

Appendix 8 - Economic Review - Achieving A-Grade Office Development



Achieving A-Grade Office Space in the Parramatta CBD

Economic Review

October 2015

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Executive Summary

PURPOSE OF THE STUDY

Growing the Parramatta CBD into Sydney's second CBD is a key objective of the Parramatta City Council and the NSW Government. The new NSW Government metropolitan planning strategy "A Plan for Growing Sydney" identifies the retention of a Commercial Core for long-term employment opportunities as an important element for growing the Parramatta CBD.

The Parramatta CBD Planning Strategy was adopted by Council in April 2015 with the objective of establishing principles and actions to guide a new planning framework for the Parramatta CBD. This included investigating the potential to allow residential apartments within certain areas of an expanded Commercial Core as part of mixed use developments, with the key objective being to facilitate more commercial development.

The purpose of the study is to assess the requirements for attracting additional A-Grade commercial floorspace within the Parramatta CBD and recommend planning responses for Parramatta City Council.

RECOMMENDATIONS

The following tables outline the recommendations for attracting A-Grade office space to the Parramatta CBD. The requirements for A-Grade office space that will make new buildings attractive to large tenants are outlined in Table E.1. These large corporate tenants are needed to pre-commit to new buildings to make the developments financially viable. The requirements are based on the Property Council of Australia's *A Guide to Office Building Quality 2012* classifications and discussions and interviews with office leasing agents and large tenants within the broader Sydney market.

Table E.2 outlines the planning recommendations to be considered by Parramatta City Council to attract A-Grade office space to the CBD. The table includes the justification for the recommendation and how it will address key issues and requirements in the market.

A-Grade Office Requirements

PARRAMATTA CBD

TABLE E.1

RECOMMENDATION	DESCRIPTION	JUSTIFICATION
Large floorplates	New A-Grade office space generally needs to have a floorplate size of at least 1,300 sq.m, with most major tenants likely to want a floorplate of over 1,500 sq.m. (It is also noted that in some instances tenants are looking for office accommodation with floors over 2,000 sq.m, which is more common in locations such as Macquarie Park and in new major development in the Sydney CBD such as Barangaroo.)	- Large corporations want to improve the circulation and interaction within their offices. Large floorplates allow businesses to get more workers on the same floor and improve social interaction in the office. Tall and thin towers fail to provide this requirement to tenants. - The ability to provide very large floorplate campus style offices is one of the reasons corporate business parks have successfully attracted large corporate offices (combined with relatively affordable rents)
Flexible and accessible floorplates	Large open floorplates that allow for flexible and efficient workspace design and internal circulation. This includes internal stairways to connect adjacent floors and limited internal columns. This also includes preferences to reduce large central cores (with lifts and fire stairs), with a growing preference for side cores.	- Similar to the benefits of large floorplates, tenants want the space to be flexible to allow for the maximisation of circulation and to encourage interaction. - Some traditional offices have a large internal core (with fire stairs and lifts) that fragments the office. Flexible design can reduce this impact and provide more open workspaces.
High ceiling heights	High ceilings of 2.7 metres and above.	High ceilings provide a more 'open' workspace that is attractive to workers and tenants. As such, height controls should be flexible for commercial office buildings in order not to stifle optimum floor to ceiling heights.
Good lift service	High quality and high frequency of lifts in the building.	- Tenants require high quality and high frequency lifts to support the circulation of staff. - Slow lifts can provide a poor impression on the building and tenants.
On site facilities	Provision of end-of-trip facilities within the building such as bike storage, change rooms and lockers to support people taking alternative transport to work.	A larger proportion of workers are taking alternative forms of transport to work such as cycling, jogging and walking. On-site facilities improve the amenity and make it easier to attract and retain staff.

RECOMMENDATION	DESCRIPTION	JUSTIFICATION
Amenity	Access to local amenity including retail, dining options, public space, recreation facilities and other personal services. A corporate setting within a vibrant commercial centre that includes other successful businesses.	- Major corporations want to be located in a high amenity area that is attractive to their staff with access to retail, food, recreation and other services. - Tenants want to be located in a location that matches their corporate images and do not want to be surrounded by poor quality buildings and apartments with 'washing on display'. Adjoining buildings whether they be commercial or residential need to be of a similar high standard and well managed.
Environmental	4 Star Green Star Design Rating including 4.5 Star NABERS Office Energy rating commitment	The Property Council of Australia's <i>A Guide to Office Building Quality 2012</i> classifies A-Grade office space as at least meeting these environmental standards. Most large corporations are conscious of their environmental footprint and look to move into more energy efficient buildings where possible.

Recommendations

PARRAMATTA CBD

TABLE E.2

RECOMMENDATION	DESCRIPTION	JUSTIFICATION
Office as predominant use in Commercial Core	Reaffirm office development as the predominant use in the Commercial Core though allow residential apartment development under certain circumstances (see recommendation below). It is recommended that controls promote A-Grade office buildings of at least 20,000 sq.m and be informed by planning, design and heritage considerations.	- Most successful CBDs successfully integrate commercial office development with residential apartments to create a vibrant commercial district. While it is important that the Parramatta CBD support a Commercial Core that is predominantly office uses, there is considered to be a place for residential as part of horizontal mixed use developments. Allowing residential development also has the benefit of helping to facilitate viable office development where residential can provide a higher relative return. - The last three A-Grade office buildings developed in the Parramatta CBD have all been over 20,000 sq.m with a floorplate of over 1,300 sq.m. It is considered that large A-Grade office buildings of over 20,000 sq.m need to be promoted for the Parramatta CBD to develop as a major CBD. - This may be integrated with the minimum office FSR that allows residential if a minimum A-Grade office component is provided.
Subject to planning, design, and heritage considerations, potentially allow horizontal mixed use development in the Commercial Core subject to net additional A-Grade office space of over 20,000 sq.m on the site	Allow a separate residential apartment building to be built on a site where there is the net additional development of A-Grade office space of over 20,000 sq.m. It is recommended that the potential of the strategy be informed by planning, design and heritage considerations to determine the number of sites that can accommodate such development. Note: See Glossary for definitions of vertical and horizontal mixed-use development.	- It is recommended that the potential mixed-use developments discourage vertical mixed-use developments with residential apartments developed above office space. This is due to office development of this nature in the Parramatta CBD likely to be of a lower quality that experiences vacancies and have a detrimental impact on the Parramatta CBD office market. - Council to consider planning, design and heritage factors to determine the number of sites capable of accommodating a horizontal mixed-use development of this nature, particularly where separate residential and office towers can be constructed on the one site. - While there are only a few sites of a size and nature that can viably accommodate a horizontal mixed-use development with separate office and residential buildings, they represent an opportunity to facilitate development in the short term and act as a catalyst for future additional office development.

RECOMMENDATION	DESCRIPTION	JUSTIFICATION
Subject to an adequate number of suitable sites being identified in the Commercial Core for horizontal mixed-use development, consider implementing a residential development cap	Implementing a cap on the amount of residential floorspace that can be developed in the Commercial Core (subject to adequate sites in the Commercial Core being identified for horizontal mixed-use development).	▪ A residential development cap would allow a maximum amount of residential floorspace to be developed within the Commercial Core. This would have the benefit of allowing residential development in the Commercial Core to help facilitate the development of A-Grade office space. At the same time, the cap would limit the total amount of residential space that could be developed and ensure that employment uses remain the primary use in the Commercial Core. ▪ The implementation of an initial cap may have the added benefit of facilitating development of A-Grade office space in the short term as developers look to take advantage of the opportunity before it is exhausted. Council also has the option to review the cap at certain development thresholds to determine if it is appropriate to extend. ▪ A residential development cap is considered to be easier to administer compared to transferable development rights. ▪ This is subject to adequate sites being identified as suitable to accommodate horizontal mixed-use development.

RECOMMENDATION	DESCRIPTION	JUSTIFICATION
Remove maximum FSR and height controls for office development	Remove maximum FSRs for commercial office development in the Commercial Core and be more flexible on allowable building heights for commercial development.	- Maximum FSRs are considered to be relatively arbitrary. If a developer is willing to develop a large A-Grade office building that exceeds maximum FSRs, it is considered that it should be supported provided that it can meet other design and impact requirements. While it is unlikely to have a major impact on office viability in the short to medium term, there is considered to be value in increasing flexibility in the long term. - This recommendation aligns with the Parramatta CBD Planning Strategy, which recommends non-residential floorspace above the minimum requirement not count towards the site FSR. - More flexible building heights will encourage developers to maintain greater ceiling heights, which is attractive to large A-Grade tenants
Maximum FSR for small lots	Only allow FSRs greater than 3:1 for those sites over 2,000 sq.m to promote site amalgamation.	The trend in office development in recent years has been towards buildings with larger floorplates over 1,300 sq.m (and generally over 1,500 sq.m) that allow tenants to take fewer floors and improve staff interaction. Small sites should be offered incentives to amalgamate to help facilitate developments that are desired by the market and achieve economic development outcomes.
Complementary design code for residential uses	Develop built form controls so that any residential development in the Commercial Core (if permitted) is of a 'commercial aesthetic'.	- The design of some residential developments around the Commercial Core is becoming inconsistent with the intention to promote Parramatta CBD as an employment destination and encourage the supply of A-Grade office space. External balconies that are cluttered in appearance or that do not reflect the surrounding commercial aesthetic are not attractive to large corporate businesses that want to be located in a commercial environment that aligns with the corporate image. - Design controls should be set with a high design benchmark and outline the requirement for residential to include a commercial aesthetic that is complementary to office development, particularly if residential development is to be permitted to occur in the Commercial Core.

RECOMMENDATION	DESCRIPTION	JUSTIFICATION
Expansion of Commercial Core	Expand the Commercial Core to create a more cohesive commercial precinct and integrate key commercial nodes. Includes connecting the existing core to the Justice Precinct and Westfield Parramatta.	▪ The existing Commercial Core is generally focussed around the Parramatta Train Station and the area directly to the north. However, there are nodes such as the Justice Precinct that have developed into key office precincts, though they are separated from the existing core. ▪ In addition, Westfield Parramatta and the eastern portion of Parramatta Square have been identified as having potential to accommodate significant A-Grade office space. ▪ It would be considered beneficial to have a single contiguous commercial core and that areas such as the Church Street dining precinct be protected by relevant heritage and solar access provisions, whilst providing some surety and clear positioning for areas such as the Justice Precinct as a key commercial area.
Auto Alley Precinct	Continue to encourage non-residential employment generating land uses in the Auto Alley Precinct.	▪ The Auto Alley Precinct represents an opportunity to facilitate mixed-use development though is not considered likely to attract A-Grade office development in the short-medium term as the majority of new office development will be focused around the Parramatta Train Station and the commercial core north of the rail line. We also acknowledge that the Auto Alley Precinct has constraints due to the bisection by the highway and constrained walkability and connection to existing transport and commercial nodes. In addition, if the potential quality of residential development in Auto Alley is not of a high standard with a style that is not consistent with the required commercial character, this may deter potential A-Grade tenants. ▪ It is considered there may be opportunities for A-Grade office space in the long term, once other more attractive areas have been developed, though is not likely to be attractive or financially viable in the current market. ▪ It is considered that smaller office and other employment generating uses such as car showrooms represent a good employment generating outcome in the short-medium term.

Introduction

PROJECT BACKGROUND

Growing the Parramatta CBD into Sydney's second CBD is a key objective of the Parramatta City Council and the NSW Government. The new NSW Government metropolitan planning strategy "A Plan for Growing Sydney" identifies the retention of a Commercial Core as a core element for growing the Parramatta CBD. However, there has been relatively limited new A-Grade office space developed in the Parramatta CBD over the last decade, with the majority being pre-committed by major Government agencies.

The Parramatta CBD Planning Strategy was adopted by Council in April 2015 with the objective of establishing principles and actions to guide a new planning framework for the Parramatta CBD. This included investigating the potential to allow residential apartments within certain areas of an expanded Commercial Core as part of mixed use developments, with the key objective being to facilitate more commercial development.

PURPOSE OF THE STUDY

The purpose of the study is to assess the requirements for attracting additional A-Grade commercial floorspace within the Parramatta CBD. Key components of the study comprise:

- Assessing the current state of the Parramatta CBD office market
- Identify the key drivers of the office market and implications for attracting new development and tenants
- Evaluate the implications of permitting residential development on the delivery of commercial development (particularly A-Grade office space) in the commercial core of the Parramatta CBD
- Assess whether residential development should be permitted within the commercial core
- Respond to the Government's requirement in "A Plan for Growing Sydney" to retain a commercial core in Parramatta CBD for long-term employment growth.

GLOSSARY

Building costs – include statutory and operating expenses. Statutory expenses often include municipal rates, water and sewerage rates. Operating expenses include building supervision, cleaning, repairs and maintenance.

Bureau of Transport Statistics (BTS) – NSW Government agency that compiles transport related statistics and prepares projections.

Central Business District (CBD) – commercial and business centre of a city.

Floorplate – rentable area of an entire floor.

Floor Space Ratio (FSR) – ratio of the gross floor area of a building divided by the total land area of the property.

Gross face rent – rental rate inclusive of all building costs before taking into account incentives or increases.

Horizontal Mixed Used Development – means residential and commercial/office development in separate buildings constructed on the one site.

Incentives – inducements (usually financial) offered by landlords to attract tenants.

National Australian Built Environment Rating System (NABERS) – national rating system that measures the environmental performance of Australian buildings, tenancies and homes. It takes into account the energy efficiency, water usage, waste management and indoor environment quality of a building or tenancy and its impact on the environment.

Net absorption – occupied office stock at the end of the survey period less occupied stock at the beginning of the period. Net absorption is used as an indication of the change in office demand during a period of time.

Net effective rent – rental rate excluding building costs after taking into account incentives and increases averaged out over the term of the lease.

Net face rent – rental rate excluding building costs before taking into account incentives or increases.

Net lettable area (NLA) – floor space that may be rented to tenants. It excludes external walls, building cores and standard service areas such as toilets, access passageways, storerooms etc.

Office Market Report (OMR) – a database which contains information about the total stock, vacancy, supply, withdrawals and absorption of 25 office markets across Australia. It is updated by the Property Council of Australia every six months.

Property Council of Australia (PCA) – industry organisation that advocates for Australia's property sector.

Vertical Mixed Use Development – means residential apartments developed above commercial/office space in a single building.

1 Planning Context

This section provides an overview of the planning context for the project including a review of key State Government and Parramatta City Council reports relevant to the future development of office space in the Parramatta CBD.

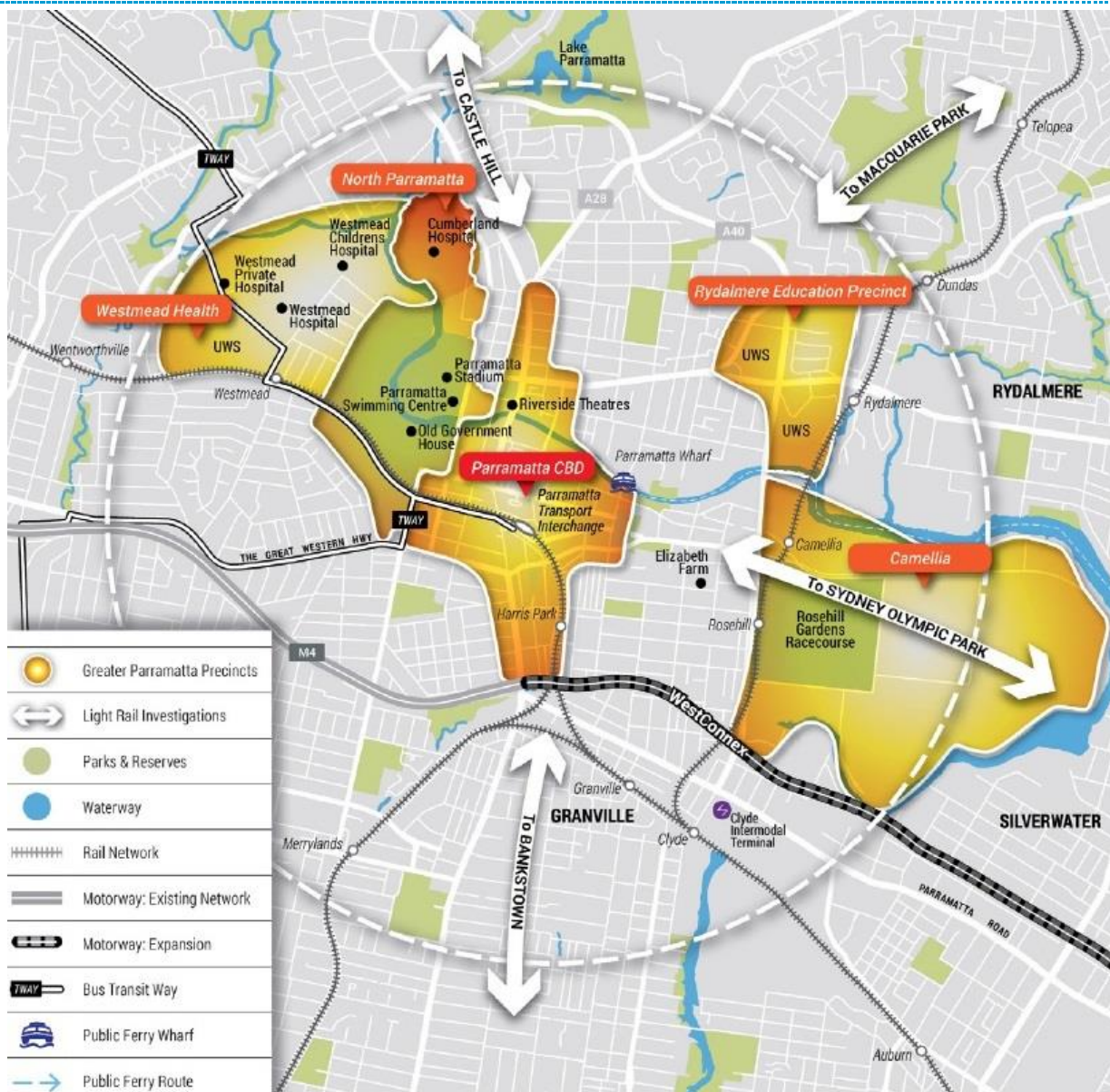
1.1 A PLAN FOR GROWING SYDNEY

A Plan for Growing Sydney outlines the NSW Government's framework for planning for the future of Metropolitan Sydney. A key direction of the Plan is to "Grow Greater Parramatta as Sydney's second CBD" with elements of the goal including:

- "Grow Parramatta as Sydney's second CBD by connecting and integrating Parramatta CBD, Westmead, Parramatta North, Rydalmere and Camellia". This includes the potential for the development of light rail to better integrate the different precincts.
- "Continuing to grow the commercial core as the central focus of business activity" in Parramatta.

GREATER PARRAMATTA MAP

MAP 1.1



Source: A Plan for Growing Sydney

The Plan notes Greater Parramatta has the potential to reach 100,000 jobs over the next 20 years. This is based on employment and population projections prepared by the NSW Bureau of Transport Statistics (BTS) and NSW Department of Planning and Environment.

Parramatta CBD Growth Targets

2011-2036

TABLE 1.1

COMPONENT	2011	2036 TARGET	GROWTH (2011-36)
Jobs	49,000	76,000	27,000
Dwellings	3,800	11,300	7,500

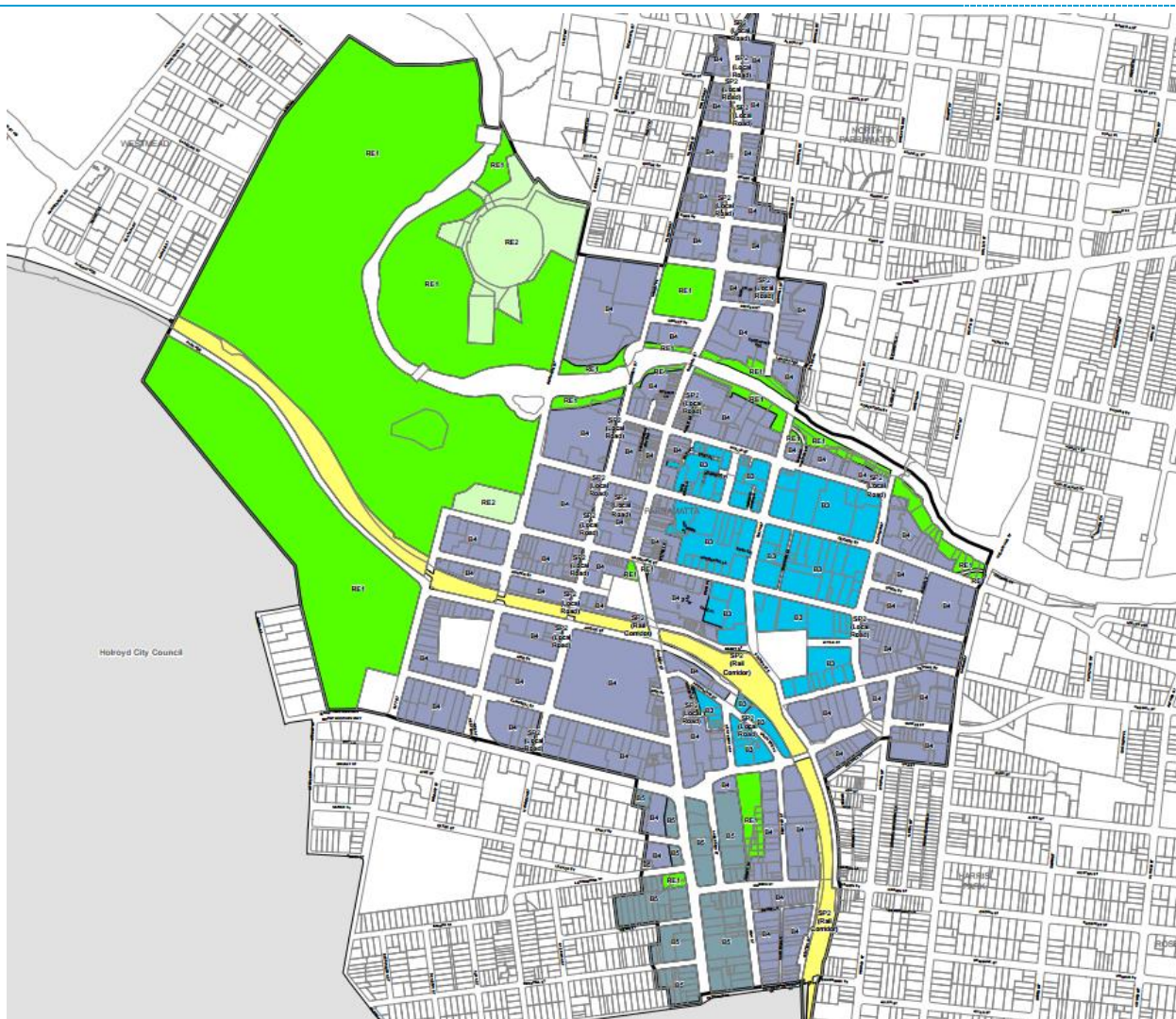
Source: BTS, Urbis

1.2 CURRENT PARRAMATTA CITY CENTRE PLANNING CONTROLS

There are three commercial land use zones in the city centre comprising B3 Commercial Core, B4 Mixed Use and B5 Business Development (See Map 1.2). Residential development is currently prohibited in both the Commercial Core zone and Business Development zone.

PARRAMATTA CITY CENTRE ZONING MAP

MAP 1.2

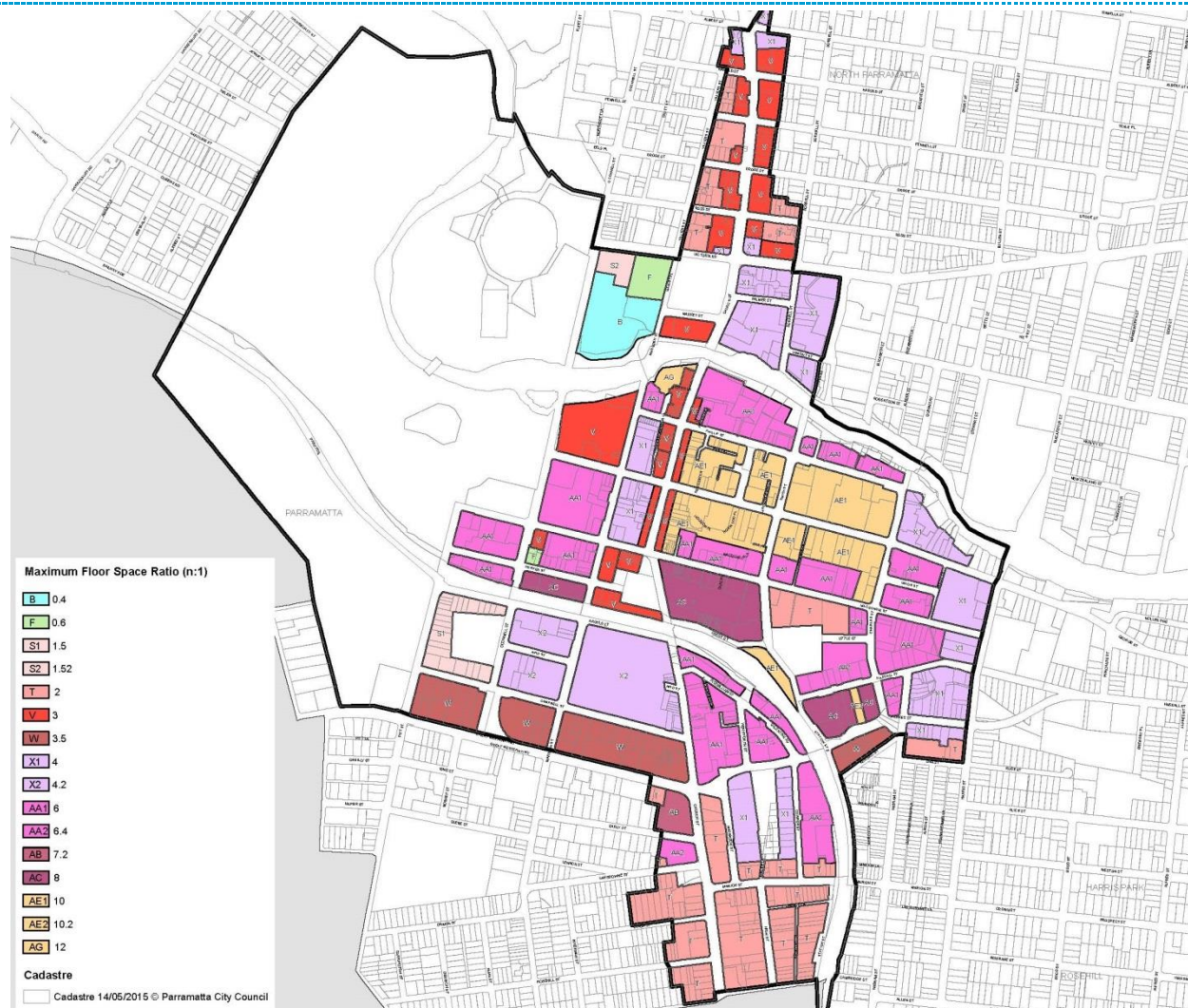


Source: Parramatta City Centre Local Environmental Plan 2007

Map 1.3 outlines the allowable floor space ratios (FSRs) in the Parramatta City Centre. Generally, the core area bordered by Phillip Street, Church Street, Macquarie Street and Charles Street has a FSR of 10:1, except for the areas fronting Church Street and Macquarie Street.

PARRAMATTA CITY CENTRE FSR MAP

MAP 1.3



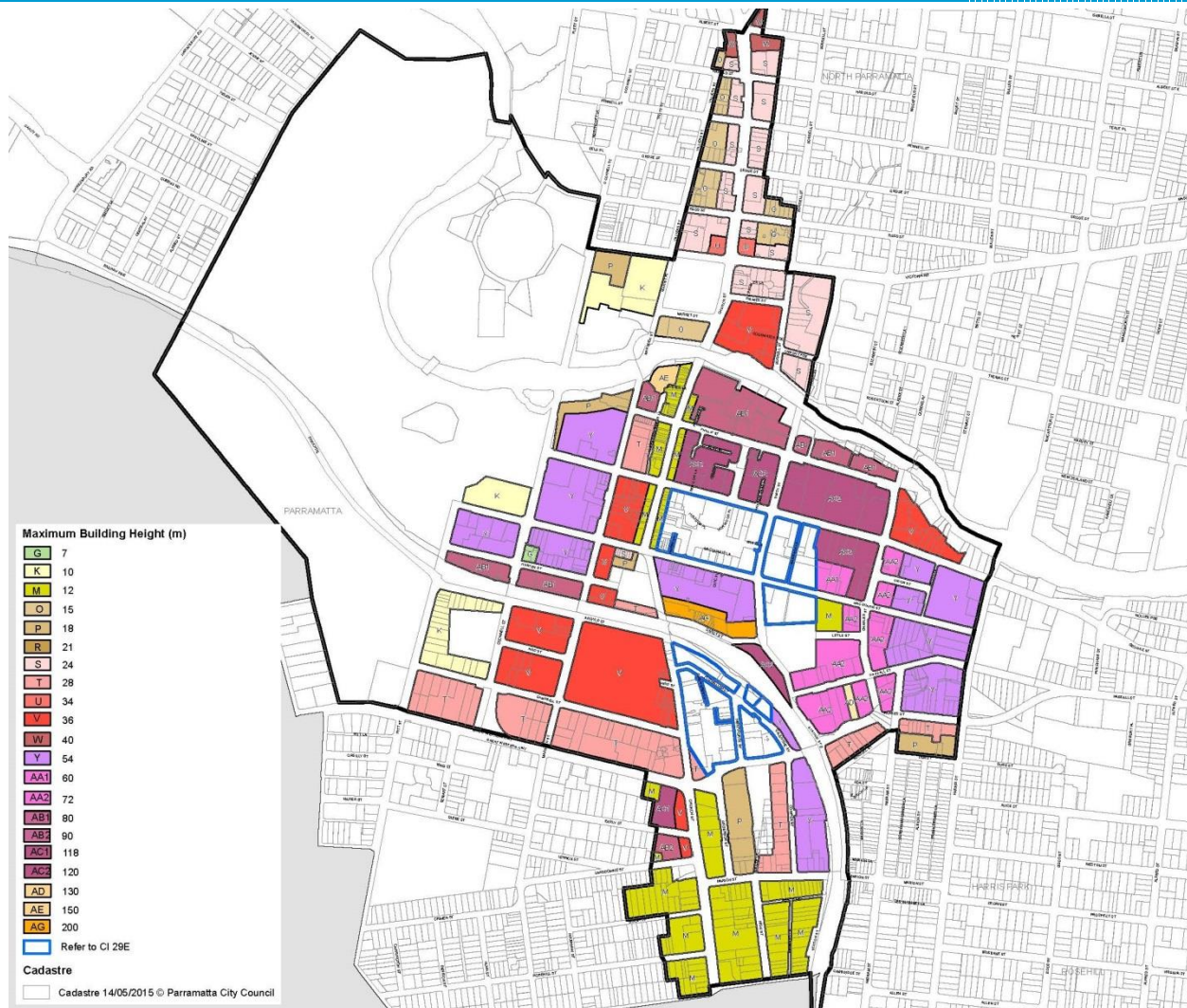
Source: Parramatta City Centre Local Environmental Plan 2007

Map 1.4 highlights the allowable building heights in the Parramatta City Centre outlined under the Parramatta City Centre Local Environmental Plan 2007. Building height controls in the City Centre generally range up to 200m.

It is noted that the NSW Government announced in May 2015 that it plans to remove height restrictions for the planned Aspire Tower within the Parramatta Square that could reach 90 storeys and 306m. This is subject to discussions with aviation regulators.

PARRAMATTA CITY CENTRE HEIGHT MAP

MAP 1.4



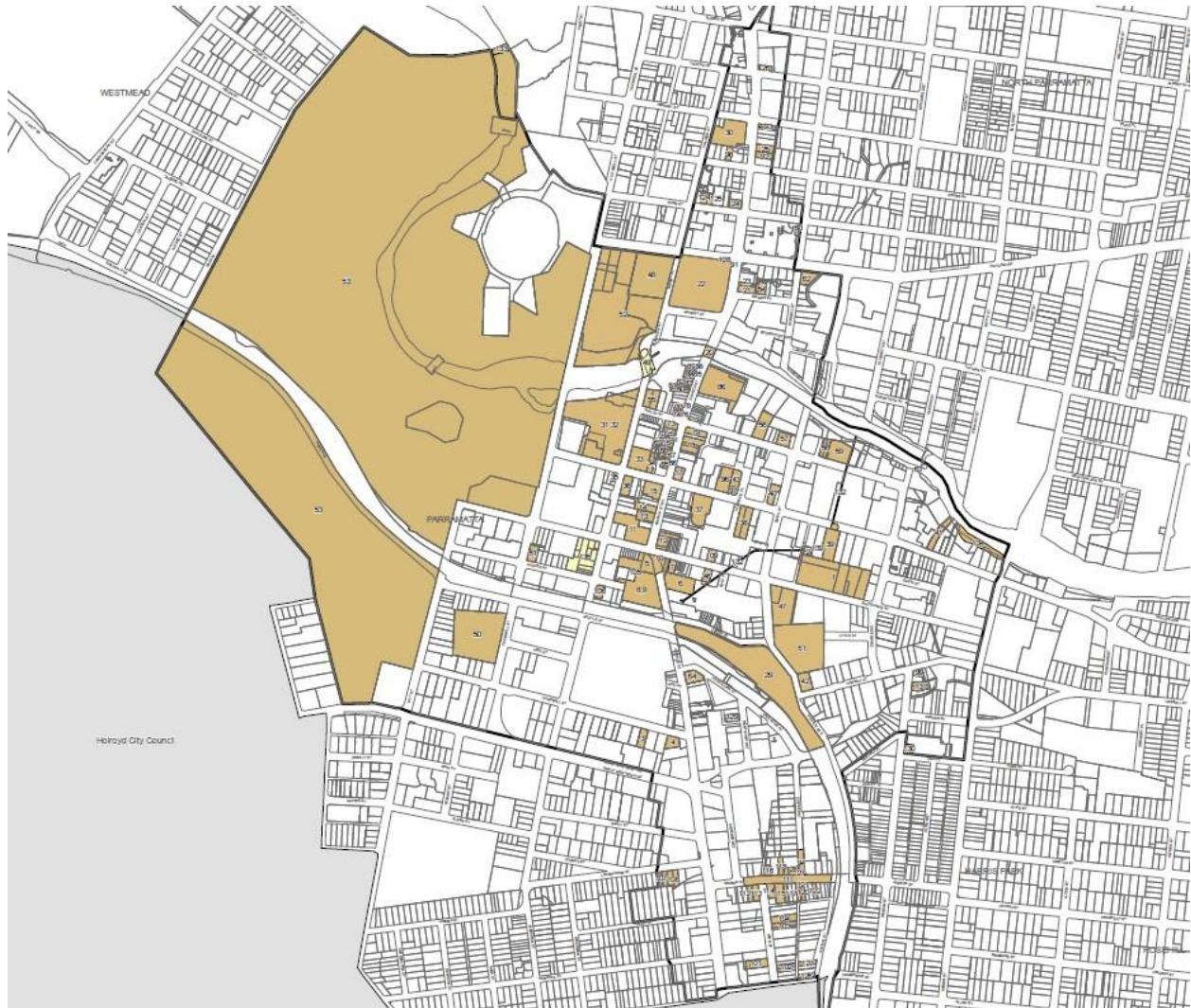
Source: Parramatta City Centre Local Environmental Plan 2007

Map 1.5 highlights the heritage map within the Parramatta City Centre. Parramatta has a long history, which has resulted in significant heritage buildings throughout the CBD.

It is noted that Old Government House is listed as a World Heritage Site, which places constraints on what can be developed on the western side of the Parramatta CBD.

PARRAMATTA CITY CENTRE HERITAGE MAP

MAP 1.5



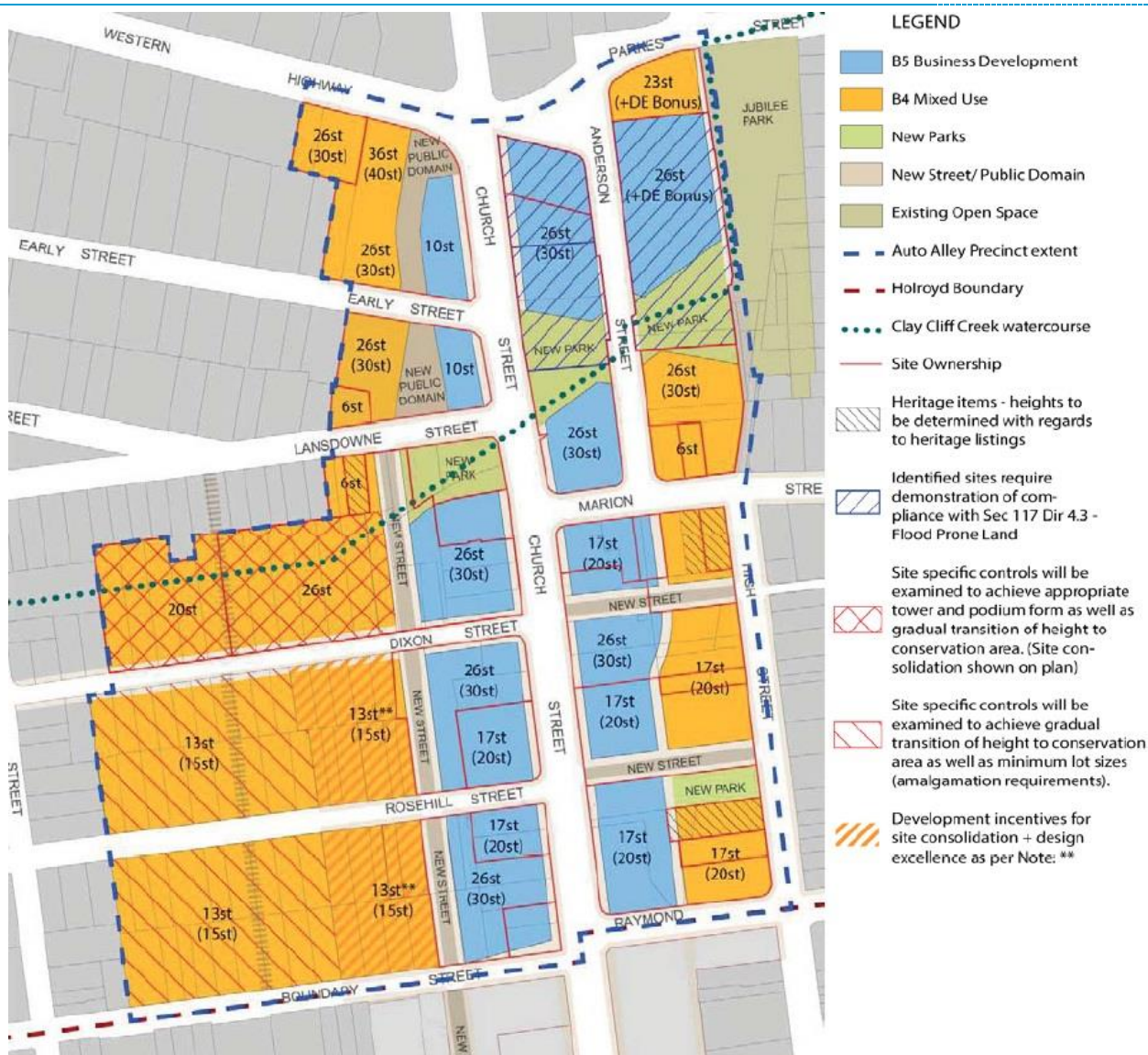
Source: Parramatta City Centre Local Environmental Plan 2007

1.3 DRAFT AUTO ALLEY PLANNING FRAMEWORK (2014)

Council has prepared a study for future development in the Auto Alley Precinct (forming the southern portion of the CBD). The Auto Alley Study is the result of several years of work and includes detailed urban design analysis. The framework recommends the development of commercial space fronting Church Street with the allowance for residential development towards the back of the site. The Draft Auto Alley Planning Framework has been integrated into the Parramatta CBD Planning Strategy, as shown in the figure below.

AUTO ALLEY PLANNING FRAMEWORK LAND USE MAP

MAP 1.6



Source: Parramatta CBD Planning Strategy (2015)

1.4 PARRAMATTA CITY CENTRE PLANNING FRAMEWORK STUDY (2014)

Council engaged consultants (Architectus and SGS Economics and Planning) to prepare a study for future development in the Parramatta CBD. The objective of the study was to review the current planning framework and identify opportunities, constraints and market conditions impacting on development, and from this develop draft planning controls and recommendations.

Key findings relating to the Parramatta CBD included:

- Parramatta had low vacancy rates for A-Grade office space with around 115,000 sq.m of approved floorspace in five developments at the time of the study. The projects typically consisted of 20,000 to 30,000 sq.m though had not progressed for lack of pre-commitments from prospective tenants.
- Parramatta has been experiencing competition from centres such as North Ryde, Norwest and Sydney Olympic Park as they provide greater opportunity for larger floorplate and campus-style developments than the Parramatta CBD.
- In the short term, Parramatta is unlikely to attract many large commercial office buildings (e.g. greater than 30,000 sq.m) due to the limited scale of growth in the office market, and need for high proportions of pre-commitment before office developments get off the ground, and competition from other centres.
- A high level capacity assessment identified capacity for the development of 213,600 sq.m of office floorspace in the Commercial Core, equating to 10,700 jobs.

Key recommendations to Council included:

- On the balance of evidence, to continue to exclude residential development from the Commercial Core zoned areas of the CBD based on a perceived limited capacity in the core for employment growth and there being capacity for residential development in mixed-use zoned areas of the CBD.
- A slightly riskier but relatively conservative approach would be to allow 'multiple use developments' in the Commercial Core, but implement a very high threshold requirement for non-residential floorspace (e.g. a minimum of 20,000 or 30,000 square metres) before residential development might be added to the development proposition.
- Mechanisms and/or incentives for providing commercial floorspace in mixed use zoned areas should be contemplated to maximise the capacity for employment. These might include:
 - Requirements for a minimum of proportion of commercial floorspace.
 - Incentives to provide retail and commercial floorspace such as FSR exceptions, reduced parking requirements, rate rebates for commercial floorspace, or other financial inducements.
- Consideration to the potential to accommodate employment growth in other locations in the Greater Central Parramatta including the Auto Alley precinct and employment lands in Greater Parramatta (including Westmead, Rydalmere, Camellia and Granville).
- Lobbying and facilitating improved transport links to improve access to potential labour markets relative to other centres and enhance the prospects of attracting additional employment to the Parramatta CBD.

1.5 PARRAMATTA CBD PLANNING STRATEGY (2015)

1.5.1 OVERVIEW

Council recently integrated the *draft Parramatta City Centre Planning Framework Study (2014)* and the *draft Parramatta Auto Alley Planning Framework Study (2014)* into one document: *Parramatta CBD Planning Strategy (2015)*. The Planning Strategy is effectively a consolidation of the recommendations in the CBD and Auto Alley studies and also reflects previous Council resolutions. The Planning Strategy was adopted by Council on 27 April 2015.

The objectives of the Strategy comprise:

1. To set the vision for the growth of the Parramatta CBD as Australia's next great city
2. To establish principles and actions to guide a new planning framework for the Parramatta CBD
3. To provide a clear implementation plan for delivery of the new planning framework for the Parramatta CBD.

The *Parramatta CBD Planning Strategy* sets the direction for the project and details the 'Actions' that will inform a future Planning Proposal to amend the planning controls for the CBD. Key actions in the strategy include the following:

- Investigate the potential expansion of the CBD boundary
- Conduct feasibility testing to increase FSRs to predominantly 10:1 and 6:1 across the CBD
- Only allow FSRs greater than 3:1 for those sites over 1,000 sq.m (or smaller sites that demonstrate design excellence)
- Investigate removal of any height controls, except in some key areas
- Investigation of potential sun access controls to key public spaces
- Investigate expansion of the commercial core, and potentially opening parts of the core up to some residential uses (subject to significant commercial floorspace being provided in the first instance)
- Setting an employment growth target of 27,000 additional jobs and residential growth target of 7,500 additional dwellings by 2036 for the CBD
- Detailed investigation of infrastructure needs, including funding mechanisms
- Promotion of tower slenderness and design excellence.

1.5.2 KEY ACTIONS RELEVANT TO STUDY

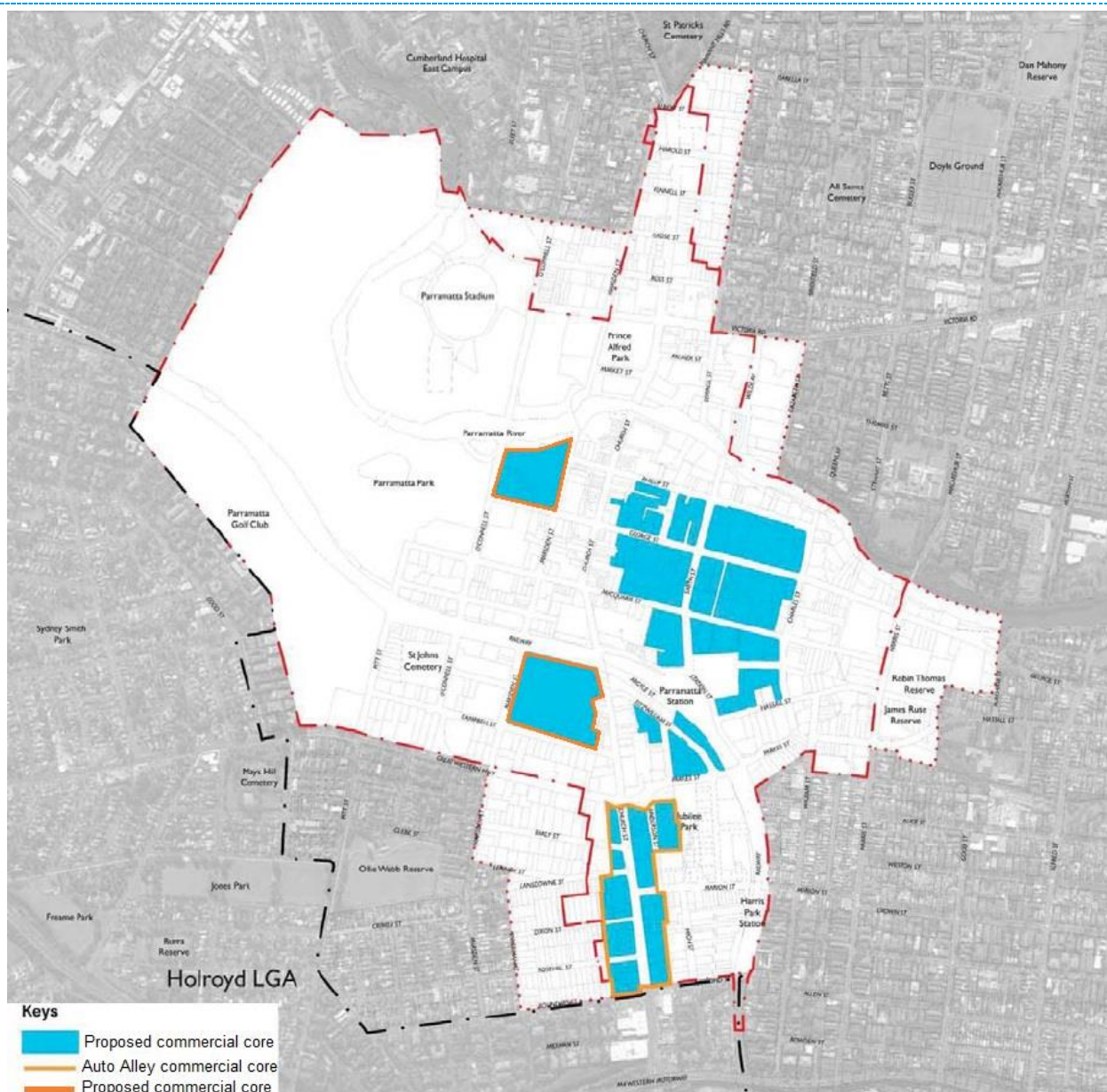
The following actions are considered to be most relevant to facilitating the development of A-Grade Office Space in the Parramatta CBD:

- Investigating the expansion of the commercial core with additional areas outlined in Map 1.7 and comprising:
 - Parramatta Justice Precinct
 - Parramatta Square (eastern end)
 - Westfield Parramatta
 - Auto Alley.

- Investigate the potential for residential uses in the Commercial Core, other than in the Auto Alley precinct (where high density will be permitted directly adjacent to the Core), subject to the following conditions being met:
 - A significant quantum of office space (a **minimum of 20,000 sq.m**) is built before residential occupation of a development site
 - Sites deliver primarily employment uses (**50% or more of floorspace is employment generating**)
 - **Non-residential FSR exceeding the minimum requirement above is exempt** from the maximum FSR to provide incentives to encourage more commercial development.
- Subject to urban design testing, **a minimum non-residential FSR of 1:1 must be achieved** for all sites in the mixed use zone of the Parramatta CBD. **Non-residential FSR exceeding this minimum requirement should be exempt** from the overall maximum FSR for mixed use zones. This effectively provides a bonus to developers for providing non-residential floorspace in excess of the minimum 1:1.

PARRAMATTA CBD PLANNING STRATEGY PROPOSED COMMERCIAL CORE

MAP 1.7

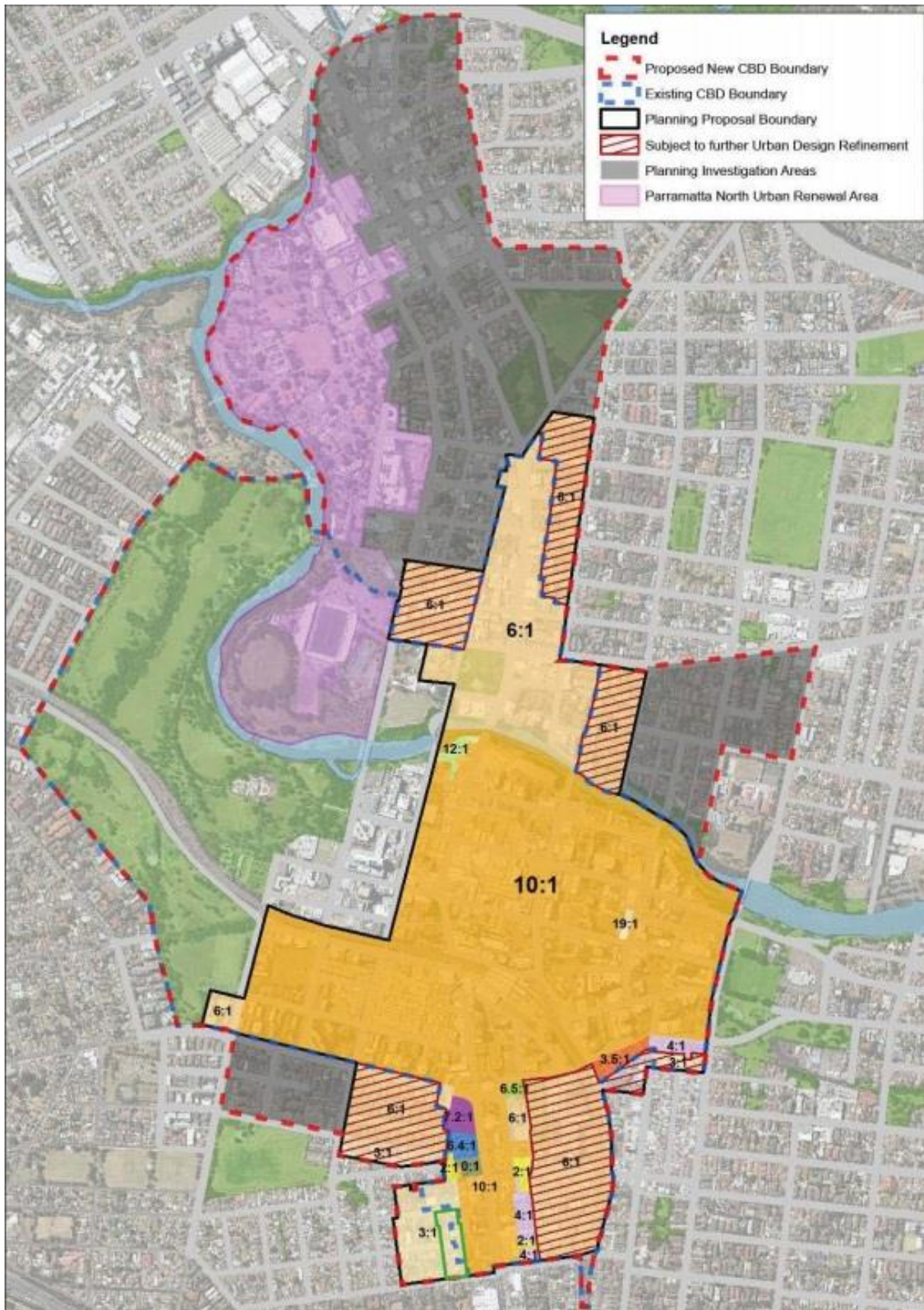


Source: Parramatta CBD Planning Strategy

- Conduct feasibility testing to increase FSRs to predominantly 10:1 and 6:1 across the CBD (See Map 1.8)

PARRAMATTA CBD PLANNING STRATEGY PROPOSED FSR

MAP 1.8



Source: Parramatta CBD Planning Strategy

2 Parramatta CBD Office Market

This section analyses the current and historical performance of the Parramatta CBD office market including proposed developments.

2.1 OFFICE BUILDING CLASSIFICATION

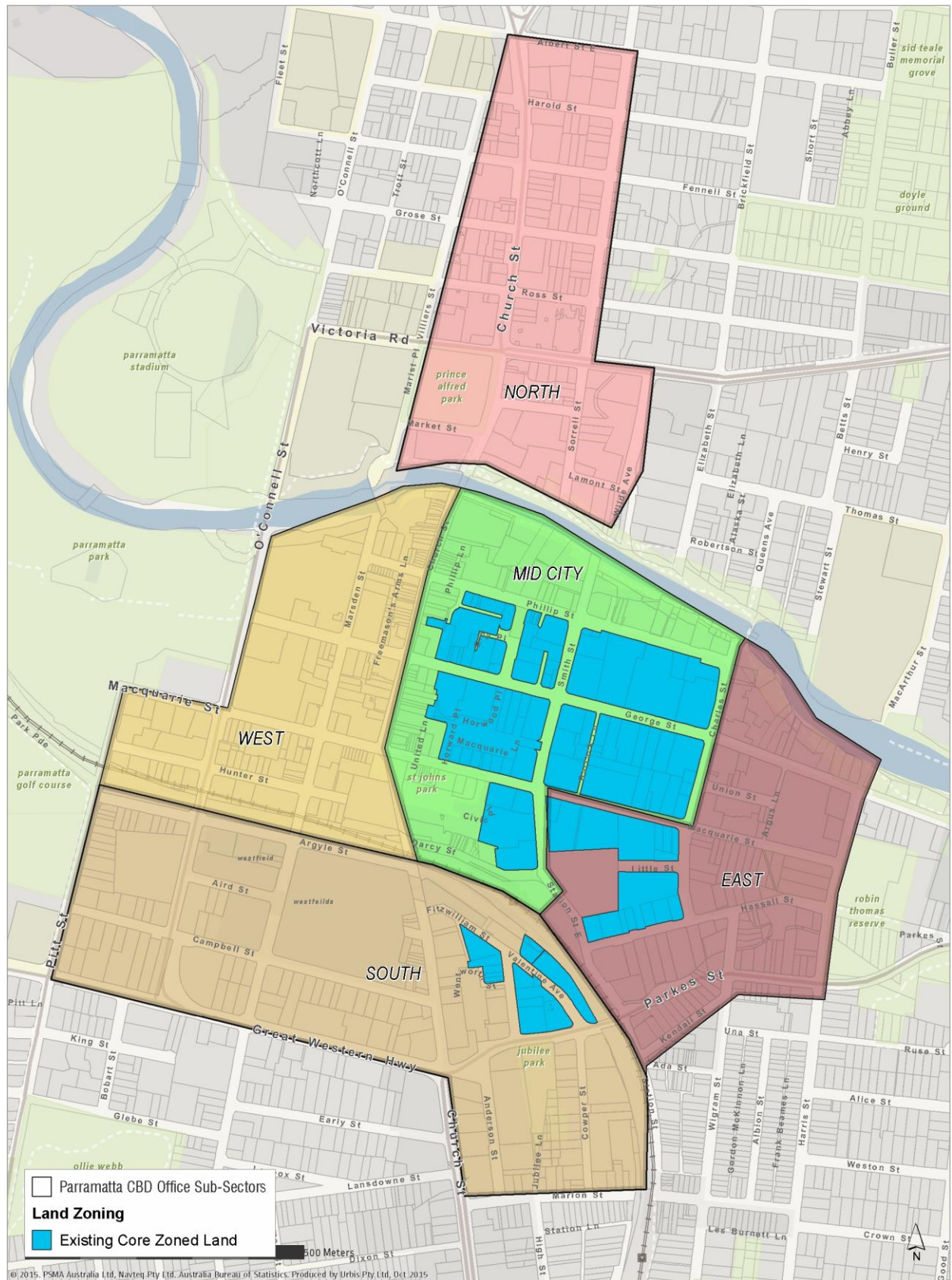
The Property Council of Australia (PCA) classifies office buildings according to criteria which influence a building's ability to attract occupants and sustain rental performance. Key criteria include building quality, size, floorplate, environmental rating, lifts, amenity and services as outlined in the *A Guide to Office Building Quality 2012*. The key classifications and criteria for the assessment of new office buildings comprise:

- **Premium grade office buildings** are landmark office buildings with expansive views or outlook, ample natural lighting, prestige lobby and finishes, high quality access from an attractive street setting and premium maintenance.
 - >30,000 sq.m in Sydney/Melbourne/Brisbane/Perth CBDs and >20,000 sq.m in other CBDs
 - Floorplate > 1,500 sq.m Sydney/Melbourne/Brisbane/Perth CBDs and >1,200 sq.m in other CBDs
 - Full building management control systems (BCMS)
 - Lifts (it is noted there are specific performance requirements for lifts that apply to all classifications with different service requirements for different classifications)
 - Management onsite for buildings >30,000 sq.m
 - Security with CCTV systems
 - Change rooms and showers
 - Carpark with loading docks or delivery bays
 - 5 Star Green Star Design Rating including 5 Star NABERS Office Energy rating commitment.
- **A-Grade office buildings** are high quality with good views, outlook and natural light, good quality access from an attractive street setting and high quality maintenance.
 - >10,000 sq.m in Sydney/Melbourne/Brisbane/Perth CBDs and >5,000 sq.m in other CBDs
 - Floorplate > 1,000 sq.m Sydney/Melbourne/Brisbane/Perth CBDs and >800 sq.m in other CBDs
 - Full building management control systems (BCMS)
 - Lifts
 - Management onsite for buildings >30,000 sq.m
 - Security with CCTV systems
 - Change rooms and showers
 - Carpark with loading docks or delivery bays
 - 4 Star Green Star Design Rating including 4.5 Star NABERS Office Energy rating commitment.
- **B-Grade office buildings** are quality office space with a good standard of finish and maintenance.
 - >6,000 sq.m in Sydney/Melbourne/Brisbane/Perth CBDs and >3,000 sq.m in other CBDs
 - Floorplate > 700 sq.m Sydney/Melbourne/Brisbane/Perth CBDs and >600 sq.m in other CBDs
 - Building management

- Electrical and mechanical minimum requirements
- Security with CCTV systems
- 4 Star Green Star Design Rating including 4 Star NABERS Office Energy rating commitment.
- **C-Grade office buildings** are average quality space with lifts.
- **D-Grade office buildings** are poor quality space not accommodated in the other categories.

2.2 PARRAMATTA CBD

The following map outlines the Parramatta CBD as defined by the PCA as part of their Office Market Report. The Parramatta CBD is considered to comprise five sub-sectors with the current Commercial Core zoned land primarily located within the Mid City and East precincts.



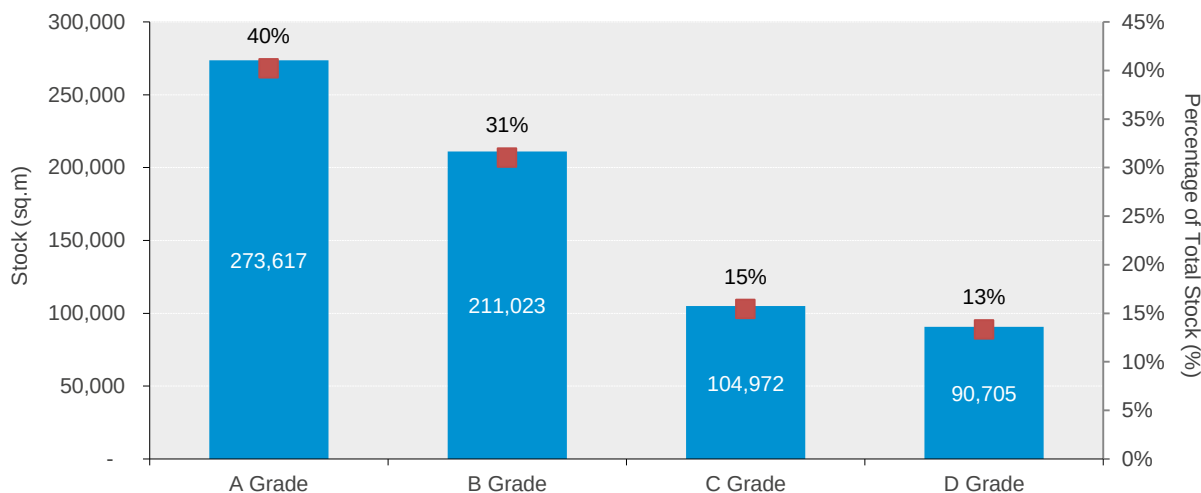
2.3 EXISTING SUPPLY

Chart 2.1 outlines the breakdown of office stock as of January 2015. The Parramatta CBD has a total office stock of 680,317 sq.m as at January 2015. A-Grade office stock accounts for 40% while B-Grade office stock accounts for 31% of the total stock.

Office Stock by Grade

PARRAMATTA CBD, JANUARY 2015

CHART 2.1



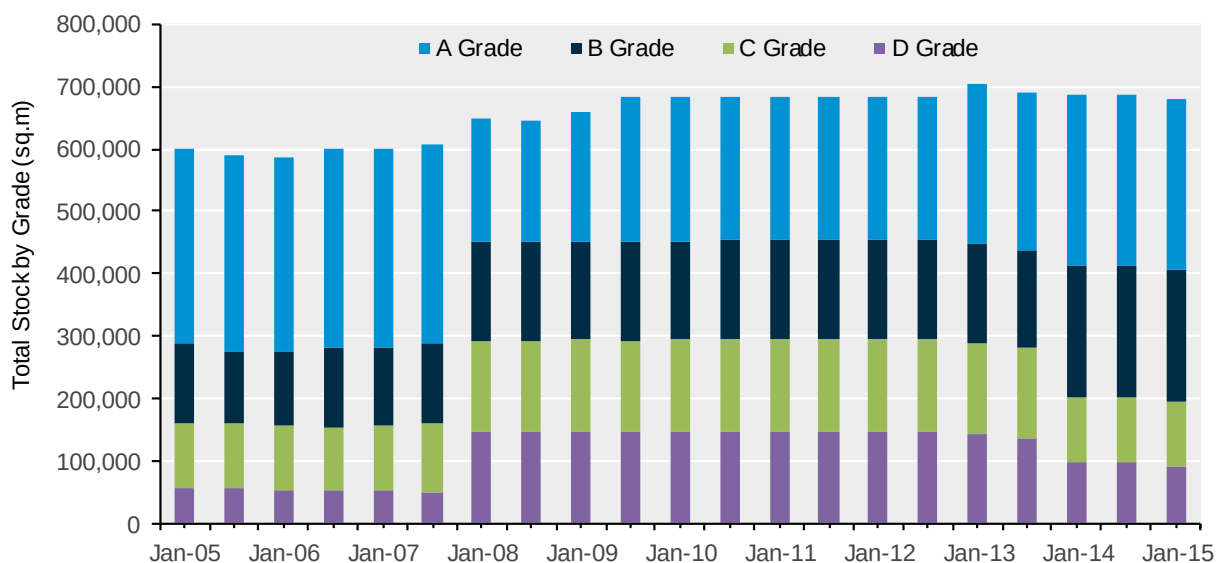
Source : PCA Office Market Report January 2015 ; Urbis

The following chart outlines the historical growth in office space in the Parramatta CBD over the last 10 years. Total office space has increased from around 600,000 in January 2005 to 680,000 in January 2015. It is noted that there was a reclassification of office space in January 2008 and again in January 2014, with the increase in A-Grade and B-Grade space at the expense of lower grade stock. It is noted that there was no additional A-Grade or B-Grade space developed in this year.

Historical Office Stock by Grade

PARRAMATTA CBD JANUARY 2005 TO JANUARY 2015

CHART 2.2



Source : Property Council of Australia; Urbis

Table 2.1 outlines the completion year, floorplate size, net lettable area and key tenants of 20 of the largest office buildings in Parramatta CBD. Recent developments include:

- Eclipse Tower: Located at 60 Station Street East, Parramatta towards the south-east of the Parramatta CBD. The 20 storey A-Grade commercial office building was completed in 2012 with 25,080 sq.m of commercial space and 580 sq.m of retail space. It has an average floorplate of around 1,320 sq.m.
- Sydney Water Headquarters: Located at 40-60 Darcy Street, Parramatta to the north of the train station. The 16 storey commercial building was completed in 2009 with a net lettable area of 23,000 sq.m and an average floorplate of 1,600 sq.m.
- Parramatta Justice Precinct: The Parramatta Justice Precinct is located towards the north-west of the Parramatta CBD. The 21,000 sq.m administrative office building was completed in 2007 to accommodate the Attorney General's Office. The building has a floorplate of around 2,100 sq.m with the brief asking for a large open flexible floorplate to encourage social connectivity.

It is noted that most recent office buildings are around 20,000 sq.m in size with a floorplate of over 1,300 sq.m. This reflects the difficulties in achieving the necessary pre-commitments to develop large office buildings and the trend towards larger floorplates to meet the requirements of office tenants. These buildings are in line with the threshold for new A-Grade office space in major CBDs (20,000 sq.m building size and 1,000 sq.m floorplate) as outlined in the *A Guide to Office Building Quality 2012*.

Notable Office Buildings

PARRAMATTA CBD

TABLE 2.1

Address (Name)	Year Completed	Floorplate (sq.m)	NLA* (sq.m)	Parking	Key Tenants
1 Charles Street, Parramatta (NSW Police Headquarters)	2003	3,300	32,735	444	NSW Police
60 Station Street East, Parramatta (Eclipse Tower)	2012	1,320	25,660	144	Deloitte, QBE, Landcom, Servcorp
40 - 60 Darcy Street, Parramatta (Sydney Water Headquarters)	2009	1,600	23,000	354	Sydney Water
Parramatta Justice Precinct	2007	2,100	21,000	N/a	Department of the Attorney General.
150 George Street, Parramatta (Colonial Tower)	1992	1,100	21,964	492	Commonwealth Bank
110 George Street, Parramatta (The Octagon)	1990	3,200	20,845	343	Department of Veterans Affairs Network, HealthShare NSW, Page Personnel
130 George Street, Parramatta	1984	1,440	19,894	332	AON, Department of Human Services, Hays Recruitment, Medicare, NSW Police
101 George Street, Parramatta (101 George)	2006	1,930	18,066	295	Commonwealth Bank, MMD Construction Consultants
10 Valentine Avenue, Parramatta (Macquarie Tower)	1987	1,256	15,996	316	Various NSW government agencies, My Credit Union
10 Smith Street, Parramatta (The Barrington)	1970	1,208	13,609	167	HSBC, Matthews Folbigg Lawyers, NSW Fair Trading, Robert Walters
18 Smith Street, Parramatta (Century Centre)	2000	1,600	11,984	172	Australian Electoral Commission, Suncorp and Telstra
25 Smith Street, Parramatta	2007	1,293	11,058	51	IAG
2 Wentworth Street, Parramatta (Signature Tower)	1989	1,100	10,941	118	Various NSW government agencies
27 Argyle Street, Parramatta (The Centurion)	2006	1,395	10,249	129	Various NSW government agencies
100 George Street, Parramatta	1982	732	10,000	105	University of Western Sydney, Coleman Greig, ACMA
1 Fitzwilliam Street, Parramatta (Enterprise House)	1988	1,500	9,782	106	Raffles College of Design and Commerce
75 George Street, Parramatta	1985	1,850	9,535	103	Chandler Macleod Group, Hymix Australia, Reachlocal Australia
31 Macquarie Street, Parramatta (Macquarie Towers)	1983	1,100	9,400	204	Department of Community Services, Office Of State Revenue
56 Station Street East, Parramatta	1988	1,100	9,010	206	QBE
132 Marsden Street, Parramatta (Lang Centre)	1985	2,004	8,744	230	Office of State Revenue
20 O'Connell Street, Parramatta (Jessie Street Centre)	1988	1762 - 1987	53,824	350	Australian Taxation Office, Arthur J Gallagher

Note: *Net Lettable Area

Source : Cityscope ; Urbis

2.4 VACANCY LEVEL BY GRADE

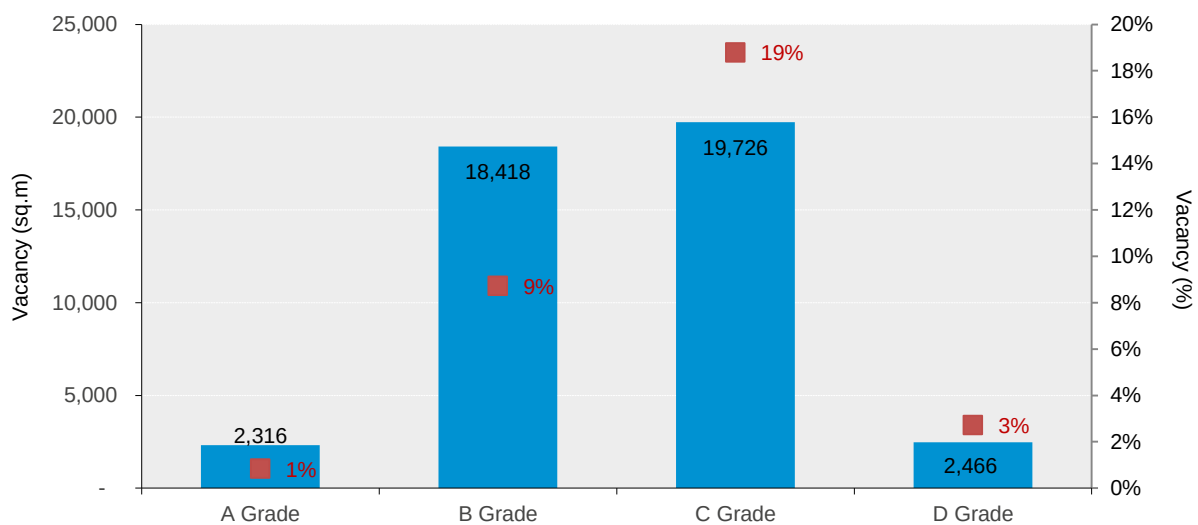
Chart 2.3 outlines the office vacancy by grade in the Parramatta CBD as at January 2015. Overall, the Parramatta CBD recorded a vacancy rate of 6.3% in January 2015 with key characteristics including:

- A-Grade office has the lowest vacancy level with 2,316 sq.m of vacant space equating to 1% vacancy rate
- B-Grade has the second highest vacancy level and rate at 18,418 sq.m and 9% respectively
- C-Grade office has the highest vacancy level and rate at 19,726 sq.m and 19% respectively
- D-Grade office has the second lowest vacancy level and rate at 2,466 sq.m and 3% respectively, albeit off a low supply base.

Office Vacancy by Grade

PARRAMATTA CBD, JANUARY 2015

CHART 2.3



Source : PCA Office Market Report January 2015 ; Urbis

2.5 HISTORIC NET ABSORPTION BY GRADE

Chart 2.4 illustrates the six month net absorption rate in the Parramatta CBD office market from July 2008 to January 2015. The net absorption of A-Grade office space included:

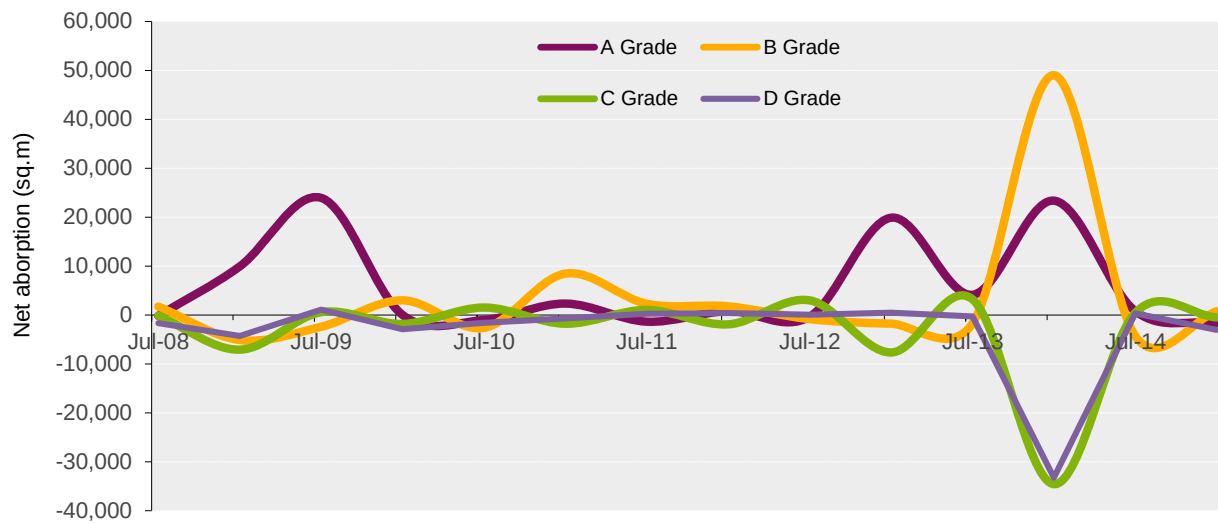
- *Early 2009:* Completion of the Sydney Water Headquarters
- *Late 2012:* Completion of the Eclipse Tower
- *Late 2013:* Reclassification of existing office buildings under the grading scheme. This included the increase in A-Grade and B-Grade space at the expense of lower grade stock. It is noted that there was no additional A-Grade or B-Grade space developed in this year.

Overall, the chart highlights the limited net absorption of stock other than the completion of major buildings in 2009 and 2012.

6 Months Net Absorption by Grade

PARRAMATTA CBD, JULY 2008 TO JANUARY 2015

CHART 2.4



Source : PCA Office Market Report January 2015 ; Urbis

2.6 RENTAL COST

Table 2.2 outlines the office rental rates in the Parramatta CBD for A-Grade and B-Grade office space in early 2015.

- Existing A-Grade office in Parramatta is reported to achieve gross face rents of \$450-\$555/sq.m, net face rent of \$360-\$450/sq.m and net effective rent of \$306-\$360/sq.m. Discussions with agents indicate new A-Grade net face rents (while not trading often) are in the range of around \$510-\$540.
- B-Grade office in Parramatta is reported to achieve gross face rent of \$365-\$460/sq.m, net face rent of \$275-\$350/sq.m and net effective rent of \$227-\$263/sq.m.

Office Market Rents

PARRAMATTA CBD, MARCH 2015

TABLE 2.2

	Gross Face Rent (\$/sq.m)	Net Face Rent (\$/sq.m)	Net Effective Rent (\$/sq.m)
A Grade Office	450-555	360-450	306-360
B Grade Office	365-460	275-350	227-263

Source : Savills; Urbis

Table 2.4 shows the advertised rent on Realcommercial.com.au on 3 June 2015 for office vacancies in the Parramatta CBD. Most of the office vacancies are for smaller tenancies under 1,000 sq.m, which reflects the low vacancies in A-Grade stock.

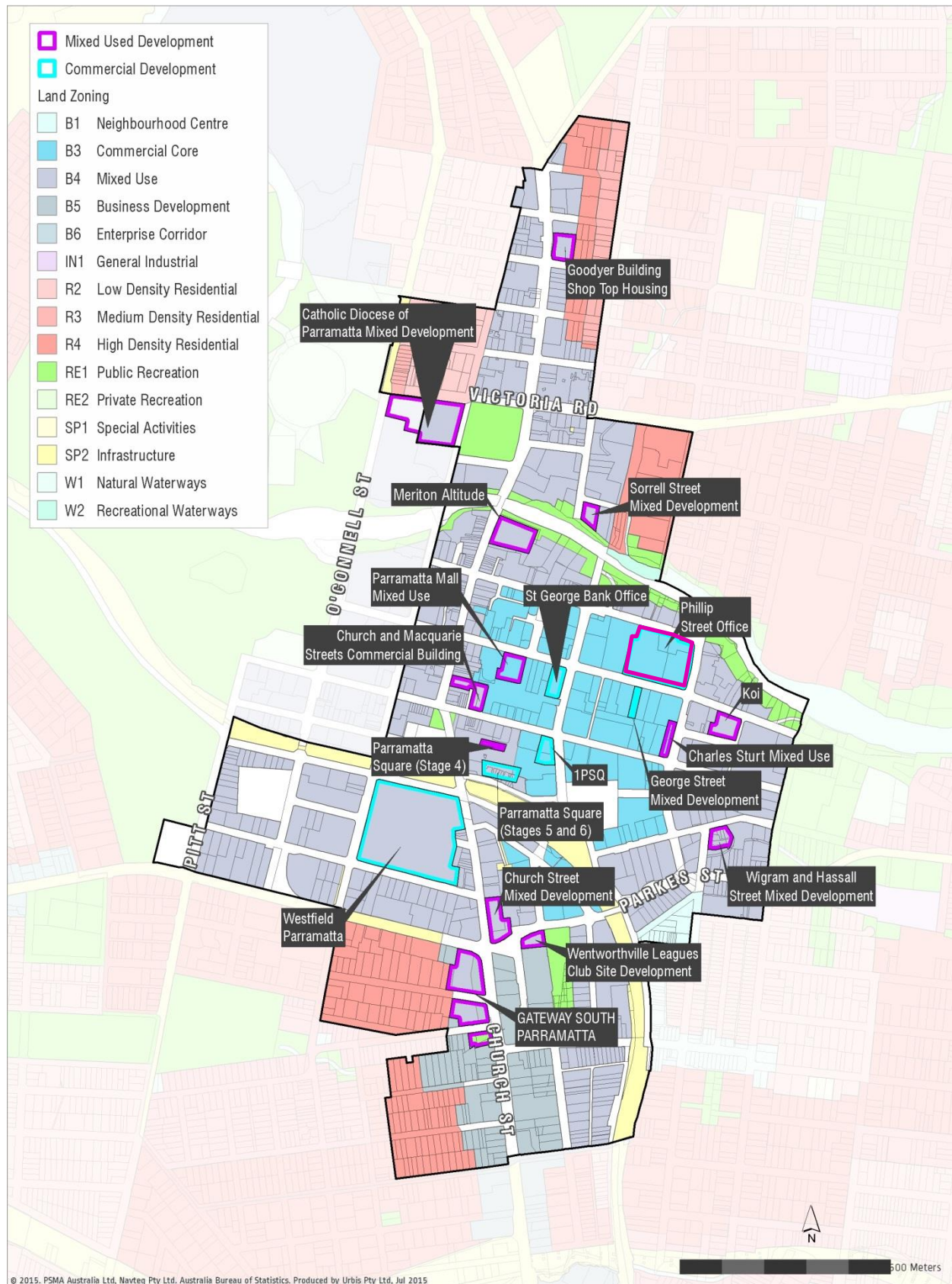
Address	Asking Rent (\$/sq.m)	Floor Area (sq.m)
9 Wentworth Street, Parramatta	\$360 net + GST	478-1,715
88 Phillip Street, Parramatta	\$360-\$400	190+
91 Phillip Street, Parramatta	\$350	278-970
20 Smith Street, Parramatta	\$390 net + GST	201-897
60 Macquarie Street, Parramatta	\$350 gross + GST	220-2,264
16-18 Wentworth Street, Parramatta	\$385 gross + GST	400-875
460 Church Street, Parramatta	\$275 net + GST	120-1,500
1 Horwood Place, Parramatta	\$300 gross + GST	470-950
Levels 1 & 2, 7 Parkes Street, Parramatta	\$300 net + GST	346-692
33 Argyle Street, Parramatta	\$370-\$450	125-500
11 Parkes Street, Parramatta	\$330 gross	100-524
Suite 2, Level 4, 7 Hassall Street, Parramatta	\$350 gross + GST	632
Level 5, Suite 2, 31-39 Macquarie Street, Parramatta	\$350 gross + GST	600
Suite 1 & 2, 239 Church Street, Parramatta	\$350 gross + GST	250-500

Source : Real Commercial as of 03/06/15 ; Urbis

2.7 PROPOSED NEW DEVELOPMENT

Table 2.5 outlines the major proposed office developments in and around the Parramatta CBD. The majority of proposed office space is contained within the Parramatta Square development. Overall, there is almost 280,000 sq.m of proposed office space.

- **V by Crown** is a mixed-use residential, retail and commercial development with an estimated 4,122 sq.m of B-Grade commercial space expected to be completed by 2016.
- **George Street Mixed Development** is a 13 storey commercial development with an estimated 11,567 sq.m of A-Grade commercial space.
- **Westfield Parramatta** is a 20 storey, commercial development with an estimated 35,000 sq.m of A-Grade commercial space.
- **Philip Street Office** is a large site located at the north-west corner of the Commercial Core which currently has several office buildings. A Planning Proposal has been mooted, which includes an expansion of office space on George Street with the development of residential apartments along Phillip Street. There is a previous development approval for an office building of around 20,000 sq.m though the development did not proceed.
- **Parramatta Square** comprises a 3 ha, \$1.6 billion mixed use development bound by Church, Macquarie, Smith and Darcy Streets. Parramatta Square is to be developed over six stages and will provide 700 apartments, 150 hotel rooms, public uses and over 190,000 sq.m of commercial office floorspace on completion. Key stages anticipated to comprise office space include:
 - **Stage 1:** 1PSQ is stage one of the Parramatta Square masterplan. It will be the location of UWS Parramatta City Campus. 1PSQ will have an estimated 27,440 sq.m of A-Grade commercial floorspace and it is scheduled to be completed by the end of 2016.
 - **Stage 3:** Office tower with 24,000 sq.m of A-Grade commercial floorspace and 7,000 sq.m of public facilities. The development application was withdrawn and the project is under review.
 - **Stage 5-6:** Dual commercial office towers with 140,000 sq.m of A-Grade commercial floorspace.



Proposed New Office Developments

PARRAMATTA CBD, AS AT MAY 2015

TABLE 2.4

Project Title	Project Address	Development Type	Estimated Commercial Floorspace (sq.m)	Anticipated Office Grade
V by Crown	134-140 Marsden St	Mixed Use	4,122	B
George Street Mixed Development	89 George St	Commercial	11,567	A
1PSQ	143 & 169 Macquarie St	Commercial	27,440	A
Parramatta Square (Stage 4)	Church St	Mixed Use	N/a	B
St George Bank Office	75 George St	Commercial	2,907	A
Phillip Street Office	105 Phillip St and 130 George St	Commercial	19,730	A
Church and Macquarie Streets Commercial Building	220-222 Church St & 48 Macquarie St	Mixed Use	N/a	A
Westfield Parramatta	Argyle St & Church St	Commercial	35,000	A
Parramatta Square (Stage 3)	153 Macquarie St	Mixed Use	24,000	A
Parramatta Square (Stages 5 and 6)	12-13 Darcy St	Commercial	140,000	A
Parramall Development	55-67 George St	Mixed Use	14,576	A
Total			279,342	

Source : Cordell Connect; Urbis

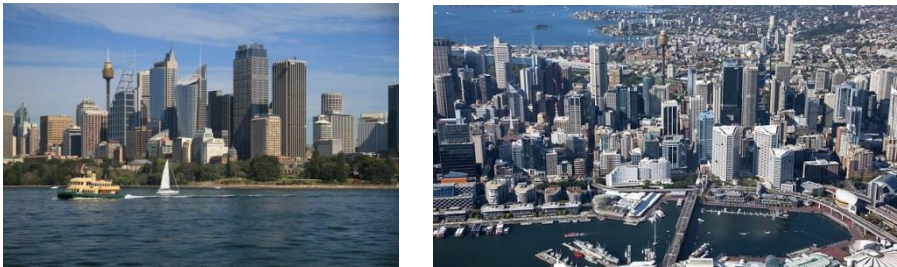
3 Competitive Commercial Locations

This section provides profiles of commercial centres that are considered to be the key competitors to the Parramatta CBD. The profiles provide a summary of key characteristics including transport infrastructure, amenity, current and historical office performance and development and residential development.

- Sydney CBD
- North Sydney CBD
- North Ryde/ Macquarie Park
- Chatswood CBD
- Brisbane CBD.

While the Brisbane CBD is not considered to be a key competitor to the Parramatta CBD, a profile has been included as there are some key similarities and implications relating to the potential development of the Parramatta CBD.

3.1 SYDNEY CBD

SYDNEY CBD					
DESCRIPTION	The Sydney CBD is the main financial and economic hub of Australia. It extends southwards for approximately 3km from Circular Quay to Central Train Station and is bounded by Darling Harbour to the west, and Hyde Park/The Domain to the east.				
AREA	2.4 sq.km				
AMENITIES	The Sydney CBD boasts extensive retail offerings including Westfield Sydney, the Queen Victoria Building and others. These range from convenience retailers to luxury boutique operations. There is significant public domain along the Sydney Harbour foreshore, Royal Botanic Gardens and Hyde Park.				
TRANSPORT INFRASTRUCTURE	Train: Six train stations (Central, Town Hall, Wynyard, Museum, Circular Quay and St James) connect the Sydney CBD to the rest of Sydney. Intercity train services also connect Sydney CBD to other towns and cities outside Sydney metro area (e.g. Central Coast, Illawarra and South Coast, Blue Mountains). Bus: Express (Metrobus) and normal buses to most areas of Sydney, in particular eastern, southern, north shore and beaches, and inner-western suburbs. Light Rail: Connects Sydney CBD to inner western Sydney. A new light rail line which extends from Circular Quay to Kingsford has been proposed and it is currently entering a detailed final design stage before major construction works begin. Ferry: Circular Quay is the hub of the ferry network and it connects the Sydney CBD to Manly, Balmain, eastern suburbs, lower north shore and Parramatta River. Car: Connected to Greater Sydney by major arterial roads such as Eastern Distributor, Western Distributor, Parramatta Road and Sydney Harbour Bridge.				
WHITE COLLAR RESIDENT WORKERS (5KM RADIUS)	134,000				
STOCK	STOCK (SQ.M)	% OF TOTAL STOCK	VACANCY (SQ.M)	VACANCY (%)	NET ABSORPTION (SQ.M) ¹
Premium Grade	793,963	16%	56,808	7%	23,436
A-Grade	1,835,294	37%	146,417	8%	37,845
B-Grade	1,576,404	32%	115,521	7%	3,822

C-Grade	563,308	11%	37,341	7%	-13,227
D-Grade	192,759	4%	13,533	7%	-2,060
Total Stock	4,961,728	100%	369,620	7%	49,816
A-GRADE RENTS (MARCH 2015)	Gross Face Rent (\$/sq.m)			\$730 - \$1,020	
	Net Face Rent (\$/sq.m)			\$600- \$850	
	Net Effective Rent (\$/sq.m)			\$396 - \$493	
MEDIAN NLA AND FLOORPLATE OF A- GRADE STOCK ²	Net Leasable Area (sq.m)			21,700	
	Floorplate (sq.m)			1,500	
RESIDENTIAL	The number of residential dwellings increased from around 9,850 in 2006 to 12,640 in 2011. There has been a growing trend towards older office buildings being redeveloped into residential apartments.				
COMPETITIVE POSITION	The Sydney CBD is arguably Australia’s commercial gateway to the world and is Australia’s financial hub. As a result the majority of national headquarters are located in the Sydney CBD.				

Note: 1. Average annual absorption over last 10 years. 2. Median net lettable area and floorplate of A-Grade stock completed in the last 10 years.

Source: PCA, ABS, Savills, Urbis

3.2 NORTH SYDNEY

NORTH SYDNEY	 				
DESCRIPTION	North Sydney is a major commercial district in the lower north shore of Sydney. It extends northwards for approximately 1.6km from Luna Park along the Pacific Highway.				
AREA	0.7 sq.km				
AMENITIES	The retail offering is concentrated north of the North Sydney railway station around Greenwood Plaza and Berry Square. There are relatively few public domain areas in the core of the CBD				
TRANSPORT INFRASTRUCTURE	Train: Access to two stations (North Sydney and Milsons Point) on the North Shore, Northern and Western line. There is also a proposal to include a further station as part of a second harbour crossing. Bus: Connects North Sydney CBD to local surrounding areas, train stations and the Sydney CBD. A Metrobus route passes through North Sydney, connecting Artarmon to Botany via Sydney CBD. Light Rail: None Ferry: Milsons Point Wharf which has services along the Parramatta River and Sydney Harbour. Car: Connected by Pacific Highway and Warringah Freeway.				
WHITE COLLAR RESIDENT WORKERS (5KM RADIUS)	98,000				
STOCK	STOCK (SQ.M)	% OF TOTAL STOCK	VACANCY (SQ.M)	VACANCY (%)	NET ABSORPTION (SQ.M) ¹
Premium Grade	36,500	4%	0	0%	-32
A-Grade	186,296	23%	10,941	6%	-4,584
B-Grade	425,616	52%	46,240	11%	2,949
C-Grade	160,026	19%	16,008	10%	6,487
D-Grade	13,752	2%	1,366	10%	232

Total Stock	822,190	100%	74,555	9%	5,052
A-GRADE RENTS (MARCH 2015)	Gross Face Rent (\$/sq.m)			\$670 - \$840	
	Net Face Rent (\$/sq.m)			\$550 - \$710	
	Net Effective Rent (\$/sq.m)			\$399 - \$497	
MEDIAN NLA AND FLOORPLATE OF A- GRADE STOCK ²	Net Leasable Area (sq.m)			20,500	
	Floorplate (sq.m)			1,300	
RESIDENTIAL	There has been a growing trend towards older office buildings (in Milsons Point especially) being redeveloped into residential apartments.				
COMPETITIVE POSITION	The North Sydney CBD benefits from its Harbour Front location in close proximity to the Sydney CBD. North Sydney has experienced significant competition in the last decade from North Ryde with telecommunications companies relocating out of North Sydney. The CBD is relatively constrained with only a couple of key development sites remaining in the CBD.				

Note: 1. Average annual absorption over last 10 years. 2. Median net lettable area and floorplate of A-Grade stock completed in the last 10 years.

Source: PCA, ABS, Savills, Urbis

3.3 NORTH RYDE/ MACQUARIE PARK

NORTH RYDE/ MACQUARIE PARK					
DESCRIPTION	The North Ryde/Macquarie Park centre consists of the Macquarie Park corridor, a major research and business centre for communications, medical research, pharmaceutical and IC&T sectors. It extends south eastward for 4km from Macquarie University.				
AREA	2.2 sq.km				
AMENITIES	Few retail opportunities for workers that are not located in the immediate surroundings of Macquarie Centre. There is limited public domain in the precinct.				
TRANSPORT INFRASTRUCTURE	Train: Access to three train stations (Macquarie Park, Macquarie University and North Ryde) on the North Shore, Northern and Western line. Plans to upgrade and convert the Epping to Chatswood section to the new rapid transit system as part of the North West Rail link in 2019. Bus: Around 30 bus routes travel in and around the precinct from the Sydney CBD, North Sydney, Parramatta, Hurstville, Chatswood and Castle Hill. Light Rail: None, however there has been discussions around the potential for a future Macquarie Park-Parramatta light rail line. Ferry: None Car: Accessible via the M2 Motorway, Epping Road and Lane Cove Road.				
WHITE COLLAR RESIDENT WORKERS (5KM RADIUS)	51,000				
STOCK	STOCK (SQ.M)	% OF TOTAL STOCK	VACANCY (SQ.M)	VACANCY (%)	NET ABSORPTION (SQ.M) ¹
Premium Grade	0	0%	N/a	N/a	0
A-Grade	615,716	71%	49,503	8%	36,125
B-Grade	228,026	26%	35,763	16%	-2,260
C-Grade	20,017	2%	1,025	5%	-1,048
D-Grade	2,721	0%	0	0%	0

Total Stock	866,480	100%	86,291	10%	32,818
A-GRADE RENTS (MARCH 2015)	Gross Face Rent (\$/sq.m)			\$390 - \$445	
	Net Face Rent (\$/sq.m)			\$310 - \$345	
	Net Effective Rent (\$/sq.m)			\$225 - \$224	
MEDIAN NLA AND FLOORPLATE OF A- GRADE STOCK ²	Net Leasable Area (sq.m)			11,800	
	Floorplate (sq.m)			1,900	
RESIDENTIAL	There are virtually no residential apartments located within the North Ryde/ Macquarie Park precinct. However the NSW Government has identified two adjacent Priority Precincts with the capacity to develop a significant number of dwellings.				
COMPETITIVE POSITION	North Ryde/ Macquarie Park has recorded significant growth and has surpassed North Sydney and Parramatta to be Sydney’s second largest office market. It has benefited from the ability to develop low-rise (i.e. less than 10 storeys) large floorplate office buildings on large sites at relatively low prices. This has allowed it to attract office tenants to purpose built campus-style facilities with relatively cheap rents compared to “conventional” office tower supplies in centres like Sydney CBD, North Sydney, Chatswood and Parramatta.				

Note: 1. Average annual absorption over last 10 years. 2. Median net lettable area and floorplate of A-Grade stock completed in the last 10 years.

Source: PCA, ABS, Savills, Urbis

3.4 CHATSWOOD

NORTH SYDNEY	 				
DESCRIPTION	Chatswood is a core commercial and retail district in the North Shore. The precinct extends approximately 1km from Pacific Highway along Victoria Ave.				
AREA	0.5 sq.km				
AMENITIES	Due to the small size of the precinct, retail amenities are accessible and they are concentrated in Westfield Chatswood and Chatswood Chase. The retail footprint has extended to also include areas around the Chatswood Transport Interchange, which is focused on food and beverage offers that are also accessible to the local office based workforce. Public domain in the form of open space and seats from Chatswood station along the Victoria Ave retail strip.				
TRANSPORT INFRASTRUCTURE	Train: Access to Chatswood station to the North Shore and Northern Line and Western Line. Plans to upgrade and convert the Epping to Chatswood section to integrate with the new North West Rail link rapid transit system in 2019. Bus: Variety of local bus routes connects Chatswood to its surrounding areas. Cross-regional and Metrobus services link Chatswood to Parramatta and Bondi Junction. Light Rail: None Ferry: None Car: Accessible via the Pacific Highway and Gore Hill Freeway.				
WHITE COLLAR RESIDENT WORKERS (5KM RADIUS)	68,000				
STOCK	STOCK (SQ.M)	% OF TOTAL STOCK	VACANCY (SQ.M)	VACANCY (%)	NET ABSORPTION (SQ.M) ¹
Premium Grade	0	0%	N/a	N/a	0
A-Grade	157,412	55%	13,673	9%	1,068
B-Grade	81,146	28%	6,963	9%	516
C-Grade	46,233	16%	2,700	6%	1,152
D-Grade	454	0%	0	0%	22

Total Stock	285,245	100%	23,336	8%	2,758
A-Grade Rents (March 2015)	GROSS FACE RENT (\$/SQ.M)			\$520-\$610	
	Net Face Rent (\$/sq.m)			\$410 - \$500	
	Net Effective Rent (\$/sq.m)			\$290-\$350	
MEDIAN NLA AND FLOORPLATE OF A-GRADE STOCK ²	Net Leasable Area (sq.m)			N/a	
	Floorplate (sq.m)			N/a	
RESIDENTIAL	The number of residential dwellings increased from around 2,290 in 2006 to 2,510 in 2011. Since 2011, there has been additional residential development in and around the CBD including around 550 apartments in the Metro Residences above the Chatswood Transport Interchange. It is noted that residential had been blamed for a higher level of vacancy during 2008-2010, however this vacancy has fallen dramatically, indicating the impact of residential development may not have been that great.				
COMPETITIVE POSITION	The Chatswood CBD has not attracted much office development in the last decade. The CBD benefits from high amenity with Westfield Chatswood and a vibrant food and beverage and cultural offering. New residential apartment development has been the predominant form of development and has displaced a number of potential commercial sites.				

Note: 1. Average annual absorption over last 10 years. 2. Median net lettable area and floorplate of A-Grade stock completed in the last 10 years.

Source: PCA, ABS, Knight Frank, Urbis

3.5 BRISBANE CBD

BRISBANE CBD	 				
DESCRIPTION	Brisbane CBD is the financial and economic hub of Queensland. It is a triangular shaped area bounded by Brisbane River and Spring Hill with Gardens Point at its tip.				
AREA	1.2 sq.km				
AMENITIES	Extensive retail offerings throughout the precinct in particularly in and around Queen Street Mall. Strong public domain along the Brisbane River and Brisbane City Botanic Gardens.				
TRANSPORT INFRASTRUCTURE	Train: Central and Roma Street train stations connects the Brisbane CBD to rest of Brisbane. There have been plans for a new river rail crossing and new stations, though this is currently off the table. Bus: Queen Street and King George Square bus stations Light Rail: None. Light rail has previously been proposed Ferry: Four wharfs (North Quay, QUT, Eagle Street Pier and Riverside) connect Brisbane CBD to areas around the Brisbane River Car: Accessible by Kelvin Grove Road to the north, Kingsford Smith Drive to the east, Coronation Drive to the west, and Pacific Motorway to the south				
WHITE COLLAR RESIDENT WORKERS (5KM RADIUS)	94,181				
STOCK	STOCK (SQ.M)	% OF TOTAL STOCK	VACANCY (SQ.M)	VACANCY (%)	NET ABSORPTION (SQ.M) ¹
Premium Grade	204,056	9%	18,651	9%	7,670
A-Grade	880,133	40%	97,616	11%	26,064
B-Grade	827,161	38%	190,135	23%	-16,147
C-Grade	221,596	10%	26,806	12%	3,997
D-Grade	60,857	3%	10,105	17%	1,477
Total Stock	2,193,803	100%	343,313	16%	23,060

A-Grade Rents (March 2015)	GROSS FACE RENT (\$/SQ.M)	\$580 - \$700
	Net Face Rent (\$/sq.m)	\$460 - \$545
	Net Effective Rent (\$/sq.m)	N/a
MEDIAN NLA AND FLOORPLATE OF A-GRADE STOCK ²	Net Leasable Area (sq.m)	N/a
	Floorplate (sq.m)	N/a
RESIDENTIAL	There was an estimated 3,700 residential dwellings in the Brisbane CBD in 2011. The CBD has created a vibrant precinct with a mix of quality residential apartment buildings looking over the Brisbane River. Residential has been a significant part of the Brisbane CBD. In the early 2000's there was a fear that residential would take over all of the available commercial sites. Whilst residential did increase quickly, once the demand for office surged, the highest and best use flipped and now there is an oversupply of office.	
COMPETITIVE POSITION	The Brisbane CBD is home to the majority of major corporate businesses in Brisbane. Office is more heavily influenced by State Government, with a strong representation from mining related companies. Brisbane does not have the same fragmented office market as Sydney does. The CBD is surrounded by several fringe office markets with lower density office buildings though there are no major suburban centres.	

Note: 1. Average annual absorption over last 10 years. 2. Median net lettable area and floorplate of A-Grade stock completed in the last 10 years.

Source: PCA, ABS, Savills, Urbis

3.6 IMPLICATIONS FOR PARRAMATTA

The commercial CBD profiles outlined above have implications for the Parramatta CBD including:

- **Area:** The Parramatta CBD (as defined by the PCA OMR) covers an area of around 1.4 sq.km with total office stock of around 680,000 sq.m. In comparison, the Brisbane CBD covers an area of around 1.2 sq.km and almost 2.2 million sq.m of office space. This indicates that the Parramatta CBD has the potential to increase in density.

The main commercial core to the north of the train line, accounts for an area of around 0.3 sq.km, which equates to approximately 20% of the total area.

- **Amenity:** The Parramatta CBD boasts high amenity with Westfield Parramatta, the Parramatta River and surrounding parkland, Church Street 'eat street' and access to a range of personal services desirable to office workers.
- **Residential:** The Parramatta CBD (as defined by the PCA OMR) recorded an estimated 3,910 dwellings in 2011, with growth of 535 dwellings from 2006. This equated to average annual growth of 3% over the five years. Most CBDs contain residential development to create a more vibrant centre.
- **A-Grade Office:** Parramatta has very low A-Grade office vacancy rates that are effectively at 0%. This is normally a strong indicator that there is demand in the market for additional development as large tenants looking to expand operations do not have any existing space to move into and therefore need new buildings. A-Grade office vacancy rates in the profiled centres range from 6-11% in January 2015, which is generally indicative of markets operating around equilibrium.
- **Rents:** Despite very low vacancy rates, A-Grade rents are not at levels that would support large scale A-Grade office development. It is understood that the Eclipse Tower achieved rents of almost \$500 per sq.m/pa in 2012. It is noted that locations such as Macquarie Park ask significantly lower rents for new purpose-built buildings with large floorplates. These business park locations are able to charge lower rents as the land is considerably cheaper and the construction costs for lower buildings are also considerably lower. As such, it is difficult for Parramatta to compete on price as tenants requiring large office spaces are attracted by these business parks.
- **Recent Development:** Most recent office buildings have required government pre-commitments to facilitate development. This is likely in order to attract a rental level high enough to meet the threshold rent to meet the required return on investment.

4 Drivers of Office Tenant Demand

This section reviews market drivers for commercial office floorspace demand, examining the future economic drivers and trends that will influence the mix of businesses operating within the Parramatta CBD. This includes major attractors influencing the decision for tenants / business to locate to the Parramatta CBD. Urbis spoke to office leasing agents operating in the Parramatta CBD to help inform the assessment of what major prospective office tenants are looking for and how they view the Parramatta CBD.

Office tenants look at a range of factors when choosing an office building/location. Key factors include:

- Business operational benefits
- Attractiveness to existing and potential staff to support the retention and recruitment of staff
- Rental costs
- Accessibility
- Building costs
- Floorplate size and flexibility
- Access to high value management staff.

Drivers of Office Tenant Supply

PARRAMATTA CBD

TABLE 4.1

DRIVER	DESCRIPTION	ASSESSMENT OF PARRAMATTA CBD
Public Transport	- Within easy walking distance of major public transport interchanges that provide access to workers over a large catchment area. Key modes of transport include: - Train - Bus - Ferry - Light Rail.	- The Parramatta railway station (refurbished in the mid-2000's) is a major interchange, on the Blue Mountains, Cumberland and Western lines. A number of government and privately provided bus routes also service Parramatta, including the North West T-Way (to Rouse Hill) and the Liverpool-Parramatta T-Way (to Liverpool), and five "Metrobus" services. A free bus route (Route 900) is operated by the NSW Government providing free transport around the Parramatta CBD. - Ferry access is available via the Parramatta Ferry Wharf along the Parramatta River to Circular Quay. However, ferry services are not well scheduled for commuters with hourly shuttle services before 9am connecting Parramatta and Rydalmere wharfs. Services continue between Rydalmere and Circular Quay. - Potential for the development of a light rail network to improve access to key nodes. - The Parramatta CBD is seen by corporations as being very accessible to a large prospective workforce with multiple public transport options including train, bus and ferry.
Access to Parking	Access to parking within the building/site or nearby for staff and clients.	- Vehicular access to Parramatta CBD is via Parramatta Road, the Great Western Highway, the M4 Western Motorway, Woodville Road, Windsor Road and James Ruse Drive. - There is a view that the Parramatta CBD is becoming very congested during the morning and evening peak with a shortage of parking. Limited westbound connections from Parramatta CBD to the M4 Motorway exacerbate congestion issues as vehicles must either use the Cumberland Highway (via Great Western Highway) or James Ruse Drive interchanges to commence westbound journeys.
Access to Workers	- Location in proximity to where the majority of existing and potential staff live to improve staff retention and recruitment - Major office tenants generally place a higher priority on access to high value management staff, which are more difficult to replace.	- Parramatta is centrally located within Greater Sydney, which provides access to a large potential labourforce. This is supported by a relatively strong public transport network (as discussed above). - Major office tenants located in business parks have identified issues with retaining and attracting staff due to relatively poor accessibility, which has led them to look at locations such as the Parramatta CBD. - The Parramatta CBD has access to more affluent areas, where senior management are more likely to live, such as the Parramatta Ferry and North Shore train line (though direct connection to the North Shore train line relies on over a 40 minute journey via Central Sydney).

DRIVER	DESCRIPTION	ASSESSMENT OF PARRAMATTA CBD
Access to Clients/ Customers	Proximity to key clients and customers to improve relationships and achieve synergies.	- Parramatta has successfully attracted professional service firms such as accounting and legal operations looking to service their growing customer base in Western Sydney. Other major corporations are also looking at Parramatta as part of their national portfolio of offices and expanding into the growing Western Sydney region. - The Global significance of the Sydney CBD means that the Parramatta CBD is unlikely to attract major corporate headquarters away from the Sydney CBD.
Proximity to Suppliers	Proximity to key suppliers to improve relationships and achieve operational benefits.	The Parramatta CBD has generated a relatively strong critical mass across sectors such as legal, professional services and government services, which has benefits for businesses. This provides access to support services that are important to major corporations.
Corporate Image	- The office location(s) have implications for the corporate image of a business such as: - Global nature - Success - Importance of clients.	- The Sydney CBD has the strong image as Australia's Global Commercial Centre, which will make it difficult for Parramatta to attract international headquarters. However, once a corporation has set up regional headquarters in Central Sydney and become established, the Parramatta CBD may become the preferred choice for additional/ secondary offices, or for back office operations. - Since the early 2000's, Parramatta has seen a number of government agencies relocate their head offices to the area, creating a "government centre". This includes the New South Wales Police Force and Sydney Water Corporation with the government looking to highlight the importance of Parramatta and Greater Western Sydney.
Views	- Attractive views can be viewed as a sign of corporate success with water/harbour views considered to be a sign of prestige - Major corporate businesses do not want to look out over poor quality buildings and residential apartments with 'washing on the balcony'.	- Parramatta boasts the proximity to the Parramatta River and significant parkland that provides a good outlook for office tenants - In recent years, there has been several residential apartment buildings developed adjacent to the commercial core that are not considered to be of the highest quality.
Office Floorplates	There has been a trend in recent years of professional firms looking to improve integration of business units and staff. This is best achieved by larger office floorplates with several consecutive floors that are connected by stairs. This includes floorplates of at least 1,300 sq.m though generally over 1,500 sq.m for major tenants.	- Parramatta has experienced significant competition from new centres such as North Ryde, Norwest and Sydney Olympic Park, which have been able to develop new large floorplate campus style office buildings - The older office buildings generally have floorplates of under 1,100 sq.m, which have had difficulty in leasing in recent years - All recent office buildings developed in the last decade in the Parramatta CBD have been over 1,290 sq.m

DRIVER	DESCRIPTION	ASSESSMENT OF PARRAMATTA CBD
Building Quality	Large corporate tenants want office space that is similar to what they occupy in capital city CBDs. This includes modern office buildings with attractive entrance/lobby, good lift service, good ceiling heights, on-site facilities and interconnecting staircases between levels (where possible).	- Most of the existing A-Grade stock in Parramatta is more than 10 years old and does not meet the requirements of tenants. As such, businesses looking to expand and upgrade their stock do not have many options (if any at all). - New office space developed in the Parramatta CBD (such as the Eclipse Tower and Sydney Water Building) have been able to achieve these requirements for the tenants, which was a major contributor in securing them as major pre-commitments.
Cost of Office Space	The cost of office space is an important consideration for businesses as they try to reduce operation costs. Rent represents a significant proportion of operational costs.	- Parramatta has experienced significant price competition with new large floorplate campus style office buildings able to charge lower rents due to the significantly lower construction costs compared to conventional office towers. - Discussion with agents indicates there is strong demand at current office rents of around \$500-\$550. Major tenants are willing to pay higher rents than business parks because of factors such as better amenity, accessibility, image and improved ability to attract and retain staff. However, the higher rents in the Parramatta CBD are not sufficient to facilitate viable development as the construction costs for high rise office buildings are significantly higher than for mid rise campus style buildings.
Proximity to Cafes/ Dining/ Bars	- An extensive range of cafes, restaurants and bars is important to staff looking for opportunities to have lunch - Provision of hospitality businesses is also attractive to businesses looking to entertain clients.	- The dining and hospitality offer in the Parramatta CBD has improved considerably in recent years with the emergence of the Church Street precinct adding to the extensive offer in the CBD. - The Parramatta CBD is seen as providing significantly more local amenity than business parks which is supported by major corporations looking to relocate from business parks to CBD locations.
Proximity to Retail Amenity	Office workers have a significant retail expenditure around their place of work and access to a large range of retail operations is attractive to workers.	- Westfield Parramatta, the second largest shopping centre in Sydney, is well integrated with the Parramatta CBD and Parramatta Transport Interchange. It provides workers with an extensive retail offering that is supported by strip retail along Church Street, Macquarie Street and George Street. - With office workers becoming more 'time poor', having access to good retail services in the Parramatta CBD is seen as an advantage by prospective tenants as workers in business parks have difficulty in undertaking personal tasks during lunch breaks and after work.
Access to Childcare	Access to affordable childcare is an important consideration to businesses to retain staff.	The Parramatta CBD is considered to have capacity for additional child care places though this is a characteristic that is common to most areas within Sydney.
Proximity to Gyms/ Recreation	A lot of businesses have corporate packages with gyms as a benefit to staff members.	The Parramatta CBD is home to several gyms that provide office workers with fitness options. Access to Parramatta Park and river foreshore provide passive recreation opportunities.

Source: Urbis

The following chart outlines the main triggers that led to tenants relocating to the North Sydney CBD. The data was part of a project undertaken for North Sydney Council in 2013 to assess the current supply and occupancy of office accommodation and attractiveness of North Sydney and make recommendations to support the economic vitality of the North Sydney Centre. A key part of the study was an online survey of office tenants regarding their view on North Sydney as an office market to inform what could be done to improve the attractiveness of the centre.

While not directly applicable to the Parramatta CBD, it does present an indication of key factors that are important to tenants. The major factors included:

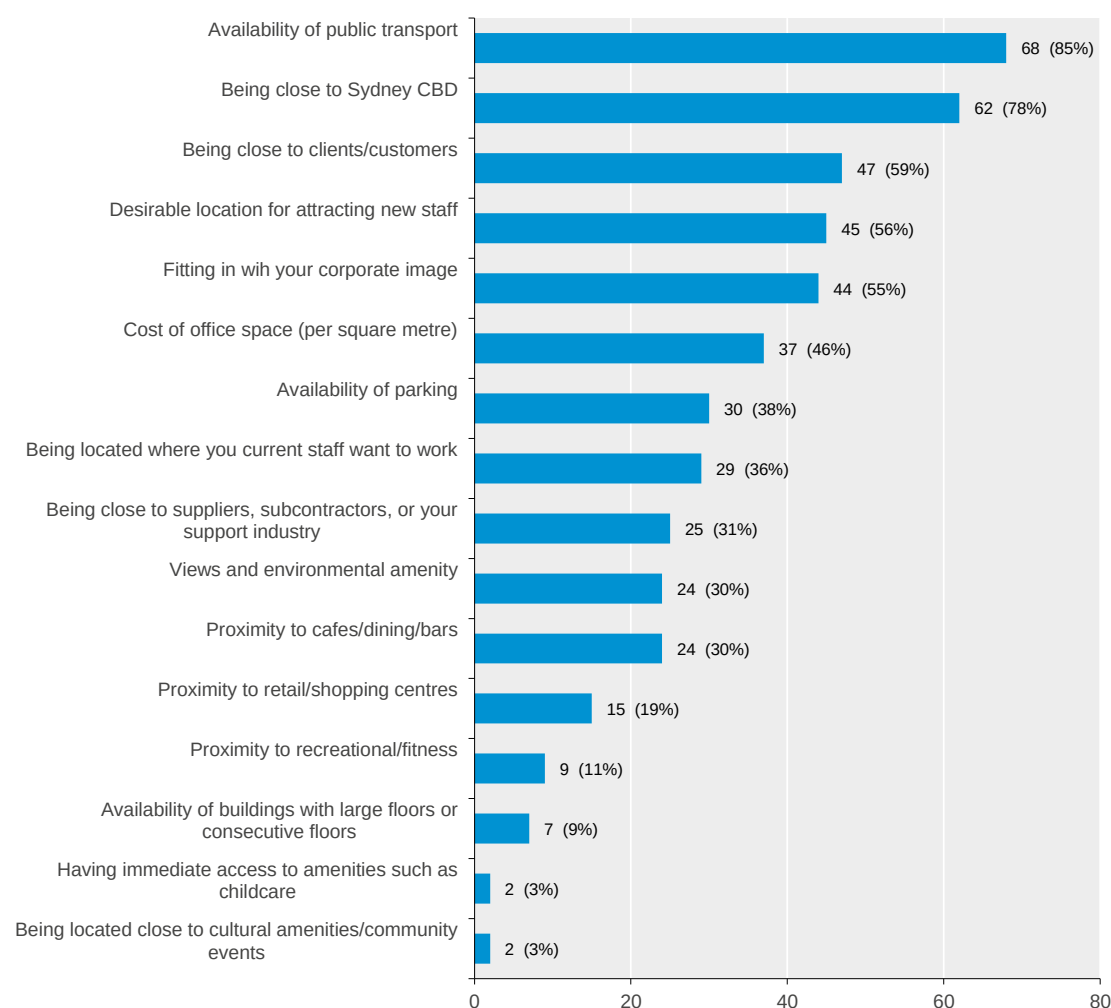
- Availability to public transport, which reflects the importance of accessibility to staff
- Proximity to clients/customers (linked to proximity to Sydney CBD)
- Desirable location for attracting (and retaining) staff
- Fitting in with corporate image
- Cost of office space.

It is noted that the tenant survey included a high proportion of smaller tenants, which is why availability of buildings with large floors and consecutive floors recorded a relatively low response.

Main Triggers for Company's Move to North Sydney

TENANTS

CHART 4.1



Source: Urbis

In addition, a survey was undertaken of office workers in the North Sydney Centre in 2013 to ascertain views on North Sydney as an office market and inform what could be done to improve the attractiveness of the centre.

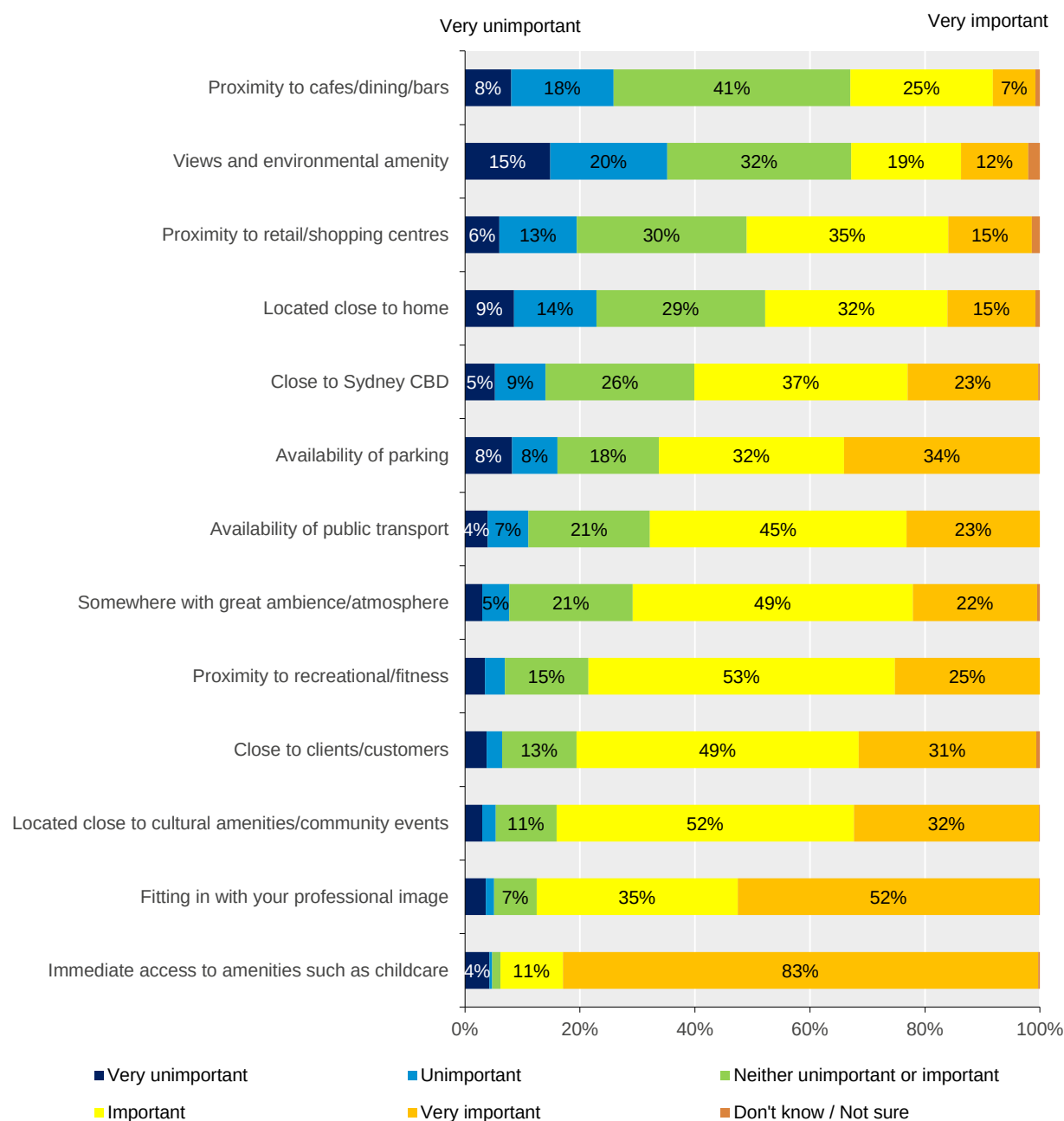
The following chart outlines the importance of office location characteristics to the appeal of a centre to office workers. It is interesting to note that the factors identified as 'very important' by over half of respondents include 'immediate access to amenities such as childcare' and 'fitting in with professional image'.

The results indicate that while transport accessibility and parking is an important consideration for workers, staff are willing to travel if the location has access to amenities and is good for their industry image and networks.

Attributes Important to the Appeal of an Office Location Area

OFFICE WORKERS

CHART 4.2



Source: Urbis

5 Parramatta CBD Resident & Worker Profile

This section provides a demographic overview of the Parramatta CBD including resident and worker populations.

5.1 RESIDENT PROFILE

The resident profile is based on a catchment developed of Statistical Area – Level 1 (SA1) areas that encompass the Parramatta City Centre. Due to different boundaries, the catchment does not exactly match the Parramatta CBD boundary.

5.1.1 HISTORICAL AND FORECAST POPULATION GROWTH

Table 5.1 presents the current population of the Parramatta City Centre and the forecast growth to 2031, benchmarked against the Sydney Metropolitan region.

As at 2011, the population in the Parramatta City Centre was 16,682. The population in the City Centre is expected to reach 36,065 by 2031, equating to average annual growth of 3.9% per annum. The projected growth equates to around 1,000 additional residents per annum. The growth equates to projected dwelling growth of around 7,500 dwellings.

Growth in the Parramatta City Centre is expected to be considerably higher than the Sydney average in the forecasted period, where the Sydney Metropolitan region's projected average growth rate is 1.6% per annum.

Historic Population Growth and Forecasts

PARRAMATTA CITY CENTRE, 2011 - 2031

TABLE 5.1

	Population Forecast				
	2011	2016	2021	2026	2031
Parramatta City Centre	16,682	20,844	24,542	29,255	36,065
Sydney Metropolitan	4,286,200	4,657,650	5,064,200	5,467,200	5,861,750
	Forecast Growth (no.)				
	2011-16	2016-21	2021-26	2026-31	
Parramatta City Centre	832	740	943	1,362	
Sydney Metropolitan	74,290	81,310	80,600	78,910	
	Forecast Growth (%)				
	2011-16	2016-21	2021-26	2026-31	
Parramatta City Centre	4.6%	3.3%	3.6%	4.3%	
Sydney Metropolitan	1.7%	1.7%	1.5%	1.4%	

Source: NSW Department of Planning & Environment, Bureau of Transport Statistics September 2014 Release; Urbis

5.1.2 AGE DISTRIBUTION

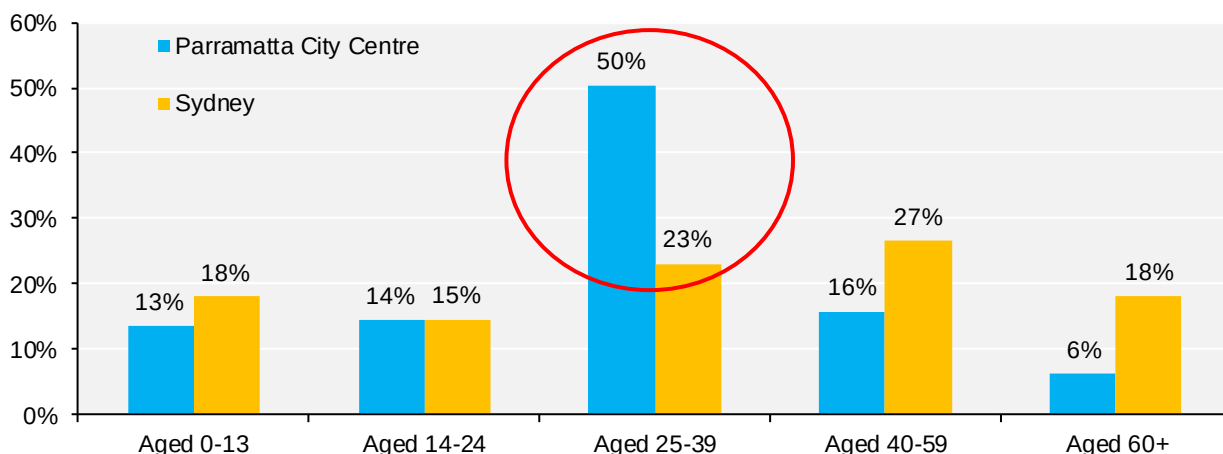
Chart 5.1 presents the population age distribution for residents in Parramatta City Centre and the Sydney Metropolitan region. Relative to Sydney, the Parramatta City Centre has a considerably higher proportion of residents aged between 25-39 year (50% compared to 23%) and a lower proportion of residents in all other aged cohorts.

The age distribution highlights the large number of young professionals that are living in the Parramatta City Centre. The increased residential density around the City Centre increases the number of resident workers that could work in the CBD.

Population Age Distribution

PARRAMATTA CITY CENTRE AND SYDNEY, 2011

CHART 5.1



Source: ABS Census 2011; Urbis

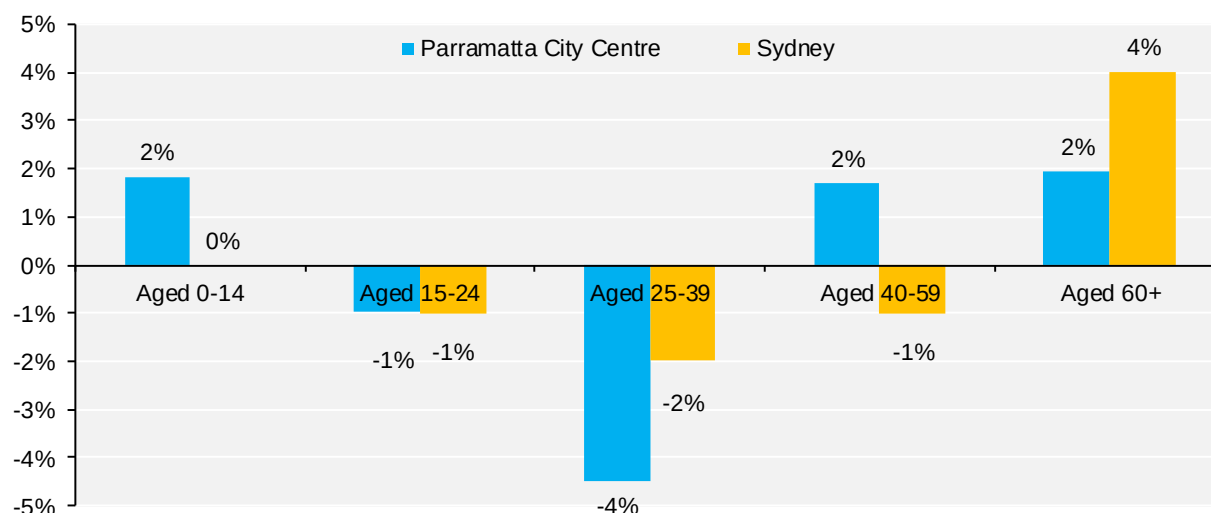
Chart 5.2 shows the projected change in the population age distribution of the Parramatta City Centre and Sydney to 2031. Due to the limited availability of information at a SA1 level, the Parramatta LGA growth rates have been used as a proxy to determine the projected age distribution for the Parramatta City Centre.

While the population in the area is expected to grow, the age distribution of the area is expected to shift. Specifically, the proportion of residents aged over 60 is expected to increase, following a city wide trend, and the number of residents aged 0-14 is expected to increase at a similar rate. In contrast, the proportion of residents aged between 15 and 39 is expected to fall and this is expected to be greater for residents within the Parramatta City Centre.

Change in Population Age Distribution

PARRAMATTA CITY CENTRE AND SYDNEY, 2011 TO 2031

CHART 5.2



Source: ABS Census 2011, Department of Planning 2014; Urbis

5.1.3 INCOMES

Table 5.2 presents the household income distribution for residents of the Parramatta City Centre compared the Sydney Metropolitan region. Chart 5.3 following, shows this variation of average household income of Parramatta City Centre against the Sydney average.

Incomes within the Parramatta City Centre are comparatively lower than the Sydney Statistical Division, with a skew of households earning salaries in the middle income bracket (between \$52,000 and \$104,000 per annum).

Overall, the Parramatta City Centre incomes are approximately 15% lower than average household incomes across Sydney. This difference has narrowed over the decade from a difference of 29% in 2001 and 20% in 2006, reflecting the increasing proportion of white collar professionals residing within the Parramatta City Centre. This highlights the shift towards more professional workers living in the area, which provides a larger pool of potential workers for large corporations looking to establish and expand operations in the Parramatta CBD.

Household Income Distribution

PARRAMATTA CITY CENTRE AND SYDNEY, 2011

TABLE 5.2

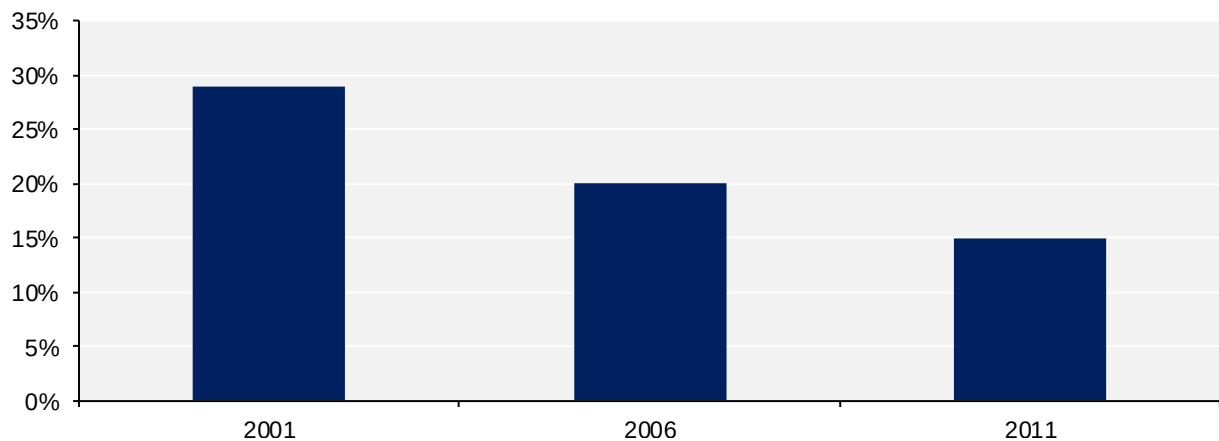
Gross Annual Household Income	Parramatta City Centre	Sydney
\$Neg/Nil	3%	2%
\$1 - \$10,400	1%	2%
\$10,400 - \$15,600	2%	3%
\$15,600 - \$20,800	3%	6%
\$20,800 - \$31,200	6%	8%
\$31,200 - \$41,600	8%	8%
\$41,600 - \$52,000	10%	8%
\$52,000 - \$65,000	12%	8%
\$65,000 - \$78,000	12%	8%
\$78,000 - \$104,000	16%	13%
\$104,000 - \$130,000	9%	9%
\$130,000 - \$156,000	10%	11%
\$156,000 plus	7%	16%
Average Household Income	\$80,311	\$94,428

Source: ABS Census 2011; Urbis

Parramatta City Centre Residents' Household Income Variation to Sydney

2001, 2006 AND 2011

CHART 5.3



Source: ABS Census; Urbis

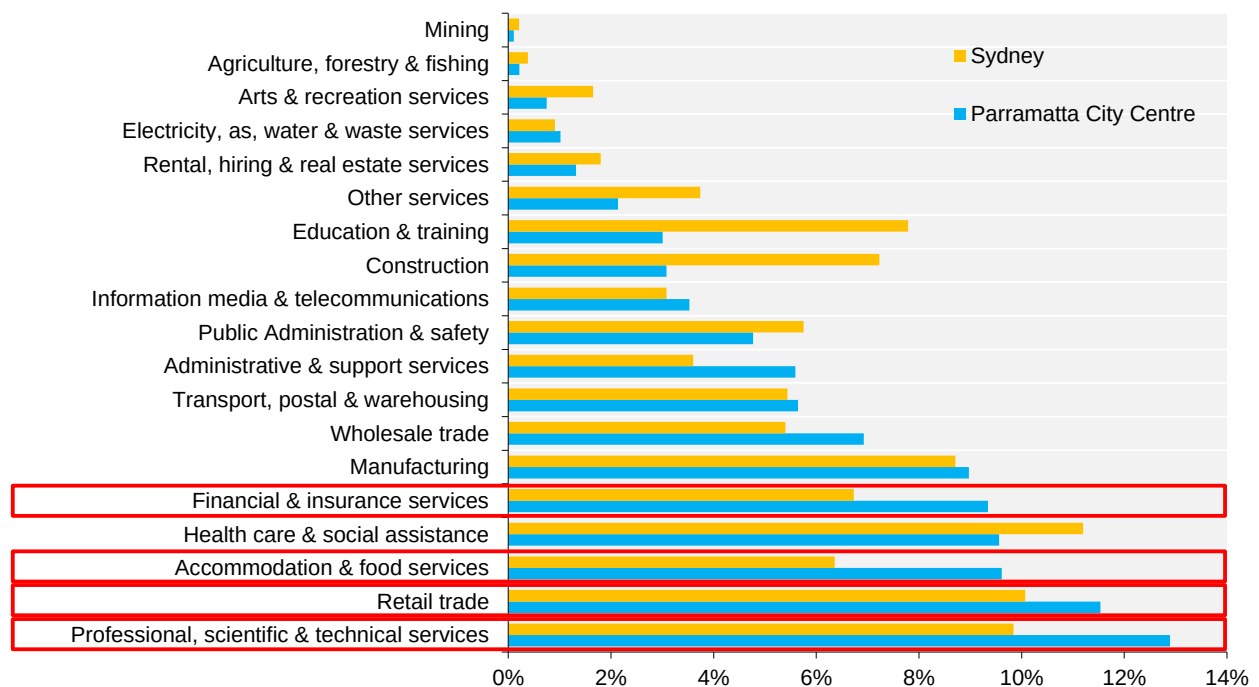
5.1.4 INDUSTRY OF EMPLOYMENT

Chart 5.4 shows the industry distribution of employment for Parramatta City Centre and Sydney residents based on the ABS Census 2011. In terms of the Parramatta City Centre, approximately 73% of working residents are engaged in white collar professions compared to the Sydney average of 74%. This highlights the importance of office precincts to local residents in providing them greater options to work close to where they live.

Industry of Employment

PARRAMATTA CITY CENTRE AND SYDNEY, 2011

CHART 5.4



Source : ABS Census 2011; Urbis

5.2 EMPLOYEE PROFILE

The employee profile is based on the Parramatta City Centre as defined by BTS.

5.2.1 INDUSTRY OF EMPLOYMENT

Chart 5.5 shows the industry distribution of employment for workers who work within the Parramatta City Centre and Sydney. Workers that work within the Parramatta City Centre are more likely to work in white collar professions compared to the Sydney average. The key workforce areas for Parramatta CBD include people working in:

- *Public Administration and Safety:* Which reflects the significant presence of State Government agencies in the Parramatta City Centre
- *Financial and Insurance Services:* Major finance institutions such as Commonwealth Bank, IAG, QBE and AON have offices in the City Centre
- *Retail Trade:* Westfield Parramatta
- *Professional, Scientific and Technical Services:* Several accounting, legal and other professional services have offices in the City Centre.

Parramatta CBD Workers' Industry of Employment

PARRAMATTA CITY CENTRE AND SYDNEY, 2011

CHART 5.5

Industry	Parramatta City Centre	Sydney Workers
Public Administration and Safety	26%	6%
Financial and Insurance Services	19%	7%
Retail Trade	8%	10%
Professional, Scientific and Technical Services	8%	10%
Health Care and Social Assistance	7%	11%
Administrative and Support Services	5%	3%
Accommodation and Food Services	5%	6%
Education and Training	3%	8%
Electricity, Gas, Water and Waste Services	3%	1%
Construction	2%	6%
Other Services	2%	4%
Information Media and Telecommunications	2%	3%
Rental, Hiring and Real Estate Services	2%	2%
Manufacturing	2%	9%
Not stated	2%	1%
Transport, Postal and Warehousing	1%	5%
Inadequately described	1%	1%
Wholesale Trade	1%	6%
Arts and Recreation Services	1%	2%
Mining	0%	0%
Agriculture, Forestry and Fishing	0%	0%

Source: Journey to Work 2011 Bureau of Transport Statistics; Urbis

5.2.2 PLACE OF RESIDENCE / JOURNEY TO WORK

Chart 5.6 shows the place of residence of people who work within the Parramatta City Centre. A significant proportion of Parramatta CBD workers reside in Blacktown and Parramatta LGAs, within relatively close proximity to their place of work. This is an important factor for businesses operating out of Parramatta as Blacktown and Parramatta have a high proportion of white collar workers for these businesses to draw on. The majority of workers come from Western Sydney highlighting the importance of Parramatta as the commercial centre for the region.

A large volume of workers also reside in a wide variety of locations throughout Sydney and are dependent on public transport links to connect them to Parramatta City Centre. The journey to work analysis highlights the importance of good public transport accessibility to facilitate the movement of workers and make the CBD attractive to major corporations and their workers.

Parramatta City Centre Workers' Place of Residence

2011

CHART 5.6

Parramatta City Centre Workers - Place of Residence		
LGA	Number	%
Blacktown	6,503	15%
Parramatta	6,103	14%
The Hills Shire	3,770	9%
Holroyd	3,443	8%
Penrith	3,426	8%
Fairfield	2,259	5%
Liverpool	1,850	4%
Hornsby	1,461	3%
Bankstown	1,360	3%
Campbelltown	1,131	3%
Blue Mountains	1,032	2%
Balance	11,408	26%
Total	43,745	100%

Source: Journey to Work 2011 Bureau of Transport Statistics; Urbis

6 Parramatta CBD Office Demand Forecasts

This section assesses the likely future demand for office floorspace in the Parramatta CBD, taking into account projected white collar employment growth and competition in other key centres.

6.1 EMPLOYMENT PROJECTIONS

This section assesses forecasted jobs growth as a basis for projecting future office demand. Jobs growth is assessed at the Travel Zone level as defined by BTS. Projected jobs growth for competing commercial centres is also reviewed, to set some context to the Parramatta City Centre forecasts, and provide a basis for establishing Parramatta's future role within the hierarchy of centres.

Job growth forecasts are based on BTS 2014 release and are presented in Table 6.1. The Parramatta City Centre currently accommodates around 43% of all jobs in Parramatta LGA, and this proportion is expected to remain relatively constant to 2036.

From these official forecasts prepared by the BTS, it is apparent the following sectors are likely to have a significant influence on the evolution of Parramatta City Centre:

- Public Administration & Safety (+9,497 jobs)
- Financial & Insurance Services (+5,008 jobs)
- Professional, Scientific & Technical Services (+2,843 jobs).

This reflects the potential for the City Centre to continue to grow as an administrative and commercial centre for Greater Western Sydney.

Employment Projections By Industry

PARRAMATTA CITY CENTRE, 2011 TO 2036

TABLE 6.1

Industry Sector	Historic 2011		2016		Forecast								2011-36	
	No.	%	No.	%	2021		2026		2031		2036		Total Change	Annual Growth %
Public Administration & Safety	13,015	26%	13,879	26%	15,551	26%	17,670	28%	19,985	29%	22,512	29%	9,497	2.2%
Financial & Insurance Services	9,643	19%	10,044	19%	10,940	19%	12,103	19%	13,323	19%	14,651	19%	5,008	1.7%
Professional, Scientific & Technical Services	3,917	8%	4,700	9%	5,130	9%	5,559	9%	6,136	9%	6,760	9%	2,843	2.2%
Retail Trade	4,021	8%	4,497	8%	4,966	8%	5,323	8%	5,712	8%	6,131	8%	2,110	1.7%
Health Care & Social Assistance	3,207	6%	3,580	7%	3,971	7%	4,257	7%	4,541	6%	4,829	6%	1,622	1.7%
Education & Training	1,653	3%	1,838	3%	2,032	3%	2,203	3%	2,409	3%	2,616	3%	963	1.9%
Accommodation & Food Services	2,441	5%	2,682	5%	2,869	5%	3,020	5%	3,193	5%	3,389	4%	948	1.3%
Administrative & Support Services	2,482	5%	2,620	5%	2,766	5%	2,872	4%	3,019	4%	3,185	4%	703	1.0%
Other Services	1,028	2%	1,211	2%	1,286	2%	1,363	2%	1,458	2%	1,559	2%	531	1.7%
Construction	1,005	2%	1,169	2%	1,255	2%	1,335	2%	1,420	2%	1,509	2%	504	1.6%
Rental, Hiring & Real Estate Services	918	2%	1,123	2%	1,186	2%	1,244	2%	1,320	2%	1,411	2%	493	1.7%
Electricity, Gas, Water & Waste Services	1,537	3%	1,531	3%	1,638	3%	1,775	3%	1,892	3%	2,021	3%	484	1.1%
Arts & Recreation Services	246	0%	434	1%	487	1%	534	1%	612	1%	694	1%	448	4.2%
Information Media & Telecommunications	1,018	2%	1,239	2%	1,287	2%	1,325	2%	1,383	2%	1,453	2%	435	1.4%
Transport, Postal & Warehousing	744	2%	769	1%	780	1%	815	1%	854	1%	900	1%	156	0.8%
Wholesale Trade	487	1%	557	1%	561	1%	567	1%	577	1%	594	1%	107	0.8%
Manufacturing	800	2%	838	2%	844	1%	846	1%	840	1%	837	1%	37	0.2%
Mining	57	0%	55	0%	60	0%	64	0%	67	0%	71	0%	14	0.9%
Agriculture, Forestry & Fishing	18	0%	21	0%	19	0%	17	0%	16	0%	15	0%	-3	-0.7%
Unclassified	1,276	3%	1,156	2%	1,180	2%	1,207	2%	1,227	2%	1,248	2%	-28	-0.1%
Total Employment	49,513	100%	53,943	100%	58,808	100%	64,099	100%	69,984	100%	76,385	100%	26,872	1.7%
White Collar Employment	37,127	75%	40,668	75%	44,636	76%	49,130	77%	54,186	77%	59,670	78%	22,543	1.9%
Office-Based White Collar Employment	30,993	63%	33,605	62%	36,860	63%	40,773	64%	45,166	65%	49,972	65%	18,979	1.9%

Source: BTS 2014 Release; Urbis

Table 6.2 illustrates projected office-based white collar employment growth for key competing commercial centres – Sydney CBD, Macquarie Park / North Ryde, North Sydney, St Leonards / Crows Nest and Chatswood.

Sydney CBD is expected to attract an additional 105,000 office based jobs by 2036 the largest increase of the commercial centres. Parramatta City Centre is also expected to attract a large number of office based jobs by 2036 (the second largest of the comparable commercial centres).

Macquarie Park / North Ryde is expected to attract an additional 6,000 office based jobs by 2036 – the largest increase of the North Shore commercial centres. This is not surprising given that the centre is less constrained, in terms of development potential, than North Sydney due to the large number of available development sites.

Based on around 680,000 sq.m of office space in January 2015 and approximately 33,000 office based workers in 2015, there is a ratio of around 20 sq.m of office floorspace per worker.

Competing Commercial Centres

OFFICE BASED WHITE COLLAR EMPLOYMENT PROJECTIONS, 2011 TO 2036

TABLE 6.2

Centre	2011	2016	2021	2026	2031	2036	Total Change
Sydney CBD	276,157	317,816	324,726	344,356	362,973	381,526	105,369
Parramatta City Centre	30,993	33,605	36,860	40,773	45,166	49,972	18,979
Macquarie Park / North Ryde	18,356	19,222	20,340	21,634	23,114	24,692	6,336
North Sydney	31,114	32,416	33,163	34,357	35,784	37,272	6,158
St Leonards / Crows Nest	15,097	16,325	16,711	17,300	18,027	18,787	3,690
Chatswood	10,095	11,096	11,355	11,728	12,178	12,653	2,558

Source: BTS 2014 Release; Urbis

6.2 OFFICE DEMAND FORECASTS

This section assesses the future demand for office space in Parramatta City Centre, drawing on the job projections contained in the preceding sections.

To note, white collar employment growth from 2011 to 2036 is expected to be almost 2% per annum (as presented in Table 6.1), which is above Sydney's white collar employment growth of just over 1% within the forecasted period.

Of the 27,000 new jobs forecasted to be located in Parramatta City Centre from 2011 to 2036, around 19,000 are expected to be office based, with the balance being located in retail, community, health and other accommodation.

Table 6.3 illustrates the forecasted demand for office space. Based on the existing office space ratio of 20sq.m NLA per employee this would generate demand for an additional 380,000sq.m of office space in Parramatta City Centre from 2011 to 2036. It is noted that there is a trend towards the more efficient use of office space as a result of the move towards open plan office layouts. This has resulted in new office buildings generally having a lower ratio of around 15 sq.m of office floorspace per worker. Assuming the lower floorspace requirement, employment growth would generate demand for an additional 285,000 sq.m of office space in Parramatta City Centre from 2011 to 2036.

Of the additional jobs expected to be located in Parramatta City Centre in the future based on forecast by industry sector, 71% (18,979) will be accommodated in office space, with the balance accommodated in retail, community and other spaces.

Office Demand Forecasts

PARRAMATTA CBD, 2011 TO 2036

TABLE 6.3

	2011	2016	2021	2026	2031	2036
Office-Based White Collar Workers	30,993	33,605	36,860	40,773	45,166	49,972
		2011-16	2016-21	2021-26	2026-31	2031-36
Additional Office-Based White Collar Workers - Cumulative		2,612	5,867	9,780	14,173	18,979
Forecast Office Demand (NLA sq.m) - Cumulative (15 sq.m per worker)		39,180	88,005	146,700	212,595	284,685
Forecast Office Demand (NLA sq.m) - Cumulative (20 sq.m per worker)		52,240	117,340	195,600	283,460	379,580

Source: BTS 2014 Release; NSW Department of Planning; Urbis

7 Consultation

Urbis undertook consultation with commercial office owners and developers active in Parramatta to inform the assessment of the potential for mixed-use development in the Parramatta CBD and the attraction of A-Grade office space. The following key themes emerged from the discussions and included:

- **Parramatta Office Market**
 - Participants mentioned that the Parramatta Square development has the potential to act as a catalyst for additional office development through the attraction of major corporate tenant(s) such as the Commonwealth Bank of Australia. However, the development of significant office space for one tenant increases the risk and discount rates associated with the development.
 - Several major businesses and government agencies are looking for office space within the Parramatta CBD with requirements for around 10,000 sq.m each. Government pre-commitments would be the most attractive to potential developers as they are usually on longer lease periods that reduce the risk associated with the project.
 - Office tenants are looking to move away from business park locations to CBD locations to take advantage of better amenity and transport linkages that improve key staff retention and attraction. This represents a reversal after a large number of companies moved away from CBDs to business parks (such as Macquarie Park and Norwest) in the last 20 years.
 - There was consensus from participants that A-Grade office buildings of between 20,000 to 25,000 sq.m represent the most viable size for the Parramatta CBD. It was mentioned that larger developments such as what is proposed in Parramatta Square represent a risk to developers and owners as there are not many tenants capable of accommodating that quantum of space. This can result in significant vacancies if the original tenant moves out in the future.
 - Large office buildings of over 40,000 sq.m are difficult to develop as they require major pre-commitments. The North Sydney CBD has had trouble developing buildings of this size in recent years due to difficulties in securing pre-commitments.
 - Prospective A-Grade tenants are asking for floorplates of at least 1,300 sq.m though preferably over 1,500 sq.m.
- **Residential in Commercial Core**
 - Participants had slightly different views on allowing residential in the Commercial Core though generally there was no major concerns with having residential in the Commercial Core as long as it is developed to a high quality, with sufficient separation from office buildings that will not cause impacts on commercial tenants. Some participants pointed to Chatswood as an example of too much residential being developed.
 - Some participants outlined the experience of Chatswood, which has allowed significant residential that has impacted the office market in recent years and Chatswood has lost its 'identity' as an office CBD. This has changed tenant perceptions of the Chatswood CBD from a dedicated CBD to an area with more of a residential/retail feel. This has reduced the pool of potential tenants, which has made it harder to fill space.
 - Multiple participants mentioned that residential development also helps to activate the CBD and results in 'passive surveillance' of office buildings that is attractive to tenants by improving safety for staff working late.
 - A common theme from participants was the importance to retain sufficient land for commercial development in the future as residential development permanently 'locks' sites from future development due to strata sub-division.

- Constraints of Mixed-Use Development

- The strata titling of residential apartments was a major concern to office owners as they lose full control of the building and site.
- Participants highlighted that residential apartments above office can have negative impacts on the office users such as shared car parks and overall amenity. Some participants anticipated vertical mixed-use developments would have a lot of trouble in securing tenants with a likelihood that there will be vacancies and developers/owners may look to convert office to other uses in the future.
- Some participants highlighted that vertical mixed-use developments can increase the cost of design and construction as issues around lift cores and building separation need to be carefully planned, which can also reduce building efficiency.
- Overall, all participants would not pursue a vertical mixed-use development (i.e. residential apartments above a significant supply of commercial floor space) in Parramatta though one participant has preliminarily considered (unsuccessfully) the potential for premium vertical mixed-use development in the Sydney CBD.

- Attractiveness of Mixed-Use Development

- Multiple participants believed residential apartments (in the current market) can underpin the viability of the development to the point where the commercial office component is developed speculatively. Some participants even believed residential focussed developers could justify projects through the sale of the residential apartments even if most of the office space remained vacant.
- A lot of developers are attracted to mixed-use developments as they look to make their money upfront out of the sale of apartments rather than ongoing rental cashflows.
- All participants highlighted that mixed use developments are most successful when the residential apartments are of a very high quality and attract affluent owner occupiers. This reduces potential conflicts between workers and residents.
- Residential increases activity and vibrancy in a CBD location by supporting retail and hospitality that is also attractive to office workers.
- Mixed-use developments need to have separate titles for the residential and office components so they can be sold separately. This requires much larger sites to support multiple buildings, which are often scarce in CBDs.

- Attracting A-Grade Office to Parramatta CBD

- It is difficult for Council to influence the demand for office buildings unless there is a pre-commitment to space by a tenant. Consequently, Council's most effective method of facilitating office development is through reducing development costs.
- Parramatta City Council could utilise Council-owned landholdings such as carpark sites to facilitate office development. However, Council's asking price for sites would have to be reduced to facilitate viable development.
- Parramatta City Council could reduce development contributions to reduce the cost of office construction and improve viability.
- Increased or uncapped FSRs for office space are unlikely to help promote development as 25,000 sq.m buildings are probably the largest that can be viably developed in Parramatta. Larger buildings would require a major tenant pre-commitment, which are very difficult to come by.

- Implications for Parramatta CBD

- All participants believed commercial office needs to remain the 'predominant' use so that the Parramatta CBD retains its commercial feel that is desirable to the image of major corporations that may look to relocate to the CBD.
- Any residential apartments developed in the CBD should be developed to a high quality aesthetic with angled and/or enclosed balconies and sufficiently separated from office buildings.
- Participants stated Parramatta should avoid poor quality office developments that sit vacant as this can negatively impact the overall market and future development potential. This is likely to be the case for large vertical mixed-use developments (i.e residential apartments above significant commercial floor space), which would be developed speculatively, and would be unlikely to attract A-Grade tenants.
- Mixed-use developments with separate office and residential buildings on separate titles could promote viable development. However, this requires much larger sites of which there are few in the Parramatta CBD.
- Residential development in the current market has the potential to support the viability of A-Grade office space in a mixed use development. However, this is only likely to support the viability of a certain amount of office space and does not remove the need for a minimum amount of tenant per-commitment.
- Some participants stated the need for State and Commonwealth Government to support the development of office space through pre-committing to new office space.
- A-Grade needs to have a floorplate of at least 1,300 sq.m though preferably over 1,500 sq.m.
- Some participants stated Council's ability to help support viable development through reducing the cost of development such as through subsidised land or lower development contributions.

8 Mixed Use Case Studies

8.1 CASE STUDIES

The following case studies provide examples of mixed-use developments that have comprised a significant amount of residential apartments and office floorspace as well as other uses. This analysis has been undertaken to understand how mixed use development may be accommodated within the Commercial Core. Mixed-use developments can be either:

- Vertically separated: Buildings with multiple uses contained in the same building. These projects are relatively rare due to some of the potential conflicts between commercial and residential uses in the same building.
- Horizontally separated: Developments with multiple buildings on the same site with office and residential uses generally contained in separate buildings. These developments are generally located on much larger sites and often have a podium/piazza of retail/ commercial uses to integrate the development.

The following case studies draw on a range of mixed use developments within Australian CBD locations.

PROJECT NAME RIPARIAN PLAZA	 	
DEVELOPER	Bloomberg	
ADDRESS	71 Eagle Street, Brisbane	
LOCATION CHARACTERISTICS	The subject site is located on the eastern end of the Brisbane CBD on the Brisbane River. The site is located adjacent to the Eagle Street Pier ferry stop and about 500m south-west of the Central Train Station.	
COMPLETED	November 2005	
PROPERTY DESCRIPTION	The Riparian Plaza is a 53-storey mixed use building, with 11 car park levels from the ground up, 25 commercial levels and 12 residential levels originally housing 50 penthouse apartments. Plant rooms and recreational facilities are located on the other levels. The building has a total floor area of approximately 55,000 sq.m.	
COMMERCIAL	The premium commercial office is located over 25 levels with a GLA of 30,500 sq.m and floorplate of around 1,200 sq.m.	
RESIDENTIAL	50 apartments on the upper 12 levels. The apartments are prestige properties and have attached a high proportion of affluent owner occupiers.	
BUILT FORM	Riparian Plaza was designed by architect Harry Seidler. Most office spaces have river views, due to the 45-degree angle to the river. Each penthouse has its own curvilinear, projecting terrace that faces the river. The cantilevering balconies have a highly sculptured shape and it is not immediately evident that they are balconies.	
FUNDING MECHANISM	Bloomberg developed the project with the intention of owning the office space and selling the apartments off-the-plan. Construction commenced in January 2002 with the aim of completing construction by September 2003. Significant project delays meant the project wasn't finished until late 2005. 75% of the residential apartments had been sold by January 2003. In November 2001, law firm Clayton Utz announced it would be taking up almost 20% of Riparian's 25,000sq m of commercial office space. Clayton Utz was the only company publically announcing they had pre-committed to the building before construction started. It is understood other companies had pre-committed to the project before construction started though overall pre-commitments were relatively low with a relatively high level of	

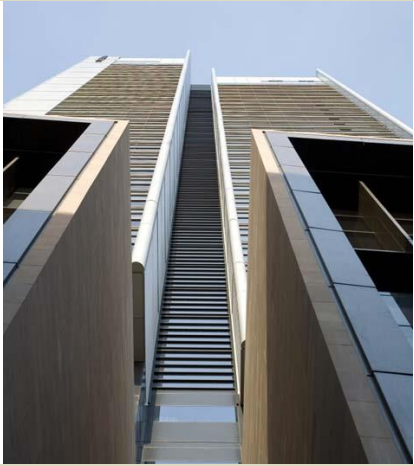
	speculation.
VIABILITY OF USES	The office component represented the majority of the project and was critical to the viability of the development. While the residential apartments were a prestige product, the construction cost associated with developing additional floors meant the residential component did not significantly improve the viability of the project.
OFFICE TENANTS	Major office tenants making pre-commitments included Clayton Utz, Wilson HTM, Blake Dawson Waldron and Servcorp. Blake Dawson Waldron was forced to exit from their pre-commitment due to the significant construction delays and an inability to extend their existing lease.
MARKET CONDITIONS AT DEVELOPMENT	Vacancy rates for A-Grade and premium office space in the Brisbane CBD had declined from a peak of around 10% in early 1997 down to around 3% in early 2000, when the project was in the planning phase. Riparian Plaza provided the first, new, premium office space available in the Brisbane CBD for a decade. Brisbane Square completed in 2006, was the next major office building constructed in Brisbane. Residential apartment price growth in Brisbane had been relatively stagnant from 1998 to 2002. Despite the limited price growth, the project was targeted at the luxury market, with an aim to create a new market for Brisbane. The Australian economy had recorded strong growth in the late 1990s averaging gross domestic product growth of over 4% per annum. As the project was in the final planning phase, the economy slowed down in 2000/01 with growth of around 2%.
KEY LEARNINGS FOR PARRAMATTA CBD	Riparian Plaza is an example of commercial office and residential being located in the same building in a CBD location. The development has been designed to a premium standard and comprises prime office space and luxury penthouse apartments. The high residential standard reduces the issues of 'laundry drying on the balcony' that has been cited as having the potential to reduce the attractiveness of the area to commercial tenants. It is anticipated that this type of development would not be suitable for the Parramatta CBD as the premium quality and prestige residential is more suited to a major CBD location. The development is considered to be a 'one off' with the premium location and architecture critical to its success.

PROJECT NAME CONSERVATORY ON HINDMARSH SQUARE	
DEVELOPER	Hines Property
ADDRESS	Corner of Hindmarsh Square and Grenfell Street, Adelaide
LOCATION CHARACTERISTICS	The site is located in the Adelaide CBD, overlooking Hindmarsh Square
COMPLETED	July 2009
PROPERTY DESCRIPTION	The Conservatory development on Hindmarsh Square is a 19-level building comprising 430 sq.m of ground floor retail space, four floors of above-ground parking, five floors of office space and nine floors of residential development. Construction of the building commenced in October 2007.
COMMERCIAL	The office accommodation is located on levels 5 to 9 with approximately 4,500 sq.m of space on a 900 sq.m floorplate
RESIDENTIAL	Includes 53 apartments on the top 10 floors of the development
BUILT FORM	The office accommodation is serviced by three elevators with an exclusive office lobby on Grenfell Street. Residential occupants utilise separate elevators via the residential entrance off Hindmarsh Square. The different components of the building are easy to identify with the façade of the parking, commercial and residential uses easy to differentiate. The balconies on the residential component are quite obvious that may reduce visual amenity to nearby buildings.
FUNDING MECHANISM	The office component involved a pre-commitment of all the space to the South Australian Government's Minister of Infrastructure for a 10-year lease term with a five-year option. Later on, an expression of interest campaign was undertaken by CBRE starting in June 2009 (shortly before the completion of the building) to sell the office component. Before site works began in June 2007, the project had achieved apartment presales of 60%, which indicates limited speculation associated with the development.

	Approximately 90% of the residential apartments had been sold off the plan as at January 2009, six months before the completion of the project. This indicates that after the presale requirements for financing of around 50-60% was achieved, the developer did not need to sell the apartments as fast and around one sale per month over the next 18 months were achieved.
VIABILITY OF USES	The development took a long time to commence with planning for the project commencing in the early 2000s and declared a Major Project by the State Government in 2003 due to its capacity to deliver a significant environmentally sustainable high-rise residential building in the Adelaide city core. The sales launch of the apartments commenced on July 22, 2006 with site demolition starting in June 2007 and construction commencing in October 2007. It is understood that one of the delays in the project was the problem with securing a pre-commitment for the office space. Eventually, the office component involved a pre-commitment of all the space to the South Australian Government's Minister of Infrastructure. Despite the office space accounting for around a third of the building floorspace, a pre-commitment was still required to commence construction.
OFFICE TENANTS	The original tenant for the office space was the South Australian Government's Minister of Infrastructure, and is still the tenant in 2015. Anecdotal evidence is there is no major conflicts between the office tenants and residents in the building.
MARKET CONDITIONS AT DEVELOPMENT	Economic growth in Australia increased from a low of 2% in 2000/01 to 4.2% in 2003/04 and remained over 3% during the planning phase of the project. The Global Financial Crisis began in the USA in around July 2007, shortly after the works began on the site. It took a few months for the 'credit crunch' to reach Australia, which meant the initial funding for the project wasn't impacted. The office market in the Adelaide CBD had been relatively stagnant with no net growth in office space between 1998 and 2006. Vacancy rates remained relatively stable at around 9-11%, indicating no major demand for additional space. Vacancy rates fell to around 6-7% in 2006 and 2007, which may have helped to secure a pre-commitment for the building. The Adelaide apartment market recorded strong price growth from 2001 to 2005, when the project was in its initial planning phase. Price growth plateaued in 2005 and 2006, with sales for the project commencing in mid 2006.
KEY LEARNINGS FOR PARRAMATTA CBD	The Conservatory is an example of commercial office and residential being located in the same building in a CBD location. The balconies on the residential component may have an impact on adjacent office buildings. Each component of the development (retail, parking, office and residential) has distinct design characteristics, which means the building does not look like an integrated development. The strata nature of the building also 'locks' the site for a minimal office gain of only 4,000 sq.m The project only included around 4,000 sq.m of office space with a floorplate of 900 sq.m, which is generally lower than what is included in A-Grade office buildings. Despite the relatively small office component, the project still required a 100% office pre-commitment from the State Government to be developed.

PROJECT NAME ST LEONARDS FORUM	 
DEVELOPER	Winten Group
ADDRESS	201 Pacific Highway, St Leonards
LOCATION CHARACTERISTICS	The Forum is located in St Leonards, approximately 5km north-west of the Sydney CBD. The development is built directly over St Leonards train station and represents a transport orientated development.
COMPLETED	Stage 1: Forum – Completed in 2000 Stage 2: Forum West - Completed in 2002
PROPERTY DESCRIPTION	The Forum is an example of a horizontal mixed-use development with separate commercial and residential buildings connected by a retail podium. The Forum comprises three commercial office buildings with over 32,000 sq.m of office space, two residential towers containing 773 apartments, a Coles supermarket and 34 food and retail shops. The buildings surround a large open plaza incorporating retail, the Station concourse and public space.
COMMERCIAL	The A-Grade commercial office is located over 25 levels with 32,000 sq.m and floorplate of around 1,200 sq.m.
RESIDENTIAL	Forum Tower is a 38 storey residential building with 483 apartments. Forum West is a 25 storey residential building with 290 apartments.
BUILT FORM	The Forum was designed by PTW Architects and was planned as a town centre. The residential apartments have open balconies, which has the potential to negatively impact the adjacent office tenants.
FUNDING MECHANISM	Winten Property Group structured the project so that the non-residential components could be sold at a later date. Winten Property Group sold the first two office buildings (fully leased) to Challenger International in October 2000 for around \$155 million. The Forum West office building was sold by Winten Property Group in 2004 to Manchester Unity (with rental guarantees), which had its headquarters in the building. The residential apartments were marketed by Winten Property Group and started selling off the plan in 1998.
VIABILITY OF USES	Residential apartments started selling off the plan in 1998 and recorded relatively strong sales. As at February 2002, 235 out of 290 apartments in the Forum West development had been sold off-the-plan, with the development completed in mid-2002. Pre-commitments were secured for the office components of the development with the first two buildings in Stage 1 fully leased by Cisco Systems and UUnet. The pre-

	commitments were required before construction commenced.
OFFICE TENANTS	Pre-commitments were secured for the office components of the development with the first two buildings in Stage 1 fully leased by Cisco Systems and UUnet. The development initially attracted technology companies, which matched the business mix in the St Leonards/Gore Hill area. In recent years, St Leonards has struggled as an office centre with increased competition from nearby centres such as North Ryde and Macquarie Park. This has resulted in office vacancies and buildings being converted to residential. Medical group Primary Health Care has moved into 4,164 sq.m of space in August 2015 on a seven year lease with an annual rent of about \$470/ sq.m. This reflects the strength of the area as a medical hub surrounding the Royal North Shore Hospital.
MARKET CONDITIONS AT DEVELOPMENT	The office vacancy rate in Crows Nest/ St Leonards fell from a high of 15.5% in July 1992 to 2.8% in July 1998 when the project was commencing construction. Upon completion of the office development, the whole office component was tenanted, which resulted in the vacancy rate falling to 1.1% in 2001. Following the recession in the early 1990s, the Australian economy recorded strong growth averaging 4% per annum between 1993 and 1998, while the project was in the planning phase. This created a strong environment for investment in St Leonards.
KEY LEARNINGS FOR PARRAMATTA CBD	The Forum has been a relatively successful mixed-use development in proximity to a major train station. The development tried to build critical mass to establish the St Leonards centre though has experienced competition from other centres such as North Ryde and Chatswood. The St Leonards Centre is relatively long and stretches along the Pacific Highway. This has similarities to the Auto Alley precinct in Parramatta which extends a significant distance from the core Parramatta CBD. The development is an example of how a mixed use development can be successfully developed next to a key transport node with a mix of retail, residential and office uses. There could be a potential for greater density above the train line around the Parramatta Train Station.

PROJECT NAME LUMIERE	 	
DEVELOPER	Frasers Property	
ADDRESS	501 George Street, Sydney	
LOCATION CHARACTERISTICS	The subject site is located adjacent Town Hall in Sydney's mid-town precinct. It is opposite St Andrew's Cathedral and HSBC Centre.	
COMPLETED	December 2007	
PROPERTY DESCRIPTION	Lumiere is a 56 level residential and commercial building. It has a five level podium with three levels of retail space called Regent Place and one level of office suites called Lumiere Commercial. Lumiere Residences has 456 apartments built above the Regent Place podium.	
COMMERCIAL	Lumiere Commercial has 19 office suites with a NLA of 1,400 sq.m.	
RESIDENTIAL	Lumiere Residences has 456 apartments over 41 levels.	
BUILT FORM	Lumiere was designed by Foster and Partners as a sustainable, high-density urban form combining home, work, commerce and leisure in the heart of Sydney's CBD. Residential towers are built on top of a sandstone-faced podium which offers a variety of retail amenities. The apartments have winter gardens instead of balconies. A 50m swimming pool is suspended over the lobby.	
FUNDING MECHANISM	Residential dominated the project with apartments sold off-the-plan prior to construction commencing in early 2005. As of February 2007, 230 apartments had been sold, equating to slightly more than half of the project. This indicates that the project was speculative in nature when construction commenced, with less well below 50% pre-commitments. It is noted that the project occurred prior to the Global Financial Crisis, when funding was less restrictive. Since the completion of the development, Frasers Property has sold some office tenancies.	
VIABILITY OF USES	The 1,400 sq.m of office space was relatively insignificant in the overall financial viability of the development. The office tenancies were leased once the development was completed, which is typically the case for small office spaces.	
OFFICE TENANTS	Frasers Property and other smaller professional services firms have offices within Lumiere.	

MARKET CONDITIONS AT DEVELOPMENT	The Lumiere building was completed in 2007, before the Global Financial Crisis significantly impacted the development sector. Economic growth in Australia increased from a low of 2% in 2000/01 to 4.2% in 2003/04 and remained over 3% during the planning phase of the project. The Sydney CBD office market recorded significant development between July 2004 and July 2006, with over 300,000 sq.m completed. This resulted in an increase in vacancy rates to around 9% in July 2006, indicating the market was around equilibrium. The residential apartment market in Sydney peaked in around 2004 after a sustained period of strong price growth since 1996. Prices declined in 2005 and 2006 before the Global Financial Crisis continued the period of no growth.
KEY LEARNINGS FOR PARRAMATTA CBD	Lumiere has been designed to a high quality with extensive use of tinted glass in the façade. This creates an ‘androgynous’ feel to the building with some difficulty in determining whether it is a residential or commercial building from first glance, a deliberate design element to allow the building to fit in with the surrounding commercial building forms. The use of winter gardens improve the built form of the residential component and reduce visual amenity issues on surrounding office buildings such as laundry being placed on balconies. While the development is mixed use, it did not provide A-Grade office space and is primarily a residential building. The 1,400 sq.m is small offices, which is not what the Parramatta CBD requires.

PROJECT NAME WORLD SQUARE	 	
DEVELOPER	Multiplex (now Brookfield Multiplex), Meriton	
ADDRESS	644-694 George Street, Sydney	
LOCATION CHARACTERISTICS	The subject site is an entire block (around 2 hectares) in the Sydney CBD bounded by George Street, Liverpool Street, Pitt Street and Goulburn Street.	
COMPLETED	2007 (The Ernst & Young Tower and World Tower were completed in 2004)	
PROPERTY DESCRIPTION	World Square consists of one hotel, one shopping centre, two commercial towers, one residential tower and one commercial/residential tower. World Square comprises office (90,000 sq.m), residential (around 800 apartments), a hotel (420 rooms) and retail (16,000 sq.m).	
COMMERCIAL	Ernst & Young Tower is a 55 level office tower with a commercial NLA of 62,250 sq.m Latitude East is a 12 level commercial office building with a commercial NLA of 23,103 sq.m and an average floorplate size of 2,500. World Tower is a 75 level commercial/residential tower with 77 commercial suites	
RESIDENTIAL	Hordern Tower is a 55 level residential building with 278 apartments and recreational facilities including a 25m pool, spa, sauna, gym and squash court. World Tower is a 75 level commercial/residential tower with 517 residential apartments and 115 serviced apartments	
BUILT FORM	World Tower was designed to a high standard with the architecture similar to the adjacent Ernst & Young office tower.	
FUNDING MECHANISM	The project was developed in several stages, which allowed separate buildings to be tenanted before construction began. The office and residential components were generally developed separately with Multiplex undertaking the retail/office buildings and Meriton developing the residential. Ernst & Young Tower was developed with Ernst & Young pre-committing to around 36,000 sq.m. When construction commenced, the stage had achieved around 60-65% pre-commitment, with the remainder of the building leased towards the end of construction and soon after the building opened. The Australian Tax Office (ATO) pre-committed to the Latitude East building and signed a 15 year lease agreement, plus three five year options. Construction of the building commenced after the pre-commitment.	
VIABILITY OF USES	Ernst & Young was secured as a major pre-commitment for the Ernst & Young Tower, accounting for almost 60% of the building. The ATO pre-committed to the full Latitude East building to justify development.	

	As the residential and office components were undertaken separately by different developers, the residential components were not used to support the viability of the office components. As such, large pre-commitments of over 55% were required to get the developers off the ground.
OFFICE TENANTS	Ernst & Young and ATO
MARKET CONDITIONS AT DEVELOPMENT	The Sydney CBD office market reached a low vacancy rate of 4.1% in July 2001. Vacancy rates had remained low at around 5% from 1998 to 2002, despite the completion of almost 450,000 sq.m of office space. The Sydney CBD office vacancy rate peaked at 10.5% in January 2005, which coincided with the completion of the Ernst & Young Tower. Economic growth in Australia slowed down from 5% in 1998/99 to 2% in 2000/01. Real gross domestic product remained relatively stable at between 3-4% over the next few years when the project was in the planning phase.
KEY LEARNINGS FOR PARRAMATTA CBD	World Square was a major urban redevelopment of a site that had been dormant for almost 20 years. The development has rejuvenated the southern end of the Sydney CBD with a successful mixed-use development including office, residential, retail and hotel. It is noted that World Square is a large site of around two hectares and was developed in several stages involving residential, office, retail and hotels. There are limited sites in the Parramatta CBD of this size that will make a similar development unlikely in the Parramatta CBD. The office developments required large pre-commitments of over 55% were required to get the developers off the ground. It is considered that Parramatta would require similar pre-commitments to secure development funding.

PROJECT NAME FRESHWATER PLACE	
DEVELOPER	Australand
ADDRESS	Freshwater Place, Southbank
LOCATION CHARACTERISTICS	The subject site is located on the banks of the Yarra River within a few minutes walk to the Melbourne CBD.
COMPLETED	2 Southbank Boulevard – early 2005 Twenty 8 Freshwater Place - December 2008
PROPERTY DESCRIPTION	Freshwater Place is a commercial, residential and retail mixed use development. It has a residential tower and a commercial tower above a retail and commercial use podium.
COMMERCIAL	Freshwater Place has a premium grade commercial tower called 2 Southbank Boulevard providing 55,000 sq.m of commercial space. Freshwater Place has another premium grade commercial tower called Twenty 8 Freshwater Place providing 34,000 sq.m over 25 levels.
RESIDENTIAL	A 60 storey residential tower with around 550 apartment units. The residential tower has three sections: podium, mid rise and high rise.
BUILT FORM	Freshwater Place was built with premium grade finishes and it has superb views of the Yarra River, the CBD skyline and Port Phillip Bay. The residential tower looks relatively commercial in its design with the residents likely to be relatively affluent.
FUNDING MECHANISM	Australand looked to fund the residential and office components separately with pre-sales for the residential apartments and a large office pre-commitment secured for the first stage. Australand pre-signed PricewaterhouseCoopers (PwC) as the anchor tenant for the 2 Southbank Boulevard office building before construction commenced. PwC initially committed to 23,000 square metres with an option over 8,000 sq.m. The residential development was launched in early 2002 and by October 2002 had sold almost half of the apartments with around 45% of the value of the property had been accounted for in sales. This was considered to be sufficient to justify the commencement of construction. Twenty 8 Freshwater Place was a speculative development with no major tenants pre-

	committing before construction commenced. To reduce risks, Australand sold a half share to the GPT Wholesale Fund for \$115 million in August 2007.
VIABILITY OF USES	The guaranteed pre-commitment of 23,000 sq.m equated to 42% of the office space within 2 Southbank Boulevard. This was considered the minimum pre-commitment required to commence construction. The residential component of the project was not used to 'subsidise' the office component. Residential pre-sales of around 50% were achieved at the start of construction (around the minimum required), indicating that residential sales were not used to support the office component.
OFFICE TENANTS	2 Southbank Boulevard is anchored by PricewaterhouseCoopers. Other key tenants include Microsoft, Heinz, Vanguard and SP AusNet. Twenty 8 Freshwater Place tenants include MMG, CPA and Parsons Brinckerhoff. There have not been major issues in attracting major tenants to the building. The residential tower looks relatively commercial in its design and the prestige nature attracted affluent residents.
MARKET CONDITIONS AT DEVELOPMENT	The Southbank office vacancy rate fell to a low of 4.2% in July 2002, when the development was in the planning phase. The adjacent Melbourne CBD market was also relatively tight, having fallen to under 6% in July 2002. The Melbourne apartment market recorded strong a period of lower growth between 1996 and 2001. The residential market started to pick up in 2002 though was still relatively soft as Australand was selling the apartments in 2002. This Economic growth in Australia slowed down from 5% in 1998/99 to 2% in 2000/01. Real gross domestic product remained relatively stable at between 3-4% over the next few years when the project was in the planning phase.
KEY LEARNINGS FOR PARRAMATTA CBD	The development is of a premium quality including both the commercial and residential component. This has resulted in the attraction of major corporate headquarters including PricewaterhouseCoopers, Microsoft, Heinz and Vanguard. It is unlikely that Parramatta will attract major corporate headquarters in the short term, that Australand was able to attract to the fringe CBD location in Melbourne. It is considered that a similar development (albeit at a smaller scale) could be developed within Parramatta. In the current market, an office building of around 20,000 to 25,000 sq.m represents the most potential based on available tenant pre-commitments of around 10,000 sq.m. However, it is noted that there are limited sites in the Parramatta CBD that have sufficient size to accommodate separate office and residential buildings.

PROJECT NAME AURORA PLACE	
DEVELOPER	East Asia Property Group, Lend Lease, Mirvac (only residential)
ADDRESS	155 Macquarie Street, Sydney and 88 Phillip Street, Sydney
LOCATION CHARACTERISTICS	The subject site is located in the core of the Sydney CBD bounded by Phillip Street, Bent Street and Macquarie Street.
COMPLETED	November 2000
PROPERTY DESCRIPTION	Aurora Place is a commercial, residential and retail mixed use development consisting of a 41 level commercial tower, a 18 level residential building and retail facilities around the piazza.
COMMERCIAL	The commercial tower comprises 34 levels of office space with a NLA of approximately 48,000 sq.m on a floorplate of 1,420 sq.m.
RESIDENTIAL	Macquarie Apartments is a 17 level residential tower on a site area of 1,666 sq.m. The development includes 62 apartments including 2 x 2 bedroom, 58 x 3 bedroom and 2 x penthouses. The residential component included larger apartments (97% with more than 2 bedrooms) which is more attractive to owner occupiers compared to investors. In addition, the prestige nature of the apartments meant that buyers are very affluent. This reduces the number of renters and potential impacts on the office tenants.
BUILT FORM	Aurora Place was designed by Italian architect Renzo Piano. The building has an unusual geometric shape where not one panel is parallel to any grid. The residential apartments face away from the office tower with winter gardens that overlook the Botanic Gardens. The high quality of the apartments and separation between the buildings means there is very limited impacts between the uses.
FUNDING MECHANISM	The project involved a consortium of developers including East Asia Property Group, Lend Lease and Mirvac (which was involved in the residential apartments). The consortium model allowed the risk to be shared across three parties and utilised Mirvac's experience for the residential component. ABN Amro was secured as a 14,000 sq.m pre-commitment in early 1998 before construction commenced on the development. This equated to a pre-commitment level of around 30%, which indicates a speculative development. Minter Ellison was secured

	as an 8,000 sq.m pre-commitment in the second half of 1998 after construction had commenced.
VIABILITY OF USES	The 62 residential units sold out in December 1999, about a year before construction was completed. The penthouses were among the most expensive units ever sold in Australia at the time selling for about \$7.5 million and \$6.5 million respectively. The office component was largely speculative in nature with an initial pre-commitment of only around 30% from ABN Amro. This indicates that the residential apartment sales may have been used to support the viability of the project.
OFFICE TENANTS	Initial anchor tenants included financial services, law and banking companies. including ABN AMRO, Minter Ellison, Challenger International, Statestreet Global Services and the Executive Centre. A 76% occupancy of the commercial tower was achieved in June, five months out from project completion.
MARKET CONDITIONS AT DEVELOPMENT	The Sydney CBD office vacancy rate peaked at 20% in January 1993 before declining to 5% in January 1998, which is when construction on the building commenced. This involved a five year period of virtually no development, while vacant space was absorbed by the market. Between 1996 to 1998, while the project was in the planning phase, the Australian economy was recording strong gross domestic product growth of around 4%. This is above the average over the last 25 years of around 3%. The residential apartment market in Sydney was relatively stagnant between 1994 to 1996 before starting to increase. The strong economic conditions supported the sales of the prestige residential apartments.
KEY LEARNINGS FOR PARRAMATTA CBD	Aurora Place was developed on a relatively large site that allowed for the commercial and residential components to be developed in separate buildings that are connected by a retail piazza. With the Apartments fronting Macquarie Street and the office building fronting Phillip Street, it allowed for the uses to be separated to reduce potential conflicts. The residential apartments were architecturally designed to a very high standard, which fits in with the premium office buildings in the core of the CBD and does not impact on visual amenity. The apartments are among the most prestigious in Sydney and it is unlikely apartments of this quality would be attractive in the Parramatta CBD environment. It is considered that a similar development (albeit at a smaller scale for the office component) could be developed within Parramatta. In the current market, an office building of around 20,000 to 25,000 sq.m represents the most potential based on available tenant pre-commitments of around 10,000 sq.m. However, it is noted that there are limited sites in the Parramatta CBD that have sufficient size to accommodate separate office and residential buildings.

8.2 IMPLICATIONS FOR PARRAMATTA

The implications for the Parramatta CBD of the mixed-use case studies include:

- **Vertical Mixed Use:** There are limited examples in Australia of vertical mixed use developments that include A-Grade/Premium office space with residential apartments above. These projects are rare due to some of the potential conflicts between commercial and residential uses in the same building. The Riparian Plaza is the most successful example of such a development though it was supported by a major capital city location, iconic architect, prestige quality and representing the first premium office development in Brisbane in a decade.

It is noted that the current strong residential market has the potential to increase the attractiveness of such developments in the Parramatta CBD with the ability of residential development to underpin or cross-subsidise the viability of office development. However this is unlikely to produce high quality office space to attract A-Grade tenants.

- **Horizontal Mixed Use:** There is potential for horizontal mixed use development in the Parramatta CBD that includes multiple buildings with a dedicated office and residential building. This would reduce the potential conflicts between uses though it is noted there are limited sites with the large size needed to accommodate separate A-Grade office and residential buildings.
- **Development Viability:** The viability of mixed-use developments has generally required both the residential and office components to have sufficient pre-sales/pre-commitments before construction commenced. Some developments occurring prior to the Global Financial Crisis were more speculative in nature. Under the current market in Parramatta, it is unlikely that A-Grade office space will be built speculatively unless residential apartment sales can effectively underpin the development of the office component.
- **Residential Quality:** The residential apartments developed in these projects are generally of a very high quality to reduce potential impacts with adjacent office space.
- **Large Sites:** A large-scale mixed development such as World Square is unlikely to be undertaken in the Parramatta CBD unless a suitably large contiguous development site can be provided. The Parramatta Square development represents the site with the most potential to be similar to the World Square development.
- **Train Station:** The Forum in St Leonards is built directly over St Leonards train station and represents a transport orientated development. There is significant airspace around the Parramatta Train Station with potential to investigate opportunities for development above the station. The Interchange at Chatswood is another example of mixed use development around a train station (albeit with limited office space).

9 Constraints and Opportunities

9.1 CONSTRAINTS ANALYSIS

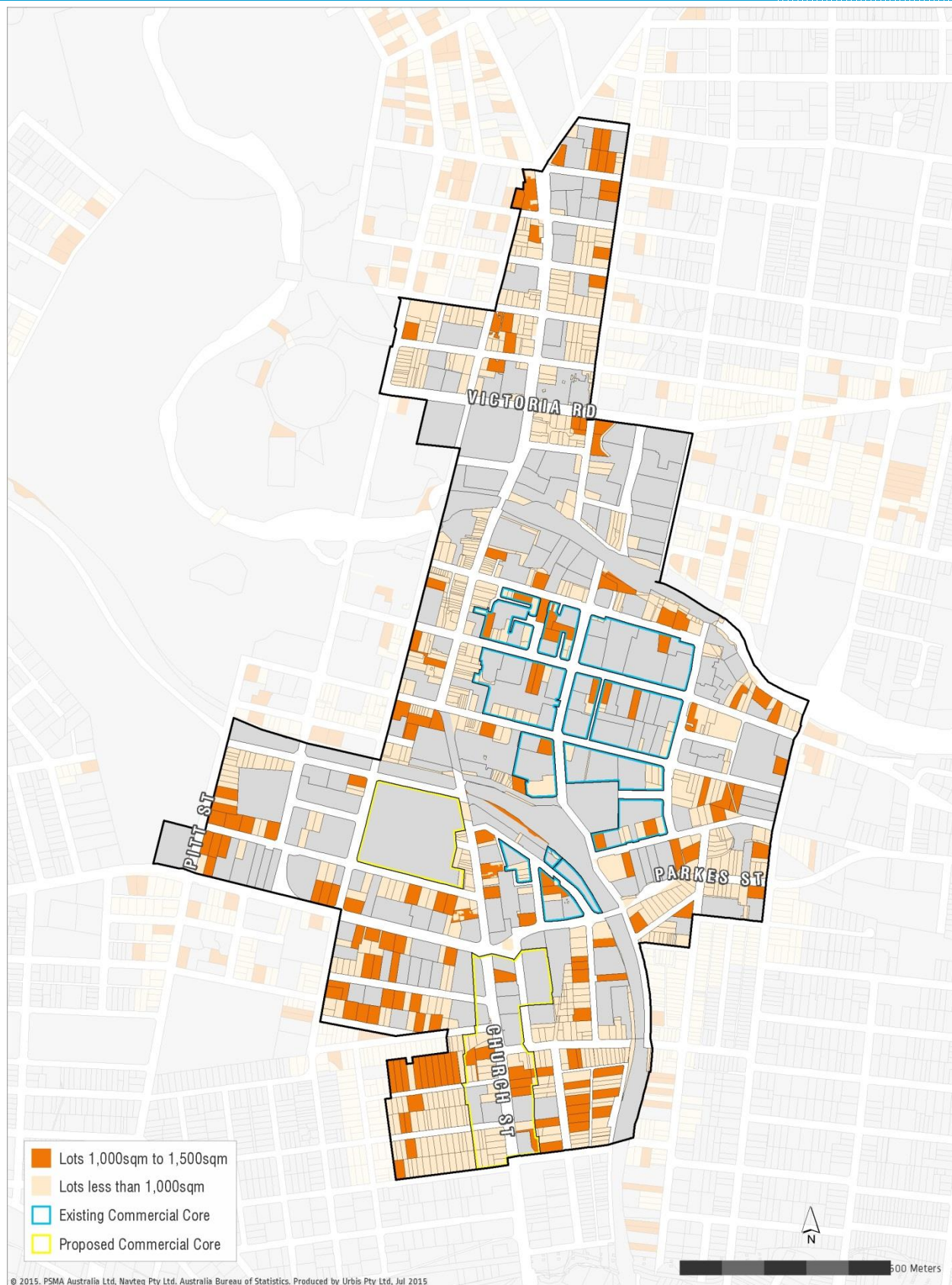
This section assesses the constraints to A-Grade office development within the Parramatta CBD. The section identifies and assesses various site, market and planning characteristics that reduce the viability of potential for A-Grade development. Addressing these issues has the potential to facilitate development.

9.1.1 PARCEL SIZE

It is noted that lot sizes within the Commercial Core are generally over 1,000 sq.m with some smaller lots located on Macquarie Street and Phillip Street to the west of Smith Street. Some older office buildings within the C and D-Grade categories are situated on smaller sites and therefore have smaller floorplates. If the overall quality of accommodation is to renew and improve over time, site amalgamations would be required to result in buildings with larger floorplates and improved amenity by way of outlook and natural light access.

Large office tenants in the current property market generally want buildings with a minimum floorplate of 1,500 sq.m. This reduces the number of floors that the company requires and allows for improved connectivity and interaction between staff.

To allow for a minimum floorplate of 1,500 sq.m, development sites would likely need to be over 2,500 sq.m once setbacks and other planning controls are considered. To allow for the development of a separate A-Grade office building of 1,500 sq.m and a residential apartment building, it is anticipated that a site of at least 5,000 sq.m would be required. It is noted that there are limited sites of this size with development potential in the Parramatta CBD. Some of these sites include two school sites and Westfield Parramatta, which are very unlikely to include residential apartments in any future redevelopment.



Site amalgamation for redevelopment will be difficult to justify on the grounds of economic viability unless the cost of the acquisition and potential demolition does not significantly exceed the underlying land value for new development.

As such, there is scope for Council to continue with planning incentives that will assist in site amalgamations over time provided they result in new development that improves the overall quality of stock in the Parramatta CBD over time (i.e. improving the quality of office accommodation by grade, which includes larger floorplates and improved access to natural light).

FSR bonuses for larger lots could promote amalgamation by improving the financial viability of redevelopment projects. This may be in the form of only allowing FSRs greater than 3:1 for sites over 2,000 sq.m that are large enough to accommodate A-Grade office buildings. It is noted that under the CBD Planning Strategy, it is recommended that all sites be able to achieve FSRs greater than 3:1 and a 15% FSR bonus if they demonstrate design excellence. It is noted that this would need to be considered in relation to whether there is any cap on commercial floor space.

We note however that Council's ability to promote and/or influence site amalgamation is limited, and ultimately the market will have the greatest influence on redevelopment occurring, albeit with the support of Council.

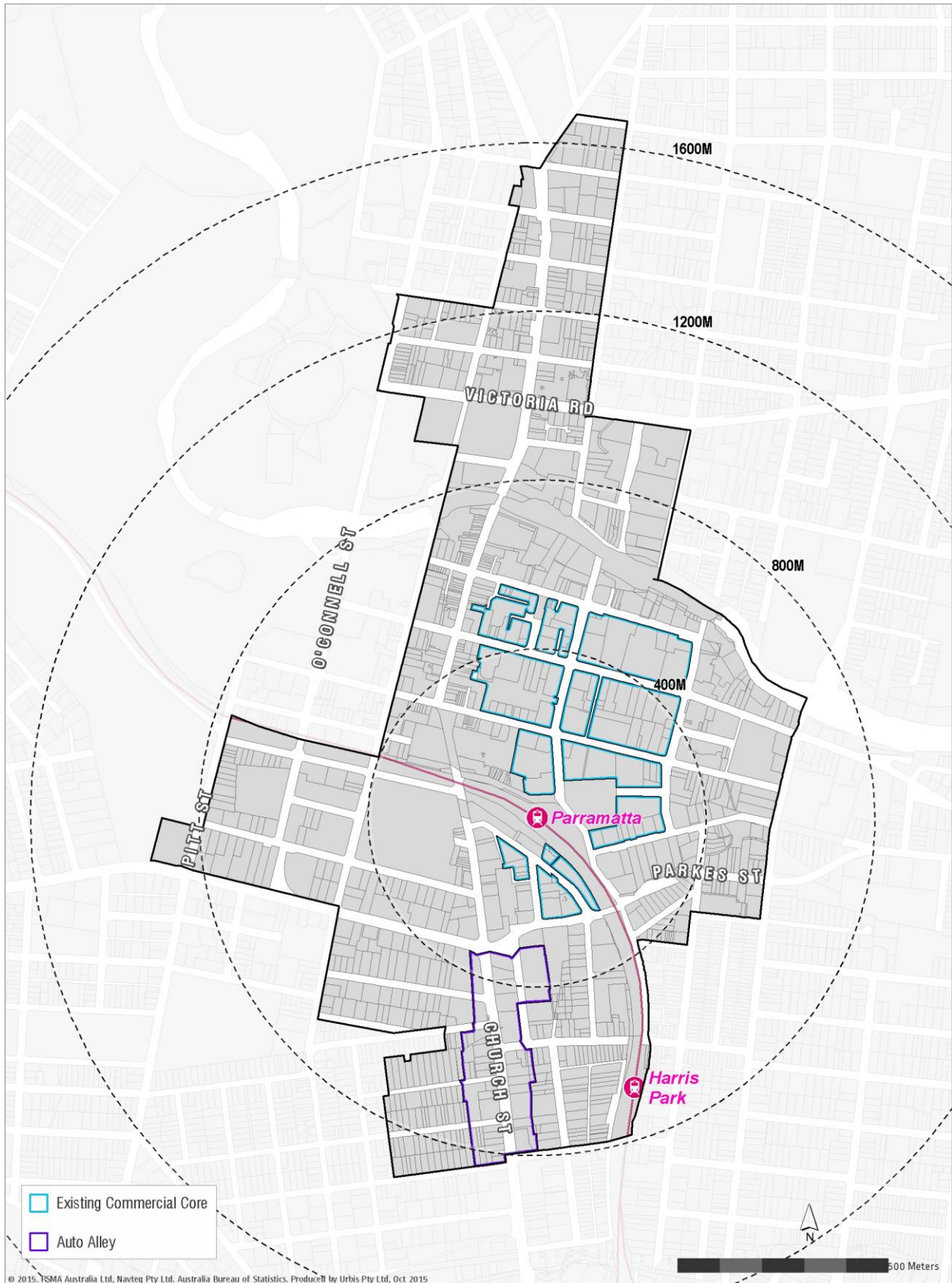
9.1.2 PROXIMITY TO TRAIN STATIONS

The following map highlights the distance of commercial precincts from the Parramatta Train Station, which is a key infrastructure driver of the Parramatta CBD. The Parramatta River is generally located approximately 700-800 metres north of the Parramatta Train Station, with areas to the north of the river starting to be a bit removed from the core area.

The Auto Alley corridor is around 500m long with the start of the precinct located around a 450 metre walk to the Parramatta Train Station. It is further removed from the primarily commercial area, which is located around 200-300m to the north of the train line. It is noted that Auto Alley is around a 400m walk from the Harris Park Train Station, though it is currently a smaller train station that does not attract the same level of train services as Parramatta Train Station.

In addition, it is noted that Church Street/ Great Western Highway is a major six lane road that bisects Auto Alley. This is likely to reduce the walkability of the precinct and reduce the amenity of the area and have a negative impact on the potential development of A-Grade office space.

As a result, Auto Alley is considered to be a longer term prospect due to the distance from the Parramatta Train Station and existing commercial core and the lower quality amenity offered by the nature of traffic on Church Street (Great Western Highway). It is considered that the commercial development in the short-medium term is more likely to be B-Grade or lower quality A-Grade product.



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9.1.3 RESIDENTIAL DESIGN

The following images are of residential apartments that have been developed within the Parramatta City Centre, adjacent to the Commercial Core. It is noted that some of the design of residential development around the Commercial Core is focused on a more traditional residential design aesthetic and would not be considered to have 'commercial or androgynous design characteristics' that would blend well with higher calibre A-Grade office design typology.

FIGURE 1 – RESIDENTIAL APARTMENTS IN PARRAMATTA CITY CENTRE



PICTURE 1 – CORNER OF FITZWILLIAM AND CHURCH ST



PICTURE 2 – CORNER OF PARKES AND COWPER ST

This is in comparison to case study developments such as Lumiere and Aurora Place (see the images below), which have higher quality design with more of a commercial aesthetic. These higher quality developments can be described as more 'androgynous' buildings as it is not always immediately obvious if they are residential or commercial buildings.

Based on interviews and discussions with large office tenants and institutional investors in the broader Sydney market including markets such as Sydney CBD, Chatswood and North Sydney CBD, it was noted that large tenants will not pre-commit to a commercial area if it does not meet environmental and amenity requirements. Large tenants are not concerned with being located next to residential buildings as long as the residential development is of a relatively high quality and therefore will not negatively impact on their image.

FIGURE 2 – RESIDENTIAL APARTMENTS IN SYDNEY CITY



PICTURE 3 – LUMIERE



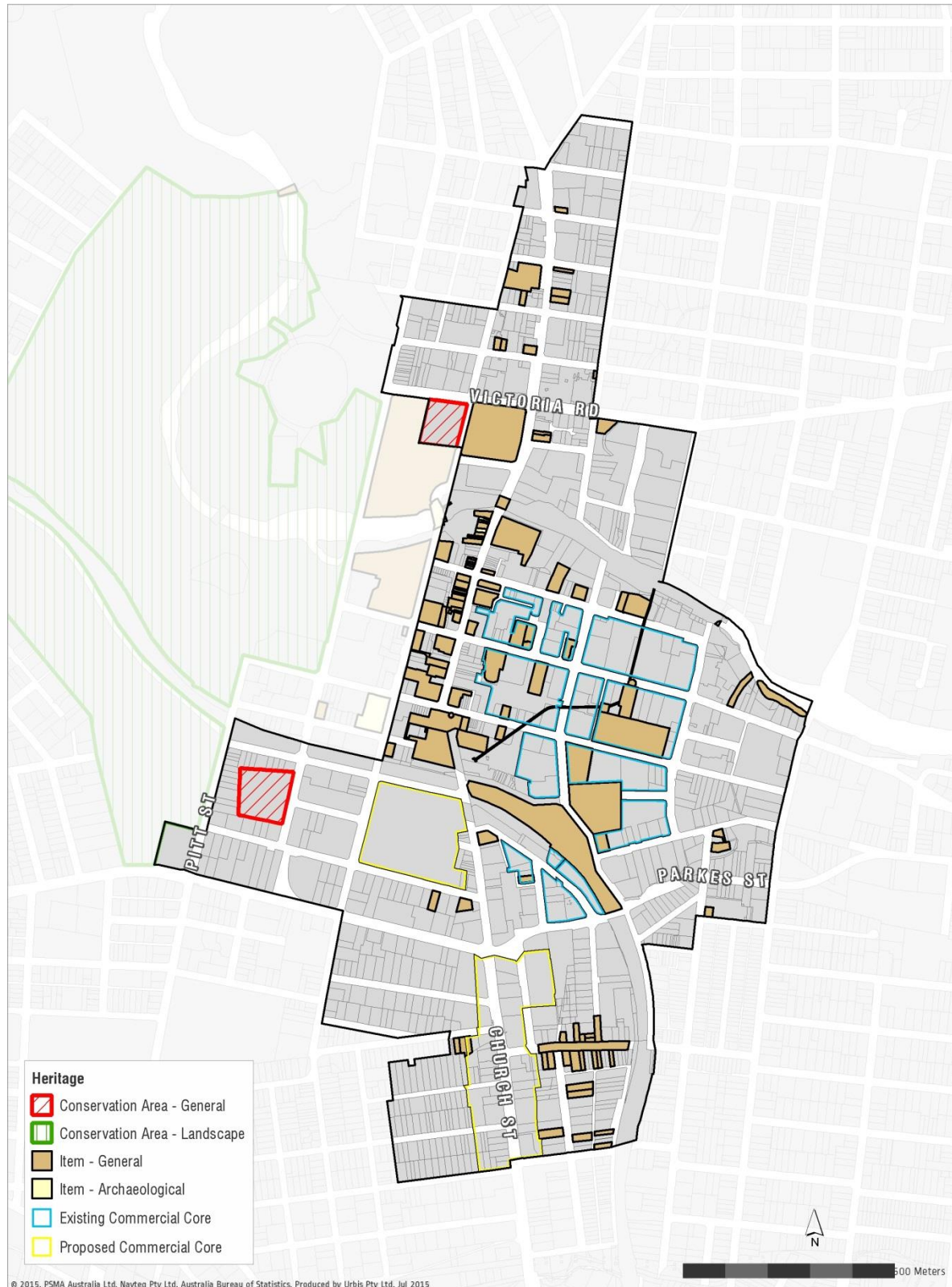
PICTURE 4 – AURORA PLACE

9.1.4 HERITAGE

The following map highlights the heritage constraints within the Parramatta City Centre. Heritage buildings and issues can have a significant constraint on the potential to develop A-Grade buildings. This is due to the location of heritage items impacting the capability to provide large floorplate office buildings of over 1,500 sq.m on certain lots. There are several heritage items located from the Parramatta Train Station and along Church Street.

HERITAGE CONSTRAINTS

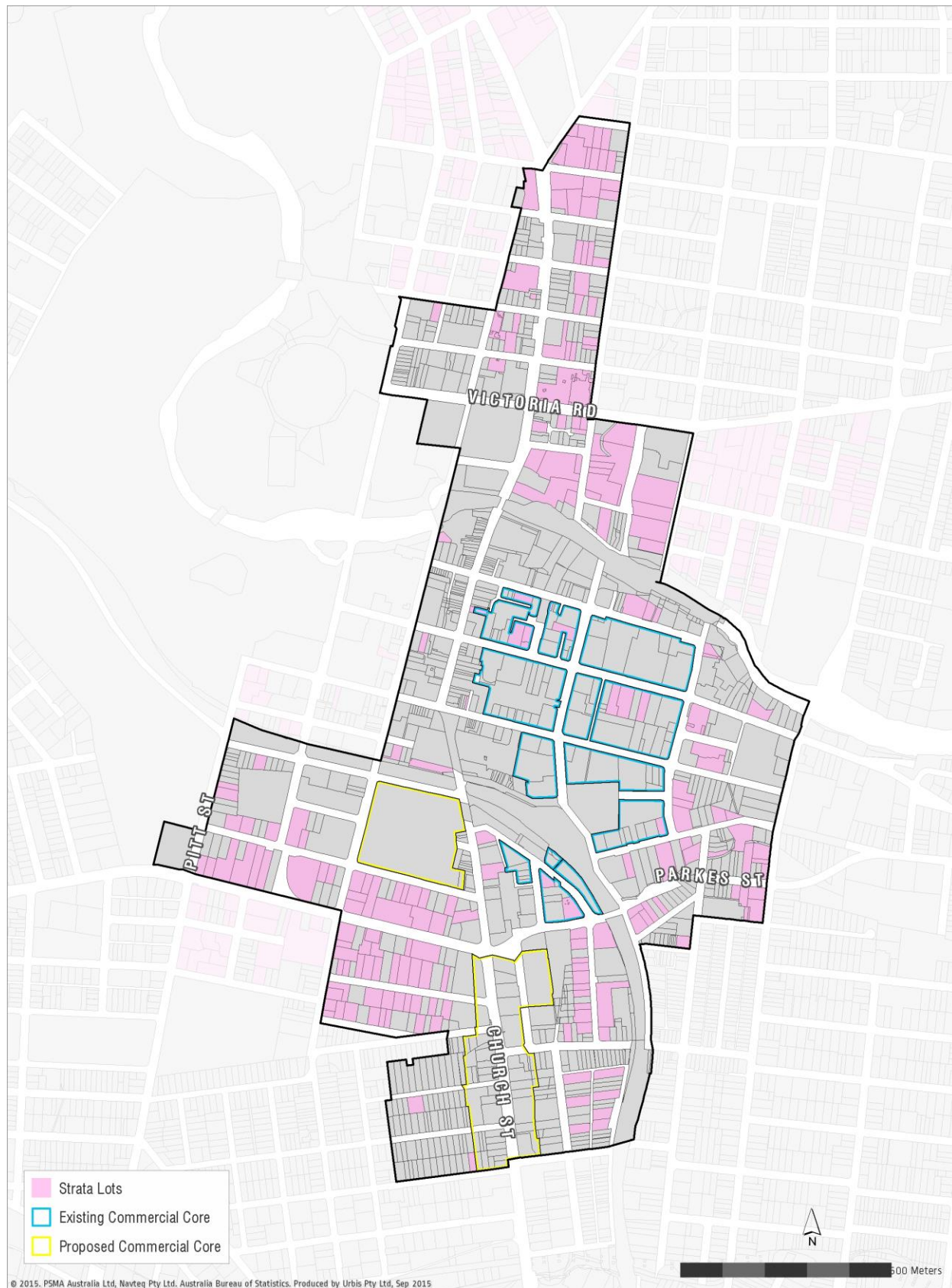
MAP 9.3



9.1.5 FRAGMENTED OWNERSHIP AND STRATA TITLING

The following map highlights sites within the Parramatta Commercial Core that are strata titled as well as adjacent lots under common ownership. Amalgamating smaller lots to create larger sites capable of accommodating a large floorplate office building can be challenging, especially when dealing with multiple owners in a strata scheme. The map highlights that there are a few adjacent lots with common ownership, however these are located outside the existing Commercial Core.

The development of office buildings that are held under one ownership can allow for the renewal and redevelopment over time. The cycle can take 30-40 years though (i.e. the economic life of a commercial office building without major upgrade) and allows for older and generally smaller buildings to be redeveloped in the future.



It is noted that the strata-titling of buildings such as residential apartments and smaller office can create issues with redevelopment due to the multiple owners involved and the difficulty in obtaining consensus to sell in one line and/or redevelop. This effectively 'locks' the site from future redevelopment and therefore

needs to be a consideration in planning for new development. Ideally a site should be meeting or exceeding development controls before strata subdivision should be considered.

Residential apartments held in 'one line' and rented out would reduce the impacts of strata-titling locking away sites. However, it is noted that almost all large residential developments in Australia are strata titled as this represents the highest return on investment. The rental yield for residential apartments in Sydney is generally under 5%, which is well below other property asset classes such as retail, office and industrial. As such, the rental return is not high enough to justify holding apartments unless potential capital growth is considered. In addition, most developers need to sell the majority of apartments off-the-plan to reduce risk and meet financing conditions even if they think the apartments will achieve significant capital growth. Meriton is one of the only developers that holds apartments for rental, though it is able to do this due to a lower reliance on debt financing.

9.1.6 FSR CAPACITY

Parramatta City Council has undertaken a preliminary assessment of the capacity for additional development within the Parramatta City Centre. The assessment excludes land that is not considered developable such as:

- Land identified as open space (i.e. zoned RE1 Public Recreation, RE2 Private Recreation) under the current LEPs
- Land identified as containing heritage items
- Land identified as major community or education facilities
- Land identified as having recent large-scale development (e.g. Eclipse Tower, Sydney Water building); or large-scale development currently under construction (e.g. Meriton Altitude, PSQ1)
- Land identified as having strata subdivision with more than 10 lots
- Land identified as roads or railways (e.g. zoned SP2 Infrastructure) under the relevant LEP.

Table 9.1 compares the required floorspace to meet Government employment and dwelling targets with the capacity for development under different planning scenarios. Based on a projected target of 27,000 additional jobs and 7,500 additional dwellings by 2036, Parramatta City Council has estimated there is a need for almost 2.1 million sq.m of commercial and residential floorspace.

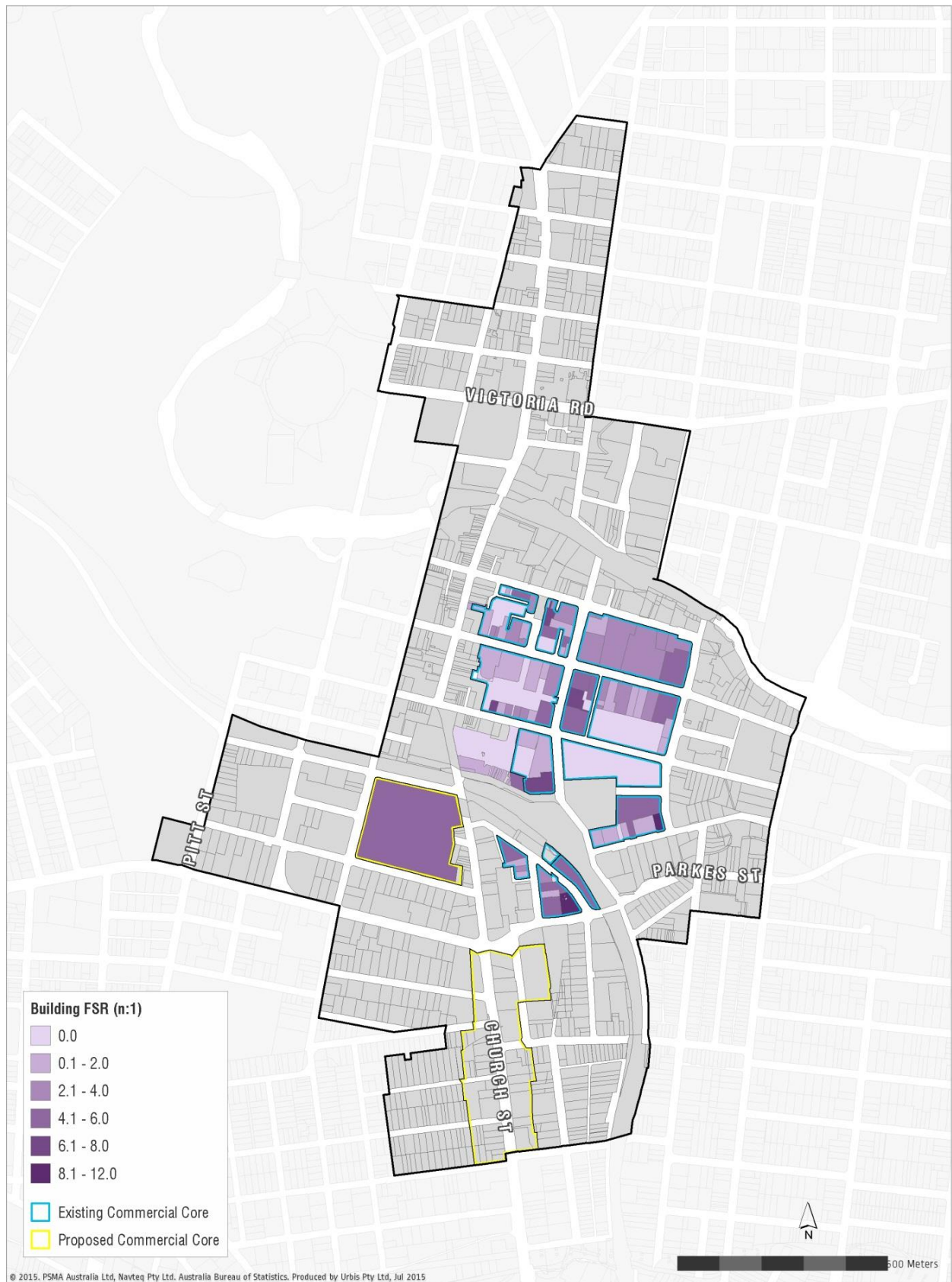
Under the existing planning controls, Parramatta City Council has identified that there is insufficient capacity to meet targets with a deficit for both commercial and residential floorspace.

Under proposed planning controls (including increased FSRs outlined in Map 1.8), there is considered to be sufficient capacity to meet the targets, with a surplus of more than double the existing target. Even if residential is permitted in the Commercial Core, there is potential for over 1,800,000 sq.m of commercial floorspace, almost double the target of around 970,000 sq.m of commercial floorspace by 2036.

Scenario	Floorspace (sq.m)	Surplus (-Deficit)
State Government Targets		
Commercial	972,000	
Residential	1,125,000	
Total	2,097,000	
Existing Controls		
Commercial	835,655	-136,345
Residential	832,756	-292,244
Total	1,668,411	-428,589
Proposed Controls (no residential in core)		
Commercial	2,205,622	1,233,622
Residential	2,517,845	1,392,845
Total	4,723,467	2,626,467
Proposed Controls (residential in core)		
Commercial	1,817,832	845,832
Residential	2,905,636	1,780,636
Total	4,723,468	2,626,468

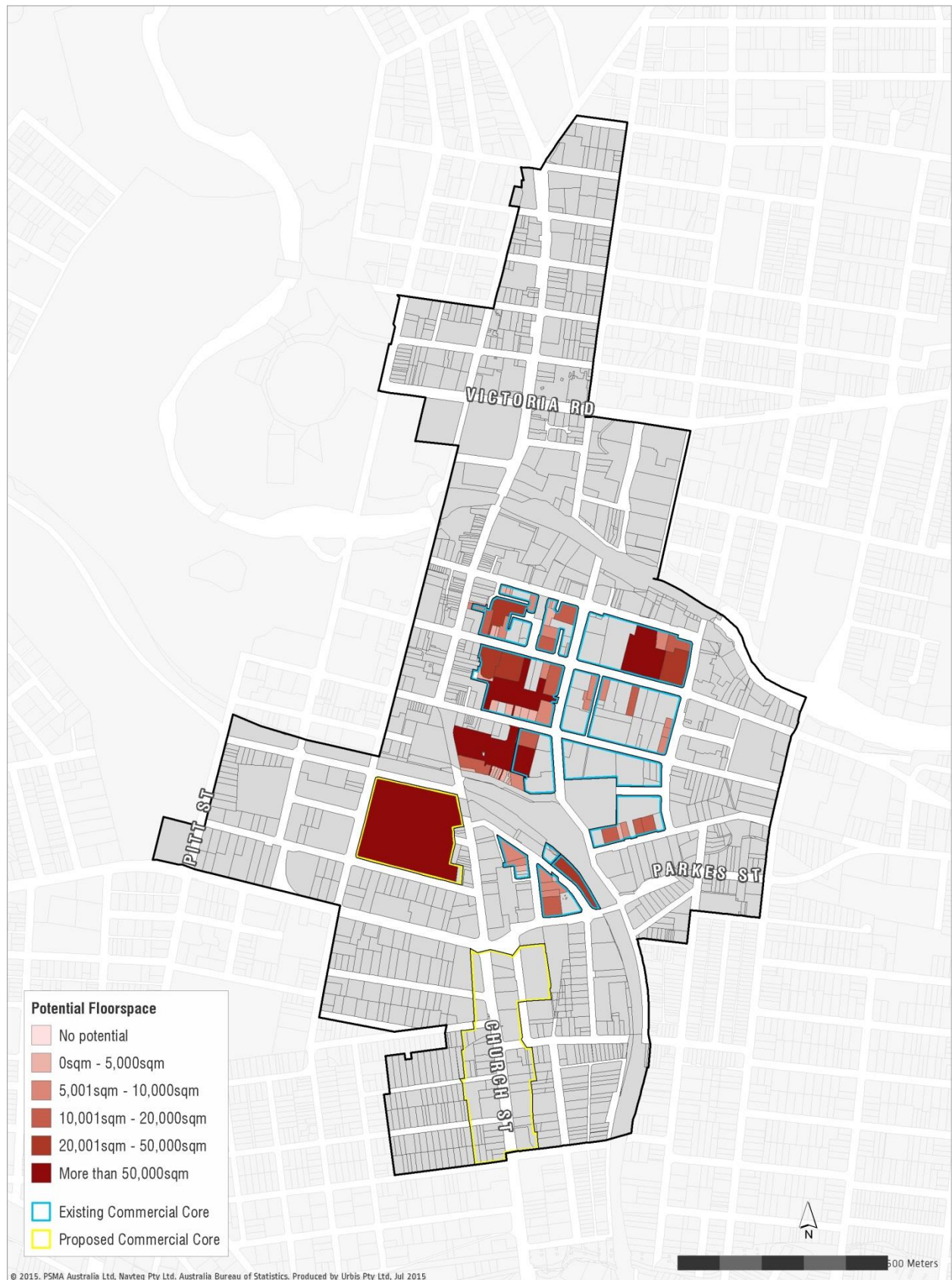
Source: Parramatta City Council

The following map highlights the estimated built FSR for lots within the current and proposed Commercial Core zone based on a desktop review of buildings. There is estimated to be 694,600 sq.m of built floorspace within the existing and proposed Commercial Core zone. It is noted that the Auto Alley precinct has been excluded from this analysis as it is considered to be a longer term commercial opportunity.



Urbis has estimated the built FSR within the current and proposed Commercial Core zone using City Scope data and aerial imagery. Map 9.6 compares the estimated built FSR within the current and proposed Commercial Core zone with the capacity for development under proposed planning controls. The analysis identifies the following sites as having the most development potential in the Commercial Core:

- 105 Phillip Street and 130 George Street
- Parramall (55-67 George Street)
- 41-45 George Street
- 69 George Street
- 87-89 Phillip Street
- Erby Place Car Park (30 George Street)
- Horwood Place Car Park (71 George Street)
- Westfield Parramatta
- Justice Precinct (which is outside the current Planning Proposal area)
- Parramatta Square.



9.1.7 DEVELOPMENT COSTS

The financial realities of A-Grade office development are a constraint to development in the Parramatta CBD. Net face rents for A-Grade office space in the Parramatta CBD are generally between \$360-\$450 per sq.m/pa, which is 20-30% higher than rents in North Ryde/ Macquarie Park.

At the same time, the cost of developing high-rise office buildings in CBD locations is considerably higher than lower density campus style office buildings on larger sites. Based on data from Rawlinsons Construction Handbook 2015 - Edition 33, the cost of developing a 4-7 storey office building in Sydney is between \$2,265-\$2,440 per sq.m while office buildings of 7-20 storeys are between \$3,220-\$3,470 per sq.m. The higher costs are generally a result of increased costs for vertical transport and structural requirements.

This indicates that construction costs in Macquarie Park are likely to be at least 40% lower than in the Parramatta CBD. This flows onto the required rental levels that would be required to achieve a minimum return on investment.

This dynamic of higher construction costs means that developers need to achieve pre-commitments at rental levels well above campus locations such as North Ryde/ Macquarie Park, which is one of the reasons that Parramatta has struggled to attract new office development with private sector pre-commitments.

9.2 PLANNING OPTIONS TO INFLUENCE OFFICE SUPPLY

This section assesses the potential options available to Council to utilise planning controls and residential development to facilitate viable A-Grade office development within the Parramatta CBD. The options look to address the constraints to office development that are outlined in the preceding section.

9.2.1 MINIMUM OFFICE FSR

The CBD Planning Strategy outlines the potential for residential uses to be permitted in the Commercial Core subject to the following conditions being met:

- A significant quantum of office space (i.e. 20,000 sq.m minimum) is built before residential occupation of a development site. Most A-Grade office buildings developed in Sydney are at least 20,000 sq.m, which effectively means the control requires A-Grade office space to be developed before residential is allowed.
- Sites deliver primarily employment uses (i.e. employment uses comprise a minimum 50% of total floorspace). This control ensures employment uses remain the primary use in the Commercial Core and prevents residential dominant mixed-use developments on large sites.
- Non-residential FSR exceeding the minimum requirements above should be exempt from the overall maximum FSR in the Commercial Core. This provides a bonus to developers by allowing them to develop additional office space. This may include allowing developers to achieve a FSR of 12:1 on a site as long as an office FSR of 6:1 is achieved on the site.

On sites which already have considerable office space, this would require net additional A-Grade space of at least 20,000 sq.m. So a site that currently has an ageing 20,000 sq.m office building, would need to build at least 40,000 sq.m of office space to allow for the replacement of the old building plus 20,000 sq.m of additional office before residential could be developed. It is noted that developers are unlikely to build office buildings of over 25,000 sq.m in the Parramatta CBD unless they can secure a very large pre-commitment such as a major bank or multiple government tenants.

9.2.2 TRANSFERABLE DEVELOPMENT RIGHTS

Transferable development rights allow a developer to transfer development rights from one site onto another. In the context of the Parramatta CBD, this could allow a developer to build a A-Grade office building in the Commercial Core and transfer any residential development rights to other parts of the Parramatta CBD. This would allow developers to focus on commercial development within the Commercial Core, while still allowing them the benefit of residential development rights to improve the viability of development. This has the potential of improving the financial viability of A-Grade office development in the Commercial Core whilst maintaining the predominantly commercial focus.

It is noted that the only example of transferable development rights in NSW is for heritage buildings in the Sydney CBD. As such, implementing this policy would likely have broader policy implications and require significant input from the Department of Planning and Environment in the development of this policy.

It is also noted the City of Sydney experienced some administrative issues with the establishment and operation of the transferable rights system. There were cases where the demand for rights did not exactly match the supply, with fractions of heritage floor space left over. As such, Parramatta Council would need to investigate this option in some more depth and establish a simple process to grant and then distribute floorspace transfers.

9.2.3 RESIDENTIAL DEVELOPMENT CAP

A residential development cap would allow a maximum amount of residential floorspace to be developed within the Commercial Core to a stated point in time.

A residential cap would have the benefit of allowing residential development in the Commercial Core to help facilitate the development of A-Grade office space. At the same time, the cap would limit the total amount of residential space that could be developed and ensure that employment uses remain the primary use in the Commercial Core. This would avoid problems such as what occurred in the Chatswood CBD with significant residential development changing the perception of the centre.

The implementation of an initial cap may have the added benefit of facilitating development of A-Grade office space in the short term as developers look to take advantage of the opportunity before it is exhausted. Council also has the option to review the cap at certain development thresholds to determine if it is appropriate to extend.

9.2.4 RESIDENTIAL DESIGN CODE

To ensure that residential development does not have a detrimental impact on the office market in the Commercial Core, a residential design code could be implemented to maintain high design standards. Potential minimum requirements could include:

- No exposed concrete
- Limited exposed balconies (use of wintergardens where possible)
- Tinted glass and other commercial grade facade treatments.

10 Conclusions and Recommendations

This section summarises the key findings of the assessment and outlines viable strategies to attract A-Grade office development to the Parramatta CBD.

10.1 SUMMARY OF KEY ISSUES

The following issues are considered to be most relevant to the attraction of A-Grade office space to the Parramatta CBD:

- The NSW Government has identified the growth of Parramatta as Sydney's second CBD as a key priority. The Parramatta CBD Planning Strategy identifies a target of 27,000 additional jobs and 7,500 additional dwellings by 2036. To achieve this employment target, Parramatta City Council has a planning capacity target of around 970,000 sq.m of commercial floorspace by 2036.
- The Parramatta CBD has over 273,600 sq.m of A-Grade office space with a very low vacancy rate of under 1%. Despite the low vacancy rates, the CBD has been able to attract only limited new development (three developments over 20,000 sq.m in the last 10 years) and the required large tenant pre-commitments. There has been significant competitive pressure from centres such as Macquarie Park and Norwest, which have been more successful at attracting large tenants due to being able to develop new purpose built offices, with large floorplates and lower rents. Large tenants have been expressing an interest in the Parramatta CBD though these financial fundamentals have constrained development.
- Residential development is important in adding to the vibrancy of commercial centres. Most major CBDs in Australia support residential apartments and are not considered to have a detrimental impact on the viability of office development, provided the quality of residential development is consistent with the quality of office development and the commercial predominance of the centre is maintained.
- Mixed use developments can be successfully developed in CBDs without negatively impacting the A-Grade office market. Large mixed use projects including a mix of office, residential, retail and other uses can act as catalysts for investment in precincts by increasing activity and improving the image of an area. Successful developments have a higher quality design that reduces the negative impacts and potential conflicts between office and residential uses. This includes the inclusion of 'commercial aesthetic characteristics' as part of the design of residential buildings.
- There are several land constraints to potential development of A-Grade office space in the Parramatta CBD including lot sizes, heritage buildings, fragmented ownership and strata titling. In addition, economic considerations including the development costs and achievable rents between different centres places competitive pressure on Parramatta.
- In order to achieve the employment and residential dwelling targets of the Parramatta CBD Planning Strategy and *A Plan for Growing Sydney*, the planning controls within the Parramatta City Centre need to be designed to increase the capacity and viability of future development. Under proposed controls in the Parramatta CBD Planning Strategy, there is estimated to be capacity for 4.7 million sq.m of additional floorspace in the Parramatta CBD.
- There are several sites within the Parramatta CBD with development potential for A-Grade office space. These sites generally have relatively low density development and are of sufficient size to accommodate a building floorplate of over 1,500 sq.m, which is generally desired by prospective A-Grade tenants.
- It is considered that allowing some residential development in the Commercial Core will not affect the ability of the Parramatta CBD to attract new A-Grade office space. Under proposed controls in the Parramatta CBD Planning Strategy there is potential capacity for over 1,800,000 sq.m of commercial floorspace even if residential is permitted in the Commercial Core. This is almost double Parramatta City Council's planning capacity target of around 970,000 sq.m of commercial floorspace by 2036. As such, it is considered that allowing some residential in the Commercial Core will not impact the State Government's policy of protecting the Commercial Core as outlined in *A Plan for Growing Sydney*.

- Allowing residential in the Commercial Core has the potential to facilitate viable development of A-Grade office space in the Parramatta CBD. This would include the more profitable residential component subsidising the office component and boosting the overall viability of the development. However, constraints to the effectiveness of mixed use development to facilitate A-Grade office development include:
 - Vertical mixed-use developments have the potential to be developed with residential apartments generally being developed above the office component to assist in subsidising the office component. It is unlikely that such a development would generate quality A-Grade office space, which has the potential to generate lower quality space given the difficulty of designing an efficient building with multiple lift cores and the overall perception that potential office tenants would have in such a building.
 - Horizontal mixed-use developments are likely to need development sites of at least 5,000 sq.m to allow for separation between the office and residential buildings. There are limited sites of such a size in the Commercial Core with development potential, which can viably accommodate a net increase of at least 20,000 sq.m of office space and a residential building.

10.2 RECOMMENDATIONS

The following tables outline the recommendations for attracting A-Grade office space to the Parramatta CBD. This includes:

- Table 10.1 outlines the requirements for A-Grade office space that will make new buildings attractive to large tenants. These large corporate tenants are needed to pre-commit to new buildings to make the developments financially viable. The recommended requirements are based on discussions and interviews with office leasing agents and large tenants within the broader Sydney market as well as classifications within the Property Council of Australia's *A Guide to Office Building Quality 2012*.
- Table 10.2 outlines planning recommendations to be considered by Parramatta City Council to attract A-Grade office space including the justification for the recommendation and how it will address key issues and requirements in the market.

A-Grade Office Requirements

PARRAMATTA CBD

TABLE 10.1

RECOMMENDATION	DESCRIPTION	JUSTIFICATION
Large floorplates	New A-Grade office space generally needs to have a floorplate size of at least 1,300 sq.m, with most major tenants likely to want a floorplate of over 1,500 sq.m. (It is also noted that in some instances tenants are looking for office accommodation with floors over 2,000 sq.m, which is more common in locations such as Macquarie Park and in new major development in the Sydney CBD such as Barangaroo).	- Large corporations want to improve the circulation and interaction within their offices. Large floorplates allow businesses to get more workers on the same floor and improve social interaction in the office. Tall and thin towers fail to provide this requirement to tenants. - The ability to provide very large floorplate campus style offices is one of the reasons corporate business parks have successfully attracted large corporate offices (combined with relatively affordable rents).
Flexible and accessible floorplates	Large open floorplates that allow for flexible and efficient workspace design and internal circulation. This includes internal stairways to connect adjacent floors and limited internal columns. This also includes preferences to reduce large central cores (with lifts and fire stairs), with a growing preference for side cores.	- Similar to the benefits of large floorplates, tenants want the space to be flexible to allow for the maximisation of circulation and to encourage interaction. - Some traditional offices have a large internal core (with fire stairs and lifts) that fragments the office. Flexible design can reduce this impact and provide more open workspaces.
High ceiling heights	High ceilings of 2.7 metres and above.	High ceilings provide a more 'open' workspace that is attractive to workers and tenants. As such, height controls should be flexible for commercial office buildings in order not to stifle optimum floor to ceiling heights.
Good lift service	High quality and high frequency of lifts in the building.	- Tenants require high quality and high frequency lifts to support the circulation of staff. - Slow lifts can provide a poor impression on the building and tenants.
On site facilities	Provision of end-of-trip facilities within the building such as bike storage, change rooms and lockers to support people taking alternative transport to work.	A larger proportion of workers are taking alternative forms of transport to work such as cycling, jogging and walking. On-site facilities improve the amenity and make it easier to attract and retain staff.

RECOMMENDATION	DESCRIPTION	JUSTIFICATION
Amenity	Access to local amenity including retail, dining options, public space, recreation facilities and other personal services. A corporate setting within a vibrant commercial centre that includes other successful businesses.	- Major corporations want to be located in a high amenity area that is attractive to their staff with access to retail, food, recreation and other services - Tenants want to be located in a location that matches their corporate images and do not want to be surrounded by poor quality buildings and apartments with 'washing on display'. Adjoining buildings whether they be commercial or residential need to be of a similar high standard and well managed.
Environmental	4 Star Green Star Design Rating including 4.5 Star NABERS Office Energy rating commitment.	The Property Council of Australia's <i>A Guide to Office Building Quality 2012</i> classifies A-Grade office space as at least meeting these environmental standards. Most large corporations are conscious of their environmental footprint and look to move into more energy efficient buildings where possible.

Recommendations

PARRAMATTA CBD

TABLE 10.2

RECOMMENDATION	DESCRIPTION	JUSTIFICATION
Office as predominant use in Commercial Core.	Reaffirm office development as the predominant use in the Commercial Core though allow residential apartment development under certain circumstances (see recommendation below). It is recommended that controls promote A-Grade office buildings of at least 20,000 sq.m and be informed by planning, design and heritage considerations.	- Most successful CBDs successfully integrate commercial office development with residential apartments to create a vibrant commercial district. While it is important that the Parramatta CBD support a Commercial Core that is predominantly office uses, there is considered to be a place for residential as part of horizontal mixed use developments. Allowing residential development also has the benefit of helping to facilitate viable office development where residential can provide a higher relative return. - The last three A-Grade office buildings developed in the Parramatta CBD have all been over 20,000 sq.m with a floorplate of over 1,300 sq.m. It is considered that large A-Grade office buildings of over 20,000 sq.m need to be promoted for the Parramatta CBD to develop as a major CBD. - This may be integrated with the minimum office FSR that allows residential if a minimum A-Grade office component is provided.
Subject to planning, design, and heritage considerations, potentially allow horizontal mixed use development in the Commercial Core subject to net additional A-Grade office space of over 20,000 sq.m on the site.	Allow a separate residential apartment building to be built on a site where there is the net additional development of A-Grade office space of over 20,000 sq.m. It is recommended that the potential of the strategy be informed by planning, design and heritage considerations to determine the number of sites that can accommodate such development. Note: See Glossary for definitions of vertical and horizontal mixed-use development.	- It is recommended that the potential mixed-use developments discourage vertical mixed-use developments with residential apartments developed above office space. This is due to office development of this nature in the Parramatta CBD likely to be of a lower quality that experiences vacancies and have a detrimental impact on the Parramatta CBD office market. - Council to consider planning, design and heritage factors to determine the number of sites capable of accommodating a horizontal mixed-use development of this nature, particularly where separate residential and office towers can be constructed on the one site. - While there are only a few sites of a size and nature that can viably accommodate a horizontal mixed-use development with separate office and residential buildings, they represent an opportunity to facilitate development in the short term and act as a catalyst for future additional office development.

RECOMMENDATION	DESCRIPTION	JUSTIFICATION
Subject to an adequate number of suitable sites being identified in the Commercial Core for horizontal mixed-use development, consider implementing a residential development cap.	Implementing a cap on the amount of residential floorspace that can be developed in the Commercial Core (subject to adequate sites in the Commercial Core being identified for horizontal mixed-use development).	▪ A residential development cap would allow a maximum amount of residential floorspace to be developed within the Commercial Core. This would have the benefit of allowing residential development in the Commercial Core to help facilitate the development of A-Grade office space. At the same time, the cap would limit the total amount of residential space that could be developed and ensure that employment uses remain the primary use in the Commercial Core. ▪ The implementation of an initial cap may have the added benefit of facilitating development of A-Grade office space in the short term as developers look to take advantage of the opportunity before it is exhausted. Council also has the option to review the cap at certain development thresholds to determine if it is appropriate to extend. ▪ A residential development cap is considered to be easier to administer compared to transferable development rights. ▪ This is subject to adequate sites being identified as suitable to accommodate horizontal mixed-use development.

RECOMMENDATION	DESCRIPTION	JUSTIFICATION
Remove maximum FSR and height controls for office development.	Remove maximum FSRs for commercial office development in the Commercial Core and be more flexible on allowable building heights for commercial development.	- Maximum FSRs are considered to be relatively arbitrary. If a developer is willing to develop a large A-Grade office building that exceeds maximum FSRs, it is considered that it should be supported provided that it can meet other design and impact requirements. While it is unlikely to have a major impact on office viability in the short to medium term, there is considered to be value in increasing flexibility in the long term. - This recommendation aligns with the Parramatta CBD Planning Strategy, which recommends non-residential floorspace above the minimum requirement not count towards the site FSR. - More flexible building heights will encourage developers to maintain greater ceiling heights, which is attractive to large A-Grade tenants
Maximum FSR for small lots.	Only allow FSRs greater than 3:1 for those sites over 2,000 sq.m to promote site amalgamation.	The trend in office development in recent years has been towards buildings with larger floorplates over 1,300 sq.m (and generally over 1,500 sq.m) that allow tenants to take fewer floors and improve staff interaction. Small sites should be offered incentives to amalgamate to help facilitate developments that are desired by the market and achieve economic development outcomes.
Complementary design code for residential uses.	Develop built form controls so that any residential development in the Commercial Core (if permitted) is of a 'commercial aesthetic'.	- The design of some residential developments around the Commercial Core is becoming inconsistent with the intention to promote Parramatta CBD as an employment destination and encourage the supply of A-Grade office space. External balconies that are cluttered in appearance or that do not reflect the surrounding commercial aesthetic are not attractive to large corporate businesses that want to be located in a commercial environment that aligns with the corporate image. - Design controls should be set with a high design benchmark and outline the requirement for residential to include a commercial aesthetic that is complementary to office development, particularly if residential development is to be permitted to occur in the Commercial Core.

RECOMMENDATION	DESCRIPTION	JUSTIFICATION
Expansion of Commercial Core.	Expand the Commercial Core to create a more cohesive commercial precinct and integrate key commercial nodes. Includes connecting the existing core to the Justice Precinct and Westfield Parramatta.	▪ The existing Commercial Core is generally focussed around the Parramatta Train Station and the area directly to the north. However, there are nodes such as the Justice Precinct that have developed into key office precincts, though they are separated from the existing core. ▪ In addition, Westfield Parramatta and the eastern portion of Parramatta Square have been identified as having potential to accommodate significant A-Grade office space. ▪ It would be considered beneficial to have a single contiguous commercial core and that areas such as the Church Street dining precinct be protected by relevant heritage and solar access provisions, whilst providing some surety and clear positioning for areas such as the Justice Precinct as a key commercial area.
Auto Alley Precinct.	Continue to encourage non-residential employment generating land uses in the Auto Alley Precinct.	▪ The Auto Alley Precinct represents an opportunity to facilitate mixed-use development though is not considered likely to attract A-Grade office development in the short-medium term as the majority of new office development will be focused around the Parramatta Train Station and the commercial core north of the rail line. We also acknowledge that the Auto Alley Precinct has constraints due to the bisection by the highway and constrained walkability and connection to existing transport and commercial nodes. In addition, if the potential quality of residential development in Auto Alley is not of a high standard with a style that is not consistent with the required commercial character, this may deter potential A-Grade tenants. ▪ It is considered there may be opportunities for A-Grade office space in the long term, once other more attractive areas have been developed, though is not likely to be attractive or financially viable in the current market. ▪ It is considered that smaller office and other employment generating uses such as car showrooms represent a good employment generating outcome in the short-medium term.

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