

BACKGROUND SUBMISSION
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PLANNING PROPOSAL
for
OFFICE DEVELOPMENT
108 SILVERWATER ROAD, SILVERWATER

Prepared For:
PRECISE PLANNING

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TABLE of CONTENTS

		Page
	DISCLAIMER	
1	INTRODUCTION	1
	1.1 Background	1
	1.2 Purpose of Report	1
2	PROPERTY DESCRIPTION	2
	2.1 Existing Development	2
	2.2 Existing Usage	3
3	PLANNING CONTEXT	5
	3.1 Nature of Silverwater Area	4
	3.2 Future Floorspace Demand	5
	3.3 Metropolitan Planning	6
	3.4 Conclusions	8
4	IMPACT on OFFICE MARKETS	9
	4.1 Introduction	9
	4.2 Parramatta CBD	9
	4.3 Sydney Olympic Park	10
	4.4 Other Office Markets	11
5	CONCLUSION	13

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EXECUTIVE SUMMARY

Introduction

This Report has been prepared by Leyshon Consulting Pty Ltd for Precise Planning. The Report relates to a Planning Proposal seeking to make office uses permissible with respect to an existing property at 108 Silverwater Road, Silverwater (the subject site).

Property Description

At present the subject site is zoned IN 1 General Industrial. It is occupied by an office/warehouse development which has a large component of office space comprising some 2,100m². The existing office space and associated warehouse space is used as a place of public worship but is substantially under-utilised at present.

The office space presents as a separate office building of three storeys and is serviced by lift.

Planning Context

Silverwater is a major industrial area. At the 2011 Census the major employment generators in Silverwater were manufacturing and warehousing industries. Together these provided nearly 50% of all jobs in Silverwater in 2011.

Research undertaken by consultants AEC for the former Auburn City Council projected manufacturing and warehousing activities would continue to decline in importance in the period to 2026.

The subject site specifically and Silverwater in general form part of the so-called Greater Parramatta Olympic Park economic corridor (GPOP). Substantial change is anticipated to occur within the GPOP corridor in the period to 2030. In particular, new industries and forms of employment are expected to emerge in the area.

Impact on Office Markets

The Planning Proposal, if approved, would not result in any impact on surrounding major office markets in Parramatta, Sydney Olympic Park or Rhodes. The Parramatta CBD office market in particular is currently experiencing boom conditions, very low vacancy rates and substantial rental growth.

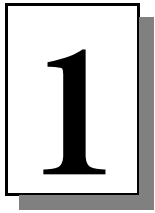
EXECUTIVE SUMMARY

Conclusion

All indicators point to the Silverwater area experiencing continuing structural change in its employment and industry profile for the foreseeable future.

Allowing office space users who do not also require associated warehouse space to occupy the existing building would mean 108 Silverwater Road makes a greater contribution to employment in the Silverwater area. Assisting maintain Silverwater's role as an important employment area would be an ancillary benefit while also being consistent with the type of changes foreshadowed for the GPOP area.





INTRODUCTION

1.1 Background

This Report has been prepared by Leyshon Consulting Pty Ltd for Precise Planning. The Report relates to a Planning Proposal submitted to the City of Parramatta Council (Council) with respect to 108 Silverwater Road, Silverwater (hereafter the subject site). The subject site is currently zoned IN 1 General Industrial under Auburn Local Environmental Plan (LEP) 2010.

We understand the Planning Proposal concerns a proposed Schedule 1 Amendment to LEP 2010 to enable office premises to be a permissible use on the subject site. Hence it is proposed that the current zoning of the subject site will remain unchanged.

As discussed below, the site already contains a significant component of office space together with associated warehouse space. The objective of the Planning Proposal, is to enable the office space to be leased to organisations who do not want, or require, associated warehouse space on the same site.

1.2 Purpose of Report

The purpose of this Report is to review the potential implications for other major office centres in the region surrounding Silverwater of a decision to make office activities a permissible use on the subject site.

2

PROPERTY DESCRIPTION

2.1 Existing Development

The subject site is located at 108 Silverwater Road, Silverwater on the north-east corner of the intersection of Silverwater Road and Egerton Street. The site comprises some 4,490m² in total. We understand the existing building on the site was developed in the late 1980s and contains a combination of office space and associated warehouse space. The floor areas (as constructed) are as follows:

▶	office	...	2, 098.7m ²	(58.4%)
▶	warehouse	...	1,495.2m ²	(41.6%)
▶	total	...	3,593.9m ² .	

There is on-site parking provision for 66 vehicles.

The component of office floorspace (58.4%) is unusually high having regard to typical office/warehouse developments; generally these have an office space component comprising less than 40% of total floorspace.

The office floorspace on the subject site is provided over three levels with a central atrium and is serviced with a lift. The building is accessed off Egerton Street. To the casual observer it presents as a freestanding office building.

2.2 Existing Usage

We understand the existing development as a whole is being used as a place of public worship with the warehouse component having been mostly converted into an auditorium. The building owners conduct regular religious services in the auditorium accompanied by electronic music.

The office space is also partially used for administration by the building owners as well as for the storage of goods which are intended to be distributed to needy members of the general public.

We are advised that current employment on-site comprises two full-time workers and 12 part-time workers—that is, 14 workers at a maximum.

The resulting workplace ratio is just one employee per 299.5m². Clearly, the building is being dramatically under-utilised. Workplace ratios in modern office/warehouse complexes are usually in the order of 1:22m² for the office component and 1:90m² for the warehouse component. On this basis the subject site should be generating employment for approximately:

▶ office workers	...	96 workers
▶ warehouse workers	...	17 workers
▶ Total	...	113 workers.

In summary, we consider it is fair to conclude the existing building is not making an appropriate contribution to employment generation in the Silverwater area as was originally intended.

3

PLANNING CONTEXT

3.1 Nature of Silverwater Area

An insight into the nature and importance of Silverwater as an employment area can be obtained from a report prepared in 2015 for the (former) Auburn City Council by consultants AEC Group (*Auburn Employment Lands Strategy 2015* (AEC report)).

The AEC report examined in detail the nature of employment in the Auburn Local Government Area (LGA). It made projections of future employment growth and demand for employment floorspace and provided policy advice to the (former) Auburn City Council with respect to the development of employment lands.

Drawing on 2011 Census Journey-to-Work data, AEC identified there were some 10,420 workers employed in the Silverwater area in August 2011. According to AEC, Silverwater was by far the largest employment precinct in Auburn LGA at the time of preparing their report.

The dominant employment sectors in 2011 in Silverwater were as follows:

▶ Manufacturing	...	28.2%
▶ Wholesale trade	...	21.4%
▶ Retail trade	...	8.9%
▶ Construction	...	8.6%
▶ Transport, postal and warehousing	...	5.7%
▶ Professional scientific and technical services	...	5.6%
▶ Information media and telecommunications	...	5.0%.

Journey-to-Work data from the 2016 Census is not yet available. This data set would enable a comparison of the employment structure of the area in

2011 and 2016 compared which would reveal any significant changes during the intercensal period. Accordingly, we are unable to say whether the distribution of employment by industry group, as noted above, has altered substantially since 2011 or whether the overall employment level in Silverwater has changed (either positively or negatively) between 2011-16.

3.2 Future Floorspace Demand

As noted above, the AEC report provided projections of future job growth and demand for employment floorspace in the (former) Auburn LGA. These projections were for the time-frame 2011-31.

Based on the employment projections contained in their report, AEC identified additional demand for 877,500m² of gross floor area (GFA) in Auburn LGA between 2011-31. The major components of this demand by industry type were estimated to be as follows:

▶ construction	... + 205,000m ²
▶ education and training	... +190,700m ²
▶ health care and social assistance	... +131,000m ²
▶ retail trade	... +90,800m ²
▶ accommodation and food services	... +91,200m ²
▶ information media and telecommunications	... +90,200m ² .

AEC forecast a continuing significant contraction in manufacturing activity into the foreseeable future and estimated the manufacturing sector in Auburn LGA would experience negative demand of -142,000m² between 2011-31. Employment contraction in the wholesale trade sector was also forecast leading to a projected decline in the demand for warehouse-type floorspace of approximately -55,800m² between 2011-31. As noted above,

these two employment sectors accounted for almost half (49.6%) of all employment by sector in Silverwater in 2011.

In summary, the AEC report projected a declining level of demand for the type of floorspace (warehouse with associated office space) which the building on the subject site provides.

As discussed below, metropolitan and district planning strategies established for Silverwater and surrounding areas foreshadow the likely changing nature of employment and hence floorspace demand in Silverwater.

3.3 Metropolitan Planning

The metropolitan planning context as it applies to Silverwater has been set by the Greater Sydney Commission (GSC) in their 2017 publication *Metropolis of Three Cities Plan* (MTC Plan).

The MTC Plan promotes the overall development of the Sydney Metropolitan Area in terms of three distinct 'cities' which have been designated as:

- ▶ Eastern Harbour City
- ▶ Central River City
- ▶ Western Parkland City.

Silverwater forms part of the so-called Central River City which is envisaged to grow in population from 1.25 million residents in 2016 to 1.67 million by 2036.

Specifically, the MTC Plan identifies the development of an economic corridor running between Greater Parramatta and the Sydney Olympic Park area. This corridor is described as the “Greater Parramatta and Olympic Peninsula Economic Corridor” and abbreviated to GPOP in the MTC Plan.

In terms of realising the GPOP corridor the MTC Plan promotes the development of *“advanced technology and urban services in Camellia, Rydalmere, Silverwater and Auburn.”*

The MTC Plan also promotes the further development of Parramatta as a major administrative and financial centre, business services centre and a major location for judicial and educational jobs.

The GSC has also published a District Plan covering the Silverwater area—namely the *Central City District Plan (CCDP)*. The CCDP identifies Silverwater as a major location for industrial and so-called *“urban services”* land within the Plan area.

In relation to the future of industrial land within the GPOP corridor the CCDP notes:

“Industrial activity and urban services are important to Greater Sydney’s economy and the nature of this economic sector is continuing to change, with emerging technologies and new industries with different requirements. Industrial land is evolving from traditional industrial and manufacturing lands, and freight and logistics hubs, into complex employment lands. This trend is consistent with other parts of Greater Sydney, particularly east of Parramatta.”

The CCDP highlights the pressures for industrial and so-called “urban services” land to be converted to residential or retail uses. Within the CCDP area, the Plan identified this pressure as being particularly strong in certain localities forming part of the GPOP corridor—namely in areas such as Rydalmere, Camellia, Silverwater and Auburn.

In this context, we consider it is important to note the Planning Proposal (if approved) would not result in the introduction of any residential or new retail-type uses within Silverwater. Rather, the Proposal (if approved) simply would mean that existing office space on the subject site could be used more effectively and efficiently than it is at present.

3.4 Conclusions

It is clear that Silverwater’s traditional employment base will experience continuing structural change in the future. As noted above, the two sectors which have dominated the area’s employment historically—namely manufacturing and warehousing—appear almost certain to experience continuing job losses and thus demand for the type of floorspace these uses have traditionally occupied.

Relevant metropolitan planning documents envisage the future development of the GPOP corridor will likely lead to the introduction of new industries and hence a shift in the nature of demand for employment floorspace in Silverwater and associated areas.

In facing the above challenges, we consider a critical issue is that Silverwater maintain its status as a major employment area even if the nature of employment changes over time. The Planning Proposal is entirely consistent with achieving this goal as it seeks only to achieve an increase in the number of office jobs on the subject site in a building designed to accommodate office work.

4

IMPACT on OFFICE MARKETS

4.1 Introduction

A relevant concern for Council potentially flowing from approval of the Planning Proposal is the possible impact on surrounding major office centres. The two most proximate office markets in this regard are the Parramatta CBD and the Sydney Olympic Park precinct.

4.2 Parramatta CBD

According to the CCDC, the Parramatta CBD is already the fifth-largest office market in Greater Sydney after the Sydney CBD, Macquarie Park, the Sydney CBD fringe and North Sydney.

In 2017 the Parramatta CBD was reported to contain more than 707,000m² of office floorspace and was experiencing rapid growth in demand from major corporate and government agencies.

We understand Council has put forward a Planning Proposal to expand the CBD boundaries and amend land-use controls so as to create long-term employment opportunities supported by high density residential development. The objective of the Planning Proposal is to facilitate development which would see more than 27,000 new jobs and 7,500 new dwellings developed in an expanded CBD by 2036.

According to a recent report prepared by Knight Frank (*Parramatta Office Market Brief – March 2018*) the Parramatta office market is experiencing very strong demand conditions.

As of January, 2018 the average vacancy rate in the Parramatta CBD was 3.0%. This was a composite of a 0% vacancy rate in prime office buildings and 5.3% in so-called secondary office buildings. Knight Frank anticipates that the vacancy rate will trend downwards toward 2% as far as the centre as a whole is concerned over the next few years.

Knight Frank reported that approximately 100,000m² of new office space is currently under construction in the Parramatta CBD all of which has been pre-committed. Rental growth in the past 12 months meanwhile has been very significant with prime gross face rents rising by +8.5% year-on-year.

In the context of the scale and importance of the Parramatta CBD office market, the Planning Proposal to allow up to 2,100m² of space on the subject site to be used for office activities is completely inconsequential.

In summary, 2,100m² being used for office-based activities would represent a microscopic 0.3% of total office floorspace in the Parramatta CBD. As such the Proposal's approval would have no impact whatsoever on the future trajectory of the office market in the Parramatta CBD—either in terms of the supply of office space or the demand for additional office floorspace in Parramatta by major tenants.

4.3 Sydney Olympic Park

According to the CCDP, the Sydney Olympic Park precinct contained some 158,907m² of office floorspace in 2017.

A report prepared by Knight Frank in 2017 (*Sydney Olympic Park Office Market Brief – June 2017*) examined the supply of and demand for office space in the Sydney Olympic Park (SOP). Knight Frank reported SOP was, at that time, home to a range of major organisations including NRMA,

Commonwealth Bank of Australia (CBA), Thales Group, Samsung and Fujitsu and provided some 16,000 office-based jobs

Knight Frank reported the vacancy rate in SOP was just 2.7% in June 2017. The rate was anticipated to rise, however, following the planned vacation of space by the CBA in late 2017. Knight Frank concluded low vacancy rates in the Parramatta CBD and nearby Rhodes were likely to ensure the space vacated by the CBA would be re-leased quickly.

According to Knight Frank, in the year to January, 2017 SOP office floorspace rents rose by 4.6%.

In summary, the Planning Proposal to enable up to 2,100m² of space on the subject site to be used for office activities represents only 1.3% of SOP's existing office floorspace. Accordingly, we conclude the Proposal (if approved) will result in no impact whatsoever on the future trajectory of the SOP office market—either in terms of the supply of office space or the level of demand for it from major tenants.

4.4 Other Office Markets

The only other office market of significance in the region surrounding Silverwater is that on the Rhodes Peninsula. The Rhodes office market comprises some 162,000m² of space and has attracted major tenants including NAB, Australand, Citibank and Nestlé.

The demand for office space at Rhodes is underpinned by its location on the rail network and its co-location with a substantial supply of residential accommodation and a major shopping centre.

Much smaller components of office space are found in other nearby suburban centres such as Lidcombe, Auburn, Granville and North Strathfield. Each of these centres is serviced by rail-based public transport and are co-located with local retail facilities. These centres typically attract small-scale office users many of whom provide commercial services with a local or regional focus.

In our assessment the Planning Proposal with respect to the subject site at Silverwater, if approved, will not result in any significant level of competition for office floorspace markets in nearby suburban centres.

5

CONCLUSION

Based on the research undertaken and detailed on this Report, we conclude that approval of the subject Planning Proposal to enable some 2,100m² of existing office space on the subject site to be used by office-based organisations will not have any adverse implications for the continuing development and role of Silverwater as a major employment area.

It is clear that Silverwater, and other nearby employment areas within the defined GPOP corridor, will experience continuing structural change over the next one to two decades. Inevitably, this will alter the nature of employment in these areas.

The proposal to make office uses a permissible use on the subject site is consistent with the type of change envisaged for the GPOP corridor. Importantly, the Planning Proposal, if approved, would see the subject site retain its current Industrial zoning but enhance its capacity to be much better and more fully utilised for employment.

Lastly, given the scale of surrounding major office markets in Parramatta and at SOP, utilising 2,100m² of existing space on the subject site for office-based activities is insignificant. The Planning Proposal, if approved, will not result in any adverse impact on the future development prospects of these office markets.

