

Industrial Land Rezoning Economic Justification

2 Factory Street, Granville

May 2013



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Executive Summary

Upon consideration of the rezoning of the site at 2 Factory Street, Granville, Parramatta City Council officers undertook a preliminary assessment of the site in 2012 and reported that:

The industrial uses on the land are reaching, or have reached the end of their economic life. The site is well located in proximity of the Granville Town Centre and would rejuvenate the locality. The loss of employment land can be justified.

Specifically, the continued use of 2 Factory Street for industrial use is constrained by a number of factors including:

- Its older, degraded industrial building stock
- The financial risks associated with investment in industrial re-development
- Unsuitability of the site for industrial and manufacturing operations due to its relatively small scale and isolated location
- Limited access to freight, logistics and distribution
- Distance and convoluted routes to key road infrastructure
- Physical constraints, which limit expansion or consolidation of lots, including natural waterways and passenger rail infrastructure
- Incompatibility with surrounding residential land uses

Based on our detailed analysis of industrial market prospects and development trends, we strongly concur with Council's preliminary assessment.

Most importantly, the value from zoning is drawn from the building uses, and the prospects for redevelopment. The prospects for new industrial buildings at 2 Factory Street, and adjacent industrial lots, are very poor given the lack of scale economies associated with this land as opposed to other larger, contiguous industrial parcels.

The broader economic environment is expected to remain adverse for traditional factory uses, as emphasised by the 2013 Metropolitan Strategy:

Our economy will continue to shift away from manufacturing to a stronger finance and services focus.

(NSW Government - Metropolitan Strategy for Sydney 2031)

New warehouse and logistics facilities on the other hand represent a vital part of Sydney's service sector economy. For these industrial uses, Sydney's evolution is well underway. In total, approximately 329,000m² of new industrial floorspace was commenced in the Eastern Creek precinct alone over the four years to 2011/12.

Market conditions dictate the preferred location of new industrial projects. Rentals and land values explain why new development is gravitating towards Sydney's outer west regions. The yields on new projects (rentals relative to land cost) are substantially higher in the outer west, when compared to the central west areas such as Silverwater and Clyde. In the central west, rents and land values tend not to be supportive of redevelopment.

Even without 2 Factory Street there remains ample scope for further employment growth throughout western Sydney. In 2011, the north-west region had 580 undeveloped zoned industrial lots sized at or below 1 hectare. These lots represent competition for redevelopment of the subject site. The significant supply of small sized allotments across the north-west region compensates for any 'loss' of employment land at the subject site.

The market environment for redevelopment of the subject site is set to become even more challenging in the next few years. The Moorebank IMT is due to be completed in 2017, and is being progressed by the Commonwealth Government. This facility will provide an efficient solution for the improved movement of container freight between Port Botany and south west Sydney.

Over an extended period, there will be an outright decrease in road freight from Port Botany along the M4. As such, the future demand for industrial space along the M4 will be greatly diluted. This outcome will further reduce the redevelopment prospects of the subject site for industrial purposes.

Our report finds that, in light of current industrial development trends and having regard for the evolving stock of industrial land within the West Central sub-region and the specific locational constraints of the subject site, its usefulness as employment land has now expired.

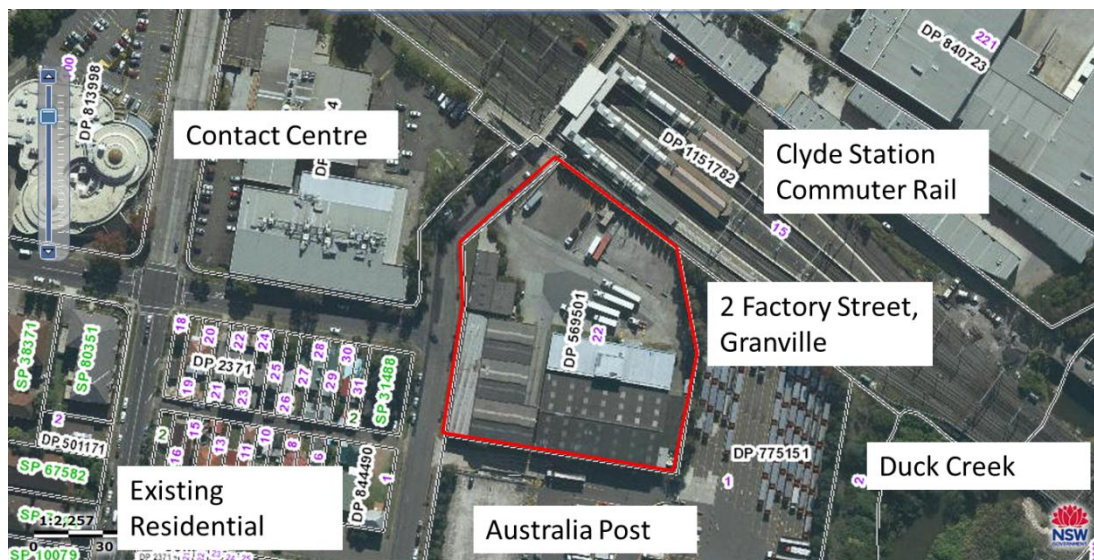
We argue therefore that the land's redundancy as a contributor to the LGA's or sub-region's employment capacity compels Council to consider its suitability for other uses.

Section 1: Introduction

This report provides further supplementary information in support of the proposed rezoning of a 10,700m² site at 2 Factory Street, Granville from IN1 General Industrial to R4 High Density Residential, under the Parramatta Local Environmental Plan 2011.

2 Factory Street in Granville is located south of Clyde Railway Station, west of Duck Creek, north of an Australia Post Depot and east of existing residential land and a Tabcorp contact centre (call centre).

Figure 1. 2 Factory Street, Granville - Location and Site Context



Source: MacroPlan Dimasi

A first port of call in relation to industrial rezonings is to initially establish why the subject site ought not be retained for industrial/employment purposes, particularly given current Government policy direction to protect and maintain employment lands in established areas.

Our report addresses local employment demands and trends, the broader context for interpreting the relevance of employment land across the Parramatta LGA and West Central sub-region, and the specific suitability of the subject site for ongoing employment usage.

Our report finds that, in light of current employment trends and having regard for the evolving stock of industrial land within the West Central & North-West sub-region and the specific locational constraints of the subject site, its usefulness as employment land has now expired. The land's redundancy as a contributor to the LGA's or sub-region's employment capacity compels Council to consider its suitability for other uses.

Parramatta Employment Lands Study

Parramatta City Council has initiated an Employment Lands Study to examine the strategic importance of individual precincts in order to provide a clearer strategy for its employment lands to 2050. This brief was prepared to better understand the changing dynamics of various employment sectors and their future needs.

The study will be used to guide Council's strategic planning in key employment areas such as Westmead, Rydalmere and Camellia and to inform Council's deliberations and assessment of owner-initiated planning proposals that seek the rezoning of specific employment land parcels.

The site at 2 Factory Street was identified in Council's brief for specific investigation as part of its Employment Lands Study. The proposed Employment Lands Study for Parramatta identifies a set of criteria for specific further investigation and appraisal. It is noted that the brief is intended to assess and document findings with respects to the full range of employment uses and sites/zones across the whole of the LGA.

Our report deals solely with the implications of broader industry and employment trends on the viability of continued industrial use at 2 Factory Street, Granville. Our response to the nominated criteria in the proposed Employment Lands Study for Parramatta therefore is shaped by the specific nature of our research.

(a) Visit, research and document employment types, capacity, vacancies and trends (including clustering) in existing employment land in the nominated precincts.

This requires a full account of industrial uses and typologies across the whole of the LGA. Our report acknowledges the various land uses that comprise the Factory Street precinct and provides comment as to the compatibility of these uses with the proposed residential land use.

(b) Research and document anticipated future employment trends and demand for employment land in Parramatta LGA, including within specific precincts.

Our report documents the major industrial development trends and market factors that have a bearing on the long term usefulness of the subject site for industrial purposes. Identified trends include an increasing demand for large, well-accessed distribution warehouse sites in proximity to Sydney's orbital road infrastructure and the market value proposition that favours new development over isolated and poorly accessed industrial fragments.

(c) Identify the role and importance of the nominated employment land in meeting Parramatta LGA's long term need for employment land, and in supporting the growth and viability of key employment centres such as Parramatta CBD and Westmead Medical Precinct.

We have acknowledged the various key employment centres situated throughout Parramatta and find that the proposed residential use of the subject site will not have any material impact on the continued viability of these key sites.

(d) Identify the current and future role of Parramatta LGA's employment lands within the broader regions of Western Sydney and Greater Metropolitan Sydney.

Our report does not specifically interrogate the future role of all of Parramatta's employment lands. It does not need to do so. More importantly, our report considers the future role of the subject land and finds that the site has limited usefulness for industrial purposes.

(e) Assess the impact of technology, infrastructure/transport/freight network upgrades, changing work practices and other employment/industry trends on employment land.

We have considered broad industrial development trends and the impact of State Government investment in major infrastructure on the demand for and location of new employment opportunity. We anticipate that, increasingly, fragmented industrial sites along or near to Parramatta Road will become available for redevelopment because of the inappropriateness of their built form and the inherent value of the land they occupy. The continued use of 2 Factory Street for industry purposes has already been deemed by the market to no longer represent its highest and best use.

(f) Review Councils planning instruments with respect to land zoning, land use permissibility and built form controls for the nominated employment lands to ensure that these are meeting the needs of industry/business in the context of long term planning for employment lands in Parramatta LGA.

This criterion is not relevant to our present investigation of preferred site use. Our report suggests that the continued presence of industrial development on the subject site impacts negatively on the potential redevelopment of adjacent lands for their rightful higher density residential use. A new zoning is required, complete with a new set of development criteria.

(g) Ensure that Parramatta LGA has a long term strategy for employment lands having regard to Action E3.2 of the Department of Planning & Infrastructure's Metropolitan Plan for Sydney 2036.

We have considered the draft Metropolitan Strategy and find that the planning proposal to rezone the subject site is not inconsistent with or likely to compromise Parramatta's ability to retain employment.

(h) Provide recommendations regarding strategies and principles that will enable sustainable and viable business and employment growth across the LGA in the long term (to 2050).

Our assessment presents a broader overview of industrial trends that are relevant for wider consideration across the whole of the LGA. Our report focuses on a single site but its findings and approach provide a solid basis and reference point for further site and zoning appraisals that the Employment Land Study will consider.

Current Examination

Our review considers development tendencies and demand, current stocks of employment land, and the impacts of emerging and future trends and their implications for Parramatta's long term strategy for ensuring job creation and growth.

Further, we assess the role and function of the land at 2 Factory Street, Granville against the principle strategic planning strategies including:

- *Draft Metropolitan Strategy for Sydney to 2031;*
- *Employment Lands Development Program;*
- *SEPP Western Sydney Employment Area;*
- *Long Term Transport Master Plan;*
- *State Infrastructure Strategy; and*
- *Parramatta's Regional Growth Plan.*

Our study is framed by its regard for current Government policy direction to protect and enhance employment lands, as stated in Ministerial Direction 1.1 under Section 117 of the Environmental Planning and Assessment Act 1979 (The Act).

This direction states:

Section 117 Local Planning Directions - 1.1 Business and Industrial Zones

Objectives

(1) *The objectives of this direction are to:*

- (a) encourage employment growth in suitable locations,*
- (b) protect employment land in business and industrial zones, and*
- (c) support the viability of identified strategic centres.*

Where this direction applies

(2) *This direction applies to all relevant planning authorities.*

When this direction applies

(3) *This direction applies when a relevant planning authority prepares a planning proposal that will affect land within an existing or proposed business or industrial zone (including the alteration of any existing business or industrial zone boundary).*

What a relevant planning authority must do if this direction applies

(4) *A planning proposal must:*

- (a) give effect to the objectives of this direction,*
- (b) retain the areas and locations of existing business and industrial zones,*
- (c) not reduce the total potential floor space area for employment uses and related public services in business zones,*
- (d) not reduce the total potential floor space area for industrial uses in industrial zones, and*
- (e) ensure that proposed new employment areas are in accordance with a strategy that is approved by the Director-General of the Department of Planning.*

Consistency

(5) *A planning proposal may be inconsistent with the terms of this direction only if the relevant planning authority can satisfy the Director-General of the Department of Planning (or an officer of the Department nominated by the Director-General) that the provisions of the planning proposal that are inconsistent are:*

- (a) justified by a strategy which:*
 - (i) gives consideration to the objective of this direction, and*
 - (ii) identifies the land which is the subject of the planning proposal (if the planning proposal relates to a particular site or sites), and*
 - (iii) is approved by the Director-General of the Department of Planning, or*
- (b) justified by a study (prepared in support of the planning proposal) which gives consideration to the objective of this direction, or*
- (c) in accordance with the relevant Regional Strategy or Sub-Regional Strategy prepared by the Department of Planning which gives consideration to the objective of this direction, or*
- (d) of minor significance.*

Note: *In this direction, "identified strategic centre" means a centre that has been identified as a strategic centre in a regional strategy, sub-regional strategy, or another strategy approved by the Director General.*

Section 2: Government Policy Overview

The purpose of this section is to examine and critique the legislative and policy background for employment lands in western Sydney.

Draft Metropolitan Strategy

The Draft Metropolitan Strategy which is currently on public exhibition focuses on boosting housing delivery and jobs growth. This strategy provides a strategic planning framework to 2031 to meet the needs of a growing and increasingly aging population, with a significant emphasis on the role of Greater Western Sydney.

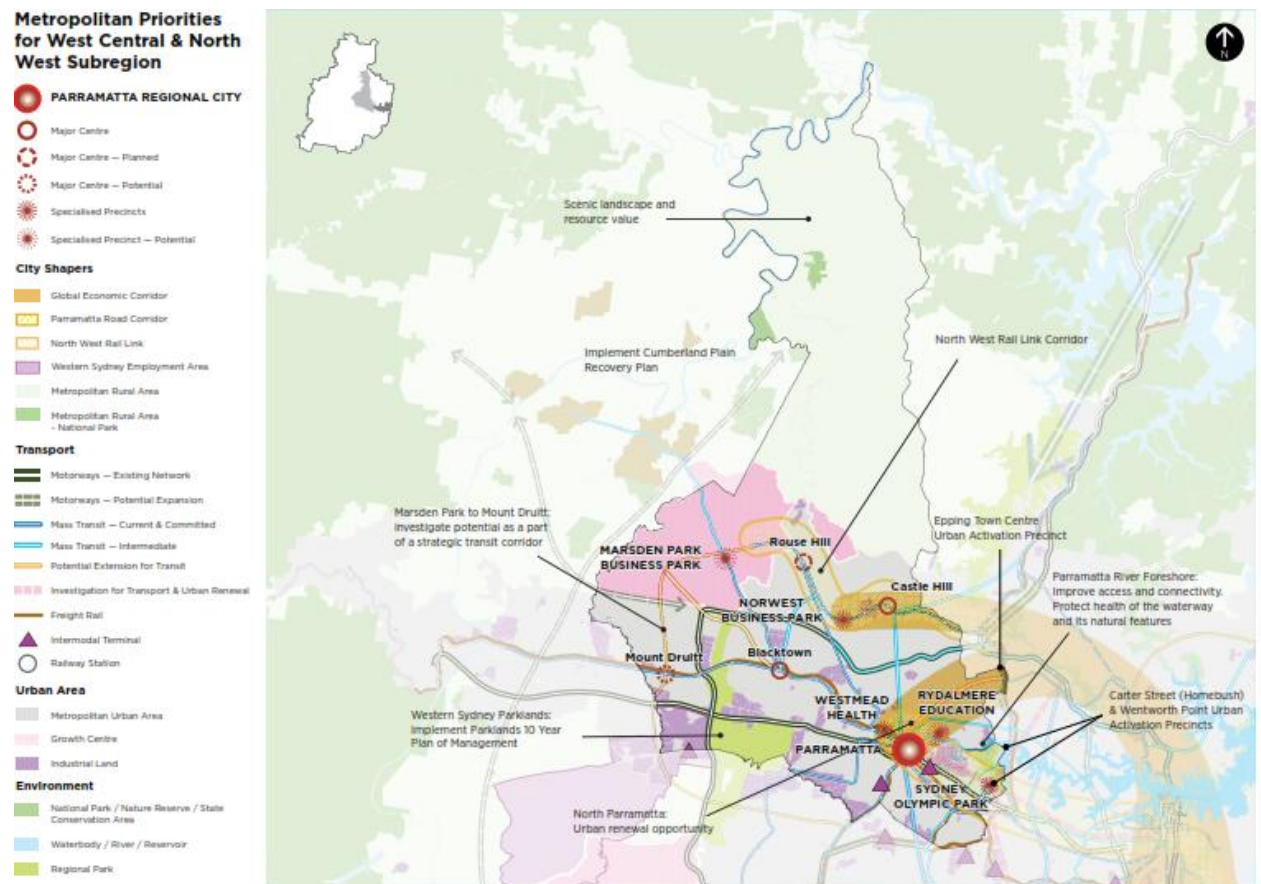
The strategy acknowledges that our economy will continue to shift away from manufacturing to a stronger finance and services focus.

Under the Strategy, growth is intended to be driven through subregional delivery plans, which will focus on measuring short to medium term outcomes to 2021 as well as longer term targets to be measured at 2031. The current subregional areas will be reconfigured and West Central & North West Sydney will be combined under a single delivery plan covering the local government areas of Auburn, Blacktown, Holroyd, Parramatta and The Hills.

The West Central & North West Sydney subregion has been the dominant location for recent industrial development, and this position will be strengthened by the future development of sites at Marsden Park. The scale of the sub-region's industrial land supply is huge, with in excess of 3,000 hectares of zoned and unzoned industrial lands in the pipeline.

A detailed assessment of the site has been undertaken and justified against the NSW Checklist for rezoning existing industrial land to other uses, as required under Objective 13 of the Draft Metropolitan Strategy 2031.

Figure 2. Metropolitan Strategy 2031- West Central and North West Subregion



Source: Draft Metropolitan Strategy 2013

The West Central & North West Sydney subregion includes the strategic employment precincts of the Parramatta, castle Hill and Blacktown city centres, the Westmead Health Specialised Precinct, Sydney Olympic Park, Norwest, the Rydalmere Education Precinct, the new Marsden Park Employment Precinct and the Parramatta Road Corridor.

Key planning priorities for the sub-region include:

- Extension of the Global Economic Corridor to connect with Parramatta CBD and castle Hill and Norwest;
- Strengthen Sydney Olympic Park's connection to Parramatta and Global Sydney through the Parramatta Road Corridor; and to
- Boost the contribution to Sydney's manufacturing, construction and wholesale industries in the Holroyd area and, increasingly, in the Western Sydney Employment Area.

Notably, the strategy identifies several 'urban activation precincts', including the industrial area around Carter Street, adjacent to Parramatta Road and Sydney Olympic Park.

Employment Lands Development Program

The NSW Government in conjunction with the Department of Planning and Infrastructure produce this program's outputs, which outline the provision of employment lands throughout NSW, with particular emphasis placed on Greater Sydney and its subregions.

The report is generated in order to evaluate the following:

- Supply of employment lands
- Demand of employment lands
- Jobs in employment lands

MacroPlan Dimasi has utilised information provided in this report in order to understand the employment land context of the South West subregion and comparatives of the North West subregion. Later, in our analysis of employment land capacity, we quantify employment land capacity for western Sydney and each of the designated growth centres (west central, north-west and south-west regions) from the ELDP.

SEPP Western Sydney Employment Area

In 2008, the NSW state government finalised and published the SEPP Western Sydney Employment Area. The purpose of the SEPP was to increase and identify potential future employment land capacity for western Sydney. The SEPP identified and rezoned an additional 826 ha of new employment land in the region.

The majority of rezoning had been concentrated around the M4 and M7 road infrastructure.

The Western Sydney Employment Lands is comprised of ten precincts including:

- Erskine Park Employment Lands (existing)
- Eastern Creek (existing)
- Former Wonderland site (existing)
- Quarantine Station (existing)
- Huntingwood West (existing)
- 'Raceway' precinct (existing)
- Huntingwood (existing)
- Greystanes Northern & Southern Employment Lands (existing)
- South of Warragamba Pipeline i.e. Sydney's Water Pipeline (newly zoned)
- Ropes Crossing (newly zoned)

Further investigation lands have also been identified south of Erskine Park.

S.117 Planning Direction - 1.1 Business and Industrial Zones

This direction applies to all planning authorities when considering the rezoning of employment land. Its objectives are to:

- encourage employment growth in suitable locations,
- protect employment land in business and industrial zones, and
- support the viability of identified strategic centres.

Further consideration of the strategic relevance of the subject site is provided in subsequent chapters of this report. Suffice to say at this stage, however, that the subject land, due to its relative isolation and small size, has not been identified as strategically important, nor will its preservation encourage or protect employment growth. The S.117 Direction therefore should not prohibit the consideration of the planning proposal on its own merits.

Having identified the policy and strategic context in which the continued use of the subject site must be considered, the following chapters of this report have regard for Sydney's broader industrial trends and their implications for continued industrial activity at 2 Factory Street.

We return, in later sections, to assess the site's utility against the NSW Checklist for rezoning existing industrial land, as required under Objective 13 of the Draft Metropolitan Strategy 2031.

Section 3: Industrial Market Prospects & Trends

This section of the report has regard for Sydney's broader industrial trends and their implications for continued industrial activity at 2 Factory Street.

Broad Development Trends

Over the last decade, industrial businesses have relocated to outer western Sydney. Rising rents in established industrial regions and greenfield residential development (and hence population growth) have motivated this geographic transition by industrial businesses.

Significant investment in road and freight infrastructure has facilitated this movement. Industrial development has been most pronounced at the intersection of the M4 and M7. Direct connection to the M4 supports movements of containerised trade. Accordingly, businesses that operate in the logistics, warehouse and distribution industry have relocated to this area. More recently, the industrial development fronts at the M5 and M7 intersection has gathered momentum, where more affordable industrial land is available.

In total, approximately 711,300m² of new industrial space was commenced over the four years to 2011/12. Industrial building activity has been most pronounced in Eastern Creek, with approximately 329,000m² of industrial space commenced over the same period. Prestons (117,000m²) and Erskine Park (95,000m²) represent the next most popular destination.

The scale of new development across the West Central and Northwest Subregion has been huge by comparison with the redevelopment potential of the subject site. **This comparison underlines the miniscule impact of the subject site on the supply of industrial space, relative to the recent trends in demand.** The pattern and extent of new industrial development across western Sydney is depicted in the following table.

Figure 3. Industrial Building Commencements (2008/09 - 2011/12 cumulative)

Suburb	LGA	Net additions (m ²)
Eastern Creek	Blacktown	328,900
Prestons	Liverpool	116,900
Erskine Park	Penrith	92,100
Wetherill Park	Fairfield	36,500
Smithfield	Fairfield	21,900
Greystanes	Holroyd	18,400
Bankstown	Bankstown	17,900
Narellan	Camden	16,900
Castle Hill	The Hills Shire	16,200
Glendenning	Blacktown	12,300
Prospect	Blacktown	8,500
St Marys	Penrith	7,200
Ingleburn	Campbelltown	4,800
Moorebank	Liverpool	4,000
Milperra	Bankstown	2,500
Minto	Campbelltown	2,500
Penrith	Penrith	2,300
Hoxton Park	Liverpool	1,500
Total		711,300

Source: Cordell Connect, ABS custom data, MacroPlan Dimasi

Industrial Land Values

A key factor for businesses opting for a less centralised location is the trade-off between travel time and property values. The table below clearly denotes this trade-off, identifying the comparative rents and land values of all regions. The Central West subregion has higher land values than the Outer West, but the rentals are only marginally higher.

This market evidence shows why new development is gravitating towards the outer west regions of Eastern Creek and Erskine Park. **The yields on new projects (rentals relative to land cost) are substantially higher in the outer west. In these regions, rents and land values are most supportive of industrial development.**

Figure 4. Industrial Face Rents and Land Values by Region, 2012

Region	Grade	Avg. Net face rents (\$/m ²)		Average Land Value (\$/m ²)	
		Low	High	Low	High
North	Prime	160	185	400	900
	Secondary	110	150		
North West	Prime	110	115	240	350
	Secondary	90	105		
South	Prime	130	160	600	1200
	Secondary	100	120		
South West	Prime	95	110	150	350
	Secondary	70	80		
Inner West	Prime	115	135	300	500
	Secondary	95	115		
Central West	Prime	105	115	250	350
	Secondary	85	100		
Outer West	Prime	100	110	175	250
	Secondary	75	90		

Source: Colliers International

Industrial Land Capacity

In 2011, the north-west region had 580 undeveloped zoned lots sized at or below 1 hectare. These lots represent the competition for a redevelopment project at the subject site. **Consequently, there is a huge supply of small sized lots across the north-west region which can compensate for rezoning of the subject site.**

MacroPlan Dimasi has identified approximately 3,175 hectares of undeveloped zoned employment land in Sydney's growth centres. The majority of employment land capacity is situated in the north-west region, which at current take-up rates, represents about 22 year's worth of land supply. Approximately 14 year's worth of capacity has been identified in the south west region.

Figure 5. Industrial Land Indicators – Undeveloped Industrial Land

	North West	South West
Current Provision (ha)		
Zoned	1,958	521
Zoned & Serviced	500	196
Unzoned	1,600	2,700
Historical Take-up (ha per annum)		
2008	107	38
2009	116	71
2010	95	62
Average	106	57
MacroPlan Dimasi Projections (ha per annum)		
2012-2015	65	65

Source: ELDP (2010 Report & 2011 Update), MacroPlan Dimasi

Blacktown and Penrith LGAs account for the majority of employment land capacity in the north-west region. Collectively, a total of 1,800 hectares of undeveloped zoned employment land has been identified in these LGAs. In the south west region, employment land capacity is evenly spread across three LGAs, with Camden, Liverpool and Campbelltown LGAs all comprising of between 129 and 155 hectares of undeveloped zoned employment land capacity.

By number, the majority of employment land lots are small in size i.e. less than 1 hectare. A lack of suitably sized lots can potentially stymie development activity. However, there are approximately 60 lots greater than 5 hectares in the north-west (of which, 35 are greater than 10 hectares) and over 200 lots sized between 1-5 hectares across both regions, which should cater for larger industrial style development formats over the immediate future.

The majority of lots available for development are relatively small. Approximately 78% of all lots in Sydney are smaller than one hectare in size.

In total, 750 undeveloped zoned employment lots have been identified in the north-west region, accounting for one-third of Sydney's capacity. Similar to Sydney, approximately 77% of all available lots in the north-west are smaller than one hectare in size.

Figure 6. Undeveloped Zoned Employment Lands by Lot Size, 2011

Lot Sizes	North West				South West			
	Lots		Area		Lots		Area	
	No.	%	ha	%	No.	%	ha	%
<0.1ha	171	23%	8.1	0%	42	10%	1.6	0%
0.1-0.5ha	309	41%	71.8	4%	206	49%	54.5	9%
0.5-1ha	100	13%	72.8	4%	51	12%	35.5	6%
1-5ha	111	15%	244.0	12%	100	24%	231.4	40%
5-10ha	24	3%	163.0	8%	11	3%	72	12%
>10ha	35	5%	1,394.1	71%	9	2%	185.8	32%
Total	750	100%	1,953.8	100%	419	100%	581	100%

Source: ELDP, MacroPlan Dimasi

Major Industrial Projects and Built Form Trends

MacroPlan Dimasi has identified major industrial projects (greater than 6,000m²) that have commenced since 2008/09. A list of major projects is provided below.

The bulk of the largest identified projects comprised of distribution, logistics and warehouse type development (with accompanying office offer). These buildings were typically developed for one occupier, with the majority of space utilised for warehousing functions (e.g. storage, loading docks, cool rooms, etc). Some ancillary/mezzanine office space had also been developed. Critical mass is apparent within this industry.

Data centres represented the next most popular land use type for new industrial premises (4 identified projects in total), followed closely by self-storage (2 projects).

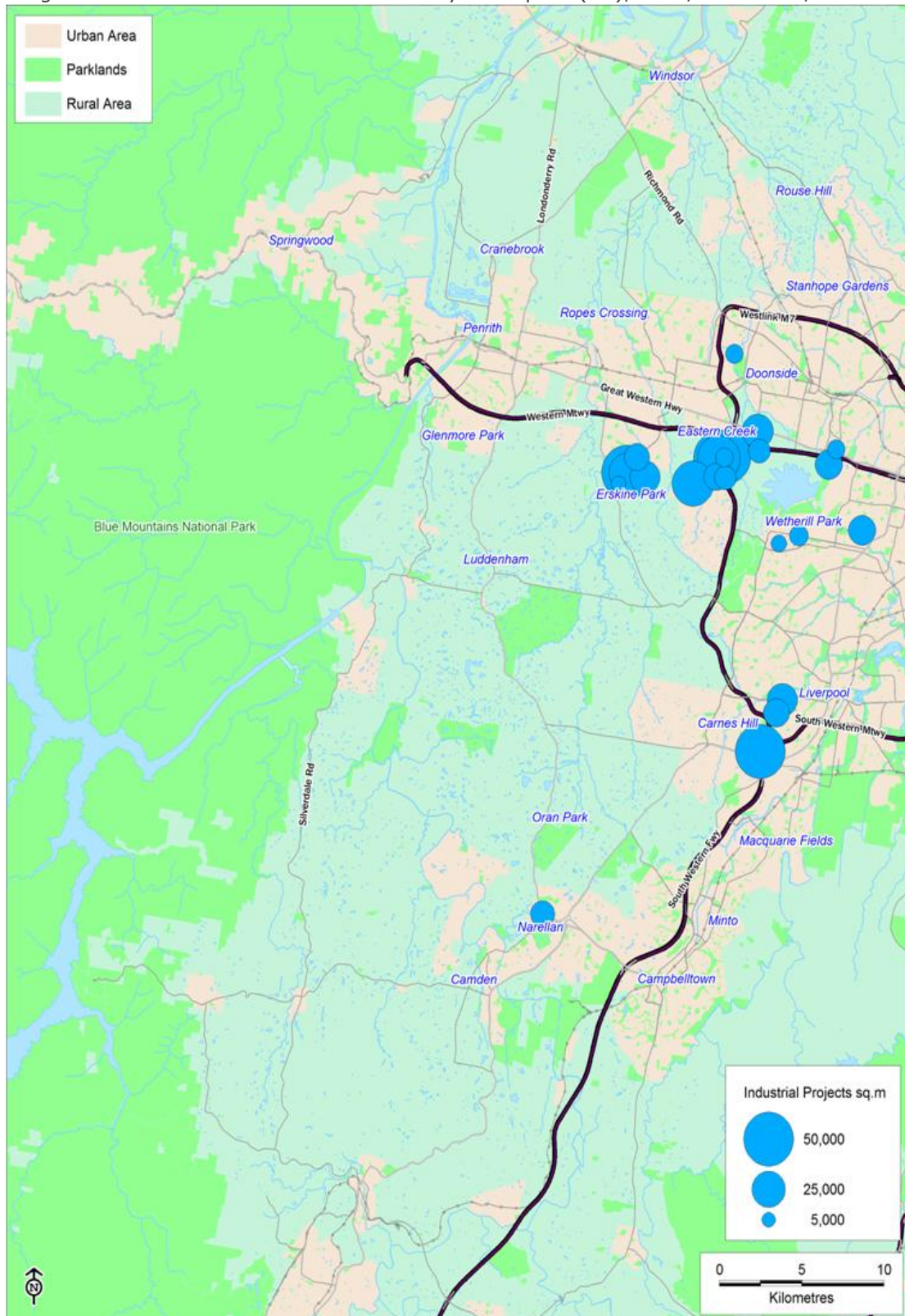
Figure 7. Major Industrial Projects, Commenced (2008/09 to 2011/12)

Project	Address	Suburb
Interchange Park Warehouse D1	11 Interchange Dr	Eastern Creek
Aldi Distribution Centre	41-43 Ash Rd	Prestons
Kmart warehouse and distribution centre	2 Wonderland Dr	Eastern Creek
Templar Rd Industrial Development	116 Erskine Park Rd	Erskine Park
Ingram Micro Distribution Centre	22 & 24 Wonderland Dr	Eastern Creek
Best & Less Logistics Centre	122 Old Wallgrove Rd	Eastern Creek
Westpark Industrial Estate	116 Erskine Park Rd	Erskine Park
Bagtrans Warehouse	Brabham Dr	Eastern Creek
Nexus Industry Park	15 Lyne Pde	Prestons
DHL Distribution Facility	147-297 Lenore Dr	Erskine Park
Greystanes Data Centre (Fujitsu)	Reconciliation Dr	Greystanes
Britton Street Warehouse	45 Britton St	Smithfield
Swire Cold Facility	59 Jedda Rd	Prestons
Erskine Business Park	1-21 Grady Cr	Erskine Park
Hewlett Packard Data Storage Facility	554 Capicure Dr	Eastern Creek
Bunnings Warehouse	1 Porrende St	Narellan
Woolworths Data Centre	22-24 Peter Brock Dr	Eastern Creek
Clay Place Industrial Development	10 Clay Pl	Eastern Creek
Southern Steel Logistics Centre	Nancy Ellis Leebold Drive	Bankstown
ABC Tissue Products Warehouse	412-424 Victoria St	Wetherill Park
Kennards Self Storage	15-17 Rowood Rd	Prospect
AHG Automotive Precinct	2A Victoria Av cnr Windsor Rd	Castle Hill
Power Street Industrial Development	170 Power St	Glendenning
Beach Street Industrial Development	2 Beach St	Eastern Creek
Hills Self Storage	50 Carrington Rd	Castle Hill
Newton Rd Industrial Development	59 Newton Rd	Wetherill Park
Quarry Rd Industrial Development	50 Quarry Rd	Erskine Park

Source: Cordell Connect, MacroPlan Dimasi

The predominance of the freight and logistics sector in western Sydney is also reflected in industrial building approvals data.

Figure 8. Industrial Commencements by Floorspace (m²), 2008/09 to 2011/12



Source: Cordell Connect, ABS Custom Data, MacroPlan Dimasi

In all sub-regions, warehouses represented the most popular industrial built form option. In value terms, approximately 84% of all industrial approvals in the south west were accounted for by warehouses. Although less in proportion, warehouses accounted for the majority of industrial development in the north-west.

This record of industrial building activity ties with observed sectoral trends.

Clearly, the dominance of warehouse typologies reflects the import/export dominance of industrial demand in western Sydney. In addition, a lesser share of factory development reconciles with the relocation of domestic manufacturing activity to offshore locations.

Figure 9. Sydney Industrial Approvals by Type (2009/10)

Subregion	Industrial Built-form Approvals			Total
	Factories	Warehouse	Other	
South West	13%	84%	3%	100%
North West	28%	68%	4%	100%
West Central	17%	74%	10%	100%

Source: ABS, MacroPlan Dimasi

Our examination of industrial development trends has demonstrated that Sydney's need for well located and accessible freight and logistics hubs and the rising cost of business in established parts of the city has coincided with the State Government's infrastructure investment in Sydney's outer growth areas. The culmination of these forces is a push-pull effect on existing and new development options as a choice for business investment.

This effect is reflected in a growing demand for a change in approach to zoning industrial land that is no longer fit for purpose, is financially unviable and which cannot compete with the attractiveness of large, well service employment precincts in Greater Western Sydney.

These market forces are reflected in an increase in the number of rezoning applications for traditional industrial land and vacancy rates of such land in Parramatta and other Local Government Areas where there is an emphasis on

strengthening high technology, service and knowledge jobs in higher density sectors and precincts.

Ironically, growth in key service sector employment locations is supported and underpinned by the same policy direction which seeks to protect redundant employment lands. Clearly, the protection of all lands is unnecessary, especially where alternate and more favourable investment locations exist and the stock of available development land is significant.

Industrial Market Prospects

"Our economy will continue to shift away from manufacturing to a stronger finance and services focus".

(NSW Government - Metropolitan Strategy for Sydney 2031)

The growing attraction to investors for new industrial development along the Sydney Orbital Road System and in designated growth centres is a significant regional industrial development trend.

Characteristics of this trend include:

- The north-west has been the dominant frontier for industrial development in western Sydney.
- Over the three years to 2009/10, take-up of industrial space in Sydney averaged 163 hectares per annum, primarily concentrated in the north-west region, representing 111 hectares.
- Eastern Creek is the current epicentre for industrial development in western Sydney. Development at the M4/M7 intersection is favoured.
- These locations deliver benefits from access to transport, a relative price advantage, large consolidated lots and access to road infrastructure.
- Warehouses represented the most popular industrial built form option.

The trend of metropolitan migration of industrial land use towards outer western Sydney is driven by numerous factors indicative of the diminishing future viability of constrained older style industrial land in higher value urban areas across many local government areas in Sydney. **The subject site is a clear reflection of these trends.**

Key attributes of the outlook for industrial land demand include:

- There are approximately 3,175 hectares of undeveloped zoned employment land in Sydney's growth centres.
- At current take-up rates, the north-west region has about 22 year's worth of land capacity compared to 14 years of capacity in the south-west.
- Locations with access to the M7 will continue to be prioritised for industrial development.
- The Moorebank IMT will provide an efficient solution for improved movement of container freight between Port Botany and south-west Sydney. It will reduce congestion along the M4, which will enhance the prospects for residential development in Parramatta.
- Over an extended period, there will be an outright decrease in road freight from Port Botany along the M4. The current demand for industrial property along the M4 (east of the M7 intersection) will be diluted by the Moorebank IMT. **This outcome will further reduce the redevelopment potential of the subject site for industrial purposes.**

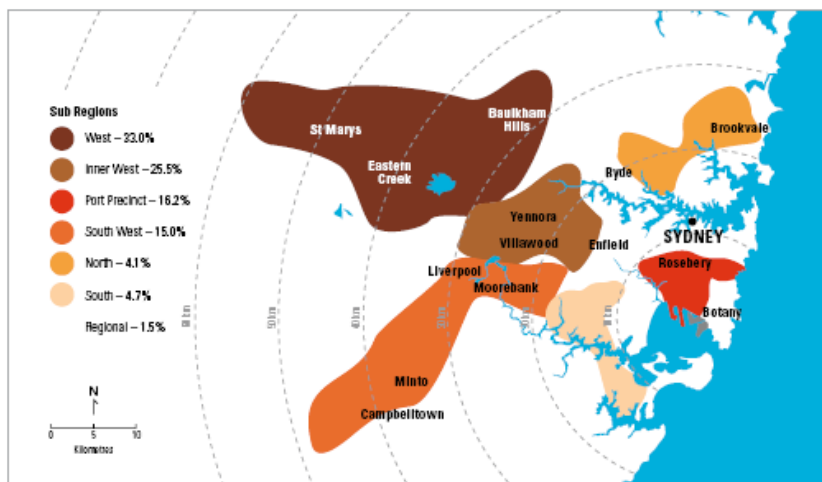
The recent success of the M7 as a magnet for industrial development is striking. It provides clear evidence as to the impact of new infrastructure investment on the patterns of demand for industrial space. The primary problem of road congestion remains, however, because container movements from Port Botany along the M4 and M5 continue to be the dominant method for distributing imports and arranging exports.

Infrastructure Investment

Over the past decade, road transport has come to dominate the movement of freight from Port Botany. As a proportion of Port Botany freight, 90% is currently moved by road. In 2011, the estimated movement of goods on Sydney's rail freight network was 225,000 TEUs. The destinations for rail freight from Port Botany are primarily to Chullora, Yennora and Minto. There was a large facility at Camellia, but this was closed in 2010.

In the absence of terminal capacity on Sydney's rail network, road freight currently dominates movements from Port Botany. Movements predominantly occur along the M5 and the Parramatta Road/M4 axis.

Figure 10. Sydney Metro - Import Destinations



Source: Sydney Ports Corporation

The distribution of access points in western Sydney is skewed to the north. The M4 has greater road capacity than the M5, which provides an attraction for incoming road freight, and for subsequent transport to distribution networks. On this score, the M4 has provided a clear advantage for warehouses & industrial facilities. Although the larger IMTs (Chullora and Yennora) are accessible to both the M4 and the M5, it is clear that, over the past decade, new warehouse and industrial development has centred close to the M4 – new precincts have occurred at Greystanes, Eastern Creek, Minchinbury and Erskine Park.

Construction of the M7 has accentuated the location attraction of the M4. The M7 is very efficient as a means of distribution out of major warehouses to retail centres across Sydney. Development has concentrated around the intersection of the M4 and the M7. More recently, it has also supported industrial development at the intersection of the M5 & M7 (i.e. at Prestons and Hoxton Park).

The success of the M7 has constrained demand for industrial space to the south-west of the M5 & M7 intersection. This competition has overlapped with weak residential building in the south-west growth centre, which has limited the impetus for light industrial development to service the local households & industry.

Planned and potential transport infrastructure investment can increase capacity at existing employment precincts and will be a catalyst for the development of new industrial hubs.

MacroPlan Dimasi has examined potential major and minor transport infrastructure projects that could impact the demand for industrial space in western Sydney. Potential projects and their prospect timings have been generated considering the NSW Long Term Transport Master Plan (2012) and Infrastructure NSW's 20-Year Infrastructure Strategy (2012).

Figure 11. Potential Transport Infrastructure Projects and Timing

Project	Completion (approx.)	Status
Regional		
M7 WestLink	0-5 years	Completed
Enfield IMT	0-5 years	Commenced
M5 (Hume Highway) upgrade	0-5 years	Approaching Completion
M2	0-5 years	Commenced
North West Rail	5-10 years	Land Acquisition
South West Rail	5-10 years	Commenced
Moorebank IMT	5-10 years	Concept/ Exhibition
WestConnex (M4 & M5 extension)	5-10 years	Concept/ Exhibition
Dombarton Rail	10+ years	Deferred
M9	10+ years	Concept/ Exhibition
Local		
Greystanes to Wetherill Park	0-5 years	Approaching Completion
Erskine Park Link Rd	0-5 years	Approaching Completion
Northern Rd upgrade	0-5 years	Concept/ Exhibition
Oran Park Rd duplication	0-5 years	Commenced
Bingelley Rd upgrade	5-10 years	Concept/ Exhibition

Source: Infrastructure NSW, Department of Transport, MacroPlan Dimasi

Unlike a number of other Australian cities, Sydney is predominantly an importer of containerised freight. A wide range of commodities are imported into NSW via Port Botany, including manufactured products, machinery and transport equipment, chemicals, paper products and food and beverages. Construction of the proposed Moorebank IMT in particular is expected to significantly improve the efficiency of freight distribution throughout Greater Sydney.

The Sydney container freight market is almost entirely dependent on Port Botany which is a major container port. Sydney's need for additional IMT capacity is being driven by strong growth in freight volumes – Port Botany has experienced around 7% p.a. growth in freight volumes over the five years to 2011. Almost all of this growth has been enabled through road freight.

The port is currently subject to a cap on throughput of 3.2 million TEU p.a. which, at current rates of growth, is expected to be reached between 2016/17 and 2020/21. The cap is imposed through a planning restriction which is correlated to the actual approximate capacity of the existing Port Botany infrastructure.

The use of rail freight is currently a small proportion of import and export through Port Botany. Current capacity of intermodal facilities is 225,000 TEUs. The closure of the Camellia IMT in 2010 substantially reduced capacity across the Sydney network. The major facilities currently in operation are the Yennora, Chullora and Minto IMTs.

New capacity is under construction, through the Enfield Intermodal Logistics Centre. Hutchinson Port Holding has been appointed to develop, operate and maintain the IMT at Enfield. Enfield is planned to have a maximum capacity of 300,000 TEU p.a. It is anticipated that the Enfield IMT will commence operations in 2013.

The Moorebank IMT site layout has a sustainable practical capacity of approximately 1.2 million TEU p.a. for the IMEX facility, and 0.5 million TEU p.a. for the interstate terminal.

Figure 12. Moorebank IMT plan

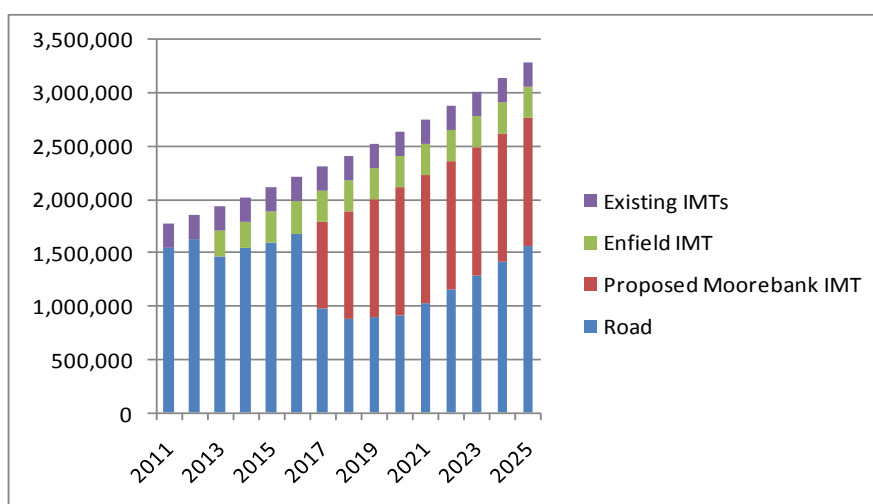
January 2013:	GBE established
July 2013:	Procurement process for port shuttle terminal operator begins
December 2014:	Defence vacates IMT site
January 2015:	Port shuttle construction begins
Mid 2017:	Port shuttle operations begin
July 2027:	Interstate construction begins
January 2029:	Interstate operations begin

Source: NSW Infrastructure

The subject site is distant from the Moorebank IMT and the M7. Once the Moorebank IMT is complete and operational, road freight movements along the M4 will become less frequent. This outcome means that locations on the eastern part of the M4 will become much less valuable for industrial redevelopment.

This outlook is reflected in the chart below. The scope of freight movement along the road network is set to drop sharply as the Moorebank IMT begins operation. Based on the projections shown below, the volume of road freight would not recover to current levels until beyond 2025.

Figure 13. Projected TEU Movements from Port Botany



Source: Sydney Ports Corporation

This outcome will greatly reduce freight traffic along key arterial roads, particularly the M4 and the M5. **A by-product of this modal shift is that access to the M4 will no longer deliver a premium value for many industrial businesses, as road freight movements will be predominantly sourced from the M5/M7 intersection.**

In the short term, road freight will continue as the main mode for distribution and logistics of containerised goods. This will continue to support demand for warehouse space and distribution facilities at Prestons, Erskine Park and Eastern Creek i.e. at locations within proximity to the M4/M7 and M5/M7 Sydney Orbital intersections.

From 2017, the Moorebank IMT will become the dominant driver for warehouse and logistics trade. Consequently, the centre of gravity for industrial development will move away from the M4, along the M7 and towards the south-west intersection of the M7 and M5.

Price competition from Marsden Park will also occur, limiting land value growth along the M7. Overall, the profile for industrial space will be similar to that exhibited over the last five year period.

Market demand will remain focused on light industrial offerings at the two major intersections of the Sydney Orbital Network.

Section 4: Subject Site - Strategic Assessment

This section of the report focuses on our examination of the suitability of the subject site to continued industrial use, using the policy framework of the draft Metropolitan Strategy as a base for this assessment.

Checklist for Rezoning Existing Industrial Land

A detailed assessment of the site has been undertaken and justified against the NSW Checklist for rezoning existing industrial land to other uses, as required under Objective 13 of the Draft Metropolitan Strategy for Sydney to 2031.

Our assessment demonstrates that the planning proposal will have no impact on the employment capacity of the region.

Checklist for rezoning of existing industrial land to other uses	Assessment	Justified redundancy of land for employment purposes?
Is the proposed rezoning consistent with State and/or council strategies on the future role of industrial lands?	The site is not considered of strategic importance in Council's Economic Development Strategy 2016, Current Draft Sub-Regional Strategy, the current Metropolitan Plan 2036 or the Draft Metropolitan Strategy to 2031. The site is isolated, relies upon access through residential streets and is disconnected to major arterial roads.	Yes
Is the site: - Near or within direct access to key economic infrastructure? - Contributing to a significant industry cluster?	The site is spatially separated and distant from key economic freight and logistics infrastructure and physically isolated by a number of constraints including a commuter rail line, Ducks Creek and adjoining residential lands. The Granville employment area is not considered a significant cluster in the local or regional context. It does not play a strategic role in the future productivity of key strategic locations in the LGA such as Parramatta CBD, the Parramatta Road Corridor, Westmead Health Specialised Precinct, Rydalmere	Yes

	Education Specialised Potential Precinct or other Specialised Precincts in the sub-region such as Sydney Olympic Park or Norwest. The current uses around the site do not represent a significant industry cluster – they include a call centre and postal depot, both of which are not, in themselves, substantially incompatible with adjacent and further planned residential development which is the predominant adjoining land use.	
How would the proposed rezoning impact the industrial land stocks in the subregion or region and the ability to meet future demand for industrial land activity?	This study demonstrates that there are sufficient industrial land stocks at a regional and metropolitan level to meet current and future demand and that the 'loss' of the subject site from the region's employment land stocks will have no material impact on its ability to meet future demand. The Parramatta Local Government Area has a substantial supply of industrial real estate in excess of 500 square metres, which as at the date of this report totals in the region of 231,588sqm.	Yes
How would the proposed rezoning impact on the achievement of the subregion/region and LGA employment capacity targets and employment objectives?	The site currently supports a nominal number of jobs (10 people). Redevelopment of the site will generate employment during the construction stage. It is anticipated that the rezoning will result in more full time equivalent jobs including strata management and grounds maintenance. In addition, there is potential for public or not-for-profit sector employment associated with the potential commuter car park or affordable housing component of the proposed site use. Notwithstanding, it is our view that the potential for replacement jobs is the wrong premise by which to assess the worthiness of retaining the subject site as industrially-zoned land. Considered more broadly, rezoning of the site will not materially impact the LGA's employment capacity. On a sub-regional basis, there are sufficient employment zoned and planned-to-be-zoned lands to accommodate and grow its job containment potential.	Yes
Is there a compelling argument that the	The future viability of this relatively small, isolated site for industrial purposes is not feasible due to current and	Yes

industrial land cannot be used for an industrial purpose now or in the foreseeable future and what opportunities may exist to redevelop the land to support new forms of industrial land uses such as high-tech or creative industries?	future macro and micro trends in industrial land development. The site is isolated and disconnected and does not form part of a strategic employment hub or precinct. The site's buildings are in need of replacement which is unlikely to occur given the strategic and locational demands of new businesses and the availability of better positioned industrial estates where new development can be accommodated.	
Is the site critical to meeting the need for land for an alternative purpose identified in other NSW government or endorsed council planning strategies?	The owner-initiated planning proposal will deliver residential development that is feasible, meets local demand and is perfectly positioned adjacent to a suburban rail station to provide a practical and affordable housing outcome. The proposal particularly addresses the intention to <i>deliver new housing to meet Sydney's growth (OBJECTIVE 5 of the current draft Metropolitan Strategy)</i>. It is acknowledged that Council considers it has enough residential zoned land to meet its housing target under the current Metropolitan Plan to 2036. Council does not, however, and cannot determine the viability of specific development sites. The subject site is of a suitable land size and configuration, is singularly owned and is well positioned adjacent to Clyde Station to suit its redevelopment for residential purposes. The rezoning will allow this development to occur within the short-to-medium term.	Yes

Source: Adapted from Criteria Table 1: Industrial Lands Strategic Assessment, Draft Metropolitan Strategy, Chapter 5 - Productivity

Site Specific Assessment

The principle intended outcome of the planning proposal is to deliver 179 one-three bedroom residential apartments with on-site resident and visitor parking in response to current market demand.

The planning proposal provides an opportunity to integrate existing and proposed residential uses with Clyde Railway Station and to bring forward additional dedicated land, which could be utilised for a number of public benefits including commuter parking, community facilities or for affordable housing purposes.

Upon initial consideration of the rezoning request Council officers reported that:

"The Factory Street industrial lands and Clyde Railway Station are not currently regarded as strategically critical employment assets....

...The proposed rezoning of land would not represent a significant loss of employment lands (10,700sqm)...

...It is considered that the proposed loss of employment land is unlikely to cause a significant negative impact on the Parramatta economy, and that the proposed rezoning may be suitable given the characteristics of the locality...

...The industrial uses on the land are reaching, or have reached the end of their economic life. The site is well located in proximity of the Granville Town Centre and would rejuvenate the locality. The loss of employment land can be justified."

Specifically, the suitability of the site at 2 Factory Street for ongoing industrial use is particularly limited due to an accumulation of factors including:

- Its older, degraded industrial building stock
- The financial risks associated with investment in industrial re-development
- Unsuitability of the site for industrial and manufacturing operations due to its relatively small scale and isolated location
- Limited access to freight, logistics and distribution
- Distance and convoluted routes to key road infrastructure
- Physical constraints, which limit expansion or consolidation of lots, including natural waterways and passenger rail infrastructure
- Incompatibility with surrounding residential land uses

The site is not well suited to future industrial uses and therefore should be considered for a more appropriate highest and best land use. Its use for alternate purposes will not compromise the function of strategically important employment precincts at Westmead, Rydalmere, Camellia or the Parramatta CBD, which will continue to attract and generate both traditional and new “knowledge jobs”.

Potential Redevelopment of the Clyde Marshalling Yards

The Clyde railyards represent a large area of industrial zoned land. The Clyde Marshalling Yards is bounded by Parramatta Road to the north, Duck River to the west, Rawson Street to the east and Manchester Road to the south and is split into two sections by the Main West Line rail corridor, which runs east-west through the precinct.

Figure 14. Clyde Marshalling Yards



Source: MacroPlan Dimasi

The RailCorp owned area of the Clyde Marshalling Yards is used as a rail based maintenance facility, with a variety of functions associated with the servicing of existing rail related rolling stock. This land is being used for the construction of the Auburn Stabling Project (ASP).

Land to the west of the ASP is currently used for industrial and commercial purposes. These businesses are accessed via Manchester Road to the south of the site.

The private road, owned by RailCorp, functions as an industrial access road to RailCorp's maintenance facilities within the Clyde Marshalling Yards. The road connects to Manchester Road and Chisholm Road at its eastern end and Clyde Marshalling Yards at its northern end. This road has a sealed carriageway comprising two wide travel lanes, one in each direction. The private road has low traffic volumes and is able to accommodate heavy vehicle traffic. This route is currently being used by heavy vehicles and employee traffic accessing sites within the Clyde Marshalling Yards.

There are sizeable private industrial buildings located to the south-west of the marshalling yards area. These buildings are located on a combined land area of approximately 3 hectares. Moreover, the current heavy vehicle movements from the rail yards mean that the private industrial businesses would be consistent with the current patterns of traffic movement.

These sites would be highly suitable for future redevelopment as industrial operations, as they are contiguous and have limited direct facing onto residential areas.

This does not mean however that the adjacent Factory Street offer is able or likely to be redeveloped in conjunction with any redevelopment of the marshalling yards.

Factory Street is physically separated from the yards by Duck Creek, is accessed solely via residential streets and is adjacent to further planned high density residential development at Granville. Factory Street presents as a small, fragmented and disconnected offering that is no longer suited to industrial development. Its dominant land uses include the Tabcorp call centre and the Australia Post International Mail centre, both of which are not substantially incompatible with the predominant residential nature of the precinct, and which may also choose to relocate in the future.

Other Matters

In addition to the site's obvious unsuitability as industrial land per se, we note two further factors that ought to be considered in determining the preferred long term use of the land:

- **The site's interface with land zoned for high density residential redevelopment** – 2 Factory Street sits adjacent to land that has recently been zoned for higher density residential development. We surmise that the presence of industrial development will act to deter substantial redevelopment in this part of Granville.

Council is correct in identifying the adjoining land's appropriateness for high density residential development, particularly given its proximity to both Granville and Clyde rail stations, however, the same zoning should be extended to the subject site so as to encourage the conversion of low density housing to a higher or more fitting use. The presence of neighbouring industrial land will reduce the value of zoned residential land, making its redevelopment unlikely.

- **The Carter Street Urban Activation Precinct** – located adjacent to Parramatta Road and Sydney Olympic Park but not dissimilar to Factory Street in terms of its relatively small scale. In some ways, however, Carter Street presents as a superior industrial offering to Factory Street in that it is not accessed via residential streets, is not too distant from the M4 and Homebush Bay Drive and is located further away from rail stations than Factory Street is to Clyde Station. Our argument is that Factory Street could and should be identified as a likely Urban Activation Precinct. This would be consistent with Government policy to rejuvenate areas around Granville for residential and mixed use development. The proximity of Clyde Station in particular is a cause to rethink the potential of this precinct.

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