

EMPLOYMENT IMPACT ASSESSMENT

25-35 ATCHISON STREET, ST LEONARDS



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PREPARED FOR TWT PROPERTY GROUP



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EXECUTIVE SUMMARY

The purpose of this report is to provide an employment impact assessment in relation to the following change in planning controls and redevelopment of 25-35 Atchison Street, St Leonards.

This study will be utilised to assist in determining the suitability of the following controls:

- A total FSR of 6.3:1 of which a minimum 1.5:1 is to be non-residential, with the indicative concept proposing:
 - 1,945 sq.m of upper and lower ground floor retail space
 - 1,220 sq.m of commercial space GFA
 - 10,127 sq.m of residential floorspace of 102 apartments
- A height limit of 66 metres (and a max to RL 146)
- A maximum height in storeys of 16.

Our assessment can be summarised as follows:

1. **St Leonards is transitioning from a corporate office market to a health and medical focused precinct.**

Once a suburban hub for 'corporate' tenants, the market for commercial space in St Leonards has experienced several challenges over the past 10 to 15 years. A net withdrawal of office floorspace in the St Leonards office market over the past 16 years (-4,172 sq.m per annum since July 2007), indicates that many larger corporate tenants prefer other locations.

Today, for a variety of reasons, the neighbouring office markets of North Sydney, Macquarie Park and Chatswood are now deemed more attractive for traditional office occupiers. The following market evidence indicates that this trend is likely to continue for the foreseeable future:

- A lack of investment, office developments or major refurbishments in the St Leonards / Crows Nest office market is clearly reflected in the high proportion of C-Grade stock relative to other major office markets.
- Continuing a long-term trend, other competing office markets had significantly lower vacancy rates as at July 2017 than the St Leonards/Crows Nest market (12.6%), namely North Sydney (6.4%), Macquarie Park (8.5%) and Chatswood (6.9%).
- The higher vacancy rate in St Leonards reflects its inferior competitive positioning compared to other centres, which can largely be attributed to several characteristics:
 - Smaller floorplates compared to North Ryde / Macquarie Park and better rated stock, due to larger consolidated development sites (Macquarie Park floorplates average 1,893 sq.m).
 - St Leonards Forum offers some food and beverage retail and a single Coles supermarket. This offer is relatively limited in comparison to the amenity provided at major retail centres such as Macquarie Centre at Macquarie Park, Westfield and Chatswood Chase at Chatswood.
 - More affordable rents elsewhere (Macquarie Park and Chatswood are both more affordable than St Leonards; See Table 2.1).
 - There is currently an observable trend for larger organisations to occupy space in larger floor plate formats, in office precincts within Sydney. This trend is driven by the efficiency and connectivity gains associated with consolidating staff/employees and physical resources, rather than being dispersed across different floors and locations.
 - The fragmented nature of land ownership and the shortage of potential development sites in St Leonards, constrain its ability to offer consolidated floor plate products to larger tenants in the area.
 - Looking ahead, a growing demand for commercial space in the health care and social services sector will occur with the redevelopment of the Royal North Shore Hospital.

Future commercial office demand is likely to be driven by the presence of Health-related occupations that benefit from a strong connection with the \$1 billion redevelopment of Royal North Shore Hospital. This will support a market for smaller scale medical-related suites which can be accommodated in a mixed use setting around the RNSH campus and surrounds.

2. **There is sufficient proposed and vacant office development to meet the employment targets within the St Leonards Strategic Centre.**

There is currently 39,654 sq.m of vacant office floorspace and approximately 103,000 sq.m of proposed office floorspace within the St Leonards Strategic Centre. When including the additional 1,220 sq.m office NLA proposed within the development's indicative concept design, this results in a **total supply of approximately 141,548 sq.m available office floorspace by 2036.**

We have considered the following employment projections and targets for the St Leonards Strategic Centre to 2036:

- Bureau of Transport Statistics (BTS) 2016 release employment projections
- Draft North District Plan (October 2017) base and high case employment targets.

The table below details the relevant employment projections and targets as well as the calculations we have made to convert this into demand for office floorspace by 2036.

Conversion of total jobs to office jobs has been made based on BTS industry splits of job growth combined with Urbis benchmarks of property type by industry. We also assume a benchmark office job density of 12.5 sq.m per job, typical of Sydney business districts.

Against all job projections and targets for the St Leonards Strategic Centre, the proposed and vacant supply of office floorspace is more than sufficient to accommodate jobs growth, with **office floorspace surpluses of between 36,148 sq.m and 93,723 sq.m by 2036.**

Demand and Supply of Office Floorspace

St Leonards Strategic Centre, 2016 to 2036

Table 1.1

	BTS Forecast 2016	District Plan Base Case Target	District Plan High Case Target
Job Growth 2016-2036	7,146	6,900	16,400
Office Job Growth 2016-2036	3,945	3,826	8,432
Office NLA (sq.m) per job	12.5		
Demand for Office Floorspace (2016-2036)	49,312	47,825	105,400
Supply of Office NLA (Sq.m) (2016-2036)	141,548		
+Surplus / -Deficit (by 2036)	+92,236	+93,723	+36,148

Source: Cordell Connect; PCA Office Market Report; BTS 2016; Draft North District Plan 2017; Urbis

3. **The proposed mixed-use development will deliver a net increase of jobs on the site.**

The proposed changes in planning controls of 25–35 Atchison Street, and an assessment of the indicative concept design for a mixed-use purpose, demonstrates that the project could yield the following economic benefits:

- A total of 43 direct jobs and 61 indirect jobs from the construction phase
- Ongoing employment of 216 direct and 88 indirect jobs from the retail and commercial uses
- An overall net increase of 42 direct jobs.

The provision of amenity and services that are important to the St Leonards Strategic Centre through improved street level activation which will make St Leonards a more attractive place to work, improving its appeal to tenants.

INTRODUCTION

Urbis has been appointed to undertake an employment impact assessment of the proposed change in controls and redevelopment of 25-35 Atchison Street, St Leonards, which includes:

- A total FSR of 6.3:1, of which a minimum 1.5:1 is to be non-residential comprising
- A height limit of 66 metres (and a max to RL 146)
- A maximum height in storeys of 16.

The report is structured as follows:

- **Section 1** provides an overview of the study area and local context, identifying the key land use drivers, amenity and relevant local and state government policy.
- **Section 2** provides an overview of the North Shore office market, specifically focusing on the performance of and investment in the St Leonards office market over the last decade. This section identifies the quantum of new commercial floorspace that will provide employment capacity within the St Leonards CBD.
- **Section 3** conducts an analysis of employment within the St Leonards Strategic Centre, estimating the future office NLA required to meet draft District Plan targets and Bureau of Transport Statistics (2016) forecasts).
- **Section 4** conducts an economic benefit analysis of the direct and indirect impacts associated with the proposed change in planning controls.

1. STUDY BACKGROUND

The purpose of report is to investigate the employment impact on TWT Property's planning proposal for 23-35 Atchison Street, St Leonards (currently zoned B4).

This study will be utilised to assist in determining the suitability of the following controls:

- A total FSR of 6.3:1 of which a minimum 1.5:1 is to be non-residential (approx. 3,165 sq.m GFA)
- A height limit in metres of 66m (and a max height to RL 146)
- A maximum height in storeys of 16.

The study will investigate the implications of the planning proposal for the achievement of the St Leonards Strategic Centre's job targets (as outlined in the Draft North District Plan October 2017).

This study is undertaken in the context of the St Leonards Strategic Centre undergoing a number of changes, relevant to its ongoing development:

- The St Leonards/Crows Nest office market has experienced negative net absorption of -51,833 sq.m over the past ten years (since July 2007).
- The low take-up rate observed within the St Leonards/Crows Nest market is reflective of its less competitive positioning relative to other North Shore office markets. This has impacted approved office developments from securing anchor tenants (and therefore project financing), for instance the Gore Hill Technology Park buildings D1–D3 has not been able to secure anchor tenants over the last 5 years.
- St Leonards is evolving into a health services hub. Health industry tenants are better suited to co-locating in the developing health hub and in the redevelopment of the Royal North Shore Hospital Precinct, rather than in traditional corporate office buildings away from the core health use.
- The St Leonards Centre employment growth moving forward will be oriented towards health and medical uses around the Royal North Shore Hospital. Demand for commercial space will cater to these type of tenants, which can be accommodated in a mixed-use development.

As such, TWT Property Group is investigating the potential for a mixed-use development that would better reflect market demand within the St Leonards Centre including new commercial floorspace in the building's podium, retail space and additional housing supply near North Shore employment centres.

1.1. PROPOSED CONCEPT

This report seeks to assess the impact of the following changes to planning controls. TWT Property have in addition to this, identified the following scheme, which is consistent with the proposed planning proposal:

- A total FSR of 6.3:1 of which a minimum 1.5:1 is to be non-residential comprising:
 - 1,945 sq.m of upper and lower ground floor retail space
 - 1,220 sq.m of commercial space GFA
 - 10,127 sq.m of residential floorspace of 102 apartments
- A height limit of 66 metres (and a max to RL 146)
- A maximum height in storeys of 16.

1.2. SITE LOCATION, AMENITY AND INFRASTRUCTURE

The subject site is located at 25–35 Atchison Street, St Leonards, within the North Sydney LGA.

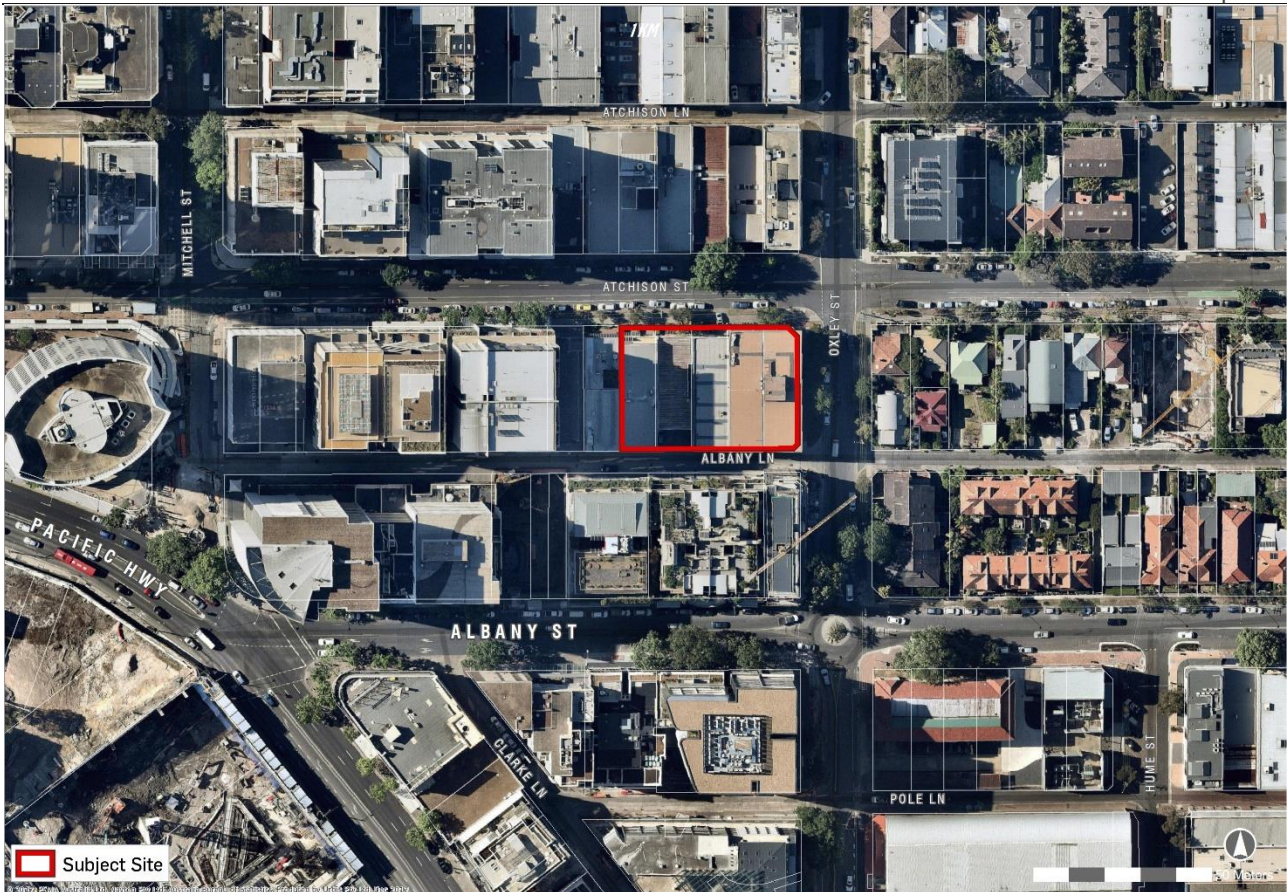
The subject site currently covers an area of 2,109 sq.m and is bound by Atchison Street, Oxley Street and Albany, as shown in Map 1.1 and Map 1.2.

The subject site is close to key locations within the St Leonards Strategic Centre, namely:

- The St Leonards railway station, 420 metres north-west
- The St Leonards Forum retail including Coles supermarket, 400 metres west
- Royal North Shore Hospital, 660 metres north-west
- Mater Hospital, 900 metres south-east
- Gore Hill Oval, 700 metres west
- The proposed Crows Nest Metro Station, 200 metres south
- St Leonards TAFE, 1.3 km north-west.

Site Boundaries and Location

Map 1.1





1.3. RELEVANT PLANNING POLICY

A Plan for Growing Sydney

Due to St Leonards being identified as a Specialised Office Precinct in previous Metro Strategies and a Strategic Centre in “A Plan for Growing Sydney” (December 2014), retaining employment uses is an important policy objective for both North Sydney Council and the Department of Planning and Environment (DPE).

The following priorities for the St Leonards Strategic Centre were identified in “A Plan for Growing Sydney”:

- Work with Council to retain a commercial core in St Leonards for long-term employment growth
- Work with Council to provide capacity for additional mixed-use development in St Leonards including offices, health, retail, services and housing
- Support health-related land uses and infrastructure around the Royal North Shore Hospital (RNSH)
- Work with Council to investigate potential future employment and housing opportunities associated with a Sydney Rapid Transit train station at St Leonards / Crows Nest.

As such, an Employment impact assessment is required to investigate the proposed changes in planning controls of 25–35 Atchison St and clarify that any amendments will not negatively impact the St Leonards Strategic Centre as an employment precinct.

The St Leonards Strategic Centre will form the Study Area for this assessment. This report will identify the economic impact of the proposed development on this area.

Draft North District Plan October 2017

The Greater Sydney Commission (GSC), in their Draft Greater Sydney Region Plan and in their Draft North District Plan, has identified the strategic centre of St Leonards as an important health and education precinct.

The District Plan recognises the importance of St Leonards as a key employment centre in Greater Sydney, and define a target employment range of 54,000 to 63,500 by 2036. This represents **growth of 6,900-16,400 jobs between 2016 and 2036**.

The District Plan highlights the following key actions relating to employment within St Leonards:

- Leverage the new Sydney Metro Station at Crows Nest to deliver additional employment capacity
- Grow jobs in the centre
- Promote synergies between the RNSH and other health and education-related activities, in partnership with NSW Health
- Protect the adjoining industrial zoned land for a range of urban services.

St Leonards is identified as a Collaboration Area in the District Plan, with the DPE leading planning in this area in collaboration with the GSC, the three related councils, NSW Health, Transport for NSW, NSW Department of Industry and TAFE NSW.

2017 St Leonards and Crows Nest Strategic Employment Review

SGS Economics and Planning (SGS) was engaged by the Department of Planning and Environment to prepare a Strategic Employment Review for the St Leonards, Crows Nest and Artarmon Precinct. This Precinct area matches the Department of Planning & Environment's definition of the St Leonards Strategic Centre.

Their study assesses the extent to which the employment floorspace in the area sufficiently meets the projected and changing demand out to 2036.

Urbis has reviewed the SGS study and found the following:

- SGS has identified **excess demand of 52,800 sq.m** of knowledge intensive (office) floorspace in the St Leonards Strategic Centre by 2036. This figure does not include floorspace required for health and education uses.

- SGS has also identified an **excess demand of 129,900 sq.m** of institutional floorspace in the St Leonards Strategic Centre by 2036, which will mostly consist of demand for Health and Education employment floorspace. Demand will be accommodated within RNSH and Mater Hospital precincts, with potential to house ancillary floorspace within existing office buildings in St Leonards.

Urbis has identified an **excess supply between 36,148 sq.m and 93,723 sq.m** of office floorspace in the St Leonards / Crows Nest precinct by 2036 (detailed assessment in Section 4). The variance in results can be partially explained by SGS not accounting for the pipeline of office development within St Leonards and surrounding markets. This would have considerable impact on the potential surplus or gap in office floorspace demand going forward.

The SGS forecast methodology for estimating demand relies heavily on accessibility being a key driver for employment uplift in the precinct. SGS has not accounted for the increased competition from the key office markets of North Sydney, Chatswood and Macquarie Park that will also benefit from improved accessibility through the planned Sydney Metro system. SGS has also not considered other demand drivers such quality of office stock, floorplate size, and proximity to amenity.

Despite differing methodologies for assessing land use demand within St Leonards, Urbis and SGS arrive at similar conclusions regarding the St Leonards CBD:

- That the redevelopment of the RNSH will attract medical and health related jobs to the centre
- That commercial only development within the St Leonards precinct is:
 - Unviable in the short-term
 - Faces strong competition from surrounding centres for tenants
 - Attracts smaller tenants seeking more affordable product, rather than large anchor tenants.

Urbis agrees with the SGS' Draft Economic Planning Directions recommendation for the St Leonards Core to *'investigate catalysing by residential in genuine mixed-use redevelopment'*, where residential development underpins the viability of delivering new commercial stock in a mixed-use format.

2. OFFICE MARKET REVIEW

The analysis in this section indicates the level of tenant and business interest in the St Leonards Strategic Centre. The prospect of achieving the employment forecasts discussed previously and the viability of leasing large scale commercial buildings in St Leonards will also be explored.

2.1. SYDNEY OFFICE MARKETS – SIZE AND POSITION

The St Leonards Centre is located around 5 km north of the Sydney CBD, between the North Sydney, Chatswood and Macquarie Park office markets (Map 2.1). As at July 2017, St Leonards had a total of 314,000 sq.m of office space, making it smaller than the North Sydney (822,500 sq.m) and Macquarie Park (873,700 sq.m) office markets, but larger than Chatswood (278,900 sq.m).

Compared to these markets, St Leonards has the highest vacancy rate at 12.6% despite older office accommodation being withdrawn from the market over the past four years. It has an average net face rent of \$515 per sq.m, placing it behind North Sydney (\$638 per sq.m) but ahead of Chatswood (\$469 per sq.m) and Macquarie Park (\$355 per sq.m).

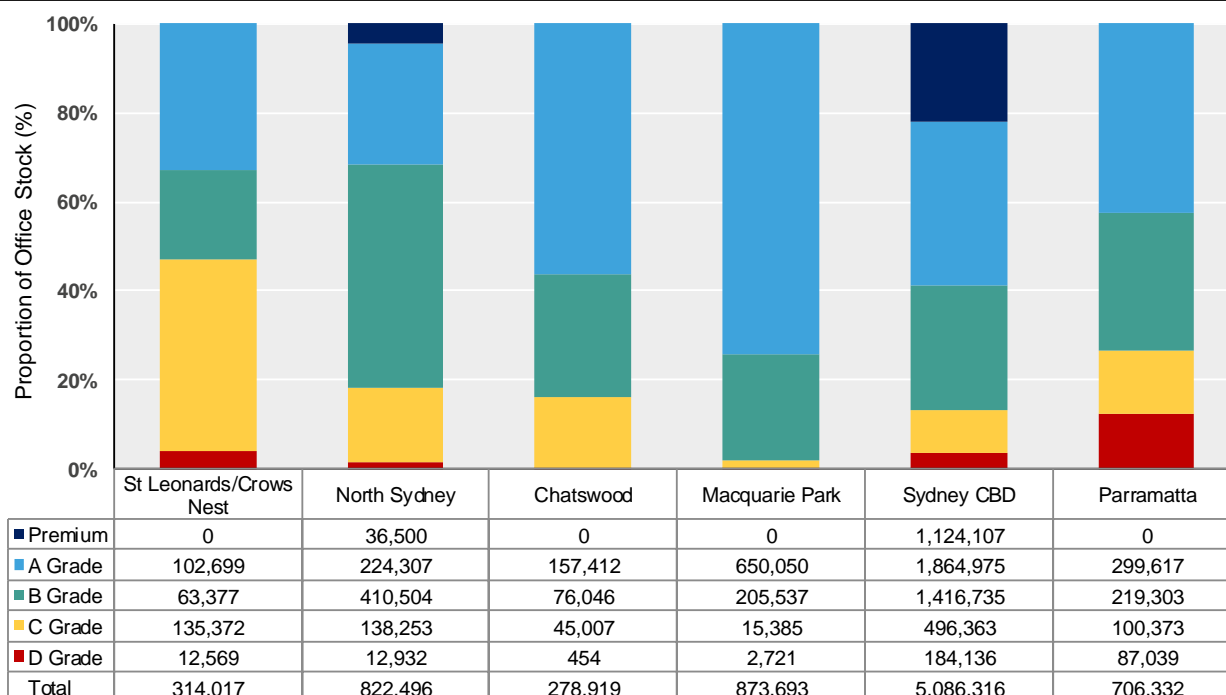
Chart 2.2 shows the distribution of St Leonards / Crows Nest's office stock quality compared to other major commercial centres. It illustrates that:

- C-Grade stock accounts for 43% of the stock in St Leonards / Crows Nest, significantly higher than all other major commercial centres
- Sydney CBD has the highest proportion of premium grade office stock at 22%
- Chatswood and Macquarie Park have large proportions of A-Grade stock at 56% and 74%, respectively
- North Sydney has the highest percentage of B-Grade stock at 50%
- Parramatta has a relatively high proportion of D-Grade stock compared to other major commercial centres.

Grade of Office Space, by Location

Sydney Office Market, July 2017

Chart 2.1



Source: PCA Office Market Report July 2017; Urbis



Chart 2.1 illustrates the total office stock within the St Leonards / Crows Nest market and the shift in grade since 2000. In July 2017, approximately 47% of office stock in St Leonards / Crows Nest was classified as C or D Grade.

C and D grade office space has historically accounted for approximately 40% of total office stock in the St Leonards / Crows Nest market, however this increased in 2009 to 59%. The increase was due to a large proportion of the St Leonards office stock being re-rated against the Property Council of Australia (Guide to Office Quality) from B to C grade stock.

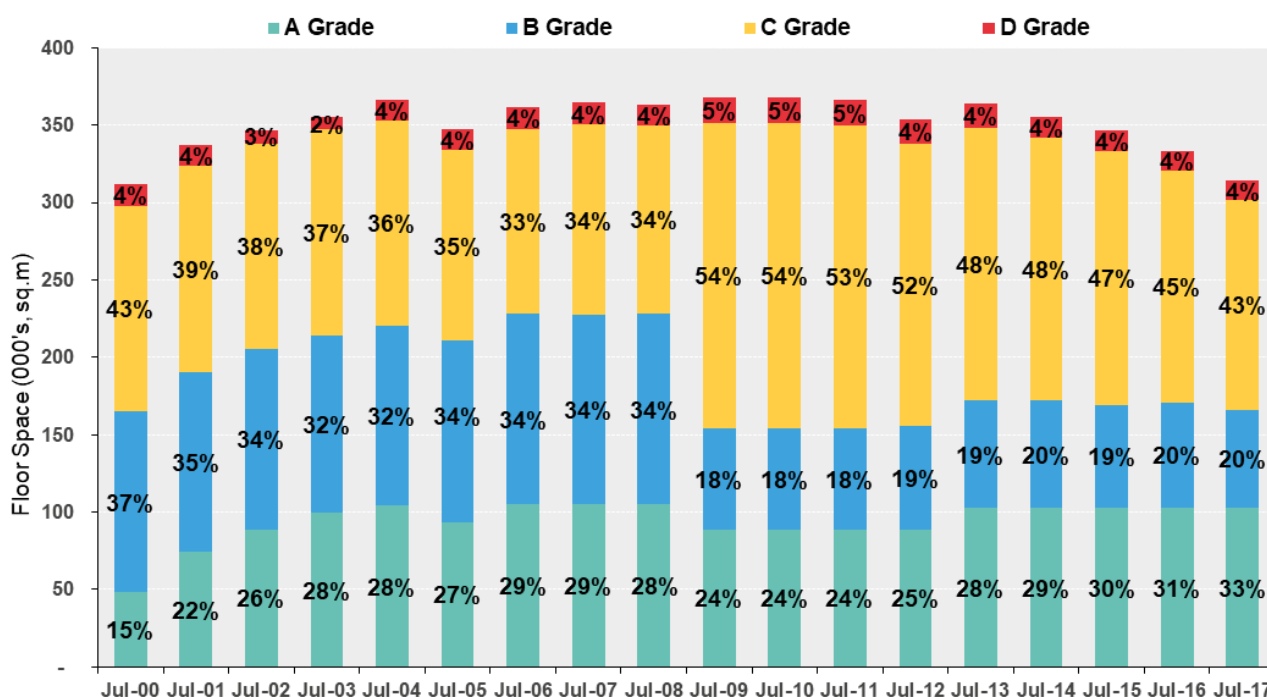
Notable shifts in the supply of office stock in St Leonards / Crows Nest since July 2009 include:

- The total office stock has decreased by a total of 54,200 sq.m, from 368,200 sq.m in July 2009 to 314,000 sq.m in July 2017
- The most significant decline occurred in the last 12 months, with total office stock falling by 19,600 sq.m since July 2016
- The reduction in total office stock was due to the withdrawal of B and C Grade office stock from the St Leonards / Crows Nest sub market
- Consequently, the proportion of lower grade stock in St Leonards / Crows Nest has declined from 59% in July 2009 to 47% in July 2017.

Office Stock, by Grade

St Leonards and Crows Nest

Chart 2.2



Source: PCA Office Market Report July 2017; Urbis

2.2. NET ABSORPTION AND VACANCY

Chart 2.3 illustrates St Leonards' net absorption of office floorspace from January 2000 to July 2017. It shows negative net absorption during 2013/14 of approximately -17,841sq.m. This impacted vacancy rates significantly, which climbed from 10.8% in July 2012 to 14.4% in January 2014.

The largest instance of negative net absorption was seen more recently, in the year to July 2017, with a significant decline of 31,026 sq.m of floorspace. As a result of this, the vacancy rate rose from 8.5% in July 2016 to 12.6% in July 2017.

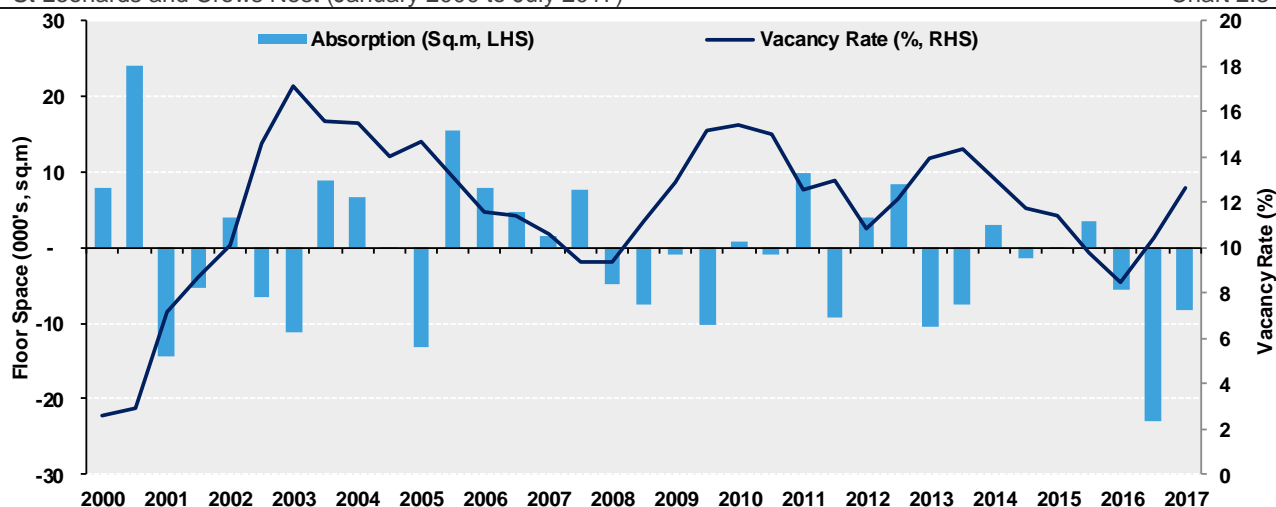
It is noted that negative net absorption outstrips withdrawals of office stock, where in the year to July 2017, negative net absorption equated to 31,026 sq.m compared to 19,614 sq.m withdrawn from the commercial market.

The withdrawal of stock in line with negative net absorption indicates that developers are responding to trends in tenant demand as they leave the St Leonards market for newer offices with larger floorplates.

Net Absorption and Vacancy Rate

St Leonards and Crows Nest (January 2000 to July 2017)

Chart 2.3

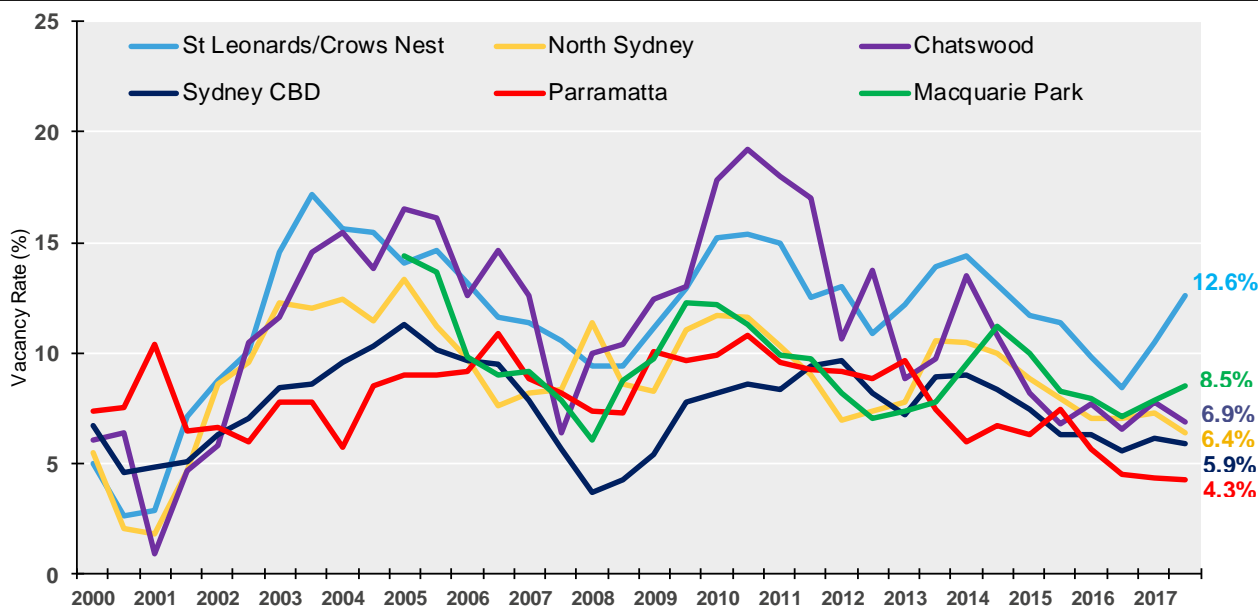


Source: PCA Office Market Report July 2017; Urbis

Office Space Vacancy Rate

Sydney Office Market (2000 to 2017)

Chart 2.4



Source: PCA Office Market Report July 2017; Urbis

Chart 2.4 provides a comparison of the vacancy rates amongst different office markets across Sydney from January 2000 to July 2017, indicating the relative strength of different Metropolitan Sydney office markets.

Currently St Leonards has the highest vacancy rate at 12.6%. The relatively high rate follows a period which saw the St Leonards' office market vacancy decrease from 15% in January 2010 to 11% in July 2012, due largely to a withdrawal of office of 19,300 sq.m.

Historically, St Leonards and Chatswood have displayed the highest office vacancy, reflecting their higher rental cost and smaller average floorplates compared to commercial offices in Macquarie Park.

2.3. MARKET COMPARISON

A comparative review between St Leonards and other commercial precincts within Sydney is outlined below in Table 2.1 to Table 2.3. The precincts analysed include Sydney CBD, Parramatta, North Sydney, Chatswood, Macquarie Park Corridor, Barangaroo and Australian Technology Park. The following tables have been compiled to identify the future characteristics driving tenant and investment interest across different markets. It considers the rents, vacancies, transport connectivity and convenience, car parking, future supply, retail and amenity, walkability and mooted developments within each commercial precinct.

The key findings from this comparative review include:

- St Leonards and Crows Nest market has approximately 314,000 sq.m of commercial floorspace as at July 2017. This is more commercial floorspace than what is available in the Chatswood, Barangaroo precinct and Australian Technology Park markets, and less office floorspace than the Parramatta, Macquarie Park, North Sydney and Sydney CBD markets.
- St Leonards has higher rent than North Shore locations such as Chatswood and Macquarie Park. Construction, development and acquisition costs are a primary driver of rising rents. The fragmented land ownership of buildings in St Leonards makes it more expensive to consolidate sites. The higher cost in St Leonards drives up the yields required to justify this higher cost, and the subsequent rent sought for office space.
- St Leonards' fragmented land contrasts more suburban locations such as Macquarie Park, which allows for cost efficiency through the development of larger consolidated floor plates.
- Overall, the rental analysis illustrates that the St Leonards / Crows Nest office market has a higher rental cost base compared to locations closer to the CBD, while not having the locational amenity of more central locations such as North Sydney, the Sydney CBD or Parramatta, which has a large regional shopping centre. The lack of amenity has a negative impact on St Leonards' competitiveness compared to other office market locations.
- St Leonards has the lowest annual net absorption over the last 10 years and the highest long term and current commercial vacancy rate out of all precincts. As a result, it has the highest average incentive at 27%.
- In terms of public transport, St Leonards is accessible by train, bus and the future Metro line. The transport infrastructure is similar to other office precincts with the exception of the Sydney CBD, Parramatta and Barangaroo which also can be accessed by ferry.
- St Leonards has a much higher proportion of C and D grade stock when compared to other Sydney office markets. It is evident from the age of the office stock that the St Leonards' office market has not continued to attract new office investment, office developments or major refurbishments. In effect, the appeal of St Leonards to the office tenant market continues to diminish, compared to other centres that have attracted a higher level of investment in new higher-grade stock.
- When compared to other office precincts, the retail provision of St Leonards is poor due to the lack of a major retail centre, making it less attractive to workers and potential tenants.
- Australian Technology Park is undergoing development with additional floorspace to be anchored by the Commonwealth Bank and 75,000 sq.m for ATP technology users. This will deliver additional office floorspace in a better connected and located market than St Leonards.

Market Comparison

Sydney Office Markets

Table 2.1

	St Leonards /Crows Nest	Sydney CBD	Parramatta	North Sydney	Chatswood	Macquarie Park	Barangaroo	Australian Technology Park
Indicative Commercial NLA (sq.m) (July 2017)	314,017	↑ 5,086,316	↑ 706,332	↑ 882,500	↓ 278,900	↑ 873,700	↓ 292,660	↓ 222,000
Average A Grade Rents (\$ per sq.m) net	\$543	↑ \$1,000 - \$1,300	↑ \$606	↑ \$734	↓ \$499	↓ \$368	N/A	N/A
Average B, C and D Grade Rents (\$ per sq.m per annum)	\$502	↑ \$750 - \$950	↑ \$505	↑ \$593	↓ \$432	↓ \$320	N/A	N/A
Commercial Vacancy Rates (overall) (July 2017)	12.6%	↓ 5.9%	↓ 4.3%	↓ 6.4%	↓ 6.9%	↓ 8.5%	↓ 6.6%*	N/A
Long Term Average Vacancy Rates (15 years to July 2017)	12.6%	↓ 7.8%	↓ 7.9%	↓ 9.5%	↓ 12.1%	↓ 9.4%	N/A	N/A
Average Annual Net Absorption (10 years to July 2017)	-4,172	↑ 39,344	↑ 12,882	↑ 2,902	↑ 1,131	↑ 29,496	N/A	N/A
Average Incentives	27.0%	↓ 20.0% - 29.0%	↓ 18.4% - 21.0%	↓ 23.7%	↔ 26.7%	↓ 26%	N/A	N/A
Average Percentage of White Collar Employees (within a 5 km radius)	90%	↔ 88%	↓ 66%	↔ 89%	↔ 89%	↓ 83%	↔ 88%	N/A
Transport Infrastructure	Trains Bus Vehicle	Trains ↑ Bus ↑ Vehicle ↑ Ferry ↑ Light Rail ↑	Trains ↑ Bus ↔ Vehicle ↑ Ferry ↑	Trains ↔ Bus ↑ Vehicle ↑	Trains ↔ Bus ↑ Vehicle ↑	Trains ↔ Bus ↔ Vehicle ↑	Trains ↑ Bus ↔ Vehicle ↑ Ferry ↑	Trains ↔ Bus ↔ Vehicle ↔

Source: PCA Office Market Report July 2017, Knight Frank Office Market Overview September 2017; North Shore, Sydney CBD, Parramatta

* Vacancy Rate of Sydney CBD Western Precinct used as a proxy for the Barangaroo vacancy rate

N/A = information unavailable

Market Comparison

Sydney Office Markets

Table 2.2

		St Leonards /Crows Nest	Sydney CBD	Parramatta	North Sydney	Chatswood	Macquarie Park	Barangaroo	Australian Technology Park
Investment in New Transport Infrastructure		Sydney Metro Station at Crows Nest will improve rail accessibility	Light rail under construction	Light rail proposed to commence 2018	Victoria Cross Station	Sydney Metro Station will improve rail accessibility	Sydney Metro Station will improve rail accessibility	Sydney Metro Station will improve rail accessibility	Sydney Metro Rail Stage 2– proposed station at Waterloo will provide additional connectivity to the ATP precinct
Mix of Office Stock	Premium	0%	22%	0%	4%	0%	0%	100%	ATP will be undergo redevelopment and renewal, with additional A grade stock being produced. CBA is expected to occupy 93,000 sq.m of new stock
	A Grade	33%	37%	42%	27%	56%	74%	0%	
	B Grade	20%	28%	31%	50%	27%	24%	0%	
	C Grade	43%	10%	14%	17%	16%	2%	0%	
	D Grade	4%	4%	12%	2%	0%	0%	0%	
	Typologies	Lower quality mix overall	Broad mix in a large market	Broad mix in a large market	High proportion of sub-prime space	High focus on A grade stock	Focus on A grade stock with large floorplates - generally newer buildings	Focus on Premium grade stock	
Retail Provision (Major Retail Centres/Locations)		The Forum	↑ Superior (Pitt St Mall & Department Stores)	↑ Superior (Westfield Parramatta)	↑ Superior (Greenwood Plaza)	↑ Superior (Access to Westfield Chatswood & Chatswood Chase)	↑ Superior (Access to Macquarie Centre)	↑ Superior (Waterfront detail promenade with focus on food and beverage offerings)	↓ Lacks a major retail centre

Source: PCA Office Market Report July 2017, Knight Frank Office Market Overview September 2017; North Shore, Sydney CBD, Parramatta

N/A = information unavailable

Market Comparison

Sydney Office Markets

Table 2.3

	St Leonards /Crows Nest	Sydney CBD	Parramatta	North Sydney	Chatswood	Macquarie Park	Barangaroo	Australian Technology Park
Accessibility to Retail	Lack of connectivity.	↑ Good very central for most of the CBD with the exception of the Western Corridor which is more distant and has poorer quality retail.	↑ Good very central.	Average retail provision with some topography issues.	↑ Superior retail provision, albeit slightly removed.	Poor disbursed nature of area.	↑ Good planned to be co-located with office development.	Limited access to retail amenities. Surrounding uses include residential, commercial, industrial and limited strip retail.
Public Domain	Poor public domain provision with centre being quite disconnected. Improvements are proposed for St Leonards Forum South.	High quality open space provision (Martin Place, Hyde Park, Pitt St Mall, Darling Harbour etc).	Access to improving public areas such as Church Street and river access.	Limited open space opportunities - spearated by Highway.	Similar to North Sydney however does have access to public domain in the Interchange, Westfield and Chatswood Chase.	Poor public domain provision due to lower densities and large distances.	High quality open space provision with access to Barangaroo Point Reserve and harbour waterfronts via a waterfront promenade.	Significant public domain improvements planned including enhanced streetscapes, landscaping and planting upgrades and public furniture and art.
Car Parking Provision (Source: Local Council)	1 space per 110 sq.m. of net floor area	↔ Ranging from 1 per 75 sq.m. to 175 sq.m. of GFA	↓ 1 space per 50 sq.m. of GFA	↔ 1 space per 100 sq.m. of non-residential floor space	↑ 1 space per 200 sq.m. of net floor area	↓ 1 space per 40 sq.m. of GFA	A total of 2,274 car in the Concept Plan for Barangaroo. Including 652 for commercial use	Currently 600 spaces (up to 1,600 permitted).
Potential Future Office Supply (sq.m)	80,150	339,226	216,000	87,720	N/A	252,691	N/A	N/A

Source: PCA Office Market Report July 2017, Knight Frank Office Market Overview September 2017; North Shore, Sydney CBD, Parramatta

N/A = information unavailable

The result of the analysis does not preclude demand for commercial floorspace within St Leonards moving forward, rather, a growing proportion will be focused in the health care and social services sector.

Employment growth in the health and social services sector between 2011 and 2016 (1,141 additional jobs) reflects a broader trend of a growing health sector within St Leonards Strategic Centre. In 2016, the health care and social services sector provided 9,829 jobs and is projected to grow to 11,342 jobs by 2036 (jobs growth of approximately 1,500 over this period).

The high proportion of health services jobs in the St Leonards Strategic Centre is aligned to the presence of the RNSH and medical services businesses located along the Pacific Highway.

As part of the government-led redevelopment of the RNSH, there is concept approval for a new ten-storey Health Services Administration and Other Ancillary Functions Building that will provide an additional 27,000 sq.m of office NLA. This development will support significant office jobs growth in the health services sector, anchored by the NSW Government.

In addition to the RNSH, there may be opportunity to attract specialised health businesses into the area, which do not necessarily require a large corporate office format. An example is Primary Health Care Pty Ltd occupying 4,500 sq.m in the St Leonards Forum.

Health sector tenants typically demand small professional suites which can be accommodated in a mixed-use format. The provision of this type of stock within the St Leonards Strategic Centre and near the RNSH will further support future growth in the health care and social services sector.

2.4. FUTURE SUPPLY

In addition to the existing supply of office space in St Leonards, there are nine developments in pipeline that contain a combined office floorspace of approximately 103,000 sq.m. These are summarised in Table 2.4.

A large portion of future office supply will be located within the Gore Hill Technology Park. Ausgrid has submitted a development application for construction of a nine-storey depot/administrative office building with office space that is estimated to accommodate 97 depot staff and 900 administrative staff. In addition, Building D within the technology park has development consent for three towers totalling approximately 46,000 sq.m. To note, the progression of Gore Hill Building D is dependent on tenant pre-commitments.

The redevelopment of Royal North Shore Hospital (RNSH) has been an ongoing government-led project since 2006. The original concept plan included scope for 108,000 sq.m commercial floorspace, much of which has already been developed. A modification to this concept plan has been approved for Precinct 4 of the hospital to include 27,000 sq.m NLA for health-related commercial floorspace.

There are also seven mixed use developments planned within the St Leonards Strategic Centre that include approximately 30,000 sq.m of commercial NLA.

Proposed Office Developments

St Leonards/Crows Nest

Table 2.4

Project	Owner	Stage	Completion Date	Average Floorplate (sq.m)	Levels Containing Office	Office Net Lettable Area (sq.m)
Metropolitan Residences	Austino Property	Construction	2018	N/A	1	1,016
18 Atchison St Mixed Development	Electroboard	Development Approval	2019	472	5	2,362
St Leonards Square	Mirvac Group	Construction	2020	1,232	3	3,695
Gore Hill Technology Park - Building D1, D2 and D3	Lindsay Bennelong Development	Concept Plan Approval	2020	2,000	6 - 8	46,000
Gore Hill Technology Park - Ausgrid Depot	Ausgrid	Development Application	2020	1,598	9	14,378
100 Christie St Mixed Development	Altis Property Partners	Development Approval	2020	1,100	36	3,300
Royal North Shore Hospital Precinct 4	NSW Government	Concept Plan Approval	2022	3,000	9	27,000
575 Pacific Highway Mixed Development	Rozene Pty Ltd & Rosemate Pty Ltd	Rezoning Application	2022	N/A	8	2,616
617 Pacific Highway	Anason City Developments Pty Ltd	Rezoning Application	N/A	960	3	2,700
Total						103,067

Source: Cordell Connect; Willoughby Council; NSW Department of Planning & Environment; Urbis

2.5. SUMMARY AND IMPLICATIONS

Our key findings for the St Leonards office market are as follows:

- A comparative study of competing office markets finds that the St Leonards office market currently has several characteristics that make it less attractive to potential tenants, namely:
 - **Lower quality stock:** A lack of investment, office developments or major refurbishments, clearly reflected in the high proportion of C-Grade stock relative to other major office markets
 - **Limited amenity:** St Leonards Forum offers some food and beverage retail and a single Coles supermarket. This is relatively limited in comparison to the amenity provided at major retail centres such as Macquarie Centre at Macquarie Park, Westfield and Chatswood Chase.
 - **Less affordable rents:** North Ryde / Macquarie Park and Chatswood are both more affordable than St Leonards
- Since 2013/14, there has been significant withdrawal of C-Grade stock in the St Leonards market, either for refurbishment or conversion to residential, reflecting low market demand for C and D-Grade office space in the area. This has resulted in a gradual decline of vacancy rates over this period.
- Despite removal of poor quality stock, the St Leonards office market experienced negative net absorption of 31,026 sq.m over the 12 months to July 2017, outstripping withdrawal of office stock in this period (19,614 sq.m) and causing the vacancy rate to rise from 8.5% to 12.6%. This was largely driven by a number of office demolitions in this period, particularly of B- and C-Grade office stock.
- St Leonards' commercial vacancy rate is significantly higher than competitive markets, withdrawal of stock, and negative net absorption indicates that developers are responding to trends in tenant demand as they leave the St Leonards market for newer offices with larger floorplates.
- Future supply of office developments in the St Leonards / Crows Nest market is expected to occur mainly in the Gore Hill Technology Park, which has the capacity to accommodate large floor plate office buildings, and within the RNSH, where a pre-determined anchor tenant (NSW Health) will support office jobs relating to the health precinct.

Implications for future development at the subject site include:

- The subject site's location within the core of St Leonards faces significant competitive barriers to attracting major office tenants that would support a large scale office development
- Further development of the RNSH is expected to drive demand for commercial space in the health care and social services sector. A mixed use development at the subject site could incorporate commercial space catering to such tenants.

3. OFFICE FLOORSPACE DEMAND

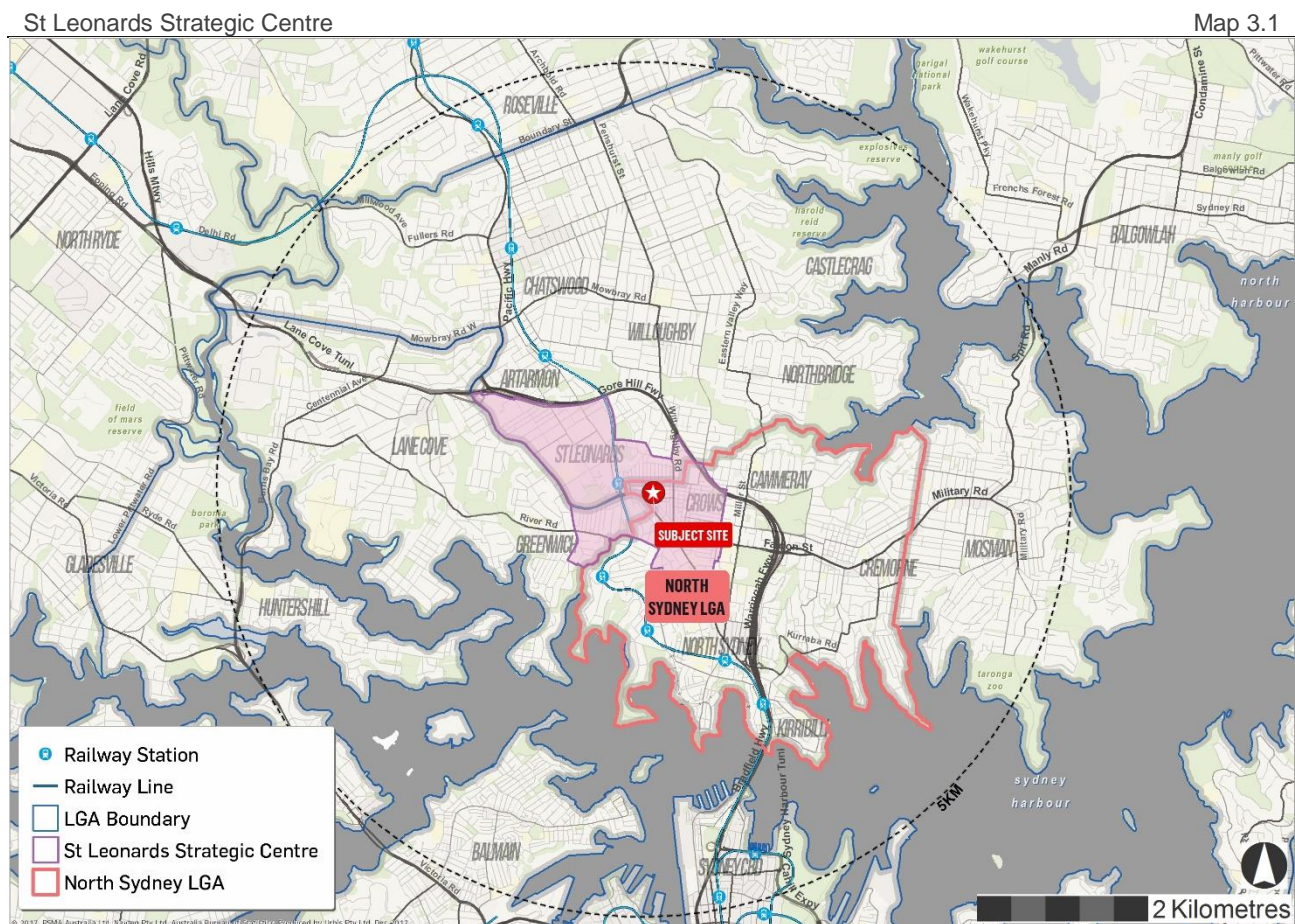
The following section identifies the current and future demand for office floorspace in the St Leonards Strategic Centre. The extent to which additional floorspace will be required is reliant on economic and employment growth.

3.1. ST LEONARDS STRATEGIC GROWTH

The St Leonards Strategic Centre has been identified and defined by the Department of Planning and Environment and is depicted in Map 3.1.

Urbis has forecast future demand for commercial floorspace in the St Leonards Strategic Centre by applying floorspace (sq.m) / employment ratios to the Bureau of Transport and Statistics (BTS) 2016 industry employment projections. This process involves the following:

1. Analysis of job growth forecasts at the individual industry level
2. Converting jobs growth per industry into jobs growth by land use
3. Converting forecasted jobs growth by land use into floor space demand.



3.2. PROJECTED EMPLOYMENT

Chart 3.1 illustrates the projected employment for St Leonards Strategic Centre between 2016 and 2036 and its distribution across different industry sectors using 2016 Bureau of Transport Statistics (BTS) data. It shows that employment within the Centre is projected to increase by approximately 7,150 jobs between 2016 and 2036. Draft North District Plan (October 2017) base and high case employment targets are also used for in the St Leonards Strategic Centre, projecting approximately 6,900 and 16,400 jobs, respectively.

BTS employment projections are official NSW State Government projections, and have been used in reports commissioned by the NSW Department of Planning and Environment (St Leonards and Crows Nest Strategic Employment Review authored by SGS Economics and Planning).

The District Plan identifies St Leonards as a key employment centre in Greater Sydney and define a target employment range of 54,000 to 63,500 by 2036. This represents **growth of 6,900-16,400 jobs between 2016 and 2036**. The key growth sectors outlined in Table 3.1 are expected to add the following jobs:

- **Professional, Scientific & Technical Services** to increase by +2,323 jobs according to BTS forecasts, +2,259 jobs in the base case and +4,742 jobs in the high case of the District Plan Targets.
- **Health Care and Social Assistance** to increase by +1,513 jobs according to BTS forecasts, +1,462 jobs in the base case and +3,448 jobs in the high case of the District Plan Targets.
- **Education and Training** to increase by +639 jobs according to BTS forecasts, +629 jobs in the base case and +1,042 jobs in the high case of the District Plan Targets.

Different industry sectors have different needs when it comes to the type of floorspace required to operate their respective organisations. Table 3.1 illustrates the growth in jobs across different land uses to 2036. This analysis is based on benchmarks that Urbis have derived looking at land use demands by different categories of employment. It provides an indication of the demand for different types of land use within the St Leonards Centre.

- BTS employment projections (2016) forecast office based jobs to increase by 3,945 jobs, over the next 20 years.
- Based on the same industry sector growth rates, the District Plan low and high job targets will comprise of 3,826 to 8,432 office jobs, over the next 20 years.

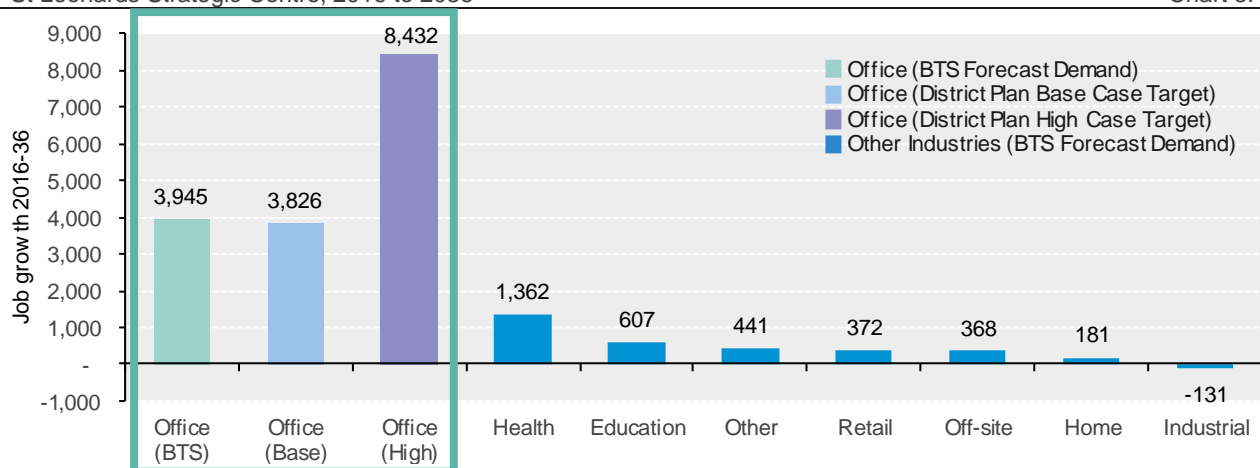
In addition to office based jobs, BTS employment projections forecast growth across a number of other land uses within the St Leonards Strategic Centre, reflecting it's transition to a mixed-use centre:

- **Health:** An additional 1,362 jobs between 2016 to 2036, accounting for 19% of growth in the Centre
- **Education:** An additional 607 jobs between 2016 to 2036, accounting for 8% of growth in the Centre.

Employment Growth by Property Type

St Leonards Strategic Centre, 2016 to 2036

Chart 3.1



Source: Bureau of Transport Statistics 2016; Urbis

Forecast Employment

St Leonards Strategic Centre by Industry, 2016 to 2036

Table 3.1

Industry Sector	Forecast										District Plan Targets		
	2016		2021		2026		2031		2036		2016-36	2036	2036
	No.	%	No.	%	No.	%	No.	%	No.	%	Total Change	Base Case	High Case
Professional, Scientific and Technical Services	11,849	25%	12,316	25%	12,907	26%	13,528	26%	14,172	26%	+2,323	+2,259	+4,742
Health Care and Social Assistance	9,829	21%	10,159	21%	10,534	21%	11,032	21%	11,342	21%	+1,513	+1,462	+3,448
Construction	3,151	7%	3,311	7%	3,455	7%	3,660	7%	3,911	7%	+760	+742	+1,427
Education and Training	1,584	3%	1,742	4%	1,906	4%	2,067	4%	2,223	4%	+639	+629	+1,042
Financial and Insurance Services	2,234	5%	2,466	5%	2,577	5%	2,673	5%	2,798	5%	+564	+551	+1,018
Accommodation and Food Services	1,773	4%	1,868	4%	1,941	4%	2,030	4%	2,112	4%	+339	+329	+796
Retail Trade	2,478	5%	2,583	5%	2,625	5%	2,718	5%	2,797	5%	+319	+306	+699
Other Services	1,903	4%	1,991	4%	2,042	4%	2,116	4%	2,203	4%	+300	+290	+676
Rental, Hiring and Real Estate Services	1,036	2%	1,110	2%	1,171	2%	1,237	2%	1,307	2%	+271	+265	+521
Administrative and Support Services	1,463	3%	1,540	3%	1,575	3%	1,630	3%	1,695	3%	+232	+224	+505
Arts and Recreation Services	519	1%	574	1%	625	1%	678	1%	736	1%	+217	+214	+494
Public Administration and Safety	461	1%	490	1%	509	1%	521	1%	544	1%	+83	+81	+343
Electricity, Gas, Water and Waste Services	212	0%	226	0%	245	0%	266	1%	278	1%	+66	+65	+295
Mining	65	0%	66	0%	69	0%	72	0%	72	0%	+7	+7	+242
Agriculture, Forestry and Fishing	43	0%	45	0%	47	0%	49	0%	49	0%	+6	+6	+176
Wholesale Trade	1,729	4%	1,719	4%	1,732	3%	1,730	3%	1,729	3%	0	-8	+113
Information Media and Telecommunications	3,152	7%	3,194	7%	3,156	6%	3,166	6%	3,124	6%	-28	-42	+19
Manufacturing	2,339	5%	2,346	5%	2,243	4%	2,237	4%	2,205	4%	-134	-144	+14
Transport, Postal and Warehousing	1,263	3%	1,231	3%	1,141	2%	941	2%	932	2%	-331	-335	-172
Total Employment	47,083	100%	48,977	100%	50,500	100%	52,351	100%	54,229	100%	+7,146	+6,900	+16,400

Source: BTS 2016 Employment Projections; Urbis

Office based employment is expected to comprise a number of different industry sectors. Industry sectors that have the majority of their operations located in non-office floorspace still require a proportion of office floorspace, including:

- Health services (10% office floorspace)
- Urban services (10% office floorspace)
- Construction (5% office floorspace)
- Education and training (5% office floorspace)
- Arts and recreation (30% office floorspace).

These sectors may be better suited to co-locating office based employment with other non-office based operations, with the functional benefits of co-locating with its core business greater than the amenity associated with CBD locations.

As such these sectors may not require traditional 'corporate' office accommodation and may suit smaller professional suites, or be co-located with other business operations (e.g. factories, warehouses or temporary accommodation on construction sites). This would create demand for flexible commercial space that could be accommodated in the podium of mixed use developments, which have the flexibility to accommodate a mix of tenant types.

3.3. OFFICE SUPPLY/ DEMAND FLOORSPACE ST LEONARDS CENTRE

According to the Property Council of Australia's (PCA) Office Market Report (OMR) July 2017, there is currently 39,650 sq.m of vacant office space in the Crows Nest / St Leonards market. Combined with the approved development pipeline of 103,067 sq.m of proposed office floorspace within the St Leonards Strategic Centre. When including the additional 1,220 sq.m office GFA proposed within a mixed-use scheme at the subject site, this results in a **total supply of approximately 141,550 sq.m available office floorspace by 2036**.

We have considered the following employment projections and targets for the St Leonards Strategic Centre to 2036 using:

- Bureau of Transport Statistics (BTS) 2016 release employment projections
- Draft North District Plan (October 2017) base and high case employment targets.

The table below details the relevant employment projections and targets as well as the calculations we have made to convert this into demand for office floorspace by 2036.

Against all job projections and targets for the St Leonards Strategic Centre, the proposed and vacant supply of office floorspace is more than sufficient to meet the demand for office floorspace, with **office floorspace surpluses by 2036 of between 36,148 sq.m and 93,723 sq.m**.

Demand and Supply of Office Floorspace

St Leonards Strategic Centre, 2016 to 2036

Table 3.2

		BTS Forecast 2016	District Plan Base Case Target	District Plan High Case Target
A	Job Growth 2016 - 2036	7,146	6,900	16,400
B	Office Job Growth 2016 - 2036	3,945	3,826	8,432
C	Employment Benchmark (sq.m per job)	12.5		
D	Demand for Office Floorspace (2016 - 2036) (B / C)	49,312	47,825	105,400
E	Vacant Existing Office Floorspace	39,650		
F	Proposed Office Floorspace	103,000		
G	Withdrawal of Existing Floorspace on site	2,322		
H	New Office Floorspace on subject site	1,220		
I	Supply of Office Floorspace (2016 - 2036) (E+F-G+H)	141,548		
J	+Surplus / -Deficit (by 2036) (I-D)	+92,236	+93,723	+36,148

Source: Cordell Connect; PCA Office Market Report; BTS 2016; Draft North District Plan 2017; Urbis

3.4. SUMMARY AND IMPLICATIONS

The analysis of historic, existing and future employment in the St Leonards Strategic centre reflects a surplus of office space. The key findings of our analysis include:

- Projected employment growth of between **6,900 and 16,400 jobs** between 2016 to 2036, based on BTS data

- This growth is estimated to result in growth of **3,826 to 8,432 office jobs** in the St Leonards Strategic Centre, based on Urbis benchmarks of land-use demand
- An estimate of between **47,825 and 105,400 sq.m of office space** is required to cater for the growth in jobs that require commercial floorspace by 2036
- There is estimated to be approximately **141,550 sq.m of available office floorspace** in 2036, including currently vacant office floorspace and proposed office floorspace from nine projects in the development pipeline in the St Leonards Strategic Centre
- Overall gap analysis of office space projected for the St Leonards Strategic Centre amounts to a **surplus of between 36,148 and 93,723 sq.m by 2036**, indicating sufficient office floorspace is being delivered to accommodate jobs growth.

4. ECONOMIC BENEFITS

This section identifies the potential employment and economic generation associated with the proposed development on the subject site. Specifically, this section addresses the following points:

- Potential employment and economic benefits generated during the construction of the proposed development
- Potential employment and economic benefits generated in the ongoing operation of the proposed development
- Qualitative assessment of additional economic benefits.

Modelling included in this report uses REMPLAN to assess current and potential economic impacts. REMPLAN is an Input-Output model that captures inter-industry relationships within an economy. It can assess the area-specific direct and flow-on implications across industry sectors in terms of employment, wages and salaries, output and value-added (Gross Regional Product). A region can be defined at a national, state or Local Government Area level.

REMPAN base data is drawn from the Australian Bureau of Statistics and other government agencies. It provides highly reliable, up-to-date, and defensible economic modelling across any state or region in Australia.

Previous modelling of economic impacts has used ABS Input-Output tables from 1996-97. The multipliers are close to 20 years old and are less accurate in estimating impacts on the economy, particularly due to:

- Productivity changes throughout the economy over the past 20 years
- The changing industry make-up of the Australian economy since 1997 – for example the decline in manufacturing and the rise in financial services.

4.1. CONSTRUCTION JOBS

Construction of a mixed-use development would require capital expenditure that would sustain significant employment in the construction industry through the development period. Construction industry activity also has multiplier effects that are felt through the local economy.

Total construction costs have been estimated from the 2017 edition of the Rawlinsons Construction Cost Guide as well as from TWT Property Group. The indicative concept design could be in the order of \$55 million over 2.5 years (30 months), equating to an annual construction cost of \$22 million. A summary of the construction cost is included in the following table.

Estimated Construction Costs for Indicative Concept Design

Proposed Development			Table 4.1
Construction Cost (p.a.)	(\$M)	22.00	
Employment			
Direct Employment	(no.)	43	<i>Indirect Multiplier</i>
Indirect Employment	(no.)	61	2.419
Total Employment	(no.)	104	
Gross Value Added (GVA)*			
Direct GVA	(\$M)	6.45	<i>Indirect Multiplier</i>
Indirect GVA	(\$M)	9.17	2.421
Total GVA	(\$M)	15.62	

Source: TWT Property; Rawlinsons 2017; Urbis

The construction of the indicative concept design at the subject site is estimated to have the potential to generate \$6.45 million in direct Gross Value Added (GVA) per year, and \$9.17 million in indirect GVA. Employment represents total number of employees without any conversions to full-time equivalence. The

construction project is forecast to generate an estimated 43 direct jobs and 61 indirect jobs each year of the project.

4.2. ONGOING JOBS

The ongoing operations of the non-residential components of the development will create jobs and generate economic activity in Gross Value Added (GVA). The number of direct jobs for the proposed development was estimated using industry benchmarks on jobs per net lettable area. Direct jobs are entered into REMPLAN to produce an estimate of indirect jobs, and direct and indirect GVA.

The proposed development on the subject site will include space for retail and commercial office which are estimated to generate 216 total jobs from ongoing operations as shown in Table 4.2. New commercial office jobs are expected to be accommodated at a higher efficiency than the existing building, achieving a 12.5 sq.m per worker rate (due to improved floorplate efficiency and fit out).

Proposed Indicative Concept Design

25–35 Atchison Street, St Leonards

Table 4.2

	Area (sq.m)	Benchmark (sq.m per job)	Ongoing Jobs
Retail ¹	1,945	16	118
Commercial Office ²	1,037	12.5	98
Total	2,982		216

Source: REMPLAN Economy; Urbis

¹ Gross Leasable Area Retail (GLAR)

² Net Lettable Area (NLA) based on 85% of GLA

Annual Economic Activity – based on Indicative Concept Design

25–35 Atchison Street, St Leonards

Table 4.3

	Direct Effect	Indirect Effect	Total
Jobs	216	88	304
Economic Generation GVA p.a (\$M)	\$22.34	\$14.57	\$36.91

Source: REMPLAN Economy; Urbis

Employment Comparison

Current Buildings and Updated proposal

Table 4.4

Existing Development Approval

Current Site	NLA (sq.m)	Employment Benchmark	Jobs / sq.m
23 Atchison Street - Commercial Office	460	15	31
25 Atchison Street - Gallery / Studio	487	71	7
27 Atchison Street - Gallery / Studio	447	71	6
31 Atchison Street - Urban Light Industry	573	90	6
35 Atchison Street - Commercial Office	1,862	15	124
Total	3,829		174
Updated Proposal	NLA (sq.m)	Employment Benchmark	Jobs / sq.m
Retail*	1,945	16	118
Commercial Office	1,037	12.5	98
Total	2,982		216
Net Change			+42

Source: Urbis

*Retail NLA is equivalent to GLAR

While a higher job outcome could be achieved if the non-residential podium was fully commercial space (10,127 sq.m at 12.5 sq.m per worker equates to 810 jobs), the proposed retail floorspace will deliver amenity and additional services to the St Leonards Strategic Centre. Furthermore, improved public domain and ground floor activation will reinvigorate the precinct for workers and residents.

A lower GFA per job benchmark has been used, given the existing property consists of older office buildings. The 12.5 sq.m GFA per job benchmark used for the new commercial office space to reflect better efficiency and design.

4.3. RETAIL EXPENDITURE

For the purpose of estimating additional retail expenditure, we consider a market catchment from where new residents or potential purchasers are likely to be drawn. The subject site sits on the border of the St Leonards – Naremburn SA2 and the Crows Nest – Waverton SA2. As such, migration into the combined geography of these two SA2s has been used to determine the subject site's market catchment.

Migration analysis finds that new residents in St Leonards are migrating from a local Lower North Shore catchment, predominantly contained in the Mosman, North Sydney, Lane Cove and North Sydney LGAs. The combination of these LGAs has thus been identified as the main catchment area for the proposed site, and the market catchment for this retail expenditure assessment.

Based on the indicative concept design comprising of 102 residential dwellings and the average household size of apartments in the market catchment (i.e. 2.3), the estimated number of residents that could be accommodated across the subject site is 237 people.

The current spending profile of the market catchment shows an average spend per capita of \$19,820 in 2017. Therefore, residents at the site could generate \$4.7 million in retail expenditure (in 2017), as illustrated in Table 4.5.

Resident Spending by Product Category

Subject Site, based on 237 additional residents (\$million 2017)

Table 4.5

Number of Residents	Year	Food Retail	Food Catering	Apparel	Home-ware	Bulky Goods	Leisure/General	Retail Services	Total Retail ¹
237 Residents	2017	1.6	0.9	0.6	0.4	0.5	0.5	0.2	4.7

¹ Spend per annum

Source: ABS; MarketInfo 2012; Urbis

The economic benefits associated with this additional spending growth can be expressed as follows:

- Potential to improve turnover performance of existing retail precincts near the subject site
- Scope to sustain additional retail floorspace around 670 sq.m (for a total retail spend of \$4.7 million per annum), based on an average turnover per sq.m rate of \$7,000 per sq.m
- Creation of additional full-time, part-time and casual retail jobs in the range of around 42 jobs resulting from the development of new floorspace (assuming a typical employment density for specialty retail floorspace of one job per 16 sq.m).

4.4. SUMMARY AND IMPLICATIONS

The proposed changes in the planning controls of 25–35 Atchison Street and an assessment of the indicative concept design, demonstrate that the project could yield the following economic benefits:

- A total of 43 direct jobs and 61 indirect jobs from the construction phase
- Ongoing employment of 216 direct and 88 indirect jobs from the retail and commercial uses
- An overall net increase of 42 direct jobs.

While a higher number of jobs could be achieved if the non-residential podium was fully commercial space (10,127 sq.m at 12.5 sq.m per worker equates to 810 jobs), the inclusion of retail will deliver amenity and services important to the St Leonards Strategic Centre through improved street level activation which will make St Leonards a more attractive place to work, improving its appeal to tenants.

- The total spend associated with an additional 237 new residents on the subject site has the potential to improve turnover performance of retail precincts near the subject site by \$4.7 million per annum.

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