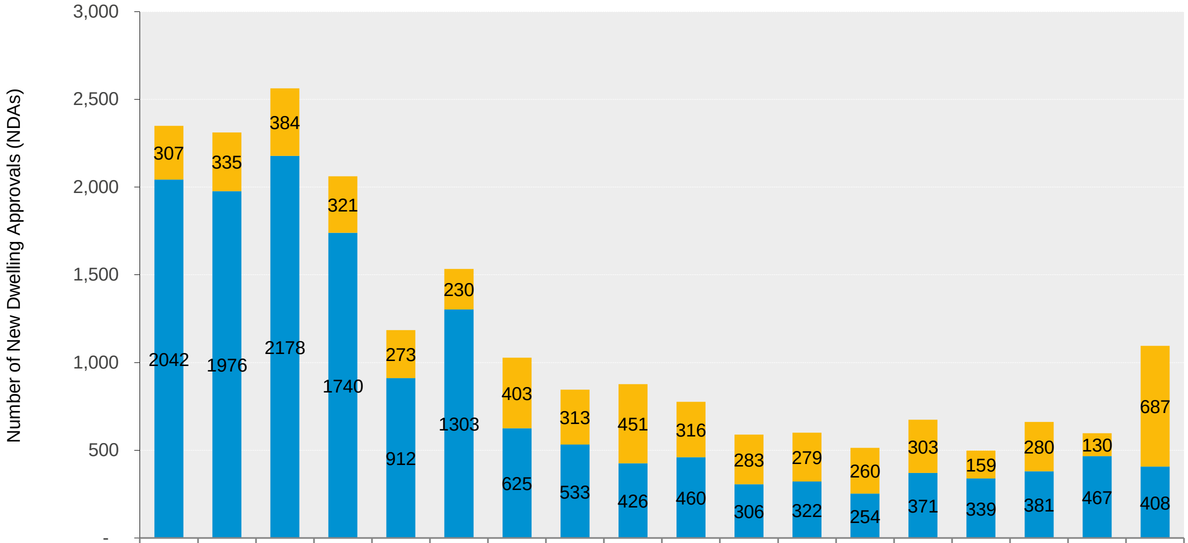
The historic new dwelling approvals (NDAs) data for both the market catchment and the Liverpool LGA reflect the urban character and locational attributes of the two areas.

The type of NDAs within the Liverpool LGA is reflective of the NDAs within the catchment area. Other dwelling (including semi-detached, row or terrace houses, townhouses and flats units or apartments) approvals within the catchment area and the Liverpool LGA between 1996/96 and 2013/14 comprised of 28% and 26% respectively, reflecting that the catchment area comprises the more urban areas of the Liverpool LGA.

This reflects the trend towards higher density dwelling within close proximity to the CBD and with high accessibility to transport infrastructure. Future development is clustered around the Liverpool centre, reflecting this trend.

New Dwelling Approvals

MARKET CATCHMENT 96/97 TO 13/14 CHART 4.10

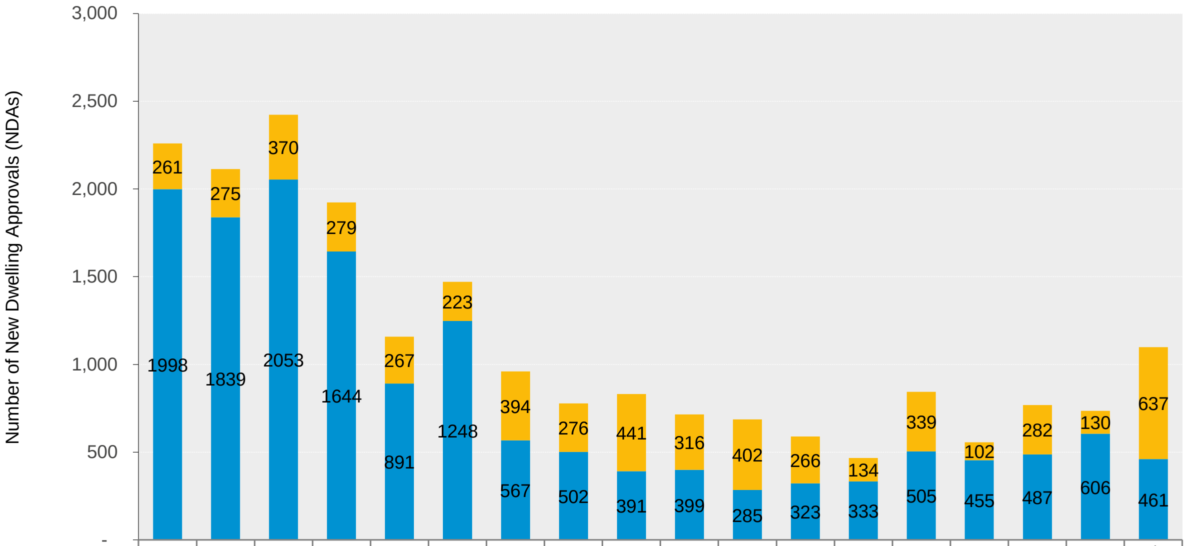


	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14 (2 qtrs)
Other	307	335	384	321	273	230	403	313	451	316	283	279	260	303	159	280	130	687
Houses	2042	1976	2178	1740	912	1303	625	533	426	460	306	322	254	371	339	381	467	408

Source : Urbis; ABS Census 2011

New Dwelling Approvals

LIVERPOOL LGA 96/97 TO 13/14 CHART 4.11

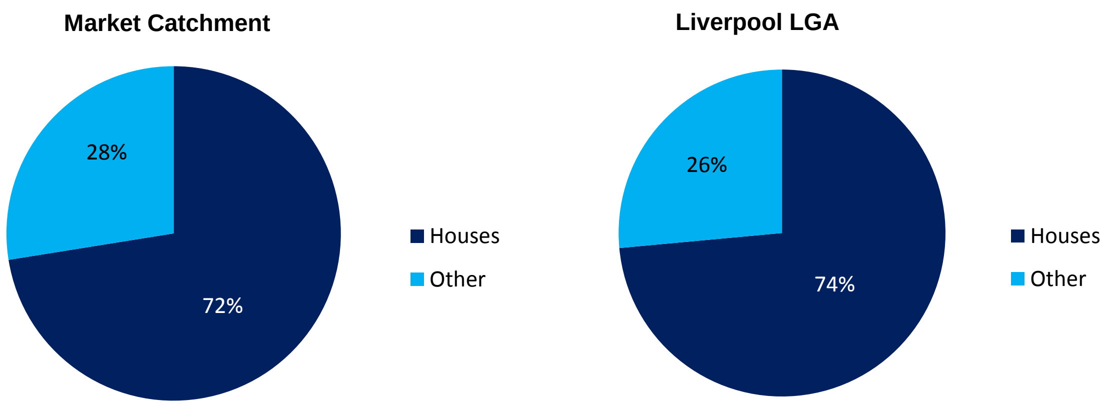


	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14 (2 qtrs)
Other	261	275	370	279	267	223	394	276	441	316	402	266	134	339	102	282	130	637
Houses	1998	1839	2053	1644	891	1248	567	502	391	399	285	323	333	505	455	487	606	461

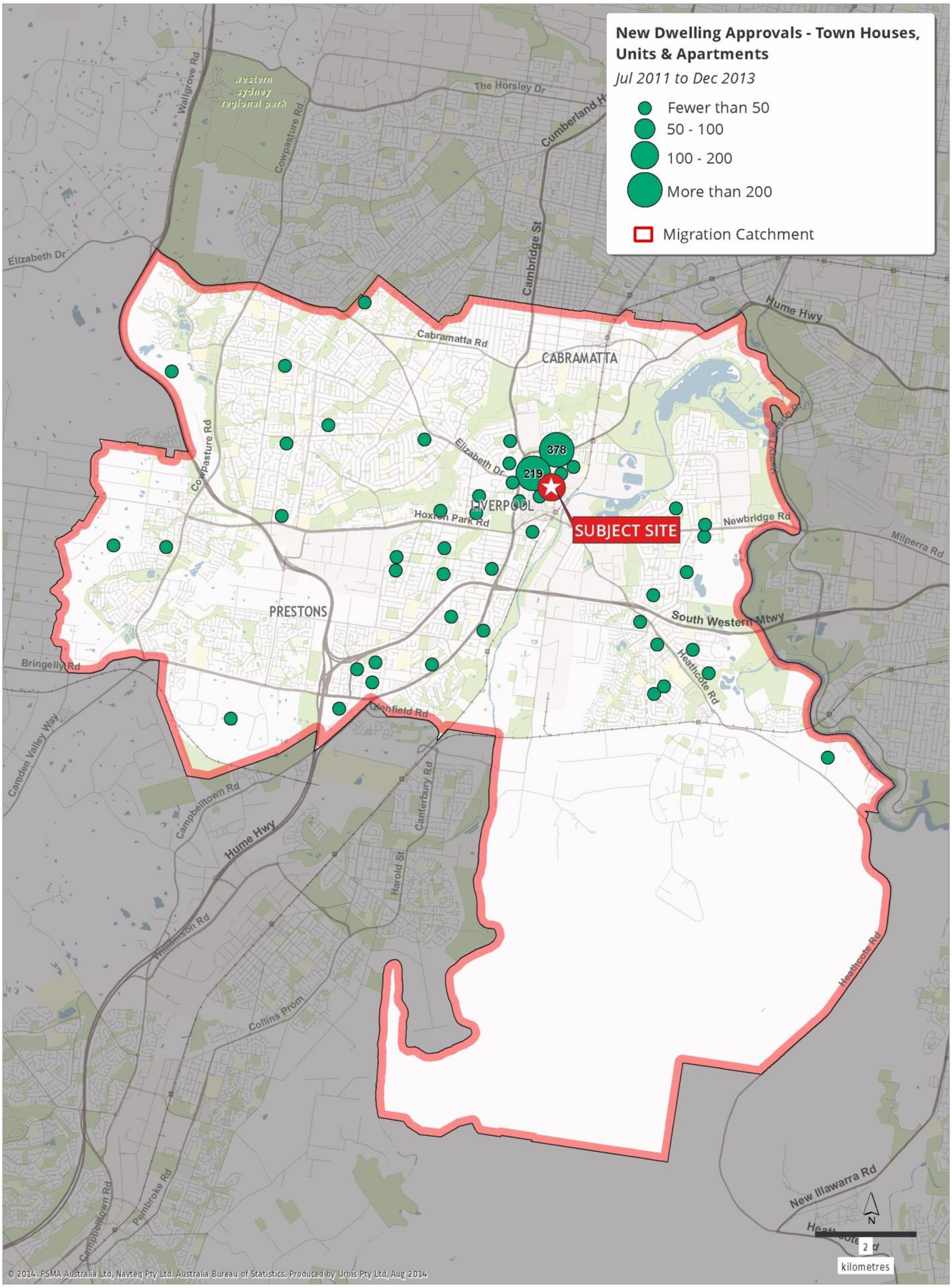
Source : Urbis; ABS Census 2011

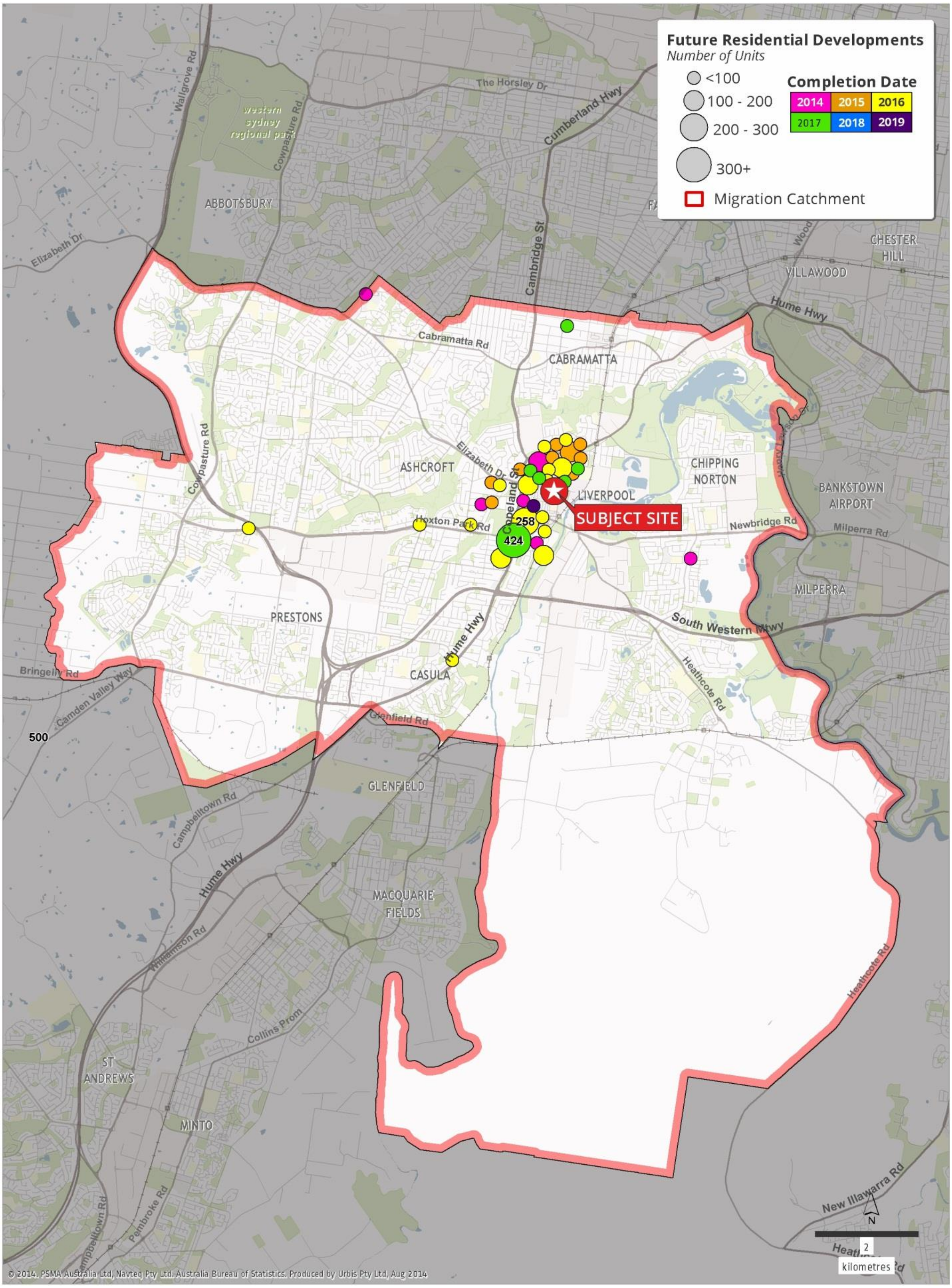
NDA Dwelling Approvals Comparison

MARKET CATCHMENT AND LIVERPOOL LGA 96/97 TO 13/14 CHART 4.12



Source : Urbis; ABS Census 2011


New Dwelling Approvals - Town Houses, Units & Apartments
Jul 2011 to Dec 2013
Fewer than 50
50 - 100
100 - 200
More than 200
Migration Catchment
CABRAMATTA
LIVERPOOL
PRESTONS
SUBJECT SITE
378
219
Cabramatta Rd
Elizabeth Dr
Hoxton Park Rd
Newbridge Rd
Milperra Rd
South Western Mtwy
Heathcote Rd
Glenfield Rd
Cowpasture Rd
Bringelly Rd
Camden Valley Way
Campbelltown Rd
Hume Hwy
Canterbury Rd
Harold St
Williamson Rd
Collins Prom
Pembroke Rd
New Illawarra Rd
The Horsley Dr
Cumberland Hwy
Cambridge St
Wallgrove Rd
western sydney regional park
2
kilometres
© 2014, PSMA Australia Ltd, Navteq Pty Ltd, Australia Bureau of Statistics. Produced by Urbis Pty Ltd, Aug 2014


Future Residential Developments
Number of Units
<100
100 - 200
200 - 300
300+
Completion Date
2014
2015
2016
2017
2018
2019
Migration Catchment
SUBJECT SITE
258
424
500
LIVERPOOL
CABRAMATTA
ASHCROFT
CHIPPING NORTON
PRESTONS
CASULA
ABBOTSBURY
CHESTER HILL
VILLAWOOD
BANKSTOWN AIRPORT
MILPERRA
GLENFIELD
MACQUARIE FIELDS
ST ANDREWS
MINTO
Cabramatta Rd
Elizabeth Dr
Hoxton Park Rd
Newbridge Rd
South Western Mwy
Hume Hwy
Cambridge St
Cumberland Hwy
The Horsley Dr
Wallgrove Rd
Cowpasture Rd
Elizabeth Dr
Bringelly Rd
Camden Valley Way
Glenfield Rd
Campbelltown Rd
Heathcote Rd
Collins Prom
Williamson Rd
Pembroke Rd
New Illawarra Rd
Milperra Rd
2
kilometres
N
© 2014. PSMA Australia Ltd, Navteq Pty Ltd, Australia Bureau of Statistics. Produced by Urbis Pty Ltd, Aug 2014

Proposed Apartment Developments

MARKET CATCHMENT, YIELD OVER 100

TABLE 4.6

Project Name	Address	Suburb	Proposed Yield	Estimated Completion Date	Status
Solis	1-3 Bigge Street, 2 Browne Place and 26-32 Hume Highway	Warwick Farm	188	2015	Construction
Hume Highway and Browne Parade Units	34-40 Hume Highway and 1 Browne Parade	Warwick Farm	113	2016	Development Approval
The Mill	20 Shepherd Street	Liverpool	102	2016	Development Approval
The Point	311 Hume Highway	Liverpool	175	2016	Development Approval
Elizabeth Drive Mixed Development	69A, 71 & 73 Elizabeth Drive	Liverpool	121	2016	Development Approval
Eagle Towers	10 Corner 10 Norfolk Street and 100 Castlereagh Street	Liverpool	258	2016	Development Approval
Macquarie Street Mixed Development	420-446 Macquarie Street	Liverpool	424	2017	Development Application
Total			**1,381**		

Source : Cordell Connect ; Urbis

A sample of some of the significant residential apartment developments with Liverpool are outlined further in Appendix A.

4.5.3 HOUSING AFFORDABILITY ANALYSIS

Housing affordability refers to a household's capacity to purchase housing, commonly measured by the proportion of a household's income spent on dwelling costs. The standard benchmark for whether housing is unaffordable is when repayments constitute 30% or more of a household's income.

If a household spends 30% or more of their household income on mortgage repayments or rental payments they are considered at risk of housing stress.

This section conducts an assessment of the price points at which First Home Buyers (FHB) and established home buyers can afford to purchase housing, on both average and upper quartile incomes in the market catchment area.

Average household income for the catchment area is currently estimated to be $78,024 with 25% of households estimated to have incomes above $104,000 per annum.

Applying the 30% benchmark shows that average income households can afford housing costs of $1,767 per month, while the top 25% of households can afford a monthly housing cost of $2,430.

To identify the affordable housing price for the market catchment, the repayments required for a range of price points were calculated and shown overleaf in Table 4.8 and 4.9.

The following assumptions underpin our affordability calculations:

- Average 20% deposit for FHBs and 50% for established home owners
- Two mortgage rates, the current rate 5.25% and 10 year average of 7.25% (Reserve Bank of Australia: F5 Indicator Lending Rates)
- 30 year mortgage term.

Table 4.8 and 4.9 show that a FHB household with an average income can afford units priced at up to $400,000 at the current mortgage rate of 5.25%, falling to $350,000 if the mortgage rate corrects to its 10 year average of 7.25%.

While the top 25% of FHB households can afford a higher price point of $550,000 at a mortgage rate of 5.25% and $450,000 at a mortgage rate of 7.25%.

The affordable unit price changes considerably for established home owners, due to the assumed 50% deposit given estimated equity in existing dwellings (reducing the loan size). Households on average income can afford between $550,000 and $700,000, while higher income households can typically afford housing priced between $750,000 and $900,000. These results are summarised below in Table 4.9.

TABLE 4.7 – HOUSING AFFORDABILITY - SUMMARY

MARKET	AVERAGE HH INCOME	UPPER QUARTILE HH INCOME
First Home Buyers	$350,000 – $400,000	$450,000 - $550,000
Established Home Owners	$550,000 – $700,000	$750,000 – $900,000

Source: Urbis

The current median price for apartments within the market catchment is $350,000 (as outlined previously), which places FHBs on the cusp of being unable to afford units priced at the LGA's median rate. This has the potential to lead to a net outmigration amongst these household groups to more affordable markets or restrict them to the rental market.

A number of projects currently on the market (outlined in Appendix A) show the sale and/or asking prices. This analysis illustrates that FHBs are predominantly only able to afford studios and 1 bed apartments within these projects with asking prices often at the upper end of their affordable range.

Established home owners on the other hand appear to be able to afford most product types illustrating the impact of reducing the size of mortgages on repayments and overall affordability.

First Home Buyer - Affordability

MARKET CATCHMENT

TABLE 4.8

	$300,000	$350,000	$400,000	$450,000	$500,000	$550,000	**$600,000**	$650,000	$700,000	$750,000	$800,000	$850,000	$900,000
5.00%	-$1,288	-$1,503	-$1,718	-$1,933	-$2,147	-$2,362	-$2,577	-$2,791	-$3,006	-$3,221	-$3,436	-$3,650	-$3,865
5.25%	**-$1,325**	**-$1,546**	**-$1,767**	**-$1,988**	**-$2,209**	**-$2,430**	**-$2,651**	**-$2,871**	**-$3,092**	**-$3,313**	**-$3,534**	**-$3,755**	**-$3,976**
5.50%	-$1,363	-$1,590	-$1,817	-$2,044	-$2,271	-$2,498	-$2,725	-$2,953	-$3,180	-$3,407	-$3,634	-$3,861	-$4,088
5.75%	-$1,401	-$1,634	-$1,867	-$2,101	-$2,334	-$2,568	-$2,801	-$3,035	-$3,268	-$3,501	-$3,735	-$3,968	-$4,202
6.00%	-$1,439	-$1,679	-$1,919	-$2,158	-$2,398	-$2,638	-$2,878	-$3,118	-$3,357	-$3,597	-$3,837	-$4,077	-$4,317
6.25%	-$1,478	-$1,724	-$1,970	-$2,217	-$2,463	-$2,709	-$2,955	-$3,202	-$3,448	-$3,694	-$3,941	-$4,187	-$4,433
6.50%	-$1,517	-$1,770	-$2,023	-$2,275	-$2,528	-$2,781	-$3,034	-$3,287	-$3,540	-$3,792	-$4,045	-$4,298	-$4,551
6.75%	-$1,557	-$1,816	-$2,076	-$2,335	-$2,594	-$2,854	-$3,113	-$3,373	-$3,632	-$3,892	-$4,151	-$4,410	-$4,670
7.00%	-$1,597	-$1,863	-$2,129	-$2,395	-$2,661	-$2,927	-$3,193	-$3,460	-$3,726	-$3,992	-$4,258	-$4,524	-$4,790
7.25%[2]	**-$1,637**	**-$1,910**	**-$2,183**	**-$2,456**	**-$2,729**	**-$3,002**	**-$3,274**	**-$3,547**	**-$3,820**	**-$4,093**	**-$4,366**	**-$4,639**	**-$4,912**
7.50%	-$1,678	-$1,958	-$2,237	-$2,517	-$2,797	-$3,077	-$3,356	-$3,636	-$3,916	-$4,195	-$4,475	-$4,755	-$5,034
7.75%	-$1,719	-$2,006	-$2,293	-$2,579	-$2,866	-$3,152	-$3,439	-$3,725	-$4,012	-$4,298	-$4,585	-$4,872	-$5,158
8.00%	-$1,761	-$2,055	-$2,348	-$2,642	-$2,935	-$3,229	-$3,522	-$3,816	-$4,109	-$4,403	-$4,696	-$4,990	-$5,283
8.25%	-$1,803	-$2,104	-$2,404	-$2,705	-$3,005	-$3,306	-$3,606	-$3,907	-$4,207	-$4,508	-$4,808	-$5,109	-$5,409
8.50%	-$1,845	-$2,153	-$2,461	-$2,768	-$3,076	-$3,383	-$3,691	-$3,998	-$4,306	-$4,613	-$4,921	-$5,229	-$5,536
8.75%	-$1,888	-$2,203	-$2,517	-$2,832	-$3,147	-$3,461	-$3,776	-$4,091	-$4,406	-$4,720	-$5,035	-$5,350	-$5,664
9.00%	-$1,931	-$2,253	-$2,575	-$2,897	-$3,218	-$3,540	-$3,862	-$4,184	-$4,506	-$4,828	-$5,150	-$5,471	-$5,793
9.25%	-$1,974	-$2,303	-$2,633	-$2,962	-$3,291	-$3,620	-$3,949	-$4,278	-$4,607	-$4,936	-$5,265	-$5,594	-$5,923
9.50%	-$2,018	-$2,354	-$2,691	-$3,027	-$3,363	-$3,700	-$4,036	-$4,372	-$4,709	-$5,045	-$5,381	-$5,718	-$6,054
9.75%	-$2,062	-$2,406	-$2,749	-$3,093	-$3,437	-$3,780	-$4,124	-$4,468	-$4,811	-$5,155	-$5,499	-$5,842	-$6,186
10.00%	-$2,106	-$2,457	-$2,808	-$3,159	-$3,510	-$3,861	-$4,212	-$4,563	-$4,914	-$5,265	-$5,616	-$5,967	-$6,319

Catchment Av. HH Income:	$78,024	Catchment Upper Quartile Income:	$104,000
Total Catchment Households	75,254	Catchment Households in Upper Quartile	19,993

Established Buyers - Affordability

MARKET CATCHMENT

TABLE 4.9

	$400,000	$450,000	$500,000	$550,000	$600,000	$650,000	$700,000	$750,000	$800,000	$850,000	$900,000	$950,000	$1,000,000
5.00%	-$1,074	-$1,208	-$1,342	-$1,476	-$1,610	-$1,745	-$1,879	-$2,013	-$2,147	-$2,281	-$2,416	-$2,550	-$2,684
5.25%[1]	**-$1,104**	**-$1,242**	**-$1,381**	**-$1,519**	**-$1,657**	**-$1,795**	**-$1,933**	**-$2,071**	**-$2,209**	**-$2,347**	**-$2,485**	**-$2,623**	**-$2,761**
5.50%	-$1,136	-$1,278	-$1,419	-$1,561	-$1,703	-$1,845	-$1,987	-$2,129	-$2,271	-$2,413	-$2,555	-$2,697	-$2,839
5.75%	-$1,167	-$1,313	-$1,459	-$1,605	-$1,751	-$1,897	-$2,043	-$2,188	-$2,334	-$2,480	-$2,626	-$2,772	-$2,918
6.00%	-$1,199	-$1,349	-$1,499	-$1,649	-$1,799	-$1,949	-$2,098	-$2,248	-$2,398	-$2,548	-$2,698	-$2,848	-$2,998
6.25%	-$1,231	-$1,385	-$1,539	-$1,693	-$1,847	-$2,001	-$2,155	-$2,309	-$2,463	-$2,617	-$2,771	-$2,925	-$3,079
6.50%	-$1,264	-$1,422	-$1,580	-$1,738	-$1,896	-$2,054	-$2,212	-$2,370	-$2,528	-$2,686	-$2,844	-$3,002	-$3,160
6.75%	-$1,297	-$1,459	-$1,621	-$1,784	-$1,946	-$2,108	-$2,270	-$2,432	-$2,594	-$2,757	-$2,919	-$3,081	-$3,243
7.00%	-$1,331	-$1,497	-$1,663	-$1,830	-$1,996	-$2,162	-$2,329	-$2,495	-$2,661	-$2,828	-$2,994	-$3,160	-$3,327
7.25%[2]	**-$1,364**	**-$1,535**	**-$1,705**	**-$1,876**	**-$2,047**	**-$2,217**	**-$2,388**	**-$2,558**	**-$2,729**	**-$2,899**	**-$3,070**	**-$3,240**	**-$3,411**
7.50%	-$1,398	-$1,573	-$1,748	-$1,923	-$2,098	-$2,272	-$2,447	-$2,622	-$2,797	-$2,972	-$3,146	-$3,321	-$3,496
7.75%	-$1,433	-$1,612	-$1,791	-$1,970	-$2,149	-$2,328	-$2,507	-$2,687	-$2,866	-$3,045	-$3,224	-$3,403	-$3,582
8.00%	-$1,468	-$1,651	-$1,834	-$2,018	-$2,201	-$2,385	-$2,568	-$2,752	-$2,935	-$3,118	-$3,302	-$3,485	-$3,669
8.25%	-$1,503	-$1,690	-$1,878	-$2,066	-$2,254	-$2,442	-$2,629	-$2,817	-$3,005	-$3,193	-$3,381	-$3,569	-$3,756
8.50%	-$1,538	-$1,730	-$1,922	-$2,115	-$2,307	-$2,499	-$2,691	-$2,883	-$3,076	-$3,268	-$3,460	-$3,652	-$3,845
8.75%	-$1,573	-$1,770	-$1,967	-$2,163	-$2,360	-$2,557	-$2,753	-$2,950	-$3,147	-$3,343	-$3,540	-$3,737	-$3,934
9.00%	-$1,609	-$1,810	-$2,012	-$2,213	-$2,414	-$2,615	-$2,816	-$3,017	-$3,218	-$3,420	-$3,621	-$3,822	-$4,023
9.25%	-$1,645	-$1,851	-$2,057	-$2,262	-$2,468	-$2,674	-$2,879	-$3,085	-$3,291	-$3,496	-$3,702	-$3,908	-$4,113
9.50%	-$1,682	-$1,892	-$2,102	-$2,312	-$2,523	-$2,733	-$2,943	-$3,153	-$3,363	-$3,574	-$3,784	-$3,994	-$4,204
9.75%	-$1,718	-$1,933	-$2,148	-$2,363	-$2,577	-$2,792	-$3,007	-$3,222	-$3,437	-$3,651	-$3,866	-$4,081	-$4,296
10.00%	-$1,755	-$1,975	-$2,194	-$2,413	-$2,633	-$2,852	-$3,072	-$3,291	-$3,510	-$3,730	-$3,949	-$4,168	-$4,388

Catchment Av. HH Income:	$78,024	Catchment Upper Quartile Income	$104,000
Total Catchment Households	75,254	Catchment Households in Upper Quartile	19,993

4.6 SUPPLY AND DEMAND FORECASTS

The following section looks at the proposed future supply of residential dwellings within the market catchment and analyses this alongside the future expected dwelling demand based on population forecasts. The following supply pipeline, in terms of stage of development is as follows:

- 20% of the development pipeline are currently under construction/or site works have commenced
- 23% of the developments have approval, however have not yet commenced construction or site works
- 57% of the development pipeline is currently being assessed/undergoing development approval.

Housing Supply by Project Stage & Estimated Completion Date

MARKET CATCHMENT, 2014 ONWARDS TABLE 4.10

	2014	2015	2016	2017	2018	2019	2020
Works Commenced / Contract Let	530	431	76	76	0	0	0
Development Approval	7	82	1,025	113	0	46	0
Pre-Development Approval / Early Planning	0	21	163	513	900	0	1,531
Total	**537**	**534**	**1,264**	**702**	**900**	**46**	**1,531**

Source : Cordell Connect ; Urbis

The 20% of the pipeline under construction / undergoing site works has a relatively high degree of certainty of being delivered, due to their advanced stage in the development process. This indicates that over the short-term there is a relatively high degree of certainty that the potential housing identified from 2014 to 2015 will be delivered.

There is a degree of risk associated however with the proportion of the development pipeline that is still going through the development approval/building approval process, which may affect the eventual project approval or yield. As such many of the projects scheduled for completion between 2016 and 2020 have a higher degree of risk of being abandoned or not gaining development approval.

Table 4.11 overleaf compares the residential project pipeline with forecast housing demand. Underlying demand has been forecast on the basis of DP&E population growth rates. Household formation has been used as a proxy for underlying housing demand, which has been derived for the market catchment by comparing forecasts population and housing supply. We have also assumed that 50% of new dwelling supply/demand will be for medium to high density development. Furthermore, this has been estimated as 2.5 people per household between 2014 and 2021.

The table illustrates that over both the short and long-term, there appears to be insufficient housing stock to meet the growing housing needs of the market catchment.

Between 2013 and 2016 the housing deficit is estimated at approximately 293 units, which is expected to increase further in 2016-2021 to a housing deficit of over 1,004 dwellings.

These significant short-falls could potentially lead to a net out migration from the market catchment area, as the market seeks housing elsewhere. Furthermore, the lack of supply relative to demand could result in price appreciation, further restricting the access to housing, particularly for First Home Buyers.

Housing Demand and Supply Forecasts

MARKET CATCHMENT

TABLE 4.11

	Forecasted Population Growth							
Market Catchment	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Population	245,100	249,500	253,951	258,700	263,500	268,400	273,400	
New Residents	4,288	4,400	4,451	4,749	4,800	4,900	5,000	32,588
	New Dwelling Demand and Supply							
Demand for new units [1]	858	880	890	950	960	980	1,000	6,518
Household Size [2]	2.5	2.5	2.5	2.5	2.5	2.5	2.5	
Apartment Supply	537	534	1,264	702	900	46	1,531	5,514
Surplus / - Deficit	-321	-667	-293	-541	-601	-1,535	-1,004	-1,004

1. Assumes that 50% of demand will be directed to medium to high dendity

2. Average househld sized based on occupants in smaller dwellings

Source: ABS Census 2011 ; DP&I 2013 Population Forecasts ; Cordell Connect ; Urbis

5 Conclusions and Recommendations

The study's key findings indicate that the proposed development at 133 Bigge Street, 26-28 Elizabeth Street, and 148 George Street, Liverpool will not have an adverse economic impact on the Liverpool Regional City or its capacity to achieve its 2031 employment targets. If anything, the proposal can help meet overall jobs targets whilst also providing for the needs of local residents in terms if new housing.

Further to this, the proposed development will increase the housing supply in a market where population growth is expected to exceed its existing development pipeline and affordability is an issue.

These significant short-falls could potentially lead to a net out migration from the market catchment area, as the market seeks housing elsewhere. Furthermore, the lack of supply relative to demand could result in price appreciation, further restricting the access to housing, particularly for First Home Buyers.

Specifically, this study has found that:

- The industry sectors that have a deficit of jobs in a range of sectors, however there appears to be a surplus of jobs in industry sectors that deliver services to the local population – indicating that the industry make-up of the Liverpool Regional City is oriented to servicing a local population base.

- The subject site's zoning and FSR controls are incompatible with existing market demand and draft Metropolitan Strategy job targets for office alone. Delivering over 80,000sq.m of commercial floor space will not be well received by the tenant market in the short term, and significantly exceeds the existing scale of commercial developments.

- The proposed scheme's commercial component, while unprecedented in the Liverpool Regional City, reflects a maximum appropriate scale and supply of office space and an opportunity to attract larger tenants to the Liverpool CBD. We do note however that this will be highly anchor tenant dependant.

- It will also contribute significantly to the targeted employment growth for the Liverpool Regional City – making up approximately 99% of the required office space to achieve the minimum draft Metropolitan Strategy targets.

- In addition, the minimum non-residential FSR for both the subject site and B4 Mixed Use zoned land in the centre will encourage additional development activity, while ensuring a minimum employment yield. Specifically:

  – Ensuring a minimum employment yield of 958 jobs on the subject site, achieving approximately 10% of the draft Metropolitan Strategy minimum jobs target for the Liverpool Regional City

  – The commercial floorspace of 14,460sq.m is more in-line with market demand and expectations within the Liverpool Centre, compared to the existing controls

  – Allow for cross subsidisation of employment floor area, by residential developments

  – Allow for increased housing supply within the centre, close to transport and amenity

  – Encourage development activity, revitalising Liverpool's centre.

- The relatively low vacancy of the South Subregion's office market, noted lack of A Grade office space, the proposed development if able to secure an anchor tenant could conceivably revitalise the Liverpool CBD's office market.

- Given the overall market conditions, the viability of developing new office on a standalone basis is somewhat questionable based on recent experience in the market. As such, given its overall potential to influence demand, we consider it appropriate to consider other mixed use opportunities for the site, including residential and ground floor convenience retail.

- Liverpool is becoming a more attractive residential location for both local residents and overseas migrants, with migrants typically more accustomed to living in apartments.

- There is strong underlying demand for infill residential development, compatible with the demographic profile of market catchment residents, and evidenced by strong capital and rental growth, strong sales rates for competing developments and ongoing population growth.

- Based on the affordability analysis of First Home Buyer households, the median price for apartments within the market catchment is $350,000 (as outlined in Section 4.5.3). This places FHB households on average incomes of being unable to afford home ownership.

- Between 2013 and 2016 the housing deficit is estimated at approximately 293 dwellings, which is expected to increase further in 2016-2021 to a housing deficit of over 1,000 dwellings.

- A housing deficit will decrease access to housing for lower income groups in the catchment area, exacerbating affordability issues for FHBs on average household incomes.

Disclaimer

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This report has been prepared with due care and diligence by Urbis and the statements and opinions given by Urbis in this report are given in good faith and in the reasonable belief that they are correct and not misleading, subject to the limitations above.

Appendix A Residential Development Projects

Project Name Solis	
Developer	Coronation Group
Location	1-3 Bigge Street, 2 Browne Place and 26-32 Hume Highway
Anticipated Completion	Mid 2015
Units	188
Mix	1 bed: 64 2 bed: 98 3 bed: 26
Property Description	Construction of a mixed use development comprising 2 residential towers. One tower will be 15 storeys and will consist of 72 units. The other tower will be 16 storeys and will consist of 116 units. It will feature a 7 retail tenancies ranging from 52 to 74 sq.m. There will also be basement car parking containing 216 car spaces over 3 levels.
Indicative Living Area	1 bed: 50-53 sq.m 2 bed: 82-94 sq.m 3 bed: 98 sq.m
Advertised / Agent advised Pricing	1 bed: $325,000 - $365,000 2 bed: $380,000 - $445,000 3 bed: $565,000-$599,000
Take-up Rates	The initial release date was the 26th of September 2013 and since then stage 1 and stage 2 have all sold out. The final stage is currently selling, with only 2 three bedrooms remaining as of August 2014.
Buyer Profile	Buyers mainly consisted of first home buyers of Indian and Asian ethnicity. There have been very little overseas investors.
Source	Cordell connect, Project sales agent

Project Name Eagle Towers	
Developer	Sayde Developments
Location	10 Corner 10 Norfolk Street and 100 Castlereagh Street
Anticipated Completion	Mid 2015
Units	258
Mix	Not available
Property Description	Construction of a mixed use residential and commercial development comprising of two buildings, with 23 and 18 levels. There will be a retail and commercial area on the ground and first floors. There will also be basement car parking containing 438 car spaces over 5 levels.
Indicative Living Area	1 bed: 46-55 sq.m 2 bed: 77-92 sq.m 3 bed: 103 sq.m
Advertised / Agent advised Pricing	1 bed: From $320,000 2 bed: From $450,000 3 bed: From $515,000
Take-up Rates	Since the initial release in mid 2013, 90% of all units have sold out. The final stage release is currently selling.
Buyer Profile	The buyer profile is predominately of Asian/Chinese ethnicity. There is a balanced mix of first home buyers and investors. Local investors are from suburbs such as Hurstville, Ashfield and City Central. Very little overseas investors.
Source	Cordell connect, Project sales agent

Project Name The Point	
Developer	TQM Design & Construct
Location	311 Hume Highway, Liverpool
Anticipated Completion	Mid 2015
Units	175
Mix	1 bed: 129 2 bed: 44 3 bed: 2
Property Description	Construction of a 16 storey development. There will also be basement car parking containing 441 car spaces over 3 levels. Previous ground floor retail and specialty shops have been replaced and converted to ground floor units instead.
Indicative Living Area	1 bed: 54-62 sq.m 2 bed: 69-75 sq.m 3 bed: 94 sq.m
Advertised / Agent advised Pricing	1 bed: $310,000 - $340,000 2 bed: $379,000 - $475,000 3 bed: $560,000
Take-up Rates	The first stage release of sales sold out on the opening day. There are 5 apartments currently left for sale as of August 2014.
Buyer Profile	Buyers have consisted of a mix of investors, owner-occupiers and first time buyers. A lot of the buyers have been of Indian, Middle-Eastern and Asian ethnicity.
Source	Cordell connect, Project sales agent

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