



STRATEGIC ECONOMIC ASSESSMENT

ASHFIELD TOWN CENTRE
PROJECT NO. 15708 | JUNE 2017



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This report has been prepared by:



02/06/2017

This report has been reviewed by:



02/06/2017

EXECUTIVE SUMMARY

This Strategic Economic Assessment has been undertaken to support a Planning Proposal for 2-6 Cavill Avenue, Ashfield. JBA has prepared this report on behalf of Barana Group. The proposed development seeks to revitalise the site through redevelopment of two (soon to be vacated) office buildings to provide a mixed use development capable of accommodating some 283 dwellings and approximately 1,100m² of non-residential GFA.

An assessment of the economic factors that influence the scale, type and location of employment growth indicates that Ashfield is unable to attract and retain significant employment. Results of our analysis show that Ashfield is a less desirable and competitive location relative to neighbouring centres, affecting its ability to sustain employment growth and attract new businesses. These findings are supported by:

- Key metropolitan and local strategic plans and employment policies that specify centres like Greater Parramatta and the Sydney CBD will accommodate the majority of future employment growth.
- The State Government's policy to relocate government departments and agencies to centres in western Sydney like Parramatta, Liverpool and Penrith.

- The government's delivery program for major infrastructure and urban renewal projects will concentrate employment growth in centres surrounding such as Parramatta and the Sydney CBD.
- Future employment growth forecasts, developed prior to the State Government's decision to relocate offices to Greater Parramatta, indicate that Ashfield is forecast to experience limited employment growth between 2016 and 2036.
- The current and forecast role and function of the centre indicates that Ashfield will continue to service the day to day needs of the local community.
- An assessment of the market potential for major commercial and retail developments¹ indicates that Ashfield lacks the amenity, critical mass and economic diversity to attract and retain major commercial and retail tenants.
- Future employment growth within Ashfield is anticipated to only result from an increase of population within the local area.

The proposed development will directly support local businesses, reinforce the retail core of Ashfield, help Council achieve its 2021 housing target, facilitate transit oriented development and promote the urban renewal of Ashfield.

¹ Ashfield Commercial and Retail Market Assessment, Colliers International, 2017



Source: Flickr Images, Ashfield Station

INTRODUCTION

This Strategic Economic Assessment has been undertaken to support a Planning Proposal for 2-6 Cavill Avenue, Ashfield. The proposed development seeks to revitalise the site through the redevelopment of two (soon to be vacated) office buildings to provide a mixed use development capable of accommodating some 283 dwellings and 1,100m² of non-residential GFA. The objective of this assessment is to assess and analyse the role and function of Ashfield in attracting and retaining economic activity and employment. Currently Ashfield services the day to day needs of the local and surrounding community. It is also an administrative centre for local and state governments and has experienced limited growth in office based employment.

Ashfield is anticipated to experience a decline in office based employment. Recent policy decisions by the NSW Government to support the economic growth and development of Parramatta have led to the relocation of many State Government departments and agencies to Parramatta. This is evident in the departure of the Department of Family and Community Services from the site.

Beyond the impact of State Government policy initiatives, the lack of office based employment in Ashfield reflects the centre's competitive disadvantages relative to

neighbouring centres, as a place to attract and retain office based employment.

The following report outlines the economic drivers and factors that are expected to impact on demand for office based employment in the future, including:

- a review of key strategic planning and employment policies that identify neighbouring centres as the primary focus of employment growth;
- a review of major infrastructure and urban renewal projects that are designed to encourage employment growth outside of Ashfield;
- an outline of the regional economic growth drivers that are expected to focus Ashfield's future development as a transit oriented community
- discussion of how the current economic composition of Ashfield, relative to neighbouring centres, reflects its role and function as a population serving local centre;
- a summary of current market conditions, including low market interest and demand for commercial floorspace in Ashfield; and
- an outline of how the proposed development will benefit the Ashfield Town Centre and is consistent with the centre's future role and function.



Source: Inner West Council, Feast of Flavours 2016

CURRENT SNAPSHOT

The site is located within Town Centre of Ashfield and is approximately 9km west of the Sydney CBD and 18km east of Parramatta CBD. On the site is two office buildings that are soon to be vacated by the Department of Family and Community Services as they relocate to Parramatta.

The site is within 400m of the Ashfield Railway Station which provides direct connections to neighbouring employment hubs and urban renewal areas. The site is currently zoned part R2 Low Density Residential and part B4 Mixed Use, with a maximum FSR of 2:1 and maximum building height of 23 metres.

The Ashfield Town Centre can generally be described as predominantly retail focused with a number C grade older commercial buildings. The largest economic activity generator in the centre is the Ashfield Mall and surrounding retail stores that service the daily needs of the local community.

Significantly, the majority of commercial office buildings scattered throughout the centre are tenanted by local and state government agencies, such as Council and the Department of Family and Community Services and NSW Land and Housing Corporation.

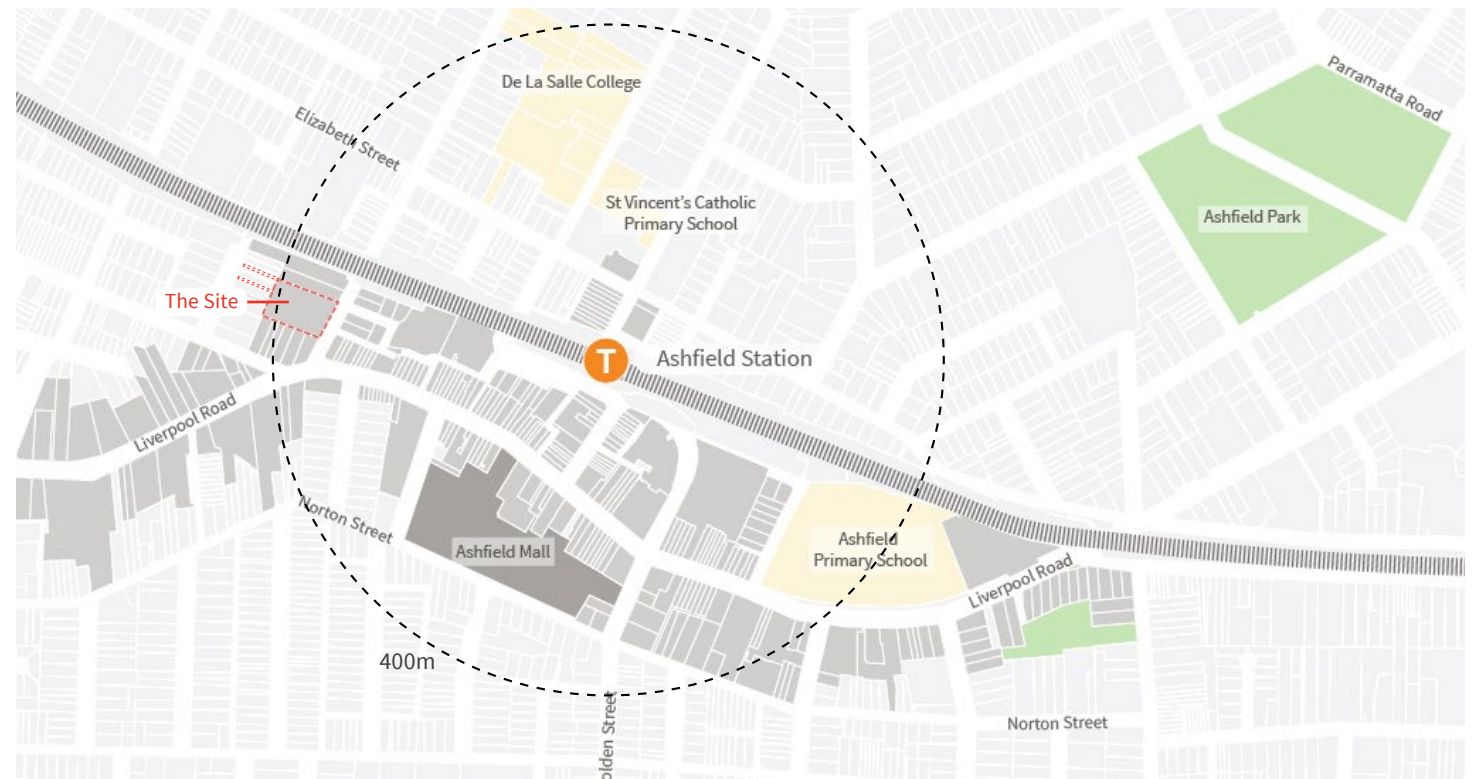
Surrounding the town centre is a mix of residential developments that vary from

detached dwellings, and small scale 'walk-up' flats and multistorey apartments.

Ashfield is currently undergoing a renewal from an ageing local centre, to an active mixed use area incorporating a mix of retail and residential land uses that service a more affluent and diverse community.

This transition is being supported by current development activity, recent approvals, and further planned development providing contemporary higher density mixed use development interspersed within and around the centre.

This urban renewal is stimulated by Ashfield's position in the transport network, access to local goods and services, the relocation of office based employment to neighbouring centres, and metropolitan strategic plans and economic policies.



Source: JBA

STRATEGIC PLANNING AND EMPLOYMENT POLICY FRAMEWORK

METROPOLITAN

State government planning policy influences the location and growth of employment across the metropolitan region. The desired future role and function of Ashfield is described in recent strategic planning policy, *the draft District Plans*.

The *draft Central District Plan* identifies Ashfield as a local centre, that will provide for the daily needs of the local and surrounding community. Further, future employment growth is focused in other Sydney centres and consistent with these policy objectives, the State government has an active program supporting the relocation of Government offices to key identified growth centres such as Parramatta, Liverpool and Penrith.



A Plan for Growing Sydney (2014)

- Population and employment growth to focus in strategic centres and urban renewal precincts such as Sydney CBD, Central to Eveleigh Corridor and Greater Parramatta to the Olympic Peninsula.
- Ashfield is not identified to play a role in supporting future employment growth.
- Identifies rail corridor between Sydney and Parramatta CBDs as an urban renewal corridor.



Draft South District Plan (2016)

- Proposed priorities and actions described in terms of:
 - A productive city
 - A liveable city
 - A sustainable city
- Ashfield is identified as a 'local centre' within the Draft Central District Plan and is to provide range of local jobs and services for local communities
- Highlights that Inner West Council is to concentrate future housing in areas with access to transport infrastructure.
- Employment growth focused in the Sydney CBD, Randwick, Sydney Airport and Rhodes.



NSW Long Term Transport Master Plan (2012)

- Identifies rail improvement, rail timetabling and M4 widening (WestConnex) as key improvements to the Parramatta to Sydney CBD Corridor.
- Identification of Parramatta Light Rail to support the growth and development of Greater Parramatta.

STRATEGIC PLANNING AND EMPLOYMENT POLICY FRAMEWORK

LOCAL

The local strategic planning and employment policy framework for Ashfield mirrors the State Government objectives. The *Ashfield Urban Planning Strategy 2010* actively encourages mixed use development that increases the demand for a “*Thriving Local Economy*”.

Further, the strategic intent of metropolitan and local strategic planning and employment policies is being reinforced by the delivery of several infrastructure projects and urban renewal initiatives intended to actively grow employment in centres surrounding Ashfield.



Ashfield Council Plan 2015-2019

- Ashfield Council Plan 2015-2019 identifies key priorities for a ‘Thriving Local Economy’, These include:
 - Creating thriving local economies that are sustainable over the long term
 - Developing strong partnerships between Council and local business as partners in promoting Ashfield
 - Creating main street economies that are vibrant and desirable locations for business, visitors and residents



Ashfield Urban Planning Strategy (2010)

- The Town Centre is also identified as having a strong commercial and business sector
- Recognises that there is an opportunity for new stand alone and mixed use developments that can take advantage of access to public transport and provide significant ‘flow on’ economic benefits to retailers and support services. A key action was to promote new retail and business opportunities as part of mixed use developments within the town centre.
- Aims to promote urban renewal in and around the Ashfield Town Centre, which will continue to be the focus for accommodating the majority of Ashfield’s future housing requirements into the future.
- Promote mixed use development with ground level active, non-residential uses.

URBAN RENEWAL AND INFRASTRUCTURE PROJECTS

As highlighted within the metropolitan and local strategic planning and employment policy framework, Ashfield is not intended to support significant office based employment growth. Growth in office based employment is to be concentrated in strategic and district centres across Greater Sydney.

To support this outcome the NSW Government has committed billions of dollars in infrastructure and urban renewal projects to increase the competitiveness of strategic and district centres to attract and retain employment growth.

These infrastructure projects will increase the accessibility and connectivity of centres like Parramatta and the Sydney CBD. Business will be attracted to these centres to leverage the benefits of access to a larger labour market to recruit from and potential customer base.

While businesses will be encouraged to establish outside of Ashfield, this centres position on the transport network provides it great accessibility to surrounding centres. This is a key locational driver for residents who are seeking a place of residence that offers them a '30-minute city' outcome.

The infrastructure and urban renewal projects illustrated on Figure 1 will consolidate the role and function of Ashfield and surrounding centres.

Within this context it is expected Ashfield will experience population growth above what is currently forecast for the area and continue to serve as a local centre.

1		Westconnex Start Date: 2015 Completion Date: expected 2024 Value: \$16.8b	
2		Parramatta Road Urban Transformation Strategy Start Date: 2016 Completion Date: expected 2023	Jobs: 50,000 (over 30 years) Dwellings: 27,000 (over 30 years)
3		Parramatta Light Rail Start Date: 2018 Completion Date: expected 2023	Value: \$1b input from NSW Government
4		Sydney Metro West Start Date: TBC Completion Date: TBC Value: TBC	
5		Sydney Metro City and South West Start Date: 2017 Completion Date: expected 2024 Value: \$11.5b to \$12.5b	
6		Central to Eveleigh Start Date: 2016 Completion Date: 30 year delivery plan Value: TBC	Jobs: TBC Dwellings: 6,400+
7		GPOP Start Date: 2016 Completion date: TBC Value: TBC	Jobs: TBC Dwellings: TBC
8		The Bays Precinct Start Date: 2016 Completion date: TBC Value: TBC	Jobs: TBC Dwellings: TBC
9		Sydenham to Bankstown Start Date: 2016 Completion date: TBC Value: TBC	Jobs: TBC Dwellings: TBC

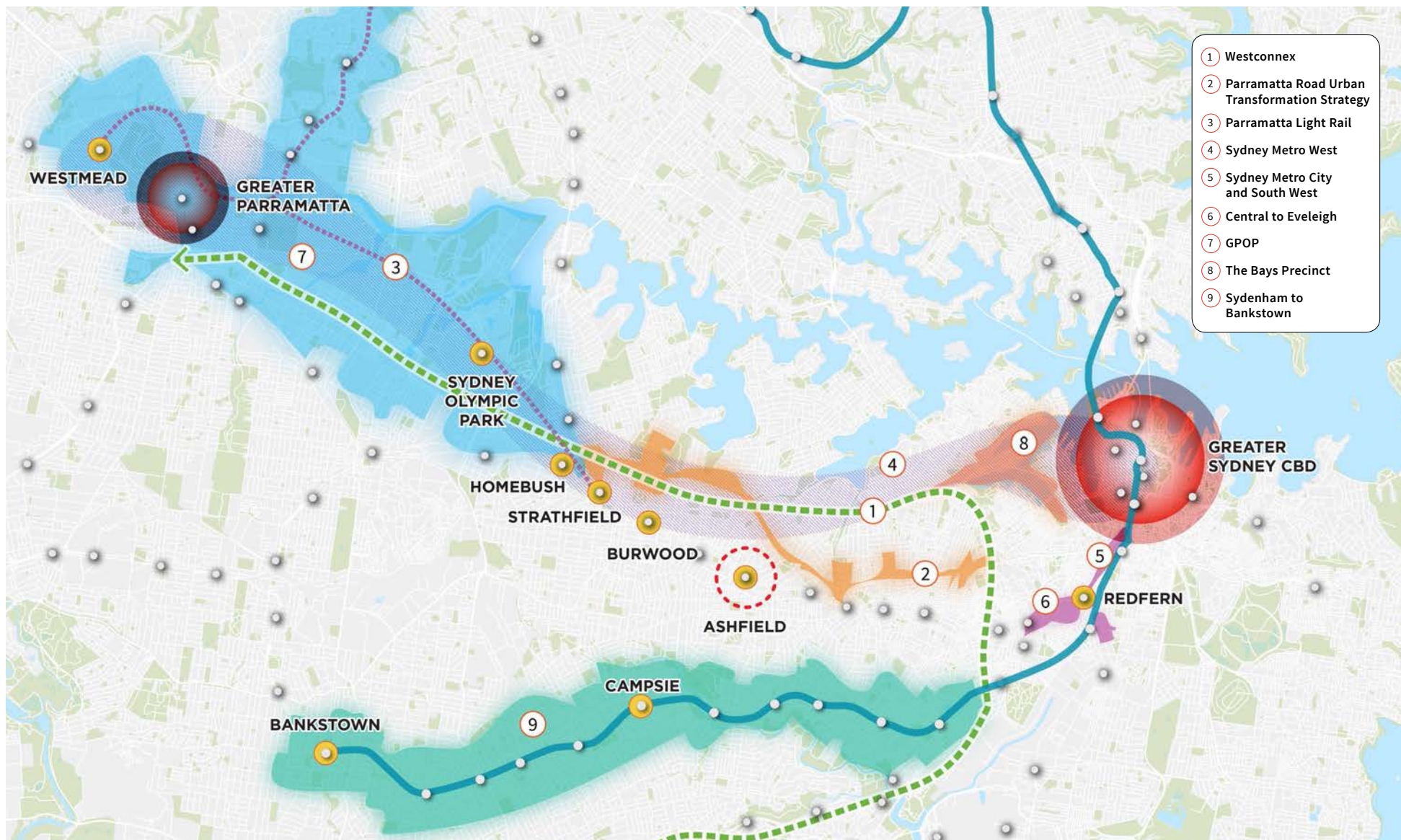


Figure 1: Urban renewal and infrastructure projects

ECONOMIC ROLE AND FUNCTION

Because neighbouring centres like Parramatta and the Sydney CBD exert such economic gravity within the region, they are expected to sustain the highest employment growth. Analysis of the 2014 employment forecasts by the Bureau of Transport Statistics indicates that Ashfield is expected to support only 1% of the total 169,000 jobs generated for key centres between Parramatta and the Sydney CBD between 2016 and 2036 as shown in Figure 2.

Analysis of the economic structure of Ashfield, relative to neighbouring centres, demonstrates that Ashfield has the greatest proportion of employment that is population serving i.e. economic activity which is generated to service the local community as shown in Figure 3.

Future employment growth within Ashfield will only occur as a result of population growth within the local catchment it services. As the population grows, there will be an increased demand for convenient access to local goods and services such as groceries, clothing, personal services, healthcare, entertainment and take away food.

As outlined earlier, Ashfield is unable to compete with neighbouring centres to attract and retain office based employment like professional services however, it is anticipated to become an increasingly attractive place for people to live given its accessibility to places of employment and social infrastructure.

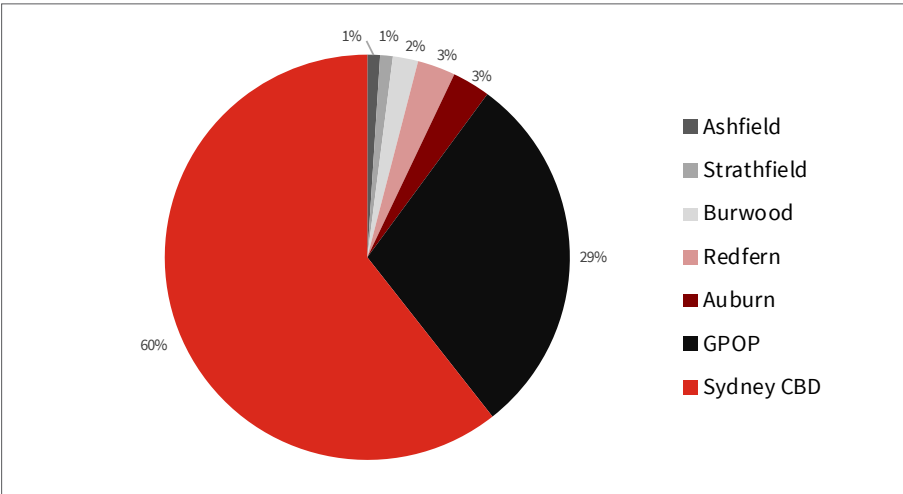


Figure 2: Employment Growth 2016 - 2036

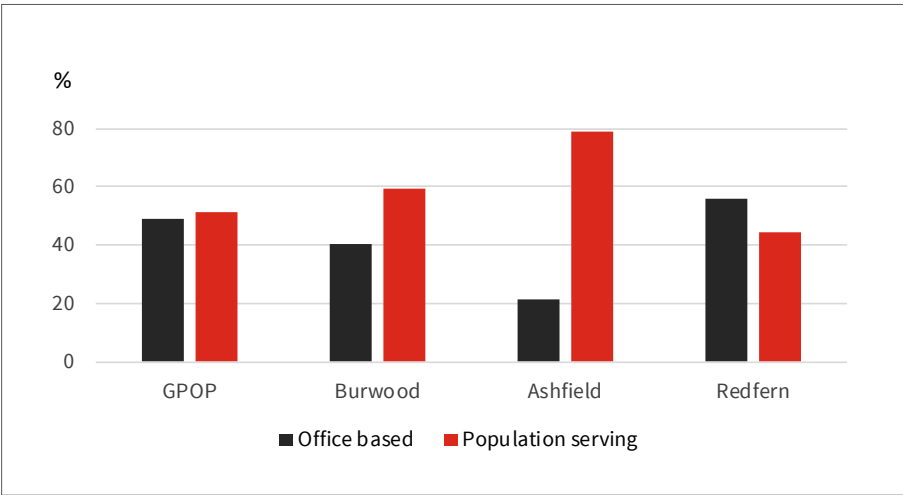


Figure 3: Industry Composition

ECONOMIC ROLE AND FUNCTION



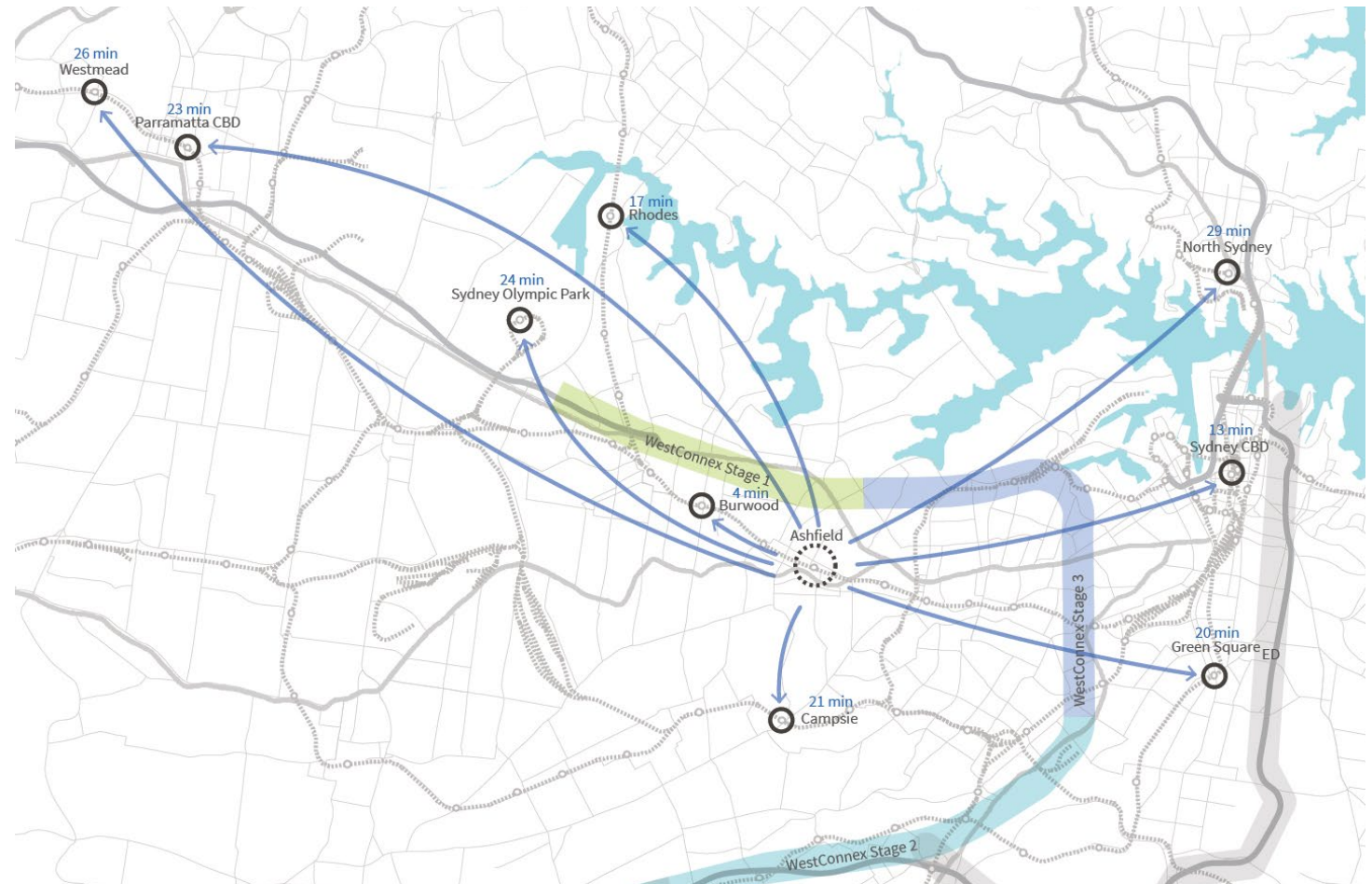
GPOP	Burwood	Ashfield	Redfern / Eveleigh	Sydney CBD
- Vision for GPOP will be Greater Sydney's true centre - As Sydney's second CBD GPOP will have a concentration of diverse employment, economic activity - Contains major Health and Education Super Precinct in Parramatta CBD and Westmead - Employment activity will include essential Urban Services, Advanced Technology and Knowledge Sectors - High level of population and employment growth forecast for GPOP	- Identified as a District Centre and will play a significant district role and will service a regional district population - Good access to surrounding Strategic and District Centres along public transport corridors - Significant dwelling growth anticipated due to Parramatta Road Urban Transformation Strategy - Employment growth expected concentrated in retail, transport and logistics, and healthcare and social assistance	- Identified as a 'local centre' with a primary to service the local population - Expected to accommodate greater increase in population. - Good access to surrounding Strategic and District Centres along public transport corridors - Likely to experience employment growth in retail, healthcare and social assistance and education as local population increases	- To become future extension of Sydney CBD, - Emerging technology and knowledge hub at the Australian Technology Park. - Very good access to Sydney CBD as Greater Sydney's primary economic centre - Moderate forecast growth levels of population, however, recent Central to Eveleigh Strategy may increase projected delivery of housing within this area. - Proximity to UNSW likely to see increase of office based knowledge employment	- Epicentre of the national economy and greatest concentration of economic and employment activity. - Has internationally significant clusters of employment activity in commercial and financial sectors that are forecast to grow significantly. - Provides a mix of cultural and iconic locations that drive tourism within the CBD and employment growth.

DRIVERS FOR URBAN RENEWAL

“public transport remains the most effective method of travel to key locations, with the inner city, and key inner-city transport interchanges like Strathfield and Ashfield remaining the suburbs best connected to services.” (Committee for Sydney & PwC, The Geography of Time, 2017)

Ashfield is likely to experience significant population growth that exceeds current forecasts. This will be influenced by people's desire to live in locations near to public transport nodes, which provide good connections to key areas of employment and services. Ashfield's position on the public transport network provides residents with easy access to the greatest range of employment centres and precincts.

A study undertaken by the Committee for Sydney and PwC, assessed which parts of Sydney have the greatest access to major employment centres within the shortest travel time. The study found that Ashfield ranked 1st in 'best value' suburbs in Sydney when overlaying the measure of accessibility with property prices. For this reason, it can be expected that Ashfield will experience residential growth above current forecasts as people and families actively seek out areas that are affordable and provide them the greatest accessibility to work.



COMMERCIAL AND RETAIL MARKET ASSESSMENT

Colliers International have completed a specialist and independent assessment of the market potential for major commercial and retail development in Ashfield. This assessment, refer to Appendix A, confirms that the prospect for commercial redevelopment in Ashfield is remote and generally unviable.

In-line with the strategic context of employment growth within Sydney, there are broader market forces that are working against substantial employment growth within Ashfield.

Following the rapid ascension of out-of-centre commercial destinations in the late 1990s and early 2000s, the clear trend in today's office market is reversion back to centrality. Both large and small private sector businesses are looking to move back to traditional centres which are well serviced by public transport infrastructure, and provide ample recreational, entertainment and lifestyle amenities within a reasonable distance – which have become essential to attracting and retaining staff.

This has been bolstered by an out-flow of State Government departments and agencies to other major centres such as Parramatta. Given that suburban markets do rely on government anchor tenants, the relocation process is undermining the validity of some suburban markets such as Ashfield.

An analysis of the Ashfield market confirms it has the features of a typical suburban office market anchored by public sector tenants, and dominated by small private sector businesses comprising of ten or less workers.

Ashfield does not possess the necessary traits and features to break away from this suburban office market model and accommodate significant employment growth. These current deficiencies comprise:

- Lack of critical mass and available floorspace
- Unlikely to achieve the sufficient pre-commitment levels required for new development
- Lopsided tenant composition
- Business co-location levels
- Insufficient demand from large, private sector tenants
- The lack of a commercial core
- Quality and composition of existing stock
- Distance from the main public transport node

“Overall, the prospect for the new commercial development in Ashfield is extremely low, and is a risky proposition.”²

Further, Colliers International anticipates that it is unlikely that the Ashfield market will be able to sustain any further major retail additions given the extent of current provision in the suburb and the broader Inner West region. For instance, one additional full-line supermarket alone would require an additional 10,000-12,000 new residents, a feat which is unlikely to be achieved in an established suburb such as Ashfield.

“Overall, it is apparent that there is limited market potential for another major retail offer in Ashfield.”³

The primary function of the Ashfield Town Centre will therefore be to support not accommodate significant commercial and retail redevelopment, and to support the smaller suburban office market or ancillary retail and service offerings to surrounding residents.

² Ashfield Commercial and Retail Market Assessment, Colliers International, 2017

³ Ashfield Commercial and Retail Market Assessment, Colliers International, 2017

BENEFITS OF THE PROPOSED DEVELOPMENT

Other than reinforcing the economic role and function of Ashfield, the proposed development will encourage residents to use public transport and realise the '30 minute city'. As the site is within 400m of Ashfield Railway Station, potential future residents on the site can access work, shopping, entertainment and community facilities via public transport or walking that will help alleviate current congestion on the local road network.

Most importantly, the proposed development will increase the supply of housing in an area that are well serviced by public transport and provides good access to local goods and services. Sydney is currently facing a housing supply and affordability crisis. To help address these issues the Draft Central District Plan outlines Council's requirement to deliver some 5,900 new dwellings by 2021.

The proposed development could deliver up to 5.0% of Council's housing target and increase the housing diversity and mix of the area.

The proposed development will also reinforce Ashfield's role and function as a centre that provides for the day to day needs of its local community. The development is committed to providing approximately 1,100m² non-residential GFA that can accommodate future local businesses. The proposed development can support the retail core of Ashfield and directly support local businesses.

An increase in population within the centre will increase the total disposable income that is spent within the centre. This will directly increase the demand for local goods and services such as restaurants, banking, basic healthcare and services, clothing and personal services that will generate new employment opportunities for the local community.



Source: Inner West Council, Carnival of Cultures 2015

CONCLUSION

This Strategic Economic Assessment has analysed and assessed the factors determining the future scale, type and location of employment growth and has confirmed that Ashfield is unlikely to attract and retain significant employment growth.

Ashfield is unlikely to compete with neighbouring centres like Parramatta and the Sydney CBD to attract and retain employment due to strategic planning and policy frameworks, the delivery of major infrastructure and urban renewal projects outside of Ashfield, the historically limited economic role and function of Ashfield, creating an overall less desirable locational for commercial businesses.

Key metropolitan and local strategic plans and economic policies actively direct future employment growth out of Ashfield to areas like Greater Parramatta and the Sydney CBD. The strategies specify that Ashfield is to facilitate mixed used development that promotes the growth of local jobs.

To achieve these policy objectives the NSW Government is actively relocating staff from Ashfield to Parramatta and investing billions of dollars in infrastructure and urban renewal projects that encourage employment to grow in centres surrounding Ashfield.

As these infrastructure projects and urban renewal projects are completed, Ashfield will increasingly become a less desirable location for employment. Economic activity will be continue to gravitate to major employment hubs where they can gain access to larger labour markets, access to more customers, and operate from premises that provide greater amenity and workspace flexibility.

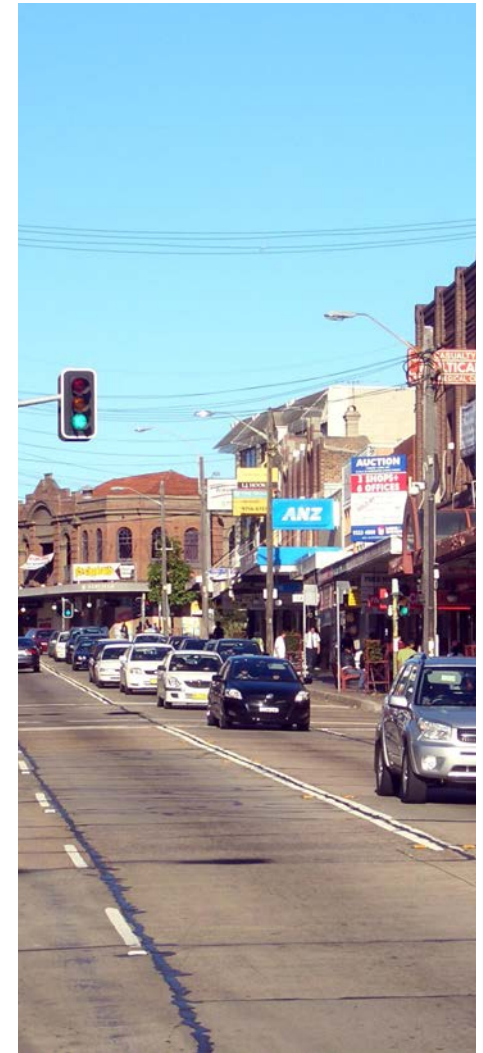
This study has identified that Ashfield's future role and function will be to service the local and surrounding community. An analysis of economic composition of Ashfield and neighbouring centres has revealed Ashfield has the greatest proportion of employment that is population serving i.e. economic activity which is generated to service the local community. As Ashfield is forecast to experience minor employment growth, its economic role and function is not expected to change.

While Ashfield lacks the factors that enable it to attract and retain employment it has been identified as an ideal location for population growth. Ashfield's position on the public transport network provides residents with the greatest access to a range of surrounding employment locations and community facilities.

Ashfield is one of Sydney's best examples of the '30 minute city', which will likely see population growth exceed current forecasts for the area. Increases in population within Ashfield will result in an increased demand for local goods and services, which will support local employment growth.

This Strategic Economic Assessment has confirmed the proposed development will reinforce and support Ashfield's role and function as a local centre and support local businesses. The proposed development is capable of delivering up to 5.0% of Council's 2021 housing target in a location that offers residents convenient access to public transport and local goods and services, at a time when Sydney is facing a significant housing supply and affordability crisis.

For these reasons, we recommend that Council approves the planning proposal.



Source: Flickr Images, Ashfield

June 2, 2017

Mr. Mark Case
Principle Urban Economist
JBA Planning
173 Sussex Street
Sydney NSW 2000

Re: Ashfield Commercial and Retail Market Assessment

Dear Mark,

This letter presents the findings from a specialist and independent assessment on the market potential for major commercial and retail redevelopment in the inner west suburb of Ashfield.

There are two distinct components to this letter. The first relates to demonstrating that the prospect for commercial redevelopment in Ashfield is remote. This conclusion has been arrived at having regard for broader market forces which are influencing demand for office floorspace, as well as a comparison of traits and features of the current Ashfield commercial market with those of a successful centre. The second half of this letter focuses on demonstrating that there is already an extensive network of retail provision in Ashfield, as well as in surrounding areas such as Burwood. We also demonstrate that the features and traits of the subject site (being 2-6 Cavill Avenue Ashfield) are not conducive for a major retail offering.

COMMERCIAL/OFFICE REVIEW

Commercial market assessment

There are broader market forces which are working against new commercial development in Ashfield. Following the rapid ascension of out-of-centre commercial destinations in the late 1990s and early 2000s, the clear trend in today's office market is reversion back to centrality. Both large and small private sector businesses are looking to move back to traditional centres which are well serviced by public transport infrastructure, and provide ample recreational, entertainment and lifestyle amenities within a reasonable distance – which have become essential to attracting and retaining staff. In all, the key benefits identified by major corporations relating to being in major centres include:

- Although there is a premium paid on rents, the flow-on benefits of being situated in a major commercial centre outweigh the outlays i.e. lower travelling costs as most clients are within walking distance;
- Co-location with other businesses provides new business opportunities; and
- Significantly easier to attract and retain staff (which is fast emerging as a major consideration of businesses).

There has also been a shift in government relocation and consolidation policy. Congruent with the 1980's decentralisation plan, there has been an outflow of state government departments to Parramatta CBD. Ashfield has been affected by this already, with Family and Community Services, which has been a long-standing anchor tenant of the Ashfield commercial market, expected to relocate to Parramatta in 2018. Given that suburban markets do rely on government anchor tenants, the relocation process is undermining the validity of some suburban markets such as Ashfield.



Limited liability by a scheme approved under Professional Standards legislation

Overall, it is apparent that suburban markets such as Ashfield are missing out. Broader market forces are coercing businesses back to traditional major commercial centres such as Sydney CBD, North Sydney and Parramatta CBD. Moreover, suburban markets continue to lose major tenants as government departments relocate to other centres such as Parramatta. In the absence of government commitments, suburban markets are increasingly relying on private sector tenants, who are themselves favouring traditional centres.

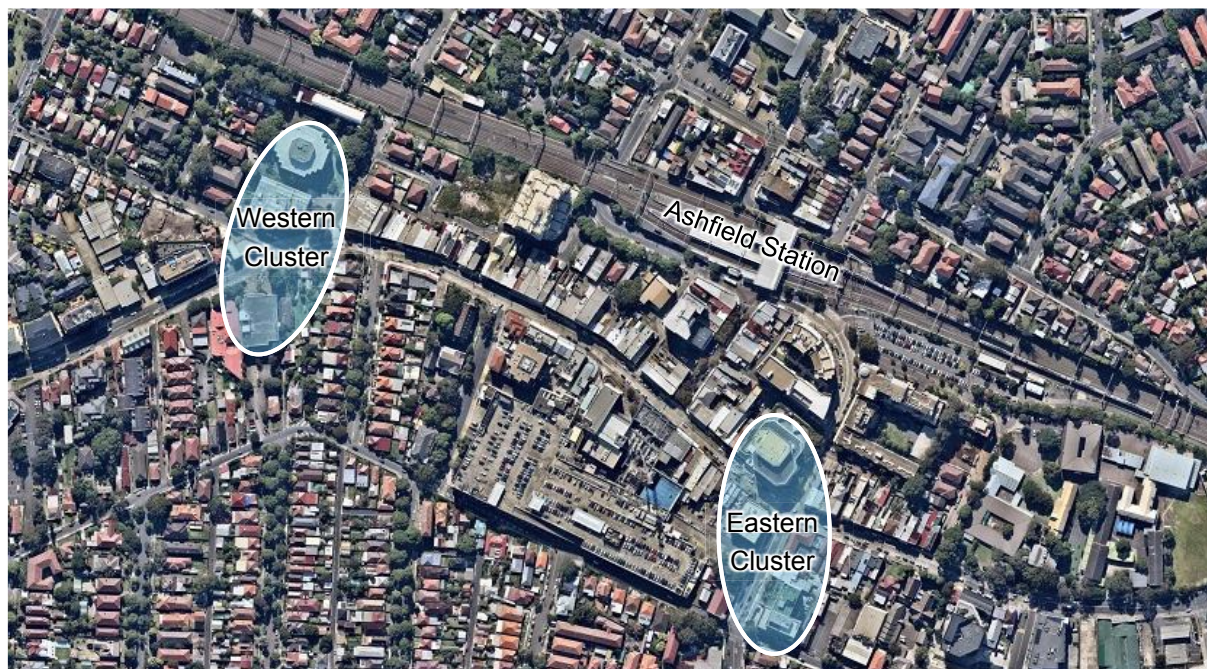
Ashfield office/commercial market

The Ashfield commercial market is typical of a suburban office market anchored by public sector tenants. It comprises of approximately 30,000m² of office floorspace, situated in either low-rise standalone commercial buildings or within street-strip premises along major arterial roads such as Liverpool Road. Other key features and traits of the Ashfield commercial market include:

- Standalone commercial buildings in Ashfield were developed during the 1980s and 1990s, as state government departments were asked to decentralise to suburban and regional markets;
- In the absence of redevelopment, the bulk of existing stock is of C grade quality or less;
- There are two distinct 'office' clusters, being the Western (which is centred around the intersection of Thomas Street and Liverpool Street) and the Eastern clusters (which is centred around the intersection of Holden Street and Liverpool Street), meaning that there is no defined core;
- At present, the market is dominated by large public sector anchors such as Family and Community Services, Inner West Council and Housing NSW;
- Small private sector businesses comprising of ten or less workers, and requiring 200m² or less of floorspace represent the other main source of demand;
- There is no distinct private sector theme e.g. medical and health or technology;
- New office development within the Ashfield market has been limited and sparse, with the most recent addition being the Inner West Council Chambers; and
- Demand from major corporations is negligible.

Overall, it is evident that Ashfield fits the profile of a typical suburban office market.

Commercial Office Clusters, Ashfield (2017)



Source: Colliers International

Traits and features of a successful commercial destination

While the exact make-up of a commercial centre varies from location to location, there are however a core set of attributes which are usually apparent in a functional and successful commercial centre. These include:

- **Minimum scale and size threshold** – Successful commercial centres such as Sydney CBD, North Sydney, Macquarie Park and Parramatta CBD comprise of at least 350,000m² of office provision and extend beyond 5 million square metres (Sydney CBD) i.e. critical mass is achieved.

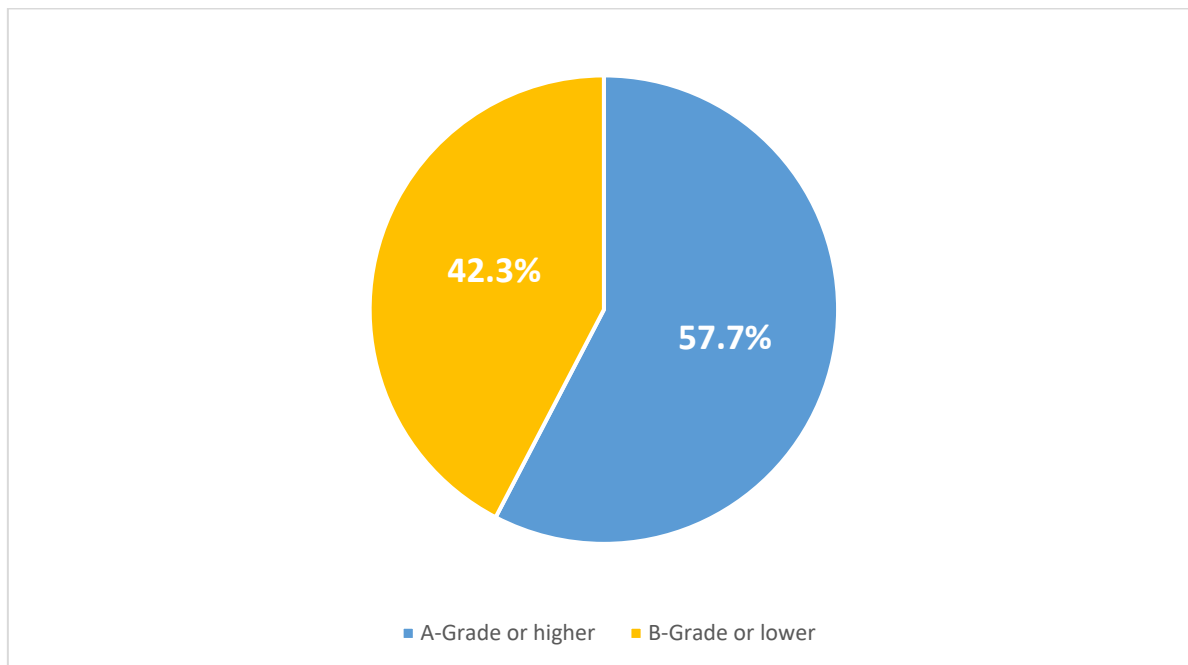
Total Office Floorspace, Major Commercial Centres in Sydney (2017)

Centre	Estimated floorspace (m ²)
Sydney CBD	5,079,899
Macquarie Park	878,950
North Sydney	822,496
Parramatta CBD	707,099
Norwest Business Park	385,000

Source: Property Council of Australia

- **Stock composition and age of premises** – The composition of successful centres is dominated by higher grade provision (being Premium or A grade), which is generally in excess of 50-60%. Furthermore, new buildings with modern facilities and features (e.g. solar access and breakout spaces) are synonymous with major commercial centres.

Floorspace Grade Composition (%), Sydney CBD (2017)



Source: Property Council of Australia

- **Sector/industry themes** – Businesses of a similar industry or theme may cluster together to form distinct sectors within a commercial market. This is particularly evident in Sydney CBD where financial, insurance and legal based businesses all occupy tenancies within the same area. Macquarie Park benefitted from a favourable market setting which coerced a pharmaceutical/medical theme for the precinct. An industry/sectoral theme is imperative.
- **Tenant composition** – While tenant composition can vary, successful commercial precincts usually have a mix of private and public sector businesses occupying the same locations or facilities. These businesses originate from an array of industries or sectors, and often have different spatial requirements. The successful blend of businesses i.e. large and small, private and public is a dominant feature of a successful commercial centre.
- **Public transport and accessibility** – Office floorspace is typically concentrated adjacent to major public transport links (such as trains, busses, light rail, ferries, etc). Being distant from public transport infrastructure dramatically reduces the attractiveness of office space for private sector tenants.
- **Facilities and Amenities** – Newer commercial office premises usually provide on-site amenities, such as end-of-trip facilities (secure bike parking, car parking, locker facilities, change rooms, showers, etc) and / or food related facilities (such as a café or small coffee shop). Moreover, these commercial buildings are usually within a reasonable distance of other main amenities (i.e. entertainment, recreational, lifestyle, etc).
- **Sub-precincts** – Major commercial centres comprise of distinct or defined sub-precincts, such as a civic, retail and entertainment.

Assessing the Validity of commercial redevelopment in Ashfield

Overall, the Ashfield suburban office market does not possess the traits and features of a successful and functional commercial destination. While there are some common facets (e.g. amenities within a reasonable distance), the failure to achieve a higher percentage of pre-requisite features does work against the prospect for new commercial development in Ashfield.

Compared to successful major centres, Colliers International notes the following main deficiencies with respect to the Ashfield commercial market:

- Lack of critical mass
- Unlikely to achieve the sufficient pre-commitment levels required for new development
- Lopsided tenant composition
- Insufficient business co-location levels
- Insufficient demand from large, private sector tenants
- The lack of a designated commercial core
- Quality and composition of existing stock
- Distance from the main public transport node

The Ashfield commercial market comprises of only 30,000m² of floorspace, well below the critical mass thresholds exhibited by successful commercial markets. This observed lack of scale serves as a disincentive for private sector businesses and corporations, who generally seek to benefit from co-location with other businesses. Moreover, Ashfield does not offer centralised, well-connected, high-quality stock, which is generally required to secure interest from the private sector. Nor does it have the required spatial layout and connectivity to create a commercial core. The observed deficiencies in the Ashfield commercial market will continue to undermine the prospect for new office development.

The Ashfield commercial market also contains no distinct commercial core, and is instead spread across periphery clusters. This fragmentation of the market fails to promote a clear and distinct theme for Ashfield – a central theme promotes co-location of like-minded businesses and achieves critical mass. Furthermore, the current composition is heavily weighted towards the public sector. It is difficult to foresee additional demand coming from government (which represents another source of risk), given the recent outflow of government departments to Parramatta CBD.

From a feasibility perspective, Colliers International attests that the prospect for new commercial development in Ashfield is remote. While rental rates do vary with size of premises (smaller floorplates tend to attract a higher rent per square metre) and location (retail strip location tends to attract a higher rent on a per square metre basis), the current asking rent (estimated at between \$300-350 per sqm) for commercial floorspace is insufficient to support a feasible development outcome. As noted previously, due to the composition of business demand (being extremely small and sporadic) the process of obtaining necessary pre-commitment levels for new commercial redevelopment is challenging and convoluted.

Overall, the prospect for the new commercial development in Ashfield is extremely low, and is a risky proposition.

RETAIL REVIEW

Existing retail provision in Ashfield is extensive, anchored by a sub-regional shopping centre (Ashfield Mall) and an elaborate network of street-strip retail offer. Albeit, there is some retail offer to the north of the station on Charlotte and Station Streets, the distribution of retail provision is mostly south of the Ashfield Rail station.

In all, there are four distinct sub-markets or clusters in the Ashfield retail market, being:

- **Ashfield Mall Core**, a 24,900m² sub-regional shopping centre is the cornerstone retail asset in Ashfield. The two-level centre, comprises two supermarket anchors, a discount department store (Kmart), a cross-section of specialties, financial institutions, retail services and a food court. Accommodates a large resident and local workforce catchment.
- **Retail-street Shops along Liverpool Road Strip**, typically embedded in 2-3 storey, mixed use premises on Liverpool Road, this segment of the retail market is geared at local trade and includes traditional retailers (e.g. chemist warehouse), medical centres, real estate agencies, retail services (hair and beauty), solicitors, accountants, restaurants/café's, fresh food and groceries.
- **Food Catering and Micro Service Retail Precinct** offerings along Hercules and Brown Streets (south of Ashfield Rail Station) including international groceries, food eateries, pharmacy, real estate agencies, butcher, optometrist and others.
- **Charlotte and Station Street Precinct** (north of rail station) includes restaurants/café's, newsagency, retail services, butcher, travel agency, fresh food and groceries and medical centre. Generally, focused on lifestyle and services.

Retail Precincts and Clusters, Ashfield (2017)



Source: Colliers International

Retail offer in the Inner West region is also extensive. Located just two kilometres from Ashfield (two rail stops), the inner west suburb of Burwood is also a major retail destination, encompassing a 63,390m² major regional shopping centre (Westfield Burwood), a secondary sub-regional plaza 'Burwood Chase' (12,000m²) as well as an elaborate network of retail shops along Burwood Road and inter-connecting streets (measuring approximately one kilometre in length). Colliers International anticipates that the Westfield alone would trade to a significant catchment, and would attract customers from as far as 10-15km away.

In addition to Burwood, there is retail provision in every direction from Ashfield:

- East – Broadway (Broadway Shopping Centre and street-strip), Leichhardt (Marketplace and Norton Plaza), Marrickville (Metro and street-strip)
- West – Burwood (Westfield and street-strip), Strathfield (Strathfield Plaza, Bakehouse Quarter and street-strip), Homebush/Auburn/Lidcombe (DFO, Lidcombe Centre, Auburn Central), Parramatta (Westfield, Parramall Shopping Centre, Greenway Shopping Centre).
- South – Campsie (Campsie Central), Hurstville (Westfield, Hurstville Central, Hurstville Plaza), Miranda (Westfield)

Colliers International anticipates that it is unlikely that the Ashfield market will be able to sustain any further major retail additions given the extent of current provision in the suburb and the broader Inner West region. For instance, one additional full-line supermarket alone would require an additional 10,000-12,000 additional residents, a feat which is unlikely to be achieved in an established suburb such as Ashfield.

Moreover, the features and traits of the site is also not conducive for major retail uses. The site would be incapable of accommodating the amount of traffic and thoroughfare a typical major retail destination would create and encounter. Moreover, major centres generally require multiple access points, which is not plausible due to the location of the site. The subject site itself is also too small to accommodate a major retail asset – Ashfield Mall is set on an estimated 22,500m² parcel of land. Overall, it is apparent that there is limited market potential for another major retail offer in Ashfield.

CONCLUSION

Overall, we conclude that the prospect for a significant commercial or retail redevelopment outcome in Ashfield, and more specifically the subject site, is remote due to a multitude of fundamental and market based reasons.

Should you have any queries regarding the content of this correspondence, please do not hesitate to contact the author on 0477 800 048 or david.dragicevic@colliers.com.

Yours sincerely

Colliers International Consultancy Pty Ltd

A handwritten signature in black ink, appearing to be "David Dragicevic", with a stylized flourish at the end.

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Author credentials

David has accumulated over a decade's market experience as an Economist in the consulting industry. He has an aptitude for identifying emerging economic and property trends and drivers and applying these at a micro or site specific context. He has prepared numerous independent market assessment report across all sectors in many locations throughout Australia.



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